Xm56,m43
m43.162
164199

The Economist

Established 1843

January 5, 1952

One Shilling

MADRAS GOVERNMENT

LEADING ARTICLES

Outlook for Inflation - - - - - 1
The Six Power Army - - - - - 2
Egypt's Defence Policy - - - - - 4
London's Future - - - - - - - 5
Last Act of the Marshall Plan - 8

NOTES OF THE WEEK - - - 10

Storms around Mr Churchill; The Third Man; Narrow Margins in Nationalisation; Dr Mossadegh Hangs On; Difficulties in Japan; One of the Old Guard; Freedom for the Schools; Punishments in Approved Schools; After Prison; How Much Can Germany Pay?; Prague's Watch on the Peasants; The D[illegible] Published; Analysing Family B[illegible]

BC[illegible]

LE[illegible]

TI[illegible]

The Economist 1952

19½ April issue is wanting.

Belgium uses the Brake; The Cost of Indo-China; Mr Lyttelton in Hongkong; Indians in Ceylon; Canada Abolishes Exchange Control.

THE BUSINESS WORLD

The Sterling Talks - - - - - 35
The Way to Simplify - - - - 37

BUSINESS NOTES - - - - - 39

La Ronde; Coal Prices and Finances; Gilt-Edged and Reserves; Dollar Rate Dips; Belgium's Export Glut; New Design for Cinema Duty; Coal According to Plan; Car Exports Rise Again; Home Car Prices; Power Today and [illegible]morrow; Higher Building Society [illegible]s?; Nine Months' Revenue; American [illegible]ing and British; Deadlock in Tin; [illegible]er Metal Allocations; Devaluation of [illegible]Dinar; Rayon Price Cut; Premier [illegible]rol Again?; New Life Records in 1951; Shorter Notes.

COMPANY NOTES - - - - - 52
STATISTICAL SUMMARY - - - 53
COMPANY MEETINGS - - - - 54

Vol. CLXII No. 5654
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £7
Registered as a newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorized as Second Class Mail, Post Office Dept., Ottawa.

Outlook for Inflation

THIS used to be the time when the hearts of hard-faced men were moved and they foresaw better things. Trade, said Cabinet ministers with their ears to the ground, was definitely on the turn. Captains of industry had advance intelligence that the army of unemployed would soon be dwindling. Now it is the problems of inflation, not the unemployed, that are always with us; and the more or less of inflation is still a subject rather too abstract and remote for most New Year messages. The habit of economic forecasting has shifted from the board room to Whitehall, from the politician's bromide to the planner's statistics. The seasonal pattern has changed in the process, yet it has retained the old emotional colouring. From January [illegible] it is now the period when politicians and civil servants decide [illegible] be as bad as they feared. [illegible] in fact it is worse. [illegible] that Mr Churchill [illegible] was established in [illegible]ments were complete. [illegible] United States made [illegible] economic blizzard" [illegible] to start fighting the [illegible]nd Budget was con- [illegible] that in the summer [illegible]d this country was powerless to meet the devaluation crisis. Last year Mr Gaitskell over-estimated the extent to which price increases, running ahead of wages because of the rise in raw material costs, would restrict consumer spending and so check inflation without higher taxes or cuts in Government spending. The Budget policy was inadequate for essentially the same reason as in 1949 and, to a lesser extent, 1950; at the beginning of the year, the inflationary pressure to be combated looked less formidable than it afterwards proved to be.

It would be easy to make the mistake again in 1952. The buyers' resistance to high prices, which began last autumn after the stock-building of the spring and early summer, shows no signs of weakening. The probability is that retailers and manufacturers will give way first, and that there will have to be some substantial price-cuts, particularly for clothing, before trade picks up. Meanwhile, a little unemployment and short-time working may continue in the textile and clothing industries. The evidence that a few things really are getting cheaper will probably encourage people to put off buying other things, even though those are in fact likely to become dearer in consequence of recent wage increases. The approach of the Budget itself generally helps to make people cautious. At the same time, spending power will be reduced in real terms by the higher prices of food, fuel and transport. It will take the unions a few months to formulate fresh wage claims to meet this latest rise in the cost of living. And the new monetary policy will be beginning to exert a direct influence.

The present tightening of credit, taken alone, will not *put any* significant number of people out of business; it will not free resources that cannot quickly be absorbed for other purposes many times over. But it will stop some spending, both business and personal; and, if only because monetary discipline had become so unfamiliar, it probably will for a time have a sharp effect on business psychology; people may think that Mr Butler has changed the beer even if in fact he has merely blown a little of the froth off the old brew.

For all these reasons, there may during the next few months be some stay to the progress of inflation. For different reasons, the balance of payments may look less weak than it did before Christmas. Conservative politicians, like any others, will be tempted to think that arresting inflation and restoring confidence in sterling is a less difficult task than they feared. If so, they will be wrong; they will be allowing themselves to be deceived by seasonal and temporary circumstances, as Sir Stafford Cripps and Mr Gaitskell were, and their policies will fail.

A passing lull to inflation will, unfortunately, make the new Chancellor's political task more difficult. If he fails in that, the following storm will be inevitable and may well be worse than the storms of 1949 and 1951. Rearmament will soon be out of the preparatory stage. The Ministry of Supply placed its orders in large volume last spring and, for all the delays, the work of tooling-up in many factories is now nearly complete. Within a few months, the diversion of men and materials to arms production —as yet almost negligible—will become swift. Earnings will increase, labour will become scarcer, supplies to the civilian market will decline. And at the same time, unless some means of preventing it are found soon, the unions will be making fresh claims and wages will again be chasing the rise in prices that they have just caused.

It is too soon to try to estimate the strength of the inflationary pressure that lies ahead, but no one should let present appearances be an excuse for hoping that it may be slight. In the current financial year the Government is spending, presumably, about £1,100 million on defence. In the next Budget the bill should rise to something near £1,800 million. The estimates of every other government department will reflect the rise in prices since last April. All this will far outweigh the buoyancy of revenue that is the fruit of the past year's inflation. In real terms, large economies in the state's spending for civilian purposes would be needed merely in order to maintain the present budget surplus. And that is a wholly inadequate objective. It would fail to combat the extra inflationary pressure that must be expected to develop, as certainly as anything can be, by the summer. If further inflation is to be prevented, if the British economy is to be given the room to manoeuvre on which its efficiency depends, if confidence in sterling is to be restored, the cuts in other government spending ought to get near to offsetting the increase of some £700 million in defence expenditure. They cannot be achieved solely by administrative pruning, which might save 5 to 10 per cent on the estimates, and they cannot be imposed uniformly on the departments. But the food subsidies of £410 million are 17 per cent of the present cost of all government services other than defence and the consolidated fund, and the more heavily the subsidies are cut the less will be the need to pare down the more important social services.

The country has now some sense of urgency; it expects changes, for good or ill. This is an opportunity that ministers cannot afford to miss. A crisis can quickly grow stale, as happened several times under Mr Attlee's government. If little is done until April people will believe that the dire talk of unpleasant remedies again means nothing and that either providence or the Americans will after all allow this country to go on as it is. The Government's economic policy for 1952 can be given final shape—if need be, it can be reshaped—in the Budget; but the main measures of retrenchment ought to be decided, and to be made known, when Parliament reassembles at the end of this month. That was the implied promise Mr Churchill gave in his broadcast a fortnight ago, and it should be promptly fulfilled. If the policy is at all adequate to its purpose, it will be bitterly criticised. But its announcement in a month's time will require a little less political courage than it would need in three months' time. And the demand is only for boldness in self-preservation. If the British electorate wants continuous inflation, it can be sure of getting it from the Labour party. The one chance of success for this Government is to show quickly that there is another path, which it has the courage and ability to take.

164799 52 XVIII/B/113. 13.162

The Six Power Army

IT is not an unmixed blessing that the gradualists have triumphed in the latest agreement about a European army. The six governments concerned, it is true, have followed the advice so often given from Whitehall and have got down to brass tacks; but the result has been a sharp and rapid deflation of the Pleven Plan to which French policy was anchored. A stage-by-stage programme, which may take over five years to carry out, has been substituted for a spectacular and single sacrifice of national control over defence policies and budgets. Unity and federal institutions lie at the end, not at the beginning, of the journey that it is proposed the West Germans should make with their neighbours. What was to have been tight and ambitious has become loose and tentative.

We may see the beginnings of a European army shortly; but we shall not see the European defence community for many a long day. When the first German division appears—if it does appear—it will have been raised and paid for by the government of Western Germany, will be under that government's control, and will be supplemented by further divisions recruited, organised and paid for in Germany. And when it comes to 1954, the year in which European rearmament should be completed and Germany's 12 divisions ready, then—and only then—will Germany and its five associates be obliged to enter what is called the pre-federal stage of their partnership. Only then will a European commission produce European defence estimates and submit them to a Council of Ministers. And even then it will be national parliaments that will vote moneys to be raised by national governments. It looks as if Europe will have to wait until the late 'fifties for the real defence community, controlled by ministers responsible to an

elected European assembly. This may not be the best solution, though it may be the only possible one in the circumstances of the moment. But it is most emphatically not what the American, British and French Foreign Ministers meant last September when they said that Western Germany would be "integrated in a European defence community as part of a wider Atlantic community." Nor is it what Dr. Adenauer has been working for, in the hope that the stripling Federal Republic would not have to face alone the dangers from a reconstituted national military machine.

There are several points about the new plan that are good, and that will commend it to the Atlantic Council *when it meets in Lisbon on February 2nd.* It should produce European divisions in the field by next autumn, learning to work and train together, and building up a common supply system. It gives the electors of the Continent time to think about the consequences of surrendering sovereignty to a federal or—what is more likely—a confederate European authority. It is more likely than the original plan to get through the French parliament and less likely to be thrown out by the Bundestag. It faces the facts that the main difficulties ahead are political and that only agreement on ways of financing this common army will go to the root of these difficulties. It makes British co-operation easier in the preparatory stage, which may last till June, 1954; indeed, most British objections to participation at this stage no longer hold good. In short, the project is realistic and has been shaped by a real down-to-earth argument between ministers afraid of losing power at home by agreeing to something too idealistic and drastic.

*

There the catalogue of congratulations ends and second thoughts begin. For the British there is the unpleasant reflection that their grip on developments in Germany is fast slipping. During the Paris talks last week-end the conditions on which Germany may rearm were drastically revised without the British Government being able to influence the decisions directly. Some of the main assumptions about Germany on which Foreign Office thinking has been based collapsed overnight. Moreover, the new regime which is being substituted has no reliable stability. Dr Adenauer's government—or, worse still, a Schumacher government of nationalist Social Democrats—will be bound in defence matters to their neighbours by nothing more than a treaty and some ties of confidence and respect between political personalities. It will be easier for the Germans to refuse a defence contribution; but it will also be easier for them to make it, if they choose, in their own fashion. If their intention is secretly to regard the first division they raise for Europe as providing the *cadres* for a future independent *Wehrmacht*, there is little in the revised Pleven Plan to stop them. Dr Adenauer certainly has no such thing in mind; but Dr Adenauer's tenure of office is uncertain. That great body of German opinion which wants national sovereignty and unity with Eastern Germany before partnership with the West will be encouraged to think that France and its allies are yielding on this point. Dr Schumacher and his ill-chosen allies are pledged to a policy of "German welfare and union first."

These possibilities, admittedly, always existed; the change in the Pleven Plan has merely strengthened them. It has put off integration to an unpredictable future and it has raised a new possibility which is the nightmare of French—and Russian—statesmen. Suppose that a beginning is made this year with the raising of German units. Suppose that the appearance of a defence ministry in Bonn, of uniformed Germans in the streets, of staff officers in ministerial ante-rooms, causes a reversal of the present anti-military trend in Western Germany. And suppose that a new German desire for a national army coincides with a change of administration in the United States and a desire there to reduce army commitments in Europe. What would be more natural than for some Germans and Americans to propose solving the whole defence problem by a German-American agreement to recreate the *Wehrmacht* and equip it with American arms and money? The power of the United States would then be behind the only government in Western Europe with a territorial grievance, that is to say with a motive for an aggressive policy towards Soviet Russia and its satellites in Eastern Europe. And that fact would corrupt the essentially defensive purposes of the Atlantic alliance and Supreme Allied Command in Europe. Under the original Pleven Plan such an outcome would not, indeed, have been impossible; but it would have been difficult, since it would have involved not merely tearing up a scrap of paper, but destroying an integrated army and setting out to create the organs and administration of a national army. Under the revised plan, those organs will soon exist, under German control; they could be nationalised overnight if, when the time comes for one of the later stages of the Plan, the Germans (or, indeed, any other of the six participants) refuse to agree.

Such things are unlikely, in fact, to happen; but they cannot be entirely ruled out. The optimist will argue, quite correctly, that Germany is too poor to make a defence effort on a dangerous scale. It is known that Dr Adenauer's financial advisers are aghast at the figures they have seen for the cost of equipping modern forces. Moreover, powerful sections of German opinion are still anti-militarist, clamant though they are for the eventual restoration of the "lost territories." It can be argued, too, that so long as American, British and French divisions are on the spot in Germany, dangerous tendencies can be held in check by the German Government. In short, the prospects are that, in the two or three years that must pass before the European defence community can take shape, Germany will be too weak and diffident to be dangerous; and that the western powers, both in and outside Europe, will be so strong at the end of two or three years that no German Government will see any profit in refusing the privileges and advantages of European integration within an Atlantic community.

*

The argument is sound enough; and if the genuine Europeans at the head of affairs in Germany are not to be discouraged it is essential that British policy should be inspired by optimism rather than suspicious pessimism. But it is no use ignoring the fact that Britain's power to influence these events has been dangerously reduced by its standing aside from the European defence planning and by its lack of clear understanding of what it wants of Germany. If, for instance, it is British policy that in no circumstances should the Germans leave the European defence community or obstruct its full development, then it should not be beyond the wit of Whitehall and Washington to find some way of guaran-

teeing that the proposed six-power defence treaty should be honourably observed. It may seem fantastic to make such a suggestion before the treaty has been even drawn up; but the prospect of such a guarantee would deeply influence its drafting. Moreover, it must not be forgotten that the Opposition in Bonn has threatened to denounce as unconstitutional any arrangement for rearmament not approved by the German voters.

This proposed treaty and gradual advance towards integrated European defence is clearly the best that can be done in present circumstances. It is more than was expected by the realists—those whom General Eisenhower accused of "choking themselves with gradualism"—and less than was hoped for by the enthusiasts. It represents a big modification of French policy and omits many features of the Pleven Plan that provoked scorn among British military experts and professional diplomatists. The need and the duty for British policy is therefore clear. To do everything in its power to make sure—and to persuade the Americans to make sure—that this first advance towards unity in Europe is pressed on to the end. If it is not, then within a measurable time the choice will be between a complete revision of western strategy in Europe and the emergence of a new *Wehrmacht*, trained, controlled, paid for and equipped by a bitterly independent German government.

Egypt's Defence Policy

AMID the present loud exchange of intransigent statements that is taking place between the Egyptians and the British at cabinet level, it is easy to lose sight of the real cause of their quarrel, which is the immense gulf that separates Egyptian from western thinking on the subject of adequate defence. The size of the gap was well illustrated at a press conference given by the Egyptian Foreign Minister in Rome last week. Asked, by a European, if a Russian threat could be said to menace the Canal Zone, he answered that "Egypt has no dispute with Russia; if Russia were to attack, it would not be because of any differences with Egypt." This is true, but begs the question in a way that is dear to Egyptian hearts and meets with approval inside Egypt, though nowhere else in the Mediterranean. For it insinuates that if the western powers were not there, the Russians would stay away. Once this piece of false reasoning is accepted, the rest of Egyptian defence policy is easily built upon it. Any menace is due to the presence of the British; thus, if the British could be ejected, the menace would vanish; remembering the success of the Jewish terrorists in Palestine, the Egyptians go on to calculate that if, by violence, they can make the Canal zone really uncomfortable, the British are sure to go.

It is difficult to argue most Egyptians out of this train of thought. The chief merit of General Sir Brian Robertson's statement of Monday last was that it made a stern attempt to do so with its sonorous announcement (not for nothing had Sir Brian just seen Mr Churchill) that "no one should be misled into thinking that we shall be turned from our policy by the passage of time or murderous episodes." Nevertheless Egyptian illusions are likely to persist. To the average Egyptian's mind foreign policy consists of three topics only—relations with Britain, the existence of Israel and loyalty to the Arab League. Minds accustomed to fill themselves to the brim on these limited subjects have no room for broad conceptions of world policy or strategy. That is why most Egyptians draw no distinction between the offer to evacuate the Canal Zone that the British made in 1946, and the implications of such an offer if it were to be repeated now.

Of course the Egyptian theory that if there were no British there would be no attack does not for a moment hold water. It is as illusory as were Belgium's one-time arguments against extension of the Maginot line. The canal itself is not a prize; it can easily be rendered useless to shipping. But the Egyptian soil through which it cuts happens to be a land bridge, possession of which, in a global war, each side must immediately endeavour to deny to its adversary. The Egyptians have derived some immense advantages from their position astride this bridge; among them can be numbered rescue from debt in the last century and huge earnings in the course of the two world wars. But such gains are always offset by drawbacks, and the chief of these—about which an easy-going people prefers not to think—is the need to take thought for efficient national defence. Egypt's difference with Britain is not one of whether or no the Canal Zone will be attacked, for this will happen come what may. The topic to which the Egyptians need to be pinned down is whether or no an attack is rendered less likely if a good defence is provided in advance, and what that defence should be.

Naturally the ideal arrangement would be an initial holding force that was Egyptian. Everyone, from the British taxpayer up, would prefer that this were so. The Anglo-Egyptian Treaty of 1936 envisaged that it should happen, and provided that if, at the end of twenty years, there were any dispute as to the Egyptian army's fitness for the job, the Council of the League of Nations or "such other person or body of persons" as Britain and Egypt might agree, should decide the issue. The Egyptians, of course, hold that they are already fitted for the task, but, in Egypt's present state of internal difficulty and insecurity, no other state concerned with Mediterranean security would agree.

The present Egyptian government, therefore—the Wafd Government of Nahas Pasha—is concealing from its people the acute nature of the practical problem of defending a highly vulnerable country. It is masking the issue because, since it came to power two years ago, it has greatly disappointed its once nation-wide band of supporters. Its record in internal politics is one of unfulfilled promises, of unparalleled preoccupation with graft, and of almost total failure to narrow the gap between the country's few rich and teeming poor. It has thankfully seized upon popular dislike of the defence treaty with Britain in order to distract attention from these shortcomings. Hence its unilateral denunciation of that treaty in October, its out-of-hand dismissal of the Four-Power proposals for a Middle East Command, and its constant reiterations—another has been made by Nahas Pasha this week—that its unshakeable aims are "complete evacuation of the Canal Zone and the unity of the Nile Valley under the Egyptian crown." During the last two months, its servants in the Canal Zone towns

have intermittently co-operated with the British in the exercise of moderation, but a survey of all the government's acts suggests that the more precarious its term of office grows, the more it must pander to extremism. For reasons that are entirely political, and not at all practical, it has therefore withdrawn 60 of its best young army officers from training courses in Britain; it has done little to curb incitements to violence and it has proposed a draft law imposing penalties on all who "collaborate" with foreign troops and, in particular, on those who sell them foodstuffs.

But there are signs that this distortion of defence policy is now being questioned in several quarters from which Nahas Pasha had been accustomed to derive unquestioning support. The other members of the Arab League, for instance, have not backed Egypt in rejecting the Four Power defence proposal. King Farouk, also, has shown his dissatisfaction by appointing to political posts in the Palace two men who make no secret of their broader view; one is Hafiz Afifi Pasha, who is almost the only Egyptian lately to have had the moral courage to point out in public certain of the advantages of the British treaty, and the other Amr Pasha, who was until a few weeks ago Egyptian ambassador in London. Next, more responsible Egyptian newspapers are showing interest in the current private visit of the Iraqi premier, Nuri Pasha, to Ankara, Cairo and London, bearing, it is said, some constructive ideas on the affiliation of a unified Arab military command to the Atlantic Pact and its Mediterranean appendage. Lastly, the Egyptian Government's defence policy has been publicly questioned in an interesting article in the *Journal d'Egypte* by Rifaat Bey, legal adviser to the cabinet and Foreign Ministry. In this he expressed the view, "shared by a great number of thinking Egyptians," that even if Egypt and all the Arab states were to declare their neutrality, they could not maintain it. "It is beyond doubt," he wrote, "that Egypt's geographical position in relation to world communications and agricultural resources would make it one of the first targets for an aggressor."

Once a division of this nature has revealed itself in a country with which Britain is anxious to negotiate, the classic role of diplomacy is to maintain or throw out bridges towards the moderate sector of that country's opinion. Yet it is over-sanguine to think that such an operation will be easy. Even the "moderate" Egyptian ideas of compromise include recognition of King Farouk's title to the Sudan and total British military evacuation. To British minds, it is repugnant to purchase Egyptian goodwill at the price of a deal which impairs the Sudan's right to self-determination (a right which is the stronger now that Egypt's own foolishly extravagant claims to control Sudanese defence and foreign policy have driven many once pro-Egyptian Sudanese into the ranks that favour independence). To British minds, also, there is no guarantee that unconditional evacuation will make Egyptian hearts grow fonder; some recent experiences in the Middle East suggest that departure promotes not friendship but a volley of insults, that can be hurled with impunity after the retreating figure. The key to a serious deadlock seems to lie in placing emphasis upon defence arrangements that match a very patent threat of attack. The British should surely be ready to meet half-way the Egyptians who are now beginning to expound the need for such plans. But no start can be made until these innovators set down their concrete proposals for the defence of Egypt—which, if they are to be realistic, must make some provision for outside participation.

London's Future

OF all the local authorities preparing development plans for the next twenty years, the London County Council has had the hardest task. London is not only the seat of government and the centre of commerce, but the largest port and industrial town in Britain. Its layout is tangled and confused in the extreme. Even the well-defined functions of the West End, the City, and the docks disguise such disharmonies as the recent invasion of Mayfair and Belgravia by light industry; elsewhere, factories, warehouses, offices, and dwellings jostle each other in a seemingly patternless and endless maze. London's traffic problems are the despair of experts. Its vulnerability to air attack is the Achilles' heel of Britain. Its social problems are extraordinarily complex.

The LCC is the largest local authority in Britain, but it governs no more than the inner core of present-day London. Fifty years ago, its population was 4,500,000 and its boundaries roughly coincided with the limits of urban development. Today, its area is unchanged and its population, owing to prewar migration and wartime destruction, has shrunk to 3,300,000; another 5,000,000 Londoners now live outside the county but within the built-up area of the metropolitan police district—that is, in Greater London. Thus defined, the metropolis now contains, as it did before the war, a fifth of England's population. To limit its further expansion has become an accepted aim of Government policy. But it is far from certain that this aim will be realised, save in the sense that a still growing population will be spread over a still wider area. Developments such as the new towns will involve large increases in the population of the outer parts of the London region; they suggest that, despite the nominal barrier of the "green belt," the centrifugal growth of the capital is not yet exhausted.

The LCC has had to shape its plan on assumptions about the future of London which are wholly beyond its control. Evidence of the resulting uncertainties, and also of the inadequacy of Government guidance on crucial issues, crops up frequently in the 325 pages of the official analysis which accompanies the development plan published recently. The cruellest dilemma is presented by the acute scarcity of vacant land for development, a scarcity which at the end of the next five years "may in general terms be said to amount to land bankruptcy." Even minimum standards of good planning require that additional land should be found for schools, roads and public open spaces, as well as for new housing, which will involve an increasing displacement of existing property and population. This is naturally a distasteful prospect to a council which must cope with an estimated number of 250,000 families on the combined waiting list for dwellings in London; 75,000 of these applications are classed as urgent.

Since the war the LCC has built about 30,000 dwellings in large "out-county" estates, mostly in the green belt and more than ten miles from Charing Cross. It has

agreed, with obvious doubts, to the winding up of this programme after a further 19,000 dwellings have been completed. Thereafter, further development in the London region will be limited to the new towns and other places at a distance from the "great wen," and the LCC will be confined to the much more costly and difficult task of redeveloping built-up areas. The LCC, therefore, faces a standing temptation to cut down its space standards and to cram as many people as possible on to its redeveloped sites. Cost as well as the housing shortage points in this direction; yet to yield to the pressure would be to abandon good planning and the Abercrombie design for London. And it might be unnecessary. If the new towns are effective magnets for Londoners, the waiting list for houses could dwindle very quickly.

It is important, yet very difficult, for the LCC to look beyond its present pressing embarrassments. The problem is complicated by the fact that the LCC, overburdened with too much population at present, is yet anxious not to lose too many people lest rateable values suffer severely. This conflict runs through the plan. The proposed residential densities follow the general design of the original plan of 1943. Their eventual attainment will involve considerable thinning out of the population in some central areas, which may be partly offset by redeveloping some suburbs at higher densities. The striking difference in residential pattern between the north and south sides of the river will be preserved. But the fact that these densities are to be averaged out over considerable areas restricts their significance. It would be possible to do a great deal contrary to the spirit of these principles of good planning without for a long time infringing their letter.

★

The core of the plan is contained in the development proposals for the next five years, which are reasonably certain, and those for the following fifteen years, which are more tentative. They are a compromise between the ideals of 1943 and the realities of 1951. On balance, the ideals are still powerful, though the real test will come five years hence, when the plan must be revised. The council plans to spend £9 million during the twenty years on clearing over 1,000 acres of land for public open space in areas where it is notably lacking, and an impressive start has been made with the purchase of Holland Park. For schools, the council has had to seek some reduction in the space standards laid down by the Ministry, and to arrange for the provision of playing-fields outside the county. A reasonable programme is outlined for slum clearance; 17,300 families are to be rehoused in the first five years and 43,000 families in the next fifteen. The nature of the London problem can be clearly seen from the housing figures. In the first five years, the development of public services will involve the displacement of 84,000 people but 240,000 will be rehoused. For the following fifteen years, these figures are put at 400,000 and 339,000 respectively—that is to say, there will in the longer period be a net reduction in the number of houses in the county. It is in this period that the pinch will come and that the density standards of the plan will be threatened.

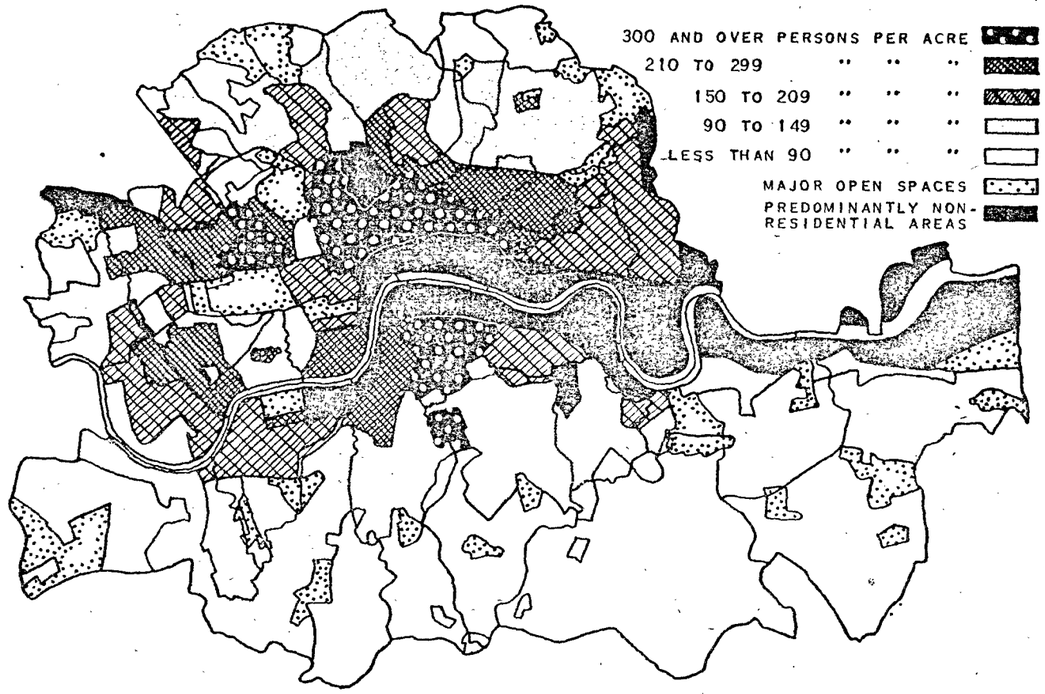
These are figures for the county as a whole. It is in the central areas of the county and in the East End where employment is strongly concentrated; where a multiplicity of land uses conflict; and where the pressure on land is generally so great that decent social facilities cannot be provided without enormous cost and displacement of population. The location of employment is the real meat of the planning problems of London. It is significant that, since the end of the first world war, employment within the county has declined at a much slower rate than has the population. Nearly 2½ million people were estimated to work in the county in 1948, while its resident working population was about 1,600,000—indicating an enormous daily influx. But employment is also heavily concentrated in the City and the West End. Peak hour traffic by public transport into the central area is still growing rapidly; 1,139,000 people were travelling on a typical weekday in 1950.

It is clear that questions of population, employment, and transport in the London region should be taken together, and that only the Government itself can formulate an effective policy for all three. The LCC, in planning for a somewhat smaller population—estimated at 3,150,000 after 20 years and 3,250,000 eventually—is complying with the official policy of decentralisation. Yet the other parts of the programme, for industry and transport, are already plainly out of step. The effect may in the long run be very dangerous. The Board of Trade has not been sympathetic to the case for moving factories out of London, and has licensed an appreciable amount of new factory building inside the county. Economic exigencies certainly preclude any big dispersal of industry at present. But at least the reverse movement ought not to be allowed. If the Board's policies are not changed, two results are likely. One is that the new towns will be a failure—unless, indeed, they draw their industry from other parts of the country and add (at Government expense) to the congestion of the London region. The other is that traffic inside London will become chaotic.

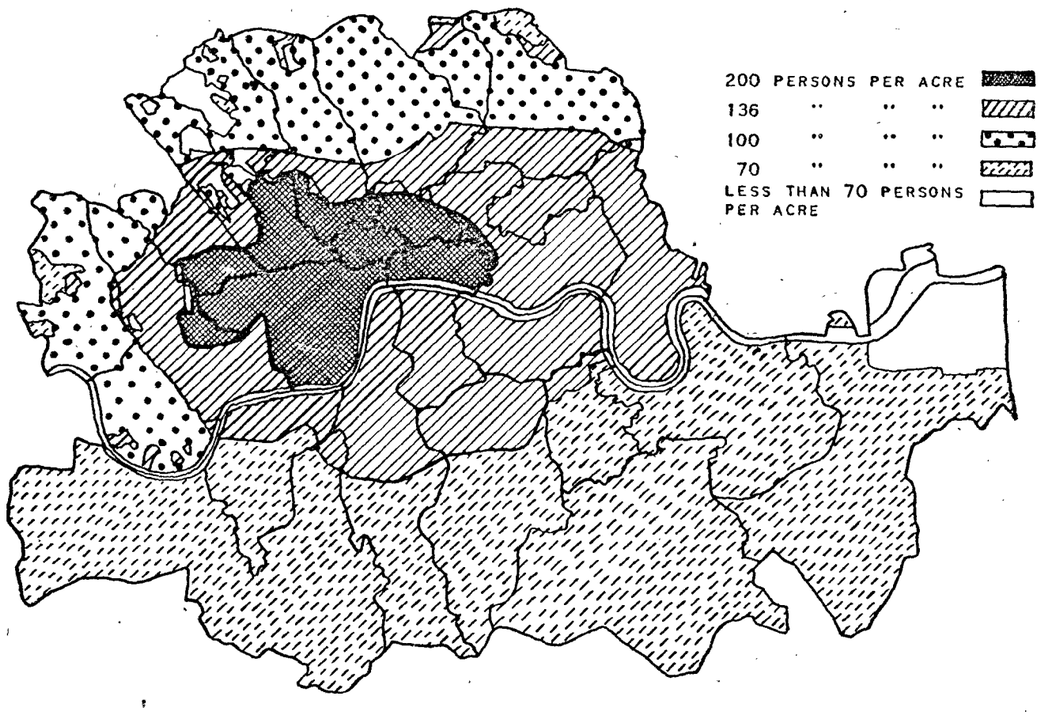
The improvement of London traffic and communications is, in general, a task beyond the capacity of the LCC. In these matters, the original London plan has been drastically pruned. The LCC will not be allowed to construct the proposed ring road round the central area, and its expenditure on road improvements will be limited to about £4 million a year. No decision has yet been reached about the decentralisation of Covent Garden and the large wholesale markets which cause so much congestion. The schemes for removing the railway bridges over the Thames have been shelved. The only major relief will be the probable provision of several new passenger tube lines and further electrification of suburban railways. These arrangements will not suffice if the daily influx into central London is allowed to go on growing. On the other hand, if an effective decentralisation of industry is begun, major transport improvements may come too late to do much good.

The conclusion must be that there is a sad lack of co-ordination among Government departments in their policy for London. An effective strategy for dealing with its manifold problems has still to be applied. Meanwhile, the LCC—for all the weaknesses of its development plan, which are considerable—deserves some commiseration in its present difficulties. On the whole, it has kept its vision, although with many doubts about the financial consequences. The plan involves an average annual expenditure of £27 million for all forms of development; at the peak, this will put an extra 3s. to 4s. on the rates. But the council can argue with some force that the present basis of Government grants is unfair to London; certainly it needs revision.

EXISTING RESIDENTIAL DENSITY



PROPOSED RESIDENTIAL DENSITY



Last Act of the Marshall Plan

THE Marshall Plan is drawing to its close. Officially it ends next June, but already this week the American counterpart organisation—the Economic Co-operation Administration—has changed its name to the Mutual Security Administration. This change will not affect the Organisation for European Economic Co-operation, which is a permanent body. But it is an indication of the design of things to come. The concept of economic co-operation, in which the emphasis has been on Europe, is being transformed into the wider concept of mutual security, with the emphasis on the North Atlantic community.

It is ironical that Europe, after four years of co-operation, should find itself in what seems to be the same position as in 1947. Europe is still hungry for dollars; the overseas payment accounts of most countries are again markedly in the red; countries are still trying vainly to combat inflation, while the need to increase productivity is just as great as it was four years ago. Was, then, this generous gesture of the United States to no purpose? Has Europe achieved nothing under the Marshall Plan?

Europe's recovery programme was based on four aims. First, an expansion in output, particularly in agriculture, fuel and power, transport and modernisation of equipment. Secondly, the creation and maintenance of internal financial stability. Thirdly, the development of economic co-operation between the participating countries and, fourthly, reducing Europe's deficit with the American continent particularly by increased exports. The committee of co-operation, which prepared the initial report in September, 1947, was under no illusions about the dollar problem. It maintained that the purpose of the recovery programme was to reduce the dollar deficit as fast as possible. The report went on:

> There will be some deficit in 1951. . . . But by the end of 1951, given reasonably favourable external conditions, the deficit should be of dimensions which will be manageable through normal means without special aid.

Looking back on the events of 1950 and 1951, the architects of that report can be justifiably proud of their far-sightedness; for 1950 seemed to herald the fulfilment of recovery, a fulfilment that was frustrated by the scramble for commodities and the dramatic rise and fall in prices in late 1950 and early 1951.

Any assessment of Europe's achievement must be related to these four aims. Production has increased and most of the objectives have been reached. Four years ago the need to expand agricultural output was great. Food supplies were limited; most countries of Western Europe had rationing schemes in force, while the poor harvest of 1947, coupled with the lack of dollars, raised the spectre of starvation. At the time the agricultural objectives were set, many people considered them unattainable. But only two have not been reached. Cereal production in 1950-51 amounted to 64.1 million metric tons compared with its objective of 65.8 million tons; it had, however, regained its prewar level. The production of bread grains was slightly above its objective while the output of potatoes, sugar, meat, milk and oils and fats were well above theirs. And in each case the prewar level was exceeded. Cattle numbers are close to their objective, while pig numbers have already passed theirs. The only other deficiency is in sheep numbers.

In industry, too, most of the objectives have already been achieved. The only blot on the record is coal, the production of which in 1951 (based on the first nine months) reached 460 million metric tons against the objective of 511 million tons. The main deficiency has occurred in Britain whose output was only 223 million tons compared with its goal of 249 million tons, though Germany, France and Belgium have also failed to reach their planned output for 1951. Europe's total coal production is still below its prewar level. Electricity production in 1951 amounted to 246 billion kwh compared with the objective of 237 billion kwh and a prewar level of 130.5 billion kwh. All the major countries except France and Italy have more or less passed their goals. Steel production is also up to schedule and German output well above it. France, again, is the exception; its output in 1951 was still well below its objective.

TABLE I—EUROPE'S ACHIEVEMENT IN AGRICULTURE

	Prewar	1950–51	*Objective 1950–51*
	(Million Metric Tons)		
All cereals	64·0	64·1	*65·8*
Bread grains	34·0	34·5	*34·0*
Potatoes	59·6	72·4	*68·2*
Sugar	3·7	5·5	*3·9*
Meat	9·7	9·7	*8·1*
Milk	76·4	81·0	*73·5*
Oils and fats (incl. butter)	3·0	3·7	*2·9*
	(Million Head)		
Cattle	75·0	80·0	*80·4*
Sheep	106·3	98·0	*109·5*
Pigs	41·1	38·7	*37·1*

TABLE II—EUROPE'S ACHIEVEMENT IN INDUSTRY

	Prewar*	1951†	*Objective 1951*
Hard Coal (million metric tons)	467·8	459·5	*510·8*
United Kingdom	233·0	223·2	*249·0*
Germany, Federal Republic	126·2	117·6	*121·1*
France	46·6	52·4	*62·5*
Belgium	28·5	29·1	*31·0*
Saar	12·5	17·1	*16·8*
Electricity (billion kwh.)	130·5	245·8‡	*236·8*
United Kingdom	23·1	57·8	*54·2*
Germany, Federal Republic	30·5	49·6‡	*36·1*
France	20·8	35·1	*37·0*
Italy	15·4	28·1	*31·3*
Sweden	8·2	19·1	*19·3*
Norway	9·9	16·9	*15·0*
Crude Steel (million metric tons)	45·5	55·5	*55·4*
United Kingdom	10·6	15·9	*15·0*
Germany, Federal Republic	18·2	13·2	*10·2*
France	6·2	9·6	*12·7*
Belgium-Luxemburg	3·8	8·0	*7·9*

* 1935-38 average for coal; 1938 for electricity and crude steel.
† Annual rate based on 9 months. ‡ Annual rate based on 8 months.

★

In 1947 the shortage of locomotives and rolling stock was a major difficulty. Although no comparable figures are available to prove that this problem has been overcome, Europe is no longer beset with transport difficulties. The increase in motor vehicle production in Britain, France and Germany during the past four years has been almost phenomenal, while tractor production has also been maintained at a high

level. Among the consumer goods, textile production has expanded, and the problem at the moment is not to find clothes for the people but to find people to buy the clothes.

Modernisation of industry has also gone on apace, though again it is difficult to show the progress in specific figures. Total industrial production of Western Europe in 1949 was 13 per cent higher than in 1948; in 1950 it was 25 per cent higher and in 1951 35 per cent higher—a very significant increase. On the other hand, the working population increased by 1½ per cent in 1949 and by almost 1 per cent in each of the two succeeding years:—

	Index of Industrial Production	Index of Working Population
1948	100	100
1949	113	101½
1950	125	102½
1951	135	103½

It is fair to conclude from the comparison of these two trends that productivity per man-year has increased so rapidly in Western Europe during the past four years, that improved equipment must have played a major role, even though a significant part of the increase in output was due both to the revival of Germany and to the use of previously unemployed resources.

On production, then, Europe has done well enough with the single exception of coal, adequate supplies of which are vital to European recovery. The fight against inflation, however, has been less successful. Most countries have experienced an almost continuous rise in prices since 1946, though until 1950 the rise has been generally moderate. But as was shown in an article on page 1380 in *The Economist* of December 8, 1951, even the sharp rise in the latter part of 1950 and in 1951 was helped by too ample credit facilities granted to manufacturers and traders to build up stocks. In all countries retail prices have increased more sharply than they would have done if higher import prices had been the sole cause, while in most countries wage-rates have kept pace with the rise in the cost of living. Europe has certainly warded off the dangers of "hyper-inflation" but it has remained a victim of "creeping inflation."

The progress on co-operation has not been very spectacular but it has been none the less real. The intra-European payments scheme followed by the European Payments Union are only two examples. The freeing of intra-European trade from quantitative restrictions is another and by the middle of 1951 most countries had freed at least 75 per cent of their private trade and had also adopted a common list of goods on which restrictions were abolished. This was a new step in economic co-operation. Previously countries were allowed to choose independently which goods they would free. This same technique of a common list has been employed in the prohibition of the use of certain scarce materials in the production of consumer goods. Again, the Schuman Plan for an integrated European coal and steel industry is at last coming to fruition.

Even on its foreign trade Europe can record achievement. Its total trade deficit was reduced from $5.3 billion in 1948 to $2.1 billion in 1950. In 1951, owing to the sharp rise in the value of imports, it rose once more to $3.8 billion. But Europe's exports have increased at a surprising rate from $16.8 billion in 1948 to $26.3 billion in 1951. In volume, exports rose by 75 per cent during this period. Of more immediate concern for the dollar problem is Europe's expansion in exports to the United States and Canada. This was to be Europe's main method of reducing its dollar deficit. In 1948 exports to these two countries amounted to $1.3 billion; by 1950 they had reached $1.7 billion and in 1951 $2.4 billion. If the value of imports from the dollar area in 1951 had not been so large, Europe would, indeed, have reduced its dollar deficit to more manageable proportions.

TABLE III—TRADE OF WESTERN EUROPE
(Million Dollars)

Year	Imports (*a*)	Exports	Balance	Exports to USA and Canada
1948	22,163·6	16,835·5	— 5,328·1	1,289·3
1949	22,352·5	18,822·5	— 3,530·0	1,171·2
1950	21,788·1	19,736·2	— 2,051·9	1,655·8
1951*	30,095·4	26,297·3	— 3,798·1	2,380·8

* Annual rate based on 9 months. (*a*) Adjusted to f.o.b.

The similarity between 1947 and 1951 is, therefore, only superficial. Europe has not squandered America's generous gift. It has increased output; it has re-equipped its industry, it has worked as a unit in certain fields and it has expanded both its total exports and its exports to the United States and Canada. Its major deficiency has been its failure to bring under control its internal inflation. Without rearmament even this would not have had very serious consequences. From the United States' point of view the disbursement of $12 billion of aid under the Marshall Plan has been a successful investment, and it is worth remembering that the sum is only half of what was originally considered necessary.

Better or Worse?

The condition of Europe at the close of 1851 is by most public writers asserted to be worse than at its commencement. The various schemes that were then in agitation for the political improvement of Germany have all been ruthlessly put an end to, and stark despotism is there the universal lord. In France, a too-nicely-balanced Constitution, nominally based on *popular support* and called a Republic, has sunk, overwhelmed by the old military power, and only the name of freedom is left. Over Italy, superstition, pinned on the people by the united bayonets of the two great nations which formerly by their rivalry nourished in her hopes of freedom, weighs heavier, and seems more secure than ever. Everywhere on the Continent military despotism is apparently triumphant; the voice of reason and of freedom, speaking through the press, is hushed and stifled, and terror seems established as the principle of all government. The people, tired apparently of seeking what is called political improvement, ask protection against it, and supplicate the military power to secure property, prevent labour from being interrupted, and preserve public tranquillity. The previous progress, however, forbids us now to suppose that this seeming is the actual truth, and that society has retrograded or will retrograde. It is quite certain that within the year very considerable material progress has been made. It is equally certain that no such progress is ever unaccompanied by moral and intellectual improvement; and we may be quite sure, though we cannot exactly see how the results are to be brought about in detail, that the use and extension of the electric wire, like the invention of gunpowder, intended to destroy, will, in some manner, improve the condition of mankind. . . . Society may be momentarily diseased; but, though crimsoned with blood and convulsed with anguish, its glorious life is not for ever to be extinguished under the hoof of armed despotism.

The Economist
January 3, 1852

West, and for some time it looked as if he would succeed. He secured recognition even by the United States. He won a permanent seat on the League of Nations, and himself became one of the League's most popular statesmen during its last phase. His slogans, such as "peace is indivisible," became international currency. He tried to form an anti-Nazi coalition, and it was not his fault that the attempt failed. In fact, the failure brought about his first eclipse. As a Jew and a westerner, Litvinov was not suitable to parley with Hitler; he was dismissed on the eve of the Molotov-Ribbentrop Pact.

With the Nazi attack on Russia the wind was again blowing into Litvinov's sails. He was appointed ambassador to Washington and then returned to Moscow as deputy foreign minister. The postwar deterioration of Moscow's relations with the West brought a second eclipse. He ceased to be vice-minister in 1946 and after that disappeared from the limelight. His disgrace has apparently outlasted his life, for members of the government and the Politburo did not flock to the funeral of this remnant of the Bolshevik old guard.

Soviet foreign ministers do not shape the policy of their country, and the pro-western trends were not of Litvinov's own making. Yet the ups and downs of his career were usually considered reliable signs of the Kremlin's intentions. Likewise, Mr Vyshinsky simply says and does what Moscow tells him; but if it wished to open serious negotiations one would expect him to be dropped. In that case the Kremlin would not find it easy to produce another Litvinov who could talk the same language as Mr Kennan, the new American Ambassador to Moscow.

* * *

Freedom for the Schools

"The English tradition of the independence of the school holds firm," said the headmaster of Eton in his presidential address to the conference of Educational Associations last week; but he made it appear that it was against fearful odds. The schools, said Mr Birley, must keep "free of the dogma, which is the bane of any state which provides services for the community . . . that he who pays the piper calls the tune." Some interference by the "piper" is unavoidable; the Ministry and the local authorities have to account to taxpayers and ratepayers for the way their money is spent. Thus expenditure on repairs and decorations, or the charge to be made for school meals, are not left to headmasters' discretion. Mr Birley's "forms to be filled in" and bureaucratic "pinpricks" are an inevitable part of this financial responsibility. But he was right to remind the schools that the price of freedom is vigilance; the closed shop dispute in Durham was proof of that.

The doctrine that the piper should call the tune would be pernicious if it extended to the curriculum. The only state directive is the provision of the 1944 Act that schools should open with religious worship, and it is rarely, if ever, that a local education authority would interfere with the curriculum in one of its secondary schools. This is freedom indeed compared with the extent to which the state controls the school curriculum in some continental countries. But this freedom is subject to an unwarrantable indirect limitation. That is the requirement that candidates for the General Certificate of Education must be at least 16 years old, which delays specialisation by bright children who wish to obtain the certificate in several subjects. On the other hand, as the certificate is awarded in individual subjects, it is arguable that teachers have more freedom to fit the curriculum to the child than they had when it was necessary to obtain a school certificate in specified groups of subjects.

The regulations for the new examination were made by the Ministry on the advice of the Secondary Schools' Examination Council, which consists of educationists—representatives of the teaching profession, the education authorities and the examining bodies. But few of their colleagues would agree with all of the council's conclusions, and several educational bodies, including the London County Council, have asked them to revise their recommendations. The Incorporated Association of Head Masters has this week demanded an immediate and thorough revision. Now that the General Certificate has been in force for a year, the material is available to make the thorough review of the subject that the Minister of Education has agreed is necessary. There ought to be no delay at least in removing the age limit—as the Conservative party implied that it would do.

* * *

Punishments in Approved Schools

The second report of the committee set up to review punishments in prisons, borstals, approved schools and remand homes has now been published (Cmd. 8429). The first report, dealing with prisons and borstals, was discussed in *The Economist* of June 30, 1951 (page 1553). The new report is likely to be less criticised than its predecessor, which in some respects appeared to favour a return to a stricter and more formal discipline and severer punishments.

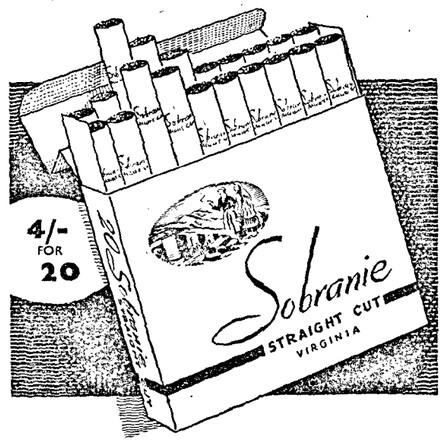
On the whole, the committee recommends few important changes in the system of punishments in approved schools and remand homes. Its two chief proposals concern absconding and the peculiar disciplinary difficulties of the approved schools for older girls, who often combine a low average intelligence with sexual precocity and a tendency to violent hysterical outbursts. The committee recognises that the principle behind the approved schools implies that they should be open institutions. But it puts forward a strong case for proposing that the experiment of a closed school, or an open school with a closed block, for persistent absconders should be tried out as soon as possible. Similarly, there should be general approval for the recommendation that the Home Office should agree to set up special closed punishment blocks in senior girls' schools.

But the committee, rightly, does not keep its recommendations strictly within its terms of reference. Punishments in approved schools cannot be regarded separately from the general maintenance of discipline and the whole purpose of the schools. The distinguishing feature of approved schools and remand homes is that many of the children and young people in them may not have committed any offence. The principle governing the schools is that the children should be treated according to their needs rather than their misdeeds and that the needs of the ill-treated or neglected child and of the young offender are basically the same. But this principle sometimes involves awkward problems of discipline, which leads the committee to recommend further classification of schools for special types of children. There is a good case for more schools exclusively for the very dull, as these children usually make more progress when educated on their own. But doubts may be felt about the wisdom of special schools for the emotionally unstable. Their removal would help the maintenance of discipline in the ordinary approved school. That might, however, be achieved at the expense of the unstable children themselves, who may suffer more than they gain from being herded together.

* * *

After Prison

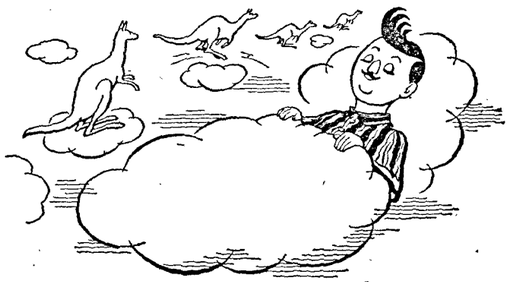
In spite of the undoubted success of the approved schools, there is still a minority of children who, as they grow up, progress from them to borstals and from borstals to prisons. Yet even when they have served their sentences society may still exercise a watch over them. The discharged prisoners' aid societies have for over a hundred years existed to help prisoners to adjust themselves to a normal life on



it's only fair to warn you ... *that the new Sobranie Straight Cut Virginia will make you a confirmed smoker for life. There'll be no turning back—its smooth smoking, its inimitable flavour will captivate you. Here is Sobranie's age-old tradition happily wedded to the Virginia vogue of today.*

* * *

SOBRANIE
straight cut virginia



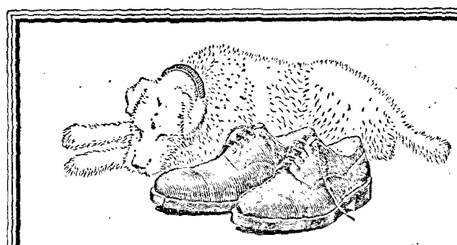
B.C.P.A. is the only airline in the world providing a free sleeper for every passenger

AUSTRALIA & NEW ZEALAND via North America

BCPA

FARES: *Sydney £290 single, £522 return. Auckland £285 single, £513 return. Book through any accredited Travel Agent or through B.O.A.C. our General Agents in the U.K. (telephone: VICtoria 2323).*

BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED
in co-operation with B.O.A.C., T.C.A., T.W.A.



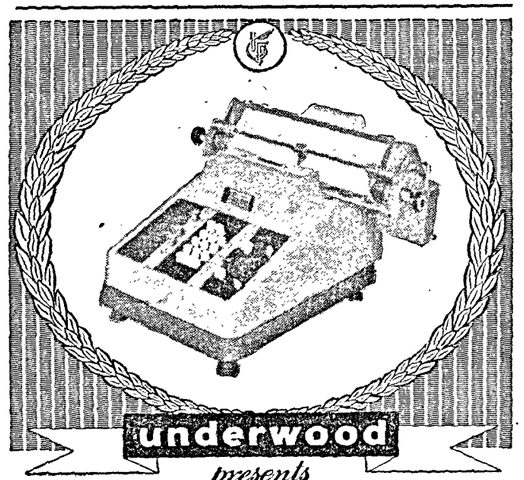
Old friends to know. Old books to read. Old wood to burn. Old wine to drink. And let us add—old shoes to wear. But they must be shoes that had it in them to grow old. Lotus Veldtschoen shoes will be the possession of years. Watch them take the polish and, mingling it with the stains of earth and weather, acquire the complexion of an old violin.

LOTUS Veldtschoen

THE MOST FAMOUS SHOE IN THE WORLD

GUARANTEED WATERPROOF

NOW 115/- TAX FREE



presents

THE UNDERWOOD SUNDSTRAND STATISTICAL TABULATOR

The new Underwood Sundstrand Statistical Tabulator is one of the revolutionary products now becoming available from our Brighton Factory.

It is designed to meet the requirements of all sections of Commercial, Industrial and Administrative Undertakings by enabling comprehensive analysis work, statistical reports and summaries to be compiled, in detail, rapidly and accurately with automatic Group and Grand Totals.

UNDERWOOD • ELLIOTT FISHER • SUNDSTRAND

Speed the World's Business

UNDERWOOD ELLIOTT FISHER LTD., 4-12 New Oxford Street, London, WC1
Tel. CHA 3131 *Factories: Brighton, Sussex* *Sales and Service Everywhere*

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

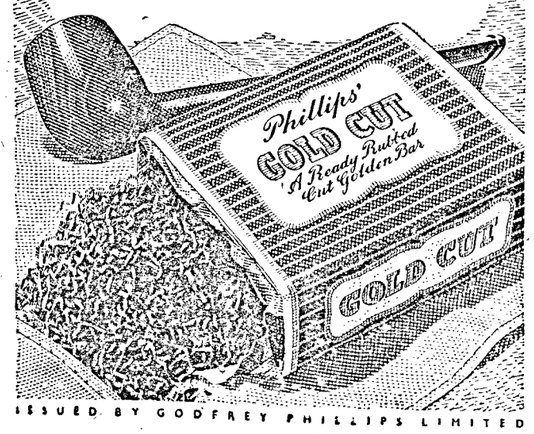
The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

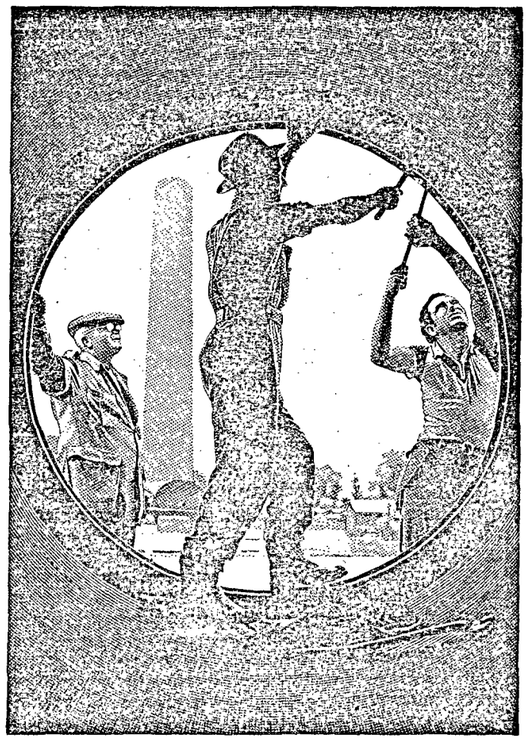
University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilfords Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD
64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777

A NEW old-style pipe tobacco at 4/- an ounce



ISSUED BY GODFREY PHILLIPS LIMITED



WINDOW ON THE FUTURE

A great new oil refinery with a projected capacity of 4,000,000 tons a year is being erected by Anglo-Iranian on the coast of Kent, at a cost of some £40,000,000.

Their three existing refineries in the United Kingdom already have a combined annual capacity of over 6,000,000 tons.

In many other countries the refineries operated by Anglo-Iranian and its associated companies are increasingly contributing to the world's supply of petroleum products.

THE BP SHIELD IS THE SYMBOL OF THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company
LIMITED

their release. This help may consist of grants of money and clothing or simply of advice and friendship. But it exists for the prisoner who wishes to take advantage of it. He is not obliged to.

After-care is more positive. When the borstal system was set up, it was made a condition of a boy's release on licence that for a certain period he should be supervised by a society concerned with after-care, whose directions and advice he could disregard only at the risk of forfeiting his licence. By 1948, when the latest Criminal Justice Act was passed, there were three bodies concerned with after-care: the Borstal Association, the Aylesbury Association for women and girls, and the Central Association for the Aid of Discharged Convicts, which combined statutory after-care for certain categories of offenders with the same function for discharged convicts as is exercised by the aid societies for men and women discharged from local prisons. The Act of 1948 greatly extended the categories of offenders to be released under a licence requiring positive supervision and after-care. Because of this, and to ensure that after-care is dealt with on common principles, the Home Secretary set up the Central After-Care Association, which absorbed the three existing after-care organisations. These, however, retain their separate identities and staff.

The central association has just produced its first report (which is not for sale, but can be obtained on application to the Prison Commissioners). Inevitably, the report is mainly concerned with the setting up and organisation of the association. It is much too soon for any opinion to be formed on the success or failure of the extended system of after-care. But the accounts of their work given by the three constituent organisations show a humanity tempered by good sense and detachment that would appear to make them well fitted for their heavier responsibilities.

* * *

How Much Can Germany Pay?

The Germans, unenthusiastic though they are about western defence, are far more willing to raise an army than to pay for it. In this they are not alone; but they have more grievances than any of their future partners. They not only condemn as intolerably high their present taxes, which are slightly lower and less progressive than in Britain, but they bitterly resent the occupation costs. If there is one point on which they are united, it is that their welfare must come before rearmament.

Allied financial experts disagree with these views. The Americans propose that Germany should increase its defence contribution fairly soon to about DM 13 billion (£1,083 million) a year, or about 10 per cent of the estimated gross national product. As production should rise steeply, they argue that this expenditure would still allow a slightly continued rise in the standard of living. The German dollar deficit would be covered in the main, if Mr Harriman were satisfied with the country's efforts. The United States will be making one day large offshore purchases in Germany for delivery to the Nato powers; and a part of France's recent dollar grant should be spent in the same quarter. Moreover, the Germans will benefit from expenditure by the American troops. This new-style "tourist traffic" has yet to develop, but may bring in some $200 million a year.

As for the deficit in the Federal budget, Germany's foreign critics have long held that its taxation system badly needs overhauling and could bring in more revenue without undue strain. The possibilities of fresh government borrowing are still very limited but may improve. The latest figures of public savings suggest that confidence is rising, with higher production and real wages.

The Bonn Minister of Economics, Dr Erhard, is inclined to agree that rising production will enable Germany to meet increased demands for defence. But his colleagues in the Ministry of Finance think this prospect is too distant to be relied upon. About a third of the current year's occupation costs have already had to be placed to an extraordinary budget, where they remain uncovered. Germany, the Minister argues, cannot afford much more than DM 7 billion (£583 million) a year for its share in the European army. That is roughly the sum due for the current year's occupation costs. Further, the Finance Minister, Dr Schaeffer, claims that money spent on refugees, the support of Berlin, and pensions to war victims all represent a contribution to defence—a claim that is naturally resented abroad. State pensions and relief at present cost more than the occupation, or as much as the proposed German contribution to a European army. The deficit in the army's finances should, in Dr Schaeffer's view, be covered by a loan from the International Bank to the common budget, which the Germans advocated in vain at last week's Paris conference. There is no denying the fact that "inflation" in the German public mind means "disaster" and not simply a rise in prices; for this reason it is understandable that deficit financing is anathema to the officials responsible for the currency.

For Britain even a compromise in the dispute opens up a serious prospect. If Germany stops paying for the maintenance of troops (under a treaty after the occupation statute is ended), the British Treasury will be burdened with an additional £180 million a year. It is not likely that the Germans would immediately spend DM 7 billion on their own army, and something would remain over in the first year for foreign troops. But even so, the British taxpayer is faced with the intolerable prospect of finding more money because there is to be a new German army.

* * *

Prague's Watch on the Peasants

The New Year begins for the Czech and Slovak countryside with the Communist authorities taking steps to strengthen their control over the farmers through he local national committees. Some such move was to be expected. President Gottwald's New Year message confirmed that the present food shortage is causing serious concern. It is driving the government to adopt a tougher policy towards the peasants, who will find that the reorganised rationing system (as was described in *The Economist* of last week) can press them hard to fulfil their delivery quotas, however exorbitant, and even to join the collectives.

The men in Prague can obviously do little in the countryside without the unqualified support of local officials. This they still do not enjoy, in spite of a fairly drastic reorganisation of the national committees about eighteen months ago; and many unpopular Prague orders—such as those stepping up delivery quotas and restricting the issue of ration cards—have been honoured more in the breach than in the observance. Local committees cannot ignore local feeling. Now a serious attempt will be made to remedy this by appointing very carefully chosen local secretaries to each committee. They will replace the travelling circuit secretaries whose supervision could only be scanty, and will be responsible for the uninterrupted execution of all government orders. They will, in short, in the words of the Minister of the Interior, Mr Nosek, "see to it that the National Committees do fulfil their duties." He deceives nobody when he represents this action as a kind gesture, designed to relieve the local committee members of a growing multiplicity of duties. There will also be a thorough overhaul of committee members, weeding out all who have "disregarded the principles of socialist construction." At the same time the Prime Minister, Mr Zapotocky, has emphasised that the new secretaries must not become "omnipotent commissars," and that the national committees must no longer fail in their duty to explain policy and convince the people. His words were perhaps another indication of the present conviction among the leaders of

Czechoslovakia that if Moscow's demands are to be met, they must somehow get greater popular support and make a greater national appeal.

* * *

The Dinar Devalued

Last week the Jugoslav Finance Minister, Mr Popovic, announced the devaluation of the dinar. The size of the devaluation suggests that it is not just a minor concession to the international monetary authorities—the Fund and the Bank—who have both had active representatives in Belgrade for several months, but part of a revolution in the internal economic system of the country. The old dinar was, theoretically, worth just under 1¾d.; the new dinar is fixed at just over one farthing, or 840 instead of 140 to the £. The old value certainly bore no relation whatever to world prices; it was in fact little more than a symbol, an attempt to disguise the degree of inflation which had occurred inside the country. Its unreality did not hinder trade as much as might have been expected, as there were heavy subsidies to the export industries and price reductions for tourists.

The six-fold devaluation is significant therefore in two ways. First it brings Jugoslav prices within range of (though not really competitive with) world prices, and it provides a national fillip to exports and to the tourist trade. Second, it is in tune with the movement within the country which has been tentatively gaining ground for the last year—a movement of decentralisation, back to something like a free and competitive economy. Simultaneously with the devaluation, subsidies to exporters and the tourist trade are abolished. Exporters will still gain, as the scale of devaluation is greater than was the scale of the subsidies. For tourists, though free price concessions have been abolished, the Dalmatian coast will be cheaper this year than last.

Profit and loss is gradually resuming its proper role at the expense of central control in the economy of Jugoslavia. This is the main reason for the enthusiasm with which the latest move has been greeted by the International Fund and Bank. But the virtue of the present step lies more in a promise of things to come than in its own adequacy. The hope in Jugoslavia and outside was to make revolutionary changes in the economic system; but there are signs that the Government has decided, for the moment, that discretion is the better part of valour. The black market price for the dinar in Trieste is about 1,500 to the £, and in Jugoslavia about 1,200. There is good reason to believe that the latter rate is far nearer its true value than the new official rate of 840. The same timidity appears in other parts of the Government's ambitious programme of liberalisation.

* * *

Analysing Family Budgets

In a recent paper to the Royal Statistical Society, Mr Houthakker gave a foretaste of the results of some new research into family budgets which is being carried out at the Department of Applied Economics at Cambridge. The raw data necessarily come from the pre-war inquiries—the 1937-38 working-class and the 1938-39 middle-class surveys. Quantitatively, therefore, the results are very out of date, and at first sight it might seem that this work is of only academic interest. But, at a time when detailed plans for a new official budget inquiry are being discussed, it is important to try to decide just what information it is desirable and possible to extract. There is still much to be learned on both these points.

No satisfactory way of allowing for differences in the size of families has yet been devised. Mr Houthakker has made some calculations on a sample of the 1937-38 budgets, previously studied by Mr Nicholson, to show how expenditure on different items varied with the size of family. On the average, for instance, it is estimated that the addition of one child in the family increased the total expenditure on food by 6 per cent and on clothing by 5 per cent. But such figures are rather unrealistic when no account is taken of the ages of the children. The author favours the "equivalent adult" or "unit consumer" scales for eliminating family size, but detailed work on these lines has only just been started. On the same 1937-38 budgets, it was found that London families spent 40 per cent more on housing than comparable families elsewhere and 210 per cent more on rail travel to and from work—but only 18 per cent more on bus travel to work. Other points that are being studied include the effect of income on the qualities of goods bought and the differences in consumption between working-class and middle-class families. If factors such as these can be isolated satisfactorily, family budgets will become a much more useful source of information.

But no amount of refinement in the technique of analysis will remove unreliability in the original material. Some rather alarming discrepancies in the prewar budgets lead to the conclusion that a continuous inquiry over a longer period—instead of in four isolated weeks during the year—is certainly desirable for many items, and essential for some.

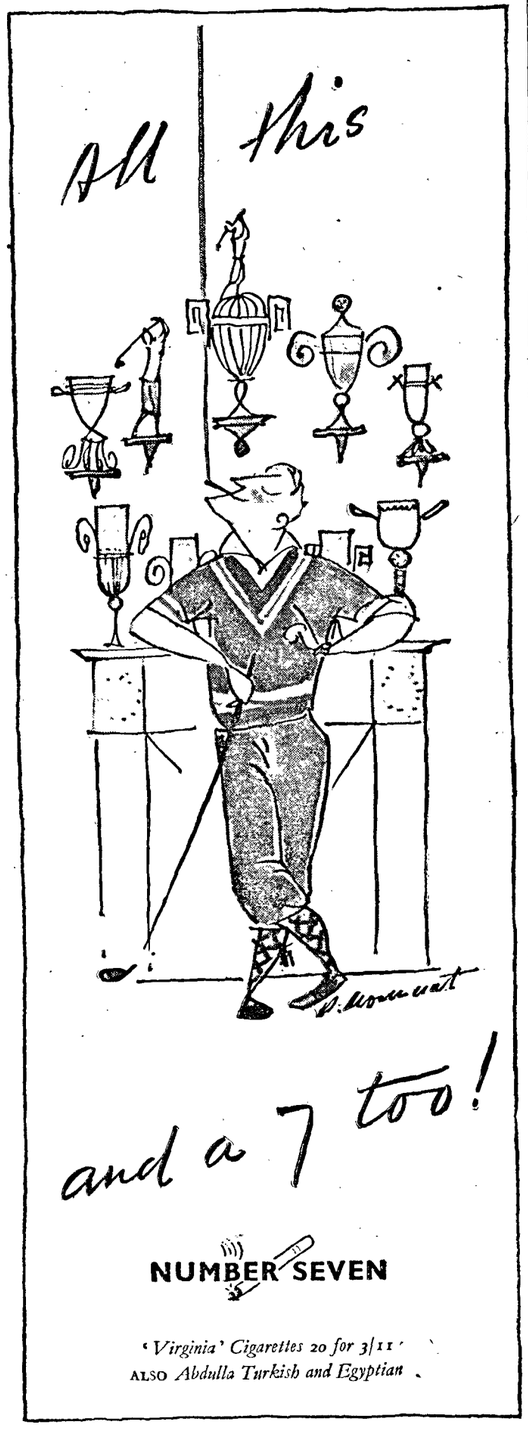
* * *

Freedom for Parrots

"Far back, through creeks and inlets making," the tides of economic liberalism are—perhaps—beginning to flow. For the first time in twenty-one years, it is now permissible to import into Great Britain parrots, cockatoos, parrakeets and budgerigars or love-birds. It is true that the original ban was not imposed in the interests of the balance of payments, of the vital British industries of parrot, cockatoo, parrakeet and budgerigar-breeding, or of the harmony of a national plan; it was designed to eliminate the danger of psittacosis, an unpleasant complaint carried by parrots and their cousins, transmittable to man, and occasionally fatal. The removal of the ban corresponds accordingly not to any economic or ideological change but to two technical discoveries: that pencillin has reduced psittacosis to a minor hazard and, rather disconcertingly, that the opprobrium hitherto concentrated on the psittacids should really have been shared all along by that uncontrollable, unexcludable, and indeed overwhelmingly native bird, the common seagull.

Still, every little helps. Protectionists and controllers for control's sake have always found the public health a useful excuse for excluding this, limiting that, and holding up the other until it has deteriorated safely into unsaleability. The American customs official ordering importers of fruit trees and flowering shrubs to boil their roots lest the native strain be contaminated, his British counterpart throwing tourists' hams into a dustbin lest, somewhere between Dover and the dinner-table, they should convey foot-and-mouth disease to a British herd, the Scottish coastguards building, in the interests of good forestry, a bonfire of the Christmas trees washed ashore, can all cite chapter and verse in justification. But the propensity to strain at foreign gnats while the most insanitary native camels are swallowed cannot be entirely separated from the view that imports are a bad thing. Indeed, were there an official Parrot-Purchasing Mission, a powerful Parrot-Breeders' Association, a United Brotherhood of Brood-Parrot Tenders, or any other vested interest dependent for prosperity and prestige on the maintenance of the ban, how confidently would authority have relied on the scientists' reassurances?

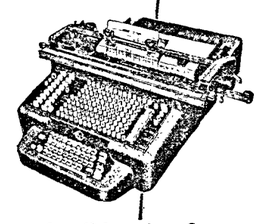
However, one should not look a gift parrot too closely in the beak. A whole new generation of potential psittacid-fanciers now sees opening before it an unexpected vista of economic liberty. For them at least, if not for others by implication, the New Year opens with what can be described, with a nicer accuracy than usual, as favourable auspices.



NUMBER SEVEN

'Virginia' Cigarettes 20 for 3/11
ALSO *Abdulla Turkish and Egyptian*

THE National CLASS 31
'DIRECT ENTRY'
ACCOUNTING MACHINE



for all branches of
COMMERCE, INDUSTRY, GOVERNMENT & FINANCE

10 Totals each with direct subtraction.
ALL balances—positive AND negative—computed and printed automatically.
Feather touch, 'standard' adding keyboard for speed and accuracy.
All-electric typewriter for unlimited narrative description.
Constantly visible printing line gives confidence, aids speed.
Instantaneous and infinite adaptability to any accounting work.
Fluid-drive carriage moves automatically by oil pressure in both directions.
Simultaneous addition or subtraction in ANY combination of registers.
Automatic carriage opening and closing with instantaneous form alignment.
Fully automatic spacing, column selection and carriage return.

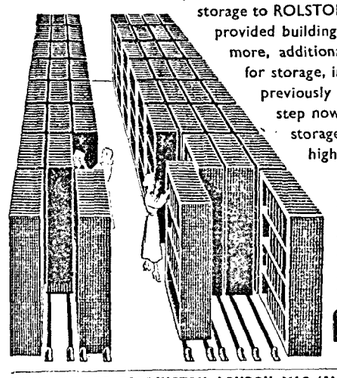
A PRODUCT OF THE NATIONAL CASH REGISTER COMPANY LTD.
206-216 *Marylebone Road, London, N.W.1 and all principal centres.*

FOUND

50% additional storage space

..hidden in the gangways!

In hundreds of factories, warehouses, offices, hospitals, etc., we have, by converting from static storage to ROLSTORE Mobile Unit Storage, provided building owners with 50%, and more, additional effective floor space for storage, in exactly the same area previously used. Take the first step now towards bringing your storage technique up to this high efficiency level.



Write now for leaflet EC, giving full details of this AMAZING NEW ADVANCE IN STORAGE TECHNIQUE to:—

ACROW (ENGINEERS) LTD

SOUTH WHARF, PADDINGTON, LONDON, W.2 (AMBassador 3456-20 lines)

An Annuity

will offset reductions in income

For a man aged 65 (or a woman aged 70) the gross income for life from an annuity is over 10% of the purchase money.

(For residents in some countries payments are exempt from U.K. tax.)

Enquire for details at your age

The Equitable Life Assurance Society

Founded 1762

19 Coleman Street, London, E.C.2.

No shareholders No agents No commission

The Manchester Guardian

REVIEW OF INDUSTRY

Commerce and Finance

to be published on 22nd JANUARY 1952

. . . . . is not just a history of the problems of the past year, but a forum of views on the difficulties and hopes ahead in 1952.

The costs of State ownership of vital industries will be examined by a Manchester Guardian correspondent familiar with the operation of nationalised industry.

The Fuel and Power crisis will be analysed by three experts.

The problems facing the British businessman in the factories, in the City and in the Home and Foreign markets will be reviewed in some 35 special articles.

The number will include as its main feature a *Manchester Guardian Survey of Industry*—a reporters' survey of how the strains of rearmament are being met, based on interviews with managements in the industrial cities of Britain.

128 pages

on fine quality paper, well bound in a coloured cover

Price One Shilling

Order from your newsagent or bookstall or direct from the Publisher by post: The Manchester Guardian · Manchester 2

A MARKET for progressive people

There is no doubt at all that The Listener readership offers a first-class market for a wide range of goods and services. Here you have a market of educated men and women from trade, industry and commerce, from the professions and the arts, from public services and private life. They include some of the most influential people in almost every sphere of activity. Listener readers are, naturally, people of more than average discrimination and taste, and their confidence in the journal extends to the very sound advertisements it carries and the products they offer.

If you have a first-class product or service appealing to substantial people, you will do well to consider advertising in The Listener.

The Listener

(Member of the Audit Bureau of Circulations)

All enquiries to: Head of Advertisement Department, B.B.C. Publications, Broadcasting House, Portland Place, London, W.1

Books and Publications

The Inevitability of Goodness

The New Society. By E. H. Carr. *Macmillan.* 119 pages. 7s. 6d.

This book consists of six lectures which Mr E. H. Carr broadcast last summer, and which attracted deservedly wide attention. They will repay more careful study in print. For, in addition to his special skills, Mr Carr is nowadays the most proficient general practitioner in what may broadly be called the ideas of the Left. He has no more inclination than the ordinary country doctor to question the current dogmas of his discipline. He is, for example, as guilty as any backbench politician of the emotional confusion between motive and result—the assumption that what is done for private profit almost inevitably conflicts with the public good. Again, in his belief that small firms do not count and that industry is effectively monopolised, he identifies size with power as naïvely as any sixth-form essayist. And so on through most of the stock presuppositions of the Left. Mr Carr's distinctive achievement is that from such raw material he builds a coherent attitude and applies it with great skill to some current issues.

Many people will be comforted by his conclusions. Their main implication is that the future lies with the British Labour party, moved somewhat to the Left. The world has passed from competition to planning, from the night-watchman state to the welfare state, from the liberalism of an elite to mass democracy, from colonial exploitation to national equality. In these stirring times the course of duty is plain. There is for the individual an "obligation to accept and complete the revolution on which we have willy-nilly embarked." At this point (near the end of the last lecture) even those who would most like to agree with Mr Carr must surely be made to wonder. If the old society is so certainly dead, if the nature of the new society is so plain, as Mr Carr professes to demonstrate, then what does this talk of "obligation" really signify?

A brief and lucid discussion of the theory of history leads him to deny that "there is any predetermined pattern in history or prearranged destiny which condemns us to despair." The value of the argument is reduced by its patent irrelevance to Mr Carr's own scheme of things. The real basis of almost all his judgments is an equation of the good with the new. "The one absolute in history is change." And since Mr Carr's response to any change is to welcome it—or, rather, to believe that he ought to welcome it—clearly there cannot be reason to despair. Mr Carr never argues the merits of anything: some things have ceased, or are ceasing, to be, and those are bad; other things have just happened, or are in process of happening (he is never quite sure which), and those things are good. No Victorian philosophy approached this in comfortableness. Nineteenth-century capitalism has ended, so socialism must be desirable; the new society seems to require direction of labour, so qualms about it are unnecessary—except for people guilty of a conception of democracy "still rooted in the derelict philosophy of *laisser-faire*."

All that is novel in Mr Carr's attitude is that he is unusually consistent in it. It is a sensible rule-of-thumb that in politics one should generally make the best of what is happening. But if such a rule is to be elevated into the basic principle of a political philosophy, then at least the philosopher has an obligation to be quite clear about what it is that is happening and should therefore be carried further. It is here that Mr Carr fails. A "process of historical evolution" has made state intervention and state planning "imperative." In establishing this proposition Mr Carr says cautiously that what is "inevitable" is "some kind" of planning authority, "whatever its name and purposes." But the caution is soon forgotten. It is the purpose of planning that matters, and, Mr Carr declares, "You cannot in these days plan for inequality." Thus socialism is what in ordinary language would be called "both desirable and inevitable," though for Mr Carr one adjective is redundant.

This argument evades all the stuff of contemporary politics by the simple device of leaving concepts like planning and inequality undefined. When Mr Carr talks of "planning" as an "imperative" he is presumably talking about the sort of thing that British governments do. But when he declares the impossibility of "planning for inequality" he is plausible only because he is now talking about an entirely different degree of economic regimentation; he now means not state intervention but a state control that sets all the operations of the market aside. The practical part of Mr Carr's doctrine is rooted in such flimsy confusions. He is not just describing the historical processes occurring round him; more often, he is describing what he wants to happen. One must admire the puritan-like determination with which he convinces himself that the two are one, by seeing only what he wants to see. If capitalism is dead, then the apparent vigour of American capitalism must be artificial; and so the difference between the United States and Europe is, for Mr Carr, that in America government intervention in the economy is less efficient and less frankly admitted.

In the last of these lectures Mr Carr laments that even the Left in Britain will be found "to have died with 'Safety first' graven on their hearts." Or is the point that the practical politicians of the Left have been compelled to notice what has happened in the last six years of history? There is much that Mr Carr has not noticed.

Working Class Documents

British Working Class Movements. Select Documents, 1789-1875. By G. D. H. Cole and A. W. Filson. *Macmillan.* 629 pages. 45s.

The title of this massive compilation does not do full justice to its scope. In addition to documents on the Labour movement in the hundred years that began with the Industrial Revolution and ended with the labour legislation of 1875-76, Professor Cole and Mr Filson have included a great deal of material on the Radical movement between 1789 and 1832, much of it only indirectly connected with the working classes; they have also found room for extracts from some of the legislative measures which affected labour and were, in part, the result of working class pressure, such as the various Factory and Reform Acts of the period. The authors have in fact aimed at presenting a comprehensive selection of documents to serve as a companion to Mr Cole's and Mr Postgate's "The Common People" and the former's "Short History of the British Working Class Movement."

These documents have been arranged so as to tell the story of the Labour movement in its own words. They illustrate the multitude of ways in which hopes and grievances were made articulate and the variety of means by which the unprivileged sought to make effective their efforts to escape from the political, social and economic limitations imposed upon them. They show the emergence of the working classes from a position of helpless subordination at the end of the eighteenth century to one of growing power and organisation at the end of the Golden Age of Victorian expansion. They help us to understand the significant change of mood and tactics that followed the final collapse of Chartism, a change which caused the Labour movement, after 1848, to substitute a policy of reform within the existing order for the earlier attempts to bring about its downfall by co-operative gradualism or revolutionary action. The imaginative scholarship with which the authors have brought together these extracts from trade union documents, co-operative reports, Chartist manifestoes, socialist tracts, books, pamphlets and other sources provides an illuminating commentary on a vital part of British history.

It was perhaps inevitable that a book of this kind should not be free of shortcomings. Some of the introductions to the documents are not wholly satisfactory. Neither Julian Harney nor Ernest Jones has been given the place that their thought and work deserve. That no passage from Bray's remarkable "Labour's Wrongs and Labour's Remedy" should have been included is regrettable; not even to have mentioned his name is unpardonable. More generally, the important internationalist trend of thought of the early Chartists is very inadequately represented.

These weaknesses do not, however, seriously detract from the real value of a book which should prove of great help to all students of the Labour movement. The promised second volume bringing the record up to date will be awaited with an eagerness tempered by fear that its price will be even more prohibitive than that of this one.

Phantom Tales

Phantom was There. By R. J. T. Hills. *Arnold.* 344 pages. 21s.

Diagrammatic representation of the communications services of modern armies almost resembles in complexity attempts by physiologists to map the activities of the cerebral cortex. In its perfected form in the campaign in north-west Europe, Phantom provided a uniquely swift, strong and sensitive battle intelligence link with formation headquarters in the field, and the ubiquitous black beret and "P" armflash became a respected passport to all command vehicles and "Ops" tents in the theatre. Colonel Hills, a Phantom squadron commander with personal experience of the Arnhem campaign, has written an enthusiastic but balanced history of Phantom from its curious origins under Major-General Hopkinson to its eventual triumphs in Germany and Italy.

Despite the author's avowed attempt to render his necessarily technical material comprehensible to non-military readers, it is doubtful whether he has succeeded. On the other hand, the book has some extremely attractive features for the fireside recreator of battles long ago. We have recently had a plethora of reminiscences from high-ranking commanders. For lesser men it is a pleasure merely to see in print many familiar names of small-scale battles and less exalted heroes. There are some brilliant descriptions of the rigours and disappointments of the long and frustrating training period during the years of build-up; the British private soldier receives the attention which the strategic historian can never find space to accord him; and the high spirits which accompany the "private army" conception make much of the book attractively light-hearted. No studiously professional army like that of Germany is ultimately likely to outwit the spirit which informed the most famous of Phantom situation reports: "Reliable report tanks crossing bridge at Avignon. Local population dancing at Western end."

It is a notorious weakness of the human memory to expunge the unhappy and to retain the fortunate. Colonel Hills strikes a fair balance between triumph and disaster in Africa. But once launched on the full tide of "Overlord" his narrative tends to slur over operations like "Goodwood" and "Aintree" which in the event rather belied the sporting associations of their code-names. His chapter on the Ardennes counter-offensive is good military writing, which carries real conviction—all the more since his consistently generous appraisal of the Americans throughout his book absolves him from any charge of bias. Phantom's many friends will be glad to learn that the unit has survived the war and now forms part of the Territorial Army.

Scandinavian Encyclopædia

The Scandinavian States and Finland: A Political and Economic Survey. *Royal Institute of International Affairs.* 312 pages. 21s.

This will be a useful reference book, although the publishers are wrong in claiming that it "provides, for the first time in English, a broad factual survey of the countries in Northern Europe," and it does not reach the very high standard which they have set in similar works in the past. Although on a bigger scale and in more elaborate form, it compares obviously and unfavourably with the Chatham House handbooks on "The Baltic States" and on "South-Eastern Europe." Where are the good maps which graced those earlier volumes? Where is the careful editor? Perhaps the present compilation did not have an editor—one never knows with these group reports—but someone should have taken care to iron out the repetitions and contradictions, to fill in the omissions (in "a broad, factual survey" one would like to be told, for example, what casualties the Finns suffered during their last two wars) and to take care of the present tense (it is annoying to be informed about "the latest elections" and "the present time" if one has no means of knowing that the elections are those of 1948 and the time is before the elections of July, 1951).

The book reads like a set of encyclopædia articles, the sections under each of the six nation-headings being itemised as Land and People, Social Structure, Foreign Relations, Industry, and the like. The sections are inevitably uneven. That on Denmark sounds perfunctory and second-hand; no one could gather from it what, for instance, has happened to the Folk High Schools in recent years or what the Danish people really went through under German occupation. The section on Finland, on the other hand, is vivid and fresh, particularly in the pages headed Parties and Policies. The section on Iceland is flat as a flounder and dull as cod, while much of that on Norway gleams like mackerel. The section on Sweden, though apparently written by the same hand as that on Iceland, is thorough and lively and will probably be the most useful in the book.

Letters to the Editor

Programme for Security

Sir,—The comments in your issue of December 22nd, on Nato's future organisation for economic purposes, and your choice of efficiency in "the old problem of efficiency *versus* democracy," must have shocked other people than me.

Even if efficiency is to be paramount, I wonder why, in the case of the report of the "three wise men," public opinion in all Nato countries should readily accept, as the most equitable and best technical advice, recommendations made in two-thirds part by Sir Edwin Plowden and M. Jean Monnet, the two chief planners of countries whose economic situation is in such a plight that further injections of 300 and 600 million dollars are necessary to keep them afloat.

It is indeed admirable that the "three wise men" have found that the defence effort of their three countries is economically and politically what is expected of them (except for a mere 5 per cent for France), but that all the others fall short and should increase their effort.

I think the question should be put bluntly why, if Nato is a real community, the three great powers should always claim representation in every committee of substance; in Ottawa, a suggestion by the Belgian Minister of Finance that the committee of the three wise men should be composed of nationals of the United States as the only "giver-country" and the two smaller partners was met as a derisive absurdity by Britain and France. Among the committees of Nato where the 12 are not all represented, only the Atlantic Community Committee (Canada, Belgium, Italy, Netherlands, Norway) has been found sufficiently harmless not to work under the great powers' supervision. More and more, it seems to be taken for granted that the junior partners of the alliance have just to follow suit; it is an open secret that, at the Ottawa council, the northern countries of Nato were pushed into accepting the extension of the Atlantic Treaty to Greece and Turkey; the three great powers were already committed in this area and, in fact, were losing nothing.

The weakness of Nato is a lack of confidence on all sides and the report of the "three wise men" has only made it worse.—Yours faithfully,

JEAN MET-DEN ANCKX

Manpower Control

Sir,—The answer to Mr Vaizey is that in my letter, which he criticises in your issue of December 22nd, I was not addressing my mind to the questions whether actors would make good or bad aircraft workers but whether actors playing to half-empty houses, and forced to "rest" for long periods between parts, as a result of deflation, would not constitute a wasteful use of the nation's resources. Incidentally, I was—as you were in your own original note—discussing control of engagements, which is a purely negative form of control, and not positive "direction," still less "industrial conscription."—Yours faithfully,

R. F. KAHN

King's College, Cambridge

Mobs without Masters

Sir,—I studied the article in your issue of December 15th. May I be permitted to state that, as far as my country is concerned, you have allowed yourself to make some unjustified remarks which do not appear to come within the scope of free and impartial criticism. I even feel compelled to ask myself whether it does not imply some sort of interference in the internal affairs of Iran.

In my country's case what you call "a Frankenstein monster" is not nationalism but rather the Anglo-Iranian Oil Company's attitude towards the Iranian people as demonstrated, for example, by the company's last balance sheet. It is such demoralising interests that have created a nemesis in the form of the national movement, and have been responsible for gradually bringing the latent social discontent to the present climax.

The second method which you prescribe is "seizing more of the controls." This was experienced after the first World War as the result of the 1919 agreement, which aroused the anger and hatred of the whole Iranian nation and consequently had to be cancelled. Iranians would resist such controls to the bitter end.

Your third antidote is "that adopted by the British Government in Persia—to remove the irritant and to leave social discontent to work the change." In practice this would mean more foreign interference and I hope this will never come about. In case, however, this "antidote" of yours is adopted, all of us, without exception, will find ourselves in the same boat.

As regards your further choice—"to begin kingmaking—to select, groom and discreetly help into power a local dictator"—it is extremely difficult to reconcile this surprising suggestion with the principles professed by various British Governments, with the concepts of the Atlantic Charter, and with the existence of the United Nations, the foundations of which were laid by Britain and to which the people of Britain have wholeheartedly subscribed. If direct and indirect interference in the affairs of Iran is envisaged, then let us stop beating about the bush, scrap all this talk of international justice, and morality, and revert to the law of the jungle. Incidentally, I can assure you that the gravamen of the Iranian charge in the oil dispute is this very interference which you advocate. No better way to forfeit Iranian friendship could be suggested.—Yours faithfully,

M. MALAYERY,
First Secretary in Charge of Press Affairs

Iranian Embassy

The Economist Abroad

Sir,—Three days ago I was travelling by bus in eastern Khorasan between Meshed and Herat. At one of those stops when fares are decided upon by mutual and lengthy discussion and police have to be given their pound of flesh I was reading the November 10th copy of *The Economist*.

Suddenly, with a graciousness which must be experienced to be believed, the paper was removed from my hands and a group consisting of one Iranian postman, one Afghan, and one Uzbeg began to study it.

As a result of their keen interest a question has come to my mind: is the moment ripe for *The Economist* to publish a Uzbegi edition?—Yours faithfully,

C. MURRAY ROGERS

Herat, Western Afghanistan

The Value of Scholarships

Sir,—The article in your issue of December 22nd was interesting and timely. I should be glad if I might contribute this addendum.

The present assessment of the cost of university education was made by the Ministry of Education after consultation with the universities alone. It includes an allowance for maintenance in the vacations. There are many who consider that at least a portion of the vacations could be devoted by an undergraduate to earning enough to maintain himself while absent from the university. Some local education authorities which adopt this policy have consulted their scholars and have received little or no evidence that their grants are inadequate.

The last Minister agreed to take the local education authorities into consultation, and an inquiry has been addressed to the universities asking them to specify in certain detail what they regard as the present needs of an undergraduate. The replies may disclose considerable variation between not only colleges at Oxford and Cambridge but also between the other universities. It may be that some colleges and universities should then be asked whether in the present difficulties they should not attempt economies in university life.

A choice may have to be made between economies that will reduce the total amount of grant distributed among the present number of students and reducing the number of students receiving grants. Would it be either wise or equitable to choose the latter?

Before the war a "scholarship," whether granted by university, state or local education authority, implied that the recipient was expected to get a first class or a good second class degree. Although it is believed that many of the universities have found that the present distribution of grants has produced more firsts and good seconds than before the war, many freshmen since the war have entered the university without prospects of such high degrees. As the university and state scholarships skim the cream, these come mainly with grants from local education authorities and there will be fewer of them if the local grants are reduced in number.

I suggest that two questions have to be decided:—

1. *Ought people who are not likely to get high degrees to go to the university?*

There are at least three arguments in favour. First, neither a university full of "clever fellows" nor a university where the "clever fellows" come with grants and the less clever ones come wholly supported by their parents is nowadays at all a perfect place. Secondly, the "clever fellows" do not always stay the course even at the university, much less so in after-life. Thirdly, our professions need many people of good character and moderate university degrees.

2. *Can the universities' selection of their students be improved?*

I believe that many universities have to accept a 10 per cent wastage rate and that the failures come as much from the middle as from the border-line group of freshmen. If a local education authority finds that the rate of failure among its scholars is not greater than that of the universities, a reduction in the number of its scholars would probably have the result of excluding from a university people who would benefit and give the community good service afterwards.

I am inclined to think that future policy should be based upon a compromise, namely, that the needs of certain Oxford and Cambridge colleges—not all the small colleges are so expensive—should not be too greatly stressed; but that there could be a small saving, probably not more than 5 per cent, based upon economies by the universities and upon improved selection of students. In the latter process it should be remembered that it is the university which decides whether to admit and the local education authority whether to make a grant.—Yours faithfully,

C.E.O.

★

Sir,—In the article in your issue of December 22nd you state that "All county education authorities pay full fees to winners of their major scholarships." This is not quite exact. I can quote two examples of the award of an "honorary" major scholarship, i.e. without emolument.—Yours faithfully,

E. M. HUGH-JONES

Keble College, Oxford

To School at Six

Sir,—In the article in your issue of November 24th you say that in Ontario "children do not begin school until the age of eight." You cite as your authority "a recent study published by Unesco." If this is a sample of Unesco's accuracy, its reports leave a good deal to be desired. The age at which children must begin school in Ontario is, and has been for some time, six. I have two children myself, aged six and nine, and both of them were obliged by law to start their regular schooling at the age of six. In this city, kindergarten classes are available at the age of four, and kindergarten primary at the age of five; but these are not compulsory. Grade I is compulsory at the age of six.—Yours truly,

Ottawa EUGENE FORSEY

[The sentence in Unesco's report is as follows:—"In Ontario, although the majority of children enter school at six, they are not obliged to do so before the age of eight." The section on Canada in this report is said to be based on the reply sent by the Canadian Education Association.—EDITOR.]

Drawn by A. R. THOMSON, R.A.

Such stuff as paper is made of

It is the right "stuff", in humans and in material, that determines the quality of paper. Take Frank Johnson*, the beaterman, for example. Superintending the beater floor (where the giant breakers churn wood-pulp, and other necessary materials into a watery mixture technically known as the "stuff"), Johnson it is who interprets the laboratory reports and decides on the blend of pulps which will give him the right "stuff" for a particular quality of paper. It is his skill and experience that must then gauge precisely the degree and duration of the preparation treatment on which depends the uniformity of the fibrous mixture delivered to the paper-machines.

Johnson came to Bowaters Thames Mill twenty-four years ago, as a young man. Apart from war service ("finished as a sergeant in the gunners") he's been there ever since. When you watch him as he keenly scrutinises the mixture and runs it through his fingers before giving the signal for it to go on its way to the paper-making machines, there's no need to ask how he got his present job or whether he likes it. Both he and the mixture are the "stuff" good quality paper is made of . . . whether it be for the many hundreds of newspapers, books and magazines that are printed on Bowaters paper in all parts of the world, or for the packaging of almost everything from soap to cement.

The whole wealth of Bowaters craftsmanship, experience and research in the art of making paper—the 'know-how' in short—is free to your service.

THE BOWATER PAPER CORPORATION LIMITED

GREAT BRITAIN · CANADA · AUSTRALIA · SOUTH AFRICA · U.S.A. · NORWAY · SWEDEN

*Parliament wants for a real character.

LEAD LASTS

LEAD SHEET AND PIPE CAN BE DELIVERED IMMEDIATELY FOR ALL BUILDING WORK

The Technical Information Bureau of the Lead Industries Development Council exists to give assistance on problems relating to the use of lead sheet and pipe in building work. Details of its application are given in a series of information sheets. These sheets are available to architects, surveyors, builders, plumbers and other technicians interested upon application to the Council. "Students" applications should be endorsed by an instructor or master of a technical school.

LEAD INDUSTRIES DEVELOPMENT COUNCIL, EAGLE HOUSE, JERMYN ST., LONDON, S.W.1
LEAD TECHNICAL INFORMATION BUREAU, 90 EBURY STREET, LONDON, S.W.1 TEL: SLOANE 0474

5% Per Cent Wastage

How much time is wasted in your offices through lack of inter-departmental contact?

The RELIANCE Loudspeaking Telephone Service facilitates intercommunication between executives and departments.

A flick of a switch and your staff is at your elbow and in touch with each other.

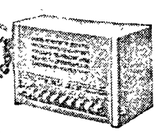
Queries are settled without staff leaving their desks or the P.O. switchboard being overloaded with internal traffic. Complete conferences are possible by throwing two or more keys.

Here is real economy and real efficiency.

May we send you full particulars—without obligation of course. *Write for leaflet T.E.9*

RELIANCE LOUDSPEAKING TELEPHONES

THE PROFESSIONAL MAN'S GREATEST ASSET



THE RELIANCE TELEPHONE COMPANY LTD.

(A subsidiary of the General Electric Co. Ltd.)

39-47, PARKER STREET, KINGSWAY, LONDON W.C.2
Tel.: Chancery 5341 (P.B.X.)

Branches throughout the United Kingdom

AMERICAN SURVEY

What Next in Korea?

Washington, D.C.

DECEMBER 27th has come and gone and nothing has been settled, nothing changed. The temporary truce in Korea continues, with the obvious implication that the battle-line of November 27th will still be an acceptable basis for an armistice if ever an armistice becomes possible. It could hardly be otherwise from the point of view of the United Nations Command, which fought and argued for weeks to get the line accepted and which, since no action to alter it materially has been undertaken, is presumably now fully satisfied. But there does not seem to be any very clear notion in Washington how long the negotiations will go on, or how long they should be allowed to go on, if they continue to make as little progress as they have so far.

What to do next, and the related problem of what to do after that, must be the most important item on the agenda for the Truman-Churchill talks. Perhaps it is as well that December 27th passed without any change in the pace or the method of the negotiations. Urgent and immediate decisions will not be needed ; had they been, they might have occasioned urgent and immediate disagreements. As the fateful day approached, the mood of the United States became almost truculent and support grew for the policy of coupling agreement to an armistice on the present line with formal threats of what would be done to the Chinese mainland if the armistice line were crossed.

Through all the discussion there has run a thread of irritation with the United Nations, and particularly with those members who have forces in Korea. In some unexplained way, it is felt, they are impeding the United States from achieving a clear-cut decision. This irritation takes no account of the fact that, again and again, during the Congressional hearings on the dismissal of General MacArthur, the Secretary of State and the Joint Chiefs of Staff gave warnings that this was not a situation in which a clear-cut decision was possible and that the only proposal for achieving one—that offered by General MacArthur—had been weighed and found too risky. A people which is irritated and beginning to feel truculent, however, is also one which is beginning to feel like taking risks.

Some ten days before the December 27th deadline, and when nobody knew what it would bring, Mr Ludwell Denny, the tame thinker of the Scripps-Howard newspaper chain, wrote that

> whether an armistice is unexpectedly achieved or all-out fighting is resumed, there will have to be a United Nations policy agreement. No such agreement is in sight. If there is a military truce, the Allies are split over negotiations for the political settlement to follow. If there is no truce, the Allies are split on the kind of war to wage. . . . Whichever way it goes, the only hope of a United Nations agreement on peace terms or on war strategy is that Prime Minister Winston Churchill will shift British policy over toward the American position. That might swing a UN majority. Otherwise the United States will be virtually isolated.

That was a disarmingly affable statement of the imperialist philosophy—everybody had better get into step with Sam—but it was also an accurate reflection of the Washington mood. And the mood is not hard to understand. Although the Allied forces may not be quite as "token" as some Senators make out, the United States is carrying most of the burden and suffering most of the casualties.

Now that 1952 is here it is important, from the point of view of domestic politics, not only to put an end to the casualties—the truce has largely done that—but also to start bringing the boys back home victorious before long. Otherwise the Republicans will have a splendid case against a Democratic party which knows how to get the country into war but does not know how to get it out again. The policy of patience, which has been followed up to now, except when General MacArthur was allowed to make his excursion up to the Yalu River, has produced profits but they have, unfortunately, had to be put to reserve instead of being distributed as dividends. The dividend of victory is something the public can understand and spend, the reserve is less tangible ; it is the weakening of the Chinese forces, the discouragement or at least, if present fears are realised, the postponement of excursions into Burma or south-east Asia, the demonstration that aggression will be met with force and the proof that containment is a real policy.

★

In an election year something tangible is wanted, as it probably always is in the United States. General MacArthur knew quite well which gong he was striking when he said that there was no substitute for victory. He was striking the emotional gong and not the reasoning one. The Republicans, under his urging, are trying to persuade the public that nothing short of the unification of Korea will be a victory, because that is the expressed objective of the United Nations. The Administration has not yet capitulated to this theory, but it is unable to accept any suggestion that enough has been done to demonstrate that acts of aggression cannot be committed with impunity, and that the United Nations troops should be removed from Korea and events left to take their course, even if that course is the immediate over-running of South Korea. Such a suggestion would be regarded as a betrayal of the American dead and wounded and it would have the dangerous after-effect of turning popular opinion away from the United Nations and the whole concept of mutual security.

The Administration is, therefore, left to follow a middle road, of the kind it has followed up to date, but one which shows no sign of getting anywhere before the darkness of next November's election falls, and every sign of petering out into the wilderness. The continuation of the negotiations after December 27th has allowed the Administration to follow this road a little longer, but there are plenty of voices advising it to plunge into the MacArthur country and take

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect ; all others are the work of the editorial staff in London.

the risks of naval blockade and air bombardment. If it ever wanted to do that, however, the forthright adoption of such a policy was made almost impossible by the statements of the various government spokesmen before the Senate inquiry when General MacArthur came home.

What the Administration must get for domestic reasons is some form of armistice agreement which will allow the bulk of the American, and Allied, forces in Korea to leave, although it is contemplated that some small force will have to stay. That is, presumably, also the desire of the other members of the United Nations which have contributed to the Command. It is also, presumably, exactly what the Communists want to prevent, and are successfully preventing by prolonging the negotiations and by appearing to be prepared to prolong them indefinitely. As long as the talks go on a large United Nations army, for which there are plenty of uses in other parts of the world, is tied down. The stalemate does not, however, have such evil effects on the Chinese. The Korean war has cost them dearly in trained troops, but the truce gives them time to train more and their supply of manpower is so vast that they can afford to have the forces at present in Korea immobilised permanently.

It is these considerations that make the idea of threatening to carry the war to China if the armistice line is crossed so attractive. This threat would make it unnecessary to continue protracted negotiations or to evaluate any guarantees that may be given in the course of negotiations. It would make it unnecessary to keep more than a thin screen of troops other than South Koreans in Korea, and it provides a nicely defined *casus belli* for the future—the crossing of a line which both sides now understand thoroughly—and a description of the consequences of crossing the line. It would not commit American troops to the mainland of Asia but would merely give warning of naval and air raids. But the threat has some grave disadvantages. The United States might announce the ground rules for its threatened action, but the Chinese might not agree. In that case American troops would have to be committed to the Asiatic mainland ; and since so many people in Washington have pointed out the strategic dangers of extending the war, the Chinese might be glad to have a chance of forcing the United States to extend it. It is therefore to be hoped that the British visitors are bringing a better alternative.

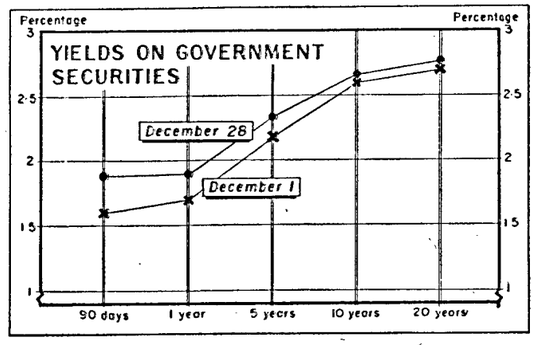
Bankers' Overdraft

[FROM A CORRESPONDENT IN NEW YORK]

A LARGE and unexpected increase in business borrowings from the banks during December helped to raise interest rates on Treasury bills and bank loans to levels unknown during seventeen years of easy money. It seems that many companies which had previously been able to finance their conversion and expansion programmes or their normal seasonal needs out of their own resources suddenly found themselves forced to go to the banks for funds. The weekly reporting member banks of the Federal Reserve System, which account for almost three-quarters of all bank loans to business, increased their business credits by almost $600 million during the first three weeks of December. In the previous nine weeks they had extended only $700 million of new credit to business. There was another indication of small corporate holdings of cash in the difficulty the banks experienced in selling Treasury tax anticipation bills (equivalent to the British tax reserve certificates).

The first signs of the tight position of the banks, generally unheeded at the time, were apparent in the bank statements of November 28th. On that day member banks were borrowing $483 million from the Federal Reserve, and their excess reserves (the balances at the Federal Reserve Banks above the cash required to be on deposit there) amounted to only $439 million. In effect, the banks as a group were $44 million short of being able to meet the legal reserve requirements. Bankers generally consider that excess reserves should not fall below $700 or $800 million. In succeeding weeks, the banks were $197 million short, $32 million over, $667 million over and $166 million short. The banks then tried to find new reserve funds by selling government securities in a market in which banks were under pressure to maintain their reserves and in which corporations were not able to buy. Dealers were also reluctant to add to their holdings of Treasury issues because, even when credit was available, it was at rates substantially above those yielded by the securities the dealers were carrying.

In these circumstances, it was not surprising that interest rates should rise. On the first of the month 90-day Treasury



bills were yielding about 1⅝ per cent ; by Christmas Eve it was difficult to find buyers at yields closely approaching 2 per cent. Until almost the end of this period the Federal Reserve Open Market Committee abstained from dealings in the market. Through the week ended December 19th it had neither increased nor diminished its holdings of government securities by even $1,000,000. For the week ended December 26th, however, it showed an increase of $264 million, apparently as a result of efforts to prevent panicky selling and to provide the banks with reserves.

An outsider may well be pardoned for asking why banks insisted on selling at a loss Treasury bills yielding more than 1.9 per cent when they could easily borrow from the central bank at 1.75 per cent. The answer seems to lie in tradition, which must be stronger in banking than in any other American business. Bankers are taught from the cradle that there is something almost shameful in being in debt to the central bank, and they find it unthinkable to show any indebtedness in their year-end statements.

The price decline in the short-term market also affected the long-term market, for when banks found it difficult to dispose of Treasury bills they tried to find buyers for short notes and bonds and then for intermediate maturities. They had as little success here, however, as they had had with the bills. Moreover, the rising trend of yields on both short-term and long-term government securities, and the obviously tight reserve positions of most banks, led one large New York City bank to raise its minimum rate on short-term loans to business from 2¾ to 3 per cent. Other large banks in New York City, Chicago and other financial centres promptly followed suit. This development made yields on

government securities suffer by comparison and there was a tendency to value these issues even lower. It was apparently shortly after this move, when the inter-effect of tight money and rising interest rates seemed to be developing into a close cousin of the wage and price spiral, feeding on itself, that the central bank stepped in.

★

One blow to the banks' reserves was the requirement that a higher proportion than usual of corporation tax receipts should be paid over to the Treasury account with the Federal Reserve. This will be only temporary, since the Treasury will soon be spending the money. Furthermore, the banks will probably regain the funds they lost when money in circulation climbed to an all-time peak at Christmas, for this currency will almost certainly flow back into the banks in January after the holiday shopping demand has been satisfied. There also seems little reason to believe the movement of gold to the United States will be halted in the near future, and the banks will gain reserves from foreign spending. Even so, there can be little doubt that bankers had an expensive and effective lesson in the need for caution in their lending and investing operations. Long accustomed to having the central bank ready to furnish them with reserves at little or no cost, in exchange for some of their Treasury issues, they have probably not been sufficiently concerned with the risks of overinvesting or overcommitting their funds to borrowers.

It is too early to be sure that interest rates will not move back toward the levels that prevailed a month ago. Much will, of course, depend on the demand for additional bank credit from business. Some seasonal downturn during the first half of the year, especially during the second quarter, is normal ; how much this usual trend will be offset by business needs arising out of the defence programme is impossible to determine.

The clear evidence of low holdings of cash by corporations suggests that some of them have been using money put aside for taxes in their operations and may therefore have to borrow from the banks in order to meet tax payments on March and June 15th. These will be unusually heavy, and if bank loans continue to rise, and if the banks must pay what they will consider an expensive price for the reserves that they need in order to make the loans, there seems a good chance that rates will remain at about present levels. On the other hand, although banks pushed up their rates on bankers' bills, commercial paper, and loans to brokers and dealers shortly after the "prime" rate was increased, there are signs that these rates are not quite as secure at the higher points.

The more important question of whether the market is in the process of setting higher rates which the Treasury will have to pay the next time it must borrow is also difficult to answer as yet. The first major piece of financing will be the refunding of almost $10 billion of certificates maturing on April 1st. It is likely that the Treasury will not have to look for "new" money until mid-year ; the large tax payments due in March and June will see to that. Indeed, it now appears that the Treasury, despite a cash deficit of about $5 billion in the first six months of the fiscal year, will have a cash surplus of $1 billion or more on June 30th. Under these conditions and if the pressure just exerted proves to have been enough, the cost of the Treasury's next issue need not be much above the 1⅞ per cent of the certificates maturing on April 1st.

American Notes

Sitting on the Budget

Congress may have to wait until late in January for its first look at the President's budget, which normally follows close on the State of the Union message at the beginning of the session. The White House is believed to be sitting on it, waiting for the services to abandon their hopes of $60 billion in the year beginning next July, and to agree on a division among themselves of the $45 to $50 billion, which is all the President is said to think they should have. In insisting on a cut from last year's request of $57 billion, Mr Truman is supported by Mr Lovett, the Secretary of Defence, who appreciates that any really large economies can be achieved only at the expense of his own department. If, however, the Air Force is to have the largest share of the cake for its expansion programme, there will be comparatively lean pickings for the Army and Navy. This may be what is causing the delay.

A reduction even of $12 billion in new money for the services, who are well supplied with funds from earlier appropriations, would not affect military spending in 1952-53 ; this will continue to rise. But even though this year's economies may be a long time bearing fruit, they will be welcome to Democratic election candidates anxious to show that the long-promised tapering off in military spending is at last in sight. Whether businessmen, nervous of a recession, will be so enthusiastic is another matter.

The budget is expected to call for the Federal government to spend more than $80 billion in the next financial year, that is, more than has ever been spent except in the two peak war years. With revenues put at $70 billion, a deficit of over $10 billion seems probable, though the continual revision of the expected book-keeping deficit this year—now put at $6 billion—shows how risky such calculations are.

Faced with so large a deficit, and forced to admit that Congress is unlikely to fill it with taxes in an election year, the Administration apparently has decided that foreign aid must come to the rescue. The President is not expected to ask for much more than $7 billion for foreign programmes and only $1.4 billion of it for economic aid ; this is about what Congress eventually granted last year, and more than $1 billion under the President's original request. Congressmen who visited Europe this summer no doubt will applaud—and perhaps cut and come again. Travel does not always broaden the sympathies, and though most Congressmen did not make the sensational discoveries of Senator Ellender—who has returned full of scandals and waste in the administration of foreign aid and has most unkindly asked the Austrian Chancellor to substantiate his charges—many came back with the conviction that Europe was failing dismally to come up to scratch.

★ ★ ★

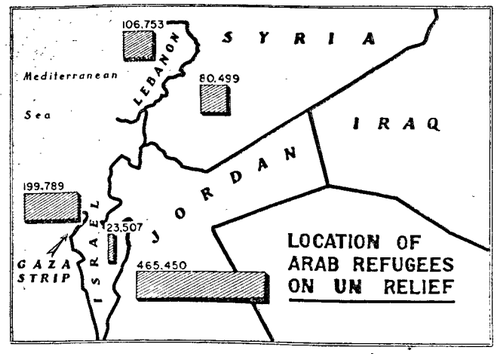
Held Up to Ransom

Hungary is the first nation, since the days of the Barbary pirates, successfully to hold the United States up to ransom, and Americans do not care for the sensation. Most of them, however, could not endure the thought of the four American airmen languishing in a Hungarian jail after their conviction on charges of violating the frontier, and the government's decision to pay the "fines" is generally approved, though it is hoped the story will not end there. Indeed, many individuals and private groups—among them Americans of Hungarian descent themselves—stood ready to pay the ransom of $120,000, but under the law this probably would not have been permitted. Mr Robert Vogeler, who less than a year ago was still in a Hungarian prison himself, and issued an appeal for the four, received over $200,000 in voluntary donations.

THE WORLD OVERSEAS

The Arab Refugees; 1952

THE deadliest aspect of a refugee problem is the gradual decrease of its impact upon human sympathy. Next week, the United Nations Assembly will, for the fourth year in succession, debate the problem of succour for the Arab refugees. These still number 875,000 without counting some 127,000 further indigent souls living on the Israel frontier who do not qualify for UN relief because, though a frontier now separates them from the lands and markets that were their livelihood, they have still got their houses. Over three quarters of a million people, therefore, still moulder in distressing, depressing camps, provided with enough food to live on and enough medical care to keep them healthy, but without sufficient clothing, with no privacy, with schooling for under half of their teeming children they live in idleness, dependence, insecurity and a sour conviction of injustice done to them by the nations and United Nations that made the Palestine settlement. The total number of refugees, who are today distributed as shown in the accompanying map, is approximately static because the proportion of people that either die or else find jobs and quit the breadline is more than offset by a combination of 30,000 new births per



year and of fresh mouths to feed as the better-to-do families exhaust assets that they contrived to bring out of Palestine.

Each year, the Assembly has voted one year's succour; last year, this was to consist of contributions amounting to $20 million for a relief fund and $30 million for a reintegration fund. But each year, its servants have contrived little permanent settlement of families, partly because, owing to rising world prices, the money they handle will not buy the relief it was meant to buy, and partly because contributions to the funds have not come up to expectations. It is clear that, unless the Assembly drastically departs from a policy of help given in small doses, it must leave the Middle East with a perennial sore.

Happily this year there are some signs of new ideas that will, if adopted, enable the Assembly to throw over an annual policy that threatens to become a habit. The United Nations Relief and Works Agency (UNRWA)—the body which, from a headquarters at Beirut, has since 1950 made do with such funds as are available—has under the influence of a new and robust American director, put up a programme for a $250 million assistance plan to be spread over three years—the sums to be expended in the first year to be $18 million on relief and $100 million on reintegration respectively. It has rightly judged that a lump sum and a longer programme-period can be far more effective in producing settlement schemes than could the same amount of money dribbled forth in three annual instalments. One considerable contribution towards the programme is already in the till thanks to the inclusion in the American Mutual Security Programme for 1951-52, approved by the President on October 10th, of the sum of $50 million specially earmarked for the Arab refugees. How many other nations will follow this example? A contribution of corresponding proportion from the British Government (which would be about £6 million and which could reasonably include the £1,500,000 loan to Jordan now before Parliament) would be a small price to pay for a great gain in Middle East tranquillity.

But money alone is useless. There are two parallel requirements without which resettlement plans are of no avail. One is co-operation from certain Middle Eastern governments in promoting settlement schemes. The other is a move by Israel in the matter of unfreezing Arab assets and paying compensation for Arab properties of which Israelis are now freely making use. A step taken in this second matter would produce the double advantage of proving the genuineness of Israel's assertions that it wishes for better relations with its neighbours, and of showing the refugees that there is now no hope of fulfilling the Assembly resolution of 1949 which proclaimed their right to return home—a misguided declaration on which far too many have pinned their faith.

Hitherto the attitude of the Arab governments has constituted a curious mixture of compassion and political calculation. Confront an Arab with a case deserving of charity and he is far more generous than his counterpart in Europe. Individual Arabs and even the Arab governments have performed prodigies of charity for the individual refugees that sought their aid. But transfer the plight of the refugee from the concrete realm of bread and shelter into the abstract one of politics and an Arab cabinet tends to be swept away by emotional conceptions of national justice. In discussing attitudes to Israel, one Arab statesman remarked of the refugees, in the hearing of your correspondent, that it would be better that they should die than that his government should abandon its claim that they must go home. Yet, there have for the past year been signs that Arab co-operation in resettlement—which was at first sidestepped by most of the states out of political emotion, will now be forthcoming.

Nevertheless problems still abound. It is difficult to settle newcomers in conditions that—if they conform to UN standards—will be better than those of many of the local inhabitants. All the refugees in the Gaza strip, and a large part of those in Lebanon and Jordan must find their opportunities in countries of greater economic possibilities. Egypt can offer nothing in the overcrowded Nile Valley, but is helping to plan for the settlement of 50,000 people in Sinai. Iraq and Syria are the countries which possess the room; the former will need manpower once its new oil wealth puts into effect the huge development plans it now envisages, and Syria's growing industry will also—if the Syrians are provident—within measurable time require additional skilled labour of a kind that a good many ex-Palestinians could supply. Yet, at present, few refugees want to go so far from their native hills and sea as Iraq seems to them to be, and the attitude of Syria to foreign aid for resettlement schemes has hitherto been unpromising.

Only the Assembly can administer the jolt to all parties that is needed in order to bring about a real change in a situation that is disastrous both for the Arab world and the west. And only if it is generous in the matter of money will the jolt be effective. Should it be so, the Arab states would be well advised to move fast in making known the efforts they are prepared to make, for they would do well to bear in mind one unavoidable feature of 1952. It is the year of an American presidential election. Congress, therefore, will be doing its level best to finish all business by June. The United States is far and away the biggest contributor to Arab refugee resettlement projects. Yet if by June few or no results are forthcoming from its last year's vote, what inducements will Congressmen see to repeat their generosity? On the score of financial expediency as well as of compassion, the Arab governments need to be more resolute in doing their share towards cutting out the core of unrest which the refugees have come to constitute in their midst.

Belgium uses the Brake

[BY A CORRESPONDENT]

IN the counsels of the European army, Belgium has assumed the role of the reluctant widow. Its critics suggest that there is no such thing as a Belgian European policy. All is confusion and, apparently, obstruction. Yet the Foreign Minister, M. van Zeeland, stands at the centre of Belgian opinion. Because he is in a position of political responsibility, he has felt obliged to reject a completely negative attitude towards the French policy of trying to integrate Germany into a European community. He is honestly searching for a compromise between the extremes of Belgian nationalism and French internationalism. And he is, for different and sometimes extraneous reasons, not unrepresentative of the bulk of Belgian opinion on the left and right.

But this is only a broad generalisation. On one side of him stands the majority of the Socialist party, which flatly declared at a recent congress that German military integration, in a European army or otherwise, was premature. Simultaneously the same party, for reasons of internal politics, was far more enthusiastic for the coal-steel pool than were the parties of the right. On the other side of the Foreign Minister, cutting across all divisions of party, stand the prophets of a European paradise through complete federation—M. Spaak, the Socialist leader and ex-president of the European Assembly; M. Roger Motz, chairman of the liberal party; M. Fernand Dehousse, one of the few outstanding international politicians in the Belgian Parliament. Each, in his own style, has deplored the approach of the Foreign Minister to European problems.

The conflict and confusion are such that no one is surprised at the sight of a leading Socialist MP and one of the promoters of the new International, M. Larock, condemning as "excessive" the measures which M. Spaak at Strasbourg was dismissing as mere "weaklings." At the same time, the liberal, M. Motz, was heatedly giving his full support of M. Spaak, and denouncing M. van Zeeland's speech to the Strasbourg Assembly as a sign of a return to a policy of independence. The kindest student of Belgian politics must conclude that there is, in Belgium today, no common thinking about "Europe."

What is behind these negative positions? In M. Spaak's case, his distress culminated in his resignation from the presidency of the European Assembly. In his resignation, frustrated idealism undoubtedly played its part. He may also have felt that a spectacular move, when American eyes were focused on Strasbourg, would yield tactical advantages for himself, restoring his prestige with the United States, with Europe, and with his own countrymen. But the major factor was certainly his conviction that a new impulse must be given to the Assembly, if Europe was to forestall a threatened *volte-face* in American policy in Europe.

It is in their fear of the power of a rearmed Germany that MM. Spaak and van Zeeland are on common ground, though their solutions have nothing in common. Strange as it may sound, this fear was one of the factors which led M. van Zeeland to make his proposals at Strasbourg for toning down the European army plan. The Foreign Minister knew that Germany's rearmament was a source of utmost concern to all his compatriots without exception. He knew that if Europe itself did not take the initiative in integrating German contingents in a European force, there was a serious danger that the Americans would restart a national *Wehrmacht* without further delay. Therefore he was in sympathy with the idea of a European army. But he felt, together with many Belgians of all political creeds, that a European army as originally conceived by M. Pleven, or as developed by M. Alphand in the meetings of experts in Paris, would in the end produce an army in which Germany predominated. M. Alphand's recipe—one force, one uniform, one budget, one policy—was the logically perfect way of preventing a German national army. But if the other members, in following it, sacrificed so much of their sovereignty and their independent strength, what would they have left with which to resist the growing influence of a resurgent Germany in the international army? M. van Zeeland's answer was that a European force must be acceptable to "as many European nations as possible"—including Britain and the Scandinavian countries. At all costs the adopted formulae must leave the door open to Britain. On this score alone the Pleven Plan would have been thrown out by the Belgian Parliament.

Constitutional Difficulties

But there were other reasons just as potent for the Foreign Minister's reluctance. Belgian public opinion is not prepared for a far-reaching vesting of sovereignty. M. van Zeeland was clear about it: "As I said just now, our hearts still lie with our own fatherlands, and European organisation must therefore respect the national states." This is certainly true of the Flemish majority in the country; the Walloon section has recently been more receptive to federalist ideas—if only because many of them were advocating a federal constitution for Belgium itself. But there would certainly be a general outcry if the military expenditure to be borne by the country were to be decided by an irresponsible supra-national authority. To those who were puzzled by the fact that, while ratifying the Schuman Plan, Belgium fought shy of the European army, M. van Zeeland said: "It is possible to make great concessions to views one does not share when it is a matter of coal and steel . . . the same does not apply when it is a question of human lives."

This psychology is reinforced by a more material difficulty. A European army on the Pleven pattern would mean revising the Belgian constitution. Because of the Royal question, which has been the central controversy in postwar Belgian politics, this is far more than a merely technical evasion. If Belgium was to adopt the form of the European army, envisaged by France until the last few weeks, the Belgian Parliament would have to revise—by a two-thirds majority, article by article—all the five articles of Chapter V of the constitution, several articles in the chapter devoted to the rights and privileges of the King, and some important sections in the chapters dealing with the constitutional powers of parliament. It is almost inconceivable that a two-thirds majority could be found to modify (in the sense of curtailing) the rights of the King. The constitutional battle had blazed most fiercely on just those privileges now at stake—the King's position as Commander-in-Chief and as arbiter of war and peace. Even if a majority were found, it could only be at the cost of overthrowing the precarious balance that had been established with so much time and grief, and, incidentally, of destroying the Social Christian majority (the Foreign Minister's own party). The poor chances of his own party in an immediate dissolution and referendum must have

weighed with M. van Zeeland; but he had other, less parochial, grounds for gloom, and for his claim that it would take two or three years to complete the constitutional revisions.

The Cost of Indo-China

[FROM OUR PARIS CORRESPONDENT]

LAST week the French National Assembly debated the credits for the war in Indo-China. Out of the record 1952 budget of 3,370,000 million francs, 326,000 million go to France's Far Eastern effort; and it is almost certain that, as in 1951, supplementary credits will be called for during the year. The Indo-Chinese credits were approved by 510 votes to 109, the Communists alone opposing.

The debate was, however, intense since the Government spokesmen could offer no very cheerful prospects of an Indo-Chinese solution. M. Daladier (Radical) began by asking that the finance committee should review the proposals for so huge an expenditure. He reiterated the argument which many Frenchmen have stated during the last five years; that, by spending lives and money in a seemingly endless campaign at the other end of the earth, France is crippling itself as a European and African power—to the benefit of Germany. M. Daladier suggested that France should bring the Indo-Chinese conflict before the United Nations and ask them to arrange an armistice, a truce and finally a plebiscite.

M. Pleven (UDSR), in reply, insisted that the time was not yet ripe for an appeal to the United Nations. Great military progress had been made since the autumn of 1950; the attack last May by ninety fully trained and equipped battalions of the Vietminh had been repelled with great loss to the enemy. The Vietnamese army was weekly growing in strength and efficiency. Since the signature of the Pau convention in December, 1950, the loyalty to the French Union of the three associated states, Vietnam, Cambodia and Laos, had been steadily confirmed. The Prime Minister gave it as the opinion of the commander-in-chief, General de Lattre de Tassigny, that, unless Chinese volunteers invaded Tonkin "present plans promised results in fifteen or eighteen months." In any case the French Government had hopes of a settlement of the Indo-Chinese problem by improving its relations with Peking. An armistice in Korea would create a favourable climate for talks with the Chinese Communists. This was the first time that M. Pleven had publicly expressed what had long been known to be the coalition government's wish—to follow Britain in its recognition of Mao Tse-tung. M. Daladier's motion was finally defeated by 406 to 206.

After the Communists had proposed a reduction of the Indo-Chinese credits from 326 to 50,000 million francs (the latter figure represented the cost of repatriating the expeditionary force), M. Gaston Palewski (RPF) took up a different position to any previous speaker. He declared that the Chinese were already in the war against France and that it was absurd to speak of negotiations with Mao or with Ho Chi Minh. There was only one way out of the present impasse—the transformation of the Indo-Chinese theatre of operations into an inter-allied theatre. "It is shocking and monstrous," said M. Palewski, "that inter-allied co-operation exists in Europe where there is no fighting, and not in Indo-China where for five years Frenchmen have been dying for the world's freedom." (Total French losses in Indo-China up to the end of 1951 are 1,014 officers and 28,711 men killed or missing.) The time had come for an inter-allied Far Eastern strategy under a unified command.

M. Letourneau, Minister for the Associated States, said that the question of the co-ordination of allied strategy was being studied. In answer to a Socialist objection that the United States was not automatically engaged to come to France's help in case of a Chinese invasion, he stated simply that he could not reveal secret diplomatic conversations. What could be said was that for the period mid-1950 to mid-1951 Franco-Vietnamese forces had received arms and equipment to the value of 60,000 million francs under the Military Aid Programme. For the last half of 1951 another 55,000 million francs worth was due; and for the year 1952

FRENCH FORCES IN INDO-CHINA

	1951	1952
French expeditionary corps	170,000	173,000
Auxiliary troops (Indo-Chinese)	50,000	60,000
Vietnamese	50,000	106,000

COMPOSITION OF THE EXPEDITIONARY CORPS BY NATIONALITY

French citizens*	71,110
Non-Vietnamese native troops†	43,115
Vietnamese	59,075

* A French citizen is either a metropolitan or an Algerian.
† Africans, Madagascans, Hindus.

a further 45,000 million francs would probably be forthcoming. The Government would continue to build up the political and military strength of Vietnam, and although France would certainly seek an end to the war, this could never be by betrayal of the French Union.

The sense of M. Pleven and M. Letourneau's utterances seems to be that French policy in Indo-China will for the present be unchanged. Most of the deputies are aware of the slow creation of a situation of strength. They feel, nevertheless, that the financial burden on France is far too great and that more dollars should bolster up the budget; exclusive of end-item aid (MAP) and of off-shore purchases of undetermined volume, American aid to France written into the 1952 budget amounts to 70,000 million francs. As will be seen from the table the non-Vietnamese part of the expeditionary force is still being reinforced and half of France's regular officers and NCO's are, therefore, pinned down in Indo-China at a time when they are vitally needed in Europe. The doubling of Vietnamese forces during the last year has been a good beginning. But there can be no transfer to Europe of French forces while the Vietminh is being continually reinforced by China.

Mr Lyttelton in Hongkong

[FROM OUR HONGKONG CORRESPONDENT]

THE recent visit of Mr Oliver Lyttelton, the Secretary of State for the Colonies, has given much satisfaction in Hongkong. The initiative was most welcome, since a personal tour of inspection or consultation by the minister is a step almost unprecedented in the Crown Colony's affairs, and Mr Lyttelton clearly has the personality to win success. Solidity and assurance are what people in the Far East most earnestly desire. Moreover, in a place like Hongkong, it is widely felt that in present-day conditions there is much overlapping between the three great fields of foreign affairs, Dominion affairs and colonial affairs, which necessitates a new type of co-ordination. The Minister, who had travelled in Malaya in an armoured car, guarded on some occasions by thousands of men, must have felt a sense of freedom in Hongkong, where little more was necessary than traffic arrangements and the marshalling of the genial crowds that came to see him open an Exhibition of Hongkong's industrial products.

Mr. Lyttelton gave the much-desired assurance that it was the British intention to hold and maintain the colony of Hongkong. This was naturally interpreted primarily in the strategic sense; and the phrasing duly contained such qualifications as "to the best of our ability." But many doubts were dispelled when Mr Lyttelton added that the British intention was also to "safeguard Hongkong's welfare," and went on to show that he knew from personal experience what the practical problems were. First among

them is that of the refugees in Hongkong. Mr Lyttelton wondered whether many western cities, for all their superior endowment of civic and social services, could have coped so well with a sudden doubling of their population. There are, in fact, a million or more refugees in Hongkong who prefer to live there rather than on the mainland of China or in Formosa, and have managed to find a livelihood in this outpost of freedom.

Mr Lyttelton did not, of course, refer specifically to the United States embargo, which for one year now has weighed heavily on Hongkong's trade, and therefore on the economic prospects of the whole of South-East Asia without apparently having any vital effect on China's war capacity. He promised, however, that Britain would try to supply everything that Hongkong needed for its own consumption which was not obtainable elsewhere. This must refer in particular to essential raw materials and consumer goods which, despite several nominal "relaxations" of the American ban, are still not forthcoming from that quarter. He did refer to the prospects of Japanese competition, approved and aided by United States policy, which is seen as threatening the final ruin of a prosperity already weakened by the embargo. From Hongkong's point of view, a better understanding and collaboration in such matters between the United States and Britain is vital.

Another feature of the visit was the special attention given to the constitutional and administrative questions of the Colony. Mr Lyttelton received deputations from the local Reform Clubs and other associations and interests, and gave a welcome statement to the effect that measures of constitutional reform or progress were under serious and active consideration. The major question is that of granting some degree of representative government. This is a very difficult matter; Hongkong's population is so largely a "floating" or transient one, in all classes and walks of life, that the greatest problem of "self-government" is to determine who the "self" might be. In practical terms it is like suggesting self-government for a railway station. For the most part, Hongkong people are inclined to put practical measures of material and commercial improvement first.

That is, at any rate, the view in matters of internal concern. But there is much preoccupation with the need for external measures of co-ordination, on what must now be called the South-East Asian front. Three British territories are involved: Malaya, Hongkong and North Borneo. Malaya —quantitatively and qualitatively the most important—is a base area, comparatively well developed as a primary producer, now under direct Communist attack. The internal struggle in that country is comparable in scale and kind with events in Indo-China, and even with those in Korea. Hongkong, in contrast, displays an internal tranquillity hardly excelled in any Asian country; but it is subject to external pressures which threaten to ruin its position as a great *entrepôt*, a pivot of commercial organisation, and a centre of free communications. North Borneo, on the other hand, is a minor or merely potential factor; but it should not be left out of account. This typically "undeveloped" area is today giving an example of just that rate and kind of fundamental economic development which is, to Asian minds, essential.

In the sphere of co-ordination, especially where politics and economics overlap, British leadership in South-East Asia is better established and respected than may sometimes be realised by the Western public. A notable contribution, in the postwar period, was the Special Commission for South-East Asia. This pioneer effort in regional consultation and executive planning took a large part of the credit for the first restoration of economic order after the war, and the subsequent revival of trade. The other main British contribution has been simply the existence of Hongkong, which has shown a degree of postwar reconstruction and progress unrivalled elsewhere, and has become an *entrepôt* centre serving a whole hemisphere. The present hope is that these achievements in particular will be maintained and extended. In addition, concrete progress in North Borneo, and the air of restraint, practicality and flexibility shown in the Colombo Plan, have created a strong confidence that much is to be expected from Britain in the important matter of economic development.

Indians in Ceylon

[FROM A SPECIAL CORRESPONDENT]

INDIA, the first Asian country except Japan to saturate its easily cultivable land, exported its excess population to Ceylon, Burma, Malaya, Indonesia and Indo-China over a period beginning in the 1820s and ending only recently, when it found all doors shut. Indian immigrants have the habit of remaining parochially Indian. They neither learn the language of their new country nor do they intermarry or settle down; instead they remit money to India where their families live, they marry back into India and they retire to their native villages. They refuse even to give up their food habits and import Indian servants to look after them. This being so, it is not surprising that they should be disliked in direct proportion to their success.

The main friction arises in Ceylon where, until 1935, indentured labourers were imported on a large scale to work on tea and rubber plantations and where, in addition, as many as 200,000 Chettiars (traders from the south) opened shops and held, together with the British, all the trade worth holding on the island. The Sinhalese, who are lazy, spurned the activities of the Indians until, with the advent of independence in 1948, they suddenly realised that Ceylon is the natural destination of India's surplus, despite the fact that their own rate of increase of population—3 per cent—is the highest

3/642

NO FISHING

. . . only rows of idle trawlers moored in the silent docks . . . idle fishermen, brooding, dejected, waiting for the day when they will go to sea again . . . all because fish prices slumped; or weeks of bad weather have made it impossible to put to sea; or fishing gear, damaged or destroyed by storm, awaits repairs or replacement.

The fisherman faces weeks of unemployment, even destitution, from time to time—wiping out at one stroke the results of the fortunate big catch at good prices that does happen sometimes—but *only* sometimes. He needs badly the Deep Sea Mission and all that its port institutes mean to him—wholesome companionship, good food, cheerful coffee bars, recreation rooms, books—and opportunities for worship. Contributions, or requests for the free pamphlet *Fishermen Ashore* giving further information, are welcomed by the Secretary, J. W. DONALD—

Write for FREE PAMPHLET *"Fishermen Ashore"*

DEEP SEA MISSION

ROYAL NATIONAL MISSION TO DEEP SEA, FISHERMEN
74, R.N.M.D.S.F. House, 43 Nottingham Place, London, W.1

and PLEASE—do send us any books and magazines that you can spare for the fishermen—they are badly needed. Address them, please, to R.N.M.D.S.F. Stores, QUAYSIDE, GORLESTON, Gt. Yarmouth

in the world. This, added to the fact that they hate the industrious Indian, made them issue rather drastic legislation aimed at discouraging Indians from staying in Ceylon.

Of the 700,000 Indians in Ceylon, 500,000 are estate labourers who cannot prove that they have been on the island for generations because they are illiterate and because no records have been kept. Thus the citizenship act, which requires that in order to be a Ceylonese citizen it must be established that both parents were born on the island, makes it almost impossible for them to become citizens. Applications for registration have been received from 200,000 of these Indians, but only 7,500 have so far been screened by the Home Department, partly from ill will, partly from inefficiency and partly because of the coming elections—the tea labourers are all leftist and would vote for the opposition.

Citizenship can also be obtained if uninterrupted residence can be established for five years; but since a citizen is not allowed to remit money to a foreign country, only the better off business men avail themselves of this opportunity to settle in Ceylon. Another, almost equally serious grievance amongst Indians in Ceylon is that if an Indian living in Ceylon wishes to go to India on a visit, he must get a re-entry permit, valid for two months only, before he can leave; without such a permit he cannot return. This regulation has been misunderstood by many illiterate and frightened Indians who think that it is the final proof that they are not wanted.

Ceylonisation has become part of the Government's official policy—there is a Minister for Ceylonisation—and all government jobs have to be held by Ceylonese if there are persons capable of holding them. Firms which employ only Ceylonese in all posts worth Rs. 400 and under, are rated as Ceylonese firms and they only are entitled to get import licences for the newly reopened trade with Japan and Germany. This act is hitting British just as much as Indian business; both had traditional contacts with Japan and Germany before the war, and all that the government is achieving is to increase the price of the imported articles covered by the Act, since Sinhalese traders have neither the necessary contacts nor the know-how and merely act as go-betweens on commission for the old customers.

The problem of Indians in Ceylon is a temporary one which is bound to resolve itself in time, since no new legal immigration is possible after the 1949 Act. The government of India has shown commendable patience in dealing with the government of Ceylon, especially since in the old days the indentured labourers were exported at the instigation of the then government of Ceylon, and since even today the work of the estate labourers is at the very core of Ceylon's prosperity. Considering that the Indians in Ceylon have been there for a long time and until now have had full citizenship rights, it is unfair both to deprive them of these rights on the plea that they are not nationals and to make naturalisation by registration so difficult that only a few can fulfil the requirements on paper. Before independence it was not necessary for a citizen of the British Commonwealth to be a national of a particular Commonwealth country.

Canada Abolishes Exchange Control

[FROM OUR OTTAWA CORRESPONDENT]

THE abolition of Canadian exchange controls three weeks ago was a move of psychological rather than practical importance. The control had been in operation since the beginning of the war, but it had been progressively relaxed in recent years. Few of the remaining restrictions were onerous, and they had not apparently been affecting the course of the exchange with the US dollar. It was still necessary for Canadian residents to obtain a permit to take currency out of the country, but the limits were wide and permits were granted freely. Even purchase of American securities by Canadians was usually permitted, though it could be controlled. Non-resident investors buying Canadian securities for cash could have them registered with the Foreign Exchange Control Board, and permission was freely given for such registered securities to be sold for cash in Canada. But Canadian securities purchased by non-residents before September, 1939, could not be converted into cash in Canada. They had to be sold to other non-residents or exchanged for other Canadian securities. Thus the New York market for Canadian securities was generally a few points out of line with the prices in Canada.

Now all of this is done away with and dealings in foreign exchange are open to banks and dealers without restriction. When the Canadian dollar was unpegged in October, 1950, the Government seriously considered abolishing exchange controls at the same time; but it decided to play safe. It did, however, allow a period of ninety days during which Canadian banks and individuals might hold their foreign exchange before turning it over to the Government. Now they may hold foreign currency as long as they like; but it is not expected that there will be much temptation to hoard US dollars, since the Canadian dollar appears just as likely to appreciate as to depreciate.

The abolition of exchange control happened to come on the heels of a sharp spurt in the Canadian dollar quotation. After being freed last year the Canadian dollar settled down pretty steadily around 94-95 cents (US). But in early December a rush of foreign buying sent it up to 98¼ cents, and it seemed content to stay around that point. Needless to say the Canadian Government was moved by the long-term steadiness rather than the sudden spurt. In the first nine months of the year—without artificial protection—the official reserves of gold and US dollars dropped by only $160 million. In the later months the losses were apparently even smaller. The remarkable thing about this is that the deficit on commodity trade has been rising steadily, and so probably has the deficit on the invisible factors in the current account.

The year 1950 ended with a current account deficit of $316 million of which only $17 million was on commodity trade. This year's trade deficit in the first nine months was $323 million compared with $11 million last year. Dividend payments, tourist expenditures and other invisibles have almost certainly run up a higher invisible deficit. So the total current account deficit for 1951 cannot well be less than $700 million and may be substantially more. This has produced no strain on the exchange rate, because it has been offset by the capital inflow that has been taking place. Canadian provinces and municipalities alone have floated more than $300 million worth of bonds in New York this year. Redemptions offset $100 million of this. Direct investment in Canadian stocks and private borrowings must have been very substantial; and there has been little sign of "hot money" pouring in.

The Canadian Government's move has been interpreted as a gesture of confidence in the soundness of the economy. More particularly it is a sign of confidence that the present current account deficit represents an investment in productive enterprise which will leave Canada richer; and it is the case that Canadians are paying for a much larger proportion of their own capital development than they did in the last great period of expansion in the years just before 1930. Mr Douglas Abbott, the Finance Minister, and his financial advisers believe that Canada is so widely recognised as a country of assured growth that their own gesture of confidence can only increase the confidence of investors. They have announced that they intend to keep the legislative authority to use the official reserves as an "exchange fund," but they have also indicated that they do not intend to use it as any sort of peg for the dollar. It will be used merely to smooth out the more violent day-to-day fluctuations.

WHAT'S TRUE OF THE FACTORY IS TRUE OF THE HOME

EVERY factory manager will agree that to run a factory properly with out-of-date, inefficient equipment is quite impossible. But — as any housewife will tell you — exactly the same thing is true when it comes to running a home.

Today, with the extra difficulties of rationing, rising prices and shortages all round, every British housewife fully deserves any help that she can possibly get.

It is, therefore, a source of great satisfaction to us at Hoover Limited that our electric cleaners and washing machines are doing so much to relieve unnecessary domestic drudgery.

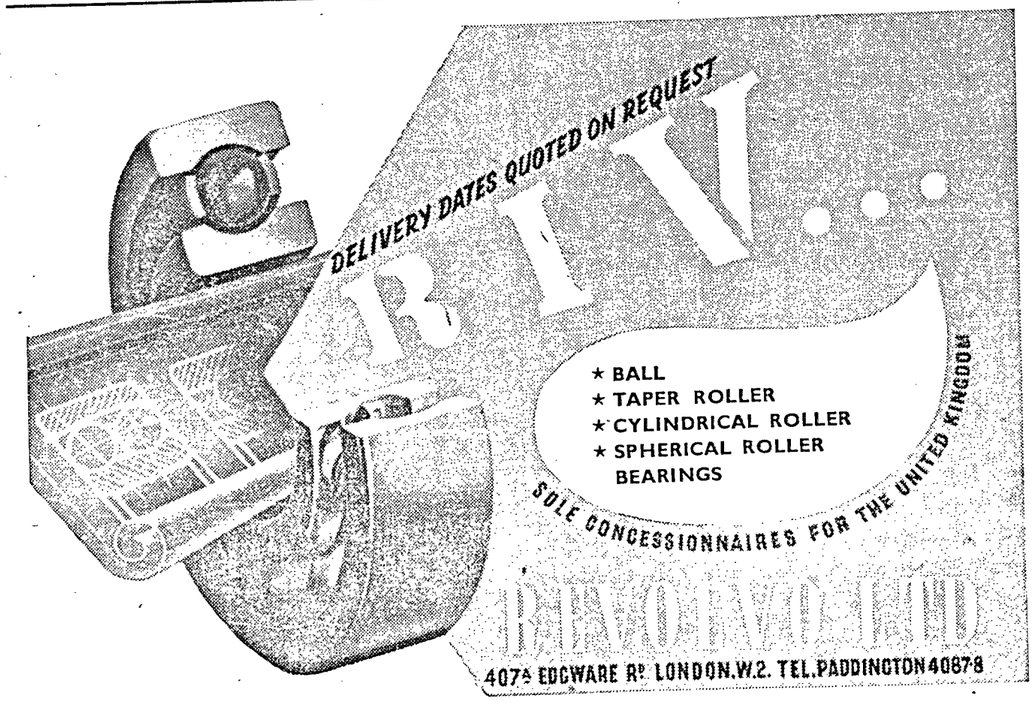
There are, however, large numbers of homes where the mother of the family still has to do the cleaning and washing by hard manual labour — often at the expense of her health and other duties. This is a social evil which we believe should no longer exist in this country.

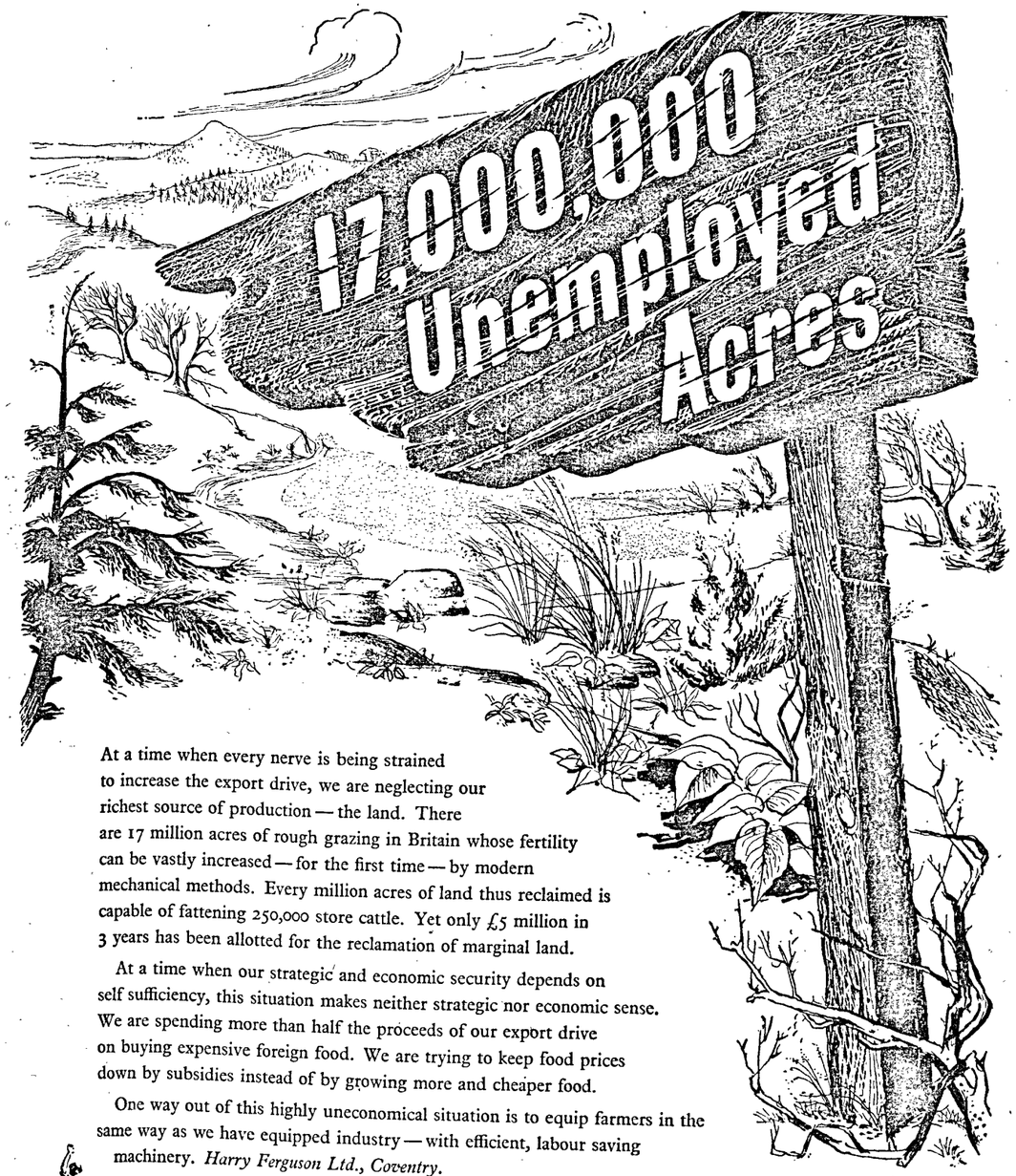
We look forward, therefore, to the day, when with purchase tax abolished and free supplies of raw materials available, we shall be able to maintain maximum production of both cleaners and washing machines and supply these essential pieces of equipment to all sections of the community at the lowest possible prices.

HOOVER LIMITED

Makers of Electric Cleaners, Washing Machines, F.H.P. Motors, Commutators, etc.

Factories at: PERIVALE, GREENFORD, MIDDLESEX · MERTHYR TYDFIL, SOUTH WALES · CAMBUSLANG, SCOTLAND · HIGH WYCOMBE, BUCKS.

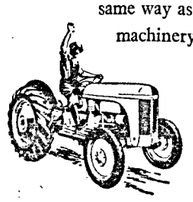




At a time when every nerve is being strained to increase the export drive, we are neglecting our richest source of production — the land. There are 17 million acres of rough grazing in Britain whose fertility can be vastly increased — for the first time — by modern mechanical methods. Every million acres of land thus reclaimed is capable of fattening 250,000 store cattle. Yet only £5 million in 3 years has been allotted for the reclamation of marginal land.

At a time when our strategic and economic security depends on self sufficiency, this situation makes neither strategic nor economic sense. We are spending more than half the proceeds of our export drive on buying expensive foreign food. We are trying to keep food prices down by subsidies instead of by growing more and cheaper food.

One way out of this highly uneconomical situation is to equip farmers in the same way as we have equipped industry — with efficient, labour saving machinery. *Harry Ferguson Ltd., Coventry.*



Grow more food in Britain

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

THE BUSINESS WORLD

The Sterling Talks

ON Tuesday next week representatives of the Commonwealth will begin another of the periodical meetings at which the ways and means of the sterling area are considered. For the first few days, the officials will survey the field among themselves. A week later, on January 15th, the Commonwealth Finance Ministers will take up the discussion and carry the work of the experts to the point at which decisions may be taken. The scope of these talks and the attitude to be taken by the convening government are matters on which no official guidance can be obtained in London. This reticence is not surprising. The discussions of the next fortnight involve the future financial and economic policies of independent and sovereign states, and nothing could do more to prejudice their prospects than any suggestion that London intends to take a given line, or that any preconceived plan is about to be imposed on or even proposed to the countries represented.

There can, however, be no doubt about the circumstances that led to the convening of this meeting. Once again, a balance of payments crisis has provided the occasion for calling together the highest financial authorities in the Commonwealth. But on this occasion, unlike the autumn crises in 1947 and 1949, when similar meetings were convened in response to balance of payments difficulties, the crisis is not limited to the common problem of dollar shortage for the sterling area as a whole ; it is also concerned with the frightening balance of payments deficit of the United Kingdom itself, which the Prime Minister recently suggested might amount to as much as £500 million for 1951. As the Chancellor of the Exchequer showed during the debate on the Address, there is not now so sharp a distinction as there was in previous years between hard and soft currencies. " Indeed, all foreign currencies are alas now hard." And Mr Butler might have added that even some of the currencies within the sterling area came during the course of 1951 to acquire the promise of hardness—a point emphasised by the Prime Minister's recent broadcast warning against the temptation and danger of falling increasingly into debt to the colonies.

Mr Butler gave a general indication of the broad agenda of the coming discussions in the House of Commons during the course of the debate on the Address. Having described the steps taken to meet the balance of payments emergency in Britain, he pointed out that the next stage would be the discussions with Britain's colleagues in the Commonwealth whose interests, he said,

> are as closely bound up in the strength of sterling as ours. I am informing the Commonwealth Finance Ministers of the action which we are taking and arrangements are well in train for a meeting with them in January. I am sure that we shall then be able, having taken here what immediate action is appropriate, to agree about common policy for the strengthening of sterling and the development of the most effective joint plans for its defence.

Much of the factual material which will be presented to the Commonwealth Conference was also provided in the same speech. Mr Butler then pointed out that the gold reserve had fallen by the end of October below £1,100 million compared with the total of £1,381 million reached at June 30th. Since the end of October further substantial gold losses have been incurred to the European Payments Union, while the payment of the first instalment on the US and Canadian loans will have involved a further draft on the reserves. There may, no doubt, have been some benefit from the swing of the speculative pendulum following the Conservative victory at the polls and the resurrection of credit policy in Britain. On the other hand, some of the underlying causes of the fall in the reserves, namely the lower level of sterling area commodity prices, the absence of American buying of tin and the loss of Abadan, continue to operate. It should, therefore, be safe to assume that the gold and dollar figures for the end of 1951, which should be published within the next few days, will show a further appreciable decline from the already inadequate total for the end of October.

Given this situation, some curtailment in non-sterling imports will undoubtedly be discussed. The size of the economies may in part depend on the civilian aid that Britain may hope to obtain from the United States in the near future and on this it would be dangerous to count. It is unlikely in prevailing circumstances that the necessary economies can be secured by the simple process of an " across the board " uniform cut, such as the 25 per cent reduction in dollar imports ordained at the time of the devaluation of sterling in 1949. The position then justified a simple uniform prescription of this kind because it was the over-valuation of sterling and all its ancillary currencies that was directly responsible for the balance-of-payments difficulties. Today there is no such single explanation of the dollar gap. Each country represented at the sterling talks will present a special problem in its payments with the dollar world and the solutions to be devised will necessarily have to be tailor-made for each and not mass-produced for all.

Another subject that will loom large in the coming talks is the growth of the United Kingdom's sterling liabilities to the rest of the sterling area. The movement of these balances since the end of 1947 is shown overleaf. The rise in these sterling liabilities of the United Kingdom is unlikely to have maintained in the second half of 1951 the abnormal pace of the preceding six months. Some balances, notably those of certain dependent overseas territories, will have continued to rise ; indeed, the latter may be approaching the £1,000 million mark—an invidious ten-figure record for Britain, the trustee for these territories and custodian of their external assets. These balances have virtually doubled in terms of sterling since the end of 1947, though the real value that they represent has not

risen commensurately. It is certainly proper that the Prime Minister should have demanded that a halt be called to this process of incurring debts to territories for whose monetary and reserve policies Britain is ultimately responsible. It is something that the balances of other countries in the sterling area are likely to have been

U.K. STERLING LIABILITIES TO STERLING AREA COUNTRIES
(in £ million)

	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	June 30, 1950	Dec. 31, 1950	June 30, 1951
Dependent Overseas Territories	510	556	583	645	754	903
Other Sterling Area Countries	1,787	1,807	1,769	1,924	1,976	2,190
TOTAL—Sterling Area Countries	2,297	2,363	2,352	2,569	2,730	3,093

reduced, among them those of Australia whose earlier accumulation of London funds played so important a part in the exceptional rise of the sterling liabilities to sterling area countries during the twelve months to June, 1951.

★

On the two main issues—access by members of the sterling area to the gold and dollar pool that Britain holds in custody for them and access to the purchasing power represented by the sterling balances that Britain owes them—the Commonwealth talks will provide the customary exhortations for restraint on the part of all concerned. The gold and dollar reserve must be strengthened and dollar imports must therefore be reduced. At the same time the holders of sterling balances will be asked to show reasonable moderation in exercising the purchasing power that they represent. If some of the Dominions carried a more adequate share of the rearmament burden there would be less likelihood of an undesirably rapid running down of these sterling balances. This particular issue is one of the most controversial that could be raised in the course of the discussions; but that is no reason why it should be avoided.

As host and leader in these talks the British Government will have a fair tale of accomplishment to show to the other countries represented, and will be in a position to give a lead. The common malady that affects the whole sterling area is that of inflation in more or less suppressed forms. Britain cannot dictate how that is to be tackled throughout the sterling area but it can at long last point to certain specific, constructive and promising measures which, if pursued with vigour and courage, should go a long way to correct inflation here. The position of sterling is the key to the whole range of problems which will be before the Commonwealth finance ministers. When the Chancellor of the Exchange outlined his financial proposals to the House of Commons he declared that if any further measures were required in order to re-establish Britain's position and maintain the strength of sterling as an international currency, the Government would not hesitate to take them; and he added, "let no one doubt our intention to make and keep sterling strong." That, however, is a problem for which the responsibility does not lie entirely on Great Britain. The whole sterling area must take the necessary disinflationary medicine. Swallowing the dose will inevitably be made more difficult by the fact that so many countries within the sterling area, and particularly the dependent territories, have little autonomy in monetary or credit policy. If they suffer from inflation it is largely because they import it either in the form of artificial prices received for their basic products or of equally artificial prices for essential imports of foodstuffs. The discussions may, therefore, take in their stride such subjects as commodity control schemes, though after the recent Commonwealth Materials Conference in London it would require boundless optimism to expect any specific results from this particular debate.

★

What should emerge from the discussions is a two-part programme, rather on the lines of that launched by the British Government for dealing with the situation in this country. In the first place, short-term measures are needed to deal effectively with the emergency of the payments deficit itself and with the persistent drain on the gold and dollar reserve. These measures must in the main be restrictive. Positive solutions are preferable but they take longer to apply. At present, time is of the essence of the sterling area's problem and if only for that reason more cuts must be expected. In accordance with the present mood of the government, the lash is likely to fall upon the British consumer and tourist. In the matter of emergency measures, Britain is likely to provide a lead.

In the second place the outcome of the talks should produce a series of integrated but not necessarily uniform anti-inflationary programmes. These should provide the means by which, given time, the present disequilibrium of the sterling area as a whole can be corrected. The common enemy of inflation, whether home produced or imported, must be overcome if the solvency of the sterling area in its payments with the rest of the world is to be assured. Such a longer term policy implies no "rush for freedom" in the near future, either towards convertibility of sterling and its allied currencies or to complete non-discrimination in international trade. These ultimate objects will, however, have their spokesmen at the conference table. The Canadians will be there to give the non-sterling point of view, to point to the danger of the sterling system reposing as no more than a protective mechanism. This will be a necessary voice expounding basic truths which if they are too long ignored could lead to the disintegration of the sterling monetary club. But the members will also be made to realise by the figures put before them that the imminent danger to the club is insolvency. It is a danger that, in the first instance, can only be averted by drastic joint action of a largely restrictive and therefore painful kind.

But this is merely a short-run specific. If the conference is to succeed in preserving the sterling area, it will have to examine all the constructive and expansionist means whereby the sterling club can pay its way with the outside world and raise its entire potential of production and trade. There are individual members of the sterling area to which this precept applies with especial force—not least to this country whose predicament may now mercifully have been recognised. The opportunity for effective remedies may not recur.

Industry and the Three S's—II

The Way to Simplify

(By a Correspondent)

AN earlier article summarised the substantial advantages to be gained from a policy of simplification and described some of the obstacles that prevent the wider adoption of such a policy in British industry. The purpose of this second article is to set out a practical course of action to put simplification into effect. There is nothing dramatically new in these proposals; they have been fully endorsed by the experience of numerous companies, and many more firms could adopt them.

The first step to be taken by a firm that wants to simplify the range of its products is to analyse its existing sales. Such an analysis will reveal the distribution of the volume of sales of each of the items in the whole range of the firm's catalogue, and will sharply reveal those lines that sell persistently in low volume. This may sound elementary advice, but in practice it is surprising how many companies continue to sell small quantities of a product year after year without re-examining the wisdom of such a course and the dissipation of effort that it can involve.

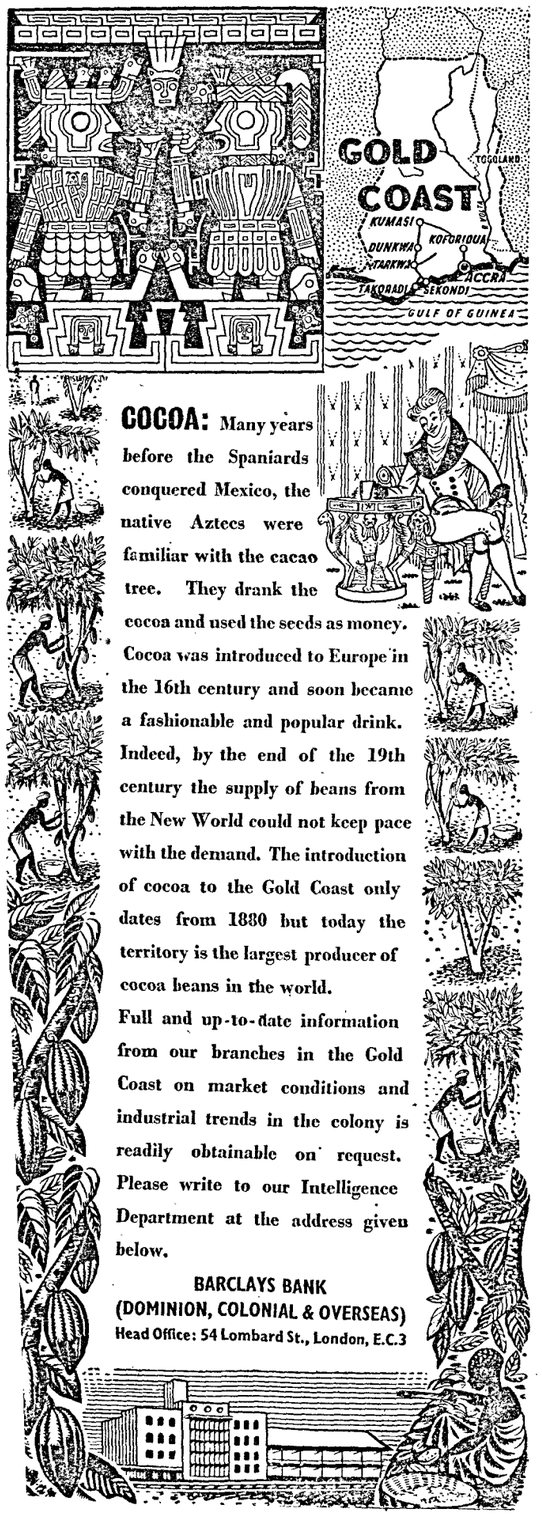
The second step is to attempt an analysis of the effort involved in producing and selling such a variety of products. A material obstacle now arises, for the costing systems employed by many British factories do not reveal the detailed cost information that is necessary before logical decisions about simplification can be taken. Many firms use haphazard and approximate methods of booking the labour and material cost to a given item of production, while the allocation of overheads is in many cases even more approximate. It is common to find overhead costs allocated as a percentage addition to direct costs—often as a fixed percentage for the whole of the factory and one applied indiscriminately to the various departments and products. The allotment of separately computed overhead costs to each department or product is an improvement, although all too frequently it still fails to bring out the true cost of producing a small selling line. It is generally recognised that a small order entails a far greater proportion of overhead cost, including additional clerical and administrative work, than a product made in volume. But the methods of costing commonly employed do not generally show up these differences with sufficient prominence to ensure action. It may therefore be necessary to institute some inquiry or spot check in the factory to establish the facts.

Such an examination of sales and costs may well reveal that the selling prices of many items in the catalogue do not reflect their true costs of production. It must then be decided whether to drop unprofitable lines from the catalogue or whether to increase their selling price. Often this second step will be sufficient to eliminate the item from the list in a short time. The overhaul of costing systems will frequently reveal unsuspected cases of wasteful and costly production that could be eliminated. Such action, more generally adopted, would be the most powerful stimulus that British industry could receive towards eliminating superfluous variety.

The sales organisation of a company may vehemently oppose such elimination, particularly where the company has had a long tradition of wide variety in its products. There is an alternative course that, firmly followed, will achieve the same object, though at a slower pace. That course is to steer consumer demand away from the uneconomic products to the nearest acceptable alternative. In many industries it is possible to produce a sales catalogue giving an indication of the items that are preferred by the maker; these can be indicated by such printing techniques as the use of heavy type and by giving less prominence to items that it is intended ultimately to drop. Advertising policy can be co-ordinated and used to steer demand into the same channels. The producer may also find that his customer resists the change on the grounds that it would involve re-designing his own product; this objection is likely to be met particularly by the producer of components. In such cases the component maker should be prepared to offer technical assistance to his customer in incorporating the component that will be cheaper to produce in volume, as well as some incentive in costs and prices. There is considerable opportunity for this kind of co-operation between manufacturer and user in many sections of British industry.

★

In the British motor car industry, recent years have seen the steady amalgamation of many separate companies into a smaller number of large groupings; and the new Austin-Nuffield merger is a most significant step. Great opportunities have arisen for simplification in components and parts: the enterprising way in which these opportunities have been grasped provides an outstanding example of simplification in this country. The principal manufacturer of electrical equipment for cars has achieved a remarkable degree of simplification and standardisation. In prewar days the range of dynamos consisted of 48 separate types; this number is being reduced to 3. Starters are to be reduced from 38 to 5; distributors from 68 to 3; headlamps from 133 to 2 basic types. This concern first carried out a survey on the lines described and adjusted its costs and prices to reflect factory costs. They then made estimates of the further savings in costs and reductions in selling prices that could be achieved by various stages of simplification. The analysis was followed by a careful reconsideration of the design of the components in collaboration with the motor car manufacturers. This consultation revealed many difficulties and also many needless differences. For example, one car manufacturer attached the dynamo to the engine with a flange, another with a bracket, some with three or four bolts, others with two. Again, one manufacturer wished to have the dynamo rotating clockwise; another, anti-clockwise. Between them the teams of designers were able to work out a systematic programme of simplification in carefully planned inter-



COCOA: Many years before the Spaniards conquered Mexico, the native Aztecs were familiar with the cacao tree. They drank the cocoa and used the seeds as money. Cocoa was introduced to Europe in the 16th century and soon became a fashionable and popular drink. Indeed, by the end of the 19th century the supply of beans from the New World could not keep pace with the demand. The introduction of cocoa to the Gold Coast only dates from 1880 but today the territory is the largest producer of cocoa beans in the world.

Full and up-to-date information from our branches in the Gold Coast on market conditions and industrial trends in the colony is readily obtainable on request. Please write to our Intelligence Department at the address given below.

BARCLAYS BANK
(DOMINION, COLONIAL & OVERSEAS)
Head Office: 54 Lombard St., London, E.C.3

mediary stages. The component makers and the car manufacturers were then able to agree upon modifications of design that could be readily carried out to make further simplification possible.

An important feature in all these discussions was the emphasis upon the savings in cost of manufacture of the components, the increase in output, and the reduction in selling prices that would result from concentration on a narrower range. In this case the circumstances were perhaps particularly favourable, but the principle holds good far more widely. In many industries a superficial examination would suggest that opportunities for simplification are less promising than in the engineering and component-using industries; but there are few where some improvement in productivity cannot be brought about by study with a view to simplification. At the opposite end of the range from engineering, for example, the textile industries produce a very considerable range of products. Here variety in the finished article is essential; but there is opportunity for simplification of the range of threads, twists and other factors, without sharply perceptible alteration of the final textile product.

The introduction of a new product into the selling range can often be made the occasion for a review of the whole range of products. Some companies adopt the practice of insisting on dropping one item from the list for each new item added; this practice may be regarded as too rigid for general adoption, although it has its virtues. But there are certain steps that should always be taken when considering the introduction of a new product. The question whether such a new design will render some other current item superfluous should be faced at the same time that the final decision whether or not to produce is being taken. Once it has been decided to produce and sell a given item or range of items the sales staff should be instructed that their task is to promote sales of that range for a given period and not to demand new items during that period.

Specialisation, in the sense of concentration upon a very narrow range of products, is generally less developed in Britain than in the United States: but the trend is in that direction, particularly in the field of components. One obstacle holding up this development is the reluctance of firms to call in the specialist manufacturer for consultation. A product is designed; then the manufacturer of components is asked to supply particular items to a design already "frozen." In this way many opportunities of simplification of components may be missed. If the specialist manufacturer is called in when the design is still on the drawing board, he will often have modifications to suggest that will enable him to increase productivity and reduce the prices both of the component and of the main product. Over a period the specialist producer may in this way be able to steer the demands of his various customers towards an increasingly narrow range of standardised items. Only by full access to the factories of his customers and full consultation at the right time with his customers' designers can he achieve this desirable objective.

To sum up, simplification, specialisation and standardisation are valuable policies for raising productivity and lowering costs in many sectors of British industry. Prejudices and obstacles have to be surmounted, but there are recognised ways to do this. Any firm that embarks on such a course takes risks: but the rewards are high.

Business Notes

La Ronde

A five-shilling rise in the price of each ton of coal may do no more to accelerate the merry-go-round of rising prices through the British economy than any other increase involving a million pounds a week; but the way that it percolates through from top to bottom can be traced, in outline, rather more clearly. Last week's rise in coal prices, which will bring the National Coal Board some £52 million a year, was an average increase of 5s. a ton on the pithead prices of domestic coals, and a range of increases on the pithead prices of industrial coals varying with quality, but also averaging 5s. a ton. This does not include the 10 per cent increase in freight charges that all consumers are now paying; the effect of this adds as much as 3s. 6d. a ton to the "zone-delivered" prices for some domestic consumers remote from mining areas but probably averages just over a shilling a ton, since the railways in 1950-51 received about 9s. 4d. a ton for all coal transported, irrespective of distance, and last month's was the second 10 per cent increase since then.

Apart from transport charges, the effects of rises in coal prices upon other basic materials and services can broadly be seen. The railways, who this week are to pay more than 5s. a ton more, will have their fuel bill increased by nearly £4 million a year: the increase in direct coal costs may add about 4 per cent to the operating costs of steam trains, exerting inevitable pressure towards a further rise in freight rates. The steel industry, which will be paying an average of nearly 6s. a ton more for coking coals and an average 5s. for the other coals it consumes will have its annual fuel bill increased by some £5 million: that means roughly 9s. a ton on steel, which even before this fuel rise and the rise in rail freights was not fully reflecting other items of increased cost, such as imported ore, in its prices. A rise in the price of coal to the gas industry averaging about 6s. a ton, but which in certain areas and for certain coals may reach 8s. or 9s. a ton, will probably cost the industry as a whole some £8 million a year: after allowing for an automatic rise in the price of coke, that rise, apart from the increased rail freights, would represent about ½d. a therm extra on the price of gas. The British Electricity Authority comes off more lightly, owing to the fact that the new prices, which take quality into account, mean a rise of only about 3s. a ton on its lower-grade fuels: its total bill for coal may rise by £5 million apart from freight charges, representing only about 5 per cent, or .02d. a unit, on its generating works costs.

Industry as a whole will pay a wide range of prices, averaging perhaps 4s. a ton; its total fuel bill will rise by about £7 million a year. For the final consumer these effects are not cumulative. Domestic coal consumers will pay some £7·5 million more for their coal, plus increased transport prices. In the long run they will largely meet in the price of goods they buy the remainder of the £52 million for coal and perhaps £8 million for coal transport that fall directly on various sections of industry. In most industries coal is a small item of cost, and the increase will hardly be passed on immediately: but for each company that absorbs the increase in a lower unit profit there may be one for which the rise in coal tips the balance and leads to a rise in the price of its own product.

* * *

Coal Prices and Finances

In the long run, moreover, the coal industry feels the effect of its own rise in price. Transport is not an important cost for the Coal Board: but transport enters even more directly than does fuel into the prices of many products that the coal industry buys. The National Coal Board is one of the larger consumers of steel in Britain; and all the products it buys have to be carried on railway trains that are costing more to haul because coal costs more. In announcing last week's price increases, the board's spokesmen said that wages—recently raised by some £26 million a year—and other costs had put its total costs a ton up by 5s. 2d.; it was passing on only 5s. of this (coal prices cannot rise by steps of less than 10d. a ton without getting into farthings a hundredweight) and therefore budgeting for a small deficit on next year's operations. It had surpluses to falling about £4,000,000 in the first two quarters of this year and a deficit of nearly £1,000,000 in the third quarter. The fourth quarter is ordinarily a profitable period, and during part of it the board has been contracting for what exports it could promise at nearly £2 a ton more than the home price. But for five weeks it paid the increased wages costing about £2,500,000 before raising prices, so that over the whole year it is not likely to do much better than break even.

The varying increases for different industries estimated above are the results of a change in the board's pricing system that was introduced at the same time as the increase. This, like the domestic price structure introduced earlier in the year, is now based upon a ranking of coals into grades according to their scientific and commercial qualities, and the various increases were designed to bring the prices of industrial coals more into line with their thermal value and physical qualities than the former prices were. It may also bring the price of high-grade coals from some uneconomic mines, such as those in Durham and South Wales, considerably closer to their actual costs, which is welcome, however incidental. The new industrial coal prices, however, do not as yet follow the domestic price structure in equalising delivered prices, though this remains a principle towards which the board would like to move. But it is still a matter of study within the board's commercial department; its implications have still to be examined fully, and a draft scheme formulated, before the department makes any suggestions to its industrial consumers. In preliminary discussions the latter have been somewhat chary of accepting the principle.

* * *

Gilt-edged and Reserves

The significance of Martins Bank statement—first, as usual among the larger banks—lies not in the maintenance of the dividend at 15 per cent, nor in the fall in disclosed profits from £732,895 to £725,107. The latter provides visible evidence of harder times, with expenses overtaking the rise in gross income, that Martins, in common with other banks, now faces. But the City had awaited with unusual interest the wording of this first bank statement about allocations to reserves. It follows the conventional formula "after . . . making transfers to inner reserves, out of which reserves provisions have been made for all bad and doubtful debts and other contingencies." In other words, there has been no call on any part of the published reserves to make good the investment depreciation of the past year.

This disclosure is the first confirmation of the City's broad guess that inner reserves might suffice to cover the book losses on bank and institutional portfolios. Whether they will be sufficient in every case remains to be disclosed; in some cases, at any rate, the margin is likely to be small. Given the condition of the gilt-edged market, the decision of the Martins Bank board to put virtually the whole of the past year's surplus to contingencies reserve follows automatically and inevitably. The sum of £375,000 has been so provided, whereas for 1950, contingencies received £250,000 and premises redemption £125,000. The announcement happened to coincide with another poor day

for the gilt-edged market. Despite attempts in some quarters to talk prices higher with suggestions that gilt-edged levels had fallen as low as the Chancellor could conceivably wish for the purposes of his disinflationary policy, the market still refuses to behave as though it had seen its worst days.

* * *

Dollar Rate Dips

Turnover in the liberated foreign exchange market remains impressive and gratifying. The feature of dealings this week has been the persistent commercial demand for dollars—United States and Canadian. The Canadian rate has now appreciated to $2.81 from the figure of $2.86 when Canada shed all exchange control just before the reopening of the London foreign exchange market. The demand for United States dollars has been widespread, the biggest orders on the market being on behalf of oil and tobacco companies. The middle rate has hardened to $2.78½, and is thus hovering near the lower point of the Bank of England's new range of official rates—$2.78-82. The fact that the market rate has not touched $2.78 must not be taken to imply that the balance of supply and demand in the market has been maintained hitherto without official intervention. A large proportion of the dollar import bill has to be met by Government departments—payments for cotton, wheat, sulphur and United States loan service, for example—whose dollar requirements are presumably provided direct by the Exchange Equalisation Account and not through the machinery of the market. But even without having to carry this burden of official operations, the market has found that the commercial demand for dollars has been outstripping the supply, with the rate pressing hard against the Bank of England's selling rate for dollars. Arbitrage between United States and Canadian dollars has again been active, the strength of the Canadian dollar providing a trend which the more venturesome operators have hitherto been able to follow with profit. As in previous weeks, some of this arbitrage business has been done by London firms via foreign centres such as Zurich—the rates prevailing there offering the required inducement; but operations on the part of London banks have involved the two dollars only. There is still no permission from the authorities in London for the market to arbitrage freely between dollars and Swiss francs—or, indeed, to deal freely in Swiss francs; the rates for Swiss francs in London diverge appreciably from the rates simultaneously quoted for sterling in Zurich.

Some banks in London have reached the authorised limits for holding certain foreign currencies. The banks have been given two kinds of limits for each currency—the first being the extent of the long or short position they run in their spot operations and the second the amount of spot currencies they can hold against forward sales. In certain currencies such as Swiss and Belgian francs there has been little development of a two-way forward market. The bulk of the business in London has taken the form of forward commercial purchases of such currencies which the selling banks have then covered by buying spot. This procedure has rapidly exhausted the limits for such spot holdings ordained by the Bank of England. Most of the accumulation of spot foreign currencies by London banks has been of this character. There appears to have been very little interest arbitrage involving short-term investment in foreign markets with appropriate forward exchange covering operations. The limits under which London banks operate have been the only brake on such a development, as the prevailing relations of discount rates in London on the one hand and New York, Brussels and other centres on the other hand, would justify a discount on forward dollars and Belgian francs. In fact, these currencies are standing at a premium. These disparities cannot exert their full weight as long as rigid limits on spot positions exist; but they are none the less an indication of the pull which is being exerted towards higher short-term money rates in London.

Belgium's Export Glut

Belgium's paradoxical anti-export drive has acquired new force since the turn of the year. From January 1st all Belgian licenses for exports to European Payments Union countries carry a warning that the exporter may be refused permission to convert the proceeds of his sales into Belgian francs. Indications from Brussels suggest that in December Belgium again failed to contain its surplus with EPU countries to the gold quota of $20 million authorised by the special agreement of last October. The surplus exceeded this figure by about $30 million and to that extent Belgium had to extend further credits to EPU.

New deterrents to this flood of exports are being thought out in Brussels. One of them is a proposal to increase the proportion—now 5 per cent—of the proceeds of exports to EPU countries which remain blocked. Another is to increase the period of six months for which blocking is effective. Another is a return to the system of free market dealings for converting into Belgian currency the proceeds of exports to EPU countries. The earlier attempt to canalise such business to a free market was defeated by the fact that Belgian importers satisfied their foreign exchange requirements in that market, leaving Belgium with correspondingly smaller payments to make via EPU. This made matters even worse and importers were thereupon compelled to obtain their exchange from official sources with the result that the free market closed down. There have, however, been some dealings in sterling at low rates in Brussels. Belgian holders of sterling, unable to obtain exchange conversion permits, have sold their sterling for investment in sterling securities at prices giving a Belgian franc equivalent of 120 francs to the £. as against the official rate of 140.

These events raise the question whether the time is approaching when Belgium, relying as it tends to do on orthodox monetary policies, may consider revaluing its currency. Another step might be the acceptance of the findings of the "Three Wise Men" on the inadequacy of Belgium's contribution to the economic effort of rearmament. The expedient of a selective battle against exports is unsatisfactory to all concerned. Not least does it offend the United States, which is now "discriminated against" in Belgian import policy and "dumped against" in Belgian export policy.

* * *

New Design for Cinema Duty

The proposals for revision of Entertainments Duty that have now been submitted to the Customs and Excise by the Cinema Exhibitors' Association primarily concern the way the duty is collected, not the total amount it takes. They arise out of an agreement by the former Chancellor of the Exchequer, at the close of negotiations with the trade last summer, to consider changes in the incidence of the duty. Mr Gaitskell put on the trade the onus of suggesting exactly what changes should be made, if any. This the industry has now done, and its proposals, on first examination, do appear to improve the incidence of the duty. But nobody with any knowledge of the cinema trade will find it surprising that the redesigned scale of duty submitted by the association would incidentally give to the exhibitors—and take from the Exchequer—an additional share of perhaps £5,500,000 a year from the gross box-office receipts.

Whatever may be the justification of the trade's hopes for a reduction in the total burden of Entertainments Duty, its complaint about the awkward incidence of the present scale of duty was entirely reasonable. The duty, payable on all seats costing over 7d., rises fairly steeply as seat prices approach 2s., and for seats above that price changes less frequently but mainly by rather larger amounts. This is the result of successive changes upon an original range of duty, and the result is restrictive as well as hap-

THE
COMMERCIAL BANK
OF AUSTRALIA
LIMITED
Established 1866

Assets Exceed Aust. £190,000,000

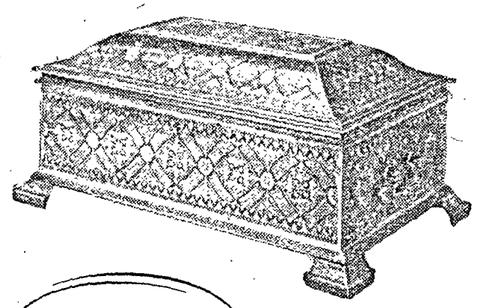
392 BRANCHES AND 233 AGENCIES PROVIDE COMPLETE BANKING AND EXCHANGE FACILITIES THROUGHOUT AUSTRALIA AND NEW ZEALAND

Correspondence Invited

London Office:
12 OLD JEWRY,
LONDON, E.C.2.

Head Office:
333-9 COLLINS STREET
MELBOURNE, C.1

(Incorporated in Victoria.)



In the tradition of things well done

Down the centuries, the art of the gold and silversmith has ranked among the finest in the world and today it provides a valuable source of revenue from Overseas markets, where demand for this fine craftsmanship is heavy. Karachi, situated in the Sind Province, is famed for this kind of traditional work and, like so many centres of Eastern commerce, its industrial and domestic banking needs are served by the National Bank of India. For almost a century the National Bank of India has continued to further the interests of those concerned with Eastern trading and is, in consequence, well equipped to advise on any such matters. Your enquiries will be welcomed at the Head Office of the Bank, or at any of its branches.

NATIONAL BANK OF INDIA LIMITED

Branches in: INDIA, PAKISTAN, CEYLON, BURMA, KENYA, UGANDA, TANGANYIKA, ZANZIBAR AND ADEN.
Bankers to the Government in ADEN, KENYA COLONY, UGANDA AND ZANZIBAR.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

ALUMINIUM

ADORNED with rubies and sapphires from the Mogôk mines of Burma this Shan woman prepares her food. These jewels and the common clay of her ornate bowl are but a few of the many minerals containing aluminium. Though first isolated in 1826, it was not until 1886 that its production became commercially practicable. Most of the world's aluminium is now produced by dissolving an ore named bauxite in molten cryolite, a mineral obtained from Greenland, and passing an electric current through the solution. In combination with other metals such as magnesium or copper, aluminium forms light alloys, some of which, though only about one third of the weight of steel, are just as strong and do not rust. The famous statue of Eros in Piccadilly Circus, one of the earliest large aluminium castings, shows no signs of corrosion after 40 years' exposure to London smoke.

One of the largest factories producing wrought aluminium and its alloys in the form of sheet, strip and extrusions is the I.C.I. works at Waunarlwydd in South Wales. These go to help in the production of all manner of finished articles from saucepans to aeroplanes, scaffolding poles to ashtrays, motor car parts to egg cups.

ICI

ANZ

AUSTRALIA
AND NEW ZEALAND
BANK LIMITED

In which are merged The Bank of Australasia Limited and The Union Bank of Australia Limited

The new Bank formed by the merger of The Bank of Australasia Limited and The Union Bank of Australia Limited, is known as Australia and New Zealand Bank Limited. The following points indicate some of the improved banking facilities and services which result from the merger.

RESOURCES · With an authorized Capital of £ENG.17,000,000 and the combined assets of the merging banks amounting to £A.400,000,000, Australia and New Zealand Bank Limited has powerful resources for the use of its customers.

LOCAL KNOWLEDGE · The knowledge and experience of local conditions in Australia and New Zealand, acquired by the merging banks in over a hundred years of banking, are at the service of the customers of Australia and New Zealand Bank Limited.

BRANCHES AND AGENCIES With the combined Branches and Agencies of the merging banks numbering nearly 600 in Australia and over 150 in New Zealand and Fiji, as well as an international network of Agents and Correspondents, Australia and New Zealand Bank Limited provides its customers with comprehensive and competitive banking facilities.

AUSTRALIA
AND NEW ZEALAND
BANK LIMITED

In which are merged The Bank of Australasia Limited and The Union Bank of Australia Limited

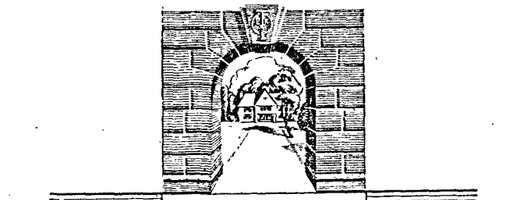
HEAD OFFICE

71 Cornhill, E.C.3. Telephone: Avenue 1281

BRANCH OFFICES IN LONDON

4 Threadneedle Street, E.C.2. Telephone: Avenue 1281
263 Strand, W.C.2. Telephone: Holborn 3688
6 Albemarle Street, Piccadilly, W.1.
Telephone: Regent 2651

The Gateway to Security



2½%
FOR THE
INVESTOR
(Income Tax paid by the Society)
£1-£5,000 accepted

TEMPERANCE
PERMANENT
BUILDING SOCIETY
223-227, REGENT ST., LONDON.W.1
PHONE REG. 7282

THE
UNITED COMMERCIAL
BANK LIMITED

(Incorporated in India, Liability of Members is limited)

Head Office:
2 ROYAL EXCHANGE PLACE,
CALCUTTA

G. D. BIRLA, Esq., Chairman.

AUTHORISED CAPITAL	Rs.80,000,000
SUBSCRIBED CAPITAL	Rs.40,000,000
PAID-UP CAPITAL	Rs.20,000,000
RESERVE FUND . .	Rs. 6,000,000

With over 80 Branches at the leading centres of Industry and Commerce in India, Pakistan, Malaya and Burma, The United Commercial Bank is well equipped to serve Banks, Commercial Institutions and individuals carrying on business with India or intending to open connections with that country.

B. T. THAKUR, General Manager.

hazard. Owing to the abrupt steps by which the duty rises in the middle range of seats, there are some prices that the exhibitor would not find it worthwhile to charge, since to increase the gross seat price would yield him no net increase. With the added complication of the "Eady levy" on seat prices to assist producers of films, cases arise where to put up the total price of a seat would bring the exhibitor a smaller return. The scale of duty, by diminishing the possible flexibility of price, thus operates to some extent as a crude price control; and some of the seats that it makes virtually unusable are "traditional" prices that the exhibitor and the public prefer.

The trade's new proposals would substitute a fairly clear system for the present haphazard structure. It advocates a percentage duty levied upon the amount by which gross seat prices exceed a given "rebate": the percentage, in British coinage, must obviously be 25, 50, or 75, and the association has proposed a percentage of 50 on the seat price less a rebate of 7d. (though leaving the scale of duty on seats cheaper than a shilling as at present, in order to keep the distribution of the duty on different seat prices and different classes of cinemas roughly as at present). This scheme would allow complete flexibility of seat pricing, and would be easy to understand and administer. The association asserts that it might effect savings in administrative cost not only for the cinemas but also for the Customs and Excise itself. But the cinema trade may find that the Customs and Excise can muster sufficient ingenuity to shape an improved system that does at least some of the other things without costing the Exchequer quite as much.

* * *

Coal According to Plan

Not nearly enough coal was produced in Britain last year to supply all the country's various and vital needs. That fact overshadows the creditable achievement of the miners, who produced 211,131,800 tons from the mines, 7,000,000 tons more than in 1950. Opencast output was 1,000,000 tons or more below the 1950 output, largely owing to wet weather; in total 222,117,500 tons of coal were won from all sources during the year. This fulfilled the forecast of the 1951 Economic Survey; it is a pity that consumers in Europe and critics in America will not appreciate this triumph of plan achieved.

Detailed coal figures are not yet ready for the full year even in provisional form. But from the trends of the first 50 weeks of the year it seems that the increase in output per manshift from 1.19 tons to 1.21 tons and in shifts worked a week by each wage earner (4.83 against 4.74) may have contributed about equally towards most of the extra 7,000,000 tons of coal raised. Manpower, which over the year as a whole was about 1,000 more than the average number in 1950, would probably have contributed less than half a million tons to the additional output. Nevertheless, perhaps the most encouraging achievement of the industry during 1951 was to have ended the year with about 9,000 more men in the industry, and some 1,500 more at the coal-face, than it had at the end of 1950. There may be certain special reasons, such as the call-up of military reservists, for the upward turn in the industry's manpower during the year; but there are special circumstances to be found, in retrospect, in any year, and to have gained a respite from the steady decline of manpower experienced during 1949 and 1950 is something of an achievement.

The rise in output, unfortunately, failed to keep pace with the rise in coal consumption. Since 1949 inland consumption has been rising proportionately faster than output, and during 1951 it, too, seems likely to have risen by 6,000,000 or 7,000,000 tons. Up to December 15th, inland consumption totalled just under 200 million tons; assuming that consumption during the last fortnight of the year was no higher than in 1950, another 8,000,000 tons would have been consumed in the last two weeks of 1951, making between 208 and 209 million tons compared with 202 million tons last year. Stock figures, again, are not yet available; but they were probably more than 1,000,000 tons higher at the end of 1951 than a year ago. None of the American coal ordered in the 1951 winter import programme arrived during December; the first Liberty ship, carrying 9,000 tons, docked in the Mersey on Wednesday this week, and another is expected this weekend.

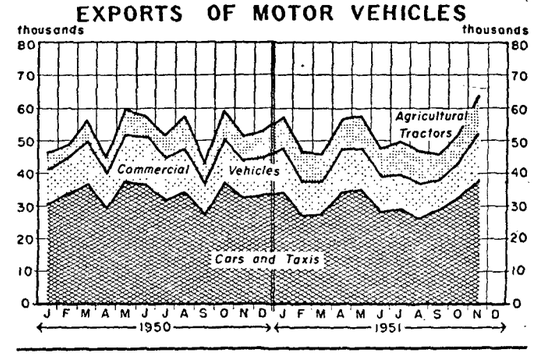
* * *

Car Exports Rise Again

Car exports in November reached their highest figure of 37,837 cars and car chassis. Throughout most of the year reports have been running at a lower rate than they did in 1950 because shortage of suitable cargo space on routes to Australia, New Zealand and South Africa held up shipments of cars earlier this year; this shortage explains the comparatively high rate of deliveries to the home market in 1951. To prevent cars from piling up at the docks and factories, two companies, Standard and Austin, started the experiment of chartering their own ships. The success of the initial voyages during the summer has led to a programme of co-operative chartering by the motor industry. This has taken time to organise so that its influence on the rate of shipments was only partly apparent in October, when exports totalled 32,300 cars and its full effect was not felt until November. The backlog of export orders is large enough to keep shipments at this rate for a few months; the future is less certain.

Exports for the first eleven months of the year total 339,596 cars compared with 365,093 in the same period of 1950. Car exports in 1950 reached 398,300. The final figure for 1951 may reach between 370,000 and 380,000.

EXPORTS OF MOTOR VEHICLES



Output of cars has been falling and will continue to fall. In 1950, 522,000 cars were produced; the total for 1951 will be about 460,000 and for this year perhaps 440,000. The home market's quota of cars for 1952 stands at present at 80,000, but it is likely to be reduced, at least on paper, in order to keep export shipments at the highest possible level. Now that the industry has overcome shipping delays, a halving of the home market quota would mean that, despite falling output, shipments during 1952 could be maintained at the high 1950 level. Presumably the export markets could absorb this number of new cars. The setback in Canada was not unexpected since it was preceded by many months of exceptionally high sales that could not continue indefinitely. Until dealers start ordering cars for delivery in the spring, the season for buying new cars, it will not be possible to measure the ground lost in this market. In Australia and New Zealand there is no evidence of any setback in demand. More serious for British exporters is the cessation of shipments of sheet steel for car bodies from the

United States to Australia. Many British manufacturers have been exporting chassis to Australia and fitting them with locally-built bodies; now the Australian body-builders face a cut in output in the order of 40 per cent. Quotas may bar British cars in 1952 from good export markets like Sweden, but the commonwealth markets continue to prosper. The falling output of American cars is also bound to help British exports in those markets, including South Africa, where British and American cars are selling in competition.

* * *

Home Car Prices

It may not be long before the price increases announced this week by the Austin and Nuffield groups are followed by the other big producers. Nine months ago the price of the Morris Minor was increased from £299 to £333 (without tax). It now goes up a further £40 to £373. Prices for the larger versions go up by £60 to £80, those of the Riley by as much as £110. The price of Nuffield commercial vehicles so far remains unchanged. For some Austin cars this is the third increase within twelve months. Last February the A.40 went up from £392 to £420. In August it rose a further £20; this week the price goes up by another £17 to £457. Prices of other cars, compared with those ruling last July, are raised by £50 for the larger A.70, £74 for the A.90 sports car, and from £40 to £70 for commercial vehicles.

The increases are the result of rising costs in recent months, and in particular of the wage award to the engineers. It is unlikely that the industry will make any attempt at this stage to pass on these increases to the export markets. Too few cars are sold on the home market to cover all rises in costs simply by raising home selling prices, but there has been a comfortable margin on sales in the past twelve months. A revival of competitive selling abroad or, at a later stage, at home would give companies that have carried out major re-equipment schemes since the war an obvious advantage over their less efficient competitors.

* * *

Power Today and Tomorrow

The announcement of the first successful trials in Idaho of an atomic power plant shows that nuclear power is moving into the realms of practical experiment. Both in this country and in America, atomic power plants are being designed for submarines and aircraft. The Idaho experiments are presumably the first of many such trial runs which will provide the designers with essential data on the techniques of handling the liquid—and highly radio-active—metal that draws heat from the pile and uses that heat to raise steam for the turbines. Very little is known about this method of heat transfer, and even less about the behaviour of the materials used in the piles and in the steam-raising equipment under intense radiation. The atomic piles that produce plutonium for the bomb run at much lower temperatures than would generate a useful amount of heat; accurate knowledge of the behaviour of materials under the far more arduous conditions of power generation may take three to four years of experiments to acquire.

British scientists have developed a cosy method of keeping themselves warm with atomic power until these experiments are complete. About six weeks ago, the Ministry of Supply announced that the central heating system at Harwell was being run off the experimental piles. These piles are air-cooled, and before the air was discharged through the tall chimneys that are the one architectural feature of atomic engineering, it is used to heat water for the radiators and taps of eighty offices. According to reports, the Atomic Energy Commission in the United States has said that cost is not an essential criterion in the Idaho tests, and the experiment is not intended to show that electric power can be produced economically from nuclear sources. The Ministry of Supply gets down to fundamentals. The Harwell radiators cut coal consumption by "at least" 1,000 tons a year. The installation cost £15,000, and taking all expenses into account, should show a clear saving of £2,650 a year. This figure will presumably be higher when the piping of other buildings is completed. It is something that the British, whose disregard of the simple facts of domestic heating is notorious, should have given the Americans, who love their thermostats and set them high, a lead so admirably combining economy and comfort.

* * *

Higher Building Society Rates?

The Temperance Permanent Building Society, which with assets amounting to £26 million ranks as the eighth largest society in the country, announced last week that its advance rate to holders of variable-interest mortgages will be raised from 4 per cent to 4½ per cent from April 1st next. The monthly repayments on these mortgages will remain unchanged, and will be spread over a longer period. Borrowers under the society's fixed-interest mortgages are already paying 4½ per cent. Some of the smaller societies have raised their mortgage rates in recent months, but the Temperance Permanent is the first of the "Big Ten" to do so.

It remains to be seen whether the other leading societies will follow suit. Almost immediately after Bank Rate was increased last November, the Council of the Building Societies Association stated that it was not recommending any alteration in rates to members for the time being, although it would "obviously be guided by future trends." Outwardly the attitude of the societies remains the same, despite the hardening in interest rates on all sides over the past three months. Within the societies, however, the question of future policy in the changing monetary climate is being discussed. Some societies are not anxious to see a general rise in lending rates because of the probable repercussions on their borrowing rates. These societies are apparently confident that they can continue to attract sufficient funds at existing rates; and, indeed, there is evidence that the inflow of savings to societies has increased again after some decline earlier last year. Furthermore, there is a strong tradition of stable rates throughout the building society movement. This tradition was voiced last month by the chairman of the powerful Woolwich Equitable Society, who said that despite the rise in interest rates this society intends to maintain its mortgage rate at 4 per cent "as long as may be practicable." It may be that the initiative of the Temperance Permanent will soon bring matters to a head.

* * *

Nine Months' Revenue

The Exchequer return for the first three quarters of the financial year suggests that the outcome of the full twelve months' figures will prove rather better than that envisaged in the estimates. The return is summarised below:—

	in £ million		
	Results for first nine months		Estimates for full year
	1950-51	1951-52	1951-52
Ordinary Revenue	2,373.6	2,682.2	4,236.4
Ordinary Expenditure*	2,319.6	2,908.0	4,196.9
Surplus or deficit	+54.0	−225.8	+39.5
Net capital expenditure	343.0	380.0	496.0
Overall deficit	289.0	605.8	466.5

* including sinking fund.

Expenditure is running below the estimates, though it is well up on the corresponding figure for the previous year. Defence expenditure during the present financial year may fall £100 million short of the estimate. The buoyancy of revenue is again a consequence of further inflation since Mr Gaitskell's budget nine months ago. The impact of higher

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are.

Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2
West End (London) Branch: 28 Charles II Street, London, S.W.1
Manchester Branch: 52 Mosley Street, Manchester, 2
Liverpool Branch: 27 Derby House, Liverpool, 2
New York Agency: 65 Broadway, New York, 6

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

new monetary policy . . . . the full facts

In its January issue The Banker continues the programme, started in December, of recording in detail the step-by-step development of Britain's new monetary policy; this special study also examines the pressing problem of* BANK LIQUIDITY and the MARKETS and describes LONDON'S NEW FOREIGN EXCHANGE MARKET

The BANKER

from booksellers or from 72 Coleman St., London, E.C.2

Price two shillings and sixpence.

** This series of articles presents the most comprehensive and authoritative record of the changes taking place in Britain's monetary system. Copies of the December issue are available on application to the Publisher.*

CRÉDIT LYONNAIS

(Limited Liability Company Incorporated in France)

LONDON OFFICE: 40, LOMBARD ST., E.C.3

WEST END BRANCH:
25/27, CHARLES II STREET, HAYMARKET, S.W.1
(Private Safes for rental at this Office)

TRAVELLERS' CHEQUES ISSUED IN FRENCH FRANCS PAYABLE AT ALL BRANCHES OF THE BANK IN FRANCE AND THE FRENCH FRANC AREA.

OVER 1,300 BRANCHES IN FRANCE
33 BRANCHES IN ALGERIA, TUNISIA & MOROCCO
Also at ABIDJAN, ALEXANDRIA, ANTWERP, BARCELONA, BRUSSELS, CAIRO, CONAKRY (French Guinea), DAKAR, DUALA AND YAOUNDE (Cameroons), GENEVA, GHENT, LUXEMBURG, MADRID MONTE CARLO, PORT SAID AND SARREBRUCK.
Representative in Frankfort-on-Main.

SUBSIDIARIES
IN BRAZIL:
BANCO FRANCES E BRASILEIRO S.A.,
RIO DE JANEIRO, SANTOS AND SAO PAULO.
IN LEBANON:
BANQUE G. TRAD (CRÉDIT LYONNAIS) S. A. L. BEIRUT.
IN PORTUGAL:
CRÉDIT FRANCO-PORTUGAIS: LISBON AND OPORTO.

Correspondents in all parts of the World.

EVERY CLASS OF BANKING BUSINESS THROUGHOUT THE WORLD

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £1,800,000)

is associated with

The British Metal Corporation (Pakistan) Ltd. The Cyprus Co., Ltd., Drew, Brown Ltd. (Canada), Sandilands Buttery & Co. Ltd. (Malaya), and C. Tennant Sons & Co., of New York, as well as with the associates of The British Metal Corporation Ltd., Australia, Canada, India and South Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3.

TELEGRAMS: *Nonfermet Telex London* CABLES: *Nonfermet London* TELEPHONE: *MANsion House 4521 (10 lines)*

Branches at BIRMINGHAM, MANCHESTER and GLASGOW

BLOCK & ANDERSON MEAN BUSINESS

Expand production! *Increase* exports! Defence and Economic Survival depend upon *more in less time*, but scarcity of manpower tends to limit possibilities. Speed up! Speed up the wheels of industry by putting B & A Machines and Systems to work in the office.

Banda *Spirit Duplicating—the modern method* —plus scientifically designed forms, with modern addressing and mailing equipment, *can speed up communication processes of business and industry.*

With B & A calculators, computations vital to business and production economy *are completed much faster.*

Records and instructions needed for planning and control can be prepared with B & A machines and systems *with minimum time lag.*

The installation of B & A machines and systems ensures readily available service from B & A Specialists and Engineers in seventeen branches throughout the United Kingdom and in Eire.

Write to-day for the address of your nearest branch, to Block & Anderson Ltd., *59-60 Kensington Church Street, London, W.8. Telephone: Western 2531-6.*

PIONEERS OF SPIRIT DUPLICATING

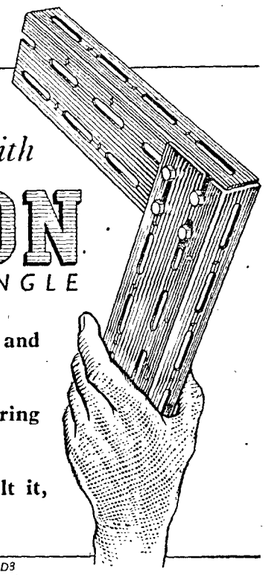
Rentrix is the modern foolproof, watchman's patrol unit—warns the watchman when to begin a patrol; it records only if patrol is completed. It protects both management and watchman alike. Accidents are discovered—fire, burglary and pilfering risks reduced. The Rentrix unit is robustly made—and simply operated by a series of two-way switches at strategic points along the watchman's route. Rentrix is a safeguard you can't afford to miss. Protect your premises with the

Rentrix AUTOMATIC WATCHMAN'S PATROL UNIT

All Enquiries to:
RENTRIX LTD. (DEPT. E), MILLFIELDS ROAD, CLAPTON, E.5. AMH. 7840

Build your own equipment with

DEXION
SLOTTED ANGLE



★ **Can be used over and over again**

★ **No drilling, measuring or painting**

★ **Just cut it and bolt it, that's all**

Write or 'phone for illustrated literature D3

DEXION LIMITED
Triumph House, 189 Regent Street, London, W.1.
TELEPHONE REGENT 4841-5

prices and earnings is clearly apparent in the yield of income tax which is £101.9 million up compared with the 1950-51 period and also in the yield of customs and excise which are £81.5 million and £36.2 million higher, respectively. Much can happen to disturb the course of the figures in the next three months, but on present indications the "above the line" surplus promises to be well over £200 million as against the estimate of £39.5 million and the over-all deficit correspondingly below the figure of £466.5 million estimated nine months ago.

The latest exchequer return reveals the first payments of interest and principal on the United States and Canadian loans. The interest on these payments, amounting to £39.4 million, has been charged to ordinary expenditure while the capital portion amounting to £23.2 million is shown as a "below the line" outgoing for repayment of external debt.

* * *

American Mining and British

When the National Coal Board late in 1950 sent a productivity team to study mining in America, it was fair to ask not "What can the British coal industry learn from the United States?" but "What more can it learn?" Ever since the Reid report upon the technical efficiency of British mining, the industry has been sending representatives to America to study American technique, and it has imported a number of American machines for test under the different conditions in British mines. It was asked at the time of its appointment whether the coal productivity team's journey was really necessary. After studying the impressively detailed chapters upon mining machinery and technique, in the team's recently published report, a reader may conclude that most of this should be known to the Coal Board in any case, and probably is. The account of American mining conditions, too, leads to reluctant acceptance of the British experts' general conclusion that they differ so widely from those here that only a limited number of improvements can be transplanted. What is less expected, and perhaps justifies the report by not having been said before — certainly not to as many mine managers as this report ought to reach—is that the British industry can learn from the American in its human problems.

Essentially, it seems, a mine in America is regarded by everyone in it much in the way as any other factory. Like most other businesses, its management follows the familiar "line and staff" pattern, with production executives at all levels able and willing to call upon the services of specialists in various aspects of engineering without feeling any detraction from their dignity. Nobody expects to know it all, as some British managers feel they should. This liaison exists not only with technicians, but with accountants, who form a part of the team, and direct their own activities mainly towards assembling the financial and statistical information needed for the planning of production. Technical specialists in America are themselves generally recruited from practical mining men: there seems none of the suspicion and jealousy between the mine managers and the specialists from "on top" that pervades some British mining districts. Within the mine, the section foreman, who is a salaried official and part of the management team, and not a member of any union, is a key production official to whom no comparable supervisor exists in British mines.

The American industry, judged by the present age composition of its miners, may have a manpower problem comparable to the British not so many decades away; but American management is confident that new machines will be developed and installed faster than is necessary to keep pace with any drift from mining. Much of the confidence that the British team found may be based upon easy seams, apparently inexhaustible reserves of which a far smaller proportion is extracted than in Britain, and on the general industrial climate of which so many other productivity teams have spoken. What is remarkable about this report, indeed, is that it portrays an industry so close in general industrial approach and morale to normal manufacturing industry. That is the feature of American mining that the British industry needs to develop.

* * *

Deadlock in Tin

No fresh developments have occurred in the tin market and the London price during the past two weeks has hovered between £900 and £910 a ton. The United States—or rather Mr Stuart Symington, the head of the Reconstruction Finance Corporation—has not increased its offer of 112 cents a lb. (£896 a ton) for Bolivian ore, though Mr Symington has admitted that the RFC has been buying small quantities from other sources. The American mission which recently visited the tin-producing areas of Malaya and Indonesia has not yet submitted its report. But from recent statements made by Mr Symington, it would seem that the RFC policy is to buy tin at different prices from different sources according to the variations in the costs of production. In that case, Bolivia, which has the highest costs, would receive the highest price. As Mr Symington recently announced that 112 cents a lb. would provide Bolivian producers with a margin of 50 per cent for taxes and profits, Malaya and Indonesia would presumably be expected to accept a lower price.

This tin tangle has reached the stage when it is likely to be lifted from the commercial to the diplomatic level. Tin is a vital export for both Malaya and Indonesia. The cost of producing tin in South-east Asia has risen during the past eighteen months, though the present price no doubt allows a profitable margin to most producers. But that is not the whole point. If production is to be encouraged there must be the prospect of a reasonable return over a period of years, sufficient inducement for the marginal producer to stay in production, and an incentive towards mining lower grades of ore.

Mr G. W. Simms, chairman of the Ayer Hitam Tin Dredging Company, has reminded shareholders that the old international tin control scheme prevented prospecting and that the full effects of that policy are only now being felt. Immediately after the war tin producers were fully occupied with the problems of rehabilitation and now it is impossible to prospect in remote areas and difficult enough in developed areas. Malaya is in fact using up its capital resources and output is likely to fall, while costs rise further. Some American spokesmen frequently claim that tin producers seek to maintain an artificially high price. Could it be that the United States, by its own controls on the domestic use of tin, is trying to maintain an artificially low price?

* * *

Bigger Metal Allocations

The International Materials Conference's machinery for allocating scarce metals is getting into its stride and quotas for the first three months of 1952 for copper, zinc, tungsten and molybdenum have been announced. Both the copper and zinc allocations refer only to primary metal; exports of semi-manufactures are to be maintained at a level commensurate with the exporting country's allocation of metal, but the actual quantities are not specified. As before, the allocation is a "total entitlement for consumption" and participating governments are responsible for seeing that consumption is restricted to this level. Only 80 per cent of the production of Chile's large copper mines is allocated; the remaining 20 per cent and the entire output of its smaller mines will be sold outside the allocation scheme. The allocation of copper for the quarter has been increased from 677,160 metric tons to 744,680 tons, so that most of the major countries should receive 10 per cent more; the Benelux countries, however, have been allotted nearly 25 per cent more. The zinc allocation has been increased from 419,260 tons to 487,650 tons; Benelux, Canada, Germany, Japan and Britain obtain the largest share of the additional quantity.

Production of tungsten and molybdenum is increasing and the allocations of tungsten to each country are increased by 12½ per cent above those of the fourth quarter of 1951. Britain, France and Sweden have been allotted larger quantities of molybdenum. In future it is hoped that both these metals will be allocated every six months. Provisional allocations for cobalt for the first quarter of 1951 and for nickel for the month of January have also been published. Here, too, a six months' quota will be introduced shortly. For both metals, the allocations are larger than in the fourth quarter though Britain's cobalt quota is slightly lower than for the last three months of 1951. Britain appears to be faring quite well under the IMC. Its copper quota is at an annual rate of 400,000 tons against an annual rate last year of 365,000 tons ; its zinc quota represents an annual rate of 256,000 tons against 240,000 tons last year. Such quantities, if maintained throughout the year, should satisfy civilian consumption at the current level and provide for increased defence requirements, including a small amount for stock. The allocation of tungsten is increased from an annual rate of 2,720 tons to the equivalent of 3,100 tons and of molybdenum from 2,150 tons to 2,200 tons.

* * *

Devaluation of the Dinar

Last week's devaluation of the Jugoslav dinar must be counted as one of the most important symbols so far of the transition of the Jugoslav economy from the Soviet to the "western" pattern. It marks a departure from the common practice of all Soviet countries to sever all connection between the external and internal values of their currencies and to use their exchange rates purely as weapons of economic policy—not least the extraction from foreign countries which have to make remittances to the Soviet bloc of the maximum price in foreign currencies for the privilege of maintaining diplomatic or commercial representation in those countries. The fact that the dinar was grossly overvalued at its previous official parity of 17.7734 milligrams of fine gold or 50 dinars to the dollar was admitted in the concessions made to tourists whereby they acquired dinars at about one-third of the official price. No such concessions will be needed now that the official rate of the dinar has been devalued to 2.96223 milligrams of gold, giving it a dollar equivalent of 300 dinars. The corresponding adjustments have been made in the sterling rate, which has moved from 140 to 840. This adjustment to more realistic exchange rates will have little effect on Jugoslav foreign trade, which is almost exclusively transacted in terms of sterling and dollars. It will, however, have a direct impact on tourist traffic, which should be attracted by what, on the basis of current prices and exchange rates, should be one of the cheapest countries in Europe. But the main significance of the devaluation is its indication of another move by Jugoslavia towards a freer economy. The new dinar parity has been approved by the International Monetary Fund.

* * *

Rayon Price Cut

A cut of 20 per cent in the price of spun rayon yarn is of considerable interest at this moment. In the past two years there have been five separate increases in spun rayon yarn prices compared with only two increases in the price of rayon staple, the spinners' raw material. At the beginning of 1950 spun yarn prices were 37.5d. a pound for 32s. In April yarn went up 2d. a pound and by a further 3d. in November after staple prices had risen from 18d. to 21d. a pound. At the beginning of 1951 staple prices rose again by another 4d. and have since remained unchanged at 25d. a pound. But the price of spun yarn rose in January by 7d. to 50d. a pound and then by two further stages in February and August to 60d. a pound. This price is now being reduced by approximately 12d. a pound, bringing spun yarn to a little below the level of twelve months ago. So big a fall in selling prices without a compensating drop in raw material prices must involve a big cut in the spinners' own margins.

The cut is certainly timely, for although there has been no falling off in the demand for rayon yarn either at home or abroad, sales of spun rayon cloth have suffered most in the current slump in textiles. There has been considerable resistance in Lancashire, particularly among the spinners, to the idea of meeting retail price resistance by cutting profit margins, but no other way has yet been discovered of reducing selling prices to levels that domestic and foreign consumers are prepared to pay. The steady expansion in the output of rayon staple doubtless gives the rayon spinners a little more room to cut their margins, since they can expect that turnover will continue to increase. Staple output before the war was less than 1,000,000 pounds a month. Last January it had risen to 13,400,000 pounds a month, and although for want of sulphur output fell to 11,700,000 pounds in March it recovered during the summer, and the total for November, 16,700,000 pounds, was the highest yet recorded. Staple now accounts for nearly half the industry's output of rayon. The combined output of continuous filament and staple fibre (including a small quantity of synthetic yarns such as nylon and terylene) reached 36 million pounds in November.

* * *

Premier Petrol Again?

Discussion of the possibility of a return of branded petrols has revived, and it seems virtually certain that sometime this year, though perhaps not so soon as some prophets have suggested, branded petrols will again be on sale, after an interval of 13 years, on the British market. Branded petrols mean first-grade petrols ("premier" rather than "premium" as they are usually known in the United States). Petrol is, in fact, the only petroleum product that the oil companies have not been permitted to sell in more than one grade of uniform pool quality. As in the case of the return of premier grade kerosene two years ago, one good reason for the marketing of a better quality petrol is the need of an important section of consumers. Complaints by farmers of the harmful effects of pool kerosene speeded up the sanction for the marketing of the full range of kerosene qualities in 1949 ; similarly the requirements of British motor manufacturers for the home use of first-grade petrols in their cars to provide adequate proving ground for the performance of their vehicles and the desirability of a further advance in engine compression ratios provides a powerful argument for the return of premier grade petrols.

But there are equally strong technical reasons for their return. With the completion of six catalytic crackers next year, all the required supplies can be produced in this country. All but one of the major companies in the British market will have "cat crackers" next year, with the Shell and Anglo-Iranian (whose products are marketed through Shell-B.P.) groups leading with four out of the six. Even more than on the occasion of de-rationing, it will be the British groups' ability, with their dominating position on the supply side, to provide the required products which will be the determining factor in the decision.

If and when branded petrol returns, it will be possible to assess the competitive strength of the different chains of service stations associated with the major oil companies. If premier grades are restored, the major companies' spirits will probably be of the order of 80 octane (Motor Method) as against the present pool rating of 70. In few countries in Europe is petrol sold at the pump with an octane rating as low as this. Since the refinery programmes in this country

Ascot produce first BALANCED FLUE GAS WATER HEATER

ASCOT 715
Balanced Flue
Multipoint
Gas Water Heater

This is a significant achievement, for the difficulties of applying the "balanced flue" principle to instantaneous gas water heaters had hitherto defied solution.

The important advantage of the new Ascot 715 is that the air intake and flue circuit are sealed off from the room in which the heater is installed, thereby eliminating down-draughts and vitiation of the indoor atmosphere. There are no visible flue-pipes either inside or outside the building.

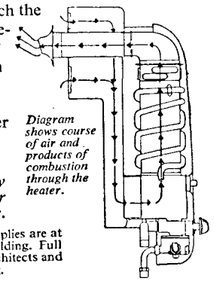


Diagram shows course of air and products of combustion through the heater.

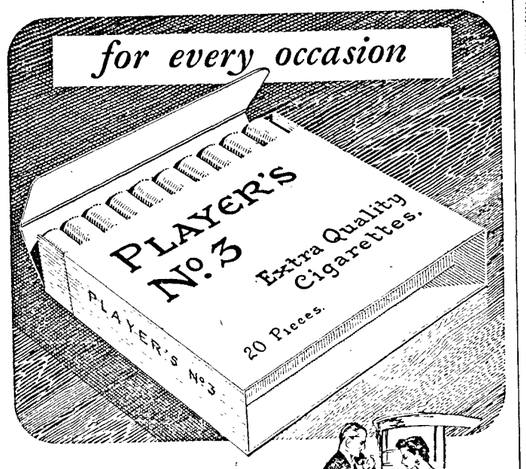
Ten local authorities have already specified the Ascot 715 for their housing schemes.

As production is limited, supplies are at present restricted to new building. Full co-operation is offered to architects and all interested in new housing.

ASCOT

ASCOT GAS WATER HEATERS LTD., 43 Park Street, London, W.1

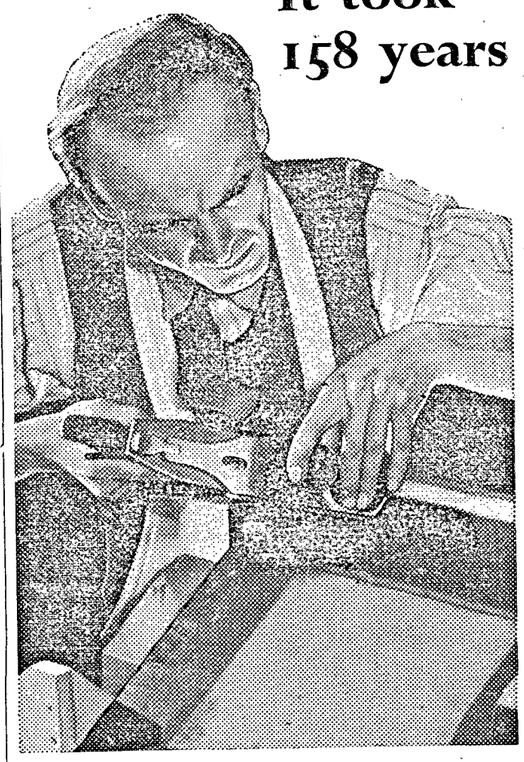
for every occasion



PLAYER'S No 3
The Quality Cigarette

[3P 107]

It took 158 years



Sensitive fingers, steady hands, a keen eye—and behind them the mind of a man who knows, and understands, wood. In Newton Chambers' works such men fashion elaborate wooden patterns, prototypes of iron castings. For seven generations such men have worked for Newton Chambers, and the skill of their hands has found expression in the many products of the Company, famous for their quality all over the world. *At Newton Chambers every present-day development rests on the sure foundation of 158 years of hard-won experience.*

Newton Chambers
& COMPANY LIMITED, THORNCLIFFE, SHEFFIELD

HEAVY CONSTRUCTIONAL ENGINEERING, EXCAVATORS, INDUSTRIAL AND DOMESTIC HEATING APPLIANCES, FUEL ECONOMISERS, IZAL AND OTHER CHEMICAL PRODUCTS.

are rapidly nearing completion and the plants will be capable of producing first grade petrol in adequate volume, it would seem that there can be no danger, and much advantage, in restoring some effective consumers' choice in motor spirit.

* * *

New Life Records in 1951

The first announcements of new ordinary life assurance business completed in 1951 are given below; the remainder (which includes the Prudential) will appear in a further note next week. It is clear, from the figures already published, that the trend is strongly upwards and the 1950 record total new business, which was well in excess of £600 million, will almost certainly be considerably exceeded. The figures of different offices are not always comparable because of lack of uniformity in reporting new business in certain types of contract and in particular in group life assurances (which accounted for nearly 13 per cent. of the total new ordinary business in 1950) and deferred annuities. In 1950, new business was 10 per cent higher than in 1949; the results to date indicate that last year's new business was running at 19 per cent above the 1950 level.

The rapidly growing contribution made by staff life assurance and pension schemes to the new life assurance figures continued unabated last year. "Top hat" pension schemes for executives in the higher salary groups have attained considerable popularity in the last year or two. Under such schemes an endowment assurance is usually effected which provides a capital sum on retirement followed by a pension; provided the requirements of the Inland Revenue are met, the benefits are secured at a relatively small net cost to the employee. "Income benefits," which provide cheap life assurance cover at the time when it is most needed, continue to be effected in a considerable volume. The ordinary life and annuity funds of United Kingdom registered insurance companies increased by £77.3 million in 1947, £87.6 million in 1948 and £80.5 million in 1949 (the latest year for which official returns are available). The growth of the funds in 1950 was probably at about the 1949 rate. In addition industrial life assurance funds have been expanding since the war by rather more than £30 million per annum.

ORDINARY LIFE ASSURANCE
NET NEW SUMS ASSURED BY 38 OFFICES (*a*)
(£ Million)

Office	1938	1948	1949	1950	1951
Alliance	4·2	5·3	6·1	6·3	7·8*b*
Clerical, Medical & General	2·7	4·6	4·4	5·4	5·6
Colonial Mutual (UK only)	2·8	7·8	7·3	7·0	9·0
Commercial Union	6·0	14·0	12·5	17·0	16·7
Confederation Life (UK only)	1·5	4·4	4·0	4·2	4·8*b*
Co-operative	3·3	21·6	21·7	20·7	23·9
Crusader	0·7	1·6	1·8	1·8	2·2
Eagle Star	10·3	38·4	40·8	43·2	50·0*b*
Equitable	2·0	3·8	3·8	4·0	4·5*b*
Equity & Law	3·5	4·8	6·7	5·0	6·0
Friends' Provident & Century	2·7	7·6	9·6	11·3	15·7
General Life	2·6	2·1	2·6	3·4	4·1
Gresham Life	3·8	7·4	7·7	8·8	10·5*b*
Guardian	1·7	4·0	4·5	6·2	9·9
Law Union & Rock	3·1	3·4	3·5	3·5	4·0
Liverpool & London & Globe	2·9	5·1	5·1	5·9	7·3*b*
Liverpool Victoria	3·6	5·7	7·4	7·0	7·3
London & Scottish	1·6	1·3	1·4	1·7	2·0
London Assurance	2·7	4·4	4·8	5·3	6·0*b*
Marine & General	0·6	1·7	1·8	1·8	2·0
Mercantile & General	0·8	4·8	5·5	6·5	8·8
National Mutual	1·1	1·5	1·9	1·8	2·1
National Provident	2·0	3·8	4·4	4·4	4·9*b*
Norwich Union Life	11·8	29·1	32·2	35·5	43·0
Phoenix	5·0	6·0	5·8	6·3	6·5
Provident Mutual	3·3	3·9	3·7	3·5	4·7*b*
Royal	5·2	8·1	8·3	9·2	10·7*b*
Royal London	5·5	8·4	7·7	7·5	9·1
Scottish Amicable	2·1	5·5	5·4	8·1	10·1
Scottish Life	2·3	3·4	3·6	4·2	4·2
Scottish Mutual	1·6	1·8	2·1	2·7	2·7
Scottish Union & National	2·5	2·9	2·8	3·6	5·0*b*
Scottish Widows'	5·2	10·4	11·6	12·0	14·0*b*
Standard	6·5	18·6	22·2	23·4	28·8
Sun Life	21·7	33·8	31·1	35·3	41·1
University Life	0·3	0·6	0·6	0·8	1·0
Wesleyan & General	1·5	3·5	3·5	3·3	3·8
Yorkshire	3·0	5·0	6·5	10·5	14·7*b*
TOTAL	143·7	300·1	316·4	348·1	414·5

Notes:—(*a*) Including overseas business. (*b*) Approximation.

Shorter Notes

The Board of Trade's announcement of a change in methods of price control for utility textiles will benefit manufacturers, retailers and the public alike, even though it comes too late to provide much relief for the hard-hit winter clothing trade. Under the old system retailers were given a fixed percentage margin based on the wholesale price. Now they are simply given a maximum selling price. This makes it possible to even out differences in the price of old and new stock whereas before, if a retailer were to buy a job lot at reduced prices before his original stock was exhausted, he was faced with the prospect of selling almost identical garments at widely varying prices. Wholesalers and manufacturers are known to have large stocks of garments that retailers have refused to buy for this reason.

*

The Bankers' Clearing House returns for 1951 pass another inflationary milestone: for the first time, total clearings exceeded £100,000 million. The actual total for the year was £108,773 million, an increase of 15.4 per cent on 1950. The Clearing Bank figures for the first eleven months of this year show that the average of bank deposits was about 2 per cent higher last year than in 1950; comparison of deposits and clearings suggests that the velocity of circulation of credit increased appreciably last year. The ratio of clearings to bank deposits in 1951 was 17.7 as against 15.7 in 1950.

*

The future of development councils has been under discussion in recent weeks and so far all have been reprieved. These councils come up for review at the end of their first three years. In November, Parliament approved an order renewing the life of the Cotton Board, and at the end of last week the Board of Trade announced that the Furniture Development Council would continue in being. A similar announcement is expected about the council for the jewellery industry which is also three years old. The Clothing Industry Development Council would not normally come up for review before 1953, but since it was set up in face of strong opposition from the industry—an attitude that has not greatly altered in the subsequent eighteen months—its immediate abolition is being considered. The members of this council are appointed annually, and their term of office has been extended for a further six months only, "to give time," according to the Board of Trade, "for fuller consideration of the future of the Council."

*

In his statement accompanying the annual accounts of Turner and Newall, Mr W. W. F. Shepherd offers an explanation of the directors' much-criticised decision merely to maintain the ordinary dividend at 20 per cent in the face of an advance in net profits from under £3,000,000 to over £4,500,000. The directors, he remarks, felt justified in consolidating the special bonus of 2½ per cent, paid in 1950, into the final dividend, "but, notwithstanding the record earnings, they cannot go further so long as they feel, as they do, that such record earnings are due partly to temporary conditions which are beyond their control." Demand for the group's products both at home and abroad is running at a high level and production is at or near its peak. In such circumstances, this general statement will not enable disappointed shareholders to measure the force of the word "partly."

BAYERISCHE VEREINSBANK
ESTABLISHED 1869

Every description of National and Foreign Banking Business transacted

Munich Office: 14 Promenadestrasse
Cable Address: "Vereinsbank" Phone: 28401. Telex No. 063/603

Nuremberg Office: 21 Lorenzerplatz
Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsburg Office: 37 Maximilianstrasse
Cable Address: "Vereinsbank" Phone: 4681. Telex No. 067/20

Offices and Branches all over Bavaria
Correspondents throughout the world

FACTS ABOUT AUSTRALIA

OVER
8,000,000
POPULATION

During the last four years, Australia's population has increased by 6½%, with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF NEW SOUTH WALES
ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA
LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1.
(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)
GB5102E

ANNUITY RATES HAVE BEEN IMPROVED

Ask for particulars of:—
IMMEDIATE ANNUITIES
ANNUITIES payable for a fixed period in any event.
ANNUITIES in connection with Pension Schemes.

NATIONAL PROVIDENT INSTITUTION
FOR MUTUAL LIFE ASSURANCE
— ESTABLISHED 1835 —
48, GRACECHURCH STREET, LONDON, E.C.3

5,000 Boys and Girls now in our care
67,000 Children already received
LEGACIES can help us to continue our work in the years to come. 5,000 now in our care. DONATIONS can help us NOW
A VOLUNTARY SOCIETY — NOT STATE SUPPORTED
CHURCH OF ENGLAND
CHILDREN'S SOCIETY
Formerly WAIFS & STRAYS
OLD TOWN HALL, KENNINGTON, S.E.11

Company Notes

Hawker Siddeley.—Last June, when the ordinary capital of Hawker Siddeley was increased to £5,822,350 by the 300 per cent scrip bonus, the directors took the unusual step of announcing that a total distribution of 10 per cent on the new capital would be made for the year ending July 31, 1951. In the recently published accounts, this dividend has been duly recommended; it is equivalent to a payment of 40 per cent on the old capital on which a dividend of 32½ per cent was paid for the twelfth successive year in 1949-50. In the past, the justification of such conservatism was to be found in the group's policy of financing fresh developments from retained profits. The directors now add another strand to this argument by emphasising that "traditional methods of computing profits take account of historical costs only, whereas industry is faced with the economic reality of having to replace assets, consumed in earning profits, at progressively increasing prices."

On the conventional "true and fair view" of trading profits the advance from £4,798,717 to £6,493,408 is striking. The recovery in earnings from the 1949-50 recession is due to an expansion of turnover both in volume and value—perhaps an indication that the first phase of the defence programme, the production of Meteor aircraft, has opened satisfactorily. The board's preoccupation with the replacement problem is to be found in the appropriation of £1,000,000, against £750,000, to subsidiaries' reserves for the replacement of fixed assets and development.

	Years to July 31, 1950	1951
Consolidated Earnings:—	£	£
Trading profit	4,798,717	6,493,203
Total income	5,310,935	7,196,629
Depreciation	587,943	1,104,522
Taxation	2,289,024	3,280,014
Group earnings for ordinary stock	*798,527*	*694,535*
Ordinary dividends	260,185	305,673
Ordinary dividends (per cent)	32½	10
Retained by subsidiaries	1,676,865	2,151,091
Added to carry forward	117,995	83,432
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	6,930,580	7,893,569
Net current assets	12,861,984	15,478,100
Stocks	15,938,797	16,563,984
Cash	2,392,128	4,067,409
Reserves	13,256,554	12,610,150
Ordinary capital	1,455,587	5,822,350

£1 ordinary stock at 36s.xd. yields £5 11s. per cent.

With cash resources at £4,067,409, against £2,392,128, the group should be able to cover in relative comfort its outstanding capital commitments, estimated on July 31st at £1,446,000. But in the last five months the "financial implications of the rearmament programme" will have made their mark in the accounts. The slow recruitment of labour and delays in machine tool deliveries will not lighten the group's production and financial problems; in these circumstances, equity shareholders might be ill-advised to expect too much too quickly.

★

Raleigh Industries.—An improvement in group trading profits from £1,681,984 to £1,851,498 by Raleigh Industries marks the achievement of a new record—a million bicycles produced in the year to August 25th. In common with many other industrial concerns, Raleigh have tackled the replacement problem (ignored by the tax collector in his assessment of the group's liability at £885,008, against £764,041) by creating a fixed assets replacement reserve. Last year this reserve was increased from £953,792 to £2,700,000. Sir Harold Bowden points out that this sum roughly equals "the total amount required at the present time to replace fixed assets at current high prices, taking into account the life still remaining in them." When this shortfall between depreciation allowances and actual replacement costs has been made good, there will remain the financial needs to cover increased stock values and book debts. On these arguments, the maintenance of the ordinary dividend at 25 per cent. to which it was raised from 20 per cent in 1950, was as much as could be expected.

Steel and other material shortages seriously threaten bicycle production this year. As the spokesman of a group that exported more than 70 per cent of its output, Sir Harold urges that the bicycle industry should receive a high priority in any allocation scheme. He fears that if material shortages reduce output, overseas markets may be lost to German and Japanese competition. The first fruits of the programme of capital extensions will be affected by material scarcities and rising costs in the rearmament period.

	Years ended Aug. 26, 1950	Aug. 25, 1951
Consolidated Earnings:—	£	£
Trading profit	1,681,934	1,851,438
Total income	1,716,393	1,861,549
Depreciation	136,822	143,812
Taxation	764,041	885,038
Group earnings for ordinary stock	*787,489*	*897,145*
Ordinary dividends	171,875	154,063
Ordinary dividends (per cent)	25	25
Fixed assets reserve (a)	259,560	350,000
Retained by subsidiaries	213,631	123,471
Added to carry forward	648	142
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	1,341,143	2,028,685
Net current assets	3,137,453	3,112,946
Stocks	1,723,503	2,509,613
Cash	425,033	193,654
Reserves	2,886,054	3,465,667
Ordinary capital	1,250,000	1,250,000

(a) Subsidiary companies' reserve.

£1 ordinary stock at 91s. 10½d. yields £5 9s. per cent.

Lancashire Cotton.—The corporation's policy of re-equipment paid handsomely in 1951. Production rose to a new post-war record and trading profits advanced from £3,808,816 to £6,819,018. Sir John Grey, the chairman, comments that "in every case where re-equipment has been carried out the object—a reduction in the cost of production—has been obtained." Once the present programme is completed—and with outstanding commitments at £720,000 there is presumably still some way to go—another scheme will be started. The overriding importance of capital re-equipment and concern with the high cost of maintenance and replacement may have prompted Sir John's statement that a policy of dividend restraint will still be followed. Coupled with Sir John's refusal to prophesy a repetition of last year's "splendid profit record," this remark suggests little more than the maintenance of the ordinary dividend at 15 per cent, to which it has been raised from 12½ per cent.

The strength of liquid resources, with cash balances up from £2,479,288 to £4,469,176, at the end of financial year followed a considerable reduction in the quantity of raw cotton stocks, "owing to the price premium attached to raw cotton bought for delivery in October." About £2,000,000 will be absorbed in building up raw cotton stocks to their normal essential weight. Sir John insists that the spinner must be given an immediate and adequate cover against his yarn sales if a more or less free raw cotton market is re-established.

	Years to Oct. 31, 1950	1951
Earnings:—	£	£
Trading profit	3,813,515	6,813,013
Total income	3,853,839	6,889,077
Depreciation	1,685,000	3,435,000
Earnings for ordinary stock	*1,542,972*	*1,954,936*
Ordinary dividends	274,465	318,665
Ordinary dividends (per cent)	12½	15
Fixed assets reserve	500,000	1,000,000
Stock *reserve*	...	475,412
General reserve	1,025,031	1,593,093
Added to carry forward	244,407	38,161
Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	4,227,120	4,615,142
Net current assets	8,057,959	10,766,350
Stocks	4,533,305	5,120,372
Cash	2,479,288	4,469,176
Reserves	6,841,931	9,873,523
Ordinary capital	3,992,152	4,045,513

£1 ordinary stock at 41s. 3d. yields £7 5s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1951 High	Low	British Funds and Guaranteed Stocks	Price, Dec. 27, 1951	Price, Jan. 2, 1952	Gross Yield, Jan. 2, 1952 £ s. d.	
101¼	99⅞	War Bonds 2½%... Mar. 1, 1951-53	100⅜	100¼	2 6 10	*e*
101⅛	99⅞	War Bonds 2½%... Mar. 1, 1952-54	99⅞	99⅝	2 15 6	*e*
102⅜	99⅛	Exch. Stk. 2½%... Feb. 15, 1955	99⅛	99⅛	2 8 3	
100⅛	99⅞	*Serial Funds, 1½%* Nov. 14, 1952	99⅝	99⅝	1 17 9	
100⅜	99⅛	Serial Funds, 1½% Nov. 14, 1953	99⅛	99⅛	1 19 2	
100⅜	99	Serial Funds, 1½% Nov. 14, 1954	99	99	2 2 3	
103⅜	99⅞	War Bonds 2½%... Aug. 15, 1954-56	99⅛	99⅛	2 13 11	*e*
102½	98⅜	Funding 2½%... June 15, 1952-57	98⅜	98⅜	2 11 3	*e*
105⅛	99	Nat. Defence 3%... July 15, 1954-58	99¾*	99¾*	3 4 6	*e*
104⅜	99⅛	War Loan 3%... Nov. 15, 1955-59	100⅛	100⅛	3 2 8	*e*
101⅛	91⅜	Savings Bonds 3% Aug. 15, 1955-65	91⅝	91⅛	3 1 4	
99⅝	91⅛	Funding 2½%... Apr. 15, 1956-61	92⅜	92⅜	3 18 8	*d*
99	86⅛	Funding 3%... Apr. 15, 1959-69	87⅛	87	4 11 2	*e*
93⅜	87⅜	Funding 3%... Aug. 1, 1966-68	87⅜*	87⅜*	5 5 8	*e*
107⅛	97⅛	Funding 4%... May 1, 1960-90	98⅛	98¼	4 2 7	*e*
99⅜	85⅜	Savings Bonds 3% Sept. 1, 1960-70	86⅜	86⅜	4 2 7	*e*
94⅜	84	Savings Bds. 2½% May 1, 1964-67	84⅜	84⅜	4 3 7	*e*
110	100⅛	Victory Bonds 4% Sept. 1, 1920-76	100⅜	100¼	4 1 7	*s*
97⅛	82⅜	Savings Bonds 3% Aug. 15, 1965-75	83⅜	83⅜	4 15 10	*e*
103⅜	89⅛	Consols 4%	89⅜*	89¼*	4 9 4	*f*
98⅜	79⅜	Conversion 3½%	81⅜	81¼	4 6 2	*f*
71⅜	58⅜	Treasury Stk. 2½% (after Apr. 1, 1975)	59½	58⅜	4 5 10	*f*
84⅛	68⅛	*Treasury Stk. 3%* (after Apr. 5, 1966)	69¼	69¼	4 7 7	*f*
103⅛	86⅛	Treasury Stk. 3½% June 15, 1977-80	87⅜	87⅜	4 6 4	*e*
92⅛	76	Redemp. Stk. 3% Oct., 1986-96	76½	76½	4 7 7	*s*
94⅛	78⅜	War Loan 3½%...	80⅝	80½	4 7 9	*f*
71⅛	60⅛	Consols 2½%...	61⅜*	60⅜*	4 2 4	*f*
97⅛	85⅛	Br. Elect. 3% Gtd.. Apr. 1, 1968-73	84⅜	84⅜	4 9 0	*e* •
95⅛	82⅜	Br. Elect. 3% Gtd.. Mar. 15, 1974-77	83⅜	83⅛	4 4 11	*e*
105⅛	88⅛	Br. Elect. 3½% Gtd.. Nov. 15, 1976-79	89⅛	89	4 5 1	*e*
92⅛	75⅜	Br. Tpt. 3% Gtd.. July 1, 1978-88	76¼*	76⅜	4 10 6	*e*
97⅛	83⅜	Br. Tpt. 3% Gtd.. Apr. 2, 1968-73	84⅛	84⅜	4 9 0	*e*
91⅛	75⅛	Br. Gas Gtd. 3%... May 1, 1990-95	76⅛	76⅜	4 5 10	*e*
98⅛	92⅜	Br. Gas Gtd. 3½% Sept. 10, 1969-71	93⅛	93¼	4 2 10	*e*
99	87⅛	Br. Iron&Steel 3½% Feb. 15, 1979-81	88⅞	88¼	4 6 0	*e*
					4 5 4	*f*

(e) To earliest date. (l) To latest date. (f) Flat yield.
(s) Assumed average life 13 years 0 months. • Ex dividend.

Prices, Year 1951 High	Low	Ordinary Stocks	Price, Dec. 27, 1951	Price, Jan. 2, 1952	Yield, Jan. 2, 1952 £ s. d.	
83⅜	61	Anglo-Am. 10/-...	73	73	3 16 2	
6½	4⅜	Anglo-Iran £1...	5⅛	5¼	5 4 4	
109/-	82/3	Assoc. Elect. £1...	83/9	83/9	4 15 6	
232/6	89/-	Assoc. P. Cem. £1.	104/4½	104/4½	5 5 5	
37/4½	26/6	Austin 5/-...	32/6	32/6	6 13 6	
156/-	125/6	Bass £1...	131/3	125/-*	6 17 2	
58/6	21/3	Boots 5/-...	22/6	22/6	4 8 11	*a*
43/6	23/11	Br. Celanese 10/-...	29/9	29/6	3 1 0	
101/6	80/6	Br. Oxygen £1...	85/-	85/6	4 13 7	
70/-	51/11	Coats £1...	52/6	52/6	4 15 3	
51/11½	38/-	Courtaulds £1...	46/3	45/6	4 18 11	
25/11½	19/11½	Distillers 4/-...	20/3	20/3*	4 8 11	
69/6	54/6	Dunlop £1...	61/3	61/3	5 14 3	
61/3	46/3	Ford £1...	50/7½	50/7½	4 18 9	
99/6	81/3	Gen. Elect. £1...	91/6	91/3	4 18 8	
153/6	124/6	Guinness £1...	127/6*	124/4½	4 9 11	
45/9	30/9	Hawker Sid. £1...	36/3	36/-*	5 11 1	
54/7½	42/1½	Imp. Chem. £1...	46/10½	46/10½	5 2 6	
110/10½	90/-	*Imp. Tobacco £1*	92/6	90/-	7 2 3	
53/6	39/9	Lancs. Cotton £1.	42/6	41/3*	7 5 5	
53/11½	40/10½	Lever £1...	50/-	50/-	5 8 0	
65/-	55/9	London Brick £1.	57/6	57/6	5 4 4	
104/-	80/-	Marks & Sp. A. 5/-	87/-	88/-	4 5 3	
72/9	42/-	P. & O. Def. £1...	44/6*	44/6	4 15 11	*c*
47/-	36/3	P. Johnson 10/-...	39/6	39/6*	5 6 7	
100/7½	65/11½	"Shell" Stk. £1...	95/7½	96/3	4 13 2	
7⅜	5⅛	Tube Investmt. £1	5⅞	5¼	4 8 10	
103/9	82/4½	T. & Newall £1...	88/9	88/-*	4 10 11	
47/-	34/6	Union Castle £1...	43/-	43/6	4 11 11	
77/6	47/6	U. Sua Betong £1.	60/-	59/4½	16 16 10	
56/-	35/3	Vickers £1...	45/6	46/-	5 8 8	
59/-	42/9	Woolworth 5/-...	43/-	43/6	4 17 9	

(a) Yield basis 20% after capital bonus. (c) Yield basis 10⅔% after capital bonus. • Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the 16 days ended December 31, 1951, total ordinary revenue was £145,105,000 against ordinary expenditure of £232,690,000 and issues to sinking funds £640,000. Thus, including sinking fund allocations of £16,637,000 the deficit accrued since April 1, 1951, is £225,787,000 compared with a surplus of £54,019,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate, 1951-52 £'000	April 1, 1950 to Dec. 31, 1950	April 1, 1951 to Dec. 31, 1951	15 days ended Dec. 31, 1950	16 days ended Dec. 31, 1951
		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1621750	547,750	649,643	46,902	55,476
Surtax	*128,000*	50,600	53,000	2,600	3,600
Estate, etc., Duties	180,000	136,550	139,300	6,200	6,600
Stamps	55,000	39,480	47,000	2,000	2,300
Profits Tax & E.P.T.	312,650	210,170	241,900	6,100	23,000
Other Inland Rev.	500	*90*	*110*	20	15
Special Contribtn.	1,500	3,900	2,170	70	60
Total Inland Rev.	2302400	988,520	1133123	63,892	80,451
Customs	930,500	668,789	753,850	28,833	33,657
Excise	720,500	532,400	568,600	*26,600*	29,300
Total Customs and Excise	1651000	1201189	1322450	55,433	62,957
Meter Duties	62,000	14,403	16,121	561	261
Surplus War Stores	20,000	35,386	29,645	8,575	1,267
Surpl's from Trading	50,000	41,905	74,455	...	...
P.O. (Net Receipts)	5,400	...	...	*Dr600*	*Dr900*
Wireless Licences	13,600	8,650	9,200	1,350	1,400
Sundry Loans	27,000	19,639	20,504	309	...
Miscell. Receipts	105,000	63,913	76,729	3,176	4,070
Total Ord. Rev.	4236400	2373605	2682227	127196	145105
SELF-BALANCING					
Post Office	179,431	127,700	141,500	11,200	11,100
Income Tax on E.P.T. Refunds	4,900	6,642	4,158	126	220
Total	4420731	2507947	2827885	138522	156425

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD EXPENDITURE					
Int. & Man. of Nat. Debt	$35,000	348,394	382,612	...	36,884
Payments to N. Ireland	38,000	25,587	26,967	1,446	1,604
Other Cons. Funds	11,000	5,693	7,588	406	616
Total	584,000	379,675	416,966	1,853	39,104
Supply Services	*$351406	1927440	2474411	132282	193586
Total Ord. Expd.	*4098062	2307115	2891377	134135	232699
Sinking Funds	...	12,471	16,637	680	640
Total (excl. Self-Bal. Expd.)	4098062	2329586	2908014	134815	233339
SELF-BALANCING					
Post Office	179,431	127,700	141,500	11,200	11,100
Income Tax on E.P.T. Refunds	4,900	6,642	4,158	126	220
Total	4283393	2453928	3053672	146141	244650

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £726,507 to £3,866,047, the other operations for the 16 days increased the National Debt by £103,453,959 to £26,569 million.

NET RECEIPTS (£ thousand)

Post Office & Telegraph (Money) Act, 1950	7,600
Cotton (Centralised Buying) Act, 1947, s. 21(3)	2,000
	9,600

NET ISSUES (£ thousand)

Interest outside Permanent Debt Charge	6,175
E.P.T. Refunds	269
Export Guarantees Act, 1949, s. 3(2)	5
Housing (Temp. Accom.) Acts, 1944 and 1947	50
Local Authorities Loans Act, 1945, s. 3(2)	11,990
Development of Inventions Act, 1948, s. 11(1)	24
Coal Industry Acts, 1946 to 1951	1,000
Miscellaneous Financial Provisions Act, 1946 s. 2(1)	
War Damage: Board of Trade	1,000
War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	629
	24,102

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	64,668	2½% Def. Bonds	1,660
Nat Savings Certs.	200	3% Def. Bonds	1,473
Tax Reserve Certs.	21,849	Other Debt:—	
Ways & Means Advances	50,535	Internal	667
		External	25,998
		Treasury Deposits	4,000
	137,252		33,798

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits held by Banks	Total Floating Debt
1950						
Dec. 31		5168·5	384·0	...	525·0	6077·5
1951						
Sept. 22	3240·0	2364·7	354·6	...	265·0	6224·4
„ 30		5596·3	342·4	...	299·0	6228·7
Oct. 6	3240·0	2425·2	347·6	...	250·0	6262·8
„ 13	3240·0	2471·1	256·6	...	225·0	6292·7
„ 20	3250·0	2315·4	371·0	...	200·0	8136·5
„ 27	3270·0	2267·8	362·8	...	175·0	6095·6
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4
„ 10	3260·0	2325·2	332·8	...	150·0	6066·0
„ 17		4586·5*	274·7	...	125·0	4986·2
„ 24		4571·6*	292·6	...	125·0	4969·3
Dec. 1		4593·3*	304·8	...	125·0	5023·1
„ 8		4631·1*	289·0	3·0	123·0	5046·1
„ 15		4718·1*	207·7	...	123·0	5048·8
„ 31		4782·9*	252·5	5·8	119·0	5160·1

* The proportion of tender and tap Bills surrendered for 1¾ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1950					
Dec. 22	230·0	301·7	230·0	10 2·93	67
„ 29	250·0	302·4	250·0	10 3·50	82
1951					
Sept. 28	260·0	338·7	260·0	10 2·58	68
Oct. 5	250·0	327·4	250·0	10 3·13	69
„ 12	260·0	365·5	260·0	10 2·64	58
„ 19	250·0	339·9	250·0	10 2·97	64
„ 26	230·0	313·4	230·0	10 2·91	65
Nov. 2	230·0	330·1	230·0	10 2·38	54
„ 9	260·0	339·4	260·0	17 2·96	70
„ 16	230·0	285·3	160·0	17 10·66	41
„ 23	170·0	237·6	170·0	19 2·96	63
„ 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
„ 14	170·0	234·0	170·0	19 6·88	60
„ 21	170·0	236·1	160·0	20 2·27	49
„ 28	170·0	188·3	150·0	19 4·06	82

On December 28th application for 91 day bills to be paid from December 31, 1951, to January 5, 1952, were accepted dated Monday to Saturday as to about 82 per cent at £99 15s. 2d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £150 million were offered on January 4th. For the week ending January 5th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 38 Weeks ended Dec. 23, 1950	Totals 38 Weeks ended Dec. 22, 1951	Week ended Dec. 22, 1951
Savings Certificates:—			
Receipts	64,600	113,800	1,600
Repayments	97,600	100,100	1,900
Net Savings	*Dr33,000*	13,700	*Dr 300*
Defence Bonds:—			
Receipts	12,430	43,399	885
Repayments	36,594	53,848	1,285
Net Savings	*Dr24,164*	*Dr10,449*	*Dr 400*
P.O. and Trustee Savings Banks:—			
Receipts	473,038	504,308	11,490
Repayments	521,803	592,704	22,003
Net Savings	*Dr48,765*	*Dr88,396*	*Dr10,513*
Total Net Savings	*Dr105,929*	*Dr85,145*	*Dr11,213*
Interest on certificates repaid	21,603	24,798	494
Interest accrued	91,714	92,194	2,425
Change in total invested	— 35,818	— 17,749	— 9,282

BANK OF ENGLAND RETURNS

JANUARY 2, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,200
In Circulation	1419,026,115	Other Govt. Securities	1435,719,642
In Banking Department	31,330,708	Other Secs.	752,120
		Coin (other than gold)	2,513,138
		Aut. of Fid.—Issue	1450,000,000
		Gold Coin and Bullion • (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	348,677,853
Rest	3,600,047	Other Secs.:—	
Public Deps.:—	14,804,219	*Discounts and Advances*	48,457,544
*Public Accts.**	*14,430,771*	*Securities*	*22,927,694*
H.M. Treas. Special Acct.	*373,448*		*25,529,550*
Other Deps.:—			
Bankers	*304,943,092*	Notes	31,330,708
Other Accts.	*52,325,685*	Coin	1,659,938
	430,126,043		430,126,043

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Jan. 3	1951 Dec. 19	1951 Dec. 25	1952 Jan. 2
Issue Dept.:—				
Notes in circulation	1333·2	1435·9	1437·9	1419·0
Notes in banking department	42·1	14·4	12·9	31·3
Government debt and securities*	1370·3	1446·8	1446·8	1446·7
Other securities	0·7	0·7	0·7	0·8
Gold and Coin	4·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	24·9	14·4	13·4	14·4
Treasury Special Account	0·4	0·6	0·6	0·4
Bankers	308·7	289·6	299·8	304·9
Others	67·4	89·5	89·6	92·2
Total	421·4	394·1	403·6	411·9
Securities:—				
Government	344·0	352·3	369·1	348·7
Discounts, etc.	27·4	21·1	18·2	22·9
Other	24·6	23·6	20·2	25·5
Total	396·0	396·0	407·5	397·1
Banking dept. res.	43·5	16·1	14·3	33·0
	%	%	%	%
"Proportion"	10·3	4·0	3·5	8·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 12, 1951.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Dec. 27, 1950	Dec. 11, 1951	Dec. 31, 1951
Cereals and meat	157·3	175·8	179·6
Other foods	166·4	180·4	182·2
Textiles	305·2	266·1	266·5
Minerals	318·8	360·1	359·0
Miscellaneous	183·6	195·1	195·2
Complete Index	**213·3**	**223·8**	**227·7**
1913=100	*293·5*	*307·9*	*313·3*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1951	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Dec. 27	77·0	88·00	187 1	105 3
„ 28	77·0	88·00	186 14	105 9
„ 29	Markets Closed		187 6	105 13
„ 31	77·0	88·00	187 10	105 11
1952				
Jan. 1	77·0	Closed	Markets Closed	
„ 2	77·0	88·00	188 1	105 12

BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS)

ANNUAL GENERAL MEETING

The twenty-sixth ordinary general meeting of Barclays Bank (Dominion, Colonial and Overseas) was held on December 28th, at 29, Gracechurch Street, London, E.C.3.

Mr Julian Stanley Crossley (the chairman) presided.

The secretary, Mr C. F. S. Pringle, read the notice convening the meeting and the auditors' report to the stockholders.

With the concurrence of the stockholders present, the report and accounts and statement by the chairman, which had been previously circulated, were taken as read.

The chairman referred with regret to the death of Sir William Goodenough who was chairman of the bank prior to his election as chairman of Barclays Bank Limited, and, on behalf of stockholders, extended their sympathy to Lady Goodenough and family.

CHANGES IN DIRECTORATE

Mr Crossley referred also to Mr A. W. Tuke's resignation from the board on his succeeding Sir William Goodenough as chairman of Barclays Bank Limited, and to the election of Mr A. C. Barnes as a vice-chairman of that bank. Mr Crossley added that Mr Barnes had attained pensionable age in October but would, he was pleased to say, continue to serve in the same capacity as hitherto.

The chairman welcomed Mr F. Seebohm, who had joined the board since the last meeting and said that Mr A. S. Aiken, the chairman of the South African board, had been elected a vice-chairman of the bank.

He paid tribute to Mr W. W. Milne, M.C., who had retired from the position of senior general manager earlier in the month and recorded the appointment of two new general managers, Mr J. F. Cade and Mr B. F. Macdona, formerly assistant general managers.

The chairman then moved the adoption of the report of the directors and the statement of accounts and the payment of a final dividend of 4 per cent. on the "A" stock and "B" shares, less income tax at the standard rate of 9s. 6d. in the £ in each case.

The motion was seconded by Mr A. C. Barnes, deputy-chairman and carried.

The retiring directors, the Rt. Hon. Viscount Portal of Hungerford, K.G., G.C.B., O.M., D.S.O., M.C., Captain Derek Fitzgerald and Mr Frederic Seebohm, were re-elected.

On the motion of Sir Frank Newson-Smith, Bart., seconded by Mr O. R. Hobson, the auditors, Messrs Deloitte, Plender, Griffiths and Company, Price Waterhouse and Company, Peat, Marwick, Mitchell and Company, and Cooper Brothers and Company, were reappointed.

BONUS ISSUE APPROVED

Resolutions approving an increase in the bank's capital to £15 million by the creation of 5 million new "A" shares of £1 each and authorising a bonus issue of fully paid "A" shares (to be converted into "A" stock when issued) in the proportion of one share for each £4 stock held, were proposed by the chairman, seconded by Mr A. C. Barnes, and carried.

A vote of thanks to the staff, proposed by Mr C. Fitzherbert, a director, and seconded by Mr L. E. D. Bevan, was carried unanimously and responded to by Mr D. Carter, general manager (staff).

A vote of thanks to the chairman for presiding at the meeting was proposed by Mr H. T. Egerton, and was unanimously accorded.

McDOUGALLS TRUST LIMITED

MR KENNETH MOORE'S REVIEW

The eighteenth annual general meeting of McDougalls Trust Limited was held on December 31st at Thames House, Queen Street, London, E.C.4.

Mr Kenneth A. E. Moore (the chairman), who presided, said:—

In preparation for this meeting, I have been taking a broad look at our affairs in the hope of adding a measure of perspective to the purely formal report before you today.

In the course of this mental process two matters have struck me very forcibly, namely:—

(1) That it is now more than 12 years since the milling industry was put on a war footing, and now, more than six years after the cessation of hostilities, it still remains under Government control on a basis virtually unchanged since 1939.

(2) That the state now takes by way of taxation nearly two-thirds of our profits and takes it all in hard cash.

On the first point it really is astonishing that a system of control which was perhaps unavoidable for the siege conditions expected and, indeed, experienced in time of war, should still persist years after the successful conclusion of hostilities. Under that system the milling industry has been remunerated roughly on the basis of its prewar earnings from its actual milling operations; all foreign wheat has been purchased by the Government against a background of strategic, political and exchange considerations rather than on a commercial basis; home-grown wheat has been purchased by individual millers, but at a price fixed from time to time by the Government instead of at a market price based on type, quality and demand; finally, the selling price of bulk flour from mill to baker and other trade users has been fixed by the Government, while the retail price, both of plain and self-raising flour, has been governed by statutory maximum retail selling prices.

This strange uncommercial, unselective and uncompetitive set-up has persisted for over 12 years. It is to be hoped that, in spite of the fact that the price of bread and flour to the public is still highly subsidised, something can be done to give the milling industry some measure of freedom, some chance to use its skill in the selection, buying and milling of wheat, and thus freedom, under the tonic of competition, to give the public the quality and efficient service for which the British milling industry was famous before the war.

On the second point, namely, taxation, it is equally astonishing, perhaps, that today the Government share of our profits is roughly twice that of our shareholders, the more so because out of the shareholders' portion has to come any money ploughed in to maintain and develop the business. It follows that, in an inflationary world where the mere maintenance of business continually requires more and more capital, either capital resources or dividends must suffer.

To look at the matter from a purely domestic standpoint, in spite of substantially increased profit we have maintained our dividend unchanged for the last 15 years and, in the course of those years, out of the shareholders' taxed portion as a Group, we have ploughed back nearly £600,000. This year, owing partly to some falling off in profits and partly to a rise in the effective rate of taxation, the amount ploughed in is little more than £20,000 reflected by the increase in the Group carry forward.

The fall in profits is due, as I foreshadowed at last year's meeting, to the fact that our selling prices for self-raising flour remained frozen by statutory maximum retail prices while our costs for packing materials, wages, transport and the rest were all going up. This "squeeze" persisted until December 17, 1951, when a partial measure of relief was given by the raising of the statutory maximum retail selling price of self-raising flour.

Our sales of self-raising flour in the past year were an all-time record—that means the highest for over 75 years—but one other record was broken, namely, the margin of profit on self-raising flour, per unit of sale, fell to the lowest since records have been kept.

Apart from those derived from self-raising flour, our profits include the more or less static remuneration from our controlled milling operations and profits earned by subsidiaries. The latter, I am glad to say, showed a gratifying increase, which has gone some way to making good the falling off in the profits from self-raising flour.

I have already mentioned that we have not raised or reduced our dividend for 15 years. In that period our production and sales have more than doubled. Fuel and power, wages, transport and most other costs have also more than doubled; while the Government's share of profits in the form of taxation has increased from 27½ per cent. in 1939 to over 60 per cent. in 1951.

By contrast, not only does our rate of dividend remain at the prewar level, but the net amount receivable by our shareholders is smaller by reason of the rise in the standard rate of income tax from 5s. 6d. to 9s. 6d. To put it crudely, our shareholders' cash income from the business is much smaller today than it was when the business was half its present size and, moreover, in the meantime, the capital employed has been increased by nearly £600,000 as the result of profits ploughed in, and thus withheld from distribution.

This sort of thing, however, is the common lot, but perhaps on occasion, it is worth drawing attention to it as a reminder that if the taxation of industry continues at the present penal level, existing industry will show increasing signs of pernicious financial anæmia and new industrial ventures will be stifled at birth for lack of incentive to the risk capital involved.

The fact that we have in the past pursued a stable and conservative dividend policy has enabled us so far to keep the financial position remarkably strong, as you will have noticed from the balance sheet. If inflation goes on, however, at the pace of the last year or two, we are bound, as has been the general experience, to be faced with the need for additional capital. That time has not yet arrived, and let us hope that the efforts now being made by the Government to stop the inflationary spiral will bear fruit and so make our present resources suffice for a further period of active development.

I take this opportunity of expressing our thanks to management, staff and workpeople throughout the Group for work well done in what has been a troublesome year owing to rising costs and shortages of packing material. The fact that, in spite of all the difficulties, a record output and turnover was achieved, is a tribute to their efficiency.

Finally, I should not like this occasion to pass without referring to the loss we have sustained through the death of Mr T. H. Fairbrother, for many years a director and our chief chemist.

The report and accounts were unanimously adopted.

WANKIE COLLIERY COMPANY, LIMITED

INCREASED PRODUCTION BUT LOWER PROFIT

SERIOUS RISE IN COSTS

MR ROBERT FOOT'S SPEECH

The twenty-eighth annual general meeting of the Wankie Colliery Company, Limited, was held on December 31st in London, Mr Robert Foot, O.B.E., M.C., the chairman presiding.

The chairman, in the course of his speech, said:

You will have seen from the accounts that the results of our operations during the year resulted in a profit before taxation of £283,396 which in spite of an increased coal production shows a drop of £54,473 compared with last year.

ALLOCATIONS FROM PROFITS

Taxation absorbs an amount of £100,000, leaving a balance of £183,396 after taxation, as compared with £181,869 in the previous year. The very substantial additions to plant, machinery and buildings and the initial tax allowances arising from this have had the effect of eliminating any liability this year for United Kingdom income tax. The board has, however, considered it necessary to transfer to the taxation equalisation reserve the sum of £95,000, which represents the approximate taxation benefit arising from the excess of the initial and annual allowances on plant and machinery over the depreciation charged in the accounts.

Of the balance of £88,396 the board recommend a final dividend of 5 per cent., which will absorb £86,871, thus leaving £1,525 to be added to the carry forward which now stands at £41,965, as compared with £40,440 in the previous year.

Although the year's saleable coal output of 2,342,133 tons was the highest ever yet produced at Wankie and represented an increase of 199,778 tons, or 9.32 per cent., over the previous year, at the same time we fell substantially below our estimate. It is this shortfall which has been the greatest disappointment to us and to the customers who depend upon us and which has also had an over-riding effect upon the final profitability of the year's working.

FACTORS AFFECTING RESULTS

The relatively disappointing results have been due to three main causes.

First, the serious difficulty of maintaining an adequate supply of good African labour. The shortage has been most serious in the type of labour required for the actual production of coal—viz., the workers at the coal-face, or lashing boys as they are called: it is in this category that the deficiency has been the most damaging in its direct effect upon production.

There is no doubt that the demand for good African labour in Central and Southern Africa has become highly competitive, and I have also no doubt that so far as Wankie is concerned we have got to do two things—both are expensive and both must be done at the same time:—

(*a*) To improve all the conditions surrounding the employment of Africans, and

(*b*) To proceed, as fast as the power of absorption and common sense allow, with the most thorough mechanisation of our underground operations as will be consistent with the physical conditions.

URGENCY OF PRODUCTION PROBLEM

Secondly, because of the urgency of the production problem and of the difficulty in maintaining an adequate supply of really good underground labour, we have proceeded to mechanise the production faster than would have been wise if conditions had been more normal.

The speed at which complete underground mechanisation has been introduced has brought with it the following practical difficulties:—

(*a*) The time available for giving adequate training both to the European staff and to the African operators of the mechanised units has been too short.

(*b*) We have been compelled to put the units into production before we had been able to recruit sufficient skilled European personnel.

The joint effect of the insufficiently trained African crews and the shortage of trained European supervisors and maintenance men has been to restrict the output per mechanised unit below its optimum capacity and has for the time being, at any rate, thrown the cost per ton of the mechanised output very substantially above the cost of the handgot production.

MECHANISATION POLICY JUSTIFIED

I am satisfied, however, that in view of the difficulty and the urgency of the whole position the policy of rapid mechanisation has been justified. It is interesting to note that in the financial year 1949-50, we produced in this way 84,000 tons or 3.92 per cent. of the total production, and in the present year we produced 422,621 tons or 18.04 per cent. of the total production. During the same years the handgot production decreased from 2,023,351 tons in 1949-1950 to 1,877,363 tons in the present year.

The third cause for the disappointing production results has been a recent serious, but we hope temporary, deterioration in the underground geological conditions and there is no doubt that during the last twelve months the mining conditions at both collieries have had a serious effect upon both the volume and cost of production.

The costs of production have been rising progressively throughout the year. Many different factors have contributed to this rise, the present high costs of mechanised mining, the increased cost of salaries and wages both European and African and of all stores and materials being the principal.

There are no signs at the present time of any reducing trends in the level of any of the major items of cost—indeed the signs would appear to point in the opposite direction.

MEASURES TO INCREASE REVENUE

In view of the whole of the circumstances surrounding the operations of the company at the present time, the board has come to the conclusion that the only sensible business course to take is to increase our revenue to meet the position which has now been disclosed.

In the directors' report reference was made to the price arrangement under which the company is operating for sales of coal other than those made under certain fixed price contracts. Under this arrangement, while the price of coal can be reduced at any time, it can only be increased on or after January 1st in the year following the completion of the company's financial year on the previous August 31st.

The auditors' certificate based upon the results of the year now under review support an increase of 2s. 3d. a ton, and under the circumstances the directors have, therefore, decided to increase the price by that amount as from February 1, 1952.

The directors much regret the necessity to reduce the dividend for the year from 7½ per cent. to 5 per cent. It will, however, be obvious from the report and accounts that a dividend higher than 5 per cent. could not have been justified as a result of the year's working. I think that what I have already said sufficiently explains the circumstances, and I would only like to add first that it will be generally accepted by all those with experience in the control and administration of mining companies, as it is by your board, that a dividend of 5 per cent. is totally inadequate as a return to the shareholders having regard to the risks and hazards which every mining enterprise must involve; and, secondly, that during the last two years a very great deal has been achieved at Wankie and that, in spite of all the present difficulties, the way ahead is much-clearer and the future can be faced with much greater confidence than was the case even a year ago.

CAPITAL EXPENDITURE

Turning now to our programme of capital expenditure, during the last two years the company has actually spent nearly £2 million on capital projects and at the present time we have outstanding commitments amounting to approximately £1 million.

The magnitude of these figures, in relation both to what has been spent at Wankie for capital purposes over the last 20 or 30 years, and in relation also to the sense of urgency under which all the important projects included in this programme have been carried out, are sufficient evidence both of what has been accomplished and what also is now nearing completion. Broadly speaking, this expenditure and the current commitments to which I have referred will provide all the technical equipment which is necessary to support the increasing output of coal up to 1954, but at the same time during the next two or three years further capital will have to be spent at Wankie upon improvements which are desirable in the interests of the well-being of the community, both European and African.

CHAIRMAN'S VISIT

I should refer to the visit which I paid to Wankie last August. I am glad to say that on this occasion my wife came with me, at the special request of the board, for the purpose of studying at first hand the conditions at Wankie, as they affect particularly the wives and mothers and children, and of making suggestions and recommendations.

So far as I am personally concerned, my second visit to Wankie gave me a further opportunity of studying on the spot the various problems which I have already sufficiently indicated, and of consulting directly with the general manager and the principal officials as to the proper steps to be taken for their solution.

I am quite satisfied that while we must continue to strengthen the staff at various

levels of responsibility, we owe a great debt of gratitude to those who are carrying the present burden from the general manager downwards.

Some measure of the accomplishment which has so far been achieved is the fact that the saleable output of coal has been raised from 1,579,568 tons in 1947 to 2,342,133 tons in the year under review, an increase of 48.28 per cent.

I have been asked by the board to refer in my speech especially to the contribution which has been made by Powell Duffryn, Limited, as managers of the company. The board are convinced that the appointment has added immensely to the strength of the company and that the contribution made by Powell Duffryn to the planning and progress of the company in every direction has been of the greatest possible value.

PROPOSED TRANSFER OF CONTROL

I must close my general review and come to a special matter, of great importance to the company.

At my meeting with Sir Godfrey Huggins, the Prime Minister of Southern Rhodesia, on my arrival in Salisbury at the beginning of last August, Sir Godfrey told me that his government had come to the conclusion that, owing to the great importance of the Wankie Coalfield to Southern Rhodesia and to Central Africa in general, coupled with the many difficulties that have to be overcome from time to time, it was highly desirable that the control and management of the company should be transferred to Southern Rhodesia.

On my return, the board gave full consideration to the Prime Minister's request and resolved unanimously that (subject to the approval of the British Government) proposals should be placed before the shareholders to carry out the Prime Minister's request. The board passed this resolution after having requested and received an assurance from Powell Duffryn, Limited, that if the control and management of the company was transferred to Southern Rhodesia, they would not only ensure that all necessary changes in their organisation were made to make certain that the efficiency of the management contract would be maintained, but would also, with my agreement and subject to the retention of my association with the Powell Duffryn Group, make all necessary arrangements to enable me to act as chairman of the company, with my own residence and domicile in Southern Rhodesia.

I have been informed that following the board's minute, direct representations have been made on the subject by the Southern Rhodesian Government to the British Government. The company has also submitted an application to the Treasury.

FORMATION OF SUBSIDIARY COMPANY

If the transfer of control and management is approved by the British Government, the board of Powell Duffryn will be willing to form a subsidiary company in Southern Rhodesia to which would be transferred the management contract, together with the necessary senior personnel to enable this important responsibility to be efficiently and thoroughly carried in Salisbury.

If the change of the control and management of the company is approved by the British Government, an extraordinary general meeting of the shareholders will be summoned, at which the necessary alterations in the memorandum and articles of association will be brought forward for consideration by the shareholders, and at the same time other matters connected with the proposed transfer will be explained.

Mr Leo d'Erlanger said that he had listened with interest and approval to the observations the chairman had made with regard to the transfer of the company to Rhodesia and he was particularly struck by the readiness with which the chairman seemed to have accepted the suggestion that he should go out and live there.

The chairman, acknowledging with appreciation the remarks of Mr d'Erlanger, said that if the move was made he and his family had promised to go out because they believed it to be right to do so. It was a big move for the company, for his family, for himself and for those senior personnel from the Powell Duffryn Group who would be going there to support him; but he personally felt it was right. When one was convinced about a thing being right it had to be done one way or another. Therefore, if the move was made they would do their best to ensure that Wankie served those great territories in the future even better than in the past and also became, he hoped, more lastingly profitable to the owners of the property—the shareholders.

The report was adopted.

TURNER AND NEWALL LIMITED

VOLUME OF EXPORTS WELL MAINTAINED

STRONG DEMAND FOR ASBESTOS AND MAGNESIA PRODUCTS

MR W. W. F. SHEPHERD'S STATEMENT

The annual general meeting of Turner and Newall Limited, will be held on January 24, 1952, at the Chartered Accountants' Hall, Manchester, when it is expected that Mr W. W. F. Shepherd, the chairman of the company, will preside.

Mr Shepherd's statement to the stockholders has been circulated to them with the report and accounts, and, after dealing with the accounts of the company, it contains a detailed review of the company's operations during the year to September 30, 1951, both at home and abroad.

MINING COMPANIES OPERATING TO CAPACITY

The following are extracts from the statement as regards certain matters referred to therein:—

Our mining companies in Africa have continued to operate to the capacity of their respective plants, but still under difficulties arising from shortages of all kinds. During the year a small mine, the Croft Mine at Filabusi, Southern Rhodesia, has again been brought into production, but it is a low grade and low yield property, and can only make a small additional contribution to our needs.

A new milling plant at Mashaba, Southern Rhodesia, is now effectively completed and is in operation. We expect, as a result, to be able to increase the production of graded fibre from this area, but the increase, while welcome, will by no means bridge the gap between available supplies and current needs.

Our Canadian mining company, Bell Asbestos Mines, Limited, has operated to capacity in the past year, and the difficulties caused by shortages have not been so acute as in Africa. From the end of 1951 quarrying ceases at the Bell mine, and in future all ore will be recovered by the "block-caving" method of underground mining. This change, which is inevitable, as we proceed to recover ore from lower levels, will somewhat increase our costs, but is not expected to reduce the total tonnage of fibre produced at the mine.

PROGRESSIVE INCREASE IN DEMAND

Turner Brothers Asbestos Company Limited, has experienced during the year under review a progressive increase in demand for asbestos textile and allied products, leading to heavy pressure on the manufacturing capacity of its Rochdale factory, where a high level of activity has been maintained despite an acute local shortage of labour. The large new factory at Hindley Green has also worked up to a high rate of output, particularly in conveyor belting for the coal mining industry, and has become fully established as a productive and efficient unit.

Good progress has been made with large-scale development plans, which include an additional factory at Hindley Green (to be mainly concerned with asbestos textile processes) and an extensive programme of reconstruction and modernisation at Rochdale. It is hoped that actual construction work in accordance with these schemes can be commenced during 1952.

EXPANDING SALES OF "FERODO" MATERIALS

The sales of "Ferodo" brake and clutch linings and of the other materials manufactured by Ferodo Limited, are continuing to expand both at home and abroad. During the past year intensive efforts have been devoted to export markets, and they have resulted in a remarkable trading increase. At home, two new service depots have been opened—one in Nottingham and the other in Southampton. It is proposed further to extend the list of service depots as suitable premises become available.

During the past financial year a considerable quantity of new plant has been brought into operation, and the company has been fortunate in securing a reasonably adequate amount of additional labour. In consequence, the production for the period easily constituted a record, although, partly owing to limitations on basic materials, it was not possible fully to keep pace with demand.

INCREASED PRODUCTION OF BUILDING PRODUCTS

A year ago I had to report that Turners Asbestos Cement Company Limited had been hampered to some extent by a lack of suitable grades of asbestos fibre. In this connection I am glad to say that the position improved considerably during the past year, so that it became possible to operate all plant to the maximum, and in fact an extra Sunday shift was introduced during the year on all sheeting and pipe machines.

The demand both from the home and export markets has remained at a very high level, substantially in excess of the increased production. This applies not only to general building products but equally to "Everite" asbestos cement pressure pipes.

OUTPUT OF CHEMICAL PRODUCTS MAINTAINED

Although the demand for the products of The Washington Chemical Company Limited, has remained at a high level, we have contrived during the year to maintain production on a basis reasonably satisfactory to our customers. This has been achieved by an increased efficiency from existing plant and by additions to the plant where this has been necessary and possible. This policy of keeping pace with demand will be continued.

The work of Newalls Insulation Company Limited during the year in heat, cold and sound insulation has been at its usual high level; in fact, the amount of contract work during the year has reached record figures. Outstanding contracts of importance comprise marine insulation in connection with oil tankers and other vessels, together with extensive work on power stations and general industrial installations.

SHIPMENTS TO "HARD CURRENCY" COUNTRIES

The volume of our export business has been well maintained during the year. Dominion and Colonial markets naturally figure largely in our export programmes, but I am glad to say that our shipments to "hard currency" countries are by no means negligible and, in certain of our products, have been increased during the past year.

The Turner and Newall Limited Pension Scheme has now completed its fifteenth year, and increases in strength and usefulness. The third quinquennial valuation recently received from our actuary shows a surplus, and a generally healthy financial condition. As mentioned in the directors' report, it is proposed as from January 1, 1952, to increase the benefits payable in the Male Workpeople's Section of the scheme, by substituting a sliding scale of pension rates, based on actual length of service at age 65, instead of the present flat rate pension. Your Board again recommend the allocation of £20,000 from the year's profits to Turner and Newall Welfare Trust Limited, for account of the Trustees of the Robert Turner Fund.

DIVIDEND RECOMMENDATION

This year your Board recommend a final dividend of 15 per cent. on the ordinary stock, making, with the interim dividend of 5 per cent. already paid, a total dividend of 20 per cent. for the year. This is the same rate of total distribution as last year, but on that occasion 17½ per cent. was declared as ordinary dividend and 2½ per cent. as special bonus.

This year your directors feel justified in recommending that an amount corresponding to last year's special bonus be included in the dividend, but, notwithstanding the record earnings, they cannot go further so long as they feel, as they do, that such record earnings are due partly to temporary conditions which are beyond their control.

CURRENT YEAR'S OUTLOOK

My short-term forecast of last year has been duly fulfilled, but present conditions in this country and throughout a large portion of the remainder of the world make long-term forecasting just as impossible as it was a year ago.

Again on a short-term basis, your Board anticipate the continuance of strong demand during the current year, and, with production at or near the maximum possible with available plant and raw asbestos, expect to be able again to report a satisfactory year's trading, but costs will continue to rise, and we can hardly expect indefinitely to achieve new profit records year by year. Competition is strong and increasing, but we remain confident of our ability to retain and, if possible, increase our share of the market in asbestos and magnesia products throughout the world.

AGAR, CROSS AND COMPANY, LIMITED

PESO SALES REACH NEW RECORD LEVEL

EXPANSION OF ACTIVITIES

MR VAL. C. FISHER ON CURRENCY PROBLEMS

The forty-fifth annual general meeting of Agar, Cross and Company, Limited, was held on December 28th at Armourers' Hall, 81, Coleman Street, London, E.C.

Mr Val. C. Fisher, C.A., chairman and managing director, presided.

The following is his statement, which had been circulated to stockholders with the report and accounts, and which was taken as read:—

The two most notable events in your company's year ended June 30, 1951, were the further devaluation of the Argentine Peso on August 28, 1950, and the receipt of a very substantial financial services remittance from Argentina in terms of the Protocol to the Anglo-Argentine Trade and Payments Agreement, 1949, at the earlier promised rate of 19.36 pesos to £1.

The effect of the former was greatly to reduce the sterling value of the net balance of Argentine current assets and reduce the sterling value of the year's trading results in Argentina.

The effect of the latter was to enable the company to recover some of the exchange differences provided in earlier years, to pay off a substantial part of the balance due for U.K. taxation, and to pay a dividend on the ordinary stock for the year to June 30, 1950, and the preferred and second preferred dividends for the year to June 30, 1951.

SALES AND PROFIT

Sales for the year in Argentine currency were an all-time record. Gross profit percentages were down, but in spite of this, and a heavy increase in expenses, the currency profits were substantially greater than last year. However, when converted at 39.42 (last year 25.26), the sterling profit on trading was down from £815,361 to £680,635, or by £134,726. Other currency credits and charges have been affected similarly—notably Argentine taxation which this year takes £161,866 ($6,380,738 %) as against last year £178,972 $(4,520,823 %).

No provision is necessary this year for U.K. income tax, since exchange losses are more than sufficient to cover profits.

I am glad to report that the balance of "U.S. dollars purchased from the Argentine Central Bank pending transfer" has been reduced from US$4,318,919 to US$311,446, and we have been able to pay our U.S. deferred creditors accordingly.

The accounts, when read with the directors' report, call for no further comment other than the balance sheet heading "Investments in Subsidiary Companies."

In May of this year the board were able to purchase the entire share capital of a private company called Nielson and Maxwell, Limited, which, founded in 1857, has been active ever since. Nielson and Maxwell, Limited, whose style is "Iron and Steel and General Merchants," operate in a similar way to your own company—their area of trade being Australia, New Zealand and the Far East.

Further, we have entered into a small limited partnership in Argentina to ensure supplies of one of the many locally produced articles we sell.

REMITTANCES

Following receipt of the remittance of profits under Article 10 (a) of the Protocol to the Anglo-Argentine Trade and Payments Agreement, 1949, application was made for a further remittance under 10 (b) (i) of this Protocol, but at the time of writing this statement our claim has not been agreed. When this remittance is forthcoming the rate will be the official free market rate of the day.

Until our claim under 10 (b) (i) has been agreed, it is impossible to say what will be our expectations of remittances under 10 (b) (ii).

On receipt of an adequate remittance under 10 (b) (i), the company will be able to make payment of an interim dividend on the ordinary stock for the year to June, 30, 1951, as mentioned in the directors' report.

THE CURRENT YEAR

The results of the current year are difficult to forecast.

The drought in Argentina, following hard on that of 1950, is having grievous effects. There is already an apparent shortage of buying power and a great deal will depend on whether or not there is a continuation of the present money policy of meeting the internal needs of the country.

Present policy is to increase the mechanisation of agriculture, and in this your company is taking a large part. Agricultural implements and repairs have been extensively imported and permits at present held should ensure future supplies, although it is unfortunate that, due to armament needs, the U.S.A. factories will be unable to ship the quantities we had earlier expected. Similarly, we have permits and fully expect to receive importations from other countries, with the exception of Great Britain. Here, I regret to report, that last year and in the current year, in spite of the Anglo-Argentine Trade and Payments Agreement and the Protocol thereto, such U.K. importation permits as we have managed to obtain have been quite inadequate for our needs. There are hopes that as a result of efforts presently being made permits for U.K. importations may be soon forthcoming, but with U.K. deliveries as extended as they are today, no benefits can be expected from this source in the current year. Local industry continues on a substantial level and the sale of locally produced products forms a very important part of our trade. Our considerable stocks of merchandise, expected imports and local supplies should enable us to achieve a high volume of sales, always provided that there is sufficient currency in circulation.

CONSTANTLY INCREASING EXPENSES

Expenses are constantly on the increase. Salaries and wages have had to be substantially raised to meet the rapidly increasing cost of living. Other prices are moving steadily upwards and there is no sign that a peak has been reached. Argentine taxes will be up. In particular, a new tax, in substitution of inheritance tax, will be levied on all limited liability companies. This new tax will be 1 per cent. on the effective capital of your company in Argentina.

The financing of your Argentine business is a matter of grave concern. Increasing costs mean increasing sales to cover those costs, stock merchandise sold has to be replaced at ever-increasing prices and there is the heavy drain on our resources to meet the burden of past U.K. taxation. Every effort is being made to keep our money turning over as rapidly as possible, but, due to the reasons given above, we have had to have heavy recourse to our Argentine bankers.

Finally, we have the uncertainty of the exchange rate. In two years the value of the

Argentine peso has been halved in terms of sterling. A substantial Argentine local profit can, by a change in the exchange rate, be turned into a sterling loss. In the last two years your company has had to absorb exchange losses totalling £1,387,436 on the net balance of current assets in Argentina.

Last year I reported that the board had under consideration plans for entering new markets. This policy has been actively pursued and surveys have been made and visits paid to several territories. Already your new subsidiary company, Nielson and Maxwell, Limited, is making progress, and while little can be expected from these new ventures for some time, since there is much to be done, we are hopeful that they may make a useful contribution to your company's profits in the future.

I tender the thanks of the board to the managers and staffs of your company in London, Argentina and New York.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting, the chairman said: To date, peso sales have been maintained at last year's high level, but now customers' demand for general merchandise is falling off perceptibly, this being the reflection of tightening money conditions and resistance to more stringent credit terms. Sales of farm machinery should, however, compensate appreciably and we are hopeful that, in spite of increased expenses and taxation, the peso results for the year to June 30, 1952, will be reasonably good.

I regret to say that the hoped for financial services remittance has yet to materialise.

The report and accounts were unanimously adopted and the other formal business was transacted.

The proceedings terminated with a tribute to the staffs of the company in London, Buenos Aires and New York and a vote of thanks to the chairman and directors.

AVON INDIA RUBBER

INCREASED TURNOVER

The sixty-second ordinary general meeting of The Avon India Rubber Company, Limited, was held on January 3rd in Melksham, Wilts, Major R. F. Fuller, D.L. (chairman), presiding.

The following are extracts from his circulated statement:

The net profit before providing for taxation amounts to £358,974, compared with £222,045. After making provision for all requirements, including taxation, the net profit is £160,796, which compares with £102,045 in the previous year.

Once again our turnover has increased both in volume and in value and this applies to both the home and export markets.

The cost of raw materials continued on the same high level and under present world conditions there seems to be no strong indication of any downward trend.

We have had to seek additional financial resources to cover the increased value of the stocks we have to carry and to provide funds for expansion. The margin of profit left free after payment of taxation and the very modest ordinary dividend was inadequate for these purposes. Therefore your directors arranged for the provision of additional funds by the issue of £300,000 of loan stock.

We have taken a lease of a modern factory on the Bridgend Trading Estate. A fair amount of plant has been installed and is in production.

Our current assets exceed liabilities by £985,025. Additions to capital assets to the value of £155,622 have been made during the year. Installations in progress amount to £107,245, while our future capital commitments are £217,957.

The report was adopted.

THE INDIAN IRON AND STEEL COMPANY LIMITED

SELLING PRICES AND DEPRECIATION

SIR BIREN MOOKERJEE'S VIEWS

The thirty-fourth ordinary general meeting of The Indian Iron and Steel Company, Limited, was held on December 21st in Calcutta.

Sir Biren Mookerjee, the chairman, presided and in the course of his speech, said:—

Production of pig-iron in the year ended March 31, 1951, shows a drop of 83,333 tons compared with the previous year, due mainly to the fact that the No. 1 blast furnace at the Hirapur works was off production for some four months in the earlier part of the year for relining. Relining of each of the company's four furnaces every three or four years or so is, of course, a necessity and must cause variations in the total output of the plant at varying intervals. This year's accounts are affected not only by the loss of production, but also by the very greatly increased cost of the materials and labour for relining, which has necessitated an increase in the provision for repairs and renewals by some Rs.5 lakhs.

PIG-IRON PRICES

As a result of a fresh investigation by the Tariff Board earlier in the year, new selling prices were fixed for pig-iron for a period of three years beginning from August 1, 1951. As regards foundry iron, there has been an average increase of about Rs.20/- per ton over the previous prices, but you must not be misled into believing that this increase is intended to provide any higher profit. About Rs.12/- of this amount represents the full increase in works costs, which the board was satisfied was due to reasons beyond the control of the company, and, allowing for certain small items, the remaining Rs.8/- mainly represents an extra depreciation allowance of about Rs.13 lakhs gross, or Rs.6/- per ton, over and above Rs.11 lakhs allowed as normal depreciation.

Assuming that the estimates of the Tariff Board are realised in full, this Rs.13 lakhs additional sales realisation will be partially offset by the amount of tax chargeable thereon, the resultant net amount being appropriated as an extra allotment for depreciation according to the orders of the Government, who have stipulated that the amount must be so set aside and not utilised in or towards the payment of dividend or profit sharing bonus. Other things being equal, this means that if there is no further increase in costs during the next three years, the position so far as pig-iron for sale is concerned will remain the same as at present.

AN INJUSTICE

There has been obvious, if probably inadvertent, injustice done to your company. The old prices had been fixed after an investigation by the Tariff Board of 1948, with effect from November 1, 1949, and were to be reviewed at the end of a year—that is, after October 31, 1950. As in the case of the retention prices for steel, the new prices for pig-iron should have been applied with retroactive effect from November 1, 1950. It was found by the Tariff Board that there had been an increase of about Rs.12/- per ton in our Kulti works costs for reasons beyond our control since the investigation in 1948.

No reason has been given as to why this company should have been deprived of all compensation whatsoever, in respect of despatches from November 1, 1950, up to July 31, 1951. We intend to put forward a claim to compensation at an early date which it is hoped the Government will without much delay or difficulty entertain favourably. No further investigation is involved, as the excluded period substantially corresponds with the sample period on the costs of which the future estimates have been made.

DEPRECIATION ALLOWANCE

This and every other industry must recognise the importance of the step taken by the Tariff Board towards liberalising the allowance for depreciation which hitherto was normally based on income tax rates. The grant of depreciation over and above the income tax level by the board and its acceptance by the Government marks the introduction of a principle which industry generally has been demanding for many a year and we hope that its application will be extended wherever possible. But scrupulous care should be taken in applying this principle that, where as in the present instance there are several producing units, their claims receive not necessarily a uniform but definitely an equitable treatment.

Their claims must be determined with reference to their own as much as the national needs they are required to meet. The investigating authority should take into account the assistance, if any, they might have previously received from the Government, the consumer or the taxpayer, the use they have made of such assistance, or of the additional profits they might have earned thereby, and the manner in which they have built up and utilised their depreciation and other reserves. It is of the utmost importance that such authority and the Government should be satisfied, before laying a further heavy burden on the consumer, whether the need for special depreciation has arisen for reasons beyond the producer's control.

If the amount of extra depreciation had been determined by the application of such tests, your company would have received a more equitable treatment in this respect than has been actually accorded. The question of depreciation in a case in which a key unit which serves the national interest during a period of its critical need cannot be regarded as one affecting only yourselves as shareholders, but as affecting the nation and the industry as a whole.

REQUEST TURNED DOWN

Your company had a very sound case on the merits for being granted an allowance for depreciation over and above the amount provided under the agreement with the Steel Corporation of Bengal, Limited. The company asked for special additional depreciation. This request was turned down. Here is one of the several ways in which the fortunate consumer of Indian pig-iron is subsidised at the expense of the producer.

The Tariff Board has strongly recommended that the Government should give the most serious consideration to the problem of ensuring the availability of an adequate supply of foundry pig-iron. In response the Government have stated that they have been taking steps to interest private parties to put up one or more new plants to produce 375,000 to 500,000 tons of pig-iron. This statement must remain as the expression of a pious wish rather than become a reality, if private parties have no better inducement to look forward to than a precarious existence, such as that we have known for the last few years.

Considering the magnitude of the capital

and the risk involved from the investor's point of view, and the national importance of the industry itself, if the Government are serious in their desire to encourage private parties they must lay down the precise terms on which the private parties would be expected to undertake the task, and give them an assurance that they would be adhered to until the new enterprises are able to stand without assistance against foreign or internal competition. A repeated insistence on the creation of a classless society as the declared goal of the Government's policy is hardly necessary to its eventual accomplishment and cannot be reasonably reconciled with a simultaneous exhortation to private capital to invest in industry.

The report was adopted.

NEW ZEALAND LOAN AND MERCANTILE AGENCY

MR W. H. TATHAM'S REVIEW

The fifty-seventh annual general meeting of the New Zealand Loan and Mercantile Agency Company, Limited, was held on December 28th in London, Mr W. H. Tatham, O.B.E., T.D., the chairman, presiding.

The following is an extract from the chairman's circulated review:—

The results of the past year constitute a record in the history of the company.

The profit for the year shows a large increase to the figure of £1,135,338 which, although in part due to exceptional factors arising from the very high wool prices, is nevertheless also largely due to the continuing expansion of the company's business by the opening of new offices, development of existing offices and widening of the variety of business handled.

Although the gross profit for the past year was over £518,000 larger than for the one before, the dreadful burden of taxation has reduced this increase to only £116,000. The board feel that it is necessary to retain the whole of this increase in the business, not only to finance the higher price structure of the present day, but also to enable development and expansion to be continued. This consideration influenced the board in their decision not to recommend any increase in the distribution to ordinary stockholders this year.

AUSTRALIA

In Australia the company's figures easily constitute an all-time record, and the management and staff are much to be complimented on this.

The past season's average wool values were more than double those of the previous season, the average price per bale of wool sold by the company having risen from £A79 in 1949-50 to £A178 in 1950-51. The company and its subsidiary, Schute Bell Badgery Lumby, Limited, handled nearly 13 per cent. of the total clip of the three States in which we operate—Victoria, New South Wales and Queensland.

NEW ZEALAND

The serious and prolonged Waterside Workers' strike, which commenced in February, paralysed commerce and industry. As a result, all the remaining wool sales for the season were cancelled and over one-third of the clip remained unsold. This carry-over was sold at special auctions arranged after the close of the company's financial year, and at prices far below those that would have been obtained if the usual sales had not been cancelled.

In spite of the many difficulties arising from the long strike, the company had a record year, for which the management and staff must be complimented.

THE FUTURE

Statistically the demand for the whole of the wool clip in Australia and New Zealand should be secure. The carry-over from the 1950-51 clip in New Zealand has mostly been cleared, and there is less likelihood of extravagant bidding for stock-piling and defence.

Since the war, world wool consumption has been at a level considerably in excess of actual current production, and only the war stock reserves have filled the gap. These reserves have now been disposed of, and there are no prospects of any substantial increase in the world's wool clip. Even if, owing to high clothing prices, there should be some fall in civilian demand, military demand everywhere seems likely to be maintained.

Last year's profits, which enabled us to strengthen our internal provisions and make a large appropriation to reserve, were undoubtedly exceptional, and it would be unrealistic to assume a repetition. However, so far as can at present be judged and subject to climatic conditions, the board are satisfied that, for the current year, the outlook remains favourable and that, with its expanding business, the company should continue to earn satisfactory profits.

The report was adopted.

HEENAN AND FROUDE, LIMITED

ORDERS REACH £5 MILLION

The forty-ninth annual general meeting of Heenan and Froude, Limited, was held on December 21st at Worcester, Mr Alan P. Good, the chairman, presiding.

The following is an extract from the chairman's circulated statement for the year ended September 1, 1951:

The past financial year sets yet a higher record of profits, and orders outstanding on the books of the group have reached the £5 million mark for the first time.

Your directors recommend a final dividend of 10 per cent., making 15 per cent. for the year on the ordinary capital as increased by the bonus issue in December, 1950. Your directors also recommend a one-for-eleven bonus issue to the ordinary shareholders.

Turning to a review of the Company's departments and subsidiaries, the engine test plant section is very fully engaged and the development of the high-speed internal combustion turbine is leading to notable changes in the design and type of dynamometers.

Heenan eddy-current couplings are now well established as a most effective method of transmitting power at controlled speeds and orders are more than double those of the previous year.

The demand in the Industrial Cooler section continues unabated, but the acute shortage of steel plates is limiting output. Water coolers are in unprecedented demand, and many installations have been started up during the year.

In the automatic machine section new designs continue to be introduced with success. The municipal engineering department has had a good year, both in orders and deliveries of refuse disposal and utilisation plants.

Fielding and Platt, Limited, had its most successful year since acquisition by your company in 1939. It produces a very wide range of hydraulic presses, pumps, accumulators and other ancillary equipment, and has maintained improved output. Very considerable orders have been booked recently which have brought the outstanding order position to the same satisfactory level which maintained at this time last year. The company is in the process of producing two more powerful additions of the Bofec/Fielding slush pump, which it is anticipated will be of considerable interest to the oilfield equipment industry.

Court Works Limited has again achieved a high rate of output of malleable and grey iron castings. It is gratifying to be able to record that our long-term policy of modernisation and expansion, coupled with active local management, has amply justified itself in recent years.

W. G. Bagnall Limited:—The extension of this subsidiary's activities to the diesel electric locomotive market is progressing satisfactorily, and two shunters have been delivered and are in service.

The spare capacity at the Wishaw Works of Morton Machine Company, Limited, has been fully taken up, and whilst the output is predominantly of bakery machinery and equipment, this subsidiary has entered a wider field in engineering to good purpose.

The demand for the abattoir equipment of Industrial Waste Eliminators Limited continues at a high level. The balance of orders was 45 per cent. greater at the close than at the start of the year. The order book for valve gear for locomotives designed and supplied by Associated Locomotive Equipment Limited represents more than a year's work and profits are at a satisfactory level.

The report was adopted and at a subsequent extraordinary general meeting and a separate general meeting of preference shareholders, resolutions were passed (a) to capitalise £42,640 15s. and distribute a share bonus of one ordinary share for every eleven held among ordinary shareholders, and (b) to alter the conversion rights attached to the preference shares.

TENNAMARAM PALM OIL COMPANY, LIMITED

HIGHER PRICES

The twenty-eighth annual general meeting of the Tennamaram Palm Oil Company, Limited, was held on December 28th in London, Mr J. Bligh Orr, the chairman, presiding.

The following is an extract from his circulated statement:—

The trading profits are lower than those of last year by £6,503. This state of affairs was brought about by the steep rise in wages over the past 12 months, while increased costs of all materials and articles in general use have also contributed. Actually, labourers' wages are some 36 per cent. higher than in the early part of 1950.

The output of palm oil was 955 tons, against 1,084 tons, and of palm kernels 196 tons, against 238 tons in the previous financial year, but the average net f.o.b. prices realised were higher, the value of palm oil being £85 18s. per ton, as compared with £76 1s., and that of palm kernels £65 18s. 4d., as against £46 13s. 8d.

For the calendar year 1952 the Ministry of Food has again agreed to buy the whole palm oil output at the average c.i.f. market price, worked out quarterly, less £8 per ton to bring it to f.o.b., less a discount of 4 per cent., but subject to a minimum price of £115 per ton f.o.b. The estimated crop for the new season is again rather lower.

Many rubber companies are now receiving from the Malayan Government a proportion of their claims under the war damage compensation agreement, and it is hoped our turn will come soon. Your directors now recommend a final dividend of 6 per cent. on both classes of shares (making 10 per cent., less tax, for the year).

The report was adopted.

THE PLESSEY COMPANY

(Manufacturers of Components for the Electrical and Mechanical Engineering Trades)

ENCOURAGING RECOVERY

IMPROVEMENT IN CONDITIONS MAINTAINED

EXTENSION OF MANUFACTURING ACTIVITIES

MR A. G. CLARK'S STATEMENT

The twenty-seventh annual general meeting of The Plessey Company, Limited, was held on December 31st in London, Mr A. G. Clark (the chairman) presiding.

The secretary (Mr H. L. Jarvis) read the notice convening the meeting and the report of the auditors.

The following is an extract from the statement by the chairman which had been circulated with the report and accounts:

We submit to you today the accounts to June 30, 1951. When we met a year ago I told you that a considerable improvement was apparent in the conditions under which we were operating, and I am glad to say that the improvement which I was then able to report has been maintained down to the present time.

Conditions are, of course, still troublesome in some respects, but the difficulties we are experiencing have been less intense than was the case two and three years ago. In consequence there has been a recovery in our profit as per the consolidated accounts to £597,467, and while this figure is still materially below the profits we were at one time making, the recovery is encouraging and will, I hope, be maintained.

DIVIDEND INCREASED

Taxation absorbs £392,945, which deducted from the £597,467, above mentioned, leaves an available profit of £204,522. We are transferring £50,000 to general reserve and are proposing a final dividend of 12½ per cent. against the 10 per cent. final of a year ago. You will remember that we reduced our dividend when we experienced a deterioration in business four years ago, and with the return to easier conditions we have felt it right to propose the increase I have mentioned.

In view of much of the discussion which takes place in these days with regard to dividends, and although our decision to make a higher payment needs, in my view, no defence, it may not be inappropriate to put the increase into proper perspective. The increase in the net dividend is the equivalent of about 6s. 8d. per annum per employee. In other words, if the amount involved were paid out as wages, instead of as dividend, it would mean that each of our employees would receive about three-halfpence a week more.

During the year under review national awards were made which in the case of adult male workers amounted to 8s. to 11s. a week. Adult male workers are now to get a further increase of 11s. per week and corresponding increases have been made or are in process of negotiation with reference to other classes of workers. I am not questioning these increases, but they should be considered in relation to the three-halfpence a week I have just mentioned.

FINANCING DEVELOPMENT AND GROWTH

Since during the year we have ploughed back into the business approximately £300,000 (if the reserve for the enhanced replacement cost of fixed assets be included) the increase in the dividend represents only a fraction over 1 per cent. on the profits which have been ploughed back. For the moment, and in view of the difficult times through which the world is passing, such a situation may be tolerable, for on the short view it may be worth ploughing money back into the business today in the hope that tomorrow the proprietors will derive some benefit. If, however, on the long view, the proprietors will not so benefit it seems to me that, quite inevitably, a situation will come about in which the financing of development and growth will just not be worthwhile—in fact will become impossible.

If and when it becomes clear that, in general, it will pay better to restrict the growth of a business rather than devote heart, mind and money to fostering its efficiency and to pressing its expansion, it will have become equally clear that we have progressed very far towards the industrial extinction of this country.

For in such circumstances we should be working obsolete and inefficient plant, because there would be neither the incentive nor the opportunity to modernise it. Our costs would become steadily less competitive and our hold on world trade would as steadily decline. The poor conditions under which people would work and the out-of-date tools which they would be forced to employ would depress those by whom our factories are operated and, losing the incentive of pride, the quality of their effort would decline.

There is no exaggeration in this statement. The underlying facts are well appreciated by many of our workpeople. Although our own plant is well maintained and, in general, modern, we are nowadays from time to time forced to retain particular machine tools far beyond the time when, by our usual practice, they would have been replaced. When this happens I am interested—indeed encouraged, because I can see that they understand and appreciate the problem involved—to find that operatives and foremen will complain to me that I cannot expect first-class work from them if they must use worn machine tools. They are, of course, right. They know it, we all know it, but it is not always remembered that new tools have to be paid for, and that the capital employed in buying them as necessarily requires and deserves its reward as does the operator by whom the machine tool is to be used.

PRODUCTION

Our business is, by its nature, one in which it is necessary to make very full use of our productive facilities if we are to earn an adequate return on our capital investment, and any interruption in the normal flow of the production on which we are engaged can be very costly.

Over the last few years, we have had to adjust ourselves to various problems, such as limitations in electrical power obtainable and the maintenance of a balanced labour force. Between 1945 and 1951 the number of our employees fell to under 6,000, but by June, 1951, we had been able to build up again to some 8,900, and at the present time the total is over 10,000.

At this level our output is running at well in excess of £10 million per annum, and we are today producing a greater volume and a greater variety of products than ever before in our history. We have narrowed our profit margins in one or two directions, however, in order to obtain more volume, and interruptions to smooth production are still unhappily numerous.

For many years Government work has formed an important part of our business. Although our commercial work has steadily expanded during the last few years, Government contract work has increased recently at an even greater pace, so that our outstanding order position at the moment shows a good balance between commercial and Government commitments.

It is often thought that the company is engaged almost entirely in the production of radio components. In fact, only about one-quarter of our output is in this field, the balance being represented by a wide variety of domestic and Service receivers, aircraft equipment and other electrical and mechanical production.

NEW FACTORY OPENED

During the year the company has extended its manufacturing activities based on development and research in relation to electro-chemical products. This expansion of the company's activities has justified our opening a new factory in Northamptonshire, which will come into production during the current year. After certain production units have been transferred this will provide us with additional space in our Swindon factory, which is now fully employed.

EXPORT TRADE

The proportion of our output which is ultimately exported is much higher than shown by our own direct exports, considerable though these direct exports are, because many of our products are incorporated into assemblies which are made for export by our customers. We have in recent years been giving greater attention to the export side of our business and four years ago we formed a subsidiary, Plessey International, Limited, to deal specifically with sales abroad. This subsidiary has shown a useful profit. We are giving close attention to this aspect of our affairs and during the last 12 months some of your directors and senior executives have made extensive journeys abroad to explore new fields for those products of which the company are specialist manufacturers.

As to the future, the radio industry is having a far-from-easy time, due to the heavy incidence of purchase tax, which is evidently resulting in a greatly reduced demand on the part of the public. We are, however, experiencing considerable pressure to increase production in relation to aircraft work. Results for the first half of the current year are encouraging and I hope that the ensuing six months will prove equally satisfactory. Beyond this point, it is difficult in these days to offer any opinion on the conditions which lie ahead of us.

The report and accounts were adopted and the dividend as recommended was approved.

The retiring director, Mr J. A. Smith, was re-elected and the remuneration of the auditors, Messrs Deloitte Plender Griffiths and Co., having been fixed, the proceedings terminated.

RALEIGH INDUSTRIES LIMITED

FURTHER RECORDS

WORLD-WIDE DEMAND STILL UNSATISFIED

The eighteenth ordinary general meeting of Raleigh Industries, Limited, will be held on January 21, 1952, at 177, Lenton Boulevard, Nottingham.

The following is an extract from the statement of the chairman, Sir Harold Bowden, Bt., G.B.E., which has been circulated with the report and accounts:—

I think you will agree that the result of the group trading is satisfactory in that the net profit of £1,560,184 shows an increase of £107,379 over the profits earned during the fifty-three weeks ended on August 26, 1950. This extra profit is the result of increased turnover, but the rate of profit on turnover was lower than previously, owing to the burden of increased costs of material and labour which we have largely absorbed.

On the year's profit the liability to taxation, at the increased rates, is £885,008, so that the balance left for reserves and distribution is £675,176, which is actually £13,588 less than the net balance available from the smaller profit last year. Out of this balance the amount to be distributed to shareholders is £195,563, the remaining £479,613 being retained in the business under the head of reserves and increased carry-forward on the profit and loss account.

STEADILY INCREASED OUTPUT

Since our last annual general meeting our output of bicycles, tri-cycles, and Sturmey-Archer variable geared and brake hubs, and Dyno-hub lighting sets has steadily increased, and we have now added to our list of records the production of no less than one million bicycles and tricycles during a single financial year, which marks a milestone, and a memorable one, too, in the history of the company. This figure has been achieved in spite of the uncertainty in the supply of essential materials, and therefore reflects all the more credit upon those responsible.

The demand at home and abroad for Raleigh, Rudge-Whitworth, Humber and Robin Hood bicycles continues unabated, and the same applies to our Sturmey-Archer products. Despite the fact that export absorbs from 70 per cent. to 75 per cent. of our output, making it extremely difficult to cater adequately for the home market which has suffered considerable restrictions in consequence, our products remain rationed in all the markets of the world.

At this point, I find it most necessary to sound a warning. The realisation of all our plans for the future, and indeed our ability even to hold our present position, depends entirely upon the supply of raw materials made available to our industry.

Of all our shortages, that of steel is certainly the most acute to-day. When you consider the substantial and sustained contribution which the cycle industry is making to the country's export drive in answer to the government's call, and the very high convertibility value per ton of steel when applied to the manufacture of bicycles, the case of the industry for a higher priority in the allocation of this essential material would seem to be unanswerable. Your own company has established a vast export business since the war in all the worlds' markets, and it would be a tragedy if we were forced, through our inability to produce, to surrender them to our foreign competitors among whom Germany and Japan are playing an ever increasing role.

KENNINGS, LIMITED

SIR GEORGE KENNING'S REVIEW

The twenty-first annual general meeting of Kennings, Limited, was held at Sheffield on December 31, 1951, Sir George Kenning, J.P., the chairman, presiding. The following are extracts from his speech:—

RECORD RESULTS

I have to report a record group trading profit for the year ended June 30, 1951, of £356,996 compared with £303,254 last year. The total shows an increase of £48,484 and, after all provisions, the net profit is £2,036 higher than last year at £135,264.

Taxation amounted to £201,299, an increase of £46,448, absorbing nearly 60 per cent. of the net profits of the group and the increase in the charge for the year represents over 95 per cent. of the increase in profits.

DIVIDEND MAINTAINED

The directors propose a final dividend of 20 per cent., less tax, making 32½ per cent. for the year. The proposed and declared dividends of £40,038 are well covered by the net earnings of £94,617 after the provision of £15,547 for outside shareholders' interests in the group and the payment of £20,600 to the pensions fund. The total assets of the group amount to £2,258,955, out of which current assets of £1,281,731 exceed current liabilities by £455,853. Reserves now total £448,948.

NEW SHARE ISSUE

To enable the company to continue its policy of improvement and expansion, the directors decided to issue for cash a further 200,000 ordinary shares. Full details have already been sent to members.

CONTRIBUTION TO DEFENCE PROGRAMME

The maintenance of our trading position must come to an appreciable degree from our contribution to the country's defences and it is your directors' intention to make the maximum contribution within the limits of your company's resources. To balance a programme of armament production and the overhaul of military vehicles, and at the same time maintain our services to the public is a difficult task.

EFFECT OF RISING COSTS ON PROFITS

Contrary to the popular belief in some quarters, the motor trade operates on comparatively slender margins of profit, and we are reaching the limit where it is no longer practicable to pass increased costs on to the public in the shape of higher labour charges.

APPEAL FOR GOVERNMENT ASSISTANCE TO ROAD TRANSPORT

I appeal to the government to review the allocation of commercial vehicles to the home market. The retention of an increasingly large proportion of old vehicles is not in the best interests of this country's transport economy or road safety and there is a good case for the revision of the allocation of steel to assist commercial vehicle production. The nation's transport should not be sacrificed on the altar of export figures and statistics.

CO-OPERATION OF MANUFACTURERS

I would like to take this opportunity of expressing our appreciation for the support given the company by the manufacturers during the year. Although achieving such great success in the export market, they have always done their utmost to help the company on all occasions, and our relations with them remain both close and cordial.

G. K. TYRE SERVICES

G. K. Tyre Services is now firmly established in the forefront of the leading tyre distributors and retreaders, and our retreading factories are working to capacity.

SHARE ISSUE—NEW ACTIVITIES

The issue of new capital of approximately £200,000 is to be used for the expansion of our business, particularly arms contracts, engineering, tyres and the marketing of bearings.

Very substantial arms contracts have been placed with the company. Our subsidiary Revolvo, Limited, has obtained considerable orders for bearings and deliveries should be substantial during 1952.

BONUS ISSUE

A free bonus issue of one new ordinary share for each one held has been sanctioned by the C.I.C. and will capitalise £250,000 of the share premium account and reserves, if approved at the meeting to be held in January.

THANKS TO DIRECTORS AND STAFF

These developments, maintenance of our position in the trade, and surmounting of difficulties, have placed a heavy burden on my co-directors and staff. I am sure you would wish me to place on record our appreciation of their loyal and untiring services and not less those of our workpeople. With such a good team I look towards the future with cautious optimism.

The report and accounts were adopted and the dividend approved.

HILLS (WEST BROMWICH)

The eighteenth annual general meeting of Hills (West Bromwich) Limited, was held on December 28th at West Bromwich, Mr Manley Cooper (the chairman) presiding.

The following is an extract from his circulated statement:

The accounts show a continuing improvement over the previous two years in spite of various difficulties which have been encountered. The profit, before tax, amounts to £65,933, compared with £60,571. The provision for taxation this year is £33,487, and the net profit after tax is £32,446 against £27,547 last year. It is proposed to maintain the same dividend of 12½ per cent. on the ordinary shares as last year and carry forward £34,461, against £25,969 brought in.

The results are not unsatisfactory considering the adverse factors with which we have had to contend; I refer chiefly to the great difficulties in the supply of steel. In addition there has been the general rise in all material and operational costs at such a pace that it has been impossible entirely to recover them in our selling prices.

The "Presweld" system of construction, which hitherto has been confined to single storey buildings, is now being recognised as suitable for multi-storied structures, requiring only two-thirds of the weight of steel and half the erection time as compared with traditional building. We have in addition a range of other products, including patent glazing, lantern lights, metal windows, doors and screens, roof ventilating shutters and window blinds, all, or some of which, will be required in the various parts of the rearmament programme, but which again are bound up with the steel situation. The present state of the order book is eminently satisfactory.

The report was adopted.

JOSHUA TETLEY AND SON, LIMITED

SATISFACTORY RESULTS

The fifty-fifth annual general meeting of Joshua Tetley and Son, Limited, was held on December 31st at the registered office of the company in Leeds, Mr C. H. Tetley (chairman of the company) presiding.

The chairman in the course of his speech said: I do not think it is necessary for me, in view of the chairman's statement circulated with the accounts, to go into any great detail as regards our trading results; but I should like to remark that our bottled ale trade, although it increases substantially each year, still only represents about 10 per cent. of our total trade. We hope to continue to find our principal market in cask ale, which in these days of financial stringency, forms, we think, a cheaper and more satisfactory drink than bottled beer.

RISING COSTS

You will have seen in the chairman's statement that the taxation on profits this year amounts to no less than 12s. 6d. in the £, and we must remember that the increased rate of the punishing profits tax has been effective for only nine months of the year to September 30th; I hope that stockholders will realise that costs and expenses which the directors cannot control also continue to rise and represent an ever increasing burden. Not only does the cost of materials and operation increase persistently, but so does the cost of replacement of assets.

Our gross income for the year was £6,010,761, and this amount expressed in percentages was absorbed in the following manner:—

	%
Beer duty	64.0
Taxation	5.4
Materials and production costs, excluding wages ...	10.0
Wages and salaries	5.0
General trade expenses	9.9
Depreciation and reserves ...	3.2
Interest	.6
Dividends (net)	1.9
	100.0

This year we have thought it right to transfer £70,000 to general reserve as against £100,000 last year, and this reserve now stands at £950,000 after the transfer to it of a general taxation reserve of £20,000, which is no longer required. Property improvements reserve has not received any allocation this year, as we think that the balance of this reserve at present is likely to be sufficient to cover the probable spendings on improvements for several years.

DIVIDEND AND BONUS

We propose this year to recommend a final dividend on the ordinary stock of 1s. 3d. per £ of stock, which is equal to the interim dividend already paid, and in addition a bonus of 9d. per £ of stock, less tax, the total distribution for the year being therefore at the rate of 3s. 3d. per £ of stock as against 3s. 2 2/5d. a year ago. I hope that stockholders will consider the results of the year to be reasonably satisfactory in view of the difficulties in trading at the present time.

You may be interested to know that since September 30th sales have kept up well as compared with a year ago; but, as I have pointed out, we are experiencing a continuous rise in our costs, particularly in the case of barley (and therefore malt) and all transport charges, while the amounts paid in wages and salaries are also increasing. I will not indulge in any prophecies, but you may be assured that your directors will continue to do their best to obtain as good results as is possible.

The report and accounts were adopted.

KUALA MUDA RUBBER ESTATES, LIMITED

CROP ESTIMATE EXCEEDED

The twenty-sixth annual general meeting of this company was held on December 31st in London, Mr L. I. Simpson, A.C.A., the chairman, presiding.

The following is an extract from his circulated statement:—

The crop for the year at 3,520,305 lb. exceeded the estimate of 3,400,000 lb. in spite of the exceptional rainfall at the beginning of this year. Approximately 80 per cent. of the crop was produced in the form of centrifuged latex and sold under the company's "Lacentex" trade mark, the remainder of the crop being sold as off-grade solid rubber of various qualities. During the year we had, in addition, the benefit of a full year's deliveries of "unprocessed field latex" under our contract with a neighbouring estate. This "field latex" is processed in our centrifuging plant and blended with our production for sale as "Lacentex," the additional through-put enabling our plant to be operated on a more economic basis, and increasing the importance of our trade mark.

Purchases of field latex cost us an average of 4s. 2.11d. per pound, whereas the net sales average for the whole crop including purchased latex and low grades was 2s. 9.64d. Our contract for purchased latex was based on the average price for sheet rubber during each month of delivery, less certain costs not incurred in latex production, and sales of processed "Lacentex" for an equivalent quantity were made on the monthly average prices for sheet rubber plus a fixed premium more than sufficient to cover the cost of processing and shipment.

The report was adopted.

RIM (MALACCA) RUBBER

MR E. G. ESTALL ON CONDITIONS

The forty-first annual general meeting of Rim (Malacca) Rubber Estates, Limited, was held in London on December 31st, Mr E. G. Estall (chairman) presiding.

The chairman, in the course of his speech, said that the crop from both estates amounted to 2,202,800 lb. which, considering the difficulties, was a good result. It was 187,200 lb. below the estimate and 283,200 lb. less than the crop for the previous year.

The selling price of all grades averaged approximately 2s. 10d. per lb. net, or say double that of the previous year. Against this estate expenditure was 14.20d. as compared with 8d. the previous year.

Since the reoccupation of the estates a total of 521 acres had been replanted, and 112 acres planted as an addition.

Due to vigilance of the managers and staff damage to the property had been averted, but there had been several minor clashes with groups of bandits. The visit of Mr Oliver Lyttelton to Malaya had focused public attention on the seriousness of the situation. It was to be hoped that the result of his meetings in Malaya would enable steps to be planned to bring about a return to peaceful conditions there. Mr Lyttelton had, however, warned that the situation might well become worse before it was better.

Forward sales over 1952 at prices ranging from 36d. to 41d. per lb. had been made covering approximately one-seventh of the expected crop. Sales from July 1st last to date of all grades amounted to 469,868 lb. at an average price of 31.44d. per lb. gross.

The report was unanimously adopted and the proposed final dividend of 10 per cent., making 40 per cent., was approved.

ALLIED RETAIL TRADES

LARGER TURNOVER

The fourth annual general meeting of Allied Retail Trades (London), Limited, was held on December 28th in London, Mr W. H. Martin, chairman and managing director, presiding.

The following is an extract from his circulated statement:—

The trading profits from our branches amounted to £113,943 (£101,337), and the net profit to £73,694 (£62,973). This has been appropriated as to £49,600 (£40,000) for taxation; £5,913 (£6,050) for the net preference dividend and £14,451 (£15,139) for the net ordinary dividend of 15 per cent.

In the Newspaper and Tobacco Group trade has been satisfactory. Our endeavour, by the use of new display fittings, to increase the sale of the more lucrative lines has borne fruit. We have again carried out a number of major improvements to our shops. The expenditure has met with increased trade and the total branch profits for the year of this group have advanced from £96,705 to £110,823.

During the year, there have been a number of price increases in newspapers and cigarettes, but, although there were slight recessions at the time, the trade soon recovered. Unless something unexpected occurs, we can see no reason why the present level of trade should not continue.

Our turnover for the year was £1,639,201 and, when compared with £1,511,366 for the previous year, shows an increase of £127,835, or 8.4 per cent. With regard to the prospects for the coming year, as far as can be seen at the moment, we should again show a small improvement on the results recorded for the past year.

The report was adopted.

EBONITE CONTAINER

ANOTHER YEAR OF PROGRESS

The twenty-seventh annual general meeting of Ebonite Container Company, Limited, was held on December 31st in London, Mr W. E. Smith (chairman and managing director) presiding.

The following are extracts from his circulated statement:—

I am pleased to report another year of progress in the history of your companies. Not only is the group profit at a higher level, but each individual company has exceeded any previous figures. A considerable amount of additional plant has been installed in our Manchester works, and the results of this expansion are already apparent in the accounts. Several new processes have also been brought into successful operation.

Appreciable expansion in our London works has not been possible for some years due to lack of space. We have now been able to acquire the lease of an adjoining factory. This can be merged into our present works very satisfactorily, and will be of great assistance.

The net profit of the parent company for the year amounted to £47,843, and in view of the steady progress of your companies and the fact that we have succeeded in maintaining an annual total of 17½ per cent. for many years, your directors have decided to recommend a final dividend of 13 per cent., making the usual total of 17½ per cent., less tax, on the capital increased in October, 1950.

Many raw materials are not easy to acquire. Labour is difficult to obtain, and the world is generally in a very disturbed condition. Great changes, both political and economic, are taking place. Manufacturing costs continue to rise and inflation is still very much with us.

The report was adopted.

DOMINION OF CANADA

FOUR PER CENT. REGISTERED STOCK, 1953-58

For the purpose of preparing the Interest Warrants due March 1, 1952, the BALANCES will be STRUCK at the close of business on February 1, 1952, after which date the Stock will be transferred ex-dividend.

For the Bank of Montreal, Financial Agents of the Government of Canada in London.

A. D. HARPER, Manager.

47 Threadneedle Street, E.C.2.
January 1, 1952

HUDSON'S BAY SCHOLARSHIPS

Applications are invited for two Scholarships to be awarded by the Trustees of the Hudson's Bay Company Scholarship Fund for study in Canada in 1952. The Scholarships are awarded to encourage the study of business administration, to contribute to the higher education of business executives, and to strengthen the links between the business communities in Canada and the United Kingdom.

The value of the Scholarships will be $1,800 (Can.) per annum, plus return transportation expenses between the United Kingdom and Canada, and the normal tenure will be one year, but in exceptional cases this may be extended to two years.

The Scholarships are open to University Graduates, and candidates must be British born subjects ordinarily resident in the United Kingdom who at the date of applying are over 23 years of age and have not passed their 30th birthday.

Candidates will be selected by a Committee sitting in London, and no scholar will be elected without a personal interview.

In exceptional cases the Selection Committee may recommend awards to candidates who are not University Graduates but who, in the opinion of the Committee have other qualifications fitting them for the kind of study for which the Scholarships are designed.

Full particulars and form of application, which should be submitted not later than February 19, 1952, may be obtained on application to the Secretary, Hudson's Bay Scholarships, Beaver House, Great Trinity Lane, London, E.C.4.

Beaver House, January 1, 1952.

UNIVERSITY OF SYDNEY

The Senate will shortly proceed to the appointment to the CHAIR OF GOVERNMENT AND PUBLIC ADMINISTRATION which becomes vacant on the resignation of the present occupant, Professor P. H. Partridge, who has accepted the Chair of Social Philosophy recently created at the Australian National University.

Salary will be at the rate of £2,000 (Australian) per annum, plus cost of living adjustment. There is a normal retirement provision under the Professorial Superannuation Scheme, and in addition, a pension of £400 (Australian) per annum upon retirement after the age of sixty years.

The Senate reserves the right to fill the Chair by invitation.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is March 3, 1952.

MAKERERE COLLEGE, THE UNIVERSITY COLLEGE OF EAST AFRICA

Applications are invited for the post of Lecturer or Assistant Lecturer in Economics. Experience or interest in the economics of tropical agriculture desirable.

Salaries on the scale £695 x £25—£770 x £30—£890 p.a. (lecturers); £620 x £25—£670 p.a. (Assistant Lecturers). Point of entry in scale and status according to qualifications and experience. Temporary cost of living allowance 20 per cent of salary. Child allowance £50 p.a. per child (maximum £150 p.a.) F.S.S.U. Part furnished quarters at rent not more than 10 per cent basic salary. Passages paid (including family) on appointment, termination and leave (three months every two years).

Applications (six copies), giving full particulars of qualifications and experience, and the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1, Gordon Square, London, W.C.1. Closing date January 31, 1952.

MAKERERE COLLEGE, THE UNIVERSITY COLLEGE OF EAST AFRICA

HEADSHIP OF DEPARTMENT OF SOCIAL STUDIES

Applications are invited for the above post. Status and salary will depend upon qualifications and experience of the person appointed, but may be a Readership (£1,100 x £50—£1,300 p.a.) or a Professorship (£1,320 x £50—£1,430 p.a.). F.S.S.U. child allowance £50 p.a. per child (maximum £150 p.a.). Temporary cost of living allowance 20 per cent of salary (maximum £200 p.a.). Part-furnished quarters at rent not more than 10 per cent of basic salary. Passages paid (including family) on appointment, termination and leave (three months every two years).

Applications (six copies), giving full particulars of qualifications and experience and the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further information may be obtained.

Closing date January 31, 1952.

SALES ASSISTANT, age about 25, required for Service Parts Department of Manufacturers of Automobile Accessories. Must be able to deal with customers' enquiries, correspondence, quotations, etc., knowledge of Production Programme procedures an advantage. Good education preferably B.Com. or similar qualifications.—Give full particulars, age and salary to Box 818.

Postal Tuition for B.Sc. ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

Market Information

Consult our Foreign Business Department for information on markets, sources of supply and other vital matters affecting trade with Canada, Central and South America and the West Indies.

London Offices—

6 Lothbury, E.C.2 — B. Strath, Mgr.
2-4 Cockspur Street, S.W.1 — R. B. Murray, Mgr.

THE ROYAL BANK OF CANADA

Head Office, Montreal
Offices in New York & Paris

Over 750 branches in Canada, the West Indies, Central & South America

Incorporated in Canada in 1869 with Limited Liability.

B.Sc. ECON. London University

● This Degree, which may be taken *without residence*, is a valuable qualification for those who seek executive appointments in commerce or industry, government or municipal posts, or promotion in the teaching profession. U.C.C., founded 1887, prepares students by post for the required examinations. Highly qualified Tutors. Moderate fees; instalments. ★ Write for free PROSPECTUS to the Registrar,

UNIVERSITY CORRESPONDENCE COLLEGE
60 Burlington House, Cambridge

REFUGE ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET, MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 52-54 High Holborn, W.C.2.

SLICK ideas can come to any one. Turning them into sales-compelling publicity calls for skill and experience. For advertising that brings results, consult SAMSON CLARK & CO. LTD., 57/61, Mortimer Street, London, W.1. MUSeum 5050.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (periodicals excluded).

QUALIFIED ACCOUNTANT wanted by world-wide chemical group as Chief Accountant to their Colombian branch. Age 25 to 35. Salary equivalent to £1,000-£1,500 per annum, according to experience. Pension Fund. Five months' home leave in each four years. Knowledge Spanish an advantage.—Box 814.

ASSISTANT STATISTICIAN required by Market Research and Forecasting Department of large manufacturing concern in North London. Preference given to Graduate in Statistics or a Member of the Association of Incorporated Statisticians.—Write, stating details of age, experience, salary, etc., to Box 827.

OLD-ESTABLISHED business house in North of England wishing to extend activities is willing to interest itself in enterprises requiring capital and experience.—Box 819.

SALES STATISTICS.—Young man or woman with flair for handling facts and figures relative to sales and production control required by East Herts manufacturers, preferably local resident. Commencing salary £400 to £500 according to age, experience, etc.—Apply Box 835.

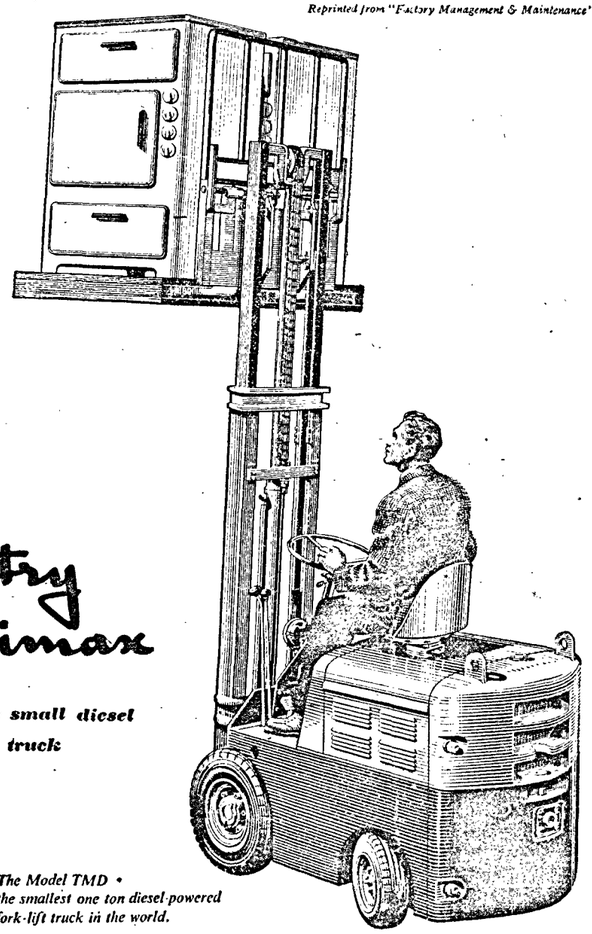
THE ECONOMIST—August 23, 1947, to February 2, 1951.—Offers to Cliff, 50, Madeira Road, London, N.13.

MURRAY-WATSON
LIMITED
Advertising & Marketing
Home and Overseas
58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9
DUDLEY, WORCESTERSHIRE. DUDLEY 3162

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by the ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. 'S. Farley, 111, Broadway, New York, 6.—Saturday, January 5, 1952.

"Speaking of the immediate future, if I had just one choice as to technological improvements that could be adopted practically overnight to boost productivity, I'd take MATERIALS HANDLING"

CLOUD WAMPLER, *President*
Carrier Corporation, U.S.A.
Reprinted from "Factory Management & Maintenance" Oct. 1950



Coventry Climax

Pioneers of the small diesel fork lift truck

The Model TMD • the smallest one ton diesel-powered fork-lift truck in the world.

COVENTRY CLIMAX ENGINES LTD. (DEPT. E) COVENTRY, ENGLAND

The Economist

Established 1843

January 12, 1952

One Shilling

SECRETARIAT LIBRARY
MADIVE

LEADING ARTICLES

Action this Day - - - - - - 65
How to Export Coal—I - - 66
Eisenhower Candidacy - - 68
thern Ally - - - - - - - 69

NOTES OF THE WEEK - - - 71

Mr Churchill in Washington; Vyshinsky Dabbles in Korea; Sticking to Collective Security; Labour's New Beginning; Mr Gaitskell's Apologia; Civil Servants Follow After; France without a Government; Danger South of China; Persia Stays Neutral; Utility Schooling; Federation Doldrums; The Race for Germany; Israel and Germany; Not Sold on the Sales; Reading Meters at Leisure; South Africa and Mr Scott.

TTERS TO THE EDITOR - - 80

OKS AND PUBLICATIONS - 81

ERICAN SURVEY
resident and Prime Minister- 85
elican State Primary - - - 86

enhower on the Brink; Congress—rt and Sour?; Detroit on the Dole; man's Hoover; Profit and Loss at RFC; Shorter Notes.

WORLD OVERSEAS
d from Canada? - - - - - 92

ce's Budget Crisis; The Enigma of n; German Exports Soar; Egypt s with Boycott; Why No All-Union ngress?

THE BUSINESS WORLD
ne Gold Drain - - - - - - 99
eel and Green Paper - - - 101

INESS NOTES - - - - - - 102

Bank Profits and Gilt-edged Depreciation; Inner Reserves and Contingencies; Settlement in Sight for Tin?; Unhappy New Year for Wholesalers; The Coal Record; Barcelona Traction; Policy for Engineering Exports; Production in the Autumn; Factory Power; New Names in Petrol; Commonwealth Sugar Agreement; Price of Concord; Electric Shock for Whales; Radio Industry's Exports; Dearer Cocoa?; Life Assurance Records; Shorter Notes.

COMPANY NOTES - - - - - 112
STATISTICAL SUMMARY - - 113
COMPANY MEETINGS - - - 114

Vol. CLXII No. 5655
ECONOMIST, 22, Ryder Street, St. James's, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3

Action this Day

THE storm signals were put out for the British economy last summer. They are distress signals that are flying now. November and December proved to be little better than the catastrophic month before the election. The implications of the dollar deficit are discussed more fully in an article on page 99. The essential fact is that even if the repayments on the American and Canadian loans are left out of the reckoning, the gold reserve has been reduced by nearly one quarter in three months. At this pace the low point of September 18, 1949, the point at which a drastic devaluation of the pound was unavoidable, would be reached again on April 30, 1952.

In fact, there is probably a little more time in which to change direction. The present direction is straight and plain enough, though the measures the Government has already taken may reduce the pace. It is towards bankruptcy for this country and the end of sterling as an international currency. That would disrupt a large part of world trade. And in the consequent disruption of British industry there would be heavy unemployment and little chance of curing it. These dangers are not merely real; they are close.

Salvation does not lie in the hands of this country alone. The rest of the sterling area has an almost equal part to play, and an almost equal interest in playing it. That is the business of the conference of Commonwealth finance ministers. But the task of leadership is Britain's. Whatever the rest of the sterling area does, whatever kinds of help—the total cannot be large—may come from the United States and Canada, full employment and a high standard of living in these islands cannot be maintained unless they sell more goods and services to other countries than they buy from them. The United Kingdom's own payments deficit is the crux. The Government must accept the fact that the shocks of an uncertain world will have to be directly reflected in the living standards of the British people. The alternative is crisis followed by worse shocks. There is now only one way in which this country can quickly export more, and that is to consume a lot less itself.

The need is tolerably well understood. The lessons taught by Sir Stafford Cripps and Mr Gaitskell did not make so little impression that people will be misled by the cruder Labour propaganda which now denies the connection between cuts at home and dollar-earning. The Government has nothing to fear from such criticism by a disorganised Opposition. It has to fear catastrophe if its policies are inadequate to Britain's worst postwar crisis; that is what would ensure the return of Labour certainly enough. Mr Churchill has not become His Majesty's first minister in order to preside over the dissolution of the sterling area, any more than of the empire in 1940. But if his Government is to avoid failure, it needs all the wartime boldness and determination in, for the politicians, more difficult circumstances; and the decisions must be made, there must be "action this day," as soon as he returns from

How to Export Coal—I

More Work or More Miners

IT is five years since the fuel crisis impressed on the British people the economic importance of their coal. The new Government is now learning, if it needed to learn, its political importance. Mr Churchill has assuredly heard the Americans re-emphasising it in Washington. Britain's failure to export coal to Europe is not only an important cause of this country's economic weakness; it is also a serious failure to make Britain's proper contribution to the security and solvency of Europe. Impatience abroad is justified. For six years this country has made unprecedented efforts to sell to foreign countries all the *bric-à-brac* of industrial civilisation. There would be a large gain in international good will if Britain at last became able to supply the coal that is its chief natural endowment and that its European customers really need. One may assume that Mr Churchill will return to Whitehall impressed by nothing so much as the urgency of exporting coal.

What, then, can his Government do? How can it succeed where Labour failed? The unsolved problems of coal in 1952 are in many ways more difficult than the immediate postwar problem of 1946, when at least there was the natural impetus of demobilisation and recovery to help. The new demand for exports must be made when the policies of the past six years have spent their force. Those policies have been, in essence, to keep the price of coal in Britain as low as possible; to increase the output of coal by whatever expedients could conveniently be adopted in a state of full employment and inflation; to ration household coal supplies as tightly as possible; to let industry have its fill of—relatively—cheap coal; and to export whatever small surplus was produced. This approach has so far had some success. Output has risen by an average of 3 per cent a year. In 1951 the mines raised 30 million tons more than in 1946. The consumption of coal in Britain was 22 million tons bigger, and stocks were increased instead of being run down. But in 1951 a mere 12 million tons of coal went to exports and bunkers, compared with 9 million tons even in 1946 and 46 million tons in the prewar depression year of 1938.

Meagre as this rate of progress has been, there is at present little ground for hope that it will even be maintained this year. Of the increase of output by 7 million tons in 1951, fully 5 million tons must be attributed to the more widespread working of Saturday shifts—though some of this gain was offset by poorer attendance during the ordinary five working days. It would be quite unrealistic to expect the miners to work still more overtime this year; the purpose of exhortation must be rather to dissuade them from working less. And if he does not work longer hours, the average miner is unlikely to produce more coal. The accompanying chart shows how output per manshift, which increased fairly steadily from 1946 to 1950, has lately been levelling off. In the last two months of 1951 it was actually a little lower than in the first two months; in every other year since the war it had been from 2 to 6 per cent higher at the end of the year than at the beginning. The explanation may be, in part, that more green labour was recruited last year. But even among workers at the coal face, output per manshift improved very little.

There is probably a more important reason why productivity has recently been stagnant. Almost all the easy gains from mechanisation have now been obtained. By comparison with the supply of new machinery to other industries, coal-cutters and conveyors were poured into the mines during and after the war. Although there are still places where some more machinery could be used, in general this conventional mechanisation is now near saturation point. The mining engineers are in something like the position of the aircraft designer faced with the sonic barrier. They can advance only by a big jump. Further mechanisation depends chiefly on the installation of new machines such as cutter-loaders and strippers and on large reorganisations of underground haulage. Such equipment is scarce and its use raises difficult technical problems which the mining engineers of this country are unlikely to solve except by trial and error. The bigger schemes, particularly for improving underground haulage, are bound to take a long time to carry out. To say this is in no way to underrate the importance of further mechanisation, particularly to an industry whose labour force is ageing. But it is for the most part a long-term investment, which will show important results in five to ten years' time, not in 1952.

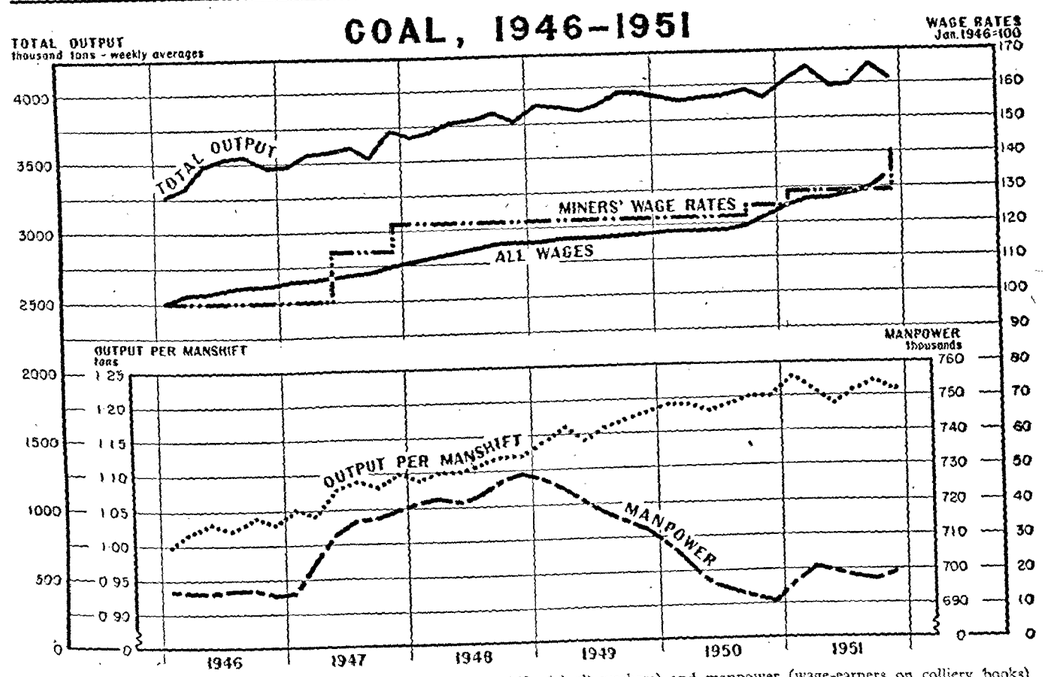
It is true that if further mechanisation will not quickly bring more coal, there is still plenty of scope for raising productivity in the mines overnight. In many places the miners could use existing machinery more efficiently. In many areas stints could reasonably be increased. Everywhere the miners could work harder and more regularly. Better management could both get more effort out of the men and enable them to produce more coal with the same effort. All these things are certainly true—and of other industries besides coal—but their relevance to the needs of 1952 is highly doubtful. The human resources of the mining industry still carry the marks of its long depression. The prewar decline in coal not only embittered the workers but also prevented the mines from recruiting their share of ability in managers. It is entirely unrealistic now to ask of the coal industry all that could in theory be achieved by good management. It is almost as unrealistic to expect any quickening change in the miner's attitude to his job. In all the circumstances, the miners probably deserve more praise than blame for what they have done in the past five years; they are unlikely to respond at all to yet more exhortation, and they will certainly respond badly to verbal castigation or sermonising.

The country cannot expect to get much more coal per miner this year. Can it expect to have more miners? It certainly cannot expect again the recruitment of foreign workers that contributed 17,000 to the postwar expansion of the labour force in 1947-49. The miners' refusal to accept Italian workers is in every way regrettable, but only the men's own leaders can overcome it; their work of education will be, at best, painfully slow.

The chances of recruiting more British miners are little better. The National Coal Board is rightly proud of having arrested the sharp decline in manpower of 1949-50. At the end of last year the mines had 9,000 more workers than at the beginning. But probably a half of this improvement occurred because old men were postponing their retirement until the miners' pension scheme came into force at the beginning of this year. There may now be a corresponding increase in retirements. Moreover, the rising demands of the rearmament industries are likely to make labour scarcer in just those areas—notably the Midlands—where output per manshift is high and more miners would, therefore, be most valuable. On the other hand, some workers may be attracted by the recent wage increase in the mines. As the chart shows, the miners in 1947 made a large advance in the postwar wage scale, but by last October other workers had caught up. Now the miners are again, for a time, ahead. The wage increases of both 1947 and 1950 seem to have encouraged recruitment, though the connection is hardly as close as the chart indicates; special circumstances such as the entry of foreign workers must be taken into account. The evidence suggests, for what it is worth, that the latest wage increase will encourage some men to go down the mines, but it can hardly be enough to have any dramatic effect.

The signs are, therefore, that none of the familiar measures and exhortations of the past six years is likely to yield much extra coal in 1952. The improvement in 1951, compared with 1950, has masked the stagnation in coal that began last spring. The improvement was in fact made last winter; in the past few months production has seemed to be increasing fairly well only because it had fallen, even after allowance for the normal seasonal drop, last summer. This may prove to have been fortuitous and temporary; many things influence the output of the mines. But the probability is that existing policies for getting more coal have lost what effectiveness they had; certainly they will not become miraculously more effective, and yield this year an increase not of 7 but of 20 million tons.

There can be little doubt about the lines on which a Conservative Government's thinking should run. If this were a free economy, the scarcity of coal would drive up its price. In a state of full employment the miners would insist on a large share of the proceeds. Wages would rise, more workers would come into the industry, production would rise, and a new balance between supply and demand—including foreign demand—would be reached. This Government is not going to restore a free economy. But in its planning it surely should look for devices that will subject the economy to pulls and pushes of the same sort, and in the same direction, as free markets would do. No practical politician could be persuaded to tell the Coal Board to put up its prices and try to make a large profit. But it is practicable to suggest that the Board should take the initiative in offering the miners another, and substantial, wage increase, and should then raise its prices accordingly. If that seems an outrageous idea, such is the measure of how far politicians of all parties have forgotten the way the economic system used to work. It is at least an alternative worth examining when the policy of cheap coal—cheap by comparison with many less essential things—has plainly failed. A second article will examine the effects and the broader implications of such a policy.



The figures for total output of mined coal, output per manshift (of all workers) and manpower (wage-earners on colliery books) are weekly averages for two-monthly periods, roughly adjusted to eliminate seasonal fluctuations. The indices of all wage rates and of miners' wages are those of the London and Cambridge Economic Service, adjusted to the base January, 1946=100. The index figure after the miners' wage increase at the end of 1951 has not yet been published and has here been roughly estimated.

The Eisenhower Candidacy

GENERAL EISENHOWER'S hat is in the ring. He has not put it there himself. Indeed, he confines himself to recognising that it is his hat; that it is the right colour; and that if others have put it there he will not attempt to remove it. In other words, if his friends succeed in getting him the Republican Party's nomination for the Presidency in July, he will accept it; but he will himself say or do nothing to secure it. But that is enough. It makes him definitely a candidate, and definitely a Republican, and thereby removes the double uncertainty that has been hanging over the American public scene. His friends can go ahead with their campaign and his supporters can put the badges reading "I Like Ike" in their buttonholes without any fear that their avowal will be unrequited.

It does not by any means follow that the General is already as good as elected. On the contrary, it looks like being a hard fight. It is true that, to judge by any of the available signs, he has a greater popularity—it may be a far greater popularity—with the American electorate than any other public figure. But before his name can go before the whole electorate he must first be nominated, and the Republican convention is likely to be his stiffest hurdle. A party nominating convention consists, not of a cross-section of the electorate, but of professional politicians. Senator Taft, the professionals' ideal of a candidate, may not be sure how he would fare against General Eisenhower in a popularity contest. But he claims to be confident that he can round up more delegates at the convention. The claim may be justified at the moment. Whether it will be so in July depends on the success that General Eisenhower's supporters have in making the popular choice so plain that it is forced on the professionals.

There is thus no certainty, hardly even a probability, about the identity of the next President of the United States. But this week's events do make it as nearly a certainty as anything can be in politics that the next President will be one of three men—he will be Harry S. Truman or Robert A. Taft or Dwight D. Eisenhower.

Passions always run high in America in presidential years and there would be quick resentment of anything that looked like an attempt at interference from outside. This is entirely right and proper. But at the same time it must be quite clear to everybody that, with so much throughout the world hanging on the course of American domestic politics, the outside world cannot be expected to preserve unbroken silence. Especially is this so when one of the main contestants is such an international figure as General Eisenhower has become, at once the servant and the inspiring leader of the greatest effort in international co-operation that has ever been seen in time of peace. If only because of its possible effects upon that effort, the Eisenhower candidacy will certainly be discussed throughout the world. Those who are not American citizens can only be spectators at this grand quadrennial contest, and they will be wise not to try to exercise influence or bring pressure on any of the players (even if they possessed any means of so doing, which they do not). But the players, in their turn, cannot but be aware that the grandstands are crowded—and not with Trappist monks.

America's European allies might be forgiven if they regarded with apprehension the prospect of any change from the Democratic administrations with which they have worked for so long. To a far greater extent than has ever really been true, the accidents of history have presented the Democrats to the European view as the co-operating internationalists and the Republicans as the retreating isolationists. The Democrats have the advantages of familiarity, and the foreign policy they have pursued has, in foreign eyes, seemed commendably strong and sound. It has never been possible, on this side of the Atlantic, to understand the bitterness with which Mr Truman's and Mr Acheson's foreign policy has been assailed at home, for it has seemed, when seen from a distance, to have been articulate, coherent and successful above the average. In Mr Roosevelt's time, European opinion—particularly British opinion—held its breath every four years lest he be defeated and his policy overthrown, and something of the same emotion has remained attached to his successor. The preliminary assumption of every European observer is likely to be that, if a change in Washington can be avoided, it is right to hope that there will not be one.

*

But a foreign observer who looked a little more closely into the American scene might reach a different conclusion. He might say that another four years of Mr Truman and Mr Acheson, since it would mean the exclusion of the Republicans from the executive branch of the American government for another four years (which would make twenty-four years in all) would in the end do much more harm than good to the strength and continuity of the foreign policy that the Democrats have sponsored. The Republicans, after all, include many of the finest elements of the American people; their resources in individual talent are certainly not inferior to those that Mr Truman has at his command. Their long exclusion from office, it could be held, has not only been infuriating to them, it has now created a situation that is positively dangerous to the stability of American policy—which is the same thing as saying that it should be of concern to all of America's allies. For exclusion from responsibility for so long has had its inevitable result; it has bred irresponsibility.

Just how far the irresponsibility among the Republicans has gone has been amply demonstrated in the past twelve months. It has been shown in the willingness of otherwise sober and reasonable men, not indeed to believe in Senator McCarthy's ridiculous insinuations, but to refrain from denouncing them (though they threaten to cover Washington in slime) and even to draw political profit from them. It has been shown in the wide extent and the hysterical nature of the acclaim that General MacArthur's views have received—the smaller part of which arose from genuine agreement with him and much the larger from a desperate willingness to snatch at anything, however dangerous, which might discredit the Democrats. If this Republican opposition could simply be ignored or overridden, it might not be dangerous. But the Republicans are too strong for that, and if Mr Truman were re-elected it is overwhelmingly probable that he and his Secretary of State would face four more years of the merciless Congressional attack they have suffered in the past eighteen months, which would have the effect (as it already has done) of forcing them back upon a rigid, uncompromising and increasingly bellicose position, in which they could indeed cling to the formal outline of their policy, but without any freedom of manœuvre, any room for statesmanship, within it. The thought that this might continue through 1953 and 1954 and 1955 and 1956 is not a reassuring one. The only cure for irresponsibility is responsibility. Whatever happens, the Republican party is going to provide a large slice of the next Congress. Whether or not American policy would be better (within the European definition of the term) with the Republicans in a majority, there is at least a good chance that it would be less dangerous than if there continues to be a Republican minority determined to bind a Democratic President with the toils of its own desperate irresponsibility.

Unfortunately, though it may be true that only a Republican in the White House can hope to bring about a measure of reconciliation of policy between the parties, it does not follow that any Republican could, or would, do it. It would take an extraordinary degree of faith in the argument of the last few paragraphs to be sure that a Taft administration would have the desired effect. It might; Senator Taft's recent book showed that he has moved a very long way since his isolationist days. He is a very remarkable man who has never in his life been responsible—in the literal sense of being answerable for the consequences of his words—and if he were placed under the awful pressure of responsibility that bears upon the man in the White House, his conversion might be completed. Unfortunately, it is equally possible that his instincts—which remain basically isolationist, however much the logic of events or his own sense of political expediency may try to convert him—would lead him to react the other way. And in any case the experiment would have to be carried out in the crucial year 1953.

This is the historical importance and (let it be added, for those American readers who may be getting restless under this analysis of their domestic politics) the vital importance to America's allies of the Eisenhower candidacy. The world hopes of this year's election that it will provide the means of consolidating the policy of international co-operation upon the broadest possible base of bipartisan support among the American people. Neither Mr Truman nor Mr Taft seems likely to be able to do that—Mr Truman because he can no longer secure bipartisan support for the policy, Mr Taft because no one can foresee whether he would continue the policy. If the third man with a chance to be elected could achieve this purpose, then no amount of concern for the propriety of not interfering in other people's concerns will prevent the outside world from wishing him well. It does not matter to the world alliance whether he is General Eisenhower or another, whether he is a Republican or a Democrat. What does matter is that his election presents the best hope of keeping the alliance firm and effective.

General Eisenhower's candidacy brings to an end a period of uncertainty in America; it starts one in Europe. As supreme Commander in Europe he is irreplaceable, and no one should attempt to minimise the very damaging effect that his departure will have on the progress of the combined effort for European defence. Those who have seen his work at closest range are those who will regard his departure as most disastrous. But human affairs are always presenting a choice of evils. Which would be the better for Europe, that General Eisenhower should stay in Paris, but with a progressive disintegration of American policy in Washington, or that he should go home in order to ensure that some other American general gets firm support from across the Atlantic? Europeans should realise that, so far as can now be foreseen, these are in fact the alternatives that are presented. If they realise that, they will not only have no difficulty in making their choice; they will ardently hope to be spared the worst of both worlds—to lose General Eisenhower from Paris without gaining him in Washington.

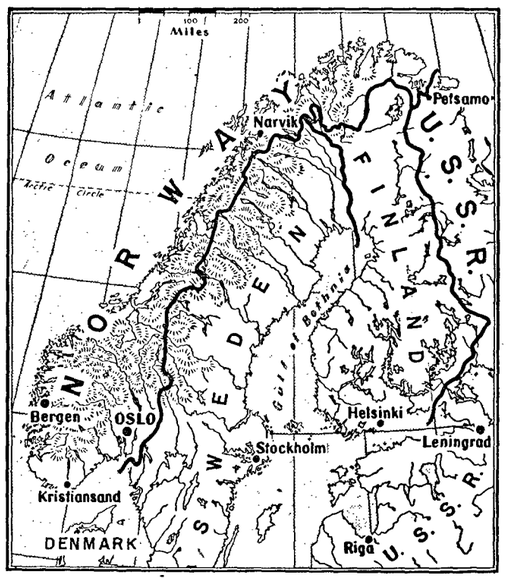
Northern Ally

TO be sane and steadfast in a world full of alarms is, unfortunately, to be ignored by the world press. This has been the fate of Norway in recent years. Britain has no stauncher friend among the smaller nations, but the friendship tends to be taken for granted even when it is ruffled by such an event as the recently adjudicated Anglo-Norwegian fisheries dispute. Norway's very success in dealing with its problems competently and quietly has contributed to its friends' failure to realise that it no longer lies in a quiet geographical backwater, but in the front line of the cold war. In the past three months, three things have happened in Norway which, had they taken place in almost any other country belonging to the Atlantic alliance, would have awakened wide interest and some anxiety abroad. Russia has singled Norway out as the target for a series of truculent Notes; Norway has undertaken a strenuous expansion of its defences; and the Norwegian Prime Minister, Defence Minister and Finance Minister have been replaced. The fact that these events have passed almost without comment in this country can be explained only by the general belief among Norway's friends that this ally can always be relied upon to overcome its difficulties and to fulfil its promises.

There are solid foundations for this belief; but there are also reasons why Norway deserves the closer attention of public opinion in other western countries. In the first place, it is—pending Turkey's admission—the only Nato country that has a common frontier with the Soviet Union. This frontier lies north of the Arctic Circle, but its military significance was made plain during the Second World War, when German and Russian forces fought a sizeable campaign on Norwegian soil. Its political importance is even more relevant, for it has been the basis of repeated Soviet demands that Norway should take no action that might be construed as hostile to its great neighbour. In 1949 Norway quietly but firmly rejected a Russian demand for a non-aggression pact, abandoned plans for a neutral Scandinavian bloc, and signed the Atlantic Pact, in spite of a barrage of Soviet Notes warning the Norwegians of the Pact's "aggressive" aims. The Russian pressure was, however, strong enough to elicit a declaration that Norway would allow no foreign forces to be based on its soil unless it was threatened with an attack—an undertaking which has an obvious bearing on Norway's role in the Atlantic defence system. In October and November last the Soviet diplomatic offensive was renewed, Mr Vyshinksy pre-

senting two more Notes which alleged that Norway had placed its forces and its territory, and particularly the Spitsbergen and Bear Islands, at the disposal of the Nato command for anti-Soviet purposes. The Notes also expressed dissatisfaction with the fact that defence bases were being built in northern Norway, near the frontier. The Norwegian response to these charges was as restrained and firm as that of 1949 ; and a similar reply was given to the recent Soviet complaints about the removal of the remains of Russian soldiers killed in the Norwegian campaign of 1944-45 to new cemeteries. The Russians, however, show no inclination to abandon their verbal offensive. In the last week of 1951 *Pravda* devoted half a page to an account of "feverish preparations" in Norway for a war against the USSR.

It is not only its proximity to Russia that makes Norway unique among the Atlantic allies. It is also—since last October—the only Nato country governed by its Labour party. Moreover, the Norwegian Labour Party had in its early days a reputation for strong pro-Soviet tendencies, while in the 1930s, when it came to power, its foreign policy was marked by aversion from all forms of collective security, including even the League's system of economic sanctions. Norwegian Labour's startling reversal of attitude in both these respects may be partly attributed to the disaster which befell the neutrality policy in 1940 and to the disillusioning effect of Russian actions since 1945. But it is also in part a matter of personalities, for Hr Halvard Lange, who has been Foreign Minister since 1946, and others of like mind, were trying to convert the party to a collective security policy as early as 1936. On domestic issues, however, the Norwegian socialists have maintained a more consistent policy. No western country has made greater use of economic controls as a means of dealing with postwar problems. The devastation left behind by the Germans has not led the Labour Party to abandon the standards of social welfare to which it had committed the country before the war ; and if this has meant a longer period of "austerity" than any other European people has had to accept, it has apparently been accepted by the majority of Norwegians. Over the past three years both national and local elections have shown a trend favourable to the governing party.



Norwegian social discipline will, however, be subjected to a severe strain when the effects of the new defence effort make themselves felt. Since the Rome meeting of the Nato Council, Ministers have informed the Norwegian Parliament that in the next three years the defence programme will cost £125 million, an increase of 38 per cent above the present level. For a by no means wealthy nation of only 3,300,000 people, this is a considerable effort, and it will not be made easier by the existing conditions of full employment and rapid inflation—the latter being partly due to the statutory linking of wage levels to the price index. Since Norway produces very little military equipment, the mere purchase of such equipment from abroad is bound to upset the country's balance of payments, which has only lately been restored to a healthy state. The burden must, however, be shouldered if Norway is to fulfil its undertaking to maintain one full division always in readiness, and to strengthen its naval and air forces to a corresponding extent. The period of military service, which was raised from nine to twelve months in 1951, will also have to be increased to eighteen months if obligations to Nato are to be met ; but according to the late Minister of Defence, Hr Hauge, lack of both officers and accommodation will make it impossible to do this before the second half of 1953.

Yet Norwegians have the consolation that, while the new programme will involve devoting between four and six per cent of their national income to defence, their "neutral" neighbour, Sweden, is already spending nearly eight per cent of its income for the same end—a fact which does not encourage the casting of any wistful backward glances at the idea of a Scandinavian defence group. The late Prime Minister, Hr Gerhardsen, recently pointed out that for Norway to develop its defensive strength in association with only Denmark and Sweden to the same extent that it is now doing through Nato would cost the country three times as much—that it would, in fact, be unthinkable. It was the emergence of this fact during the Scandinavian discussions on joint defence in 1948 that finally decided Norway to join the Atlantic alliance in spite of all Sweden's arguments. That decision has never involved any breach in the natural solidarity of the Scandinavian nations in all fields where their joint action is possible. Economic and cultural collaboration between the northern neighbours has, indeed, developed even further since Norway and Denmark joined Nato. But the Norwegians' cautious attitude to Scandinavian unity has recently been exemplified in their widespread criticism of the new project for an inter-parliamentary Nordic Council. The country's approach to all vital issues is essentially on a western, not a Scandinavian, basis.

Norway is, in a very real sense, the most Atlantic of the Atlantic nations. It is not mere sentiment that makes this maritime country look to the ocean rather than to the Continent. The third largest merchant fleet in the world (2,200 ships of over 100 tons, totalling 5,800,000 tons) is Norway's biggest single economic asset ; it contributed greatly to the Allied war effort between 1940 and 1945, although its home ports were in enemy hands,

and in the past year it has played the lion's role in restoring Norway's foreign trade balance. Moreover, Norway resembles Britain more than any other European country in its dependence on food imported from overseas, and on an overseas trade, the annual scale of which amounts to about £100 per head of the whole population. Every major European war has shown Norwegians how much they must suffer whenever the sea is barred to them.

Norway can, indeed, stake a claim to the original idea of an Atlantic Pact. In November 1940 such a pact was proposed by Dr Raestad, Governor of the Bank of Norway, and the idea was endorsed by Mr Trygve Lie, then Foreign Minister of the exiled Norwegian Government. In 1944 Mr Lie specifically declared that Norway's interests would be best served by "an agreement comprising the countries adjacent to the North Atlantic ocean." Today, it is keener than any other country, with the possible exception of Canada, about the development of Nato into an Atlantic community, and it has played a leading part in the discussions on this subject that were initiated at Ottawa.

As a natural consequence, the Norwegian attitude to all projects for purely European unity is as reserved as that of Britain. Indeed, when the American delegates who visited Strasbourg in November criticised Britain for holding back from union with Europe, Hr Finn Moe, who represented Norway at the joint session, defended the British case more passionately than any of the three British spokesmen who were present. But Anglo-Norwegian identity of view on this particular point should not be allowed to obscure the real differences of opinion which exist between the two countries. The most important of these concerns the future organisation of Nato. The idea of a tripartite structure, which would make it possible to replace Nato's unwieldy twelve-member committees by small executive groups comprising only one American, one British and one European representative, finds no favour in Norwegian eyes. If compelled to choose, Norway might prefer to be represented by an Englishman rather than a Frenchman in such a group ; but it would very much rather avoid the choice. It is a point of view that Mr Eden should treat with respect.

NOTES OF THE WEEK

Mr Churchill in Washington

The speed with which the President and the Prime Minister issued their communiqué, fully as much as its contents, shows that the visit has not been unsuccessful. It is six years since Mr Truman and Mr Churchill last officially met—at Potsdam—and much has happened to alter their relationship and standing in the years between. Then Mr Churchill was the architect of victory ; now the colleagues he left behind in London have just had to announce the dimensions of Britain's failure to pay its way. Nevertheless, and in spite of the forebodings in official Washington—or perhaps because they were so fully exposed beforehand—Mr Churchill's corporeal presence has had the effect it usually produces in America, where, it should never be forgotten, he is still almost as much of a hero as Franklin Roosevelt ever was in Britain.

It is obvious that not many of the large subjects mentioned in the communiqué can have been very thoroughly discussed in a few days when the President had many other preoccupations. Indeed, the purpose of the visit was, from the start, to create an atmosphere and establish a relationship "on an intimate and personal basis" rather than to secure detailed agreements. It would therefore be a mistake to try to read too much into the exact wording of the communiqué. It is nevertheless worth listing the points of agreement:

The use in an emergency of American air bases in the United Kingdom would be a matter for joint decision.

Full support to the efforts . . . to establish a European defence community . . . as an element in a constantly developing Atlantic community.

The Middle East.—Complete identity of aims, and the two Secretaries of State to work out together agreed policies (the words "together" and "agreed" are most significant). Approval of the International Bank's plan for resolving the Iranian oil dispute (which presumably means that Dr Mossadegh will not get American help except on the International Bank's conditions).

The Far East.—A broad harmony of view and a recognition that resistance to Communist aggression transcends divergences in policies towards China.

Scarce Materials (i.e. steel for Britain and aluminium, tin and other materials for America)—it is hoped that agreement may be announced shortly.

We are resolved to build an Atlantic community, not only for immediate defence, but for enduring progress.

It is admitted that two problems—the arguments over rifles and the Atlantic naval command—were not solved, and there are silences—for example, on atomic co-operation—which can be interpreted either way. But the list is good value for four meetings.

* * *

Vyshinsky Dabbles in Korea

Mr Vyshinsky's sudden proposal at the end of last week, that the Security Council should take up the question of a truce in Korea, was bound, as the Russians must have intended, to transfer the main centre of interest to Paris and to bring the talks at Panmunjom itself to a temporary standstill. During the past few days these talks have been drifting, and the atmosphere across the conference table has been more tense than at almost any time since the meetings began six months ago. Mr Vyshinsky's initiative does not, however, change any of the realities in Korea itself. There, the Chinese could have an armistice at any moment by agreeing to drop their claims to the right to build airfields in North Korea and by accepting exchange of prisoners on humane terms. And, while they are no doubt bargaining with Communist intensity for objectives to which they attach importance, it seems logical to suppose that, having already made as many concessions as they have over other things, they may agree to another compromise in the end. But, whether the Chinese really are edging towards a truce or not, Mr Vyshinsky's move at Uno manifestly suited the Russian attempt to throw a spanner into the American machinery for getting round their veto on the Security Council. It may well be, therefore, that Mr Vyshinsky spoke without telling Peking and that the Chinese have merely been stalling at Panmunjom for the past few days until they know where they stand.

The Russian proposal to discuss Korea in the Security Council or at a meeting of the big four should be carefully considered—but not yet. A military truce in Korea must come first. That can only be achieved at Panmunjom. It certainly cannot be brought about by the Security Council, which is in no way suited to deal with local military details, and which the Russians would unquestionably seek to switch on to wider political problems. Of these, the chief are the withdrawal of foreign troops from Korea and the re-establishment of one or more governments in Korea ; in the wider

field there are also the hardy annuals of a seat at Uno for Mao Tse-tung and the return of Formosa to the rest of China. A political settlement in Korea after a military armistice will be extremely difficult to arrange in any case and may take months. To attempt it now would be to postpone the end of the actual fighting almost indefinitely. That might suit Mr Vyshinsky. But it is the Chinese, the North Koreans and the United Nations who would have to pay the price in terms of men and money.

* * *

Sticking to Collective Security

Mr Vyshinsky's diversionist activities did not prevent the mustering of a surprisingly big majority for the new UN resolution on collective security. On Tuesday the resolution got 51 votes out of 60 in the Assembly's Political and Security Committee, whose members thereby showed that, despite Mr Vyshinsky's preference for playing politics, they were more interested in security. Only the Soviet *bloc* opposed the resolution, and only India, Argentina and Indonesia abstained. The vote was in part an endorsement of the "Uniting for Peace" plan adopted by the last Assembly, which enables the UN to take collective action against any new aggression even if the Security Council is hamstrung by a veto, and in part a request to governments to study the detailed suggestions for making this plan effective worked out during 1951 by a fourteen-nation Collective Measures Committee. The three western Powers and the eight other sponsors of the new resolution had taken pains to meet the points of view of various regional groups, and their success in this respect was revealed when the Arab members put forward an amendment nullifying the Soviet demand for the abolition of the committee.

The remarkable solidarity of Asian and other nations behind the resolution may have been to some extent a reaction to the curious definition of aggression which the Russians had earlier placed before the Legal Committee. This stated that armed action was not justifiable against a nation which violated international agreements, created frontier incidents, or concentrated large forces near a frontier; but it was justifiable if a nation kept armed forces in another country without that country's consent or supported rebel forces sent into a country from outside. If this extraordinary jumble of dogmas were accepted, it would mean that the UN could take no action against Russia if it were found to be producing atom bombs in defiance of any control system; but, on the other hand, Russia would be branded as an aggressor for its action in Persia in 1946, and Bulgaria and Albania for their support for the Greek rebels, while China would have no justification for taking up arms against the UN forces in Korea. The Soviet definition, in fact, revealed both the gulf which yawns between Russian theory and Russian practice, and the neurotic preoccupation with untrammelled national sovereignty which makes the Soviet attitude to all collective security plans so negative.

* * *

Labour's New Beginning

The reassembly of Parliament on January 29th will be not so much the resumption of an adjourned session as the beginning of a new period in the political life of the country. The first few weeks of Mr Churchill's government were to some extent makeshift, and the House of Commons did little more than settle down after the election. Neither Conservatism in power nor Labour in opposition has yet made its postwar character plain. When Parliament meets again the Government must reveal its major policies, and that will in itself do much to shape Labour's new outlook. Other influences will, of course, be at work on the Labour party. The tactical demands imposed on any party in opposition will certainly have their effect. Already the Conservative party's "Weekly News Letter" is warning its readers that during the three years' period which Mr Churchill considers to be the shortest time in which a fair judgment of his government can be formed, "there will certainly be no lack of grievances on which our opponents will be able to concentrate."

But Labour's general attitude will in the long run be more radically affected by the results of the inquiries into policy which have just been started and by decisions upon the conditions in which Labour could most successfully appeal for power. Are Mr Churchill's three years just long enough to earn the Conservatives a second term? Will Labour need five or seven years to revise its policy and recruit its leadership? Some tentative answers to these questions will have to be in the policy-makers' minds. Much work has also to be done on policy itself. Forecasts have been cautious and sketchy so far, except that the Fabians and the Co-operatives agree that the route must lie "forward towards Socialism." Mr John Strachey has advised the Fabians to consider turning joint stock companies into bodies "effectively responsible both to the community and to the whole body of those engaged in their activities." The Co-operative party proposes the development of "social ownership" as a "complement" to state ownership. The Co-operatives are preening themselves on their "greatly improved relationship" (since 1945) with the Labour party, and no doubt "social ownership" will be studied more closely than it was when nationalisation provided a sufficient battle cry. But no one yet has much idea of what it might mean in practice.

* * *

Mr Gaitskell's Apologia

It is not often given to the organ of a local party machine to serve as a substitute for the majestic official megaphone of the Treasury. Such is the privilege of the current *Leeds Weekly Citizen*, in whose columns Mr Hugh Gaitskell gives an ex-Chancellor's survey of the economic developments and problems of 1951 and 1952.

Mr Gaitskell's aim is, one may infer, threefold: to enlighten his constituents and other readers (he has always, unlike some of his ex-colleagues, preferred an enlightened to a bamboozled electorate), to justify his own past actions, and to counter Conservative claims that all present and foreseeable discomforts are the fruit of Socialist ineptitude. He attains the first and third of these aims more successfully than the second. It is one thing to isolate and evaluate those outside influences—higher import prices, the loss of revenue from Persian oil, and the reduction in other "invisible" earnings—which had such a damaging effect during 1951 on the British balance of payments, and to point out that these were largely outside the power of any government to control; but it is quite another thing to lay upon these outside influences the whole blame for starting the internal inflationary spiral and to regard the continuation of the spiral, now that the rise in import prices has spent its main force, as evidence of Tory incompetence. That accusation would, of course, be more telling had Mr Gaitskell and his colleagues ever themselves shown any signs of being able to reverse, arrest, or even slow down the spiral.

The fact is that while balance-of-payment troubles and inflation are closely linked, to import more than the country exports is—while it lasts—a mitigation, not an aggravation, to inflation. It means a closer equivalence between the supply of goods and the supply of purchasing power; it relieves inflationary pressure and, by that very fact, the pressure towards higher prices. Mr Gaitskell can justifiably claim that events forced upon Great Britain, during his party's tenure of office, an import surplus for which the government could not be held entirely responsible; he cannot at the same time exonerate himself from the charge of having budgeted too softly, left too much purchasing power loose, and so made it inevitable that the rise in import prices should

set off an inflationary spiral which continues without further external impetus. On the home front, the import surplus was his ally; he cannot lay upon it, as upon an enemy, the blame for those consequences inherited by his successor in office.

* * *

Civil Servants Follow After

Officially, the increase in civil service pay that was announced last week has nothing whatever to do with the cost of living. That would have been quite against the deflationary principles that the last government applied with unusual firmness in dealing with its own servants. But while to give a lead to industry in compensatory wage increases is still the last thing the civil service should do, the point had come where it had to start following industry.

The Government rightly and firmly resisted the staff negotiators' proposal for a cost of living bonus, to be adjusted automatically with every five points that the cost of living index moved. But according to the "Tomlin formula" evolved by a Royal Commission in 1929, civil service pay should be related to the long-term trend of earnings in other comparable work. While it was inadmissible to look at the index of retail prices, it was quite in order to study the index of wage rates, which rose by about 10 per cent during 1951. It was with this figure in mind that the award was made. The increases are not enough, even at the lowest level, to offset the rise in prices, which was about 12 per cent in 1951. The first £500 of income is to be increased by 10 per cent, the amount between £500 and £1,000 by 5 per cent, and between £1,000 and £1,500 by 2½ per cent. This discrimination against the more highly paid officials is monstrously unfair. Their costs of living have risen at least as much as other people's, and in industry salaries of all kinds are tending to rise. It is wrong to let higher prices push still farther the redistribution of incomes that is already effected by direct taxation.

This is the second increase for civil servants since the Government decided, at the end of 1950, that the wage freeze was over and that it was time to implement the Chorley report's recommendations about civil service pay. The new rates will cost the Exchequer an extra £30 million, and more is to follow, since negotiations about salaries over £1,500 a year are not yet completed. Some courage was needed to agree to negotiate with the civil service unions acting together for the first time since the war, through the National Whitley Council; a single big award looks worse in the headlines than a trickle of awards to the separate unions, even if their final total were more than the £30 million. But the general settlement has the advantage of administrative economy. Some of its extra cost will be offset by the reduction in staff that has been ordered by the Chancellor. But as the Supply and Service departments are inevitably expanding, controls are being extended and none of the present tasks of the Ministries is being shed, the total amount to be saved in this way is unlikely to be large.

* * *

France without a Government

After five months of service, M. Pleven's post-election cabinet has fallen as the result of a budget crisis which is described in an article on page 93. The authors of his defeat were the Socialists, but when their refusal to support powers to enact economies is set against last September's refusal by the Gaullists (RPF) to support expenditures (they refused to vote for the Socialist Bill for the sliding wage-scale), the puzzled foreigner is left to conclude that the last French elections yielded a *Chambre ingouvernable* that cannot reconcile the country's requirements with the means at its disposal.

What is to happen next? In setting out to find a successor to M. Pleven, the President, M. Vincent Auriol, dispensed with the device of the *mission d'information* whereby a potential prime minister sounds the different parties before risking the ordeal of investiture with office. He did so partly to save time, but perhaps also partly to force the Gaullists publicly to demonstrate their inability to command a majority. For after first calling upon M. Christian Pineau (Socialist), who was due to leave the same afternoon for Indo-China, and who declined, M. Auriol next invited M. Jacques Soustelle, the parliamentary leader of the RPF. This act put the RPF on the spot; for had M. Soustelle accepted he risked a fiasco at his investiture, since there is no possible majority for the RPF without the MRP, and M. de Menthon of MRP had said that he would not oblige. The next to decline was M. Reynaud (Conservative Independent); then M. Bidault (MRP). Once again perhaps all roads lead to M. Queuille, the champion conciliator.

Everyone expects delay, for no agreement is likely until time has worn the edge off party tempers. Delay may be welcome to the Gaullists, who hope for a crisis so prolonged that it will lead to a revision of the constitution, which they regard as the sole remedy for France's political instability. Being opposed also to the Schuman Plan and the European army, they do not mind if a prolonged spell in charge of a caretaker government hampers these projects. But most people feel that delay will be a tragedy on account of its international implications. For it will affect the position of General Juin, just now joining the Washington conversations to discuss Indo-China; it will leave the Chamber without a leader fit to introduce the topic of a European army which is due to be debated at the end of this month; and it will suggest just at the moment when Bonn is embarking upon ratification of the Schuman Plan, that France is a somewhat unstable ally. If really prolonged it will also affect French participation in the Lisbon conference of Nato.

* * *

Danger South of China

Among the topics stated to have been discussed in Washington between Mr Churchill and President Truman is the possibility of a new aggression in South East Asia—concretely, of a reinforcement of the Vietminh army in Indo-China by Chinese "volunteers." The Vietminh is already receiving considerable aid in the form of supplies from China, and there have been military preparations on the other side of the frontier which would facilitate a formidable intervention if the Chinese Communists were to decide on it. It is well that this danger is now receiving due consideration in the highest quarters among France's allies, for the problem has become too big for France to face alone, and British and American as well as French interests would be involved if there were to be a collapse in Indo-China. As was pointed out in an article in *The Economist* last week, the Pleven Government, which obtained a substantial majority in the National Assembly for the credits required for the Indo-China war, was confident that a "situation of strength" can in time be built up in Indo-China if there is no increase of Chinese intervention. But will this condition be fulfilled, and what is to be done if it is not? There appear to be hopes in Paris that an armistice in Korea might provide an opportunity for negotiating some general agreement with China which would avert the entry of Chinese "volunteers" into Vietnam. But an armistice in Korea without a definite change of mood in Peking might have just the opposite effect; it might free China for concentration to the south instead of to the east. If the French, in their desperate desire to extricate their army from Indo-China without acceptance of defeat there, were to press for concessions to Peking in Korea and in Uno in order to get some sort of Chinese undertaking over Vietnam, the effect could only be to produce tension between France and the United States and to increase the diplomatic disarray of the western powers in Far Eastern affairs. On the other hand,

a situation in which France is left indefinitely responsible in isolation for the crucial Indo-China sector in the containment of Communism is one which might at any time produce a crack in French morale if the hostile pressure were to be increased. Already two French lieutenant-colonels, who are prisoners of the Vietminh, are broadcasting on the enemy radio, and whatever the explanation of their conduct, such treason in high-ranking officers cannot but be regarded as a serious and disquieting symptom.

The hazards of a Presidential election year may make the Truman Administration cautious in undertaking any further extension of American commitments in the Far East. But it is essential somehow to close the gap which at present exists between the American involvement in Japan, the Philippines and Australia and the detached British and French commitments in Malaya and Indo-China. If the Churchill-Truman talks bring any progress towards real co-ordination of policies in this region, they will have been worth while for that alone.

* * *

Persia Stays Neutral

Dr Mossadegh's secret weapon is an instrument for cutting the ground from under other people's feet. Last week many of his opponents believed that they had cornered him, when he sent off a letter to Washington condemning the proposal for selling Persia's oil that was proffered by two visiting representatives of the World Bank. Since the National Oil Company is making a net profit of only 35 million rials as against expenses of 200 million, the Bank's offer was thought by many people to be a godsend, and the Shah is said to have twice sent an emissary to Dr Mossadegh asking him not to jeopardise friendship with the United States.

For some weeks before this incident, Dr Mossadegh had been bargaining with the American Ambassador on whether or no he could take the $23.4 million for advisers, trainees and materials that are available to him under the economic section of this year's Mutual Security Programme for "Point IV" aid. The project had been hanging fire because he would accept it only if he could have it without committing himself to contributing to the "defensive strength of the free world"—a commitment which the act requires of nations who are to receive military aid under its terms. Apparently this condition is not to apply; he has not accepted military aid, but will take economic advice, in regard to which the two countries have agreed that no obligations other than technical ones are necessary between fellow-members of the United Nations.

A gift of $23.4 million makes good headline news for a country in Persia's financial straits. The Persian public need not be told that none of the money comes into the exchequer, nor that such programmes, for successful completion, require first that the foreign advisers' advice be taken, and, secondly, that the receiving country shall spend money and effort upon carrying it out. It is the experience of earlier advisers that neither of these two conditions is easily fulfilled by Persian governments. For the moment, however, Dr Mossadegh has brought off another coup and political opposition is silenced. One deduction to be drawn from the incident is that the Americans, despite some daunting experiences with Dr Mossadegh, still feel that he is worth supporting because a successor might be even less satisfactory to deal with.

* * *

Utility Schooling

The local education authorities are providing plenty of support for the people who doubted whether the Government's attempt to save money by cutting mere frills from the education services was practicable. One authority after another has declared that it cannot save as much as 5 per cent on this year's estimates without damaging the essential services that the Ministry of Education said were to be left intact. Manchester, Leeds and Newcastle are among the larger authorities that find the Ministry's circular self-contradictory.

One authority has reacted by closing its nursery schools, another by reducing the number of teachers, another by cutting estimates for the dental service, which was one of the things Miss Horsbrugh thought should be untouched. As the Secretary of the Association of Education Committees has pointed out, the items that the Minister regards as sacred account for something like 80 per cent of local authorities' expenditure, leaving the cuts to fall on services that probably do not cost more than £30 million in all; and on these things alone the cuts would amount to not 5 but nearer 50 per cent. As administration accounted for 4.45 per cent of gross expenditure in 1951-52, compared with an average percentage—for a much smaller education service—of 4.3 before the war, Dr Alexander is probably right in thinking that not more than £1 million or so could be saved on this item; school transport has been cut already, but might produce £500,000; another £1 million might be saved by charging fees for further education and by other economies. But that adds up to only £2,500,000, against £15 million or so that it was intended to save.

Protests that the circular is unworkable have also come from the teachers' associations. A personal flavour will have been added to their opposition by the local authorities' refusal, last week, to agree to any change in teachers' basic salaries. The National Union of Teachers will hear none of the practical suggestion that if economies must be made in education, the children would lose least if compulsory schooling started at six years old instead of five. But in an open letter to both Houses of Parliament it contrasts expenditure on, among other things, the food subsidies with the relatively modest expenditure on education. Certainly it would be a pity greatly to cut education, which is of undoubted benefit to all its recipients, and leave untouched the subsidies which many do not really need.

* * *

Federation Doldrums

Prospects for the federation of the Rhodesias and Nyasaland have not improved since Mr Lyttelton gave it the Conservative government's blessing in November. Early in December a specially convened meeting of the African Representative Council in Northern Rhodesia turned down the Governor's request that the council should take part, along with Europeans, in defining partnership between the races. The Victoria Falls conference of last September adjourned on the note that a definition should be drawn up and partnership "as so defined, put into progressive operation." The Northern Rhodesian Africans, through their representatives at the conference, agreed to consider the federation of the three territories after this elucidation of partnership had taken place

Unlike an earlier, unofficial, meeting of Africans on the copperbelt, the African Representative Council did not reject the whole policy of partnership. It passed a motion asking for a government definition to be submitted to the Africans through their various representative bodies. But by refusing to take part in the preliminary discussions the council is able to evade all responsibility for the definition and is thereby robbing it of any usefulness in preparing the ground for federation that it might otherwise have had.

This action of the Africans is being described by the Europeans as irresponsible and as evidence of how little fitted they are for more political responsibility. There is even an attempt to blame it on to agitators. Yet the Africans' attitude, though it may be deplored as most unhelpful to

Gentlemen... we must have more and more Crossleys!

At the outbreak of the first Great War in 1914 the name of Crossley stood so high in official opinion that a fleet of more than fifty of their vehicles were already on military service, and the Government immediately took over every other Crossley which was available. Such sterling service did the Crossley tenders, ambulances, armoured cars, staff cars and the rest give in the next few years that the Company were continually asked to increase production . . . and by the time of the Armistice in 1918 nearly ten thousand vehicles had been supplied to the Services.
The fame they earned for their performance was even further enhanced during the 1920's by the superb Crossley roadster of that period, the long tradition of engineering craftsmanship never being allowed to fade. When mass-production methods became general in the industry, the Company made the bold decision to change-over completely to the making of commercial vehicles, in order to retain a more individual manufacturing approach: and this pride of achievement is embodied in the fine buses and coaches that bear the Crossley name today.

CROSSLEY

FOUNDED IN THE TRUE TRADITION OF BRITISH CRAFTSMANSHIP

Crossley Motors Ltd., Errwood Park, Stockport, is a member of the Group of Companies controlled by Associated Commercial Vehicles Ltd., of which the selling organisation is

A.C.V. SALES LTD., 49 BERKELEY SQUARE, LONDON, W.1. *Telephone:* REGENT 2141

the cause of better race relations, is understandable. They have every reason for thinking that the Europeans are insincere about partnership. In Northern Rhodesia, four years after the Dalgleish Commission recommended that more skilled jobs should be open to Africans, the European trade union on the copperbelt still imposes an economic colour bar. In Southern Rhodesia recently, an attempt was made to segregate the coloured members of a delegation from the confederation of free trade unions, the white members being offered accommodation in Salisbury's best hotel. The British delegate refused, and all the members stayed at a coloured hostel. Sir Godfrey Huggins is shortly coming to London to see whether Southern Rhodesia's objections to the proposed federal constitution can be met. He should reflect that public opinion in Great Britain could never agree to any modification of the safeguards for African interests so long as incidents of this sort can take place.

* * *

The Race for Germany

The partisans of "German Union Now" have entered the field in fresh strength against the backers of "Western Union First." The Social-Democrat Party has repeated its demand for sovereignty, unity and social welfare and denied outright that the European defence community will help unity to be achieved in freedom. The Social-Democrats are all too confident that the democratic powers can induce the Soviet Union to retreat without Germany having to pay any price for a bargain; they fail to realise that their slogans are weakening the chances of such a victory.

The national-pacifists have also been exceptionally active. Pastor Niemöller, who is head of the Evangelical Church's Foreign Affairs Committee, has visited Moscow at the invitation of the head of the Russian Orthodox Church. He has discussed the welfare of Germans in the Soviet Union. If he has returned with the news that some of the hundreds of thousands of missing prisoners of war are alive and will be released, a particularly bitter German grievance against the Russians will have been assuaged. The Protestant Church has always taken a lead in the campaign for unity and against rearmament. Recently, however, the head of the Catholic Centre Party, Frau Helene Wessel, has formed an anti-rearmament group in the company of a prominent Evangelical leader, Herr Heinemann.

The scene has now been enlivened by the appearance of Dr Joseph Wirth, the ex-chancellor who signed the Russo-German Treaty of Rapallo in 1922. Dr Wirth has announced that he has seen the Soviet leaders in Germany, and is impressed by their goodwill; he has attacked the Schuman Plan and intends to continue his propaganda in a lecture tour.

For its part, the East German government has published a draft electoral law, which is superficially very similar to the Bonn Government's version. Herr Grotewohl's government is ready to open up the frontier and allow freedom to all political parties three months before elections. This would certainly mean a serious risk for the Communists, though they intend to safeguard themselves against disaster by various devices.

It cannot be too often stressed that the primary aim of the Soviet campaign is evidently to draw Western Germans to a conference table, where they would be induced to demand a peace treaty and the withdrawal of the occupation forces. Herr Grotewohl would doubtless be willing to talk about elections, endlessly. Such negotiations could drag on for months or even years, during which time progress in the Western defence community would be at a standstill. If for no other reason, the Soviet authorities will want to postpone elections until living conditions in their zone offer a less disgraceful contrast to Federal Germany; in the meantime, they clearly do not want a United Nations commission to enter their territory. The day of reunion may therefore still be far off according to the time-scale of the Western world. But the events of the last few days are a useful reminder that it will inevitably come, one way or another. The West is ahead on the first lap but it cannot count on keeping its lead.

* * *

Israel and Germany

After profound soul-searching, the Israel Parliament (Knesset) has, by 61 votes to 50, with five abstentions, authorised Mr Ben Gurion's government to take such steps as it thinks fit to secure reparations from Germany. The vote was painful to all who participated in it, for it amounted to authorising direct negotiation with the Bonn government, an act repugnant to the whole of Israel. During the debate violent demonstrations took place outside the Knesset, entailing broken heads, broken windows and the use of tear gas. The principal authors of the demonstration were members of the extreme Right (Heruth) party of Mr Menachim Beigin, who was himself orating inside the house; Heruth, which as the 1950 elections proved, has lost ground, has become a shirt movement without a cause, and Mr Beigin seems to have hoped to recover support by championing so moving an issue. But his terrorist technique has been condemned even by opponents of negotiation with Germany, and will do him far more harm than good. Some Left-wingers also participated in his demonstration, but they did so without a chance of capturing popular support, since everyone knows that they think nothing of attending meetings in East Germany.

For some years, private negotiation over restitution of community property, of private property where heirs can be traced, and of compensation for victims of atrocity has been proceeding on the basis of the edicts governing compensation for all victims of Nazism. Last March the Israel government sent an identical note to the four occupying powers claiming national reparations. The sum claimed was $1,500 million based on the expenditure incurred and anticipated in connection with the resettlement of Jewish victims of Nazi rule in Europe. The note held that the sum was not beyond Germany's capacity to pay if spread over years and paid partly in goods. Eastern Germany of course has done nothing, the Soviet Union did not even acknowledge the note; but the bulk of German Jewry lived in Berlin and the West. The Western German government passed in September a resolution accepting the moral liability, but has since done nothing to put compensation into effect. Mr Ben Gurion is probably right in judging that only direct negotiation with it will produce results. To many of his supporters the issue of whether or not to negotiate is not wholly a moral one: why should a murderer also retain the spoils? This argument, coupled with the immensity of Israel's need of both goods and cash, has by a bare margin carried the day.

* * *

Not Sold on the Sales

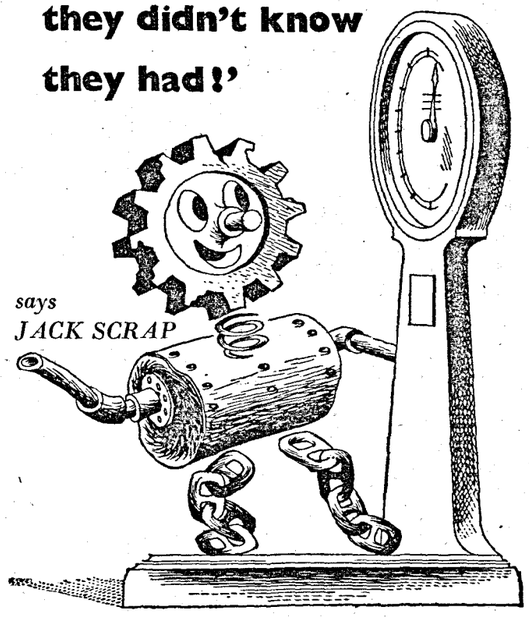
The London shops do not seem to be having great success in their efforts to coax out the customer's reluctant pounds by their January sales. At least one West End store provided the conventional first-day scenes. When the doors were opened women rushed in like a football crowd, assaulting the counters and besieging the saleswomen. Other stores also reported very good business in the first two or three days of the sale. But it did not last. Oxford Street was full of milling crowds but they were looking, not shopping; they were hunting for bargains that they did not find.

Many retailers seem to have misjudged the market. The news of the slump in the clothing trade and of heavy stocks had led people to expect big cuts in prices. But retailers, still conditioned to the sellers' market, have been reluctant to accept big losses. Though the clothing shops have sold very little for several months, much of their stock is not out of fashion; and under the new scheme now sanctioned by the Board of Trade they will be able to sell their old stock alongside the new at prices somewhere between the old high

'They found 1,200 tons of me....'

they didn't know they had!'

says JACK SCRAP



The director of a South Wales firm that takes a pride in its good "housekeeping" made a personal tour of his works in search of scrap shortly after his colleagues had made what they thought was a clean sweep.

He found 1,200 tons of good scrap in the form of obsolete machinery, surplus stores, unused sidings, and miscellaneous equipment that hadn't been thought of as scrap at all.

See what you can find. If we don't turn our scrap into steel we shan't get the steel our industries need.

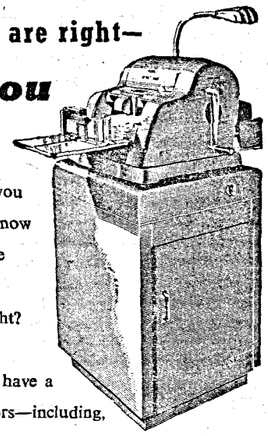
Speed the SCRAP Speed the Steel

Scrap Merchants will help with dismantling and collection.

Issued for the STEEL SCRAP DRIVE by the British Iron and Steel Federation, Steel House, Tothill Street, London, S.W.1

S.12

You may think you are right— but have you proved it?



If your business uses duplicating, you are probably convinced that you know which duplicator will give you the best service — but have you *proved* that your conviction is right? Roneo believe that the only way to arrive at a true answer is to have a comparative test of all duplicators—including, of course, Roneo '500.' We know that a side by side test will prove beyond doubt the great advantages of Roneo '500'

● Considerable saving in running costs. ● Really automatic inking, giving continuously even work without stopping to re-ink. ● Interleaving, with blotting or other paper to prevent smudging, is unnecessary. ● No proofing. The very first copy is usable. ● 16,000 copies from a lb. of ink ● Quick clean colour change in 25 seconds. ● Better standard of work with greater speed.

Write for booklet "Let's take a back seat", which gives users' reports on Roneo '500' that may help you to economise.

RONEO "500" SERIES II TWO MODELS: FOOLSCAP AND THE WIDE POLICY (PRINTS ON PAPER 18"×14")

RONEO LTD: 17 SOUTHAMPTON ROW: LONDON: W.C.1

Telephone: HOLborn 7622. Branches throughout the country. TBW134

he's a CRAVEN TOBACCO man

CRAVEN TOBACCO gives a smooth, rich flavourful smoke. Fresh and fragrant, it burns evenly—slowly, and a deep satisfied feeling stays with you long after the last draw.

Obtainable in three blends, *Craven Mixture 4/6 an oz.; Craven Empire de luxe Mixture 4/2 an oz.; Craven Empire Curly Cut 4/3 an oz.*

FOR MEN WHO KNOW GOOD TOBACCOS

prices and the new, much lower ones. Some expensive non-utility clothes have been reduced to half price or less because these normally sell to people who know last year's clothes at a glance. But on the whole the reductions have been of the order of only about 20 per cent. That is to say, they merely brought prices down to their new market level. This still seems expensive to people who have bought little since they laid in stocks at the prices ruling twelve months ago. The sales will, therefore, have only partially fulfilled their function of clearing the heavy stocks in the hands of retailers and of releasing the capital for their spring buying, which they are doing very cautiously indeed. The buyers' resistance is not ended yet, and some clothing manufacturers are likely to go on experiencing hard times.

* * *

Reading Meters at Leisure

A shocking indictment has been drawn up by the London Electricity Board against some of its meter readers. For some years, according to the board, it has been difficult to get an honest day's work from all its readers, and since appeals and exhortations have had little response, an investigation was carried out to see just how much work they were doing. This showed that many readers finish their day's work at lunchtime and then go home, while many spend several hours over lunch or waste time in other ways. Even more serious is the allegation that in certain districts organised efforts have been made to restrict the amount of work done by each man.

As a result, the board decided to appoint supervisors who would periodically accompany meter readers on their rounds in order to arrive at and maintain fair standards of work. This system has long been used by the Post Office in settling postmen's rounds; but about half the board's 700 meter readers have gone on strike or been suspended for refusing to go out with the supervisors.

The readers' main grievance seems to be, not that the charges were unfounded, but that the truth was obtained unfairly. Before carrying out the investigation, the board, so the meter readers assert, ought to have consulted the men through the proper channels. In other words, they ought to have been given a chance to conceal their shortcomings and hide the fact that if all readers worked reasonably the board would save about £100,000 a year in working costs and the services of many readers would be released for more important work in other industries. This is a small strike, but it raises several principles. One is that, in the board's own words,

> a nationalised board must be conducted on sound business lines and cannot be expected to harbour employees whose services are not really needed.

It is also a reminder that the waste of labour through under-employment is not confined to industries where raw materials are short or orders have temporarily fallen off.

* * *

South Africa and Mr Scott

There is more truth than might appear at first sight in the South African Government's statement this week that its prohibition of any return to the Union by the Reverend Michael Scott was unconnected with his campaign at the United Nations Assembly over South West Africa. Apart from the fact that the order declaring Mr Scott a prohibited immigrant appears to have been issued as soon as he had forfeited, by three years' absence, the right to return to South Africa to qualify for citizenship, it cannot be disputed that in regard to South West Africa Mr Scott is a sharper thorn in the side of the Nationalist Government when he is outside the Union than when he is inside it. It is not South West Africa, but the racial tension in the Union itself, which has made Dr Dönges chary of letting him return. Legally, the Union has as much right as any other nation to decide whether or not to admit any individual alien to its territory; but that does not make the ban on Mr Scott any less regrettable, particularly in view of the circumstances in which it was made.

South Africa's handling of its relations with the Assembly has been no less maladroit. However irresponsible the conduct of some delegates in the Fourth Committee may have been, it was scarcely politic for Dr Dönges first to demand that the President of the Assembly should publicly chastise that committee, and then to withdraw his delegation from both the committee and the plenary sessions of the Assembly. Nor was it surprising, in view of South Africa's refusal to take advantage of the opening given by the 1950 Assembly for the discussion of the Indian problem in a less public arena than the United Nations, that another Assembly committee last week endorsed India's condemnation of the Union's policy of racial segregation. One daily newspaper reporting this defeat for Dr Dönges printed on another page the headline "South Africa's Narrow Win—Scrummaging Superiority Decisive." In future South African delegates to the United Nations might do well to study the tactics used by their victorious team at Twickenham, and particularly their "concerted and sustained shoving." In the Assembly a steady, patient repetition of a nation's case is more likely to improve its reputation than outraged demands for satisfaction and withdrawals into unsplendid isolation.

Combination of Engineers

We mentioned last week that the [engineers] did not intend to strike, but before our journal appeared the Executive Committees of the combined masters, both at Manchester and London, had come to the resolution to close their workshops on the 10th inst. . . . The reason they allege is, that "a formidable and widespread combination of mechanics, organised by the Amalgamated Society of Engineers, by overt acts of refusal to conform to the ordinary arrangements of various engineering establishments, has forced on the event." . . . Combination cannot . . . give the men one single advantage they cannot individually secure to themselves. They cannot by their combination exclude competition. Just in proportion as their wages are higher than wages in other occupations will be the tendency to a flow of labour into their trade; and there is nothing to prevent carpenters, smiths, and even common labourers from becoming, in a very short time, very respectable engineers. They are already driven out of some work, it appears, by common labourers, and make it one of their stipulations that these shall be excluded. The influx of other workmen into their trade is now the source of their complaint. . . . It is plainly impossible for the engineers to form a close corporation. They cannot shut out their body from the general competition which prevails amongst labourers in relation to employers, and cannot by combination get more from the masters than they already get. . . . By individual exertions there is no height in the social scale the whole body may not attain, but by combination they only check enterprise, destroy employment, and degrade themselves. . . All history convinces us that men are too easily persuaded to submit voluntarily to restrictions ruinous to themselves; but in general they have had the excuse that the authority they revered was time-honoured, and founded in many virtues: it is left for the working engineers—men who claim to be above their fellows for intelligence—to submit to ruinous restrictions, imposed by an authority which possesses no claim, either from time or good deeds, to their respect.

The Economist
January 10, 1852

. . . where the world's

3rd largest trading nation

welcomes buyer and seller alike!

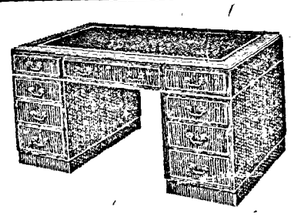
Seek new markets in Canada for your products!
See the goods that others have to offer!
Come to the 1952 Trade Fair!

Write TODAY to your nearest Canadian Government Trade Representative regarding your visit to Canada and the Canadian International Trade Fair.
In the United Kingdom, write to
Miss M. A. Armstrong, Canadian Government Exhibition Commission, Canada House, London.

Expand your Business Contacts at the

CANADIAN INTERNATIONAL TRADE FAIR
TORONTO - JUNE 2 - JUNE 13, 1952

CANADA'S OUTSTANDING INTERNATIONAL BUSINESS EVENT OF THE YEAR
OPERATED BY THE GOVERNMENT OF CANADA TO PROMOTE YOUR BUSINESS



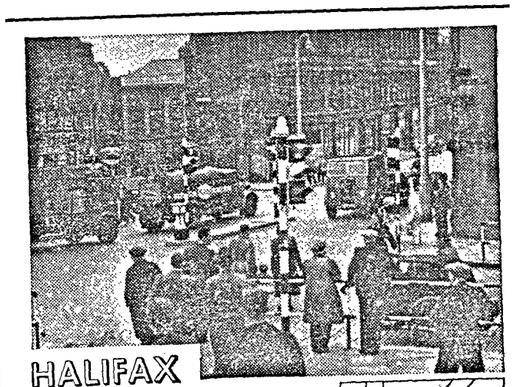
PRIDE OF PLACE . . .

Catesbys Desks are notable for their good design, their variety and quality of workmanship: They have captured to an unusual degree the preference of executives in commerce and industry. There is sound sense and good taste in choosing a

CATESBYS DESK

We shall be glad to send our representative or to submit a complete brochure of photographs portraying complete Office Furnishing and to welcome you in our model showrooms.
May we invite your inquiry to our Director of Contracts.

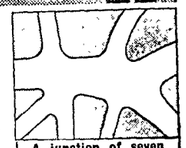
Catesbys Ltd., 64-67 Tottenham Court Road, W.1
Our only address. Telephone: Museum 7777



HALIFAX

chooses "ELECTRO-MATIC" for the most intricate traffic control system in the North

At a complicated seven-road junction in Halifax, the "Electro-matic" system of traffic control is seen at its best. Congestion and delay are virtually eliminated for road users and pedestrians proceed safely.
"Electro-matic" signals are in use all over the world. Being vehicle actuated, they enable traffic to control itself. No matter how dense the traffic or how complicated the junction, "Electro-matic" will keep all streams of vehicles moving smoothly and rapidly. Let us send you information and literature.



A junction of seven roads all safely and efficiently controlled without the aid of the police.
One of the greatest advantages afforded by "Electro-matic" is the saving in police personnel. When "Electro-matic" controls the traffic the police are released to do their rightful job—the prevention and detection of crime.

AUTOMATIC TELEPHONE & ELECTRIC COMPANY LIMITED
Strowger House, Arundel Street, London, W.C.2
Telephone: TEMple Bar 4506. Telegrams: Strowger, Estrand, London
Strowger Works, Liverpool 7

A.10401-AQ23/68

Letters to the Editor

The Sterling Talks

Sir,—The suggestion in the article in your issue of January 5th that some of the Dominions should carry a more adequate share of the rearmament burden seems to require some elaboration—especially as the present sterling area talks and subsequent measures are unlikely to succeed without a very wide understanding of other members' problems.

It would seem that only Australia, New Zealand and, in respect of her white population, South Africa could justifiably be saddled with a burden of defence expenditure per head comparable with that of the United Kingdom in view of the low standard of living of the other sterling Dominions. But though the countries mentioned might well increase their defence expenditure without suffering material privations such as the United Kingdom is facing, we should beware of making crude comparisons of defence expenditure (either per head or as a percentage of national product) without also taking into account certain other factors.

First, the willingness of Australia and New Zealand to sell us food at less than world prices constitutes a very real contribution towards the bearing of the common burden. Moreover, it is unlikely that it will be politically practicable for such contributions to continue unless public opinion in all three countries becomes more fully aware of this fact and believes it to be the best way of securing the end in view. More open acknowledgment of this by the United Kingdom might make the policy more palatable to electorates in the Dominions.

Secondly, the quite exceptional rate of investment in Australia, on which its immigration programme depends, would make it very difficult for it to increase its defence expenditure greatly without an intolerable degree of inflation. If we believe that the peopling and development of Australia is a necessary long-term defence objective of the Commonwealth, this fact must surely be taken into account.

Thirdly, if the food-exporting countries are to assume a larger share of the common burden it seems certain that greater expenditure by them upon increasing their food production (if necessary by subsidising it) is likely to do more towards strengthening the defence of the Commonwealth than the increase in their armed forces or munitions production which would be achieved for the same expenditure of resources.—Yours faithfully,

J. O. N. PERKINS

St. Catharine's College, Cambridge

Two Courses in Korea

Sir,—In a letter dated July 18, 1950, General MacArthur declared that the arrangement whereby the South Korean army was placed under his command "cannot fail to increase the co-ordinated power of the United Nations' forces operating in Korea." When the General Assembly met on October 7th, General MacArthur had already sent that army across the 38th parallel to invade and occupy North Korea. The resolution adopted on that day did not authorise the invasion of North Korea. It was a disingenuous attempt to lend to General MacArthur's war the appearance of a United Nations' war.

The attack upon North Korea and the use of Formosa as a base from which to attack the Communists in China were both parts of the MacArthur-Foster Dulles policy, the details of which were settled at the conference in Tokyo on June 20th to June 23rd. The victims of American aggression—the North Koreans and China—have each in turn been branded aggressor, but it is becoming increasingly difficult to persuade the people of this country to follow America any further down this path of humiliation and dishonour.—Yours faithfully,

J. T. PRATT

London, S.W.5

[No American, British or other United Nations expeditionary troops had crossed the 38th parallel at the time of the Assembly resolution of October 7th, and it was entirely within the power of the Assembly and the principal governments concerned to have halted at the parallel if they had seen fit to do so. As was pointed out in the comment on Sir John Pratt's letter in *The Economist*, the resolution of October 7th plainly did authorise the occupation of North Korea.—EDITOR.]

Mobs without Masters

Sir,—Mr Malayery is mis-stating the case for Persian nationalism when he asserts

> It is such demoralising interests that have created a nemesis in the form of the national movement, and have been responsible for gradually bringing the latent social discontent to the present climax.

Undoubtedly the predatory exploitation of Persia's oil resources by foreign capital stimulated the national movement; but it is a complete misunderstanding of the nature of Persian nationalism to attribute its birth and growth to the "demoralising interests" of the Anglo-Iranian Oil Company. Nor is it true to say that the social discontent, by no means latent, was brought to a head by the activities—or the lack of activities—of the company.

The fact, however, remains that Persian nationalism could not assert itself, and the necessary reforms to deal with the shameful social conditions could not be carried out, without first getting rid of the "foreign tutelage," "the alien rulers."

Finally, I do not pretend to understand Mr Malayery's contention in the fourth paragraph of his letter. However, I think we can take it for granted that he is not inviting foreign intervention under any guise. He has already strongly rejected it in the third, and rejects it again in the final, paragraph of his letter. It is perhaps his apprehension of the nature and extent of the change demanded by the deep and universal racial discontent that drives him to conjure up fearful storms where "all of us, without exception, will find ourselves in the same boat." I do not believe that the Persian people share his fears or entertain any such misgivings.—Yours faithfully,

PERSIAN.

Soviet Forced Labour

Sir,—I am afraid that one statement in your article may be misunderstood by many western readers of *The Economist*. You say:

> It is indeed quite true that persons sent to "correctional labour camps" in the Soviet Union are formally sentenced for some offence under Soviet law—though no sentence is necessary for so-called "free exile."

To many readers, naturally, a sentence is formulated by a judge or judges who have heard not only the prosecution and its witnesses, but also the accused, a defending counsel, and, if they can be produced, witnesses for the defence.

No procedure of this kind took place when I was sentenced to a "corrective labour camp" for three years. I never saw my judges, nor did they see me. There was no defence, and, at any rate in my presence, not even a case was made for the prosecution. There was no shadow of a trial, judicial or other.

In the early hours of February 26, 1941, I was taken from my cell in Lomza prison (after being there for eleven months) to the basement of the same building, where I found some thirty other prisoners who had been brought there for the same purpose. After a while it came to my turn to be called through the door and taken into an adjoining long and dark hall, where a young, athletic-looking officer of the NKVD held ready a small piece of paper which he allowed me to read before signing. It had one sentence typed on it announcing that "the prisoner . . . has been sentenced by the Special Council (Osoboie Sovestchenie) of the NKVD in Moscow to be sent for three years to a corrective labour camp." I was not allowed by the impatient officer to say a word. There is no appeal against a decision of the NKVD.

As far as I could make out when in the Onega camps, the people committed for murder, thefts and laziness at work were tried in courts. Very few among the thousands of so called political prisoners there could boast of receiving such a privilege. The overwhelming majority were sent to the camps with sentences ranging from three to eight years by an arbitrary decision of the dreaded "trojka" of the secret police.—Yours faithfully,

LUCJAN BLIT

London, N.10

EPT Again

Sir,—In his letter published in your issue of December 15th Mr Hogarth refers to a matter which has lately been given considerable publicity—the suggestion that industrial concerns should be allowed to write off for taxation purposes sums in excess of the cost to them of the plant and machinery and buildings used in production. The ordinary citizen taxed on the whole of his income will find it difficult to accept such a proposal. If I need to replace my carpet at, say, three times the prewar cost, I am obliged to do so out of my taxed income, restricting expenditure on other things. Industrial concerns ought to do the same so far as they can, and if that means that nothing will be available for the shareholders they must put up with it. I see no reason why the general body of taxpayers should make good their losses from inflation.

If, however, it is decided on grounds of public policy that allowances in computing profits should be made on present replacement cost, I suggest the following solution in which an average rate of tax of 10s. in the £ is assumed.

If cost "X" is to be written up to 3X, shares to the value of "X," i.e. tax on the additional 2X which is to be allowed free of tax to the company, should be issued to the Government.

Although a number of speeches by company chairmen claim as a matter of justice tax allowances on inflated values instead of on cost, I do not recall any offers to repay, on a basis which similarly takes inflation into account, debentures, etc., borrowed in prewar days. Apparently the shareholder is to benefit both ways.—Yours faithfully,

Uxbridge F. W. JOHNSON

The Value of Scholarships

Sir,—The article in your issue of December 22nd concluded with the question "whether or not the country really needs to provide university education for all the people who at present just reach scholarship standard, a considerable proportion of whom subsequently fail to get degrees." If, as the context suggests, your comment covers all receiving awards of any kind from any source, it is certainly not in accordance with our experience in Magdalen, nor do I think it is true elsewhere in Oxford. We would describe the number of holders of scholarships (in this wide sense) who have gone down from Magdalen since the war after their first public examination, or failed at the final examination, as negligible. Statistics about this are very hard to extract: there is no published source to which one can refer. The situation may well differ between colleges and also between universities. As it stands your statement is so much at variance with our experience that one is compelled to ask on what evidence it is based.

In his letter of January 5th, C.E.O. suggests that money might be saved on scholarships by encouraging students to earn during vacations. This would be a very short-sighted policy. Of course, if the object of university education were simply to acquire a label B.A., perhaps no harm would be done. But if the object is a wider one of encouraging students not merely to learn but to think for themselves, the use of vacations to read widely, to travel (however cheaply) and to think about what they are doing free from continuous pressure to attend lectures and write essays, is as important a part of their education as the terms themselves.—Yours faithfully,

G. D. N. WORSWICK

Magdalen College, Oxford

Books and Publications

Banking Mechanics

The British Banking Mechanism. By W. Manning Dacey. *Hutchinsons University Library.* 203 pages. 8s. 6d.

In this book Mr Manning Dacey does something that has often been done before. He describes the mechanism (as distinguished from the practical arts) of the money market, analysing its various parts and components and their interactions. But he does it more acutely, more penetratingly and more subtly than it has yet been done, and this makes his book a valuable addition to the literature of banking. His method is a mixture of the historical and the analytical. On the historical side his account of the development of the "tap" and "tender" *modes of issuing* Treasury bills, of the evolution of the Treasury deposit receipt and of the working of the banknote issue under the 1939 Act are particularly useful. On the analytical side, the chapters on liquidity of banking assets, the working of the Bank rate, "cheap" and "ultra-cheap" money, and "deficit finance" are outstanding, although the last one suffers from undue compression.

Mr Dacey's book was, of course, written before the recent raising of the Bank rate and his readers are consequently deprived of the benefit of his comments on the new monetary policy. That is a pity but Mr Dacey has little need for regrets, for much that he says is highly relevant to the events of the past few weeks. His exposure of the fallacies of ultra-cheap money policy which "could if it were persisted in have only two outcomes: rampant inflation or the indefinite maintenance of totalitarian controls" leaves his readers in no doubt about where he stands in this particular controversy. And when he argues emphatically that "open market operations . . . are no more than an adjunct to Bank rate as a means of rendering Bank rate 'effective'" the reader (reflecting that the recent £1,000 million Funding Stock issue represented no more than a gigantic open market operation) may without much risk infer that Mr Dacey would share other authorities' doubts whether a 2½ per cent Bank rate and a 1 per cent market rate will prove adequate to the present emergency.

Mr Dacey's treatment is for the most part mechanistic or formalistic. As a bank official himself he is, of course, perfectly well aware of the limitations of his method. One feels, nevertheless, that once or twice he comes near to luring incautious readers into a pitfall. Take these two passages in particular. The first on page 93 runs: "In the absence of a cheap money policy the chief implication of these conventions"—i.e., the cash ratio and liquid assets ratio—"is that the volume of credit is completely under the control of the monetary authorities, not in the least under the control of the public nor, except within very narrow limits and over exceedingly short periods, under that of the commercial banks." The second on page 168 reads: "Before the invention of cheap money policies"—which gave the public the option of converting from bank deposits into Government "tap" issues—"it was axiomatic . . . that the actions of the public could in no way affect the volume of credit. Once a given volume of deposits had been created an attempt by the public to exchange out of deposits into goods would *merely* (reviewer's italics) drive up prices without in fact reducing the *volume* (Mr Dacey's italics) of credit."

Formally these statements are correct, if the word "volume" is interpreted to mean simply "number of pounds." But their implication is most misleading. It is that whatever the public may do or want, it cannot get its money out of the clutches of the banking system. That is untrue. The proportion of its wealth which the public chooses to keep in the form of money, whether currency or bank deposits, is (as yet) entirely within its own choice. In Germany in 1923 bank deposits were numbered in trillions of marks but so successfully had the public disengaged its real resources from the banking system that in value they represented only a few tens of millions of pounds sterling. The word "merely" shirks the crucial issue. For the sake of the university and other students to whom this book should be so useful, it would be well to make it clear in a future edition that in no true sense can the public be regarded as "prisoners of the banks."

Source Book on the Second World War

Documents on German Foreign Policy, 1918-1945, Series D, Vol. IV. *His Majesty's Stationery Office.* 731 pages. 21s.

This further instalment in the publication of the German Foreign Office archives that were captured at the end of the war is, like its predecessors, offered by its editors to the public as a source-book for the study of history, and not as a finished interpretation of history. It would be premature to base opinions on it or announce findings from it before its contents have been collated with those of other collections appearing at the same time, notably the collection of

"Documents on British Foreign Policy" which is also being published by the Stationery Office. This is especially the case because, as we are warned by the editors, the German Foreign Office was not always representative of Germany's Nazi Government, not often in Hitler's confidence and not ever in a position to be a direct and adequate guide to Hitler's real policy and intentions. But some things can be said on the basis of the four volumes already produced. This collection will probably be the most important single source for the eventual history of the inter-war years, dominated as they were by the German problem. The labour of selecting, arranging and editing the material, which is obviously formidable, is being carried out most admirably; the Anglo-French-American Board of Editors is putting historians of today and tomorrow under a heavy debt. The Stationery Office is also to be congratulated on issuing such large, clearly printed and well-produced volumes at so low a price.

The present volume—"The Aftermath of Munich"—covers the relations between Germany and Czechoslovakia and Germany and the major powers from October, 1938, to March, 1939. The bulk of it deals with Czech-German and Anglo-German relations, and the most summary reading of these chapters confirms that they supplement in important directions the material already available in the "Documents on British Foreign policy" and in other sources, voluminous though that material is already. It emerges, for example, that Mr Chamberlain realised that he was acting unconstitutionally in monopolising British foreign policy. In a smaller matter, the German Ambassador's report of a talk by Lord Halifax to the "notorious" cartoonist Low, in an attempt to dissuade him from lampooning the Fuehrer, opens up exciting vistas and makes one wish one had been under the table.

The remaining chapters will be no less important for the history of the outbreak of the Second World War when the time has come to write it. They cover German relations with France, Italy, the Soviet Union, the United States, Japan and the Papacy. They are less substantial than those just referred to. But this is not because they are less complete; there are few important gaps in the archives before 1940.

Brief Sketch of a Long Reign

Queen Victoria. By Roger Fulford. *Collins.* 144 pages. 7s. 6d.

According to the publishers the series to which this book belongs is designed for younger readers, presumably for those under twenty. In a limited space, about 35,000 words, each author has to sketch the life and character of some important historical figure.

Mr Fulford has done his work well, so well in fact that his book deserves a public wider than that for which it was originally intended. As a piece of fine writing it cannot stand beside Lytton Strachey's brilliant life of Victoria, but in other ways it is much superior. Strachey was an expert caricaturist masquerading as an historian, but Mr Fulford has endeavoured to show the Queen as she was; he has manfully resisted the temptation to provoke the titters of posterity.

He has not written a biography in the ordinary sense. Instead he has drawn Victoria as she was at four different periods in her life. First she appears as a girl exchanging the constraints of childhood for the ties of monarchy almost with relief; next in the exacting, but for her the satisfying, part of Albert's wife; then alone, voluntarily secluded for nearly twenty years, and generally unpopular; finally, as the almost legendary widow of Windsor acclaimed by the trumpets of jubilee.

The pictures blend because, through eighty years, so much remained unchanged. Victoria was always straightforward and direct; she cherished her prejudices; and Albert's influence was tenacious. While, obviously, there can be no systematic treatment of public affairs, Mr Fulford has contrived to give a just impression of the Queen's political influence at home and abroad, of that watchful and often critical interest she took in politics. Moreover, Melbourne, Palmerston, Gladstone and Disraeli are all deftly fitted into their customary places. In short this brief sketch is life-like, fair but not flattering.

Exchange Stability

The Exchange Stability Problem. By G. Stuvel. *Basil Blackwell.* 242 pages. 21s.

One of the most important problems in international economics concerns the conditions under which exchange depreciation will improve the balance of trade—alternatively, the conditions required for stability in the foreign exchange market. Dr Stuvel brings to this problem the mathematical ability that it demands, as well as an econometric orientation (strongly influenced by the work of Tinbergen) which keeps in the forefront the ultimate necessity of applying the theoretical results to the real world. Further, while it cannot be said that the non-mathematician can read the book with pleasure, the style is clear and straightforward and the conclusions important enough to merit the effort.

The virtue of Dr Stuvel's analysis is his attention to the indirect effects on the balance of trade of changes in exchange rates—that is, effects other than the immediate results of changes in the internal prices of exports and imports. While he simplifies his problem by assuming that the indirect effects on the outside world are negligible, so that the prices of foreign-produced goods are unaffected by depreciation, this simplification permits him to deal with such complications as the import-content of home production, "money illusion" on the part of home consumers, and the reaction of money wages to changes in the cost of living.

The consequence of all these complications is that exchange stability depends on an extremely complicated formula. Dr Stuvel reduces this formula to comprehensibility by introducing various simplifying assumptions, and illustrates the resulting special cases by statistical examples drawn largely from the work of Dr Chang. The most important general conclusion which emerges is that, in many apparently realistic cases, exchange stability depends more on the marginal propensity to spend of home consumers, and on their reactions to changes in the cost of living, than on the elasticities of international demand and supply on which English economists particularly have laid so much stress.

While this particular conclusion has been reached independently by other writers since Dr Stuvel sent his book to press, the study as a whole constitutes an important contribution to the theory of the subject. The emphasis on practical application is also welcome, although Dr Stuvel is perhaps too sanguine about the possibilities of multiple correlation analysis. There is, however, a related problem to which he gives insufficient attention; for policy purposes, one wants to know not only whether depreciation will improve the balance of trade, but also what the social cost of a given degree of improvement will be.

Neglected Colony

British Honduras, Past and Present. By Stephen L. Caiger. *Allen & Unwin.* 240 pages. 18s.

No British colony has been so neglected by its rulers as British Honduras, and none is so little known to the British public. The Newfoundlanders used to complain that governments of any political colour regarded their rights and interests merely as the small change of diplomatic bargaining, something to be sacrificed for the sake of a greater advantage elsewhere. The equally loyal Hondurans were worse off; they could never persuade Whitehall that they had any rights or interests worth maintaining. If the Guatemalan imperialists can raise the ghost of a case, it consists only of debating points given away by British diplomats who were too languid to assert their own claim.

British Honduras has been so long a British dependency that its origin is forgotten. No Spaniards were settled there in the great age of Spain. Neither Habsburgs nor Bourbons, or any of their successor states have any juridical claim to this territory which does not equally apply to Manhattan Island; that, too, is west of the line drawn by the Pope in 1493. But the British have been in actual possession since some period well before the Treaty of 1670. It does not seem likely that even the buccaneer Wallis, who gave his name to the settlement of Belise about the year 1638, was the first Englishman on the coast, and about that date the first treaties of friendship, never broken by the British, were made with neighbouring Indian kings.

A new book about British Honduras is, therefore, welcome, though it does not make pleasant reading. The story is one of unrewarded, thankless, struggle. The "Baymen" repeatedly defended

You save money if you fly TWA to the USA during "Thrift Season." Ask your Travel Agent about these special TWA reductions.

To fly TWA means swift *trouble-free* travel with friendly, individual attention. Superb cuisine and comfort, above-weather travel, and the "on time" arrival of TWA 4-engined Constellations—all these are reasons why some 2,000,000 passengers bought TWA tickets last year. And remember—*only* TWA flies from London not just *to* the United States but *through* to any one of the 60 important U.S. centres, one ticket one airline all the way.

Exclusive all-sleeper service

TWA offers the only **all-sleeper** service to New York. The luxurious TWA "New York Ambassador" leaves London every Sunday and Paris every Monday. In addition to the all-sleeper flights TWA offers you a daily service from London to the U.S.A., including combination sleeper-lounge flights on Tuesdays and Thursdays.

AUSTRALIA & NEW ZEALAND via the USA

See and enjoy beautiful San Francisco, Hawaii, Fiji, on your way "down under." Fly by TWA–BCPA de luxe sleeper service.

YOU CAN DEPEND ON TWA to USA

EUROPE · AFRICA · ASIA

TRANS WORLD AIRLINES

Consult your Travel Agent or TWA

LONDON. Tel.: REGent 3211

TWA Reservation Service available day and night.

MANCHESTER. Tel.: BLAckfriars 4649

themselves against Spanish aggression, repeatedly reorganised their society, and rarely persuaded the Colonial Office to lend a hand. Nothing would put them down, not even the successive collapses in the market for their few products, logwood, mahogany, chicle. Even their archives, damaged by flood, are sadly deficient. In re-telling this story, Mr Caiger has not much to offer that the serious student cannot find in Sir John Burden's books. Indeed his general history is a little shaky. But this is a settler's book written from the inside, not an external student's thesis, and therefore the more valuable.

Malthus and His Adversaries

The Malthusian Controversy. By Kenneth Smith. *Routledge and Kegan Paul.* 350 pages. 30s.

At a time when population problems, and particularly the problem of world overpopulation, are increasingly prominent in the public consciousness, there is a special interest in recalling the forms in which they presented themselves a century and a half ago under the first impact of demographic expansion. This study of Malthus's long-drawn-out controversy with Godwin and other critics is fascinating in more ways than one. It is, though only incidentally, something of a character study, offering tantalising psychological glimpses of a complex and—in the author's view—tortuous-minded individual. It presents, too, a peculiarly interesting picture of acute intellects at work in a field where the concepts, techniques and factual raw material, familiar to students of a later age, were all lacking. One does not know whether more to admire the virtuosity with which both Malthus and his antagonists contrived bricks without either the straw of adequate statistics or such useful tools as the net reproduction rate, or to shudder at the over-confidence which was ready to use results so attained as the unquestionable basis of policy.

To the reader whose chief interest lies neither in the personalities and ideas of the early nineteenth century nor in the development of methodology, but in the population problems of today, the chief appeal of "The Malthusian Controversy" must necessarily lie in the modern parallel. Malthus was unscientific as an analyst and crashingly wrong as a prophet; changes on the one hand in accepted morality and on the other in technique have between them overwhelmingly justified his contemporary critics. Can similar developments be trusted to justify the optimists of today? Dr Smith, it appears from his "Conclusion," trusts them implicitly. He is completely unalarmed either by prospective food shortages (the more mouths, the more hands, and let science take care of the law of diminishing returns as it has done in the past), by the social consequences of overpopulation (growing numbers can only be a symptom of improved conditions, so why worry?), or even by the prospect of standing room only (a rapidly growing population is most probably passing, like a rapidly growing baby, through a transitory phase, and is similarly bound to slow up some time. The contrast is indeed striking between the careful scholarship of the main body of the book and the slapdash polemics of its closing pages.

Dr Smith achieves his primary aim of rehabilitating Malthus's critics as men who judged more justly than did Malthus the trends and potentialities of their time. His story is a well-documented warning against cut-and-dried demographic prophecy, especially when based on grossly inadequate evidence. The attempt, however, to exorcise the twentieth-century Malthusian devil by the arguments not unfairly summarised above would have been better left unmade.

Political Research

A Breviate of Parliamentary Papers, 1917-1939. By P. and G. Ford. *Basil Blackwell.* 571 pages. £2 12s. 6d.

Professor Ford has taken his title from the Catalogue and Breviate of Parliamentary Papers published by Hansard, who was responsible for the daily official report of Parliament's affairs which still bears his name. The reports dealt with are those of "committees, royal commissions and similar bodies on matters which have been, or might have been, the subject of legislation" but since there is no consistency about whether such papers are issued in the Parliamentary or non-Parliamentary group, Professor Ford, like his predecessor, has taken "public policy" as his criterion.

The papers included are broadly those dealing with economic, social and constitutional questions and matters of legal administration. The book contains a subject classification, a subject list of documents and a summary of the reports with references to other relevant papers, an alphabetical index and an index of chairmen. It is thus a useful guide to the searcher among historical raw material, but the reader who needs no more than the summaries might welcome some indication of what, if any, action was taken on the recommendations. Probably only a research student using the Breviate as a starting point for his studies could assess its true value; to a reviewer it has the insidious fascination of a dictionary which keeps him reading about subjects in which he had had no previous interest but which, thanks to their arrangement, follow logically within groups.

The American Story

The Growth of the American Republic. By S. E. Morison and H. S. Commager. Fourth Edition. Two Volumes. *Oxford University Press.* 1800 pages. 70s.

For the third time Professor Morison and Professor Commager have brought up to date what is unquestionably the best and the most readable general history of the United States. The last edition, published in 1942, concluded with a sympathetic assessment of the New Deal, and America's entry into the war. The new chapters, completed early in 1950, carry domestic events up to President Truman's surprising triumph in 1948, but they concentrate upon America's role on the world stage: the fighting of the war in Europe and the Pacific, the winning of the victory, and the responsibilities of leadership forced upon the United States with the return of peace or half-peace.

The growth of the American republic, in the last fifteen years, becomes inextricably entangled with the whole march of world affairs; inevitably, on such a large canvas, the treatment must be more general, and many details must be suppressed. A few of the verdicts, handed down at such close quarters, may have to be revised; after the end of the Hiss case, for example, it would no longer have been possible, unfortunately, to dismiss the Un-American Activities Committee with the assurance that, in its long and shabby career, it had turned up nothing not already known to the Department of Justice. It remains remarkable that the authors, in dealing with a period which seems to end only yesterday, are able to maintain their high standards of scrupulous scholarship, enlightened judgment and lively exposition. Of particular interest are the sections dealing with the war in the Pacific, presumably the special concern of Professor Morison, the author of an exhaustive account of American naval operations during the war.

THE THEORY OF INTERNATIONAL ECONOMIC POLICY:
Volume I

THE BALANCE OF PAYMENTS

by J. E. MEADE

30s. *net*

MATHEMATICAL SUPPLEMENT

16s. *net*

'... the book is a major achievement in the application of mental discipline in a field where muddle can be at least as harmful as malevolence...' *Time and Tide*

'... of first-rate importance...' *Times Literary Supplement*

OXFORD UNIVERSITY PRESS

AMERICAN SURVEY

President and Prime Minister

Washington, D.C.

THE moment just after even such a distinguished visitor as Mr Winston Churchill has pulled out of the Washington railway station is not the best one for assessing the permanent value of his coming. The smiles have hardly left his face, or those of the officials who have grown used to being photographed with him, the resolve to "harmonise" policies which are inherently dissonant is still strong, and mutual expressions of good will are still warm. Ahead lies the realisation that fundamentally differing points of view cannot always be reconciled by mere recognition that they ought to be. For American officials, there also lies ahead the strain of long hours before Congressional committees, during which they must prove conclusively that they were able to persuade the visitor to change his policies, without themselves retreating an inch from whatever positions various groups of Senators believe they should have been holding before the conference began.

The formal talks between President Truman and Mr Churchill have finished and the Prime Minister is on his way to Canada. But he is coming back again next week for what may be the most important single event of his whole trip, his chance to make a direct impact on Congress and on a large section of the American people through their television sets. It may be some time before it will be known whether, in the words of Mr Walter Lippmann, "the enormous preponderance of our material power can be made consistent with true and equal friendship." But however much anyone tries to read into the communiqué, it is not too early to suggest that something which falls far short of "true and equal friendship" has been achieved, something which bears the more pedestrian name of "complete understanding." That may be enough for the moment, but it is less than the imagination of Mr Churchill had envisaged.

Something pedestrian is probably, however, all that could be expected from an Administration which is exhausted, on the defensive, and more inclined to harmonise its policies with those of its internal enemies than of its international friends. Before Mr Churchill's periodic descents on Washington during the war, there were always plenty of people scurrying for cover and building defences for their favourite policies against him. But during the war Mr Churchill's comings and goings were kept secret, so these people had no opportunity, as they had this time, to enlist the services of the press or to air their opinions at parties. And during the war there were also other defences on which considerable reliance could be placed.

One important defence was President Roosevelt himself. Another, and valuable, psychological one was the relative ideological positions of the two countries. In purely physical terms the relative strengths of the United States and Britain have changed greatly since the war in favour of the United States; in ideological terms they have changed in favour of Britain. Then the United States was secure in its liberalism. It was not so long since Chamberlain had referred to Roosevelt as "that Red in the White House" and there was a warm feeling of superiority to Mr Churchill as an eighteenth century, almost feudal, reactionary. Today it is the United States which has a string of decaying albatrosses round its neck. It is Mr Acheson, not Mr Eden, who has to explain why he is supporting General Chiang Kai-shek, Mr Quirino and Mr Synghman Rhee and what he intends to do about supporting General Franco. The realisation of this made for uneasiness in Washington.

But despite all the bad omens before the meeting began and the failure, unless the official spokesmen have been unnecessarily secretive, to achieve the kind of partnership which Mr Lippman, amongst others, thinks must be achieved before there can be any security for the western world, much was done to recover the ground lost during Mr Morrison's tenure of the Foreign Office. If co-operation between the two countries is not yet back to the level of 1945, inadequate for the present crisis though that may seem to some, it has climbed out of the trough of 1951.

*

Until the elections have cleared the air in the United States not much more can be expected. No Administration with only ten months of rickety life left to it could do much more and the Eighty-second Congress, riven by internal feuds and factional, as well as party, bitterness, would not support it if it tried. On the day the Anglo-American talks began Senator Connally, who as chairman of the Senate Foreign Relations Committee must be the spokesman for the Administration's foreign policy, came back from Texas where he faces a hard fight to get renominated this year and announced that "it was time for Europeans to stand alone economically" and that he was "not very strong for any additional aid to the British." This statement is accepted as an accurate report of what the grass roots are saying.

Under the circumstances the President's decision to devote more than half of his State of the Union Message on Wednesday to foreign affairs might seem courageous. But in truth they are the only kind of affairs on which he can hope for even limited co-operation from Congress. The catalogue of domestic matters on which he asked for legislation in the last part of his speech has no hope of passage, but some of those in the foreign field can be approved; for instance, the Japanese peace treaty and the Pacific security pacts can be ratified and so can the agreement bringing Greece and Turkey into the North Atlantic Treaty Organisation.

How successful the Administration will be in getting money for the mutual security programme is another matter. Its prospects will probably depend on what cannot at the moment be assessed, the estimates made by a number of Republicans of General Eisenhower's chances of getting their party's presidential nomination. They would look foolish if they had destroyed two years' work on the part of their candidate, and they would not be very popular in the White

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

House if he got elected. If, on the other hand, they feel reasonably certain that Senator Taft's professional machine will defeat the General's rather amateur one, they can vote without anxiety to cut foreign aid in order to aid their own election campaigns.

Mr Truman's review of 1951 is useful in putting that year into perspective, even if he exaggerated a little in calling it "a year of great achievement." The virtues of the Japanese peace treaty as a document are probably over-estimated by the American Government and so are those of the disarmament proposals presented to the United Nations. But the President was right, at a moment when the difficulties in Korea are being used for party advantage, to point out strongly that the United Nations action "has been a powerful deterrent to a third world war." He was also right to remind Congress that "in Europe combined defence has become a reality," that "a real fighting force" has been created, even if it is not yet as strong as it ought to be, that "our allies are essential to us, just as we are to them" and that they want to be "freed from dependence on our aid" just as much as the United States wants to see them independent. None of these points is part of the creed of the ordinary member of Congress.

*

What is part of the creed of most congressmen is that Communism is a bogy which can be used, and is at the moment most useful, for internal political purposes. There was something pathetic about the urgency with which President Truman said that

> this will be a presidential election year—the kind of year in which politics plays a larger part in our lives than usual. That is perfectly proper, but we have a great responsibility to conduct our political fights in a manner that does not harm the national interest. We can find plenty of things to differ about without destroying our free institutions and without abandoning our bipartisan foreign policy for peace.

The first and most noticeable thing about this passage is that it is a statement of a man who does not intend to be—or at least hopes not to be—a candidate again. The second thing about it is that it appears to be the statement of a man who wishes that domestic politics had not interfered with the conversations he had been having for the last three days with Mr Churchill. There is little doubt that, whatever the joint statement omitted to say, or whatever desirable arrangements were found impossible to reach, the personal relationship between the President and the Prime Minister, which has always been good, got better. There is a sympathy between the two men which can be sensed more easily than it can be explained.

One explanation is perhaps that both feel somewhat isolated by the burden of responsibility they bear. But more important is probably that each knows how slim is his margin of power and how dependent he is on domestic political situations which vitally affect the future of the world without taking any responsibility for it. There were many passages in the statement which were only too obviously there to help one or the other over some hurdle in the next few months. Perhaps the moral of the last few days was best drawn by Mr George Kennan in his recent book when he said that

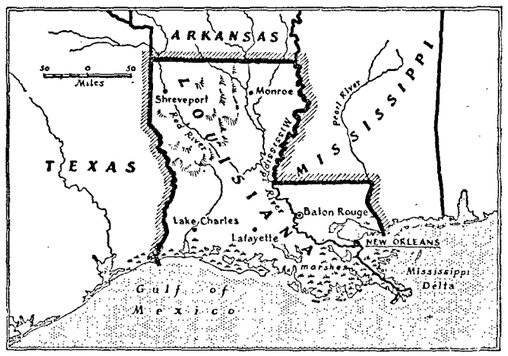
> history does not forgive us our national mistakes because they are explicable in terms of domestic politics. If you say that the mistakes of the past were unavoidable because of our domestic predilections and habits of thought, you are saying that what stopped us from being more effective than we were was democracy as practised in this country. And if that is true, let us recognise it, and measure the full seriousness of it—and find something to do about it.

Pelican State Primary

[FROM A CORRESPONDENT IN LOUISIANA]

On January 15th Louisiana, the Pelican State, will be picking its next Governor from a flock of Democratic candidates. Here, as throughout the country, November 4th will be the official election day, but in southern States, of which Louisiana is a typical example, with only 400 Republicans registered as voters, the real fights are in the primary elections in which the Democrats choose their candidates. If none of the eleven candidates for the governorship gets a clear majority next week, there will be a run-off election between the two leaders a month later.

Four years ago the Democrats in Louisiana settled on Mr Earl Long, brother of the late Huey Long who after a tempestuous career had been assassinated in 1935. Huey Long was the dictator of Louisiana, and in those days of depression there were many who feared he might become dictator of the whole country. His demagogic progress was unique in the history of local American politics, although hardly in that of dictatorships, for, in a State notorious for political corruption, his campaigns were based as much on the exploitation of economic issues as on the pay-offs and nepotism from which political machines usually draw their



strength. With catch-phrases such as "Share the Wealth" and "Every Man a King," which were later translated into practice to a certain extent, Huey Long appealed to the under-privileged and ignorant in a State where there were plenty of both.

Louisiana is far from being poor; its marshes yield fish, especially shell-fish, and furs, its farmlands rich crops of sugar, rice and tobacco as well as cotton; New Orleans is one of the world's great ports; above all, the State is a leading producer of sulphur and petroleum. But in the main this wealth is in the hands of a few large companies and the annual income of the average Louisianian is amongst the lowest in the country; so is the standard of education. Spanish and French traditions are still strong in the State: it is divided into parishes, relics of Catholic rule, instead of counties, and its civil law is derived from the *Code Napoleon*. New Orleans is a Roman Catholic city, but Protestants dominate the northern part of Louisiana.

Less than half of the State's inhabitants live in the cities and it was the poor people in rural districts that gave Huey Long the votes that enabled him to control the State. In 1948, after a period during which New Orleans businessmen tried to run the State administration, Mr Earl Long won the governorship by offering the same economic cure-alls as

THE CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

STATEMENT OF CONDITION, DECEMBER 31, 1951

RESOURCES		LIABILITIES	
Cash and Due from Banks	$1,527,019,824.03	Deposits	$5,149,631,444.15
U.S. Government Obligations	1,183,476,912.03	Foreign Funds Borrowed	700,787.86
State and Municipal Securities	306,241,404.39	Dividend Payable February 1, 1952	2,960,000.00
Other Securities	277,305,439.32	Reserves—Taxes and Expenses	29,796,367.75
Mortgages	56,101,004.00	Other Liabilities	16,081,128.17
Loans	2,161,951,614.89	Acceptances Outstanding	52,286,435.90
Accrued Interest Receivable	10,361,315.94	*Less : In Portfolio*	*5,456,302.28*
Customers' Acceptance Liability	46,310,635.73	Capital Funds :	
Banking Houses	28,391,406.99	Capital Stock ... $111,000,000.00 (7,400,000 Shares—$15 par)	
Other Assets	10,023,288.15	Surplus ... 189,000,000.00	
		Undivided Profits 61,182,983.92	
			361,182,983.92
	$5,607,182,845.47		$5,607,182,845.47

United States Government and other securities carried at $359,197,217.00 were pledged to secure public and trust deposits and for other purposes as required or permitted by law.

Member Federal Deposit Insurance Corporation

Main London Branch :
6, LOMBARD STREET, E.C.3.

Bush House Branch :
ALDWYCH, W.C.2.

West End Branch :
51, BERKELEY SQUARE, W.1.

Incorporated with Limited Liability under the Laws of the U.S.A.

The National City Bank of New York

(Incorporated with limited liability under the National Bank Act of the United States of America)

Established 1812

HEAD OFFICE:
55 Wall Street
New York

67 Branches
in Greater New York
55 Branches Overseas

LONDON BRANCHES:
117 Old Broad Street, E.C.2
11 Waterloo Place S.W.1

Statement of Condition as of December 31, 1951

ASSETS

Cash, Gold and Due from Banks		$1,461,560,755
United States Government Obligations		1,585,733,526
Obligations of Other Federal Agencies		25,856,463
State and Municipal Securities		510,347,675
Other Securities		106,839,994
Loans and Discounts		2,088,757,343
Real Estate Loans and Securities		28,102,101
Customers' Liability for Acceptances		29,919,003
Stock in Federal Reserve Bank		9,000,000
Ownership of International Banking Corporation		7,000,000
Bank Premises		29,162,719
Items in Transit with Branches		24,863,064
Other Assets		2,721,022
Total		$5,909,863,665

LIABILITIES

Deposits		$5,442,946,549
Liability on Acceptances and Bills	$44,567,139	
Less: Own Acceptances in Portfolio	12,992,281	
		31,574,858
Due to Foreign Central Banks (*in Foreign Currencies*)		11,538,800
Reserves for:		
Unearned Discount and Other Unearned Income		19,178,611
Interest, Taxes, Other Accrued Expenses, etc.		36,366,874
Dividend		3,312,000
Capital (7,200,000 Shares—$20 Par)	$144,000,000	
Surplus	156,000,000	
Undivided Profits	64,945,973	
		364,945,973
Total		$5,909,863,665

Figures of Overseas Branches are as of December 23, 1951.
$357,619,275 of United States Government Obligations and $12,105,600 of other assets are deposited to secure $271,834,693 of Public and Trust Deposits and for other purposes required or permitted by law.
(Member Federal Deposit Insurance Corporation)

Chairman of the Board: WM. GAGE BRADY, Jr. — *Chairman of the Executive Committee:* W. RANDOLPH BURGESS — *President:* HOWARD C. SHEPERD

Affiliate of The National City Bank of New York for separate administration of trust functions.
CITY BANK FARMERS TRUST COMPANY. Head Office: 22 William Street, New York
Capital Funds $31,009,629

his brother had done. His extravagant plans included old-age pensions of $50 a month for anyone over 65; today there are nearly 120,000 people receiving these pensions from the state government. To pay for this, and his other costly social measures, Governor Long was forced to increase the tax burden on those who were supposed to benefit from his welfare plans; he imposed sales taxes and increased the levies on such commodities as beer, cigarettes and petrol. The State's tax rate is the highest in the country, and in Louisiana $1 out of every $10 a man earns is taken by the State, apart from federal taxes. Yet at $226 million the State debt per head is also the highest in the United States, and is rising rapidly.

Governor Long has neither the personality nor the ability of his famous brother, but in his election campaign he was helped by Huey Long's son, Mr Russell Long, a young man who resembles his father in looks and other ways, but shows no sign of wishing to copy him as a demagogue or dictator. The revival of the Long dynasty was confirmed when Mr Russell Long was elected to the United States Senate in 1948 and re-elected for a full six-year term in 1950. In Washington he has won praise for his restraint and circumspection and has shown himself to be as progressive as could be expected of a southern Democrat. In Louisiana Senator Long has now, however, broken with his uncle on the grounds that Governor Long, by trying to extend his term of office, was attempting to follow Huey Long's undemocratic tendencies.

*

Governor Long cannot succeed himself, since the State constitution does not permit it, so in the current primary election he is supporting Judge Carlos Spaht as his chosen successor. But Senator Russell Long is campaigning on behalf of US Representative T. Hale Boggs, a young lawyer whose political career began before the war in an attempt to root out the last traces of the Long regime. If Mr Boggs wins the governorship, he will break the tradition that no Roman Catholic from New Orleans can become Governor of Louisiana. Mr Boggs is said to be a liberal and to have the tacit backing of President Truman. However, the political climate in Louisiana is so unfavourable to the President that Mr Boggs has felt it desirable to deny the connection.

It is noticeable that, while to some of the candidates for the governorship nothing is too bad to be said of Mr Truman's Fair Deal, none of them, however conservative they may be, have dared to criticise Governor Long's even more liberal economic programme in the same outspoken terms. The political sagacity of the Long family has mapped a road from which no candidate in Louisiana ventures to stray far. A Socialist label is indeed being tied to Mr Boggs, and apparently doing him harm, but only because the simple and uneducated rural voters do not recognise that this fancy foreign name could more correctly be applied to the Long policies they have favoured in the past. The candidates that oppose the present administration of the state do so only on the grounds that it is inefficient, unbusinesslike, wasteful and corrupt.

Amongst the candidates for the Democratic nomination is a Negro, the first to stand for election in Louisiana since shortly after the Civil War. But, apart from Judge Spaht and Representative Boggs, only four of the contestants are given serious consideration. One of these is the Lieutenant Governor, Mr William Dodd, who was elected as Mr Earl Long's partner but has since separated from him. Mr Dodd has the open support of the State's flourishing gambling community, which has suffered from the recent crime investigation in Washington. Judge Robert Kennon is an independent who has for some time led the forces opposed to the Long dynasty. Mr James McLemore, a cattle farmer new to politics, is regarded as the businessmen's candidate. Finally there is Miss Lucille May Grace, of importance not so much because she is the first woman to run for the governorship in Louisiana as because she is backed by Mr Leander Perez.

Mr Perez, who entered politics as one of Huey Long's henchmen, has ever since been the boss of two large parishes near New Orleans. In 1948 he was one of the leaders of the reactionary States' Rights, or Dixiecrat, Democrats who deserted Mr Truman and ran their own candidate for the Presidency. This group drew much of its support from Louisianians interested in oil, who were incensed at the Federal Government's claim to ownership of the so-called tidelands oil under the waters of the Gulf of Mexico. Louisiana was one of the four states carried by the Dixiecrats, largely because Governor Long failed to come to Mr Truman's rescue. It is this situation which gives national importance to the outcome of the present political confusion in Louisiana. Mr Perez is fighting a vicious red-baiting campaign, probably not so much to get his own candidate in as to keep Mr Boggs out. For it is thought that if Mr Boggs wins next Tuesday's election, he may be able to prevent the Louisiana delegation deserting the Administration at the Democratic Party's national convention next July.

American Notes

Eisenhower on the Brink

Senator Lodge's highly spotlit announcement from his Eisenhower-for-President headquarters turned out to be only that he was certain that General Eisenhower was a Republican and that the General's name would be entered in the Republican primary election in New Hampshire in March. This was expected, but the unexpected followed. The next day the spotlight swung to Paris, and revealed where the General himself stood—on the brink of the presidential campaign, resolved not to take the plunge himself, yet ready to be pulled into the water by the Republicans, in July but not before.

General Eisenhower announced that it had been correctly stated that he was a Republican, but that in no circumstances would he ask for relief from his important assignment in Europe in order to seek nomination to political office. However, he recognised the right of Senator Lodge and his associates to organise an attempt, in which he himself would not participate before the presidential nominating convention in July, to place before him a clear-cut call to political duty which would transcend his present responsibilities. This statement snuffed out the last hopes of those Democrats who still hankered after General Eisenhower, and it presumably means that he will not withdraw his name from the Republican ballot in New Hampshire. But for it to appear on the ballot in the more important primaries in such states as Wisconsin and Ohio, which the other Republican candidates are entering, the General would have to take the positive step of giving his consent.

General Eisenhower has removed some of the doubts that were making it difficult, if not impossible, for his supporters to continue working on behalf of his candidacy. He has made it clear that he is a Republican and that he is "available." But he is not prepared to give the active help, the promises of office and patronage, that they need to oil the party machine and ensure that it does not fall into Senator Taft's hands

Once nominated, General Eisenhower seems a sure winner, in so far as anything can be sure ten months before the election. According to Dr Gallup, he is the favourite of all voters, with or without party affiliations, whoever is his opponent, and the influential and independent *New York Times* has already promised its support. The paper is sure that the General could lead even the laggards amongst his fellow Republicans towards world responsibility. Few people argue about that, but the other directions in which he would lead his country are not so obvious, and seem unlikely to be clarified until after he is nominated. His views on the Far East are not known; such views as he has expressed on domestic matters have in some cases been so conservative that they have alienated the labour organisations and endeared him to the southern Democrats. It must be remembered that as a serving soldier the General has been precluded from offering his opinions on questions of domestic politics.

* * *

Congress—Short and Sour?

The Eighty-second Congress reassembled in Washington this week determined to finish its second and last session by the beginning of July, so that its members can relax at the presidential nominating conventions in Chicago and then have three carefree months for campaigning; it is not only a President but also 435 Representatives and at least 34 Senators who are to be elected next November. But Congressmen's tongues have a way of running away with their determinations, and it seems a fairly safe bet that they will have to return to Washington, after a recess, for the conventions.

The actual timetable will in effect be set by the coalition of Republicans and conservative Democrats which controls Congress. In these circumstances prospects are worse than they have ever been for the Fair Deal social legislation which President Truman once more requested in his State of the Union Message, although with a little less conviction than usual. The need for speed gives the Republicans an excuse for refusing to bring up the question of civil rights for Negroes, since it would inevitably mean that all other business would be delayed by a southern filibuster. The authority for price, wage and credit control which expires on June 30th will probably be renewed, but it is most unlikely to be strengthened as the President wishes, unless inflationary pressure suddenly climbs again; indeed, if peace comes in Korea, the stabilisation legislation may be weakened. Nor is Congress disposed even to consider higher taxation, for voters are already complaining about the increases made in the last session. Appropriations must of course be provided, especially for defence; in principle cuts in expenditure will be as welcome as ever, but in practice they always hurt somebody and, except in the case of foreign aid, that somebody is an American voter.

There is at least a chance that the session will be short, but none at all that it will be sweet. Investigations have become a habit with this Congress and will probably take up as much of its time as legislation, for they are thought to pay better electoral dividends. The Democrats will once again hurry to drag the skeletons out of their cupboards in order to keep the Republicans from doing it for them. And within the parties there will be a constant jockeying for position round possible presidential candidates and platforms. The reason why Senator Styles Bridges of New Hampshire has been elected to succeed the late Senator Wherry as Republican leader in the Senate is that he bridges the gap between Senator Taft and General Eisenhower. He is said to be committed to neither as a candidate, but is more ready to support the Senator's views on economy than he is the General's on international co-operation.

Guaranty Trust Company of New York

Condensed Statement of Condition, December 31, 1951

RESOURCES		LIABILITIES	
Cash on Hand, in Federal Reserve Bank, and Due from Banks and Bankers	$862,777,767.12	Capital	$100,000,000.00
U.S. Government Obligations	696,004,298.76	Surplus Fund	200,000,000.00
Loans and Bills Purchased	1,384,002,465.10	Undivided Profits	77,965,140.53
Public Securities	61,013,073.24	Total Capital Funds	$377,965,140.53
Stock of Federal Reserve Bank	9,000,000.00	Deposits	2,699,811,616.53
Other Securities and Obligations	56,523,065.47	Foreign Funds Borrowed	225,000.00
Credits Granted on Acceptances	13,486,849.70	Acceptances: *Less* Own Acceptances Held for Investment	14,844,050.06
Accrued Interest and Accounts Receivable	13,644,346.73	Dividend Payable January 15, 1952:	
Real Estate Bonds and Mortgages	35,039,842.87	Regular	3,000,000.00
Bank Premises	4,966,954.59	Extra	2,000,000.00
Other Real Estate	15,869.92	Items in Transit with Foreign Branches	558,889.11
		Reserve for Expenses and Taxes	24,158,288.93
		Other Liabilities	13,911,539.19
Total Resources	$3,136,474,524.40	Total Liabilities	$3,136,474,524.40

Securities carried at $208,828,990.91 *in the above statement are pledged to qualify for fiduciary powers, to secure public moneys as required by law, and for other purposes.*

LONDON OFFICES

Main Office: 32 Lombard Street, E.C.3 **Kingsway Office: Bush House, W.C.2**

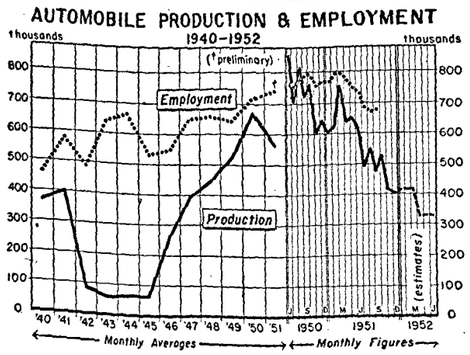
PARIS NEW YORK BRUSSELS

Incorporated with limited liability in the State of New York, U.S.A.

Detroit on the Dole

The "battle for production" which Mr Wilson, the defence mobiliser, describes in his latest report is not being won, as it was during the war, on the assembly lines of Detroit. Then, after a brief period of retooling, the entire resources of the automobile industry were turned over to war production, and, as the chart shows, employment rose sharply. Under today's guns and cars economy, supplies for passenger cars of steel, aluminium, and copper, particularly copper, have been cut, but defence contracts have been slow to take up the slack, and relatively few have gone to Detroit. The industry has $6 billion of war goods contracts, but most of them are being filled elsewhere. By the middle of December there were 120,000 idle in the former "arsenal of freedom."

The news that further cuts in materials would reduce the production of passenger automobiles and lorries to about a million in the second quarter of this year, from two million a quarter in 1950, brought a militant deputation to Mr Wilson, consisting of Governor Williams of Michigan, Senator Moody, and representatives of the industry and the automobile workers. Such a cut would mean unemployment of 160,000 in Detroit by next June, and all are agreed that further cuts should be postponed until the autumn, when defence employment will be rising and it may be possible to stretch copper supplies farther.



Source: US Department of Commerce.

The view that the industry has been discriminated against hardly holds water. Its supplies have been cut much less drastically than those of other industries producing non-essential consumers' durable goods. There is more truth in the charge that too great a share of scarce materials has been going into expansion of facilities, and, perhaps, in the view that the military could make do with less copper.

Faced with the danger that Detroit might appeal over their heads to Congress, the planners have promised first aid. A commission is to study the possibilities of combining war work with civilian production in Detroit, and the Comptroller General is to be asked to rule that contracts need not necessarily go to the lowest bidder, a decision which would make it easier to relieve unemployment. It is, however, late in the defence programme to divert contracts, and doubtful whether they would materialise in time. Mr Wilson has promised, therefore, to see what can be done to find more copper for automobiles at the expense of defence-supporting industries; military demands are also to be reviewed. Temporarily, automobile production may be saved from the last stage of the precipitous decline marked on the chart. But even if it could get more materials, it is not certain that many more cars could be sold. Over 17 million have been turned out in the past three years, and 1951, for all its restrictions, remains the second best year on record; dealers report that sales are slow at the new higher prices.

Truman's Hoover

Most of the really controversial recommendations of the Hoover Commission on government reorganisation have been allowed to gather dust. But its suggestions on the reform of the Bureau of Internal Revenue were given new life when the President, determined to show that he would not tolerate corruption and disappointed, at least temporarily, of his new commission to track down the scandals, submitted a plan for reorganising the bureau from top to bottom. Under this scheme, the sixty-four Collectors of Internal Revenue, of whom all but fifteen are political appointees, are to be swept away and replaced by twenty-five commissioners, who would have to take civil service examinations. Only one political appointment would remain, that of the head of the bureau; he would be chosen by the President and confirmed by the Senate. A strong and independent inspection unit would be created and, to attract more able men, salaries would be raised.

Mr Truman promised that this was only the first of many measures to ensure that all government servants reach a "blue ribbon" standard of honesty, and to prevent the sins of the few from being visited on the many whose integrity is unquestioned. However, the new programme does not seem to include the replacement of the Attorney-General. His failure to keep even his own department in order made him seem, to many Democrats, a very suitable sacrifice to public indignation.

The advantage of submitting the changes as a government reorganisation plan is that they must be accepted or rejected as a whole within 60 days. Few Congressmen would want to preserve their own patronage privileges at the expense of an efficient and honest tax system, but many are likely to have ideas on the carving out of the new districts. In addition there is certain to be some Republican grumbling at the "freezing into civil service" of Democrats just as the Republicans seem likely, for the first time in 20 years, to be able to reward the deserving in their own party.

The reforms proposed by the President are overdue. Whether they will solve the problem of integrity in tax collection is another matter. The civil service mantle is not, unfortunately, always a guarantee of honesty, and in any case it must be years before the reorganisation is complete. Whether Mr Truman's hoover turns out to be more lasting in its effects than most new brooms, depends on the willingness of the President himself to concentrate on the need for the highest standards and to make it plainer than he has in the past that he will tolerate nothing less.

* * *

Profit and Loss at the RFC

The departure of Mr Stuart Symington is an undoubted loss to the Reconstruction Finance Corporation, the great government lending agency whose tarnished reputation he has refurbished. Mr Symington, long a government trouble-shooter at the highest levels, was made administrator eight months ago in place of a board of five directors, three of whom were involved in charges of favouritism and improper influence. He has rigorously conducted RFC operations in a gold-fish bowl. Full publicity has been given to all loans, competitive sales have been introduced for the sale of all RFC property, and responsibility has been centralised.

Under Mr Symington's stewardship, luxury hotels and such enterprises have had to go elsewhere for aid. Instead, in addition to standing ready to supplement private credit for small business, a function Mr Symington believes may become much more important when the defence programme ends, the RFC in seven months has granted $203 million in loans to expand military production; money has also been advanced to stimulate domestic production of copper. Mr Symington himself cannot claim credit for the RFC's profits, for the most recent figures are six months old, but it should be recorded that the controversial agency in its last fiscal year earned $7.6 million for the Treasury on its loans, and turned over $75 million from its tin and synthetic rubber programmes and from liquidation of war assets.

The RFC's loss of Mr Symington may be counted a gain elsewhere. The RFC has been the sole importer of tin, and Mr Symington's efforts to depress the world price, by refusing to buy Malayan and Bolivian tin except at prices he considered fair, have alarmed both the National Production Authority and the State Department. The former has had to stretch the dwindling supply for domestic consumers; the State Department has had to reckon with the effects upon friendly nations. Malayan tin is an important source of dollars for the sterling area, while Bolivia has been brought to the verge of an economic and political crisis by Mr Symington's refusal to pay more than $1.12 a pound when the Bolivians felt they were entitled to $1.50. There was a noticeable cooling off of Latin American delegations towards the United States at the United Nations, and there are stories that Bolivia has been sounding out other Latin American countries about the possibility of bringing a charge of economic aggression against the United States under the Bogota Charter. Mr Truman insists that Mr Symington's resignation means no change of policy. But if there is one, it will not be so embarrassing for his successor, Mr Harry MacDonald, to accept.

Shorter Notes

After hearing in silence a plea from President Truman that any halt in the steel industry would have an "immediate and crippling" effect on defence, the special convention of the United Steel Workers decided to delay its nationwide strike for at least 45 days, until February 21st. In the meantime the Wage Stabilisation Board will try to settle the dispute, or to induce the union and the employers to reach a settlement by bargaining, before the deadline is reached.

*

The temporary franchise awarded in 1945 for transatlantic flights to American airlines expires on July 4th and the Civil Aeronautics Board has now opened hearings on the future of these flights. Pan American Airways, seven years ago the advocate of the "chosen instrument" theory, which would have eliminated competition among American airlines on overseas flights, is now in favour of the direct competition which was forced upon it at that time. Its only remaining American competitor on transatlantic flights, Trans-World Airlines, with a much less assured position than Pan American Airways, is asking for "area competition." Under this system the two lines would compete as far as London and then follow separate routes to Europe and beyond.

*

The US Merchant Marine, with a total fleet of 2,000 vessels, is larger now than at any time since the war's end; 752 ships were added last year. Steel shortages are cutting into the plans for further construction of urgently needed oil tankers and dry-cargo ships, and have made it necessary to halt work on fourteen new craft.

*

Next month "Operation Vagabond," a fleet of permanent floating radio stations for the Voice of America, will get under way with its first unit, the *Courier*. The 5,800-ton Coast Guard cutter, being refitted for its new job, will be ready on February 15th and is to be a relay point for American broadcasts to eastern Europe.

MANUFACTURERS TRUST COMPANY

NEW YORK

Statement of Condition as at close of business December 31, 1951.

RESOURCES

Cash and Due from Banks	$ 874,335,582.14
U.S. Government Securities	851,914,254.85
U.S. Government Insured F.H.A. Mortgages	79,203,154.41
State, Municipal and Public Securities	66,250,982.56
Stock of Federal Reserve Bank	3,595,050.00
Other Securities	28,296,486.41
Loans, Bills Purchased and Bankers' Acceptances	816,946,336.51
Mortgages	15,188,710.81
Banking Houses	14,018,051.50
Other Real Estate Equities	256,818.40
Customers' Liability for Acceptances	9,655,875.49
Accrued Interest and Other Resources	6,731,593.82
	$2,766,392,896.90

LIABILITIES

Capital	$50,390,000.00	
Surplus	69,444,000.00	
Undivided Profits	41,214,677.87	
		$ 161,048,677.87
Reserves for Taxes, Unearned Discount, Interest, etc.		15,130,438.06
Dividend Payable January 15, 1952		1,637,675.00
Outstanding Acceptances		9,884,628.15
Liability as Endorser on Acceptances and Foreign Bills		6,806,012.44
Other Liabilities		1,904,831.66
Deposits		2,569,980,633.72
		$2,766,392,896.90

United States Government and Other Securities carried at $104,615,416.66 are pledged to secure public funds and trust deposits and for other purposes as required or permitted by law.

President: HORACE C. FLANIGAN

Principal Office: 55 Broad Street, New York

109 Banking Offices in Greater New York

Member Federal Reserve System, Member New York Clearing House Association, Member Federal Deposit Insurance Corporation.

European Representative Office: 1 Cornhill, LONDON, E.C.3.

Far Eastern Representative Office: Naka 7 Building, 3-Chome, Marunouchi, TOKYO.

Incorporated with Limited Liability in U.S.A.

THE WORLD OVERSEAS

Aid from Canada?

(From Our Ottawa Correspondent)

DESPITE the continuing drain on the sterling area's gold and dollar reserves, no formal request has been made for Canadian help to solve Britain's dollar problem, except within the context of the North Atlantic Treaty Organisation's studies on "burden sharing." Indeed, the prevailing atmosphere in Canada is far from favourable for further loans or grants. There is a strong conviction that grants, whether to Britain or to Western Europe, would only help to turn these countries into permanent pensioners of North America. The Canadian Government, particularly in the light of the "Three Wise Men's" report, insists that Britain and Europe must tackle their own economic problems much more resolutely before further help from across the Atlantic can have any constructive effect.

Two specific instances of what is felt to be Britain's failure are the food subsidies and coal. The case against food subsidies is argued in Canada in much the same terms as those with which readers of *The Economist* are familiar. But the argument appears even more strongly in the eyes of an overseas Finance Minister when it is suggested that he should tax his own people to help Britain. Subsidised food, it is argued, conceals the harsh facts of life from the British people. It may protect them from the higher food prices that everyone else—including Canadians—are having to pay, but only by keeping taxation at a level that destroys the incentive to increase production. And it is only by increased production that Britain can bridge the gap in its balance of payments.

A somewhat similar argument is advanced about coal. Because British coal output is insufficient, Europe is spending nearly a billion dollars a year on American coal. Dollar grants may keep that coal moving; but, many Canadians claim, they do nothing to make Britain and Europe increase their coal output, which is the only permanent solution. The political difficulties confronting Mr Butler and the other finance ministers of Western Europe arouse sympathetic understanding. But it is questioned whether those difficulties can be removed by any means short of hardship. To go on living on North American aid would merely continue to conceal from coal miners, and everybody else, the fact that they cannot have softer living until they produce more. These are all things that many responsible British people have been saying for a long time; it should be no surprise that the same things are also being said by responsible Canadians.

Nato's Request

It is this attitude that is likely to determine Canada's answer to the Nato "suggestions" for increased help. Various proposals for an increased Canadian military contribution have already been considered and found unacceptable, and are apparently no longer being pressed. The most important suggestion still under consideration is for Canadian help in the form of raw materials. It has been proposed that Canada should make free grants not only of strategic materials such as aluminium, but also of wheat. The first Canadian reaction was definitely unsympathetic. The extension of Nato into this field of economic aid is new, and in Canada, at any rate, it is not considered altogether desirable. Canada has no surpluses of which to dispose. Its raw materials are either used domestically or sold to the United States and Britain. Despite the bumper wheat crop this season, there is little fear that the exportable surplus of over 500 million bushels will not be sold. Britain has already undertaken to buy 113 million bushels. Of the other foods, there is no bacon available for export and only a few eggs. Britain could buy Canadian cheese, tinned salmon and apples, though it is extremely doubtful whether these items could be put on a mutual aid programme. It would, of course, be theoretically possible for Canada to accept sterling in payment for some of the raw materials and wheat it sends to Britain. But Canada still has to buy much of its requirements from the United States and for those purchases it needs dollars.

Canada's Mutual Aid

In the fiscal year 1952-53, Canada intends to spend $228 million on specific defence projects for mutual aid. This sum would cover the cost of the Nato air training scheme and the transfer of arms and equipment both new and old. In addition Canada expects to pay between $100 million and $150 million for airfields and barracks for its own forces in Europe. The Canadian Government has so far not agreed to any increase in this figure. But it will be re-examined before the Nato meeting in Lisbon next month. One possibility still to be discussed is an increase in funds for mutual aid within Canada's present total expenditure on defence. Canada could, if Nato so directed, reduce its expenditure on its own defence forces in order to increase its aid to other countries. But at the moment this manœuvre is still highly speculative.

It was ironical that after the Canadian Finance Minister, Mr Douglas Abbott, in his negotiations with the Three Wise Men, had made much of Canada's balance of payments as the limiting factor to what Canada could do, he should have abolished the last remaining foreign exchange controls almost immediately on his return. But Canada has two unique distinctions among the Nato countries. It is the only one paying for the whole of its own defence programme, including some mutual aid, without any help from the United States. It is also the only country, not excepting the United States, that has made good, in detail and in total, on every single commitment.

There is no intention of changing Canadian policy in either respect. But since Canada has a large deficit on its current account which is matched only by its surplus on capital account, and since exchange restrictions of all kinds have been removed, its first care is clearly going to be the preservation of its own economy on a basis that will inspire full confidence.

Mr Churchill, during his visit to Ottawa this weekend, is expected to restrict his talks to political matters. But North Atlantic co-operation is bound to get more than a passing reference, and in this context economic issues can hardly be ignored. Although the question of direct dollar aid is unlikely to be raised, the talks will undoubtedly include a discussion of whether Canada can play a fuller part in Nato than it has done so far.

France's Budget Crisis

[FROM OUR PARIS CORRESPONDENT]

LAST Monday M. Pleven's government was defeated by 341 votes to 243 with 37 abstentions on a vote of confidence on the budget. But although the government which drew it up has fallen, the budget itself is only in a state of suspended animation. The expenditure side of M. Mayer's *projet de loi* had already been voted. It was over the question of finding additional revenue to balance the extra expenditure that the Pleven government came to grief. M. Mayer asked for 165,000 million francs of new taxes, including a 10 per cent increase in income tax. The conservative deputies of M. Pleven's majority would not swallow this unless the government were given the authority to cut the pay roll of the state railways and the social security system. But M. Pleven's request for this authority cost him the indispensable support of the Socialists.

The great leap in French public expenditure is due, as the table below shows, to the obligations assumed by France as a member of the Atlantic Pact. The French military budget would not in any case have been finally settled until the Nato conference in Lisbon next month. But the estimated figure in the *projet de loi* is 1,045,000 million francs.

FRANCE'S BUDGET EXPENDITURE
(Thousand Million Francs)

	1950	%	1952	%
Ordinary civil expenditure	949	42	1,365	39
Reconstruction equipment of state property	141	7	170	5
Military expenditure	420	19	1,045	30
Renewal of war damage & building	278	12	400	12
Investment	449	20	477*	14
	2,237	100	3,457	100

* Of which 85,000 million are to be financed by loans.

In last year's budget military expenditure stood at 740,000 million francs, of which 520,000 million was allocated to metropolitan France and, of the latter figure, 212,000 million to French arms production. Although no accurate figures are yet available, it appears that a considerable slice of the arms credit was not spent during 1951, partly because of delayed tooling-up of factories with American machinery, partly through fear of exacerbating the rise in internal prices which threatened in the late summer. (In the introduction to the draft budget for 1952 it is stated that the budget deficit for 1951 is indirectly eased by the carrying forward of 54,000 million francs unexpended "on account of the difficulty of starting up the armament programme.") In the 1951 budget 255,000 million francs were due to come from American aid (Marshall Aid counterpart funds—115,000 million; US military aid—140,000 million). In the event no more than about 158,000 million arrived, with the result that the French government asked for, and received, interim aid amounting to 210,000 million francs to bridge the gap until Congress could vote the aid for the period July, 1952-June, 1953. In the 1952 French budget American aid is estimated at 160,000 million francs—(economic aid, 70,000 million; military aid, 90,000 million).

The 1952 budget is over a third larger than last year's. Ordinary civil expenditure, although it contains no additional items, is swollen by the increase in pensions enacted during 1951 and by increased maintenance costs. M. René Mayer has, however, proposed under this head two important economies which in the event stuck in the throats of many deputies: a reduction of the subsidy to the state railways from their estimated need of 140,000 million to 80,000 million francs (a measure which implies a drastic administrative reform and the extension of the working life of employees); and a severe limitation of state aid to the social security system, which must also be cut down.

FRENCH BUDGET: 1952
(Thousand million Francs)

Expenditure		Receipts	
Ordinary civil expenditure	1,365	All previous taxes as at December 31, 1951	2,640
Reconstruction and equipment of state property	170		44*
Military expenditure	1,045	American aid (economic and military)	160
Renewal of war damage and new building	400	Economies: new taxes	190
Investment	477†	Loans	400
	3,457		3,434

* Yield of increase of taxes on petrol and tobacco voted September, 1951. † Of which 85,000 million to be financed by loans.

Every effort has been made to push on with industrial investment. The lion's share goes to fuel and power (140,000 million) with the avowed object of putting France in as strong a position as possible before the Schuman Plan comes into force. Thus 73,000 million and 38,000 million francs are given to *Electricité de France* and *Charbonnages de France* respectively and 20,000 million to the *Compagnie Nationale du Rhône* which is responsible for the huge hydro-electric power system between Geneva and Marseilles. Other important items under the *Fonds de Modernisation et d'Equipement* which feeds both public and private enterprise, are agriculture, the steel and chemical industries and investment in overseas territories (89,500 million). Reconstruction of the merchant navy and fishing fleet, administered directly by the state, amounts to 34,000 million francs.

The building of houses, a desperate necessity in France, is a good way behind the position in most European countries. The bulk of the 400,000 million franc credit is allotted to the state controlled building fund, but a sizeable sum goes in loans to building societies towards houses of low rent. The main trouble over building has, of course, been the lack of capital available to private enterprise. State guaranteed loans and fiscal exemptions have at last contrived to stimulate private building, which, however, remains technically backward. The Minister's preamble admitted, moreover, that too great a financial allocation to building would lead to a disastrous rise in prices—an indication of the incapacity of a totally free economy to remedy a vital scarcity.

The Enigma of Siam

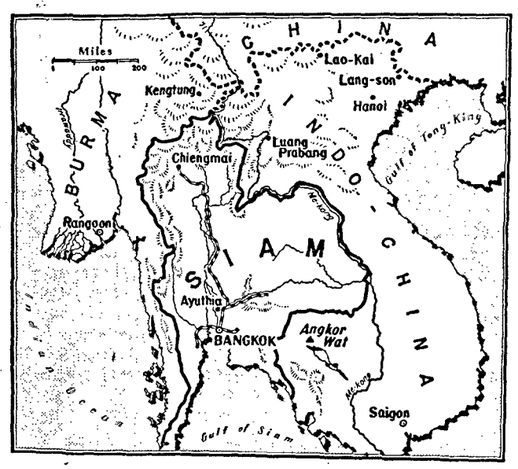
[FROM A CORRESPONDENT IN SOUTH EAST ASIA]

A CONFUSED situation exists on the northern frontiers of Siam's two neighbours, Indo-China and Burma. On the one frontier, a Chinese build-up of military forces has intensified French fears that, if there is a truce in Korea, Peking's aid to the Vietminh may soon take the form of an open Chinese invasion, only faintly camouflaged by the claim that the troops are volunteers. On the other, the Burmese are again passing through a period of more acute embarrassment than usual about the activities of General Li Mi's Chinese Nationalist forces, which retreated into Burma against the wishes of the Burmese at the end of the civil war. Peking now accuses the Americans of building up General Li Mi's army by helping to transport troops from Formosa.

Siam itself has no common frontier with China. But it occupies a critical central position in South East Asia, and it is already involved in the activities of General Li Mi, whose troops sometimes make use of Siamese territory and whose communications with the outside world are believed to lie through Bangkok. If the Chinese attacked Indo-China, the Siamese would have to think very seriously about their own position, and in Bangkok itself there now seems to be a growing apprehension that aggression may in fact come their way. What Siam would do in such a case depends largely on the fortunes of those in power.

The *coup d'état* of last November puzzled most foreign observers. For a country that is becoming fairly practised in such upheavals, it was rather crudely done. The revolution was bloodless, which implies good preliminary staff work, but it brought about a situation so unconstitutional that even Siamese ingenuity found it difficult to find a means of cloaking it in legality. After some delay a solution was found in acceptance of the *fait accompli* by the young king and by his reappointment of Marshal Pibul as Premier.

The facts about the coup were drastic and simple. A committee of nine, three each from the Army, Navy and Air Force, assumed power, dismissed the government and replaced the 1948 constitution by the less democratic one set up in 1932 after the original coup against the absolute monarchy. This 1932 constitution provides for a single-chamber parliament consisting of an Assembly with one-half of its members nominated by the government and the other half elected. At present this Assembly consists only of its nominated members, but even after the election of the other half, which will probably take place in February, the present government is in no danger of being voted out of office. It seems that the committee of nine were unwilling to run the risk of a completely democratically-elected Assembly.



It is also likely that there was a good deal of fear lest the king, then in the last stages of his journey back from Switzerland, should seek to rule in his own right. The official excuse for the coup, that Communism was spreading in the government and had infected some of the Ministers, is not taken too seriously in Bangkok. It is fashionable these days to call opponents of the government Communists. It is known, however, that the members of the former Senate, many of whom had royal connections, had opposed and delayed a number of government measures and had been openly critical of corruption.

The position of the young king is difficult. He is now of age and takes the place of his elder brother who was shot during the Pridi regime. There is undoubtedly a great veneration for the person of the monarch throughout all classes in Siam. His return now, with a young and charming bride could, and probably will, greatly add to this respect for royalty. It is possible that, if the coup had not taken place, the king would have received a good deal of support from the Senate and the Assembly, and that traditional feelings might have gone a long way towards restoring absolute royal power.

As things are, the seat of real power is probably now to be found with Generals Phin and Pao, and probably also with General Srit, who appears to have come to terms with his colleagues. It is likely that, although Marshal Pibul still heads the government and still has a considerable measure of personal prestige, he is no longer the dominating figure that he used to be. In the immediate future, Siam's foreign relations are likely to remain unchanged; the country is still receiving American economic aid and military supplies, and it is still officially pro-West. So long as there is no dramatic change in the relations between East and West, this state of things will probably continue. Internally, there will also be little immediate change, and such corruption as has existed will probably continue.

On the economic front, Siam is still well placed, and many are making good money. If the end of the Korean war were to ease world tension and to be followed by a more general settlement in the Far East, however, there would sooner or later be a fall in the price of rice. This might knock the bottom out of Siam's present rather unstable prosperity. On the other hand, while the current rice crop is quite good, the entry of Japan into the market as a free nation may absorb a much greater part of the exportable surplus than hitherto. In this respect much will depend on Japan's supply of dollars and on the mounting flow of Japanese goods now coming back into Siam in increasing quantities—at prices which do not seem, however, to be anything like as low as before the war. Already high premiums are being paid over the official price for rice, and it may be expected that British buyers this year will meet with some stiff bargaining.

Looking to the future, the position of Siam is not easily predictable. Although the large Chinese minority is a source of danger, Communism holds little attraction for the Siamese people who are still by nature profoundly royalist. On the whole, the recent change of government should not be viewed in any alarmist way. It was principally a domestic matter. All the same the weakening of Marshal Pibul has probably made it easier for Siam to change its attitude towards America and the West if it chooses to do so. Those who have edged their way to power may well prefer to resume the traditional Siamese role of sitting on the fence. Nor should it be entirely overlooked that Luang Pridi, Siam's leftish elder statesman, whose whereabouts are not at present known but who has spent some time in China since the Communists took over in Peking, was also one of the key leaders of the original revolt which was responsible for the 1932 constitution.

German Exports Soar

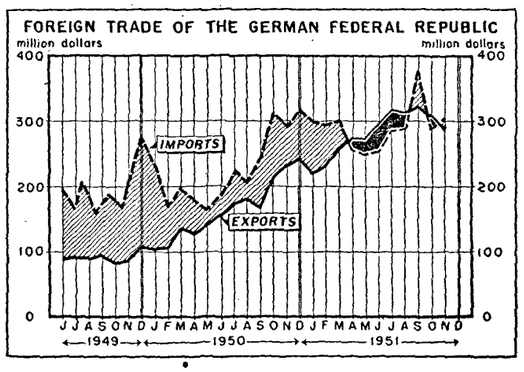
FEDERAL Germany's exports for 1951 were nearly double the figure estimated in the long-term plan of the Organisation for European Economic Co-operation. The final figures, it is evident, will show that exports at $3,380 million were almost 70 per cent higher than in 1950. Total exports in 1950 were nearly double those in 1949. At the year's end, however, it appeared that this spectacular rate of increase was not being maintained.

Comparisons with the prewar period are difficult owing to the present division of Germany. But according to the OEEC, the volume of exports from the Federal Republic is already considerably higher than in 1938. During the third quarter of this year the index of exports by volume was 670 against 530 in 1938 (1948=100). The prewar pattern of Germany's foreign trade has been swiftly regained. Engineering products are again the most important group of exports. Sales of heavy machinery, machine tools and cars have soared in the last three years.

German industry has been quickly catching up on Britain in overseas markets. But it has still a long way to go. Total German exports were only one-sixth of the British figure at the time the OEEC was formed, and they are still only about one-half. Moreover, it cannot be said that the Germans have secured their place in export markets by unfair methods. On the contrary, they have been handicapped in many ways, such as their late start, the seizure of their assets abroad and, until recently, the ban on setting up foreign branches and consulates. On the other hand, they have been the largest beneficiaries from Marshall aid, and have been guided back into the dollar market by energetic American experts.

The rise in German exports to the United States has been particularly remarkable. In the third quarter of 1949 they were only $3 million a month; in the same period of 1950 they were three times as much, and during the third quarter of 1951 they were $22.6 million. Nevertheless, the Federal Republic has been running a deficit of about $30 million a month in trade with the United States, and has been drawing on the reserves which it has built up largely through the money spent in Germany by Americans.

German foreign trade as a whole will show a surplus for 1951 when the final figures are issued. This, too, is a remarkable improvement on 1950. It was in part due to the cut in imports which the OEEC imposed early in 1951, when



Germany ran into a payments crisis with the European Payments Union. Germany now has a large surplus with the Union. German exports to the EPU area will, however, be reduced by the restrictions which Britain has imposed, and German purchases from the EPU area will be increased now that imports have again been liberalised (though only to the extent of 62 per cent) as from January 1st.

The most intensive export drive is being made by the German engineering industry, with Latin America, North Africa, the Middle East and other under-developed countries as the main targets. To the South American countries, for example, exports in the third quarter of 1951 were $31.6 million, compared with only $10.3 million in the same period of 1950. With facilities for cheaper and more extensive long-term credits it is believed many more contracts might be secured.

German bankers are giving much thought to the problem of financing foreign trade. The Federal Republic is not yet accepted back into the network of international commercial finance. Bankers estimate that, if they had normal international credit facilities at their disposal, Germany's foreign exchange working capital would show a saving of at least $400 million a year in the import trade alone. So far, the Central Bank has been the sole source of export credit, and, as a stern guardian of the currency, it does not intend to go beyond its present, fully exhausted, quota for medium and long-term financing. As an interim solution, it is proposed that the commercial banks should themselves set up an export bank which would provide medium and long-term credit facilities up to a total of DM 400 million. But credit would remain insufficient and dear. Hence, German bankers hope that the Republic will soon be able to join the Bretton Woods organisations and that doors will then be opened to the world of American finance. They look for extensive aid from the Export-Import Bank. In the meantime, the experience of the last few years has shown that the Germans are capable of extraordinary feats by way of self-help.

Egypt Toys with Boycott

WHEN the Egyptian Foreign Minister lately said, in a speech in the Ruhr, that Egypt was going to reorientate its foreign trade, he can only have been hinting at the possibility of forcibly restricting trade with Britain. For the reasons that are outlined in the preceding article, Germany was an appropriate place in which to say this. Whether he was expressing a serious intention of his government is problematical. The topic is one that goes down well on the home front, but many prominent Egyptians—the King's two new advisers among them—are known to be loth to go to the lengths of embargo. Yet, as events in Persia have proved, emotion often transcends self-interest in the Middle East. A commercial boycott against Britain is therefore a possibility that British traders cannot afford to ignore.

The attitude of Egyptian Cabinet ministers to the question is in keeping with the rest of their policy. Behind loud words and angry gestures there is still a plaintive note of realism. British forces in the Canal Zone are manifestly too powerful to permit the luxury of declaring open war, but the encouragement of civilian guerrilla sniping provides a vent for spleen. To appease vociferous elements in the press and elsewhere, the Wafd Cabinet has dismissed a handful of British technicians from government service, and has let it be known that tenders from Britain will no longer be considered for government supplies. The inspired strikes of dockers in Port Said and Alexandria are being used as a brake. But British trade with Egypt is, as yet, practically unaffected.

The temptation for Egypt to interfere with it must be enormous. Compared with action in the military sphere, the consequences to Egypt of a trade boycott, although no less far-reaching, would be less immediately catastrophic and must for that reason commend the idea to a temporising Cabinet. There remain one or two measures of nuisance value still open to the government, such as interference with the still-flourishing British-owned banks in Egypt; but only an uncompromising ban on all things British would have the necessary propaganda value in the country. That it has not yet been tried is a measure of the importance to Egypt of Britain as a market and as a source of supply.

Britain's position is not entirely inviolable. Nahas Pasha can turn in several directions; to the USSR and its satellites on the one hand and to Japan and Germany on the other. Egypt's greatest weakness is its dependence on Lancashire for the sale of its major export—raw cotton. During the crop year 1950-51 Britain alone took 30 per cent of the Egyptian crop. During the same period, raw cotton accounted for over 85 per cent of Egypt's total exports. Egypt cannot hope to dispense with the Lancashire market without acute hardship, yet there are two factors in its favour. As Japan returns to its prewar position in the textile markets of the world, its consumption of raw cotton is expanding. It has been taking an increasing amount of cotton from Egypt in the last few years. At the same time technical facilities in the Japanese industry limit the amount of Egyptian (as opposed to American) cotton that Japan can absorb. In the second place, the demands of the Russian market mean that textile capacity in Czechoslovakia is increasing. The USSR itself would not be averse to stock-piling cotton on favourable terms, though, like Japan, American rather than Egyptian cotton is its staple need. Even the most optimistic Egyptian cannot get away from the fact that Japan and Czechoslovakia each took little more than 4 per cent of Egyptian exports during the last crop year. They cannot boost their consumption by nearly five times, which would be necessary if they were to replace Lancashire.

Cotton, however, is by no means the only reason why reasonable Egyptians might think twice before they pre-

cipitated a trade war with the United Kingdom. A very large proportion of Egyptian imports of equipment, electrical goods and vehicles, come from British factories. Again, Egypt is not powerless to soften the effect of losing these sources of supply. Germany has always been Britain's main competitor in this trade. The Germans are at this moment busily engaged in recapturing from Britain as many of the overseas markets for these commodities as they can secure. Germany, indeed, would certainly profit if British goods were boycotted by Egypt. But Egypt would still lose. German makes could not replace British makes for some time to come.

Egypt's largest single import is wheat, and most of its wheat has come in the past from Australia. A boycott against Britain would undoubtedly mean no wheat from Australia, as Britain is Australia's largest customer. Under the International Wheat Agreement, Egyptian requirements are guaranteed though not from any particular source. Egypt could easily make up the loss of Australian supplies from the United States or Canada—indeed, it may have to do this in any case in view of the shrinking export surplus in Australia—but only by spending dollars. Here, too, the Russians could slightly ease the situation. They have regularly sent wheat to Egypt; and they have recently concluded a new and bigger wheat-rice deal. They could not, at the present rate, begin to meet Egypt's full needs. But if they chose to be only a little more accommodating, they might give another fillip to the Egyptian government's dutch courage.

Dependence on Sterling

Finally, there is Egypt's present dependence on the use of sterling, not just in its trade with Britain and the sterling area, but with the countries of western, and even eastern Europe. These transferable facilities would presumably come to an end in the event of a boycott on British trade. Egypt could, to some extent, get by with a series of improvised barter deals. But trading outside the sterling area would become very much more difficult at a time when it was vital to expand it. This, if nothing else, might put a brake on the development of German-Egyptian trade. Capital equipment is expensive; and Egypt could not send Germany enough of the cotton which would otherwise have gone to Lancashire to cover a greatly inflated import bill; and German traders could not export on credit.

At present, also, Egypt pays for its oil with sterling, under the terms of the agreement on sterling releases made in July, 1951. In conditions of economic war, between itself and Britain, Egypt might find it difficult to buy oil from any oil company, even for dollars. A great deal would depend on the attitude of the United States and the American companies. But even if the oil were forthcoming, it might cost the Egyptians an additional £E10 million worth of dollars per annum. The sum of these drawbacks adds up to a formidable figure. Yet the issue is likely to be decided regardless of the material cost by what the government believes to be politically expedient inside its own country.

Leaving out the great bulk of the peasant masses, who toil without wonder and without voice, there remains a considerable body swayed by demagogy whose noise is influential. On this section depends the success or otherwise of any popular movement for a consumer boycott on British goods, less by the personal action of individuals than by the degree of fear inspired in other classes by the mass movement. Most important among the other classes are the small businessmen, traders and shopkeepers, large numbers of whom belong not to the Moslem core, but to minorities. That many of these are by origin non-Egyptian has less bearing than might be thought; the group as a whole remains Levantine, with a high degree of assimilation into Egyptian life. It is not difficult to persuade a far from wealthy Levantine that he detests Western Europeans; even when an identity of material interests is obvious, a sense of envious inferiority is there to be exploited.

Yet doubts are legitimate, for if the poorer half of the Egyptian professional and business middle class were to join the mob, their richer and more comfortable colleagues would not be on their side. And big business would be ranged against them. Anyone who has seen the Egyptian business magnate at work in Cairo or Alexandria knows how far-reaching are his ties with the west. They spring from motives as various as close personal friendships and dislike of the Soviet Union. In Alexandria in particular, Levantine families have for generations given their children British schooling and intermarried with local British families. Such ties would only be broken if men feared for their skins. Anglo-Egyptian commercial relations hang on a slender thread, but it is a tough one and, just now, it seems to be holding.

Why No All-Union Congress?

There was a spate of party meetings in the Soviet Union towards the close of 1951. Party congresses were held in the Republics of Kazakhstan and Latvia, and in the Chita region (Far East); regional meetings of party cadres took place in Moscow, Leningrad and Kuibyshev; earlier in the year congresses had been held in other republics. Before the war such an outbreak was the prelude to the All-Union Party Congress in Moscow. Yet though the Party statute stipulates that this congress shall be summoned at least once every three years, none has been held since 1939. Local congresses, therefore, seem to have ceased to be dress rehearsals, and have rather become a substitute for the All-Union Congress.

Obviously no one in the Soviet Union dares to complain about this breach of the Party statute, nor does the Russian press give any explanation of it. Yet reasons are discernible. All-Union Congresses were important meetings. During the proceedings the economic situation of the country was reviewed in detail and plans for the future were outlined; the international situation was also analysed and the headlines of Soviet policy were sketched. During the last Congress both Stalin and Molotov made speeches lasting several hours, and were fully reported in the press.

In the present tense international situation, when Soviet leaders do not want to disclose even the 5-Year Plan, they are reluctant to show their whole hand. Yet the Party machine must be kept going, the enthusiasm and discipline of the members must be fostered and grievances vented. This purpose is partly fulfilled by regional meetings, reports of which need not be ample, and need give only fragmentary evidence of Soviet achievements and failures.

As far as can be gathered these regional meetings deal less with general policy than with boosting up local production. On the "ideological plane" there are repeated accusations of nationalism in the non-Russian republics, which have in both Kazakhstan and Latvia led to purges in the Party secretariat. In general, exaggerated bureaucracy, political apathy and poor attendance of Party educational courses are being attacked. In the economic sphere, while there are reports on the successful fulfilment of the annual plan, the Congresses reveal two interesting shortcomings. Complaints about falling productivity in Karaganda—a region which was greatly developed during the war—may indicate that the Soviet eastern regions find it difficult to keep up the hot pace introduced during years of crisis; and various reports on livestock seem to indicate that the 3-Year Plan for livestock development (1948-51) has not been wholly successful.

Aspects of Enterprise No. 21

SIMON ENGINEERING GROUP

Doing it pneumatically is often the best and sometimes the only way to handle bulk materials, especially when it is important to prevent contamination, dust nuisance or the escape of noxious fumes. Simon Handling Engineers have developed the pneumatic conveying system for forty years and have applied it extensively to grain, coal and dozens of other industrial materials. Pneumatic disposal of fine flue dust is increasingly used at power stations. A special pneumatic technique is being successfully applied in flour mills. Improvements, refinements and new applications of pneumatic handling are constantly studied in the Simon research and development organisation.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

Contractors for every class of Building and Civil Engineering

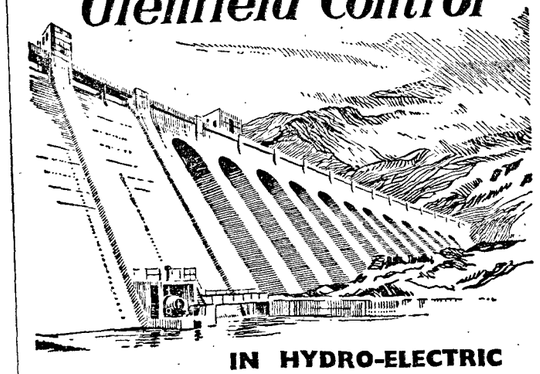
RECENT CONTRACTS AT HOME AND OVERSEAS

Power Stations
Atomic Energy Establishment
Steelworks
Cement Works
Factories
Aerodromes and Airfields
Opencast Coal
Gold Mine construction works
Oil Refineries
Harbour Works
Roads and Sewers
Housing Schemes
Schools
Television Station

LAING

JOHN LAING AND SON LIMITED. *Established in 1848*
London, Carlisle, Johannesburg, Lusaka

Glenfield Control

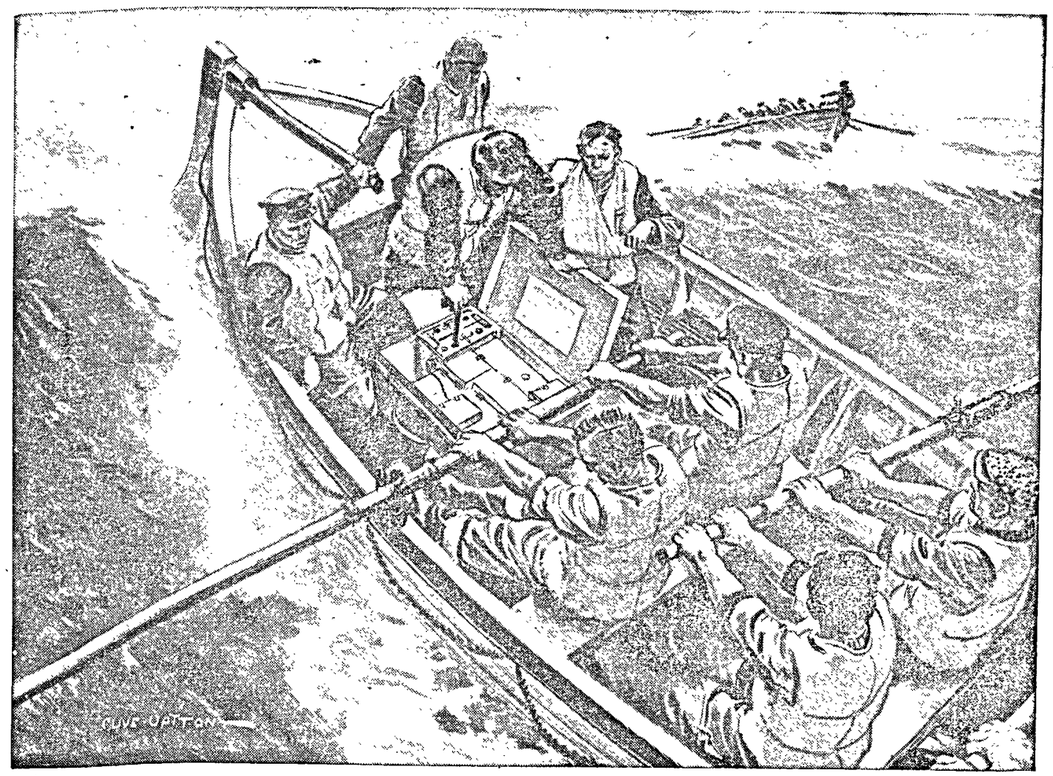


IN HYDRO-ELECTRIC POWER PLANTS

After the dam is built there remains the need to control the impounded waters at the points where scour and compensation water are required to be discharged.

"Glenfield" Needle Valves combined with Jet Dispersers are performing this function on dams throughout the world.

Glenfield
GLENFIELD & KENNEDY, LIMITED · KILMARNOCK
HEAD OFFICE & WORKS · KILMARNOCK, SCOTLAND



We've solved some problems in our time!

In 1942, peak period of Hitler's submarine campaign, came a request for batteries to operate wireless transmitters in the ships' boats of the Merchant Navy. Batteries that could be relied upon to give immediate service when needed, even if they had been standing by unused for as long as two years.

¶That was a problem. No such battery existed. Normally a filled battery progressively loses its power when idle and needs periodic recharging; an unfilled battery needs a lengthy first charge before it can be used.

¶Our answer was to produce the Exide self-priming battery. Its plates were *dry* charged, and sealed in a compartment separated by a thin diaphragm from another compartment containing acid. When the diaphragm was pierced with a punch attached to the battery, the acid ran on to the plates, and within a few minutes the battery was working at full strength—even after 2 years or more of inactivity.

¶Thousands of these batteries were supplied; and many a seaman owed his life to them.

¶We have been solving battery problems for over 50 years. Wherever batteries are used today you will find Chloride, Exide and Exide-Ironclad batteries giving good service in jobs for which they were specifically designed at a user's request. Our battery research and development organisation, the largest and best equipped in this country is now, as ever, at industry's service—ready at any time to tackle another problem.

CHLORIDE
BATTERIES LIMITED
Makers of Exide Batteries
EXIDE WORKS · CLIFTON JUNCTION · NR. MANCHESTER

THE BUSINESS WORLD

The Gold Drain

BRITAIN'S loss of gold and dollars from the central reserves during the past three months has reached, if not surpassed, the worst expectations. The figures disclosed by the Chancellor last Monday seem to have been received with relative calm by a general public lulled into false security by sheer familiarity with recurrent crises; but they have rudely shocked every competent observer. The gold and dollar deficit of the sterling area in the final quarter of 1951 amounted to $940 million, or £336 million, a frightening rate of drain that was exceeded only in the catastrophic year 1947, when Britain was running rapidly through the American credits. In the third quarter of 1951, when the second quarter's surplus of $54 million was converted into a deficit of $638 million, Mr Gaitskell estimated that less than half the drain was attributable to what he called underlying factors, and implied that the fourth quarter would show a perceptible improvement. This still seemed to be a possibility even after Mr Butler had revealed, in his opening speech as Chancellor last November, that in the month of October the rate of deficit had mounted to $320 million. But in fact the moderate improvement that occurred in November and December still leaves the deficit for those months at a monthly rate above that for the previous quarter—before counting in the $176 million that was paid at the year-end in service on the US and Canadian postwar loans.

The quarter's deficit thus comprises $320 million for October and $444 million for November and December, plus the loan service; and it surpasses the third quarter deficit by $302 million. In these two quarters the aggregate drain has been no less than $1,578 million (£564 million), or fully $400 million more than that for the two worst quarters of 1949, the drain that precipitated the devaluation of sterling. In every past phase of major strain, moreover, the impact of the deficit upon the gold reserves has been heavily cushioned by special forms of dollar aid, by way of loans, gifts or drafts on the International Monetary Fund. Now, instead of securing substantial relief, Britain has had to pay in loan service much more than it has received from the vestiges of Marshall aid; these provided $40 million in the third quarter of last year and $6 million in the fourth. Hence the deficit falls with dead weight upon the gold and dollar reserves. In the past quarter the reserves have fallen by $934 million (£334 million); this is by far the biggest quarterly loss that has ever been experienced. Indeed, the loss in these three months has been very little less than the whole loss in the three worst years of postwar deficits: the loss of reserves in 1947 was $618 million, in 1948 $223 million and in 1949 $168 million, a three-year aggregate of $1,008 million.

If these stark comparisons are not enough to shake the general public into awareness of the national danger, one further calculation should surely do so. The drain of the past six months has reduced the total reserves of gold and dollars to $2,335 million (£834 million), the lowest figure since early 1950. No comfort can be drawn from the fact that appreciably lower levels were reached during 1948 and 1949. The relevant comparison is not with these earlier years, in which substantial special aid was available, but with the current rate of deficit. The level of the reserves at the year-end exceeds the deficit actually incurred in the preceding six months by less than 50 per cent. In other words, if this rate of deficit were to continue, and if no external aid were forthcoming, the reserves would be totally exhausted before the end of September next. The breathing space that Mr Gaitskell thought was available for the devising of remedies is now seen to be desperately brief—and he is doubtless thankful that it is not he who has to devise and impose them.

*

The intensification of the strain in the past quarter is officially attributed to three groups of factors each of which had previously been expected to afford some relief. In the first place, there has been a further reduction in the earnings from sterling area exports to the dollar area, both from the United Kingdom and from the overseas members of the sterling area. The slackening of American and Canadian demand for Britain's exports of manufactured goods has aggravated the effects of the virtual suspension of American governmental purchases of certain primary commodities, notably tin and rubber. Secondly, the abnormally high purchases of dollar imports by the sterling area in the third quarter have persisted. Indeed, while the rate of Britain's expenditure has been approximately maintained—partly in consequence of continued purchases for official stocks—the dollar purchases of the rest of the sterling area appear to have risen further. Thirdly, both the United Kingdom and the rest of the sterling area have continued to run heavy deficits with OEEC countries. Mr Gaitskell had assumed that the strain under this head would be reduced during the fourth quarter of 1951; but in fact the quarter's loss of gold to the European Payments Union proved to be only $8 million less than the $106 million lost in the third quarter—despite the fact that Britain received substantial credits from EPU under the terms of the agreement. Moreover, the quarter's gold loss is computed after crediting $39.2 million received from ECA under its guarantee to refund to Britain any gold lost to EPU on account of drafts on "old" sterling balances made by net debtors to the Union.

It should be emphasised that the gold and dollar accounts are not yet reflecting the effects of the import cuts and other measures of economy in overseas expendi-

ture announced by the Chancellor in early November. The first fruits of these measures may be felt next month, and increasingly thereafter. The knowledge that these steps have been taken, and the confidence of foreigners that the new Government will implement its promise to take such further steps as are necessary, perhaps explain why the continuance of this critical rate of deficit was not, apparently, accompanied by any renewal of speculative pressure against sterling. Such pressure certainly accounted for a large part of the increase in the deficit during October; conversely, the moderate diminution in the deficit during the ensuing two months must have been partly caused by the cessation of this pressure and by some covering of the *short positions* opened previously—covering that was stimulated by the reopening of the foreign exchange market.

It is apparent, however, that the steps taken so far cannot make any decisive contribution to the solution of the problem. The Chancellor hoped to save £350 million over the period of a year, by miscellaneous economies, by cutting down official purchases for stock, and by reductions in private imports mainly from the OEEC group of countries. None of these measures was specifically directed towards economy in dollar imports, though much of the reduction projected in stockpiling may have this effect, while the cuts in imports from the OEEC area should reduce the gold payments that have to be made to EPU. It is impossible to say, however, how much of the £350 million programme, when fully operative, will give dollar relief. There will naturally be some relief; and Britain also expects to benefit "in time" from the Nato studies of the burden-sharing exercise. But it is apparent that a substantial gap will still remain.

*

Since the deficit results from the transactions of the sterling area as a whole, the burden of meeting it has to be shared among the family. The problem, moreover, is very far from being exclusively—or even mainly—a dollar problem. Britain is running a very heavy deficit on its current trading with the rest of the world; and most other members of the sterling area are likewise in deficit on their international transactions as a whole. Neither the aggregate deficit of the sterling area nor its dollar deficit will ever be bridged unless a policy of stern retrenchment is practised throughout. This aspect of the problem was discussed in detail in *The Economist* last week; and since then the representatives of the governments concerned have begun their preliminary approach to it—by the opening of the London conference of officials who are preparing for next week's conference of ministers. Although the British Government evidently hopes that restraint by overseas members of the sterling system will substantially alleviate the strain, and although it has itself made the first moves towards economy, it freely admits that Britain's own contribution is still not large enough. The emphasis so far has been upon cuts in imports, and doubtless they will be cut further; but in the second phase of Britain's programme the emphasis is expected to shift to the task of expanding exports. The earlier hopes that the industries producing consumption goods could shoulder most of the burden have now been shown to have been misplaced; and the new Government has recognised the unpalatable fact that any appreciable further expansion of British exports at this stage depends upon the release of capital goods and of other products of the metal-using industries.

From this it follows that the second wave of cuts, when it comes, will be felt by the British public in shortages of home-produced goods rather than of imported goods. But it remains to be seen whether the Government will be as tough in dealing with the British consumer as it now seems likely to be when dealing with demands for investment goods. Obviously, there is a case for economy in this sphere as in all others, and it is one of the primary functions of the new monetary policy to ensure it. But it would be disastrous if the Government were to cut deeply into necessary industrial re-equipment merely in order to minimise the politically *unpalatable tasks* of squeezing personal consumption and of pruning the portion of consumption that is provided by the state. Mr Butler has this week reaffirmed the Government's determination to take all necessary steps

STERLING AREA DOLLAR DEFICIT AND RESERVES
(US $ Million)

Years and Quarters	Net Surplus (+) or Deficit (−)	Financed by: US and Canadian Credits	Purchases from IMF	S. African Gold Loan	ERP	Change in Reserves	Reserves at End of Period
1946	− 908	1,723	...	...	...	+ 220	2,696
1947	− 4,131	3,273	240	...	...	− 618	2,079
1948	− 1,710	352	128	325	682	− 223	1,856
1949 :—							
I	− 330	30	32	...	325	+ 56	1,912
II	− 632	30	...	...	340	− 262	1,651
III	− 539	29	...	...	284	− 225	1,425
IV	− 31	27	20	...	246	+ 263	1,688
Total, 1949	**− 1,532**	**116**	**52**	**−**	**1,196**	**− 168**	**1,688**
1950 :—							
I	+ 40	27	...	...	229	+ 296	1,984
II	+ 180	18	...	...	240	+ 438	2,422
III	+ 187	...	...	...	147	+ 334	2,756
IV	+ 398	...	...	...	146	+ 544	3,300
Total, 1950	**+ 805**	**45**	**−**	**−**	**762**	**+ 1,612**	**3,300**
1951 :—							
I	+ 360	...	...	...	98	+ 458	3,758
II	+ 54	...	...	...	55	+ 109	3,867
III	− 638	...	...	...	40	− 598	3,269
IV	− 940*	...	...	...	6	− 934	2,335
Total, 1951	**− 1,164**	**−**	**−**	**−**	**199**	**965**	**2,335**

* Including $176 million payments on US and Canadian credits.

"to make and keep sterling strong," and has stated that upon the reassembly of Parliament a new series of measures will be announced "to enable the economy to concentrate on its essential tasks, especially the expansion of exports, and to perform them with growing efficiency." These measures will be the first real test of the Government's courage and understanding. But they will not be the ultimate test; that will come in two stages, when the Civil estimates are presented and when the budget is introduced. The impending measures seem likely to seek restraint by "physical" measures—especially of investment control and allocation of raw materials. But if the Government relies mainly upon such devices, it will be making, in principle, the same cardinal mistake as its predecessor. Its financial policy, working through budgetary retrenchment, taxation and monetary pressure, must be at least as tough as the intentions of its "physical" measures and ought to be a good deal tougher. To make them so will require real courage, but if the Government can summon the necessary resolution, it has in these latest gold figures the clearest possible means of demonstrating to the public why unpalatable measures have become imperative.

Steel and Green Paper

ALL forms of steel allocation are probably inefficient; some are more inefficient than others. But the volume of protest that an allocation scheme may arouse when first it is invoked to share out scarce steel is not necessarily an accurate measure of its inefficiency. Given the sufficient gap between supply and inelastic demand that alone justifies resort to physical controls, and given an inevitable lack of knowledge among consumers of the exact degree and pattern of the shortage, it might paradoxically be argued that the more complaints an allocation scheme provoked at the outset the more effectively was it doing its job. He would be a brave man who would argue this point in support of the allocations of steel to individual consumers that have now been made for the two months from February 4th. These allocations are unlikely to approach very closely to the ideal distribution of steel that the changing tasks of the metal using industries now require. But they do at least strive to bring some principle of comparison between the more and the less essential needs of the economy into the sharing of steel supplies, and if consumers complain now, at least they agreed that this was necessary when the shortage of steel began to be felt early last year. It has since been sharply accentuated. The second quarter's allocations, which should be announced in mid-February, may remove some of the more glaring anomalies that the first allocations contain. By the time that the scheme has been running for six months or so the paper allocations, at least, may be more or less accurately adjusted to essential needs—which does not necessarily mean that individual industries or companies may not still be full of complaint.

So far the Government has said little to amplify the original estimate of the 1952 steel shortage that Mr Butler made at the beginning of November: "We need some 1,500,000 tons of finished steel more than we have been able to produce or import in 1951 to meet home and essential export needs." An official estimate of steel production in 1952—between 15¾ million and 16 million tons—has been announced, but the estimates of probable supply and requirements on which, presumably, the estimated shortage was calculated remain undisclosed. In present circumstances, to venture into private estimates might be premature. If the gentlemen in Whitehall know best what the facts are, they have not published them, save as round figures that suggest a deficiency of supplies of finished steel of no less than 15 per cent. This is a serious prospect, though the interim communiqué from Washington gives some reason to hope that it may be partly alleviated. It challenges the Government's hopes of a considerable increase in the output of the metal using industries for defence and for exports. Given sufficient steel, those aims might have been achieved largely by an expansion of the total output of metal using industries. But in 1952 they will mean corresponding reductions in steel for consumers' goods sold on the home market—reductions that in some cases will have to be drastic—and to some extent in steel for capital investment within British industry.

The principles, rather than priorities, according to which steel allocations have been made are straightforward enough. Coal, defence production and metal exports are as far as possible to be assured all the steel they require. The steel needs of transport, electricity, steel-making itself, the oil industry and shipbuilding are also to be "protected." In other industries, steel supplies are as far as possible to be related to their importance to the economy as a whole and to their export performance. There are no over-riding priorities—which is sensible—but some of the basic industries and services are to receive up to 20 per cent more steel than they were using a year ago. This means, inevitably, some sharp cuts—reaching perhaps 25 per cent or more—in the steel allotted to some of the less important industries. In general, the supplies allotted to these will depend upon their export performance, and cuts are not to be greater than could reasonably be made in their production for the home market.

164797

These principles, and the growing experience of the working of the allocation scheme, will, it has been said, eventually fit the allocations to essential needs. No doubt the scheme will only work tolerably if every factor in it —including the principles—"gives," when the strains threaten to become too great. Whether the steel itself will be so nicely distributed as the green "IS" forms which give a title to it is, on past experience, open to doubt. The allocation scheme that the present Government inherited from its predecessors, hastily inspected, and postponed for two months is essentially the same as the wartime scheme that came to an end in mid-1950; this plain fact does not inspire confidence in its efficacy. The total amount of steel likely to be available is shared between the Government's "production" departments by an inter-departmental materials committee. Each department divides its share among the industries for which it is responsible in accordance with the basic principles, and thence between the individual producers in those industries. Steel consumers obtain an authorisation for the total steel that may be used in their products; this they may sub-allocate in order to ensure that their subcontractors and component producers can obtain the steel they require to make sub-assemblies or components. For certain components supplied in standard grades to a wide variety of industries, such as ball-bearings, bulk allocations of steel are made to the producers and no subauthorisations by consumers are required; there is a special scheme that covers small consumers of steel, and very small quantities will continue to be obtainable without authorisation. But so far as the great bulk of general and alloy steel is concerned, producers will not, after February 4th, be entitled to supply steel, nor will stockholders be entitled to draw upon their stocks, except against authorisations granted under this "vertical" allocation scheme. For sheet steel a scheme of this same vertical kind has been in operation continuously since the war, and control of tinplate, also, has continued.

Some of the complaints recently voiced about the allocations for individual industries and companies may have been partly caused by the fact that records of the steel used in products authorised by particular depart-

ments ceased to be collected in 1950, when the control of general steel came to an end. In order to check consumers' applications for steel—which in total were inevitably often based on optimistic assumptions about output, if not deliberately inflated to offset an expected cut—the departments have been using those 1950 statistics, adjusted as far as possible to take account of the subsequent changes in the volume of output that they know or believe have taken place within particular industries. These have been used as a basis for estimating "requirements" upon which the departments have then proceeded to make percentage increases or cuts. The difference between these "requirements" and the figures of consumption at the end of 1951 or hopes for early 1952 with which consumers have been comparing their first allocations may explain some of the discrepancies between published statements of complaint and defence. There would seem no reason why the departments' estimates of requirements should not have been brought reasonably up to date. Since 1950 vastly improved statistics of consumption by industries, though not necessarily by products, have in fact been collected by the steel industry itself; these would surely have assisted the departments concerned to bring their records up to date in many cases. It is one of the incidental consequences of the clumsy instrument of allocation that these improved industrial statistics of steel deliveries to industries are no longer to be collected; records will now be collected only under the categories of groups of products authorised by particular departments, which may class differently some of the products of the same engineering firm. Such a basis of recording is far less generally valuable: but it may eventually enable the departments concerned to adjust their allocations towards greater accuracy and equity.

This scheme, it is only fair to say, was chosen not only by the two Governments concerned but by the representatives of industrial steel consumers. The main reason, perhaps, was that it was familiar to industrialists and civil servants; it has also certain advantages of administrative convenience, compared with other systems. Moreover, it had been delayed pending the result of the election, and was thereafter hastily adopted by the Conservatives as the scheme that could be brought in most quickly. Whether this hurry, and the somewhat shortened scrutiny of individual allocations that it compelled, will quickly improve the distribution of steel remains to be proved. More fundamental criticisms of this type of scheme have often been voiced, notably by the steel industry itself, which favoured a "horizontal" scheme under which bulk allocations of steel would have been made by the Government to all consumers, without sub-allocation. Such a scheme would have had its inconveniences for Government departments, and it would have deprived principal contractors of their power to ensure that their sub-contractors hold authorisations for given supplies of steel. But the present scheme, with its thousands of sub-authorisations filtering through the channels of the steel trade, is dangerously open to abuse. It can take no real account of the steel stocks held by the consumers to whom a sub-authorisation of steel may descend; and consumers' stocks might still be a fairly important potential source of steel in the 1952 balance of supplies. And while there may be no logical reason why such a scheme must inevitably bring about an inflation of paper claims compared with the steel actually available, its predecessor and blood brother always did, up to the time that it was abandoned in 1950. Now that the vertical scheme is in being, no doubt every effort will be made to work it successfully, with better experience of the weaknesses to which it is prone. But those weaknesses only re-emphasise the much greater importance of action by the Government and the steel industry on the other side of the steel equation: towards producing and importing from all sources all the steel that the economy really needs.

Business Notes

Bank Profits and Gilt-edged Depreciation

So far as may be judged from profits statements that are always severely conditioned by inner reserve policy, the experience of the big banks in this past year of good current earnings but large depreciation of investments appears to have been uniform and not unsatisfactory. Among the "Big Seven" banks, all of whose statements are now available, the extreme range of variation in published profits by comparison with 1950 is from an increase of 3.1 per cent reported by Lloyds Bank to a decrease of 4.5 per cent reported by the Westminster. As will be seen from the accompanying table, the aggregate profits of the seven banks dropped from £9,892,662 to £9,758,153, or by 1.4 per cent, compared with an increase of 2.3 per cent in 1950. This is the first decline in aggregate profits since 1946, but this small movement is fully accounted for by the year's increase in income tax alone. The fact that, in a year such as this, published profits have shown so tiny a fluctuation and so little variation from bank to bank demonstrates more strikingly than usual that the real story of the year's experience is concealed rather than revealed by the accounts, a concealment that is in line with the traditions of bank accounting and is, of course, sanctioned by the exemption accorded to the banks by the Companies Act.

There is no doubt that, if the factor of investment depreciation could be ignored, 1951 would have ranked as a bumper year for the banks. Their worries about rising costs have certainly been intensified, and the period in which they must shoulder the full burden of additional salary and pension costs caused by the "bulge" in the age-distribution of their staffs draws steadily nearer. The pressure of immediate costs, as distinct from these impending burdens, has, however, probably been comfortably met during the past year by the rise in current earnings. Net deposits of the clearing banks as a whole have averaged during the eleven months January/November 2¼ per cent more than in the similar period of 1950. The whole of these additional resources has in effect been employed in the most remunerative form of bank assets, and in addition the average ratio of advances to total deposits has risen sharply—from 26.7 per cent to 29.5 per cent. The average level of advances rose from £1,599 million to £1,812 million, an increase of 13.3 per cent compared with one of 11.3 per cent in the previous year. Average investments also rose substantially, from £1,503 million to £1,593 million, but half this increase resulted from the big increase in short-dated (and therefore lowest-yielding) investments caused by the November exchange of Treasury bills for the new Funding stocks; the average for the ten months to October showed a rise of £45 million. Even so, the reinforcement of gross earnings in consequence of these changes must have been substantial. In addition the banks have benefited from the revision of charges for advances that began last summer, as well as from the increase in commercial bill rates also made then. The more general increase in rates that is resulting from the new monetary policy has not, of course, yet had time to have had much effect on profit and loss accounts; in any case the increased return from call money and bills is largely offset by the increase in rates paid on deposit accounts. Finally, revenues from miscellaneous commissions and from overseas business must have continued to expand.

BANK PROFITS, 1948–51

Bank and Dividend	1948	1949	1950	1951	Change in 1951
					%
Barclays (14%)	1,879,943	1,866,279	1,971,834	1,908,437	− 3·2
Lloyds (12%)	1,674,329	1,709,276	1,761,603	1,815,858	+ 3·1
Midland (16%)	2,025,728	2,006,414	1,987,320	1,925,316	− 3·1
National Provincial (15%)	1,383,387	1,413,126	1,454,811	1,469,765	+ 1·0
Westminster (18%)	1,431,532	1,460,557	1,471,031	1,405,453	− 4·5
"Big Five" Total	**8,394,919**	**8,455,652**	**8,646,599**	**8,524,829**	**− 1·4**
District (18½%)	525,432	504,880	513,168	508,217	− 1·0
Martins (15%)	719,520	725,170	732,895	725,107	− 1·1
"Big Seven" Total	**9,639,871**	**9,685,702**	**9,892,662**	**9,758,153**	**− 1·4**

* * *

Inner Reserves and Contingencies

All the strictly current factors, therefore, have combined to raise gross earnings to a new high level. The rub comes in the valuation of assets. Not only have the banks had to face a year of gilt-edged depreciation comparable to that of 1949, but, in addition, they now face for the first time for many years the possibility that they may have to sell investments in order to maintain their liquidity ratios. The long tradition, which now is also a legal requirement, that depreciation of investments by comparison with book values must be fully provided for, so that investments are shown in the balance sheets at or under market worth, thus acquires a sharper relevance and a more practical justification than were present, for example, in 1949. There had in fact been some doubts whether, given the strains imposed on such reserves in earlier post-war years, the banks would all be able this year to meet the depreciation without following the 1931 precedent of drawing upon published reserves. By far the most satisfactory feature of this past year's experience is that all seven banks have in fact been able to do this.

The formula used to define published profits varies slightly from bank to bank, though its general import is the same; but the significant point is that each bank's 1951 formula is identical with that for 1950—except that the Midland Bank has added the commonly used phrase, "diminution in the value of assets," when defining the provisions that have been made from contingency accounts. The meaning of the statements, taken as a whole, is that each bank has fully provided for investment depreciation by one or more of three processes combined in undisclosed proportions (*a*) by drafts on previously existing inner reserves (*b*) by undisclosed allocations from the past year's profits (*c*) by disclosed appropriations from the year's profits to contingency accounts. These last appropriations have this year wholly displaced the customary disclosed appropriations to published general reserve or other specific reserves; they aggregate £4,500,000, or 50 per cent more than the similar appropriations made after the 1949 slump in gilt-edged, and it is noteworthy that in most of the banks they have involved a draft on the carry forward. It is impossible to know, however, how far these provisions have been dictated strictly by the book depreciation already incurred and how far by prudent provision for the risks that lie ahead—risks that now include a rising strain from bad debts. In principle, this same comment is applicable to the Provincial Bank of Ireland, the one bank whose recently issued annual statement shows any draft on published reserves. The statement says that in order to provide for the "very severe decline" in investment values "it has been necessary to utilise, in addition to an appropriation from the year's profits and from reserves, a sum of £300,000 from the Reserve Fund," reducing it to £340,000. This bank, it should be noted, carries a much larger proportion of its resources in investments than do the English banks; its ratio of investments to deposits at end-1950 was almost exactly 50 per cent.

* * *

Settlement in Sight for Tin?

Shortly before Mr Churchill arrived in Washington, President Truman announced that he would accept the resignation of Mr Stuart Symington, the head of the Reconstruction Finance Corporation, later this month. In fact, the resignation was accepted earlier this week and Mr Harry A. McDonald, chairman of the Securities and Exchange Commission, was appointed as successor. This news brought relief to the tin market, and the London spot price which on Wednesday of last week stood at £928¼ a ton, rose to £958¾ a ton on Wednesday of this week, despite the American President's statement that the change of person would not mean a change of policy. Much depends on what is meant by the word "policy." If it signifies that the RFC will continue to be the sole importer for tin, that is one thing. But it does not necessarily mean that Mr Symington's tactics of beating down prices will continue.

No purchasing body likes to pay prices that it considers excessive, especially when its operations have to be reviewed by Congress. On the other hand, the State Department was acutely aware of the feeling that Mr Symington's remarks and actions had created in friendly countries. Malaya was not the only country to suffer. Bolivia was another of Mr Symington's targets, and the State Department was probably as much concerned about the United States' good relations with that country as with Malaya. Meanwhile American consumers have been almost starved of tin and stocks have been run down to a dangerously low level.

The official communiqué on the Churchill-Truman talks is not explicit about the decisions on vital materials. Britain's need for additional steel from the United States is linked to America's need for supplies of other materials, including aluminium and tin. The communiqué notes that the discussions will be continued and it is hoped that agreement may be announced shortly. Two points are fairly clear. First, the United States must resume its imports of tin. Secondly, the United States will not risk forcing prices up against itself. If America sells steel to this country it will be at a fixed price, and the United States will presumably expect similar treatment when it buys tin. Malaya dislikes special contracts at fixed prices. But the solution might lie in bringing tin within the orbit of the International Materials Conference and sharing out available supplies among consuming countries, so that there would be no undue pressure on prices either upwards or downwards. It would still be necessary to agree upon a "reasonable" price.

* * *

Unhappy New Year for Wholesalers

The prospect for the wholesale textile trade in the New Year is full of uncertainties. Recovery during the winter was written off long ago, but the belief has been current in the textile industry that buying would revive in the spring. The extent of the revival may be determined by the amount of cash that retailers have on hand during the next few weeks. Both they and the wholesalers have large sums tied up in stocks, and they now find that restrictions on credit are preventing them from ordering new goods on any great scale. New orders have come to depend, therefore, upon the successful disposal of existing stocks, and these are heavy. The November figures for the wholesale trade show that stocks at

the wholesalers stood at 228 (1947=100) compared with 144 a year ago, and they are probably not much lower today. There was a fall between October and November of about seven points, whereas wholesale textile sales fell by eleven points, from 145 to 134. In November of the previous year, when prices were lower, the index of wholesale sales stood at 158.

Some recent figures prepared by the Treasury measure the fall in clothing purchases in real terms, discounting the price changes that took place during 1951. These calculations show that, compared with the corresponding quarter of 1950, personal consumption of clothing was 12 per cent higher in the first quarter, 5 per cent lower in the second quarter and 21 per cent lower in the third quarter of 1951 than it was a year earlier. The similar reduction in the sale of household goods (which includes furniture and hardware) resulted almost wholly from the fall in sales of household textiles such as carpets and blankets. Sales are estimated to have been 15 per cent above 1950 levels in the first quarter of the year, only 3 per cent higher in the second and 15 per cent lower in the third. It is unlikely that the trend of textile sales has shown any marked change between the third and fourth quarters of the year.

The sharp drop in turnover explains why retailers and wholesalers now have big stocks despite the caution that they exercised in buying winter goods. Current wholesale business is reported to be idle while retailers are trying to reduce their stocks in the January sales. The changes made last week by which the old system of a fixed retailer's margin on each price-controlled item is replaced by a maximum price without a specified margin should assist the movement of stocks, both wholesale and retail, but it is too soon to say whether traders will be able to clear their shelves in time for the spring. Some of the goods that they are now trying to sell have been in stock since last spring. To sell these lines may involve heavy price cuts which themselves will leave less cash available for re-stocking in the spring.

* * *

The Coal Record

Revised figures of coal output in 1951 show that the deep mines produced 211,195,600 tons during the year and the opencast sites 10,985,900 tons, making a total production of 222,181,400. Mined output was thus 7 million tons higher than the 204,123,500 tons produced in 1950, and opencast more than a million tons lower. Of the 7 million ton increase achieved by the miners, 5 million tons came from the increase in Saturday working (which yielded in all 12 million tons during the year). Since little extra can be expected from this source during 1952, the figures imply that, with the present labour force, this year's increase might be no more than half as great as last year's. Saturday shifts inevitably have an adverse effect upon attendance during the five-day week, which contributed little more than a third of last year's increase in mined output.

Inland consumption of coal during the year reached 207,855,000 tons, compared with 206,165,000 tons in 1950; and exports and bunkers together amounted to 11,653,000 tons, against 17,082,000 tons during 1950. It is worth noting, however, that inland consumption of coal has moderated considerably during the first two months of the coal winter. As a result stocks during this period fell by only about 550,000 tons, and amounted to 16,256,000 tons at the end of the year, compared with 12,423,000 tons at the end of 1950. In former years stocks have often declined by nearly 2 million tons between the beginning of November and the end of December. This slackening of consumption —which has recently been matched in the use of gas and of electricity—is probably largely due to mild weather that will have affected all consumers, while industrial consumption has presumably been affected in addition by the slackening of the rise in output caused by shortages of metals. The effect upon coal stocks, it may be noted, is that the country has begun 1952 with more coal in hand than at any time since the beginning of 1948. The total amounts now held, upon normal calculations, are more than the equivalent of the various "minimum" figures set by succeeding Ministers of Fuel this autumn, though house coal is not yet ample; and American imports, which may have been necessary as a form of insurance, may in fact become little more than an expensive addition to stocks.

* * *

Barcelona Traction

When giants contend for the possession of property, the ordinary spectator is best advised to watch the battle from a distance. That maxim has for some time been true of the affairs of Barcelona Traction, in which the direct British interest is now negligible. The struggle between the contestant, however, now appears to be reaching a climax, and it is being accompanied by rising cries of battle, in the form of statement and counter statement. To assess the significance of each point made by the opposing parties is virtually impossible save for those who are prepared to make a full-time study of the affair—in other words, those who are already *partis pris*.

Put shortly, the latest developments include the sale in Spain of the "assets of Barcelona Traction" under the much publicised bankruptcy proceedings. Those who speak for the company condemn the validity of these proceedings and assert that the "assets" are securities of the subsidiaries of Barcelona Traction that have been "created" in Spain within the last six months, whereas the genuine shares and bonds are held in Toronto. The opposing side, speaking for the interests of Sr. Juan March, offer to the shareholders of Barcelona Traction the securities that they have acquired at the auction (for which they appear to have paid the equivalent of £91,000) subject to the settlement of creditors' claims that would apparently involve the raising of £9½ million by the Belgian company that controls Barcelona Traction. This offer holds for nine days only from January 4th, and it is clear that the Belgian company, Société Internationale d'Energie Hydro-Electrique (SIDRO), will not entertain it. Meanwhile, the sterling bonds of Barcelona Traction continue to be held in London on behalf of the March interests, which control 85 per cent of the total issues. The company evidently has in mind the possibility of preventing the transfer of these bonds to a foreign holder and the next stage in the struggle may well be carried to the Treasury which alone has power to permit or refuse the transfer.

Two general points remain to be made. The direct interest of the British investor in this affair is now, fortunately, almost non-existent. But the indirect consequences of the struggle are of crucial importance for the future of overseas investment. This has received so many hard knocks and has been treated so lightly by British authorities—including at least one past Chancellor of the Exchequer—that the restoration of probity in all international investment, supported to the full by all British Governments, has become absolutely vital. The time appears to have come for the Treasury to clarify its own position in this business. Nothing further has been heard of the proposal, which was under consideration some months ago, of publishing reports of an expert investigation into the case. Secondly, the affair has clearly become a matter for governments, and any hope of settlement would seem to rest on negotiation between the governments of the United Kingdom, Canada, Belgium and Spain, which are directly concerned together with the United States, which should have a lively interest in the questions that are at stake. It is certainly time that a truce was called on this particular financial battlefield.

THE ROYAL BANK OF CANADA

(*Incorporated in Canada in* 1869 *with Limited Liability*)

Head Office, Montreal

JAMES MUIR
President

T. H. ATKINSON
General Manager

Condensed Annual Statement

as on 30th November, 1951

ASSETS	
Cash, Cheques and Balances with other Banks	$488,057,439
Government and other Public Securities not exceeding market value	966,599,447
Other Securities not exceeding market value	112,814,279
Call Loans	57,127,894
Other Loans and Discounts	790,892,934
Liabilities of Customers under Letters of Credit	73,925,751
Other Assets	26,227,464
	$2,515,645,208

LIABILITIES	
Capital, Reserve and Undivided Profits	$89,633,372
Notes in Circulation	155,987
Deposits	2,350,314,347
Letters of Credit Outstanding	73,925,751
Other Liabilities	1,615,751
	$2,515,645,208

Over 760 *Branches*

In CANADA, ARGENTINA, BRAZIL, BRITISH GUIANA, BRITISH HONDURAS, COLOMBIA, PERU, URUGUAY, VENEZUELA, CUBA, HAITI, PUERTO RICO, DOMINICAN REPUBLIC, BRITISH WEST INDIES. Offices in NEW YORK, LONDON and PARIS. Correspondents the world over.

Auxiliary in France:
THE ROYAL BANK OF CANADA (FRANCE)
Paris

LONDON BRANCHES:

City Office:
6, LOTHBURY, E.C.2
B. Strath, *Manager.*
W. S. Hunter, *Asst. Manager.*
C. F. Stuart, *Asst. Manager.*

West End Office:
2/4, COCKSPUR STREET, S.W.1.
R. B. Murray, *Manager.*
A. P. Harvey, *Asst. Manager.*

A MEMBER OF THE THREE BANKS GROUP

WILLIAMS DEACON'S BANK LTD.

Williams Deacon's Bank Ltd. originated in 1771 and has always been closely associated with the industrial and commercial life of the North of England. The Governing Office is in Manchester, so long a centre of the export trade, and the Bank's world-wide connections enable it to further this trade, now more than ever of the greatest importance in the life of the nation. In London the Bank was one of the first Members of the London Clearing House. Williams Deacon's is a Member Bank of the Three Banks Group.

THE THREE BANKS — Total resources over £350,000,000

ROYAL BANK OF SCOTLAND
Founded 1727. Edinburgh, London & branches

GLYN, MILLS & CO.
Founded 1753. London

WILLIAMS DEACON'S BANK LTD
Founded 1771. Manchester, London and branches

A housewife in Melbourne goes shopping . . .

. . . and an exporter here in Britain wants to know all about what she buys. He wants other information as well; for the success of his Australian export venture may depend on it. Many British exporters consult the Australia and New Zealand Bank which is in constant touch with all aspects of life in Australia and New Zealand. The Bank will be glad to answer any enquiries addressed to the Overseas Department at the Head Office.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged
The Bank of Australasia Limited and The Union Bank of Australia Limited

Head Office: 71 Cornhill, London, E.C.3.
Telephone: Avenue 1281
Branch Offices in London: 4 Threadneedle Street, E.C.2.
263 Strand, W.C.2, 6 Albemarle Street, Piccadilly, W.1.

ANZ

MARTINS BANK

LIMITED

STATEMENT OF ACCOUNTS, 31st December, 1951

LIABILITIES

Capital paid up	£4,315,096
Reserve Funds	4,705,821
Current, deposit and other accounts (including Profit and Loss Account)	314,985,008
Acceptances and engagements on account of customers	23,330,319
	347,336,244

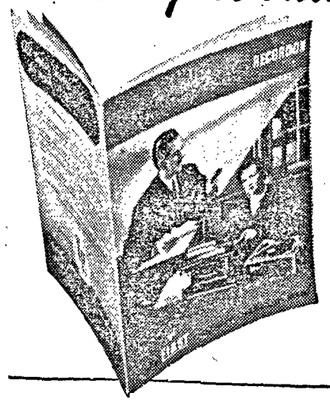
ASSETS

Cash in hand and at Bank of England	£26,455,079
Balances with, and cheques in course of collection on other banks in the British Isles	16,772,988
Money at call and at short notice	47,018,250
Balances with banks abroad	658,403
Treasury Bills	29,665,000
Treasury Deposit Receipts	4,000,000
Bills discounted	5,401,791
Investments	101,171,693
Advances to customers and other accounts	88,603,419
Trade Investments	446,399
Bank Premises	3,812,903
Liability of customers for acceptances and engagements	23,330,319
	£347,336,244

LONDON DISTRICT OFFICE: 68 LOMBARD ST., E.C.3

HEAD OFFICE: WATER STREET, LIVERPOOL, 2

Make it your business....



Everybody who employs a typist should make it his business to send off today for the Recordon booklet No. E/1572. It describes an entirely new system for handling correspondence and reports which will save you hundreds of pounds a year.

'RECORDON'

TRADE MARK

DUAL PURPOSE MAGNETIC

DICTATING UNIT

Manufacturers and Sole Distributors

THERMIONIC PRODUCTS LTD., HYTHE, SOUTHAMPTON. HYTHE 3265

London Showrooms

Morris House, Jermyn St., S.W.1. WHitehall 6422

Sales and Service Centres: Manchester, Birmingham, Bristol, Glasgow, Leeds, etc

NEWS FROM THE FISHING INDUSTRY

How the general improvement in fish has come about

During the war years and for some time afterwards, trawlers were ordered to stay out on the fishing *grounds until their holds were full.* The result was heavy landings of rather tired — and sometimes quite exhausted — fish.

There was justification for this practice at the time as, not only was there a general food shortage, but a high percentage of trawlers were still on loan to the Admiralty. People were thankful to eke out their rations with even poor quality fish: witness the fish queues!

However the policy of fishing for quantity rather than quality was only one of desperation and has been abandoned, it is to be hoped, for ever. Since this happened, it is significant that the tonnage condemned at distribution centres has dropped dramatically, despite more rigorous inspections. At the present time, a trawler's voyage is, on the average, 3 days shorter than previously. This sometimes means smaller catches, but it ensures fresher fish for your table and greater food-value for your money.

British Trawlers know their job!

Issued by the British Trawlers' Federation Ltd

Sell to CANADA!

There is still room on the Canadian market for millions of dollars' worth of the right British goods. Canada's first and oldest Bank will be glad to offer valuable information and advice on trading conditions and opportunities.

Enquiries welcomed.

BANK OF MONTREAL

47 Threadneedle Street, London, E.C.2

Head Office: MONTREAL

Over 570 Branches throughout Canada

Assets Exceed $2,000,000,000

Incorporated in Canada in 1817 with Limited Liability

Policy for Engineering Exports

Mr Butler's statement that "We are now rapidly shaping our policies so as to enable a large part of the United Kingdom's metal-using industry to increase its exports still further" is the first blunt avowal of a change in export policy that has been hinted at—and indeed overdue—for some months past. The previous government originally held that as rearmament developed a consequent decline in the exports of the metal-using industries must be accepted, and that exports of consumer goods could be expected to rise sufficiently to offset this decline. The first assumption seemed at the time plausible, the second optimistic; but events have borne out neither. During the first eleven months of last year, engineering and metal exports were at a considerably higher rate, both in value and in quantity, than during the whole of 1950; and the rise was generally steady throughout the eleven months, with November exports exceeding those in October and the average for the third quarter. Exports of textiles and other consumer goods, over the same period, also rose considerably in value, but this was largely due to rises in prices.

The new policy is therefore an adjustment to present realities, and involves an effort to continue the current trend of exports. The main reason why engineering exports did not fall last year, without doubt, was that rearmament began at a considerably slower pace than had been hoped. Output rose in most of the metal-using industries, though production of some metal items began to slacken towards the end of the year; deliveries to the home market, both of capital equipment and of consumers' goods, seem to have remained much the same; and presumably, therefore, the bulk of the increase went to exports rather than to defence. To continue or increase this level of exports this year, with a defence effort that must become more substantial, and reduced supplies of metals, means inevitably that home consumption of metal goods must shrink. And Mr Butler has declared that it shall shrink drastically.

For particular engineering industries these aims will impose difficulties in marketing, and for all of them difficulties over supplies. During the third quarter of 1951, for example, exports of cars, wagons and trucks, and a few types of machinery were lower than in the corresponding period of 1950, apart from items like machine tools and generating plant where exports declined presumably as a result of a deliberate increase in home deliveries. Exports of other types of machinery, particularly of agricultural equipment, were however markedly higher, as were exports of agricultural tractors, and of motor and pedal cycles. Manufacturers of cycles, it may be noted, have been among the most vociferous in complaint about cuts in their steel supplies under the imminent allocation scheme. Whatever the justice of particular cases, their experience emphasises that even excellent performance in exporting may not save manufacturers from drastic reductions in their metal supplies—and therefore in their deliveries to the home market. Mr Butler is already armed with considerable powers of direct and indirect control over the supplies of metal goods to the home consumer; but there are some hints that he may have decided to reinforce them.

* * * *

Production in the Autumn

Upon the evidence of the official index of industrial production, industrial output towards the end of last year was no higher than at the same period of 1950. For all industries the index in October was 151, compared with 146 in September but with 152 in October, 1950. On the basis of information so far received the index for all industries in November is expected to be 152-153; in November, 1950, it was 153. During October, it should be noted, the official index, which in former years has tended to show a greater rise in output than the unofficial London and Cambridge index, appeared to be varying in the opposite direc-

BARCELONA TRACTION, LIGHT & POWER CO. LTD.

Statement issued by the Board of Directors.

(1) There has taken place on January 4th in the small town of Reus, Spain, a purported sale of the "assets" of Barcelona Traction, Light & Power Co. Ltd. to a Spanish Company which has been incorporated for that purpose within the last few weeks by the Spanish Group which has been acquiring the sterling Bonds of our Company. The "assets" which have been sold are so-called Shares and Bonds of our Subsidiaries—mainly Canadian Companies—which have been created in Spain within the last six months. The genuine Shares and Bonds continue to be held in Toronto.

(2) This sale has taken place in the "bankruptcy" of Barcelona Traction, which was declared four years ago by the Court of Reus, without any notice to the Company and based upon the non-payment of the interest on its sterling Bonds. In fact, apart from the years 1936 to 1939 when, during the Spanish Civil War, the installations in Spain were seized by Workers' Committees, our Company's revenues from its subsidiaries in Spain have for the last 25 years been greatly in excess of the financial charges on its bonded indebtedness. The failure to pay the interest on the sterling Bonds after the Spanish Civil War was due exclusively to the refusal of the Spanish Government to allow transfers. The Company, despite the efforts made by itself and its Subsidiaries, has not so far succeeded in obtaining even a hearing in the Spanish Courts: and the "assets" are being sold notwithstanding that the validity of the bankruptcy has not yet been decided.

(3) This great Canadian enterprise, built up largely by British and Belgian capital, supplies more than one-fifth of the electric power produced in Spain. Its net foreign investment in Spain at December 31st, 1949, was established by the U.K. and Canadian Accountants appointed by their respective Governments, as amounting on book figures alone to over £19¼ million, without allowing for the change in the value of money in the forty years of our Company's existence. The price paid at the sale for all the assets was 10 million pesetas (£91,000), the buyer undertaking, in addition, to pay off the principal and arrears of interest of the sterling bonds of those holders who do not agree with the buyer to waive their right to be paid off in sterling.

(4) During the last five years 85 per cent. of the total issue of Prior Lien Bonds has been purchased by the above-mentioned Spanish Group from their previous holders—mainly U.K. residents—at an average price (inclusive of arrears of interest since 1936) of about par, viz., £2,300,000. These Bonds are, however, still held in the name of a company registered in England. A large proportion of the First Mortgage Bonds has also been acquired by the same Spanish Group, £2,640,000 of these within the last few months at a price of about 75 million pesetas, *i.e.*, less than £700,000.

(5) The much advertised option to the Company to nominate someone to bid for its own "assets" is nothing but a mockery in the light of the treatment which it has been accorded in Spain. By accepting this offer not only would it approbate the creation of Spanish scrip of Canadian Companies, of which the genuine scrip exists in Canada, but in order to bid it would be required to raise some £9½ million on the security of an investment which, while of immense value on the basis of its assets and earnings in Spain, had already been frozen by the Spanish Government for almost 12 years, even before the Company was deprived of its control by the Spanish "bankruptcy" which has ruined the Company's credit abroad.

(6) If, by the sale at Reus, the buyer can effectively acquire the enterprises of the Barcelona Traction Group in Spain, it would mean that, as a direct result of the refusal of the Spanish Government to allow transfers of exchange to service the sterling debt of our company, the above-mentioned Spanish Group would have acquired, for the equivalent of about £5½ million, assets of which the book value exceeds £19½ million and the present replacement value is estimated at £55 million. If steps are not taken to obtain justice, the bulk of this great loss will ultimately fall upon a large number of small Shareholders, mainly Belgian.

(7) The Board have taken and will continue to take every step within their power to avoid this spoliation. They have been and remain in communication with the Belgian, Canadian and U.K. Governments as to the steps which they can respectively take to counter this threat to foreign investment and, in particular, as regards such Exchange Control permits as would be required from H.M. Treasury to enable the buyer to consummate the sale.

tion: the London and Cambridge "B" index showed production in October at 147, compared with 143 in September and 145 in October, 1950.

Nevertheless, both suggest a flattening of the upward curve in industrial output, and suggest also that the 4 per cent rise during 1951 predicted in that year's Economic Survey will probably not have been quite achieved. So far as the component indices of the official index for October, 1951, are concerned, the slackening was most marked in manufacturing; "mining and quarrying" and "gas, electricity and water" both show rises on October, 1950.

INDICES OF INDUSTRIAL PRODUCTION,
September and October, 1951

1946 = 100	1950		1951	
	Sept.	Oct.	Sept.	Oct.
Official Interim Index :—				
All industries	143	152	146	152
Mining and quarrying	116	120	123	124
Manufacturing	149	158	152	156
Building and contracting	140	141	140	140
Gas, electricity and water	110	122	117	128
London and Cambridge Index :—				
Total Index—A	141	148	145	150
—B	139	145	143	147
Total index (working day basis)—A	143	148	147	150
—B	141	145	145	147
Textiles	143	150	143	148
Motors, cycles and aircraft	185	216	176	202
Food, drink and tobacco	110	118	115	122
Chemicals and allied trades	146	144	140	141
Fuel and power	120	126	134	142

* * *

Factory Power

Official interest in the private generation of electric power on factory premises appears once again to be increasing. The Ministry of Fuel and Power is considering a study of the potential facilities—perhaps on behalf of its Ridley Committee on fuel economy; and it has been reported that the British Electricity Authority is viewing projects from certain industrialists with greater benevolence than before. Unofficial advocates of private generation of power have never been lacking—not all of them equally disinterested.

Projects for factory power generation are of two distinct types. The first type involves the fitting of a small turbine through which steam used in industrial processes may be passed to generate power before it is dissipated or fed into a heating system. Almost any such turbine fitted in a steam system is far more efficient thermodynamically than the large BEA power station, simply because much more of the heat in the steam can be utilised within the factory. But fuel efficiency of itself does not necessarily make the small turbines economically attractive. They generally require steam at a higher pressure, and this often involves the reconstruction of the factory boiler; installation costs may thus tend to be heavy. But during the present period of fuel shortage, their additional efficiency from fuel already being consumed often makes them worth while; and BEA might well encourage their installation in many cases.

The case for small diesel generating sets inside factories is probably not so strong. These involve the use of extra fuel, in a fairly costly generating process; and here the normal economies of size are more relevant. In proportion to its output, a small generating set takes far more steel than do the big stations; and it has not often been suggested that its capital cost per kilowatt is remotely comparable. With the use of exhaust gases and cooling water in heat exchangers it may be possible to obtain a high thermodynamic efficiency with such small sets; but they would seem a more doubtful commercial proposition, and certainly not a generally applicable alternative to generation in large-scale power stations. Deliveries for some of these smaller generating sets, it may be noted, are already held up for two to three years; any general increase in demand during the present steel shortage might well lengthen these delays. Diesel generation of power on a larger scale is already being developed by the BEA in some power stations where the extra sets can be accommodated; they give relief, albeit at some cost, at the peak and their possibilities may have to be explored further if the shortage of coal enforces greater dependence on oil.

* * *

New Names in Petrol

The two leading petrol distributors, Esso and Shell-Mex and BP have made a formal approach this week to the Ministry of Fuel and Power for authority to re-introduce branded petrol on the home market. There seems to be no sound reason why permission should not be given but it may take the oil companies until June to complete their plans for marketing a premier grade of 80 octane petrol in addition to the standard pool spirit of about 70 octane. This premier grade will cost a few pence more per gallon than the standard spirit but should improve the performance of new cars, most of which have relatively high compression ratios that range up to 7.25 to 1. These engines do not give their best on pool petrol; in fact most engines with ratios exceeding 6.5 to 1 need a better fuel than this. Private cars account for about 38 per cent of the motor spirit consumed in this country and goods vehicles, which are less likely to be consumers of premier petrol, for roughly the same proportion. The immediate potential market for 80 octane spirit is, therefore, likely to be limited to about two million tons a year out of a total consumption of between 5 and 6 million tons.

When branded petrol returns to the British market, Socony-Vacuum's "Mobilgas" will be competing for the first time with established names like Shell, B.P., Esso and Regent. The American Vacuum Oil Company has not previously marketed petrol in Britain under its brand name; its British selling agency, Socony-Vacuum, has an important trade in lubricants. Socony is now partly owned by Powell Duffryn, which has become a partner with Vacuum Oil in the new refinery now under construction on the site of Powell Duffryn's old Coryton storage plant. The two companies have recently provided an extra £500,000 for this project which was previously expected to need a total of £10 million. The Coryton plant was first intended to provide lubricating oils only; a catalytic cracker was later incorporated and the refinery will now work up the light petrol and diesel oil fractions of the crude as well as producing lubricants from the heavier residual fractions. The throughput of the plant is 18,000 barrels a day compared with 80,000 at Stanlow and 110,000 at Fawley. Production of petrol will, therefore, be on a much smaller scale than that of other leading companies, but may be supplemented by imports from Vacuum's other refineries.

Socony-Vacuum, the marketing organisation, must now overcome the handicap of having no established distribution facilities. A limited organisation is being built up in an area of about 40 miles radius around London, where the first "Mobilgas" pump started working last week. Until the Coryton cracker is in operation, about a year hence, Socony must depend on what petrol is imported by Vacuum Oil.

* * *

Commonwealth Sugar Agreement

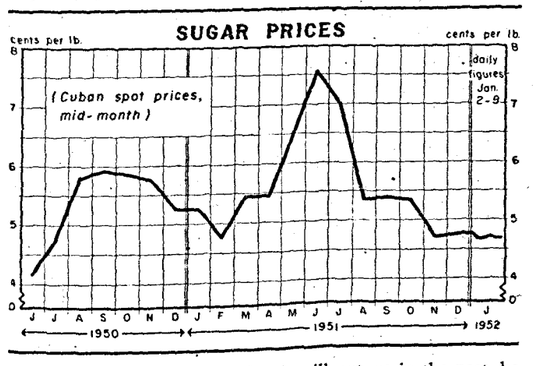
The Ministry of Food last week signed a formal long-term agreement with Commonwealth sugar producers. It is retrospective to January 1, 1950, and is to run for 10 years. The new agreement is, in fact, a revised version of the long-term contract offered to the Commonwealth two years ago which caused such a stir in the West Indies at the time. Since then, Britain has signed a three-year contract with Cuba, and although Britain undertook to guarantee a market for the entire exportable surplus of Commonwealth sugar throughout the life of the Cuban contract it was clear that some form of revised agreement with both colonial and dominion producers would be necessary. The new agreement supersedes that undertaking.

The document embodying the agreement is long and complicated. It contains twenty-nine articles and a number of appendices, but its basic terms differ only slightly from the contract of two years ago. Commonwealth producers have agreed to restrict their exports to a total of 2,375,000 tons in any one calendar year and Britain has agreed to buy, at the annually negotiated price, 1,643,000 tons, of which 75,000 tons are on behalf of New Zealand. These quantities are the same as in 1950. Until a new international sugar agreement is negotiated and accepted, exporters can increase their exports beyond the agreed limits, but they will have to sell such additional quantities at the world price. Producers can thus obtain three separate prices: the negotiated price on their agreed sales to Britain and New Zealand; the world price plus preference on additional sales to Britain and Canada up to the agreed export limits; and the world price without preference for any sales beyond that limit. If a country cannot meet its export quota the unfulfilled portion may be transferred to any other signatory. All the parties have agreed not to enter an international agreement unless it accepts the total export quota of 2,375,000 tons for Commonwealth countries as an irreducible minimum.

* * *

Price of Concord

A novel feature of the new agreement is the method of fixing the price each year. A single Commonwealth price will apply to all Commonwealth exporters for sugar sold to Britain and New Zealand. In the terms of the contract, the price "is to be reasonably remunerative to efficient producers" which may mean widely different things. For 1952 the price has been fixed at £38 10s. a ton compared with £32 17s. 6d. a ton in 1951 and £30 10s. a ton in 1950; this year's price is in fact at parity with the current world price. Last year's price was well below the world level. The important point is that in future it will be calculated each year



according to a special formula; it will not, as in the past, be subject to bargaining between Britain and the producing countries. The 1950 price has been taken as the basis of calculation and this will be increased according to weighted increase in the cost of wages and salaries, supplies and other charges in the current year. This will determine the price for the following year. The price for 1952 was worked by this distinctly complicated method and both Britain and the exporters consider the result reasonable.

Any long-term agreement necessarily spells rigidity and this certainly is no exception. But the sugar market has not been subject to the free play of supply and demand for many years, and if assurance to sugar producers is necessary for political reasons, perhaps this new agreement is no more obnoxious than many other forms. Certainly, the exporting countries have welcomed it, and it remains for the future to put it to real test. The introduction of a price formula should remove one cause of dissension in Commonwealth relations. But at what cost to the British consumer? The adoption of a single Commonwealth price will leave room for competition between the various producers who range from the highly mechanised plantations of Australia to the negro plantations of the Caribbean.

At the moment, Britain may not be paying excessively for Commonwealth sugar; last year it certainly paid too little if the so-called world price (which is really the Cuban free market price) is any guide. What are the prospects of a much lower price in the world sugar market? This season's world production is estimated at 35,900,000 tons, nearly 800,000 tons larger than last year's record of 35,100,000 tons. On this comparison, it would seem that the price of sugar is unlikely to rise. At present it is around 4.7 cents a lb and since the turn of the year the market has been steady. If the price should fall below 4½ cents, Cuba and other producers will certainly press for an international agreement which would presumably peg the price at around this level. If this appreciation is correct, the cost of the Commonwealth agreement, so far as the consumer is concerned, need not be high.

* * *

Electric Shock for Whales

Science is being introduced to the art of whaling and in the current whaling season, which started a week ago, experiments will be carried out in the Antarctic with a new electric harpoon. The ordinary harpoon carries an explosive charge in its nose; the whale is thereby severely wounded, and may not die for an hour after it is hit. When the electric harpoon strikes, the whale dies in a very short time and its valuable blubber and flesh are not damaged in the process. Further, the whale remains afloat. The new device can be used with existing harpoon guns (although a lighter version with a higher muzzle velocity is being developed) and it will reduce the catching time. The shorter catching season this year, however, is not a consequence of the electric harpoon. The postponement of the opening of the season from December 22nd to January 2nd was decided upon because the whaling fleets are more or less back to their prewar capacity.

The number of whales that can be caught in any one season is still restricted under international agreement to 16,000 blue whale "units" and this limit is unlikely to be affected by the introduction of more efficient and more seemly methods of catching. A late start to the catching season should give whales more time to get fat and thus increase their yield of oil. The advantages of the electric harpoon should, therefore, be twofold. A larger output of oil may be obtained from a given number of whales caught when they are mature; and operating costs should be lowered. The two main items in cost are fuel and wages, and although the latter will almost certainly not decline—at least not because of the electric harpoon—considerable economy could be effected in the use of fuel.

The new harpoon is still at an experimental stage and certain technical difficulties remain to be overcome. Even when these are solved, two or three seasons are likely to elapse before the new method is universally adopted. Meanwhile, the Ministry of Food has had to increase its purchase price of whale oil. This season it has so far bought at £110 a ton compared with £100 a ton last season and £80 in the season before. Now that scientific aids are being introduced into whaling, it may not be long before somebody invents a "homing" device to attach to the harpoon or even, perhaps, a radio controlled harpoon.

Radio Industry's Exports

Exports are coming to play an increasingly important part in the total market for radio products. Last year, when the combined output of all sections of the industry was valued at £75 million, more than £18 million was exported compared with a prewar figure not much beyond £2 million. This year the Radio Industry Council has provisionally estimated that total exports have exceeded £22 million. Less than one-quarter of this total consists of radio receivers, although the number sent abroad is very nearly double what it was in 1950. Most of these sets go to the Middle East and to the Commonwealth countries, although a small export trade in television receivers is being built up in South America.

At least half the total value of radio exports today consists of sales of valves and other components. Many of these are going to countries developing their own receiver assembling industries, but rearmament has brought a marked increase in the volume of orders for components coming from all parts of the world, not all of which are accepted by British manufacturers. Most component manufacturers now acknowledge the fact that rearmament will affect the production of domestic radio and television receivers, and look to defence orders and export business to maintain their level of output. Although present defence contracts placed with the industry have been valued at £76 million, this does not mean as much employment to the industry as £76 million worth of domestic receivers. Current defence orders are weighted heavily in favour of capital equipment that uses relatively fewer components and other radio accessories for every pound of cost, compared with civilian orders. Moreover, defence orders in many cases displace export orders for radio transmitters and communications equipment and do not necessarily increase total employment in the industry. Exports of this type of equipment have, in fact, fallen during the year, and the total is likely to be lower than in 1950.

In spite of short time in some factories, the production of radio and television sets is still remarkably high. In October, 200,000 radio and 74,500 television sets were produced compared with an average of 150,000 radio and 45,000 television sets a month in 1950. But much of this must be production for stock against impending shortages, for sales have been falling since the budget last April, and if the industry lacked the continued stimulus to television sales given by the opening of new transmitters, it would be going through a difficult period.

* * *

Dearer Cocoa ?

The cocoa market, which has been in the doldrums since last March, is beginning to revive and since November the price has risen from 226s. 9d. per 50 kilos to 266s. 9d. Bumper crops were expected but they have not materialised. Three months ago world output for 1951-52 was put at 793,000 tons compared with 780,000 tons in 1950-51. But this estimate has been steadily reduced and is now put at no more than 710,000 tons. The Gold Coast crop, which accounts for one third of the world's total, has suffered a serious fall from 262,000 tons to 235,000 tons because of heavy rainfall and black pod disease. Swollen shoot is still a major problem but steps have been taken to limit its spread. Both Nigeria and Brazil have also suffered from black pod, though the fall in output in these two countries has been less severe.

The prospect of a smaller crop has undoubtedly helped to strengthen the market. In the United States, confectionery manufacturers used up their stocks during the summer months and although they began to buy again in November, their purchases have been small. Having learned a painful lesson a year ago, they are carrying small stocks. British imports of cocoa are also declining. In the eleven months to November, imports totalled 98,600 tons compared with 120,000 tons in the same period of 1950. American consumption of confectionery this year is expected to be a little above last year's total, which was high, but European consumption is expected to fall. British consumption of raw cocoa is restricted by the sugar ration to confectionery manufacturers. The cuts on confectionery imports to this country might have seriously curtailed the Dutch demand for cocoa beans, but the Netherlands have an alternative

World Production of Cocoa Beans
('000 Long Tons)

	1949-50	1950-51	1951-52 (estimate)
Gold Coast	248	262	235
Nigeria	99	110	100
Ivory Coast	60	60	45
French Cameroons	44	48	46
Other Africa	33	34	33
Brazil	159	134	125
Other America	64	74	73
Dominican Republic	33	32	29
Other W. Indies	17	19	17
Asia and Oceania	7	7	7
World Total	**764**	**780**	**710**

Source: Messrs Gill & Duffus Ltd.

outlet for confectionery in Germany, where the demand for cocoa and cocoa products is expanding rapidly. Before the war, Germany was the third largest market for raw cocoa and if German import restrictions are relaxed next April—as the cocoa trade confidently hopes—German demand for raw cocoa may be a powerful support for the market. Thus prospects this year suggest higher rather than lower prices for cocoa; demand is likely to equal that of 1951 and perhaps slightly exceed it, while supplies are much smaller.

* * *

Life Assurance Records

A further eighteen offices have published their figures of new ordinary life assurance secured in 1951. The net new sums assured by the fifty-six offices whose results have now appeared were £686.4 million last year compared with £575.8 million in 1950, £525.0 million in 1949, £511.8 million in 1948 and £243.0 million in 1938. Last year's total of new life business, including that transacted in the United Kingdom by Commonwealth offices, will undoubtedly exceed £700 million and set up a new record. The 1951 total to date is 19.2 per cent higher than that for 1950. These figures include the overseas business of the British insurance companies (transacted mainly in the Commonwealth) which has been expanding since the war faster than home business. The overseas new business of the Prudential represents nearly half of that of all British offices, and last year was £37.5 million compared with £32.1 million in 1950 and £28.8 million in 1949.

Business underwritten by the different types of offices has varied considerably during the last two years. In 1950 the new business transacted by the life departments of the composite insurance companies was some 15 per cent greater than in 1949, and that secured by the mutual and proprietary life offices 10 per cent greater but the increase shown by the industrial-ordinary offices was less than 1 per cent; the average increase in new business was just under 10 per cent. Last year, when the average increase was about 19 per cent, both the mutual and proprietary offices and the composite insurance companies showed increases of 20 per cent over the 1950 level, whilst the industrial-ordinary offices greatly improved their performance with an expansion of over 16 per cent. The rise in the total new business secured by this

group last year is especially welcome as it suggests a material increase in the volume of individual as opposed to staff scheme new life assurance being taken up by people of moderate means. From the results so far available, it seems probable that new industrial life assurance business com-

Ordinary Life Assurance
Net new sums assured by 18 offices (*a*)
(£ Million)

	1938	1948	1949	1950	1951
Atlas	4·0	3·9	4·6	4·0	5·6
Beacon	1·3	3·5	3·4	3·1	3·3
Britannic	3·4	8·1	7·0	7·0	8·4
Caledonian	2·1	2·4	2·3	2·3	3·0
Legal & General	16·6	39·0	44·5	54·2	70·6
Life Ass. of Scotland	1·7	2·4	2·1	2·3	2·1
Midland Employers'	...	1·1	1·1	1·2	1·3
National and Colonial	...	0·5	0·7	0·8	0·8
National Farmers	0·7	3·2	4·3	4·7	5·0
North British & Mercantile	8·3	8·8	8·3	11·5	10·4
Northern	1·8	3·4	4·2	5·1	7·5*b*
Pearl	8·2	15·8	15·9	16·5	18·8*b*
Prudential	31·8	83·0	81·0*c*	84·5*c*	98·5*b*
Refuge	7·9	13·6	11·3	10·2	12·4*b*
Royal Exchange	4·4	4·2	4·4	4·9	5·5
Scottish Equitable	1·8	3·2	3·2	3·4	4·3
Scottish Provident	3·2	4·1	4·4	5·3	7·4
United Kingdom Provident	5·1	5·5	5·9	6·7	7·0
Total	**99·3**	**205·7**	**208·6**	**227·7**	**271·9**

Notes: (*a*) Including overseas business. (*b*) Approximation. (*c*) Excluding group life and pension business. The total new business was: 1948, £91·3 million, 1949, £88·4 million, 1950, £94·4 million, 1951 not yet available.

pleted last year will show a modest improvement on the 1950 total.

It would seem almost too much to expect even higher new life assurance figures this year, but unless much more of the inflationary steam is let out of the economy during the coming months than at present seems likely, there is no apparent reason why last year's level should not be roughly maintained.

Shorter Notes

The British Export Trade Research Organisation, a co-operative attempt by a section of British industry to carry out market research in importing countries, is to close down after seven years' work. The organisation, which has been partially financed by government subsidy, has not obtained sufficient work to pay its way.

*

Three open hearth furnaces at the Port Talbot works of the Steel Company of Wales, each with an output of about 1,000 tons a week, have been closed through lack of scrap steel to charge them. This announcement, which followed a warning the week before by the company's managing director, Mr Julien Pode, is an indication of the severity of the shortage of raw materials now affecting the British steel industry. Margam, the industry's newest plant, has fairly or unfairly been considered by other steel producers as receiving special favour, and materials have been diverted from other works to feed it during recent months, while it has gradually been building up its output.

*

The latest subject of inquiry for which the Anglo-American Council on Productivity is sponsoring the visit of a team to the United States appears somewhat remarkable. The team is to study "fuel conservation," and its subsequent report is expected to "formulate recommendations on the immediately pressing problem of economising existing resources, and also on a comprehensive long-term policy of fuel utilisation in this country." Both aims are admirable, and justify study of foreign experience; but the United States does not seem the obvious place for it. The higher productivity other teams have often studied there is based partly upon a lavish use of vast resources of power, and in some areas of the country at least saving fuel is the last thing most industrialists study. A visit to some countries in Europe, perhaps, might be more useful.

RE BARCELONA TRACTION, LIGHT AND POWER COMPANY LIMITED

Following upon the auction sale of the assets of Barcelona Traction, Light & Power Co. Ltd. held in Spain on the 4th January before the Special Court for the bankruptcy of the said company, the successful bidder, the Spanish company Fuerzas Electricas de Cataluna has sent the following telegram to the Société Internationale d'Energie Hydro-Electrique S/A (SIDRO) of Brussels, owner of the majority of the shares of the bankrupt company:

"The advertised auction sale of the assets of Barcelona Traction held to-day results in the adjudication being made to Fuerzas Electricas de Cataluna, a limited company domiciled at Calle Serrano 12, Madrid, subject to the reservation that Barcelona Traction may make use of the right it already possesses, and which was notified at the actual auction to Barcelona Traction's legal representative present thereat, to put up any bidder to replace Fuerzas Electricas de Cataluna within the period of nine days under the same conditions as have been accepted by that company. If, as is alleged in the publicity campaign, Sidro believes that the assets auctioned represent a much greater value than the bonds issued and owing by Barcelona Traction, Fuerzas Electricas de Cataluna offers to the shareholders of the said Barcelona Traction Company a new opportunity, additional to that prescribed in the Conditions of Sale in favour of Barcelona Traction, to acquire the said assets for the value of the bonds plus interest (which has been unpaid for sixteen years) of the said Barcelona Traction Company, payment of which is guaranteed by the auctioned assets themselves. To this end Fuerzas Electricas offers to the shareholders of Barcelona Traction the opportunity of acquiring those assets without having to pay to Fuerzas Electricas de Cataluna any price for the assignment which it is prepared to make to them. Fuerzas Electricas de Cataluna is willing to consider a proposal from Sidro to the effect of assigning thereto in the interests of all the shareholders of Barcelona Traction all its rights acquired and its obligations incurred at the said auction subject to the liquidation and payment on behalf of Sidro to the full satisfaction of Fuerzas Electricas de Cataluna before the 31st of the present month of all the amounts included under the headings detailed in the second condition of the Conditions of Sale of the said auction. All of this in accordance with the Spanish law applicable to this case. This is communicated pursuant to a resolution of the Board of Administration of Fuerzas Electricas de Cataluna passed on the 31st December last. I am confirming this cable by mail and am sending you a copy of the Conditions of Sale.

Rodriguez Sastre
Director and Secretary."

Fuerzas Electricas de Cataluna.
Madrid, 4th January, 1952.

Company Notes

Turner and Newall.—In the past year, demand in almost all the markets for Turner and Newall's products outstripped even the increase in production, and it seems that only labour and material shortages prevented all plant from being worked at full capacity. Group trading profits jumped from £9,366,998 to £13,069,825 and distributable earnings from £965,000 to nearly £1,675,000. Yet the ordinary dividend was left unchanged at 20 per cent. The directors were not willing to be more generous as record earnings were due "partly to temporary conditions" beyond their control. In his statement accompanying the full accounts, the chairman does not clinch this argument by explaining what exactly were these "temporary conditions" to which he referred in justifying an ultra-conservative dividend policy.

The directors' concern with the problem of replacement is evident in the year's reserve appropriations, but so strong is the consolidated balance sheet that it could hardly be pleaded that the need to plough back profits was so imperative that nothing more could be spared for equity shareholders. A fall in cash balances from £10,753,301 to £8,080,130 has been more than offset by an increase in quoted investments from £2,404,504 to £5,160,240 and in tax reserve certificates from £3,694,713 to £5,649,786. Higher prices and "the increased level of trading activity" led to an increase in stocks from £10,250,497 to £12,693,256.

Consolidated earnings :—	Years to September 30, 1950	1951
	£	£
Trading profit	9,366,998	13,069,825
Total income	10,391,359	13,707,278
Depreciation	1,357,774	1,617,703
Taxation	4,195,552	6,560,205
Group earnings for ordinary stock	*965,032*	*1,674,993*
Ordinary dividends	587,247	560,554
Ordinary dividends (per cent)	20	20
Retained by subsidiaries	450,376	577,438
Stock reserve	480,000	920,000
Fixed assets reserve	1,000,000	1,750,000
General reserve	500,000	500,000
Added to carry forward	223,272	417,616
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	7,801,410	8,353,181
Net current assets	21,679,105	27,135,798
Stocks	10,250,497	12,693,256
Cash	10,753,301	8,080,130
Reserves	20,904,184	27,125,525
Ordinary capital	5,338,609	5,338,609

£1 ordinary stock at 88s. 9d.xd yields £4 10s. per cent.

Peak production of Ferodo brake and clutch linings was made possible by "a considerable quantity of new plant" brought into operation last year. Despite an acute local shortage of labour a high level of activity was maintained in the asbestos textiles division, and a high rate of output, particularly in coal conveyor belting, was achieved in the new factory at Hindley Green. All plant in the asbestos cement division has been operated to the maximum following an improvement in supplies of suitable grades of asbestos fibres. A new milling plant in Southern Rhodesia, now in operation, will help to increase the production of graded fibres from this area but the gap between available supplies and current needs has still to be closed. Underground mining, instead of quarrying, at the Bell asbestos mine in Canada, will add to costs but is not expected to reduce production. Further plans to extend capacity, especially in the asbestos textile division, are already in hand.

Mr Shepherd is not the first chairman to refuse to make long-term forecasts but he admits that the directors "anticipate the continuance of strong demand during the current year" and that production will be "at or near the maximum possible with available plant and raw asbestos." Costs will almost certainly rise in the rearmament period and shareholders will not disagree with the chairman's comment that yearly profit records cannot be achieved indefinitely. But they will still wonder if that is sufficient reason for ignoring their claim for a bigger slice of the cake in a year when a new record was established.

★

Carreras.—By drawing upon stocks of leaf tobacco purchased before devaluation, the Carreras group were able in 1949-50 to stave off the full impact of higher exchange cost, as well as increased market price, upon earnings. In fact, these advanced to a new record level. Last year, by contrast, group profits, before tax, fell by nearly 6½ per cent from the 1949-50 figure of £3,062,000 to £2,866,000. The decline in profits was not unexpected as the company, using dollar leaf stocks purchased at full devaluation cost, was confronted with a rise in manufacturing and distributive costs. Together with the other leading tobacco manufacturers, the group was forced to increase the price of cigarettes, but as this increase was only effective in the last two months of the financial year it can have made only a small contribution to the year's earnings. Despite the decline in gross profits, the taxation bill was higher at £1,579,446, against £1,536,166, and group net profits fell quite sharply from £1,428,504 to £1,165,066. The company, however, were able to maintain the ordinary dividend at 35 per cent, a rate that has been paid since 1944-45. No appropriation has been made to general reserves, which received £100,000 in 1949-50, but £211,200 has been added to a fixed assets reserve.

	Years to October 31, 1950	1951
Consolidated earnings :—	£	£
Profit, before tax	3,062,190	2,865,696
Taxation	1,536,116	1,579,446
Group earnings for ordinary stock	*1,395,410*	*874,075*
Ordinary dividends	716,158	683,605
Ordinary dividends (per cent)	100,000	...
Fixed assets reserve	...	211,200
Added to group carry forward	579,252	190,470

£1 "A" ordinary stock at 95s. yields £7 8s. per cent.

Increased cigarette prices have had little effect upon sales and the heavy purchases of leaf tobacco at the recent auctions suggest that production will be maintained in the current year at the 1951 level. But as the yield of 7⅛ per cent on the Carreras "A" ordinary shares at the current price of 95s. suggests, investors are taking a cautious view of trading prospects in the tobacco industry. The biggest fear is that the additional penny on a 3s. 6d. packet of cigarettes will not cover the whole of the increase in costs.

★

Apex (Trinidad).—At first sight it appears that in the year to September 30th last, profits accruing to Apex (Trinidad) at £1,995,245 were lower than in 1950 when profits were shown at £2,098,931. If, however, profits of £408,022 relating to earlier years are excluded from the 1950 figure, it is evident that revenue from the year's trading actually advanced from £1,690,909 to £1,995,245. Similarly, if distributable earnings are calculated to exclude earlier years' profits, ordinary earnings have risen from £261,000 to over £530,000—an increase that amply justifies the decision to raise the tax free dividend from 35 to 40 per cent. The improvement in profits stems from an increase in production and delivery of crude oil and casing head gasolene.

For its drilling programme the company has ample resources, as the directors resisted a suggestion that a distribution of part of its large cash balances might be made. Nearly £2,390,000, against £1,395,000, is held in cash, a further £610,000, against £425,000, in tax reserve certificates and about £1,004,000, against £1,094,000, is invested in government securities. At the current price of 48s. 9d.xd. the 5s. stock units yield £7 16s. gross.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Jan. 2, 1952	Price, Jan. 9, 1952	Net Yield, Jan. 9, 1952 (n)	Gross Yield, Jan. 9, 1952
			£ s. d.	£ s. d.
War Bonds 2½% Mar. 1, 1951-53	100⅛	100⅛	0 3 0	1 19 10 *e*
War Bonds 2½% Mar. 1, 1952-54	99⅝	100	0 13 2	2 4 5 *f*
Exchequer Stk. 2½% Feb. 15, 1955	99⅛	99⅞	0 12 8	2 9 8 *e*
Serial Funding 1¾% Nov. 14, 1952	99⅞	100⅛	1 2 2	2 5 0 *l*
Serial Funding 1¾% Nov. 14, 1953	99⅜	100	0 12 2	1 11 2
Serial Funding .... Nov. 14, 1954	99	99⅛	0 16 11	1 15 0
War Bonds 2½% .... Aug. 15, 1954-56	99¼	99⅞	1 3 9	2 1 5
Funding 2½% ..... June 15, 1952-57	98⅞	99⅛	1 8 2	2 11 1 *e*
Nat. Defence 3% .... July 15, 1954-58	99⅜*	99⅞ *	1 7 4	2 10 7 *l*
War Loan 3% ..... Oct. 15, 1955-59	100⅛	100⅛	1 11 11	2 18 7 *l*
Savings Bonds 3% .... Aug. 15, 1955-65	91⅛	90¼*	1 11 10	3 2 3 *e*
Funding 2½% ..... April 15, 1956-61	92⅛	92⅜	1 11 8	3 1 2 *l*
Funding 3% ..... April 15, 1959-69	87⅜*	87⅛*	4 10 0	5 19 5 *e*
Funding 4% ..... May 1, 1960-90	98⅛	98⅛	2 8 2	3 18 1 *l*
Savings Bonds 3% .... Aug. 15, 1965-75	86⅜	86⅜	3 4 2	4 10 7 *e*
Savings Bonds 2½% .... May 1, 1964-67	84⅜	84½	2 4 3	3 9 10 *l*
Victory Bonds 4% .... Sept. 1, 1920-76	100⅛	101⅜	3 13 5	5 5 6 *e*
Savings Bonds 3% .... Aug. 15, 1965-75	83⅜	82⅝*	4 2 11	5 4 2 *l*
Consols 4%	89⅛*	89⅜*	3 5 6	4 4 2 *e*
Conversion 3½%	81⅜	81⅞	2 16 6	4 3 2 *e*
Treasury Stk. 2½% .... (after Apr. 1, 1975)	58⅜	59⅜	4 3 6	4 5 3 *f*
Treasury Stk. 3% .... (after Apr. 5, 1966)	69⅛	69⅞	2 11 3	4 4 1 *l*
Treasury Stk. 3½% .... June 15, 1977-80	87⅝	88⅛	2 5 5	4 7 0 *f*
Treasury Stk. 3% .... Oct., 1986-96	76⅛	76⅞	2 9 6	4 5 9 *e*
War Loan 3½%	80⅜	80½	2 12 6	4 7 0 *e*
Consols 2½%	60⅞*	61⅛	2 5 9	4 5 7 *f*
Brit. Elect. 3% Gtd.. April 1, 1968-73	84⅛	84½	2 3 0	4 1 10 *f*
Brit. Elect. 3% Gtd.. Mar. 15, 1974-77	83⅛	83⅜	2 16 1	4 8 5 *e*
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	89	89⅛	2 11 11	4 7 5 *e*
Brit. Tpt. 3% Gtd.. July 1, 1978-88	76⅛	76⅜	2 7 5	4 3 6 *l*
Brit. Tpt. 3% Gtd.. April 1, 1968-73	84⅛	84⅜	2 16 8	4 10 5 *e*
Brit. Gas Stk. 3% .... May 1, 1990-95	76⅛	76⅛	2 11 3	4 5 4 *l*
Brit. Gas Gtd. 3½% .... Sept. 10, 1969-71	93⅛	93⅛	2 16 4	4 8 8 *e*
Brit. Iron & Steel 3½% 1979-81	88⅜	87⅞*	2 11 3	4 5 6 *l*
			2 7 0	4 2 9 *e*
			2 6 2	4 1 10 *l*
			2 9 0	4 4 11 *e*
			2 8 4	4 4 4 *l*

(e) To earliest date. *(f)* Flat yield. *(l)* To latest date. *(n)* Net yields after allowing for tax at 9s. 6d. in £. *(s)* Assumed average life 13 years 0 months. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, Jan. 2, 1952	Price, Jan. 9, 1952	Yield, Jan. 9, 1952
%	%					£ s. d.
40	*b*	20	*a* Anglo-Am. 10/-	7⅞	7⅞	3 16 2
5	*a*	25	*b* Anglo-Iran £1	5⅜	5⅜	5 4 4
20	*c*	7½	*a* Assoc. Elec. £1	83/9	78/9	5 1 7
27½	*c*	7½	*a* Assoc. P. Cem. £1	104/4½	103/9	5 6 0
35	*c*	45	*c* Austin 5/-	32/6	31/3	7 4 0
15	*a*	†17½	*b* Bass £1	125/-*	123/9*	6 18 7
40	*c*	5	*a* Boots 5/-	22/6	22/6	4 8 11½
9	*c*	7	*a* Br. Celanese 10/-	29/6	29/3	3 1 6
12	*b*	8	*a* Br. Oxygen £1	85/6	84/-	4 15 3
5	*a*	7½	*b* Coats £1	52/6	51/10½	4 16 5
6½	*b*	5	*a* Courtaulds £1	45/6	45/6	4 18 11
22½	*c*	7½	*a* Distillers 4/-	20/3*	20/-*	4 10 0
15	*c*	17½	*c* Dunlop £1	61/3	60/-	5 16 8
10	*c*	12½	*c* Ford £1	50/7½	50/7½	4 18 9
17½	*c*	22½	*c* Gen. Elect. £1	91/3	91/3	4 18 9
11	*a*	17	*b* Guinness £1	123/4½	123/1½	4 10 11
4½	*a*	5½	*b* Hawker Sid. £1	36/-	35/9	5 11 11
9	*b*	5	*a* Imp. Chem. £1	46/10½	46/6	5 3 3
18½	*b*	13½	*a* Imp. Tobacco £1	90/-	90/-	7 2 2
5	*a*	10	*b* Lancs. Cotton £1	41/3*	40/7½*	7 7 8
13½	*c*	5	*a* Lever £1	50/-	50/-	5 8 0
15	*c*	7½	*a* Lon. Brick £1	57/6	57/6	5 4 4
15	*a*	60	*b* Marks & Sp. A 5/-	88/-	88/6	4 9 9
8	*b*	8	*a* P. & O. Def. £1	44/6	45/6	4 13 10½
17½		7½	*a* P. Johnson 10/-	39/6*	39/-*	6 8 2
17½	*b*	15	*a* "Shell" Stk. £1	96/3	95/7½	4 19 7
12½	*a*	12½	*b* Tube Invst. £1	82	[redacted]	4 10 11
5	*a*	15	*b* T. & Newall £1	88/- *	[redacted]*	4 10 2
8	*c*	10	*c* Union Castle £1	43/6	44/6	4 9 11
50	*c*	26	*a* U. Sua Betong £1	59/4½	58/9	17 0 5
10	*b*	2½	*a* Vickers £1	46/-	45/9	5 9 3
27½	*b*	15	*a* Woolworth 5/-	43/6	43/-	4 18 10

(a) Interim div. *(b)* Final div. *(c)* Div. for whole year. *(h)* Yield basis 20% after capital bonus. *(p)* Yield basis 10½% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the 5 days ended January 5, 1952, total ordinary revenue was £89,510,000 against ordinary expenditure of £63,163,000 and issues to sinking funds £216,000. Thus, including sinking fund allocations of £16,853,000, the deficit accrued since April 1, 1951, is £199,656,000 compared with a surplus of £104,041,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate, 1951-52 £'000	April 1, 1950 to Jan. 6, 1951	April 1, 1951 to Jan. 5, 1952	6 Days ended Jan. 6, 1951	5 Days ended Jan. 5, 1952
		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	592,351	692,426	44,601	42,783
Sur-tax	128,000	59,100	63,000	8,500	10,000
Estate, etc., Duties	180,000	139,950	141,700	3,400	2,400
Stamps	55,000	40,260	47,600	800	600
Profits Tax & E.P.T.	312,650	220,170	247,200	10,000	5,300
Other Inland Rev.	500	110	110	20	...
Special Contributn.	1,500	3,980	2,220	80	50
Total Inland Rev.	2302400	1055921	1194256	67,401	61,133
Customs	930,500	687,763	771,767	18,974	17,917
Excise	720,500	537,600	569,900	5,200	1,300
Total Customs and Excise	1651000	1225363	1341667	24,174	19,217
Motor Duties	62,000	21,404	23,361	7,001	7,240
Surplus War Stores	20,000	35,932	29,645	546	...
Surpl's from Tradg.	50,000	41,905	74,455	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	8,650	9,200	...	...
Sundry Loans	27,000	20,858	21,473	1,219	969
Miscell. Receipts	105,000	64,737	77,681	624	951
Total Ord. Rev.	4236400	2474770	2771737	101165	89,510
SELF-BALANCING					
Post Office	179,431	130,700	144,400	3,000	2,900
Income Tax on E.P.T. Refunds	4,900	6,654	4,179	12	21
Total	4420731	2612124	2920316	104177	92,431
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	356,878	391,288	8,484	8,677
Payments to N. Ireland	38,000	27,509	29,007	1,922	2,040
Other Cons. Funds	11,000	8,039	9,734	2,346	2,346
Total	584,000	392,426	430,029	12,751	13,063
Supply Services	*3514062	1965240	2524511	37,800	50,100
Total Ord. Expd.	*4098062	2357666	2954540	50,551	63,163
Sinking Funds	...	13,063	16,853	592	216
Total (excl. Self-Bal. Expd.)	4098062	2370729	2971393	51,143	63,379
SELF-BALANCING					
Post Office	179,431	130,700	144,400	3,000	2,900
Income Tax on E.P.T. Refunds	4,900	6,654	4,179	12	21
Total	4282393	2508083	3119972	54,155	66,300

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £525,288 to £4,391,335, the other operations for the 5 days decreased the National Debt by £19,538,925 to £26,549 million.

NET RECEIPTS (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921	10
Tithe Act, 1936, s. 26	295
Cotton (Centralised Buying) Act, 1947, s. 21(3)	500
EPU (Financial Provisions) Act, 1950, s. 3	183
Suez Canal Shares drawn and paid off	175
	1,163
NET ISSUES (£ thousand)	
Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	26
Housing (Scotland) Act, 1950, s. 94(2)	750
Local Authorities Loans Act, 1945, s. 3(2)	4,200
New Towns Act, 1946, s. 12(3)	1,200
Town and Country Planning Acts, 1947	200
Finance Acts, 1946 and 1947: Postwar Credits	253
	7,229

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Nat. Savings Certs.	200	Treasury Bills	22,650
Ways & Means Advances	9,380	2½% Def. Bonds	600
		3% Def. Bonds	210
		3% Ter. Annuities	1,431
		Tax Reserve Certs.	999
		Other Debt :—	
		Internal	626
		External	102
		Treasury Deposits	2,500
	9,580		29,118

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of Eng.	Treas. Deposits by Banks	Total Floating Debt
1951						
Jan. 6	3270·0	1861·8	394·7	...	500·0	6026·5
Oct. 6	3240·0	2425·2	347·6	...	250·0	6262·8
,, 13	3240·0	2471·1	256·6	...	225·0	6392·7
,, 20	3250·0	2315·4	371·0	...	200·0	6136·5
,, 27	3270·0	2287·8	362·8	...	175·0	6095·6
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4
,, 10	3260·0	2325·2	332·8	...	150·0	6066·0
,, 17	4585·5*	30	274·7	...	125·0	4985·2
,, 24	4571·6*		292·6	...	125·0	4989·3
Dec. 1	4593·3*		304·8	...	125·0	5023·1
,, 8	4631·1*		289·0	3·0	123·0	5046·1
,, 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·9*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2

* The proportion of tender and tap Bills surrendered for 1¾ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Jan. 5	240·0	301·4	230·0	10 3·35	70
Oct. 5	250·0	327·4	250·0	10 3·13	69
,, 12	260·0	365·5	260·0	10 2·64	58
,, 19	250·0	339·9	250·0	10 2·97	64
,, 26	230·0	313·4	230·0	10 2·91	63
Nov. 2	230·0	330·1	230·0	10 2·38	54
,, 9	260·0	330·4	260·0	17 2·96	70
,, 16	230·0	285·3	160·0	17 10·66	41
,, 23	170·0	237·6	170·0	19 2·95	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61

On January 4th applications for 91 day bills to be paid from January 7 to January 12, 1952, were accepted dated Monday to Thursday and Saturday as to about 61 per cent at £99 15s. 2d. and applications at higher prices were accepted in full. Applications dated Friday were accepted at £99 15s. 3d. and above in full. Treasury Bills to a maximum of £150 million were offered on January 11th. For the week ending January 12th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 39 Weeks ended: Dec. 30, 1950	Totals 39 Weeks ended: Dec. 29, 1951	Week ended Dec. 29, 1951
Savings Certificates :—			
Receipts	65,700	115,800	2,000
Repayments	98,700	101,600	1,500
Net Savings	*Dr33,000*	14,200	500
Defence Bonds :—			
Receipts	12,530	43,699	300
Repayments	37,044	55,248	1,400
Net Savings	*Dr24,514*	*Dr11,549*	*Dr 1,100*
P.O. and Trustee Savings Banks :—			
Receipts	483,522	517,542	13,234
Repayments	536,654	610,185	17,461
Net Savings	*Dr53,132*	*Dr92,643*	*Dr 4,247*
Total Net Savings	*Dr110,646*	*Dr89,992*	*Dr 4,847*
Interest on certificates repaid	21,856	25,188	390
Interest accrued	94,121	94,585	2,425
Change in total invested	*— 38,381*	*— 20,591*	*— 2,812*

BANK OF ENGLAND RETURNS

JANUARY 9, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—			
In Circulation	1395,786,388	Govt. Debt	11,015,100
In Bankg. Department	54,570,435	Other Govt. Securities	1435,700,719
		Other Secs.	772,452
		Coin (other than gold)	2,511,729
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	339,027,853
Rest	3,638,680	Other Secs.	31,638,722
Public Deps.:—	18,583,962	*Discounts and*	
*Public Accts.**	*18,231,766*	*Advances*	*14,218,319*
H.M. Treas.		*Securities*	*23,420,403*
Special Acct.	*352,196*		
Other Deps.:—	396,156,412		
Bankers	*304,296,011*	Notes	54,570,435
Other Accts.	*91,860,401*	Coin	1,695,044
	432,932,054		432,932,054

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Jan. 10	1951 Dec. 25	1952 Jan. 2	1952 Jan. 9
Issue Dept. :—				
Notes in circulation	1314·0	1437·9	1419·0	1395·8
Notes in banking department	36·3	12·5	31·3	54·6
Government debt and securities*	1345·2	1446·8	1446·7	1446·7
Other securities	0·7	0·7	0·8	0·8
Gold and Coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	18·7	13·4	14·4	18·2
Treasury Special Account	2·4	0·6	0·4	0·4
Bankers	297·4	299·8	364·9	304·3
Others	84·8	89·8	92·2	91·9
Total	403·3	403·6	411·9	414·8
Securities :—				
Government	339·0	369·1	348·7	339·0
Discounts, etc.	20·4	18·2	22·9	14·2
Other	24·7	20·2	25·5	23·4
Total	384·1	407·5	397·1	376·6
Banking dept. res.	37·4	14·1	33·0	56·2
	%	%	%	%
"Proportion"	9·2	3·5	8·0	13·5

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue raised from £1,400 million to £1,450 million on December 12, 1951.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

195	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 3	77·0	88·00	Markets	Closed
,, 4	77·0	88·00	188 10	106 4½
,, 5	Markets	Closed	188 15	106 9
,, 7	77·0	88·00	190 0	106 10
,, 8	77·0	88·00	189 11	106 10
,, 9	77·0	88·00	190 1	105 13

MARTINS BANK LIMITED

MEASURES TOWARDS RESTORING SOUND ECONOMY

STATEMENT OF MR A. HAROLD BIBBY, D.S.O., D.L.

The one hundred and twenty-first annual general meeting of members of Martins Bank Limited will be held at head office, Liverpool, on February 12th. In his statement, circulated to members, the chairman, Mr A. Harold Bibby, D.S.O., D.L., writes:—

First may I deal with the balance sheet and accounts which include the figures of the absorbed British Mutual Bank Limited; I feel sure that the shareholders, in the light of existing conditions, will express their satisfaction as do my colleagues on the board.

The net profit for the year is £725,107 which compares with £732,895 last year. The result reflects larger demands for taxation, higher overheads (the peak of which has not yet been reached), and prudent reservations facing as we now do conditions under which industry will find it less easy to make profits and the no less important changing values in British Government securities. Fortunately, an investment reserve built up in past years has, with allocations out of the year's profits, enabled the carry forward of a surplus in that particular reserve.

After payment of the dividend, it is proposed to make an allocation of £375,000 to reserve for contingencies.

Total assets amount to £347,336,244, against £342,053,859.

Customers' funds and other accounts are £314,582,055 against £303,348,987 last year and advances are £88,603,419 as compared with £74,809,980.

Changes in other assets will be observed in the comparative balance sheet; the ratio to deposits of our more liquid resources, including Treasury deposit receipts stands at 35.73 per cent.; the fall from the high figure of a year ago is accounted for mainly by the translation of £24,000,000 of Treasury bills into the new 1¾ per cent. Serial Funding stocks, being a reflection of the Government's early steps towards monetary stability.

CHANGES IN DIRECTORATE

The past year has again seen changes in the directorate of the bank and in the local boards. I have to record with deep sorrow that Sir William Clare Lees, Bart., O.B.E., LL.D., passed away in May. He had rendered great service to the bank during the eighteen years of his close association, first as a member of the Manchester Board, where he had served as chairman for over nine years, and later as a member of the General Board, where he acted as a deputy chairman from 1945 onwards.

During the year we welcomed to our deliberations Sir Wilfrid Martineau, M.C., T.D., M.A., a partner in the firm of Messrs Ryland, Martineau and Company, Solicitors, of Birmingham. We are indeed fortunate in having his co-operation both on the General Board and also as chairman of the newly constituted Midland District Board to which I refer later. Mr P. J. D. Toosey, D.S.O., O.B.E., T.D., who has wide commercial interests in the North West, has, I am pleased to say, also joined the General Board.

Mr Myles N. Kenyon, D.L., whose valued counsel has been available for many years both to the General and Manchester Boards, has been elected as chairman of the Manchester Board, and Mr R. Cary Reynolds, O.B.E., has joined that Board. From the North Eastern Board Sir John S. Barwick, Bart., has retired owing to advancing years, and we record our appreciation of the services he rendered over the long period of 35 years. To fill the vacancy Mr Peter Wrightson, O.B.E., has accepted a seat on that Board. In Mr Reynolds and Mr Wrightson we have colleagues with wide knowledge and experience in their respective spheres of textiles and engineering whose advice will be invaluable.

In May last Mr Herbert Holt relinquished his seat on the Leeds Board to which he was appointed in 1941 following notable service in an executive capacity. His total service with the bank and its predecessor extended over sixty years, and we acknowledge his valued co-operation.

EXTENSION OF DECENTRALISATION

Once again may I stress the advantages which accrue both to the bank and customers generally in our policy of decentralisation through our local boards and district head offices. During the year we have put into effect a further extension of this system, for it was decided that the growth and control of our business in the Midlands would be greatly facilitated by establishing a local board with district general management at Birmingham: this new arrangement will prove, I am sure, a considerable source of strength to our organisation. As I have already mentioned, we are fortunate in securing the services of Sir Wilfrid Martineau on the general board, and he it is who will be the first chairman of the Midland district board. He is a prominent figure in the civic life of Birmingham and has filled the high office of Lord Mayor; his counsel and his breadth of knowledge of that area will be of great help as also will the assistance of Mr P. H. Jones, M.C., T.D., D.L., M.I.Mech.E., a well-known Midlands industrialist who has joined him as a member of the Midland district board.

PROMOTING OVERSEAS RELATIONS

Mr C. J. Verity, chief general manager, made an extensive tour of Australia and New Zealand during part of last year making numerous calls on Australasian banks and commercial houses, and I know that his visit has been of real value in cementing and promoting business relations with that steadily growing continent. Other executive officers have also visited and kept in touch with our connections abroad.

You will remember that a while ago, in order to meet our expanding needs for office accommodation, we acquired premises at 80 Gracechurch Street, London. I am now able to tell you that after much frustration in the process completion of the alterations there is imminent and our chief foreign branch, the London Trustee Department and some other internal departments are to be housed in these premises (to the relief of space at 68 Lombard Street) and in addition we are opening a new branch there.

Amongst several new branches opened during the year it is notable to record that an office is now functioning in St. Helier, Jersey, and a subsidiary company to meet local regulations has been formed for the purpose of carrying on trustee business there.

Before leaving the domestic sphere it is appropriate that I should make reference to the valuable service rendered by the staff and reflected in the annual report. The results are witness to the untiring efforts and constant attention of the chief general manager and his deputy, his colleagues of the general management, the district general management and branch managers and also to the zeal and efficiency of the staff as a whole, for which we offer them our sincere thanks and appreciation.

The past year has been difficult for everyone and not the least for bankers. All the uncertainties of a troubled world, the precarious and unstable foundations of our domestic economy, the financing of stocks at high prices, the difficulty of obtaining risk capital, have added to the perplexities of the problems with which bankers are called upon to deal.

However, beyond trying to profit from the lessons, there is little merit in dwelling on the difficulties in too much detail when one's thoughts and energies should be directed to the future rather than to a post-mortem on the past.

CREDIT TO BE USED TO NATIONAL ADVANTAGE

The government have announced their programme to curb inflation by the restriction of credit and, as an aid to this, by higher interest rates.

Bankers are asked to examine most carefully all applications for fresh loans and the renewal of old ones. The yardstick will be whether the money is required for projects which are essentially and positively related to the rearmament programme, to the stimulation of exports to desirable markets, to the saving of imports, particularly from dollar sources, and to the relief of basic deficiencies, especially of raw materials; if these tests are not passed the banks are asked to be much more restrictive however credit-worthy the applicant may be.

The truth is that credit is in short supply and it is only by using the amount available to the best national advantage that the essential business of the country can be kept running. To achieve this there may have to be some re-orientation of trade, but it is not proposed that there should be disorganisation of trade by the sudden withdrawal of banking facilities: it must be recognised, however, that everyone will have to reduce their credit requirements to the minimum and not embark on unessential expansion.

The home consumption trades will suffer most and no doubt the hire purchase business, which runs from Rolls Royce cars to electric kettles, will be among these. Government-owned industries, like gas and electricity, are among the most prominent promoters of hire purchase and the reaction in these nationalised businesses will be a sound indication of the pressure the Government wish applied.

It is to be hoped that wholehearted support will be forthcoming from every industry and every individual in this strenuous attempt to deal with a situation which might well cripple our whole economy.

MAXIMUM INDIVIDUAL EFFORT NEEDED

Ever rising costs are the nightmare which today haunts everyone. This problem presents itself to each individual in a different way; to the industrialist it is the increasing cost of raw materials and wages making his product too dear; to the widow it is the rising cost of the food and clothing to maintain existence at all; to the nation it is being able to sell abroad our exports to pay for the food and raw materials we must import if employment and the necessities of life are to be available to us.

The one factor common to everyone is just that the £ has ceased to purchase what it formerly did. On this subject so much has been said and written both by the learned and the ignorant that the ordinary man in the street becomes utterly confused and bewildered and he clings to the fixed though mistaken belief that if he is to maintain anything approaching his present standard of living he must have higher wages or a higher margin of profit (whichever applies to his particular case).

The general bewilderment obscures what is surely the fundamental fact, namely, if each and all expect to receive £1 for 10s. worth of work or goods it cannot be long before the £ generally becomes worth only 10s.

So long as this present day attitude continues, the purchasing price of the £ must decline, and the only way to arrest the trend and make the purchasing price of the £ increase is to give something of more value than £1 for the £1 reward which we demand for our individual effort, be it of brain or muscle.

Rearmament, which we all agree is necessary for our very existence, must absorb a large portion of that extra effort, and it is only what we are willing and ready to give over and above the rearmament requisite that is going to make our earnings worth more.

We all pay lip service to the need for higher production, but most of us think that that is a matter for the other man and has little concern with ourselves. Till each and everyone of us is determined and resolute to give the maximum of his or her effort each day and every day, no fall in the cost of living or appreciation in the real value of the £ can possibly take place.

We, in this generation, are having to pay the cost of winning two world wars and trying to prevent a third, and that can only be done by giving in effort something over and above our living requirements. No section of the community can or should expect to be shielded from this.

The choice is quite clear—either to contribute a higher degree of effort or to accept without complaint a lower standard of living.

REARMAMENT'S PRIOR CLAIM ON EARNINGS

Without falsifying reality it is only possible to spend £1 once. This is equally true in the national as in the individual sense. If this is accepted, the question is "How much is there in the national purse and how can it best be spent?"

To use a business simile, the position can be compared with the rights or claims of three types of capital in a big industrial company.

Debenture interest has priority of charge against income and then preference shares and ordinary shares get their rewards in that order. The vast majority of people have come reluctantly to the conclusion that for the safety of our country, our homes, our families and our way of life, rearmament must, like debenture interest, have priority of charge upon the income of our national community; the rewards for the preference shares must go to maintenance and improvement of our present equipment and the provision of new. This only leaves the rewards of the equity, that is, the surplus of income left after meeting all prior claims, to provide for private and public spending; in other words, this surplus is reflected in our standard of living, individually by our private spending in normal living expenses and in those extras such as a television set or a seaside holiday, and collectively through the taxes, paid by the community at large, used either by the local or national authorities on the maintenance of roads, hospitals, education and other social amenities.

Having met the fixed debenture and preference charges, the sum we can spend on the rest depends entirely on what surplus, if any, there is for the ordinary shareholders who are in this allegory the public at large. We all know that this depends on the prosperity of the concern as a whole.

Under careful and wise management with everyone pulling his full weight, with incentives to do so, there should be good dividends for the ordinary shareholder but, given extravagant, inefficient management at the top and slack disinterested workmanship below there can be little or nothing for the holder of the ordinary shares except, perhaps, during a short-lived international sellers' market.

SOCIAL SECURITY AND WELFARE STATE MUST BE WORKED FOR

Social security and the welfare state which depend on the dividends from the ordinary shares are, therefore, not things that like manna drop from heaven, but have to be worked for here on earth.

Unless this is fully appreciated, the whole idea of social security is false and misleading and tends to an unreal sense of well-being which breeds indolence and lack of any sense of drive and sustained effort.

Would we not be wiser to build up our collective security on a foundation of individual security?

Each one of us, by striving to become a master of his profession, craft or trade, by refusing to be content with the second rate or shoddy, be it at the desk, the bench or in the field, would recapture a sense of individual self-reliance and a pride and happiness in our diversified occupations. With encouragement and reward for good honest work, sloth and dodging the column would disappear.

It could be argued that this was all very well for the able-minded and able-bodied and that the weak, aged and feeble would be driven to the wall. In these enlightened days no one is, or should be, allowed to fall below a reasonable standard; society from the top to the bottom would revolt against any individual or section of the community living, by no fault of their own, below decent standards of life.

Given that surge forward in effort, that striving and pride in doing a job well, the dividends for what in my simile I have called the ordinary shareholders would rise to such heights as to provide comfort for the old and sick and added incentive to the adventurous, hard-working and self-reliant.

PROFICIENCY BONUSES AS INCENTIVES

Everyone agrees consciously or unconsciously that incentives are good; even the most hard-boiled trade unionist of the old school concurs or, if he has any doubts, his wife certainly hasn't.

From infancy we have been brought up on incentives and rewards; the small child is offered a sweet; the school child is offered a prize; in sport it is universal. In fact, after centuries of trial and error, it emerges as the logical and best method of urging humans to give of their best.

There are many ways of offering incentives, the difficulty is in selecting the best.

At first sight, profit-sharing seems the easiest and fairest way, but this may defeat its own object.

First of all, it presumes that there are profits to share but, supposing there are when the scheme is inaugurated and that they continue for a number of years, then the happy recipients in the first year or so accept the bonus as something over and above the standard wage but, very soon, it is regarded as a regular part of their remuneration and is absorbed into a revised standard of living, be it a larger house, a better school for the children, or any of the things we all hope and strive for.

Sooner or later the cycle of trade results in lower profits, or in no profits at all. If there is a loss, those who participated in the profits are economically unable to share in the loss. However, if the bonus disappears, or is even diminished, then unless it has been regarded entirely as savings, which is rare, financial hardship at once confronts the family and the feeling of encouragement that the scheme first produced is turned into one of frustration and insolvency.

To avoid this, bonuses could be invested in the individual names of employees in some form of Government stock, or in the business itself, in such a way that they could not be cashed for current expenditure but the interest paid half-yearly to the holder. This has the disadvantage that a £1 a week bonus becomes an uncashable saving of £52 per annum, with an interest payment of only £2 to £3 a year before deduction of tax. Human nature being what it is nearly all the incentive would disappear. Is there any other method that avoids these two disadvantages and is direct and sufficiently immediate?

With the co-operation of the trade unions who, in general, accept the principle of incentives in piece-work and differentials, a comparatively simple scheme of proficiency bonuses could be given individually and, among the clerical staffs the inducement to give a full best could be with the emphasis on proficiency rather than on a graded basis of age or years of service.

These bonuses, though smaller than profit sharing in boom times, would be permanent so long as they were merited by the efficiency of the individuals concerned and would be divorced from trade cycles and other matters beyond the employees' control.

I believe some such scheme, which would differ from business to business, would meet the aspirations of those who wished to better their circumstances by their own endeavours—that, surely, is the essence of incentives.

BANQUE BELGE D'AFRIQUE

INCREASE OF CAPITAL

At an extraordinary general meeting of shareholders held on December 28, 1951, it was decided to increase the capital from 72 to 144 million Congolese francs, by the issue of 72,000 new shares with a nominal value of 1,000 Congolese francs each, of the same type as the existing shares and conferring the same rights and privileges as from January 1, 1952, except that they will bear no dividend in respect of the financial year 1951.

These new shares have been taken up by the Banque de Bruxelles at the price of 1,500 francs per share, fully paid, that Bank undertaking to re-transfer the new shares, at the same price plus the costs of issue, giving preference to holders of the old shares.

Subject to any unforeseen occurrence, the issue to the public of the new shares will take place during February, 1952.

During the meeting, M. Lehembre, a director and vice-chairman of the Management Committee, acting on behalf of M. Max-Leo Gérard, the chairman, who had been delayed abroad for a few days, stated that the results for the financial year just ending were far better than those for preceding years. He added that the increase in th Bank's business had affected all branches of its activities, both in the Belgian Congo and in French Equatorial Africa.

BASS, RATCLIFF AND GRETTON, LIMITED

RESULTS OF A DIFFICULT YEAR

The sixty-fifth annual general meeting of the ordinary stockholders of Bass, Ratcliff and Gretton, Limited, was held on the 7th January, at the registered offices of the company, High Street, Burton-on-Trent.

The chairman, Mr Arthur Manners, presided and was supported by the following members of the board: Mr C. A. Ball (deputy chairman), the Right Hon. Lord Gretton, O.B.E., Mr A. G. Manners, Mr W. P. Manners, Mr P. D. Manners, Mr F. F. Toone, and Mr W. R. Soper, with Mr I. D. Pugh (secretary), and Mr I. M. Taylor, representing Messrs Whinney, Smith and Whinney (auditors).

The secretary read the notice convening the meeting, and the auditors' report.

The chairman said:—

Gentlemen,—We are submitting for your approval the sixty-fifth annual balance sheet and accounts, which, as in the past, you will no doubt agree to take as read.

The report of the directors, which is before you, deals fully with the assets of the company, and its activities during the past year.

It has been a difficult year, and it is with regret that your board considered it advisable to reduce the distribution on the ordinary stock, the reasons for which are explained in the directors' report.

During the year we have appointed to the board, Mr F. F. Toone and Mr W. R. Soper, who have been in the service of the group for over 40 and 43 years respectively. We feel that their experience and knowledge of the company's business justifies such appointments, and we hope it will be an incentive to the ambitions of other executives.

I would like to express on your behalf and on behalf of my colleagues our appreciation and thanks to all those employees of the group who, in their various occupations, have continued to render loyal, faithful and efficient service.

I now beg to move that the report of the directors and the balance sheet for the year ended September 30th last be adopted; that the half-yearly dividends paid on December 31, 1950, and June 30th last on the 5 per cent. preference stock of the company, and the interim dividend of 5 per cent. on the ordinary stock paid on June 23rd last, be approved; and that a final dividend be and is hereby declared of 15 per cent. and a bonus of 2½ per cent. on the ordinary stock, making with the interim dividend of 5 per cent. paid on June 23rd last a total dividend of 22½ per cent. for the year, all free of tax, such final dividend and bonus to be payable on or after January 17, 1952.

Mr C. A. Ball seconded the resolution, which was carried unanimously.

Mr F. F. Toone and Mr W. R. Soper, elected directors during the year, were re-elected—Mr F. F. Toone on the motion of Mr S. C. Robotham, seconded by Mr E. C. Walters; Mr W. R. Soper on the proposition of Mr R. I. Tooby, seconded by Mr F. Hanson.

The retiring directors were re-elected—The Right Hon. Lord Gretton, O.B.E., on the proposition of Mr M. F. R. Moreton, seconded by Mr S. C. Robotham; Mr A. G. Manners on the motion of Mr E. C. Walters, seconded by Mr R. I. Tooby.

The remuneration of the auditors, Messrs Whinney, Smith and Whinney was voted on the proposal of Mr F. Hanson, seconded by Mr M. F. R. Moreton.

JOSHUA HOYLE AND SONS

The annual meeting of Joshua Hoyle and Sons, Limited, was held on January 10th at Bacup, Mr H. A. Enright, chairman and managing director, presiding.

The following are extracts from his circulated statement:—

New high levels of turnover and profit have been achieved during the year under review. Our export trade was further extended and our home trade maintained. With conditions both at home and abroad so uncertain, it would be difficult to attempt to forecast the trend of trade for the next year. An encouraging factor is that our products are put to a diversity of uses and are sold in a wide range of markets.

The trading profits of the group, including investment income, amount to £2,245,428. To this is added £70,000 from the provision for deferred repairs. This has been appropriated as follows:—

	£	Percentage of total profits
Taxation	1,166,506	50.39
Dividends—net	206,112	8.89
Retained profits	942,810	40.72
	£2,315,428	100.00

The above appropriation for taxation out of current earnings brings our total reserves and provisions on profits to date to a figure in excess of £2 million, which is some indication of the burden of taxation, at a time when we are employing so much of our resources in re-equipment and modernisation.

Considerable sums have been expended during the year on new machinery and on the maintenance of our existing plant at a high degree of efficiency.

The total capital employed by the group based on the depreciated value of fixed assets is now £6,438,635.

The report was adopted.

LONDON AND RHODESIAN MINING AND LAND

The annual general meeting of London and Rhodesian Mining and Land Company, Limited, was held on January 9th in London.

Sir Joseph Ball, K.B.E. (the chairman), who presided, in the course of his speech, said: The strengthening of the balance sheet has been carried a stage further during the year under review, by the transfer of a further £15,000 to general reserve. This transfer increases the general reserve to £100,000.

Despite necessary and unavoidable increases of expenditure in many directions, the board have nevertheless found it possible to maintain the dividend at the increased rate of 6 per cent. paid last year.

It falls to me to add some information recently to hand respecting the Pickstone Mine—information which I hope and believe stockholders will regard as satisfactory.

As you know, the development of this mine was undertaken by London and Rhodesian on behalf of a syndicate. For some time past developments have been of a satisfactory nature.

Pickstone is situated within 17 miles of the very successful Cam and Motor mine, which is already equipped with a plant of a capacity amply sufficient to take the Pickstone production in its stride. It seemed obvious that by far the best course from the point of view of the syndicate was to offer the Pickstone Mine to Cam and Motor.

Cam has requested, and has been granted, an option to purchase the Pickstone Mine for the sum of £200,000 cash, exercisable on or before the 31st of this month, and I have very little doubt that the option will be exercised.

The report was adopted.

HOULDER LINE, LIMITED

INCREASED PROFITS

The annual general meeting of Houlder Line, Limited, will be held on January 28th, in London.

The following is an extract from the statement by the chairman, Mr Walter C. Warwick, circulated with the report and accounts:—

Shareholders will be gratified to note the increase in profits, but I should mention that the trading profit of £756,799 is before providing £196,196 for fleet depreciation and the provision for taxation, which requires no less than £545,000, as against the comparatively modest sum of £126,000 a year ago. The increased liability is, of course, partially due to increased profits, but also largely owing to the fact that on this occasion we have no considerable credit for initial allowances which proved a substantial, though temporary, help last year. The other items on the profit and loss account call for no explanation or comment, and, with the distribution of our customary dividend of 7½ per cent., less tax, the carry forward is increased by some £3,982 to £56,627.

The dividend distribution of this company has remained stable at the modest level of 7½ per cent. for the past 20 years, but the actual benefit to individual recipients has diminished each year by reason of the incidence of taxation, which is now so serious a problem for us all.

The increase of trading profits of the company, I think, entitles the shareholders to some increased return, and your directors felt, and I feel sure shareholders will readily agree, the most acceptable form of increased participation is by way of a special return out of capital profits of 5 per cent., which will absorb £27,500 and leave us with a balance on realisation account of £65,372.

FIRST GARDEN CITY, LIMITED

SIR ERIC MACFADYEN'S ADDRESS

At the forty-eighth annual general meeting of First Garden City, Limited, held on January 10th in London, Sir Eric Macfadyen, chairman, said:—

Fixed assets stand at £777,416. Cash and current assets exceed liabilities by £167,778 and the net book value of all assets is £945,794.

To account for these assets we have £400,000 of preference and ordinary capital in issue together with the balances of various reserves, etc., amounting to £545,194. These balances have been built up out of surpluses in previous years "ploughed back" into the business. The total stockholders' funds are thus over double the issued capital which ranks for dividend and our traditional 5 per cent. represents a return to them of only 2.12 per cent. on their investments: a rate below that at which our friends of the Urban Council can borrow from the Public Works Loan Board (our own dividend is paid less income-tax).

The profit from our various activities was £35,952 (against £34,616 the previous year), and interest on loans and investments and sundry receipts add up to £5,003; a gross figure of £40,955. Then the Inland Revenue comes along and takes no less than £22,200 (income tax £11,500 and profits tax £10,700). We recommend the usual dividend, calling for £6,563, and transfers of £1,000 only this year to general reserve and of £500 to the common good fund (a token of goodwill merely compared with last year's £2,500). We shall then carry forward £8,653.

The report was adopted.

CHARTERHOUSE INVESTMENT TRUST

IMPORTANT LANDMARK IN GROUP'S HISTORY

The twenty-seventh annual general meeting of the Charterhouse Investment Trust, Limited, will be held on January 30th in London.

The following is an extract from the review circulated with the accounts by the chairman, Mr H. Nutcombe Hume, C.B.E., M.C.

The board is very glad to be able to present a satisfactory account of last year's trading of the Charterhouse Group. For the first time in the Trust's history its overheads and the interest and dividends it pays to its stockholders are covered by its own investment income and the dividend from Charterhouse Industrial Development Company, Limited. In other words we have reached the time to which we looked forward, when the Trust's ordinary dividend at the current rate of 8 per cent. is earned independently of profits made by the Finance Corporation. The margin is small and I cannot assure you that this goal has been permanently reached, but to those of us who manage the Group's affairs this is an important landmark in our history. Our job now is to go on strengthening the finances until we can safely advance our dividend and reward the holders of Ordinary Stock for their confidence in us.

Now at last we have a Government which believes in the capitalistic system which has done so much for Great Britain and the Empire for 150 years, and we can only hope that they will be able during their term of office to carry into effect those major and perhaps painful and unpopular readjustments vital to the maintenance of our standard of living.

CITY'S IMPORTANT ROLE

The City has a great part to play and I welcome the steps already taken to bring the machinery of the money market back into use. The accumulated experience of the City is far greater than that of any Government or planning department and is in the hands of men of practical as opposed to theoretical experience. The effect will be that inefficiency will suffer instead of being bolstered up and that skill and integrity will be rewarded; by this process the productive raw materials and the factories of this country will gradually be used to greater advantage. It is very unfortunate that there persists such ignorance of the services the City renders to the whole economic life of the country. The Stock Exchange, and the New Issue and Commodity Markets all make a vital contribution to the well-being of this country and the Commonwealth.

The strongest plea the City makes to the Government of the day is to remove uncertainty so far as lies within its power. The intended application of the vaguely threatened Excess Profits Tax is completely damming the flow of equity or risk-bearing capital into industry. It looks as if industry will be driven to seek its capital largely through the medium of fixed interest-bearing capital, and I am convinced that in the long run this will prove to be wrong, but who is going to risk what is left of his diminishing capital in taking a chance on the present "heads you win, tails I lose" basis of taxation?

Last year our investment income together with the dividend from the Industrial Development Company covered the outgoings and all interest and dividends on the Trust's capital. I think it reasonable to suggest that this will be the case again this year.

CHAMPION REEF GOLD MINES OF INDIA

RECORD OPERATING RESULTS

The annual general meeting of the Champion Reef Gold Mines of India, Limited, was held on December 28th at Oorgaum, Mysore State, South India.

Mr Arthur H. E. Taylor (vice-chairman) presided, and, in the course of his speech, said: The sale of the assets in Mysore to the Champion Reef Gold Mines of India (KGF) Limited, the new operating company which was incorporated in this State, took effect from April 1, 1951. The accounting period which normally ends on December 31st was extended to March 31, 1951, to cover a 15-month period.

The gold and silver sale proceeds at £1,840,605 represent an all-time high record. The same remarks unfortunately apply to the total costs. While these record figures to some extent reflect the higher output of ounces which proportionately is the highest since 1943, they are to a large extent a measure of the inflationary trend of today. It is with regret that I have to report that the tendency for costs to rise continues without any sign of abatement, while the price of gold has during the last few months shown some signs of falling.

The Colombo plan and the draft report of the Planning Commission which recognised the hard realities of Indian economic problems, are favourable indications that better times may be in sight.

As to the future of your company, so far as the mine is concerned developments continue to be satisfactory and output is likely to be maintained.

The report was adopted.

NUNDYDROOG MINES

SATISFACTORY DEVELOPMENTS

The annual general meeting of the Nundydroog Mines, Limited, was held on December 27th at Oorgaum, Mysore State, South India.

Mr Arthur H. E. Taylor (vice-chairman) presided, and in the course of his speech, said: The arrangements for the sale of the assets and undertaking in Mysore to Nundydroog Mines (KGF), Limited, were completed in March. During the fifteen-month period, 218,556 tons of ore were milled, resulting in the production of 56,915 ounces of gold, while 1,447 ounces were obtained from the treatment of old tailings. This satisfactory tonnage was obtained in spite of stoppages due to power cuts, and largely by reason of the excellent tonnages obtained from development.

The regrettable outbreaks of fire which have occurred in the mine since the close of the period under review has cast a shadow over this year's working. Fortunately, however, development results have been so satisfactory as to permit the loss due to the fires to be met, with the result that it can be anticipated that some small distribution by way of dividend will be paid to this company by the Rupee Operating Company, which will enable a small dividend to be paid to this company's shareholders.

The very considerable increase in the ore reserves at March 31, 1951, is evidence of the remarkably satisfactory results of developments on the Western Reefs. If there should be no substantial change in the price of gold or working conditions, we should be reasonably assured of profitable working over a number of years, on a scale which is likely to increase annually.

The report was adopted.

MYSORE GOLD MINING

The annual general meeting of the Mysore Gold Mining Company, Limited, was held on December 27th at Oorgaum, Mysore State, South India.

Mr Arthur H. E. Taylor, vice-chairman, presided, and, in the course of his speech, said: The arrangements for the sale of the assets and undertaking of this company in Mysore to the Mysore Gold Mining Company (KGF), Limited, was completed in March last. The accounting period, which normally ends on December 31st, was extended by three months to March 31, 1951, to cover a fifteen-month period.

The milled tonnage of 201,780 resulting in the production of 65,153 ounces of gold compares favourably with the previous year, after allowing for the longer period. The total gold proceeds amounted to £1,478,064, to which was added £1,493 in respect of the sale of silver. Since the introduction of the Indian Income Tax Act to the Mysore State, income tax is payable in advance. As a result of this, almost two years' tax will become payable in one year. For this reason, it is regretted that it has not been possible to make a distribution to the stockholders out of the profits earned during the 15 months to March 31, 1951.

If it had not been for the serious fire which broke out in the mine on November 7, 1950, which interrupted mining operations until January 16, 1951, also the serious power cuts which occurred in April and May, 1950, the results of the company's operations during the period under review would have been very satisfactory. The mine continues to prove that, given normal conditions, it has many years ahead during which profitable mining operations can be continued.

The report was adopted.

THE OOREGUM GOLD MINING COMPANY OF INDIA

The annual general meeting of the Ooregum Gold Mining Company of India, Limited, was held on December 28th at Oorgaum, Mysore State, South India.

Mr Arthur H. E. Taylor (vice-chairman) presided, and, in the course of his speech, said: The completion of the arrangements for the sale of the assets and undertaking of the company in Mysore to the Ooregum Gold Mining Company of India (KGF) Limited took place in March last. The accounting period was extended by three months beyond the normal 12 months' period to March 31, 1951. The tonnage milled was 117,349 resulting in the production of 32,527 ounces of gold compared with 65,209 tons and 21,734 ounces for the year ended December 31, 1949. There was a total net credit to the revenue account of £735,942.

Once again, serious setbacks have been encountered which have restricted operations in the mine and it was not until March, 1950, that production even on a limited scale could be resumed after the fire of the previous year, and the work of repairing the damaged lining and equipment of auxiliary shaft could be restarted. In the result there was unfortunately no balance of disposable profit from which to make a distribution to the share and stock holders.

Every effort is being made to find the means whereby a balance of distributable profit may be obtained from the company's operations, and it is to be hoped that the indications of substantial improvements in development in depth will materialise.

The report was adopted.

KOLOK MANUFACTURING COMPANY

SALES, OUTPUT AND NET PROFIT AN ALL-TIME RECORD

MR E. S. DUMONT'S REVIEW

The forty-third annual general meeting of the Kolok Manufacturing Company, Limited (manufacturers of Carbon Papers and Typewriter Ribbons), was held on January 4th at Rochester Works, Tariff Road, Tottenham, London, N., Mr E. S Dumont, the chairman and managing director of the company, presiding.

The following is his statement, circulated with the report and accounts for the year ended August 31, 1951:—

Ladies and gentlemen,—I am very pleased to report that the sales, output and net profit are an all-time record. The net profit of the company is £129,700, as compared with £84,162 for the preceding year, and of the group £156,784, as compared with £92,717.

While this result is extremely satisfactory and to some extent reflects the benefit derived from the additional plant and machinery installed during recent years and also the excellent progress made by our subsidiaries, in particular our latest acquisition, I think it necessary to mention that it must be looked upon as exceptional, bearing in mind that the demand for our products has been abnormal and, further, we have not yet felt the full effect of the increases in costs generally. As a measure of precaution, your directors recommend an appropriation of £25,000 to meet contingencies.

The factory extension, to which I made reference last year, is proceeding satisfactorily with little disturbance to the output, and should be completed in the course of the next two to three months. You will observe that the group value of the stock in trade now stands at £231,507, as compared with £161,483 for the preceding year. Relative to the volume of business, this is satisfactory and to some extent is due to the considerable increase in the cost of raw materials.

IMPROVED FINANCIAL STRENGTH

The financial strength of the group has been much improved, as shown by the consolidated balance sheet, in which current assets, less current liabilities, stand at £279,994, as compared with £233,114 for the preceding year.

As part of the scheme for the reorganisation of capital, the dividends which would normally have been recommended at this meeting were paid immediately prior to the reorganisation, making the total distribution for the year exactly the same as for the preceding year and, accordingly, and as already announced, no further dividend is being recommended for the year under review.

Finally, I take the opportunity of expressing my thanks and appreciation to all our executives, staff and employees for excellent services rendered during a difficult year, and to the members of the board for their valued help and co-operation.

The report and accounts were adopted.

ASSOCIATED BRITISH MALTSTERS

PROBLEMS CREATED BY COMBINE HARVESTER

ADEQUATE GRAIN STORAGE ESSENTIAL

The thirtieth annual general meeting of Associated British Maltsters Limited, will be held on January 28th in London.

The following are extracts from the statement by the chairman, Mr H. Nutcombe Hume, C.B.E., M.C., circulated with the report for the year ended August 31, 1951:

Last year's trading resulted in a sharp drop in profits. Brewers were anxious to cover requirements as soon as possible after the 1950 harvest before maltsters could fully assess the volume of malting barley available, and owing to the short supply there was a steady rise in price throughout the season. There was also a rise in production costs of all kinds. Prices for 1951 season's barley opened and have remained much over the 1950 level. We are in all the circumstances very pleased to be able to recommend our usual dividend of 10 per cent. on the enlarged ordinary capital, to place £100,000 to contingencies reserve and to carry forward £67,630 against £71,891 brought in.

The harvest of 1951, gathered in appalling weather, was one of the most difficult since 1912 when it was not finished until Christmas. That might have happened this year but for the combine harvester which literally poured very wet grain on to the market in August and September at prices which have severely strained the Malting Industry's finances.

The greatly enhanced prices for every grade of barley is only a part of the tremendous problem with which the malting industry is confronted. The factors which seem to have brought about the present situation are:

1. Shortage of foreign exchange and high prices which have made it difficult for this country to import adequate supplies of animal feeding stuffs. This has made it worthwhile for British farmers to use the barley they grow for animal food unless they can sell it at a price exceeding 160s. per quarter (448 lb.). Malting barley prices, therefore, now start at some price above that figure and may advance up to, say, 200s. to 210s. per quarter.

2. The annually increasing use by British farmers of the combine harvester. It is vitally important that farmers, brewers, maltsters and corn merchants should come to an agreement without delay as to who should provide the necessary storage, drying equipment and finance to handle the vast flow of grain from the combine harvester with as little waste as possible and so that it does not deteriorate before it is dealt with.

The maltster must buy and take delivery at harvest time of as much barley as his premises can possibly dry and store and in the mutual interest of both maltsters and brewers most of the latter are good enough to tell the maltsters from whom they buy the extent of their year's requirements of malt in advance. It is to be hoped that all brewers will realise the advantage of adopting this practice.

Amongst the many problems brought by the combine harvester, the difficulties associated with moisture have been emphasised this year as a result of the bad weather throughout harvest time. Fortunately your company has done a great deal to meet this problem and continues to do so.

Three years ago I ventured to point out the risks attendant upon the introduction of the combine harvester without providing the corresponding storage and drying facilities. The fact that we have built a great deal of storage capacity in many parts of the country despite the lack of financial incentive may be claimed as a material factor in saving so much of the 1951 barley crop.

So far this year our sales are slightly ahead of last year in volume and substantially ahead in value. Capital expenditure of nearly £400,000 in addition to the heavy costs of repairs and maintenance must dictate a continued conservative financial policy. The future prosperity of your company is dependent upon our having modern equipment under able and progressive management; even so we cannot expect to do more than maintain a reasonable profit-earning capacity when the element of inflation is removed from industrial profits.

RHODESIA-KATANGA COMPANY LIMITED

An extraordinary general meeting of Rhodesia-Katanga Company Limited was held on January 9, 1952, at 20 Aldermanbury, E.C.2, the managing director, Mr G. C. Hutchinson, presiding in the absence overseas of the chairman, Sir Ulick Alexander, at which it was unanimously resolved that the provisional agreement entered into by the company with the Anglo-American Corporation of South Africa Limited and others, particulars whereof are set out in the company's circular to the members dated December 19, 1951, be approved and ratified, and that the directors be authorised to carry such agreement into effect with such modifications thereto as they may think fit and to make such provision as they think proper for any matters not expressly dealt with by the said agreement.

Mr Hutchinson, in his address to the meeting, pointed out that the agreement recommended to the shareholders for ratification provided that an option over the Kansanshi Mine and the surrounding farm area would be granted for a period of four years to December 31, 1955, to a new company formed to undertake further exploration of the mine. If the option were exercised, the Rhodesia-Katanga Company Limited would receive £250,000 in cash and a 32 per cent. interest in the new company free of cost.

The arrangement now made with the Anglo-American Corporation of South Africa Limited and its associates, appeared to be very strongly in the company's interests, and ensured that the mine would receive the highest technical direction and financial assistance.

NOTICES

"THE ECONOMIST" INTELLIGENCE UNIT requires senior staff and assistants for research work. Senior staff starting salary according to qualifications. Assistants: age 20-24; starting salary in range £375—£450 per annum.—Please send full particulars of qualifications and experience to "Research," 22, Ryder Street, St. James's, S.W.1.

BRANDY SNAPS—but not J.V.R. 3 Star Brandy. It's smooth. 37s. 6d. per bottle, 19s. 3d. per half-bottle.

TRANSLATIONS from and into French (Technical and Commercial). Julian Jacobs, B.Sc., and Germaine Courtiau, New House, Worminghall, Aylesbury, Bucks. Tel.: Ickford 227.

UNIVERSITY OF QUEENSLAND, AUSTRALIA

Applications are invited for the position of *Senior Lecturer in Economics*.

Salary range £A1,191—£A1,391 p.a. (including cost of living allowance).

Further particulars and information as to the method of application may be obtained from The Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is February 23, 1952.

UNIVERSITY GRADUATE (Woman), extensive research background, seeks position in Market Research and/or Statistical Department.—Box 811.

UNIVERSITY OF NOTTINGHAM

DEPARTMENT OF AGRICULTURAL ECONOMICS

Immediate applications are invited for appointment as Head of the Department and Provincial Agricultural Economist. The appointment will be made in the grade of Reader, salary £1,300—£1,600 per annum, or in that of Lecturer, £1,100—£1,500, according to the qualifications and experience of the candidate appointed.

Candidates should be graduates in Agricultural Economics or Economics with some experience of problems relating to Agriculture.

Form of application and conditions of appointment may be obtained from the undersigned.

H. PICKBOURNE,
Registrar.

DARTFORD COLLEGE OF PHYSICAL EDUCATION
DARTFORD, KENT

Applications are invited for the post of part-time Lecturer (Woman) for the Social Studies Course comprising Social Economics, Principles and Machinery of Government, and Social Administration, which will become vacant in May, 1952. Applicants should be experienced Social Workers with university qualifications.

Further particulars can be obtained from the Principal, to whom applications (no form) should be sent as soon as possible.

THE Timber Development Association invites applications for the appointment of Regional Officer for South-Eastern England. The appointment will be subject to the provisions of the Association's Superannuation Scheme.

Applicants should have had experience in office administration, committee procedure, public speaking and lecturing. A knowledge of timber and the timber trade and the possession of a car are desirable.

The candidate appointed will be responsible for the control of the Association's South-Eastern Regional Office, the exact situation of which, outside London, is to be decided. He will be required to reside within reasonable distance of the office.

The Region is bounded by the counties of Oxfordshire, Bucks, Herts and part of Essex in the north and Berks, Hants and Dorset in the west.

Duties will include establishing and maintaining relations with Members of the Association, local authorities and the timber using industries, and the extension of the services available from Headquarters in London.

Salary scale £600-£850 per annum; starting salary according to age, qualifications and experience.

Applications, addressed to the Director, should be forwarded to the Association at 21, College Hill, London, E.C.4, not later than January 26, 1952.

CITY MERCHANTS (staff 25) require Manager/Personal Assistant to Managing Director, with following qualifications: Fluent French, German, knowledge credits, banking, finance, import-export procedure, and preferably connections and experience either produce markets or steel export, and able take entire charge for considerable periods. Good salary and prospects.—Box 831.

IMPORTANT organisation handling Colonial Primary Produce requires Senior Executive aged 30 to 40. Position calls for a man of good education and proved ability preferably in commodity markets. Suitable salary for right man and participation in pension scheme.—Write full particulars to Box 8726, c/o Whites' Ltd., 72/78 Fleet Street, E.C.4.

EVANS MEDICAL SUPPLIES, LTD. have vacancies overseas for positions with both parent and subsidiary companies; chemical, pharmaceutical or other scientific background essential; prospects of rapid advancement to senior administrative posts.—Apply giving full particulars of age, education and career to date, to Overseas Trade Director, Speke, Liverpool, 19.

GIRL student (21), Final B.Sc. (Econ.), seeks position. Statistics preferred. French, German.—Box 833.

BLOCK DISCOUNTING FACILITIES are required by a Hire Purchase Finance Company for an additional £17,000 worth of business per month in minimum units of £1,000 per month. Blocks of individual Agreements and Promissory Notes are lodged and repayment is by monthly Bills of Exchange secured by a collateral guarantee from a well-known firm of retailers. Attractive terms. Of particular interest to institutional investors or companies with large liquid resources. Particulars from the Company's Accountants.—Box 834.

B.Sc. (Econ.), 28, seeks post; considerable experience collecting and analysing data, drafting reports, articles, etc.; sound knowledge of statistics.—Box 843.

The Economists' Bookshop Ltd.

caters for specialists and students in

Economics and the Political and Social Sciences

11-12 Clement's Inn Passage, Aldwych, W.C.2

Postal Tuition for B.Sc. ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 WOLSEY HALL, OXFORD

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony

CAPITAL ISSUED AND FULLY PAID UP $20,000,000
RESERVE FUNDS STERLING £6,000,000
RESERVE LIABILITY OF MEMBERS $20,000,000

Head Office: HONG KONG

CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.

London Office: 9, Gracechurch Street, E.C.3

London Managers: S. A. Gray, M.C., A. M. Duncan Wallace, H. A. Mabey, O.B.E.

BRANCHES

BURMA	CHINA (Con.)	INDIA	MALAYA (Con.)	N. BORNEO (Con.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore	SIAM
*Dairen	EUROPE	Osaka	(Orchard Road)	Bangkok
*Foochow	Hamburg	Tokyo	Sungei Patani	UNITED
*Hankow	Lyons	Yokohama	Teluk Anson	KINGDOM
*Harbin	HONG KONG	MALAYA	NORTH	London
*Mukden	Hong Kong	Cameron	BORNEO	U.S.A.
*Nanking	Kowloon	Highlands	Brunei Town	New York
Peking	Mongkok	Ipoh	Jesselton	San Francisco

*Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in HONG KONG LONDON SINGAPORE

REFUGE ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

ECONOMICS—Postal Tuition

● Founded in 1887, U.C.C. provides tuition for the B.Sc. Econ. Degree of the University of London, *open to all without residence or attendance at lectures.* The College is an Educational Trust, with a staff of highly qualified specialist Tutors. Moderate fees; instalments. SELF-EDUCATION COURSES are available in Economics, Economic History, Statistics, Foreign Languages, etc.

★ PROSPECTUS, giving full particulars, free from the Registrar,

UNIVERSITY CORRESPONDENCE COLLEGE
60 Burlington House, Cambridge

ASHRIDGE.—Course 3. January 25th-28th, Changing World Politics. Introduction, J. A. Cross, Esq., B.A.; The United States in World Affairs, The Hon. Julius Holmes; The United Nations and World Government, Ernest Davies, Esq., M.P.; British Foreign Policy, William Clark, Esq., M.A.; The New Dominions, L. F. Rushbrook Williams, Esq., C.B.E. Inclusive Fee: £3 15s.

The full programme for 1952 will be supplied on application to Secretary, Ashridge, Berkhamsted, Herts. Tel.: Little Gaddesden 3191.

FOR RIGHT WING Graduates and Professional Men and Women: BOW GROUP. Come to next Meeting, Thursday January 17, 6.30 p.m., Westminster Arms, Marsham Street, S.W.1. Guest: R. MAUDLING, M.P., or write Treasurer, 46, Queens Grove, N.W.8.

ADVERTISER, early thirties, seeks appointment on Sales Executive with progressive National Company. Wide experience Home and Export marketing. First-class contacts Grocery and Chemist trade. Fluent 3 European languages. Impeccable references.—Box 822.

WANTED Export Marketing Consultant for Steel Structures and Allied Fabricated Products and Bolts/Nuts.—Box 836.

OXFORD Woman Graduate, Economics, fluent German, desires post in London area requiring initiative, *minimum £400 p.a.*—Box 837.

NEVER AGAIN WITHOUT . . . That is what the many progressive Factory Executives say who happily use, day in—day out, one of our NCB Electric Road Vehicles for town delivery and collection. We shall be happy to submit full details of the various models available and of the nation-wide service if you will kindly write to Smith's Electric Vehicles, Ltd., Gateshead-on-Tyne, 11.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc. Econ.; LL.B.; and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.

Also expert postal tuition for Prelim. Exams. and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c. and many intensely practical (non-exam.) courses in commercial subjects.

More than 50,000 POST-WAR EXAM. SUCCESSES.

Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.

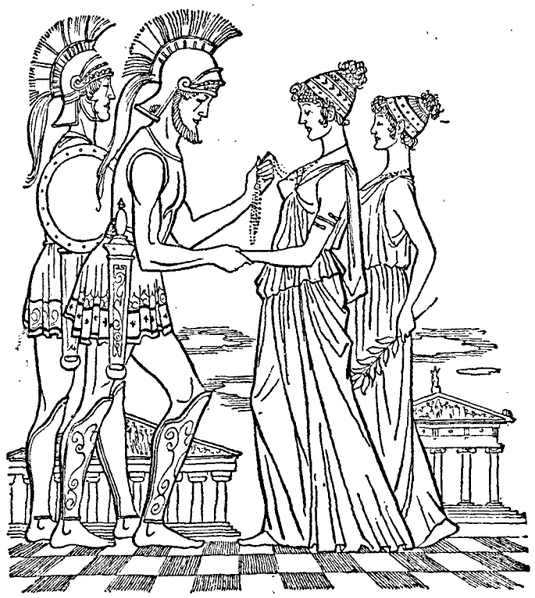
Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary,

METROPOLITAN COLLEGE
(G9/2), ST. ALBANS or call 30 Queen Victoria St., London, E.C.4.

OTHER NOTICES APPEAR ON PAGE 118

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by the ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, January 12, 1952.

THE HISTORY OF ZINC



The Ancient Greeks knew ZINC

Bracelets, rings and other forms of personal adornment containing zinc were made and worn by early Grecians

TODAY ZINC is one of the most important metals in industry. It is used in brass; as a protective covering for iron and steel; large quantities are used for die casting in the motor car and many other industries; and its pigments, Lithopone and Zinc Oxide are widely used by the paint, rubber, linoleum and associated industries.

During the last thirty years a great zinc industry has been created in Britain by Imperial Smelting Corporation Limited, whose principal activities, in addition to the production of Zinc metal, include the production of sulphuric acid, zinc pigments, fluorine and fluorine compounds, and ancillary products.

IMPERIAL SMELTING
U.K. MEMBER OF THE CONSOLIDATED ZINC CORPORATION LIMITED

IMPERIAL SMELTING CORPORATION LIMITED, 37, DOVER STREET, LONDON, W.1.

The Economist

Established 1843

January 19, 1952 — One Shilling

SECRETARIAT LIBRARY
1-F
MADRAS GOVERNMENT

LEADING ARTICLES

Eden and Vyshinsky - - - - 121
How to Export Coal—II - - - 123
The Recession of 1954 - - - - 125
Rims from Italy - - - - - 126

NOTES OF THE WEEK - - - 128
Washington and Westminster; Mr Churchill in Ottawa; A Head for Nato; Assistance for Subsistence; Nationalised Efficiency; The Liberals Say it First; A New Team for Malaya; The Schuman Plan Ratified; Farmers' Complaints; The State's Poor Land; Deadlock in Egypt; Uno and the Truth; Nigeria's Election; Orchids for Mr Malenkov; The House That Fell Down; Oligopoly and All That.

LETTERS TO THE EDITOR - - 136
BOOKS AND PUBLICATIONS - 137
AMERICAN SURVEY
Miracles Taken for Granted - 142
Aid in Election Year - - - 143
Consent of the Senate; Freedom for the Capital?; Gamblers Lay Off; New Prescription for Health; Hollywood's Fever Chart; Socialism in Washington.

THE WORLD OVERSEAS
The Fight for Indo-China - - 149
Technical Aid's Troubles; The Refugees: An Unsolved Problem; Soviet Electricity Plans; Hongkong's Declining Trade; Ceylon, England and the Commonwealth; State Discipline in Rumania.

THE BUSINESS WORLD
German Debt Questions - - - 159
Approach of the Comet - - - 161

BUSINESS NOTES - - - - - 163
The Washington Barter Deal; Towards Efficiency in Steel?; Steel Consumption and Prices; New Issues Hit the Markets; Frankness from Bankers; Exports and the Deficit; More Trade with the Dollar Area; Freer Exchange Facilities; Manpower Last Year; EPU in December; Egypt Asks for More; Retail Trade; "No Substitute for Wool"; Less Wheat for Export; Oil Output Record; Freights in 1951; The Air Charter Business; Shorter Notes.

COMPANY NOTES - - - - - 174
STATISTICAL SUMMARY - - 176
COMPANY MEETINGS - - - 177

Vol. CLXII No. 5656
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Eden and Vyshinsky

MR EDEN may not yet have changed very much in the substance of British foreign policy; but he has clearly brought to an end the period of inarticulateness in expounding it. Indeed, it is only by observing how much effect can be produced by a single good speech, saying the right things in the right place, such as the speech he made in New York on Friday of last week, that one can fully realise the harm that was done by the long period when no one would speak clearly for His Majesty's Government.

Mr Eden's speech touched on a number of topics, some of them quite specifically addressed to his American audience. But it was what he had to say on the most important issue of the day that excites most interest. That issue, of course, is how the world is to get out of the mess it is in. The more it seems likely that the resolution and the rearmament of the free nations in the last eighteen months have staved off the threat of another world war, the more clear it becomes that the strains of this same period cannot be allowed to continue indefinitely. It is not surprising that men's minds turn to the search for a quick way out. Some seek it along General MacArthur's road of making war to end war. Others seek it along the road that Mr Churchill has more than once indicated (though it would be surprising if his thinking about it were as simple-minded as that of some of his followers): the road of a comprehensive conference with the Russians "at the highest level"—in short, another Teheran-style conference.

Mr Eden made it clear in his speech last week—and not for the first time—that he is not of either of these schools. He counsels realism and patience. He sees peace being, not created wholly from the top, but built up gradually, "agreement by agreement," from the basis. His programme was specific:

> There is reason to hope that it will eventually be possible to establish gradually, agreement by agreement, a basis for existence free from the constant fear of war. This may well be something less than true peace and understanding—for Soviet methods and doctrine offer little prospect of that—but it would be far better than the present atmosphere in which we live. We might then advance through a period of lessening tension. During this phase the West would continue firmly and patiently to restore *equilibrium* of force; seek to conclude local and limited settlements of outstanding issues; avoid provocation; and work towards a general agreement to live and let live, based on mutually recognised positions of strength. Thus the world might move forward towards stability and settled relations.

The obvious objection to this "step by step" doctrine is that it looks like taking so long—even, that is, if it is possible to be sure that the steps taken are not one forward and two back, as for example if a truce in Korea were followed by renewed Communist aggressions in Indo-China and Malaya or Burma. Experience shows, it can be argued, that very little progress can be made with the Communist men on the spot unless Stalin himself has first been induced to make one of his celebrated pacifying interventions—which is tantamount

to saying that "local and limited settlements" can seldom be achieved unless the atmosphere at the highest levels is propitious.

But experience can also be quoted to show that no reliance can be placed on Stalin's smiles; they never last very long. Moreover any agreement reached on the highest level must necessarily be couched in generalities, and after the memory of Stalin's co-operative geniality has faded, the words in the document turn out to mean whatever the Kremlin wishes them to mean. Yalta is the classical example of substantial western concessions sincerely offered at the highest level in return for fine phrases that signified nothing. This time, it will be said, the high-level conference would not be called with the object of offering concessions but, as the Americans say, of "laying it on the line." That might come very close to being an ultimatum, and there is no reason to suppose that the Russians have any less stubborn, and even desperate, patriotism in the face of ultimata as any other people. On the record, the high-level approach has not had any outstanding successes to its credit, whereas there are one or two limited local settlements that have been successfully negotiated and thereafter observed; Berlin provides the chief example.

*

As if by express design to provide an object lesson in the difference between the "high-level" and the "step by step" approaches to peace, Mr Vyshinsky, speaking on the day after Mr Eden, offered what might be meant to be an olive branch on the subject of atomic disarmament. He stated that Soviet Russia was now prepared to accept the principle of a "continuing," and not merely "periodic" inspection of atomic production as part of a scheme of international control. Furthermore, he now agreed that the total prohibition of atomic weapons should come into force only at the same time as international control and inspection, not in advance as has been the Soviet contention up to now. It is true that these concessions were coupled with several other points which are totally unacceptable, such as the abandonment of the North Atlantic Treaty, and that the whole was wrapped up in the usual bitterly vituperative speech. It it also true that the explicit condition remains that the international inspection "shall not be entitled to interfere in the domestic affairs of states," which might cover almost anything. Nevertheless, on the face of them, the two concessions are of real substance; they appear to loosen, if not wholly to remove, the major obstacles to agreement on international control of atomic energy, which is in its turn the key to a general disarmament convention.

What, then, should be the western governments' reaction? The "step by step" school will be tempted to say that the Russian olive branch should be treated seriously, whatever suspicions there may be of the motives behind it, that it should be examined with all care, but also with all sincerity, lest perchance there should be in it the germ of a real agreement. But the other school will be tempted to ask what is the use of wasting time, hope and energy on a proposal which would not have been put forward by the Russians unless they thought it was to their advantage, which must be to the West's disadvantage. Until there is convincing evidence of a change of heart at the top, Russians bearing concessions are best treated like Greeks bearing gifts.

It is, indeed, very difficult to believe that agreement could ever be reached on the specific subject of atomic control in the present atmosphere of deep suspicion and open hostility. The American offer to agree to international control of atomic production, including their own, was made as long ago as 1946. It was, even then, an almost unprecedented sacrifice, since it would have involved the abandonment by the Americans of a master weapon of which they then had a complete monopoly. Much has changed since 1946. American policy was then still based on Roosevelt's conviction that the Russians might be awkward but were not hostile; the "enemy," in whose favour the American atomic monopoly was to be surrendered, was still the vague impersonal hypothetical enemy of the undefined future. Moreover, atomic weapons themselves are changing their character; the emphasis is now on atomic artillery, which would by definition be almost entirely defensive in its action, since its major effect would be to prevent an opposing army from advancing. The possession of atomic shells of this kind by the United States does not, to any significant extent, increase the aggressive potential of the United States; but it does improve the possibility of stopping a Russian advance by land in Europe. Conversely, the banning of such weapons would seriously weaken a defender and confer an advantage on any potential aggressor whose main strength lies in a large land army. Indeed, as these atomic developments proceed, it becomes more and more difficult to single out atomic weapons as being something peculiar in their horror and aggressiveness. One must not pursue the argument to the point of wishing that the Americans would withdraw the Baruch plan, in which their offer is embodied—indeed, the Baruch plan is to be the basis of discussion of the new Disarmament Commission of the United Nations. But if the Americans were now to insist that they would surrender their great atomic lead not as the first but as the last step in general disarmament, and only after proofs were forthcoming of a genuine desire for peace and reconciliation in the Kremlin, it would be hard to criticise them.

*

Where, then, does this leave the matter? Surely not in the sterile position that no Russian proposal must be taken seriously unless it covers every problem in the world and is offered by Stalin in person. There is seldom any harm in talking, at any length—preferably in private—and there is always the possibility of good resulting. Now that the West's rearmament effort is so firmly based, a willingness to discuss and examine proposals is not a sign of weakness. But the Russians will have to understand, if or when they seriously want to build a bridge to the West, that they will have to do something more than yield a point or two with a snarl; they will have to provide the most convincing evidence of good faith that they can contrive. The Vyshinsky method will not work.

The difference between the "high level" and the "step by step" schools is therefore not so large after all. It is the difference between a condition and a method. Willingness on both sides to compromise rather than to fight is the essential pre-condition, and proof of it may have to be sought at the highest level. But even if it is forthcoming, it is very unlikely that an enduring peace can be achieved by a single formula, struck off in a single meeting. It will have to be built from the bottom brick by brick.

How to Export Coal—II

The Case for Dearer Coal

THE first of these articles discussed the reasons why the average miner is unlikely to produce much more coal this year. The most hopeful way of increasing output is, therefore, to try to attract more miners by paying them more. In the second quarter of last year, the average weekly earnings of adult miners were £10 10s. a week, compared with the national average in all industries of £8. It is still customary to marvel at this evidence of the great social and economic transformation of the coalfields since 1938. It is more to the point to ask whether social inertia, economic planning and political timidity have not unduly inhibited the real economic transformation. Established ideas about the relative values of different jobs die hard. But it is as long as ten years since miners were over-plentiful, and they are likely for some time to remain scarce; there is no doubt that in a free economy their very scarcity would have pushed their wages even higher in the scale.

The miners have just gained a substantial wage advance of about 15s. a week. But that has done no more than keep them in line with the general rise in wages and prices during 1951. As was shown in the chart published last week, they are still not so far ahead of wages in general as they were in 1947, when the mines were securing their considerable (though inadequate) postwar increase in manpower.

There is little hope of expanding the labour force unless the miners are again put well ahead, and a worthwhile further increase would have to be at least another pound a week. Just what the effect of such an increase would be on net recruitment is difficult to say. Obviously it would be greater if more could be done at the same time to improve housing and other amenities in the coalfields. But, fortunately, these are least needed in the Midland coalfields, where mining productivity is high and the competition of other industries for labour is strongest. On the evidence of the past, another pound a week might in itself make quite a difference. The mines at present have vacancies for 15,000 workers. Further recruitment would depend on opening up new faces, and it is unlikely that, after the initial burst, new workers could be taken on at a rate of more than 500 a week. It may not be too much to hope that a wage increase of a pound a week would, during this year, attract as many men—say, 30,000—as the industry could absorb, even with vigorous measures of training and placement.

The purpose of such an increase in wages would, of course, be to increase recruitment to the mines or reduce departures from them. Its purpose would not primarily be to increase the output of the men already in the mines. But it is obvious that it would be entirely frustrated if the effect on the existing labour force were actually to reduce their output. It is often said that the average miner's reaction to higher rates of pay is to do less work. The evidence for this view is slight, and though higher wage rates would enable the miner to enjoy his conventional standard of living with less work, they would also increase his loss when he took a day off. In any case, the way to guard against this danger is to offer the wage increase in the form of a large bonus payable only to men who do a full week's work. It is true that most of the attempts that have been made in the past to link wage advances to increases in productivity or the relaxation of restrictive practices have been unsuccessful, in coal as in other industries. But it is one thing to attach strings to advances that would have had to be granted in any case. It is quite another when the National Coal Board makes a spontaneous offer before the union gets round to another claim.

*

The average miner produces 300 tons of coal a year. If they could be recruited in the more productive coalfields, the new men might contribute a little more than this. But the most that can be hoped for is that recruitment during 1952 would raise the rate of coal output by 10 million tons. That is the rate possible by the end of the year. It might mean that output during the calendar year would be 6 million tons bigger than last year. Even with some improvement in productivity, the most that it is reasonable to hope for, if every effort is made, is that an extra 8 or 9 million tons of British coal will be produced in 1952. If the present winter remains mild, it may be possible also to draw some 2 million tons or so from stock. Thus, provided that no more coal at all is used in Britain, exports and bunkers might conceivably rise from 12 million tons last year to something over 20 million tons in 1952.

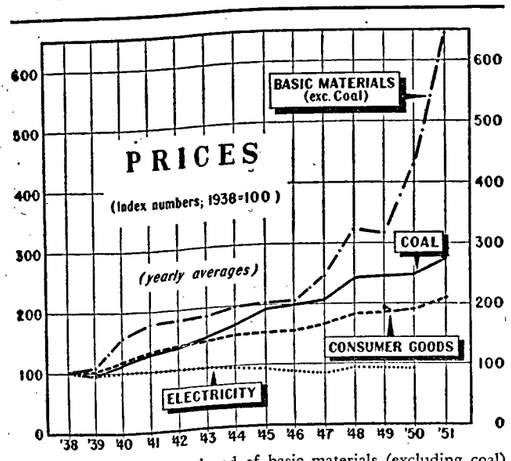
That would be quite inadequate. It would not satisfy Europe. It would not make a sufficient contribution to Britain's balance of payments. When the last Government submitted its four-year plan to its partners in Marshall aid, British coal exports in 1952-53 were put down as 40 million tons. That is now an impossibility. But if the new Government is in earnest about closing the trade gap, its policy for coal certainly ought to be aimed at exporting 30 million tons this year—50 per cent more than the postwar peak in 1949 and two-thirds of the 1938 exports.

That can be done only if the maximum efforts to recruit more miners are combined with a cut of about 10 million tons in Britain's own consumption of coal. Consumption is now rising less quickly than in the earlier postwar years, but it is still rising. It can and should be reduced. The claims made by advocates of fuel efficiency are often exaggerated. Little saving can be expected from the household consumer whose coal supplies are already so tightly restricted. If he instals more economical grates and stoves he should be allowed to get more warmth from the present coal ration, which absorbs less than a fifth of the country's coal production. The saving that can reasonably be expected is that the domestic consumer should use less electricity for heating. That would both reduce the peak load and save some coal at the power stations. But most of the economy will have to come from industry, not the domestic consumer.

Industry gets all the coal it wants, and there is no doubt that many factories use it wastefully. The habits

of British industry are still based on the cheapness of coal on which it grew up. There has been little reason for it to change. In spite of the scarcity of coal, it has remained relatively cheap. As the accompanying graph shows, the average price of coal in 1951 was 275 per cent of the 1938 price; for other basic materials, the comparable average was 648 per cent. By December, when the prices of many imports had fallen, basic materials were still six times as expensive as in 1938, while coal was only three times as expensive; relatively to other material costs, British factories are paying much less for their coal than they paid in 1938. The graph shows that this comparison is even more striking when coal is consumed indirectly, as electricity. The price per unit has been increased very little, and with rising demand many consumers have switched to tariffs carying a lower average charge. The effect is that, until 1950 at least, electricity was actually cheaper than in 1938, while consumer goods in general were 90 per cent dearer.

This relative cheapness of coal and electricity is a plain invitation to waste. Stern efforts to get existing heating plants used more efficiently are rarely worth the management's trouble, while much modern fuel-saving



Price movements of coal and of basic materials (excluding coal) are measured by the wholesale price index numbers of the Board of Trade. Those of electricity and of all consumer goods and services are derived from the national income statistics covering the whole of personal expenditure at retail prices; 1951 figures are not yet published and the index for all consumer goods is, therefore, estimated. The fact that the average price of electricity to domestic consumers has fallen since 1938 reflects changes in the proportions of consumers using the different tariffs and the increased use of electricity, rather than a decrease in the price per unit of electricity on the same tariff.

equipment has a high capital cost. The way to make its installation more profitable, as well as to encourage day-to-day economy in the use of coal, is to make coal dearer.

On the average, the Coal Board's prices for exports are still more than 30s. a ton higher than the prices charged for the same grades of coal in this country. A government determined to balance overseas trade and make sterling a strong curency would tell the Board that no ton of coal ought to be consumed in this country at a lower price than it would fetch for export. That demands more political heroism than can be expected. But domestic prices certainly ought to be moved nearer to present export prices. The average pithead price has just been raised by 5s. to 56s. a ton, and at this level the Board expects barely to balance its accounts next year. An increase of £1 a week in the average miner's wages would raise costs by nearly 3s. 6d. a ton. And in these times the Board ought to be doing more than cover its costs; it should be accumulating reserves. It would be wise to raise coal prices by at least another 10 per cent—5s. a ton—as a first step, and if that did not quickly show results, in reduced consumption, another 10 per cent increase should follow.

*

The logic of such a policy, so far as coal itself is concerned, is perfectly clear, however unpalatable it may be. But what of the effect on the national economy as a whole? Would it not run directly counter to the whole policy of stopping inflation? Would it not deliberately touch off another twist of the vicious spiral?

It is undeniable that the price of coal is one of the strategic factors in the national economy and any increase will have far-reaching effects. Not all of them will be bad. The consequential rise in the price of steel, for example, would in the present scarcity of steel be almost wholly good. But the same cannot be said of railway charges, which would also have to go up again, or of the wider effects. There is a fundamental point of economic policy at stake here. The political philosophy of the past ten years has been that the more essential a thing is, the more strictly its price should be kept down—with the result that it is precisely the basic industries in which labour is most scarce, in which output cannot be increased, in which wasteful consumption is encouraged and artificial scarcity is stimulated. This is the damaging distortion that a decade of inflation and price control has produced. If the stopping of inflation is to mean simply that these distortions are to be permanently built into the national economy, there will never be any real recovery. On the contrary, the main purpose of bringing inflation to an end is to make it safe to set the economy free and let the price system do its job by making scarce things dear and therefore worth while producing.

A deliberate increase in the price of coal will seem to many people to be, at best, a paradoxical and desperate remedy. The situation is desperate. As for the paradox, it is quite true that such a policy does not fit the popular fashion of thought on economic policy. It is that fashion that has helped to make Britain's position so desperate. An effective policy for coal must be based on the assumption that there is going to be real disinflation, that the Government's Budget and monetary policies will adequately reduce the general pressure of demand. There is no point in raising miners' wages and the price of coal if other wages and prices quickly follow. But if incomes and prices in general can be kept down—and for the first time in twelve years there is now some hope that they can be—then a sharp relative rise in miners' wages and the price of coal might have a large and immediate result. In any event, the need for larger exports of coal is great, and the prospect of being able to secure them by any other means is small. It is not enough, in these circumstances, to urge against the policy here outlined that it would have some incidental disadvantages.

The Recession of 1954

IN Britain adequate thought cannot be given to the economic dangers that may succeed inflation. The problems of the moment are too pressing. But in the strategy of the free world as a whole it is essential that people should already be looking beyond the period of rearmament. If rearmament succeeds in its purpose, if war is avoided, that period will end—or at least should end—in 1954. When it ends, the armed forces of the West will be put on a maintenance basis, and the munition and tank and aircraft factories will be dismissing workers. That could easily provoke a serious recession. In the United States, at least, the main engine of the boom that succeeded the end of the war in 1945 will be absent. Rearmament is not there being accompanied by shortages of wartime severity, and therefore it will not be followed by the heavy deferred demand, both for new industrial equipment and for durable consumer goods, that stimulated the American economy so readily in 1946. In this situation even a levelling off in the arms programme, a stop to investment without a fall in current production, could cause appreciable unemployment.

The West will not make itself secure if its people are haunted by such fears. In particular, the primary-producing countries, whose political allegiance between Communism and the free world is in the balance, will not devote themselves enthusiastically to expanding their output if they fear that in two years' time the effort will be reflected in burdensome surpluses of materials that no one wants at a remunerative price. Continuing thought about the international problems of maintaining full employment is therefore of the utmost practical importance, and the latest report from the United Nations, published this week, deserves a warm welcome and close attention.

"Measures for International Economic Stability"* is the work of five economists; the chairman was Mr J. W. Angell of Columbia University and the British representative Mr G. D. A. MacDougall. It will inevitably be compared with the earlier report by another group of five which provoked so much controversy two years ago and to which this report is to some extent an answer. It would be a pity to make too much of the differences. The earlier report had serious weaknesses. It assumed too readily that unemployment can always be cured by expansionist fiscal policies on the Keynesian pattern. It ignored the dangers of continuing inflation. It urged remedies for the problems of the fifties as if they were still those of the great depression. But it should be remembered that the report was prepared when many people feared that the American recession of 1949 was the beginning of the postwar slump. The nature of the new economy was far less plain to everyone then, and the mistakes of the report are no reason for rejecting the main lines of its analysis—with which Mr Angell and his colleagues have no quarrel.

The differences are in practical recommendations. The new report is more important precisely because it is less ambitious. Its predecessor sought to establish an automatic mechanism that would give the rest of the world the fullest possible protection against the spread of a slump, however large, from the United States. Briefly, it proposed that the United States should promise to provide to other countries, through the International Monetary Fund, any dollars that it stopped spending on imports from them because the American level of activity had fallen. The economic and technical weaknesses of such a scheme do not need repetition; above all, it asked too much—too large and indefinite a commitment—from the American Congress.

The Angell report asks less because it starts by defining the need more closely. It assumes, realistically, that international action will not have to cope with an American slump on the scale of 1931. Future recessions will be comparatively slight and they will be corrected within a year or two. The loss of foreign exchange to which they subject other countries will not be prolonged. Reserves exist to cover precisely such temporary fluctuations. The first problem of international full employment policy is that the reserves held by most non-dollar countries are now far too small for this purpose. In the recession of 1937-38, employment in the United States fell by 4 per cent. A disturbance of similar size may easily follow rearmament. The five economists calculate that, if it had the same proportionate effect on America's foreign payments as was experienced in 1937-38, the dollar income of the outside world would be reduced, during two years of recession and recovery, by $10,000 million—that is, by a quarter.

The gold and dollar reserves of many countries besides Britain could provide no cushion against such a shock. In 1937, countries other than the United States held on the average reserves equal to 50 per cent of the annual value of their imports; the proportion now is only 25 per cent, and it does not need a major slump to drain away reserves of that size within a year.

*

The planners of the postwar world recognised this problem long ago. They set up the International Monetary Fund, whose essential purpose was to make a once-for-all increase in the reserves effectively available to meet a trade recession. But the fund's resources are too small to make any practical difference. On an average, its members' quotas are now—after the postwar rise in prices—equal to only 10 per cent of their annual imports, and the foreign currency they may get from the fund in one year is limited to 25 per cent of their quotas. But, for all its present inadequacy, here at least is a familiar method of approach. The Angell report is the most important attempt to exploit it more fully that has yet been made. The authors suggest that the subscriptions to the fund, and particularly the United States' subscription, should be increased. There is also a more delicate suggestion that the United States might indicate well in advance its willingness to lend dollars to the fund if a recession occurs. Such increases in the fund's resources would, however, serve little purpose if its policies remained as cautious as, in the admittedly difficult circumstances of the past five years, they have generally appeared. It is now urged, rightly, always to give its members the benefit of the doubt when their need for assistance may or may not be of the temporary sort that the fund exists to meet. It should also be willing during a recession freely to waive the 25 per cent limitation on drawings of foreign currency. Its rules about the repay-

* Published by the United Nations. 48 pages. 40c. The sales agent in the United Kingdom is H.M. Stationery Office.

ment of currency borrowed from it should be made at once more variable and, in certain cases, more definite. That is surely an understatement of the need. If most of the dollars provided through the fund have to be repaid, then it may stop one recession but it will be able to deal with a second recession only if the United States in the interval incurs a large deficit in its balance of payments. That is highly unlikely, and the report's proposals are therefore quite incomplete.

Politically, however, it is probably wise to take one obstacle at a time, and as far as it goes the scheme is eminently sensible. The question is whether, even as a way of dealing with one recession, it is ambitious enough. Certainly the reform of the International Monetary Fund on such lines would do no more than establish the protections against an international recession that many people believed to have been established in 1945. But, after all the postwar strains, the consolidation of those fairly brave plans is not a bad first objective. Any preparation to fight the spread of unemployment from one country to another is in the last analysis a matter of persuading the United States to promise to provide other countries with dollars. At this stage, it is wise to ask American opinion to recognise a small, definite commitment rather than a large, indefinite one. This is combined in the Angell report with two other major proposals. First, the International Bank should have larger resources and should be willing to lend more in bad times than in good: that demands a considerable change in its ideas and its methods. Secondly, commodity agreements of various kinds should be used to make the prices of primary products less unstable—without attempting, on the average of a period of years, to raise prices by restricting supplies; in particular, the International Bank should help to finance buffer stocks.

These would be useful supplements to the strengthening of the International Monetary Fund. The scheme as a whole provides a reasonable hope of preventing a small recession in one large country from spreading in multiplied force to small and weaker countries. But no gold reserves, however they are supplemented by the monetary fund, can guarantee full employment if international payments are unbalanced even when there is full employment, if any major currency is chronically too weak to look the dollar in the face. The world economy must be fairly healthy in its parts before international action can help to keep it so. But if that condition is met, the United Nations report does indicate, broadly, the path that international action ought to take. It is the way to make sure of falsifying the Communist hope that the West will destroy itself either in the boom of rearmament or in the bust that could otherwise follow.

Arms from Italy

NO adequate attempt has yet been made to harness Italy's latent industrial capacity to the defence of the west. This continues to be a weakness of the plans devised by the North Atlantic Treaty Organisation to share the burden of rearmament and to step up production in Europe. It is bound to reflect on the value of some of the tentative conclusions drawn at the Council meeting at Ottawa last September as well as on the recent findings in the report of the Temporary Council Committee (TCC). And if the most is really to be made of Europe's own resources, more will have to be done to make better use of Italy's spare productive capacity. Even now this amounts to some 30 per cent of the nation's industry.

The problem of Italian association with Nato has two distinct aspects, one political and the other economic. Both rest, however, on the same central fact, that Italy still has the largest national Communist party outside Russia and China. In the political field, this promotes an unusually lukewarm attitude which makes the Italian government's task even harder than most. Least of all can Signor De Gasperi readily afford to ask or impose any real economic sacrifices for purely political reasons, particularly those which can be made by his opponents to appear to be the dictates of the British or Americans. While there are, therefore, many Italians both in and outside the government who would welcome Nato armament orders, so long as they set the wheels of industry spinning and lead to greater employment, the inflationary problems which would accompany such orders encourage the government to hold back. There are several different views about the priorities of economic needs and the only point on which there is any agreement at all is that limited orders for munitions from Italian factories, to be paid for in dollars, would be welcome—in Italy as everywhere else in the world. Mr Lovett, the American Secretary of Defence, encouraged Italians last month when he indicated in Washington that military "offshore" purchases in Europe would exceed $500 million by the end of June.

To understand the arguments, it must be said at once in Italy's favour that its economy has reached an apparent plateau of stability, which no government in Rome could be expected lightly to abandon after the tragic experiences of chaotic inflation at the end of the war. It is true that, in spite of favourable balances with the European Payments Union and the sterling area, there is a deficit on foreign trade only made good by American aid; that, if capital expenditure is included, current budget estimates predict a deficit of 396 billion lire (about £200 million); and that reserves of gold and foreign exchange show a tendency to fall. But almost alone of European countries, Italy is not at present experiencing any serious inflationary pressure, and there has been a pronounced rise during 1951 in the levels of industrial production and of national income. It is also true that, since the early summer, internal demand has eased off and there has been a moderate industrial recession with a slight increase in unemployment. If these tendencies continued, they would help the Communists to gather strength; but they are probably short-term by nature and, like the similar movements in other countries, due in part to a reaction from the world-wide overstocking in the early stages of the Korean war. Italy in short is by no means in a state of boom. And the relative stability has been obtained at a level far too low to give every Italian an adequate standard of living. But it would be asking too much of any economic policy in Italy to turn it into a rich country overnight or even, in view of the patent over-population, to find work for all. For every European country in the postwar years, the dilemma of economic policy has been whether or not to confer upon the great majority of the people the great boon of economic stability at the cost of some suffering for a minority; or to impose inflation on the majority in the attempt to get rid of unemployment. The perils of the second course are likely to be greater, and the chances of its success less, in Italy than in other countries. It was therefore clearly right to choose the first—to some extent.

The main split on economic policy is on the length to which the policy should be pushed. It lies between the deflationists and those who favour an easier monetary policy, based on what they regard as realities rather than theories. In the cabinet, the deflationist school is led by the Minister of the Treasury, Signor Pella, who has inherited the mantle of President Einaudi, and the Minister of Finance, Signor Vanoni. The opposition comes from the Ministers of Industry and Agriculture, Signor Campili and Signor Fanfani. Outside the cabinet, industrialists differ in the degree of support they give to Signor Campili—who is in effect their very able spokesman—while in the wings stands the American ECA mission, led by Mr Dayton who wants above all to see Italian industrial production change up to a higher gear. This tug of war is by no means new in principle to the Italian economic scene. It has, however, reached a particularly critical point because the deflationary policy, initiated by President Einaudi when he was Minister of the Budget, has been so strikingly successful in putting Italy on an even keel, at a time when many other countries in a potentially stronger position have continued to suffer a great deal from the menace of inflation. The question now is whether the time has come to modify the present strict policy, if Italy is to avoid an unnecessary economic slump and if Italians are to bear their fair share of Europe's rearmament burden.

The deflationists lost a little ground during the cabinet reshuffle last July, which was partly due to the existence of this struggle about economic policy. But they still have the upper hand, and the government has in fact only recently renewed its pressure on the banks to review and possibly curtail some of their more marginal loans. When seen against the wider background of the European problem, there is clearly a great deal to be said for this attitude of mind. Compared with France, Italy is almost certainly in a stronger position at the moment to bear the shocks of rearmament. And the deflationists undoubtedly have every right not only to take the credit for rebuilding the basis of the national economy by strengthening the lira, but for sticking to a point of view for which there is now increasing support in America and in other European capitals. There, it is being realised more and more that high military expenditure will fail in its purpose if it is only achieved at the expense of the political unrest which may follow from economic dislocation and the decline of living standards. Somewhere down that road lies the victory of Communism.

In Italy itself there is indeed a special political case to be made out for Signor De Gasperi's need to avoid any step which would weaken the Christian Democrat party before the general election that must now take place within fifteen months and is quite likely to be held in 1952. Although too strict a deflation carries its own dangers in terms of lower business activity and the growth of unemployment, there is no more certain way of losing the position, so carefully and painstakingly built up during the last three years, than by letting the lira slide. That would undermine the whole structure of the present democratic regime, with disastrous consequences to the rest of Western Europe. As it is, Signor De Gasperi finds himself further and further to the left centre of a party which is moving inexorably to the right. Although there is still a good chance of a coalition being re-elected under the leadership of the present type of Christian Democrat party, this central core of moderates is already being pared away at a depressing pace by the extreme nationalists on one side and by the Communists on the other.

★

All that being said, there is now a strong case for urging a less cautious monetary policy. This can be made, as the ECA mission and some members of the cabinet make it, on the ground that Italy will never be able to raise its standard of living without a new approach to the problems of industry; small markets and high prices are no longer politically acceptable. But the same policy is also being pressed for the more urgent reason that, until the northern factories are turning out more armaments both for Italy itself and for its western neighbours, the resources of the west are not being properly used. Nor indeed is Italy making a big enough contribution towards the collective security from which it derives very considerable benefits. Clearly, for the moment the second line of argument displaces the first. If Italy is to make armaments, it cannot simultaneously expand production for home consumption, however heavily the deflationists may be defeated in the cabinet.

During the past few months a good deal of information has been collected by the North Atlantic Treaty Organisation about Italy's unused industrial capacity. But one of the main arguments against using it is that, even if Italy is paid in dollars for rearmament orders, considerable extra imports of food and consumer goods would also be needed to offset the inflationary effects of higher wage payments. Such purchases would in turn be inflationary because they could only be made at the expense of other imports—or Italy would run into a heavy deficit in its balance of payments—and because they could only be obtained at prices higher than those now ruling in Italy. Hence, it is argued, even granted that the capacity is there and ought to be used, its use would need to be accompanied by additional American non-military aid and as part of a cautiously balanced government credit policy.

These problems and arguments in Italy reflect in miniature many which apply in some measure and in varying mixtures to every country in the Atlantic Pact. By themselves many of them are insurmountable and incontrovertible. There is, however, no right or easy way to rearm. Whatever is done must be done at the expense of something else. For Italians as for others it is a question of guns or butter, and if there is to be any butter later there must be some guns now. Italy has not been the most severely criticised of the countries whose rearmament efforts are held by the TCC to be falling behind those of its neighbours. But it is the country where, by virtue of its possible contribution in relation to present size, position and capacity, the greatest difference could probably be achieved most quickly by a change of attitude and a change of policy. To bring this about depends as much on more efficient and determined planning by Italy's colleagues in Nato as on a clearer understanding by the Italian people of the real issues facing the west.

NOTES OF THE WEEK

Washington and Westminster

Parliament reassembles in ten days' time, and the House of Commons as a whole will be pleased with the results of Mr Churchill's visit to the United States. The Opposition may make one or two flourishes of indignation ; in particular, Mr Shinwell can be expected to criticise the mission for failing to get the Americans to agree that the .280 rifle is the finest in the world. But all parties will agree that the broad effect of Mr Churchill's visit has been to advance British interests a little, and perhaps rather more than his preliminary caution had encouraged the politicians to expect.

The Government has thus done something, at least, to justify the belief that Mr Churchill could get on with the Americans better than Mr Attlee, which in the election campaign was one of the points made in reply to the "warmongering" charge. The written understanding about the use of American bombers based in Britain is particularly important for this party purpose. No doubt it merely states publicly what had been agreed in private. But Mr Churchill seems to have agreed with Mr Bevan that it was not enough to have an understanding which Mr Attlee asked the House of Commons, and the electorate, to take on trust from him. The Conservatives will certainly claim the written statement as evidence that Mr Churchill can restrain any mistaken ambitions in American policy more effectively than Mr Attlee could. And they have the more reason for such a claim now that a few American politicians have protested against the agreement, apparently in the belief that the United States sacrifices some of its autonomy if it agrees to consult Britain before using aircraft based in this country.

The agreement on metals will give more immediate and even warmer satisfaction at Westminster. There seems to be no doubt that Britain's case for getting considerable supplies of American steel was skilfully presented by Mr Churchill and his colleagues. That will be properly appreciated by a Parliament apprehensive of the effect of steel shortage on employment, production and exports. Though in essence they are no less a temporary expedient than the offer of American steel to Britain, the arrangements about tin and aluminium are of the kind to appeal to Labour members no less than Mr Churchill's own party. They will be taken as evidence that international allocation of raw materials may be put on a more lasting and comprehensive basis, and the Conservative party will not scorn the opportunity of wearing clothes that Labour likes to claim as its own exclusive model.

* * *

Mr Churchill in Ottawa

Mr Churchill went to Ottawa with three main purposes in mind. The first was to create the same sort of intimate relationship with Mr St. Laurent as with President Truman. The second was to talk with Lord Alexander and, it is said, to invite him to become Minister of Defence when his term as Governor-General expires. The third, buried deep in the only public speech he made in Canada, had to do with the North Atlantic Treaty. "So far this solemn compact," he said, "has been regarded only in its military aspect, but now we all feel, especially since our visit to Washington, that it is broadening out into a community . . . acting together not only for defence but for the welfare, happiness and progress of the peoples of the free world."

"Welfare" and "progress" are nowadays synonymous with greater economic integration. Mr Churchill's hope was that, coming fresh from Washington, he would arrive at a relatively propitious moment, and serve as the best available mouthpiece, for delivering the message that Canada's contribution to natural aid needed to be given with greater willingness than hitherto. He was obviously prompted to speak as he did by the Canadian reaction to the Three Wise Men's report, which was conservative, to say the least. He made it clear that he was asking for this effort not in order to secure dollars or goods for Britain ("We do not want to live on our friends and relatives") but to get some Canadian priming, both moral and material, for the western effort as a whole.

If the "complete agreement" that is mentioned in the Ottawa communiqué covers concurrence on this point, the visit can be called a success. The other points that Mr Churchill made in public amount to generalities to which even his happy vocabulary could not give the charm of novelty. But it is difficult to make two great speeches in one week to the same audience—in this case the many millions of North American listeners who can tune in both to Ottawa and to the Capitol in Washington.

* * *

A Head for Nato

The change in the concept of the North Atlantic Treaty, which the Canadians seem to have accepted, is inherent in the plans on foot to overhaul the treaty's organisation. The object, which Mr Churchill has been discussing in Washington and Ottawa, is to instal a new centre of authority at the top, whose functions would extend over the economic and the military as well as the strictly political issues at stake. Nato has for a long time been sprouting legs and arms in a vain attempt to make up for the fact that it had no effective head. The Atlantic Council does not sit more than two or three times a year and its official Deputies have been severely handicapped. They could take very few decisions on their own authority and then only in limited fields. Their relations with the economic board and the military standing group were obscure to a degree, and they were in no position to perform the job which was ultimately done by the temporary committee of the council in Paris—to relate and equate military requirements with economic possibilities.

The decision has now been taken to fill this gap on a permanent basis and at the same time to reduce—perhaps even to abolish—the research and preparation which have been done so laboriously by the subsidiary organs. The Deputies are to disappear ; a full-time, twelve-powered committee will be created to act, in the absence of the Atlantic Council, with the authority of the Council itself on all aspects of the treaty. It will be the head, the brain power and the nerve centre of an organisation which has so far collaborated over facts, but been remarkably slow to co-operate over acts. A secretary-general is also to be appointed to direct an international staff of officials, which, it is hoped, will be kept small.

This is the importance of Mr William H. Draper's appointment as Mr Harriman's special representative in Europe. He is not to replace the American chairman of the Deputies, Mr Spofford, who has simultaneously resigned in an attempt to get back at last to his law practice in the United States. Mr Draper is to represent the United States on this new organ of authority ; he will take on a job which has not existed during Mr Spofford's tenancy but the need for which Mr Spofford was the first to see.

The success of the new authority will not be automatically assured by its constitution. It will have, from the start, a better chance than its predecessor, but it will depend very largely on two factors: first, whether the other eleven members of Nato are willing to appoint men of the requisite calibre and with real authority ; second, whether they are prepared to accept the kind of recommendations which have been made by the Three Wise Men. Indeed, the first task of the new committee of twelve must be to implement the recommendations of the three.

Assistance for Subsistence

Some of the younger Tory MPs are keeping up their efforts to make the party leaders face the consequences of recent economic and social policies. The debates last spring arising out of the health service charges stimulated fresh thinking on both sides of the House of Commons, and two Conservatives have now published their thoughts in a pamphlet,* in which they give a brief but lucid account of the growth of the social services and the application of means tests within them. Their main point is that the function of national assistance, derived from outdoor poor relief, is to provide a minimum income just high enough to cover the cost of subsistence. In other social services, on the other hand, different, less rigorous, means tests were introduced before 1948 and remain more appropriate. It was not reasonable, they argue, for a man to have to reduce himself to the subsistence level before he became entitled to free education for his children, free treatment in sickness, and so on. They therefore maintain that it was wrong in principle for the Assistance Board's means test to be used for assessing ability to pay the charges for false teeth and spectacles. In this particular case, the Government's action was probably justified on administrative grounds. But if more charges are to be introduced in the health service —and Mr Macleod and Mr Powell show that there is no reason in principle why the service should be entirely free—their plea for a separate, more generous, means test should be carefully considered.

They are on less firm ground in their recommendations on national insurance. They give a striking analysis of its present plight, pointing out that for a man and wife the basic insurance benefit is now 22s. below the Assistance Board's minimum of 64s. inclusive of rent. Even the higher rate of retirement pension is 14s. below this subsistence level. They therefore argue that the only way of preventing benefits from becoming derisory is to put them up with a corresponding increase in contributions.

Unfortunately, they give no indication of how big the increase in contributions would have to be to provide for this large increase in benefits. Only in a footnote do they refer to the effect on employers' costs. Nowhere do they discuss the effect on the lowest paid workers of an increase in what is, after all, a direct and regressive tax. In two years' time the insurance scheme will have to be reviewed and will probably have to be revised. But no stability in the value of benefits can be looked for until stability has been given to the pound. Mr Macleod's and Mr Powell's proposal is, therefore, yet another cart that must wait for the Government's disinflationary horse.

* * *

Nationalised Efficiency

The Conservative party now has the opportunity to apply some necessary new thinking to the problems of the nationalised industries. As a first step, a select committee of the House of Commons was appointed in December to review the methods by which the public corporations are made accountable to Parliament. It may be stimulated to a new approach by a paper read last week to the Manchester Statistical Society by Mr D. N. Chester.

The public corporations were established on the assumption that if they were free from day to day interference, they would be able to operate with the vigorous efficiency of independent commercial management. But the analogy between the corporation and a joint stock company, between Parliament and shareholders, is, as Mr Chester said, a false one. The shareholder is interested in financial results, and he has a simple test, the dividend. The nationalised industries are expected to pay their way but, even if they do, that does not necessarily mean that all is well. As they are monopolies they can "break even" by charging consumers a price that covers gross inefficiency. The profit and loss account proves nothing. The nationalised industries are expected to pursue something called the public good, which, as Mr Chester said, may be quite incompatible with the principles of sound business management, and of which there is no simple test.

It is easy to say, in general terms, that the Minister should determine social and economic aims, while the corporation's task should be to achieve those aims as efficiently as possible. That does not help to define the practical working relations between the corporation and the government department. But at least it can be generally agreed that some check on efficiency is needed, and that the annual reports, months out of date, do not provide enough information for this. It does not follow that the ban on parliamentary questions concerned with detailed management should be lifted. Members of Parliament are already too inclined to try to discuss points of detail and to neglect their opportunities to deal with broader policy. Parliament has neither the time nor the technical knowledge to make detailed investigations. One part of the solution would be to submit the nationalised industries to a regular efficiency audit. But if every wrong decision—and there are bound to be some—is to be noted and publicised, there should be no illusion that public corporations will show the same initiative as managers in private industry, whose mistakes are passed over if the final result is broadly satisfactory.

* * *

The Liberals Say it First

The Liberal party's statement on iron and steel comes a little too late to make it appear, when the Bill is published next month, that the Government is following the Liberals' advice. But it is hard to detect any other purpose.

The statement declares that "mere denationalisation, with the simple restoration of the industry to private ownership, will not be approved by the Liberals." How much the Ministry of Supply must wish that so straightforward a possibility as "mere denationalisation" existed. The Liberals propose that there should be an Iron and Steel Board appointed by the Minister of Supply, and representing management, labour and consumers. It should include some independent persons, one of whom should be the chairman. It should keep the whole industry under review, and should have power to fix maximum prices and to call on firms to submit plans for development. All this has, of course, a familiar sound. It is what the Iron and Steel Federation, the Conservative party and many others were proposing as an alternative to nationalisation three years ago. The one new point offered by the Liberals is that if no steel firm is willing to take up some particular production that the proposed board thinks desirable, it should have power to set up an independent unit for the purpose ; since the method of financing such a project is not made clear, the idea does not take the discussion far.

The Government probably has not yet made up its mind about the details of steel denationalisation, though there is no doubt that it will adopt the well-tried model of an Iron and Steel Board. But, although they advocated the return of steel to private ownership vigorously enough in their election programme two years ago, the Liberals appear to have given no thought at all to the problems of denationalisation, as distinct from finding an alternative to nationalisation before it happened. That is a pity. When the ideas of the major parties are so fluid the Liberals could still exercise an important and valuable influence—provided what they have to say sticks close to the practical points at issue.

* The Social Services. By Iain Macleod and J. Enoch Powell. Conservative Political Centre. 1s.

A New Team for Malaya

General Sir Gerald Templer, appointed this week as the new High Commissioner for Malaya, will possess powers which no one has ever had before. He is being given complete executive authority over all three elements in the fight against the Communist guerrillas—the police, the troops and the civilian administration. He will have a Deputy High Commissioner to deal with routine administrative matters, and General Sir Rob Lockhart will become in effect the deputy Director of Operations under him. A Deputy High Commissioner has yet to be appointed, since there is some opposition to the idea in Malaya; but there can be no question of failing to create such a post if General Templer is to be left free enough to concentrate on the wider aspects of policy; at the present stage, it cannot go to anyone but a Briton. A new chief of police is also required, following the resignation this week of Colonel W. N. Grey; he had made special contributions to administration, but a new hand is needed to inject a new spirit and a greater uniformity of organisation into the police.

Comparison can justifiably be made with the appointment a year ago of another soldier to another South East Asian territory. Marshal Jean de Lattre de Tassigny died after reversing the whole trend of his country's fortunes in Indo-China within a matter of weeks of his arrival. His richly deserved epitaph must be that he achieved alone, by the sheer force of his own spirit, what almost no living military leader could have accomplished. He was a true friend of Great Britain, and, whether or not his work in Indo-China is destined to endure, both the French and British peoples owe him a debt of gratitude.

General Templer goes out to Malaya in circumstances hardly less grave than those which faced Marshal de Lattre in Indo-China a year ago, though their character is entirely different. He has been appointed not only because he is an able military commander but because he is a talented general with experience of political affairs. He will justify the choice only if he proves himself able to make some impact on the most elusive but fundamental political problem before him, namely how to associate the Malayan Chinese more closely with his government without alienating the Malays. General Templer carries with him the heartfelt good wishes of his country in approaching a task in which he has a chance to make his mark on history. But it would be only fair to him, and to those whose destinies will lie in his hands, that the appointment should come up for review at the end of a year.

* * *

The Schuman Plan Ratified

The ratification of the Schuman Plan by the German *Bundestag* by the large majority of 89 is an historic event. M. Monnet cabled to Dr Adenauer "Europe is born! Long live Europe!" and his enthusiasm is justified. Though Belgium, Luxemburg and Italy have still to ratify the plan, the European coal-steel community has now been brought into existence.

The vote was a triumph for Dr Adenauer. It is really remarkable that a defeated nation should have produced a statesman with not only the wisdom to seek the closest co-operation with his country's ex-enemies but the political skill to put his policy through. Dr Adenauer himself has been fortunate in his second, Professor Hallstein. What might have been is clearly shown by the German Social-Democrats. By sheer nationalist rancour and a mistaken belief in their own cleverness, the Socialists have been led into the foolishness of denouncing the Plan as another French attempt to occupy the Ruhr and the stupidity of voting with the Communists and the neo-Nazis as the last-ditch defenders of the trusts and cartels of the Ruhr. Dr Adenauer won the day by his conversion of the German industrialists. On behalf of the Ruhr he fought the Allied High Commission to secure the

removal of the restrictions which prevent the German steel industry from starting the Plan on equal terms. He did not wholly succeed; the ban on additional capacity is to go only when the High Authority of the Plan is in operation, and the Allies still retain the right to supervise the break-up of the Ruhr trusts. The German steel industry, however, has already built up its production to 15 million tons a year, so that it starts the Plan as the largest member. Moreover, even the suspicious industrialists find an appeal in the idea of European union and have been wise enough to see that equal partnership in a European community is preferable to subjection to the occupying powers.

That the European coal-steel community (a less cumbrous name is badly needed) exists at all is a great achievement. But it exists only on paper and it remains to be seen whether its governing bodies will be able to make headway with real unification against the national jealousies which will not now disappear because the Schuman Plan has been ratified. It will be as well not to entertain any expectations of perfection; there will doubtless be many compromises and delays. But even imperfect success will have a clear balance of advantage over the alternative—a rapidly recovering Ruhr in the unfettered control (as it inevitably would be before long) of a German government which may not always show Dr Adenauer's sense of European solidarity.

* * *

Farmers' Complaints

The National Farmers' Union will be in a sombre mood for its annual general meeting next week. A spate of resolutions deplores what is regarded as the failure of prices to keep pace with rising costs; there is even a suggestion that the union should retire from the price negotiations with the Government if its claims are not met. One resolution suggests that additional payments should be made to that group of farmers who "are compelled in the national interest to farm at higher proportionate costs for lower than average yields."

This proposal gets nearest to the basic problem of raising agricultural production. The period of agricultural expansion seems to have come to an end, and the farmers will argue that only a substantial rise in prices can "restore confidence" to the industry. The nation certainly needs more home-grown food, but equally certainly it cannot afford the cost of paying higher prices all round, to farmers who are already making good profits as well as to those who are not.

If the union wishes its conference to be constructive, it should surely concentrate its discussions as much as possible towards working out methods for raising the output of the many backward farms in Britain. The problems involved are considerable and there can be no question of squandering public money on inefficient farmers, but there is a case for selective aid to those farmers who lack sufficient capital of their own to expand production.

* * *

The State's Poor Land

The chief functions of the Agricultural Land Commission are to manage agricultural land in public ownership and to advise the Minister of Agriculture in cases where public acquisition may be a way of getting land used more efficiently. The commission's latest report* shows that the properties under its control, or under that of its Welsh sub-commission, have grown rapidly to 147,000 acres. Its difficulty is that most of this land consists of "problem estates" in dilapidated condition, which can be made to produce much food only after heavy expenditure on repairs

* For year ended March 31, 1951. HMSO. 1s. 3d.

and improvements. Indeed, this is usually the reason why the land has been publicly acquired.

The commission is pursuing, as it was intended to do, a vigorous policy of rehabilitation. The cost is inevitably high. Its policy is to let all the land it can, and only a small area, consisting mainly of airfields in course of reclamation, is being farmed directly. Rents are being raised as improvements are made, but last year the average rent from its properties was no more than 9s. 10d. per acre in England and 4s. 6d. in Wales. By contrast, the commission's programme of new investment, which for the one year averaged almost 10s. an acre on its English and Welsh properties, is much heavier than is possible for most private landowners. The commission hopes in the future to earn a small return on capital invested, but this will not be sufficient to cover interest charged at 3 per cent, so that a continuing loss to the taxpayer appears inevitable.

The commission's losses must be regarded as part of the cost of getting more food from Britain's large area of marginal land. The alternative way of doing this—to give large subsidies to private owners—is also being vigorously pursued at present. It has the disadvantage that the taxpayer then has no chance of getting any return on the assets he is helping to create. If national food requirements justify this sort of unremunerative expenditure at all, there is much to be said for its being undertaken by a public body. But in that case there seems no reason why the state should be saddled exclusively with the poorest soils. The commission's advice to the Minister generally seeks to limit public acquisition to the worst parts of the various problem areas referred to it. It might be better to widen its scope if it must continue.

* * *

Deadlock in Egypt

Military events in and near the Canal Zone are rapidly reducing any prospect of compromise between Britain and Egypt. From the Egyptian side, official encouragement to "commandos" is increasing. The British search of an Egyptian police station this week revealed that they are getting help from the police; their standard of armament, marksmanship and tactics has risen considerably. The British have countered by using heavier weapons against them, including 25-pounder field-guns, and by arresting some Egyptian police in two Egyptian villages used as cover for the attacks. This quickening of effort on both sides emphasizes a fallacy under which both the Wafd government and the British military authorities are labouring, which is that tough behaviour will bring about a change of heart in the adversary. The Egyptians believe—on the evidence of events in Palestine and Persia—that the Englishman of today quits places that are made too hot for his comfort; the British know that the Wafd government has been much criticised and is shaky, and believe that it must, if firmly handled, fall and be replaced by a more moderate faction. In fact, each fresh blow struck by either side heightens, on the one hand, British determination to stick to treaty rights, and on the other the Wafd's chances of retaining office in the role of defender of national rights.

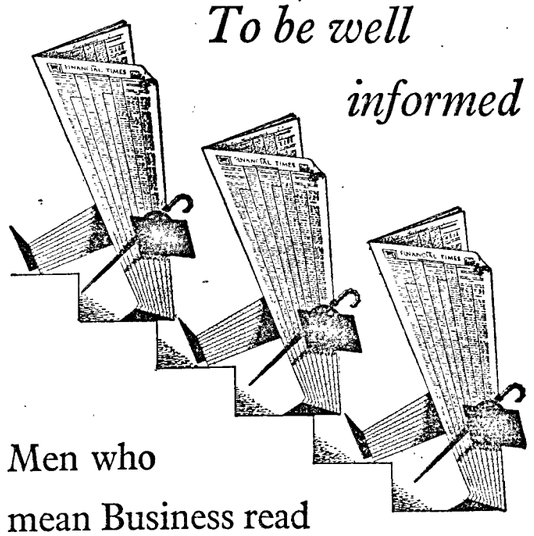
If this deadlock is ever to be resolved, only two courses are open to the British Government. One is to curb military action in order to temper it with the political sagacity that might produce a change of government in Egypt. The decision is a difficult one to take when troops are under fire; but withdrawal of those British outposts which are near the edge of the Delta, and some way from the Canal, would reduce the cover for guerillas and therefore Egyptian firepower. The other is to listen more seriously than they have been doing to the propositions now being advanced by a series of would-be mediators, who include King Ibn Saud and the American State Department.

Uno and the Truth

Protests from a number of governments have led the UN Assembly's committee on social affairs to order the withdrawal, at least for the time being, of a new report on the treatment of refugees in seventeen west European and Arab countries. Egypt and Syria were the strongest critics of the report, but France and Belgium were also among those who complained of its "inaccuracies." Yet this report has the appearance of a fair and objective piece of work. It was prepared, at the request of the UN High Commissioner for Refugees, by an international team of experts headed by M. Vernant, secretary of the French *Centre d'Etudes de Politique Etrangère*, with the aid of a grant from the Rockefeller Foundation. M. Vernant points out in a foreword that, in view of the difficulty of assessing certain psychological and other factors, the experts' findings should be treated as provisional; in any case, the present report is only a preliminary to the issue of a final survey, covering the Latin American and Commonwealth countries and the United States as well as Europe and the Middle East, which is to appear in the summer. But these reservations have not appeased the critics. The report is to vanish from sight, apparently because it tells such unpalatable truths as that beggars abound in Syria, that Egyptian naturalisation papers are sometimes obtained by the greasing of palms or that the mishandling of a scheme for the employment of refugees in the Belgian coalmines led many of these men to return to the frustrations of camp life in Germany.

The withdrawal of this report raises an important point of principle. If an objective, independent piece of research is to be suppressed whenever it offends the feelings of any of the sixty governments represented in the United Nations, how is the world organisation to obtain the facts on which to base its decisions? M. Vernant's experts have not set out to discover scandals; on the contrary, they pay full and

To be well informed



Men who mean Business read

THE FINANCIAL TIMES

—every day

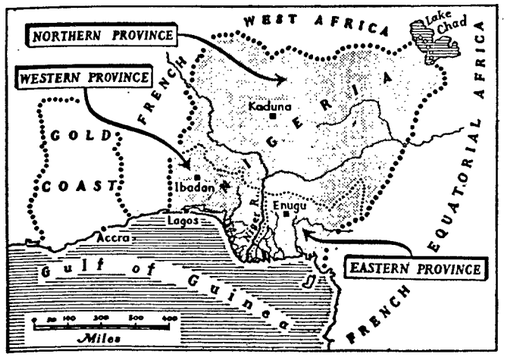
generous tribute to the good work done by many governments and organisations for refugees, and direct criticism occurs seldom in the 400 pages of their report. The least the complaining governments can do is to substantiate their charges of inaccuracy in public; but for this they have hitherto shown no enthusiasm.

When the full and final report appears during the summer, its editors might do well to indicate any points on which governments take a different view from that of the experts, but it will be wholly regrettable if verifiable facts cited in the preliminary report are eventually suppressed altogether at the behest of the governments concerned. Several consequences—some of them lamentable—would spring from such an act. The High Commissioner and his staff would be hampered in their efforts to help the remaining refugees (who are the subject of an article on page 150). Experts of integrity would become reluctant to work for the United Nations; UN reports would cease to count as reliable evidence of world conditions; and the burden of responsibility for telling truth without bias would pass to a mere handful of independent charitable foundations. The principle involved extends far beyond the refugee question itself.

* * *

Nigeria's Election

The results of Nigeria's first general election under its new constitution are neither so striking nor so easy to grasp as those of the election a year ago in the Gold Coast. There, the extreme nationalist party was returned to power, and its leader, Dr Nkrumah, has since been brought face to face with the realities of responsible government. In Nigeria, under a federal constitution, the election process itself has been spread over many months. First, the three regional Houses of Assembly had to be elected—indirectly, through electoral colleges. Then the regional Houses had to meet to choose their representatives for the central legislature—the House of Representatives in Lagos.



This selection for the central legislature has just been completed, and it has produced some odd results. Nigeria's counterpart to Dr Nkrumah is Dr Azikiwe, leader of the National Council for Nigeria and the Cameroons—the extreme nationalist party. The National Council has a somewhat precarious majority in the eastern region, but big enough to secure that only its supporters will represent the region in the central legislature. Dr Azikiwe, however, has been returned, together with four other National Council supporters, as a member for Lagos, which is included in the western region. In the western House of Assembly as a whole, a majority has been won by the Action Group, a more moderate nationalist party whose support at present comes mainly from the Yoruba people. The western House has to return two of the Lagos representatives to the central House, but the Action Group has not chosen Dr Azikiwe as one of them. He will therefore be outside the central House in spite of his own prominence in Nigeria as a whole and his party's success in Lagos and in the eastern region.

The chief politician in the central House will thus be Mr Awolowo, leader of the Action Group. But even he will not lead a majority party. Both the Action Group and the National Council have to face a solid conservative bloc from the northern region, to which is allotted half the seats in the central House. The north favours considerable regional autonomy and a continuance of Britain's control. The Action Group wants self-government, but strong regional rather than central government. The National Council wants self-government and centralisation. Just how all these conflicting and overlapping elements will combine to form a national administration will be made clearer when the central legislature meets on January 27th and the Council of Ministers is chosen.

* * *

Orchids for Mr Malenkov

Mr Malenkov—vice premier and member of the Politbureau—recently had a birthday. He was 50, and the pomp with which this event was celebrated once more raises the question of the succession to Stalin. In speculations about the succession his name is usually placed next to Molotov's, and this emphasises the fact that a new generation is to the fore and is bound to clamour for a share of the rule once Stalin has surrendered the reins.

There are three generations of Soviet leaders. Of Stalin's own—those over 70—only Voroshilov, now a mere figurehead, remains; the ablest were eliminated by Stalin himself, and the others are dead. The next generation, about ten years younger, is headed by Molotov and includes President Shvernik and Vice Premier Kaganovich. Malenkov belongs to the third, which became prominent in the late thirties and forties and of which his personal rival, the slightly older Zhdanov, used to be the most prominent member. The deaths of Zhdanov and Shcherbekov, and the mysterious disgrace of Voznessensky leave Malenkov in undisputed possession of the field.

His background is that of all the new bureaucrats who gained power under Stalin and modelled themselves on their master. His strength lies not in his thoughts or pen but in his organising capacity; he knows how to control and direct a machine. He started, in the 1920s, in the party secretariat and in 1930 went as organiser to its Moscow section. In 1941 he was nominated a Politbureau candidate and, more important, as a member of the Orgbureau, the committee dealing with the control of the local party cadres. Immediately after the war he became a full member of the Politbureau. Later, he was sent, together with Zhdanov, to the first session of the Cominform; finally, he became vice premier.

Neither in seniority nor in the role he has played in Soviet policy-making can Malenkov be compared with Molotov. Yet his potentialities should not be underestimated, particularly as he now appears to be the controlling member of the Orgbureau and as it was from such a position, with its ample opportunities to manipulate the strings of the party machine, that Stalin came to the top.

* * *

The House that Fell Down

Now that the Government has made it easier to build houses for sale, an increased public importance attaches to a case that recently came before the Court of Appeal. In May, 1949, a freehold bungalow at Southend-on-Sea was

"We have a wide choice to offer."

"YES—but thanks to whom?"

When the shop assistant praises the range of his textile merchandise he is paying tribute to the Wholesale Textile Distributor, thanks to whom retailers are able rapidly to draw upon large and varied stocks.

DISTRIBUTION FOR THE NATION IS CARRIED OUT BY MEMBERS OF THE WHOLESALE TEXTILE ASSOCIATION

THE WHOLESALE TEXTILE ASSOCIATION, 75 CANNON STREET, LONDON, E.C.4

REVERSIONARY BONUS
AT A RATE OF 38/- PER CENT
AND UPWARDS

ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY
20, LINCOLN'S INN FIELDS, LONDON, W.C.2

HOW MANY DATES CAN ONE GIRL KEEP?

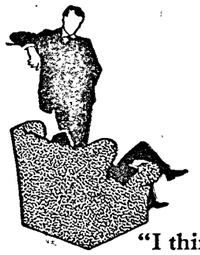
THOUSANDS—if she happens to be Peggy Knapp, who is Reservation Agent at TCA's offices in Pall Mall, London. Miss Knapp controls bookings for the whole of Europe, planning the space on TCA's 40-passenger 'North Star' Skyliners—quite a responsibility! But she loves her work, and spends most of her leisure at another occupation that calls for planning and symmetry—the intricate art of dressmaking.

Like regular travellers by TCA, Miss Knapp knows all the features that make TCA unsurpassed in air travel—reliability, 'on time' arrival, excellent hot meals and that extra personal touch that makes for friendly comfort.

TCA is your quickest route to Canada's valuable dollar market, linking you with every important Canadian and U.S. city. Fast Skyliner services leave London and Prestwick daily.

TRANS-CANADA AIR LINES
CANADA—ONLY A DAY BY T.C.A.

Full information and reservations from your TRAVEL AGENT, or from 27, Pall Mall, London, S.W.1. *Telephone:* WHItehall 0851 (Passengers and Air Cargo). Scottish Address: Prestwick Airport, Ayrshire, Scotland. *Telephone:* Glasgow Central 3428 *or* Prestwick 7272, Extensions 268/269.



"I think I'd like
a White Horse
better than anything"

MAXIMUM PRICES:— Bottles 35/-, ½-Bottles 18/3, ¼-Bottles 9/6, Miniature Bottles 3/8, as fixed by the Scotch Whisky Association.

B.O.A.C. INTRODUCES TOURIST CLASS FARES

Save up to £105

ACROSS THE ATLANTIC!

Fully-pressurized *Constellation* aircraft. Complimentary light refreshments; reasonably priced meals. Tourist Class Services start 1st May.*

LONDON/NEW YORK	TOURIST FARE*	WHAT YOU SAVE
Single	£96. 9.0	£44.13.0
Return	£173.13.0	£80. 7.0
"Off-peak" Return	£148.19.0	£105. 1.0
LONDON/MONTREAL	**TOURIST FARE***	**WHAT YOU SAVE**
Single	£94.13.0	*£41. 9.0
Return	£170. 8.0	£74.12.0
"Off-peak" Return	£146. 4.0	£98.16.0

NOTE: "Off-peak" tourist fares apply to return tickets only, effective Nov. to March inclusive in both directions.

*Subject to Government approval

TOURIST SERVICES ARE ADDITIONAL TO NORMAL FIRST CLASS TRANS-ATLANTIC B.O.A.C. SERVICES.

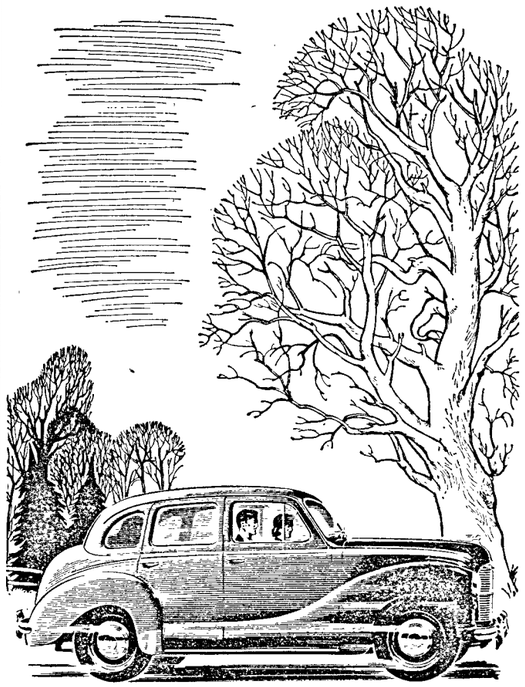
Consult your local Travel Agent or B.O.A.C., Airways Terminal, Victoria, S.W.1 (VIC 2323) or 75 Regent St., W.1 (MAY 6611).

B.O.A.C. TAKES GOOD CARE OF YOU

FLY BRITISH BY B·O·A·C

BRITISH OVERSEAS AIRWAYS CORPORATION

Still miles ahead...



THE A40 DEVON SALOON

With its new steering column gear control and four-wheel hydraulic braking, the A40 Saloon still keeps right at the top of its class. Small wonder, for this is the car which holds 62 International, National and other speed and endurance records.

Take a look at it on the road and see for yourself. Notice its graceful lines and comfortable roominess ... its brilliant acceleration and split-second braking ... its surging O.H.V. power and easy driver control. All these make the A40 Devon a family saloon that is without equal.

AUSTIN
—you can depend on it!

THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM

bought for £2,400. The purchasers found half the money themselves. For the remainder they needed a mortgage. One of the partners in the firm of estate agents with which they were dealing was the local surveyor to a building society and, on the basis of his valuation, an advance of £1,200 was made.

Within two months of the new owners moving into the bungalow it had collapsed beyond repair, because of subsidence in the clay soil on which it was built. For their outlay of £1,200, plus expenses, the owners were left possessed of a piece of land, the remains of a bungalow and a mortgage debt of £1,200. They sued the previous owner and the estate agents for damages. Their action failed, and the Court of Appeal has now upheld the decision. The collapse of the house was an exceptional misfortune, attributable to a very dry summer, though the building had been underpinned on at least four occasions previously. But the agents knew of only one underpinning operation, the last, carried out earlier in the same year. This was at the basis of the court's decision. The owner had not been guilty of fraud; the selling agent had not been guilty of concealing any fact of which he had knowledge. The buyers had been unlucky, and misfortune is not a good legal cause of action.

But this special case does illustrate a wider point. The evidence at the original hearing was that the agent selling the property secured a bid of £2,400 for a building which he later advised a building society was worth no more than £2,000, less an estimated liability of £200 for road charges, a net figure of £1,800. The agent of a selling owner may, both in law and under professional practice, act also as expert valuer for a building society. He is not compelled to give to the borrower any hint of the advice he is giving to the building society, although it is the borrower who is paying his fee. In his judgment on the original hearing, Mr Justice Devlin said: ". . . Building societies might perhaps consider whether the great help which they give to people . . . who want to own their own houses might not be extended by giving them the benefit of the expert advice for which the prospective owner is himself paying." There is no reason to think that the purchaser often suffers. But it would be wise for the building societies to make it quite plain that only in the most exceptional circumstances do they regard as a "competent and prudent person" (whose report they must obtain, under the Building Societies Act of 1939, before they make an advance) anyone with a financial interest in the sale of the property he is valuing.

* * *

Oligopoly and All That

One of the most infuriating things about economics (an infuriating subject both to its practitioners and to others) is its lack of an agreed technical vocabulary, coupled with its reliance on terms whose use in non-technical contexts has loaded them with irrelevant associations or inappropriate emotive force. A Dictionary of Economic Terms which provided an entirely agreed technical vocabulary, or even disentangled the different senses in which identical terms are used by different writers, would be no mere dictionary but a particularly massive encyclopaedia; and its compilation could, incidentally, be relied on to keep almost the entire corpus of academic and practising economists out of mischief (other than mutual mayhem) for a good many years.

Failing this ideal, the mystified general reader can find a good deal of enlightenment in a short, unpretentious but carefully compiled glossary* which has been brought up to date by Mr J. R. Winton. It now includes a selection not only of the new terms evolved in the advance of theory but also of the current technicalities and jargon of economic journalism and of the nomenclature of the postwar alphabetical agencies. It will be a godsend to those unfortunate examinees who are requested to "write brief notes on not more than three of the following expressions" and a useful safeguard to theorists inadequately versed in the precise legal content of city terms. Journalists addicted to ironing out inflationary bottlenecks may find here less barbarous alternatives; future historians may sigh over the stark entry "Liberalisation of Trade: see Quotas," and wonder whether sheer alphabetical necessity or personal mischief led Mr Winton to place "Empire Free Trade" between "Embezzlement" and "Enclosures." Mr Winton's dictionary is by no means exhaustive, even of terms in comparatively common use; among his omissions are *bulk buying, closed shop, development charge, econometrics,* and *wage council.* On the other hand, some archaisms survive, and one would willingly have sacrificed them for a frontispiece reproducing Low's poignant delineation of an Unrequited Export serenading an Offshore Purchase. Lack of such light relief, is, however, atoned for by the dust-jacket, which in advertising another of the publishers' long-standing successes offers the reminder that *The Economist* once described Mr Dalton as "a profound student of economic theory. . . ." Another good definition gone west.

* A Dictionary of Economic Terms. Edited by J. R. Winton. *Routledge & Kegan Paul.* 85 pages. 5s.

Absolute Power in France

We have been anxious to abstain as long as possible from any decided criticism upon the proceedings of the new Government in France, partly from a strong feeling with regard to the uncertain accuracy and certain incompleteness of the accounts which reach us through the ordinary medium of "correspondents'" letters and newspaper reports. . . . As long as we had only *rumours* of arbitrary and oppressive acts to deal with, we were willing to postpone comment; but this week the *Moniteur* presents us with ordinances dissolving the National Guard throughout France; pronouncing sentence of *transportation* to Cayenne of five ex-representatives . . . charged with having borne a part in the armed opposition to the late *coup d'etat*; banishing from France and all her dependencies of sixty-seven other members of the Chamber known as extreme Republicans; and exiling, till the present crisis has been replaced by a permanent and safe order of things (that is, during the good pleasure of the President), eighteen other gentlemen, also representatives, and all men of eminence. . . . It is true that if France had clearly and voluntarily conferred this *absolute* power upon the President, we should be unable to condemn these harsh decrees, except they struck the innocent and the innocuous. It is true that if a clear case for martial law had been made out by the circumstances and was sanctioned by the nation . . . these proceedings might in the case of France be just and right. But Louis Napoleon has shown none of those lofty moral qualities which can induce us to believe that the power which he wields thus arbitrarily has been exercised with deliberate justice. . . . The forms of law and the recognised rights of citizens are the only barriers against tyranny and terror. If once these are wholly set aside, the *security* of innocence is gone. . . . Louis Napoleon *may* intend to act justly: he *may* purpose, when the actual crisis shall be overpast, to respect the legal and righteous liberties of the people; *but it lies in his own breast whether he shall do so*;—the people have lost, or left in abeyance, all means of MAKING these liberties respected,—all, at least, save that last means of which no despotism can deprive them, but which it is a grief to virtue, and a stain and reproach to civilisation, to be reduced to resort to.

The Economist
January 17, 1852

Letters to the Editor

Civil Servants Follow After

Sir,—There is one amendment of fact necessary to your otherwise excellent note on the increases in civil service pay that have recently been announced. It is not the fact that civil service organisations asked for a cost-of-living bonus to be adjusted automatically with every five points that the cost-of-living index moved. The proposals put forward by the staff side of the civil service National Whitley Council were certainly for a continuing series of adjustments, but those adjustments were not related to the cost-of-living index but to the wage rates index figure published monthly by the Ministry of Labour. You will see, therefore, that the staff organisations have themselves been extremely modest in their proposals and related their claims to the Tomlin formula laid down by the Royal Commission of 1929 to 1931.

This Institution and other organisations representing the officers in the higher salary ranges share the great concern expressed in your paragraph against this continued discrimination against the more highly paid officers. There is much too little appreciation of the very ill effects that must result from not allowing the pursuit of higher qualifications to be a worthwhile effort.—Yours faithfully, STANLEY MAYNE
General Secretary
The Institution of Professional Civil Servants,
London, S.W.1

Northern Ally

Sir,—I can confirm, from personal experience, almost everything said in the article on Norway in your issue of January 12th. I venture, however, to question the statement that "Russian pressure was strong enough to elicit a declaration that Norway would allow no foreign forces to be based on its soil"—or rather the implication which that statement seems to bear, that foreign bases might have been allowed but for Russian pressure.

My impression (derived from sources very close to "the horse's mouth," if not the mouth itself) is that acceptance of foreign bases was always out of the question, if only because of the principles—or prejudices, if you will—of the Norwegian Labour Party.—Yours faithfully, LAURENCE COLLIER
London, S.W.1

Arab Refugees

Sir,—The article in your issue of January 5th once more draws attention to this unfortunate running sore in the Middle East. But recent events in Egypt have put Britain in a position to make some contribution to the problem.

It is the present policy of the Egyptian Government to deprive the Suez Canal Zone of its normal sources of labour from Egypt. Some of the skilled labour can be replaced by sources from Malta and Cyprus, but lack of unskilled labour leaves a large gap that must be filled. Our late Government began to look for this labour in East Africa. On whose instructions was this done? The obvious source for filling a shortage of labour in a Moslem country is in the teeming camps of Arab refugees in neighbouring states.

An intensive campaign of recruitment for the Canal Zone should be started among the Arab refugees. The Egyptian and other Moslem Arab governments would be hard put to it to demur at such positive assistance to the Arab refugees.—Yours faithfully,
GEOFFREY D. M. BLOCK
London, N.W.3.

[Many people, including some of the refugees, in their need, have made this suggestion. But to travel to Egypt they would need exit visas granted by the countries in which they have taken refuge. Since the Arab States are sufficiently loyal to Egypt to be averse to granting these, no one has pressed the point.—EDITOR].

Students from the Colonies

Sir,—The article in your issue of December 29th is an important contribution to a subject of which too little is known. I would add two comments.

The Church of England hostel, to which your correspondent refers, was opened in November last and is not yet full. It was initiated by the Church Assembly Overseas Council and the capital cost was provided by the two leading missionary bodies, the Church Missionary Society and the Society for the Propagation of the Gospel. It is not proposed to limit students accommodated to members of the Church of England, but no doubt any sponsored by the diocese of origin would obtain some preference.

Your correspondent does not specifically refer to the reports of persistent Communist attempts to approach all colonial students as soon as they arrive in England. Any authoritative information on this aspect of the higher training of colonial people would be useful. It is not always realised that such proselytisation has gone on for some years. When some suspected heads of underground Communist organisations in Singapore were arrested about a year ago, it was a shock to discover that some of them had received a university education in England by means of scholarships provided by the colonial government.

All will warmly agree that hostels specially provided for colonial students are only temporary substitutes for university hostels housing all sorts of university students. It should be borne in mind that many of the students studying in English and Scottish universities will be required to take much wider responsibility politically in their own countries, and the importance of proper background and conditions for study cannot be overestimated.—Yours faithfully, G. A. POTTS
Chinnor Hill, Oxon.

Mr. Lyttelton in Hongkong

Sir,—In an article in your issue of January 5th, your correspondent said that a proposal for representative government for Hongkong was "like suggesting self-government for a railway station."

This is nonsense. There is a perfectly clear distinction between passengers in transit through a railway station, and the station's responsible staff and workers.

In Hongkong, distinctions of a similar nature are already made—e.g., for purposes of taxation, military service, jury duty, etc. No doubt there are serious difficulties in the way of truly representative government in this colony, but the "reason" cited by your correspondent is bogus.—Yours faithfully,
A. K. MURRAY
Hongkong

Credit Restriction

Sir,—The recent restrictions on credit, particularly in respect of loans for capital outlay, will certainly do a lot to cut down the aggregate demand for goods; and this will operate both to redress the balance of payments and to arrest the upward course of prices. But it is important for us to have an adequate idea of the nature and magnitude of the task to be faced.

Thanks to the spending of overseas investments and to generous help from abroad, the capital outlay and general expenditure of the country have for years been altogether excessive. The new rearmament programme involves further heavy Government expenditure. In order to make available enough labour and materials for this purpose, the aggregate capital outlay and general expenditure of the public will have to be cut down by an amount that I would estimate as approaching £1,000 million a year.

The following questions, therefore, arise: Will the capital outlay of the public be reduced enough to obviate reduced expenditure on consumption? If not, will the reduced consumption take effect (a) voluntarily, (b) through lower money wages and lower money earnings, or (c) through higher prices and currency debasement? — Yours faithfully, A. H. ABBATI
Cardiff

Zebras, not Gazelles

Sir,—With reference to your Note in your issue of December 15th, and with particular reference to the problem of the school crossings, I wonder if you know about the system in vogue in the city of San Francisco and perhaps other cities here, whereby schoolboys from the age of 11 receive training in traffic control from the local police department, are furnished with arm badges and

uring the periods immediately prior to ening of school and immediately after osing, act as traffic control officers at propriate crossings.

The boys are not endowed with police owers; but they are instructed with ference to traffic laws and regulations d how to report infringements thereof r vehicular traffic, and they also report the school authorities disobedience on e part of children at crossings.

Membership in the patrol is keenly mpeted for by the boys and is usually ven as a merit award for good conduct, c.

This system has been eminently suc-ssful in San Francisco. It gives a aining to the boys, who, of course, are t paid, and avoids the necessity of ving to establish police control at odd urs over these particular crossings.—ours faithfully,
GEO. E. H. SATCHELL
San Francisco

Trade with Madras

Sir,—I am visiting Madras in order to llect material to write the history of essrs Parry and Co., Ltd., of that city. lthough during 164 years of continuous ading the firm accumulated a large uantity of records, the ravages of the imate and of white ants, silver fish and e other insects, have not spared these chives.

May I therefore ask for the hospitality your columns to inquire whether any ader of *The Economist* could supply e with any letters, memoranda, news-aper cuttings or other material dealing ith trade between the United Kingdom d the Madras Presidency particularly uring the last decade of the eighteenth ntury and the first 50 years of the neteenth. During a large proportion that period Parry's agents in London ere Messrs Bazett, Farquhar, Craw-rd and Co., of 71, Broad Street. ocuments dealing specifically with arry and Co.'s activities would, of ourse, be particularly valuable, but any aterial would be welcome, and would e most carefully treated and returned romptly to the sender. It would not e necessary to forward documents to dia as I shall be returning to England the spring, but any letters sent to is address would be most gratefully knowledged.—Yours faithfully,
EWAN BUTLER
Parry and Co., Ltd.,
Post Box No. 12, Madras

Monstrous Regiment of Words

Sir,—I was interested in the article in e American Survey in your issue of ecember 22nd. The second paragraph, owever, is somewhat misleading ecause it suggests that the modern merican habit of searching for a Latin ord to take the place of an English one in striking contrast to the style of the ettysburg Address. May I point out at the Gettysburg Address contains an tonishing number of words which are rived directly from Latin.—Yours ithfully, GERALD MANN
Chigwell

Books and Publications

General Washington

George Washington. By Douglas Southall Freeman. Vols. III and IV. *Eyre and Spottiswoode.* 1,336 pages. 30s. each.

The Washington whom Dr Freeman's monumental biography left with us at the end of his second volume was a young colonel and planter of 27—"moral, just, patient, amiable . . . but at the same time humorless, ambitious, persistent to positive obstinacy, acquisitive, suspicious of rivals and extraordinarily sensitive," as his biographer describes him. The primary purpose of these two succeeding volumes is to trace the development of this young sapling into the oak of Valley Forge, to explain how this not very remarkable young Virginia gentleman becomes, in Dr Freeman's words, "the moral cement of the loose union" of 1776-78.

It is doubtful if Dr Freeman, intrepid biographer as he is, has ever faced a harder task. Lee and his lieutenants, the young Washington of the plantation and the frontier—these are easily explicable figures compared with the paradox of the run-of-the-mill Virginia burgess of 1775 who within two years becomes the sheet-anchor of the revolution. As Dr Freeman, with patient honesty, lays bare the hero's failures along with his successes, the bungling at Brooklyn Heights, the hesitancy that marked the retreat from White Plains to the Delaware, the misreading of intelligence at the Brandywine, one is momentarily tempted to agree with the summary conclusion of John Adams that his contemporaries were idolising "an image which their own hands have molden." Or, as the narrative unfolds the harrowing tale of inefficient and corrupt officering, of inadequate recruitment and short-term service and, worst of all, of persistent intrigue and petty rivalries in the command, Washington appears to acquire his stature mainly by contrast with the swarm of pigmies he is fated to lead, like those mountain peaks which acquire their eminence by the erosion of surrounding, softer formations.

In part, the plausibility of such explanations proceeds from our lack of knowledge. Virginia Woolf wrote an essay on "Not Knowing Greek"; a testament of comparable poignancy might be composed on Not Knowing Washington. Occasionally a corner of the curtain lifts, as when a colonel's lady on his staff writes that he has "thrown off the hero and taken on the chatty, agreeable companion—he can be downright impudent sometimes—such impudence, Fanny, as you and I like." But though Dr Freeman's researches have uncovered much that is new they take us very little further into the company of the other, unbuttoned, George Washington.

But even if we could recapture all the impudences that General Washington imparted to his colonels' ladies, how close would we be to the historical man himself, the figure, that is, who left his mark on his age? A latter-day narrator, John P. Marquand, seeking to create a fictional Washington *de nos jours* in the person of General Melville Goodwin, USA, depicts a *Life* "researcher" retiring baffled at the essential simplicity of his subject; his character is so disciplined, so proportioned that it presents no distinctive angle from which it can be summarily assessed. As one reads the careful, leisurely narrative of Dr Freeman's two volumes, from which all hindsight has been scrupulously excluded, one is driven to the conclusion that this is the truth about Washington. There is no single key to his comprehension, no short cut to an understanding of what he meant to his contemporaries. A generation which has watched an Eisenhower organising the defence of Europe through a jungle of national sovereignties is in a better position than most to appreciate Washington's problems, but to assess the validity of his solutions there is no substitute for studying them in detail.

This is the fundamental justification for what might otherwise appear the excessive length of Dr Freeman's narrative—four volumes to take us to the spring of 1778. Only by inspecting at close quarters a performance which by its very nature was undramatic, of which continuity and persistence were the very essence, can the magnitude of Washington's achievement possibly be grasped. But we are also enormously in Dr Freeman's debt for a freshness and a clarity in his presentation of a highly complex narrative that makes such close quarter inspection easy and indeed delightful. He has told us the story as if for the first time—concealing with a modest grace the enormous effort of assimilation and organisation which his subject imposed. These two volumes fully confirm the promise of their predecessors and leave us impatient for those which are to come after.

Military Tradition

Panzer Leader. By Heinz Guderian. Translated from the German by Constantine Fitzgibbon. *Michael Joseph.* 528 pages. 35s.

Colonel General Heinz Guderian, the creator of the Nazi panzer forces and one of the ablest of the enemy generals, has also been one of the lucky ones. He was born of a military father at Kulm on the Vistula in 1888, and the military tradition has preserved him safe and sound through two world wars and the ruin of his country. Where so many of his contemporaries went mad, died, turned traitor or committed suicide, he marched imperturbably ahead. He is indestructible. Not even Hitler was able to penetrate that moral armour-plating. He was a soldier and a gentleman with an enthusiasm for tank warfare; all the rest lay with the state and with God and was none of his business. And now, at the age of 63, General Guderian has

written a very long, very technical, and rather frightening book describing how it all happened.

Hitler throughout is the noble villain of the piece, wrong-headed but omnipotent. It was Hitler who prevented Guderian from attacking Dunkirk on May 17, 1940. It was Hitler who blocked the direct thrust on Moscow; and when that first appalling winter of the Russian campaign set in, it was Hitler who let the soldiers die of frostbite rather than retreat. Many of the men were still wearing denim uniforms with the temperature at eight degrees below zero. Telescopic sights in the tanks became useless, the oil froze and machine-guns refused to fire. Tank engines would not start unless fires were lit under them. At Christmas Guderian flew back from his ice-bound headquarters—on Tolstoy's estate, Yasnaya Polyana—to confront Hitler with the facts. Patiently he explained that the only thing to do was to shorten the line. Never, said Hitler; if German soldiers were prepared to die for Frederick the Great, then they must die for me. And he sacked Guderian a week later.

While he was in retirement several attempts were made to draw Guderian into the bomb plot. He refused, he says, partly because he disliked murder in any form, and partly because he did not think much of the abilities of the conspirators. So Hitler reluctantly brought him back into high command when the Normandy landing had already been made and the war for Germany was already lost—and then sacked him again a few weeks before the end.

Goering, "a ruthless and very informal man," Guderian frankly deplored, and there are no good words for the Luftwaffe in this book. Himmler was an ascetic filled with fantastic visions. He was like a man from another planet. Goebbels was "a dangerous demagogue." Bormann "a sinister guttersnipe." He was "a thick-set, heavy jowled, disagreeable, conceited and bad tempered man. He hated the army."

These, then, were the men whom Guderian served patiently and pertinaciously, enduring all insults for the love of Germany and his duty. He tried to argue with Hitler but always in vain. Keitel and Jodl, the other two generals at the top, simply became resigned. Only a few others like Speer, "a man with a sensitive heart," his old comrades in the regular army, and the soldiers themselves, seem to have kept Guderian's respect by the time the debacle came.

General Guderian seems to have no real doubts about the rightness of Germany's cause. Hitler, in his eyes, did much for the German people by abolishing unemployment and reviving their hopes again. Only in the end did he fail and not so much by bad policy as by bad management. That is the frightening thing about this book. It is the work of an honourable man who sidesteps all responsibility for politics and who is willing to fight for dishonourable men provided they have the power and the titles. At its worst this is the autobiography of a well-meaning mercenary and a tool. At its best it is, as Captain Liddell Hart describes it in his foreword: "The fullest, most factual, and most revealing account of the war from the German side that has yet emerged."

Wisdom for Teachers

Education and the Democratic Ideal. By A. G. Hughes. *Longmans.* 138 pages. 10s. 6d.

However strong the inclination to the contrary, this collection of talks to teachers by the Chief Inspector of the London County Council must not be cast aside after the first chapter. The inchoate attempts at elementary political philosophy and rather odd theology of his first lecture are more than compensated for by the practical wisdom and sensitive understanding revealed in the succeeding chapters. When Dr Hughes writes of the things he has seen and the people he has met during his long experience of education, there are few to match him in his particular field; and his lectures, here printed, on "Authoritarianism in Schools," "Children and the Creative Spirit," "What do we mean by Backwardness" and, most effective of all, "What do we mean by Discipline," are masterly expositions. On these subjects he has got to the heart of the matter and excludes any discussion of inessentials; his thought is as clear as his exposition, and both are wholly admirable. If he is a little less successful in his lectures on the comprehensive school and the problems of transfer from one type of education to another, he may be forgiven because both subjects are controversial and in both the evidence which should lead to judgment is fragmentary.

The great and oft-quoted Dr Arnold once wrote of the "mischief of subjecting schools to the ignorance and party feeling of persons wholly unacquainted with the theory and practice of education." How to educate those who today ultimately control the national system of education is one of the most difficult and obstinate problems facing teachers and administrators. Dr Hughes has supplied them with a welcome reinforcement, and his book should be made compulsory reading for all councillors who serve on education committees.

Questioning Employment Policy

Vollbeschäftigung Inflation und Planwirtschaft. Edited by Albert Hunold. *Eugen Rentsch Zurich.* 362 pages.

The Economic Department of the Swiss Institute for Foreign Affairs has organised, since the summer of 1950, a series of lectures, some of which are now published in this volume. The contributors include C. Bresciani-Turroni (on Italian economic policy), F. A. Hayek (on "Full Employment, Planning and Inflation"), F. A. Lutz (on "Unemployment and Credit Expansion"), W. Röpke (on the German experiment and its lessons), and Jacob Viner (on "Full Employment at what Price?").

Some of these essays handle trenchantly the doctrines underlying the unholy trinity of full employment, inflation and coercive planning, which dominates the United Nations' report on "International Measures for Full Employment." Others deal with the impact of these doctrines on particular countries, and show why they are unworkable there. The policies of Britain and the United States, though frequently alluded to, are not described at length. Professor Jewkes limits himself to a spirited discussion of "Nationalisation in Britain," from which one can conclude that nationalisation can succeed when carried out by the bourgeoisie with an eye on profits, but must fail when attempted by socialists dominated by the principle of the welfare state. By running the risks of a chronic gap in production, temporarily filled by the United States, Britain has achieved full employment through shorter working hours, restrictive practices, open or veiled subsidies and low productivity in many industries, the mixture being seasoned liberally with inflation.

All contributors take exception to the optimism towards inflation of the United Nations' report, which recommends it as the unfailing remedy for mass unemployment. They criticise its comfortable belief that the creation of additional effective demand does no harm, since its full impact on prices can either be stopped by physical controls or at least be hidden. Since, however, labour has discovered by now that static money wages are useless when real wages fall, the trick on which some of Keynes's original propositions were based no longer works. The wages-costs-prices spiral cannot be permanently repressed,

THE WORLD'S GREATEST BOOKSHOP

FOYLES
FOR BOOKS

Stock of over three million volumes

New, secondhand and rare Books on every subject

Visit Foyles NEW Record Dept. H.M.V., Columbia, Parlophone, Decca Long-Playing and all other makes.

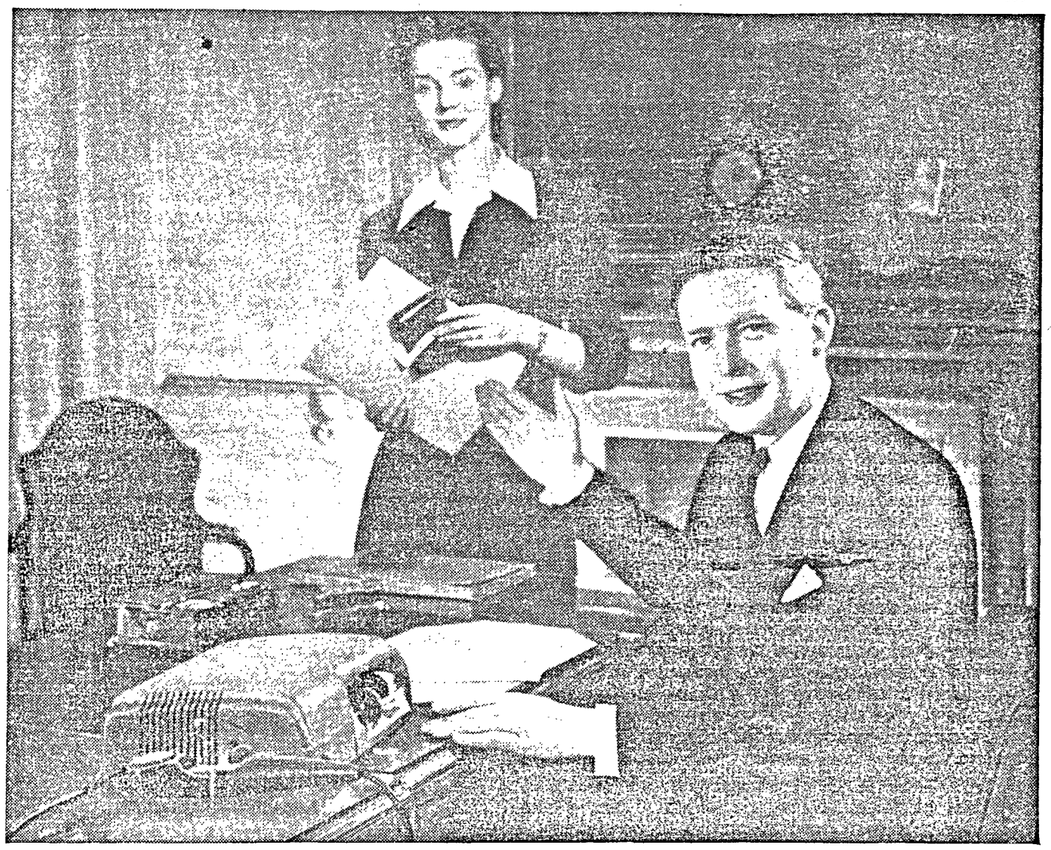
You can arrange postal subscriptions for British and overseas Magazines, through Foyles.

We BUY Books, Coins, Stamps

119-125
CHARING CROSS ROAD
LONDON WC2

Gerrard 5660 (16 lines)

Open 9-6 (inc. Sats.)



"I've got two excellent secretaries!"

The one, an efficient organiser, typist, assistant... the other, a Dictaphone Time-Master dictating machine.

There is no dictating machine to touch the Dictaphone Time-Master for either sheer dictating efficiency or compact smartness. 4¼ ins. high and only slightly larger than a letterhead, it is a real credit to your desk.

A NEW RECORDING METHOD

Time-Master uses a recording method that is quite revolutionary, yet based on well-proved principles. It records on Memobelts, little plastic belts which retain all the advantages of cylindrical recording — uniform speed, constant quality recording and uniform backspacing. At the same time, Memobelts are small and expendable and can be folded flat for compact filing or mailing.

Every word you dictate — even a whisper — is picked up by the sensitive microphone and recorded clearly and permanently on Memobelts, ready for your secretary to transcribe at the most convenient moment.

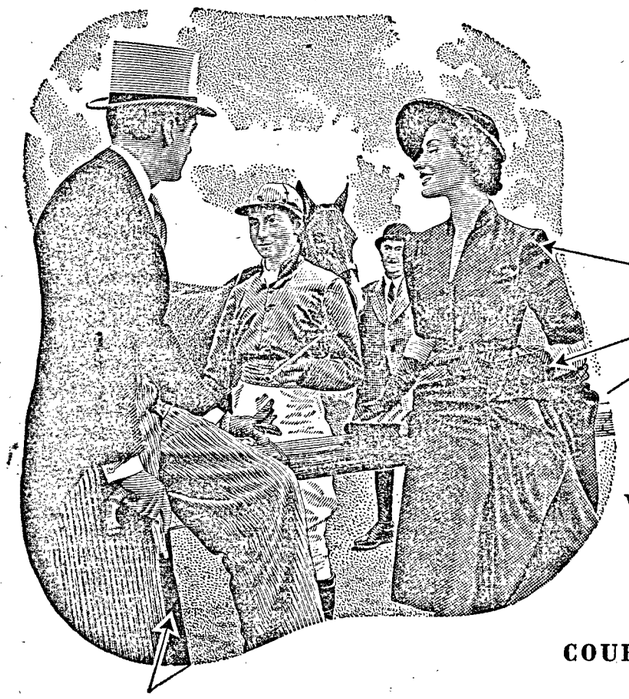
LOOK WHAT THE TIME-MASTER OFFERS

1. Streamlined machine, only 4¼ ins. high, slightly larger than a letterhead. 2. Uniformly clear recording and reproduction. 3. Uniform backspacing, immediate place finding. 4. Simple automatic operation. 5. Mailable, filable, expendable Memobelts. 6. Nationwide service, Dictaphone dependability.

Write for TIME-MASTER literature to Dictaphone Co., Ltd., Dept. O, Kingsway, London, W.C.2.

DICTAPHONE
(Regd. Trade Mark)
GREATEST NAME IN DICTATION

MADE IN GREAT BRITAIN. Branch Offices: BELFAST BIRMINGHAM BRISTOL CORK DUBLIN GLASGOW LEEDS LIVERPOOL MANCHESTER NEWCASTLE



rayon

—her dress and her gloves;
his tie and his umbrella; probably too
the jockey's cap and his shirt—all contain rayon.
Versatile and hard-wearing rayon is present
in almost every modern scene
where fabric plays its part.

COURTAULDS—*the greatest name in rayon*

Courtaulds Limited, 16 St. Martin's-le-Grand, London, E.C.1.

The Manchester Guardian

REVIEW OF INDUSTRY

Commerce and Finance

to be published on 22nd JANUARY 1952

..... is not just a history of the problems of the past year, but a forum of views on the difficulties and hopes ahead in 1952.

Among the contributors are Sir Theodore Gregory, D. N. Chester, Lord Piercy, Harold Wincott, David Clark, A. K. Cairncross, M. H. L. Pryce, S. R. Dennison. The Fuel and Power crisis will be analysed by experts.

The problems facing the British businessman in the factories, in the City and in the Home and Foreign markets will be reviewed in some 35 special articles.

The number will include as its main feature a *Manchester Guardian Survey of Industry*—a reporters' survey of how the strains of rearmament are being met, based on interviews with managements in the industrial cities of Britain

128 pages

on fine quality paper, well bound in a coloured cover

Price One Shilling

Order from your newsagent or bookstall or direct from the Publisher by post: The Manchester Guardian · Manchester 2

Business Car Hire LOWERS your costs

Many famous British companies are using our special Business Car Hire Service—*to their profit.*
They have discovered, as you will, that this individually planned service often reduces travelling costs to a considerable degree. For meeting clients at airports or docks, for making sales calls or for entertaining—in fact, for all your journeys a fine new chauffeur-driven car is always at your service... bringing your company added prestige and efficiency. Only the large resources of Daimler Hire Ltd. can offer such facilities—and *guarantee* absolute reliability.

CARS INCLUDE *latest model* 1951 *Daimler limousines, Humber Pullman limousines, Humber Super Snipe saloons.* DRIVE YOURSELF SERVICE *provides Humber Super Snipe, Standard Vanguard, Humber Hawk, and Hillman Minx saloons.*

By Appointment Motor Car Hirers to H.M. The King

Daimler Hire Ltd

Ask for our representative to call.

243 KNIGHTSBRIDGE, LONDON, S.W.7

PHONE: SLOANE 3456 GRAMS: DAIMLERDOM, SOUTHKENS.

for no reliable contraceptive against inflation has yet been discovered.

It is a pity that this very important publication will only reach a German-speaking public which is not enamoured of inflation, having twice had its fill of it, like Germany, or like Switzerland, enjoying prosperity and over-full employment by ignoring most of the full employment nostrums. But the Zürich Institute is to be congratulated on a very valuable publication.

Popular Statistics

Facts from Figures. By M. J. Moroney. *Penguin Books.* 472 pages. 5s.

To attempt to introduce the theory of statistics in a readable and popular form in the Pelican series is an ambitious task. Mr Moroney tackles it in a brisk style, which is enlivening for the most part although there are moments when his individuality intrudes too much into the text. He is an industrial consultant, and his interest in statistics tends to be concentrated on their importance in technology and science. What little he has to say about statistics for the economist is somewhat deprecatory and suggests an impatient and superficial approach to the subject. He reserves some particularly harsh words for index numbers, without attempting to strike a balance-sheet between their faults and their advantages. But for the man in industry or in the research laboratory who wants to know something about sampling, quality control and the general statistical tests and measures, there is much to recommend in this book.

There is a useful chapter on the right and wrong way of charting information, and the diagrams throughout the book are excellent. While the theoretical treatment is rather disjointed, it leads from the elementary laws of chance to the basic ideas of correlation and the analysis of variance. The mathematical notation is kept down to a minimum, but the various formulae are set out clearly and numerous examples are worked out for the reader to follow. It is, therefore, very much a practical guide.

Here, however, a criticism must be made. It is inevitable that a few errors should slip into a book of this kind, but too many are apparent in the model calculations. This only tends to defeat the very object of this book, which is to inspire confidence in statistics in the sceptical layman. Given that these errors are corrected in later editions, the ordinary reader can learn a great deal about statistical techniques from this small book—provided he responds to the "now see if you can do this" treatment.

Text and Reference Books

The World Diplomatic Directory, 1951. Edited by R. A. E. Hefter. *Drury Press.* 970 pages. £4 4s.

This volume is the second in a series which is intended to appear annually. Like the 1950 edition, it lists the diplomatic and consular representatives maintained by governments in each other's capitals and principal cities, and provides short notes on the careers of most of the senior diplomats. Inevitably a few changes have occurred since the directory went to press, and the publishers, recognising this difficulty, offer to provide periodic supplements without charge to subscribers. The 1951 edition includes, in addition to the sections which appeared last year, a thirty-page summary of procedural points, diplomatic privileges, and forms of correspondence. The number of biographical notes has been greatly increased, and the staffs of High Commissioners' offices and of British trade commissioners and trade correspondents throughout the Commonwealth are listed.

Whitaker's Almanack, 1952. 1,188 pages. 15s.

The eighty-fourth annual edition of Whitaker's Almanack follows the general lines of its predecessors but contains several new sections as well. A special supplement deals with the general election and gives the lists of members of the new government and Parliament. For the first time since the war the sections on professional fees and local taxation licences have been restored, while the trade tables have been recast and include figures of world trade. Several other new sections appear and the annual review of events of the year in Great Britain and abroad is continued.

The Carpet Annual, 1951. *British Continental Trade Press, Limited.* 264 pages. £1.

Directory and Handbook of the Scientific Instrument Manufacturers Association, 1951. 251 pages. No price.

Both these year-books provide background information about their industries and directories of the firms engaged in them.

The Municipal Year Book, 1951-52. *The Municipal Journal Limited.* 1,680 pages. £3 15s.

In addition to a review of the administration of local government the fifty-fifth edition of this year-book gives reference data for individual local government and public utility services, and a directory of government departments and local authorities in the United Kingdom.

The creation of the Ministry of Local Government and Planning in January, 1951, was important to local authorities and the work and organisation of the department is described in some detail.

General Statistical Bulletin. *Organisation for European Economic Co-operation, Paris.* Obtainable from HMSO. 150 pages. 10s.

This new bulletin, of which the first issue appeared in September and the second in November, contains a series of tables on production, employment, trade, prices and finance for OEEC countries, Canada and the United States. Figures mainly cover 1937 and 1938 and the postwar period. While much of the information is already available in one or other of the international publications, it is helpful to have these main economic statistics under one cover—and very clearly set out. There are also some new features—totals and index numbers of combined production of various commodities in member countries and, in particular, some provisional figures of OEEC index numbers of agricultural production. The statistics are said to be presented on a comparable basis throughout, and a volume of explanatory notes on their compilation is promised shortly. The Bulletin will be published every two months.

STALIN'S GREATEST VICTORIES

Teheran where, playing on American suspicions of British imperialist designs, he ensured that the Anglo-American forces in the Mediterranean were not used in the area of Russian ambitions, the Balkans.

Yalta where, having defeated his enemies on the battlefield, he proceeded to outmanœuvre his allies round the conference table; where, having by the success of his armies made Russia the dominant power in Europe, he exacted concessions from his allies which made Russia the dominant power in Asia.

READ

THE STRUGGLE FOR EUROPE by CHESTER WILMOT

Collins 25s.

AMERICAN SURVEY

Miracles Taken for Granted

Washington, D.C.

IT is the practice of reporters who are in attendance when a President delivers his State of the Union message to a joint session of Congress to descend from the press gallery to the floor of the House as soon as the speech is over, and there to invite the immediate comment upon it of Senators and Congressmen who are drifting out of the chamber on the way to lunch. The custom was followed when Mr Truman finished reading last week's message, but more than ever there entered into these observations a dreamlike divorcement from what in fact had occurred. More than ever they suggested that, by some extraordinary mix-up, many of the company on the floor of the House were commenting on an entirely different speech from the one that had been heard in the press gallery.

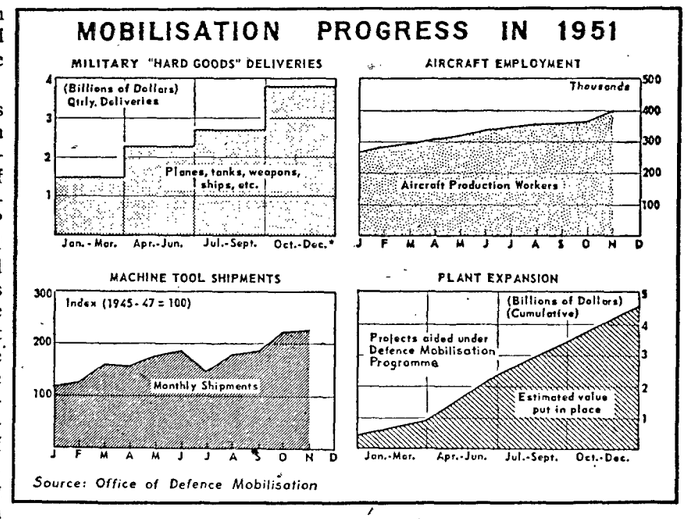
Several members said it had been an election speech — "the opening gun of the Democratic national campaign." Others indicated that it had revealed appalling weaknesses and deficiencies in the Government. "It looks like the tow line has parted and the ship of state is foundering," said Representative Arends of Illinois, drawing upon the saga of the *Flying Enterprise* for a highly topical metaphor. Representative Martin of Massachusetts, the Republican leader of the House, in co-operation with five Republican colleagues, had sent up to the press gallery, while the speech was still being delivered, a statement which said:

> It is evident that the Administration, trapped between its own lack of statesmanship and its record of blunders, is without policies for solution of either our international or domestic problems.

None of this bore any relation to what was in the State of the Union message. The Congress—virtually all the Republicans and a substantial proportion of the Democrats too—were already embarked upon the over-riding business of an election year, which is the search for whatever looks as though it can be employed to secure the approving attention of the American voter. In general, though there were some exceptions, Mr Truman was addressing men in whose minds the idea of electoral success was pacing backwards and forwards like a lion before feeding-time.

The chief significance of Mr Truman's report was "real progress this last year on the road to peace." The language in which he was offering the proofs of this important achievement was a good deal less than inspired, and some of the proofs were themselves a good deal less than complete. What he called "the debit side of the ledger"—continued Soviet military expansion, inadequate civil defence preparations in the United States, difficulties and delays in producing the latest types of airplanes and tanks, and economic and political tensions abroad—was set forth in distinctly sketchy terms; and on the credit side of the ledger some big question marks were treated as little ones, or passed over entirely.

But there was enough to sustain the claim that real progress had been made, and in one very vital particular the President was recording a series of momentous successes. The figures on the development of the American rearmament programme during the past twelve months were remarkable; if the last war had not taken most of the surprise out of demonstrations of the speed and scale on which the United States can operate, they would be staggering.



As it is, the progress which the President noted in his State of the Union address and later in his economic message, and which Mr Charles Wilson, his Director of Defence Mobilisation, had also described in a comprehensive report to the White House, will be observed with very considerable respect in other capitals. It has been passed over in Washington almost as though the President and Mr Wilson were dispensing bromides and platitudes. But no such error of emphasis is likely to be made in Moscow. The President told Congress:

> During this past year we added more than 1 million men and women to our armed forces. The total is now nearly 3,500,000. We have made rapid progress in the field of atomic weapons. We have turned out $16 billion worth of military supplies and equipment, three times as much as the year before. . . .
>
> We are now in the second year of a three-year programme which will double our output of aluminium, increase our electric power supply by 40 per cent, and increase our steel-making capacity by 15 per cent.

The days when the United States could enter a period of international danger with 150,000 men in its armed forces are so far away now as to have been forgotten. Nobody now considers it remarkable that the United States should be spending, as Mr Wilson notes, more than $1.5 billion a year on the development of atomic energy. There is a tendency to yawn over the revelation that deliveries of military supplies and construction have now reached a rate of $2 billion a month. Production of aircraft, tanks, artillery and so on is already five times what it was during the first three months of the Korean war; but that is taken for granted, too.

Mr Truman suggested that the way in which the basic capacity of the United States to produce has increased is "perhaps the most amazing thing about our economic progress." The word amazing should no doubt be used carefully and infrequently, but the President seems to be well entitled to employ it here even though almost nobody in America shows much outward sign of amazement at what is going on.

Aluminium production is now 860,000 tons a year. It was 750,000 tons only eighteen months ago. If all goes well, it will be 1,500,000 tons a year or more by 1954. The booming rearmament programme has caused no power cuts in American cities. In one year—last year—the United States added 7 million kilowatts to its capacity to produce electricity. There never has been, either here or anywhere else on earth, such an increase in twelve months in electric power capacity. The steel industry has added 8 million ingot tons a year to its production since the Korean war began. The planned peak of 120 million tons a year is due in 1954.

★

There are some other figures from Mr Wilson's report. In 1950 about $7 billion was put into the building of industrial plant in the United States. Last year the total rose to $11 billion. As the chart shows, over a third of the new facilities qualified for tax concessions. Completed factory construction last year was 90 per cent higher than it had been in 1950. The aircraft industry, by no means a dwarf before all the trouble began, expanded by 67 per cent last year, increasing its payroll in the process from 239,000 in November, 1950, to more than 400,000. Employment in ordnance plants, which was 24,000 before the Korean war began, is now about 60,000. In the later stages of the war Mr Henry Wallace wrote a book called "Sixty Million Jobs," which was widely regarded at the time as wildly visionary. Last week President Truman almost casually mentioned that at the moment "there are 61 million people on the job."

Barring unforeseen events, this mammoth, glacier-like progress of American production will go on in the background, though the foreground be filled with political fisticuffs. It will go on and, unless it should falter, it will receive only perfunctory attention from Congress. It is merely expected of the President that he should make suitable reference to this miracle in an address which, as Senator Morse of Oregon thoughtfully pointed out last week, "will be received better in the light of history than in the confusion of the present."

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Aid in Election Year

[FROM A CORRESPONDENT IN WASHINGTON]

THE new foreign aid Bill will not be submitted to Congress until after the Atlantic Council meets at Lisbon in February and perhaps not until the middle of March, but much thought is already being given to the best way to frame it in an election year. During the recent recess, an exceptionally large number of Senators and Representatives made trips abroad, and returned with the assurance of those who have seen with their own eyes. They have since compared their impressions with those of their constituents and discovered a strong desire for a cut in the budget, particularly for one which the voters themselves will not feel too keenly. The final vote on this year's foreign aid Bill, therefore, will reflect the need of Congressmen for re-election, as well as the needs of foreign countries and of the alliance.

What are the legislators likely to favour, judged by their statements? They are for a rearmament effort on the part of allied nations proportionate to that of the United States; the more military the form of the aid proposed, the better its Congressional prospects. Congressmen also support increased unification in Europe and increased productivity all over the world, whether or not it is related to the allied defence effort.

Of these three main Congressional preferences, the first will give the Administration the most trouble, but the trouble will be largely of its own making. Last year the Administration's witnesses drew a sharp distinction between economic and military aid, and planted in Congress the conviction that the two can be separated. This conviction has already been proved ill-founded, and apparently full use will be made of the power, granted in the Mutual Security Act, to transfer up to 10 per cent of the military funds to economic purposes. The report of the Temporary Council Committee has shown that more weight must be given to economic considerations in Europe if the right balance is to be struck. Mr Truman's insistence that military demands be reduced in his new budget suggests that a similar concern for the American economy may be needed.

It seems unlikely, however, that the mood of Congress on this issue can be changed in time to affect the new appropriation. So off-shore purchasing, reimbursement for facilities and the maintenance of American forces abroad, and other such devices will be used to the utmost to supplement economic aid. And in presenting the Administration's new requests, the close connection between the economic assistance proposed and the armament efforts of the recipients will be underlined.

The links between the military and the Mutual Security Agency, which is to handle economic aid, will be strengthened by the expected appointment of Mr John Kenny, a former Assistant Secretary of the Navy, to succeed Mr Richard Bissell as deputy administrator of MSA. But he will come to an agency where the morale is steadily sinking. The Economic Co-operation Administration under Mr Paul Hoffman was a spirited organisation; its offices were permeated with a sense of mission. But the Mutual Security Act deflated this high spirit by arranging that the major decisions should be made elsewhere, by Mr Harriman, the co-ordinator of the whole foreign aid programme. At the same time, Congress made clear its intention that economic aid under the mutual assistance programme was to be temporary, and that both staff and funds should be cut. Under such circumstances, the loss of many of the more vigorous spirits is inevitable.

The insistence of Congress on greater unification in Europe presents the Administration both with opportunities to seize and pitfalls to avoid. Senator Green, when he returned from Europe, urged the Administration to consider refusing aid to nations not co-operating in efforts at unification. This was a warning from a very consistent supporter of the Administration's international policies. Many of his colleagues would like to attach strings to economic aid with which the recipients could be bound together. A sympathetic hearing is also assured for the Administration's proposals to strengthen the North Atlantic Treaty Organisation. The many Congressional visitors to General Eisenhower's headquarters this autumn came away with the conviction that much was being accomplished there. They were more doubtful of the rest of the Nato structure, and inclined to repeat the story that, while two years ago nothing stood between the Russians and the Channel, now they would have to struggle past committee after committee.

*

When President Truman reported to Congress on the state of the union, one of the few paragraphs to win more than a thin round of applause was the section on Point Four. For at least two reasons, Point Four is the government programme most capable of capturing the American imagination. It is founded on the principle of productivity, which guarantees a favourable response all the way through American society, from the National Association of Manufacturers to the United Mine Workers. Technical aid to the underdeveloped countries also recalls the neighbourly things Americans liked to do before the days of world power, such as sending medical missions and Hoover relief to distressed areas; it has the flavour of an early American "barn raising" at which all the neighbours voluntarily gave their services.

Under the Marshall plan, Europe's productivity increased by glowing percentages, but the impression now is that the increase was due more to the revival of a former pattern of production than to the kind of streamlining that would take production much beyond earlier figures. Without radical changes which would be resisted by trade unions, by management, and by cartels, the upsurge of productivity in Europe is thought to have reached a point of diminishing returns. This belief is likely to be reflected in similarly diminishing returns from Congressional committees and in attempts to attach conditions to economic aid.

In the underdeveloped areas, such considerations do not apply. Believers in productivity as the evidence of efficiency and the advocates of aid to the under dog can agree on technical assistance. And there is a general understanding, in Congress and outside it, that the Point Four programmes are long range and must be supported over a period of years.

The carrying out of Point Four has suffered, however, from a lack of adequate study on the part of the government. One underlying question which might well be considered is the truth or falsity of the fairly prevalent assumption that technology alone is enough, and that underdeveloped countries, as their economies blossom, will automatically develop a devotion to the democratic ideal. In the days of the Chinese missionaries, the phrase "rice Christian" diagnosed an interest which was not of the spirit. Today the West is perhaps too inclined to assume that "stomach Communism" is something for which technology is a complete cure, and to disregard the possibility that the Communists might continue to supply the ideas, while technology filled the empty stomachs.

American Notes

Consent of the Senate

High on the Senate calendar this session is the ratification of the Japanese peace treaty and the security pact providing for the retention of American forces in Japan, submitted together with the agreement to admit Greece and Turkey into the Atlantic Treaty Organisation and the mutual security pacts concluded with the Philippines and with New Zealand and Australia. It is not very likely that the Senate, by refusing its consent, would jeopardise the careful work of Mr John Foster Dulles, the Republican expert. But Mr Dulles, who must steer the Japanese treaty through the Senate, would be shielded from brickbats, particularly those of members of his own party, if he brought with him a promise that once the treaty is ratified the Japanese will conclude another with the Chinese Nationalists. Without such an assurance there might have been an effort to write a tactless requirement into the treaty itself.

This assurance Mr Dulles now seems to possess, at least as it relates to the territories held today or to be held in the future by the Nationalists. But it is not so clear that the Japanese have given up hope of resuming full trade with the Chinese mainland. There have been suspicions in the United States that the British reluctance to put pressure on the Japanese to recognise General Chiang Kai-shek was based on anxiety to preserve British markets in South East Asia, which, it is suggested, the British consider more important than the interests of the anti-Communist alliance. Mr Dulles, in an article in *Foreign Affairs*, makes no secret of his hope that the Japanese will be compensated for the loss of their China trade by a share, perhaps on a quota basis, of markets further south, which it is believed will expand with American technical assistance. This would help Japan to pay for its own food and raw materials and shoulder a larger share of its own defence burden.

Since the end of the war, American aid totalling $2 billion has covered the Japanese trade deficit and, recently, expenditures in Japan for the support of the Korean fighting and for Korean rehabilitation have met the heavy dollar drain. Mr Dodge, the economic adviser to the occupation authorities, has warned the Japanese that these windfalls will not continue, and they must consume less and export more. New steps are now contemplated to stimulate exports to the dollar area, and technical aid and loans are being energetically sought in the United States to modernise Japanese industry. American investors are interested, but, before the money flows across the Pacific in substantial amounts, further assurances are required that it will be allowed to flow out again, and the priorities the Japanese are going to assign to their various external obligations must be established. This must await ratification of the Treaty.

* * *

Freedom for the Capital?

It is almost as incredible that residents in the capital of the free world should not have the democratic freedom of the right to vote as it is that residents in the capital of a nation founded on a revolt against taxation without representation are in fact taxed without being represented. Yet this is the position of residents in the District of Columbia as a result of the Founding Fathers' fear that the national capital would be dominated by local interests, and of Congress's reluctance to delegate any of its constitutional authority over Washington.

Why it is so reluctant is hard to understand, for such details as salaries of city employees and licences for sightseeing buses are to national legislators both uninteresting and time wasting. In fact, Congress seldom, if ever, has enough leisure even to consider District legislation that might be controversial. Washington is administered by three appointed Commissioners, who have under them an unwieldy confusion of over eighty agencies badly in need of reorganisation. At least this unsatisfactory system does not cost the nation much directly. Although about half the land in the District is owned, free of taxes, by the federal government, it contributes less than 10 per cent of the city's budget; the rest comes from local taxpayers.

In 1948 both parties had home rule for Washington on their election platforms, and in 1949 a Bill passed the Senate with bipartisan sponsorship, only to die in the House of Representatives. A similar Bill with even more influential backing is before the Senate this week, as its first business in the new session, and seems sure to be approved, although Senator Olin Johnson of South Carolina may indulge in a little filibustering. He is apparently afraid that in a self-governing capital Negro citizens might be given the same opportunities and privileges as white; at present Washington is notorious for racial discrimination. Similar fears in the reactionary House District Committee are one reason why the Home Rule Bill never reached the floor of the House in 1949, and why a great deal of pressure will be needed to force it out for debate this year.

Even if they do get home rule, Washington residents will have no real say in national affairs, nor will they be complete masters in their own city. Like Alaskans and Puerto Ricans, they would only be second-class citizens of the United States, able to choose a non-voting delegate to Congress, but not to vote for a President. They would be allowed to elect a school board and a city council, but its ordinances would be subject to Congressional supervision and the mayor would be appointed by the President.

* * *

Gamblers Lay Off

The New Year began with nationwide attacks on two fronts in the federal government's war against crime; a sustained offensive is expected, perhaps to demonstrate that the Attorney General is not so unfit for his job as the tax scandals have suggested. Some 500 sellers of narcotic drugs —many of them specialists in the "teen-age trade"—were arrested in cities all across the country. And in each of the 93 federal judicial districts, special grand juries are being summoned to enquire into organised crime. In New York, Washington and other cities, local groups were already looking into gambling and corruption on the water-front, amongst the police and elsewhere.

An ordinary New York jury has been unable to decide whether the elegant Mr Frank Costello, believed to be the head of a nationwide gambling syndicate, was guilty of contempt of Congress when he refused to testify, on grounds of health, before the Senate investigating committee which revealed the existence of these syndicates. But Mr "Greasy Thumb" Guzik has been acquitted on the same charge, for he was held to be justified in refusing to testify for fear of incriminating himself, even though he only learnt of his constitutional right by watching others being examined on television. So far the government's own drive against organised gambling has been on lines that should be familiar to Mr Guzik as a survivor of Al Capone's gang. Treasury agents have been scrutinising the income tax returns of all suspected racketeers, and in eight months have collected over $27 million in unpaid taxes and penalties.

This drive came at the same time as the new federal tax on bookmaking and other forms of betting, which requires gamblers to register, at a cost of $50, keep records and pay a 10 per cent tax on their gross takings. Since betting, except at race tracks, is forbidden by law in every state but Nevada, this means that a gambler is damned by the state if he registers and by the federal government if he does not. As a result the government is being saved from the embarrassment—to which many people believed Congress should not have exposed it—of drawing substantial revenues from illegal earnings. The yield from the tax is so far reported to be disappointing, only about $200,000 a month instead of the $30 million that was hoped for. In the whole of the country, only 7,706 gamblers have registered, rather than the 18,000 that were expected. Gamblers do not seem to be working without registering, but to have laid off work altogether, for the time being, at least. Arrests for illegal bookmaking in New York, in spite of a police drive against it, have declined sharply; in Boston 18,000 people are unemployed because gambling concerns have closed; even in Nevada, where bookmaking is legal, it is no longer found profitable.

* * *

New Prescription for Health

The Commission on the Health Needs of the Nation appointed by the President at the turn of the year represents a genuine effort to find a new answer to the embittered question of how satisfactory medical care is to be brought to Americans who cannot afford heavy fees and hospital bills. For a long time the stock reply of the Administration has been the Ewing plan for compulsory health insurance, but this has been fought tooth and nail by the American Medical Association as "socialised medicine." The AMA has been challenged by the President to produce a better scheme, but it refuses to admit that a problem exists, and the most it will concede is that federal money might be given to the states to help pay the medical bills of the poor.

To find a way out of the deadlock, Mr Truman has called in the distinguished Dr Magnuson, who was so successful in raising the quality of medical care given to ex-servicemen. Dr Magnuson was allowed to name his own fourteen-man commission and is free to write his own prescription. He is a Republican, and an outspoken critic of the Ewing plan, and red tape of every kind; the commission need not report

Located in the heart of the City, the London office of this old established bank offers its services to those interested in trade with countries in the Americas and throughout the world.

THE HANOVER BANK

(Incorporated with Limited Liability in U. S. A.)

LONDON . . . 7 Princes Street, E.C. 2

NEW YORK . . . 70 Broadway

until after the election; and a member of the board of trustees of the AMA was invited to join.

None of these pledges of a disinterested approach to a great national problem has lessened the Association's incurable hostility to what it regards as federal interference. The association's president denounced the creation of the commission as a political move to influence the elections; Dr Gundersen, an AMA trustee who at first seemed willing to serve, has withdrawn his name. It becomes more and more doubtful how far the stand-pat leadership of the association speaks for the doctors it professes to represent.

"Watch That Blood Pressure, Doc"

Herblock in the *Washington Post*

Among the problems to which the commission's attention is directed are the supply and distribution of doctors, dentists, and nurses (some areas have 450 people to each doctor, others 2,500); the adequacy of medical facilities, particularly in view of civil defence needs; how far private insurance schemes solve the problem of medical and hospital costs; and the proper role of the federal government in matters affecting health. The commission's writ runs further, therefore, than merely finding a palatable substitute for health insurance, though this will be its most controversial task. Dr Magnuson's own preference is for a network of clinics, sustained by the federal and state governments, which would provide a first-rate diagnostic service, with bills adjusted to the patient's capacity to pay, but would leave treatment in private hands at present.

* * *

Hollywood's Fever Chart

After three years of a wasting illness, Hollywood seems to be, if not on the mend, at least getting no worse. The number of weekly admissions to cinemas stood recently at about 57 million, about 3,000,000 higher than it was at the bottom of the trough last year. But it is still far below attendances during and just after the war, which, at 80 million or better, nourished the fatal illusion that any picture, no matter how bad, would make money. Owners of cinemas today are no longer deceived; they know that if they are to stay in business they will have to struggle hard to hold their audiences. Higher taxes, payments on hire purchases, and higher food prices make it more difficult to squeeze out the price of a cinema ticket; it is, in some cases, a choice between bread and circuses. The winter seasons, too, always bring better television shows. More attractive pictures at lower prices are Hollywood's own specific for its disease, but it is never very easy for producers to keep their resolutions of economy.

Many film companies and theatre owners are also well on the road to turning television, their old enemy, into a profitable partner. None of the big companies is yet willing to sell films to TV stations, but many of the small ones are devoting all their resources to the new market; it is a remarkable fact that more hours of film entertainment are now being turned out for television use than for exhibition in cinemas. The larger companies are beginning, also, to show signs of interest. Paramount Pictures Incorporated has invested a substantial amount of money in television research, and owns an interest not only in the DuMont Television Laboratories, but also in the Telemeter Corporation, which is perfecting a coin device that will allow owners of television sets to pay for films and have them piped into their homes. The Republic Picture Corporation has come to an agreement with the Musicians' Union permitting it to release its old and new films to television. Fifteen theatres are now equipped for large screen television and two hundred more will be soon, if the necessary copper can be found.

Hollywood's hopes that television may be just what the doctor ordered still have obstacles to conquer. The union between the American Broadcasting Company and United Paramount Theatres has yet to receive the blessing of the Federal Communications Commission. And actors, as well as musicians, will have to be placated before the producers can turn their old films into television money-makers. Mr Roy Rogers and his horse Trigger, familiar figures of the sagebrush, have secured an injunction against Republic Pictures forbidding the company to sell any of their old films for commercial telecasting, on the grounds that this would injure an endorsement business they have built up, and would imperil the success of the films they are now about to produce for television. The Screen Actors' Guild also proposes to enforce a clause in its basic contract which restricts the sale or licensing for television of films made since August, 1948.

* * *

Socialism in Washington

When it comes to a choice between profits and socialism, the presidents of the Puget Sound and American Power and Light Companies have no difficulty in forgetting their devotion to free enterprise. These are the two largest private electricity companies in the State of Washington and both of them are fighting not to escape from public ownership but to be allowed to surrender to it. If they succeed in selling their properties to Public Utility Districts, electric power in Washington, already to a great extent generated by government-owned plants, will also be distributed almost entirely through publicly owned facilities, as it already is in Nebraska.

These are the two states in which the PUDs have found most favour, although their establishment is permitted in about 18 others. They enable people living in the country to set up electricity undertakings so that they may have better and cheaper service than private companies are prepared to offer in rural districts. The PUD is a political subdivision with a special purpose; its directors are elected, or appointed by the State Governor, and it usually has power to tax and to issue tax-free bonds, without being liable to taxes on its own operations.

These privileges enable PUDs to compete very favourably with private companies. It is because it thinks it will sooner or later be driven out of business that the Puget Sound Company, which last year sold about one-fifth of its properties to the City of Seattle, is now prepared to sell the rest at an agreed price of nearly $100 million to a group of seven Washington PUDs. The sale has long been under discussion, but the company insisted that its integrated system must be bought as a single unit and permission for PUDs to co-operate in the purchase of utilities outside their own boundaries was only recently granted. The transaction is now held up because the bankers' voluntary credit restraint committee has refused permission for the necessary bonds to be issued, on the grounds that they would be inflationary.

The comfortable financial position of PUDs also explains why another group of three of them is prepared to pay about $65 million for the Washington Water Power Company, a profitable concern which has, however, a book value of only $37 million. This would seem to be a very satisfactory proposition for the American Power and Light Company, which is required to divest itself immediately of this, its last important subsidiary, under the Public Utilities Holding Companies Act. But the sale is being fought by stockholders, who want the company's shares distributed amongst themselves, and by opponents of public power in the state.

JUNGLE IN RETREAT!

The Story of a United Nations Mission in S.E. Asia led by Ritchie Calder, News Chronicle Science Editor.

Beginning on Monday January 21, as an exclusive series of articles in the News Chronicle, is Ritchie Calder's remarkable account of his journey through Borneo, Java, Thailand, Burma, Pakistan, India and Afghanistan. "Jungle in Retreat!" tells the story of 800 million people in S.E. Asia, of the constant struggle for life amid poverty and ignorance and above all of the fight of Men Against Disease. It is a brilliant eye witness account of how new influences are being brought to bear on living conditions, occupations, habits and religions and of how modern science is slowly winning against reaction and prejudice.

THE FIRST ARTICLE WILL APPEAR IN THE NEWS CHRONICLE ON MONDAY, JANUARY 21

Also on January 21 the News Chronicle will begin the issue of a special group of publications in the "Background to the News" service, to cover the Calder mission and amplify the newspaper articles. This group will consist of:—

a. **Map of S.E. Asia, 35" x 22", in four colours.**
b. **Dawn Over Asia**
c. **West Meets East**
} by Ritchie Calder, C.B.E.

These three publications will be available to subscribers for 3/- post paid. For this sum, schools subscribers will receive also a copy of "Teaching Notes" and a booklet in the "Background to the News" service on the British Commonwealth.

Please order through your newsagent. INQUIRIES to: **NEWS CHRONICLE** 12/22, BOUVERIE STREET, LONDON, E.C.4

CARRON THE ROYAL CHARTER COMPANY FOUNDED IN 1759

AIS

Would a better Canteen help production in your works?

Better food input unquestionably helps work output and highly efficient modern ranges built by Carron Company make better cooking easier. Further, by low fuel consumption, they reduce running costs and so make good meals a practical proposition. Carron Company have built all types of cooking apparatus for nearly two hundred years and Carron equipment may be heated by solid fuel, steam, gas, oil or electricity. The advice of Carron experts is available on the most suitable installation for your works and they will be glad to plan the complete layout for you. Regular maintenance contracts can be arranged. Write for further details to Department C.A.

Carron HEAVY DUTY COOKING EQUIPMENT

COAL · COKE · STEAM · OIL · GAS · ELECTRICITY

By Appointment Ironfounders to H.M. The King

CARRON COMPANY · CARRON · FALKIRK · STIRLINGSHIRE & LONDON, MANCHESTER, LIVERPOOL, NEWCASTLE AND GLASGOW

But a vast Plant now handles 25,000 tons of ore a day

It was in 1751 that Axel Cronstedt, a Swedish mineralogist, first discovered the metal he called nickel. The science of chemistry was only just emerging from the dark ages of alchemy and, even on a tiny scale, his methods were laborious. Today, in the great mines and smelters of Ontario, the source of most of the world's nickel, modern knowledge and equipment have brought the process to a high pitch of efficiency. But still the search goes on for even better methods of production, to meet an ever-growing demand.

THE MOND NICKEL COMPANY LIMITED
SUNDERLAND HOUSE · CURZON STREET · LONDON · W.1

25/PR/13

GERMAN INDUSTRIES FAIR 1952

HANNOVER

THE LIGHT INDUSTRIES FAIR
27TH FEBRUARY · 2ND MARCH

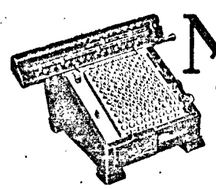
THE HEAVY INDUSTRIES FAIR
27TH APRIL · 6TH MAY

★

For further information apply to:
SCHENKERS LIMITED
27 CHANCERY LANE, LONDON, W.C.2 · TEL.: HOLBORN 5595/6

Monroe

The answer's a Monroe



MONROE
CALCULATING
MACHINE COMPANY LIMITED
10-11 ALBEMARLE ST., LONDON. W.1
GROsvenor 7541

THE WORLD OVERSEAS

The Fight for Indo-China

THE most crucial decision on which the future of South East Asia may shortly depend is how far the Americans would go in supporting the French and Vietnamese if the Chinese invaded Indo-China. Little has emerged publicly on this question from the staff talks which took place in Washington last week between the American, British and French chiefs of staff, with Canadian, Australian and New Zealand observers. But it must be assumed that these discussions have at least thrown a good deal of fresh light on the latest technical possibilities of executing a political decision about American military aid, if and when it is made.

In spite of the difficulty of defining the American position, there are considerable disadvantages in not making it clearer at this stage. Suggestions for a Pacific defence pact of all the nations in the area have so far fallen through in the face of many obvious difficulties. But it is another matter to give an American guarantee in advance for what American forces may well be driven to defend in the end. The Chinese have so far shown little sign of understanding the springs of American public opinion about the Far Eastern war. They have, on the other hand, been forced to recognise facts like the impossibility of attacking Formosa while the American Seventh Fleet patrols the China Seas. If the Chinese invaded Indo-China both the Americans and the British would find it very difficult in practice not to be drawn into providing the French and Vietnamese with all the help that lay in their power. And, since this fact may be lost on the Chinese, it ought to be made clear now.

The problem of the American commitment in South East Asia is by no means new. In the early days of the struggle, soon after the Communists had decided at their Calcutta conference of 1948 to launch armed insurrections in Burma, Malaya and Indonesia, the American view was that South East Asia could not in the end be held. Since then this view has changed, under the pressure of political need and with the growth of American power as a result of the partial mobilisation which followed the Communist aggression in Korea. Today, the Americans have long since accepted the task of supplying the French and Vietnamese forces in Indo-China with arms, on a scale which has probably already made the difference between a fighting withdrawal and an aggressive defence.

The first time a contribution in terms of American military forces was formally discussed was during the tripartite staff talks in Singapore last May. These were held at the insistence of the late Marshal de Lattre de Tassigny. He had just won a crucial round with the Vietminh, and a new confidence had surged up in Hanoi and Saigon that the civil war could be brought under control. But he wanted to know how he stood with his British and American allies, if Chinese aid to the Vietminh grew in such scope and volume that the war became in fact, if not in name, the repelling of a Chinese invasion.

As the months have passed, although fear of this invasion has grown, it has become clearer that the staff talks in Singapore had yielded no decisive result. However, Marshal de Lattre made a journey to Washington during the autumn to discuss the flow of American military equipment for Indo-China; this flow had not come up to expectations owing to the diversion of supplies to Korea after General Ridgway had succeeded General MacArthur. He also took the opportunity of raising the question of an American guarantee at the highest level with both Mr Acheson, the Secretary of State, and General Bradley, the Chief of Staff. But, again, though the military supplies were increased, particularly in the vital category of more transport aircraft, the Marshal made little headway on the broadest issue of all, a firm and public American commitment to help to defend Indo-China against aggression.

During the past few weeks the Chinese have been strengthening their forces very considerably in the southern province of Yunnan. Road and rail communications were improved earlier in the year and troops have now been disposed nearer the frontier. At the same time, inside Indo-China the Vietminh have been fighting a determined battle for the key town of Hoa Binh. In the words of General Salan, the new French commander, the Vietminh have been using three divisions, the 304th, 308th and 312th, "equipped by China with a luxury unknown till now." French aircraft have also lately been fired on for the first time by guns clearly directed with the aid of radar, which could only have come from Soviet sources. Whether all these factors portend a Chinese offensive is a matter of guesswork. But it seems optimistic to believe that the new measures can be solely defensive and taken solely through fear of a Nationalist raid on Hainan.

Need for a Common Strategy

There was hope in Paris that decisions on Indo-China might be discussed at the Rome meeting of the Atlantic Council. But in the event they were left till the recent Washington talks. There the French again asked for a formal undertaking about American military support. They failed, however, to get all they wanted. It is true that they can, according to General Juin, count on air and naval help; that, in referring to the Far East, the joint communique issued by President Truman and Mr Churchill spoke of recognising "the overriding need to counter the Communist threat in that area" as transcending "such divergences as there are in our policies towards China"; and that reports from Paris, as well as Mr Eden's speech at Columbia University, suggest that American and British action might be taken through the medium of the United Nations, as it was in Korea. Yet the fact remains that there is no specific commitment for sending ground troops quickly enough to hold back a Chinese army already numbering between 160,000 and 350,000 men. The lack of it may well provide some measure of incentive to the Chinese to attack, and the United Nations cannot in any case be counted upon to act as it did in Korea since the Russian veto would be exercised in the Security Council. There is, moreover, a strong body of American opinion which says, in the words of the *Washington Post*, that it would be impossible and intolerable for the United States to commit a land army to the jungles of Indo-China.

President Truman and Mr Churchill spoke of "a broad harmony of view" in the Far East. Unfortunately there is little enough evidence of it. The Americans are most understandably concerned to bring the Korean war to an end and not to take on new commitments elsewhere; even if they were willing to send forces to other parts of the Far East, they might only be able to do so by dangerously denuding Korea. On the other hand, the outstanding need in the Far East is for a common strategy of resistance. The three western powers dispose of the only military forces capable of effective resistance to the Soviet-supplied Chinese armies. If they cannot agree on a uniform policy of containment, they run a very serious risk of winning one particular battle at the expense of losing the campaign as a whole.

Technical Aid's Troubles

LAST week the United Nations Assembly recommended the drawing up of a plan to provide a large fund from which backward countries could obtain grants or low-interest loans for development. Not one of the thirty countries which voted in support of this plan is likely to provide any substantial sum to make it a reality, and in view of the opposition of all the major western nations it is doomed to remain indefinitely in the blueprint stage. This was the clearest example yet of the unreality of so many UN debates on economic aid for backward countries. A more realistic tone would be given to these debates if a fuller hearing was granted to the men most directly concerned—the UN experts who go out to Asian, African and Latin American countries to run the technical aid programmes on the spot. After a year's experience of what technical aid involves in practice, they could provide the Assembly with an enlightening, and enlivening, account of the situations with which they have been faced.

A year in the field has convinced several of these experts that none of their work, not even the purely technical projects, can make much progress unless most of the recipient countries can be persuaded to overhaul their administrative methods drastically. They have come up against some fantastic examples of rigid and over-centralised bureaucracy. In one country receiving UN technical aid they found that petrol could only be obtained by applying to the Prime Minister, while the issue of official pencils and paper also required the personal sanction of a cabinet minister. In another client country a big investment in a plan to produce seed potatoes, a project on which UN experts had lavished much time and energy, was sacrificed because, when a drought occurred, no local official could be found who had the authority to buy water. An even more extraordinary situation was revealed in the case of a UN health project which involved the local production of serum. The serum-making plant was already in full operation, when it was found that its stock of coal was getting low. An application for a modest amount of coal was at once sent to the appropriate department, where it was held up because the only official authorised to grant it was ill. When he finally returned, the form was forwarded to the Minister, whose consent was also needed; but he had just gone up-country and could not be found. Nobody else dared to sign the form, so the coal ran out and the serum froze.

Displaced Dams

Corruption is as familiar an obstacle to UN technical aid men as is bureaucracy. In several client countries they have found a classic example of this fault—the displaced dam. This phenomenon occurs where governments have conscientiously raised funds for water conservancy, but certain high officials have seen to it that the dams were built on their own or their relatives' land, regardless of geography. The dams, therefore, stand high and dry, with no prospect that any water will ever accumulate behind them. There are eighteen such dams in one country alone.

Procrastination is another bugbear. Members of cabinets are often loth to take a decision that will exact some unpopular sacrifices—notably new and direct taxation—from their families, their colleagues or their adversaries. They prefer to take no decision rather than a decision that will entail criticism and disfavour. Again, technical aid is, unfortunately, available from several sources, the co-ordination between which is often faulty. It can come directly from the United Nations, or through the specialised agencies, or even directly from individual countries such as the United States (under mutual aid) or—in the Middle East—Britain. A statesmen who wants to look busy but to postpone action can and does call in a succession of these authorities, and they fall for the bait. Many under-developed countries are over, not under, advised.

A rapid turnover in governments, however, is perhaps the most fatal obstacle to any practical assistance on the part of the United Nations, for most technical aid projects take time to mature. Recently a government which had embarked on an ambitious development programme with UN aid was overthrown by a military coup, and the new rulers assumed, without bothering to inquire, that all their predecessors' actions had been in the wrong direction. The whole programme, which had been running successfully for over a year, was therefore scrapped. Crops specially raised from new imported seeds rotted in the fields; mosquitoes swarmed back into areas half cleared of malaria; and rural trainees were abandoned, to their bewilderment, halfway through their courses. In Bolivia, the classic example of this kind of trouble—it has had eight revolutions in the last ten years, and eight finance ministers in eighteen months—Uno has taken the bull by the horns and secured the appointment of ten technical aid experts to high posts in the Bolivian civil service for terms of three to five years. Their presence may provide continuity in administration and planning—provided that no future coup unseats them in a body.

There is, of course, another side to the picture—that of the under-developed countries themselves. More than once a mission from the International Bank or some other international body has presented a small, impoverished country with a magnificent development blueprint far beyond that country's means. Some months ago the recommendations of an International Bank mission to Colombia drew some trenchant criticisms on these lines from the Bogota press. One columnist contrasted the methods of the American expert, who, he said, usually began by telling his client to scrap all his equipment and invest billions in new machinery, with the way in which Italian industrialists squeezed the last ounce of work out of endlessly repaired machines. "Why not get some Italians over to advise us?" he asked. But it is to the credit of the UN technical aid men in the field that they are far more concerned to get something moving on a "two bamboos and a bootlace" basis than with such vast and unrealistic schemes.

The Refugees: An Unsolved Problem

LAST November the General Council of the International Refugee Organisation reported that although the refugee problem was not now of sufficient magnitude to justify extending the life of the IRO, it was, "in terms of human suffering," grave enough to demand the urgent consideration of the United Nations. But neither the valedictory warnings of the IRO nor the new High Commissioner's sombre appraisals of his task have stirred the Social Committee of the General Assembly into making more than half-hearted provision for dealing with the problem. Yet it remains pressing, however tedious and unrewarding it may have come to seem in the course of years.

The United Nations have always regarded the refugees as a temporary problem which repatriation, emigration or the passage of time would cause gradually to disappear. In fact, in spite of magnificent work by the IRO, they have come to constitute a more or less permanent problem. There are those who because of sickness, age or disability can never fend for themselves and who have not been lucky enough to benefit from the generous but limited offers of permanent asylum which many governments have made. There are those able-bodied refugees who have neither become assimilated in their country of "first asylum" nor been able to emigrate from it. Finally, there are the new refugees from beyond the iron curtain who are arriving at a rate conservatively estimated at between 15,000 and 20,000 a year. Dr van Heuven Goedhart, the newly appointed High Commissioner, does not know the exact number of human beings

falling under his mandate, but he has told the Social Committee that he already knows of 1,500,000 who could look to him for legal protection. But so limited are his powers and so small are the funds at his disposal, that even the most needy amongst them can look directly to him for little more.

His first care must naturally be to do what he can for those who were completely dependent on the IRO for care and maintenance and for whom no adequate alternative provision has been made. It is primarily for these people that he has requested and received permission to launch an appeal for a $3 million fund. The most unfortunate of them are in the Far and Middle East. In Shanghai the IRO has been responsible for 5,000 refugees of European origin; 2,000 of them have actually been supported by it and about 400 need institutional care. The number of those requiring aid increases steadily as the refugees' private resources run out. No authority or private agency has agreed to take over responsibility for them from the IRO, and their situation has been described as "most desperate." There are various smaller groups of a few hundred or less, especially in the Middle East, who are also entirely dependent either on international charity or on the efforts of voluntary agencies.

Barriers to Emigration

In addition, several governments, particularly those of Greece and Italy, which are overburdened with domestic economic and social problems, need outside help if they are to be able to fulfil their good intentions towards the destitute refugees whom the demise of the IRO has thrown on to their hands. In Trieste, for example, there are 7,000 refugees, 900 of whom are seriously ill, many with active tuberculosis, living in military government camps and overcrowded private houses. While the Allied military authorities are responsible for their administration, it is the Italian Government, already responsible for about 24,000 refugees in Italy itself, which is footing the bill.

For the able-bodied refugees remaining in western Europe emigration, which seems the obvious solution, has in practice serious limitations. Most of these people have already been interviewed by one or more of the foreign selection missions which have visited the DP camps, and have for one reason or another been turned down. Moreover, some of those who have been accepted have refused to go when they found that it meant leaving some old or sick member of their family behind.

Dr Goedhart has recognised that an essential part of his task is to make sure that these people receive their fair share of the new opportunities for emigration which will be provided by the new migration agency set up by the recent Brussels conference. Until emigration is made easier for these people their only hope seems to lie in finding work in their present countries of asylum. But their chances of success are not great. Many of them are living in countries where unemployment, the presence of other refugees, or acute domestic economic difficulties provide serious obstacles to their assimilation. It is difficult, for instance, to blame the Italian Government for refusing to offer permanent asylum and employment to more than 9,300 of the 24,000 refugees in Italy. Nor can the Greek Government be condemned if it can do little towards resettling the 4,500 IRO refugees left on its hands. Greece's economy is particularly meagre, it is inundated with thousands of Greek refugees from Eastern Europe, and it is receiving more than its fair share of the new non-Greek refugees fleeing across the iron curtain. Austria again, with limited economic resources, has 300,000 *Volksdeutsche* on its hands in addition to 24,000 former IRO refugees.

Western Germany has already assimilated 60,000 former IRO refugees, but here also the difficulties facing the 80,000 who remain are formidable. The Federal Republic is already overcrowded with the 9 million German refugees. The DP law adopted by the Federal Government in February, 1950, adequately defines the civil and political rights of the non-German refugees but withholds from them the economic and social rights accorded to the German expellees. It would be wishful thinking to believe that any increase in the Federal Republic's economic prosperity will necessarily be reflected in the position of the non-German refugees. Nevertheless, it is encouraging to find that North-Rhine Westphalia is making a determined effort to deal with its quota of refugees. With most of the cost borne by the Federal Government, it plans to settle 6,000 refugees in special settlements built in areas where work is easy to come by. Already five of these, containing 850 flats and about 2,800 people, have been built and are on the whole proving a success.

It is clear that it is not enough to provide even the able-bodied refugees merely with legal protection. Their principal hope must lie in emigration overseas; otherwise they must be helped to find jobs where they are—and to this end Dr van Heuven Goedhart hopes to persuade governments and international agencies to collaborate on long-term projects of economic reconstruction which will absorb the refugees. His task, in all its aspects, is made the more urgent by the steady flow of new refugees from eastern Europe. Many of these have received a most indifferent welcome, and their temporary needs are certain to make serious inroads into the $3 million fund which Dr Goedhart is hoping to raise. Since his administrative budget for 1952 has already been pared to its basic minimum ($752,000), many people regret that the Assembly has not seen fit to make him a definite grant. To fail to make sure that those fleeing from Soviet domination get a fair deal is not only callous but in the end benefits only Russia. The refugee problem will not be solved by pretending that it is not there.

Soviet Electricity Plans

HAD an innocent outsider been looking at the Russian economy during the last year or so through the Soviet press and radio, he might well have got the impression that all the productive forces of the country were harnessed exclusively to produce canals, dams and hydroelectric stations. The ballyhoo surrounding the "Great Projects" launched just over a year ago and the simultaneous withholding of information about a new five-year-plan has led many people to dismiss all the "Projects" as merely a smoke-screen to hide from outsiders the real changes in the Soviet economy.

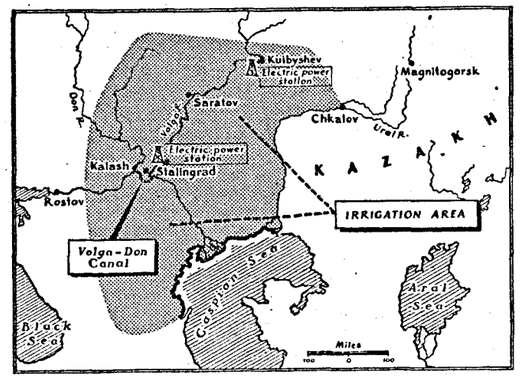
There is certainly an element of bluff in the emphasis laid on the programme of electrification and irrigation. Soviet industry is certainly not as keyed up for this purpose as the Soviet press would lead one to believe. On the other hand, these projects seem to fit into the pattern of Soviet economic development and it is worth while to examine, from the evidence available, what the Russians intend to do—or at least claim they will do—in this direction in the immediate future. The aim of the projects is three-fold: to save fuel and power through a rapid development of hydroelectric power; to improve or reclaim land through vast irrigation schemes; and to reduce transport costs by improving navigation and rendering many regions more self-sufficient.

Preoccupation with electricity is not a new thing for Soviet leaders. General and regional shortages of fuel have always put a premium on the development of electric power. Lenin, in a slogan, which for him was exceptionally naive, asserted that "Soviets plus electricity = Communism" and as soon as the Bolsheviks came to power they tried to foster electricity generation as one of the important roads to progress for their backward economy. The achievements have been tremendous: from less than 2,000 million kwh generated in 1913 to 104,000 million kwh apparently generated in the current year. Yet in per caput production Russia is still lagging behind the industrialised western countries. Before

the war, Stalin and Molotov—referring to 1936 per caput output—admitted that it was still nearly 3·times less than in the United Kingdom and between 4 and 5 times less than in the United States. Despite the expansion of Soviet generation the per caput relationship has not altered appreciably ; against the American 2,200 kwh per head and the British 1,100, the Russian figure was only 450 in 1950.

The balance is somewhat restored by the fact that in Russia only 25 per cent of electricity generated goes into private use, compared with roughly 35 per cent in Britain and in the United States. But the Soviet planners are not satisfied with the present state of affairs and have drawn up vast plans of expansion. After the war when Stalin set the long-term targets for Soviet industry—to be achieved somewhere towards the end of this decade—of 500 million tons of coal, 60 million tons of steel, etc., he did not mention electric power ; but from later Soviet statements it appears that the corresponding target is 250,000 million kwh.

In view of the shortage of fuel (20 per cent of the electricity generated is obtained with the aid of peat) water power must play an increasing role in this gigantic develop-



ment. In 1940 water power stations provided 13 per cent of total electricity. By 1950 their output increased by nearly one half and their share of the total rose to over 18 per cent. It is one of the tasks of the "Projects" to raise still further the proportion of electricity produced through water power. It was, therefore, decided to harness the Volga, the Dnieper and other rivers for the production of electric current. The main emphasis was laid on the Volga, since Russian experts consider that this river, together with its tributaries, should, when fully exploited, provide 65,000 million kwh annually. The power-stations included in the present projects, scheduled to be completed by 1956, are to supply over 23,000 million kwh per annum. Many new stations are to spring up during the period, such as the Gorki station on the Upper Volga, which is to supply the local heavy engineering and motor-car industry, the Khakovka station on the Dnieper and many smaller ones on the Turkmen Canal.

By far the most important, however, should be the Stalingrad and Kuibyshev stations on the Volga. According to Russian plans, even the Dnoproges—once the pride of the Soviet regime—will look insignificant by the side of these giants. The Kuibyshev station is to have a capacity of 2,000,000 kw, that of Stalingrad 1,700,000 kw. Each is to produce 10,000 million kwh. More than half of their combined output is to be transmitted to the Moscow region, over a quarter is to be used industrially on the Volga region and more than one-sixth for irrigation.

The objectives and advantages of such an electrification drive are obvious. Soviet planners now aim at regional self-sufficiency and try to cut down transport costs. The economic development of the Volga region has been hindered by lack of fuel, and for the growing engineering industry the supplies of brown coal from the sub-Moscow basin are not sufficient. Great importance is now attached to the Volga region, to which numerous machinery factories were evacuated during the war. The exploitation of the second Baku, it is argued, has settled the local problem of oil, but that of coal still remains and before the war roughly one-fifth of Russia's coal was consumed in the Volga region. The electrification drive should, it is hoped, reduce these shipments drastically.

The Russians expect to kill two birds with one stone. The Volga region contains roughly one-fourth of the population of Russia, but its southern part includes much semi-steppe land and is always threatened with drought. It is, therefore, proposed to use electric power to assist in the irrigation schemes. The south Ukrainian power station is to be used for the same purpose in the southern Ukraine and north Crimea, and the stations on the Amur for the irrigation of the Kara-Kum desert. Thus, it seems that more electric power is now going to be used to help agriculture and the countryside. Hitherto, industry and the towns have been the main beneficiaries.

Hongkong's Declining Trade

[FROM OUR HONGKONG CORRESPONDENT]

THE spectacular progress and prosperity achieved by Hongkong since the war may now be brought more or less to a stop through the operation of the United Nations ban, now a year old, on the export of strategic goods to Communist China. Despite some nominal relaxations of the ban, the Colony is labouring under growing difficulties, and for various reasons resentment has increased rather than diminished with the passage of time. It is widely believed that the blockade has had no perceptible effect on China's material capacity to make war ; on the contrary, it has actually helped to raise internal morale in China by appearing to substantiate the accusations of foreign hostility and encirclement. At the same time, it has severely injured the prospects of trade and development not only of Hongkong but of the whole area around the China Seas.

The effects of the embargo must be considered in qualitative as well as in quantitative terms. The trade position of Hongkong worsened gradually after March, 1951, but only partly because of the decline in world trade. Until then the rise in prices fully offset the decline in trade and stocks were drawn upon. Since then the decline in trade has much more than counterbalanced the great rise in prices.

HONGKONG'S TRADE
(In HK $ Million)

	Oct., 1950	Mar., 1951	June, 1951	Oct., 1951
Imports	369	535	404	418
Exports	433	557	374	274
Total	**802**	**1,092**	**778**	**692**

Shipping has declined correspondingly:

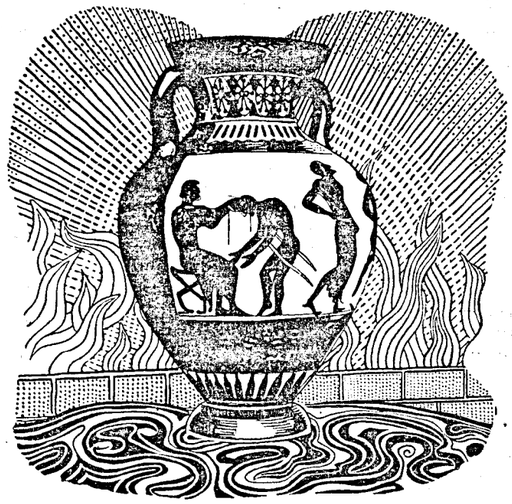
SHIPPING AT HONGKONG
(Monthly Averages, in '000 Tons)

	1949–50	1950–51	Oct., 1951
Net tonnage of	820	748	650
Vessels entering	305	298	242
Cargo discharged	145	193	104
Cargo loaded			

The decline in the nominal value of trade is only about 15 per cent, because of high prices ; but the real decline, in quantity terms, is over 30 per cent.

The reduction of trade with Communist China and Macao is mainly due to the Colony's own measures of control of strategic materials, which were in operation well before the

CHROMIUM



THE only workable source of the element chromium is chromite, a compound of chromium, iron and oxygen mined in Russia, Africa and Turkey. Chromium is known everywhere as the plating on taps, hardware and motor fittings, but it has other and more important applications. Alloyed with steel, for example, it imparts superior strength and surface hardness, and it is from chromium that stainless steel derives its resistance to corrosion. As well as being the source of chromium, crude chromite ore is used to make heat-resisting firebricks and cements for the construction of furnaces. Chromium derives its name from the Greek "χρῶμα", meaning colour, because its compounds are almost always coloured. Known as chrome pigments, some of these — the chromates of lead, zinc and barium for example — are used extensively for colouring paints, linoleum, rubber and ceramics. Chromium sulphate is important in tanning, and potassium dichromate in the dyeing of wool, silk and leather. Other chromium compounds are used in photography and in the manufacture of safety matches.

I.C.I. makes a complete range of chrome pigments for the paint, linoleum and rubber industries, besides employing chromium compounds as catalysts in the manufacture of aviation petrol and methanol, an industrial alcohol.

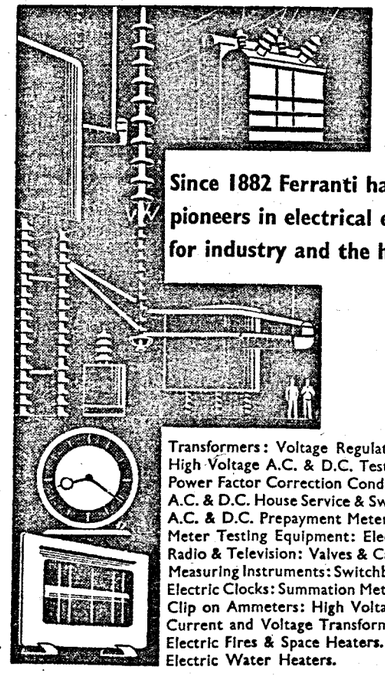
ICI

LEAD LASTS

LEAD SHEET AND PIPE CAN BE DELIVERED IMMEDIATELY FOR ALL BUILDING WORK

The Technical Information Bureau of the Lead Industries Development Council exists to give assistance on problems relating to the use of lead sheet and pipe in building work. Details of its application are given in a series of information sheets. These sheets are available to architects, surveyors, builders, plumbers and other technicians interested upon application to the Council. "Students" applications should be endorsed by an instructor or master of a technical school.

LEAD INDUSTRIES DEVELOPMENT COUNCIL, EAGLE HOUSE, JERMYN ST., LONDON, S.W.1
LEAD TECHNICAL INFORMATION BUREAU, 90 EBURY STREET, LONDON, S.W.1 TEL: SLOANE 0474



Since 1882 Ferranti have been pioneers in electrical engineering for industry and the home

Transformers: Voltage Regulators.
High Voltage A.C. & D.C. Testing Equipment.
Power Factor Correction Condensers.
A.C. & D.C. House Service & Switchboard Meters.
A.C. & D.C. Prepayment Meters.
Meter Testing Equipment: Electronic Devices.
Radio & Television: Valves & Cathode Ray Tubes
Measuring Instruments: Switchboard Instruments.
Electric Clocks: Summation Metering Equipments.
Clip on Ammeters: High Voltage Indicators.
Current and Voltage Transformers.
Electric Fires & Space Heaters.
Electric Water Heaters.

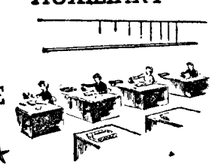
Ferranti

Ferranti Ltd. Hollinwood, Lancs.
London Office: 36 Kingsway, W.C.2

FERRANTI

A VALUABLE AUXILIARY CALCULATOR FOR THE LARGE OFFICE

No skilled operator needed.



★

THE IDEAL CALCULATOR FOR THE SMALL OFFICE

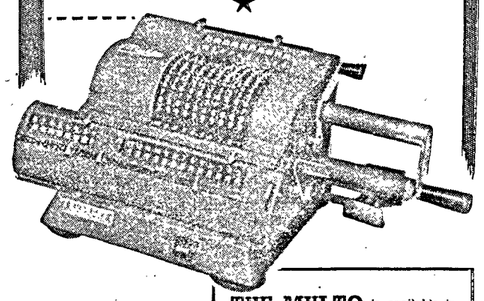
All members of the staff can use it.

★

THE PERFECT PERSONAL CALCULATOR FOR THE BUSINESS EXECUTIVE

No bigger than a desk 'phone.

★



★ Low price—high performance.
★ One hand operated.
★ Handy and Portable.
★ Precision Built.
★ Attractive in Appearance.

THE MULTO is available in **4 MODELS**

MODEL 3—10 figure Setting-board, Result Register 13 figures, Proof Register 8 figures **£49**

MODEL 13—Similar to Model 3, but with back transfer device **£59**

MODEL 103—As Model 3, but with full tens transmission **£59**

MODEL 113—As Model 103—and with back transfer **£69**

The MULTO

PORTABLE LIGHTWEIGHT CALCULATOR

BULMER'S (CALCULATORS) LTD.,
7 & 8 POULTRY, LONDON, E.C.2.
Telephone: Central 3611.
Sales and Service throughout Great Britain

7.30 for 8.0

THIS IS THE HALF-HOUR when the day ends and the evening begins. It is a time for adjustment—for changing gear, as it were. The hustle and bustle of a business day give place to the more leisured, measured pace of evening. One becomes pleasurably aware of the good fellowship about one, the excellent dinner not far off, the fine wine and the impeccable attention . . . On most evenings at the Connaught Rooms, these are the feelings of as many as 2,500 people. For, at the Connaught Rooms, no fewer than twenty of the most sumptuous banqueting halls are gathered together under one roof. In this, London has an amenity without equal anywhere on earth.

CONNAUGHT ROOMS
are Banqueting Rooms

Catesbys LINOLEUM
and CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilfords Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD
64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777

United Nations decree, and have been much less clumsy in action.

HONGKONG'S TRADE WITH COMMUNIST CHINA AND MACAO
(In $ HK Million)

	Oct., 1950	Jan., 1951	June, 1951	Oct., 1951
Imports	119	87	93	75
Exports	209	277	179	88

In terms of quantity, Hongkong's exports to mainland China fell from 84,000 tons in October, 1950, to 14,400 tons a year later.

In short, Hongkong's trade with China has been cut by as much as 80 per cent. But this only represents about one-third of its total trade. The other two-thirds has also suffered from the embargo, to a lesser but still heavy extent. One reason for this has been the false publicity about Hongkong, in America and elsewhere, which has caused traders in distant markets to turn their attention elsewhere. Another is that Hongkong, which is an important centre for the manufacture of various goods for Asian markets, has been deprived, by the embargo, of essential supplies and materials of all kinds. There have been repeated "relaxations" of the embargo, but these have had no practical effect, because they have so seldom been followed by any allocation of the scarce materials in question.

At present the US Government allows the export of American-made consumer goods to Hongkong, though in smaller quantities than hitherto. There has also been a relaxation of the ban on American automobiles for Hongkong. Tinplate and cotton were "freed"—but none has been available in practice, and lubricating oil has been held up for some months. A quantity of black plate has, however, recently been released. Last August the US Government banned the import into the United States of any goods which, though prepared and processed in Hongkong, contain materials emanating from China. This has severely affected such local manufactures as furs, canned foods, rattans, fruits, ginger and toys. A petition for relaxation of this ruling was rejected although exceptions were made for special American needs obtainable only from China, for example bristles, duck feathers and tung oil.

There is acute mistrust in Hongkong of Japan and a growing fear that Japanese trade competition, encouraged by the United States, may deal a heavy blow to the Colony's interests. It is felt to be unfair that the Americans should strongly condemn British or other Allied interests suspected of trading with Communist areas; but if the Japanese do the same thing, it is always considered a necessity, and even sometimes a virtue. Recently, for instance, $HK1 million worth of Japanese grey sheeting was sold to Communist China—and the deal was financed through Hongkong.

Unemployment in the Colony is rising rapidly. The latest official estimate of 40,000 in October is admittedly incomplete, and must since have been greatly exceeded. The main incidence is in the lower middle-class, among clerical workers, and in the fringes of industry. The effects of the embargo, in this connection, are perhaps inseparable from those of Japanese competition. Dealers and general merchants are badly hit. The Chinese New Year (late in January) is customarily the general settling day for all debts and obligations; it is feared that this year there will be many closures at that time.

Already the embargo has caused a large migration of skilled and intelligent manpower to Communist China; their rice-bowls broken in Hongkong, these men are forced to move to the mainland. On the other hand, refugees continue to arrive in Hongkong, swelling the ever-increasing population, which now approaches three million. There is still a large number of persons who would rather be in Hongkong than in China or Formosa. But the technical and general value of these refugees to the community is less than that of the departing emigrants, particularly as economic opportunities grow even more restricted.

Ceylon, England and the Commonwealth

[FROM A SPECIAL CORRESPONDENT]

CEYLON'S affection for Great Britain can be measured by the bristling fever which is preceding Princess Elizabeth's forthcoming visit. Far more than the Colombo Plan Exhibition her announced visit fills every conversation and is causing an advanced feeling of contentment to spread over the island. The Commonwealth idea, however, is still so new that it has not yet had time fully to sink in. On the one hand, most people distrust the implications of the Commonwealth bond; on the other, even the Communists have nothing but good to say about England. Ceylon's awareness of the outside world goes back only to 1948 when, finding itself a sovereign independent state, it had to count its friends and, for the first time, to think in terms extending beyond the tip of its nose: that is, beyond India.

What attracts Ceylon to the Commonwealth is only England. About the other members the Ceylonese are not enthusiastic. Pakistan and Canada are too remote; the Ceylonese do not quite see how they and South Africa can both be full members of the same club; they are convinced that India will become expansionist the moment Nehru dies—however ridiculous this fear may seem to those who know India. Finally, Australia they see only as the weak link in their own defence: as the country for whose benefit they are expected to expose themselves as a staging-post and a base, and no Ceylonese wants to run extra risks for "white" Australia's safety. Many in Ceylon, indeed, do not see why they should not be content with a bilateral treaty with Great Britain rather than involve themselves in a Commonwealth which may mean danger.

Whether or not to stay in the Commonwealth has now become a major political issue. Being a small Asian country, Ceylon looks on the Korean war as a terrible warning—a warning to stay neutral—and though the Government wishes to remain in the Commonwealth, all the Opposition parties want to leave it. The controversy is made more bitter by the existence of the British naval base at Trincomalee. To the Opposition this appears merely as an invitation to Communist attack, to another Pearl Harbour; even to many on the Government's side, Trincomalee is a base for peace time only, to be brought to an end as soon as war becomes imminent.

Great though Ceylonese goodwill to Britain is, it is not always helped by the behaviour of the British on the spot, who sometimes find it difficult to remember that, in Asian countries, every resident British citizen is always and everywhere an ambassador of his country. The officers at the Trincomalee base are occasionally over-enthusiastic in reminding Ceylonese that the base is British territory; it is said that the Prime Minister himself has been painfully reminded of this. The local mercantile community has trodden upon every Ceylonese corn, and where there was no corn to tread upon, they have succeeded in creating one.

Whether Ceylon will stay in the Commonwealth depends upon whether the United National Party (UNP) which now forms the Government, remains in power. It is a common jest that the UNP is neither united, nor national nor a party; it is a loose coalition held together by the force of personality of the generally popular Prime Minister, Mr Senanayake. Parliament has 101 members in all, and, in a way typical of the island, it is practically impossible to get an accurate picture of the relative strength of the parties. But those members who do not belong to the UNP appear to be distributed as follows: 11 independents; 4 Lanka Sama Samaj Party (Stalinist Communists); 15 New Lanka Sama Samaj Party (Trotskyists)—the only Trotskyist party in the world; 2 or 3 Federalists; 6 Ceylon India Congress

who represent Indian labour ; 6 Tamil Congress ; 1 Ceylon Labour party ; 6 appointed members ; 6 Freedom party led by Bandarnayake, the ex-UNP leader.

New Party's Programme

The creation last October of the Freedom party has introduced an important new factor into Ceylon's already unstable politics. This new party may well turn out to be the Government's main opposition ; it is gradually rallying round it the leftish elements of the UNP, the other more reasonable leftish members of parliament and the independents. Its programme is calculated to exercise an immediate attraction. Its three tenets are: quit the Commonwealth ; fair play for Buddhism (for example, they want Buddhist priests to be given the same weight as witnesses to documents as Catholic priests); and the national languages, Tamil and Sinhalese. This last is a very live issue, especially as 60,000 young people who have just graduated in those languages now find themselves without jobs because they do not know enough English.

In order to amend the constitution and leave the Commonwealth it is necessary to get 68 votes—two-thirds of the house. It is not certain that any party will get that much support in the coming elections, though the present Government may ; but if it does not, it is just possible that the leftist group, including Mr Bandarnayake, might win the 68 votes. If so, it is likely that Ceylon will leave the Commonwealth, although it would probably still be willing to sign a treaty with Great Britain and perhaps an economic agreement with America. It will, however, at the same time tighten its ties with China, for, even in democratic Ceylon, many are looking to China for a possible short cut to prosperity ; and meanwhile no one wants to alienate what they feel may yet be the buoy to which all may have to cling.

State Discipline in Rumania

[BY A CORRESPONDENT]

DURING recent weeks the Rumanian Press has been presenting a glowing picture of the highly productive industrial machine which has been built up in Rumania. According to these articles the first year of the state Five-Year Plan was, to all intents and purposes, completed one month ahead of schedule. The names of those enterprises which have contributed to this achievement, and even of individual workers who have overfulfilled the norms allocated to them, have figured prominently in the pages of *Scanteia, Viatsa Sindicala* and other official papers. There have been proud claims that some workers, notably in the textile industry, have already started on the 1952 and even 1953 output programmes.

It is therefore significant that during this period of self-congratulation the Rumanian Government should have found it necessary to impose a further and more stringent measure of industrial discipline. On November 21st the Praesidium of the Republic issued a decree which makes it difficult, if not impossible, for most workers to leave their place of employment or choose another job without the consent of the director of the enterprise to which they are attached. The decree insists once more on the unquestionable right of the state to transfer its employees from place to place as it sees fit, and underlines the compulsory nature of such transfers.

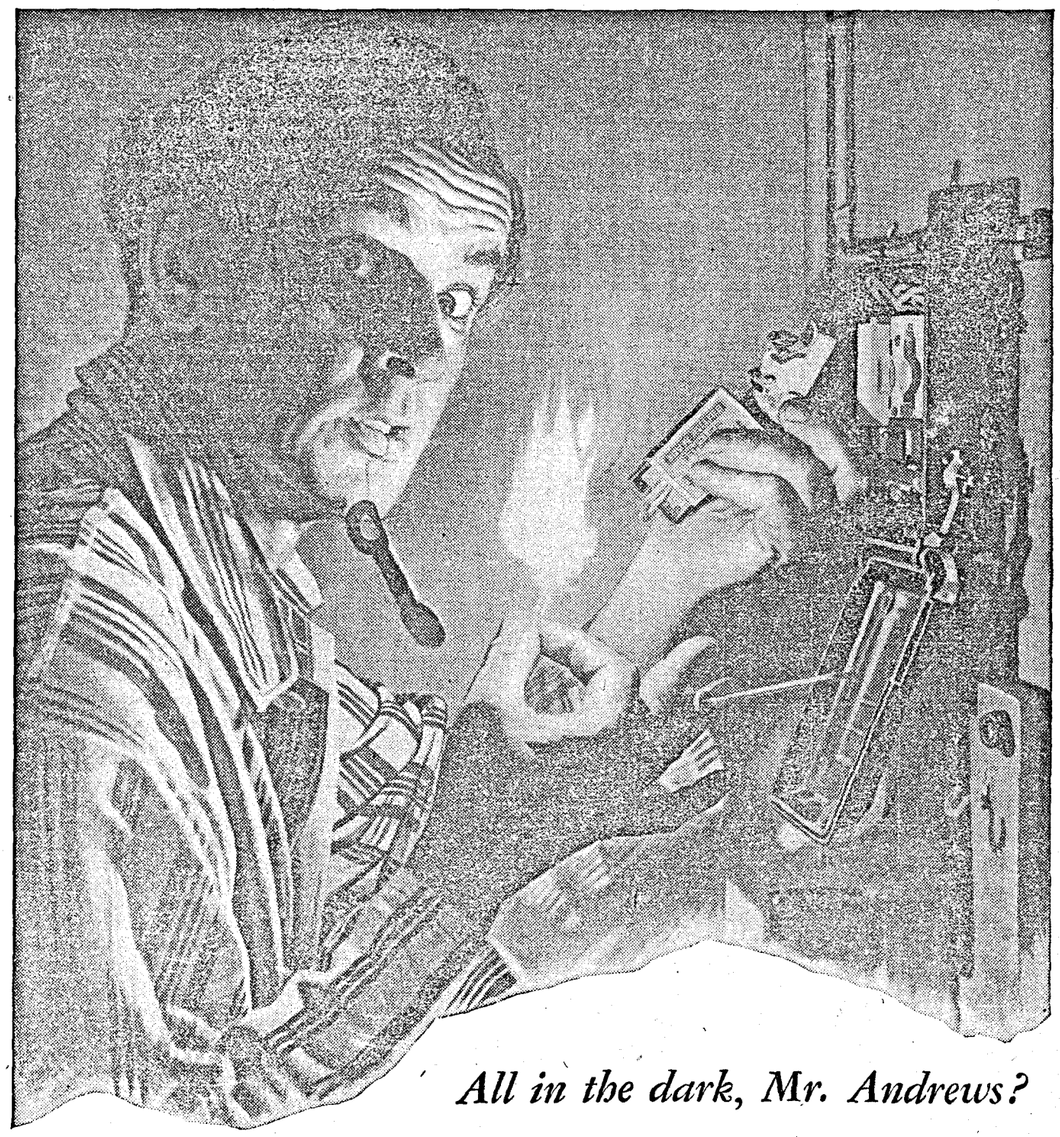
The preamble to the decree justifies the severity of these measures by declaring that they have been taken to further the "state discipline" which would appear to have supplanted the old-fashioned conception of "Socialist discipline." In general, state discipline is defined as the total subordination of personal interests to those of the state. In the field of industry, it appears to impose the strict fulfilment and over-fulfilment of all economic plans.

Past measures designed to control the movement of workers (such as collective contracts, the grant of priority claims to accommodation, holiday and insurance benefits) have been ignored by many workers who have attempted to better their lot by changing their jobs. The result has been a serious disorganisation of production in many branches of the national economy, not excluding one of the most cherished governmental schemes in Rumania. In an article dealing with certain shortcomings on the Black Sea-Danube Canal, *Viatsa Sindicala* complained of a tendency amongst the workers to move from place to place several times a month with complete disregard for the detrimental effects of such undisciplined habits upon production. But what really infuriated the paper was the complacency of the foremen about this situation. Rather than denounce the culprits, they have preferred to resort to a wage competition to attract the necessary complement of workmen to their own sites. In this case, not only is state discipline infringed, but the Government's policy of reducing costs and effecting economies is directly, if not deliberately, challenged.

Examples of Bad Workmanship

Moreover, despite the laudatory comments of the Rumanian press, certain papers such as *Scanteia* and *Viatsa Sindicala*, the official trade union paper, make no attempt to hide the fact that the quality of industrial products leaves much to be desired, and that bad craftsmanship and lack of experience and skill are serious obstacles in the way of industrial expansion. For example, the reaper-binders produced by the 21 December works have shown serious deficiencies, and broke down in the very first days of last year's harvesting campaign. This, in turn, was due to the inferior quality of the cast iron parts supplied by the Brainer Bela and Unirea enterprises. The tractor ploughs manufactured by the Ilie Pintile works showed many faults, such as insufficient polishing of shares and mouldboards. These defects were attributed to the fact that the prototype of these machines, which should have been ready for testing in June, 1950, was not actually produced until the November of that year, when tests were practically impossible. Equipment furnished by various factories to the Jiu valley mines, especially electrical installations, was so unsatisfactory that a special conference was convened at the Petrosani offices of the Sovrocarbune—the Rumano-Soviet state mining monopoly—to discuss a report on their deficiencies. The Strungul works of Stalin Town (Brasov) had supplied a number of elevators for pumping rods to the oil industry, which because of their shoddy quality had to be replaced before their time. In one case, they caused the blocking of a well, and the damage was estimated at 400 times the value of the elevator.

The decree of November 21st is a blunt admission that the Rumanian Government is seriously perturbed by the situation, and proposes to remedy it by a ruthless application of the principle of direction of labour. The compulsory transfers which it authorises will enable the authorities to move skilled workers to those enterprises where the qualitative standard of goods is considered unsatisfactory. In the Government's view, this may prove an effective way of ensuring an all-round improvement in the quality of finished products, and of avoiding the necessity of leaving the fulfilment of this aspect of state planning to certain leading enterprises, such as the Rumano-Soviet companies, as has often been the case in the past. Whether the decree will eventually have the desired results will depend, to a great extent, on the willing collaboration of the enterprises which it is designed to help. But, as *Scanteia* confessed recently, "unfortunately it must be mentioned that a number of concerns are still guilty of serious lapses and infringements of state discipline."



All in the dark, Mr. Andrews?

When the fuses have blown, when the key-hole can't be found, when the lighter runs out of petrol we turn, almost without thinking, to the sure aid of the match. The match is one example among many hundreds in which chemicals by Albright & Wilson, usually anonymously, but so often importantly, serve the world at large. *Every match made in Britain and countless millions of others besides rely on Albright & Wilson's phosphorus products for the light they give.*

Chemicals for Industry ALBRIGHT & WILSON LTD

49, PARK LANE, LONDON, W.1.

ABW 151

IT BEGAN WITH THE CRUSADES

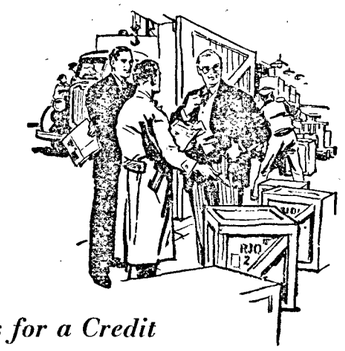
We take some pride in our long history but the business in which we are engaged is older than we are. Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 27 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.



Bombay
asks for a Credit

It is a simple matter for the Westminster Bank to establish local credits anywhere in the world, for there is no town of commercial importance in which it is not represented. Equally, the collection of funds due to you from foreign buyers presents no difficulties. The comprehensive service of information and advice which the Bank provides for those who trade abroad is fully described in a booklet called 'The Foreign Business Service of the Westminster Bank'. We shall be glad to send you a copy on request.

WESTMINSTER BANK LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

Lace and Licences

A large lace manufacturer had been notified by his Chilean Agent that an import licence had been obtained for a quantity of "lace for the embellishment of ladies' apparel". Aware that Chile prohibited the import of many luxury goods, the manufacturer asked us if such a contract would be in order.
On-the-spot information from our own Chilean branches enabled us to tell him that lace was one of several luxuries that might then be imported, but only against shipments of Chilean wine. From no other source would this vital information have been obtained so promptly.

THE ADVANTAGES OF BEING HERE AND THERE

As the only British Bank with branches throughout Latin America, we can offer you special services—either direct or through your own bank. These services are set out clearly and concisely in our leaflet "The advantages of being here and there". We shall be glad to send you a copy on application to:—

The Research Department

BANK OF LONDON & SOUTH AMERICA LIMITED

HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 19 SUNBRIDGE ROAD. MANCHESTER: 36 CHARLOTTE STREET

THE BUSINESS WORLD

German Debt Questions

IT was announced last Tuesday that the long-awaited negotiations for a settlement of German prewar external debts will open in London on February 28th. The approach to these discussions has been cleared by the recent agreement between the governments of the United Kingdom, France and the United States and the German Federal Government, in which the three creditor governments (as noted in *The Economist* on December 15th) offered concessions in the settlement of their claims in respect of postwar economic assistance to Germany. These concessions were conditional upon the reaching of an equitable settlement of the prewar debts. The coming conference will seek such a settlement, and will be under the direction of the Tripartite Commission on German Debts, which has extended invitations to representatives of twenty-seven of the interested governments, and to the Bank for International Settlements. It will attempt to settle on an international scale both the public and private indebtedness of Germany—indebtedness comprising the direct obligations of the Reich, the Potash loans, standstill credits, some municipal loans, and a small amount of private and commercial claims. The principal public interest—as distinct from the interest of the banks and other institutions in the standstill debts—relates to the direct obligations of the Reich, with which this article is mainly concerned.

The proceedings of the conference will be simplified in some respects and complicated in others by the fact that two of Germany's major liabilities are loans that were issued on international markets. The German Reich external bonds of interest to the British holder comprise the Dawes and Young loans, issued in various countries and currencies in 1924 and 1930 respectively, and the Konversionskasse bonds that originated from the funding of interest and dividends on German debts and shares owed to non-German nationals between 1933 and 1939. Germany has been in default on all these bonds since 1939. In March, 1951, Herr Adenauer, the Chancellor of Federal Germany, recognised responsibility for these liabilities, subject to certain reservations. It is assumed that the negotiations will adopt the fundamental principle of equality of treatment for bondholders irrespective of nationality without regard to any prewar concessions made under Nazi pressure.

Herr Adenauer's main reservation records the fact that Federal Germany consists only of the western zones, and he will ask for temporary concessions in the service of these bonds corresponding with the loss of the eastern territories, as well as for sympathetic consideration of Germany's ability to raise, and to transfer, the service on the bonds. On the creditors' side, there are now more than twelve years' interest outstanding. Germany will, no doubt, wish to fund this interest and may also try to obtain some reduction of the coupon rates. It is also expected that Germany will seek some temporary concession with regard to the transfer of service in foreign currency during the next two or three years, and, in the case of the Dawes and Konversionskasse bonds, which have already become due, for a prolongation of redemption. There should be little difficulty in achieving a compromise on these points acceptable to both sides.

One fundamental factor affecting the Dawes loan should be kept well in mind in the forthcoming negotiations. The total of this loan was equivalent to 800 million gold marks, issued in *tranches* of various currencies. The American *tranche* of $110 million is in US dollars; of the sterling *tranche* of £21,680,000 some £12 million was issued in London, and the rest in Belgium, France, Holland, and Switzerland, all in sterling. Issues were also made in Swiss francs, in Swedish kroner, and in lire. It is clear that bondholders can claim only in terms of the currency of the *tranche* they hold. So far as the sterling bonds are concerned, the devaluation of the pound has already favoured Germany to the extent of 40 per cent or more compared with issues in currencies that have not been devalued to the same extent as sterling. British bondholders may therefore surely expect that the British negotiators will adopt the standpoint that, so far as the sterling bonds are concerned, there is no room for any departure from the original terms of the loan, apart from some of the general concessions mentioned above. If any major concession has to be granted to the Germans in connection with the Dawes loan, it should be sought in the first place from bonds issued in currencies that have not suffered such heavy depreciation as sterling. It would be inequitable if countries that have been forced to depreciate their currencies and have thus already greatly assisted the debtor, were to be asked for material sacrifices before the stronger countries had made corresponding concessions.

The standing of the Young loan in respect of currency obligations is different. The total loan was authorised to yield $300 million, or 1,259 million gold marks. Although the Young loan was issued in the currency of the various countries of issue—sterling, American dollars, Belgian francs, French francs, Dutch guilders, Swedish kroner and Swiss francs—holders of bonds in these currencies were safeguarded against the risk of currency depreciation by the fact that the whole loan was based on gold. This is evident from the wording of paragraph VIa of the Young loan agreement between Germany and the Bank for International Settlements as trustee for the bondholders:

> The principal and interest of each bond shall be payable at such banks or other financial institute or institutions as shall from time to time be named by the Bank situated in the country where the bonds shall respectively be issued, in the currency of the country in which it is issued, the unit of such currency being defined for the purpose of these presents in all circumstances by the weight of fine gold determined by law as at present in force. The bondholder

is entitled to receive the equivalent at the due date of the same gold value in the currency of the place of payment, but not less than the nominal amount of the principal and interest specified in each bond.

In terms of gold Germany's indebtedness is the same today in respect of each *tranche* of the Young loan as it was at the time of issue. Any concessions that may be granted for the Young loan should, therefore, be the same for each country.

It is known that the US Government does not like gold clauses in contracts and it may well be that in the course of the negotiations the American authorities will encourage holders of the dollar *tranche* to forgo the gold clause, with the result that their bonds would become a dollar liability only. It would hardly be fair if holders of the Young loan expressed in other currencies were to forgo the gold clause unless they were allowed at least to maintain the US dollar value (as the Americans will do) or the Swiss franc value (as the Swiss will do). On the basis of the 1930 dollar or Swiss franc, Germany would in this way still benefit to the extent of about 40 per cent or 30 per cent respectively, since the loan was issued in 1930 and the US dollar was devalued by 40 per cent in terms of gold in 1933 and the Swiss franc by 30 per cent in 1936.

*

Since the Konversionskasse bonds were guaranteed by the Reich, they come under the same heading as German Reich loans; in point of service they follow the Dawes and Young loans, each of which has specific securities. But, with the exception of bonds issued in other currencies, such as Reichsmarks, which were issued to creditors in the countries concerned, these Konversionskasse bonds represent the funding of sterling liabilities for interest and dividends due but unpaid. Thus the British creditors, apart from suffering pre-war delays in current payments, have already suffered considerable losses through the devaluation of the pound. This fact ought to make the German negotiators shy of seeking more than a temporary concession to mark the loss of the eastern territories, a funding of outstanding interest, and a tolerable postponement of redemption. The central point in this as in the direct Reich loans is that the depreciation of sterling, together with the great rise in world prices since the bonds were issued, will greatly reduce the real burden of the service on these debts. Germany will need to export only a fraction of the quantity of goods that would have been necessary to pay the service of the loans when they were issued. Britain can hardly afford to be quixotic, given Germany's rapid recovery since 1948 and her improving ability to earn foreign currency. The sums required to service the whole of Germany's foreign debt are small in relation to the capacity of the German economy.

An assessment of the merits of the German Reich bonds must not overlook the Distribution of German Enemy Property Act of 1949. This Act makes specific reference to British-owned Dawes, Young and Konversionskasse bonds and makes its clear that all present holders of the so-called "enfaced" bonds of these issues are entitled to participate in the distribution of the ex-German assets. The Germans have protested against the seizure and confiscation of private property of German citizens as being contrary to international law.

But the Paris Agreement on Reparations of January 14, 1946, declared that the participating countries would retain such assets as reparations—and since no direct reparations were claimed by the victors, the participating countries seemed to be letting Germany off lightly. There was at first an understandable intention on the part of the British Government to retain these assets as reparations and to pay their proceeds into the public purse. At this stage, the British creditors began to protest. In many cases, their relations with German debtors were based on the fact that the borrowers had assets in the United Kingdom and were acquiring sterling assets by means of exports. Ultimately, the Government decided to distribute the assets to the British creditors in proportion to their claims. This was welcomed in Germany as a step in the right direction, but the subsequent declaration by the Lord Chancellor in the House of Lords in December, 1949, that under the Paris Agreement the assets had become reparations and that the distribution was *ex gratia* by the Crown—and hence did not legally affect the amounts owed—led to some disappointment on the German side.

	Dawes Loan 7% (5%) Sterling Tranche 1924	Young Loan 5½% (4½%) Sterling Tranche 1930	Konversionskasse 4% Sterling Tranche
Amounts outstanding	*June 30, 1950 £16,553,900*	*June 30, 1950 £11,174,300*	*April, 1945 £6,881,900*
London Exchange Prices :—			
1950 Highest	27⅜	22½	19½
1950 Lowest	13	10	10½
1951 Highest	58½	52	42
1951 Lowest	17⅛	13¼	13½
1951 :—			
January 9	18½	14½	14
February 8	20	16	16
March 8	22	17	17
April 9	20½	15½	15
May 8	19½	14½	14½
June 8	22½	17½	17½
July 6	25	19	19¼
August 8	36	31	29
September 7	42	34	30½
October 9	55	47	38
November 8	54½	47	38½
December 7	50	48	39½
1952 :—			
January 7	56	49	44
January 14	56	49½	44
January 15	56½	52	44
January 16	57½	55	46
January 17	60	60	47½

Dawes Loan :—Secured by a general bond as (*a*) a direct and unconditional obligation of the German Government on all its assets and reserves; (*b*) a specific first charge on all reparation and other treaty payments by Germany; and (*c*) a first charge by way of collateral security on the gross revenues from the customs and from taxes on tobacco, beer and sugar, on the net revenue from the spirits monopoly and on any other taxes which may be assigned for assuring the payment of reparations.

The final redemption date was originally fixed at October 15, 1949.

Young Loan :—Secured by a general bond as a direct and unconditional obligation of the German Government. Subject to the charge in favour of the trustees of the Dawes Loan, the German Government by way of collateral security assigned the proceeds of (*a*) the customs and of the taxes on tobacco, beer and spirits; and (*b*) the annual direct tax of RM 660,000,000,000 payable by the German Railway Co for 37 years as a contribution to reparation payments.

The final redemption date was originally fixed at June 1, 1965.

Konversionskasse :—Secured by general bonds and guaranteed unconditionally as to principal and interest by the German Reich.

The final redemption dates were January 1, 1946, for the 1st and 2nd series, and January 1, 1948, for the 3rd, 4th and 5th series.

It may be expected that Germany will, at the forthcoming conference, put forward a serious effort to arrive at a settlement with its creditors that will re-establish its international credit. As a consequence of the Nazi regime and the war that it brought about, and of the various currency devaluations, Germany's creditors have suffered great losses. Most of them, presumably, would be prepared to consider sympathetically the actual capacity of Germany to make payments and transfers. Indeed, some of the more important creditors have already declared their willingness to apply whatever sums they receive from the German Assets Pool towards extinguishing the last instalments of the debt. Equally it is to be expected that the Reich will ask that the loss of the eastern territories of Germany should absolve it from a part of the prewar Reich obligations. Any concession made under this heading should be regarded as temporary, leaving the claims to be reopened when Germany is again united. From the viewpoint of the Reich bondholders, the distribution from the assets pool might best be applied to satisfying that part of Germany's private debts that will not be assumed by the Federal Government of Germany until Germany is reunited.

It is evident that some formidable negotiations are in prospect—and not the least of the heavy responsibilities that have to be shouldered by the conference will be to ensure that the settlement is not only reasonable and equitable as between the German debtors and the creditors considered as a whole but that it maintains a due balance between the several categories of claimants. The Tripartite Commission, in a detailed memorandum issued this week, declares that the settlement should not place such a burden upon Germany as would cause economic dislocation and risk of renewed default. But it also emphasises that, if sacrifices have to be made by creditors, the debtors must make a real effort to ensure a fair and reasonable settlement. The Commission is satisfied that an adequate economic and financial basis for such a settlement does exist. In the early years, it is remarked, the amount of German debt transfers may have to be fixed with due regard to Germany's contribution to the joint defence effort (and to her continued receipt of external economic aid). But it is emphasised that the transfers in these years should be "as large as possible." There is perhaps now some ground for hoping that the German representatives recognise the importance, from their own standpoint, of a settlement that the creditors can accept as reasonable—for such a settlement is a prerequisite of the re-establishment of normal commercial and financial relationships between Germany and the creditor countries.

Approach of the Comet

THE first completely furnished Comet jet airliner has this week been handed over at London Airport to the British Overseas Airways Corporation. When BOAC ordered a fleet of Comets before the aircraft had left the drawing board, it took a risk that has no precedent in civil aviation. The order was signed five years ago, when most airline operators and the majority of manufacturers were still rejecting outright the idea that a jet aircraft would ever be used for civil flying. Now they are about to see the first regular jet passenger service; in April or May the Comet will be flying to Johannesburg via Rome and Cairo and before the end of the year from Cairo on through India, Pakistan and Singapore. The fortunes of BOAC during the next two decades will be closely linked with the Comet. The corporation has twenty on order for delivery at intervals up to 1954; at least half as many again may be bought for later delivery. If the two prototype aircraft delivered to the Ministry of Supply are included, the de Havilland Company has thirty-eight Comets on firm order for BOAC and various other airlines.

So long as international agreements on fares prevent price competition between airlines, air transport will continue to be sold largely on its speed and comfort. Travel by air over long distances is perforce cramped or tedious by comparison with first-class travel by sea over similar distances. But a fast jet airliner can halve the time at present required in the air, and the journey is free from the exhausting vibration set up by four 3,500 horsepower piston engines. There has, inevitably, been room for serious argument about the wisdom of BOAC's policy in relying so directly on new jet aircraft as yet untried in commercial service. Two serious problems arise in operating civil jet aircraft. The first is economic; fuel consumption is heavier and the payload per flight not much greater than that of a piston-engined aircraft designed for the same route. The relative cheapness of the kerosene used by jet engines does not offset this difference in consumption, although, because of the jet aircraft's speed, consumption in terms of miles per gallon is not so excessive. The second problem is concerned with operating procedure. If traffic congestion should occur at some airports, aircraft may be kept in the air for an hour or more waiting for permission to land. A piston-engined aircraft can circle the airfield at lower power and its fuel consumption is reduced in proportion, but the fuel consumption of a jet engine is little different at low power than at full throttle, and indeed it actually rises as the aircraft loses height. Thus any delay in bringing a jet aircraft to land, or that prevents it from climbing rapidly after take-off to cruising altitude, could lead to a serious depletion of fuel reserves, allowance for which would entail big reductions in payload to give the necessary safety margin.

These two factors constitute an impediment to the use of jet engines for passenger transport that is not to be ignored but can be overcome. They explain why no other manufacturer in the world has put down a production line for a civil jet airliner and why no other airline has given a hostage to fortune by ordering a whole fleet of such aircraft. Many aircraft builders and operators now have reason to regret their caution, not perhaps because their own inner convictions have changed but because de Havilland has built an aircraft that will pay its way in open competition with piston-engined aircraft in spite of the particular factors that affect jet engines and because individuals inside BOAC believed from the start that this would be so.

The Comet has been flying for two and a half years. Pilots declare that it is easier to handle than the big airliners now in service, and, in spite of the height and speed at which it flies, there has been no need to design special instruments. Only navigating techniques have to be worked out afresh. The Comet flies too fast for

dependence on conventional methods that pinpoint an aircraft's position to within one nautical mile. The new methods will give position accurate to within ten miles only, which gives perfectly satisfactory results in flight. In other respects, successful operation of the Comet will call for greater, and not less accuracy. This is particularly true of its handling from the ground; operating costs can be influenced to an unusual degree by the efficiency of the ground staff. In take-off and climb, the engines burn more than twice the weight of fuel used in level flight. Take-off with a piston-engined aircraft follows a long-established procedure of starts and stops beginning anything up to 45 minutes before the aircraft leaves the ground. There is no preliminary revving of jet engines. —an omission that ought to be greatly appreciated by those who live near airports. In normal service, the Comet engines will not be started until a minute before take-off, and then not until the runway and the route through the airport's control zone have been declared clear so that the aircraft can make an uninterrupted take-off and climb to cruising altitude. Any deviation from this pattern could cause a big increase in fuel consumption and an exorbitant rise in operating costs.

Control at take-off gives the airport authorities some latitude because the Comet need not move until its route has been declared clear. This cannot be done when it comes in to land, and if fuel consumption is to be kept within bounds, the aircraft cannot be delayed above the airport for a period longer than 30 minutes. Of all the airports on the route between London and Australia only London carries a volume of traffic heavy enough to create the risk of such serious delay; and the aircraft will land at London once only in each round trip. It is also the best equipped of the big airports to deal with heavy traffic, and development flying of Comets in and out of London has demonstrated that the problems of handling the machine in mixed traffic can be solved. On other routes where these difficulties have to be overcome, they could still be the limiting factor against operating the Comet. For example, BOAC has plans for flying the machine next year on the fashionable New York-Bahamas routes, but significant improvement in traffic handling at New York may be necessary before the Comet can be brought in and out of the New York airport without the handicap of excessive fuel reserves. Traffic control within the United States is a major factor that may decide whether jet aircraft are to be used on internal routes for which, in all other respects, they are well suited.

*

Present methods of traffic control do not need to be changed, but only used more effectively; it should then become possible to fit an aircraft like the Comet without difficulty into the established procedure of traffic control. There remains the effect on operating costs of the aircraft's heavy fuel consumption. In this matter the Comet has to be considered as an individual aircraft rather than an archetype for all jet aircraft; what is true of the Comet may not hold for others. Since it has greater speed, it should cover more miles in a year than a comparable piston-engined machine; there should be a margin of about 50 per cent in its favour over a full year's operations. On this basis the actual cost per mile for each ton of payload might work out at between 15d. and 17d., a figure that does not compare unfavourably with those of other aircraft in spite of the fact that the high fuel bill represents 50 per cent of total operating costs. These estimates, which are based on methods recommended by the Society of British Aircraft Constructors, include an allowance for maintenance and depreciation. In other respects they are unreal because they are based on assumptions of distance flown that most favour the particular type of aircraft and may not hold good for the actual services on which the aircraft are flown. For example, the figures above are put forward for both types of Comet, the series I with de Havilland Ghost engines, and the series II with Rolls-Royce Avon engines. In fact, the first is less economic than the second simply because its maximum range is smaller and the proportion of the total flight taken up with climbing to and coming down from cruising altitude is higher and leaves less margin in which to offset high fuel consumption during those periods by economies in consumption at cruising height.

Apart from fuel consumption, the present Comet is under the handicap of a short life of its engines between overhauls—400 to 500 hours. The cost of overhaul is also likely to be high. But against this, the Ghost is a new engine; the only other aircraft that it powers is the Venom fighter, just coming into service. Its life between overhauls is likely to increase as experience is gained and may eventually equal that of fully developed piston engines, which is about 1,000 hours. Moreover, freedom from vibration should reduce maintenance charges on the airframe, particularly of accessories and costly instruments. Clearly a year's operation will be required to test the present assumptions about costs of overhaul and to see whether economies are possible.

The insufficiency of data about weather conditions at high altitudes means that generous safety margins at this stage are obviously desirable. For this reason BOAC may find the Comet an expensive aircraft to operate during its first year. Fuel reserves are on the high side, and the generous allowances on all planning operations for the first few months will put up operating costs. There are wide variations in the operating costs of different aircraft. The International Air Transport Association has adopted a basis for estimating costs that includes more items than that used by the British manufacturers' organisation, so the figures are not truly comparable. The IATA method shows that the cost of operating four-engined aircraft today lies within a margin of about 3d. on either side of an average of 2s. per ton mile. Even in its first year, the Comet might possibly show a saving of about 5 per cent on today's highest costs. When the development period is over next year, there is fair reason to expect that costs should fall further, say by 10 per cent, in which case they would be well below the average. On paper, the costs of the Avon-Comet (which is expected to fly before the end of the month) should be below today's lowest figure; this has yet to be confirmed by flying experience and then may not hold good on all routes.

*

These estimates are made in the light of data now available, and these do not include operating experience. They are rough and ready, but should they be reasonably near the mark they would suggest that de Havilland with its new aircraft is fully competitive with other manufacturers. The Comet should show a satisfactory, if not spectacular, margin of profit on a straight cost per ton mile assessment, without making allowance for its ability to attract passengers or to do more work in a given time. There are four actual or potential competitors. At present, competition is limited to the piston-engined Lockheed super-Constellation and Douglas DC-6B. If the jet engine improves the speed and comfort of travel as expected, then competition from piston-engined aircraft for first-class traffic need not be taken too seriously. Thirdly, it may be significant that Lockheed is reported to have revived the project for a jet airliner. With the Comet, de Havilland has so big a lead over other manufacturers that it is pointless to start designing now an aircraft with equal performance. But to increase speeds much above the Comet's 500 miles an hour introduces aerodynamic complications that may not be open to conventional solutions. There remains, fourthly, the turbo-prop Britannia (Bristol 175), now on order for BOAC. This should be an impressive aircraft, with the advantages of a gas turbine engine without the high fuel consumption of the pure jet. The Britannia will be slower, but may show lower costs over long ranges than the Comet. But it has not yet flown, the engines are not ready, and it will be a hopeful project rather than a commercial aircraft for some time.

BOAC and de Havilland have therefore a clear advantage in jet operation for four or five years. During that period there should be no difficulty in filling the aircraft to capacity on whatever routes they fly, which, for the Avon-Comet, may include the North Atlantic. Eventually all interested operators are likely to be equipped with similar aircraft. But, for a time at least, the established postwar pattern of air transport will be reversed; it will no longer be the British airlines or the British aircraft industry that are handicapped competitively for want of the right aircraft.

Business Notes

The Washington Barter Deal

Some surprise was expressed in the City this week at the optimistic tone of references to sterling area prospects shown in Mr Truman's economic message to Congress. The President is reported to have said that the decline in the sterling area's dollar earnings through reduction of American imports showed signs already of being reversed; that the terms of trade had begun to swing in its favour; and that the speculative outflow of capital and other "temporary adverse" influences upon the drain of gold and dollars may disappear or be reversed. This optimistic speculation was qualified by the phrase "as remedial measures become effective," which may mean that the President has heard hints of stiffer remedial measures in store for Britain. But if his optimism has any sufficient foundation at all, most people in Britain would deduce that it must rest on the assumption that a large-scale resumption of American buying is in prospect. There is no sign of any resumption on any such scale as yet—though the new steel-tin-aluminium deal is heartening.

Beyond the fact that this deal involves large exports of steel by America to Britain, in return for supplies of aluminium and tin guaranteed by the British Government, little information was available concerning it at the time *The Economist* went to press But it is clear that its main importance to Britain, as distinct from the sterling area, lies in the assurance of greatly increased steel imports from America this year. These are reported to amount to a million tons or more of steel or its equivalent steel-making materials: forbearance by American buyers in the world markets for rich ore may be of direct benefit to British steel output, though relinquishment of rights to purchase German scrap may not mean much, since the Germans are making little scrap available for export. The sooner these additional imports can reach Britain, the greater their value, for the shortage of steel will probably be most stringent in the first half of the year. No quantity of aluminium has been specified. Presumably Britain will take only part of the annual quantity it is guaranteed by Canada under last year's long-term contract, and the remainder will be sold to the United States. For tin the amount has been publicly stated as 20,000 tons and the price 118 cents a lb (equivalent to £944 a ton), but no other details have been released, though the British Government has made it clear that it will not interfere with the normal operation of the market. The Government's tin stocks will undoubtedly play a role in this deal by enabling Britain to meet its obligation to America without having to buy from the market immediately, particularly as the Chancellor of the Exchequer announced last November that further stockpiling was to be reduced.

* * *

Towards Sufficiency in Steel?

American imports of the dimensions reported should go a long way towards bridging the gap between shortage and sufficiency of steel in Britain this year. Estimates of steel output and supplies in 1952, at present, are even more than usually tentative. Even to maintain output at the 1951 level of 15,640,000 tons would require an extra 570,000 tons of steelmaking pig iron and scrap, since stocks were drawn upon to this extent during the last twelve months. Imported scrap supplies may decline further, below the 550,000 tons brought in last year, and there seems little prospect of any considerable increases in supplies from steelworks or bought within Britain. In total, scrap supplies during 1952 may be 100,000 tons less than the 9,140,000 tons used last year: so that a steel output of 16 million tons depends upon an increase in pig iron output of at least a million tons. Blast furnace capacity will be available for this increase; but the furnaces will need more than 10 million tons of imported ore and further increases in coke supplies. Contracts had been made for some 9.6 million tons of ore from abroad, before the Washington talks, so that this total of 10 million tons should be practicable.

STEEL SUPPLIES, 1950, 1951 AND 1952
(Million Ingot Tons)

	1950 (Actual)	1951 (Estimate)	1952 (Forecast)
Production	16·29	15·64	16·00
Drawings upon producers' stocks	0·10	0·50	...
Imports	0·56	0·55	1·5
Secondhand and re-usable material	0·48	0·50	0·5
Total Deliveries	**17·43**	**17·19**	**18·00**
Deduct : Exports	3·25	2·65	2·50
Home deliveries	**14·18**	**14·54**	**15·50**

Source : British Iron and Steel Federation.

The British Iron and Steel Federation, therefore, is cautiously hopeful that 16 million tons of steel can be pro-

duced in Britain this year. It has produced estimates on the basis of 1,500,000 ingot tons of steel imports (half from America and the rest from France, Belgium, Germany and Japan) which, as the Washington reports suggest, may be conservative. But even this would imply total supplies of some 18 million ingot tons of steel. Presuming that steel exports are held down to about 2,500,000 tons—which is a slightly higher rate of export than took place during the last six months of 1951—that would ensure to British steel consumers a total of some 15,500,000 ingot tons of steel.

* * *

Steel Consumption and Prices

If 15,500,000 ingot tons of steel, or even more, can be delivered to consuming industries in Britain this year, supplies may be greater than at any time since the war. If some shortage is held to remain in an economy receiving at least 15,500,000 tons of crude steel, or some 11,200,000 tons of finished steel, that is an indication of the heroic tasks the Government is expecting the industries that use steel to perform in the coming months. Estimates of steel consumption are liable to considerable error, because changes in consumers' stocks are not easy to trace. But in 1950, according to the Treasury, about 10,500,000 tons of finished steel were used; the British Iron and Steel Federation, in one detailed estimate that may in aggregate have been slightly high, put consumption at 10,725,000 tons for that year. According to the Treasury, a 4 per cent rise in industrial production, such as was expected last year, would "cost" about 200,000 to 250,000 tons more steel. On that basis, steel consumption in industry in 1951 might have been 10,750,000 tons of finished steel, which roughly accords with some estimates within the industry; but consumers do appear to have drawn fairly heavily on their stocks, and some estimates in Whitehall put steel consumption last year not much below 10,900,000 tons of finished steel.

How much steel will be needed in 1952? In a year of rearmament, the Treasury estimates on somewhat debatable grounds, a given increase in industrial production will require a rather higher ingredient of extra steel: assuming perhaps 500,000 tons instead of 200,000, that might indicate requirements of some 11,400,000 tons of finished steel. On this reckoning, not even the promised supplies of American steel would quite close the gap. The amount of steel that British industry could usefully consume, of course, is not limited by any specific defence plan or any export target: its only limit will be the engineering capacity and labour that can be brought to bear. The original estimates from which a 1,500,000 ton shortage of finished steel was derived have never been published: they will necessarily have been based upon the gloomiest expectations regarding output and imports, and conversely upon the most hopeful prophecies of steel consumption in defence, exports and essential home uses. But the promises of imports and hopes of output that have now somewhat eased the situation will not be followed by any change of policy regarding steel allocations, though industries may receive more steel in perhaps the third period of allocation on account of these extra supplies. The Government is eschewing overconfidence about relieving this shortage: moreover, steel allocation appeals to it as a slightly less clumsy lever than most physical controls for changing the pattern of output of metal goods towards the one that it considers the country will need in 1952.

Fairly considerable increases in the price of steel must soon be expected. Rises in the prices of scrap, coal, transport, and fuel oil, and in wages tied to the cost of living have taken place in Britain since the last rise in price was announced in August; the price of imported ore has mounted to an extremely high figure; and the steel imports will be very costly. With American steel costing about £26 a ton more than the British price at which it will presumably be sold, and other prices of foreign steel imports nearly as much, 1,500,000 tons of imports next year may cost some £35 million more than steel consumers here will pay for it. This loss, which used to be borne by the Government, will now presumably be borne upon British steel prices. It seems rather questionable whether, in a period of acute shortage, with steel shared out by an elaborate and complex rationing system, consumption of marginal foreign steel should be encouraged by selling it at roughly half its world price.

* * *

New Issues Hit the Markets

The 1952 offensive upon the new issue market, some sectors of which have lately been licking their wounds after the recent shocks, opened with a bang this week, when Imperial Chemical Industries and Associated Electrical Industries announced "rights" issues to ordinary shareholders involving together over £27 million of new money. Previously, the new season had been marked chiefly by the evading tactics of English Electric, which, after the lesson of the Unilever debenture issue, placed its own £3 million of 4½ per cent debenture stock, 1972-1977, privately with the Prudential Assurance Company and its nominees (though it also raised some £3,250,000 more by an offer to equity shareholders). Now comes a frontal assault by the big battalions, in face of which the equity markets retreated further (the Ordinary share index of the *Financial Times* has this week fallen from 118.8 to 116.0), and the timid advance of gilt-edged was reversed. Wednesday's fall in industrial "blue chips" was, indeed, the heaviest for more than a month.

Ordinary shareholders in ICI are being offered 10,093,023 new £1 ordinary shares at 40s. 6d. a share in the proportion of one new share for every £6 of stock held, so that the rights calculated on Tuesday's price were worth only 6d. a share. This slender turn has to be weighed, however, against the extent of the yield of nearly 5½ per cent on the eve of the announcement; the yield has since widened to nearly 5¾ per cent. The issue has been underwritten The AEI issue consists of 2,217,649 new £1 ordinary shares to be offered to ordinary shareholders at 60s. each in the ratio of one new share for every £3 of stock held. The directors expect that the dividend of 20 per cent, offering a yield of £5 3s. per cent, will be maintained on the increased capital. With fears of monetary pressures to come, the market took due note of the fact that £2 million of the issue proceeds of £6,652,947 will be used to repay outstanding bank loans. Nor was this all. British Insulated Callender's Cables, as the first step towards a rights issue "at a suitable time and place," is asking its shareholders to agree to an increase in authorised capital to £17,500,000 by the creation of five million additional £1 ordinary shares. Plainly, this first assault on the new issue market is large; but the pressure is likely to build up still further.

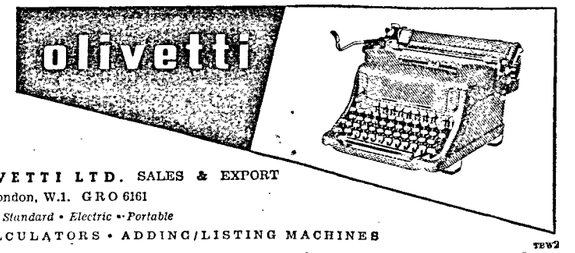
* * *

Frankness from Bankers

The annual statements from the bank chairmen that have so far appeared shed little additional light upon the workings of the new monetary policy, but they show, as expected, a general approval of what is being done. Only one of the "Big Five" statements is yet available, that from Mr A. W. Tuke, of Barclays, whose maiden address as chairman reveals a frankness and an ironic humour that clearly mark him as a most notable addition to the authors of these annual broadsides from the banks. Glancing back in critical mood over the postwar years, he remarks that "one cannot imagine a more opportune period" for the application of monetary discipline; and he has "great hope that its adoption at the eleventh hour may yet put our economy on a sound basis." The direction of the wind, he remarks, has now changed; the banks are "within sight of the time when liquidity may once again be a serious factor" in the conduct of day-to-day bank-

A good secretary deserves a really good typewriter

Olivetti typewriters are beautiful—to look at and to handle. For over 40 years they have been earning a world-wide reputation for fine design and workmanship. Good typing comes naturally on an Olivetti.



BRITISH OLIVETTI LTD. SALES & EXPORT
10 Berkeley Square, London, W.1. GRO 6161
TYPEWRITERS: *Standard • Electric • Portable*
PRINTING CALCULATORS • ADDING/LISTING MACHINES

TEW2

BARCLAYS BANK LIMITED

Anthony William Tuke, *Chairman.*
Frederick Cecil Ellerton, *Deputy Chairman.*
Cuthbert Fitzherbert, Anthony Charles Barnes, D.S.O., O.B.E., *Vice-Chairmen.*

General Managers:
G. F. Lewis, R. G. Thornton, J. D. Cowen, E. Brimelow.

Statement of Accounts, 31st December, 1951

LIABILITIES	£
Current, Deposit and other Accounts	1,284,691,537
Acceptances, Guarantees, Indemnities, etc., for account of customers	64,207,500
Paid-up Capital	15,858,217
Reserve Fund	13,750,000
ASSETS	
Cash in hand and with the Bank of England	107,663,234
Balances with other British Banks and Cheques in course of collection	52,125,546
Money at Call and Short Notice	89,481,000
Bills Discounted	237,686,175
Treasury Deposit Receipts	22,000,000
Investments	415,244,694
Advances to customers and other Accounts	367,157,760
Investments in Subsidiaries :—	
The British Linen Bank	3,728,558
Other Subsidiaries	9,058,778
Other Trade Investments	1,588,670
Bank Premises and adjoining Properties	8,565,339
Customers' Liability for Acceptances, Guarantees, Indemnities, etc.	64,207,500

HEAD OFFICE: 54 LOMBARD STREET, LONDON, E.C.3

ESTD. 1829

DISTRICT BANK

LIMITED

Subscribed Capital	*£ 10,560,428*
Paid-up Capital	*£ 2,976,428*
Reserves	*£ 3,600,000*
Deposits	*£238,574,427*
Total Assets	*£258,799,584*

31st DECEMBER, 1951

EVERY BANKING FACILITY

HEAD OFFICE: SPRING GARDENS, MANCHESTER, 2
PRINCIPAL LONDON OFFICE: 75, CORNHILL, E.C.3
PRINCIPAL LIVERPOOL OFFICE: 3, WATER STREET

GLYN, MILLS & CO.

BANKERS
ARMY and ROYAL AIR FORCE AGENTS
Established 1753

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES, 31st DECEMBER, 1951

LIABILITIES		
Capital		£1,060,000
Reserve Fund		1,060,000
Current, Deposit and Other Accounts		77,237,205
Liability for Acceptances, Engagements, etc.		7,619,480
		£86,976,685
ASSETS		
Cash in hand and Balance at Bank of England		£7,234,987
Balances with, and Cheques in course of Collection on, other Banks in the British Isles		4,019,869
Money at Call and Short Notice		20,751,000
Bills Discounted		3,368,057
Treasury Deposit Receipts		500,000
Investments :—		
British Government Securities		19,534,240
Other Securities		986,254
Advances to Customers and other Accounts		22,267,798
Bank Premises :—		
Freehold	£620,000	
Leasehold	75,000	
		695,000
Liabilities of Customers for Acceptances, Engagements, etc.		7,619,480
		£86,976,685

HEAD OFFICE: 67, Lombard Street, London, E.C.3.
CHILD'S BRANCH: 1, Fleet Street, London, E.C.4.
HOLT'S BRANCH: Kirkland House, Whitehall, S.W.1.

Associated Banks:
Royal Bank of Scotland: Williams Deacon's Bank Limited

Williams Deacon's Bank Ltd.

(Member of the London Bankers' Clearing House)

GOVERNING OFFICE: MOSLEY ST., MANCHESTER.
PRINCIPAL LONDON OFFICES:
20, BIRCHIN LANE, E.C.3 — 9, PALL MALL, S.W.1.

OVER 200 BRANCHES

CAPITAL ISSUED	£8,125,000
CAPITAL PAID UP	£1,875,000
RESERVE FUND	£1,875,000

TOTAL ASSETS
£155,338,656
31st December 1951

Associated Banks:
The Royal Bank of Scotland; Glyn, Mills & Co.

ing. Sir Walrond Sinclair, of Williams Deacon's Bank, makes the same point, though with different emphasis. After pointing out that the sharp decline in bank liquidity brought about by the funding issue was bound to make the banks "cease to be willing lenders," he describes this and the other monetary measures as important steps "on the road to deflation," whereas Mr Tuke speaks of taking "some" of the inflation out of the system. Two other bankers also put the emphasis on moderation in objectives. Sir Thomas Barlow, of the District Bank, describes the purpose as "gradual disinflation," not "drastic deflation," while Mr A. H. Bibby, of Martins, emphasises that there is no intention to cause "disorganisation of trade by the sudden withdrawal of banking facilities." Because of the false comparisons that the public is prone to make with 1931, the last year in which orthodox discipline was being used (or abused), it is doubtless wise to give reassurances of this kind; but it is important not to reopen the door for the wishful thinking and specious argument that have proved so dangerous in recent years.

It is difficult, too, to accept, save in small measure, two pleas from Sir Thomas Barlow—first, that the domestic markets for consumer goods should be handled "judiciously," lest their narrowing should injure export markets by raising costs; and, secondly, that Japan should "in her own long-term interests" moderate the re-expansion of her textile capacity. In contrast with such familiar hints of the desire that still lurks for further planning in particular spheres, Mr Tuke's frank attack on the planning of the past five years comes as a breath of fresh air. Among many telling points that he makes, one passage is perhaps typical of his line of approach:

> I have no belief in the efficacy of any central control of all the manifold wants of 50 million people by means of mass permits, coupons and licences, no longer considered merely as necessary evils to be tolerated in time of war and other grave crisis and to be abolished as soon as possible when the crisis is over, but as weapons with which to repress the antisocial tendencies of those who are so eccentric as to wish to spend their own money in their own way.

Mr Tuke's address deserves a wide audience. It is not only among politicians of the Left that the principles and techniques of economic freedom need to be re-learnt.

* * *

Exports and the Deficit

Britain's export industries have recorded a magnificent achievement in 1951 despite the difficulties they experienced in certain markets. When the Economic Survey last April suggested that total exports and re-exports ought to reach £2,750 million, nobody expected this figure, which represented an increase of 27 per cent on 1950, to be attained. Even the architects of the survey covered themselves with the phrase: "This will call for a strenuous effort." In fact, however, total exports and re-exports amounted to £2,707 million, according to the provisional figures published last week-end—not much below that hardly attainable objective. Exports alone amounted to £2,580 million or 19 per cent more than in 1950, and re-exports to £127 million or 49 per cent more. The import bill was forecast nine months ago at £3,200 million (f.o.b.) after allowing £600 million for a rise in prices. In fact, imports in 1951 amounted to £3,917 million (valued c.i.f.) or roughly £3,500 million (f.o.b.).

These figures suggest that the worst fears about the deficit have not materialised. Without the details published in a balance of payments white paper, it is possible to make only an approximate estimate. But from the provisional figures for 1951, the deficit on visible trade appears to have been of the order of £800 million, compared with £338 million for the first half of the year. An important unknown factor is invisible earnings. In the first six months of 1951 they yielded a net surplus of £216 million, but they are known to have decreased in the second six months, firstly because of the smaller overseas earnings and secondly because of the cost of the Persian oil dispute. If net invisibles for the year are put at £350 million the total deficit would be of the order of £450 million.

But the most enlightening fact to be gleaned from these figures is that Britain's deficit last year was almost entirely due to the deterioration in the terms of trade. Admittedly the volume of exports increased by only 3 per cent compared with an increase of almost 4 per cent in industrial output. If less had gone on to the home market the gap would have been smaller. On the other hand, the volume of imports rose by 15 per cent and their value by 50 per cent. If the terms of trade had remained at the same level as in 1950, Britain's visible deficit would have been only £375 million and the total deficit (assuming, again, a net surplus on invisibles of £350 million) would have been only £25 million. Deterioration in the terms of trade, therefore, cost Britain some £400-£500 million. If, as seems likely, the terms of trade are again moving in Britain's favour, less difficulty might be experienced this year in balancing the overseas accounts.

* * *

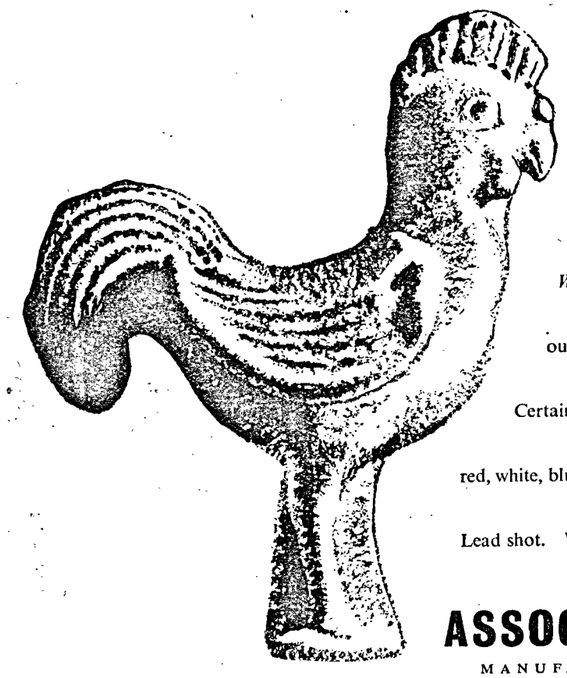
More Trade with the Dollar Area

Exports to North America also increased last year. They amounted to £274 million, or 15 per cent above the 1950 figure. This was less than the average rise in exports to all areas partly because trade with Canada increased less than with the United States. Shipments to the United States increased by 21 per cent, as against an increase in total exports of 19 per cent. The total, £136 million, was only slightly below the total value of shipments to Canada, which amounted to £137 million, only 9 per cent more than in 1950. The success of the dollar drive was the more impressive in that sales resistance was experienced in both the United States and Canada throughout the greater part of 1951. Again, both countries curbed instalment credit, a policy that had a direct impact on the sales of British cars.

But the declining trend in dollar exports in the last half of the year is a none too welcome sign. Exports fell slightly in the third quarter and dropped sharply in the fourth. Britain's actual dollar receipts will be slightly smaller than these figures suggest, because a few thousand British motor-cars that were exported to Canada had to be brought back to this country. But in the trade figures they are still recorded as exports. If, as seems likely, the American public returns to its normal spending pattern later this year, British exports might well recover. This dollar drive has, of course, important implications for the sterling area as a whole. Britain is the sterling area's largest dollar spender. It is now not only the largest dollar earner, but it has also increased its dollar earnings more steadily than any other member of the sterling area during the past three or four years. Even so, it still has a sizeable dollar deficit.

BRITISH EXPORTS TO NORTH AMERICA
(£ Million—Monthly Averages)

	To USA	To Canada	Total
1950 :—			
1st quarter	6·7	8·5	15·3
2nd "	7·3	10·2	17·5
3rd "	10·9	10·9	21·8
4th "	12·8	12·3	25·1
1951 :—			
1st quarter	11·2	9·5	20·7
2nd "	12·5	13·6	26·1
3rd "	11·4	13·0	24·4
4th "	10·4	9·6	20·0



Cockadoodledon't . . .

We don't know everything about this bird . . . though it stands in our reception room at Finsbury Circus. Certainly it is ancient. Certainly it is oriental. Certainly it is cast in solid lead. **Lead . . .** red, white, blue lead. Lead glazes and paints. Lead solders and lead soldiers. Lead shot. We *do* know about these; after all we—cockadoodledoo!—are

ASSOCIATED LEAD

MANUFACTURERS LIMITED

ASSOCIATED LEAD PRODUCTS

SPECIALISTS IN THE MANUFACTURE OF LEAD AND ANTIMONY PRODUCTS

THE CASE OF THE CAPTIVE CRUISER

Was there a "secret weapon" to set her free?

HIS MAJESTY'S Dockyards, serving one of the largest naval forces in the world, were faced with a serious problem.

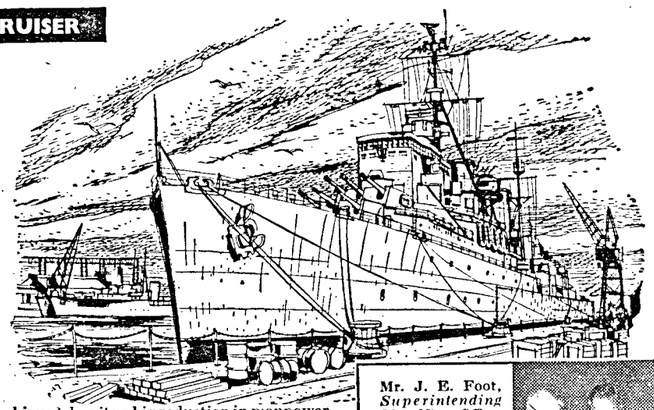
World War II had suddenly increased their inventory of ships' supplies to almost 300,000 items. Handling this increase with hand accounting methods had become almost impossible despite extra manpower and overtime.

As a result, the movement of stock to keep ships supplied was held up by paperwork.

To free these ships, a new accounting system was needed at once. The Admiralty directed an immediate investigation of all methods and systems. Machine accounting specialists of Burroughs Adding Machine Ltd. were called in.

After investigation, Burroughs specialists suggested a simplified system for handling stock cards and ledgers. They specified Burroughs High Speed Accounting Machines, Duplex Adding Machines and Adding-Subtracting Machines for the job. The authorities acted on these recommendations.

Today, the issue of supplies in the Royal Dockyards is never held up by paperwork. Increased speed of inventory accounting has been achieved despite a big reduction in manpower.



Mr. J. E. Foot, *Superintending Naval Store Officer of one of H.M. Dockyards, examines one of his Burroughs High Speed Accounting Machines.*

With him on the right is Mr. S. F. Harmer-Elliott, *one of the Burroughs men who helped solve the Case of the Captive Cruiser.*

WHAT ABOUT YOU? If you think your business could benefit from faster figuring, call in Burroughs. They can advise you on all the latest machines and systems, for Burroughs make the world's broadest line of modern record-keeping machines; Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm equipment.

Call in Burroughs today. Sales and service offices in principal cities around the world.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1.

For expert advice in *any* field of business figures

***CALL IN* Burroughs**

Freer Exchange Facilities

New exchange facilities for authorised dealers introduced by the Bank of England during this past week will appreciably help to ease one of the more serious of the frictions experienced on the foreign exchange market since its re-opening in mid-December. Under the arrangements then introduced, the only overseas banks outside the sterling area with which the London banks were authorised to deal in exchange were those of the American account countries—in the two dollars only. In other currencies, therefore, the only means open to a London bank of finding a counterpart for its spot sales or of covering its spot or forward positions was by dealings with other banks in London or the overseas sterling area or with the Bank of England. This isolation of the London market from the markets in whose currencies the banks were dealing produced some odd results. Apart from many other resultant frictions, it left the balance of supply and demand arising from trade transactions in each currency to be settled—or at least strongly influenced—by practice in commercial invoicing. If, for example, Swedish exporters to Britain invoiced mainly in kroner, while British exporters to Sweden invoiced mainly in sterling, the trade demand for kroner on the London market was bound to exceed the London trade supply even if exports and imports were in balance. Frictions arising from such fortuitous factors as these largely explained the anomaly that many continental currencies, though obviously over-valued in terms of sterling, persistently stood in the London market at or near the lower of the official rates, since almost the only source of supply of exchange in London was the Bank of England. In currencies that are basically strong (such as the Belgian franc) the technical shortage in London has been very acute indeed.

The Bank of England's efforts to ease these technical difficulties have not yet extended so far as had at first been hoped, but the changes now made will aid the markets in French and Swiss francs and the three Scandinavian crowns—as well as in the so-called "unspecified" currencies (notably those of Germany and Italy). British authorised dealers, when operating in these currencies, may seek cover not only in the ways previously permitted but also by dealings with banks in the monetary area of the currency concerned. In the Scandinavian currencies, however, this facility at present extends to spot transactions only. It should also be emphasised that in no instance may a London bank cover by dealings with an overseas bank in a currency of a "third" country: there is no scope for three-point arbitrage.

The arrangement with the Scandinavian area, though it still excludes forward dealings between London and the overseas markets, has enabled the Bank of England to widen the spread of its buying and selling rates in each case so as to bring it roughly into line with the pattern set by the dollar quotations introduced on December 17th. Until the end of last week, the official rates for the three crowns had remained at the same narrow spread as before, and market dealings had continued to take place on this basis. The immediate effect of the new facilities for bilateral international dealings, since they implied a freer supply of these currencies, was to drive the forward quotations from a premium to a small discount, but a subsequent slight recovery has carried the middle forward quotation to par. The spot rates now quoted by the market are of course much narrower than the old official rates, but each of the currencies stands a shade above par, though below the maximum value set by the Bank's official selling rate. In the market for French francs, the new freedom provoked an immediate and sharp depreciation, from 973 fr. to 986½ fr., compared with the (unchanged) official limits of 972-88 fr., while the forward discount for one month widened from 6 to 7 fr.

* * *

Manpower Last Year

Between August and November of last year, manpower was moving into the "metals, engineering and vehicles" section of industry at the rate of about 22,000 workers a month. It is too soon to judge whether this represents a continuing trend, and it must be noted that in the same four months of 1950 this group of industry increased its manpower even more (by some 28,000 a month). But the increase in 1950 did take place during a period while the output of those industries as a whole was rising much less than a year before. It may be, therefore, that the industries within the group most busy on defence work may have gained proportionately more labour. No detailed figures of employment within different sections of engineering are as yet available for November last. But the total influx of workers into engineering, considering the slow buildup of rearmament production, may not in general have been seriously insufficient, though serious shortages remain in aircraft manufacture and there is a continued shortage of skilled workers in machine tool factories.

Over the first eleven months of 1951 the changes in distribution of the working population can hardly be considered as particularly suited to a rearming economy. Employment in mining and in transport rose slightly, but both remained short of workers. The metals group gained 86,000 workers: despite the quickening of its increase in the last half of the year, this was insufficient. The building labour force grew by 42,000, which in a period of almost stable output may indicate some drop in productivity: and the distributive trades, professional and financial services, and public administration all made minor gains in manpower. Some regulation of engagements, by requiring employers to take on workers through labour exchanges, can be expected. This is being advocated partly to prevent "poaching" of workers by employers ready to offer special inducements. That can be reprehensible: but in the cases of some of the essential industries most short of labour, such as aircraft and machine tools, some encouragement of economic incentives to attract workers might not be amiss.

CIVIL EMPLOYMENT IN BRITAIN
(Thousands)

Industry or Service	Mid 1948	End 1950	End Oct., 1951	End Nov., 1951
Coalmining	795	762	767	769
Other mining and quarrying	80	80	80	80
Gas, electricity and water	312	361	366	369
Transport and communication	1,808	1,776	1,790	1,787
Agriculture and fishing	1,235	1,129	1,154	1,118
Total Basic Industries	*4,230*	*4,108*	*4,157*	*4,123*
Chemicals and allied trades	444	484	501	502
Metals, engineering and vehicles	3,935	4,086	4,171	4,192
Textiles	936	1,033	1,022	1,015 *
Clothing	662	714	695	685
Food, drink and tobacco	723	803	829	830
Other manufactures	1,399	1,500	1,528	1,524
Total Manufacturing	*8,099*	*8,620*	*8,746*	*8,748*
Building and contracting	1,463	1,409	1,449	1,442
Distributive trades	2,523	2,654	2,653	2,678
Professional, financial and miscellaneous services	3,938	3,915	3,935	3,920
Public Administration :—				
National government	696	631	641	642
Local government	735	763	770	771
Total in Civil Employment	**21,684**	**22,100**	**22,351**	**22,324**

Source: Ministry of Labour.
* Cotton, 336,000; Wool, 202,000; other textiles, 477,000.

* * *

EPU in December

The sterling area's balance of payments with Europe again improved slightly in December. The United Kingdom was saddled with a deficit of just over £53 million at the month's EPU accounting or some £8 million less than in November and £36 million less than in October. Unfortunately, however, Britain's cumulative accounting

deficit with the Union, now at over £254 million, has plunged well into the fourth "tranche" of its quota, where 60 per cent of the current deficit has to be met in gold. Gold transfers to the Union in December, at $75 million (or £26.8 million), were therefore some $13 million higher than in November, despite the drop in the current deficit.

France, Britain's EPU partner-in-distress, had an even gloomier December; its current deficit rose from $48 million to $69 million, and its gold payments from $2 million to nearly $14 million. The Belgian surplus, at $57 million, was $23 million less than in November, but it was still ballooning well above the $20 million that Belgium can take from the Union in gold. For the rest, Denmark, the Netherlands and Germany—three problem children in the early days of EPU—all improved their positions further, while the gold payments by Britain and France increased the Union's liquid resources from the dangerously low level of $180 million to $210 million. For the moment, therefore, fears of imminent insolvency for the Union will be partly allayed.

* * *

Egypt Asks for More

Egypt's currently available sterling has now fallen below £45 million. Under the terms of the agreement reached with Britain last July, it has therefore been able to request a release of £5 million from its blocked sterling balance of about £205 million. This request has been granted. It may be, however, that this is all that Egypt will get until December 31st. It was agreed last July that Egypt could draw another £10 million (making £15 million in all) during the calendar year 1952. Egypt recently asked for all of this straightaway, in January. The Treasury announced last week that it would have to wait. It would probably be a mistake to suppose that Egypt's financial position will be so severely affected by this decision that it will be diverted one whit from its present political escapades, but the British Government clearly has every right to refuse to go beyond the strict letter of its past pledges; those pledges were, in any case, overgenerous in the first place.

* * *

Retail Trade

It has become difficult to draw any long-term conclusions from the month to month variations in retail trade. The Board of Trade index for retail sales in November (1947=100) shows a rise of 11 points, from 146 in October to 157 in November. The index is ten points higher than it was twelve months before; but by all accounts trade last November was disappointing. This is largely because October sales failed to show the recovery normal at that time of year; thus the subsequent improvement in November was not sufficient to make up for the ground lost. The total sales index rose as much as it did largely because of the increase in food prices. The index of food sales rose from 147 in October to 156 in November. In November, 1950, it stood at only 138.

The retail slump, serious though it may be, is confined to clothing, textiles and furniture. The clothing sales index rose nine points in November to 176; a year before, when prices were on average 30 per cent lower, the value of sales was two points higher. Sales of furniture and furnishings, which include household textiles, hardly changed during the two months but the November index, at 148, showed that sales have fallen 18 points compared with a year earlier. But these comparisons with a year ago can be misleading. From September, 1950, to April, 1951, retail trade experienced one of its biggest booms, and in November, for example, there was a good deal of panic buying in addition to normal seasonal purchases of winter goods. Taken over the retail year, these few weeks of high sales may well have offset the disappointing experiences of recent months. The price levels of the heavily advertised winter sales show that retailers themselves are not prepared to stand any appreciable losses simply in order to convert stocks into cash with which to buy new merchandise. Although the value of stocks of all kinds of clothing was considerably higher last November than in November, 1950, retailers are not disturbed by their present size. Many believe that the fall in textile sales can be written off as the inevitable reaction to the high level at the beginning of 1951, a reaction aggravated by the unseasonable summer and winter weather that followed. When rearmament production is under way, it is expected to release more purchasing power for consumer goods, particularly in the Midlands. Retailers are, however, refraining wherever possible from placing firm orders for new goods until they have actual evidence that such a revival has taken place.

* * *

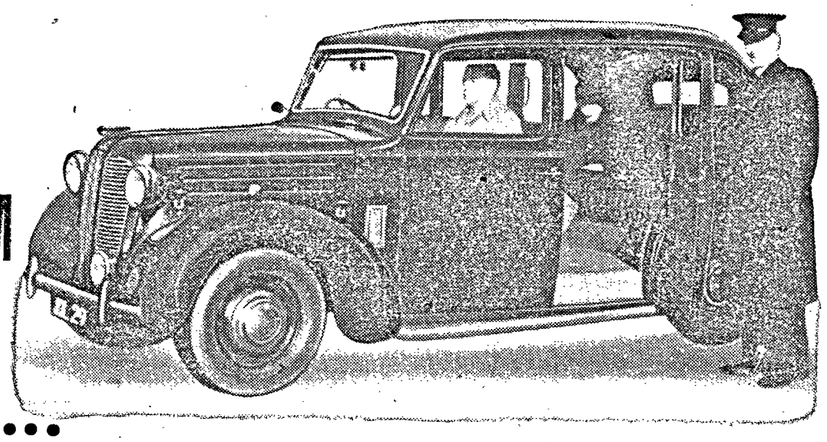
"No Substitute for Wool"

The news of a recent prosecution in the Great Marlborough Street Police Court appears to have taken some time to travel from London to Yorkshire, where it has profoundly disturbed sections of the wool industry. In mid-December a London mail order firm was summoned under the Merchandising Marks Act for advertising as "woollen," dresses that were made up of cloth containing in one case 74 per cent of rayon and only 26 per cent of wool, and in the second case 49 per cent of rayon and 51 per cent of wool. The summons was brought by the Retail Trading Standards Association, a body whose membership includes most of the big department stores and a number of textile manufacturers. The chief function of the RTSA is to keep watch for the deliberate or unintentional mis-description of goods. An excess of enthusiasm has, for example, led a reputable London store and an equally reputable cloth manufacturer to describe as "silk jersey" and "silk tweed" goods which were in fact made wholly of rayon. But the case of wool cloth is an extremely difficult one. There is no standard definition, as there is for cloth made from any other fibre, and in spite of several years' work on one the British Standards Institution has made little headway, in face of the apparently irreconcilable views of the RTSA and the wool industry.

The RTSA takes the view that a cloth ought not to be described to the public as "wool" unless it contains at least 97 per cent of wool. Otherwise it should be described as "wool/rayon" or "rayon/wool" according to the predominating fibre. Sections of the wool industry accept this definition; the greater part rejects it on the grounds that it cuts across accepted trade practice. At the lowest end of the scale, this "trade practice" derived some official sanction from price control orders introduced by the Board of Trade during the war. It was laid down then that any cloth containing more than 15 per cent of wool came under the wool orders, otherwise it was classed with cotton or rayon. With the increasing use of mixture cloths Yorkshire likes to be free to think of wool cloth in terms of a wool content of 15 per cent or more as against the RTSA's 97 per cent "wool."

Discussions under the aegis of British Standards Institution over the past three or four years have convinced the more responsible members of the wool industry that nothing but harm can come from clinging to what has become an indefensible position, and the official view of most bodies in the industry is probably closer now to that of the RTSA than it has ever been before. The chances of an early agreement are in fact excellent if the industry's backwoodsmen can be converted to this way of thinking. Comments on the recent case in the local and trade press have loudly questioned the competence of a London magistrate to arbitrate on such a highly technical question, arguing that the term "woollen," (applied incidentally) to dresses advertised

YOUR FIRM needs this car...



A works or office car is an essential to the well run modern business. Austin build this special car which is exactly right for the job. With its two folding seats, it takes six in comfort and there is room for two more on occasions. Its 68 b.h.p. O.H.V. engine and great manoeuvrability ensure that it is always on time. This Austin is more impressive—more efficient at its job—than an ordinary saloon. Delivery is better, too. See your dealer today. This Austin is also the perfect Hire Car, for dependable day and night service.

AUSTIN

—you can depend on it!

THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM

"They tell me Brown's retiring next month."

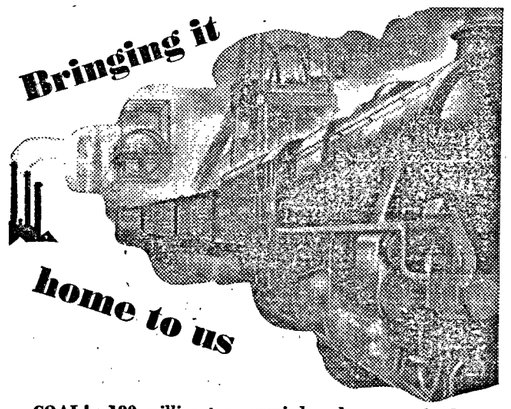
"Lucky chap to be able to afford it!"

Not lucky, really — just sensible. He had a Scottish Mutual Personal Pension Policy easily paid for from his annual income. Now he will enjoy a reasonable standard of living in his retirement. Write for further details to:

The Scottish Mutual Assurance Society Ltd.

Dept. N, 109 St. Vincent Street, Glasgow, C.2

Bringing it home to us



COAL! 180 million tons carried each year — for heavy industries, lighting, cooking and heating, fuel for the manufacture of countless articles for the export drive and domestic use.

To cope with the gigantic and urgent task of transporting fuel and other freight, amounting to some 300 million tons annually, British Railways are having to divert train crews from passenger to freight services. Yet nearly 1,000 million passengers a year must also be served — and this despite a severe staff shortage.

Busiest Railway System in the World

BRITISH RAILWAYS

Explore the Australian Market
— *FROM YOUR DESK*

Before making plans to visit or establish in Australia, you will naturally wish to make a preliminary survey of the prospects.
Like other business men, you can use our fully equipped information service at 7 Lothbury, London, E.C.2, for every aspect of Australian commercial intelligence.

The NATIONAL BANK OF AUSTRALASIA Limited
(*Incorporated in Victoria*)
Established 1858
Other London Offices: Australia House, Strand, W.C.2 and 8 Princes St., E.C.2
Over 630 Offices in Australia. Assets £288 Million

A SAFETY FIRST INVESTMENT
2¼% per annum
Income tax paid by the Society

Equal to £4.5.9 per cent. to Investors subject to income tax at the Standard Rate

Sums up to a total holding of £5,000 are accepted for investment in the Abbey National. For further particulars, apply for a copy of the Society's Investment Booklet and Balance Sheet.

Total Assets £122,000,000 Reserves £6,656,000

ABBEY NATIONAL
BUILDING SOCIETY
HEAD OFFICE:
ABBEY HOUSE, BAKER ST., LONDON, N.W.1
For address of local office see Telephone Directory

CVS-284

Catch him when he calls next door

He calls at 6,000,000 British homes.
On anything to do with insurance he is the man people look to for friendly advice. Often his help is sought on other matters as well. It is all part of the service he gives.
You may wish to provide something for your family, to insure your home against fire, to make arrangements for your retirement—whatever it is, his knowledge and experience are yours for the asking.
One of your neighbours will put you in touch with him—

Ask the man from the **Prudential**

FACTS ABOUT AUSTRALIA

OVER
8,000,000
POPULATION

During the last four years, Australia's population has increased by 6½%, with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1.

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5102E

under the slogan "There is no substitute for wool") was merely an indication that the yarn was spun on a "woollen" and not a "worsted" system. The success of the prosecution must, however, have greatly strengthened the hand of the moderate wool men in convincing their colleagues of the need for a settlement, and there is a good chance that the industry will be able to put forward proposals for a standard definition of "wool" cloth and of the terms "woollen" and "worsted" that will at long last be acceptable to all sides.

* * *

Less Wheat for Export

The wheat market has been rather unbalanced by a poor crop in Australia and a bumper crop in Canada, and this at a time when a number of importing countries are afflicted with their recurring anxieties about dollars. Under the international agreement, Australia is the main supplier of sterling wheat. The first official estimate for 1951-52 put the crop at 166¾ million bushels, a figure at least 20 million bushels above the previous unofficial forecasts but some 17 million bushels lower than in 1950-51. The yield per acre was the second highest of the postwar period; the main cause for the smaller output has been the decline in acreage. The area under wheat in Australia has fallen steadily from 13,880,000 acres in 1947-48 to 10,240,000 acres this year and this apparent long-term trend can hardly fail to raise doubts in the minds of those who look to Australia as a source from which dollar wheat might be replaced. There are several reasons for this trend but the most important ones are apparently the relatively high price for wool—the price rose almost steadily from 1946 to last March, while wheat is now lower than it was in 1947—and the shortage of machinery and fertilisers.

Despite this season's small crop, Australia should be able to meet its obligations under the wheat agreement, though with no margin. Domestic requirements usually account for about 80 million bushels, leaving 86¾ million bushels for export. Australia's export quota under the agreement is 88 million bushels a year; the small balance would have to come from stock, and the carry-over from last season amounted to 60 million bushels. But that would leave nothing for sale in the "free market" which pays a higher price than the agreement maximum of US $1.80 a bushel, unless the Australian Wheat Board decides to run down its stocks. The real problem will arise next year if the Australian acreage continues to decline and if it is not offset by any improvement in yield.

For the current season any shortage in Australia could be made good by Canada, where the wheat crop this season reached 562 million bushels, some 100 million bushels more than in 1950-51. Allowing for changes in stock and domestic requirements, Canada's exportable surplus is estimated at 524 million bushels against 378 million bushels twelve months ago. Only 40 per cent of this amount is committed under the international agreement. To complete the picture of world supplies of wheat, the American crop at 991 million bushels is 36 million bushels less than in 1950-51 but domestic requirements are expected to increase by nearly 50 million bushels, so that the United States might have up to 100 million bushels less for export. Supplies from Argentina will also be much smaller this season and the exportable surplus is at present estimated at a little over 30 million bushels compared with 120 million bushels in 1950-51. According to George Broomhall's *Corn Trade News* Russia, is expected to be able to export 40 million bushels against 22½ million bushels twelve months ago. In total, exports may be some 110 million bushels smaller than last season.

The main problem will be to find dollars to buy Canadian wheat and during the coming months there might be a marked divergence between dollar and sterling prices for wheat on the free market. As for Britain, it has already undertaken to buy 113 million bushels from Canada under the agreement—its total import quota is 177 million bushels—and the remainder will presumably come from Australia.

* * *

Oil Output Record

Despite the suspension of oil operations in Persia since last July, world crude oil output in 1951 once again established a new record—nearly 594 million metric tons, more than double the 1938 figure and 70 million tons more than in 1950. The Persian stoppage held down the rate of increase in the Middle East, but a remarkable expansion in output from Saudi Arabia (from 26 million tons to 38 million tons) and in Kuwait (from 17 million tons to 28½ million tons) virtually made good the loss of Abadan. Both of these countries have now achieved a rate of output greater than was ever attained in Persia; Saudi Arabia is running at about 44 million tons a year and Kuwait at about 36 million tons a year.

North American production still amounts to more than half the world total, and in 1951 it rose by 14.6 per cent, slightly more than the rate by which output rose in the remainder of the world. This was partly due to the largest annual increase that the United States has ever achieved;

ESTIMATED WORLD CRUDE OIL PRODUCTION
(Thousand Metric Tons)

Area	1950	1951	1951 % Increase Over 1950	1951 % of World Total
North America ...	274,819	315,500	14·6	53·2
Latin America....	102,361	114,575	11·9	19·3
Middle East.....	87,727	97,467	11·1	16·4
Far East.....	11,908	13,820	16·0	2·3
Western Europe ..	2,053	2,520	22·8	0·4
Eastern Europe...	44,719	49,815	11·4	8·4
World Total.....	**523,587**	**593,697**	**13·4**	**100·0**

Source: Petroleum Press Service.

but also to the fact that with the opening of the pipeline from Edmonton in the Alberta oilfield to Lake Superior, Canadian output rose by 74 per cent to 6½ million tons. Last year output in the Middle East and the Caribbean area each amounted to about a sixth of world production, in the Soviet Union and Eastern Europe together to some 8½ per cent, and in the remainder of the world to less than 7 per cent.

* * *

Freights in 1951

The Chamber of Shipping index of tramp freight rates in sterling during December was 168.5 (1948 = 100), showing a slight decline from the previous month. The average for the year 1951 was 173.7, more than double that in 1950, when the average was 84. It was only in the last three months of

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of THE ECONOMIST. The organisation that produces the paper can also serve the needs of business and other clients through:

The Economist Intelligence Unit
22, RYDER STREET, ST. JAMES'S, LONDON, S.W.1.

1950, when the index was in the region of 100, that there came the first signs of a marked upward trend in freight rates, but in January, 1951, the index soared to 151.9. Only in one month (August) did the index return to anything like this figure; it rose to a peak of 203.8 in May, with a subsidiary peak of 190.4 in October. In November there was a substantial fall, and this decline continued until the end of the year.

Several markets displayed weakness during December. Reduced demand in the Mediterranean trades enabled charterers to secure a reduction from 112s. 6d. to 100s. for grain from the Black Sea to the United Kingdom. Australian grain charterers were inactive, but were able to secure vessels homeward at as low as 117s. 6d. per ton, compared with 120s. earlier, by waiting to pick up odd vessels that offered. This rate is in marked contrast to the 26s. 3d. per quarter (about 122s. 6d. per ton) that was paid throughout the month for the trans-Atlantic voyage, despite the release of grain ships through the closing of the St. Lawrence. Tonnage homewards from the North Pacific continued to be scarce, and grain charterers in this market were obliged to raise their rates from 147s. 6d. to 152s. 6d.; while Timber Control had to pay as much as £34 per standard, and that figure has since been exceeded. The opportunity of outward cargoes from India, however, had the effect of reducing rates for grain from the United States to India by as much as 7s. 6d. per ton.

Although dollar fixtures are not taken into consideration in compiling the freight index, the release of further ships from the American laid-up fleet, and the pegging of freight rates for ECA grain and coal exports, have had their effect on the sterling market, which otherwise might have become much firmer, as it always tends to do during the winter months, even without the pressure of American coal exports. Meanwhile operating costs have gone up considerably during the year, as well as building and maintenance costs, and the freight index would not have to go back as far as the 1950 level before large numbers of ships would begin to be laid up. Undoubtedly the release of ships by the American Government from the reserve fleet has had a dampening effect on the upward surge of freight rates.

* * *

The Air Charter Business

The annual air charter review prepared by E. A. Gibson and Co., leading aircraft brokers, reports that "the charter companies on the whole have had an extremely good year, and the type of business they have done or have been asked to do should give them a high degree of confidence in the future of commercial aviation." Much of this business involved flying troops to the Mediterranean and Far East. several of the contracts having been renewed for 1952. Freight carried consisted mainly of machinery and manufactured goods. Perishable fruit and flowers, which once formed the mainstay of air freight traffic, are now carried almost exclusively by the railways, which can provide a fast service with refrigerated vans at rates far below those that the air companies can offer. It is an indication of the growth of the charter business that whereas in 1946 the brokers probably fixed about five per cent of the inquiries received, today they fix 60 per cent. But not more than seven or eight British charter operators were still in business at the end of the year. Several small companies were sufficiently discouraged to sell their aircraft to American buyers in the spring, when their second-hand Dakotas first doubled and then trebled in price.

Charter companies operate under two big handicaps. The first is the fact that they cannot afford to replace their aircraft. The majority were bought from the services at the end of the war; their operating costs are high, but at present the scheduled airlines are not selling off any aircraft with which they could be replaced. The second is competition from the scheduled airlines. Since it is not always possible to arrange for a return cargo, the charter fee often has to cover the costs both of the outgoing and the return journey. When scheduled operators cancel a flight for want of traffic, they frequently offer the aircraft for one-way charter at rates well below those likely to be asked by the charter companies. The scheduled operators have captured a good deal of the charter business in this way. They cannot, however, compete for traffic that requires a special type of aircraft, such as the car ferry business developed by Silver Cities (the only British charter company that has equipped its fleet with new and not second-hand aircraft) or the growing traffic in live cattle and horses. Among the scheduled operators, only KLM has aircraft fitted to carry live animals of this size. The rates for livestock must, however, be low: and it needs careful planning to arrange each time for a full charter on the return journey.

Shorter Notes

A new coal mine to be sunk south of Alva, in Clackmannanshire, is expected to bring about the subsidence, and therefore the flooding, of about 700 acres of land in the area over the 50 years for which it is likely to be worked. Alva itself, and Tillicoultry, another small town in the area, will not be affected; and the Secretary of State for Scotland, after investigation with the National Coal Board, has decided to leave the question of remedial measures for the land that will be flooded until mining operations develop. The new pit, to be called Glenochil, is an important feature of the board's plan for increasing output in the east of Scotland; but the loss of coal involved in ensuring adequate support for the surface of the land above it would make mining uneconomic.

*

It is regretted that in a note last week the names of two companies were reversed. The company that is to sell "Mobilgas" in Britain is the Vacuum Oil Company; it is jointly owned by the American company Socony-Vacuum and the British company Powell-Duffryn Ltd.

Company Notes

F. W. Woolworth.—Yet another giant company has announced a record increase in profits in 1951. Woolworth's earnings before tax rose by nearly 25 per cent., from nearly £11,770,000 to £14,580,000. In 1950, the directors decided to build up a reserve of merchandise that should be readily saleable at a lower ratio of profit mark-up; at that time the late chairman, Mr B. E. Uffindell, described an increase in turnover as "an absolute necessity in view of continually rising expenses." This policy seems to have paid handsomely in 1951; the organisation almost certainly achieved an expansion in sales—no mean achievement in what has proved to be a difficult year for the retail trade.

Earnings :—	Years to December 31, 1950	1951
	£	£
Profit before tax	11,763,410	14,543,339
Taxation	6,384,385	8,611,241
Earnings for ordinary stock	*4,469,025*	*4,965,149*
Ordinary dividends	3,506,250	3,346,875
Ordinary dividends (per cent)	42½	42½
Development reserve	500,000	500,000
Pension fund	250,000	350,000
General reserve	750,000	750,000
Added to carry forward	212,775	853,273

5s. ordinary stock at 41s. 9d. yields £5 2s. per cent.

It is the government, however, rather than the shareholders, that has benefited from the improvement in profits. Taxation at £8,611,241, against £6,384,385, cut deeply into earnings, so that net profits advanced by only £600,000, from £5,384,025 to £5,972,648. The directors have decided to plough back the whole of this increase, mainly as an addition to the carry forward, and the ordinary dividend has been left unchanged at 42½ per cent. This cautious policy has no doubt been adopted because of the gloomier prospect for the current year—costs are still rising, the sellers' market in certain consumer's goods has contracted sharply, and the pressure of defence orders on available supplies, may limit the range of goods that the stores can offer.

West Riding Worsted and Woollen Mills.—The sharp fall in wool prices from their "golden fleece" level of last March has forced another company, West Riding Worsted and Woollen Mills, to write down the value of its stocks. As the directors have decided to leave intact the specific reserves created in earlier years against just such an eventuality, the losses on stocks have had to be met from the year's earnings. In consequence group trading profits in the year to August 31st were only £805,111—less than one half the previous year's record of £1,827,828. Despite the recession in profits a dividend rate of 22½ per cent has been maintained on the ordinary capital, as increased by last year's one for sixteen scrip bonus.

Even after revaluation the book value of stocks on August 31st was exceptionally large; it is entered at £5,505,069, or £923,086 higher than a year before—despite the fact that the volume, though not the monetary value, of turnover was lower than in 1949-50. There was also a startling change in the company's liquid position during the year. On August 31, 1950, cash balances at £393,259 and quoted investments at £40,467 had exceeded bank overdrafts at £160,882 by £272,844. By August 31, 1951, the bank overdraft had increased to £2,791,621 and the cash balance had dropped to £52,890, while the marketable securities had been sold. Against this, secured trade creditors, representing wool purchased, had fallen from £1,293,344 to £104,284—evidence, as the chairman puts it, of how the company "was trimming its sails to meet the storm." In these circumstances it is not surprising that the directors were reluctant to weaken financial resources by drawing upon specific reserves when writing down stocks. Fortunately these figures, in the chairman's words, are "now mainly of historical interest" as at the end of last December the group's net indebtedness to the banks had been reduced to £45,540.

Consolidated earnings :—	Years to August 31, 1950	1951
	£	£
Trading profit	1,827,828	805,111
Total income	1,829,369	806,940
Depreciation	66,459	89,820
Taxation	903,371	376,195
Group earnings for ordinary stock	*710,927*	*286,772*
Ordinary dividends	94,335	95,675
Ordinary dividends (per cent)	22½	22½
Retained by subsidiaries	552,565	176,363
Added to carry forward	64,268	15,293
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	1,003,975	1,208,545
Net current assets	3,025,878	2,745,139
Stocks	4,581,983	5,505,069
Cash	393,259	52,890
Reserves	2,089,638	2,223,562
Ordinary capital	762,300	809,944

£1 ordinary stock at 51s. 10½d xd yields £8 14s. per cent.

The balance sheet provides plenty of evidence to support the chairman's contention that "during the past nine months the wool textile industry has been passing through a storm at least comparable in magnitude to that which was encountered after the first world war." Wool purchase commitments were kept to the minimum consistent with full employment; and although overtime working had to be cut and the working week of some employees had to be shortened, the labour force was kept "for all practical purposes intact." Here perhaps is another example of a company that was anxious to hold on to its labour force in a period of overfull employment at the risk of heavy short-term losses. The chairman believes that trading conditions will continue to be difficult for the next few months but will then become more normal, though also more competitive. But few shareholders will doubt his wisdom in refusing to forecast the future level of earnings.

*

The Hollins Mill.—Lancashire cotton spinners may face the present and immediate future with some concern, but they can certainly look back with satisfaction on their trading results in the immediate past. Almost without exception those spinners whose accounts have been published recently have reported an advance in trading profits to a new record level. The Hollins Mill proves to be no exception. Group trading profits in the year to November 30th have risen from £370,320 to £631,069. At the same time the loss made by its Australian subsidiary has been reduced from nearly £71,000 to just under £7,000. Therefore, in spite of a heavier tax provision of £314,649, against £204,617, net profits have increased from £110,132 to £238,325, so that the maintained ordinary dividend of 15 per cent is more comfortably covered by net earnings.

Consolidated earnings :—	Years to Nov. 30, 1950	1951
	£	£
Trading profit	370,320	631,069
Total income	418,213	646,735
Depreciation	31,254	26,169
Taxation	204,617	314,649
Less by subsidiaries	*20,919*	*6,923*
Ordinary dividends	20,625	19,688
Ordinary dividends (per cent)	15	15
Stock reserve	100,000	50,000
General reserve	50,000	50,000
Added to carry forward	11,887	78,427
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	498,873	489,128
Net current assets	1,039,728	1,389,888
Stocks	913,401	1,234,287
Cash	120,914	188,111
Reserves	396,974	567,989
Ordinary capital	250,000	250,000

The year's appropriations from profits, which included £50,000 transferred to a general reserve and another £50,000 to a stock reserve, usefully reinforced the company's financial resources; the group's reserves have been raised from £396,974 to £567,989. But the burden of stocks at £1,234,287, against £913,401, was more onerous, and at the year-end £94,569, against £47,804, was owing to the banks and £36,402, against £30,742, had been borrowed from members of the company; against this, however, cash balances were up from £120,914 to £188,111 and tax reserve certificates from £180,475 to £200,000. Since the end of the Australian subsidiary's financial year on June 30th last, the loan made to that company has been reduced by £12,718.

At the moment the company's order book remains high, but as demand for cotton textiles, both at home and overseas, has fallen sharply in recent months shareholders will certainly heed the chairman's warning that "a continuance of the present recession is bound to have an adverse effect on the current year's earnings." The yield on the 5s. ordinary shares of £13 at the price of 5s. 9d. quoted on the Manchester exchange makes it clear that investors are well aware of the dangers and risks that lie ahead.

*

Arthur Guinness.—By agreeing to the capitalisation of £5 million from Guinness's reserves to enable the company to make a bonus issue, the Capital Issues Committee has at last recognised that the group's issued capital bore no relation to the real capital employed in the business. At the annual general meeting Lord Iveagh once more emphasised that such an issue did not add to the equity of the business, nor did it mean that there would be an increase in either total or distributed profits.

Last May, the rise in costs forced the company to raise the wholesale price of stout by 12s. a barrel. The whole of this increase has already been swallowed up in the higher prices that the company has had to pay for malt and hops. Although this further increase in costs will affect profits in the current year, the directors hope to keep selling prices unchanged. Lord Iveagh adds another warning that if the end of the period of inflation is in sight, "then there must be difficulties of readjustment which may well involve temporary setbacks."

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Jan. 9, 1952	Price, Jan. 16, 1952	Net Yield, Jan. 16, 1952 (n)	Gross Yield, Jan. 16, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	100⅝	100½	0 0 7	1 18 7e
Mar. 1, 1951-53			0 12 0	2 3 9f
War Bonds 2½%	100	100⅛	0 10 6	2 8 8e
Mar. 1, 1952-54			1 1 8	2 9 8f
Exchequer Stk. 2½%	99⅞	99⅛	1 5 5	2 6 4
Feb. 15, 1955				
Serial Funding 1¾%	100⅛	100⅛	0 13 2	1 13 4
Nov. 14, 1952				
Serial Funding 1¾%	100	100	0 16 9	1 15 0
Nov. 14, 1953				
Serial Funding	99⅛	99⅛	1 4 1	2 1 10
Nov. 14, 1954				
War Bonds 2½%	99⅞	99⅛	1 8 6	2 11 7e
Aug. 15, 1954-56			1 7 6	2 10 11f
Funding 2½%	99⅛	99⅜	2 13 11	4 6 1e
June 15, 1952-57			1 10 10	2 17 6f
Nat. Defence 3%	99⅛*	99⅛	1 13 8	3 2 4e
July 15, 1954-58			1 12 4	3 0 11f
War Loan 3%	100⅛	100⅛	1 11 4	3 1 11e
Oct. 15, 1955-59			1 11 5	3 1 0f
Savings Bonds 3%	90⅛*	90⅛*	4 8 10	5 18 5e
Aug. 15, 1955-65			2 7 9	3 17 9f
Funding 2½%	92⅜	93	3 3 6	4 10 0e
April 15, 1956-61			2 3 11	3 9 6f
Funding 3%	87½	87½	3 13 2	5 5 5e
April 15, 1959-69			2 10 5	4 2 0f
Funding 3%	87⅛*	87⅜*	2 12 1	4 2 9e
Aug. 1, 1966-68			2 9 10	4 0 7f
Funding 4%	98½	98⅜	2 6 10	4 6 5e
May 1, 1960-90			2 3 5	4 2 4f
Savings Bonds 3%	86⅜	86⅜	3 9 3	5 2 1e
Sept. 1, 1960-70			2 10 5	4 2 6f
Savings Bonds 2½%	84⅛	84½	2 16 4	4 3 1e
May 1, 1964-67			2 10 11	3 17 7f
Victory Bonds 4%	101⅛	101⅜	2 0 11	4 0 3s
Sept. 1, 1920-76				
Savings Bonds 3%	82⅛*	82⅛*	3 2 8	4 14 3e
Aug. 15, 1965-75			2 10 11	4 2 9f
Consols 4%	89½*	89⅛*	2 6 9	4 9 1f
Conversion 3½%	81⅛	81⅛	2 5 3	4 6 9f
Treasury Stk. 2½%	59⅜	59⅜	2 4 2	4 4 7f
(after Apr. 1, 1975)				
Treasury Stk. 3%	69⅜	70⅜	2 5 1	4 6 4f
(after Apr. 5, 1966)				
Treasury Stk. 3½%	88⅛	88⅜	2 9 6	4 5 9e
June 15, 1977-80			2 8 6	4 4 9f
Redemp. Stk. 3%	76⅛	77	2 12 2	4 6 9e
Oct., 1986-96			2 8 10	4 3 9f
War Loan 3½%	80⅛	80⅞	2 5 10	4 7 6f
Consols 2½%	61⅛	61⅛	2 3 0	4 1 11f
Brit. Elect. 3% Gtd.	84⅛	84⅜	2 15 11	4 8 4e
April 1, 1968-73			2 10 11	4 3 3f
Brit. Elect. 3% Gtd.	83⅜	83½	2 11 10	4 4 6e
Mar. 15, 1974-77			2 9 10	4 2 6f
Brit. Elect. 3¼% Gtd.	89⅛	89⅜	2 8 3	4 4 4e
Nov. 15, 1976-79			2 7 3	4 3 5f
Brit. Tpt. 3% Gtd.	76⅛	76⅜	2 16 7	4 10 5e
July 1, 1978-88			2 11 3	4 6 4f
Brit. Tpt. 3% Gtd.	84⅜	84½	2 16 2	4 8 7e
April 1, 1968-73			2 11 1	4 3 5f
Brit. Gas Gtd. 3%	76⅛	76⅜	2 11 0	4 5 8e
May 1, 1990-95			2 9 5	4 4 3f
Brit. Gas Gtd. 3¼%	93⅛	93½	2 7 1	4 2 10e
Sept. 10, 1969-71			2 6 2	4 1 11f
Brit. Iron & Steel	87⅛*	87⅜*	2 9 1	4 5 0e
3½%, 1979-81			2 8 5	4 4 5f

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years 0 months. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, Jan. 9, 1952	Price, Jan. 16, 1952	Yield, Jan. 16, 1952
%	%					£ s. d.
40	b	20	a Anglo-Am. 10/-	7⅞	7⅞	3 16 10
5	a	25	b Anglo-Iran £1	5⅜	5⅜	5 6 8
20	c	7½	a Assoc. Elec. £1	78/9	72/6	5 10 4
27½	c	7½	a Assoc. P. Cem. £1	103/9	103/1½	5 6 8
35	c	45	c Austin 5/-	31/3	30/7½	7 6 11
15	a	117½	b Bass £1	123/9*	118/9	7 4 6
40	c	5	a Boots 5/-	22/6	22/6	4 8 11h
9	c	7	a Br. Celanese 10/-	29/3	26/6	3 7 11
12	b	8	a Br. Oxygen £1	84/-	81/6	4 18 10
5	a	7½	b Coats £1	51/10½	47/6	5 5 3
6½	b	5	a Courtaulds £1	45/6	43/-	5 4 8
22½	c	7½	a Distillers 4/-	20/-*	19/6	4 12 4
15	c	17½	c Dunlop £1	60/-	56/3	6 4 6
10	c	12½	c Ford £1	50/7½	49/4½	5 1 3
17½	c	22½	c Gen. Elect. £1	91/3	82/6	5 9 1
11	a	17	b Guinness £1	123/1½	120/7½	4 12 10
4½	a	5½	b Hawker Sid. £1	35/9	34/9	5 15 1
9	b	3	a Imp. Chem. £1	46/6	41/10½	5 14 7
18½	b	13½	a Imp. Tobacco £1	90/-	87/6	7 6 4
5	a	10	b Lanes. Cotton £1	40/7½*	40/7½	7 7 8
13½	c	5	a Lever £1	50/-	47/6	5 13 8
15	c	7½	a Lon. Brick £1	57/6	56/10½	5 5 7
15	a	60	b Marks & Sp. A 5/-	88/6	84/-	
8	b	8	a P. & O. Def. £1	45/6	45/6	4 13 10p
17½	b	7½	a P. Johnson 10/-	39/-*	37/6	6 13 4
17½	b	15	a "Shell" Stk. £1	95/7½	94/4½*	5 0 10
12½	a	12½	b Tube Invst. £1	5⅜	5⅛	4 15 3
5	a	15	b T. & Newall £1	88/9*	87/6	4 11 5
8	c	10	c Union Castle £1	44/6	44/6	4 9 11
50	c	20	a U. Sua Betong £1	58/9	57/6	17 7 10
10	b	2½	a Vickers £1	45/9	44/-	5 13 8
15	a	27½	b Woolworth 5/-	43/-	41/9	5 1 9

(a) Interim div. (b) Final div. (c) Div. for whole year. (h) Yield basis 20% after capital bonus. (p) Yield basis 10⅓% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 12, 1952, total ordinary revenue was £177,231,000 against ordinary expenditure of £71,524,000 and issues to sinking funds £1,240,000. Thus, including sinking fund allocations of £18,093,000, the deficit accrued since April 1, 1951, is £95,189,000 compared with a surplus of £220,660,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate 1951–52 £'000	April 1, 1950 to Jan. 13, 1951	April 1, 1951 to Jan. 12, 1952	Week ended Jan. 13, 1951	Week ended Jan. 12, 1952
		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	714,380	814,003	122029	121577
Sur-tax	128,000	67,880	72,000	8,700	9,000
Estate, etc., Duties	180,000	143,950	144,500	4,000	2,800
Stamps	55,000	41,360	48,700	1,100	1,100
Profits Tax & E.P.T.	312,650	224,870	252,100	4,700	4,900
Other Inland Rev.	500	160	260	50	150
Special Contributn.	1,500	4,040	2,240	60	20
Total Inland Rev.	2302400	1196560	1333803	140639	139547
Customs	930,500	703,093	789,262	15,330	17,495
Excise	720,500	542,400	575,400	4,800	5,500
Total Customs and Excise	1651000	1245493	1364662	20,130	22,995
Motor Duties	62,000	34,095	37,236	12,691	13,875
Surplus War Stores	20,000	35,932	29,645	...	...
Surpl's from Tradg.	50,000	41,905	74,455	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	8,650	9,200	...	...
Sundry Loans	27,000	20,858	21,908	...	435
Miscell. Receipts	105,000	65,537	78,060	800	379
Total Ord. Rev.	4236400	2649030	2948968	174260	177231
SELF-BALANCING					
Post Office	179,431	133,100	147,200	2,400	2,800
Income Tax on E.P.T. Refunds	4,900	6,656	4,204	2	25
Total	4420731	2788786	3100372	176662	180056

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	358,396	392,740	1,518	1,453
Payments to N. Ireland	38,000	27,509	29,007	...	...
Other Cons. Funds	11,000	8,272	10,005	233	271
Total	584,000	394,177	431,753	1,751	1,724
Supply Services	*3514062	2020540	2594311	55,300	69,800
Total Ord. Expd.	*4098062	2414717	3026064	57,051	71,524
Sinking Funds	...	13,653	18,092	590	1,240
Total (excl. Self-Bal. Expd.)	4098062	2428370	3044157	57,641	72,764
SELF-BALANCING					
Post Office	179,431	133,100	147,200	2,400	2,800
Income Tax on E.P.T. Refunds	4,900	6,656	4,204	2	25
Total	4282393	2568126	3195561	60,043	75,589

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £292,635 to £4,098,700, the other operations for the week decreased the National Debt by £99,638,290 to £26,450 million.

NET RECEIPTS (£ thousand)

Armed Forces (Housing Loans) Act, 1949, s. 1	17
Cinematograph Film Production (Special Loans) Act, 1949, s. 8(1)	260
Cotton (Centralised Buying) Act, 1947, s. 21(3)	1,655
	1,932

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	29
Suez Canal Shares, Issue to reduce debt	175
Export Guarantees Act, 1949, s. 3(2)	130
Local Authorities Loans Act, 1945, s. 3(2)	5,200
Overseas Resources Development Act, 1948, s. 17(1) Colonial Development	750
Finance Acts, 1946 and 1947: Postwar Credits	170
	7,054

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Nat. Savings Certs.	200	Treasury Bills	36,580
Other Debt:—		2½% Def. Bonds	655
Internal	61	3% Def. Bonds	652
		Tax Reserve Certs.	15,163
		Ways & Means Advances	10,850
		Treasury Deposits	36,000
	261		99,900

FLOATING DEBT (£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Jan. 13	3250·0	1823·3	406·3	2·5	470·0	5952·1
Oct. 13	3240·0	2471·1	256·6	...	225·0	6292·7
,, 20	3250·0	2315·4	371·0	...	200·0	6136·5
,, 27	3270·0	2287·8	362·8	...	175·0	6095·6
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4
,, 10	3260·0	2323·2	332·8	...	150·0	6066·0
,, 17	4586·5*		274·7	...	125·0	4986·2
,, 24	4571·6*		292·6	...	125·0	4989·3
Dec. 1	4593·5*		304·8	...	125·0	5023·1
,, 8	4631·1*		289·0	3·0	123·0	5046·1
,, 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·9*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·8	...	80·5	5060·7

* The proportion of tender and tap Bills surrendered for 1¼ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS (£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Jan. 12	230·0	319·4	230·0	10 2·75	60
Oct. 12	260·0	365·5	260·0	10 2·64	58
,, 19	250·0	339·9	250·0	10 2·97	64
,, 26	230·0	313·4	230·0	10 2·91	63
Nov. 2	230·0	330·1	230·0	10 2·38	54
,, 9	260·0	330·4	260·0	17 2·96	70
,, 16	230·0	285·3	160·0	17 10·66	41
,, 23	170·0	237·6	170·0	19 2·96	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54

On January 11th applications for 91 day bills to be paid from January 14 to January 19, 1952, were accepted dated Tuesday to Saturday as to about 54 per cent at £99 15s. 1d. and applications at higher prices were accepted in full. Applications dated Monday were accepted at £99 15s. 1d. and above in full. Treasury Bills to a maximum of £170 million were offered on January 18th. For the week ending January 19th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS (£ thousand)

	Totals 40 Weeks ended: Jan. 6, 1951	Totals 40 Weeks ended: Jan. 5, 1952	Week ended Jan. 5, 1952
Savings Certificates:—			
Receipts	67,400	118,100	2,300
Repayments	100,400	103,700	2,100
Net Savings	*Dr33,000*	14,400	200
Defence Bonds:—			
Receipts	12,845	45,009	1,310
Repayments	38,009	56,278	1,030
Net Savings	*Dr25,164*	*Dr11,269*	280
P.O. and Trustee Savings Banks:—			
Receipts	496,383	529,594	12,052
Repayments	545,656	619,643	9,458
Net Savings	*Dr49,273*	*Dr90,048*	2,594
Total Net Savings	*Dr107,437*	*Dr86,918*	3,074
Interest on certificates repaid	22,256	25,734	546
Interest accrued	96,528	97,014	2,425
Change in total invested	*— 33,165*	*— 15,638*	*4,953*

BANK OF ENGLAND RETURNS

January 16, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1367,271,540	Other Govt. Securities	1385,817,684
In Bankg. Department	33,085,283	Other Secs.	653,612
		Coin (other than gold)	2,513,604
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	345,547,853
Rest	3,677,255	Other Secs.:—	35,266,785
Public Deps.:—	13,519,462	*Discounts and*	
*Public Accts.**	*12,992,817*	*Advances*	*12,579,834*
H.M. Treas.		*Securities*	*22,686,951*
Special Acct.	*526,645*		
Other Deps.:—	383,849,790		
Bankers	*297,686,620*	Notes	33,085,283
Other Accts.	*86,163,170*	Coin	1,699,586
	415,599,507		415,599,507

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS (£ million)

	1951 Jan. 17	1952 Jan. 2	1952 Jan. 9	1952 Jan. 16
Issue Dept.:—				
Notes in circulation	1297·1	1419·0	1395·8	1367·3
Notes in banking department	53·3	31·3	54·6	33·1
Government debt and securities*	1345·3	1446·7	1446·7	1396·8
Other securities	0·7	0·8	0·8	0·7
Gold and Coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·2	14·4	18·2	13·0
Treasury Special Account	2·4	0·4	0·4	0·5
Bankers	317·8	304·9	304·3	297·7
Others	84·3	92·2	91·9	86·2
Total	417·7	411·9	414·8	397·4
Securities:—				
Government	339·1	348·7	339·0	345·5
Discounts, etc.	18·2	22·9	14·2	12·6
Other	24·4	25·5	23·4	22·7
Total	381·7	397·1	376·6	380·8
Banking dept. res.	54·2	33·0	56·2	34·8
	%	%	%	%
"Proportion"	12·9	8·0	13·5	8·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Jan. 9, 1951	Dec. 31, 1951	Jan. 15, 1952
Cereals and meat	157·1	179·6	180·4
Other foods	167·9	192·2	192·2
Textiles	313·9	266·5	266·6
Minerals	320·3	359·0	373·2
Miscellaneous	186·4	195·2	195·0
Complete Index	**215·9**	**227·7**	**229·5***
1913=100	*297·1*	*313·3*	*314·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tola	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 10	77·0	88·00	189 15	106 0
,, 11	77·0	88·00	190 7	106 0
,, 12	Markets Closed		Markets Closed	
,, 14	77·0	88·00	190 11	105 13
,, 15	77·0	88·00	190 5	105 5
,, 16	77·0	88·00	191 4	105 7

COMPANY MEETINGS

BARCLAYS BANK LIMITED

RECORD GROUP FIGURES

FAILURE OF PLANNING EXPERIMENT

MONETARY DISCIPLINE RE-APPLIED

MR A. W. TUKE'S SURVEY OF POSTWAR EVENTS

The annual general meeting of Barclays Bank Limited will be held on February 8th at the head office, 54, Lombard Street, London, E.C.

The following is the statement of the chairman, Mr A. W. Tuke, which has been circulated with the report and accounts for the year ended December 31, 1951:—

THE LATE SIR WILLIAM GOODENOUGH

Since our meeting last year the outstanding event in the affairs of the bank has been the withdrawal from the chairmanship of Sir William Goodenough in February last owing to ill-health, which was followed three months later by his untimely death. Others should speak of his services to charitable causes, such as London House and the Nuffield Foundation, which absorbed so great a share of his time and energy and which will always bear the mark of his statesmanship. I am qualified rather to estimate his services to the bank, first and always at Oxford, but later and more fully in London where he watched over the fortunes of all the companies in the Barclays Group, in particular while serving successively as chairman of Barclays Bank (Dominion, Colonial and Overseas) and of Barclays Bank Limited. In all his activities he appeared to be inspired by a vision of which the unity and greatness of the British Empire was the predominant theme.

Without doubt he inherited this inspiration, as he inherited many other characteristics, from his distinguished father, Frederick Craufurd Goodenough, who came to the bank on its incorporation as a limited company in 1896 and guided its destinies throughout the formative years until his death in 1934 after seventeen years as its chairman. At this time William Goodenough, who was already a director of the bank, was elected a vice-chairman; he became chairman of our principal subsidiary in 1943, and it was only in 1947 that he became chairman of the parent bank. It is sad and frustrating to think that, having succeeded at so young an age to this highest office, which gave such great scope to his outstanding abilities, he held it for so short a time.

LIFETIME OF SERVICE

Measured by length of days, his life has indeed been a short one. Measured by its achievement he may truly be said to have rendered a full lifetime of service to the bank and to the community. It is early yet for any historian to give a true picture of his greatness, but we who remain behind have no doubt that we have lost a great leader and a good friend and it is strange to think of the bank without a Goodenough either holding the helm or standing at the helmsman's elbow.

We have also suffered a grievous loss in the death of Sir William Wiggin, who was elected a director in 1931, and who has rendered exceptional services to the bank as chairman of its local board in Birmingham and in our councils in London.

RESIGNATIONS

We also regret that, having reached the age of 70, Mr Grimwade has decided on principle not to offer himself for re-election, with the result that he will retire from the board at the close of the annual meeting. As branch manager, as district manager and as local director, Mr Grimwade has, over a period of years, made a great contribution to country banking in East Anglia and the Midlands, and I am glad to say that he is willing to continue for a time in the office of local director at Peterborough and Leicester. It is fitting that his last act as a director of the bank will be to propose the vote of thanks to the staff at our annual meeting. In doing so, he will speak for all the directors, and there is no need for me to add any words of my own on this subject.

We shall miss Colonel Astor who has decided to give up his directorship at the end of the annual meeting, after being a member of our board for nearly ten years. With his record of service in public life and his distinguished place in the sphere of business it was natural that he should serve the bank well, and it has given us great pleasure to have him as a colleague.

CHANGES IN DIRECTORATE

My fellow directors did me the great honour of electing me chairman when Sir William Goodenough was obliged to retire, and thus I present myself to you for the first time in that capacity. I will only say that I shall do my utmost to be faithful to the traditions of our bank, which are in some respects peculiar to itself by reason of our maintenance with suitable adaptations of the policies of the old private banks from which we sprang. On assuming this appointment I have thought it right to resign the directorships which I held on the Boards of most of our subsidiaries, in order that I may concentrate the whole of my attention on the affairs of the parent company, but this of necessity involves my being ready when required to apply myself to the co-ordination of the policy of the whole group, and it will be a great advantage to me to have personally participated in the direction of these companies in recent years, and to have visited some of the territories in which they operate.

The Board have elected Mr Ellerton to take my place as deputy chairman, a choice which gives me the greatest possible satisfaction, not only because of my faith in his high qualities but also because he has in his armoury many weapons lacking in my own, with which he is always ready to defend me and to do battle for the bank or for causes even more important.

We have also asked Mr Barnes, who is deputy chairman of Barclays Bank (Dominion, Colonial and Overseas) to accept the appointment of vice-chairman of the parent bank, although the greater part of his time will still be given to the affairs of the subsidiary. We shall greatly value in our councils the wide experience of Mr Barnes, not only in our associated bank, where he has spent most of his career, but also as a local director at Norwich and Birmingham before he went to Egypt in 1927.

With Mr Fitzherbert, who was already a vice-chairman, and whose support and friendship I have long since learned to value, we have thus completed the number of our executive directors who work in head office.

DECENTRALISATION OF CONTROL

I have referred to our maintenance of the methods of the old private banks, and it is of some interest to me to observe that considerable emphasis is being laid to-day on the necessity for the decentralisation of the control in large units of business, especially those conducted directly or indirectly by the Government. This is the method which we have adopted in running our bank since the limited company was formed in 1896, and we have applied it successfully to all our subsequent acquisitions (with the exception of part of our London business), including our subsidiaries overseas. I therefore applaud the critics who give this advice, but in doing so I must warn them that it will not produce instant miracles. My experience leads me to believe that this system works with us largely because it has always worked. It is far from easy to start it anew with personnel who do not really know from experience what they are trying to do, and who may be obsessed with the need to ensure that the same question, however unimportant, always receives the same answer, even if it takes six months to give it.

Turning to the figures of the balance-sheet, stockholders will observe that our current, deposit and other accounts at £1,284,691,537 show a small decrease on last year's figures, in spite of the fact that there was a very steep rise in the cost of living during 1951 which would normally be reflected in higher deposits in the clearing banks. An inflationary increase in deposits undoubtedly took place during the year but, just as in 1950 our deposits were augmented in part by an inward movement of foreign money, so the deterioration of our position overseas during 1951 has enabled the Government to repay debt and reduce bank money.

LIQUID ASSETS

During the last few weeks of the year the pattern of our assets was considerably changed by the conversion of a large block of the outstanding Treasury Bills into the new issues of short-dated Funding Bonds, of which we took up over £100 million. Even so, 38 per cent. of our liabilities to the public are represented by cash and other very liquid assets without including Treasury deposit receipts and this, although still high by prewar standards, brings us within sight of the time when liquidity may once again be a serious factor in the conduct of our day-to-day business.

This considerable reduction of the floating debt is one of the monetary measures designed to supplement the action undertaken by the new Government to force some of the inflation out of the economic system. After so many years in which the climate was almost continually favourable to those who were inclined to carry stocks on borrowed money, whether of raw materials, manufactured goods or securities, the direction of the wind has now changed. I do not suggest that it has settled permanently in the East, nor would it be at all desirable that it should do so. But if it is recognised by the community that it is possible for prices to fall as well as to rise, they will adjust their operations to the normal fluctuations of the market, instead of buying any goods that may be offered at any price today in case they may be more expensive tomorrow.

Our whole economy will then assume a very different and much more healthy character. Apart from the new Funding Bonds, we have, since the end of 1950, added somewhat to our investments in Government securities, but it will be readily understood by stockholders that we have not been able to insulate ourselves against last year's considerable fall in the market value of these securities, which, apart from what we were able to provide from the profit of the year, has had to be absorbed by our investment reserve and by a transfer from our general contingency account. The whole of this fall is bound to be recovered sooner or later, on the assumption that we hold to maturity the stocks concerned, which all have definite dates of redemption, and we can at least feel satisfied that the present prices are not so unrealistic as those which obtained four or five years ago.

INCREASE IN ADVANCES

The advances, our most important if not now our largest asset, show another substantial increase on the year, which is the inevitable outcome of rising prices, in spite of our continued efforts to carry out the wishes of the Government that we should discourage borrowing which might aggravate the inflationary trends present in the economy.

Our fixed assets call for no special comment except in regard to our holding of stock in Barclays Bank (Dominion, Colonial and Overseas), where in connection with the recent increase in the capital of that bank by an issue of bonus shares we have paid up another pound on each of our 500,000 "B" shares of £5 each, making them now £2 paid. We waived our right to the allotment of bonus shares in respect of this holding, but we have, of course, been allotted our due proportion of those shares in respect of our considerable holding of "A" stock. The continued prosperity of this important Empire bank, which has now completed the first twenty-five years of trading since it was reincorporated under our banner, is a source of great satisfaction to us, as I am sure it is to our stockholders.

PROFIT FOR THE YEAR

The profit for the year, after making the necessary provisions, is about £60,000 less than a year ago. Stockholders will understand that many factors, some favourable and some unfavourable, go to produce this final figure, one of the unfavourable ones being the extra sixpence which was added to the income tax in the last Budget. Again, the new arrangement whereby the Money Market rates have been increased and a large section of the Treasury Bills has been converted into Funding Bonds has actually caused a reduction in income in the current year, though it may tend somewhat to increase gross profits in future years. If, however, the new policy succeeds in its aim, our earning assets are likely to be reduced so that in the long run we may not derive any benefit from the increased rates.

The profit for the year has enabled us to recommend the usual dividends and, with the help of a draft on the carry-forward, to set aside £1 million, compared with £750,000 last year. On this occasion the whole amount is being carried to contingency account, where it will help to fill the gap caused by the recent fall in the value of Government securities.

On the consolidated balance sheet I need only call your attention to the aggregate of the current deposit and other accounts of the group, which at £1,818,231,403 is higher than ever before and reflects in particular a large increase in the figures of Barclays Bank (Dominion, Colonial and Overseas).

PLANNERS DISILLUSIONED

I now turn to the consideration of matters of wider import and, at this moment of serious economic difficulty, I feel that it may be useful if instead of limiting myself to the past year I attempt a survey of some of the events in the economic field during the whole of the postwar period, which now extends to six and a half years, approximately the time which elapsed between the end of the 1914-1918 War and the restoration of the pound sterling to its old parity in terms of gold.

During this present period the country has been subjected to an experiment in planning. The initial period of this experiment is clearly at an end, but no one knows when it may be renewed, and meanwhile we have an opportunity of standing back from the picture and seeing how it looks. Not all of us expected a masterpiece, but even the most optimistic partisans must be a little disillusioned by what they see at the present moment.

At this stage I may be told that I am treading on dangerous ground; that I am infringing one of the articles of the banker's faith, that he should at all costs avoid becoming involved in party politics. I fully acknowledge the validity of this doctrine at the time when it was enunciated and also at the much later date when I was taught it by my father, himself a private banker in his early days. Indeed, I should still regard it as most undesirable, so far as I personally am concerned, that I should take an active part in the affairs of any political party. But times change, and we may have to change with them. In olden days when the choice was between Whig and Tory, it mattered little to the banker which party was for the moment in power; indeed, the banker might possibly, as a Free Trader, favour privately the policies of the progressive party, and if he failed to observe the reticence enjoined upon him, it might well have been "the squire and his relations" who would have been scandalised.

TEST OF NEW POLICY

But in the process of political evolution, which has proceeded more and more rapidly during this twentieth century, we have arrived at a stage when an entirely new economic policy has been put to the test by the progressive party of the day. In these circumstances if a business man, who is required or at least allowed by custom once a year to make public comment on the affairs of the nation, feels that the results of this policy have been and are likely to be disastrous not only to private enterprise, to which he pins his faith, but also to the true interests of the whole nation, from which all else depends, then it is surely his duty, even though he be a banker, to give expression to his views to the best of his ability. He should, however, express himself in no partisan spirit, but soberly and objectively and with a due sense of his responsibility.

Let us consider then what we mean by planning. In dealing with everyday affairs we all try to benefit from past experience and nobody would deny that we should also look ahead. In this sense, everyone is a planner. But this is not the meaning given to the term by the supporters of a planned society. Not content to set up a broad framework of justice and order within which everyone would be free to plan for himself, they preach that all economic activity should be the expression of authoritative inspiration directed to serve certain ends by certain means. This is bad enough, but it is worse still if the means come to be regarded as more important than the end, as they have appeared to do sometimes during the last six years.

AUTHORITY'S ROLE

Certain forms of State intervention in our economic life are, of course, inevitable. Clearly there are cases where it would be impossible to levy payment on, or even to identify, the users of the service, and the only convenient course in such instances is to provide the service "free" and to make the community as a whole bear the cost. But I have no belief in the efficacy of any central control of all the manifold wants of fifty million people by means of a mass of permits, coupons and licences, no longer considered merely as necessary evils to be tolerated in time of war and other grave crisis and to be abolished as soon as possible when the crisis is over, but as weapons with which to repress the antisocial tendencies of those who are so eccentric as to wish to spend their own money in their own way.

For my part I am convinced that in these matters it is better for authority to confine itself to avoiding the creation of conditions in which it pays a man to break the law. Human nature being what it is, it is quite useless to depend on regulations which can be evaded and on appeals to the social conscience which can be ignored. I may be told that to say this is to take a low view of human nature, but I would reply that it is at least a realistic one. It is a regrettable fact that in the period since the end of the war there has been in many directions a distinct deterioration in the moral standards of the people of this country, for which overplanning and over-taxation must share a large part of the blame.

Planning manifests itself in two forms, which I will call the retail and the wholesale, and their adjoining edges are somewhat blurred, as are the edges of retail and wholesale business. On the one hand we have the vast mass of statutory rules and orders regulating almost every diverse activity of our daily lives, and on the other hand we have the large and comprehensive acts such as the nationalisation of whole industries; it is by the handling of these latter that the planner must be content in the main to be judged, counting himself perhaps fortunate to escape challenge on many individual petty edicts issued under authority delegated to him by legislation, which has given him the power and indeed the duty to issue any order that he may think fit in order to give effect to what he presumes to be the general intention of the Act, having in mind the known prejudices of those who made it.

THE UNEMPLOYMENT PROBLEM

Let us now examine the picture of this postwar era as a whole to see what we can find in it that is good, and to what extent it may be due to planning. Few will, I think, disagree with me when I say that the outstanding difference between this and the corresponding earlier period is in the matter of unemployment. After the first world war there was a short-lived boom in trade while depleted stocks were being replaced, and this was followed by a period of falling prices and restricted credit, culminating in 1925 in the restoration of the pound to its pre-war value in terms of gold. This was a notable achievement, but it carried with it almost inevitably

a contraction in trade and employment, and so has come to be regarded as having been a grave error of political judgment. Looking back in the light of the lessons of the intervening twenty-five years, I should say that the error lay in returning to gold at the pre-war price. If we had been content to adopt a new price which recognised the loss of wealth which the war had involved, we might have been spared some, at least, of the pains which marked the inter-war period. But anyone who criticises the decision taken in 1925 should remember that the world had not then become accustomed to the devaluation of currencies, and it was still considered incumbent upon an honest man to pay his debts in the coin in which they had been incurred.

Between the wars, economic and political thought was dominated by the need to find a means of countering unemployment, always within the ambit of orthodox finance, which broadly speaking applied to the nation's affairs the principles which an individual who was facing the prospect of bankruptcy ought to apply to his own. In 1933, however, the newly elected President of the United States of America introduced in his famous New Deal an entirely novel and heretical remedy, for which, since it owed much to the teachings of the late Lord Keynes, England may claim a share of the praise, or must accept a share of the blame. President Roosevelt's cure for a depression was not to spend less but to spend more: not to make money dear but to make it cheap. This bold experiment did not perhaps achieve all that was expected of it, but it did succeed in setting the wheels of American industry once more in motion, and with its great natural recuperative power that country was soon prosperous again. This momentous event gave encouragement and respectability to the exponents of the new doctrine that a trade depression could be cured by a budget deficit, and the old orthodoxy has since tended to fall into oblivion.

THE 1944 WHITE PAPER

Towards the end of the second war, responsible people in this country began to turn their attention to a consideration of the problems likely to arise after the end of the fighting. One of these was unemployment, but in a White Paper published in 1944 the Government of the day expressed the view that there would be no problem of general unemployment in this country in the years immediately after the end of the war in Europe. The available manpower, it was recognised, would be insufficient to satisfy the total demand for goods and services, and some time was likely to elapse before the need would arise to put into operation any long-term policy for averting mass unemployment by stimulating the demand for goods and services.

Despite this, after 1945, the new Government, impressed no doubt with the fact that the war had been financed on terms progressively more satisfactory to the State, eagerly gave another turn to the screw, although there was no sign of any decline in business activity. Instead of keeping the stimulant in reserve in case the patient should show signs of collapse, they plied him with successive doses of alcohol when he was already slightly intoxicated. Realising, however, that he could not be allowed out and about in that condition, they called in the planners to set up an elaborate system of controls with which to check, thwart and generally infuriate the unfortunate victim. And then they gave him another glass of champagne.

ATTEMPTS TO HALT INFLATION

Attempts have been made, though until recently within narrowly restricted limits, to bring this inflation to a halt, and in this connection the extra expense of rearmament is a most disturbing factor, but until the last few weeks it seems to have been hardly realised that, whereas the new technique may be properly applicable in a time of depression, the old orthodox remedies may still be appropriate when inflation is rampant. There has been a heavy price to pay for this ever-increasing inflation and no one can say that there will not one day be an awful reckoning to be met, but for six years the fear of unemployment, which was a nightmare to many in the inter-war period, has been virtually removed, and there is no denying the comfort and reassurance that the existence of a sellers' market for labour has brought to many homes. But as a general principle neither the seller nor the buyer ought to have the whip hand in commerce.

The ideal of permanent equilibrium is doubtless unattainable, and when thinking of buyers' and sellers' markets we should not forget that each one of us is both a seller and a buyer: a seller of the fruits of his own labour, and a buyer of the fruits of the labour of others. In present conditions a man finds it comparatively easy to earn a high wage but very difficult to buy with it the goods and services that he requires. It would be even worse to go to the other extreme, but he would almost certainly be better off if he had rather less money to spend but goods were more plentiful and therefore cheaper.

In retrospect one cannot imagine a more opportune period than the years since 1945 for the application of monetary discipline and I have great hope that its adoption at the eleventh hour may yet put our economy on a sound basis. An expansionist policy, if under proper control, may well be the answer to the problem of mass unemployment in this country: that, however, does not justify its adoption in circumstances to which it was inappropriate.

This comparison between the two postwar periods is on balance favourable to the era of planning, though opinions would differ as to the contribution made to it by the planners. Let us now consider some of the apparent failures of planning, and try to ascertain their cause.

NATIONALISATION OF RAILWAYS

The railways provide a good opportunity for the public to weigh in the balance the fruits of the nationalisation of an existing industry. In the past, conditions of semi-monopoly had prevailed, and there was little effective competition, even under private enterprise, between one railway and another, because they served in the main different areas. Nevertheless they were in competition with other forms of transport and, although the service was by no means perfect, a reasonably high degree of efficiency was maintained in spite of their being hampered by restrictive legislation.

When the railways were nationalised an immediate eruption of paint on the engines led one to hope that the service would perhaps be smartened up in other ways also, but this hope has proved groundless. In spite of increased wages, staffing difficulties have become acute, and from the point of view of the passengers, though they have seen the completion of improvements, postponed owing to the war, on some of the suburban lines, the service generally compares most unfavourably with that given when the industry was in private hands. The fares, though several times increased, are inadequate to meet the growing costs, and the management is faced with the operation of an economic law to which the planners appear to have no answer. Their usual remedy of raising the price, which they can apply with impunity when they have a monopoly of some goods or services which the public must buy, fails them when the public can travel by road, or even stay at home; if they find the railways too expensive, in addition to being dirty and unpunctual.

EMPIRE DEVELOPMENT ORGANISATIONS

Another form in which the State has entered into business on a large scale in recent years is by means of the setting up of agricultural organisations of various kinds in undeveloped parts of the Empire. The conception of these projects was meritorious, both for the production of much needed food for the growing population of the world and also for the development of the latent resources of the territories concerned. Given the urgent need for the foodstuffs, the Government may well have been right to attack the problem as they did, but the fact remains that major failures and only minor successes have emerged. Private enterprise would, of course, have proceeded quite differently, testing its theories by means of one or more small pilot schemes and would, probably have been content to wait ten years for a return on its investment, but private enterprise does not bear the responsibility for feeding the nation.

Perhaps the lesson to be learned from these unhappy experiences is that pioneering is inevitably a very slow job, and that the method adopted by private enterprise is not easily improved upon by the most carefully laid plans, even when the planning is backed by the almost unlimited financial resources of the State. In one way or another probably £50 million of the taxpayers' money has been wasted, or I will say spent in learning this lesson. This is a large sum even to-day, but it represents only about 1 per cent. of the country's annual budget, and if that was all that unsuccessful planning had cost us in five years we should not have much to complain of: it would be a very well-run business and a very lucky one which was able to keep its annual wastage owing to managerial and directorial shortcomings as low as 1 per cent. of its gross expenditure.

Such wastage can, of course, never be measured accurately, but whatever it is in private industry it must in the very nature of things be higher in a Government business. And it seems reasonable to assume that if wastage of this kind affects business enterprises run by the State it must also permeate the whole field of Government expenditure. That is where the pruning knife should be applied.

HOMES FOR THE PEOPLE

Perhaps the most important of all the nation's internal activities since the war has been the effort to provide homes for the people who are in need of them, and up till now this activity has been kept almost entirely in the hands of the Government and Local Authorities. It was announced in the middle of last year that a million new post-war dwellings had been completed, and besides this a large number of bomb-damaged houses had been restored to habitable condition. But nearly half a million houses were destroyed in the war, and it is computed that before the war 200,000 new houses were required every year to replace normal wastage. On this basis it would appear that we have actually fallen behind since the war ended. The slow progress has resulted in an excessive premium being created and maintained for the vacant possession of prewar houses, and this has served in some degree to mask the high cost of the new house.

Personally I feel certain that the insistence of the late Government on retaining this activity so largely in public hands has caused quite needless inflation of the price of these new houses. I believe that, if private enter-

prise had been allowed to operate freely in this field, subject only to control of design and construction and to a ceiling price, the result, given the co-operation of the trade unions concerned, would have been a lowering of the cost of the finished article. It is true that different considerations would have governed the allocation of new houses, and that the ability to put up a small margin of security for the necessary loan would have become an important factor.

This would perhaps have been rather displeasing to the planners, but let them consider that not all of these wicked capitalists would have inherited their wealth; some of them might have themselves responded over the years to the Savings Campaigns, and surely no responsible Government would have been so cynical as to deny these meritorious people the opportunity of deriving some personal benefit from their past abstinence. Let them consider also that housing need and financial need are not synonymous terms.

NEW GOVERNMENT'S DECISION ON HOME-OWNERSHIP

I am very glad to see that the new Government has decided to encourage home-ownership, and that the local authorities may now, subject to conditions, sell individual houses to those of their tenants who are able and willing to buy them. Every pound that is repaid to the Government by this means will enable it to wipe out a pound of inflationary debt, just as every pound that has been borrowed by the Government in recent years to finance local authorities for this and other purposes has increased the inflationary pressure.

It is true that the tenants themselves will have to borrow, but if they go, as they should, to building societies and insurance companies and draw on the existing resources of these institutions, no additional credit will be created. It must be added that if this presages a return of the main responsibility for housing to private enterprise, it will be necessary for the land to be freed from the stranglehold of the Town and Country Planning Act, but this typical example of the planners' art is surely destined in any case soon to collapse in complicated ruin.

COAL DISAPPOINTMENT

Instances of the failure of nationalisation and other planning activities to achieve what their protagonists expected of them could be multiplied. Even in the coal mines, where it was generally conceded that some major change was necessary, the results are most disappointing. There has been some progress since 1946, but this was from an output level abnormally depressed through the effects of the war. The best technical opinion contemplated that with the help of modern mining methods, we should by now have a much greater output with the present personnel, and it is certainly most unsatisfactory that total output is still below the 1938 figure, which was in its turn smaller than in 1913 when mechanisation as we now understand it had not begun.

The widely propagated belief that the mines would produce enough coal when the miner knew that he was working for the community has proved to be no more than wishful thinking, and we have lately had to face the humiliating necessity of importing coal from abroad to meet our needs. The miner, like many other people, looks at his pay packet, and when it contains as much as he requires for his immediate needs he seems to be inclined towards additional leisure or recreation, especially if further earnings would involve a heavy liability to income-tax, to the payment of which he has a strong though by no means peculiar objection.

THE HUMAN FACTOR

Is there then some constant factor in all these plans which causes such unrelieved failure? They are, I am sure, prepared with the greatest care by men of outstanding ability and of the highest intellectual integrity. Mathematically and statistically they are without doubt beyond the reach of criticism. But, unhappily, the cleverest men often seem to be somewhat lacking in common sense and wordly wisdom. Working as they do in a vacuum, in back rooms in Whitehall, or it may be in Bloomsbury, they may never have been in intimate contact with the rough realities of life.

Such people may well think that if it is true that two and two make four in the lecture-room, it must also be true at the coal-face and in the African bush. In fact they do not and cannot make allowance for the reactions to be expected from human beings and from the forces of nature, which will beat them every time. The Latin poet Horace told the world two thousand years ago that you could not eradicate nature with a pitch-fork. *Naturam expellas furca, tamen usque recurret.* We have now learned that for that purpose a statutory rule and order is an equally ineffective implement. The pitch-fork may, however, be good enough for a planner.

THE MIDLAND BRIGHT DRAWN STEEL AND ENGINEERING

EXPANSION OF SALES

The fifth annual general meeting of The Midland Bright Drawn Steel and Engineering Company, Limited, was held on January 14th in Birmingham, Mr Arthur H. Johnson, O.B.E. (the chairman), presiding.

The following is the statement by the chairman circulated with the report and accounts for the year ended October 31, 1951: It will be observed that the form of accounts has been modified by the incorporation of the profit and loss account of the parent company in the consolidated profit and loss account which gives the results of the group as a whole. The total sales of your companies have been considerably expanded during the year under review by the installation of new machinery and the energy of the executive and works staff, only a small percentage of the increased sales are attributable to the rearmament programme and consequently the expansion in profits has been mainly derived from the normal products of the group.

Shareholders may recall that at our last annual general meeting I made reference to the fact that your board had acquired the valuable leasehold factory premises of Wilcox and Lines, Limited, with a term of 84 years expiring in the year 2035 for the sum of £14,146 including all legal charges; the advantages obtained have been many, not the least being the cessation from March, 1951, of the rental of £1,250 per annum. In addition, as I have already mentioned, new machinery, in some cases involving new processes, has been installed and, of particular importance, the addition of two ten-ton lorries to the vehicle fleet has resulted in a considerable saving in the ever-increasing charge for road haulage.

In conformity with my statement accompanying the 1950 accounts your board have written down the figures appearing in the consolidated balance sheet under the heading of goodwill by £3,764; it is hoped that the balance of £16,000 will be eliminated over a period of years out of future profits.

After incurring capital expenditure of £30,333 during the year under review the difference between current assets and current liabilities has increased from £28,611 to £74,885. In this connection I would draw shareholders' attention to a point which by the effluxion of time may tend to become overlooked, namely, the total cost of the subsidiary companies amounted to £272,499, of which only £128,370 was provided by additional ordinary and preference share capital, leaving a difference of £144,129 representing a net movement from current to fixed assets to be provided out of profits; this, if not wholly, has to a considerable extent been achieved.

As shareholders know, both subsidiary companies were new companies incorporated in the middle of 1949 and were therefore subject to the complex rules of taxation relating to new companies which, in simple language and to comply with prudent accounting policy of reservation for taxation up to and including the profits of any year, meant that at October 31, 1950, approximately 33 months' taxation had to be provided out of approximately 16 months' profits; this, of course, with taxation at its present level, was an impossibility, but it is gratifying to state that, at October 31, 1951, the position has been achieved by a transfer to taxation equalisation account of £19,430; no similar transfer will be required in future, and after provision for current taxation the whole of future profits will be available for dividend or reserves.

The current year has opened with a substantial weight of orders on the books of all three companies, but raw material supplies during the past year have been extremely difficult, and will continue to be short for some considerable time, and this may be the limiting factor in our progress.

The report was adopted.

GOLD COAST SELECTION TRUST

The twenty-second annual general meeting of the Gold Coast Selection Trust, Limited, was held on January 15th in London, Major-General W. W. Richards, C.B., C.B.E., M.C. (the chairman) presiding.

The following are extracts from his circulated statement:—

For the year ended September 30, 1951, the profit which accrued to the company from realisation of investments was £19,449. We received £86,628 by way of dividends, etc., on investments. The aggregate market value of the company's investments is above the book cost—in particular, large shareholdings in Amalgamated Banket Areas, Ariston Gold Mines, Bremang Gold, Marlu Gold and Gold Coast Main Reef.

In the past Gold Coast Selection Trust has confined its activities to West African interests, and although the scope for future activities in the Colony is by no means exhausted, your board has decided to widen the field of interests if and when favourable opportunities present themselves.

We have already paid an interim dividend of 3d. per unit of stock (5 per cent.), and the board recommend the payment of a further dividend of 4½d. per unit of stock (7½ per cent.) for the year ended September 30, 1951.

A resolution for increasing the company's authorised capital by £250,000 is being put forward in order that the directors may be in a position to accept any opportunities which present themselves for improving and extending the company's interests. Existing members will be given the opportunity of subscribing to any new issue of capital.

The report was adopted and the proposed increase of capital was approved.

WILLIAMS DEACON'S BANK, LIMITED

RECORD DEPOSITS EXCEED £139 MILLION

UNFAVOURABLE SWING IN NATIONAL BALANCE OF PAYMENTS

CREDITS RESTRICTED TO AID DEFLATION

SIR WALROND SINCLAIR ON STERLING'S FUTURE

The annual general meeting of Williams Deacon's Bank, Limited, will be held in Manchester on Thursday, February 14, 1952. The following is the statement by the chairman, Sir Walrond A. F. Sinclair, K.B.E., on the report and accounts for the year ended December 31, 1951.

The proceedings at the annual general meeting will be restricted to the transaction of formal business and I propose to continue the practice of recent years in issuing a brief statement on the bank's affairs in advance of the meeting.

During the past year there have been no changes to report either on the board of the bank or on its executive, so that the only domestic subject I need to enlarge upon is that the residential training establishment at Cheadle has been in operation for the bulk of the year. It has been, I am satisfied, an unqualified success and will, I am sure, prove of inestimable value in the future. The courses there have been much appreciated by the managers, officials and other members of the staff who have attended. This, indeed, was obvious while the courses were in progress but has been amply confirmed by the number of letters which have been received from members of the staff expressing their appreciation and the sense of the benefits they have derived from their stay at Cheadle, not the least of which has been, in their opinion, the opportunity of making contact with their colleagues from distant parts of the service.

I feel I must take this opportunity of thanking, in your name, all those officials of the bank whose keenness and co-operation have been necessary to make the project a success. It has, I know, entailed much unflagging effort.

THE ACCOUNTS

I now turn to the accounts, from which you will see that deposits at £139,495,367 are nearly £9 million above last year's figures and are once more a record for the bank.

They are again, as in December, 1950, somewhat swollen by several large balances which are expected to be of a temporary nature.

On the assets side, the liquid items, namely cash, balances with other banks, money at call, discounts and Treasury deposit receipts, amount in total to £61,905,655, which exceeds 44 per cent. of our deposits. As you will be aware, official policy during the year has been to continue to reduce the total of Treasury deposit receipts and to increase the issue of Treasury bills in their place. But a radical development occurred in November when an issue of £1,000 million serial funding stock replaced an equal amount of Treasury bills. I shall refer to this operation later.

British Government securities, which stand under current market price at £41,778,194, have in consequence again increased.

Advances at £36,937,283 show an increase of £5,840,363. An increase in advances has, of course, been the common experience of the clearing banks, occasioned in many cases by the steady rise of prices largely due to the inflationary trend which has persisted during the whole of the year.

Our net profit, after making the usual provisions (which include contributions to staff pension and widows' and orphans' funds and appropriations to contingencies account) is £258,520, that is a decrease of £1,864 on the year. This with the balance of £127,163, brought forward, gives a total of £385,683 to be dealt with. After transferring £125,000 to contingencies account, we propose to pay dividends at the rate of 12½ per cent. on the "A" shares and on the "B" shares and to carry forward to next year £137,637. I am sure you will feel that these results may be regarded as quite satisfactory.

During the year the business at Downholland has been transferred to a neighbouring site at Lydiate, by which name the branch is now known. In addition, a new trustee branch has been opened at Preston. A new branch at Birmingham will be opened very shortly.

IMMENSE GOLD LOSSES

At this time last year I prefaced my remarks on the general situation by pointing out that the most satisfactory feature of 1950 had been the re-establishment of world confidence in sterling, and it is therefore doubly disappointing to have to state now that 1951 has seen an abrupt unfavourable swing in the balance of payments and a heavy drain since the middle of the year on our gold and dollar assets. The effect of this development was that confidence in the future of sterling became undermined throughout the trading world. The situation, accordingly, in which we find ourselves is grave and its gravity has been both psychologically, and indeed practically, intensified by the speed with which the crisis has come upon us. The immense gold losses sustained in the last quarter of 1951 are such that, were they to continue at the same rate, the whole of the gold and dollar reserves of the sterling area would be used up in nine months. From a position earlier in the year when a revaluation of sterling in an upward direction was being canvassed by monetary centres overseas—and not unreasonably—we are now faced with a situation in which people abroad have been delaying sterling payments and speculating in sterling, actuated, of course, by their opinion that a further devaluation was possible.

The year has also seen a relentless rise in internal prices, principally due to the inflationary trend. We must realise that the rise would have been greater but for the deterioration in the balance of payments position.

BASIC COMMODITY PRICES

The situation in Korea, coupled with quite a moderate amount of American stockpiling, pushed prices of some basic commodities up to unheard of levels. Unfortunately for us in this country, export prices did not rise immediately, nor indeed have they since, by a proportionate amount.

The increase in prices of basic commodities, notably wool, rubber and tin, did however benefit other members of the sterling area and whilst the proceeds of their exports helped to swell our gold and dollar reserves, they also increased the sterling balances of these countries here. This was, of course, not abnormal and was before the war the usual pattern of trade whereby British Commonwealth countries sold their raw materials to the dollar area, from which area we, in turn, bought raw materials and other goods and completed the circle by ourselves exporting manufactured goods to our Dominions and Colonies.

But now, however, there are important differences, some of which cannot but be regarded as unfortunate for the United Kingdom. The rise in the prices of the raw materials and the food we have to import was rapid, whereas the rise in export prices has been much less and much slower. The resultant large funds at the disposal of the other sterling area countries have meant that they could make big demands on our products which we could not meet within any reasonable period of time owing to our overburdened economy and our pre-occupation with rearmament. As a consequence the other sterling area countries turned to Western Europe and their imports, together with our own increased imports from that area, turned us from being a major creditor of Europe to being a major debtor and we have had to pay out large sums in gold through the European Payments Union: thus all currencies have, so to speak, become hard.

The 1951 crisis is similar to its predecessors in 1947 and 1949, in that it arises from inflation, from trying to do too much with the resources at our disposal and failing to limit the claims on those resources.

In 1947, with the help of large American and Canadian loans, we attempted full convertibility for current transactions. We did so in the hope that these dollar loans would provide sufficient reserve to iron out temporary fluctuations but it was against a background of inflation here and a deficit in our balance of payments, arising partly from an effort to maintain a very low rate of interest and delays in speeding up production after the war. This, coupled with indirect demands of foreign holders on our dollar reserves, rapidly used up most of the American loan and made it impossible to maintain convertibility. As we know, we had then to reduce imports, restrict foreign travel and private motoring, make a drive for exports and encourage greater productivity. In 1947 the United Kingdom had a heavy dollar deficit and also an overall deficit.

CAUSES OF FINANCIAL CRISES

The 1949 crisis was largely due to the continued rise in prices here at a time when prices abroad had begun to show signs of falling, added to an over-generous attitude to releases of sterling balances producing unrequited exports, and devaluation, with its adverse effect on the terms of trade, was the outcome. At that time, of course, this country was in balance with the rest of the world as a whole, though we still had a dollar deficit.

Our position today is worse in some respects that it was even in 1947. In the first place we have no large American and Canadian loans on which we can call, nor is Marshall Aid available any longer. Indeed, the time has arrived to make the first payment of interest and repayment of capital on the loans and the decision to make these payments, whilst it is of course in accord with the traditions of this country, must, in the light of the current figures of the trade balance, be regarded as courageous in regard to the instalments of interest for which waiver might have been legally and reasonably claimed. These amount to $87 million U.S. and $24 million Canadian or nearly 16 per cent. of our exports to Canada and the United States in 1950: a good year.

DIFFICULTIES CONFRONTING STERLING AREA

Secondly, the possibility of strains within the sterling area can no longer be overlooked. After all, it would be perhaps quite understandable (though regrettable) if those countries of the area which are not in deficit with the dollar area felt a measure of reluctance to curtail indefinitely their dollar purchases for the general good. It has already been agreed that Ceylon shall hold some gold and India is directing more of its trade through non-sterling channels. Nevertheless, I do not for one moment impugn the loyalty of the other members of the sterling area and although it would be imprudent to forget that difficulties like the present can constitute a solvent for many ancient loyalties I affirm my confidence that, under proper leadership, sterling and the sterling area can overcome all the difficulties which now seem to beset them. I shall content myself by saying that a high degree of national unity is an essential prerequisite to so desirable a state of affairs.

The fact remains, however, as I have already said, that, for us and for the sterling area generally, all other currencies are now hard currencies, with dollars heading the list followed by the currencies of the European Payments Union.

In the third place, the United Kingdom balance of payments is once more in deficit at a time when rearmament will reduce the goods available for export and be a cause of further imports. It is thought, rightly in my opinion, that a further devaluation would not make any contribution to the solution of the problem.

ANTI-INFLATIONARY MEASURES

Against these unfavourable factors must be set the measures which the Government has already taken to meet the situation. Imports, particularly of inessential goods, are to be reduced to the extent of £350 million and steps are being taken to restrict credit. These measures are bound, to put it mildly, to be irksome to many but they are very necessary. In the long run there is only one way to deal with inflation and that is, at a given price level, to reduce the monetary claims on the available goods and services. If it has to be decided that a larger share of those goods and services must go to rearmament, then the share left for private consumption must be so much less. If, then, the total of money incomes exceeds the reduced total of goods and services available as measured by current prices, and the individual recipients will not refrain from spending a portion, in other words save it, the incomes will have to be reduced. This again is bound to be irksome. The alternative is rising prices and eventually a runaway inflation with wages always trying to catch up with prices. The need for savings and restraint in wage claims is as great as it was in 1947.

The Government is therefore to be commended in the steps it has taken and is taking to deal with the situation. The changes made in the 1951 Budget are now seen to have been inadequate and sterner measures are needed. The restriction of imports, particularly some of those consumption goods which add to the amenities of life, cannot be popular. It is certainly not pleasant to restrict credit and to make it more expensive, as the Government wish, but in this the banks are carrying out official policy in the interests of the whole community as part of the measures necessary to rid us of inflation.

CREDIT RESTRICTIONS

It is well that the actions of the Government in the financial sphere should be clearly understood. By raising bank rate, curtailing the cheap rediscount facilities enjoyed by the money market, funding a part of the floating debt and calling upon the banks to restrict credit, they have taken important steps on the road to deflation. Every repayment of a loan or advance is deflationary and by the funding operation to which I referred earlier the Government have actually reduced the credit base. By way of illustration, let me refer to the banks' applications for the Serial Funding Stocks (which largely accounts for the increase in our investments in 1951 of £4,883,935). The change from Treasury bills to Government stock has meant that the average liquidity ratio of all the Clearing Banks has fallen to 32.1 per cent. as against 40.2 per cent. at this time last year. The liquidity ratio is merely the percentage which the total of cash, bills discounted and money at call or short notice bears to deposits. It is, however, obvious that the banks themselves, after a shrinkage of liquidity of those dimensions are bound, quite apart from Treasury directives, to tend to cease to be willing lenders.

If I may, I should like here to add a word on the internal aspect of the restriction of credit so far as it affects the banks. It is true that an increase in interest rates charged on advances increases the banks' remuneration but, on the other hand, they have increased the rate allowed on deposits and if total advances should be reduced then total remuneration may well be less. In addition, their expenses have been steadily increasing for some time. More than this, however, higher rates have meant a fall in the value of gilt-edged, which has already hit the banks since they are so heavily interested in these stocks.

FOREIGN EXCHANGE MARKET

A welcome development at the end of the year has been the decision to reopen the London Foreign Exchange Market for dealings both in spot and forward currencies. The Exchange Control is retained and spot transactions must take place within narrow limits but the fact that the commercial banks will be free to cover their transactions at the best rates they can has a significance for the future which cannot be overestimated. The Forward Exchange Market will also be a pointer and, indeed, a slight help in dealing with the balance of payments position. In other words, sterling is once again on a more realistic basis and the eventual return to full convertibility will be made much easier.

The end of the year saw the prospect of some alleviating factors in several directions. Due in part to the weather, we have managed to avoid serious power cuts and production has not suffered as much as was feared. The raw material outlook in most commodities is better than was at one time thought possible and, though difficulties remain, apart from steel they should not be insuperable.

The general level of import prices, too, has moved in our favour and big falls have occurred from the peak prices of basic materials reached early in the year. These, coupled with the steady rise in our export prices, have produced a considerable improvement in the terms of trade.

This is a matter for satisfaction, as also are the export figures. Not only have export prices improved steadily during the year, but the total volume of exports has increased in a most satisfactory manner. The deficit in the balance of payments does not at present arise from falling exports but from a heavy increase in imports, hence the need, uncomfortable though it may be, to reduce imports.

IMPERATIVE EXPORT NEEDS

We have, however, no room for complacency. Though exports have been satisfactory in 1951 it by no means follows that they will be equally satisfactory in 1952. At the end of the year we were experiencing a falling off in demand and it is likely that competition will become fiercer as others who have the same difficulties as ourselves take similar measures. The day of easy profits, particularly in the export trades, may well be over, yet our need to export is greater than ever. We must deploy our forces, both of capital and labour, in such a way that, subject only to rearmament, the export industries receive priority. They must achieve the maximum output with the maximum efficiency to enable them to face all comers in the markets of the world. If this be done I am sure we shall pull through the present crisis in our affairs. We can no longer afford, indeed it would be suicidal, to use our precious resources of capital and labour in providing goods and services for the home market on the scale we have been doing and the Government should lead the way by seeing that the utmost economy is practised in the public services. If some of the pleasant things we have become used to, have, we hope temporarily, to go, it is because our very livelihood is at stake.

I referred last year and the year before to the need for changes in the taxation system, particularly the taxation of profits ploughed back into the business. During the year the British Bankers' Association have presented their views to the Royal Commission, which is now sitting, and there is little that I can usefully add except the hope that out of their deliberations will come changes making for a less rigid system and one which allows greater flexibility, provides more incentive and cares for the creation of reserves. Such considerations should apply with equal force to the new Excess Profits Tax which is to be imposed in the New Year.

INDUSTRIAL PRODUCTION

In the midst of the troubles which beset us in our external payments and in the adjustments we have yet to make to accommodate a greatly accelerating rearmament programme, it is pleasant to record that industrial production continues to rise. The rate of increase is small and is no doubt due to more equipment and a growing labour force. It will be by no means sufficient of itself to take care of rearmament, but it is to be hoped it can be maintained in spite of present anxieties about material shortages.

The end of the year saw some welcome improvement in the coal situation and the highest weekly production for 10 years. Total production is up on the year in spite of a fall in manpower, and the output per manshift has improved slightly, due in part to increased mechanisation. This improvement is of the utmost importance. It cannot be too widely known and realised that coal is the one raw material we have in plenty, the one commodity which is as valuable as gold in international trade, and the one commodity which could solve all our problems. It is a great pity, therefore, that because of memories of pre-war unemployment the miners will not agree to accept more substantial numbers of Italian labourers to do the less skilled jobs.

In iron and steel, unfortunately, the post-war fashion of new records each year has come to an end. Pig-iron is likely just to exceed last year's figure, but in steel, due to shortage of scrap, coke and imported ore, production is less than last year. We have in consequence been compelled to seek steel in Belgium and even the U.S.A. This is a most serious position since steel plays so large a part in rearmament and its use for that purpose in large quantities must seriously reduce the amount available for the motor vehicles and multifarious engineering products which figure so largely in our exports, to say nothing of goods for the home market. The new Government have stated their intention of undoing the steps already taken to nationalise the industry.

The export of cotton goods shows an increase on the year both in quantity and, particularly, in value, but the trend in recent months has been in a downward direction, and the industry is facing a trying time. Buyers, both at home and abroad, are holding off, no doubt in the hope of lower prices. In the meantime, production continues to be satisfactory, and both yarn and cloth output have reached new high levels for the postwar period. Some of this has had to go into stock, a process which cannot go on for long.

FORMIDABLE JAPANESE COMPETITION

With the signing of the Japanese Peace Treaty and the swift increase in the installation of machinery in that country, competition from Japanese cloth will soon be a formidable factor—how soon may be judged from the fact that already their exports of cloth exceed our own.

This has again been a year of great activity throughout the country, and, as you would expect, favourable reports have reached us from all those areas served by the bank. So far as the bank itself is concerned, I am pleased to tell you that the business continues to expand, and, consequent upon the increase in external trade, our foreign departments in Manchester and London have passed another active and successful year.

In conclusion, I would like to take the opportunity, both for myself and on behalf of all the members of the board, of expressing to Mr King, our general manager, to the assistant general managers and to all members of the bank's staff, wherever they may be serving, our best thanks for their efforts during the year and our warm appreciation of their enthusiasm and keenness.

DISTRICT BANK LIMITED

GOVERNMENT DIRECTIVES ON INDUSTRIAL CREDIT

BANK'S INFLUENCE TO REDUCE INFLATION

GROWING DEMAND FOR ACCOMMODATION

SIR THOMAS D. BARLOW'S SURVEY

The chairman, Sir Thomas D. Barlow, G.B.E., has circulated, with the report and accounts, the following statement to the shareholders of District Bank Limited, prior to the hundred and twenty-second annual general meeting to be held on February 8th at the Head Office, Spring Gardens, Manchester.

Before turning to the accounts and trading results for the past year I should like to mention the honour which is to be conferred on our deputy chairman, Sir Robert A. Burrows. You will, I know, join with me in expressing much pleasure that his valuable public services have received this further recognition. Early last year Colonel Brooks was appointed a deputy chairman and I greatly appreciate having the benefit of his wide and valuable experience.

BALANCE SHEET ITEMS

Compared with a year ago the balance sheet shows variations which, to some extent, have been brought about by the monetary measures taken by the government in the autumn. The liabilities side calls for little comment. Our deposits show only a small variation and stand at £238 million.

On the assets side cash and money at call and short notice have increased by £3 million, but, largely as a result of the government's funding of a substantial part of the floating debt last November, our holdings of Treasury bills, now shown separately, are reduced and figure at £31 million. Notwithstanding this change, our liquid position remains satisfactory.

The serial funding stocks we acquired in exchange for Treasury bills have increased our investments in British Government securities, which, you will be interested to know, continue to be mainly short-dated.

Following the change in monetary policy there has been a decline in the value of gilt-edged securities. We have not escaped some measure of depreciation, but our inner reserves are well able to take care of the position and, as hitherto, the investments appear in the balance sheet at less than their market value.

The fact that the government now depends less upon Treasury deposit receipts for its finance provides an explanation why, after a persistent decline since 1948, this asset has been reduced to £5 million and compares with £17 million at the end of 1950.

ADVANCES

Last year our Advances increased by over £8 million. These additional facilities were required chiefly by customers engaged in exports or other work of urgent national importance. The rise in prices of raw materials, heavy taxation and the increased wages paid in industry largely explain the growing demand for accommodation. In the course of this year it is more than likely that we shall be called upon for further assistance, especially from those engaged in all the ramifications of the rearmament programme.

One way or another there is no doubt about industry's needs for temporary finance. As there is also an overriding injunction to restrain bank lendings for the non-essential industries so as to combat inflation, our duty as bankers is plain, but this does not make the execution of our task any easier. By increasing the bank rate and at the same time calling upon the banks "to continue and intensify their efforts to restrict credit to essential purposes" the Chancellor wishes it to be understood that requests for advances will be more critically examined. In what we are called upon to do no drastic deflation is contemplated. On the contrary we are to exert an influence in support of a gradual disinflationary policy.

RESTRAINT UPON LENDINGS

It is, of course, impossible to know exactly how tight banking restraint upon lendings will have to be. That will be effectively determined by the Treasury through its control over the cash and liquid resources made available to the banks—the credit-base itself. In the meantime our task of interpreting official policy will be made less difficult if customers will not seek accommodation without first carefully considering the validity of the purpose for which it is required. I should also like to point out that a curtailment of an important function of banking, prudent lending, is not conducive to increasing our earnings. If those who look to us for financial assistance will only appreciate this aspect, they will more readily understand that now, as in the past, it is because of urgent and important government directives that we have to refuse credit-worthy applications which we would have no hesitation in sanctioning in normal times.

Our bank property item shows a small increase since, during the past year, we have bought premises in one or two towns where our business is out-growing the present accommodation.

THE YEAR'S PROFIT

The net profit for the year, after the usual provisions have been made, amounts to £508,217 and compares with £513,168 for 1950. With the amount brought in from that year there is for disposal £799,001. As mentioned in the report, we have allocated £225,000 to reserve for contingencies. After this deduction, and allowing for dividend payments at the same rate as formerly, there remains a sum of £301,345 to be carried forward.

The results, I think you will agree, are highly satisfactory bearing in mind the increase in running costs and the higher rates of taxation which industry in general continues to experience.

SPECIALIST ACTIVITIES

The foreign department has established a new record both in the number and value of its transactions. This growth, which has been fostered by the overseas visits of the department's representatives, is reflected in the increasing number of foreign banks for whom we act as correspondents.

During the year extensive use has again been made of the department's consultative service on overseas trading and financial conditions. In connection with this work the bank's "Digest of the United Kingdom Exchange Control Regulations" has been in such great demand that reprints have already been necessary of the recently published ninth edition.

A partial restoration of the London Foreign Exchange Market after an interval of twelve years will, it is hoped, increase confidence in sterling and make easier the re-opening of our important commodity markets. Since each move towards freedom makes the next less difficult, the step that has been taken should also facilitate further exchange flexibility as and when this should prove feasible.

Apart from the return to more normal exchange and trading conditions, the recent development is extremely welcome, as the new freedom should once more give to the banks the opportunity to exercise that skill and technique which, in former days, helped to augment the country's invisible income and to make London the world's premier foreign exchange market.

Our trustee department has, during the past forty-five years, been accepting trusteeships at an ever-increasing rate and has therefore adequately proved the great usefulness of this service.

The day may be fast approaching when Parliament will further facilitate this useful work by giving corporate trustees statutory powers to charge fees. The safeguards imposed by law in relation to custodian trusteeships might here serve as a useful precedent. Incidentally, in the matter of granting such powers, this country lags behind the United States of America and certain of our own Dominions.

DOMESTIC AFFAIRS

Restrictions on planning and licensing are still holding up our programme of development and expansion. Despite the intensification of these difficulties, we have obtained permission for the necessary structural alterations to premises in Swansea and

Cambridge, where we hope to open branches during the present year.

The managers' conferences and the special courses for officials continue to provide an extremely valuable means for ensuring efficient co-ordination between the administration at Head Office and the branches. In the interests of both customers and staff we attach very great importance to the matter of training, and as much opportunity as possible is given to our employees for broadening their practical experience. In addition special inducements are offered to encourage the staff to study for appropriate diplomas and degrees.

Bearing in mind the many difficulties encountered in an exacting year, the results are a proof in themselves of the excellence of the work done during the twelve months by all concerned, and I wish to express my full appreciation and to thank the management and staff for their loyal and unremitting service.

THE ECONOMIC SITUATION

The economic difficulties accumulating in this country over the last few years have now been intensified by the rearmament programme. As a consequence we are confronted with a dollar deficit when the repayment of previous dollar loans has begun and when foreign competition, together with the import and credit restrictions imposed by other countries, is interfering with the sale of our goods abroad.

This situation is, of course, partly responsible for the present gap in our balance of payments but, as with previous deficits, our real weakness lies in the fact that we have so persistently failed to adjust the country's internal economy to the limits of what it can afford. Instead, we have continued physical controls and penal taxation and resorted to devaluation and to the running down of stocks of raw materials and food.

The inadequacy of these measures having at length been proved, we are this time attempting more far-reaching correctives and they must be applied vigorously however unpleasant the process may be.

INFLATION AND DEMAND

With home consumption, investment and defence monopolising so much of our industrial resources the amount available for exports is hardly sufficient to pay for even indispensable imports. The chief cause of the trouble is still excessive internal expenditure. The deficit in our external trade is now, as in the past, but a symptom of our domestic inflation.

This can no longer be ascribed entirely to the war or immediate postwar periods. Devaluation and the conflict in Korea greatly increased the cost of our imports, as did belated purchases of these in 1951. The effects, having worked their way through productive and distributive costs, have brought in their train demands for increased wages. With wages chasing prices at a time when defence expenditure is mounting the country is in danger of a worse phase of inflation and one which, expressed in terms of increasing demand, can only lead to most critical shortages of both materials and labour, thereby retarding essential production at the very time it should be greatly increased.

If we are to prevent such a serious situation it is clear that inflation is the first evil to subdue. This will be no easy battle, since it has to be fought on many fronts, but is much more likely to be won now that the forces marshalled against it have been strengthened and concentrated in a unified plan of campaign.

A RETURN TO ORTHODOXY

In the past exhortations have proved an ineffective check on wasteful spending. Physical controls, however necessary for scarce and indispensable raw materials, have failed in so far as they have deflected rather than curbed spending. Heavy taxation, which can hardly be reduced under present conditions, has done harm since, by drawing off funds needed for development, it has tended to limit production and destroy incentive.

These measures, being insufficiently co-ordinated, have not performed the function assigned to them, and, pushed to extremes, have constrained rather than liberated our economy. Now all are to work to the same end under the more orthodox monetary discipline which has been reinstated after a period of twenty years.

With the new mechanism attacking inflation from so many angles we should be able to look for satisfactory results. Much the biggest and most speedy relief will, however, be obtained through the elimination of unnecessary spending by Government departments and the curtailment of unproductive capital outlay not only by the Government but by local authorities and the nationalised industries. To use budgetary action and restricted credit too sparingly in the public sector of our economy, and concentrate too much on retrenchment within the private sector, would do little to reduce the spate of avoidable spending.

But that is not to say that the business community will be untouched by these new measures. Indeed the whole of our economy must be tightened up, since only by a transfer of labour and materials can we expand our production of armaments and exports.

THE VALUE OF THE HOME MARKET

In striving towards our objective, however, it is possible to go too fast and too far. The urgency of the task we have on hand naturally tempts us to disregard all but the needs of essential industries and to underestimate the effects of dislocation in other branches of production. But, before taking any irretrievable steps towards altering the balance of our industrial structure, we should be well advised to make sure that what we are about to do is really in the national interest.

In pursuit of effective deflation it is logical to point out that a curtailment of civilian output can be balanced by a reduction in private spending. Monetary measures and taxation are quite capable of seeing to that. But, if this should imply an undue restriction of domestic consumption, there is less solid ground for believing such action would be beneficial either to the country or to essential industries.

Although perhaps not apparent at first sight, domestic consumption has its importance, since it is excessively difficult to maintain and develop an export trade in many types of goods—particularly those of high quality—unless there is an adequate home market to provide ample opportunity for research and an outlet for experimental work. To constrict this market inordinately at any time would most regrettably narrow the field of activity for such excellent organisations as the Council of Industrial Design, the quality of whose contribution to the Festival of Britain Exhibition has been universally acclaimed. To limit the home market excessively now would be to deprive our manufacturers of a pioneer service for improving the functional and æsthetic qualities of their products just when exports are most needed.

For another and no less important reason it will be necessary to act judiciously in the reorientation of our industrial output. With the armaments programme now getting near quantity production, the engineering industries are likely to be increasingly diverted from the export task. The breach, therefore, must be filled by other types of goods. Since, for many of these, production costs cannot be kept sufficiently low without a substantial offtake by the home market, too great a constriction of domestic trade would tend to make them dearer at a time when foreign competition dictates that they must be cheaper.

Obviously there is bound to be a marked degree of empiricism in the application of the new emergency measures. There will, however, be less necessity to change the pattern of industry if the measures already taken, and those yet to be introduced, increase the volume of production and at the same time keep down costs so that we can sell more goods abroad and thus pay for the highest possible supply of imported raw materials. Indeed how much more readily should we meet the growing needs of defence and the demands of our home trade if our greatest single asset, coal, as well as manufactures of high conversion value, could be exported in sufficient quantity.

JAPAN AND THE COTTON INDUSTRY

Sustained endeavour and enterprise are specially important for the cotton trade, since it has to compete in markets which are becoming particularly keen. A more specific problem for Lancashire, and much depends on its solution, has been resuscitated by the Japanese Peace Treaty. This was signed last year and Japan may be expected to be in charge of her own destiny before long. The spindleage of her cotton industry has increased at an alarming rate in recent months until it is now dangerously near the number of spindles she had in operation before the war.

The big issue now, therefore, is whether she will of her own accord decide to act with moderation and with due regard to the interests of other countries whose economies compel them to depend heavily upon the export of cotton goods, or whether she will behave without restraint and thereby force other countries to protect themselves, as they did in prewar days, by tariffs and quotas. The first course will serve her long-term interests best. Possibly, she may be induced to recognise the fact. Certainly the problem is one which must claim the closest attention of leaders of the British cotton trade in the coming months. The rayon and pottery industries will no doubt also give any developments their keen attention.

In the hard fight which lies ahead it is more than ever essential for the cotton trade to be assured of a plentiful supply of carefully selected raw material. It is, therefore, encouraging that the Government has set up a Cotton Import Committee to inquire "how in the current foreign exchange position cotton can best be supplied to the United Kingdom cotton industry on the most advantageous terms as to quality and price." As matters stand this is a most useful task to perform, for the Government's ultimate objective, the restoration of a free market for raw cotton, is at present impossible of achievement.

THE BROADER ISSUES

It remains to be seen how long it will take orthodox monetary control, with all possible economy in administration and in private and public expenditure, to halt the inflationary spiral and restore our national prosperity. Past experience has shown that we have been able to count on the utmost endeavour when our national needs are most pressing. Nevertheless the sacrifices which these emergency measures entail will be felt by all sections of the community in varying degree and it would be idle to pretend that the general experience will not be both painful and severe.

History, if we enlarge sufficiently our perspective and are content with broad generalisations, develops by successive stages and provides a salutary lesson for us today. The great Emperor Diocletian not only reorganised the administration of the Empire but endeavoured to combat inflation by his edict of A.D. 303 fixing the prices of commodities. This, however, completely failed in its purpose and the Empire in the west steadily disintegrated. A hundred years later the Goth Alaric assaulted and plundered Rome. The slavery of the ancient world developed into the serfdom of feudalism and the slaves and serfs were the capital equivalent of the machine age. The machine age built up its capital with no adequate consciousness of the consequences of what it was doing, and the monetary rewards which it provided were a poor substitute for the loss of the earlier balanced economy. If this also provided meagre monetary rewards it did not disrupt the social structure nor impair the dignity and self-respect of the individual. But the gradual and increasing pressure of the community, working not by revolution but within traditional political policies, has secured the more equitable distribution of the fruits of industry.

CAPITAL ESSENTIAL

It remains to be seen whether this redistribution has gone too far. The stored up capital of the past is being dissipated as income and new capital is not being adequately accumulated. In strong contrast the latest and alternative contemporary phase is being witnessed in Russia, where it would appear that a privileged oligarchy is imposing on her nationals heavy sacrifices to build up capital with the concurrent assurance that there awaits them a future condition of prosperity and bliss.

A constant factor which runs through all historical experience is that the creation and accumulation of capital are essential conditions of a country's survival whatever its form of government. We may perhaps be permitted to believe that ours is the more excellent way. But if we continue to draw too freely on such reserves as we still retain, and if we are not willing to make the necessary sacrifices, it is very certain that our way of life cannot be preserved and that we can only look forward to a situation in which it will be difficult to support fifty million people and maintain their present standard of life.

ARTHUR GUINNESS SON AND COMPANY, LIMITED

SALES AGAIN CONSTITUTE A RECORD

GROWING OVERSEAS BUSINESS

LORD IVEAGH ON PROBLEM OF RISING COSTS

The annual general meeting of Arthur Guinness Son and Company, Limited, was held on January 15th at Park Royal Brewery, London, N.W.10.

The Earl of Iveagh, C.B., C.M.G. (chairman of the company), who presided, said: Ladies and gentlemen,—The annual report and accounts for the year ended September 30, 1951, have been circulated and are in your hands. There is nothing to add to what I have written there in regard to the accounts, except that, as you will have seen already in the Press, we have at last received approval of the application which we first made two years ago for permission to recognise as share capital some part of our reserves, created from the profits of past years and now represented by buildings and plant or otherwise used in the development of our business. This does not mean any increase in the value of your equity, nor does it mean that there will be any increase either in total profits or in the amount of distributed profits. The necessary resolutions will be submitted in due course to a special meeting.

ALL SALES RECORDS BROKEN

Sales of Guinness again broke all previous records in spite of the fact that a number of famous brewers are busy producing beverages designed to capture some part of that field which we have made so peculiarly our own. It is not for me to attempt to discriminate between so many excellent brews of their type, but so long as it remains our practice by all means and in every way to give the very best value that money can buy, I do not doubt that we shall maintain and extend that support which we have enjoyed for so many years. We spare neither thought, time nor money in perfecting our technique and our scientific control; and since the brewing is not the whole story, we have given much thought to the development and inculcation of the best methods of bottling both in Great Britain and in Ireland. There are, after all, four parties concerned in the perfect Guinness: we who brew it, the many hundreds of bottlers, the tens of thousands who serve it, and the millions who ask for it. It has always been our desire and our policy that all four should benefit from the connection, and we have no doubt that they do. Guinness continues pre-eminently to be good for everyone concerned.

RISING COSTS AND PRICE LEVEL

Unfortunately though sales have risen, so have costs, and once again our margin is threatened. In England we were forced in May of last year to raise the wholesale price of Guinness to our bottlers by 12s. a barrel. In Ireland, since the financial year closed, we have received Government permission to raise the price, and allowing for higher gravity (which was below that in England) this will result in practically the same increased margin, namely, approximately 12s. a barrel. The whole of this increase has, in fact, been swallowed up in both countries by the increased price we have to pay for malt and hops this year. That must affect profits, but we hope to be able to maintain prices without further charge.

Through all this period of rising costs, we have, indeed, largely, owing to increased sales, kept the price of Guinness (except for Excise duties) consistently and considerably below the general price level, and below the levels of prices of the materials that we use. I would like to give you a few comparative figures. This last year, compared with the last prewar year, the cost of our materials has been about 2½ times what it was; the cost of fuel over 2½ times what it was; the wholesale price indices in Great Britain and Ireland about three times what they were; the net selling price of Guinness, excluding duty, only two-thirds more than it was, and the profit margin only one-eighth more. We shall, incidentally, this year have directly contributed in the two countries well over six million pounds to the growers of barley and hops—no small item in the farmers' budget.

EXPORTS: A SUCCESSFUL YEAR

In exports, we have had a successful year, largely owing to the vigour with which our recently created subsidiary—Guinness Exports Limited—has been directed. Including our continental sales, which are sent out in bulk and are bottled on the Continent, but excluding our sales to N.A.A.F.I. for overseas troops, our exports have doubled in the last two years, and are more than three times what they were in 1938. It is nearly forty years since they stood so high as they do now. They must inevitably always be a comparatively small part of our total output, but in 1951 our exports brought in over £1½ million, and were it not for difficulties of shipping space, shortage of bottles, etc., could have produced more.

With regard to our interests in the U.S.A., we are in the stage, which we always envisaged, of the slow and steady building of foundations. We have good allies over there whose confidence and determination are as great as our own.

At home we have still to complete the programme of modernisation and replacement of plant and equipment in our two large breweries. Progress is governed by circumstances, particularly supplies of materials, and it will take some years yet to complete the whole programme in Ireland. Of the ultimate benefit in costs and in quality we have already had considerable evidence.

The growing size and complexity of our business, and the fact that we are operating throughout the world and brewing in three different countries, make it desirable also to introduce some administrative reorganisation, so as to secure the maximum devolution and flexibility and greater efficiency in respect of the day-to-day working of the machine. There are obviously many problems involved, and these are having the board's most careful thought.

As to the future, who can speak with assurance? If, as we all hope, we are within sight of the end of the period of inflation, then there must be difficulties of readjustment which may well involve temporary setbacks. I can only say that in technique and in personnel we are, I believe, better equipped than ever.

THE DIRECTORATE

The board has suffered a severe loss this year in the resignation of Mr Alan Lennox-Boyd on his accepting office in the Government. Mr Lennox-Boyd is a person of inexhaustible energy, as I can personally testify, and he gave no small measure of his activity to the company and its concerns. Mr Webster, who has been on the board for over fourteen years, has decided to relinquish the executive position of assistant managing director. He played a very special part in the transformation of Park Royal into something more than a mass of bricks and plant; and everyone at Park Royal—in particular his colleagues— will miss his experience, his wisdom and above all his humanity.

Finally, I would say that in both countries, and abroad too, our staff and labour have every reason to be gratified with the year's results, and the thanks of the board are due to them.

The report and accounts were unanimously adopted and the recommendation of the directors approved for the payment of final dividends on January 16th of 3 per cent. on the preference stock and 17 per cent. on the ordinary stock, both less income tax.

The retiring directors, the Rt Hon. Lord Moyne, Captain Ronald Nutting and Dr A. H. Hughes were re-elected directors of the company. The remuneration of the auditors, Messrs Turquand, Youngs and Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman, directors and staff.

HAWKER SIDDELEY GROUP LIMITED

CRITICAL POSITION ON RAW MATERIALS AND MANPOWER

MR T. O. M. SOPWITH REVIEWS U.K. REARMAMENT

The sixteenth annual general meeting of Hawker Siddeley Group Limited was held on January 16th in London.

Mr T. O. M. Sopwith, C.B.E. (the chairman) said that the accounts showed that the group has had a satisfactory year, with an increase in profits due to an expansion in turnover both in quantity and value and he was pleased to report that the export trade had played an important part.

It had to be fully recognised, however, that present-day trading was considerably influenced by inflation and high taxation. Traditional methods of computing profits took account of historical costs only, whereas industry was having to replace, at progressively increasing prices, assets consumed in earning profit. The existing taxation code made inadequate allowances for depreciation and replacement of capital assets; insufficient margin was left for replacement and expansion of trading stocks. The efforts of the F.B.I. in seeking to redress the anomalies of the present system were receiving the group's fullest support.

RESERVES INCREASED

The board had set aside a sum of £1,000,000 to reserve for replacement of fixed assets and development, increasing that reserve to £3,750,000. They had also set aside £500,000 to other revenue reserves, bringing these to £2,248,161. The profit figure of £695,661 relating to prior years resulted largely from the settlement of contracts, some of which went back over a number of years. These settlements had been made on a more favourable basis than could have been anticipated with reliance. The figures for the past two years had been exceptional.

During 1951-52 the group's considerable financial resources would be fully extended to meet the needs of national defence.

Although the group's research and experimental prototypes had led the world for years, the R.A.F. was still flying with obsolescent aeroplanes. Orders for more modern aircraft were not placed in time. Now the group had some of the orders required, but it was late in the day.

TIME IS ALL-IMPORTANT

Design and development; manpower; raw materials; machine tools—these were all vital factors governing production of aircraft and aero engines. Time was all-important since building aeroplanes took years. A modern fighter like the Hawker P 1067 absorbed nearly three times as much manpower as did the Hurricane. Raw materials took from three to eight times as long to obtain. Substantial orders for machine tools had been placed, but deliveries were running late.

Co-operation and understanding between the R.A.F., the Ministry of Supply and the aircraft industry in general continued on the same high level as in previous years. Britain's commanding lead in the new jet age was largely due to the talent and hard work of the people who had produced such exceptional aircraft. Now these machines must be translated into thousands available on the airfields of the Western world. Therein lay our future strength and our present weakness.

The report and accounts were adopted.

LAKE GEORGE MINING CORPORATION, LIMITED

LARGER GROUP PROFIT

The fifteenth annual general meeting of this company was held on January 15th in London, Sir Godfrey Fell, K.C.I.E., C.S.I., O.B.E., the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to June 30, 1951:

The report of the acting general manager of Lake George Mines Pty. Limited, Mr Ireland, which has been in your hands for some days, gives detailed information regarding output, etc., and I need not recapitulate the figures. In broad outline, the year's operations resulted in a marked increase in the tonnage of ore raised, while the mill, operating for 49 more days than in the previous year and at a higher daily milling rate, turned out a considerably larger tonnage of saleable products in the form of lead, zinc and copper concentrates, with higher recoveries also of gold and silver.

On the other hand, operating costs per ton milled again rose, from a total of £A4 1.04s. to £A5 0.58s. As explained in the report, this rise is mainly due to increases of £A2 2s. per week in the State basic wage, which had the further effect of making the cost of equipment and mine stores much higher. But these figures exclude production bonus, which rose from £A3 11s. 4d. per week to £A8 2s. 2d. The basic wage is adjusted quarterly throughout Australia in accordance with variations in the cost index of clothing, rents, etc.

INCREASED SHIPMENTS

Shipments of concentrates rose, in the case of lead by 3,300 tons, of zinc by 9,452 tons, and of pyrites by no less than 12,652 tons. At the close of the year stocks of concentrates were higher than at the beginning by 1,826 tons and 55 tons respectively in the case of lead and copper but lower by 336 tons and 1,803 tons in the case of zinc and pyrites.

The group profit, which furnishes the best indication of the progress of the undertaking, rose from £498,813 to £977,339. The rise reflects not only the larger output but also the higher prices obtaining for the company's products.

As regards geological examination, the mine has quite recently had a brief visit from Mr Conolly, an eminent geologist, who is reported to have expressed himself as optimistic in the matter of finding additional ore. His engagements unfortunately prevented him making a longer stay, but the directors of the operating company hope to secure his services for a longer period when he is again free.

THE CURRENT YEAR

You will wish to receive some information about the progress of the operating company during the current financial year. This continues satisfactory. For the 16 weeks ended October 21, 1951, 63,107 tons of ore were milled, an average of 15,777 tons for each four-weekly period. The output of concentrates for the same 16 weeks' period amounted to 5,102 tons of lead concentrates, 8,952 tons of zinc concentrates and 1,339 tons of copper concentrates. Shipments continue to be made as rapidly as vessels are available. The operating company has recently entered into satisfactory agreements for the sale of its products for the year 1952.

Conditions in Australia have not been by any means easy; and the measure of success which the operating company achieved reflects credit not only on the management and staff, but also on Mr Owen, the chairman of that company, and his colleagues.

The report was adopted.

HECHT, LEVIS & KAHN, LIMITED

(Merchants in Raw Rubber and other Commodities)

STEADY INCREASE OF BUSINESS

PROPOSED BONUS ISSUE

The twenty-sixth annual general meeting of Hecht, Levis & Kahn, Limited, was held on January 14th, in London, Mr Walter Fletcher, C.B.E., M.P. (the chairman), presiding.

The following is an extract from his circulated speech:—

The change for the better in this company's fortunes continued uninterruptedly throughout the period under review, and the result is a set of figures that we consider exceptionally satisfactory. In the minds of the public we are classified as a rubber-producing company, and they appear to think that the rise and fall of raw rubber prices affect our profit in the same way that they do those of rubber estate owners; this is quite wrong, and I wish to repeat again that as merchants and traders it is not primarily the level of rubber which affects us, but the degree of activity.

PROFIT AND ALLOCATIONS

The profit of the group for the year was £511,137. The profit of the parent company is £347,619. We propose a final dividend of 10 per cent., making 30 per cent. for the year. We propose to allocate to general reserve £128,515, to dividend equalisation £50,000, to the proposed bonus issue £99,050 and to profit and loss account £13,815. The totals of the revenue reserves will then be—general reserve £250,000, dividend equalisation account £100,000, and profit and loss account £200,223, which is after allowing for capitalisation of £100,000 by issuing free to holders of ordinary stock appearing in the Register of Members on January 14, 1952, two shares for every five ordinary stock units held.

Application to the Stock Exchange for dealing in the new shares is being made, and it is anticipated that a period of one month for dealing in the new shares on letters of allotment will be permitted. At the expiration of that period the new shares will be converted into stock units. At that date the register of members will then be written up and we shall pay an interim dividend of 10 per cent. for the year ending March 31, 1952, to those members appearing therein. The said dividend will therefore apply equally to both the existing ordinary stock units and those about to be created.

GROUP'S FAVOURABLE POSITION MAINTAINED

In spite of the consequences of the wartime occupation of Malaya, which are nearing their end without noticeable damage to this group of companies, I am impressed by the great progress and expansion that has taken place. We are naturally subject to the normal trading risks of any merchanting business, but these have not prevented the steady increase in volume of our business, the opening-up of new branches and new lines, and the retaining of our very favourable position in the world's rubber markets. It is not only the very large increase in the figures shown in the balance sheet which indicates the volume of our business, but the world-wide organisation that has been created, and the trained and experienced staff, which together form the vital core of any business, that justify my faith in this merchanting company's future.

The report was adopted, and the proposed bonus issue approved.

STAFF PROBLEMS **SOLVED!**

Let us shoulder *your* staff difficulties as we have already done for ¼ million other employers!

EFFICIENT OFFICE STAFF
Permanent and temporary—always available.

HIGHER APPOINTMENTS SECTION
Supplies all executive (non-technical) personnel—male and female.

GROUP STAFFING—in and out of town! From time to time we handle the complete staffing of new organisations.

In every case pre-selection by FINE'S saves time. Please write for a copy of our 4-page brochure which gives full details of our unique service.

FINE'S EMPLOYMENT AGENCY
(Licensed annually by the L.C.C.)
95/99 PRAED STREET, LONDON, W.2
PHONE: **AMB 3400** (30 LINES)
LONDON'S LARGEST EMPLOYMENT AGENCY

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

UNIVERSITY OF LONDON

A course of six lectures entitled "An Introduction to the Economic and Social History of the first half of the Seventeenth Century," will be delivered by Professor R. H. Tawney at 5 p.m. on January 29th, February 5th, 12th, 19th and 26th, and March 4th, at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.

Admission Free, Without Ticket.

JAMES HENDERSON, Academic Registrar.

UNIVERSITY OF LONDON

DEPARTMENT OF EXTRA-MURAL STUDIES

Course of eight evening lectures on India, Pakistan and Ceylon, Mondays, January 28th-March 31st (excluding February 11th and March 10th), 6.15-7.45. London School of Hygiene and Tropical Medicine, Keppel Street, Gower Street.

Speakers: Sir John Russell, Dr Percival Spear, Professor C. H. Philips, Professor Nicholas Mansergh, Sir Percival Griffiths. Fee: Complete course, 12s. 6d.

Applications and enquiries to Director, Department of Extra-Mural Studies, Senate House, W.C.1.

SECRETARY AND EXECUTIVE OFFICER—CO-OPERATIVE WHOLESALE SOCIETY, LIMITED

The directors invite applications for the position of Secretary and Executive Officer, Designate.

The person appointed will be expected to assume the position in April, 1952, which will be six months previous to the retirement of the present officer.

The C.W.S. manufactures a wide range of commodities; undertakes a variety of wholesaling and merchanting operations and performs many services on behalf of the Co-operative Movement in England and Wales. It has considerable trading interests overseas. The annual turnover is approximately £350,000,000, and the personnel employed number 55,000.

The officer is responsible for the secretarial and administrative function within the Society, in the discharge of which he is the liaison between the directors and management.

The vacancy is being made known simultaneously to the Society's staff, but, having regard to the importance of the appointment, the directors wish to consider the widest possible field of applicants.

A form of application with a description of the duties involved and the information required of applicants is available on request from the Chairman of the Directors at the registered office of the C.W.S., Limited, 1, Balloon Street, Manchester, 4.

T.U.C. PRODUCTION DEPARTMENT.—Applications are invited for a post of Assistant in the T.U.C. Production Department. Experience in industrial and trade union developments essential. Knowledge of applied economics and of production problems desirable.—Further particulars can be obtained from General Secretary, Trades Union Congress, Smith Square, London, S.W.1, before January 31, 1952.

Postal Tuition for **B.Sc. ECON.**

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

ECONOMICS—Postal Tuition

● Founded in 1887, U.C.C. provides tuition for the B.Sc. Econ. Degree of the University of London, *open to all without residence or attendance at lectures.* The College is an Educational Trust, with a staff of highly qualified specialist Tutors. Moderate fees; instalments. SELF-EDUCATION COURSES are available in Economics, Economic History, Statistics, Foreign Languages, etc.

★ PROSPECTUS, giving full particulars, free from the Registrar,

UNIVERSITY CORRESPONDENCE COLLEGE
60 Burlington House, Cambridge

ROYAL BANK OF CANADA

DIVIDEND No. 258

NOTICE IS HEREBY GIVEN that a DIVIDEND of 2½ per cent, being at the rate of 10 per cent per annum, upon the paid-up Capital Stock of the Bank, has been declared for the three months ending February 29, 1952, and will be PAYABLE at the Bank and its branches on and after March 1, 1952, to Shareholders of record January 31, 1952.

By Order of the Board,
T. H. ATKINSON, General Manager.

January 17, 1952.

DARTFORD COLLEGE OF PHYSICAL EDUCATION DARTFORD, KENT

Applications are invited for the post of part-time Lecturer (Woman) for the Social Studies Course comprising Social Economics, Principles and Machinery of Government, and Social Administration, which will become vacant in May, 1952. Applicants should be experienced Social Workers with university qualifications.

Further particulars can be obtained from the Principal, to whom applications (no form) should be sent as soon as possible.

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT INSCRIBED STOCK, 1952

NOTICE IS HEREBY GIVEN in order to prepare the Warrants for interest due March 1, 1952, the BALANCES of the several accounts in the above-mentioned stock will be struck on the night of February 1st, and that on and after February 2nd the stock will be transferable ex dividend.

For BARCLAYS BANK (DOMINION, COLONIAL & OVERSEAS)
(Registrars of the above stock).
Circus Place, London Wall, E.C.2. G. A. D. HARRISON,
January 8, 1952. Manager.

"WITHIN these four walls" at 57/61, Mortimer Street, W.1, you can see all your advertising devised and produced, from plan to print, without loss of that all-important "security." 'Phone SAMSON CLARK & CO. LTD., at MUSeum 5050.

LORD LAYTON, on "European Unity," at Sunday Service, January 27th, at 11 a.m., at the Liberal Jewish Synagogue, 28, St. John's Wood Road, N.W.8 (opposite Lord's Cricket Ground). All welcome.

EXPORT MARKET RESEARCH. Senior Executive, wide experience in planning and undertaking of consumer and trade surveys and export market investigations, seeks new appointment. First-class references.—Box 839.

BERTOLA is the Cream of Sherries.—Ask for BERTOLA CREAM.

ADVERTISER, early thirties, seeks appointment on Sales Executive with progressive National Company. Wide experience Home and Export marketing. First-class contacts Grocery and Chemist trade. Fluent 3 European languages. Impeccable references.—Box 822.

MANUFACTURERS selling world-famous brand of Men's Clothing require experienced Sales Manager to take charge of their large and expanding Export Department. It will be an advantage to have knowledge of the trade and one or more foreign languages. Salary commensurate with this important position.—Write, in confidence, giving full details of previous experience, to Box 838.

YOUNG ECONOMIST (30), B.Sc.(Econ.) Hons., M.Sc.(Econ.), sound investment knowledge, writing, lecturing and research experience, seeks interesting position.—Box 845.

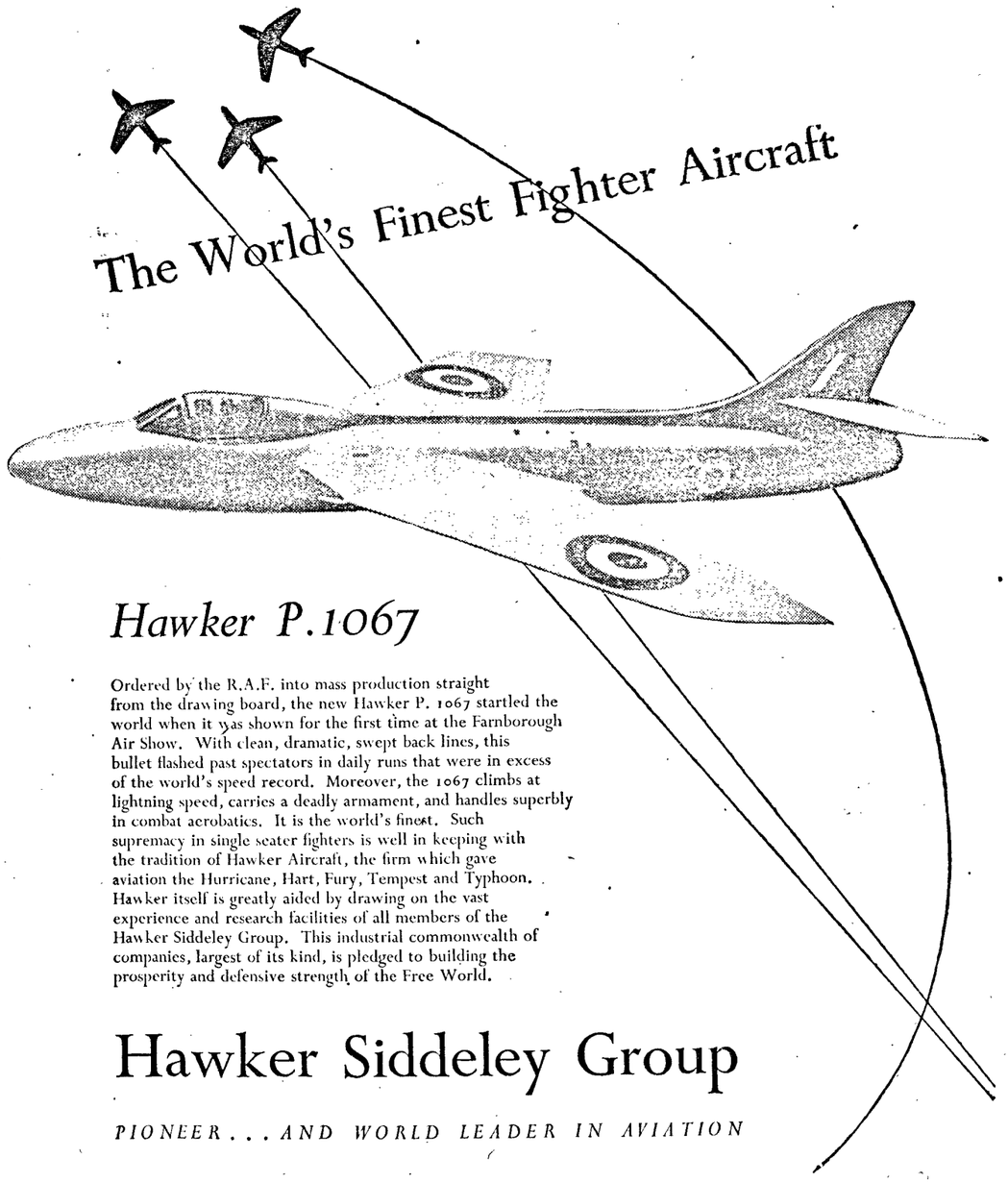
MONSANTO CHEMICALS, LIMITED, have vacancies in their London organisation for young men, aged 20-22 years, of good education, who have completed their period of National Service training. Successful applications will be required to serve in a junior capacity for up to two years, with the prospect of promotion to sales division if satisfactory. Staff Pension Fund. Apply, giving age, education, and fullest details of experience, to the Office Manager, Monsanto Chemicals, Limited, Allington House, Allington Street, London, S.W.1.

FIRE!
WHERE'S YOUR
NU-SWIFT?
The World's Fastest Fire Extinguishers
—for every Fire Risk
Pressure-operated by sealed CO_2 Charges
NU-SWIFT LTD · ELLAND · YORKS
In Every Ship of the Royal Navy

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by the ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. U.S. Representative: R. S. Farley, 111, Broadway, New York, 6.—Saturday, January 19, 1952.

In Defence of the Realm

NUMBER 1 IN A SERIES



Hawker P.1067

Ordered by the R.A.F. into mass production straight from the drawing board, the new Hawker P. 1067 startled the world when it was shown for the first time at the Farnborough Air Show. With clean, dramatic, swept back lines, this bullet flashed past spectators in daily runs that were in excess of the world's speed record. Moreover, the 1067 climbs at lightning speed, carries a deadly armament, and handles superbly in combat aerobatics. It is the world's finest. Such supremacy in single seater fighters is well in keeping with the tradition of Hawker Aircraft, the firm which gave aviation the Hurricane, Hart, Fury, Tempest and Typhoon. Hawker itself is greatly aided by drawing on the vast experience and research facilities of all members of the Hawker Siddeley Group. This industrial commonwealth of companies, largest of its kind, is pledged to building the prosperity and defensive strength of the Free World.

Hawker Siddeley Group

PIONEER . . . AND WORLD LEADER IN AVIATION

Group Head Offices: 18 St. James's Square, London, S.W.1
A. V. ROE, GLOSTER, ARMSTRONG WHITWORTH, HAWKER, AVRO CANADA, ARMSTRONG SIDDELEY, HAWKSLEY, BROCKWORTH ENGINEERING, AIR SERVICE TRAINING AND HIGH DUTY ALLOYS

SECRETARIAT LIBRARY 25FEB1952 MADRAS GOVERNMENT

The Economist

Established 1843

January 26, 1952 One Shilling

LEADING ARTICLES
Far Eastern Fears - - - - - 189
Making Prices Work—I - - - 190
Belgium Answers Back - - - 192
Honourable Members - - - - 194

NOTES OF THE WEEK - - - 196
The Party Battle ; Not the Worst Crisis ? ; Britannia Rules Some Waves ; Solutions in Egypt ? ; Cracking the Whip ; Housing Forward ! ; The "People's House" ; The Rifle After Washington ; Near Success in Kashmir ? ; Bonn Appeals to Nato ; A Citizen Army for Germany ; Federation Talks ; The Steak's Off ; M. Faure Seeks a Budget ; Trouble on the Burma Border ; Trouble in Hungarian Factories ; Doctors for Dockers ; Schoolchildren's Health ; Shorter Notes.

LETTERS TO THE EDITOR - - 206
BOOKS AND PUBLICATIONS - 207
AMERICAN SURVEY
Self-Sufficient Giant - - - 210
The Price of Preparedness - 211
Bandwagons at San Francisco ; Mutual Security Gets Organised ; President on the Shelf ; Information Comes of Age ; Hollywood Fights the Red Charge ; Rubber to Spare.

THE WORLD OVERSEAS
Partnership or White Supremacy ?—I - - - - - 215
Troubles Over Tunisia—I ; The Legacy of Gandhi ; Roman Crime and Punishment ; Northern Waters in Dispute.

THE BUSINESS WORLD
Saving the Sterling Area - - 224
Bankers in the Front Line - 226

BUSINESS NOTES - - - - - 230
The Metals Deal ; Optimism in the Tin Market ; Persuasion for Labour ? ; Foreign Exchange Activity ; Exchange Leakages ; The Prudential Plan ; Brazil and Foreign Capital ; Gas Turbine Tanker ; Looking Ahead in Coal ; Changes in Fares ; The Gas Boards' Coal ; Lancashire Takes the Strain ; Fate of the Brabazons ; Building Societies on the Escalator ; Chemicals for Soil Conditioning ; High Prices for Ships ; Steady Shipbuilding ; Spending on Transport ; World Consumption of Cotton ; Shorter Notes.

COMPANY NOTES - - - - - 239
STATISTICAL SUMMARY - - 240
COMPANY MEETINGS - - - 241

Vol. CLXII No. 5657
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Far Eastern Fears

THE Far East is clearly moving into another time of troubles. By this weekend the truce negotiations at Panmunjom in Korea will have lasted a full month beyond what was supposed to be their deadline, and there seems to be less chance than ever of a genuine truce resulting—though, Communist methods of negotiation being what they are, the reservation must always be made that appearances may be deceptive. Farther south, there are ominous reports of strategic railway building and troop movements by the Chinese on the border of Viet Nam. It should not be taken for granted, even with these sinister indications, that Mao Tse-tung is bent on war. His intentions may fall into any one of a large variety of possible combinations. He may sign a truce in Korea and keep it. Or he may sign a truce and break it when the winter is over. Or he may refuse to sign and start large-scale fighting again. Or he may break off negotiations for a formal truce but continue to observe an informal one. And any one of these possibilities might or might not be combined with aggression either in Indo-China or in Burma. The policy of the western alliance has to be drawn to cover any one of these manifold possibilities.

Against these gloomy reflections can be set the great gain to the solidarity of western policy that was accomplished by Mr Churchill and Mr Eden in Washington. It is true that complete unanimity of view was not achieved, nor even claimed. It may even be true that, when Mr Churchill and Mr Eden say they will do all they can to harmonise British and American policies, they are not in fact promising more than Mr Attlee and Mr Morrison would have been willing to perform if it came to the point. But it is none the less an important step forward to have removed the appearance of a fundamental divergence of view between the two leading powers of the western world. It can, of course, be said that this new harmony was only purchased by British concessions. Mr Churchill praised the American decision to keep the Communists out of Formosa, and both he and Mr Eden uttered words of warning to the Chinese of the consequences that would follow from any further aggressions. All of these sound like British concessions ; they say more than the Labour Government was ever ready to say ; and they therefore lay Mr Churchill open to the criticism of being more subservient to Washington than Mr Attlee. Moreover, so far from there being any visible concessions from the American side to the European point of view—which has certainly been in the past the majority view in the United Nations—circumstantial reports have been coming from Washington of American plans to take the war into China if it flares up again. All this is naturally disturbing, and Mr Churchill will hear about it in the House of Commons. He can, however, with full justification make the defence that if he has succeeded in convincing the Americans that he is a trustworthy ally in the Far East as elsewhere, he will have far more opportunity of influencing American policy towards moderation than ever Mr Attlee did.

The formulation of a Far Eastern policy is, in fact, quite extraordinarily difficult. It is true that those who take the extreme views see no difficulty. Those who still find it possible to believe (as the British Foreign Office did for a scandalously long time) that Mao and his friends are not really Communists and if treated well will not misbehave, can be happy in advocating a policy of conciliation and trustfulness. But it is already clear that this is a complete misreading of the character of the Chinese Communist regime, which may indeed differ in some of its characteristics from Russian Communism, but would seem, on the record, to be even more openly aggressive and careless of the consequences. And the policy of turning the other cheek to the Chinese would certainly split the western alliance, since the cheek to be turned would inevitably be an American one. At the other extreme from this, which may be called the Nehru view, is the MacArthur view which, finding the situation in Korea intolerable, would abandon the pretence that the United Nations are not at war with China, and carry the war by all possible means to the Chinese homeland. To the Europeans, this seems to be playing with fire, and any attempt by the Americans to pursue this policy simply because of impatience with the Korean stalemate would split the western alliance no less infallibly than an adoption by the Europeans of the Nehru policy.

Far Eastern policy has to balance between these extremes, and it cannot be very logical or consistent in doing so. The problem has been solved hitherto by the wholly illogical compromise of being willing to fight the Chinese (and the Russians) in Korea but not to seek them out elsewhere—indeed not even to bomb the bases they are using for the Korean war itself. If they cannot get a truce, the State Department and the Foreign Office would dearly like to keep up this convenient pretence, since they see all the dangers and difficulties of any of the alternatives. Even in the absence of a truce, it may still be possible to confine the war in Korea, provided that large-scale fighting does not flare up again. But even that is doubtful in the present state of American public opinion, and if the Chinese attack again, either in Korea or elsewhere, it will be impossible to prevent the war spreading. If that happens, there will be no option but to conclude that the Chinese Communists deliberately desire to be at war with the western powers.

This is the dreadful possibility that is looming black on the horizon. It is very important that the decisive step should be taken—if it is to be taken at all—by the Chinese and not by the Americans. That is a point which America's allies should make with all force in Washington: however illogical the present position may seem to the American people, they would only put themselves in the wrong in the eyes of the free world—and possibly break the United Nations—if they let their impatience lead them into taking the first step to extend the war. But the corollary of this is that if it is the Chinese who unmistakably throw down the challenge, then Britain and France, in self-interest no less than in loyalty, must stand by America's side.

What form allied action should take in such an appalling contingency is itself a puzzle within a puzzle. The basic principle to cling to is that, if the Communists start a war in the Far East, they will do it as an integral part of their worldwide plans, and the western defence must therefore also be part of a worldwide plan. There is no doubt that, second only to an American-European quarrel over Far Eastern policy, the thing that would best suit Stalin's book would be for the western allies to commit more ground troops in the Far East. On the other hand, is it possible to conduct an effective war in the Far East from the sea and in the air—without committing the atrocious mistake of bombing Chinese cities ?

Few people would be bold enough to claim to know the answers to these questions. Quite possibly the answers will never be needed ; certainly it would be very foolish to assume the worst on no stronger basis of evidence than the ambiguous signs that can alone be seen today. But it would be still more foolish to deny the possibilities or, by failing to prepare against them, to invite them to happen.

Making Prices Work—I.

The Scarce Resources

FOR five years, prescriptions for strengthening the British economy have had to concentrate on a single remedy: on the disinflation that would restore monetary stability and give the pulls and pushes of a competitive desirable in themselves had to be rejected for fear that nothing else could do much good ; indeed, many devices desirable in themselves had to be rejected from fear that under the pervasive pressure of inflation their fruits would be misshapen. But now, after three months in office, Mr Churchill's government has finished preparing the ground for a disinflationary policy. The statement issued this week, at the end of the conference of Commonwealth finance ministers, was refreshingly firm and plain in laying down the objectives. How strongly and resolutely they will be pursued is still another thing. But at least it is now certain that the policies of the sterling countries, and of this country in particular, are being set in the right direction.

By that very fact, disinflation loses its exclusive importance. It becomes possible and necessary to look for other policies that will work in the same direction. Disinflation alone cannot be enough. It is a matter for academic speculation whether a rigorous deflation, bankrupting thousands of firms and putting hundreds of thousands of men out of work for a considerable time, would iron out all the distortions that inflation has built into the British economy. It is quite certain that such a deflation is as unlikely as it is undesirable. The weakness that monetary policy shares with all "blind" economic forces is that, in order to press hard enough at some points, it would have to press unnecessarily hard at others ; and this amounts to saying that politicians will never be willing to push purely monetary policy far enough for it to do the job by itself. The great advantage of the change of policy since the election is that it restores some freedom of movement to the general forces of the price mechanism. But they are not likely to be so strong that they will not need reinforcing. There should be a search for specific devices that will strengthen the impact of economic forces at strategic points in the national economy.

Such devices are, broadly, of two kinds. They are pulls and pushes. They are special incentives to do what particularly needs doing and special deterrents against doing what the economy can least afford. They are rewards for people who produce particularly scarce resources and penalties for people who use them. An effective economic policy requires both. But there are two reasons why the search for special devices should turn its attention to the possible deterrents before the possible incentives. The first reason is precisely that it is easier and more pleasant to think of rewards than of penalties, which therefore tend to be neglected. The other is that nearly every incentive is a device for enabling some one to get, and therefore presumably to spend, more money in return for more output of particularly valuable kinds. The output may take months to mature in benefit to the country, while the extra spending usually takes place at once. It follows that the immediate effect of incentives—though, if they achieve their purpose, not their ultimate effect—may well be inflationary. The first object of the search should therefore be for special methods of deterring the use of scarce resources.

★

The case for one such device was argued in the last two issues of *The Economist*. The consumption of coal and electricity should be reduced by making them dearer. For coal, this should be done by a straightforward increase in price, the proceeds being passed on to the industry and especially to the miners in the form of higher wages ; the deterrent to the community at large can usefully be balanced by an incentive to the miners because there is reason to think it would quickly increase production. There is no such elasticity in the case of electricity. A higher price would not stimulate the power stations to generate one more unit. It is arguable that the British Electricity Authority should make considerable profits to help in financing its investment programme, but it would be wrong to push up the price of power very far for this reason alone. The right way to raise the price is, therefore, to put a tax on electricity consumption. The extra money that the community pays for its scarce electricity should be saved, in the form of a larger budget surplus, not distributed to the staffs of the power stations. The economic case for such a tax is overwhelming. The social objection is that it would fall particularly heavily on people with modern, all-electric homes. But there is no measure that affects everyone absolutely equally, and it is to lose all sense of proportion to argue that there would be more than a minor degree of hardship and injustice in an electricity tax. The people with modern, all-electric homes are those who are using the largest amounts of a scarce resource ; and that is the justification for taxing them.

To reduce the domestic consumption of coal and to take the pressure off the electric supply industry are not the only objectives of economic policy that could be served by such devices. For example, the whole country has become familiar with the harm done to the British economy by the shift in the terms of trade —that is, by the fact that British exports have become very cheap relative to the prices of British imports. Strict logic would suggest that, if British exports are too cheap, a duty should be levied on them to increase their selling price. Or, again, steel is as scarce as coal—indeed, at the moment, it is scarcer. Why not a special tax on steel to enforce economy in its use ? Or the argument can be still further broadened. What is, at present, the most important scarcity, the comprehensive limiting factor in British production ? Clearly, the answer is manpower. And it is no less clear that manpower is being both hoarded and wasted. Should there not, therefore, be a tax on the use of manpower—what is more often called a payroll tax ? These are examples of the sort of special device that might be suggested to help prod the British economy back into shape. To say this is to put no more than a *prima facie* theoretical case for such devices ; it remains to examine how each of them would work out in practice.

An export tax falls, strictly speaking, into a special category. It would be designed to deter not British exporters but foreign buyers. The terms of trade have moved sharply against this country, while the demand for its exports remains very strong ; the argument is that in these circumstances Britain should exploit the market to get larger earnings from export than will be charged by individual traders, who fix prices chiefly according to costs. Essentially, the case is the same as was put last spring by those who advocated raising the exchange value of the pound. One of the objections to revaluation is that it would reduce the sterling value of imported goods and, therefore, encourage consumption that the country cannot afford. An export tax avoids this. On the other hand, either an export tax or revaluation might now reduce the volume of British exports. Those fall into two distinct types. As a general rule, the demand for capital goods is as strong as ever, and many firms have order books filled for three years and more ; but the export markets for many consumer goods are beginning to weaken markedly.

An export tax that was not to kill some important sections of British trade would have, therefore, to be discriminating, at least as between classes of goods and possibly also between countries. Such a tax would carry a heavy risk of retaliation. Because of its dependence on imports, Britain is particularly vulnerable to export taxes imposed by other countries—and particularly by the primary producing countries whose governments have already shown an unwelcome liking for the device. In more general terms, it would be unfortunate, in the present state of Britain's overseas payments, to adopt policies discouraging to world trade as a whole ; the other signatories of the General Agreement on Tariffs and Trade would certainly have grounds for objection.

★

The danger of retaliation can be exaggerated, and the case for an export tax would be worth further examination if there were no other way of getting more foreign exchange for the British manufactures that are particularly scarce. A better way readily suggests itself. The exports that are being sold cheaper than they need be are almost all engineering products. They use steel, and steel is particularly scarce for every purpose. But British steel is cheap. The American steel—of which one million tons are to be imported for dollars—will be roughly twice as expensive. If, as no one doubts, it is good economics to take such imports, there can be no doubt that in a free economy the price of all steel would

be bid up to the cost of these marginal supplies. A considerable increase in steel prices is in any event certain in the near future, to meet increases in production costs. There is no reason why a monopolised industry, whether private or public, should be allowed to take in addition the profits of charging all that an abnormal market will bear. But there is the strongest reason why the Exchequer should exact a profit of its own. A tax on steel would raise the export prices that can safely be raised. It would choke off some home demand for non-essential purposes. And, above all, it would discourage the wasteful holding of large stocks by some firms, which exaggerates the real shortage of steel.

The main argument against a steel tax seems to be that the need for it might be short-lived. By this time next year, steel may be fairly plentiful. The British fiscal system has grown up with a strong bias against special taxes of any kind, on anything but luxuries and (latterly) foreign goods, and particularly against taxes that are clamped on and lifted off at short intervals. While in principle this attitude is sound enough, it surely must be modified to suit the modern degree of state intervention in the economy. A tax per ton of crude steel, collected from the first seller, would be easy to levy and correspondingly easy to alter or remove as soon as the situation changed. This is the kind of flexible device that new ministers with fresh minds ought to be able to welcome.

These three cases are fairly clear. There are strong arguments for taxes on steel and electricity, and against an export tax. The effects of a payroll tax—a levy on every firm of so much per employee per week—are harder to assess and raise more important questions of principle. They will be discussed in a second article. It would be foolish, however, to make completely confident judgments on any of these devices. They are suggested because more thought broadly along such lines is plainly going to be needed. The politicians will be tempted to reject any deterrent devices almost out of hand. But before they are dismissed as "politically impossible," it would be wise to reflect that the less scope is allowed to them, the more rigorous the direct measures of disinflation will have to be—and those are unlikely to be more popular.

Belgium Answers Back

BY the twists of chance rather than bad management, Belgium and its western partners have come very near to getting seriously annoyed with one another. They do not see eye to eye in Nato either on economic or on military matters ; and the new government formed last week by M. Van Houtte is likely to be no less obstinate in defence of national interests than its predecessors. Indeed, not only the new Prime Minister but also the new Finance Minister, M. Janssen, are strong supporters of monetary stability and orthodox finance, and will resist any efforts by Nato or the European Payments Union to force on them policies they regard as dangerous.

To put the matter at its crudest, Western Europe feels that Belgium has no right to have such a large trade surplus with the EPU but, having that surplus, Belgium should increase its contribution to western rearmament. It is no secret that the Temporary Council Committee of Nato—the Three Wise Men—have recommended to Brussels an increase in defence expenditure of 50 per cent. The Belgians for their part feel that a creditor has a right to expect debtors at least to share responsibility for reducing their debts, and that no one has tried to understand their difficulties about rearmament. The wise men have glibly assumed that the Belgians, because they are keeping up appearances more successfully than anyone else, can afford to increase their commitments. But, the Belgians argue, keeping up appearances has not been easy ; that they have been able to do so has been a good thing for Europe as well as for themselves. And now they are being asked to risk losing it all. What is more—though this is a matter of political pique rather than economic policy—they deeply resent the manner in which they have been asked.

The root of the dispute lies in the difficulty of fitting a country which believes in big business and free enterprise into the corset of a collective international enterprise like Nato. Belgium is a business man's country ; the official title of its ministry for economic affairs is *Ministère de l'Economie et de la Classe Moyenne*. The importance of the business man is believed to be the secret of national success, and it is this success which is the cause of the trouble now. Because of the comparative equilibrium in its domestic economy, Belgium is expected to contribute more to rearmament ; because of its trade surplus in Europe (and, in 1951, with the world as a whole) it is expected to finance, at the moment, more than half the deficits of its co-members in EPU. If it does both these things at the same time, and at the rate now demanded of it, it is bound to rock, if not to kick away, the ladder up which it has clambered to prosperity from the austerity of 1944.

*

This is a lot to ask of any country. To argue whether it is in fact being asked of Belgium is less important than to realise that the Belgians believe that it is. Only a little history will explain why.

At the end of the war, Belgium had two unique advantages over all other countries in Western Europe. First, in spite of the normal afflictions of wear and tear and obsolescence, exaggerated by the war, Belgian industry was by and large intact. So were Belgium's overseas possessions and its overseas investments. Secondly, by the accident of lying across the lines of communication, it received from the Allies, particularly from the Americans, very large sums of foreign exchange during and after the liberation. It is impossible to say how much these advantages were responsible for the fact that Belgium became solvent when the rest of Europe did not. Perhaps they contributed very little on the long term ; but they gave the Belgian government the confidence that was necessary before it could embark on its chosen policies. The Belgians were thus able to adopt a policy which was not open to the rest of Western Europe. They decided that the way to deal with inflation, shortages and social injustices was not to control the short supplies and the surplus purchasing power, but to eliminate them. So they aimed at a high level of

production and imports on the one hand, and at a tight monetary policy on the other.

If production was to increase, workers had to be well fed and factories well supplied. Since nearly all the raw materials and 20 per cent of the consumer goods had to come from abroad, this policy meant imports on a scale that no other country could then afford. In 1945, Belgium imported B. Frs 22 billion worth of goods, of which only 18 per cent were covered by exports, and in 1946 B. Frs 56 billion worth, of which 52 per cent were covered by exports. In order to restrict credit, the short-term rate of interest was raised to 3½ per cent and the long-term rate reached 5½ per cent. The discount rate rose to 3¾ per cent in September, 1950, and is now standing at 3¼ per cent. By 1948, the budget was balanced and has stayed balanced ever since. Until 1948, there were some direct controls over profits, wages and prices, and some subsidies. Thereafter, prices and wages were allowed to find their own level. Both have risen very steeply, particularly during the last year ; but by one method or another, including an elaborate system of social benefits, real wages have more than held their own.

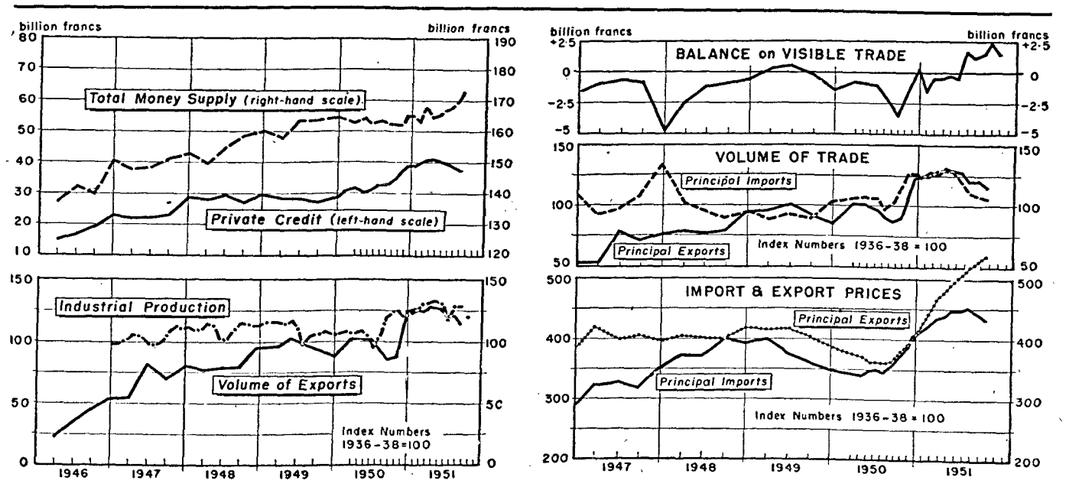
The theory and, as it has turned out, the practice of this policy was that, if equilibrium could only be established at home, an equilibrium in overseas trade would follow as night follows day. By a combination of economic skill, some political courage and luck, it worked. In the first ten months of 1951, Belgium had a trade surplus of about B. Frs 5½ billion ; in 1948, the deficit had fallen from the B. Frs 23 million level of 1945 and 1946 to B. Frs 13 million, then to B. Frs 2 million in 1949 and B. Frs 15 million in 1950. Apart from conditional aid—US aid given to Belgium in proportion to Belgium's own aid to the rest of Western Europe—Belgium has received no dollar aid. And, from the beginning of EPU in July, 1950, to the end of 1951, it has lent to Western Europe, in all, some B. Frs 17 billion, of which B. Frs 7 billion was credit granted over and above the original quota in the Union.

The Belgians, therefore, can fairly claim to have healed themselves. They have done it by a regime of free enterprise and good living, with a strong dose of fiscally administered deflation. The trouble is that they dare not and, understandably, do not want to apply free enterprise and deflation without the good living. The lack of industrial strife and the incentive to work that good living has generated are proven parts of the cure. If the Belgians do everything that is now asked of them, they will certainly have to live less well. And there is another, more serious, difficulty. The monetary mechanism through which their fiscal policy has been administered is delicate. It costs something in the using and can easily be upset. What it costs is a low level of investment. Belgians have had every luxury but the luxury of easy money. Industrialists have been able to do a certain amount of self-financing ; but capital in the market has been scarce. There has not, therefore, been enough investment in the right kind of industries to meet the overwhelming demand for Belgian heavy products—coal, steel, zinc and engineering goods—which the rearmament drive set in train. Export prices, rather than production, went soaring during the end of 1950 and 1951, at least partly because production was held down by the restriction of credit. This, as much as anything else, was what swept Belgium into the position of permanent creditor that it now holds in EPU.

*

In these circumstances, it is not unreasonable for Belgians to feel, in the midst of their prosperity, that they are in danger of being cornered. On the one hand, they are being asked to give more to the rearmament of Nato ; on the other, they are expected indefinitely to go on lending to finance Europe's trade with them. Both these requirements amount to asking that Belgium shall export without being able to spend the proceeds on imports. Both requirements are in themselves inflationary. Yet if the Belgians are to meet their rearmament obligations they will have to expand their investment in heavy industries—and that, too, may be inflationary. The monetary mechanism, they argue, cannot possibly cope with all three pressures. Nor, as it is at present constructed, can their economy.

The case against Belgium is founded more on moral than on economic grounds. First, there is no doubt that



Monthly figures plotted once a quarter up to March, 1950, and each month afterwards.
Source. Bulletin de L'Institut de Recherches Economiques et Sociales.

the Belgians, whatever they may say about the sensibilities of their economic system, are living much better than anyone else in Western Europe. As they are getting the benefit of collective defence through Nato, they can and ought to put more into the pool. This is the doctrine of fair shares—that is, the doctrine of "from each according to his ability to pay"—on which the wise men's recommendations were based. Secondly, there is a strong suspicion that, until the last few months, Belgium has been actively stimulating its surplus with EPU. It has been short of dollars. Alone in Western Europe, it has not controlled its imports from the dollar area. It is all very well to claim this as a virtue; but it becomes a vice when it is made possible only by the gold secured from Western Europe by the Belgian surplus in EPU. Europe has difficulty enough finding dollars for American coal, let alone for Cadillacs for successful Belgian private enterprisers. Thirdly, there is some spare capacity and unemployment in Belgium—309,000 in January, 1950, and an average of 198,000 (between 9 and 10 per cent of working population) in 1951, though in fairness it must be admitted that unemployment in Belgium since the end of 1950 has been frictional rather than structural. It has been induced more by the relative comfort of being unemployed (the unemployment benefit starts at 9s. 6d. a day and is usually much more) or by geography and politics than by a genuine surplus of labour.

These, then, are the causes of friction. They are serious not only because Belgium is an important member of the Atlantic community, but because they represent the kind of muddle to which the neither-one-thing-nor-the-other type of international co-operation can lead. Real co-operation means some real modification of national policies, in fact if not in name. Belgium now sees threatened its freedom to adopt and follow the economic policy in which it believes. Here is a conflict of interests in which Belgium's neighbours cannot just lay down the law. Both sides must compromise. For the Belgians argue that at least part of the reason for the present payments crisis lies in the insane monetary policies pursued by other European governments. Some of the demand that has driven up Belgian prices is due—inevitably—to rearmament; but the pressure need not have been nearly so strong had other countries restricted credit as Belgium has.

There are signs that if the debtors in EPU moved some way to meet the creditor, he would find it less irksome to go on lending. There are even signs of this beginning to happen. Belgium recognises that Britain, and to a lesser extent other countries, is making a new attempt to set its financial house in order. And the other members of EPU should recognise, in the latest Belgian export regulations, the beginnings of a new attempt to direct inessential exports across the Atlantic to earn dollars direct. But Europeans will not be convinced of their ally's good faith until they see something better than a sulky refusal to increase its rearmament effort. There is very little doubt that the Belgian defence effort could be increased—though perhaps not as much as the wise men asked—without really damaging the standard of living in Belgium. But before it is done, the Belgian government has a fair claim to ask that what it has lent to the EPU be recognised; that its economic difficulties and arguments be understood; and that the other countries of Western Europe, who have been comparatively abstemious in their standards of living, should end the wild extravagance of their domestic inflations.

Honourable Members

POLITICS is one of the few careers for which no training of any kind is required; and, on the whole, the democratic system is indifferent to the return of able men to Parliament. Political theorists are usually complacent about this. Some seem to identify mediocrity with that quality of special virtue, the plain man's common sense; some have even written as if a democratic government ought to be representative in the sense that a market research sample is representative—as if Parliament should reflect the composition of the population, and should not be cleverer or better educated or higher in the social scale than the people as a whole. But it is clearly nonsense to suppose that one kind of experience is as good as another in qualifying men for a political career; the background from which MPs have emerged is of great importance in determining the quality of the House of Commons.

The composition of the House was analysed several times before the war, but it seems worth while to make a new analysis now that the two major parties so completely dominate Parliament and are so nearly equal in strength, and when the ideas of both have changed sharply since the war. What sort of men do these parties, one just in office and the other just out of office, choose to speak for them in the House of Commons? An analysis cannot be exact, because full information about MPs is hard to get. But there is enough to show the kind of change that is taking place. One such change is the improvement in the educational background of MPs, especially in the Labour party. Sir Ivor Jennings, in his study of Parliament, found that in 1936 approximately one sixth of 154 Labour members had been to a university. In this Parliament the proportion has risen to one third. Nearly 60 per cent of Conservative members are university trained—but this proportion is scarcely higher than in 1936. (For the purposes of this article "Conservatives" includes their associates.) Most of these Tories come from Oxford or Cambridge, and less than a fifth of them from the newer universities. Thirty-one were at Trinity College, Cambridge, and 24 at Christ Church, Oxford; Balliol and New College are also well represented. Of Labour members who went to a university, less than half went to Oxford or Cambridge. The London School of Economics contributes less to active left wing politics than is commonly supposed; only 5 Labour members attended it—and so did one Conservative.

It is important to remember that formal qualifications are not synonymous with education; many MPs who had only an elementary schooling have since made good use of opportunities for adult education. And in weighing up the change in Labour members' educational background, one must also remember that in 1936 the Parliamentary party was smaller, and therefore contained a higher proportion of trade union members from the "safe" constituencies; the party membership was also still somewhat out of its normal balance in consequence of the MacDonald secession in 1931.

In 1936 half the Labour membership had had an elementary education only; in 1952 that proportion has sunk to one quarter. Thirty-two Labour members went to public schools compared—in so far as the difficulty of defining a public school makes comparison possible—with only nine in 1936. Mr Attlee drew heavily on his supply of public schoolmen; his last government contained no less than 12. A notable quartet went to Winchester and New College—Messrs Crossman, Gaitskell, Jay and Younger; but there are only two Old Etonians, Dr Dalton and Mr Strachey.

If the education of the Labour members has become more bourgeois, that of the Conservatives certainly has not become more proletarian. Two thirds of them went to a public school—a higher proportion than in 1936. Old Etonians swarm: they remain as large a section of Conservative MPs as in 1936. They could still form a party, as Sir Charles Buckhurst suggested they should in his disgust at "sham" Conservatism and the "worn-out" Whigs. In the Parliament between the wars, one quarter, on an average, of all Conservative members came from Eton; and the school has since lost none of its grip on British politics. This appears to be largely a matter of tradition. It is not simply that Eton produces rich young men who can afford to enter a not very lucrative career; for Winchester, almost equally expensive, contributed only 10 Conservatives and 4 Labour members to the present House. Harrow also carries on its political tradition and has provided the Prime Minister. There are still a number of Tories who enjoyed the multiple education of the rich young Edwardian—Eton, Oxford or Cambridge, then Sandhurst, followed by a commission in the Guards, and later perhaps by reading for the Bar.

EDUCATION

	Conservative				Labour			
	1938		1951		1938		1951	
	No.	%*	No.	%*	No.	%*	No.	%*
Elementary only	3	1	1	...	76	49	72	24
Secondary	84	19	38	12	24	15	63	21
Public School	230	53	206	64	9	6	32	11
Eton	99	23	76	24	2	1	4	1
Harrow	26	6	22	7	1	1	1	...
University	246	57	190	59	26	17	95	33
Oxford	113	27	83	27	2	1	27	9
Cambridge	82	19	67	21	7	5	14	5
Sandhurst	32	7	23	7	0	0	0	0
Other Service	8	2	14	4	2	1	2	1
Total in the House	431	..	321	..	154	..	295	..

* Percentage of total in each party in the House.

But, though the Royal Military College is still important as a background for legislators, the regular services are not. The House of Commons used to receive many a retired officer. In 1936, 63 Tories were drawn from the services; in 1951 only 25. Another change that has overtaken the Conservative party is that small businessmen—MPs who describe themselves as manufacturers, merchants, retailers and contractors—are less numerous than they used to be. A dozen or so Conservatives now put themselves in this category. Probably there are more, but not as many as the 64 who were in the House in 1936. Company directors, on the other hand, are as numerous as ever; in the Conservative party there are at least 100. But this may be one of the fruits of election, rather than the background to it. Many firms are glad to have an MP on the board, and nearly every new MP is in search of a suitable way of supplementing his modest parliamentary income. Labour members are less likely to find niches in boardrooms, and if they do, they are shy of admitting to a capitalist role that has been pilloried in so many left wing cartoons. But at least seven of them do admit to it. One would expect to find the "City men" in the Conservative party, and in fact there are some 24 who are either bankers, stockbrokers, accountants or insurance brokers. The farmers, too, are nearly all Conservatives—about 30 of them.

★

These are occupations that can be dovetailed fairly easily with the life of a Member of Parliament. But the two professions that are most frequently carried on by MPs are journalism and the law. The House was always full of lawyers, but until 1945 they were almost a monopoly of the Conservative party. The Labour party now has 30 of them, compared with the Conservatives' 65. Most are barristers, though not all of them practise. The Labour party has a higher proportion of KCs—14 out of its 23 barristers—whereas the Conservatives have 17 KCs out of 58 barristers. Journalism, the perfect by-product of political work, has gained ground since the war, especially in the Labour party, where there are 42 journalists and authors, while the Conservatives have 32. This again is one of the fruits of election; articles are sometimes published which would not see the light of day if they did not come from the pen of an MP. Members' claims to be journalists are sometimes based on a very

ALLIANCE
ASSURANCE COMPANY LTD.
Head Office Bartholomew Lane, London, E.C.2
THE FINEST SERVICE FOR ALL CLASSES OF INSURANCE
The Alliance undertakes the duties of Executor and Trustee and of Trustee for Debenture Issues.

little published work. But the third and fourth estates have certainly become rather more closely entwined.

One strength of the Labour party has always been that so many of its members—in the present Parliament, 114—have experience of local government. A more doubtful advantage is its high proportion of trade union officials. Unions have a way of rewarding their elderly officials for a lifetime of service by sponsoring their parliamentary candidature; and their chances of being accepted by constituency parties are enhanced by the fact that the unions may contribute 80 per cent of the legal maximum for election expenses. The elderly trade union official, for all his virtues, is unlikely to be distinguished

AGES

	Conservative				Labour			
	1936		1951		1936		1951	
	No.	%	No.	%	No.	%	No.	%
21—29	76	19	2	1	3	2	2	1
30—39	146	34	70	22	37	26	29	10
40—49	114	28	115	37	58	40	85	31
50—59	63	15	91	29	38	26	76	28
60	17	4	35	11	8	6	82	30
Total who gave their ages	416	100	313	100	144	100	274	100

by breadth of experience or flexibility of mind, and it is therefore encouraging to find that union officials are becoming less numerous. There are 58 of them in this Parliament; according to Mr J. F. S. Ross*, the average number of union officials in the parliaments between the wars was 79, and the highest was 115 in 1929. The proportion has fallen from nearly half the Parliamentary Labour party between the wars to about one fifth today. This is a reflection chiefly of the expansion of the party outside its old strongholds, rather than a deliberate change of policy. But it is interesting that union support is now given to many others besides officials; in all 104 members benefited from it at the last election.

Although the number of elderly trade union officials has fallen, the Opposition is older than the Conservative side of the House. Nearly one-third of the Parliamentary Labour party is over 60 years old, whereas only 11 per cent of the Tories are. The Conservatives have many more people between the ages of 30 and 50. They also have more young men—9 of the Tories were born since 1920, compared with 3 in the Labour party. But Labour has the youngest member, Mr Anthony Wedgwood Benn. It also has the oldest, Mr David Logan; the Conservatives have the runner-up, Mr Churchill.

The changes that have emerged from this analysis are more striking in the Labour than in the Conservative party. The Tories have fewer land owners, merchants and manufacturers, and rather more journalists than they used to have; but otherwise they are much the same. The Parliamentary Labour party is better educated than it was; it is very well versed in local government; it has fewer trade union officials and has acquired a large number of lawyers and journalists. It would be fair to say that the composition of both parliamentary parties has become more favourable to the flowering of ideas, and that this is particularly true of the Labour party. But the main change occurred in 1945; and it is precisely in the years since 1945 that Labour has run through its stock of ideas with little adaptation and less replenishment. Just because its doctrine has been more sharply defined, the Labour party is more hidebound by its past thought than is the Conservative party. It has to make more effort to produce the same result; in order that the Labour party as a whole may be as adaptable as its rival, its individual MPs have to be bolder in thinking afresh. Perhaps the latent ability for such thinking will emerge, in a responsible form, now that the party's ablest members have been freed from the day-to-day duties of ministerial office.

* "Parliamentary Representation." By J. F. S. Ross. *Eyre and Spottiswoode.*

NOTES OF THE WEEK

The Party Battle

The remarkable lull in political warfare which has distinguished the Christmas recess—despite the fuss which the Opposition made about the length of the recess—is certain to be broken as soon as Parliament reassembles on Tuesday.

Mr Butler, in his speech to Indian journalists in London this week, tried to secure in advance a non-partisan approach to the economic remedies he is to propose, but that is too much to hope for. Senior members of the late Government, aware of the economic dangers which were accumulating when they left office, have been compelled to acknowledge that the country faces grave difficulties which cannot be dodged. At the same time, they have tried to peg out a corner which they could use as a base for attacking the Government if it proposes remedies that do not suit the Labour party; and savings on the social services will not suit the bulk of the party. It will be particularly galling to most Labour Members—and gratifying to Mr Bevan—if the Conservatives justify economies in part by reference to the precedents set up by the late Government. "Are you next year going to take this stand on the upper denture?" Mr Bevan asked in his resignation speech last April.

Labour's attitude to economic policy will be more sharply influenced than in the past by the party's views on foreign affairs. The less reason Labour members find to quarrel with the raw materials agreement concluded in Washington, the more ready they will be to pick a quarrel on foreign affairs; Mr Churchill must not be allowed to have done better in Washington than Mr Attlee did a year ago. There is much evidence that the left wing of the Labour movement, if it is not gaining ground within the party, is at least preparing to be combative. Dr Dalton's broadcast before Christmas was intended to stimulate opposition to the rearming of Germany. Mr Anthony Greenwood, a newly elected member of the Opposition's front bench, is trying to rally opinion against the Government's Far Eastern policy (although Parliament has not been told much about it yet), and a familiar band of left-wingers has given notice of a motion for the repeal of the Japanese Treaty of Peace Act because of Japan's intention to establish relations with Chiang Kai-shek. And now the Labour party's executive committee is to prepare "a comprehensive document" expressing party policy on current international issues. Such a document would not be needed if there were no shifts in opinion to accommodate.

* * *

Not the Worst Crisis?

Mr Attlee's attempt to play down the balance-of-payments crisis falls deplorably short of his usual standards of responsibility. He told an audience at Manchester last

weekend that Labour had faced worse emergencies with far less fuss; the sterling area's gold and dollar reserve was lower in 1945 than today, the general trading deficit as grave, the industrial fabric of the country dislocated and run down. Labour coped with this emergency without whining and patiently rebuilt the national wealth. The Tories, confronted with a lesser job, were deliberately creating an atmosphere of scare. Fortunately, this is unlikely to be quite the case that Mr Gaitskell puts for the Opposition in Parliament. But the lead given to Labour propaganda in the country is obvious; the Tories will be accused of using the crisis as an excuse for running amok with an axe.

It is true that the sterling area's reserve stands even now higher than it did from mid-1947 to mid-1950 (though lower, in fact, than in 1945). It is true—it would be strange otherwise—that Britain's productive apparatus has been considerably "built up" from the empty and exhausted economy of 1945. But this building up was achieved with the indispensable aid first of $5,500 million worth of American and Canadian credit and then of $2,800 million worth of Marshall Aid. Indeed, during 1949 alone, receipts from Marshall Aid were equal to nearly half the present gold reserve.

In a sense, these considerations do put the present crisis in a more cheerful light. Past crises arose in spite of generous external aid; the present crisis, arising in its absence and under the additional stress of rearmament, offers accordingly less evidence of fundamental insolvency. That does not, however, make it less acutely dangerous than its predecessors. One simple test is the comparison between the size of the reserves and that of the drain upon them at each of the crisis periods. The loss of reserves during the last quarter of 1947, after the American loan was almost gone, would have exhausted the reserve in twenty-one months; in the summer of 1949 the comparable period was thirteen months; today it is eight. Moreover, there is no question today either of massive overseas aid or of the unrepeatable stimulant of devaluation. Mr Attlee knows all this. He surely will not continue to use his great influence to foster the belief that the crisis is a bogus crisis played up for purposes of party advantage. If he sticks to his Manchester form the omen for the new Parliamentary session is not good.

* * *

Britannia Rules Some Waves

Mr Churchill was right to have second thoughts and agree to an American Supreme Commander in the North Atlantic. In war the chief purpose of Atlantic operations would be to get American power to Europe, and that would be far more than a matter of keeping submarines away from convoys. It would be an immense task of organisation and direction for which Washington is ready to nominate Admiral McCormick, who has war experience with big ships and has distinguished himself as a staff officer dealing with logistics—which means delivering the goods by sea. To have insisted on a British officer for this post, or to have left the supreme authority undefined, would have been to run the risk of provoking the kind of surly mood in which Admiral King obstructed the allied effort in Europe ten years ago.

The Royal Navy and Coastal Command are left, in all conscience, plenty to control. They have unrestricted control of the approaches to this country out to the 100-fathom line, which includes the main areas of U-boat operations in the last war and runs well west of Ireland and Ushant. The Admiralty has to look after the Channel and Europe's coastal waters, as well as the waters around Norway and the vital part of the North Sea that is under General Eisenhower's command. And the problem of watching and blocking submarine exits around North Cape and the Danish narrows seems to fall mainly within the scope of British forces. The Atlantic approaches to the Mediterranean, on the other hand, appear to come under American command.

It should not be forgotten, either here or in the United States, that the new Supreme Commander will be the servant of Nato, an international and not a national officer. He will be expected to refer on occasions as sharply to "those Americans" as Field Marshal Montgomery, in his role of deputy to General Eisenhower, refers to "those British." Much national pique and ill-informed comment will be avoided in future if all holders of Nato appointments make a point of stressing their wider loyalty. It is disturbing, for example, to see General Juin, who is commander of Nato's land forces in Europe, spending so much time on purely French affairs. And the preponderance of American officers in the Supreme Headquarters is still too conspicuous. If Americans and British are to urge convincingly that their European service colleagues—especially the Germans—should produce an integrated defence community, then they must set a firm example. Mr Churchill appears to have done so for the first time in this matter of the Atlantic command.

* * *

Solutions in Egypt?

Each day's events in the Canal Zone demonstrate how easily Egypt's present leaders can tempt General Erskine to act in matters that ought to be purely their concern. By failing to curb their terrorists, and then by refusing to join with him in doing so, they force him to take measures—of which this week's search of a section of Ismailia might be only the first—which are distasteful to his troops and to the British public. If this continued it would have two consequences. It would be bound to swell the numbers of actively hostile Egyptians and expose his men to an increased danger of incidents; and such incidents, piled one on another, would in time snap the bonds even of British restraint. There would be, as there were in Palestine and in Ireland, outbursts of retaliation the memory of which would become a permanent bar to alliance.

In such a grave situation there are two methods of carrying on from day to day, and the choice between them can be made only by those in London who have authority. The first is to accept the military argument that responsibility cannot be shouldered and the lives of British troops protected unless the Canal Zone towns are combed or manned, and to take a chance—a slender one—of cowing the terrorists. The second is to reduce to a minimum the chances of friction with the Egyptian people. This would mean spending money now on new lines of communication, which would by-pass, to a maximum that has not yet been reached, the Egyptian towns, ports and roads on the west bank of the canal. How much, for example, would it cost to build a "Mulberry" on the Great Bitter Lake?

The second course, which might not in the end be the more expensive, is the less distasteful. At certain points on the Canal the British are entitled by treaty to their positions. By taking a stand upon these rights and on no others, they could be until 1956 in an impregnable legal position even if the quarrel with Egypt were to come before the United Nations. Indeed, the British could then afford to provoke such a discussion by asking the Peace Observation Committee to send a corps of observers to the Canal Zone. They would quickly find out the truth about the fantastic stories of British atrocities which appear in the Cairo press and make a bad outlook daily more dangerous.

* * *

Cracking the Whip

Once again the American whip has been cracked at the Europeans who take their time over achieving unity. General Eisenhower has used it to make much the same encouraging sound as before; but now Senators who visited Europe and debated at Strasbourg are making it hiss. And the

intention clearly still is that the British, too, should feel the sting. To continue like this is to surround this grave question with false expectations and dishonest thinking.

The fact is that progress towards integration is dictated by the precarious state of national governments. In no European country directly concerned with the idea is it now politically and constitutionally possible to make a dramatic surrender of sovereignty, save perhaps in Italy. It is true that there is a general, though not universal, desire of peoples to see free Europe take on a new shape; but whenever responsible men in power get down to the brass tacks of integration, they have to pause for thought because electors would not accept the consequences. In these circumstances the progress made in preparing the defence community and the coal and steel pool is quite remarkable and has obviously not been understood by American critics. Each practical, properly negotiated step of this kind makes the next easier; but there will be no long jumping.

It would be useful, too, if some American and European advocates of union would reflect on the possibility that its form may be one so far unknown to political science. The problem is surely to give permanent shape to the remarkable inter-governmental co-operation that is already taking place. And the role of Britain and the United States is to provide the protection, the wider framework within which free Europe can find this form. No one has ever heard of national states forming a federation under direct danger of war and economic stringency. The Strasbourg plant needs to be brought in under glass—and unbreakable glass. To do this it is necessary that the Americans and the British should clear their own minds about the "Atlantic community" to which they are pledged. There will be persistent—and quite justifiable—hesitation about "integrated Europe" until it is known what its relation will be to Nato. And it is on this question that British policy should show imagination and initiative.

* * *

Housing Forward!

The Government seems determined that its record in the social services shall stand or fall with its success in producing more new houses. With so many cuts in prospect elsewhere, it is perhaps understandable that Mr Macmillan should try to capture the popular imagination with a glowing vision of an output of houses for which "there is no restriction, no rigid ceiling, no artificial limit."

This vision is to be pursued by two main roads. One is the study and enforcement of all forms of economy—economy of design, simplification of production, the use of substitute materials, and so on. So long as these devices are used with discretion and good sense, and are not allowed to degenerate into jerrybuilding, there is everything to be said for them. They should succeed in conjuring a larger number of houses out of what looks like remaining—despite the new device of creating regional production boards to break bottlenecks—a strictly limited supply of building materials.

The other intended route to higher output was summarised by Mr Macmillan this week in the slogan, "the quicker you build, the more houses you will get to build." Some papers have treated this policy as if it meant the abandonment of central controls and the freeing of the building industry. What it really means is that building licences will in future be allocated on a more flexible basis, according to local enterprise and performance, instead of on the present quota system, which was certainly too rigid. The new system provides an obvious, and up to a point a welcome, incentive to the more efficient councils and builders. But it has snags. It may mean that the houses go up where the builders want to put them instead of where people need to live or where planning schemes intend them to go. Mr Macmillan, as the Minister responsible also for local development plans, will have to watch this point carefully.

Much of what has been said this week may be just elaborate window dressing. If new housing is pressed very vigorously the effect may be to withdraw labour from repair and maintenance work of equal or greater value in providing homes. There is also the danger that more houses will again be started than there are materials to complete. There is, finally, the wider and graver danger that a higher volume of resources may be drawn into housebuilding than the nation can at the present time afford. The Government's approach to the housing problem is one-sided. There are other, if less popular, ways of easing the shortage; in particular, housing rents and subsidies ought not to escape the deflationary remedies that are being adopted in other branches of the economy. People will not be impressed by the gravity of the economic crisis if the Government cannot refrain from demagogic tactics in a field which yields itself only too easily to their employment.

* * *

The "People's House"

The Ministry of Housing and Local Government has issued a handbook* showing how some of the promised economies in house design might be realised. Two of the new designs follow orthodox lines; they reduce the circulation space taken up by hall, passages and lobby, while retaining the previous minimum sizes of rooms. One council has already built three-bedroomed houses of this type for under £1,000, and the average saving is expected to be at least £150 a house. Terrace blocks, for which designs are also included, should show larger savings.

The other two designs suggested break new ground in this country, although they are said to be popular in Canada and the United States. Both the "dining hall" and the "large living room" houses save space by having the staircase rise from the main room instead of from the entrance hall. This device also enables better than average heating to be provided (at higher than average cost) through the use of radiators downstairs which warm the bedrooms via the staircase. In the one design, the ground floor consists of a single large room and small kitchen. This is, by English standards, an unconventional arrangement, but the Ministry has hopes that it will appeal to the younger generation. Certainly their elders may fight shy of it.

Local authorities have complete discretion whether to adopt any of these designs. Other ways of making economies will be dealt with in subsequent handbooks from the Ministry. But certainly one of the greatest weaknesses of postwar housing has been that families of widely differing means and requirements have been put in the same sort of houses at uniform rents. The proposed reduction of standards will enable local authorities to provide a greater variety of houses, suited to different incomes, and to reduce the ills of excessive subsidisation.

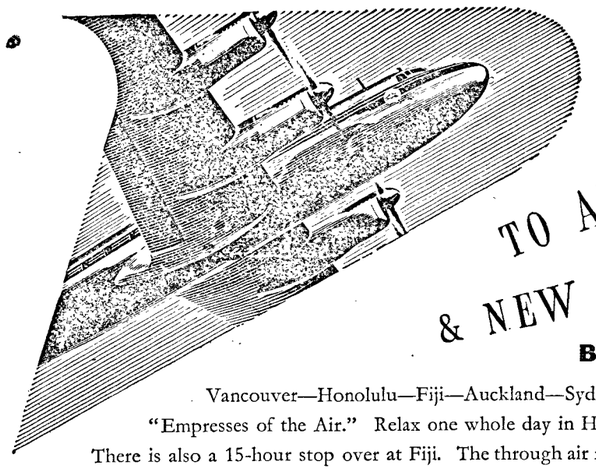
* * *

The Rifle After Washington

Mr Churchill must expect Parliament to question him closely about his discussions in Washington on the new rifle. It would be a pity to rake over last year's controversy again, but it is important to know how the British army is to be supplied during the next few years with the automatic weapon that it badly needs.

The statement issued after the talks with President Truman left this point entirely undefined. It was agreed that, for the sake of economy, both the United States and

* Houses 1952. Second supplement to the Housing Manual, 1949. HMSO. 1s.



TO AUSTRALIA & NEW ZEALAND

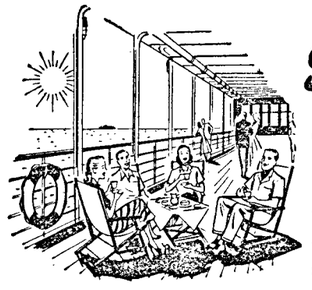
BY CANADIAN PACIFIC AIR SERVICE

Vancouver—Honolulu—Fiji—Auckland—Sydney. Leave Vancouver every alternate Friday by luxurious "Empresses of the Air." Relax one whole day in Honolulu, with hotel accommodation and meals included. There is also a 15-hour stop over at Fiji. The through air rate from London or Prestwick to Sydney is £290, and to Auckland £285. You can vary your route by choosing sea across the Atlantic and rail across Canada. Combination rates quoted.

THE FAR EAST. Every Monday from Vancouver to Tokyo and Hong Kong. Shortest and fastest westward route.

For complete information your authorised agent or Trafalgar Square, W.C.2. (Whitehall 5100); 103 Leadenhall St., E.C.3 (Avenue 4707); LONDON and offices throughout Britain and the Continent.

Canadian Pacific AIRLINES



Sunshine for Sale

Rest and relax on a Union-Castle liner to South Africa, land of sunshine. Travel during May or June, and save up to £60 in the first-class fares to South Africa and back. 14 days at sea on a beautifully appointed Union-Castle liner provide a perfect prelude and ending to your holiday. Ask for illustrated literature and for details of Shore Excursions.

FIRST-CLASS EXCURSION FARES TO SOUTH AFRICA during May and June SAVE 20%

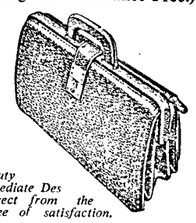
Sail for Sunshine by UNION-CASTLE the 'BIG SHIP' way to SOUTH AFRICA

Apply: Head Office, 3 Fenchurch Street, E.C.3 West End Passenger Agency: 125 Pall Mall, S.W.1

Pyjamas... or no pyjamas? that *is the question!*

Here is the case for *not* carrying pyjamas . . . for tycoons who merely want to carry business papers in the handsomest possible way. This 16″ x 11″ polished brown leather case has a 'cradle' for newspaper or 'mac.,' and a handy ticket pocket, *outside*; a pocket for visiting cards, and a rack for emergency pencils, *inside*.
4 Models: HX.2, 2 compartments, £4.2.6. HXZ.2, ditto, with zip back pocket, £5.2.0. HX.3, 3 compartments, £4.11.6. HXZ.3, ditto, with zip back pocket, £5.12.0. Post Free in U.K. (In U.S.A., $14, $16.75, $15.25, $18.25, respectively. Carriage and Insurance Free.)

. . . And here is the case for leading a double life: a capacious carrier of important papers (*two* compartments for foolscap folders), with a private zipped-off compartment for pyjamas and overnight gear, *and* a roomy outside zip pocket. Brass fittings; Single handle; press studs in base for instant slimming. Size 17″ x 11½″. Available in golden tan or black-hog-grained leather, £7.10.0; polished hide, £9.9.0. Post Free in U.K. (In U.S.A. $23.75 and $27.50, respectively. Carriage and Insurance Free.)



20% Customs Duty payable in U.S.A. Immediate Despatch. Obtainable only direct from the makers. Money-back Guarantee of satisfaction.

UNICORN LEATHER CO., LTD., (Dept. ET.4) Woodhill Works, Bury, Lancs.

Britain "will continue to rely upon rifles and ammunition now in stock and currently being produced." In Britain's case, this means that the plans for producing the new .280 rifle on a considerable scale, which were well advanced, have been abandoned. In theory, both countries will continue to experiment "while a common effort is made to devise a rifle and ammunition suitable for future standardisation." In practice, such an effort cannot mean devising another new weapon, which both sides would agree to be the best of all, from scratch. That would take too long. The real meaning of the Washington statement must be that the Americans have confirmed their refusal to have the British .280, and that Mr Churchill has decided to conform. If the British infantryman gets a new, rapid-firing weapon at all in the next few years it will be an American .300.

That is probably, in all the circumstances, the best decision. The Chief of the Imperial General Staff agreed, on his return from Washington, that at ranges under 500 yards the new American rifle is better than the British .280; it has more "knock-down" power, and that is an advantage particularly important to the morale of the men who use it. It seems to be true, nevertheless, that in all-round performance the British weapon is the better, but the superiority is not great enough to outweigh the advantages of standardisation in the only practicable form—that is, the adoption of the American weapon. Mr Churchill has no need to be ashamed of yielding; indeed, he will only be returning to the position he took up when the matter first arose. The right course now is to take the decision with good grace and to see that as soon as possible the British army gets some American rapid-firing weapons. If any definite arrangements to that end have been made, Parliament would be reassured to hear about them; if it would speed up the supply at all soon, there would be a strong case for manufacturing the American rifle here.

* * *

Near Success in Kashmir?

The Kashmir dispute is now nearer settlement than it has ever been. This is the outcome of many months of intense work by the UN mediator, Dr Graham. It is also largely due to the remarkable and ingenious details of the demilitarisation plan put forward for Kashmir by General Jacob L. Devers, Dr Graham's military adviser. The plan appears to be entirely acceptable to Pakistan, and there is no inherent reason why the Indians should not also accept it, even though they have so far only provisionally accepted its earlier stages. When the Security Council discusses the plan, probably in a few days' time, there can be little excuse for not giving it the full backing of the United Nations. Such a position has never been reached before in the Kashmir dispute. If the plan is adopted, General Devers's proposed date—July 15th—for making Kashmir ready for a plebiscite could prove a turning point for the free world in southern Asia.

Apart from the proposal of a date, the plan has two novel merits. It aims at reducing the forces before the plebiscite to 10,000 on the Pakistani side and 13,000 on the Indian; this would be the same proportional relationship that they bore to each other at the cease-fire. Developing in carefully graduated stages, it embodies a principle to which India has always clung: that Pakistan should reduce its forces first, while Indian reductions are kept in step only a few days behind the Pakistani.

It is in the clearest interest of peace in Asia that the Security Council should back this plan. That is probably the reason why Mr Malik, the Soviet spokesman, has chosen this moment, of all moments, to intervene for the first time in the Kashmir dispute by making a strongly partisan speech in India's favour. He may hope to postpone the settlement which is at last on the horizon. The Russians patently regard it as in their interest to keep India and Pakistan divided and weak. And they doubtless hope to encourage the Indian Communist Party, which has lately secured considerable and unexpected successes in the elections in south India. For Mr Nehru this support from Moscow must be acutely embarrassing.

* * *

Bonn Appeals to Nato

The West German Government has asked the Three Wise Men of the North Atlantic Treaty Organisation to take up its dispute with the High Commission over Germany's financial contribution to European defence. The High Commission will probably make the sensible decision to agree to this request and break a deadlock that has lasted too long already.

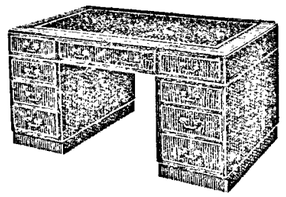
The dispute revolves round these two questions:—How much can the Germans afford for defence? and should they pay anything towards the maintenance of British and American troops in Germany once the European army comes into existence? The Ministry of Finance in Bonn claims that the Germans must make one single payment, preferably to the common treasury of a European defence community; it will not undertake any separate obligation to pay occupation costs under another name. It estimates the total amount that the country can afford at hardly more than the present occupation costs; and this, after a short period, would be entirely absorbed by the European Army. It persistently claims that the burden of refugees, Berlin and war pensions should be included in the German contribution to defence. To the argument that the gross national product is constantly rising, the reply is that these social relief payments will have to be increased. The German Government, moreover, objects to dealing on these matters with the High Commission now that it is a partner in negotiations on the European defence community.

The High Commission rejects the very modest German estimates of the country's capacity to pay; it insists that a contract covering the Government's financial liabilities for troops on German soil must be part of the treaties that are to replace the Occupation Statute. Should the German contention be accepted, the British defence budget would find itself burdened with an additional £180 million a year, which is quite unacceptable; but to continue arguing on these lines is to allow Britain to be manœuvred into a position where it appears to be obstructing the formation of a European army. For a number of reasons, therefore, it will be a good thing if Germany's estimates are put through the mangle in Paris that has already squeezed the water out of the statistics of Nato Governments; and if the verdict is that Germany can pay more than the present occupation costs, the chief obstacle to a compromise with the High Commission will have been cleared away. Germany is, of course, not a member of Nato; but in this, and in other matters, formal objections should not prevent the Western powers from satisfying its claims to equality. The country is on the brink of great decisions and confidence in it must be shown wherever possible.

* * *

A Citizen Army for Germany

For the first time, the German public have realised that the European army is a real project, and have been given some hard facts about their share in it. Hitherto the subject has been treated academically, with a great deal of vague talk about "the European idea." Very belatedly Herr Blank, Dr Adenauer's defence commissioner, has broadcast an outline of the treaty which he has been negotiating on behalf of Germany. He has broken the news that conscription will have to be introduced, as every member of the European Defence Community is pledged to adopt the same military



PRIDE OF PLACE . . .

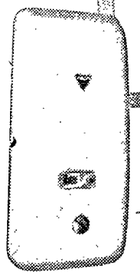
Catesbys Desks are notable for their good design, their variety and quality of workmanship: They have captured to an unusual degree the preference of executives in commerce and industry. There is sound sense and good taste in choosing a

CATESBYS DESK

We shall be glad to send our representative or to submit a complete brochure of photographs portraying complete Office Furnishing and to welcome you in our model showrooms.
May we invite your inquiry to our Director of Contracts.

Catesbys Ltd., 64-67 Tottenham Court Road, W.1
Our only address. *Telephone: Museum 7777*

Ascot produce first
BALANCED FLUE
GAS WATER HEATER



ASCOT 715
Balanced Flue
Multipoint
Gas Water Heater

This is a significant achievement, for the difficulties of applying the "balanced flue" principle to instantaneous gas water heaters had hitherto defied solution.
The important advantage of the new Ascot 715 is that the air intake and flue circuit are sealed off from the room in which the heater is installed, thereby eliminating downdraughts and vitiation of the indoor atmosphere. There are no visible flue-pipes either inside or outside the building.

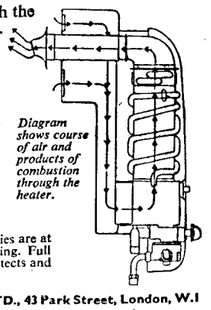


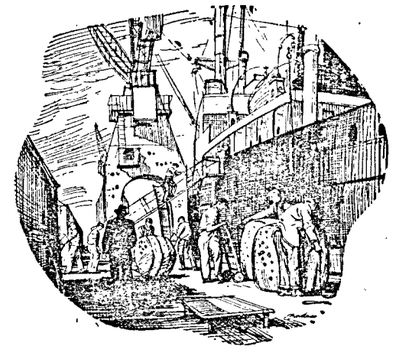
Diagram shows course of air and products of combustion through the heater.

Ten local authorities have already specified the Ascot 715 for their housing schemes.

ASCOT

As production is limited, supplies are at present restricted to new building. Full co-operation is offered to architects and all interested in new housing.

ASCOT GAS WATER HEATERS LTD., 43 Park Street, London, W.1



To those who Trade abroad

. . . the Midland Bank offers its unrivalled Foreign Trade Information Service, available at the Overseas Branch and through every other office of the Bank.

MIDLAND BANK

OVER 2,100 BRANCHES TO SERVE YOU

Established in 1845.
All classes of insurance transacted including Fire, Life, Accident, Motor, Marine and Aviation. Represented throughout the world.

ROYAL INSURANCE COMPANY LIMITED

Head Offices:
North John St. LIVERPOOL. | Lombard St. LONDON.

system. The German force will number from 300,000 to 400,000 men, selected from the age groups 18 to 21. There will have to be recourse to the experienced older ex-officers and NCO's for training the recruits, and it is proposed that they shall be allowed to volunteer.

Herr Blank's information was a shock to the public. It had been assumed that the army would consist of volunteers, and the professional military men in Germany had strongly advocated this system. The Social-Democrat Party has taken steps to carry out its threat to appeal to the Supreme Court, on the grounds that the Government will be breaking the constitution if it tries to introduce conscription by a simple majority vote. The question is being raised whether the Federal Government has the right to allow a supra-national body to decide an internal measure of this nature. Herr Blank has made it clear that the European Defence Community treaty itself will commit Germany to conscription, and will have to be ratified or rejected in full by the *Bundestag*.

In face of the storm Dr Adenauer has made another effort to win the Social-Democrats over to a bi-partisan policy. He has been told that the Socialist point of view will have to be considered; it is not enough for them to be informed of the Government's policy. This will be difficult in view of the extreme nature of the Socialist demands. The Chancellor's hand has, however, been greatly strengthened in dealings with the opposition by a declaration from the trade union federation in support of the European Army.

Herr Blank also gave the German public the first real indication that the new army is to mark a complete break with Prussian tradition. It is not only to be part of an international force, but is to be a "citizen's army." Its members will not lose their civilian rights and will be expected to take off their uniforms when they go on leave. This conception will be very welcome to Germany's future allies; but it is one which Germans themselves need time to digest. The Bonn government, instead of maintaining silence so long, should have been carrying out an intensive campaign of propaganda for this novel idea of a German army without militarism.

* * *

Federation Talks

There is likely to be a debate on the proposed federation of the Rhodesias and Nyasaland soon after Parliament reassembles, and presumably the Government will then make some statement on the talks that began this week with Sir Godfrey Huggins, Prime Minister of Southern Rhodesia. Party attitudes, and particularly the views of Labour backbenchers, have not been defined. Mr Griffiths, Secretary of State for the Colonies when the scheme was drawn up, was still in favour of it last September when he returned from the Victoria Falls conference and had seen for himself the Africans' opposition. Since then their opposition has hardened and Mr Griffiths's own attitude at the conference has been criticised by Sir Godfrey Huggins.

The Labour party's official attitude to the federation proposals may therefore be somewhat cooler than it was. The party is certainly likely to, and indeed ought to, scrutinise very carefully any modification of the proposals that may be agreed between the present Government and Sir Godfrey Huggins. Doubts were always expressed whether, even if the scheme were acceptable to the Africans, it would be accepted in its entirety by the Europeans of Southern Rhodesia. Sir Godfrey has, for instance, expressed strong objection to the proposed Minister for African Interests in the federal cabinet, who would be nominated by the Governor-General. If the Government agrees to drop this proposal, it is important that African interests should be safeguarded in some other way.

Discussions on details, however, seem academic in the face of the Africans' uncompromising hostility to the whole idea. The debate ought to be an opportunity for the Government's attitude to be made clear. An article on page 215 shows how increasingly distrustful the African has become both of the federation proposals and of the European's sincerity about partnership. Does the Government intend to go on trying to win the Africans over, and, if so, what steps will it take to do so? Or does it intend to proceed with federation in spite of the African's opposition?

* * *

The Steak's Off

Lord Woolton's election fantasies about red meat must have embarrassed the Minister of Food when he announced the cut in the meat ration from 1s. 5d. to 1s. 2d.; and they will be an embarrassment for a long time to come. In nine months Argentina has delivered little more than half of the 200,000 tons of carcass meat and offal that were to have been shipped in the twelve months ending in April. Australia contributed to the ration only 42,000 tons of beef in 1951, compared with 54,000 tons in 1950, and only 15,000 tons of mutton and lamb, compared with 59,000 tons in 1950. The lower price of wool may this year make farmers in these countries less ready to keep sheep for an extra clip before slaughtering them, as many did last year. But raising meat takes three years, and it is too early to judge the effect on production of the fifteen-year contract with Australia that was signed last year. Neither the Minister of Food nor—if they were allowed to operate—the private traders can stop these prosperous countries, with growing populations, from consuming more of their own meat, except by offering much higher prices. And that, if it were effective, would still further unbalance external payments.

* * *

M. Faure Seeks a Budget

It is not often given to a newly elected Prime Minister of France to bring the National Assembly to its feet with the opening sentences of his first speech. M. Edgar Faure achieved this feat on Tuesday by beginning with an announcement of the tragic events of the previous day in Tunisia. The debate which followed dealt with Tunisian affairs rather than those of metropolitan France, and the majority of 396 to 220 with which the Assembly supported M. Faure was a tribute to his skilful presentation of a new policy towards Tunisia rather than an expression of confidence in his government. As an article on page 216 shows, the new Prime Minister has been particularly successful in securing Socialist support for this policy; it remains to be seen whether he can obtain the same support for his budget. If he cannot, his government, the sixteenth since 1944, must go the same way as that of M. Pleven.

M. Faure has, in fact, taken over the Pleven government virtually as it stood. His Ministers are drawn from the same parties and groups—Radicals, MRP, Peasant party, right-wing independents and UDSR—and in the same proportions. Only M. Pleven himself and M. René Mayer go out of office, and 21 of the 26 members of the new government were in the old. M. Robert Schuman and M. Maurice Schumann remain in charge of foreign and Tunisian affairs, and M. Bidault is the "overlord" responsible for defence. M. Pflimlin leaves the Ministry of Commerce to handle relations with the Council of Europe, which may in consequence hear rather more of his "green plan" for an agricultural pool.

The new Prime Minister is himself replacing M. Mayer as Minister of Finance; like M. Queuille in 1948, he undoubtedly hopes to shake off this additional burden as soon as the looming budget problem is solved. A Radical himself, he has done his best to ensure unity on this crucial

issue by assigning economic affairs—a newly revived portfolio—to M. Buron of the MRP and the Ministry of the Budget to an independent, M. Courant. The fact that the delay in voting taxes is costing the Treasury a billion francs a day certainly helped to make last week's governmental hiatus one of the shortest France has known since the war. The same fact must compel M. Faure to grasp the financial nettle swiftly and firmly; but no new factor has appeared to make his chances in this respect any better than were those of M. Pleven and M. Mayer.

* * *

Trouble on the Burma Border

While the Japanese Prime Minister has been making a gesture in favour of the Chinese Nationalist Government in Formosa, and the British Prime Minister in his address to Congress has gone further than any previous British official pronouncement in approval of the American naval protection of Formosa, Chiang Kai-shek's supporters on another front have been creating a situation that may lead to far-reaching international complications. Ever since the Communists overran South China, a Kuomintang force under a certain General Li Mi has been playing hide-and-seek with the victors of the civil war in the mountainous border region between China and Burma. He has used Kengtung, one of the Burmese Shan states, as a base of operations. The Burmese Government, which has recognised the Chinese Communist regime and is in diplomatic relations with it, would like to disarm and intern this refugee army, as its obligations in international law require; but it is incapable of doing so owing to the weakness of its authority within Burma.

On the other hand, General Li Mi's force in Kengtung is in contact across another frontier of Burma with Siam, whose government continues to recognise the Nationalists in Formosa as constituting the legal government of China—a policy in which it has had the support of American official and semi-official representatives in Bangkok. It has now been reported that the Siamese have not only been forwarding supplies to General Li Mi, but have allowed a unit of Nationalist troops sent from Formosa to pass through Siam to reinforce him.

There is at present a sharp divergence between the policies of Burma and Siam owing to their different attitudes towards China. In any case there is no love lost between the two countries, for during the last war the Japanese allowed Siam to annex two of the Burmese Shan states, and though these had to be restored at the end of the war, latent irredentist claims remain on the Siamese side. Further, whereas the Chinese minority in Burma is numerically small, that in Siam is so large as to threaten the integrity of the nation if brought under control from Peking. On the principle that it is not possible to beat something with nothing, the Siamese see in active support of the Kuomintang the only check on the formation of a Chinese Communist fifth column within their country. But giving help to Li Mi for operations across the Chinese frontier is a very dangerous course of action; it provides the Chinese Communists with a strong case for military intervention in both Burma and Siam, if they want an excuse for moving into South East Asia. So far, indeed, Peking has been cautious and conciliatory in its relations with Burma; Indian reactions have to be taken into account, and in present circumstances Indian friendship is valuable to China. But this is all the more reason why China should not be unnecessarily provoked on the Burma border. Mr Acheson's denial on Wednesday that American agencies are involved in these matters is very welcome; for it is most undesirable that cloak and dagger activities should be entrenched in areas where American policy accepts no direct responsibility.

Trouble in Hungarian Factories

Mr Rakosi, the Hungarian vice-premier, is seriously worried about the state of discipline and morale in Hungarian factories. He has complained that there is a great deal of talk about bad labour discipline, but nobody appears to be willing to do anything constructive about it. He is concerned not so much with those who are idle simply because they have a natural aversion to hard work, but with "certain hostile elements against whom mere agitation and persuasion is about as effective as holy water." It was with an eye on these people that the Hungarian Supreme Court recently declared that offences against discipline were crimes against the "people's economy," to be punished with "corrective educational labour." Mr Rakosi may well have had reason to be satisfied with the "salutary effect" of this decision, but it can hardly create an atmosphere of harmony and willingness in Hungarian factories.

Potentially even more dangerous to the Communist regime is, perhaps, what Mr Rakosi calls the "liberal attitude of the managers." Too many of them condone the slack practices of the workers and fail to make the best possible use of the new recruits that the party and the government are making every effort to send into the factories. He obviously feels that the managers and the technical experts are seriously neglecting that close co-operation with the local party organisations which, to the Communists, is a decisive factor in increasing production. But it is not just quantitative increases in production that are needed. Mr. Rakosi admitted that "it has become customary" for factories to over-fulfil their plan by producing bulky articles that require little processing, while neglecting the smaller articles that need more time and skill. There have also been a great many complaints about the quality of the articles produced; and when this has reached the point where it is seriously affecting Hungary's export trade, it is not surprising that Mr Rakosi is worried. It is typical of the man—indeed of most Communists—that his remedy should be to give greater power in the factory to the local party bosses.

* * *

Doctors for Dockers

The conditions under which dockers work are, even now, notoriously bad. It is only a few months since Sir Frederick Leggett's committee of inquiry drew a most unattractive picture of squalid lavatories and inadequate washing facilities at the London docks, and concluded that such conditions were one of the causes of labour unrest. No minimum standards of amenity are laid down by law, as they are in the factories. Legislation was expected to follow the survey that the National Dock Labour Board made in 1948, at the request of the Minister of Labour. But there have been three Ministers of Labour since then, and little has been done—apart from the fact that the Ministry's factory inspectors now pay an occasional visit to the docks, in a strictly advisory capacity.

The Dock Labour Board does what it can, as it shows in a recent booklet on "Welfare Among Dock Workers," to improve amenities. It has built covered call-stands and, in two or three ports, wash places. But with a limited amount of money to spend on welfare—some £600,000 in the current year—it devotes the greater part of it to the medical service. This is a proper priority, in view of the hazards of work in the docks and the frequency of minor injuries. It leaves the responsibility for other amenities still squarely on the port authorities and the employers, and, ideally, this responsibility should be defined. This is not the time, obviously, to devise new claims on the national resources. Canteens and call-stands for dockers must rank below homes in the list of priorities. But there should be an effort to introduce legislation about working conditions in the docks as soon, in the time worn phrase, as circumstances permit.

Schoolchildren's Health

In spite of the belated appearance of the Ministry of Education's report on the health of the schoolchild in 1948 and 1949, it is worth reading; for besides giving some interesting general information, it shows the effect of the national health service on the school health service. The improvement in children's physique is apparent to any layman. Impressions are confirmed by extracts from the reports of various school medical officers. In Manchester, for instance, the proportion of children in "poor general condition" was assessed at only 2.8 per cent in 1949, compared with 4.7 per cent in 1947. In the same years the number of children whose general condition was good went up from 16.6 per cent to 25.8 per cent. The average height of London schoolchildren increased by about three-quarters of an inch between 1938 and 1949, and their average weight by 1¾ lb. The Wolverhampton school medical officer comments that weighing machines in the senior schools are no longer adequate for weighing pupils in their last year at school. The chief disappointment seems to be that the number of verminous children is as large as ever. Individual children found infested in 1949 numbered 443,016—8 per cent of the total on the school registers. In 1938 the number was 444,967. There is some interesting information on tonsil operations, which show a surprising variation in rates from the area of one education authority to another. Another chapter discusses the problems of the diabetic child; but it is a pity that no mention is made of the far more numerous epileptics, whose disability may preclude them from attending school even when they are of normal or high intelligence.

The account of the health service's impact on the schools gives a much less satisfactory picture than the account of the children's health. In spite of the efforts described in the report, co-operation between the family doctor, the hospital and the school health service is far from complete. In the years covered by the report the adult demand for spectacles caused long delays in the supply of glasses for schoolchildren. In the last eighteen months this delay has been overcome, but there is still no improvement in the school dental service, which was seriously affected by the attraction of dentists to general practice. The few remaining school dentists, the report comments, must now be highly selective in the fillings they undertake, and first teeth are perforce neglected—a state of affairs that is particularly deplorable now that the wartime improvement in children's teeth has been reversed.

Shorter Notes

At the annual meeting of the National League of Hospital Friends this week, Mr Crookshank partially lifted Mr Bevan's ban on members of hospital boards and management committees associating themselves with appeals for voluntary funds for "amenities." The ban was never easy to understand, especially as official encouragement was given to the maintenance of local pride and interest in hospitals, and Mr Crookshank might well have lifted it altogether. Collecting boxes may be placed in hospitals "on special occasions," but not as a general rule. Why not? What simpler method is there of enabling patients and their relatives to express their gratitude to a hospital and its staff? Hospital appeals should be neither importunate nor undignified; but, provided they fulfil this criterion, the question of the hospitals' own association with them should be left to the good sense of the authorities themselves.

★

The two weeks' strike of London electricity meter readers ended on Wednesday with what was certainly a moral victory for the London Electricity Board. It has agreed to give the trade unions concerned the information which led to the conclusion that all meter readers were not doing a full day's work, and it will discuss with the unions the amount of redundancy and the question of alternative employment for the readers discharged. But the board has not given way over the supervisors, the original cause of the strike. These will continue to accompany meter readers in order to determine what should be a fair day's work.

★

Major-General Guy P. Dawnay, who died on Saturday last, was a director of The Economist Newspaper Limited from 1929 to 1947. He was a soldier whose gallantry was rewarded with the DSO as long as fifty years ago, and a much respected investment banker and company chairman. Neither description, however, exactly fitted him. There was a poetry in him that is not often found in the barrack and a gaiety that is still more rarely released in the board-room. All who knew him will feel a sense of personal loss.

The French Constitution

When, after the Revolution of 1830, the veteran diplomatist Talleyrand went up along with the other Ministers of State, to take the oath of allegiance to the new Constitution, he was heard to mutter in a sort of audible *aside*—"The THIRTEENTH: I hope it will be the last!" Since then—to say nothing of a number of minor changes—two other constitutions have been adopted and proclaimed; and the present production of Louis Napoleon is, therefore, the *fifteenth* under which France has suffered since Louis XVI. Fifteen in little more than sixty years, or about an average duration of four years to each! We do not think that our contemporaries have done justice to the new scheme, or to the remarkable ability of the proclamation by which it was ushered in. . . . The first thing that strikes us in it is this: it is not, and makes no pretension to being, *a system of Parliamentary Government*. . . . without going so far as to say that the French are unfit for Parliamentary Government, and will probably remain so, we have on several occasions expressed and justified our conviction that such a form of polity is wholly incompatible with the existence of the centralised administration and despotic bureaucracy which the French not only endure but cherish. . . . What then is, at the bottom, the real defect of this Constitution? In what is it so inferior to our own? We reply in a single sentence—*It wants those guarantees which no Constitution can supply; it wants virtue and principle in the men who are to work it.* Ably and honourably carried out, it might secure the tranquillity, the prosperity, and a steady augmentation of the liberties of France; *but where lies the security—whence can we draw the hope—that it* WILL *be ably and honourably carried out?* . . . there is wanting that, *with* which no Constitution, however bad, can be practically oppressive or unjust—*without* which no Constitution, however perfect, can be worth the skin it is engrossed upon—viz., a love of freedom on the one side, and a love of justice on the other: on the part of the people a resolution to maintain their rights; on the part of rulers a sense of honour to respect them; public spirit in the many—public virtue in the few; in all ranks and classes . . . the saving and redeeming SENTIMENT OF DUTY.

The Economist

January 24, 1852

Hesitation can mean disaster

Whether it's Mutiny or Heavy Duty Cooking

On May 12th, 1857, the rebels captured Delhi and there was a great Ball in Lahore. Quite an eventful day: the local troops were planning to revolt as well. Next morning, they were summoned to a general parade. Taken completely unawares, four Regiments obediently piled their arms and marched safely away. So it was—simply, heroically, and at the eleventh hour—that the entire Punjab was saved from Mutiny.

Just as procrastination in those days would have been a thief of Empire, so in our own time it can be a thief of money. For instance, if you order Falkirk cooking equipment *now*, you will get it now—and at a very competitive price. If you delay, the opportunity won't wait for you.

HARD FACTS ABOUT FALKIRK

- Equipment for Gas, Electricity, Oil, Steam and Solid Fuel
- Really tough cast-iron construction—will last for years
- Efficient modern equipment means less work for small staffs
- Price most competitive
- No weak links, a complete and balanced range of equipment
- Specially designed installation and plans for each customer
- If you need new kitchen equipment, *now* is the time to buy.

Find out NOW *about*

FALKIRK HEAVY DUTY COOKING EQUIPMENT

for Hotels, Restaurants & Canteens

Please write for illustrated leaflet to **The Falkirk Iron Co. Ltd. Falkirk, Scotland** *or* Mortimer House, 37/41 Mortimer St., London, W.1. *or* 40 Hanover Street, Leeds, 3. *or* 18 Leigh Street, Liverpool, 1.

(Proprietors: Allied Ironfounders Limited)

Have you a ☹★!!! of a boiler?

Peace of mind and plenty of hot water without effort if you have an

AGAMATIC

THE GREAT THING about the Agamatic is that it always *works*. It is automatic; it is really clean; it need never go out. It just heats water — quickly, cheaply, constantly.

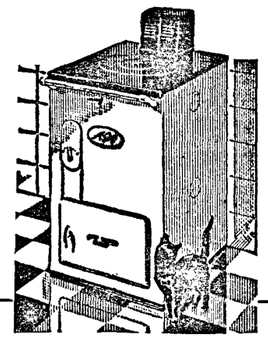
It has a thermostat to give you hot water whenever you need it and to damp the fire down when you don't.

The circular grate makes riddling a clean job, over in a moment. It is as dustless as can be; the ashpit door fits like the breech block in a gun.

The whole casing is heavily insulated: no heat is wasted.

It will burn any kind of solid fuel and most kitchen refuse.

Price £45 . 0 . 0 ex works, and that is very reasonable indeed.



We are all short of every kind of fuel — solid fuel, electricity and gas. But official opinion favours solid fuel for water heating and space heating. The Agamatic runs best on smokeless fuels, but if you are stuck it will give you more hot water more easily on any fuel you can lay hands on — coal, wood, peat or old boots. Even if you do have to let your boiler out, the Agamatic is still easier to relight, gives you hot water more quickly and never wastes a single nugget of fuel.

It's a gentleman's life for the stoker of an Agamatic

For full information, please call on any of the 130 out-of-Town Aga Agents, visit the London Showrooms, or write for the illustrated Agamatic leaflets to:

AGA HEAT LTD.

SHOWROOMS: 18/20 NORTH AUDLEY STREET, LONDON, W.1.

The Agamatic is another splendid fuel-economy appliance from the Allied Ironfounders Group.

The word 'Agamatic' is a registered trade mark of Aga Heat Ltd.

Letters to the Editor

The Sterling Crisis

Sir,—The crisis in the country's balance of payments, of the prospects of which *The Economist* of January 12th gives so grave a warning, is fundamentally monetary in character. We are spending too much. Spending requires money, and spending in excess of income and therefore of output is only possible if people have the money to spend.

When controls prevent prices from being forced up, a demand in excess of productive capacity can only be met by supplies of goods either from stocks or from abroad. Stocks are a limited resource, and an excess of imports results. The only immediate remedy available is a restriction of imports, by prohibitions, licensing and rationing.

We are spending too much because the excess of loose money bequeathed from the profusion of war finance is still with us and provides the means of spending. Till 1951 budget surpluses and American aid were providing surplus resources which might have been used to effect a substantial reduction in the excess money, but, as fast as money was extinguished by redemption of floating debt, it was replaced by bank advances to customers. A renewal of the series of budget surpluses cannot be hoped for. The country is heavily overtaxed, and very little can be expected from reductions of government expenditure. The Chancellor of the Exchequer has wisely turned towards credit measures.

But the rise of bank rate two months ago was only a gesture. Is the restriction of overdrafts and advances promised by the bankers anything more? I fear it is not.

What is needed is to reduce the pressure of the excess demand on producers. The bankers' endeavour will be "to restrict credit to essential purposes," but surely that is the wrong criterion.

A refusal of overdrafts to private customers would accomplish something, but the main problem is in the borrowing for business purposes. Some short-term borrowing is for capital outlay, the purpose of which, it is true, can be distinguished as essential or non-essential. But capital outlay is anyhow controlled through licensing, allocations of materials and capital issues, and the long-term rate of interest is already high.

The main part of short-term borrowing is for carrying stocks of goods, and the virtue of a high bank rate, "dear money," is that it induces traders to be content with smaller stocks for a given turnover of purchases and sales. To reduce stocks, the orders they give the producers must be less than their sales. The proposed credit restriction is not likely to affect the orders given to replace sales of goods of any kind. An advance will not be refused to a trader who needs it to pay for a supply of the goods he regularly deals in, ordered long before, however non-essential the goods. Traders will go on ordering goods and the pressure on producers will continue practically unabated.

In regulating the flow of money by credit measures, prompt action is vital. Delay in action was the fatal defect of credit policy in the interwar years. Are we to expect nothing better now?

There is another aspect of the balance of payments, which is not less important than credit policy. The most emphatic statement of the disastrous effect of devaluation on the balance of payments was contained in the Conservative party's election manifesto: "We have now to give from one-quarter to one-third more of our life's strength, skill and output . . . to get the same intake as we did before devaluation." Prompt action is as necessary here as in credit measures. If nothing is done, the ruinous loss we suffer by selling our exports too cheap will eventually be rectified by a rise of wages, and therefore of costs, which will after all nullify the competitive advantage which was anticipated from devaluation.

An up-valuation of the pound would interrupt that tendency. It would raise costs in terms of dollars, but in that respect would be no worse than the rise of wages which is now being accelerated. Incidentally, by reducing the sterling cost of imported food supplies, it would make possible the only really substantial budget saving open to us—a reduction of subsidies.

Perhaps it will be argued that the crisis is too deep-seated to be coped with by monetary devices. And it is true that the burden of defence, added to other demands on our resources, subjects the economic life of the country to a severe strain. But it is impossible to say just what effort is necessary to stand the strain unless the monetary weaknesses are remedied. It may be that the austerity we have been undergoing is after all sufficient.—Yours faithfully,

R. G. HAWTREY

London, W.8

How to Export Coal

Sir,—You make no reference in your article on coal to the fuel efficiency branch of the Ministry of Fuel and Power. This service provides excellent advice and information on fuel saving methods. This advice seems only to have been accepted to a minor extent, if at all, by the majority of domestic or industrial consumers. The following facts may indicate how important the failure to accept this valuable advice can be: a well insulated roof can save up to eight times as much heat as an uninsulated one. A well run boiler plant can produce the same heat with 20-30 per cent less fuel than a badly run one will need. The weatherproofing of buildings, use of thermostatic controls and the right heating appliances will all yield substantial savings of heat. The use of these methods may mean a total saving of 60-70 per cent in fuel consumption in the efficient factory. Apart from fuel saving, heating efficiency may mean an earlier start and more productive day during cold weather and more effective heat processes all the year round.

I suggest that the allocation of steel and other scarce material for fuel saving purposes will be at least as valuable as its allocation to mining, and that the wholehearted effort on the part of all concerned to save fuel will satisfy this country's real need and yield a satisfactory surplus for export without having to make further disproportionate increases in miners' wages.—Yours faithfully,

DENIS FOYLE

Birmingham

A Belated Compliment

Sir,—You may be interested to know of an incident that has been buried in an old minute book for 105 years and recently excavated.

In 1846 the committee of Lloyd's in an economy campaign instructed one of their employees to go through all the papers taken in at Lloyd's and recommend what should be stopped.

Amongst other things he reported:

> The Economist Newspaper is now supplied gratis by the Editor, therefore the copy supplied by . . . should be stopped. This being a most valuable paper for reference, I would respectfully request that it be bound.

The committee cut off a number of papers on the employee's advice, but as regards *The Economist* they went counter to his advice and continued to subscribe in spite of the free copy.

Did you know that your paper had achieved such a reputation when it was three years old, or that your distinguished Scottish predecessor scattered copies about free?—Yours faithfully,

D. W.

The Film in Education

Sir,—Your reviewer's comments on my book, in your issue of December 15, 1951, contain a number of statements about the place of the film in education which are questionable. Whether it is "fortunate" that the progress of the classroom film "has been impeded by its formidable cost . . . and the obstinacy of teachers" is perhaps a matter of opinion. I am concerned here with certain misstatements about my own attitude to the subject.

Your reviewer says "Andrew Buchanan has written of the new techniques untroubled by any fears that they may not be the medium of the future." He asserts that I proclaim "direct appeal and easy assimilation as the solvent of stupidity"; that I consider the film to be "the answer to the problems which have tormented mankind for three thousand years"; he suggests that I advise teachers "to burn the books, crush the chalk and pen, cease to speak or to encourage speech. . . ."

If your reviewer had read the book with proper care, he would have discovered that I proclaim none of these things. I give many examples of how film *aids* the spoken and written lesson, but never do I suggest it lessens the need for study or supersedes the teacher. If your reviewer had turned to my index he would have found an entry headed "Film in education" and sub-headed "Not a substitute for other teaching methods," with numerous references to that as being my firm conviction. Perhaps I can quote the *Times Educational Supplement* as saying, in its review, that I give a "clear assessment of the possibilities and limitations of a complex medium of communication."—Yours faithfully,

ANDREW BUCHANAN

London, S.W.15

Utility Schooling

Sir,—The statement in your issue of last week that it would be a pity greatly to cut education and leave the food subsidies untouched is a welcome confirmation of the comment you made on the priority which "One Nation" gave to education second only to housing—i.e. that you were not certain whether the order should not be reversed. In fact, the inflation of other services has been so gross since the end of the war that there is hardly any case on financial grounds for including education as a serious candidate for the axe.

The real threat lies in the danger of a restricted building programme. Unless school building can be maintained there will be insufficient accommodation for all children between the ages of 5 and 15. The building programme depends largely on the supply of steel.

One cannot be satisfied with an *ipse dixit* that because there is insufficient steel the school building programme must be cut and the length of the school life reduced. Accurate figures are not easy to obtain, but the crux of the case rests on a broad basis. The total national output of steel in 1951 was in the neighbourhood of 14½ million tons, and there are prospects of increasing on this figure for 1952. During the first 11 months of 1951 approximately 309,000 tons were allocated under WBL licences for building and construction. The schools' share of this was roughly 30,000 tons. How far is this microscopic proportion relevant to the rearmament and export programmes?—Yours faithfully,

MAGNUS WECHSLER

London, E.C.3

Books and Publications

Simple Soldier

A Soldier's Story. By Omar N. Bradley. *Eyre and Spottiswoode.* 618 pages. 25s.

General Bradley did not intend this book to appear while he was still on active service, but the Korean war postponed the date of his retirement and it has been published while he is still chairman of the Joint Chiefs of Staff. This was, as he himself has said, unfortunate, as it gave an official air to judgments of individuals which were meant to be personal. And as the book did not contain any startling revelations of fact, it was upon his judgments of individuals, and particularly of one individual, Lord Montgomery, that attention in the United States was concentrated.

General Bradley told the committee investigating General MacArthur's dismissal that he had "tried to write a book which would be helpful to future commanders" and that he had written it in "the vein of a critique" and had admitted that he was wrong in some cases. This method, which is necessarily somewhat Olympian in tone, is successful as long as he is criticising his own subordinate officers, and his estimates of his army, corps, and divisional commanders are shrewd, incisive and always sympathetic. But a Director of Manœuvres, when delivering his critique, is not usually called upon to pass judgment on his own performances or on those of his equals or superiors. And the cases in which he admits to errors are so unimportant that it is hard to recognise them in the company of the larger mistakes of which he finds Patton, Anderson, Montgomery and even, at times, Eisenhower, guilty.

"A Soldier's Story" is long and detailed and will be of considerable value to the student and the historian. Its author, who was a Lieutenant-Colonel in the War Department at the beginning of 1941, went to North Africa to be the "eyes and ears" of General Eisenhower and commanded a corps in the latter part of that campaign and in Sicily. He then went to England to command an army and to organise the Army Group which he himself led after the first weeks in Normandy. His career has been only less spectacular than that of General Eisenhower himself. His book is certainly a soldier's story; it is written from the point of view of his own particular headquarters of the moment and displays the good soldier's habitual loyalty to his immediate staff, his firm belief in the supremacy of the troops under him, his fierce resentment of higher formations, and his perennial suspicion of armies over which he has no control.

It is, indeed, when nationalism is involved that his objectivity retreats farthest into the background. General Bradley is, after all, the son of a Midwestern schoolteacher and he reached his fiftieth birthday without knowing, or caring, about the rest of the world. Since then he has learned much. His evidence on the MacArthur issue proved that he now understands the value of allies and the importance of political objectives in warfare. He is to be thanked for recollecting his earlier emotions so vividly and putting them down so honestly. Yet it is nevertheless impossible not to wonder why he still accepts so unreservedly the rightness of American decisions taken in opposition to the "British inclination to complicate the war with political foresight"—an inclination upon which he admits "as soldiers we looked naively." He records with satisfaction that Stalin put an end, at Teheran, to British attempts to continue the "Mediterranean sideshows" after they had "successfully wiggled through another loophole" at Quebec—without ever considering whether Russian motives might not have been as "complicated with political foresight" as British ones.

It is also obviously impossible for him to be fair to Montgomery. Nationalism is involved, but also something more than nationalism, as his unrestrained admiration for Alexander shows; there is a deep incompatibility of temperament. A similar incompatibility would, no doubt, have also clouded his relations with Patton, had Patton not belonged to the West Point club, the members of which stick together because, until they proved themselves during the war, they were outcasts in a successful industrial society. So he treats Patton as would an indulgent uncle, while Montgomery is always suspected of loitering with intent.

Despite these evidences of human weakness, which will sell more copies of his book than will the account of his campaign, General Bradley's character does not emerge at all distinctly. As a field commander he lacked the genius for the *mot juste* of Eisenhower, the histrionic ability of MacArthur, the weakness for causing incidents of Patton or the ability to create controversy of Montgomery. But, as Chairman of the Joint Chiefs of Staff, he has vindicated those who always believed that he was consequently underrated. His speeches and his statements before Congressional committees since the beginning of the Korean war have been more consistently statesmanlike than those of anyone else in Washington. They give more of the flavour of the man than this story of the period when he was only a soldier—and, at times, a very simple one.

Incomplete Portrait

Marshal Without Glory. By Ewan Butler and Gordon Young. *Hodder and Stoughton.* 287 pages. 15s.

This is the second life of Goering to be published in England within a year, while at least two other books about him have recently appeared in Germany. It is evident that in the *chronique scandaleuse* of the Third Reich Goering will occupy a place by himself. Nor is this surprising, for his was a career which might have been invented by some shrewd journalist or scenario writer to amaze and delight the

astonished eyes of the Saturday-night picturegoer and the Sunday newspaper reader. All the classic formulae are illustrated. War: here is the crack fighter pilot, decorated with the *Pour le Mérite*, who rose to command the Luftwaffe. Romance: he built a shrine, in the best Hollywood manner, to keep alive the memory of the beautiful Karia. Crime: he was a murderer at least by proxy and a racketeer who organised looting on an international scale. Luxury and High Life; drugs and political intrigue; secret diplomacy; a taste for decorations, flashy rings and the bizarre in dress; even a sense of humour and a defiant ending to a misspent life—all these are there, combined with a personality "large as life and twice as natural." At the station, wrote Ciano,

> he wore a great sable coat, something between what motorists wore in 1906 and what a high-grade prostitute wears to the Opera. If any of us tried a thing like that, we would be stoned in the streets. He on the contrary is not only accepted in Germany, but loved for it. That is because he has a dash of humanity.

To this side of Goering his latest biographies do ample justice. But it is a superficial portrait which nowhere goes beneath the surface either of politics or psychology. In 1933 and 1934 Goering played a role second only to Hitler's in the establishment of the Nazi dictatorship; in 1938 he was still Hitler's chief lieutenant, as the part he played in the Blomberg-Fritsch affair shows; by 1945 he was a discredited blusterer. Only with his trial after the war did he reveal something of the cunning and energy he had once displayed as Minister-President of Prussia and Plenipotentiary for the Four-Year Plan in the 1930s. The history of Goering's decline, his eclipse by Himmler and Bormann, could be used to illuminate much of the politics of the Third Reich; the present account is disappointing and slight.

No less interesting would be a psychological study of a man who in his prime was one of the most ruthless and able of the Nazi gangsters, but whose lust for power and action dwindled to the petty satisfactions of a theatrical vanity, showing off his rings and boasting of his art collection to Frau Rommel while Africa was being lost. Where was the real man behind the exhibitionist; what had happened to him? Was there nothing behind it all? If so, how is one to account for the performance at Nuremburg? Unfortunately, the authors are content with the conventional psychological cliches of popular biography.

As a book, it is competently put together, written in an easy style, pleasant to read and well illustrated. But it remains a volume for the railway bookstall rather than for a library shelf.

Book Bargains

50% REDUCTION

offered to personal shoppers on all marked prices of second-hand and ex-library books during the final week of our sale Jan. 28th to Feb. 2nd

THE TIMES BOOKSHOP

Wigmore Street, W.1

Trade and Temperance

Drink: An Economic and Social Study. By Hermann Levy. Edited by R. P. Lynton. *Routledge and Kegan Paul.* 256 pages. 21s.

The economic aspects of drinking have received scant attention, and a new work by an economist arouses expectations. Professor Levy's posthumous book is a comprehensive and lucid survey. But of economic analysis of the changing market status of drink and the public house there is disappointingly little. And the conclusion that restrictions on the sale of drink need to be intensified rests on evidence that is mostly out of date; there is little effort to consider the present or future effects of recent social changes, and the redistribution of income since 1939 is ignored. Drunkenness has been replaced by "excessive" spending on drink as the main indictment. But the technical and philosophical difficulties—how to measure "excess" (and why only in drink?) and how to prevent it—are not resolved.

Social conditions and the degree of monopoly in the trade jointly determine the size of the drink problem. In the 1950s the arguments for further licensing restrictions are not obviously more convincing than those for relaxation. The new amenities for leisure (television, now installed in perhaps 750,000 homes in the pub-going classes and spreading fast, is not even mentioned) mean that drink sells in a highly competitive market; the public house is contending with other retail outlets; and the brewing industry faces a period of adjustment to new market conditions.

In these circumstances the political and economic power of "the Trade" loses its terror. "Pushing" drink becomes less fearsome when the public comprises educated self-respecting citizens who have plenty of alternatives. That Mr Levy can quote trade support for his views on the effectiveness of drink advertising does not mean that he is right; it may sometimes fail, as is suggested by the experience since 1946 of the revival of "Beer is Best." The concern with brewers' and publicans' motives is likewise misplaced; what matters is not what they would like to do or why, but what they can do. Competition is impelling the public houses to offer food and general refreshment in wholesome surroundings, and Mr Levy recognises that this is "a not altogether unfavourable line of development." The dilution of drink by food and social amenities is an objective that unites the far-sighted in both trade and temperance.

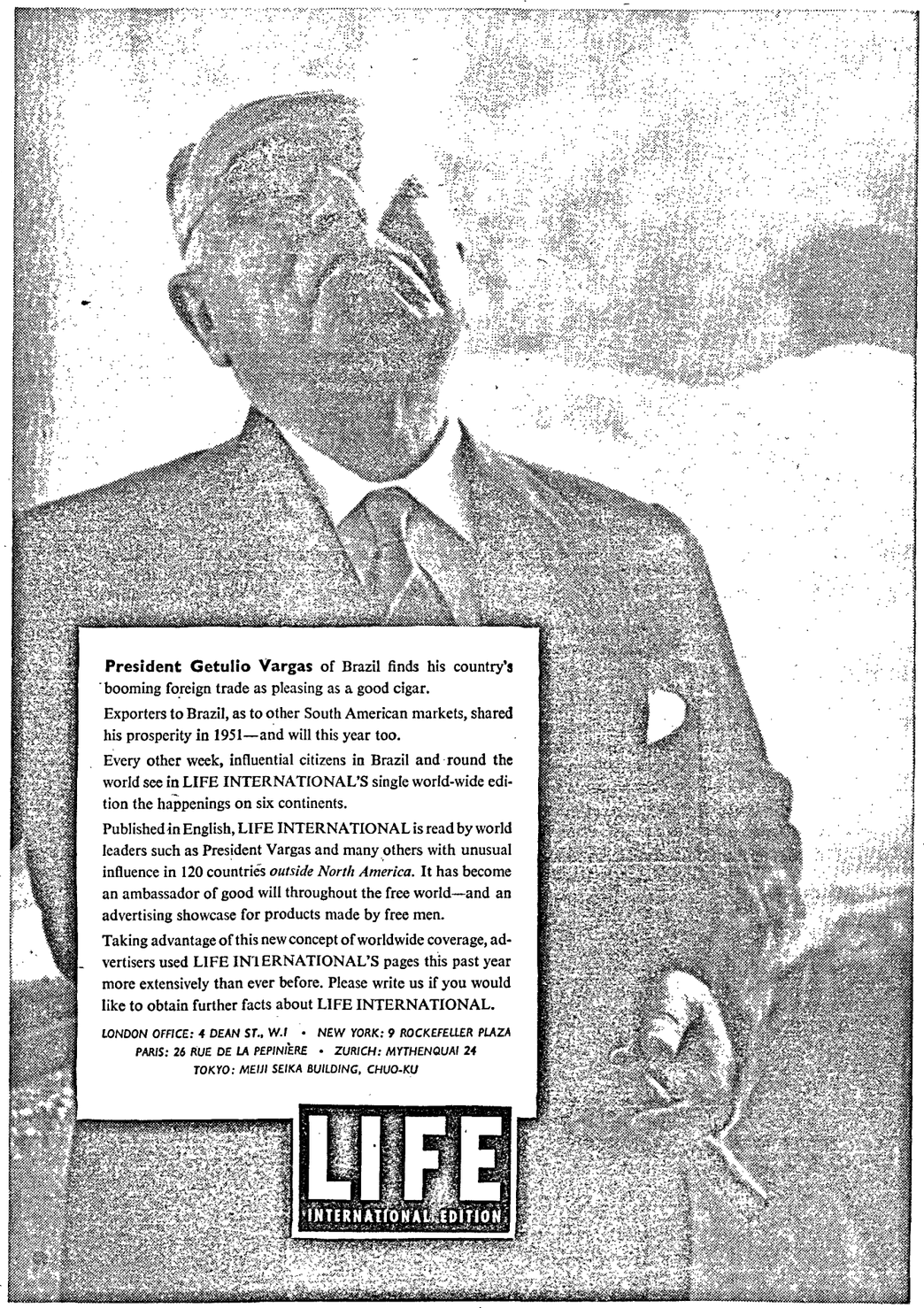
If Mr Levy draws profusely on temperance writings, the brewers themselves are partly to blame. They must emerge from the shell into which they were driven by past political battles. Only then will they be seen not as "the Trade," but as an industry contending with its own problems in its efforts to serve the public.

Tribal Tradition

The Mende of Sierra Leone. By K. L. Little. *London: Routledge and Kegan Paul.* 307 pages. 28s.

The transfer of power in the African colonies is being made easier by the large amount of reliable information that is now available about the life and conditions of their native peoples. Constitution making in Nigeria, for example, has been able to take cognisance of the realities of tribal pride and cultural prejudice to an extent never before attempted. Anthropologists have made a valuable contribution to this knowledge of African peoples. Dr Little's contribution deals with the Mende of Sierra Leone, a tribe of over half a million people well known for their vigour and industry. Like many tribes of this area they were skilful and courageous warriors until their subjugation by the usual combination of treaties of friendship and punitive expeditions in the nineties. They are now capable rice farmers and craftsmen, who have successfully converted a former slave economy into one based on the large family household. But what they were always most famous for was their secret societies, which were the real powers behind the chiefs and traditional law and custom.

What is the state of Mende social life today after fifty years of missions, trade, government and peace? This is the main question Dr Little sets out to answer. After a short outline of what is known of Mende history he describes the main features of the traditional political and social life of the people, giving particular attention to the secret societies. He then discusses the reaction of the Mende to modern conditions. He notes the usual symptoms of the breakdown of tribal society under *laisser faire* rule, such as the insecurity of chiefs, who often earn less than clerks, and the revolt of the literate class. Dr Little is particularly interesting on the class system based on distinctions between the European, the Creole and the "bush" native. On the whole, however, though the information he records is mostly new, it is superficial and too general.

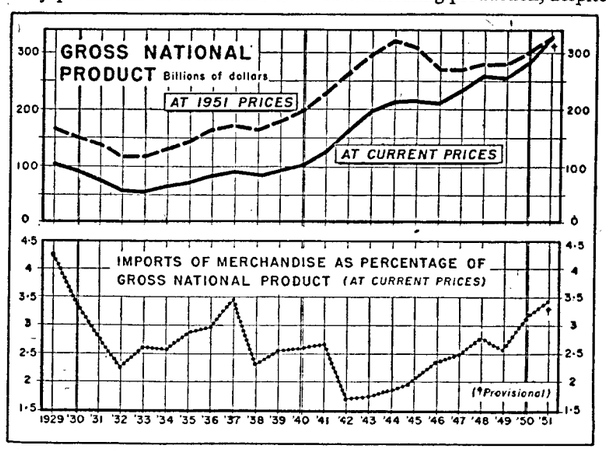


AMERICAN SURVEY

Self-Sufficient Giant

Washington, D.C.

THE figures in the President's Economic Report to Congress and in his Budget message this week had, as Mr Marquis Childs said, "an Alice-in-Wonderland quality" because what Mr Truman asked for had little or no relation to what Congress might ultimately grant. But there are certain important lessons to be drawn from this review of the past and the estimates of what will happen, regardless of a wayward Congress, in the future. In terms of 1951 prices, the gross national product of the United States, which was about the same in 1939 as it had been in 1929, rose by $90 billion between 1939 and 1947 and has risen by a further $60 billion since then. It is expected to rise another $20 billion by the end of 1952. Up to now, this increase has been more than the total cost of the security programme. Since 1939, moreover, steel production and electric power capacity have doubled; primary production of aluminium is more than five times what it was before the war. And, since the attack in Korea, private investment in "producers' equipment and non-residential construction" has averaged $37 billion a year. Yet in 1950 and 1951 imports had risen to only 3 to 3.5 per cent of the gross national product, and the proportion was lower than it had been in 1929.



A gigantic machine for the consumption of raw materials has been built and its appetite is growing at a fantastic rate; but, nevertheless, an increasing proportion of what it consumes is being produced at home. With a few exceptions, the primary materials needed for American industry are available in adequate quantities within the country and it is evident, and understandable, that private capital is more easily found to develop domestic supplies than to open up new sources in countries with underdeveloped economies and overdeveloped national corns. At the same time there is a determination not to remain dependent on foreigners any longer than is necessary for those few raw materials which have to be imported.

The report of the committee set up by the President to study the problem of raw materials will be published shortly, but it would be a surprise if it were in any way alarming. Mr Harold Ickes regularly prophesies the imminent end of the oil reserves but, though they are probably wasting faster than anything else in North America, this is hardly an immediate problem. A few more inventions, a few more discoveries in the technique of substituting one material for another and the United States would be, economically, free of the rest of the world and able to snap its fingers at it. And behind Senator Taft are any number of men who would like to try. But there remains the problem that it is a country of 150 million people on a planet with more than 2,500 million. And should the overwhelming majority of the other 2,350 million be driven to bitter hostility by American economic policies, all the productivity of North America would count for very little. So the President must make his greatest effort this spring to persuade a reluctant Congress to provide "both military and economic aid to free nations" and must also try again to make them accept the necessity for supporting "the efforts which underdeveloped countries are making to further their own economic development."

In the September issue of the *District Bank Review* Professor Arthur Lewis discussed the results of the failure of world primary production to match the growth of world manufacturing production, despite the fact that manufacturing production, even in the United States, had not grown as fast between 1913 and 1950 as it had in the forty previous years. But the figures he uses are deceptive because they do not take separate account of the change that has come over the American economy since 1939. In contrast to the nineteen-thirties the rate of increase in manufacturing production during the last twelve years has been more than 6 per cent, which is one-third greater than it was from 1870 until the first war, and there is no sign that this rate of growth will slacken in the near future. The United States must, therefore, be taken out of all statistics of manufacturing production lest it distort their general meaning.

The same is true of statistics of primary production. The rate of growth of world primary production, which kept roughly abreast of that of world manufacturing production until 1913, has, since then, been only half of it. But again the United States (and Canada) distort the picture. They account for what rate of growth there has been and the shortage which the rest of the world now feels is the reflection of the failure of its primary production to keep pace with the comparatively modest rate of growth of its manufacturing production. It is this factor, rather than the supreme power of the dollar, which has made necessary the International Materials Conference and last week's agreement to find a million tons of steel for Britain.

When the President made his inaugural address in 1949 and spoke of a "bold, new programme" he sensed, and some of his advisers knew, what was needed. But all that has come of it is a little fiddling with Point Four because there was a complete failure to realise that private capitalists would always invest at home first if the yield was at all comparable, and that the risks in underdeveloped countries had increased, while the chance of a killing had almost disappeared. The only place from which development capital can now come is governments—which means in practice the United States Government—or the International Bank. No amount of exhortation to "invest but not exploit" will today persuade the private investor to take the chance of big losses when the chance of big profits is denied to him. And at present it is thought that although most countries are able to find the dollars to meet the cost of government loans, they could not always find the amounts needed to transfer the profits venture capital would expect.

As the American gross national product increases, the total of imports presumably will increase too, and even if this cannot be held above three per cent or so of the gross national product, the rest of the world will probably be all right in a few years. What is needed to ensure this are schemes of development which, although they might not attract venture capital, would appeal to an American government prepared to look a little way ahead. At present, any large programme of American foreign investment would, as far as American requirements are concerned, be providing for the generation after the next, not the kind of enlightened self-interest which a government would think of proposing at a time like this. But such a programme of investment—not of grants—which would provide a non-dollar source of raw materials for the non-dollar part of the free world and a source of some important ones even for the United States itself, would offer the best long-term solution of the problem of making allies independent and giving them that steady increase in their standards of living which, it is believed, is the best antidote to Communism.

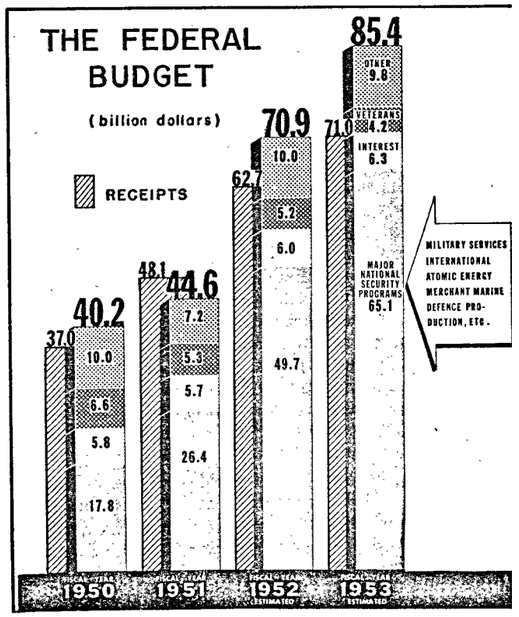
The kind of schemes which were discussed by the Commonwealth Finance Ministers should be ready for a new Administration next year. Now all the President can say is that "we shall continue to encourage production and equitable distribution of scarce raw materials in the free world." But the need for "equitable distribution" should be a temporary phenomenon and encouragement of production should be the main goal, which it is not at the moment. If that were done on the scale which the rest of the free world needs, not only would the present generation of Americans see their allies becoming independent, but they might also earn the undying gratitude of their own great-grandchildren who may well, otherwise, curse them in posterity for squandering the assets of their country.

The Price of Preparedness

IN the fiscal year 1952-53 which begins next July (and which is known in American official parlance simply as fiscal 1953), the government of the United States is hoping to spend $85.4 billion, more than it ever has before, except in two wartime years, 1944 and 1945, and more than double the amount spent in the 1950 fiscal year which finished as the Korean war began. In the budget message which President Truman sent to Congress this week there are, however, signs that the end of the climb towards military preparedness, if not yet in sight, is at least round the corner.

The estimated expenditure for 1952-53 is only $14.5 billion above that for the present fiscal year, while estimated expenditure in 1951-52, at $70.9 billion, is $26.4 billion above the amount actually spent in 1950-51. More important, for 1952-53 the President is asking for new "obligational authority"—permission to make new commitments, most of which will be paid for in later years—of only $84.3 billion, less than he is expecting to spend next year and much less than the $90.5 billion in new obligational authority available this year. A further decline in future commitments is expected in 1953-54, although expenditure will remain high in that year, for that is when production of most types of armaments will reach its peak, many months later and a good deal higher than was originally planned. After that military output should level off and the President hopes that it will be possible to budget for lower expenditures for preparedness in the 1955 fiscal year.

This prospect, and the increase in the yield of the tax system that will come from the growth in the national economy, make it probable that the budget can then be balanced. Meanwhile, however, Mr Truman is resigned to



Source: US Bureau of the Budget.

the deficit that Congress has forced upon him; for the present fiscal year he puts it at $8.2 billion, but it is possible that he may be overestimating, as he did last year, when an expected deficit of $2.7 billion at this time turned into a surplus of $3.5 billion in June. For 1953, the deficit is calculated at $14.4 billion, which would bring the public debt to its statutory limit of $275 billion by the middle of the calendar year.

Government receipts in the present fiscal year are expected to be $62.5 billion, and $71 billion next year, unless the law are changed; in 1953, according to present calculations, $5 billion will come from personal income taxes, $28 billion from corporation taxes and nearly $10 billion from excise taxes. The President has decided that it is now too late to put the country on a pay-as-it-goes basis, but he is once more asking Congress to eliminate injustices in the tax law and to give him the $5 billion in new revenue by which last year's Tax Bill fell short of his recommendations.

Congress had made it quite clear, even before the Budget was sent to it, that it had no intention whatsoever of increasing taxation at this session, but that does not mean that it is ready to condone a deficit. All this week members of Congress from both parties have been competing to see who could propose the deepest cuts in expenditure. But when they have to give practical demonstrations on Appropriations Bills that affect their constituents they will, as always, become squeamish. They would, in fact, have real difficulty in finding many cuts that could be made without going to the bone. The President insists that he has already rooted out inefficiency and economised wherever possible ; in any case less than $10 billion is being spent altogether on running government departments, farm price supports, flood control, highway development and other domestic programmes, many of which are being held below authorised levels. Interest on the government debt is going up, but that cannot be avoided ; aid to ex-servicemen of the last war is going down, but Congress neither can, nor wants, to speed it on its way.

*

What is left is the $65.1 billion—over three-quarters of 1953's estimated expenditure and nearly 30 per cent of its anticipated national income—that is to be spent on international security programmes. And Congress will probably want to add to expenditures on atomic energy which, at $1.8 billion, are only slightly above this year. The President has already announced that he will be asking for new obligational authority, not included in the Budget, for at least $5 billion, which will begin to be spent late in 1953, to develop the atomic weapons which it is hoped will eventually reduce the cost of conventional armaments. Congress's chance will come, however, with funds for foreign assistance. The actual amount to be spent on it in the 1953 year is $10.5 billion, an increase of $3.7 billion over 1952, which is explained by the sharp acceleration coming in deliveries of military equipment to the overseas allies of the United States. The President will be asking for $7.9 billion in new authority for the mutual security programme, more than he got this year, although less than he requested, a pattern which Congress seems sure to follow again.

It is conceivable, although very unlikely, that reductions of the type already mentioned might add up to the $4 billion some members of Congress are promising to cut, but they would certainly not come anywhere near the $14 billion that has been mentioned by the more imaginative members. This figure could only be approached by drastic pruning of military spending, which is put at $51.2 billion for 1953, compared with $39.8 billion during the present fiscal year. Only $52.4 billion in new obligational authority is being asked, while this year $61.7 billion was provided, a sum which the Department of Defence had hoped to get again but which the President, it is understood, refused to consider. These figures allow for building up the country's military strength rather more than was planned last year, towards an Air Force of 143 wings, an Army of 21 divisions, a Navy with 408 combat ships and 16 large carrier air groups, and a Marine Corps of 3 divisions. More than half the spending for military procurement in 1953 will be for aircraft, which will cost $11 billion.

Most of these increases, officially confirmed for the first time in this message, have been urged on the President b Congress, and it will not want to refuse to pay for then but it is certain to scrutinise all military programmes mor meticulously than usual for waste and extravagance. Further more, if the Soviet Union does not once more come to th aid of the President by reviving a sense of urgency in th United States, Congress may decide that the peak of th military build-up can be postponed again, and that the pro curement agencies, which have already been authorised t spend $112.4 billion since the Korean outbreak and wil have spent only $60.2 billion by next July, should be mad to use up more of their surplus spending power before the are given all the new obligational authority they want. Bu that would not mean that any less would be spent in th 1952-53 fiscal year.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

American Notes

Bandwagons at San Francisco

Members of the Republican National Committee fough their way to San Francisco, through the worst snow-storm ever experienced in the Sierras, to lay their plans for th nominating convention in July, and to look over the band wagons of the rival candidates. Some were snow-bound fo three days near the Donner Pass, of gruesome memory, bu they were rewarded for their endurance by a preview of th Republican campaigns. For the first time candidates were invited to speak, or to send their representatives, to what has usually been a business meeting. Mr Ingalls, Senator Taft's campaign manager, evidently alarmed lest the Eisenhower bandwagon, now officially on the road, should leave the Senator far behind, took the offensive at once. He warned the party against the risks of succumbing to "glamour and sex appeal," and of confessing that the party was dead by calling in a "good-looking mortician," when it could have for the asking the tried and true orthodoxy of Senator Taft. Mr Stassen and Governor Warren, who were there in person, and who may hold the deciding tricks at Chicago, can hardly have been impressed by this intemperate broadside, and the insistence of the Taft forces that their candidate has a monopoly of the true Republican faith.

Senator Lodge, speaking for General Eisenhower, was content to rub it in that the Republicans, as the minority party, must, if they are ever to win power again, find a leader who will appeal, not only to the orthodox, but also to the independents and to the dissatisfied Democrats. Not only the Presidency, but the control of the Senate, may hinge upon setting in motion an anti-Democratic groundswell. Otherwise a number of threatened Republican seats may be lost.

The virtual certainty that General Eisenhower, if nominated, can win handsomely, is the only argument respected by the professional politicians, who lean toward Senator Taft. And it is the professionals who influence the choice of delegates to the nominating conventions, particularly in the 32 states where they are chosen at local conventions, rather than through party primary elections. It is thus of particular importance to the General's managers that he should make an impressive showing in the primaries ; several overwhelming victories in these trial heats might, moreover, provide that "clear call to political duty" which would bring General Eisenhower home in the early spring. Then he could speak for himself and spike the Taft charge that the party is being asked to buy a President in a poke—a man whose foreign policy is President Truman's and whose domestic stand is unknown.

A direct encounter between the Senator and the General in the primaries seems unlikely, though the insistence of General MacArthur that he is not a candidate may encourage Senator Taft to invade the Eisenhower stronghold of New Hampshire. Senator Taft seems inclined to demonstrate his prowess more safely by crushing Mr Stassen, who is willing to fight in almost any state and is suspected of being a stalking-horse for General Eisenhower. One of the difficulties of General Eisenhower's friends is that to enter a number of the primaries he must give his express consent, something that so far he has not been willing to do.

* * *

Mutual Security Gets Organised

With the appointment of Mr William Draper to be special Presidential representative in Europe, Mr Averell Harriman's task as Mutual Security Director has been reduced to something approaching a manageable size. Mr Draper has taken over the European end of Mr Harriman's job and, like him, is directly responsible to the President for co-ordinating the three types of aid—economic, military and technical—as well as for his work as senior American civilian official in the North Atlantic Treaty Organisation. Now that Mr Harriman's team of deputies is complete, he will be free to devote his attention to Congress, soon to open hearings on next year's appropriations for mutual security, and to integrating the three branches of the programme. The Mutual Security Agency, to be headed by Mr John Kenney, is responsible for economic aid, but military aid is managed by the Department of Defence while the State Department is in charge of the technical and development schemes known as Point Four.

*

By January 8th nations seeking aid under this year's $7.5 billion programme were supposed to accept the conditions set by the Mutual Security Act. If a country wants military aid it must consent to six provisions which, in effect, amount to an undertaking to make its full contribution to the "defensive strength of the free world." The conditions for economic and technical aid only are less specific ; the recipient need only help to further peace and eliminate world tension. But even this was too much for Iran's neutrality and American officials, feeling that here more than anywhere Point Four aid was needed to counter Communist influence, were forced to accept, instead of the official agreement, a letter affirming Iran's support of the principles of the United Nations. However, it was impossible to avoid the suspension of military aid to Iran for the present ; all other recipients of military aid have been able to comply with the conditions.

Eire is finding even the conditions for economic aid incompatible with its neutrality, but the other four countries, Afghanistan, Burma, Iraq and Egypt, which have not yet signed and are therefore having to do without technical aid for the moment, are expected to agree eventually. India, one of the first recipients of large-scale economic aid under the new programme, is to get a $50 million grant for technical assistance for improving food production, and is to match this sum itself. This joint effort to raise Indian living standards is felt in Washington to be of key importance in preventing the spread of Communism in Asia. Pakistan, on the other hand, is to receive only what one official there terms the "paltry" sum of about $10 million, and is said to feel that a little hesitation before it gave its allegiance to the west might have paid better.

Spain does seem at last to be on its way into the mutual security programme—a development encouraged by the emphasis on the military aspect of the programme. General Franco, his fears of American interference in Spain's internal affairs apparently overcome, is reported to be ready to let the United States have naval and air bases in return for military and economic aid.

President on the Shelf

Just as Mr Churchill's presence in the gallery of the House of Representatives took the limelight from President Truman when he delivered his State of the Union message, so Mr Churchill's address to Congress, sandwiched between the President's Economic and Budget messages, made a much greater and more positive impression than did anything in Mr Truman's programme for the present session of Congress. Mr Churchill's popularity in the United States is as high as ever, Mr Truman's, according to the Gallup poll, has never been lower. The general opinion in Congress is that he is already on the shelf and can safely be ignored. This opinion was encouraged by the tone of his three messages ; nowhere was there any suggestion that he regarded his requests as more than routine—nor were they—or that he was building a platform in Congress, as he had in 1948, from which to campaign in next November's election.

In international and military matters, Congress is prepared of its own accord to do many of the things the President wants. The Senate is already getting ready to admit Greece and Turkey to the Atlantic pact and to ratify the network of Pacific treaties. The House has approved an increase of ten per cent in pay for the armed forces, but it will be difficult to get confirmation in an election year for the universal military training scheme which is already accepted in principle. Appropriations for the mutual security programme (which must also be reauthorised), for the armed forces and for the rest of the government, will make up most of the remaining business done by a Congress that is anxious to knock off work early in July.

However, there is one other piece of controversial legislation that must be renewed, the Defence Production Act, which provides for the allocation of raw materials to industry and for price and wage controls. The President asked once again for the strengthening of this Act, pointing out that, while the economy had stood the strain of the heavy increase in government spending better than had been expected, the strain was certain to grow in the coming year. No one doubts that, but Congress is likely to reply that the economy has proved itself strong enough to withstand almost any strain and that it is hindered, rather than helped, by direct controls on inflation.

The President's other recommendations—for changes in the labour laws, the farm price support system and so on —had all been heard before, but this time they were tied to the need for strengthening the national economy. This will not make them any more acceptable to Congress, and few of Mr Truman's requests for legislation are likely to receive serious consideration. The only one of the traditional "Fair Deal" measures for which he seems ready to make a fight is that of aid for education.

* * *

Information Comes of Age

The information programme has been given a little more rope, and a little more prestige, by its elevation to an International Information Administration, a semi-independent agency inside the State Department. Its new director, Mr Wilson Compton, will be responsible for all operations, policy decisions alone remaining in the hands of the Assistant Secretary of State for Public Affairs. Thus Mr Howland, Mr Barrett's successor in that post, will not inherit the whole-burden of deciding on policy while running the 8,000 man, $100 million programme, and keeping relations with Congress sweet.

This measure of freedom may make information work more attractive, as will the new methods of increasing the range of the radio Voice of America, such as the floating wireless station, first of several, which goes into service next month. But what was more decisive was the hope of satisfy-

ing the critics inside and outside Congress who feel that the dissemination of information and propaganda will never be effective as long as it is in the kid-gloved hands of the State Department. These critics—ranging from Senator Taft to Senator Benton—would like information to have a separate establishment of its own; Mr Celler has already offered a Bill to create a new Department of Overseas Information. Many Congressmen who returned from trips abroad puzzled and angry at the unpopularity of the United States will be sympathetic to these efforts.

The State Department has always, and understandably, been reluctant to let information and propaganda work be divorced from those who are responsible for foreign policy. It was the State Department which defeated Mr Harriman's and Mr Hoffman's hopes that the new Psychological Strategy Board would be able to carry out its own ideas. Instead, it remains a committee subordinate to the National Security Council, dependent on other agencies, particularly the Information Administration, to put its views into practice. The Board seems likely to be further weakened by rapid turnover. Mr Gordon Gray, who did the spade-work, has now returned to the University of North Carolina, and his successor, Dr Raymond Allen, does not propose to make a much longer stay. Next summer he expects to go as chancellor to the University of California at Los Angeles. Under such a shifting command, no single tune is likely to emerge from the competing sopranos and tenors of a highly vocal nation, even if this were desirable. A number of responsible columnists are now putting forward a much more modest view of what an information programme can achieve than the high-flown hopes, which abounded last year, that high-powered propagandists could "sell" the United States abroad and thus make a decisive contribution to the winning of the cold war.

* * *

Hollywood Fights the Red Charge

Hollywood seems at last to have mustered enough courage to fight at least some of the attacks that are always being made upon the cinema industry by pressure groups, instead of submissively cutting its films and choosing its employees to fit the prejudices of its critics. For the industry is supporting Mr Stanley Kramer in the $1 million libel suit which he is bringing against an extremely right-wing group called the Wage Earners Committee of the USA. Mr Kramer, an independent producer who was responsible for such highly praised films as "Cyrano de Bergerac" and "The Men," brought his action after the committee picketed showings of his latest picture, "Death of a Salesman," and handed out leaflets describing him as "notorious for his red-slanted, red-starred films." Leaders of the industry immediately rallied to Mr Kramer's side, stating they will no longer allow such action by "irresponsible pressure groups" to go unchallenged. They cannot afford to, for it is reported that the Wage Earners are planning a campaign against fifty Hollywood films they consider subversive. While the film industry is to be congratulated for its stand, it remains to be seen whether it will be as firm in resisting pressure from better known organisations, the American Legion, for example.

Hollywood is at the moment paying for having given way to pressure some time ago. In 1947 the studios discharged a number of script writers and directors—the "Hollywood Ten"— who refused to give evidence on their alleged Communist connections to the House Un-American Activities Committee and were later sent to jail for contempt of Congress. Nine of this group brought suits for amounts totalling over $61 million against eight film companies, individually for breach of contract and collectively for conspiracy to deny them their livelihoods. Four of the defendant companies have now contributed to a fund of $107,500 as an initial payment toward settlement of the suits. In these cases, however, the issue is more delicate than in that of Mr Kramer, and some film executives consider the attempt to settle, out of court, suits brought by the "unfriendly witnesses" to be a major blunder in public relations.

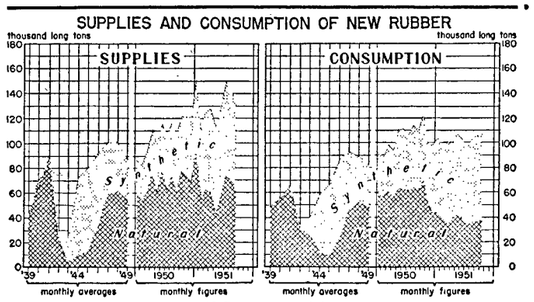
The Un-American Activities Committee has not been resting on its film laurels since 1947, and last year it spent a further six months investigating Hollywood. However, in all the years of Congressional inquiry not a single example of Communist "infiltration propaganda" has ever been found in any film. The industry seems to have taken courage from this failure of the self-appointed censors to prove their case, and has decided that films with ideas can be made.

* * *

Rubber to Spare

The government's authority to operate the only nationalised industry in the United States—synthetic rubber—expires next June, but Congress is expected to renew it for another two years. Congress may not even take advantage of the President's request that he be allowed to hand over to private industry the two plants making butyl rubber. Mr Truman is anxious that output of this type of synthetic, which is in great demand, should be expanded; at present it is running at 80,000 tons a year and little more can be expected from existing plants. He would like private firms to build new facilities, but fears that they will not do so if they have to compete with the government.

The remainder of the 28 government-owned plants are all producing the raw materials for, or actually synthesising, either GR-S or "cold rubber," which is proving more satisfactory for many purposes and is gradually replacing GR-S. The President feels that if this integrated system of plants was broken up and sold, output would be adversely affected for some time and he is anxious to avoid this until the international situation is clearer. Output of GR-S is now running at 770,000 tons a year and is expected to rise to 860,000 by



Source: US Department of Commerce

the autumn. But there is already enough available for exports of 10,000 tons of synthetic to have been permitted for the first quarter of this year and for all curbs on its use to have been removed.

Manufacturers are now allowed to use as much new rubber as they like, although butyl is still allocated and the percentage of natural rubber going into tyres is still restricted. It is intended, for the present, to keep consumption of natural rubber down to 105,000 tons a quarter in order to leave enough for the stockpile. The President has, however, forecast that the minimum objectives of the stockpile for natural rubber will soon be met and that it will then be possible to reduce purchases for that purpose. At the same time, probably in April, the government is expected to give up being the sole buyer of rubber from abroad. The government has recently again cut the price at which it sells natural rubber to American consumers to 50.5 cents a pound. But synthetic costs only 26 cents; the government can make a profit at that price as long as production remains at a high rate.

THE WORLD OVERSEAS

Partnership or White Supremacy?—I

(From a Special Correspondent)

LAST November, at Kitwe in Northern Rhodesia, a meeting of African leaders sharply criticised not only the idea of federation of the two Rhodesias and Nyasaland but also the idea of white-black partnership on a "senior and junior" basis as defined by white Rhodesians. The Africans said they prefered to retain their British-protected status until such time as they could form their own government, in which they would "allow other races to take part." This attitude has since been substantially confirmed by the Northern Rhodesian African Representative Council. The Broken Hill branch of the African National Congress proposed a new constitution for Northern Rhodesia under which there would be 12 Africans and 10 Europeans on the Legislative Council (of the present 22 members, two only are Africans).

The senior European representative of African interests on "Legco," Mr John Moffat, said that "the Kitwe conference was attended by Africans who normally show exceptional intelligence. The only explanation I can think of is that the resolutions were passed in a moment of mental aberration, or that they have been got at by extremists." Mr Moffat is the great-grandson of the famous missionary, Robert Moffat, who was David Livingstone's father-in-law. Other European comments were harsher. The Ndola *Northern News* said that "the Bantu remain immature and stupid . . . for the Africans to demand parity at this stage would be tantamount to a junior schoolboy demanding equality with his headmaster."

Mr Moffat feared that the Africans had thrown away an important card. They should have insisted on "partnership" as a condition of federation. Having rejected "partnership" they might find themselves compelled to accept federation anyway. Such an outcome would certainly accord with the views of the majority of the whites in both the Rhodesias. Thus the *Rhodesian Graphic* had already blamed the United Kingdom Government for "presenting the [federation] proposals in a spirit of lofty disinterest, as if the Africans could possibly have any views on a constitutional concept far beyond their understanding." Sir Godfrey Huggins, the Prime Minister of Southern Rhodesia, who this week began discussions on federation with the British Government, has blamed the British approach for making the Africans "swollen-headed" and no doubt regarded the Kitwe resolutions as proof of this. The Africans' rejection of "partnership" has not entirely displeased the whites. Before the war, at the time of the Bledisloe Commission, white opinion in the Rhodesias was almost unanimous that consulting Africans was foolish. It is now felt that the Africans' latest attitude should convince even the British Government of the truth of this prewar assessment.

In fact, the Africans' attitude cannot be understood without knowledge of the background of white-black relations in both the Rhodesias and to a lesser extent in Nyasaland; nor can the whites' offer of "partnership," which the Africans have rejected but which the Governor of Northern Rhodesia, Sir Gilbert Rennie, declares is "the only workable policy." The whites' desire for federation is understandable. Here are three essentially primary-producing territories whose political boundaries are highly artificial. They depend on the same system of communications and have the same transport difficulties. The frontiers have no economic significance at all and the way of life of all the people, both white and black, is much the same. Federation would create an economic tripod far securer than Northern Rhodesia's present utter dependence on copper and Nyasaland's on tea and tobacco, while Southern Rhodesia's growing secondary industries would have a bigger market. Development schemes could be considered from the common point of view, instead of (as in the hydro-electric field) rival schemes being put forward.

Unfortunately the economic argument is not the only motive for federation. If it were, it is doubtful if the present white-black friction would ever have been generated. For if economic arguments were in the ascendancy it is probable that an agreement on what "partnership" really means could easily be achieved. Those "intelligent" Africans who assembled at Kitwe distrust "partnership" precisely because it seems to them that the whites begin by evading its economic obligations and proceed thereafter by other actions to widen the gulf.

African Ideas of Equality

To these Africans true partnership would mean first of all equality of economic opportunity. Probably only a minority of Africans in all three territories would be able at this stage to take advantage of it if it existed. But it is to that minority that the "intelligent" Africans belong. They themselves are a small rising middle class. Behind them and backing them are the growing black industrial proletariat in both the Rhodesias. When these people reject "partnership" it is because what is being offered them appears to them to contain none of the things they really want.

On the North Rhodesian copperbelt there are some 40,000 black and some 5,000 white miners. The mines are very well run and are highly mechanised. But, despite the high degree of mechanisation, a black miner's cash wage may not exceed 2s. a day, while the average white worker earns £100 a month. The white workers have secured an agreement with the mining companies which debars Africans as such from all skilled and much semi-skilled work. The Dalgleish Report, which recommended the training of Africans for a much wider range of jobs, has never been implemented. The Africans say that if "partnership" meant anything at all, a beginning would be made with the implementation of the Dalgleish Report. No one who knows anything of the political climate of Northern Rhodesia believes that the whites will consent to this. Yet the whites call the Africans "immature and stupid" because they distrust the whites' offer of "partnership."

In Southern Rhodesia the Europeans, especially Sir Godfrey Huggins, insist that the Africans must advance economically before they can hope to advance politically. Yet in Southern Rhodesia Africans, because they are Africans, cannot occupy business premises in the towns, and their trade unions are not recognised, though white unions are. The Africans will continue to distrust talk of "partnership" until a real beginning is made with the

removal of such artificial restraints and discriminations. At present there is no sign of it.

But the chief reason why Africans distrust "partnership" is the white attitude they encounter all the time in their daily lives. Whatever politicians may say, the African is made painfully aware that almost every European he meets regards him as an inferior—and that it does not make the slightest difference whether he is an "educated" African or an "uneducated" one. It is of course the intelligent and educated African who resents this most. But when he registers his protest, he is told that, just because he is "educated," he is not truly representative of the "real" African opinion and that therefore his protests need not be heeded. He is merely an "intellectual." If he persists, then he is "immature and stupid."

From this evasion of the challenge which he embodies he concludes that all talk of "partnership" is mere hypocrisy, and that in fact what is intended is to achieve by means of federation a strengthening and perpetuation of a system of "white supremacy" in which even the most intelligent African, merely because of the colour of his skin, will always be the underdog. To this he reacts by rejecting "partnership" as a sham and defiantly proclaiming his own brand of "black supremacy." After all, in Africa there are far more Africans than Europeans: if there cannot be genuine partnership, then let numbers alone count.

(To be concluded.)

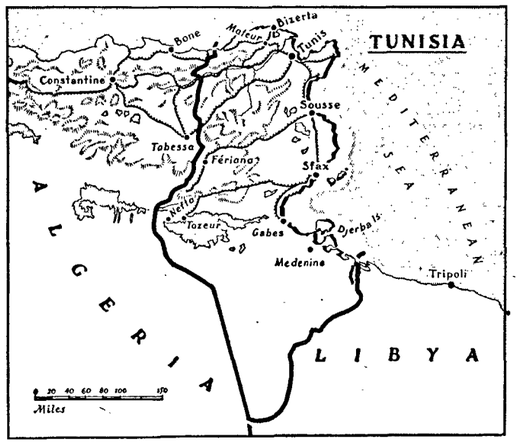
Troubles Over Tunisia—I.

M. FAURE has faced and won his first vote of confidence in the French National Assembly on an unusual and an awkward subject—Tunisia. The root of the trouble there is the climax lately reached in the perennial tug-of-war between the Tunisian nationalists, who want full self-government without further delay, and the French settlers in Tunisia, who fear for their position if the nationalists secure home rule. The point in M. Faure's speech which carried the day was: "We have never demanded and we do not now demand co-sovereignty." This statement will incense the French settlers (whose attitude amounts to an argument that their handiwork has earned them some sovereign rights), but it succeeded in winning M. Faure the vote of the French Socialists, proverbially the friends of the Tunisian nationalists and their trade unions.

M. Faure was firmly opposed to recent Tunisian tactics —to the rioting and bloodshed of the last ten days, and to the Tunisians' move to communicate their grievances directly to the Secretary-General of the United Nations. Both these, he implied, he would handle firmly. But his strictures on these acts were offset by the statement quoted above, a declaration that amounts to rectifying a mistake made by the Pleven cabinet in December. That body, in its weakness and its desire for compromise within its ranks, then drafted a communication to the Tunisians which, whatever its intentions, reads like a capitulation to the settlers; a claim for their permanent representation in the Tunisian government; an assertion that Tunisia's bond with France is *définitif* (a word which, in French, conveys a sense of finality), and tacitly, therefore, a declaration of France's right to a share in sovereignty. Though the Faure government is very like its predecessor in composition, it obviously wishes to rectify this impression and to reopen a door that only the die-hards meant to slam—the door to negotiation.

Deadlocks between excited nationalists and a protecting power have been common for a generation, and, at first sight, the Tunisian affair looks much like the struggle for self-government that took place in Iraq in the twenties or Syria in the thirties. But, in fact, it is different for two basic reasons. The first is the existence of the local French population, amounting to only one-twentieth of the whole but possessing an economic importance out of all proportion to its size. The French element is further strengthened by the self-interested support of more than a million Frenchmen settled in next-door Algeria, who are well represented by members and lobbies in Paris. This first factor greatly aggravates the French government's problem.

But the second factor is less daunting. The Tunisian's character is different from that of most other Arabic speaking peoples. The blood that runs in his veins is a mixture of Carthaginian and Berber as well as Arab, and is dashed with that of countless invaders including Greeks and Byzantines. The yield of so many ingredients is a quick wit and a receptiveness to the best in western culture. Whenever Frenchmen are tolerant, therefore, Tunisians tend to display a genuine feeling for France and a corresponding tolerance in return. In contrast to all other nationalist movements in the Arabic speaking states, the Tunisian nationalists have in the last eighteen months sought to gain their ends by working from inside their government—that is, in collaboration with Frenchmen—instead of from irresponsible points of vantage outside it. The deadlock is not hopeless. But the



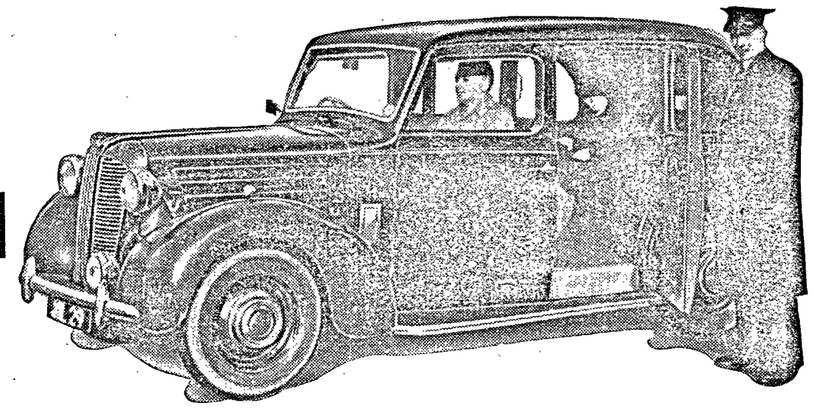
history of the protectorate shows that it could easily become so, with grave strategic repercussions for the Nato powers.

For fifty years, after a bloodless occupation in 1881, a happy land had no history. The Bey—the hereditary ruler —continued to reign but did not govern. In theory he retained absolute sovereignty except in matters of defence and representation abroad, and administered central and local government through Tunisian representatives. But in practice the legislation, the administration and the judiciary were all controlled by Frenchmen, and beylical decrees required a French counter-signature before they were valid. Meanwhile, a start was made with the building of Bizerta into a Mediterranean naval base of consequence; the economic situation vastly improved, the French were not numerous, and nobody grumbled at his lot.

The social and political repercussions of World War I altered this situation. Under the influence of President Wilson's fourteen points, an independence movement started and the Destour (Constitution) party took shape. Simultaneously, in order to counter the influence of increasing numbers of Italian immigrants who became, as Mussolini's ambitions swelled, a fifth column of Fascists, the French government started systematically to increase the French population of officials and small settlers. The political parties in France began to take sides as between the aspirations of the go-ahead, left-wing element known as the Néo-Destour, and the settlers.

The pattern into which Tunisian politics fall today was already discernible in the years 1936-38. During that

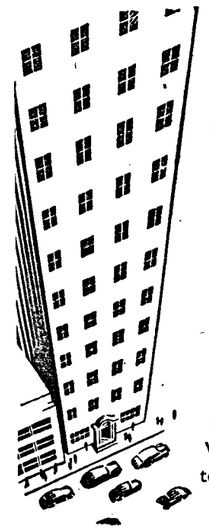
YOUR FIRM needs this car...



A works or office car is an essential to the well run modern business. Austin build this special car which is exactly right for the job. With its two folding seats, it takes six in comfort and there is room for two more on occasions. Its 68 b.h.p. O.H.V. engine and great manoeuvrability ensure that it is always on time. This Austin is more impressive—more efficient at its job—than an ordinary saloon. Delivery is better, too. See your dealer today. This Austin is also the perfect Hire Car, for dependable day and night service.

AUSTIN
—you can depend on it!

THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM



Tan-Sad on every floor

A tall story? No. It is a fact that well known organisations are equipping their premises — literally from basement to roof— with Tan-Sad chairs. They realise gains in health and efficiency through correct posture. Let us show these benefits to your organisation. Write or phone for full details to :—

Tan Sad

THE TAN-SAD CHAIR CO. (1931) LIMITED
AVERY HOUSE, CLERKENWELL GREEN, E.C.1
TELEPHONE: CLERKENWELL 3192/3

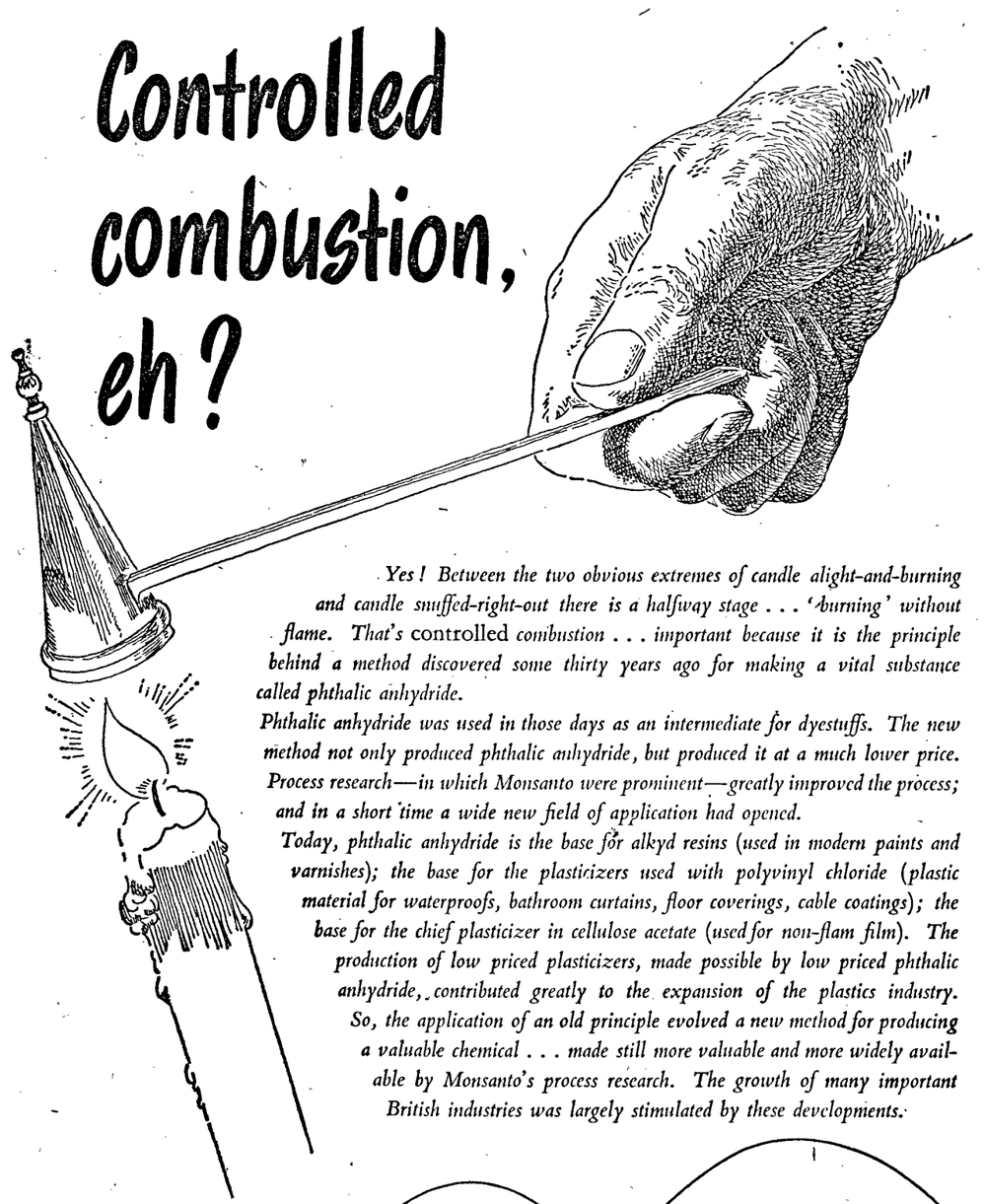
IN the days of the old private banks, the London Royal Mail Coach travelled nightly from the old G.P.O. in Lombard Street to Liverpool, finishing its journey at the Talbot Inn, on the site of which the Bank conducted its business for a century. At the sign of "The Grasshopper" in Lombard Street, the principal office of the Bank in London, a banking business has traditionally been carried on since 1563.

Ionicus
The London to Liverpool Mail leaving the old G.P.O. in Lombard Street, the site of the present Bankers' Clearing House.

THE Head Office of Martins Bank is established in Liverpool, and there are local Boards and District General Managers in London, Leeds, Manchester and Newcastle upon Tyne. Decentralisation of control is a long established policy of the Bank, designed to retain the best features of the old private banks whose excellent services to their own communities are still remembered.

MARTINS BANK
LIMITED
LONDON DISTRICT OFFICE: 68 Lombard St., E.C.3
HEAD OFFICE: WATER STREET, LIVERPOOL, 2

Controlled combustion, eh?



Yes! Between the two obvious extremes of candle alight-and-burning and candle snuffed-right-out there is a halfway stage . . . 'burning' without flame. That's controlled *combustion . . . important because it is the principle behind a method discovered some thirty years ago for making a vital substance called phthalic anhydride.*

Phthalic anhydride was used in those days as an intermediate for dyestuffs. The new method not only produced phthalic anhydride, but produced it at a much lower price. Process research—in which Monsanto were prominent—greatly improved the process; and in a short time a wide new field of application had opened.

Today, phthalic anhydride is the base for alkyd resins (used in modern paints and varnishes); the base for the plasticizers used with polyvinyl chloride (plastic material for waterproofs, bathroom curtains, floor coverings, cable coatings); the base for the chief plasticizer in cellulose acetate (used for non-flam film). The production of low priced plasticizers, made possible by low priced phthalic anhydride, contributed greatly to the expansion of the plastics industry. So, the application of an old principle evolved a new method for producing a valuable chemical . . . made still more valuable and more widely available by Monsanto's process research. The growth of many important British industries was largely stimulated by these developments.

MONSANTO'S BASIC RAW MATERIALS FOR INDUSTRY INCLUDE:

MONSANTO CHEMICALS – PLASTICS

PHTHALIC ANHYDRIDE
PHENOL
CRESOL
CRESYLIC ACID

MONSANTO CHEMICALS LIMITED, 8 WATERLOO PLACE, LONDON, S.W.1.

period, the accession of the Popular Front to power in Paris put heart into the nationalists who began to discuss their aspirations with the French Foreign Office. But the return to power of M. Chautemps (Radical-Socialist) caused a quickening of the settlers' hopes and a rupture of the discussions. By 1938 the Néo-Destour had decided to resort to violence. A state of seige was proclaimed. About a thousand nationalists were imprisoned. The ensuing stalemate was only brought to an end by the outbreak of the Second World War.

Even after the collapse of France, Tunisian affections survived and it was from Vichy that a new, tough and ambitious Bey, Moncef, sought changes that would reduce the element of direct rule, and bring about "a return to the spirit of the protectorate." He was subsequently banished by the French for "collaborationist" tendencies, and they installed the present Bey, Sidi Lamine, in his stead. The incident is mentioned only because, until Moncef died in exile in 1948, his very existence created a creed known as "Moncefisme" which afforded a spur to postwar nationalism. Other elements contributed to it: the birth of the Arab League in Cairo, the Atlantic Charter, the propositions advanced by self-interested powers — Britain among them — for an independent Libya. Simultaneously, there were blossoming in France the conceptions that caused the Fourth Republic to write into its new Constitution a plan for a French Union, including a niche for Tunisia as an "associated state" with a government of its own.

Already, by 1946, it was clear that the old relationship needed revision. The reasons why, by 1952, only partial changes have occurred and Tunisia has never taken its seat on the *Haut Conseil* of the French Union will be set out in a second article.

(To be concluded.)

The Legacy of Gandhi

[FROM OUR CORRESPONDENT IN INDIA]

It is only three years next Wednesday since Gandhi was murdered. Yet, it is already long enough to see his achievement in perspective, for, already, like Queen Victoria, he has become more a symbol than a man. Politically, with the present elections the independent and democratic India, so much more his creation than anybody else's, has now finally become a fact. Morally, neither India nor its politicians can quite live up to the absolute standard Gandhi set for them. Socially, Gandhi is deeply missed. He was the greatest protestant reformer in Hindu history, and he died when his reformation was but begun. The reformation continues slowly and irreversibly; but its course has lost the remorseless certainty given it by the Mahatma's unwavering refusal to permit custom to sanctify evil.

Mr Gandhi in politics can be best compared to the Christian Radicals who have been so important in English history, to Gladstone, or Cripps. He had no respect for the temporal past. The pomp of Viceroys meant nothing to him. Riches he considered only as a trust for the poor. Yet he was no iconoclast, and class-war to him was sin. He never allowed political expediency to stand in the way of the ideas of truth, love, duty, and the worth of the individual human soul. He called off civil disobedience when the mob burnt the policemen in the Chauri Chaura station when Lenin would have hailed it as the herald of revolution. Because he thought in such simple, religious terms he made politics simple. He was a democrat and a nationalist because he believed that it was bad for men's self-respect, for the development of their souls, to be governed by others. Whether government by others was or was not better for them in any material sense was to him fundamentally irrelevant. For him it was simply wrong.

From this two consequences followed. He had to bring the people into politics, for it was their self-respect and their development with which he was concerned; and he was able to do this successfully because he alone was able to translate politics into the people's terms. For centuries the Indian villager has found his consolation and mainstay in religion, and Gandhi talked to him in religious terms. Before him Indian nationalist politicians had argued about Indianisation of the civil service, or seats in Assemblies. Gandhi talked of *Ahimsa* (non-violence) and *RamRajya* (the government of right) and truth. Gandhi conducted the world's biggest nationalist movement for thirty years, without the "Satanic Government" losing as many lives as have been lost in a few weeks in Suez, and without ever wavering from the position that the British should be loved, not hated. Gandhi made the people, the ordinary villager, the dominant factor in Indian politics. He also taught the other Indian classes to see India as he did, not as a land of civil servants and High Court lawyers, but as a country whose heart was in its 700,000 villages, and whose problems were to find food and clothing and occupation for the inhabitants of these villages. He was more interested in power for the village and its *panchayat* than in Assemblies. Since the villages, moreover, were deeply Indian, he insisted on the worth of Indian, as against Western, values, for he regarded the West's ways as too expensive for a poor country. His very Hindu insistence on the moral worth of poverty and renunciation and the overcoming of desire, however maddening it might be to those brought up to believe in raising the standard of living, restored self-respect to a people history had made poor, and who had been driven into a feeling of inferiority by the British claim that their material superiority was a sign of moral superiority.

Popular Interest in Politics

These attitudes of Gandhi's have become the very stuff of Indian politics. Independence was achieved before he died; and, despite the shock of partition, it was an independence without bitterness. That India stayed in the Commonwealth was as much a legacy of Gandhi as the result of Nehru's ability to decide without rancour. In the Constituent Assembly, despite some doubts, adult franchise for men and women alike went through with hardly a dissenting voice, and the electorate has now shown how thoroughly thirty years of Gandhi has interested it in politics by voting in its millions. Despite all the difficulties of communications, of organisation and of illiteracy, the percentage of voting in current Indian elections has been higher than in an average American presidential election. Mr Gandhi was, however, no economist as he showed when he forced decontrol in 1948. Handspinning was a wonderful political symbol; it was a poor remedy for under-employment in a country whose population increases by 4 million every year. Gandhian economics are, therefore, slowly being rejected almost as completely as Gandhian politics have been accepted. Not all the help of Congress governments has made an economic reality out of hand-spinning; and the draft five-year plan gives its priorities, not to cottage industries, but to electric power and high dams, irrigation and fertilisers.

In morality Mr Gandhi's particular contribution was his insistence that there could be only one code. What was right for the individual was right for the state. Violence was wrong and truth was right, therefore he himself did not want armed forces for India, though he never attempted to enforce his view, and for the ordinary evasions of diplomacy he had little patience. Here his success was as limited as that of all such reformers has always been. India keeps armed forces and, in an appropriate cause, has shown itself willing to use them. India argues about the crossing of the 38th parallel or the declaration of China as an aggressor in terms of expediency as well as of morals. It is influenced in its attitude to its friends, not only by the rightness of their

behaviour, but also, like the rest of us, by what is said about it. Yet, with all this something of the Gandhian aura still lingers. The Gandhian insistence—which again is a very Hindu insistence—that one must look for the truth in the other side's approach also is a major cause for the Indian reluctance to condemn Russia or, still more, China. Even with Pakistan, last year's Delhi Pact, when in Indian eyes there was a good reason for war, was as much a result of the Gandhian tradition as the release of the cash balances in 1947 was of Gandhi's direct pressure.

Above all, the public continues to set the high moral standard Gandhi first laid down. They still expect of their rulers his austerity, his simplicity, his self-sacrifice. Congressmen, however, are human, and office after years of pinching and jail-going is sweet. Relations have sometimes been given jobs, friends have sometimes been granted licences. Some Congressmen have taken money, more have misused their influence. Many however have been honest, and India is indeed as honestly governed as any country outside a few of the wealthiest countries of the West. But Gandhi set a higher standard and it is by that high standard that Congress is judged. Many individual defeats, and much of the Congress loss of votes in general, is due to a corruption which, in many other Asian countries would be regarded as too mild to notice.

Hinduism on a New Road

Gandhi's greatest work was in the sphere of applied religion. He found a Hinduism overlaid with superstition, split by caste into innumerable divisions, clinging to institutions many of which were in origin either abuse or a defence—a withdrawing into one's shell—against Islam. None of this would Gandhi accept. From the time when, at the age of 12, he refused to believe that it was wrong for the sweeper to enter the house, he accepted caste less and less until he came to insist on common kitchens in his *ashrams*, to marry his son to a Brahmin's daughter, and to live in Delhi only in the untouchable quarters. So, too, by accepting women disciples equally with men, he broke the tradition by which higher matters were reserved for men. Gandhi took Hinduism back to its essentials. He himself was a Karma Yogi—one whose approach to God was through works—and he insisted that what mattered for everybody was the approach to God, the search for truth. He said that there are many ways to God when questioned about his affection for Muslims. In a country where religion had all too often descended into caste observance and the ritual of the family ceremonies, this was a revolution, or rather a renaissance far more important than anything he did politically. Gandhi died with his work unfinished. The Hindu Code Bill might not have lagged as it did, had he been alive. But the main part of his task has been done just the same. He has set Hinduism in a new road, and, though with more side-stepping than in his lifetime, on that new road it will proceed.

Roman Crime and Punishment

[FROM OUR ROME CORRESPONDENT]

A TENDER spot in the Italian conscience was touched on January 19th when the Roman police came under suspicion of using extremely shady methods to obtain a confession from an accused man. A great part of the evidence on which a rather feckless slum dweller from a lamentable Roman suburb seemed to be on the point of receiving a life sentence for a sexual murder was suddenly shown to have been a confession extorted from the accused man by terrorism and bluff in such circumstances that his subsequent retraction of it became—in the view of the man in the street—both plausible and credible. On the following day the court gave a verdict of "acquittal for insufficiency of proof," corresponding to the Scottish "not proven." Both sides are to appeal: the Public Prosecutor against the acquittal, and the defence against the "not proven" formula, which leaves the acquitted man under suspicion. The announcement of the verdict filled the Roman squares with excited crowds as in times of high political tension. Every major organ of the Italian press the following morning addressed itself in solemn tones to the heads of the police force and the Minister of the Interior.

Of the case, it suffices to say that the man in question was arrested nearly two years ago and was then liberated. Rearrested, he made a confession and then denied his confession. He was also discovered communicating from the gaol with his wife to obtain the services of witnesses to testify to an alibi. Leaving aside the confession and the attempts to obtain the alibi, the court heard, from the prosecution and the defence, two alternative interpretations of the circumstantial evidence which were as nicely balanced in their probability as the alternatives weighed by the judge Porphyry in "Crime and Punishment." The confession and the incriminating letters seemed to hold the balance. The defence had made allegations of torture, and a nasty taste had been left by their revelation that two cell companions of the accused, to whom he had committed the incriminating messages to his wife, were police informers. On the eve of the final statement by the Public Prosecutor the presiding judge received a letter from these two cell companions. They declared that their consciences forced them to speak. On behalf of the police, they said, they had terrified the prisoner with tales of torture (one of them had even been painted up and bandaged by the police to simulate severe injuries) and he had penned his confession on their advice that this would be the only way to escape the torture chamber (he had already been beaten once). He obtained their promise to come into court and support him when he retracted—as he did very shortly after. They had also encouraged him to frame up an alibi. He had always, they said, maintained to them his total innocence of the crime.

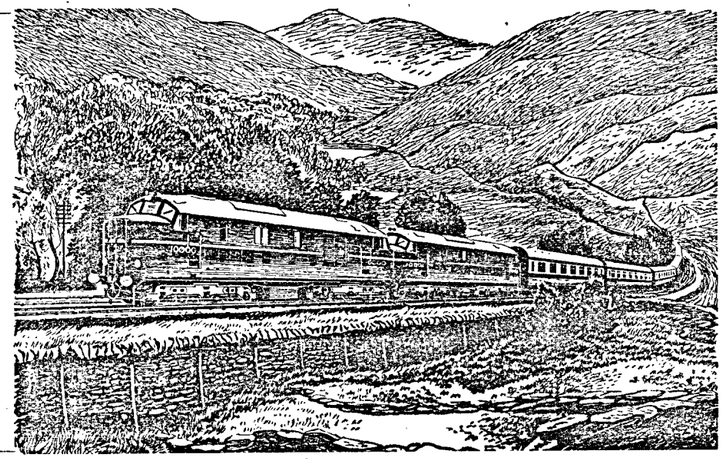
Allegations against police

With this letter in the court's hands two alternative views were again possible. One was that the contents of the letter were true, in which case it seemed likely that much else that had been alleged about police behaviour was also true, while the unsavoury character of certain undisputed police actions thereby became far more sinister. Or, alternatively, the writers of the letter, paid informers of the police, had been bought at a higher price by the defence. In the light of the full-blooded anti-police campaign being conducted by the Communist press in their reporting of this and other current trials, the notion of a political plot by the extreme Left crossed some people's minds. Meanwhile, however, public opinion in the suburb, and by infection in Rome as a whole, had turned fiercely in favour of the man whose blood had been demanded two years earlier. A different verdict than that of acquittal might have had strange consequences.

When Mussolini fell from power in July, 1943, one of the first cares of Marshal Badoglio in his "forty-five days" of comparatively unchallenged tenure of office was to shape the complex Italian police system to his ends. Mussolini in 1922 did the same when he disbanded Nitti's unpopular *Guardia Regia* and sorted out the various police corps in a new fashion. Since 1943, the *Pubblica Sicurezza,* which was in Mussolini's day a civilian and, except in Rome, un-uniformed body, has in the main received uniforms and military status. Its numbers now approach, or perhaps surpass, eighty thousand. Naturally the criminal investigation section goes about its business in civilian dress. *Pubblica Sicurezza* has absorbed such elements of Mussolini's African police as could pass through some sort of political vetting, and also the special Rome corps of *Metropolitani,* whose

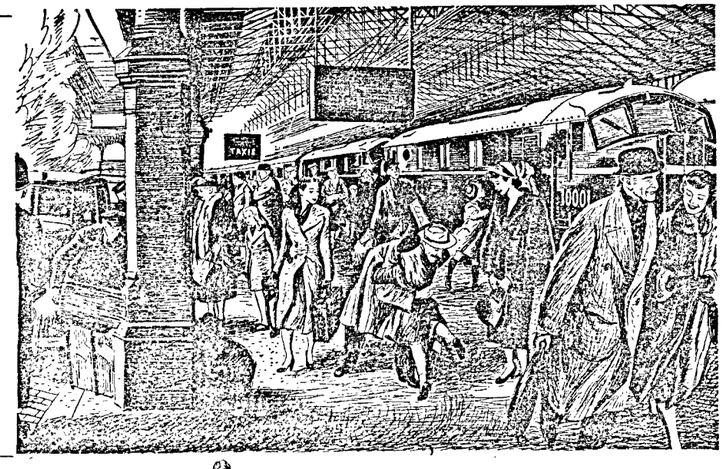
'ENGLISH ELECTRIC'

No smoke streams over the coaches of this Royal Scot. No boilers demand constant stoking. These 1,600 h.p. diesel-electric locomotives haul freight and passenger expresses with equal efficiency. Their diesel engines and electric equipment were designed and built by 'ENGLISH ELECTRIC'.



bringing you

All over the world 'ENGLISH ELECTRIC' trains and locomotives are bringing quieter, cleaner, more comfortable travel. All over the world, in all kinds of ways 'ENGLISH ELECTRIC' uses the power of electricity to bring better living to millions of people.



better living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

Aspects of Enterprise No. 22

SIMON ENGINEERING GROUP

The dollar sign is increasingly visible in the affairs of the Simon Engineering Group, which is doing its utmost to increase exports to the difficult but supremely important North American market. Henry Simon supply substantial quantities of flour milling machinery to North American firms. A recent dollar achievement of Simon-Carves is a contract for a large coke oven battery in St. Louis, which is believed to be the first American coke oven contract ever placed with a British firm.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

WHEN IT'S A QUESTION OF TIME...

It is only natural that, if there are fast and slow clocks about the premises, workers will tend to arrive by the slowest and leave by the fastest. Industry loses many millions of productive minutes every year through this time leakage alone. There is a simple answer. Accurate time must be clearly shown and sounded throughout the premises. T.R. Time Control does this, and much more, to eliminate time waste in industry and implant a wholesome sense of time values in the minds of everyone concerned. Spend a profitable moment now to write for full particulars.

TR SERVICE *speeds production*

Time Recorders, Internal Telephones, Internal Broadcasting installed and maintained under guarantee by Telephone Rentals Ltd.—that's T.R. Service.

WRITE TO INF. 18 KENT HOUSE, RUTLAND GARDENS, LONDON, S.W.7, OR YOUR NEAREST BRANCH—14 THROUGHOUT THE UNITED KINGDOM. ALSO JOHANNESBURG, CAPE TOWN, PARIS AND BRUSSELS.

H-F 421

THE BRITISH METAL CORPORATION LTD. BMC

LONDON · MONTREAL · SYDNEY · PERTH · MELBOURNE
CALCUTTA · BOMBAY · JOHANNESBURG
KARACHI · BULAWAYO

ASSOCIATES:
C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA, CYPRUS AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials; it provides coal-washing plant, ventilation plant and other specialist engineering equipment; and it furnishes allied shipping insurance, secretarial, financial technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: *Brimetacor, London* CABLES: *Brimetacor, London* TELEPHONE: *MONarch 8055*

Branches at BIRMINGHAM and SWANSEA

urban duties are now performed, as in other cities, by municipal police. Quite recently a recruitment drive was in course for an additional 15,000 members.

To the public, in the ordinary course of life, the PS men are most vividly known in the guise of the *Celere*—jeep-riding, crash-helmeted, tommy-gun-bearing flying columns which of a sudden, when their patience has been tried beyond endurance (and even London policemen could scarcely stand Italian Communist baiting), charge across pavements and roar down thoroughfares clubbing in all directions, not always distinguishing between a Communist riot and—as happened in one case—a knot of sporting journalists waiting for a bicycle race. The *Celere* are especially identified in the public mind with their virtual creator, the Minister of the Interior, Mario Scelba. This intrepid Minister's success in restoring tolerable order in the streets between 1947 and 1949 has blunted much of the criticism and anger roused (not only on the extreme Left) by some of the exploits of the *Celere*, in whose ranks it is usual to say that the tougher Fascists have found a new spiritual and bodily home. The unpopularity of the *Celere*, like that of the former *Guardia Regia*, is perhaps not unwelcome to Italy's other and more picturesque and dignified police force, the never properly Fascistised, cocked-hatted *Carabinieri*. These answer both to the Ministry of the Interior and to the Ministry of Defence, have almost exclusive charge of country districts and, while generally respected, are in some loyal quarters feared for their monarchist sentiments.

It is now being said that not only do the toughest Fascists set the tone of the *Celere*, but that revelations like those made in this month's great trial show that the criminal investigation police are deeply imbued with Fascist methodology. It is suspected that in trials like this they work to the order, "There must be a conviction in the interests of prestige." Public opinion is now deeply stirred, and the effects may be healthy.

Northern Waters in Dispute

REPERCUSSIONS extending from the Baltic to Greenland are likely to follow the International Court's recent ruling on the Anglo-Norwegian fisheries dispute. Russia, Poland, Denmark and Sweden are involved; and both Britain and Norway, despite the settlement of their mutual differences, may face new problems as other nations take up the lead given by the Court.

The judgment delivered at The Hague on December 18th was the first ever given by an authority of such eminence on the general question of territorial waters. It was essentially a negative decision. The judges declared that the method of defining fishing zones adopted by Norway in 1935 was "not contrary to international law." This amounted to a clear recognition from a high source that no system of defining territorial waters could be regarded as universally binding. A serious blow was thus dealt to the hopes of those nations, including Britain, which have long pressed for the general recognition of a system based on a fixed distance from the low-water mark. It has never been suggested that such a system should be wholly inflexible; allowances have always been made for fjords, narrow bays, straits and other abnormal coastal features, and Britain and other countries which only claim a three mile limit have not questioned the Scandinavians' right to a limit based on their traditional four-mile league. But in an age which is seeing new sovereign states created in swift succession there is a strong case for the reinforcing of a simple principle like that of the three or four mile limit; and in an age of economic nationalism there are obvious dangers in the Court's belief that "economic interests peculiar to a region" should be taken into consideration when the validity of a definition of territorial waters is in question.

Indirectly, the Soviet Union is a beneficiary of the Court. Before the war, Swedish and Danish fishermen regularly caught salmon off the coast of Latvia, Lithuania and East Prussia, outside the three and four mile limits claimed by the Baltic and German governments. After the war the Swedes and Danes returned to their former fishing grounds in this area; but in 1948, without any warning, the Russians began to arrest the fishermen and to seize their catches and equipment. A series of Notes were exchanged; the Russians justified their action by citing a decree of 1927 applying a twelve-mile limit to all Soviet territorial waters, while the Swedes and Danes pointed out that in 1927 the south-eastern shore of the Baltic was not Soviet territory, and that the new Russian action drastically altered the long-established position in the Baltic. Denmark alone has been estimated to be losing a million kroner a year because of the Soviet action. Last July Sweden and Denmark jointly suggested that the matter be referred to the International Court, but the Russians refused the invitation, declaring that they were free to define their waters as they chose. Swedes now feel that the Court's decision in the Anglo-Norwegian dispute has strengthened the Soviet case. Moreover, Poland has recently warned Sweden and Denmark that "illegal" fishing in Polish waters will be severely punished. As yet the Poles have not defined their claims clearly enough to reassure Swedish fishermen, who fear that they may, like the Russians, insist on a twelve mile limit.

Competition for Shrimps

Indeed, the Court's ruling looks like creating problems for Sweden on all sides. Fishermen from ports on Sweden's western coast have long frequented the Oslo fjord, which is particularly rich in shrimps. The Norwegians themselves also fish in these waters, and after the war they found that the Swedes, whose ships and equipment had been modernised while Norway stagnated under German occupation, were getting the lion's share of the catches. A temporary agreement on Swedish rights in the fjord was reached a year ago; but it will expire at the end of 1955, and Norway may then cite the International Court's ruling as justification for excluding the Swedes altogether.

Norway, in turn, may suffer if Iceland extends its claims to territorial waters as a result of the Court's decision. This possibility, about which fears have already been expressed in British fishing circles, could have serious consequences for both British and Scandinavian fishermen; for the elusive herring is apt to move in very close to the northern coast of Iceland, which are deeply indented and where, if the Norwegian example is adopted, extensive areas would be closed to foreign fishermen. Much the same applies to the Greenland cod fisheries. Although Greenland is Danish territory, its own national council has recently been demanding that not only foreigners, but Danish and Faeroese fishermen, should be kept at bay in the interests of the local inhabitants.

Theoretically, in fact, there is no limit to the possible repercussions of the International Court's ruling. Like Mr Truman's proclamation in 1945, which reserved to the United States all mineral rights on the submerged "continental shelf" off its shores, the Anglo-Norwegian decision is likely to be cited as a precedent on the other side of the world. Indeed, the two precedents are already linked. Immediately after the Court's ruling, Peruvian fishing interests launched a wave of complaints against the activity of American tuna fishermen off the coast of Peru; although the Americans are operating well outside territorial waters, it is claimed that they are infringing a decree of 1947 which, in imitation of Mr Truman, reserved to Peru jurisdiction over waters extending 200 miles from the coast. The Truman proclamation has already had an important effect on the exploitation of oil in the Persian Gulf. The decision in the Anglo-Norwegian dispute may have started a chain reaction which will affect such distant fishing nations as Japan.

THE BUSINESS WORLD

Saving the Sterling Area

DR JOHNSON observed that nothing so concentrates a man's mind as the knowledge that he is to be hanged in a fortnight. Something of this mood seems to have stirred the conference of Commonwealth Finance Ministers that ended last Monday. Certainly, it is a mortal crisis that now confronts the sterling area; if it is to be saved, something more than emergency stop-gap operations of the 1947 and 1949 kind are needed. Danger has clearly been the dominant motif and propellant of the conference, and the response of the Finance Ministers to it has been more realistic and vigorous than at any previous conference of this kind. The meetings have certainly been successful—within the limitations of authority and executive power by which such conferences are inevitably bound.

But it will take more than last Monday's communiqué, despite all its resounding words, to overcome the perils that now stalk the sterling area. Agreement may have been reached about the character of the measures that should be taken to protect and rebuild the gold and dollar reserves of the sterling area and to end the chronic deficits that most of the leading members of the club have been prodigally running in their overseas payments accounts. It remains for the separate and autonomous countries represented at the conference to translate these general heads of agreement into action and it is not yet clear that their endowment of political courage and economic wisdom is sufficient for these grim tasks. The sterling area can survive on two conditions only.

First, all of its members must act immediately to get rid of policies that lead persistently towards insolvency; in short, they must live within their means. Secondly, the rest of the world must be convinced that sterling can, in time, be restored as a strong and convertible currency, no longer prone to recurrent crises whenever the trade winds that blow from America happen to change by a few points. To be of any use, assurances about these two aims must be couched, not in general and ultimate terms, but in ways that promise that the two conditions can be realised in good time.

Monday's communiqué had the particular virtue—refreshing after previous exercises in crises and expedients—of encompassing this wider vision, and of asserting most, though not all, of the steps in economic policy that will be required to achieve it. It is, indeed, true that the lasting solution of the sterling area's problem will be found only

> when the worldwide trade of the sterling area is on a substantially higher level than at present, when sterling is freely convertible into all the main currencies of the world and its position need no longer be supported by restrictions of imports.

Such gazing at the distant hills has been unknown since 1945, when promises to make sterling convertible bore little relation to the harsh realities of the immediate post-war situation. Whether these latest references to the convertibility of sterling carry any greater realism depends entirely on the measures to be taken following the conference.

These measures fall into two broad parts—the immediate emergency steps by which it is hoped to bring the sterling area as a whole into early balance with the rest of the world and the more fundamental measures that may lead to the goal of convertibility. Evidently, cuts in imports and other forms of overseas expenditure form the main part of the short-term emergency programme. It may indeed be questioned whether cuts of this kind, even if imposed with the most rigorous severity, would be enough to quench the pernicious deficit of the sterling area as a whole; and on such a scale they would bring in their train reductions in output and in exports for many members of the sterling area that would make their predicament worse. Indeed, the Finance Ministers themselves point out that the bridging of the gap "cannot be attained by negative and restrictive methods alone or merely by the imposition of cuts on imports from certain parts of the world." Yet, apart from import cuts, there is little that can be done to achieve the short-term objective of the Finance Ministers' "that the sterling area as a whole should be in balance with the rest of the world at latest in respect of the second half of 1952." The communiqué urges that this should include at least a balance with the dollar area within the same period.

★

The gap that has immediately to be bridged was running at the rate of about $3,500 million a year in the fourth quarter of 1951. It promises over the next few months to be appreciably reduced by the import cuts already prescribed by the United Kingdom but even allowing for these and for the fact that the December quarter included a full year's payment on the dollar loan it is evident that further substantial cuts, particularly in dollar imports and other overseas expenditure, will have to be sought by the United Kingdom and the other sterling area countries. The cuts that are to be put into effect in Britain are due to be announced by the Chancellor of the Exchequer soon after Parliament reassembles. The Dominions represented at the talks will consider similar measures, while proposals to the same end of achieving equilibrium on the balances of payments in the second half of 1952 will also be recommended by the Secretary of State for the Colonies to the governments of the territories with which he is concerned.

The other source from which immediate relief to the sterling area's balance of payments deficit may be secured is external borrowing. This question seems to have played a considerable part in the discussions of the Finance Ministers. The communiqué refers to it in connection with the need to develop the productive power of countries in the sterling area; "such development will require the investment of substantial financial resources and that it will be necessary for many member countries to obtain those resources from overseas." This passage appears to have only one connotation—a renewed drive on the part of sterling area countries to secure long-term loans in the United States market. The Finance Ministers agreed that "such investment is to be welcomed and that all necessary steps should be taken to encourage it."

★

When the communiqué sets out the methods by which member countries will overcome the deficit of the sterling area as a whole, it does not give first place to cuts in imports, but rather to steps "to ensure that the internal economy is sound and that all possible measures are taken to combat inflation." This is certainly to put the fundamental things first, but it will take time for the medicine to work. In Britain the patient has barely absorbed the first dose, and it is still not clear whether the whole course will be sufficiently strong. In Australia, the prescription has not yet been taken to the chemist. In parts of the Colonial Empire, where inflation is imported rather than home made, the doctor has not been summoned. The communiqué is not unequivocal in demanding the use of monetary weapons to combat inflation; and if it were, it would be expecting a lot to suppose that a disinflationary policy could restore equilibrium in the sterling area's balance of payments by the end of the year. It is a remedy that will take a longer time than this to produce its results. The second item in the list of short-term remedies is to increase exports and earning power. This again is an admirable intention, but it will take time to yield results in any way commensurate with the gap that has to be filled. Welcome relief to the sterling area's balance of payments should, however, be provided by the resumption of tin purchases by the United States following the Truman-Churchill agreement. It is only after these two proposals of disinflation and larger exports have been mentioned that the communiqué refers to the possibility of borrowing from outside the sterling area and "finally" to import cuts. The cuts may come at the bottom of the list but, to the extent that they are possible, they will have to accomplish most of the immediate work.

Assuming that a balance can be reached, the Commonwealth Finance Ministers visualise in their communiqué a period of "some years" during which the sterling area would gradually build up its financial strength and prepare for the ultimate goal of convertibility of sterling. During this period a policy of disinflation, a gradual building up of exports and the development of the latent productive resources of the Commonwealth should make themselves felt. During this period, it is emphasised, the sterling area will need to be in surplus with the rest of the world (including a surplus with the dollar area) and, after taking account of the inflow of long-term capital from abroad, all member countries should balance their external accounts. This should allow the steady strengthening of the gold reserves and prepare the way for the achievement of convertibility. The Finance Ministers do not hedge their references to this ultimate objective with any of the habitual reservations on this topic in recent years. They speak of their intention "to make sterling convertible and to keep it so . . . to work towards that goal by progressive steps aimed at creating the conditions under which convertibility can be reached and maintained." This goal cannot be completely realised without the active co-operation of other countries, "notably those countries which are consistently in surplus with the rest of the world," which means primarily the dollar countries. Nevertheless, self-reliance is the keynote: "It is primarily the responsibility of the members of the sterling area themselves to create the conditions under which convertibility can be reached and maintained." This matter is not to be left as a vague aspiration; an immediate investigation of the steps that should be taken along the road to convertibility has been arranged.

★

These references to convertibility may appear strangely brave and confident when the sterling area's reserves have been denuded to a level that would cover only a few months' expenditure at the recent rate. It may be argued, however, that it is only the very rich or the very poor who can contemplate convertibility of their currencies—the first because they can afford to do so, the second because they must if they are not to become poorer still. But apart from this compulsion of poverty it is surely right that the promise of convertibility should be unmistakably attached to sterling. It is only on this condition that sterling will become a stable currency, capable of playing its full part in world-wide trade, and contributing its proper share to the development of the world's economic resources. There may be considerable differences of opinion about the time that will be needed to reach this objective; but there can be no doubt at all that if convertibility is a will-o'-the-wisp, eternally eluding Britain's grasp, the days of the sterling area are numbered. If the measures now to be set in train give real promise that the objective of convertibility can be reached, there will be abundant justification for the Chancellor of the Exchequer's claim at the end of the conference that "we have given the sterling area a new lease of life." This week has produced its full quota of brave words. Now the time has arrived for really brave action—a joint and several operation by all members of the sterling area to save and fortify their money.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22, Ryder Street, St. James's,
London, S.W.1

Bankers in the Front Line

THE change in the supreme command and its prompt swing towards monetary policy has had the effect of putting the banks, with their battalions of branch managers and advances' controllers, right into the front line of the battle against inflation. What the commanders in the field think about the new policy, and what they are prepared to say about the way in which it has been applied so far, may therefore supply significant indications about its working in future. This changing rôle of the banks makes the latest of the annual series of chairmen's statements of more than usual interest. As in the past, their comments range widely over the whole course of the battle and its underlying strategy; but it is upon that part of the line in which they are now directly engaged that their views most deserve scrutiny. They merit study from four points of view. Do the bankers approve of the change of policy? To what lengths do they think it will (or should) be pushed? How will the rediscovered weapons work? Would any different deployment of them be likely to yield better results?

To the first of these questions the bankers give a clear answer. They all do approve. Lest anyone should still suppose this attitude to be rooted in narrow self-interest, it should be noted in passing that most of them specifically reaffirm the rebuttal (given by Lord Linlithgow just before his untimely death, and discussed in *The Economist* of December 29th) of the charge that the change of policy would put "millions of pounds" into the pockets of bank shareholders. They point out that the prospective addition to their net earnings from interest receipts and payments that may accrue over a full year, and will be secured partly because of a loss of liquidity, is much less than the "book" loss already experienced on investments. The new offensive against inflation must be painful; and inevitably those in the front line have suffered first, and to the extent of "tens of millions of depreciation, as Lord Balfour of Burleigh (of Lloyds Bank) candidly admitted. It might have been added that as the mass battalions of consumers and business men come within the range of fire, part of the shock they feel will also rebound on to the banks, in a rising incidence of bad debts.

This makes the general approval of the bankers the more significant. In the twenty years that have passed since an orthodox monetary discipline was last practised, and especially in these postwar years of heterodoxy, many people in the City had forgotten the classical principles of free markets on which its tradition was built, while others had come to assume that orthodox monetary technique could not be used without exerting unduly violent effects. Many people in the City who a few months ago would have opposed a return to orthodox discipline have lately been shifting their ground, while nearly everyone now perceives that even a moderate policy (which the present policy certainly is) can play a valuable part.

There are still, however, some clear traces of these earlier divergences of views among the bankers. Some of them greet the new measures with eager enthusiasm —especially Lord Balfour, who regards them as "precisely" what was needed and as affording the "first real hope of escape from the inflationary quagmire in which we have been floundering." Similarly, Lord Aldenham, of the Westminster Bank, describes bank rate as an "essential part of the mechanism of credit control" that has "for too long remained idle," and regards the psychological force of any increase in it as more important than the amount of the rise. Lord Selborne, the new chairman of the National Provincial Bank, makes the same point: the new measures gave warning that "a new era had begun," or, as Mr Tuke (of Barclays) put it last week, the "direction of the wind has changed." By comparison with the most enthusiastic comments, Lord Linlithgow's posthumously circulated statement to shareholders of the Midland Bank is more restrained. To find approval here it is necessary to look closely; the new measures may "deflect some of the less urgent demands upon the nation's productive capacity" and "there is sound reasoning in the attempt to bring about the removal of the inflationary element of demand."

To the second question—how far the new policy may need to go—none of the bankers attempts a definite answer. Nor, indeed, was it likely that they would do so, given the present uncertainty about the degree of toughness with which the Government will frame its non-monetary measures, and especially its retrenchment in public expenditure. All the bankers emphasise the need for firm cutting here, and several of them—notably Lord Selborne, as well as Sir Thomas Barlow of the District Bank—make the point more specifically, by observing that it would be wrong to have a "system of tight credit and high rates for industry and laxity in expenditure and cheap money for public undertakings." On the other aspect of the same question—how far the policy ought to go—there are some notable differences of emphasis. No intelligent person ought to suppose that there is any intention of pursuing drastic deflation leading to mass unemployment; but in view of the widespread misunderstanding among the public about the nature of orthodox monetary discipline, it is natural that all the bankers should now be at pains to explain that the purpose is, in effect, simply to cure the maldistribution of resources and loss of efficiency that have resulted from overfull employment. Upon the general

LONDON CLEARING BANKS:
THE CHANGING STRUCTURE OF ASSETS

	Dec. 31, 1949		Dec. 31, 1950		Oct. 17, 1951		Dec. 31, 1951	
Liquid Assets :—	£ Million		£ Million		£ Million		£ Million	
Deposits	6,202		6,368		6,204		6,333	
"Net" Deposits	5,964		6,100		5,981		6,055	
	£ Mn.	%*	£ Mn.	%*	£ Mn.	%*	£ Mn.	%*
Cash	532	8·6	540	8·5	514	8·3	531	8·4
Call Money	571	9·2	592	9·3	579	9·3	598	9·5
Bills	1,109	17·9	1,408	22·1	1,330	21·4	972	15·3
Total	*2,212*	*35·7*	*2,540*	*39·9*	*2,423*	*39·0*	*2,103*	*33·2*
Other Assets :—								
T.D.Rs.	793	12·8	458	7·2	177	2·8	102	1·6
Investments	1,512	24·4	1,528	24·0	1,555	25·1	1,965	31·0
Advances	1,523	24·5	1,644	25·8	1,897	30·6	1,931	30·5
Total	*3,828*	*61·7*	*3,629*	*57·0*	*3,629*	*58·5*	*3,998*	*63·1*

* Asset ratios are calculated on gross deposits.

STRENGTH AND INTEGRITY

Friendly contact with each customer is synonymous with the banking house of Glyn, Mills & Co. No matter whether it is a private customer or a large concern, this bank still preserves the personal touch. It also provides a completely modern banking service, one that has earned a reputation for strength and integrity throughout the world.

GLYN, MILLS & CO.
BANKERS
HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3
Associated Banks:
Royal Bank of Scotland, Williams Deacon's Bank Ltd.

INDUSTRIAL AND COMMERCIAL
I.C.F.C.
FINANCE CORPORATION LTD.

Established by the Joint-Stock Banks in 1945 to provide finance by means of loans or the subscription of loan or share capital or otherwise for industrial and commercial enterprises in Great Britain particularly in cases where the existing facilities provided by banking institutions and the Stock Exchanges are not readily or easily available.

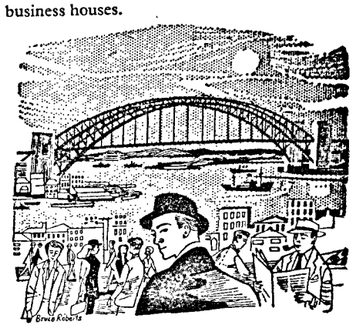
DIRECTORS:
Chairman: THE RIGHT HON. LORD PIERCY, C.B.E.
THE RIGHT HON. LORD BLACKFORD, D.S.O.
WILLIAM HENRY FRAZER, W.S.
LT.-COL. LORD DUDLEY GLADSTONE GORDON, D.S.O.
THE RIGHT HON. THE EARL OF LIMERICK, K.C.B., D.S.O.
REGINALD HUGH ROBERTS
COLIN MARSHALL SKINNER, F.C.A.
SIR HORACE JOHN WILSON, G.C.B., G.C.M.G.

SUBSCRIBERS:
THE ENGLISH AND SCOTTISH BANKS

Enquiries should be addressed to:
The General Manager 7, Drapers' Gardens, London, E.C.2.

Customers of yours?

The busy streets of any Australian city show a cross-section of Australian people who are engaged in a large variety of occupations and equally as varied and numerous are their requirements as consumers—a situation weighted with possibilities for British business houses... But a sound principle when framing any Australian marketing scheme is to precede planning by consultation with the Commonwealth Bank of Australia. For the Commonwealth Bank *knows* Australia. Its intricate network of branches throughout Australia provides a large source of information on any question of Australian life or industry. Its Financial Information Service is at the disposal of all British business houses.



COMMONWEALTH BANK OF AUSTRALIA
COMMONWEALTH SAVINGS BANK OF AUSTRALIA
8 *Old Jewry, London, E.C.2. And at Australia House, Strand, W.C.2.*

THAU

KREDITKASSEN
Christiania Bank og Kreditkasse

Established 1848

Every banking facility

TELEGRAMS: KREDITKASSEN

OSLO — NORWAY

Hold on to SCRAP

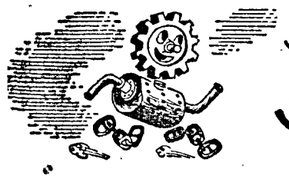
and you hold up STEEL PRODUCTION

Search out every ton of scrap in your works and turn it in. Old plant, redundant buildings, machines and spares—it's all wanted back in the steelworks to keep up steel production. Round it up and put it in the hands of your local scrap merchant. It will go to make the new steel that you and every other steel user need so urgently.

Scrap merchants are glad to help with dismantling and collection.

WHEREVER YOUR NEW STEEL comes from, please return your scrap to merchants in your own locality. That will save unnecessary transport, and time, before the old scrap is turned into the new steel all steel users want.

SPEED THE SCRAP



SPEED THE STEEL

Issued for the STEEL SCRAP DRIVE by the British Iron and Steel Federation, Steel House, Tothill Street, London, S.W.1

S.22

An Account of Stewardship

Lloyds Bank Limited
71 Lombard Street
London, E.C.3

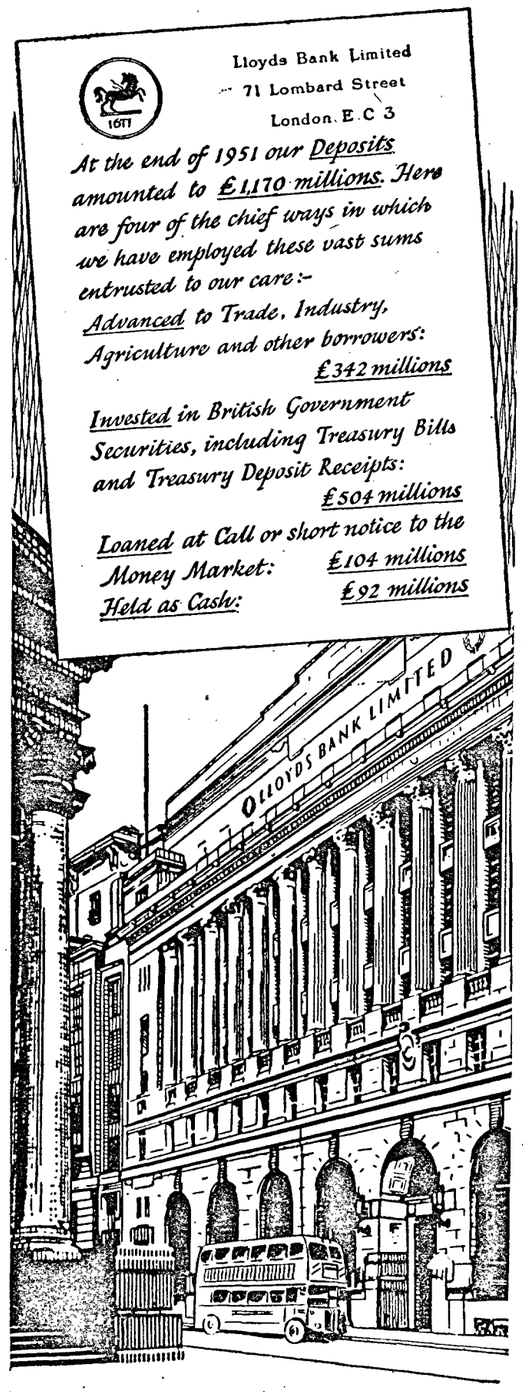
At the end of 1951 our Deposits amounted to £1,170 millions. Here are four of the chief ways in which we have employed these vast sums entrusted to our care:-

Advanced to Trade, Industry, Agriculture and other borrowers: £342 millions

Invested in British Government Securities, including Treasury Bills and Treasury Deposit Receipts: £504 millions

Loaned at Call or short notice to the Money Market: £104 millions

Held as Cash: £92 millions



proposition the bankers are of course in full agreement; but the differing weight with which the point is made shows very clearly that some of them believe a considerable toughness will have to be shown by the Government before economic stability is restored, whereas others would favour a more timid approach.

In discussing issues of this kind in the context of monetary policy, the bankers are obviously troubled by conflicting considerations. They are concerned to demonstrate, quite rightly, that a move towards techniques that have not been seen for twenty years, or at least since the outbreak of war, does not open up a terrifying vista of business depression and social distress. They are equally concerned to play their part fully and loyally in the new policy, which means that they must reiterate the warning, given in concert two months ago, that all demands for advances will be rigorously scrutinised, that credit will become steadily scarcer and more expensive, and that the process of restraint will cause pain to many. Thirdly, they are all most anxious to apologise beforehand to their customers for the affronts that are to come, and to explain that although "credit-worthy" applicants may be shown the door (most politely, of course) in the months ahead, the banks will be most happy to welcome them in more propitious times. Such is the length to which forgetfulness about first principles of orthodoxy has gone; in former times the only test of credit-worthiness was ability to command credit. If a banker could not "afford" to lend to a particular customer because the proposition, however "worthy," was less attractive than the marginal one that just secured assent, there was no more to be said.

*

On the way in which the new weapons will work, the most important comments relate to the liquidity weapon and the effect of the funding operation. As the first table shows, the average ratio of the banks' cash, call money and bills to their deposits was 33.2 per cent at end-December, or slightly higher than that for November, in contrast with 39 per cent just before the new policy was launched. Although the ratio thus still stands a little above the level generally regarded as the conventional working basis in former times, several of the banks make it plain that the reduction is already exerting a strong influence on their lending policies. The Midland Bank, while drawing attention to factors that might tend to improve the ratio during the course of this year, remarks that the "scope for enlargement of advances has been abruptly narrowed" and considers that the banks may have to restrain further advances "severely." Lord Aldenham, similarly, speaks of the funding issue as having brought about a "severe curtailment" of the banks' capacity to make additional loans. Other bankers put the point less strongly, but the general impression given is that liquidity has now become a real factor in day-to-day calculations.

THE DECLINE IN LIQUIDITY
(Per Cent)

	Liquid Assets*			Advances and Investments*		
	Oct.	Nov.	Dec.	Oct.	Nov.	Dec.
Barclays	40·0	32·8	33·8	64·1	63·1	61·0
Coutts	35·3	30·6	32·0	63·9	69·1	66·7
District	38·0	30·5	30·4	56·1	62·8	64·3
Glyn Mills	30·6	30·7	40·6	65·4	66·2	55·4
Lloyds	40·0	32·8	32·8	64·6	63·2	61·3
Martins	39·8	33·2	34·5	64·6	62·3	60·6
Midland	40·2	32·8	34·1	64·4	62·9	60·7
National	23·4	23·6	26·5	80·4	79·4	77·9
National Provincial	39·4	30·6	33·7	66·9	66·0	61·1
Westminster	36·7	30·4	30·8	57·4	65·0	63·3
Williams Deacon's	37·3	32·8	34·9	66·4	62·8	57·7

* Ratios of assets to gross deposits; liquid assets comprise cash, call money and bills.

*

The one surprising aspect of the statements is that, despite their differences in emphasis in approving the policy, none of them makes any criticism of its application in detail. Several of the banks draw attention to the difficulty of their task in imposing the requisite degree of restraint, but they say nothing about the evident conflict that must arise between a policy that applies orthodox pressures and "directives" simultaneously. The only point made in this context is that, if priority has to be given to "essential" borrowers, the restraint upon "non-essential" borrowers will have to be even greater than orthodox pressure would alone have required—which means, of course, that some who secure credit will be less "worthy" in the strict banking sense than some who are refused. It might have been expected that at least the more enthusiastic supporters of the move towards orthodoxy would have voiced a little surprise that the Chancellor should have resorted to directives to the Capital Issues Committee and the banks long before the new measures had been given a chance to show their worth—and should have decided, moreover, to impose an even more bureaucratic control than any operated by Labour Chancellors. Remarkably, too, none of the banks considers the question of the relationship of charges for advances to bank rate and money rates; nor is there any discussion of the relative importance of the interest-rate weapon and the liquidity weapon in restraining advances. These omissions suggest that the bankers are re-learning the mechanics of orthodoxy much more quickly than they are re-learning the principles.

There is, however, one highly important exposition of principle and one that is plainly in line with criticisms of this kind. It comes from Lord Balfour, who makes very clear the vital distinction between physical controls and monetary restraints.

> When the curb on spending comes from the fact that each of us, individually, is forced to economise, the decisions are taken by the person who in each case is most closely affected and has most knowledge of the relevant facts, including his own circumstances and preferences. The classification of objects of expenditure into "essentials" and "inessentials" may be convenient administratively but it is none the less purely arbitrary; beyond a certain point these are question-begging terms.

This decentralisation of economic judgments, Lord Balfour concludes, makes a properly working monetary system "infinitely more efficient and even more democratic than rationing and controls." Hardly anyone would now contend that the instruments and automatic regulators of a free economy should—or could—be allowed to work entirely without other aids. But Lord Balfour hits his target dead-centre when he remarks that "we seem to have forgotten the rule and remember only the exceptions." The Chancellor and the many City institutions who have a part to play in carrying out his policies would do well to ensure that the rule comes first.

Business Notes

The Metals Deal

So much information about the metals deal in Washington had already become available that the detailed communiqué issued at the end of last week had little to add except the precise quantities concerned. Britain is to receive 800,000 long tons of steel and 200,000 long tons of pig iron and scrap from America during 1952, at current American prices. America is to borrow (not to buy, as was suggested in *The Economist* last week) 15,000 metric tons of aluminium out of the supplies guaranteed to Britain under its long-term contract with the Aluminium Company of Canada; this will be delivered during the last three-quarters of 1952, and is to be replaced before the end of June, 1953. America is to receive from the British Government 20,000 long tons of tin by the end of 1952, at $1.18 a lb f.o.b. Penang, Singapore, London or Liverpool, subject to certain conditions concerning the price. The official agreement on steel supplies allows for an additional 750,000 long tons of iron ore, "to be made available by the United States steel industry to the United Kingdom."

In terms of steel, the agreement is highly satisfactory to Britain, though no more should be read into it than appears. The Americans accepted British requirements as 1,250,000 tons, and are to supply a million tons in metal. The 750,000 tons of ore "to be made available," presumably Swedish and African, would have an iron content of perhaps 55 per cent, compared with an iron content of possibly under 25 per cent in the leanest British ores that the blast furnaces might otherwise have to use. After allowing for a further minor adjustment for other advantages in blast-furnace operation, this quantity of foreign ore would therefore yield an additional 250,000 tons of "iron content" to cover Britain's whole needs. But the promise "to make available" may simply mean that American buyers will stand aside in the Swedish and African markets and reduce their bids by this amount; it cannot automatically be assumed that British buyers will be able to secure all that the Americans are willing to relinquish. In Sweden, for example, Britain has already had to make a firm promise to supply three times as much British coal as last year in return for the same amount of Swedish ore; if similar conditions were attached to this additional potential tonnage of ore, they might not be easy to fulfil. The American steel (which includes the 100,000 tons already allotted to Britain in the first quarter of 1952 under the original steel-aluminium deal in November) will arrive mainly in the second half of the year. Its contribution towards easing the steel shortage, as was expected, will therefore not really be felt until the third period of steel allocation. A "wild estimate" of the price was reported as $125 million; the steel will be mainly high-priced ingots or sheet.

*

If Britain receives the quantity of aluminium contracted for, there should be no great difficulty in lending this extra 15,000 metric tons to America until 1953, when it is due to receive back also the 10,000 tons it lent in November. The Aluminium Company of Canada is expected to supply Britain with 250,000 tons this year, under the agreement that guarantees Britain a million tons during the next four years; should deliveries fall below the contract, as happened last year, Britain may reduce the quantity of its loan to America. American reluctance last year to conclude a similar long-term agreement with Alcan—on the grounds that its own producers will be supplying ample quantities of aluminium from 1953 onwards—has thus provided a useful bargaining counter in securing Britain the steel it needs.

Optimism in the Tin Market

The tin market has been in a bullish mood since the announcement of the Anglo-American deal and prices have moved steadily upward to reach £979 a ton. This optimistic tone springs partly from the plain fact that most of the 20,000 long tons that this country will sell to the United States will have to be bought in the market and will be additional to British needs. But, more important, the deal is seen as a "face saver" to cover the ending of the American boycott.

In terms of profit and loss, the deal is not the best of bargains for this country; that, no doubt, is part of the price for a million tons of steel. By agreeing to sell tin to the American Government at 1 dollar 18 cents a lb (£944 a ton) the United Kingdom faces a loss at current prices on every ton that it buys for the Americans. And if tin follows the upward drift of commodity prices, the loss may mount in future months. But there are two clauses in the agreement that do something to safeguard the British position. In the first place, if the United States pays a higher price for tin from any other country, it will have to offer the same terms to the United Kingdom. Thus it will not be possible for the Americans to pay more for Bolivian tin on the grounds that Bolivian costs of production are higher. Secondly, if the United States buys tin independently at less than 1 dollar 18 cents and Britain is making a loss in buying for the United States at 1 dollar 18 cents, the difference will be refunded to this country to offset the loss.

In some quarters it has been asked why, if America needs the tin, it could not buy for itself in the open market. The British Government is therefore being accused of sacrificing the principle of a free tin market, so dear to the Malayan producer, in agreeing to sell at a fixed price. Facts so far available do not lend much support to this view. On the contrary, it seems likely that the agreement covers a complete *volte face* in American policy. Only a few weeks ago, when Mr Symington was still head of the Reconstruction Finance Corporation, the American administration still professed to be carrying on a price crusade to force tin to £896 per ton. Now it seems that shortage has forced these pious hopes to be abandoned. In Washington last week, Mr Fleischmann, the Defence Production Administrator, announced the American Government's intention to resume the buying of tin in Indonesia and Bolivia. The 20,000 tons that Britain is to supply this year will, in fact, be about sufficient to tide the Americans over only on the assumption that normal buying is resumed from all other sources. This implies the need for some action to give meaning to the rather vague statement that "both Governments agreed that it would be desirable if more normal arrangements for the conduct of the tin trade could be established as soon as possible."

* * *

Persuasion for Labour?

Shortly after Parliament re-assembles next week, Sir Walter Monckton, the Minister of Labour, is expected to announce "new measures" to influence the movement of labour towards defence production and other essential industries, and this week these measures were approved by the National Joint Advisory Council for Industry. The Minister does not appear likely to go beyond those measures that have been discussed for months—making it compulsory for employers to notify vacancies and engage labour only through employment exchanges, and encouraging more rapid training of new or unskilled labour.

It is easy to understand that any more onerous control over labour would be almost impossible for any government to impose today; direction is not justified and would not work efficiently. But unless the Minister has managed to redesign the control of engagements in some way that will transform its efficiency, the measures so far hinted at seem unlikely to help much. The efficacy of such measures depends upon the model worker who always takes the advice of the clerk at the Labour Exchange in finding himself a job; unfortunately or fortunately, British citizens tend to depart from that passive model. The Government would do better to rely upon a really disinflationary policy in squeezing workers out of the less essential industries; with well-paid jobs in defence production and other essential industry awaiting them, these workers may prove less immobile than they have appeared in recent years.

* * *

Foreign Exchange Activity

A further extension of the field of freedom in which the London foreign exchange market can operate was conceded this week when the British authorised banks were given permission to undertake exchange operations in Belgian francs with banks in the Belgian monetary area. Previously freedom to deal in Belgian francs in London was restricted to operations between banks in this country. Since it was impossible to arbitrage direct with Brussels and since the Belgian franc was in continuous demand in London, an appreciable divergence persisted between the Belgian franc rate as quoted in London and the sterling rate as quoted in Brussels. From this week, however, authorised dealers have been allowed to carry out bilateral arbitrage with Brussels and the two rates have come into equilibrium. The concession applies to spot and forward transactions. The opening of free arbitrage facilities between London and Brussels was immediately followed by a depreciation of the Belgian franc in London. It had previously been held at the Bank of England's official selling rate of 139 francs to the £. The rate has moved to 139⅞—140⅛. As a result of the arbitrage facilities a more active market and a narrower range of dealing prices have obtained.

The other main event of the foreign exchange market during the past week has been the persistent strength of the Canadian dollar. As a result of continuing commercial purchases and of bidding in the New York market, the Canadian rate caught up with the United States dollar last Tuesday. It has since risen to a premium of ½ to 1 per cent. Reports from New York and Montreal suggest that one of the factors in the appreciation of the Canadian dollar has been switching on British account. British participation in the development of oil resources in Canada is being financed in part by liquidation of United States investment holdings. There is no doubt, however, that the fundamental factor in the situation is the continuing inflow of American capital into Canada.

* * *

Exchange Leakages

The rate for transferable sterling in New York has weakened appreciably during the past month. The heartening effect of the reopening of the London foreign exchange market has been more than offset by the revelation of the gold and dollar losses during the last quarter of 1951. At $2.39-40—as against $2.45-46 at the beginning of the year—the rate has fallen to a level at which commodity "shunting" based on dealings in cheap sterling has again become attractive. A new drive against such leakages is under way. It began this week with a Treasury announcement that warning had been given to the London fur market that infringements of customs regulations relating to the export of furs would in future be punished. Extensive purchases of furs have apparently been made in London by American and other buyers with sterling obtained in overseas free markets. In order to qualify for payment in transferable sterling the goods in question have ostensibly been exported to the transferable account countries in question, but have then been relabelled in transit and sent on to their real destination, the United States. When the discount on transferable and other forms of free sterling is sufficient to cover the additional freight, handling and trans-shipment charges involved, shunting of this kind will be found extremely difficult to stamp out. At the present discount of about 14½ per cent the margin is not sufficient to encourage a considerable volume of such business except in articles such as furs and diamonds, where the ratio of value to bulk is high. It should not be assumed therefore that the commodity shunting and exchange juggling that now obtains is in any way comparable with what was occurring prior to the devaluation of sterling in 1949.

* * *

The Prudential Plan

It is not to be expected that Prudential "A" shareholders will give unreserved support to the proposed changes in the company's articles. No doubt, sufficient of them will accept the view that a simplification of the present highly complicated articles that determine the shares of the surplus that go respectively to policyholders and shareholders and a somewhat greater participation by policyholders than has hitherto been afforded are both desirable, politic steps. The existing provisions would give about 87½ per cent of the industrial profits to policyholders for 1951, leaving 12½ per cent for "A" shareholders. It is proposed to raise the policyholders' share to a minimum of 90 per cent with the eventual though not immediate prospect of something more. The corollary for "A" shareholders is that they must accept a corresponding reduction in the share of the industrial branch profits to which they have hitherto been entitled.

Their equity in the fund has recently been impeded by dividend limitation. The results for 1950 would have justified a dividend of about 23s. net, whereas 17s. tax free was paid. There have since been two payments of 3s. 6d. and 2s. 6d. tax free from the special dividend reserve fund that was set up in 1949 to conform with the dividend limitation policy. The scheme now put forward holds out the expectation of a net dividend of 19s. 6d. from the 1951 profits, coupled with a "small transfer" to a new dividend reserve. The directors also intend to distribute the entire balance of the special dividend reserve fund, equivalent to 9s. 11.37d. per "A" share. But the evident consequence of the proposals for "A" shareholders will be a sacrifice of an appreciable part of the equity in the expanding profits of the industrial branch. Under the new arrangements, Prudential "A" would become a long-term growth equity, rather than an immediate participant in expansion. But no other terms appear to be possible if the main object of the exercise is to succeed—that is, to give the industrial branch policyholders a contractual right to a minimum of 90 per cent of the profits of the fund. It is a step in line with the traditions of the Prudential, as the directors are entitled to claim. Alone among the industrial-cum-ordinary life offices, the Prudential accords contractual (as distinct from *ex gratia*) participating rights to industrial branch policyholders, and these rights were first granted as long ago as 1907. Given the left-wing attacks on the industrial offices, the wisdom of the latest move can hardly be questioned. But it can scarcely be expected that all recent purchasers of Prudential "A" shares will greet it with joyous enthusiasm.

* * *

Brazil and Foreign Capital

The Brazilian Traction, Light and Power Company, which has over $700 million invested in Brazil and is by far the biggest foreign company operating there, has rallied to the support of the Vargas Government in the dispute about its new exchange regulations governing financial remittances

rom Brazil. In a statement issued last week, Mr Henry Borden, president of the company, announced that he had o reason to believe that the recent change in the regulations would "result to the detriment of this company or its security olders;" in particular, he dissociated himself entirely from he recent recommendation by the United States Council of he International Chamber of Commerce that financial ssistance to Brazil should be halted "until whatever restric- ive policies involved in the new exchange regulations are orrected."

If the decree announced by President Vargas in his virulent New Year message is enforced, it is difficult to see how foreign ompanies in Brazil can escape without very serious losses ndeed. As long ago as March, 1946, the Brazilians decreed hat foreign capital "registered" with the local Exchange Control should not be repatriated at a rate greater than 20 er cent per annum and that transfers of interest and divi- lends should not be greater than 8 per cent per annum of hat capital. The terms of this decree were stated to be ubject to amendment by administrative action of the Bank f Brazil at any time, and by the end of 1946 they had in act been "temporarily suspended." Even before this sus- ension, however, the bank seems to have been liberal in its nterpretation of what were capital remittances and of what as "registered capital"—so that there has not been any very ffective barrier against companies remitting what they anted to, although there have been delays when the bank as temporarily run short of sterling or other currencies. his wise liberality was largely prompted by the fact that razil was expanding rapidly with the aid of funds from the orld Bank and the Export-Import Bank, as well as from rivate American investors. When the nationalist Vargas overnment came into power last year there was some pprehension that it might reverse this attitude towards oreign investment. In fact, however, the Finance inister, Señor Horacio Lafer, has been following a com- aratively orthodox internal economic policy and has been ngling for bigger and better American loans. He hopes to ecure up to $500 million of American or World Bank invest- ent in his new development programme, and in these ircumstances seemed unlikely—up to three weeks ago—to ake predatory gestures towards those foreign investors who lready had a stake in the country.

President Vargas's statement on January 4th therefore ame as an unpleasant shock. Spurred by nationalists in his wn party—many of whom are hostile to Señor Lafer—he nnounced that 950 million cruzeiros had been "illegally emitted" by foreign companies in the past three years and hat the 1946 decree was henceforth to be strictly adhered o. He also decreed that "registered capital" meant capital ffectively brought in from abroad (i.e., it was not to include rofits earned and ploughed back in Brazil), and that all profit emittances in excess of 8 per cent of this capital since 1946 hould be deducted from the "registered capital" on which uture permitted remittance percentages will be based. This rithmetic would saddle some foreign companies with a egative registered capital, and for these "the privilege of epatriation is declared extinct." Immediately after his resident had launched this bombshell, Señor Lafer sadly set p a commission that "will study in an appropriate manner ny suggestions with regard to special cases" and will "deal ith the whole problem on an over-all basis"—whatever that eans. Unfortunately, this may be a difficult time of the year r the forces of moderation to gain the upper-hand. Brazil lways tends to have a winter sterling exchange crisis, which ounts to its peak just before the cotton crop is marketed in pril. This year the crisis was put back by the fact that the ritish Raw Cotton Commission seems to have obligingly ought at the top of the market last spring and by fairly eavy British purchases of coffee (partly for re-export). But nce November 6th the Bank of Brazil has not released any terling, and the old problem of sterling arrears may be raising s ugly head again.

Gas Turbine Tanker

The tanker *Auris*, the first and still the only merchant ship with a gas turbine engine, gave a demonstration off Southampton this week. The *Auris* has just completed her first round trip to Curacao running on the 1,200 bhp gas turbine and three 1,100 bhp diesel engines in place of her usual complement of four diesels; she is now leaving for a second Atlantic crossing using the gas turbine alone. The *Auris* is owned by the Anglo-Saxon Petroleum company and operated as a normal tanker, but she is also a floating test-bed for the Shell Petroleum Company's extensive programme of gas turbine research. Here is the perfect coincidence of interests—experiment in a new form of marine motive power, which the Shell group uses in prodigious quantity, coupled with a close study of the fuel requirements of gas turbines, largely oil products which Shell sells in prodigious quantity. But equally the gas turbine engine may have certain attractions for any owner of a large fleet, particularly of medium sized vessels like tankers. A gas turbine is smaller, lighter, and less complex than a diesel unit of equal power. Its maintenance costs and its first cost can confidently be expected to be lower although its fuel costs are higher. These conclusions can be deduced from a theoretical knowledge of gas turbine technology; what has been lacking, and what the *Auris* trials should provide, are data on reliability—so necessary in a marine engine—and the effect on its components of a continued feed of salt air. Air for the *Auris* is de-salted. Such data must be collected before gas turbines can move beyond the purely experimental stage and to obtain them Shell encouraged the turbine builders, British Thomson-Houston, to complete and instal the engine without much modification to the original design, even though, in the light of current knowledge, it has certain deficiencies.

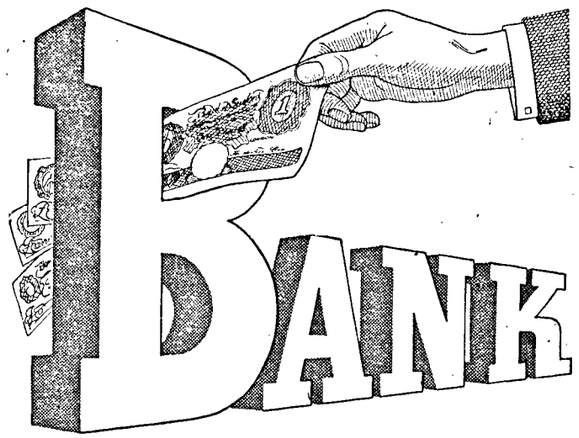
It is not possible at this stage to draw any conclusions from the *Auris* experiment about the economics of the gas turbine at sea. Nevertheless, the first 2,000 hours of operation have justified a number of earlier calculations. For example, it needs about three-quarters of a gallon of oil per day, at 5s. 6d. a gallon, to lubricate the four bearings of the gas turbine, against 30 to 40 gallons of lubricant a day (at 5s. a gallon) on each diesel engine. Fuel consumption on the gas turbine has averaged 0.75 pounds per bhp-hour —about the same as that of a steam turbine, and considerably higher than that of the diesel. Both the diesel and the gas turbine are already running on the cheapest distillate, boiler fuel, which is purified by a process developed by Shell a few years ago. If the gas turbine fuel bill is to be reduced, it will have to operate on a still cheaper, non-distillate oil. This makes the question of life between overhauls of great importance. Heavy residual oils are bound to leave deposits on the turbine blades which will need fairly frequent removal. If each cleaning were to involve immobilising the ship in dock the general use of gas turbines at sea might be impracticable. There is, however, another possibility. A gas turbine is a small unit with few components and no reciprocating parts. It would not be difficult to standardise the components or even the complete engines used by a fleet. The parts due for overhaul could then be taken out, and a fresh component or engine fitted, without the need to take the ship out of commission—much as the diesel engines in American diesel-electric locomotives are slipped in and out.

* * *

Looking Ahead in Coal

How much coal is Britain likely to produce in 1956? British experts refuse to guess. But a special coal committee of OEEC, in a report recently made public, has been more rash: since Britain was the only one of the main coal producing countries of Western Europe to refuse a forecast of production in five years' time, the committee made an estimate—or rather two—itself. On the basis of the National

INVEST *through your*



One of the best ways to buy National Savings Certificates is through a Bank. It is extremely easy and there is no extra charge at all. Your Bank Manager will buy and if you wish, hold them for you. Everything done with traditional Bank efficiency, and you will be making an excellent and absolutely safe investment. All Savings Certificates, of whatever Issue, earn good rates of interest; the present 15/- ones become 20/3 if held for the full 10-year period, and the interest is Income-Tax-free. This is equivalent to 3% per annum and if you are paying tax at the standard rate of 9/6 in the £ it is equal to a taxable investment yielding £5 16s. 0d. per cent. gross. If you are paying more than 9/6 it is an even more attractive investment.

NATIONAL SAVINGS

CERTIFICATES

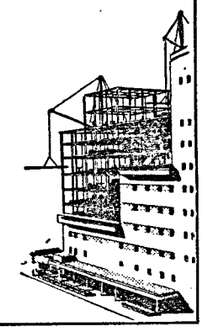
Issued by the National Savings Committee

Room for business growth in Canada

To expansion-minded business men Canada presents new frontiers—a vast new field of enterprise. Its natural resources have not yet been fully developed—its markets are great, but still growing.

As the banking connection for numerous British concerns doing business in Canada, we are conversant with the trade situations that may be of interest to you.

We invite your enquiries.



The Canadian Bank of Commerce

2 Lombard Street,
London, E.C.3
Head Office: Toronto, Canada
Over 600 Branches across Canada

The apple and the downfall!

It happened when he reached out too far for a large apple and came down from the tree with an almighty crash! He couldn't walk again for months, but the accident taught him something. Lying in bed while his business expenses mounted, he learned the true value of his 'General' Personal Accident Policy.

Peace of mind costs very little

£4 a year covers business and professional men for £10 a week accident benefit (and pro rata). Similar attractive rates for other occupations.

It's worth while finding out more about this and other benefits of the 'General' Personal Accident Policies—just send the coupon. PA/8

Please send me full particulars of 'General' Personal Accident Policies

NAME

OCCUPATION

ADDRESS

E

General
ACCIDENT FIRE & LIFE ASSURANCE CORPORATION LTD
General Buildings
Perth, Scotland

FAMOUS FOR ALL CLASSES OF INSURANCE

Coal Board's long-term plan, it put British production in 1956 at, perhaps, 224 million tons—218 million tons from the mines and 6 million opencast. From an examination of current output and trends, they estimated that total coal output in 1956 might conceivably reach 234 million tons. This second estimate drew the comment from the British delegate that if the decline in mining manpower continued, actual production in 1956 might be, say, 10 million tons lower—which would suggest that the first estimate of 224 million tons of coal from all sources would be more acceptable in the Coal Board and the Ministry of Fuel and Power. The British delegation, which declined to make an estimate for 1956

> because of the uncertainties of the forward position and because the level of production, consumption and exports may to an important extent depend upon questions of policy that have not yet been considered, still less decided, by His Majesty's Government,

did, however, put forward an estimate of output in 1952—which is more than has been done inside Britain. Output this year, it ventured, might reach a total of 223.5 million tons (or 227 million metric tons)—213.5 million tons from the mines and 10 million tons opencast. This may seem modest; but 5 million tons of last year's 7 million tons increase came from Saturday working, from which no further increase in tonnage can be expected.

The OEEC estimates were prepared as part of a study of how much fuel Western Europe will need during the next five years if it achieves the 25 per cent increase in the gross national product of its countries envisaged by the OEEC Council last December. Detailed estimates of consumption by countries for the whole period have not been published; but the report concludes that by 1956, if that increase in gross national product should be achieved, the OEEC countries would need 540-550 million tons of coal (compared with 486 million tons in 1951) and would have available 515 million tons (against 451 million tons in 1951). This means that the 35 million ton gap between demand and supply may still remain. Last year it was filled by about 25 million tons of American coal and 10 million tons of Polish coal; and in five years' time, the committee estimates, possible imports from outside the United States may be roughly the same. This means that on the lowest estimate Western Europe may still be buying 15 million tons of American coal a year in five years' time. This deficiency, and the smallness of the increases that the OEEC Secretariat was able to forecast for production in Britain, compared with other producing nations, re-emphasises the heavy cost to Europe of the drop in British exports, and the need to hasten those advances in production that are now promised only for tantalisingly distant years.

* * *

Changes in Fares

The Transport Tribunal has issued a summary of its principal conclusions on the draft Charges Scheme submitted by the British Transport Commission in April last year. The conclusions cannot take legal effect until they have been embodied in a revised scheme which will need formal confirmation by the Tribunal but, for the benefit of the public and the Commission, the Transport Tribunal has taken the convenient course of making its decision known as quickly as possible.

For ordinary railway fares the Tribunal concludes that third-class single fares should not exceed 1¼d. a mile for tickets issued up to the end of this year and 2d. a mile thereafter, with return fares double the single fare. The London Transport railways, London and Tilbury-Southend line and the London Transport road services (other than Green Line coaches) are to be governed by a scale which starts at 2d. for one mile, 3d. for two miles, 5d. for three miles, 6d. for four miles, 8d. for five miles, 9d. for six miles, and so on.

Two important points are involved in these decisions. First, the return railway fares at the new rate will be identical with the present monthly return rates, as the latter were increased at the beginning of this year. By reducing the standard fare basis from 2.44d. per mile to 1.75d. per mile (with provision for a subsequent increase to 2d. next year) the Tribunal will leave no discretion in the hands of the Commission about return fares, and the monthly and period return fares will in future presumably be identical. Further, the single fare will cost, up to the end of this year, 28½ per cent less than the present standard and from next year 18 per cent less. The decision of the Tribunal to make a two-stage alteration in the standard fare basis gives the Commission something of the flexibility in charging powers that it sought from the Tribunal, though not, it is fairly safe to say, in a form that it would have chosen for itself. The second point is that the Tribunal has not accepted the proposal in the draft scheme for a 3½d. fare for a two-mile stage on London Transport services. The total effect of these conclusions of the Tribunal on the expected return of £21 million under the draft scheme has not been disclosed.

* * *

The Gas Boards' Coal

An understandable public delight in any squabble between nationalised industries sometimes tends to obscure what the industries are really arguing about; to some extent this has been true of the complaints about increased coal prices that the chairmen of certain Area Gas Boards have been airing in the past week. Undue emphasis seems to have been placed upon the sad necessity of passing on price increases to the final consumer of gas, who as an efficient user of fuel, it is argued, deserves encouragement. This argument cannot be accepted. The consumer eventually has the whole of the increase in coal prices passed on to him—in coal itself, in gas, electricity, travel and virtually everything he buys. To the extent that the use of gas is an efficient way of using coal, the consumer will continue to benefit by buying gas.

A new system of pricing grades of industrial and carbonisation coals was brought in at the same time as the general increase. This has created the real point at issue. Industrial coals outside the carbonisation grades are priced on the basis of their thermal value, with allowance for their ash content; carbonisation coals are priced on the basis of thermal value and coking qualities, with a rather greater allowance for ash content. Both formulas, however, are further adjusted in accordance with what the Coal Board calls "commercial considerations": these include size, the profitability of the pit from which they are raised and, to some extent, the existing pattern of prices. The gas industry is aware of the weighting that the Coal Board gives to the physical properties in its basic price formulæ, though it does not accept them as equitable: but it does not know the weight given to the various "commercial considerations" that the Coal Board has in mind when it arrives at the price of each type of coal it buys. Since the gas industry's carbonisation equipment is designed to suit the particular coals it uses, the gas boards therefore feel that their own duty of weighing all relevant technical and economic considerations in its operations cannot adequately be performed. Nor can it satisfactorily check, by scientific tests, whether the coal it receives is worth the price paid, without knowledge of the price adjustments that take place between the technical formula and "commercial considerations"

The Coal Board is prepared to lay down, in broad terms, a technical specification of the coals it undertakes to supply in various price grades, which allows consumers to keep a partial check. But it is not prepared to furnish a detailed "make-up" for the price of each grade. On this point, it unrepentantly asks, "What other industry does?" This may be true. But it is also true that few industries are in its position of being a monopoly supplier of raw material to its two largest customers, gas and electricity, and at the same time competing with them. Inevitably the gas industry suspects discrimination, and the Coal Board denies it. Both nationalised industries have some weight behind their arguments: so the case—which presents yet another aspect of fuel co-ordination—may ascend to join those already on Lord Leathers's agenda.

* * *

Lancashire takes the Strain

The output of cotton yarn in 1951 is provisionally estimated as 1,076.6 million pounds. Last year's output was 24.5 million pounds more than the total for 1950—an increase over the year of two per cent. Between 1949 and 1950 the output of yarn rose by 6 per cent, but that large improvement was almost entirely due to the high rate of recruitment, and it would have been unreasonable to expect a similar rate of expansion during 1951. For most of last year the weekly output of yarn regularly exceeded that for the corresponding week of 1950 by 500,000 to 1 million pounds. The disappointingly small margin at the end of the year is largely explained by the wholesale closing of the mills during Christmas and the following week; in the first week of January, fourteen were still shut. By December 15th, when 50 weeks of the year had already gone, yarn production had reached a total of 1,047.62 million pounds, approximately three per cent higher than in the same period of 1950.

The recession in textile sales that led to the general shutdown over Christmas shows no signs of coming to an end, although there are more inquiries about than there have been for some weeks. The fact remains that the continuing stagnation is still being taken remarkably calmly by the industry. There are a few "weak sellers," but the great majority of companies are in a strong enough position to weather a set-back of this kind. Indeed, they appear to be going to the opposite extreme and disdaining to make any of the usual concessions, such as price reductions, that might be expected to stimulate the market's interest. One reason for their confidence is that the recession is not universal. It affects dress fabrics and household textiles only, and has not touched the industrial market that for some years has been taking a steadily increasing proportion of Lancashire's output. The second reason is that about one-fifth of the output of the industry is made up of imported grey cloth finished in this country. These imports last year amounted to 341 million square yards. This can be taken as evidence that the output of the spinning and weaving mills is still not large enough to meet the demands of the market for British cotton; but it also suggests that the best way to meet a recession is to cut grey cloth imports. Nevertheless, in the past six weeks, the spinning sections have lost 556 wholetime and 1,720 part-time workers to other industries out of a total of 124,170 on the spinners' books. A steady drain of this kind would make it difficult to increase output again when trade revives.

* * *

Fate of the Brabazons

Reports that the Bristol Aeroplane Company has been ordered to stop work on the Brabazon II have not been officially confirmed; it does not follow that they are without foundation. A year ago it was announced that the project would end with the completion of the second turbo-prop aircraft—the Brabazon I has piston engines—but there was little enthusiasm for continuing the work at all once it became clear that the smaller Britannia (Bristol 175), designed by the same company, met the BOAC specifications for long range aircraft capable of 4,000 mile flights. BOAC has 26 of these aircraft on order and needs them as soon as they can be delivered; the first is due to fly this summer. Much that has been learned in building and flying the Brabazon I has already been incorporated in the Britannia, and there may be little further gain either in theoretical knowledge or practical experience in completing the Brabazon II. It would equally be difficult to justify the continuation of work on a special coupled version of the Proteus engine that would be used in this one aircraft only.

Since these facts have been public knowledge for a long time, the release of the Bristol Aeroplane Company from its preoccupations with the Brabazon would certainly be timely. The company is awkwardly placed for labour, and has few men to spare for this work. The Ministry of Supply, and the other Ministries who are concerned with aircraft production might have reached what now appears as an inevitable decision about the Brabazon project at a much earlier stage.

The future of the Brabazon I has not been settled. The Air Ministry did not mention this aircraft when it announced that the big Princess flying boats were to be used as troop carriers. British European Airways has suggested that the Brabazon might be used for the London-Paris route—the antithesis of the London-New York flight for which the aircraft was designed. In the busy season it would be a sound commercial proposition—subject to one reservation. No aircraft is fully reliable, and faults may develop which make it necessary to withdraw an aircraft from a given flight. With only one Brabazon, a cancelled flight would raise the difficult problem of finding alternative transport for 120 or more passengers booked for the big aircraft.

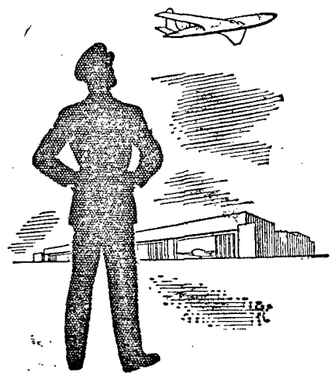
* * *

Building Societies on the Escalator

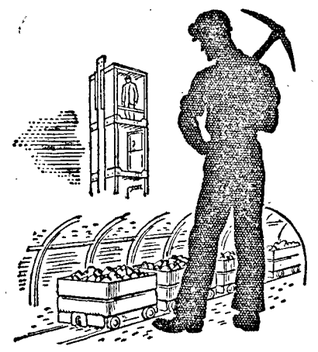
The Co-operative Permanent Building Society, which has assets of nearly £67 million, has become the second of the big ten building societies to climb on the escalator of generally rising interest rates; by raising its mortgage charges, it follows the Temperance Permanent Building Society (whose decision was discussed in *The Economist* of January 5th) and a growing number of smaller societies. The Co-operative Permanent will charge 4½ per cent (against 4 per cent) on all 20-year mortgages negotiated after January 21st. Rates on existing mortgage accounts will remain unchanged for the present, but the society states that "in all fairness it must be said that the possibility of some increase in the future cannot be disregarded." The society's present mortgage deed contains the usual interest variation clause, but it is now to introduce an alternative of the "fixed interest" type, whereby borrowers who undertake to pay 5 per cent on 20-year mortgages will have a guarantee that that rate will not be changed during the life of their contract.

Slowly, and by no means uniformly, the pattern of building society rates that prevailed before the change in official monetary policy last November—indeed that has been in effect since before the war—seems to be breaking up. The Building Society Association's statement on the morrow of the Bank rate change, which revealed that it was not recommending any alteration in rates for the time being, has been rendered at least partly out of date by the fall in gilt-edged prices in the interim—a fall that must, incidentally, have led to quite heavy depreciation of building society investment holdings. There are still some societies that resist a change, on the grounds that the movement is still experiencing a satisfactory inflow of funds (partly, no doubt, because of a movement of funds away from the stock markets and partly because of the recent genuine increase in personal saving). These societies also set great store by the movement's tradition of stable—and low—rates. It will be surprising, however, if societies as powerful as the Co-operative Permanent and the Temperance Permanent prove to have swum forward in this competitive business very much in advance of the tide.

Look up



Look down



...you see DURALUMIN

REGD. TRADE MARK

Look where you will and you will almost certainly find one of the aluminium alloys in the comprehensive "Duralumin" range.

The increasing popularity of this versatile material is hardly surprising. It cannot rust, need not be painted, is of good appearance, and whilst only one-third the weight of steel is equally as strong and lasts longer.

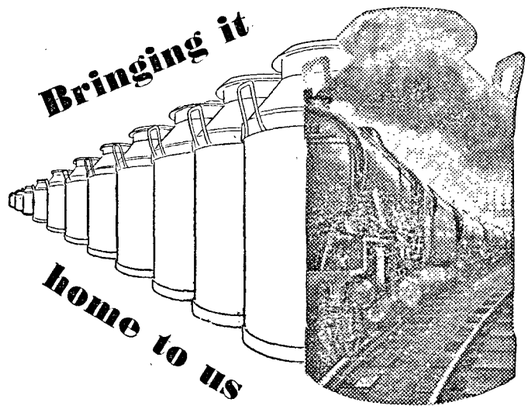
"Duralumin" can be welded, machined, pressed and fabricated in much the same way as other metals. It is produced as sheet, strip, tubes, wire and sections; the latter in a limitless variety of different contours.

While shortages exist at present, this is a passing phase. Now is the time to consider the use of aluminium alloys in your business so that your plans may be complete when the needs of re-armament are satisfied. Our development department will advise, entirely without obligation.

A knotty problem, with "Duralumin" —probably isn't !

JAMES BOOTH & COMPANY LIMITED
ARGYLE STREET WORKS · BIRMINGHAM : 7

Bringing it home to us

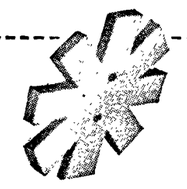


FOOD! The daily milk, the meat ration, our fish, vegetables and packaged goods, generally have a rail journey to reach us. Among the 300 million tons of freight a year (far more than pre-war) carried by British Railways, food takes a prominent place.

Today, our railways are busier than ever carrying the nation's food, as well as the raw stuffs of industry and nearly a thousand million passengers a year — working round the clock to keep Britain's vital lifelines open. And this despite a severe staff shortage.

Busiest Railway System in the World

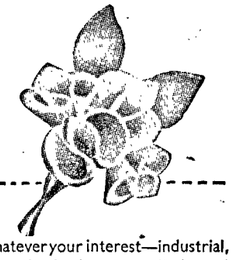
BRITISH RAILWAYS



Engineers *think of felt as the versatile material which can be die-cut, chiselled, machined. They want it for gaskets, filters, buffing rollers, shock absorbers and innumerable other important functions*

BURY FELT

Fashion designers *want felt for handbags, belts, furnishings, slippers, hats In neat shapes and charming colours. They know felt wears well, Is dependable and keeps its shape and colour*



Whatever your interest—industrial, domestic, fashion or medical, send your inquiries direct to BURY FELT MANUFACTURING CO. LTD. Hudcar Mills, Bury, Lancs. or 3 Snow Hill, London E.C.1. Phone: Central 4448.

22

Chemicals for Soil Conditioning

The first consignment of the Monsanto Chemical Company's soil conditioner, "Krilium," is on its way to this country from the United States. Field trials will start in the spring and parallel tests will begin in the commonwealth later in the year. Soil contains a proportion of natural gums that bond together earth particles in a way that gives good soil its characteristic porous structure, so that it neither bakes in the dry weather nor turns to mud in the wet. These gums are formed as by-products of organic decomposition of, for example, farmyard manure or compost. They are destroyed by soil bacteria and unless the land is continually fed with humus, the proportion of gums is gradually reduced and the soil deteriorates. The Monsanto product is a synthetic resin that has the same bonding action as these natural gums, with the further advantage that it resists attack from soil bacteria. In one sense it is an alternative to the peat moss and compost used by market gardeners; in another a quick-acting substitute for the present slow and costly measures used to check soil erosion.

American figures suggest that the cost of the product will be $2 a pound in the early production stages, presumably falling as the plant comes into full operation. One pound is reported to have the same reviving effect on soil structure as 200 pounds of peat moss at four cents a pound, or 500 pounds of commercial compost at 2½ cents a pound. The largest market is likely to be in large-scale reclamation projects. "Krilium" may also be used by private and market gardeners, both of whom crop intensively, but it is less likely to appeal to farmers. Nor in general would farm land need such treatment except in special cases; Australia may be such a case, since the new material holds water in the soil and might solve some of the farming difficulties created by high seasonal rainfall.

The fact that Monsanto is building a new $50 million plant to produce acrylonitrile, the raw material for the new product, does not mean that the entire output is going to be devoted to "Krilium." Acrylonitrile is also the starting point for a number of other chemical products, among them a new synthetic textile developed by Monsanto and the family of acryl resin plastics of which "Perspex" is probably the best known in this country. Monsanto has expanded considerably in Britain since the war, and the fact that it has rights to two promising end-products both produced from the same material will have some bearing on its future plans. The biggest obstacle to producing either "Krilium" or the textile fibre "Acrilan" in this country would be the supply of raw materials to make acrylonitrile. It can be produced from acetylene, which is both scarce and expensive, or from the petroleum gas ethylene, which is also scarce. Through its interest in other chemical companies Monsanto has access to the ethylene produced at Grangemouth by British Petroleum Chemicals. Most of the ethylene likely to be produced by BPC is, however, earmarked for other projects, and without further expansion it may prove impossible to find the extra ethylene needed for a new acrylonitrile plant of economic size.

* * *

High Prices for Ships

Current prices of second-hand ships, on the world market, are perhaps double the level of a year ago. Recently a British owner sold a Liberty type ship to a Panamanian buyer for £575,000, and others of this type, which a year ago would have fetched little more than £250,000, have been disposed of for about £510,000 with delivery four to six months later. These prices obviously reflect shipowners' general confidence that world demand for tanker and dry-cargo shipping will remain high for at least long enough to show a return on the outlay: but other factors are involved too. For British owners, one consideration is that when a vessel is sold at a price in excess of its written down value, a "balancing charge" is paid to the Treasury. To cover this charge, which reduces the proceeds of a sale to well below the cost of replacement, British owners are asking higher prices for vessels than they might otherwise expect. Again, when British owners sell ships of less than 15 years of age abroad, part of the proceeds is "blocked" against replacement by new building. For this reason they are demanding, and getting in a sellers' market, higher prices from foreigners than British buyers will pay.

A major influence on the cost of second-hand "ready" ships, of course, is the rising cost and long delays of building new ones. Owing to the crammed state of the order book in most shipyards, delivery of a tanker ordered today could not be expected before 1957 or even 1958, at least from a British yard. Prospects for dry-cargo ships is a little easier, but orders are being placed today for delivery in 1956. As for prices, increases in the wages of shipyard workers and increases in the cost of steel and components, have put up shipbuilding prices by about 15 per cent in the last six months alone. One estimate of the current cost of a plain motorship of 9,500 tons deadweight puts it at £575,000 (a sum that has been paid for a Liberty ship eight years old), compared with about £480,000 six months ago and £440,000 a year ago. Another estimate puts the price of a new tanker of 16,000 tons d.w. at about £53 per ton, but delivery could not be obtained for six or seven years and the owner would have to absorb any increases in the interim due to increased labour or material charges; while the delay in delivery might well be increased owing to the shortage of steel. It is not perhaps surprising that some companies are increasing their control over tonnage by buying shares in other companies that own ready tonnage and have building contracts nearing completion.

* * *

Steady Shipbuilding

For the first time for two years the quarterly shipbuilding returns compiled by Lloyd's Register of Shipping show a reduction in the total tonnage of tankers under construction in Britain, which at the end of December amounted to 105 vessels totalling 1,239,497 tons gross. This decrease—16,257 tons compared with the tonnage being built at the end of September—is only a small one, and since it was accompanied by a corresponding decline in the total of all merchant ships under construction from 2,271,640 tons to 2,209,012 tons gross the proportion of tankers to the total actually increased from 55.3 to 56.1 per cent. If ships for which plans have been approved or material ordered, though the keels have not been laid, are also taken into consideration, tanker tonnage now represents only 62.5 per cent of the combined total, compared with 67.9 per cent in the previous quarter, while the proportion of cargo liners has increased from 18.8 to 26.8 per cent during the same period. Thus tankers still predominate in shipbuilding work, and will continue to do so for a long time, but at last there is an indication that the trend

SHIPBUILDING OUTPUT IN BRITAIN, 1951

	Work Begun		Launched		Completed	
	No.	Tons Gross	No.	Tons Gross	No.	Tons Gross
1st quarter....	56	316,881	55	241,483	47	291,173
2nd "	79	382,478	79	414,138	70	346,211
3rd "	75	423,602	51	242,446	53	268,638
4th "	69	361,259	73	433,364	76	434,415
Total 1951.....	**279**	**1,484,220**	**258**	**1,331,431**	**246**	**1,340,437**
Total 1950.....	**284**	**1,417,977**	**278**	**1,314,535**	**319**	**1,388,922**

will be reversed, although not in time to have any effect on immediate requirements of steel. Although 422,340 tons of tankers were launched during the last six months, work was begun on another 495,260 tons.

The latest returns show that the balance of tonnage at various stages of progress, which was disturbed in the third quarter by an exceptionally low rate of launching and completion, was restored in the fourth quarter of 1951. It is noticeable that the tonnages launched and completed during 1951 compare favourably with those of the previous year, although the numbers of ships in all categories decreased. This is a further indication of the continually rising size of ships, particularly of tankers.

The outstanding feature of Lloyd's Register returns in 1951, however, has been the large increase in tonnage in the preparatory stage. At the end of 1950, 148 vessels totalling 954,486 tons were in this category; by the end of 1951 there were 295 ships of 2,225,404 tons gross. Of this total 1,391,290 tons consisted of tankers, 595,770 tons of cargo liners, and 116,900 tons of tramp ships, but there were only five passenger and cargo liners, totalling 53,250 tons. In addition, it is known that contracts have been placed for a further 2 million tons gross, and that these include a higher percentage of passenger and dry-cargo tonnage than for some time past. The total value of the work in hand and on order is estimated at £600 million, of which about one-third is for export.

* * *

Spending on Transport

In a paper to the Royal Statistical Society this week, Mr E. Rudd, of the Road Research Board, presented estimates of expenditure on road transport for the years 1949 and 1950 of which extracts are given in the accompanying table. Some of the many assumptions that Mr Rudd has

USERS' EXPENDITURE ON TRANSPORT AND TRAVEL, GT. BRITAIN
(£ Million)

	1949	1950
Road goods transport	470	540
Road passenger travel	550	640
The use of road vehicles on the public service	40	40
Total Road Transport and Travel	**1,060**	**1,220**
Rail goods transport	200	230
Rail passenger travel	130	120
Total Rail Transport and Travel	**330**	**350**
Other means of transport and travel	30	30
All Transport and Travel	**1,420**	**1,600**

been compelled to make may be open to argument—such as the apparently high allowance of £80 million for upkeep of roads and street lighting, which, so far as mechanical road transport is concerned, would seem already to have entered into the calculation through the payments of licence duties and fuel tax. But there seems no reason to disagree with Mr Rudd's general calculation that more than 10 per cent of the national income at factor cost of Great Britain was devoted to road transport, both in 1949—upon which most of his calculations are based—and in 1950.

This is a surprisingly large figure, and the author is right to make the comparison with expenditure on all means of transport. In doing so, he concludes that out of a total estimated expenditure on transport and travel of some £1,600 million in 1950, £1,220 million was accounted for by road transport and travel. For goods transport alone, road accounts for £540 million out of a total of £770 million.

The extent to which the nineteenth century pattern of transport has been transformed is remarkable; its unfolding has been obscured by the common user of the road track and the diversified ownership and operation of road vehicles. It is no longer true that the railways constitute the predominant means of internal transport in this country, and fiscal measures that have as their purpose restrictions on the growth of road transport cannot necessarily now be justified on grounds of national economic policy. The reasons for the long-term trend towards a greater use of road transport are well known, and it is not unreasonable to assume that the same considerations that have led trade and industry to develop the use of road transport will continue to operate in the economic climate of the coming decade.

* * *

World Consumption of Cotton

In 1950-51 Britain was the world's fourth largest consumer of cotton, coming after the United States, India and Russia. But it remained the largest consumer of Egyptian cotton, using 231,000 bales, or a sixth of the world's total. Egyptian cotton accounted for 10.6 per cent of Britain's consumption, while American growths accounted for 22.3 per cent. The bulk of the cotton used in this country is classified as "sundries" and is mainly American-type cotton grown in countries other than the United States, together with Sudan cotton. Russia, which the Egyptians like to believe could be an alternative buyer for their crop, used only 55,000 bales, or 2 per cent of its total consumption. The next largest consumer of Egyptian cotton after Britain is India, followed by France and Italy. The United States is wholly self-sufficient for raw cotton and in 1950-51 used two-thirds of

WORLD MILL CONSUMPTION OF COTTON
('000 bales. 1950-51)

Country	American	Egyptian	E. Indian	Sundries	Total
France	553	114	168	381	1,216
Germany, Western	650	50	64	319	1,083
Italy	599	99	89	153	940
United Kingdom	485	231	98	1,364	2,178
USSR	4	55	...	1,446	2,505
United States	10,480	89	54	15	10,638
India	418	185	2,456	329	3,388
Japan	926	32	331	302	1,591
Others	1,394	585	506	8,367	9,752
World Total	**15,509**	**1,340**	**3,766**	**12,676**	**33,291**

Source: International Federation of Master Cotton Spinners' and Manufacturers' Associations.

its crop. Japan used 926,000 bales of American cotton and only 32,000 bales of Egyptian—an indication of its specialisation on the lower grades of textiles and of its comparatively easy access to dollars—while Western Germany, whose total consumption is smaller than Japan's, used 650,000 bales of American cotton and 50,000 bales of Egyptian.

Shorter Note

A new wind tunnel for testing scale models of aircraft is being undertaken as a co-operative venture by a number of companies in the aircraft industry. The initiative for the project came from the technical board of the industry's trade association, the Society of British Aircraft Constructors. The design and construction will be undertaken by the Aircraft Research Association, a new body whose registration has just been announced. With one conspicuous exception, every big aircraft and engine constructor appears to be taking part. The name of de Havilland does not, however, appear among the list of founding members, nor is there mention of the aircraft division of English Electric.

Company Notes

Carreras.—Last year witnessed not only a fall in Carreras' trading profits from £3,366,058 to £3,290,121, but also an increase in the value of stocks held by the group by £2,372,973 to £13,408,838. Unwelcome though these movements were, they were almost inevitable once the stocks of leaf tobacco purchased before devaluation were used up and once the increased exchange cost and higher market price of leaf tobacco took effect. In order to finance its heavier commitments in working capital, the group has had to borrow more from the banks. Within the last financial year the group's bank indebtedness has grown from £4,624,406 to £6,792,671. The greater part of the new money has apparently been used in financing stocks held by the group's manufacturing interests in Britain, for the bank loan to Canadian subsidiaries has been reduced from £1,336,428 to £1,086,007, while the bank loan made to the parent company has risen from £2,707,000 to £4,961,000. At the same time, the parent company's "stock in trade, including leaf in the hands of agents abroad, at or below cost," has risen by just over £2,000,000 to £9,618,086.

Once the tax gatherer has taken his toll, which last year was raised to £1,907,920 (against £1,728,087) despite the fall in gross profits, the amounts that can be ploughed back into the business to help to finance stocks are comparatively small, consistent with the payment of a 35 per cent dividend. More money could be retained and invested in working capital if the attempt to restore a higher margin of profit by raising cigarette prices leads to an improvement in earnings. But it still has to be proved that the increase in cigarette prices forced on the leading

	Years to Oct. 31, 1950	1951
Consolidated Earnings:—	£	£
Trading profit	3,366,058	3,290,121
Total income	3,514,786	3,474,591
Depreciation	199,701	209,471
Taxation	1,728,087	1,907,920
Group earnings for ordinary stock	*1,382,468*	*850,379*
Ordinary dividends	716,158	683,605
Ordinary dividends (per cent)	35	35
Retained by subsidiaries	228,939	212,571
Fixed assets reserve	...	211,200
General reserve	100,000	...
Added to carry forward	350,313	20,723
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	1,932,601	2,177,148
Net current assets	9,024,878	9,250,696
Stocks	11,036,865	13,408,838
Cash	180,358	100,051
Reserves	7,559,035	7,859,884
Ordinary capital "A"	3,720,300	3,720,300

£1 "A" ordinary stock at 92s. 6d. xd yields £7 11s. per cent.

tobacco manufacturers last year will more than cover the rise in manufacturing and distributive costs that has already taken place. If the burden of stocks continues to increase, and if the company is unwilling—or finds it impossible—to expand its overdraft still further, then more permanent capital would have to be found. But an issue to the public might prove to be difficult for the current price of the "A" Ordinary shares at 92s. 6d. xd. to yield £7 11s. per cent. suggests that an issue of equity capital would have to be on markedly favourable terms. And an issue of loan stock, the solution adopted by Imperial Tobacco when faced with a similar financial problem, is not made easier by the recent advance in interest rates.

*

Cable and Wireless (Holding).—Once again the market has been taken by surprise by the dividend announced by Cable and Wireless (Holding). A year ago an ordinary dividend of 6 per cent. (against 4 per cent.) was declared for 1950, though stockholders generally had expected no more than a rate of 5 per cent. The directors have now recommended that a bonus of 2 per cent. should be added to the maintained ordinary dividend of 6 per cent., making a total distribution of 8 per cent. for the year ended December 31st last. The gratification of the market with this increase can be measured by the jump in the £100 ordinary stock from £115½ to £125½. The increase is in keeping with the policy outlined by Sir Edward Wilshaw last spring that the company aimed to secure and maintain a minimum dividend of 6 per cent. and then to increase it "by way of additional income from medium- and long-term projects." Before providing £216,000, against £187,000, for taxation, profits for the year amounted to £541,000, as compared with £369,000 in 1950 when the figure was struck after deducting £461,000 gross for the final dividend paid on the preference stock redeemed on June 30, 1950. The proposed distribution requires £210,000, against £165,000, and £100,000 is added to general reserve; in 1950 £930,000 was transferred to general reserve from profits brought forward from earlier years.

At the end of 1950 about 75 per cent. of the company's investment holdings was in equity stocks, so that the full accounts may show an advance in gross investment income, reflecting the modest increase in distribution on equity capital that took place during the year. A further £2,291,632 of the 3 per cent. unsecured loan stock has been redeemed, reducing the balance in issue to £3,666,612. This redemption necessitated the realisation of some part of the company's investments, so that the book value of quoted investments has fallen from £12,840,118 to £11,202,668 and their market value from £13,097,453 to £12,175,818. At the current price of £125½ the £100 ordinary stock units yield 6½ per cent.

*

Steel Company of Wales.—The opening of the hot strip mill at the Abbey works last July marked a decisive stage in the progress of the immense development scheme of the Steel Company of Wales, but it came too late in the year to have any marked effect upon earnings for the financial year ending last September. A preliminary statement shows that group trading profits have risen from £2,382,475 to £3,967,400. Earnings in the last financial year may contain an element of adventitious profits on stocks arising from the increase in steel prices last July. The advance may also reflect an increase in output from the works transferred to the group by the founder companies. The benefit of initial allowances upon the company's capital investments still makes a specific provision for taxation unnecessary. After providing for debenture and loan interest and for depreciation, net profits have risen from £725,500 to £1,128,106, more than correcting the adverse movement shown in the 1949-50 accounts. A balance of £2,319,289, against £1,451,512, is to be carried forward.

The closing of three open hearth furnaces—though these are outside the new works—owing to the shortage of scrap may lend weight to the fear that the achievement of full capacity working this year, as planned, will not be easy. At the end of September 1950, £41.4 million had been spent upon the development schemes at Margam and Trostre. When the full accounts are published they should reflect a major part of the full capital cost of the scheme which on the first estimate was to require £60 million. This has been appreciably exceeded owing to the rise in labour and material costs and to certain changes in the original plan.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Jan. 16, 1952	Price, Jan. 23, 1952	Net Yield, Jan. 23, 1952 (n)	Gross Yield, Jan. 23, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	100½	100⅜	0 17 6	1 17 2e
Mar. 1, 1951-53			1 1 6	2 3 1f
War Bonds 2½%	100⅛	100⅛	1 7 11	2 7 8e
Mar. 1, 1952-54			1 6 9	2 9 4f
Exchequer Stk. 2½%	99⅛	99⅛	1 6 2	2 7 2
Feb. 15, 1955				
Serial Funding 1½%	100⅛	100⅛	0 11 1	1 11 8
Nov. 14, 1952				
Serial Funding 1½%	100	100	0 16 7	1 15 0
Nov. 14, 1953				
Serial Funding	99⅛	99	1 4 6	2 2 5
Nov. 14, 1954				
War Bonds 2½%	99⅛	99⅛	1 9 4	2 12 7e
Aug. 15, 1954-56			1 8 0	2 11 6f
Funding 2½%	99⅜	100	1 17 1	3 10 8e
June 15, 1952-57			1 9 6	2 16 3f
Nat. Defence 3%	99⅞	99⅞	1 12 11	3 1 9e
July 15, 1954-58			1 12 1	3 0 9f
War Loan 3%	100⅞	100⅜	1 10 5	3 1 2e
Oct. 15, 1955-59			1 11 0	3 0 7f
Savings Bonds 3%	90½*	91⅛*	4 5 4	5 14 11e
Aug. 15, 1955-65			2 6 8	3 16 7f
Funding 2½%	93	93⅜	3 0 6	4 7 0e
April 15, 1956-61			2 2 5	3 8 0f
Funding 3%	87½	87⅛	3 12 6	5 4 9e
April 15, 1959-69			2 10 1	4 1 9f
Funding 3%	87⅛*	87⅝*	2 12 0	4 2 9e
Aug. 1, 1966-68			2 9 10	4 0 7f
Funding 4%	98⅜	99	2 6 0	4 5 7e
May 1, 1960-90			2 3 2	4 2 0f
Savings Bonds 3%	86⅜	85⅞*	3 9 8	5 0 4e
Sept. 1, 1960-70			2 10 7	4 1 7f
Savings Bonds 2½%	84½	85⅛	2 15 8	4 2 4e
May 1, 1964-67			2 10 4	3 7 0f
Victory Bonds 4%	101⅜	99⅛*	2 2 0	3 19 7s
Sept. 1, 1920-76				
Savings Bonds 3%	82⅛*	83⅜*	3 2 0	4 13 7e
Aug. 15, 1965-75			2 10 6	4 2 4f
Consols 4%	89⅛*	89⅛*	2 6 9	4 8 11f
Conversion 3½%	81⅛	81⅛	2 5 2	4 6 8f
Treasury Stk. 2½%	59⅛	60	2 4 1	4 4 5f
(after Apr. 1, 1975)				
Treasury Stk. 3%	70⅜	70½	2 4 10	4 5 11f
(after Apr. 5, 1966)				
Treasury Stk. 3½%	88⅛	88⅜	2 9 4	4 4 7e
June 15, 1977-80			2 8 4	4 4 7f
Redemp. Stk. 3%	77	77⅛	2 11 8	4 6 2e
Oct., 1986-96			2 8 5	4 3 2f
War Loan 3½%	80⅞	80⅞	2 5 10	4 7 7f
Consols 2½%	61⅛	61⅛	2 3 0	4 2 0f
Brit. Elect. 3% Gtd.	84⅛	84⅛	2 15 7	4 8 0e
April 1, 1968-73			2 10 8	4 2 11f
Brit. Elect. 3% Gtd.	83⅛	84	2 11 3	4 3 10e
Mar. 15, 1974-77			2 9 3	4 1 11f
Brit. Elect. 3½% Gtd.	89⅛	90	2 7 11	4 3 11e
Nov. 15, 1976-79			2 6 11	4 3 0f
Brit. Tpt. 3% Gtd.	76⅜	77⅛	2 15 11	4 9 7e
July 1, 1978-88			2 10 8	4 4 7f
Brit. Tpt. 3% Gtd.	84½	84⅞	2 15 7	4 8 0e
April 1, 1968-73			2 10 8	4 4 7f
Brit. Gas Gtd. 3%	76⅛	77	2 10 8	4 5 3e
May 1, 1990-95			2 9 1	4 3 10f
Brit. Gas Gtd. 3½%	93½	93⅜	2 6 11	4 2 9e
Sept. 10, 1969-71			2 6 1	4 1 10f
Brit. Iron & Steel	87⅞*	88*	2 8 10	4 4 9e
3½%, 1979-81			2 8 2	4 4 2f

(c) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years Approx. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, Jan. 16, 1952	Price, Jan. 23, 1952	Yield, Jan. 23, 1952
%	%					£ s. d.
40	b	20 a	Anglo-Am. 10/-	7⅜	8⅛	3 13 3
5	a	25 b	Anglo-Iran £1	5⅜	5⅜	5 4 3
20	c	7½ a	Assoc. Elec. £1	72/6	73/9	5 8 5
27½	c	7½ a	Assoc. P. Cem. £1	103/1½	101/3	5 5 8
35	c	45 c	Austin 5/-	30/7½	30/-	7 10 0
15	a	17½ b	Bass £1	118/9	113/9	7 10 7
40	f	5 a	Boots 5/-	22/6	21/6	4 13 0h
9	c	7 a	Br. Celanese 10/-	26/6	28/3	3 3 9
12	b	8 a	Br. Oxygen £1	81/6	78/6	5 1 11
5	a	7½ b	Coats £1	47/6	48/9	5 2 7
6½	b	5 a	Courtaulds £1	43/-	42/6	5 5 9
22½	c	7½ a	Distillers 4/-	19/6	19/-	4 14 9
15	c	17½ c	Dunlop £1	56/3	55/7½	6 5 10
10	c	12½ c	Ford £1	49/4½	47/6	5 5 3
17½	c	22½ c	Gen. Elect. £1	82/6	85/-	5 5 10
11	a	17 b	Guinness £1	120/7½	118/1½	4 14 10
4½	a	5½ b	Hawker Sid. £1	34/9	32/9	6 2 2
9	b	3 a	Imp. Chem. £1	41/10½	42/3	5 13 7
18½	b	13½ a	Imp. Tobacco £1	87/6	85/-	7 10 10
5	a	10 b	Lancs. Cotton £1	40/7½	40/-	7 10 0
13½	c	5 a	Lever £1	47/6	48/1½	5 12 3
15	c	7½ a	Lon. Brick £1	56/10½	56/10½	5 5 7
15	a	60 b	Marks & Sp. A 5/-	84/-	83/6	4 9 10
8	b	8 a	P. & O. Def. £1	45/6	44/6	4 15 11p
17½		7½ a	P. Johnson 10/-	37/6	36/-	6 18 11
17½	b	15 a	"Shell" Stk. £1	94/4½*	91/3xd	5 4 4
12½	a	12½ b	Tube Invst. £1	5⅛	5⅜	4 17 10
5	a	15 b	T. & Newall £1	87/6	86/10½	4 12 0
8	c	10 c	Union Castle £1	44/6	44/-	4 10 11
50	c	20 a	U. Sua Betong £1	57/6	57/6	17 7 10
10	b	2½ a	Vickers £1	44/-	43/9	5 14 3
15	a	27½ b	Woolworth 5/-	41/9	41/6	5 2 5

(a) Interim div. (b) Final div. (c) Div. for whole year. (h) Yield basis 20% after capital bonus. (p) Yield basis 10½% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 19, 1952, total ordinary revenue was £195,180,000 against ordinary expenditure of £89,887,000 and issues to sinking funds £570,000. Thus, including sinking fund allocations of £18,663,000, the surplus accrued since April 1, 1951, is £9,535,000 compared with a surplus of £296,630,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1951–52	April 1, 1950 to Jan. 20, 1951	April 1, 1951 to Jan. 19, 1952	Week ended Jan. 20, 1951	Week ended Jan. 19, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	811,239	958,145	96,859	144142
Sur-tax	128,000	73,600	79,000	5,800	7,000
Estate, etc., Duties	180,000	147,250	147,900	3,300	3,400
Stamps	55,000	42,460	49,900	1,100	1,200
Profits Tax & E.P.T.	312,650	229,670	259,600	4,800	7,500
Other Inland Rev.	600	190	330	30	70
Special Contributn.	1,500	4,120	2,290	80	50
Total Inland Rev.	2302400	1308529	1497165	111969	163362
Customs	930,500	721,874	809,953	18,781	20,691
Excise	720,500	548,200	580,095	5,800	4,695
Total Customs and Excise	1651000	1270074	1390048	24,581	25,386
Motor Duties	62,000	37,827	40,049	3,732	2,813
Surplus War Stores	20,000	35,932	30,667	...	1,022
Surpl's from Tradg.	50,000	41,905	74,455	...	...
P.O. (Net Receipts)	5,400	...	...	...	...
Wireless Licences	13,600	8,650	9,200	...	...
Sundry Loans	27,000	22,876	21,908	2,018	...
Miscell. Receipts	105,000	65,966	80,657	430	2,597
Total Ord. Rev.	4236400	2791760	3144148	142730	195180
SELF-BALANCING					
Post Office	179,431	136,500	151,000	3,400	3,800
Income Tax on E.P.T. Refunds	4,900	6,942	4,296	286	92
Total	4420731	2935202	3299444	146416	199072

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	364,005	393,927	5,609	1,187
Payments to N. Ireland	38,000	27,509	29,007	...	...
Other Cons. Funds	11,000	8,802	10,005	530	...
Total	584,000	400,317	432,939	6,139	1,187
Supply Services	*3514062	2081040	2683011	60,500	88,700
Total Ord. Expd.	*4098062	2481357	3115951	66,639	89,887
Sinking Funds	...	13,773	18,663	120	570
Total (excl. Self-Bal. Expd.)	4098062	2495129	3134614	66,759	90,457
SELF-BALANCING					
Post Office	179,431	136,500	151,000	3,400	3,800
Income Tax on E.P.T. Refunds	4,900	6,942	4,296	286	92
Total	4282393	2638571	3289910	70,445	94,349

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £353,732 to £3,744,968, the other operations for the week decreased the National Debt by £101,328,157 to £26,348 million.

NET RECEIPTS (£ thousand)

Export Guarantees Act, 1949	360
Coal Industry Nationalisation Act, 1946, s. 28(2)	2,011
Cotton (Centralised Buying) Act, 1947, s. 21(3)	2,000
	4,371

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	113
Local Authorities Loans Act, 1945, s. 3(2)	4,100
Miscellaneous Financial Provisions Act, 1946, s. 2(1) War Damage; War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	307
	8,120

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Other Debt:—		Treasury Bills	79,927
Internal	27,015	Nat. Savings Certs.	300
Ways & Means Advances	20,955	2½% Def. Bonds	640
		3% Def. Bonds	351
		Tax Reserve Certs.	68,080
	47,970		149,298

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951 Jan. 20	3220·0	1844·6	395·8	...	445·0	5906·4
Oct. 20	3250·0	2315·4	371·0	...	200·0	6136·5
,, 27	3270·0	2287·8	362·8	...	175·0	6095·6
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4
,, 10	3260·0	2323·2	332·8	...	150·0	6066·0
,, 17		4586·5*	274·7	...	125·0	4986·2
,, 24		4571·6*	292·6	...	125·0	4989·3
Dec. 1		4593·3*	304·8	...	125·0	5023·1
,, 8		4631·1*	289·0	3·0	123·0	5046·1
,, 15		4718·1*	207·7	...	123·0	5048·8
,, 31		4782·9*	252·5	5·8	119·0	5160·1
1952 Jan. 5		4760·0*	267·7	...	116·5	5144·2
,, 12		4723·4*	256·8	...	80·5	5060·7
,, 19		4643·5*	277·8	...	80·5	5001·8

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951 Jan. 19	230·0	321·3	230·0	10 2·79	60
Oct. 19	250·0	339·9	250·0	10 2·97	64
,, 26	230·0	313·4	230·0	10 2·91	63
Nov. 2	230·0	330·1	230·0	10 2·38	54
,, 9	260·0	330·4	260·0	17 2·96	70
,, 16	230·0	285·3	160·0	17 10·66	41
,, 23	170·0	237·6	170·0	19 2·96	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952 Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62

On January 18th applications for 91 day bills to be paid from January 21 to January 26, 1952, were accepted dated Monday to Saturday as to about 62 per cent at £99 15s. 3d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £170 million were offered on January 25th. For the week ending January 26th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 41 Weeks ended: Jan. 13, 1951	Totals 41 Weeks ended: Jan. 12, 1952	Week ended Jan. 12, 1952
Savings Certificates:—			
Receipts	69,200	120,800	2,700
Repayments	102,400	106,200	2,500
Net Savings	*Dr33,200*	14,600	200
Defence Bonds:—			
Receipts	13,225	45,954	945
Repayments	38,844	57,458	1,180
Net Savings	*Dr25,619*	*Dr11,504*	*Dr 235*
P.O. and Trustee Savings Banks:—			
Receipts	511,439	547,106	17,512
Repayments	556,511	631,808	12,165
Net Savings	*Dr45,072*	*Dr84,702*	5,347
Total Net Savings	*Dr103891*	*Dr84,606*	5,312
Interest on certificates repaid	22,726	26,384	650
Interest accrued	98,932	99,445	2,431
Change in total invested	— *87,685*	— *8,545*	+ 7,093

BANK OF ENGLAND RETURNS

JANUARY 23, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1353,622,359	Other Govt. Securities	1385,743,843
In Bankg. Department	46,734,464	Other Secs.	727,686
		Coin (other than gold)	2,513,371
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	297,412,853
Rest	3,774,265	Other Secs.:—	60,496,487
Public Deps.:—	15,205,403	*Discounts and*	
*Public Accts.**	*14,678,758*	*Advances*	*37,414,834*
H.M. Treas.		*Securities*	*23,081,653*
Special Acct.	*526,645*		
Other Deps.:—	372,694,004		
Bankers	*287,696,741*	Notes	46,734,464
Other Accts.	*85,097,263*	Coin	1,582,868
	406,226,672		406,226,672

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Jan. 24	1952 Jan. 9	1952 Jan. 16	1952 Jan. 23
Issue Dept.:—				
Notes in circulation	1284·7	1395·8	1367·3	1353·6
Notes in banking department	65·7	54·6	33·1	46·7
Government debt and securities*	1345·3	1446·7	1396·8	1396·8
Other securities	0·7	0·8	0·7	0·7
Gold and Coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·5	18·2	13·0	14·7
Treasury Special Account	2·4	0·4	0·5	0·5
Bankers	306·3	304·3	297·7	287·6
Others	83·8	91·9	86·2	85·1
Total	406·0	414·8	397·4	387·9
Securities:—				
Government	320·7	339·0	345·5	297·4
Discounts, etc.	11·5	14·2	12·6	37·4
Other	25·4	23·4	22·7	23·1
Total	357·6	376·6	380·8	357·9
Banking dept. res.	66·6	56·2	34·8	48·3
	%	%	%	%
"Proportion"	16·4	13·5	8·7	12·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 17	77·0	88·00	192 1	105 4
,, 18	77·0	88·00	192 0	105 8
,, 19	Markets closed		191 11	105 12
,, 21	77·0	88·00	192 10	106 5
,, 22	77·0	88·00	192 8	106 5
,, 23	77·0	88·00	192 11	105 1

COMPANY MEETINGS

LLOYDS BANK LIMITED

THE INFLATION DANGER

NEW TURN IN MONETARY POLICY

GOVERNMENT'S INTENTION TO CURB SPENDING

HOPE OF FUTURE ECONOMIC RECOVERY

LORD BALFOUR OF BURLEIGH'S STATEMENT

The annual general meeting (being the ninety-fourth ordinary general meeting) of Lloyds Bank Limited will be held at the head office, 71, Lombard Street, London, E.C.3, on February 15th.

The following is the statement by the chairman, The Right Hon. Lord Balfour of Burleigh, D.C.L., D.L., accompanying the report of the directors and balance sheet for the year ended December 31, 1951:

My Lords, Ladies and Gentlemen,

To deal first with personal matters, the shareholders will be asked to confirm the election of four directors appointed to the board during the past year. They are:

The Hon. Thomas H. Brand, C.M.G.

Major T. K. Jeans, M.C., who has served for four years as a member of our Salisbury Committee,

The Earl of Scarbrough, K.G., G.C.S.I., G.C.I.E., a member of our Yorkshire Committee, and

Mr W. R. Verdon Smith.

These gentlemen have distinguished themselves in the fields of finance, agriculture, the public service and industry; their experience and judgment bring a valuable accession of strength to the board.

DIRECTORS' GOVERNMENT APPOINTMENTS

The change of Government has entailed for us the loss of Lord De L'Isle and Dudley, who joined the board in 1950, now appointed Secretary of State for Air; Mr D. Heathcoat-Amory, who joined us in 1948, now Minister of Pensions, and Lord Ismay, who joined us also in 1948, now Secretary of State for Commonwealth Relations. Sir Peter Bennett, a director of the bank up to a year ago, has been appointed Parliamentary Secretary, Ministry of Labour, and relinquishes his seat on our Birmingham Committee. We greatly regret the loss of the valuable services of these four gentlemen and we offer them our sincere good wishes in the arduous tasks which lie before them.

During the year a new committee, the Eastern Counties Committee, has been established, the members being Sir Edmund Bacon, Bt., as chairman, and Lord Luke, with Sir Henry Upcher, a director of the bank until last year, and Mr A. P. Cobbold.

CHANGES ON COMMITTEES

I have also to record with pleasure the appointment of Mr Lloyd H. Fox, formerly a member of the Fox, Fowler & Co. committee, to our Devon and Cornwall committee, of Lord Kenyon to our Liverpool committee, of Colonel Angus to our Newcastle-upon-Tyne committee, of Lieutenant-General Sir Henry Pownall to our Pall Mall committee, of Sir Percy Thomas, past president of the R.I.B.A., to our South Wales Committee, and of Mr Cecil Berry, on his retirement from the district managership, to our Yorkshire committee.

During the year a heavy loss was suffered by the bank in the death of Mr Alwyn Parker, a former director, the eminent editor of *Lloyds Bank Review*. We are proud to think that under Mr Parker's direction our *Review* created for itself a special place in contemporary economic literature, and we greatly miss him.

PROFIT AND LOSS ACCOUNT

I will now refer to our profit and loss account and the balance sheet.

Our profit at £1,815,858 is £54,255 higher than last year and may be considered satisfactory in view of the continued increase in running expenses. It will be realised, however, that we have not been able to provide for the depreciation of our investments out of the profits of the year, but have utilised a part of our internal reserves for that purpose.

Instead of allocating any of our profits to our published reserve, we have on this occasion utilised the whole of our profits in excess of the amount required to meet the dividends for the purpose of strengthening our internal reserves.

Our investment reserve, buttressed by transfers from less immediately needed reserves, has taken care of the whole of the depreciation without unduly depleting our contingency reserve. The history of the last three months illustrates forcefully the need for powerful internal reserves and justifies the prudent policy we have always followed.

BALANCE SHEET

Referring to the balance sheet, our current, deposit and other accounts at £1,171 million show a comparatively small increase of £22 million over last year.

The principal changes in our figures will be found on the assets side of the balance sheet. The effect of the Government's operation in the funding of a portion of the floating debt is shown in the fall of £62 million to £156 million in our holding of Treasury Bills and an increase of £87 million to £329 million in the figure of British Government securities. There has also been a welcome fall of £65 million in our holding of treasury deposit receipts.

Loans and advances at £342 million show a further increase of £53 million, and with the present high prices ruling and the necessity for assisting industry engaged on rearmament work, the export trade and agriculture, it is difficult to visualise any immediate fall in our advances in spite of our determination to reduce the supply of credit for less essential purposes.

FUTURE EARNING POWER

With regard to our future earning power, much publicity has been given to a figure of £25 million per annum, or £16 million per annum after tax, by which the net profits of the banks are alleged to have benefited through the increase by under ½ per cent. in the rate of interest payable on the total Treasury Bill issue of £5,000 million. To begin with, the banks' holding of Treasury Bills at that time was less than £2,000 million, the remainder, so far as we know, being held mainly on account of Government departments and overseas central banks. Moreover, simultaneously with the raising of the Treasury Bill rate and the rate we charge the discount market for Call Money, our deposit rate was put up to ¾ per cent.

The time deposits of the banks being substantially greater than the aggregate of their Treasury Bill holding and Call Money, it is clear that the additional earnings on those items must be largely if not wholly swallowed up by the increased interest paid to depositors. So the £16 million profit vanishes into thin air but the lie that begat it lives on.

Far from having presented the banks with a £16 million bonus, the raising of the Bank rate and the new monetary policy have begun by causing depreciation of our Government securities on a scale necessitating large provision. Shareholders may view with satisfaction the fact that our securities are valued in our balance sheet at or under market price, for that in itself is a tribute to our internal strength. The great bulk of our British Government investments are held in dated stocks, the large majority with a maturity date of less than ten years. We may therefore hope to escape ultimate loss; but the sharpness of the fall even in dated stocks is well illustrated by the fact that so comparatively short a stock as 2½ per cent. Savings Bonds 1964-67 suffered a fall between December 31, 1950, and the lowest point touched a few weeks ago of as much as 10 per cent.

INDIA, PAKISTAN AND BURMA

Our business in India and Pakistan continues to make satisfactory progress, the rise in raw material prices having been reflected in an increased demand for banking accommodation. An important development during the year was the fixing of the rupee ratio between India and Pakistan, which has brought about an improvement in the trading relations between the two countries. I am sure that the British banks have still an important role to fill in India and Pakistan, and that their presence there assists in some measure in maintaining the traditional trade relationship between these two members of the Commonwealth and this country. Our vice-chairman, Sir Jeremy Raisman, recently visited several of our Eastern branches, and close touch with our business in the subcontinent is maintained by the periodical visits of executives from this side.

The new branches in Karachi and Madras, to which I referred last year, have since been opened and are making satisfactory progress.

Although conditions in Burma remain unsettled, they show some improvement, and our business in Rangoon has been maintained.

The officials and staff of our Eastern branches maintain a high standard of service,

and I would like to offer them my warm thanks for what they have accomplished in a year of difficult conditions.

STAFF

I referred last year to our staff college and training centre and it is pleasing to record the progress which is being made in both those institutions, the benefits of which, both to the bank and to the staff, are becoming increasingly evident.

During the year very careful consideration was given to the position of our staff, particularly the younger members, in view of the continued rise in the cost of living, and as a result new salary scales were announced for men, women and the non-clerical staff which became effective on January 1, 1952. In addition, a cost-of-living cash payment is being made to the staff in order to assist them so far as we are able.

I record with great pleasure our sincere thanks to all the staff for another year's excellent service, evidence of which not infrequently comes to our notice from customers of the bank.

OUR LIVELIHOOD IN DANGER

I have dealt, I fear, much more briefly than they deserve, with the affairs of our bank because I am anxious to devote as much space as possible to the new turn in monetary policy and to try to make clear that, however painful it may be, it does hold out hope for our future economic recovery. Before beginning my survey, however, I want to emphasise, particularly at this moment, that my remarks are made in no partisan spirit. The simple fact is that our national standard of living, our daily bread, is in more acute danger than ever before in our long history, whether in peace or war. Unless we can learn to pay our way abroad, then, as Mr. Butler very truly said, we shall before long find ourselves, "bankrupt, idle and hungry." Views may differ about the steps which must be taken to ward off that very real threat; what is important, as Mr Gaitskell urged last October, is that arguments should be appraised on their own merits, that we should argue it out "peacefully, fully and if possible rationally and calmly."

To the ordinary citizen, the crisis in our overseas payments may well appear to have come upon us out of a clear sky. That is not so. Twelve months ago, the danger signals were already plain for those prepared to heed them. Since the outbreak of war in Korea, the prices of our imports have been bounding upwards and the greater part of this rise had still to be reflected in shop prices. A sharp rise in the cost of living was thus inevitable and was bound to provoke wage demands which if conceded would in their turn impart a fresh twist to the price spiral. With rearmament beginning and taxable capacity already strained to the limit, there were all the makings of an inflationary upsurge far swifter than the creeping inflation that had been steadily reducing the purchasing power of our money. Without a curtailment of public spending that would involve the reversal of cherished policies the purchasing power of the community could not, as I argued, be kept within reasonable bounds.

Even twelve months ago, therefore, the situation was already one of great danger. For if there is one lesson of economic experience which admits of no dispute, it is that a country in which inflation is rampant will always experience the greatest difficulty in balancing its overseas payments.

DWINDLING RESERVES

The present crisis cuts even deeper than those of 1947 and 1949, because this time our unbalance is not confined to our dollar accounts; it involves our payments with the whole outside world, including our partners in the European Payments Union and even our fellow members of the sterling area. Nevertheless, our most immediate danger lies, yet again, in the dangerously low level of our still dwindling gold and dollar reserve.

In this respect the balance of payments remained, to outward appearances, reasonably healthy up to the middle of last year, when the reserves rose to their postwar peak of $3,867 million. What, then, accounts for the subsequent *débâcle*, in which well over a third of this entire reserve has been lost again within the short space of six months? Among the combination of factors responsible, one of the most important has been the abrupt decline early in 1951 of American purchases of wool, rubber and tin, which in turn brought their prices down again with a run. The export earnings of the overseas sterling area have thus fallen sharply, while on the other hand the prices of most of the goods which the sterling area imports have remained at boom levels.

This particularly adverse relationship between import and export prices has doubtless been the largest single cause of the heavy gold losses that brought us so perilously near to the final disaster of a collapse of sterling. Does this mean that the whole crisis has been due to influences entirely beyond our control and completely independent of our own internal policies? By no means.

REARMAMENT IMPLICATIONS

It was quite clear that in a rearming world the prices of metals and other commodities needed for defence were bound to remain high. To balance our overseas accounts without an impossibly large increase in exports some reduction in imports for civil consumption was therefore imperative. Unfortunately, our internal policies were not calculated to achieve this. During the first nine months of the year the United Kingdom—which imports as much as all the other members of the sterling area taken together—actually increased the *volume* of its imports by one-seventh compared with the corresponding months of 1950.

To some extent, admittedly, this increase represented the replenishment of stocks which had been allowed to run down in the months after the outbreak of war in Korea. For the rest, it is plainly associated with the expansion of some 3½ per cent. in the volume of home consumption during the first half of the year. This in turn affords clear proof of the inadequacy of the financial measures that were intended to bring about an actual curtailment of consumption in order to make way for the demands of rearmament. In the event all forms of expenditure—consumption, investment and public—have been rising simultaneously. This has been too much for our rigid and overloaded economy. The gap between these excessive total demands and our limited home production has been filled by imports; in effect, the surplus spending power which could not be satisfied at home, even at ever-rising prices, has found its way abroad.

STERLING AREA STRESSES

Throughout the remainder of the sterling area, too, imports have been rising—sufficiently so, in many cases, to turn a former dollar surplus into a dollar deficit in recent months. It was indeed only to be expected that the enormous rise in the export earnings of these countries would translate itself into an increased demand for goods, and that if these were not forthcoming from the United Kingdom they would be obtained elsewhere. During 1950, this country maintained an export surplus to the rest of the sterling area more than double our deficit with the dollar area and much greater than the overseas sterling area's own dollar surplus. That was a healthy and normal situation—the familiar triangular method of settlement. During the first half of 1951, on the other hand, sterling area countries were no longer being paid for their dollars, for the most part, in goods and services but in I.O.U.s; their sterling balances, in the aggregate, mounted rapidly. In the next stage—the second half of the year—our sterling liabilities fell again, but only because the overseas holders of these balances were drawing upon them to pay for imports from outside the sterling area; the I.O.U.s were being presented for payment.

All this is placing a great strain on the cohesion of the sterling area. If pounds cannot be made freely convertible into dollars, it is doubly important that they should be freely convertible into goods, and at competitive prices. Nothing, of course, would do more to lessen these dangerous tensions within the Commonwealth than the restoration of free convertibility into dollars, at least on current account. At the moment, admittedly, this is not practical politics and indeed seems as far from achievement as ever. None the less, convertibility remains an essential object of policy. For years past, the discriminatory restrictions on dollar imports made necessary by the precarious level of our reserves have been a thorn in the flesh of our American and Canadian friends. In their interests scarcely less than ours, it is devoutly to be hoped that means will be found of effecting that reinforcement of our reserves needed to make sterling once again a strong and a free currency.

TIME NEEDED

But first the immediate crisis must be met. While I am confident that the measures now being taken are precisely what is needed to put us on our feet again, time is needed to achieve results, and meanwhile our reserves have already been brought very low.

Two facts will have emerged clearly, I trust, from this brief survey of the nature and origins of the crisis. First, that when the new Government assumed office they were confronted with a situation which if not desperate was desperately critical. Secondly, that this critical state of affairs cannot be cured unless domestic inflation is checked. To some extent, the programme adopted by the new Government follows the familiar pattern of previous crises. In particular, imports are to be reduced. This is, of course, a pure emergency expedient which helps us to gain time but does nothing to remedy the underlying situation responsible for the unbalance. Experience in earlier crises has shown that when inflation exists it is difficult to cut imports without at the same time depressing exports; for the money that would have been spent upon imports will still be spent and in the process we shall either consume at home goods that ought to have been exported, or divert labour and materials away from the export industries to the service of the home consumer.

RETURN TO MONETARY DISCIPLINE

In one respect, however, the remedial measures adopted do differ from those employed on previous occasions—and it is fundamental. I refer to the decision to reinforce the physical controls by the use of monetary measures. This is the most important change in our official policies for many years past and holds out the first real hope of escape from the inflationary quagmire in which we have been floundering since the end of the war. Even so, the new measures should not become the subject of acute political controversy, for in October Mr Gaitskell stated that further action would be required not only

through direct controls but "as far as practicable through credit restriction." What is in dispute, therefore, is nothing more than the limits of what it is practicable to achieve by means of restrictions on credit. That is a practical question about which men may reasonably differ, but it cannot justly be presented as a basic difference in economic or political philosophy; it concerns merely the means to an end, not the end itself, which by universal agreement is to stop inflation.

THE INFLATION PROBLEM

Let me present the inflation problem as I see it. First, the fact that prices have been spiralling upwards for years means that spending has been out-running production. Secondly, if people have, in this sense, been spending too much, it is because they have had too much money, in relation to the goods available. And this in turn means—since balances held on current account or deposit account with the banks are by far the most important form of spending power in a developed community—that bank deposits have been excessive. It is true that for some time past the rate of expansion in bank deposits has been very small; since 1947 the growth in incomes has been made possible by a more rapid turnover of existing bank deposits rather than by further additions to their total. Nevertheless, there has at all times been more than enough money in existence to feed the inflation; what we have needed has been an actual reduction in the volume of deposits. I am sure that this is absolutely common ground between the parties, since two policies of the former Government—that of budgeting for large surpluses and of discouraging certain types of bank lending—were clearly designed to keep down and if possible to reduce the volume of deposits.

NO FAILURE BY BANKS

How is it that these policies did not achieve their purpose? Consider first the discouragement of certain types of bank lending. As we all know, bank advances have risen in spite of this. There is no suggestion, to my knowledge, that this reflects any failure on the part of the banks to exercise the restraint which had been urged upon us; on the contrary, successive Chancellors have readily acknowledged the co-operation they have received from the banks. Indeed, the fact that personal and professional loans—the category most likely to reflect the incidence of official policy—have steadily declined from some 30 per cent. of the total to only 21.6 per cent. in the latest returns testifies to the restraint which has in fact been exercised.

The difficulty is that when costs and prices are rising fast it is impossible, with the best will in the world, to prevent an expansion in the money total of advances if legitimate trade is not to be hampered. Thus, even now that the restrictions on lending have been intensified, it will be surprising if the total of advances does not continue to expand for a few months. Once the germ of inflation is in the system, the utmost restraint in bank lending cannot be expected to eradicate the inflation by itself.

Bank advances, then, were bound to rise. It follows that if deposits were to be reduced, this could only be made possible by a more than equivalent reduction in other bank assets. It is true that during the two years to October, 1951, there was a substantial contraction in those assets of the clearing banks (such as Treasury Bills and Treasury deposit receipts) which form the counterpart of Government borrowing; but to a large extent that was undoubtedly a reflection of the heavy external deficit and the Exchange Account's losses of gold, rather than of a strong budgetary position. It was in any case more than outweighed by the expansion in advances over the same period, so that deposits rose instead of falling.

DEPOSITS AND CASH RATIO

But, it will be objected, the volume of bank deposits is rigidly linked, by the maintenance of an 8 per cent. cash ratio, to the amount of bank cash reserves. If the authorities were anxious to keep down the volume of deposits, could they not easily have done this at any time simply by refusing to make available the additional cash needed to carry any additional deposits? That is indeed so. But the adoption of this method was ruled out, until the recent change of policy, by the determination to prevent any rise in the Treasury Bill rate from the exceptionally low level of around ½ per cent. at which it had been pegged.

Let me show by a simple—perhaps oversimplified—example how this operated, always bearing in mind the 8 per cent. cash ratio to which the banks adhere. If bank advances rose by £100 million, increasing deposits by the same amount, the banks would have to keep an additional £8 million of cash, and to obtain it they would, other things being equal, restrict their purchases of Treasury Bills. This would immediately leave the discount market short of funds and would therefore tend to drive the Treasury Bill rate up. But other things were not equal. At the first sign of stringency the so-called "special buyer"—the official dealer—intervened in the market as a buyer of bills, paying for them by drafts on the Bank of England. The proceeds of these would swell the clearing banks' balances at the Bank of England which, together with our till money, make up our cash reserves. Before the war, the banks would normally have had to reduce investments to finance the additional £100 million of advances, a process that would restore deposits to their original level. Instead, they now found themselves automatically provided with the additional £8 million of cash with which to carry the advances and the rise in deposits could go gaily on.

TWO SIGNIFICANT STEPS

To end this system by which the Treasury Bill rate was pegged at ½ per cent. was thus the first indispensable step towards the resumption of control by the authorities over the supply of bank cash, and therefore of control over the volume of bank deposits. That has been done, at the cost of a rise of no more than ½ per cent. in the Treasury Bill rate. At the same time, two other steps of great significance have been taken. The first was the issue of £1,000 million of Funding Loan, a large share of which has been subscribed by the banks in exchange for Treasury Bills. The result has been to effect a sweeping reduction in our money market assets, which have been brought down very near to the level which the banks have regarded in the past as the minimum needed to reinforce the cash reserves.

This is of fundamental importance; for it is a move towards the restoration of the pre-war situation in which a rise in advances would normally be offset by a compensating change in the investment portfolio and for that reason would normally leave unchanged the volume of deposits. If, as is to be expected, still more Treasury Bills are retired in the next few months out of the very large tax payments which flow into the Exchequer at this time of year, the situation later in the year may not be very different from that we knew before 1939. In the case of our own bank, the combined total of our cash, money market assets and Treasury deposit receipts was equivalent on December 31st to 34.4 per cent. of deposits.

Meanwhile, the banks have been requested to give still greater emphasis to the former policy of refusing to make advances of an inflationary character, and at the same time to accord priority in their lending to the needs of essential industries engaged on rearmament work, on the production of exports or on other activities of the first importance, such as the production of food. In the new situation, the priority accorded to these essential activities will necessitate greater restriction of credit for all less essential purposes, though it goes without saying that we shall continue to treat every customer with the utmost consideration which is compatible with the carrying out of national policy.

OBJECTIVES OF THE NEW POLICY

All this, in brief outline, is what is meant by the use of monetary weapons. Next I must try to explain precisely what the policy is designed to achieve. How will it help to cure the many economic ailments that we have contracted during the years of inflation? The intention of the authorities is, by keeping a tight rein on the supply of money, to reduce spending. Hitherto, though many sections of the community have been feeling the pinch of higher prices, the nation as a whole has had money to burn; henceforth, in this as in more literal respects, there will be a shortage of fuel.

To curb spending is, of course, also the object of such physical controls as the restriction of imports, the allocation of steel, the issue of building licences. Such controls are to continue for a time at least. But there is an important distinction between physical controls and the monetary restraints. When the curb on spending comes from the fact that each of us, individually, is forced to economise, the decisions are taken by the person who in each case is most closely affected and has most knowledge of the relevant facts, including his own circumstances and preferences. The classification of objects of expenditure into "essentials" aid "inessentials" may be convenient administratively, but it is none the less purely arbitrary; beyond a certain point these are question-begging terms.

WISE HANDLING OF MONEY

It is this distinction—the decentralisation of economic judgments—which, in my view, makes a properly working monetary system infinitely more efficient, and even more democratic, than rationing and controls as the normal method of regulating our economic life. When the monetary system is functioning properly, costs and prices indicate correctly the true scarcity of goods and services; the price system provides us with a rational guide to economic conduct, and we no longer have to depend upon the arbitrary guesses of well-intentioned but necessarily far less than omniscient planners. I am far from asserting that this classical doctrine can be applied blindly; but in this generation we seem to have forgotten the rule and remember only the exceptions. The invention of money was one of the great steps forward in the development of mankind. Wisely handled, the monetary mechanism is an instrument of great delicacy, yet great power. It has been thrown out of gear and must be set to work again.

How far must this restraint of spending be carried? The basic rule is that it is one man's spending which creates another man's income. The object, clearly, is so to restrain expenditure that incomes as a whole at least cease to expand, except as the counterpart of increases in output. There is no question of seeking abruptly to bring down prices by cuts in wages or the deliberate creation of mass unemployment. Once an inflation has taken place, it is almost impossible to put the clock back; deflation carried to extreme lengths can be as great an evil as inflation and, like inflation, can give rise to much social injustice and hardship.

INCREASED PRODUCTIVITY THE SOLUTION

If the cost of living is to be brought down again, the reduction must come from other factors than cuts in money earnings. A fall in import prices would help, but it would clearly be unwise to count on this in the immediate future. The real solution must be an all-round increase in productivity. Nobody could contend that in the hot-house atmosphere of inflation our labour force has either been distributed to the best advantage between industries or has been working flat out. Now the windows are open again and the invigorating effect may work wonders.

All this may seem very remote from specific problems of great urgency, such as the need for more coal, the need to fill the half-million or more vacant jobs in defence industry, to curb imports and step up exports. In reality, it has the closest possible bearing on all such matters. To halt inflation admittedly will not solve all our problems overnight, but it is the first indispensable step and may well open up the way to a solution of problems that have seemed literally insoluble so long as inflation has persisted.

If the inflation is halted, the community as a whole will find itself in the position of a prudent housewife deciding how best to spend a strictly limited family income. If the prices of essentials rise, she is left with less to spend on non-essentials and must buy less of them; and we all know that rises have already taken place or are impending in the prices of many undoubted essentials, such as fuel and transport.

DESPERATE NEED OF COAL

How does this affect the particular problems I have mentioned? Everybody knows that we desperately need more coal. This means that we desperately need more miners and more output from every man in the mines. A few weeks ago the coalminers were awarded the largest increase in wages in the history of the industry. If this succeeds in attracting more men to the mines, no money could be better spent. But under the inflationary conditions we have known hitherto there could be little prospect that the wage increase would in fact achieve this purpose.

This is because under inflation every industry, however questionable its contribution to the national wellbeing, is able to earn abnormally high paper profits. Employers even in the least essential industries are thus able to offer good wages and anxious to hang on to their workpeople even if trade is temporarily slack, while the employees in their turn have no incentive to give up their secure billets to seek more essential work, possibly more arduous, less conveniently near to their homes.

So, in a state of inflation, the award of higher wages to the coalminers, which is perfectly justified and indeed highly desirable from the national point of view, is likely to provoke demands for higher wages in other industries; and if these are conceded, as in such conditions they must be, this will defeat the whole purpose of the original award. Mining will soon cease to be, as was intended, more attractive than comparable occupations; the higher wages paid to other workers will not only reduce the differential in money wages between mining and other employments; it will raise the prices of the things the miner has to buy and lower his real standard of living.

EFFECT OF STABLE INCOMES

Once the total of money incomes is kept stable none of these consequences will follow. Having to pay more for its coal, the community will have less to spend on other things. If the price of those other things is raised by wage demands, the workers concerned will face a still greater shrinkage in the demand for their products. It is this shrinkage in the demand for their products, rather than curtailment of bank credit, that is likely to be the main reason for any contraction in the inessential industries during the months ahead.

Once inflation is halted, we need no longer fear a wages spiral. There need be no inhibitions about granting higher wages in the industries to which it is sought to attract workers; and the trade unions will be free to resume their proper and valuable function of ensuring that their members obtain the highest wages that the traffic will bear. Nothing in the new policies, therefore, can be considered inimical to the interests of labour, and it is a great source of national strength that the T.U.C. have promised their co-operation to the new Government. Unless all sections can in fact pull together, we shall sink together.

TRANSFER OF LABOUR

In discussing the particular example of coal, we have answered by implication the more general question of how to effect the necessary transfer of labour to rearmament industry and the essential industries as a whole. Given an end to inflation, the people will no longer have the money to spend on the products of the less essential industries. Profits, turnover and employment in those industries will contract, as it is desirable in the national interest that they should. Workers will be released to make their way to the expanding defence and export industries. And with half a million or more vacancies to be filled in the essential sector, there can be no danger that the contraction elsewhere will give rise to any lasting unemployment. I recognise that even transitional unemployment means hardship for the individuals concerned, but the alternative—if the necessary redistribution of labour is not effected—is mass unemployment due to inability to buy raw materials.

By thus loosening the rigidities of our economy, the halting of inflation will help at the same time towards the supreme objective, which is to rectify our balance of payments. Indeed, the elimination of excessive monetary demand will assist in a number of ways. We have already seen that the untimely increase in the volume of imports during 1951 was due at least in part to the fact that home consumption was rising when it should have been falling. The inflated home demand for goods and services must also have been a factor impeding the expansion of exports. A slackening in home demand will not enable us to sell goods abroad if the markets for them do not exist or if we are unable to meet the challenge of reviving Japanese and German competition; but it will at least release goods for our exporters to try to sell abroad.

STIMULUS TO SAVINGS

These, then, are some of the reasons why I believe the determination to set to work once again our rusty and forgotten monetary machine to have been a decisive turning-point. They are by no means the whole story. I have concentrated on one simple aspect of the question: the fact that if incomes are limited higher prices in one direction mean less spending in other directions, and some of the beneficial consequences that flow from that fact. But in this sphere above all nothing succeeds like success. When prices are rising, this very fact makes people less willing to save, more anxious to spend—whether on the purchase of a new hat or the building of a new factory—before prices rise against them. Inflation feeds on itself. In the same way, the halting of inflation can transform the whole atmosphere. Given a reasonable prospect of stable prices, consumers, business men and even public authorities will be more willing to postpone inessential expenditure. Still more will this be the case if money is no longer cheap and abundant and if the expenditure in question must be financed by the sale of securities the prices of which have been depressed by the adoption of the new monetary policy.

To end inflation, in other words, is the greatest conceivable stimulus to saving; and a revival of saving, in turn, is one of the few things which would make possible that reduction in taxation which above all else is needed to restore incentive and stimulate production. That does not, of course, make it any the less imperative to curb the excessive public expenditure which is at the root of the inflation. In face of rising prices and rising defence expenditure, however, it will be no small achievement to keep budget expenditure at its present level. Some remission of taxation may nevertheless be possible if personal saving can be revived; for it would then no longer be necessary to aim at huge budgetary surpluses.

CONCLUSION

Let me recapitulate the objectives of policy:

To preserve the spending power of the £ and to halt the rise in the cost of living.

To effect as painlessly as may be the transfer of labour to essential industries.

To rectify the fundamental weakness in our balance of payments.

The people, sheltered by subsidies and other devices from the play of ultimately inescapable economic forces, remain for the most part unaware of the dangers with which we are all threatened. I appeal to everyone, particularly to those who, for whatever reason, distrust or fear the use of restrictive monetary policy, to study the case I have tried to make. He who, from ignorance or prejudice, obstructs such measures now will be taking upon himself a terrible responsibility.

I would conclude with a final word about rising prices. The inconvenience and hardships people are suffering are considerable and nobody should underestimate them, nor condemn out of hand the efforts anyone may make to try to maintain his standard of living. But there is this special danger in the present situation. Many people think of a further dose of inflation as just a little more of the same medicine as before, if perhaps a little stronger. It would not be like that if prices were allowed to get out of hand. The great mass of people in this country, both salary and wage earners, have no conception of what their sufferings would be if we had runaway inflation. The whole complex structure of our daily life, carefully built up over long years, could be destroyed almost overnight. It has happened in other countries—we all remember the mark in Germany after the 1914-18 war—but it must not happen here.

We must all play our part, uncomfortable though it may be, in keeping prices under control, and this is where the collaboration of the T.U.C. may be decisive. That great organisation will, I am certain, use every means in its power to bring home to its members what runaway inflation means. Inflation *must* be halted. The process will be painful—it has already proved so to the banks, who have suffered tens of millions of depreciation in the market value of their gilt-edged investments. But for the countless victims of inflation—the millions whose incomes have not kept pace with mounting prices—the return to some degree of monetary discipline holds out the first real hope of a tolerable future.

MIDLAND BANK LIMITED

DETERIORATION IN NATION'S ECONOMIC HEALTH

URGENCY OF REMEDIAL ACTION NECESSITATES ALL-ROUND CO-OPERATION

ILLUSIONS CREATED OR FOSTERED BY INFLATION

STATEMENT BY THE LATE CHAIRMAN

The one hundred and sixteenth annual general meeting of Midland Bank Limited will be held on February 15 at the head office, Poultry, London, E.C.

The directors deeply regret the loss, by sudden death, of their distinguished chairman, The Most Hon. The Marquess of Linlithgow. In the circumstances, they feel it would accord with the wishes of the shareholders that his statement, which was at an advanced stage of preparation at the time of his death, should be circulated without amendment. Extracts therefrom follow.

In my statement a year ago I noted the progress which seemed to have been made, on the test of generally accepted data, towards equilibrium on the balance of payments of the United Kingdom and the sterling area as a whole; at the same time, however, I suggested that the prime cause of anxiety for the immediate future was to be seen in the continuance, and perhaps intensification, of inflationary pressure within the national economy. The close connection between these two elements in the situation has been abundantly demonstrated in the course of events over the past year. Inflationary pressure has found expression in an accelerated shrinkage of the domestic purchasing power of the pound, while a dramatic change has manifested itself in the international position of sterling. The balance of payments of the United Kingdom, and indeed of the entire sterling area, has undergone a sharp deterioration; the steady building up of gold and dollar reserves was succeeded by an alarming drain, accompanied by a reversal of the creditor position earlier established in the operations of the European Payments Union.

It is a difficult time at which to comment constructively on such a manifestation of weakness. Various measures aimed at arresting the deterioration and strengthening the bases of recovery are being applied, and until a more comprehensive plan of action has been worked out than could have been elaborated at this stage it would be premature to pass judgment and something less than helpful to press detailed proposals. What can perhaps be done, by way of constructive assistance to those responsible for shaping policy and action, is to make some contribution towards a wider understanding of the nature of the difficulties that must be overcome before economic health can be fully restored. No one, surely, can be so complacent as to suppose that such a task is redundant or that the educative process has been completed by the impact of the series of economic "crises" experienced since the end of the war.

THE SETBACK OF 1951

The record of 1951 is a disappointing setback to the high hopes that had been engendered by a period of comparative steadiness and reinforcement, supported by American aid and fostered by the opportunities in export trade afforded through devaluation and an expansion of world demand. To some extent the brighter prospects were frustrated by the added strain put upon the economic system by growing international political tension. The resultant pronounced rise in world prices of many primary commodities served to enlarge the gold and dollar resources of the sterling area; on the other hand, it combined with the secondary effects of devaluation to bring about a marked increase in the cost of many raw materials used in British industry; and the all-round levering up of industrial costs has only latterly been slightly relieved by some decline in primary prices from the peak of the upward movement. The necessity of swift rearmament within a concerted plan of Western defence has imposed upon our productive capacity a requirement the magnitude of which has perhaps scarcely yet been generally appreciated. With that superimposed requirement, however, it has become clearer than ever before that we in this country have been living under a condition of continuous overstrain of economic resources. The quickened depreciation of the pound and the violent disturbance of the balance of payments are correctly to be regarded as more than ordinarily conspicuous and convincing evidence of a long-standing condition. The new demand upon the national resources tipped the scales, in an unsteady balance, so that the weight of excessive demand made itself apparent in unmistakable terms.

I tried to show last year that the prospective rearmament demand would call for a substantial diversion of growing productive resources, and suggested that it ought to be brought about primarily at the expense of current consumption. The records show that in fact this redirection of productive effort did not take place in the smooth and orderly manner that might have been hoped for—indeed, the volume of consumption seems to have been maintained in 1951 at the previous year's level—and the failure must be attributed, on the evidence, to the continued inflexibility of our economic system. In an economy like ours, peculiarly bound up with international trade and therefore sensitive to abrupt changes in world conditions, a high degree of adaptability is required; and this is all the more necessary when, as throughout the postwar period, productive capacity is fully engaged, with little or no slack to be taken up in response to a sudden expansion of a particular element of demand. Even before rearmament became an important factor, there had been continuing pressure to take more out of the national product in consumption, on governmental and private account together, than would allow for all the capital reconstruction and improvement that might have been justified under other conditions. The rearmament programme introduced a new competing demand which involved considerable recasting of the pattern of production as well as substantial diversion of the product of industry away from consumption or capital construction. The required adaptation was not forthcoming.

Apart altogether from familiar price indices and figures of gold reserves and balance of payments estimates, evidence of this lack of adaptability is to be found in a variety of forms. It can be seen, for one thing, in the excessive demand for some kinds of labour, contrasted with a shortfall in other branches of industry. There are reported to be several hundreds of thousands of unfilled vacancies listed at employment exchanges, arising largely in undertakings directly or indirectly concerned in defence contracts, while it is understood that workers are being retained in some places in excess of current requirements for fear of inability to recruit when restored supplies of raw materials, re-expansion of consumer demand or other factors make full running possible again. In contrast, many thousands of employees elsewhere are working short time, some because of a shrinkage of current demand for their products, others because of an irregular flow of materials. Clearly, skilled workers cannot be switched freely and swiftly from one kind of process to a totally different occupation; but there seems to have developed too close an adhesion of the particular man to the particular job—a degree of rigidity in the supply of labour which is traceable to many factors, including housing difficulties and travel problems, as well as direct inducements embodied in individual terms of employment. Further evidence of strain is to be seen in a reversion in some trades to lengthening delivery dates and renewed difficulty in accepting orders for export markets. Irregularity in the supply of materials, not to mention fuel and power, and immobility of labour are incontrovertible evidence of the sustained pull of excessive demand on limited, though still growing, productive capacity.

Symptoms of strain are to be seen also on the financial side of affairs. Year by year, the budget has been so framed as to exert a counter-inflationary effect by withdrawing monetary resources from consumers and those who might otherwise set up undue demands for capital goods; but every addition to the burden of taxation has entrenched further upon the ability and willingness of the individual to maintain his personal savings, and has thus to a large extent defeated its own purpose. The incomplete effectiveness of counter-inflationary budgets—given an already high level of taxation—has been reflected in the reappearance of the spiral of costs and prices. In the first eleven months of 1951 nearly 12 million workers were affected by rises in wage rates, computed to have added roughly 7 per cent. to the national wages bill, and these are far larger aggregates than in any preceding year. Similarly the rise in the index number of retail prices has been more pronounced than over any equal period since the end of the war.

REMEDIAL MEASURES

It would be absurd to look for a single remedy for overstrain and rigidity resulting from this complex of factors. Direct curtailment of public and private capital construction has been resorted to more than once already, as has direct restriction of imports; and no one supposes that these alone will this time be more lastingly effective than in the past. There is room for fiscal measures, though at this stage probably only by reallocating the burden so as to increase the incentives to work and resourcefulness rather than by aiming at a more powerful impact on spending power as a whole. Relief, too, may be found by economies in current Government expenditure. Financial controls, especially over borrowing for capital and other transactions, have again been tightened in pursuance of the general purpose; and the new monetary conditions, referred to in more detail in later paragraphs, may be expected, through their effect upon the lending powers of the banks, to defle

some of the less urgent demands upon the nation's productive capacity. Beyond all these measures, however, is the need—progressively insistent for many years stretching back into prewar times—for greater elasticity in the economic system as a whole and the requirement, which has characterised more particularly the postwar phase, of a general slackening of tension throughout the productive and trading organism.

Government measures, however wisely conceived and judiciously applied, cannot alone bring about this restoration of the quality of responsiveness and adaptability. Complete and speedy success, bringing its benefits to all sections of an inter-dependent community, requires the full co-operation of all—co-operation springing from conviction as to the nature of the requirements and the urgency of remedial action. Whatever Government may be holding office for the time being, it must for this purpose be able to count upon enlightened support for a plainly expounded policy, fair in its incidence and designed to serve the national interest as a whole. On this account encouragement is to be derived from the statesmanlike declaration by the General Council of the T.U.C. of its readiness to co-operate with the new Government in finding "practical solutions to the social and economic problems facing this country" and to advocate policies which it "believes to be in the best interests of the country as a whole." Nowhere is general understanding of the basic issues more necessary than in relation to monetary policy, and perhaps the most useful groundwork that can be done in this field is to identify and expose in the plainest possible terms some of the illusions created or fostered by inflation. They seem to me to group themselves conveniently under four headings.

ILLUSIONS FOSTERED BY INFLATION

The first may be called the illusion of welfare, which springs from the fact that inflation is usually accompanied by over-full employment with rising incomes—incomes swollen not only by successive increases in wage rates, but also by a variety of incentive payments and amenities and by opportunities of work at overtime or other special rates. Too often it is forgotten that the inevitable concomitant of inflation is a cumulative rise in prices, including even the basic and subsidised living costs. There is a tendency, moreover, to overlook the growing number of cases of hardship that arise where incomes are relatively, or indeed quite, unresponsive to a rise in the cost of living. Yet another incident of the general process is that the burden of taxation tends to grow, if only because of the diminution of the real value of income tax allowances and the movement of increasing incomes into the range of high tax rates. Thus inflation accounts for the fact that, despite successive postwar Budget reliefs for smaller incomes, the number of people paying income tax to-day is larger than ever before. Taking all things together, then, it is justifiable to say that the nominal enlargement of welfare is to some extent illusory. To illustrate the danger of the illusion, which became apparent in the history of not a few countries after the first world war, it would be possible to have in the United Kingdom several tens of millions of millionaires; but it would be a country well on the way to ruin, and many of its citizens, though millionaires, would already have been ruined.

Secondly, there is the illusion of security. The loss of value of accumulated savings, through long-continued inflation, has latterly become widely appreciated and may indeed have been a deterrent to fresh saving out of current incomes, thus giving added impetus to the inflationary trend. Less widely apprehended are the similar effects upon the adequacy of personal provision against misfortune, as through life insurance and contributory schemes for the protection of widows and orphans. All such arrangements presuppose a more or less stable value of money, and the momentary satisfaction to be derived from a growing income in terms of money is all too little to set against the risk that provision for dependants which seemed adequate when the arrangements were made should turn out to be so deficient, when the need arises, as to condemn them to uncovenanted hardship. The same observation would apply to pension schemes under which some part of an individual's immediate spending power is forgone for the sake of an income in old age which may turn out to be far smaller in terms of necessary goods and services than he had been entitled to expect. Closely related to such private frustrations are the inroads made by inflation upon social service provisions, exemplified by the severe cut in the value of the family allowance since the payment of five shillings a week for each child after the first was enacted by Parliament in 1945.

A third count in the indictment of inflation is on the ground that it creates an illusion of greater progress than is in fact being achieved. This is well illustrated by the tendency to treat a rise in such figures as the total of bank deposits or the turnover of trade as measures of business expansion when they may reflect nothing more than a rising level of prices and costs. Under similar conditions a growth of national income is deceptive until the figures are adjusted on to a common price basis, while the amounts applied out of current income to the improvement of economic and social capital may likewise be overstated. Compilers and interpreters of such statistics for public information find it a hard task to present the figures in a way that will defeat their inevitable tendency to deceive, and almost impossible to guard against the ever-present risk that less skilled commentators may be also less scrupulous to present the statistics with all necessary qualifications. It is so much easier to take the figures at their face value.

Closely allied with the illusions of welfare, security and progress is the illusion of prosperity. In times of inflation business profits, as ordinarily computed, show an expansive trend, and Government revenue from the taxation of profits is correspondingly buoyant. But just because profits are easier to make than in more rigorous times the incentives to economical production and distribution are weakened. In reality, the profits themselves are largely illusory. The generally accepted system of accountancy, sanctioned by law and by tax practice, presumes a stable monetary unit, having the same value over a long period and for all business purposes. When, as happens in an inflationary period, various items of running costs and revenues, liabilities and assets are reckoned in units of different value the upshot of the whole accounting exercise is falsified. As is now becoming clear to businessmen if not to the public generally, growing nominal profits have come to represent in part the "gain" resulting from the rise in values of stocks of goods—which will have to be replaced, when sold, at the higher level of prices—and from applying to the replacement of fixed assets a depreciation allowance which will go only part of the way to finance replacement at a much heavier monetary cost. In such circumstances a wise business management will set aside, to additional reserves, a large part of the accounting "profits," but the illusion has already been created by the announcement of increased profits, and tax has already been levied on this fortuitously swollen figure. Thus some part of the tax on profits—and perhaps even some part of the dividend paid out—may in effect have been levied on the capital in the business, while true profits, so far from increasing, may in reality have been shrinking.

The process of inflation in this country is evidence of a persistent attempt to do more, by way of consumption, capital construction and defence, than our current productive resources and effort would justify—an attempt, that is, to live beyond our means. We need, however, to note that productive resources can be overstrained either—or both—because the demands made upon them are too large or too highly concentrated at particular points, or because the resources are not deployed in the best possible way. From this it follows that a relaxation of the strain does not necessarily call for a ruthless curtailment of demand; it may be brought about largely or wholly by a better use of available resources, or, in the accepted phrase, by higher productivity if within this term be included the provision of basic services essential to a regular flow of raw materials and components throughout industry and, in addition, a ready adaptability to changes in the composition of demand. Thus we are brought back to the fundamental need of a change in the whole bodily condition of our economic organism.

CORRECTIVE POLICY

It was no doubt with this need in mind that the Chancellor of the Exchequer, when announcing changes in monetary arrangements early in November, spoke of the necessity of "producing the right financial climate" in order that the Government's "intention to make and keep sterling strong" should be carried out. It was reassuring to note in the same statement clear recognition of the fact that drastic unregulated deflation is no proper corrective for inflation. True, it reverses the trend of monetary conditions; but experience between the two wars, here and elsewhere, showed that it creates as many grave difficulties, multiple frictions and gross inequities as it can ever remove by the arresting of inflation. Too often the attempt has been made to go back in our tracks—with disastrous results. I am not sure that the use of the word "disinflation" as something readily to be distinguished from "deflation" is helpful to an understanding of what is required; but there is sound reasoning in the attempt to bring about the removal of the inflationary element of demand, so as to achieve a steady equilibrium in the monetary system, while avoiding resort to indiscriminate and ruthless monetary deflation. The one course of action, recognising that much of what is done cannot be undone, is designed to arrest the inflationary process and re-establish a firm foundation for the future advancement of the general welfare; the other creates a whole new set of violent disturbances and distortions, and thereby further postpones the establishment of a healthy basis for a sustained high level of economic activity. Uncontrolled deflation ignores the dividing line between full employment and serious unemployment; what is called disinflation—or, with due regard for the significance of the adjective, controlled deflation—if skilfully managed, is carefully regulated with close and continuous regard for the dividing line between over-full and full employment, between debilitating strain and continuous healthy activity.

Monetary action of this sort, however, cannot safely be charged with the entire responsibility for restoring health to our economic system. As already indicated, it has properly to be regarded as one part of a general assault on rigidity and inflexibility throughout the economic system. There lies the main guiding principle for action. If it could be generally accepted, as the logical outcome of intelligent understanding of the nature of our ills, then those responsible for directing the course of national affairs and setting the tone of business policies would be well on the way to restoring vigorous, lasting health to the economic system. Without

general agreement on guiding principles—or if public attention should be distracted by non-essential differences—the ultimate restoration of economic health can come about only by way of incalculable hardship, disruption and disaffection.

RECENT MONETARY MEASURES—EFFECTS ON THE BANKS

In fulfilment of the Government's "intention," as just quoted in the words of the Chancellor of the Exchequer, among the first measures announced was an attempt to bring about "a clear change of emphasis" in monetary conditions. It was made evident that the banks would have an important part to play in this reshaping of the financial background of public and private business, and their conception of the requirement thus placed upon them was plainly expressed in the "warning" and "appeal for co-operation" issued to the public through the press at the end of November. While, to quote the Chancellor again, "any sharp attempt to try to switch to drastic deflation would be unwise," the aim is to establish conditions in which credit will be available only for essential purposes and only in the minimum amounts indispensable for such purposes. The changed position of the banks, with their liquidity sharply reduced by the funding of Treasury Bills and with a closer hold by the authorities on the cash base, and the new official statement of the standards to be applied to the purposes for which bank credit should be made available are both directed to this end. The banks will be faced with many difficulties in carrying out this policy, but, as hitherto, can be relied upon to give the authorities their full co-operation in making the policy effective for the long-run benefit of the national economy. At the same time, the needs of essential production and trade can assuredly count upon receiving the most sympathetic consideration.

It is perhaps not surprising that critics of the Government's policy should have aimed their fire largely at the banks, notwithstanding their innocence of any part in shaping it and the fact that the banks had long been receiving an inadequate return from short-term Government borrowing. The particular presumption which is held to bring the banks properly under criticism is that the recent all-round rise in interest rates will yield them—so it is alleged—wholly unwarrantable enrichment at the expense of the taxpayer and, more especially, the borrowing customer. The wide dissemination of this allegation and its ease of repetition and acceptance make it necessary to give an objective reply.

NECESSARY FORTIFICATION OF FINANCIAL POSITION

The monthly returns of assets and liabilities of the London clearing banks provide a basis for an enlightening piece of arithmetic. From these figures anyone can deduce that the net addition to the annual gross revenues of the banks brought about directly through the officially actuated rise in rates on various bank assets—that is to say, on their holdings of bills and the new funding stocks, together with their short loans—offset by higher outgoings in deposit interest, probably works out at about £6m. before allowing for any continuance of the upward trend in costs of operation. Of this sum, however, the amount left at the disposal of the banks would be less than one-half, the larger part being paid over to the Exchequer by way of profits tax and income tax—to take no account of any possible further taxation of profits. As for the remaining few millions of pounds, it can by no means be considered as an addition to profits freely available, if the directorates of the banks were favourable to such a course, for distribution to shareholders in increased dividends—in which event, by the way, the share taken in taxation would be automatically increased. It is common knowledge that the investments held by the banks, notwithstanding the predominance among them of securities with fixed dates of redemption in the fairly near future, have undergone substantial depreciation by the test of market prices which govern their valuation for balance sheet purposes. The clearing banks' investment holdings—practically all of them gilt-edged securities, and therefore comparatively low-yielding—even before the recent funding of Treasury Bills amounted to more than £1,550m., and a decline of only 1 per cent. in average values between balance sheet dates entails a loss far exceeding the net addition to the banks' revenue, as just computed, after taxation. If it be argued that this is no more than a book loss, unless the securities are in fact sold at market prices, the answer is that nevertheless the requirements of the Companies Act as applied by accepted accounting procedure make it necessary to write down the investments to market value where this is below the preceding balance sheet valuation. In recent years this procedure has made heavy inroads on the "inner reserves" accumulated by the banks out of taxed profits. Quite apart from balance sheet requirements, moreover, the tighter credit conditions foreshadowed by official action might conceivably enforce actual realisation of some bank investments, at market prices, in order to meet inescapable demands for credit for essential industry.

The simple exercise in arithmetic, the result of which I have just given, indicates that any likely addition, through higher interest rates, to the net income of the banks after taxation will go only a small part of the way to making good the entrenchments, due to writing down of investments, on inner reserves that have been unavoidable in the long period of rising yields in the capital market. Ordinarily, that rising trend would have been reflected in an upward course of short-term rates, but in the postwar years these have been pegged at a low level. Accordingly, the banks have been deprived of the added revenue, from the more liquid assets, to compensate for the capital depreciation of investments. The recent addition to their revenue is a belated and necessary fortification of their financial position. Just as the Government's purpose, in its monetary policy, is "to make and keep sterling strong," so it is in the interests of all that the banks of this country should maintain their record—perhaps unique in the history of our troubled times—of unquestioned stability and strength.

EXPANDING VOLUME OF BUSINESS

The volume of business passing through the bank has remained on a steady upward trend, quite apart from the larger turnover due to higher costs and prices throughout the economic system. It reflects great credit on our administrative and managerial organisation and on the entire staff at head office and branches that this growing volume of business is handled so smoothly and efficiently and with the assurance to the public of unsurpassed safety and accuracy.

While the expansion has been general, one particular branch of our work may be mentioned for its interest in relation to current monetary developments. Activity in our overseas business has been maintained at the very high level which entitles us to claim pre-eminence in the financing of international trade through London. Not only does the volume of this business constitute in itself an important part of our bank's affairs, but through it we are enabled to provide a valued service to our customers in helping to solve the many problems which confront them in their foreign trade.

NATIONAL DISCOUNT COMPANY

The Annual General Meeting of the National Discount Company, Limited, will be held on February 13th in London.

The following is an extract from the circulated statement by the chairman, Commander the Hon. Lovel W. Coke, R.N.:—

The outstanding event in the discount market during the past year was the change of policy which took place after the general election. The policy adopted by the new Government and the Bank of England to meet the critical financial situation, and to resist the inflationary pressure in the country, was through the medium of a higher bank rate and higher interest rates, together with a tighter credit control in all spheres of finance. Since these changes there has been an improvement in the margin of profit on our turnover of bills discounted. Under the changed conditions the market may be forced to borrow from the Bank of England at certain times of credit stringency, and this may tend to restrict, to some extent, the size of our portfolio.

There has been a considerable increase in our purchases of commercial bills. The turnover in Treasury Bills has been smaller. Our turnover in short-dated bonds, though not as large as in 1950, has been considerable.

After making provision for rebate, amortisation of premiums on securities (including special amortisation), and taxation, and after making transfers to contingency reserves, out of which reserves depreciation on our short-dated securities has been provided, there remains a profit of £300,256.

It will be proposed at the forthcoming meeting to pay dividends of 5 per cent., less tax, on the "A" and "B" stock, making 10 per cent. for the year on both classes.

TANGANYIKA CONCESSIONS LIMITED

MR MAURICE HELY-HUTCHINSON'S REVIEW

The annual general meeting of Tanganyika Concessions Limited, was held on January 17 in Salisbury, Southern Rhodesia, Mr Maurice Hely-Hutchinson (the chairman) presiding.

The following is an extract from his circulated review:

The shareholders of the Union Minière du Haut Katanga have approved the payment of an interim dividend of 500 francs per Part Sociale in respect of the year 1951, as compared with the interim dividend of 400 francs in respect of 1950. The board of the Union Minière Company has announced that it anticipates that copper production during 1951 will reach about 185,000 tons, as against 175,920 tons in 1950.

The international and mineral traffic moving over the Benguela Railway has continued to show substantial increases during the first ten months of 1951. In order to place the line in a position to carry the increasing tonnages envisaged in the future, further capital expenditure will be required. We have therefore during 1951 opened negotiations with the Portuguese Government, and we are hopeful that agreement will be reached in the near future on a satisfactory basis.

This is the first annual meeting to be held at the company's principal office in Salisbury since the transfer of the seat of management and control to Southern Rhodesia. The move has been successfully accomplished.

Addressing the meeting, the chairman said he was confident that a widening range of opportunity, in new fields in Africa, lay before the company.

The report was adopted.

NATIONAL PROVINCIAL BANK LIMITED

VALUE OF SOUND BANKING SYSTEM

EFFORTS TO COMBAT INFLATION

PARAMOUNT NEED FOR CUTS IN EXPENDITURE AND LOWER TAXATION

THE EARL OF SELBORNE ON COUNTRY'S ECONOMIC PROBLEMS

The one hundred and nineteenth annual general meeting of National Provincial Bank Limited will be held on February 14th at the head office 15, Bishopsgate, London, E.C.2.

The following is the circulated statement of the chairman, The Rt. Hon. The Earl of Selborne, P.C., C.H.:—

BOARD OF DIRECTORS

It is with very great regret that we have to record the death of our late chairman, The Hon. Sir Jasper Nicholas Ridley, K.C.V.O., O.B.E. He joined the board in 1935, was appointed deputy chairman in 1937 and chairman in 1950. He had also served as chairman of our affiliated bank, Coutts and Company, since 1947. Sir Jasper was a man of great gifts and long banking experience. His death is a severe loss not only to this bank but also to the City of London and the business community generally, and his absence will be felt in many spheres.

At the invitation of the board, I have assumed the office of chairman, and Sir Frederick Leith-Ross, G.C.M.G., K.C.B., has been appointed a deputy chairman. Sir Frederick has had a distinguished career in the Civil Service, which he joined in 1909, holding the post of chief economic adviser to H.M. Government from 1932 to 1946. From 1946 until the beginning of 1951 he was Governor of the National Bank of Egypt.

We have with great regret to announce the loss by death of the services of Mr George Finch Hotblack, who joined the board in 1934, and whose discernment and experience were so freely placed at our disposal at all times.

During the year, The Right Hon. Lord Perry, K.B.E., LL.D., resigned, I am sorry to say, because indifferent health compels him to spend much time abroad, while we have also lost the services of Mr Maurice Robert Hely-Hutchinson, M.C., who has taken up residence in Rhodesia. Lord Perry was appointed to the board in 1930, and his great industrial experience and wisdom were at all times most valuable assets to the bank. Mr Hely-Hutchinson joined the board in 1941, and we have much benefited from his extensive knowledge of business and financial affairs. We thank both of these gentlemen for their unstinted services and convey our cordial good wishes to them in their new abodes.

We have had the pleasure of announcing the election to seats on the board of The Right Hon. Ralph Assheton, M.P., The Right Hon. Sir Alexander George Montagu Cadogan, O.M., G.C.M.G., K.C.B., Mr Stanley Paul Chambers, C.B., C.I.E., Mr Seymour John Louis Egerton, The Right Hon. Lord Latymer, Sir Frederick Leith-Ross, G.C.M.G., K.C.B., and Sir Rowland Smith, M.I.Mech.E. All these gentlemen are distinguished in their chosen spheres, and they will bring valuable contributions to the counsels of your board.

We regret to announce the death during the year of Mr B. C. Vernon-Wentworth, who served on our Yorkshire local board for more than forty years.

MANAGEMENT AND STAFF

During the year we have suffered a very great loss in the death of our late chief general manager, Sir William Hadwick. Sir William held high office in the bank for more than twenty years, during the last six of which he was chief general manager. His services to banking and the City generally were recognised when he was created a Knight Bachelor in 1950, and his services to our own bank were immeasurable. A man of many interests and great culture, he will be missed by all who had the privilege of knowing him.

In his place, the directors have been pleased to appoint Mr L. J. Williams to be chief general manager. Mr Williams has been a joint general manager since 1943, and he brings to his new position a wide experience of banking and finance. During the year, Mr R. H. Cutting, D.S.O., M.C., a joint general manager, retired after 43 years' distinguished service, and we have been pleased to appoint as joint general managers Mr F. Keighley and Mr C. G. Wheatley.

My predecessors have put on record each year their appreciation of the loyal and willing co-operation of both management and staff, and I, in turn, wish to pay a tribute to the great efforts that have been made to maintain a high standard of service to our customers, at a time when new problems and difficulties are constantly arising.

COUTTS AND COMPANY

The balance sheet of Coutts and Company as at December 31st last accompanies our own report and accounts. During the year Mr S. J. L. Egerton has been appointed chairman in succession to the late Sir Jasper Ridley.

STATEMENT OF ACCOUNTS

The balance sheet and accounts of the bank accompany the directors' report.

Current, deposit and other accounts which at the end of 1950 stood at £838,270,562 now show a total of £816,785,374. Shareholders will observe that the ratio to these liabilities of the more liquid assets, namely cash items, short money and bills, is 38.6 per cent. The fall in this ratio as compared with last year's figure of 45.9 per cent., which was in any case a good deal higher than normal for a variety of special reasons, is largely explained by the recent moves to restrict credit initiated by the Government. In particular, the funding of £1,000 million of Treasury bills in November last has caused a considerable diversion in our assets from bills to investments.

Our investments in British Government securities and other securities of a like nature are now shown at £202,380,741 giving a ratio to deposits of 24.8 per cent. as against 19 per cent. last year.

The policy of His Majesty's Treasury of reducing their requirements in the form of Treasury deposit receipts has resulted in a fall in our holding under this head of £44,500,000 to a figure of £14,500,000, representing 1.8 per cent. of deposits.

Advances to customers and other accounts stand in the balance sheet at £295,096,471, representing 36.1 per cent. of our deposits compared with last year's figure of £246,018,524, or 29.3 per cent. of our deposits at that time. Full provision has been made, as in previous years, for all accounts carrying any risk of loss to the bank.

PROFIT AND LOSS ACCOUNT

The net profit for the year is £1,469,765. This compares with £1,454,811 for 1950.

The amount brought forward from 1950 is £984,462 which, added to this year's profit, gives a disposable figure of £2,454,227.

An interim dividend of 7½ per cent. has been paid, accounting for £373,252.

It is proposed to deal with the balance as follows:

To pay a final dividend of 7½ per cent.	£373,252
To make an appropriation to Contingencies of	£750,000

Thereafter a balance of £957,723 will remain to be carried forward.

Operating costs have again risen substantially. Until the middle of 1951 it was possible to avoid any general increase in charges for bank advances and services. Clearly this could not continue indefinitely and we, in common with the other clearing banks, were compelled to revise our charges during the second half of the year. Since then further increases in operating costs have occurred, particularly in the field of remuneration to staff, and others are impending. I take this opportunity of saying that your directors have been convinced by the representations of our staff association of the necessity of material increases in the remuneration paid to our employees. Though the banks have rightly given heed to the exhortations of successive Chancellors of the Exchequer not to add to the inflationary spiral by increasing either dividends or wages, and even to set an example in this respect, it would be most unjust that the officers of banks alone in industry should not have their emoluments adjusted when prices and taxation have risen so steeply. As to dividends, it is also the case that the shareholders of this bank have received no increase in dividends for many years. In fact, dividends were reduced in 1931 and again in 1932, and have not been increased since. Although the present time, with all its uncertainties, would clearly be a wrong moment to consider an increase, your directors are not unmindful of the equity of the claim that shareholders can make for some readjustment of their dividend having regard to the fall in the value of money.

INCREASES IN BORROWING RATES

Recently, following the change of monetary policy initiated by the present Chancellor of the Exchequer, further increases in borrowing rates have been announced. In some quarters the new arrangements, especially the rise in the short-term money rates, have been criticised on the ground that the banks are profiting heavily at the taxpayer's expense. A few simple facts, easily ascertainable by anyone seeking to arrive at an impartial judgment, may serve to put the matter in proper perspective.

If the latest published returns (November, 1951) be taken as an average figure for the coming year, the increased allowance on deposit accounts, brought into effect simultaneously with the changes in other rates, will cost the clearing banks £5.18 million. Gross revenue may rise by £6.29 million as a result of the increase of ½ per cent. on money at call and short notice bringing in £1.41 Treasury Bills discounted amounting to £3.74 million; an increase of ½ per cent. on million; and an increase of ½ per cent. on other bills discounted which would earn £1.14 million. The change in rates, therefore, would result in a net gain to the clearing banks as a whole of about £1 million per annum. That is an insignificant figure in relation to the combined assets of all the clearing banks, and against it must be set the new expenditures to which I have referred.

There remains, however, the higher rate earned by the funds transferred from Treasury Bills discounted to investments by way of the new funding loans. But it would be quite wrong to assume that the whole, or even a substantial part, of this increase in yield will result in an addition to profits. For the nominal gain involved is at the expense of a reduced liquidity ratio, which implies a diminution in the amount of money available for advances to customers, and the consequences that follow from this are such that in the long run there can be no guarantee that the net effect on earnings will be favourable. The banks could at any time have increased their earnings from investments at the expense of liquidity, but they had very good reasons for not doing so.

I make no apology for asserting that in a world of instability a sound banking system is an asset worth preserving; that its value cannot be assessed in precise monetary terms; and that its accumulated reserves are a national sheet anchor in times of difficulty—not a source of enrichment of the few.

TRANSFORMATION IN FINANCIAL ATMOSPHERE

The past few weeks have seen a transformation in the financial atmosphere. The new Government had at once to face many pressing problems. The orgy of expenditure, in which the previous Government had indulged since the war, was bringing its inevitable retribution. Wages and prices were mounting steeply; in the last year the wage increases have been greater than the aggregate increases in the previous three years. The cost of rearmament had to be met by a Budget already overburdened; and the investment programme had to be financed at a time when savings were diminishing. As a consequence of our internal financial policy—for it cannot be too often emphasised that the two developments are connected—the balance of international payments was heavily adverse. Confidence in our national solvency was gravely disturbed, and the crises of 1947 and 1949 threatened to repeat themselves in an aggravated form.

How serious the situation was has been revealed in the latest announcement of the gold and dollar reserves of the sterling area. A fall of nearly 30 per cent. in our reserves over the last quarter in 1951 is a matter of the gravest import. In such circumstances a conference of Commonwealth Finance Ministers had clearly to be held without delay. No doubt there are some exceptional factors involved in the current drain on the reserves—but the fundamental difficulty is that not only we, but other countries of the sterling area, are spending more than we are earning. In no circumstances must matters be allowed to drift, and it is greatly to be hoped that vigorous measures will be taken to remedy the drain on our common resources.

I would refer to the annual statements of my two predecessors, Captain Eric Smith and Sir Jasper Ridley, during the last three or four years. In these, the present denouement was precisely forecast, as it was in the statements of other bank chairmen. If the late Government led their followers (and also, alas, the country) into the ditch, it was to the sound of loud warnings from those who had eyes to see ahead. The ill-effects of six years of extravagance cannot be repaired in a few months, but the Government has given evidence of its determination to put a stop to inflation, which was clearly its first duty. Inflation may be unavoidable in time of war or under the stress of rapid rearmament, but in times of peace it is inexcusable. It is the familiar expedient the opportunist politician is too often ready to adopt to avoid meeting his commitments, without perhaps realising that it constitutes a fraud on everyone who has trusted him sufficiently to lend money to the state or in its currency, or to work for pensions in that currency. It is a primary duty of the Government of every civilised country to maintain a stable currency. If the exigencies of electioneering make this too difficult, inflation may well prove to be the nemesis of democracy. People will not indefinitely support a system which makes mockery alike of their wages and their savings.

FIRST IMPACT OF DEFLATION

The first steps taken by the Government have been, in themselves, relatively small. The increase of Bank Rate to 2½ per cent, and the funding of the substantial amount of Treasury Bills had the effect of immediately tightening up bank credit. But, what was more important, these measures served as a warning that a new era had begun, and the market interpreted them in this sense. There was a sudden jolt: the chariot of state, which had been driven furiously along the road to ruin, was suddenly checked by the brakes. There was heavy selling of gilt-edged securities, and the resulting fall in the value of Government stock has inflicted severe losses upon the banks, who are among the largest holders of these securities. In this connection our own inner reserves have naturally not come through unscathed; but I am happy to tell you that, because of the great preponderance of short-dated securities in our investment portfolio, our problem has been much easier than it might otherwise have been. We recognise that the first impact of inflation must necessarily be upon the money market, and the wisdom of past and present directors in building up inner reserves to withstand such sudden (and often temporary) contingencies has once more been justified by events.

The effects of tightening up bank credit may be expected gradually to filter through all sectors of the private economy and make it necessary for individuals as well as companies to consider carefully how their affairs can be arranged without recourse to borrowing. The resources of the banks will be limited and they will be compelled to limit the accommodation they can provide to their customers. The instructions given by the Government to the Capital Issues Committee will reinforce the need for prudence, as it will be more difficult to raise capital in the market except for the most essential purposes. Such restriction was necessary as the capital available for investment was inadequate to meet demands, and if inflation is to be stopped the shortage of capital must be recognised and the claims upon it limited.

NEED FOR ECONOMIES AND REDUCED TAXATION

The control of bank credit and capital investment are, however, merely the mechanical devices for managing the flow of money; inflation can only be stopped if the underlying pressures can also be controlled. In particular, the Government must limit the demands on our resources made by it and by the nationalised industries for which it is responsible. It is not in the national interest that private industry and trade should bear the whole brunt of the restriction of credit and higher charges. We cannot have a system of tight credit and high rates for industry and laxity in expenditure and cheap money for public undertakings. The inflation from which we are suffering cannot be cured without a heavy cut in public expenditure and a reduction in taxation. Cuts in expenditure are never easy to make, or popular, but some cuts are essential if taxation is not actually to be increased to meet the increasing cost of the rearmament programme; still heavier cuts must be devised if taxation is to be reduced. And a reduction in the present level of taxation is imperative. The cumulative effects of our taxes today, at their level and by their incidence, are to destroy incentive, encourage extravagance, restrict efficiency and penalise skill. They prevent the formation of capital and the replacement of machinery. They stifle growing businesses in their infancy. They deter enterprise and frighten foreign capital from our shores. They make it nigh impossible for companies domiciled in this country to develop British colonies. They are undermining the foundations of our economy and crippling London's capacity to maintain itself as the money market of the world. If this is an example of "planning," I can conceive of no plan better calculated to hinder the recovery of our country from two world wars.

Taxation now takes approximately 40 per cent. of the total national income: any such proportion has traditionally been regarded as excessive, and recent experience proves that to be the case. But the evil does not stop there. The taxes are graduated so as to penalise effort and success. Every extra £ the wage-earner earns by overtime or quick work at piece rates is taxed two or three times as heavily as the £s he can earn without extra exertion. Is it surprising that the output of labour in many industries has fallen so much since before the war? Is it surprising that, in spite of the very high wages offered, there is difficulty in recruiting labour for unpleasant work such as coalmining? And the discouragement is still greater for the higher income groups. Not every man will exert himself, or take risks, in order to hand over to the tax-gatherer 15s. and more of every £ he receives. Is it surprising that it is difficult to get some of the best qualified men to take posts involving heavy additional responsibilities or to serve as directors where their ability would be most useful? Death duties at their present level are doing much damage to our economy: not only are they breaking up family businesses to the great detriment of their employees, but they also encourage extravagance by removing from the individual the power and, therefore, the will, to save for his children; for you cannot alter human nature by Act of Parliament. Purchase tax discriminates against the skilled artisan, because the finer the workmanship the higher the tax. Profits tax and income tax combined with inflation are making it impossible to replace obsolescent with modern machinery. Profits tax, income tax and surtax make it impossible for any small man to build up a great business, as so many have done in the past.

If such taxes had existed in the days when, for instance, Jesse Boot, Thomas Lipton and William Morris were starting their businesses, they never could have built up the great firms associated with their names. Such men, rising from the ranks, gained for Britain her industrial pre-eminence, found employment for thousands of their fellow countrymen and have carried

THE WEST OF SCOTLAND AGRICULTURAL COLLEGE

The Governors invite applications from Graduates in Agriculture, Agricultural Economics or Economics for a post on the Agricultural Economist Grade.

Salary scale: £635 x £25—£760 x £30—£900 (Intermediate).

Candidates must have experience in the Provincial Economics Service or equivalent post-graduate qualifications.

Particulars and forms of application are obtainable from the undersigned, with whom the latter should be lodged, not later than February 10, 1952.

N. B. BAIN, Secretary.

6, Blythswood Square, Glasgow, C.2.

UNIVERSITY OF SYDNEY, AUSTRALIA

Applications are invited for the position of *Lecturer in Economic History.*

The salary will be within the range of £650—£1,000 per annum plus cost of living adjustment (at present £159 males, £121 females) (Australian), with annual increments of £50. The salary is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to the qualifications and experience of the successful candidate.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is March 31, 1952.

RHODESIA UNIVERSITY ASSOCIATION

SENIOR LECTURER IN COMMERCE AND ACCOUNTING

The Rhodesia University Association intends to appoint a Senior Lecturer in Commerce and Accounting to organise and conduct, with the assistance of part-time lecturers, classes in Salisbury, Southern Rhodesia, for the degree of Bachelor of Commerce in the University of South Africa (and possibly also in the University of London).

The classes are primarily designed to assist students who are already taking correspondence courses from the University of South Africa for the Bachelor of Commerce degree and for the qualification of the Society of Accountants.

Applications for the above post are invited from persons who hold a degree in Commerce from a recognised university. Extensive practical and teaching experience and ability to lecture in specialised accounting subjects are essential.

The salary of the post will be £1,750 per annum, which includes a cost of living allowance. This remuneration will be fixed for an initial period of two years, prior to the university staff being expanded and a scale of salaries laid down. An allowance of £150 will be made towards travelling expenses in the case of a person appointed from overseas, a proportionate refund being required if the officer appointed resigns before the expiry of his contract. Accommodation in Salisbury will be guaranteed to the successful applicant.

Duties are to be assumed as soon as possible after April 1, 1952.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is February 29, 1952.

HOUBLON-NORMAN FUND

The Trustees of the Houblon-Norman Fund invite applications for Fellowships or Grants in aid of research into the working of financial and business institutions in Great Britain and elsewhere and the economic conditions affecting them.

Apart from exceptional cases, awards will be confined to British-born subjects normally resident in the United Kingdom and will take effect from October 1, 1952. Fellowships will be awarded for one year, renewable for a second year: and the amount of all awards will depend upon the circumstances of the candidate and the likely expenses of his work.

Applications should be made not later than March 31st and forms of application may be obtained from the Secretary of the Fund (W. M. Allen) c/o the Bank of England, London, E.C.2.

W. M. ALLEN, Secretary.

January 4, 1952.

WEST AFRICAN INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH, UNIVERSITY COLLEGE, IBADAN, NIGERIA

Applications are invited for the post of RESEARCH FELLOW IN ECONOMICS.

Salary £800 x £50 — £1,300 p.a. Point of entry in scale according to qualifications and experience. F.S.S.U. Partly furnished residential accommodation at rent not more than 7.7 per cent of salary. Passages paid for appointee and wife on appointment and annual leave. Outfit allowance £60 on first appointment.

Applications (six copies), giving full details of qualifications and experience, and the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date March 4. 1952.

DON'T you often wish you had a simple means of keeping all your domestic papers, letters, documents, receipts, etc., in orderly form out of sight, yet always instantly available for immediate reference? The new Automatic Secretary for the Home is the ideal device, simple, compact, durable, inexpensive, it is also an automatic reminder.—Send postcard for descriptive leaflet AS.58, to Shaw Publishing Co. Ltd., 180, Fleet Street, London, E.C.4.

LORD LAYTON, on "European Unity," at Sunday Service, January 27th, at 11 a.m., at the Liberal Jewish Synagogue, 28, St. John's Wood Road, N.W.8 (opposite Lord's Cricket Ground). All welcome.

EVANS MEDICAL SUPPLIES, LTD. have vacancies overseas for positions with both parent and subsidiary companies; chemical, pharmaceutical or other scientific background essential; prospects of rapid advancement to senior administrative posts.—Apply giving full particulars of age, education and career to date, to Overseas Trade Director, Speke, Liverpool, 19.

CONTINENTAL HOLIDAYS—not "organised" or mass produced but arranged as you or your friends may want. Paris—7 days from £12 10s.; Brittany—10 days from £16 10s. 6d.; Italy—15 days from £27 11s. 6d.; also the Rivieras, Spain, Austria, Switzerland, and other countries. Write for brochure or 'phone.—Business & Holiday Travel Ltd., Grand Buildings, Trafalgar Square, London, W.C.2. WHItehall 4114/5.

NATIONAL INSTITUTE OF ECONOMIC AND SOCIAL RESEARCH

The Council invites applications for appointment as Director. The appointment will be for a period of five years in the first place, at a salary of the order of £2,250 p.a., with provision under the Federated Superannuation System for Universities, and family allowances.

The National Institute is an independent non-profit making research organisation of academic standing, concerned particularly with realistic economic investigation. High academic qualifications and experience in the planning, carrying out and supervision of empirical research, are essential requirements for the appointment.

Applications together with the names of three referees should be sent to the undersigned, from whom further particulars may be obtained, not later than February 29, 1952.

F. S. STONE, Secretary of the Institute.

2, Dean Trench Street, London, S.W.1.

SECRETARY AND EXECUTIVE OFFICER—CO-OPERATIVE WHOLESALE SOCIETY, LIMITED

The directors invite applications for the position of Secretary and Executive Officer, Designate.

The person appointed will be expected to assume the position in April, 1952, which will be six months previous to the retirement of the present officer.

The C.W.S. manufactures a wide range of commodities ; undertakes a variety of wholesaling and merchanting operations and performs many services on behalf of the Co-operative Movement in England and Wales. It has considerable trading interests overseas. The annual turnover is approximately £350,000,000, and the personnel employed number 55,000.

The officer is responsible for the secretarial and administrative function within the Society, in the discharge of which he is the liaison between the directors and management.

The vacancy is being made known simultaneously to the Society's staff, but, having regard to the importance of the appointment, the directors wish to consider the widest possible field of applicants.

A form of application with a description of the duties involved and the information required of applicants is available on request from the Chairman of the Directors at the registered office of the C.W.S., Limited, 1, Balloon Street, Manchester, 4.

COST ACCOUNTANT—MANCHESTER

A first-class Accountant required by a large rubber and rainwear factory. The post carries prospects and needs a man capable of controlling staff and also able to interlock the financial and costs ledgers. It is preferable that he should have a knowledge of punched cards and some knowledge of either the rubber or rainwear industry. The salary would be according to qualifications and four figures would be attainable.—Box 846.

STATISTICAL ASSISTANT

Young lady of good education required by important commercial organisation in London to assist with analysis work, card index records, etc.—Reply, stating age, previous appointments, experience, and salary required, to Box 857.

SENIOR SCIENTIFIC OFFICERS ; SCIENTIFIC OFFICERS ; PATENT EXAMINER AND PATENT OFFICER CLASSES. The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1952. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1952, may eventually be announced. Successful candidates may be appointed immediately. The Scientific posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply.

Candidates must have obtained a university degree with first- or second-class honours in an appropriate scientific subject (including engineering) or in Mathematics, or an equivalent qualification, or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must, in addition, have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer and Patent posts taking their degrees in 1952 may be admitted to compete before the result of their degree examination is known.

Age Limits : Senior Scientific Officers, at least 26 and under 31 ; for Scientific Officers and Patent Classes, at least 21 and under 28 during 1952 (or under 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales : Senior Scientific Officers (men), £750-£950; (women), £625-£850; Scientific Officers (men), £400-£650 ; (women), £400-£525 ; Patent Examiner and Patent Officer Classes (men), £400-£600 ; (Rates for women under review). Somewhat lower rates in provinces.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S 53/52 for Senior Scientific Officers and S 52/52 and S 128/52 for other posts.

ADMINISTRATIVE CLASS OF THE HOME CIVIL SERVICE : SENIOR BRANCH OF THE FOREIGN SERVICE : SPECIAL DEPARTMENTAL CLASSES : STATISTICIAN CLASS : EXECUTIVE CLASS (UNIVERSITY GRADUATES).

Over-age candidates

The Civil Service Commissioners announce that, for the open competitions in 1952, the age limits have been specially extended to admit candidates born on or after August 2, 1925, who were debarred by the age rule from competing in 1951 or 1952, and whose degree course was completed in 1951 or will be completed in 1952.

Full particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 11-22/52/OA. Completed application forms should be returned by those affected by February 28 1952, but in exceptional circumstances they will be accepted up to the end of March.

A NIGHTCAP THAT FITS. To round off a good evening ; a dinner party ; a game of cards ; offer your guests a brandy and soda. J.V.R. South African Brandy is only 37s. 6d. a bottle. And what a splendidly inspiring drink it is. J.V.R. is sold in half-bottles, too, price 19s. 3d.

STATISTICIAN, 29, B.Sc.Econ.Hons., seeks suitable position.—Box 848.

Information about AUSTRALIA ....

Imports/Exports: Travel Shipping: Trade References: Local Conditions: Business Opportunities.

From over 400 Branches throughout Australia information is collated relating to the above and many other subjects in the interests of British trade. You are invited to make use of this informatory service.

The English, Scottish & Australian Bank, Limited
5, Gracechurch Street, London, E.C.3.

TRADING OR ESTABLISHING in CANADA or the WEST INDIES?

If you are trading with or contemplating establishing a plant in Canada or in the West Indies, we can be of help to you.

Through 345 branches across Canada and 23 in the West Indies, we can provide information on business conditions, exchange regulations, exports and the establishing of branch plants.

Your enquiries will receive prompt and courteous attention.

THE BANK OF NOVA SCOTIA
108, Old Broad Street, London, E.C.2
Established in Canada in 1832 with limited liability.

NATIONAL BANK OF EGYPT
Incorporated in Egypt.
Liability of Members is Limited.
Head Office - - - CAIRO
Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £E.3,000,000
RESERVE FUND - - - - £E.3,000,000

London Office:
6 & 7 KING WILLIAM STREET, E.C.4
Branches in all the Principal Towns in EGYPT and the SUDAN

MURRAY-WATSON
LIMITED
Advertising & Marketing
Home and Overseas
58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9
DUDLEY, WORCESTERSHIRE. DUDLEY 3162

JOURNALIST, experienced in editing and public relations, open to consider commissions.—Box 842.

Postal Tuition for **B.Sc. ECON.**

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894) ; fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony

CAPITAL ISSUED AND FULLY PAID UP - - $20,000,000
RESERVE FUNDS STERLING - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - $20,000,000

Head Office : HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M. Duncan Wallace, H. A. Mabey, O.B.E.

BRANCHES

BURMA	CHINA (Con.)	INDIA	MALAYA (Con.)	N. BORNEO (Con.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore (Orchard Road)	SIAM
*Dairen	EUROPE	Osaka	Sungei Patani	Bangkok
*Foochow	Hamburg	Tokyo	Teluk Anson	UNITED KINGDOM
*Hankow	Lyons	Yokohama	NORTH BORNEO	London
*Harbin	HONG KONG	MALAYA	Cameron Highlands	U.S.A.
*Moukden	Hong Kong	Cameron	Brunei Town	New York
*Nanking	Kowloon	Highlands	Jesselton	San Francisco
*Peking	Mongkok	Ipoh	Sandakan	

* Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

B. W. BLYDENSTEIN & CO.
Established 1858
BANKERS
We specialise in all financial transactions with The Netherlands
54, 55 & 56, Threadneedle Street, London, E.C.2

ECONOMICS—Postal Tuition
● Founded in 1887, U.C.C. provides tuition for the B.Sc. Econ. Degree of the University of London, *open to all without residence or attendance at lectures.* The College is an Educational Trust, with a staff of highly qualified specialist Tutors. Moderate fees; instalments. SELF-EDUCATION COURSES are available in Economics, Economic History, Statistics, Foreign Languages, etc.
★ PROSPECTUS, giving full particulars, free from the Registrar,
UNIVERSITY CORRESPONDENCE COLLEGE
60 Burlington House, Cambridge

REFUGE ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

WANTED.—"The Pound Sterling," by Feaveryer; "An Introduction to the Study of Prices," by Layton & Crowther.—Box 850.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS
A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations, B.Sc. Econ., LL.B.; and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.
Also expert postal tuition for Prelim. Exams. and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c. and many intensely practical (non-exam.) courses in commercial subjects.
More than 50,000 POST-WAR EXAM. SUCCESSES.
Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.
Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested, to the Secretary,
METROPOLITAN COLLEGE
(G9.2), ST. ALBANS or call 30 Queen Victoria St., London, E.C.4.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by the ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, January 26, 1952.

SIR ROBERT

McALPINE

& SONS

Civil Engineering and
Building Contractors

Our experience enables us to offer exceptional facilities to Industrialists contemplating New Works or Extensions. Our organisation is at your service to assist with preliminary planning and to execute the work with speed and efficiency.

80 PARK LANE · LONDON · W.1

AREA OFFICES IN SOUTH WALES, MIDLANDS, TYNESIDE & SCOTLAND

SECRETARIAT LIBRARY
4 MAR 1952
MADRAS GOVERNMENT

The Economist

Established 1843

February 2, 1952 One Shilling

LEADING ARTICLES

Still Beginning - - - - - - 257
Darkness in Egypt - - - - - 258
Making Prices Work—II - - - 260
India's Choice - - - - - - 261
NOTES OF THE WEEK - - - 263
Mr Churchill on China ; Containing the Communists ; Double Talk on the Truce ; Labour and Mr Butler ; Another Lord ; European Partners Fall Out ; Defence of the Defence Community ; Still No Five-Year Plan ; Money No Object ; Vacancies to Order ; More Health Service Charges ; The Future of Eastern Europe ; Mission to Asia ; Peace, "Peace" and the Home Office ; Ethics of Fixed Prices ; Libel Amendment ; Nigeria's New Government.
LETTERS TO THE EDITOR - - 272
BOOKS AND PUBLICATIONS - 273
AMERICAN SURVEY
Far Eastern Course - - - - 278
Growing Pains in the Air - - 279
Missing Heir at the White House ; Rats in in the Granary ; New Assault on the Federal Reserve ; Men for Security ; Atoms Unlimited ; Woollen Wars.
THE WORLD OVERSEAS
Nigerians Become Politicians 283
Germany's New Model Army ; Partnership or White Supremacy ?—II ; Troubles Over Tunisia—II ; Asia—According to Mao ; Nato's Wise Men Answered.
THE BUSINESS WORLD
Task for the Budget - - - - 293
Salvation by not Investing - - 294
Clippers without the Axe - - 295
Can Trade be Balanced? - - - 299
BUSINESS NOTES - - - - - 300
Economic Aid Again ; Conjuring with the Counterpart ; Fall in Bank Advances— ; —And Sales of Investments ; Ironfounders and the Steel Federation ; Castings or Sheet Steel ? ; South African Gold for Britain ? ; Anglo-Japanese Payments ; Rising Building Costs ; Rubber for Dollars ; Discount Houses' Year ; Laurels at Monte Carlo ; Short Time at Home ; Steel Company of Wales ; Employment in Yorkshire ; Specialised Ships for Ore ; Even Bigger Tankers ; Steel and Industrialisation ; Investment and Manpower ; Rumania's Currency Reform ; Shorter Notes.
COMPANY NOTES - - - - - 311
STATISTICAL SUMMARY - - 312
COMPANY MEETINGS - - - 313

Vol. CLXII No. 5658
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail. Post Office Dept., Ottawa

Still Beginning

THE second instalment of the Government's economic programme embodies some inevitable emergency measures and some important decisions that will help to push the British economy back to solvency. But it is safe to say that on Tuesday evening most people felt that they had been let off lightly. That feeling is in itself, when so much remains to be done, a serious threat to the adequacy of the full programme. It was admittedly, hard to avoid. Mr Butler was not ready—with the Prime Minister barely back from Washington he could not be ready—to issue a supplementary budget forthwith ; and anything less than a budget was bound to be inadequate.

The decision to bring the date of the normal budget forward by more than a month, to March 4th, was therefore the best that could be done. But it leaves everything dependent on the toughness of the budget. Here Mr Butler implied that no decisions have yet been made. Some of the attitudes he indicated are not reassuring. He spoke of the budget as "the third stage in the operation which I began last November." It will be at once more and less than that. If all goes well, the British economy will be strong enough to stand an operation next year. It is first-aid that Mr Butler must apply now ; and he is still only just beginning. It is through arterial bleeding that the life of the sterling area is pouring away. Mr Butler has not yet applied a tourniquet to stop it. All he has done is to put the pad in position ; the screw that will press the pad down on the artery remains to be produced on March 4th.

This demands faster policy-making than the Government has yet achieved. After three months in office it has contrived to put a little fresh wind into the expedients used by its predecessor, the expedients that led to successive crises as they periodically became exhausted. The largest measure, now as in 1947 and 1949, is the restriction of imports. It can be done only because stocks are to be run down—stocks both of consumer goods such as tobacco and of essential materials. This is the quickest and least painful way of reducing the trade deficit ; in so acute an emergency there is no alternative. But to live on stocks this year is a tolerable risk only if economic policy is plainly and firmly set to ensure that next year imports can be increased sharply enough for stocks to be rebuilt.

There is no more free choice about the quickest way to increase exports. The engineering industries are to be cajoled or induced to deliver less of their output to the home market and more to overseas customers. The axe will fall most sharply on the supply of new machinery and equipment to private industry, and it is necessarily matched by some cuts in construction work on new factories, shops, and other buildings. The nationalised industries are apparently to escape lightly, and more house-building is still encouraged. This inconsistency gravely weakens the force of the whole programme. But, however bad the distribution of the cuts, this method of increasing exports quickly cannot be shunned. The mistake would be to think

that it is a policy that can work in isolation. The import cuts and the diversion of engineering products to export are intended together to reduce the supply of goods in Britain by £750 million a year. If money demand were left unchanged, there would be a direct increase in the inflationary pressure that is, as Mr Butler recognises, at the root of the external deficit. The physical restrictions would then not in fact put the balance of payments to right. They would be reflected instead in further congestion in the economy, in sharply rising prices and lower exports of other things. The austerity in imports and in capital investment would be in vain. It can achieve its purpose only if the reduction in supplies is fully matched by a reduction in demand. Mr Butler's direct emergency measures mean nothing without the financial measures to make them effective.

Those measures are of two kinds. They are action by direct monetary policy and action through the budget. Mr Butler claimed on Tuesday that the effects of tightening credit were already spreading through the economy and that the policy would be "maintained." The need, and perhaps the intention, is to push it farther. But it would be optimistic to assume at this stage that credit restriction alone will do much more than match the physical compression of investment. Consumption and defence have to be dealt with in the budget.

Mr Butler's task is therefore formidable. He has to eliminate the existing inflation and to offset two new inflationary pressures—the increase in defence expenditure and the reduction in imports of consumer goods. In theory, at least, he can do that in two ways: by cutting expenditure for purposes other than defence or by raising taxes. It is impossible as yet to guess confidently how sharp the changes may have to be. There are four principal unknowns. First, how much will the revenue from existing taxes increase in consequence of the past year's inflation? Secondly, how much of the reduction in imports can safely be matched by running down stocks rather than cutting current consumption? Thirdly, how far will prices increase faster than incomes and therefore limit the real demand on the nation's resources that consumers can make? And fourthly, how much is defence expenditure going to increase? If the rearmament programme were this year being carried out in full, its increased cost could not be much less than £700 million. Mr Butler indicated that in fact the programme will be cut. At a few points that is now inevitable. At some other points a large economic gain may wisely be secured at a small cost in military strength. But sweeping cuts should be ruled out of account. The British economy must achieve solvency, but security is the one thing that cannot be sacrificed to it.

Until these four questions can be answered, no one can say what a realistic budget is going to mean. But of one thing there can be little serious doubt. It will mean much more than the economies in government spending that Mr Butler announced on Tuesday. As far as they go, the cuts are well chosen. By the standards of previous postwar finance, it is a considerable achievement to hold non-defence expenditure constant in spite of a 10 per cent rise in prices. But in relation to the task of overcoming Britain's worst postwar crisis, of maintaining sterling as an international currency and safeguarding the living standards of these islands in a competitive world, it is inadequate. Mr Butler studiously did not mention the food subsidies on Tuesday and it is also, indeed, still open to him to make further cuts in the health service or elsewhere. This is the basis for hope. It is a hope that assumes high political courage in the leaders of the Conservative party. But they can hardly fear present unpopularity and criticism more than the ignominy of being forced out of office by the catastrophe from which the sterling area is separated by only a few months' supply of dollars.

Political calculations should, in any event, be secondary. The plain duty of Mr Churchill's Government is to strengthen the British economy whatever the consequences. It is for that, if anything, that the Conservatives can claim a mandate from the electorate. On March 4th they will have been in office for only four months, but it will in all probability be their last chance. If they fail then to take the measure of the British economic problem, to lead the country in the immediate sacrifices on which solvency and security depend, they will forfeit their claim to respect and, before long, their power to influence events.

Darkness in Egypt

A CHANGE of faces has taken place in Cairo but no one should assume that it spells any change of heart towards Britain. During last Saturday, a total collapse of public order for the space of the day demonstrated the inability of the Wafd Government to control the emotions that it had unleashed. King Farouk immediately and with aplomb exercised his royal responsibilities, dismissed the government for "failure to maintain peace and order," used the army to break up the rioters, and installed in place of the Wafd a team of independents led by a 68-year old lawyer known for his unusual honesty of purpose, Aly Maher Pasha. The speed with which all this was done is a matter for congratulation. By Sunday all was quiet and Cairo, much of it aghast, was left to contemplate the wreckage of its main commercial area as well as a considerable toll of dead. (Among them was Mr James Craig, an expert on finance who had served the Egyptian Government for over 50 years, and for whom *The Economist* cherishes personal feelings since he was at one time its local correspondent.) To those who have known Egypt in the past, there would normally be cause for comfort in the thought that this feat of restoring order was brought about by a circle of men so steeped in western ways of thought as are those who now immediately surround the King. But the events of the last few days rule out any such reassurance. The temper of the country has become such that no one is in a position to side with the west so long as British troops remain on Egyptian soil. The Wafd is not really under a cloud ; it is still the prime champion of national rights and the strongest party in Egypt. Aly Maher Pasha has gone out of his way to praise it. He certainly deplores some of its methods, but he shares its principal aim, which is British evacuation of the Canal Zone. There should be no illusions on this point.

But there is one aspect of the week's events which blurs this otherwise stark outline of Egyptian policy. The composition of the rioting mobs and the excellence with which their onslaught on westernised premises was organised places both Palace and government in a dilemma. Undoubtedly the rioters were set in motion by a British act—the previous day's onslaught by General Erskine's troops upon the headquarters of the Egyptian police in Ismailia, which alienated even moderate opinion and put the Cairo city police upon their side. Their venom was therefore in the first place directed against Britain ; thus far, they were expressing emotions that fire all classes. But their activities were undoubtedly also used as cover for venting other emotions—among them the mass fervour of the Moslem Brotherhood which opposes everything that smacks of the west, and—more alarming to many Egyptians—the passions of a growing left wing that wants less for the pashas and more for the poor. For the Egyptian Government to distinguish, among this medley of motives, between those which might be condoned and those which need to be condemned would be an impossible task. A government bent upon curbing violence must stamp upon the lot. This is what King Farouk and Aly Maher did and must to some extent continue to do. But the national temper is now such that they cannot hold it in check by repression alone. In due course, other action will be demanded of them, probably in the field of social affairs and certainly in that of relations with Britain.

*

Mr Eden, in a measured and temperate statement in the House of Commons on Tuesday, explained the reasons for the military attack at Ismailia which touched off so much dynamite. It had become necessary, he said, to bring about, if necessary by force, the disarmament or withdrawal of the auxiliary police who were stationed there because these were actively concerned in provoking armed clashes with the British forces. But the results of the action taken confront British policymakers with three inescapable facts. First, it is now evident that Egyptian troublemakers cannot always be intimidated by a show of force ; forty-two Ismailia policemen died fighting gallantly and now furnish an example which other Egyptians, if similarly placed, will strive to emulate. Secondly, opposition to maintaining the Anglo-Egyptian treaty in its present form is far more intense than had been supposed and must govern the actions of any Egyptian cabinet, however composed. (The British argument that a treaty creates rights and must be respected is summarily dismissed by all Egyptians, who retort that the British have infringed the undertaking by exceeding the size of forces and the area of occupation which it specifies, and have, therefore, themselves invalidated it.) The third unpleasant truth is that the very presence of British troops exercises, willy nilly, an unwanted but inevitable influence upon Egypt's internal affairs. The feeling against them is now so strong that all home issues are willingly shelved until the quarrel with Britain is settled. This inactivity suits two groups—the very rich, who are thankful to cling to their privileges while they may, and the growing mass of people crushed by oppression and the ever-rising cost of living, who see the way to social change only in violent revolution. As a corollary it produces among moderates the despairing impression that the British forces are the mainstay of the die hards.

Conducted against this background of fact, an analysis of present British military and political policy in the Middle East leads to a disquieting conclusion. Pursuit of the strategic aims diminishes the prospect of success in the political. The same act is seldom if ever expedient for both. The chief military aim is well known: it relates to world strategy and can be summed up as the anxiety of the North Atlantic community to maintain armed strength in the Eastern Mediterranean both in order to support its Greco-Turkish flank and to improve its chances of holding on to its chief source of oil. The Canal Zone is the best base from which to do this on account of the access it enjoys to sea lines from two oceans. The chief political aims are twofold: one is to preserve the validity of treaties ; to abandon them at the puff of opposition is to set a dangerous precedent in international relations. The other is to maintain or found in the Middle East local sentiments of affiliation with the west. Yet conditions in Egypt are now such that military security may become attainable only through the form of interference in local affairs that leads to hostility and—as last weekend proved—may produce violent social disturbance that is bound to have an anti-western complexion.

*

The antithesis is complete. Some see a way out of it in military terms—in an extension of military control over Egypt on a scale sufficiently great to preclude internal revolt. But to think thus is to turn a blind eye to a worldwide range of disastrous political consequences. Such interference would be repugnant to the British home public ; it would also commit troops that can ill be spared to a task that would quickly prove unwarrantably costly in money, nerves and lives. Lastly, it would diminish the charms of western alliance in the eyes of all other Asian and African peoples ; for who wants interfering allies ? The strategic argument for maintaining military bases in the Middle East is a very strong one ; it certainly cannot be cast aside when the result of doing so would be to leave an enormous gap in the defence line of the whole free world. But it must now be clear, even to those who could not see it before, that the political price of strategic security in the Middle East is very high indeed. It must be equally clear that Britain cannot afford to pay it alone, the British political reserves are no stronger than the financial.

Thanks to the quick action of the King, the dependability of the Egyptian army (which saved many British lives in the course of saving Cairo) and the courage of Aly Maher Pasha in coming out of retirement, there is now likely to be a lull in the process of incitement and counter-irritation. Inflammatory bulletins have disappeared from Cairo's newspapers and General Erskine, it is to be hoped, can revert to his policy of reducing to a minimum the contacts between the British troops and the Egyptian people. The statesmen, too, are doing something to build a bridge. Mr Eden has repeated Britain's willingness to discuss treaty revision and has expressed his belief that there can be a solution compatible with Egypt's national aspirations ; Mr Churchill has repeated Britain's desire to share with others the burden of defending the Suez Canal. Aly Maher on his side has said that he is "ready to consider any understanding Mr Eden may propose"; in particular he will think again about the four-power approach. It may have needed the horrible events of the past week to bring it home to both sides that the dangers of deadlock are greater than those of compromise. This provides the opportunity for statesmanship.

Making Prices Work—II

The Price of Labour

INFLATION, which creates more jobs than workers and makes manpower generally scarce, also encourages many factories to hoard manpower and to use it wastefully. This is by now one of the more familiar paradoxes of economic policy. Ministerial statements referred to the problem several times during the last few months before the defeat of the Labour Government ; nothing was done. The new Government can hardly claim to have grasped the nettle. Its solution, announced this week, is that eighty Ministry of Labour inspectors are to go round Britain's tens of thousands of factories looking for hoarded labour. Whether or not that is sound in principle (it is discussed on a later page), it is plainly too slight a measure in itself. But if an official inspectorate is not the way to prevent labour from being wasted, is there any alternative ?

The need is increasingly urgent ; and, by another paradox, disinflation would at first make it greater. Any normally human management lets some sleeping dogs lie if it can. Attempts to economise in manpower, leading to rows with the shop stewards and sometimes to bitter feelings throughout the factory, often do not seem worth while to the firm enjoying a sellers' market. But they may seem even less worth while for the firm whose need for labour is suddenly reduced, either because materials become scarce or because the demand for some of its products falls off. The firm will begin by hoping that the shortage, either of supplies or of orders, may be temporary. It knows that if it once dismisses workers they may be very hard to replace when business picks up or supplies improve. This is a powerful drag on a disinflationary policy. The purpose of such a policy is to reduce the less essential demands for labour and materials, in order to free resources for rearmament and exports. The firms at present possessing those resources will hold on to them as long as they can. If the cut in demand for their products is drastic enough, they must give way. But, as a matter of practical politics, the cut will probably not be very drastic. There is, therefore, need for some additional pressure which will make a mild disinflation effective by making employers in the less essential industries more willing to dismiss some of their workers.

This is the theoretical case for a payroll tax—for a levy on every firm of so much per employee per week. The argument may be stated more briefly in another, more academic form. To say that labour is scarce means that, in relation to the present volume of money demand for its products, the price of labour is too low. Demand and price can be brought into balance by action on either side. Demand can be cut—that is disinflation—or the price of labour can be raised. It generally causes the least friction to move from both sides at once. But to make labour dearer in the ordinary sense—to raise wages —is to increase incomes again and so offset the effects of disinflation. Therefore the price of labour should be raised without increasing incomes, by a tax whose proceeds the Government would save as a budget surplus.

It should be said at once that there are strong practical objections to this theoretically attractive proposal. Not least important is the purely political objection. "A tax on jobs" would be peculiarly open to misrepresentation by an irresponsible Opposition. But there are no crisis measures that cannot be misrepresented by an Opposition which wants to do so, and the political objection in itself is, therefore, certainly not conclusive. When repeated use has so nearly exhausted all the accepted expedients of economic policy, it is foolishness or worse not to examine fully and objectively any proposal that might push the economy the way it needs to go.

How, then, would a payroll tax work ? A heavy tax might be 10s. per head per week. It would yield over £500 million a year and add about 7 per cent to the national cost of labour—the total bill for wages and salaries. How would such a tax be paid ? In a few industries already suffering from a definite recession in demand, such as the clothing trade, it would probably be paid out of profits (and to that extent the yield of present direct taxes would be reduced). But in most industries the tax would, at first at least, be passed on almost in full to the consumer in higher prices. Wages and salaries are roughly half the gross national product. That is to say, a tax which raised the cost of labour by 7 per cent would fairly soon raise the general price level by about 3½ per cent.

This would be the effect on the average. The prices rising more than the average would be those of goods and services in which labour is an unusually high proportion of the total cost. To some extent, people would buy less of these things and more of others, and this redistribution of expenditure would in itself help to free labour for essential jobs—though it might also increase the pressure of demand on some materials that are in short supply. Again, within any particular industry, the firm that uses labour less efficiently than its competitors would, other things being equal, have to raise its prices more sharply ; it would, therefore, tend to lose custom, as the national interest requires.

But these discriminating results of a payroll tax, however useful they might be, are secondary. The general effect on prices might be highly dangerous. Unless the general policy of disinflation were at the same time putting a powerful brake on wage demands, a tax that raised prices by 3½ per cent might well provoke another full turn in the spiral of wages chasing prices. That could be true even of a smaller tax—say, one of 5s. a head, which would raise prices by about 2 per cent. Particular taxes, such as those for electricity and steel which were discussed in the first of these two articles, can exert an important special push without raising prices so widely as to throw the economy as a whole further out of balance. It is far more difficult to get controlled results from so generalised a device as a payroll tax.

Whether or not these complications are worth incurring depends on how strong the primary effect of a payroll tax, in itself inducing employers to dismiss redundant workers, would be. At present the gross cost to the employer of keeping on, say, ten men for whom there is temporarily no work, at an average wage of £7 10s., is £75 a week. But the net cost, if the firm is paying income and profits tax at a combined rate of probably 60 per cent, is only £30 a week. A payroll tax of 10s. a week would raise the gross cost to £80 and the net cost to £32. It is difficult to believe that this extra 4s. a man—less than 3 per cent—would often, in present circumstances, be decisive. It is even more difficult to think that any Government would dare to impose a stiffer tax. A more likely rate is 5s. a week, and that would increase the penalty for wasting labour, after tax, by only 2s. a head—by little more than one per cent. Even that might have a useful psychological influence, bringing home to managers the national importance of saving labour ; in some firms it might just tip the balance in favour of dismissing workers now rather than holding on to them for weeks in the hope of getting the orders or the materials to employ them. But far more often, one suspects, it would make no practical difference.

This is not intended to be a final conclusion. The purpose of these two articles has been to stimulate thought about possibly useful devices that contemporary discussion has neglected. It is only tentatively suggested that a general payroll tax is a blunderbuss with too short a range to be much use in the modern economy. Perhaps the things that are needed are more of the nature of snipers' rifles. As far as the use of manpower is concerned, that would presumably be some sort of excess labour tax. The Government might lay down a schedule of non-essential industries and decree that any firm in these industries which did not cut its labour force by, say, 5 per cent in six months would be subject to a penal tax—£1 or £2 per head per week for everyone on its payroll. That is perhaps a little less fantastic, from any point of view except that of political expediency, than the excess profits tax to which the Government is committed. But a moment's reflection on the problems of definition that would be involved seems to be enough to rule it out of consideration.

If these conclusions are correct, it is important to recognise their implications. Essentially, the argument is that it is impossible to exert a significant influence on business decisions by such devices as a payroll tax because the motives of business are so thoroughly blunted by high taxation. The British economy now works by habit, not for profit. It cannot be made to change course by putting pressure on the entrepreneurs, on the people whose responsibility it used to be to make a delicate response to changing demands. For the sake of stability and security, the entrepreneur has been killed. But that does not remove the need for the economy to change course. It merely means that the pressure must be applied—more clumsily and, politically at least, more unpleasantly—on the public at large, on the consumer. It is most important to search for weapons that may still work at the traditional point, through such shadow of the profit motive as survives ; a steel tax, at least, is one such device that on first inspection still seems to have possibilities. But at the end of the search for special devices one is likely to come back to the familiar and still unpalatable conclusion: any sound economic policy for this country must be primarily a policy for cutting consumption. Security and solvency will be gained, if they are gained at all, out of the mouths and off the backs of the British people. More refined devices depend on a flexibility that governments have too long been set to destroy.

India's Choice

IN the Indian elections about half of the voting has now taken place, and the leaders of the Congress party begin to see how they will stand at the end. When polling finishes on February 15th they may expect to control, perhaps, three-quarters of the seats in the central parliament and to form the governments in all but about two of the states. On the surface, these figures represent a great victory. Indeed, there can be no question of any other party pushing Congress from power during the next five years. But there is also another side to the medal. Congress started the era of independence in 1947 with all the tremendous prestige of victory in the long struggle. It held the soul of India in the palm of its hand. Today it is riven by faction ; it is accused of corruption ; many have voted for it because nothing else meant anything to them. And, above all, the main rivals to Congress have proved themselves to be the Communists. This does not promise well for India's future.

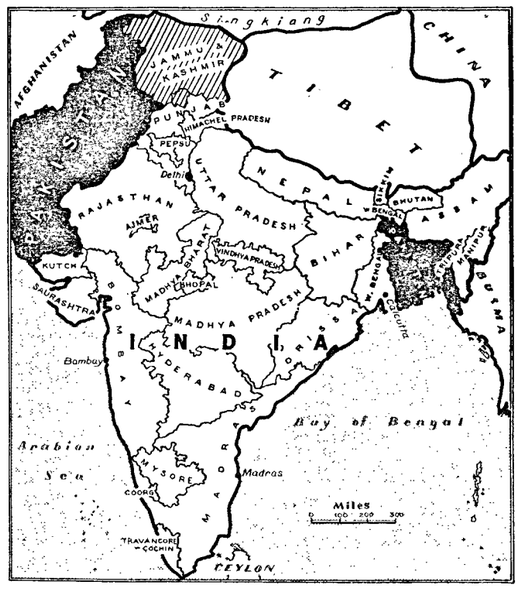
In spite of the success of Congress, therefore, the incomplete results so far known are worth careful study. It can be asked what effect they may have on the new Indian government and on India's place in the councils of the nations. Of the first 100 seats for the central parliament of 496, Congress won 66. There were 13 Independents and 10 seats attributable to the Communists and their associates. The Kisan Mazdoor Praja, the Kripalani group which broke away from Congress last year, won only 3 seats, and the Socialists 1. There were seven others. By the time 200 seats had been filled, Congress had won 138. The outstanding feature of the elections has been the failure both of the extreme reactionary Hindus and of the Socialists. In spite of the high hopes it held a year ago no one had come to expect much of the Kripalani group, but the Socialists have done even worse than might have been expected. This removes even the slenderest hopes of forming a working coalition of moderate parties to provide a constitutional opposition in parliament. If democracy is to work in India, it will have to be adapted for the moment to a one-party system.

Most of the elections have so far taken place in southern India. In Travancore-Cochin, the most southerly state of all, Congress secured only 44 out of 108 seats, compared with about 37 controlled by the Communists ; these results are particularly bad because this state has the highest literacy rate in India. An anti-Congress government, dominated by the Communists, seems possible. This would be an alarming development and might place a severe strain on the working of the federal constitution. In neither Madras nor Hyderabad has Congress won a majority, although it should be able to form coalitions. In Bombay Madhya Pradesh, Madhya Bharat, Saurashtra, Mysore, Ajmer and Delhi, Congress has won an absolute victory. In general, Communist success has been patchy, and though in many places it has been quite definite, it is unlikely to be widely spread across the country. India is not yet going Communist. Hyderabad has been a special hotbed of Communist

revolt for several years and Travancore-Cochin was known to be infected. Bengal is the only other area likely to contain so much Communist strength.

These great elections have been a triumph for the democratic principle. A genuine choice has been placed before many millions more voters than on any previous occasion in all history. Not least of the achievements has been the way in which an electorate with an average literacy of only fifteen per cent has been taught to identify the party of its choice by means of symbols. The Communists chose to lay their full emphasis on a primarily agrarian policy, according to the strict pattern laid down for Asia by Chinese experience, and they significantly made their sign a sickle and three ears of grain—without the hammer. In spite of misgivings in some quarters, the whole remarkable procedure of the election is by all accounts passing off quietly and efficiently, with dignity, integrity and decorum. It is, in fact, India's most prominent contribution so far to the peaceful political evolution of Asia.

If the final results of the elections are along the lines now expected, Mr Nehru's position will remain strong but uneasy. There can be no doubt that many people voted for him personally rather than for Congress as a party. Before the elections he covered over twenty thousand miles on a four months' electoral tour, during which he was seen and heard by millions. On the other hand, the moderate left has faded away and he cannot look to any form of coalition between the left wing of Congress and the Socialists. He will have to rely increasingly for support on the centre and right of Congress, where he is never very much at home and many of whose members accept him only because he is the unchallenged national leader. The growth of Communist strength is also likely to intensify the contrast between the strongly anti-Communist policy adopted by the government at home and the third force aspirations of Mr Nehru's personal foreign policy. In the eyes of some of his fellow ministers India is not and never has been neutral. They feel that, in the last resort, it is on the side of the free democracies because it is itself a free democracy, as the present elections proudly prove. Even at the United Nations, as some Indians point out, on the last 61 occasions that votes have been taken India has voted twice with Russia compared with 48 times with Britain, and has abstained 11 times. Where Mr Nehru is at one with his followers is in not wanting to commit himself beforehand ; but it is this feature of his policy that may now be most affected by the twist of fortune in favour of the Communists at home. It seems almost certain to edge him just a little further into the ranks of overt supporters of the anti-Communist world.



The attitudes towards Mr Nehru of the Indian Communists and of the tacticians in the Kremlin swing with the winds of political expediency. At present, the leaders of the Indian Communist Party are treating him as something of a useful pet. They claim that he is no obstacle to the advance of Communism, because he leans back on the conservative landlords and oppressive capitalists while he fails, at the same time, to make the country prosperous. The Communists have also won some success by concentrating their fire not on Mr Nehru but on the British and American business interests which the Delhi government increasingly favours. This enables them to allege that, if they won power, they would expropriate only the foreigner and not the Indian capitalist, a line which fits in with their current phase of popular front tactics, constitutional behaviour and sweet reasonableness.

Although the Communists in India recognise that they have a long way to go, it is another question whether the Russians accept this view. They have lately made marked efforts to increase their influence and to improve their relations with India. Over Kashmir Moscow has come down heavily on India's side. There has lately been a new Soviet offer to supply industrial equipment, for payment either in rupees or in another soft currency, and Moscow has made a truly impressive effort with its large and prominent pavilion at the International Industries Fair in Bombay. In Delhi, the Soviet ambassador, Mr Novikov, has been speaking particularly honeyed words about the degree of civil liberty in the Soviet Union and the scope for development of economic relations between the two countries. Mr Nehru is reported to have received a renewed invitation to make an extended tour of the Soviet Union.

In reality the scope for Indian trade with the Russians is very limited ; during the past three years less than 1 per cent of India's foreign trade has been in this direction. Moreover, it cannot be lost on either Delhi or Moscow that India stands to gain far more from acceptance of the American aid which is now offered. This aid is partly the outcome of improved relations with Washington, particularly since the arrival in Delhi of the new American ambassador, Mr Chester Bowles. Last month he signed with Mr Nehru an agreement setting up a technical co-operation fund, under which India will receive $54 million in the next few months. Last year's supply of American grain was on a loan basis ; so, apart from $1.4 million given through Point Four and $7.5 million by means of specially low prices for the grain, this is the first direct grant of American economic aid. There are grounds for thinking that it will not be the last.

These factors, taken with the present elections, emphasise the links which in reality join India with the western nations rather than the Communist bloc. The only other countries in the world with populations on the Indian scale are the Soviet Union and China. It is inconceivable that in either of them a general election could have taken place in the Indian fashion, with 176 million people voting freely for 25,000 candidates —over half of them independents—to fill 4,412 seats in the central and local legislatures. The Indians have long shown a genuine flair for the parliamentary system of government. They have modelled their procedure in parliament on that of Westminster. By holding these elections in a spirit of tolerance and genuine freedom of individual choice, they have shown that adult suffrage, in Asia as in Europe, encourages the sense of self-respect and the consciousness of civic rights and duties which are the foundations of political liberty. The crucial task now is to prove that this democratic system can produce the result that India most needs—an improvement in the standard of living. This was the biggest issue behind the election.

NOTES OF THE WEEK

Mr Churchill on China

Mr Churchill has vindicated with great skill his attitude to Communist China, as revealed in his recent speech to the American Congress. In the House of Commons on Wednesday he deflated a swelling controversy to a degree that must have made some of his political opponents wonder what all the fuss had been about. Speaking of "the whole hypothetical question of what should be done should a truce [in Korea] be made only to be broken," he declared: "No change was made in this situation while we were in the United States. In fact the matters did not figure to any large extent in our discussions." Instead Mr Churchill dwelt on the positive approach to a Korean truce:

> We still hope that an agreement will be reached. We still hope that, being reached, it will be kept. I think we have secured a better chance for the reaching of an agreement by making it plain that the United States and Britain are working together in true comradeship.

This was not only a fine parliamentary performance but a convincing defence of the policy of standing by the Americans and thereby ensuring that they would seek and take advice. The Prime Minister's speech also illuminated two other important aspects of British policy. He made it clear that the Conservative government is no more prepared than its predecessor to accept the deployment of Chinese Nationalist forces in the allied armies ; and he left no one in doubt that the Government's first aim in the Far East must be to reduce and not extend the Korean war, let alone embark on a prolonged entanglement in China itself. "My own thoughts are never long absent from the European front" was the keynote of his message, and he threw into vivid relief the scale of the Asian danger by stating that 26 divisions—equivalent to 30-35 in Europe—were deployed in the Far East. This is the most telling argument for the view that war in China would be "the wrong war, in the wrong place, at the wrong time." If the Chinese make it inevitable Britain will stand at America's side, "prompt, resolute and effective." To give that warning in general terms can help to deter the Chinese ; to explain it in detail would be to give them valuable military information.

* * *

Containing the Communists

Mr Churchill was less specific about how the war in Korea is to be prevented from spreading. The main risk is not that the Chinese will make a truce and break it, but that they will fail to come to a truce at all. They seem to be counting on undermining their opponent's morale by exasperating delays, a calculation in which they are greatly assisted by some critics of the Americans in this country. But the effect on American public opinion is that it demands increasingly that the war must be brought to an end as soon as possible, and that, if the Chinese go on procrastinating, American air power should be used to strike at Chinese industries and communications. This is a state of mind which the British must handle with skill and patience, if only because Commonwealth casualties in Korea amount to only about one-fortieth of American losses.

Mr Churchill did not say precisely what the Government's attitude would be to proposals to bomb China or blockade the Chinese coast. On the contrary, he emphasised the general principle that his journey to the United States was intended to re-create something intangible but of immense importance in Anglo-American relations—mutual trust. There is no part of the world where it would be better at present to keep commitments fluid than in the Far East. To be specific in the face of so many uncertainties is extremely difficult—and also unnecessary, if confidence exists between London and Washington.

Over the next few months the most important task is to work out a uniform policy for setting limits to the Chinese aspirations which are examined in an article on page 289. About these aspirations and about Communist hopes of capturing Asia there can now be no reasonable doubt ; and those who say "peace with China at any price" are simply shutting their eyes to the perils of Burma, Malaya and Indo-China.

* * *

Double Talk on the Truce

The armistice negotiations in Korea are now at deadlock on two issues, both fundamental and both widely misunderstood—the construction of airfields during a truce and the exchange of prisoners. On the first the UN case is that the military strength of both sides should remain as it is for the duration of the armistice, and that this means a ban not only on reinforcements of personnel or armaments, but also on the rebuilding of airfields destroyed by bombing or the construction of new ones. So far Allied air power has interfered very effectively with airfield development in North Korea ; but, if the Communists were left free to improve their position under cover of a truce, it would bring a great change in the relative military positions. All proposals for restrictions on airfield construction have been rejected by the Communists on the ground that they would mean "interference in the domestic affairs of an independent, sovereign state"—i.e., North Korea. Such an argument from such a source is pure effrontery.

The question of prisoner exchange is more complicated. Two facts stand in the way of a straightforward agreement for a general exchange. The first is that while the Allies hold many more prisoners of war than the Communists, the latter hold a large number of South Korean civilians who were deported from South Korea during the original invasion ; the second is that many nominally North Korean prisoners in Allied hands are in fact South Koreans who were forced into the North Korean army. Moreover a number of North Koreans and Chinese among the prisoners are anti-

Communists and do not want to be repatriated. The UN delegates therefore propose that exchange of prisoners of war should be on a one-for-one basis, with the balance to be exchanged against civilians—which would ensure the return of civilian deportees now in North Korea—and, further, that all repatriation should be voluntary. The Communists object to these proposals on the grounds that to exchange soldiers for civilians is to treat them as "hostages" and that to leave the soldier to decide whether he should be repatriated or not is to deprive him of his "inalienable right" to be repatriated under the Geneva Convention—an instrument that the Communists have persistently disregarded. Those who criticise the UN negotiators should reflect on the morality and logic of these two specimens of Communist argument.

* * *

Labour and Mr Butler

The Chancellor of the Exchequer on Tuesday put his case for more import cuts, the restriction of investment and economies in government expenditure with moderation and great care. If he did not offend his own party, he certainly did not inspire it to feel that the British economy was being desperately pulled from the terrible quicksands that threaten it. He said enough, however, to bring the divided attitudes within the Opposition into full play. As had seemed only too probable, he failed to secure the support of any part of the Labour party for his proposals. But the division within the House of Commons is less important than the division of the Opposition along the demarcation line drawn by Mr Bevan, Mr Wilson and Mr Freeman when they left the Labour Government. It would be imprudent to underestimate the resentment felt by both groups within the Labour party at economies which will certainly wound many of their supporters in the country. Yet the temper of the House while Mr Butler was making his statement on Tuesday and during the first day of the debate on Wednesday was notably calm. Mr Gaitskell, of course, is not given to passion and had to tread with great care. Mr Wilson, who had a clearer field before him, is not much of a firebrand. Both these speakers from the Labour side recognised the existence of a crisis, and Mr Wilson even went so far as to say that rearmament had intensified the crisis but not caused it.

It seems that Mr Bevan had previously told the Parliamentary Labour party that rearmament was the sole cause of present difficulties. His attitude now appears to be gaining ground within the party. Some advance was to be expected when the party moved into Opposition. What is now being released upon the Conservatives is merely the distaste which so many Labour members felt for the health service charges when Mr Gaitskell imposed them, but which had to be restrained for fear of wrecking the Government. Mr Bevan, the pioneer critic, with his confidence and zeal, tends to attract the support of all those Labour members whose consciences are still uneasy. This load of conscience compelled the Parliamentary party to decide that it must table an official amendment of "no confidence" to the Government's motion of support for Mr Butler's statement. The wording of the amendment has for the time being cloaked the differences in the Labour party. But the amendment itself offended some back-benchers by its mildness, and in any case Mr Bevan has not yet finished his campaign to save alive the Socialist soul of his party. The economic crisis is plainly going to accelerate the process of Labour policy-making.

* * *

Another Lord

In principle it is wrong to have a soldier as Minister of Defence. He is a co-ordinator. His task, even in war, is political rather than administrative. It is, on the one hand, to see that the higher problems of defence policy or war strategy are settled in the light of the general needs of government; on the other hand, it is to make the needs of defence policy plain to his colleagues in the cabinet and, in general terms, to the country at large.

This is work for which political, not military, experience is the essential qualification. Even a soldier as brilliant as Lord Alexander, and as experienced in high command, is not normally the best Minister of Defence. But there are special circumstances that make Mr Churchill's choice of Lord Alexander welcome. In the first place, he has discharged with great distinction the tasks of Governor-General of Canada, which put him closely in touch with the whole range of political affairs. Secondly, though the Prime Minister is wisely giving up the additional daily burden of the Ministry of Defence, he will certainly retain his special interest in the main issues of defence policy. Lord Alexander will work with constant political advice, and he can probably play this difficult part more skilfully than any of the politicians who might have been spared from other offices.

But to this welcome there must be an important qualification. Mr Churchill now has seven peers among his sixteen Cabinet colleagues. That is too many. It weakens dangerously the Government's ability to expound its main policies in the House of Commons through men who have played a full part in making those policies. It spreads too thinly the political experience and habits of thought that, whatever their weaknesses, are indispensable to government and can only be gained by serving an apprenticeship, and becoming known to the public, in the House of Commons. A Prime Minister should not for this reason deprive himself of the services of men of Lord Alexander's particular abilities. But he certainly should not remain dependent on so large a proportion of such men for the highest offices within the cabinet.

* * *

European Partners Fall Out

There is a certain artificiality about the crisis into which negotiations on the European Defence Community have been thrown by two events: Germany's request to enter the North Atlantic Treaty Organisation and France's appointment of an ambassador in Saarbrücken. Words like "bombshell" and "perfidy" are being flung across the Rhine. Official spokesmen in Bonn have indicated that, unless France gives satisfaction over the Saar, Germany will think again about the European army. In this heated atmosphere it has been overlooked that the French have known, for a long time past, that Germany would want to enter Nato in order to secure equality with the other members of the European army; and that some way of associating Germany directly by treaty with Nato or its individual members would sooner or later have to be arranged. In any event, Professor Hallstein has not insisted that Germany should immediately be accepted into Nato, and has proposed a number of temporary alternatives. In the end he did no more than reserve Germany's right to claim membership in Nato later. It is doubtless very difficult for the French to explain to their Assembly that, contrary to earlier assurances, German rearmament must bring with it German adherence to the Atlantic Pact. But if Germany is to join a European army at all it is inevitable—indeed, desirable—that this should be so. By joining the wider group the Germans would be accepting new obligations, not merely acquiring new rights.

It has been argued that the various issues arising out of the effort to place Germany in the European community should be kept separate from one another, so as to exclude complicated and bitter bargaining. But it is dishonest to pretend that the matter of the Saar has nothing to do with the European Defence Community, or with the Schuman pool for heavy industry, or with the treaties with Germany that are to take the place of the occupation statute. All are different facets of an attempt to ensure that Germany's revived power shall be restrained by a freely accepted and equal association with its neighbours. If the French and Germans believe sincerely in a West European federation, they must see that rivalry over the Saar can be removed only if first steps towards union lead to others. The French still cling to the territory's coal and steel as solid rocks in a landslide. They endanger Dr Adenauer's work for federation by providing his opponents with what looks like plain evidence of their intention that the Saar shall become a satellite state of France. M. Grandval is a distinguished administrator, but his work in the Saar is associated with an era of Franco-German enmity. Having put their money on Dr Adenauer, the French would be wise to do nothing further to prevent him winning the race against his opponents. They will otherwise foster growing suspicions in Germany that the French would secretly like to see the whole structure of a European Defence Community break down before the nails are driven in.

* * *

Defence of the Defence Community

It must be recognised that the French have made great concessions to the views of their partners in the latest arrangements for the European Defence Community. The original Pleven plan has been transformed, in particular by the agreement that the council of the community will consist of six foreign ministers, still representing national governments and taking the most important decisions by unanimous vote. These opportunities for use of the veto will, however, be rare. The normal method of taking decisions—for example, on the use of the funds in the common budget and on the programme of arms production—will be by majority vote. This is, of course, the very stuff of federalism. But the fact remains that the defence community will be a loosely knit structure in its early stages—looser than some Frenchmen consider to be safe. This, say the British, is a practical solution on Commonwealth lines; and this, say the Americans, is a more tentative step towards ultimate federation than they hoped for.

Both are right, but this modified plan is all that was in fact possible. The aim of American and British policy should now be to ensure that the infant community survives the period of pre-federation, that it is helped and protected—perhaps sometimes remonstrated with. Mr Eden's advisers are believed to be giving this problem more attention than they ever gave to it under Mr Morrison, partly because some members of the British Cabinet have uneasy consciences about feeling on the Continent that Mr Churchill has let Europe down.

To find a solution will not be easy but no effort should be spared to formulate one in which the United States can take part. First it is necessary to define the relationship between Nato and the defence community, when it is formed. How can their mutual obligations be defined with the six members of the community acting as six members of the Council of Nato? Will the community eventually speak with one voice in a supreme Atlantic triad consisting of Britain, Europe and the United States? If that is the intention the Europeans will have to form federal habits rather faster than their present plans allow. And how, in case of deadlock or crucial disagreement, will the defence community be held together? If one member should defy its Council of Ministers, its Assembly and its Court and threaten a breach of the defence treaty, how is its authority to be enforced? Clearly this is a possibility that neither American nor British policy can ignore. To raise it now is to incur the charge of bad taste or scepticism; but it is one which is inherent in the process of federation, as the Americans found a century ago. And to find a solution to it now might be easier than, say, three years hence, when the community is to control 1,600,000 men in 43 divisions.

Still No Five Year Plan

In accordance with custom the Russians have now officially announced the results of the annual economic plan for the past year. Yet, while the summary report of the central statistical office released on Tuesday in Moscow mentions time and again the "overfulfilment of targets" for 1951, the planned objectives both for that year and for the current five-year period of which it is part remain unrevealed. In view of the tense international situation the Russians may well continue to draw a veil over their plans of economic development. Yet their talk in terms of percentages seems to show that both annual and probably long-term plans for internal consumption exist.

The summary report repeats, on the whole, the claims made by M. Beria in the review of the year he made last November. It is again claimed that during 1951 Soviet national income rose by 12 per cent and industrial output by 15 per cent, thus reaching a level double that of 1940. Production in the basic industries of fuel and power has apparently increased by 8 to 15 per cent, which again squares with Beria's figures of an additional output of 2.7 million tons of pig iron, 4 million tons of crude and 3 million tons of rolled steel. The total labour force grew from 39,200,000 in 1950 to 40,800,000, an increase of 1.6 million compared with 2 million during the previous year. With the emphasis on industrial development, urban housing has apparently been speeded up and 27 million square metres of floor space were built during the year. Rural housing, on the other hand, with 400,000 dwellings built during the year, lags behind the average of the last Plan.

The most striking disclosure is about agriculture. The speculation made earlier in these columns, that the 1951 harvest might have failed to reach the expected level because of regional drought, is now confirmed by the euphemistic statement that "despite the bad weather in certain regions . . . the grain crop exceeded 120 million tons." This is, in fact, about 4½ million tons less than last year's official yield and 5 million tons less than last year's target. It seems also that the modest three-year plan for livestock development, which was to be completed by the end of 1951, has not been crowned with success. No mention is made of the plan and there is only a vague statement that total numbers of livestock increased during the year by 14 million.

* * *

Money No Object

Mr Butler, in his broadcast on Tuesday, compared the nation to a man who cannot afford to improve his house while in debt. The analogy must have embarrassed Mr Macmillan, who this week sent a personal message to local councils urging them to use all means to build more houses, and promising them the necessary assistance. In an interview, the Minister of Housing went further. Housing should be treated as "a military operation," and plans should be laid for an expanding programme which would produce 300,000 houses a year—"at the end of, say, three years." Moreover,

> Money is not the difficulty; the Government has decided that all the money needed shall be forthcoming.

It is a long time since Dr Dalton used to say this sort of thing. He had at least the excuse that he was expressing a consistent government policy, even a national mood. It is a far stranger policy that allows one Minister to talk so glibly about finance in the same week as the Chancellor has launched a further instalment of cuts and economies.

Mr Butler stated clearly enough the relation between internal and external finance, between expenditure at home and the overseas deficit, that Dr Dalton sought to deny. But he appears to believe that, while dismissing white-collared civil servants and economising on the health service will help to free resources for exports, it does no harm

to employ more workers to build new houses because houses do not require steel. The argument is plain nonsense, as ministers surely know perfectly well. But the promise of 300,000 houses is a millstone round their necks, and they feel politically bound to try to swim with it. That is to say, other capital investment must be restricted all the more severely in order to make room for the houses.

Mr Macmillan's blank cheque to the local authorities suggests that the Government has finally decided to raise the Exchequer subsidy on new housing in order fully to offset the increased interest rate for local authority borrowing. How, then, are councils to be encouraged to build the smaller and cheaper houses that the Government approves? The general purpose of raising interest rates is to weed out the less economic forms of investment—such as unnecessarily large houses in the Bevan fashion. Why should the tenants of new council houses, who already receive a not ungenerous subsidy, be exempt from the national policy of credit restriction? Housing remains a pressing social problem and should not have its practical problems set aside, in the pursuit of an impossibly high ideal, as happened under Labour. But the first implication is that the fullest possible use should be made of the existing stock of dwellings. It is only then that the national need for new houses can be put into its proper perspective—in relation to the economy as a whole.

* * *

Vacancies to Order

The Minister of Labour is an optimist if he thinks that the Notification of Vacancies Order, which he laid before Parliament this week, will be more effective than the Control of Engagements Order which was introduced in the crisis of 1947. It is difficult to say whether the previous control did any good at all. It may have had some useful marginal influence; but—although it was combined with some little-used powers to direct workers to specified jobs—it certainly did not bring about the large shift of manpower to essential industries that the Labour Government at first set out to achieve.

There is nothing in the new Notification of Vacancies Order to suggest that it will be any more effective than its predecessor. This time the obligation to use the employment exchanges rests on the employer alone, not on the worker as well; but since it will be impossible to get lawful employment except through a labour exchange, the practical effect for the worker is the same. This time the Minister has no reserve power of direction. The effectiveness of the Order depends entirely on the employment exchanges' ability to choose which of the vacancies notified to them shall be offered to men seeking work. To this end, eighty inspectors are to tour the nation's factories, on the improbable theory that a brief inspection will enable them accurately to judge whether the demand for extra labour, or even for normal replacements, is justified or not.

It is difficult to believe that on this flimsy basis the employment exchanges will ruthlessly refuse to offer men jobs in non-essential factories near their homes, and in their familiar trades, in favour of essential work elsewhere. And the Order will, therefore, alter the distribution at a perceptible rate only if the non-essential industries are in any case dismissing many of their workers. This makes it inexcusable that the Government, against all the principles it professed so eloquently while in opposition, should have chosen to introduce the Order under the defence regulations. Even if the scheme could have had its effect more quickly—even if the economy were being so disinilated that workers from inessential industries were coming on to the labour market in large numbers—it would have been worth waiting a few weeks longer in order to submit legislation to Parliament. As it is, the Government may find that it has taken arbitrary and elaborate control of a labour market that has almost no one useful in it.

More Health Service Charges

Most of the new charges to be made in the health service will need legislation, and ministers will have an opportunity to explain more fully than Mr Butler was able to on Tuesday exactly how they will be collected and what exemptions will be allowed. It is useless to pretend that the charges will not cause any hardship. They are bound to, especially the shilling charge on prescriptions. But it is also useless to pretend that there has not been abuse of the pharmaceutical service. The number of prescriptions dispensed last year totalled between 4 and 5 per head of the population, and the average cost of each was nearly 4s. Any hardship caused by the charge of up to £1 for dental treatment will be more than offset if it restores the priority service for expectant mothers and children, who will be exempt from the charge.

But the chief importance of the new charges lies in their effect on the finances of the health service. Altogether, including the charges for appliances like wigs and surgical belts and boots, they will bring in about £20 million in a full year, of which the charge for prescriptions is estimated to bring in £12 million and that for dental treatment £7,500,000. This is a milder stroke of the axe than Mr Gaitskell administered last year. The charges for spectacles and false teeth were estimated to bring in £25 million in a full year.

Like his predecessor, Mr Butler intends to maintain the financial limit of £400 million on the cost of the health service to the taxpayer. What is not clear from his statement, and presumably will not be made clear until the new estimates are published, is whether all of the £20 million saving will be used up in offsetting the effects of higher prices on the cost of the hospital service or whether some margin will be available to meet, if necessary, the general practitioners' claim for a higher capitation fee. Arbitration proceedings on this claim have barely begun. If they go in favour of the doctors, Mr Butler may find himself faced with the need to find another large sum. In any case, as long as prices continue to rise, the £400 million limit cannot be maintained indefinitely without either curtailing the health service facilities—which in practice would mean curtailing the hospital service—or imposing more charges on the users.

* * *

The Future of Eastern Europe

Last week a conference was held in London, under the auspices of the European Movement, to discuss the problems of the European peoples now under Soviet domination. It was the first time that exiled leaders from these satellite countries had met their western friends in the movement in formal public conference. Their meeting was designed as a gesture of solidarity between the two halves of Europe, and it is impossible not to sympathise deeply with their aims—all the more so because the delegates evidently took pains not to raise any false hopes of early liberation. They hammered out resolutions on economic, agricultural, social and cultural policy which form blueprints of the sort of democratic regime they would like to see set up in Eastern Europe whenever it is liberated from its present bondage. These resolutions and the debates that led up to them are now being broadcast to the 100 million Europeans behind the iron curtain, in the belief that the knowledge that some alternative to their present plight is being considered—if only in theory—will help to keep alive a spirit of resistance and independence.

Unfortunately, however, the conference did not stop here. In its political resolution it was guilty of phrases which convey a false impression. History has shown that it is perfectly possible for Europe to exist for long periods "half slave half free." The fact has to be faced that the govern-

Old friends to know. Old books to read. Old wood to burn. Old wine to drink. And let us add—old shoes to wear. But they must be shoes that had it in them to grow old. Lotus Veldtschoen shoes will be the possession of years. Watch them take the polish and, mingling it with the stains of earth and weather, acquire the complexion of an old violin.

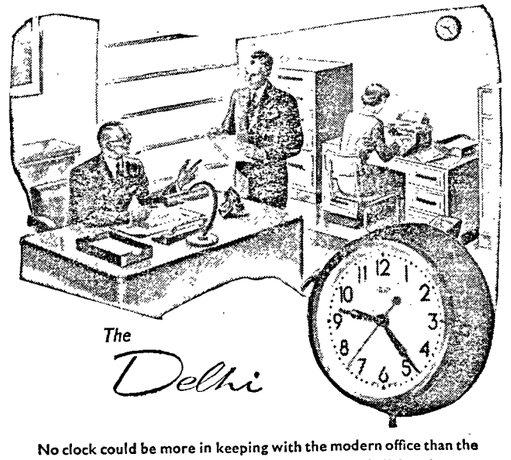
LOTUS Veldtschoen

THE MOST FAMOUS SHOE IN THE WORLD

GUARANTEED WATERPROOF

NOW 115/- TAX FREE

The Modern Clock for the Modern Office

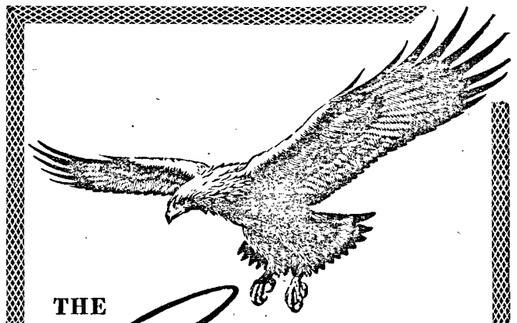


No clock could be more in keeping with the modern office than the Smiths 'Sectric' Delhi, with its clear, easily read dial and smart but dignified appearance. It is one of the most popular wall clocks in the Smiths 'Sectric' range. Available with 12", 9" and 6" dials.

SMITHS 'SECTRIC' CLOCKS

SMITHS ENGLISH CLOCKS LTD., SECTRIC HOUSE, LONDON, N.W.2

The Clock & Watch Division of S. Smith & Sons (England) Ltd



THE Eagle BY GOODYEAR

Proved the highest mileage tyre ever built; combining immense strength and road gripping ability with handsome appearance

The tread rubber is tougher, more shock-resisting than ever before.

*

Wider, flatter tread area grips *more* road for *more* traction, and wears more slowly.

*

The improved All-Weather Tread—with its new Stop-Notches for quicker, safer stops—resists every direction of skid throughout the tyre's longer life.

*

Handsome buttressed side-walls provide protection from kerb damage, and make cornering steadier than you've ever known.

DISTINGUISHED BY THE SILVER RING

You can trust GOODYEAR

FOR LONG LIFE AND LASTING WEAR

ments and peoples of western Europe are not now willing—nor are they likely to become willing—to go to war in order to liberate eastern Europe. Nor is it likely that the majority of east Europeans themselves would welcome a war of liberation over their lands. It is doubful whether "real peace" with the Soviet Union can be secured in the predictable future on any terms acceptable to the west; but it is dishonest to suggest that the west would make the liberation of all eastern Europe a condition of "peaceful coexistence" with the Soviet Union. Until the Communist regimes begin to collapse through their own internal contradictions and under the attraction of western strength and prosperity, the only way to liberate eastern Europe will be by war. These are brutal and unpalatable facts, but it can do no good to ignore them. The most that the east European can immediately hope for is that his spiritual and cultural links with the free world should be maintained, and that he should understand how its power to discredit and defy Communist policy is growing.

* * *

Mission to Asia

The Marquis of Reading has gone to represent Britain at the meeting of the Economic Commission for Asia and the Far East which opened in Rangoon on Tuesday. The number of people who know that the United Nations has three regional subsidiaries—one for Asia, one for Latin America as well as one for Europe—would probably not fill the Palais de Chaillot. The Economic Commission for Europe is comparatively famous, largely because it was the place where eastern and western Europe continued to meet after the advent of OEEC and Marshall Aid. Perhaps the departure of the Under Secretary of State for Foreign Affairs will draw British attention to ECAFE, the only official forum where Asia and Europe can meet together.

The obscurity that has surrounded the commission does not mean that it has done no good, or that British representation has been consistently bad. But potentially, this could be a body of real importance. Europe, after all, has its eastern and western camps, clearly defined and organised within themselves. But Asia, with as many common economic problems as Europe, has nothing but ECAFE, apart from the association of some Asian countries in the British Commonwealth. It includes, as members or associate members, all the independent countries of South East Asia, including the Asian members of the British Commonwealth; the European powers with interests in the area—Britain, France and Holland; the United States and the USSR; and now, as the latest candidate for associate membership, independent Japan (subject to confirmation by the Economic and Social Council). The area is of crucial importance in the cold war. The economic relations within the area, particularly with a new and expanding Japan, and those of the area as a whole with the industrial powers of the west are of the highest importance. The commission has the ingredients, given the necessary stir, to provide substantial aid to the economic and political conditions in that part of the world. The Russians are there; but it matters comparatively little if they are bent on obstruction. There is no veto, though the more important decisions have to be endorsed by the parent body; and if Asia can see the Russians obstructing at the points where Asia suffers, so much the better. The decision to send a British Minister to this meeting is admirable. It is a small step in the right direction and should encourage the commission to work hard and seriously.

* * *

Peace, "Peace" and the Home Office

The development of Communist "newspeak" and of the campaigns of Communist sponsored "peace committees" as a weapon of Soviet disruptive strategy has set a most complex and difficult problem to the officials who have to enforce the regulations of the Home Office on the admission of undesirable aliens. Few of these officials are experts in the intricacies of international politics or the finer points of Marxist-Leninist dialectics; but they must strive as best they can by the light of reason and the book of the rules to prevent the entry of persons who are up to no good. Unfortunately foreign personalities of high eminence and the utmost respectability are now liable to suffer from the perplexities of British officials who find that the sorting of sheep from goats is beyond their powers. Since the Home Office excluded from our shores a number of the more mischievous delegates to the projected Peace Congress in Sheffield, immigration officials have become aware that the word "peace" can have sinister implications. But, in the absence of any clear guidance on how to distinguish between different kinds of peace, they can only sniff for it like a Customs official who suspects the smuggling of cocaine.

In the United States, long before the Stalinists started their *ruse de guerre*, there were endowments for the study and promotion of methods of attaining peace among nations. Recently a distinguished American visitor, who happens to be president of one of these peace foundations, was subjected to considerable annoyance on landing in England because he was a suspected agent of the Kremlin. In a period of "cold war," and after so many shocks over Hisses, Fuchses and so forth, it is no doubt inevitable that innocent persons should occasionally be mistaken for subversive elements; but it will be only a victory for the Communists if they have succeeded in creating so much confusion that it has become normally impossible to distinguish friend from foe. The Home Office would do well to explain clearly to all its officials (with lists of organisations under each head) the difference between peace and "peace."

* * *

Ethics of Fixed Prices

An early Budget means that Parliament will have little time for anything else until it is all over. The new monopolies Bill will therefore be delayed by a few weeks. If this is in most respects a pity, it will at least give the government more time to make up its mind about the kindred question of whether manufacturers should be allowed to dictate the prices at which their goods are sold to the public.

It is a difficult question, and one on which opinion is divided on both sides of the House. The late government decided to forbid all resale price maintenance, whether by individual firms or by manufacturers acting collectively, except in those industries that could make out a special case for exemption. A Bill to this end was drafted, but if it had reached Parliament it would not have found favour with trade unionists in the Labour party, who have a traditional fear of the effect of price cutting on wages. In its recommendations about distribution, published last week, the General Council of the TUC does some tight-rope walking. It sees no harm if an individual manufacturer enforces the resale price of his product by threatening to cut off supplies to a retailer who sells more cheaply. It is only the practice of coercing the retailer by collective action that the TUC finds objectionable, because it restricts entry into manufacture and trade, hinders the development of new methods of production, and because, by Star Chamber methods against which there is no legal redress, a retailer may suddenly find his shelves empty and his livelihood gone.

This is surely a superficial distinction. Collective resale price maintenance has a more obvious impact, especially on the retailer, but essentially the arguments against collective and individual price maintenance are the same. Both force the consumer to pay more than he should. A ban on resale price maintenance would put some retailers out of business,

SPENCE Alum, used in the important processes of leather tanning, ensures that the gloves you wear are of the highest standard, whatever the type or texture. Just one of the many important contributions of SPENCE Chemicals to industry.

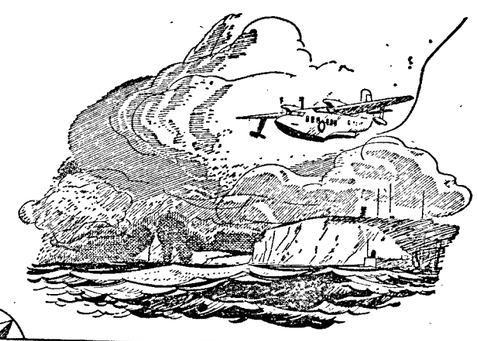
SPENCE

CHEMICALS FOR INDUSTRY

PETER SPENCE & SONS LTD. WIDNES LANCASHIRE
LONDON - MANCHESTER - BRISTOL

MARCONI

serves mankind



When Marconi died, one tribute said of him "What other men had been content to prove impossible, he accomplished". From simple beginnings his inventions in wireless have been extended to hundreds of activities. Every weather-ship report, every wireless-bearing taken from a flying-boat and every radio programme broadcast traces back to the pioneer who put his genius at the service of mankind.

MARCONI'S WIRELESS TELEGRAPH COMPANY LTD · MARCONI HOUSE CHELMSFORD · ESSEX

NUMBER SEVEN

'Virginia' Cigarettes 20 for 3/11
ALSO *Abdulla Turkish and Egyptian*

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD
64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777

Winter's charms..

MUSIC
DANCING
ICE-SKATING
GOLF
RIDING
CINEMAS
THEATRES

In Bournemouth, Winter wears its mildest aspect. Sheltered from the North, the golden sands, the evergreen parks and gardens of the city and the lovely countryside around are a charming invitation to every sort of pleasurable activity. In Bournemouth there is no off-season. Interests and amusements of every kind are available throughout the year—whenever you can fit in a visit.

Bournemouth
WHERE THE SEASON IS NON-STOP

Send for Guide Book, Post 6d., P.O. please, or Free Folder and Hotel List from W. Birtwistle, Information Bureau, Room 97, Bournemouth.

Restaurant Car Expresses from London (Waterloo). All-Pullman "Bournemouth Belle" runs daily.

and the TUC thinks that the harm done to them and to their workers would outweigh the possible benefits. This is inconsistent with the rest of the statement, which says that the distributive trades are too large. There would certainly have to be some exemptions to a general prohibition of resale price maintenance, and this aspect of the question needs more study. But the need of the time is that workers should move to armaments and export industries, and this, combined with lower prices, is a large benefit to set against the hardship of those small shopkeepers who would find it difficult to get other work.

* * *

Libel Amendment

The gesture made by the Government in giving facilities to Mr Harold Lever's Bill to amend the law of defamation is a fair return for the assistance given by the late Government to a Conservative member's Bill to dispose of the common informer. Both measures come under the heading of non-partisan attempts to remedy defects in the law that have long been known to exist.

Mr Lever's Bill is based on the report of the Porter Committee on defamation. It might be described as a Bill to give the press better protection against the unscrupulous. It makes two main proposals. First, it provides the newspaper with a defence against the inadvertent libel. If a correction and apology are not accepted, the newspaper can defeat a claim for damages if it proves that there was no intent to defame the plaintiff or negligence. The Bill's second proposal is to extend the range of public documents and meetings to which the plea of qualified privilege applies. That is, if a newspaper prints a fair and accurate report of what is said and done, it cannot be held liable for defamation unless the claimant can show that it had some wrong motive in publishing the report.

There is one clause in the Bill which seems to go too far as it stands. This would allow a defendant in a libel action to give as evidence, in mitigation of damage, any facts relevant to the "character and reputation" of the plaintiff, even though those facts have no bearing on statements in the libel itself. The clause looks innocent enough on the face of it, but what of the case of the man who has lived down a black episode in his past? Is the defendant to be free to drag that out (or to threaten to drag that out, which may be even more effective), in order to ward off an action based on an undoubted libel? But, in general, the Bill is to be welcomed, and the additional safeguards that it requires can easily be added at the committee stage.

* * *

Nigeria's New Government

Nigeria's new House of Representatives met for its inaugural session this week—new in another sense, too, for only 13 of its 136 elected members were in the old Legislative Council. The House is also a young one. Most of its members are under 40, and this youthfulness is reflected in the average age of the twelve elected members of the new Council of Ministers, which is just over 40.

These twelve, who with six *ex-officio* members and the Governor as President make up Nigeria's first Cabinet, appear to have been chosen primarily for their abilities in other fields than politics. They are mostly either well-known rulers like the Oni of Ife, who is the only one over 50 years of age, and the Emir of Katsina, or barristers, educationists and university lecturers. Some of them have been members of the various marketing boards for Nigerian produce—which may lead to difficulties. But it will certainly not be a government of illiterates (seven of the twelve have British university degrees or diplomas) or of extremists.

Unfortunately, this does not mean that the Council of Ministers will be able to work together successfully as a team. An article on page 283 describes the growth of party politics in Nigeria in the last twelve months. But the main feature of the Council of Ministers is that it represents the regions and not either of the two main parties, the National Council for Nigeria and the Cameroons or the Action Group. Because of its success in the eastern region, the National Council sent a solid bloc of 34 of its own supporters to the central House of Representatives, where they have been joined by four of its supporters from the western region. The Action Group, although it has only 27 members in the central House, will in fact be the majority party, because it has been promised the co-operation of the Northern People's Congress, which has 68 members. Thus, the National Council will in effect be the Opposition, although it has four supporters in the Council of Ministers. How these four Ministers will comport themselves when the Government is attacked by their own party will be interesting to watch. So will the tactics of Mr Awolowo, leader of the Action Group, who has chosen not to be elected to the Council of Ministers. Presumably, he felt that his hands would be less tied if he remained outside the Government. If so, his decision may also have unfortunate consequences. If Nigeria's new constitution fails, it is likely to do so because it divorces power from responsibility.

Our National Defences

The subject of our national defences excites such intense interest at the present moment. . . . We have no desire either to tempt foes abroad, or to augment the panic at home. At the same time this panic may not be without its uses. It may help to check, before it is too late, that mania for retrenchment *coûte qu'il coûte*—at all hazards and at any price—against which we have incessantly raised our voice as a shallow and a fatal policy; and at the same time it may arouse the country to a more steady, strict, and ceaseless vigilance over the mode in which the supplies are expended, in place of the fitful outcry and hasty and unreasonable interference with which it now too commonly endeavours to replace the consequences. . . . The important matter is that our army, whatever be its numbers, shall be in a state of the very highest efficiency—that its arms shall be the best and its accoutrements the most judicious that can be devised—that the men shall be as admirably trained and exercised as those of any nation. . . . The prompt and speedy attainment of this state of things is beyond question the first and most pressing duty of Ministers, not only at this moment but at all times. . . . Whatever sum is really needed to render Great Britain secure at home, and formidable to defy her enemies, may be asked for by the Ministers, and will not, we may rely upon it, be grudged or denied by the country. *England will refuse nothing to secure so great an end.* . . . The present anxiety may be groundless. The idea of an invasion may be a chimera. But the mere possibility of the thing is to be precluded. The mere suspicion that England has ground to fear for the inviolability of her own shores—that she is unable to crush an unscrupulous enemy—that she must speak with bated breath when she remonstrates against inhumanity or oppression—that she must submit to insult, because unprepared to avenge it—that she must tamely watch while her allies are crushed, because too weak to aid them—will not be endured.

The Economist
January 31, 1852

Letters to the Editor

The House that Fell Down

Sir,—Your issue for January 19th contained a Note in which you used a recent judgment of the Court of Appeal to illustrate your view that a building society should not instruct a surveyor to value a property in which he is financially interested. Your readers might like to know that this has also long been the view of the council of the Building Societies Association and that it is normal practice for a surveyor to be required to certify that he has no financial interest in the property which he is valuing.

As you quoted some observations of Mr Justice Devlin in the same case, perhaps I might add that his remarks have been studied by the association with the respect due to them and that discussions are now taking place with other bodies, with the object of making arrangements which will carry his suggestion into effect.—Yours faithfully,

F. H. CHAMPION
The Building Societies Association, London, W.1

The Way to Simplify

Sir,—I am in broad agreement with you as to the importance of simplification and specialisation in British industry—the Anglo-American Productivity Council has evidence that leaves no doubt of the value of such measures in particular cases—but I would suggest that great care is needed in deciding that there is any general tendency for British industry to produce an "excessive variety" of end products.

There is a tendency to view such problems in terms of *given* demand and cost conditions, although in fact uncertainty about future demand and cost conditions is in many industries of the essence of the matter. I know, for instance, of a spinning firm which has steadily refused to allocate its quarterly yarn quota at the beginning of each period, because as a matter of policy it wishes to be free to take new customers. For similar reasons it is willing to take short runs. From a short period viewpoint its production costs are high and variety excessive. But the production costs of variety, in the view of the firm, are outweighed by the advantage of a diversity of market outlets. This policy has no doubt cost money of late; I wonder if it will continue to do so in the present condition of the industry?

In most industries production of new and improved products is an important form of competition, and diversity of market outlets desirable in view of uncertainty as to future market trends. It is no consolation to a firm operating in such conditions, when the demand for its product declines after specialisation, that specialisation need not reduce the variety of production of the industry as a whole. In fact, the productivity reports comment on the uneasiness some American producers felt because specialisation had increased their reliance upon demand from a few sources.

The possibilities of economies by simplification, possibly without need for specialisation, in the production of "intermediate" components for a number of manufacturers, are emphasised both by your correspondent and by the productivity reports. Here perhaps the case is clearer; it rests upon the ignorance of producers as to the precise requirements of their individual (manufacturing) consumers. Where such conditions prevail, it must normally be the case that the costs of obtaining the information are prohibitive to the individual firm. This seems to me a field in which co-operative action by trade associations would be of general benefit.—Yours faithfully,

JOHN WISEMAN
University of London

Estate Duty

Sir,—You have emphasised the need for a tough financial policy "working through budgetary retrenchment, taxation and monetary pressure." Budgetary retrenchment should tend to create a budget surplus, even at existing rates of taxation, and additional taxation might make this very large. But, as we have seen, the existence of a large revenue surplus constitutes a temptation to overspend which government departments find it hard to resist.

The present would be a good time, therefore, for the Government to abjure the profligate habit of spending the proceeds of Estate Duty as though they were income. This tax is a levy on capital which is paid out of the proceeds of capital, or with savings accumulated by means of life insurance policies, or in other ways. By abandoning the bad practice of squandering the savings of a lifetime in a year, the Government would be setting the kind of example in financial matters which it expects private people to follow.—Yours faithfully,

London, S.W.1 T. C. OWTRAM

How to Export Coal

Sir,—Your article on "The Case for Dearer Coal" was largely concerned with ways and means of increasing exports, even by a few million tons. One straightforward way seems to call for attention. The average usage of domestic coal in the country is roughly a ton per head of all population allowing for gas and electricity. The 700,000 miners received in 1951 over 5 million tons of coal—more than 7 tons per worker. No doubt they also use some electricity and gas, and allowing for, say, four persons per mine worker, it may be said that 2 million tons of coal at least is supplied in excess of the recognised national standard of the community as a whole.

Incidentally, the amount was 100,000 tons more in 1951 than in 1950 in spite of a much lower proportionate increase in manpower.

If this coal is regarded as corresponding to imports from the United States, it is costing us—in dollars too—probably £10 per ton, say £20 million per annum. It would pay the country well to reimburse every mine worker by say £30 per annum in lieu of this three tons of the coal allowance, and it seems well worth while sounding the Mineworkers Union to ascertain whether the men too would not welcome such a proposal.—Yours faithfully,

L. PATRICK
Haywards Heath

Paying for Privileges

Sir,—The recent increases in monthly return fares on the railways and in the price of coal to the consumer raise an interesting point. To transport employees who enjoy free travelling facilities, and coalminers who receive free or cheap coal, these increases (to the general public) constitute a rise in wages. It therefore seems reasonable that such employees should not escape this increase by virtue of their office, but should pay for their privileges by exactly the amount by which these charges have been increased.—Yours faithfully,

E. T. WALKER
Thornton Heath

Lancashire Takes the Strain

Sir,—May I be allowed to comment upon the question of grey cloth imports into Lancashire, which was raised in *The Economist* last week. Substitution of Lancashire cloths for those at present imported from India and Japan would not be a simple matter. Much of the 323 million square yards of foreign cloth imported into the United Kingdom for finishing last year, was of a type which has been little woven in Lancashire mills since 1945. Manufacturers and weavers alike, have been reluctant to handle the extra coarse and "wide" cloths, preferring to concentrate upon the finer goods, which proved more remunerative to both employer and operative alike.

Further, the bulk of the foreign cloth finished in the United Kingdom since the war has been re-exported to markets with low purchasing power. Under the present arrangement the foreign consumer secures the advantage of cheap cloth with a high quality finish, which satisfies his particular requirements. Higher costs in Lancashire mills reduce the possibility of producing these same cloths at prices comparable or competitive with present Indian and Japanese prices; there is no guarantee that the demand from these "low consuming power" markets would be maintained if the higher priced Lancashire goods were substituted for the cheaper foreign cloths.

Some Lancashire manufacturers have recently maintained that with adequate supplies of yarn and the full co-operation of their own workpeople, they could satisfy demands for coarse cloths made by foreign consumers, but at the same time few references have been made to the prices of such cloth. It is indicative of the industry's own lack of confidence in its competitive strength that few Lancashire manufacturers seem willing to switch their production to coarser cloths, until the industry as a whole has received some kind of assurance from the Government that the imports of foreign cloth for finishing are to be limited.—Yours faithfully,

ROLAND SMITH
Manchester

Shopping Guide

Sir,—The article on consumer research in your issue of December 22, 1951 calls for comment. By devoting more space to the danger of "anti-commercialism" than to the advantages of consumer research, it gives a wholly false impression. The organisation that you mention, Consumer's Research, Inc., is probably politically to the right of British conservatism. The other American organisation in the field, Consumer's Union of US Inc., is certainly further to the left; but even this organisation publishes very little that could be attributed to "doctrinaire anti-capitalists, crypto-puritans, intolerant highbrows and intolerant utilitarians."

Part of your argument suffers from bad logic. Of course, the consumer should be free to buy a "shoddily made shirt for a fortnight's holiday." He should be free to do so consciously, and at a lower price than he would pay for a durable shirt, but he should be protected from buying a shoddy shirt by mistake when he needs a good shirt.

You never mention one of the principal arguments for consumer research, an argument that has nothing to do with "showing up mendacious claims" or revealing anything concealed by the manufacturers. The consumer needs guidance to shop intelligently when buying complex modern industrial products. It is a matter of selecting the product that is best suited to one's needs. Even when the considerations involved are simple one discovers surprisingly often that one does not know simple facts. With the more complicated equipment —for example a refrigerator or car—the necessary knowledge is altogether beyond the scope of the layman. To have at hand a practical work of reference, where the relevant considerations are assembled in precisely the form in which they are needed by the prospective buyer, not only makes for a better outlay of one's money, but greatly increases the pleasure of shopping.

A reader of your article would never gather that consumer research is not only a "theoretically excellent proposal" but an idea which has been successfully translated into practice in the United States for over fifteen years by organisations with millions of subscribers.—Yours faithfully,

J. HAJNAL
Princeton, USA

Books and Publications

The War in the West

The Struggle for Europe. By Chester Wilmot. *Collins.* 766 pages. 25s.

There can be no doubt that this is an important book. The publicity with which it has been greeted has no doubt served the purpose of selling the book—which is a good thing, as it deserves to be widely read—but it may have prejudged the public appraisal of the book beyond repair. Many people will have gained the impression that it is an anti-American tract of a sensational kind. In fact, it is a solid piece of the historian's art, evidently based on a great deal of painstaking research not only into written records but into the memories of the participants on both sides; it gains enormously from the care with which the German records have been sifted as well as the British and the American, so that the story can be told from both sides at once. Moreover, it is written with detachment and fairness. It is true that there are severe criticisms of the Americans, but Mr Wilmot is careful to quote his evidence and to say what can be said on the other side before he reaches his conclusion. He can certainly be acquitted of prejudice, in the sense of approaching each controversy with his mind made up.

Mr Wilmot makes four major criticisms of American policy, military and diplomatic, in the years 1943-45. These are (i) that the Americans were never prepared to put real strength behind the Mediterranean campaigns or to allow them to diverge from Italy into the Balkans; (ii) that the greed of the US Navy for landing craft for the Pacific crucially delayed the invasion of Normandy; (iii) that the American propensity for attacking all along the line, instead of in one concentrated spearhead, ruined Montgomery's plan for crossing the Rhine and occupying the Ruhr in 1944, which otherwise might well have ended the war before the Russians got west of Warsaw; and (iv) that Roosevelt's unjustified trustfulness towards the Russians and even less justified distrustfulness towards British "colonialism" led him, at Teheran and Yalta, to make a free gift to Stalin of the overlordship of half Europe. Perhaps not one of these four allegations will be accepted by everybody. The first and the fourth, however, are now very widely accepted in America—indeed, it would be difficult at this time of day to hold that Roosevelt judged rightly at his two conferences with Stalin. The second charge Mr Wilmot documents carefully, and it would not be easy to get over his figures. On May 1, 1944, the US Navy possessed 16,582 landing craft of all kinds, but spared only 2,288 for what was agreed to be the major operation of the year. Of the vital LSTs, the US Navy spared only 188 for Normandy, although at much the same time it provided 87 for the assault on Saipan garrisoned by a single Japanese division without hope of reinforcements. There remains the third charge, that the war could have been won in 1944 if, after the break-out from Normandy, the real weight of the Allied forces had been put on the crucial left wing, where Montgomery was in command, rather than spread out among the American commanders further south. This has been much controverted and it would be rash to expect any agreement on it. But Mr Wilmot's arguing of the case is very impressive, not least his calling in evidence of the German generals.

> These generals are agreed that if even fifteen divisions had driven on after the capture of Brussels and Liége, as Montgomery proposed, the Wehrmacht would have been powerless to stop them overrunning the Lower Rhineland and seizing the Ruhr. Indeed Blumentritt [Rundstedt's Chief of Staff] says: "Such a break-through *en masse*, coupled with air domination, would have torn the weak German front to pieces and ended the war in the winter of 1944."

To very many readers it will seem, as it does to the present reviewer, that Mr Wilmot has made out his case on all four issues. It is therefore worth going on to say that, even if the conclusions be accepted, they are matter for regret but certainly not for recrimination. Very many more mistakes were made on the German side than the Allied. If the Americans made mistakes they also did some things supremely well. If Europe is now paying for one of Roosevelt's errors, it should also pay tribute to him (as Mr Wilmot does) for the single-mindedness and courage with which he insisted, even when other stalwarts like General Marshall were wavering, that the war in Europe must come first and the war in the Pacific second. That America, after Pearl Harbour, did not turn its back on Europe to be revenged on the Japanese was one of the miracles of the war; and it was due to Roosevelt above all others.

Anyone who wishes to understand the world of today ought to read Mr Wilmot's book. The prospective reader should, however, be warned that it has a grave structural defect. This is probably due to the unfortunate accident (unfortunate, that is, for the book) that Mr Wilmot, as correspondent for the BBC, was an eye-witness of some of the events he sets out to describe. To be an eye-witness and yet a good historian requires the supreme detachment and self-control of a Thucydides. Where Mr Wilmot is not on the spot, his writing is brilliant; but where he is present (or near at hand), the balance becomes distorted, the descriptions are crowded with names and too detailed to be followed without pencil and paper, and the main thread is lost. It would have been much better to have taken the purely military chapters (that is, about 10 of the 34) out of this book and made them into a separate work. What would then remain could be described as an almost classic example of how a war can be not merely described but explained.

Case History for Steel

Capital Development in Steel. By P. W. S. Andrews and Elizabeth Brunner. *Blackwell.* 374 pages. 30s.

In this book, Mr Philip Andrews and Miss Elizabeth Brunner have attempted a study of a kind all too rare in British economic literature. They started with the intention of putting to practical test accepted economic doctrines about the motives that impel industry to extend its resources and invest in new plant. They have ended in producing a book of wider range, important less for its theoretical conclusions than for its account of the history and development of United Steel Companies, Limited.

There are a few classical examples, mainly American, where economists have succeeded in the formidable task of testing theoretical principles against practical observation. This book is perhaps a little too diffuse to earn the very highest of marks, but it is, for all that, a study of extraordinary interest. Obviously, the authors were most fortunate, in the first place, in choosing the subject of their case history. United Steel Companies have roots that extend to the very beginning of the nineteenth century; the group is one of the biggest integrated concerns in the steel industry, and one with the longest traditions. Its receptive sympathy towards the object of the authors' researches was an essential condition of their success. The result is in no sense a commissioned history of the group, though it would be hard to imagine a better account of its development from the earliest stages of the industrial revolution through the financial pressures of the late twenties and the complications that attended the reconstruction a year or two later until it emerged as a rationally knit group turning out more than one-eighth of the total production of steel ingots in this country.

All these stages are set down in great detail, with proper but not exclusive stress on steelmaking technique and without any resort to the more frightening types of economic analysis. The result is a living picture of United Steel so acceptable in itself that the reader—and perhaps here and there the authors—can be forgiven for an occasional forgetfulness of the book's intended theoretical purpose. The conclusions show that what made United Steel Companies grow was not a behaviouristic response to the rate of interest; there were other factors, more direct, such as its cash resources, and the earnings prospects of new developments, on which, incidentally, a 20 per cent return is set as a standard.

But, in the end, the factors that have made United Steel what it is cover a range of human motives and technical decisions—a desire to ensure raw materials for the group as a whole, a sense of social purpose in keeping Workington alive and making it pay, a courageous decision to extend greatly its steel works at Appleby-Frodingham based on home ore, and the development of special steels. Policy has entered into all these decisions, but overriding them is the determination of those in charge of the group to keep its production machine in efficient operation and to preserve and strengthen its relative importance in its own industry. This book may not have advanced economic theory appreciably. But it does offer a valuable and objective study of the economic growth of the firm in being.

Defining War Crimes

UNO and War Crimes. By Viscount Maugham. *John Murray.* 143 pages. 12s. 6d.

Whether aggressive war was already an international crime in 1945 or whether the charge of a crime against peace in Article 6 (a) of the Nuremberg Charter was retrospective legislation will long be debated. Lord Maugham concedes that the Pact of Paris (1928), despite the absence of any "sanctions" therein, made aggressive war an international crime against the injured state. The pact, he says, removed a shield from the authors of an aggressive war. Nevertheless, he would prefer to exclude aggressive war from Uno's projected code of war crimes. Impressed by the difficulty of defining aggression—a difficulty not yet solved by the International Law Commission—and by differences among historians concerning the origins of past wars, he considers it unwise to make aggressive war part of a general criminal code.

But the law can and must distinguish between the historical causes of international disputes and the decision to solve them unilaterally by violence. The definition of the defences of provocation and self defence presents, no doubt, difficulties in the international law of aggression as it does in the municipal law of homicide. That does not, however, mean that aggression, like murder, is not generally capable of determination. If the Nuremberg precedent is not to become, as Lord Maugham fears, a pretext for liquidating vanquished enemy leaders, the essential point is that the crime should be punishable only in the name of the international community. Some will decline to follow Lord Maugham when he apparently sees in the Nuremberg trial nothing of the outraged international community and only the trial of vanquished by victors. If the community does not in future maintain a substantial solidarity, crimes against peace may well make bad law, but if it does hold together, they will form a natural element in its law of public security and it is so intended in Uno's code.

However, Lord Maugham's chief concern is with the personal guilt of the individual—his *mens rea* as the lawyers say—in the projected code of war crimes. He strongly denies that the Pact of Paris made criminals of anyone but the real authors of aggression. He accordingly attacks the phrase "the planning, initiation or *waging*" of aggressive war in Article 6 (a) of the Charter as being wide enough to make a criminal of every individual participating in the aggression. The word "waging" probably reads *eiusdem generis* with "planning" and "initiation," and meant the higher direction of aggressive operations; but the language was certainly very loose. Next, he criticises Article 7 for having excluded "act of state" as a defence to a war crime. Here, he scarcely seems consistent, for the legal shield which he accepts as having been removed from an aggressor by the Pact of Paris can only be the immunity which attaches to lawful acts of state. Then, he criticises Article 8 which excluded the defence of "superior orders" (another facet of act of state) without regard to the accused's "moral choice" to disobey. Under this article "superior orders" were at most to mitigate the punishment. The conflict between the individual's international and municipal duties is not easy to resolve, but Lord Maugham has the support of the International Law Commission in recommending that absence of a real moral choice should entitle the accused to full acquittal. Lord Maugham's contribution is to have directed attention to the mental element as the basis for responsibility in international crimes. This contribution would, perhaps, have been greater if he had entered rather more into both sides of each argument.

GOM and *Grand Seigneur*

Mr Gladstone's Last Cabinet. By the Fifth Earl of Rosebery. Printed in *History Today.* 2s. 6d. monthly.

This valuable and amusing document is a narrative of events behind the scenes covering the period from January 9, 1894, when Gladstone, aged 84, announced "in a speech of 50 minutes"

Out Next Friday - - - A New Weekly

JEWISH OBSERVER

and

MIDDLE EAST REVIEW

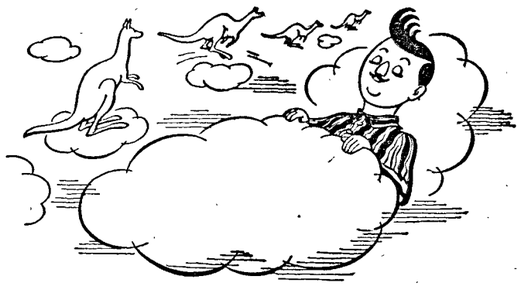
Factual survey of politics, economics and culture in the Middle East

Editor **JON KIMCHE**

24 pages *Every Friday, 6d.*

Available from any newsagent or from the publishers:

140, SALISBURY SQUARE HOUSE, LONDON, E.C.4.



B.C.P.A. is the only airline in the world providing a free sleeper for every passenger

AUSTRALIA & NEW ZEALAND via North America

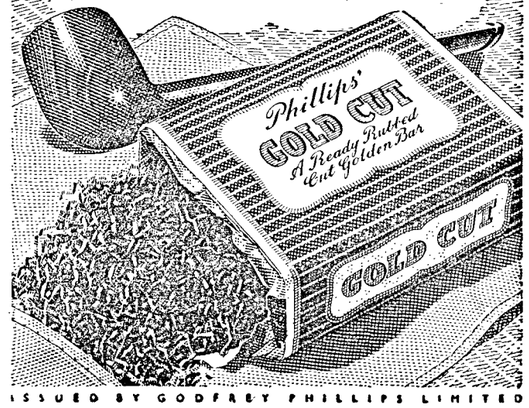
BCPA

FARES: *Sydney £290 single, £522 return. Auckland £285 single, £513 return. Book through any accredited Travel Agent or through B.O.A.C. our General Agents in the U.K. (telephone: VICtoria 2323).*

BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED

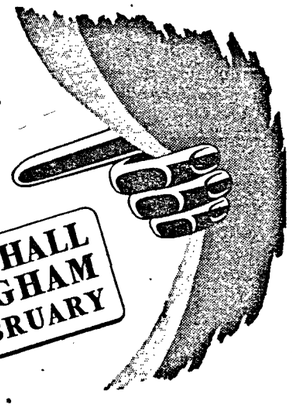
in co-operation with B.O.A.C., T.C.A., T.W.A.

A NEW old-style pipe tobacco at 4/- an ounce



ISSUED BY GODFREY PHILLIPS LIMITED

SEE WHAT'S ***New***

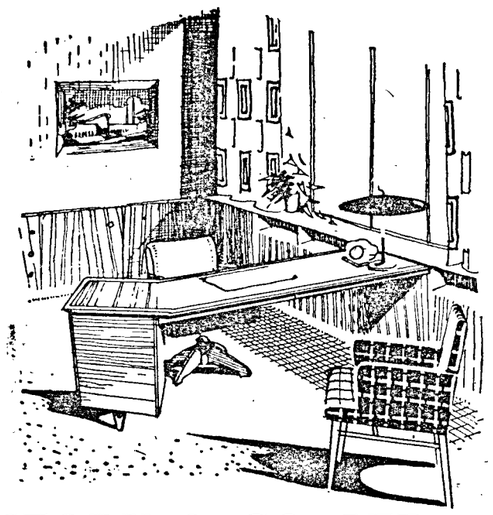


BINGLEY HALL BIRMINGHAM 19-29 FEBRUARY

BUSINESS EFFICIENCY EXHIBITION

New methods, systems and equipment to save time, effort, space and money.
Watch demonstrations. Ask questions.
Compare results.
Special facilities provided for parties from firms and trade associations.
Open daily 10 a.m.-8 p.m. (except Sunday)
Public Admission 2/6.

Organised by the Office Appliance and Business Equipment Trade Association, 11-13 Dowgate Hill, London, E.C.4.



STORY & CO. LTD.

Designers of Interiors

KENSINGTON · LONDON

EXPERIENCE gained over many decades in the design of interiors and the *actual* production of fine furniture together with suitable floor coverings and textiles, enables Story's Contracts section to give competitive estimates on a high level of quality and design, both in English Traditional styles and in the Contemporary manner.

Since 1945, Board Rooms, Directors' and other offices, reception halls, showrooms, restaurants, canteens, residential staff quarters, etc., have been successfully executed (many in collaboration with the clients' architects) for over 30 notable organisations, including Martins Bank Ltd., I.C.I. Ltd., Tube Investments Ltd., Kuwait Oil Co. Ltd., Kodak Ltd., Cyanamid Products Ltd., Dunlop Rubber Co. Ltd., Patons & Baldwins Ltd., Lever Bros. & Unilever Ltd., Ind Coope & Allsopp Ltd.

LEAD LASTS

LEAD SHEET AND PIPE CAN BE DELIVERED IMMEDIATELY FOR ALL BUILDING WORK

The Technical Information Bureau of the Lead Industries Development Council exists to give assistance on problems relating to the use of lead sheet and pipe in building work. Details of its application are given in a series of information sheets. These sheets are available to architects, surveyors, builders, plumbers and other technicians interested upon application to the Council. " Students " applications should be endorsed by an instructor or master of a technical school.

LEAD INDUSTRIES DEVELOPMENT COUNCIL, EAGLE HOUSE, JERMYN ST., LONDON, S.W.1
LEAD TECHNICAL INFORMATION BUREAU, 90 EBURY STREET, LONDON, S.W.1 TEL: SLOANE 0474

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £1,800,000)

is associated with

The British Metal Corporation (Pakistan) Ltd.
The Cyprus Co., Ltd., Drew, Brown Ltd. (Canada), Sandilands Buttery & Co. Ltd. (Malaya), and C. Tennant Sons & Co., of New York, as well as with the associates of The British Metal Corporation Ltd., Australia, Canada, India and South Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3.

TELEGRAMS: *Nonfermet Telex London* CABLES: *Nonfermet London* TELEPHONE: *MANsion House 4521 (10 lines)*
Branches at BIRMINGHAM, MANCHESTER and GLASGOW

that he would resign unless the Admiralty estimates were halved, to March 6th, a few days after Roseberry's accession to the premiership. The date of its composition is unstated and perhaps unknown. It was probably used by Lord Crewe in the composition of the "Life of Lord Rosebery," but thereafter disappeared until found by the present Lord Rosebery and published in the December and January issues of *History Today*.

A reviewer generally assumes that he is writing for readers who have not read the work he is reviewing. Many readers of these lines will, however, already have read Lord Rosebery's narrative, and will agree that it is both valuable and amusing. It presents, in fact, a political comedy with five characters. First there is the GOM himself, aged, incalculable and exasperating. Next the heir presumptive, in his own estimation at least, Sir William Harcourt, who would have been on all grounds the man for the premiership if his cantankerous and overbearing manners had not made him intolerable to all his colleagues. Attendant of Sir William, his son Loulou, eagerly canvassing on his father's behalf and not thereby improving his prospects. Fourth, John Morley, vain, irritable, intriguing, pining for the Foreign Office and hoping to extract it from whomever might secure the premiership. And lastly, the *grand seigneur, sans peur et sans reproche*, Lord Rosebery himself, who did not seek greatness but none the less had it thrust upon him. Is it a matter of history or an entertaining coincidence that the only character to emerge without shame from this story is the character who wrote it? That is a point on which every reader must make up his own mind.

Victorian Decline

Imperialism and the Rise of Labour, 1895-1905. By Elie Halévy. Second (Revised) Edition. *Benn.* 442 pages. 21s.

The enduring and stimulating qualities of Elie Halévy's work with its broad perspective and bold judgments remain unimpaired after a quarter of a century. But the author frankly confessed himself least at home with the themes and period of this fifth volume—the first of the epilogue. He found the chief glory of the Victorian Age in the *laisser faire*, pacific and cosmopolitan liberalism of the mid-century. Its decline before the onset of expansionist imperialism and the beginnings of collectivism in the late Victorian years, he interpreted as a movement toward national decadence.

Part of his explanation, which few would dispute, was the growing sense of insecurity and lack of confidence caused by the relative decline in British prosperity and power. Another, perhaps the most illuminating, was his interpretation of collectivism as the product of an unconscious alliance of employer and employed against the "zeal for production" and the "appetite for work." On the other hand, Halévy failed to stress sufficiently the fact that imperialism—the third horn of decadence—was from one aspect the result of a zeal for investment and indirectly, therefore, for production.

Halévy's Gladstonian approach indeed so confused his treatment of British imperialism that he attributed the transformation of the liberal anti-imperialist maiden of the golden age into the territory-grabbing ogre of the century's end to Chamberlain and the Unionists, who exploited "the war-like passions of the democracy." The author in this over-simplification has missed perhaps the most curious paradox of late Victorian imperialism: that the largest territorial acquisition were made between 1880 and 1890 when the old anti-expansionist attitude still prevailed in Parliament, and expansionist jingoism had not yet become popular. Despite their *laisser faire* convictions, the Gladstone Governments no less than the Salisbury Governments had already been forced by foreign expansion and protectionism to extend the protection of the political empire over the advancing frontiers of British trade and speculative investment. Furthermore, both used the power of the state under cover of chartered companies to promote British enterprise overseas.

Thus, Halévy's presentation of Chamberlain and the Unionists as almost the architects of a sudden jingoist revolution in imperial policy is misleading. It is a confusion of perspective which no doubt he would have corrected had he completed his work for the period 1852-1895. At the same time it is refreshing to find that he, unlike some who have attempted to bolster the imperial tradition since his day, did not shrink from reminding us of the seamy, financial aspects of late-Victorian imperialism.

Conference on Ageing

Growing in the Older Years. Edited by Wilma Donahue and Clark Tibbitts. *University of Michigan Press.* (*London: Geoffrey Cumberlege.*) 204 pages. 20s.

In 1950 the University of Michigan held its third "Annual Conference on Ageing," and the addresses are now, like those of the previous conferences, published with explanations from the editors. Each of the conferences attempted to concentrate on some special aspects of old age. This one dealt with medical health, mental hygiene and education; but inevitably the whole field, as much of it as is known, comes into view, and industry and health services, housing, incomes, the training of voluntary social workers and many other aspects are discussed.

Addresses tend to be haphazard when one speaker does not know what the others will say. There is repetition and a little contradiction, one speaker asserting that "today the person of sixty-five has little chance of living much longer than did the person of sixty-five in the year 1900" and another that "longevity has increased more than 35 per cent in the last half-century." Such contrasts indicate the general lack of knowledge about old age, which one speaker compares with the lack of knowledge about childhood in 1850; and, though speakers freely admit this, there is sometimes, particularly in the second half of the book, an emptiness or commonplaceness of idea masked with grandiose phraseology. On the whole, however, the book is rich in sympathy, sound sense and some interesting facts.

The English reader will note a certain American quality in the survey—the assumption, for example, that the individual failing in strength and on the way to death can be completely soothed by "human adjustment." There is an atmosphere of push and excitement about the conference almost as if the problem of old age had not existed before, and one speaker, advocating "conditioning of old people," demands a vast publicity campaign with "radio, television, films: I would even add the comics." But generally the American speakers discuss problems which exist in any industrial community where the proportion of elderly people is increasing. They consider forced retirement ("one hundred years ago, three-fourths of the older men were employed and worked seventy hours a week"), the pernicious effects of too much leisure, the shaky finances of the old and the disadvantages of individual firms' insurance schemes for workers, which not only tie people to their jobs but make the elderly work-seeker unwelcome. Altogether the speakers say very much what Lord Amulree said in his recent "Adding Life to Years," but detailed medical and psychological sections are added, and there is a broad sweep of idealism and optimism.

Government Publications

OFFICIAL HISTORIES OF THE SECOND WORLD WAR

The Economic Blockade

VOLUME I

BY

W. N. MEDLICOTT

The first of two volumes telling the story of the blockade of Germany in the Second World War. It recounts the delicate negotiations whereby neutral powers were urged to cease or reduce their trade with Britain's enemies. This volume takes the story down to the summer of 1941, when the German attack on Russia and the British and United States freezing orders against Japan commenced a decisive new phase in the economic war.

35s. By post 36s. 1d.

To be published on 4 February (in conjunction with Longmans Green & Co. Ltd.)

H.M. STATIONERY OFFICE

P.O. Box No. 569, London, S.E.1, and Sale Offices in London, Edinburgh, Manchester, Birmingham, Bristol, Cardiff and Belfast or through any bookseller.

AMERICAN SURVEY

Far Eastern Course

Washington, D.C.

JUST how much trouble has been piled up by Mr Churchill's words in Washington on Far Eastern matters is by no means clear, up to now, on the American side of the Atlantic. Perhaps in the last week or so Washington has tended to attach too much importance to signs of alarm and despondency in London over Mr Churchill's promise to Congress that Britain will join in "prompt, resolute and effective" action against the Chinese Communists if a Korean truce should be made and then broken. Perhaps, after all, feelings in London have not been badly bruised by Mr Churchill's congratulations to Congress on the policy which has made Formosa, if not a source of international inspiration, at least a safe haven for General Chiang Kai-shek and his men. Now that the Prime Minister is home again the effect of these pronouncements, and of his defence of them, will doubtless become clearer, although maybe only gradually. In any case the outcome will be watched very carefully by the State and Defence Departments and the White House.

A certain comfort was felt by the Americans when they discovered, during the talks with Mr Churchill and Mr Eden, that the Conservative Government was much more inclined than the Labour Government had been to consider the possibility of coming to an arrangement, even a temporary one, with the present Persian Government. But the satisfaction over this disclosure was nothing compared with the warm glow induced by the Prime Minister's references to the Far East. There were some, nevertheless, who wondered whether Mr Churchill's speech had gone down as well with Mr Eden as it did with Congress. For Mr Eden had not, it seems, been quite as clear-cut on the British position in the event of a broken truce, or quite as cordial on the subject of American policy toward Formosa.

There was not, however, any mystery about Mr Churchill's reasoning, or any doubt that he had powerful arguments to bring against any at home who might complain that he was going too far. In the first place, the prospect of a satisfactory armistice can be improved at this point only by evidence of unity and firmness on the United Nations side. In the second place, if a truce into which the United Nations forces had entered in good faith were to be broken, such treachery would confront the free world with a new situation; and in these circumstances the highest priority would need to be given to a demonstration of Anglo-American solidarity. If Britain were to hesitate and compromise in such circumstances, refusing support to the far more heavily engaged Americans, the alliance and the United Nations itself would be in serious jeopardy. Not to go along with the Americans would be to invite perils infinitely greater than the risks of prompt, resolute and effective action in concert with the Americans. (The assumption has been that this phrase implies the bombing of strategic targets on the Chinese mainland, including Manchuria, a policy which had hitherto been considered to risk spreading the Korean war.) As for Formosa: does anybody, whether or not he likes General Chiang, believe that it would have been better to allow this important island to fall into Communist hands?

Thus Mr Churchill might argue, and thus he might well be vindicated. Yet there is a case, too, for asking whether in the long run the undoubted improvement in the condition of the Anglo-American alliance that was achieved during Mr Churchill's visit will be worth more than the arduous, anxious policy of maintaining a British hold on the Far Eastern brake. Mr Churchill is said to have expressed the view while in Washington that it was a bad thing to nag the Americans about their course in the Far East. The question may be, whether it is automatically a good thing to cheer them on the same course.

★

It is not that anyone need doubt American motives. They are as morally sound and as intelligent as British motives are. What does produce uneasiness is the extent to which the Administration, the Congress and the greater part of the press is willing, in this period of strain and politics, not only to yield to the doctrine that the end justifies the means, but also to think that anyone who challenges the means must be opposed to the end, and must therefore be either a weakling or an enemy.

From time to time, in these days when the State Department has to judge the effect upon the Congress as well as upon the Communists of every word it utters on the Far East, there emerge indications of a quite remarkable faculty for self-deception in high places. There are occasions in Washington when it appears that the official line is not merely to forget, but even to deny, that Japan was a dangerous enemy only a little over five years ago. The current issue of the quarterly review *Foreign Affairs* interestingly illuminates the gap between the American and Australian interpretations of recent history. Mr Menzies, the Prime Minister of Australia, in an article on "The Pacific Settlement Seen from Australia," says:

> The Japanese soldier proved himself an uncivilised enemy and a brutal and inhuman gaoler. Nobody in this generation of Australians will ever forget the instances, all too well attested, of brave soldiers murdered after capture, of nurses tortured and destroyed, of prisoners-of-war starved, enslaved, beaten, driven mad, driven into the grave.

In the preceding article on "Security in the Pacific" Mr John Foster Dulles, the architect of the Japanese peace treaty, writes:

> One disrupting fear is that felt by the peoples whom Japan assaulted that Japan will again be an aggressor. These peoples are not yet aware of the change of mood in Japan nor do they appreciate that the best insurance against a possible renewal of aggression is co-operation between Japan and others along the lines of the United States-Japan Security Treaty.

The Japanese peace and security treaties, and the accompanying group of treaties with Australia, New Zealand and the Philippines, are almost sure to be ratified by the Senate. Fears that the Japanese might want to establish trading and perhaps other relations with the Communist Chinese mainland have been removed, or at least lulled, by the letter which Mr Yoshida, the Prime Minister of Japan, wrote in December to Mr Dulles. In it Mr Yoshida announced that his government has no intention of concluding a treaty with the Chinese Communists, but does propose to offer the Chinese Nationalists on Formosa a treaty "applicable to all territories which are now, or which may hereafter be, under the control of the National Government of the Republic of China." That was what the Senate wanted to hear, and now it all seems to be in the bag.

But is it? Mr Dulles has denied that any American pressure was put on Mr Yoshida and his government to lead them into a decision so agreeable to American ears. But nevertheless this letter is going to bedevil Japanese-American relations for some time to come. A year ago Mr Yoshida himself wrote in *Foreign Affairs*:

> Red or white, China remains our next-door neighbour. . . . Economic law will, I believe, prevail in the long run over any ideological differences.

And apprehensive Senators at the treaty hearings asked Mr Dulles what would happen if Mr Yoshida's government fell. Mr Dulles admitted that Mr Yoshida's letter would not bind his successors, but Mr Dulles drew attention to the Battle Act, which would withhold American military, economic and financial aid from countries trading with Communist nations. That, he intimated, would keep Mr Yoshida's successors out of error. Moreover, China would not necessarily always be Communist. In the Administration's current lexicon, however, none of this is to be interpreted as putting pressure on a sovereign nation.

The Americans are indubitably going to steer their own course in the Far East, and there may be much to be said for not nagging them while they are thus engaged. Nevertheless, in the circumstances Mr Churchill may find it desirable to make it plain that what he said in Washington does not imply that Britain is ready to abandon its place on the bridge within reach of the wheel—an apparatus with which, one way and another, it has had quite a lot of experience.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Growing Pains in the Air

[FROM A SPECIAL CORRESPONDENT]

IN drawing up his defence budget for an election year, the President had to balance bullets against ballots, the monstrous demands of the military against what his political medicine-men thought the tax-payer would tolerate. Mr Truman told the services to lower their sights; they came down a notch or two and then refused to go lower. For weeks the White House huffed, while the military puffed. The controversy dragged on until the last week of 1951, just a few days before the President was scheduled to deliver his message on the State of the Union. Only then did he back down, and accept a $52 billion budget for defence in the coming year.

This was $4 billion more than the President had originally been willing to offer, and most of it was secured by the Air Force. When Mr Truman first let it be known that he wanted a much lower ceiling on new military expenditure, the morale of the Air Force had gone into a tailspin. Such a budget would provide handsomely for the Army and the Navy, but it drew a narrow compass round the horizons of the Air Force, which had widened from plans for 95 groups in August, 1950, to 143 groups at the end of last year.

To get enough aircraft to satisfy the requirements of such a force, argued the Air Force, money was needed at once to let the necessary contracts; the aircraft which are now rolling out of factories at the rate of about 600 a month were all paid for with funds appropriated in the year ending in June, 1950, and earlier. In fact, the Aircraft Industries Association has reported that so far not a single combat aircraft has been delivered as a result of orders placed from the $25 billion appropriated in the fiscal years 1951 and 1952. Even though it has warded off any severe cuts, the Air Force must resign itself to a stretching out of its programme of expansion; its goal of 143 modern groups is now not likely to be attained until 1955 or 1956, instead of in 1954 as originally hoped.

★

At the moment, the Air Force is spending the biggest share of its appropriations on the B-47 medium bomber, being built in the Boeing plant in Wichita, Kansas. The Douglas Aircraft Company is also re-opening its Tulsa, Oklahoma, plant to build B-47s, and the Lockheed Corporation expects to get to work on the same model in Marietta, Georgia, before the year is out. A sleek 600-mile-an-hour aeroplane with wings swept back at a 35-degree angle, the B-47 can carry 20,000 pounds of bombs, and is powered by six General Electric J-47 jet engines. But the B-47's comparatively short range—3,000 miles—rules it out as an intercontinental bomber. That mission is still performed for the Strategic Air Command by Consolidated Vultee's giant B-36 heavy bomber, which can carry 10,000 pounds of bombs on a round trip of 10,000 miles, and much heavier loads on shorter trips. The B-36 is still being made in limited quantities. But even when its six Pratt & Whitney 3,500 horsepower reciprocating engines are supplemented by four J-47 jet engines, it lumbers along at a mere 450 miles an hour, fair game for a supersonic interceptor.

The Air Force, of course, has long been working on a successor to the B-36. In addition to an all-jet, swept wing version of the B-36, the Air Force is developing the B-52, which looks something like the B-47 but is much bigger, big enough to make the vital 10,000-mile trip with the deadly 10,000-pound load. Its speed is a tight secret, but since it is powered with eight Pratt & Whitney J-57 jet engines, each developing about 9,000 pounds thrust (compared to 7,200 pounds for the British "Sapphire" jet), it certainly is in the 600-mile-an-hour class. However, this speed is still on paper, for the B-52 has yet to get into the air. The Air Force will have to depend on the B-36 for several years to come, and indeed, the Strategic Air Command is belligerent in its defence of the big bomber, which Navy pilots sneered that they could shoot out of the sky.

The Air Force's own fighter programme is at present concentrated on the F-84 "Thunderjet," being built by the Republic Aircraft Corporation in Kansas City, and the F-86, of course, has seen wide service in Korea, and is Incorporated, in Los Angeles. Both models can do better than 600 miles per hour, and one model of the "Sabrejet" has been officially clocked at 671. Large numbers of the F-84 are now going to service in Atlantic Pact countries; the

F-86, of course, has seen wide service in Korea, and is the only American fighter which has been able to stand up to the Russian-designed MIG-15s flown by the Chinese.

For all its salty talk of shooting down B-36s, the Navy has actually had a stormy time of it in attempting to design a good carrier-based jet aircraft. Carrier aircraft must be so built that their wings may be folded back, permitting easier stowage aboard ship. Unfortunately, the folding mechanism adds to their weight, and so cuts down their speed, and manœuvrability in combat. Furthermore, the decks of many carriers are not strong enough to take the weight of such new attack aircraft as the North American "Savage," which weighs 26 tons. The Navy is now strengthening the decks of most of its carriers, and working hard on new types of catapults which can hurl the heavier jets into the air. Production of fighters for the Navy is still concentrated on the Grumman "Panther," and the McDonnell "Banshee" and "Demon," but faster models are already moving on to the production lines.

In addition to these major projects, the flying services are producing a dozen other fighting aircraft as well as an impressive array of auxiliary craft. But all told, these efforts produced only about 5,000 aeroplanes in the entire year of 1951, compared to 9,000 a month in 1944. Consequently, the air has been thick with the slings and darts of critics who claim that the Administration has traded the nation's guns for an extra pound of butter for the voters. These critics have shot wide of the mark, but the truth is no less bitter. So heedless were mobilisation planners of one vital production factor, the machine-tool industry, that the defence effort would have been seriously curtailed even if Americans had tightened their belts to their backbones.

When the Defence Department rattled out its production orders after the war began in Korea, it did so without bothering to find out if the manufacturers would be able to obtain from the shrunken machine tool industry the drills, shapers, planers, jigs and fixtures which they would need to make the thousands of intricate parts in modern weapons. Not until the end of 1951, when the whole American productive machine was heaving and hiccupping like a Model T Ford on a steep hill, did the defence mobiliser come to the aid of machine tool manufacturers with a series of super-priorities for materials. By that time, eighteen months had been lost.

While these production difficulties have received most publicity in the aircraft industry, they are being felt in all branches of armament, including tank production. The American public, well drilled in the lesson that American productive power won the last war, has not yet grown unduly nervous. So far, it accepts the idea that the mobilisation programme is moving through an adolescent stage, and that its troubles are just growing pains. Everyone hopes that the West still has time, and that the country will not have to depend on a boy to do a man's work.

American Notes

Missing Heir at the White House

Like the Republicans, who have General Eisenhower pulling one way and Senator Taft the other, the Democratic party has now also sprouted two heads. Senator Kefauver has announced his candidacy for the party's presidential nomination and has obviously no intention of withdrawing, even should Mr Truman decide to run again. Mr Kefauver's chief assets are the fame he won last year as the head of the Senate's Crime Investigating Committee, his comparative youth and his proven appeal on the television screen. But these assets are also disadvantages, for they have aroused the jealousy of some of his colleagues and have turned against him the important Democratic city machines which were implicated in the scandals revealed by his investigation.

Senator Kefauver considers that President Truman's attack on corruption in government lacks vigour and Mr Truman in his turn has made it clear that he does not regard the Senator as his heir apparent. But he is not yet ready to designate anyone else, even though the fact that Mr Kefauver is openly seeking the support of delegates to the Democratic convention means that the President is being pressed to offer them an alternative. His present strategy seems to be to support candidates in the state primary elections, who, he hopes, can be trusted to deliver their pledged delegates to Mr Truman himself or whomever he eventually chooses. Senator McMahon, of Connecticut, was thought to be such a candidate when he entered the Illinois Democratic primary against Senator Kefauver; but he withdrew, on the grounds that he wanted Mr Truman to run, too late for anyone else to oppose Mr Kefauver, who will thus have a walk-over instead of a chance to demonstrate his strength.

"I Have The Same Trouble"

Herblock in the *Washington Post*

[The elephant traditionally represents the Republican party, the donkey the Democratic. The symbols were devised about eighty years ago by the famous American cartoonist, Thomas Nast.]

Mr McMahon's withdrawal is only part of the Illinois puzzle, for the Democratic governor of the State, Mr Adlai Stevenson, visited Washington last month and immediately became the newspapers' chosen crown prince, even though he insists that he is interested only in running again for governor. He has made a great success of reforming a corrupt and inefficient state government, without alienating the party machine or losing the popularity that won him an overwhelming and unexpected victory four years ago. He is further qualified to be Mr Truman's heir by his liberalism and by his work as United States delegate to the United Nations in its early days. But there are other possibilities in the Democratic family—the Vice-President, Mr Barkley, in spite of his age, the Speaker of the House, Mr Rayburn of Texas, Senator Robert Kerr of Oklahoma—even though the Chief Justice, Mr Vinson, apparently insists on staying where he is. And still no one can be sure that in the end Mr Truman may not decide to try and succeed himself.

* * *

Rats in the Granary

The Commodity Credit Corporation, which since 1933 has been supporting farm prices by loans and purchases, is to follow other government agencies under the microscope. None of the employees of the CCC is charged with more than lack of diligence, but the Controller-General, stepping in where the Department of Agriculture seemed slow to tread, shocked the Senate into action by revealing that there was a shortage of $3.8 million worth of grain stored in five south-western states alone. In most of these, and similar cases, individuals entrusted with government grain sold it, hoping to replace it later at lower prices; they were caught out when prices rose.

Mr Brannan, the Secretary of Agriculture, contends that, even if the losses reach $5 to $7 million, this is a relatively small matter; and it is true that, if the committee of inquiry is to be really helpful, it must recognise what a mammoth task the CCC has been asked to perform. In three bumper years alone it handled $10 billion worth of commodities, and Congress made matters more difficult by requiring that storage, as far as possible, should be entrusted to private firms, which often had to mix government grain with their own. The CCC, in existence since 1933, has lost only $1 billion, thanks in large part to abnormal demands during the war.

In 1950, the government's investment in commodities stood at a peak of $4 billion, but during 1951 about half of this was liquidated, and the CCC showed a profit. In his budget for the year beginning next June, however, the President has set aside $270 million for price support operations, as an aid to increasing production, and building up present low stocks of wheat, cotton and maize. Cotton farmers, in particular, bruised by last summer's price fall, are demanding higher supports for cotton prices; many lost substantial amounts of money when the Crop Reporting Board overestimated the cotton crop by nearly 2 million bales, and the price fell by 5 cents or more a pound.

The need for ensuring a high level of production has given the President an excuse for suggesting a change in the support system which at bottom seems to be only a new bid for the vital farm vote. In 1949, after much controversy, Congress authorised flexible price supports, to take effect in 1951 and 1952; the support level might be reduced when supplies of a given commodity rose substantially above normal. It is this element of flexibility which the President now proposes to discard, on the grounds that farmers should not be penalised for growing all the food and fibre the nation needs. Under the law, however, the Secretary of Agriculture need not lower the support price unless he believes it desirable. It would be a pity to revive the rigid farm supports which, in more normal times, might lead once more to overproduction of basic crops and discourage farmers from making the necessary adjustments.

* * *

New Assault on the Federal Reserve

The Federal Reserve Board, which won a measure of independence from the Treasury last March, is soon to be called upon by Congress to justify that freedom. The accord reached nearly a year ago allowed the central bank, in the interests of restraining inflation, to withdraw its support from the government bond market; large institutional investors, no longer able to sell their government securities without loss, suddenly became unable to feed the domestic boom. Almost at once, a subcommittee of the Joint Committee on the Economic Report was created, under the chairmanship of Representative Patman, to inquire into credit policy and relations between the Treasury and the Federal Reserve Board.

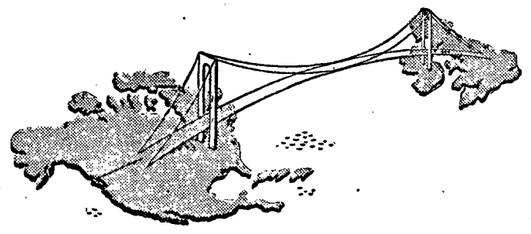
This is ground which was covered only two years ago, and with great distinction, by a similar committee under Senator Douglas. Its report stoutly upheld the responsibility of the FRB to control credit in the interests of the economy as a whole, and deprecated the efforts of the Treasury to use the credit mechanism to perpetuate cheap money and keep down the cost of financing the federal debt. Mr Patman, however, has all the westerner's historic dislike of tight money and rising interest rates; in the past he has advocated printing-press money and the abolition of interest on the federal debt and last summer he urged that the Federal Reserve Banks be required by law to buy all government securities at par. The questionnaires sent out reflect his conviction that the Federal Reserve System should be made responsible to the political authorities, and his interest in nationalising the Reserve Banks by substituting government ownership for that of the member banks. The subcommittee's new economist is Mr Henry Murphy, a former Treasury man.

Some of the alarm of banking circles may, however, prove excessive. Senator Douglas, though no longer chairman remains on the committee, as do Senator Flanders and Mr Wolcott, both firm believers in the independence of the central bank. But if there were any deep-laid plans to undermine the independence of the Federal Reserve Board the President, an outspoken critic of its bond policy, would hardly have overlooked an opportunity to appoint to it men of his own persuasion. His two new appointments, Mr Robertson and Mr Mills, are the personal selection of Mr Martin, the FRB chairman. What the Patman inquiry may do is to throw more light on the truce between the Treasury and the Federal Reserve Board, which, it is rumoured, they still interpret somewhat differently. But the Treasury, which must depend on the central bank for help in its coming refunding programme, and in financing the deficit expected in the year which begins next June, is not, apparently, anxious to reopen hostilities.

* * *

Men for Security

Congress is being urged to approve the practical details of the programme for universal military training, already accepted in principle at the last session. The shortage of military manpower means that there is no hope at present of launching on a full scale the scheme which is now being called by the more prepossessing name of National Security Training; it would involve a $2-$4 billion programme for six months' training for 800,000 eighteen-year-olds annually. But the advocates of the measure would like to see a beginning made before the end of this year on a "pilot" basis of 60,000 youths, perhaps some of those deferred from conscription for occupational reasons, perhaps volunteers who would then be conscripted for only eighteen months instead of two years. Opposition to starting NST on any scale



Bridging the dollar and sterling areas

Familiarity with business and trade conditions on both sides of the Atlantic makes the Chase National Bank an effective bridge between the dollar and sterling areas. Officers of our three London offices combine a keen understanding of British trade requirements with practical knowledge of market and credit situations in the United States.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
A United States Corporation with Limited Liability
LONDON—6 Lombard Street
51 Berkeley Square Bush House, Aldwych

whatsoever is not limited to the traditional foes of "militarisation"—educational, labour, farm and other civic groups. Congressmen with one eye on the budget and the other on the ballot-box are reluctant to put the programme into action, at least until after the election.

Meanwhile, the manpower "pool" of men aged from 18½ to 26 now liable for Selective Service is being drained more rapidly than it is refilled by youths growing up, and civilian manpower needs for factory and farm are more pressing than ever. Furthermore, this year hundreds of thousands of the conscripted, reserve and National Guard members of the forces, who were called up after the Korean outbreak, will complete their two years' service and be eligible for discharge. The realisation that manpower limits are being reached and that a slowdown in expansion of the services is needed apparently explains the cut in the draft call from 52,500 in February to 28,600 in March. About 800,000 men have already been called up since conscription was resumed in September, 1950.

One answer to the possible shortage of men for the services is the Bill now in Congress providing a 10 per cent increase in pay for all servicemen, which it is hoped will stimulate enlistment into the regular services for four-year periods. Such enlistments would reduce conscription needs. For a private entering the army, the pay increase would be from the present $75 to $82.50 per month; a second lieutenant's pay would rise from $213.75 to $235.13. Subsistence allowances would also be increased by 10 per cent and President Truman has asked for additions to survivors' benefit insurance. These increases will bring the total expenditure in the fiscal year beginning next July, for pay, clothing and subsistence for the 3,700,000 in the armed forces, to $11 billion, 21 per cent of the national defence budget.

* * *

Atoms Unlimited

When the latest programme for expanding atomic energy facilities is finished, in about five years, the American Government's investment in atomic energy will be quadrupled. Already, with atomic installations worth $2.5 billion, this industrial undertaking is larger than that of any private corporation; a further expansion, approved in October, 1950, which will bring the total investment to $5 billion, is under way, and last week the President proposed (and Congress seems sure to accept) yet another $5 or $6 billion worth. Moreover, this latest request will apparently cover only facilities for the production of fissionable material; more money will be needed for running the new plants and for putting their output to practical use. The $1.7 billion that the country is spending on atomic energy in 1952 will probably be exceeded for many years to come.

The new installations will not actually be begun until late in 1953, when the 1950 expansion should be completed. According to its report last Wednesday, the Atomic Energy Commission is already responsible for three per cent of the country's total expenditure on building and the $5 billion programme, if begun at once, would put an excessive strain on supplies of such scarce materials as structural steel and lead, and on the even scarcer supply of scientists and technicians. For these reasons the government is not prepared to expand its atomic activities nearly as fast as Senator McMahon and his Joint Congressional Committee wanted, although it apparently agrees with him that the expansion will eventually mean a saving on "conventional" weapons. For this is definitely a preparation for the "fantastic" new weapons which last autumn's atomic tests in Nevada proved feasible and it is being taken as a sign that the basic problems in the production of such weapons have been solved.

Even if, by some happy chance, the United States no longer needs fantastic weapons by the time an almost unlimited supply of fissionable material is available, it seems probable that much of the research that has gone into them will have peacetime applications. And since their production is being undertaken almost entirely by private firms on government contract there will be plenty of people with the experience necessary to make commercial use of atomic discoveries.

Atomic development is, however, still limited by secrecy and by the lack of international exchange of information. The latter was in theory made possible, under certain strict conditions, by Congress last autumn, but the procedure was so cumbersome that it was doubtful whether it would in practice be used. However, the first exchange under the new regulations has just taken place, between the United States and Canada, and the first steps towards a similar exchange with Britain were arranged during Mr Churchill's visit to Washington.

* * *

Woollen Wars

The civil war between north and south for the possession of the country's textile industry has now spread from cotton to wool. Last month the president of the American Woollen Company, which produces about one-seventh of America's wool and worsted fabrics, announced that its duty to its stockholders might require the company to move most or all of its operations from New England to the south. A number of its smaller competitors have already moved, or are considering moving, to such states as North Carolina and Mississippi. Woollen fabrics are at present in less demand than at any time in the last twenty years and New England firms are quite unable to compete with the lower wages and greater output a man-hour which enable southern firms to sell their cloth at from 20 to 50 cents a yard less than can those in the north.

The American Woollen Company employs over 20,000 people in Lawrence, Massachusetts, and another 40,000 or so in its 21 other factories scattered over New England. Its announcement of a possible move was a public warning to the textile workers' union, already concerned at the spread of unemployment amongst its members in the north. The union's contract with woollen and worsted manufacturers expires in March and the American Woollen Company and a number of other firms are seeking wage reductions and increases in individual work loads. In view of the rising cost of living and the general trend towards higher wages, the union feels that it has done all that can be expected of it by deciding not to seek a wage increase this year. A possible way out of the threatened strike is, however, shown by its recent agreement with the Wyandotte Worsted Company, where workers have undertaken to handle six, instead of only four, looms each for the specific purpose of meeting southern competition.

In the less strongly organised south, however, each worker handles up to sixteen looms. This adaptability of labour and the local tax concessions made to business in the south play a more important part in reducing costs, compared with New England, than do the south's lower wages, a differential which is in any case gradually disappearing with the growing industrialisation of the area. The federal government, urged on by the textile unions, may also help to wipe it out, by raising the minimum wage that must be paid to all those working on government textile contracts—for uniform cloth and so on—and perhaps by setting minimum rates for pensions and other benefits.

There is yet another civil war going on in the textile industry, that between wool and the new synthetic substitutes—dynel, dacron and others—and here the north does not seem even to be trying to fight the south. The raw materials for these new fibres come from the south's great chemical plants and it is mainly because of the new factories being built to spin and weave these synthetics that textile expansion has been breaking all records in the south, in spite of the depressed state of the industry as a whole.

THE WORLD OVERSEAS

Nigerians Become Politicians

(From a Correspondent in Ibadan)

THE surprisingly rapid development of party politics in Nigeria will almost certainly be reflected in the new central House of Representatives which met for the first time in Lagos last Tuesday. Since the first steps were taken towards the new constitution (and particularly since the conference at Ibadan two years ago) the pace of party development has been rapid. Dr Azikiwe's National Council for Nigeria and the Cameroons, mainly based on the east, but with some support in the west and the beginnings of a foothold in the north, has gained much ground. The emergence of Mr Awolowo's Action Group as a fully fledged party, now firmly entrenched among the Yoruba people of the west, has been even more striking. The elections, in fact, were fought more widely on a party basis than had been expected. Moreover, it is now seven months since the first elections were held and this protracted electioneering has provided a great forcing-house of party politics. Campaigning entered on a new and even fiercer stage as the election results came in, this time among the elected representatives themselves, and many members in the west and east have joined one or other party since their own election. In Ibadan, for instance, three members crossed the western House of Assembly to join the Action Group just before the elections to the central House of Representatives.

The constitution-builders have clearly been taken aback by the speed of these developments. At the opening ceremony of the Western House of Assembly in Ibadan early last month there was a slight hold-up because Action Group members refused to enter the House until the seating arrangements gave them the status of majority party. This may sound trivial, but it is a real straw in the wind. Mr Awolowo's successful challenge to the National Council in the west has raised the whole question of how the constitution will work in the context of party politics.

A Two-Fold Strain

It seems that the strain may be two-fold. In the first place the National Council has a majority in the east, not quite so large as at first stated but increasing as independents jump on to the party bandwagon. (But some very distinguished independents remain without party affiliation.) And the Action Group has a working majority in the west—but not a two-thirds one, as required for some purposes. In both cases there will be an attempt to conduct business on party lines. The central government may have to deal with two different majority parties in the two different regions. The only saving grace in this situation is that the two parties hardly differ in principle, both being equally anti-British and growing more extremist as each bids for nationalist support.

In the second place, the west has sent 34 members mainly from the Action Group to the centre, and the east 34 from the National Council, to meet the 68 from the north who are remarkable principally for their very strong northern exclusiveness. The two majorities claimed the right, as majority parties, to choose for themselves the four members who should become the Ministers at the centre for their own region, and the Governor's task in choosing the first Council of Ministers was extraordinarily difficult and delicate.

Naturally personalities count for much in this situation. Dr Azikiwe, or Zik, is a human dynamo, bursting with life and energy, a first-class agitator well equipped to raise public feeling, through his newspapers, on any subject under the sun. Mr Awolowo is quieter in manner and on the public platform, but has at least as much ability if less personal magnetism. Zik can draw crowds, but Awolowo can keep his friends. The irony is that both of them are now in the Western House. Zik chose to stand for a Lagos seat, though his main support is in the east, and thus the two giants are now ranged against each other.

Whether both of them would also go to the centre, was for a time a burning question. In the end only Awolowo has gone. Of the five National Council members elected for Lagos, two had to be chosen to go to the centre. The party discipline of the National Council failed to reduce the five candidates to two. All of them insisted on standing and the Western House, with its Action Group majority, naturally did not choose to elect Zik. The choice fell on Dr Nimbe, a Moslem Yoruba, charming, volatile, and popular as mayor of Lagos; and on Prince Adedoyin, the "gay prince of Shagamo," a valuable asset to the National Council as the only one of its leaders from a senior Yoruba chief's family. For the time being, it looks as though Zik has been worsted partly by implacable Action Group hostility and partly by lack of unity among his own supporters.

What Zik himself is thinking no one quite knows, though it may have occurred to him, as it may also have occurred to the administration, but apparently not to the Action Group, that he could become a far greater man and a far more dangerous one outside the government than inside it when he would have to share the responsibility for what it does. It is only a few weeks since he declared his irrevocable decision not to take office in "an inferior legislature of the colonial type," but this does not quite square with the desperate attempts he has been making to get either Nimbe or Adedoyin to make way for him.

In spite of these tangles the ultimate prospects for Nigeria and the new constitution are not gloomy. Once the mechanics have been mastered, and assuming a fairly stable government is formed, the existence of two strong and growing parties should be a great asset to the country. The dangers of party monopoly, as in the Gold Coast, should be avoided, though there might be an increased tendency towards regional separatism. At any rate, it is astonishing how quickly the new constitution has been clothed in the flesh and blood of political reality.

At the same time, there are dangers ahead. The rate of political development is so swift that the new constitution may be outdated in two or three years. The last constitution came into being in 1947, and endured just long enough for its successor to be formulated. Already voices are being heard demanding further advance, although the long-suffering National Council confines itself to the slogan "Liberty in 1956."

Meanwhile Nigeria's new legislators have much to think about. The regional budget sessions are due this month. It is most unlikely that new men will not want new measures. On all sides there is talk of the welfare state, and clamour for vast expansion in the social services. Not nearly so much is said about vital economic development. But the new constitution will remain a mere academic exercise in political theorising if the basic problems of economic progress are not more squarely faced. The Nigerians have become politicians. They have yet to prove they can be statesmen.

Germany's New Model Army

THE German public has been shocked out of its state of aggrieved confusion by the news that the first German divisions may be set up this spring. Minds are still by no means made up, as the available data have been meagre. Until very recently, the only discussions of the actual methods and ideas which should direct rearmament were those which have been taking place in professional military circles. The soul-searching visible among the ex-officers can be understood only when it is remembered how high the position was from which the army fell, twice in the last thirty years. Germany was the only western country which had a *mystique* of war. The soldiers were ready to die heroically in wars for the glory of the Fatherland or for a crazy crusade against Bolshevism. War was a biological necessity, or a political expedient, and defeats were a matter of "fate." The idea of having an army purely for the purpose of humdrum defence is quite novel. The old homogeneity of the army was, moreover, shattered by Hitler and Himmler. Men who did not belong to the social class of the old Prussian officer entered the services; and the *Waffen SS* set up a separate organisation with men chosen on biological grounds, who were indoctrinated against Christianity and the "inferior races." The SS itself was separated into sections which were responsible for most of the atrocious crimes of the Germans.

For these reasons, the prospect of a revived *Wehrmacht* has led ex-officers to debate such matters as *Soldatenehre* (soldierly honour), the July 20th plot, and the difference between rebellion and treason. Was it excusable to try and save Germany by killing its commander-in-chief? Should a West German under American command fight an East German under Marshal Zhukov? Should a German soldier blow up a bridge in a retreat from his country to cover a French army? Should the officer corps admit that actions in the last war sometimes fell far below the high Prussian standard, and hold army courts of honour to try the offenders? Should they show solidarity with the *Waffen SS*? Some of these questions have been answered on the principle that German loyalty *vis-à-vis* the outside world demands a solid front and no washing of dirty linen. The ex-officers will stand by the *Waffen SS*; and the western powers must clear Field-Marshal Manstein and other prisoners of any taint of crime. The foreigners who want to command Germans must re-establish the principle that the soldier's oath of loyalty is inviolable; otherwise they will only have themselves to blame if they are disobeyed in a future war. So runs the argument.

Although their own internal disputes are still incompletely resolved, a number of generals and ex-officers have approached the public with ideas for a new start. Leading figures such as Generals Blumentritt, Manteuffel and Westphal are backing Dr Adenauer's proposal that Western Germany, on a footing of complete equality, should come wholeheartedly into a European defence force with a new type of citizen army. They reject the original Pleven Plan, but would accept national contingents which were merged under international command at army level. (This is more than the present plan for a European Army will allow. National contingents will be joined at Corps level.) Their ideas have been published in a small book named *Armee ohne Pathos** (which is best translated as "Army without Heroics"). The arguments that they address to their fellow-countrymen indicate the obstacles to be overcome before the Germans accept the idea of defending the west.

* *Armee ohne Pathos*. By Adalbert Weinstein. Köllen-Verlag, Bonn.

The contributors ask for a moderate, sober approach to the problem—and this in itself is something new. They make the usual claims to equality, but also ask Germans to bury the resentment they feel against the west, and against those of their fellow-countrymen who suddenly became anti-militarist in 1945. The book gives, *inter alia*, a useful reminder that Germans have been brought up in the tradition of enmity to France, but not to Russia. There are men in military circles who remember Bismarck and Seeckt, and toy with the idea that Russia is really Germany's traditional friend; and there are others who think that Germany, by staying "neutral" and by playing off the east against the west, may emerge once more strong, if solitary.

Against all such views the contributors to *Armee ohne Pathos* present reasoned arguments in favour of defending the west. Some among them are not deterred by the thought that, in the event of war, German would have to fight German. They examine coldly the possible necessity of using Germany as a ground for mobile warfare. They point out that the terms "Elbe Line" or "Rhine Line" are meaningless. There has never yet been a line which could be held.

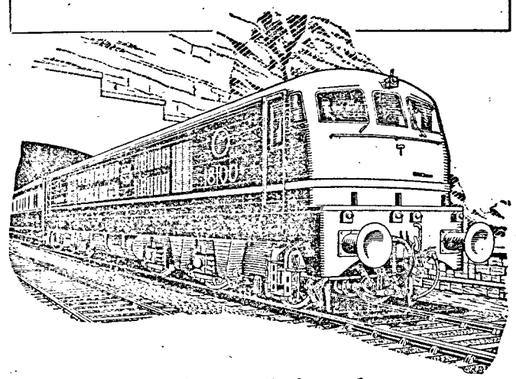
The German generals demand that the west shall produce a grand "strategic conception," embracing the world. Most Germans, incited by Dr Schumacher, want to know what the strategy is before agreeing to fight; and they insist, moreover, that the Allies' plan shall be one which will prevent Germany from becoming a battlefield. The generals complain that nobody, except perhaps Mr Churchill, has shown any imagination in the last two world wars. Too much reliance on technical material has weakened strategic thinking. They are convinced that the west would win a war in the end, for it has superior economic strength and would fight on exterior lines. If Stalin were to decide on a preventive war, he would strike at the points from which the west might close in on the Soviet Union, even if Russian tanks in the meantime had overrun Western Europe. This would mean a Russian move in the first instance through Persia and to the Suez Canal. But it is not considered likely that Stalin will start a war he would be bound to lose.

Citizens in Uniform

As for the new divisions to be contributed to a European force, the German "soldiers of the cold war" would not live in garrisons as a class apart. They would be highly trained for instant mobile action. But basically they would be citizens in uniform. The army would provide training for civil life, even a kind of trade union, and matters of supply and communication would be in the hands of "managers." Soldiers would keep their civil rights and receive no extra privileges. Training in individual initiative would take the place of Prussian drill. Some of these ideas had already been thought out by reformists in the Hitlerite *Wehrmacht* who called themselves the "Young Turks." The men who went through the Russian campaigns are hard men, who were determined to kill as many of the enemy as they could before they died. The older German ex-soldier is tired of heroics and does not want them in a new army; while the young men "couldn't care less" about an army at all.

The view is often expressed that the young men will have to be imbued with "an idea" more inspiring than that of democracy before they will be ready to fight the Russians and their Germans. The professionals who have compiled *Armee ohne Pathos* see this weakness, but still believe that it can be overcome by sober argument and by making a new start. There is no doubt that if the Germans agree to an army of any kind it will be created on the lines that the progressives propose. But will they secure their demands? The defence community as it is now taking shape falls far short of their terms: sovereignty, a European force of sixty divisions and a strategic plan which would leave Germany unscathed.

The First
ALL BRITISH
Gas Turbine
Locomotive



Designed and built by METROVICK

Throughout the world the reputation of Metropolitan-Vickers primarily rests on their achievements in electrical engineering. The Company has, however, been privileged to lead also in the development of gas turbines. For aircraft, marine propulsion and now for locomotives, Metrovick research, design and constructional skill have helped to make the gas turbine a practical reality.

Facts about the Gas Turbine Electric Locomotive

Designed and built by Metropolitan-Vickers Electrical Co. Ltd. for British Railways (Western Region)

Continuous rating of turbine	3,000 H.P.	*Length over buffers*	66 FT. 9½ INS.
Maximum service speed	90 M.P.H.	*Width*	9 FT. 0 INS.
Maximum tractive effort	60,000 LB.	*Height above rails*	12 FT. 10 INS.
		Weight in working order	129½ TONS

METROPOLITAN-VICKERS ELECTRICAL CO. LTD

TRAFFORD PARK · MANCHESTER 17 *Member of the A.E.I. group of Companies*

BLOCK & ANDERSON MEAN BUSINESS

The continuous expansion of B & A is founded upon four factors;

First, the success of B & A customers following installation of B & A machines and systems.

Second, the growing realisation, both here and overseas, that the wheels of industry can be speeded up by putting B & A machines to work in the office.

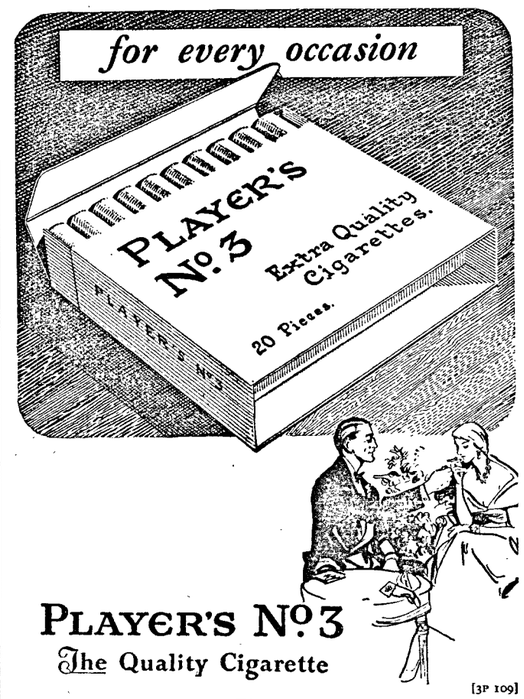
Third, the self evident advantages of *Spirit Duplication — the modern method* — on the BANDA 'Master' duplicator — superb product of Block & Anderson's twenty years leadership in Spirit Duplicating.

Fourth, the readily available service from B & A Specialists and Engineers in seventeen branches throughout the United Kingdom.

Write to-day for the address of your nearest branch to *Block & Anderson Ltd., 58-60 Kensington Church Street, London, W.8. Telephone: Western 2531-6.*

• PIONEERS OF SPIRIT DUPLICATING •

for every occasion



PLAYER'S No. 3
The Quality Cigarette

[3P 109]

Portrait of a Very Great Woman

She may not be exceptionally beautiful. She may not be exceptionally clever — though her wisdom and intelligence are a match for many more eminent personages and she has an inexhaustible fund of common-sense.

She has a husband and two young children and they live in a small house. She has to look after the children, do the shopping, clean the home, cook, do the family washing and the thousand and one other jobs necessary in running a home. She is now wondering whether she could possibly manage to take on part-time work in a factory.

She is only one of millions—the gallant housewives of Britain, an unsung army of heroines.

We are proud that many of these housewives already have the benefit of Hoover Cleaners and Washing Machines to help them in their duties, but far too many still have to struggle on without one or the other — or both.

We look forward, therefore, to the time when with free supplies of raw materials available, we shall be able to supply these essential pieces of equipment to all sections of the community at the lowest possible prices.

HOOVER LIMITED

Makers of Electric Cleaners, Washing Machines, F.H.P. Motors, Commutators etc.

Factories at: PERIVALE, GREENFORD, MIDDLESEX · MERTHYR TYDFIL, SOUTH WALES · CAMBUSLANG, SCOTLAND · HIGH WYCOMBE, BUCKS.

it's only fair to warn you ... *that the new Sobranie Straight Cut Virginia will make you a confirmed smoker for life. There'll be no turning back — its smooth smoking, its inimitable flavour will captivate you. Here is Sobranie's age-old tradition happily wedded to the Virginia vogue of today.*

★ ★ ★

SOBRANIE straight cut virginia

Build your own equipment with

DEXION
SLOTTED ANGLE

★ **Can be used over and over again**

★ **No drilling, measuring or painting**

★ **Just cut it and bolt it, that's all**

Write or 'phone for illustrated literature D8

DEXION LIMITED
Triumph House, 189 Regent Street, London, W.1.
TELEPHONE: REGENT 4841-5

Partnership or White Supremacy?—II

[FROM A SPECIAL CORRESPONDENT]

It cannot be denied that in recent years Africans, the vast majority of the population, have made real progress in Northern and Southern Rhodesia. In Northern Rhodesia, it is estimated that while the cost of living index stands now at 168 compared with prewar, African wages have advanced 200 per cent. This does not measure the whole progress made. There have been considerable increases in expenditure on services, especially on African education. Northern Rhodesia owes its present prosperity almost entirely to copper. On the mines, reasonable housing and excellent medical attention are provided for Africans, and the mining companies are genuinely anxious to build up a stable, non-migratory labour force as far as circumstances will permit, as well as providing amenities to keep it contented.

In Southern Rhodesia, the growth of urban areas and industries has undoubtedly benefited Africans economically. There are still numerous industrial colour-bar restraints which are not necessarily enshrined in law: nevertheless, Africans in Southern Rhodesia are penetrating into industry and doing more and more semi-skilled jobs. It is now becoming recognised in Southern Rhodesia that the African's money is as good as anyone else's—and that African purchasing power is assuming significant dimensions. This does not mean that African wages are high. To put the average African wage in either of the Rhodesias as high as £3 a month would probably be over-optimistic. But, in countries as poor as these African territories, £3 a month becomes a powerful magnet.

Nyasaland, the Cinderella of Central Africa, has far fewer colour-bars than the Rhodesias. But it also has few economic opportunities. A very high proportion of Nyasaland's able-bodied adult male Africans look elsewhere for their livelihood—usually in the Rhodesias or the Union. Unlike its neighbours, Nyasaland has no penal provisions for Africans who "contract" to work and then fail to do so. But few Africans, in white employment or out of it, work more than three or four hours a day, and the average cash wage is not much more than 17s. 6d. a month—perhaps not surprisingly. Africans are perfectly free to form trade unions; but in 1950 the "biggest" union, the Nyasaland Motor Transport Workers' Union had an income of £1 5s against an expenditure of £10 7s. (By contrast the African Mineworkers' Union in Northern Rhodesia has a paid-up membership of 25,000, offices and a full-time staff.) District officers in Nyasaland maintain close personal contact with the people in their care, and race relations in Nyasaland are uniformly harmonious. But field workers in a recent survey of the Domasi area, near Zomba the capital, found that among the 14,000 people living there, wheelbarrows were unknown, all cultivation was by hoe, the energetic were held back by swarms of the crippled, the blind, the mentally deficient and the merely parasitical, and that half the women and two-fifths of the men reacted positively to syphilis tests, while there was much malaria and bilharzia. Nyasaland, a green and hilly country, is pretty to look at, but no paradise for the people who have to live in it.

White Rhodesians naturally contrast these conditions with those of Africans in the Rhodesias, and conclude that opposition to federation by Africans in all three territories on the ground that it might prevent Rhodesian Africans from ever acquiring the "rights" they enjoy in Nyasaland, and would bring the Nyasaland Africans "down" to the Rhodesian level, is absurd. But this misses a good deal of the point of the opposition. It is precisely because the Africans in the Rhodesias have made economic advances that they object to their further advance, being opposed by the artificial restraints of the colour-bar. As an official report on prewar disturbances on the Copperbelt remarked, "pathetic contentment is rapidly giving way to what has been called divine discontent." Its most significant aspect is that this "divine discontent" is being expressed most vocally by the minority of Africans who themselves have advanced farthest and fastest.

The Europeans are fond of saying that because this section is admittedly a minority, its views need not be heeded as they are only those of "intellectuals" who are "out of touch with the African mass." This is probably the biggest single blunder the Europeans could make. These vocal Africans are the new middle class who are backed by the growing industrial proletariat in both the Rhodesias. They cannot be ignored, nor can the Europeans placidly assume that because the mass of Africans are not vocal, therefore they are not interested in the outcome of the struggle. On the Europeans' own argument, it would be much wiser to gain the friendship of the advanced minority, since this would make them less vocal, while there could not possibly, in present circumstances, be that mass stampede of Africans through the opened doors of economic or other opportunity which the Europeans profess to fear. In short, the Europeans would lose nothing by opening the doors, because only the minority who are now hammering at it would have the ability, or perhaps even the inclination, to enter.

Some Europeans do see this; frequently now there are discussions on the desirability of "equal rights for all civilised men irrespective of colour." But these discussions remain quite academic. Even this preliminary step is only to take place in "twenty-five years" or at some similar conveniently far-off date. But the educated, "civilised" Africans are knocking at the door now. And nothing could be worse than the sort of lop-sided, half-hearted advance which, in Northern Rhodesia, instals two "educated Africans," Mr Yamba and Mr Sokota, on the Legislative

Here is a

REFERENCE BOOK which you will **read**

You would not pore over the Telephone Directory, nor read from cover to cover Who's Who or the King's Regulations—but you will dive right into KEESING'S and be most fascinated by its contents.

WHY?

—because KEESING'S is a Reference Tool designed to produce instantly full factual data on developments in Politics, Economics, Social Questions throughout the world.

At the same time KEESING'S documentation provides authentic, coherent material for a comprehensive study of contemporary history, as by means of the Lateral Index you will follow back, item for item, the chain of events which have led to the present situation.

To keep you constantly *au courant* and maintain your reference tool right up to the mark, a fresh supplement is mailed to you every week and the alphabetical Index is perpetually renewed, ready for filing in the book-like Binder.

Keesing's Publications Ltd. • Keynsham • Bristol
Please supply free details of your service.
NAME .....
ADDRESS ..... ECON. 18

Council, pays them about £900 a year each, thus putting them far ahead and therefore high in the esteem of their fellow Africans—and then submits them in daily life to much the same treatment as all other Africans.

Meanwhile the mass of white opinion in both the Rhodesias remains implacably opposed to any tampering with colour-bars. In Northern Rhodesia, even an "educated" African may find himself debarred from entering a Lusaka shop, and have to be content with being served through a hatch opening on to the pavement. White Rhodesians do not understand why, in the light of this attitude, the African leaders reject "partnership" as a pious fraud, and oppose federation. Yet a federation which really did include so modest a beginning of racial partnership as the removal of economic colour-bars, by the proffering of equality of economic opportunity to the few who alone at this stage could take advantage of it, and the conferring of equal political rights on all civilised men irrespective of colour (which again in present circumstances could not possibly result in any "submerging" of the Europeans) would almost certainly be in the best interests of all the inhabitants of all three territories, both white and black.

(Concluded)

Troubles Over Tunisia—II

An article in *The Economist* of last week described the nature of the pull and counterpull that have for years been exercised upon successive French governments by the Tunisian nationalists and the French settlers in Tunisia. In the early stages of this conflict, the complications it presented in Paris could be mitigated by basing French policy on the feelings against the left wing Néo-Destour cherished by the Bey and a conservative upper class—*les Béni-Oui-Oui,* as they were contemptuously known to young nationalists. But since the war this technique has become less and less possible because demands for change in the form of government have been advanced by all classes up to and including the Bey.

For the first six years after the collapse of Rommel and the restoration of French rule, these claims produced only a few meagre alterations in the *status quo.* But in 1949 several events combined to produce an atmosphere conducive to change. On the one hand, the United Nations proclaimed the rapid stages whereby Libya was to reach independence. It became clear to everyone except the most diehard among the French settlers that the far more advanced Tunisians could not be left behind. On the other, the leader of the Néo-Destour, M. Habib Bourguiba, who had left for Cairo in 1945 in disgust with France and in hopes of basing Tunisian nationalism upon the Arab League, returned home out of love with that divided and disappointing body. Both Tunisians and Frenchmen were in a mood propitious to negotiation.

The government which they set out to change was—at the time—composed as follows: The Bey ruled through a cabinet consisting of seven Frenchmen and six Tunisians, but their decisions required a Frenchman's "visa" before they were passed upwards. The cabinet was served in economic and financial matters by two elected Grand Councils of equal size, one composed of Tunisians, the other of local Frenchmen but only in an advisory capacity. Local government, too, was nominally conducted by Tunisians. But in practice all internal control remained in French hands because a French official took the chair at all cabinet meetings, because French counter-signature was essential to all beylical decrees, and because French civil controllers supervised even municipal and rural authorities.

In the summer of 1950 the new moods of 1949 yielded two results of importance. In the teeth of the diehard element among the settlers, a new French Resident-General, M. Perillier, was instructed to institute three major reforms and, if possible, to do so with Tunisian collaboration. He was immediately to reconstitute the cabinet; he was to alter the terms of access to the civil service, making jobs available to Tunisians on a basis of fixed proportions instead of by competitive examination, as the French settlers prefer; and he was to institute municipal self-government. In August, 1950, and, unprecedently, after consultation with the Bey, he announced the formation of a new cabinet in which the number of Tunisians for the first time equalled the number of Frenchmen, and which was to be chaired by a Tunisian Prime Minister, M. Chenik. Among its seven Tunisian members were representatives of all parties except the Communists and the eastward-looking *Vieux Destour* party. Even the Néo-Destour agreed to serve. By February, 1951, several changes had been secured by agreement, including a ruling that ministerial decrees no longer required the hated French "visa" before passing to the Bey for signature. Everyone was pleased except the settlers. What went wrong in 1951?

The root of the recent troubles is that whereas the Néo-Destour, and, indeed, most Tunisians, look on these reforms merely as the start of a quick turnover to complete self-government, the French settlers regard them as limits beyond which Paris must not go. In October last M. Chenik, accompanied by M. Perillier, visited Paris to discuss further changes. The Grand Councils had become a dead letter and there were hopes that he would secure an elected National Assembly to which the cabinet would be responsible. Meantime, municipal reform had not materialised on account of the settlers' opposition to the proposals for their representation, and M. Bourguiba was becoming audibly more impatient. Yet all seemed to be going well in Paris. M. Chenik sent for colleagues. On October 31st his team turned in a memorandum. Whether because of alarm at the strength of the settlers' lobby in Paris, or because they were fired by the attention paid abroad to M. Bourguiba's grievances, or both, they delivered a document that was more intransigent than had been expected. It said that Tunisian political institutions must be entirely Tunisian. A roar of protest rose from the settlers, who proclaimed that their immense contribution to the prosperity and development of the protectorate had earned them a right to representation. A large cabinet committee consisting of assorted opinions from M. Pleven's team drafted the fatal reply of December 15th that has been the cause of so much subsequent trouble. It said that the settlers must be represented in Tunisian political institutions. The Tunisians took this as a flat rejection of their demands and went home.

Rival Sets of Claims

Back in Tunis, M. Bourguiba fired them with the idea of an appeal to Uno. M. Chenik, it is said, signed the appeal with misgivings. The Bey was not consulted. Upon its delivery, the French pointed out that it was out of order, since Tunisia must lay such complaints through Paris. Meantime M. Bourguiba had called a Néo-Destour congress, and some factions more extreme than he, and opposed as much to the Tunisian moderates as to France, had clashed with the police. The moment was unfortunate; a new High Commissioner, M. de Hauteclocque, had only just arrived, and France was without a government. The French authorities forbade the Néo-Destour congress and arrested M. Bourguiba and his chief lieutenant an hour or two before it was due to take place. There followed the armed clashes of the last two weeks. These have been checked by two expedients, first, an appeal for calm by the High Commissioner, launched in his name and the Bey's and seconded, from his place of arrest, by M. Bourguiba in order to give France a "last chance" to come to terms; and, secondly, the despatch to Tunisia of many French troops and police. But the French say that they can release the arrested leaders and resume conversations only if the appeal to Uno is withdrawn, whereas the Tunisians in the cabinet answer that the releases and fresh French proposals must come first. There is a lull, but it has done nothing to resolve the fundamental difference between nationalist and settler—that is, between two rival sets of claims to both of which France is in honour bound to attend.

(Concluded)

Asia—According to Mao

In present discussion of the right policy to adopt towards the Chinese Communists there has been little attempt to assess their aims and policies from the only available source—their own pronouncements. Yet speeches and articles freely available provide a reasonably clear picture of Mao Tse-tung's attitude to the outside world and of the dominant role which he intends to play—or says he will play—in Asian affairs. To Mao his revolution has reached a stage comparable to that reached by the Bolshevik revolution at the time when it was forced to fight against foreign intervention. He is determined to proceed with the revolution at home, to stamp out all counter-revolutionaries, to transform China from an agricultural to an industrial country and, eventually, to undertake "economic construction on a colossal scale." It is recognised that China is a backward country and that these plans are highly ambitious and will take 30 years to carry out. This does not mean, however, that Mao has resigned himself to cultivating his own garden. On the contrary, he is well aware that his alliance with a strong military power—the Soviet Union—puts him in a far stronger position than was Lenin at a similar stage of the Bolshevik revolution. He can therefore afford to look outwards and exploit the situation that he sees in Asia.

The close alliance and co-ordination of policy between Mao and Stalin is the dominant factor in the Asian situation today. It might eventually be wrecked by growing personal rivalry between Stalin and Mao—or, since Stalin seems to be the more cautious, by disagreement over exactly what risks are permissible. But there is no evidence that a split between Mao and Stalin can be counted on in the immediate future, and the two leaders are clearly united in their determination to foment armed "liberation movements" among colonial movements everywhere.

As long ago as November, 1949, blueprints for Asian revolutions were drawn up at the Peking conference of the Communist-dominated World Federation of Trade Unions. At that meeting Liu Shao-chi, the leading "Moscow" man in the Chinese Communist Cabinet, said that "armed revolution must be the main theme in the people's liberation struggle," and that it must be supplemented by "legal and illegal mass-resistance" in enemy-controlled areas and cities. A week or so ago a leading article in *Izvestia* declared that the success of the Chinese revolution and the successful resistance of the New China to the American aggressors "inspires the peoples of Asia who remain under the yoke of imperialist oppression to intensify the national liberation struggle." It added that the Korean struggle has "become the standard of the liberation aspirations of all the oppressed people of the East" and that the plans for national liberation are "rapidly extending" in Malaya, Burma and the Philippines.

Although Stalin remains the chief planner of the grand strategy of Communist expansion, it seems that Mao has staked a claim to take over the tactical leadership in fomenting "liberation movements" in Asian territories. His claim to organise the Asian revolutions is based on his proved success in his own country. In China, where the industrial proletariat was extremely weak, it was necessary to work out a different revolutionary prescription from that used in

5,000 Boys and Girls
now in our care
67,000 Children already received
LEGACIES can help us to continue our work in the years to come. 5,000 now in our care. DONATIONS can help us NOW
A VOLUNTARY SOCIETY — NOT STATE SUPPORTED
CHURCH OF ENGLAND
CHILDREN'S SOCIETY
Formerly WAIFS & STRAYS
OLD TOWN HALL, KENNINGTON, S.E.11

Russia, where the industrial workers in the cities formed a sufficiently strong basis for revolution. The methods which made Mao victorious are now to be applied wherever colonial or semi-colonial conditions make the methods of the October Revolution inapplicable. This was made clear by a prominent Chinese Communist, Lu Ting-yi, in an article written for the 30th anniversary of the Chinese Communist party last July.

> The classic type of the revolutions in imperialist countries is the October revolution. The classic type of the revolutions in colonial and semi-colonial countries is the Chinese revolution. To use the standpoint, viewpoint and method of Marxism-Leninism to solve the problems of the Chinese revolution scientifically, systematically and in a classic way and thereby also solve in general a series of concrete problems of the revolutions in colonial and semi-colonial countries—such a theory is Mao Tse-tung's theory of the Chinese revolution.

The speeches and statements of the Chinese Communists leave little doubt that they intend to try to extend their control, either direct or indirect, over the whole of Asia. They have specifically demanded that America and its allies shall clear out of Korea, Formosa, Indo-China, Malaya and Burma. It seems that they seized Tibet because they were determined to link up territorially with India, not in order to stage a direct invasion—at any rate not in the immediate future—but in order to have a base from which to foment revolution in India. (They have not forgotten Lenin's dictum that when China, India and Russia are joined in communism the victory of world revolution will be assured.) Perhaps the most important immediate aim of the Chinese Communists is the conquest of Formosa, because it is the most likely base from which counter-revolution, backed by the Americans, might come.

The Chinese people have been told that the revolutionary war is not yet completed and that they must be prepared for a protracted struggle with the "US imperialists." The industrialisation of China is to go on, but the highest priority is now to be given to building up a strong military force equipped (with Soviet help) with all the latest weapons. "All our construction work must evolve round our national defence." Thousands of Chinese have been enrolled in military cadre schools, where they are being given the technical training essential for modern soldiers. The importance of the past and future role of the People's Liberation Army is constantly stressed. It is "an instrument of the ideological leadership of the people's proletariat, serving the people's struggle and creating a revolutionary basis." It is already alleged to have made China a "military world power." Every effort is to be made to continue building it up into a "regular and modernised national defence army" so that it can not only defend China, but also "protect the peace of the Far East and the world." These things, and many others, can be read in the press and wireless output of China as clearly as the programme of Nazism could be read in *Mein Kampf*.

Nato's Wise Men Answered

THE governments of the North Atlantic powers have now all replied to the report of the TCC—or Three Wise Men—all, that is, except France, which has good reasons for delay. And the outlook, if not bright, is brighter. One part of the report consisted of specific recommendations to each country, except Britain, Portugal and America (to whom it scarcely applied), to increase their planned expenditure on defence during the current year. Apart from Canada, Belgium and France, countries have replied that they will meet at least 50 per cent of the increases required of them. It is true that these* are countries that cannot shoulder the main burden of defence either in men or production. But they have shown willingness, and that, in the political perhaps more than in the material life of Nato, is a major triumph for all concerned.

Belgium and Canada replied with a brusque but not entirely conclusive No. It was brusque, in Belgium's case at least, more because of the manner than the content of the recommendations. Both countries, indeed, have clearly qualified their rejection of the Wise Men's requests with a rider that they will see what they can do. The implication is that they do not in principle accept the obligation to do more, but that this will not stop them from doing more if they possibly can.

All this is encouraging; but the hard truth remains that the strength of Europe's defence must ultimately depend on three countries—Britain, France and Germany. What Germany can do, is prepared to do and should be allowed to do is a problem on its own, and not yet the concern of Nato. British rearmament is going along as fast as it can, perhaps even a little faster. Whether the Wise Men's attempt to close the gap between military demand and supply succeeds thus depends in the immediate future to a very large extent on France.

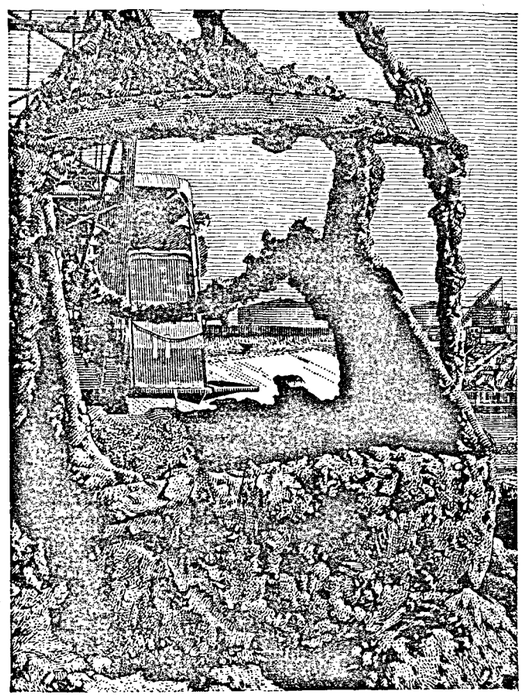
France's answer will be simple and sad. It can do only what is asked if there are developments in Indo-China which enable it to bring home some of its soldiers or at least to stop the steady suction of its trained men into the Far East. These developments could only be a truce, or American armed assistance in Indo-China. Dollar aid, which is one way in which the Americans might try to relieve the pressure on France, can be no ultimate solution. For what is wanted from France is primarily troops—15 to 20 divisions in Europe by the end of 1952—not production.

Slashing Material Costs

Whether the Wise Men's scheme as a whole can be followed during 1952 thus depends largely on events outside Europe, and it seems unlikely that anything will have happened to ease the French position before the Council meets in Lisbon on February 16th. This section of the report may therefore have to go in part by default, and the equation of military demand and supply may have to remain for the time being, precariously unbalanced. But the Wise Men did something else which substantially helped to balance a slightly different equation, the equation between military needs and economic possibilities. A large section of their report is concerned with slashing the material cost of a given unit of military strength. General McNarney, the Wise Men's time-and-motion expert, suggested cuts in the nutritional requirements of the various armies and in the scales of equipment; he recommended new methods of calling up reserves, of mobilisation and of training which would economise in manpower and weapons. Above all, he concentrated attention on the need to become as strong as possible in 1952.

If only these parts of the report are endorsed at Lisbon, a great deal will have been done. Greater strength will be possible from a smaller expenditure of money and material. And individual governments are unanimous in support of them. What is more, they are all agreed, whatever they feel about the Wise Men themselves, that a similar exercise—a balancing of the military supply and demand and of the military demand with the economic possibilities—must be done not once but every year. The administrative device of the Wise Men, representatives of Britain, France and America, acting as a high-powered executive for twelve countries, may never reappear. It was an emergency measure. Time, at the end of 1951, was short because so much had been wasted. If the new organisation of Nato works better than the old, this sort of emergency need never recur. If not there will have to be second thoughts. Whatever their shortcomings as a political experiment, the Wise Men have effectively done a job which it took the old Nato two years to fail to do.

*Denmark, Italy, Netherlands and Norway.



PLOUGHING

FOR OIL PLANT

On the marshy Isle of Grain in Kent, some 750,000 cubic yards of soil, poor for farming, are being moved in the construction of Britain's latest oil plant.

On this site, Anglo-Iranian's fourth refinery in the United Kingdom is rapidly taking shape. By 1953 it will be in full operation, producing over two and a half million gallons of petroleum products a day; and one more stage will have been completed in Anglo-Iranian's world-wide programme of refinery expansion.

THE BP SHIELD IS THE SYMBOL OF BP THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company
LIMITED

BANKS
•
INSURANCE COMPANIES
•
INVESTMENT TRUST COMPANIES

The investor can obtain a well-diversified interest spread over the stocks and shares of these financial institutions through the medium of the

Bank Insurance Trust Corporation Group of Unit Trusts

★

For full particulars, including prices of Units and their yields, apply through your stock-broker, banker, solicitor or accountant, or direct to the Managers of the Trusts:—

BANK INSURANCE TRUST CORPORATION, LTD
30, CORNHILL, LONDON, E.C.3

. . . the Rentrix Unit. t both protects your watchman and keeps him up to scratch as well. It reminds him when each patrol is due, ensures that it is made at the right time intervals—and that he visits every point—and automatically records it on completion. Take my advice—safeguard your premises with the

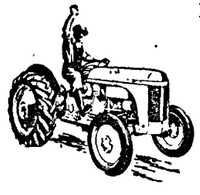
Rentrix AUTOMATIC WATCHMAN'S PATROL UNIT

RENTRIX LTD (DEPT. E) MILLFIELDS ROAD CLAPTON E5. AMH. 7840

More than half the income from Britain's exports is drained away in importing food from abroad. The price of foreign food is rising. Dearer food means dearer living and increased production costs. It becomes increasingly difficult, therefore, to sell goods abroad at a competitive price unless this trend can be reversed. The quickest way to do this is to grow cheaper, more plentiful food for ourselves.

There are 17 million acres of rough grazing in this country where the fertility could be enormously increased with the proper treatment. So we have the land to grow more food.

But the £5 million in 3 years, which is all that has been allocated for this purpose, is inadequate.



What farmers need is more of the modern farming equipment that can bring to agriculture the efficiency, increased output and lower production costs that modern machinery and methods have brought to industry. Once this is understood this leak in the nation's economy can soon be plugged.

Harry Ferguson Ltd., Coventry.

GROW MORE FOOD IN BRITAIN

FERGUSON SYSTEM

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

THE BUSINESS WORLD

The four articles that follow discuss the most important aspects of the Chancellor of the Exchequer's statement last Tuesday. They examine the crucial role that the Budget and monetary policy are left to play; the difficulties and dangers of the cuts proposed in industry's new capital investment; the limited significance of the Chancellor's other measures to reduce public and private expenditure; and the prospects of balanced trade in the second half of this year.

Task for the Budget

BY advancing but not anticipating his budget Mr Butler has done both more and less than had been expected of him in the second instalment of his plan. On the one hand, the decision to introduce the budget a month before the end of the fiscal year, despite the arduous labour and technical difficulties this will involve, strikingly demonstrates both the Chancellor's own sense of urgency and the central part that the budget is intended to play in the whole scheme. On the other hand, if the measures now announced look less impressive and less strong than the grim warnings had led many people to expect, no one can feel sure that the omissions or inadequacies will not be made good in the final instalment. "There is much," Mr Butler said, "I cannot do here and now outside a Budget."

The ultimate objective of the three-part plan is to make and keep sterling strong; the immediate objective, adopted as Britain's share in the programme agreed at the conference of members of the sterling area, is the necessary but extremely difficult one of achieving external balance in the second half of this year. To bring this about within so short a time will require violent changes. In the second half of 1951 Britain's deficit with the non-sterling world amounted to £575 million; in the half-year beginning five months from now it is hoped that this deficit can be reduced to only £100 million. To achieve the immediate objective of total balance, Britain will therefore at the same time have to run a corresponding surplus with the rest of the sterling world; and, if progress is to be made towards the ultimate objective, the whole account will have to show a rising surplus from the beginning of 1953 onwards. The physical plans now envisage a total cut in Britain's external expenditure and an expansion in exports together amounting to £720 million to £770 million in a year. Fully two-thirds of this projected gain is expected to be secured by reductions in imports and other expenditure overseas. To the £350 million of cuts set in motion last November, the Chancellor has added a further £150 million a year—by cuts in imports and in tourism, discussed in detail below. The remaining one third of the gain rests on the assumption that, if £220 million to £270 million of products of the engineering and metal-using industries can be kept from the clutches of the home market, they will be readily sold abroad.

By far the most important of the newly-announced measures are, therefore, those for the restriction of industrial investment, which are expected to release £150 million to £200 million of plant, machinery and vehicles. There is also to be a drastic restriction of industrial and commercial building; but, since the building labour force is to be maintained and the total volume of building is expected to rise, these particular sacrifices by industry will not bring any net relief from inflationary pressure nor will they aid exports (except indirectly, by promoting economy in use of steel). The remaining £70 million is intended to be provided by cuts in the home supply of durable consumers' goods—bicycles, refrigerators, radios and the like.

*

At this penultimate stage in the disclosure of the programme it is still far from clear how the Government proposes to ensure that these large changes do in fact take place or, if they are assured, how it will mop up the large volume of spending power set free in the domestic economy. The additional inflationary stress that has to be countered by new financial measures will, of course, fall well short of the £720 million to £770 million of goods of which the home market may be deprived. If the £150 million to £200 million of investment goods are exported, that fact will of itself virtually imply that home investment of that kind has been reduced correspondingly; there is also likely to be a further substantial reduction in other fixed investment (chiefly on maintenance and repairs); and there may be a substantial fall in privately held stocks. In addition, the Government proposes to run down official stocks to a "reasonable" extent.

To ensure this reduction in private investment the Chancellor is relying upon a combination of measures —the impending withdrawal of the initial allowances, the new monetary policy, a tight and discriminating practice in steel allocation, and "voluntary" agreements with firms in the engineering industries to limit supplies to the home market. Whether these measures do in fact produce a big reduction in investment—and especially in stocks—is perhaps likely to depend principally upon the toughness of monetary policy. But, given such toughness, the saving on gross domestic investment could conceivably bridge some two-thirds of the additional inflationary gap.

The remainder has to be filled by the coming budget, the shape of which is quite uncertain. The inflation of the past year will keep prospective revenue buoyant, but a substantial part of this additional taxation will be paid out of surpluses already accumulated or out of recent wage increases that have still not exerted their full impact; to this extent, the extra revenue will not give any new disinflationary relief. Moreover, most of the new revenue that accrues from the first full year's effect

of last April's tax changes—notably, the ending of the initial allowances and the increase in profits tax—will show its effect in a reduction in investment. This has already been taken into account. It seems, therefore, that a substantial reduction in Government expenditure will be needed merely to bridge the prospective inflationary gap at present rates of taxation. But the general structure of the departmental bill for civil expenditure is now known: the effect of the cuts that Mr Butler outlined and of the new charges for the Health Service will be to keep total civil expenditure at about its present level. Given the rate at which prices and wages have been rising, this is no doubt the "major achievement" that he claimed it to be—it has reduced the proportion of gross national product absorbed by civil outlays from 15¾ to 13½ per cent. But it means, none the less, that the scope for reducing total expenditure in 1952-53 below its present annual rate is now very narrow; this appears to be limited to any net savings that may be secured by re-casting the subsidies—minus such additional sums as have to be provided for the defence programme at its retarded rate of growth.

These preliminary reflections on the budget, which are perforce founded on very flimsy data, suggest that the Chancellor's third instalment cannot be equal to the vital task now thrust upon it unless a substantial net saving can be wrung from the subsidies. They suggest, too, that a progressive toughening of monetary policy will be indispensable—both to ensure that the investment cuts are at least of the magnitude postulated above and to underwrite the whole disinflationary venture upon which the Chancellor is embarking.

Salvation by not Investing

THE Chancellor's outline of capital investment policy was clearer in its broad statement of the dilemma—defence, exports and home investment are all competing for the output of the engineering industries—than for the detailed steps that are to be taken to bring these competing claims within the limit of what is possible. The "rebalancing" of the defence effort is intended to bring about some reduction of the strain on the metal-using industries; solvency now comes first. The guiding principle—given the prospect that the expansion of output of these industries will be limited by shortage of steel in the first half of this year—is to restrict "certain types of home investment as well as consumption" in order to make greater exports possible.

Mr Butler sought to differentiate from the outset between capital expenditures that involve steel and those that do not. The Government intends to carry out its pledge on housing "which uses comparatively little steel." But it is difficult to detect the economic logic, as distinct from the political expediency, of a policy that holds out the promise of a "considerably greater" volume of building to be carried out this year compared with last. Specific commitments of this kind are bound to impede the best use of the country's resources during the period of pressure. Apart from a general statement that the Government will not "allow" the building labour force to grow beyond its present size, there is no recognition of this principle. The prospective increases in building for defence and the fuel and power industries may be inescapable, but their immunity involves "tight control" on all types of building using steel that are not of "fundamental importance" to the national economy. In fact, some industrial projects that in the long-term would manifestly be of such importance will be delayed or stopped. Past experience shows how easy it is to demote capital investment to a secondary place. But past experience does not encourage great faith in the prompt efficacy of control over building, particularly when control is based on the criterion of a single scarce factor such as steel. Tighter credit policy (which the Chancellor promised to maintain and, as necessary, develop further) is presumably expected to play only a minor part in restraining the demands on the building industry, since its output as a whole is expected to increase. This is one of the weakest features of the Chancellor's proposals for the 1952 investment programme.

If the contribution of the building industry towards external solvency is to be negative, the contribution from plant, machinery and vehicles for civil use at home is expected to be immediate and weighty. The Government's objective is to reduce such deliveries by £150-£200 million, compared with their level in 1950. On the Chancellor's estimate, this will mean a cut of one-sixth from the level of supplies in that year. It is necessary to distinguish carefully between what this proposes in principle, and the ways in which such cuts may work out in practice. According to the National Income White Paper for 1950, total capital expenditure on plant and vehicles amounted to £880 million at prices then current. The fuel and power industries, which are to be spared cuts as far as possible, spent nearly £140 million on plant and machinery and an unstated, though presumably small, amount on vehicles. Public service vehicles, road goods vehicles, railway rolling stock and ships and aircraft together accounted for £240 million. Thus plant and machinery (including passenger cars but excluding other vehicles) for industry and other services accounted for £500 million, of which manufacturing industry spent £283 million, and the conglomerate class labelled "other" spent £120 million. These last residual figures illustrate the severity of the cuts in plant and machinery that are now intended to fall on essential investment at home. If they work, they will provide relief in the short run, but only at the expense of industrial efficiency in the long run.

*

The instrumentalities by which the cuts are to be secured are diverse in character. The withdrawal of the initial allowances and stricter credit policy will clearly help. To the extent that building control prevents or delays certain classes of industrial building, the demand for plant will also be affected—though at a remove. There will be discrimination in allocating steel to encourage exports. But apart from this, the Government relies on appeals to industry to limit its demands for plant; it expects the engineering industries themselves to push exports; and it will discuss with particular industries the "appropriate division" between exports and home supplies. All this smacks of past export drives—with the single qualification that on this occasion credit policy may be used to give point to exhortation. The motor industry is the only one that has so far been given

set limits for home supplies—60,000 cars and the same number of commercial vehicles are to be sold at home, compared with "over 110,000" (perhaps as many as 117,000) cars and 100,000 commercial vehicles sold at home last year. It is worth recalling that last year's home quota of cars was 80,000; in past years there has been a persistent tendency for home deliveries to exceed the set quota. The exception was 1950, a boom year for car exports. The important question for the motor industry is not whether it can keep within the home quota that has now been set, but whether it can sell all the output of which it is capable, given the shortage of steel, in overseas markets that are now feeling the draught of competition. If the home quotas are fulfilled and no more, the motor industry may contribute £40 million or more towards the total cuts in plant machinery and vehicles that the Chancellor intends to impose on home market supplies. Clearly, much is expected of the industry; equally clearly, if overseas markets become tough, the question will arise whether present levels of output should be maintained. Mr Butler hinted that in "exceptional cases," supplies of certain manufactures might be prohibited beyond a certain level, "so that resources can be transferred to other products that can be sold overseas."

These are evidently tentative exercises towards balancing the overseas account; to translate them into real achievement will be difficult. It will, indeed, be impossible unless the Chancellor's wishes and the crude instruments of control that he intends to use are fortified by more rigorous action in credit policy. Any preconceptions about maintaining the level of employment in one industry, or maintaining the level of output of another for political rather than economic reasons, are bound to impede the changes in efforts of British industry and in the flow of British commerce that are necessary to secure solvency in this country's account with the rest of the world.

Clippers without the Axe

THE sections of Mr Butler's speech that dealt with his programme for securing cuts in current expenditure—public and private—were necessarily punctuated by patches of eloquent silence. Here, even more than elsewhere, March 4th throws its shadow before. The imminence of the budget precluded, naturally enough, any discussion of how private purchasing power may be cut down by higher taxes; there was also no mention, anywhere in the speech, of food and rent subsidies.

The Civil Estimates.—The Chancellor did, however, announce some of his decisions on the pruning of the civil estimates. He intends to hold these estimates to about their 1951-52 level. Since prices and wages have increased by 10 per cent in the year, this decision involves a "real" reduction; but the approach is still that of the nibble, not of the large bite.

The biggest cuts have necessarily been made in the fastest growing items. Expenditure on the National Health Service is again to be kept within a ceiling of £400 million, and this will necessitate passing on some £20 million a year in direct charges to the patients, £12 million from imposition of the 1s. charge for prescriptions, which Sir Stafford Cripps proposed and legislated for in 1949, but which Mr Bevan out-manœuvred on the ground that it was "administratively difficult," and another £7½ million from the imposition of a charge of £1 (or the full cost if less) for most dental treatment except dentures, which are already partially charged. In this, and the remaining £500,000 of health service economies, Mr Butler has taken a page from the book that Mr Gaitskell opened last year. He has done as much as—though no more than—would have been done by any Labour Chancellor who did not feel Mr Bevan's hot breath down his neck.

Outside health and education—where the approach has been most circumspect—the Government aims to save £5 million by reducing the number of civil servants by 10,000 in the next six months; it will press forward with further reductions later. Government information services at home and overseas will suffer a relatively heavy cut, though the absolute saving is little over £1 million. These cuts, Mr Butler declared, were in addition to "economies we are achieving in every branch of the public service just by patient attention to detail."

Hire Purchase.—The one measure directly restraining private consumption that was announced in Mr Butler's speech was the Board of Trade's new order on hire purchase terms. The object of this order is to limit the demand for metal and engineering products, the supply of which is to be cut down—probably to two-thirds of last year's level—by metal allocations and controls. From February 1st, hire purchase and credit sale agreements on a wide range of such goods must provide for a minimum initial deposit of 33⅓ per cent and a maximum repayment period of 18 months; the goods affected include radio and television sets, cars, office furniture, water heaters, lawn mowers and what the Americans call "major appliances" such as refrigerators, vacuum cleaners and washing machines. As a special case, hire purchase agreements on bicycles will have to provide for an initial deposit of not less than 25 per cent and a maturity of not more than one year. It is difficult to estimate how far consumer demand will be curtailed by this order; there are no adequate statistics of consumer credit in this country, and nobody knows how far its undoubted recent growth would have been cut back, in any case, by the general credit restrictions imposed last November. It will be noted, too, that the new order does not affect one of the largest fields in the instalment system—domestic furniture, where three-quarters of all sales are believed to be financed in this way. Rather strangely, electric and gas cookers are also excluded from the new order.

*

On the other hand, the terms laid down are fairly severe. For cars, they are the same as under Regulation W in the United States; for "major appliances" (where Regulation W demands only a 15 per cent initial deposit), they are stricter. The only hire purchase order in force in this country before this week provided for a minimum down payment of 12½ per cent, a maximum maturity of two years and a maximum service charge in interest payment of 20 per cent; it applies, however, to only a limited range of goods, and was part of the price control—not of the credit regulation—system.

Purchase Tax.—The object of cutting public and private expenditure is to free resources for rearmament or export industries. It is important, however, that the

measures taken to set resources free should not at the same time reduce the incentives towards greater exports. There is good evidence that purchase tax, by making it impossible for textile and other consumer goods industries to experiment on the home market, has defeated part of its own purpose in this way. Some months ago Mr Gaitskell appointed a committee under the chairmanship of Sir William Douglas to inquire into the connection between utility schemes and purchase tax; its terms of reference laid down that tax revenue from industries with utility schemes must not be reduced. The report of this committee has already been handed to the Government — it will be made public on February 24th — and Mr Butler announced that Government proposals arising from it will shortly be laid before the House. Under the present scheme any article that falls slightly outside the utility range becomes liable to the full rate of purchase tax, and is thus often made virtually unsaleable on the home market; the Board of Trade tried to mitigate this difficulty last year by widening the range of textiles and clothing that could be sold as utility goods, but this must have led to a sharp fall in the yield of purchase tax. The obvious solution here would seem to be a series of gradations in the tax scale, instead of rendering all non-utility goods liable to tax in one jump.

Tourist Allowance.—In one field the conventional process of nibbling may conceivably have gone too far. The tourist allowance, which was cut from £100 to £50 in November, is reduced again. In the year to November, 1952, British citizens will be allowed to spend only £25 each abroad. This means that the only legitimate British holidaymakers in Europe this summer will be week-end trippers or those willing to risk financial embarrassment. This step has been taken despite the recommendation of the Organisation for European Economic Co-operation of a minimum tourist allowance of £35 a year and in flat contradiction of Britain's pledges in the Uniscan agreement (to which "adjustments" are being made). The measure is being accompanied by a reduction of £15 for children and also for the car allowance for motorists and to £5 in the amount of sterling notes that may be taken out of the country. Inevitably, this unhappy expedient will spread ill-will and embarrassment across the Continent. The allowances should be raised as soon as possible. Meanwhile, there will be a saving of £12½ million a year.

Tobacco.—Mr Butler's decision to save £22 million in dollars on imports of tobacco represents a heavy cut in the present rate of import of American and Canadian tobacco, but "by a careful re-arrangement of our proposals about stocks, and other methods," he hopes to carry this out without causing any great shortage in the shops. Last year, out of total tobacco imports of 355.6 million lb., valued at £81.5 million, 212.1 million lb. costing £51.6 million came from the United States and 21.7 million lb., costing £4,500,000, from Canada. This cut, therefore, will reduce dollar imports of tobacco by about two-fifths and total imports by about a quarter. American tobacco is bought at sales during the autumn, so that this year's supplies have presumably already been purchased; the cuts will therefore fall largely upon purchases at next season's sales. In the American auctions that closed last month, British manufacturers spent some $147 million, and another $19 million in Canada; next season the buyers will have little more than $100 million to spend.

In terms of consumption, the reductions in imports represent nearly six months' smoking in Britain. But the level of stocks should enable the manufacturers to cushion its effect to a considerable extent. At the end of October stocks stood at 444.6 million lb., the largest since the war, and 38 million lb. larger than in October, 1950. Stocks generally rise during the last quarter of the year, so that the present level may be in the region of 460 million lb., or more than two years' consumption—though it must be remembered that for maturing purposes well over a year's consumption is usually considered essential by the trade. The manufacturers are planning, therefore, to maintain production at roughly the present rate by drawing upon stocks, and at the same time to increase their purchases in sterling markets such as Southern Rhodesia. Technically, the "other methods" that the Chancellor mentioned might include slight reductions in the size of cigarettes, so far as existing machinery allows. But more probably he was thinking of fiscal measures. Of personal expenditure on tobacco—some £800 million a year—less than £60 million represents the cost of retained imports; the Chancellor emphasised that less than 7 per cent of the price of a cigarette goes for imports and less than 5 per cent for dollar imports. The great bulk of that £800 million represents tax, and siphons off inflationary pressure. "Any human Chancellor," said Mr Butler, "must take this into account."

Petrol.—Inevitably, restrictions on the use of petrol had been the subject of conjecture before the Chancellor's statement; but Mr Butler made a good case for rejecting any return to rationing. Last year cars and motor-cycles probably used some 2.2 million tons of motor spirit, against 1.5 million tons in 1949, the last full year of petrol rationing; but since that time registrations have increased by about 10 per cent, so that rationing on the same scale would save only about half a million tons of petrol a year, worth some £8 million. Since rationing would take some time to re-introduce, Mr Butler estimated that only £4 million could in fact have been saved by its return this year. Against this he set the administrative cost—some 2,500 officials and nearly £1.5 million—and came to the inescapable conclusion "the whole thing is not worth while." Cutting crude petroleum imports, moreover, would seriously affect the increase in output of the British oil refineries, which by the end of the year may be supplying 90 per cent of the motor spirit consumed here.

Mr Butler said that "a good deal less than half of the consumption of motor spirit is by private motorists, and not very much of this is used for pleasure motoring." One recent estimate, based upon a survey at filling stations, suggested that more than 80 per cent of the petrol used by passenger cars in the year is for business purposes. This has an obvious bearing upon any budgetary measures; it means that an increase in tax would be likely to cut consumption only over a limited proportion of the nation's motoring, while over the remainder it would swell industrial costs.

Films.—The Anglo-American agreement that laid down the amount of money earned by American films that can be remitted to their producers in dollars was renewed last August, and it runs until September this year. Mr Butler could not, therefore, take any action to reduce the dollar cost of American films without abrogating the agreement; but he gave the American producers notice that he would "use the time till then

A.N.Z

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged The Bank of Australasia Limited and The Union Bank of Australia Limited

The new Bank formed by the merger of The Bank of Australasia Limited and The Union Bank of Australia Limited, is known as Australia and New Zealand Bank Limited. The following points indicate some of the improved banking facilities and services which result from the merger.

RESOURCES · With an authorized Capital of £ENG.17,000,000 and the combined assets of the merging banks amounting to £A.400,000,000, Australia and New Zealand Bank Limited has powerful resources for the use of its customers.

LOCAL KNOWLEDGE · The knowledge and experience of local conditions in Australia and New Zealand, acquired by the merging banks in over a hundred years of banking, are at the service of the customers of Australia and New Zealand Bank Limited.

BRANCHES AND AGENCIES With the combined Branches and Agencies of the merging banks numbering nearly 600 in Australia and over 150 in New Zealand and Fiji, as well as an international network of Agents and Correspondents, Australia and New Zealand Bank Limited provides its customers with comprehensive and competitive banking facilities.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

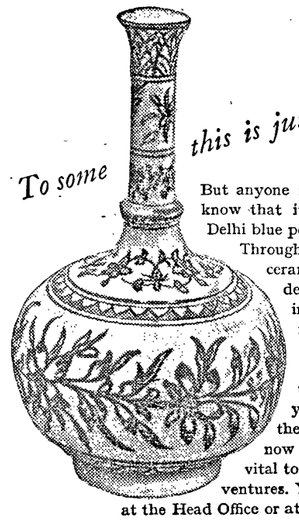
In which are merged The Bank of Australasia Limited and The Union Bank of Australia Limited

HEAD OFFICE

71 Cornhill, E.C.3. Telephone: Avenue 1281

BRANCH OFFICES IN LONDON

4 Threadneedle Street, E.C.2. Telephone: Avenue 1281
263 Strand, W.C.2. Telephone: Holborn 3688
6 Albemarle Street, Piccadilly, W.1.
Telephone: Regent 3651



To some this is just a Vase!

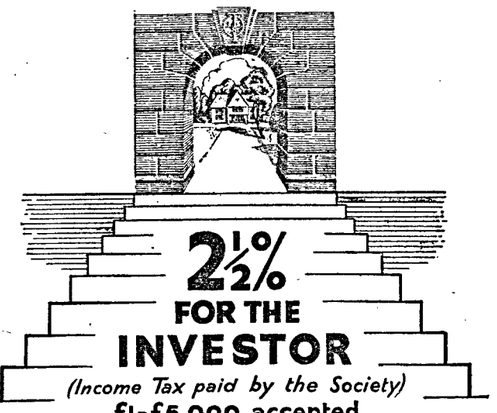
But anyone familiar with ceramics would know that it is a piece of world-famed Delhi blue pottery.

Through years of specialized study, the ceramics expert has attained a high degree of skill and discernment in his particular sphere and this is also true of the National Bank of India and its unrivalled knowledge of eastern trading. As a result of many years of continuous experience the National Bank of India can now provide much information vital to the success of modern trading ventures. Your enquiries will be welcome at the Head Office or at any of the Bank's branches.

NATIONAL BANK OF INDIA LIMITED

Branches in: INDIA, PAKISTAN, CEYLON, BURMA, KENYA, UGANDA, TANGANYIKA, ZANZIBAR, and ADEN. *Bankers to the Government in* ADEN, KENYA COLONY, ZANZIBAR and UGANDA. *Head Office:* 26 BISHOPSGATE, LONDON, E.C.2

The Gateway to Security



2½% FOR THE INVESTOR

(Income Tax paid by the Society)

£1-£5,000 accepted

TEMPERANCE PERMANENT BUILDING SOCIETY

223-227, REGENT ST., LONDON, W.1

PHONE REG. 7282

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are.

Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2
West End (London) Branch: 28 Charles II Street, London, S.W.1
Manchester Branch: 52 Mosley Street, Manchester, 2
Liverpool Branch: 27 Derby House, Liverpool, 2
New York Agency: 65 Broadway, New York, 6

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

Are you interested in CANADA?

For all those interested in business in Canada, the Bank of Montreal's "Business Review" is a ready source of reliable up-to-date information, available without charge.

You can have a copy mailed to you regularly each month merely by sending a request to:

The Manager,

BANK OF MONTREAL

47 Threadneedle Street, London, E.C.2

Over 570 branches throughout Canada
Assets Exceed $2,000,000,000

Incorporated in Canada in 1817 with Limited Liability

BANK OF MONTREAL *Business Review*

FACTS ABOUT AUSTRALIA

OVER

8,000,000

POPULATION

During the last four years, Australia's population has increased by 6½%, with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1.

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

G85102E

to consider the economies which may well have to be made in the future." He put the total dollar cost of films at £9 million, or $25.2 million; the agreement allows direct remittances of $17 million, and certain additional remittances proportional to the films' earnings under the current "Eady" levy on exhibition and the American producers' expenditure on British films. It may be, therefore, that the American producers are taking out, or spending here and in Europe, most of the proceeds that their films earn. This would offer some margin for reducing dollar remittances, which might stimulate film production here by both British and American producers. Here, too, the Chancellor has revenue to consider; the most probable result of showing more films made in Britain on the screens, unfortunately, might be fewer patrons in the cinema, and less tax to the Exchequer.

Can Trade be Balanced?

THE cuts in the import programme for 1952 that the Chancellor announced will reduce it by a further £150 million over and above the reductions totalling £350 million announced in November. This second operation cuts nearer the bone, and much of the saving will be achieved by using some of the strategic reserves of materials to keep industry going instead of increasing imports. Mr Butler would not say "for well recognised reasons" how the £150 million will be saved. Some £22 million will be saved on tobacco. The planned imports of coal from the United States will be reduced, since stocks are better than was expected, though only £2½ million will be saved here. No cuts will be made in imports of coarse grain, put by Mr Butler at 5,500,000 tons, and only minor cuts will be made in the Ministry of Food's purchases of non-rationed food and in imports of manufactured goods; both of these groups came under the axe in November.

The Chancellor proposes that the British payments account shall be brought into balance in the second half of this year. Compared with the outturn for the second half of last year, this will involve an improvement of £475 million on non-sterling account and an improvement of £250 million on sterling account; the expectation is that the non-sterling deficit of £100 million that will then remain will be offset by a sterling surplus of the same amount. In this formidable task, dollar aid for defence will help; some £100 million will be paid over in due course. The import cuts should in time count at an annual rate of £500 million and if home supplies of capital goods are cut as the Chancellor intends, exports of these items might perhaps expand by £150 million. As a broad guide, overall balance might be achieved if exports and re-exports in the second half of this year run level with the rate for 1951 as a whole. Can British industry maintain its past performance? The metal and engineering industries accounted for 47 per cent of total exports, and they are cast to play as important a role as they did in 1951.

In the Chancellor's words, "it is absolutely vital that the output of these industries should be increased," but in the first half of the year, at least, the limiting factor will be steel. Already a number of factories have been forced to adopt a shorter working week. It would be prudent to expect, therefore, that during the first half of the year production will be materially reduced in a number of the industries using steel. Though steel supplies should be generally more plentiful by the middle of the year rearmament production may be taking more steel and effort by then, despite exercises in "re-balancing." The "original" steel shortage was set at 1½ million tons of finished steel, or some 14-15 per cent of current steel consumption. Erring somewhat on the side of prudence, it might on that assumption be necessary to reckon with a fall in the total civilian output of these industries during 1952 of some 5 to 10 per cent, in assessing their potential contributions to the export drive. The restrictions in supplies to the home market that Mr Butler has announced makes possible some estimate of the goods that these industries might then make available for export—which is not, of course, the same thing as selling them.

The most important exporting industry in the group is the motor industry. Last year, the motor industry produced some 480,000 cars and exported 370,000, leaving about 110,000 for the home market compared with the limit imposed by the previous government of 80,000. If output this year were to fall by 10 per cent to 430,000 and if the industry keeps to the new limit of 60,000 for the home market imposed by the Chancellor last Tuesday, 370,000 cars would still be available for export. The production of commercial vehicles reached 258,000 in 1951, of which 162,000 were exported, the remaining 96,000 going to the home market. This year the Chancellor intends that only 60,000 are to be sold at home so that at least the same number could be exported even if production should decline by 10 per cent to 232,000 because of the steel shortage or because the factories have to make military vehicles. The motor cycle industry could maintain its volume of exports even if production fell by 15 per cent, and bicycles could keep at their 1951 level if production fell by 10 per cent. For domestic refrigerators and washing machines, exports could also be maintained if production fell 10 per cent, while for vacuum cleaners,

SUPPLIES FOR EXPORT AND HOME MARKET
(Monthly Averages)

Item and Unit	1950				1951*			
	Production	Export	Home Market	*Export as Percentage of Production*	Production	Exports	Home Market	*Exports as Percentage of Production*
Motor cars (number)	43,543	34,126	9,417	78	39,686	30,846	8,840	78
Commercial vehicles (number)	21,763	13,736	8,027	63	21,493	13,513	7,980	63
Motor cycles (number)	14,270	6,870	7,400	48	14,120	7,720	6,400	55
Bicycles (thousands)	294	182	112	62	337	232	105	69
Domestic refrigerators (£'000)	990	545	445	55	1,263	777	486	62
Radio sets (thousands)	150	31	119	21	178	48	130	27
Washing machines ('000)	45	19	26	42	67	33	24	58
Elect. vacuum cleaners ('000)	88	24	64	27	99	36	63	36
Metal furniture (£mn.)	1·2	0·3	0·9	25	1·3	0·3	1·0	23
Machine tools (£ mn.)	3·2	1·2	2·0	38	3·8	1·3	2·5	34
Textile machinery (£ mn.)	5·9	3·1	2·8	53	6·1	3·0	3·1	49
Agric. machinery† (£ mn.)	7·1	3·6	3·5	51	8·8	4·7	4·1	53
Steam turbo-alternators ('000 kw.)	219·9	83·0	136·9	38	171·2	90·0	81·2	53

* Partly estimated from different periods of 1951, according to item.
† Includes tractors.

radio sets, and metal furniture production would have to fall by 20-30 per cent before the volume of exports need be affected. The volume of machine tool exports could be maintained if production were to fall by 10 per cent, while the volume of textile machinery exports could be maintained if production were to fall by 5 per cent.

These very rough and ready calculations suggest that if the output of the engineering industry does not fall by more than 10 per cent in 1952, exports might be maintained at last year's volume by virtue of the cuts that Mr Butler intends for the home market. The prospect of a balanced payments account would then be good. Much depends on steel supplies and even more depends on the terms of trade. The sharp deterioration in the first half of 1951 has subsided, and in December the terms of trade were no worse than in December, 1950. If this improvement in relative export prices were to continue this year, the chances of a balanced-payments account would be appreciably brighter. Equally, any deterioration in the terms of trade would make the country's tasks even more formidable.

Business Notes

Economic Aid Again

After a year of trying to do without direct economic aid, Britain has had to fall back on American generosity again. It was announced in Washington last week that President Truman has allocated $300 million from the current fiscal year's mutual security funds as "interim" economic assistance to this country. Hitherto Britain has received a share of the $4,819 million that Congress voted for overseas military aid in the year to June 30th next, but not of the $1,022 million that it voted for economic aid. The military assistance that this country has received has frankly proved of little economic significance. This aid comes across the Atlantic in the form of equipment, not of dollars—and the Americans have quite rightly shipped equipment that could not be made in this country, instead of equipment that is being made by resources that Britain would like to divert to the export drive. The various figures that have been mentioned as the value of military aid received to date have simply been additions of rather notional price labels (presumably based on replacement cost) attached to arms shipped from American stocks. The whole of the original $1,022 million of economic aid, which is paid out on the Marshall Aid formula of direct dollar reimbursement for eligible items on the import programme, was earmarked for other countries at a time when it appeared that Britain could paddle its own canoe. When it became apparent in November that Britain could not paddle that canoe—not, at any rate, without jettisoning a very large part of a rearmament programme that is already greater than that of all other European Nato countries put together—Mr Butler had to appeal to America for reassessment. He also pointed out that the fact that Britain is running its rearmament programme at more than full stretch means that it is not able to benefit, as much as some European countries can do, from producing quasi-military equipment and goods for PX stores for sale to the US defence department against dollars.

The Mutual Security Act provided that the President could switch 10 per cent of the military aid vote to economic aid. It is this provision that has been used to secure the new $300 million. The President has, however, to justify the switch to a congressional committee, and it is for this reason that certain conditions have been attached to the allocation. The most important of these is that the imports that will be eligible for dollar reimbursement must be "defence-like" materials. This category includes such things as military equipment not eligible for military aid, metals (including steel), sulphur and oil for the services. It remains to be seen how soon $300 million of goods in this category will be imported, and thus how soon the dollars will reach London. It is greatly to be hoped that some shipments recently made (and certainly contracts recently placed) will be eligible for this reimbursement; if not, Britain will again suffer from having set off to a more determined and earlier start on its defence programme than its European partners. Even if the reimbursement provisions are drawn up sensibly in this way, it seems likely that some of the dollars now allocated will reach this country after June 30th.

* * *

Conjuring with the Counterpart

Another provision attached to the new allocation is that the sterling counterpart must be spent on the defence effort. Thus starts a new chapter in a four-year comedy of errors. There is, of course, no such thing as a spendable "sterling counterpart" to dollar aid of this sort; the fact that the country is living so far beyond its means that it has to go on the dole, does not mean that the Government can legitimately sell that dollar dole for sterling, and then use the sterling for living beyond its means still further. The fiction of a "counterpart fund" has had only one justification since 1948; it has helped France and other continental countries that had some economic case for financing their recovery by a budget deficit and were impeded by constitutional difficulties in their effort to do so. In Britain, however, the counterpart fund was never more than a technical accounting device; Britain put this counterpart into the "Treasury special account" on the liabilities side of the Bank of England's balance sheet, wrote in an equivalent holding of interest free notes on the assets side, and then crossed out both figures at intervals so that no harm was done. This process was called "using the counterpart for retirement of debt."

In the early days of Marshall Aid there seemed to be a danger that Congress might protest that the counterpart fund was being used as a device for enabling certain continental countries to add to their internal inflations. In fact, however, the tone of criticism—through a strange series of misunderstandings—swung all the other way. Complaints began to be uttered that while the virile continentals were using American funds twice over to expand production, the slothful British were letting half their money waste away. This explains the new provision that the "counterpart" to the present aid must be used to finance the defence programme. Presumably, therefore, this "counterpart" will now be paid into the special account as before—where, incidentally, it will join the counterpart to the residual flow of Marshall funds and the so-called "Katz-Gaitskell" money (the ECA's reimbursement to Britain of British gold lost to EPU as a result of European drawings on pre-1950 sterling balances). In due course this "money" will be drawn out of the special account as an appropriation-in-aid of the service votes in the next budget. Part of the tax revenue that would have been set against the service votes will then have to be added to the ordinary budget surplus and used to retire the "debt" that the inflow of "funds" into the special account will have created in the first place. The point that will have to be emphasised at home, of course, is that the sudden emergence of this new appropriation-in-aid into the budget accounts does not mean that tax revenue can be smaller; spending power has still got to be cut down to match available supply, and neither is affected by this conjured-up "counterpart."

* * *

Fall in Bank Advances—

The first signs of the impact of the new monetary policy upon bank advances have been revealed in two statements published by the clearing banks this week. The combined statement of their year-end position (which is always delayed by the publication of the several balance sheets) appeared only two days before the statement for the January make-up (January 16th). Taken together, these two statements showed that over the whole period of eight weeks bank advances actually showed a net fall of £14 million, whereas in the similar period of 1950-51 they rose by £30 million and in 1949-50 by £52 million. This heartening contrast doubtless owes something to the substantial new issues that have lately been made, principally for the funding of bank advances; and there is no doubt at all that a large part of it is explained by the fact that special influences were forcing advances strongly upwards in the two earlier periods—at this time last year, it will be recalled, the first big impact of the commodity boom was being felt. Even so, it is evident that a contributory factor has been the new pressure upon the banks to exercise a more effective restraint upon borrowers than they have done in the past. The effects of this restraint should become more and more apparent in the coming months, though it is still far from certain whether it will be strong enough to prevent aggregate advances from rising further under the pressure of demand from credit-worthy borrowers in the "essential" categories.

It certainly cannot yet be assumed, therefore, that the threat of pressure by the banks upon the gilt-edged market is receding; for if the authorities contrive to keep a taut rein on the banks' liquid assets, the banks may feel that they must provide the funds to meet any net rise in their advances *by selling investments.*

* * *

—And Sales of Investments

The latest figures seem to confirm the market's impression that perceptible sales of investments by the banks have taken place already. In November, as already noted in these columns, the banks' investments rose by a good deal less than the amount of their participation in the new funding stock; in the six weeks to end-December, their balance-sheet valuation of investments dropped by £67 million; and in the first fortnight of January it dropped by a further £11 million—bringing the decline over the whole period to fully £100 million, or about 6¾ per cent. of the portfolio as it stood before the funding operation. This is certainly an appreciably bigger sum than is likely to be accounted for by writing-down; the portion represented by sales must have been substantial. In this context, it is interesting to observe that, of the December reduction of £67 million, over £25 million was attributable to the National Provincial Bank—although that bank has the smallest investment portfolio of any of the Big Five banks. The biggest movement in the first fortnight of January was shown by the Westminster Bank (a decline of £6¾ million), which has the second smallest portfolio.

If it could be assumed both that advances will not continue to rise and that the authorities will not tighten the screw, the liquidity threat to the banks would now look rather less menacing than was envisaged some weeks ago. A striking feature of the past two months is that the Government, despite the continuance of the heavy deficit on the balance of payments, has been a substantial net borrower from the banking system, whereas in the similar period of last year it was making repayments—thus reversing the relationship between the two periods that obtained a few months ago. These borrowings, which partly reflect the rise in defence expenditure and partly arise from the fact that in December the "departments" provided £60 million for the Transport Commission, have naturally increased the supply of bills to the banking system, and this supply has been further augmented by the substitution of bills for maturing Treasury deposit receipts. This enlargement of liquid assets, combined with the reduction in advances and investments, has had the effect of raising the liquidity ratio from 32.0 per cent in November to 33.2 per cent in December and 33.7 per cent at mid-January.

* * *

Ironfounders and the Steel Federation

As might have been expected, the ironfounding industry has at length reacted to the steel industry's contention that over-production of iron castings last year was the reason why the steelmakers did not quite reach their output target of 16 million ingot tons. A public argument between industries is unusual and not particularly edifying; and it may be surmised that the steel industry, which began arguing its case some weeks ago, had more in mind than seeking to excuse a quite marginal failure to live up to a forecast made last spring. During the past year the British Iron and Steel Federation must have had enough experience of planners not to become too thin-skinned when one of its own forecasts is out by roughly two per cent.

The federation's case, in detail, is that while steel production fell last year 360,000 tons below its estimate, the output of the iron foundries rose by some 260,000 tons of finished castings, or roughly 360,000 tons of metal poured. Both industries take pig iron and scrap—and therefore

> if iron foundry production had remained at the 1950 level, as was assumed in putting the steel industry's calculations for 1951 before the Ministry of Supply, steel production could have been almost exactly on the 16 million-ton mark, notwithstanding the fact that the scrap drive has so far met with only partial success.

The federation argues that use of steel in metal goods offers great economies in iron and steel-making materials, since the thickness and hence the weight of an article fabricated in sheet steel need be only a half or a third of an iron casting serving the same purpose. It concludes therefore that by means of some substitution of fabricated steel for castings in metal products, iron foundry output should be limited to the 1950 level—some 3½ million tons—until steel output could at least be restored to the 1950 figure of roughly 16¾ million tons. The period envisaged would presumably stretch beyond 1952; for this year the steel industry is not expecting to produce more than 16 million tons.

* * *

Castings or Sheet Steel?

The ironfounders' reply is, first, that the steel industry's assumptions about iron foundry output when it put its own calculations for 1951 before the Ministry of Supply have nothing to do with them. Whatever assumptions may have been made in various quarters about foundry output in 1951, no specific limit was laid down by the Ministry, which licences the industry's supplies of materials. At the end of 1950 the foundries had pig iron stocks amounting to roughly eight weeks' supply; at that time, the Ministry of Supply asked them to reduce these stocks to three weeks' supply, and restricted current deliveries of materials accordingly. Working to some extent on stocks, the foundries did produce at the rate of 3¾ million tons a year during the first half of 1951. In July the Ministry further reduced

the quantities of materials for the third quarter by some 10 per cent, and in October it reduced the foundries' supplies of coke by 12½ per cent. The effect of these measures takes some time to show in output; but it does appear that by the fourth quarter of the year the rate of output from the foundries was slackening.

The balance of national, as against commercial, advantage may be held to vary with the extremity of steel shortage. Against the man-hours, and cost, of melting an ingot of pig iron, pouring a casting, and the light machining that requires, have to be counted the cost of turning that iron into steel, rolling it to a given shape, and fabricating the steel into a product or component; and in normal competition the consumer will make his choice on grounds of cost and technical advantage. On some of the wide range of products in which substitution has been advocated, the steel used instead would need enamelling or perhaps metal spraying; and the iron-founders question whether sufficient capacity—in forges and presses for stamping and refractory muffles for enamelling—exist in the country. On the comparative properties of steel and cast iron, the experts could no doubt argue endlessly; but most consumers would probably consider cast iron at any rate far more durable.

There may well be a range of products in which some marginal substitution of cast iron by steel could take place, though not all of them at present take a large tonnage of castings. But it would appear that the restriction of output towards roughly the 1950 level, which the BISF is now advocating, may already have been in train through the normal licensing of raw materials by the Ministry before the federation launched its arguments. It seems doubtful whether any closer control of the foundries would be practicable even if it were needed; there are about 2,000 of them, many on a scale approximating to that of the village blacksmith, and at the other end of the scale some of the largest units are "captive foundries" owned by large iron—and steel—consumers.

* * *

South African Gold for Britain?

One of the first indications of a subject that must have been discussed at the recent Commonwealth Finance Ministers' Conference was given in a statement by the South African Finance Minister this week. At the moment all essential imports into South Africa are paid for in gold, but South African importers are allowed to buy these goods from whatever is the cheapest source of supply. Mr Havenga explained that under the GATT agreement South Africa has accepted certain limitations on its freedom to discriminate in favour of the United Kingdom; in addition, Mr Havenga is unwilling to compel importers to buy from the sterling area goods that they might obtain at a lower cost from the dollar area. He suggested, however, that the Union might be able to draw down its present gold reserve of approximately £67 million without overstepping the danger line. The implication is, presumably, that South Africa is considering either another gold loan to Britain, or a direct sale of gold against sterling. There have also been suggestions that the Union might provide some incentives to greater production by the gold mines, possibly by changes in the present tax formula; these rumours have led to a rise in Kaffirs on the London and Johannesburg stock markets this week.

* * *

Anglo-Japanese Payments

Reports from Tokio suggest that the Japanese Government is to make proposals for a conference to revise the payments agreement with the United Kingdom. This agreement, signed last August, made provision for special consultations between the parties if Japan's holdings of sterling at any time reached an excessive amount. Unofficial but reliable indications suggested at the time that the Japanese Government would regard £70 million as a reasonable upper limit to its sterling holdings at seasonal peaks and about £40 million as the maximum average working balance maintained over the year as a whole. The sterling area's deficit with Japan has been a by no means inconsiderable part of the total deficit that the sterling area has been running during the past year; in consequence, Japanese holdings of sterling have recently tended to exceed the ceiling envisaged at the time the agreement was negotiated. The basic provision of the agreement, that no convertibility or gold clause should be attached to the Japanese accumulation of sterling, naturally still stands; but the time has evidently arrived when consultations should be held between the two parties. There has been considerable public discussion of the situation in Japan and, so far, it is in this discussion rather than in official exchanges between the two governments that the proposal for a new conference has taken shape.

Recently, however, the issue has crystallised in the course of negotiations between Britain and Japan for purchases of Japanese steel: the amount in question appears to be some 700,000 tons, costing possibly some £5 million. The Japanese authorities have urged that nothing less than gold or dollar payments would be accepted for this scarce commodity. The Anglo-Japanese payments agreement gives Japan the right to use its sterling to pay for imports from transferable account countries. Japan has not been included in this group of transferable account countries, but the administrative transferability that has been conceded to Japan is interpreted liberally; no real barriers are put in the way of current payments to or from transferable account countries. An interesting illustration of this administrative transferability may soon be provided if Japan accepts the very tempting offers that have been made by Soviet Russia to sell coal to Japan against payment in sterling. Soviet Russia is in the sterling transferable account area, so that Japan would be entitled to transfer sterling to Russian account in payment for deliveries of coal. This is one way in which Japan's accumulation of sterling might be reduced; but such a solution of this particular problem is hardly likely, in all the circumstances, to commend itself to Washington.

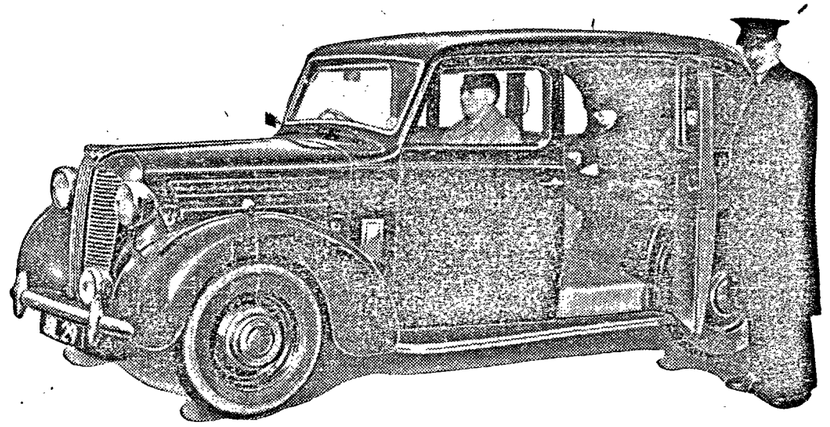
* * *

Rising Building Costs

The extra 1½d. an hour granted to the building workers last week is the equivalent of a wage increase of 11s. a week, and will cost the building industry between £25 million and £30 million a year. It has been estimated that this will add £25 to £30 to the price of a council house, and perhaps 6d. a week to its rent. The 4s. 6d. a ton increase in the price of cement has less serious consequences on house building costs; on the assumption that an average of ten tons of cement is used for each house and for the services attached to it, the new price means an addition of only £2 5s. But on large civil engineering projects such as airports, hydro-electric schemes or atomic energy plants, a 2 per cent rise in the price of cement will involve an appreciable increase in costs.

The steady rise in the price of materials and labour has more than offset any economies that the builders themselves may have achieved by improving their efficiency. The 1951 report of the National Federation of Building Trades Employers estimated that during the first ten months of the year the general level of material prices had risen by 20 per cent. The price of bricks and roofing and floor tiles had risen by 12 and 11 per cent respectively. This increase, and possibly half of the 28 per cent increase in cement prices, was due to increased transport costs. Cement prices were also affected by higher coal prices, by the high capital costs of some of the new plants that came into operation during the year, and by the surcharge imposed on home produced

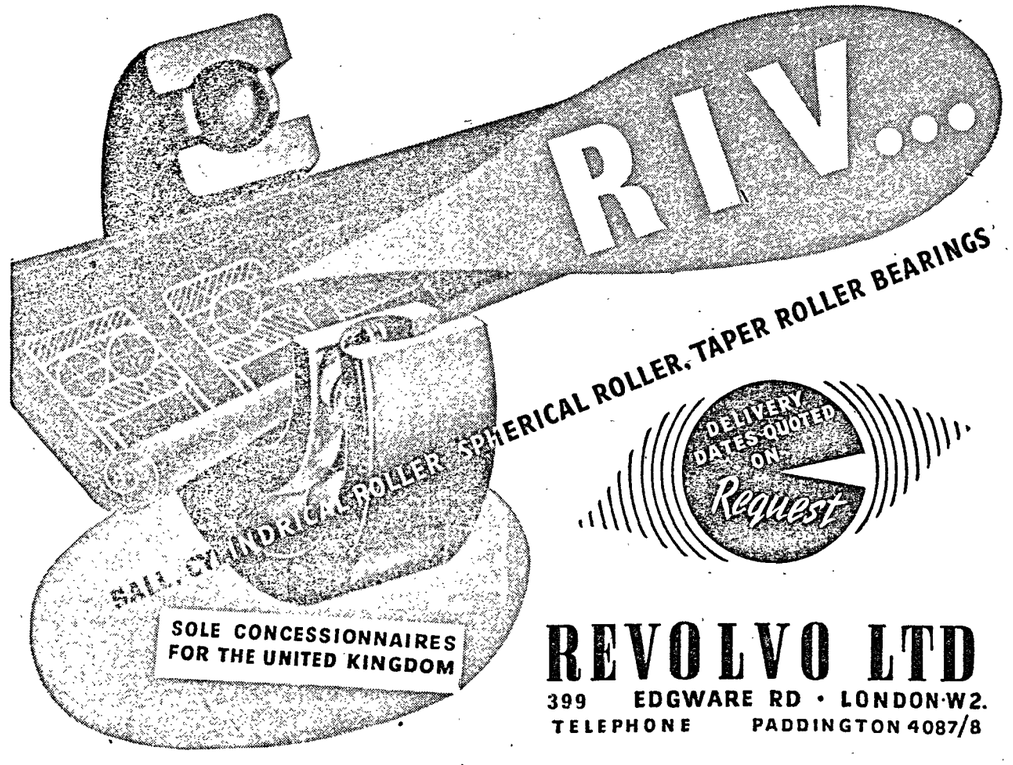
YOUR FIRM needs this car...



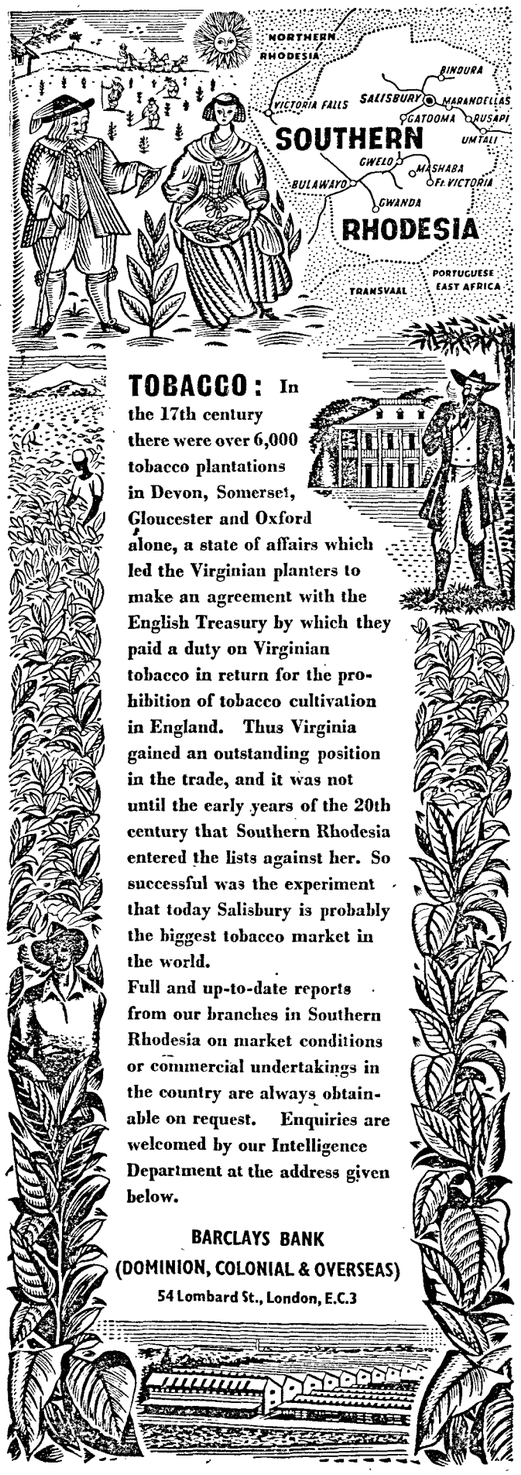
A works or office car is an essential to the well run modern business. Austin build this special car which is exactly right for the job. With its two folding seats, it takes six in comfort and there is room for two more on occasions. Its 68 b.h.p. O.H.V. engine and great manoeuvrability ensure that it is always on time. This Austin is more impressive—more efficient at its job—than an ordinary saloon. Delivery is better, too. See your dealer today. This Austin is also the perfect Hire Car, for dependable day and night service.

AUSTIN —you can depend on it!

THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM



REVOLVO LTD
399 EDGWARE RD • LONDON·W2.
TELEPHONE PADDINGTON 4087/8



TOBACCO: In the 17th century there were over 6,000 tobacco plantations in Devon, Somerset, Gloucester and Oxford alone, a state of affairs which led the Virginian planters to make an agreement with the English Treasury by which they paid a duty on Virginian tobacco in return for the prohibition of tobacco cultivation in England. Thus Virginia gained an outstanding position in the trade, and it was not until the early years of the 20th century that Southern Rhodesia entered the lists against her. So successful was the experiment that today Salisbury is probably the biggest tobacco market in the world.

Full and up-to-date reports from our branches in Southern Rhodesia on market conditions or commercial undertakings in the country are always obtainable on request. Enquiries are welcomed by our Intelligence Department at the address given below.

BARCLAYS BANK
(DOMINION, COLONIAL & OVERSEAS)
54 Lombard St., London, E.C.3

A MEMBER OF THE THREE BANKS GROUP

GLYN, MILLS & CO.

Glyn, Mills & Co., began in 1753 as a private banking house. In spite of steady growth to world-wide influence, its underlying characteristics have not departed. The personal touch is still there in each transaction whether large or small. London is the centre of operation. Glyns is a member of the Three Banks Group.

THE THREE BANKS
Total resources over £350,000,000

ROYAL BANK OF SCOTLAND
Founded 1727. Edinburgh, London & branches

GLYN, MILLS & CO.
Founded 1753. London

WILLIAMS DEACON'S BANK LTD
Founded 1771. Manchester, London & branches

Nuwara Eliya is 100 miles inland from Ceylon's port of Colombo—7,000 miles from the English fields where a famous Jersey herd is bred. There were risks to be faced in having the bull calf and three heifers shipped out across the world. Their new owner—like so many wise men of all nations—covered those risks with a British Insurance Company.

British Insurance Companies back World Enterprise

Issued by the British Insurance Association

ement in order to offset the higher prices of imported ement. In December the cement industry was paying an verage of more than £7 a ton for imported cement and elling it at the ruling British prices which, with the new ncrease, are the equivalent of £4 19s. 9d. a ton in the London rea. Softwood prices have risen 62 per cent, but may lecline in the future. There have been big increases in the rices of metal goods ; 24 per cent for steel, 25 per cent for opper sheets and tubes, 62 per cent for lead and 45 per ent for plumbers' brasswork.

Increased efficiency on the site has partly offset these ncreased prices, and building costs during the same ten nonths did not rise by more than 15 per cent. There are igns that the building industry has taken to heart the severe riticisms of earlier years ; two big factors contributing to n increase in output on the site have been the introduction f bonus schemes and more careful pre-planning of the work itself. Under today's conditions there are limits to any further improvements in this direction, and shortage of building materials makes accurate planning of work schedules almost impossible. But it should not be necessary to leave the whole responsibility for combating rising material costs to the contractor on the site. Modern building research has shown many ways in which construction costs can be reduced and, what is equally important, ways of conserving scarce materials. But many more architects could apply the results of this research work in their plans.

* * *

Rubber for Dollars

Following the agreement reached in Washington to sell to the United States 20,000 tons of tin at 118 cents a lb the British government has this week agreed to sell 25,000 tons of rubber from its stock at the current American buying price. Mr Butler disclosed on Tuesday that this deal will provide Britain with "well over" £8 million in dollars, from which it can be calculated that the American buying price must be around 44 cents a lb, equivalent to 3s. 2d., compared with the London spot price of 3s. 4½d. a lb on Wednesday. It is not known whether the American price is the landed cost in New York or based on the London or Singapore markets. But at least the difference between 3s. 4½d. and 3s. 2d. is of small significance given the fact that Britain's dollar needs are urgent, and that the United States has agreed not to reduce its buying programme by an equivalent amount.

In 1951, some 35,000 tons of rubber were added to British reserves ; before the sale took place, total stocks in government hands were of the order of 85-95,000 tons. Last year the United States put into stock some 295,000 tons of natural rubber, bringing the stockpile up to about 810,000 tons. It may be remarked that the United States has not sought to buy this additional quantity on the open market ; evidently rubber at 6s. a lb a year ago still rankles.

* * *

Discount Houses' Year

Before the change in monetary policy, there had been much discussion in Lombard Street about the shock that would be felt there if Bank rate were raised. In the event, the increase was less than some people had expected ; and the accounts of the "Big Three" discount houses show that the shock has been absorbed, if not painlessly, at least without causing undue disturbance. The largest of the three, the Union Discount Company, has, indeed, reported a small increase in profits ; and this company, like Alexanders, has met the whole of the depreciation on its bond portfolio from current profits. All three companies have maintained their dividends. This satisfactory performance reflects the good earnings experience of the market earlier in the year and the prudent reduction that it had been making both in the size and especially the average life of its bond holdings. As the accompanying table shows, the combined bond portfolio of the three companies rose slightly over the year as a whole (and that of the Union Discount rose sharply), but this movement was much more than explained by a large intake of short bonds after the change in monetary policy. During the main phase of pressure before the end of the year, when

"Big Three" Discount Houses 1949–51
(£ Million)

At December 31st	Union	National	Alexanders	Total
Bills :—				
1949	212·1	109·1	78·0	399·2
1950	216·8	132·7	83·5	433·0
1951	150·7	102·9	88·7	342·3
Investments :—				
1949	62·8	60·4	50·0	173·2
1950	87·2	63·9	60·0	211·1
1951	99·0	85·9	59·3	214·2
Loans and deposits :—				
1949	271·2	166·7	125·7	563·6
1950	300·1	194·0	140·7	634·8
1951	247·9	155·3	144·9	548·1
Net profits :—	£'000's	£'000's	£'000's	£'000's
1949	310·8	286·5	150·4	747·7
1950	327·0	301·5	165·1	793·6
1951	331·5	300·3	146·6	778·4

banks and others were selling short bonds for liquidity reasons, the discount market—or, at all events, its bigger units—was performing its function of providing a jobbing cushion to take the shock.

The change in policy, of course, caused loss to the market on its bill portfolio as well as on its bonds, since bills bought before November 7th had thereafter to be financed or resold at the higher rates. A more important consideration for the longer run is that the higher level of rates has increased the market's margin between bill rates and money costs, while the new flexibility in the system provides greater opportunities for the earning of profits by the exercise of skill and judgment. Current revenues are, therefore, giving the market a chance to restore a cushion of revenue against the risk of loss from any further sudden advance in rates. The greater risks that now have to be run are, however, likely to lead the market, on the whole, to keep smaller portfolios than in the past. The Treasury bill portfolio has, of course, already been sharply reduced in consequence of the decline in issues that followed the funding operation, although business in commercial bills has continued to expand.

* * *

Laurels at Monte Carlo

British victories at the Monte Carlo rally this week are the latest of a series of successful postwar trials that have done much to publicise British cars in countries where a few years ago they were quite unknown. Word-of-mouth recommendation plays a big part in car sales and the greatest difficulty faced by the British motor industry in building from scratch into the world's biggest exporter of cars was that many of its products were hardly known abroad. This is the first Monte Carlo rally for some years to be held in weather that the experts considered was bad enough to provide a real test of cars and drivers, and British cars took five out of the first six places in a total entry of 369.

None of the winning cars has, or is ever likely to have, big sales either at home or abroad. The Allard that took first place is a specialists' car of the kind in which British engineers excel. The Sunbeam-Talbot is a car of only 2,226 cc as against the Allard's 3,993 cc, which makes its victory in an open class the more impressive. But this, again, is a car for which there is a strictly limited market, chiefly because it has a smaller seating capacity than is usual in a car of its price. The fourth and sixth places were taken by Jaguars, the fifth by a Jowett and the eleventh by an Austin

A.90. Like many British cars today, these are too high-powered and expensive for the mass market for small cars; too low-powered and small for the mass market for big cars. The Jaguar does, however, represent an attempt to provide a high-powered (3,442 cc) car that is not at the same time a luxury car and it appears to be meeting with success abroad, especially in the United States.

Although the prestige of the motor industry as a whole gains from successes of this kind, there is a division of opinion among the big British manufacturers as to its direct advertising value for the winning cars. Austin and Rootes are the two most energetic supporters of open competition for production cars, and both would agree that their successful entries have been one of the cheapest and most effective forms of advertising yet devised. On the other hand, the last British winner of a Monte Carlo rally was an Invicta in 1931. In spite of its triumph then, the car is no longer in production.

* * *

Short Time at Home

Shortage of materials has put 1,300 workers in the Morris factories on a four-day week and led to the dismissal of 800 men in the Humber works. A large number of men have been on sporadic short-time working in this second factory for some time; and even after the dismissals, short-time work will continue for many that remain. There is a good deal of under-employment in most car factories, and uncertainty about future supplies of materials is making it difficult for managements to know whether to dismiss men now, or keep them on in the hope of improvement later in the year.

Provisional estimates put last year's car production at 475,000, and during the coming months there may not be sufficient steel available to maintain output at more than 80 per cent of this total. This suggests that the first quarters' production this year might total only about 95,000 cars as against a quarterly average of 119,000 last year. But the steel allocations for the two months February-March have been drawn up under great pressure, and those for the second quarter will also show signs of hasty preparation. There are great difficulties in allocating different types of steel to manufacturers who combine them in different proportions in each different model that they make. The Ministry of Supply is also bound to take the cautious view to avoid any danger of giving manufacturers allocations that their suppliers cannot honour; in consequence the motor industry may acquire in practice rather more steel than appears available on paper. During recent months, some manufacturers have also managed to maintain their current rate of production by arranging to import their own sheet steel, but now that all types of steel, and not merely sheet, are scarce, it may become more difficult to maintain output by such strategems. Any improvement in supplies is dependent on the arrival of American steel; but this is unlikely to be distributed before the middle of the summer. The motor industry is unfortunate in having to face so uncertain a period at home at a time when the development of sales resistance abroad demands its managements' undivided attention.

* * *

Steel Company of Wales

The large increase in trading profits earned by the Steel Company of Wales last year will presumably have resulted largely from operations at the works taken over from its founder companies; the directors state that it also reflected the coming into operation of the company's vast new plant at Margam. The trading profit for the year ended September 29th amounted to £3,967,400, nearly £1,600,000 more than the previous year; since the Margam works was running for some weeks before it was formally opened in the summer, its early operations appear to have made some contribution. The company also earned "substantial profits" in the export markets, while a very large contribution came from the appreciation of stock values—£600,000 compared with £50,000 in the previous year.

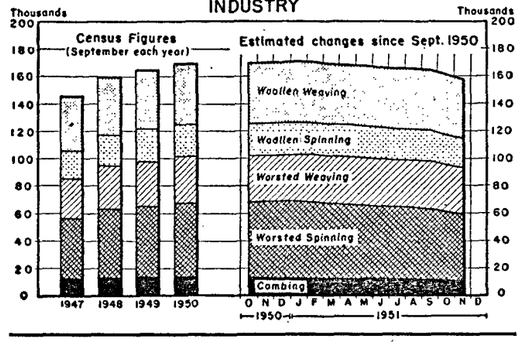
During the year the company spent another £16 million on its development scheme for the new plants, bringing the total expenditure to £57,028,922; by the end of the year the board had sanctioned a total of approximately £68 million on the scheme, and it expects that the remaining plant will commence operating during the current financial year. The tinplate mill, at Trostre, is now also in the early stages of operation. Of the amount expended this year £7,800,000 has been received in loans from the nationalised Iron and Steel Corporation; of the loans that were made available by the Finance Corporation for Industry, £28,200,000 had been received before the date of nationalisation. The company in the year under review made provisions for loan charges totalling £1,118,885 and for depreciation of £1,264,403 (on existing plant taken over from founder companies and on such sections of the new plants as had been brought into operation by the end of the year; these covered about half of the development scheme). The eventual charges upon the new plants will presumably be heavy in comparison with those of other plants turning out similar products; but that is inevitable in such development during a period of rapidly rising prices for capital equipment.

* * *

Employment in Yorkshire

Activity in the wool industry showed a further fall in November, and another 2,611 workers left the industry. In January, 1951, it was employing nearly 171,000 workers; during the following eleven months it lost 12,600 of them. The workers are leaving the mills because there is no work for them, but the movement has now reached a point where it is beginning to worry employers. Losses on the present scale may make it impossible to expand output again when trade does improve. Moreover, the loss of labour is not evenly distributed throughout the industry.

PRODUCTION WORKERS IN THE WOOL TEXTILE INDUSTRY



Although the weaving sections have lost large numbers of workers, they have probably not lost more than three per cent of their total labour force. In actual figures the loss of workers in the combing sections is not much greater than from woollen or worsted weaving, but employment in these sections is much smaller, and there the decline represents a drop of 20 per cent over the eleven months from January, 1951, to November. Some members of the industry believe that it may by now be considerably higher. A fall of 20 per cent in combing labour could mean a drop of 20 per cent in the output of this section, with a corresponding reduction in the output of worsted yarn and so on right through the industry. Because the wool "pipeline" is so long, it might take as much as nine months for a shortage of this kind to become apparent; so that if trade revived immediately, there is every chance that the improvement would be checked in the autumn by a shortage of yarn.

The figures of wool tops production show how this situation has arisen. Output fell from 23.4 million pounds in January, 1951, to 14.3 million in November, while output in the weaving sections fell only from 37 million to 29.9 million square yards during the same period. The consumption of raw wool fell from 39.7 to 26.8 million pounds a month. It is clear that a revival in Yorkshire rests far more in the hands of the wool merchants than it does with the retailers.

* * *

Specialised Ships for Ore

Provisional details have now been announced of the six ore ships that are to be built for Ore Carriers, Limited, a company formed last year by Houlder Bros. and the British Iron and Steel Corporation. These are the first six ore carriers, designed as such, in which the British steel industry will have a direct financial interest; they represent a development in the industry's transport resources that was perhaps overdue. They were designed by William Gray, Limited, the West Hartlepool shipbuilders, drawing upon their own experience and upon data supplied by the British Iron and Steel Research Association, which is still studying the requirements of iron ore tonnage. These six are of 8,000 tons capacity and 9,000 tons deadweight, bulk carriers without any specialised unloading equipment, since all the ore handling equipment will be shore based. Their tonnage was settled with an eye on Port Talbot, where they will frequently be delivering ore; but BISRA, which has made a survey of the major ports—15 overseas and 10 in Britain—where ore is most frequently loaded and delivered, considers that larger carriers, up to perhaps 15,000 tons, might well be operated elsewhere.

The only particular feature of the ship's holds is the slight "hoppering" of its holds, by means of sloped bulkheads that facilitate the run of ore towards the grabs. Specialised ore handling equipment is already a feature of many of the coastal schemes under the steel industry's development plan. It has been estimated by BISRA that a third of the time an ore carrier spends in port "turnround" is in awaiting a berth, a third in clearing four-fifths of the ore carried in its holds with the mechanical grabs, and the final third in clearing the last fifth of its ore cargo—often by hand. Considerable efforts are being made to cut down the time taken in "trimming" this final residue of ore, and BISRA believes it may be brought down to less than a fifth of a reduced turnround period. But partial ownership of the tonnage in question, as against the chartering of tonnage owned by other shipowners, might obviously offer the steel industry an alternative; the final residue of the ore, to unload which so much time and labour has to be spent, might be left in the bottom of the hold.

* * *

Even Bigger Tankers

The increasing size of oil tankers has advanced a further stage with the placing of contracts for two single-screw vessels of 44,000 tons deadweight with Vickers-Armstrongs, Ltd., Barrow. They have been ordered by Mr Stavros S. Niarchos for the North American Shipping and Trading Company (London), Ltd., which has several tankers of up to 32,500 d.w. under construction, for charter to the Shell group. The largest tankers so far in service are of about 28,000 tons, but about a year ago the British Tanker Company started the movement by ordering a series of vessels capable of carrying 32,000 tons. Since then tankers of 38,000 tons have been ordered in Japan, and tankers of 40,000 tons in Germany, by American interests.

The new 44,000-tonners will be powered by geared steam turbines designed to develop a maximum of about 20,000 shaft horsepower, giving a service speed of 17 knots. This in itself marks an achievement in marine engineering, as this will be the highest power yet applied to the shaft of any single-screw ship. The increased speed, it is claimed, will contribute to greater security in the event of war and also to improved economy in normal trading. Each ship will have a deadweight capacity more than one-third greater than any other tanker now in service, and the two ships together will be capable of transporting a greater tonnage of petroleum than that carried by ten typical prewar tankers. Their range of ports will be limited, since they will draw about 36 feet of water, but they can, for a start, operate between Kuwait, Rotterdam and the Thames. Repair problems will also arise, since the dry docks that can take vessels 757 feet long, with a breadth of 97 feet, are few and far between.

* * *

Steel and Industrialisation

Steel consumption per head in Britain is only about half as high as in the United States, but twice that in France and five times that in Italy. These figures—which have obviously a considerable bearing upon the degree of industrialisation of different countries—are published by the British Iron and Steel Federation in its current statistical bulletin. Its table of "apparent consumption"—arrived at by dividing the home output of crude steel for each country, less exports and plus imports, by its population—shows that the United States has not only by far the greatest steel consumption, but that its consumption, which doubled beween 1937-38 and 1950, has increased at a faster rate than anywhere else. Only Canada, where steel consumption per head now almost equals British, increased nearly as fast as did the United States. The table (in which a few figures are not directly comparable) makes no allowance for "indirect exports" of steel in vehicles, machinery and other steel goods from nations such as Britain and the United States to less industrialised areas. The figure for Germany—which for 1950 includes only West Germany—was the greatest in the world in 1938; it is now presumably rising once more.

APPARENT CONSUMPTION OF STEEL PER HEAD OF POPULATION
(In Ingot lb Per Head)

	1937	1938	Average 1937 and 1938	1950
USA	826	456	641	1,237
UK	550	436	493	628
Canada	410	281	346	614
Sweden	558	406	482	567
Australia	401	455	428	540
Belgium-Luxemburg	437	268	353	501
Germany	537	654	596	469
Netherlands	376	290	333	370
France*	326	252	289	332
USSR†	232	235	234	309
Italy	118	127	123	137
India (including Pakistan)	8	7	7	11

Source: British Iron and Steel Federation.
* France and the Saar in 1950. † Owing to lack of trade statistics for 1938 and 1950 crude steel production has been assumed to equal consumption for all three years. The addition of net imports of steel in 1937 would raise consumption per head by only one lb.

* * *

Investment and Manpower

Mr Butler's decision to cut investment on plant, machinery and vehicles compared with 1950 lends particular

interest to an estimate of investment within manufacturing industry recently published by the Board of Trade. These show that during 1950 manufacturing industry in Britain as a whole spent about £496 million on capital investment, compared with £383 million in 1948 and £423 million in 1949. Plant and machinery accounted for some £337 million of the 1950 total, new buildings and works about £116 million, and vehicles, new and secondhand, £43 million. These figures, it should be noted, exclude the nationalised industries, Royal Ordnance factories, Service departments' establishments and "agency" factories owned by the Government even within manufacturing industry. Figures

CAPITAL EXPENDITURE IN MANUFACTURING INDUSTRY IN GREAT BRITAIN

Industries	No. of Establishments	Estimated Capital Expenditure (£ Million) 1949	1950	Estd. Capital Expenditure per Employee, 1950
Bricks, pottery, glass, cement	2,398	16·9	17·6	64
Mineral oil refining	9	18·0	32·1	3,320
Other chemicals and allied trades	2,149	43·9	56·1	161
Iron and steel manufacture	1,200	42·2	48·9	118
Non-ferrous metals manufacture	467	8·3	8·5	88
Shipbuilding and marine engineering	787	5·3	5·8	25
Other engineering	7,630	49·3	53·4	40
Vehicles	3,873	23·8	30·9	49
Other metal goods	4,935	16·4	19·4	44
Precision instruments, etc.	1,360	5·9	4·3	34
Textiles	6,109	45·0	46·8	53
Leather goods and fur	1,068	2·2	2·6	41
Clothing	6,147	7·6	7·3	16
Food and drink	6,420	42·0	50·9	89
Tobacco	80	2·9	2·5	59
Wood and cork manufactures	4,443	7·0	9·5	41
Paper and printing	4,270	20·6	23·0	55
Other manufactures	1,780	10·9	10·6	53
Total	**55,125**	**368·2**	**430·0**	**63**

Source: *Board of Trade Journal.*

of capital expenditure, and of capital expenditure per worker (which exclude certain estimates included in the total above), calculated from a sample of 3,948 industrial establishments, are given in the table.

The figures of total investment show the chemical industry and allied trades as spending the largest amount, £56.1 million, followed by certain of the engineering industries, lumped together, spending £53.4 million, and the food and drink industry, spending £50.9 million.

* * *

Rumania's Currency Reform

Rumania is the latest of the Soviet satellite countries to be put through the penalising rigour of a monetary purge. The currency reform announced last weekend involves the calling in of all money in circulation against the re-issue of new notes. Reports from Bucharest, which are far from detailed, state that this currency exchange will reduce the volume of money in circulation by two-thirds. This suggests that the new currency and credit will on the average be issued for the old in the ratio of one to three. This, however, is an almost meaningless average since the currency and credit exchange is being affected in the highly discriminatory manner common to such operations in Soviet countries. The measure is directed against the farmers, because they have hoarded currency, and they are to receive no more than one new leu for every 200 held. Other categories get less penal rates—the scale of conversion varying not only with the amount of currency and credit involved in each holding, but also with the class to which the holder belongs. The new leu has been given a specific gold parity of 0.079346 grammes of fine gold, but is to be pegged to the Soviet rouble at 2.80 lei for one rouble, so that the rate for other currencies is to be established by reference to the rouble peg. The rouble bloc is clearly taking shape.

NEW AIR SUBSCRIPTION RATES

Owing to the increased cost of air freight, new air subscription rates to *The Economist* for the countries listed below will unfortunately have to be introduced from January 1st, 1952.

Australia	£6 15s. 0d. (sterling)
Canada	$22.30 or £7 14s. 0d.
Hong Kong	£6 10s. 0d.
India, Pakistan, Ceylon ...	£6 0s. 0d.
Malaya	£6 5s. 0d.
South Africa	£5 10s. 0d.
U.S.A.	$21.50 or £7 14s. 0d.

Rates to all other destinations remain unchanged.

Shorter Notes

Weekly wage rates during 1951 rose 10½ per cent, which was more than in any year since the Ministry of Labour's index began to be published in 1947. The total increase during the year amounted to £6,546,700 a week, the largest single increase being that secured by the engineering workers. But retail prices, as measured by the interim index, rose even more sharply—by 12 per cent. Compared with June, 1947, wages were 26 per cent higher by the end of last year, and prices 30 per cent higher.

*

Provisional estimates suggest that although British European Airways carried considerably more traffic last year than in 1951, the corporation's deficit is likely to increase by about one-third to £1,270,000 for the calendar year, against £952,500 in 1950. Revenue increased by 21.8 per cent, from £8,651,000 to £10,510,000, but operating costs rose from 43.9 to 47 pence per ton mile. Inability to bring new aircraft into service as planned has cost about £540,000 during the year and BEA has been competing for traffic against airlines having more modern aircraft. Labour troubles during the summer's peak traffic period caused a loss of £150,000, and delays in the conversion of other aircraft have all combined with rising costs to check BEA's steady progress out of the red. This year, when the new aircraft should at last be in service, ought to bring its rewards.

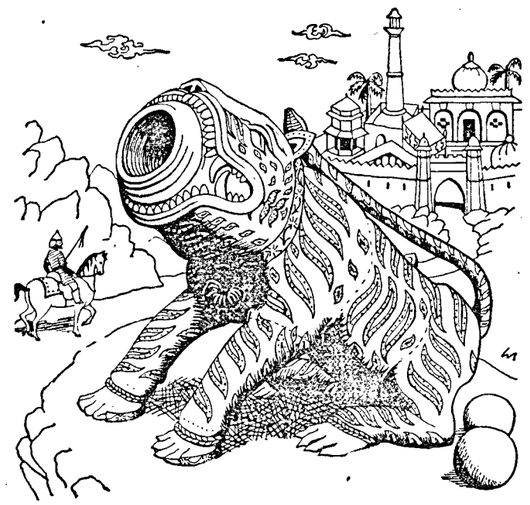
*

Responsibility for opencast coal production is to be transferred from the Ministry of Fuel and Power, under which it has been operated since it began during the war, to the National Coal Board. The step is logical; it was not taken before mainly because the opencast operations were expected to come to an end within a few years. In the present fuel stringency, such a happy ending appears less certain. The National Coal Board, which was saddled with such unpleasant responsibilities as the import of American coal, has until now managed to avoid this additional one, having sufficient unpopularity of its own. In earlier years, moreover, opencast production was carried on at a considerable loss. In the last year, however, it may approximately have paid its way; which may have made the Coal Board less chary.

*

In the note "Spending on Transport" in *The Economist* of January 26th, reference was made to an allowance of £80 million for upkeep of roads and street lighting in certain calculations of expenditure on roads and road transport made by Mr E. Rudd of the Road Research Board. It should be noted that this item was not taken into account in the table published with the note—"Users' Expenditure on Road Transport," which included the cost of licence duties and fuel tax.

COPPER



NEXT to iron, copper is the most useful metal in the world today. Millions of miles of copper wire and cable carry the electricity that drives motors and transmits messages from one end of the earth to the other. It is made into fireboxes for railway engines and, alloyed with zinc or nickel, into condenser tubes for steam generators in power houses and ships. Alloyed with zinc, copper forms brass, which has a thousand uses from curtain rails to cartridge cases. Alloyed with tin, copper becomes bronze, the alloy that makes springs, statues and heavy duty bearings. Copper was the first metal used by primitive man as he emerged from the Stone Age. When the Romans came to Britain, copper was already being widely used in the form of bronze. Mining and smelting were being carried out in Cumberland, Anglesey and North Wales. Today most of the world's copper ore is mined in Africa and the Americas.

I.C.I., which is the largest producer of wrought non-ferrous metals in the British Empire, manufactures vast quantities of copper and copper alloys in forms varying from printing rollers to coins.

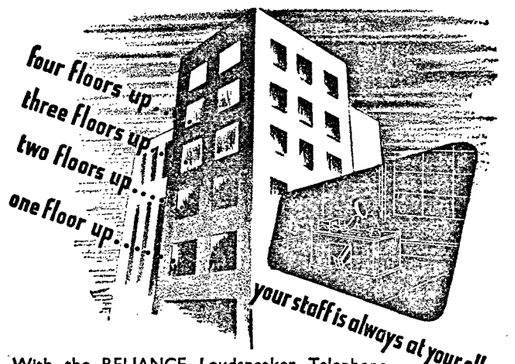
ICI

Britain's leading manufacturers of motor vehicle components and accessories

Bumpers and Over-Riders
Badges and Mascots
Bonnet Hinges
Ignition Locks
Steering Wheels
Sun Visors
Ash Trays
Hydraulic-Electric Equipment
Locking Petrol Caps
Window Winders
Roof Lamps and Switches
Radiator Grilles
Door Handles and Locks

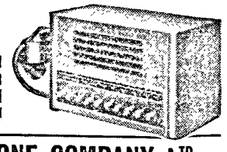
WILMOT BREEDEN LIMITED

BIRMINGHAM · LONDON · BRISTOL · MANCHESTER · GLASGOW



With the RELIANCE Loudspeaker Telephone System your staff is always at your elbow. No matter how scattered your staff, a flick of a switch puts you in instant communication with any department. Investigate—to your advantage—the RELIANCE Loudspeaker Telephone System.

A postcard to the address below will bring full particulars.



Come and visit us at the Business Efficiency Exhibition, Bingley Hall Birmingham. STAND No. 80

THE RELIANCE TELEPHONE COMPANY LTD.
(A subsidiary of the General Electric Co. Ltd.)
39-47, PARKER ST. (Dept.T.E.10) KINGSWAY, LONDON, W.C.2
Tel. Chancery 5341 (P.B.X.) Branches throughout the United Kingdom

LT629Q

THE UNION DISCOUNT COMPANY OF LONDON, LIMITED

The Rt. Hon. LORD KENNET OF THE DENE, P.C., G.B.E., D.S.O. (Chairman).
DAVID JOHN ROBARTS (Deputy Chairman).
ERIC O. FAULKNER, M.B.E. The Hon. GEOFFREY C. GIBBS, C.M.G.
Sir ARCHIBALD JAMIESON, K.B.E. J. IVAN SPENS, O.B.E.

STATEMENT OF ACCOUNTS AT 31st DECEMBER, 1951.

Liabilities.

CAPITAL:

	£	£
Stock (in £1 Units): Authorised		7,500,000
Issued		5,133,333
SHARE PREMIUM ACCOUNT	380,667	
RESERVE	2,186,000	
		2,566,667
PROFIT AND LOSS ACCOUNT: Balance as below		934,921
		8,634,921
LOANS (Secured on Assets of the Company)	238,228,005	
DEPOSITS, OTHER LIABILITIES AND RESERVE FOR CONTINGENCIES	9,551,611	
DEPOSITS BY SUBSIDIARIES	100,107	
		247,879,723
PROPOSED FINAL DIVIDEND, less Income Tax		134,750
		£256,649,394

CURRENT ASSETS:

CASH AT BANKERS AND IN HAND	4,531,159
BILLS DISCOUNTED (less rebate)	150,720,014
SECURITIES:— Quoted:—British Government, British Corporation, Public Board, Dominion and Colonial Government and Corporation	98,502,850
Unquoted:—British Corporation, Public Board Mortgages and Public Board	519,507
LOANS on Securities, and amounts receivable	2,175,757
	256,449,287

FIXED ASSETS:

SHARES IN SUBSIDIARIES—At Cost	100,107
The net assets of Subsidiaries at 31st December, 1951, are represented by Deposits with the Company (per contra).	
FREEHOLD PREMISES, including Furniture and Fittings, at Cost, less amounts written off	100,000
	£256,649,394

39, CORNHILL, LONDON, E.C.3

BAY HALL TRUST LIMITED.

Summary of Directors' Report for the year ended 31st December, 1951, and of the accompanying Statement by the Chairman, Sir Charles Hambro, K.B.E., M.C.

DIRECTORS' REPORT

The gross revenue amounted to **£170,881** compared with **£157,714** in 1950. After charging Debenture Interest, Income Tax, Directors' Fees, Management and General Expenses amounting to **£93,446** the net profit is **£77,435.** Adding **£140,946** brought forward, the total available for appropriation is **£218,381** and a dividend of **6½** per cent., free of tax, is recommended which will absorb **£65,897.** It is further recommended that **£10,420** be appropriated for writing down the book value of certain investments, leaving **£142,064** to be carried forward.

At market prices on 31st December, 1951 (or where no market price existed at valuations by the Directors at that date amounting to **£358,673**), the Share and Debenture Holdings and British and Foreign Government Securities had an aggregate value of **£2,948,433,** as compared with their book value of **£2,232,419.**

CHAIRMAN'S STATEMENT

The net profit of **£77,435** compares with **£70,636** for 1950, an increase of **£6,799.** Full provision has been made in the Profit and Loss Account for Income Tax and Profits Tax in respect of all income to 31st December, 1951. Double taxation relief allowable to the Company, amounting to **3s. 0d.** in the **£,** has been taken into account in arriving at this provision. At the end of 1951, the value of the investments showed an indicated appreciation of **£716,014** over book cost. Over **91** per cent. of the investments, including British Government Securities, taken at the valuations at 31st December last, are situated in the United Kingdom, Union of South Africa and other parts of the British Commonwealth. About **86** per cent. of the investments are in Ordinary stocks and shares and the balance in fixed-interest-bearing securities.

PENSION SCHEMES

WITH PROFITS

Throughout its century of service, the Prudential has taken a leading part in providing insurance to meet the changing needs of the community.

Another step forward is the extension of profit sharing to Group Pension Schemes.

For particulars apply to

THE PRUDENTIAL ASSURANCE CO. LTD.

HOLBORN BARS, LONDON, E.C.1

ALEXANDERS DISCOUNT COMPANY LIMITED.

Statement of Accounts, 31st December, 1951.

LIABILITIES	£	£
Authorised Capital, 1,300,000 Shares of £2 each	2,600,000	
Issued Capital:— 100,000 £2 6% Cumulative Preference Shares, fully paid	200,000	
1,200,000 £2 Ordinary Shares, £1 paid (*Reserve Liability*, £1,200,000)	1,200,000	
		1,400,000
Share Premium Account	1,733,750	
General Reserve	466,250	
		2,200,000
Profit and Loss Account		482,000
		4,082,000
Loans, Deposits, Sundry Creditors and Contingency Reserve (including liabilities of £142,976,672 secured on certain assets per contra)		144,921,025
Final Dividends (*less* Tax) recommended		66,150

Notes:—
1. There is a Contingent liability in respect of Bills Re-discounted, excluding Treasury Bills, of £12,058,127 (1950—£7,336,904).
2. Taxation recoverable to date has been included in these accounts.

£149,069,175

ASSETS	£
Balances at Bankers and Cash in Hand	455,475
Bills Discounted (*less* Provision for Rebate)	88,719,407
British Government Securities (Quoted)	28,653,098
Corporation Securities (Quoted)	626,963
Loans on Security and Amounts Receivable	614,232
	£149,069,175

24, LOMBARD STREET, LONDON, E.C.3.

Company Notes

Tate and Lyle.—Last year's increase in sugar imports and exports suggested that a further expansion in Tate and Lyle's sales would be recorded. In fact, the company's turnover rose by nearly 18 per cent from £84 million to £99 million for the year to September 30th. Trading profits advanced by 22 per cent from £3,052,558 to £3,723,868, an increase that suggests that profit margins were well maintained. After £935,540, against £856,345, has been provided for depreciation, the prosperity sharing scheme, etc., and £1,828,011, against £1,227,901, set aside for taxation, net profits show a slight fall from £968,312 to £960,317, a result that has prompted the directors to leave the full year's ordinary distribution unchanged at 20 per cent.

The increase in Tate and Lyle's turnover has brought considerable benefits to Silvertown Services, in the form of a jump in group trading profits from £571,875 to £967,895. Under the threat of nationalisation, Tate and Lyle hived off Silvertown Services as a separate entity to take care of the company's transport requirements. When the company was hived off in November,

Earnings :—	Years ended Sept. 29, 1950	Sept. 30, 1951
	£	£
Trading profit	3,052,558	3,723,868
Taxation	1,227,901	1,828,011
Earnings for ordinary stock	*907,414*	*921,278*
Ordinary dividends	557,500	551,250
Ordinary dividends (per cent)	20	20
General reserve	594,000	350,000
Added to carry forward	*Dr. 244,086*	20,028

15s. ordinary stock at 53s. xd. yields £5 13s. per cent.

1949, Tate and Lyle's equity shareholders received one 1s. ordinary share in Silvertown Services for every £4 of ordinary stock they owned in Tate and Lyle; the company seems in fact to be something less than a subsidiary, something more than an associated company. The new company's net profits after tax have risen from £258,048 to £378,371 and a dividend of 87½ per cent has been declared on the ordinary capital of £175,000, as increased by the one for three bonus issue last November, which compares with a dividend of 100 per cent paid in 1949-50 on the original capital of £131,250. At the current price of 13s. 3d. xd. the 1s. ordinary shares yield £6 12s. per cent.

★

Stanhope Steamship.—Recent rumours that a reconstruction scheme was imminent touched off a speculative demand for the 5s. ordinary stock units of Stanhope Steamship. The whirl of speculation was stilled when the details of the scheme were published at the beginning of January. This announcement has robbed the accounts for the year to September 30th of much of their interest for shareholders, except as an accounting for the past. It must, however, be recorded that trading profits jumped from £482,411 to £1,160,587—one more indication of the recent prosperity of the tramp shipping lines. An interim ordinary dividend of 15 per cent was paid last July, but in view of the reconstruction proposals no further dividend is to be declared for the year to September 30th. In the last few months, eight of the older and less economical ships in the company's fleet have been sold and negotiations for the sale of another three ships have been started. These sales will leave the company with a large cash surplus which the directors propose to distribute to equity shareholders. The present company is to be placed in voluntary liquidation and a new concern—of the same name—is to be formed, to which the remaining eight ships, of 88,779 tons dead weight, will be transferred. These eight ships include two newly built motor vessels of 10,250 tons each delivered last October. Presumably these ships are included in the estimate of £350,000 as capital expenditure outstanding on September 30th. The new company will have a capital of 1,600,000 £1 ordinary shares which will be distributed on a one-for-one basis to the 5s. ordinary stock holders, who will also receive about 29s. on each 5s. stock unit from the cash surplus. On the directors' estimate that "the proper consideration to be paid for the ships and business to be acquired by the new company is £3 million," each of the new £1 ordinary shares will be backed by a asset value of 37s. 6d.

In its first year of trading, the new concern is expected to earn a gross profit of £1 million, so that after a reasonable allowance for depreciation and taxation net profits

Earnings :—	Years to Sept. 30, 1950	1951
	£	£
Trading profit	482,411	1,160,587
Depreciation	245,000	285,000
Taxation	45,180	398,237
Ordinary dividends	55,000	31,500
Added to carry forward	553	204,014
Ordinary dividends (per cent)	*25*	*15*
Balance sheet :—		
Fixed assets, *less* depreciation*	2,316,432	2,412,055
Total current assets	499,523	812,596
Cash	292,630	441,588
Capital reserves	1,073,883	1,087,201
Ordinary capital	400,000	400,000

* Ships at cost, *less* depreciation, including payments on account of new tonnage.

should amount to some £250,000; the directors expect to be able to pay an ordinary dividend of 7½ per cent for the year. Shareholders might well appreciate fuller information about the basis of these estimates and to what extent charter arrangements have been made. The current price of the 5s. ordinary shares is 50s. 6d. If 29s. is distributed on each 5s. share—the actual amount will depend upon the proceeds of trading up to the date of liquidation and of the sale of the three ships—investors will in effect be paying 21s. 6d: for each new £1 ordinary share, to yield on a projected 7½ per cent dividend, nearly 7 per cent.

★

Patons and Baldwins.—Ample warning to shareholders in Patons and Baldwins that losses on stocks could be expected following the fall in wool prices was contained in the chairman's review of the financial year ended April 28, 1951. Mr Wright then emphasised that the value of stocks at £13,992,606 was arrived at "after writing off £557,290 to reduce to market values at April 28th and a further £417,115 to write UK wool and tops stocks down to market values at June 11th." Confirmation of the fear that the fall in wool prices since June would bring about further stock losses is now given in the company's interim dividend statement. The directors consider that the heavy stock losses that have been incurred can be met out of a contingencies reserve of £2,800,000, "which has been built up in recent years for this and other contingencies." The directors make it clear that a trading surplus has been earned since April 28th; but the interim dividend is reduced from 5 to 4 per cent. Trading profits could not be expected to run at the 1950-51 level, when, as the chairman pointed out, earnings were inflated by inventory profits when stocks, previously purchased at lower prices, were sold in a rising market.

The dividend statement, however, concludes somewhat cryptically that "the payment of an interim ordinary dividend at the rate of 4 per cent must not be taken as any indication of the total ordinary distribution for the year ending May 3, 1952." The £1 ordinary shares were marked down 2s. 6d. to 51s. 3d., to yield, on the basis of last year's final dividend of 15 per cent and the latest interim of 4 per cent, £7 8s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to Jan. 30 High	Low	British Funds and Guaranteed Stocks	Price, Jan. 23, 1952	Price, Jan. 30, 1952	Gross Yield, Jan. 30, 1952 £	s.	d.
100⅝	99⅛	War Bonds 2½%	100⅜	100⅛	1	17	10*e*
		Mar. 1, 1951-53			2	3	7*l*
100⅝	99⅜	War Bonds 2½%	100⅛	100⅛	2	6	6*e*
		Mar. 1, 1952-54			2	9	0*l*
99⅞	99⅜	Exch. Stk. 2½%	99⅛	99⅛	2	7	2
		Feb. 15, 1955					
100⅛	99⅛	Serial Fundg. 1¾%	100⅛	100⅛	1	11	8
		Nov. 14, 1952					
100⅛	99⅛	Serial Fundg. 1¾%	100	100	1	15	0
		Nov. 14, 1953					
99¾	98⅛	Serial Fundg. 1¾%	99	99	2	2	5
		Nov. 14, 1954					
99⅛	99⅛	War Bonds 2½%	99⅛	99½	2	14	2*e*
		Aug. 15, 1954-56			2	12	4*l*
100⅛	98⅞	Funding 2½%	100	100	3	14	4*e*
		June 15, 1952-57			2	16	5*l*
100	99⅛	Nat. Defence 3%*	99⅞	99⅞	3	2	3*e*
		July 15, 1954-58			3	6	11*l*
100⅛	100	War Loan 3%	100⅜	100⅜	3	1	10*e*
		Oct. 15, 1955-59			3	0	11*l*
91⅛	90⅛	Savings Bonds 3%	91⅛*	91⅛*	5	14	3*e*
		Aug. 15, 1955-65			3	16	6*l*
93⅞	92⅛	Funding 2½%	93⅛	93⅛	4	6	9*e*
		Apr. 15, 1956-61			3	7	10*l*
87⅛	86⅛	Funding 3%	87⅛	87½	5	6	0*e*
		Apr. 15, 1959-69			4	2	3*l*
88	87⅛	Funding 3%	87⅝*	87⅞*	4	3	2*e*
		Aug. 1, 1966-68			4	0	11*l*
99⅛	97⅛	Funding 4%	99	99⅛	4	5	5*e*
		May 1, 1960-90			4	2	0*l*
87⅛	85⅛	Savings Bonds 3%	85⅞*	85⅞*	5	1	2*e*
		Sept. 1, 1960-70			4	2	0*l*
85⅛	84⅛	Savings Bds. 2½%	85⅛*	85⅛	4	2	8*e*
		May 1, 1964-67			3	17	2*l*
101⅛	99⅛	Victory Bonds 4%	99⅜*	100*	3	19	3*s*
		Sept. 1, 1920-76					
84	82⅛	Savings Bonds 3%	83⅛*	83⅜*	4	13	7*e*
		Aug. 15, 1965-75			4	2	4*l*
90⅛	89⅜	Consols 4%	89⅛*	89⅛*	4	9	0*f*
82⅜	80⅛	Conversion 3½%	81⅛	81⅛*	4	6	10*f*
60⅛	58⅛	Treasury Stk. 2½%	60	60	4	4	6*f*
		(after Apr. 1, 1975)					
71	69⅛	Treasury Stk. 3%	70⅛	70⅛	4	6	0*f*
		(after Apr. 5, 1966)					
88⅛	87⅛	Treasury Stk. 3½%	88⅛	88⅛	4	5	9*e*
		June 15, 1977-80			4	4	9*l*
77⅛	76	Redemp. Stk. 3%	77⅛	77⅛	4	6	7*e*
		Oct., 1986-96			4	3	7*l*
80⅛	79⅛	War Loan 3½%	80⅜	80⅜	4	7	6*f*
61⅛	60⅛	Consols 2½%	61⅛	61⅛	4	1	9*f*
85⅛	83⅛	Br. Elect. 3% Gtd.	84⅛	84⅛	4	8	4*e*
		Apr. 1, 1968-73			4	3	3*l*
84⅛	82⅛	Br. Elect. 3% Gtd.	84	83⅞	4	4	4*e*
		Mar. 15, 1974-77			4	2	4*l*
90⅛	88⅛	Br. Elect. 3½% Gtd.	90	90	4	4	1*e*
		Nov. 15, 1976-79			4	3	1*l*
77⅛	76⅛	Br. Tpt. 3% Gtd.	77⅜	77⅛	4	9	11*e*
		July 1, 1978-88			4	4	11*l*
85⅛	83⅛	Br. Tpt. 3% Gtd.	84⅛	84⅛	4	8	4*e*
		Apr. 1, 1968-73			4	3	3*l*
77⅛	76	Br. Gas Gtd. 3%	77	76⅞	4	5	6*e*
		May 1, 1990-95			4	4	1*l*
93⅞	93	Br. Gas Gtd. 3½%	93⅜	93⅜	4	2	11*e*
		Sept. 10, 1969-71			4	2	0*l*
89⅜	87⅛	Br. Iron & Steel 3½%	88*	88⅜*	4	4	5*e*
		Feb. 15, 1979-81			4	3	10*l*

(*e*) To earliest date. (*l*) To latest date. (*f*) Flat yield. (*s*) Assumed average life 13 years 0 months. * Ex dividend.

Prices, Year 1952 Jan. 1 to Jan. 30 High	Low	Ordinary Stocks	Price, Jan. 23, 1952	Price, Jan. 30, 1952	Yield, Jan. 30, 1952 £	s.	d.
8⅞	7⅜	Anglo-Am. 10/-	8⅛	7⅜	3	16	0
5⅝	5⅛	Anglo-Iran £1	5⅛	5⅛	5	3	3
84/-	71/6	Assoc. Elect. £1	73/9	73/9	5	8	5
104/9	98/9	Assoc. P. Cem. £1	101/3	99/4½	5	10	8
32/4½	29/4½	Austin 5/-	30/-	29/6	7	12	7
129/3	112/6	Bass £1	113/9	113/9	7	10	7
23/-	20/7½	Boots 5/-	21/6	21/-	4	15	3*s*
30/-	26/1½	Br. Celanese 10/-	28/3	28/-	4	4	3
85/9	77/9	Br. Oxygen £1	79/6	79/6	5	0	8
52/9	46/10½	Coats £1	48/9	48/1½	5	4	6
46/-	41/4½	Courtaulds £1	42/6	42/3	5	6	6
20/6	18/3	Distillers 4/-	19/-	18/6	4	17	4
61/3	54/-	Dunlop £1	55/7½	55/-	6	7	3
51/4½	46/-	Ford £1	47/6	46/6	5	7	6
92/3	81/3	Gen. Elect. £1	85/-	82/6	5	9	2
125/3	117/-	Guinness £1	118/1½	118/1½	4	14	10
36/7½	32/1½	Hawker Sid. £1	32/9	32/9	6	2	2
47/4½	41/-	Imp. Chem. £1	42/3	42/3	5	13	7
91/10½	84/6	Imp. Tobacco £1	85/-	86/3	7	7	10
43/1½	39/3	Lancs. Cotton £1	40/-	39/4½	7	12	4
49/6	47/-	Lever £1	48/1½	48/1½	5	12	3
57/3	55/9	London Brick £1	56/10½	56/3	5	6	8
85/6	80/3	Marks & Sp. A 5/-	83/6	83/6	4	14	4
46/1½	42/-	P. & O. Def. £1	44/6	42/6	5	0	5*c*
39/3	35/-	P. Johnson 10/-	36/-	36/-	6	18	11
97/2½	85/11½	"Shell" Stk. £1	91/3*	90/-	5	5	7
5⅛	4⅛	Tube Investmt. £1	5⅛	5	5	0	0
89/9	85/3	T. & Newall £1	86/10½	86/10½	4	12	0
45/3	42/3	Union Castle £1	44/-	43/-	4	13	0
59/10½	57/-	U. Sua Betong £1	57/6	56/10½	17	11	8
46/3	42/10½	Vickers £1	43/9	43/9	5	14	3
44/11½	40/10½	Woolworth 5/-	41/6	41/-*	5	3	8

(*a*) Yield basis 20% after capital bonus. (*c*) Yield basis 10⅔% after capital bonus. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended January 26, 1952, total ordinary revenue was £182,162,000 against ordinary expenditure of £63,040,000 and issues to sinking funds £460,000. Thus, including sinking fund allocations of £19,123,000, the surplus accrued since April 1, 1951, is £128,197,000 compared with a surplus of £422,488,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1951–52	April 1, 1950 to Jan. 27, 1951	April 1, 1951 to Jan. 26, 1952	Week ended Jan. 27, 1951	Week ended Jan. 26, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	916,216	1077650	104977	119505
Sur-tax	128,000	78,900	84,800	5,300	5,800
Estate, etc., Duties	180,000	150,550	151,200	3,300	3,300
Stamps	55,000	43,460	51,100	1,000	1,200
Profits Tax & E.P.T.	312,650	267,980	263,300	4,200	3,700
Other Inland Rev.	500	340	350	150	33
Special Contributn.	1,500	4,200	2,340	80	50
Total Inland Rev.	2302400	1427536	1630750	119007	133585
Customs	930,500	730,620	821,044	8,746	11,091
Excise	720,500	579,571	599,626	37,371	19,531
Total Customs and Excise	1651000	1310191	1420670	40,117	30,622
Motor Duties	62,000	54,121	56,322	16,294	16,273
Surplus War Stores	20,000	35,953	30,667	20	...
Surpl's from Tradg.	50,000	41,905	75,455	...	1,000
P.O. (Net Receipts)	5,400	1,400	...	1,400	...
Wireless Licences	13,600	8,650	9,200	...	...
Sundry Loans	27,000	22,876	22,451	...	543
Miscell. Receipts	105,000	66,151	80,795	185	133
Total Ord. Rev.	4236400	2968783	3326310	177023	182162
SELF-BALANCING					
Post Office	179,431	139,300	155,800	2,800	4,800
Income Tax on E.P.T. Refunds	4,900	7,033	4,399	91	103
Total	4420731	3115116	3486509	179914	187065

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	367,011	397,061	3,005	3,134
Payments to N. Ireland	38,000	29,596	31,273	2,097	2,268
Other Cons. Funds	11,000	8,802	10,005	...	...
Total	584,000	405,409	438,339	5,092	5,400
Supply Services	*3514062	2126974	2740651	45,934	57,640
Total Ord. Expd.	*4098062	2532383	3178990	51,026	63,040
Sinking Funds	...	13,912	19,123	150	460
Total (excl. Self-Bal. Expd.)	4098062	2546295	3198113	51,166	63,500
SELF-BALANCING					
Post Office	179,431	139,300	155,800	2,800	4,800
Income Tax on E.P.T. Refunds	4,900	7,033	4,399	91	103
Total	4282393	2692628	3358312	54,057	68,403

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £225,474 to £3,970,442, the other operations for the week decreased the National Debt by £101,088,055 to £26,247 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	125
Local Authorities Loans Act, 1945, s. 3(2)	8,800
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	200
Coal Industry Acts, 1946 to 1951	1,540
Overseas Resources Development Act, 1948, s. 17(1) Colonial Development	750
Miscellaneous Financial Provisions Acts, 1946 and 1950: Civil Contingencies Fund	5,000
Finance Acts, 1946 and 1947: Postwar Credits	334
	17,349

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Nat. Savings Certs.	100	Treasury Bills	42,174
Other Debt:—		2½% Def. Bonds	635
Interest	175	3% Def. Bonds	272
		3% Ter. Annuities	1,825
		Tax Reserve Certs.	48,333
		Ways & Means Advances	7,120
		Treasury Deposits	1,000
	275		101,363

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951 Jan. 27	3200·0	1801·9	407·8	...	420·0	5829·7
Oct. 27	3270·0	2287·8	362·8	...	175·0	6095·6
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4
,, 10	3260·0	2323·2	332·8	...	150·0	6066·0
,, 17	4586·5*		274·7	...	125·0	4986·2
,, 24	4571·6*		292·6	...	125·0	4989·3
Dec. 1	4593·3*		304·8	...	125·0	5023·1
,, 8	4631·1*		289·0	3·0	123·0	5046·1
,, 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·9*		252·5	5·8	119·0	5160·1
1952 Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·8	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	4601·4*		270·7	...	79·5	4951·5

* The proportion of tender and tap Bills surrendered for 1¾ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS
(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951 Jan. 26	240·0	337·8	240·0	10 2·92	61
Oct. 26	230·0	313·4	230·0	10 2·91	63
Nov. 2	230·0	330·1	230·0	10 2·38	54
,, 9	260·0	330·4	260·0	17 2·96	70
,, 16	230·0	285·3	160·0	17 10·66	41
,, 23	170·0	237·6	170·0	19 2·96	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952 Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55

On January 25th applications for 91 day bills to be paid from January 28 to February 2, 1952, were accepted dated Monday to Saturday as to about 55 per cent at £99 15s. 0d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £170 million were offered on February 1st. For the week ending February 2nd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Totals 42 Weeks ended: Jan. 20, 1951	Totals 42 Weeks ended: Jan. 19, 1952	Week ended Jan. 19, 1952
Savings Certificates:—			
Receipts	70,900	123,500	2,700
Repayments	104,700	109,200	3,000
Net Savings	*Dr33,800*	14,300	*Dr 300*
Defence Bonds:—			
Receipts	13,560	47,184	1,230
Repayments	39,619	58,728	1,270
Net Savings	*Dr26,059*	*Dr11,544*	*Dr 40*
P.O. and Trustee Savings Banks:—			
Receipts	524,855	561,667	14,561
Repayments	568,606	645,367	13,559
Net Savings	*Dr43,751*	*Dr83,700*	1,002
Total Net Savings	*Dr102610*	*Dr80,944*	662
Interest on certificates repaid	23,266	27,164	780
Interest accrued	101,358	101,888	2,443
Change in total invested	*— 25,518*	*— 6,220*	+ 2,325

BANK OF ENGLAND RETURNS

JANUARY 30, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1353,824,316	Other Govt. Securities	1385,768,525
In Bankg. Department	46,532,507	Other Secs.	704,974
		Coin (other than gold)	2,511,401
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,825
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	309,252,853
Rest	3,779,698	Other Secs.:—	42,275,476
Public Deps.:—	16,055,159	*Discounts and*	
*Public Accts.**	*15,508,524*	*Advances*	*7,861,509*
H.M. Treas.		*Securities*	*34,413,967*
Special Acct.	*526,645*		
Other Deps.:—	365,281,465		
Bankers	*277,785,073*	Notes	46,532,507
Other Accts.	*87,496,092*	Coin	1,588,495
	399,649,332		399,649,332

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
(£ million)

	1951 Jan. 31	1952 Jan. 16	1952 Jan. 23	1952 Jan. 30
Issue Dept.:—				
Notes in circulation	1282·0	1367·3	1353·6	1353·8
Notes in banking department	68·3	33·1	46·7	46·5
Government debt and securities*	1345·2	1396·8	1396·8	1396·8
Other securities	0·8	0·7	0·7	0·7
Gold and coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·0	13·0	14·7	15·5
Treasury Special Account	2·4	0·5	0·5	0·5
Bankers	297·9	297·7	287·6	277·8
Others	86·7	86·2	85·1	87·5
Total	400·0	397·4	387·9	381·3
Securities:—				
Government	293·6	345·5	297·4	309·3
Discounts, etc.	19·7	12·6	37·4	7·9
Other	35·6	22·7	23·1	34·4
Total	348·9	380·8	357·9	351·5
Banking dept. res.	69·4	34·8	48·3	43·1
	%	%	%	%
"Proportion"	17·3	8·7	12·4	12·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Jan. 23, 1951	Jan. 15, 1952	Jan. 29, 1952
Cereals and meat	157·6	180·4	180·2
Other foods	169·1	192·2	193·8
Textiles	327·7	266·6	256·3
Minerals	321·2	373·2	374·5
Miscellaneous	189·2	195·0	195·9
Complete Index	**219·0**	**229·5**	**228·4**
1913—100	*301·3*	*314·4*	*314·3*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 24	77·0	88·00	192 11	106 0
,, 25	77·0	88·00	192 10	105 12
,, 26	Markets Closed		Markets Closed	
,, 28	77·0	88·00	193 5	105 13
,, 29	77·0	88·00	192 13	105 12
,, 30	77·0	88·00	Markets Closed	

COMPANY MEETINGS

ALEXANDERS DISCOUNT COMPANY

AN EVENTFUL YEAR

SIR ERIC GORE BROWNE'S REVIEW

The eighty-fourth annual general meeting of Alexanders Discount Company Limited will be held on February 20th at 24, Lombard Street, London, E.C.3.

The following is an extract from the statement by the chairman, Sir Eric Gore Browne, D.S.O., O.B.E., T.D., which has been circulated with the report and accounts:—

The year for which we now account, 1951, was an eventful one for the London Money Market. During the first quarter there was a steep rise in commodity prices, and other factors ensued which enabled the sterling area to add to its gold and dollar reserves and to suspend Marshall aid ahead of schedule. By midsummer the position was reversed; heavy buying by the sterling area, coupled with a falling tendency in prices, resulted in a fresh dollar deficit which increased in volume during the autumn. In the result, this country was faced with an increasing deficit, not only in relation to the dollar area, but also within the sterling area and the European Payments Union. Then came the general election, and the return of the Conservative party with a small majority, and, on November 7th, the bank rate was increased from 2 per cent. to 2½ per cent. Thus the Bank of England once more resumed its traditional function of exercising greater control over the volume of credit. We welcome this change of policy on the part of His Majesty's Government.

The result has been that the "special buyer" can no longer be relied upon to buy Treasury bills at the market price, and that when we are compelled to borrow money from the Bank of England we have to do so at a rate which is at present 2 per cent. for a minimum period of 7 days. In consequence, bill rates have risen sharply, and the rate for Treasury bills is now about 1 per cent. compared with ½ per cent., while the rate for three months bank bills is 1½ per cent. compared with ¼ per cent. a year ago.

Simultaneously with the rise in the bank rate His Majesty's Government decided to fund part of the Treasury bill issue, and £1,000 million of these bills were converted into serial funding stock maturing in one, two, and three years time. These operations caused a fall in the price of government securities, but I am glad to say that your company was not unprepared for this important milestone in its long history

THE ACCOUNTS

The balance sheet shows an increase in deposits from £140,677,567 to £144,921,025, an increase in bills discounted from £83,467,405 to £88,719,407, a decrease in British Government securities from £59,264,313 to £58,653,098, and an increase in our balance sheet total from £144,798,867 to £149,069,175.

The profit and loss account shows a balance of profit of £146,550, a decrease of £18,550 compared with last year's figure of £165,100. You will note that this year we are showing the balance of profit after deducting current expenses. We propose to pay the same dividends as last year and to carry forward £487,000 compared with £452,000 in the previous year.

The Chancellor of the Exchequer has again emphasised the need for restraint, and, in the uncertainties of the times, you will, I am sure, agree that it is vitally important for us to increase our reserves as much as possible.

THE UNION DISCOUNT COMPANY

AN EVENTFUL YEAR

LORD KENNET ON GOVERNMENT'S ANTI-INFLATIONARY MEASURES

The annual general meeting of The Union Discount Company of London, Limited, will be held on February 21st at 39, Cornhill, London, E.C.

The following is the statement by the chairman, The Rt. Hon. Lord Kennet of the Dene, P.C., G.B.E., D.S.O., which has been circulated with the report and accounts for the year ended December 31, 1951:—

The chief event in the affairs of your company in the past year, was the capitalisation in July last of £1,283,333 by transfer from share premium account to capital account, making the issued capital £5,133,333.

In the money market generally it has been an eventful year. On November 7th the Bank Rate was raised to 2½ per cent., the first move for many years, and it was indicated to the discount market that they could no longer count upon an automatic supply of cheap money. £1,000 million of outstanding Treasury Bills were converted into Serial Funding Loans due in 1952/3/4. We welcome these changes as an earnest that the Government intends actively to strive to stop inflation.

A discount house is a view point from which to watch the state of national commerce and industry and its relation to the money market. It may therefore be relevant to record the impression received from that outlook, of the vital necessity that a sound national economy should be restored by balancing the account of national production and consumption.

Thus has ended a period in which there was exceptionally little elasticity and variety in the business of the discount market. This change will emphasise the utility of the service which the discount market renders.

The reduction in the amount of Treasury Bills outstanding by the conversion mentioned has led to a considerable reduction in our total of bills discounted which is £66,030,189 lower at £150,720,014. On the other hand there has been much more activity in Commercial Bills which is only partly reflected by the increase of £3,297,372 in the figure of Commercial Bills rediscounted, shown as a note in the balance sheet.

INCREASED TOTAL OF SECURITIES

Another important change is the increase in the total of our securities, which is £11,787,027 larger than the figure for the previous year. The increase came towards the end of the year when for various reasons, such as a need for liquidity, etc., holders were disposed to sell short dated British Government securities.

It will be gratifying for you to know that such depreciation as there was in the value of our securities, was more than provided for out of the year's trading profits which, after providing for rebate, amortisation of premium on securities, depreciation of securities at December 31, 1951, and taxation, showed, after transfer to reserve for contingencies, an increase of £4,548 to £331,533.

This leaves us with a balance carried forward on the profit and loss account of £934,921.

In the more difficult conditions prevailing, we gratefully recognise the co-operation and good will of the banks and financial houses to whom we, for our part, try to render useful service.

The staff has earned your sincere thanks for their efforts in an active year.

STERLING ESTATES

MR DOUGLAS OVERALL'S STATEMENT

The twenty-fourth annual general meeting of Sterling Estates, Limited, was held on January 30th in London, Mr Douglas Overall, J.P., F.A.I., the chairman, presiding.

The following is an extract from his circulated statement:—

Rental income totals £124,088, an improvement of £7,213. Rental and investment income is £133,088 and there remains a net revenue of £76,620, an increase of £5,550.

The total income is smaller than that of the previous year and taxation shows a decrease of £9,893, being £47,587. This is some 62 per cent. of the net income, approximating twice the prewar percentage. While this rise is due in some measure to the increase in the standard rate of income tax, principally it is because of the increased rate of profits tax on distributions and operative for three-quarters of the year under review. The total reserves now amount to £273,460. Your board recommend a final dividend of 5½ per cent., less tax, making 8½ per cent. for the year.

Purchases during the year are reflected in the increased rental revenue, although it is not until the year following the benefit of a full year's income is felt. A total of £168,975 has been invested; the properties acquired include freehold and long leasehold shop properties. These purchases show satisfactory initial yields and promise of reversionary increases within the next few years. Renewal of certain leases during the past year will produce in a full year an additional £1,700. A new mortgage advance of £50,000 was arranged during the year upon satisfactory terms. The rate of repayment of existing mortgages remains at approximately £15,000 per annum.

The report was adopted.

BRITISH TABULATING MACHINE COMPANY

YEAR OF FURTHER PROGRESS

The forty-fifth annual general meeting of the British Tabulating Machine Company, Limited, was held on January 31st, in London, Sir Cecil M. Weir, K.B.E., M.C., D.L. (the chairman), presiding.

After referring to his appointment as chairman and to the recent much regretted death of Mr G. H. Baillie, consulting engineer and former director of the company, Sir Cecil Weir said: The accounts show that the real progress of the company's business continues on a satisfactory scale. The profits of the group before taxation show a rise, from £463,725 in 1949-50 to £489,863 in 1950-51. After taxation the net amount available is £212,459.

Revenue has increased in accordance with anticipations and in very nearly the same percentage ratio in the home and export markets. I am glad to say that our direct export trade is very substantial and continually improving.

We are much encouraged by the progress our research and technical staff are making on the development of new equipment and its uses. The Punched Card technique is more and more becoming recognised as an essential concomitant of efficient organisation in business and in industry as well as in Government Departments and public bodies of every kind. We have again had a record year in respect of orders for our equipment.

The report was adopted and a final dividend of 5 per cent., making 8 per cent. for the year, was approved.

TOWN INVESTMENTS LIMITED

SATISFACTORY RESULTS

MR P. M. ROSSDALE'S STATEMENT

The twenty-ninth annual general meeting of Town Investments Limited was held on January 30th at 51, South Audley Street, W.1, Mr P. M. Rossdale, chairman and managing director, presiding. The following is an extract from his statement circulated with the report and accounts for the year ended September 29, 1951.

The accounts now submitted to you reflect the satisfactory result of the year's work. As shown by the consolidated profit and loss account, revenue from properties, less outgoings, has increased from £274,053 to £300,002. The book value of properties owned, after deducting depreciation, stands at £3,401,124 compared with £3,242,740, an increase of £158,384 of which £125,660 relates to subsidiary companies' property holdings, reflecting the policy of the parent company, Town Investments Limited, referred to in my speech last year, of financing the purchase of further properties through its subsidiary companies. Last year I said I could confidently assure you that the dividends to be received in the future from subsidiary companies were more likely to increase than diminish. This year we have received £57,467 from this source as compared with £47,512 last year.

PARENT COMPANY'S RESULTS

The balance sheet of the Parent Company shows the issued ordinary capital at £416,603, this being more than last year's figure by reason of the issue in August last of 37,873 new ordinary shares, at par, to existing ordinary shareholders in the proportion of one for each ten ordinary shares held. This is the third consecutive year that such an issue has been made to ordinary shareholders. Last year I told you that it was your board's hope and expectation from time to time to repeat these issues of ordinary shares. Altogether 103,603 shares have been issued to shareholders at par and a dividend of 15 per cent. has been paid annually. I am sure shareholders appreciate that such issues cannot be continued indefinitely, and although Town Investments Limited and its subsidiary companies continue to expand shareholders must not anticipate further issues in future years.

The Parent Company's profit and loss account shows rents, less outgoings, at £135,251, as compared with £125,802 last year; the surplus on disposal of properties is shown as £15,811, on which income tax and profits tax has been provided, against £31,731 last year, on which income tax and profits tax had also been provided. I have warned you on various occasions that this source of revenue must be regarded as more or less casual and that only in the most exceptional circumstances can it be regarded as good business to sell property bringing in a satisfactory income and pay away in tax a large part of the surplus of the realised price over the lower price at which the property had been acquired in the days when money had a different value. Your directors always have to consider whether the net cash to be realised, after payment of tax and costs of sale and repurchase, can be reinvested to produce the same or a better income, otherwise it is seldom prudent to dispose of any property.

The net profit of the company for the year is set out in some detail in the report of the directors and it is interesting to note that after paying all outgoings, including taxes, there is a balance of £21,623 to add to the company's unappropriated profits account.

The report was adopted.

RAPHAEL TUCK AND SONS, LIMITED

JUBILEE YEAR

The fiftieth annual general meeting of Raphael Tuck and Sons, Limited, was held on January 30th in London, Mr Desmond Tuck, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year to April 30, 1951:—

This year marks the fiftieth anniversary of the formation of your company. To its achievements in the world of art and to the genius of its founders both during the company's existence and in the many years preceding, when it was a private enterprise, and whose imagination and creative ability have done so much for the development of happy customs that have permeated not only this country but the entire civilised world, I would like to pay tribute.

The policy of your board, some few years ago, of investing capital in kindred manufacturing enterprises, has justified itself in the Group profits it is my pleasure to submit to you. These subsidiaries are useful tributaries to the main stream and affect its volume of business and profits according to the flow they are able to bring to it.

Moreover, they have in our case not been subject to many of those heavy items of expenditure which confront us, the parent company, in ever-increasing measure. A comparison, for instance, between costs of producing and of selling merchandise before the war, of handling orders and delivering them to their consignees, and costs prevailing now, is sufficient in itself to indicate the trend of things.

WIDE DISTRIBUTION POLICY

The choice that has laid open to us has been either to pass all of these increases on to the selling prices of our merchandise or alternatively ourselves to bear the burden of a portion of them. This past year we have adopted the second course, thinking that a continued wide distribution of our products represents a sounder long-term policy than a more immediate one with a higher ratio of profit but with a more restricted distribution would provide.

I referred on the last occasion to the greeting card consciousness of the British public. This, I am glad to say, shows no signs of abatement, and the demand for greeting cards produced for various occasions during the course of the year is meeting with growing popular favour.

THE MODERN SPIRIT

With the tradition of more than three quarters of a century behind us, we can justly claim that our productions breathe the modern spirit of today.

As regards our export trade, I referred last year to the development of manufacturing facilities in countries previously content with the importation of finished merchandise. It would seem, accordingly, that it might become necessary, in order to strengthen our foothold in such countries, ourselves to undertake certain manufacturing there, preferably under arrangement with already established concerns. This possibility is engaging the careful consideration of your directors.

It is gratifying to know that notwithstanding all the revolutionary changes that have taken place in the world, which it would be foolish to ignore, with their effect upon industry in general and ours in particular, the name and reputation of your firm, with its famous trade mark—the Easel and Palette—continues to stand as high as ever.

The report was adopted.

BUKIT KAJANG RUBBER ESTATES, LIMITED

The annual general meeting of this company was held in London on January 30th, Mr Jack Addinsell, the chairman, presiding.

The following is an extract from his circulated statement:—

The year under review has been a difficult one and I regret that I cannot report any improvement in the security conditions as affecting our estates—in fact the latest information from our Bukit Kajang estate in Malacca is of slashing of trees by bandits in our remaining outlying division, while in the Kluang district of Johore where Rengo Malay is situated the terrorists appear to be more active than ever. The infiltration of armed Communists into the Bukit Kajang district, and the numerous incidents at our Johore estate, have accentuated the labour difficulties with which our managers have had to contend. Nevertheless, crops have been maintained at a fair level, output for the year having been 1,553,750 lb. compared with 1,750,300 lb., the drop being mainly due to shortage of labour and absenteeism, as well as unusually wet weather.

Cost of labour and materials continued to rise and compared with the previous year the cost of production has increased by 7d. per lb. This cost includes the higher export duty in respect of which the company paid out £20,709 against £5,698 for the previous year on a larger crop, and outlays on providing protection against the terrorists at the expense of the estates.

The net profit for the year amounted to £112,470, which shows a very satisfactory increase over that for the previous year. The directors recommend a final dividend of 15 per cent., which makes a total of 20 per cent., as against 7½ per cent. for 1949-50.

The report was adopted.

CAMBRIDGE UNIVERSITY SCHOOL OF AGRICULTURE

Applications are invited for a post as Assistant Agricultural Economist in the Provincial Agricultural Economics Service. Starting salary between £360 and £450 per annum according to age and experience. Applicants should possess a degree in Economics and/or Agriculture and should be under 25 years of age. The duties of the post are concerned with the collection and interpretation of data for farm management and enterprise costing schemes.—Applications in writing, stating age and experience, to the Secretary, School of Agriculture, Cambridge, with names of two referees, not later than February 28, 1952.

WANTED URGENTLY by Research organisation. Complete set, runs or single copies, U.S.A. journals: *Public Opinion Quarterly* and *The Journal of Marketing*, etc. Face price paid or offer.—Send details of issues, condition and price required to Box 861.

AMBITIOUS young man, determined to get to the top in business life, is looking for an employer who will let him make the firm's affairs his hobby. In exchange for a good salary and prospects he can offer ability, initiative, logical mind, modern cosmopolitan outlook and capacity for hard work. Other qualifications include: B.Com.(Hons.) (special subject: International Trade), perfect Spanish, fluent Portuguese, some French; 10 years' experience export trade.—Write Box 865.

WELL-qualified and experienced Consultant in accounting, costing and general administration seeks further assignments to introduce or reorganise financial and administrative methods. Fees by negotiation, references can be supplied.—Box 855.

TRANSLATION.—Rapid service, German into English. Technical and Commercial material a speciality.—Apply, by letter, to "Translations," c/o Abbotts, Eastcheap, London, E.C.3.

DEN NORSKE CREDITBANK

Established 1857

Capital Paid-up and Reserves Kr. 52,600,000

OSLO, NORWAY

Branches: Arendal, Brumunddal, Flisa, Grimstad, Kongsvinger, Larvik, Lillesand, Mandal, Porsgrunn, Risor, Skarnes, Tonsberg.

Every Description of Banking Business transacted

Correspondence invited.

Telegraphic Address: "Creditbank." Telephone: "42 18 20 Oslo."

REFUGE

ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET · MANCHESTER 1

THE REFUGE WILL SAFEGUARD THE FUTURE

RHODESIA UNIVERSITY ASSOCIATION

SENIOR LECTURER IN COMMERCE AND ACCOUNTING

The Rhodesia University Association intends to appoint a Senior Lecturer in Commerce and Accounting to organise and conduct, with the assistance of part-time lecturers, classes in Salisbury, Southern Rhodesia, for the degree of Bachelor of Commerce in the University of South Africa (and possibly also in the University of London).

The classes are primarily designed to assist students who are already taking correspondence courses from the University of South Africa for the Bachelor of Commerce degree and for the qualification of the Society of Accountants.

Applications for the above post are invited from persons who hold degree in Commerce from a recognised university. Extensive practical and teaching experience and ability to lecture in specialised accounting subjects are essential.

The salary of the post will be £1,750 per annum, which includes cost of living allowance. This remuneration will be fixed for an initial period of two years, prior to the university staff being expanded and a scale of salaries laid down. An allowance of £150 will be made towards travelling expenses in the case of a person appointed from overseas, a proportionate refund being required if the officer appointed resigns before the expiry of his contract. Accommodation in Salisbury will be guaranteed to the successful applicant.

Duties are to be assumed as soon as possible after April 1, 1952.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is February 29, 1952.

ASHRIDGE, Course 5, February 8th-11th: The State of the Nation. Introduction, The Rev. Lawrence Waddy, M.A.: Foreign Trade and the Balance of Payments, Ronald Brech, Esq.: Relations in Industry, Bryn Roberts, Esq.: British Agriculture, Sir James Scott Watson, C.B.E.: Some Reflections on Recent Elections, H. G. Nicholas, Esq., M.A. Inclusive fee, £3 15s.—Applications to Secretary, Ashridge, Berkhamsted, Herts. Tel.: Little Gaddesden 3191.

BRIGHT ideas are easier to find than the right ideas. For advertising that sells because it suits both your product and its public, consult SAMSON CLARK & CO., LTD., 57/61, Mortimer Street, London, W.1. MUSeum 5050.

ECONOMIC DIGEST (monthly) will keep you informed of many important items you are liable to miss in the modern avalanche of articles, reports, lectures, memoranda. Free *specimen copy* with pleasure: Economic Research Council, 18, South Street, London, W.1.

GOLD COAST NATIONAL BANK.—Wanted, Managing Director with knowledge of commercial banking in the Dominions and Colonies who will be required in the first instance to advise the Government regarding the formation and establishment of the Bank and on matters to be included in necessary legislation. First appointment on contract five years, renewable, non-pensionable, subject termination either party three months' notice. Salary £2,500-£3,000, according to experience. Furnished *house, medical attention, and* air passages provided; also return passages once a tour for wife and children. Normal tour nine months with one day leave for each five days of completed *tour.* Gratuity on termination at rate £150 or £200 p.a.

Apply to Commissioner, Gold Coast, Melbourne House, Aldwych, London, W.C.2 (Tel. TEMple Bar 2913), giving full particulars, qualifications, experience, etc.

JOHN SUMMERS AND SONS, LIMITED, are anxious to set up an organisation to further the education of the junior staff employed at their large Steelworks near Chester. Applications are invited for the full-time position of organising and conducting this development. Personality and enthusiasm are considered the essential qualifications with a background of business experience and interest in education in the broadest sense.—Box 853.

QUALIFIED STAFF AVAILABLE NOW

Accountants, Office Managers, Company Secretaries supplied immediately.

FINE'S EMPLOYMENT AGENCY

(HIGHER APPOINTMENTS SECTION)

95/99 PRAED STREET, LONDON, W.2. AMB 3400 (30 LINES)

FINE'S FOR THE FINEST STAFF

The Bank of Adelaide

invites all who have or would like to have relationships—business or personal—with Australia, to use its complete banking service throughout that country.

Head Office: Adelaide, South Australia.

LONDON OFFICE:

11, LEADENHALL STREET, E.C.3

(Incorporated in 1865 in South Australia with limited liability.)

HONGKONG AND SHANGHAI BANKING CORPORATION

Notice is hereby given that the SHARE TRANSFER BOOKS of this Corporation will be CLOSED from February 22nd to March 7, 1952, both days inclusive, for the purpose of preparing for payment of dividend for 1951.

MID-ESSEX TECHNICAL COLLEGE AND SCHOOL OF ART, MARKET ROAD, CHELMSFORD

Required, from September, 1952, ASSISTANT GRADE B for one of the following: Management and Foremanship; Banking; Accountancy or Secretarial Work.

Candidates should have a degree or appropriate professional qualification, and suitable experience. Previous lecturing experience an advantage but is not essential.

Salary: Burnham Technical Report, 1951, Grade B £450 by £25 to £725 *plus appropriate graduation and training additions; increments* allowed for recognised experience.

Application form (returnable as soon as possible) from the Clerk to the Governors, Market Road, Chelmsford (stamped addressed foolscap envelope).

B. E. LAWRENCE,
Chief Education Officer.

STATISTICAL ASSISTANT

Young lady of good education required by important commercial organisation in London to assist with analysis work, card index records, etc.—Reply, stating age, previous appointments, experience, and salary required, to Box 857.

COST ACCOUNTANT—MANCHESTER

A first-class Accountant required by a large rubber and rainwear factory. The post carries prospects and needs a man capable of controlling staff and also able to interlock the financial and costs ledgers. It is preferable that he should have a knowledge of punched cards and some knowledge of either the rubber or rainwear industry. The salary would be according to qualifications and four figures would be attainable.—Box 846.

EVANS MEDICAL SUPPLIES, LTD. have vacancies overseas for positions with both parent and subsidiary companies; chemical, pharmaceutical or other *scientific background essential; prospects of* rapid advancement to senior administrative posts.—Apply giving full particulars of age, education and career to date, to Overseas Trade Director, Speke, Liverpool, 19.

WIDELY EXPERIENCED British Agent residing in Hongkong, seeks resident or travelling representation for British Manufacturer or Shipper, in the Far East or Japan, on commission basis.—Box 844.

MARKET RESEARCH.—Large public company requires a man aged about 25-30 as Assistant in its Market Research Section. Must be able to plan trade surveys, conduct interviews with users and potential users of the company's products, and write concise reports.—Apply, giving Ref. MR/1, to Box 862.

CONSULTANT EDITOR AND DESIGNER undertaking sub-editing and *preparation of MSS. for Press,* invites inquiries for planning, layout and execution of publicity literature and non-fiction publications.—Box 851.

B.SC.(ECON.), 28, seeks post. Wide experience of collecting and interpreting data, drafting reports, articles, etc. Sound knowledge statistics.—Box 864.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (periodicals excluded).

TRANSLATIONS from and into French (Technical and Commercial). Julian Jacobs, B.Sc., and Germaine Courtiau, New House, Worminghall, Aylesbury, Bucks. Tel.: Ickford 227.

Postal Tuition for B.Sc. ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17

WOLSEY HALL, OXFORD

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by the Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, February 2, 1952.

THE HISTORY OF ZINC

The Persians knew

ZINC

more than 700 years ago.

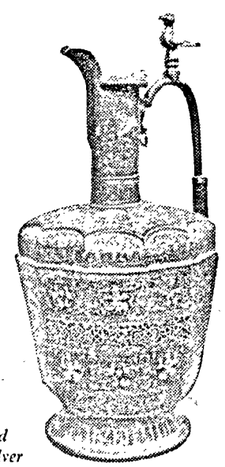
The Persian Ewer illustrated below can be seen at the Victoria and Albert Museum. It was made in the 13th century and is made of Brass.

TODAY ZINC is one of the most important metals in industry. It is used in brass; as a protective covering for iron and steel; large quantities are used for die casting in the motor car and many other industries; and its pigments, Lithopone and Zinc Oxide are widely used by the paint, rubber, linoleum and associated industries.

During the last 30 years a great Zinc industry has been created in Britain by Imperial Smelting Corporation Limited, whose principal activities, in addition to the production of Zinc metal, include the production of Sulphuric Acid, Zinc Pigments, Fluorine and Fluorine Compounds and ancillary products.

IMPERIAL SMELTING

U.K. MEMBER OF THE CONSOLIDATED ZINC CORPORATION LIMITED



13th century inlaid Persian Ewer of hammered brass and damascened with silver

IMPERIAL SMELTING CORPORATION LIMITED · 37 DOVER STREET · LONDON · W.1

7-Mar 52 MADRAS GOVERNMENT

The Economist

Established 1843

February 9, 1952 — One Shilling

LEADING ARTICLES

King George VI 1936-1952 - - 317
Churchill and China - - - 318
Incentives for Farmers - - - 319
The Lisbon Meeting - - - - 321

NOTES OF THE WEEK - - - 323
Her Majesty's Government; Defence Costs; Drugs, Wigs and Fillings; Foreign Affairs Debate; Mr Eden in Paris; Wider Horizons for Egypt; Retirement without Rule; Packing the Secondary Schools; Spreading the Towns; Sino-Soviet Treaty Anniversary; Japan and China; World Bank and Persian Oil; Ireland and the Crisis; Federation Timetable; Church and State; Inflation in Eastern Europe; Perón's Promises and Problems; Shorter Notes.

LETTERS TO THE EDITOR - - 333

BOOKS AND PUBLICATIONS - 334

AMERICAN SURVEY
Saving Spree - - - - - - 338
Eyes on Illinois - - - - - 339
New Hampshire's All-Star Cast; Tariffs on the Table; Three Ring Investigation; Canada's Challenge; Senator Capehart's Silver Lining.

THE WORLD OVERSEAS
The War of the Wavelengths - 345
Soviet Balance Sheet for 1951; China and Britain—A New Phase; Ninety Days in Paris; Elections in Burma; Black Sea Colonies for Russians.

THE BUSINESS WORLD
Who Buys Steel Shares? - - - 353
Profits before the Pressure - - 354

BUSINESS NOTES - - - - - 359
Trustee Borrowing at 4½ per cent; Cracks in EPU; Dismissals in Coventry; Tussle for Meat; Production in 1951; Waiting for the Spring; Japan's Price for Steel; Controlling the Fiduciary Issue; Reports from the Tax Collectors; Dealings in "Non-Reich" Loans; British Railway's Second Gas Turbine; Concrete and Steel; Indonesia Shuffles the Pack; Tight Fit for Aluminium; Copper Companies' Domicile; Easier Metals; The Paradox of Wool; Shorter Notes.

COMPANY NOTES - - - - - 369
STATISTICAL SUMMARY - - 370
COMPANY MEETINGS - - - 371

Vol. CLXII No. 5659
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

King George VI 1936-1952

KING GEORGE VI was not on the throne long enough to leave the mark upon the institutions of this and the other British countries that some of his ancestors made. But by any test he was a good king and the shock and sorrow that his sudden death has caused are not tributes to the eminence of the office alone; they are grief for a man who performed a difficult and unexpected task with honesty and devotion. Called to the throne suddenly, and in circumstances that might have been dangerous for the monarchy, he and his family so conducted themselves, in a more merciless glare of publicity than has ever afflicted a royal family before, that the solidity of that remarkable institution the British crown has been more than fully restored. What is more, this has been accomplished in a period of unending crisis; of King George's fifteen years on the throne, very few months have been free from anxiety.

Personal modesty combined with outward dignity, the ordinary man in the extraordinary situation, the openness of character and the tireless performance of tedious duties that are required of a public figure—these are the simple elements of the formula, and yet how difficult they are to combine. If the supreme duty of the constitutional monarch in a twentieth-century mass democracy is to provide a symbol to which the aspirations of the people can attach themselves, an example of character and service, then no king could have tried harder or done better than King George VI. He has earned his rest. He can take his place with honour in the long line of monarchs whose reigns record the greatness of this land.

Sympathy in the fullest measure will go out to both the widowed queens—to Queen Elizabeth, who has borne so much of the load of the crown with unfailing grace and goodness, and to Queen Mary, whose unbowed regality now has to sustain another blow. At no time, it may be guessed, will they find the burden of living public lives heavier than in the next few days and weeks. If the public sympathy presses upon them, they can at least be sure that it is genuine. The role of the king's consort is perhaps even harder than that of the king himself; in their very different ways both King George's wife and his mother have earned the respect and the gratitude of the people.

The deepest sympathy of all will be felt with the young woman who so suddenly finds herself Queen Elizabeth the Second. She is no stranger to her peoples or to the task awaiting her. But however long her preparation, however complete the dedication of herself, it is a spectacle to move the heart to see one so young plunged so suddenly

into a responsibility in which, for all the help she will receive from her husband, no one can share. She will need, and she will get, the prayers of the many millions who wish her well.

But if there is some pathos in the sight of a young queen on the throne, there is also much hope. England's greatest monarchs have been queens ; and it would be a hardened heart indeed that did not respond to the historical echoes. The great name that the new queen bears brings to mind another young princess, four centuries ago, who was also in her twenty-sixth year when she was called to the throne, and who went on to write the most glorious chapter in English history. The nearer parallel is with the new queen's great-great-grandmother who, at an even earlier age, started 115 years ago the longest and most fruitful reign of all her royal line. Queen Elizabeth II begins her reign better known than the first Elizabeth and better prepared than Victoria. Long may she reign. And may the second Elizabethan age be no less victorious than the first.

Mr Churchill and China

THE verdict of the House of Commons on Mr Churchill's visit to Washington has been postponed, but at least the charge brought against him by the Opposition has been reduced. When the foreign affairs debate that was suspended on Tuesday is resumed, he will face not a vote of censure on policy in the Far East but a mild rebuke for having talked too winningly to Congress. Having suggested that the Prime Minister did not tell the House of Commons the truth about American policy, the Labour party now says that he did not tell Congress the truth about British policy. Only heavy pressure from his restive backbenchers can have forced Mr Attlee into this sort of hair-splitting. What he said in the debate was certainly not enough to justify it ; and it is clear that a careful comparison between what Mr Churchill said to Congress and what he said to the House on January 30th had revealed to the Opposition no important discrepancy that could not be explained by the need to show a certain tact in addressing the legislature of the United States. Indeed, if it were not for the fact that party polemics would be deeply distasteful to most people at this time, it would be necessary to examine the Labour party's effort to create a China scare with pungent frankness.

As it is, the pause in Parliament can be used to reconsider realities in the Far East. There are two basic matters on which the mind of the public seems confused. The first and less important is a question of tactics. The second, by far the graver, is a question of national interest. To put the first quite crudely: what noises should the Chinese Communists hear from this country —soothing or minatory noises ? One would have thought there was cause for anger with the men behind a policy which has started—or condoned—a costly war, caused loss to millions of homes, disrupted economic life by the fears it caused and kept all Asia in suspense. Instead it is pretended by a section of opinion that we are not really at war with China and that defensive action by the United Nations is and should remain a sideshow. It is said that it is the Chinese who are frightened, who want nothing better than to get on with revolution and peaceful reconstruction ; that the Americans are the enemies of peace because their pride has been hurt and their mood is impatient ; that the British must steer a course between them, if necessary being nice to the Chinese who are hostile and being rude to the Americans who are friendly. It is with such arguments that powerful voices of the Left in this country make soothing noises for Peking to hear. Their effect in the Communist world is clear for all to see: there they mean that the Americans and British can be divided, and that it is safe to wage against the West a long war of attrition and nerves.

In such circumstances what should a British Minister visiting the United States say ? If he urges restraint on a people who believe they have shown very great restraint and who have certainly borne the main burden of battle, he irritates an ally and encourages the enemy. If he does the opposite he faces a vote of censure in the House of Commons and the final result is very much the same. In fact, Mr. Churchill in Washington said no more than was necessary to restore confidence between allies and to keep the enemy guessing. Was that not the course of wisdom ? And would not Mr Attlee, faced as Prime Minister with the facts about Indo-China, the build-up of the Chinese air force and the Communist attitude in the truce negotiations, have had to say much the same in his colder and more matter-of-fact manner ? There is no doubt about the answer ; and the essence of Mr Churchill's case is that by promising " prompt, resolute and effective action " against fresh Chinese mischief he has dealt a blow at Communist hopes of an Anglo-American quarrel, the effects of which in China are described in an article elsewhere in this issue. That is surely the explanation and justification of the key sentence in his report to the House of Commons:

> I think we have secured a better chance of reaching an agreement (with the Communists in Korea) by making it plain that the United States and Britain are working together in true comradeship and, in the event of a treacherous renewal of war, would together take prompt, resolute, and effective action.

Without such a warning and without such an agreement Mao Tse-tung and Stalin would have been tempted, and indeed entitled, to assume that nothing effective would be done to resist further steps for the " liberation " of South East Asia. Everything that has happened since the war has pointed to the fact that the Communists move in wherever the free world has no firm commitments and no clearly defined interests. And there is neither clarity nor firmness when London and Washington are publicly at loggerheads.

*

So much for the tactics of Far Eastern policy. But what of the substance of the policy itself? Apart from what Mr Churchill said in public, are there dangers in what he and the leaders of American policy are planning to do?

The common starting ground is that an extension of the war in Korea is against the interests of the free world and should be avoided if it is at all possible. That is certainly the view of both parties in this country. Equally certainly it is the view of Mr Truman and Mr Acheson—if only because their domestic political position demands it. It is, in fact, the view of virtually the whole of American public opinion except the MacArthur faction, and there is absolutely no reason to suppose that the responsible leaders of American policy, having got rid of General MacArthur, have now suddenly become MacArthurites. The difficulty is that it does not lie wholly, or even mainly, with the Americans or any of their allies to decide whether or not the war shall spread beyond Korea. That decision is Mao Tse-tung's, and if he decides on further aggression, the West will not be able to help itself. If fighting flares up again in Korea, is everything for which the war has been fought to be abandoned ? If the Chinese invade Indo-China, as they threaten to, the whole western alliance must take up the challenge ; it has far too much at stake in South East Asia simply to stand aside. If the Chinese attack Hong-kong, is no resistance to be put up ? And if such aggressions impend, as they assuredly do, does it help to keep the peace to say in advance that in all circumstances the Chinese Communists will be safe within their own borders, and that even outside them they will not be resisted except by ground troops, which the western alliance does not possess ? Is there not a better chance of preventing war if the Chinese can be persuaded that they cannot count on escaping any of the penalties that fall upon an aggressor ? There is no evidence that Mr Churchill or Mr Acheson or even the Pentagon want to go further than this.

There are obvious risks in making minatory noises. Of course there are ; there are risks in every policy. But those who so clamorously insist upon the risks of this policy seem to close their eyes to the risks of the alternative. Yet those risks are far greater. There is the general risk of being indefinite and irresolute, of playing down dangers, of keeping allies in doubt and the enemy in confidence—in fact the very dangers which one might have supposed that the present generation could never ignore again. And in the particular case of the Far East there is the supremely dangerous risk of disrupting the alliance between the United States and the democracies of Western Europe. Some people in this country perhaps do not positively like that alliance. But as a matter of plain fact all must agree that nothing would please Stalin more, or set his hands more free, than its destruction.

Policy must inevitably be a balancing between risks and dangers, the deliberate courting of the smaller to ward off the greater. Judged by this test the words and actions of the present British Government deserve support. If censure there is to be, it should fall on those who steadily refuse to look at more than half the picture.

How to Grow More Food—I.

Incentives for Farmers

IN 1947 the dollar crisis necessitated immediate cuts in food imports and brought the Government to take urgent and exceptional measures to get more food from British farms. This sequence of events is now being repeated. The import cuts already announced will gradually deprive people of a variety of unrationed foods which have been brightening the national diet for the last few years. Although ministers hope to avoid further cuts, which would directly reduce the level of basic rations, they are not sure of being able to.

In the circumstances the Government is again trying urgently to expand domestic food production. A first step—to be followed in due course by wider measures—was announced this week. There is to be a special subsidy of £5 an acre towards the cost of ploughing up old grassland and sowing it to an approved crop for harvesting this year. The intention is to increase meat production by improving the supply of home grown feeding stuffs. Unfortunately, it is too late in the farmer's year for him to make major changes in his cropping plans, and the spring sowings have in any event to offset a serious decline in the autumn sowings of wheat.

The original expansion programme of 1947 has now run its four years and its results can be assessed. Livestock production as a whole has increased considerably. During the last year there has been a spectacular rise in the pig population and a more modest increase in the numbers of sheep and beef cattle, offset by a mild decline in milk production. Meat production was previously lagging and this general change of emphasis from milk to meat was deliberately engineered at the last price review ; it undoubtedly fits consumers' wants. Crop production has been far less satisfactory. The Treasury's hopes of saving dollars by promoting a much larger wheat acreage have been completely disappointed. The area under main crops has in fact declined since 1948. These failures increase the dependence of British agriculture on imported feeding stuffs and weaken the possibilities of further livestock expansion. They seem to reflect also a reluctance of many farmers to intensify production beyond the point reached two years ago.

The expansion programme quickly brought the net output of British agriculture to a level of about 40 per cent higher than in the immediate prewar years, and at this point it seems temporarily static. The evidence of the last two years might suggest that further increases in one type of farm output will be obtained only by contraction in another. There is, in fact, no good reason to accept this conclusion. Farmers explain the situation by asserting that falling profitability has made them reluctant to expand output further until " confidence is restored." The 1947 policy was to raise prices in order to provide farmers with the working capital for expansion. The very sharp rise in farm incomes, which was thus deliberately engineered, came to an end in 1949. Total net farm income has been static for two years at about £300 million. The farmers can claim that, when the value of money has been falling, a static income means that farming is being made less profitable. But that this situation is inhibiting increased production is far more dubious.

The Government now faces difficult decisions. There is still a strong temptation to try to get another increase in food production mainly or exclusively by following the 1947 formula of giving all farmers a new price " bonus." It is the easiest, simplest and most popular course to follow—and those are generally recommendations enough for the politicians. But in two respects the present situation is fundamentally different from that of 1947. In the first place, the connection between the price

paid to the farmer and that paid by the consumer has become more obvious since food subsidies were pegged —and will become plainer still if the subsidies are reduced. Ministers have become increasingly conscious of the need to keep the costs of food production within reasonable limits, and if they stray from the path they have urban constituents to remind them. Paradoxically, this consideration may count more strongly with the Conservatives, who as the farmers' traditional friends are fairly sure of their rural vote, than it did with Labour. And, in general, the chimera that money is no object in boosting the production of necessities no longer wins the favour it once was accorded.

In the second place, agricultural policy is no longer a question of giving a general stimulus to production, but rather of expanding it selectively. Some products—in particular milk, whose value approaches one-third of the gross output of British agriculture—have reached the limit of consumer demand for the time being. The extent to which further expansion is possible, the rate at which it can economically be brought about, the ways by which it should be promoted—all these questions are more debatable today than in the simpler conditions of 1947 when total output was much lower and wartime conditions still lingered. In particular, there is growing realisation that the incentives which impel the farmer to greater productive efforts are much more complex than the data discussed at the annual price reviews.

*

The structure of British agriculture displays an amazing and almost baffling diversity. The striking differences in output achieved by farms possessing similar natural advantages indicate what large scope for expansion undoubtedly exists. The large increase in capital investment since 1939 has not been spread evenly over the countryside ; it has been generously applied to a minority of farms whose owners are prepared (sometimes aided by the profits of urban industry or trade) to match increased overheads with increased production. Side by side with the highly capitalised, heavily mechanised farms, are large numbers of working farmers whose capital and whose labour force (if they have any) are inadequate to the task of making full use of their land. It is from this latter class of farmers, rather than from the efficiently wealthy or, at the other extreme, from the occupiers of marginal land, that the big increase in output must come if it is to be had at all.

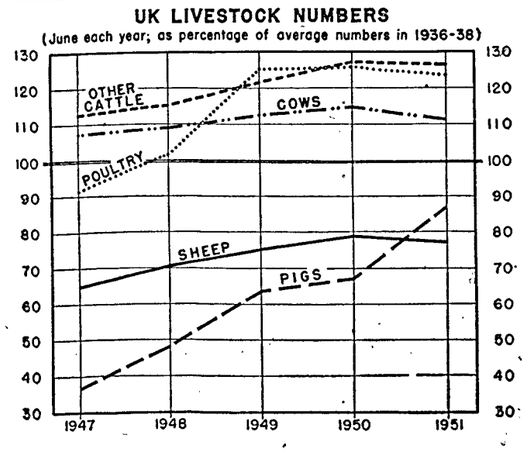
There is also considerable evidence that a majority of farmers would find it profitable, entirely on the basis of present prices, to expand their output. This is the conclusion reached in a recent sample study by Mr C. H. Blagburn*, who found that expenditure on the farms investigated tended to increase considerably less rapidly than the value of their output. He concluded that a moderate all-round increase in output—by about 30 per cent—would involve additional expenditure of no more than £55 to £60 for every £100 of additional output (valued at 1947-48 prices) that was obtained. This is an oversimplified statement, to which a number of qualifications need to be made. But the general conclusion stands. On most farms a rising output amply pays for itself, because it enables labour and machinery to be used more economically and reduces the incidence of overheads. There is, of course, an upper limit to this process, but it has been reached only on a few well-favoured farms ; the majority of farms are nowhere near it. The old adage that couples high farming with high profits is still broadly true.

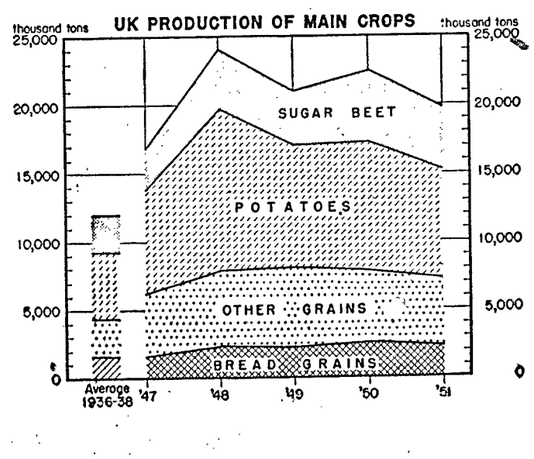
If this is true, there is an apparent paradox to be explained. Why is an average working farmer content with a net income of, say, £600 a year when he has the opportunity of earning perhaps twice that sum by raising output ? The answer seems to lie in the special conditions of farming and of rural life. The rising incidence of income tax is quite as strong a deterrent to the farmer as to the urban worker. But there are other important factors. The farmer with a high output takes a greater risk and must lock up much more money in working capital, which makes him vulnerable to a slump (which farmers still fear) or even to a "change of emphasis" in prices. Moreover, he may have to work much harder himself especially if he is mainly dependent on family labour. Most farmers, regardless of income, are closely tied to their work, live in the same sort of house, eat the same sort of food, and go about in the same sort of weather. The limited attractions which a higher income could provide may simply not be worth the considerable risk and effort involved. The unambitious farmer enjoys the feeling of security reserved for those who are down and fear no fall. It is not surprising that there are so many of him.

If there is to be a real increase in farm output, it can only be brought about by making the efficient farmer's life more enjoyable. This may, of course, be done by making the unambitious farmer's life a misery. The two states are relative. Mr Blagburn, in the study already mentioned, suggests that a 10 per cent reduction in prices would greatly increase the incentive to expand production. Its effect on a typical low-output farmer of 200 acres in his sample would be to reduce his net income from £640 to £350 ; the advantages of working harder to double one's income are much more obvious at the lower than the higher level.

Such a policy would be regarded as Draconian by others besides farmers. It would be unlikely to work in practice. It might well defeat its own object by dissuading farmers from additional investment out of fear that prices would be reduced again. Anything which suggests a return to depression conditions for agriculture will fail to engender the confidence necessary for expansion. Farmers always have the option of cutting their overheads still further and reverting to "dog and stick" farming—a poor life, it is true, but at least a safe one. A policy of lowering prices has to be rejected. But simply to raise them has been shown to be an equally false approach. Enough has been said to suggest that incentives for farmers are by no means wholly—perhaps not even mainly—a matter of prices. A second article will consider what alternative incentives might be employed.

* "Some Economic Aspects of Increasing Farm Output." By C. H. Blagburn. University of Reading Department of Agricultural Economics. 1951. 5s.





The Lisbon Meeting

THE list of matters to be discussed at the Lisbon meeting of the Atlantic Council is portentous, even if the decisions that can be taken there are comparatively few. It includes first, the political items — the relations between the North Atlantic Organisation as a whole and the new European defence community which it is to embrace—and the Middle East Command. These are matters on which the decisions, if there are to be any at all, will be taken in Bonn, in Paris and in Cairo rather than in Lisbon. It is, in fact, unlikely that any of them will be decided before February 16th. Secondly, there is the question of increasing the effectiveness of Nato's own organisation ; but the answer to that must depend on what the military programme requires and the political developments permit. It is the military programme itself on which the decisive judgment must be passed at Lisbon.

The Atlantic Council will have to decide how quickly, and by what stages, the present complement of 20 divisions in Europe under the command of General Eisenhower (or his successor) can be increased to the 40 divisions which are the minimum requirement. The report completed just before Christmas by the Three Wise Men—Mr Averell Harriman, M. Jean Monnet and Sir Edwin Plowden—did not make this programme any easier of attainment. But it did make realistic discussion possible, since for the first time the military requirements were brought into relationship with each country's economic possibilities. The fact that Ministers of Finance are pleading that the wise men have asked too much, and the generals are arguing that they have recommended too little, suggests that the wise men themselves have struck as good a balance as possible in a situation where a perfect balance is impossible.

The Lisbon meeting will have to discuss two main parts of the Harriman—Monnet—Plowden report. There are the recommendations to the separate nations that they increase (or in some cases, as in the United Kingdom, merely maintain) the planned level of their defence expenditure in 1952-3, and the governments' replies to these recommendations. And there are some general suggestions about working principles for the future. It would be unrealistic to suggest that the Council will in fact be free to reach any decisions on the first part beyond what the separate governments are themselves prepared to implement. This is the nature of Nato: it is an organisation of sovereign powers which depends in the last analysis on the decisions of national governments. What it can do is to exercise the arts of persuasion and ensure that when the sovereign powers take their decisions, they do so with common needs in mind. The wise men's report has explained what these needs are more convincingly and with greater authority than it has ever been done before. At Lisbon, many of the countries of Europe whose economies are already strained will agree to increase their efforts by half the amount demanded of them by the report. Furthermore, they will all accept the principle on which these requests were based: that their limited resources will be better concentrated on finding troops in 1952 than on fulfilling grander and more perfect plans by 1954.

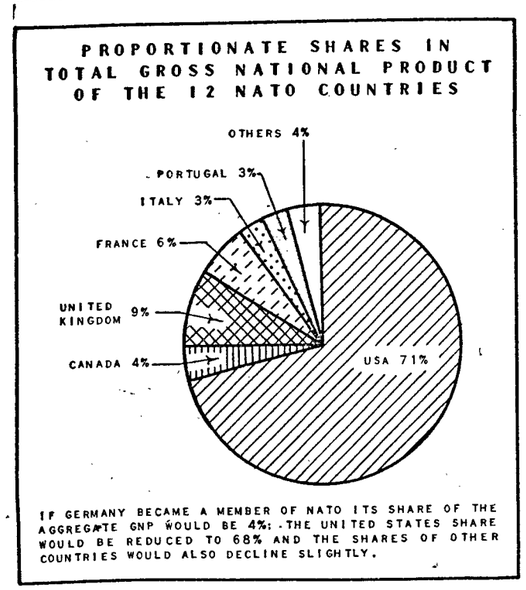
*

In addition to their recommendations for each country's programme, the wise men made two suggestions of a general nature on which there will be discussion, and there may be decision, at Lisbon. These were that periodic reviews of programmes and progress, on lines similar to their other report, should become a permanent and central feature of the work of Nato; and that, in the light of such an exercise, American aid should in future be divided multilaterally—that is, put into a central pool and divided by mutual agreement—and not, as at present, by bilateral agreement between the United States and each separate member. On the first point, the wise men are indisputably right. The Lisbon meeting will fail if it does not agree that the main, continuing function of the central body of Nato should be to balance each year, perhaps more often, what countries can do economically and what is militarily required of them. This is the nearest and the best that Nato can approach to a pooling of sovereignty in the economic field. The next step is to create an organisation under which it can be done regularly under normal conditions.

On the size and form of dollar aid, there are a number of things which should be said. The Council can with strict propriety discuss only the $6 billion which Congress has already appropriated for the year from mid-1951 to mid-1952. This sum is in the process of being allocated between European countries—mainly on the basis of where the need is greatest—by the Mutual Security

Agency of the United States, and the main outlines of the distribution are becoming clear. Of the total, $1 billion will, under the express provisions of the Act, be for "economic purposes," plus a further $500 million transferred from the "military" fund. As interpreted by the MSA, that means that this sum can be spent in the United States, and in some circumstances in Canada, on commodities indirectly connected with rearmament. These range from non-ferrous metals to wheat. Of the remaining $4.5 billion for "military" purposes, some will be spent in Europe, on equipment bought by the United States for the European forces of Nato, and some (in practice by far the larger part) on American equipment for the same purpose. The Americans believe that expenditure in Europe under this head may be $600 million, and even this cannot be spent at once.

The Atlantic Council will be wasting its time if it discusses whether $6 billion is enough; on that,



Congress will insist on being the sole arbiter. But Congress might well listen to the Council's view on whether this distribution represents the best way in which $6 billion can be spent in furthering European rearmament. The answer to such a question can only be in the negative—and for two reasons. In the first place, the distinction between "economic" and "military" on which Congress has insisted is utterly false. It becomes not only false but dangerous when it leads Congress into the fallacy of believing that rearmament will be less affected by cuts in economic aid than by cuts in military aid. Rearmament is not merely or even mainly a question of finding the equipment for an army. It is a question of diverting economic resources—men, materials and money—away from the civilian needs of the economy. It is in this diversion that Europe needs help from America, particularly as it directly affects its capacity to balance its trade accounts. And it is in this that it is at present receiving comparatively little aid. In the second place, even the economic aid which is available is not in fact being given in the most valuable form. After Congress had insisted on reducing the total for economic aid, it seemed that the Administration, in sympathy with Europe's needs, was going to do all in its power to meet them by a broad interpretation of the terms of the Act. The decision to use some of the "military" funds for purchases in Europe was an example. But even the Administration seems to have missed a vital point in Europe's problems. It is insisting that the "economic" funds shall be used for purchases in the United States. But Europe, though it needs to buy things in the United States, has another, equally important, need. It urgently needs reserves of gold and dollars to finance the normal fluctuations of its trade with the world as a whole, including the United States. Every country in Europe—even Belgium—has so narrow a margin of reserves that its economy is utterly vulnerable to the effect of inevitable swings in trade. Compared with the prewar level of reserves, the margin is impossibly narrow. The best thing that the Administration could have done—and the most economical from its own point of view—would have been to allow Europe to decide for itself how it would use its "economic" dollars.

*

While the Lisbon meeting should be explicit on these points, it should perhaps be less definite on the question of how American aid should be distributed in future. The wise men's suggestion of a multilateral division in the light of a reasoned survey of the situation is intellectually right. It satisfies the desire not only to be fair to everyone, but also to make the idea of equal partnership in Nato a reality. The United States can never be anything but the strongest partner; under the wise men's scheme America would at least be a partner and not, as at present, a patron. But such a scheme would be practically desirable as well as intellectually right only if it could be done without a great deal of detailed planning—planning of the kind which has wasted time and tempers for too long in the subsidiary organs of Nato.

It is right for Nato to survey; it must be wrong for it to plan. In the first place, it is in no position to plan. It is dealing not with a "still" but with a kaleidoscopic situation, continually shifting in all its parts. Even the wise men's own suggestions have been thrown out of date by the fact that France, because of the fighting in Indo-China, cannot meet its target of 15-20 divisions in Europe by the end of the year. Nato will devise its own failure if it puts itself in the position of being judged according to its fulfilment of a precise plan. In the second place, detailed planning for rearmament in twelve countries tends to obscure the reality, which is that on the rearmament of four countries—the United States, Britain, France and Canada—depends the real strength of Europe's defences. These four alone cover 90 per cent of the productive resources of the Atlantic community. This fact has been lost sight of for too long in the attempt to draw up a master plan.

*

In giving itself a new organisation, Nato will be well advised to recognise the essential difference between its functions in the economic and the military spheres. Where there is a specific job which has to be carried out internationally, then clearly there must be an international plan and an international staff to execute it. The military standing group has had to plan its strategy and the military requirements of that strategy. General Eisenhower in Shape has had to plan the disposition and supplies of his forces. All this follows from the decision, accepted by all, that there shall be only one strategic direction of the combined forces in Europe of the alliance.

But the Atlantic Council cannot plan the disposition of the economic, productive and financial resources of the twelve countries represented on it. Those matters must be decided by the national governments—at least until such time as there is a super-government able and willing to take responsibility for such things as employment, wages, taxation, imports, exports and currency deficits. The different national programmes can be "co-ordinated," in the sense of being marginally adjusted to each other—but this is very far from planning. It follows that Nato, in its general and economic as opposed to its military functions, would be wrong to have a complicated organisation or to try to tell the national governments in too much detail what they should do in matters that inevitably remain within their own jurisdiction and responsibility. Nato's task is to survey, to compare, to adjust, to propose—which suggests that the main weight of its organisation should be on the national delegations rather than on a large staff of its own, who would inevitably be divorced from the considerations on which decisions are in fact based. By the same token, it would seem wiser that the chief executive of Nato on this side of its work should be a secretary-general, a supreme liaison officer, rather than a director-general who would find that he had little to direct. The conception of an "economic Eisenhower," which has been in some minds, ignores the essential difference between the strategic and economic tasks of Nato. The governments are willing to entrust their strategy to a Supreme Commander; they are not willing to entrust the management of their economies to a Director-General—nor, in fact, could he possibly do the job if it were given to him.

To say this is not to try to set limits to the growth of Nato's functions and powers; it is only to point out the limits that are set by the nature of the case. Nato cannot be strengthened by giving its nether limbs powers which they could not carry out. Nato can be strengthened in its top organ, by making the Council itself a much more effective body, sitting in permanent session and attended by men of ministerial rank empowered to speak and decide for their governments. Proposals to this end will be before the Council; they should have first priority at Lisbon.

NOTES OF THE WEEK

Her Majesty's Government

In the past the accession of a new sovereign has at times introduced a new element into an already complex political situation and has thereby changed the course of Parliament. Queen Elizabeth ascends the throne unencumbered by hazards of this kind, but inevitably there is an interruption of Parliamentary business. The oath of allegiance must be taken; the solemnity of the occasion must be fitly observed; and, above all, Members of Parliament wish to pay especial respect to the memory of a man who worked so hard and so unostentatiously to perform his singularly exacting duties.

It seems likely that Parliament will not be fully at work until the week after next. That will bring the House of Commons within a fortnight of the budget and greatly increase the pressure on Parliament's time. Some special arrangement may be necessary to give Her Majesty's Government the time needed for legislation and for other urgent business.

The controversy on foreign affairs was broken off unfinished, and relations between Government and Opposition on this point cannot be left where they are. Either the Opposition must withdraw the motion of censure on Mr Churchill that it has tabled, or the debate must be resumed later. Mr Churchill, who was to have spoken in the debate on Wednesday, can hardly allow the motion to remain unanswered or unchanged. But time for general debate will be hard to find. Much other business is accumulating. Several Government bills have already been published, but have yet to start their Parliamentary career, and among them the National Health Service Bill is highly controversial. It seems unlikely that the Steel Bill, which has yet to be published, can now make much progress while the House is busy with estimates, the budget and the Finance Bill.

* * *

Defence Costs

The Prime Minister gave little satisfaction to Mr Bevan and others who questioned him about the defence programme on Tuesday. He confirmed that the Government does not intend to take the heroic measures that would now be necessary in order to complete the programme by March, 1954, after all. He considered it "inevitable" that rearmament should be spread over a "somewhat" longer period, but he would not be more definite.

Incidentally, however, Mr Churchill did confirm guesses about the size of the budgetary burden that defence may impose this year. He referred to an estimate that, with the rise in prices, the original programme would now cost £5,200 million instead of £4,700 million. This implies that what was originally planned for the second year would now cost over £1,800 million; if the current lag were also being made good, Mr Butler's budget would have to find nearly £2,000 million in order to bring the nation's defences to the state that was intended by March next year. That is to say, defence expenditure would rise by some £800 million compared with the year ending this March. It is too soon to guess how much less ambitious than this the Government's actual proposals will be, but they certainly must involve a sharp increase in expenditure. While the expansion in revenue from existing taxes will also be large, it can hardly be as big as the extra arms bill. That is Mr Butler's budget problem before the reduction in imports and the additional need for disinflation are taken into account.

* * *

Drugs, Wigs and Fillings

The postponement of the second reading of the National Health Service Bill may give Parliament a chance to debate it with more knowledge of the financial background of the service than it would otherwise have had. All that is at present known is that the limit of the cost to the taxpayer is to remain at £400 million a year. What is not yet known is whether all of the proceeds of the new changes are necessary to keep the cost of the health service within this limit or whether there will be a balance in hand. One detail given by Mr Crookshank in last week's debate does, however, justify, if nothing else did, the charge on prescriptions. He said that the total bill for prescriptions is now more than £50 million a year. This is well over the amount estimated

for the pharmaceutical service in the present year, which was £43.6 million, and it compares with the £39 million actually spent in 1950-51.

The new Bill enables the Government to impose charges for drugs, as well as wigs and other appliances, prescribed for hospital out-patients. But for the charge for drugs prescribed in the general medical service, the Government is using the powers granted by the National Health Service (Amendment) Act of 1949. Since the Labour Government did not make the relevant regulation, the exact form of the charge was not made known. It is understood that the present Government will impose a maximum charge, payable to the chemist, of one shilling for each prescription form, no matter how many prescriptions there are on the form. Provision will be made for people on national assistance to reclaim the charge. The Government, unlike the Labour Government, evidently does not intend to exempt old-age pensioners as a class. No doubt it will be pressed to do so, but it should resist all attempts to secure wholesale exemptions. After all, for most people the charge will be purely a token one. Even those who are dependent on a regular supply of a drug need pay no more than a shilling a month.

A stronger case for exemptions can be made in the proposed charge of a pound, or the full cost if it is less, for dental treatment. Schoolchildren and expectant and nursing mothers are already exempted. But there is an argument for extending the age limit for children from 15 to 18 or 21—if need be, by increasing the charge that adults have to pay. In the long run, free dental treatment for children and adolescents should yield economies in the dental service as a whole.

* * *

Foreign Affairs Debate

Speakers in the unfinished foreign affairs debate that began on Tuesday had no opportunity to get to grips with the problem of fitting Western Germany into Europe. It was unfortunate, because it is a fact that Franco-German relations have suddenly and seriously deteriorated, whatever assurances may be given to the contrary. At the moment of writing, the Bundestag which approved the Schuman Plan seems unlikely to approve the proposals for a European Defence Community. Indeed, the future of Dr. Adenauer and his European policy may be in jeopardy. It is possible to dislike the defiant and irritable mood that has shown itself in Bonn and yet understand that the French action in appointing an ambassador to the Saar is a clear breach of the spirit of trust in which the French Foreign Minister and the German Chancellor have been working together. Mr Eden said he believed this and other difficulties could be solved "by patient and intelligent statesmanship"; the appointment of M. Grandval was neither patient nor intelligent. It lent credibility to the malicious charges of Dr Schumacher and weakened the Chancellor's position at a crucial moment.

What is going on in Western Europe at the moment is in substance, if not in manner, revolutionary and Mr Eden's survey glossed over the difficulties, the need for speed and the contribution that Britain could make in bringing and holding the countries together. It had been hoped of him that he would give more time to an exposition of objectives—especially in his German policy—and less to a somewhat debonair survey of the facts under his eyes.

* * *

Mr Eden in Paris

British and French foreign policies are now more in line than for a long time past. This is partly due to Mr Eden's return to the Foreign Office and partly to the recent trends in those areas of the world where interests lie alongside—Western Europe, the Middle East and the Orient. The Foreign Secretary's flying visit to Paris at the end of last week was one of the most cordial and successful meetings of British and French statesmen since the war, and will help M. Faure's government over a difficult period.

In addition to discussing the progress of the European Defence Community and relations with Germany, Mr Eden gave M. Schuman an account of the talks which he and Mr Churchill had with President Truman and Mr Acheson in Washington. The most important part of their talks concerned the Far East, and Mr Eden assured the French—as he assured the House of Commons—that Britain had undertaken no new commitments. On the other hand, Mr Eden and M. Schuman are understood to have agreed on the need to back the Americans fully in warning the Chinese against the possible consequences of breaking any Korean armistice. If this attitude were to lead to the open intervention of Chinese troops in Indo-China, Britain, as well as the United States, would be under a strong obligation to drop their present hesitations and to render the Vietnamese government whatever assistance lay in their power.

When Anglo-French relations are bad, it is usual to seek the root of the trouble in the Middle East. On this occasion Mr Eden was able to bask in the new warmth that has been created during the past six months. Britain's retreat in Persia and its stand in Egypt have together allayed French distrust of Britain's previous success in trying to make terms with local nationalism. Each power now needs the support of the other. The *rapprochement* offers the opportunity to formulate a positive joint policy that takes account of the present mood of the whole Arab world.

* * *

Wider Horizons for Egypt

By issuing firm instructions on what is and what is not to be done, Aly Maher Pasha, Egypt's new prime minister, has done his country a great service. Public confidence is returning daily; Cairo shopkeepers are resuming business in their ruined premises; many of those suspected of organising the riots have been arrested, including Ahmed Hussein, the leader of Egypt's shirt movement when shirts were fashionable, and now a master of subversive patter. Road and telephone communications with the canal zone have been partially restored, and Egyptian contractors, and even Egyptian labourers, are inquiring whether their old contracts and jobs are still open there.

These signs draw attention to several important points. The authority of the Crown, which has often been underrated and called unpopular, is still an effective instrument when used as King Farouk used it last week; for example, it commanded the absolute loyalty of the army. (Would not the Shah of Persia like to be sure that he could do the same?) The pasha class is still respected and obeyed the moment it acts for the public safety or welfare. The whole of the better-to-do-class is, for the moment, showing the prudence which comes of having looked into the abyss of revolution. Lastly, though the "broad masses" possess leaders who can organise hooliganism, they possess none of the qualities that hold men together in moments of failure.

*

Aly Maher has spoken openly of the Middle East Command and the security pact between Arab states as matters for discussion with his new National Front Committee of twelve. But that body includes two of the Wafd's most intransigent members, bent on fulfilling the "national will," which is that the British should leave and recognise the Egyptian crown's title to the Sudan. The words "reopening

of negotiations" are on its lips and it is ready to talk instead of shoot, but its purpose is likely to be as inflexible as that of its predecessors.

British statesmen have, therefore, to make up their minds whether it is worth negotiating on a basis of which the difficulties are plain to see, or whether some entirely new approach would not be wiser. The British objective is something more than to make terms with Egypt; it is to organise Middle East defence. An atmosphere less poisoned by memories could be secured if it were decided to summon—perhaps in the joint names of Britain and Egypt—an area defence conference of the four western states concerned and of four states representing the Arab League. Educated Egyptians have now seen the danger threatening at home; such a conference might direct their attention to external dangers that may be less pressing but are no less great.

* * *

Retirement without Rule

A longer working life for civil servants has been under discussion for several months, and last week the Chancellor of the Exchequer wound up the negotiations with a decision that sixty will in future be regarded as the "minimum age of retirement," and not as the "normal age of retirement." The departments will be able to retain the services of efficient civil servants up to the age of 65, and the general aim will be to keep them as long as possible. In practice they were able to do this already; a number of civil servants are over sixty. But the new statement of principles may have an important psychological effect in three ways. The departments will be less apt to let a good man go without trying to stop him; the civil servant will no longer expect to go at sixty—and he will be more ready to stay because his subordinates will no longer expect him to go; and, finally, the civil service thus gives a lead to industry in a policy that is clearly in the national interest.

While the ever-increasing proportion of pensioners in the population makes it desirable that people should work longer, the decision about civil servants' retirement involved serious controversy. The fact that postponement blocks the promotion of younger men raises particular difficulties in the civil service, where salaries are rigidly fixed according to grade. The staff side of the National Whitley Council was naturally concerned about this, and made two counter-proposals: that members of junior grades who worked after sixty should do so in a lower rank; and that senior members should be retired at fixed ages, the higher the grade the lower the specified age. The Treasury rejected these proposals because they would have reintroduced the rigidity it sought to avoid.

Indeed, the success of the new system will depend on its flexibility. Financial pressure may make an increasing number of people willing to stay on, and it is important that the departments should not accept them automatically but apply firmly their criteria of efficiency and the best interests of the service. This will not be easy; but clearly the service will not be efficient if able men are fuming in subordination to men who have passed their prime.

* * *

Packing the Secondary Schools

The cuts in the school building programme, and the makeshifts that will be necessary in consequence, are tolerable only because the present overcrowding of the schools will not last long. It will last until the exceptionally large crop of children born just after the war has left school—in other words until about 1961. Those children are now crowding into the primary schools, and the peak number of entries will be reached this year. After 1956 the "bulge" in the school population will move into the secondary schools, and in 1961 numbers will begin to fall.

It is against this background that the Minister of Education announced this week that expenditure on school building in 1952-53 is to be held at its current level. Building for further education, except industrial training, is being stopped, and the school programmes are being slowed down. The effects on the schools will not be felt immediately, since projects already started will provide 400,000 new places, three-quarters of them in primary schools. As it takes three or four years to plan and build a school, the places that have not been provided will be missed in 1955 and 1956, when the bulge will reach the secondary schools. School building will not be held up on the new housing estates, but elsewhere the existing schools will be put to strange shifts. They are asked to increase the number of classes by making fuller use of practical rooms, such as laboratories and art rooms; when the bell rings, presumably, the classes will rush in search of an empty room. The secondary schools must also house their pupils temporarily in primary schools, which by that time will have places to spare. In rare cases it may be possible to move a primary school's pupils elsewhere and to convert it into a secondary school; and where the primary school is next to the secondary, it will be possible to use it as an annexe. But more often pupils will have to be left in the primary schools for anything up to a year extra.

The Minister could do no more than hope that the children thus left in the primary schools would not be late in starting their secondary curriculum. Miss Horsbrugh said that the practical details had still to be worked out with the local authorities; but her inability to give a more positive assurance is disturbing. By considerable ingenuity in staffing and transport arrangements it may be possible to bring secondary education to the primary schools in the towns; but how is this to be done in the rural schools,

'Clydella' lasts longer

Sizes 38 to 44 inches chest. Price 69/11d. (Includes Purchase Tax)

'Clydella' pyjamas, famous for long service, never lose their softness, warmth or colour. We shall be happy to send you a selection of patterns of men's Shirt and Pyjama fabrics, upon request to Dept. Er/S, William Hollins & Company Limited, Viyella House, Nottingham. If necessary, we will give you the name of your nearest shop.

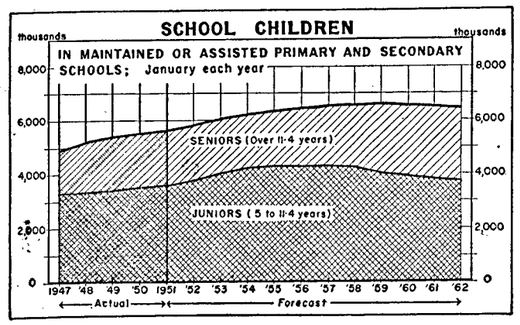
There's nothing to equal 'Clydella'

IF IT SHRINKS WE REPLACE

MADE BY THE MAKERS OF 'VIYELLA' AND 'DAYELLA'

F2/1

where there may be only two or three teachers? Admittedly it would be foolish, among all the other claims on the nation's resources, to double all through the system the places that have already been provided at the primary stage, and for which the worst of the need will have passed in ten years'



time. But while the Government insists on believing that the country can afford a bigger housing programme, it would be entirely wrong to push the economies in school building to extremes.

* * *

Spreading the Towns

The general purpose of the Town Development Bill, published this week, is to help relieve congestion and overcrowding in the large cities and industrial areas of Britain. Not only the large cities, such as London, Manchester, and Liverpool, but a surprising number of other towns have "surplus" populations which cannot be accommodated (on the basis of good planning standards) within their own areas. The problem is increased—in some cases it is produced—by the artificiality of many urban boundaries. Planning schemes thus require that a large part of the housing needs of county boroughs and of the LCC should be met outside their own areas.

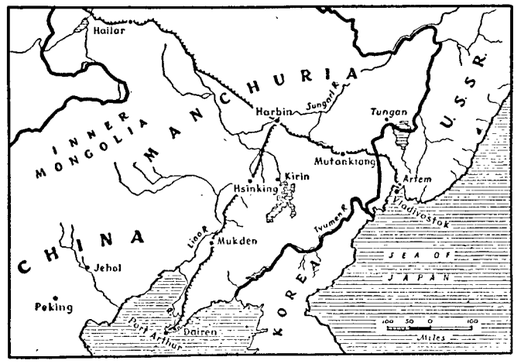
The Bill proposes to meet this problem by providing financial assistance for those county district councils which can act as reception areas for surplus population from the large towns. It also enables county councils as well as the "exporting" county boroughs to participate in the scheme either by undertaking part of the work or by providing financial assistance. This is an essay in local government co-operation, and the modest success which is already being achieved by overspill schemes of this sort in Lancashire and Staffordshire suggests that its methods are perfectly feasible. The Bill provides for an Exchequer-contribution which may be used for a variety of purposes, including the acquisition and development of land, the provision of water supplies and sewage disposal, and that part of the housing subsidies which would otherwise fall on the rates. This aid is necessary because it is unfair and unpractical to expect small councils to meet the requirements of their big neighbours out of their own resources. But could not the big neighbours be made, instead of being allowed, to contribute? The Bill leaves the amount of the Exchequer subsidy to be settled on the merits of each case.

The Bill is a commendable effort to bring housing into line with the requirements of good planning, which is all the more necessary after Mr Macmillan's recent pronouncements. But it avoids the difficulties of allocating financial burdens among numerous local authorities by the simple device of throwing on the Exchequer costs that should properly fall on the rates. In so far, however, as the Treasury takes a niggardly view of its liabilities (as it is perfectly entitled to do), the scheme may not work at all—for there are obvious difficulties in compelling local authorities to participate. But it deserves a fair trial, and the Bill is certainly preferable to continued inaction, provided that its adoption does not delay the search for a formula which will adapt the local government system to the requirements of good urban planning.

* * *

Sino-Soviet Treaty Anniversary

On February 14th China is to celebrate the second anniversary of its treaty of "friendship, alliance and mutual assistance" with the Soviet Union. Two sections of that treaty are today of great significance. The first is the actual alliance agreement, which binds each partner to render military assistance to the other in the event of attack by Japan or "any State uniting with Japan, directly or indirectly, in acts of aggression." Since Japan was completely disarmed and under Allied military occupation at the time the treaty was concluded, it must be inferred that its authors regarded the United States and other western powers, rather than Japan itself, as the foe against which the alliance was to be directed. Moreover, since the United Nations forces have been carrying on the war in Korea from bases in Japan with the non-belligerent co-operation of its government, they can be represented as "uniting" with Japan. If, therefore, the war which the Chinese Communists have been waging in Korea were to be extended by operations against Chinese territory, Peking would have grounds for claiming that the *casus foederis* had arisen. Whether the Russians would agree or not would depend entirely on their will, or lack of will,

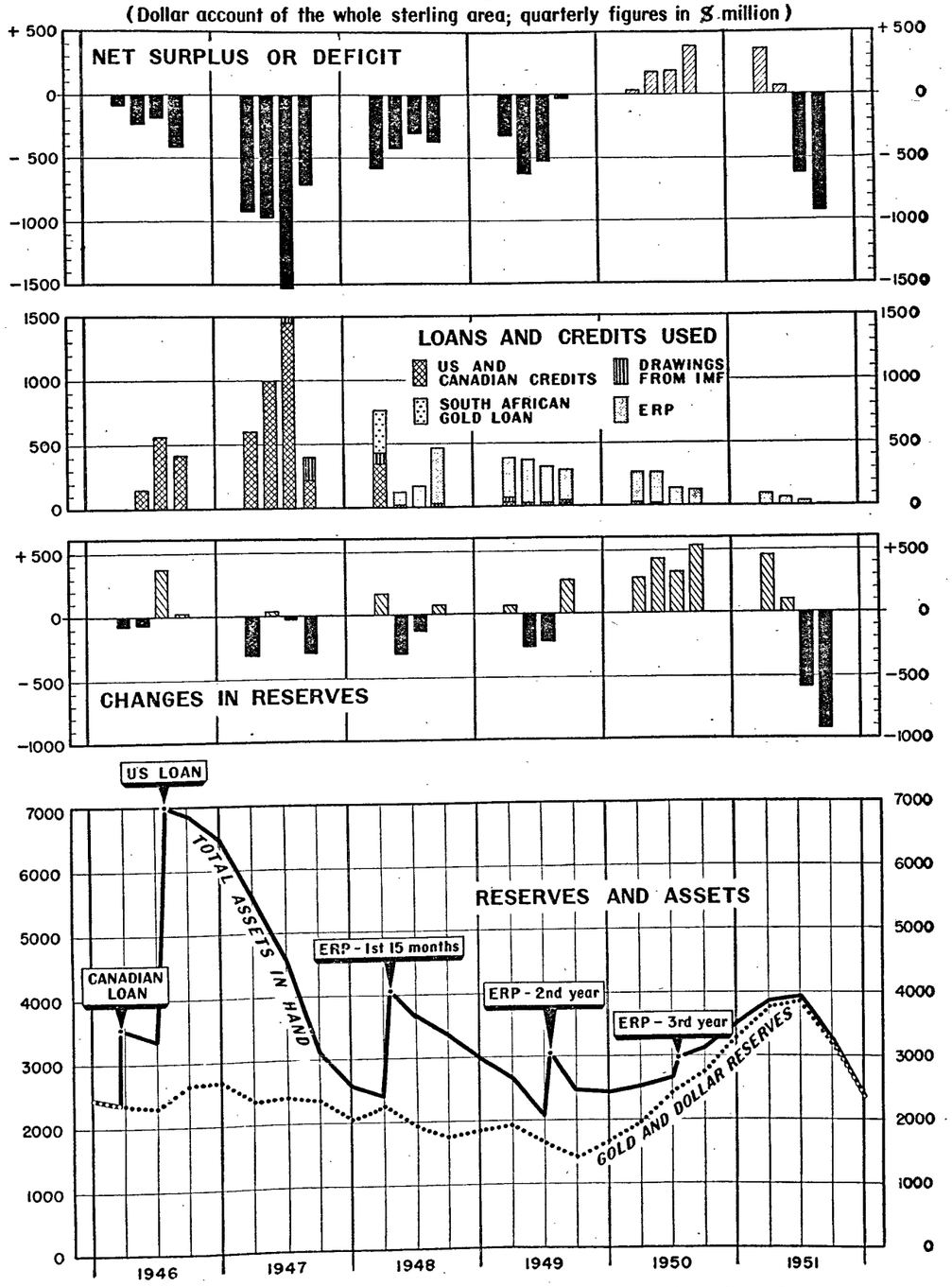


to enter on a major war; if war were desired, the obligations of a treaty of defensive alliance could be invoked, but if it were wished to avoid war, they could escape responsibility on the ground that Japan was not involved in the "aggression." In any case, the western powers, in considering what action to take if the Chinese either continue to agree to reasonable truce terms in Korea or violate a truce after it is made, must take full account of the risk of open Soviet intervention on China's side.

The other provision of the treaty which is now of outstanding importance is the Soviet undertaking to restore to China control of the Port Arthur naval base and the Manchurian trunk railways "immediately upon the conclusion of a peace treaty with Japan, and in any case not later than the end of 1952." These Soviet rights on Chinese soil were generously granted by the British and American Governments at Yalta, and subsequently confirmed under *force majeure* by the Chinese Nationalist regime; Stalin's agreement to relinquish them by the end of 1952 was regarded as a diplomatic triumph for Mao Tse-tung in his negotiations in Moscow. The present year is the last in which it can hold these key positions by legal right, and it will be interesting to see whether there is a complete withdrawal of the Soviet garrison and air force now stationed at Port Arthur, or

STERLING AND THE DOLLAR, 1946-1951

(Dollar account of the whole sterling area; quarterly figures in $ million)



The three top charts show the sterling area's dollar deficit or surplus in each quarter and how it was financed. In the graph, the resulting movement of the dollar reserve is shown in the lower (dotted) line. The black line above attempts to represent the varying size of total dollar resources by adding to the reserve the unused portions of the dollar aid received from North America. In the case of ERP (Marshall Aid), the actual allotments were not known at the beginning of each period, and there was a time-lag in the drawing of the funds; but the sums eventually received were known at the beginning of each period accurately enough to be relied on as an asset in hand.

whether some Soviet forces will continue to be kept in Chinese territory as part of a scheme of military co-ordination within the framework of the alliance. It is no light matter for the Soviet Union to abandon altogether such a strong forward position as it now holds, even though Mao Tse-tung's Government may be regarded for the time being as a reliable ally protecting the Soviet eastern front. Moscow may be expected to press for some informal arrangement which will publicly save Mao's face but still keep a Soviet foot inside China's door.

* * *

Japan and China

In spite of fears expressed in this country, nothing has happened to show that the Americans were wrong to suggest to Mr Yoshida, the Japanese Prime Minister, that he should come to terms with Chiang Kai-shek. In his now famous letter to Mr Dulles of December 24th, Mr Yoshida made it clear that "the terms shall be in respect of . . . all territories which are now or which may hereafter be under the control of the National Government of the Republic of China"—no more and no less. Mr Yoshida's Liberal Party forecast last summer that he would have to make this move sooner or later. It has been bitterly attacked both by business men and by Mr Suzuki, the right wing Socialist leader; but neither onslaught seems to have seriously weakened the government's position. Mr Yoshida, by taking this step at this stage, is helping to secure ratification of the Japanese peace treaty in the American Senate, without blocking the way to any separate commercial or political agreement with Communist China.

Where the Americans were unwise was in their suggestion to Mr Yoshida that he should, as an alternative to what has actually happened, recognise Chiang Kai-shek as the ruler of all China. In rejecting it the Japanese have shown their independence of view and have set a precedent that it might pay others to follow. The British feared that too much pressure on the Japanese would encourage hostility to the West in Tokyo and that recognition of the Nationalists would make trade with the mainland of China impossible for Japan, thus increasing its trade rivalry with Britain in South and South East Asia. In neither respect is there likely to be any special cause for worry. Now that the Japanese are shortly to resume sovereignty, their present leaders look like fostering their own interests very skilfully, whatever the West may do. Their interests hardly coincide with those of the Communist powers, although the latter will certainly woo them with the lure of trade and by other methods. The process began with Stalin's unusual New Year message to the Japanese people. It must seem to their leaders that, if they play their cards carefully, they may yet get the best of both worlds.

* * *

World Bank and Persian Oil

The World Bank is likely once more to try to get Persia to help itself. It may send a new mission to Teheran to discuss Dr Mossadegh's objections to its scheme for restoring the flow of Persian oil. The offer which the mission would explain and, perhaps, amend was a new departure for the Bank, which has so far not gone beyond financing long-term productive credit and giving advice. This proposal is that the Bank, in order to get the oil moving into world markets, should become the trustee of the nationalised Iranian Oil Company's properties; that it should select a "neutral top executive group," responsible to itself, to operate extraction and refining; and that it have the right to hire and fire staff and otherwise secure efficient management. It was to supply the funds needed to resume operations inside Persia, and it proposed to sell all exported oil to a bulk purchaser for distribution. After deduction of costs, profits were to be turned over, in proportions to be agreed, to three parties—the Persian Government, the wholesale buyer (the only one with the necessary facilities being the marketing organisation of the Anglo-Iranian Oil Company), and the Bank itself, which would retain its share on trust pending settlement of Persia's dispute with Britain.

Dr Mossadegh rejected this scheme on a number of grounds. He insists that the Persian Government retains "full authority"; and he refuses to admit that the British company is entitled to any share of profits as a return for the money, brains and enterprise that it has put into the industry. ("Who," he says, "has ever heard of a customer sharing in profits?") If the Bank were to proffer help without insisting on some rights for the oil company, it would be showing the world that it pays to expropriate; but Persians do not see this point.

*

The Bank has had ample evidence of the drawbacks of Persian management. Since 1948 it has sent mission after mission to study loans for specific projects; but no loans have materialised, chiefly because poor government or unsound finance at the Persian end offered no prospect of a genuine and efficient productive effort. If Dr Mossadegh insists on full Persian control, the prospects of compromise with the Bank are dim. Yet his price can scarcely be less. For it is he who in 1944 introduced the Bill which made it an indictable offence to grant new oil concessions to foreigners without the approval of the Majlis. He has never yet swerved from that policy, and he is unlikely to do so now when Persia is in slow process of holding a general election. The Bank would be wise to wait until this is over.

* * *

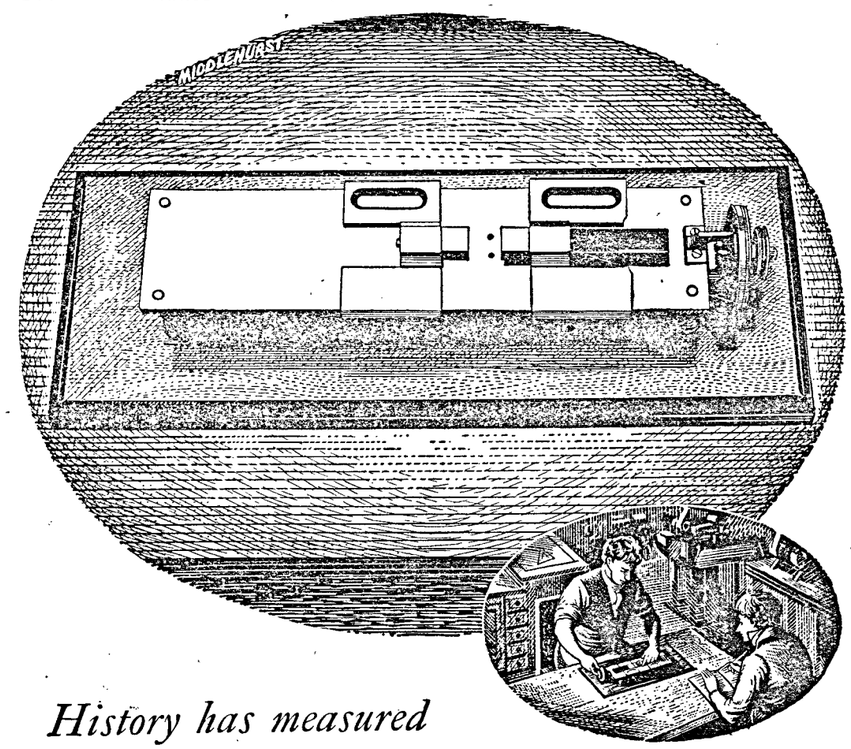
Ireland and the Crisis

The Irish Republic was not represented at the Commonwealth finance conference last month, but it caused no surprise in London or Dublin when Mr Butler announced that he has invited the Irish Minister for Finance, Mr MacEntee, to come to London to discuss the problems of the sterling area. Our correspondent in Dublin reports that the Commonwealth Ministers' statement of policy had been read with attention there. Few countries have a greater interest than Ireland in the stability of sterling and in any policy that will lead to its convertibility. The Irish sterling balances were estimated at over £400 million gross a few years ago, and even after heavy drawings they must still be substantial. These holdings are the result of commercial transactions. They take the form of British Government securities or of shares in British companies bought in the market; in a true sense, they represent the savings of the Irish people.

It also goes without saying that convertibility is a major Irish interest. In 1950 Ireland had a surplus in transactions with the United Kingdom of £17.4 million, only in part offset by a deficit with the rest of the sterling area of £6.8 million. But in overseas payments as a whole Ireland's deficit was £30 million, of which £15.5 million was with the United States and Canada. The deficit in 1950 was thought then to be heavy but it was almost doubled last year. It seems probable that when detailed figures are published, Ireland will be found to have been in deficit with the United Kingdom in 1951. However that may be, the traditional pattern of Irish trade and payments was that shipments from outside the sterling area were met by earnings within it, and it is this that chiefly governs the Irish attitude.

There are some wider aspects of the problem that Mr MacEntee will want to emphasise in London. It has

Proud Inheritance



History has measured his genius with accuracy....

Of the private life of Henry Maudslay only a little is known, but of his engineering genius historians can tell us much—since his passion for accuracy and perfection of finish led him to introduce many developments in manufacturing technique which have since become common-places of precision engineering. The first slide-rest and the screw-cutting lathe were his inventions, as were the punching and shearing machines and the table type of steam engine, and in 1805 his constant search for accuracy led him to produce the earliest micrometer, nicknamed by him "the Lord Chancellor". Now preserved in the Science Museum, South Kensington, it was officially tested in 1918 and found to possess a quite extraordinary degree of accuracy considering the date of its construction. Maudslay knew that without the machine real accuracy was impossible . . . but he also knew that fine machines were useless without fine craftsmanship. Were he alive today he would have thrilled to see the combination of both in the modern Maudslay plant in Warwickshire which bears his name: and the engineering precision and finish of the heavy commercial vehicles produced there would satisfy even his meticulous standards.

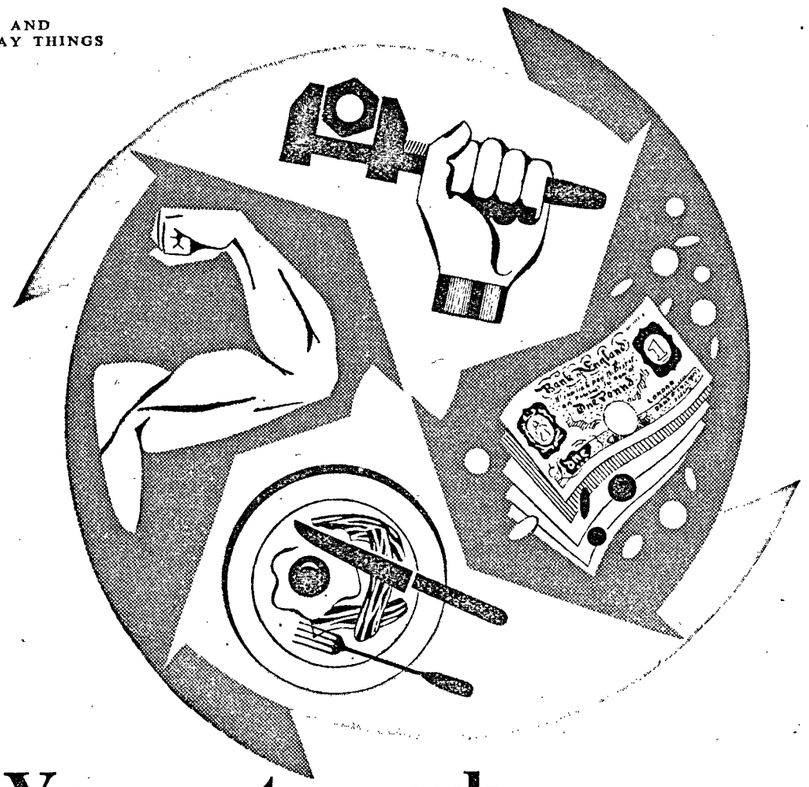
MAUDSLAY

HONOURED NAME IN ENGINEERING HISTORY

The Maudslay Motor Co. Ltd., Castle Maudslay, Warwickshire, is a member of the Group of Companies controlled by Associated Commercial Vehicles Ltd., of which the Selling Organisation is

A.C.V. SALES LTD., 49, BERKELEY SQUARE, LONDON, W.1. *Telephone:* REGENT 2141

6 SCIENCE AND EVERYDAY THINGS



You go to work

to earn the money to buy the food to give you the strength to go to work to earn the money . . . and so on and so on. Some people would call that a *Cycle of Energy.*

There's another Cycle of Energy in the various forms of transport that take people to work. Think of it this way. Coal is set on fire to raise the steam to drive the turbines that make the electricity that works the motors that make the train go—all *energy* in one form or another. The energy of heat, the energy of movement, the energy of electricity . . .

But where do A.E.I. come in? They come in everywhere.

A.E.I. make mining equipment and turbo-generators; the transformers and cables that carry the current; the electric locomotives that use it up . . .

AEI Associated Electrical Industries

You have met the family:—The British Thomson-Houston Co. Ltd. Metropolitan-Vickers Electrical Co. Ltd. The Edison Swan Electric Co. Ltd. Ferguson Pailin Ltd. International Refrigerator Co. Ltd. Sunvic Controls Ltd. The Hotpoint Electric Appliance Co. Ltd. Newton Victor Ltd. Premier Electric Heaters Ltd.

been the complaint of Irish economists that the Irish farmer in the past did not take full advantage of his proximity to the British market; the farmer now replies that he has been discouraged by the unattractive prices offered by the Ministry of Food. The American investigation before the passage of the Marshall Aid Bill suggested that the best contribution that Ireland could make to European recovery would be increased food shipments to Britain. This advice was followed; a high proportion of Ireland's ECA dollars went in purchases of wheat and maize, designed to increase the traditional exports of livestock products. In the last eighteen months, British prices for bacon, eggs and poultry are said to have been pitched lower than the cost of feeding-stuffs and to have checked the export revival. Anglo-Irish trade is further complicated by the fact that a dollar-earning trade in Irish meat has sprung up. And, our correspondent concludes, failure to deliver all the promised British coal has led Ireland to spend more dollars in the United States. Recriminations need not, however, obscure the common interest in the future of sterling.

* * *

Federation Timetable

The Government's statement this week about its talks with Sir Godfrey Huggins, on the federation of the Rhodesias and Nyasaland, was noncommittal. So far, almost all discussion on the subject has centred on the Africans' attitude to the idea. Their rooted objection to any form of closer association has tended to overshadow criticisms of the form of closer association proposed by the London conference of officials last March. In the recent talks, in which the Governors of Northern Rhodesia and Nyasaland also took part, these criticisms were voiced, and as a result the governments of the three territories have been asked to inform the United Kingdom Government and each other of any changes they consider desirable in the officials' scheme.

These proposed changes have to be put forward by March 1st. The next step will then be the holding in London of the full conference that was adjourned at Victoria Falls last September. It was originally intended that this full conference should be resumed in July, but it is now proposed to hold it towards the end of April—a sign perhaps of the Government's wish to obtain an early decision. The April conference will consider the changes proposed in the original scheme and formulate what is called a final draft scheme of federation. This will then be published as a White Paper, and the four governments will afterwards decide whether or not to accept it.

The statement does not say whether the Secretaries of State for the Colonies and Commonwealth Relations agreed in principle to Sir Godfrey Huggins's objection to the proposed Minister for Native Affairs in the federal cabinet, nor whether they insisted that an equivalent safeguard of African interests should be substituted. Nor does it say who will attend the London conference or how the Africans will be represented. Nor does it give any indication of what will happen if, say, the Southern Rhodesian Government agrees to the final draft scheme and the protectorate governments object to it. It is equally silent on what will happen if all the governments agree to the scheme in the face of continued African hostility to it. It is to be hoped that before April the whole affair will be debated in Parliament and the Government asked to make its attitude clearer.

* * *

Church and State

The report of a commission of the Church Assembly* tackles anew the thorny question of the right relationship between the Church of England and the State. The extreme remedy of disestablishment, as a means of freeing the practices and worship of the Church from lay control, is firmly rejected. It would be a grave injury to each partner; it would be taken as an overt sign that the nation had cut adrift from the Christian faith, and it might not (probably in practice it would not) result in greater freedom of worship. Resentment in the Church at Parliament's brusque rejection of the revised prayerbook in 1927 and 1928 does not prevent the commission from recognising the important role of Parliament in maintaining the Church on a broad basis of worship; and it points out that

> However anomalous it may be, parliamentary control has in fact operated to prevent each successive school of thought in the Church first from being itself extinguished and later from dominating others.

Establishment has indeed given to the Church some of its distinctive qualities and has kept it from the narrowness as well as perhaps from the fervour of sectarianism. Disestablishment might well destroy its essential character.

Nevertheless, majority opinion in the Church, mindful of the humiliations suffered over the revision of the prayerbook, is anxious to secure for it a greater autonomy in spiritual matters. The commission's proposals for achieving this are more modest than many that have been made. It has three main suggestions. The most important is that a two-thirds majority of each house of the Church Assembly should be sufficient sanction for experimental deviations from the authorised form of worship. It is assumed—probably rightly—that Parliament, which would still retain ultimate control, would not withhold its approval from innovations which won general approval in the Church over a period of years.

It is also suggested that the Crown's appointment of bishops should be hedged with various new safeguards, although it is admitted that the present system works excellently in practice and produces men quite as pious and able as could any alternative devices. Finally, it is proposed that the judicial committee of the Privy Council should be replaced as the highest court for ecclesiastical causes by a new body comprising the two Archbishops and two nominees of the Lord Chancellor who are communicants of the Church. These modest and cautious proposals deserve early consideration as a way of meeting the Church's legitimate requirements.

* Church and State. Church Information Board. 2s. 6d.

* * *

Inflation in Eastern Europe

The annual report of the Economic Commission for Europe includes an attempt to assess, with the scanty information available, the extent to which the Communist satellites in Eastern Europe have become the victims of inflation. For some time Communist officials have plainly been as worried about inflation as their opposite numbers in the west. The extremely rigid and comprehensive controls that they are able to operate should to some extent put them in a better position to deal with it; but their freedom of manœuvre in the field of national policy is very limited. Their first duty is to carry out the ambitious plans of industrial expansion and rearmament imposed on them by the Russians, and by their imitation of Soviet methods. However carefully distributed and organised, too-rapid industrialisation is almost bound to have temporary inflationary consequences, if only because of the difficulty of providing sufficient foodstuffs and consumer goods to meet the needs of the rapidly increasing industrial workers.

The aid from the Soviet Union—"Molotov aid"—which might have helped to overcome this difficulty has not been forthcoming. And things have been made worse by the failure of the regimes to win the confidence of the peasants and get more food supplies from them. The scale of rearmament is shown in two instances: Hungary's budget for 1951

called for an increase in defence expenditure equivalent to 3 per cent of the national output in 1950; and in Poland there has been an increase which is "probably comparable" to that in Hungary.

The conclusions reached in the Commission's report confirm that the Communist leaders are not able to control the inflationary pressures for which their own policies are largely responsible. Both wages and prices have been steadily rising throughout the area and the former have not kept pace with the latter. The average real earnings of industrial workers have certainly fallen. In Hungary, for example, between the spring of 1950 and the end of 1951 average wages increased by 28 per cent; but prices of sugar, vegetable oil, pork lard and milk almost doubled, and those of bread, butter and beef almost tripled. Food consumption, which absorbs at least one-half of personal expenditure, has been kept down by inadequate supplies. Judging from the production figures, there seems to have been in most countries increased supplies of some types of consumer goods, particularly textiles and shoes; and the report estimates that the total volume of personal consumption in eastern Europe in 1951 increased by up to five per cent. But because of the migration to industrial areas of country people, whose standard of living is well below the average, the average standard of living of industrial workers has declined.

* * *

Perón's Promises and Problems

In a speech last week General Perón declared that Argentina's internal position had never been better. This claim is likely to obtain no more credence abroad than his assertion some months ago that the country possessed sixty million cattle. Two years of drought and eight years of misdirected effort have reduced Argentina, once a major participant in world trade, to the painful position of a country which must export or die but which has very little to export. The virtual disappearance of the country's formerly huge surpluses of wheat, maize and beef is largely due to the government's ruthless exploitation of the farmer for the benefit of its grandiose plans for industrialisation and of the industrial worker, the pampered child of *Peronismo*. Until recent months the rapid deterioration of Argentine agriculture has been hidden from the mass of the urban population by the holding down of food prices and the forcing up of wages. Both these policies have now, however, reached their inevitable conclusion. The hard-pressed farmer has cut his losses by raising less cattle and less grain, and the inflationary spiral encouraged by swollen pay-rolls is threatening to get out of control altogether.

The President, fresh from his successful disciplining of a restive army, thus confronts a new and more serious problem. The workers themselves, his main source of political strength, are unlikely to accept austerity quietly. Accustomed to plentiful food and even more plentiful promises of greater things to come, their reaction to meatless days, shortages of other foods, and the scarcity of imported goods which must inevitably follow the collapse of Argentine exports, is only too easily predictable. General Perón's action in releasing from prison the Socialist leaders whom he so recently jailed, and in holding conferences with the leaders of other opposition parties—a striking departure from his usual practice—suggests that he himself is beginning to doubt the loyalty of his "shirtless" supporters. He can hardly expect the men whom he has imprisoned and harried to join with him in appealing to the urban masses for forbearance; but he may regard them as a counterweight to the leaders of his own state-controlled labour federation, who are no longer as pliable as they were. However, no such manoeuvres can avert an explosion if the President keeps up the pretence that all is well much longer.

Shorter Notes

During the year ended September 30, 1951, 28 per cent of the first feature films shown in British cinemas were British, compared with 30.4 per cent in 1949-50. Since the "quota" exhibitors were required to show 30 per cent last year, against 40 per cent the year before, this smaller percentage of British films nevertheless resulted in only 18 per cent of exhibitors failing to fulfil their quota, compared with 55 per cent in 1949-50. The quota for supporting features was not reduced from the 1949-50 level of 25 per cent; in fact, 22 per cent of the supporting films shown were British, and 48 per cent of exhibitors failed to fulfil their quota. The general improvement, therefore, does not reflect any increase in the number of acceptable British films available; it merely means that the quota set was more realistic.

*

Price control on cakes and buns, soap, semolina, cocoa and drinking chocolate ended this week; and control over the prices of unsweetened biscuits is to go shortly. In making this announcement, the Minister of Food said that these changes were in line with the policy of removing price control where it was no longer necessary. Prices of sweetened biscuits, however, remain under control.

Pretty Songs

The Young Singer's Book of Songs. By the Rev. H. Formby. *Longmans, Paternoster Row.*

To Mr Formby are owing the thanks of all juvenile songsters and songstresses, for his little book of pretty songs, which are adapted to the voices and the comprehension of the youngest child. We remember the sad want of some such happily-carried-out idea which existed in our own childhood, when—because no kind Mr Formby, or other equally philanthropic individual, had arrived at the conviction that children might and should learn to sing—the little creatures were condemned to use only the poor fingers to make music, by thumping on mamma's piano, or to exert their poor little voices to a lamentable pitch in endeavouring to imitate mamma or sister in singing Italian bravuras or English songs, equally unfit for the voices of childhood. Mr Formby has set an example; he has catered wisely and well for the taste of his little friends; at least, those must indeed be more difficult to please than children usually are who do not find amongst the sixty songs we have in this little volume many with which to be pleased and amused. We have old tunes of various countries in their simplest forms, and to these are adapted words by many composers, some new, or nearly so, others older and well known. Amongst the latter we have Goldsmith's "Elegy on the Death of a Mad Dog" to the favourite old air of "Barbara Allen," Campbell's "Irish Harper and His Dog" set to an Irish tune, Burnes' "John Barleycorn" to an old ballad air, and several very pretty poems by Mary Howitt and Mr Formby all set to melodies chosen from amongst the simplest of various countries. The old English song, "The Beggar Girl," is preserved—and could either music or word, be prettier?—in its original shape; and, for the conclusion, we have appropriately enough, "God Save the Queen." We much admire Mr Formby's attempt to make *Young England* more musical than it has hitherto been; we wish him success in his first effort, which we hope he will speedily follow up by others of a similar nature, and, by his energy, inspire others to follow in his footsteps.

The Economist

February 7, 1852

Letters to the Editor

The Price of Labour

Sir,—I entirely agree with the principle of the payroll tax, and, in view of your anticipated "rows with the shop stewards," let me hasten to add that I have had five years' experience as a shop steward in the motor industry.

However, I must disagree with your method of application. The object of the tax, as I see it, is to effect the transfer of labour from an overmanned to an undermanned industry. But the point you have apparently missed is what kind of labour is to be transferred. In my opinion, the labour to be transferred should (1) have an expectation of working life long enough to justify the expense involved in retraining in another industry; (2) be sufficiently free from domestic responsibilities for the transfer, not only to another plant but to another district, to be effected without incurring the expense of lodging allowance or furniture removal.

Now if the tax is levied indiscriminately on every employee every week, it would only produce the opposite effect. The management would only "cull the old birds" and retain the young. Even worse, if the choice were between a local worker and another lodging in the district, in their own interest the management would tend to dismiss the local man—knowing he would still be available if and when required. If the lodger were laid off he would most likely move out of the district. Consequently the employer would have one string less to his bow—or would it be more appropriate to say that his supply of labour was diminishing? The result would be a difficult problem for the local labour exchange.

Suppose the workers were divided into two classes—mobile and immobile. The tax could then be applied more heavily on the former than on the latter. This would tend to counteract the natural desire to pass the buck and would produce a more suitable transfer list.

In conclusion I would like to draw your attention to the "rows with the shop stewards." If I have interpreted your remark correctly, it appears that you are incapable of distinguishing between a shop steward and a trouble maker. The shop steward has an unpleasant, thankless and unpaid job. In the event of a strike he is the "Billy Muggins what holds the baby" and no one realises that better than the shop steward himself.—Yours faithfully,

Oxford W. H. Lowe

The Sterling Crisis

Sir,—I wonder if Mr R. G. Hawtrey is not being too pessimistic in your issue of January 26th in fearing that the rise in Bank rate two months ago was only a gesture and that the restriction of advances promised by the bankers will amount to no more. I cannot help drawing attention to Mr Hawtrey's own comment (in his book "Currency and Credit") regarding the rise in Bank rate in April, 1920, which brought the last postwar boom to an end.

> The effect of a movement of the Bank Rate is largely psychological. It is required to offset, not the profits that traders have been making but the profits that they expect to make in the future. If they can be brought to moderate their expectations, a comparatively low rate will be a deterrent.

Even under a system of planning and controls, there must be a very large volume of private business which is undertaken because market conditions make it profitable. During a prolonged process of inflation, this must include a considerable amount of marginal enterprise which would not pay its way if selling prices were not constantly increasing. Provided, therefore, a serious belief were to be developed that the action of the Government and banks would stop the flow of excess purchasing power, even if only for a few months, there might be some hesitation on the part of business men to continue the less efficient part of their operations. Accordingly, a reduction in bank loans might take place, not so much because the banks were refusing credit for less essential purposes, as because of a reluctance on the part of some of their customers to undertake further business on borrowed money until they were more sure of market conditions. This might well lead to a genuine reduction in the volume of bank deposits and the deflationary effect would be reinforced by a decline in the velocity of circulation of the remaining supply of money.—Yours faithfully, H. Houston

Sutton Coldfield

Ceylon and Britain

Sir,—In your issue of January 19th your special correspondent says that "great though Ceylonese goodwill to Britain is, it is not always helped by the behaviour of the British on the spot" who "have trodden upon every Ceylonese corn." This has aroused considerable resentment among the "local mercantile community," whose task in maintaining United Kingdom business and looking after its capital assets in this country is by no means an easy one: it is largely a matter of goodwill, of which there is plenty on both sides. This task, however, is liable to be rendered more difficult by remarks like those made by your correspondent, based apparently on casual gossip of an ill-natured type heard during a flying visit. It could be readily understood if it appeared in one of the daily papers which wanted a news item, but when it is found in a journal like yours, it is apt to cause ill will.

There are many of the mercantile community who do their very best to avoid treading on *any* Ceylonese corns, and it is an interesting fact that the majority of Ceylonese who seek mercantile employment greatly prefer it to be with a "European firm," or, in the case of planting, employment on a European-owned estate. I may remark that the Ceylonese are a sensitive race—I myself have lived here for thirty years and am well aware that they respond quickly and generously to polite treatment; this, I may add, they usually get. I am sure that many of them would resent the article in your paper just as keenly as do the Europeans.

It is naturally difficult for a community which has inevitably regarded itself as part of the "ruling race" for a century and a half to accustom itself to new conditions. But its members have on the whole done it with success, and I can state confidently that the relations subsisting between the Europeans in Ceylon and the Ceylonese have markedly improved in the four years since the grant of independence. The tendency in this country is and always has been towards segregation into racial communities, and long standing habits are by no means easy to break. But many of us, both Ceylonese and Europeans, have for a long time been striving our utmost to break down these barriers.—Yours faithfully,

S. A. Pakeman

House of Representatives, Colombo

Castings or Sheet Steel?

Sir,—In your issue of February 2nd, a question is raised whether sufficient enamelling capacity exists to treat steel replacing cast iron. As one example, and there must be many, more than 50,000 tons of iron castings are used yearly in gas and electric cookers. These castings are vitreous enamelled. The same enamelling furnaces would use less fuel in enamelling sheet steel because only a quarter of the weight of metal would have to be raised to enamelling temperature. To replace 50,000 tons of castings in cookers would need about 12,500 tons of sheet and tube—setting free some 112,500 tons of materials and 75,000 tons of coal for use in steelworks idle for lack of them, to make available some 35,000 tons or more of extra steel additional to that used in replacement. This multiplies resources.

Technical difficulties can be overcome—given a lead. Thousands of cookers without any cast iron already give satisfaction both to testing authorities and housewives. These cookers weigh 100 lb. each, against 180 lb. to 260 lb. each for comparable ones using varying amounts of iron castings. They are considered sufficiently durable.

There are two million out of date "black" (not enamelled) gas cookers now burning gas equivalent to 700,000 tons a year of coal more than modern cookers would use, and representing more than 200,000 tons of ferrous scrap.—Yours faithfully, T. B. V. Hirst.

London, W.1

Books and Publications

Belief and Fact in Foreign Policy

American Diplomacy, 1900-1950. By George F. Kennan. *Secker and Warburg.* 146 pages. 12s. 6d.

Since this book was published in the United States its author, the most scholarly and perceptive product of the American Foreign Service for many years, has been appointed Ambassador to the Soviet Union, in which, or around whose walls, he has spent most of his professional life. He is accepted as his country's greatest expert on modern Russia, and the two essays on which his public reputation rests (which first appeared in *Foreign Affairs*) are reprinted here after the six lectures, delivered at the University of Chicago last spring, from which the book gets its misleadingly inclusive title.

Although it is a short book, "American Diplomacy 1900-1950" constitutes the collected public writings of Mr Kennan, most of whose life has naturally been spent producing confidential reports. But it would be a mistake to accept it, as so many American reviewers did, as his collected thinking. The lectures were clearly designed to provoke thought and to encourage the young to question all lazy beliefs about the immaculate purity of the motives behind American foreign policy. In doing this, Mr Kennan did not, as his title suggests, make a thorough survey; he only took a few of the more persistent myths, like that of the "Open Door" policy in China, and devastated them with a salvo of facts.

Mr Kennan begins by asking the questions how a country which in 1900 had a sense of security "such as no people had ever had since the days of the Roman Empire" and which "had no thought that its prosperity and way of life could be in any way threatened by the outside world" had arrived by 1950 at a point "where it seemed to be able to think of little else but danger" and to be dominated by a "sense of insecurity greater than that of many of the peoples of Western Europe," who are so much closer to the source of the danger. He concludes that

> there has been in the past a very significant gap between challenge and response in our conduct of foreign policy; that this gap still exists; and that, whereas fifty years ago it was not very dangerous to us, today it puts us in grave peril.

The most serious fault he finds in the formulation of American foreign policy is what he calls "the legalistic-moralistic approach to international problems." The American mind, he thinks, finds it "implausible that people should have positive aspirations, and ones that they regard as legitimate, more important to them than the peacefulness and orderliness of international life." It assumes that "the things for which other peoples in this world are apt to contend are for the most part neither creditable nor important" and that the behaviour of nations could, therefore, be regulated if only "some formal criteria of a juridical nature" could be discovered. As he asserts that these beliefs ignore most of the facts of international life, he has been denounced by some indignant reviewers in his own country as an advocate of such un-American devices as "balance of power" and "power politics."

These brilliant lectures are the first fruit of Mr Kennan's sabbatical leave at the Princeton Institute for Advanced Study. They prove the wisdom of planting him in New Jersey with time to think; they also suggest that it was not advisable to dig him up again so soon to waste his time delivering notes to the Kremlin. The intellectual scars which any disinterested public servant who tries to make policy in the State Department inevitably collects may have not yet had time to heal. He still seems to take too gloomy a view of the possibility of conducting a reasonable foreign policy in a democracy of the American variety—though it must be admitted that the evidence at the moment is preponderantly on his side. He finds it "hard to see how we can live up to responsibility as a great power" unless there is some constitutional reform "which would give us a parliamentary system more nearly like that which exists in England." Admitting the impossibility of such a reform, he is driven back on his mistrust of the legalistic-moralistic approach.

What no American reviewer seems to have noticed is that, in exaggerating this part of his argument, Mr Kennan may have been unconsciously explaining, and excusing, his own decision to take the unusual course of asking for a long holiday from his official career. He was Director of the Planning Staff of the State Department when a lawyer and moralist became Secretary of State; eighteen months later he had left the Department. There could hardly be much agreement between a man who can write that the United States should "have the modesty to admit that our own national interest is all that we are really capable of knowing and understanding" and one who can tell the Senate Foreign Relations Committee that "as early as 1943, in the midst of war, the United States Government began its planning for the occupation of Japan, an occupation based not on retribution, but on altruistic principles. . . ." Mr Acheson's words undoubtedly describe what the American people believe about their motives; Mr Kennan's have, perhaps, a greater ring of truth. His book is an important contribution to the education of future American diplomats.

Garden Suburb in Downing Street

The Prime Minister's Secretariat, 1916-1920. By Sir Joseph Davies. *R. H. Johns, Newport, Mon.* 199 pages. 12s. 6d.

Lloyd George's "garden suburb," the collection of unofficial (and unpaid) expert advisers established in hutments in the garden of 10 Downing Street, is constantly mentioned in books dealing with the period and generally with disapproval. The garden suburb was a device whereby L.G. made his own short cuts to information and action, often leaving the ministers constitutionally responsible for the problems in question uninformed, resentful or even aghast. It was the rivalry between the Foreign Office and L.G.'s own little foreign office in the garden which led directly to the downfall of the Coalition Government in 1922. Yet the experts in the garden suburb were admirable men, with a Warden of All Souls as their chief, and an account from the inside of what the garden suburb actually was and did would be a useful addition to historical knowledge.

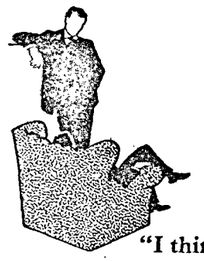
In spite of its title and the fact that its author was in a sense the original member round whom the suburb grew up, this little book makes no attempt to supply such a record. Sir Joseph Davies is now a man of eighty-six, and he has had the happy idea of publishing items from a diary which he kept at the time, supplemented by letters written to his wife and memoranda relevant to his official duties. Sir Joseph was by training a statistician, and an expert on the coal and transport industries. As a Welshman he had contacts with other Welshmen who had contacts with Lloyd George, and it was natural that he should be roped in as a collector of current information required on shipping and shipbuilding problems. In spite of the dates on the title page the book is confined to the two years from December, 1916, to December, 1918, when Sir Joseph was elected Coalition Liberal MP for Crewe.

It is a somewhat scrappy book, but of that it would be churlish to complain. Sir Joseph joins the short list of those who, like Bernard Shaw and the sixth century monk Cassiodorus, have produced books within fifteen years of their centenary.

The Opening of China

British Trade and the Opening of China, 1800-42. By Michael Greenberg. Cambridge Studies in Economic History. *Cambridge University Press.* 238 pages. 21s.

The period in Britain's relations with China covered by this book has hitherto been treated almost wholly from the standpoint of the diplomatic historian, despite the fact that, three abortive



"I think I'd like a White Horse better than anything"

MAXIMUM PRICES:— Bottles 35/-, ½-Bottles 18/3, ¼-Bottles 9/6, Miniature Bottles 3/8, as fixed by the Scotch Whisky Association.

And now . . .
Tokyo in 41¼ hours

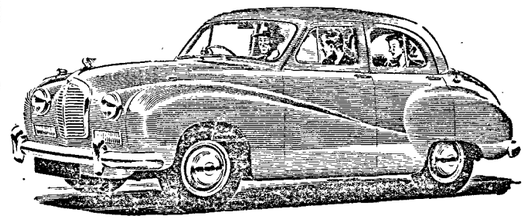
By this latest addition to the world-famous KLM services to the Orient, you can speed to Japan *in three days* and enjoy comfort first and fast all the way:
★ Flights depart each Tuesday
★ Latest-type pressurised Constellation aircraft
★ Superb cuisine 'on the house'
★ Scheduled I.A.T.A. fares from LONDON, MANCHESTER, GLASGOW, DUBLIN.

KLM ROYAL DUTCH AIRLINES

All Information from your Travel Agent or KLM Royal Dutch Airlines, 202/4 Sloane Street, S.W.1. (SLO 3488). And at Birmingham, Manchester, Glasgow and Dublin.

World-wide and Handsome

THE NEW AUSTIN A40 SOMERSET

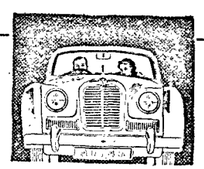


PRICE £467 PLUS £260.18.11 PURCHASE TAX

AUSTIN again makes world news—with this exciting, handsome new saloon . . . the A40 Somerset.
NEW REFINEMENTS—large, deep, curved windscreen and rear window—steering-column gear control—wide rear-opening doors with push-button handles and safety door locks at rear—external side-lamps visible to driver—luxurious leather covered foam rubber seating—more room all round.
PERFORMANCE PLUS STAMINA—the Somerset has the famous record-breaking 4-cylinder, overhead valve Austin A40 engine, with improved induction and cylinder head design for extra top gear performance.

SEE THE SOMERSET AT YOUR LOCAL DEALER'S NOW

AUSTIN —you can depend on it!



THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM

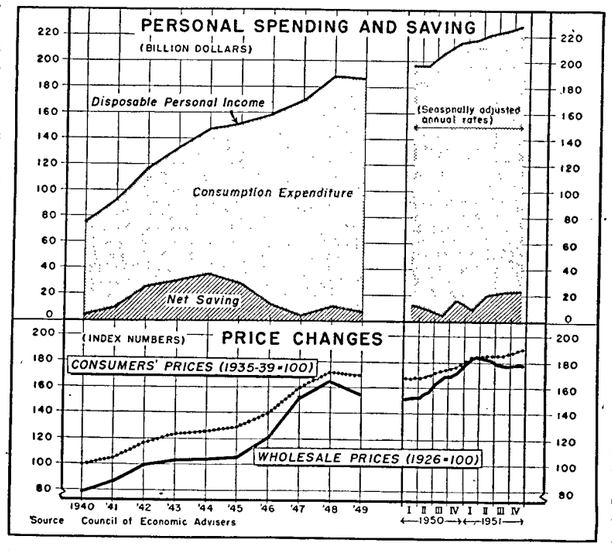
AMERICAN SURVEY

Saving Spree

Washington, D.C.

"A VERY critical part of our defence job this year," the President said in his message to Congress on the State of the Union "is to keep down inflation" and, a week later, in his Economic Report, he called the economic situation "precarious." His warnings have been echoed up and down the Administration. Mr Charles Wilson, who is in no danger of being called a New Dealer, a Fair Dealer or any other kind of believer in government for government's sake, has said that he is more worried about inflation than he is about meeting any production goals; and Mr Lovett, the Secretary of Defence, who is equally uncontaminated in Republican minds, has more than once expressed apprehension about what may happen in the spring.

None of this is likely to have any effect on Congress in an election year. That body may have, as Mr Truman said, "a tremendous responsibility" because the stabilisation law was "shot full of holes at the last session" and probably it should be one of its main tasks in this session "to repair the damage and enact a strong anti-inflation law." But, in the view of most members of Congress, the main task this year is to get themselves re-elected and the men whose tangible help is needed between now and polling-day are, in most cases, those who dislike controls. While consumers' prices continue to be relatively stable there is little chance of serious pressure for further controls from the consumer, who is the voter, to offset the pressure of the producer, who is the provider of campaign funds.



The Administration's case has not been made any easier by the failure of prices to start moving up again as quickly as its prophets had predicted. The result has been that the Congress has been able, with statistical evidence to support its contention, to assert that the President has been crying "Wolf! Wolf!" And some more objective observers who thought, as long ago as last summer, that the wolf was just around the corner, are now beginning to wonder whether, like Mr Hoover's prosperity, he may not stay there.

The imponderable in this situation has been the consumer himself and what Mr Truman called his "extraordinarily high level of personal saving." It is a long time since economists have had to take personal saving into serious account. Institutional saving has become such a large, and predictable, proportion of the whole that it has been possible to ignore the individual's whims when estimating the future. Now, however, the mood of the public has become all-important. There was an increase in the rate of saving from an average of 5 per cent or less of disposable personal incomes to around 10 per cent in the last three quarters of 1951. And nobody can foresee how long this will go on. This increase, according to the Annual Economic Review of the Council of Economic Advisers, reflected some temporary factors—among them "a reaction to previous buying sprees, to higher prices and to credit tightening."

The chief buying spree was that which took place between the outbreak of the Korean war and February, 1951, but it was the culmination of a long period during which the savings accumulated between 1941 and 1945 by those with no previous habit of saving had been steadily drained away. The Council of Economic Advisers suggest that

> it is not unlikely that many American families, who during the war had their first opportunity to build up some reserves, have become more "saving conscious." Having satisfied urgent demands for many consumer durables by 1951, they may now be ready to replenish their liquid asset reserves, and to attain a higher level of family and personal security.

One question which must be answered, but which only time can answer, is, therefore, whether the present saving spree will go on until the level of pre-Korean reserves has been reached—and this should have happened by March—or until reserves are back at the 1945 level, or whether saving has become a habit which is only abandoned temporarily at moments when there is a prospective shortage of goods.

Higher prices certainly contributed to the sudden end of the buying spree a year ago. The retail price index rose from 170.2 to 183.8 between June 15, 1950, and February, 1951, and the wholesale index rose even more sharply, from 157.3 to 183.6. But, since then, the rise in consumers' prices has been little more than five points and wholesale prices have even fallen to 177.2. But the very stability of prices at the moment carries its own dangers. Most wage agreements are now tied, either tightly or loosely, to the cost of living and most wages have had time, in the last year, to catch up with increased prices. The public has, therefore, more money in its pockets than it did then and the level of prices, which seemed so staggering when it was first reached, has now become, if not contemptible, at least familiar, and therefore less of a deterrent to spending.

The present stability will, for these reasons, be maintained only as long as the consumer goes on saving. Certainly there is nothing in the movement of wholesale prices to suggest that retail prices ought to start going up in the near future. But, though there is no shortage of goods at the moment, and, indeed, many manufacturers are probably happy to be able to put the blame for their reduced sales on the difficulty of getting raw materials, rather than on the fall in demand, the position could change overnight. The allocation of many important materials—copper and aluminium, in particular—to non-essential uses is now, by pre-Korean standards, very small and shortages would appear very quickly after another spell of buying began. The real gap which already exists between supply and potential demand would become apparent and prices, with more than the hysteria of the public to impel them upwards this time, could easily get out of hand.

★

The third of the temporary factors mentioned by the CEA—credit tightening—was probably the most effective of all last spring. But the council has its doubts whether such measures as the unpegging of government bond prices and controls on housing and consumer credit (which were later weakened by Congressional action) will continue to be of much use, unless they are adjusted to differences between the situation in 1951 and that likely in the future.

One of the Economic Advisers, Mr John D. Clark, wrote a separate note in the Economic Review, pointing out that

> the advance in short-term rates in August, 1950, was followed by the greatest expansion of business loans in our history [while] the increase in long-term rates in March, 1951, coming after the price freeze in January had taken the steam out of boiling markets and when a seasonal contraction of business borrowing was due, had no effect on new business investment. . . . To complete the topsy-turvy picture, the more rapid the growth in money supply creating "more dollars chasing more goods," the quieter became the consumers' markets.

Mr Clark concludes that, in the kind of economy and institutions, the country now has, monetary policy cannot be used successfully to stabilise the economy. The only effect of increases in the basic commercial interest rate, which were "hailed as a valuable contribution to economic stability," was to enable the banks to increase their earnings by one-third while "all other business men are criticised when they exploit a situation by raising their prices by a smaller percentage."

All three of the Economic Advisers agree, however, that there are two ways in which monetary policy can help—the Treasury must borrow new funds so far as possible from non-bank sources and the Board of Governors of the Federal Reserve System must be given additional authority over reserve requirements. "Higher reserve requirements," they consider, "may be a suitable means of curbing bank lending." But, because nobody expects any action from Congress which will give additional powers to anybody, some consolation is taken from the fact that "there are grounds for anticipating a continued high saving rate." "It would be unwarranted," the council hastens to explain, however, "to base economic policy on the expectancy that so high a rate as the recent rate or an even higher rate can be maintained." However unwarranted it may be, the Administration will probably have to base, if not its policy, at least its hopes, on the unpredictable consumer and pray that his present preference for saving will continue.

Eyes on Illinois

[FROM A CORRESPONDENT IN THE MIDDLE WEST]

OFFICIALLY, Mr Adlai Stevenson, the Democratic Governor of Illinois, is a candidate for nothing except another term at Springfield, the state capital. But his recent cordial reception at the White House, and the mystery about Mr Truman's own intentions, have made him widely discussed as a possible Democratic candidate. Mr Stevenson has been a first-rate governor and he possesses solid qualities that might make him a first-rate President. How strong he would be as a candidate, especially if General Eisenhower were the Republican nominee, is more doubtful. Unlike Senator Kefauver, who is already running hard for the nomination, he has not enjoyed the advantages of a nation-wide television audience. Two aspects of his personal background will be regarded by some politicians as positive handicaps—the deposition which he filed testifying to the good character, as he knew it, of Mr Alger Hiss; and the fact that his wife divorced him after he became governor.

On the other hand, there is some evidence that Governor Stevenson possesses a new sort of political strength which defies the orthodox rules of the game. As they look for a vote-getter, the Democrats cannot forget that Governor Stevenson was elected in 1948 by 564,000 votes—the largest margin ever given a governor in Illinois—while Mr Truman was carrying the state by only 33,000. It seems probable that, without Mr Stevenson's great personal strength, Mr Truman would have lost Illinois and with it, perhaps, the election.

Governor Stevenson, unlike Senator Kefauver, wears no coonskin cap and makes no other concession to the presumed prejudices of the masses. Mature and urbane himself, he insists on treating the voters as adults. He speaks with a cultivated Princeton-State Department accent, dresses like a conservative city lawyer, and declines to indulge in the political "corn" which is supposed to get votes. He first came into prominence for taking an internationalist stand before the war in Chicago, the capital of the America Firsters. Following his war service as special assistant to Mr Frank Knox, the Secretary of the Navy, Mr Stevenson enriched his administrative experience by heading the first economic mission to Italy, and worked with Mr Archibald McLeish and Mr Alger Hiss on preparations for the United Nations conference. At San Francisco he acted as the American delegation's adviser and press officer, and served as delegate or alternate at later United Nations sessions.

★

Three years as governor have sharpened Mr Stevenson's administrative talents and given him experience in political leadership. He has had to manage a Republican or half-Republican legislature during two rough and tumble sessions. He has not secured his whole programme, but he has obtained a surprisingly large part of it. He knows when to compromise, and when to stand fast. Early in his administration a group of Chicago legislators who had connections with organised crime presented him with a difficult choice. He had campaigned vigorously for a constitutional convention to modernise the Illinois constitution, in which no significant reforms had been made since 1870; it still prevents a state income tax from being adopted. The Chicago group undertook to defeat another of his measures, a Bill to strengthen the powers of grand juries in Chicago.

At the crucial moment, they offered to pass his resolution for a constitutional convention if he would quietly forget about the grand juries. The deal could have been made without much public notice being taken, and many governors would have made it. Mr Stevenson refused, and suffered defeat both on the grand jury Bill and on the constitutional convention.

Essentially a financial conservative who thinks that all government costs too much, the governor showed his mettle in a brush with the Republican Senate on his first budget. He had called for increased expenditures on schools, state aid to local governments, and assistance to the aged. To find the additional money, he needed legislation to tighten sales tax collections. The Senate, following a classic if cynical rule of politics, defeated his revenue Bill and then proceeded to support his appropriations. Shocked and disillusioned, Mr Stevenson found himself waging a fight to trim his own budget in order to keep within the revenue provided. He succeeded by the margin of a single vote.

*

Governor Stevenson has gathered about him a much better than average staff, some of them Republicans. He has eliminated more than 1,300 superfluous state employees, put the state police under civil service, reformed the regulation of public utilities and taken it out of politics, and improved the state welfare services. Having succeeded an unusually negligent Republican administration, he found the introduction of simple honesty and efficiency in state government a formidable task. He has not succeeded in sweeping out every corner, but by comparison with preceding administrations Mr Stevenson's record shines indeed. His intelligence and devotion to the public interest have gone far to rekindle faith in the state government.

Nothing has tested the governor so severely as his effort to eliminate politically protected gambling. Not by any means a fanatical reformer, he nevertheless recognised that one reason for his large majority at the polls was the voters' disgust with the corruption of local and state officials by organised gambling interests operating for many years in violation of the law. After patiently seeking to persuade local officials to deal with the problem, he used the state police in several of the most badly infested communities. Governor Stevenson would much prefer that local governments cope with what is essentially a local problem. But instead of taking refuge behind this preference, as so many state executives do, he acknowledged a state duty to act where the local government did not. There were 8,400 federally registered gambling machines in the state in 1948; last year they numbered 1,783, most of them in private clubs. Only the state police raids, the constant pressure from the governor, accounted for the decline of gambling and with it the decline in corruption of local officials.

When the time came for the Democratic organisation to pick its local candidates for this year's election, Mr Stevenson used his influence as a party leader to prevent the renomination of two prosecutors—in Chicago and the East St Louis area—whose law enforcement records had been most dubious. He did not attempt to dictate who should be chosen, but he made it clear that he would not accept the nomination of officials with proved bad records. By firmness and tact he compelled the machine to throw its two prosecutors overboard. That is a rare achievement in American politics, denoting both courage and political skill.

This record explains why Democratic politicians are looking over Governor Stevenson with more than ordinary interest. His friends believe that he is just what the party needs, if President Truman decides to retire: a man of high principle with the proved ability to win votes in large numbers in a crucial state; a man of broad administrative experience, who has been associated with the Administration's basic foreign policy and yet has stood outside the acrimonious disputes of recent months; and a governor with a notable record in cleaning up scandals similar to those which currently plague the Democrats in Washington. Whatever liabilities the politicians may assess against him, these are certainly assets which cannot be overlooked.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

American Notes

New Hampshire's All-Star Cast

A battle of the giants is to take place in New Hampshire, where a fortnight ago it seemed that General Eisenhower, to all intents and purposes, would have the ring to himself. The top performers of both parties are now entered in the primaries, the preliminary elections on March 11th, in which members of each party show which candidate they prefer. So small a state—it is 44th in population—cannot hope to affect the final choice of a President; that is the prerogative of such heavyweights as New York, California and Pennsylvania. But this first popularity contest may decide who is to receive top billing in each party.

New Hampshire Republicans will be able to choose between General Eisenhower, Senator Taft and Mr Stassen; Senator Taft, at the last moment, decided that he had little to lose by invading a state where the Republican organisation is publicly pledged to the General. On the other hand, should he do well against such heavy odds—admittedly an outside chance—this might deal a mortal blow to the Eisenhower boom. It also gives Senator Taft an excuse for challenging Eisenhower supporters to enter their candidate in states such as Illinois where the Senator is on safe ground. The results in the preference primary bind no one, but they may set the tide flowing for the victor and sweep the waverers along.

New Hampshire moves in a Republican orbit, and the chance to show off his tricks in the primary ring is not needed by the President, who can secure his re-nomination from the convention by other means if he wants it. New Hampshire's submerged Democrats, therefore, hardly expected to be invited to judge between the President and Senator Kefauver, who has hardily challenged Mr Truman. Senator Kefauver's anxiety to exhibit his prowess is natural enough; his zeal for taking the lid off Democratic corruption has made him more popular with the people than with the bosses of his own party, and his only chance of running off with the nomination is by an impressive show of popular support. Until this week it seemed that in New Hampshire, as in Illinois, he would be unopposed in the Democratic primary, and have to content himself with shadow-boxing, for the President announced that he would withdraw his name, entered without his consent. But a few days later Mr Truman changed his mind. One factor was the threat of Truman delegates to withdraw if he did not run. Another may have been the fear that to withdraw would strengthen the assumption, so dangerous to his political influence, that he means to retire. Or it may simply have been the tempting prospect of himself deflating Senator Kefauver, who in recent weeks has begun to look a trifle formidable.

Tariffs on the Table

In the latest budget the work of the Tariff Commission is classified as part of the conduct of foreign affairs, instead of being included with the promotion of trade and industry, but the Senate lost no time in demonstrating that the change was wishful thinking on the part of the Administration. Ignoring the country's declared foreign policy of lowering tariff barriers and interested only in promoting the trade of the twenty American manufacturers of blue cheese, the Senate sent back to committee the Bill repealing the so-called fats and oils amendment. This amendment, improperly introduced into the Defence Production Act last year, sets quota restrictions on imports of dairy products and has drawn protests from ten countries, many of which had stepped up their exports of cheese to the United States on the urging of the Economic Co-operation Administration. The amendment may still be repealed in June, when the Defence Production Act must be renewed, if not before, but it survived last week because it had the united support of the usually divided Republicans, an ominous sign for the future of freer trade should they win the next election. The decisive seven votes were cast by a group of Democrats with dairying interests.

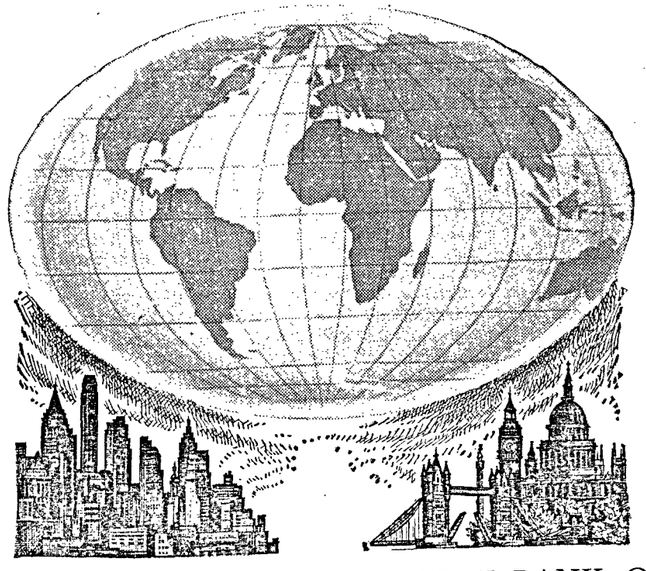
Next day, however, national interests triumphed over sectional when the Senate approved the lifting of import duties on lead and zinc, badly needed for the rearmament programme. If the Senate had then proceeded to consider the Customs Simplification Bill, already passed by the House, it might have wiped out a little of the distrust created abroad by the cheese quotas. But instead the fish lobby is being given a chance to repeat the success of the dairy lobby and to send up the price of America's tuna salads and sandwiches as well as of its cheese ones. The fishing industry of the west coast is asking the Senate to follow the House's example and impose a tariff on fresh and frozen tuna fish coming duty-free from Latin America and Japan. These countries are underselling the American product on a market from which imports of tuna tinned in oil were almost eliminated last year, when the tariff on them went up to 45 per cent, as a result of the cancellation of the Mexican trade agreement.

This did not, however, affect imports of tuna tinned in brine or bonita, a similar fish, tinned in oil and the Tariff Commission is now considering whether duties on these inferior, but competitive, products should be raised. This is one of a series of about ten investigations which are overburdening the commission as a result of last year's amendment to the Trade Agreements Act; this made it obligatory to hold hearings whenever a domestic producer claims that he is being injured by foreign competitors who benefit from lowered tariffs. Other investigations now proceeding are into imports of garlic, briar pipe bowls, bicycles and motorbicycles and watches and watch parts. The last is the most important, for if higher tariffs are recommended in this case a flood of applications for increases in the duty on similar products is expected.

* * *

Three Ring Investigation

A bad taste was left in many mouths by Mr Truman's mysterious decision to entrust the inquiry into corruption in the federal government to the Attorney-General, Mr McGrath, whose own department is under fire, and whose services Mr Truman had, at one point, been ready to dispense with. Mr McGrath has now delegated the job to Mr Newbold Morris, a highly respected independent Republican, who began his political career under Mr La Guardia and has been President of the New York City Council. Neither his independence nor his Republicanism, however, have protected him against charges which he hotly denies that he is a "soft-headed idealist" who has been used by Communist-controlled organisations. Republicans in Congress profess to be less confident than Mr Morris that, even without powers of subpoena, all the locked cupboards of the Administration will fly open at his touch. And, however great the personal integrity of Mr Morris, his inquiry is



World-wide Banking

Businessmen with international interests rely on a bank whose services are world wide.

The National City Bank of New York provides a global network of 54 branches, as well as banking correspondents in every important centre of the world. The staff of the London branches are experienced not only in British banking, but also in the financing of overseas trade, and are uniquely equipped to advise on trade with the dollar countries.

Wherever your interests lie, a world-wide organization stands at your service.

THE NATIONAL CITY BANK OF NEW YORK
(ESTABLISHED 1812)
Incorporated with limited liability under the National Bank Act of the U.S.A.
HEAD OFFICE: 55 WALL STREET, NEW YORK
LONDON OFFICES—CITY: 117 OLD BROAD STREET, E.C.2. WEST END: 11 WATERLOO PLACE, S.W.1

bound to suffer from the fact that he has been made Special Assistant to the Attorney-General, for his first task will be to consider allegations that the Department of Justice has been lax in prosecuting tax frauds.

Mr Morris hopes to have ready by the middle of July his estimate of how far the rot has gone, and how it can be stopped. If Mr Truman hoped, by this belated appointment, to appease Congress and bury the corruption issue before the election, he is going to be disappointed. Congress has already set aside $500,000 to dig it up again this session. A full-scale investigation of the Department of Justice has been authorised in the House, and the Senate is to scrutinise the Alien Property Office, a division of the department, whose administration of $500 million of enemy assets is questioned. When he comes to the Bureau of Internal Revenue, the heart of the scandals, Mr Morris will have to compete with the King subcommittee. The President's proposals for reforming and modernising the bureau have already been approved by the House, but the Senate, which enjoys patronage privileges under the present system, may prove more awkward.

Other inquiries are expected to delve into irregularities in the sale of surplus war goods, particularly tankers, to keep hammering at the Reconstruction Finance Corporation, and to see what can be turned up at the Securities and Exchange Commission. This last is one of the few the Democrats relish, for the chairman of the SEC has been a Republican whom the President has, with no regard for party feeling, appointed to head the RFC. In most cases the Democrats, who nominally control Congress, would not be so eager, in an election year, to hold up the mirror to their own faults, if they did not know that any hesitation would be exploited by the Republicans. The most they have been able to secure is a promise that the inquiry into the Department of Justice will consider only specific allegations, based on adequate evidence, rather than mere rumour.

* * *

Canada's Challenge

President Truman's regular appeal to Congress to carry out the 1941 agreement with Canada on joint construction of the St Lawrence Seaway and Power Project has additional backing this year in the Canadian announcement that it will go ahead alone on the seaway if the United States does not act soon, presumably in this legislative session. In spite of opposition to the "socialised ditch" from railway, port and electricity interests, the Administration is strongly in favour of United States participation in the project, for several excellent reasons: its importance to national security; the safe and cheap transport for iron ore from Labrador to the hard-pressed steel mills of the Middle West; the fact that otherwise Canada will decide the toll rates for a route that will be chiefly used by American commerce; industrial need for the power the hydro-electric plant would generate; and the effect that failure to co-operate would have on American relations with Canada.

This last is not the least of the reasons for the United States to shoulder part of the cost, estimated at $818 million, of the project, which will make the St Lawrence navigable for ocean vessels headed 2,347 miles westward from the Atlantic to Duluth, Minnesota, and will provide a 2,200,000 horsepower hydro-electric plant. Canadian plans for carrying out the scheme split the work into two parts, the seaway and the hydro-electric plant, assuming that the latter could be built jointly by the Province of Ontario and New York State. But critics of the Canadian proposals say that this is entirely too big an assumption to make in view of the failure of past efforts by the province and the state to start the power project separately from the seaway, even though it does not require Congressional sanction. And the seaway locks will depend on the dams for their power.

The ambitious Canadian plan for the seaway is only one of the many ways in which the northern Cinderella is now rivalling the fairy godmother below the border. Another challenge is being offered by the Canadian dollar, which, only five weeks after all controls were lifted from Canadian currency, reached parity with the US dollar. It is even suggested that the continuance of the heavy American investment in Canadian oil, mines and manufacturing may before long bring the Canadian above the US dollar on international exchanges. Locally it is in some respects already in that enviable position; for the first time in years Canada is importing cattle from the United States, instead of exporting them to it, because prices received in the Canadian market are now higher and Canadian dollars buy more at home.

* * *

Senator Capehart's Silver Lining

Thanks to his courage and cheerful common sense, Mr DiSalle has survived as price administrator to celebrate the first anniversary of controls. But he is to leave this month, with the gratitude of the Administration for his past services and its best wishes for his hopes of defeating Senator Bricker of Ohio in the autumn. Despite an ineffective stabilisation law, increases in the cost of living have been held to less than 3 per cent, compared with a 10 per cent increase in 1950. One of the features of the law to which the Administration has taken, vainly, the strongest objection, is the Capehart amendment, adopted last June, which permitted businessmen to raise prices to compensate them for virtually all increases in costs incurred between the first half of 1950 and July 26th last year. Because of the fall in consumer demand, not all businessmen allowed to increase their prices have done so; the automobile companies, for example, have not as yet raised prices as much as they might, though they may swallow the whole cherry in time.

It now appears, however, that, for the authorities trying to stave off a steel strike, the Capehart amendment may have a positive silver lining. It offers the only available excuse for allowing the steel companies, who, before taxes at any rate, made very large profits, to raise their prices. Unless the industry receives some price relief it is determined not to consider the union's claim for higher wages.

Senator Capehart regards this as a scandalous misuse of his amendment; he believes that the steel companies are really being compensated for increases which took place later than July. His threat to repeal the amendment is not taken very seriously, however. The stabilisation authorities are resigned to the fact that it would be difficult to revoke concessions already made; what they want to stave off is, on the one hand, any extension of the amendment to a later date, and, on the other, the decontrol of industries such as shoes, apparel, and textiles, which are suffering from a slump. Wool prices have fallen so far that the ceiling has been reduced 20 per cent, yet is still 40 per cent above the market price; the same thing has happened in the soap and detergent field. Mr DiSalle actually has set up a committee on decontrol, but the purpose seems to be to reassure Congress that the problem is not being overlooked, rather than to take immediate action.

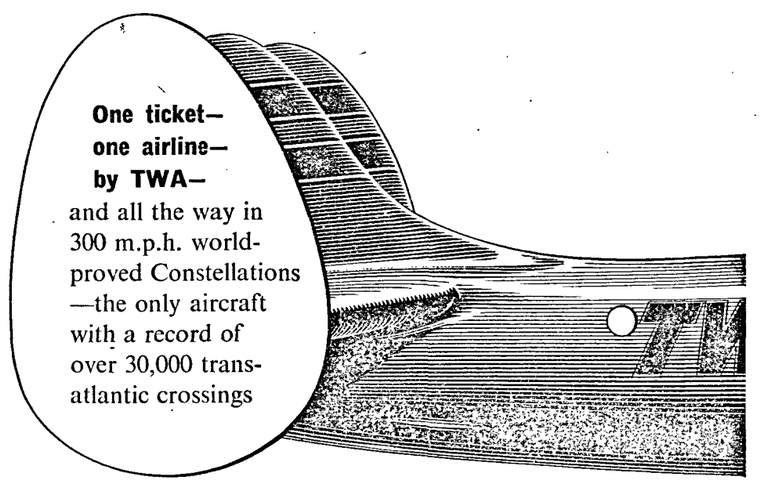
Mr DiSalle's parting view is that it would be dangerous to move too fast, and that the weakness of prices is much exaggerated. The prices of goods used by defence industries are all pressing against their ceilings, while "startling rises" in fruit and vegetable prices have helped to raise the December cost of living index to a new high. Fresh fruit and vegetables, indeed, are so costly that, like the humble potato, they may soon qualify for control. With the life of the defence programme being stretched out to 1954, the danger of inflation will not soon be routed.

Starting MAY 1st* **BOOK NOW**

TWA offers 'Skytourist' Service to and across USA

Now with LOWEST EVER FARES you can fly to New York for £96.9s. and save up to 37% to other US cities.

Now is the time to plan your visit to America! Take advantage of 'Skytourist' Fares and enjoy the speed, comfort and dependability of TWA—the airline chosen by over two million travellers last year. The popularity of this new TWA service is already being proved by heavy bookings. So don't delay—see your Travel Agent or TWA about your advance reservations NOW.



YOU CAN DEPEND ON TWA to USA

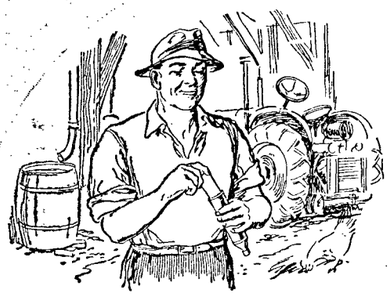
EUROPE · AFRICA · ASIA

TRANS WORLD AIRLINES

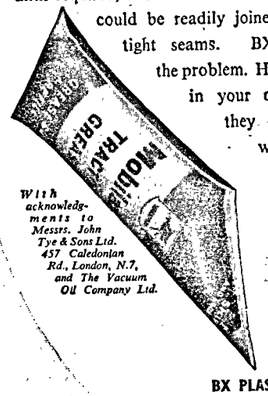
Consult your Travel Agent or TWA.
LONDON: 200, Piccadilly, W.1. REGent 3211.
MANCHESTER: 32, Deansgate. BLAckfriars 4649.

**Subject to Govt. approval. Meals available at reasonable prices. TWA Sky Coach fares now in effect within USA*

PLASTICS
inspire new ideas



Plastics, because they offer advantages not to be found in other materials, are continually inspiring better ways of doing things. An oil company sought a method of filling tractor grease guns that would save time and waste. The answer came only through knowing what can be done with plastics — a pliable pack from which grease can be squeezed cleanly into the gun. The pack had to be more flexible than metal, yet tough and durable to withstand storage until required, and it had to be of a material which could be readily joined to give grease-tight seams. BX plastics solved the problem. How many problems in your own business can they solve? That's worth considering. The BX Technical Service Department will give you all the information and advice you may need.



With acknowledgments to Messrs. John Tye & Sons Ltd. 457 Caledonian Rd., London, N.7, and The Vacuum Oil Company Ltd.

BX PLASTICS LTD.
Chingford, London, E.4
Larkswood 5511

BX PLASTICS
inspire confidence

NEWS FROM THE FISHING INDUSTRY

A first-class passage for first-class fish

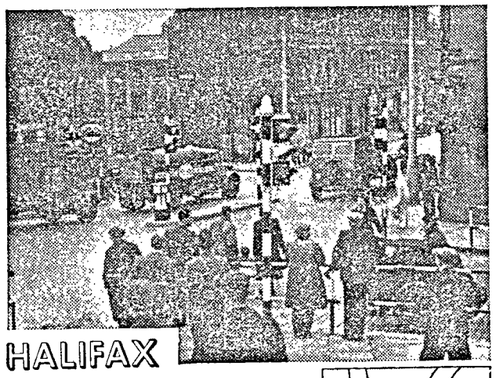
Since British Trawlers were freed from wartime restrictions, a number of measures have been taken by the Fishing Industry to raise the food-value of the fish you buy.

One of these relates to the storing of the catch in ships' fishrooms. More and more, the method of packing the fish in layers of ice is being improved by 'shelving'— that is to say the fish are carefully laid out on ice-lined shelves fixed in tiers so that no weight presses upon them from above. Thus risk of damage to the fish is greatly reduced — important because a damaged fish tends to deteriorate more quickly.

Indeed it might be said that more and more of the fish you eat these days, instead of travelling steerage from the fishing grounds, has a first-class passage home — as befits such first-class food.

British trawlers know their job!

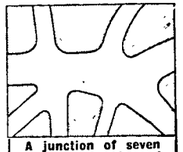
Issued by the British Trawlers' Federation Ltd.



HALIFAX

chooses "ELECTRO-MATIC" for the most intricate traffic control system in the North

At a complicated seven-road junction in Halifax, the "Electro-matic" system of traffic control is seen at its best. Congestion and delay are virtually eliminated for road users and pedestrians proceed safely. "Electro-matic" signals are in use all over the world. Being vehicle actuated, they enable traffic to control itself. No matter how dense the traffic or how complicated the junction, "Electro-matic" will keep all streams of vehicles moving smoothly and rapidly. Let us send you information and literature.



A junction of seven roads all safely and efficiently controlled without the aid of the police.

One of the greatest advantages afforded by "Electro-matic" is the saving in police personnel. When "Electro-matic" controls the traffic the police are released to do their rightful job—the prevention and detection of crime.

AUTOMATIC TELEPHONE & ELECTRIC COMPANY LIMITED
Strowger House, Arundel Street, London, W.C.2
Telephone: TEMple Bar 4506. *Telegrams:* Strowger, Estrand, London
Strowger Works, Liverpool 7

A.10401-AQ23/65

THE WORLD OVERSEAS

The War of the Wavelengths

LAST week's announcement that the Treasury grant-in-aid on which the BBC's foreign broadcasts depend would not be affected by the cut made on other information services may by some have been taken to mean that Britain would continue to speak with the same strength on the wavelengths of the world. It was at once clear, however, that this was not possible. In the first place, the BBC's external services are as much a victim of the inflation as any other non-profit-making institution; they cannot raise their prices to cover mounting costs, for they have nothing to sell. But a more important adverse factor is the present intensification of the radio "war." The rapid expansion of rival broadcasting systems is threatening not merely to overshadow the BBC's external services, but even to crowd them off the air altogether in certain areas.

Broadcasting's most important battlefront is, of course, Europe; and here the picture has changed dramatically in the last few years. From 1946 to 1948 the BBC was the most powerful voice on the Continent. Since that time it has slightly increased its service, and today it is broadcasting to Europe at the rate of over 260 programme hours a week; but it has been far outstripped by its rivals. Moscow radio now devotes over 400 hours a week to Europe, and the external broadcasts of the satellite Communist countries contribute another 400. The Voice of America's European services are also running at over 400 hours a week, and Radio Free Europe, an unofficial network financed by American citizens, is concentrating on the satellite countries a volume of broadcasts which may soon surpass that which the BBC provides for the whole of Europe. Among the "middle powers" of European radio, Italy has in the past year increased its external output to a figure not far below the British, and Jugoslavia is now directing to its Communist neighbours more broadcasts than they receive from London.

Soviet Jamming Activities

In Eastern Europe the BBC's difficulties have been further increased during recent weeks by the extension of Soviet jamming to broadcasts in Polish and Finnish. Since 1949 the Russians have tried to jam all broadcasts in Russian by both the BBC and the Voice of America, and this particular sector of the radio battlefront has assumed the appearance of a massed artillery duel, hundreds of jamming stations on the one side being engaged by simultaneous transmissions on over a hundred short wavelengths on the other. Five western nations—Britain, America, Canada, Italy and Greece—are now co-operating in an effort to get at least a fraction of their output through by beaming their programmes to Russia at the same time each day, and the Voice of America is about to begin broadcasting in Russian from six transmitters mounted on ships, whose mobility, it is hoped, will baffle the jammers. Similar barrage methods are already being used by the BBC to counter the jamming of its broadcasts to Poland and Finland. This is an expensive operation, and a great strain on the limited number of transmitters available; and the strain will be intensified if the Russians now proceed to jam broadcasts in Bulgarian and Rumanian, a possibility indicated by their recent jamming tests on these programmes. Another source of apprehension lies in Communist broadcasting and jamming activities in Eastern Germany.

There is, however, ample evidence that the Soviet jamming is far from complete. The BBC's Russian service, formerly carried on only three short wavelengths, now goes out on up to 28, at least three of which escape jamming during the average transmission. Moreover, the Russians appear to rely largely on weak local jammers, the greatest concentration of these being in the area of Moscow, and comparatively good reception of western broadcasts can be obtained not only in the more distant parts of the Soviet Union, but even at a short distance from the capital. The Soviet jamming of broadcasts in Finnish is at present even less effective.

But although recent developments have focussed attention on broadcasts to Eastern Europe, it must be realised that these represent only a fraction of the output of the BBC's external services. Their total of programme hours is only half that of the General Overseas Service in English, which alone accounts for nearly one quarter of all BBC external broadcasting. Until last May this service was on the air throughout every twenty-four hours, its short-wave beams following those of the sun westwards around the world. Three hours a day were then sacrificed to the need for economy, leaving little more to be cut from a service whose audience is dispersed in over twenty time zones, if it is to continue to provide entertainment, cricket commentaries, and news bulletins at hours convenient alike to the British businessman in Buenos Aires, the tobacco planter in Rhodesia and the soldier in Korea, Malaya or the Middle East. Nor can much saving be effected by dovetailing the General Overseas Service more closely in with the short wave programmes directed to specific parts of the Commonwealth and to the United States; for while the former is based on items of interest to the whole English-speaking world, the latter are designed for particular communities, and include broadcasts in Afrikaans, Maltese, and French (for Canada). In particular, the BBC's services to the colonies are gaining importance in proportion to the mounting number of wireless sets used in those territories.

Outside the borders of the Commonwealth it cannot be expected that so high a proportion of listeners will tune in to London; nor is short-wave listening within the means of more than a fraction of the populations of Middle and Far Eastern countries. Nevertheless the BBC can cite as evidence of its audience such facts as the receipt of over 6,000 letters a year from listeners to its Arabic programmes; the frequent quotation of London broadcasts, with due acknowledgment, in the Japanese press of the next day; and the continued receipt of letters from listeners in Communist China. Last May the BBC's access to Far Eastern listeners was greatly increased by the opening of its powerful relay station at Tebrau, in Johore. For the past year Hongkong radio has also relayed BBC transmissions in Chinese.

The last field of British broadcasting outside Europe, the service to Latin America in Spanish and Portuguese, is today something of a Cinderella among the external services. The weakening of the British connection with Latin America, combined with the widespread assumption that the United States can, unaided, ensure the solidarity of this area with the rest of the western world, has led some people to see here the possibility of saving money without any political loss; but last May the Latin American service, then broadcasting for over nine hours a day, was cut by half, and thereby reduced nearly to the minimum for the effective coverage of a bilingual area extending over four time zones.

A similar attitude is often adopted towards the BBC's broadcasts to Western Europe. What need, it may be asked, is there for Britain to broadcast to countries whose own stations present the western point of view? Here, however,

hard facts provide a convincing answer to theoretical questions. In France, for example, eleven public opinion polls taken since the war under very various auspices have indicated that the BBC's regular audience increased from 870,000 to nearly 1,500,000, and its occasional listeners from 4,500,000 to 7,500,000, between 1946 and 1950. This is not an audience to be lightly thrown away. Medium wave broadcasts from Britain are receivable in the nearer continental countries, ranging from France to Sweden; and the problem of reaching more distant listeners has been partly solved by the relaying of BBC transmissions by the main networks in Italy, Austria and Greece. But several of the European services are already operating at or near minimum levels—Sweden now receives only half an hour, Portugal three-quarters, and Flemish Belgium a quarter of an hour a day—and further reductions must mean virtual extinction.

Soviet Balance Sheet for 1951

THE authorities in Moscow have now drawn the official balance sheet of Soviet economic development during 1951. This should have been, and probably was, the first year of a new five-year plan. The Soviet planners, however, still judge it inopportune to reveal what their targets are, and thus make it difficult for outsiders to relate the fulfilment of the annual plan with long-term objectives. On the other hand annual reports, however summary, when supplemented by the statements of various ministers, allow an insight into the rhythm of Soviet economic development and hence make it possible to make certain estimates of long-term trends.

The evidence available is mainly on the expansion of basic materials and fuel, and it is on these as well as on engineering that the main emphasis continues to be laid. When in February, 1946, Stalin spoke of a future level of production "providing a guarantee (for Russia) against all possible accidents" it was in terms of these basic commodities that he traced the path to be followed. The goals to be reached in two or three five-year plans—60 million tons of steel and oil, 50 million tons of pig iron and 500 million tons of coal—may no longer be considered "a sufficient guarantee." In any case, how distant is the Soviet economy still from these objectives?

Two assumptions can be made when projecting present Soviet production into the near future. Either the recent increases in absolute terms or the current rate of development can be taken as yardsticks of future progress. If the first method is adopted—taking 20 to 25 million tons of coal, over 4 million tons of oil, about 4 million tons of steel and somewhat less than 3 million tons of pig iron as the average annual rise—Stalin's targets should be reached at the beginning of the next decade, probably even somewhat earlier for steel and oil (for which, however, predictions are particularly risky). Should it be assumed, on the other hand, that the annual rate of increase—varying from less than 10 per cent for coal to about 15 per cent for steel—is the appropriate measuring rod Stalin's "guarantee" should be honoured around 1957.

The report on 1951 would at first seem to indicate a substantial fall in the rate of growth. Measured in roubles gross industrial output failed to rise on a scale comparable with the previous quinquennium, though this may be partly explained by the changed method of computation. Yet, even in volume the output of basic materials did not increase as much as in previous years. Has the Soviet economy reached a stage of "diminishing returns"? It seems rather that a decline in the rate of growth—already noticeable in the previous year—was bound to happen once the ravages of war were repaired and further progress depended exclusively on new construction. New investments must probably take some time to mature. On the other hand it is unlikely that the expanding output will always increase by the same proportion. It is safer to assume that the rise will be usually somewhere between last year's actual rise in absolute figures and last year's percentage increase. On this basis Soviet production should reach Stalin's targets before the close of the decade, and by 1955—which should be the last year of a second postwar plan—the Soviet Union should produce some 400 million tons of coal, over 50 million tons of crude steel, nearly 40 million tons of rolled steel, over 35 million tons of pig iron and about 60 million tons of oil.

Obviously such an expansion would require the concentration of all efforts on industrial output, a further growth of manpower, improved technique and a substantial flow of resources into investment. In 1951 the total labour force —both workers and employees—rose by an additional 1,600,000 to 40.8 million, i.e. over a million more than in 1940. Yet, even this is considered insufficient, particularly as in many branches increased output is due more to the increased number of workers than to increased productivity.

Coal seems to be a case in point and therefore the responsible minister spoke recently of the need both for more workers and more skilled labour. Incidentally, he claimed that some 300,000 miners attended special technical courses during the year. Thus it is hoped that it will soon be possible to reap the real advantage of mechanisation. As regards the oil industry, the main progress during the year was apparently achieved in the Bashkir and Tartar republics and around Kuibyshev, i.e., in the so-called "second Baku." While in this sphere the Russians speak of the "growing importance of the more eastern regions," in the iron and steel industry progress is apparently equal both in the western and more eastern regions. Thus Krivoi Rog (Ukraine) has fully recovered and is working at full steam, while Magnitogorsk—now celebrating its 20th birthday—exceeded its targets very substantially. Little information is available about the engineering industries. The Minister of Machine Tool Industry claimed last week that 82,500 metal-cutting tools were produced in 1951, 8,500 more than the planned target for 1950. Judging from volume indices it is in engineering that expansion has been the greatest since the end of the war.

SOVIET PRODUCTION

	Output in Million Tons			Indices Previous Year=100		
	1940	1950	1951	1949	1950	1951
Pig iron	15·0	19·4	22·1	119	117	114
Crude steel	18·3	27·3	31·3	125	117	115
Rolled steel	13·1	20·8	23·9	127	116	115
Coal	160	264	285	113	111	108
Oil	31·0	37·8	42·3	114	113	112
Electricity*	48·2	90·0	103	118	116	114
Cement	5·8	10·2	12·1	126	126	119

* '000 million kWh.

The gap between the output of producer and consumer goods has remained since the war as wide as it was before. While basic materials and engineering products exceeded quite stiff production targets and left the 1940 level far behind, the output of many consumer goods just reached the prewar level and often failed to fulfil their very modest targets. Thus cotton fabrics, with 4,650 million metres, and shoes, with 240 million pairs, have only just reached the level planned for 1950. The position seems somewhat better for fats and sugar, but generally the levels of consumption are still very low. Obviously the Russians must have felt quite an improvement after the appalling standards during and immediately after the war. Yet even the sons of patient *muzhiks* must wonder when they will finally reap the fruits of years of abnegation and effort. Once again, however, they are likely to be robbed of their well-merited reward by the vagaries of the international situation. In the present situation the Soviet planners will not be able to shift the emphasis on to consumer goods. The USSR has no idle resources

or unemployed manpower to harness into the defence effort. The planners will have the alternative of cutting consumption or investment, and when faced with such a choice they have consistently and understandably put a premium on investment. The failure of agriculture to keep up with industrial development also makes a major contribution to the relatively low level of consumption. The Soviet citizen will probably have to wait for quieter times to get a larger slice of his national income.

China and Britain—A New Phase

MR CHURCHILL'S references to the Korean war and Formosa in his address to Congress have been prominently featured in Chinese Communist radio and press publicity and interpreted as a British surrender to an American policy of "expanding the war." At the same time alleged "unfriendly acts" of the British authorities in Hongkong against "Chinese citizens" are being played up in a manner which is both new and ominous. There are signs that the heat is to be turned on seriously against Britain for the first time since the *Amethyst* affair. All expression of opinion in China is today integrated under a fully totalitarian central control, so that the new tone about Britain appears to indicate that the Chinese Communist leadership is reconsidering its hope of a decisive separation between British and American policies in the Far East. Whether the new agitation on Hongkong will develop into real menaces against the British position there remains to be seen, but the period of virtual immunity from officially sponsored hostile agitation in China that Hongkong has so far enjoyed now appears to be over.

In reporting Mr Churchill's speech to Congress a Chinese radio commentator declared that he had come to America "wagging his tail and seeking pity", and had

> profusely lauded the bloody aggression of the United States in Korea and expressed hearty approval of the American stalling tactics in the armistice negotiations. He even went so far as to urge his American masters to conquer the peoples of China and Korea. . . . Churchill stated that he fully supported the shameless action of the United States in occupying Taiwan, a part of Chinese territory. This fully reveals the ugly mien of Churchill towards the Chinese people.

Chinese press editorials declared that Mr Churchill's speech had shown him both as the representative of British imperialism, "the enemy of the Chinese and Asian peoples," and as the subservient auxiliary of American imperialism striving to "curry favour with his American bosses." He had "viciously slandered" the Chinese People's Republic and had "openly declared in Washington his friendship for the Kuomintang bandit remnants in Taiwan." He had explained to Congress that "Britain could not carry out American policy if American aid were not forthcoming," but that America could not carry out its aggressive imperialist plans without Britain. He had "tightened Britain's subservience to America and begged for sympathy before the mouthpiece of Wall Street, the United States Congress." The *Kwangming Jih Pao*, however, warned the British imperialists that they would suffer "crushing defeat if they try any tricks against the Chinese People's Republic at the bidding of their American masters."

Chinese Communist comment sought to emphasise that British opinion was not united in support of the attitude expressed by Mr Churchill, who had spoken "in utter defiance of the British people's desire for friendship with the Chinese people." Prominence was given to expressions of British "irritation" at American pressure on Japan to conclude a treaty with the Chinese Nationalists, and it was

P.P.26 Issued by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

BRITISH RAILWAYS
London
by
Golden Arrow
ALL-PULLMAN
or
Night Ferry
SLEEPING CARS
Paris
BRITISH RAILWAYS

declared that neither America nor "the British reactionary clique led by Churchill" could shake the Chinese people's determination to "liberate" Formosa.

On January 25th a manifesto against "illegal" arrests and expulsions of "Chinese citizens residing in Hongkong" was issued over the signatures of a number of prominent personalities, including Kuo Mo-jo, Liu Ning-yi and Liao Cheng-chih. The manifesto declared that the "shameless persecution of Chinese residents" in Hongkong was due to the British Government's subservience to American policy. The Hongkong authorities were accused of "obstructing the patriotic activities" of Chinese in the territory, of preparing to "transform Hongkong into an outpost for the invasion of China," and of "instigating Kuomintang brigands to raid China's borders." The British were warned that they must "bear full responsibility for their provocative actions." This manifesto was followed up by a similar blast at British "hostile acts" against Chinese in Hongkong signed by representatives of the Shanghai branches of the China Peace Committee, Democratic Youth Federation, Democratic Women's Federation and other organisations which usually provide the Communist party's chorus on such occasions.

Ninety Days in Paris

Two remarkable paradoxes characterised the sixth United Nations Assembly, which ended on Tuesday just three months after its opening session. In the first place, this was (*pace* Mr Eden) perhaps the most vituperative Assembly yet held; each Soviet speech seemed to contain more invective and abuse than the last, and the United States delegates were not slow to answer in kind. Yet, despite this mounting conflict of words, and despite the open conflicts in both the Far and the Middle East which accompanied the session, at no time was there any serious suggestion, such as has been heard at almost every previous Assembly, that the United Nations was in danger of breaking up. Even Mr Malik's assertion that the third world war had already begun stirred no more than a ripple of comment.

That in itself might pass merely as an illustration of mankind's habit of taking institutions for granted, whatever their difficulties, if they can only survive for a certain length of time. But the second paradox is less easily explained. From the beginning of the Assembly it was clear that it would be distinguished from its predecessors mainly by the heightened tension between the countries of the Middle East and those of the west. Morocco, Libya and Palestine were on the formal agenda, Egypt and Persia were already at loggerheads with Britain when the session opened, and before it closed matters came to a head over Tunisia, which is now being brought before the Security Council by fifteen Asian governments. The logical consequence seemed to be the forging of a new "anti-colonial" front, with the Soviet Union, as the professed champion of the Asiatic and African peoples, gaining a new following among their delegations.

The surprising thing is that this did not happen. Of the whole long series of resolutions and amendments tabled by the Soviet representatives, only a handful secured the support of any nation outside the iron curtain. Last week's vote on the western proposal to defer discussion on Korea until a more suitable moment was typical; the proposal was supported by 51 out of the 58 delegations present, the five contrary votes were those of the Soviet bloc, and the only sign of any disunity in the non-Communist world was the abstention of Chile and the Yemen. The Russians fared no better in the debates on collective measures and the Balkans, and although there were more abstentions in the votes on the creation of the Disarmament Commission and on the Soviet complaint against the US Mutual Security Act, the number of hands raised in support of the Soviet motions could still be counted on the fingers of one of them. Mr Vyshinsky, who left Paris a fortnight before the end of the Assembly, will no doubt have to answer some awkward questions in Moscow about this failure to exploit the inherent contradictions in the non-Communist world on which Soviet spokesmen lay so much stress.

Part of the explanation lies in the divided counsels of the Asians themselves. From the very beginning of the session Egypt's evident intention of launching an all-out attack on the west was viewed with disquiet even by some of its partners in the Arab League. As the weeks passed, the Wafdist delegates, who dragged their quarrel with Britain into wholly irrelevant debates and supplemented this almost daily with inflammatory press conferences, acquired a reputation akin to that of the Irish spokesmen at Strasbourg, who cannot approach any European issue except by way of "partition." Iraq and the Lebanon were quick to dissociate themselves from these tactics, and when the Wafdists went so far as to denounce the new Libyan government as a tool of imperialism they found themselves completely isolated.

Anti-western feeling was, however, widely manifested in debates on both political and economic issues, and particularly in the fourth committee, whose approach to colonial questions led to the temporary withdrawal of France as well as South Africa. That this feeling was not carried to the point of opposition to the major western initiatives was due largely to the good sense of the western delegates themselves. The anger with which American spokesmen answered Soviet attacks in debate did not prevent their agreeing, often on British and European advice, to modify the wording of several resolutions so as to make them acceptable to Asian opinion. And the west's success in weaning Asia away from the attractions of Communism was perhaps seen most clearly in the unopposed adoption of the American resolution on land reform and the crushing defeat of a rival Polish proposal, despite the latter's seductive appeal to nationalism.

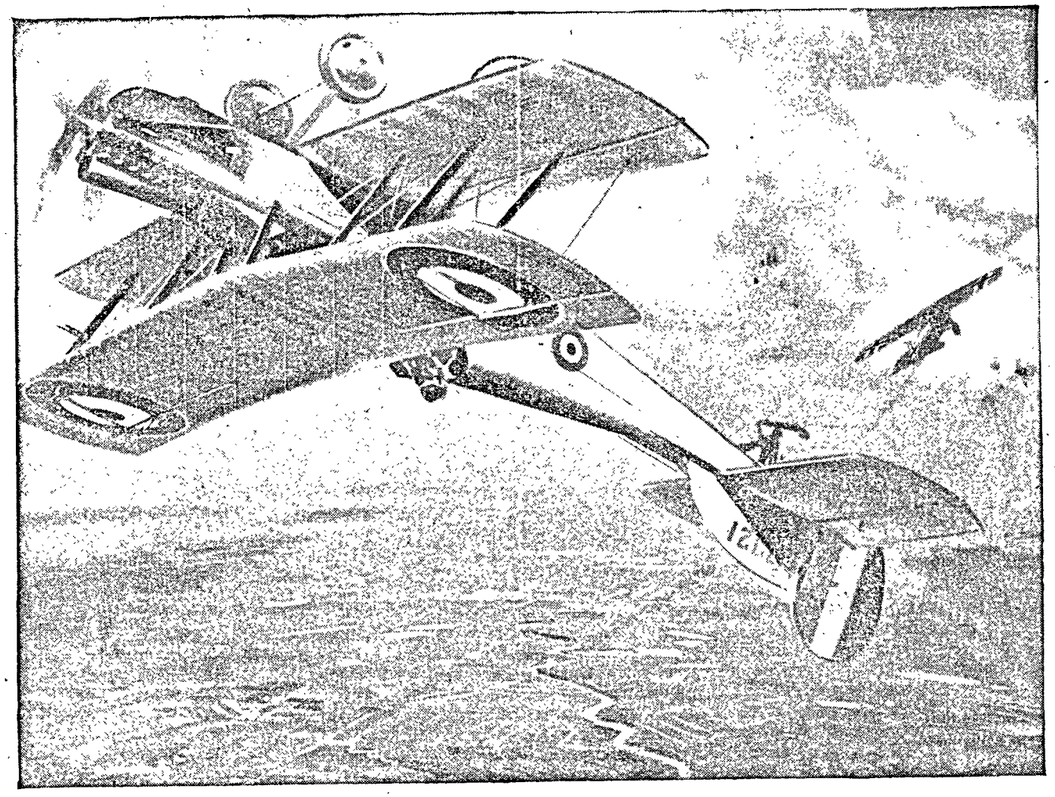
Mr Vyshinsky's Poor Form

The Soviet delegation's failure to capture any significant support must nevertheless be largely ascribed to its own ineptitude. Except on disarmament and the admission of new members, the Russians showed themselves unwilling or unable to modify their own proposals in such a way as to broaden their appeal; and their endless repetition of old charges against the west fell on increasingly weary ears as the session progressed. Mr Vyshinsky's notorious "dead mouse" speech, and his equally maladroit revelation of the extent of Soviet control over Hungary when discussing the case of the American airmen forced down in that country, did much to alienate even those delegates who prefer to think well of the Russians as long as they can; and Mr Sobolev pained many of his hearers by his personal attack on the Secretary-General, whose assistant he had so recently been. The British delegation under Mr Selwyn Lloyd fully deserves to be congratulated on having emerged so well from an Assembly whose beginnings were dark with storm warnings; but its members would probably be the first to agree that their success was at least partly due to the clumsiness of their chief antagonists.

Elections in Burma

[FROM A SPECIAL CORRESPONDENT]

LIKE India, Burma is now nearing the end of a general election spread over a considerable period of time and the new Chamber of Deputies is expected to assemble for the first time about the beginning of March. As with the Congress Party, the government party in Burma, the AFPFL (Anti-Fascist People's Freedom League) is certain of being returned to power under the present Prime Minister, Thakin Nu. It has not, however, been possible to carry on the Burmese elections according to a fixed plan established beforehand because of the disturbed and in many respects still disintegrating state of the country. While, therefore, it



We've solved some problems in our time!

WANTED—*an unspillable aircraft battery*. That was 1916. On the western front, British artillery observation pilots, harried by enemy fighters, were learning new evasive manœuvres in a very hard school. With them, right way up or upside down, went the batteries used for W/T communication with the gunners below. Every so often, inverted batteries lost their acid and put the wireless transmitters out of action.

¶ Chloride Batteries solved that problem quickly—and finally. A battery with each of its necessary gas vents constructed in the form of compartments within compartments, so as to make an acid trap, was soon in action: the first truly non-spillable battery, and the forerunner of every such battery made since.

¶ For more than half a century, each year has brought its quota of problems to this company. In industry, transport and communications here and abroad, we can point to tens of thousands of our Chloride, Exide and Exide-Ironclad Batteries each giving satisfactory service in the special job for which we were asked to design and produce it. Those are answers which time has proved to be right.

¶ Our battery research and development organisation is the largest and best equipped in the country—if not in the world. It is at industry's service always—ready at any time to tackle another problem.

CHLORIDE
BATTERIES LIMITED
Makers of Exide Batteries
EXIDE WORKS · CLIFTON JUNCTION · NR. MANCHESTER

Aspects of Enterprise No. 23

SIMON ENGINEERING GROUP

Behind the scenes the Simon companies are often concerned in well-known industrial ventures of great national importance. One example is the immense Margam steelworks, for which Simon-Carves built the new boilers, coke ovens and by-product plant. Another is the United Sulphuric Acid Corporation's project to produce sulphuric acid from anhydrite as a long-term measure to meet the sulphur shortage; Simon-Carves are the main contractors for the construction of the plant, and Simon Handling Engineers are responsible for all materials handling and preparation.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

These facts are published to show what British workers can achieve in spite of difficulties, given opportunity and backed by enterprise.

It can be done

At one of the biscuit factories of Messrs. Carr and Company Limited of Carlisle, a building was demolished and a new two-storey bakehouse erected in its place in 10½ days.

Starting on a Friday evening in August 1951, two teams of 35 men worked twelve-hour shifts—the night shift under floodlights. Construction was carried out over machinery which could not be moved and all materials had to be hoisted across existing buildings. The programme—worked out in advance to the last detail —was fulfilled in spite of bad weather.

At 7.30 a.m. on the following Monday week the new bakehouse —a steel framed building with pre-cast concrete floor and roof and brick walls—was completed and in production. It was the spirit of those men who worked all hours and in all weathers that saw the job through

LAING

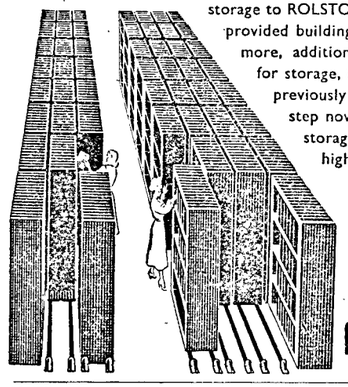
JOHN LAING AND SON LIMITED, Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka. Established in 1848

FOUND

50% additional storage space

..hidden in the gangways!

In hundreds of factories, warehouses, offices, hospitals, etc., we have, by converting from static storage to ROLSTORE Mobile Unit Storage, provided building owners with 50%, and more, additional effective floor space for storage, in exactly the same area previously used. Take the first step now towards bringing your storage technique up to this high efficiency level.



Write now for leaflet EC, giving full details of this AMAZING NEW ADVANCE IN STORAGE TECHNIQUE to :—

ACROW (ENGINEERS) LTD

SOUTH WHARF, PADDINGTON, LONDON, W.2 (AMBassador 3456-20 lines)

is something of a triumph to have carried them out at all, some of the results may be open to question. Moreover, as foreseen, it proved impossible to complete the whole operation by January 4th. Elections of a sort have been held in 233 constituencies out of 250, but some results are not yet complete and others are still under scrutiny by the Elections Supervision Commission. The score board as at January 20th read as follows:

CHAMBER OF DEPUTIES

	Total No. of Seats	Election Held in No. of Seats	Left to be Held	AFPFL	Opposition
Burmans (incl. Arakanese)	190	176	14	135	41
Karen Nationals	20	18	2	15	3
Karenni State	2	2	...	2	...
Chin Sp. Division	6	6	...	2	4
Kachin State	7	7	...	2	5
Shan States	25	24	1	24	...
Total	**250**	**233**	**17**	**180**	**53**

The unco-ordinated opposition elements are made up as follows:

Opposition Group	Chamber of Deputies
BWPP (Burma Workers and Peasants Party)	6
PPF and PDF (People's Peace Front, People's Democratic Front)	14
Arakanese Parlt. groups	9
,, Indep. (Muslim)	4
Karen Congress	3
Chins	4
Kachin	5
Other Independents	8
Total	**53**

On the whole, the elections that have been held passed off with remarkably little rioting and bloodshed, although voters were not entirely free from outside influences. On the government side these included the intimidatory use of "peace guerrillas" in some district constituencies. There is also strong suspicion amounting to virtual certainty that in a few cases electoral rolls were falsified and ballot boxes tampered with or conveniently lost. On the other side attempts were made to break up the elections altogether by threats of reprisals and attacks on the polling booth areas. Some of the voting has therefore been half-hearted to say the least of it, and in some constituencies absurdly small percentages of the electorate cast votes. Some Karen constituencies were noticeably bad in this respect, the record being a total poll of 0.7 per cent. There were many of 5 per cent and under.

Of the 135 shown in the table as belonging to the AFPFL, it seems that 80, or perhaps one or two more, are members of the Burma Socialist Party (BSP)—which is a constituent of the AFPFL grouping. Ba Swe's particular dream is said to have been to organise an absolute Socialist majority, throw off the mantle of the AFPFL, form a purely BSP Cabinet and oust Thakin Nu, who would either have to become President or retire from public life. This has now failed, since about 80 seats out of 233 is not nearly enough.

The Burma Workers' and Peasants' Party (BWPP)—a fellow-travelling organisation—contested the earlier batches but then announced that the elections were not "free and fair," and that they would boycott the remainder. They actually withdrew two candidates who would have been returned unopposed, although they did contest a few more seats where they had not much hope of success. In areas where they were stronger they did not put up candidates but tried to disrupt the polling and to get the local people to boycott and ridicule the whole affair. This action is very puzzling, since they could certainly have got a few more seats had they tried, and it merely handed the extra seats on a plate to the AFPFL.

Ever since its foundation last year the BWPP has appeared to be an instrument used by the Communists—who have themselves gone into open rebellion. Its members, therefore, probably have no intention of being banned as a party. They appear to intend to exploit their constitutional position, although this does not preclude a great deal of covert trouble making both in the districts and in Rangoon. On the other hand, not one of the front line leaders is now in Parliament —Thakin Lwin, Hla Kywe, Chit Maung or Ba Nyein. The six who did get elected all represent constituencies in the Tharrawaddy district and are comparatively unknown second-rank men. Since, barring accidents, the present Government is now due to have four years in power, one is forced to wonder whether the BWPP is not considering purely subversive action in due course, along with its Communist masters.

Until about this time last year there was no organised parliamentary opposition in Burma. Then the newly formed BWPP tried to attract all those with extreme leftist ideas by forming the People's Democratic Front. This consisted of the BWPP, some white PVOs (People's Volunteer Organisation) and any odds and ends with extremist views who cared to join. It did not immediately have much success. So the People's Peace Front (PPF) was formed before the elections, under the leadership of U Aung Than, Aung San's less able brother. It was not so far to the left and included the Dobama Asiayone Party, the so-called "Repentent" White PVOs and a number of anti-Socialist Independents. This provided the best, or least poorly organised parliamentary opposition last year.

Recently there has been a movement actively encouraged by the Russians to co-ordinate all the opposition parties. Furthermore, Dr Ba Maw, although not himself interested in Opposition affairs, and his Mahabama Party have been resuscitated and revitalised, and put up a few candidates in the elections. The result is "the triple alliance," namely, the BWPP (or PDF), the PPF and the Mahabama. This is a comparatively new development, and it is impossible to say at this stage how it will shake down into a parliamentary opposition, particularly as none of the recognised leaders is in at present. Each party has been careful to stress its own entity and freedom of action, and, judging by previous alliances in Burmese politics, it is unlikely to show a continuously united front in the Chamber of Deputies. But for harassing purposes it represents a more formidable combination than any the Government has so far had to deal with. Moreover, the triple alliance as such is contesting the forthcoming municipal elections.

Black Sea Colonies for Russians

[BY A CORRESPONDENT]

THE Soviet Union's policy towards its satellites has employed a technique of ruthless "colonial imperialism" in more than one field. But the Russian "enclaves" in the maritime provinces of Bulgaria and Rumania are more than ordinary examples of the practical application of this colonising policy. They show a definite tendency on the part of the Russians to expand along the coastlines of the countries under their control. The same policy has been followed with great determination in the Baltic area, where, in the past few years, compact groups of Russian settlers have been firmly established all along the coast, as far west as Stettin. The "traditional" conception of the Russian bear as a "land animal" will have to be corrected. The bear has now taken a strong liking to sea-water.

In the last two years the two Soviet Balkan satellites, Bulgaria and Rumania, have concentrated their main construction projects in the Black Sea coastal districts. The Rumanian effort is almost totally absorbed in the formidable enterprise of building the Danube-Black Sea canal, while the Bulgarian government has decreed that the "transformation of nature on a gigantic scale" is to take place in the Dobrudja province, south of the Rumanian canal. Before embarking on these projects, the two governments organised

acquired a year ago on terms that would attract private purchasers and cover the price that the state paid. The notion that 3½ per cent Steel Stock could be tendered in exchange for the underlying securities for which it was issued also fails, for Steel Stock is in totally different hands and is now impossible to identify with individual holders of steel securities before nationalisation was imposed. No doubt, if offers of steel securities were made to the public, those investors who held them on February 15, 1951, might well be allowed to apply for them on "pink forms" and, indeed, to tender Steel Stock for them on the same terms that were offered in compensation. But the fact is that Steel Stock is now largely in institutional hands, and institutional investors would be failing in their duty if they did not give full weight to the political and economic risks that "free enterprise" in steel might imply.

* * *

It is not surprising, therefore, that public discussion has turned towards the possibility of leasing the physical assets of the old companies to successor companies. Several stages would be involved. First, the Iron and Steel Corporation would transfer its steel securities to a new holding authority, which would assume its obligations for the service of Steel Stock. The holding company could then act as a landlord owner of steel properties which it would be prepared to lease to new operating companies. For example, the present board and staffs of, say, Dorman Long and Company Limited would no longer serve that company, but instead serve Dorman Long and Company (Successors) Limited. The successor companies would lease the steel plants for an annual rental, and furnish working capital and management—the latter being independent of the holding company. That company would secure that the rentals that it received from the new operating companies were sufficient to service Steel Stock, which would become quite literally a rent charge on the industry. Each operating company would then be left to make its own arrangements for new finance to provide working capital.

Such a scheme would present plenty of difficulties. The relations of landlord and tenants would not be simple. The extension or alteration of existing plants would raise thorny problems. But in terms of finance it would be a far easier operation than attempting to resell the steel securities now held by the Iron and Steel Corporation. In round figures, these securities were acquired for £250 million. Some, like English Steel, that were acquired from holding companies, might conceivably be bought back by them, but £50 million is probably the outside figure for re-transfers of this kind. That would leave £200 million worth of securities (at 1945 and 1948 prices) to be placed. By contrast, the amount of working capital that would be required would be much lower—how much lower could only be a matter of guesswork. But if it amounted to £50 million, it would not impose any great strain on the market mechanism. And the new operating companies would then have the manifestly great advantage of starting with a clean financial slate, their capital overheads represented by a relatively cheap rent charge, and their newly subscribed capital in equities with every prospect of satisfactory earnings and dividends. On this basis, a sensible and attractive prospectus for new steel capital could be contrived; but no other solution seems to present itself.

So far as finance is concerned, the criterion of "free enterprise" in steel is the test of the market and of the willingness of investors once again to provide the risk capital. There is no half way house in this matter. No mixture of public and private interests in the industry is likely to work; there must be no repetition of the absurdity, for an industry such as steel, of relying on public finance at fixed rates of interest. That is not to say that the properties to be let out on lease must be coterminous with the properties owned by the former steel companies. There will be opportunities for regrouping and integration that should not be missed. But the determining factor, in the end, must be the willingness of the private investor to finance the remodelled companies, to take risks in their expansion and to accept the principle that an effective measure of public control must be secured over it. It would be better not to rush this process, for more is involved in "free enterprise" in steel than the wide distribution of its equity. Before the investor is asked once again to participate in the industry he will want to be certain what he is buying. It was commonly said before 1949 that to buy one steel share was to buy the lot. The truth of this exaggeration is important. One plant may have an intrinsic value because it can make steel cheaply; another may make good profits given a certain price structure and a certain degree of shelter from the full burden of its real costs. It is to these questions that the second article in this series will turn.

Profits before the Pressure

THE announcement of a fortuitous rise in profits in a period of inflation arouses two sorts of exasperation—the economic, which is directed mainly against the Government that allowed the inflation to grow and to benefit all industries indiscriminately, and the malicious, which is directed wholly against industry for having allowed higher profits to be foisted upon it. Failure to distinguish between these two reactions has led to a consistent stream of errors in public policy. In the first and lush phase of each inflationary crisis, industry shows an increase in profits, enjoyed indiscriminately by the essential enterprises that ought to be attracting more resources and the marginal ones that ought to be releasing them; even in this phase, however, the depredations of the tax collector leave companies with barely sufficient profits to keep the real value of their assets intact. In the second, or corrective, phase—which usually comes when overseas markets are drying up and profits are declining anyway—the Government steps in with new profits taxes and other measures that make the raising of risk capital impossible; the result is that businesses are driven to various sorts of fixed interest borrowing (the burden of which may cause a crop of bankruptcies if ever real recession returns) in order to maintain whatever level of replacement of real assets the system of physical controls allows to them. In the first phase profits are rather too low but much too easy; in the second phase they are still rather too easy but much too low.

The 567 profits statements published in the last quarter of 1951 still mirror a phase of incipient

inflationary crisis, a phase when profits were much too easy. They relate, for the most part, to a trading year that ended last spring, and thus cover the giddiest twelve months of excess domestic buying and of easy markets abroad. The total income of these 567 companies, at £435.4 million, was some 55 per cent higher than in the previous year; if the exceptional experience of three oil companies is excluded, the increase for 564 companies was 32 per cent (to a total of £278 million). This latter increase was spread right across the board, thwarting any incentive to move resources into rearmament or exports or any other discernible or desirable pattern. The full figures (published on January 26th in the *Records and Statistics* supplement) show a rise in the total income of 25 textile companies by 56 per cent, of 101 companies in other consumption trades by 18 per cent, and of 80 companies in capital goods industries by 21 per cent. Even shops and stores, which so soon after this trading period ended were to feel the first lick of the flame of falling consumer demand, experienced a rise in income by nearly 24 per cent on the year.

For the consumption trades, at any rate, all this is a story of profits past. Even while the buying spree lasted they were not very real profits, in any sense of the word except that interpreted by the tax collector. Of the £154 million increase in income earned by these companies, £68 million went in taxes, £53 million into reserves against future tax liabilities and less than £1,300,000 to ordinary shareholders; indeed, the shareholders actually received a smaller percentage return on the net worth of their companies (6.6 per cent against 6.9 per cent) than they did in the preceding year. The importance of this familiar story lies not simply in the fact that it makes the social malevolents (and all pandering to them by a new Excess Profits Tax) look silly, but also in its significance for the future. Are some of these industries, which were stripped of potential reserves by the tax collector as they swept up to the top of the inflationary wave, now going to find themselves in a defenceless state if and when the wave dashes them down again? Have the depredations of the past few years made the financial structure of British industry intolerably rickety?

The best that can be said is that the balance sheets published last quarter do not show any further deterioration in this regard; if they had done so, in such a time of super-boom, the position would indeed have been serious. An unnerving unknown, however, is the extent to which the published rise in profits last quarter was due to a rise in the book value of stocks, a rise that the wool industry for one has already found can be dramatically reversible. The value of stocks held by these 567 companies rose by £74½ million, or just over 20 per cent in the year. It is impossible to say how much of this was due to a rise in volume, but it should be noted that the Board of Trade's index of wholesale prices rose by 28 per cent in the year to March, 1951: it has continued to rise since then, but at a much slower rate. This rise in stock holdings, however, was financed without any further weakening of liquidity. Cash holdings rose by £73 million (though £45 million of this was accounted for by the three oil companies); moreover, there does not seem to have been any substantial sale of gilt-edged or other marketable investments, and bank borrowing rose by only £7 million on the year (though this represented a rise of nearly one-fifth). Sharp increases in sums due

TABLE I.—**PROFITS, PROVISIONS, AND DEPRECIATION**

(£'000)

	Reports Published October-December, 1951		Reports Published January-December, 1951	
	567 Companies		2,501 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	256,691	411,527	1,096,999	1,459,145
Income from investments	12,049	13,189	81,918	89,396
Other current income	3,869	4,004	8,236	7,137
Non-recurring credits	8,462	6,712	43,662	35,093
Total Income	281,071	435,432	1,230,815	1,590,771
Repairs and maintenance	2,910	4,716	8,680	10,922
Depreciation	42,965	50,487	172,262	200,716
Income tax (excl. profits tax)	81,555	133,164	365,623	501,216
Profits tax	29,047	45,371	118,100	161,169
Directors' emoluments	7,175	8,169	38,775	42,544
Administration charges, etc.	11,887	12,941	32,673	35,611
Contingencies, provisions, etc.	28,413	67,563	96,905	156,474
Pensions	2,946	2,794	16,866	20,116
Minority share in profits	1,668	1,589	16,093	16,779
Profits retained by subsidiaries	12,416	17,921	81,070	96,237
Debenture interest	4,427	4,694	22,572	25,381
Preference dividends	6,080	6,190	32,515	32,425
Ordinary dividends	26,414	27,692	127,251	145,196
Revenue reserves	24,673	45,593	87,204	119,078
Brought in (parent company)	38,705	42,200	211,940	226,166
Carried forward (parent company)	42,200	48,748	226,166	253,073

TABLE II.—**NET WORTH EARNINGS AND DIVIDENDS**

567 COMPANIES' REPORTS PUBLISHED SEPTEMBER-DECEMBER, 1951

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital	248·2	262·8
Real equity or net worth (i.e. net assets after deducting liabilities and prior charges)	696·7	799·1
Ordinary earnings*	67·0	97·8
Ordinary dividends†	26·4	27·7
Earnings rate per cent:—		
On issued capital	52·2	66·2
On net worth	18·6	21·8
Dividend rates per cent:—		
On issued capital	19·3	20·5
On net worth	6·9	6·6

* Including amounts retained by subsidiaries and after tax. † After tax.

TABLE III.—**ANALYSIS OF COMPANY BALANCE SHEETS**

PUBLISHED SEPTEMBER TO DECEMBER, 1951

£'000

	567 Companies			567 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies:—			**Fixed Assets:—**		
Debenture	118,621	125,517	Land, property and plant	785,972	869,685
Preference	158,088	165,602	*Less* depreciation	265,584	308,453
Ordinary	248,246	262,760		520,388	561,232
	524,955	553,879			
Reserves and Surplus:—			**Trade Investments**	78,358	83,314
Capital reserves	135,936	149,482			
Revenue res. and carry forward	312,865	386,908	**Intangible Assets**	29,687	30,411
Total Capital Reserves and Surplus	973,756	1,090,269			
			Current Assets:—		
Outside Interests in Subsidiaries	33,174	30,832	Stocks	358,228	432,779
			Debtors	251,056	320,480
Current Liabilities and Provisions:—			Gilt-edged securities	28,941	25,245
Bank overdrafts and loans	36,760	43,701	Other marketable investments	102,422	106,141
Creditors and accrued charges	420,403	469,565	Cash	202,420	275,450
Reserve for future taxation	78,062	131,395			
Other provisions	29,355	69,290			
	564,580	713,951		943,077	1,160,095
	1,571,510	1,835,052		1,571,510	1,835,052

to and from other current creditors and debtors indicated once again the inflated volume of trade credit that is still being handed from one company to another, but there was a welcome lessening of the build-up of the burden of prior charges at longer term; debenture capital rose by less than £7 million, and ordinary capital by twice as much. Thanks to a substantial ploughing-back of profits, the net worth (that is, the book assets minus liabilities and prior charges) of these 567 companies rose from £697 million to £799 million during the year.

The broad impression therefore is that, in this period of inflationary boom, net profits rose just about enough to finance the replacement of stocks and fixed assets at the concurrent rate of rise in prices; they probably did not, however, increase sufficiently to finance any expansion of real capital (and thus of real productive power), while they certainly did not increase enough to drive dividends up to a level where much new equity capital would be attracted for that purpose. The process of borrowing short and on fixed-interest terms, of throwing away the cushion that equity capital provides against bankruptcies and unemployment when demand runs down, has been a characteristic of other booms in world history—the sort of booms that the history books sagely declare, on looking back, to have "clearly carried the seeds of the subsequent financial crisis." But to run into this noose in order to keep capital equipment intact, instead of to increase its efficiency, is a new phenomenon.

★

As it happens, two statistical series illustrating these disturbing trends towards euthanasia of the risk bearer have been published this week by the Commissioners of Inland Revenue in their report for 1950-51. The first of these, summarised in Table IV, shows the ratios between profits and turnover in a wide range of industries. For various reasons these statistics do not cover the operations of all the public and private companies with which the Commissioners had dealings; in fact, the net trading profits assessed for these sample companies in 1949-50 (which, the Inland Revenue states, broadly cover trading operations in the calendar year 1948) amounted to £736 million, while *The Economist's* figures for public companies that published balance sheets in 1950 and 1951 show net trading profits of £925 million and £1,258 million respectively. Nevertheless, the Inland Revenue has access to much fuller accounts (including, of course, statistics on turnover and costs) than the private investigator can have.

The conclusions to be drawn from the Inland Revenue's figures are startling. It will be seen that the weighted average ratio of total income (before allowing for depreciation allowances) to turnover was the same in 1948 as in 1937. This was in spite of a sizeable growth of profits in the textile trade—mostly, no doubt, as a result of profits from exports. Industries serving the home market have kept down their profit margins as turnover has risen; in a time of inflationary pressure and sellers' markets this has been a "triumph" for moral suasion, price control and purchase tax. The result of this "triumph," however, has been that the increased share of total revenue going to profits and income tax has been at the expense of the shareholder. Retained earnings have also risen relatively to turnover but (outside the textile trade) the rise has been a sorry one when measured against the rise in the costs and needs of capital replacement.

These figures, it must be emphasised, relate to trading experience more than three years ago. Since then the situation as regards capital provision has certainly grown worse. The disease, of course, is a hidden and unevenly malevolent one, not always obvious to the industries themselves. The expansion of turnover since the war has enabled many capital using industries to spread their overhead costs by flogging their capital equipment more intensively, and has thus made total profits look comfortable, even when profit margins have been declining. This is merely another example of the distorting mirror of an economy living on capital; under the influence of this mirror many industries—and incidentally many stock market prices—may have been thrust dangerously far out on to a tight rope.

TABLE IV.—INDUSTRIAL PROFITS AND DIVIDENDS, 1937-48
(Percentages of Turnover)

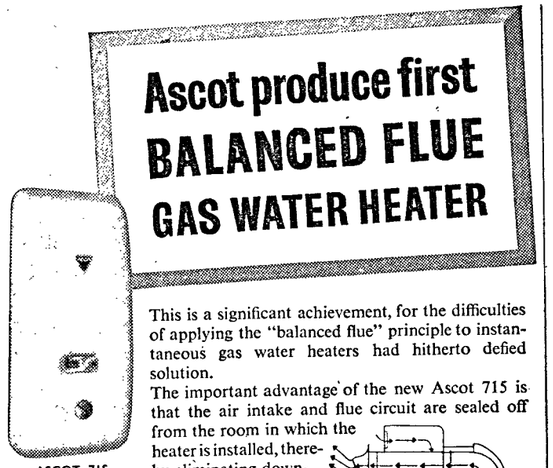
	Total Income*		Gross Dividends		Profits Tax and Income Tax		Retained Earnings	
	1937†	1948†	1937†	1948†	1937†	1948†	1937†	1948†
Mining and quarrying (excl. coal)	19·8	16·9	8·5	3·2	1·7	4·2	3·3	3·3
Non-metalliferous mining (excl. coal)	18·7	14·4	9·1	3·3	2·4	4·8	4·2	3·8
Chemicals and allied trades	22·0	13·2	14·6	5·0	1·6	3·5	2·7	2·7
Iron and steel	13·0	12·6	4·3	3·2	2·0	4·3	4·1	3·6
Non-ferrous metals	8·9	10·4	3·2	4·6	1·5	2·7	3·0	1·9
Shipbuilding and non-elect. engineering	13·1	14·9	5·4	2·8	1·7	5·5	3·8	4·8
Elect. engineering and elect. goods	16·3	12·1	6·4	2·7	2·5	4·0	5·0	3·3
Vehicles	10·9	9·4	4·6	2·1	1·4	3·1	2·7	2·6
Metal goods not elsewhere specified	15·1	15·2	8·5	3·1	1·8	5·6	2·9	4·7
Precision instruments, jewellery, etc.	3·8	11·8	1·5	2·6	0·6	4·3	1·2	3·6
Cotton	7·4	11·3	3·1	2·1	0·8	4·4	1·6	3·8
Wool	6·9	13·1	3·7	2·6	0·6	5·1	0·9	4·3
Other textiles	9·0	13·2	4·7	2·4	0·6	5·0	0·6	4·1
Leather, leather goods, and fur	4·0	15·4	3·0	2·2	0·2	6·6	−0·1	5·7
Clothing	7·7	9·6	4·1	2·0	0·8	3·6	1·5	2·9
Food	8·3	8·6	4·9	2·6	0·8	2·7	1·2	2·1
Drink	18·9	12·4	10·0	4·5	2·0	3·9	3·8	2·7
Manufactures of wood and cork	8·7	10·6	3·8	1·9	1·2	3·9	2·3	3·3
Paper and printing	14·4	16·1	7·2	4·5	1·5	5·4	2·5	4·1
Other manufacturing industries	12·2	13·1	6·5	3·6	1·2	4·3	1·9	3·3
Building and contracting	6·9	7·0	2·7	1·0	1·1	2·5	2·3	2·1
Road transport	21·7	20·4	7·4	6·3	1·7	3·3	3·6	3·2
Other transport, etc.	27·8	15·6	13·1	5·0	2·2	3·3	3·8	2·6
Distributive trades (wholesale)	5·0	5·2	2·8	1·2	0·6	2·0	1·1	1·6
Distributive trades (retail)	7·5	7·3	4·1	2·0	0·9	2·6	1·4	2·0
Entertainment and sport	15·9	18·6	7·1	5·9	1·8	6·4	3·3	4·7
Other services	11·6	12·3	6·3	3·4	0·9	3·9	1·3	3·0
Total (weighted average)‡	**10·1**	**10·1**	**5·1**	**2·5**	**1·1**	**3·5**	**2·0**	**2·8**

* Total income is inclusive of depreciation. † Profits assessed in 1938-39 and 1949-50 respectively, which relate, broadly speaking, to trading operations in the calendar years 1937 and 1948. ‡ Weighted average on basis of 1948 turnover.

TABLE V.—DISTRIBUTION OF INDUSTRIAL STOCKS AND SHARES IN ESTATES ASSESSED TO DEATH DUTIES, 1950-51

	£000's	% of Total
Net Capital Value of Estate :—		
£2,000—£20,000	68,599	*27·5*
£20,000—£50,000	58,999	*23·5*
£50,000—£100,000	40,162	*16·1*
Over £100,000	82,131	*32·9*
Total	249,891	*100·0*

A second startling series of figures emerging from the Inland Revenue's report is that showing the holdings of "stocks, shares, etc., of joint stock, etc., companies" in estates assessed to death duties in 1950-51. These figures, summarised in Table V, show that very nearly half of these shares were held in fortunes of over £50,000; probably the proportion of privately held ordinary shares in such large portfolios is even greater.



Ascot produce first BALANCED FLUE GAS WATER HEATER

ASCOT 715 Balanced Flue Multipoint Gas Water Heater

This is a significant achievement, for the difficulties of applying the "balanced flue" principle to instantaneous gas water heaters had hitherto defied solution.

The important advantage of the new Ascot 715 is that the air intake and flue circuit are sealed off from the room in which the heater is installed, thereby eliminating downdraughts and vitiation of the indoor atmosphere. There are no visible flue-pipes either inside or outside the building.

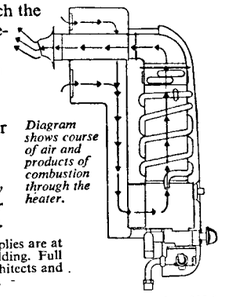


Diagram shows course of air and products of combustion through the heater.

Ten local authorities have already specified the Ascot 715 for their housing schemes.

As production is limited, supplies are at present restricted to new building. Full co-operation is offered to architects and all interested in new housing.

ASCOT GAS WATER HEATERS LTD., 43 Park Street, London, W.1

Business Car Hire LOWERS your costs

Many famous British companies are using our special Business Car Hire Service—*to their profit.*

They have discovered, as you will, that this individually planned service often reduces travelling costs to a considerable degree.

For meeting clients at airports or docks, for making sales calls or for entertaining—in fact, for all your journeys a fine new chauffeur-driven car is always at your service... bringing your company added prestige and efficiency. Only the large resources of Daimler Hire Ltd. can offer such facilities—and *guarantee* absolute reliability.

CARS INCLUDE *latest model* 1951 *Daimler limousines, Humber Pullman limousines, Humber Super Snipe saloons.* DRIVE YOURSELF SERVICE *provides Humber Super Snipe, Standard Vanguard, Humber Hawk, and Hillman Minx saloons.*

By Appointment Motor Car Hirers to H.M. The King

Daimler Hire Ltd

Ask for our representative to call.

243 KNIGHTSBRIDGE, LONDON, S.W.7

PHONE: SLOANE 3456 GRAMS: DAIMLERDOM, SOUTHKENS.

It took 158 years

In the laboratories at Newton Chambers are men with a single-minded attachment to scientific truth, men who wage a continuous war against bacteria and disease. It is this research staff which, generation by generation, has discovered and developed germicides and disinfectants such as Izal, Sanizal and Zal that are household names today. *At Newton Chambers every present-day development is inspired by 158 years of service to the community.*

Newton Chambers

& COMPANY LIMITED, THORNCLIFFE, SHEFFIELD

HEAVY CONSTRUCTIONAL ENGINEERING, EXCAVATORS, INDUSTRIAL AND DOMESTIC HEATING APPLIANCES, FUEL ECONOMISERS, IZAL AND OTHER CHEMICAL PRODUCTS

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged
THE BANK OF AUSTRALASIA LIMITED
(Established 1835)
THE UNION BANK OF AUSTRALIA LIMITED
(Established 1837)

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES
(EXPRESSED IN AUSTRALIAN CURRENCY)
30th SEPTEMBER, 1951

Liabilities	£A.
Capital, paid up	10,667,500
Reserve Fund and Profit and Loss Account Balance	8,337,372
Current, Deposit and other Accounts	373,596,221
Acceptances for Customers	21,484,016
Confirmed Credits, Guarantees, etc, on behalf of Customers	61,206,514
	£A.475,291,623

Assets	£A.
Coin, Bullion, Notes and Cash at Bankers	36,475,775
Cheques of, and Balances with and due from other Banks	13,804,835
Investments at or under Market Value	15,043,738
Special Account with Commonwealth Bank of Australia	100,083,000
Bills Receivable and Remittances in Transit	55,172,368
Loans and Advances to Customers and other Accounts	168,978,163
Liability of Customers for Acceptances	21,484,016
Bank Premises and other Fixed Assets	3,043,214
Liability of Customers and Others on Confirmed Credits, Guarantees, etc.	61,206,514
	£A.475,291,623

HEAD OFFICE
71 CORNHILL, LONDON, E.C.3

'BARCLAY'S NEW CLERK, 1786'

History records that even in 1786 this "new clerk" appeared a little overdressed in his "embroidered waistcoat reaching nearly down to his knees." It is pleasant to be able to add, however, that he "remained in the house many years, and died at a very advanced age, much respected by his employers." Much has changed since 1786, but it is still the aim of our staff to provide the same high standard of personal service which the old private bankers offered in the days of "Barclay's New Clerk."

After a watercolour now in the Institute of Bankers

BARCLAYS BANK LIMITED

One of our clients recently had an order from Argentina for a consignment of foodstuffs to be shipped to a port in Patagonia. He had been informed by his agent that no import permit was necessary but, being aware that such permits were normally needed for goods shipped to Argentina, he was somewhat concerned about the legality of the contract. A telephone call to us immediately set his mind at rest. We were able to tell him that certain articles including some foodstuffs could be imported into Patagonia without permits and free of customs duty.

THE ADVANTAGES OF BEING HERE AND THERE

As the only British Bank with branches throughout Latin America, we can offer you special services—either direct or through your own bank. These services are set out clearly and concisely in our booklet "The advantages of being here and there". We shall be glad to send you a copy on application to:—

The Research Department
(SECTION 34)
BANK OF LONDON & SOUTH AMERICA LIMITED
HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2.
BRADFORD: 19 SUNBRIDGE ROAD. MANCHESTER: 36 CHARLOTTE STREET.

This does not mean, be it noted, that all shareholders are therefore plutocrats; another series of figures in the Inland Revenue's report, which shows that over £71 million of the £685 million of interest and dividend payments made in 1949-50 went to people with a gross income of less than £300 a year, is sufficient proof of the real distress that vendettas against capital can cause. But fortunes of over £50,000 are liable to estate duty of over 35 per cent, and the annual sale of ordinary shares on this account must now reach substantial proportions—while, with only 60 people in the whole United Kingdom making more than £6,000 after tax last year, the amount of new fortunes of over £50,000 now being built up from scratch must be strictly limited. The supply of private risk bearers for industry is being destroyed, at the very moment when all incentives to risk bearing have become politically out of fashion.

It would be wrong to conclude from all this that a serious shake-out of industry's finances is imminent, or even inevitable. Profits in many industries will certainly be lower this year, but not catastrophically so. Mr Butler's technique—which was inevitable in the circumstances—of first banning £500 million worth of imports, and then trying to think of a method of mopping up the internal purchasing power thus released to the home market, may even result in an upsurge of demand for some domestic consumer goods; this might help precisely those industries that are now suffering from moderate recession. The danger is indeed that this process may go so far as to claw back resources that should be diverted to exports or rearmament. It is true that the Government now has a potent weapon to set these resources free—the weapon of dearer and scarcer credit; it is also true, however, that the financial mismanagement of the past few years, and the excessive reliance on short-term borrowing that has resulted from it, mean that the wielding of this weapon may be less smooth and more painful than it once need have been, with the result that the Government may grow frightened of using it. To dodge the issue in this way, however, would merely be to make it certain that redistribution of resources will be even more painful when it can no longer be avoided—for example, in any inflationary crisis during which Britain could not mobilise aid from abroad, and in any deflationary crisis caused by a real recession of external demand.

The implications of these figures for the coming budget are plain. That budget should strive after two objectives. First, it should seek ruthlessly to cut demand to the level the country can afford. Secondly, it should seek equally ruthlessly to set afoot the long-term correctives that are needed to make a smooth transition of resources possible; so long as industry's finances remain clogged by present inconsistencies and past political malevolence, there is a real danger that any transition that may be forced suddenly upon this country will take place against a clatter of bankruptcies and needless social distress. One day the great white light may shine through, and statesmen on both sides of the House may realise that dividend freezes, excess profits taxes and other vendettas against the risk capital market are the antitheses of any long-term policy for the maintenance of full employment. But, on present evidence, both parties have a long way to go.

Business Notes

Trustee Borrowing at 4½ per cent

The shock of the death of the King was nowhere felt more acutely than in the City. On Wednesday morning, the Stock Exchange and provincial exchanges, the commodity markets and Lloyd's, all ceased dealings—or decided not to start them—immediately the news became known. The Stock Exchange formally closed at noon, but business had stopped some time before that. In consequence, the price lists for the day showed hardly any changes—none at all in gilt-edged, a few minor declines in industrials, and some more considerable fluctuations in foreign bonds.

Earlier in the week, the gilt-edged market had been rather shaken by the announcement of a trustee issue on a full 4½ per cent yield basis—the dearest trustee borrowing since the cheap money era was opened by the War Loan conversion of nearly twenty years ago. The issue took the form of a Government of Southern Rhodesia loan for £7½ million in 4½ per cent stock, 1977-82, at 99, thus offering a redemption yield of rather over 4½ per cent. When Southern Rhodesia last entered the market, roughly twelve months ago, it borrowed at par on 3½ per cent stock, 1980-85, and 43 per cent of the issue was left with underwriters. The contrast between these terms underlines the violence of the change that has occurred in the structure of interest rates—especially, of course, since the launching of the new monetary policy. In the market the first reaction to the issue was based partly upon this contrast and partly upon a supposition that the terms of the issue implied a significant change in the official attitude towards "second line" trustee issues, involving a deliberate widening of the margin between the yield basis for them and for the first line stocks. On closer examination, however, this reduction looked less justifiable. Although there has been some widening of the margin, it was clearly necessary—in the present delicate state of the gilt-edged market—to offer a sufficient turn to give reasonable assurance that the issue would not be heavily left with underwriters. In the event, the margin seems to have been adequate without being needlessly generous. The British government stock with the most nearly comparable life, 3½ per cent Treasury Stock, 1977-80 ("Coal" stock), was offering a redemption yield of nearly 4¼ per cent for its slightly shorter maximum life when the terms were announced. At the same time, the much shorter existing 4½ per cent Southern Rhodesia stock, 1956-68, was standing 2 points above the issue price of the new stock.

The lists were closed promptly on Thursday morning, and if the issue proves to have been oversubscribed the authorities will be entitled to feel that just the right degree of reassurance has been given to a market that would have been seriously strained by another failure and yet needed some encouragement if it is to cope with the pressure of borrowings that lies ahead. There have been some heartening signs lately that investors, as well as borrowers, are likely to be more responsive to the rate of interest than many people nowadays suppose; but it is much too soon to assume, either from this evidence or from the recent stability of the market, that any durable resistance point has been reached. The queue of waiting borrowers of all kinds is both long and clamant; and, if orthodox discipline of the credit structure is to do the large task that now seems likely to be left to it after the budget and other measures have taken a share of the whole burden, the British Government itself will have to join the capital market queue.

Cracks in EPU

Another ominous crack appeared in the structure of the European Payments Union this week with the announcement that France has suspended trade liberalisation. Since Monday all French imports from OEEC countries, except essential raw materials and foodstuffs, have again been subject to licence. The intention seems to be to fix quotas for imports from other countries in a series of bilateral negotiations—and it is still not clear how far contracts already entered into will be allowed in under the wire. The announcement of the new restrictions, however, has been greeted with a whoop of delight by France's largely uneconomic—and traditionally protectionist—textile industry; the indications are that exporters of manufactured goods to France may be very seriously hit. The new French Government is apparently working up another of the grandiose "European initiatives" for which its predecessors have been famous; it is soon to submit a memorandum to the OEEC suggesting that the road back to trade liberalisation should be marked by a "harmonisation of the economic, social and fiscal legislations" of West European countries and by the creation of a "supra-national investment bank." M. Faure has also been echoing with fervour Mr Butler's recent encouraging noises about the need for pressing forward towards restoration of convertibility of non-dollar currencies. This has led some speculators to suppose that the new government may be less firmly opposed than its predecessor to devaluation of the franc. French wages and prices rose out of line with those in other European countries last year—although it is worth noting that the rise in industrial production, reported to be 12 per cent on the year, was also substantial. There would, therefore, be some economic case for devaluation of the franc at this time—if, and it is a big if—speculators could be persuaded that it was once for all.

The background to the new French restrictions may become clearer when the results of the E.P.U. settlement for February are announced; the Bank for International Settlements is due to publish these by the tenth working day of February, which means before the end of next week. The usual—and in the past fairly reliable—leaks from Paris suggest that the overall picture will be as bleak as in December. France's monthly deficit is almost certainly up, perhaps by as much as $22 million to $90 million; Britain's deficit and Belgium's surplus may be little changed from their December rates of £53 million and $57 million respectively. Belgium's surplus may, however, be brought under firmer control in February, for the efforts to limit exports to EPU countries are only now beginning to plough out of the impediment of outstanding licences; against this, there may be some difficulty in bringing Luxemburg steel exports (which count towards the Belgian surplus) down into line. Meanwhile the Belgian National Bank's refusal to grant extra credits to E.P.U. unless they are covered by deposits by the Belgian Government is, rather absurdly, causing stringency in the Brussels money market. It seems clear that the present pattern of intra-European surpluses and deficits will have to be violently altered before the summer if the whole mechanism of EPU is not to collapse under the strain.

* * *

Dismissals in Coventry

Mr Sandys was entirely right this week in declining to take special action to ensure that motor companies that have been giving their workers notice should be ensured enough steel to keep them on. As he said, there has been considerable under-employment in the motor industry—as in many other sections of engineering—since the steel shortage became acute last year; while on the other hand industries seriously in need of labour for the defence programme have been unable to get the men they need. This is particularly true of Coventry, where the dismissals of about a thousand men from the Humber factory and from the Morris engines branch aroused the demand for "emergency measures." Here machine tool factories and the production lines being established for aero engines need considerably more workers than as yet appear likely to become unemployed in the motor works.

This does not mean that what Mr Sandys euphemistically termed "releases" do not cause hardship, particularly to a labour force that has become accustomed to assuming a right not only to a job but to a particular job in a particular place. Not all the tradesmen dismissed can immediately find employment in the same kind of work, though Coventry machine tool companies have often argued that many among the assembly line workers in motor factories were highly skilled engineers who preferred a less exacting, repetitive task at wages that were often higher than in other branches of engineering. Nevertheless, there are 17,000 vacancies for workers in the Midlands "metals, engineering and vehicles" trades, and it is difficult to believe that the men now dismissed will not be able to find work in them. If any of the objects of the drive for metal exports and defence production this year are to be achieved, a large number of engineering workers will have to change jobs; and though many of them may be able to do so within factories, this must mean some increase in transitional unemployment. It is no doubt particularly hard that workers in an industry from which exceptional efforts are expected in exporting should be laid off through a steel shortage that may prove only temporary. But Rootes have informed the Minister of Supply that they would have had to give this number of men notice even if their steel allocation could be increased in the second quarter of the year. In 1952 under-employment is a luxury that the country simply cannot afford.

* * *

Tussle for Meat

Both Britain and Argentina are preparing for the annual negotiations on the meat contract. Argentina has the advantage of a flying start, for while the Ministry of Food officials are still immersed in the annual review of British farm prices, Señor Perón has declared to the world that Argentina will not accept less than £250 a ton this year. Last April the deal was concluded at £146 a ton for prime chilled beef and £118-£126 a ton for frozen beef. In addition Britain agreed to pay a lump sum of £6,250,000 in final settlement of the Argentine claim for a higher sterling price following devaluation. In the result, the average price was about £160 a ton if the lump sum payment is included, or £128 12s. without it.

Last year's negotiations were bitter and protracted. Argentina stopped all meat shipments from August, 1950, and in the early months of 1951 the weekly meat ration was consequently reduced to 8d. at prices then current. This year's negotiations will hardly be more pleasant. In 1951 British consumption of carcase meat amounted to only 1,360,000 tons compared with 1,850,000 tons in 1950—a decline of 26 per cent. But supplies fell less sharply from 1,755,000 tons to 1,460,000 tons representing a decline of 17 per cent. Home production increased from 946,000 tons to 980,000 tons, whereas imports fell from 810,000 tons to 480,000 tons. Supplies from Australia fell by 50 per cent to 65,000 tons, from New Zealand by 24 per cent to 265,000 tons and from Argentina by 63 per cent to 86,000 tons.

The prospects for this year are far from bright. Numbers of beef cattle are still increasing (though the number of calves being reared has begun to decline) and domestic production this year might well reach the million ton mark. It will be possible to draw on the 100,000 tons that may have gone into stocks last year. If Australia and New Zealand together supply 350,000 tons, consumption can be kept at last year's level without supplies from Argentina. This implies that if supplies from home killings cannot be spread over the year, the ration in the lean season may have to be cut to less than 1s. 2d. a week.

Even if this country were to agree to pay Argentina the rapacious price of £250 a ton, there would still be no guarantee that Britain would get the meat. Last year's agreement satisfied practically all of Argentina's demands, but instead of producing the promised 200,000 tons of beef, it is likely to provide only 150,000 tons. Britain's overseas suppliers can make a plausible but specious case for pushing up prices, on the ground that the Ministry of Food continues to make a profit from imported meat to help pay the subsidy on home-produced meat. If retail prices were adjusted so that imported supplies were sold at cost and the whole of the subsidy put on home-killed meat, the force of this argument would disappear. The problem would then remain of disposing of high-priced British meat in the summer months, or to spread these supplies more evenly over the year.

* * *

Production in 1951

Judged by the criterion of the official interim index of industrial production, output last year appears to have averaged no more than 3 per cent more than in 1950—which implies a level lower than was attained at the end of 1950. The index gives a figure for all industries of 153 in November last, compared with 151 in October, and with 152 and 153 in October and November, 1950, respectively. The provisional figure for December is expected to be 137-138, the same as in December, 1950. This means that during the last quarter of last year production showed no increase at all compared with the same period of 1950. Manufacturing industry, indeed, appears to have been running at a lower rate of output; this component of the official index gives figures of 156 and 158 for October and November last year, compared with 158 and 159 for October and November, 1950.

A rise of only 3 per cent in annual output, compared with the average rise of 7 per cent achieved in 1949 and 1950, seriously weakens the assumptions upon which official planners have worked, not only for 1951 (when the "Economic Survey" hoped for a rise of 4 per cent), but for longer periods. It will presumably have followed largely upon the developing scarcities of metals and some other materials that hampered industry, particularly in the second half of 1951. What assumptions are being made about output during this year are not yet known. Last autumn there were indications that about the same rise in output was hoped for in 1952 as in 1951, and the estimates of steel shortage made at the beginning of this year were calculated on a greater consumption of steel for 1952 than at any time since the war. The promise of American steel suggests that this total amount may indeed be forthcoming during this year, though for the first half of the year the shortage may remain acute. It would hardly be safe, however, to draw any conclusions from this about output even of the main industries using steel. The official allocations, and the cuts in supplies for the home market that these are expected to reinforce, must make estimates of total output for these industries as thankless as the task of industrial managers planning the output of individual factories.

INDEX NUMBERS OF INDUSTRIAL OUTPUT, EMPLOYMENT, "PRODUCTIVITY," WAGE RATES AND EARNINGS, 1949-51

Year	July to December, 1948=100				October, 1948=100
	Industrial Production	Employment	"Crude Productivity"	Weekly Wage Rates	Weekly Earnings
1949	106·9	101·1	105·7	102·3	103·0*
1950	116·0	103·3	112·3	104·2	107·5*
1951	119·3	105·0	113·6	112·7	116·4†

* October. † April.

It may be worth noting the implications of these production figures so far as productivity and costs are concerned. In the accompanying table—based upon the second half of 1948, or in the case of earnings, upon October, 1948—necessarily crude estimates of changes in productivity are set beside the indices of production and employment upon which they are based, and also beside indices of wage rates and earnings. Little significance can be attached to the absolute index numbers shown: but the trends they suggest are disquieting. "Crude productivity," which in 1949 and 1950 might have risen by about 6 per cent per year, hardly appears to have shown any significant change last year. But wage rates rose last year by roughly 10 per cent, compared with an average rise of about 2 per cent in the two previous years; and it may be that earnings, when the figures for October, 1951, are published (perhaps next month), will be seen to have risen even more steeply. This implies quite simply that the labour costs of a unit of British industrial output, which had been decreasing in 1949 and 1950, increased during 1951.

* * *

Waiting for the Spring

The New Year has not brought with it anything to revive Lancashire's dormant markets. There is a certain amount of replacement buying of cotton goods, and a steady trade in industrial cloths, but no sign of any buying on a scale that would put an end to short time in the mills and to the insidious wastage of labour from the industry. It is still possible that customers' persistent lack of interest is a sign that trade in textiles is returning to its prewar seasonal character; if this is so, orders will not be taken until the early spring. But the depression is remarkably widespread. American mills are said to be down from three shifts to one shift a day and if this is typical of trade in the United States, then Lancashire is not doing too badly.

The output of cloth, it must be noted, rose steadily during 1951. The total for the year, which includes rayon and mixture cloths, is estimated at 2,960.10 million linear yards, between 4 and 5 per cent higher than in 1950. The weekly output of cotton cloth rose from an average of 39.6 million yards in January to 47.4 million in November, while production of rayon and mixtures rose from 14.1 million to 15.9 million during the same period. In December, however, the widespread closing of the mills during Christmas led to a big drop in output. Weekly average output of all kinds of cloth fell from 62.80 million in the four weeks ending December 1st, to 49.63 million in the month ending on December 29th. In spite of this, the figures do not compare too unfavourably with the weekly average of 52.05 million yards in December, 1950. With a number of mills on short time, cloth production is not likely to show much improvement in January.

The most conspicuous feature about the present recession is that it does not appear to be a "buyers' strike" in the sense that prices are too high. By now individual British, American and Japanese manufacturers have each tried offering cloth at greatly reduced prices, but they have done no more business at these low levels than they did before. This suggests that trade buyers and final consumers have overordered and overstocked on an even bigger scale than was first believed, and a general fall in prices will therefore involve the trade in quite considerable losses on these stocks. At home, uncertainty about the future of utility textiles is a contributory factor to the general reluctance to buy. There may be some confusion among wholesalers and retailers about the Douglas committee's exact terms of reference—at least, there is no sign of precautionary buying of utility goods as a hedge against the introduction of some form of sales tax.

* * *

Japan's Price for Steel

Hopes that the British steel delegation now in Japan had succeeded in avoiding difficulties about foreign exchange seem to have been shortlived. The delegation, which repre-

sents the central purchasing authority of the industry, managed to place a contract for the supply of 109,000 tons of finished and semi-finished steel—and was then told that it would have to arrange the terms and conditions of payment with the Ministry of International Trade and Industry. The Ministry has already announced that it needed dollars for the steel (possibly by way of a re-export deal through the United States) or, failing that, the equivalent in scarce raw materials—among which it mentioned wheat, wool, raw cotton, rubber and tin. It also spoke of an alternative condition—access by Japan to iron-ore deposits under British control in Asia. This last suggestion is hard to understand. South-East Asian resources of iron ore, according to the most recent surveys, exist in India, China, Indonesia and Australia—and barring Japan, nowhere else.

This is an attempt to drive a hard bargain. The quantities of steel at stake are not large, though they may meet needs for particular types of steel, and also have a special importance in that they could be obtained quickly—supplies could begin next month, and be completed by May. The prices—billets at £40 a ton, soft wire rods at £49 a ton, hard wire rods at £70 a ton, tube strip at £52 a ton, bars at £46, reinforcing bars at £46 a ton, and slabs at £40 a ton—are high. It is surely doubtful whether the Treasury would welcome the use of dollars for a marginal purchase of a scarce material in this one case, since that would be an open invitation to other suppliers. The Japanese request for access to iron ore seems incomprehensible. And while it may be that some reciprocal supplies of raw materials from the sterling area might be possible, such negotiations would appear beyond the scope or powers of a British steel delegation.

* * *

Controlling the Fiduciary Issue

The government has introduced a Bill designed to give permanent statutory form to the powers for regulating the note issue that it at present exercises by virtue of Defence (Finance) Regulations. Under the Currency and Bank Notes Act of February, 1939, the basic level of the fiduciary note issue was fixed at £300 million, and it was provided that any increase above that level made by Treasury sanction could not remain in force for more than two years without Parliamentary authority. The issue has, of course, long been maintained far above that level: the successive increases in 1939-46 raised it to a peak of £1,450 million, from which the postwar reflux of hoarded notes reduced it to £1,300 million by early 1948; it then climbed back to £1,400 million by June of last year, and has since remained at that level, apart from two seasonal increases and reductions. These increases, being made under the emergency powers, have not been subject to the need to seek Parliamentary authority; under Defence (Finance) Regulation 7AA (SR and O 1941, No. 1199 as amended by SR and O 1945, No. 1001) the original two-year limit was extended indefinitely.

The new Bill will restore the prewar principle of control by Parliament. No increase above the present level of £1,400 million—which becomes the "basic" figure in place of the £300 million fixed in 1939—may remain outstanding for more than two years unless ordered by the Treasury by statutory instrument, which will be subject to annulment in pursuance of a resolution of either House of Parliament. Apart from this, any changes in the basic issue, whether upwards or downwards, will be made (as in the past) by Treasury direction at the request of the Bank of England; any such direction must expire within six months, but is renewable (also at the request of the Bank) for successive periods of six months or less, subject to the need for a statutory order to extend the total period beyond two years. The Bill also empowers the Bank to call in and to demonetise any denominations of its notes—a power that at present extends (under Defence Regulations) only to notes of £5 or over. Smaller notes can at present be called in, but cannot be demonetised.

Reports from the Tax Collectors

Both the main bodies of British tax collectors have now delivered an account of their stewardships in 1950-51—and of the odd sidelights on the economy thrown up by their work. The Customs and Excise Commissioners collected £1,628 million in the last fiscal year, against £1,520 million the year before. The tobacco tax accounted for the huge amount of £604 million, little has changed from the year before; the Commissioners report a "continued steady demand for cigarettes," but note that nearly 40 per cent of the tobacco smoked in this country now comes from the Commonwealth, compared with 20 to 25 per cent in the prewar and early postwar years. Beer consumption, which brought in £262 million in taxes, against £277 million in 1949-50, went down again. The drop here, and in receipts from entertainments duty, came mainly in the autumn of 1950, when the Commissioners report that "increased expenditure in certain directions, mainly on durable goods and motoring, resulted in rather less money being available for . . . other forms of expenditure." The rise in import prices after Korea led to higher yields from protective duties, which are mostly *ad valorem*, but there was also an increase in attempted smuggling. Smugglers are turning away from their traditional lines of tobacco and spirits to such goods as nylons and watches, which the Commissioners believe are "increasingly the subject of organised 'commercial' conspiracies to evade duty and purchase tax." Some of the 60,000 watches seized last fiscal year (against 40,000 in 1949-50) were detected while being smuggled in yachts or specially constructed motor cars.

The Inland Revenue Commissioners collected £2,049 million from various forms of direct taxes in 1950-51 (against £2,108 million in 1949-50). The main interest in their report centres on the light it throws on the financial operations of industry, on the distribution of incomes (only 60 people made more than £6,000 after tax during the year), and on the distribution of assets in estates assessed to death duties; these points are discussed in an article on page 354. But the Inland Revenue, too, is meeting trouble in collecting all the tax that is due. The number of married women paying tax is 1 million less than the number known to be employed; rather oddly, the number of children claimed in taxpayers' returns (for purposes of securing allowances) is 500,000 less than the Registrar General believes to exist. The commissioners are now in full cry in their pursuit of those who have managed to evade part or all of their taxes in recent years; they ferreted out 2,838 cases last year, and secured nearly £7½ million from them, while they believe that "steps already taken" will ferret out 40,000 more, mostly small traders.

* * *

Dealings in "Non-Reich" Loans

After a lapse of three months, dealings in Potash bonds and in the loans of German municipalities and provinces were resumed on the Stock Exchange this week. On January 31st the President of the Board of Trade told Parliament that the Government is to introduce amending legislation to allow holders of these non-Reich German sterling bonds to lay claim to their share of the £15 million to be distributed under the German Enemy Property Act, without fulfilling the impossible condition of proving that their bonds were in British ownership at the outbreak of war. While the exact form of the legislation is being worked out, holders of these bonds need not submit claims, and the time limit for submission has accordingly been extended. At the opening of dealings on Monday the prices of these bonds shot up to mirror the rise in Reich bonds that had occurred since November 7th; Munich 6 per cents, which carry a gold clause like that on the Young loan, were naturally especially strong. A heavy speculative demand drove prices up further on Monday morning, but very little of it seemed to come

from switching out of Reich loans, which generally held Friday's levels. By Monday afternoon, however, a reaction was setting in, and this was interrupted on Tuesday after rumours—at first exaggerated rumours—of rumblings of

PRICES OF REICH AND "NON-REICH" BONDS

	1951				1952		
	Jan. 1	Mar. 30	June 29	Nov. 6	Feb. 4	Feb. 5	Feb. 6
Reich Loans							
Dawes 7% (5%)	19	20½	25	54½	64½	62	62
Young 5½% (4½%)	15	15½	19½	47	70½	68	68
Konversionskasse 4%	14	15	19½	38½	48	47	46½
Non-Reich Loans							
Potash 7%	64½	33½	33½	103	117	113	113
Potash 6½%	62½	29½	31½	96½	108	105	105
Berlin 6%	6½	8½	9½	27½	33½	29	29
Cologne 6%	17½	18½	18½	43	47½	45½	45½
Dresden 5½%	7½	5½	6½	17	21½	20	20
Munich 6%	20½	21	21	57½	78½	76	76
Saarbrucken 6% (4½%)	85½	99½	78½	77	76½	76½	76½
Hamburg 6%	19½	21½	22	58½	62	60	60
Hamburg Waterworks 6%	19½	21½	22	58½	62	61	61
Saxony 6%	6½	6½	5½	18	20½	20½	20½
Westphalia 7%	21½	21½	21	52½	58½	56½	56½

German discontent about the Saar. At the close of Wednesday's short session, therefore, prices were considerably below their peak on Monday, but, even so, many of the municipal bonds show a three to fourfold capital appreciation over their level at the beginning of last year.

* * *

British Railways' Second Gas Turbine

When the Metropolitan-Vickers gas turbine locomotive arrived at Paddington last week it attracted less attention than the Brown Boveri gas turbine that arrived there from Switzerland two years earlier. Yet it is the first gas turbine locomotive to be built in this country; and its delivery means that British Railways can start a series of trials to compare the performance of gas turbines in locomotives with that of other forms of motive power. For comprehensive tests, two locomotives are necessary; they are to be used on the London to Plymouth route, doing one round trip a day each. This line has been chosen because it includes a number of steep gradients. The Swiss locomotive has already been putting in about 2,700 miles a week on it, and has proved that the powerful acceleration of a gas turbine means that such trains lose much less time on the gradients than those drawn by steam locomotives; this feature alone might justify the use of gas turbines on special routes. A case for their general use on economic grounds is usually argued on the grounds that their low maintenance and lubrication costs in comparison with steam or diesel engines offset higher fuel costs, and that the locomotive itself is lighter. The Brown-Boveri locomotive, which develops 2,500 horse power, weighs 118 tons. Diesel traction of the same power is generally supplied by two locomotives, together weighing perhaps 230 tons.

The Metropolitan-Vickers turbine is more powerful than the Swiss. It weighs 129½ tons, giving 3,000 horse-power; and will eventually be raised to 3,500 h.p. This is more power than British Railways need; but the locomotive has been designed with the export markets in mind, and powers of this order would be needed in tropical countries to offset the effect of high temperatures on the efficiency of the turbine.

There are a number of interesting differences in the design of the two locomotives reflecting the different approach of British and Swiss engineers to the design of gas turbines. The Swiss locomotive employs a heat exchanger to save fuel and in consequence to improve the thermal efficiency of the gas turbine. The British locomotive does not. Metropolitan-Vickers have attempted to obtain the same thermal efficiency by improving the performance of the compressor—a difficult task—without the added complication of a heat exchanger. Another vital difference is in the operating temperatures of the locomotives. The Swiss locomotive operates at 600 degrees C., which makes it possible to burn a heavy fuel oil without damage to the turbine. But this comparatively low temperature does involve a sacrifice of efficiency in that the power output of a gas turbine rises with its operating temperatures. The British turbine operates on more expensive diesel oil, but does so at a temperature of 700 degrees C. A difference of 100 degrees C. at this range of temperature is critical. Swiss engineers, with their long experience of turbines, believe that it is asking too much of an industrial turbine to run for long periods under such conditions. British engineers, whose principles in this connection, like the materials they employ, have been developed with aero-engines, think otherwise. They are also attempting to combine the use of high operating temperatures with that of heavy fuels. In many countries there is a far bigger difference than there is in Britain between the price of diesel oil and of the many types of oil covered by the umbrella term "bunker C," and it is therefore important not to restrict gas turbines to the more expensive fuels. Even though for convenience, British Railways may run both on the same fuel, trials of the two types of locomotive side by side should provide some extremely interesting comparisons.

* * *

Concrete and Steel

According to the Minister of Works, Mr Eccles, it is hoped that deliveries of steel reinforcing rods to the country's building and civil engineering industries may be increased to 350,000 tons this year. If that happens, one of the most acute scarcities that have arisen for any type of steel product will be relieved, and these industries will be enabled to make considerable savings in their use of steel. The use of reinforced concrete instead of structural steel may cut the tonnage of steel needed in a building by a half or even more, though the practicability and economy of substitution will vary from case to case.

The shortage that has undoubtedly been experienced by contractors using concrete during the past six to nine months does not appear to be justified by the statistics of deliveries. These suggest that during 1951 some 235,000 tons came on to the home market, compared with about 199,000 tons during 1950—an increase of 20 per cent. It is true that output of these rods from British steelworks fell compared with the year before—over the first nine months of the year, perhaps to a greater extent than output of most other steel products; but this decrease was more than offset by an increase in imports of these rods. The degree of shortage of these rods, therefore, may partly have arisen from heavy purchasing for stock; but the difficulties it has imposed upon many contractors in recent months suggest that large stocks were not held by the main consumers, at any rate. The reinforced concrete companies have asked whether in the general shortage of steel-making materials the output of these rods—a cheap and perhaps relatively less profitable steel product—was particularly reduced, while output of structural steel, in which some of the companies supplying rods are directly interested as civil engineers, was maintained at a higher level. This would have been in no sense unreasonable. The pattern of demand—which has been high for all products in recent months—and the profitability with which that demand can be fulfilled are the obvious factors upon which a steel producer must plan his output. The allocation scheme that came into force this week seeks to ensure that the right amount and type of steel is produced to meet essential requirements by vetting individual demands rather than by instructing particular producers how much of each type they should make. But it is not clear that any such diversion of steel between products was in fact a major cause of the

shortage of reinforcing rods last year. The main producers of these rods, it has been suggested, depended for billets upon one of the largest cold metal shops in the industry, where output was affected to an exceptional extent by the shortage of scrap.

The Ministry of Works, which has now set up a Steel Economy Committee, will presumably this year take account of the economies in steel that reinforced concrete affords when parcelling out its block of steel allocations. In very rough terms, it may be said that the 5,000 tons of reinforcing rods a week that contractors have recently been using might correspond to some 12,500 tons of cement a week in reinforced concrete construction. The 350,000 tons a year promised for 1952, therefore, may mean the use in building of some 1,200,000 tons of reinforced concrete this year, compared with about 850,000 tons last year.

* * *

Indonesia Shuffles the Pack

Theoretically, Indonesia simplified its exchange rate structure and devalued the rupiah last weekend ; in practice, it seems to have made confusion only slightly less confounded. The rupiah—originally the East Indies guilder—stood at par with the Dutch guilder up to March, 1950. In that month the authorities of the new Republic carried out a currency reform, under which exporters received "exchange certificates" equal to 50 per cent of their export earnings and could sell these on the free market, where importers and those with permission to remit foreign exchange had to finance all of their exchange needs. The effective exchange value of the rupiah thereby went down to between a half and a third of its old value ; the effective average exchange rate for exports came out at 21.17 rupiahs to the £ and that for imports at 32.10 rupiahs to the £. Last weekend the exchange certificate system was abolished (except apparently for dollar exports and imports) and the rate for both exports and imports was set at 31.72 rupiahs to the £. Simultaneously, however, extra export duties of 25 per cent were imposed on rubber and copra, and of 15 per cent on palm oil, tin, oil, pepper and coffee ; exporters of tea and tobacco escaped from these new imposts. The new exchange rate, which is pitched between the previous two effective rates (though much nearer to the old import rate), suggests that both those who sell and those who buy foreign exchange should secure some slight gain. But how much foreign enterprises operating there will be allowed to remit remains a question as inscrutable as the local Government's whim.

* * *

Tight Fit for Aluminium

Under the metals deal made in Washington last month, Britain will divert to the United States 15,000 tons of aluminium from Canada in the first half of 1952. This is the second time in recent months that this country has assisted the United States to get more aluminium. In November Britain agreed to divert 10,000 tons and the bulk of this tonnage will also come out of this country's 1952 supplies. The total 25,000 tons is a loan to the United States and will be returned in 1953 and used to rebuild stocks.

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of THE ECONOMIST. The organisation that produces the paper can also serve the needs of business and other clients through:

The Economist Intelligence Unit

22, RYDER STREET, ST. JAMES'S, LONDON, S.W.1.

Last year users of aluminium just managed to make ends meet. Consumption at the beginning of the year was running at 15,000 tons per month, but it rose to about 18,000 tons in December. The year's total was 202,900 tons ; supplies amounted to 203,000 tons, of which 172,000 tons came from Canada, just under 30,000 tons from home production and the remainder from Norway and France. This close balance between supplies and consumption arose mainly from delays in Canadian shipments and by the end of the year Canada still owed Britain about 20-25,000 tons from the 1951 contract. In 1952, defence demands are likely to increase aluminium consumption still further. Prospective consumption for the first half of the year is estimated at 123,000 tons and in the second half additional quantities will be needed to supplement supplies of secondary aluminium, which are being rapidly exhausted. Altogether Britain may use about 250-260,000 tons this year and several thousand tons will also be needed to maintain stocks to keep pace with the higher rate of consumption.

Supplies may in fact be a little above 260,000 tons —after allowing for the amount diverted to the United States—and more may be available if Canada makes up the leeway on last year's contract. But they will not be ample. Stocks in Britain are low ; on January 1st they were around 38,000 tons, virtually unchanged from their level twelve months earlier. They are indeed higher than the minimum of six weeks' consumption, but at this time of the year with the St. Lawrence closed to shipping, stocks have to be used to maintain consumption. Supplies are, therefore, likely to be tight until late April when shipments from Canada are again flowing freely. On a longer prospect, stocks can hardly be built up until the United States repays its loan of 25,000 tons.

* * *

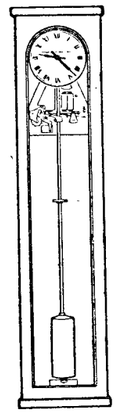
Copper Companies' Domicile

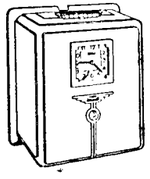
The question of a change in domicile to Northern Rhodesia, bringing with it a saving in tax, has now been revived, in discussion though not in decision, by the directors of the Selection Trust group. This may be a matter of significance, since a large-scale development programme has to be financed. The Rhodesian copper companies in the group last year decided against a change in domicile on the general grounds that "taxes alone should not be allowed to determine so important a question as the seat of control of the company," but they believe that political and administrative considerations still outweigh the element of taxes. But the centre of political gravity for Northern Rhodesian affairs seems to be shifting from Britain to Rhodesia, and the chairman of Roan Antelope and Mufulira, Mr R. L. Prain, suggests, in his statements with the annual reports (reviewed on a later page) that such a change might create conditions under which it would be the directors' duty to seek to transfer control to Central Africa. This possibility leads Mr Prain to condemn roundly Section 36 of the 1951 Finance Act, which stipulated that Treasury consent must be obtained before a change in domicile can take place. Last week, Wankie Colliery, whose interests are closely bound up with those of the copperbelt, obtained Treasury permission to transfer its seat of control to Rhodesia. This decision suggests that the Selection Trust group might not be refused consent if it were sought ; but the objections to Section 36 would still stand in all their force irrespective of the Treasury's yea or nay.

A proposed revision of the Northern Rhodesian taxation laws may tilt the balance more in favour of a change in domicile. Under these proposals, new mines will in effect be allowed to write off their initial capital expenditure out of profits before taxes are assessed ; thereafter all capital expenditure in any year will be allowed as an operating cost. The group's three new subsidiaries have been registered in Northern Rhodesia so as to secure the important benefits of

SMITHS

famous for all time... make the finest MASTER CLOCKS and TIME RECORDERS





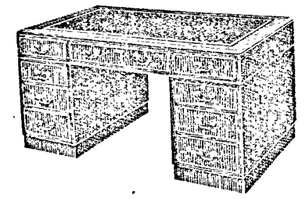
Installations may be purchased outright or arranged on rental terms. Write to us for full details or call at our Showrooms for a practical demonstration.

ENGLISH CLOCK SYSTEMS LTD

Speedometer House, 179-185 Gt. Portland St., London, W.1
Langham 7226

153-155 Bothwell Street, Glasgow, C.2 *Central 3972*

THE INDUSTRIAL BRANCH OF SMITHS ENGLISH CLOCKS LIMITED



PRIDE OF PLACE...

Catesbys Desks are notable for their good design, their variety and quality of workmanship: They have captured to an unusual degree the preference of executives in commerce and industry. There is sound sense and good taste in choosing a

CATESBYS DESK

We shall be glad to send our representative or to submit a complete brochure of photographs portraying complete Office Furnishing and to welcome you in our model showrooms.
May we invite your inquiry to our Director of Contracts.

Catesbys Ltd., 64-67 Tottenham Court Road, W.1
Our only address. Telephone: Museum 7777

MONTE CARLO RALLY

THE TOUGHEST TEST FOR CARS AND DRIVERS

1st ALLARD
S. Allard
G. Warburton

2nd SUNBEAM-TALBOT
Stirling Moss
Desmond Scannell

3rd SIMCA
Dr. & Mrs. Angelvin
(Subject to Official Confirmation)

on DUNLOP

the tyre for reliability

2H/122

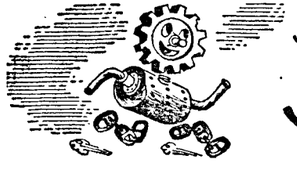
Hold on to SCRAP and you hold up STEEL PRODUCTION

Search out every ton of scrap in your works and turn it in. Old plant, redundant buildings, machines and spares—it's all wanted back in the steelworks to keep up steel production. Round it up and put it in the hands of your local scrap merchant. It will go to make the new steel that you and every other steel user need so urgently.

Scrap merchants are glad to help with dismantling and collection.

WHEREVER YOUR NEW STEEL comes from, please return your scrap to merchants in your own locality. That will save unnecessary transport, and time, before the old scrap is turned into the new steel all steel users want.

SPEED THE SCRAP



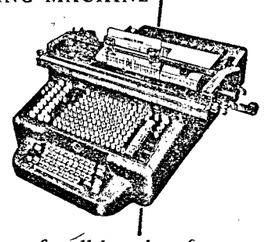
SPEED THE STEEL

Issued for the STEEL SCRAP DRIVE by the British Iron and Steel Federation, Steel House, Tothill Street, London, S.W.1

S.22

THE National CLASS 31

'DIRECT ENTRY' ACCOUNTING MACHINE



for all branches of

COMMERCE, INDUSTRY, GOVERNMENT & FINANCE

10 Totals each with direct subtraction.
ALL balances—positive AND negative—computed and printed automatically.
Feather touch, 'standard' adding keyboard for speed and accuracy.
All-electric typewriter for unlimited narrative description.
Constantly visible printing line gives confidence, aids speed.
Instantaneous and infinite adaptability to any accounting work.
Fluid-drive carriage moves automatically by oil pressure in both directions.
Simultaneous addition or subtraction in ANY combination of registers.
Automatic carriage opening and closing with instantaneous form alignment.
Fully automatic spacing, column selection and carriage return.

A PRODUCT OF THE NATIONAL CASH REGISTER COMPANY LTD.
206-216 *Marylebone Road, London, N.W.1 and all principal centres.*

34/-

The intermediate bonus on claims arising on or after 1st January 1952 under with-profits policies has been raised from 32/- to 34/- per cent—proof yet again, in these uncertain times, of the strength and resilience of the Scottish Widows' Fund.

For particulars of how *you* may become a member of this vigorous profit-sharing Society write to

SCOTTISH WIDOWS' FUND

Head Office:
9 St. Andrew Square, Edinburgh 2
London Offices:
28 Cornhill, E.C.3 17 Waterloo Place, S.W.1

the proposed changes and presumably if Baluba Mines Ltd. is incorporated it too will be domiciled in Rhodesia. Then, if only on the score of administrative convenience and tax advantage the case for a change in domicile of the whole group would be very strong.

* * *

Easier Metals

The non-ferrous metal market is showing some weakness. Last week the Ministry of Materials reduced the price of lead from £175 to £170 a ton. The official American quotation has remained unchanged at 19 cents a lb (£152 a ton) but the free market which reached a peak of nearly 30 cents a lb last June has fallen steadily in recent months and is now the same as the official quotation or even slightly below it. At the moment lead supplies are more than adequate, and Continental refiners are experiencing difficulty in finding sufficient buyers. The bulk of British supplies comes from Australia and the Ministry raised its selling price above the American level to allow for purchases of additional quantities from the Continent. On present standards the new price of £170 is still too high, for prices on the Continent are down to £160-£165 a ton. Perhaps the Ministry is trying to recoup some of its past losses.

The free market price for zinc has also weakened, although supplies of the metal are hardly ample. Zinc has fallen from a peak of 33 cents a lb last summer to 23 cents and before long it may reach the official New York quotation of 19½ cents a lb (£156 a ton). The British price has remained at £190 a ton for the past six months, although three weeks ago the so-called American export price fell from 26-26½ cents a lb to 23-24 cents. Copper is still the firmest of the three metals, despite a fall in the free market price from a peak of 55 cents a lb to its current level of 40 cents. The official price is still 27½ cents a lb (£220 a ton) and the selling price of the Ministry of Materials is still £227 a ton.

The decline in the free market price for both copper and zinc can be traced to the introduction of allocation by the International Materials Conference in the second half of last year. In the first place the quotas to countries were not so small as was expected, and, although not all allocations have as yet been met in full, no country has experienced a severe shortage. Secondly, most countries are controlling the civilian use of these metals, and this has also restricted the demand on the free market. At first sight it would seem that the IMC has done what it intended, namely, curb the rise in prices, and if the allocations to the different countries increase as the year goes on, the pressure on the free market will be reduced still more. The steel shortage is another factor, for many of these metals are used in conjunction with it at one stage or another. As soon as the supply of steel improves both in Britain and in the United States, the demand for non-ferrous metals may well expand.

* * *

The Paradox of Wool

The wool market has become much steadier in the past two weeks. The price of merino 64's fell from 131d. a lb in the first week of January to 122d. in the third week. Last week it rose to 124d. and this week to 126d. a lb. Twelve months ago the price stood at 280d. a lb. Demand in the current London sales has come mainly from Britain and Europe. The firmness of the market is somewhat surprising when judged purely by reference to supply and demand. World production this season is estimated by the Commonwealth Economic Committee at 2,315 million lb (clean) which with the 150 million lb carried over from last season (because of the New Zealand waterfront strike and the difficulty of getting export licences in Argentina) makes a total supply of 2,465 million lb. Consumption in 1951 was probably less than 2,200 million lb, a decline of some 17-18 per cent on 1950. Unless consumption rises once more, the wool market will experience a surplus for the first time since the war. But allowance must be made for stockpiling. Britain announced last week that it will now buy 48 million lb this season instead of the original 40 million lb. The United States and European countries may also buy for stock though no official pronouncements on this have been made. Retail sales of textiles are still in the doldrums, though activity in the textile industry this year might be sustained by government orders for military cloth.

On January 22nd the United Kingdom-Dominion Wool Disposals Limited, better known as the Joint Organisation, went into liquidation. New Zealand is the only one of the three dominions that will continue the price reserve scheme —and then only for this season unless the New Zealand woolgrowers wish it to continue. A referendum will be held later. A similar referendum was held last summer in Australia and there the woolgrowers voted against such a scheme. The Joint Organisation disposed of the wartime stock of 10¼ million bales as well as the current clips in six years. Throughout this period world consumption of wool rose almost continuously and demand seemed insatiable. It is ironical that just when the scheme is being wound up, the possibility of a surplus should emerge. In point of fact a surplus of 265 million lb would constitute no serious threat to the market, for the British stockpile will take almost 50 million lb and commercial stocks in most consuming countries are still low.

Shorter Notes

William Jessop and Sons of Sheffield, makers of special steels, in association with the British Iron and Steel Research Association, have developed a method of economising in the pouring of ingots of high-speed steel that affords 10 to 20 per cent more sound steel from a given ingot. This is based upon the insertion of a tile of heat-resisting material into the "feeder head" from which an ingot, in cooling, draws molten steel to avoid "piping," or the formation of cavities within it. Allowing for a difference of £20 a ton in the prices of sound tungsten steel and of the faulty steel that has to be cut off and charged back into the furnace, it is estimated that 4s. a ton is saved for every additional one per cent of steel that can be saved in the ingot. The improvement in the ratio of finished steel to ingot steel is perhaps even more important at the present time: demand for tool steel has greatly increased since the inception of the rearmament programme last year. Trials now in progress suggest that it may be possible to apply this technique in pouring larger ingots than those used for special steels.

*

A Bill to put the law relating to Customs and Excise into a modern and simplified form will shortly be presented to Parliament. At one stroke, the new Bill will consolidate all existing legislation, including some 200 Acts of Parliament. During the last six months it has been under consideration by a committee which has made various amendments to the draft. The report of the committee (Cmd. 8453), published this week, states that its members are satisfied that the Bill in its present form will remove obsolete provisions and make other minor improvements without introducing any "debatable reforms or innovations."

*

A public offer was made on Tuesday by the issue of $15,000,000 International Bank for Reconstruction and Development 4% 10 year Canadian dollar bonds at par. This is the first public financing in Canada by the Bank. A sinking ing fund is to be provided for this issue sufficient to retire a third of it by maturity.

How much money can I take with me?

Every monetary problem that arises when you are arranging to go abroad can be dealt with promptly through any branch of Lloyds Bank.

The Bank will tell you how much money can be taken, issue Travellers' Cheques or Letters of Credit and permitted amounts of foreign currency, and undertake any other monetary arrangements that may be necessary for any journey on business or pleasure, across the Channel or across the world.

Let LLOYDS BANK look after *your* interests

Established 1835

THE
NATIONAL BANK
LIMITED

MEMBER OF THE LONDON BANKERS' CLEARING HOUSE

CAPITAL SUBSCRIBED	£7,500,000
CAPITAL PAID-UP	£1,500,000
RESERVE FUND	£1,380,000
DEPOSITS (31-12-51)	£75,559,000

A COMPLETE BANKING SERVICE
SPECIAL DEPARTMENTS FOR FOREIGN EXCHANGE, INCOME TAX AND EXECUTOR AND TRUSTEE BUSINESS

HEAD OFFICE:
13-17 OLD BROAD STREET, LONDON, E.C.2.
AND 14 BRANCHES IN THE METROPOLIS
Also at LIVERPOOL, MANCHESTER, SALFORD, BRISTOL, CARDIFF, SWANSEA, etc.

IRELAND
34 & 35 COLLEGE GREEN, DUBLIN
Branches at BELFAST, CORK, LIMERICK, WATERFORD and throughout the country.

AGENTS AND CORRESPONDENTS ALL OVER THE WORLD

THE
STANDARD BANK
OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

Capital Authorised and Subscribed -	£10,000,000
Capital Paid-up - - - - - -	£5,000,000
Reserve Fund - - - - - -	£5,000,000

10 CLEMENTS LANE, LOMBARD STREET and
77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch — 63 London Wall, E.C.2.
WEST END Branch—9 Northumberland Avenue, W.C.2.
NEW YORK Agency — 67 Wall Street.
HAMBURG Agency — Speersort, 6.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH-WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA ZANZIBAR AND PORTUGUESE EAST AFRICA.

Banking Business of every description transacted at all Branches and Agencies.

BAYERISCHE VEREINSBANK
ESTABLISHED 1869

Every description of National and Foreign Banking Business transacted

Munich Office: 14 Promenadestrasse
Cable Address: "Vereinsbank" Phone: 28401. Telex No. 063/603

Nuremberg Office: 21 Lorenzerplatz
Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsburg Office: 37 Maximilianstrasse
Cable Address: "Vereinsbank" Phone: 4681. Telex No. 067/20

Offices and Branches all over Bavaria
Correspondents throughout the world

Company Notes

Roan Antelope and Mufulira.—Mr R. L. Prain, chairman of the Selection Trust group, aptly describes the present condition of the Rhodesian Copper-belt as being one of "prosperity, expansion and new development." One measure of the recent prosperity of the copper producers is to be found in the bound of Roan Antelope's profits before tax from £2.4 to £5.9 million and of Mufulira's gross profits from £4.2 to £7.9 million. Nor is the end of the boom yet in sight, for the estimates of gross profits in the first six months of the current financial year amount to £4.2 million for Roan Antelope, and £4.3 million for Mufulira. These striking advances can largely be attributed to the rise in copper prices during a period in which the increase in costs has lagged far behind; the average price of copper sold by Mufulira, for example, rose in 1950-51 by £48 10s. to £174 18s. a long ton (f.o.b. Beira), but average costs only rose by about £16 to £70 18s. a long ton. An appreciable increase in copper production has also made an important contribution to profits. The formidable problem of fuel supplies is brought into prominence by Mr Prain's statement that not much more than half of the Copperbelt's fuel requirements was met last year by coal deliveries from the Wankie colliery. Production has only been maintained by the "mediæval expedient" of burning wood and slurry, and by sending some part of the Copperbelt's own much-needed labour force to work at the colliery. An eventual solution of the fuel problem may follow the loan of £5 million by ECA to the Rhodesia Railways and the plans to harness hydro-electric power, but in recent months the slight improvement in fuel supplies that became apparent in 1951 has been lost—at least temporarily. Short run difficulties have not been allowed to impede the group's plans for expansion. Three subsidiary companies, domiciled in Rhodesia, have been formed to direct the exploration of new areas. The Chibuluma Mines, development of which is to be mainly financed by ECA, should come into production by 1956; about 16,000 long tons of copper and 500,000 lb. of cobalt should then be produced annually. Meanwhile the refining and milling capacity at the Mufulira mines is to be expanded. By 1954, the annual capacity of the electrolytic refinery should have been enlarged to 72,000 tons, and by 1956 the monthly milling capacity to 340,000 tons. Both these developments will be financed from the company's own reserves. If the demand for cobalt is maintained, the date of the development of the Baluba area may be brought forward. Indeed, if the results of drilling, to establish further ore reserves and to check the continuity of cobalt values, prove to be satisfactory, a new company, Baluba Mines Ltd., will be formed this year. Capital cost at Baluba would be even greater than at the Chibuluma mine; on the basis of an annual production of 24,000 tons of copper and 1,100,000 lb. of cobalt, it might be of the order of £9 or £10 million. Ways and means of finding this finance are under consideration and "an announcement will be made in due course if it is decided to proceed with this mine."

★

Petrochemicals.—Sir Robert Renwick, the chairman of Petrochemicals, reveals in his annual statement that all the company's plants are now in operation, most of them at or above their rated capacity and the remainder approaching this level. The period of running in is in fact practically over, and the company is settling down to routine operations. Clearly, however, a good deal has still to be done in improving yields and qualities, in reducing operational losses and in achieving the most economical operation of plant. In recent months, the Gas Separation Plant, upon the smooth running of which much of the company's revenue depends, has been "performing very satisfactorily" but it has been operating with one "cold box" out of action, which means without any "standby capacity." If a more plentiful supply of chlorine had been available the company would have been able to take fuller advantage of the improved performance of the plant at Partington and consequently "more favourable results" would have been obtained. Fortunately additional chlorine supplies are being obtained from abroad, and it is hoped that in the first quarter of this year deliveries will match requirements. An expanding market for the company's products, greater efficiency in operating the plant, and the promised improvement in chlorine supplies may help to reconcile stockholders to the borrowing of another £1 million from the Finance Corporation for Industry and to a prolongation of the moratorium on the interest payable on the company's funded debt. The present moratorium will end on March 31st, but as "payment of the interest accumulated on that date in one lump sum will not prove possible" negotiations for its extension will be necessary. On June 30, 1951, the accumulated debit on the profit and loss acount was £2,025,296. Since that date current revenue expenditure, excluding interest, has been covered by current income, but there will inevitably be a further loss this year once provision has been made for depreciation and loan interest. Last year's progress in modifying the plant at Partington has been heartening, but it has added heavily to capital costs. So far £700,000 of the FCI loan has been spent—and the remainder will be spent by the end of June—in meeting the costs of the modification and improvements programme, in providing working capital, and in financing increased stocks. Petrochemicals may be a little nearer the edge of the wood, but it is not yet out of it.

Years to June 30:—	Roan Antelope 1950	Roan Antelope 1951	Mufulira 1950	Mufulira 1951
Blister copper production (long tons)	63,557	74,520	77,048	86,681
Blister copper sales (long tons)	62,059	74,520	69,350	83,681
	£	£	£	£
Sales revenue	7,895,695	13,128,712	8,762,398	14,636,103
Operating surplus	3,440,462	7,290,422	4,958,493	8,969,133
Replacement provision	900,000	1,250,000	700,000	1,000,000
Profit before tax	2,434,533	5,917,366	4,176,735	7,876,509
Net UK taxes	472,594	1,514,694	805,563	1,831,714
Rhodesian tax	1,143,000	2,606,000	1,765,000	3,280,000
Ordinary dividends	686,560	1,546,632	1,142,774	1,764,577
General reserve	100,000	150,000	450,000	1,050,000
Added to carry forward	33,379	1,040	*Dr. 22,302*	*Dr. 95,482*
Ordinary dividend rates	*per 5s. share* *	*1s. 7½d. per 5s. share**	*6s. 1d. per £1 share†*	*8s. 3d. per £1 share†*
Six months to December 31:—				
Blister copper production (long tons)	36,348	41,151	42,618	39,946
Blister copper sales (long tons)	35,648	41,151	41,118	38,446
	£	£	£	£
Sales revenue	5,904,000	8,363,000	6,735,000	7,813,000
Estimated Operating surplus	3,205,000	4,928,000	4,188,000	4,849,000
Replacement provision	450,000	625,000	350,000	500,000
Estimated profit before tax	2,695,000	4,232,000	3,796,000	4,300,000

* Equivalent rates on new capital of £8,987,688. † Equivalent rates on new capital of £8,148,123.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Jan. 30, 1952	Price, Feb. 6, 1952	Net Yield, Feb. 6, 1952 (n)	Gross Yield, Feb. 6, 1952
			£ s. d.	£ s. d.
War Bonds 2½%...	100 11/32	100 5/8	0 17 6	1 18 6e
Mar. 1, 1951-53			1 1 8	2 4 0l
War Bonds 2½%...	100 5/8	100	1 8 8	2 9 9e
Mar. 1, 1952-54			1 6 11	2 9 11l
Exchequer Stk. 2½% Feb. 15, 1955	99 15/16	99⅞	1 6 4	2 7 7
Serial Funding 1¾% Nov. 14, 1952	100⅛	100 1/16	0 11 7	1 13 2
Serial Funding 1¾% Nov. 14, 1953	100	99 15/16	0 16 10	1 15 9
Serial Funding .... Nov. 14, 1954	99	98 15/16	1 4 9	2 2 11
War Bonds 2½%....	99⅛	99 1/16	1 11 0	2 14 8e
Aug. 15, 1954-56			1 8 11	2 12 8l
Funding 2½%.....	100	100	2 1 2	3 18 5e
June 15, 1952-57			1 9 9	2 16 8l
Nat. Defence 3%...	99⅜	99 15/16	1 12 11	3 2 3e
July 15, 1954-58			1 12 1	3 0 11l
War Loan 3%.....	100 1/16	100 1/16	1 10 5	3 1 6e
Oct. 15, 1955-59			1 11 0	3 0 9l
Savings Bonds 3%..	91¼*	91 1/16*	4 5 0	5 14 11e
Aug. 15, 1955-65			2 6 6	3 16 6l
Funding 2½%.....	93⅜	93⅛	3 0 5	4 7 2e
April 15, 1956-61			2 2 4	3 8 0l
Funding 3%.....	87¼	87⅛	3 13 10	5 6 4e
April 15, 1959-69			2 10 7	4 2 5l
Funding 3½%.....	87¼*	87 3/16	2 12 4	4 3 2e
Aug. 1, 1966-68			2 10 1	4 0 11l
Funding 4%.....	99⅜	99½	2 5 6	4 5 4e
May 1, 1960-90			2 3 0	4 1 11l
Savings Bonds 3%..	85 3/16*	85 5/16*	3 11 0	5 1 10e
Sept. 1, 1960-70			2 12 2	4 2 4l
Savings Bonds 2½%	85 1/16	85⅛	2 15 10	4 2 8e
May 1, 1964-67			2 10 6	3 17 2l
Victory Bonds 4%..	100*	100⅛*	2 0 10	3 18 6s
Sept. 1, 1920-76				
Savings Bonds 3%..	83 3/16*	83⅛*	2 2 3	4 13 11e
Aug. 15, 1965-75			2 10 7	4 2 6l
Consols 4%.....	89⅞*	90⅛	2 6 7	4 8 10f
Conversion 3½%...	81 13/16	81¼	2 5 3	4 6 10f
Treasury Stk. 2½%.. (after Apr. 1, 1975)	60	59 15/16	2 4 4	4 5 0f
Treasury Stk. 3%.. (after Apr. 6, 1966)	70⅛	70⅛	2 4 10	4 6 1f
Treasury Stk. 3½%..	88⅛	88 7/16	2 9 4	4 5 9e
June 15, 1977-80			2 8 4	4 4 9l
Redemp. Stk. 3%...	77⅛	77⅜	2 11 10	4 6 6e
Oct., 1986-96			2 8 7	4 3 6l
War Loan 3½%....	80 3/16	80⅜	2 5 10	4 7 8f
Consols 2½%.....	61 13/16	61⅞	2 2 10	4 1 9f
Brit. Elect. 3% Gtd.. April 1, 1968-73	84⅛	84⅛	2 16 0	4 8 6e
			2 10 11	4 3 4l
Brit. Elect. 3% Gtd.. Mar. 15, 1974-77	83⅛	82⅝*	2 12 1	4 3 10e
			2 10 1	4 1 11l
Brit. Elect. 3¼% Gtd. Nov. 15, 1976-79	90	90 .	2 8 0	4 4 2e
			2 7 0	4 3 3l
Brit. Tpt. 3% Gtd.. July 1, 1978-88	77⅛	77 3/16	2 16 2	4 9 11e
			2 10 10	4 4 11l
Brit. Tpt. 3% Gtd.. April 1, 1968-73	84⅛	84⅛	2 16 0	4 8 6e
			2 10 11	4 3 4l
Brit. Gas Gtd. 3%.. May 1, 1990-95	76⅛	76 1/16	2 10 9	4 5 6e
			2 9 3	4 4 1l
Brit. Gas Gtd. 3¼%.. Sept. 10, 1969-71	93⅜	91⅛*	2 7 11	4 2 7e
			2 6 11	4 1 8l
Brit. Iron & Steel.. 3½%, 1979-81	88 5/16*	88⅛*	2 8 9	4 4 9e
			2 8 2	4 4 2l

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, Jan. 30, 1952	Price, Feb. 6, 1952	Yield, Feb. 6, 1952
%	%					£ s. d.
40	b	20	a Anglo-Am. 10/-.	7 3/16	7⅛	3 18 8
5	a	25	b Anglo-Iran £1..	5 15/16	6	5 0 0
20	c	7½	a Assoc. Elec. £1.	73/9	71/3	5 12 4
27½	c	7½	a Assoc. P. Cem. £1	99/4½	100/-	5 10 0
35	c	45	c Austin 5/-	29/6	29/6	7 12 7
†5	a	†17½	b Bass £1	113/9	117/6	7 5 9
40	c	5	a Boots 5/-	21/-	21/6	4 13 0h
9	c	7	a Br. Celanese 10/-	28/-	27/3	3 6 1
12	b	8	a Br. Oxygen £1..	79/6	80/6	4 19 5
5	a	7½	b Coats £1.....	48/1½	49/-	5 2 0
6¼	b	5	a Courtaulds £1..	42/3	42/-	5 7 2
22½	c	7½	a Distillers 4/- ...	18/6	19/-	4 14 9
15	c	17½	c Dunlop £1.....	55/-	56/3	6 4 6
10	c	12½	c Ford £1	46/6	47/-	5 6 5
17½	c	22½	c Gen. Elect. £1..	82/6	79/6	5 13 3
11	a	17	b Guinness £1....	118/1½	118/1½	4 14 10
4½	a	5½	b Hawker Sid. £1.	32/9	33/9	5 18 6
9	b	3	a Imp. Chem. £1.	42/3	42/9	5 12 3
18½	b	13½	a Imp. Tobacco £1	86/3	87/6	7 6 4
5	a	10	b Lancs. Cotton £1	39/4½	40/4½	7 8 6
13½	c	5	a Lever £1	48/1½	48/9	5 10 9
15	c	7½	a Lon. Brick £1..	56/3	56/3	5 6 8
15	a	60	b Marks & Sp. A 5/-	81/3	82/-	4 11 6
8	b	8	a P. & O. Def. £1.	42/6	43/6	4 18 0p
17½		7½	a P. Johnson 10/-.	36/-	37/-	6 15 2
17½	b	†5	a "Shell" Stk. £1.	90/-	91/3	5 8 0
12½	a	12½	b Tube Invst. £1.	5	5⅛	4 16 4
5	a	15	b T. & Newall £1.	86/10½	87/6	4 11 5
8	c	10	c Union Castle £1	43/-	43/-	4 13 0
50	c	20	a U. Sua Betong £1	56/10½	55/7½	17 19 5
10	b	2½	a Vickers £1.	43/9	45/-	5 11 1
15	a	27½	b Woolworth 5/- ..	41/-*	41/9*	5 1 9

(a) Interim div. (b) Final div. (c) Div. for whole year. (h) Yield basis 20% after capital bonus. (p) Yield basis 10⅔% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 2, 1952, total ordinary revenue was £187,260,800 against ordinary expenditure of £77,408,000 and issues to sinking funds £250,000. Thus, including sinking fund allocations of £19,373,000, the surplus accrued since April 1, 1951, is £237,799,000 compared with a surplus of £546,820,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate, 1951–52 £'000	April 1, 1950 to Feb. 3, 1951	April 1, 1951 to Feb. 2, 1952	Week ended Feb. 3, 1951	Week ended Feb. 2, 1952
		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1011784	1190341	95,568	113191
Sur-tax	128,000	85,700	90,700	6,800	5,900
Estate, etc., Duties	180,000	154,450	153,900	3,900	2,700
Stamps	55,000	44,960	52,100	1,500	1,000
Profits Tax & E.P.T.	312,650	238,170	268,800	4,300	5,500
Other Inland Rev.	500	390	400	50	40
Special Contributn.	1,500	4,280	2,390	80	50
Total Inland Rev.	2302400	1539734	1759131	112198	128381
Customs	930,500	746,243	836,090	15,623	15,045
Excise	720,500	624,769	637,085	45,198	37,459
Total Customs and Excise	1651000	1371012	1473175	60,821	52,505
Motor Duties	62,000	58,432	59,687	4,311	3,365
Surplus War Stores	20,000	35,958	30,668	5	1
Surpl's from Tradg.	50,000	41,905	75,455	...	...
P.O. (Net Receipts)	5,400	2,000	100	600	100
Wireless Licences	13,600	10,650	11,500	2,000	2,300
Sundry Loans	27,000	22,876	22,451	...	...
Miscell. Receipts	105,000	66,562	81,403	411	603
Total Ord. Rev.	4236400	3149129	3513570	180346	187260
SELF-BALANCING					
Post Office	179,431	141,700	159,400	2,400	3,600
Income Tax on E.P.T. Refunds	4,900	7,213	4,430	180	31
Total	4420731	3298042	3677400	182926	190891

EXPENDITURE	Estimate, 1951–52 £'000	April 1, 1950 to Feb. 3, 1951	April 1, 1951 to Feb. 2, 1952	Week ended Feb. 3, 1951	Week ended Feb. 2, 1952
		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	384,533	414,707	17,522	17,646
Payments to N. Ireland	38,000	29,596	31,273	...	...
Other Cons. Funds	11,000	8,871	10,098	69	93
Total	584,000	423,000	456,078	17,591	17,739
Supply Services	*3514062	2165066	2800320	38,092	59,669
Total Ord. Expd.	*4098062	2588066	3256398	55,683	77,408
Sinking Funds	...	14,243	19,373	340	250
Total (excl. Self-Bal. Expd.)	4098062	2602309	3275771	56,013	77,658
SELF-BALANCING					
Post Office	179,431	141,700	159,400	2,400	3,600
Income Tax on E.P.T. Refunds	4,900	7,213	4,430	180	31
Total	4282393	2751222	3439601	58,593	81,289

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £187,204 to £4,157,646, the other operations for the week decreased the National Debt by £391,860,336 to £25,855 million.

NET RECEIPTS (£ thousand)	
Tithe Act, 1936, s. 26	145
EPU (Financial Provisions) Act, 1950, s. 3	917
Exchange Equalisation Account Repayments	300,000
	301,062
NET ISSUES (£ thousand)	
Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	39
Housing (Temporary Accommodation) Acts, 1944 and 1947	50
Housing (Scotland) Act, 1950, s. 94(2)	199
Local Authorities Loans Act, 1945, s. 3(2)	12,600
Cotton (Centralised Buying) Act, 1947, s. 21(1)	1,500
Miscellaneous Financial Provisions Act, 1946 s. 2(1) War Damage: War Damage Commission	3,000
Town & Country Planning Acts, 1947	300
Finance Acts, 1946 and 1947: Postwar Credits	329
	18,517

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Other Debt:—		Treasury Bills	352,521
Internal	12,943	2½% Def. Bonds	650
		3% Def. Bonds	644
		Tax Reserve Certs.	7,479
		Other Debt:—	
		External	28
		Ways & Means Advances	31,500
		Treasury Deposits	12,000
	12,943		404,802

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Feb. 3	3190·0	1842·4	385·6	...	420·0	5837·9
Nov. 3	3270·0	2285·4	330·0	...	175·0	6060·4
,, 10	3260·0	2323·2	332·8	...	150·0	6066·0
,, 17	4586·5*		274·7	...	125·0	4986·2
,, 24	4571·6*		292·6	...	125·0	4989·3
Dec. 1	4593·3*		304·8	...	125·0	5023·1
,, 8	4631·1*		239·0	3·0	123·0	5046·1
,, 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·9*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·8	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	4601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67.5	4555·5

* The proportion of tender and tap Bills surrendered for 1¾ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Feb. 2	230·0	336·4	230·0	10 2·52	54
Nov. 2	230·0	330·1	230·0	10 2·38	54
,, 9	260·0	330·4	260·0	17 2·96	70
,, 16	230·0	285·3	160·0	17 10·66	41
,, 23	170·0	237·6	170·0	19 2·96	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52

On February 1st applications for 91 day bills to be paid from February 4 to February 9, 1952, were accepted dated Monday to Saturday as to about 52 per cent at £99 15s. 0d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £170 million were offered on February 8th. For the week ended February 9th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 43 Weeks ended: Jan. 27, 1951	Totals 43 Weeks ended: Jan. 26, 1952	Week ended Jan. 26, 1952
Savings Certificates:—			
Receipts	72,600	126,200	2,700
Repayments	107,100	111,800	2,600
Net Savings	*Dr34,500*	14,400	100
Defence Bonds:—			
Receipts	13,850	48,314	1,130
Repayments	40,354	59,888	1,160
Net Savings	*Dr26,504*	*Dr11,574*	*Dr 30*
P.O. and Trustee Savings Banks:—			
Receipts	537,885	575,323	13,656
Repayments	580,636	659,490	14,123
Net Savings	*Dr42,751*	*Dr84,167*	*Dr 467*
Total Net Savings	*Dr103755*	*Dr81,341*	*Dr 397*
Interest on certificates repaid	23,830	27,840	676
Interest accrued	105,784	101,331	2,443
Change in total invested	— 27,901	— 4,550	+ 1,370

BANK OF ENGLAND RETURNS

FEBRUARY 6, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1357,648,801	Other Govt. Securities	1385,768,101
In Bankg. Department	42,708,022	Other Secs.	703,998
		Coin (other than gold)	2,512,901
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356 823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	327,212,853
Rest	3,797,118	Other Secs.:—	47,023,380
Public Deps.:—	27,811,788	*Discounts and Advances*	*4,364,894*
*Public Accts.**	*13,849,434*	*Securities*	*42,658,486*
H.M. Treas.			
Special Acct.	*13,962,354*		
Other Deps.:—	372,352,720		
Bankers	*286,616,315*	Notes	42,708,022
Other Accts.	*85,736,405*	Coin	1,570,371
	418,514,626		418,514,626

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Feb. 7	1952 Jan. 23	1952 Jan. 30	1952 Feb. 6
Issue Dept.:—				
Notes in circulation	1286·4	1353·6	1353·8	1357·6
Notes in banking department	64·0	46·7	46·5	42·7
Government debt and securities*	1345·2	1396·8	1396·8	1396·8
Other securities	0·8	0·7	0·7	0·7
Gold and coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	21·6	14·7	15·5	13·8
Treasury Special Account	9·3	0·5	0·5	14·0
Bankers	285·3	287·6	277·8	286·6
Others	85·8	85·1	87·5	85·7
Total	402·0	387·9	381·3	400·1
Securities:—				
Government	292·7	297·4	309·3	327·2
Discounts, etc.	16·6	37·4	7·9	4·4
Other	46·4	23·1	34·4	42·7
Total	355·7	357·9	351·6	374·3
Banking dept. res.	64·6	48·3	48·1	44·3
	%	%	%	%
"Proportion"	16·0	12·4	12·6	11·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Jan. 31	77·0	88·00	192 5	105 2
Feb. 1	77·0	88·00	191 8	104 3
,, 2	Markets	Closed	190 12	103 9
,, 4	77·0	88·00	191 10	104 2
,, 5	77·0	88·00	191 7	104 7
,, 6	77·0	88·00	192 5	104 8

COMPANY MEETINGS

WEST RIDING WORSTED AND WOOLLEN MILLS, LIMITED

EFFECT OF WIDE FLUCTUATIONS IN WOOL VALUES

MR J. H. KEELING ON THE OUTLOOK

The twenty-third annual general meeting of West Riding Worsted and Woollen Mills, Ltd., was held on February 5th, at the Midland Hotel, Bradford, Mr J. H. Keeling (the chairman) presiding.

The secretary, Mr E. Matthews, read the notice convening the meeting, and Mr D. E. Batchelor, of Messrs Peat, Marwick, Mitchell & Co., the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended August 31, 1951, and was taken as read:—

Ladies and Gentlemen,—The profits of the group for the year under review, though satisfactory, were considerably below the peak figure reached last year. These results, however, must be considered in the light of the unusually difficult trading conditions which confronted—and still confront—our industry.

The money value of the turnover was considerably in excess of that for the previous year, the reduced profits being occasioned by writing down the value of the stocks and providing for contingencies resulting from the steep fall in the price of wool from the peak reached at the end of March to the level ruling at the end of August. As this was done out of the earnings for the year, the substantial specific reserves created in previous years to provide against these very eventualities have been left intact.

It will give our shareholders some idea of the wide fluctuations in the value of wool during the year under review if I quote the price of 64's B tops at the beginning and end of our year and the peak figure reached during this period:—

September 1, 1950	235d. per lb.
March 31, 1951	348d. per lb.
August 31, 1951	152d. per lb.

These difficult trading conditions placed upon the managements of our operating subsidiaries a heavy burden of responsibility, which was shouldered with courage and ability.

THE YEAR'S RESULTS

The profit of the group before taxation amounted to £693,173, which compares with £1,729,204 for the previous year. Of this profit it was necessary to provide for taxation £376,195, namely, 54.3 per cent.—an onerous charge. Of the balance, Preference and Ordinary shareholders receive by way of dividends £110,257, equivalent to 15.9 per cent. of the profits earned, while £206,721, or 29.8 per cent., has been retained in the business.

The amount required to pay the Ordinary dividend, which it is recommended should be maintained at 22½ per cent., requires slightly more than for the previous year, as reserves to the extent of £47,644 were capitalised on January 30, 1951, by the issue of one new Ordinary share for every 16 Ordinary shares then held.

During the past four years the earnings of your group have been dealt with as under:—

Taxation	£2,680,326	52.2%
Retained in the business	2,058,494	40.2%
Distributed to shareholders	391,445	7.6%
	£5,130,265	100 %

These figures indicate beyond any measure of doubt the policy of "moderation and restraint" exercised by your company in relation to distributions by way of dividends, a policy lately recommended by the president of the Federation of British Industries, following upon similar exhortations in recent years from other quarters. I only wish that I could feel equally sure that this policy of "moderation and restraint," so consistently pressed upon industry, had been followed to anything like the same extent by His Majesty's Government in its expenditure of the moneys which industry has provided by way of taxation.

CONSOLIDATED BALANCE SHEET

There are several items in the consolidated balance sheet, to which I would like to refer.

The increase in the share capital reflects the capitalisation of reserves which I have previously mentioned, and the issue for cash of 175,000 Five-and-a-Half per Cent. Cumulative Preference shares of £1 each, being the balance of the preference capital which we were authorised to issue. The cash proceeds of this issue were utilised in the main to provide further finance for one of our most recently acquired operating subsidiaries, Thomas Hey and Shaw, Ltd., which I am pleased to say made a most useful contribution this year to the profit of the group.

The fixed assets after allowing for depreciation show an increase of £204,570, mainly due to the cost of completing the new factory at Wombwell for Priestleys, Ltd., to which I referred last year, the acquisition by Thomas Burnley & Sons, Ltd., of Nellroyd Mills, complete with modern machinery, so as to increase that company's spinning capacity; and the provision of additional storage accommodation for J., J. L., & C. Peate (Guiseley), Ltd.

It is in regard to the current assets and liabilities where the figures show the greatest changes as compared with the previous year.

Stock on hand and work in progress, in spite of the writing down to which I have already made reference, are £923,086 higher at £5,505,069, while debtors have increased by £801,819 to £1,636,809.

Last year cash and marketable securities exceeded advances from our bankers by £272,844. On August 31st last, the date of the balance sheet which we are now considering, the net amount due to our bankers was £2,738,731. Against this, secured trade creditors, representing wool purchases, were down by £1,189,060 to £104,284, which shows how we were trimming our sails to meet the storm.

The figures which I have given to you are very large, particularly as the physical turnover was less and not greater than for the previous year. They have been the cause of no little anxiety to those responsible for the direction and management of your company, as, I am sure, our shareholders will readily appreciate.

I am glad, however, to say that these figures are now mainly of historical interest. For example, the group's net indebtedness to its bankers on December 31st last was only £45,540.

THE PRESENT

During the past nine months the wool textile industry has been passing through a storm at least comparable in magnitude to that which was encountered after the first world war. But on this occasion there is a very real difference—the lessons learned thirty years ago were not forgotten, and were, in fact, in the forefront of the minds of the many able men who are responsible for the management of the industry.

No one trusted the rise in the price of wool, difficult though it was to know when it would stop, commitments were kept to the minimum consistent with full employment, and as large reserves built up as taxation permitted.

As a result the industry has so far weathered this storm of gale force remarkably well, but it will be some months before we shall have seen the last of its effect.

A storm of this character naturally starts by affecting those engaged in the raw material section of the industry—in which our group is largely interested—and finishes in the shops where the made-up goods are sold. The pipeline is gradually being cleared, although I fancy that those engaged in all branches of our industry heave a sigh of relief as each month goes by without undue troubles being encountered.

It is unfortunate that in the midst of these difficulties a well-known politician advised the public not to buy, thereby not only adding to the difficulties already facing the trade, but even endangering employment. In this connection I am glad to be able to say that we have kept our labour force for all practical purposes intact, though overtime has had to be cut and in some cases the working week shortened.

During the four months since the date of the balance sheet trade has been quiet and wool prices have continued to fluctuate considerably. In recent weeks, however, these fluctuations have narrowed, and there have been signs of some new business.

Taking stock of our position as it exists today, I am personally satisfied that we have come through a most difficult period with all our reserves intact, including those specific reserves which were created to provide against just those adverse conditions which have prevailed.

THE FUTURE

It is difficult indeed to forecast the future. There are too many incalculable factors—world politics, currency problems, and now the declared disinflationary policy of the present Government. I incline to the view

that trading in our industry for the next few months will continue to be difficult, and that thereafter we should return to more normal, though more competitive, conditions than we have experienced for some time.

A year ago at our annual general meeting I warned you against the dangers inherent in the great rise which had taken place in the price of wool. Since then this position has been largely readjusted and today the price of wool is in more general alignment with that of other raw materials. At the moment we need more than anything a steady price and less of the violent fluctuations that we have witnessed over the past two years.

A steadying influence on the price of wool over the years will come, I think, from man-made fibres, the development of which we continue to watch closely. These new fibres will not replace wool, but in my opinion as they become perfected—and subject to price—they will be used increasingly in conjunction with wool. I would not like you to draw the inference from this that I am suggesting that there will not continue to be a world demand for all-wool goods of high quality such as are made in Yorkshire. This is not the case, but if fibres with some of the characteristics of wool can be produced at a cheaper price the wool textile industry in this country will be able to take full advantage of them for the further expansion of its trade.

Looking to the future generally, your group is engaged in a basic industry, and if as I have foreshadowed we return to more normal and competitive conditions, our earnings will depend upon the ability of our management and employees, and upon the excellence of our plant. In these matters I consider that we have nothing to fear.

GROUP'S EARNING CAPACITY

What the earnings of the group may be in more normal and competitive times I do not know. I do not think that they will reach the peak figures of the year before last—in fact, I hope not, unless this is occasioned by the continued development and extension of our business and not by any further abnormal advance in the price of wool.

I can, however, say this. The earning capacity of your group has been proved by past results, and I believe that good profits can be earned in future years.

In conclusion, may I once again thank all the directors, managers, executives and employees. The more difficult times through which we have passed have stimulated them to ever-increasing efforts. I am also especially grateful to my colleagues on this Board who have unstintingly given me their fullest support.

The report and accounts were adopted and the final dividend of 12½ per cent., making 22½ per cent. for the year, was approved.

The retiring directors, Mr J. H. Keeling and Mr M. W. Shelton, were re-elected, and the other formal business having been duly transacted the proceedings terminated.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

ROAN ANTELOPE COPPER MINES LIMITED

The following is an abridgement of the statement of the Chairman, Mr R. L. Prain, O.B.E., dated January 8, 1952, circulated to the members:—

RESULTS FOR THE YEAR

The output of 74,520 long tons blister copper was produced at a cost of £78 7s. 11d. and sold at an average price of £176 3s. 7d. per ton, both f.o.b. Beira. The gross profit was £7,287,000. Copper stocks remained static in volume, but increased in book value by £115,000. Other expenses amounted to a net figure of £234,000, leaving a profit of £7,168,000.

Appropriations were made of £1,250,000 to Replacements Reserve, £150,000 to General Reserve and £51,000 to Loan Stock Redemption Fund.

The Final Dividend now recommended amounts to 3d. per new share, making a total distribution for the year of 1s. 7½d. per new share.

On this basis taxation would amount to £4,169,000 and the carry-forward £195,000.

The Company has capitalised certain reserves in order to bring the issued capital more into line with the actual capital invested, and the issued capital has been increased to £8,987,688 by the issue of four new shares for every five held.

MINING TAXATION

Mr Prain referred to certain new changes which are proposed in the Northern Rhodesian tax laws as affecting new mines, and continued: Representations have been made through the British Overseas Mining Association to the Millard-Tucker Committee and to the Royal Commission on Taxation with a view to presenting the case of the industry and of trying to impress on these bodies the points on which the mining industry differs from most other industries. While it is too early to say what effect these representations may have, it is a matter for regret that one has to record that, after several years of such representations to various Government Departments, the overseas mining industry here has yet to obtain from the British Government any real recognition of its case. Unless this case is recognised, it is beyond question that the overseas mining industry, which for so many generations has been centred in London, will wither and fade away altogether. The high rates of capital expenditure which mining requires today, the lower grade ores which it will be increasingly necessary to mine, and the high rates of taxation, make mining altogether too hazardous an undertaking to organise except in countries where the position of the mining industry is specially recognised.

After referring to the position at the mine and to the problems arising from the shortage of fuel in the Copperbelt, Mr Prain stated:

DOMICILE

The problem of the domicile of the Company has continued to engage the attention of the Board during the year.

Briefly, it may be said that there are two factors which influence a decision on domicile. The first may be called economic and the second political. From the economic angle it is possible to save taxes by controlling companies such as ours from abroad. Until the Finance Act of 1951, we, in common with other companies, had been free to move control in this way ever since the incorporation of the Company some 25 years ago. It is true to say, I think, that a move at any time during these 25 years would have resulted in some saving of taxes paid by the Company. That we did not choose to change the control of the Company was due to a number of factors, which I need not go into here but, generally speaking, to the overriding feeling that taxes alone should not be allowed to determine so important a question as the seat of control of the Company.

This outlook had, of course, to be critically examined when the disparity in taxes became as wide as it has in the last two or three years. A change of domicile would now effect impressively large savings in taxes for the Company and hence indirectly for all its stockholders. Nevertheless, your Board still feels that political and administrative considerations outweigh the element of taxes.

You will agree, I am sure, that a Company such as ours cannot act exclusively from motives of commercial self-interest; it is bound also to take into account national and imperial requirements. In the light of this principle your Board intends to keep the question under continuing examination. Events appears to be moving rapidly toward a shift in the centre of political gravity for Northern Rhodesian affairs from the United Kingdom to Rhodesia. Such a change in the political picture may well create conditions under which we should consider it our duty both to our stockholders and to our country of production, and indirectly to the Commonwealth, to seek to locate our seat of control in Central Africa.

FINANCE ACT, 1951

Since the passing of the Finance Act, 1951, it is no longer permissible to transfer the control of a company abroad without prior permission from the Treasury. It is impossible in passing not to protest against the provisions of Section 36 of this Act. It has been described as making a concentration camp of the City of London. While the need to maintain revenue in this country is admitted, and while the possibility that consent may be forthcoming is recognised, it seems singularly ungracious to seek to retain compulsorily in this country companies which have voluntarily stayed here over many years in spite of ever-increasing taxation. It would not only be more in keeping with the traditions of this country if this Section of the Act were to be repealed but it would also be far sounder. This Section attempts to make permanent a pattern of business organisation which events demand should essentially remain flexible. It may become vital to a mining company to move its control to the territory in which it operates if new political movements are developing there. In this context the interests of such a company and of this country are parallel, since it is surely far more important for this country to retain influence over sources of raw materials than it is for it to cling to a relatively small fraction of revenue, which may anyway disappear if a semi-feudal attempt is made to cling at any cost to the patterns of yesterday.

High taxation in recent years and a tax code generally unsuited to mining have deterred new mining company formation in this country, but Section 36 of the Finance Act is an even greater deterrent for, even with the provisions whereby consent to move abroad may under certain circumstances be obtained, the fact that permisison has to be sought for such a move is sufficient to deter new companies from putting themselves in a position where they risk being refused permission.

MUFULIRA COPPER MINES, LIMITED

The following is an abridgment of the statement of the Chairman, Mr R. L. Prain, O.B.E., dated January 8, 1952, circulated to the members:—

RESULTS FOR THE YEAR

The year to June 30, 1951, was a record one for the production of ore from the mine and of copper from the smelter.

Of the 86,681 tons of copper produced, 83,681 tons were sold at an average price of £174 18s. 1d. per ton f.o.b. Beira. Costs averaged £68 8s. 10d. per ton f.o.b. Beira and the gross profit was £8,704,000.

Stocks of copper increased by 2,987 tons in volume and by £381,000 in book value. Other expenses amounted to a net figure of £208,000, leaving a profit of £8,877,000.

Appropriations of £1 million to Replacement Reserve, £1,050,000 to General Reserve and £36,000 to Loan Stock Redemption Fund, have been made. The Final Dividend now recommended amounts to one shilling per new share, making a total distribution for the year of 8s. 3d. per new share.

On this basis taxation would amount to £5,122,000, and the carry-forward £87,000.

The Company has capitalised certain reserves and the issued capital has been increased to £8,148,123 by the issue of two new shares for every three held.

REFINERY

The Board agreed to increase the capacity of the Electrolytic Refinery from 36,000 tons to 72,000 tons per annum. The increase is expected to bring the total cost of the Refinery to £3 million.

The first section of the Refienery, of 36,000 tons capacity, is expected to come into production in 1952, and the second half in 1954.

CHIBULUMA

Chibuluma Mines Limited has been formed as a subsidiary of Mufulira for the purpose of developing and working the Chibuluma copper-cobalt orebody with indicated reserves of 7.3 million tons of ore, running 5.23 per cent. copper and 0.25 per cent. cobalt. Arrangements were entered into with the Economic Co-operation Administration whereby Mufulira would subscribe £600,000, in order to take up the ordinary share capital of Chibuluma Mines Limited and the E.C.A. would provide up to £3 million in the form of an unsecured loan, repayable in metals in due course.

Development is now proceeding at the Chibuluma Mine with a view to getting into production by 1956. It is expected that it will produce copper at the rate of about 16,000 long tons per annum, and cobalt at a rate estimated at about 500,000 lbs. per annum.

BALUBA

Mufulira includes amongst its Special Grants one called Baluba. This copper-cobalt orebody is estimated to contain between 19 million and 37 million tons of ore, depending on the point at which the cut-off grade is determined.

Drilling is still proceeding to establish further ore reserves and to check the continuity of the cobalt values and, depending on the result of this drilling, consideration will be given later this year to the formation of a company to be known as Baluba Mines Limited for the exploitation of this mine as soon as possible. It is anticipated that in this event, on the basis of a mine production of 1.3 million tons per annum giving a copper production of about 24,000 tons and a cobalt production of about 1,100,000 lbs. per annum, the capital required might be of the order of £9 or £10 million. Ways and means of finding this finance are under consideration.

PROSPECTING

Prospecting continued throughout the year on the Special Grants of the Company.

It was decided, in conjunction with Roan Antelope Copper Mines Limited and The British South Africa Company, to take up exclusive prospecting licences over three large areas in Northern Rhodesia, and accordingly three new companies were formed, namely, Mwinilunga Mines Limited, Kadola Mines Limited and Luapula Mines Limited. These Companies are owned as to 45 per cent. each by this Company and Roan Antelope and as to 10 per cent. by The British South Africa Company. The companies are Northern Rhodesian Companies and controlled by local Boards.

Mwinilunga Mines Limited has granted exploration rights over some of its area surrounding the Kansanshi mine to the Company to be formed to explore that mine, Kansanshi Copper Mining Company Limited, in return for a 10 per cent. free participation. Mufulira also has a direct 5 per cent. interest in that Company.

MINING TAXATION

Discussions have been held with the Northern Rhodesian Government which have led to the tabling of legislation which will provide for a change in those sections of the law which deal with the treatment of capital expenditure on mines. Briefly, new mines will normally be allowed in effect to write off their initial capital expenditure out of profits before taxes become payable. Thereafter, all capital expenditure in any year will be allowed as an operating cost. This brief statement somewhat over-simplifies the actual procedure but the net effect is that these laws, which follow somewhat the laws of the Union of South Africa, will create a new incentive to the developing of mines in the territory, and especially of low-grade propositions or those which involve a high degree of capital expenditure.

GENERAL

Mr Prain then referred to the position at the mine and the problems arising from the shortage of fuel on the Copperbelt. After stating that the question of the Company's domicile had continued to engage the attention of the Board during the year, he concluded: At present the atmosphere on the Copperbelt is one of prosperity, expansion and new development. A dynamic spirit infuses this remote corner of the Empire, combined with a consciousness of the key role which the Copperbelt has come to play in Imperial affairs. This is not to deny that there are clouds on the horizon. The gravity of the fuel problem and the uncertainty of the political future are factors which give cause for concern and are largely beyond the power of your Board to influence. I cannot believe, however, that human ingenuity will fail to find an early solution to the fuel problem or to devise a formula which will satisfactorily ease the growing interracial tension and lay a foundation for Northern Rhodesia's future relations with other African territories. If this view is justified, I can see no reason why your Company's fortune should undergo any major change over the coming months.

THE NATIONAL BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and seventeenth annual general meeting of the proprietors of The National Bank Limited was held on February 7, 1952, at 13 Old Broad Street, London, E.C.2.

Mr Michael J. Cooke, the chairman, presided.

The acting secretary read the formal notice convening the meeting and the report of the auditors.

The directors' report for the year, which had been previously circulated, was taken as read, and the chairman reviewed the principal movements in the balance sheet figures as compared with those of a year ago. Reference was made to the transfer from profit and loss account of £25,000 to the reserve fund, contributions of £106,199 to the staff pensions and provident funds and the provision for a final dividend of 5 per cent., making a total of 10 per cent. for the year, which left the sum of £52,128 to be carried forward.

The chairman moved: "That the profit and loss account for the year ended December 31, 1951, the balance sheet as at that date and the directors' report be adopted by the meeting and entered on the minutes."

Sir Cornelius J. Gregg, K.C.B., K.B.E., LL.D., seconded the motion, which was carried unanimously.

The retiring directors, Sir Cornelius J. Gregg, K.C.B., K.B.E., LL.D., Mr Thomas Geoghegan, F.C.A., Mr Richard J. Maume, and Mr Arthur J. Jenkins, were re-elected, and the remuneration of the auditors, Messrs Peat, Marwick, Mitchell and Company and Messrs Stokes Bros. and Pim, was fixed.

KILLINGHALL (RUBBER)

DIVIDEND RAISED TO 50 PER CENT.

The annual general meeting of this company was held in London on February 5th, Mr Jack Addinsell, the chairman, presiding.

The following are extracts from his circulated statement:

Security conditions on and in the vicinity of the estate during the year under review have continued to be very precarious, and unfortunately there has lately been some further deterioration in the general situation. This has had an adverse effect upon the labour force who are suffering continued intimidation by threats of violence.

Net profit for the year is nearly double that of the previous financial year at £61,254, and this has enabled your directors to recommend a final dividend of 35 per cent., making, with the interim of 15 per cent. declared in August last, a total of 50 per cent., as against 40 per cent. paid last year. It has been decided to transfer a further £5,000 to general reserve and £10,000 to replanting reserve, leaving £15,970 to carry forward as against £16,765 brought in.

The higher profits for the year were derived from increased proceeds from the sale of our rubber and a larger income from tin tribute as a result of the then existing high prices. There has, however, been a sharp fall in the price of rubber since the close of our financial year, and costs have continued to rise.

During the year the company has continued to deliver its rubber in field latex form and to have its lower grades milled by a neighbouring estate. Arrangements were, however, made to put our sheeting equipment in order to allow of a reversion to sheet manufacture if this should be necessary.

The report was adopted.

F. W. WOOLWORTH AND COMPANY

SUCCESSFUL TRADING

MR S. V. SWASH'S STATEMENT

The forty-third annual general meeting of F. W. Woolworth and Company, Limited, will be held in London on February 29.

The following is an extract from the statement by the chairman, Mr S. V. Swash, circulated with the report and accounts for the year 1951:

It is my privilege to place before you the directors' report and accounts resulting from a very successful year's trading. The past year carried its own crop of troubles, notably in the matter of stock control, and there has been much publicity concerning excessive inventories, customer resistance and the general difficulties of retail trading.

When conditions are difficult we get further evidence of the broad-based nature of your business, and certainly the figures shown in the report would never have been possible without a very satisfactory increase in sales. Your board is highly gratified by this proof of public approval of the variety, quality and price of the merchandise offered and the service given by the Woolworth stores.

VALUE OF COMPETITION

In the competitive field of retail trading, where the customer's right of choice is an integral factor of social freedom, success can only be achieved by giving satisfaction to the public. One hears a great deal about the "costs of distribution," and it is vital to the national economy that they should be kept as low as possible, but costs there must be. Food on the farms is no use to the people of great cities until it is brought to them, and small wares in Midland factories are no use to the housewife until they are placed within her reach.

Your board endeavours to keep these distribution costs down to the minimum, and this is the prime object of your Company's operations. A competitive system, while never perfect, does eliminate untold abuses and inefficiencies that breed, thrive and multiply in the dark undergrowth of controls. An adult civilisation should endeavour to work with the minimum of controls and the minimum of taxation.

THE YEAR'S FIGURES

Turning to the figures in the balance sheet and profit and loss account, I would refer to development and general reserve funds. The proposed appropriations here are £500,000 and £750,000 respectively. Your board has now had some experience of building costs at present-day prices from the few new stores which have been erected to replace bombed properties. Roughly, it costs the company three times as much as before the war to build a comparable store, and to equip it with counters, fixtures, stock and staff accommodation. So it is prudent to have good reserves available for developing and extending existing stores and opening new ones as opportunity offers.

The dividend is unchanged from last year's, and whilst there might be some ground for considering there was scope for an increase, the main reasons leading your board to maintain the figure are these: (1) Some uncertainty in the supply position of merchandise for 1952 in view of the rearmament programme, the metal shortage, the cut in supplies of confectionery and biscuits owing to the shortage of sugar. As you will know, the sweets ration has already been cut. (2) The penal rates of taxation, particularly the distributed profits tax. (3) The announced definite imposition of an Excess Profits Tax for 1952 as yet unknown in scope, amount and incidence.

The trading profit figure at £15,114,662 shows a healthy increase, but unfortunately it is inflated money that is circulating to-day. It will be much better for commerce, for workers, for pensioners—and, indeed, for the whole community when we can hold our own or make small increases in hard stable currency rather than show big gains in money that slides downwards in real value compared with other currencies, with raw materials and with living costs.

It is to be hoped that the dangers of inflation are increasingly becoming clear to the whole population; also the causes, of which taxation and State spending are by no means the least; and that the pound can be given increasing value in the housewife's purse. In the great battle for restoring the country's economy, I think this is the crucial engagement at the present time. "Hard work and a hard pound sterling" would make a good battle-cry for the fight.

COMPANY'S SUPPLIERS OF MERCHANDISE

I wish to pay the repeated, but all the more sincere, compliments to our manufacturers and suppliers of merchandise. Very many of them have been selling us goods for decades—quite a number since the very earliest days of the stores, and our association with them is one of our most treasured assets. Confidence and good relationships between our suppliers and the company are the firm foundations on which continued success for both parties may be built. Our team of skilled and experienced buyers spares no efforts to cultivate this confidence and relationship.

THE COMPANY'S STAFF

Given a steady flow of merchandise I think you can rely on the company's staff in stores and offices to maintain their skilled and loyal standards of work and service, and I want to pay high tribute on behalf of your board and stockholders to the good work done in such full measure during 1951. There has always been a tradition of hard work from top to bottom in the Woolworth Company, and in view of the very much shortened shopping hours of today it can be realised that a high standard of skill, co-operation and organisation is attained in the stores to keep them stocked and serviced.

Morale is of the very first importance, not only in war and in the Fighting Services, but in peace and in business, too, and a Woolworth employee can—and does—feel a "sense of mission" in providing for the needs of the public, and fulfilling a job that is exciting and interesting at all levels in the company. Your board is grateful that it is served by such a splendid staff, and will continue to give much care and attention to all matters affecting staff welfare and morale. Every individual, right through to the newest counter girl, is of vital importance in a retail selling organisation, and training and interesting these girls in their work are tasks that test the leadership of store managers to the highest degree.

Since our last annual general meeting, Mr. C. S. Watt has resigned his directorship after a lifetime of service to the company, and we express the very strongest appreciation of all his work. We shall miss him greatly, and wish him long and happy years of retirement. Mr W. Wainwright joined the board on March 21, 1951, and since the accounts were approved by the board we have co-opted Mr R. J. Berridge in accordance with the articles of association and he will also offer himself for re-election at the annual general meeting. I welcome these gentlemen as colleagues, and look forward to a valuable contribution from them to the work of the company.

ASSOCIATED MOTOR CYCLES LIMITED

HIGH REPUTATION MAINTAINED

EXPORT FIGURES WARRANT FAVOURABLE SUPPLY TREATMENT

The twenty-third annual general meeting of Associated Motor Cycles Limited was held on February 5th, in London.

Mr S. R. Hogg, D.S.O., M.C., F.C.A., (the chairman), in the course of his speech, said:

The accounts show, as regarding liquidity, the immense strength of your company's position. Out of the group's profit on the year's working of £402,776, the Government takes in the form of taxation no less than £221,468.

I need hardly remind you that the year under review was a difficult one by reason of the substantial increases in costs of raw materials and services. It is common knowledge that the upward trend of all costs still continues, but I think we may express the hope that the active steps which the present Government are taking to combat the inflationary phase will, in due course, have a noticeable effect.

The high reputation of our Matchless, A.J.S. and Francis-Barnett motor-cycles maintained, throughout the year under review, a demand substantially in excess of the maximum numbers which we could manufacture. We were, moreover, glad to be able to add to the products of the A.M.C. group, motor-cycles and bicycles made by our new subsidiary, The James Cycle Company Limited, which bears a name which is amongst the oldest and most respected in our industry.

SUBSTANTIAL EXPORT CONTRIBUTION

Once again I can report that we have made a substantial contribution to the export drive, since the percentage of our products which we have exported has been maintained and has been substantially higher than the average achieved in our industry. It is a matter of great regret to us that this has resulted in a continued shortage of our motor cycles in the home market.

I find it more than usually difficult today to say anything useful to you about future prospects. Up to date I am able to report an improved turnover in all sections. Unfortunately, as you all know, our prospects in the future are entirely controlled by the availability of steel and other raw materials and components. Such matters are now under Government control, in the national interest, and we are not yet in a position to make any accurate assessment of the possibility of future supplies.

The recent statement by the Chancellor of the Exchequer that supplies of motor cycles to the home market will be reduced by one-third may mean that we shall have to make a further increase in the already high proportion of our products which we export if we are to justify an adequate allocation of raw materials and of manpower to maintain our full output. With conditions as they are today that would not cause us any serious difficulty, but I would not like to say how long our export markets will continue to take all we can ship to them, in view of the rapid economic changes which are taking place throughout the world. I feel, however, that it is unlikely that we shall be seriously affected before the end of the current financial year, and I am very hopeful that we shall receive favourable treatment from the authorities in view of the known importance of maintaining high exports of engineering goods which, like our motor cycles, have a very high conversion value.

In spite of all difficulties, therefore, I hope to be able to present to you another satisfactory report at this time next year.

The report was adopted and the total dividend of 20 per cent. approved.

CAMBRIDGE UNIVERSITY SCHOOL OF AGRICULTURE

Applications are invited for a post as Assistant Agricultural Economist in the Provincial Agricultural Economics Service. Starting salary between £360 and £450 per annum according to age and experience. Applicants should possess a degree in Economics and/or Agriculture and should be under 25 years of age. The duties of the post are concerned with the collection and interpretation of data for farm management and enterprise costing schemes.—Applications in writing, stating age and experience, to the Secretary, School of Agriculture, Cambridge, with names of two referees, not later than February 28, 1952.

UNIVERSITY OF LONDON

A lecture on "Economic Factors in the Making of Canadian Federation" will be given by Professor D. G. Creighton (Toronto) at 5 p.m. on February 14th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.
ADMISSION FREE, WITHOUT TICKET.
JAMES HENDERSON,
Academic Registrar.

ENTERPRISING M.A. (Cantab Maths.), nearly five years' experience Market Research (including management responsibility) with world-famous manufacturer; young; seeks better prospects.—Box 870.

WORKS MANAGER required for Company specialising in the manufacture of electric welding equipment. Appointment calls for first-class engineering and technical background; experience in development and production aspects of special purpose machinery essential.—Apply, giving full details of experience, qualifications, etc., to Box M4390, A.K. Advg., 212a, Shaftesbury Avenue, W.C.2.

CONSTRUCTIVE CO-OPERATION with those directing business growth—that is our business as one of the most experienced of advertising organisations. Our practical guidance and technical assistance can lighten your load—and prove an economy—in creating demand for the new product or reviving the sales of an established one. Consultation with us costs you nothing. It is confidential—and it will be constructive in a way which will be of great value to you in your future plans.—Townend-Smith Limited, Registered Practitioners in Advertising, 40-41 Conduit Street, London, W.1. Telephone: Regent 2600.

FOR SALE.—*The Economist*, 1947/1951.—Offers to Box 875.

PERSONAL ASSISTANT. Well-known industrial organisation with world-wide interests manufacturing electric welding equipment has vacancy for a Personal Assistant to Managing Director. University degree, engineering and technical background with administrative ability essential.—Apply, giving details of age, qualifications and experience, etc., to Box M4382, A.K. Advg., 212a, Shaftesbury Avenue, W.C.2.

JOHN SUMMERS AND SONS, LIMITED, are anxious to set up an organisation to further the education of the junior staff employed at their large Steelworks near Chester. Applications are invited for the full-time position of organising and conducting this development. Personality and enthusiasm are considered the essential qualifications with a background of business experience and interest in education in the broadest sense.—Box 853.

WELL-qualified and experienced Consultant in accounting, costing and general administration seeks further assignments to introduce or reorganise financial and administrative methods. Fees by negotiation, references can be supplied.—Box 855.

BLOCK DISCOUNTING FACILITIES are required by a Hire Purchase Finance Company for an additional £17,000 worth of business per month in minimum units of £1,000 per month. Blocks of individual Agreements and Promissory Notes are lodged and repayment is by monthly Bills of Exchange secured by a collateral guarantee from a well-known firm of retailers. Attractive terms. Of particular interest to institutional investors or companies with large liquid resources. Particulars from the Company's Accountants.—Box 858.

CONSULTANT EDITOR AND DESIGNER undertaking sub-editing and preparation of MSS. for Press, invites inquiries for planning, layout and execution of publicity literature and non-fiction publications.—Box 851.

BRAZIL.—A Joint Managing Director is required for the Associated Company in Sao Paulo of British engineering firm. The appointment offers great scope for a man with high level experience of management, including commercial and financial matters, and, if possible, with an engineering background. The successful applicant will be around 40 years of age, having had a first-class education preferably with a university degree; breadth of vision, wide interests and congenial personality are all necessary qualities. Aptitude for language is indispensable, and knowledge of Portuguese a great advantage. Consideration can be given only to those who conform to these requirements and can qualify for the high level of remuneration and other privileges which the position commands. Before proceeding to Brazil this man will have a course of intensive training in London.—Apply in writing, with full particulars, to Box 863.

ESSENTIAL TO ALL BUSINESS MEN!—"Advantages of trading as a limited Co.," by T. A. Herbert, LL.B., Barrister-at-Law (post 1s. 8d.), from "EC," Anglo-French Press Agency, Ltd., 128, Albany Street, London, N.W.1 (EUS. 8308/8178), who have TRUST INVESTMENT C. REGN. for sale. Ready for use, complete, £30.

WIDELY EXPERIENCED British Agent residing in Hongkong, seeks resident or travelling representation for British Manufacturer or Shipper, in the Far East or Japan, on commission basis.—Box 84.

FOR SALE.—*The Economist*, 1945-1950 inclusive.—Box 873.

QUALIFIED STAFF AVAILABLE NOW
Accountants, Office Managers, Company Secretaries supplied immediately.
FINE'S EMPLOYMENT AGENCY
(HIGHER APPOINTMENTS SECTION)
95/99 PRAED STREET, LONDON, W.2. AMB 3400 (30 LINES)
FINE'S FOR THE FINEST STAFF

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony
CAPITAL ISSUED AND FULLY PAID UP - - - - - - - $20,000,000
RESERVE FUNDS STERLING - - - - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - - - - $20,000,000
Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M. Duncan Wallace, H. A. Mabey, O.B.E.

BRANCHES

BURMA	CHINA (Con.)	INDIA	MALAYA (Con.)	N. BORNEO (Con.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaia	Kobe	Singapore	SIAM
*Dairen	EUROPE	Osaka	(Orchard Road)	Bangkok
*Foochow	Hamburg	Tokyo	Sungei Patani	UNITED
*Hankow	Lyons	Yokohama	Telok Anson	KINGDOM
*Harbin	HONG KONG	MALAYA	NORTH	London
*Moukden	Hong Kong	Cameron	BORNEO	U.S.A.
*Nanking	Kowloon	Highlands	Brunei Town	New York
*Peking	Mongkok	Ipoh	Jesselton	San Francisco

* Branches at present not operating.
BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

CROWN AGENTS FOR THE COLONIES

ECONOMIC AND MARKETING OFFICER required by the Government of Uganda for the Department of Commerce for one tour of 2½ to 3 years with prospect of permanency. Salary according to age and experience in the scale £660 rising to £1,340 a year (including allowances). Outfit allowance £30. Free passages for the officer and wife and assistance towards the cost of children's passages. Liberal leave on full salary. Candidates under 30 years of age should be of good education and preferably have a knowledge of commercial practice or agricultural marketing. A University degree would be an advantage.—Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience, and mentioning this paper, to the Crown Agents for the Colonies, 4 Millbank, London, S.W.1, quoting on letter M.29085.C. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

IMPORTANT public Corporation with widespread activities invites applications (to be submitted by March 31st) for post in London of Controller of Finance, who will be responsible for financial control and preparation of accounts throughout the Corporation and will act as its financial adviser. Knowledge of the international money market and up-to-date experience in tax matters desirable. The post is pensionable; salary will be in accordance with qualifications and requirements.
Applications will be treated as strictly confidential and should give full personal particulars and details of qualifications, experience and previous appointments. Please write to Box 867 quoting Serial No. 93 B.

TIME, GENTLEMEN, PLEASE! But what does it matter if you've got a bottle of J.V.R. Three Star at home. J.V.R. Three Star, 37s. 6d. per bottle; 19s. 3d. per half-bottle.

SIMENON IN FRENCH. List of his novels free on request.—Anglo-French, 72, Charlotte Street, W.1.

APPLICATIONS are invited for the post of General Manager of a large manufacturing, processing and sales concern in Jamaica B.W.I., with an annual turnover of approximately £1,000,000. Applicants must have had wide administrative experience which will be regarded as of greater importance than a knowledge of the manufacturing side of the business in question.
Salary between £3,000 to £5,000 per annum according to experience and qualifications.
Applicants should state their age and give details of their experience and should state how soon they would be available to assume the post. Applicants should submit a small recent photograph as well as the names of two referees.
All applications will be treated in the strictest confidence.—Box 860.

BERTOLA is the Cream of Sherries.—Ask for BERTOLA CREAM.

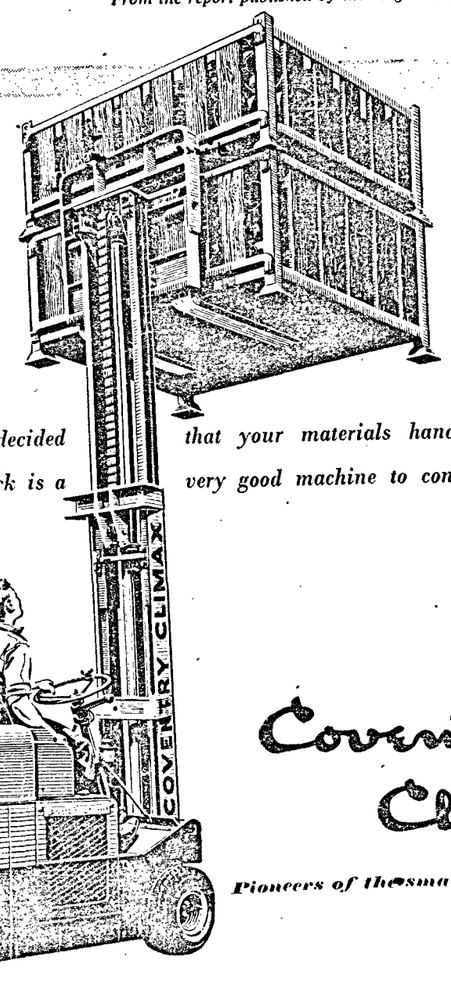
SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations; B.Sc. Econ., LL.B.; and other external London University Degrees. **Civil Service, Local Government and Commercial Examinations, &c.**
Also expert postal tuition for **Prelim. Exams.** and for the professional exams. in **Accountancy, Secretaryship, Law, Sales Management, &c.**, and many intensely practical (non-exam.) courses in commercial subjects.
More than 50,000 POST-WAR EXAM. SUCCESSES.
Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.
Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary.
METROPOLITAN COLLEGE
(G9.2), ST. ALBANS *or call 39 Queen Victoria St., London, E.C.4.*

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by the ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.: Overseas 2½d.—Saturday, February 9, 1952.

"In the average factory, of every £ paid out, 5s. goes to the cost of handling things and moving them around—and in some factories it's as much as 16s. in the £. If you're looking for ways to increase efficiency this is a very good place to look!"

From the report published by the Anglo-American Council on Productivity.



If you have decided that your materials handling needs modernising the fork lift truck is a very good machine to consider to increase output.

Coventry Climax

Pioneers of the small DIESEL fork lift truck

COVENTRY CLIMAX ENGINES LTD. (DEPT. E) COVENTRY, ENGLAND

Cogen

SECRETARIAT LIBRARY 24 MAR 1952 MADRAS GOVERNMENT

The Economist

Established 1843

February 16, 1952 One Shilling

LEADING ARTICLES
Elizabethan Age - - - - - 377
A Pause in Germany - - - - 378
The Price of Land - - - - - 380
Voice of Britain - - - - - 381

NOTES OF THE WEEK - - - 383
The Queen and the Commonwealth; A Home for Nato; Chequered Scene in Egypt; A Tight Programme; No Pointers; Training in Drilling; The Persian Elections; Omission by Moscow; Voices Off: Manpower for the Forces; Cut!; Investment by Deficit; Less Rice for Asians; Criticism from Malaya; "Not Very Fond of Spain"?; New Guinea—Boon or Burden?; Unticketed Cornporter; Hospital Volunteers.

LETTERS TO THE EDITOR - - 392

BOOKS AND PUBLICATIONS - 393

AMERICAN SURVEY
Presidential Question-marks - 397
Education—Higher and Wider 398
Mobilisation Takes More Time; McCarthy's New Lease of Life; Railways' Heavy Load; Senator McCarran's Beat; Fair Trade or Price Fixing?; Shorter Notes.

THE WORLD OVERSEAS
Iraq—Land of Promise—I - - 404
Germans Name Their Price; How Spaniards Live; The Malays Look at Malaya; "Parliament of Asia"; Czechoslovakia's New Model Army.

THE BUSINESS WORLD
Steel Prices and Competition - 412
Commodities Now - - - - - 414

BUSINESS NOTES - - - - - 416
Dearer Money for Local Authorities; Effect on Housing Subsidies; Rights Issues and the Market; Trade Troubles Continue; The Tottering Franc; Coal Prospects Improve; Spring Trade Doubts; Courtaulds Cut Output; Thinly Spread Butter; Attack on Pulp Prices; Furniture Looks Up; Less Canned Food; Incomes—Real, Apparent and Approximate; More Rhodesian Tobacco?; Development by Corporation; Credit Insurance; Shorter Note.

COMPANY NOTES - - - - - 427
STATISTICAL SUMMARY - - 428
COMPANY MEETINGS - - - 430

Vol. CLXII No. 5660
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Elizabethan Age

QUEEN ELIZABETH THE SECOND has come to the British throne when the future is full of uncertainties. Therein lies the challenge to her people. To an unusual degree, what is done now can shape the history of these islands for forty or fifty years. If there is the will, the long reign now beginning can be made a new period in the affairs of this country and of the Commonwealth. The reality of the British peoples' attachment to their constitutional monarchy, which has been brought so strikingly to the surface by the death of King George VI, makes it more than a convenient historian's label to speak of what is now beginning as the Elizabethan Age. There is an opportunity for the accession of a sovereign to coincide with a genuine turning-point in public affairs.

If the reign of the late King is to be characterised, it must surely be as the Age of Conflict. He came to the throne when Nazi power was beginning to rise to the point at which it could challenge and almost overthrow the West. In the last years of his reign the West has been organising itself to withstand Communist aggression. But if during these troubled fifteen years the event has more often than not been worse than the expectation, yet disappointment is not despair. Indeed, the last reign provided far more reason for hope than for despair. The Great Depression had shaken the self-confidence of the Western world; the bitterness bred in the sufferings of the thirties had broken the faith and confused the will of free men. But the will stiffened when the need pressed. So far the West has triumphantly withstood the threat from without. The disappointment of the last fifteen years, indeed of the last forty years, has come from the stop to progress, the failure further to expand the area of Western civilisation. But at least where freedom and democracy were well established, they have been preserved.

When so much has been saved at such peril, the Elizabethan Age can and should begin confidently. It is not necessarily a loss that hopes are set less high than they were under Britain's last queen or even in 1945. People and parties now have a clearer conception of what they want to achieve, and a more realistic idea of what it is possible to achieve, than at any time for at least twenty years. That is a solid gain.

But if these aims are to be sufficiently ambitious, they must be set in terms of the West as a whole, not of Britain or even Western Europe alone. By its example, this country can contribute freedom and justice in full measure to the world. But the survival and expansion of Western civilisation depend also on its wealth, on a productive capacity and economic inventiveness that no other organisation of society can equal. The path of failure for the free society was marked by the economic restrictionism of the thirties. Hope for the Elizabethan Age turns on its ability to create and maintain an expanding economy. And the leadership in this task has inevitably passed from Europe to North America. It is American capital, if any,

that will play the main part in irrigating and invigorating the backward areas and may help them to combine higher living standards with a freer and juster society.

Britain can play a useful secondary part in this process, but its task is less to help to bring about world expansion than to adjust the British economy to it. The development of the backward countries, with what seems an inevitable bias towards industrialisation, will for a time at least inhibit increases, if it does not actually cause reductions, in the exportable surpluses of food and raw materials that Britain must buy. The terms of trade must be expected to remain unfavourable for this country. It may be that this pattern will be broken, in the future as in the past, by a slump in primary prices. But that would raise too many other difficulties to be welcomed. If the West succeeds in maintaining its expanding economy, then British imports will be dear. That is the price of prosperity in at least the early years of the Elizabethan Age.

★

The task that high import prices impose is in no way formidable. The way to succeed as a trading nation is now, in all essentials, the same as it was when trade was easier. It is to act as a trading nation. It is to provide scope and incentive for the inventiveness and flexibility that push traders and manufacturers into a constant search for new products and new export markets. The resources of the British people and British industry are fully adequate for the task if they are used. They are adequate to combine a reasonably flexible economy with the high productivity which all the politicians now preach. That combination means economic efficiency.

The tragedy of the postwar years has been that just when life as a trading nation had become harder for Britain, faith in the virtues required for trading was lost. The British people and their leaders thought they had learned from the thirties that efficiency did not matter, that the problems of production had been solved and only those of distribution remained. Security was put before flexibility, egalitarianism before productivity, not so much because social values had changed as because the depression had suggested that there was really no conflict. That illusion has been largely, if not yet sufficiently, broken. The country will now face its economic problems in a more realistic spirit provided only that the politicians have courage to lead it.

If war is avoided, Britain's most pressing concern in the Elizabethan Age is to earn its living in a new world; but though the need is economic, the problem is primarily political. It is a matter less of means than of will. As yet, there is still a political vacuum. Labour has run out of the ideas it learned in the thirties; the Conservatives have caught up with the ideas of the thirties, but they have failed to distinguish the sound ideas from the illusions and to fit them into a wider political and economic philosophy. The political heritage of the Age of Conflict is a full range of unsolved questions, questions that the two parties have been united in avoiding. In the Elizabethan Age answers of some kind will have to be found, and while in some important respects the two parties will no doubt differ, in others their answers are likely to be similar enough.

The direct political question is the power of the modern state: how wide do the British people wish its activities to extend? The associated economic question is how to reconcile such state activity with the need for enterprise and initiative. The direct social question is how much equality of income and property do the British people want? The associated economic question is how to combine redistributive taxation with adequate incentives to high productivity and to saving. The direct economic question is how to secure full employment without continuous inflation. And all the answers have to be related to the needs of a trading nation whose position in the world economy has permanently shifted for the worse.

The way in which the British people settle these issues will determine, in the first place, the nature of the Elizabethan Age; it will determine whether or not this country can remain a first-class power. The difficulties are less than many that have been overcome before. If only they could be faced with the spirit that this people showed under their great queens of the past, hopefulness would be sobriety and optimism would be wisdom.

A Pause in Germany

SOMETHING much bigger than a crisis in Franco-German relations faces Mr Eden this week-end as he consults in London with Mr Acheson, M. Schuman and—perhaps—Dr Adenauer. There is a clear prospect of a complete breakdown of three-power policy towards Western Germany, with an end to all talk of German rearmament and integrated European defence. To put the matter briefly and bluntly, the occupying powers were proposing to give the Germans something just short of sovereign independence in return for a contribution of men and money to a European defence community and equal status with its other members. That was the policy Dr Adenauer defended without success before the Bundestag in heated debates at the end of last week. Now the Chancellor is empowered, indeed forced, to say that there will be no German defence contribution save on conditions that include the grant of complete sovereignty. The negotiations and the assumptions of many months have been shattered, and those who spoke on these matters this week in the French Assembly have been merely trampling in the wreckage left by the German party politicians. The warning symptom of the feelings that have been roused is the fact that M. Schuman, who has come to London for the King's funeral, may refuse to talk business with Dr Adenauer, who has also come to pay his respects.

There has been some demagogy and some dishonesty on both sides of the Rhine; but whatever might have been better said and done, the fact has now been established that a majority of Germans are against a policy of concessions to France and a majority of Frenchmen are against a policy of concessions to Germany. In such a situation the Americans and British cannot maintain the role of mere mediators. For it is they who have been pressing the reluctant French to accept limited German rearmament—on conditions; and it is they who have been pressing the reluctant Dr Adenauer to accept limited German sovereignty—on conditions. Now it is plain that they can accept neither the limits nor the conditions demanded of each party statesman by his parliament. A chain of events which British policy, at any rate, made no serious attempt to control, a series of linked explosions of political exasperation, have driven the French and German parliaments into diametrically opposed positions.

In the few days that are left before the Atlantic Council meets in Lisbon strenuous efforts will be made to pretend that the situation is difficult but not grave. They should be treated with scepticism. In France, as in Germany, a coalition government commanding only a small majority has been—or is being—manœuvred into virtual agreement with the Opposition. This is not to say that the idea of the European Defence Community is dead, that the effort for European integration stops, that the scaffolding of the Adenauer-Schuman policy has already collapsed. But it does mean that German rearmament and the removal of the Occupation Statute cannot, for the moment, go on; that firm foundations for the scaffolding have still to be prepared; that the attempt to achieve a quick revolution in Franco-German relationships has failed and must give way to a slower and more subtle process. It means, too, that both Mr Acheson and Mr Eden have to re-examine their German policies.

★

Mr Eden should ask himself, and Mr Acheson, two searching questions. Is it possible or desirable to go on with the policy of freeing and rearming the Germans? If not, what is the alternative? Clearly, if the policy is not possible, then there is no point in arguing about whether it is desirable; and the evidence now is that it is impossible. What is written elsewhere in this issue by an eye-witness of the Bundestag debates last weekend makes it clear that Dr Adenauer's apparent success was in fact a decisive defeat. To carry a motion in favour of helping in the defence of Western Europe, he had to accept conditions that every Frenchman will instantly reject and few Englishmen would accept. And those conditions were meant to satisfy, not the Opposition of the Left, but his partners of the Right. If that Opposition came into power tomorrow it would refuse to provide a German army even if the Republic were given complete sovereignty. Suppose, therefore, that Dr Adenauer went on with the present negotiations for a European defence community and treaty; suppose that he could take them the few steps further that were necessary before the present crisis occurred; suppose that he presented a treaty to the Bundestag for ratification—what would then happen? Either it would be such an emasculated version of the original Pleven Plan that the Bundestag would accept it by a comfortable majority—and the French Assembly would not. Or it would be a serious plan and barely scrape through the Bundestag against the opposition of three-quarters of the people of Western Germany. If recruiting then began in such a situation, what would be the morale of the German units in the European army? They would come from a country where few people have the courage to be anything but nationalist, and where a conscientious objector would be called a good patriot.

Here is one point for careful consideration this week-end: the majority of Germans do not want to rearm. There is the further point that a minority of Germans are ready to try to raise an army and to pay for it—on conditions. Are those conditions acceptable? Two of them are concerned with the Saar and the release of war criminals, and it is possible that there might be negotiation and compromise on these points. Another is concerned with the share of defence burdens that Germans should pay and their refusal to pay higher taxes. Here again there might be room for manœuvre. But the limit of bargaining is reached when it is proposed that Western Germany should be given complete sovereignty, which would include, for example, the right to revoke measures against trusts and cartels in the Ruhr and safeguards against the breakdown of parliamentary government. It is on these terms that the Bundestag authorised Dr Adenauer, by a majority of only 48 votes, to offer "a due share in defending European democracy and freedom and in securing the unification of Europe"; but it is not on these terms that Britain and France accepted the American proposal for German rearmament in September, 1950. They are plainly unacceptable.

If, then, the policy of arming and integrating Germans is not for the time being practicable, and if it could be made practicable only on conditions that are unacceptable, what is the alternative? Some voices in the United States may say that the Germans should be rearmed by simple arrangement between the Pentagon and Bonn; from a place at the bottom of the list for arms deliveries to America's allies, Western Germany would move to the top. Dollars would be frankly swapped for infantry. It is quite clear that the Germans would accept no such plan without the assurance of sovereignty, and if that assurance were given, the beginning of a new national army in Germany would be the end of all the plans for European integration that American policy has encouraged. In this direction no alternative lies. Where then does it lie?

★

It lies, perhaps, in doing nothing, in saying quietly but firmly to Dr Adenauer and M. Schuman that there will now be an interval in Allied policy, a pause for reflection—what Germans might call a "creative pause." The Occupation Statute would continue for the time being. Negotiations for a substitute would be taken at a more leisurely pace. The technical and political talks about the European Defence Community would be suspended. The Atlantic Council in Lisbon would quietly register the fact that there is no integrated European army in the offing, and would instruct its military advisers to reconsider their strategic advice in the light of that fact. It would not be the first time that they had examined the problem of defending Europe without German troops. In short, things would go on much as they did up till two or three months ago. Passions in France and Germany would have time to cool and, above all, it would have been made clear to the Germans that they are not indispensable. The only effective answer to the cry of "Count us out" is "We do count you out."

Obviously there are difficulties and dangers in such a policy. It would mean, for the time being, the frustration of Dr Adenauer's European policy; but has that not already come to a dead end? It would exasperate some sections of American opinion and expose Mr Acheson and General Eisenhower to charges of having misled their countrymen; but the speeches and voting of the Bundestag and the French Assembly have aroused that criticism anyhow. It would cause elation among those in Moscow who saw in it a sign of western weakness; but those who thought a stage further would see that an Atlantic alliance which can think of dispensing with German rearmament must be remarkably self-confident, and potentially very strong. It will, of course, be the duty and the inclination of the Foreign Ministers to

try to save all they can from the present confusion and deadlock. Neither American nor British policy could or should take sides in a deadlock for which the French, as well as the Germans, have a full share of responsibility. But it must be made clear to the nationalists both in France and Germany that there is an alternative policy if they persist in their mutually exasperating attitudes. In the short term it can be a policy of pausing for thought. In the long term it must be an Anglo-American policy to convince them that the Americans will not leave Europe and that the British will make a reality of the Atlantic community.

How to Grow More Food—II

The Price of Land

THE first article in this series argued that, contrary to general belief, there is ample scope for growing additional food without any increase in the average costs of production. Most farms have not yet reached the point of diminishing returns ; and most farmers would find it profitable, at the prices now prevailing, to expand their output. That they do not do so must be attributed to conditions which often make the financial reward not worth the effort and risk involved in getting it.

The object of agricultural policy should therefore be to spur farmers on to greater productive efforts. An effective system of incentives must operate in two ways ; it should increase the penalties for those farmers who fail to use their land to full effect and it should smooth the path of those farmers who try to improve their land and grow more. The two methods are equally necessary ; indeed, they are complementary. This article will consider the prods and pushes which might be applied to the farmer, while a subsequent article will consider ways of giving him positive assistance.

Rent is, in economic theory, the barometer of farming prosperity. If a farm is capable of growing more food economically, this fact ought to be reflected in the rent paid for it ; an economic rent would force the occupier who is not prepared to use his opportunities to make way for a farmer who is. Unfortunately, agricultural rents today quite fail to perform this function. Whereas farming profits (in money terms) have increased since 1938 by about 400 per cent, rents have gone up by a mere 25 per cent or so. In fact, farm rents have not yet climbed back to the level of 1872—despite the staggering change in the value of money since that date.

The main reason for this amazing stickiness of agricultural rents is the reluctance of landowners to raise the rent to a sitting tenant. This reluctance is deeply rooted in the best of rural traditions. When the farm changes hands the rent is raised, but even then by much less than would often be appropriate. Good relations with his tenants matter more to many a landlord than a higher income, much of which would be absorbed in tax. These habits add to rural tranquillity ; they could not in any event be changed quickly. But the fact should be recognised that they are inimical to the interests of food production. Low rents help many farmers to jog along in their accustomed grooves without responding to the changing needs and opportunities of British agriculture.

If landowners will not—for the best of reasons—raise rents to their economic level, is there any alternative device which would achieve the same effect ? The obvious answer is the introduction of an agricultural land tax. That would be highly unpopular ; it would be difficult both to devise and to administer. But before dismissing the idea out of hand, it would be well to ask some pertinent questions. Recent articles in *The Economist* have put the general case for levying a tax on scarce commodities in order to make people use them more efficiently. Should agricultural land be placed in the same category ? The farmers' unions, at least, seem to think that it should be. They fight the taking of land for housing and other purposes by stressing the vital importance of food production. But if agricultural land has become so precious, is it not essential to ensure that none of it is wasted by being farmed below its economic intensity ? This is not, it should be emphasised, a vague counsel of perfection. It means farming up to the intensity that is made profitable by the prices that farmers receive for their products. It means simply giving the consumer—and, under the present subsidy system, the taxpayer—value for money.

The county agricultural executive committees have, it is true, the power to place inefficient farmers under supervision and, as a last resort, to take steps to dispossess them. But in practice there are few dispossessions ; it is generally only the really bad farmers who attract the committees' attention. Even in these cases, the time and labour involved in the work of supervision was commented on unfavourably by the Ryan committee. The working of the agricultural committees is essentially democratic ; the arraigned farmer receives " trial by his peers " and may appeal to an independent tribunal whose decision is final. It would be unthinkable to use this machinery to turn out those farmers who are producing less than they reasonably could. The most that might be done would be to reintroduce compulsory cropping orders on the wartime scale, and even that would encounter strong opposition—from, among others, the members of committees who must administer the orders.

To dragoon farmers into growing more food through the use of compulsion is in any case a repugnant idea. There is no justification for singling out agriculture for such treatment. Indeed, even the present activities of the local agricultural committees deserve to be viewed with some distaste. By all standards, it would be preferable to rely on economic devices to get the food which the nation needs.

A land tax could not indeed be levied at a uniform rate per acre, for that would be impossibly unfair to the occupiers of inferior land. Nor should it be based on present rents, which are generally distorted as well as low. It would need to be related in some way to the natural advantages of each unit of land ; the official classification of soil fertility might serve as a basis for this purpose. But if a satisfactory basis could be found, a land tax would have the advantage over higher rents in that it would bring the need for more production home to the large number of owner occupiers.

The notion of a land tax is suggested not in a spirit of advocacy—for the difficulties are many and obvious—but as a way of showing the direction which agricultural policy must follow if it is to be effective. Somehow, farmers must be prodded into growing more food, but at present there is no effective penalty for those who fail to respond. The effect of the Agriculture Act is to give the ordinary run of farmers not less but more security of tenure. Landowners have lost their right to terminate a tenancy unless they can prove the tenant's " inefficiency " to the local agricultural committee and the agricultural land tribunal. This procedure is unlikely to be adopted or to be successful save in exceptional cases. The fact that some other occupier might farm the land more productively cannot be held against a sitting tenant so long as he is doing no worse than the bulk of his neighbours.

*

It is an exaggeration to say that the ordinary farmer is " feather-bedded "; but prices have been high enough since the war to enable him (except in one or two bad seasons) to make an adequate living out of a moderate turnover. Each rise in prices, while it offers bigger rewards to the efficient farmer, also makes it easier for the unambitious farmer to earn a living without changing his methods. The combination of low rents, high prices, and security of tenure makes it possible for many unenterprising farmers to grow less food than they might and should do. It also retards the flow of new entrants into agriculture who would substitute ideas and methods appropriate to the fifties for those of the thirties. Some agricultural scientists argue that the narrow horizons and outworn methods of many farmers are the main barriers to enlarged output. Certainly agriculture today is in need, as never before, of new men and enlarged ideas. Some farmers and landowners have responded to the challenge, but economic conditions throw a protecting shield around those who do not, while newcomers have difficulty in finding a farm at all.

Under the new order introduced by the Agriculture Act, compulsion cannot be wholly avoided. There must be some method of ensuring that indifferent tenants do not get greater protection than in prewar days. But the main emphasis should be on changing the economic climate under which farmers operate. The aim should be to ensure that only those farmers who make reasonably intensive use of their land get a satisfactory living. This should be the yardstick of rent policy and of any devices which can be thought out to compensate its inadequacies. It should also be the guiding idea behind price policy, and it carries the clear implication that prices should not be fixed so high as to smooth the path of the unproductive farmer.

This is not to say that no increase of prices should be conceded if costs rise. But the general logic of present conditions is that prices should be kept down and rents pushed up. Since, however, this policy would bear hardly on all farmers operating in conditions less favourable than the average, it must be supplemented by various forms of special assistance to those farmers who need it. What should be done in this direction will be considered in a final article.

Those who resist the attitude expressed in this article should take a good look at the alternatives. On the one hand, there is the degrading possibility of the widespread use of direct compulsion—which ministers threaten even if they do not mean it. On the other hand, there is the possibility of reinvoking the final expedient of nationalising the land, an old political dogma that could be revived to serve a new economic purpose. Land nationalisation would perhaps be the easiest way of establishing a differential system of rents which would force farmers to produce to the economic level or quit their holdings ; and it would save for the taxpayer, through the same device, part of the cost of the windfall profits that the more fortunate farmers at present accumulate. Its drawbacks would doubtless be greater than its advantages. The mere fact of its universal unpopularity in the countryside is reason enough for any democrat to dismiss the proposal. Nevertheless, the existence on the horizon of these two extreme expedients adds emphasis to the need for choosing milder measures and making them effective.

Voice of Britain

ON January 25th it was announced that the Chancellor of the Exchequer, the Foreign Secretary and the Secretary of State for Commonwealth Relations were shortly to explain Britain's problems and policies in a series of broadcasts over the BBC's external services. This week it has been revealed that those services are to be cut by six and a half hours a day, in order to save the sum of £140,000 a year. The arguments for such cuts are obvious at a time when the Government is forced to economise on all sides ; but the juxtaposition of the two announcements suggests that the three Ministers—who, despite the nominal authority of the Postmaster-General, have the closest interest in the BBC's foreign broadcasts—have as yet no very precise idea of the function and value of those broadcasts.

In this they are not alone. Before the average Englishman can gauge the usefulness of broadcasting to other countries, he has to realise that his own easy-going approach to radio, which usually consists of moving his pointer round the medium wave dial between two or three stations, is by no means universal. The habit of tuning in to foreign stations is widespread not only in totalitarian countries but also in areas where local programmes and newspapers are gimcrack, dull or inhibited, or where enemy occupation during the war led listeners to seek news from abroad. The BBC, thanks to its unique services in wartime and to its reputation for objectivity, has benefited from this habit more than any of its rivals. Even the men who direct the now more powerful " Voice of America " have found that in many countries where their broadcasts are classed as propaganda the BBC is still regarded as the voice of truth.

This is not to suggest that the comparison between British and American foreign broadcasting is one of white and black. The BBC's reputation is based on its carefully edited news bulletins and the high quality of its comment ; but it does not hesitate to use ridicule or emotional appeal in its broadcasts to totalitarian countries. Its programmes for Soviet Germany, for example, include satirical features so bitingly destructive of Communist myths that they are widely appreciated as entertainment in Western Germany too. Again, the

"Voice of America" is sometimes criticised in the United States for not carrying political warfare to its logical extremes; and this criticism has led to the development over the past two years of Radio Free Europe, a system financed by voluntary American contributions and now broadcasting for thirty programme hours a day to the six satellite countries from transmitters in southern Germany. One of this network's specialities is the denunciation of individual Communists, whose names listeners are urged to note for future use; the use of this technique, and the irresponsible zeal with which some of Radio Free Europe's broadcasters carry out their declared function of kindling "an active spirit of liberation" in eastern Europe, are somewhat disquieting phenomena, which strengthen the case for maintaining the BBC's services to that area.

*

That case, however, rests principally on two other arguments. The first is that Soviet jamming, as an article in *The Economist* last week noted, has failed to prevent British broadcasts getting through. The second is the known existence of a large audience for London both in the satellite countries and in the Soviet Union itself. The size of this audience has been indicated not only by the statements of escaping Red Army men and other refugees, but also by the violent rebuttals of BBC reports that regularly appear in the newspapers and radio programmes of eastern Europe. From Czechoslovakia the evidence is precise and conclusive; for a few months before the Communist *putsch* of 1948 a poll taken by the Czechoslovak Government showed that twenty per cent of all listeners were getting better reception from the BBC than from any other foreign station, with Moscow a poor second. And an American research worker who spent ten months in the country after the *putsch* and interviewed 5,000 people found that one out of every two listeners tuned in to London daily, and three out of four weekly.

The BBC has wisely decided that broadcasts to eastern Europe, whatever else has to be cut, must go on as long as possible; for these broadcasts are now the only means of bringing truth and uncensored comment to the subjects of the Communist empire. On this side of the iron curtain, people are not entirely dependent on foreign broadcasts for objective information. Yet it is regrettable that British broadcasts to the free world, already drastically cut by previous reduction, should have to be reduced again. Understanding of British policies and sympathy for Britain's difficulties are not so widespread, even among near neighbours, that the intimate relationship that the BBC has established with so many of them can be endangered without real loss. No bond is more tenuous than that which links a listener with his accustomed station, and an audience once lost is not easily recovered. Even a slight alteration in schedules is liable to affect the number of listeners. Norway's outstanding loyalty to BBC programmes is in part due to the fact that for twelve years news in Norwegian has gone out from London at the same hour every evening. There is the additional factor of prestige: it is of little use to tell the German, Greek or Danish listener that his familiar programmes from London are being reduced precisely because Britain is devoting her resources to building up her military and economic strength. The broadcasts impinge on him far more directly than those things; and he cannot be blamed if he interprets the weakening of the voice of London as a sign of weakness in Britain itself.

These considerations have clearly influenced the BBC's decision to reduce its actual output as little as possible, and to effect the greater part of the saving which is now called for by deferring certain capital expenditure. But this can only be a short-term policy, and it may have economic disadvantages; for much of the new capital expenditure was meant to achieve an eventual lowering of running costs. The BBC itself is not to blame in the matter. Its hands are tied by the present unsatisfactory system under which the Treasury grant-in-aid, on which its external services depend, is arbitrarily determined every year. Such hand-to-mouth budgeting makes it impossible to draw up a long-term plan for foreign broadcasting based on an objective evaluation of the various tasks to be performed. It places the external services at the mercy not only of indiscriminate economies—which are usually inflicted in the form of a simple percentage cut, the most wasteful of all methods of saving—but also of intervention from outside. The plain fact is that the Russians, though their jamming is only partly effective in the east, are now forcing the BBC to reduce its services in the west. That is to say, if Soviet jamming is extended throughout eastern Europe, even more drastic cuts will have to be made in broadcasts to the free world if the BBC is to penetrate Soviet interference and at the same time keep within a static budget.

There is, moreover, a minimum level of effective operation below which the overseas activities of the BBC cannot fall except by ceasing to be a major force in world broadcasting. This fact alone would surely justify an early review of the whole function and responsibilities of external broadcasting by an outside body armed with enough authority to command the respectful attention of Parliament and the Ministers concerned. The recent Beveridge inquiry into the BBC scarcely concerned itself with the external services; indeed, no comprehensive survey of their work appears to have been made by a disinterested party. The BBC external services have been left, quite unfairly, to be sole advocates of their own cause before the public.

The tasks of foreign broadcasting must, however, change as the political situation changes; and no once-for-all examination could produce a set of recommendations which would be valid for all time. This is a matter that calls for continuous attention, just as, say, the Chiefs of Staff give continuous attention to changes in the cold war. The BBC's home services are already operating under the eyes of seven Governors and a host of specialist committees; and the external services, while they would not lend themselves to precisely similar treatment, might benefit greatly from the creation of a small permanent committee empowered to keep under review the whole field of broadcasting to the Commonwealth and other countries. At the very least, such a committee might help the external services to convince the Treasury and other departments that their work is of the highest importance to British foreign and defence policy. The weakening of this effort may be a heavy price to pay for relatively minor economies in expenditure. At all events, if the cuts in services are now quite inescapable—as unhappily they may be—they should be high on the list for restoration at the earliest moment.

NOTES OF THE WEEK

The Queen and the Commonwealth

Her Majesty's accession to the throne has been the occasion for registering some important developments which took place in King George VI's reign. In the proclamation of Queen Elizabeth II in London, two special phrases were used for the first time: "Queen of this Realm and of Her other Realms and Territories," and "Head of the Commonwealth." Gone was any reference to "Dominions beyond the Seas," and, of course, gone too was the title "Empress of India," which her great-great-grandmother assumed. And it was Mr Nehru, speaking on behalf of that new Republic of India—which has set the constitutionalists an intractable problem by its loyalty to the Commonwealth—who first adopted the other new usage when he said in his message of condolence "May I also welcome your Majesty as the new head of the Commonwealth."

Three patterns have emerged in the proclamations of certain other members of the Commonwealth. In Canada, where the use of the world "Dominion" is being gradually dropped, Her Majesty has been declared Queen of Canada, a kingdom in its own right. In Australia, where for the first time the accession proclamation was read ceremonially, the Queen was described as "supreme liege lady in and over the Commonwealth of Australia." In South Africa, the Governor-General's proclamation used the phrase "Queen, Defender of the Faith, Sovereign in and over the Union of South Africa." In spite of the strong republican sentiments of many South Africans, there was no reference, as there was by Mr Nehru and in London, to a title such as "Head of the Commonwealth."

Yet that is what her Majesty now is, and there is a case to be made for emphasising this as one of her formal titles. During the last reign there was a change in the real nature of the Commonwealth, from a group of states bound together by allegiance to the Crown in London to a body of which the Crown alone is the formal head. This implies, as Dr Malan claimed two years ago, the equal right of every member, not Britain alone, to decide on the admission of new members. And it also implies that Queen Elizabeth is equally at home in all her Realms. It may be that by the end of her reign it will be normal practice for Her Majesty to reside at various times in each of her Realms and from time to time to open their parliaments. There is much to be said for encouraging it.

* * *

A Home for Nato

When the North Atlantic Council meets in Lisbon, it will have to decide not only how but where it is going to lay its head. For two years arguments have gone on about what sort of organisation Nato should be, what it could do and how it should organise itself to do it. For two years, also, it has been trying to decide on a permanent home, having temporarily settled in London. Where is that home to be?

Those unfamiliar with the intricacies of this complicated organisation may ask what there is in an address. What sort of collective effort is it that boggles at deciding whether it shall concentrate itself in Paris or in London? The answer is that where Nato is based has a major bearing on what Nato is to become. The British have always believed that the civilian headquarters of the Atlantic community should stay in London. Others have argued against London with varying intensity and for a variety of reasons. They have argued, first, that since the military headquarters of Nato are and must remain in France, the civilian headquarters must be there too. Then, the nucleus of an economic general staff for Nato already exists in Paris in the Organisation for European Economic Co-operation. Thirdly it is hinted that Paris is gay and comfortable, and that the French are lavish with the privileges accorded to resident organisations. London is dull and the British have been slightly stingy.

Most of these arguments are misconceived. If Nato is to grow and flourish in the future, it must resist the temptation to become a purely military body. To put the English Channel between Shape and the civilian centre of Nato is to help preserve the balance between military strategy and politico-economic co-operation on which Nato must rest—and the communications are excellent. Again, if Nato is to succeed and create the Atlantic community, it must realise its inherently Atlantic characteristics, which are missing in the OEEC. This is a body for European co-operation which must go on. Nato is a body in which North America and Europe must develop their mutual interests and resolve their conflicts. Versailles is the centre of Nato's army; Paris is the centre of Europe's attempt to make itself strong; London is the obvious centre of Nato's attempt to combine the moral and material resources of North America with the moral and material resources of Europe. The balance might yet be tilted by Europeans in favour of London if the British offered Nato a worthy meeting place—say on the South Bank—and stopped suggesting that their relationship to the Americans is in some sense exclusive.

* * *

Chequered Scene in Egypt

Amr Pasha, Egypt's Ambassador to Britain, who is at present based on Cairo as King Farouk's personal adviser on foreign affairs, is now in London and has had one long and "useful" talk with Mr Eden. Any assumption that this is the easy prelude to negotiations would be quite out of place. Success in any Anglo-Egyptian negotiations depends on two basic conditions. One is greater flexibility on the part of the British negotiators than they have shown in the past; the other, equally important, is some measure of harmony between the views of the parties inside Egypt. There are not yet signs that this exists.

By comparison with the strident last days of the Wafd the atmosphere in Cairo is serene; but it could be judged so by no other standard. Aly Maher, the Prime Minister, has failed to form the all-party national front committee for which he had hoped; the Wafd will not join it. He is by temperament a negotiator, not a dictator, and has stated that he intends to work through and with parliament. Yet in parliament there is a big Wafd majority, which has told him that it will support him, but not "blindly." Meanwhile, there is increasing evidence of some Wafd connivance at the outset of the riots on Black Saturday. Some of its leaders seem to have thought, erroneously, that these would be purely anti-British. Therefore Aly Maher is in the unhappy position of having to request the appearance before the public prosecutor of certain leaders of a party on whose support he depends in parliament. Neither of the other major parties, the Saadists and the Liberals, is represented in his cabinet, and his political position is not strong. Only on the strength of winning resounding concessions from Britain can he go on holding it for long.

Outside Parliament a clash threatens between the high command of the army and the Wafd, each of which is charging the other with failure to act in time to stop destruction of the heart of Cairo. On the grounds that polemics between Egyptians benefit nobody, Aly Maher has temporarily muffled the clash by confiscating the newspaper in which the Wafd made its charges, and by ordering the army not to publish its reply. Both cases are being turned over to the Public

Prosecutor. If the legal findings go against the one, it is difficult to see how Aly Maher can go on governing except in complete dependence upon the other. Even such a skilled navigator will find it difficult to steer between these two obstacles. For satisfactory negotiations with Britain, complete dependence on the Wafd would be a black prospect.

* * *

A Tight Programme

The loss of a fortnight from the Government's timetable will put a heavy load on Parliament in the next weeks and months. The timetable at this time of the year is built round three pillars of the state: the Budget (on March 4th), the Finance Bill, and the supply debates, for which twenty-six days must be allotted before August 5th. Supply in fact overflows this measure, for the committee stage (unlike the report stage) of the service estimates does not fall within the "allotted days."

A study of the prospects up to the end of next month alone shows how much hard work lies before the House of Commons. If private members are allowed to keep their Fridays—and the last thing that Mr Crookshank said on this subject confirmed to them the use of next Friday at least—and if the Budget debate takes up five days, as it did last year, there will be fifteen days between now and the end of March for which no business had been announced. Some of these days will no doubt be taken up with supply, but there are already seven Government Bills waiting to start or make progress through the House of Commons. Three of them, which have had no more than a first reading yet, may take a good deal of time in committee: the National Health Service Bill, the Town Development Bill (which Mr Macmillan must certainly regard as playing a major part in the housing programme), and the Licensing in New Towns Bill. The rest are smaller measures: the Agriculture (Fertiliser) Bill and the Export Guarantees Bill both of which are up for second reading next week, the Empire Settlement Bill and the Currency and Bank Note Bill.

Before long the Finance Bill will descend upon the House, and perhaps more quickly than Mr Gaitskell's Bill did last year. Then Budget day was April 11th, the second reading of the Finance Bill was on May 8th, and the committee stage began on June 5th. Mr Butler may feel compelled by the economic situation to work more speedily this year. This is the assessment of the work ahead without taking into account the Bills to denationalise iron and steel and to widen the powers of the Monopolies Commission, neither of which has yet been presented to Parliament.

* * *

No Pointers

Polling was light at all three by-elections last week; at Leeds (South-east) the percentage of electors who voted was reduced by as much as 29 per cent compared with the general election last October. In these circumstances the number of votes cast for each party and the size of the majorities tend to be even more misleading than usual. Changes in the percentage of the poll obtained by each party are therefore shown in the accompanying table, but even from this the one safe conclusion to be drawn is that the Liberals definitely lost favour, relatively to the other parties, at Southport, which used to be one of their better constituencies. On the other hand, at Bournemouth (East and Christchurch) the Liberals almost held their own.

At Bournemouth, also, the Conservatives did well; their share of the votes cast for the two main parties increased very slightly. In the other two contests they lost a little ground compared with Labour, but not enough to be significant when the poll was so sharply reduced. This evidence, such as it is, suggests that the Government has not yet forfeited much, if any, support since October; the alleged bribes of red meat and the rest were probably never taken seriously by many marginal voters, and the country's introduction to a Tory austerity is therefore not the electoral blow to the Government that Labour likes to believe. But there will have to be more by-elections, and in more marginal constituencies, before either side can draw confident conclusions.

PER CENT OF POLL

	Cons.	Lab.	Lib.	Ind.
Southport :—				
1951	60·2	24·8	15·0	...
1952	62·0	28·5	9·5	...
Change	+ 1·8	+ 3·7	− 5·5	...
Bournemouth :—				
1951	63·3	25·1	11·6	...
1952	61·8	23·4	10·1	4·7
Change	− 1·5	− 1·7	− 1·5	+ 4·7
Leeds, S.E. :—				
1951	39·5	60·5	...	...
1952	36·8	63·2	...	...
Change	− 2·7	+ 2·7	...	...

* * *

Training in Drilling

The second reading in the House of Lords of the Dentists Bill, which took place on February 5th, gave ample warning of the opposition it is going to meet in its passage through Parliament. The opposition is provoked by the clause obliging the new General Dental Council to arrange for the training and employment of a number of special dental ancillaries whose work will include filling and pulling out teeth. The British Dental Association is, not unnaturally, objecting to this apparent dilution of dentists, and its objections were reflected in the House of Lords debate. Lord Woolton, in fact, when opening the debate, announced in advance that, because of the doubts expressed to him privately about the proposal, consultations will take place before the committee stage of the Bill.

The proposal for these specially trained dental workers is based on New Zealand's service of school dental nurses, which is now thirty years old. Two reports, one to the World Health Organisation and another by a dental mission from this country, have spoken favourably of this scheme, and it is in the light of them that first the Labour Government and now the Conservative Government have decided to experiment with a similar scheme here because of the serious shortage of dentists in the school dental service.

It is true that there have also been criticisms of the New Zealand scheme. These were summarised in an article in the *British Dental Journal* of January 1st, which attempted to prove that if the New Zealand Government had concentrated on expanding the training facilities for dentists instead of starting the training school for dental nurses, there would have been less wastage and better treatment. For the layman, however, disagreement on the value of the New Zealand scheme is beside the point. What is certain is that the expansion of the dental profession necessary to ensure an adequate service for adults and children simply could not be carried out for many years—at least not without seriously lowering the quality of the training or the standard of dental students. Everyone would prefer that there should be enough trained dentists for all purposes. But since this ideal cannot be fulfilled, the second best alternative is surely not to let children's teeth rot, as is happening at present, but to have them treated by specially trained persons working only in public clinics and only under the supervision of a qualified dentist. Such persons would not undermine the standard and prestige of the profession nearly so much as would an influx of poor dentists.

The Persian Elections

Persia's elections, which began a month ago, cannot end before the end of March, but it is already plain that Dr Mossadegh's party will win them easily. He has secured all 22 of the seats for which a result has been declared (one of them after a recount where the first count had gone the other way). In Teheran, which is one of the few areas in which most voters understand what is at stake, and which returned his party in strength last time, nine out of twelve seats have gone to active members of his National Front party and the other three to supporters. Elections in nine constituencies have been postponed owing to disturbances in which over fifty people have been killed, but the most serious of these provincial commotions was a personal contest between rivals who were unconcerned with national issues. In countries where the count can always be influenced by pressure, the party already in the saddle is at an advantage; but even without these extraneous aids Dr Mossadegh would win. So few Persians have as yet been rendered any poorer than they were before by his planless economic policy, that he is still, for most people, the national hero.

Will success render him more or less ready to listen to foreign plans for the sale of Persia's oil? With most statesmen, a guess could be hazarded. A new and firm mandate from an electorate can endow a prime minister with the strength to be flexible; knowledge that a term in office is assured is likely to create a desire for financial stability. But with a man of Dr Mossadegh's limited mind, no predictions are possible. At the moment he is reinforced in his belief that Persian oil is vital to the western world by the arrival of a weighty mission from the World Bank. Negotiating with him is an operation at cross purposes so long as he starts from this assumption; whereas the purpose of the westerners who want to help him is less to get his oil than to save Persia from the bankruptcy and muddle that suits no one but the Soviet Union.

* * *

Omission by Moscow

In *The Economist* of November 17th an appraisal of average Soviet living standards was attempted and a broad comparison made with the levels prevailing in this country, the United States and France. The purpose was not to jeer at Soviet deficiencies, but to refute irresponsible talk about starvation and declining standards in the West and luxury and rising standards in the East. It was argued that such comparisons with the old industrialised states, provoked by Soviet claims, are unfair to the USSR, which only recently emerged from a semi-feudal stage, concentrated all its forces on the development of heavy industry and in addition was ravaged by two wars and a civil war.

Lack of statistical data makes the appraisal of Soviet living standards difficult; it requires much guesswork and introduces a wide margin of error. An appeal was therefore made to Soviet economists, who should have the necessary information, to correct these estimates or offer alternative calculations. The first answer comes after three months interval, in this month's issue of *News*, the Soviet English-language monthly, which devotes four pages to an article by A. Vikentyev on "*The Economist's* Omission." The article is polemical but not vituperative. It is, therefore, the more unfortunate that it fails to provide additional or alternative data on Soviet levels of consumption.

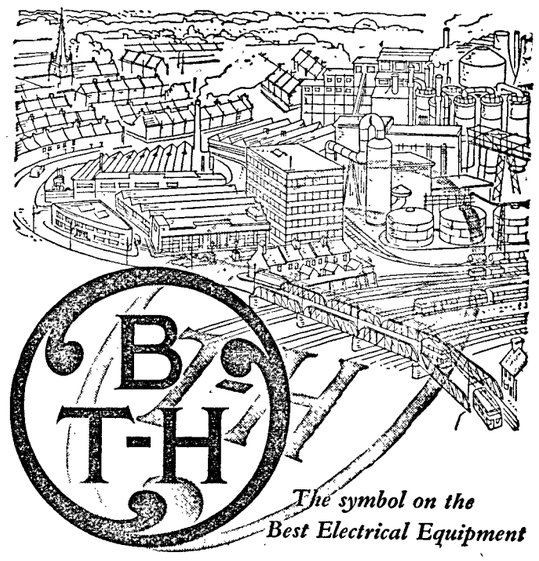
The main weaknesses of *The Economist's* article, according to Mr. Vikentyev, were the failure to show trends, i.e. the relative rise in Soviet standards; the inclusion of too few items in the comparison of consumption per head; and the underestimation of social services. The remarkable postwar improvement in Soviet consumption was in fact mentioned: but it was pointed out—as the author of this article does not—that it was a rise from appallingly low wartime levels not comparable with western standards. In the original table of consumption per head wool and cotton fabrics, shoes, butter and vegetable fats were included. Estimates could be added of sugar, soap and meat consumption, in which the Soviet figures vary from ¼ to ½ of the American and British levels. The best answer from the Russians would be to supply actual data on these and other commodities.

It is not maintained that comparisons per head are the ideal method. The Russians used to quote the total wage fund, from which average money wages could be worked out. Then, by deducting taxes and adding on the benefits of social services real average wages could be calculated. It was then possible to compare the results with the prevailing prices and draw conclusions on the worker's purchasing power. These figures are no longer given, and Mr Vikentyev only rehashes the official "percentage increases in real wages," which are meaningless without details of the method of computation.

*

If the Russians admitted that their living standards lag behind those of the west and stressed the odds against which they have had to struggle their case would be strong. This, however, would go against the Stalinist dogma of Soviet superiority, though there may be what amounts to a tacit admission in the reluctance of Mr Vikentyev and other Soviet economists to question the estimates published in *The Economist*. As long as no better ones are put forward, they must be considered as rough but fairly accurate approximations.

The points raised in *News* will be dealt with when a final balance sheet of the discussion on this topic can be drawn up. It still rests with Soviet economists to give—either directly or in their own journals—the only possible answer: detailed facts and figures on Soviet wages, prices and consumption levels. "Facts," said Lenin, "are stubborn." That is perhaps the cause of Mr Vikentyev's reticence.



The symbol on the Best Electrical Equipment

Industry in all its branches is well served by BTH electrical equipment—be it a motor driving a machine-tool or a turbo-alternator providing power for the whole plant. Over a period exceeding fifty-four years BTH has gained an enviable reputation for the quality of its products, which include:—Generators; motors; rheostatic and electronic control gear; turbine plant, including gas turbines; switchgear; transformers; rectifiers; high-precision helical gearing; 16mm and 35mm sound-film projectors; a wide range of electronic devices; ignition equipment; resistance, high-frequency, and induction heating; Mazda lamps and lighting equipment.

THE BRITISH THOMSON-HOUSTON COMPANY LIMITED, RUGBY, ENGLAND

Member of the AEI group of companies

Voices Off

Two events this week make one wonder whether British counsels have the effect they should have on those who frame the United States' foreign policy. On Monday Mr John Foster Dulles is reported to have said, during a broadcast, that America must not rest while any country remains under Communist rule. Mr Dulles apparently wants the United States to harass Communist China by all possible means, including the use of the Nationalist forces in Formosa. The night before his broadcast, Admiral Kirk, whose resignation from the post of American ambassador in Moscow was announced only last week, accepted the chairmanship of the American Committee for the Liberation of the Peoples of Russia. This is an unofficial organisation which helps Russian refugees to wage propaganda campaigns against the Soviet Government.

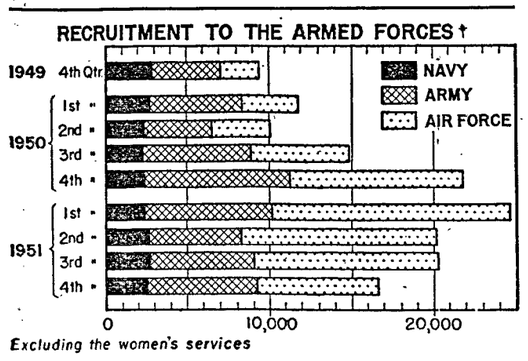
Admiral Kirk's action is ill-advised. He will associate American official policy with an organisation that is responsible to none but its own patrons. Even Soviet ambassadors, however active they may be in clandestine propaganda, do not publicise the fact, and take pains to be strictly "correct" in matters of diplomatic etiquette. Mr Dulles's statements were even more unfortunate, coming as they did from a man still in an official relationship to Mr Truman's government, and who might occupy a high position in a Republican administration. They will gravely embarrass the Prime Minister when the interrupted foreign affairs debate is resumed, and provide the Opposition with better ammunition than it had last week. If Mr Dulles was misreported, or if he was led to use thees words in the heat of wireless debate, it is important that a speedy correction should be issued.

* * *

Manpower for the Forces

It is not at first sight encouraging that as rearmament gets into its stride recruitment to the armed forces should fall. The higher rates of pay introduced after the outbreak of war in Korea were very effective in stimulating recruitment, which reached a peak in the first quarter of 1951; but since then there has been a fall, which became most marked in the fourth quarter of 1951.

The exception to this trend is the army. The possibility of serving three years with the colours and four in the reserve has proved an attractive alternative to national service; the pay is higher, there are greater opportunities of being taught a trade, and the first eighteen months of training can bear



Excluding the women's services

fruit in the form of promotion. The navy does not offer short service, on the theory that naval training takes several years and that it would therefore be wasteful to allow men to leave the service after three years or so. Although naval recruitment fell in the last quarter of 1951, this is not necessarily serious. The navy recruits to a programme, which was somewhat lower in the last quarter of 1951 than in earlier quarters; and on the whole the programme is proceeding fairly satisfactorily. The RAF, too, is not overanxious about recruitment. There was a sharp fall in the final quarter of 1951, but this was principally due to the fact that the trades most popular with applicants were full. The present strength of the RAF, at roughly 261,600, is above the estimate made last March of 250,000 for the year.

On closer inspection, therefore, it does not seem that the services are yet losing ground to industry in competing for manpower. The effect of a rising cost of living is little felt, at least by the single serviceman, for living expenses are largely met. But the relative attractions of the services as compared with industry certainly become less with every rise in wages, and new pay increases may soon be needed if the armed forces are to continue holding their own.

* * *

Cut!

A case can always be made out for exempting each individual victim of general retrenchment. The protests against the disbanding of the Crown Film Unit perhaps carry more weight than most, but they still need careful scrutiny. The flimsiest arguments are those based on its artistic achievements. It has indeed set a high standard in documentary film making; but while the state may sometimes legitimately be a patron of the arts, it should not be producing art for art's sake. The proper test of the wisdom of closing down the unit concerns its effectiveness as a means of information.

Crown films had a more obvious value in wartime than they have today. Sober reporting of subjects like British road transport seems pointless compared with morale-raising epics of the war like "Target for Tonight." Since the war some useful films have been made—some valuable in a general way, like the series for vocational guidance sponsored by the Ministry of Labour, and some having a particular purpose such as recruiting for civil defence. Many Crown films have been "dubbed" for showing in the Commonwealth and a few have been made expressly for overseas audiences. But the Unit has also made some films for which it is hard to see the need.

The Crown Film Unit, in fact, made too many films, partly to justify the heavy overheads. These include expensive studios at Beaconsfield which were quite unnecessary—documentary films are made almost entirely on location, and when studio space is needed it can be hired. Another overhead was administrative costs at the Central Office of Information, the intermediary between the sponsors and the film unit.

It will no doubt be cheaper to have an occasional film made by a private company—for presumably the Government will not altogether abandon this medium of propaganda—than to keep the Crown Film Unit in being; and that, in present circumstances, is enough to justify the step. But has the Government considered whether it might not salvage the best of the Crown Film Unit while still making a very substantial economy, by keeping in being a small nucleus, stripped of the heavy overheads? A drastic pruning was certainly needed, but it might have been better to make more drastic cuts in other parts of the information services—or even in the considerable support given to the private film industry.

* * *

Investment by Deficit

The sterling crisis and its possible consequences for the Irish Republic has helped to revive the long drawn-out debate on the principles and practice of Irish investment policy. The statistical basis of the discussion is, as usual, inadequate. Official returns put the gross total available for domestic investment at £48 million in 1949 and £59 million in 1950,

while the figure for 1951 is thought to have risen to about £70 million. National income was estimated at £352 million in 1949 and £363 million in 1950. It is clear that the increase in investment is largely the fruit of higher prices.

The sources of the resources available for investment are hard to distinguish. Personal savings are put at £17 million in 1949 and at £7 million in 1950, while it seems certain that there was net dissaving in 1951. Foreign disinvestment ran at £10 million in 1949 and £30 million in 1950, and is put at approaching £70 million in 1951. The best that can be said about these figures is that they are possibly not so bad in reality as they look. There is no firm figure for personal savings; and in a country of farmers and family businesses it is possible that the amount of saving is greater than the usual indications would suggest. Stock-piling played some part, though its extent is open to much debate. But the broad conclusion is inescapable; investment at home has been financed mainly by disinvestment abroad.

The type of investment leaves much to be desired. Imports of productive capital goods averaged £18 million in the three years 1949-51. "Social" building—of houses, hospitals, schools and so on—seems to have accounted for rather more than one-third of the total investment in each year. The amount going to agriculture has so far been comparatively small, though it is here that the need is certainly greatest. The Irish Central Bank has justifiably commented that an unduly high proportion of investment has been in directions from which no help to the balance of payments will be forthcoming. The bias of investment has been towards urban rather than rural needs, towards social rather than economic purposes, and towards long-term rather than short-term returns. Balance might have been restored by the progress of the Land Rehabilitation Project, which now seems to have been affected by the change of government. Whatever might have been said in justification of this bias in the conditions of 1949 or early 1950, investment should now surely be directed towards helping the Irish Republic to pay its way in overseas trade. Unfortunately the Land Rehabilitation Project, which might, as it progressed, have restored some balance to the investment programme, seems to have been slowed down since the change of government.

* * *

Less Rice for Asians

The shortage of available food for the rice-consuming regions of Asia becomes more and more serious as the population increases without any corresponding increase of rice production or export surpluses. India, Japan, Ceylon and Malaya are all affected as importers; China is approximately self-sufficient, and Indonesia and the Philippines nearly so. Of the three countries which were formerly the main suppliers of the international trade in rice—Burma, Indo-China and Siam—the first two have never recovered from the effects of war and civil war sufficiently to regain prewar levels of production and export. Only Siam, which has so far led a kind of charmed life amid the catastrophes of South East Asia, has increased its output. Thus it has acquired a unique importance for Asia's precarious food supply, and the Siamese Government's decision to cut by nearly half the quantity of rice exported last year could have serious consequences.

Siam has concluded an agreement with British South East Asian territories for 295,000 tons to be supplied by the middle of September; the British originally requested 470,000 tons. The Siamese state that they will not export this year more than a total of 800,000 tons as compared with 1,500,000 tons last year and 1,700,000 which trade circles estimate will be available this year. The question arises: why does Siam wish to withhold such a large quantity of rice from the international market? The official explanation is that stocks are being conserved because of the tense international situation, and this explanation may be the true one. The possibility of a collapse in Indo-China is taken very seriously in Bangkok, and if the Siamese had to defend themselves against aggression, the existence of a large food reserve would be a great asset for national resistance.

There are, however, other possible reasons. One is that the Siamese Government may believe that by holding stocks off the market they may create such a scarcity that they will be able to get famine prices. It is only fair to say that Siam has not hitherto shown any signs of a disposition to exploit its economic position so brutally. The other, and perhaps the most likely, explanation is that the balance of the rice surplus will in fact be exported, but through private channels. The Siamese rice trade was formerly in the hands of expert Chinese merchants who would probably get higher prices than can the Siamese Government. Siam probably does not wish openly to abandon inter-government dealing, which is favoured by both Britain and India; but, by letting part of the trade flow back into private channels, it may hope both to get more foreign exchange and also to conciliate the Chinese merchant class, at present a matter of great political importance.

* * *

Criticism from Malaya

General Sir Gerald Templer, who arrived in Malaya at the end of last week as High Commissioner, has already run into strong criticism of Mr Lyttelton's appointment of Mr Donald McGillivray as his Deputy. This official has been seconded from Jamaica for duty in Malaya to relieve the High Commissioner of detailed administrative work. Although this has happened in the normal course of Colonial Office postings, the move has been called by a leading Malay a "slap in the face for Malaya," and it is widely resented among civil servants there. These reactions are an unfortunate reflection of the bitter disillusionment in which the

UBS
UNION BANK OF SWITZERLAND
Union de Banques Suisses
Schweizerische Bankgesellschaft
Head Office: ZURICH, Bahnhofstrasse 45,
Over 30 branches throughout Switzerland.
The Foreign Department of the bank welcomes business inquiries on banking and financial problems in Switzerland.

Capital, fully paid	...	Swiss Francs	80,000,000
Reserves	...	Swiss Francs	52,000,000
Total Assets	...	Swiss Francs	1,822,720,420

Telegrams and cables: BANKUNION

country not unnaturally finds itself, as a result of the downward trend in the struggle to bring the emergency under control. And while General Templer has, of course, to secure from officials the co-operation vitally necessary to his task, he would be wrong to accept too much of the criticism and advice that will be offered to him on the spot.

It is true that there has been a procession of newcomers and "outsiders" moving through the Malayan administration, many of them with experiences in Palestine which were not always helpful. They have not all been a success in Malaya, though Sir Henry Gurney was an outstanding exception. But several facts have to be recognised. One is that there is no evidence to prove that, if those with long experience of the country had been left to deal with the emergency, they would have handled it any better than it has in fact been handled. They failed, for instance, to read the warning signs beforehand as clearly as they were read in Singapore. Another fact is that the struggle in Malaya is not just a domestic concern. It is part of a world-wide Communist offensive, success against which is of profound concern to the Commonwealth and to the rest of the free world.

General Templer can certainly afford no mistakes. Apart from giving to his own administration the kind of leadership its members will respect, he has to get on terms with several different racial communities which lack responsible leaders with any real following. There is a danger of Malaya becoming another Burma. The new High Commissioner can save the situation only with a determined, brisk and many-sided policy. He must get the co-operation of the Chinese by showing them he can win. He must restore the efficiency of the administration, by stopping incessant departmental expansion and cutting out dead wood. He must infuse new energy into the housing, educational and hospital programmes, and press on with the elections. And he must win a personal position for himself through contacts with individuals and groups.

* * *

"Not Very Fond of Spain"?

Mr Stanton Griffis, the former American ambassador in Madrid, certainly did his best to bounce Washington into an agreement with Spain. To his great disappointment, however, he has not been able to clinch the deal; he had worked hard on it during his time in Madrid, which lasted rather more than a year and ended a fortnight ago. Instead, President Truman recently let it be known that he "never had been very fond of Spain" and to this General Franco replied with a Note of protest at the end of last week. In Madrid itself there has been bewilderment at the fresh evidence of American hesitation and, by way of reaction, a distinctly more favourable attitude to Britain than for many months past.

In spite of these minor fireworks and the protracted negotiations a new American-Spanish agreement is likely before very long. This would take the form of a bilateral defence pact outside, but worked in conjunction with, American commitments under the North Atlantic Treaty. If the decision were left to Washington alone, the Americans would possibly end by having Spain in Nato; although General Eisenhower, like President Truman, has lately expressed his lack of sympathy with the nature of the Franco government. But as things are, the Americans are fully aware of the many reasons why the admission of Spain remains politically impossible.

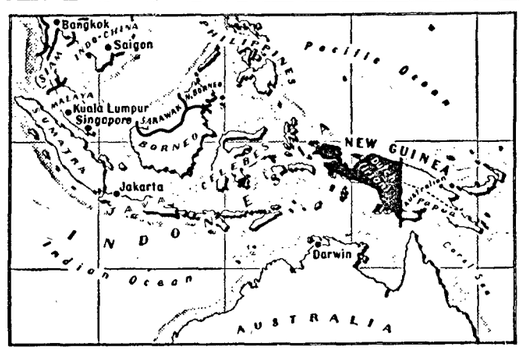
The basis of a deal between Washington and Madrid would be the supply of American economic aid—largely, if not exclusively, directed to military ends—in return for special rights for American forces in naval and air bases. Two American missions have already reported during the past few months on the economic and military possibilities; and Congress has put down stake money as an earnest of good intentions by writing $100 million for Spain into the Mutual Assistance Act.

If the Americans are satisfied that an arrangement with Spain offers sufficient strategic advantages to outweigh its political drawbacks, other members of Nato can hardly oppose them. Portugal, about to play host in Lisbon to the Atlantic Council, will actively welcome this alternative to having its neighbour and ally as a full member. American association with Spain in this form does not prejudice the democratic ideals and practices of Nato. Even the idea that the Spaniards have a military contribution to make to Western Europe's defence does not conjure up, as it used to, the alarming belief that American strategists expect to hold nothing more than a last ditch defence line on the Pyrenees. The progress of General Eisenhower's command is rapidly making these fears out of date.

* * *

New Guinea—Boon or Burden?

Those who believe that any international problem can be judged in terms of black and white would do well to look at the case of western New Guinea, which has now been in dispute between Holland and Indonesia for the last two years. Although this remote and under-developed area would be even more of a liability to the Indonesians than it is now to the Dutch, neither government is in a position to modify its claims now that the issue has become one of prestige. Whichever was first to give way would almost certainly be overthrown and replaced by a less reasonable group, with serious consequences not only for their own



countries but also for the free world as a whole. A parliamentary crisis in Holland would deal a new blow to the cause of European integration; and in Jakarta the fall of Dr Sukiman and his moderate colleagues would open the door wide for ultra-nationalist or Communist influences.

Little has so far emerged from the latest negotiations in The Hague; and the fact that the Dutch now enjoy the express support of Australia, while Indonesia's case is being increasingly favoured in the United States, amounts to no more than a scoring of debating points. Meanwhile the inflammatory propaganda in Indonesia for the "liberation" of Irian—as the disputed territory is now termed—is helping to perpetuate disorder; and the Indonesian government has been forced by nationalist pressures to resort to such threats as the liquidation of the union with Holland and the expropriation of Dutch interests. Relations between the two countries can never become really harmonious while the New Guinea dispute drags on. But it must not be forgotten that a great deal of cordial co-operation between Dutchmen and Indonesians is continuing in spite of the dispute; and, since no practicable solution appears to be in sight, it would seem that both nations must resign themselves to agreeing to differ for the time being.

SEGARD & Cº

Wool Merchants

TOURCOING AUSTRALIA NEW ZEALAND
SOUTH AFRICA ARGENTINA URUGUAY
PUNTA-ARENAS

The Unseen Man who performs for you a valuable service...

The range of textile merchandise in the shops is the direct result of the Wholesale Textile Distributor who enables retailers to offer such a broad selection. By so doing he—the 'Unseen Man'—performs a valuable service both for you and for the public as a whole.

DISTRIBUTION FOR THE NATION IS CARRIED OUT BY MEMBERS OF THE WHOLESALE TEXTILE ASSOCIATION

THE WHOLESALE TEXTILE ASSOCIATION, 75 CANNON STREET, LONDON, E.C.4

GERMAN INDUSTRIES FAIR 1952

HANNOVER

THE LIGHT INDUSTRIES FAIR
27TH FEBRUARY - 2ND MARCH

THE HEAVY INDUSTRIES FAIR
27TH APRIL - 6TH MAY

*

For further information apply to:
SCHENKERS LIMITED
27 CHANCERY LANE, LONDON, W.C.2 - TEL.: HOLBORN 5595/5

IMPROVED RATES
FOR
CAPITAL ANNUITIES

Write for leaflet on Capital Annuities

ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY
20, LINCOLN'S INN FIELDS, LONDON, W.C.2

Gleneagles
HOTEL *Perthshire*

Britain's Distinguished Resort for Fashionable Recreation
attracts its clientele from all over the world

OPEN EASTER TO OCTOBER

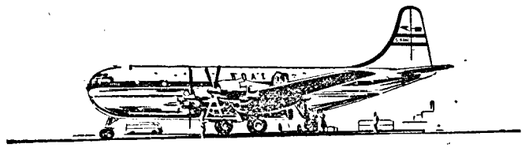
Turnberry HOTEL
AYRSHIRE

Scotland's famous seaside resort. The full 18 holes of the famous Ailsa Golf Course now in play.

Nearest railway station—Girvan. Hotel cars meet trains.

Enquiries for accommodation will receive the personal attention of the Resident Managers

HOTELS EXECUTIVE · LONDON N.W.1



ONLY B.O.A.C. OFFERS

First & Tourist Class Services

FROM LONDON TO NEW YORK AND MONTREAL!

Fly First Class from London across the Atlantic in double-decked *Stratocruiser* luxury. Complimentary meals and meal-time drinks. Attentive night-long service. Nominal extra charge for foam-soft private berth. 7 flights weekly to New York (3 direct by de luxe Monarch service). 3 flights weekly to Montreal.

TOURIST CLASS SERVICES START 1ST MAY *

Fly Tourist Class at substantially lower fares. London to New York or Montreal by 4-engined *Constellation* airliners. Frequent flights. Complimentary light refreshments; nominal charge for meals. Steward service.

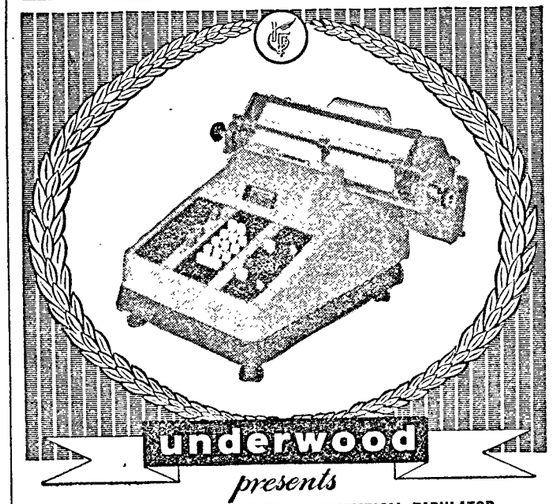
**Subject to Government approval.*

Consult your Travel Agent or B.O.A.C., Airways Terminal, Victoria, S.W.1 (VICtoria 2323) or 75 Regent Street, W.1 (MAYfair 6611).

B.O.A.C. TAKES GOOD CARE OF YOU

FLY BRITISH BY B·O·A·C

BRITISH OVERSEAS AIRWAYS CORPORATION



THE UNDERWOOD SUNDSTRAND STATISTICAL TABULATOR

The new Underwood Sundstrand Statistical Tabulator is one of the revolutionary products now becoming available from our Brighton Factory.

It is designed to meet the requirements of all sections of Commercial, Industrial and Administrative Undertakings by enabling comprehensive analysis work, statistical reports and summaries to be compiled, in detail, rapidly and accurately with automatic Group and Grand Totals.

UNDERWOOD • ELLIOTT FISHER • SUNDSTRAND

See this and other new Underwood Elliott Fisher Sundstrand machines on Stand No. 37, Business Efficiency Exhibition, Birmingham.

UNDERWOOD ELLIOTT FISHER LTD., 4-12 New Oxford Street, London, WC1
Tel. CHA 0131 *Factories: Brighton, Sussex* *Sales and Service Everywhere*

Unticketed Cornporter

From time to time the courts throw a sharp light on the current scene, all the more valuable when it comes from an unexpected angle. Such a case is that of Abbott *v.* Sullivan, which came before the Court of Appeal a few weeks ago. Mr Abbott was a foreman cornporter in the Port of London, one of the group of two hundred men who have by custom the exclusive right to handle grain overside from the ships using the port. He was also a member of the group's executive committee. In September, 1947, the committee imposed a cash fine on Mr Abbott. Immediately after that committee meeting, in the street outside, Mr Abbott assaulted the trade union organiser who acted as convener for the meeting. The assaulted man at once called another meeting of the committee, which decided to remove Mr Abbott's name from the register of cornporters ; thereafter, Mr Abbott could no longer work at his trade in the Port of London.

The majority of the Court of Appeal has now held that the committee acted beyond its powers in removing Mr Abbott's name from the register, but that, since there was no basis of contract between Mr Abbott and the committee, or the group, their action did not give rise to any claim for damages, and the Court had no power to put him back on the register. Lord Justice Denning dissented from the decision. His argument was that, just as a member of a company or a proprietary club has an implied contract that the governing body will not expel him except in accordance with the rules, so each member of a group such as the cornporters of London has an implied contract that his executive committee will not expel him unjustifiably. But Lord Justice Denning did not carry his colleagues with him in this attempt to keep the common law in step with changing social conditions.

The decision has a wider aspect. It illustrates again the power which unions have come to have over their members. There must now be many millions of men whose jobs depend more on holding a union ticket (or the right union ticket) than on any skill or experience they possess. There may be hundreds of men who have been thrown out not only of their jobs but also of their trades on grounds which a court of law would not support. Evidence of the need for an inquiry into trade union rights and duties by something like a Royal Commission is continually mounting. The Labour Government found time for Parliament to overhaul the tribunal which removes the names of doctors from their register. It is a pity that it did not tell the trade unions that they would be strengthened, not weakened, by a public overhaul of their machinery.

* * *

Hospital Volunteers

There has already been plenty of evidence of the survival of the voluntary principle in the welfare state, and much talk about how it can be used to best advantage. The report* written for the National Council of Social Service and King Edward's Hospital Fund not only shows, with the help of quotations from John Stuart Mill, how important it is that the principle should survive ; it also discusses in detail the application of the principle to the nationalised hospital service.

Hospitals have always been noted for the depth of local loyalty they inspire and the amount of voluntary service they bring forth, and it was feared that both would be destroyed by nationalisation. The report shows that this has not happened. The many voluntary societies that work inside the hospitals and on their fringe are constantly finding their scope increasing and are still in need of both funds and volunteers. It is true that, as the report points out, not all voluntary service is efficient or undertaken for the right motives. Overlapping can lead to waste and imitation, and to some people voluntary service is merely a means of enhancing their own importance and giving them personal power. But to recognise this is not to deny that the wish to do true voluntary service should have its outlet.

Perhaps the most striking example of the perpetuation of the voluntary principle in the new hospital service lies in its organisation and administration. Both regional authorities and hospital authorities have their paid staffs of administrators. But they themselves, on whom statutory responsibilities have been laid, are composed of men and women who give their services voluntarily. As the report puts it, the freehold of the hospitals is vested in Parliament, and the leasehold is entrusted to volunteers. The result is an experiment in partnership between the state and voluntary service which is of great importance. But the report expresses some fears that the experiment is not working out as it should. Regional boards cannot be expected to have loyalties to their regions. They therefore lack the cohesive force of the governing bodies of the former voluntary hospitals or municipal hospitals, and at the same time their independence, which might have provided cohesion, has been steadily undermined by a Ministry anxious to curb hospital costs. All roads lead to Rome ; it is not therefore, surprising to find the report coming to the conclusion that more financial autonomy, through a block grant system, is the way to preserve the independence and liveliness of mind that ought to characterise the voluntary side of the hospital partnership.

* Voluntary Service and the State. George Barber & Son. 2s. 6d.

Progress and Reform

It has often been remarked by intelligent foreigners who have examined our constitution, that the franchise upon which the representation of the people is based, excludes from its exercise very large numbers of persons who, according to its theory, should be entrusted with the exercise of that privilege. In almost every other country than England, whatever has been the test of the right of voting . . . it has been so contrived that every person answering the description of that test, has had a voice in the election of some one member of the legislative body. But in England, where it has been recognised that a £10 occupation in a town should give a right of voting, hundreds of thousands of persons, in some counties even amounting to a majority of the whole, answering that description, have been entirely excluded from the franchise. Again, in country districts it is notorious that while thousands of persons possess the right of voting in virtue of a *forty-shilling* freehold, who have no interest in the county beyond that, and no residence in the neighbourhood, large numbers of the most intelligent resident persons . . . are excluded from any participation in the choice of those who represent them in Parliament. Again, if it be admitted, as we believe it will be by all classes of politicians, that a Government based upon a representative system is only the safer and firmer by embracing within it the greatest number of persons and classes that can with safety be included, we think it will not be denied that the great change in the condition of the masses of the people, both morally and intellectually, which has taken place during the last twenty years, will fully justify the Legislature to embrace, as its constituents, an extensive class, with regard to whom there may have been grounds for apprehension in 1832. Moreover, our experience at home, and our observation of what has occurred abroad, has deeply impressed all parties in this country that the true conservative policy is to persevere in that course of patient progress and steady reform by which our institutions have gradually acquired that security and solidity of which Englishmen now so justly boast.

The Economist
February 14, 1852

Letters to the Editor

Mr Churchill and China

Sir,—The article in your issue of February 9th unrealistically overlooks the fundamental factor responsible for the tortuously long drawn out truce negotiations in Korea and the bitter antipathy which has grown up between the new China on the one hand and the United States and ourselves on the other. It is a mutual mistrust and suspicion, genuine and deep-rooted, and instead of all-out attempts being made to remove it, or at least to alleviate it, provocative actions and pronouncements on both sides have been best calculated to increase it.

You ask specifically whether soothing or minatory noises should be heard from us? I would have thought that recent events, not only in the Far East, would have taught us that minatory noises in themselves, far from leading to a solution of disputes between nations, merely exacerbate them. Moreover, even if, for argument's sake, it be conceded that it is necessary to inform China in advance of the penalties of breaking a truce agreement, in the name of objectivity, surely such warnings should have been accompanied by incentives for good behaviour?

Incongruous to relate, however, while attempting to convince China's rulers of our good faith at Panmunjom in the hope that this would lead to a similar demonstration on their part, American and British statesmen have, in effect, publicly questioned the integrity of the Peking Government. Such statements have inevitably been interpreted as a gratuitous insult to the people of China. Worse still, they have been seized upon as further evidence to support the sense of injustice at the hands of the western powers under which the Peking Government has been labouring since its inauguration—a feeling that has gone a long way to inspire the present aggressive policies, which I in no way seek to justify.

Only when agreement has been reached in Korea, and China is no longer able to parade itself before the peoples of Asia as being unjustly treated by the United Nations or by individual major western powers, shall we, the freedom-loving nations, begin to win the full confidence and abiding good will of those who live in that part of the world.—Yours faithfully,

London, W.2 GERALD SAMSON

The Price of Labour

Sir,—In the article in your issue of February 2nd you discuss a tax on labour as a possible inducement to the employer to dismiss redundant workers. This system has its disadvantages, as you point out, and in view of the labour shortage the incentive to the employer is unlikely to be sufficient.

A more logical approach would seem to be to offer the incentive to the worker, who will find less difficulty in finding alternative employment than would his employer in finding replacement labour. Further, if the worker can be induced to move of his own free will the question of dismissal does not arise.

The approach I suggest is that industry, in its widest sense, should be graded into two or three categories according to their value to the nation. In assessing income-tax liability the "earned income" allowance would vary according to the nature of the employment. Work in "luxury" occupations would carry no relief for earned income while the present allowance would remain untouched in the majority of cases. A special incentive could be applied for particular items, such as coal mining, by raising the earned income allowance from one-fifth to one-half, but preferably leaving the upper limit of allowance at its present level of £400.—Yours faithfully, C. I. RUTHERFORD

Potters Bar

*

Sir,—With reference to your article on a payroll tax, may I suggest that a scheme could be started by which any dismissed employee could apply to be retrained for some more essential job. The firm which would train him would, of course, only pay him part of his wage during his training; the rest would be paid by the Government out of the money collected by the payroll tax. In this way a large number of people could be switched to essential jobs without loss of pay during training and without cost to the Exchequer.

As a long term policy also the tax could have great value, as it would be a very strong weapon against unemployment. The moment unemployment threatens, the Government would simply remove the tax. This would lower all firms' wage bills and so halt dismissals without reducing the general purchasing power of the public; it might in fact lower prices in addition. As soon as full employment is again secure the tax could be reimposed to act as a safety valve at the next emergency. Finally, if the Government wants to influence industrial policy in favour of, say, co-partnership, piece rates, or anything else it can do so very simply by applying the tax in differential rates.—Yours faithfully, E. R. REIFENBERG

Trinity College, Cambridge

*

Sir,—Why call your excellent suggestion a payroll tax? Could not the same result be obtained by increasing the employers' contribution to the national insurance stamps by 5s. or 10s. per week? In administration this would cost no extra, and politically it could be represented as the employers' contribution towards the solvency of the social services.—Yours faithfully,

W. E. HAMILTON

Ceylon and Britain

Sir,—Mr Pakeman is undoubtedly expressing the traditional angle of a good British "diplomat." The younger generation of Ceylonese want practical results, not mere platitudes. Perhaps Mr Pakeman and the European associations could provide us with the answers to a few questions which may shed some light on the policies of British companies in Ceylon. How many European and Ceylonese executive officers employed by British mercantile interests were there on Independence Day? How many of each today? How many of these European executives speak Sinhalese or Tamil fluently? But perhaps more important, as a measure of deliberate British policy to overcome the ruling race complex, is this question: how many mercantile Europeans could say that they have a single Ceylonese friend whom they have invited to their homes to dinner?—Yours faithfully,

London, W.8 AGAMSIRI DE SOYSA

Colonial Development

Sir,—Britain is pledged to develop the colonies to the full with the object of raising the standard of living of colonial peoples, and also in order to contribute to the solution of the world's deficiencies, to earn dollars and to assist the United Kingdom. Those of us who are responsible for the execution of that policy are doing our utmost, but development requires money and the translating of that money into real goods, mainly capital goods.

Because of the economic difficulties of the sterling area, a restriction has had to be imposed on all borrowings, including the raising of colonial loans. That presents us with the first difficulty, but even more serious is the problem of translating such funds as we have got, or can raise, into real goods. To develop the colonies the first requirement is transport facilities, but the capital goods required for that purpose are made of the raw materials, mainly steel, which are required for the rearmament programme; also the skilled workers required to manufacture those raw materials into transport equipment and other requirements for development are the very men required to make tanks and guns.

There are, therefore, very sound economic reasons why there must be some restrictions in the supply of both finance and capital goods to the colonies. Yet we are still encouraging the colonial peoples and private enterprise to think a full colonial development programme can be maintained and colonial development is out-running the basic requirements such as transport, water and power supplies.

Ought not British economists to examine the position and see, in the face of the demands for rearmament, what allotment of raw materials and manpower could be set aside for colonial development, and how that allotment could be controlled to secure the best economic result? Ought we not to tell the colonial peoples that if rearmament is to be secured in the next three years, some curtailment of colonial development is inevitable? Something of the sort is essential if we are to avoid serious difficulties in the colonies.—Yours faithfully, COLONIST

Kenya

Books and Publications

Liberalism in Revival

Le Néo-Libéralisme: Etude Positive et Critique. By Jacques Cros. *Librairie de Medicis, Paris.* 413 pages.

The title of Dr Cros's massive, ambitious and widely ranging book may prove misleading to his readers. It suggests an evaluation of that revival in liberal thought and particularly in liberal economics which has characterised, especially on the continent of Europe, the postwar years, and of which the Mont Paleria conferences appear, in English eyes, as the visible symbol. In fact, the foundations of "Le Néo-Libéralisme" appear to have been laid down in the nineteen-thirties, under the stimulus of the gathering to which Mr Walter Lippmann gave his name. Any report on the current content and fortunes of the liberal idea must necessarily be an interim report—the necessity is implicit, as Dr Cros himself makes clear, in the very nature of the essentially "open" liberal doctrine; this particular interim report, though it contains some references to postwar events and publications, is essentially dated 1938 and will consequently disappoint any reader anxious to be put squarely in the contemporary picture.

Given this warning, any sufficiently determined student of political and economic ideas should find it richly rewarding. Dr Cros has erected an impressive edifice—the architectural simile is particularly apposite to a work at once so shapely, so logically balanced, and so overpoweringly solid. Liberalism has declined because, false to its own soul, it has itself become dogmatic; in revival, it hesitates between reliance on a first principle and criterion, that of the free market, and reliance on method and attitude alone. Elaborating these initial distinctions, Dr Cros is led to analyse, and subsequently synthesise, all the forms of collectivism; to sum up the debate on the economic calculus; and to trace the development of political ideas relating to individualism from the Middle Ages to the present day—a feat of compression which results in an almost unassimilable sequence of epigrams.

Studying in more detail the different strands of thought to be distinguished in the neo-liberal revival, he discloses a degree of conflict to which it is hard to see any harmonious resolution; a conflict, in fact, corresponding rather to the difference subsisting between serious Conservative and Liberal thought in this country than to any mere difference of emphasis among doctrinally united thinkers. Between the essentially conservative "Civitas Humana" of Röpke, whose spiritual kinsman is Burke, and the essentially liberal "Open City" of Walter Lippmann, there is in common one great positive belief—belief in the primacy of the individual—and one great negative or defensive aim—to counter the totalitarian pressure on men's minds. Both alike are, in face of the mechanistic and collectivist threat, liberal by contrast; but the opposition between them is real. Dr Cros sees a possibility of synthesis in an increasingly realistic economic theory, made possible by the contribution of Keynes, and in a recognition of the relative, incomplete and necessarily "open" nature of political thought. Such a synthesis would have nothing in common with a simple reaction towards an idealised nineteenth-century competitive order.

By its breadth of vision, its closely wrought intellectual texture, its historical perspective, and its power of relating widely divergent ideas, "Le Néo-Libéralisme" takes rank as a work not to be missed by the serious student of contemporary thought. Even the most conscientious, however, may well wish that Dr Cros had taken to heart that saying of Pascal—one of the few philosophers whom he does not cite—to the effect that so-and-so "has written a long book because he had not the leisure to write a short one."

Fantasia on the Police

The Blind Eye of History. By Charles Reith. *Faber and Faber.* 257 pages. 18s.

Mr Reith has changed his publisher but not his thesis. In this, as in his earlier books, he argues that only by a police system as developed in nineteenth century England can law and order be maintained on acceptable terms. Mr Reith's tribute to and analysis of the functions and methods of the police in this country contain much that is just and sensible. He is undoubtedly right in holding that the problem of enforcing law should receive from historians and lawyers "the scholarly and unsensational treatment which it deserves." But in the present book Mr Reith, apparently goaded on by his sense of the importance and originality of his thesis, has inflated his claims and enlarged his subject matter.

"It is a strange fact," he tells us, "that the history of the British police has been almost entirely ignored by historians"; but there is no lack of strange facts and sensational treatment in his attempt to set historians right. His interpretation of history is a curious compound of the tenets of Marx and Carlyle, and his invocation of sinister moneyed interests and master minds enables him to take a short way with the Gordian knots of history. The growth of organised gangster crime, not only in America but also as developed by Fascists, Nazis and Communists, is attributed to the master mind of that overlooked figure, Jonathan Wild, the Professor Moriarty of eighteenth-century London. On the other hand, Wilkes, here endowed with a single genius which enabled him to exploit mob violence as a political weapon, was yet dependent on the City merchants who financed him. It is not, therefore, surprising to learn that Federal and State authorities in America have been "the victims and instruments of the capitalist and moneyed interests in the Union"; but behind these there stood another diabolical figure, Alexander Hamilton, who achieved the remarkable feat of deliberately creating the American moneyed class and establishing "a standard of financial immorality which was accepted as being a moral standard for more than a century." It is difficult to reconcile this with the statement that "the existing facts of the history of the United States all originate in the breakdown of the parish constable system," though this is in harmony with Mr Reith's determination to make the presence or absence of a true police force the sole causal factor in events so complex as the American Revolution, the passage of the Reform Bill and the American Civil War.

It is regrettable that Mr Reith, instead of completing his investigation of the history of the British police in the nineteenth century, should have spoilt his case by such an extreme exaggeration of the causal importance of a single factor and by making rash raids into historical territory ranging from the age of Hammurabi to Soviet Russia. And to attribute contemporary predicaments, as he does, solely to the clash between what he calls the Kin-Police and the Despotic Police systems shows that he is ready to generalise as rashly about the present as about the past.

Peacock *Redivivus*

Headlong Down the Years. By Amabel and Clough Williams-Ellis. *University Press of Liverpool.* 118 pages. 10s. 6d.

"This eloquent, absurd little tale," as Mr Richard Hughes describes it in his preface, is an eminently serious work. Its subject matter has been treated in ponderous tomes, blue books, white papers, learned articles, and repulsive official minutes; by economists, political theorists, philosophers, technical experts, divines and administrators. Writ large, that subject matter is the relation, physical and spiritual, of Man to Nature; writ small, it is the Snowdonia electrification scheme. On any scale, it has importance; but it has not as a rule been seen to offer opportunities for wit and literary virtuosity, nor a framework for polite comedy. Mr and Mrs Williams-Ellis, bringing two remote scions of the Headlong family back from

the Antipodes to the ancestral hall where Thomas Love Peacock installed their ancestors, makes them participants in a lively conversation piece wherein there figure such characters as Mr Galvanic (whose precise connection with the Electricity Authority it would be unfair to disclose), Professor Cosmic the astrophysicist, Lord Pythagoras the mathematician, Mr Margin the economist, Mr Cincinnatus the scientific smallholder, and, of course, the reigning Squire Headlong, who "appeared to owe his inclusion [in "Who's Who"] to his past or present activities as a designer of buildings."

The story begins with the two young Antipodeans—one a Perfectibilian, the other a Deteriorationist—conversing in the down train from Paddington; it ends with a double betrothal and the promise of a fireworks party. On the way it takes in such themes as racial relations in Africa, the impact of great painting, the rewards of political office, primitive culture patterns, and Feng Shui; and such incidents as the encounter of a helicopter with a swarm of bees and of Mr Galvanic with a Bard. It passes from philosophy to slapstick, from poetry to pun, with entrancing dexterity; it is as light as a soufflé and as polished as a cameo. Its underlying motive, however, is a passionate indignation against *Ansyberwyd* or "gross behaviour" in all its forms, and a corresponding conviction of the need for "a respect for nature, a respect for man as part of nature." Squire Headlong suggests to his impatient guest, inclined to brush aside the threat to Snowdonia as a trifle, that he try to "see this Hydro-Electrics business as a sort of geographical section of good manners."

Conceiving that good manners begin at home, and that these enjoin on writers the duty of entertaining rather than boring their public, Mr and Mrs Williams-Ellis have produced a book which can be read at one greedy sitting, with quiet chuckles and sharp yelps of joy, by unregenerate citizens who do not give a fig for Snowdonia. It will be surprising, however, if their readers are still indifferent to Snowdonia when they finally put the book down.

Life Among the Basuto

The Basuto. By Hugh Ashton. *Oxford University Press.* 355 pages. 35s.

The Basuto gained brief notoriety in 1948 because of a series of brutal murders carried out in secret by some of their leading chiefs for the sake of obtaining parts of human bodies to make "medicine." Experienced officials, though powerless to prevent the murders, recognised them as symptoms of the economic deterioration, the political insecurity and the decay of moral standards characteristic of native life throughout Southern Africa. Mr Ashton's book gives the background to this sombre state of affairs. Compared with many recent historical and anthropological books about Africa, it is flat in tone and covers too wide a range of topics. But Mr Ashton has a very thorough knowledge of the Basuto, based on long residence among them and careful study of all the existing historical material. He is accurate, honest and impartial without disguising the affection and admiration he feels for the Basuto.

The Basuto now number over half a million. Eighty years ago they were placed under the reluctant protection of the British by Moshesh, the military and political genius who made a nation of them. Mr Ashton's aim is to describe Basuto life as it is today after eighty years of British rule, economic intercourse with the Union and missionary activity. His framework is the fast disappearing traditional way of life. He first describes the general body of native custom as seen in the life history of the individual from birth to old age and death. A thorough discussion of the economy follows. Then comes a carefully balanced account, packed with detail, of the political and judicial organisation; and a final chapter explains the persistent addiction of the majority of the Basuto to those magical beliefs that underlie such outrages as the ritual murders. Overcrowded among their mountains, indifferent farmers and poor pastoralists, the Basuto could not maintain themselves without large scale labour migration to the Union; but this merely increases the instability of a social life no longer protected by traditional sanctions. Belief in Hell fire and rudimentary literacy are no substitutes for the former right of a subject to desert a bad chief. Mr Ashton conveys an overwhelming impression of the major problem of the country, the huge gap between the wealth of the covetous aristocracy of chiefs, whose powers now have the backing of the colonial government, and the poverty and political helplessness of the mass of the people. He makes no judgment and offers no advice; but it is clear that no measures of democratisation can succeed in such a land without the abolition of hereditary chieftainship.

The reader will put this book down with a feeling of despondency. It gives a picture of a likable, intelligent and vigorous race whose economic and political future is at the mercy of forces they cannot control and do not understand and whose moral bearings have been partly destroyed by the education and religion which they themselves regard as the best things they have gained from white civilisation.

Washington Observer

America the Sun is High. By Robert Waithman. *Heinemann.* 264 pages. 16s.

One hopes that this quiet, perceptive, and at bottom affectionate book about the United States may be widely read on both sides of the Atlantic. Because it is quiet, it may not be; because it is perceptive, its effect may outrun its readership; because it is affectionate, it can only make a net addition to amity. Except for three years, Mr Waithman has been looking at Americans since 1937, as the correspondent of the *News Chronicle*, and there is no evidence that he has ever permitted clichés to distort his observations.

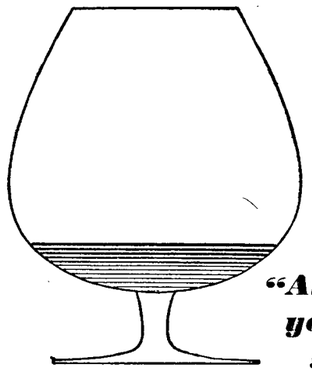
The contents of the book are varied: some parts show moods; others are descriptive; some are conventional feature articles; others are more detailed studies of the morals, political procedures, and intellectual habits of American life. These include a rather lengthy section on politics, which is probably the most valuable part of Mr Waithman's book because it takes up several practices Americans are more or less openly ashamed of and shows them to be almost virtues. In his defence of the spoils system in American politics, he argues that, because reward for competitive endeavour is an essential and distinguishing quality of life in the United States, American politics could not, and should not be expected to, exist without it, and might be much worse if what seems superficially to be only the crassest form of incentive were removed.

In his chapters on the conventions, in which the major parties choose their candidates for the Presidency, Mr Waithman offers much readable information and an equal amount of enlightened judgment. His thesis is that the Republicans and the Democrats cannot really be at odds on fundamentals because within themselves they have first of all to reconcile the most divergent interests a complex nation can generate.

> So long as each party holds its umbrella over comparable numbers of similar Americans with similar ideas, there can be no big Party of the Left and no big Party of the Right: there can be only two Middle-of-the-Road Parties.

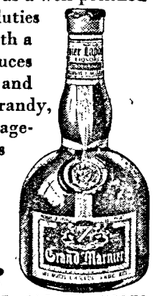
From that, he proceeds to argue that if there were no need to achieve a united front in the nominating convention of each major party, "the chances are that there would have arisen in America a spate of splinter parties." This argument can be challenged by the academician, but it is supported by certain facts: the loud outcry of frustrated Republicans against the me-tooism of Mr Dewey's campaign, after the unexpected defeat of 1948; the circumstance that for as far back as 1936, at least, the Republican party, being out of power, has always nominated a candidate somewhat to the Left of its real centre of gravity; and the apparent truth that, in 1952, the party would prefer to nominate General Eisenhower, as more middle-of-the-road, although Senator Taft's more expert grasp of the party machinery may frustrate that desire.

Mr Waithman is precise in examining the reasons why the country has for the most part supported Mr Truman, even when the political experts in Washington could show innumerable reasons why the President must be losing popular favour. He conducts a good defence of Mr Acheson. He comes closest to being devastating (but actually is only being fair and helpful) in an essay on the American talent for the Educated Defiance of Facts, a phrase he credits to Sir Norman Angell. There are other examples to show that Mr Waithman has done more than observe; he has also studied what he has seen.



"And with your coffee, sir. . . ?"

To the expert diner the answer is as clear as a well-polished glass. When a good meal ends, the special duties of Grand Marnier begin. In close alliance with a cup of black coffee, this famous liqueur induces an altogether old-fashioned sense of luxury and well-being. Made exclusively with Cognac brandy, matured for years in cellars hewn from the age-old rocks of the Charente, Grand Marnier is a tradition in itself. Uphold it—in your favourite glass.



Grand Marnier

FRANCE'S FINEST LIQUEUR

SOLE DISTRIBUTORS: L. ROSE & CO. LTD., ST. ALBANS, HERTS

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD

64-67 TOTTENHAM COURT ROAD · LONDON, W.1

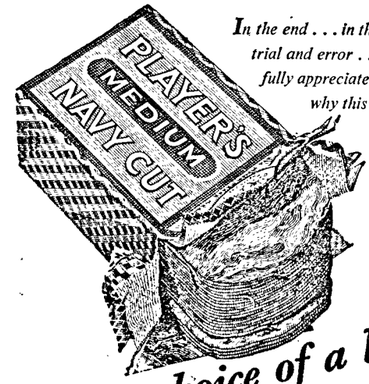
TEL: MUSEUM 7777

7.30 for 8.0

THIS IS THE HALF-HOUR when the day ends and the evening begins. It is a time for adjustment—for changing gear, as it were. The hustle and bustle of a business day give place to the more leisured, measured pace of evening. One becomes pleasurably aware of the good fellowship about one, the excellent dinner not far off, the fine wine and the impeccable attention . . . On most evenings at the Connaught Rooms, these are the feelings of as many as 2,500 people. For, at the Connaught Rooms, no fewer than twenty of the most sumptuous banqueting halls are gathered together under one roof. In this, London has an amenity without equal anywhere on earth.

CONNAUGHT ROOMS
are Banqueting Rooms

In the end . . . in the natural process of trial and error . . . you will find and fully appreciate all the good reasons why this tobacco is called . . .



The choice of a lifetime

PLAYER'S MEDIUM NAVY CUT TOBACCO

[NCT 720]

The sails of Henry Dobell's new mill were still snowy white when the news of Waterloo came to Cranbrook. Since then Zeppelins and flying bombs have come and gone. But the wooden mill's own battle with driving rain, winter gales and blistering summer sun goes on. For 139 years Cranbrook Mill has fought with the best weapons . . . From 1814 to 1952 the whole structure has always been painted with white lead in linseed oil.

WHITE LEAD PAINT LASTS

ASSOCIATED LEAD
MANUFACTURERS LIMITED

ASSOCIATED LEAD PRODUCTS

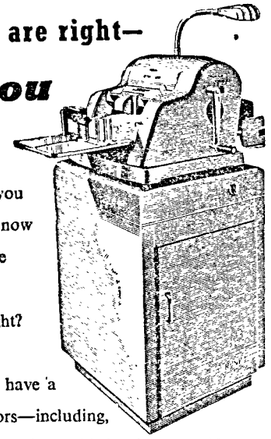
SPECIALISTS IN THE MANUFACTURE OF LEAD PIGMENTS AND LEAD PAINTS

NEWMAN NEAME

The economics of advertising are analysed in 'Advertising Expenditure in 1948' by Rodney Silverman. Containing: comparison of pre-war and post-war expenditure; analysis of post-war trend of expenditure and of the contribution of advertising to business revenue; comparison of expenditure in this and other countries. Foreword by Sir Miles Thomas. To be published on 22nd February for The Advertising Association by Newman Neame Ltd, 21s. net. Distributed by James Barrie Publishers Ltd., 3-4 Clement's Inn, W.C.2

You may think you are right—

but have you proved it?



If your business uses duplicating, you are probably convinced that you know which duplicator will give you the best service — but have you *proved* that your conviction is right? Roneo believe that the only way to arrive at a true answer is to have a comparative test of all duplicators—including, of course, Roneo '500.' We know that a side by side test will prove beyond doubt the great advantages of Roneo '500.'

● Considerable saving in running costs. ● Really automatic inking, giving continuously even work without stopping to re-ink. ● Interleaving, with blotting or other paper to prevent smudging, is unnecessary. ● No proofing. The very first copy is usable. ● 16,000 copies from a lb. of ink ● Quick clean colour change in 25 seconds. ● Better standard of work with greater speed.

Write for booklet "Let's take a back seat", which gives users' reports on Roneo '500' that may help you to economise.

RONEO "500" SERIES II — TWO MODELS: FOOLSCAP AND THE WIDE POLICY (PRINTS ON PAPER 18" × 14")

RONEO LTD : 17 SOUTHAMPTON ROW : LONDON : W.C.1

Telephone: HOLborn 7622. Branches throughout the country. TBW134

AMERICAN SURVEY

Presidential Question-marks

Washington, D.C.

SENATOR TAFT is the only one of the three favourites for the Presidency who leaves nobody in any doubt about his intentions. Whether President Truman is working towards the Democratic nomination, and whether General Eisenhower can get the Republican nomination without working for it, are questions to which no final answers have yet been returned. The uncertainty on the electoral heights, meanwhile, is encouraging a brisk activity in the foothills. Lesser figures are now moving, openly or furtively, to the higher ground where the lightning might strike if by some chance it should miss the peaks.

On the Democratic side, Senator Kefauver of Tennessee has climbed to a bold eminence from which, having announced himself without equivocation to be a candidate for the Presidential nomination, he has made one or two observations mildly critical of Mr Truman and his Administration. This has caused gritting of teeth within the White House and has led some gratified observers, who had been rather impatiently waiting for fireworks, to conclude that a determination to "Stop Kefauver" explained the sudden decision of the President to allow his name to remain on the ballot in next month's New Hampshire primary contest. Democratic voters in that state will thus be able to show whom they prefer as their candidate. The evidence, however, is that while Mr Truman certainly cannot have overlooked the fact that the brash young Senator from Tennessee was also entered in this primary, the President was mainly concerned not to undermine the influence of the Democratic party organisation in New Hampshire, as he might if he adhered to his original decision to withdraw his name.

"Sorry, Bud — I'm A Reporter Myself"

Herblock in the *Washington Post*

Senator Kefauver's national fame dates only from his appearance on some millions of television screens last year as chairman of the Senate Crime Investigating Committee. One of the mounting number of public opinion polls which Dr Gallup and his competitors have lately taken has shown that 59 per cent of the voters now know who Senator Kefauver is (a very respectable proportion) and that, of this segment, 47 per cent hold a favourable opinion of him. But some of the powerful bosses of big city Democratic machines are among the dissenting 12 per cent. The Kefauver committee's revelations of who was mixed up in what rackets is considered by them to have contributed to the defeat of many machine candidates in the 1950 elections. Mr Kefauver is much too liberal, moreover, for many of his fellow Southern Democrats. With the President now on the ballot in New Hampshire, Mr Kefauver's prospects of making a favourable show there are felt to be cloudy.

Senator McMahon of Connecticut, whose chairmanship of the Atomic Energy Committee has invested him with a modest reputation for statesmanship, has withdrawn from the race for the Democratic nomination with protestations of loyalty to Mr. Truman; but Senator Kerr of Oklahoma, who hesitated at first, has now, it is reported, secured the President's blessing for his entry as a candidate in the Nebraska presidental preference primary.

The record of Governor Stevenson of Illinois, first as a government official and a United Nations delegate, then as a surprising vote-getter, then as a calm, liberal minded and successful governor of a difficult state, is also being talked about with a good deal of warmth since the governor's visit to Blair House for a political discussion with Mr Truman. The belief that the President is considering him for the post of heir apparent is quite widely held. For his part Mr Stevenson is lying low for the time being.

On the Republican side Mr Harold Stassen, who has long wanted, but has repeatedly fallen short of, the Presidential nomination, seems now to have made up his mind that General Eisenhower, to whom he almost but not quite committed himself, is likely to be lost overboard. Mr Stassen's conclusion appears to be that, if the General cannot or will not divest himself of his uniform and return to the United States to campaign like any other candidate, he will not get the nomination. So the hustling Mr Stassen has announced his own intention of entering nine state primaries, and has begun to lay about him with speeches on such diverse subjects as the need for an American return to the gold standard and the sins of the British Labour Party.

Governor Warren of California, whose chances in the event of an Eisenhower-Taft impasse at the Republican National Convention are often rated highly, had appeared to be proceeding at half-speed until this week, when he flew across the country to speak up for himself in New England. General MacArthur, though he had ordered his followers to halt or

withdraw, saying he was not a candidate for public office, seems to have been looking the other way long enough to enable the Republican delegates pledged to him to enter the New Hampshire primary at the eleventh hour. General MacArthur's supporters do not consider it unlikely that events in the Far East between now and July, when the conventions will be held in Chicago, will show that he has been right all the time, so that a new wave of public enthusiasm for him may rise to engulf all lesser men.

That possibility apart, however, the less favoured candidates know their road is barred unless, on the Democratic side, Mr Truman decides not to run and unless, on the Republican side, there is a draw between General Eisenhower and Senator Taft, which forces the convention to turn to a compromise candidate.

★

There does not seem to be much doubt that, for the moment, the Taft forces, by virtue of an early start, a fanatical devotion to their cause and a relentless application to duty on the part of the candidate himself, have established a considerable technical lead over the Eisenhower forces. The Senator's supporters talk in concrete terms of convention votes already sewn up. According to a recent count by the Associated Press, Senator Taft has been promised in twelve states a total of 312 votes—just over half the number that will be needed to secure the nomination—while only 210 votes in six states have been promised to General Eisenhower.

In the Eisenhower camp the reply is that this is going to count for nothing when it dawns on the Republicans that what they need is not a candidate who can collect votes within his own party (which is, in truth, numerically smaller than is the Democratic party) but one who can collect votes from Democrats and independents—one who, in short, can win the election. Both Taft and Eisenhower supporters are now anxiously aware of the importance to them of the outcome of the Republican balloting in New Hampshire. If General Eisenhower overwhelms Senator Taft, the theory that he is the candidate to deliver the victory will be the more firmly established. But if Senator Taft succeeds or loses only narrowly, the "Taft-can't-win" theory will be in serious jeopardy and, failing an active campaign by the General himself, the Eisenhower boom might fade away into an echo.

And Mr Truman? There are many people in Washington who think that up to last autumn he intended not to run again. They think he believed that General Eisenhower could be persuaded to run as the Democratic candidate—in which case he could expect to be elected over Senator Taft. But General Eisenhower declared himself to be a Republican, and the plan (if such it was) collapsed. Whether, after this disappointment, the President will decide to run again is something nobody knows—apparently not even Mr Truman himself. Representative Sabath of Illinois, after a talk with the President, told reporters that Mr Truman felt that conditions might develop in which another Democratic candidate would do just as well, but that he himself would run if it seemed necessary—"would sacrifice his health, shorten his life and run again"—if he believed that to do so would "help to bring about peace and benefit the nation."

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Education—Higher and Wider

[FROM A CORRESPONDENT IN NEW YORK]

In New York, at least, Americans can now wander in the academic grove from pre-school age to the grave. Columbia University has put its School of General Studies, where adults can learn in their off-hours, on the same level as that of other colleges within the Columbia fold, in which over 27,000 students are collected. With Columbia College for young men and Barnard College for young women, it becomes the third of Columbia's undergraduate schools. Studying in the new school is admitted to be a part-time occupation; students whose ages range from twenty to eighty are offered a great variety of subjects, but they need not finish their courses in four years nor aim at a degree, although they will be encouraged to do so. They must, however, take their studies seriously and attend classes at the university regularly; this is not a scheme for correspondence or extension courses. The Dean, Mr Louis Hacker, who was responsible for the change, served a year at Oxford as Harmsworth professor of American history, and is convinced that he has improved on that university's extra-mural programme.

Whether or not the move symbolises a return to the mediæval university at which all students were welcome, it certainly emphasises the importance which Americans attach to the bachelor's degree. This is becoming not so much a passport to the company of educated men as a certificate required for white collar employment. The same forces which insisted on the importance of free public education for all children are now pushing toward academic degrees for all citizens. Whether given in liberal arts, in engineering, in music or in animal husbandry, they are coming to constitute one of the basic American rights.

★

There are 1,858 institutions listed as giving higher education to over 2 million students in the United States. Of these at least 1,300 offer four-year courses and confer bachelor or first professional degrees. Some call themselves colleges, some universities, but the distinction between them is not always clear. Of the 165 which list themselves as universities only a few follow a pattern which in Britain would give them university standing. The rest offer varying conglomerations of instruction. Sometimes they have a liberal arts college at the core, sometimes not, almost always they include trade schools, a professional school or two, a library and scientific laboratories. Their professional and scientific schools are more or less related to the needs and aims of the region which gives the university shelter.

Thus the University of Washington, in the Pacific northwest, includes an important college of forestry; the University of Nevada is justly proud of its mining school; the University of California, through its school of agriculture, contributes to farming skill. That the University of Houston in Texas should carry an airlines stewardess course in its School of Business Administration is no more surprising to a Texan than that it teaches costume design, diesel engine maintenance, woodworking and the harp. Those are the things that people in Houston want to learn.

This diversity springs in part from the Morrill Act of 1862 which granted federal land for colleges, and in part from President Eliot of Harvard University who, about that same time, began to break through the hard crust of classical education on the British model which had hitherto prevailed, and to replace it with an elective system of choosing courses and specialising in the German manner. He could hardly have foreseen that his reform would lead to classes in chicken raising, television and the fundamentals of gemology.

The land grant colleges were created in the process of settling a new country. In 1862 Congress, considering the needs of a population moving westward, provided grants of federal land to the states

> for the endowment, support and maintenance of at least one college where the leading object shall be, without excluding other scientific and classical studies, and including military tactics, to teach such branches of learning as are related to agriculture and the mechanic arts . . . in order to promote the liberal and practical education of the industrial classes in the several pursuits and professions in life.

Out of this came 69 land grant colleges, of which each state has at least one. Some of them are free; all of them, supported at least in part by public funds, offer less expensive education than can privately endowed institutions, as do the state universities, with which, in 26 states, the land grant colleges have been merged.

★

The Eliot reforms have in their turn been superseded, first by the Hutchins reform of the University of Chicago in the nineteen-thirties, and second by related reforms in such older universities as Harvard, Yale and Columbia. The changes made by Dr Robert Hutchins, after he became president of the University of Chicago at the age of thirty, included combing out the listed courses and reorganising them into an undergraduate college, four divisions (biological science, the humanities, the physical sciences and the social sciences), six professional schools (Business, Divinity, Law, the Graduate Library School, Medicine and the School of Social Service Administration) and a University College for adults, including those who wish to study at home.

The undergraduate college was made over. Not only were its courses opened to students who had finished only the first two years of high school (most colleges require four years of high school preparation), but they were also grouped into a logical and coherent pattern for the purpose of providing students with a general education. "The welfare of a democratic community depends in no small measure upon the general possession of a common body of knowledge," says the catalogue. Therefore, the college will provide "a general education, that is, the kind of education which is desirable for everyone, whatever occupation or profession he expects to enter." This includes history, science, languages and mathematics, but wastes no time on frills.

The Hutchins reforms have aroused wide discussion. The term "general education" caught at imaginations grown wary of too many specialists who seemed to know nothing outside their own field. How it differed from the old ideal of a liberal education was not clear, but it quickly took on the sanctity of a slogan and a movement. A journal dealing with phases of "general education" is now six or seven years old and there is talk of projects and surveys, of inter-departmental courses to break down walls between divisions, of cross-fertilisation and synthesis.

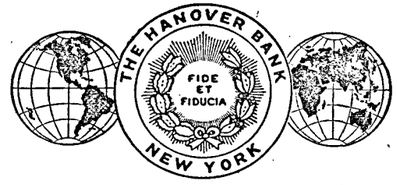
The land grant college, the Harvard elective system, the revolt against it known as the general education movement, the growth of graduate and professional schools and lately, at the other end of the scale, of junior or community colleges—these are landmarks. To them might be added the efforts at standardisation designed to handle such a lively development. The College Entrance Board, for example, holds entrance examinations simultaneously in various centres throughout the country; these are tests not so much of what the student knows, as of how well he is prepared to go on learning; the results are used by most of the major colleges, although state universities take students from within the state on their high school records. And the Carnegie Foundation and other groups try hard to protect the good name of higher education by setting standards for the granting of degrees.

Not all of this energy and diversity upholds the dignity of the university as such, nor contributes to the contentment of the educated man. Some of it merely panders to the American belief that education is everybody's right by lowering the content to bring it within everybody's reach. Much of American higher education lacks useful direction and worthy purpose but it is not lacking in either strength or flexibility, or in the capacity to criticise and reform itself.

American Notes

Mobilisation Takes More Time

The Secretary of Defence, when he went before Congress to defend the reduced $52 billion military budget for the year beginning next July, found he had to defend it not only against those who thought it still too large, but also against those who feared that the slowing down of the aircraft programme would give the Russians an even longer lead in the air than they already possess. The decision to mobilise at a slower pace, but over four, rather than three, years was taken last autumn, over service objections, when it was realised that the higher military goals the Chiefs of Staff felt were necessary could be met, on the old time-table, only by the most drastic dislocation of the economy. These goals include a 21 rather than an 18 division army, an Air Force



Linking the two financial centres of the world, London and New York

THE HANOVER BANK

(Incorporated with Limited Liability in U. S. A.)

LONDON . . . 7 Princes Street, E.C. 2

NEW YORK . . . 70 Broadway

of 143 instead of 95 groups, new building for the Navy, and 3.7 million instead of 3.5 million men in uniform. They will be met, but by an 18-month effort running through 1953 and the first half of 1954, rather than a sharp, six-month peak in production in 1953. The aircraft programme, however, will not be complete until 1955, perhaps even 1956.

Giving the arms programme more time means assuming that no major war will break out for two years. But the cuts in the budget may not do a great deal more than make a virtue of necessity. The arms programme is already behind schedule. A cut in the aircraft target from 1,850 a month in September, 1953, to 1,250 will not mean any reduction in the number to come off the production lines for at least a year. Now only 600 a month are being produced. Mr Wilson, the defence mobiliser, would argue, indeed, that there has been no cutback, but simply a facing of the facts of production. Under the new schedules, the expansion of basic industries, such as steel and aluminium, will be nearing completion before the arms factories reach their peak demand for metals, and civilian industries need not be crushed between the two. A more moderate pace, moreover, will lessen inflationary pressures in the year ahead. Even the military, though they are uneasy, can find some compensations. Costly contracts, signed when speed was all that mattered, are being reviewed; the door need not be slammed so hastily on changes in design. There is less risk of building up vast stocks of arms, only to see them become obsolete. The aircraft industry, guaranteed three or four years at least of work, will find it easier to attract the workers it needs.

For the civilian economy, the dividends are already beginning to come in. The Air Force has turned back 20 million pounds of aluminium which it is not now justified in keeping, and a million have been promised to Detroit, where further cuts in automobile production in the second quarter threatened to swell unemployment dangerously. Real relief from the materials pinch is not expected until the autumn, when the new steel and aluminium supplies will begin to come in, but at least the pinch is not likely to grow worse just before the election.

* * *

McCarthy's New Lease of Life

Senator Welker, one of Senator McCarthy's admirers, has replaced Senator Margaret Chase Smith, Mr McCarthy's most outspoken Republican critic, on the committee which is investigating his fitness for membership of the Senate. With Mrs Smith went the possibility that the committee might censure Mr McCarthy—there was never any real hope of his expulsion—and that the Republicans of Wisconsin might thus be encouraged to send a less shameful representative to Washington next November. The governor of the state, Mr Kohler, who, it had been hoped, would oppose Mr McCarthy in public as he has in private, has now decided to play for safety and to run again for governor hand-in-hand with Senator McCarthy, instead of trying to wrest the Republican Senatorial nomination from him. No one but Mr Kohler is considered to have a chance of defeating Mr McCarthy.

Even the national leaders of the Republican party are now reaching out for Senator McCarthy's coat-tails. Senator Taft has for the first time declared that his attack on Communists in the State Department was fully justified. And Senator Styles Bridges inaugurated his leadership of the Republicans in the Senate by introducing a resolution declaring that one of Mr McCarthy's standing targets, Dr Philip Jessup, US delegate to the UN Assembly, does not command the confidence of the American people. Not to be outdone, Senator McCarran, a Democrat, has been subjecting Mr John Carter Vincent, another of Mr McCarthy's victims, to a "brutal badgering," to which Mr Vincent laid himself open by insisting on presenting his case publicly, and by making it clear that there was no foundation for the charges of Communism levelled against him.

President Truman is another who has no intention of letting Senator McCarthy enjoy his new lease of life unchallenged. Incensed by accusations against two of his personal aides (one of whom has relatives in Wisconsin who oppose Mr McCarthy publicly), Mr Truman declared at a press conference that the Senator was a pathological case, a liar and a character assassin. He might have added that Mr McCarthy apparently has no objection to profiting from disloyalty, for his recent allegations have been based on secret government files that he could only have obtained through the services of a spy. Mr McCarthy says he has no time to sue the President for calling him "dirty names." He is, however, brave enough to take indirect action against his press critics—*Time* magazine and a Milwaukee newspaper—by urging advertisers to boycott these publications. But in striking at the freedom of the American press, even Senator McCarthy may have bitten off more than he can chew.

* * *

Railways' Heavy Load

The multitude of problems besetting the country's 130 railway lines has made Senator Bricker, right-wing Republican from Ohio, suggest that they might have to be nationalised—a tongue-in-cheek proposal designed to stir Congress into aiding the carriers rather than to force them into the fate Senator Bricker regards as worse than death. As a public service the railways have already been subject to public regulation for 75 years. Their labour relations come under the Railway Labour Act; their freight and passenger tariffs and routes are subject to the Interstate Commerce Commission as well as, for interstate traffic, to the public utilities commissions of the states, and the mobilisation programme places their expansion under the control of the Defence Transport Authority. The railways complain that they are bound with far more of the red tape of regulation than are their competitors—lorries, inland ships, airlines and buses.

At the moment the ICC, which can put both floor and ceiling on railway charges, is considering a request by the carriers for the full 15 per cent increase in freight rates that they have been campaigning for since early in 1951. Last August they were given a temporary rise of 9 per cent for the eastern lines and 6 per cent for all others; it was temporary because the ICC was not sure that the additional revenue needed should come from higher freight rates. In presenting their claims the railways have marshalled a variety of arguments and grievances. Rising costs and taxes have meant that, even though gross operating revenue reached more than $10 billion last year, net operating income dropped as well as the rate of return on investment. This turns up another facet of the question, the need to attract capital for expansion. Since 1945 an average of over $1 billion a year has been spent on equipment and facilities; last year the figure was $1.4 billion and, in spite of claims of poverty, even greater expansion is planned for 1952.

Indirectly, railway firemen have also been stoking the blaze under the ICC, with their pressure on the roads for wage increases. Since a strike threat in August, 1950, the railways have technically been under Army control and, of the four chief operating unions, only the trainmen have reached a settlement with the companies. A Presidential board, whose hearings were boycotted by the unions, recommended two weeks ago that the remaining three—the firemen, engineers and conductors—accept a similar settlement, which would provide substantial wage raises, an additional increase when the work week drops from 48 to 40 hours, and modifications in working rules desired by the companies. The unions have, for the moment, spurned the board's proposals, objecting to the rules changes but not to the wage increases.

"There's a whole morning's mail answered!"

Perfectly recorded by the Dictaphone Time-Master on a single Dictabelt

On to one little Dictabelt, you can often dictate the replies to a whole morning's mail! There they are, perfectly, clearly recorded and ready for your secretary to transcribe at the most convenient moment.

For the amazing little Dictabelts—small pliable plastic belts—give *more* recording as well as *better* recording. In fact it was the invention of the Dictabelt that led to the development of the Time-Master—a smaller, simpler, more efficient dictating machine than was ever thought possible!

SIMPLER, CLEARER DICTATION

Dictation with a Time-Master is remarkably simple. Controls are reduced to a minimum and are wherever possible, fully automatic. The tap of a finger is all you need to put a new Dictabelt in or get a completed Dictabelt out; flick a switch and you're all set for 15 minutes of crystal-clear recording.

And Time-Master recording is *clear*—the sensitive microphone picks up every word, even a whisper—making transcription easier for your secretary.

ONLY THE TIME-MASTER OFFERS ALL THIS!

1. Streamlined machine, only 4¼ ins. high, slightly larger than a letterhead. 2. Uniformly clear recording and reproduction. 3. Uniform backspacing, immediate place finding. 4. Simple automatic operation. 5. Mailable, filable, expendable Dictabelts, low-cost plastic medium. 6. Service facilities in principal cities, Dictaphone dependability.

Write for TIME-MASTER literature to Dictaphone Co., Ltd., Dept. O, 107 Kingsway, London, W.C.2.

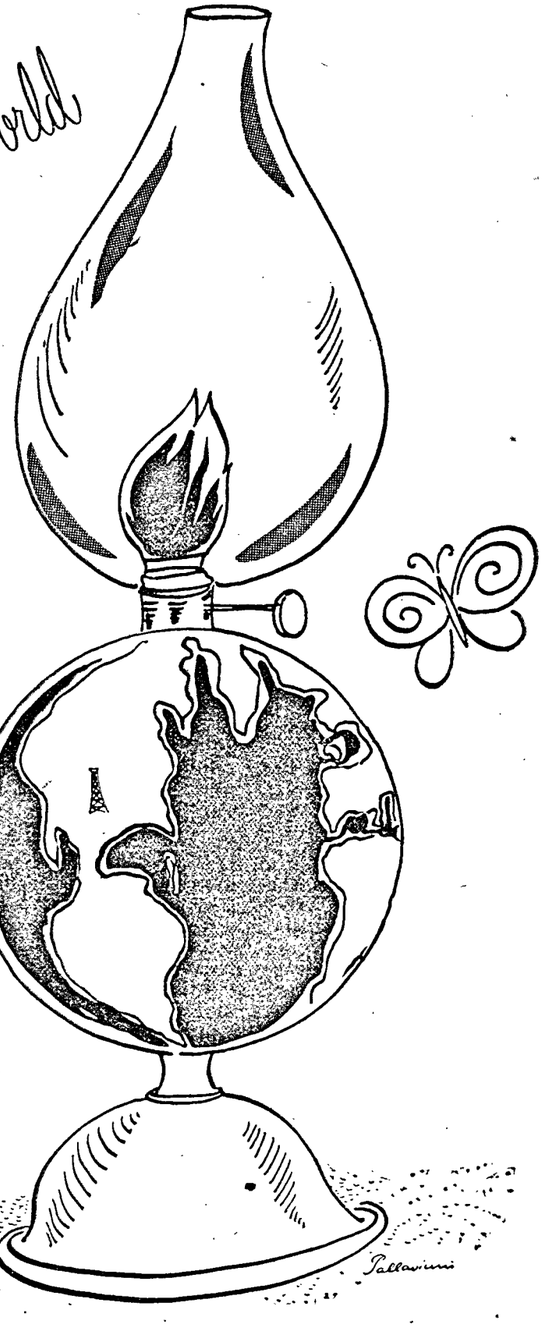
DICTAPHONE

GREATEST NAME IN DICTATION

Dictaphone and Dictabelt are registered Trade Marks

Branch Offices: BELFAST BIRMINGHAM BRISTOL CORK DUBLIN GLASGOW LEEDS LIVERPOOL MANCHESTER NEWCASTLE

It lighted our lamps
it now powers the world



From first
experiments
in 1913
to world-wide
service
in 1952,
Schlumberger
developments
have kept
pace with
the industry.

Schlumberger

Senator McCarran's Beat

The Attorney General has at last rescued the State Department from the embarrassment of having to refuse a visa to Mr Graham Greene, the British author and prominent Roman Catholic layman, on the ground that he would endanger American security. The Attorney General has the power, which under the Internal Security Act the visa department has not, to overlook Mr Greene's too-candid admission that when he was a student he had, for two months, joined the Communist party. Other eminent applicants, such as Dr Ernest Chain, one of the developers of penicillin, have not been so lucky. Under pressure from the State Department, which knows how much these senseless exclusions blacken America's name abroad, Senator McCarran has agreed to shorten his watch-dog's chain a trifle ; former Communists will be admitted if they have recanted and demonstrated their redemption for five years. There is no thought, however, in an election year, of repealing or substantially modifying the Internal Security Act.

Instead, the Act seems likely to be embedded permanently in the 300-page revision of the immigration and naturalisation laws which the Senate Judiciary Committee has been preparing. That Senator McCarran should preside over the codification of the basic law is unfortunate and a guarantee that the emphasis will be on restriction, rather than freedom. Nevertheless, even his draft has some good points: it ends the offensive policy of Oriental exclusion by assigning token immigration quotas to the Japanese, Burmese, Siamese, and so on, and permits them to become citizens. (The Chinese received their reward during the war.) The Bill fails, however, to open the door to immigration any further ; it does not even allow unused portions of one country's quota to be transferred to another, whose nationals may have to wait from ten to forty years for admission. Nor does it modernise the basis on which national quotas are calculated.

Other members are sponsoring Bills which include these reforms, and hope that the need for labour and the happy experience with the Displaced Persons programme may persuade Congress to liberalise the law. So far, Americans have not regretted their generosity in providing a haven for 336,000 DPs in the past two years—a third of the million or more resettled by the International Refugee Organisation. Senator McCarran, however, has made objections to the appointment of Mr Donald Kingsley, former head of the IRO, to run the provisional organisation which has succeeded it and is to experiment with moving some of Europe's surplus population. He has gone on to submit a resolution that the United States should withdraw its support from the new committee, and set up an independent agency in Washington to supervise this new migration. Presumably he wants to lock the United States back door in South America as tightly as he has locked its front one on Ellis Island.

* * *

Fair Trade or Price Fixing?

The forces fighting for what they call fair trade, and their opponents call price fixing, have manœuvred themselves into a favourable position for the start of their war to end price wars. It was made necessary by the Supreme Court decision last May that a manufacturer outside a state cannot make retailers in that state observe minimum resale prices on his products unless he has signed individual agreements with them ; previously it had been thought that the Miller-Tydings Act of 1937, which applied state fair trade laws (45 states have them) to interstate commerce, enabled a manufacturer to hold all retailers to an agreement signed with only one of them. This decision made a mockery of fair trade, in the opinion of its advocates, and they immediately mobilised to force Congress to make resale price maintenance binding on non-signers.

One Bill, an amendment to the Miller-Tydings Act, has been languishing in the House Judiciary Committee, since its chairman, Mr Celler, is strongly opposed to price fixing. But another Bill has now been introduced by Mr McGuire, in the form of an amendment to the Federal Trade Commission Act, which puts it under the wing of the Commerce Committee. Here the chairman, Mr Crossor, fights under the fair trade flag, and he beat Mr Celler to the draw by unexpectedly opening hearings at which the case for fair trade is being put in a very favourable atmosphere, with much emotion and publicity, by spokesmen for retail chemists and other little businessmen.

Nowadays it is the small retailers who cling to the fair trade laws, which protect them from price cutting by department and chain stores, much more than the manufacturers, who originally proposed fair trade as a protection for their brand names. Only about one-sixth of the trade in branded goods is actually under fair trade agreements ; other forms of protection, such as the licensing of dealers, have frequently been found more satisfactory. Many manufacturers must in their hearts have been relieved when last summer's price war, set off by the Supreme Court decision, cleared retailers' shelves of accumulated stocks of fair traded goods, and produced a substantial number of new orders. Full scale hostilities lasted only about a month, but sporadic breaches of resale price agreements have been reported since then, and a new outbreak of fighting is likely this summer if retail trade continues to be disappointing. Meanwhile a continuous underground operation is being conducted by a rapidly growing number of discount houses, which sell branded goods at one-fifth or more below listed prices ; they can afford to do this because they can save on advertising and showroom space, since their customers take advantage of the manufacturers' national advertising and displays in local stores.

Shorter Notes

President Truman some time ago withdrew his nomination of General Mark Clark as US Ambassador to the Vatican but he has not given up hope of diplomatic representation there. However, the Senate, which must confirm such appointments, is most unlikely to approve the creation of such a post in view of the strong Protestant opposition to what is regarded as a violation of the separation of church and state.

*

At last one of the strongholds of discrimination against Negroes in sports, the Professional Golfers Association, has had to give way before a vigorous attack by Mr Joe Louis, former boxing champion. Largely as a result of his fight over the issue, Mr Louis was allowed to play in the recent PGA tournament at San Diego, California, and the association voted to change its rules to allow one Negro professional and one Negro amateur to play in each PGA event. This is but a partial victory, since participation in tournaments depends on invitations from the local PGA group, and the South therefore will still be able to discriminate against Negroes.

*

Enterprise that is a little too "free" is plaguing two American companies. In one case a television servicing firm in New York was forced into bankruptcy because some of its employees had taken over $400,000 worth of TV parts since 1947 to set themselves up in smaller television repair shops. And from Wisconsin, the Parker Pen Company has asked the State Department to act against widespread counterfeiting of its pens, including even the brand name, in Italy and Japan. The head of the firm said that it should be made clear that "Americans mean something quite different than imitation when they speak of free enterprise."

THE WORLD OVERSEAS

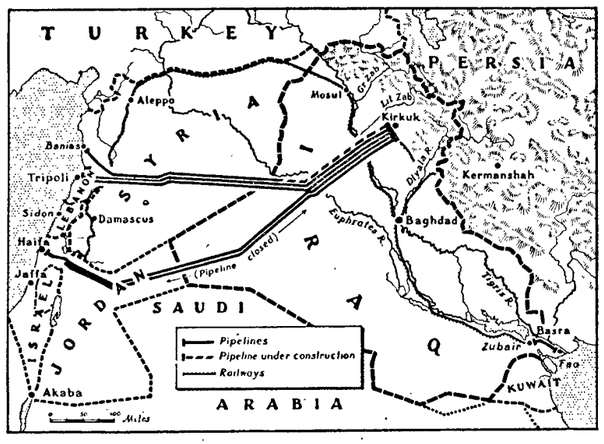
Iraq—Land of Promise—I

THIS week the Iraqi Chamber of Deputies ratified by 89 votes to 7 the oil agreement which the Cabinet negotiated late last summer with the Iraq Petroleum Company—the international body which, with associates at Mosul and Basra, operates the extraction and export of all Iraq's great oil resources. The agreement, which is the fashionable fifty-fifty profit sharing arrangement now enjoyed by all other Middle Eastern producers except Persia, was formally signed last week by the Iraqi Minister of Economics, and has since been unanimously approved by the parliamentary economic committee. Some opposition parties have condemned its "injustice"; party politics demand that they should do so. But ever since the bulk of them resigned their seats in dudgeon over a year ago, they have not been strongly represented in a parliament which consists largely of independents. Many of these last sit, almost hereditarily, for the districts with which their families are linked, and, by custom, they tend to support whatever government is in power. Opposition to ratification is, therefore, to be found outside rather than inside parliament.

The relative sobriety of this scene has surprised those who have watched nationalist passion defeat economic self-interest in Persia. Undoubtedly, Iraq is capable of sudden, passionate outbursts of nationalist temper. It demonstrated this fact in January, 1948, when, for a mixture of reasons, the Opposition called the crowd into the street to defeat the Portsmouth Treaty which the then Prime Minister had signed with Great Britain. Yet Iraq has not so far followed Persia's example over oil.

The Iraqi character is deeply different from the Persian, with a difference as great as that which distinguishes the English character from the French. Iraqis are the more realistic of the two peoples; they have perceived (as Persians have, even now, not done) that Persia's oil policy is a grave economic failure. They are also less conceited than the Persians and, therefore, less sure that they can at their present stage of development run complicated industrial and marketing operations entirely singlehanded. For instance, they employ on short-term contracts foreign directors for their irrigation and their railways. They realise that technical training takes time, and do not all feel that interim employment of foreigners is beneath their dignity. They have also, thanks to their management of their national finances—immensely superior to Persia's—reason to know that their oil wealth will not disappear into the maw of daily expenditure, or into private pockets. Again, the average Iraqi knows, from personal experience, and therefore much more surely than does his Persian counterpart, that costly effort made on a national scale is almost essential to improvement of his lot as a farmer. Persian provinces are isolated and unrelated. Iraqi districts, strung together by their great rivers, all share, collectively and perennially, in the national disaster caused by flood, and know from personal experience that only vast sums of money can control this scourge. A conception of the nation-wide benefits to be derived from oil revenue is, therefore, relatively easier to grasp, even for the uneducated, than it is for a Persian.

Lastly, nationalist yearnings to operate a national oil industry will in part be met. The domestic refining and marketing of oil will henceforth be in Iraqi hands. The Iraqi government lately reached, with the subsidiaries of the Anglo-Iranian Oil Company that used to run refining and marketing in Iraq, an agreement whereby both these operations are now to be taken over. It will build a new refinery outside Baghdad (for which a £9 million contract has been awarded to the American firm of Kelloggs). A second refinery will be built near Basra. For the Baghdad plant, the government will purchase oil from Kirkuk which will be piped to it by IPC at a cost of only 5s. 6d. per ton—the price of the transport. Both these state concerns, together with domestic marketing are, until 1961, to be run by a British firm acting as the government's managing agent.



Some idea of the wealth that the agreement, if ratified, will bring into Iraq's national coffers can be gleaned from the following figures. In 1951 Iraq produced 8 million tons of oil, virtually all from Kirkuk, and earned an income of about £15 million therefrom. By the end of 1952, Kirkuk will be pumping at part capacity through its new 30-inch pipe, and this yield, together with 2 million tons from Zubair (Basra) field which was opened in January, should bring Iraq's total output for the current year to 16 million tons. The anticipated output for 1953 is 24 million tons and, for 1955, 30 million tons. The resultant revenue is expected to be £200 million for the five years 1951-5 and, it is estimated, will touch £300 million for the years 1953-7. A clause in the agreement now before Parliament adds that in the event of another state securing a higher rate per ton, Iraq can ask for most-favoured-nation treatment. In fact, subject only to the hazards of war and revolt which today face any country in the world, Iraq is amply justified in making ambitious plans for the future.

A second article will describe some of the natural advantages which it enjoys, the plans made by its own Development Board, those suggested in a report issued this week by the World Bank at its request, and the arrangements which it is making for spending money that is at its disposal, if it so wishes.

(To be continued)

Germans Name Their Price

[FROM OUR SPECIAL CORRESPONDENT IN BONN]

FOR two days last week the wireless stations of Western Germany broadcast uninterruptedly the first great debate on foreign affairs ever held in the Bundestag. Hitherto, Dr Adenauer had conducted vital negotiations on the various agreements determining Germany's future—the treaties replacing the occupation statute, the Schuman Plan, and the European Defence Community—without parliament having a chance to express its views. Even last week it was without many of the relevant facts. The public had become more and more suspicious that the Chancellor was preparing to sign away German rights and manpower, and had demanded information with increasing annoyance. It was the last straw when Herr Blank, the Bonn commissioner for defence, announced a few weeks ago that the parliament would be required to ratify or reject the coming defence treaty *in toto*, and that it would involve conscription.

At this point Dr Adenauer was forced to agree to a debate on the whole complex of treaties in preparation. Then came the eposide of the Saar. France's sudden and, it seemed, deliberately provocative action in appointing an Ambassador in Saarbrücken was unforeseen, and ensured that the Bundestag met in a mood of angry resentment and overwhelming resolve to make an end to Germany's inferior status. The Chancellor had hoped for a gesture that would have encouraged the Germans to accept further burdens and continued restraints in the interests of European defence; instead he received a blow from which he and the idea of the defence community are both unlikely to recover. Throughout last Thursday's debate the Chancellor was not only on the defensive, but so conscious of the weakness of his own case that he failed to impress the audience. Last year he had excused France to the Bundestag by explaining that the Saar and negotiations for European unity were separate issues, and that German wishes would be met. He could not do the same again. This time he joined the Opposition and condemned France's action as a breach of the assurance that M. Schuman had given him when he signed the draft Schuman plan.

Dr. Adenauer's Weak Defence

The outstanding fact about the debate was, indeed, not only the strength of the opposition but the weakness of the coalition government's defence. The outcome was, in essentials, defeat through surrender. The coalition proved that it agreed on many essential points with the Opposition. During the debate on the Schuman Plan it had been clear that Dr Adenauer's main partners, the Free Democrats, held very much the same views as the Social Democrats. In this debate the whole-hearted supporters of the Chancellor were even more plainly isolated. One deputy from Berlin flatly declared that Germany is faced with a simple choice between Russia and America, and that there could be no middle way; the air-lift had saved Berlin because the people of the city had shown their readiness to fight, and Berlin was the model for Western Germany. This was, however, a very solitary voice in two days of argument during which German terms for helping the west were stated with little or no consideration of the alternative to be faced if the west should find it impossible to accept them.

In the end, it is true, the Bundestag voted by a majority of 48 in favour of a European federation and German participation in its defence. The Social-Democrat leader, Herr Ollenhauer, had declared that the deputies were not there to debate "how" but "whether" a defence contribution should be made; this much has now been decided, "in principle" (sacred words, which accompany most declarations of faith in western defence). But the resolutions which followed laid down the terms on which the principle should become practice. They were drawn up, it should be remembered, by the coalition parties alone, during the course of the debate, and reflected a slide towards the Opposition's standpoint.

The opening resolution, which stated Germany's readiness in principle to take part in western defence as an equal partner, rejected the idea of neutrality and affirmed the aim of re-uniting Germany in peace. The Christian Democrat leader in the Bundestag, Dr von Brentano, specifically asserted that by reunion the government meant the re-establishment of Germany's 1937 frontiers. The four resolutions which laid down the terms on which the German government must stand in negotiations with the Allies demanded in essence: the release of all "war criminals," except those found personally guilty of crimes in the customary sense; political freedom in the Saar; and recognition that Germany is already contributing almost its maximum to defence, and that social welfare is the best form of defence. A final comprehensive resolution dealt with the contracts which are to end the occupation regime. It laid down that the troops stationed in Germany must have no special rights; the sovereignty of the Federal Republic must be complete, except in matters such as Berlin where it is in the German interest to restrict it for the time being. There must be no "petrification" of the occupation regime in the new treaties, and Germany must be free to decide what allied measures it wants to retain; nothing must be done to prejudice a future peace treaty; all discriminatory organs, such as the Military Security Board, must disappear, and all controls on industry must be lifted. Germany must make only one financial defence contribution, covering relief to refugees as well as the cost of allied troops in Germany; the German labour and guard units in Allied service must be dissolved; disputes must be referred to neutral arbitration; and Berlin must be more closely linked with the Federal Republic.

A Frank Challenge

Each phrase of these resolutions is heavily weighted with consequences. In essence they frankly challenge the occupying powers to give up any further attempt to restrict German sovereignty. For example, the government could, if it chose, re-establish the Ruhr trusts and cartels. In all probability, the industry itself would not wish to set up precisely the old structure; but enough would be done to strengthen Germany's position inside the coal-steel union of the Schuman Plan. The French, on the other hand, will hardly agree to setting the machinery of the Schuman union in motion if the Ruhr trusts are not first broken up.

A completely new situation must be faced by Dr Adenauer and the Allies with whom he has been working out the new

JAPANESE COMPETITION

The Economist Intelligence Unit now provides a service of quarterly reports on economic and business conditions in Japan and in about thirty other countries. These reports give a concise analysis of matters of concern to exporters and investors. Particulars may be obtained from:

THE ECONOMIST INTELLIGENCE UNIT

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

status of Germany and the European Defence Community. Presumably, negotiations will now be continued; but it will be in the knowledge that the German parliament will reject any treaty that departs from the terms laid down last week.

Last Friday's debate left the opposition in a very strong position for an appeal to the electorate next year, even if Dr Adenauer goes on rejecting the widespread demand for general elections now. The Social Democrats added more provisos to the list made by the government, and in the end voted against even the qualified resolution in favour of taking part in defence on a footing of equality. Four main points were made by them. They demanded that the United States shall defend Germany with the same effective strength as "any other point on its own frontier." The German army must not be set up in order that the Americans can "call the boys back." Full sovereignty and social welfare must precede a contribution to defence. And nothing must be done to prevent a four power agreement on German unity.

How Spaniards Live

[FROM A CORRESPONDENT]

THE special tourist exchange rate enjoyed by British visitors to Spain (of whom there will no doubt be fewer this year) is apt to give much too favourable an impression of the cost of living in that country. Nor is it always easy for the casual visitor to appreciate the very wide gap that exists between wages and prices. Take, for example, a young couple in Madrid, where conditions compare favourably with most other parts of the country, particularly the south. The husband works in a clerical job on the railways from 7 a.m. to 3 p.m. daily, earning 1,000 pesetas a month. This sum includes a bonus distributed on a points system—five for a wife and one for each child—and is about double the earnings of a manual worker. Even so, with such staple items of Spanish diet as bread (black market) and beans at between 10 and 12 ptas. a kilo, lentils at 8.50, vegetables between 8 and 10, and chickpeas between 7 and 9 ptas. a kilo, his salary is barely sufficient to feed his wife and young child, let alone to clothe them and pay the rent. He has therefore to supplement his income by doing another job in his spare time, and rarely gets to bed before midnight. His wife also earns money by sewing.

The young couple live with their in-laws in a working-class district. Their tiny bedroom has no windows and little space for more than the bed, while the child sleeps in an equally windowless alcove. This is the only place that this young married couple have to themselves. To get a flat in a working-class district, they would have to pay between 8,000 and 15,000 ptas. key money and then about 500 ptas. a month rent for a new flat or 150 ptas. for an old one (three rooms and a kitchen, two of the rooms without windows). It is hardly surprising that husband, wife and child have all been unwell. Their experience of the medical attention provided by the theoretically excellent State social services was thoroughly unsatisfactory. But it must be remembered that this family is fortunate by comparison with many, particularly with those agricultural workers who are also casual labourers, and who constitute about a quarter of the total population of the country.

Spanish attention has recently been focused on working-class conditions by an article in *Ecclesia*, the organ of Acción Catolica. This article is the record of a talk given by the Archbishop of Valencia on the findings of a sort of "Gallup poll" taken among workers. It is the first of its kind to have been made public in Franco Spain, and it is doubtful whether such outspoken comment would have been allowed except in a religious journal with a limited circulation. The following are some of the findings of the inquiry.

The worker believes his legal wages to be at starvation level, and unjust; without making allowances for either the civil war or the world war, he attributes his plight to the anxiety of his employers to enrich themselves and to the extravagance of the wealthy. He does not appreciate the social services, although he makes use of them; he believes that if the amount now deducted for contributions to the social services were added to his present earnings, they might add up to a living wage. At the bottom of his heart he believes that he is entitled to a rent-free dwelling. The worker hates to be bossed by his employer even more than he hates injustice. He is not interested in politics; he would prefer to have a government in which he had some say, but does not want to be worried by responsibilities. He has no faith in his trade union, which he regards as mixed up in politics and on the side of the bosses. He hates his employers and the rich; he also hates the Army and the Church, which he regards as their supporters, but while he fears the Army he is not afraid of the Church.

Six in a Room

The Archbishop goes on to tell of what is being done to house the poor, but illustrates the need for further effort by a case known to him. A doctor had been called to visit an old woman, and in a room nine square metres in area he found six people sleeping on maize leaves, the old woman in the farthest corner. The Archbishop points out that this is only one case among hundreds. He then comes to the support of the worker by giving it as his opinion that the legal wage is indeed unjust and cannot meet the worker's bare requirements of food, clothing, housing and education for his children. An employer paying only the legal wage might not be brought to justice by his fellow men, but would nevertheless be subject to God's justice unless there were some adequate reason for his action.

The Archbishop then suggests ways in which the employer could enable the worker to earn a living wage: by allowing him to work longer hours, if this was no detriment to health (there being nothing sacred about the statutory eight hour day); by bonuses for higher production; by special payments; and by measures for his welfare such as the subsidised sale of food at low prices. It might be said that if the worker spent less on tobacco, alcohol, cinemas, amusements and women, he would be better fed, clothed, and housed, and his children better educated. This might be true, but the amount saved would be negligible, since there was concrete evidence that the worker paid very little for his pleasures. He believed himself to be a slave, and sought such pleasures as a relief from his chains.

This extremely frank analysis by the Archbishop of Valencia is yet another example of one of the most interesting features of Spain today: the growing and justifiable concern of the Church with the economic and social conditions of the working class.

The Malays Look at Malaya

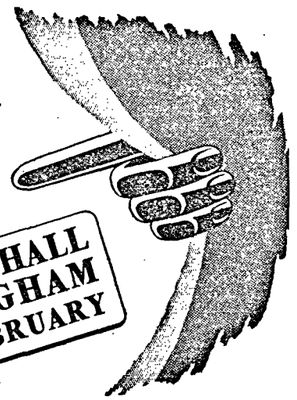
[FROM A CORRESPONDENT]

THE great volume of public discussion in British circles which has followed Mr Lyttelton's tour in Malaya and the appointment of the new High Commissioner has not passed without contributions from leading Malays. The following represents a fair account of some of them.

The British, they remark for a start, did not conquer Malaya but made treaties with Malay rulers and became no more than the protecting power. Under British protection, however, the country at first prospered amazingly. Good luck in tin and rubber accumulated a wealth that gave Malaya the highest standard of living in Asia, and surpluses were so wisely invested in roads and railways, schools, hospitals and other fixed capital that the plural community was happy and richly productive.

Nevertheless, the protecting power could not protect the

SEE WHAT'S *New*



BINGLEY HALL
BIRMINGHAM
19-29 FEBRUARY

BUSINESS EFFICIENCY EXHIBITION

New methods, systems and equipment to save time, effort, space and money.
Watch demonstrations. Ask questions.
Compare results.
Special facilities provided for parties from firms and trade associations.
Open daily 10 a.m.-8 p.m. (except Sunday)
Public Admission 2/6.

Organised by the Office Appliance and Business Equipment Trades Association,
11-13 *Dowgate Hill, London, E.C.4.*

he's a **CRAVEN TOBACCO** *man*

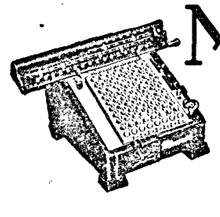
For a smooth, full-flavoured smoke CRAVEN TOBACCO is miles ahead, and men in all walks of life find this fresh, rich tobacco gives a deep satisfaction that remains long after each pipeful.

Three blends—*Craven Mixture 4/6 an oz; Craven Empire de luxe Mixture 4/2 an oz; Craven Empire Curly Cut 4/3 an oz.*

FOR MEN WHO KNOW GOOD TOBACCOS

Monroe

The answer's a Monroe



MONROE
CALCULATING
MACHINE COMPANY LIMITED
10-11 ALBEMARLE ST. LONDON, W.1
GROsvenor 7541

country against the Japanese, since the important centre was Europe. Moreover, during the war the Colonial Office planned the ill-starred Malayan Union which in effect made Malaya a Crown Colony. The scheme could have been adopted, but the Colonial Office presented it so badly that opposition was stirred up and the cumbrous Federation is the result. The warm welcome to the delivering troops was dissipated by the British Military Authority, of which the morals were so bad that it was called the Black Market Association.

After the war, the Colonial Office sent one of its members as High Commissioner, Sir Edward Gent. He brought in a vast apparatus of new departments—social welfare, economic advisers, import and export, war damage, currency controllers and others—to such an extent that under-secretaries were multiplied by ten. The clerical staff had suffered severely in the occupation, and newcomers to the service had only had Japanese education; since there was no post-entry service training, the administration was almost crushed under the burden.

Since then, things have gone from bad to worse. The emergency started in June, 1948. This brought a flood of experts from home, who were recently described by a cynical Indian in the Federal Council as "all men of proved ability and wide administrative experience." The first GOC promised to end the war by Christmas. General Briggs had a plan which cost millions, but has not ended the war. Colonel Gray, the Commissioner of Police, was full of the offensive spirit and for long denied his men armour for their cars or barbed wire for their stations. Sir William Jenkin, the Criminal Intelligence Chief, came; he resigned and has left. The two ablest Malayan police officers, Dalley and O'Connell, resigned, as their advice was never taken and they were never allowed a free hand. Other policemen who did well before the war were deliberately side-tracked and the promotion they felt to be their due was given to Palestinians.

In addition, economic advisers have been thrust on Malaya. The head of the Agricultural Department is from Africa. The head of the Medical Department—and Malaya is immensely proud of its medical services—is to come from Africa. Law officers from elsewhere come in, and one, a Judge of the Supreme Court, becomes Officer Administering the Government—no doubt making Dicey spin in his grave.

Even Sir Henry Gurney came from Palestine and brought in more Palestinians who know none of the languages or customs or prejudices of the country and give much offence. The prewar administration and its survivors are given to understand that they are fossils, out of date, and unwelcome. It is scarcely surprising that they are mentally as well as operationally depressed—and that morale throughout Malaya is as low as it is.

"Parliament of Asia"

[FROM OUR SPECIAL CORRESPONDENT]

MUCH useful work has been done by the Economic Commission for Asia and the Far East (ECAFE), which was set up by the United Nations in 1947, and which has just held its eighth meeting in Rangoon. When the Commission began its work, the vast triangular region which it has to cover, stretching from Afghanistan to Korea and New Zealand, was not only an inchoate grouping of countries unaccustomed to mutual co-operation, but an area in which reliable statistics and data were few and far between. Some of its publications and documents are now beginning to stand comparison with those of the Economic Commission for Europe. Moreover the Commission, with its specialist committees and working parties, has provided a meeting-place for practical co-operation among countries that share a very definite common denominator, the desire for economic development. The delegate of Pakistan was undoubtedly sincere when he said at the closing session on February 8th that the commission had become "the parliament of Asia."

Like other United Nations bodies concerned with a multiplicity of economic and social tasks, ECAFE has not been slow to learn how easily it could be swamped in a mass of impracticable projects. It has therefore adopted a commonsense method of giving priority to the more valuable proposals, eliminating those which can be better handled by other organisations, and judging the others by their urgency, feasibility, degree of preparation, and prospect of concrete results. The benefits of this system were shown at the Rangoon meeting, which for the most part eschewed cloud-castle debates in favour of such practical decisions as the sending of a group of experts to study the Japanese iron and steel industry, and the convening of a regional conference on mineral resources. Much of the ten-day session was devoted to the review of reports from technical committees, whose recent work in fields ranging from flood control to trade between Asia and Europe was in general found highly satisfactory. One study which may prove of particular importance in the long run is that concerned with the mobilising of domestic capital in Asian countries.

Soviet Advertising

Against this background of friendly teamwork, the actions of the Soviet delegates stood out in sharp relief; indeed, by their behaviour at Rangoon, the Russians may well have lost significant ground on the wider political front of their campaign to turn the independent states of Asia against the free world. Both in the plenary sessions and in the committee meetings which preceded them, the Russians were alone in tabling blatantly propagandist motions and refusing to seek common ground. They secured little support. India, Burma and Indonesia inclined towards the Soviet view on the question of Chinese representation, but when the Soviet delegate in the committee on industry and trade denounced the sins of foreign capital, almost every Asian representative rose to confute him. The Indian delegate declared frankly that India had found that it could not do without foreign capital, and that the latter was in no way responsible for Asian poverty. An equally cool reception was given to attempts to use the meeting to advertise Soviet trading offers; and a Soviet demand that these offers should be recorded in the text of the commission's report was rejected by thirteen votes to one, with no abstentions.

Japan, not yet a member of the Commission, was represented in Rangoon by observers. There was some debate as to the propriety of admitting the Japanese to membership before the peace treaty had been ratified by an adequate number of nations; but agreement was eventually reached on a Pakistani proposal requesting the Economic and Social Council to extend ECAFE's geographical scope to include Japan, with the proviso that if the Council so decides, Japan will be admitted to associate membership. It is therefore probable that, by the time the commission reassembles for its next meeting, which will be held in Java, Japanese delegates will be able to take their seats, although, like the eight other associate members, they will have no right to vote.

* * *

Correction

In the article on page 346 of the last issue of *The Economist* it was stated that "in 1951 the total labour force (in the Soviet Union) rose by an additional 1,600,000 to 40.8 million—i.e., over a million more than in 1940." This should read "over nine million more than in 1940."

Has nobody told you, Mr. Grigson?

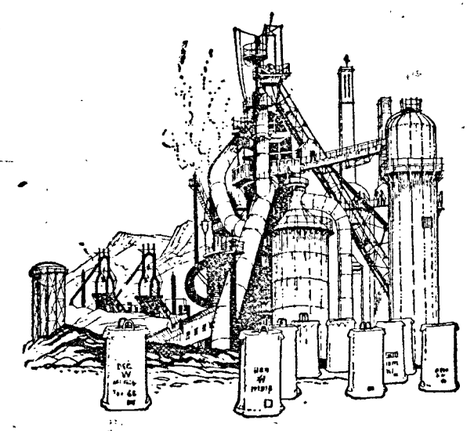
Most drivers take the underneath of a car for granted, but industry cannot leave protection from rust to chance. Among the most effective methods of rust removal and rust prevention are those calling for phosphoric acid. Albright and Wilson's phosphate products in many different ways, often anonymously, are giving manufacturers what they want—to provide the better goods which the public needs.

Chemicals for Industry

ALBRIGHT & WILSON LTD

49 PARK LANE, LONDON W.1. WORKS: OLDBURY AND WIDNES.

IRON



THE element iron is the most important of all metals and, next to aluminium, the most widely distributed. It has been estimated that there is an average of one cwt. of iron for every ton of the earth's crust. There are many different forms of iron ore, but only four — hæmatite, magnetite, limonite and siderite — are of industrial value. Most of the iron ore mined in England comes from the siderite deposits at Corby in Northamptonshire and the Scunthorpe district of Lincolnshire. Iron ore smelted in a blast furnace with coke and limestone becomes pig iron, the raw material from which cast iron, wrought iron and steel are made. Steel, the strongest metal in common use, is iron containing about 1% of carbon. Though iron is a newcomer compared with copper and bronze, more than 3,000 years ago it was used to make implements and weapons. Today it is an essential in the structure of civilization. Without it, there would be no railways, steamships, skyscrapers or machinery. Apart from its use in the construction of chemical plant, iron and some of its compounds are vital in certain chemical processes.

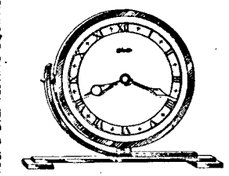
I.C.I. uses iron as a catalyst in the production of synthetic ammonia, and iron pyrites — a sulphide of iron — in sulphuric acid manufacture. It also uses some of the oxides of iron to make pigments for the paint and rubber industries.

ICI

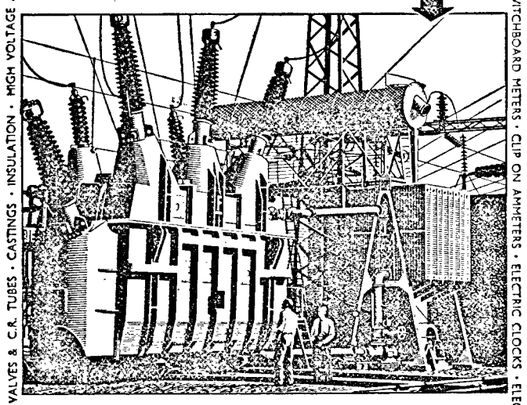
MEASURING INSTRUMENTS · SWITCHBOARD INSTRUMENTS · VOLTAGE REGULATORS

A.C. & D.C. HOUSE SERVICE & SWITCHBOARD METERS · CLIP ON AMMETERS · ELECTRIC CLOCKS · ELECTRIC WATER HEATERS

RADIO & TELEVISION · VALVES & C.R. TUBES · CASTINGS · INSULATION · HIGH VOLTAGE A.C. & D.C. TESTING EQUIPMENT



You know what ⇐ this is: but what is this?



The familiar electric clock and the rarer 60kVA Large Transformer have one thing in common. On each is stamped the name Ferranti, a name that has become part of the history of electricity.

FERRANTI LTD. HOLLINWOOD LANCS. AND 36 KINGSWAY W.C.2

TRANSFORMERS · P.F. CORRECTION CAPACITORS · ELECTRIC FIRES & SPACE HEATERS

SPEED THE NEW HOUSES

There is PLENTY OF LEAD for Water and Gas Pipes, and Roof Flashings

Lead Industries Development Council, Eagle House, Jermyn St., London, S.W.1

Czechoslovakia's New Model Army

[FROM OUR VIENNA CORRESPONDENT]

RECENT news from Czechoslovakia suggests that the efforts of Dr Cepička, the Minister of Defence, to build a New Model army with which to crush imperialism have not so far been crowned with the triumphant success that attended his better known predecessor in this field, Oliver Cromwell. Dr Cepička, it will be recalled, took over the task of russianising the Czechoslovak army in April, 1950, from General Svoboda who had been in command of the Czechoslovak forces on the Russian front during the war and who, perhaps for that reason, had not pushed on with the re-modelling of the Czechoslovak army as fast as the Kremlin wished.

Fresh from his successes in sovietising the Czechoslovak penal code and in bringing the Roman Catholic Church in Czechoslovakia under close Communist control, Dr Cepička brandished his unaccustomed military broom with considerable energy. He gave the army a new uniform, introduced political commissars into every unit and instructed all ranks to report upon any neglect of duty by their superiors with the not unnatural result that he soon had to admonish the commissars to help the military officers maintain discipline. Accompanying these measures was a drastic purge of officers and NCOs, whether serving or on the reserve, as the first step towards turning the whole army into a reliable instrument for the building of socialism. Dr Cepička also tried to popularise the period of army training by raising the pay of conscripts, improving their amenities and urging local communities to "adopt" units. The effect of the adoption, however, was to provide extra "brigades" to do farm and factory work when the young soldiers were not actually engaged in military duties.

The first to feel the full impact of Dr Cepička's broom were the recruits called up for their two years' term in September, 1950. Since that date, not only the organisation but the whole system of field and barrack square training has been on Russian lines in spite of the fact that the comparative disregard of the Russians for human life means that, if there were a war, the Czechoslovak army would in all probability suffer casualties which would cripple the country for generations. In order to integrate the older classes into the New Model army, a number of people, especially the wartime partisan groups, have been called up from time to time to take part in manœuvres with the conscripts. There is reason to believe that this necessary step has sometimes had unfortunate results. Most of the so-called partisans, in particular, have no military training or discipline worth speaking of, having carefully abstained from any form of military activity during the war. On one occasion, during manœuvres at Kynsvart, near Marianské Lázne, they gaily started firing one night simply to amuse themselves. They were using blank but some conscripts nearby, thinking that war had started, replied with ball and several of the partisans were killed.

Meanwhile, the industrial manpower situation in Czechoslovakia has made it impossible for Dr Cepička's New Model to be much more than dressed by the Left. Industry has claimed every recruit it can, including the conscripts, with the result that many of those called up for training have not even received their uniforms. In particular, all the known unreliables are immediately sent into the mines. Of the forty-odd lads called up for "military" service last October from one small community between Brno and Zlin, seventeen were in the Ostrava-Karvinna coal mines before they had been with the colours a month.

According to the reports reaching Vienna, there is an officer of the Soviet army attached, allegedly for instructional purposes, to each unit of the Czechoslovak army. Liaison is also maintained through the Soviet Embassy in Prague, the military department of which has been, and still is, in the hands of a colonel-general. But there is a growing impression in Czechoslovakia that this system is about to be changed and that the Czechoslovak army, like the Polish, is to have a Soviet commander-in-chief who would acquire, or resume, local nationality in order to preserve the outward appearance of independence. Marshal Koniev, whose forces are officially supposed to have "saved" Prague at the end of the war, is a natural candidate for such a post if it is created.

Meanwhile there is still no evidence to support the theory that the Soviet Government has large forces in Czechoslovakia. It does appear, however, that the Czechoslovak Government has handed over the barracks at Matliary in the Tatra Mountains to the Soviet army, though whether for recreational or training purposes is not certain. This camp is near the Polish frontier, and the Soviet Government is entitled to keep troops in Poland until the peace treaty with Germany comes into force.

So far as the Czechoslovak army is concerned, there is reason to believe that many of the formations supposed to be doing garrison duty in the towns are actually in camps some distance away. This is certainly true, for example, of the Zvolen garrison in Slovakia. Zvolen is some twenty miles south of Banska Bystrica where anti-Government partisans are said to be active. The other chief centres for training seem to be Prostejov, Olomouc, Pilsen, Brno and Kosice. There are also garrisons based on such places as Leopoldov, Piestany, where there is considerable air activity, Pardubice, Domazlice, and Presov, and of course Prague. Very few recruits are trained near their homes and every training unit appears to include people from all parts of the country. Very few Slovaks, in particular, are allowed to stay in Slovakia during their period of training.

How Red is the Army?

Reports about the extent to which Cepička's New Model army is being permeated with the communistic spirit poured down its throats vary widely. It is worth mentioning, however, that when there were demonstrations by factory workers in Brno on May 1st against the reductions in wages, the army and the police both excused themselves from dispersing the demonstrators on the grounds that they had been taught by their political instructors that only capitalists used the army against the workers. The authorities took the hint and called in the factory guards to whom no such restrictions applied. When further demonstrations took place—in connection with the abolition of the customary Christmas bonus—the factory guards were at once brought into action and the army and police were not asked to act.

It may be assumed that an army composed mainly of young men of the worker and peasant classes would share the bitter discontent of those classes regardless of the propaganda poured into it. One of the Czech refugees to whom your correspondent spoke recently insisted that if any well-known general paraded the troops under his command and ordered them to follow him to Prague they would do so with enthusiasm and would be joined there by the rank and file of all the other garrisons, though not necessarily by all the officers and NCOs. Only the emergence of a suitable contemporary General Monk can prove or disprove this assertion. Meanwhile, it is perhaps significant that the Government still keeps its most up-to-date weapons in the hands of the STB, or political police, who even possess tanks and light artillery. The army's own equipment is also being gradually renewed, but the information available suggests that it will be a long while before the miscellaneous collection of weapons and transport (much of it German) which the Czechoslovak army acquired at the end of the war has been entirely replaced.

THE BUSINESS WORLD

Steel and Enterprise—II

Steel Prices and Competition

EVEN after the prospective increase—still further delayed this week—of £4-£5 a ton, the home price of British steel will remain among the cheapest in the world. This favourable comparison has been a legitimate source of pride to the industry ever since the war and has offered a stock answer to any questioning of its price policy. As such, it has effectively rebutted the cruder criticisms levelled against steel profits; but it may be beside the point in calmer enquiries. Steel, as has often been suggested in these columns, can be too cheap. The present excess of indiscriminate demand that has made necessary a cumbersome allocation system and the import of much foreign steel at up to twice the British home price would indeed suggest that it is too cheap now. So, for that matter, may the estimates of retained company earnings for the iron and steel group quoted in *The Economist* last week from the recent report of the Commissioners of Inland Revenue; these estimates suggested that in 1948, at an early stage of its vast re-equipment scheme, the iron and steel industry was ploughing back a smaller proportion of its turnover than in 1937. Although the profits of most steel companies have risen since 1948, in real terms the heavy section of the steel industry may still, at current prices, be "giving its capital away." If so, it would mean distortion not only for the steel industry but also for other industries using steel in preference to other materials. It is not enough, therefore, to repeat that steel is cheap. What matters is how its price is related to costs. That question always closely involves the public interest, but doubly so when the return of the core of the industry from public to private ownership is to be undertaken. It is equally important to the private investor who may be invited to take an interest, not in the steel industry as a whole, but in the fortunes of particular steel companies.

Steel prices, it should be said at the outset, are still under Government control. Moreover, the form that official price control now takes has altered considerably from the wartime "prices fund" system that was designed to encourage maximum output and took special care of high-cost companies unable to make standard prewar profits at the controlled prices. A succession of public bodies have been charged with the supervision of steel prices since control began informally in the mid-thirties—the Import Duties Advisory Committee, the Iron and Steel Control, the Iron and Steel Board, and the Ministry of Supply's Iron and Steel Division. The experience gained has been cumulative, and the methods now used display some sophistication in avoiding the technical weaknesses to which some official price controls are prone. Periodic statistics of the production costs of steel are supplied by the British Iron and Steel Federation to the Ministry, and prices are fixed on the basis of the average costs for each product at all the works making it, excluding interest and depreciation charges (and in some cases from the calculation excluding works with abnormal costs). To this average is added a standard margin for fixed charges and for profit — having regard also to hypothetical costings, calculated independently for the Ministry, of a new works making such products. This standard margin was kept unchanged at its prewar level until early in 1949, when the Ministry reviewed it and allowed some increases in favour of the producers of heavy steel products, partly at the expense of the finishing trades. The average costs of making each product obviously conceal a fairly wide spread between the high and low cost producers, and standard prices calculated from the average therefore afford widely differing returns to different producers. The British Iron and Steel Federation on several occasions since the war has demonstrated that a significant fraction of the output of major steel products was being turned out at a loss, and that the margins earned varied widely. That is no doubt true today. It does not necessarily imply that any producer is incurring a loss over all the products he sells.

*

This method of price control, therefore, broadly justifies the industry's assertion that under it

> the least efficient producers pay the normal penalty and have every incentive for striving to reduce their costs and so convert their losses into profits.

But this controlled competition is controlled in more ways than one. The federation is not allowed to fix prices to cover the highest costs of its least efficient members, nor does it directly subsidise them (except one or two small "uneconomic" works of which the products are still particularly useful). But it does at present very considerably moderate the severity of short-term competition between its members by a system of equalisation levies and subsidies that has the broad result of bringing towards balance the costs of the different raw materials used by different types of steel works. The federation's commercial subsidiary, the British Iron and Steel Corporation, Limited, administers an "Industry Fund" largely financed by levies on the tonnage of ingots and castings and semi-finished products produced by each steel works. The fund is used primarily to cover the losses incurred in importing steel-making materials—iron ore, scrap, and semis—at world prices and selling them at the lower home prices; by this means the steelworks that primarily depend on imported materials for making pig iron and steel are brought on more level terms with those making pig iron from the leaner but at present far cheaper home iron ores. Steel companies with works situated on home orefields have, therefore, to make payments to assist their competitors using imported ores.

The fund also covers a number of other minor purposes, such as the expenses of the federation and its subsidiary central organisations for the industry, assistance to the small works already mentioned, and certain payments to moderate the cost of transporting semi-finished steel abnormally long distances within Britain, particularly during periods of dislocation such as the present. But its other major purpose, also in the direction of equalising material costs, is to charge a levy upon the tonnage of scrap used by works making steel from it, and to pay a rebate to steelworks that make steel from pig iron. This process is intended to compensate in part for the fact that scrap bought in Britain—apart from the "circulating scrap" that arises within the steelworks themselves—has since 1937 been supplied to the industry by scrap merchants at a much lower price than the cost of pig iron, originally under a contract between buyer and seller and since 1939 at a statutorily fixed price supported by the prohibition of the export of scrap. Under normal competition, the prices of these alternative steelmaking materials would presumably be closely related; since bought scrap makes up about a fifth of the tonnage of raw materials that steelmakers buy, the low fixed price must obviously have a considerable effect on the cost of all steel made partly from scrap. The federation's fund is here, therefore, used to correct a distortion in costs that in part came about originally from its own bargaining. Since August last year, in addition, the "Imported Materials" side of the account has been swollen by the loss on expensive imported finished steel sold at the lower home price: this component of the fund has recently aroused the particular criticism of Mr Steven Hardie, whose nationalised corporation during its year of steel ownership has played only the part of an observer in the fixing of steel prices.

Such, in silhouette rather than in detail, are the purposes of the steel industry's cost equalisation arrangements. Few details are ordinarily published by the federation; the Ministry of Supply has access to the accounts, but a Ministry spokesman described them to the Committee of Public Accounts last year as "a purely private transaction between the steel industry and its constituent members." One scrap of evidence before the Public Accounts Committee last year suggested that the levy paid in the production of billets last year was some £4 to £5 a ton, equivalent to perhaps just over £3 an ingot ton on steel output; in terms of annual steel output, that would suggest that the total equalisation fund might have been credited with some £50 million last year. With the swift rise of prices of iron ore and imported scrap, the industry fund may nevertheless have paid out more than it received during 1951; the cost of redressing its balance, and of covering losses on well over a million tons of expensive imported steel, suggests that 1952 may require a much increased total levy on steel output—perhaps of the order of £5 an ingot ton.

These are formidable slices of cost to transfer between different sections of the industry, and their effect must blur to a considerable extent the comparative costs of steelmaking. The resultant financial influences upon particular steelworks have never, it appears, been examined publicly, and without full details of the constituent levies and rebates of the funds such an exercise cannot be attempted with any accuracy. It may be questioned, moreover, whether even the controllers of the fund can predict with any real certainty the ultimate economic effects of all its levies and rebates. But evidently an integrated steelworks situated on a home orefield with an output of, say, a million ingot tons a year, using little scrap except that arising in its own works, might find that the difference between the total levy it pays on ingot steel and the total rebate it receives on the pig iron it uses, could affect its own financial results by several millions of pounds a year. Any investor invited to purchase shares in such a company would surely be entitled to know in advance the effect upon its prospective future earnings of such net payments as it makes to assist the industry as a whole—and any contractual arrangements under which a company may be bound in the future to accept such obligations.

*

To question the usefulness of such arrangements is not to support exaggerated charges of combination against the public interest. The pooling of so appreciable a part of the industry's basic costs was not in the industry's mind during the prewar days of supervision by the Import Duties Advisory Committee; but the first steps in this direction before the war provided the basic principles on which the wartime price control arrangements were framed, and this pattern of levy and subsidy, though shorn of its grosser features, has remained. The war period was abnormal; and it is in the belief that postwar conditions too have been abnormal that the system has been continued, first under partial Government subsidy and since 1949 by the federation. In 1949, when the federation took fuller responsibility for these arrangements, it commented

> At some later stage it may be practicable to charge the actual prices paid for imported materials to the using firms without the levy system but, in view of the abnormal levels at which import prices now stand, it is considered that such a course would not, in the meantime, be practicable.

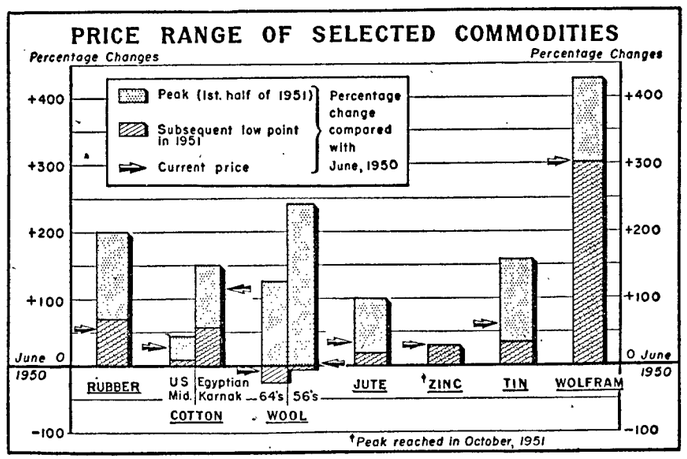
It did, in fact, steer towards that course in 1950; but since the Korean emergency the equalisation system has returned on a larger scale than before. How long, it may be asked, will the meantime remain abnormal? The federation's desire for price stability in steel is understandable; and in the next decade there may be every likelihood that the price of foreign ore, for example, may decline, while the cost of winning home ore will go up. The levies and subsidies probably do not wholly obscure the real comparative advantages and disadvantages of steelmaking at particular works (though the artificially low price of bulk-purchased scrap might in certain cases have a great influence upon the financial results of certain technically "obsolescent" cold metal shops). Nor need one accept the more theoretical condemnations of the distortions in location of new plant that may flow from this blurring of cost advantage; decisions about location ought to give full weight to calculations of economic cost, but they are never wholly determined by them. In the same way, the uniform delivered pricing system under which British steel is sold has had in practice probably less effect in distorting the economic location of consuming industries than it would seem able to have in theory.

It remains true that these departures from competition have not recently been publicly examined, let alone publicly justified. The last full-scale examination of the steel industry was published in July, 1937, by the Import Duties Advisory Committee, a body imbued with the desire for security of British industry in the thirties,

and not ill-disposed towards the curtailment of competition that might bring that security about. At that time the price system of the industry was barely being worked out; and in any case what was appropriate to that period has little relevance to the nineteen-fifties. The steel industry must plan for the long term, and it cannot assume that the present boom in the demand for steel will be necessarily more lasting than a slump in days gone by; therefore security can fairly be its legitimate concern. But whether security is best sought in a partial withdrawal from the rigours of free competition is debatable. Perhaps the greatest need for the British steel industry today is an impartial—and public—re-examination of its price and development policies, proceeding from the principle that each and every departure from competition needs to be justified publicly and periodically. That might well be the first task of the Iron and Steel Board that appears to be the chosen instrument of the Conservative Government for supervising a denationalised steel industry. A further article will examine the powers that such a board might require.

Commodities Now

THE general tenor of the commodity markets is still one of uncertain stability. Prices in recent months have displayed no marked swings in either direction; but there is little confidence in the permanence of existing levels. Last autumn it was quite widely believed that a renewed but moderate upward movement was about to follow the violent relapse of the previous six months or so; but this expectation proved ill-founded. The firmer tone that developed in most markets last October later gave place to uncertainty, with the general tendency slightly downwards; Moody's index of commodity prices, for example, has fallen by 2½ per cent in the past four months and most of this fall was concentrated in the opening weeks of this year. To get perspective in any attempt to guess the future trend, it is necessary to glance first at the spectacular movements of the past eighteen months.



Since the invasion of Korea, commodity prices have passed through three distinct phases. The first was the notorious scramble for supplies, with its associated dramatic rise in prices, that occurred mainly in the last quarter of 1950 and the first quarter of 1951. Prices had, of course, tended to rise shortly after the actual commencement of fighting in Korea, but this initial movement was quite moderate; the real pressure of demand did not come until after September, 1950, when it first became clear that the Korean campaign was not just another "incident." Different commodities reached their peaks at different points of time, but all, or nearly all, reached them in the first quarter of 1951. Goods of which the United States is a large importer rose much more sharply than those that America exports. At the peak, for example, the price of tungsten was 428 per cent above its pre-Korea level, crossbred wool 240 per cent, rubber 200 per cent and tin 160 per cent. In contrast, American cotton at its peak had risen by only 44 per cent, copper by 22 per cent, zinc by 30 per cent and lead by 55 per cent; the last two of these commodities did not reach their peaks until October, 1951. Moody's index at its peak showed a rise of 36 per cent.

This first phase, in which the markets greatly overreached themselves, gave place to a period of readjustment extending roughly from March to September of last year. During this second phase some prices fell almost as dramatically as they had previously risen. Generally, those that had risen most fell most; the chief exception was wolfram. Wool fell to below its pre-Korean level; the only other major commodities to do so were the shorter-stapled Egyptian cotton (Ashmouni and Zagora) and tea. Rubber and tin each lost well over half their previous gain, and at their low points were 70 per cent and 40 per cent respectively above their pre-Korean levels. Wolfram, which fell only moderately, has remained 300 per cent dearer than in June, 1950. The price of American cotton also declined only moderately; at its low point it was 10 per cent above its pre-Korean level. In contrast, the official prices of copper, lead and zinc in New York rose in 1951, but the free market prices of these metals have fallen from the peaks reached last summer, and those of lead and zinc now roughly approximate to the official quotations. Moody's index, at its low point in September, was still 15 per cent higher than in June, 1950.

The third phase—that of uncertain stability—began last October. Since then prices have fluctuated frequently though not violently, and with no consistent tendency. There has been a firmer tone in most of the staple foodstuffs, wheat, maize, cocoa and coffee, and in a number of raw materials, cotton, flax, jute, sisal, tin. But there has been a further fall in wool, sugar, rubber and vegetable oils—the last three are now below the low points reached last year. Copper, lead, zinc and wolfram have shown no change in New York. Wool remains the only commodity whose current price is below its pre-Korean level. These trends, by themselves, do not suggest any fundamental weakness in the commodity markets.

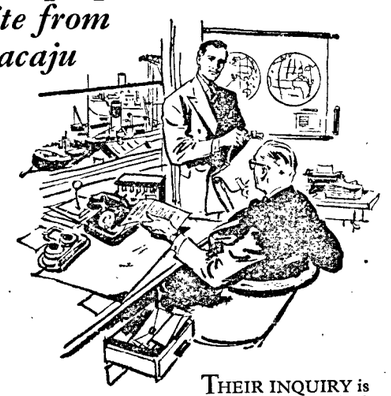
On the other hand, there is no evidence, from the supply side, to warrant fears of another dramatic rise in prices. World output of most commodities increased in 1951. Coal production was 5 per cent larger than in 1950, crude steel 10 per cent larger, crude petroleum 15 per cent, electricity 12½ per cent, copper and zinc each 5 per cent; output of natural rubber was also 5 per cent larger, but that of synthetic rubber leapt by 75 per cent. The two main exceptions among the strategic materials were tin and lead; tin production fell by 3 per cent and lead by 2 per cent. The world cotton crop for 1951-52 is estimated at nearly 20 per cent above that for 1950-51, wool is up by 2 per cent, while larger crops are also forecast for jute and sisal. Among the staple foods, the current season's crops of wheat, maize, sugar and coffee are all larger than last season's, but the cocoa crop has declined by 10 per cent. Only a hazardous guess can yet be made of 1952 supplies, but, on present trends, output of coal, steel, copper and zinc may continue to increase, while tin and rubber production may decline slightly.

This year's uncertainties arise rather from the side of demand than from that of supply. Defence will continue to absorb an increasing share of world supplies of raw materials, and the crucial consideration is whether the resultant pressure will be reinforced or eased by the behaviour of civilian demand. This declined sharply in the second half of 1951, after the buying spree that followed the launching of arms programmes. But there is no certainty that it will now begin to expand again; on the contrary, if governments introduce more drastic measures to curb their domestic inflations, it may decline further. Four particular factors deserve careful scrutiny. First, the operation of the International Material Conference in Washington; secondly, internal conditions in the United States; thirdly, the balance of payments difficulties in Britain, the sterling area and Europe; fourthly, the economy in the use of scarce materials.

The IMC has introduced allocation schemes for seven materials—copper, zinc, tungsten, molybdenum, cobalt, nickel and sulphur. It is also keeping under review lead, manganese, cotton, wool, paper and pulp, and intends to introduce allocation if these materials become scarce. Although only one scheme, that for tungsten, lays down any specific conditions about price, the allocation systems have curtailed the pressure of demand on the materials concerned and have prevented any further rise in price. This can be seen from the behaviour of the free market prices for non-ferrous metals. "Free" copper is now less than 50 per cent above the official New York price, whereas before allocation it was 100 per cent above; "free" zinc is almost down to the official level. The existence of the IMC, therefore, should prevent a repetition of the spectacular price rises of twelve months ago.

During the past nine months the United States has experienced another of its postwar "prosperous recessions." The imposition of price control, the restriction on use of certain materials for civilian purposes, the curtailment of instalment credit, and the excessive building up of stocks both by consumers and by manu-

These people write from Aracaju



THEIR INQUIRY is interesting. What, however, is their commercial standing? You do not know—but the Westminster Bank almost certainly does. And even if it does not, the facts can quickly be obtained because the Bank has representatives in every town of importance throughout the world. This unrivalled Credit Information service is part of the much wider service which the Bank places at the disposal of all who trade abroad and which is fully described in the booklet 'The Foreign Business Service of the Westminster Bank'. A copy will be sent gladly on request.

WESTMINSTER BANK LIMITED
Foreign Branch Office: 41 Lothbury, London, E.C.2

TRADE with SWEDEN

We offer a trade introduction service efficiently equipped to place British exporters and importers in touch with reliable Swedish firms engaged in foreign trade.

Ask your bank to consult and use the services of

SKANDINAVISKA BANKEN
Established in 1864

Central Offices:
GOTHENBURG STOCKHOLM MALMO

facturers in the winter of 1950/51 all played their part in restricting purchases after the first quarter of 1951. Manufacturers lived on stocks; the American public saved its extra income. In fact, net saving as a proportion of disposable personal income rose from 4 per cent in the first quarter of 1951 to 9 per cent in the second and to 10 per cent in each of the last two quarters. It may well be that such a high rate of saving cannot be continued indefinitely, but, even if consumer demand does increase, American manufacturers may be inhibited —in fact prevented—from bidding up world commodity prices by the existence of domestic price controls. There is also the risk that stockpiling may slow down this year; the programme for stocking rubber, for example, is expected to be completed shortly. If this does occur, however, some of the slack in demand may be taken up by the relaxation of existing American restrictions on civilian use of these materials.

The defence programmes in Europe are barely under weigh; but steps have already been taken in most countries to limit civilian use of a number of materials. The main problem confronting Britain, the sterling area and Europe is to restrict imports to the level that can be paid for by overseas earnings. The burden of restraint will be eased to some extent by American grants under the mutual aid programme, and no country is likely to abstain from taking up the quota of any materials allotted to it by the IMC—and most of the materials at present allocated come from the dollar area. Nor is Britain or Europe likely to restrict further its imports of other raw materials, which come mainly from the sterling area. Britain, admittedly, has already announced a cut in its stockpiling programme, but the quantities involved are small by comparison with total world demand; moreover, the largest cuts have been made in defence materials that are subject to allocation, so that the British decision is unlikely to have perceptible effects on world prices. The only commodities for which the demand from the sterling area and Europe may decline are those used mainly for consumer goods—notably wool, cotton and rubber.

The campaign to economise in scarce materials may not have any immediate impact on consumption, but it is likely to have far-reaching long-term effects. The rayon industry, for example, has apparently found that it can make do with less sulphur; engineering firms have adopted scrap salvage as part of their normal routine; improved methods of stock control have enabled factories to carry a smaller working stock. These developments should in time reduce the amount of raw material required for each unit of end-product; and, once economy of materials has become part of the normal procedure of efficient management, it is likely to continue.

These four considerations relate mainly to industrial raw materials. Among the foodstuffs, there is no prospect of any large surplus of either wheat or maize. In sugar, the bumper crop ought to imply a phase of lower prices; but Cuba, the largest exporter, is unwilling to accept much less than 4¾ cents a lb for its exports, and if prices fell below this level, it would ask for the international sugar agreement to come into operation once more. The larger coffee crop may involve some decline in coffee prices, but cocoa prices have already risen quite sharply, under the influence of the continuing prosperity in the United States and of the smaller crop.

The conclusion to be drawn from these conflicting trends cannot be precise. The existing national and international controls on prices and consumption should prevent another dramatic rise in prices such as occurred in the nine months following the invasion of Korea, even if the American public spends a larger proportion of its expanding income. On the other hand, so long as defence programmes are maintained, the chance of any further substantial fall will be remote. During the first quarter or even the first half of this year, the present uncertain trend seems likely to continue, probably with a downward tendency. But as soon as the public has consumed part of the stocks it accumulated twelve months ago, and as soon as it is convinced that prices will not fall sharply, the tendency will be for prices to rise—unless disinflationary policies are unexpectedly tough.

Business Notes

Dearer Money for Local Authorities

Mr Butler evidently intends to stick closely to the sound rule that he laid down in November, that interest rates charged to local authorities by the Public Works Loan Board should not contain any "element of concealed subsidy." The increased rates announced with effect from February 9th conform even more closely to the current pattern of yields on British Government securities than did those announced three months ago. The rate for loans up to five years, which was then left at the 2 per cent to which Sir Stafford Cripps raised it in 1948, goes up to 2½ per cent; the rate for five to fifteen years, previously raised by ½ per cent to 3 per cent, now becomes 3¼ per cent; while the rate for longer loans, previously raised by ¼ per cent, is now raised by ½ per cent, to 4¼ per cent.

This prompt second adjustment, to take account of the big effect that the new monetary policy has had upon the gilt-edged market, makes it plain that the authorities intend to keep the PWLB charges even more closely in line with what the Treasury now describes as the "true current cost of money" than had been expected. Practice will not be allowed to lag behind precept as it has done in these past four years. The Labour Government professed to follow the same principle of relating charges to market rates. Thus in January, 1948, Sir Stafford Cripps declared that

> the rates of interest charged to local authorities are fixed from time to time to correspond broadly with Government borrowing rates for comparable periods.

But in fact the Labour Government made only one increase —when Sir Stafford Cripps was obliged to acknowledge the radical change caused in the interest structure by the collapse of the Daltonian experiment. He then reversed Dr Dalton's reduction in the PWLB rates, raising the longest rate from 2½ to 3 per cent, but even then did not come fully into line with the market.

* * *

Effect on Housing Subsidies

Much more important than the actual increases in rates over the past three months is the effect they will have upon local government finances; and this is still uncertain. Mr Butler said in November that long-term capital investment should be financed at the true current rate of interest, but added that "in the case of housing, if no other adjustments were made" the effect would be to raise either local rates or rents. Accordingly, the Minister for Housing and the Secretary of State for Scotland were to advance the date of the annual review of the housing subsidy and were to hold with the local authorities discussions in which the increase in interest charges would be "one factor"; changes in the structure of the subsidies were not to be ruled out. At the time, this phrasing gave the impression that the Government intended to amend the subsidies in such a way as to relieve the local housing accounts (but not other accounts) of at least the greater part of the additional interest charge; but this impression was greatly weakened a fortnight later by the dogged refusal of Sir Arthur Salter, despite repeated pressure in debate, to give even the most general promise to that effect—or, indeed, to clarify the Chancellor's statement in any way.

Since then the promised discussions have been opened with the associations of the local authorities, and it has been rumoured that any change in the subsidies is now unlikely to cover more than a part of the additional charge that might be expected to fall upon the housing accounts. Yet the Treasury's announcement of the latest increase in interest charges states that the Government's proposals "for the new housing subsidies" take "full account of this rise in rates" in addition to "other adjustments." This is no less bewildering than Sir Arthur Salter was in the debate of last November.

The explanation, perhaps, is that the ramifications of local finance on these issues are themselves bewildering. Even if a substantial part of the additional interest charge for housing is left uncovered by subsidy, it still will not follow that rents or rates will be raised correspondingly. Much will depend upon the practice of the individual authorities, who will presumably remain free, as in the past, to decide for themselves such questions as whether to spread increased interest payments over the whole range of their expenditures, how to apportion the burden between rates and specific charges, and whether to finance the amount remaining to be borne on the housing account by raising rents for all their housing or only for new housing. It is to be hoped, however, that this opportunity will not be missed for taking a first step, in this relatively limited field, towards a more realistic pattern of rents.

* * *

Rights Issues and the Market

Industrial share prices have been slipping for most of this week. By Thursday morning, indeed, the slip had almost become a slide. The *Financial Times* index of industrial ordinary shares still stood at 114.2 by Wednesday's close compared with 114.8 before the week-end, but the extent of recent general falls was somewhat masked by speculative interest in certain shipping shares and by the strength imparted to tobacco shares by the maintenance of the Imperial Tobacco dividend and the announcement of the Carreras share bonus. The dominant influence of the week has been the announcement of two new "rights" issues to ordinary shareholders. Boots is raising just over £4 million by the issue of 5,120,000 5s. shares at 16s. each on a one for three basis, and GEC is raising just under £6 million by the issue of 1,679,348 £1 shares at 72s. 6d. each on a two for five basis. As has now become usual, the existing shares of these companies were promptly marked down. Immediately after the respective announcements Boots lost 1s. 3d. to 20s., to make the "rights" worth about 1s. a share, and GEC lost 2s. to 77s. 6d., to make the "rights" worth about 1s. 5d. a share. In the last three months British companies have raised over £57 million from their existing shareholders by rights issues of this sort; when the terms of the coming British Insulated and Callender Cables issue are announced, the total is likely to go well above £60 million. It is perhaps a blessing in disguise that the failure of certain big industrial debenture issues at the end of last year has put a temporary stop to the orgy of borrowing on fixed interest terms, which was building up a heavy burden of prior charges that could have grim consequences if and when the world boom fades. But it is not a happy implication that the main pre-requisite for raising capital in Britain today is not that that capital can itself be profitably used, but that the company making the issue has a sufficiently good and lengthy record behind it to be able to pitch an issue at ordinary shareholders at some price between par and current market values.

Gilt edged have also been inclined to sag this week, despite the fact that last week's Southern Rhodesia 4½ per cent loan was oversubscribed (with applications over £500 receiving only about 59 per cent of the amounts applied for). At the end of the first day's dealings on Friday of last week the new loan had gone out to a 9/16 premium, but by the close of business on Wednesday of this week the premium was down to ¼.

* * *

Trade Troubles Continue

British exports last month again broke through to a new record. Their total value (including re-exports) was £264 million, or £51 million greater than in December, and £10 million greater than in the previous peak month of November; their daily rate was thus 6 per cent higher than in the second half of 1951. Unfortunately, British imports also rose sharply; their total of £357 million was £43 million greater than in December, though £11 million below the peak of last August. It seems clear that importers are using their licences straight away, and not spreading them over their allotted six-month period; the recent import cuts may, however, begin to show up sharply in a few months' time.

In all, the excess of imports (valued c.i.f.) over exports (valued f.o.b.) fell slightly from £101 million in December to £93 million in January. The improvement, however, does not seem to be reflected in the hardest pressed sectors of Britain's trading accounts. Exports to North America, at £19½ million last month, were only slightly above their depressed average rate in the last quarter of 1951—and exports to Canada were actually below it. It is significant that America's gold reserves — when struck net of foreign deposits—are continuing to rise at a rapid rate. In the last quarter of 1951 the reserves were rising at an average weekly rate of $66 million; in four successive weeks from January 9th they rose by $44 million, $90 million, $97 million and $54 million respectively. Britain is also still losing gold hand over fist to the European Payments Union. The sterling area's net deficit with EPU countries amounted to £54 million in January, compared with £53 million in December. Britain is now in the fifth tranche of its quota, where 80 per cent of all future payments must be met in gold; last month's gold drain to EPU amounted to £33½ million. The deficits and surpluses of other EPU countries in January also conformed to the disturbing pattern forecast in *The Economist* last week. France showed a deficit of $103 million on the month, Belgium a surplus of $49 million, and Holland, exceptionally, a surplus of $99 million.

* * *

The Tottering Franc

France has now followed up its suspension of trade liberalisation by extending its complicated system of export subsidies. M. Buron's present hope seems to be to reap some of the advantages that would undoubtedly accrue from a devaluation of the franc while avoiding the setback to confidence that orthodox depreciation would incur. An indignant official communique this week declared that recent rumours of devaluation were "entirely without foundation and circulated exclusively for speculative purposes." The new

export subsidies, which the communiqué cites as symptoms of the government's intention to défend the currency, take the form (previously tried out for dollar exports only) of refunds to certain exporters of part of their taxes and social security payments ; the remissions announced last week-end will benefit only about one-third of France's exports, but they should reduce the costs of production of these by between 10 and 12 per cent. French export interests have immediately hurled their shoulder against this half-open door and proposed that the refunds should be increased and granted to all exporters without discrimination, and that they should also apply to commission agent exporters, French firms representing international brokers, and manufacturers making goods with an export content. The French Foreign Trade Counsellors have also proposed that credit ceilings and company taxes should be eased to help the export drive ; in mooting this last proposal they may be somewhat over-optimistic, since the new government is reported to be courageously sticking by its predecessor's plan to counter inflation by increasing most direct taxes and all indirect taxes (except those on essential foodstuffs) by 100 per cent.

Meanwhile, the flight from the franc goes on ; it has indeed been given a new impetus by the news that France ran a $103 million deficit with EPU countries in January. An interesting feature of the latest crisis of confidence, however, is that much of the flight seems to have been into Stock Exchange securities that would gain by devaluation rather than into the traditional hedge of gold. In the first six weeks of 1952 the price of gold bars on the Paris free market rose by 7 per cent, while the index of French industrial securities rose by 11 per cent (to 73 per cent above end-1950 levels). Foreign securities quoted in Paris rose by 13 per cent in these six weeks, and the premium on most sterling securities has recently fluctuated at between 20 and 30 per cent above London Stock Exchange prices ; the French Government has now had to reimpose a virtual ban on French subscription to new capital issues by foreign companies. On past experience, this more sophisticated "investment approach" to crisis seems overdue. Although successive devaluations have driven the cross-rate with the dollar down from 38.01 francs in 1938 to 350 francs (official rate) or about 468 francs (free rate) now, it is too often forgotten that French industrial securities have increased in capital value by 16½ times since 1938. The Frenchman who bought ordinary shares just before the war has still done much better, in capital and income considerations combined, than the Frenchman who bought a gold bar.

* * *

Coal Prospects Improve

Measured by a variety of yardsticks—the level of stocks, the number of miners, and the rate of consumption—coal prospects since the middle of December have been growing steadily healthier. With distributed stocks at the beginning of this month amounting to 14,243,000—four million tons more than at this time last year and more than at the beginning of February in any postwar year except 1948—it is becoming obvious that the decision taken in November by the new Minister of Fuel to import American coal this winter, understandable at the time, will probably have been an unnecessary reinsurance. The total number of men on colliery books, 705,300, is almost back to the level of the beginning of 1950, and about 12,000 above the average for last year. Inland consumption during the first five weeks of 1952, 22,515,000 tons, was higher than in the same period of 1951, but by no more than 67,000 tons ; for a short period at least, the steep rate of increase in consumption seems to have been checked. In the last two weeks recorded production has been about level with that of the same period of 1951, while attendance has recorded more than five shifts a week for each wage-earner. This means, firstly, that the Saturday working is the equivalent of a five-day week for everybody in the industry with no absenteeism whatever ; without some national increase in general working hours this seems the utmost that can be asked of the mining community. But it also shows that the effect of that Saturday working, in tons of coal, has been reaped once and for all. No considerable further increase in output from this source can be hoped for in 1952.

None of these encouraging trends has been evident long enough to justify over-optimism. The stabilising of inland consumption that has left much more coal in stock has come about during a period of fairly cold but dry and almost windless weather that has favoured economy in domestic and industrial heating. There is still some reason to fear a loss of older men from the industry under the new pension scheme ; but enrolments in the scheme have been disappointingly low, perhaps because young miners doubt whether 30s. a week in twenty years time will be worth much, and wastage of miners on account of this may be less than was expected. Nevertheless, the safer balance should relieve the Board from quite that degree of preoccupation with day-to-day supplies that has often diverted its energies from seeking higher output. To achieve that increase quickly most certainly deserves the greater part of their attention.

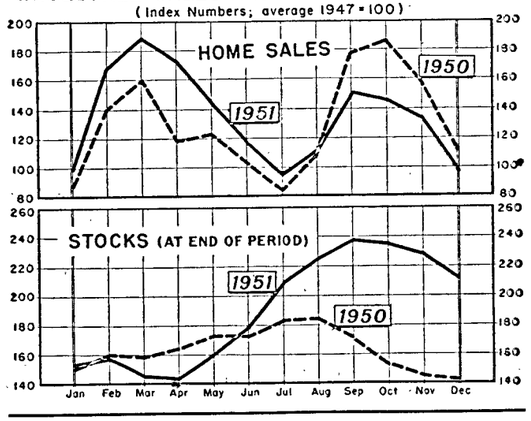
* * *

Spring Trade Doubts

The size of stocks was the most important single factor in the wholesale textile trade during 1951. At the beginning of the year, continued buying by retailers during a normally slack period ran down the wholesale stocks to well below safety level. In March the Wholesale Textile Association reported that, although selling prices were rising, stocks were 8 per cent below their level of the previous year and sales were nearly 19 per cent higher. By December the positions were reversed, with sales 14 per cent lower than those in December, 1950, and stocks nearly 50 per cent higher. Wholesale trade in December showed nothing to compensate for the disappointing sales of the previous months. The index of sales fell from 134 (1947=100) in November to 96 ; and was 13.6 per cent lower than in December, 1950. Only the sales of typical Christmas goods such as hardware, sports goods and fancy goods showed any improvement on the year before. The index of stocks has been brought down point by point from 237 in September to 211 in December compared with 141 in December, 1950.

WHOLESALE SALES AND STOCKS OF TEXTILES

(Index Numbers; average 1947=100)



Neither retailers nor wholesalers are particularly anxious to order spring goods before they see clear signs of a trade revival. With so much capital tied up in stock, they are short of cash and are no longer able to get, or indeed to give,

AUSTRALIA AND NEW ZEALAND BANK LIMITED

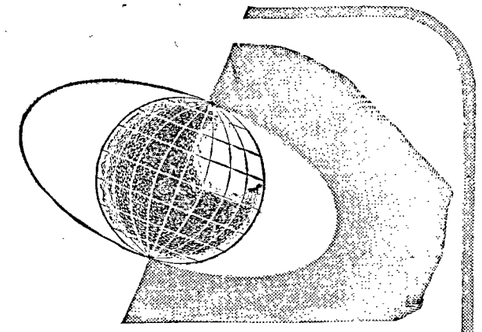
In which are merged
THE BANK OF AUSTRALASIA LIMITED
(Established 1835)
THE UNION BANK OF AUSTRALIA LIMITED
(Established 1837)

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES
(EXPRESSED IN AUSTRALIAN CURRENCY)
30th SEPTEMBER, 1951

Liabilities	£A.
Capital, paid up	10,667,500
Reserve Fund and Profit and Loss Account Balance	8,337,372
Current, Deposit and other Accounts	373,596,221
Acceptances for Customers	21,484,016
Confirmed Credits, Guarantees, etc, on behalf of Customers	61,206,514
	£A.475,291,623

Assets	£A.
Coin, Bullion, Notes and Cash at Bankers	36,475,775
Cheques of, and Balances with and due from other Banks	13,804,835
Investments at or under Market Value	15,043,738
Special Account with Commonwealth Bank of Australia	100,083,000
Bills Receivable and Remittances in Transit	55,172,368
Loans and Advances to Customers and other Accounts	168,978,163
Liability of Customers for Acceptances	21,484,016
Bank Premises and other Fixed Assets	3,043,214
Liability of Customers and Others on Confirmed Credits, Guarantees, etc.	61,206,514
	£A.475,291,623

HEAD OFFICE
71 CORNHILL, LONDON, E.C.3



Plans for **DEVELOPMENT**

Business men who have plans for development in overseas and colonial territories which call for medium or long term finance should write for our new booklet. It explains what the Corporation can do for you and gives details of the countries in which we operate. Please write to the Manager at the address given below.

BARCLAYS OVERSEAS DEVELOPMENT CORPORATION LIMITED

54, Lombard Street, London, E.C.3

GILLETT BROTHERS DISCOUNT COMPANY, LIMITED.

Capital and Reserves
£1,800,000

ESTABLISHED 1867

52, CORNHILL, LONDON, E.C.3

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are. Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 27 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

THE PERSONAL TOUCH IN BANKING

Nearly two centuries of financial experience and personal service to each customer have helped to build up the present tradition of Glyn, Mills & Co. The banking service which is provided is completely modern in all its aspects, yet has never become impersonal in its attitude towards the large concern or the private individual.

GLYN, MILLS & CO.
BANKERS
HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

Associated Banks: Royal Bank of Scotland, Williams Deacon's Bank Ltd.

A SAFETY FIRST INVESTMENT

2¼% per annum

Income tax paid by the Society

Equal to £4 · 5 · 9 per cent. to Investors subject to Income tax at the Standard Rate

Sums up to a total holding of £5,000 are accepted for investment in the Abbey National. For further particulars, apply for a copy of the Society's Investment Booklet and Balance Sheet.

Total Assets £136,630,000 Reserves £6,913,000

ABBEY NATIONAL
BUILDING SOCIETY

HEAD OFFICE:
ABBEY HOUSE, BAKER STREET, LONDON, N.W.1
For address of local office see Telephone Directory

CVS-28

much credit. This argument, however, applies with more force to the wholesalers than to retailers. By the end of December, retail stocks were considerably lower than they had been at the beginning of the month. The retail sales index (1947=100) had jumped between November and December from 157 to 201. This compares with a rise of 147 to 182 between November and December, 1950, and by this standard the rise in Christmas sales, big though it was, cannot have been sufficient to offset the slack trade of earlier months. Its most satisfactory feature was that sales of clothing, and especially of men's and boys' clothes, showed the biggest rise. The whole clothing sales index rose from 176 to 252 and in consequence, clothing stocks showed their first fall in six months, dropping from 223 to 190. But this is 30 points higher than the level at the end of 1950 and stocks may still be substantial enough to have an inhibiting effect on retailers. The announcement of an early Budget, the promised changes in the utility scheme and now the sad events of the past two weeks, all encourage them, and through them the wholesalers, to hold their hand a little longer. But clothing manufacturers have retained many of their staff on short time in the hope that orders for spring stocks would provide them with employment. If the orders are delayed much longer these workers will have to be dismissed and there may then not be the labour to meet normal retail requirements.

* * *

Courtaulds Cut Output

The decision of Courtaulds Limited to reduce the rate of output at three of the company's rayon factories is a sign that no early revival in the market for rayon textiles is now expected. These are three fair-sized yarn factories, between them employing 3,750 men, and they specialise in yarns for clothing fabrics. The two Welsh factories at Aber and Castle produce continuous filament yarn and the Deeside factory operates a crèpeing plant. Rayon production in the country as a whole showed a sharp drop in December, from 36 million pounds in November to 28.5 million pounds, but the need to make cuts on this scale, which will presumably involve standing off a number of men, has to a large extent been avoided by increasing the output of industrial-type yarns. This expedient was not possible at these three factories, and the stocks of domestic yarns have reached a point where the rate of production had to be reduced.

The switch from domestic to industrial textiles is likely to become more marked. The recession in rayon sales started many months before the general slump in textiles and, since the fall in raw wool prices, Bradford's customers, too, have become less prepared to accept rayon-wool mixtures. Many orders are being changed back to all-wool cloth. This lack of interest in all but industrial high-tenacity yarns is surprising because rayon is still the cheapest textile fibre and its possible uses have in recent years been greatly widened. Where it is being used for fabrics of intricate construction, as it is to an increasing extent in certain furnishing and dress materials, British weavers cannot compete in price with continental producers. Cloth importers estimate that the price of some of the French furnishing damask now on show in London is less than half that of its British equivalent. That is, however, a specialised market. In mass-produced fabrics British prices, are, in general, still competitive.

* * *

Thinly Spread Butter

This year Britain will have to spread its butter more thinly for, according to estimates made by Lovell and Christmas Ltd., available supplies are likely to fall from 314,000 tons in 1951 to 272,000 tons. About half the total supplies come from New Zealand, and although production is expected to remain high, exports to this country are unlikely to be much above 135,000 tons; the shipment of 153,000 tons last year was achieved at the cost of running down stocks in New Zealand. Foot and mouth disease in Denmark is not expected to reduce its butter output over the season and supplies for this country should be about the same as last year. Other continental countries are now buying less in Denmark, though bad weather in Europe during the next few months might lead to renewed buying.

UNITED KINGDOM BUTTER SUPPLIES
(Thousand Tons)

Country	1938	1950	1951	1952 (Estimate)
Australia	90	66	33	10
New Zealand	130	128	153	135
Denmark	118	126	101	100
Netherlands	36	15	18	} 20
Poland	10	(a)	2	
Other imports	92	(a)	1	
Total Imports	**476**	**335**	**308**	**265**
Home production*	21	17	6	7
Total Supply	**497**	**352**	**314**	**272**

* Excluding farm butter. (a) Under 500 tons.
Source: Lovell & Christmas, Ltd.

Australian exports to this country have been dropping sharply since 1950 and this year production is likely to be curtailed by the serious drought. Britain may, in fact, receive less than a third of the quantity of 1951—say, no more than 10,000 tons. In all, British supplies of butter from all sources (including home production) will total some 272,000 tons in 1952. Since 265,000 tons will be needed to maintain the 3-oz ration there will be little to spare. Last year, the ration was kept at 4 oz for two-thirds of the year, but total supplies amounted to 314,000 tons, leaving a small deficit which was made good from stocks.

Prospects for cheese supplies are hardly more reassuring; Lovell and Christmas suggest, indeed, that the ration may have to be reduced to 1 oz a week for short periods. New Zealand and Australia are expected to send 110,000 tons to this country—about the same amount as last year—and home production will probably remain steady at 45,000 tons. But the present ration of 1½ oz a week absorbs nearly 180,000 tons in the year. To make up this amount nearly 25,000 tons would be required from Canada and the United States. Last year exports of Canadian cheese to this country were only about 12,000 tons, and even if dollars could be found for more cheese, it is doubtful whether shipments could be doubled this year. In 1951 supplies of ration cheese from all sources came to 206,000 tons; these included heavy purchases from United States stocks, which allowed an increase in the ration to 3 oz during the worst period of the meat shortage. Such a rescue operation this year seems improbable.

Commercial History and Review of 1951

This week's issue of the *Records and Statistics* Supplement to *The Economist* includes the first part of the Commercial History and Review of 1951—the 89th of the series which began in 1863.

Part I provides a general review of British economic developments last year, and special articles on finance, investment, overseas trade and agriculture. Part II, to be published on March 15th, will contain articles on all important British industries, and Part III, consisting of overseas economic reports, will appear in April.

The *Records and Statistics* supplement is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

Attack on Pulp Prices

This week the Ministry of Materials advised paper manufacturers that ceiling prices would be imposed on all import licences for woodpulp ; pulp bought at higher prices will not get a licence. No price ceiling has been fixed for imported woodpulp used by the rayon industry. Evidently the British civil service is taking a leaf out of the American book ; what has been done to rubber and tin during the past twelve months may be attempted for wood pulp and perhaps for other commodities that are subject to import licensing. Pulp escaped fairly lightly from the Chancellor's import cuts of last November. Supplies were to be reduced by 9 per cent on then existing prices. If the imposition of ceiling prices succeeds in bringing prices down, imports of pulp this year could be maintained at the same quantity as in 1951. Import licensing was re-imposed for pulp last November, and since then importers have been refused licences from time to time if the prices they agreed to pay seemed too high. Now they are being told to what limits they can go. The ceiling price for chemical pulp is £88 a ton, compared with current spot prices of between £105 and £120 a ton ; the limit for a mechanical pulp is £39 2s. a ton against current quotations of £42-£45 a ton.

Officially this ceiling price technique is a purely British policy. In fact, it results from discussions with other European importers who themselves have been anxious about the persistent rise in the price of pulp from Norway, Sweden and Finland. Caustic criticisms from these exporting countries are only to be expected. Norway has described it as "a serious blow" for it means a reduction of 20 per cent on current prices and Britain takes between a third and a half of Norway's exports. But since Norway and Sweden levy an export tax on pulp, the remedy for any hardship that the new ceiling prices might impose on the pulp producers would seem to rest in their own hands.

* * *

Furniture Looks Up

The furniture industry was probably hit earlier and harder by the retail sales recession than any other consumer goods industry. But a slump of this kind is nothing new in its history, and its apparent vulnerability to any fall in consumer spending conceals a remarkable resilience. The first part of the industry's annual trade exhibition is being held in London now, and the second part will open in Blackpool towards the end of the month. In the opening days exhibitors have been doing quite good business and the furniture industry has hopes of more active trade during the next few months than, for example, the clothing industry. One reason for the modest revival is that manufacturers have had the good sense to meet the buyers' market more than half way in their prices. Another is that the retailers have disposed of much of their big stock of furniture. In August retail furniture stocks by value were 47 per cent higher than twelve months earlier. By December they were only seven per cent higher. This reduction did not come about by an increase in the rate of sales in the intervening months ; retailers ran down their stocks simply by placing no orders with the industry. This industry has already borne the impact of this: some 20 per cent of the union members, and probably even more of the non-union workers, are either out of work or on part time.

By cutting prices the furniture manufacturers have now made it easier for retailers to contemplate re-stocking. Costs have risen by about 25 per cent during the past year, but manufacturers whose three-piece suites cost £70 last year are showing suites this year at £40. It would be foolish to pretend that reductions of this order have been made possible by production economies that offset rising production costs. For the greater part the reductions have been achieved by cutting quality to the bone of the utility standards.

Many manufacturers have also combined reductions in price with a noticable change in style. The furniture shown falls into three distinct styles: reproduction, conventional designs, and "contemporary" furniture. The characteristic failings of each class are less conspicuous than in previous years, although the quality of much of the timber makes it necessary to persist with lavish use of varnish, and the limitations of machine methods of production make it difficult to introduce much real variety. Some of the most outstanding exhibits were those made by pupils from technical schools, but few of these pieces seem adaptable to machine production. This is an aspect of furniture design that might with profit be given more attention than it at present receives. The second limitation on the industry, the utility specifications, may soon be removed. These will be remembered for having introduced a good average standard of quality into an industry where quality used to vary widely. But they also tended to repress the natural resourcefulness of the industry and made it difficult for manufacturers to make more than superficial changes in a standardised range of furniture.

* * *

Less Canned Food

Optimistic forecasts about tinplate supplies last year, this year, and next that were made by the Ministry of Supply twelve months ago have been drastically amended by the current steel shortage. In February, 1951, the Ministry was confident that about 760,000 tons could be produced—200,000 tons from Ebbw Vale, 520,000 tons from the handmills, and 40,000 tons during the later part of the year from the new electrolytic mill at Trostre. Production in 1952 was expected to be 950,000 tons, and in 1953 "substantially over a million tons." In fact about 750,000 tons was produced last year and production may not be greatly increased this year. The mill at Trostre was brought into operation somewhat later last year than was expected, and is at present running on a one-shift basis, while its electrolytic tinning line is not yet working. Ebbw Vale and the handmills alike were affected by the general steel shortage, and the handmills lost some labour to Trostre, causing a decline in their output without an immediately corresponding gain at the new mill.

Deliveries of tinplate last year were 724,000 tons, about 60,000 tons more than in 1950, and exports were maintained at roughly the 1950 level of 250,000 tons, so that home consumers of tinplate received rather larger supplies than in 1950. But a considerably larger tonnage of tinplate appears to have gone into defence supplies, leaving probably about the same for domestic food canning. Exports will be maintained this year, and may in fact be increased by large allocations to British oil companies overseas, so that domestic prospects for tinned food are once again not very bright, The allocation of tinplate to the British food canners for the first half of this year is the same as in 1951, but this is not being applied equally to all canners. The fruit canners, and some others, have been notified of a fairly large cut in their supplies for the first period of this year ; the canners of milk, who have rather less milk to put into tins, should fare rather better. The Tin Producers' Association, considering the prospects of home supplies and reduced preserved foods from abroad, suggests that the housewife may receive two cans this year for every three she could obtain in 1951.

INDEX

The Index to Volume CLXI of *The Economist* (July to December, 1951) is now ready. Copies, price 2/6 post free, may be obtained from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1

CARRON THE ROYAL CHARTER COMPANY FOUNDED IN 1759

Would a better Canteen help production in your works?

Better food input unquestionably helps work output and highly efficient modern ranges built by Carron Company make better cooking easier. Further, by low fuel consumption, they reduce running costs and so make good meals a practical proposition. Carron Company have built all types of cooking apparatus for nearly two hundred years and Carron equipment may be heated by solid fuel, steam, gas, oil or electricity. The advice of Carron experts is available on the most suitable installation for your works and they will be glad to plan the complete layout for you. Regular maintenance contracts can be arranged. Write for further details to Department C.A.

Carron HEAVY DUTY COOKING EQUIPMENT

COAL · COKE · STEAM · OIL · GAS · ELECTRICITY

CARRON COMPANY · CARRON · FALKIRK · STIRLINGSHIRE & LONDON, MANCHESTER, LIVERPOOL, NEWCASTLE AND GLASGOW

THE CASE OF THE CAPTIVE CRUISER

Was there a "secret weapon" to set her free?

H.M. Dockyards, serving one of the largest naval forces in the world, were faced with a serious problem.

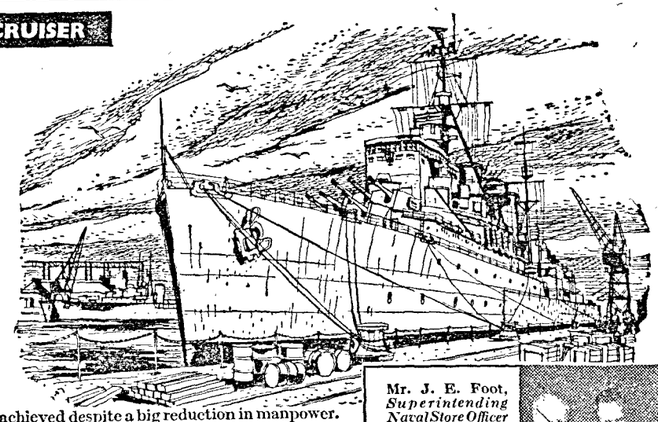
World War II had suddenly increased their inventory of ships' supplies to almost 300,000 items. Handling this increase with hand accounting methods had become almost impossible despite extra manpower and overtime.

As a result, the movement of stock to keep ships supplied was held up by paperwork.

To free these ships, a new accounting system was needed at once. The Admiralty directed an immediate investigation of all methods and systems. Machine accounting specialists of Burroughs Adding Machine Ltd. were called in.

After investigation, Burroughs specialists suggested a simplified system for handling stock cards and ledgers. They specified Burroughs High Speed Accounting Machines, Duplex Adding Machines and Adding-Subtracting Machines for the job. The authorities acted on these recommendations.

Today, the issue of supplies in the Royal Dockyards is never held up by paperwork. Increased speed of inventory accounting has been achieved despite a big reduction in manpower.



Mr. J. E. Foot, *Superintending Naval Store Officer of one of H.M. Dockyards, examines one of his Burroughs High Speed Accounting Machines.*

With him on the right is Mr. S. F. Harmer-Elliott, *one of the Burroughs men who helped solve the Case of the Captive Cruiser.*

WHAT ABOUT YOU? If you think your business could benefit from faster figuring, call in Burroughs. They can advise you on all the latest machines and systems, for Burroughs make the world's broadest line of modern record-keeping machines; Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm equipment.

Call in Burroughs today. Sales and service offices in principal cities around the world.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1.

For expert advice in *any* field of business figures

CALL IN **Burroughs**

FACTS ABOUT AUSTRALIA

OVER

8,000,000

POPULATION

During the last four years, Australia's population has increased by 6½%, with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1.

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5102E

THE BRITISH METAL CORPORATION LTD. BMC

LONDON · MONTREAL · SYDNEY · PERTH · MELBOURNE
CALCUTTA · BOMBAY · JOHANNESBURG
KARACHI · BULAWAYO

ASSOCIATES:
C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA, CYPRUS AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials; it provides coal-washing plant, ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: *Brimetacor, London* CABLES: *Brimetacor, London* TELEPHONE: *MONarch 8055*

Branches at BIRMINGHAM and SWANSEA

Habib Bank Limited

Established 1941

Head Office: KARACHI (Pakistan).

STATEMENT OF ACCOUNTS, 31st DECEMBER, 1951.

LIABILITIES			ASSETS		
	Pak. Rs.	As. P.		Pak. Rs.	As. P.
Issued, Subscribed and Paid-up Capital ...	10,000,000	0 0	Cash in hand and at Bankers	133,375,997	9 5
Reserve Funds	10,000,000	0 0	Government Securities and Bullion... ...	226,995,576	6 4
Current, Savings Bank, Fixed and Other Deposits	438,231,451	9 9	Other Investments	4,145,708	7 10
Bills Payable and other sums due by the Bank	25,556,380	6 0	Immovable Properties	3,134,488	1 6
Bills for collection as per contra	21,325,500	13 6	Interest Accrued on Investments	1,903,923	12 9
Banker's Liability for Acceptances and Guarantees	112,689,289	14 10	Loans, Overdrafts, Cash Credits and other Sums	90,158,882	12 2
Profit and Loss Account:	Pak. Rs.	As. P.	Bills Discounted and Purchased	24,361,497	1 2
Last year's balance carried forward ...	611,251	9 8	Bills lodged for collection as per contra ...	21,325,500	13 6
Net Profit for the year 1951	3,936,944	4 2	Customers' Liability for Acceptances and Guarantees	112,689,289	14 10
	4,548,195	13 10	Other Assets	2,009,953	10 5
Less: Disbursements	2,250,000	0 0			
	2,298,195	13 10			
Total Pak. Rs. ...	620,100,818	9 11	Total Pak. Rs. ...	620,100,818	9 11

Incomes—Real, Apparent and Approximate

In the current issue of *The Manchester School* Mr J. Mars attempts to translate recent national income estimates into an index of real national product. He has done this by computing price indices for different sections of the economy and applying these to the official national income figures. The best known previous attempts to translate national income estimates into real terms, those made by the Department of Applied Economics at Cambridge, adopted the opposite technique of comparing estimates of real output with expenditure aggregates, and then computing a price index from them. The Cambridge approach seems to be preferable, but Mr Mars's method provides a useful, if rough, cross-check. It will be seen that he estimates that real national product (inclusive of depreciation) in 1950 was nearly 8 per cent higher than in 1948 and nearly 40 per cent higher than in the relatively depressed prewar year of 1938.

ESTIMATED INDICES OF REAL NATIONAL PRODUCT, 1937-1950

	1937	1938	1947	1948	1949	1950
Manchester School ...	...	77·3	94·7	100	103·3	107·7
Cambridge School* ..	85·90	...	94·0	100	105·0	109·0

* See *Bulletin* of London and Cambridge Economic Service, August, 1951.

The Cambridge economists estimated real product in 1950 to be about 9 per cent higher than in 1948 and between 21 and 28 per cent higher than in 1938; they pointed out, however, that the growth in population, the adverse turns in the terms of trade, and the need to concentrate more resources on defence meant that real income per head (in welfare terms) probably rose by only some 7 to 12½ per cent between 1937 and 1950.

These estimates are obviously only very approximate—but then so are the official national income figures themselves. In the opening passages of his article Mr Mars compares the variations, as between successive White Papers, of official estimates for the same factors. These revisions have necessarily been most marked for those items that are indirectly calculated as residuals—that is, for personal, corporate and public savings, and, up to April, 1950, for gross investment; for example, the official estimate of personal net savings in 1948 was first published as £6 million and then revised to £195 million. There have also, however, been wide fluctuations in those entities that are calculated directly; profits for 1948 were first estimated at £3,134 million, and then revised to £2,960 million. It is clear that national income estimation is still only an experimental science and that the next step should be to secure some cross-check on the estimates of savings. Beyond that lies the need to compile input-output estimates of the sort now produced in the United States; Mr Mars considers this latter advance to be most necessary for this country since such estimates enable economists to "calculate the component parts of the industrial circulation and watch the cumulative propagation of inflationary pressures more accurately."

* * *

More Rhodesian Tobacco?

The five-year agreement between the Tobacco Advisory Committee to the Board of Trade and the Southern Rhodesian Tobacco Marketing Board has recently been revised. The serious drought last year not only reduced the crop but also retarded the expansion in Rhodesian output. Britain has therefore reduced the amounts it will take in each of the next five years to 75 million lb for this year; 80 million lb for 1953; 85 million lb for 1954 and 1955; and 80 million lb for 1956. If Rhodesia provides 75 million lb this year it will be half as much again as last year's shipments. Present estimates suggest that this year's crop might achieve a record of 120 million lb, but the weather in the next month or two will determine the size of the harvest. Production in 1951 totalled only 90 million lb.

The revised agreement also provides for the suspension of export control for a trial period of one year, so that British buyers will have to compete with buyers from other countries. Export control was imposed in 1947 after British traders had complained that foreign competition forced up prices against them. Its removal is not likely to affect British supplies greatly—these depend more on the size and quality of the crop. If the crop is poor there will not be sufficient of the good quality leaf that Britain buys; if the crop is good there should be enough to cover all needs at reasonable prices.

Total imports of tobacco into Britain last year reached 355 million lb, including 212 million lb from the United States and nearly 22 million lb from Canada. The £22 million cut in the dollar allocation recently announced by Mr Butler will reduce dollar imports of tobacco by two-fifths this year—that is, by about 95 million lb—but the cut will not take effect until the autumn when buying from the new season's crop begins. If in fact Rhodesia is able to provide 25 million lb more than last year, total imports in 1952 should only be about 70 million lb below last year's level of 355 million lb; this should be enough to cover consumption, which in 1951 was around 225 million lb.

Stocks of tobacco at the end of 1951 were probably over 500 million lb. Tobacco takes a year or so to mature but with stocks at a record level of nearly 2½ years' consumption, there seems little likelihood of a cut in consumption. Sir Edward Baron in his statement as chairman of Carreras Ltd., has commented this week on the sharp increase in the company's stock last year and says that the quality was good and the price reasonable. He concludes that no serious fall in supplies to the public will occur this year because of the high stocks and the need for the Government to maintain revenue.

* * *

Development by Corporation

The second annual report of the National Research Development Corporation gives more information about the corporation's activities than did the first; but still without enough detail to make clear the value of the work. The NRDC was formed with two purposes. The first was to see that development work done in this country is properly covered by patents. This applies particularly to research done in government establishments, in the universities and medical research centres. An immense revenue in royalties has been lost to this country because developments originating in establishments like these have not been patented at an early stage. The NRDC report gives evidence of considerable activity in this field: on June 30, 1951, at the end of its financial year, the Corporation held 409 patents and had applications pending for another 488.

The second purpose for which the Corporation was set up was to see that inventions of value to the country are properly exploited; if necessary, by providing finance for their development. It appears that 104 licensing and other agreements covering single patents or blocks of patents, entered into by the Ministry of Supply and the Department of Scientific and Industrial Research, have been assigned to the Corporation. It has entered into 20 similar agreements on its own behalf and is negotiating another 74. These are clearly revenue-earning projects, but the report then continues:

> In addition to the routine exploitation of large number of inventions we have a smaller number of individual inven-

tions upon which continuous supervision requires to be exercised at high level.

Besides needing special supervision, some of these cases "have other characteristics such as the need for the provision of substantial development expenditure." Two examples are given. The first concerns electronic computors, in particular the one built at Manchester University. These computors are of great value to the country, for pure research, for defence, and eventually for industry, and although one has already been built at public expense by the National Physical Laboratory, any advances made by the NRDC out of its £5 million fund to Professor Williams at Manchester are probably more than justified by the value of the work.

It is not possible to feel the same confidence about the Corporation's participation in the development of a combine potato harvester, despite its statement that "the importance of potatoes in the national food supply has been strongly impressed upon us." Having been approached by a company of engineers, NRDC has invested to date £21,459 in a development company working on the engineers' design of a potato harvester. This compares with a figure of £29,628 shown in the accounts for all other development expenditure. The report gives no indication of the eventual sum needed to develop this harvester: on the information given it is difficult not to ask whether this is a risk more suitable for private than for public capital.

* * *

Credit Insurance

Trade debts have increased substantially in recent months; debtors rose by £110 million to £563.8 million out of total assets of £3,892 million in the balance sheets of 1,082 companies whose accounts were published between July and December, 1951. (These accounts were analysed in *Records and Statistics* of October 20, 1951, and January 26, 1952.) Buyers are also taking longer to pay their accounts. It is not surprising, therefore, that credit insurance, which is a relatively little known service provided by the insurance industry and the state, expanded considerably in 1951. Credit insurance is likely to grow further this year, when the risk of bad debts will be greater than for many years. An additional incentive to insure is that banks, accepting houses and discount houses may feel disposed to grant larger credit lines to an insured trader than might be obtainable otherwise.

Because of the highly specialised nature of the business, and the importance to the insurer of accurate and up-to-date information about the credit-worthiness of trade debtors over a wide range of industry and commerce, a number of the leading insurance companies formed the Trade Indemnity Company in 1918 to underwrite credit insurance exclusively; they participate only by way of reinsurance received from the specialist office. The company underwrites credit insurance in the United Kingdom and also covers overseas risks, particularly in the Commonwealth. The credit risks of the export trade are, however, mainly insured by the Export Credits Guarantee Department, which was set up under the Overseas Trade (Credits and Insurance) Act, 1920. The cover given by the Department extends far beyond that which can be offered by the insurance market and includes, in addition to the risk of insolvency, insurance against loss to the exporter through war, the cancellation of export licences and exchange restrictions in the buyer's country. It is estimated that last year about £1,000 million trade debts were insured, £600 million with the Trade Indemnity Company and £400 million with the Export Credits Guarantee Department, compared with £349 million and £362 million respectively in 1950. The Exports Credits Guarantee Department is at present empowered under the Export Guarantees Act, 1949, to undertake commercial guarantees of up to £500 million (previously £300 million). A Bill brought in recently by the President of the Board of Trade increases the limit to £750 million. The Department also grants certain special guarantees, the limit for which is now to be £150 million compared with £100 million at present and £60 million before 1949. The Department operates on proper insurance lines and has never imposed any charge on the Exchequer.

The whole of a debt is never insured, the usual proportion covered being from 75 to 90 per cent, although as little as 50 per cent may be accepted by the insurer if the transaction is speculative. Rates of premium range from about ¼ to ½ per cent of the insured turnover, and thus represent only a small addition to costs. In this, as in other classes of insurance, not the least of the services rendered by the insurer is expert advice to the insured aimed at minimising losses. Information is available to insured traders regarding the credit-worthiness of debtors and the maximum amount of credit considered appropriate; help is also given in recovering outstanding debts. Apart from insolvency, claims are paid if an account is not settled within 90 days of the due date by a buyer who has accepted delivery of goods without disputing liability.

Shorter Note

Output of steel in January was at the annual rate of 15,234,000 ingot tons, compared with a rate of 14,953,000 tons in December and of 15,907,000 tons in January, 1951. This was achieved at the same time as an annual rate of pig iron output higher than at the end of last year—10,319,000 tons compared with the rate of 10,281,000 tons in December—reflecting the industry's greater dependence on pig iron as the stock of steel scrap has declined.

Would they give your wife your job?

Could she earn what you are earning now, or will earn in the future? Could she maintain the same standards, and perhaps bring up a family, single-handed? If not—what happens in the event of your premature death?

The right sort of life policy will save you all this anxiety—and some income tax as well. Should you die before retirement age, your wife would receive a series of capital payments. The same policy will provide you with a Personal Pension when you are ready to retire. For details post this coupon to:

The Scottish Mutual Assurance Society Ltd.

Dept. N, 109 St. Vincent Street, Glasgow, C.2.

N

Please send me without obligation details of your advertised scheme:—

NAME _____

ADDRESS _____

DATE OF BIRTH _____

Company Notes

Imperial Tobacco. — The fear that Imperial Tobacco would be forced to cut its ordinary dividend was only finally dispelled by the directors' announcement last Tuesday that the year's total distribution was to be maintained at 32 per cent for the fourth successive year. Immediately after this announcement the stock units were marked up $\frac{7}{32}$ to 4$\frac{1}{4}$, but they slipped back to 4$\frac{1}{32}$ before closing at 4$\frac{5}{8}$. To a certain extent these erratic movements—unusual in a "blue chip"—were due to the terseness of the preliminary statement, which makes comparison with the 1949-50 results difficult. It seems clear, however, that the company fared better on its trading account in the year to October 31st last than it did in 1949-50. Group net profits are shown to have fallen from £11,325,487 to £10,092,605, but the 1949-50 total included a special surplus (after tax) of £3,073,455, whereas in the latest year only £1,344,262 of net profits represented a special surplus. This surplus was an adventitious "profit" that arose once stocks of leaf tobacco, purchased before devaluation, were cleared from bond and converted into their sterling value at post devaluation rates of exchange. The British tax collector, in assessing the group's liability for tax at £16,166,873 (against £13,201,806), makes no distinction between these inventory gains and true profits; he ignores the fact that these stocks have to be replaced at post devaluation rates of exchange and thus, in effect, levies a tax on capital. Once the stocks have been fully replaced the group will have had to find about as much again as the net surplus from its own resources. All the directors can do is to draw shareholders' attention to this erosion of the company's substance, by transferring the net amount to a leaf replacement reserve.

The broad inference that may be gleaned from the recovery in gross profits in 1951 is that Imperial Tobacco has been able to maintain a high level of sales and to reap further benefits from economies in manufacturing costs. In the last months of the financial year the company will also have benefited from the increase in the selling price of cigarettes; the full benefit from this increase will be felt this year. At the current "middle" price of 92s. 6d., the £1 ordinary stock units yield as much as £6 18s. per cent; high indirect taxation—and recurrent fears of more to come—have plainly helped to make "Imps" much more of a risk investment than they used to be in the days when they were recommended to so many small investors as the paragon of "safe equities."

★

F. W. Woolworth.—The sharp increase in Woolworth's profits last year from £12,259,819 to £15,114,662, seems to have been due to what the chairman, Mr S. V. Swash, calls "a very satisfactory increase in sales," combined with strict control of stocks. In spite of price inflation, last year's expansion in sales was achieved with only a very small increase in the book value of stocks, from £10,015,166 to £10,340,304. Although stocks are admittedly always at their lowest level at the end of the financial year, it seems apparent that the company must have been content, at the very most, to keep the physical volume of stocks intact. This tight rein on stock expenditure has led to a further improvement in liquid resources; these resources represent a reserve that can be drawn upon immediately the company decides to improve or extend its stores or to build new ones. To build and equip a new store costs about three times as much as it did before the war and the directors, therefore, believe "it is prudent to have good reserves available" for this purpose. Shareholders, who have had to be content with a maintained Ordinary dividend of 42½ per cent., may feel that this policy is excessively cautious—especially as the chairman admits that at the moment opportunities for new development are very limited. Mr Swash, however, gives warning in his address of "some uncertainty in the supply position of merchandise for 1952 in view of the rearmament programme, the metal shortage, and the cut in supplies of confectionery and biscuits owing to the shortage of sugar"; moreover, the company will soon have to bear the burden of an excess profits tax "as yet unknown in scope, amount and incidence." The year ahead may not be an easy one, but Mr Swash believes that "the broad based nature of the business" should help the company to overcome many of the difficulties that may arise.

	Years to Dec. 31, 1950	1951
Earnings :—	£	£
Trading profit	12,259,819	15,114,662
Total income	12,483,765	15,318,248
Depreciation, etc.	496,731	548,759
Taxation	6,413,138	8,387,214
Earnings for ordinary stock	*4,440,272*	*4,965,148*
Ordinary dividends	3,506,250	3,346,875
Ordinary dividends (per cent)	42½	42½
General reserve	750,000	750,000
Added to carry forward	212,775	868,273
Balance sheet analysis :—		
Fixed assets, *less* depreciation	10,884,337	11,730,171
Net current assets	18,034,864	20,581,190
Stocks	10,015,166	10,340,304
Cash	15,306,583	18,361,634
Reserves	6,748,848	8,867,171
Ordinary capital	15,000,000	15,000,000

5s. ordinary stock at 42s. 9d. yields £4 19s. per cent.

★

Bowater Paper.—Although the directors report that "a not unimportant part of the improvement in earnings is attributable to increased production," the main reason for the increase in group trading profits of the Bowater Paper Corporation, from £5,395,488 to £10,275,537, must lie in last year's increases in pulp and paper prices. Even after £5,045,317, against £1,890,688, has been provided for taxation, group net profits are £1,733,327 higher at £3,361,355. The greater part of these net earnings, however, has been ploughed back in the accounts of subsidiary companies, so that the parent company's net profits have only increased by £146,805 to £690,189. The Ordinary dividend rate has been maintained at 15 per cent, but equity capital, on which it is to be paid, has been doubled from £1,800,000 to £3,600,000 by a capitalisation of reserves, of which all but £450,000 has been issued to ordinary shareholders. Clearly ordinary dividends are being kept in step with the advance in profits.

	Years to Sept. 30, 1950	1951
Consolidated Earnings :—	£	£
Group profit	5,395,488	10,275,537
Depreciation	1,444,888	1,450,813
Taxation	1,890,688	5,045,317
Retained by subsidiaries	1,084,644	2,671,166
Parent company's net profit	543,384	690,189
Subsidiary Co's. Trading Profit:—		
Lloyd Pulp and Paper Mills	1,103,074	2,815,034
Mersey Paper Mills	548,673	1,058,794
Bowater's Sales	377,414	796,169
Newfoundland Pulp and Paper Mills	$7,916,972	$11,304,119

£1 ordinary stock at 43s. 9d. yields £6 17s. per cent.

The directors have recognised the true nature of profits earned in an inflationary period. Subsidiaries in the United Kingdom have provided just over £1,500,000 against possible fluctuations in stock values; the directors report that stocks "equivalent to several months' requirements" are being maintained at a high level in order to ensure the smooth flow of production and delivery. The corporation and its shareholders have fared well in the period of newsprint shortages; but probably it is on the success of the corporation's policy of diversifying its products that shareholders should pin their hopes of satisfactory dividends in the years to come.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Feb. 6, 1952	Price, Feb. 13, 1952	Net Yield, Feb. 13, 1952 (n)	Gross Yield, Feb. 13, 1952
			£ s. d.	£ s. d.
War Bonds 2½%...	100	100	0 15 10	1 17 11*e*
Mar. 1, 1951-53			1 0 11	2 3 10*l*
War Bonds 2½%...	100	100	1 6 4	2 8 6*e*
Mar. 1, 1952-54			1 6 3	2 9 7*l*
Exchequer Stk. 2½% Feb. 15, 1955	99⅞	99⅞	1 6 7	2 8 1
Serial Funding 1¾% Nov. 14, 1952	100	99⅞	0 14 1	1 16 6
Serial Funding 1¾% Nov. 14, 1953	99⅛	99⅝	0 17 4	1 16 6
Serial Funding ... Nov. 14, 1954	98⅛	98⅝	1 5 2	2 3 6
War Bonds 2½%...	99⅞	99½	1 12 4	2 16 4*e*
Aug. 15, 1954-56			1 9 8	2 13 7*l*
Funding 2½%.....	100	100	2 4 8	4 5 1*e*
June 15, 1952-57			1 9 10	2 17 0*l*
Nat. Defence 3%...	99⅛	99⅝	1 13 10	3 3 6*e*
July 15, 1954-58			1 12 5	3 1 6*l*
War Loan 3%.....	100⅛	100⅜	1 10 4	3 1 7*e*
Oct. 15, 1955-59			1 10 11	3 0 10*l*
Savings Bonds 3%.	91⅛*	91¼*	4 6 2	5 16 4*e*
Aug. 15, 1955-65			2 6 9	3 16 10*l*
Funding 2½%.....	93⅜	93⅝	3 2 10	4 9 10*e*
April 15, 1956-61			2 3 4	3 9 2*l*
Funding 3%.....	87½	86⅞	3 15 10	5 8 8*e*
April 15, 1959-69			2 11 6	4 3 5*l*
Funding 3%.....	87⅛	87⅜	2 12 9	4 3 9*e*
Aug. 1, 1966-68			2 10 6	4 1 5*l*
Funding 4%.....	99½	99⅝	2 6 1	4 6 0*e*
May 1, 1960-90			2 3 2	4 2 2*l*
Savings Bonds 3%.	85⅛*	85⅛*	3 12 4	5 3 5*e*
Sept. 1, 1960-70			2 11 10	4 3 1*l*
Savings Bonds 2½%	85⅛	84⅞	2 16 9	4 3 9*e*
May 1, 1964-67			2 11 3	3 18 1*l*
Victory Bonds 4%.	100⅛*	100⅜*	2 1. 2	3 18 11*s*
Sept. 1, 1920-76				
Savings Bonds 3%.	83⅛*	82½*	3 3 8	4 15 7*e*
Aug. 15, 1965-75			2 11 6	4 3 7*l*
Consols 4%.....	90⅛	90⅛	2 6 8	4 9 0*f*
Conversion 3½%...	81⅛	81⅛	2 5 6	4 7 4*f*
Treasury Stk. 2½% (after Apr. 1, 1975)	59⅛	59¼	2 4 6	4 5 5*f*
Treasury Stk. 3%.. (after Apr. 5, 1966)	70⅛	70⅛	2 5 3	4 6 9*f*
Treasury Stk. 3¼%. June 15, 1977-80	88⅛	88⅛	2 9 8	4 6 2*e*
Redemp. Stk. 3%.. Oct., 1986-96	77⅜	77⅛	2 12 1	4 6 10*e*
War Loan 3½%....	80⅛	80⅛	2 8 9	4 3 9*l*
Consols 2½%.....	61⅜	61⅛	2 6 2	4 8 3*f*
Brit. Elect. 3% Gtd.. April 1, 1968-73	84⅛	84⅛	2 3 0	4 2 0*f*
Brit. Elect. 3% Gtd.. Mar. 15, 1974-77	82⅛*	82⅛*	2 16 6	4 9 2*e*
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	90	89⅛	2 12 8	4 4 7*e*
Brit. Tpt. 3% Gtd.. July 1, 1978-88	77⅛	77⅛	2 10 7	4 2 7*l*
Brit. Tpt. 3% Gtd.. April 1, 1968-73	84⅛	84⅛	2 8 4	4 4 8*e*
Brit. Gas Gtd. 3%.. May 1, 1990-95	76⅜	76⅛	2 16 6	4 9 2*e*
Brit. Gas Gtd. 3½%. Sept. 10, 1969-71	91⅞*	91⅞*	2 11 2	4 6 0*e*
Brit. Iron & Steel.. 3½%, 1979-81	88⅛*	87⅜*	2 8 2	4 3 0*e*
			2 9 2	4 5 4*e*
			2 8 6	4 4 9*l*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Feb. 6, 1952	Price, Feb. 13, 1952	Yield, Feb. 13, 1952
%	%					£ s. d.
40	*b*	20	*a* Anglo-Am. 10/-..	7⅞	7⅞	4 1 5
5	*a*	25	*b* Anglo-Iran £1..	6	6	5 0 0
20	*c*	7½	*a* Assoc. Elec. £1..	71/3	72/6	5 10 4
27½	*c*	7½	*a* Assoc. P. Cem. £1	100/-	100/-	5 10 0
35	*c*	45	*c* Austin 5/-	29/6	29/6	7 12 6
15	*a*	†17½	*b* Bass £1	117/6	116/3	7 7 7
40	*c*	5	*a* Boots 5/-.....	21/6	19/6	5 2 7*h*
9	*c*	7	*a* Br. Celanese 10/-	27/3	26/9	5 7 3
12	*b*	8	*a* Br. Oxygen £1..	80/6	80/-	5 0 0
5	*a*	7½	*b* Coats £1.....	49/-	49/-	5 2 0
6½	*b*	5	*a* Courtaulds £1..	42/-	40/9	5 10 5
22½	*c*	7½	*a* Distillers 4/-...	19/-	18/9	4 16 0
15	*c*	17½	*c* Dunlop £1.....	56/3	56/3	6 4 6
10	*c*	12½	*c* Ford £1	47/-	47/-	5 6 5
22½	*c*	7½	*a* Gen. Elect. £1..	79/6	76/3*xr*	5 18 1
11	*a*	17	*b* Guinness £1.	118/7½	116/10½	5 15 10
4½	*a*	5½	*b* Hawker Sid. £1.	33/9	33/6	5 19 5
9	*b*	5	*a* Imp. Chem. £1.	42/9	42/6	5 12 11
13½	*a*	18½	Imp. Tobacco £1	87/6	92/6	6 18 5
5	*a*	10	*b* Lancs. Cotton £1	40/4½	36/3	8 5 6
13½	*c*	5	*a* Lever £1	48/9	48/9	5 10 9
15	*c*	7½	*a* Lon. Brick £1..	56/3	56/3	5 6 8
15	*a*	20	*b* Marks & Sp. A 5/-	82/-	82/-	4 11 6
8	*b*	8	*a* P. & O. Def. £1.	43/6	52/-	4 2 1*p*
17½		7½	*a* P. Johnson 10/-.	37/-	37/-	6 15 2
17½	*b*	15	*a* "Shell" Stk. £1.	91/3	88/1½	5 8 1
12½	*a*	12½	Tube Invst. £1.	5⅞	5⅞	4 16 4
5	*a*	15	*b* T. & Newall £1.	87/6	88/9	4 10 2
8	*c*	10	*c* Union Castle £1	43/-	45/-	4 8 11
50	*c*	20	*a* U. Sua Betong £1	55/7½	54/4½	18 7 10
10	*b*	22½	Vickers £1.....	45/-	45/-	5 11 1
15	*a*	27½	*b* Woolworth 5/-..	41/9*	42/9	4 19 5

(*a*) Interim div. (*b*) Final div. (*c*) Div. for whole year. (*h*) Yield basis 20% after capital bonus. (*p*) Yield basis 10⅔% after capital bonus. * Ex dividend. † Free of tax

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 9, 1952, total ordinary revenue was £181,948,000 against ordinary expenditure of £77,381,000 and issues to sinking funds £1,080,000. Thus, including sinking fund allocations of £20,453,000, the surplus accrued since April 1, 1951, is £341,286,000 compared with a surplus of £628,972,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1951–52	April 1, 1950 to Feb. 10, 1951	April 1, 1951 to Feb. 9, 1952	Week ended Feb. 10, 1951	Week ended Feb. 9, 1952
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
ORD. REVENUE					
Income Tax	1624750	1086292	1289116	74,418	98,275
Sur-tax	128,000	92,000	98,000	6,300	7,300
Estate, etc., Duties	180,000	158,450	157,800	4,000	3,900
Stamps.....	55,000	45,460	53,200	500	1,100
Profits Tax & E.P.T.	312,650	242,070	275,200	3,900	6,400
Other Inland Rev.	500	430	450	40	50
Special Contributn.	1,500	4,350	2,430	70	40
Total Inland Rev.	2302400	1628962	1876196	89,228	117065
Customs.....	930,500	771,557	856,840	25,314	20,750
Excise	720,500	649,800	677,105	25,031	40,020
Total Customs and Excise	1651000	1421357	1533945	50,345	60,770
Motor Duties	62,000	59,799	61,542	1,367	1,855
Surplus War Stores	20,000	36,015	30,668	57	...
Surpl's from Tradg.	50,000	41,905	75,455	...	...
P.O. (Net Receipts)	5,400	3,200	1,600	1,200	1,500
Wireless Licences.	13,600	10,650	11,500	...	...
Sundry Loans....	27,000	22,936	22,994	60	543
Miscell. Receipts..	105,000	66,697	81,618	135	215
Total Ord. Rev...	4236400	3291521	3695517	142392	181948
SELF-BALANCING					
Post Office	179,431	146,000	163,900	4,300	4,500
Income Tax on E.P.T. Refunds	4,900	7,393	4,553	180	123
Total	4420731	3444914	3863970	146872	186571
EXPENDITURE*		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt.....	535,000	387,762	418,752	3,229	4,045
Payments to N. Ireland.....	38,000	31,518	33,313	1,922	2,041
Other Cons. Funds	11,000	8,871	10,293	...	195
Total	584,000	428,151	462,359	5,151	6,281
Supply Services ..	*3514062	2219566	2871420	54,500	71,100
Total Ord. Expd..	*4098062	2647717	3333779	59,651	77,381
Sinking Funds ...	...	14,933	20,453	690	1,080
Total (excl. Self-Bal. Expd.)....	4098062	2662650	3354232	60,341	78,461
SELF-BALANCING					
Post Office	179,431	146,000	163,900	4,300	4,500
Income Tax on E.P.T. Refunds	4,900	7,393	4,553	180	123
Total	4282393	3444914	3522685	64,821	83,084

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £271,450 to £3,886,196, the other operations for the week decreased the National Debt by £89,207,348 to £25,766 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921..	11
EPU (Financial Provisions) Act, 1950, s. 3.....	183
	194

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950....	750
EPT Refunds	151
Export Guarantees Act, 1949, s. 3(2)	5
Local Authorities Loans Act, 1945, s. 3(2).....	9,600
New Towns Act, 1946, s. 12(3).....	1,167
Cotton (Centralised Buying) Act, 1947, s. 21(1)...	1,996
Miscellaneous Financial Provisions Act, 1946, s. 2(1) War Damage: Board of Trade.....	750
Finance Acts, 1946 and 1947: Postwar Credits...	327
	14,746

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Nat. Savings Certs.	600	Treasury Bills	48,696
Other Debt :— Internal.....	142	2½% Def. Bonds..	690
		3% Def. Bonds...	1,249
Ways and Means Advances	21,455	2½% Ter. Annuities	1,609
		Tax Reserve Certs.	25,661
		Treasury Deposits.	33,500
	22,197		111,405

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Feb. 10	3170·0	1808·1	402·7	...	395·0	5775·8
Nov. 10	3260·0	2323·2	332·8	...	150·0	6066·0
,, 17	4586·5*		274·7	...	125·0	4986·2
,, 24	4571·6*		292·6	...	125·0	4989·3
Dec. 1	4593·3*		304·8	...	125·0	5023·1
,, 8	4631·1*		289·0	3·0	123·0	5046·1
,, 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·9*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·8	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	4601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·3*		239·2	...	67·5	4555·5
,, 9	4200·1*		260·6	...	34·0	4494·7

* The proportion of tender and tap Bills surrendered for 1¾ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Feb. 9	250·0	334·5	250·0	10 4·61	22
Nov. 9	260·0	330·4	260·0	17 2·96	70
,, 16	230·0	285·3	160·0	17 10·66	41
,, 23	170·0	237·6	170·0	19 2·96	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61

On February 8th applications for 91 day bills to be paid from February 11 to February 16, 1952, were accepted dated Monday to Saturday as to about 61 per cent at £99 15s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £190 million were offered on February 15th. For the week ended February 16th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 44 Weeks ended: Feb. 3, 1951	Totals 44 Weeks ended: Feb. 2, 1952	Week ended Feb. 2, 1952
Savings Certificates :—			
Receipts.....	75,000	129,000	2,800
Repayments	109,600	114,600	2,800
Net Savings	*Dr34,600*	14,400	Nil
Defence Bonds :—			
Receipts.....	14,120	49,414	1,100
Repayments	41,129	61,093	1,205
Net Savings	*Dr27,009*	*Dr11,679*	*Dr 105*
P.O. and Trustee Savings Banks :—			
Receipts.....	551,062	589,301	13,978
Repayments	592,823	675,509	16,019
Net Savings	*Dr41,761*	*Dr86,208*	*Dr 2,041*
Total Net Savings.....	*Dr103370*	*Dr83,487*	*Dr 2,146*
Interest on certificates repaid	24,417	28,582	742
Interest accrued.....	106,210	106,779	2,448
Change in total invested....	*— 21,577*	*— 5,290*	*— 440*

BANK OF ENGLAND RETURNS

FEBRUARY 13, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt...	11,015,100
In Circulation	1360,636,134	*Other Govt.* Securities ...	1385,738,474
In Banking Department...	39,720,689	Other Secs....	732,072
		Coin (other than gold)....	2,514,354
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs....	327,742,853
Rest.....	3,800,267	Other Secs.:—	44,112,500
Public Deps.:—		*Discounts and*	
*Public Accts.**	30,198,156	*Advances...*	*16,094,894*
H.M. Treas.	*16,235,802*	*Securities....*	*28,017,606*
Special Acct.	*13,962,354*		
Other Deps.:—			
Bankers.....	364,581,835	Notes.....	39,720,689
Other Accts...	*250,741,783*	Coin.....	1,557,216
	413,133,258		413,133,258

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Feb. 14	1952 Jan. 30	1952 Feb. 6	1952 Feb. 13
Issue Dept. :—				
Notes in circulation.....	1288·2	1353·8	1357·6	1360·6
Notes in banking department	62·2	46·5	42·7	39·7
Government debt and securities*	1345·3	1396·8	1396·8	1396·7
Other securities	0·7	0·7	0·7	0·7
Gold and coin.....	4·4	2·9	2·9	2·9
Valued at s. per fine oz...	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	15·8	15·5	13·8	16·2
Treasury Special Account	9·3	0·5	14·0	14·0
Bankers	296·6	277·8	286·6	280·7
Others.....	83·2	87·5	85·7	83·8
Total.....	404·9	381·3	400·1	394·7
Securities :—				
Government.....	315·4	309·3	327·2	327·7
Discounts, etc.	16·4	7·9	4·4	16·1
Other	28·7	34·4	42·7	28·0
Total.....	360·5	351·6	374·3	371·8
Banking dept. res.....	62·8	48·1	44·3	41·3
	%	%	%	%
"Proportion".....	15·5	12·6	11·0	10·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Feb. 6, 1951	Jan. 29, 1952	Feb. 12, 1952
Cereals and meat	157·9	180·2	180·2
Other foods	169·0	193·8	193·5
Textiles	328·2	256·3	246·6
Minerals.....	331·6	374·5	372·8
Miscellaneous	191·7	195·9	194·3
Complete Index	**221·1**	**228·4**	**226·0**
1913=100	*304·3*	*314·3*	*311·0*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 7..	77·0	88·00	192 2	104 7
,, 8..	77·0	88·00	192 2	104 7
,, 9..	Markets Closed		192 12	104 13
,, 11..	77·0	88·00	192 5	104 11
,, 12..	77·0	Closed	191 10	104 8
,, 13..	77·0	88·00	192 2	102 12

National Provincial Bank Limited

ESTABLISHED 1833

Statement of Liabilities and Assets December 31st, 1951

LIABILITIES

Capital paid up	£9,479,416
Reserve Funds (including Share Premium Account £1,144,950)...	11,000,000
Current, Deposit and other Accounts	818,259,554
Liabilities for Acceptances, Endorsements, Engagements, etc.	39,499,810
	£878,238,780

ASSETS

Coin, Bank Notes and Balances with the Bank of England	£73,215,475
Balances with, and Cheques in course of collection on, other Banks in the United Kingdom and Ireland, and Cheques, Drafts, etc., in transit ...	39,766,027
Money at call and short notice	107,306,000
Bills Discounted	95,028,373
Treasury Deposit Receipts	14,500,000
Investments	202,380,741
Advances to Customers and Other Accounts ...	295,097,311
Trade Investments	5,087,221
Bank Premises	6,357,822
Liabilities of Customers for Acceptances, Endorsements, Engagements, etc.	39,499,810
	£878,238,780

Head Office: 15, Bishopsgate, London, E.C.2

NATIONAL DISCOUNT COMPANY, LIMITED.

(Incorporating the business of Messrs. Reeves Whitburn.)

Statement of Accounts, 31st December, 1951.

LIABILITIES

	£	£
CAPITAL AUTHORISED AND ISSUED—		
"A" Stock	423,345	
"B" Stock	2,276,655	
		2,700,000
SHARE PREMIUM ACCOUNT		924,000
RESERVE		1,576,000
PROFIT AND LOSS ACCOUNT		294,418
DEPOSITS, SUNDRY CREDITORS AND CONTINGENCY RESERVES.....		5,494,418 155,303,093
(Including Deposits of £153,810,558 against Bills and Securities.)		
FINAL DIVIDEND, *less* Income Tax		70,875
		£160,868,386

ASSETS

	£
CURRENT ASSETS—	
Cash at Bankers and in Hand.....	1,297,622
Bills Discounted *less* Rebate	102,898,120
British Government and Corporation Short-dated Securities (quoted).....	55,854,229
Loan on Security and Amounts Receivable	718,415
	160,768,386
FIXED ASSETS—	
Freehold Premises at approximate cost.....	100,000
SUBSIDIARY COMPANY—	
Shares at cost..... 100	
Less Loan 100	
	—
	£160,868,386

35, CORNHILL, LONDON, E.C.3.

CLYDESDALE & NORTH OF SCOTLAND BANK LTD.

DIRECTORS

Sir Harold E. Yarrow, Baronet, C.B.E., Chairman.

Sir Andrew S. Macharg, John S. Allan, D.L., } Deputy Chairmen.

The Rt. Hon. The Earl of Feversham, D.S.O., D.L.
Frank Fleming, D.S.O., D.L.
Robert Laidlaw.
Alexander Logan McClure, W.S.
Lachlan Mackinnon, D.S.O.
The Rt. Hon. Lord Maclay, K.B.E.
Andrew Mitchell.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
Lt.-Colonel Sir Albert G. Stern, K.B.E., C.M.G.
William Thyne.

NORTHERN AREA LOCAL BOARD

John S. Allan, D.L., Chairman.

Frank Fleming. D.S.O., D.L., Deputy Chairman.
Sir George W. Abercromby, Baronet, D.S.O.
The Rt. Hon. Lord Forbes, D.L.
James Keith, C.B.E.
Alexander Lyon, D.S.O., D.L.
James A. Mackie, O.B.E.
Lachlan Mackinnon, D.S.O.
The Rt. Hon. Lord Boyd Orr of Brechin, D.S.O., M.C., LL.D., F.R.S.
George Robb.

John J. Campbell, General Manager.

STATEMENT OF ACCOUNTS—31st DECEMBER, 1951.

LIABILITIES	1951	*1950*	ASSETS	1951	*1950*
Paid-up Capital.....	£2,441,000	*£2,441,000*	Coin, Notes and Balances with Bank of England	£19,146,071	*£16,961,084*
Reserve Fund.....	3,700,000	*3,700,000*	Balances with and Cheques on other Banks	21,011,039	*21,283,670*
Notes in Circulation.....	16,826,510	*15,403,124*	Money at Call and Short Notice in London	12,625,000	*9,025,000*
Current, Deposit and Other Accounts	152,818,605	*159,189,793*	Bills Discounted	285,843	*493,296*
Acceptances and Engagements	7,463,252	*6,301,014*	Treasury Deposit Receipts	1,500,000	*4,000,000*
			Investments	71,710,877	*86,975,058*
			Advances to Customers and other Accounts	48,771,169	*41,353,664*
			Liability of Customers for Acceptances and Engagements	7,463,252	*6,301,014*
			Bank Premises and other Properties	1,038,084	*956,283*

HEAD OFFICE ... ... 30 St. Vincent Place, Glasgow.
LONDON (Chief Office) ... ... 30 Lombard Street, E.C.3.
ABERDEEN (Chief Office) ... ... 5 Castle Street, Aberdeen.
EDINBURGH (Chief Office) ... ... 29 George Street, Edinburgh.
FOREIGN BRANCHES ... ... 91 Buchanan Street, Glasgow. 65 St. Vincent Street, Glasgow.

COMPANY MEETINGS

RICHARD HAWORTH AND COMPANY, LIMITED

SATISFACTORY RESULTS—RECORD TRADING PROFIT

EFFECTS OF PENAL TAXATION

THE CHAIRMAN'S REVIEW

The annual general meeting of Richard Haworth and Company, Limited, was held on February 14th at the Lesser Free Trade Hall, Manchester, Mr Stanley Beddow, F.C.I.S. (chairman and managing director), presiding.

The Chairman, in the course of his speech, said:—

CAPITAL STRUCTURE

Having increased our issued capital in March last from £400,000 to £1,300,000, strict comparison with previous year's accounts is difficult. At the time we capitalised £400,000 of the general reserve account, issued £200,000 of new ordinary shares and £300,000 of 5½ per cent. preference shares. All the ordinary shares rank for a full year's dividend. Of the £500,000 5½ per cent. preference shares, the new 300,000 only ranked for dividend for a period of nine months. The cost of dividend on the new capital structure is increased approximately four times. You will notice that since March last we have repaid the loan accounts of £148,955.

RESULTS

The trading profit for the year at £775,464 is the highest in the history of your company. From this figure we have provided for depreciation £40,446, directors' fees £3,500, and then taxation claims no less than £415,052, equal to approximately 57 per cent. of the profits—what a heavy penalty making it extremely difficult for industry to build new premises or fully modernise its plant and machinery. To the resultant profit of £317,977 we add the balance brought forward from 1950 of £115,582, a taxation provision of £14,879, no longer required, and deduct £11,391 due to increase in standard rate of tax last year, thus leaving a balance available of £437,047.

From this amount dividend on preference shares and an interim dividend of 6 per cent. on ordinary shares, which you will be asked to confirm, absorbed £37,472, and your directors recommend transfers to reserves totalling £225,000, and a final dividend on the ordinary shares of 10 per cent., making 16 per cent. for the year, thus leaving a balance to carry forward to next accounts of £132,575.

At this point an analysis of our turnover may prove of interest to you. For every £1 of sales during the year:

	s.	d.
Raw materials, stores, finishing, etc., absorbed	15	8
Salaries, wages, national insurance	1	11¼
Administration, overheads, discounts, etc.		9
Depreciation		1
Taxation		10½
Dividends		2
Reserves and increase in carry forward		6¼
	20	0

MACHINERY AND PLANT

Buildings, plant and machinery have been maintained at our customary high standard. During the year new machinery and equipment totalling £99,453 have been installed, and a final payment of £11,967 for war damage received. You will notice from the balance sheet that our outstanding capital commitments amount to £197,500. At our mills in Salford and in Padiham we are constantly modernising machinery, layouts and improving amenities. To mention a few of the items we have added during the past year—complete modern line blowing room plant, high speed winding and warping machinery, ring doubling frames, improved size preparation machinery. In addition we have converted more looms and machinery to individual electric drive, gradually eliminating all overhead drive, and altered entirely the layout in some departments. Our new mill at Hindley Green is maintained at a high standard of efficiency. It may be of interest to mention that the replacement value for insurance purposes of the buildings, plant and machinery is five times the amount stated in the balance sheet.

PROPOSED EXTENSIONS

For some considerable time it has been our desire to extend our activities by building a spinning mill, with modern layout, etc., modern machinery and also to extend our weaving plant. Part of the proceeds of our offer for sale in March last was intended for this purpose. Many plans have been produced and carefully studied, and finally, in September last, we applied for the necessary building licence.

While our application was under consideration new regulations were issued restricting capital expenditure and thereby imposing a ban on the issue of building licences.

During the last six months the pattern of trade has changed considerably, also the threat of Japanese competition, plus Indian and West German exports will have their effect on future trade in textiles in our traditional markets. At the moment, therefore, it would appear that our building plans will have to be shelved and the new spinning machinery, new looms and preparation machinery may have to be applied to further modernisation of our existing mills.

BURDEN OF TAXATION

At this point I would like to revert to the effect of the present penal taxation. Briefly, profits are struck on highly inflated values, and are immediately required to finance the business; depreciation allowance is on historical cost which bears no relation to cost of replacement; profits tax at 10 per cent. (plus 40 per cent. on amounts distributed) is a charge to the company, and then income tax on the balance at standard rate. Provision must be made for future contingencies. To take 50 per cent. or more of profits (which are not true profits) leaves no incentive, only a pioneering spirit, to build new up-to-date works, and equip them with modern machinery and amenities.

COTTON

The present exchange position governing the method of securing our supplies of raw cotton makes it extremely difficult to secure the quality and quantity of cotton required for specific purposes. If we are to compete successfully with world productions we must be able to purchase our raw material in a parity with the rest of the world and select the quality of cotton we desire to allow us more scope in the production of quality goods.

It is to be hoped that the Cotton Import Committee set up by the Government to inquire how in the current foreign exchange position cotton can best be supplied to the U.K. cotton industry on the most advantageous terms as to quality and price, will quickly find a solution that will prove beneficial to the industry until such time that a free market will again be open.

GENERAL

Present world economic conditions make it particularly difficult and dangerous to forecast trading results for the current year. A marked change in trading conditions both at home and in overseas markets developed in the autumn of 1951. Although we commenced the current year with a good order position, it may prove difficult, particularly if the present consumer resistance continues, to execute all orders as they are ready for delivery.

For the past five months now business has been scarce, in some cases delivery of orders deferred at customers' request, consequently stocks have increased considerably.

At the same time, costs outside our control are still rising as, for example, the further rise in coal and transport charges, and the latest award to operatives.

In the middle of last month (January) in order to reduce production a little more in line with demand, we reluctantly decided to discontinue the 1¼ hours overtime that has been loyally adhered to by all operatives continuously since Sir Stafford Cripps, then Chancellor of the Exchequer, appealed to the Textile Trade in 1947. That small adjustment not having proved sufficient to check the rise in stocks, we have reluctantly decided as from next week to place two-thirds of our Weaving Section on to four days per week for a short period.

Fortunately, we have made and are continuing to make, considerable progress in the modernisation of our plant, and as I indicated earlier, new machinery is expected during the year. Scientific work measurement has now been applied to two-thirds of our production unit, and with the aid of our Research Department, technical development of our fabrics and our production methods, progress is continuous. We have a sound, modern organisation, and enjoy the services of a very loyal, competent staff. I therefore feel that given any reasonable volume of trade, I can look forward with confidence to presenting a report in 12 months that will be satisfactory.

I express my warm appreciation to my colleagues, every member of the staff and to all operatives for their excellent efforts and the record achieved during the year under review.

The report and accounts were adopted.

CLYDESDALE & NORTH OF SCOTLAND BANK, LIMITED

EFFECT OF NEW ANTI-INFLATIONARY MEASURES

INCREASED PRODUCTION FINAL SOLUTION OF ECONOMIC PROBLEM

SIR HAROLD E. YARROW'S ADDRESS

The 114th general meeting of shareholders of Clydesdale & North of Scotland Bank, Limited, was held in the head office, St. Vincent Place, Glasgow, on February 13th, Sir Harold E. Yarrow, Bt., C.B.E. the chairman, presiding.

At the outset the Chairman made sympathetic reference to the great national loss suffered by the death of our beloved Monarch, King George the Sixth.

The Chairman continued: Our profit at £395,256 is £8,061 lower, which may be considered satisfactory in these times. The directors recommend a dividend of 16 per cent.

Let me now turn to matters of national importance. In the postwar period our efforts to achieve economic stability have been marred by a series of rapidly accumulating deficits in our overseas balance of payments. Although the contributory causes are many, domestic inflation has been the major element, and it has long since been apparent that the steps taken to deal with this problem have been quite inadequate. Instead of facing up to the unpleasant facts and adopting a resolute policy which admittedly would have necessitated unpopular measures, the late Government seemed content with palliatives. Thus over the past few years the position steadily deteriorated and at the same time an illusion of prosperity was created largely as a result of inflation. More realistic measures were adopted by the new Government in November, and among these was the introduction of a monetary policy designed to tighten credit and impart greater flexibility to the national economy. A further instalment of the measures to be taken to restore the country's solvency was announced by the Chancellor of the Exchequer at the end of last month. No one can foresee how far, or how vigorously, the policy will be pressed; but the nature, if not the degree, of its effects upon the banks is already sufficiently clear.

As you know, the banks have for some time past closely observed Treasury requests to restrict the provision of credit facilities to the essential minimum, and the fact that advances have none the less shown substantial increases has been largely due to the prevailing inflationary conditions. The most recent monetary changes, however, have resulted in a tighter official control of the volume of bank cash. For the banks this means a curtailment in the amount available for lending and this is superimposed on the new request by the Chancellor of the Exchequer that they should be even more sparing and discriminating in the granting of credit facilities to customers.

BANKS AND CLEAR DUTY

As a result, it has become increasingly necessary for the banks, in complying with official policy, to perform the disagreeable task of declining proposals for advances which conform in every way to normal banking requirements and which under different circumstances would have been readily granted. Moreover, in recent years many sections of industry have been obliged to rely on the banks for finance which but for the crushing burden of taxation would have been provided from their own resources. The influence of the restrictions of credit, although beneficial to the country as a whole, may seem severe and even discriminating to a particular individual who has all the attributes of a sound borrower. But in the national interest the duty of the banks is clear, and if the new policy is to succeed it is the responsibility of everyone to play his full part in the strenuous attempt now being made to save our national economy from disaster. The task ahead will not be easy, but I am sure the banks, while respecting the wishes of the Government, will do their utmost to minimise any inconvenience to their customers and to ensure that business is carried on in an orderly manner wherever the national interest requires. Nor will the banks find the altered conditions to the benefit of their profit and loss accounts since the new pattern will result in restricting the enhanced income which might otherwise have come from advances. Any net accrual from higher rates of interest will be but trifling compensation for the capital losses sustained by reason of the long-continued and latterly accelerated decline in values of gilt-edged securities.

Although the banks have thus no reason in their own immediate interests for welcoming the change in monetary conditions, they readily concur in them so far as they may prove in practice to contribute to the establishment of a sound basis for the conduct of the nation's business at home and abroad.

NEED FOR GREATER OUTPUT

The monetary changes are only part of the necessary remedies, however, and the final solution of our present problem is increased production. The need for greater output is widely recognised, but the personal responsibility for achieving it is less readily acknowledged. We now have a shorter working week and longer holidays—both, no doubt, very desirable, but justifiable only if the hours now worked are more productive. To achieve the greater output so vitally needed at present, restrictive practices, whether on the part of the employer or employee, must be removed. Exhortation to increase production will, of itself, achieve little, and effective Government action is called for to provide both sides of industry with the necessary incentives. Not least amongst these measures should be a reorganisation of the fiscal system so that the incidence of taxation no longer jeopardises the re-equipment of industry nor discourages the worker from all-out effort. The taxpayer's gain need not be the Exchequer's loss.

Failure on the part of each individual to make a supreme effort to increase production can only lead to considerable unemployment at no distant date. If our goods cannot compete in the world markets, our exports will fall and in turn we must suffer a reduction in the import of materials on which our manufacturers so largely depend. Let no one be under any delusion of the dire consequences which will follow from such failure. Our standard of living will be permanently lowered, and all our social gains lost.

The report and accounts were adopted.

BARCLAYS BANK LIMITED

ANNUAL MEETING OF STOCKHOLDERS

The annual general meeting for the year 1952 of the stockholders of Barclays Bank Limited was held on February 8th at the head office of the bank, 54, Lombard Street, London, E.C.3.

Mr A. W. Tuke, the chairman, who presided, paid tribute to the memory of His late Majesty, King George the Sixth; and the meeting stood in silence before proceeding to formal business.

Mr H. G. Tickle (the secretary) read the formal notice convening the meeting and the report of the auditors.

With the concurrence of the stockholders present, the report and accounts were taken as read.

The chairman moved:

"That the report of the directors of the company now produced, together with the accounts annexed as at December 31, 1951, duly audited, be received, approved and adopted, and that a final dividend of 5 per cent., making 10 per cent. for the year, on the 'A' stock, and a final dividend of 7 per cent., making 14 per cent. for the year, on the 'B' and 'C' stock, respectively, less income tax at the standard rate in each case, be declared, payable on the 22nd instant to the stockholders registered in the books of the company on January 14th last."

Mr F. C. Ellerton (deputy chairman) seconded the motion, which was carried.

Lieut.-Colonel Edward Hoblyn Warren Bolitho, C.B., D.S.O., Sir John Donald Horsfall, Bart., Commander Sir Robert Micklem, C.B.E., R.N., Sir Ernest Henry Murrant, K.C.M.G., M.B.E., Mr Frederic Seebohm and Mr John Thomson, directors retiring at the meeting, were re-elected directors of the company, and other ordinary business was transacted.

A vote of thanks to the staff and a vote of thanks to the chairman for presiding at the meeting were unanimously accorded and the proceedings terminated.

MARTINS BANK LIMITED

ANNUAL GENERAL MEETING

The one hundred and twenty-first annual general meeting of Martins Bank Limited, was held on February 12th at the head office, Liverpool. Mr A. Harold Bibby, D.S.O., D.L., chairman, presided.

Before commencing the business of the meeting the shareholders stood as a mark of deep respect to the memory of His Majesty King George VI.

The notice convening the meeting and the auditors' report were read.

Mr Bibby said that, along with others, the bank had suffered depreciation in gilt edged values but was well able to protect the position with the help of inner reserves, as the investment portfolio was in predominantly short-dated Government stocks, if held to maturity, these would show a useful recovery.

The report and accounts for 1951 were adopted and resolutions were passed re-electing the retiring directors and fixing the auditors' remuneration.

A vote of thanks was unanimously accorded to Mr Bibby for presiding.

The chief general manager, Mr C. J. Verity, acknowledged the tribute to the general management and staff.

JONAS WOODHEAD AND SONS

(Manufacturers of Road and Rail Vehicle Suspension Systems)

RECORD OUTPUT

CAPTAIN ALLAN KYLE'S REVIEW

The thirty-second annual general meeting of Jonas Woodhead and Sons, Limited, was held on February 11th at 177 Kirkstall Road, Leeds.

The deputy chairman, Mr Michael Moore, F.C.A., who presided in the absence abroad of the chairman, Captain Allan G. Kyle, said: Before dealing with any formal business, I am sure that it is the wish of all to stand in silence for a few moments in memory of our late King George VI; in regret at the loss to this world of a good man; in sympathy with his family and, because the future is ever ahead of the past, to ponder the burden which at so early an age has fallen upon the shoulders of Her Majesty Queen Elizabeth II. May we all, in our various ways, do our best to lighten that burden.

The secretary (Mr James Templeton, C.A.) having read the notice convening the meeting and the report of the auditors, Mr Moore then read Captain Kyle's review as follows:—

For some years now I have had to explain to you that we have had to deal with trading losses sustained by some of the younger members of our group in bringing them to a state of fruition. But I always felt confident that the day would come when each in turn would pull their weight and together we would do well. That day has now come. Not a single subsidiary company (with the exception of a new acquisition of a few months ago) has failed to earn a profit and your parent company has once again eclipsed all previous records of output. It is indeed a heartening performance. The periods of growing pains in these new ventures have been a severe test, but by vigour and enthusiasm and by magnificent teamwork, they have come through in good heart and in fine fettle. It is certainly with some pride that I say to all concerned, "Thank you for the great efforts you have made, for your loyalty and for the fine work that you have put behind this great achievement."

STEEL SUPPLIES

As you know the healthy existence of your group of companies mainly depends upon receiving the necessary deliveries of certain grades of steel. Owing to our modern and continuous processes of fabrication, we are ravenous consumers, and as our organisation expands, which it is doing both at home and abroad, it is absolutely necessary for our requirements to be met continuously and smoothly. Our suppliers have seen to this over many years and, now that the likelihood of interference by those who are more politically minded than industrially experienced is on the ebb, we feel confident that their ability to help us efficiently will not be impaired. While on the question of steel supplies, I would like to explain that our customers look to us, as a natural service, to hold large stocks of steel with which to meet their scheduled forward requirements. Our inability to do this in present circumstances is a continuous source of anxiety to your management.

THE PROFIT MOTIVE

There has been much misguided and irresponsible talk on the subject of profit, as if it were something to be shrouded, something to one's discredit. Well, to those who think in this manner, let me say at once that here it is our aim to make a profit and when we do so we are proud of it. So are our staff, and so are our workpeople. Let me go a step further. Do you think our customers would continue to give us their confidence and their orders if our level of efficiency was such that a profit could not be earned? This dangerous and infectious criticism of the profit-motive has gone far enough and must be energetically attacked and destroyed.

REVALUATION OF ASSETS

There has been a move in several quarters to get Boards of Directors to revalue their assets at today's figures so that proper allowances for depreciation may be provided and so that reserves can be judged in their true relation to the cost of asset replacement. It is a sensible suggestion in itself but, in my opinion, it is fallacious when linked up with the business as a whole. If we were to propound such an idea in the throes of a slump it would surely be treated with contemptuous criticism—then why do it at the height of an industrial boom which has been going on for 16 years? The true value of buildings, plant and equipment is related to their long-term profit-earning power, and once you get away from this dictum you are heading for an unhappy future.

ACCOUNTS

While the accounts for the year ended September 30, 1951, have been before you for some weeks, there are a few points to which I would like to draw your special attention.

Our group's net profit (before taxation) has increased by £79,025 from £88,753 to £167,778. This is in part due to increased production and in part, as already mentioned, to our young subsidiaries having got through the teething stage. Taxation takes £87,221, against £35,581, and after a minor adjustment for interests of outside shareholders we are left with a net profit of £80,296, against £52,898, an increase of £27,398.

I want you to weigh these figures very carefully: by sheer toil we have been able to win £79,000 extra net profit, but of this nearly £52,000 has gone in taxation, leaving the company only some £27,000 net. The chairman of one of the Big Five banks recently used words far more apt to describe this process than any I can express: "The plain fact is that the present level of national and local taxation is causing a steady erosion of personal, industrial and national assets." And again, "If, therefore, this country is to regain its economic health and increase its productivity, there must be a drastic reduction of taxation and a reform of its incidence."

CONSOLIDATED BALANCE SHEET

Looking now at the consolidated balance sheet at September 30, 1951, the main features are the new item of £200,000 four and three-quarters per cent. Unsecured Loan stock, 1956-61, coupled with a marked improvement in our current liquid position. For years past, this company has financed itself out of ploughed-back profits or cut of new risk-bearing capital. The amount of the former has been grievously and progressively reduced by excessive taxation: the latter course has been rendered practically impossible by the incidence of profits tax. During the year, in view of continued increases in the cost of everything, your board came to the conclusion that we must have more cash and decided to raise it in a semi-permanent form the service of which is an allowable charge for taxation.

A casual observer looking at the balance sheet at September 30, 1951, may be inclined to think, in view of our holdings of tax reserve certificates and cash amounting to some £312,000, that it was not necessary to raise this money. My answer to this is really given in my earlier remarks as regards steel supplies: as soon as we can again hold adequate and balanced stocks we shall need every penny unless there is a sharp drop in prices.

DIVIDEND

The true capital employed in this business is over £1,200,000 and therefore the recommendation of your board to pay a 15 per cent. dividend is in reality the equivalent of less than 6 per cent. of the capital employed. In this light it was felt that the merging of the bonus paid last year in the basic dividend was fully justified. On the other hand, your directors did not feel justified in recommending an increased total distribution as we must conserve our resources.

EXPORTS

Our direct export trade of locomotive and carriage suspensions was well maintained throughout the year, but the present-day tendency in foreign countries to transfer the private ownership of railways to state ownership is inclined to disorganise the normal flow of supplies and replacements. The demand for the Woodhead-Monroe shock absorber is increasing rapidly both at home and abroad and, provided that we are not subjected to a raw material shortage, the future is bright. The great bulk of our export consists, of course, of suspensions fitted to motor vehicles whose manufacturers have done such a magnificent job in breaking into world markets as never before.

REARMAMENT AND PROSPECTS

It is indeed sad that once again we have to turn our minds to rearmament but no one would deny the wisdom of preparedness in these times. Your group of companies will have an important part to play and their experience, resources and manufacturing capacity are unreservedly available to the Government for this purpose. Whatever is required of us will have its influence on our normal productions. This unknown factor, together with the international problems of today, makes it difficult to discuss future prospects. Current prospects are certainly good and I think it would be wise to leave it at that.

The report and accounts were unanimously adopted and the proceedings closed with a vote of thanks to the directors, staff and employees.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

LIEBIG'S EXTRACT OF MEAT COMPANY

INCREASED DEMAND FOR OXO

The eighty-seventh annual general meeting of Liebig's Extract of Meat Company, Limited, will be held on March 6th at Thames House, Queen Street Place, London.

The following are extracts from the statement of the chairman and managing director, Mr Kenneth M. Carlisle, which has been circulated with the report and accounts:—

Profits less losses on trading, etc., at £2,100,000, show an improvement over the previous year of £435,000. Most of the companies within the group participated in this better overall result, but the greatest single factor is a very welcome recovery in the profits of Oxo Limited.

Results of our Continental European subsidiaries again improved and played their part in swelling the profits of the group as a whole.

We had last year to face a net exchange loss of £208,000 as a result of devaluations of the Argentine and Paraguayan currencies. This year we are confronted with the really formidable figure of £408,000 arising almost entirely from the devaluation of the Guarani, the Paraguayan currency. Inflation has been rampant in the River Plate countries during the last few years and unfortunately, shows no signs of abating. Even so, it must be admitted that a fall in the value of the Guarani to the extent realised was something of a shock for companies operating in that country It is a considerable disappointment to find our profits whittled away by factors over which we can exercise no control.

The profit brought into the accounts of the parent company amounts to £259,000, an increase of £9,000 as compared with the previous year. Your directors recommend an allocation of £33,440 to reserve for contingencies which will bring this reserve to a round figure of £450,000. The proposed final ordinary dividend of 7s. per £5 unit, tax free, makes a total for the year of 9s. per £5 unit, tax free, representing a gross payment of 17.14 per cent.

OXO LIMITED

In my statement last year, I referred to the general restriction of trade in the spring and summer of 1950, due to the desire of all traders to reduce stocks. At the same time I mentioned that, during the latter part of 1950, sales to the trade had greatly improved. This tendency was maintained throughout the balance of the financial year, with the result that the sales of Oxo Cubes during the whole year now under review largely exceeded the sales for the previous year. Still more encouraging is the fact that purchases by consumers over the counter show increased consumption per head of the population.

Fray Bentos Soups and Meat and Fish Pastes continue to find favour with the public; but the volume of trade is severely restricted owing to unavoidable shortage of tins for soups and of meat and fish for pastes. Meanwhile, quality is maintained at the highest possible level, with a view to eventual expansion of business when supplies of first-class materials become adequate to meet all demands.

Large quantities of Fray Bentos corned beef from our factories in Paraguay and Africa have been supplied through Oxo Limited to many export markets, notably in the Mediterranean area and to the United States and Canada. The greater part of the output of corned beef from our Argentine factory continues to be purchased by the Ministry of Food, the balance being distributed by Oxo Limited in overseas markets.

CARRERAS, LIMITED

A SATISFACTORY ACHIEVEMENT

PROPOSED CAPITALISATION OF RESERVES

The 48th annual general meeting of Carreras, Ltd., was held on February 11th in London.

Sir Edward Baron (chairman and managing director), in the course of his speech, said: The twelve months to October 31st last developed rather in the way we anticipated, with costs and expenses continuing their upward trend. At one time we thought that the results would not make such a good showing but two factors helped to improve the position. In the first place our export trade was larger in volume and this naturally gave us some advantage. Secondly, for the last two months increased selling prices were in operation, from which we derived a corresponding benefit. This was long overdue, but the full advantage should of course be felt in the current year.

While the view expressed by your board a year ago that they could not be confident that profits would be maintained at the same high level was thus borne out, the results might well have been worse. I hope, therefore, you will regard our achievement as satisfactory in the circumstances.

With the existing stock position and the need for the Government to maintain the revenue from tobacco duty, I cannot see that any serious diminution in supplies of tobacco and cigarettes to the public will occur this year.

The period covered by the accounts was more competitive than for some long time, but our relative position in the trade remained unimpaired. All our products continue to enjoy widespread popularity.

CAPITAL PROPOSALS

A study of our balance sheets over the past few years must have impressed upon you the fact that the capital actually employed in this business far exceeds the issued share capital. Your board has decided that the time has now come to bring these two more into line so that some of the large amount of our earnings which we have ploughed back over many years and invested in the acquisition of buildings, plant and machinery, stocks and other assets, and upon which current profits are earned, may be shown in the accounts under their true description.

Application was recently made to the Capital Issues Committee for consent to capitalise £3,720,300 of the reserves and carry forward and to apply that sum in paying up 29,762,400 "B" ordinary shares of 2s. 6d. each for distribution among the ordinary shareholders on the basis of eight new "B" ordinary shares for each existing ordinary or "A" ordinary share, and one new "B" ordinary share for each existing "B" ordinary share held. You will, I am sure, be pleased to learn that the necessary consent has been received and we hope to be able to issue allotment letters early in May. Our dividend policy in the future, as in the past, will be governed by considerations affecting the best interests of the business.

We also contemplate taking steps at a later date to convert each of the existing £1 "A" ordinary shares to eight "B" ordinary shares of 2s. 6d. each. This will, I know, be welcomed by shareholders generally.

So far as the current year is concerned, all I can say is that we have made an encouraging start and if this continues we should have a reasonably good result to report in twelve months' time.

The report was adopted.

MILLS AND ROCKLEYS LIMITED

MR GEORGE MILLS' STATEMENT

The accounts for the year ended October 31, 1951, show that the consolidated profit of Mills and Rockleys Limited and its subsidiaries is £133,618 compared with £134,054 last year. The available net profit is £42,205 compared with £55,857 in the previous year. This decrease of £13,652 in the available net profit is due largely to the heavy increase in taxation which amounts to £87,306 compared with £78,197 last year. Taxation this year absorbs 13s. 1d. out of every £1 of profit earned by the company, an increase of 1s. 5d. in the £1.

The directors recommend an ordinary dividend of 10% (1s. per share) less Income Tax, absorbing £27,830, being the same rate of dividend as has been paid last year.

RISE IN COSTS

The rise in costs to which I referred a year ago progressed even more rapidly during the first half year of 1951 than it had done in the latter half of 1950, with the result that by the middle of 1951 an increase in our charges for space and service became imperative.

On the other hand the volume of our turnover has been more satisfactory. The shortage of civilian supplies in the shops, which a year ago was generally expected as a result of the diversion of resources to rearmament, did not materialise. Indeed, as the year progressed the retail home market has turned to a growing extent towards a buyers' market, and our turnover was buoyant during the latter half of our financial year.

The results shown in the accounts have scarcely benefited at all from the increase in our charges. This increase will gradually become effective during the present year, but costs of every character are still rising.

Though at the moment there are not the immediate signs of a recession in our trading, which were apparent a year ago, I must utter much the same word of warning that I did then. The Government are now again having to take drastic steps to make the country pay its way and, sooner or later, some shortage of civilian supplies is likely to appear which may bring about a reduction in the total amount of advertising.

NEW POSTER PRESENTATION

During the year, with the assistance of Mr Rolf Hellberg, F.R.I.B.A., of Coventry, we have devised a new form of poster panel which has been the subject of much favourable comment from advertisers, their agents and town planning authorities. Your board are proud to be the sponsors of the most marked improvement in poster presentation that has been achieved for a quarter of a century.

ADVERTISEMENT REGULATIONS

I referred in my last statement to the difficulties arising as a consequence of the advertisement regulations. Those difficulties continue, but I am happy to report that a better understanding between the industry and the public authorities is arising. Many authorities are now realising the important economic necessity for outdoor advertising and, on the suggestion of the Ministry concerned, are co-operating to ensure that there are proper provisions to meet the demands of national and local advertisers while still preserving amenities. There is no doubt that the pleasing characteristics of our new Hellberg panel and our patented design of public information panels are helping materially.

NEWCASTLE BREWERIES LIMITED

RECORD OUTPUT

The sixty-third annual general meeting of the Newcastle Breweries Limited was held on February 14th, at Newcastle-upon-Tyne. Mr Alex. McConnell, chairman of directors, presiding.

The output at the Brewery was again a record, the increase in barrelage being of the order of 10 per cent. The Exhibition Pale Ale once more shows a gratifying rise, and the IPA, our standard ale, has more than held its own. The bottling factory has had a good year against increasing competition and the sales were higher than any previously recorded. There is a definite trend all over the country towards beer in bottle, but I am glad to say, as far as this company is concerned, our draught beers maintain their popularity. The wines and spirits department have also had a busy time. The mineral water factory has more than maintained its turnover.

The trading figures, I think, may be considered under all the circumstances satisfactory; gross profits being higher by slightly over £10,000, but the cost of materials and charges of every kind increased to such an extent that the trading profit shows a small decline.

PROFIT AND DIVIDEND

The profit for the year after providing for income tax and profits tax on the profits to date, debenture interest, and directors' fees amounts to £145,290.

It is proposed:

1. To pay a final dividend of 3 per cent. less tax on the preference stock.

2. To pay a final dividend of 10 per cent. and bonus of 3 per cent. on the ordinary stock.

An analysis of the disposal of the total revenue of the company works out as follows:—

Duties, taxes, and licences	60.6 per cent.
Materials and services ...	24.9 per cent.
Wages, salaries and pensions	10.3 per cent.
Reserves	1.9 per cent.
Debenture holders and shareholders	2.3 per cent.
	100 per cent.

Stocks are much higher owing to enhanced prices, particularly of barley and malt. The barley harvest was difficult and prolonged following a cold spring and unsettled summer. The figure for good malting barley has risen to fantastic heights and the average cost per quarter is anything from 40s. to 60s. above that of last season, when it was considered inordinately high. All this is bound to affect brewing costs and may mean an increase in outlay of 8s. to 10s. per barrel. In addition to which wages and other materials will take their toll.

In the summer of last year the question of price adjustments of beers was discussed at meetings of the local associations and it was decided at that time to leave the prices of draught beers as they were but to increase those of bottled beers in which the elements of labour and transport enter to a greater degree. It was also agreed to make an allowance off the cost of draught beer to the retailer to go some way to compensate him for increased charges of many kinds. Since then, owing to the soaring price of barley, and malt and hops, the situation has completely altered and after consultations between the local brewers and retailers it has been resolved to raise the price of draught beers by one penny per pint, with an additional allowance to the retailer.

The report was adopted.

LUMUT RUBBER ESTATES, LIMITED

The annual general meeting of Lumut Rubber Estates, Limited, will be held on March 5th in London.

The following is an abstract of the address of the chairman, Sir Eric Macfadyen, circulated with the report and accounts:—

The marked recovery in the rubber market coincided largely with the company's financial year under review. It is a source of great satisfaction to my colleagues and myself to present accounts which disclose the most successful trading operations enjoyed by the company during the 42 years of its existence.

The net selling price of our crop (3,528,550 lb. of rubber) worked out at just over 42d. per lb., almost double the previous year's average. On the other hand costs also nearly doubled but, on balance, we were better off by fully 11d. per lb.

Before taxation our profit was £322,963. An interim dividend of 10 per cent. has been paid and we recommend a final of 15 per cent., making 25 per cent. for the year, and if this is approved the rate of dividend will be the highest since 1926-27 when 30 per cent. on the then capital was paid.

I visited several of our estates again during the year and found conditions most satisfactory. Good progress has been made at Dusun Durian in replacing obsolescent rubber with oil palms and we now have 588 acres under palms.

For the current year, we estimate production at some 3,400,000 lb. of rubber, allowing for some reduction in crop for the time being from areas in course of replanting. We have sold forward 27 per cent. of this estimated crop at prices which average approximately 37d. per lb. London landed equivalent.

THE TRAINING OF TECHNICAL TEACHERS

Applications are invited from men and women of approximately 25 years of age and over, for admission to a ONE-YEAR COURSE OF TRAINING as full-time TEACHERS OF GENERAL COMMERCIAL AND PROFESSIONAL SUBJECTS, AND/OR OFFICE ARTS (SHORTHAND, TYPEWRITING AND OTHER SECRETARIAL WORK) in Technical Colleges and similar institutions.

Applicants who wish to teach general commercial and professional subjects, should have a University Degree, or professional qualification, or a Higher National Certificate in Commerce.

Applicants who wish to teach Office Arts should possess higher certificates of some recognised examining body in shorthand and typewriting, and should show evidence of a good general education.

In all cases applicants will be expected to show evidence of good business and other clerical experience.

The courses will begin in September, 1952. Recognised students will pay no fees and they will be eligible for maintenance grants for the period of the course.

Further particulars and application forms may be obtained from the following Colleges on receipt of a stamped addressed foolscap envelope.

Enquiries for forms should be endorsed "S/1/22."

BOLTON—The Director,
Bolton Training College,
Manchester Road,
Bolton, Lancs.

HUDDERSFIELD—The Director,
Huddersfield Training College,
Queen Street South,
Huddersfield, Yorks.

LONDON—The Principal,
Training College for Technical Teachers,
83, New Kent Road,
London, S.E.1.

CROWN AGENTS FOR THE COLONIES

PRODUCE OFFICER required by the Government of Nigeria for the Department of Marketing and Exports for one tour of 18 to 24 months with prospect of permanency. Commencing salary according to qualifications and experience in scale £711 rising to £1,290 a year, including allowances. Outfit allowance £60. Free passages for Officer and wife and assistance towards the cost of children's passages or their maintenance in this country. Liberal leave on full salary. Candidates, under 40, should have had a good education and preferably hold a University Degree in Commerce, Economics, or Agriculture, or a Diploma of an approved Agricultural College. Experience in the inspection and grading of agricultural products an advantage.

Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience, and mentioning this paper, to the Crown Agents for the Colonies, 4 Millbank, London, S.W.1, quoting on letter M.25572.C. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

A YOUNG director of old-established City import and export company interested in joining firm of foreign exchange brokers. —Write Box Z.O.203, Deacon's Advertising, 36, Leadenhall Street, E.C.3.

UNIVERSITY OF BIRMINGHAM

BARBER CHAIR OF FINE ART AND DIRECTORSHIP OF THE BARBER INSTITUTE

Applications are invited for the above post to be rendered vacant by the retirement of Professor Thomas Bodkin on September 30, 1952. The salary will be not less than £1,850 p.a. Applications should be lodged with the undersigned (from whom particulars should previously have been obtained) before March 8, 1952.

C. G. BURTON, Secretary.

The University, Edmund Street, Birmingham, 3.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of LECTURER IN SOCIAL ANTHROPOLOGY from candidates with research qualifications in the field either of primitive society or of modern community studies. Salary scale of Lecturer £500 to £1,100 per annum, membership of F.S.S.U., and children's allowance scheme. Applications should be sent not later than March 17, 1952, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

NATIONAL BANK OF PAKISTAN

(Incorporated in Pakistan under Ordinance No. XIX of 1949 of the Government of Pakistan.)

HEAD OFFICE. Post Box 519, Karachi.

Applications are invited from retired men or men with a minimum of 20 years' banking experience obtained in a first-class commercial bank for employment in responsible positions in the National Bank of Pakistan. Experience in banks in the Indo-Pak Sub-continent will be an advantage. Contracts will be for three to five years. Those selected will be stationed in Karachi, Dacca and Lahore.

Applications, stating details of qualifications, experience and minimum emoluments acceptable, should be sent to he undersigned within thirty days of the publication of this notice.

S. K. ABDULAZIZ, Chief Establishment Officer.

LADY PRIVATE SECRETARY required by Chairman and Managing Director of leading organisation managing large group of Companies with interests abroad. The post is a senior one involving both business and social responsibilities and calls for a lady between the ages of 25 and 35 who has already had a first-class secretarial training and experience at a high level in her profession and will be remunerated accordingly.—Full particulars to Box No. 462, Dorland Advertising, 18/20, Regent Street, S.W.1.

SECRETARIAT OF THE INTERNATIONAL RUBBER STUDY GROUP, BRETTENHAM HOUSE, 5 LANCASTER PLACE, STRAND, W.C.2, requires Senior Statistician or Assistant Statistician, depending on circumstances. University degree or equivalent in Statistics or in Economics (with Statistics) or in any other main subject (with Statistics). Knowledge English, French essential. Salary Senior Statistician £1,000 to £1,500, Assistant Statistician £600 upwards. Starting salaries for both posts depending on qualifications, experience, etc. Application by letter stating qualifications, references, age, married or single, etc. Final date March 20, 1952.

NEW YORK business man. British, University education (39), returning N.Y. to settle, seeks permanent position or agency with reputable firm. Willing to tackle new field.—Box 878.

STAFF PROBLEMS SOLVED!

Let us shoulder *your* staff difficulties as we have already done for ¼ million other employers!

EFFICIENT OFFICE STAFF
Permanent and temporary—always available.

HIGHER APPOINTMENTS SECTION
Supplies all executive (non-technical) personnel—male and female.

GROUP STAFFING—in and out of town! From time to time we handle the complete staffing of new organisations.

In every case pre-selection by FINE'S saves time. Please write for a copy of our 4-page brochure which gives full details of our unique service.

FINE'S EMPLOYMENT AGENCY
(Licensed annually by the L.C.C.)
95/99 PRAED STREET, LONDON, W.2
PHONE AMB 3400 (30 LINES)
LONDON'S LARGEST EMPLOYMENT AGENCY

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

MURRAY-WATSON
LIMITED
Advertising & Marketing
Home and Overseas
58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9
DUDLEY, WORCESTERSHIRE. DUDLEY 3162

LANCASHIRE COUNTY COUNCIL—PLANNING DEPARTMENT

PLANNING ASSISTANT (RESEARCH), £503-£620, required in PRESTON. Commencing salary according to qualifications and experience. Candidates should be University graduates with good Honours degree in Economics, Sociology, or related subjects. Duties include collation of statistical material and investigation of problems connected with population, industry and housing.

Applications, giving present salary and the names, addresses and qualifications of two referees (preferably one should be present employer), to reach the County Planning Officer, East Cliff County Offices, Preston, by March 1, 1952.

MULTIPLE Store Office Management.—Qualified Accountant required, to act as General Manager in charge of all Branch Office administration in a group of 12 Retail Stores in the West of Scotland. Office personnel employed numbers 70, and man appointed will have the responsibility (with assistants) of engaging and training staff, supervising their work, introducing new methods where required, and carrying out routine internal audit. The position requires a high standard of ability, and rewards will be commensurate. Commencing salary, £1,000 per annum. Age limit 38. State professional qualifications, age, and full particulars of experience.—Box 866.

FIRE!
WHERE'S YOUR
NU-SWIFT?
The World's Fastest Fire Extinguishers
—for every Fire Risk
Pressure-operated by sealed CO_2 Charges
NU-SWIFT LTD · ELLAND · YORKS
In Every Ship of the Royal Navy

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by the ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, February 16, 1952.

Markets Abroad

Information on markets and sources of supply in Canada, the West Indies, Central and South America is available through the Royal Bank, with over 750 branches in these areas.

London Offices—
6 Lothbury, E.C.2 — B. Strath, Mgr.
2-4 Cockspur Street, S.W.1 — R. B. Murray, Mgr.

THE ROYAL BANK OF CANADA
Head Office, Montreal
Offices in New York and Paris
Over 750 branches in Canada, the West Indies, Central & South America

Incorporated in Canada in 1869 with Limited Liability.

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar ($1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable March 15, 1952, to shareholders of record at the close of business February 15, 1952.

By Order of the Board,
Toronto, February 12, 1952. C. H. WINDELER, Secretary.

GOOD FOOD

We specialise in catering for industrial canteens, offices, and luncheon clubs. Our organisation is not too large or unwieldy and we can give personal supervision to all our contracts. Write for testimonials from our clients; addresses given on application to:-

Harold Jayes & Son, Ltd.,
29, West Heath Court,
LONDON, N.W.11.
SPEedwell 2498 & 6754

GOVERNMENT OF SOUTHERN RHODESIA

FOUR AND A HALF PER CENT INSCRIBED STOCK, 1958-68

CITY OF JOHANNESBURG

THREE AND A HALF PER CENT REDEEMABLE STOCK, 1959-60

NOTICE is HEREBY GIVEN that in order to prepare the Warrants for Interest due April 1, 1952, the Balances of the several Accounts in the above-mentioned Stocks will be struck on the night of March 1st, and that on and after March 2nd the Stocks will be transferable ex dividend.

For BARCLAYS BANK (DOMINION, COLONIAL AND OVERSEAS) (London Registrars of the above Stocks),
G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2.
February 8, 1952.

TRANSLATION.—Rapid service, German into English. Technical and Commercial material a speciality.—Apply by letter to "Translations," c/o Abbotts, Eastcheap, London, E.C.3.

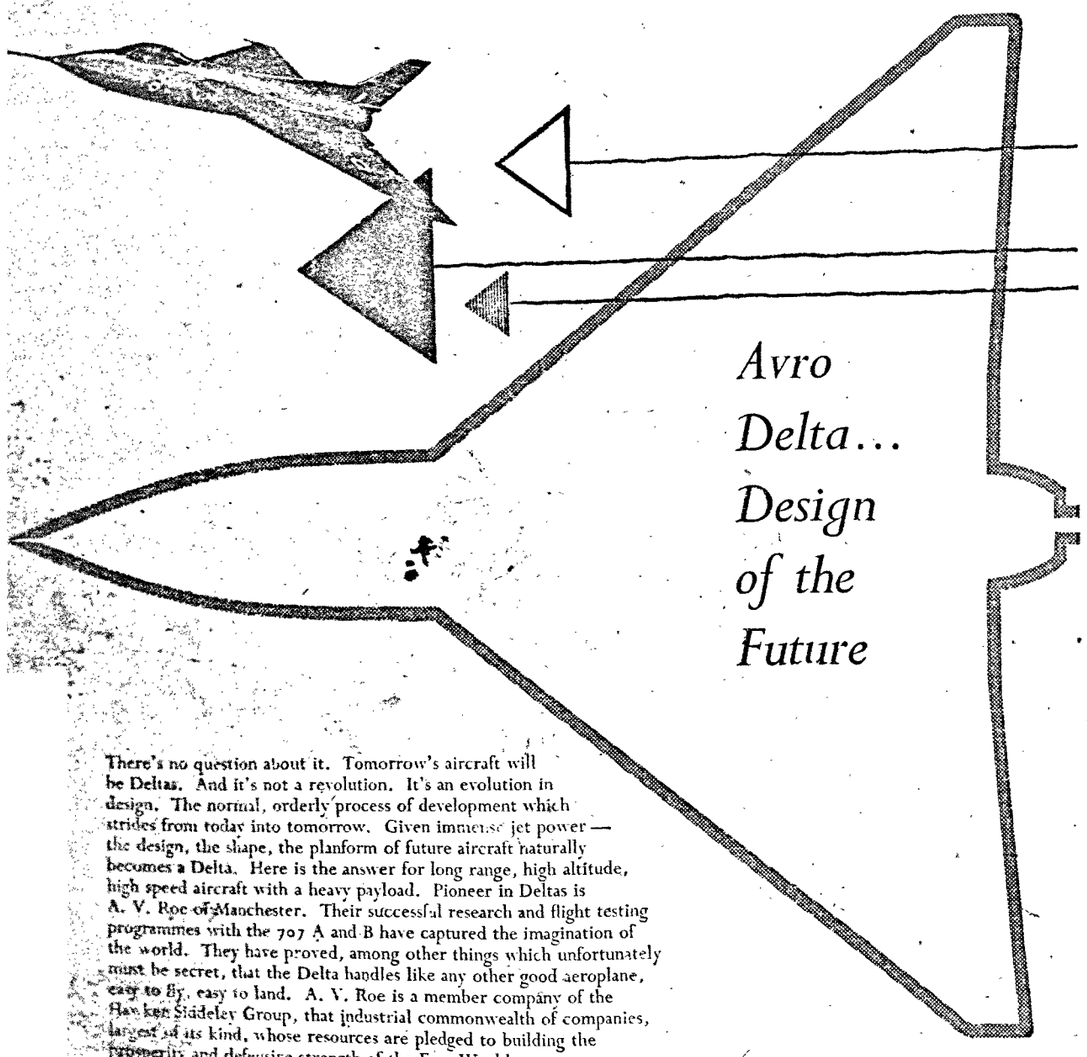
Postal Tuition for B.Sc. ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 — WOLSEY HALL, OXFORD

In Defence of the Realm

NUMBER 1 IN A SERIES



There's no question about it. Tomorrow's aircraft will be Deltas. And it's not a revolution. It's an evolution in design. The normal, orderly process of development which strides from today into tomorrow. Given immense jet power — the design, the shape, the planform of future aircraft naturally becomes a Delta. Here is the answer for long range, high altitude, high speed aircraft with a heavy payload. Pioneer in Deltas is A. V. Roe of Manchester. Their successful research and flight testing programmes with the 707 A and B have captured the imagination of the world. They have proved, among other things which unfortunately must be secret, that the Delta handles like any other good aeroplane, easy to fly, easy to land. A. V. Roe is a member company of the Hawker Siddeley Group, that industrial commonwealth of companies, largest of its kind, whose resources are pledged to building the prosperity and defensive strength of the Free World.

Hawker Siddeley Group

PIONEER . . . AND WORLD LEADER IN AVIATION

Group Head Offices: 18 St. James's Square, London, S.W.1
A. V. ROE, GLOSTER, ARMSTRONG WHITWORTH, HAWKER,
AVRO CANADA, ARMSTRONG SIDDELEY, HAWKSLEY, BROCKWORTH
ENGINEERING AIR SERVICE TRAINING AND HIGH DUTY ALLOYS

The Economist

Established 1843

February 23, 1952 — One Shilling

SECRETARIAT LIBRARY
MADRAS GOVERNMENT

LEADING ARTICLES

A Bargain for Lisbon - - - - 437
The Case for Severity - - - - 439
Talking with Egypt - - - - 440
A Helping Hand - - - - - 442

NOTES OF THE WEEK - - - 444
Nato and Necessities; The Politicians Protest; The Workers Protest; Sabotage by Subsidy; Germany's Defence Bill; Battle against Time; "Persecutions" in Hongkong; Labour's Lordly Economics; Where Ignorance is Thrift; Freedom of Propaganda; A New Chance in Kashmir; A Lean Time for De Gasperi; Celestial Displeasure; Prescription for the Pound; The Miners' Pension; African Prime Minister?; Impartiality at Suez; Israel's Leap in the Dark; Shorter Notes.

LETTERS TO THE EDITOR - - 455

BOOKS AND PUBLICATIONS - 456

AMERICAN SURVEY
Allies in Spite of Themselves - 460
Where Power Transcends Party 461
Fact-finding in Steel; Taft on Tour; Death at the Airports; Bases Around the Atlas; Oil Shortages; Shorter Notes.

THE WORLD OVERSEAS
Fears and Factions in France 467
Canada's Doubled Output; China's Tested Tiger-Catchers"; Iraq—Land of Promise—II; A Victory for Vargas; Transforming the South Sudan.

THE BUSINESS WORLD
Raising the Budget - - - - 476
Can Steel be Supervised? - - 478

BUSINESS NOTES - - - - - 480
The Test of Interest Rates; Report on Purchase Tax; Towards the No-Par Share; Interest Rates and Housing Subsidy; Two per Cent Unemployment; Tumble in Commodity Shares; Japan's Anti-Export Drive; Trade in January; Poll Tax at British Airports; Atom Bomb Trials; Steel Still Too Cheap; ICI's Development Programme; Mining Manpower; Contrasts in Stockpiling; Meat from New Zealand; Malaya's Dollar Earnings; Shorter Notes.

COMPANY NOTES - - - - - 490
STATISTICAL SUMMARY - - 491
COMPANY MEETINGS - - - 492

Vol. CLXII No. 5661
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

A Bargain for Lisbon

DEMOCRACY was at work with a vengeance last weekend when the four Foreign Ministers began their consultations about the defence of Europe and Germany's contribution to it. The Bundestag had hoped to tie Dr Adenauer's hands with limiting resolutions; and these had excited the French Assembly, which, very naturally, proceeded to attach conditions to its approval of M. Schuman's policy in the hope that he, too, would have to negotiate under restraint. Mr Acheson, though less directly under pressure than his European colleagues, knew that what was decided in London and Lisbon this week would deeply affect the attitude of Congress towards the Mutual Security Bill that comes before it shortly. If he had not heard he could at least imagine the charges and arguments that would greet any breakdown of western defence policy and the fate that would befall the appropriations he would request for Europe. Only Mr Eden can have felt any real freedom of gesture, thanks to the vagueness that has marked British policy in Europe; yet even he faces next week a debate in the House of Commons that might switch quickly from alarm about China to misgivings about Germany. In the circumstances the Ministers' task was to work for compromise, to persuade the Atlantic Council in Lisbon to say that there is still hope for the European Defence Community, and to keep details from the legislatures until that has been done. In the event, neither the French nor the German Foreign Minister took his legislature too seriously; concessions were made, especially by M. Schuman. Hence the anodyne communiqués and the rapid departures to Lisbon of almost everyone who knows what was actually said and done.

Clearly, the deadlock and breakdown that threatened last week have been averted by compromise. It looks as if a triangular understanding has been reached, so that negotiations for the defence community can go on. M. Schuman appears to have agreed to drop his proposal that the new contractual arrangements with Western Germany should include restrictions on its right to produce arms; so moving a little way towards the Bundestag's claim for equality and sovereignty. Dr Adenauer appears to have modified that claim and agreed that the commissioners—that is to say, the executive officials—of the European Defence Community will decide where and how arms are to be produced. (The Ruhr, being highly vulnerable to attack, could be denied on strategic grounds some of the most important production tasks.) In short, some of the restraints on what future German governments might do will be in the hands of the defence community, in which Germany can vote as an equal with France. And, as the third side of the triangle, in order to save the French from feeling that they are left alone with Germany, which will one day inevitably again be stronger than France, the Americans and British are considering ways of bringing their influence to bear on the disputes that will certainly arise within the community. On the other major difference—the clash between Germany's insistence

upon equality, including the right to join Nato, and France's refusal to consider German membership—a similar compromise appears to have been reached. Germany will not actually join Nato, but there will be the closest relationship, on relevant matters, between the EDC and Nato.

By these means, an open breakdown has been averted and the work of constructing the European Defence Community can continue. But it has been made very clear how fragile is the paper structure that M. Schuman and Dr Adenauer are building. It requires, after the last few weeks, a very hardy degree of optimism to believe that a trustful comradeship in arms can be built between France and Germany if they are left to confront each other without the active participation of stronger powers.

Something else has been made clear—the prospect that will open up if a European Defence Community is not created. France and Britain would have to face the choice between assuming burdens of rearmament even heavier than those under which they are already staggering and losing even such prospect of security as they now have. The Americans might think that they had to choose between the French and the Germans as allies. Or, worst of all, they might, in this Presidential year, decide that any allies are more trouble than they are worth. As was argued in these columns last week, these are the very unpleasant alternatives that would have had to be faced if M. Schuman and Dr Adenauer had felt bound by the demands of their legislatures.

★

The inference to be drawn from all this is almost too obvious to require stating. If a European Defence Community is necessary, but a satisfactory community is not to be expected by leaving the Continental countries alone to set it up, then it follows inevitably that America and Britain must lend a hand. That is what Mr Acheson and Mr Eden have been doing, and it was entirely proper that the work should have been done in London, since Mr Eden, of the four, has probably the most to contribute and is the most free to contribute it. It is, of course, no new discovery that the key to the European Defence Community lies in London. It has been said, with tiresome iteration from the start, particularly in France. But the difficulty about the point, as it has hitherto been made, is that it has usually taken the form of insisting that Britain must come into the Community as a full member like any other. That is simply not on the cards; no British government would agree to it, and would not be supported by public opinion if it did. One of the gains of the last few weeks has appeared to be the acceptance by all concerned of the fact that Britain is no longer regarded as a prospective candidate for membership. The talk, during the past week, of guarantees of the community to be given, from outside, by the United States and the United Kingdom has been a tacit concession of the point. It puts matters into the right light, for it is based on the proposition—which seems almost obvious to British minds—that militarily and strategically Britain's position is far more akin to that of the United States than to that of any country on the Continent of Europe.

If this essential principle is now accepted, however, it clears the way to positive action by Her Majesty's Government; there is no longer need for the British reaction to French appeals for help to be negative and defensive. If it is clear that the plan is for Britain to be a flying buttress, supporting from outside, not a pillar within, the construction can start. It is to this that Mr Eden should now address himself. First of all, there should be an emphatic—indeed, a ringing—declaration from the British Government that it will give to the European Defence Community any help or support (other, alas, than financial) that the United States will give. It should be made clear once and for all that, wherever feet are being dragged, it is not in London.

Beyond that, however, there should be an attempt to specify what help Britain can give. The talk has hitherto been of "guarantees," and if there are practical guarantees they should be given. What the French have in mind is a guarantee that the Germans will not use the EDC as a means of regaining troops and armaments and then at a later stage denounce the agreement and convert the German contingents into a national *Wehrmacht*. The contingency is clear enough, and conceivably the Germans might not be the only denouncers—General de Gaulle must be borne in mind as well as Dr Schumacher. But how does one "guarantee" such an agreement save by promising to use force, and are America and Britain ready to use force in such a contingency?

★

Indeed, a "guarantee," though it might have some value, would be a very remote and lifeless means of achieving its end. What would allay the French fears far more completely than the existence of a legal document, which could hardly be other than vague, would be the presence of the Americans and the British actually in the councils of the community. Is it impossible for the British Government to declare that the forces it in fact maintains on the Continent of Europe shall be treated as an integral part of the European army, just like the other national contingents? Could it go further and promise that, for a stated period, these forces would never be less (though they might be more) than, say, two divisions of ground troops and an appropriate number of tactical aircraft? If this could be done, then Britain could take its seat in the Community as, so to speak, a non-resident member paying a reduced subscription.

An offer of this kind would also help in securing the other major condition of Western European security, the most indispensable of all—that the Americans should stay in Europe. It would be disastrous if greater British support for the EDC were anywhere interpreted as reducing the need for American support. People on the Continent have not forgotten something that General Eisenhower was reported last year to have said, that when a powerful European army existed the withdrawal of American divisions could begin. That prospect has been used in successive weeks by speakers in the French and German parliaments to arouse suspicion and fear. American policy can perhaps hardly be expected to go quite as far as the suggestions made above for the British. For all the support of federal principles and of world government, no country is in fact as jealous of its sovereignty as the United States. But it would be a very healthy change in the international atmosphere if it were for once the British who were issuing a friendly challenge to the Americans to match their own practical contribution to European integration.

The Case for Severity

IN ten days' time the Government's economic policy will be complete. The budget on March 4th will be the third and final instalment of the measures that should save this country from economic disaster. The threat of disaster is drearily familiar, and for many people familiarity has already bred contempt. Yet that in itself makes the third crisis since the war different from the others. A country that has scraped through so many perils has become harder to convince that it cannot rely on scraping, and that heavy sacrifices are the necessary price of future safety. Mr Butler's task requires, therefore, more political courage than was needed for Sir Stafford Cripps's first budget in 1948.

But if the difficulties are greater, the spirit in which they are faced should be stronger. The task now falls to a new administration, to men who for six years have enjoyed the comparative leisure of opposition in which to clear their minds on the familiar issues of economic policy. It is, indeed, thirteen years since a Conservative government presented a peacetime budget. Keynesian thought had then barely begun to influence Whitehall and Westminster. It falls, appropriately, to Mr Butler to give the first practical demonstration of his party's response to this great intellectual change and to all that has happened, by development and by reaction, since the modern concepts of the budget and of economic planning were worked out in wartime.

Mr Butler must be tempted to wish that his budget could be restricted to prewar aims. If it were no more than the conventional accounting of government revenue and expenditure, without any conscious attempt to steer the whole economy by the influence of public finance, the coming budget might give Mr Butler no harder task than many Chancellors have fulfilled before. It is, admittedly, difficult to make the usual forecasts, even about the state's own finances, a month before the end of the old financial year. Such figures, and guesses at figures, as can be given will be found in an article on a later page. The decisions the Government has already taken will keep expenditure to this year's amount—for purposes other than defence—in spite of higher prices. But those higher prices, and the inflation which they express, will be reflected on the other side of the account. Mr Butler can expect a large expansion in the revenue from existing taxes: how large is, at present, the most important unknown. But it may well balance, in the conventional accounts, a large part of the increase in defence expenditure.

If the defence programme were being carried out on the intended scale for the second year, it would cost nearly £600 million more than has been spent in the first year. In fact, the increase is to be little more than £300 million. It is possible, therefore, that if he were to look strictly at the Budget problem alone, Mr Butler might feel himself excused from the necessity of making any sharp changes. Although some modifications in the structure of taxation and subsidies have already been promised—there is, for example, the Excess Profits Tax to come—the changes might roughly balance out and leave the public at large feeling pleasantly relieved. The Budget would still show a bigger surplus than is being achieved this year.

The temptation for any government to do this if it possibly can must be very strong, and for a Conservative Government with a narrow majority it is almost irresistible. The test of Mr Butler's statesmanship and of his courage will lie in the extent to which he insists that the Conservatives must have a larger surplus in 1952 than the Socialists secured in 1951. The temptation to be resisted is all the stronger because it is just possible, with some optimism, to make out a tolerably respectable argument for the thesis that a severe budget is not absolutely necessary for the next twelve months—provided that no attention whatever is paid to what would happen after that.

★

The argument would run something like this. Budgetary action, whether it consists of higher taxes or reduced expenditure, inevitably affects consumption—that is, the standard of living of the people. Granted that some form of civil expenditure must be reduced to make room for higher defence expenditure, there still are some things, other than the people's consumption, that can be cut. Indeed, some of them are going to be called upon for a contribution in any case. Some of the import cuts are to be softened by drawing on the strategic stockpile. Since the only extra exports that can certainly be sold quickly are various engineering products, investment in British industry is in any case to be cut and new plant and machinery are to be exported. In these ways, by drafts on existing capital and by reduced provision for the creation of new capital—even without any contributions from the most conspicuous such source, the housing programme—it is possible that enough resources might be scraped together to increase exports and to keep the defence programme going on reduced scale for twelve more months.

But after that would come the deluge. One may leave aside, in this mainly domestic analysis, the effect of such a renewed display of improvidence on the world's confidence in sterling—the factor which, though it escapes from the planners' calculations, dominates their results. Next year, defence expenditure will rise once more; the stockpile cannot be raided again; the revenue may not be—if inflation is stopped, should not be—so buoyant as it is now. As for exports, nothing could be clearer than that it would be madness for an industrial exporter to go on starving himself of new equipment in order to export. That is the procedure of the bankrupt sale, and it can be the cause as well as the consequence of insolvency.

Some drafts on capital or capital formation are technically necessary in the immediate emergency. But it is the obvious aim of economic policy to make them as small, and bring them to an end as quickly, as possible. Britain cannot be secure unless it carries out the defence programme. It cannot be prosperous unless it can trade freely without continually cutting imports to the danger level. It cannot be solvent unless it exports enough to pay for an adequate volume of imports. It cannot be progressive, or hope to lift the standard of living to a new and higher plateau, unless capital investment, so far from being throttled, is stimulated. There is really no possibility of denying any one of these propositions. Yet the inevitable consequence of them is that, in the immediate

future, it is the consumption of the people—all but the very poorest of them—that should take the necessary cut. And for the purposes of the next few weeks, the sign and symbol of that is a large surplus in the budget. A courageous Chancellor of the Exchequer, so far from trying to postpone the inevitable and stretch out his expedients as long as they will last, should aim to push them aside as soon as possible and save the country from insolvency by methods that can be permanently sustained.

*

These are not ideals ; they are what solvency means. If it is content with lesser objectives, the Government may scrape through this crisis, but it will not restore the British economy to strength. Once again, in Sir Stafford Cripps's phraseology, a fresh crisis will follow when one series of expedients is exhausted. And this is not an unending progression ; sooner or later, the expedients will fail to stave off even the immediate peril.

When they were in opposition, ministers saw these things plainly enough. They cannot now be blind to the implication for this year's budget. Mr Butler may be able to scrape along without harsh measures forcing the British people to consume less. It may be—though it is highly doubtful—that with such a budget the country could survive the present strain on sterling. But it is quite certain that the recovery would be temporary, that a relatively mild Budget will not transform this economy and enable it to meet all the commitments—for exports, for investment and for arms—on which the security and solvency of the British people depend.

The only method of meeting these commitments is to reduce the other demands on the economy ; and that is to cut consumption. If the purchasing power of the home market is not cut down, manufacturers in most consumer trades will remain able to get along comfortably without looking for new export markets ; it will then be true, in 1953 as in 1952, that the only way to increase exports quickly is again to cut investment. In twelve months' time it will still be true that the industries which could export more are short of manpower and materials. But these are not facts of nature. They can be altered by the Government provided that the Government acts in time. The export trade can next year be freed from its dependence on temporary expedients provided that disinflation at home starts this year. That is why the Conservatives were right to blame Labour for short-sightedness in the other crises.

It will be said, of course, that times have changed, that unemployment is increasing and therefore inflation is over ; that there cannot be any need to reduce purchasing-power when textile mills are already short of orders. In fact the latest figures, for January, still show the proportion of unemployed as only one-fifth of one per cent bigger than it was at the same time a year ago—1.8 against 1.6 per cent. No doubt the number is still rising, but employment is still overfull. Some of the increase in unemployment is caused by shortages of raw materials ; it reflects the dislocations of inflation, not deflation. Other people, mainly in the textile trades, are out of work because the demand for their products has fallen. In the same way, some people were out of work in the development areas even at the height of the Daltonian inflation. The troubles of Lancashire and Yorkshire do no more to remove the need for disinflation now. In both cases the unemployment is structural ; it springs from particular circumstances and has little to do with the state of inflation, except that the distortions which inflation perpetuates often make necessary structural changes more difficult. The Chancellor must know perfectly well and should insist whatever the political difficulties, that the weak point in the British economy is the gold reserve, not the structure of full employment. The danger of mass unemployment still lies not in a slump but in the possibility that more and more factories will run short of materials because the country cannot earn its imports. It is inflation, not disinflation, that carries the greater risk of serious unemployment. Disinflation will clear the way for greater exports, and therefore for every man it puts out of work, it saves ten from unemployment.

This is the basic need that the Budget must serve. And to do so, it must be a severe Budget. It must be directed openly and firmly to reducing the consumption of all but the very poorest sections of the community. There is little point in trying to guess at this stage, before Mr Butler has set out the official forecasts of production and income for the current year, how large the cut ought to be. But to make it effective will certainly require further cuts in the Government's own expenditure ; and whatever else escapes, the food subsidies, which are the least efficient and most inflationary part of that expenditure, are the obvious target.

Talking with Egypt

ONLY three weeks ago, a pitched battle between British and Egyptians had just taken place at Ismailia and an Egyptian mob was sacking central Cairo. Today, the din is hushed. Diplomatic contacts with British representatives have been resumed. Ministers of the Egyptian Crown are making serious statements about austerity, about taxing luxuries and about "acquiring essential supplies for the majority of the people"; and are proclaiming that the cotton market must no longer be a "club for gambling." Part of the hush is due to the incredulous awe with which a public that is starving for signs of decency is watching a cabinet of new brooms tackle its work. In London the Egyptian diplomatic envoy to King George VI's funeral has twice talked with Mr Eden. The contrast with the turmoil of the last days of Wafd rule is astounding and does great credit to the Egyptian Prime Minister, Aly Maher Pasha. By a remarkable exercise of personality he has brought about a lull that is affording a useful pause for thought both in Cairo and in London.

There is a considerable division of responsible opinion in both capitals. In Britain, the principal cleavage runs between those who have lately been in Egypt and those who have not. Those without experience of Egypt in the past year—during which some profound changes in the climate of opinion have taken place—cannot understand how it is that men living in so central, so covetable and so vulnerable a country can be impervious to the logic of geography, to the existence of the cold war and to considerations of world strategy. There must, they

say, be some way of putting emotion and logic into a reasonable perspective—that is, of convincing Egyptians that a foreign base is in their national interests. Those who have recently watched the Egyptian scene at first hand know that to expect this is to expect too much. They know that the Wafd's anti-British propaganda fell on fertile soil ; they know also that left-wing doctrines have lately made huge strides. The British troops are a symbol of former bondage and are hated, while a great mass of Egyptians do not think that their present way of life is worth defending. In a word, as was argued in *The Economist* two weeks ago, Britain is trying to establish with Egypt two relationships—one, that of a friend, the other that of defender of Egyptian soil—and the two are in local eyes no longer compatible.

Opinion in Egypt, too, is divided but along different lines. The cleavage there lies between those who, like the principal Wafd leaders, want the evacuation of British forces as an end in itself, and those who, while realising that dangers to Egypt exist, want the British to go because they are confident that given an adequate supply of arms, the Egyptian army could hold its own until allies tumbled in out of gliders and transports from bases not too far away. Both groups want the British to go at least some distance away.

Between the extreme views on either side, there is clearly an unbridgeable chasm. The rift which lies between even the more moderate thinkers is considerable. Anyone who sets out to bridge it must be prepared to resolve many practical points that are no less important than the diplomatic question of rights. For instance, what is to happen to the phenomenally large stores and repair shops which the British have since the last war stored in Egypt ; these goods belong to the hard pressed British taxpayer. Who can guarantee that, once shifted, they could ever be moved back again if Egypt were attacked ? Or again, how can sufficient Egyptians be quickly trained for the immense mass of highly technical jobs that are essential to adequate air defence of their vulnerable canal ? In common with the Arab states, Egyptians believe this complicated operation is easy, whereas their own inquiry into their army's recent management of a small campaign—the Palestine war—suggests that its administration was so faulty as to be unable to rise to much simpler tasks. The forms of integration that are necessary in modern warfare, difficult enough to arrange even among European states who feel the sharp prick of danger, are still unknown among Arab commanders who, however brotherly their theories, still hesitate in practice to co-ordinate their battle tactics. These searching, practical questions are unpalatable in the Middle East. But they are better asked now than under the shadow—or worse still, the strain—of an aggression.

If Egyptians can be brought to face them, it may prove possible to find some compromise on the defence of the canal. But that would solve only half of the Anglo-Egyptian question. There would remain a problem that bulks even larger in some Egyptian minds, notably in King Farouk's—the problem of the Sudan, which has more than once been the sole cause of breakdown in Anglo-Egyptian negotiations. Egypt wants international recognition of King Farouk as King of the Sudan also, and, therefore, as sovereign in the whole Nile valley. By picking the centuries that illustrate their point, Egyptians lay claim to "5,000 years of unity." They quote from Kitchener and Cromer to show that the Sudan was re-conquered in their name and administered with their money. They contend, with some justice, that, when the Sudan was threatened from without, the British took their stand upon guardianship of Egyptian rights but that since these threats lapsed they have switched to championship of Sudanese rights to self-determination. The Egyptians regard this switch as a piece of sharp practice, not as a sign of British capacity to keep pace with the birth of public opinion in Africa. They fail themselves to move with the times when, in tones of singularly old-fashioned imperialism, they concede the Sudan's right to "autonomy," but only subject to immense reservations of power to Cairo. The three "reserved points"—defence, finance and foreign policy—which they seek to impose set far tighter limits upon Sudanese autonomy than those to which they have so often objected as impositions by Britain. The British have so repeatedly and clearly promised the Sudanese the right freely to decide their own future that all Asia and Africa would be shocked were they to break this promise. The British, therefore, can concede kingship to Egypt only if it is clear that everyone's conception thereof is the modern one—that is, a conception which recognises that kingship would have to bow to the superior right of self-determination if the Sudan were—as Burma and Eire have done—to decide against affiliation to a crown.

When the viewpoints of the parties are so far apart, it is obvious that somebody will have to make concessions. But Egyptians—and some people in other countries, notably in the United States—will have to rid themselves of the inclination to assume that all such concessions must come from the British side. In the

ALLIANCE
ASSURANCE COMPANY LTD.
Head Office Bartholomew Lane, London, E.C.2
THE FINEST SERVICE FOR ALL CLASSES OF INSURANCE
The Alliance undertakes the duties of Executor and Trustee and of Trustee for Debenture Issues.

first place, where would the world be if every unilateral denunciation of a valid agreement, and every manifestation of violence, were to produce nothing but rewards for the pledge breaker and the noisy demonstrator? Already, Persia would be a living example of the reward of bad faith were Dr Mossadegh cleverer than he is at seizing upon advantageous economic offers; Senator Wiley—the senior Republican on the Senate Foreign Relations Committee—was right to point out—as he did this week in a letter to the President of the International Bank, whose colleagues are now negotiating in Persia—that offers of help and concessions to people with a blemished record will "encourage governments everywhere to embark on a policy in violence of their contractual obligations." Secondly, both on the canal and in the Sudan, there is more substance of logic and reason, though perhaps less of emotion, in the British case than in the Egyptian. In politics, human passions must be taken into account; but if they alone sway policy the result will rarely be a good one. Concessions, therefore, must come from both sides. If the British are to concede the Egyptian royal title, the Egyptians must repeal the law whereby they arrogated to themselves rights in the Sudan that are the prerogative of any autonomous people. If the British concede evacuation of the Canal Zone, by stages that are thought safe in relation to the world situation, the Egyptians must concede that the gravity of that situation is great—so great as to call for some foreign participation in canal defence arrangements. Neither they nor Britain are the sole parties interested in security at this crossroads. The Arab states may feel that they alone can manage its defence, but if they want the assignment they must convince not only Britain but a large number of canal-users living on the Mediterranean and the Indian Ocean that they can do the job without calling upon help in a field in which their own experience is still scanty.

Neither Britain nor Egypt can be asked for unconditional surrender. Neither country would accept it, for each contains groups that object strongly to the other's conditions. These include, in Britain, the soldiers who foresee that diplomatic solutions are bound to impair the technical efficiency of the present arrangements for defending the canal; in the Sudan, men who prophesy uprisings if points are conceded to Egypt's vanity, and, in Egypt, a Wafdist majority in Parliament that is preaching "no retreat." In face of such obstacles, compromise is not easy. But it must be attempted. Given the statesmen at present in charge in both countries, it is not impossible.

How to Grow More Food—III

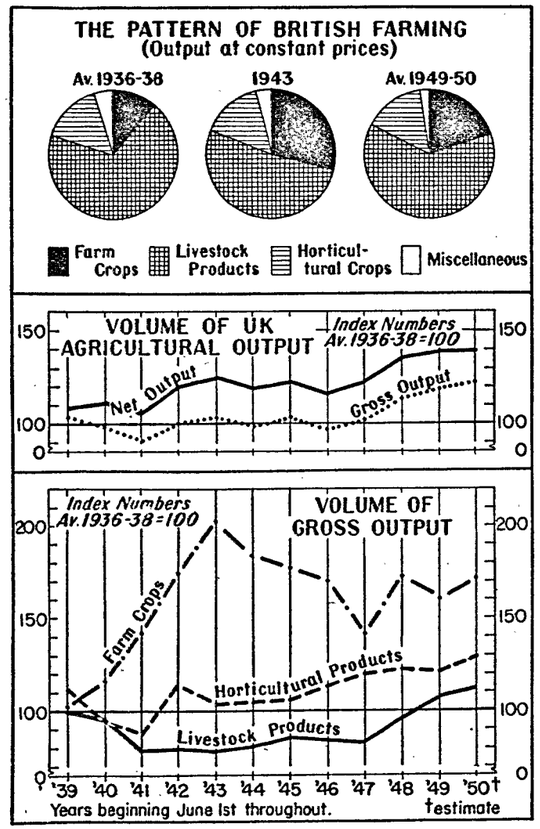
A Helping Hand

THE preceding article dealt with the ways in which farmers might be pushed into growing more food. Clearly, however, a policy of negative inducements, increasing the penalties on farmers who fail to use their land to good effect, is not of itself sufficient. It is equally essential to give farmers practical help and encouragement in overcoming the undoubted obstacles to higher production. This final article will consider what forms the helping hand may take.

It may seem strange to start by suggesting that the farmer's first need is confidence in the future. Nevertheless, the long period of agricultural depression has left a strong mark on farmers' memories and many of them still half expect a sudden reversal of Government policy. To add to liabilities by carrying a greater volume of livestock and machinery or by undertaking farm improvements is often viewed as an unwarrantable risk. The guarantee of "stability" for agriculture, given in the Agriculture Act and endorsed by all political parties, has not overcome this attitude. For one thing, the minimum prices for livestock products, which are fixed for up to four years ahead, have had to be fixed so low (because of the possibility of falling prices in the outside world) as to alarm rather than reassure farmers. It would be unwise and impractical for the Government to enter into closer commitments about prices; already it has bound itself far too rigidly. But it could give farmers a more effective and more reassuring picture of their general prospects.

Ministers have frequently emphasised the need for higher agricultural production, but their pronouncements have usually been couched in terms of some immediate crisis. Rightly or wrongly, many farmers get the idea that they are needed to pull the chestnuts out of the fire when dollars are scarce but that they will not be wanted when times improve. In fact, there are two ways in which the situation is likely to remain permanently different from prewar days. British consumers will want more food, and the volume of food imports which the nation can consistently afford will be smaller. Together these changes indicate a permanently enlarged market for the products of British agriculture. They do not alter the fact that the precise size of the market for most products—especially for the important group of protective foods—will in the long run be closely related to the prices at which they can be produced. But it is unlikely in the highest degree that the general policy of expansion will ever be put into reverse or that agriculture will sink back into its earlier doldrums; and Ministers should go out of their way to make this point abundantly clear. They should not, however, think that the way to ensure confidence is to suggest that present policies for agriculture will never be changed. Many farmers can see quite clearly the two defects of the methods that have so far been used to expand agricultural output. Those defects are, first, that some farmers are able to grow rich too easily on the consumers' and taxpayers' money; and, secondly, that if there is a world slump the prices paid to British farmers may seem unnecessarily too high by comparison with the cost of foreign food. A policy that is costly in the aggregate and unfair as between individuals is not a policy the permanence of which can, in a democracy, be guaranteed. Policy should be permanent; but to persuade people, including the farmers, that it will be permanent, it will have to be less crude than it is at present.

In detail, agriculture has so far suffered unnecessarily from the twists of Government policy. For instance, the change of emphasis last year from milk to meat production was certainly desirable, but it was taken several years too late and without adequate warning. The decision came after many farmers in remote areas had already, mistakenly, switched over to milk production, and it left the unfortunate impression that the production of any commodity which reached its "target" would promptly be discouraged. The point which should have been made clear was that the further demand for milk depended, not on some purely quantitative "target," but on a combination of the amount produced and the price at which it could be offered. Generally, the Government has done little, either by education or by direct action, to bring home to farmers the realities of consumer demand—to point out the large unsatisfied needs which remain as well as those cases where price may become all-important.



To breathe an air of confidence about the future of agriculture is not, of course, enough. More concrete forms of aid are needed. There is already a medley of direct subsidies of various sorts available to farmers and landowners, but they do not add up to an integrated policy. They are chopped and changed from year to year, according to financial or administrative expediency. For example, Sir Stafford Cripps wished to eliminate producer subsidies, and grants for ploughing up grassland and crop acreage payments were discontinued; the present Government has already reversed this policy. Some flexibility is essential, but governments should keep their eyes firmly fixed on the long-term needs of agriculture. This means refraining as far as possible from stopgap measures aimed at getting a little more food this year or next or at reconciling farmers to some increase in their costs. The petrol subsidy to farmers is a good example of what should not be done. Subsidies and grants should be aimed at enabling farmers to produce more food permanently and to produce it more economically. This is the only solid basis for expansion.

There are two main ways of increasing output: by improving yields of crops per acre or of milk per cow; and by intensifying the farming system. Both methods would give good results on the majority of farms. The fertiliser subsidy has proved of great value in increasing yields, and its temporary withdrawal was a mistake. The danger is that it makes cash cropping too profitable in certain areas, such as the Eastern Counties, and so exhausts the soil. There is also the point, which applies to some dairy herds, that an increase in quantity may be obtained through deterioration of quality. Government price and subsidy policy must take forms which promote good farming practice.

The accompanying charts show that the net output of agriculture has increased considerably more than its gross output. But, though farmers have become less dependent on imported feedingstuffs, the supplies available permit a volume of livestock production only a little greater than before the war. There is general agreement that future improvement lies in a great extension of ley farming, which would enable a much larger head of stock to be carried per acre of grass while setting land free for growing additional food. A policy of this sort would go a long way towards remedying the present national deficiency in all types of meat, and judiciously devised subsidies or loans for grassland improvement could do much to make the prospect a reality.

Farmers pursuing this policy must somehow secure adequate working capital and manpower. Farmers' credit with the banks and with suppliers is, however, already strained and there have been fears that the restriction of bank credit might limit agricultural developments. In fact, the banks will no doubt recognise that agriculture is uniquely dependent on them for working capital and, if more food is to be procured, must be made an exception to any really tight general rules for the quantitative control of credit. Labour supply is a more difficult problem, since in the last year alone 22,000 regular workers have left the land. This renewed drift to the towns, if it continues, will make nonsense of the idea of agricultural expansion. The fault lies partly with those farmers whose response to the increase in farm wages has been to get rid of workers instead of aiming at higher productivity per head.

Finally, there is the basic need to improve the fixed capital of the land—drainage, water supply, farm buildings, and so on. The legacy of a long period of neglect of agriculture's real estate cannot be overcome quickly; but, for example, the drainage of many thousands of acres of land must be put right before there can be any hope of making them productive. It is not just a question of dealing with marginal land but of improving fields dotted up and down the country. Clearly the amount of Government aid that can be given for this

purpose is strictly limited. Moreover, state aid to private landowners on a very large scale would be an obvious injustice to taxpayers who would get no financial return from the assets they would largely create. This is the rock on which many schemes of agricultural rehabilitation have foundered.

The appropriate remedies are twofold. Where land can be made productive only if the state bears the major part of the cost, public ownership is the only fair solution. The work, if it is worth undertaking at all, should be done under the aegis of the Agricultural Land Commission which was originally set up for that purpose. In the majority of cases, however, public subsidies or, preferably, public loans at a preferential rate of interest should stimulate private owners to effective action. The work must, necessarily, be slow, but it may be doubted whether enough is being done at present; apart from hill farming, state aid for capital purposes runs into only a few millions a year, which is little enough to set beside the long-term requirements of food production.

One point in conclusion should be made clear. If there is to be more direct and specific aid to food producers, there should be no question of again using price incentives in an effort to stimulate production. This has shown itself to be impossibly costly and wasteful. It is not even necessarily effective, as previous articles have shown. The temptation to resort to it again must be resisted. And though, so long as inflation continues, prices must from time to time be raised in line with costs, they should not be raised to the same extent.

Direct aids to producers are advocated on the grounds that the nation needs to grow more food and can profitably do so. The precise nature of such aids—their form and extent, and the relative advantages of grants and loans—needs a far more thorough examination than it has yet received. Throughout, the motto of *festina lente* should be kept in mind. It is often wasteful—and fruitless—to use public money to get quick returns out of British agriculture; but a long-term policy of gradual and economic expansion is another matter.

NOTES OF THE WEEK

Nato and Necessities

The North Atlantic Council opened its Lisbon session on Wednesday with a short formal meeting in the Palace of Necessities, and then transferred itself briskly to the Technical Institute. The nature of the session could hardly have been symbolised more accurately. No resounding or spectacular achievement can be looked for at a gathering so overshadowed by last week's developments in Paris and Bonn. But, while the earlier hope that the Lisbon meeting would see the conclusion of a firm agreement on the relationship between Nato and the European Defence Community has been sharply disappointed, this does not automatically make the meeting into a fiasco. Much urgent and important work faces the representatives of the Atlantic partners, and the fact that most of it is technical and unspectacular in no way detracts from the critical nature of the Lisbon session.

The closed meetings in which the Council has immured itself are expected to last for a full week, and indeed the work to be done can hardly take less time even if the question of the European Defence Community is set aside for more leisurely consideration. The appearance for the first time of delegates from Greece and Turkey calls for more than the usual speeches of welcome and appreciation. The resources of the two new members, and the strategic problems which their inclusion in Nato involves, have got to be dovetailed into the original plans of the twelve founder nations. The proposed reorganisation of Nato's administrative structure raises a number of complex issues, among them being the choice of a permanent political headquarters and of a secretary-general. Paris and Mr Pearson seem now to have a lead over all other contestants for these two vacancies, but in the case of the former it will be surprising if the rival claims of London are not supported by a strong minority. Mr Pearson, however, ought to enjoy the backing of most of the smaller member countries, whose interests he has ably championed as chairman of the five-member committee on the development of an Atlantic community. This committee's new report provides a further item on the Lisbon agenda.

The weightiest problem on that agenda, and the most technically complicated, remains that of the sharing of the common burden. The gap between the demands of the three wise men and the actual defence efforts made by member countries has already been reduced to smaller proportions by concessions on both sides. Consultations held in Lisbon before the Council meeting by Nato's standing military group, the wise men, and representatives of Shape have produced a further narrowing of the gap. Much remains to be done; but at Lisbon the Atlantic Council has before it, for the first time, an objective picture of all Nato's necessities and potentialities. It has also a good deal of encouraging, if not sensational, evidence of its members' will to succeed. Military service, for example, is now being raised to at least eighteen months in all Nato countries except Iceland. If realistic but vigorous decisions on the final closing of gaps in Nato's defences emerge from the Lisbon meeting, it will have marked another essential step along the road to security in the west.

* * *

The Politicians Protest

Parliament resumed its ordinary work this week in a mood of relaxed tension, as was expected. But it certainly gave no guarantee of calm ahead. Labour members from industrial constituencies claim to have been made sharply aware during the past fortnight of strong resentment at the Government's proposal to impose new health service charges. Some of this resentment has already been made public; but some is being stored up and threatens to spill over in strange ways. For example, the health service proposals, represented as an attack on the poor, may well be contrasted with the denationalisation of steel, represented as a benefit to investors.

The political entanglements that could develop from a double attack of this kind are endless. All considerations of economic policy apart, it would be a misfortune if party warfare prevented Parliament from looking calmly at the social services. There can be no doubt that a thorough examination of the relative value of the benefits offered in the many different schemes, and of the sources of income that are redistributed in the process of paying for the social services, is an urgent political need. It might produce strange results, disarming the criticism of those who believe they are bearing most of the cost of services they do not themselves require, and convincing some of those who believe they are beneficiaries that they are in fact benefactors. If the politicians would look for facts of these kinds, there might be fewer protests, and it would be easier to settle the social services on a firmer base.

The Workers Protest

When Labour is in power old gentlemen in clubs write letters to the press denouncing its reckless extravagance and its policies of robbery and confiscation; there are even some who suggest that violent things should be done in protest. When the Tories are in power trade unions and branches of trade unions pass resolutions denouncing the Government's reactionary policies and talk about strikes. It is not an indication of what most trade unions and their members will do.

The Welsh miners were the first to make a strong protest against the health charges. One lodge of the National Union of Mineworkers declined to work on Saturdays and 41 other lodges, representing 40 per cent of all the miners in South Wales, have since decided to join it. Their objection is partly to the health charges but partly, and more practically, to the abolition of workmen's bus fares. Miss Horsbrugh's attempt to reduce the amount of money spent on education has also provoked one practical protest. The London Society of Compositors is telling apprentices not to join the composing departments of Government printing establishments. It says that if the Government wants to reduce the facilities for technical education, then the Government must be the first to suffer. Mr George Tomlinson, the last Minister of Education, appears to think that vigorous protest is right. He has written an article predicting that, whatever the Government may say, it will soon have to curtail the period of compulsory education if it "carries out the policy announced." And he thinks that the only reason why the Government has not done this already is because the public made such a fuss. "The storm that arose over the announced five per cent cut seems to have frightened the Tory reactionaries off the raising of the age of entry or the lowering of the school-leaving age, for the time being."

While the threats of strikes and the rest are not, in general, to be taken seriously, it does seem that Labour leaders will do their best to encourage widespread and strong protests against the health service charges and every other economy in public expenditure that hurts "the workers." In a Labour meeting it is even easier than in Parliament to make capital out of grievances without saying what Labour if it had responsibility would do instead.

* * *

Sabotage by Subsidy

The Minister of Housing and Local Government has announced that the Government subsidy for housing will be adjusted to cover the whole increase in the rate of interest for local authority borrowing. Local councils will share Mr Macmillan's evident pleasure at this decision; yet the real effect is to create a gross and unwarrantable inconsistency in Government policy. Why was the interest rate raised to local authorities at all if its impact on their main form of investment is promptly to be nullified? Why except the tenants of council housing from the general effects of dearer money? This is just the sort of favouritism, of pandering to the convenience of some pet service, that will wreck any attempt to instil realism into the national economy.

Probably the Minister, if he dared, would justify himself by his eventual intentions. It is the policy of his party gradually to increase the volume of private building, and at some point the activities of local authorities will be expected to diminish. The long-term effect would be to lower the cost of housing subsidies through a reduction in the volume of public building. But aspirations for the future, even if they materialise, can be no excuse for muddle-headedness in the present. The whole structure of housing rents and subsidies needs drastic reform; to ride off this need by blandly doling out another instalment of public money is, from the point of view of housing policy alone, ostrich-like; from the point of view of general economic policy, it is sabotage.

* * *

Germany's Defence Bill

The three Solomons of the North Atlantic Treaty Organisation have cut roughly in half the difference between the German government's estimate of what its people could afford to pay for defence, and that of the occupation powers' experts. They name a figure of DM11,250 million (nearly £1,000 million) for the Nato financial year 1952-53 as the global expenditure which Germany can afford for all kinds of defence (including presumably the cost of maintaining Allied troops). The German figure of DM10,800 million included about DM1,200 million for economic aid to Berlin and some smaller items which the wise men could not accept as defence expenditure. Some of the money spent in Berlin has been allowed because it is legitimate according to the criteria applied to all Nato countries. And the remainder of the cost of Berlin has been taken into account when assessing the country's capacity to pay; it would simply have been reckoned twice over if the sum had also been included in the actual assessment of Germany's potential defence expenditure. If the same items are included in both figures, the actual difference between the three wise men's estimate and Bonn's is of the order of DM1,600 million.

Bonn has no cause for consternation or indignation at this finding. Germany's potentialities have been judged by the same men and the same standards as were those of Britain, France and other members of Nato. Drastic new taxes for defence will probably not be needed, for the federal revenue will increase as production grows under the impetus of defence expenditure. The three wise men agree with the Allied experts in thinking that the German government is underestimating the gross national product. Even if its figure for 1952-53 is taken (at factor cost in order to enable a fair comparison to be made), the contribution now proposed amounts to no more than 10.5 per cent of the national product. This compares with 12.8 per cent for the United Kingdom, 11 per cent for France and 17.6 per cent for the United States. The German government's contention that its percentage must be lower than that of richer countries has been accepted.

The Nato report stresses that defence expenditure is to be met in every country as far as possible by increased production; and it very justly points out that Germany is in a better position to expand than countries where there is no surplus capacity or labour. Exports in the year 1952-53 will not be hindered by the defence effort. The main conflict of opinion will now come over two points—the extent of investment needed, and German claims for increased social welfare. Despite its fairness, the judgment of the Paris committee is likely to meet bitter opposition in Bonn.

* * *

Battle against Time

Europe is in the throes of another payments crisis, probably the most serious yet. It is no longer simply a matter of balancing dollar expenditure against dollar income. All currencies are hard; for under the rules of the European Payments Union a total deficit, once it has exceeded a certain level, has to be met partly in gold, and all European transactions of the sterling area are brought within the union's scope. Now the gold and dollar reserves of most member countries and of the union itself are declining fast. Even Belgium, hitherto a constant gold creditor of EPU, has seen its reserves decline from $913 million at the end of 1949 to $840 million at the end of 1950, and to $769 million by the end of September 1951. The greatest loss was suffered

by Britain (whose reserves fell from $3,300 million to $2,335 million) and France, where reserves declined by $214 million to $620 million.

Britain and France are feeling the malady in its most acute form. Unless the drain on British gold is checked, the sterling area reserves could fail by July. To this end imports have already been cut, credit curtailed and a tough Budget is expected. In addition, Britain has sold to the United States $90 million worth of raw materials, and in an emergency it could borrow gold from South Africa.

France is less well placed, with its current gold loss of about $75 million a month. The bank rate was raised last autumn and imports were cut drastically last month; but these measures will take time to become effective and already confidence in the franc has ebbed. The flight of capital and the hoarding of gold are increasing alarmingly. Like Britain, France is waging a battle against time: to stop the gold drain before reserves are exhausted. It is hampered not only by its small reserves but also by the impotence of its Government to administer the necessary dose of disinflation. If it fails, then the whole of Western Europe will suffer, for it is the second largest trader in Europe and the second largest contributor to rearmament.

*

Help can only come from across the Atlantic. The United States has already allotted $1,500 million of economic aid and $4,300 million of military aid to be spent in Europe by the end of next June. France has been granted $270 million from the economic aid, but the whole sum is tied to purchases of goods not already under contract. The American method of setting out purchases in a programme before authorising expenditure means that none of these dollars will be available in the critical period of the next two or three months. Of the military aid $620 million will be spent in Europe on off-shore purchases, and France could hope to get between $200 and $250 million. But again time is the difficulty: the arms must first be produced, and even the Americans estimate that actual payments by the end of next June will not exceed $20 million.

There is one other channel through which dollars can reach Europe: the so-called "infrastructure" payments for military installations used by American forces. From these France might get at most $200 million, which would be insufficient to stave off the crisis unless the money were provided immediately. France and Europe need dollars to pay their way through the spring. To know that the appropriations already made will provide help next autumn gives little comfort.

* * *

"Persecutions" in Hongkong

In the interrupted foreign affairs debate in the House of Commons a fortnight ago neither Government nor Opposition speakers showed concern about the press and radio campaign against Hongkong which has been going on in China since the end of January. This has been conducted with a virulence of language which could hardly be exceeded if the Chinese Communists were preparing some kind of *coup* against the colony, and even if it is regarded as mere barking with no bite to follow (though in Korea a very hard bite followed the barking), it is at least a reminder that British possession of Hongkong is an issue between Britain and China. Eleven national organisations in China have issued a manifesto warning the British authorities to "stop the persecution of Chinese residents in Hongkong," and this has been taken up by the press, one organ of which describes Hongkong as Chinese territory "forcibly occupied by British imperialists for over a hundred years" and now "a base for economic aggression and the headquarters of imperialist conspiracy and criminal activities against the Chinese mainland."

The "persecution," of which the Chinese Communist-controlled press complains, consists of the expulsion from Hongkong of certain persons who have been fomenting trouble there during the past few months. Without such powers of expulsion, it would be impossible for the Hongkong authorities to maintain order in the colony; if subversive elements were to be imprisoned instead of being expelled, the outcry would only be greater. The Communist claim, as stated, is that "the people of China have the right to reside in Hongkong and to engage in patriotic activities; they can tolerate no violation of these rights." But since "patriotic activities" signify primarily preparations for driving the British out, the toleration of them by the authorities would be equivalent to a decision to abandon the colony. No such decision has been taken either by the present or the last British government; on the contrary, additional troops have been sent to Hongkong for its defence during the past three years. It must be assumed, therefore, that there is an intention of holding Hongkong against any attack which may be made upon it.

There is less ground for assuming that all the implications of defending Hongkong in a possible emergency have been seriously studied in official quarters. It is difficult to see how it could be effectively defended without the use of naval and air power; but how would American opinion react to the argument that operations which Britain condemns when proposed as counter-moves to Chinese intervention against the United Nations in Korea might be right and proper for the preservation of a British colony? It is to be hoped that no such contingency will actually arise; but if there is indeed a threat to Hongkong, it will not be averted by totally ignoring the danger.

* * *

Labour's Lordly Economics

The House of Lords conducted on Tuesday and Wednesday its postponed debate on the economic situation, and their lordships spent a good deal of time explaining to each other that the crisis was grave. For Labour, Lord Pakenham echoed the arguments used three weeks ago in the House of Commons. They reflected, that is to say, more concern about party unity than about economic realities. The party as a whole has plainly moved into a position midway between the realism that once was Mr Gaitskell's and the exclusive concern for welfare shown by Mr Bevan and his friends.

Lord Pakenham had nothing against import restrictions—though, with some reason, he had misgivings about the policy of raiding stocks. He had nothing against an attempt to switch goods from the home to export markets, but his party would have achieved this by physical controls only. Monetary measures were, by comparison, clumsy and indiscriminate, he said; Lord Balfour of Burleigh effectively pointed out that in fact the advantage of monetary restraints is that the "decisions are taken by the person who in each case is most closely affected and has most knowledge of the relevant facts."

Lord Pakenham pointed to unemployment in Lancashire as evidence that disinflation has gone far enough, but the other new Labour dogma that expenditure at home has no effect on the balance of payments appeared to stick in his throat. He seemed to convince himself only by confining his remarks strictly to the charges for dental treatment and prescriptions. These, he said, could increase exports and lessen the demand for imports only if they prevented people from getting the treatment that they needed; they amounted to a redistribution of wealth in favour of the healthy at the expense of the sick. But if Labour in the Lords avoided the extremes of nonsense that were[illegible] in the House of Commons, it did nothing to quieten there might be fewer in a time of crisis is bringing out the w[illegible] the social services [illegible]'s leaders. They are determined to [illegible]

therefore they are opposing neither coherently nor reasonably; they are content blankly to deny the very economic facts on which their own policies rested for four years.

* * *

Where Ignorance is Thrift

The British public is to be less well informed this year to the extent of £700,000 of government spending. What gaps in its knowledge will be represented by this sum? More than half is accounted for by the £160,000 to be saved on the Crown Film Unit and the £200,000 to be found by disbanding the mobile projector service, whose purpose has been to show films to specialist audiences—for example, to hospital staffs; its abolition leaves many current Crown films without a medium of exhibition. Another £70,000 will be saved by winding up the lecture service of the Central Office of Information. These lectures have been given mainly to voluntary organisations and most of them have dealt with the Commonwealth, about which the public was shown by the Social Survey to be abysmally ignorant. Another £70,000 will come from halving the exhibition service, which has attempted to publicise such subjects as civil defence, clean food, Parliament, and, again, the Commonwealth.

All this must be sacrificed with regret. There are plenty of other media of information for which the taxpayer does not have to pay, and the state has lately been all too prone to duplicate the functions of the press and the BBC. It should be primarily a wholesaler rather than a retailer of information; its main role is to provide through the departmental information officers the material on which public comment depends. These information offices are now being contracted as part of the reduction of 10,000 in civil service staffs. The considerable variation in their size would appear to justify some pruning. The Ministry of Food, for example, has a particularly big office, partly because it has always tended to add to its information functions—telling people how to get their new ration books—a consumer service telling them, for instance, how to cook cabbage without destroying the vitamins. The Ministry of Materials, on the other hand, has no press office at all, as the number of inquiries does not justify one. The Treasury, even after dismissing four officers, has one of the largest information units, and is almost a publishing house. It has undertaken a mission to raise productivity, and it appears that none of its several monthly periodicals will be affected by the cuts. Since they are distributed free their circulation is no guide to their value; but when so much that has a proved value has to be sacrificed it seems that the information services are escaping lightly.

* * *

Freedom of Propaganda

At the Old Bailey this week Mr Justice McNair ruled that there was no case to go to the jury on the prosecution of Tronoh Mines, Ltd., its secretary, and *The Times* for alleged offences at last year's General Election. The charge against the defendants was that they had unlawfully incurred expense in promoting the election of the anti-socialist candidate in the constituency of London and Westminster, by preparing and publishing a strongly worded attack on dividend limitation in particular and other aspects of socialism in general. The facts were not in dispute. The Representation of the People Act, 1949, requires that all election expenses, to be legal, must be authorised by the candidate, or his agent (and, of course, be kept within certain limits). The cost of advertising the Tronoh Mines statement was not authorised by any candidate or his agent. It was, the case for the prosecution went on, a statement directed to promote the return of an anti-socialist candidate and therefore became an unlawful expense.

The arguments of the three defendants in substance concentrated on one point. This statement, they said, was not intended to promote the election of any particular candidate. It was general propaganda and it was still open to any individual or association to buy space in a newspaper for the purpose of stating its belief that it was better to have a government from one party rather than one from the other. For the prosecution to succeed, they said, it must show that the statement was focused on a particular election contest and intended to promote the prospects of a particular candidate. Mr Justice McNair accepted this argument. General political propaganda was not, he thought, prohibited by this section of the Act. He directed the jury to return verdicts of not guilty.

The result is a commonsense one. The machinery by which candidates declare their election expenses makes no provision for this kind of generalised expense, and had the verdict been otherwise every elected anti-socialist candidate in every constituency in which *The Times* circulates might well have felt a sudden unease over the legality of his election. The case was brought, presumably, at the wish of the Labour party, and if so it indicates a disquieting attitude of mind in the politicians or party officials who wanted it. The general rule at election times plainly should be freedom to argue. And there cannot be effective freedom if individuals and organisations who wish to spend their money on propaganda are prevented from doing so. That principle, not the attempt to secure some rigid and impossible "fair shares" in propaganda, should inspire the rules that are necessary to save freedom from abuse. After all, as counsel said, the Tronoh Mines statement may well have done the anti-socialist cause in, say, Durham, more harm than such backing as it won for the Conservative candidate in the Cities of London and Westminster.

From REYKJAVIK to RANGOON

History TODAY

has enthusiastic readers

Read in every continent, and in cities as far apart as Reykjavik, Teheran, Hongkong and Rangoon, HISTORY TODAY is a magazine designed for the intelligent man or woman, planned upon entirely new lines. The basic idea is very simple—that, to understand *today* and forecast *tomorrow*, one must have studied *yesterday*, and that the key to present problems often lies in the remote past.

But readers of HISTORY TODAY are not merely specialists. They are students of the modern world, whose interests extend to every field of human activity—industry, economics, the history of science, as well as political thought, art and literature. Among them are many people to whom *your* advertisements will make a strong appeal.

History TODAY

For details, consult your Advertising Agent, or write direct to:

THE ADVERTISEMENT MANAGER, HISTORY TODAY,
72 COLEMAN STREET, LONDON, E.C.2.

A New Chance in Kashmir

The end of the Indian elections has created a new chance to reach a settlement of the Kashmir dispute. No government in Delhi could have been expected to yield even on its more extreme claims while the election campaign was at its height. Indeed, by claiming Kashmir with its predominantly Muslim population as part of the secular state of India, Mr Nehru probably benefited positively from the dispute, for he was able to rout the extreme Hindus and squash the communal parties in the elections. But now that Congress has been returned to power with a strong majority, its leaders can afford to make a bold move to settle this wearisome and dangerous dispute.

From both Delhi and Karachi the news is good. Those who feared that mishandling of the Devers Plan might have poisoned the atmosphere irretrievably look like being proved wrong. Following the discussions in the Security Council on January 30th and 31st the United Nations mediator, Dr Graham, is now trying to complete his task by bringing the Indian and Pakistani Prime Ministers together in his presence ; hitherto he has only dealt with them separately. Furthermore, the plan drawn up by General Devers for the demilitarisation of Kashmir, in order to prepare for a plebiscite, is still open to discussion and acceptance. Although nettled by premature announcements of their supposed views, the Indians have since made a helpful contribution by agreeing, after all, to consider the whole Devers Plan with Dr Graham. When the Security Council last met he had certainly not had time to receive official reactions from both capitals. Now he is to report back by March 31st.

If the Russians hoped to postpone a settlement by their recent intervention on India's behalf, they may well find that their action has had the reverse effect. Following the Indian Communists' electoral success, *the active* Russian interest in Kashmir may prove a clearer embarrassment than ever in Delhi and provide a warning that the dispute has become something more than a problem of relations with Pakistan. In Karachi the Russian intervention has had the effect of a bombshell. Many Pakistanis had always hoped that help from this quarter could be kept up their sleeve as a final trump card if all else failed. They were aghast when Mr Malik removed this trump by declaring for India.

* * *

A Lean Time for De Gasperi

Signor De Gasperi's standing in Italy is now less good than at any time since the Christian Democrat victory of 1948. With the next Italian general elections due at the latest within about a year from now, and possibly this autumn, the growing political embarrassment of the Italian government is an unhealthy sign. One of the most important reasons for it is the change in the international situation. The Prime Minister is not only committed in the public mind to the foreign policy of closer association with a western organisation that is now in great difficulties ; he has also been, in home affairs, essentially the man who held the country together, politically and economically, while international events worked to Italy's advantage.

The main events were progressive unification of Europe and continued American aid. European unity promised greater scope for trade and the emigration of Italy's surplus workers ; this helped to discredit the misery propaganda of the Communists. Now the setbacks to the idea of unity and the severe French import restrictions, so closely following the British, make the conception of a consolidated Europe look, for *the moment*, rather deflated. The Italians, moreover, are becoming bitterly disappointed at the extent of the American aid to be derived from Nato orders to industry. So little has materialised that it does not look like counteracting the economic recession ; this in turn has partly been induced by the government's determination to go on with its strictly deflationary policy because it is afraid to stop.

Apart from his parliamentary difficulties, which are now *considerable*, Signor De Gasperi is under severe pressure of work. Since Count Sforza's retirement from the cabinet last summer, he has chosen to be Foreign Minister as well as Prime Minister. This is a dual role which cannot be played successfully for long. Already the handling of routine business by the Palazzo Chigi has suffered, and on matters of policy Signor De Gasperi has made several quite unnecessary tactical errors. Some people are even regretting their old enemy, Count Sforza ; *si stava meglio quando si stava peggio.* Italy badly needs a full-time Foreign Minister.

* * *

Celestial Displeasure

The German Supreme Court at Karlsruhe now has before it an application for the Communist and Neo-Nazi parties to be declared illegal under the West German constitution. They have a difficult decision to make, but the judges have received assistance for their deliberations from an unexpected quarter. Mr Shen Chun-ju, as President of the Association of Judicial Workers in the Chinese People's Republic, has addressed a letter to the court warning it against giving a wrong decision by declaring the Communist party illegal. It is common knowledge, declares Mr Shen, that the German Communist party represents

> the aspirations of the German people by fighting for Germany's unity and democratisation and for safeguarding peace in Europe.

Instructions from China to European courts of law are a new phenomenon in international relations, but now that the practice has begun we must expect it to continue. Soon the Lord Chief Justice of England, or the Court of Appeal, or even the " judicial workers " of the House of Lords may be receiving communications from Mr Shen in the cause of peace and democracy. There do not appear, however, to be any precedents in English law for the guidance of the courts from Peking, and Her Majesty's Judges would probably deem Mr Shen's interventions *ultra vires ;* they might even consider him guilty of contempt of court if seeking to direct them on cases *sub judice.*

If some Europeans may consider that the Chinese Association of Judicial Workers is straying outside its proper sphere in these messages to western colleagues, they should reflect on their own historic responsibility for enlarging the Chinese horizon. In 1834 the Canton Viceroy declared to Lord Napier, in explaining that the extension of trade desired by the British was contrary to Chinese law:

> Even England has its laws ; how much more the Celestial Empire ! Bright as flame are those laws, more to be dreaded than the awful thunderbolt.

The Chinese did not then wish to interfere in the laws of western lands ; they aspired only to enforce their own. How much better if they could have been left in seclusion Because they were not, the thunderbolt of celestial displeasure is poised over Karlsruhe and nobody knows where it will strike next.

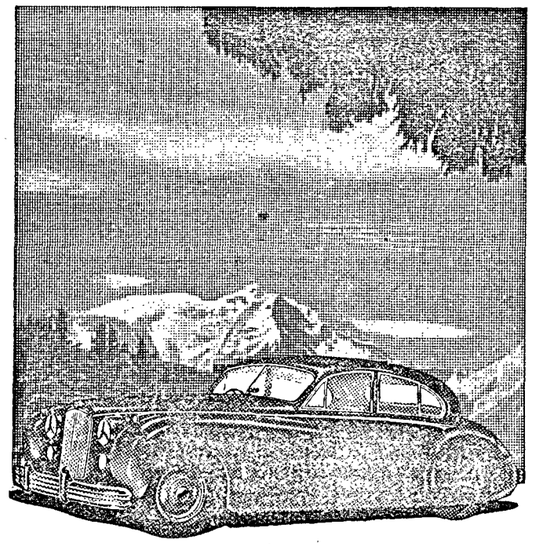
* * *

Prescription for the Pound

In 1947 Mr Roy Harrod's pungent little book, " Are These Hardships Really Necessary ? " offered as a cure for Britain's economic ailments a slash in capital outlay and a surgical operation on the sterling balances. In his latest pamphlet* he remains of the same mind and urges, in addition, a drastic revaluation of the pound. The case for capital cuts is the stronger of the two. Few measures could

* " The Pound Sterling." By Roy Harrod. *Princeton University.* 42 pages. Obtainable gratis by students from the Royal Economic Society.

GRACE . . . SPACE . . . PACE



JAGUAR

Powered by the world-famous XK120 engine

PYE EXPORTS

Percentages show Export Turnovers from April to December in each year.

1949 100% £ £ £

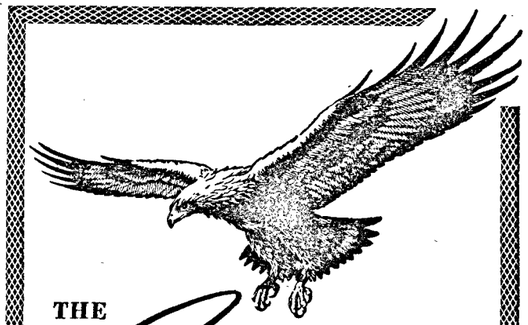
1950 126% £ $ £ $ £

1951 244% £ $ £ $ £ $ £ $ £

By 1949 our exports were nearly 30 times greater than in 1939. The success of our further efforts, made possible largely through the healthy state of the home market, is shown in the graph above.

Pye exports include domestic radio, radiophones, scientific instruments, and substantial dollar exports of TV cameras. For these goods we have achieved a world-wide reputation for high quality.

PYE LIMITED · RADIO WORKS · CAMBRIDGE



THE Eagle BY GOODYEAR

Proved the highest mileage tyre ever built; combining immense strength and road gripping ability with handsome appearance

DISTINGUISHED BY THE SILVER RING

The tread rubber is tougher, more shock-resisting than ever before.

*

Wider, flatter tread area grips *more* road for *more* traction, and wears more slowly.

*

The improved All-Weather Tread—with its new Stop-Notches for quicker, safer stops—resists every direction of skid throughout the tyre's longer life.

*

Handsome buttressed side-walls provide protection from kerb damage, and make cornering steadier than you've ever known.

You can trust GOODYEAR

FOR LONG LIFE AND LASTING WEAR

WHAT DISAPPOINTMENTS dogged the early aviators in their first experiments in flying. Many worked in secret; few were so ambitious as Sir Hiram Maxim who in 1894, testing his machine at Baldwyns Park in Kent, coaxed sufficient power from a light marine steam engine to lift the whole contraption off the rails. There his endeavours ceased and who would have thought that in less than 60 years men would be flying at speeds faster than sound? Who, indeed, could have foreseen the great industries which would arise from the inventive genius of the 1890's? In that same year, 1894, Albert Edwin Reed acquired his first paper-mill at Tovil near Maidstone, to lay the foundation of what is today one of the largest organisations of its kind in the world. He was outstanding among the pioneers of modern paper-making methods and from his vision and enterprise have grown the great Aylesford mills of the Reed Paper Group, where giant high-speed machines turn out mile after mile of newsprint and the tough Kraft paper which has entirely revolutionised this country's packaging methods.

Reed

PAPER GROUP

HEAD OFFICE: 105, PICCADILLY, LONDON, W.1

ALBERT E. REED & CO. LTD
LONDON PAPER MILLS CO. LTD
THE MEDWAY CORRUGATED PAPER CO. LTD
MEDWAY PAPER SACKS LTD · BROOKGATE INDUSTRIES LTD
THE NATIONAL CORRUGATED PAPER CO. LTD
REED FLONG LTD · REED PAPER SALES LTD
POWELL, LANE MANUFACTURING CO. LTD
E. R. FREEMAN & WESCOTT LTD

PIONEERS IN MODERN PAPER TECHNOLOGY

DOLLAR EARNERS WHO FLY TCA

MR. R. C. LINTON CRONBACH, Export Director for Joseph Cheaney & Sons Ltd., the footwear manufacturers, has travelled 166,000 miles across Canada and the U.S. — and thanks TCA for having made every mile of his complex route easy and enjoyable. What has always impressed him is the personal touch in the TCA service, the friendly advice and expert help the staff are so ready to give at every stage. Mr. Cronbach leaves London confident that he will be able to keep his appointments "on time" in Canada and the U.S.A. He arrives fresh and ready for work, thanks to the relaxed comfort and the excellent hot meals on board TCA's pressurised "North Star" skyliners, which leave daily from London via Prestwick or Shannon.

TRANS-CANADA Air Lines

CANADA—ONLY A DAY BY TCA

Full information and reservations from your TRAVEL AGENT or from 27 Pall Mall, London, S.W.1. *Tel:* Whitehall 0851 (Passengers and Air Cargo). *Scottish Address:* Prestwick Airport, Ayrshire, Scotland. *Tel:* Glasgow Central 3428 or Prestwick 7272, Extensions 268/269.

bring more immediate and general relief to the present economic strain, both internal and external, than a general diversion of resources from the pursuit of pie in the sky to the production, or indirect earning, of today's bread and butter. Indeed, since this pamphlet was written government policy has shifted strongly in the direction it urges.

Mr Harrod, however, goes much further. He regards present consumption levels as sacrosanct. The consumer has suffered enough and will endure no more, and, moreover, his claims on manufacturing output—the crucial shortage—are so small already by comparison with those of defence and investment that even a savage cut in his standards would be inadequate. Let the cuts, therefore, fall entirely on capital outlay. Consumption must be exempt.

This view is surprising, not to say perverse. For one thing, austerity or no austerity, real personal consumption has not, as Mr Harrod implies, been stationary since 1948; it has risen by an amount that must be nearly equivalent to the present external deficit. For another, Mr Harrod makes no distinction between investments destined to bring a net increase in standards and that far larger class of investments needed, in any modern economy, merely to maintain them—between, as it were, extending the building and keeping the fabric in repair. Cutting the one may be a regrettable necessity; cutting the other is the way to an economic collapse far more disastrous to consumption than any temporary return to the standards of 1948. At a time when no very perceptive ear is needed to detect, on the Left, the reviving strains of that regrettable song which used to sound in Dr Dalton's heart, the case for disinflation and its link with Britain's standing abroad needs to be put with the vigour Mr Harrod commands. It is a pity, however, to raise expectations of an almost painless return to solvency.

* * *

The Miners' Pension

The brief, sad history of the miners' pension scheme shows once again how out of touch the workers' leaders often are with the workers themselves. The National Union of Mineworkers had demanded a pension scheme for the coal-mining industry for many years, and it secured one virtually by striking a bargain—as the price of a higher output of coal. When the scheme was launched it was proclaimed as "a reform which the industry had long desired." Yet three months after it had been introduced, only half the country's mineworkers had joined it.

This poor result for the country as a whole conceals wide differences between regions. In Cumberland and Northumberland, for instance, 85 per cent of those eligible had joined the scheme by the end of January. In Yorkshire, on the other hand, only 38 per cent had joined. It is impossible to say whether the scheme varies in popularity according to local industrial conditions—the chances of alternative employment, for instance, or of part-time work for retired miners—or according to the attitude of local miners' lodges; but the low percentage for Yorkshire does suggest that the miners think they have genuine grievances against the scheme.

Undoubtedly the most serious of these is that younger miners who leave the industry within ten years of joining it cannot hope to recover all the contributions they have paid towards their pension. This provision was introduced, against the wishes of the Coal Board and the Mineworkers' Union, to encourage miners to stay in the pits. So far, its effect has been to discourage them from joining a scheme which, they think, will deprive them of their savings if they exercise their acknowledged right to get another job. Another grievance is that the maximum pension a young miner can hope for if he starts contributing at the age of 18 is 30s. a week. This sum, the miners point out, compares unfavourably with pensions obtained by clerical workers in the Coal Board's employment—for whom the Board pays a bigger proportion of the total contribution. Another reason for the scheme's unpopularity with the younger miners is that credits for past service in the pits are only granted to the older miners who would otherwise receive no pension. The grant of extra credits for good attendance, moreover, has been misinterpreted as making unjust discriminations.

Of all these grievances the most justifiable seems to be the use of the pension scheme as a device for keeping miners in the pits. But on the amount of the pension it ought to be made clear to the miners that the scheme is contributory, which means that a bigger future pension would involve a bigger contribution from present earnings. What should be resisted is any attempt to increase the pension by raising solely the contribution paid by the Coal Board—that is, by the consumer of coal.

* * *

African Prime Minister?

If the rumours are to be believed—they have been so numerous that they must soon be either confirmed or denied—Mr Kwame Nkrumah is soon to become Prime Minister of the Gold Coast, and the three *ex officio* British ministers are to be replaced in the colony's Executive Council by elected ministers. Undoubtedly, amendments to the constitution are being considered, and it can be assumed that they are on the lines rumoured, particularly as regards the position of Mr Nkrumah. Since his year of office has been freely criticised by some people, it is important to understand why constitutional promotion is being granted.

Mr Nkrumah and his Convention People's Party were elected to power a year ago largely as a result of their slogan "Self-government Now." On being elected, however, he and his fellow ministers showed themselves willing to drop, for the time being, the demand for self-government in favour of learning how to govern. Unfortunately, in the peculiar conditions of a colony where parties rival each other in the loudness of their cries for self-government, this abdication from his programme has considerably weakened Mr Nkrumah's position both within his own party and *vis-à-vis* his opponents, the United Gold Coast Convention led by Dr Danquah. Hence the move to strengthen Mr Nkrumah's prestige by giving him the status of Prime Minister instead of merely Leader of Government Business.

It should be realised that even if the constitution is amended on the lines reported, full self-government will not have been achieved, since the Governor's reserve powers will remain. But the amendments will mean that the room for manœuvre is becoming restricted. The Gold Coast is approaching very near to the point where any further advance will mean crossing the border from colony to dominion. The time for Mr Nkrumah and his supporters—and his opponents—to prove themselves fully equal to their responsibilities is getting short.

* * *

Impartiality at Suez

Now that strident Wafd charges of British inhumanity have ceased to appear daily in Egyptian newspapers, the outcome of an international inquiry into such allegations is less important than it was. But the International Labour Office report on the subject, issued this week, is a good example of the sobering role that United Nations bodies can play in times of frenzy. At the request of London and Cairo, Mr Raghunath Rao of the ILO, assisted by a Swiss professor, conducted a five week inquiry into the Egyptian allegation that the British authorities were "savagely violating the basic human rights" by their treatment of Egyptian workers in the Suez Canal Zone. His report clears the British: there was

no forced labour, no internment and no abduction. Possibly the spark that the Wafd fanned into flame was the tale that suspects under preventive detention by the British forces were made to sweep out their cells. The item of most permanent interest in the Rao report is the statement that many Egyptians left the Zone because they thought they would not be able to remit money home to families in the delta. Future arrangements for engaging labour on the Canal, whoever makes them, could be adjusted to meet this cause of unrest.

Twice recently Middle Eastern governments, the Persian and the Egyptian, have permitted the ILO to inquire dispassionately into allegations against British behaviour. First the Anglo Iranian Oil Company, and now the British authorities in the Canal Zone, have come well out of the respective investigations. In Persia, the government said nothing about this verdict, which no Persian expected. Unfortunately it is the accusation that hits the headlines ; the acquittal deserves equal publicity.

* * *

Israel's Leap in the Dark

This week the Knesset endorsed the Israeli government's attempt to bring order out of economic chaos. It has introduced differential exchange rates for imports, exports and investments and it has decided to cut the public works programme. The Israeli pound has not been devalued, but the effect will be much the same: a steep rise in prices for many things which are by no means luxuries. Only for iron rations—flour, oils and fats, sugar and the like—will the old rate of $2.80 to the £1 prevail. For all the rest, including raw materials, fuel and kerosene, and near-basic foods like fish, there will be rates of $1.40 and $1.00. The general level of prices, including those for basic commodities which are controlled, must rise immediately by at least 25 per cent and in some cases by 100 per cent. Taxi fares are already doubled. All this is to happen in a country where violent inflation is working in the same direction, and which depends greatly on imported goods.

The logic of this painful action is clear. To house and employ the immigrants, and to grant the new state the period of economic expansion that any new state must have, Israel has been spending far more money than it had. The result has been to create purchasing power out of all proportion to the goods which were, or could possibly be, available and to divert over half the country's resources to non-productive work. This came on top of an irreducible deficit in visible trade of more than 80 per cent of the total. Hitherto, the Socialist government has tried to make things go round in a socially equitable way, through physical controls. But now the inflation and the black market are too powerful to be restrained in this way. It now has to use the monetary weapon, which operates against rich and poor alike.

Mr Ben Gurion hopes that the new measures will mop up the excess consuming power and drive out of business the speculative builders, the cosmetic manufacturers and the black marketeers who have done well out of the inflation. At the same time, the cost of the 100 per cent subsidy for Israel's main export, citrus fruit, will be borne on the exchanges and not, as at present, on the revenue. He also hopes that "the cost of living will not rise very sharply." That clearly depends on whether production can increase before higher prices force wages to follow them up, and before there is bad unemployment in the non-productive sectors. The Histraduth, the socialist trade union organisation, has said that it will do its best to hold wages if everyone else will do the same. But the Mapam, the more extreme party of the left, has already complained violently. In any other country the outlook would be hopeless, but in Israel people will suffer a great deal for the state.

Shorter Notes

The first report of the Committee of Public Accounts for the present session consists almost entirely of a Treasury minute on the reports of the previous session. Commenting on dentists' earnings, the Treasury says that their future level cannot be assessed until the demand for treatment has been stabilised after the introduction of a charge for dentures last May. The minute is dated November 29, 1951, and the subsequent proposals to impose a charge of up to £1 on all forms of dental treatment for adults must have made the future demand for treatment and therefore the cost of the dental service even more problematical. It is worth noting that in a subsequent paragraph the Treasury says that the charge for spectacles has resulted in a very heavy drop in demand.

*

The figures of road casualties in December are anything but reassuring. It was the worst December for ten years, and the total number of casualties was 18,187, of whom 521 were killed and 4,578 seriously injured. The total for the whole of last year, the first complete year since the end of petrol rationing, was 216,493, including 5,250 killed and 52,369 seriously injured. In 1950, when there were seven months without rationing, there were 201,325 casualties, of whom 5,012 were killed and 48,652 seriously injured. The 1951 figures were, however, still not so high as those of the last prewar year. In 1938, of the 233,359 casualties 6,648 were killed.

Defeat of the Government

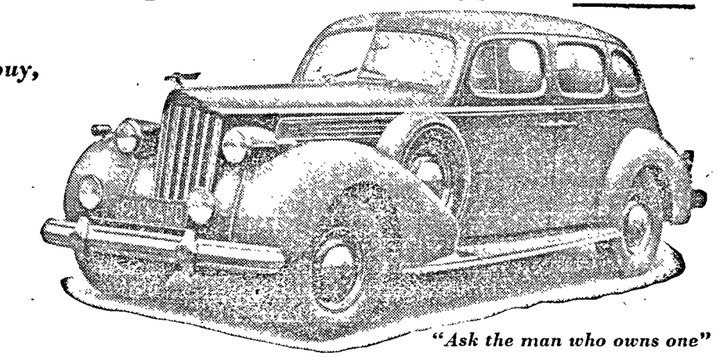
Lord John Russell's Ministry is at an end. The Government was defeated last night by a majority of *eleven* on the introduction of the Militia Bill. . . . The motion before the House was for the introduction of a bill to establish a *local militia*, and to amend the existing laws relating thereto. To this motion Lord Palmerston had given notice of two amendments, one to omit the word *local* from the title, the other to substitute the word *consolidate* for the word *amend*. In introducing the motion Lord John Russell explained that he did not object to the substitution of the word *consolidate* . . . the word expressed his meaning quite as well, or even more particularly than the other. But he objected to leaving out the word *local*, because that involved a difference of principle to which he was not prepared to assent. But he claimed to introduce his bill, to have it printed in order that members might see its provisions; and he expressed himself not only willing to consider any amendments which might be proposed in the progress of the bill, but even, if desired, to refer it to a select committee of the House. . . . But no—Lord Palmerston, acting with the Tories, whose benches were well packed apparently for the purpose, insisted upon the alteration of the title, and, contrary to all precedent, persisted in discussing and dividing upon this important principle of the bill on its introduction. Now we believe this is the first time in Parliamentary history, that the House of Commons ever refused to a Government leave to lay a bill on the table in the shape and form they thought best . . . and doing so can only be interpreted into such a withdrawal of confidence, and . . . of ordinary courtesy, that it would be in the highest degree inconsistent for a minister to consent to hold office for an hour longer. With that regard for high constitutional and Parliamentary principle, Lord John Russell immediately declared that he could regard the division only in the light of a withdrawal of confidence, and intimated that he could no longer be responsible for the government of the country. And thus has ended, by the most factious and unwarrantable proceeding that can be found in the records of Parliament, the Government of 1846.

The Economist

February 21, 1852

own a PACKARD now

Here is an opportunity to buy,
for business or pleasure,
a superb car,
in first-rate condition,
that will give you
new-car-service



"Ask the man who owns one"

The range of Packard pre-war models, thoroughly rebuilt by us, offers you pre-war craftsmanship for about £1250; and offers it *now*. And you have the assurance that the correct spares are available, because we import them directly from the Packard factory in America.

VIRTUALLY NEW CARS

'Rebuilt' is the word. This is no case of merely reboring or resleeving or changing the engine. The whole car, if necessary, is stripped — engine, gearbox, back axle, steering and suspension. Wear is taken up by refitting or replacing, recellulosing or reupholstering. Carburettor, oil, fuel and water pumps, dynamos and starter are reconditioned. The electric system is overhauled.

These 1938/39 Packards look like new cars, perform like new cars. If you would like to see or drive one, or if you want further details, please write or telephone us.

LEONARD WILLIAMS & CO. (1940) LTD.

(*Sole concessionaires for 24 years*)

Great West Road, Brentford, Middlesex. *Tel:* EALing 3400 (7 lines)

A MARKET for progressive people

There is no doubt at all that The Listener readership offers a first-class market for a wide range of goods and services. Here you have a market of educated men and women from trade, industry and commerce, from the professions and the arts, from public services and private life. They include some of the most influential people in almost every sphere of activity. Listener readers are, naturally, people of more than average discrimination and taste, and their confidence in the journal extends to the very sound advertisements it carries and the products they offer.

If you have a first-class product or service appealing to substantial people, you will do well to consider advertising in The Listener.

The Listener

(*Member of the Audit Bureau of Circulations*)

All enquiries to: Head of Advertisement Department, B.B.C. Publications, Broadcasting House, Portland Place, London, W.1

UNITED NATIONS

NEW BOOKS AND REPORTS

Land Reform
100 pp. 5s. (5s. 3d. incl. postage)

An analysis of the impediments to economic development arising from defects in the agrarian structure in many areas of the world. The book describes the types of land reform already undertaken in certain countries and suggests the direction of future reforms.

Report of the United Nations Mission of Technical Assistance to Bolivia
128 pp. 11s. (11s. 5d. incl. postage)

This study was prepared by an expert mission of technical assistance which visited Bolivia in 1950. In addition to a discussion of the economic, social and administrative problems which exist, the report includes specific proposals for a comprehensive economic development programme.

Political Education of Women
43 pp. 1s. 9d. (1s. 11d. incl. postage)

This booklet, which was prepared at the request of the United Nations Commission on the Status of Women, discusses certain of the broad problems which all women face when confronted with the rights and opportunities of the franchise for the first time and makes a number of suggestions regarding the political education of women.

Labour Productivity of the Cotton Textile Industry in Five Latin-American Countries
293 pp. 22s. 6d. (23s. 2d. incl. postage)

This report examines the labour productivity of the cotton textile industries of Brazil, Chile, Ecuador, Mexico and Peru. It is the first attempt which has been made in Latin America to assess industrial productivity, to compare it with the standards based on the experience of highly industrialised countries and to analyse the factors which bear upon it.

Balance of Payments Trends and Policies, 1950-1951
50 pp. 3s. (3s. 2d. incl. postage)

Based on replies to a questionnaire submitted to a number of governments, this report discusses the general status of exchange and trade restrictions in recent years as well as current trends in balances of payments and related policies.

World Cartography, Volume 1
107 pp. 9s. (9s. 4d. incl. postage)

The first of a series of annual volumes, *World Cartography* is designed as a clearing-house for current information on new developments in cartography and map-making. Special articles in Volume I include a study on "Cartography as Related to Resource Development."

United Nations Publications are available from
H.M. Stationery Office,
P.O. Box 569, London, S.E.1,
or from any bookseller

THE GOLD COAST OFFICE
IN LONDON
is at
Melbourne House
Aldwych, W.C.2.
Telephone
TEMPLE BAR 2913/4

This office provides an information service covering all aspects of relations between the Gold Coast and the rest of the world.

Enquiries to:
THE COMMISSIONER

BRITISH RAILWAYS
London
by
Golden Arrow
ALL-PULLMAN
or
Night Ferry
SLEEPING CARS
Paris
BRITISH RAILWAYS

Letters to the Editor

A Pause in Germany

Sir,—In your analysis of the causes and consequences of the trouble between France and Germany you write:

> An Atlantic alliance which can think of dispensing with German rearmament must be remarkably confident and potentially very strong.

It would indeed have all these qualities, and others besides, including a magician who could conjure up the manpower for the minimum number of divisions required to deter possible Russian aggression.

Elsewhere in your pages you quote Lenin as saying that facts are stubborn. The stubborn fact about West European defence is that it will be a façade if it does not include all the resources of Western Germany. We must choose between the risks of giving Bonn full sovereignty (which they will take anyhow by 1955) and the risk of having no defence. If you are going to count the Germans out you are laying the foundation for Dunkirk II. We should immediately bring the Germans into Nato, and at the same time Great Britain should participate in the European Army in order to reassure the French. Your article suggests that time is on our side. If that be true, let us cut our rearmament programme by 50 per cent; but I fear time is not our ally today.—Yours faithfully,

STEPHEN KING-HALL
Headley, Hants

★

Sir,—Impatient good intention in the German problem seems to me to have put the cart before the horse. Germany should first obtain a peace treaty, with full sovereignty, and then be invited to join the European or Atlantic community.

Any international commitment that a German Government might undertake while subject to foreign control would be denounced by the majority of people as "extracted under duress." Although West Germany today enjoys a far wider political freedom than under Hitler, the Bonn Administration is generally regarded there as a sort of "Vichy Government." Dr Schumacher probably expressed public feeling on both Right and Left when he called Dr Adenauer "the Chancellor of the Allies," and the Schuman Plan "just another name for reparations."

At the same time, current German anti-militarism is not merely a pose adopted to blackmail the Western Powers; it is a genuine feeling. In the perspective of history, the German character seems to have two traditional forms of expression: the *Landsknecht* and the *Spiessbürger*—the mercenary and the comfortable bourgeois. In 1945 the *Landsknecht* had failed them; thus, the Germans subsequently reverted to the ideals of *Spiessbürgertum*.

The best that the Western Powers can do now is to proceed with the establishment of the Atlantic Community as well as the preparations for a German peace treaty. Once stabilised, the Atlantic Community will be attractive enough to cause a sovereign German—or West German—Government to merge its fate with the West, and will offer sufficient safeguards to make France accept a gradual German rearmament.—Yours faithfully,

GEORGE A. FLORIS
Edenbridge, Kent

The Ethics of Fixed Prices

Sir,—Your Note in your issue of February 2nd contains a questionable conclusion which you do not justify. I refer to the distinction between collective and individual resale price maintenance which you describe as "superficial."

While joining with you in condemning collective price rings which hold the consumer to ransom, I cannot agree that individual resale price maintenance has this effect. Any price individually fixed is subject to the stimulation of competition, and such price fixing is most prominent in branded consumer goods where competition is particularly severe. Also, the distributive margins on fixed price branded goods are invariably smaller than that of comparable unbranded products, and this is justified by the higher demand and increased stock-turn.—Yours faithfully,

E. A. WINTER
Bristol

The Lisbon Meeting

Sir,—If the ideal of equal partnership in Nato is to become a reality, the strictures, in your issue of February 9th, on the Three Wise Men's recommendation that American aid be put into a central pool, are open to challenge. In the first place, your article surely thrashes too hard the distinction between strategic and economic planning in the particular context of Nato. You, yourself, say "General Eisenhower in Shape has had to plan the disposition and supplies of his forces." But how shall we define supplies in a modern defence community? According to a recent broadcast statement by General Gruenther, General Eisenhower regards the economic stability of Nato countries as of equal if not of even greater importance than the military side. Even so, Nato's task is not to manage the entire economies of its members—which you rightly regard as impossible—but rather to secure progressive adjustments in the military and economic content of each member's dues to the central pool. One should surely, therefore, welcome the decision of the Temporary Council Committee to recommend that member countries' efforts be closely co-ordinated to make the most effective contribution to the common defence, as opposed to the existing procedure where each did more or less what it pleased.

If the American role is to be, to borrow your description, that of "partner, not patron," and the obsolete concept of American "aid" swept away, three further steps in the newer direction are needed: (*a*) The fixing of a global Nato financial budget. (This is reportedly in train.) (*b*) The allocation to each member of a percentage quota within this total. (From the standpoint of economic stability there are reasons for thinking that many European quotas, including the British, have been pitched too high.) (*c*) Authority for Nato to *decide*, or at least, strongly to recommend, the most effective expression in military and economic terms of each member's contribution. Decisions on these lines would enable Nato to recommend that certain European members make physical contributions in excess of their allotted financial quotas, balancing finance stemming from corresponding gearing in the case, mainly, of America and Canada, but also, perhaps, of Belgium.—Yours faithfully,

Caterham, Surrey J. L. GIBSON

Castings or Sheet Steel?

Sir,—In your issue of January 9th, Mr T. B. V. Hirst states that "the 50,000 tons of iron castings used yearly" for the manufacture of gas and electric cookers could be replaced by 12,500 tons of steel sheet and tube. An inquiry of one of the largest manufacturers of these appliances from both materials, but with a preponderance in steel, shows that a cast-iron cooker weighing approximately 224 lb of cast-iron is replaceable by a similar article in steel weighing 148 lb. These figures drawn from actual experience show a ratio of 3 of iron to 2 of steel, whereas Mr Hirst's figures show a ratio of 4 to 1. This discrepancy would appear to reduce to a large extent the saving in raw materials which Mr Hirst has portrayed.

The inference to be drawn from the letter is that we should begin at once to withdraw the old cast-iron cookers, substitute steel cookers and stop manufacturing cast-iron ones. This is not a practicable proposition. The firm mentioned above considers that it would take at least three years to retool and re-equip plant to produce all-steel cookers to the exclusion of any others. During this period, extensive dislocation would be caused and at the end of it all there would be no certainty of the increased amount of steel being made available. Obviously a trend towards lighter cookers has set in; why not let this take its natural course, leaving the consumer to decide the rate at which the transition takes place?—Yours faithfully,

L. P. NEWMAN, Chairman,
Council of Ironfoundry Associations
London, S.W.1

Books and Publications

Exponent of Neutralism

Réflexions Politiques 1932-1952. By Hubert Beuve-Méry. *Paris, Editions du Seuil.* 255 pages. 400 fr.

It is generally unwise for a journalist to republish in one volume pieces written over a long period. Contemporary journalism tends to ignore the long-term nature of present problems and to concentrate on the all-absorbing task of current analysis. Looking back, the journalist finds that he has judged different events by different and even incompatible standards, that he has let himself drift with the changing currents of the time. M. Beuve-Méry's book shows that fluidity in general principles is not a necessary condition of the journalist's art; that it is possible even in the most vexed of all fields, that of foreign policy, to hold over a long period and in changing circumstances a point of view at once consistent and intelligible.

The book does not, and could not, do justice to M. Beuve-Méry's major role in recent French affairs as editor of *Le Monde*, which under him has been a great and representative newspaper. But it does show his own approach to the issues that France has faced in the four periods when the writings from which these extracts are made appeared: the period of uncertainty when the unreality of the Versailles world was becoming manifest—his account of a short visit to Russia in 1933 and of his reflections thereon is a notable and rare piece of lucidity; the period of collapse before the pressure of Nazi Germany—and again M. Beuve-Méry's understanding of the essential appeal of Nazism made him unaffected by many well-intentioned efforts to blur reality; the period of occupation in France when only the exceptionally lucid could measure the real dangers inherent both in collaboration and in resistance; and lastly our own tormented world.

Because M. Beuve-Méry is best known as an exponent of what is or was called "neutralism," it is to be feared that most readers will tend to look at the last part of the book first, and perhaps to look there only. Yet to do so would be unfair. M. Beuve-Méry's refusal to allow his hatred of Soviet tyranny to make him blindly accept all the present panaceas for dealing with it follows naturally from his rejection of a purely mechanistic interpretation of foreign policy, from his general understanding that it is not arms alone that are essential, but the convictions according to which they are used or not. It is still ideas that rule the world.

He has, of course, his prejudices, and it is salutary to see what they are. He appears to be no friend of this country; there are the familiar French charges of insular egoism and (here not ill-founded) of unnecessary hostility to France in the Middle East, although he is now prepared to give Britain reluctant admiration for having more than any other beneficiary of America's learned how to maintain independence of policy. Still less does he rank as a friend of America's though recognising that in the last resort the protection of Western Europe is America's strength. But he is concerned, as a Frenchman is and an Englishman is not, about the increasing Americanisation of his country, and was so in prospect, it appears, even before the liberation. Nor is he happy about the sudden reversals in policy, from appeasement as at Yalta to defiance as in the projected rearmament and hence rehabilitation of Germany and Japan. Finally the brutality of the Korean war redoubles his conviction that whereas the "Anglo-Saxons" can legitimately hope for victory, if they fail to secure peace continental Europe is doomed once it is lost. He perceives, too, that no war in which France took part could now fail to be a civil war—perhaps the most telling fact of all.

One may feel that the suspicion and intransigence of Moscow made a "third force" impossible from the start, that even a France freed from the burden of the Indo-China war could not have become strong enough to count as a factor in the balance. One may indeed decide to reject point by point M. Beuve-Méry's running commentary on the last few packed years of history. But to follow it is at least a good mental exercise; and at a time when all sensible men of goodwill seem to have the same foreign policy it is salutary to have to reckon with someone who disagrees.

Malthus Through the Looking Glass

Geography of Hunger. By Josué de Castro. *Gollancz.* 288 pages. 18s.

The chairman of the executive of the Food and Agriculture Organisation has built his book around a paradox—a paradox being, as G. K. Chesterton remarked, a platitude stood on its head. He takes the Malthusian platitude that overpopulation and hunger go together, and demonstrates to his own satisfaction that it is hunger which causes overpopulation and not, as one might think, *vice versa*. Hunger, particularly the "partial hunger" of chronic malnutrition with its train of deficiency diseases, has a double effect on its victims; it reduces their power and their will to produce and at the same time, except when it reaches the intensity of actual starvation, increases sexual appetite and fertility itself by a demonstrable physiological mechanism—the decrease in the power of an under-nourished liver to inactivate oestrogens. The primary impetus in the vicious spiral of hunger, ill health, low production, squalor, blind breeding and hunger again comes from hunger itself; and hunger initially results from social and cultural, not from natural, causes. Tackle these social and cultural causes, and the vicious spiral will reverse itself into virtue. The change required, says Dr de Castro, is from commercialism and colonialism, with the vicious land tenure and monoculture which they foster, to co-operation on—one is left to infer—the "people's democracy" model. Seconded by a wholehearted but discriminating application of scientific techniques, this reform would make any artificial limitation of births unnecessary; the oestrogen-neutralising activities of mankind's well-nourished livers would, presumably, do the trick. (When one thinks of the meals, and the fertility, of the Victorian bourgeoisie one feels a little doubtful about this.)

The thesis is interesting and in some particular instances convincingly supported; indeed, "The Geography of Hunger" offers some promising avenues of investigation and some unequivocal warnings against wrong roads. Unfortunately it is riddled with bad logic and historical dishonesty, reeking with malice and self-righteousness, and bulging with the kind of rhetoric which is generally the sure sign of a weak case. Lord Boyd Orr does not enhance his reputation by lending his authority, even if rather evasively, in a foreword.

Drama in Africa

Venture to the Interior. By Laurens van der Post. *Hogarth Press.* 241 pages. 12s. 6d.

This is a perfect travel book, so gripping in action and pace that it must be read at a sitting, so rich in human understanding that it must be savoured in the re-reading.

It is divided into three distinct parts, each complete in itself: the flight from Heathrow to Blantyre, which is a drama of contrasts; the expedition to Mlanje, which is a drama of presentiment and disaster; and the discovery of the "contented, serene and deeply fulfilled" plateau of Nyika, which is a drama of achievement.

Two themes underlie the action. The first is the schism between "the starved rationalism of our twentieth century minds" and the inherent urge towards the realisation of our own inner possibilities. This is equated with the tension between the European and the African, or the collective and the personal in our make-up, and it is the deep conviction of the author that until this gap is bridged it is useless to offer religious, political or scientific soporifics, or "better houses and finer gadgets which are more and more ingenious in order to disguise the triviality of the service they render." He also believes that if we could close our own split natures, no task would be too difficult or dangerous for a human being, so long as it was sufficient for his full self. The second theme is the intrusion of the physical enormity of Africa on the

pathetic endeavours of its human occupants, and here Colonel van der Post enriches his profound knowledge of the continent and its peoples with contrasts and analogies drawn from other lands, giving to his visual and mental experiences a universal validity.

From the brilliant and tender vignettes of his parents with which he introduces the book one would expect the author to be sensitive and courageous. In addition, his descriptive power is such that the reader shares the journey as if it had been shown in a Technicolor film. He has the gift of transmuting experience, so that a flight through a storm, or an exhausting struggle in mist and torrential rain on an impassable escarpment, becomes a part of his own development and he pursues a parallel exploration into himself and through himself into his contemporaries. All who are exiled or bereaved or disoriented will recognise here a friend who has shared their "mental load" and augmented and repacked it for the equipment of his next venture, and they will close his book invigorated and comforted.

Anti-Intellectualism

George Sorel, Prophet without Honour. By Richard Humphrey. *Harvard University Press. (London: Geoffrey Cumberlege).* 246 pages. 25s.

Sorel is remembered today mainly as the author of "Reflections on Violence" and as an apostle of revolutionary syndicalism. It is usually forgotten that he was a thinker of considerable power and acuity, whose social analysis often reveals the autodidact's ability to illuminate much that remains hidden from the academic mind. For his comparative neglect Sorel is himself much to blame. He always insisted that he was no system-builder and that his writings were mere notes, not treatises; his thought is usually diffuse and often obscure. It is not surprising that only his more spectacular—and less valuable—ideas should have survived.

The great merit of Mr Humphrey's penetrating study is that he succeeds in presenting for the first time an integrated analysis of Sorel's contribution to political sociology. He shows with admirable skill that the underlying purpose of Sorel's work was the constant search for a new moral basis to the social edifice; a profound pessimist about human affairs, Sorel bitterly rejected the postulates and methods of eighteenth-century rationalism and its doctrine of progress. Bourgeois society was a decaying corpse; not only had it failed to fulfil its promise, the promise itself was a hollow abstraction. This view partly explains Sorel's intellectual and political vagaries. He was a pragmatist before James, a pluralist and a syndicalist who also flirted with the monarchists of the *Action Française* as well as with the Socialist movement. Ultimately, he decided, only the proletariat could provide the *élan vital* for the new society. It must be equipped, not so much with a political ideal, as with a dynamic that rationalist methods of analysis could not erode or destroy; hence the "myth" of the general strike, an unattainable aim whose vision would yet foster the revolutionary apprenticeship of the masses.

Sorel, as Mr Humphrey clearly shows, belongs to the line of rebels against the categories of rationalist thought; like other nineteenth-century romantics he was a restless prisoner of a *fin de siècle* nausea neither confined to France nor peculiar to his age; that anti-intellectualism also formed part of the armoury of Fascism and Nazism is not without its importance in the assessment of Sorel's place in European thought.

Life of the Federal Reserve

American Monetary Policy. By E. A. Goldenweiser. *McGraw-Hill.* 391 pages. 25s. 6d.

Conscious monetary policy began in the United States only with the creation of the Federal Reserve system in 1913, and the Committee for Economic Development could have found no one better qualified to write a historical and analytical survey of its successes and failures than Mr Goldenweiser, who for many years was director of research and statistics for the Federal Reserve Board. His study traces, in non-technical language, the gradually widening understanding of the goals of monetary policy, from elasticity of the currency, which seemed of overriding importance in 1913, to the maintenance of a stable and growing economy, which is the aim today.

Nor did understanding of the tools

THE WORLD'S GREATEST BOOKSHOP
FOYLES
FOR BOOKS
Specialists in Tracing Out-of-print Books
New, secondhand and rare Books on every subject
Visit Foyles NEW Record Dept. H.M.V., Columbia, Parlophone, Decca Long-Playing and all other makes.
We BUY Books, Stamps, Coins
119-125 CHARING CROSS ROAD LONDON WC2
Gerrard 5660 (16 lines)
Open 9-6 (inc. Sats.)

CHATTO & WINDUS
A book that matters to YOU
INFLATION
Paul Einzig
§ What *is* inflation?
§ What is the *basic* cause of our present plight?
§ What can industry, business, or YOU do about it?
These are some of the questions answered in this vital book. *12s.6d.*
CHATTO & WINDUS

A Service for U.S. Clients
A deposit account with us enables U.S. book-purchasers to save time and money by buying direct from Britain. Books published in Britain, if in print, can be sent by return of post. A deposit of $25 paid into our account with the *Chase National Bank*, New York City 15, allows you to take advantage of this quick, trouble-free service.
The Economists' Bookshop
11-12 Clements Inn Passage, Aldwych, London, W.C.2.

possessed by the system come all at once; there is an interesting chapter on bank reserves, the chief instrument of quantitative control, and four proposals for altering the reserve rules. Two of these proposals—the 100 per cent reserve plan and another, which would require a certain proportion of bank reserves to be carried in government securities—the author dismisses. He finds merit, however, in the suggestion, first officially advanced in 1931, that reserve requirements should be based on velocity of turnover, and in another which, in inflationary emergencies, would apply higher requirements to any increase in deposits after a given date. In his view, this would permit war needs to be financed directly by the Federal Reserve Banks, without interest and without leaving a legacy of swollen credit.

Mr Goldenweiser deals in detail with the mountainous problems the new central bank had to meet: the financing of two world wars, the stock market boom in the twenties and the depression of the thirties. The greatest interest, however, attaches to his conclusion that after the war the Federal Reserve system allowed the desirable aim of supporting government bond prices to take priority over the fundamental aim of damping down inflation. He believes this was not the result of Treasury dictation, though the Federal Reserve Board was reluctant to seek a quarrel, but of an honest, though mistaken, conviction that it would be catastrophic to allow government bond prices to fall. The agreement last March, which permitted the board to withdraw from the market, was reached too late for inclusion in the book, but events since then bear out Mr Goldenweiser's views.

His chief criticism of the central bank, with the exception of this policy, is that too often it acted too late. To remedy this, and to give the system greater prestige, he would like to see the board of governors replaced by a single governor, perhaps of Cabinet rank, with effective control of all monetary policy, including control of open market operations which is now shared with the Reserve Banks. Better men would be attracted, decisions would be reached more rapidly—and if it made the link between politics and monetary policy plainer, is the link not there already?

Reparations Failure

Am Abend der Demontage. By G. W. Harmssen. *Friedrich Trüjen, Bremen.* 196 pages. DM 10.

When the *Bremer Ausschuss für Wirtschaftsforschung* published in 1947 a study on reparations under the Potsdam agreement, the volume of removals was not yet known, and before currency reform valuations were often mere guess work. "Am Abend der Demontage" stands on much firmer ground. The Inter-Allied Reparations Agency had valued removals, in 1938 prices, at $146.8 million. These values, this study rightly points out, are unreal. Prices have at least doubled since 1938; amortisation rates were too high (only residual values were recognised); dismantling costs were ignored. The reparations agency admitted that the replacement costs of the assets would amount to $400 million. The study claims an actual loss through removals of over $300 million, 8 per cent of the $4,000 million of capital assets available in 1951.

The discrepancy between these estimates is due much more to a different approach than to different methods. The agency was mainly interested in the cash value of assets acquired through removals, the study in losses suffered by the German economy. Each selected a method appropriate for its purpose. Disagreement was inevitable under a system of reparation payments in kind, which was considered better than one of cash payments. The system failed completely. Instead of the $10,000 million President Truman expected for the Western Allies, a little over $517 million was collected by removals and confiscations, and over $4,000 million had to be pumped into Germany to prevent its complete collapse. Even if Germany can pay back over a lengthy period the $1,600 million, to which the Allies have reduced their $4,000 million claim, they will be still badly out of pocket. After having tried to reduce Germany to a kind of penurious self-sufficiency, they now have to pin their hopes of Europe's economic recovery on the coal output of the Ruhr mines, which Mr Morgenthau planned to wreck. One need not agree with all the calculations of this study. But it presents the material necessary for further research, and it is indispensable to every serious student of a badly conceived, ill-fated experiment.

Analysis of Revolution

Les Deux Revolutions Francaises, 1789-1796. By Guglielmo Ferrero. *Editions de la Baconniere.* 220 pages.

Guglielmo Ferrero, an eminent Italian liberal historian, died in 1942. This book, based on lectures M. Ferrero gave at the University of Geneva, has been edited posthumously by M. Morriner. As usual in such cases one does not know what final form the book would have taken in the hands of its original author. As it stands, it is not convincing. In scarcely 200 small pages, many of which are quotations, it rushes through the French Revolution from the summoning of the States General to the advent of Napoleon. On the way it disagrees with both the right and left wing explanations, which, it is argued, fail to distinguish between revolution as "a new direction of human mind" and as "the breakdown of an established legal system."

It is through the fear of its leaders that M. Ferrero explains the descent of the Revolution from lofty principles to the reign of terror. Yet this emphasis on psychological factors vitiates the analysis. The conflict of the growing middle classes and the upholders of the feudal system is left unexplored. But the continuation of this antagonism well into the nineteenth century seems to indicate that any solution *à l'anglaise* was impossible, and once the middle classes were on the march the movement could not be limited to the higher bourgeoisie. As now published, M. Ferrero's notes—with their short-cuts, controversial statements and unwarranted assumptions—do little to dispel the prevailing view that the French Revolution must be taken as a whole, that in the given circumstances, the pains and the pangs were inherent in the birth of the new regime. The "new direction of mind" and the break-down of the established legal system" were inseparable parts of the same process.

Shorter Notices

Collected Economic Papers. By Joan Robinson. *Basil Blackwell.* 236 pages. 21s.

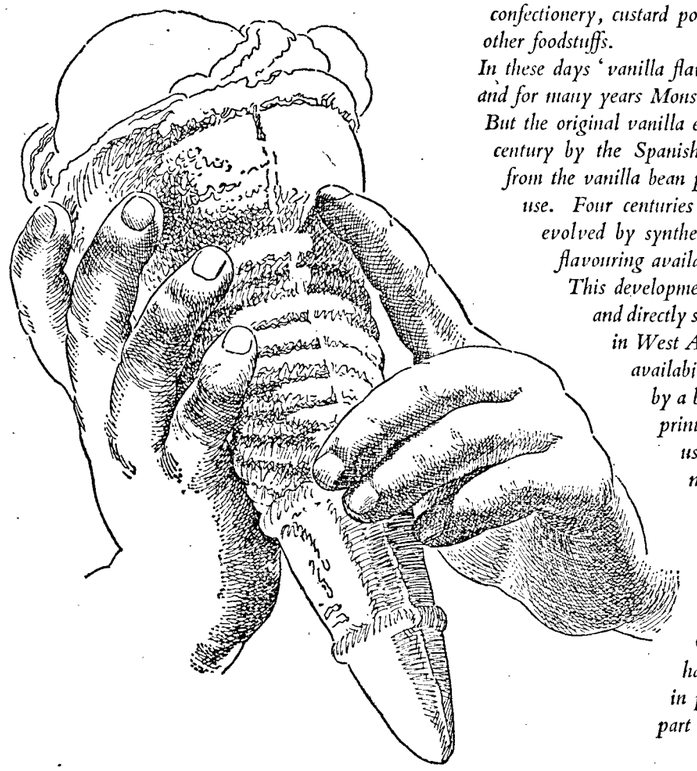
This economic miscellany ranges over a period of thirty years and over subject matter as diverse as Euler's theorem, the obstacles to full employment, the role of the United States in the world economy, and (an undergraduate *jeu d'esprit*) the economic inwardness of "Beauty and the Beast." It has all the Robinson hall marks; the zestful virtuosity in the handling of abstract ideas, the lively style, the flashes of irreverence, the erudition—and the social myopia and inveterate class hostility which make this brilliant writer so interesting.

In the papers dealing with pure theory these latter characteristics find little scope, manifesting themselves only occasionally in a brisk rap over the knuckles for the Hidden Hand. They appear most strikingly in the paper on "Obstacles to Full Employment," where all the disadvantages of a roaring seller's market, from take-it-or-leave-it shopkeepers to a shortage of coalminers, are enumerated, dismissed as "drawbacks" (Mrs Robinson's quotation marks) only to "those whose incomes are secure anyway" and described as "the reverse side of the advantage of full employment for the mass of the people." This is said as though the "mass of the people" were entirely unconcerned with the buying power, either in actual goods, convenience, or freedom of choice, of the incomes they earn, and the shopkeeper's boorishness or the worker's slackness an actual benefit to everyone in the community but the unspeakable rich. It is noteworthy, however, that in this same paper, written in 1946, Mrs Robinson puts on record her conviction that the difference between 95 per cent. and 98 per cent. employment—that is, the difference between that level assumed by most liberal economists to be practicable and that actually ruling during the last six years—is the difference between a tolerable and a "great" sacrifice of liberty. This is a distinction on which she has not, since that date, seen fit to lay stress.

You and the Law. By A. J. F. Wrottesley. *Williams and Norgate.* 208 pages. 9s. 6d.

This is rather a disappointing book, mainly because it seems to fall between all available stools. It is simply and clearly written, but for whom is it intended? It is not sufficiently detailed, nor referenced, to be of real value to either lawyer or student. It is too full of detail, and too superficial, to make the layman interested in the structure of the law. It is not a practical handbook, such as the individual books in the "This is the Law" series are. It is deficient in the one practical section which might be of the greatest help to the ordinary citizen, on exactly how to go about getting legal aid under the Legal Aid and Advice Act, 1949. It really belongs to the "Every Man His Own Doctor" class of book, which leave many people with many more symptoms, but less certainty, than they had when they first opened the pages.

Cornet solo ...



Cornets, wafers, tubs, bars or bricks . . . nine times in ten the flavour is 'vanilla'. And not in ice-cream only; but in chocolate, confectionery, custard powder, biscuits, mineral waters and many other foodstuffs.

In these days 'vanilla flavour' comes almost entirely from vanillin, and for many years Monsanto have been one of its chief producers. But the original vanilla essence—introduced to Europe in the 16th century by the Spanish conquerors of Mexico—was extracted from the vanilla bean pod. It was scarce, costly and restricted in use. Four centuries later vanillin, the active principle, was evolved by synthesis from clove oil making this delightful flavouring available in quantity and at a fair price.

This development helped to reduce the price of chocolate and directly stimulated the growth of the cocoa plantations in West Africa. And in many other trades the ready availability of Vanillin-Monsanto has been followed by a broadening of demand . . . such as for soap, printing ink, and rubber, where vanillin is used as a masking agent to obscure the natural odour of the product.

Vanillin-Monsanto has a long-established standard of purity. It has exerted an immense influence in relation to the minute quantities in which it is mixed with numerous basic products.

Over the years Vanillin's delicate bouquet has crept steadily and surely into first place in popular preference throughout the greater part of the world.

MONSANTO PRODUCTS FOR FLAVOURING INCLUDE:

VANILLIN

ETHAVAN

METHYL SALICYLATE

MONSANTO CHEMICALS – PLASTICS

MONSANTO CHEMICALS LIMITED, 8 WATERLOO PLACE, LONDON, S.W.1.

AMERICAN SURVEY

Allies in Spite of Themselves

Washington, D.C.

THE President's remark, at a recent press conference, that he was not very fond of the Franco government was a simple and poignant expression of his bewilderment at the direction of his own foreign policy. Mr Truman, whose pugnacious liberalism lost him four southern states in the election of 1948, has never displayed any great enthusiasm for the present Spanish regime, and he can hardly have enjoyed reading that his Ambassador in Madrid, Mr Stanton Griffis, had, before sailing from Gibraltar, called Spain "the best bet in Europe" and, on landing in New York, suggested that General Franco was the ideal mediator in the Middle East. But, with the General's friend, Senator McCarran, riding high and the Department of Defence collecting naval and air bases like an industrious squirrel, all he could allow himself were a few words of irritation at the behaviour of the Spanish government during the course of the present negotiations between the two countries.

The incident, however, was too much for the Spanish Ambassador and, within forty-eight hours, he had delivered a note, described as something less than a protest, to the State Department. Sr de Lequerica became Ambassador to the United States when full diplomatic relations were re-established last year, but he had been a "roving Ambassador" for some time before—and one whose roving, oddly enough, was confined to the United States and, indeed, largely to the halls of Congress and those places where certain members of Congress like to be entertained. So he must have been quietly confident that the immunity from criticism, which his country has shared for so long with Nationalist China and the ex-enemy countries, was assured for the future; he must have been shocked by the dash of cold water from the highest quarters.

Those in Congress who have been most receptive to the idea that Spain is the only trustworthy anti-Communist country in Europe are precisely those who most dislike the necessity for having close relationships with any foreign countries. They regularly express their dismay at the present impossibility of isolationism by insulting their allies whenever an opportunity occurs. On the very day that Mr Truman made his incautious remark about Spain, Senators belonging to this group were celebrating the seventh anniversary of Yalta, a word which always gives them a chance to display their talents. On this occasion Senator Knowland used it as a terrible example of the dangers of secret agreements, this one having been made, as he pointed out, by Mr Roosevelt, Mr Stalin, Mr Churchill and Mr Alger Hiss without benefit of Senatorial advice.

The Senate was officially debating a public agreement—the North Atlantic Treaty—and the question of whether Greece and Turkey should be included in it. And Senator Watkins of Utah was trying to get approval for a reservation by which the President would be forbidden to use American forces abroad "in a manner which would necessarily involve the United States in war." As Mr Watkins is not very good at explaining anything, Senator Taft undertook the job of making a case for this proposal and failed so dismally that he was deserted even by most of those of his colleagues who support him for the Republican nomination.

Greece and Turkey, he pointed out, had been at war frequently in the last hundred years and, according to his interpretation of the treaty, if Turkey were to attack Greece five years from now, the United States would have to go to the defence of Greece. The obligation assumed by the United States, he said, was too broad and he had always "favoured a narrower obligation in some respects, but a direct statement that if Russia attacked any of these nations, Russia would find herself at war with us." Being at war with the United States, in Mr Taft's definition, however, would hardly give an aggressor much reason for pause. It would not necessarily involve the use of American troops in defence of the country attacked. According to the Senator,

> all we are obliged to do is to assist the nation attacked . . . a wide discretion is left open to us to use economic measures or any other kind of measure.

Senator McMahon then led an expedition into the dark forest of Mr Taft's mind and brought out that Mr Taft did not object to sending troops to a friendly nation if it happened to be a convenient place to station them; he gave as an example the stationing of aircraft in Britain. That would not necessarily involve the United States in war because "the British are perfectly able to defend themselves." Mr McMahon saw daylight at last. According to Mr Taft's interpretation of the Constitution, he suggested, the President's right to station troops abroad depended on "their ability to run away if aggression occurs." Mr Taft agreed, saying,

> that is substantially the doctrine I have advanced . . . It rests upon the nation's ability to decide whether we will later be involved in war.

*

The Watkins reservation got nowhere, largely because, as Senator Millikin pointed out, it injected an impracticable formula into a field which was already badly confused, and it was finally withdrawn. But earlier in the day the isolationists had scored a victory that some people find rather a disturbing one. Senator Bricker got the support of quite a number of Democrats and such men in his own party as Senators Lodge, Saltonstall and Ives for a resolution proposing an amendment to the Constitution. Its purpose was to ensure that treaties do not

> vest in any international organisation or in any foreign power any of the legislative, executive or judicial powers vested in the Congress, the President, and in the courts of the United States or . . . alter or abridge the laws of the United States or the Constitution or laws of the several states.

As treaties must be ratified by a two-thirds vote in the Senate, it seemed odd that Mr Bricker should be able to find nearly sixty of his colleagues willing to tie their own hands in this way. Mr Bricker made it plain, however, that Senators must be protected from their own weakness. It was his contention that

> by a ruthless exercise of the treaty-making power a President, with the support of two-thirds of the Senators present and voting, could revolutionise the relationship between the American people and their government as prescribed by the Constitution.

The Seventy-ninth Congress, he said, had not understood that "the Charter of the United Nations would supersede a large body of federal or state legislation" when it ratified the Charter. Some state laws have, it is true, been automatically repealed by the Charter, but they are laws, such as those prohibiting the ownership of land by aliens, which are peculiar to the land of the free. Mr Bricker obviously feels, however, that once the gates are open, anything might come in. Specifically, he did not want, he said,

> any of the international groups, and especially the group headed by Mrs Eleanor Roosevelt, which has drafted the covenant of human rights, to betray the fundamental, inalienable and God-given rights of American citizens.

He added that he was unalterably opposed both to world government and to the so-called Atlantic Union.

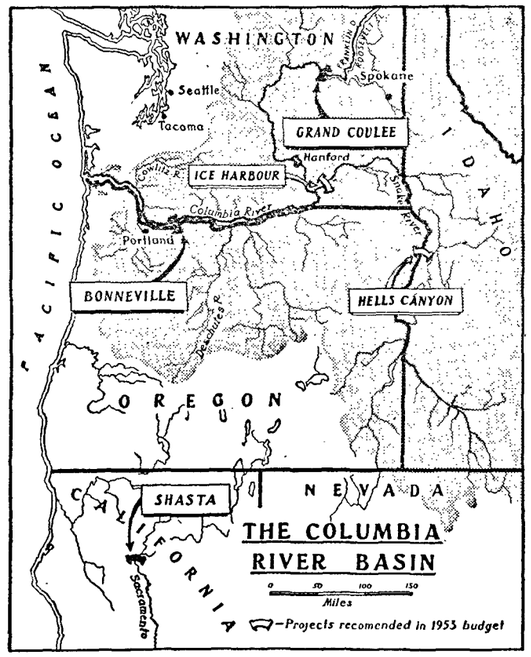
Among his supporters were the three Republican Senators who went to Strasbourg in the autumn and expressed their "deep regret that more realistic progress has not been made toward European union, economic and political." There is, therefore, every excuse for people in Europe, and even in the United States, to be confused about American policy. On the same day the President says that he is not very fond of the Franco government, but recognises the wisdom and necessity of an alliance with it; the Senate, while maintaining that Europe should forget about sovereignty, tries to defend the sovereignty of each and every state of the Union; and some Senators want to be able to use the territory of their allies for offensive operations against Russia without the obligation to defend those allies. The Spanish Ambassador might be well advised to explain some of the vagaries of American procedure to his government, now that the relations of the two countries are going to be closer. It would save them from the tedious necessity, in the future, of sending notes of complaint on matters which other countries have learned to take in their stride.

Where Power Transcends Party

[FROM A WEST COAST CORRESPONDENT]

PRESIDENT Truman, in his 1953 Budget message last month, recommended three controversial electric power projects for Oregon and Washington and thus gave new life to the Northwest's perennial dispute over whether its water resources should be regulated by federal or state authorities. The basic questions are how the Columbia River basin is to be developed and who is to control the hydro-electricity generated by the giant dams and power plants at Bonneville, Oregon, and Grand Coulee, Washington. Together, these two federally built projects now produce 17,685 million kilowatt hours of electricity a year. It is this power pool, most of it developed to meet wartime needs, which enables these two states to maintain the low electricity prices which attract a continuing stream of new industries. Nearly half of the country's pig aluminium production, for example, now comes from plants powered by water from the Columbia river; and at Hanford, Washington, electricity from Grand Coulee produces the plutonium on which the American atomic energy programme depends.

While hydro-electric power has brought growth and prosperity to the Pacific Northwest, and made it possible for the area to absorb comfortably the million new residents who have moved there since 1940, it has also brought deep political cleavages. The self-reliant sons of the pioneers, who made these states out of a wilderness, find little satisfaction in improvements designed in, and imposed from Washington, DC, nearly 3,000 miles away. The idea of a Columbia Valley Authority, modelled on that for the Tennessee Valley, fills most native Oregonians and Washingtonians with alarm and anger. So does the idea of linking the federally controlled



electricity distributing system of Bonneville with that of California's Shasta Dam, an idea twice rejected by Congress but endorsed again by the President. To the Northwest's Congressional representatives, whether Republican or Democrat, this looks like one more step towards complete control of the western electricity grid by the federal Department of the Interior. Equally objectionable from this point of view is the President's request for authorisations and appropriations for new federal dams in the area.

A plot to hand over to the Department of the Interior both private power companies and the Public Utility Districts, the special local government units for power distribution, is also seen by private electricity interests in the President's third recommendation. It calls for fuel-fired electricity generating plants in Oregon and Washington, in order to increase the Northwest's power capacity to meet defence needs. Under this plan, which was submitted to Congress last summer by Representative Henry Jackson, a Democrat from Washington, eight new fuel plants would be built on the periphery of the Bonneville transmission system,

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

and would burn local wood waste, coal and oil. It would mean that for the first time the Bonneville Administration would be responsible for the generation of electricity; now it only distributes the power from government-operated hydro-electric plants. Washington's coal producers favour this development as a step towards better utilisation of the state's abundant coal resources, and it also has some support from commercial fishing and sporting interests who object to any more of the Columbia's tributary streams being dammed.

This "fish versus dams" controversy complicates the situation in other ways. In Oregon the Portland General Electric Company wants to build a dam on the Deschutes River to bring increased power over its lines, and in Washington the Tacoma City Light and Power Company wants to build two dams on the Cowlitz River to meet a local electricity shortage. In their efforts to prevail over their local opponents, both these private companies have appealed to the Federal Power Commission and obtained favourable decisions. In return the opposition now threatens to challenge the Federal Power Commission's jurisdiction over these non-navigable streams and thus raise the whole burning question of states' rights in the courts. The dispute is further enlivened by the claims of the Confederated Tribes of Warm Springs Indians in Oregon to undisturbed fishing rights in the Deschutes River, which is their Reservation's eastern boundary.

*

Since the states' rights argument is a very lively one in the Northwest, the President's latest challenge to local authority may make them nearly as important an issue in next November's elections there as in the south. At the recent conference of Republicans from the western states, which preceded the Republican National Committee meetings in San Francisco, one of the planks proposed for this year's party platform dealt specifically with the question of electric power. Under strong pressure from the Northwest, this plank was drafted to read:

> We recognise the practicality of the participation of the federal government in planning and developing multi-purpose programmes . . . for our great river basins; but we affirm that such programmes must be based upon the desires and with the consent of a majority of the citizens affected in the areas being developed. We favour the principle of interstate regional co-operation and compacts. . . . We express our opposition to the Valley Authority method of river basin development . . . because such proposed Authorities would put vast and unlimited powers in the hands of appointive rather than elective public officials.

Western Republicans are not alone in their stand against extension of federal control over northwestern power development. Washington's Democratic Senator Magnuson, a close friend of the President's, differs sharply with him on this question, and in this he is joined by such staunch fellow Democrats as Representative Jackson. Needless to say, Oregon's entirely Republican delegation to Congress opposes all expansion of federal management and keeps the Bonneville Administration under close scrutiny. So does the coast's leading Democratic daily paper, the *Oregon Journal*, in Portland.

This solidarity on the states' rights issue in the Northwest illustrates the transcendence of regional over party interests and the fluidity of party lines in this area. In Washington, D.C., Senator Magnuson finds himself strangely aligned on the power problem with the Republican Mr Cain, the other Senator from the state of Washington, though otherwise the two men always pull in opposite directions. Senator Cain represents that extreme right wing in the western hinterland which is still trying to return to what it regards as the security of the gold standard, of higher tariffs, of withdrawal from the United Nations, of McCarthyism at home and MacArthurism abroad.

But next door, in Oregon, one of the Republican Senators, and a most distinguished one, is Senator Wayne Morse, a "constitutional liberal" who believes that it is the job of a Senator to lead as well as follow public opinion. Mr Morse consistently demands that the Republican party carry out "the tenet of Lincoln when he said, in effect, that the government should do for the people what they cannot do for themselves . . . but what in the interest of the general welfare needs to be done." This terrifies Oregon's constitutional conservatives, but even Senator Morse calls the proposed Columbia Valley Authority "bureaucratic paternalism."

American Notes

Fact-finding in Steel

The fact-finding panel appointed after the steelworkers agreed to postpone their strike has concluded its hearings, and is now drawing up a report on which the Wage Stabilisation Board can base recommendations for a settlement. The truce runs out this week, but the union is virtually certain to extend it, in the well-founded belief that an elastic wage policy can be stretched to cover one more increase, particularly in an industry vital to the defence programme. Neither side, however, is bound to accept the government's recommendations.

On their day in court, the steel companies, who insist they cannot afford higher wages without higher prices, echoed with embarrassing fervour all the anti-inflationary doctrine the Administration preaches. They contend that this time, as so often in the past, steel will set a new national wage and price pattern, and that increases in steel prices will set the inflationary ball rolling once more, robbing even the steelworker of his paper gains. Should they be forced to raise wages without raising prices, they submitted that it would be the consumer and the Treasury which would suffer: the consumer because the companies could no longer build new steel capacity to ease the shortage, the Treasury because the bulk of the wage claim would be paid out of profits otherwise destined for the tax collector.

In the view of the union, the increase of 18½ cents an hour it asks, coupled with other improvements, would set no other wage demands in motion and need not result in higher prices. The steelworkers won an increase of 16 cents an hour in December, 1950, and have had nothing since; they consider they are merely trying to overtake the automobile workers, who now lead the parade with $1.95 cents an hour to their $1.88, and who, in addition, are protected against further increases in the cost of living and guaranteed an annual productivity bonus as well. Steel profits, before taxes, are more than four times as great as in 1946; trade union economists feel the industry can well afford higher wages without dipping into its expansion fund, starving its stockholders or raising prices. But it is profits after taxes which interest stockholders and finance expansion, and these fell by a quarter in the first nine months of last year.

Behind this year's miles of statistics, arguments and charts there has been relatively little passion. Everyone knows the Administration is determined to avoid a strike, which would cripple the armament drive, and is prepared to pay the price. Even while the panel was sitting stories from Washington were already naming it—15 cents an hour for the workers and a sweetener of $2.50 to $3 a ton for the companies. The only question is whether the steel industry, swallowing hard to get rid of its anti-inflationary sentiments, would regard this sum —a third of what it asks—as adequate compensation.

Taft on Tour

Senator Taft celebrated Lincoln's Birthday in Seattle last week by repudiating the Joint Chiefs of Staff and, in effect, offering General Chiang Kai-shek as an alternative. The Senator declared that deliveries of American arms to the Nationalists on Formosa should be speeded up so that they might invade the Chinese mainland—"the only way of stopping the Communists from over-running Asia." Mr Taft had made it clear a few weeks earlier that he did not think that Americans were capable of stopping them. The unnecessary Truman, or Korean, war, he said then, had proved that the United States could not prevent aggression and that it had lost control of the air. But if the Nationalist troops failed to conquer China, and there is every reason to suppose that they would fail, then the logical result of Mr Taft's proposal, whether he realises it or not, is that American troops would have to try to finish what is already being called the Taft war.

This was at once pointed out by Governor Warren of California, one of Mr Taft's opponents in the only war in which he is really interested, that for the Republican presidential nomination. When Mr Taft spoke in Seattle he was carrying war not into the Chinese Communists' camp but into Mr Warren's—and General Eisenhower's—in order to bring back as his prisoners a batch of west coast delegates to the Republican nominating convention next July. He needs them badly, for General Eisenhower, his only dangerous rival, has been doing well since he announced his willingness to be drafted for President.

Senator Taft is supposed to be strong in the south and in the local party machines, but in Oklahoma and Louisiana, two southern states, Eisenhower supporters have revolted with some success against machines pledged to Mr Taft. Amongst members of Congress, however, a recent poll showed Senator Taft to be more popular than he was last November and much more popular than General Eisenhower. The Senator has also caught up with the General amongst Republican voters in the country, according to the latest Gallup poll, but the General continues to gain on the Senator amongst independent voters, 42 per cent of whom now prefer General Eisenhower to any other Republican.

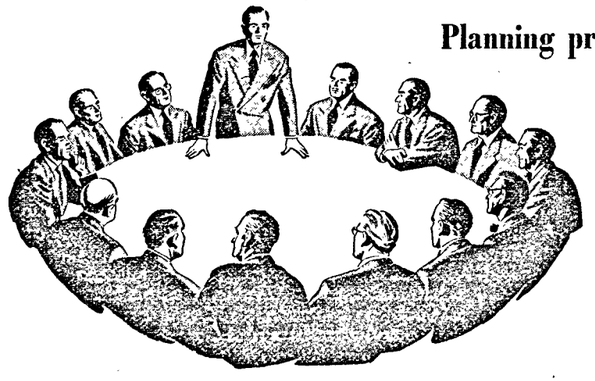
This preference is, of course, the General's greatest asset, but it is doubtful how long it can hold the balance against Senator Taft's personal campaign. His trip to the west coast was the last of a series of hard-working tours, in which he has covered thousands of miles since the autumn, giving the whole country the individual treatment which acted so successfully on the voters of Ohio in 1950. At Madison Square Garden two weeks ago a clamorous gathering of 15,000 people, led by film and stage stars, sang a "Serenade to Ike" which the General heard by short-wave radio. But he was not lured into dropping even a hint that he was thinking of coming home in the spring to fight for himself.

Death at the Airports

Had Newark Airport not been hastily closed last week after the third air disaster in two months, citizens of the nearby city of Elizabeth, New Jersey, would probably have taken the law into their own hands. Two Congressional groups were already hearing demands for its removal from the angry and frightened residents when the third crash brought the death roll to 118. Eleven were killed in their homes, some in their sleep. The fear proved infectious. When Newark's air traffic—normally a third of that for the whole New York area—was transferred to La Guardia and Idlewild, protests began to pour in from residents of Queens County about the danger and the noise. The airlines, soberly aware that another tragedy might shut them out of New York altogether, hastily agreed that the number of daily flights at La Guardia, which had risen to 680 from 520, should be cut to 454. All foreign flights were transferred, and aircraft diverted as far north as Bridgeport and as far south as Philadelphia. Pilots were instructed to use routes over the least populated areas, as far as possible.

Newark did not deserve its ill-fortune. Until last December it had not had a fatal commercial crash in all its twenty-four years; experts consider it one of the safest airports in the country. So far, investigation has shown no negligence or violation of safety regulations. What happened at Newark might happen anywhere—and sixty-two of the country's hundred major airports are as near people's homes and businesses as Newark's. (There the nearest houses are just over a mile from the end of one runway.) Improved safety regulations can lessen the hazards: re-wiring has been ordered in two types of aircraft, and the Senate Interstate Commerce Committee has recommended tighter controls on bad-weather flying. In some cases runways can be adjusted to eliminate flying over congested areas. The Port of New York Authority, which operates Newark as well as La Guardia and Idlewild, is building a new runway at Newark which will permit most take-offs and landings to be over water.

With the increasing speed and density of air travel, however, some accidents will remain the price of the air age. Many towns and cities which once sought the economic benefits and convenience of an airport will want to keep it at arm's length. Relocation of existing airfields would be exceedingly costly. Over $50 million has been invested in the Newark Airport, and twice that at Idlewild. Nor, in such heavily populated areas, is it easy to find new sites which do not endanger third parties. After the tragedies at Elizabeth, however, new airports will be placed farther from built-up areas—passengers eventually may be taken to and fro by helicopter—and homes and shops will not be allowed to crowd in on the runways. The President, concerned at the number of accidents that have occurred recently when aircraft have been taking off and landing, has now set up a special commission to study safety conditions at airports throughout the country and report within 90 days.



Planning produces results in the dollar market

Successful selling in the U. S. market requires a carefully planned sales approach. As one of America's oldest commercial banks, Irving Trust Company knows this great market thoroughly . . . will gladly work with you in locating competent organizations to help develop or expand your sales there.

IRVING TRUST COMPANY

ONE WALL STREET • NEW YORK 15, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

Bases Around the Atlas

In its latest attempt to prove that the armed forces are unnecessarily extravagant and that military spending can therefore be cut, Congress is turning its attention to the five air bases being built in French Morocco, between the Atlas mountains and the Atlantic. These, like the American bases in Britain and Greenland, and the one to be built in Cyprus, are for the use of the huge B-36s, the aircraft which are able to carry bombs to the heart of the Soviet Union and which are under the operational direction not of local US Air Force officers but of the Strategic Air Command in Nebraska. Also like the bases in Britain, the Moroccan bases can be reached without flying over hostile territory, can be supplied and defended by sea, and are conveniently situated between the B-36s' home airfields in Texas and their probable targets.

The building of these bases in Morocco, at an estimated cost of about $500 million, is the largest undertaking ever supervised by the Army Corps of Engineers, yet two of the airfields were already in use last July, only seven months after the scheme had been agreed in principle with the French government, and less than three months after the first ground had been broken. In view of the threatening international situation, speed was the main consideration and it had to be paid for; by starting to build while the project was still being planned, the engineers saved as much as two years, but they do not pretend that this was either economical or efficient. Criticism so far has centred on two allegations: that three airfields were started and then abandoned when it was found that they would be under water at certain times, and that American labour was brought at great expense from the Middle West and even Alaska when there were construction workers unemployed just across the ocean in New York. To this the military authorities reply that they consider it inadvisable, for political and social reasons, to employ American Jews in Arab countries; in New York it is forbidden by law to discriminate against workers because of their race or religion. The contractors responsible for building the bases were therefore obliged to engage their labour in states where they could refuse to hire Jews—and where there were not so many to hire.

About 4,000 of these skilled American workers, being paid altogether about $2 million a month, are employed on the five bases, with another 20,000 unskilled Moroccan workers who, under the agreement with France, are paid at local rates in order to prevent inflation; this differential is one of the things about the scheme which the Moroccan nationalists resent. Using machines, such as the 200-ton Supercompactor, which make giant bulldozers look like pigmies, these men are clearing and laying 200-feet-wide, 2-mile-long airstrips, able to bear the weight of the B-36s, at a rate of over 150 feet a day. They are also building houses, storage depots and other facilities, and rail and pipeline connections between the airfields and the ports of Casablanca and Safi.

* * *

Oil Shortages

The shortage on the east coast of residual fuel oil for ships' bunkers, which has been holding up coal and other cargoes for Europe during recent weeks, is basically the result of increases in the number of ships in active operation. Since the Korean outbreak the Maritime Administration has taken 512 vessels out of reserve, each of which needs an average of 60,000 barrels of bunker oil a year. The main reason why additional supplies are not available to meet this new demand is that the oil must come from Gulf ports; charter rates on tankers have gone up 200 per cent in the last year, while price controls prevent any increase in the amounts charged to shipping companies for their bunker oil. It sells in Houston, Texas, for around $1.85 a barrel and it costs $1.30 to send it to New York, where the ceiling price is only $2.45.

A similar price squeeze explains the shortage of home heating oil on the east coast, which has reached serious proportions at the coldest time of the year. The Petroleum Administration for Defence proposed a price increase of ½ cent a gallon, but the price stabiliser turned this down on the grounds that it would push up the cost of at least 60 million barrels of heating oil for the sake of bringing in only an extra 6 million barrels. The next suggestion was a subsidy to cover the loss of transporting the extra supplies, but this was rejected by the mobilisation authorities. Now the petroleum companies themselves have agreed to carry the loss, put at $7 or $8 million, of bringing in five per cent more heating oil over the next two months, on condition that price ceilings are reviewed in the meantime.

These sudden shortages, even though only temporary and local, dramatise the change in the oil situation since the autumn, when the talk was all of surplus supplies and the oil companies were by no means as enthusiastic as the government about plans for expanding their output. Now they are concerned because their expansion is being delayed by lack of steel and other materials. In 1952 45,000 new wells are supposed to be drilled, but at the moment certain existing wells could produce more if new pipelines were available to take the extra output to the refineries. The refineries, however, are working to practical capacity and their expansion is falling behind schedule because of shortages of construction material and components. Nevertheless the PAD has now stepped up its proposed increase in refining capacity this year from an extra 330,000 barrels a day to 475,000.

A proportion of the scarce petroleum equipment—steel pipe and so on—is being sent abroad, to the annoyance of the independent American oil companies, who have no interests overseas. Their annoyance will be increased if, as is expected, the United States increases its imports and reduces its exports of oil this year. PAD estimates that imports of petroleum during 1952 will average about 900,000 barrels a day. This may seem very little compared with an estimated daily domestic demand of 7,800,000 barrels a day, but it is quite enough to send the independent oil producers crying to Congress for help.

Shorter Notes

Democracy lost, 174-28, in San Francisco, California, when house owners in a small suburb voted their objections to having a Chinese family move in, for fear it would lower property values. A former Chinese Nationalist officer and his wife had agreed to abide by a community vote on the issue when they learned there was opposition to their entry. Their faith in America has been revived, however, by general indignation at the vote as well as by offers of homes or property in other sections of the area.

*

High beef prices and low horse prices make a combination some meat packers have been unable to resist; a midwestern grand jury has discovered that in Chicago many hamburgers are really horseburgers. Millions of pounds of horse flesh—wholesale cost, 5 cents a pound—has apparently been sold as beef—wholesale cost, 37½ cents a pound. Eleven food inspectors in Illinois have been discharged for accepting bribes to pass mixtures of beef and horse meat as beef, and the equine exposé has cut sales of chopped beef drastically in restaurants and shops.

*

Britons already dismayed by the American custom of using tea bags to make that comforting drink will have further cause for exclamation: now, for $4.50 a hundred, Americans can have "personalized" tea bags with their name or initials printed on the tab.

LIFE International

BRITISH AND CONTINENTAL ADVERTISERS, 1951

Agricultural Equipment
HARRY FERGUSON LTD.
JACK OLDING AND COMPANY LTD.

Aircraft and Travel
AIR FRANCE
AVIATION DIVISION, DUNLOP RUBBER CO. LTD.
BRITISH OVERSEAS AIRWAYS CORP.
THE BRITISH TRAVEL ASSOCIATION
CUNARD STEAMSHIP CO. LTD.
HOTEL DU RHONE
KLM ROYAL DUTCH AIRLINES

Automotives, Accessories and Petroleum Products
THE AUSTIN MOTOR EXPORT CORP. LTD.
CALTEX (U.K.) LTD.
CHAMPION SPARKING PLUG CO. LTD.
GODFREY DAVIS LTD.—CAR HIRE
DUNLOP RUBBER CO. LTD.
FIAT
NUFFIELD EXPORTS LTD.
ROOTES LTD.
SINGER MOTORS LTD.
THE STANDARD MOTOR CO. LTD.

Clothing and Household Equipment
BATA SHOE CO. INC.
DOLCIS SHOE COMPANY
DUNLOP RUBBER CO. LTD.
MORRIS (GLASGOW) LTD.—FURNITURE

Electrical, Industrial and Office Equipment
AKTIEBOLAGET ATVIDABERGS INDUSTRIER
ASSOCIATED ELECTRICAL INDUSTRIES LTD.
DICTAPHONE CO. LTD.
A/B B.A. HJORTH AND CO.
ING. OLIVETTI & C.S.p.A.
PHILIPS ELECTRICAL LTD.
PHILIPS GLOEILAMPENFABRIEKEN, EINDHOVEN
TELEFONAKTIEBOLAGET L.M. ERICSSON

Watches
CYMA WATCH CO. S.A.
DOXA WATCH CO.
GIRARD-PERREGAUX
INCABLOC-UNIVERSAL
INTERNATIONAL WATCH CO.
INVICTA-SEELAND
JAEGER-LECOULTRE
MIDO WATCH COMPANY
OMEGA WATCH COMPANY
THE ROLEX WATCH CO. LTD.
SWISS FEDERATION OF WATCH MFRS.
CHS. TISSOT AND FILS S.A.
UNIVERSAL GENEVE
VACHERON ET CONSTANTIN

Liquor
ARTHUR BELL AND SONS LTD.
BISQUIT COGNAC
BOOTH'S DISTILLERIES LTD.
JAMES BUCHANAN AND CO. LTD.
CAMPARI EXPORT-IMPORT
CINZANO AND CO.
THE DISTILLERS AGENCY LTD.
W. AND A. GILBEY LTD.
PETER F. HEERING
ERVEN LUCAS BOLS GIN

Miscellaneous
FESTIVAL OF BRITAIN 1951
FRANKE AND HEIDECKE—CAMERAS
INTERNATIONAL PHOTO-CINEMA EXHIBITION
MILES MARTIN PEN CO.

LIFE *International*

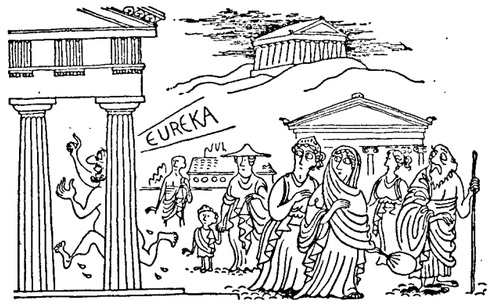
circulates in 120 countries throughout the world outside North America. It represents a new and extraordinarily successful concept in international advertising.

For information please write or telephone to:
LIFE International, 2-4 Dean Street, London, W.1. Telephone Gerrard 6335
Paris Office, 26 rue de la Pepiniere, Paris. Telephone Laborde 9703
Zurich Office, Mr. Kenneth McDonnell, Mythenquai 23, Zurich. Telephone Zurich 277441

It's an
OLD MASTER
in the frame...

but
OLD ANGUS
in the glass

A Noble Scotch—Blended for Connoisseurs



The man of action does not hesitate

On Hydrostatic Laws or Heavy Duty Cooking

ARCHIMEDES, sprinting so cleanly through the streets of Athens, was wrapped up completely—and, indeed, exclusively—in the first hydrostatic law. Perhaps he should have waited; some things no doubt require a certain well-timed prorogation. Others, beyond a question, don't. The installation of Falkirk Cooking Equipment belongs most definitely to the latter order. It will cost you time and money if you put it off.

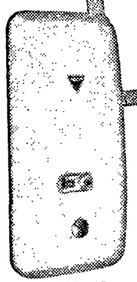
VITAL FACTS ABOUT FALKIRK

- **Equipment for Gas, Electricity, Oil, Steam and Solid Fuel.**
- **Really tough cast-iron construction—will last for years.**
- **Efficient modern equipment means less work for small staffs.**
- **No weak links, a complete and balanced range of equipment.**
- **Specially designed installation and plans for each customer.**
- **Price most competitive.**
- **If you need new kitchen equipment, *now* is the time to buy.**

Find out NOW *about*
FALKIRK HEAVY DUTY COOKING EQUIPMENT
for Hotels, Restaurants & Canteens

Please write for illustrated leaflet to:
The Falkirk Iron Co. Ltd., Falkirk, Scotland *or* Mortimer House, 37/41 Mortimer St., London, W.1. *or* 40 Hanover Street, Leeds, 3, *or* 18 Leigh Street, Liverpool, 1.
(Proprietors: Allied Ironfounders Limited)

Ascot produce first BALANCED FLUE GAS WATER HEATER



ASCOT 715
Balanced Flue
Multipoint
Gas Water Heater

This is a significant achievement, for the difficulties of applying the "balanced flue" principle to instantaneous gas water heaters had hitherto defied solution.

The important advantage of the new Ascot 715 is that the air intake and flue circuit are sealed off from the room in which the heater is installed, thereby eliminating down-draughts and vitiation of the indoor atmosphere. There are no visible flue-pipes either inside or outside the building.

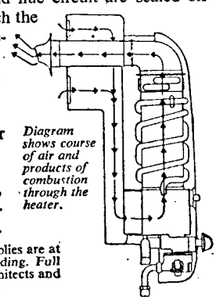
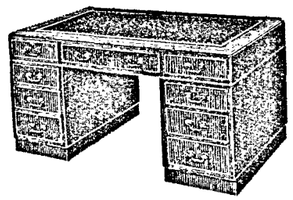


Diagram shows course of air and products of combustion through the heater.

Ten local authorities have already specified the Ascot 715 for their housing schemes.

As production is limited, supplies are at present restricted to new building. Full co-operation is offered to architects and all interested in new housing.

ASCOT GAS WATER HEATERS LTD., 43 Park Street, London, W.1



PRIDE OF PLACE...

Catesbys Desks are notable for their good design, their variety and quality of workmanship: They have captured to an unusual degree the preference of executives in commerce and industry. There is sound sense and good taste in choosing a

CATESBYS DESK

We shall be glad to send our representative or to submit a complete brochure of photographs portraying complete Office Furnishing and to welcome you in our model showrooms. May we invite your inquiry to our Director of Contracts.

Catesbys Ltd., 64-67 Tottenham Court Road, W.1
Our only address. *Telephone: Museum 7777*

THE WORLD OVERSEAS

Fears and Factions in France

(From a Paris Correspondent)

THE French National Assembly has at last ended its debate on the European Army. It has set limits to M. Schuman's policy towards Germany in a series of resolutions. These laid down, among other things, that there shall be no German recruitment until the European army treaty is ratified by all the parliaments concerned; that no state may join Nato without the approval of the parliaments of all member states; that renewed efforts to bring Britain into the army should be made, and other recommendations should be adjusted to meet Britain's requirements; that the United States and Britain should guarantee the Defence Committee against disruption by any member; and that the army shall only be established at the same pace as the military organisation is created to direct it.

The debate itself, however, has been rightly described as "distinguished." A high proportion of the speeches are worth reading. The occasional shouting of insults by M. Duclos on behalf of the Communists, or by individual deputies of the right on their own behalf, could not destroy this impression. It was also an instructive debate in that it exhibited most usefully two deep currents of French opinion: the one profound repugnance for any form of German rearmament, the other a great anxiety lest the Channel be widened while the Atlantic is contracted, till France finds itself keeping house with Germany, while Britain and America look on from a distance. But it was none the less a discouraging debate, marked by all the tendencies which make French parliamentarianism alternately anarchic and academic. It also illustrated how little dynamic support French governments can expect at present from the nation.

The repugnance for German rearmament was universal and almost physical. It tended to cast into the shade the less traditional and geographically remoter Soviet danger; M. Paul Reynaud cut an eccentric figure when he insisted on the latter. The government spokesmen themselves only presented the European army as a lesser risk than that of isolation with Germany rearmed under her national flag and practically uncontrolled. The opposition to German rearmament was most vividly and painfully expressed by a former inmate of a concentration camp. He came as the spokesman of comrades who had died in the camp before liberation and who had sworn to each other that whoever survived would always oppose the rearmament of Germany. The sentiment was strong enough to bring together Socialists and Gaullists. It was not surprising that Gaullists should be delighted at the opportunity of showing that their movement was not exclusively one of the right and that they were able to speak even of General de Gaulle's bugbear, M. Moch, with sympathy. But it was a little odd that the Socialists did not show more resentment of the arm flung affectionately round their waist on this occasion.

What was noticeably absent from the opposition speeches, however, was any real reply to the government's proposition that there was only a choice between German non-participation in western defence, a German national army and a European army. Equally striking was the failure of those who most earnestly desired British membership of the European Defence Community to examine the reasons that kept Britain outside it. Thus Socialist speakers implied that M. Schuman had done less than he should to draw Britain into the European army, while themselves advocating what British opinion had unanimously rejected—namely, European integration below the level of a small division.

The gravest weakness exhibited by the debate is the absence from most deputies' minds of the elementary political principle expressed in the British saying "the King's government must be carried on." It might have been thought that three days would have been enough in which both to express views of principle and to find the practical application of principle to the particular situation. Did the Socialists really want to bring the government down and deprive France of representation at London or Lisbon? Since the executive committee of the party has the right to overrule the Socialist parliamentary group in certain important circumstances such as votes of confidence, was it really impossible for both party organs to agree in advance on the course to be pursued and then to negotiate with the government betimes, so as to avoid the indignity of keeping everybody waiting and the grave inconvenience of delaying until after Lisbon parliamentary consideration of France's urgent financial problems?

Socialists Out of Hand

The failure to consider the convenience or dignity of the French government is indeed a widespread malady in the French Assembly, as the behaviour of the Finance Commission illustrates; it has just thrown out for the second time the entire tax proposals of the government, nibbling instead at the deficit with a proposed mechanical 2 per cent cut on all the expenditure which the commission itself had recommended only two months ago. But the Socialist party is a special case at present. The party is internally out of hand. Gone are the days when one addressed its leaders in the hope of swaying it. To have been a minister today almost excludes a man from having a say in party affairs. The essential disease is the consciousness that the party has tumbled from a vote of five million in 1945 to one of 2,760,000 in 1951. There is a group of "young Turk" deputies which subordinates every other question to that of demagogic appeal to the voter, and is prepared to leave France ungoverned provided that every suitable question—schools, railway reform, wage sliding-scale or German rearmament—is exploited ruthlessly on the party's behalf in the constituencies. Bevan and Schumacher have their pupils, pupils who unfortunately bear responsibilities not borne by Bevan and Schumacher. The wonder is that the party has been persuaded to vote for a resolution acceptable to the government on this occasion—perhaps only because the resolution was so far from the government's original ideas.

A further depressing habit of mind illustrated on this occasion is that of attempting to solve problems by erecting a series of inconvenient little fences, closely resembling those in the new constitution and the standing rules of the Assembly which have done so much to make the Fourth Republic ungovernable. Even the Prime Minister has accepted the extraordinary principle that, in order to maintain the balance of forces in the European army, German forces must be reduced if French responsibilities overseas should in some emergency reduce the French contingent actually serving in the European army below the level of the German. Are German units then to be disbanded and the drain on European strength to be multiplied by two?

Two general impressions emerge from the debate. The first is the sharp contrast between the boldness and self-confidence of some leaders and groups of opinion in France and the (comprehensible) traditionalism and timidity of thought of a very large part of opinion. The events of the years 1939-45 have put bold minds at the head of that part of the electorate which is "republican" (in the French restrictive sense) chiefly because it wants a strictly limited amount of change. The second is that the decision to make Germany a participant in western defence has imposed on the still youthful movement for European unity a problem heavier than anyone had the right to expect its adolescent shoulders to bear. It may yet succeed in shouldering it, but at what cost in deformation remains to be seen. It was as civilians that Frenchmen and Germans would have best learned how later to wear a common uniform.

Canada's Doubled Output

[FROM OUR OTTAWA CORRESPONDENT]

THE rapid growth of the Canadian national economy has been brought into clearer focus by the publication here of a detailed review of the last quarter century, showing fluctuations in terms of a constant (1935-39) dollar as well as in current values. The period 1926-51 brought Canada from one peak of activity to another higher peak, but it bridged the depression of the thirties and the artificial and distorted activity of the war years. From 1926-29 Canada was expanding fast. In 1928 the gross national product was put at $6,100 million. In 1951 it is estimated at $21,200 million. But in terms of constant dollars, the increase between the two years was from $5,330 million to $10,700 million. The physical output of the Canadian economy was, therefore, almost exactly doubled in just under a quarter of a century.

During the same period the population grew from less than 10 million to 14 million. The productivity of workers must have increased at a cumulative rate of about 1.3 per cent per year, which is the more striking because working hours (averaging 50 hours a week in 1929) dropped substantially (to 43 hours a week in 1950). The improvement of the physical standard of living can be judged from the figures for expenditure per head on consumers' goods and services. It increased by 38 per cent, from $360 to $495 in terms of 1935-39 dollars.

It would, of course, be expected that this period of growth should show a substantial increase in industrialisation. Manufacturing, which accounted for only 23 per cent of the national income in 1928, accounted for 30 per cent in 1950. In spite of the increase of population agriculture now employs 4 per cent less people than it did after the First World War: manufacturing employs 134 per cent more people.

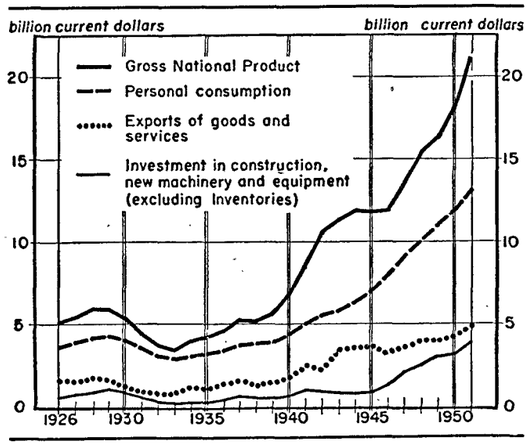
One effect of the increase in domestic consumption and manufacturing is to reduce the relative importance of foreign trade to the economy. Although Canada's export and import trade increased by 45 per cent between 1928 and 1950, in the same period the gross national product nearly doubled, government expenditure more than doubled, personal expenditure nearly doubled, and domestic investment increased by 65 per cent. By a coincidence of figures the adverse trade balance in 1950 (at $300 million) was almost exactly the same as in 1929. But in 1929 it represented more than 5 per cent of gross national product. In 1950 it was only 1.7 per cent.

Canadian exports of goods and services were valued last year at over $5 billion, equivalent to a quarter of the gross national product. But looking at the period as a whole, it is apparent that price changes have had more effect than volume changes on the foreign trade account. The depression drop from 1929 to 1933 reduced exports by 54 per cent in value, but in volume the reduction was only half as great. The recovery of export trade from 1939 to the present time was an increase of 273 per cent by value; but by volume the increase was only 40 per cent.

Capital investment has never been equal in value to Canada's export trade, but it has been even more volatile. The years 1926-29 marked the previous peak of capital expansion, and considering the smaller base on which it then rested, it was perhaps an even greater feat than the present investment boom. (The volume of new investment increased by 60 per cent between 1926 and 1929.) But in absolute terms the investment boom that has been going on since 1946 has never been equalled. In 1946 private and public investment in Canada absorbed more than 14 per cent of the gross national product. In 1947 it was 18 per cent; in 1948, 1949 and 1950 it was over 21 per cent; and in 1951 it exceeded 22 per cent. The indications for 1952 are that it will be at least as high this year. (These figures include government construction but no other defence spending by government.) This rate of expansion coupled with a considerable defence programme obviously presents some pressing problems. The promise for the future may arouse envy, but the present is not altogether enviable.

Will Consumers Hold Back?

Last year private investment of $3,880 million coincided with government expenditures of $3,110 million (including defence) to account for one third of the gross national



expenditure. Personal expenditure rose by 11 per cent over the previous year, but this was entirely due to price increases. There was no increase in physical consumption by persons. The restraint in personal consumption was accompanied by a doubling of personal savings. It made a great contribution towards stabilising the economy last year; but one wonders whether it can last even for another year. In the existing situation any decrease in saving or increase in personal expenditure, coupled with the inevitable increase in the defence programme and the continued high rate of private investment, could quickly revive inflationary pressures which have been relatively dormant in the last nine months.

Another sobering thought is that most of the big development projects now being undertaken require some years for completion. Iron ore will not be coming out of Labrador until 1954, nor aluminium from the huge new project in northern British Columbia, nor nickel and copper from the big Lynn Lake deposit in northern Manitoba. Nor will Alberta oil find its second outlet—the pipeline to the Pacific Coast—until almost the same time. It is not, therefore, until 1954 or 1955 that Canada may expect to reap the rewards of the strain it is now undergoing for the sake of big development programmes. And 1954 or 1955 is, according to present plans, the time when the rearmament drive should be getting on to a care and maintenance basis.

China's "Tested Tiger-Catchers"

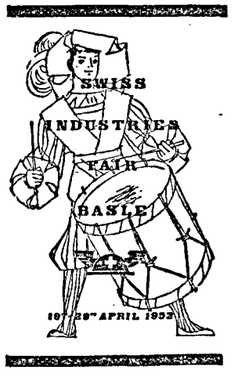
THE Chinese Communists' campaign "against corruption, waste and bureaucracy" has now been carried on in the grand manner for several weeks. It is rated by the government as being of such transcendent importance that the Chinese-Soviet friendship week, which was to have been held in celebration of the second anniversary of the treaty of alliance with the Soviet Union, was cancelled in order not to interfere with it. The methods of denunciation, mass rallies, public confessions and "trials" used last year for the rounding-up and liquidation of "counter-revolutionaries" have now been directed against "corrupt elements." These include both businessmen, who try to evade economic controls or taxes by bribing officials, and the officials who either take the bribes or harm the state by extravagance, laziness or embezzlement of funds.

The most trusted cadres of the Communist party have been mobilised for the task of rooting out the corrupt elements; in the words of the chairman of the North China austerity inspection committee, Liu Lan-tao, the need is to set up in each area "a strong, pure and clean commanding headquarters with a tested tiger-catching backbone corps." The tiger-catchers, however, require the co-operation of the general public in order to achieve results, and in accordance with the standard Communist practice denunciation is encouraged—indeed demanded—as a proof of loyalty to the regime. Workers and clerks in private business concerns are required to investigate and denounce their employers, and staffs in government offices to expose their superiors. The democratic women's federation has been pressed into service and has exhorted its members to denounce not only their husbands but even their sons.

The public response has been almost embarrassingly voluminous; according to Liu, 160,000 letters of accusation had been received in Tientsin alone and 150,000 in Peking. While it is good to accuse someone else, it is even better to accuse oneself; leniency is promised to those who "repent of their crimes and come over to the side of the people," and, as "refusal to confess" is in itself a crime and entails being sent for trial with virtually no hope of acquittal, there has been a rush to confess. In some districts this seems to have taken the form of mass demonstrations. Railway workers in the Hangchow area held "confess and report" rallies at which over 1,500 corrupt elements are said to have confessed; in Chungking there are reported to have been 20,000 self-accusations.

If the accusations and confessions which have been published are to be believed, evasion of controls and of taxes appears to have been almost universal in Chinese private industry, and embezzlement very widespread in official institutions. In heavy industry, the manager and two deputy managers of the Anshan Trust Company, and the managers of the Hunghsin, Kueihsin and Hsinho iron works, have been implicated. Waste and corruption on a large scale are alleged in the Dairen and Port Arthur communications company. When such things occur in the most thoroughly "liberated" parts of China, it is not surprising to find an even worse state of affairs in provinces such as Chekiang. There one official has been charged with embezzling over 200 million yuan of public funds, another with corrupt deals involving 248 million yuan, and a third, the director of the public health laboratory, with receiving 170 million yuan for conniving at the theft of drugs. Offenders are classified into "big tigers," whose corruption involves sums of more than 100 million yuan, and small ones who do not come up to this standard; up to the beginning of February, 48 "big tigers" had been brought to confession in Hangchow.

Although the main drive has been directed against private



A warm welcome awaits all the trade buyers to this comprehensive survey of Swiss production and progress made within the year.

Full information from the Swiss Legation, 18 Montagu Place, London, W.1, or the Swiss Consulate, 53 Spring Gardens, Manchester 2. Details of travel arrangements and currency allowance from any leading Travel Agency or the Swiss State Travel Bureau, 458/9 Strand, Trafalgar Square, London, W.C.2.

Good fare can be appreciated more after a glass of DRY FLY SHERRY. It is the best appetizer at cocktail time.

20/- bottle · 10/6 half-bottle

From your Wine Merchant or:
Findlater Mackie Todd & Co., Ltd.

Announcing...

ALMINAL

"Five Hundred"

ALUMINIUM - COPPER - CADMIUM ALLOYS*

In the new aluminium-copper-cadmium alloys, known as the Alminal FIVE HUNDRED series, high mechanical strength is combined with outstanding hot and cold-working properties, and freedom from age-hardening at room temperatures. This makes possible the production of high strength extrusions and forgings of an intricacy and thinness of section formerly associated only with low and medium strength aluminium alloys. In addition it permits the material to be stored for long periods in the solution treated condition and then formed by pressing, bending or other cold working processes, before subsequent artificial ageing, to develop the high mechanical properties. The use of this material, therefore, eliminates the necessity for carrying out solution treatment immediately before cold forming or for refrigerated storage of solution treated material. Other advantages possessed by Alminal FIVE HUNDRED include exceptionally fine grain size in forgings and extrusions and remarkable uniformity of strength properties in the directions longitudinal and transverse to the grain flow.

* *Patents applied for.*

Technical data is available from

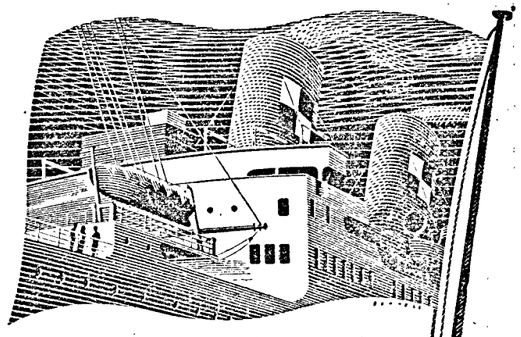
ALMIN LTD · FARNHAM ROYAL · BUCKS · Tel: Farnham Common 595

If it's Aluminium — ask Almin!

Empress of France

SAILS FROM LIVERPOOL

27th FEBRUARY



"GOODBYE, GOOD LUCK" your friends shout from the quay. *What can they mean—you're on an EMPRESS,* where nothing is left to luck. Where the Canadian cuisine has the certainty of genius. Where every last luxury is quietly inevitable. Where an ocean-rail ticket *will not let you* miss your way to your chosen spot in Canada or the United States. First Class from £79. 10. 0. Tourist from £54. 10. 0.

Further sailings from Liverpool to Saint John, N.B.

Mar. 19 - - - **EMPRESS OF CANADA**
Mar. 26 - - - **EMPRESS OF FRANCE**
Apl. 8 - - - **EMPRESS OF CANADA‡**
Apl. 15 - - - **EMPRESS OF FRANCE‡**

‡ *To Quebec and Montreal.*

For information your authorised agent or

Canadian Pacific

Trafalgar Sq., W.C.2 (Whitehall 5100). 103 Leadenhall St., E.C.3 (Avenue 4707) LONDON and offices throughout Britain and the Continent.

businessmen who bribe officials, and propaganda speeches refer to the "crimes of the property-owning class," the cleansing activity has been partly aimed at acts by officials, whether misappropriation of money and materials or waste and negligence, for which the direct corrupting influence of capitalism cannot be held responsible. In some cases even workers have been called to account, as at Hangchow, where it was found that railway workers had made a practice of loading only two or three tons on 30-ton goods wagons. Often offenders are discovered to be former Kuomintang employees taken over by the new regime, and their delinquencies can be put down to the habits of the evil past. But the number of party cadres who have been involved has been such as to call forth some sorrowful sermons about good comrades who were not afraid of the lead bullets of the enemy in the old days of revolutionary warfare but have now fallen victim to "golden bullets" in the administration of the cities.

Puritans and Zealots

The People's Government must be given credit for a serious purpose in this campaign. There has been substantial testimony of foreign observers to the general honesty and integrity of Communist officials when they first took over control in Shanghai and other places. The puritan zealots of the "Long March" and Yenan tradition are no doubt anxious to preserve their party from degeneration in the midst of the sirens and lotus-eaters who lie in wait for the comrades of weaker will. There are also very urgent practical reasons for the campaign. The strain of the war in Korea requires a stepping-up of productive efficiency and an end to the hoarding of commodities, which was habitual during the wartime and postwar inflation under the Kuomintang and has revived with the Korean war inflation during last year. Peking claims that the anti-corruption campaign has already had a good effect on the national currency and that bank deposits have increased since the movement began, as money is being frightened away from hoarding and speculation. On the other hand, there is an obvious effort in the propaganda of the campaign to blame all the shortages and dislocations due to the Korean war on to the Chinese private business class. A reckless political exploitation of the scandals along these lines, together with the fear and mutual suspicion inevitably engendered by the prevailing system of denunciation, may depress economic activity rather than stimulate it. As long as Communist China pursues a NEP policy, leaving to private capitalism a sector of the economy which the state is not yet ready to take over, some security and some incentives for the bourgeoisie must be provided.

Iraq—Land of Promise—II

SINCE the first instalment of this article was written, the Iraqi Senate has passed the oil agreement reached between the Iraqi government of Nuri Pasha es Said and the Iraq Petroleum Company, and the measure has received the royal assent. Iraq can now, therefore, count with confidence upon the steady stream of vast earnings from its oil that were described in the last issue of *The Economist*. Deeply impressed by the size of the sums involved, its people seem to approve of what their parliament has done. Three main opposition parties—left-wing groups which consider that the notables of whom Parliament is largely composed do not represent "the people"—called a general strike in protest at the agreement. But their motive, which was one of pure party politics, did not capture public support. Shops in Baghdad stayed open and there were, surprisingly, no demonstrations. Nuri Pasha, who has brought off this common-sense achievement in an area that is elsewhere seething with emotion, is owed a debt both by his own people and by the free world.

The agreement is the third of its kind to be completed between a foreign oil company and a Middle Eastern state; the two which entered into force before it were those reached with King Ibn Saud of Saudi Arabia and with the Sheikh of Kuwait. It differs in one significant respect from its two predecessors. They were concluded with absolute rulers, with individuals in complete personal control of the coffers or pockets into which the proceeds were to flow. The Iraqi agreement was concluded with a parliament and, judging by present evidence, has the seal of public approval. A comparison with Persia is irresistible. Here are two countries, neither of them over-populated, and each capable of drawing great wealth from oil; each is endowed by nature with huge potentialities, particularly in the field of food production for hungry Asia. Yet, of the two, it is the nation of more ancient lineage that elects a parliament that would rather let its people starve than suffer the so-called indignity of foreign assistance, and the younger and less polished people that grasps the virtues of using stepping stones. The Iraqis will have shown a measure of maturity greater than that of any of their neighbours, except the Turks, if they now begin to regard themselves as the harnessers of satisfactory foreign aid, rather than as tools of malevolent outsiders.

A Free Hand For Experts

They have for years been plentifully advised as to how to develop their country for, in common with all their neighbours, they have followed the local fashion of commissioning expert technical reports on economic plans. But the point of securing such reports is not their composition, but their execution. The Iraqis are in advance of most of their neighbours in the consistency with which they have pursued the installation of a proper executive board. As long ago as 1947, senior Iraqi civil servants were preaching to your correspondent the sensible doctrine that no development was possible unless executed by a permanent team of men who were not subject to the whims of ever-changing cabinets. The Iraq Development Board was founded in 1950; its composition was described in *The Economist* of August 18th last. After over a year of work, it has produced its first report on the projects it intends to pursue out of the oil wealth of which it disposes.

Priorities are not easy to select in a country where there is so much to spend and so much to do, but it has rightly given first place to flood control. Iraq still suffers from deluges which do damage comparable to those of biblical and Babylonian tradition. Its published programme of works that can be begun without delay, or almost so, budgets for an expenditure of 65.6 million Iraqi dinars (1 dinar = £1) out of anticipated receipts of ID95 million in the five years 1951-55. (Under later amendments to the oil agreement the latter figure is likely to be in the neighbourhood of ID200 million.) Schemes that are being put under way without delay include the allocation of ID9.6 million to the Wadi Tharthar flood control scheme—above Baghdad, on the Tigris—for which Iraq was in 1950 granted a loan of $12.8 million by the International Bank; the contract for this is already allocated to Messrs Balfour Beatty. Other projects for which tenders are being sought are for completion of the Habbaniya catchment scheme, on the Euphrates, for use against floods and as a regulator; for a dam on the lesser Zab which will control flood and store water in the Kirkuk area; and for a dam on the Diyala which will bring about the recovery of lands once fertile round Kut. Over the five years, at least ID15 million is earmarked for roads; an important sum of lesser dimensions (ID2 million) is to be devoted to drainage on lands already irrigated. If more Iraqis would concentrate on this unspectacular job they could greatly raise the yield of lands which they are too apt to allow to relapse into salty wastes.

Of course the task of handling so much money over so short a period presents immense difficulties. One of the

first of those encountered has been well met; at first, the whole yield of oil revenue was to go to the Development Board, which was made so rich by comparison with the ordinary ministries that ministers tended to load it with projects which their own organisations ought properly to be handling, such as the building of schools or hospitals. Now the oil revenue is to be divided between the Development Board and the ordinary budget in proportions of 70:30. Other snags lie ahead. For instance, the country's administrative machine is weak; apart from the senior men who learnt their job in the days of the British mandate, the Civil Service contains too much under-educated manpower and too many young men who hate any job outside Baghdad. Next, labour requirements—particularly in the skilled and semi-skilled classes—will shortly far outstrip supply. Again, the increased spending power that is just round the corner will create serious inflation unless it is siphoned off by efficient organisation of imports, or of taxation, or both. Can so young a country organise economic operations which will be a novelty?

Whatever the difficulties ahead, it was better to start right away on execution of some of the projects than to wait upon changes in administrative practice, or upon an improved standard of education. Too many Middle Eastern statesmen are frightened of criticism and risk, and too few act upon the important principle that a faulty plunge is better than no dive. The senior permanent Iraqi member of the Development Board is not among the faint hearts.

Huge possibilities lie ahead. A few years from now Iraq will, if all present projects materialise, be short not simply of trained manpower, but of people; may not its great northern plains, once developed, hold out promise of a future to some of the Palestinian Arab refugees? Over the same period, it will earn far more money than it can spend; may it not be able to offer aid to a friendly neighbour which has equal economic potentialities but is unendowed with wealth from oil—the state of Syria? Next year, its young King—now at Harrow—comes of age and will assume the estate and burden of monarchy. Few young men have waiting for them a job so fraught with opportunities as well as cares.

A Victory for Vargas

Most British and American companies operating in Brazil were taken by surprise last month, when President Vargas suddenly accused them of complicity in a "criminal plot" to defraud the country, and announced that in future their remittances of profits would be drastically curtailed. Yet this move, or something very like it, followed logically from recent developments in the internal politics of Brazil. It is the future course of those politics, rather than any purely economic factors, that is likely to decide how strictly the new decree on foreign capital will be enforced.

Just over a year ago Dr Getulio Vargas assumed the presidency, after winning an election in which he had presented himself as the champion of the common man. He had made promises about minimum wages and social security that were held to be quite unrealistic by all who knew the limitations of the Brazilian economy. He then proceeded to entrust economic policy to a thoroughly cautious and realistic financial expert, Senhor Horacio Lafer. Few Brazilians were surprised. To those who took their politics lightly, it was fully in keeping with "Getulio's" mercurial nature. Had he not, while absolute ruler of Brazil, sent to Europe the only Latin American troops who fought for democracy in the last war? Had he not just regained by democratic means the power which, in 1945, was seized from him by the Army in the name of democracy? But those who looked beneath the superficial paradoxes of Brazilian politics were impressed by the skill with which the veteran President first lured on to his band-waggon a variety of groups ranging from the ultra-Conservative to the near-Communist, and then struck out firmly along his own line.

Sooner or later, however, strains were bound to develop in the loose coalition which provided Dr Vargas with his majority. He had stood in the 1950 election as the candidate of the Trabalhista (Labour) Party. This is itself a somewhat divided body, but considerably to the left of the oddly named Social Democratic Party, the strongly conservative faction which was the main prop of the previous president, General Dutra. During 1951 many Trabalhista members became restive at the way in which the President's policy was developing, and in particular at the influence which the Social Democrats appeared to have over him. In December the idea of a complete break with Dr Vargas was openly mooted among Trabalhista deputies, some of whom were already discussing the possibility of a coalition with groups further to the left. Among the Social Democrats discontent was less widespread, but there was a certain amount of indignation at the systematic way in which the Dutra government's record was being discredited by the new administration.

In Brazil, moreover, personalities are at least as important as party labels. While the leaders of the Trabalhista and Social Democratic Parties have remained loyal to the President, the leader and virtual creator of the comparatively new Social Progressive Party, Dr Adhemar de Barros, has proved less amenable. Dr Adhemar is a highly ambitious man of only fifty, who boasts that it was he who got Dr Vargas elected in 1950. He is already preparing to get himself elected president when the current term ends, and his vast fortune and political control of the key state of Sao Paulo make him a formidable candidate.

Colonels and Communists

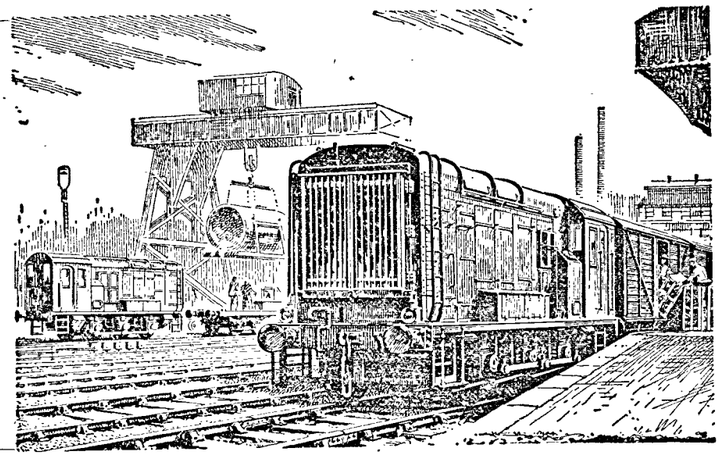
Finally, Dr Vargas has also to contend with the Army, which in Brazil tends to live a life apart. The Army deposed him in 1945 in a mood of somewhat romantic devotion to democracy. But now the alarming element in the situation is the relationship between certain military officers and the proscribed Communist Party. It is relevant to recall that the outstanding Brazilian Communist, Senhor Luiz Carlos Prestes, was an army officer before his conversion to Marxism; and several of his former comrades in arms now hold senior commands.

The common ground between the Communists and the largely aristocratic officer caste is resentment at the part played by foreign capital in developing Brazil. An opportunity to exploit this theme arose in December, when the President asked Congress to pass two bills providing for the development of oil resources under state control but with the co-operation of foreign capital. General Estillac Leal, the War Minister, made himself the spokesman of military nationalism by delivering several speeches in which he not only attacked the whole concept of joint Brazilian and foreign development of the country's natural resources, but went out of his way to belittle the danger of Communism. These statements roused a storm of protest, but Dr Adhemar lent the War Minister his support, and a considerable body of both military and civilian opinion was clearly in sympathy with his views.

President Vargas's verbal onslaught against foreign capital at the New Year may be seen as one part of a brisk and effective counter-attack against all these threats to the unity of his government. To recover the confidence of the industrial workers, among whom strikes were increasing as a result of Senhor Lafer's refusal to let wages chase prices up a hectic inflationary spiral, Dr Vargas had already produced a new law on minimum wages and instituted tighter price controls. He now combined a further denunciation of

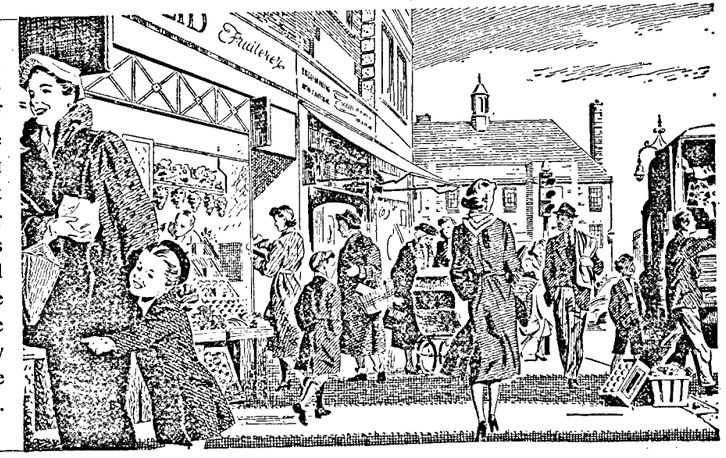
'ENGLISH ELECTRIC'

Every month Britain's railways carry more than 22 million tons of goods, and the marshalling of this enormous traffic requires powerful shunting locomotives of the utmost reliability. 'English Electric' diesel-electric shunters, handling loads of hundreds of tons, are doing this job 24 hours a day — not only in Britain but on railways all over the world.



bringing you

In the monthly total of freight transported by Britain's railways are 4½ million tons of food and general merchandise for the shops. 'English Electric' plays a vital part in ensuring that your meat, fish, fruit and vegetables are delivered regularly and on time — one more example of the many ways in which The English Electric Company brings electric power to the service of millions of people.



better living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

Aspects of Enterprise No. 24

SIMON ENGINEERING GROUP

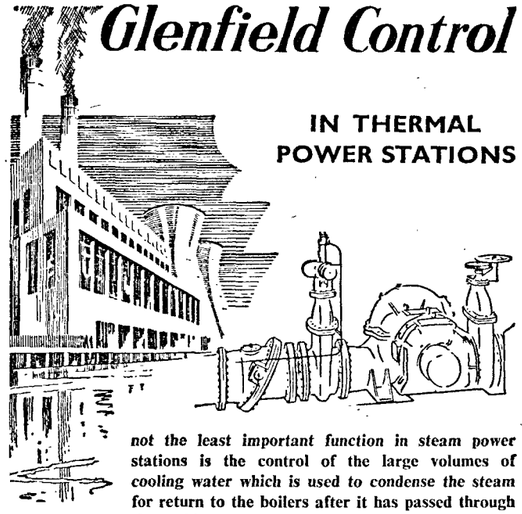
It often happens that several companies or divisions of the Simon Engineering Group bring their widely differing services to bear upon a single contract. A large new phosphorus factory near Bristol for Albright & Wilson Ltd. is a case in point. One division of Simon-Carves acted as consultant on siting and layout and is responsible for building and civil work; a second is dealing with materials handling and processing equipment, and a third with electrostatic dust precipitation; Simon Handling Engineers are supplying pneumatic discharging plants for unloading rock phosphate from ships.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

Glenfield Control

IN THERMAL POWER STATIONS



not the least important function in steam power stations is the control of the large volumes of cooling water which is used to condense the steam for return to the boilers after it has passed through the turbines,

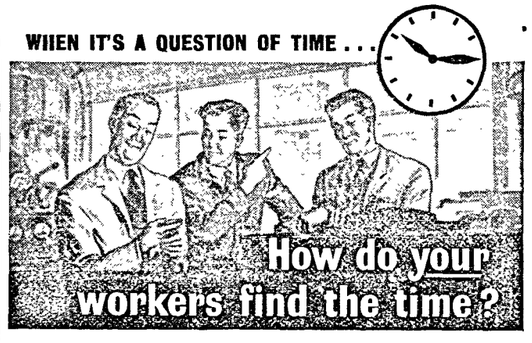
in the performance of which "Glenfield" Sluice Valves and Reflux Valves stand supreme.

VALVE SPECIALISTS FOR 100 YEARS

Glenfield
GLENFIELD & KENNEDY LIMITED KILMARNOCK

HEAD OFFICE & WORKS · KILMARNOCK, SCOTLAND

WHEN IT'S A QUESTION OF TIME . . .



Do your employees confer anxiously as break and finishing times approach, taking time off to find out the time?
Time searching costs industry far more than it should, especially as workers are apt to believe the fastest clock when it is a question of finishing the day's work.
T.R. Time Control puts an end to this and many other kinds of time loss in industry. The showing, sounding and recording of the correct time all the time is only a small part of what T.R. Time Control can do to make the time you pay for more productive. Spend a profitable moment now to write for full particulars.

TR SERVICE *speeds production*

Time Recorders, Internal Telephones, Internal Broadcasting, installed and maintained under guarantee by Telephone Rentals Limited—that's T.R. Service . . .

WRITE TO INF.E.2, KENT HOUSE, RUTLAND GARDENS, LONDON, S.W.7 OR YOUR NEAREST BRANCH — 14 THROUGHOUT THE UNITED KINGDOM. ALSO JOHANNESBURG, CAPE TOWN, PARIS AND BRUSSELS.

4-F. 422

Communism with his vigorous attack on the more predatory activities of foreign companies. A few days later he had a long talk with Dr Adhemar, who promptly declared himself in support of the President and specifically welcomed foreign co-operation in the extraction of Brazilian oil. A number of officers who had expressed support for the War Minister were placed under arrest. The truculent comments of certain United States businessmen on Dr Vargas's proposal to limit remittances of profits, and the suggestion made by the American Council of the International Chamber of Commerce that all new loans to Brazil should be suspended, rallied further sections of Brazilian opinion to the President's support.

When the smoke cleared, it was found that Senhor Lafer had set up a committee of financial experts to iron out the difficulties which the new decree might involve for foreign enterprises; General Estillac Leal had ceased to express his views so pungently; the Foreign Minister, Dr Neves da Fontoura, was issuing conciliatory statements and assuring all concerned that no formal protests had been made by the United States or any other government; and the oil bill was quietly introduced, by a Trabalhista leader, into a Chamber of Deputies from which nationalistic passions had been largely purged. Thus, as Dr Vargas began the second year of his presidential term, it seemed that he had successfully dispersed much of the opposition which had loomed so large at the end of 1951.

Transforming the South Sudan

[FROM A CORRESPONDENT]

ONE of the great difficulties facing all those who are trying to conceive a workable plan for the Sudan's immediate future is the fact that the Sudanese themselves are at sixes and sevens about what they want. Over 25 parties are enunciating programmes. The ordinary Sudanese is still further confused by the unscrupulous way in which party members distort facts to suit the cases they advocate. An example of the technique was furnished by Mr Khidr Omar, secretary-general of the Ashigga party, when he went lately to Paris to revile the British administration among delegations to the UN General Assembly. During a press interview he remarked, for instance, that the southern Sudanese were still in a completely backward and primitive state "because the British had never allowed the civilised and cultured Sudanese of the north to come in contact with them," and—by implication—had never done anything for them themselves.

Some idea of the falsity of this charge can be gained from a description of the ambitious experimental scheme which has been under way among the Azande tribe in the southern Sudan for the last six years. Its object is to turn this primitive people into a self-sufficient and reasonably progressive community. An initial loan of £E500,000 was made by the Government with which it was planned that the Azande should embark on growing their own raw materials, notably for cotton goods, soap, sugar and cattlecake, manufacturing their own finished goods, and providing for their own necessary imports; it was hoped that they would also have a surplus exportable to other parts of the Sudan with which to pay their way. An Equatorial Projects Board was set up to put the scheme into effect, with a British manager and senior staff, but otherwise staffed by Sudanese civil servants.

Before the board could be successful another major transformation was required to fit the Zande for his new agricultural role. He had previously been only a hunter. It was decided to shift and resettle the whole population of about 60,000 families away from their scattered dwellings in the forest and along the road to carefully planned cultivation areas. This resettlement was unique in the way in which it was carried out. Pilot lines were cut straight across country for as much as 20 miles, and off these, village lines were laid at right angles, forming, as far as considerations of land and water would allow, a neat geometrical pattern. On the village lines, each householder was allotted from 25 to 40 acres of land—entirely his on condition that one half acre at least (with another tenth of an acre for each additional wife) was used for cotton.

The resettlement took five years and was completed at the end of 1950. It was an immense achievement in planning and was carried out largely thanks to one Englishman who had been District Commissioner for twenty years and was able to persuade the Azande to co-operate. As a result, the whole district has been opened up, its lines of communication improved and administration made much simpler.

An industrial town has been built by a river in what was formerly forest land. The forest is now cleared away and a flat plain has emerged covered with buildings and the *bric-à-brac* of industry. There are a cotton ginnery, vast spinning and weaving sheds fitted with an air conditioner, machinery for crushing the cotton seed and extracting the oil, machinery for making soap; there is a power station and a saw mill; there are storage sheds, water tanks and, on the perimeter, rows and rows of little brick boxes with corrugated iron roofs to house the artisan staff. The power to drive it all comes from charcoal and to provide the charcoal the forest is cut down further and further afield so that the foresters must work against time to replace it with fast-growing trees. There are coffee and palm oil and sugar, as well as a milk herd and a beef herd living under the very noses of the tsetse flies.

All Hopes Surpassed

At present the Azande are the unskilled and the semi-skilled labourers in the factories. It is hoped that in time they will become the artisans, but meanwhile the skilled mechanics, the store-keepers, electricians and bookkeepers are northern Sudanese and it is entirely up to the Azande whether they will take advantage of the education offered in the future or whether they will let the northerners seize the plums for ever. The scheme was devised primarily for the advantage of the Azande and depends on their efforts. In 1950 they surpassed all hopes by producing eight million pounds weight of precious cotton from their half acre plots, which, because the spinning and weaving machinery was still dawdling on interminable African waterways and railways, was exported to England at last year's peak prices and realised an unexpected profit. Now spinning and weaving have begun and the first piece of damouria cloth was produced last September.

The products of the Equatorial Projects Board are sold in the district by a special trading division at the lowest possible economic price; and after local needs are satisfied they are sold elsewhere in the Sudan. The profits, being destined to further the social emergence of the Azande, are used for the running of an agricultural research farm and agricultural training college which are, of course, for the benefit of the whole of the southern Sudan, as well as for the provision of more schools, hospitals and football grounds.

This is a great upheaval in the way of life of the Azande—just how great it is as yet too soon to tell. At present they seem less significant as individuals than they were before because they have been de-tribalised; they are becoming the anonymous masses and the tribal markings cut into their cheeks no longer mean much. With urbanisation and education and money to burn people become unsettled. But if the scheme succeeds and if the desire for money replaces the present system of direction as a sufficient incentive to keep it going, then the Azande and their neighbours should at least be able to exist as a community that can stand on its own legs in the conditions that are spreading in Africa.

THE BUSINESS WORLD

Shaping the Budget

THE element of guesswork that enters into even the most scientific budget making will this year be unusually large. By wisely advancing the date of the budget so that his disinflationary measures can the more quickly be set to work, Mr Butler has at the same time aggravated his task of judging just how severe these measures need to be. When he opens his budget on Tuesday week, even the financial out-turn of the current year will be only broadly estimable. And when he turns to the wider forecasts of the shape of the national economy as a whole—to the expected levels of national income, production and investment that largely determine the magnitude of the changes the budget should try to bring about—he will know that the estimates before him are more than customarily prone to err. The scope for empiricism and personal judgment will, therefore, be abnormally wide.

It is doubly unfortunate that this unusual latitude should arise this year, for the state of the budget accounts as such will not imply to those who still judge budgets by the simple test of surplus or deficit that there is any need for austere measures. If the Government's pledge to apply fundamental remedies to Britain's chronic insolvency is to carry conviction, it must maintain for some time to come a greater degree of disinflation than that envisaged in any previous postwar budget (with the possible exception of the plan that Sir Stafford Cripps sponsored, but quickly diluted, in 1948). Given the heavy burdens that the nation's economy must now assume, this degree of disinflation cannot be ensured except by imposing sacrifices upon the broad mass of consumers, no matter what marginal contributions can be extracted elsewhere. Yet this unpalatable course has to be followed at a time when the budget accounts for the old year will be showing a large surplus on the conventional reckoning and when the estimates for the new year will be envisaging an unusual, though deceptive, buoyancy of revenue.

That is the rough shape of the problem that emerges from the decisions and objectives already indicated. Its full size and many of its salient features are still hidden from the outside estimator. He has to work this year without any of the array of official data that normally herald the approach of a budget—without an Economic Survey and without official estimates of the balance of payments for the old calendar year. In these circumstances, to attempt detailed estimation would be foolish; it is possible only to sketch the outlines sufficiently to show the nature of the Chancellor's problem.

The first fact, and it is a frightening one, is that during the course of this year a huge volume of resources must be subtracted from the supply available for civil use in the domestic economy. The Government is committed to an effort to bring Britain's external balance of payments into equilibrium, or better, in the second half of this year. If the actual deficit in the second half of 1951 is guessed at £375 million, this means that the new strain upon the domestic economy, from this source alone, must be at the rate of £750 million a year. To this great burden there must be added the weight of this year's increase in Britain's defence effort. The cost of the defence programme in 1952-53, excluding civil defence and certain expenditures borne on civil votes, is officially estimated at £1,462 million, or roughly £300 million more than the expected actual expenditure in 1951-52. In real terms, this probably represents an additional outlay of just over £250 million. The gross additional load upon the economy will therefore surpass £1,000 million.

This is a rough measure of the sacrifices that must be borne eventually if Britain is to achieve solvency and to maintain a defence effort that bears a tolerable resemblance to the programme adopted last year. But this year the impact will be heavily cushioned. The government has decided, not unreasonably, that changes of this violence cannot be brought about quickly without drafts upon capital. The hard facts of export marketing require that the drive for a quick increase in exports should be based on capital goods, and the output of these cannot be rapidly expanded; they must therefore be diverted from domestic capital projects. Secondly, to give still further relief, as well as to reduce demands for steel, the government is sharply curtailing licences for industrial and commercial building and is looking to the stiffer monetary policy and the suspension of the initial allowances to limit other forms of private investment. Thirdly, a substantial part of the £500 million of planned reduction in external expenditure will fall, not upon current domestic supplies, but upon stocks; instead of the recent rapid replenishment, there will be actual inroads, into both the "strategic" and the commercial holdings. If the several pressures upon home investment are effective, these three sources of non-recurring relief could release resources sufficient to carry, for the time being, at least half the gross additional burden.

A further portion may be carried by additional domestic production. Given the frictional losses to be expected from the first phase of any determined disinflation, while the necessary switching of resources is taking place, and given the continuing strain upon supplies of critical materials, it would be unwise to count upon any considerable increase in total output. An increase of between 2 and 3 per cent would be equivalent to one quarter of the total burden to be shouldered. Finally, the Chancellor has said that the government's civil expenditures in 1952-53, while maintained in money terms, will absorb 1½ per cent less of the gross national product; this implies the release of perhaps £150 million of resources.

On these assumptions—that very large and damaging cuts are quickly made in home investment, that production rises modestly, and that the defence effort is some £250 million bigger than last year—the projected £720-£770 million of import cuts and increased exports could be accommodated without requiring, in this initial phase, any large reduction in the real volume of domestic consumption or further immediate retrenchment in the government's civil expenditure. The financial gap to be closed by the budget, in order to maintain even the existing degree of disinflation, will however be much more substantial—unless it can be assumed that any considerable part of the work of curtailing consumers' expenditure will be done outside the budget, by monetary policy supplemented by the tighter rein on hire purchase, and by higher prices. The object is to ensure that these measures, acting in combination, produce an increase in total savings sufficient to enforce the required cut in the real volume of consumption and to neutralise the increase in net spendable incomes that accrue from the assumed rise in national output. There is no reason to suppose that personal savings will rise spontaneously, and gross new savings by businesses are more likely to fall than to rise. This means that part at least of the requisite increase in total savings must be provided by measures designed to reinforce whatever prospective surplus the Chancellor expects on the existing basis of taxation and subsidies.

*

Unless the problem is approached in this way, by looking first at the real resources that have to be provided, the budget accounts themselves will be dangerously misleading. But if the argument in real terms is understood, it will be seen that the magnitude of the current year's surplus and even the prospective buoyancy of the revenue have little bearing upon the difficult decisions the Chancellor must take. Because of the big rise in prices, and the big lag in defence expenditure, the Exchequer returns for the current year to date look very different from the forecasts made last April. Allowing for the projected reduction in the Exchequer contribution to the National Insurance Fund, Mr Gaitskell then expected the "above-line" surplus to drop from the £720 million of 1950-51 to only £80 million. Up to February 16th it had dropped by only £283 million (to £389 million), because revenue had risen by £403 million (compared with an expected rise of only £259 million in the full year) while expenditure had risen by £686 million (compared with an expected rise by £898 million). This shortfall in expenditure has occurred, moreover, despite the presentation of net new supplementary estimates for civil expenditure totalling nearly £220 million—mostly for strategic and commercial stocks. On the other hand, only £18 million of the £160 million allowed for supplementary defence expenditure is being taken up. The fact that a large part of these civil supplementary estimates were presented only last week makes it especially hazardous to try to guess the year's outturn. But, for what they are worth, comparisons with last year's experience as adjusted for recent trends in revenue and expenditure suggest an eventual above-line surplus of the order of £300-£350 million; this, it should be emphasised, is mainly a mechanical projection, not a forecast.

This means that the accounts for the ensuing year will look much stronger, in the technical accounting sense, than has so far been generally supposed. Although the yield from Customs and Excise (which have provided four-fifths of this year's excess of revenue over estimate) will suffer from the import cuts and the reduction of supplies subject to purchase tax, the return from direct taxes will rise substantially. Taxation paid by businesses will reflect the big rise in profits (as computed for revenue purposes) that accrued from the 1950 increment of productivity and the post-Korea boom in commodity prices, and the yield from PAYE will be swollen by the wages and salary increases that have gathered momentum throughout the past year. In addition, the full effect of the tax changes made last year (apart from the suspension of the initial allowances, which will not begin to affect the revenue until 1954) will yield about £80 million, of which, however, a net £58 will derive from the increase in profits tax. Finally, because the conventional accounts do not distinguish capital from current items, the prospective civil expenditure will be sharply reduced by the suspension of purchases for stock and the intended drafts on stocks. The prospective above-line surplus, on this misleading basis of accounting, is likely to be appreciably larger than that for 1951-52—even, conceivably, large enough to cover the "below-line" expenditure.

Very little of this financial gain, however, will represent an increase in the disinflationary effect exerted through the budget. Most of the additional revenue from business taxation will be paid from tax reserves already accumulated; any resultant financial stringency in industry is unlikely to produce reductions in dividends, and any repercussions upon investment outlays have already been brought into the reckoning of the "real" gap that has to be closed. So has the relief due to be afforded by the reduction in stocks. These items must not be counted a second time in the balance-sheet of disinflation, as they would be if their financial counterpart in the budget accounts were added in. Finally, it should be noted that the additional PAYE deductions, though paid out of current incomes, will arise only because those incomes have been increased.

The difficult task before the Chancellor, therefore, is to convince a bewildered public that the test of the need for further sacrifices is to be found in this stern and abstruse "real" accounting, not in the superficially healthy state of the conventional budget accounts. And he has the further, even more onerous, duty to make plain that the sacrifices required now have been greatly whittled down by the heavy drafts on capital—drafts that cannot be repeated next year. It is then that the full weight of the new burdens will have to be borne.

REPLACEMENT COSTS

In conjunction with the Association of Certified and Corporate Accountants, The Economist Intelligence Unit compiles indices showing changes in the replacement costs of different classes of plant, machinery, and factory buildings. All these indices are available for the last 14 years, and some for a longer period. Any index can be supplied and kept up to date in the future; combinations of indices or special ones can be prepared to suit individual requirements.

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1.

Steel and Enterprise—III.

Can Steel be Supervised?

THE Iron and Steel Bill to return the steel industry to private enterprise under public supervision was to have been laid before Parliament this week, but larger events have swept away that intention. As matters now stand, the bill may not be debated, and possibly not published, until April or later. Although the ways and means of denationalisation are still under discussion, the main provisions of the bill have been in draft for some weeks; this fact lends credence to the view that it will be primarily an enabling measure, establishing the intent and the power to dispose of the steel interests now owned by the Iron and Steel Corporation, rather than any specific method of doing so. But one provision of the new bill has been clearly foreshadowed; the Government's chosen instrument of public supervision will be an Iron and Steel Board on much the same lines, presumably, as the board set up by the Labour Government in 1946 as an interim measure pending nationalisation.

The concept of control through a board representing steel employers, workers, and consumers under an independent chairman may fairly be said to have been captured from Labour, and handed intact to the Conservatives, by the British Iron and Steel Federation. The Labour Government of 1945-50 was no doubt embarrassed when their improvised and temporary organ of supervision came to be extolled by the federation as the ideal method of asserting the public interest in steel, and as a complete alternative to nationalisation; politically, it will embarrass them still, as an Opposition, in the coming debates. But tributes to the efficacy of such a form of control need some scrutiny. The board's powers were similar to those of the prewar Import Duties Advisory Committee: they included the review of development programmes, supervision "as necessary" in "current matters," administration of any controls, and advice on general price policy and the fixing of particular prices. How far it effectively carried out these broad tasks has never been made clear. Its most direct responsibilities related to prices, and in 1947 it did carry out a full review of the standard margins of profit allowed on steel products. But the same thing was done two years later by the Ministry of Supply and both, in any case, must have been largely dependent upon the one central planning body for steel that is unmistakably effective—the federation itself. It is the nucleus of strength in the federation that makes it implausible to ascribe too much responsibility for postwar policy to any other body connected with the industry.

This point is clear in any examination of responsibility for steel development programmes. The original board examined the individual schemes comprised in the industry's 1945 development plan, which as a whole had already been approved by the Government. It has been said that it examined the "economic soundness" of individual schemes more closely than did the federation's development committee; it had, obviously, some potential influence in the granting of licences. Judgments about economic soundness, however, remained essentially the business of the companies concerned, who had to find the money; with an integrated steel plant costing some £75 per ton of annual output, it is doubtful whether any board could add much to the thoroughness of the companies' own scrutiny. The number and importance of schemes that the board had approved was at one time quoted as one index of progress towards completion of the development scheme: but some of these schemes may not have gone forward in the exact form that it approved.

Any attempt to compare development actually undertaken in the industry since 1945 with the original plan demonstrates that steel development is not a matter of settling one firm plan and fulfilling it to the letter; it is a process of continuous adjustment to circumstances. In broad terms, it appears that by the end of last year the industry may have spent almost exactly as much as in 1945 it expected the development plan to cost—some £168 million. But in the meantime the estimated cost of the full plan has risen to perhaps £300 million, while more than a quarter of the money actually spent has been laid out upon projects not specifically detailed in the 1945 programme. About £120 million appears to have been spent on schemes specified under the plan, and those now in progress may cost £70 million more to complete. Schemes estimated at about £70 million in the original plan, which might cost about £110 million at current prices appear to be in abeyance. On the other hand, work has been started upon about £100 million of development projects not detailed in the 1945 programme, and more than half of this amount has been spent. In all, work is now completed or in hand on projects estimated to cost about £290 million. In this estimate the schemes held in abeyance would presumably include the proposed new Scottish "riverside" steel plant, the "second Corby" on a greenfields site in the home orefields, the new steel furnaces and billet mill to be owned by several North-East Coast companies, and the second tinplate mill in South Wales. Each shows how circumstances can affect plans. The Scottish steelowners later decided against the riverside site, and Scottish supplies of coking coal may be declining, at least until about 1965; Stewart and Lloyds reluctantly decided that a new works based on home ore must await houses and labour; Consett are building a continuous billet mill alone; and it may be difficult to estimate the real need for a second new tinplate mill in South Wales until experience is gained on the first. Changing circumstances encouraged the partial replacing of these schemes by extensions of existing works. In the same way, if there was at one time a slackening in blast furnace development—of eleven major iron-making projects in the plan, four are complete, four in progress, and the remaining three, or developments in their place, are being started—it will have arisen mainly through the ability of some steelmakers in 1949 and 1950 to obtain plenty of cheap scrap to make steel, leaving them under less pressure to increase pig iron output. Such changes in a re-equipment programme are quite normal adjustments of industrial development. No tripartite board, or any other body, could prevent such reconsideration in the light of current experience or insist on the original

letter of a plan; nor is it easy to see how a board could exert much influence to compel a steelmaker to spend his money faster.

The responsibilities and potential effectiveness of a new board will depend to some extent, but not entirely, upon the method of denationalisation that may be adopted. An earlier article suggested that today there was no practical means of selling back publicly-owned steel companies to realise what were rightly held to be inadequate take-over prices in 1949. An alternative method—the disposal of steel plants to their former owners on long-term repairing lease—was examined. It is, indeed, probable that the Bill when published will provide for alternative methods of disposal. In either event, somebody must dispose of the steel assets, and, therefore, must own them in the first place. An Iron and Steel Corporation with modified powers might be the logical candidate; but personalities as well as organisation are involved here, and the Government may well decide to jettison the Corporation. Some form of holding and realisation company will be necessary as a successor to the Corporation. Its main purpose, in contrast to that of the Corporation, will be to divest itself of such securities. It should be a dormant form of trust, with the duty of servicing Steel Stock, not of influencing the steel industry. If such a holding company were to exercise supervision over the industry, it would amount to a hamstrung version of the present Corporation.

What are the functions for which an Iron and Steel Board is essential? The first, and one that clearly demands an impartial body with full access to the industry, is fact-finding. It was argued last week that the steel industry's system of equalisation of costs needs thorough and public examination. The task of inquiring into and reporting upon practices, problems and prospects of the industry would be one for the board; it could probably do such work more effectively than some outside committee or working party, or the Monopolies Commission. This would to some extent be a "once-for-all" job, but the board would also carry the responsibility of full and not merely formal reporting on the industry from time to time. It would, moreover, inevitably have to consider the best central structure for the industry, including its own proper functions. Its study need not impede the progress of disposals—least of all such practicable sales as the re-purchase of steel subsidiaries by engineering firms. But its work on the future development of the steel industry should not exclude the regrouping of existing steel plants, where such a policy can be technically justified. Enterprise in steel does not come about merely by restoring the *status quo ante* 1949.

The permanent functions of such a board in regrouping, prices, and future development, as in all else, could not be successfully carried out without effective representation of the labour side. The Act would need to define these functions in the widest terms. Only experience will show exactly what the board should—and could—do in these spheres. Its whole chance of usefulness hinges upon its relations and sharing of responsibility with the British Iron and Steel Federation, and these matters may eventually need defining. It has been argued that the board should have power to set up publicly owned steel plants if it considered them necessary in the national interest and if private firms refused to build them. This suggestion may have some attractions for the TUC, but it is probably not very

THE
COMMERCIAL BANK
OF AUSTRALIA
LIMITED
Established 1866

Assets Exceed Aust. £190,000,000

382 BRANCHES AND 233 AGENCIES
PROVIDE COMPLETE BANKING AND
EXCHANGE FACILITIES THROUGHOUT
AUSTRALIA AND NEW ZEALAND

Correspondence Invited

London Office:
12 OLD JEWRY,
LONDON, E.C.2.

Head Office:
335-9 COLLINS STREET,
MELBOURNE, C.1

(Incorporated in Victoria.)

THE
THREE BANKS
GROUP

TOTAL RESOURCES OVER £350,000,000

This complete, modern banking group with world wide connections gives individual attention both to the large corporation and to the private customer.

ROYAL BANK OF SCOTLAND
Founded 1727 Edinburgh, London & Branches

GLYN, MILLS & CO.
Founded 1753 London

WILLIAMS DEACON'S BANK LTD.
Founded 1771 Manchester, London & Branches

THE THREE BANKS

meaningful. Development for purely strategic reasons should be left to the Government, as it has been before. Development in the country's commercial interest that did not attract private entrepreneurs would be unlikely to appeal to a board that would have to justify the expenditure of public money.

It is, indeed, still open to proof whether the whole concept of an Iron and Steel Board purporting to supervise a privately owned steel industry has more than political significance. The real answer can come from only one quarter—the federation. The obvious danger in any such form of supervision is that the public body empowered to supervise may sooner or later become a mere echo of Steel House. Any body set up to supervise the steel industry must depend at first largely on the federation's expert knowledge—the corporation itself has been no exception. The federation ought to realise that here is a danger for the steel industry and for itself. No doubt the federation could, if it wished, submerge and capture any public body charged to supervise steel; there may even be an inherent danger that a supervisory body may tend of its own inertia towards such a posture of dependence. But, equally, to allow this to happen would be the most certain way of ensuring a second—and final—nationalisation when the political pendulum swings again. Public scrutiny will be sustained and sharp. The one hope of taking steel ownership out of politics—it may, indeed, be a slim chance—is to convince the electorate of the effectiveness of public supervision in this form. That means the genuine transfer of certain powers—and conceivably the sharing of some of the operations, such as the work of the economic and statistical departments—between federation and board; it does not imply, despite the notions in some people's minds, more power for the federation under a new public umbrella. The success of the experiment may well depend on the personalities, as much as the powers, of the board: bluntly, what is required is a chairman who can meet Sir Andrew Duncan on equal terms.

The three articles of this series, in sum, have suggested that the return of the steel industry to private control will be technically complex, but that it should be feasible. The exercise is desirable on many grounds, and particularly since it offers an opportunity for the attraction of the genuine private investor with risk capital into steel ownership and for the instilling of a greater measure of competitive enterprise into the industry. The immediate need of public examination of the industry need not delay the earlier stages of denationalisation. Only by such examination can the forms of effective public supervision of steel be rationally defined. How well such supervision may eventually work depends almost entirely on the co-operation of the industry's present private controllers. Such conclusions may not commend themselves to politicians, who often prefer to supply answers than to study questions. But denationalisation, if it is tackled without proper thought, may prove as irrelevant to the real problems of the British steel industry as was nationalisation—and liable sooner or later to irrevocable reversal.

Business Notes

The Test of Interest Rates

The authorities have quickly seized the opportunity presented by the success of the recent Southern Rhodesia issue by allowing another trustee borrower through the turnstiles. The newcomer wears an unfamiliar garb; for the first time for many years a stock has been offered at a discount of more than ten points, and thus, though technically a trustee security, is particularly ill-suited to the needs of trustees. The Government of Uganda is raising £5,983,000 (of which £1,733,000 had already been placed and a further £250,000 was reserved for residents in East Africa and Zanzibar) in 3½ per cent stocks, 1966-69, offered at 89. The loan offers a gross redemption yield of £4 8s. 7d. per cent, compared with the £4 10s. 11d. per cent offered by the longer Rhodesian stock at its issue price; but its appeal is primarily to surtax payers and other investors whose special tax position makes them more interested in net than in gross redemption yields, and on this basis the new stock is the more attractive. It is doubtful, however, whether the terms were primarily designed with this object, for there are now many existing gilt edged stocks that meet the needs of this type of investor. The choice of these unusual terms for a new issue, instead of marking a change of official policy as the market was prone to assume, was probably determined by the convenience of offering what is really only a second tranche of the small Uganda stock created two years ago, when the issue price was 98. This stock was quoted before this week's announcement at the wide price of 92-95, including about 1¼ of gross interest. Plainly, therefore, the authorities deemed it wise to repeat the successful tactics of the Rhodesia operation, by offering subscribers an appreciable turn. This means, in effect, that the price that has to be paid for avoidance of indigestion in the new issue market is a gradual pressure on interest rates. The result has been seen in some fairly sharp declines in Dominion and Colonial stocks and in a sagging tendency in British Government stocks. The new Rhodesian stock has receded from its early premium of ⅜ to one of ⅛.

Meanwhile, two authoritative denials have been given this week of rumours that the rising trend of interest rates was about to be made still more effective. The first denial, discussed in a separate note below, concerned the housing subsidies. The other contradicted recent press reports that an increase would shortly be made in rates offered on "small" savings. Lord Mackintosh, chairman of the National Savings Committee, pointed out that rates on certificates and bonds were increased "only" a year ago—a year in which, however, much has happened to the structure of market rates. Despite this big change, there is "no intention" to replace the existing series of certificates and bonds "at the present time." The return from 3 per cent Defence Bonds is particularly out of line; but Lord Mackintosh, always a skilful propagandist, actually argued that the market decline made the bonds the more attractive—because the right of holders to encash them at six months' notice relieved them of any risk of depreciation of capital value. The only imminent change in the conditions governing small savings is that the expected increase in the limit on deposits in the savings banks from £2,000 to £3,000 (but still subject to the limit of £500 upon deposits made in any one year) comes into effect on March 1st. The limit upon holdings of Defence Bonds was raised from £2,500 to £3,500 last October, while the limit for certificates was effectively raised when the new series was introduced twelve months ago.

Report on Purchase Tax

The publication ten days before the Budget of the report of the Douglas Committee on purchase tax and the utility schemes suggests that government action on its findings will be prompt. Unfortunately, the committee's recommendations are fundamentally based on a compromise; the changes proposed are satisfactory so far as they go, but they still preserve some of the worst features of the purchase tax. The report proposes the formal ending of the utility schemes as they now exist, but suggests that they should be largely replaced by the introduction of new classes of tax-free goods. These goods will, by definition, be simply those that are sold at or below tax-free limits which will be fixed for all articles now included in utility schemes. The second change recommended by the committee is that purchase tax should no longer be levied as at present on the whole value of the goods sold at prices above the tax-free limit; it should instead be charged "only on the excess, if any, of the value of the article over the tax-free limit." Thus some portion of the price of every article bearing purchase tax would remain tax-free, and this portion the committee has designated "D" for "fixed deduction."

Such a scheme has several obvious points in its favour, but it hardly solves the essential problem that was posed to the committee last July. This is the long-standing complaint of the textile industries and others that they can no longer take the risk of producing high quality goods for export without the assurance that such goods can, if necessary, be disposed of at home. The heavy weight of purchase tax makes this impossible today. The Douglas Committee, on a quick assessment of its report, does not seem to have produced a scheme that would reduce this discrimination against high-quality products. It suggests, indeed, that a flat rate tax of between 10 and 12½ per cent on all utility and non-utility items would fulfil the condition in its terms of reference that the total yield of purchase tax must be maintained. But the committee has preferred to recommend that the tax exemption limits under its new scheme should be set high enough to permit at least half the purchases of "each class" of goods now in the utility schemes to be bought free of tax. This means that "there is little room for reduction in the tax on the most expensive goods." In short, no relief is proposed for those sections of each industry that claim most need of it.

* * *

Towards the No-Par Share

Sir John Barlow's Bill to permit the no-par share in this country deserves general support. It is likely to need help from the Government if it is to be passed into law, for this session of Parliament does not promise great opportunities for the success of an unassisted private member's Bill. But what the Government has promised for Mr Harold Lever's private Bill on reform of the law of libel might equally be extended to the sensible reforms that Sir John is proposing. In essence these amount to permissive powers, with all proper safeguards, for companies to issue no-par shares. The notion that the ordinary share must carry a fixed cash denomination is a piece of antediluvian financial sentimentality. Yet it dies hard. The old fashioned think of the no-par share as a kind of trick; the critics of company finance on the Left would oppose it on the ground that it would rob them of one of their favourite instruments of propaganda—the expression of dividends as percentages calculated on shares of fixed denomination.

If the first of these attitudes is wrong, the second is positively mischievous. It has been allowed to do great harm and has bred misconception after misconception about profits, earnings, dividends, industry's real resources and the true nature of capital. For this reason alone, it must be hoped that Sir John's Bill will enjoy a fair chance to do what the Cohen Report and the Companies Act of 1948 failed to recommend and implement. It may be odd that this commonsense reform has to be left to the tumble of fortune that determines the fate of a private Bill. There may be no opportunity in future—short of the next revision of the Companies Act in, say, a couple of decades—for carrying it out. For that reason alone, it is to be hoped that the Government will be able to give their support to the measure and perhaps at some points to improve it.

* * *

Interest Rates and Housing Subsidy

The recent rumours that the increase in the cost of local authority housing in consequence of the higher interest rates charged by the Public Works Loan Board would not be offset by any corresponding increase in housing subsidy have proved incorrect. On the reassembly of Parliament on Tuesday, the Minister of Housing, Mr Harold Macmillan, declined to make any detailed statement about the new structure of the housing subsidies until he had met the representatives of the local authorities. But, under pressure on the specific point, he revealed that the increase "will be sufficient for that purpose"—sufficient, that is to say, to cover the effects upon local authority housing of both increases in the PWLB charges for loans.

It should be noted that this still leaves room for such changes in the subsidies as might necessitate some increase in rents from other causes; but it seems evident that the Government has thrown away an important opportunity for making a start upon the increasingly urgent task of getting rid of artificiality in the level of rents. There is no sign yet of any recognition that the problem of easing the housing shortage needs to be tackled from the demand side as well as from that of supply—or that adequate maintenance and conversion of existing housing properties might give quicker reinforcement of effective supply than can be obtained solely from new construction. If speed is of the essence, as the Government's general statements of policy profess, a realistic revision of the rent restriction provisions and of subsidies should be of the highest priority.

* * *

Two Per Cent Unemployment

Some 378,700 people were unemployed in Britain on January 14th, and there are indications that many more are out of work today—perhaps as many as 2½ per cent of the total working population. Even the January figure—less than 2 per cent—represents considerable hardship: but it almost certainly represents less unemployment than could reasonably be expected in a period of widespread shifting of jobs. Such a degree of unemployment may not in reality imply as much mobility as it would in a more flexible economy; people falling out of work in textile areas do not, for some time at least, become potential engineering workers, unless there is an ordnance factory a little way along the valley. Nevertheless, ordinary economic incentives eventually do move labour, with some friction and at some delay; and the increase, once again, of 10,000 in the labour force of the "metals, engineering and vehicles" section of industry shows that in broad terms labour is moving in the right direction.

Immense political temptations to soften disinflationary policy are bound to accompany the appearance of unemployment, particularly if its incidence is acute in one or two areas. Yet the increase in unemployment remains the only real indication that cracks are appearing in the rigid carapace of the economy. Increasing unemployment, it can be argued, can have the opposite effect of making workers stretch out the work to the utmost; but under-employment

of one form or another fairly soon becomes costly to the individual firm, and fewer firms now can afford to accept it for long. Movement from all areas is not equally desirable, and workers laid off by textile mills, if lost to engineering, may be hard to replace. But it is the forces of the market, at home and overseas, and not the Government, that are discriminating against soft goods. Suggestions that this degree of unemployment will result in special measures by the Government, or even weaken the tenour of the Budget, must surely be hard to credit. Its appearance is not the onset of depression, but the mark of power to change jobs and reorganise labour and production to meet contemporary needs. If two per cent of unemployment, in 1952, could send a Conservative Government scuttling for cover, the British economy might well be written off as a victim of incurable industrial arthritis.

* * *

Tumble in Commodity Shares

Commodity shares have taken a sharp fall this week, with the rubber market leading the way. Just before the weekend the price of spot rubber in the London market tumbled to its lowest point since July, 1950, and, with jobbers unwilling to take shares on their books, the *Financial Times* index of rubber shares fell by 10.7 points in two days. By the time the markets closed on Monday this index stood at 89.0, its lowest point since its inception at the end of 1949; such a recognised market leader as the £1 ordinary shares of United Sua Betong had lost 7s. 7½d. in the two days, to 44s. 9d. A rally was staged later in the week, but shares with a low standing in the market have now gone on to a yield basis of as much as 50 or 60 per cent, while "Suas," at a middle price of 48s. 1½d., offer a yield of 20¾ per cent. By Tuesday, moreover, the market had taken a cue from Wall Street and extended losses to almost all types of commodity shares. Base metals, led by Rhodesian coppers—but closely followed by tins, manganese and others—suffered particularly; even such a share as Rhokana, where any threat to the dividend seems far off, lost 1¼ points to 23¾. After the initial fluster rubber shares rallied sharply, but when the market closed on Wednesday copper shares were still falling, with Rhokana down to 22⅛.

In the rubber market danger signals have been flying for some time. The American stockpile programme will be completed soon and unless the United States then relaxes controls on the consumption of natural rubber and allows it to compete freely, or fairly freely, with synthetic, world consumption seems bound to lag behind world output. European consumption of rubber is also beginning to fall as a result of the decline in motor-car production. But for base metals such as copper, lead and zinc the immediate prospect—at worst—seems to be of decline from a state of immoderate inflation to a state of still exceptional boom. It is true that if rearmament, both in Britain and in Western Europe, is retarded the demand for these metals may become slightly less urgent, but the American defence programme is likely to remain as ravenous as ever for copper and zinc. Civilian use of most base metals is still curtailed both in Europe and in the United States; if these controls were taken off civilian demand would certainly increase slightly—even if not by as much as the American mobilisation authorities might fear. The "free markets" for copper, lead and zinc have been declining since last summer, but this movement will affect the profits of only a limited number of producers. As for tin, the London market price has still not weakened significantly below £980 a ton. If this price is maintained for the next month or so, the British Government is going to lose sterling on the recent Anglo-American metals deal, for not all of the 20,000 tons that Britain has agreed to sell to America at £944 a ton can come from the Government's present stockpile.

Japan's Anti-Export Drive

It is a sombre thought that sterling is now such a weak currency that Japan is carrying out an anti-export drive designed to prevent undue accretions of sterling to its reserve. The Japanese Government announced three such steps last week. First, it imposed an outright ban on the sale of 109,000 tons of steel to Britain unless payment is made in dollars or raw material supplies, or is accompanied by a somewhat vague promise that Japan will have access to iron ore resources in South East Asia. Secondly, it declared that letters of credit covering Japanese exports to the sterling area must not be opened more than three months before the execution of the relevant contracts; this measure seems aimed at exports that take a long time to deliver, especially heavy goods and other essentials for which there is a waiting list. Thirdly, it announced that transactions in forward sterling will be limited to a period of three months (previously the limit was a year), and it increased the discount for forward sellers of sterling to double the rate for the dollar. These measures are not free from some (for once, desirable) political undertones. Two of the countries that have recently been angling for a sterling-based trade in heavy goods with Japan are Communist China and Russia.

Nevertheless, the reasons for recent heavy accretions of sterling to Japan need careful probing. Last year's payments agreement between Britain and Japan was drawn up in the belief that Japan's holdings of sterling would mount to a seasonal peak of not more than £70 million in the summer, but that they would fall to such a low point in March that the average holding throughout the year would not be more than about £40 million; last March Japan may have been a net sterling debtor. But things have not worked out that way. At the moment, shortly before what is usually the seasonal nadir, Japan is believed to hold nearly £90 million in sterling. One reason for this has been a shortfall in exports to Japan that are usually paid for in sterling—such as Australian wheat and Siamese rice. Another has been the inflow of dollars into Japan as a result of the Korean war; this has made the previous veiled Japanese discrimination against dollar imports less necessary. Yet another has been the fact that Japanese industries have been running down their stocks of raw materials, partly out of sensible speculative motives and partly because of the Japanese Government's moderately successful internal disinflationary policy. But the major reason has simply been that Japan's industrial production has been increasing at the almost fantastic rate of 50 per cent per annum and has been flooding over into sterling area markets; here again some of the factors have been temporary ones—its grip on the Pakistan market, for instance, has been aided by that country's trade tiff with India—but the development as a whole seems indicative of a long-term trend. Fortunately some of the new measures to restrict Japanese exports to the sterling area will, on the reverse side of their medal, encourage Japanese imports from it. This is an opportunity for sterling area exporters that must not be missed. In official terminology Japan may not be quite a hard currency market yet, but in the years that lie ahead it is almost certainly going to become one.

* * *

Trade in January

Vehicle exports are still increasing and they played a major part in the record exports last month of £250 million. The latest trade returns show that the rise was still mainly concentrated on the metal-using industries, although restrictions on exports of non-ferrous metal goods are now taking their toll, for they declined slightly. Wool manufactures, on the other hand, are down by about a quarter compared with January, 1951, but cotton exports have been more or less maintained. The rise in imports to £357 million, the highest level since last October, was represented by larger

The household name of a service to industry

TO most people, the name Brown & Polson suggests cornflour, as directly as starch suggests ironing. Here are some facts that may surprise them:
The major work of the Brown & Polson Group is the manufacture of starch (and its derivatives and by-products) *for industrial use.* In 1951 the Group in Britain made and sold some 200,000 tons of starch products. The number of different starch products that made up the 200,000 tons was 400. At the time of writing, some 80 industries use starch products, and the list is still growing. Among the industries that use them are iron founding, oilwell drilling, and pottery making, and many others that seem just as unlikely to do so.

A Consultative Service

A series of advertisements following this one will review some of the industrial problems that Brown & Polson starch products have helped to solve. It is hoped that the series will suggest, to readers engaged in the management of industry, possibilities for using starch products in new ways, to solve problems that are troubling them. Enquiries into possibilities of that kind will be welcomed, and responsible experts will answer them.

This consultative service is a normal part of the process of marketing Brown & Polson starch products. Enquiries should be addressed to

CORN PRODUCTS COMPANY LIMITED

The Industrial Division of

Brown & Polson

BROWN & POLSON LTD., WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2

Drawn by A. R. THOMSON, R.A.

Backroom Boy with a bucksaw Although his name never appears Halloran is one of the most important contributors to the newspapers. In fact, it is on his bucksaw that the publication of the newspaper depends. For Barney Halloran* is a Newfoundland logger, on the pay roll of the largest paper mill in the world — Bowater's at Corner Brook. His job is to fell and cut the trees into four foot logs, using the length of his bucksaw as a measure. They are then ready for the journey to Corner Brook by sleigh, truck, train, ship or most usual of all, floating down by river, there to be pulped and processed into newsprint. Halloran stands five foot eleven in his socks, and weighs 200 pounds, according to the Medical Officer who runs the foot rule over every logger at the start of the season. According to the camp cook, his appetite is built in proportion! "He'd eat a cow between two biscuits." But Barney just smiles tolerantly, knowing that a logger without an appetite is as useless as an axe without a handle.

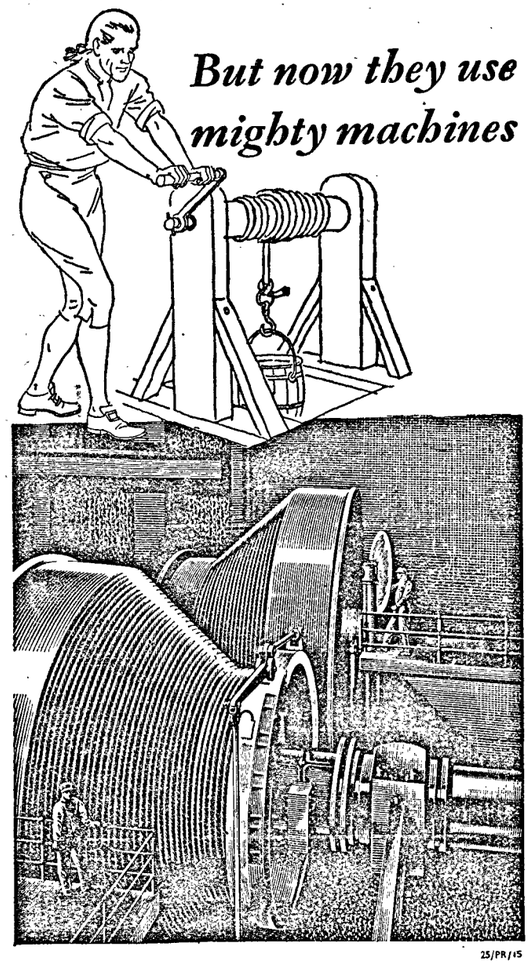
THE WHOLE WEALTH OF BOWATER CRAFTSMANSHIP, EXPERIENCE AND RESEARCH IN THE ART OF MAKING PAPER — THE 'KNOW-HOW' IN SHORT — IS FREELY AT YOUR SERVICE.

THE BOWATER PAPER CORPORATION LIMITED

GREAT BRITAIN · CANADA · AUSTRALIA · SOUTH AFRICA · U.S.A · NORWAY · SWEDEN

**Fictitious name for a real character*

But now they use mighty machines



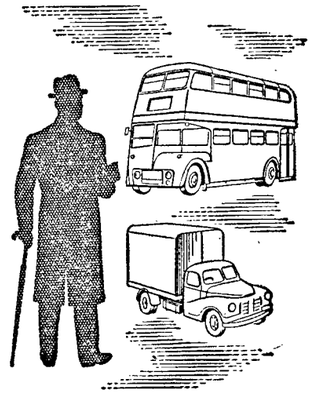
25/PR/15

In the 200 years that have followed Axel Cronstedt's discovery of nickel in 1751, mining technique has progressed beyond the wildest dreams of his day. Underground development in the nickel mines now exceeds a total of 283 miles, and reaches well over a mile below the surface. Active development of new areas goes on all the time. New shafts are sunk, new and powerful hoisting equipment constructed, every mechanical aid called in to bring more nickel out of its rock-bound storehouse in the depths of the earth.

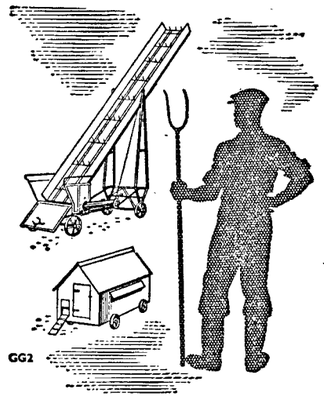
THE MOND NICKEL COMPANY LIMITED

SUNDERLAND HOUSE · CURZON ST · LONDON · W.1 MOND NICKEL

Look down the street



across the fields



GG2

...you see DURALUMIN

REGD. TRADE MARK

Look where you will and you will almost certainly find one of the aluminium alloys in the comprehensive "Duralumin" range.

The increasing popularity of this versatile material is hardly surprising. It cannot rust, need not be painted, is of good appearance, and whilst only one-third the weight of steel is equally as strong and lasts longer.

"Duralumin" can be welded, machined, pressed and fabricated in much the same way as other metals. It is produced as sheet, strip, tubes, wire and sections; the latter in a limitless variety of different contours.

While shortages exist at present, this is a passing phase. Now is the time to consider the use of aluminium alloys in your business so that your plans may be complete when the needs of re-armament are satisfied. Our development department will advise, entirely without obligation.

A modern design, without "Duralumin" —probably isn't!

JAMES BOOTH & COMPANY LIMITED
ARGYLE STREET WORKS · BIRMINGHAM 7

supplies of raw materials, particularly of oilseeds and crude petroleum. Food imports showed no effects of the cuts announced by the Chancellor last November; indeed the total spent on food rose from £99 million to £116 million, mainly owing to larger imports of wheat.

The vehicle group now contributes one-fifth of Britain's exports, having risen to £50 million—an increase of £10½ million compared with January, 1951. Australia is still the largest single market for cars, while shipments to Canada are now much smaller than they were twelve months ago. Exports of machinery reached a total of £38½ million or £9 million above the corresponding month in 1951. For textiles the results are very uneven. Cotton manufactures held comparatively steady at £18¼ million compared with £18½ million of a year ago. Wool manufactures, on the other hand, fell sharply from £17 million to £12¾ million. Silk and rayon exports were only slightly smaller and jute goods and cordage, alone of all the textile group, showed a small improvement on the year. Chemicals, drugs and dyes increased significantly from £10¼ million in January of twelve months ago to £14 million; exports to the United States were more than double the level of a year ago.

The most striking feature of raw materials imports was the sharp fall in raw wool and raw cotton imports. Raw wool imports dropped to £18¼ million—about half the level of a year ago; part of this fall was due to lower wool prices, the quantity received fell by 15 million lb to 65 million lb. Raw cotton imports fell by 26 million lb to 76 million lb, chiefly because of the much smaller imports of long staple cotton. Apart from oilseeds which rose to form the largest single group of raw material imports in January, 1952, other major increases occurred in timber and paper making materials. Timber rose by over £8¼ million to £17¼ million and paper materials more than doubled to reach £18¼ million. In future months imports of raw materials should fall, as the Government begins to draw upon stocks.

* * *

Poll Tax at British Airports

The wrath of the airlines has been roused by the Ministry of Civil Aviation's decision to impose a charge on each passenger landed at British airports. The sum is 5s. for passengers from Europe and 7s. 6d. for those arriving from greater distances and is intended to cover the cost of running the lounges and other facilities provided for passengers at the airport. The airlines already pay landing charges for each aircraft which range from an average of £6 5s. for a Viking flying in from Europe to £30 18s. 9d. for a transatlantic Stratocruiser. Operators have attacked the new charges as a further tiresome formality for their passengers and think it an unfortunate coincidence that they will be introduced on the same day as the new tourist services. But under the circumstances, the Ministry's action seems reasonable and appears to have been made in a form to avoid embarrassing the airlines.

The Ministry has published no recent trading accounts for its administration of British airports. Expenditure, excluding interest charges on capital and the cost of meteorological and navigation services, is running at £2,300,000 a year while revenue, in the form of landing charges and rents of hangars, booking offices and restaurants, amounts to only £1,600,000. The difference of approximately £700,000 is being met by the taxpayer. The last detailed accounts, for the year 1948-49, showed a revenue of only £1,300,000 compared with an expenditure of £3,500,000. The Ministry's methods of book-keeping have more than once attracted comment from the Committee of Public Accounts and it will certainly be argued that more efficient administration could reduce the cost of running the airports without expecting air passengers to contribute a further payment towards their upkeep. But when the Treasury is asking for immediate economies in Ministry expenditure, the most rapid results are obtained by increasing revenue. If the Ministry were to have raised this sum by any other means, say by raising landing charges, it would have put an extra burden on operating costs which could not have been passed on to the passengers because fares can be raised only by international agreement. The new charges, if they were borne by the operators, would be likely to cost British European Airways an extra £100,000 over the full year, British Overseas Airways between £30,000 and £40,000 a year and iPan-American would pay at least £1,500 a week on the basis of its present long-distance summer schedules. Operators can, if they choose, absorb this head charge but the general impression is that in all cases the passengers will be asked to pay. There are precedents for either course, for many airports in all parts of the world impose a head charge at arrival or departure and occasionally at both, and the British rate is modest by comparison with the $10 asked at some American airports, or the 12s. 6d. charged at Bermuda.

* * *

Atom Bomb Trials

The promised trials of the first British-built atomic weapons suggest that the development period of atomic research in this country has come to an end. These first five years have been largely occupied with design and building for the complex research and production organisation that practical work on atomic energy or atomic weapons demands. The heart of the organisation is the Harwell research station, with its two small atomic piles. A second station at Risley operates as a headquarters for plant design. Three further plants undertake the production of fissile materials. At Springfields, uranium metal is extracted from crude ore. The complex chemical operation of separating the metal into its two components, the basic atomic fuel uranium 235 and the non-fissile uranium 238, is carried out at Capenhurst. The plant at Sellafield is in essence an atomic furnace where uranium 235 from Capenhurst is used to convert staple materials such as uranium 238 into the fissile element, plutonium, which provides the explosive portion of many atomic bombs. The work of a fifth station at Aldermaston has not been described.

It might have been possible to construct and test these atomic weapons at an earlier date, but it is doubtful whether much would have been gained by doing so before the production of atomic fuels had been firmly established. The plutonium plant started early last year, and for a time quantities of plutonium were imported from Canada. The need to provide instruments for an atomic testing ground in Australia may have further postponed the trials, yet in existing circumstances the decision seems to have been right. To have used American testing sites would have involved revealing all details of the weapons to the American authorities. The design of these weapons and in particular of their exploding mechanisms, is the result of work carried out in this country in secret since 1946 and it would be of great interest, and conceivably of value, to the American Atomic Energy Commission. The reluctance of the British Government to reveal information of this nature without in turn receiving details of equal importance is easy to understand. One eventual result of the British attitude may be the modification of the American laws governing the exchange of atomic information, but that can hardly come quickly. And once the British authorities have gone to the expense and trouble of establishing their own land and sea testing grounds in the Commonwealth, the use of American testing facilities will have lost most of its attraction. It may thus happen that the British attitude to the free interchange of atomic information will harden just when the American viewpoint is promising to become more conciliatory.

Steel Still too Cheap

At the time that *The Economist* went to press the increase in steel prices that had been expected for several weeks had still not been announced. This indecision is quite extraordinary. All the reasonable, or at least all the cogently argued objections, appeared to have been met or overborne during the last three weeks. It would be interesting to know who in Whitehall has been fighting a rearguard action for the principle of selling a scarce and rationed material at less than the cost at which it can be produced at a reasonable profit and at about half the price at which more of it can be obtained from abroad.

The increase in price that is under consideration—some £4 to £5 a ton—appears not quite to cover the rises in costs that the steel industry will have to bear. These will include not only the rises in the prices of home-bought scrap, fuel oil, coal, transport and imported raw materials, but the cost of buying perhaps a million and a half tons of semi-finished and finished steel from abroad at world prices and selling it in Britain at the much lower home price. This final item is the element in the increase of price to which the Iron and Steel Corporation originally offered its main opposition—though Mr Hardie also felt that the steel companies owned by the Corporation, which appear to have shown handsome profits in 1951 compared with earlier years, might have carried the general burden of increased costs for at least a few months. This second point has partly been met by proposing an increase in steel prices of somewhat less than the total increase in costs. The first issue has been decided against him. The nationalised Corporation felt that it was not reasonable to ask British steel companies to increase the prices of their steel to offset a loss on foreign steel, particularly finished steel that the companies will never handle, when that foreign steel represents a marginal supply imported for exceptional rearmament purposes. It was argued that the Government should buy this extra steel and should sell it to "rearmament consumers" at the purchase prices.

This argument was not carried through to its logical conclusion. If Mr Hardie feels that selling foreign steel below its purchase price inflates demand, should he not deduce that the price of all British steel should be raised to the price at which foreign steel has to be purchased—at least to the price f.o.b. foreign ports? It hardly seems reasonable to invoke the price mechanism in part but not all of the market. Some of the steel is imported in ingots that will be rolled into finished products by British works, and very little of it in finished products that would be easy to identify with particular consumers; moreover, it is very doubtful whether the bulk of this American steel will be directly used for defence. Under the present steel allocation scheme, such a course might mean allotting to one consumer expensive imported steel and to another cheaper home-produced steel. On the question of profits, it may be questioned whether the increases in company earnings reported by the companies over which Mr Hardie is temporarily in control are upon the basis of full provision for depreciation in terms of replacement costs. Only if adequate provision were being made—which does not seem in any way certain—could the absorption of increases in costs, as an "anti-inflationary" measure, be justified. The case for freer operation of the price mechanism in steel has recently been examined in these columns. But it does not by any means compel acceptance of the heresy common in planning in this country since the war—that inflation is to be resisted by holding the prices of basic materials artificially low.

* * *

I.C.I.'s Development Programme

Last week Imperial Chemical Industries duly posted provisional letters of allotment to their ordinary shareholders offering them the right to subscribe for 10,093,023 new £1 ordinary shares at 40s. 6d. a share in the ratio of one new share for every £6 of ordinary stock held. With this step ICI's third postwar approach to the capital market is under way and for the third time the amount to be raised is about £20 million. The terms of the new issue are almost exactly identical with those of the first postwar issue made in 1948; the intervening issue in September, 1950, took the warmly debated form of the placing with institutional investors of £20 million of 4 per cent unsecured loan stock. Dealings in the new shares began in a lively market on Monday, when the price opened at 1s. 1½d. premium and then fell away to close at 9d. premium. The premium once narrowed to 6¾d. and is still no higher than 9d. In the prospectus accompanying the letters of allotment the directors report that preliminary figures show that net income before tax in 1951 exceeds the corresponding total in 1950. It is also their belief that the present rate of dividend—12 per cent—can be maintained on the increased capital. In 1952, when the new shares will rank for dividend payments, the directors intend to adjust the interim dividend so that it will represent in future a higher proportion of the total payment. These statements confirm the impression that the capital developments which absorbed the proceeds of the earlier issues, are bearing good fruit; the directors are confident that the projects to be financed by the latest issue will do so too.

By the end of last September, ICI's directors had authorised the spending of about £77 million on new capital developments and since then further extensions of productive capacity have been sanctioned. The greater part of this expenditure will provide increased capacity in the divisions that manufacture the company's most important primary products—such as alkalis, chlorine, dyestuffs and non-ferrous metals—though substantial sums are also being spent on developing the manufacture of pharmaceuticals and chemicals from the processing of oils. About £10 million is earmarked for the further development of the new synthetic fibre "Terylene," and another £5 million will be used in expanding the output of nylon. All these developments are "vital to the national economy," and as ICI, whose exports last year rose from £48.4 million to £57.5 million, must now be one of the biggest individual exporters in Britain, its capital construction programme is likely to be fairly near the head of any queue of official priorities. But even with the sun of official approval apparently shining on it, the present rate of capital expansion may be threatened by physical shortages in steel and other materials, and the delays that these shortages can cause.

* * *

Mining Manpower

By Easter there may be almost 710,000 men on colliery books; but from that peak mining manpower must be expected to decline gradually until the beginning of the winter. That is the prospect to be deduced from the seasonal flow of labour in and out of the industry, which follows a fairly consistent pattern. But it does not reduce the significance of an encouraging trend; the seasonal increase in manpower began rather earlier than usual this winter and by February 9th had brought the mining labour force to 706,500 men, compared with 705,300 the week before and with 697,900 a year before.

Juvenile recruitment during the first five weeks of the year was about 790 higher than in the same period of 1951, and it is about twice as high as in 1945. The result of this in terms of coal output is limited, since juveniles hardly contribute to production for about a year after entering the mines; but it is important as an index of morale throughout the industry. By 1945 parents' opposition to sending sons underground had slowed the influx of juvenile labour in the mining areas—the industry's only real reservoir—to about 9,000 a year. Perhaps the most encouraging sign in the coal industry today is that since then, during a period of intense

The Birmingham Tally Ho Coaches

MARTINS Bank has much pleasure in announcing the recent formation of a local Board for the Midland District of the Bank, with a District General Management situated in Birmingham. This is a development of the Bank's well-tried policy of decentralisation of control and it is intended to ensure even better service to its many friends in the Midlands by making the best use of local knowledge and associations.

CHAIRMAN OF THE LOCAL BOARD FOR THE MIDLAND DISTRICT: SIR WILFRID MARTINEAU, M.C., T.D., M.A.
DISTRICT GENERAL MANAGER: J. A. NAISBITT.

MARTINS BANK
LIMITED

LONDON DISTRICT OFFICE: 68, Lombard Street, E.C.3.
MIDLAND DISTRICT OFFICE: 98, Colmore Row, Birmingham, 3.

Head Office: WATER ST., LIVERPOOL, 2.

Total Assets (as at 31st December, 1951): nearly £350,000,000.

CANADA

3rd greatest trading nation

Many British firms are already sharing in Canada's rapidly developing economy. For the fullest information concerning trading conditions, marketing opportunities, import-export regulations, etc., you are cordially invited to consult Canada's oldest bank.

BANK OF MONTREAL
47 Threadneedle Street, London, E.C.2
Head Office: MONTREAL
Over 570 branches throughout Canada
Assets exceed $2,000,000,000
Incorporated in Canada in 1817 with Limited Liability

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

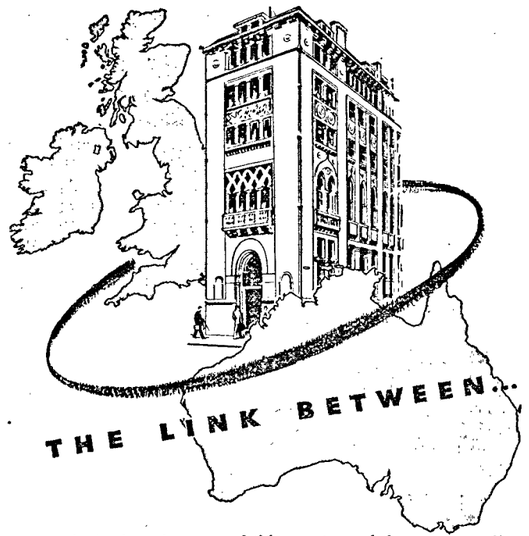
Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or projected interests in the Dominion.

You are invited to contact the London Office or the Head Office.

BANK OF NEW ZEALAND
(Incorporated with limited liability in New Zealand)

London Office: 1 Queen Victoria Street, E.C.4.
Head Office: Wellington, New Zealand

Branches also in
Melbourne and Sydney; Fiji and Samoa

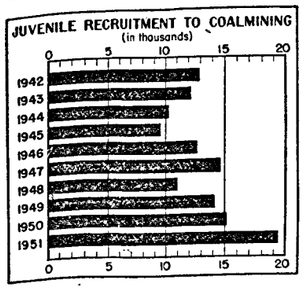


. . . the business interests of this country and the vast Australian continent. Whether you are travelling or selling to Australia you will find facilities available that extend beyond the usual financial ones.
You are invited to use our travel, information, commercial introduction and intelligence services—services which business men in particular appreciate.

The NATIONAL BANK OF AUSTRALASIA Limited
(Incorporated in Victoria)
London Office: 7 Lothbury, E.C.2
Other London Offices: Australia House, Strand, W.C.2 and 8 Princes Street, E.C.2
Over 630 Offices in Australia — Assets £288 Million

competition for young labour, the numbers entering the mines have been doubled and that the increase still continues.

There is still a need, however, for a further effort at recruitment from the "white" areas outside mining districts, not least because such recruits are more mobile. This could be complemented by the temporary transfer of such recruits from, say, Kent and Scotland, where youths are easy to attract, to spend a period of their training in the areas such as the West Midlands, where labour is most scarce; this might encourage them to try their luck there later. Various other measures are probably assisting juvenile recruitment. In certain areas special "nursery faces" for young miners are being worked and the youths are being given a chance at many different jobs within the pit. Moreover, the last two flat rate wage increases have given a disproportionate advantage to the young miner. Whether the industry is really holding its ground against the wastage of older miners that must be expected in the present decade is doubtful; but at least it is attracting more miners' sons than in earlier years in a much tighter labour market.



Those older miners, a number of whom stayed in the industry last year until the pension scheme came in, are at present leaving the industry in considerably greater numbers than at this time in 1951; but to the extent that the 1951 fall in such retirements represents a delay for the sake of the pension, its effect should soon be over. Re-entry into mining of men who left the industry has declined a little; though the pool of ex-miners is obviously self-replenishing, the National Coal Board believes it has declined in absolute size during the last year. Adult recruitment as a whole is thus slightly lower than last year, while at present the trend of wastage is upward. But these seasonal trends are having their effect on a labour force 9,000 greater in numbers than last year; so far as can be judged from present indications, the average number of men in the industry in 1952 seems likely to be higher than in 1951.

* * *

Contrasts in Stockpiling

The British Government's policy on stockpiling has turned full circle. In 1950 when every effort was made to isolate the cost of living index from the effects of devaluation, stocks of food and raw materials were run down and gold was hoarded instead. Last year that policy was reversed; the lack of raw materials was made good at the expense of the gold and dollar reserve. Now that the gold reserves of the sterling area are falling at a menacing rate, part of the stock is being sold for dollars. Last month Britain sold to the United States 20,000 tons of tin and 25,000 tons of rubber. This month it is to sell 30,000 tons of lead supplied to Britain under current Australian and Canadian contracts. In all, Britain should get some $90 million from these operations, which is almost equal to the amount of gold Britain had to pay to the European Payments Union in January.

The sale of bulk quantities of raw materials to the United States is one quick way of fortifying the dollar reserves. But these sales are being made at prices considerably below the peak levels at which some of the materials were brought. So it has been for the past five years. Whenever commodity prices were low, Britain has never had sufficient foreign exchange to buy supplies. Its purchases have had to be concentrated in periods of already high prices.

The United States is much better placed. It can choose when it will buy, and can also dictate, to some extent, the price that it is willing to pay. Up to the outbreak of the Korean war, the American authorities in charge of stockpiling operations bought heavily when commercial demand was also increasing. During the past year, they have sought better value for money; in the second half of 1951 expenditure on stockpile purchases amounted to only $349 million compared with $396 million in the first six months. The total value of the stockpile at the end of 1951 was given as $3,440 million.

The stockpile programme is in arrears except for rubber and some minor materials. During 1951 government stocks had to be raided to prevent American industry from going short. Some 55,000 short tons of copper, 30,000 tons of lead (Britain is now apparently making this good) and 10,000 tons of aluminium were released. In addition $40 million worth of materials (including aluminium, columbite, copper, nickel and lead) bought under contract by the stockpile authorities were diverted to industry and a further $120 million of materials diverted to other buyers, including Britain. If the US Munitions Board's recent report on stockpiling is to be taken literally, many commodities (particularly the metals) should be able to count on continued American support during the coming year. But that affords no assurance that prices will rise.

* * *

Meat from New Zealand

Britain is making every effort to encourage meat production in the Commonwealth. A fifteen years' agreement with Australia was signed some months ago. A similar agreement with New Zealand was announced this week. It is not a formal contract but rather an undertaking to buy the total exportable surplus of beef, veal, mutton and lamb from New Zealand during this period. For its part, New Zealand will undertake large-scale development to increase meat production by using fertilisers on hill pastures, by building more freezing works and by improving port facilities. Furthermore, New Zealand expects to send Britain 380,000 tons this year compared with 265,000 tons in 1951. Last winter New Zealand farmers held over the maximum number of lambs for shearing in the spring so that more carcases will be available this season and the average weight of carcases has also increased because of the good condition of the pastures.

If these larger shipments materialise—and at the moment there is every indication that they will—home production and imports from New Zealand together could provide 1,380,000 tons of meat compared with last year's consumption of 1,360,000 tons. In that case, over the whole year, the average level of the meat ration should be the same as in 1951. But a squeeze may be felt before the spring home-killings and again before the late summer home-killings are available unless supplies are received from Australia or Argentina. Last year Australia sent only 65,000 tons. This year exports are not expected to exceed 50,000 tons because of drought. If this quantity could be shipped before the end of April, the Minister of Food would only have to worry about one lean period even if negotiations with Argentina were unproductive.

BEEF CATTLE (ENGLAND AND WALES)

	2 Years and over	1–2 Years	Under 1 Year	Total
Sept., 1950.....	485	415	442	1,342
Dec., 1950.....	470	417	446	1,333
Sept., 1951.....	533	442	411	1,386
Dec., 1951.....	498	413	422	1,333

One disconcerting feature that bodes ill for the future is the declining numbers in steer calves below a year old in this country. In the December census, cattle of two years and over showed an increase of 28,000 on December, 1950, which should imply a higher output of home-killed meat this year. But beef cattle between one and two years declined by 4,000 and those under one year by 24,000. It would seem that the policy of encouraging more beef production has not been conspicuously successful.

* * *

Malaya's Dollar Earnings

Malaya's surplus in visible trade with the United States reached a record level in 1951; at £114 million it just passed the £112 million earned in the previous year. This is surprising particularly as the United States stopped buying tin—one of Malaya's principal dollar exports—last March. The main item last year was rubber and the United States remained the largest customer. Admittedly its purchases of nearly 360,000 tons were 17,000 tons smaller than in 1950, but this fall was more than offset by larger purchases by other dollar countries. Moreover, the average price of 4s. 2d. a lb was higher than that of the previous year, so that total dollar earnings from rubber rose from £94 million to £203 million. Unfortunately, 1952 promises to show a very different picture.

The story of tin is completely different. Proceeds from the sale of tin to the United States, which is virtually the only dollar country to buy Malayan tin, fell from £28 million to £3 million; the tonnage exported to the United States fell by 94 per cent. During the year the United Kingdom and other European countries partly made up for the sharp decline in American purchases and bought 15,244 tons—about double the amount in 1950—out of Malaya's total exports of 65,000 tons.

The prospects for Malayan trade in 1952 are far from bright. Tin production seems to be holding its own for the present, as the mines are generally compact units that can be fairly readily defended. Attacks on the rubber plantations are growing and tree slashing is widespread. In 1951 rubber production fell by 15 per cent mainly because of communist attacks and it is likely to fall further this year, especially if stronger military measures are taken. Moreover the price of rubber has fallen sharply and unless the United States permits free import and consumption of natural rubber, the average price this year will be far below the 4s. 2d. of last year.

Shorter Notes

The two working parties set up after the Commonwealth Finance Ministers' conference last month have now completed their first series of meetings; they have submitted interim reports to the Commonwealth Governments and agreed to meet again in a few months' time. One of these working parties—under the chairmanship of Sir Arthur Salter—is prospecting the difficulties that lie along the road to sterling convertibility, and the other—under the chairmanship of Mr J. G. Foster (the Parliamentary Under-Secretary for Commonwealth Relations)—is studying the opportunities for a more co-ordinated approach to investment and development programmes within the sterling area.

*

It was announced in Parliament this week that the National Film Finance Corporation was to be given powers to borrow up to £2 million from non-Governmental sources, but no indications are available of what these sources may be. The Corporation by last summer had already lent out most of the £6 million it had received since 1949 to assist British film production. In August the former President of the Board of Trade stated that it would be authorised to borrow another £2 million from its bankers on Treasury guarantee; whether the new borrowing powers are in addition to this authorisation, and whether this new borrowing will also be guaranteed, is not clear.

*

A printing error in *The Economist* last week cited reports from Paris that the French Government intended to stick courageously by its predecessors' plan to raise "most direct taxes and all indirect taxes (except those on essential foodstuffs) by 100 per cent." Even at this pre-Parliamentary stage, courage does not, of course, go as wildly far as this; the figure was a misprint for 10 per cent. The Finance Bill is likely to be made public, and to come up against Parliamentary opposition, next week.

*

The Abbey National Building Society increased its total assets from £122.2 million to £136.3 million last year. New mortgage advances (at £29.3 million) were much the same as in 1950; after allowing for repayments, mortgages outstanding rose by some £13.8 million to £118.3 million and investment holdings by some £400,000 to £13.6 million. The shares account rose by £15 million to £122.5 million and deposits and loans account by £2.4 million to £21.1 million—indicative of strong and continued personal savings through the building society movement despite the increase in interest rates on national savings certificates last year. The Abbey National continues to pay the traditional rate of 2¼ per cent on shares and 1½ per cent on deposits (both, of course, tax free). One of its only slightly smaller brothers, the Co-operative Permanent Building Society (which raised its charge for new mortgage lending last month) has this week stepped its interest rate on shares up to 2½ per cent.

*

A Business Note on page 174 of *The Economist* of January 19th on air charter business stated that Silver Cities was the only British charter company that had equipped its fleet with new and not second-hand aircraft. This statement is misleading and it should be pointed out that Olley Air Service, Ltd., to give one example, operates Dove aircraft that were purchased new from the De Havilland company.

Established in 1845.
All classes of insurance transacted including Fire, Life, Accident, Motor, Marine and Aviation. Represented throughout the world.

ROYAL INSURANCE COMPANY LIMITED

Head Offices:
North John St. LIVERPOOL. | Lombard St. LONDON.

Company Notes

Imperial Tobacco.—The full accounts of Imperial Tobacco disperse mysteries that were conjured up by the preliminary statement of its profits in the year to October 31st last. The trading profit of the holding company (which in effect means the tobacco company) fell from £19,706,459 to £19,206,280. The trading profits of the group as a whole (thanks largely to the increased profits of subsidiaries engaged in manufacturing cigarette papers, in printing and in other trades) rose from £21,880,302 to £23,284,604. The profits of both the holding company and the group, however, include a "special surplus" arising from the sale of tobacco purchased before devaluation; this surplus amounted to only £2,845,000 last year, compared with £6,209,000 in 1949-50. Whether this special surplus should be called a "fortuitous" profit or not is a matter for accounting debate; in any case, it clearly is not a distributable profit and the company has transferred the £1,344,262 of it that the tax collector has left to leaf replacement reserve—as it did with the £3,073,455 that the tax collector left the year before.

The group's balance sheet is dominated by a £19.3 million rise in stocks, to £130.4 million. This reflects, probably in not very unequal proportions, a real rise in stocks of unmanufactured tobacco and a rise in leaf prices. Holdings of general materials and stores (especially packing materials) have also increased substantially but this probably has not had a very significant effect on the profits, nor apparently has much of the rise been accounted for by any increase in the duty element in stock values. The result of this rise in stocks has been that bank overdrafts have risen by £6.1 million to £34.5 million, despite the receipt of £14.8 million of cash from full payment of the unsecured loan stock issue of October, 1950. This is, of course, a direct result of the erosion of the group's liquid assets by the tax collector, who, thanks to his neglect of all adventitious elements accruing to profits, and of the needs for stock replacement, has taken £16.2 million, against £13.2 million the year before.

Years to October 31,	1950	1951
Consolidated earnings:—	£	£
Trading profit	25,113,638	27,180,748
Total income	27,760,629	30,155,622
Depreciation	1,087,378	1,264,293
Taxation	13,201,806	16,166,873
Leaf replacement reserve	3,073,455	1,344,262
Group earnings for ordinary stock	*7,189,993*	*8,135,634*
Ordinary dividends	6,611,097	6,310,592
Ordinary dividends (per cent)	32	32
Retained by subsidiaries	511,161	1,037,859
General reserve	...	800,000
Added to carry forward	67,735	138,515
Cons. balance sheet analysis:—		
Fixed assets, less depreciation	15,994,105	17,516,695
Net current assets	95,388,153	111991327
Stocks	111061563	130369308
Cash	430,711	382,590
Reserves	55,429,316	59,427,892
Ordinary capital	37,563,049	37,563,049

£1 ordinary stock at 88s. 9d. yields £7 4s. per cent.

In any normal year the rise in bank overdrafts might touch off speculation about a new capital issue. But the year ahead does not seem likely to be a normal one for "Imps." The Government's recent decision to cut tobacco imports seems to imply that British tobacco manufacturers may get less than half the very generous allocation of approximately $110 million that they had to spend at last year's American tobacco auctions. Yet it has been announced that cigarette supplies in the shops should be little, if any, less than last year. In other words, "Imps" and its smaller brothers are going to be living on stocks this year—at any rate so far as non-Empire tobacco is concerned. This may not, perhaps, spell a very happy prospect for next year or the year after, but for the current year the company may well be turning its bank overdrafts down, instead of running them up, at the recent rapid rate. Provided that the demand for cigarettes is not forced below its present rate (by an increase in duty or a general recession), provided the full benefit of the recent increase in cigarette prices just about balances the continuing increase in costs (which seems a fairly reasonable assumption), and provided "Imps" continue to make the satisfactory manufacturing economies that they plainly achieved last year, then the present rate of profits should be just about maintained next year. But, in view of present clouds and future uncertainties, shareholders may have to wait for a long time before any prospect of an actual increase in their dividend appears above the horizon.

*

Hoover.—Hoover Ltd. has taken the plunge that I.C.I. pioneered last year and revalued its fixed assets at present-day prices. In his annual statement, issued prior to the full accounts, Sir Charles Colston reveals that as a result of revaluation the book value of fixed assets has been increased by £1,510,000 and that a corresponding book entry has increased capital reserves by the same amount. Revaluation has enabled the directors to make a more realistic provision for depreciation. Before striking the year's profit at £3 million (against £2½ million in 1950), £514,000 has been set aside for depreciation (against £389,000 a year earlier).

Meanwhile, the value of stocks and work in progress increased by rather more than £3 million, to approximately £5.5 million, last year. This increase, no doubt, was partially merely another symptom of the distortion of asset values by price inflation. It must also, however, reflect some expansion in turnover. Profits and turnover in 1951 were in fact "substantially larger than total turnover and profits for the entire period from the commencement of activities in 1919 down to the end of 1939." A greater part of the increase in sales was achieved in overseas markets; the company's exports were about two and a quarter times as large as in 1950. Profit margins were squeezed by the rise in costs early in 1951, but "this was corrected before the end of the year." The expansion of exports involved "serious sacrifices in the home market" and Sir Charles is confident that last year's fall in home sales of washing machines was due, not to the doubling of the purchase tax on electrical appliances, but to the priority given to export orders. Sir Charles's views on the decline in home sales of electric cleaners are far less explicit; he declares that demand was "satisfactorily maintained," but shareholders may wonder whether the fall in sales was in fact related to the increase in purchase tax.

Sir Charles makes no comment in his review on the new hire purchase arrangements, but he draws particular attention to material shortages, and expresses the hope that the government departments concerned with allocating materials will not stint those manufacturers that have made every effort to expand exports. Without adequate supplies, some of the plant in the company's newly built factories would remain idle this year, and it seem uncertain whether defence orders, on which the Cambuslang factory will be engaged, could take up the whole of the slack. Moreover competition abroad may become more severe; the effect of the fall in wool prices upon the Australian economy, for example, may lead to a contraction of a market that Hoovers have recently found so fruitful. In these circumstances Sir Charles reminds shareholders that the record achievements of 1951 and the higher dividend distribution—an ordinary dividend of 35 per cent is to be paid, against the equivalent on the new capital of 30 per cent—should not be taken as an indication of future trends. At the current price of 25s. 9d. the 5s. ordinary shares yield 6.8 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Feb. 13, 1952	Price, Feb. 20, 1952	Net Yield, Feb. 20, 1952 (n)	Gross Yield, Feb. 20, 1952
			£ s. d.	£ s. d.
War Bonds 2½%... Mar. 1, 1951-53	100⅛	100⅛	0 17 6 1 1 10	2 0 0*e* 2 5 0*l*
War Bonds 2½%... Mar. 1, 1952-54	100⅛	100⅛	1 5 10 1 6 2	2 8 5*e* 2 9 7*l*
Exchequer Stk. 2½% Feb. 15, 1955	99⅛	99⅛	1 6 11	2 8 6
Serial Funding 1¾% Nov. 14, 1952	99⅜	100	0 12 0	1 14 10
Serial Funding 1¾% Nov. 14, 1953	99⅛	99⅛	0 17 2	1 16 6
Serial Funding ..... Nov. 14, 1954	98⅞	98⅛	1 5 1	2 3 7
War Bonds 2½%... Aug. 15, 1954-56	99½	99½	1 12 3 1 9 8	2 16 4*e* 2 13 7*l*
Funding 2½%..... June 15, 1952-57	100	100	2 6 3 1 9 11	4 8 1*e* 2 17 1*l*
Nat. Defence 3%... July 15, 1954-58	99⅜	100	1 12 11 1 12 1	3 2 9*e* 3 1 1*l*
War Loan 3%..... Oct. 15, 1955-59	100⅜	100 1/16	1 10 1 1 10 10	3 1 5*e* 3 0 9*l*
Savings Bonds 3%.. Aug. 15, 1955-65	91¼*	91 3/16	4 6 0 2 6 8	5 16 3*e* 3 16 9*l*
Funding 2½%..... April 15, 1956-61	93⅛	93⅛	3 2 4 2 3 1	4 9 5*e* 3 9 0*l*
Funding 3%..... Aug. 1, 1966-68	86⅛	86⅛	3 15 7 2 11 4	5 8 5*e* 4 3 4*l*
Funding 3%..... April 15, 1959-69	87⅛	87 3/16	2 10 7 2 12 11	4 1 8*l* 4 3 11*e*
Funding 4%..... May 1, 1960-90	99⅛	98⅞	2 10 7 2 6 9	4 1 8*l* 4 6 11*e*
Savings Bonds 3%.. Sept. 1, 1960-70	85⅜*	84 15/16*	2 3 5 3 12 10	4 2 6*l* 5 4 0*e*
Savings Bonds 2½% May 1, 1964-67	84⅛	84⅛	2 12 1 2 17 1	4 3 5*l* 4 4 2*e*
Victory Bonds 4%.. Sept. 1, 1920-76	100⅜*	100⅜*	2 11 6 2 1 2	3 18 5*l* 3 19 0*s*
Savings Bonds 3%.. Aug. 15, 1965-75	82⅛*	82⅛	3 3 8 2 11 6	4 15 8*s* 4 3 8*l*
Consols 4%.....	90⅜	90⅜	2 6 8	4 9 1*f*
Conversion 3½%..	81⅛	81⅜	2 5 7	4 7 7*f*
Treasury Stk. 2½%.. (after Apr. 1, 1975)	59⅛	59⅜	2 4 7	4 5 8*f*
Treasury Stk. 3%... (after Apr. 5, 1966)	70⅛	70	2 5 5	4 7 2*f*
Treasury Stk. 3½%.. June 15, 1977-80	88⅛	88⅜	2 9 7 2 8 7	4 6 1*e* 4 5 1*l*
Redemp. Stk. 3%... Oct., 1986-96	77⅛	77⅛	2 12 2 2 8 10	4 7 0*e* 4 3 11*l*
War Loan 3½%.....	80⅜	79 15/16	2 6 3	4 8 5*f*
Consols 2½%.....	61⅛	61⅛	2 3 0	4 2 1*f*
Brit. Elect. 3% Gtd.. April 1, 1968-73	84⅛	84⅛	2 17 0 2 11 9	4 9 9*e* 4 4 5*l*
Brit. Elect. 3% Gtd.. Mar. 15, 1974-77	82⅛*	82⅛*	2 12 8 2 10 7	4 4 8*e* 4 2 8*l*
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	89⅜	89⅛	2 8 8 2 7 8	4 5 1*e* 4 4 1*l*
Brit. Tpt. 3% Gtd.. July 1, 1978-88	77⅛	77⅛	2 16 4 2 11 0	4 10 5*e* 4 5 2*l*
Brit. Tpt. 3% Gtd.. April 1, 1968-73	84⅛	84⅛	2 17 0 2 11 9	4 9 9*e* 4 4 5*l*
Brit. Gas Gtd. 3%.. May 1, 1990-95	76⅜	76⅜	2 11 2 2 9 7	4 6 0*e* 4 4 7*l*
Brit. Gas Gtd. 3½% Sept. 10, 1969-71	91⅛*	91⅛*	2 8 11 2 7 11	4 3 11*e* 4 2 11*l*
Brit. Iron & Steel.. 3½%, 1979-81	87 1/16*	87 1/16	2 9 4 2 8 8	4 5 7*e* 4 4 11*l*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Feb. 13, 1952	Price, Feb. 20, 1952	Yield, Feb. 20, 1952
%	%					£ s. d.
40	*b*		Anglo-Am. 10/-	7⅜	7⅜	4 0 0
5	*a*		25 *b* Anglo-Iran £1	6	5 7/16	5 2 8
20	*c*		7½*a* Assoc. Elec. £1	72/6	72/6	5 10 4
27½	*c*		7½*a* Assoc. P. Cem. £1	100/-	97/6	5 12 10
35	*c*		45 *c* Austin 5/-	29/6	29/-	7 15 2
15	*a*		17½*b* Bass £1	116/3	115/-	7 9 1
40	*c*		5 *a* Boots 5/-	19/6	18/9	5 6 8½
9	*c*		7 *a* Br. Celanese 10/-	26/9	26/-	3 9 3
12	*b*		8 *a* Br. Oxygen £1	80/-	78/-	5 2 7
5	*a*		7½*b* Coats £1	49/-	47/6	5 5 3
6½			5 *a* Courtaulds £1	40/9	38/6	5 16 10
22½	*c*		7½*a* Distillers 4/-	18/9	18/9	4 16 0
15	*c*		17½*c* Dunlop £1	56/3	55/-	6 7 3
10	*c*		12½*c* Ford £1	47/-	47/-	5 6 5
22½	*c*		7½*a* Gen. Elect. £1	76/3xr	76/3	5 18 2
11	*a*		17 *b* Guinness £1	116/10½	118/1½	4 14 10
4½	*a*		5½*b* Hawker Sid. £1	33/6	32/9	6 2 2
9	*b*		3 *a* Imp. Chem. £1	42/6	41/10½	5 14 7
13½	*a*		18½*b* Imp. Tobacco £1	92/6	88/9	7 3 8
5	*a*		10 *b* Lancs. Cotton £1	36/3	35/7½	8 8 5
13½	*c*		5 *a* Lever £1	48/9	48/9	5 10 9
15	*c*		7½*a* Lon. Brick £1	56/3	54/4½	5 10 4
15	*a*		60 *b* Marks & Sp. A 5/-	82/-	81/3	4 14 4
8	*b*		8 *a* P. & O. Def. £1	52/-	47/-	4 10 9†
17½			7½*a* P. Johnson 10/-	37/-	35/7½	7 0 4
17½	*b*		15 *a* "Shell" Stk. £1	88/1½	75/7½	5 11 4
12½	*a*		12½*b* Tube Invst. £1	5⅞	5½	4 17 7
5	*a*		15 *b* T. & Newall £1	88/9	87/6	4 11 5
8	*c*		10 *c* Union Castle £1	45/-	44/-	4 10 11
50	*c*		20 *a* U. Sua Betong £1	54/4½	48/1½	20 15 7
10	*b*		2½*a* Vickers £1	45/-	44/-	5 13 8
15	*a*		27½*b* Woolworth 5/-	42/9	42/3	5 0 6

(*a*) Interim div. (*b*) Final div. (*c*) Div. for whole year. (*h*) Yield basis 20% after capital bonus. (*p*) Yield basis 10½% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 16, 1952, total ordinary revenue was £136,260,000 against ordinary expenditure of £109,562,000 and issues to sinking funds £490,000. Thus, including sinking fund allocations of £20,943,000, the surplus accrued since April 1, 1951, is £367,493,000 compared with a surplus of £656,068,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate, 1951-52	April 1, 1950 to Feb. 17, 1951	April 1, 1951 to Feb. 16, 1952	Week ended Feb. 17, 1951	Week ended Feb. 16, 1952
	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1165718	1366658	79,516	77,542
Sur-tax	128,000	96,800	103,700	4,800	5,700
Estate, etc., Duties	180,000	161,750	160,700	3,300	2,900
Stamps	55,000	47,060	54,600	1,600	1,400
Profits Tax & E.P.T.	312,650	245,770	280,500	3,700	5,300
Other Inland Rev.	500	460	450	30	...
Special Contributn.	1,500	4,430	2,450	80	20
Total Inland Rev.	2302400	1721988	1969058	93,026	92,862
Customs	930,500	793,682	877,308	22,125	20,468
Excise	720,500	665,600	696,000	15,800	18,895
Total Customs and Excise	1651000	1459282	1573308	37,925	39,363
Motor Duties	62,000	60,178	61,963	379	421
Surplus War Stores	20,000	36,517	30,771	502	103
Surpl's from Tradg.	50,000	41,905	75,455	...	...
P.O. (Net Receipts)	5,400	6,000	5,100	2,800	3,500
Wireless Licences	13,600	10,650	11,500	...	...
Sundry Loans	27,000	23,476	22,994	540	...
Miscell. Receipts	105,000	68,558	81,628	1,861	11
Total Ord. Rev.	4236400	3428554	3831777	137033	136260
SELF-BALANCING					
Post Office	179,431	148,200	166,400	2,200	2,500
Income Tax on E.P.T. Refunds	4,900	7,464	4,631	71	78
Total	4420731	3584218	4002808	139304	138838

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	426,815	458,656	39,053	39,904
Payments to N. Ireland	38,000	31,518	33,313	...	...
Other Cons. Funds	11,000	9,184	10,452	313	158
Total	584,000	467,517	502,421	39,366	40,062
Supply Services	*3514062	2289966	2940920	70,400	69,500
Total Ord. Expd.	*4098062	2757483	3443341	109766	109562
Sinking Funds	...	15,003	20,943	70	490
Total (excl. Self-Bal. Expd.)	4098062	2772486	3464284	109836	110052
SELF-BALANCING					
Post Office	179,431	148,200	166,400	2,200	2,500
Income Tax on E.P.T. Refunds	4,900	7,464	4,631	71	78
Total	4282393	2928150	3635315	112107	112630

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £320,495 to £3,565,701, the other operations for the week decreased the National Debt by £18,300,258 to £25,748 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
EPT Refunds	94
Export Guarantees Act, 1949, s. 3(2)	125
Local Authorities Loans Act, 1945, s. 3(2)	3,100
Coal Industry Acts, 1946 to 1951	3,848
Finance Acts 1946 and 1947: Postwar Credits	310
	8,227

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Nat. Savings Certs.	200	Treasury Bills	33,645
Other Debt:—		2½% Def. Bonds	620
Internal	20,556	3% Def. Bonds	1,443
Ways & Means Advances	10,205	Tax Reserve Certs.	13,554
	30,961		49,262

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Feb. 17	3170·0	1801·2	439·8	...	360·0	5771·0
Nov. 17	4586·5*		274·7	...	125·0	4986·2
" 24	4571·6*		292·6	...	125·0	4989·3
Dec. 1	4593·3*		304·8	...	125·0	5023·1
" 8	4631·1*		289·0	3·0	123·0	5046·1
" 15	4718·1*		207·7	...	123·0	5048·8
" 31	4782·9*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
" 12	4723·4*		256·8	...	80·5	5060·7
" 19	4643·5*		277·8	...	80·5	5001·8
" 26	4601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·5
" 9	4200·1*		260·6	...	34·0	4494·7
" 16	4166·5*		270·8	...	34·0	4471·3

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Feb. 16	260·0	337·7	260·0	10 3·00	69
Nov. 16	230·0	285·3	160·0	17 10·66	41
" 23	170·0	237·6	170·0	19 2·96	63
" 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
" 14	170·0	234·0	170·0	19 6·88	60
" 21	170·0	236·1	160·0	20 2·27	49
" 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
" 11	150·0	217·3	150·0	19 6·90	54
" 18	170·0	240·4	170·0	18 11·05	62
" 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
" 8	170·0	239·9	170·0	19 7·01	61
" 15	190·0	264·2	190·0	19 6·76	59

On February 15th applications for 91 day bills to be paid from February 18 to February 23, 1952, were accepted dated Monday to Saturday as to about 59 per cent at £99 15s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £200 million were offered on February 22nd. For the week ended February 23rd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 45 Weeks ended Feb. 10, 1951	Totals 45 Weeks ended Feb. 9, 1952	Week ended Feb. 9, 1952
Savings Certificates:—			
Receipts	82,000	132,300	3,300
Repayments	112,100	117,300	2,700
Net Savings	*Dr30,100*	15,000	600
Defence Bonds:—			
Receipts	15,210	50,289	875
Repayments	42,025	62,418	1,325
Net Savings	*Dr26,815*	*Dr12,129*	*Dr 450*
P.O. and Trustee Savings Banks:—			
Receipts	566,843	606,663	17,362
Repayments	608,343	691,976	16,467
Net Savings	*Dr41,500*	*Dr85,313*	895
Total Net Savings	*Dr98,415*	*Dr82,442*	1,045
Interest on certificates repaid	25,004	29,297	715
Interest accrued	108,699	109,231	2,452
Change in total invested	*— 14,720*	*— 2,508*	+ 2,782

BANK OF ENGLAND RETURNS

FEBRUARY 20, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1360,582,352	Other Govt. Securities	1385,674,188
In Bankg. Department	39,774,471	Other Secs.	797,996
		Coin (other than gold)	2,512,716
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	319,012,853
Rest	3,863,521	Other Secs.:—	45,408,875
Public Deps.:—	11,860,572	*Discounts and Advances*	*17,558,458*
*Public Accts.**	*11,431,647*	*Securities*	*27,850,417*
H.M. Treas.			
Special Acct.	*428,925*		
Other Deps.:—	375,485,096		
Bankers	*292,372,221*	Notes	39,774,471
Other Accts	*83,112,875*	Coin	1,665,990
	405,762,189		405,762,189

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951	1952		
	Feb. 21	Feb. 6	Feb. 13	Feb. 20
Issue Dept.:—				
Notes in circulation	1285·8	1357·6	1360·6	1360·6
Notes in banking department	64·5	42·7	39·7	39·8
Government debt and securities*	1345·3	1396·8	1396·7	1396·7
Other securities	0·7	0·7	0·7	0·8
Gold and coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·0	13·8	16·2	11·4
Treasury Special Account	9·3	14·0	14·0	0·4
Bankers	297·8	286·6	280·7	292·4
Others	86·1	85·7	83·8	83·1
Total	406·2	400·1	394·7	387·3
Securities:—				
Government	311·9	327·2	327·7	319·0
Discounts, etc.	21·9	4·4	16·1	17·6
Other	25·7	42·7	28·0	27·9
Total	395·5	374·3	371·8	364·5
Banking dept. res.	65·1	44·3	41·3	41·3
	%	%	%	%
"Proportion"	16·0	11·0	10·4	10·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 14	77·0	88·00	192 5	105 0
" 15	Closed	88·00	Markets closed	
" 16	Markets closed		191 4	105 3
" 18	77·0	88·00	190 13	104 15
" 19	77·0	88·00	189 13	105 2
" 20	77·0	88·00	189 8	104 11

HOOVER, LIMITED

ALL PREVIOUS RECORDS SURPASSED

STRIKING EXPANSION IN EXPORT MARKETS

DISTURBING EFFECT OF PURCHASE TAX CHANGES

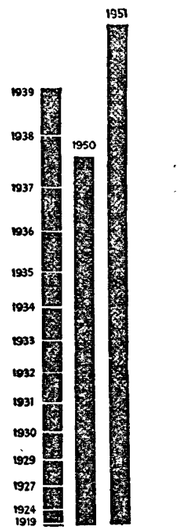
PROVISION OF INCENTIVES VITAL TO NATIONAL ECONOMY

SIR CHARLES COLSTON'S REVIEW OF WIDESPREAD RAMIFICATIONS

The annual general meeting of Hoover, Limited, will be held on March 31, 1952, at Perivale, Greenford, Middlesex.

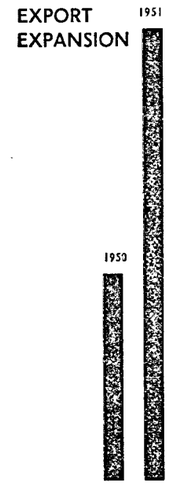
The following is the review of the chairman and managing director, Sir Charles Colston, C.B.E., M.C., D.C.M., which has been circulated to stockholders covering the year ended December 31, 1951:—

In my last annual review I was able to report that 1950 had been a record year in the history of the company, surpassing by far all previous records. I am glad to tell you that in 1951 we made even greater advances. We substantially expanded our business and our growth was greater than at any time in our history. The increase in our turnover in 1951 was about *double* the *total turnover* in our peak year before the war.



During 1951 our turnover and profits were substantially larger than our total turnover and profits for the entire period from the commencement of our activities in 1919 down to the end of 1939, by which time we had established a large and flourishing business. In a single year we have eclipsed all the achievements of this period of 21 years—a remarkable tribute to the strength and capacity for expansion of our virile undertaking.

It is of significance to record that our expansion during 1951 took place in the export market. We have concentrated our energies on developing our markets abroad with gratifying results. These markets are more difficult and less profitable than the home market, but we have unwaveringly continued our policy of giving overriding priority to exports. This policy is plainly in the national interest, all the more so when the adverse balance of payments has again become so critical. It is also sound business for this company. We may expect competition abroad to become progressively more



severe. It is our duty, as well as to our advantage, to do our utmost to consolidate our hold on our export markets.

In 1951 our exports were about two and a quarter times as large as in 1950. This striking expansion has been fairly uniform in each of the principal departments of our business—electric cleaners and polishers, electric washing machines, and fractional horse-power motors.

PRIORITY TO EXPORTS

As an illustration of the extent to which we have given priority to exports, no less than 70 per cent. of our washing machine production was exported. More than 80 per cent. of our F.H.P. motor production was sent abroad, including the motors incorporated in various products subsequently exported by the manufacturers concerned. Nearly 40 per cent. of our electric cleaner production and the whole of our electric polisher production was exported. Taking the range of our manufactures as a whole, nearly 60 per cent. of our production went to markets abroad.

We have firmly established our leadership in the British electric cleaner and electric washing machine industries in the field of exports. During 1951 Hoover, Limited, exported nearly 50 per cent. more electric cleaners and 50 per cent. more electric washing machines than all other British manufacturers combined. Results of this order have only been achieved by reason of the quality and price of our products, the intensive efforts to build up our overseas organisation in many parts of the world, and our readiness to make considerable sacrifices of sales in the home market.

TRADE WITH THE COMMONWEALTH

We have made remarkable progress in Australia. The turnover of our subsidiary company there was about two and a half times as large as in the previous year. After initial difficulties, which we successfully surmounted, the Australian market has proved most receptive to our products. The fall in the world price of wool has a considerable influence on the economy of Australia, so this market may be more difficult this year.

In New Zealand we continue to be severely handicapped by rigid restrictions on the import of electric cleaners and washing machines, but we have succeeded in nearly doubling our sales of F.H.P. motors in this market.

In South Africa, in spite of import licence difficulties, we more than doubled our sales. Our exports to Canada consist of electric cleaner and washing machine parts for assembly, and we are making efforts to expand our sales in this potentially important dollar market.

THE EUROPEAN MARKET

Efforts are being made to forge ever closer links between the countries of Western Europe. We may entertain good hopes that it will be possible to build up a European community united in defence and closely knit in the economic field.

European economic unity would create one of the largest and strongest economic units in the world. The countries of Western Europe comprise a population approaching 200 millions, representing a market of exceptional importance. It is vital that the economic ties between Britain and the Continent should continually be strengthened and that trade in both directions should be enabled to flow as freely as possible.

EXPANSION OF EUROPEAN BUSINESS

We have devoted a great deal of energy to expanding our European business. I reported last year the striking expansion of our exports to the Continent, and I am glad to say that during 1951 this expansion continued.

Our subsidiary companies on the Continent have continued to make good progress. In France our sales have more than doubled. Our factory at St. Ouen, near Paris (Works No. 7), has increased its efficiency and succeeded in expanding production considerably without additional space. In Holland we almost doubled our sales, while in Belgium we achieved a useful increase over the remarkable figures reached the previous year.

In Switzerland our sales have been well maintained. Our subsidiary company in Italy, formed towards the end of 1950, is developing very satisfactorily. In Germany we have increased our sales, but these are still on a minor scale owing to conditions there.

THE UNITED STATES AND OTHER EXPORT MARKETS

There has been a useful increase in our exports to the United States, which consist principally of our "Dustette" Electric Cleaner and include also a number of our industrial products. Developments are in train which we hope will lead to a substantial rise in our exports to this vital market.

In South America we have done a worthwhile volume of business with some countries, but in others import restrictions have stood in the way. Our exports to South-East Asia are only of moderate dimensions. As the use of electricity in the home grows and the economies of the countries in this part of the world develop, they should become markets of importance for our products, but we cannot anticipate any major advances in the next few years.

Altogether we are exporting to 66 countries. The striking overall increase in exports which we have achieved, in spite of innumerable licence and currency regulations and restrictions, are a tribute to our enterprising export department and the efficient and energetic service which we have received from our subsidiary companies and agents overseas.

The large export business which we have built up, widely spread over so many countries, should prove to be a source of increasing strength to our company. This is all the more fortunate in view of the decision of the Chancellor of the Exchequer to cut down severely the supply of metal-using products to the home market in the urgent effort to wipe out our grave external deficit.

THE HOME MARKET

The priority we have given to exports has involved serious sacrifices in the home market. This has been particularly so in the case of our electric washing machines. We could easily have sold a much larger number of washing machines than in the previous year if we had not insisted on diverting for export large numbers of machines for which our dealers throughout the country were clamouring. As a result we sold about 15 per cent. fewer washing machines in Britain than in 1950. This sacrifice of a substantial portion of the home market was conscious and deliberate. We were confident we could recover it when supplies became available.

But our insistence on priority for exports should not lead to our being penalised in the allocation of materials. Manufacturers who in pursuance of Government policy have diverted supplies away from the home market should not have their home quota for 1952 reduced because they sacrificed home sales in 1951 for the sake of exports. That would be a poor return for the effort to increase sales abroad, especially having regard to the fact that they are usually less profitable than home sales.

I trust that in working out detailed policy in regard to allocation of materials the Government will take care to reward and not penalise manufacturers who have heeded their exhortations in the past to make the maximum effort to expand exports.

WASHING MACHINE FACTORY EXTENSIONS

During the last couple of years we have practically trebled our factory space in the South Wales Development Area. The first factory extension at Merthyr Tydfil (Works No. 4) has been completed, and the second factory extension there is almost complete. This factory, together with our factories at Cyfarthfa (Works No. 6) and Aberdare (Works No. 8) should give us the facilities for maintaining our electric washing machine production at a high level. It is gratifying that we have succeeded in establishing and consolidating a new and important industry in this Development Area, thus providing valuable employment.

I believe that in a few years' time the electric washing machine will be regarded as essential equipment in almost every home. There are large markets to be developed, not only in Britain but abroad. The development of these markets should proceed together in order to obtain the maximum advantages and economies of mass production, and so strengthen our markets overseas.

ELECTRIC CLEANER SALES

Demand for our electric cleaners in the home market during 1951 was satisfactorily maintained. In the early part of the year we sacrificed an appreciable volume of home business in order to keep our export markets fully supplied. In volume, our cleaner sales in the home market fell by about 12 per cent., but in terms of turnover the 1950 figure was practically unchanged.

The pre-eminent quality of our machines has given us a position of leadership in the industry, but our engineering and production departments are continually striving to improve still further the value and service that we give to the public. The Hoover electric cleaners are manufactured at our main works at Perivale (Works No. 1), where high efficiency of production has been achieved.

PURCHASE TAX

There is no doubt that the doubling of the purchase tax to 66⅔ per cent. is preventing many families of moderate means from acquiring an electric cleaner or electric washing machine, now recognised as essential labour-saving appliances in millions of homes. These industries, like other industries, have suffered from the sharply increased purchase tax. But damage is being done also because of the uncertainty in the public mind as to what further changes may take place in this tax.

What industry requires is a reasonably stable and uniform flow of orders so that production can be organised smoothly and efficiently. It is obviously unsatisfactory when there are unduly violent fluctuations in demand. There are, of course, seasonal fluctuations to which manufacturers and distributors have adjusted themselves. But if in addition to this the public at large are to be influenced by guesses, good or bad, as to the intentions of the Chancellor of the Exchequer in regard to purchase tax, a most abnormal situation can very quickly be created. If the public are led to think purchase tax is going up, they rush to buy. If, on the contrary, they are led to think purchase tax is going down, they refuse to buy. Both the rush to buy and the refusal to buy are unsatisfactory from the point of view of the orderly organisation of production and are contrary to the interests of the consumer.

I think it is undesirable that purchase tax should become a political issue. It should be taken out of the realm of politics. If not, it is likely to become the subject of agitation by one political party or another. Such agitation may have little practical effect on the level of purchase tax, but it will gravely unsettle the public mind and create those violent fluctuations of demand which are so injurious to industry.

The problem is a recurring one, as in the period prior to each Budget normal demand may be seriously distorted because of uncertainty about purchase tax. The difficulty flows from the customary financial procedure under which changes in purchase tax form part of the Budget. If such changes were not confined to the Budget, but could be announced at various times as necessary, then this abnormal period preceding each Budget could to some extent be obviated. Certainly some solution to this problem on the part of the Chancellor of the Exchequer is urgently necessary.

F.H.P. MOTOR EXPANSION

Very encouraging progress has been made in the fractional horse-power motor section of our business. The extension to our Cambuslang factory (Works No. 2) in the Scottish Development Area has been practically completed. This will enable us to gather together a number of our scattered units and effect appreciable economies. The additional factory space will leave us some scope for the further expansion of our production.

Our sales during 1951 were more than double those of the previous year. The new model F.H.P. motor which we launched has been well received both at home and abroad. It is a source of satisfaction that our F.H.P. motor business is so firmly established and is flourishing, as it is important to provide varied forms of employment in the Scottish Development Area.

At our High Wycombe factory (Works No. 3) we are manufacturing other industrial products including plastic commutators and switches, as well as our "Dustette" electric cleaner. The extension to this factory is almost finished and generally good progress has been made.

THE HOOVER ELECTRIC POLISHER

After years of intensive development the Hoover electric polisher, the latest of our famous products, has been successfully launched. It is now being marketed in 38 countries all over the world, and the speed with which this has been done is a tribute not only to its quality but to the strength of the organisation we have established. It is manufactured at our main Perivale works, and very satisfactory efficiency in production has already been attained.

The Hoover electric polisher has had to meet strongly established and severe competition, but it has won its way on its merits. It incorporates fine design and workmanship, and is of supreme quality. I am confident that it will constitute a source of added strength to our undertaking.

Our entire production of the Hoover electric polisher went to export markets during 1951, and we temporarily sacrificed the potential market in Britain. As must always be the case, however, we planned our production on the basis of substantial home sales in addition to exports in order to secure lowest costs of production. We propose to launch the electric polisher in the home market as soon as possible, and we trust that we shall not be penalised because we concentrated all our sales of polishers last year in the export markets.

HOOVER SERVICE DEPARTMENT

The work of our service department, with headquarters at our Park Royal factory (Works No. 5), has continued to be the key to much of the remarkable goodwill which our company enjoys. The work of this department is steadily expanding with the increase in the number of homes in which Hoover cleaners and Hoover washing machines are installed. The department maintains them in excellent condition and adds years to the efficient service which they can give to our customers.

DEFENCE PRODUCTION

We have obtained a number of orders in connection with the rearmament effort. A substantial part of the work will be carried out at our Cambuslang factory in the Scottish Development Area. Considerable tooling is necessary, and it will be some months

before production can commence. Our policy is to endeavour to obtain defence work where we can make the fullest use of our special skill and experience in the electrical engineering field.

In the early part of last year Mr Walter Puckey, our general works manager, was invited to serve as Deputy Controller of Supplies (Air) in the Ministry of Supply, and we agreed to second him to the Ministry. Mr Puckey has now retired from the Board of the company, and has been succeeded as general works manager by his deputy, Mr B. H. Dyson. Mr. Puckey rendered brilliant service to the company from the time he joined us in 1935, and we have no doubt that he will fill his important official post with distinction.

FINANCIAL RESULTS

The continued expansion of our undertaking has led to an increase in our consolidated profit from £2,475,000 in 1950 to a new record of just over £3 million (subject to audit). This annual review is being circulated without waiting for the completion of the detailed audit, as I think that in these difficult and uncertain times stockholders would prefer to know as early as possible how the company fared during the past year. The percentage increase in our profit is less than the percentage increase in our turnover for the year. The main factor has been mounting costs in relation to selling prices, although this was corrected before the end of the year.

INCENTIVE OF THE "A" ORDINARY SHARES

The results which have been achieved, in spite of the many difficulties, are impressive. I believe that the most potent single factor contributing to our progress has been the incentive which the "A" Ordinary shares have provided to nearly 100 of our senior executives. They are the spearhead of our business and it is on their determination, energy and skill that the continued advance of our undertaking so largely depends. We have made very exacting demands on them and they have responded with a degree of enthusiasm which I have found most heartening.

Incentive is the strongest weapon in the hands of management. In every section of the Hoover organisation the value of incentive has been proved to the full, and I am glad that we have been able to provide a real incentive also to our senior executives. The incentive of the "A" Ordinary shares has been a spur to the utmost exertions. It is also a shield for the stockholders. Our senior executives will benefit if profits rise; they will suffer if profits fall. That is a good thing for the company and for the stockholders.

DIVIDEND POLICY

The board has given much thought to the dividend policy which we ought to adopt. We begin with the fundamental principle that our first duty is to our stockholders, who are the owners of the business. We have a duty to the undertaking itself to make it strong and to develop it to the full. We have a duty to those who are employed in the undertaking. We are under a duty to have regard always to the overriding national interest. It should be possible to combine and harmonise all these duties.

NEED FOR CAPITAL RESOURCES

One of the most disturbing features of our national economy at the present time is that an increasing number of important companies are experiencing a growing shortage of capital resources. The considerable rise in prices has necessitated much larger working capital to finance stocks and work in progress. But of more fundamental importance is the pressing need to replace the equipment of industry by more modern and more efficient equipment. Otherwise, we cannot possibly maintain our place in an increasingly competitive world. Nevertheless, whenever one of our apparently periodical balance of payment crises occurs, one of the first casualties is our capital investment programme, thereby seriously affecting the possibility of improving our productive capacity.

The Chancellor of the Exchequer in his statement at the end of January announced that home investment was to be cut severely, involving sharp reductions in the supply of urgently required plant and machinery which, he was fully aware, were needed "in the long-term interest of our economic progress." It may well be that our external deficit is so menacing that these hard decisions are unavoidable, but the truth remains that failure to keep British industry supplied with the most modern equipment will gravely weaken the national economy.

CONTRAST WITH THE UNITED STATES

The economic strength of the United States, the fact that a nation numbering only about 7 per cent. of the total population of the globe have acquired so striking a position of economic dominance, is due not only to their skill and energy and their great natural resources, but also to the vast quantity of the most modern and highly efficient capital goods at their command. The Americans have the tools, the best tools, in immense profusion, and an immense job they can do as a result.

The United States economy, having achieved a truly phenomenal productive capacity, is able to provide an unrivalled flow of consumer products and defence products, and in addition can provide for investment in fixed capital on a colossal scale. It has recently been authoritatively stated that United States private investment (in addition to Government investment) in fixed capital is running at the rate of over $50,000 million a year. This is substantially larger than the total national income of Britain. The result is that American industrial equipment is far ahead of that of any other country, and is leaping still further ahead every year.

INCREASED SAVINGS IN BRITAIN ESSENTIAL

If the British economy is to obtain the more efficient capital goods which are so sorely needed, the volume of national savings must be increased. There is already a measure of compulsory national savings through the medium of taxation; the Government saves part of the proceeds of taxation which it uses for the purpose of capital investment. It is hardly feasible to increase such compulsory savings as this would involve heavier taxation, already so heavy that it is seriously stifling enterprise.

It is necessary to increase the total of personal savings, now woefully inadequate. It is estimated that in 1950 (the latest year for which figures are available) the total of gross personal savings amounted to little more than £300 million, less than £7 per head of the population.

Heavy taxation now makes the harshest inroads into surplus income, and it is no longer possible for a comparatively moderate number of well-to-do men to provide a large amount of savings. In order to increase appreciably the volume of national savings there must be sacrifices of present comforts, "abstinence" it used to be called, on the part of a considerable proportion of our people.

THE INCENTIVE TO SAVE

We should not underrate the difficulties. The higher cost of living has made saving much more burdensome; it is not easy to give up standards to which we have become accustomed. To induce more savings there must be a sufficient incentive. At present, unhappily, the incentive is steadily weakening.

It is painfully clear that the inflationary factors at work in our economy are very powerful. If prices rise, say, at an average rate of 5 per cent. per year, in the course of 20 years the price level will be up by about 165 per cent. Even if the average rise were only 3½ per cent. per year, prices would double in 20 years, that is, the value of money would be reduced to one half.

Now if families of moderate means sacrifice present comforts and conveniences in order to save, invest in fixed-interest securities, and wait for 20 years, what reward will they get? Will they get any reward at all? If inflation continues, as is probable, the capital that they will get back after 20 years, together with the interest earned during the period (after tax has been deducted) may amount, in terms of real worth, to less than the sum which they invested.

These obvious consequences of continued inflation are coming to be more widely understood. The inevitable result will be a growing disinclination to invest in fixed-interest securities of all kinds, and exhortations to the contrary will be of little avail.

INVESTMENT IN EQUITIES

How then are we to secure greater savings from a greater number of people? I think the short answer is that they should be given sufficient incentive to invest more in equities. A large number of people already invest in equities; participation in the capital of public companies has become very widespread. It is noteworthy that six of the leading British companies have between them more than a million shareholders. The number of investors can be increased, and the amount that they will invest can be raised provided there is an adequate incentive.

Investment in equities should protect investors against inflation. If they select sound companies and spread the risk, they should achieve a sufficient measure of safety as regards capital. But what return are they to receive? Here is the crux. Here lies the danger of recurring demands for dividend freeze and dividend limitation.

Such a policy, as has often been pointed out, tends to reduce Ordinary shares to the status of a rather junior Preference share. On this basis investors would find themselves in the disagreeable position that if companies in which they invest do badly they may lose part of their capital; but if the companies do well they will lose the reward they might reasonably expect. The policy of depriving Ordinary shareholders of an adequate participation in the success of companies in which they have risked their capital will undermine the possibility of increasing, and even of maintaining, the present inadequate flow of savings.

It is in the national interest that when companies are successful the shareholders should share in their success. A contrary policy would gravely discourage savings and may create fundamental disharmony between national policy and the reasonable personal interest of countless individuals. The State requires increased savings, and we should therefore so arrange our affairs that individuals are given the incentive to save more. This is essential to ensure a greater volume of risk capital.

INVESTMENT FROM ABROAD

We should endeavour to increase not only internal savings, but also investments from abroad, which in effect means the United States—almost the only source of possible foreign investment at the present time. But the United States is the land of free enterprise, where rewards for those who are successful are a matter for congratulation. This is one of the reasons why go-ahead companies in the United States can obtain the capital they require for expansion. American Investors will not be induced to invest in British industrial enterprises unless they are convinced that if these enterprises are successful they will receive an adequate reward for the risks to be taken.

DIVIDEND DISTRIBUTION

The Board of Directors of the company take the view that, subject to the need for keeping the company strong and preserving its power to expand, it is our duty and should be our policy to do the best we can for our stockholders. The Federation of British Industries has advised moderation and restraint in regard to dividend distribution, and this is certainly a wise policy in these difficult times, and a policy which the Board support.

After careful consideration of all the circumstances, the board recommend a final dividend of 1s. 3d., less tax, on each Ordinary stock unit, making a total for the year of 1s. 9d., less tax, compared with 1s. 6d., less tax, for the previous year. On the basis of the above distribution, the "A" Ordinary shareholders are entitled under the articles of association to a dividend of almost exactly 3s. 3d., less tax, per "A" Ordinary share. We consider that the increased return to the Ordinary stockholders is more than justified, and they in turn will welcome the additional reward to the senior executives who hold "A" Ordinary shares and who have contributed so much to the advance of the company.

The total net dividends which the Preference and Ordinary stockholders and "A" Ordinary shareholders will receive in respect of 1951 amount to approximately £498,000. It is of interest to record that the dividends which Hoover Limited have received from overseas subsidiaries in respect of 1951 amount (after deduction of taxation abroad) to £375,000, which is about 75 per cent. of the total net dividends we are distributing. The profits (after deducting all taxation) earned in 1951 as a result of our new ventures—the Hoover Washing Machine, Hoover F.H.P. Motors, and our subsidiaries abroad—substantially exceed the total net dividends which are being distributed for the year.

REVALUATION OF ASSETS

In order to give stockholders a more complete picture of our position, the board decided on a revaluation of the fixed assets of the company and its British subsidiaries as at December 31, 1951, on the basis of present-day values. This has been carried out by Messrs Leopold Farmer and Company, and the annual accounts which are being circulated to stockholders will show the assets as revalued. As a result of this revaluation, the book value of the fixed assets has been increased by a total of £1,510,000, and this has been transferred to capital reserves.

The revaluation of our fixed assets gives us a more realistic basis for calculating the amount which should be provided for depreciation each year. Before arriving at the consolidated profit of £3 million we have deducted the sum of £514,000 in respect of depreciation (compared with £389,000 the previous year) and this we consider adequate having regard to high replacement costs at the present time.

APPROPRIATIONS

After making full allowance for taxation, both abroad and at home, and in addition to the transfer to capital reserves arising from the revaluation of our fixed assets, we have transferred to general reserves the sum of £133,000. We have also transferred £157,000 to reserves for employees' superannuation schemes to which we attribute so much importance. Out of the reserves for contingencies the sum of £186,000 is no longer required and has been added to the amount carried forward. After providing for dividends as recommended above the amount carried forward is increased to £932,000, as compared with £413,000 last year.

During 1951 we invested out of our own resources a total of approximately £950,000 in additions to our factory buildings and in new plant and equipment. Our stock and work in progress has risen substantially by rather more than £3 million. The item "debtors" (which represents current accounts and does not include any hire-purchase debts) is up by some £570,000. The financial strength of the company is the result of the consistently conservative policy we have pursued over the years of ploughing back into the business an adequate portion of our profits.

EMPLOYEES' SUPERANNUATION SCHEME

The total which we have provided for our free superannuation scheme in Great Britain now amounts to £510,000. This is in addition to our long-standing contributory superannuation scheme. The provisions we have made for pensions for our employees undoubtedly act as an added incentive to put forward the best efforts possible.

In view of the shortage of manpower, it is desirable that a greater number of men, who are fit and efficient, should go on working after they reach the age of 65. As an inducement to do so, we propose to consider increasing the pensions payable under our free scheme by approximately 20 per cent. for each year after 65 that they continue to work with full efficiency.

TRIBUTE TO OUR STAFF

On behalf of the stockholders and the board, I desire to thank all those engaged in the Hoover organisation most warmly for their splendid work and their record achievements during the year. I should like to express to my colleagues on the board my deep appreciation of their invaluable support and co-operation.

THE FUTURE

The records achieved in 1951 and the resulting higher dividend distribution are not to be taken as an indication of future trends. We shall treat each year on its merits. Undoubtedly, we have many difficulties to face during 1952, all of which may not yet be apparent to us. Nevertheless, we have confidence in our products, our business is now widely spread over many parts of the world, and we have a magnificent team which thrives on difficulties. I may say on behalf of all of those in the Hoover organisation that we shall do our best.

LLOYDS BANK LIMITED

ANNUAL GENERAL MEETING

The ninety-fourth ordinary general meeting of Lloyds Bank Limited was held on February 15th at the Head Office, 71, Lombard Street, London, E.C.

In the unavoidable absence of the chairman, The Right Hon. Lord Balfour of Burleigh, D.C.L., D.L., Sir Jeremy Raisman, G.C.I.E., K.C.S.I., vice-chairman, presided.

Sir Jeremy Raisman spoke of the deep sense of loss which the whole nation felt at the death of his late Majesty the King and, after standing in silence as a mark of respect to his memory, the members present agreed that formal business only should be transacted.

The report and accounts were adopted.

TEACHER (DISTILLERS) LIMITED

CONTINUED WORLD DEMAND

The third annual general meeting of Teacher (Distillers) Limited was held on February 19th in Glasgow, Mr R. M. Teacher (the chairman) presiding.

The following is an extract from his circulated statement:—

At our meeting this time last year I stated that there was little hope of maintaining that year's high rate of profit and the accounts show the anticipated reduction from the record profit of the previous year. The trading profit for the year amounted to £609,384 as against £714,828 last year. After providing for taxation on profits, etc., the net profit for the group is £224,754. Taxation at £359,735 on the reduced profit is at a higher ratio owing to the higher rate of profits tax and income tax.

I must stress taxation, because it all shows how profits are so substantially eaten into by heavy taxation. The Scotch whisky trade, with its original millstone of excise duty, and now at the excessive figure of £10 10s. 10d. per proof gallon, is one of the most heavily taxed industries at the present time. Having borne this exceptional burden so long, when the time comes for some relaxation let us hope that it will be one of the first to get relief.

The home trade continues to be limited by quantity allocated, and while this quantity is readily sold, the excessive taxation, combined with steadily and steeply rising costs against reduced consumer spending power, has during the past year, greatly diminished the overwhelming demand of recent years.

Dollars continue to be the prime factor, and our exports of Highland Cream are being increased as much as possible to meet the Government's requirements within the limits of our stock position, and we remain in the top rank of dollar earners. At the same time, world demand for Scotch whisky continues, and some previously sterling areas are being brought in for preference.

Taken all over, our product holds its own in all markets, and we are, as I have said, exporting as much as possible within the limits of our stock position. You will see that these stocks are steadily increasing.

PROBLEM OF RISING COSTS

While the output from Ardmore Distillery shows an increase over last year, we are having to pay higher than ever prices for barley and, in fact, for all materials. Unlike other industries where the effect is immediate, we require to carry stock for such a long number of years before selling on the market that the present high costs, mainly due to inflationary conditions, do not have their full effect until such stock has been sold. It will be readily understood that while any fall in market values might result in a considerable loss, on the other hand an increase in proprietary brand prices, which is fully justified by conditions, would make Scotch whisky more of a luxury than ever. However, I can assure you that your board have acted, and will continue to act, on the conservative side.

Although the general position regarding supplies of wood for casks is still very difficult, our position in this respect has been much improved during the year under review.

Under present conditions and the uncertainties of the next few months, it is quite impossible to give any forecast of the future, but I can assure you that we will not spare any endeavour to maintain our present position.

The report was adopted.

BRITISH TIN INVESTMENT CORPORATION, LIMITED

INCREASED PROFIT

TIN PRICES: EFFECT OF AMERICAN ATTITUDE

MR ERNEST V. PEARCE ON THE OUTLOOK

The annual general meeting of the British Tin Investment Corporation, Limited, will be held on March 13th at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the chairman, Mr Ernest V. Pearce, A.Inst.M.M., circulated with the report and accounts:—

The profit for the year ended December 31, 1951, amounted to £577,767, an increase of £156,687 on that of the previous year. After making full provision for taxation there remains a balance of £300,194 which, with the balance brought forward from the 1950 accounts, makes available £388,530.

Deducting the interim dividend of 9 per cent., less tax, which absorbed £99,465, and was paid on August 18, 1951, there remains a balance of £289,065. Your directors recommend the payment of a final dividend of 18 per cent., less tax, and that the balance of £90,134 be carried forward. If these recommendations are approved by members at the forthcoming annual general meeting, warrants will be posted on March 13th.

UNQUOTED SECURITIES

There is, I think, only one item in the accounts on which I need comment—namely, the value, shown in the balance sheet, of "Securities not quoted." We have applied a portion of the profits we have realised on the sale of some of our investments in writing down this item. Members are aware that in the past we have been unable to place a value on an investment we have in a company having interests in Siam. We are still in that position, but thought it a wise precaution to take this action. We believe that this investment has considerable potential value but we realise that, notwithstanding the large amount of work which has already been done, much has yet to be accomplished before the particularly difficult metallurgical problem with which that company is faced is solved.

While the bulk of the corporation's investments consist of shares in tin mining companies, we have further implemented the policy of broadening our portfolio.

PRINCIPAL HOLDINGS

In order that members may have a clear picture of our investments we have segregated them and give below lists showing our principal investments in tin mining and miscellaneous mining companies.

TIN MINING COMPANIES

Amalgamated Tin Mines of Nigeria, Ltd.
Ayer Hitam Tin Dredging, Ltd.
Kamunting Tin Dredging, Ltd.
Larut Tin Fields, Ltd.
London Tin Corporation, Ltd.
Malayan Tin Dredging, Ltd.
Pengkalen, Ltd.
Petaling Tin, Ltd.
Rahman Hydraulic Tin, Ltd.
Rawang Tin Fields, Ltd.
Southern Kinta Consolidated, Ltd.
Southern Malayan Tin Dredging, Ltd.
Southern Tronoh Tin Dredging, Ltd.
Sungei Besi Mines, Ltd.
Sungei Way Dredging, Ltd.
Tekka Taiping, Ltd.
Tronoh Mines, Ltd.

MISCELLANEOUS MINING COMPANIES

Aluminium, Ltd.
Anglo-Newfoundland Development Company, Ltd.
Associated Manganese Mines of South Africa, Ltd.
British South Africa Company.
Consolidated African Selection Trust, Ltd.
Consolidated Mining and Smelting Company of Canada, Ltd.
Consolidated Zinc Corporation, Ltd.
De Beers Consolidated Mines, Ltd.
Hollinger Consolidated Gold Mines, Ltd.
Hudson Bay Mining and Smelting Company, Ltd.
Imperial Oil, Ltd.
International Nickel Company of Canada, Ltd.
Lake George Mining Corporation, Ltd.
Messina (Transvaal) Development Company, Ltd.
Mining Corporation of Canada, Ltd.
Mount Morgan, Ltd.
Nchanga Consolidated Copper Mines, Ltd.
Noranda Mines, Ltd.
Rhodesia Broken Hill Development Company, Ltd.
Rhodesian Selection Trust, Ltd.
San Francisco Mines of Mexico, Ltd.

TIN THE PREDOMINANT INTEREST

From these lists members will note that the board has varied its previous practice and set out the corporation's investments in greater detail. It should not, however, be assumed that all the shares now listed for the first time have been purchased during the financial year just ended. Here I would like, again, to mention that the predominant portion of the corporation's investments consists of shares in tin-mining companies.

During the year the War Damage Commission in Malaya has completed many of the assessments for claims for damage arising from the Japanese occupation and interim payments of 60 per cent. of the assessed awards have been paid. These awards have been or will be set off against advances which the companies have received for rehabilitation purposes.

PRICE MOVEMENTS

The average price of tin on the Singapore market during 1951 was £1,039, as compared with an average of £726 during 1950 and £597 during June, 1950, the month of the outbreak of the Korean war. Early in 1951 increased demand for tin by many countries, superimposed on American buying for their stockpile, was responsible for a rapid rise until, on February 14, 1951, the Singapore price was declared at £1,552—the highest price ever reached.

On March 6th of last year the government of the U.S.A. announced that no further purchases would be made for the stockpile; on March 12th all imports of tin into the U.S.A. by private dealers were prohibited and the Reconstruction Finance Corporation was appointed the sole importer. From this time the R.F.C. pursued an openly avowed policy of depressing the price by lowering the U.S.A. price in successive stages from £1,204—the price on March 30th—to £824 on August 1st. As a result the Singapore price reached the lowest price of the year—£793—on August 7th.

As showing the length to which the Reconstruction Finance Corporation were prepared to go in pursuance of their policy, they established a complete boycott of the Singapore market for some nine months of the year. The effect of this can be seen from the figures given below, which represent shipment of Straits tin to the U.S.A. during the years 1950 and 1951.

1950 ..... 44,590 long tons
1951 ..... 2,532 „ „

However, largely, I think, due to the widespread belief that sooner or later the U.S.A. would be compelled to resume purchases, the Singapore price rose substantially above the U.S.A. price of £824 during the remainder of the year.

ARRANGEMENT WITH U.S.A.

As a result of the recent visit of the Prime Minister to America it has been announced that in return for 1 million tons of steel an arrangement has been concluded, under which the United Kingdom has agreed to sell during 1952 20,000 tons of tin at the fixed price of £944 per ton f.o.b. Malayan or U.K. ports. The bulk of the 20,000 tons sold under the agreement will presumably be purchased in the Singapore market, and, judging from the present trend, at prices in excess of £944.

The agreement contains a provision that if during the period when the deliveries are to be made the U.S.A. Government agrees to pay any other supplier a price higher than U.S.$1.18 per pound (£944 per ton) f.o.b. port of shipment, an equivalent price will be paid to H.M. Government for any quantity which has not been declared as being available for shipment. It seems that H.M. Government will have to bear the difference, if any, between £944 per ton and the price at which they can obtain in the free markets such quantities as they must purchase in order to fulfil their obligations. Steel is so urgently required in this country that no one, I think, has cause for complaint at the terms of the agreement reached.

Production of tin in Malaya amounted during 1951 to 57,166 tons, compared with 57,537 tons in 1950. That production has been maintained at this level is proof, if any were required, of the loyalty, courage and devotion to duty shown by the men responsible for carrying out the day-to-day operations.

TIN: NO CAUSE FOR PESSIMISM

I regret to say that there seems to be no improvement in security conditions in Malaya since I addressed you last year. We have, however, the unequivocal declaration by H.M. Government that the British are not to be ousted from the country. Changes to be introduced in the administration as a result of the recent visit of the Secretary of State for the Colonies, Mr Oliver Lyttelton, will, it is believed, ultimately result in restoring order, but, as he pointed out, this will take time to achieve.

Short of a major political catastrophe, I see no cause of pessimism regarding the long-term outlook for tin for the following reasons:

(1) The fact that for the last 20 years prospecting in Malaya has been practically at a standstill and, as a consequence, it is unlikely that there will be any material increase in production there for some years.

(2) That the time will come, and it may not be far distant, when the severe restrictions imposed on the end uses of tin in the U.S.A. must be lifted.

WORK OF RESEARCH INSTITUTE

In conclusion, I wish to refer to the excellent work carried out during the last few years by the International Tin Research Institute in the laboratories at Greenford, Perivale, the funds for which are provided by producers in all the tin-producing countries.

After much patient and costly work the Institute has devised, among other things, two alloys which bid fair to absorb considerable tonnages of tin—they are a tin-nickel alloy and a tin-zinc alloy, both of which are today commercially established. These alloys represent an entirely new outlet for tin, and it is hoped that ultimately they will together absorb some 10-12,000 tons annually.

Research is essential if progress is to be achieved. It is expensive and results at times seem slow of attainment, but once attained they can be of inestimable value to industry. In order to widen the scope of its activities, the Tin Research Institute is appealing to all tin-producing countries to increase their annual contributions—some have already agreed—and it is hoped that at an early date agreement will be forthcoming from the remainder. I make no excuse for mentioning research in this statement, for I believe that it is of vital importance to the industry in which your corporation is so greatly interested.

RADIO RENTALS LIMITED

The fifteenth annual general meeting of Radio Rentals Limited was held on February 18th, in London, Mr H. F. Hunt (the chairman) presiding.

The following is an extract from his circulated statement:

I am sure you will consider the results achieved eminently satisfactory. The net profit of £157,434 represents an increase of £4,178. The volume of demand for our service was greater in total than we have ever previously experienced and television business is now a very important part of the company's business.

The balance sheet of the parent company reflects the consistently conservative financial policy which has been pursued ever since the company was incorporated. The free revenue reserves now exceed the issued capital by some £11,000, in addition to which there are capital reserves totalling £125,000. The investment in radio and television sets at £1,184,810, after making adequate provision for depreciation, compares with a figure of £847,480 in August, 1950.

To provide further working capital, it is proposed to make another share issue to ordinary shareholders of one ordinary share for every eight held at 10s. per share.

Progress has been very satisfactory since the end of the financial year under review, but it is difficult in these times to forecast future trading conditions. I am satisfied, however, that our company will continue to render the public an unrivalled and essential service in the provision of radio and television facilities.

The report and a resolution increasing the authorised capital of the company were adopted.

R. A. LISTER AND COMPANY, LIMITED

SATISFACTORY PROGRESS—INCREASED PROFIT

SIR PERCY LISTER'S REVIEW

The annual general meeting of R. A. Lister and Company, Limited, was held at Dursley on February 18th.

Sir Percy Lister, the chairman, who presided, said: Ladies and Gentlemen,—From the Consolidated Profit and Loss Account you will observe that the profit, before tax, is over £60,000 more than last year. This evidence of the continuity of satisfactory progress in a year in which there have been many abnormal difficulties is, I am sure, as much a source of gratification to you as it is to those of us concerned with the day to day problems of your Group of Companies. It should be noted, however, that the net profit, after taxation, due to the increase in the rate of Income Tax and Profits Tax, is over £8,000 less than last year, and this, despite a substantial increase in both the turnover and the gross profit.

BURDEN OF TAXATION

We all realise that as a result of the War and the difficulties which, politically and economically, have beset us since the termination of hostilities, and despite sacrifices already made by the Nation as a whole and the people individually, our new Government must of necessity impose fresh burdens upon us if its plans for the resuscitation of our National resources and the protection of our currency are to be successful.

Nevertheless, it cannot be over-emphasised that the current burden of taxation upon industry, if maintained, must impair its capital structure and undermine its efficiency, for not only does the Government today collect a very high percentage of the profits from industry, but it takes its share in cash despite the fact that in the vast majority of expanding businesses the profits are not in cash form, but almost invariably represented by increased book debts, stocks, work-in-progress and the like. The shareholder must leave a considerable percentage of his share of the profits in the business—a factor all too frequently overlooked.

You will observe that the amount set aside for depreciation of the fixed Assets has increased from £134,386 to £176,248 as a result of the purchase of additional plant and machinery.

INADEQUATE BASIS OF DEPRECIATION

Shareholders will realise that the historical cost basis of depreciation laid down by the Inland Revenue is entirely inadequate to provide the cash required to replace the plant and machinery at the current replacement values.

Turning to the Consolidated Balance Sheet, for some years past the Reserves have been shown under different headings, but the circumstances calling for the specific allocation of reserves in the past are no longer applicable, and we have deemed it desirable to group these under the two headings of General Reserve and Dividend Equalisation Reserve. We have allocated a further sum of £16,673 to General Reserve, bringing the total of these two Reserves up to £800,000, and leaving a Consolidated Profit and Loss balance to be carried forward of £524,776, an increase of £45,514.

DIVIDEND POLICY

But for the National importance of industry conforming to the appeal of the Chancellor to restrict dividends, coupled with, we believe, the necessity for conserving our liquid resources in view of the uncertain conditions which lie immediately ahead of us, we should like to have paid a higher dividend to our shareholders, many of whom enjoy no increased wage or income to offset the higher cost of living and taxation, but who have, nevertheless, provided us with the Ordinary Capital with which your enterprises have been so soundly built and operated.

If industry is to continue to obtain risk capital, then sooner or later those who provide it must be entitled to a fairer proportion of the profits earned.

The production capacity of your four main factories and their subfactories in England has only been limited by the labour and materials available to them.

During the year under review your Company has secured contracts for rearmament work, both from the United Kingdom and Canadian Governments, the latter contributing both to defence and dollars.

RECORD VOLUME OF BUSINESS AND ORDER BOOK

While there has been some deterioration of demand in some of the export markets, the worldwide nature of your Company's distributing organisation, coupled with the long and well-established reputation of the range of complementary products manufactured by your Group, I am happy to say, not only permits me to report on the record volume of business during the past year, but to advise you that we have a record Order Book.

Your Australian factory and Company continue to make progress and, whilst, since its formation, we have left the whole of the divisible profits of your Australian Company in that Company to take care of its steady development you will be pleased to note that their operations to date have exceeded our anticipations, and when the current capital controls permit, it is your Directors' intention to invite Australian financial participation in your Company's Australian activities.

The products of your Company are well established in many of the great basic industries of the World; they enjoy a high conversion value and contribute to valuable Dollar Returns or Savings.

The abnormal circumstances in regard to the supply of raw materials and bought-out components makes it fitting that I should express our thanks and appreciation to our suppliers, without whose co-operation we could not have accomplished these satisfactory results.

TRIBUTE TO DIRECTORS, STAFF AND EMPLOYEES

On your behalf, as well as on behalf of the Board, I should like once more to extend our thanks to the Directors, Staff and Employees in the service of the Lister Group of Companies in all parts of the World, through whose loyal co-operation and effort another record year has been achieved.

The report was adopted.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

SIR ROBERT

McALPINE

& SONS

Civil Engineering and
Building Contractors

Our experience enables us to offer exceptional facilities to Industrialists contemplating New Works or Extensions. Our organisation is at your service to assist with preliminary planning and to execute the work with speed and efficiency.

80 PARK LANE · LONDON · W.1

AREA OFFICES IN SOUTH WALES, MIDLANDS, TYNESIDE & SCOTLAND

MADRAS GOVERNMENT 52.

The Economist

Established 1843

March 1, 1952

164799

One Shilling

SECRETARIAT LIBRARY MADRAS GOVERNMENT

LEADING ARTICLES

Security Second - - - - - - 501
Lisbon Illusions - - - - - - 502
Commonwealth with Solvency - 504
University Development - - - 505
No Business in Moscow - - - 507

NOTES OF THE WEEK - - - 512
Folly; Delay; Malaise; Impudence; Unreality in Paris; A Guarantee for Europe?; Civil Spending; Defence Spending; Mr Hardie's Defenders; Preliminaries in Cairo; Trade with the Communists; Instalment Buying for German Defence; To Swell or to Hop; Victory for Commonsense; The Married on Marriage; Help Not Wanted; Pressure on Indonesia; The Commonwealth and Nato; Sir Hubert Henderson.

LETTERS TO THE EDITOR - - 520

BOOKS AND PUBLICATIONS - 520

AMERICAN SURVEY
Atomic Rivals—or Partners? - 524
Choosing the Candidates - - 525
Troop Dilemma; Relieving Industrial Distress; Civil Rights in the Cold War; "Free Riders" on the Railways; Labour on the Farm; Shorter Notes.

THE WORLD OVERSEAS
What is the European Army? 531
Soviet Farming Record; Renegades in Trade; Holland: From Disinflation to Unemployment; Parties and Politics in Italy; Stick and Carrot in Poland.

THE BUSINESS WORLD
Purchase Tax and Utility - - 541
Lower Prices for Used Cars? - 543

BUSINESS NOTES - - - - - - 545
Size of the Budget; Misleading Surpluses; Delays in Defence Output; Workers for Aircraft; Realism in Steel Prices; Mr Hardie Makes Way; Royal Commission on Taxation; More Uranium from South Africa; New Hopes for Coal Exports?; Recoil from the Australian Pound; Increased Fares; Pool Petrol to Stay; "Suspending" the TDR's; New Money for Films?; Confused Outlook for Copper; Freedom for Lead?; American Rubber Policy; Shorter Notes.

COMPANY NOTES - - - - - 555
STATISTICAL SUMMARY - - 557
COMPANY MEETINGS - - - 558

Vol. CLXII No. 5662
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Security Second

THERE are men in the Kremlin, and among the critics of Britain in Washington and Paris, who can calculate how much the British defence programme has been slowed down. There is no point in the British public putting on blinkers, as the Government's White Paper has encouraged it to do. The truth is that a large part of the rearmament that this country undertook last year is now unlikely to show practical results until 1955. It is then, not next year or in 1954, that the aircraft and guns so bravely planned twelve months ago may be an effective deterrent to aggression. That is the plain meaning of last week's statement on defence policy.

Thanks to Mr Bevan's friends, the controversy about defence has run too hotly in the past for the House of Commons to put party emotions aside in its debate next Wednesday. But at least the emotions should not be allowed to exclude a frank appraisal. The essential facts can be simply summarised. In 1950 Britain's expenditure on defence was running at a little under £800 million a year. The Labour Government decided to double this effort for the following three years. The famous £4,700 million programme therefore covered two things. There was about £2,400 million which would in any event have been spent on defence in 1951-54, unless the world had suddenly become safer than it looked before June, 1950. And, on top of this continuing expenditure, there was £2,300 million representing (if the plan worked) a once-for-all effort. This, it was hoped, was the cost of catching up with the perils of an insecure world. Whatever may have been true of the United States, the British programme was certainly not too big, in terms of the divisions and the fighter aircraft for the defence of this country that it was to have produced by 1954. This £2,300 million, not the total £4,700 million, was the true measure of rearmament, of the new strain that Mr Attlee's Government—including, for three months afterwards, Mr Bevan—thought the economy could sustain.

The strain has proved to be too much. The new Government has reconciled itself to carrying out rearmament at less than two-thirds of the pace that was set. Roughly, the original plan was to spend an extra £500 million last year, £800 million this year, and £1,000 million in the third year. The money figures are now, of course, distorted by the rise in prices. But if this is allowed for, it appears that of the £2,300 million of true rearmament expenditure, £300 million has been spent in the first year and another £500 million is now budgeted for the second year. There is no guarantee yet that the revised timetable will be observed any better than the original. But if it is observed, one third of the planned expenditure, in real terms, will be made in the first two years of the programme; almost two-thirds—equivalent to £1,500 million at 1950 prices—will remain to be done, on top of the basic £800 million a year, in what should have been the one remaining year. So sharp an acceleration will certainly be quite out of the question.

Roughly speaking, the speed of rearmament has been cut from 30 miles per hour to less than 20 miles per hour; on the present showing, the journey will take over twelve months longer than was intended. That sharply alters the whole basis of the programme. The need it was designed to meet was to make the greatest possible increase in strength quickly: it was to be a sharp heave, not a long pull. A big defence programme stretching into an undefined future is no consolation whatever for doing too little now ; on the contrary, it may be positively dangerous.

The slowing down of the current programme has now to be accepted as unavoidable—in part, at least, and for this year. The defence programme was practicable when it was begun. It demanded one quarter of the effort that this country devoted to defence in wartime. Plainly that was possible, without causing external bankruptcy, if there was enough determination to give up other things for the sake of security ; the sacrifices did not have to be large. What was always plainly impossible—as others beside Mr Bevan foresaw—was to carry out the defence programme if it was imposed on the economy as an additional demand on top of everything else, without any cuts to make room for it. Mr Bevan concluded that there should be no defence, and others that there should be cuts. But the last government tried to do the impossible, to provide defence without tears. There have been no sacrifices. It is the result of that which was inevitable. The three-year programme was not born dead, but it was killed soon after birth. And Mr Bevan's part was not the innocent one of the clever doctor who detected the death. His contribution was not to see that the programme was impracticable ; it was to say that defence—with tears—was unnecessary, and therefore to foster the political mood in which Mr Attlee's Government shrank from the economic policies that defence demanded, in which it went on willing the end but not the means.

This is the cause of the failure. It is not, as is so widely supposed, that the economic conditions pressing on this country have become more unfavourable. The British balance of payments was smashed by the rise in import prices that occurred in the winter of 1950. The terms of trade are now no more unfavourable than they were when the defence programme was begun. What was then not foreseen was that exports would expand so little and entirely fail to match the increase in import costs. And that is the other fruit of an inadequate economic policy, of the refusal to check inflation in the only possible way, by cutting consumption.

If defence policy is now to be put on a sounder basis, it is essential to destroy the comfortable belief that the programme has been slowed down in face of some economic necessity over which this country had no control. It is the economic consequences of past political decisions that have to be accepted as inevitable. The gap in Britain's overseas accounts has been allowed to grow until the point of collapse is close. Everything possible has to be thrown immediately into the gap at all costs. The exports that can be increased quickly are those of the engineering industries which also serve defence. And therefore, as an immediate expedient, rearmament must be cut for the sake of exports. There is no choice. A bankrupt Britain, a Britain unable to buy raw materials or to preserve sterling as an international currency, cannot be safe or contribute to the safety of others. When the need is so pressing, economic solvency must rank before military security.

But this is to put security second. It has become necessary because until now consumption, not solvency, has been put first ; the standard of living that the British people had achieved by 1950 has been treated as an inviolable right which could not be sacrificed to the requirements either of solvency in a harder world or of security in a more dangerous world. The consequences are that Britain is near insolvency and is making itself a little more secure only with painful slowness. The achievement is still, indeed, nothing to be ashamed of by comparison with most European countries. But both Government and Opposition recognise, if in rather different ways, that this country has duties of leadership second only to those of the United States. It must in the first place make itself solvent, but it must also try very soon to do more to make itself secure.

This is the spirit that should inform next week's debate. It requires on both sides of the House of Commons a frank recognition of an unpalatable situation and of its causes. It requires, even more, a common faith in the good sense of the British people, a belief that if the need for harsh and unpopular measures is honestly stated people will at least suspend judgment and see how the measures work out in practice. Whether the politicians can at this late stage summon up such courage may be doubted ; but it is greater security next year, as well as solvency this year, that depend on it.

Lisbon Illusions

IT is a pity that Nato nowadays puts so much into the shop-window without stating either the price or the quality of what it offers. During the Lisbon meeting of its Council that ended this week statements were made to the press which were as woolly as the speeches of Gladstone's declining years. Round figures, flat assertions, and high aspirations tumbled into print together, and it will need some plain speaking by Mr Eden if the House of Commons is to get a clear and firm picture of the state of North Atlantic defence. It is right that a certain secrecy should surround Nato's diplomatic and military discussions, and that this should be proof even against the appalling inquisitiveness of Congress. But to counterbalance this secrecy by talking airily of fifty divisions this year and 100 in 1954, by giving the impression that the German defence contribution has been settled when it clearly has not, and by pretending that Franco-German difficulties over a European Defence Community are not so serious after all, is a dishonest practice. It will not frighten the Russians but it may well lull the Europeans. It is all very well to build up the prestige of Nato in American eyes ; but if it is based on illusions there will be bitter disappointment one day.

The record of success is enough to need no gilding. Differences between the military and the civilian advisers which sharply divided the Ottawa conference in September have now been largely overcome. What can be done to ensure Europe's defence without too great an economic strain is now seen much more clearly than before. How to cut the frills of military expenditure and to make supply organisation more effective has been shown by General McNarney and his committee. The lesson taught by the appointment of the three wise men seems to have been learnt. Nato will henceforth supervise the military and economic effects of the defence policies of member governments and each year their capacity and progress will be reviewed by an international body. The main defence tasks of Nato can now be pursued on a basis of "firm goals for 1952, provisional goals for 1953 and, for 1954, goals to be used for planning purposes." This is the beginning of a new political and economic authority for the Council and its organs.

How it is exercised will depend on the powers assumed by the permanent headquarters that are to be set up in Paris with a secretary-general of distinction. Gone are the days when deputies of twelve foreign ministers sat in council, unable to vote or make recommendations as a body, able only to report views to their governments. Their places will be taken by national representatives with a status somewhere between that of a wartime Minister of State and a permanent official. This should mean that the council itself, which will continue to meet at regular intervals, will take only the most important decisions and the speed of Nato's business should be considerably increased.

It is in many ways a pity that this new start is to be made in Paris and not in London. Granted that for many governments it is difficult to find enough officials to meet the demands of Nato, the future European Defence Community and the OEEC, and that Paris offers a pleasanter life than London ; granted, too, that the sight of the Americans, British and Canadians firmly anchored to the Continent will reassure Europeans about their future ; the fact remains that some—but not all—European members of Nato cherish the secret hope that they will one day be strong enough to create a third force that could stand aside from the Soviet-American rivalry. They will not have the vital interest in developing the Atlantic community that Britain and Canada have, and the atmosphere of Paris may prove less invigorating for that idea than that of London could have been. But this decision has to be loyally accepted, with perhaps a reminder to allies that Britain's military contribution to the common defence is and will remain for some time far and away the greatest next to the American—three armoured divisions out of four and 1,400 aircraft out of 5,000 represents a very great peacetime effort.

★

On the broader aspects of an Atlantic policy the right things were said at Lisbon but it remains the job of national governments, and national governments alone, to do them. There was talk of a master plan to promote economic expansion and prevent inflation ; to increase raw materials production and control their use ; to share equally the burden of rearmament and to fix clear priorities for the distribution of military equipment by members. These things have been said before, but very little has been done about them that would not have been done without the exhortations of Nato. It is as well to realise that the idea of the "Atlantic community," frequently mentioned by Mr Acheson and Mr Eden, remains in the air, without any government—save perhaps the Canadian—showing a strong wish to define it more clearly. It can be argued that the community in fact exists already in the immense effort of planning and consultation that has already been made ; but it falls a long way short of the Lisbon declaration that

> members of the Council look forward to the time when the main energies of their work can be less concentrated on defence and more fully devoted to co-operation in other fields for the well-being of their peoples and for the advancement of human progress.

In this context a note of optimism was needed. Where it is dangerous and misleading is in connection with the European Defence Community. It is claimed that the relationship between the twelve members of the Atlantic Council and the six members of the defence community—all, except Western Germany, members of Nato—has been settled satisfactorily. This appears to mean that Western Germany, which has reserved its right to claim full membership of Nato, will be admitted to consultation with it, a compromise which is hardly likely to satisfy the Germans for long. It may mean, too, that the pledges to mutual defence exchanged between members of Nato will also be exchanged between the community and Nato, so giving the Germans both obligations to the larger body and guarantees from it. That is all well and good. What is alarming is the assumption or pretence that the treaty forming the defence community can be got past the French Assembly and the German Bundestag, both of which have laid down directly conflicting conditions for supporting M. Schuman and Dr Adenauer.

★

Both Ministers are said to believe they can get a vote for ratification if they are not rushed. It is said, too, that they have obtained from Mr Eden undertakings to consider how the European Defence Community can be held together by some guarantee like that given in the Locarno Treaty twenty-seven years ago. The calculation appears to be that if closer relationship between Britain and the community were possible, then many French objections to German claims and aspirations would fall away, so making easier Dr Adenauer's task before the Bundestag. If that is so, the sooner British—and American—public opinion get to grips with the problem the better. In simple terms it is this: Is the defence community to be built round a rearmed Germany so important to the future of Atlantic defence that British policy should do everything in its power to save it? And if so, what, if anything, could the Americans do to help?

It is only by seeking an answer to these questions, and by realising that the Lisbon conference did not find it, that the limits of what was achieved there can be properly understood. A European defence treaty there will certainly be, probably within two months ; but until it is ratified German recruitment cannot even begin. And ratification is unlikely, at best, for six months. In short, the question of how many limitations on German freedom will be accepted by the Germans and how few will be accepted by the French is still unsettled. And even if it can be settled it is not certain that the Germans will rearm. So long as this remains the situation, Nato's published estimates of divisions, production, burden-sharing—and even of the defence strategy itself—remain provisional and misleading.

INDEX

The Index to Volume CLXI of *The Economist* (July to December, 1951) is now ready. Copies, price 2/6 post free, may be obtained from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1

Commonwealth with Solvency

AN interesting debate was initiated in the House of Commons on Friday of last week by a private member's motion which called, among other things, for "the closer co-operation and co-ordinated development of the Commonwealth and sterling area" and resisted "any attempt to make permanent any commitments which are designed to weaken imperial preference or other Commonwealth ties." It still requires quite an effort not to be surprised at the discovery that it was a Labour back-bencher, Mr Richard Adams, who, having been lucky in the ballot, chose this as the motion he wished to propose. The debate was somewhat diffuse; but it served what was presumably its main purpose: it demonstrated very effectively that there is nowadays an active unanimity of attachment, on both sides of the House, to the reality of the Commonwealth.

Very few people in this country will wish to disturb this unanimity. That is certainly not the purpose of these comments. It may nevertheless be of service to point out that some of the strands of thought that make up the attachment of contemporary public opinion to the Commonwealth and the sterling area are somewhat lacking in logic and perhaps even dangerously close to illusions. It is surprising, for instance, to discover how many people still regard it as practical politics to propose formal, and even mechanical, organs of Commonwealth government. The old idea of a federation did not come up in last week's debate, but its economic counterpart, the customs union, did. As Mr Gordon-Walker said, "even if one wanted it, it is a non-starter and we all know there are a lot of countries in the Commonwealth which will not look at it"—though he did not give the main reason, which is not so much the protectionist policies of some Commonwealth governments as the heavy dependence of nearly all of them on customs revenue.

The latest form of this familiar train of thought is the desire to have "a common economic and financial plan for the Commonwealth." This is Mr Adams's version of what he wants:

> There must be this common policy. There must be the controls necessary to ensure the stability of the area as a whole. There must be a survey of production and needs. . . . Having worked out our surpluses and deficits, having planned the resources of the Commonwealth to meet our needs, we must make contracts with the rest of the world, to ensure that our deficits are supplied and that our surpluses are made available to the other countries of the world.

Many people will think this is an appalling prospect. Even more people will be sure that any such plan would break down through sheer errors of estimation. Fortunately it is not necessary to argue either point, because the whole idea is, in Mr Gordon-Walker's term, a non-starter, and for the same reason as the political federation and the customs union: the countries of the Commonwealth would not look at it. It is very strange to observe how many of the best friends of the Commonwealth fail to see that its chief appeal to its smaller members lies in the freedom it guarantees—and that means, in the first place, freedom from direction by its larger members. Very few indeed of the members of the Commonwealth who have gained control over their own economic affairs—and that includes nowadays a lengthening list of crown colonies as well as the dominions—would surrender that freedom to a joint planning body. One may hazard a guess that the Labour Party would itself be very reluctant to do so; it is very much less pleasant to be planned against than to do the planning. It is not along such lines, but by means of bargains freely entered into and accepted as being of mutual advantage that a policy of Commonwealth development can be worked out.

*

The second and much more dangerous fallacy that appears to underlie much of the current enthusiasm for the sterling area is the belief that it offers to the people of the United Kingdom some means of avoiding the cold and cruel necessity of paying their way in a competitive world. Mr Adams made it clear last Friday that this was in his mind. He had no confidence, he said, in the measures hitherto taken to meet the economic problem of this island; "If we continue each time to take the same measures, which are to cut imports and attempt to expand exports, our standard of living in this island will steadily decline"; and the wide open spaces of Commonwealth development were offered as an avenue of escape from this cramping obligation to meet payments by receipts. The same general idea seemed to lie at the root of much of the advocacy of discrimination and of the attack upon GATT. If only the importunate non-British world could be held at bay—except of course for the grants and loans it should accept an obligation to provide—and the resources of the Commonwealth could be mobilised, how much more comfortable life would be.

It is true, as has often been contended in *The Economist,* that some degree of discrimination in trade will be necessary for as far ahead as can be seen. The sterling area and the other soft-currency countries are very unlikely at any time to be so adequately supplied with dollars and other hard currencies that they will be able to afford to trade quite so freely with those countries as among themselves. They will have, so to speak, to pay cash for their dollar purchases, whereas the rest can be left on account. For this reason, it has always been held in these columns that blanket promises not to discriminate are best avoided. But the limits of a policy of discrimination have also always been insisted upon. There are close limits to the extent that dollar-earning colonies can be forced by currency arrangements to buy British manufactures unless they are at least nearly the equal in price and quality of what can be obtained from elsewhere. Only to a very small extent does discrimination absolve the United Kingdom from the necessity to be competitive and to balance its accounts. It is certainly not a magic incantation by which the British people can afford to let the world go hang and retreat to cultivate their own garden. It is not their garden; it is Mr Nkrumah's and Mr Azikiwe's.

The sterling area is basically held together by two calculations of mutual interest. The other members are attached to the United Kingdom by the market that it provides for their exports and by the capital that it provides for their development. At the moment (though it may not always be so) it is the latter that most agitates the members of the area other than this country. To keep the sterling area together, it is not enough for the United Kingdom to offer markets, which it can do; it must also offer capital. Can it do so? If it cannot, then the sterling area will fall into decay. Its members will turn to the United States for their capital needs, and though there is no reason on the British side why there should not be a steady flow of American investment into the sterling area, if that flow becomes larger than the flow from London the sterling area will fall to pieces. It may not be true any longer that trade follows the flag. But it is certain that trade follows the loan. Those who advocate the development of the sterling area must work for a large and steady flow of capital from the United Kingdom to the rest of the area.

Most of them, to do them justice, recognise this. But very few of them appear to realise what this commits them to. The United Kingdom, though it runs a deficit of payments with the non-British world, is steadily in surplus with the rest of the sterling area. In 1949, for example, which was neither a very good nor a very bad year, this surplus amounted to £273 million. It is tempting to assume—and it is almost universally assumed—that at least this sum can safely be lent back to the sterling area countries for their development needs. But this is not so. For the United Kingdom's deficit with the non-sterling world—which amounted in 1949 to £252 million—has to be financed. Normally, the rest of the area has a net earning of dollars and other currencies which the United Kingdom can use to cover its own deficit; that is the theory of the sterling area. But these dollars are not given to the United Kingdom by the dominions or even by the colonies; they are sold. Part of the United Kingdom's sterling surplus is needed to buy these dollars. It is only the excess—the amount by which the United Kingdom's surplus in trade with sterling countries exceeds its deficit with other countries, or in other words the surplus (if any) in its balance of payments taken as a whole—that can safely be lent overseas. If more than this is lent (and in two of the last four years the figure has been negative) the penalty is either a draft on the gold reserves or an increase in the sterling balances, of which the one is only slightly more dangerous and undesirable than the other.

Wherever the logical analysis begins, it ends at the same place. It is only if the United Kingdom, taken by itself, is self-supporting—indeed, more than self-supporting—that the sterling area will hold together. The new conception of a Commonwealth of free peoples is as inspiring and as full of hope in its economic aspects as in the political. But so far from offering to the people of the United Kingdom any means of escape from the very painful necessity of paying their way in the world, regardless of what happens in so doing to their standard of living, it provides a new incentive and a new compulsion for them to suceed in that task. Commonwealth is no substitute for solvency.

University Development

MANY people who are convinced of the necessity of retrenchment nevertheless feel uneasy about its application to education, which is so obviously a nation-building branch of government expenditure. It is good news, therefore, that it has been found possible to make grants to the universities during the next quinquennium that will be at least large enough to maintain the present level of their activities and to consolidate the expansion that has taken place. The Chancellor of the Exchequer has announced that the total recurrent grant, which is £16.6 million in the present year, will be increased to £20 million in 1952-53, and will thereafter rise by between £1,000,000 and £1,500,000 each year to £25 million in 1956-57.

The extra £3,400,000 to be distributed in the coming financial year will certainly leave little or nothing over for further development. Rising costs have made it very difficult for the universities to meet their commitments on the grants that were settled five years ago, and even without a further rise in prices their liabilities are increasing. The main reason for this is the uneven age distribution of the teaching staff. In the rapid expansion that took place after the war young people were recruited to the teaching staffs; in 1947 the University Grants Committee estimated that over half of all university teachers were under thirty-five. The increments due to them as they get older therefore involve a heavy addition to university costs. Mr Butler hopes, however, that after the first year or two of the quinquennium, the grants would be enough to finance some further development, particularly in the fields of science and technology. Whether any such margin will in fact emerge depends, of course, on whether Mr Butler succeeds in halting the steady rise in costs. Once settled, the recurrent grants are not normally adjusted to changes in their real value (though within the last quinquennium additional grants were given mainly to finance increases in academic salaries. This rigidity has its dangers, particularly in times like the present. It is the price the universities have to pay for being given, unlike all other institutions dependent on public funds, five years' notice of the money available, so that they may lay their plans accordingly. Even if prices remain fairly stable during the next quinquennium, it is clear that the rapid postwar expansion of the universities has now been brought to an end.

*

This is as it should be, for the need of the moment is consolidation. The number of students is now 70 per cent higher than it was before the war, and if the expansion were to continue at the same pace, the universities would be in danger of outgrowing their strength. They have done what was required of them by the various committees set up after the war to study the need for graduates. Against the target of 90,000 university students, they had reported themselves able to accommodate 88,000; but that estimate was made in the hope of more new building than has actually been done, and the figure at present stands at 85,000. They accepted the guidance of the University Grants Committee about the directions in which this expansion should take place. They were able to achieve by 1947 the doubling of the number of students in science and technology, a target which the Barlow Committee on Scientific Manpower had set for roughly 1956. The University Grants Committee has been able to make some additional grants, over and above the block grants, for the development of these faculties. It has also made earmarked grants for specified

purposes. The largest has been devoted to medical education, which has benefited on a scale rising from £1,840,300 in 1947-48 to £3,198,000 in 1951-52. But in accordance with the recommendations of the Goodenough Committee—which in 1944 could not have foreseen the extent of the demand that the national health service would create—there has been only a small increase in the number of medical students; at some 14,000 it is only 500 greater than before the war. The

FULL-TIME STUDENTS AND ACADEMIC STAFFS IN BRITISH UNIVERSITIES

	1938-39		1950-51	
University	Students	Staff	Students	Staff
Birmingham	1,433	159	3,306	423
Bristol	1,005	157	2,515	344
Cambridge	5,931	†	7,891	†
Durham	1,709	179	4,331	477
Exeter*	422	55	942	113
Hull*	162	†	917	128
Leeds	1,757	249	3,245	501
Leicester*	82	†	730	80
Liverpool	2,055	190	3,297	350
London	13,191	1,057	18,412	2,311
Manchester	2,108	206	4,318	493
Manchester College of Technology	354	82	800	125
North Staffordshire*	—	—	157	19
Nottingham	582	81	2,112	252
Oxford	5,023	†	7,207	†
Reading	584	130	1,029	133
Sheffield	767	127	2,024	250
Southampton*	268	58	947	117
Wales	2,779	371	5,133	547
Aberdeen	1,211	109	1,956	239
Edinburgh	3,205	185	5,327	440
Glasgow	4,175	211	5,586	456
Glasgow Royal Technical College	515	104	1,235	190
St. Andrews	928	109	1,897	245
Total, Great Britain	**50,246**	**3,819**	**85,314**	**8,233**

* University College. † Not available.

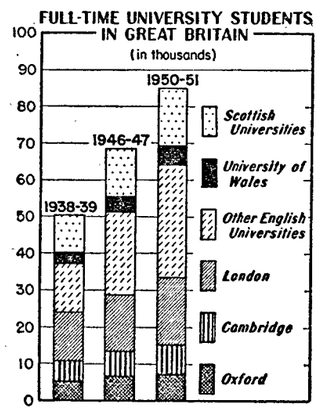
earmarked grant has been used to reorganise and reform medical education, in particular by establishing 55 new full-time chairs in clinical subjects. But one of the main recommendations of the Goodenough Committee—that the medical curriculum should be simplified and co-ordinated—has yet to be carried out.

Smaller earmarked grants, now running at between £250,000 and £400,000, have been used to make provision for dental, agricultural and veterinary schools, and for the social sciences. Entry to the dental schools, however at 600 a year, is well below the target of 900 set by the Teviot Committee and is quite inadequate. Still smaller grants have been devoted to oriental languages and to the establishment of university Institutes of Education, to organise the training of teachers. In none of these projects, however, have university authorities been obliged to undertake something against their wishes; applications for the grants have always exceeded the amounts available. Nevertheless, the University Grants Committee is opposed to retaining the system of earmarked grants permanently, for while the system does not interfere with the universities' freedom, it limits their ability to choose for themselves the proper balance of the various faculties.

The arts faculties have achieved their expansion without the help of an earmarked grant. A big expansion was desired, however, in order to make up the wartime deficit and to provide new manpower for the expanding needs of such professions as teaching and the civil service. The number of arts students has increased by 57 per cent as compared with before the war. The proportion to the total has fallen, but it is still over two-fifths of all university students. No committee has considered the future need for arts graduates, and this would be very difficult to assess. But it seems clear that this expansion has gone far enough for the present, at least until arts graduates are more willing to enter industry and until industry is more willing to employ them.

It would be surprising if so great and rapid an expansion had been achieved without some impairment of standards. Fortunately, this has not affected the ratio of teachers to students, which, on the contrary, has improved from 1:10 in 1938-39 to nearly 1:9 in 1950-51. (Oxford and Cambridge are not included in these figures, and if they were would no doubt improve the ratio still further.) Part of the improvement has been due to the introduction of new subjects for study. This is very important not only for the student, but also as the University Grants Committee points out in its report on the quinquennium,* because it should leave the teaching staff more time to conduct the research which is one of the chief functions of the universities.

The deterioration has been mainly in standards of accommodation. The 35,000 extra students have been packed in with very little new building. Oxford and Cambridge have been in the perhaps fortunate position of not being able to accommodate many more, and they have expanded by only 44 and 33 per cent respectively. London's expansion was limited by bomb damage and has amounted to only 40 per cent. But the eight English civic universities have increased their numbers by 123 per cent, the University of Wales by 85 per cent and the Scottish universities by 60 per cent. Most of these universities are in crowded parts of industrial towns, and have had to take over whatever makeshift accommodation was available in the neighbourhood. Two of them —Birmingham and Reading—are moving, or completing a move, to sites outside the towns. The University Grants Committee has been able, since the war, to help by distributing capital grants for building, acquiring sites and providing new equipment; and these capital grants have totalled £19 million in the first four years of the quinquennium which ends on March 31st next. But the need was estimated in 1947 at £50 million, without allowing for the rise in building costs that has taken place since then. There has been very little building of new residential accommodation, but altogether some 7,000 more places for resident students have been provided, by one means or another, since 1939; and the proportion of resident students to the total, at about 23 per cent, is only slightly lower than before the war. Most educationists are agreed that a period of residence is a valuable part of university



* University Development. Interim Report on the Years 1947 to 1951. Cmd. 8473. 1s.

life, and it is important that the future development of the universities should make provision of this kind. But it is obvious that little can be done during the next quinquennium. The capital grants, as distinct from the recurrent grants, are announced annually, and the figure for the first year is £5 million, compared with some £7 million in the current year. In present circumstances, it was not to be expected that these grants could continue in the first years of the new quinquennium even on the scale of the previous five years.

★

Much, therefore, needs to be done to consolidate the expansion that has already taken place, and it will be some years before there can be any question of increasing the university population still further. This is no tragedy, for the universities are on the whole confident that no one who could benefit from a university education is now being turned away. It is true that applications for university places, especially in the fields of science and technology, exceed the places available. But the University Grants Committee, on the evidence given to it by university authorities, believes that a continued expansion could only lower academic standards. It does not, however, believe that they have been lowered already by the influx that has already taken place.

It is certainly the right policy to refuse to sacrifice the quality to the quantity of university education. As the Committee of Vice Chancellors and Principals has observed, "academic standards once lowered are not retrievable, and Gresham's Law applies to them"—which is acceptable as a sentiment, despite its obvious misapplication of Gresham's Law. On the other hand, even after the expansion that has taken place, the proportion of university graduates in the working population remains lower in Britain than in many other countries. On the very highest levels of intellectual accomplishment, Britain need not fear comparison with any other country, either in science or the arts. But there is a weakness in what might be called the higher literacy—that is, in the proportion of young men and women who carry their studies or training to a level which, if it is below what is acceptable in this country for an honours degree, is nevertheless well above that to be gained from a secondary education alone. There is no doubt, for example, that the United States benefits greatly—especially, but not exclusively, in the scientific and technical field—from its ample supply of graduates, although the academic standards of its universities are on the average considerably lower than that of British universities. No one would wish the British universities to lower their standards; but there is undoubtedly a need for more educational opportunities at a standard somewhere between those of school leaving and university degree. Now that the postwar programme of university expansion has been largely achieved and a period of consolidation has set in, it is towards the filling of this gap that attention should be directed. It may be true that, in a nation of 50 million, the universities should not for the present be expected to accept more than about 30,000 entrants a year. It is emphatically not true that enough is yet done to equip the remainder either to realise their capacities or to serve the community. When resources are once more available, it is to this that educational policy should turn.

No Business in Moscow

NOT very much has yet appeared in print in the western countries about the international economic conference that is to be held in Moscow in six weeks' time. But plenty will be heard about it when the time comes—at least as much as was heard of the "intellectuals'" conference at Breslau in 1948 or of the youth rally at Berlin last summer. And many of the businessmen and economists in Britain and other western countries who have received invitations to attend—by no means all of them of left-wing sympathies—have been sorely perplexed for some time past in the attempt to make up their minds whether to go or not.

What has perplexed them and made them hesitate is the conviction, which is very widely shared, that the cold war cannot go on for ever. Either it ends in total war, or else it ends in an agreement to live and let live. No self-respecting non-communist businessman or economist will, of course, lend himself to Soviet propaganda; but equally he will be loth to turn down too hastily an invitation that might conceivably be the first step in a genuine attempt of reconciliation. This particular invitation certainly looks as if pains have been taken to meet the more obvious fears. The visitors from western countries, it appears, are not to be referred to, even in the Soviet press, as "bourgeois" or "capitalists" but as "representatives of economic spheres." To give at least the appearance of fair play, it has been ruled that "the conference will avoid any discussion of the respective advantages of different economic and social systems."

It is a picture that, if genuine, has a real appeal to men of good will all over the world, who have no sympathy with Communism but are appalled at the prospect of atomic war. A genuine conference might indeed perform a miracle. It might bring together businessmen, trade unionists and economists from all nations, freely chosen by representative organisations, freely granted visas to enter the Soviet Union regardless of their political views. They might discuss how world trade could be increased so as to develop resources and raise standards of living everywhere. Americans and British might explain how Communist policy has reduced east-west trade; and Russians and Chinese might explain how the American Battle Act has done the same. Such an exchange of home truths before the shrine of Stalinism would be a miracle worth risking several western businessmen's reputations to achieve.

The question is whether this is what the organisers of the conference want—or even if they did not originally want it, whether they have any intention of allowing it to happen. The evidence strongly suggests that they have nothing of the sort in mind; propaganda, and nothing but propaganda, is the intention. Those who are thinking of going should be invited to reflect on the

origin of the idea of this conference ; on the light that the current output of Soviet propaganda sheds upon its purpose ; and on the position in which they are likely (to judge from the evidence of past international conferences under similar sponsorship) to find themselves if they do go to Moscow.

As for the origin of the conference, it dates back to a proposal for an economic conference which was first made at the Berlin congress of the World Peace Council in February, 1951, as one of a series of frankly subversive instructions to the "partisans of peace." Since then the Communist demand for increased east-west trade has been built up as part of the campaign against western rearmament and American policy generally. There are arguments for everyone. Western Germany is told it must be free to trade with the East if it is to find markets. Britain and France are told that the Germans will win markets from them unless the Ruhr can sell to Asia and Eastern Europe. The Japanese are told they must trade with Communist China ; and the British are told that, unless this trade is resumed, the Japanese will compete heavily with them. American policy, it is said, drives the West towards lower standards, while Soviet policy aims only at higher living standards for everyone. If rearmament could be stopped, then the under-developed countries could thrive on the output of the West's heavy industries.

This is perfectly good economic sense—if it is meant sincerely. But even if the hypothesis be accepted for the moment that the Russians are genuinely seeking a basis for reconciliation and understanding, is it not very innocent to suppose that they would start with the field of economic policy, which would involve them at once in compromises on the central doctrines of their faith? Can they conceivably be in earnest when they paint a picture of under-developed countries being peacefully assisted by the heavy industries of the capitalist West, when it is the central doctrine of Marxism that such a thing is an impossibility? Such a conception of the purpose of this conference simply does not fit in with the rest of the evidence. On the other hand the alternative explanation of why it has been called—in the hope of driving wedges between the Americans and their allies by the repetition of simple ideas and attractive half truths, and thus to give the Soviet Union a military advantage by disrupting the West's attempt to make itself secure—fits in only too well. The intellectuals, youth, scientific and literary leaders, even the musicians have been called upon to play their part (sometimes unwittingly) in this campaign. Now it is the businessmen's turn. In November the general council of the World Federation of Trade Unions asked for "united working-class action in the struggle for improved living standards and against the economic and social consequences of war preparations." That is for the workers of the world. For the middle-classes the slogan has yet to be coined—by the Moscow conference. For the Communist agitation among the workers needs the support of a crypto-communist campaign among businessmen.

There may be some businessmen whose eyes are fully open to the purpose for which the conference has been called but who still feel tempted to go in order to provide an opposition within the conference and to insist on making anti-Communist speeches in Moscow itself. They should reflect on the position in which they will find themselves. The western delegations will not be representative. Most of those who go to Moscow will represent nobody but themselves. They have been invited by self-appointed "national preparatory commissions." In short, the Communists and their friends have not only chosen the whole of the eastern delegations they have also at least negatively chosen the western delegations too—they have decided who shall not be invited. The conference will, it is claimed, accept recommendations of working groups but its members will not be bound by the resolutions passed. What they will be is a foregone conclusion: less rearmament, more east-west trade, and co-operation between businessmen whose governments refuse to co-operate. Clearly the ayes will have it. Communist committee-work is very efficient. The contest, if there is any opposition, will be a match between gentlemen and players which the professionals will win easily and quickly. Any businessman who goes to Moscow in the belief that he will be able to strike an effective blow for anything that he believes in and the Communists do not is simply inviting the "Agitprop" experts to make a monkey of him—unless, indeed, he has very long experience of the methods of arranging committees and engineering expressions of opinion, and even then he will find that he cannot so much as carry his own countrymen with him.

*

Is the door, then, to be slammed? Is there to be no response from the West to any Russian initiative? Is the chance that it might be genuine to be rejected because it may also be spurious? Is western business never to try to come to terms with the Soviets? Is the dream of living and letting live to be abandoned?

By no means. It is possible to imagine an east-west economic conference serving a really useful purpose. But, if it is to do so, two sets of conditions need to be observed. The first relates to timing. The present moment, with Western Europe in renewed dependence on American aid, with a presidential campaign beginning and with the war in the Far East hanging as an imminent threat over the harmony of the western alliance, is not the time when any man of good will should take any action which, however undeservedly, will certainly be used as evidence by the enemies of western unity, whether they be Communist propagandists, Bevanites or Republican isolationists. The time is not yet ; and if the shoe of the cold war is beginning to pinch east of the iron curtain, a year's delay will certainly increase the chance of reason and moderation being found in the eastern delegations.

Secondly, if there is to be such a conference it must be sponsored and held in such a way as to preclude the chances of propaganda. The invitations should be issued jointly by a Communist and a non-Communist body—say the International Chamber of Commerce. What is called, in Continental parlance, the bureau of the conference must equally be bipartisan, so that the choice of speakers, the wording of resolutions and generally the management of the conference, shall not be manipulated for propaganda purposes. And above all the delegations must be chosen by the existing and accepted organisations of the different countries, so that the Kremlin does not have any say in who shall speak for British business.

If, in a year's time, the Communists suggest a conference under conditions such as these, it might be a very good thing to accept. But the odds are long against them doing anything of the sort.

It's the wise man who knows that if you take care of your shoes your clothes will take care of themselves.

LOTUS shoes are made for such, having an eye to the fine points of appearance. Their leather, their lines, their workmanship and multiple measurements provide each with the perfect fit.

LOTUS SHOES

FOR ALL MEN AND MOST OCCASIONS

"I think I'd like a White Horse better than anything"

THE TIMES
REVIEW
OF THE BRITISH
COLONIES

A quarterly journal

*

Contents of the March Issue

The Chinese in Malaya
by Dr. Victor Purcell

Catholic Missions in British Colonial Africa
by Archbishop David Mathew

Education in the West Indies
by H. L. O. Flecker

Population Increases in East Africa
by C. J. Martin

The Comet Airliner
by The Times *Aeronautical Correspondent*

The Commonwealth Sugar Agreement

A Two-Chamber System in Colonial Constitutions: For and Against

Resources of the Colonial Empire IV: Cocoa

24 PAGES PRICE 6d. ILLUSTRATED

Annual Subscription rate — for the four issues — 2s. 6d.

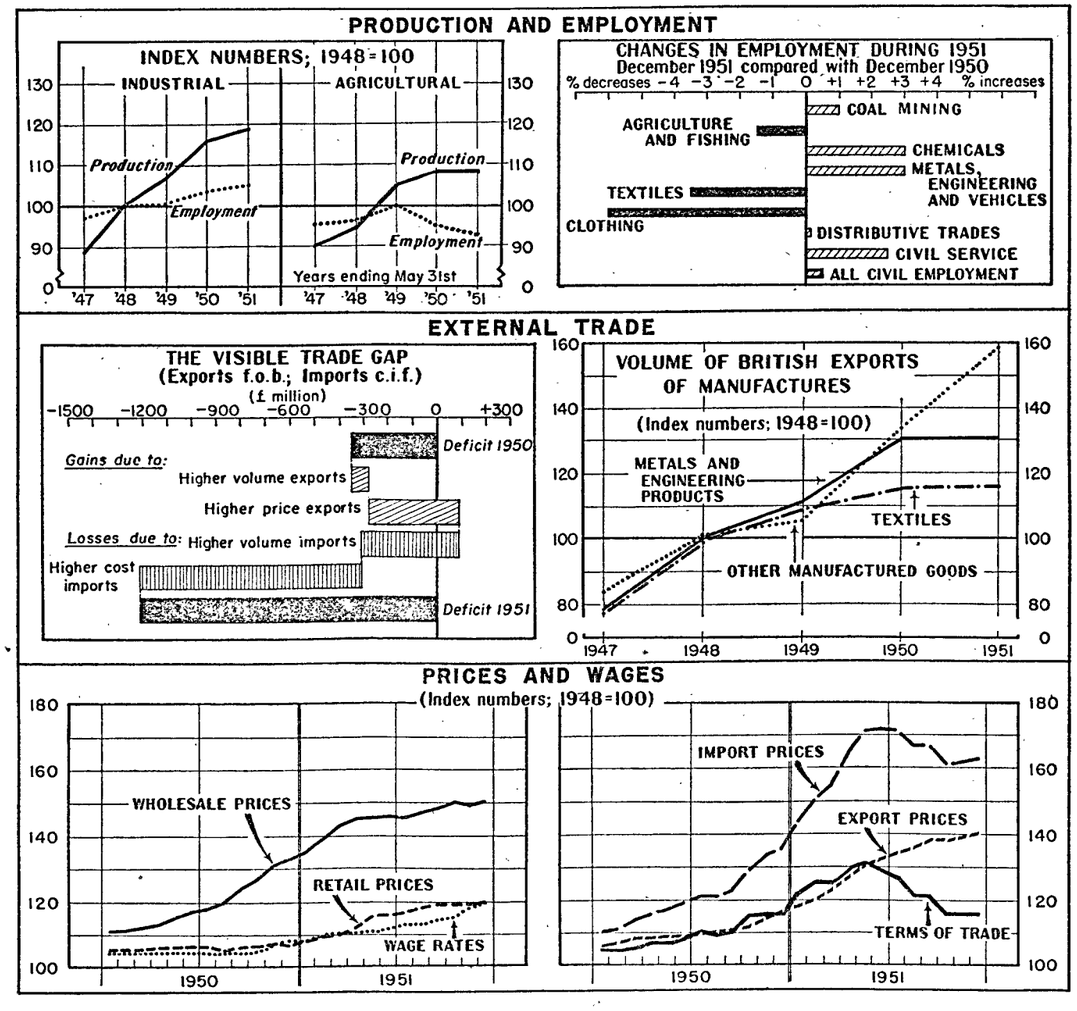
From all newsagents and bookstalls ; or direct from the Publisher, *The Times*, Printing House Square, London, E C 4, for 7½d., including postage.

The British Economy, 1949-51

	Period	Unit	1949	1950	1951	% Changes 1950 Over 1949	% Changes 1951 Over 1950
National Income							
Gross national product at factor cost* ..	Annual total	Index 1948=100	107·5	112·5	120·5	+ 4·5	+ 7·0
Industrial Production							
Index of all industrial production	Monthly average	,, ,,	107	116	119	+ 8·5	+ 2·9
,, manufacturing production	,, ,,	,, ,,	107	119	123	+10·6	+ 3·5
,, mining and quarrying	,, ,,	,, ,,	103	104	107	+ 0·9	+ 3·5
Coal	Annual total	million tons	214·6	216·3	222·1	+ 0·8	+ 2·7
Electricity	,, ,,	'000 million kWh.	49·1	55·0	60·0	+12·0	+ 9·1
Steel ingots and castings	,, ,,	million tons	15·5	16·3	15·7	+ 4·7	− 3·8
Cement	,, ,,	,, ,,	9·2	9·8	10·2	+ 5·9	+ 4·8
Cars and chassis	,, ,,	'000	412·3	522·5	475·9	+26·7	− 8·9
Commercial vehicles and chassis	,, ,,	,,	216·4	261·2	258·0	+20·7	− 1·2
Metal-working machine tools	,, ,,	,,	44·1	44·9	52·3	+ 1·8	+16·4
Internal combustion engines	,, ,,	,,	243·6	316·8	400·7	+30·0	+26·5
Rayon (incl. other synthetic fibres) :—							
Staple fibre	,, ,,	million lb.	117·2	173·3	167·2	+47·8	− 3·5
Continuous filament yarn	,, ,,	,, ,,	171·5	198·0	216·8	+15·5	+ 9·5
Cotton and cotton waste yarns	,, ,,	,, ,,	918·3	953·7	967·7	+ 3·9	+ 1·5
Woollen and worsted yarns	,, ,,	,, ,,	528·6	555·7	501·7	+ 5·1	− 9·7
Woven rayon and mixture cloth	,, ,,	million linear yds.	587·6	707·2	759·2	+20·4	+ 7·4
,, cotton cloth	,, ,,	,, ,,	2,002·0	2,121·6	2,199·6	+ 6·0	+ 3·7
,, wool cloth (excl. blankets)	,, ,,	million square yds.	438·6	450·4	417·0	+ 2·7	− 7·4
Building							
New houses completed	,, ,,	'000	197·6	198·2	194·8	+ 0·3	− 1·7
Agricultural Production	Years ending						
Gross output*	May 31st	Index 1948=100	104	109	110	+ 4·5	+ 1·0
Farm crops*	,, ,,	,, ,,	108	100	107	− 7·5	+ 7·0
Livestock products*	,, ,,	,, ,,	106	119	123	+12·0	+ 3·5
Net output*	,, ,,	,, ,,	104	108	108	+ 3·5	—
Employment							
Working population (total)	End of year	'000	22,962	23,185	23,426	+ 1·0	+ 1·0
Armed forces	,, ,,	,,	725	752	852	+ 3·7	+13·3
Civilian employment	,, ,,	,,	21,866	22,105	22,221	+ 1·1	+ 0·5
Coal mining	,, ,,	,,	781	762	771	− 2·4	+ 1·2
Agriculture and fishing	,, ,,	,,	1,144	1,117	1,102	− 2·4	− 1·3
Manufacturing	,, ,,	,,	8,486	8,702	8,786	+ 2·5	+ 1·0
Distributive trades	,, ,,	,,	2,590	2,640	2,645	+ 1·9	+ 0·2
Civil service	,, ,,	,,	637	613	627	− 3·8	+ 2·3
Unemployment	,, ,,	,,	360	328	350	− 8·9	+ 6·7
,, as % rate	,, ,,	percentage	1·6	1·4	1·4		
Productivity							
General industrial (crude estimate)*	Monthly average	Index 1948=100	106	112	113	+ 6·0	+ 1·0
External Trade							
UK imports (total)	Annual total	£ million	2,275	2,608	3,914	+14·7	+50·0
From dollar area	,, ,,	,, ,,	501	480	776	− 4·2	+61·6
From OEEC countries (excl. Ireland)	,, ,,	,, ,,	537	656	1,010	+22·2	+54·0
From sterling area	,, ,,	,, ,,	852	990	1,400	+16·2	+41·4
Exports of UK products (total)	,, ,,	,, ,,	1,786	2,171	2,580	+21·6	+18·8
To dollar area	,, ,,	,, ,,	167	281	325	+68·7	+15·5
To OEEC countries (excl. Ireland)	,, ,,	,, ,,	398	544	614	+36·7	+12·9
To sterling area	,, ,,	,, ,,	929	1,035	1,309	+11·4	+26·5
Re-exports	,, ,,	,, ,,	58	85	127	+46·1	+49·2
Volume of retained imports	,, ,,	Index 1948=100	109	109	126	+ 0·4	+15·9
,, UK exports	,, ,,	,, ,,	110	127	131	+15·7	+ 3·3
Finance							
Currency circulation	Monthly average	£ million	1,248	1,255	1,302	+ 0·6	+ 3·7
Bank deposits	,, ,,	,, ,,	5,772	5,811	5,931	+ 0·7	+ 2·1
Exchequer revenue :—							
Income tax and surtax	Annual total	,, ,,	1,482	1,541	1,630	+ 4·0	+ 5·8
Profits tax (incl. EPT)	,, ,,	,, ,,	301	275	300	− 8·7	+ 8·8
Customs and excise duties	,, ,,	,, ,,	1,519	1,584	1,753	+ 4·3	+10·7
Gold and dollar reserves	End of year	US $ million	1,688	3,300	2,335	+95·5	−29·2

	Period	Unit	1949	1950	1951	% Changes 1950 Over 1949	% Changes 1951 Over 1950
Prices							
Retail	Monthly average	Index 1948=100	103	106	116	+ 2·7	+ 9·6
Wholesale	,, ,,	,, ,,	105	120	146	+14·1	+21·8
Imports, total	,, ,,	,, ,,	102	120	161	+17·4	+34·2
,, raw materials	,, ,,	,, ,,	103	131	208	+26·8	+58·8
Exports, total	,, ,,	,, ,,	103	109	130	+ 6·2	+19·2
Terms of trade	,, ,,	,, ,,	99	109	123	+10·6	+12·6
Wages							
Wage-rates, all workers	Weekly average	,, ,,	103	105	113	+ 1·8	+ 8·1
Wholesale Textile Trade							
Total home sales—value	Monthly average	,, ,,	114	118	123	+ 4·0	+ 3·8
Consumption							
Total personal consumption—volume*	Annual Total	,, ,,	101·9	105·0	105·2	+ 3·0	+ 0·2
Retail sales of large shops—value	Weekly average	,, ,,	110	121	133	+10·4	+ 9·4
,, ,, ,, volume*	,, ,,	,, ,,	105	111	109	+ 5·5	− 2·0

* Denotes an unofficial estimate at least for 1951 where statistics are incomplete. In addition, the 1951 index numbers of manufacturing and mining production and the 1951 output of machine tools are based on 11 months only. 1949 manpower figures are not in every way strictly comparable with later years but they have been adjusted as far as possible. All figures are for United Kingdom except for housing, employment, electricity, wholesale and retail trades which are for Great Britain.



NOTES OF THE WEEK

Folly

Since Parliament reassembled a month ago the Labour party has provided no opportunity for doubting that its opposition would be incoherent and irresponsible. What was not clear until this week was the degree of ineptitude to which, under the lash of Mr Bevan and the Left wing, the leaders of the party would allow themselves to be driven. The result should have been easy to foresee. In the foreign affairs debate on Tuesday Mr Churchill did more than justify his fair warning that he had a full answer to the Opposition's charges against his conduct of the Washington talks. He made the Labour party look about as foolish as any political party has ever looked.

The party that has been accusing Mr Churchill of promising British support for American action against China is now shown itself to have been responsible, when Mr Morrison was Foreign Secretary, for a definite undertaking to the Americans. It was, in Mr Churchill's words, that

> in the event of heavy air attacks from bases in China upon United Nations forces in Korea they [the British Government] would associate themselves with action not confined to Korea.

There can be no criticism whatever of this statement. It is what any British Government would have said and would have meant. But the existence of this definite commitment, nine months old, makes it simply silly to attack Mr Churchill for saying that Britain would respond resolutely to fresh Communist attacks in the Far East. The insinuations about more specific undertakings were entirely unsubstantiated.

It is understandable that while he was in office Mr Morrison did not tell his party about his own undertaking. But it is quite inexcusable that he and Mr Attlee should have agreed to take up in opposition an attitude entirely in conflict with their own policies in office. And, however cynical the calculation, it is ridiculous to have done so when the inconsistency could be so plainly exposed. The incident will surely force the more sober members of the Labour party to reflect how little profit there may be in unrealistic opposition. A larger part of the party, unfortunately, is likely to be incensed with former Ministers, to feel cheated and let down. The more the moderates among the Labour leaders give way to Mr Bevan, the more humiliations of this kind they are likely to suffer. They may like to believe that they are swimming with the tide in order to be able to turn when the time is ripe; but they look more as if they have lost control and are being submerged.

* * *

Delay

It is a pity that Mr Crookshank on Monday made no attempt to explain why the Budget was being postponed from March 4th to March 11th. It was brought far forward of the normal date as an exceptional measure to match the closeness of the crisis. Without this, the second stage of Mr Butler's economic programme would have seemed hopelessly inadequate when he announced it a month ago. To let the date slip back again, even by one week, gives an impression of fumbling, a sense that the feeling of urgency is being allowed to pass. However good the reason for the delay, its effects are inevitably bad both at home and abroad.

The Chancellor, at least, cannot be blind to this. The failure to give any explanation—even if it had to be a partial explanation—is a serious blunder. It was always quite obvious that the Treasury would be hard put to it to have a Budget ready by March 4th. But it is not clear why what seemed possible on January 29th should be, for any purely technical reasons, impossible now. It would have been easy enough to accept the delay if it had been announced last week, as soon as Parliament returned to work after the late King's funeral. But it is hardly credible that the Treasury woke up to the inpracticability of the timetable only eight days before the end was due. Suspicions that the Cabinet is seriously divided about the broad lines of financial policy are therefore inevitable. At so late a stage, that is damaging. However wide of the mark the suspicions may be, they will prejudice the public's—and even the Conservative party's—acceptance of such severe measures as Mr Butler does announce on March 11th. Ministers depending on a narrow majority, and governing in a crisis, cannot afford to make many such blunders.

* * *

Malaise

The postponement of the Budget is unfortunately not the only thing of its kind. In other ways also the Government's control of public affairs seems at present to be just a little behind events. That is a state which it is not easy to correct quickly. The postponement of the Budget, the deferment of the defence debate from this week to next, the delay of business in progress caused by such accidents as half a day's debate on Mr Hardie's resignation from the Iron and Steel Corporation, the delay in putting the second reading of the National Health Service Bill back into the programme—all these things give an impression of malaise. It is the last impression that a newly elected government, staffed with Ministers who have been nourishing ideas in opposition for six years could wish to convey. There are extenuating circumstances, of which the King's death is the chief. But the Government ought not to have been thrown off its balance for so long.

It is often in minor ways that major disturbances make their sharpest effect in the House of Commons. The Government's attempt to dispose of the second reading of the Export Guarantees Bill is an example. Debate was not finished when the Bill first came before the House. It was to have been disposed of on Monday night (or rather on Tuesday morning), but the House adjourned just before 2 a.m. without taking the Bill. It was therefore put down again for Wednesday at the tail-end of much other business. The repetition in business statements of the same stage of what is a relatively small Bill is taken as a sign that the Government's plan of campaign is being frustrated. With so heavy a programme of business before it, the Government will find its supporters badly rattled if it allows this impression to remain.

* * *

Impudence

One cannot help admiring the naïve ingenuity of the Communist negotiators at Panmunjom when they claim that if the Soviet Union is not neutral in the Korean war, then no nation is. True, there is no evidence of the presence of Soviet ground forces in Korea; Stalin's policy in this campaign seems to be to fight to the last Korean, or, if necessary, the last Chinese. But only last week, on Red Army Day, the Communist press was boasting of the successes in Korea of Soviet tanks and jet fighters; and there has never been any secrecy about the steady flow of supplies of all kinds from Russia to the Communist armies, or any doubt that General Kim Il Sung's disastrous adventure had the Kremlin's blessing. The United Nations negotiators have all the more reason for resisting the demand that Russians should be among the truce supervisors in South Korea, since they had already renounced, at Communist insistence, the idea that the combatants themselves should share the task of supervision, and had agreed not only to be represented by such traditional neutrals as the Swiss and Scandinavians, but also to accept the Poles and Czechs, who are pledged up to the hilt in support of North Korea, as being "neutrals" too.

The demand for a Soviet share in truce supervision may only be a gambit intended to ensure that the Soviet Union is not left out of any eventual discussions on a Korean settlement. On the other hand, its sudden introduction at a point when the Panmunjom talks seemed to be making progress makes it difficult to dismiss the possibility that it is just another of the many devices for spinning the talks out that the Communists have exploited. The demand that all prisoners in UN hands must be forcibly repatriated is an even more obvious device of this kind; even Communist generals cannot really imagine that the United Nations could be so callous as to send the thousands of prisoners who wish to stay in the south back to face death or "corrective labour." The forced repatriations to Russia in 1945-46, and the mass suicides which ensued, are not yet forgotten.

Further indications that the Communists expect no early truce have been provided this week by their new propaganda theme, the charge that American aircraft have dropped "flies, fleas, ticks, mosquitoes, grasshoppers and spiders" carrying plague and cholera germs on North Korea. This charge, made formally by the Chinese and North Korean Foreign Ministers, "spontaneously" endorsed on the same day by numerous "mass organisations," and quickly taken up by the Soviet press and radio, is strongly reminiscent of the similar accusations of last May, which were launched with equal abruptness and efficiency and helped to distract attention from the loss of Seoul. Last year the accusation referred to smallpox, and UN intelligence found that this disease was in fact rife in the north. The new propaganda campaign may be simply intended to explain away the appearance of plague and cholera in Communist territory; but its intensity also suggests the need to rekindle the fighting spirit of the Communist armies after a year without a single victory.

* * *

Unreality in Paris

The fact that the crisis in France is a false one does not make it any the less serious. Its economy is now inherently strong enough to carry the rearmament and financial burdens which M. Faure's government seeks to lay upon it. But as a result of purely inter-party squabbles and the lack of a sense of responsibility in the Chamber, the French Treasury has nearly reached the end of its funds, speculation has undermined the franc, and the prestige of democracy under the Fourth Republic has sunk to its lowest point so far. By the time this issue appears, M. Faure may have secured the thirty or more votes of confidence which he was due to ask for on Friday night, in order to force the passage of his Finance Bill; this introduces a 15 per cent increase in taxes, economies in capital expenditure amounting to 70 milliard francs, and powers to reorganise social security and the nationalised railways. But even if he survives, which is not generally expected in Paris, the forces which have been at work during the past few days will remain in the field. The Socialists, who are at the root of the present trouble, refuse to accept the need for retrenchment, and the right wing parties are bitterly opposed to the minimum needs of taxation. Neither seems willing to make possible the normal give and take of compromise between parties inside the coalition.

The fact is that the blockage of the parliamentary machine has led to the breakdown of government in France. This is a matter of real danger to France's allies in the North Atlantic Treaty as well as to the French people. This political paralysis could yet undo much of the work done by the four foreign ministers in London two weeks ago and by the Atlantic Council in Lisbon. There is talk in Paris of a rapid solution to the crisis by means of a new government under M. Queuille, who has been backing M. Faure in his efforts to placate the Socialists, by the return of M. Pleven or by a nominal premiership under M. Herriot. The Gaullists still do not feel that the time is ripe for them to come to power and the Socialists are quite unwilling to lead a government on their own account. But unless an end can soon be put to the tendency of Frenchmen to shrug their shoulders at the perpetual *impasse* in their government, the cumulative effect of this situation may yet wreck the system itself. Perhaps the best hope is that the shock of a further devaluation of the franc, and the economic results which must follow from it, may change the mood of the Chamber before the false crisis becomes irretrievably real.

* * *

A Guarantee for Europe?

Something—nobody knows just what—has suddenly sharpened the attention of both political parties to Britain's relations with Europe. Men who cold-shouldered the Council of Europe and scoffed at the European army are now looking more closely at both. There is real concern on both sides of the House of Commons lest British policy, by some omission or blunder, should leave Western Germany to rearm in its own way and its own time, free from all the restraints that European institutions might provide. The deadlock that existed a fortnight ago between M. Schuman and Dr Adenauer, and still exists between Assembly and Bundestag, suddenly emphasised the risk that Britain might fail to create either an Atlantic or a European community.

Hard on the heels of these new thoughts have come the persistent reports that M. Schuman wants, and may get, from this country a "guarantee" of the European defence community with which he could overcome French fears of concessions to Germany. The technical objections of the professional diplomatist to the idea are probably impressive; but the word "guarantee" is obviously used not so much in a technical as in a moral sense. This is a case where the Foreign Office should adopt the wartime slogan of a famous headquarters: "The impossible takes a little longer." What M. Schuman wants is a form of British participation either in the European defence community or in the treaty setting it up which will convince the French that they will not be left one day alone with the Germans. If the Americans, too, could find some way of association, it is likely that British official objections to French ideas would quickly fall away.

What is needed now is a fresh study of the proposals for a European defence community and a searching debate on them in the House of Commons. A simple ABC of the EDC is given on page 531 of this issue, and even such a limited analysis shows that it is a much looser association, at any rate in its earlier stages, than many realise. It is precisely because it is loose that the French are dissatisfied with it, and ask why the British cannot slip on at least some of the harness. In finding the answer, Mr Eden needs all the help that informed public opinion can give him. It is quite useless to read passages of the Dunkirk and Brussels Treaties to an excited French Assembly.

* * *

Civil Spending

With the publication of the vote on account, the estimates of total expenditure in the coming year are complete, although the detailed estimates of the different departments will not all appear for some weeks. The total civil expenditure shown in the vote on account, excluding the revenue departments, is estimated at £2,279 million. This is less by £260 million than the corresponding total, including supplementaries, for the present financial year; but the saving

The Battle Act came into operation only last January and it is too early to see what effect it has had on east-west exchanges. The accompanying table shows the trade of the United States, Britain, France and Germany with iron curtain countries in 1950 and in the first nine months of last year. Britain has the largest trade with the USSR, China and the satellites and it has an import surplus with each of them. Exports to both China and the satellites declined during 1951, but exports to the USSR increased sharply in the third quarter. This was due to shipments of rubber which were previously sent from Malaya; the annual quantity is still being kept below 100,000 tons which is considered normal civilian requirements for the USSR. America sent nothing to the USSR last year but continued to import Russian goods on a fairly large scale. Its trade with China and the satellites has tended to decline, though its exports to China were still much larger than Britain's. France's trade with the USSR is small, though its imports from that country increased in 1951; larger imports were also received from China and the satellites. German imports from China rose sharply last year, especially in the third quarter, but Germany's trade with the satellite countries was smaller than in 1950.

The only striking feature on the export side was the sudden rise in British shipments to the USSR but this does not mean that the Russians are getting more rubber. What seems to have escaped notice is the fact that the United States, through its import surplus with the Russians, is providing them with a universally accepted currency that is an important means of fostering illegal transactions.

* * *

Instalment Buying for German Defence

Both the German Minister of Finance, Dr Schaeffer, and the heads of the Atlantic alliance declare themselves satisfied with the agreement on Germany's defence contribution which was reached this week. A week previously the divergence between them amounted to a total of over DM1.5 billion and this sudden solution is too good to be true. Clearly the satisfactory result of the final negotiations has only been reached by juggling and leaves room for different interpretations. Optimism should be restrained until it is seen precisely what Dr Schaeffer meant when he told a press conference that all Germany's requirements had been met, and that the disputed question whether economic aid to Berlin counts as defence expenditure had been left open.

The present agreement has been made possible by accepting the fact that there will be no European Defence Community until August 1st at the earliest. Germany will go on paying occupation costs until then, at a rate which the occupation powers will try to keep down to DM500 million a month. Germany's contribution to defence has now been broken down into monthly instalments, instead of being assessed as a lump sum for the Nato year beginning on July 1st. The monthly amount which Germany has undertaken to pay after August 1st, on the assumption that the EDC comes into force at that date, is DM850 million. To this will be added the expenditure on Berlin—according to the Nato idea of the agreement, only that part which the three wise men regard as legitimate defence expenditure—the mobile police, frontier guards, customs service and pensions to former regulars of the *Wehrmacht*. Whether the total sum for the Nato year will really amount to the DM11.25 billion proposed by them depends upon whether Dr Schaeffer has really agreed to count only a small proportion of the money spent on Berlin as part of Germany's contribution.

The Germans, who are interested to know what taxes they will have to pay, have been given a computation based on their financial year and an assurance that no fresh taxation will be needed. On the optimistic assumption that occupation costs will not be above DM500 million a month until they end, the total for the German budget year beginning on April 1st will be DM8.8 billion, to which will be added all or part of the cost of Berlin, police and the rest.

One point of particular interest to Britain seems to have been left for the European Defence Community to decide when it is formed. That is how much the Germans will pay towards the expense of maintaining non-German troops in their country after the occupation regime ends and Germany is paying for its own army. There is a general conviction in Bonn that, if the present occupation powers were forced to provide for themselves entirely, they would prove much more thrifty than hitherto. If German funds were eventually stopped, Britain would be forced to bear an additional £180 million a year, which might have to be paid in gold. Though this matter is hypothetical and distant, it cannot be ignored in the present negotiations on Germany's future.

* * *

To Swell or to Hop

Mr Macmillan made out a good case for the Town Development Bill on the occasion of its second reading. He accepted the view that a considerable dispersal of both population and industry from the large cities was desirable; and added that "if towns are not allowed to swell, they must be encouraged to hop"—which pithily states the Bill's purpose. He promised support for the rapid development of the new towns, where housing is at last getting into its stride; and he claimed that the Bill will enable the general policy of dispersal to be carried on "with a fresh momentum and on a wider front."

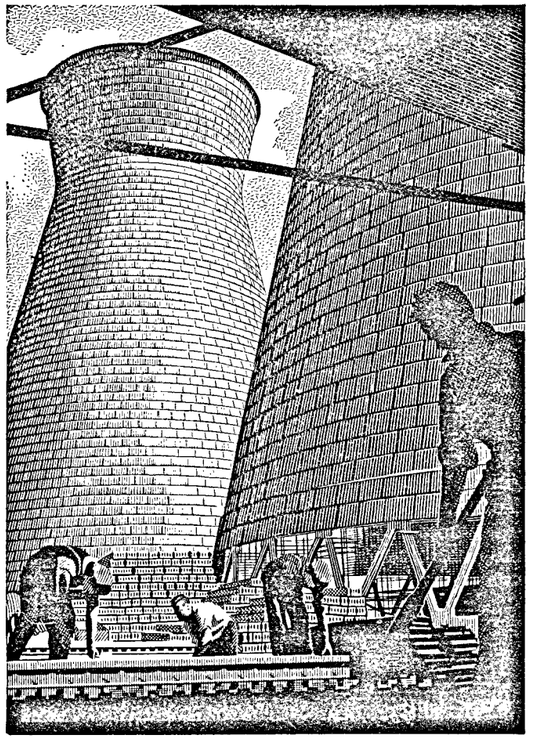
This speech should establish the Minister's credentials as a subscriber to the central aims of town and country planning. But is it consistent with his housing policy? Probably the quickest route to more houses would be to let the LCC and the larger towns go full speed ahead with building, whereas the aim of this Bill is to shift building to the smaller county districts. It is true that the "exporting" towns are expected to do much of the building in the new areas and to contribute to the cost. But will they respond to the invitation? If they do so they are sure to insist, as the LCC is already doing, that the housing which they finance shall be reserved for their own waiting lists. This arrangement would create more long-distance dormitories for city workers. It cannot be squared with the aim of establishing a sound industrial basis for new and expanded towns, upon which the Minister is also rightly insistent.

There is a danger that the present Bill will be satisfactory on paper and of little worth in practice. If the Minister is in earnest about planning aims, he ought to canvass more radical methods. One such would be to allow large local authorities like the LCC and Manchester to build new towns of their own. Another and preferable method would be to establish a regional housing authority for London, and perhaps other regions as well, to secure the speed and economy of large-scale operation while building in several places simultaneously. The local authorities do not like this idea; but the complications and mutual jealousies of the local government system are such that it may be the only way to get houses built both quickly and in the right places.

* * *

Victory for Commonsense

The real victory in the long struggle over identity cards was won last summer when Mr Clarence Willcock tested in the High Court the right of the police to ask people to produce their identity cards. Although he lost his case, the judges' comments on the use of wartime measures for peacetime purposes forced the police to change their practices. No longer could a law-abiding person be asked for his identity card because, for instance, he had left his car too long in a public street. After this, it was only stubbornness on the



OIL AND THE WATERFALL

THE 22-million-gallon-a-day "waterfall" in each of these cooling towers at Anglo-Iranian's oil refinery in South Wales is part of an expansion project that has already raised the refinery's production to twelve times its pre-war rate. This in turn forms part of a greater expansion programme on a world-wide scale. Anglo-Iranian and its associated companies operate nine refineries in the United Kingdom, France, Germany, Italy and Australia. A tenth refinery has just gone into production in Belgium and another new refinery is under construction now in the United Kingdom.

THE BP SHIELD IS THE SYMBOL OF BP THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company
LIMITED

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £1,800,000)

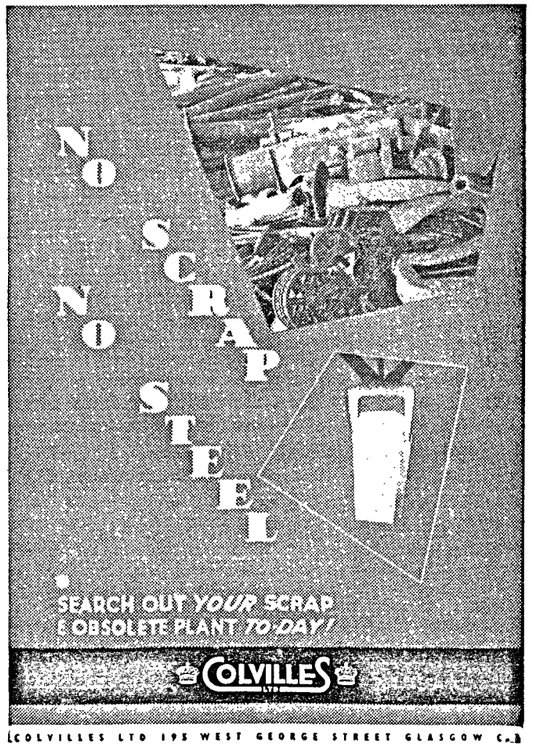
is associated with

The British Metal Corporation (Pakistan) Ltd.
The Cyprus Co., Ltd., Drew, Brown Ltd. (Canada),
Sandilands Buttery & Co. Ltd. (Malaya), and C. Tennant Sons & Co., of New York, as well as with the associates of The British Metal Corporation Ltd., Australia, Canada, India and South Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products throughout the world. **Expert knowledge in distribution and salesmanship is available through the various units of the Group.**

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3.

TELEGRAMS: *Nonfermet Telex London* CABLES: *Nonfermet London* TELEPHONE: *MANsion House 4521 (10 lines)*
Branches at BIRMINGHAM, MANCHESTER and GLASGOW



COLVILLES LTD 195 WEST GEORGE STREET GLASGOW C.2

part of the Labour Government that made it retain identity cards for administrative purposes—stubbornness and an overwillingness to prefer the convenience of the administrator to that of the ordinary citizen.

It hardly, therefore, became Mr Marquand and Mr Shinwell to rise in protest at Mr Crookshank's mild taunt when he announced the end of identity cards last week. If Labour Ministers really believed in the permanent value of the system, they ought to have passed permanent legislation continuing it. A case might indeed have been made for continuing the national register, as distinct from the identity cards themselves, for it has been a useful means of providing information normally only obtainable every ten years by the census. But when economy is necessary, the Government is right to scrap the whole registration machinery—and save thereby 1,500 people in staff and about £500,000 in cost.

It is true that there can be no immediate bonfire of identity cards. Mr Crookshank was not able to follow the example of Mr Harold Wilson when announcing the end of clothes rationing and flourish his own torn identity card in the House. For numbers are essential to the working of part of the health service, and since the majority of the over forty million medical cards already have national registration numbers, they will be retained for this purpose alone and will be renamed national health service numbers. Identity cards will thus wither away rather than disappear overnight. But their passing nevertheless marks a notable victory over bureaucracy.

* * *

The Married on Marriage

Not everyone will agree with the opinion of the Married Women's Association, stated in evidence to the Royal Commission on Marriage and Divorce, that "the fundamental cause of disharmony in marriage is the gravely unsatisfactory economic position between the spouses existing at present." Are not quarrels over money as likely to be an overt symptom of disharmony as its cause?

But even if the proposition could be accepted, the association's remedies are surely dubious. It recommends that each partner to a valid marriage contract should be under a legal obligation to disclose to the other prenuptial liabilities and assets, and if disclosure is not made within three calendar months there should be right of recourse to a court. Further, common law maintenance of the wife must include something for her personal allowance, which she can spend without accountability on all "proper purposes." Husbands will note that "excessive expenditure on gambling, smoking or alcoholic indulgence and the like shall not be deemed a proper outlay of such allowance." They will also note that "wilfully inefficient housekeeping should become punishable by law."

Doubtless the association can make out a case for its recommendations. But how they will save more marriages, which should be the real purpose of both it and the Royal Commission, is somewhat obscure. One would have thought that once delicate matters like the housekeeping purse were wrangled over in court instead of privately the marriage in question was doomed.

* * *

Help Not Wanted

It is ironic that, at a time when the European members of Nato are competing for slices of American economic and military aid, nations in other parts of the world should be brusquely rejecting it. A United States mission to Mexico returned last week after the breakdown of negotiations on military aid for that country, and almost simultaneously the Indonesian government resigned as a result of differences between the ministers about the acceptance of US economic aid. Ireland, Burma and Persia have shown reluctance to enter into firm agreements about aid, and Mexico's example may well lead to further hesitation on the part of Chile and other Latin American countries. Europeans can hardly be blamed if they feel that, as long as they themselves have to achieve American aid, it is illogical that others should have it thrust upon them.

To some extent the difficulties have arisen from the United States Congress's insistence that recipients of either military or economic aid must now undertake to play their part in the free world's common effort to maintain peace. The value of such vague undertakings is questionable; and there is no doubt about their embarrassing aspects. Any government which countersigns the formulae required by the Mutual Security Act is presenting its domestic critics with an excellent opportunity of accusing it of being under American domination. But the problem only becomes serious where the recipient governments themselves are unstable. Elections were imminent in Burma and Persia when the question of giving these undertakings arose; in Mexico and Chile they have yet to be held, and it is generally assumed in Mexico that discussions on military aid will be reopened when the votes have been counted. In most cases, therefore, the difficulties involved in accepting American help are likely to be solved before very long; but it is hard to resist the conclusion that, given a little more flexibility, particularly in the matter of timing, they need never have arisen.

* * *

Pressure on Indonesia

Last Saturday the ten-month-old Indonesian cabinet of Dr Sukiman bowed to the storm and resigned over the terms on which aid was to have been received from the United States. The dispute began at the end of January when Indonesia asked the Americans if, in spite of the change from the Economic Co-operation Administration to the Mutual Security Agency, it could go on receiving aid on the old terms. Indonesian spokesmen emphasised that they could not accept aid on conditions identical with those applied to countries to which America intended to give primarily military rather than economic assistance, particularly as the economic development for which American money would be used would be exactly the same as before the MSA came into being.

In the end, Dr Subardjo, the Foreign Minister, accepted the American terms, although with much misgiving. Compared with $16 million received during the past two years, Indonesia is promised another $8 million before the end of June. As soon as his action became known, however, a political storm developed in Jakarta and threatened to engulf the whole government. The cabinet had already courted severe unpopularity by signing the peace treaty with Japan at San Francisco—it has not yet dared to introduce it into the Assembly for ratification—and by failing to secure the cession of West New Guinea from the Dutch at The Hague conference. Dr Subardjo thereupon resigned; but the whole government has since also found its position untenable.

*

The difficulty in Indonesia is that a small group of moderate and intelligent men stand at the head of a weak political structure, in which Communist propaganda, prejudice against western "imperialism" and fear of being dragged into war alike play on the minds of a volatile political community. Since independence was obtained at the beginning of 1950, Indonesia has on the whole been fortunate in its rulers, and they have done a good job in difficult circumstances. But they cannot afford to make mistakes, and least of all can they afford a foreign policy which may be made to appear to be dictated by a stronger western world.

It is probable that a new cabinet will be formed on a basis very similar to the old, that American aid will in fact continue,

and that Indonesia will honour the terms signed by Dr Subardjo. The present group of leaders has no intention of committing Indonesia to the Communist camp. But the events of the past month should be a warning to western statesmen that they cannot afford to force the hands of those who are willing to associate with them in Asia. If too much pressure is again put upon a middle-of-the-road government in Jakarta, this will be a trump card for the Communists, who are beginning to gain strength again after the blow dealt against them by the widespread arrests of last August.

* * *

The Commonwealth and Nato

In the Australian House of Representatives at the end of last week Mr Casey, the Minister for External Affairs, spoke of the risk that some members of the Commonwealth might soon be in closer touch with other Nato countries than with other members of the Commonwealth. There was a danger, he claimed, of the interests of countries like Australia being overlooked by members of Nato, whose decisions must inevitably affect the rest of the outside world in many ways. Two Commonwealth members only belong to Nato, Britain and Canada. But the principle about which Mr Casey speaks is the same as that involved every time Britain makes any move to ally itself more closely with its neighbours in Western Europe, as, for instance, through the Brussels and Dunkirk Treaties. And in this respect there have always been two points of view. One, particularly in Britain, holds that the United Kingdom must not commit itself too deeply in Western Europe because to do so is to abandon proper participation in Commonwealth strategy. The other puts its emphasis on the fact that, if the Commonwealth is to continue to mean what it has in the past, its younger members cannot afford to stand aside if Britain is at war; hence, any steps which Britain may take through alliance with its immediate neighbours to deter aggressors and stop war are to the advantage of the Commonwealth as a whole. The second is the more realistic point of view, and there can in fact be little doubt that British and Canadian participation in the Atlantic Pact is applauded rather than condemned by most people in the Commonwealth.

At the same time, it must be recognised that certain fundamental relationships within the Commonwealth are changing, through the strengthening of the younger countries compared with Britain. In the past, with the main weight of the defence burden falling on Britain, the other members of the Commonwealth have been able to subsist with relatively modest forces, in the knowledge that any aggressor would also have to reckon with the United Kingdom. Today, while the power of Britain is less than it was, the two Pacific members of the Commonwealth, Australia and New Zealand, have entered into specific defence arrangements with the United States, which are technically quite independent of any action that Britain might take in the event of an attack in their area. This has created a situation in which Britain may now lose touch with the detailed factors affecting the safety of the outlying members.

If the Commonwealth is to benefit and not suffer from these developments, the free flow of information between its capitals becomes more important than ever. If it cannot also be full, then the need for frequent personal contact between Commonwealth ministers is obvious.

* * *

Sir Hubert Henderson

Sir Hubert Henderson, who died last week, was one of the brilliant band of political economists who sprang up in Cambridge in the early years of the present century. The term is used advisedly, for all of them—and Henderson perhaps most of all—were from their undergraduate days active in public affairs. His only published book is a pellucid treatise on the theory of value, but this was, as it were, an accident, and his mind was never far from the stage of events. His life, like that of his contemporaries, was spent in alternation between the universities and public service. Three times he was called to Whitehall and three times he returned either to Cambridge or to Oxford. He also had an interlude—certainly not the least brilliant and fruitful period of his life—in journalism as editor of the *Nation* during Keynes's proprietorship.

The first word that comes to mind in connection with Hubert Henderson is charm. It was, in some ways, a deceptive charm, since it masked formidable controversial talents. It was a pleasure, for those who knew him, to watch him with his modest smile and feigned stupidity luring an opponent on to his destruction. Henderson was often in controversy because his views fitted into no recognised pattern. Starting as a radical, he had moved by the end of his life into a position that would generally be accounted that of the right wing; but on some issues, notably those that came to the surface at Bretton Woods, he could still find allies on the extreme left wing. There was never the tedium of the predictable about anything he said or wrote.

Henderson migrated from Cambridge to Oxford in the middle twenties. In his later years he occupied the Drummond chair, and he had been elected, but never installed, as Warden of All Souls College. He died within sight of that promised land.

The New Government

When three weeks ago we were told that Lord Derby was prepared to take office if called upon, and was ready with his list of Cabinet Ministers, we were lost in conjecture as to who these hitherto unheard of and unguessed at individuals could be. We might have puzzled our brains till doomsday without making even a distant approximation to the truth. Such a body of "village Hampdens," "guiltless Cromwells," and "mute inglorious Miltons," as Lord Derby's new Ministry, were probably never called upon to govern a great country. . . . Though we confess our uneasiness at seeing the destinies of this great nation committed at such a crisis to men so untried, and in all probability, so incompetent . . . yet we draw one consolation from the list of ministerial appointments, viz., how feeble, effete, and near to extinction the Tory party must be. From a political faction in which Mr Disraeli, Lord John Manners, and Sir John Pakington are great guns, the country, if it be true to itself, has little to fear. Our march forward may be more rapid . . . when the opponents of movement are in office. The Liberal party may be consolidated, united, and recruited while in opposition, and the Tories may only display their weakness, while handling the reins of power. It is too soon to speculate on the turn which affairs may take. . . . For one thing, however, we are especially and earnestly concerned, which is, that every man shall so act during this crisis that the commonwealth shall not suffer either in its material interests or in the character of its public men. . . . The corresponding ministerial difficulties of last year served only to bring out the unsullied honour and unselfish patriotism of our leading men into stronger and brighter light. No man impaired his influence; no man dirtied his hands. We hope and believe it may be the same now. We trust that no man among the defeated party can be found disposed to risk the safety or undermine the welfare of the country by depriving the actual Ministers of the means of adequately and promptly meeting the national emergencies; that no man will stain or hazard his reputation by joining with those whose opinions he does not share, and whose principles he cannot respect.

The Economist

February 28, 1852

Letters to the Editor

How to Grow More Food

Sir,—In your second article you discuss the possibility of raising output by a tax on farm land. May I suggest that another method of raising more food would be to place really high taxes on undeveloped or only partially developed land? All landowners, other than farmers, can neglect their land without any interference; and if the land which is now lying fallow, or being let for "summer grazing" only, or kept for amenity or the pasturing of ponies, was brought into full food production, it would go a long way towards solving the problem of providing food for livestock. In sections such as this, on the edge of a built-up area, a really large acreage of potential farm land is held by speculators as a nearly tax-free investment. In present conditions and legislation, they have every incentive not to allow this land to be developed properly; and this seems to be against the national interest and equity.

I would put forward the suggestion that all land over, say, an individual holding of one acre of garden should be subject to a fairly high land tax which would be a real disincentive for keeping land out of food production. If the land is farmed, the farmer should get a rebate on his acreage tax according to the classification given by the local Agricultural Executive Committee. The committees already take the differential fertility of the soil into account when giving their ratings. Land let for "summer grazing" should pay the full tax, since these contracts, though they may be useful to the landowner, usually harm the land for which nobody has any interest in maintaining or increasing fertility. Such a tax, I suggest, would bring more land into production, would eliminate the inefficient farmer, and would go a long way to providing the still desirable subsidies on fertilisers.—Yours faithfully,

GEOFFREY GORER

Haywards Heath

★

Sir,—Your articles are a true analysis of the reasons for the stagnation in our agricultural economy.

I would like to make a tentative proposal which can be immediately applied. It is simply to repeal the derating of agricultural land which was conceded to farmers during the depression of the 1920s. At present a farmer still pays rates on only one-eighth of the annual value of his land. If he had to pay full rates on his land no new Government machinery would have to be set up for its collection and of course the rateable value of a farm is roughly in proportion to the comparative value of that farm. It would be more palatable to the farmers if they were told that as a now thriving industry they should pay their full share to local taxation.

A further indirect benefit to the countryside would be that the rural areas of local government would no longer be subsidised to such a disproportionate extent from central government funds compared with urban areas. They would thus feel less like beggars when carrying out schemes of rural improvement, which are usually almost solely for the benefit of the farming community.—Yours faithfully,

EWEN STEWART

Edinburgh

★

Sir,—I am quite sure that the real obstacle to an increase in production on the land is shortage of capital. With building costs and the price of machinery at their present level it is quite impossible for a farmer to accumulate sufficient funds out of his net taxed income to invest in capital improvements. He can only finance such expenditure by borrowing from a bank and then recovering the cost over a period of years through the annual allowances which were granted to the agricultural industry under the 1945 Income Tax Act. The trouble is, however, that such allowances, in the case of new buildings, are spread over ten years, and in the case of machinery over something less. Meanwhile the farmer suffers from a chronic shortage of cash. The extent of such shortage is plain for all to see in the growth, during the last six years, of the overdrafts granted to the agricultural industry by the joint stock banks, in spite of the fact that during these years agriculture was enjoying great prosperity. If taxation were reduced I am sure that production could be expanded.—Yours faithfully, WILLIAM FOSTER

King's Lynn

Books and Publications

An Uncomforting Analysis

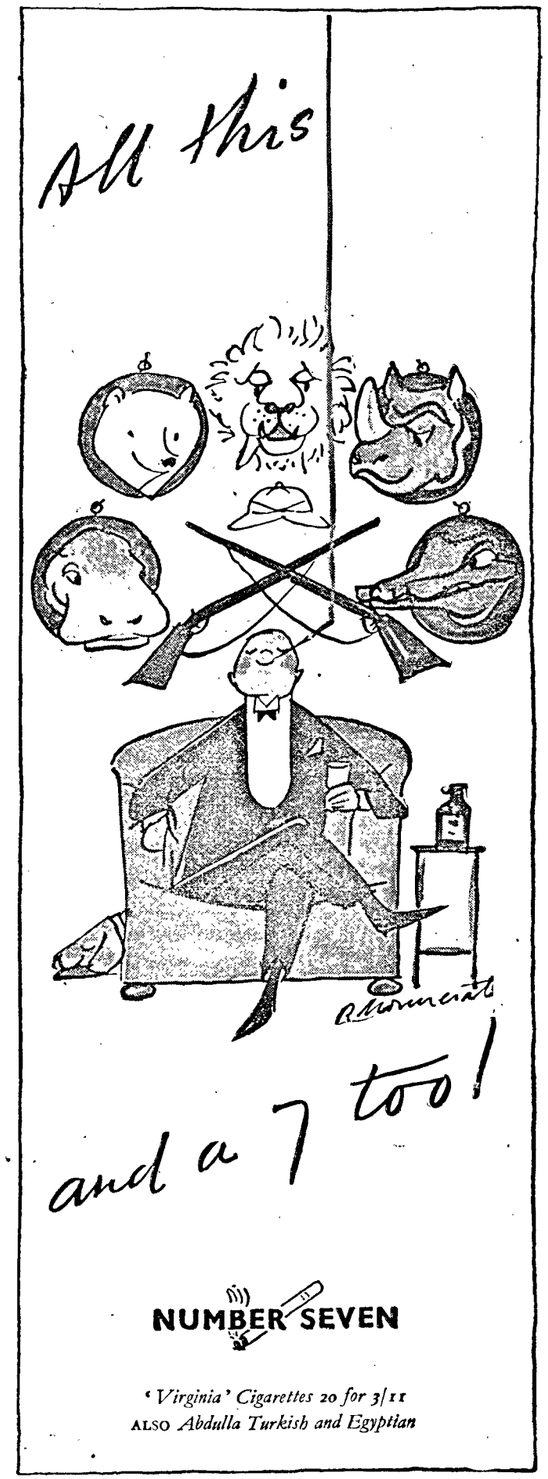
Inflation. By Paul Einzig. *Chatto and Windus.* 223 pages. 12s. 6d.

Before the war Dr Einzig was one of the most successful, as he was certainly the most unremittingly active, of interpreters of economic and particularly financial events to the man in the street. In language always clear though often entertainingly intemperate, with a driving conviction of his own rightness and of the positively immoral wrongness of the monetary authorities, he kept the public posted in what amounted to a biennial city column punctuated by special studies. A long silence broken only by what he himself described as a piece of escapism—his fascinating "Primitive Money"—is now ended; with "Inflation," Dr Einzig is recognisably back at the old stand.

It is, however, a different Dr Einzig who now resumes his role. The clarity is there, the capacity for marshalling and comparing large bodies of fact, the easy style; but the certainty and confidence have disappeared. Inflation is analysed, classified in its causes and manifestations, set in historical and political perspective, in a way which comes nearer to satisfying the most advanced theoretical purism than one would have believed possible in a popular work. The broad distinction between demand inflation and price or cost inflation, the finer distinction between monetary inflation in the narrow sense and inflation of purchasing power, and between the inflation of domestic overinvestment and the inflation imported by an adverse turn in the terms of trade, are so set out as to be comprehensible to the most complete economic tyro. And Dr Einzig does a beautiful job on the welfare state with its multiple inflationary drives.

Having accomplished all this, however, he finds himself in a *cul de sac*. Full employment is inflationary—at least, full employment policy as pursued under the present pressure of public opinion is inflationary. The welfare state is inflationary. High taxation, even when it results in budgetary surpluses, is inflationary in any situation where other inflationary influences are strongly at work. Physical controls merely divert the incidence of inflation. Permanent inflation can be compatible with ordered economic life only for so long as a sufficient number of people fail to realise its existence—and nothing will stop that realisation from spreading. The compulsory-savings, postwar-credits trick cannot be played twice in the same generation. Capital levies, blocking of accounts, and writing down of currency holdings, are appropriate only against a pure demand inflation and worse than useless against the inflationary situation of Britain in 1952. The best that Dr Einzig can offer by way of practical advice is a curious medley including state lottery loans, a campaign to induce the public to carry its spare cash in relatively inaccessible pockets, and—the "suspension" of the social services for "three or four years."

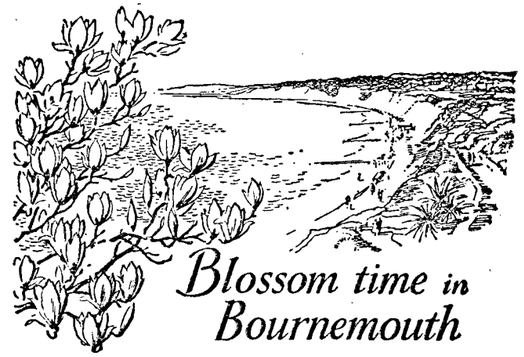
When he is driven to propose a measure at which anyone would boggle, it is not surprising that he conveys no impression of self-confidence. It is more surprising that he should, deliberately, explicitly and repeatedly, refuse to answer the question to which so many of his arguments eventually lead him. Can any policy be worthy of support,



NUMBER SEVEN

'Virginia' Cigarettes 20 for 3/11

ALSO *Abdulla Turkish and Egyptian*



Blossom time in Bournemouth

Vistas of blue seas and golden sands framed in flowers, bewildering in their variety, meet you at every turn in Bournemouth. Golf tennis, riding and other outdoor sports are doubly enjoyable in its mild and sunny climate. Music, ice-skating and dancing; theatres and cinemas all contribute to an attractive programme that in Bournemouth continues throughout the year.

WRITE FOR THE NEW BOURNEMOUTH GUIDE...

Hard Court Tennis Championships of Great Britain. April 28 to May 3, 1952.

Bournemouth
BRITAIN'S ALL-SEASONS RESORT

Write for new Bournemouth Guide, Post 6d. P.O. please, or Free Folder and Hotel List from W. Birtwistle, Information Bureau, Room 97, Bournemouth.

Restaurant Car Expresses from London (Waterloo).
All-Pullman "Bournemouth Belle" runs daily.

Good fare can be appreciated more after a glass of **DRY FLY SHERRY.** It is the best appetizer at cocktail time.

20/- bottle · 10/6 half-bottle

From your Wine Merchant or:
Findlater Mackie Todd & Co., Ltd.

SULPHUR

"BRING me fire that I may purify the house with sulphur" wrote Homer in the Odyssey. From these ancient medicinal applications, sulphur, in the form of sulphuric acid and other chemicals, has so extended its uses that today this yellow rock, which burns to form choking fumes, is one of the most important elements used as a raw material in modern civilisation. In recent times most of the world's needs for elemental sulphur—amounting to 5-6 million tons annually—have been supplied from deposits in the U.S.A., but these are fast becoming exhausted as more and more sulphur is needed for industrial, agricultural and other purposes.

Since the early 1930s, I.C.I. has been developing methods of making sulphuric acid from anhydrite, which is found in large quantities in many parts of Great Britain. It is fortunate, now that the sulphur situation is critical, that I.C.I. is thus able not only to increase its own production of sulphuric acid from British sources, but also to place its accumulated research and production knowledge at the disposal of some of the principal British acid users. Plans are indeed now going forward to install new plants which will make sulphuric acid from this indigenous raw material and thus reduce the need to import sulphur from overseas. I.C.I. has also converted other plants to utilise the sulphur recovered as spent oxide made in the purification of town gas.

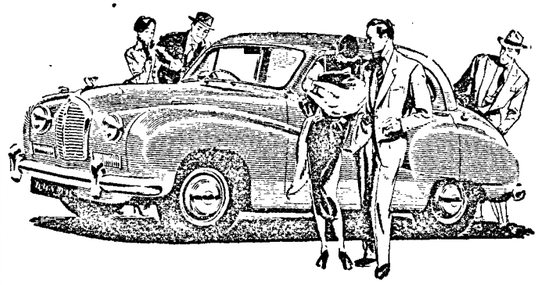
ICI

World-wide and Handsome

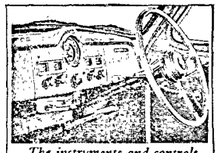
SEE THE

NEW AUSTIN A40

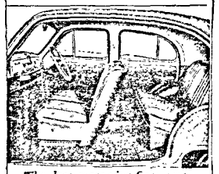
SOMERSET



AT YOUR DEALER'S NOW



The instruments and controls are easy to read, easy to reach; the seats are separately adjustable over a wide range.

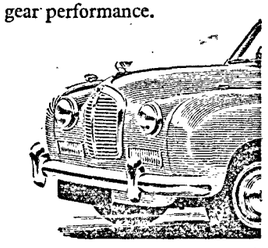


The deep seats give firm, restful support . . . the door width and height make it easy to get in and out.

YOU'LL like the Somerset's graceful new styling. You'll like its new refinements . . . the deep, curved windscreen and rear window . . . push button door handles with safety locks at rear . . . external side lamps clearly visible to driver.

YOU'LL like the extra comfort . . . luxurious, foam rubber seating in leather . . . more room all round.

YOU'LL like the record-breaking 4-cylinder overhead valve Austin A40 engine with improved induction and cylinder head design for extra top gear performance.



AUSTIN

—you can depend on it!

THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM

no matter what its other merits, if its effect is inevitably to bring about an irreversible and uncheckable inflation?

River Journey

The Wilderness Voyage. By Peter Grieve. *Cape.* 216 pages. 15s.

Take a competent journalist, seasoned with much travel, salted with humour and mellowed with the milk of human kindness, set him loose on a river boat in a country where it is always tomorrow afternoon, and you may expect a travel book of more than average readability. "The Wilderness Voyage" fulfils this expectation.

The outstanding and refreshing difference between the usual Latin American travelogue and this story of a river journey through Amazonia is that the author was never jocose at the expense of the people he met. They were his friends; he admired their qualities and respected their differences; and he parted from them with affection and regret, paying tribute to the inherent dignity of lives which were poverty-stricken, lonely, and often brutal, but blessed with "time to stand and stare."

Conditions on small river steamers were primitive and congested, the food bad, the insects and heat a constant exasperation; but these drawbacks are dismissed as occupational risks inseparable from the endeavour to convey every "communicable revelation" of the Brazilian forest and the all-pervading network of rivers, which make human existence in it possible.

The book is enlivened with humour based generally on understatement, but rising, in the account of the author's indebtedness to Professor Castro de la Fayette, to an hilarity which qualifies the passage for inclusion in current anthologies.

Peter Grieve, whose early death is a loss to journalism and the reading public, wrote in his preface: "Much time in remote travel is consumed to no better purpose than it would be nearer home," but his own loitering from Belém on the Atlantic coast to Trinidad in Bolivia was certainly not misspent.

Towards Co-operation

Economic Aspects of Sovereignty. By R. G. Hawtrey. *Longmans.* 191 pages. 24s.

The first half of this book consists of six lectures on various aspects of imperialism, delivered twenty-three years ago to the Lowell Institute in Boston. It is a great tribute to Professor Hawtrey that they can be reprinted now without alteration. Far from reading like bargains from the shilling piles in the Charing Cross Road, they provide a highly stimulating background to the second half of the book, which is devoted to the somewhat gloomy task of tracing how the principles enunciated in 1929 worked out in 1951, and the more hopeful one of suggesting a way through the thicket.

Mr Hawtrey's first half is really the homework that we like to think we have already done. But newspaper articles and dinner table conversations leave a bed of dead leaves of opinion in our minds which is not always as fertile as real humus. Mr Hawtrey comes scratching down to bedrock, forcing us to think what we really mean by many of the phrases and concepts used so glibly. His lectures deal with sovereignty and property, sovereignty and economic development, communications and population, economic power and the economic causes of war. His fundamental question is how to dispense with the use of force, but

> when we seek to eliminate force from the [international] system, we find that force is fulfilling an indispensable function, the supersession of decayed or atrophied sovereign authorities by healthy and vital ones. We have to provide for this function in some other way.

The solution, which he puts forward rather tentatively in the second half of the book, is what he calls a "Composing Commission," a kind of mixture of Nato, the Economic Commission for Europe, the Council of Europe and The Hague Court,

> whose decisions would not be confined to applying a code of rules, but would be guided by conditions of expediency. Wherever an economic enterprise needed the intervention of more than one Government, it would take the place of the Governments concerned, and would supersede their authority in the matter.

Mr Hawtrey is better aware than most people of the reasons for past failures in international co-operation and of the present perils. Nevertheless, he sensibly refuses to be too downcast and sees hope in the present situation when plans for the combined defence of Europe lead on to plans for economic integration, which would be impossible but for the pressure of fear.

Scientific Miscellany

A Statue to Mr Trattles. By C. L. Boltz. *Butterworth's Scientific Publications.* 168 pages. 12s. 6d.

Mr Trattles was a merchant seaman who fell foul of a scientific theory. The Board of Trade tests, devised in consultation with some of the most eminent scientists of the time, proved that his colour vision was defective, and that he was thereby unfit for a mate's certificate. He refused to accept this, and raised a row which eventually reached Parliament. Mr Winston Churchill, then President of the Board of Trade (this was in 1909), instituted an inquiry which vindicated Trattles, and the colour vision tests for the Merchant Navy were modified. The theory in question fell into disrepute (it had not been by any means universally held, but had been foisted on to the Board of Trade by a combination of peculiar circumstances and personalities) and is now completely outmoded. Mr Boltz tells this instructive story in entertaining detail as a warning to scientists and others against holding opinions too dogmatically.

"Mr Trattles" is the most considerable item in this book, the rest of which consists of short articles and talks on a variety of scientific and technical subjects. Mr Boltz has chosen unsensational subjects, which he describes clearly. He obviously takes a great interest in colour and colour vision, and also seems attracted by small things (diamond dust, sand particles, colloids, experiments with models). There are also several short scientific biographies. The subjects are, however, not connected in any way, and as the author has not enough space to go at all deeply into them, the purpose of the book is questionable, in view of the number of good magazine and even newspaper articles available to the casual reader. Perhaps the one chapter which provides the justification (in combination with "Mr Trattles") is that describing the fascinating story of the dancing bees; this sounds like a Sherlock Holmes story and is every bit as exciting, both for the intricacy of the bees' "food signpost" system, and the patient skill of the naturalist von Frisch in unravelling the details. Everyone should read this story, and while it is available in other places, this is much the best popular account which the reviewer has come across.

The Poet and the Official

Freedom is the Right to Choose. By Archibald MacLeish. *Beacon Press, Boston.* 186 pages. $2.50.

It is the measure of the compelling magic of the late President Roosevelt that he persuaded the poet Archibald MacLeish to become an Assistant Secretary in the State Department. Mr MacLeish's book shows the impact of the official upon the poet, and the revolt of the poet against the official. Mr MacLeish is troubled by the negative, defensive mentality of modern America. "Who, we say, can imagine the word 'containment' in Roosevelt's mouth? But for all our scorn we know, or ought to know, that the defensiveness of our foreign policy is dictated not by the mentality of the Department of State but by the mentality of the country."

Elsewhere Mr MacLeish writes:

> The truth is that the place to remedy an unsatisfactory foreign policy is not in Formosa or Western Germany, but at home. Until the country recovers a sense of national purpose within itself, until it shapes again its national will, its foreign policy must continue to be defensive and Russia must be left the initiative she has held since the war's end.

Mr MacLeish is deeply concerned by the damage done to the mind and soul of America by General MacArthur and Senator McCarthy. He fears the freezing of American thought into the rigidities of an official dogma which would permit no heresies. "If freedom," he writes, "ceases to express the American faith in man and in man's unqualified right to find the truth for himself, it will shortly express a faith in established truth, in the rightness of official opinion." But Mr MacLeish's eloquent book is in itself a cheering assurance that the spirit of American liberalism is very much alive to the perils of a stratified community.

AMERICAN SURVEY

Atomic Rivals—or Partners?

Washington, D.C.

VERY soon after it had been announced in London that a British atomic weapon will be tried out in Australia this year, Senator Brien McMahon of Connecticut, the chairman of the Congressional Joint Committee on Atomic Energy, issued a more than usually interesting statement. Almost no attention was paid to it in the United States. Indeed most of the newspapers, suffering from one of their intermittent blind spots, dismissed it in a few lines, reporting what the Senator had said in his first and third paragraphs and missing altogether the news in his second paragraph, which read:

> This event is likely to raise in still sharper focus the problem of atomic co-operation between ourselves and Great Britain. The British contributed heavily to our own wartime atomic project, but due to a series of unfortunate circumstances, the nature of the agreements which made this contribution possible was not disclosed to me and to my colleagues on the Senate Special Atomic Energy Committee at the time when we framed the law. Now we may consider re-thinking the entire situation with all the facts before us.

This was the first public admission by the principal architect of the Atomic Energy Act, passed in 1946, that this anachronistically isolationist law was devised in ignorance of one of the relevant factors. President Roosevelt and Mr Churchill (Mr Mackenzie King of Canada concurring) had agreed during the war that the development of the atomic bomb should be a co-operative undertaking. All the theoretical and experimental knowledge Britain's scientists had gained, and the services of the scientists themselves, were freely surrendered. An international marriage was performed in order that the Manhattan Project should succeed. It did succeed, and the atomic bomb was born. Then, when the victory was won, Congress passed the Act which announced that there would be no further pooling of scientific resources. This policy of atomic isolation is now becoming less attractive, with the proof that British scientists have not been discouraged by being frozen out of the partnership.

Indeed, Congress, in close consultation with the Atomic Energy Commission, had given evidence some time before the impending British test was announced that it was aware that it might be missing something. In October last year the McMahon Act was amended to provide that some atomic secrets might be shared as long as such sharing would produce returns which would substantially promote and would not endanger the security of the United States. But secrets could be communicated only to friendly nations with adequate security regulations, and only so long as secret information on design and fabrication of atomic weapons continued to be withheld. A security-conscious friendly nation could be told some of the little secrets, but not any of the big secrets; and nothing was to be told, in any case, unless the telling was made worth while to the United States.

Even this, against the background of alarm and anger which had swept Congress a year or so earlier, after the revelation of the crime of Dr Fuchs, was considered to show a praiseworthy breadth of mind. But self-interest was the over-riding reason why the Act should be modified, in the view of the Atomic Energy Committee.

★

Not long afterwards—before Mr Churchill brought Lord Cherwell to Washington to talk to Mr Gordon Dean, the chairman of the Atomic Energy Commission, and his colleagues—the question whether Britain's first atomic weapon should be tested on the admirably equipped atomic proving grounds in Nevada became a topical issue. No report of what Lord Cherwell said to Mr Dean, and what Mr Dean said in reply, was published, so that the tenor of these talks is a matter for educated guesswork at the best. One of the educated guesses is that Mr Dean rather apologetically explained to Lord Cherwell that, while the Atomic Energy Commission would be happy to place the Nevada proving grounds and all their instruments and up-to-the-minute apparatus at the disposal of the British Government, it would be prevented by the McMahon Act, even as amended, from communicating to the British Government any data which would enable it to compare what the instruments and apparatus showed when the British atomic weapon was exploded with what these same instruments had shown when comparable American atomic weapons had been exploded. "We shall know what results you get" Mr Dean might well have said to Lord Cherwell, "but you won't know what results we got."

Senator McMahon, in the part of his statement generally reported in the United States, said:

> I might have wished that the British had seen fit to take advantage of our offer to make available a test site, subject to conditions which our law lays down. However, I can understand the British decision to go to Australia, and I wish them success in this venture which will enhance the peace power of free peoples.

It is highly probable that in their present frame of mind Senator McMahon, Mr Dean and most, if not all, of the Atomic Energy Commissioners will be well content if they read in their newspapers, some time this year, that the British test in Australia has been successful and has yielded valuable new information. Without such a development they cannot expect either singly or together to produce any swift metamorphosis of the recent mood of the Congress and the people—a mood which, especially since the Fuchs case, has recognised little distinction between the relative importance of keeping atomic secrets from enemies and from friends.

But there is little doubt that influences making for a liberalisation of this mood have lately become evident in America. It is now about two years since the most ardent and orthodox exponent of the security creed, Admiral Strauss, resigned from the Atomic Energy Commission.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Somewhat less nervous counsels appear to have prevailed since then. The coming tests at Eniwetok are to be conducted with as great an emphasis on security as ever; and it can be argued that the recent decision to stage a conducted tour for newspapermen through some of the hitherto sacrosanct reaches of Oak Ridge, Tennessee, and the plan to allow outsiders to watch the explosion of an atomic weapon in Nevada, have been dictated by a growing public anxiety about the immense sums of money which the Atomic Energy Commission is spending without giving any real public accounting. Nevertheless, whatever the reasons, a gentle loosening-up process seems to have begun, just as some Americans are beginning to doubt whether the decision to drive Britain into atomic independence was quite as wise as it seemed to be in 1946.

The *Washington Post* admonishes Americans that the wartime co-operation between England, Canada and the United States which gave the free world first place in the production of atomic energy has degenerated into a dangerous sort of competition. Representative Carl Durham, of North Carolina, the vice-chairman of the Joint Atomic Energy Committee, says: "It is foolish not to make an honest effort to get together on our Number One weapon." And Mr Dean, though he must be vaguer and more careful in any utterances he makes on the subject of co-operation with Britain and Canada, is able to say:

> We have recently entered a room, the door to which was labelled the atomic age. We are in that room and we have found that it is so large and so dimly lighted that we cannot begin to perceive its size or to recognise what is in it. And we do not know how many doors lead from this room into other rooms perhaps just as significant in the history of man.

The Americans who are feeling their way across the big, dimly lighted room are aware—better than are the members of Congress and the men in the street who are merely reading about it—that it is better and safer to have company in this sort of situation.

Choosing the Candidates

When Americans go into the polling booths on November 4th to choose their next President, they will actually vote not for one of the official candidates but for electors who will choose a President on their behalf. Even more indirect are the methods by which the parties themselves select their candidates for the presidency. Yet these preliminaries are just as important for the future of the country as is the presidential election itself; this year, for example, the Republicans will at this stage have to choose between General Eisenhower, Senator Taft, Governor Warren, Mr Harold Stassen and perhaps General MacArthur. Even then they may end up by rejecting them all for some dark horse that has not yet been entered.

The Democrats and the Republicans both nominate their candidates for President and Vice-President at special conventions, to be held in Chicago this year, beginning on July 7th for the Republicans and July 21st for the Democrats. These gatherings are attended by delegates from all the states and dependencies; the number from each state is governed mainly by its population, but is also affected by how the state voted in the last presidential election. About half these delegates, from two-thirds of the states, are selected at state conventions of their party or, in four states, by its state executive committee. This means that most of them are, in fact, picked by the party machine and that the party leader in the state can guarantee how they will vote at the national convention. And the party leaders are usually prepared to deliver these votes to the candidate who promises them federal jobs and patronage if he is elected.

Senator Taft is claiming that he has already obtained guarantees of almost all the 603 votes needed for the Republican nomination, even though so far the state conventions have hardly begun; most of them will be held during the next three months. But the result of the one that has already taken place in Oklahoma makes it look as if the Senator has been unwise to count his delegates before they are hatched. Only about half the state delegation there is now expected to support Senator Taft; the rest favours General Eisenhower.

It is in the south, too, that President Truman may have trouble with some of the Democratic party machines, should he decide to run again. But elsewhere Mr Truman can be sure, as the President almost always can, of his party's support, for there is hardly a Democratic official who does not depend in some degree on the Administration that has been in power for so long. To Woodrow Wilson, when he was President-elect in 1913, it seemed

> intolerable that any President should be permitted to determine who should succeed him—himself or another—by patronage or by any sort of control of the machinery by which delegates to the nominating conventions are chosen.

Many others felt the same and looked for a way of ensuring that presidential candidates should be selected not by party bosses in smoke-filled rooms at national conventions, but by voters in the pure air of the polling booth.

★

The solution, it was thought then, was the primary election in which the state delegation would be chosen, and told which candidate to support, by the free votes of the members of the party in each state. The first state to provide for such a primary election was Wisconsin in 1905, and by 1916 half the 48 states had them. Since then their popularity has declined and this year only 17 states will hold primary elections—two probably for Democrats only—nearly all in April or May, and always on the traditional Tuesday.

No two state primary laws are identical. In some states only delegates to the national convention are elected, in others the voters also express their preference amongst the presidential candidates entered. In most states the delegates are bound to support a particular candidate for the presidential nomination, although usually only for the first few ballots; after that the delegates elected in a primary election are almost as ready to follow the dictates of their local party leader as are those nominated by a state convention. President Truman is therefore not alone in thinking that the present primary system is "eyewash." When the time comes for the national convention it seems to make little or no difference how delegates have been chosen or whether candidates have entered primary elections or not. The classic example of the latter was Wendell Willkie's nomination in 1940, when he had not fought a single primary. But his nomination also showed that the party bosses do not always get their own way.

Wendell Willkie, four years later, provided another classic example, of the harm a primary can do to a candidate's chances; after his poor showing in the Republican primary in Wisconsin in 1944, he gave up trying for the nomination. There is a risk that the same thing may happen to General Eisenhower in the first of this year's primaries in one of the smallest states, New Hampshire, on March 11th. Everything is in his favour there and, if he loses as many as six or seven

The board accepted the chief argument of the unions, which is that "free riders"—those who are not members—are unjustly enriched, receiving all the benefits won without carrying any of the load. There are not many such "free riders" among the railways' non-operating employees; about 85 per cent are union members, and the majority of the remainder are supervisory and managerial workers who could not join in any case.

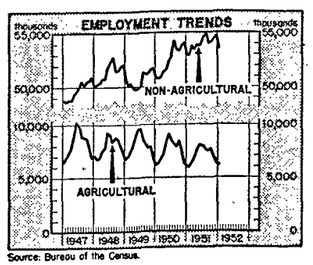
The railway managements who protest so bitterly against "compulsory unionism," as depriving workers of their liberty, and strengthening the grip of the unions on the industry, would have a better case if 40 of them had not recently signed union shop agreements covering over 200,000 workers. Congress itself gave the unions a green light when, in January last year, it repealed the ban on the union shop contained in the Railway Labour Act. The Taft Hartley Act, while outlawing the closed shop, permitted the union shop when the majority of the workers favoured it, and the Act has been amended to do away with the requirement that a formal vote must be held.

In a recent study of 2,600 labour contracts, the Department of Labour found that over 70 per cent of the 5.5 million workers covered enjoyed the union shop. This probably overstates its prevalence among the 16 million organised workers. Up to now, no board has ever placed the authority of the government behind the union shop, leaving it to collective bargaining. Even if the Wage Board decides to do so, it will be merely in the form of a recommendation, which is not binding. There is a difference between the position of the railways and other industries which may be affected. The carriers usually have accepted the recommendations of emergency boards, but if they should refuse to this time the unions cannot resort to a strike as long as the railways are operated by the government. In steel, there is no such prohibition.

* * *

Labour on the Farm

The question of bringing contract labour from Mexico for American farms is even thornier than usual in an election year with the farm vote at stake, but nevertheless it is once more being debated in Congress. Mexico refuses to make a long-term agreement on the employment of its nationals for seasonal work in the south-western states, unless adequate guarantees are given against the hiring of illegal Mexican immigrants; they are not protected by treaty and their pitifully low wages and miserable living conditions not only harm them but also depress the status of legal immigrants as well as, of course, that of all farm labourers. Last year more than half a million "wetbacks"—so called because many enter the United States by swimming the Rio Grande—were deported by US officials out of an estimated total of over a million.



Source: Bureau of the Census.

The dwindling supply of labour available to the nation's farmers makes it important that an agreement should be reached with Mexico for, as regular workers go to better paying industrial jobs, more dependence is placed on migratory labour. The exodus from the farms has been accelerated by the defence programme; the number of farm workers dropped sharply from 9 million at the peak of the 1950 season to 8 million a year later, but the trend began during the war. Farm wages were 11 per cent higher this January than they were a year ago, but even so they are still lower and hours are still longer than in factories. Raising wages to attract labour is not the policy favoured by the large commercial farmers who produce the bulk of the nation's crops; they want greater use of imported labour. There is no minimum wage for farm work and while some of the big farms use legal immigrants at previously agreed rates, many have what small farmers call an "indirect subsidy" since they hire wetbacks at wages as low as from 10 to 25 cents an hour.

Parallel to the drop in total farm employment is the trend toward fewer and bigger farms that are increasingly dependent on machinery and other labour-saving devices such as spraying and seeding from the air. On a completely mechanised cotton farm, for example, only ten man-hours are needed to produce a bale of cotton compared to the 155 man-hours required for a bale when only men and mules are used. These methods explain the apparently paradoxical rise in total farm output which has accompanied the drop in farm employment. If this increase in productivity continues, it will provide enough profit for still more mechanisation and make farmers less dependent on a large labour force.

Shorter Notes

As expected the steelworkers' union has postponed the strike, set for February 23rd, for a month, during which the Wage Stabilisation Board will go on trying to find an answer to the dispute between the union and the industry. This makes the third postponement of a strike originally scheduled for New Year's Eve, and Mr Murray, head of the union, has warned the country that his 650,000 members are running out of patience and will give no further extensions to the industry or the board.

*

Republicans see a good omen for the future in their victory in a special Congressional election, the first of the year, held in a New York City district, where the vote has always been unpredictable. Thirty per cent of the voters turned out to elect a Republican to a seat vacated by a Democrat, in a campaign marked by strong Republican attacks on "Trumanism" and the three C's—crime, corruption and communism. The Democratic candidate evidently was not helped by his attempts to disassociate himself entirely from the Administration, a policy he carried to the extent of refusing to accept any support from regular party organisations.

*

The more Presidential candidates the better, as far as the manufacturers of campaign buttons are concerned. Their business has declined during recent elections, since, with the same candidates running each time, the majority of voters have been able to wear the same label in their buttonholes during successive campaigns. The profusion of Republican aspirants for the nomination this year has brought unusually brisk pre-campaign business (at $17.75 a thousand) to button headquarters, where Eisenhower, Taft, Stassen and Warren emblems are impartially turned out. In addition to the regular proclamation of favourites on lapel buttons, a new element has been introduced by Taft supporters, who, when they meet an opposing "I Like Ike" pin, can reverse their lapel to show a button with the retort "No Like."

*

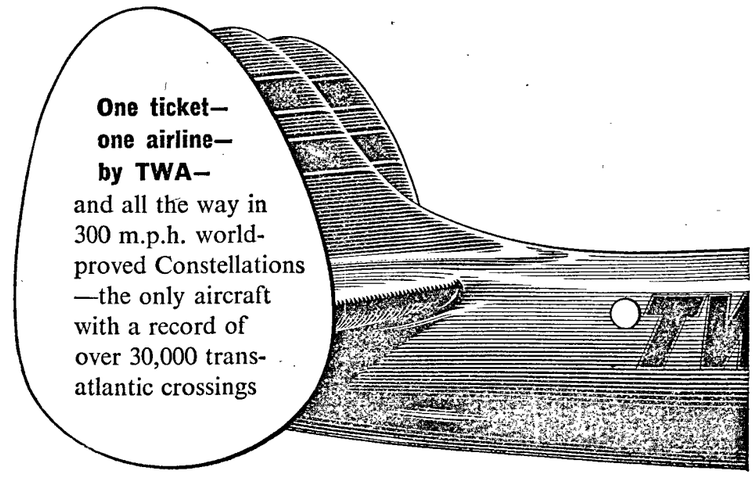
After more than three years of thorough renovation, the White House will again be used as a Presidential residence this spring, when the Truman family moves back in from their temporary quarters at Blair House. The interior of the 161-year-old building has been almost completely rebuilt, as well as redecorated in colour schemes chosen by President Truman; his interest, some observers say, is evidence that he would like to go on living at the most coveted address in the nation, 1600 Pennsylvania Avenue.

Starting MAY 1st* **BOOK NOW**

TWA offers 'Skytourist' Service to and across USA

Now with LOWEST EVER FARES you can fly to New York for £96.9s. and save up to 37% to other US cities.

Now is the time to plan your visit to America! Take advantage of 'Skytourist' Fares and enjoy the speed, comfort and dependability of TWA—the airline chosen by over two million travellers last year. The popularity of this new TWA service is already being proved by heavy bookings. So don't delay—see your Travel Agent or TWA about your advance reservations NOW.



YOU CAN DEPEND ON TWA to USA

TRANS WORLD AIRLINES

EUROPE · AFRICA · ASIA

Consult your Travel Agent or TWA.
LONDON : 200, Piccadilly, W.1. REGent 3211.
MANCHESTER : 32, Deansgate. BLAckfriars 4649.

**Subject to Govt. approval. Meals available at reasonable prices. TWA Sky Coach fares now in effect within USA.*

IS BRITAIN'S ECONOMY 76 YEARS OUT OF DATE?

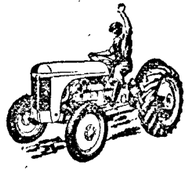
At a time when Britain's whole economy is geared to the export drive, we are producing about as much food in this country as in 1875. Yet the whole success of the export drive depends ultimately on food production.

To sell goods abroad, prices must be competitive. Prices depend, through production and living costs, on the cost of food. The cost of imported food today equals more than half the total value of our exports, and is still rising. If we wish for a better future, therefore, we must grow more food — cheaper food — for ourselves.

Millions more acres can be brought under cultivation. The productivity of cultivated land can be increased. But this can only be done economically if we give farmers more economical machinery.

By enabling fewer men to grow more food at less cost, we can bring agriculture into line with modern industrial methods of production. Then, and only then, shall we get the cheaper food which is the basis of a sound economy. *Harry Ferguson Ltd., Coventry.*

Grow more food in Britain



Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

THE WORLD OVERSEAS

What is the European Army?

ON February 22nd, the twelve members of Nato gave their general and particular blessing to a European Army which may or may not come into being; in general by approving M. Schuman's report on the present state of the Paris negotiations; in particular by endorsing a report by their own military committee which was bold enough to say that the military arrangements foreseen by M. Schuman would be militarily effective. Finally, Nato agreed on the physical and legal links between the European Defence Community (EDC) which would include Germany, and the Atlantic Organisation which at the moment does not.

If there was any idea still miraculously lingering in British minds that the details of the European Army need not concern them, the French assembly must have rudely shattered it last month. Whatever their precise relation, Britain and the EDC will have to be on the most intimate of terms if the hypothesis which Nato endorsed is ever to become a reality. The time has come when the most insular Briton must inform himself about the plans which six Continental countries have been preparing in Paris. The following is a summary of those plans as they stood at the beginning of this month.

I.—**Of what will the Army consist?** Land and sea contingents from France, Germany, Italy, Belgium, the Netherlands and Luxembourg. Norway, Denmark and Portugal, all members of Nato, stand outside. How many contingents from each country is not yet revealed—it may not even have been decided. But planners have been assuming that there will be something like 43 divisions, with appropriate supporting air strength, by the end of Nato's medium term programme—that is, by 1954. France and Germany will contribute in proportions of 14 and 12 respectively. All the land and air forces of the six member governments will automatically be transferred to the European Army with the exception of: National forces needed in overseas territories or for international commitments (as in Korea and Austria); forces needed at home as potential reinforcements for overseas contingents; police and gendarmeries. In the event of a crisis in law and order at home or abroad, members can apply to withdraw temporarily some of their European units. Apart from the police, these exceptions will not in fact apply to Germany; as it has no overseas possessions or other foreign commitments all its forces should in theory be European.

II.—**How will the Army be organised?** In present conditions of east-west tension it will be placed at the disposal of General Eisenhower's Supreme Command (SHAPE). SHAPE, at least, will say where and how it should be deployed. In time of war it would come automatically under its operational command. Common principles of recruitment, conditions of service, uniform, administration, equipment and training will form a special protocol to the European defence treaty. The French hope that these will include a common code of military—and, where applicable, civil—law, but most of the details are still under discussion. For land and air forces, there will be a basic national unit of varying sizes. For land forces it will roughly correspond in size to a division, though it will be much less self-contained for transport, communication and supplies. National infantry units will be 13,000 strong and armoured and mechanised units 12,600 strong, plus about 2,000 reserves. Integration will take place in army corps of three or four units of different nationalities (not more than 80,000 men in all) with an integrated general staff and full tactical and logistic support—fully integrated, in this case, at the brigade level. The army corps, to quote the French, will be "la véritable grande unité de bataille." For the air force, the national units will contain 1,200-1,800 men and 75 machines—roughly comparable to a "group" in the US air force. Integration will take place in the "tactical air command." The supply and maintenance services and full tactical support, including fighter, coastal and bomber commands, will be combined in even larger units called "tactical air forces."

III.—**Who decides production?** So far as men are concerned, proportions and targets will be allocated between members when the defence treaty is ratified. Alterations can be made only by unanimous agreement of the council of ministers (see below). So far as production is concerned the defence commission, the executive arm of the EDC (see below) will prepare an armaments programme for the community as a whole, submit it to the council of ministers and see that it is executed in the form approved by them. The commission should, for example, decide whether the Ruhr should produce tanks and artillery, or only parts for them.

In theory this should also include all arms, supplies and equipment needed by the army and air force, and implies standardisation and specialisation of arms production in member countries. In practice, this cannot happen for some time. The production, import and export of all war materials by member countries will be subject to approval by the commission, and, in the case of war material not for the benefit of the community, to licence.

IV.—**Who decides what shall be paid?** A common budget will in theory cover all the common expenses and receipts—including American military aid—of the community from the moment the treaty comes into force. How inclusive this will be—whether, for instance, it will cover supplies and equipment as well as arms—has yet to be defined. For the first two years, in any event, it will necessarily be limited by existing national commitments, by the slow development of the army, and by the peculiarities of each country's financial procedures. During the "pre-federal stage" of the community, national contributions will continue to be voted by national parliaments, in line, it is hoped, with the budget estimates as approved by the council of ministers. The ministers in turn will be guided by provisional estimates of expenditure and receipts made by the defence commission, and by Nato decisions on how the financial burden of rearmament shall be shared between the various countries.

V.—**Where does the political control lie?** It will be shared between national legislatures, an international council of ministers, and the "supranational" defence commission. A time in the future, when a responsible European assembly would have real political power over federal or confederate ministers, is a major assumption of the draft treaty. But for the present there will be a mixture of national checks and supranational balances. Broadly, the defence commission will be the executive of the community and will be truly supranational. In execution it has wide powers; but for all policy decisions it will be subject to the council of ministers, not only on specific problems but through the fact that the ministers can dismiss individual members of the commission. The council of ministers itself will decide by vote; some-

times by majority, in which case it will approach the supra-national, and sometimes by unanimity—the present formula of Nato. The council will in turn be guided by what it considers the national legislatures will agree to, more particularly in matters of finance where they have the last word.

There are to be two institutions that will be shared by the community and the coal-steel pool: a European court of justice, and a European assembly. (When the assembly is considering defence, France, Germany and Italy will send three extra delegates.) The court will interpret the defence treaty and the laws of the community. The assembly will have no real powers and few active functions beyond being able to complain about the budget estimates and censure the commission as a whole—when they must all resign. Its main function will be to draft a constitution for a European legislature with more positive powers, to take over at stage two of the EDC's political career.

VI.—**What are the relations between the council and the commission?** The defence commission will have nine members for six years each, three to be elected every two years by mutual agreement of member nations. While in office they are to have no national loyalties. They will organise training; inspect and control the administration of forces; supervise recruitment (which will be done nationally according to an international scheme), draw up mobilisation plans for men and resources, prepare armament and supply programmes and, in close consultation with national governments, the budget estimates; administer the same when approved; make junior officer appointments and recommend senior appointments to the council of ministers; maintain contact with SHAPE. In fact, they will constitute something very like a European ministry of defence.

The council of ministers, one from each country, will be the catalyst between the national parliaments and the commission. By unanimous vote, it may do the following: give the commission general directives; alter the composition of the forces and the details of the treaty, and decide that an emergency exists which calls for mobilisation. By unanimous vote also it must: nominate the senior officers and approve the total budget and the national shares of the total. By simple majority, it must approve the rearmament programme and the distribution of the budget under separate heads. By two-thirds majority, it can ask the commission to do anything within its competence and it can request the assembly to pass a vote of censure against the commission as a whole. But although voting in the council will be superficially one for one, there is for the case of the simple and two-thirds majority a formula which gives the larger contributors a larger voting weight.

Soviet Farming Record

THROUGHOUT the years of Soviet planned economy, agricultural development has always failed to keep pace with the growth of industry. This gap, due mainly to the fact that agriculture is less suitable for rapid planned expansion, has been further widened every few years by the vagaries of nature. It may now be gathered from the Soviet annual report that nature in 1951 has once again played havoc with the agricultural schemes of Russian planners. It is officially admitted that weather conditions have been bad in the Volga Valley, western Siberia, Kazakhstan and other regions. The results of the drought are unlikely to be as disastrous as in 1946 or any prewar famine year. But while industry has been forging ahead in 1951, agriculture has remained stationary, with the cotton and beetroot crop only slightly better than in 1950 and the grain, and probably potato, crops actually lower.

Thus little, if any, progress was made despite a substantial increase in acreage and further mechanisation. The total cultivated area, at about 380 million acres, is slightly larger than in 1940, though the grain acreage has not yet climbed back to the prewar level. The countryside has now at its disposal more tractors than the 523,000 available in 1940; for during the last six years alone over 670,000 tractors, in units of fifteen horse-power, were supplied to rural areas. It is claimed that 90 per cent of the ploughing and half the harvesting is now done by machines. In addition, the supply of fertilisers has apparently doubled since 1940. Yet, despite all this, the average yield is now only very slightly higher than before the war; for grain it is probably less than 4.5 quintals per acre.

The failure of the grain harvest must have been a particular blow to Soviet planners. For output was some 3.5 million tons lower than that of 1950, which was in turn 1.5 million tons short of objective. No actual shortages are likely to be felt in the Soviet Union. The proportion of grain earmarked for the towns, the so-called "commercial bread," was on the eve of the war 40 per cent and has been substantially increased since then. There should, therefore, be enough grain to feed the urban population and still leave a little for stocks. On the other hand, the Russians will probably have little surplus grain to throw on to the world market, and they must have hoped to use any such surplus as a powerful propaganda asset, particularly in Asia. Nevertheless, the greatest worry must be the long-term task of feeding the ever-growing urban population. Repeated failures of the grain crop may jeopardise to a certain extent further rapid industrialisation, which is the main Soviet objective.

(In Million Tons)

	1940	1950	1951
Grain	119·0	124·5	121·0
Cotton	2·7	3·75	3·75*
Sugar beet	21·0	23·5	27·0*

* The report claims that these figures were exceeded, without stating by how much.

As for cotton, a relatively poor crop will prevent the Russians from becoming completely independent of outside markets. Soviet propaganda assures its public that for the last ten years no cotton has been imported and self-sufficiency in cotton must be considered quite important, since the cultivated area was increased by one-fifth between 1950 and 1951. But the crop was only insignificantly higher, which implies a drop in the average yield. Heavy rains in Uzbekistan, where over half the crop is grown, have apparently spoilt the harvest.

Livestock production has again been disappointing. The original planned figures for 1950 have not yet been fulfilled. A revised, more modest three-year plan for livestock development in state and collective farms was drawn up, which was to be completed early in 1952. Even this, it would seem, has not been carried out; but it may be advisable to await some sort of a report on this plan before appraising Soviet livestock development.

Has this relative stagnation and the more obvious failures been due exclusively to natural calamities? It would seem that the dislocation created by the amalgamation of collective farms into larger units has also been a contributory factor. The amalgamation of some 245,000 farms into just over 120,000 should have ended early in 1951. During this transitional period the benefits of large-scale production could not yet be reaped, while all the disadvantages of reorganisation were felt. Collective farmers apparently took advantage of it to appropriate communal stock and tools. The larger units required the direction of agricultural experts, and it turned out that real specialists were still scarce. Last, but not least, the *Kolkhozniki* were frightened by visions of agro-towns.

When Nikita Khrushchev launched the amalgamation drive he spoke of bridging the gap between town and country, of transforming villages into rural towns and—by implication—of suppressing or reducing the remaining private plots. Thereby he has probably roused a slumbering volcano—the peasants' love of property. It is quite possible that in some cases the farmers answered by passive resistance and bad work, despite the repeated assurances of the authorities. Soviet propaganda, in fact, immediately proceeded to tone down Khrushchev's declarations. Lesser party dignitaries were allowed to criticise this member of the Politbureau, while reservations and limitations poured out from all quarters. Only last month *Bolshevik* proclaimed that

> the process of transforming the collective farm into the future commune must take place gradually, while farmers become convinced of the need for such change.

The idea of agro-towns has not been dropped, only put into cold storage. In the long run the Soviet rulers still wish to eradicate the social differentiation between town and country; but the moment is not opportune. Not only does the international situation make it dangerous to rouse peasant discontent, but the present priority given to heavy industry does not allow the shifting of scarce resources to rural building. Thus in 1951 only 400,000 rural houses were built, less than the average for the last five years.

The calculation of Soviet planners appears to be as follows: in the short run the main task is to raise agricultural output sufficiently to allow further rapid industrial expansion, and for this purpose amalgamation is sufficient. Soon, it is hoped, the benefits of large-scale production will begin to appear, and then the lag of agriculture behind industry will gradually decrease. In the race to close this gap an important role is to be played by the vast schemes of irrigation, aimed a reclaiming desert land and protecting other land from th threat of drought. These plans to "put nature on th defensive" are frantically advertised in the Soviet Union but since they form part, together with plans for canal building and hydro-electric development, of the so-calle "Great Projects" they may be better appraised in tha connection.

Renegades in Trade

THE balance of payments difficulties of the past few month have wrought havoc with Europe's scheme to free import from quota restrictions. One of the basic principles of th scheme was the right of member countries to restrict import if their external payments account was markedly in the rec Early last year Germany was told to control its imports i order to reduce its trade deficit. But it was clearly nc foreseen that within twelve months Britain would have t contract out, in part at any rate, or that France would hav to throw the whole liberalisation scheme overboard. Britai and France together account for some 40 per cent of intra European trade. And now, the whole future of the schem is in jeopardy.

Liberalisation was conceived in the summer of 1949 whe the United States was in the throes of its first postwa "inventory recession." Britain and Europe soon realise that the only bulwark to an unstable American economy la in the expansion of European trade, and that expansion wa not possible so long as trade was prescribed by bilater agreements. At first, the member countries of the Organisa tion for European Economic Co-operation agreed to abolis import quotas on at least half of their private trade in eac of the three main categories—food and feedingstuffs; ra

BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED
In co-operation with B.O.A.C., T.C.A., T.W.A.

An Annuity

will offset reductions in income

For a man aged 65 (or a woman aged 70) the gross income for life from an annuity is over 10% of the purchase money.

(For residents in some countries payments are exempt from U.K. tax.)

Enquire for details at your age

The Equitable Life Assurance Society

Founded 1762

19 Coleman Street, London, E.C.2.

No shareholders No agents No commission

materials and manufactures. Twelve months later when the new European Payments Union was negotiated it was agreed to free in stages at least 60 per cent of private trade and then 75 per cent. A concession, however, was made in procedure. The 75 per cent was to apply to total private trade and the minimum of 60 per cent only to each of the three main categories. Thus countries could provide some protection for their domestic agriculture by freeing more than 75 per cent of their imports of either raw materials or manufactures, or both.

Widening Europe's Market

The simple formula of basing the percentage of private trade freed from quota restrictions on the actual pattern of trade that existed in 1948 enabled countries to keep to the letter of the scheme without increasing the volume of trade. If, for example, Britain imported azaleas under quota in 1948, but imported none in 1950 even when the quotas were abolished, this move counted so much per cent towards its objective to liberalise a certain proportion of its trade. Further, countries objected to the British policy of government import of foodstuffs which was excluded from the liberalisation scheme. Finally, so long as countries were left to choose which items they would free, the chance of creating a single European market—free from quotas, but not free from tariffs—was small. Hence a new technique was evolved early last year—the common list—where all countries agreed to abolish import quotas on the same goods in addition to the previous undertakings. Because the list was common to all countries, its scope was naturally restricted and covered in the main textiles and textile machinery. Even so, not all countries were able to comply. Apart from Germany, the exceptions were the smaller countries such as Austria, Denmark, Greece, Iceland and Norway, and even they agreed to adhere to the common list when they extended their liberalisation. Germany was a special case. It was allowed to revert to quota restrictions early in 1951 in order to reduce its chronic deficit with EPU. At the beginning of this year Germany freed once more 60 per cent of its private trade with European countries.

Last summer hopes that intra-European trade would soon be freed from quantitative restrictions were high. The exceptions that had to be made were not considered serious threats to the scheme. Indeed they were regarded as proof of its flexibility—a flexibility that did not curb a government's sovereignty over its domestic economic affairs. But the situation changed dramatically in the second half of 1951. Britain and the sterling area became a net debtor to EPU and had to meet 60 per cent of its deficit in gold; Britain and the sterling area were also running a large dollar deficit. Emergency measures were introduced in November and imports were cut by £350 million. Although only a few items on the common list were affected, something like a third of Britain's private trade with Europe was again subjected to import licensing. The additional import cuts of £150 million announced last January fell mainly on goods purchased by the Government or already controlled by licensing.

The French deficit with both EPU and the dollar area increased sharply in the last few months of 1951 and again in January of this year. A month ago the French Government announced that imports would be drastically cut; last week it renounced all its liberalisation measures and subjected all imports to quantitative restrictions. Just as Germany and the smaller countries were beginning to feel that they could play their full part in freeing intra-European trade, the two largest members of the European trading community had to contract out. And what of the future?

Britain is essentially a trading nation and it gains, not loses, from any move towards freer trade. The liberalisation scheme came from British initiative, and once Britain's balance of payments is again in surplus, it will no doubt abolish the recently imposed import restrictions. But if Europe's internal trade is to expand, liberalisation cannot be regarded as something to be jettisoned whenever the economy gets off an even keel. Admittedly a payments scheme that provided an effective deterrent to the constant creditor as well as to the constant debtor might help to ensure that commitments to free trade would not be frequently abandoned. But the vital prerequisite is for the participating countries to direct their domestic economic policies so as to maintain a balance in their overseas payments account. Autarky can only lead to trade restriction.

Holland: From Disinflation to Unemployment

[FROM A CORRESPONDENT]

At first sight Holland's economic and financial position during the past year has improved greatly, after the upheavals which were a consequence of Korea, devaluation and the general economic difficulties of the postwar world. Korea caused an upsurge of world market prices which was particularly disastrous for a country like Holland, depending on raw materials and foodstuffs from abroad. At the beginning of 1951, however, the Dutch government tightened the belt; it increased taxation, restricted credits, and raised discount rates. At the same time exports began to revive, partly as a result of domestic policies, and partly because of the revival of Holland's main export markets, particularly in Germany. In the course of the year many Dutch goods were sold in the western hemisphere, partly in Latin America, and the balance of payments improved considerably, although trade with the Benelux partner is still hopelessly onesided; Belgium exports far more to Holland than the other way round, and the progress of Benelux is at a standstill, if not in a state of complete crisis. But in the European Payments Union as a whole Holland's position is good, and even the deficit with the dollar area has been, if not bridged, at least considerably narrowed. The foreign currency reserve is steadily increasing, and as far as one can see at the moment, the deficit on the balance of payments for 1952 will not be 700 million guilders as was first estimated, but somewhere about 300 million. The national budget has been balanced and although the Minister of Finance looks duly pessimistic on appropriate occasions (as when new taxation bills are debated in parliament) it is evident from the published figures of tax yields that they are much higher than even optimistic observers dared suppose last year.

Fall in Demand

But there is one dark blot on the picture—unemployment is going up steadily. The most recent figures are: 128,000 people completely unemployed, 2,000 on half-pay, and 36,000 in the "DUW," a government agency for the promotion of public works. This is not so much unemployment as Holland had before the war; in 1938, for example, the numbers of completely unemployed varied from 250,000 to 360,000, and of "DUW" workers from 40,000 to 65,000. But it is far more than Lord Beveridge's famous 3 per cent estimate; this would lie, for Holland, somewhere between 90,000 and 100,000, and experts say that, if "invisible" unemployment is included, it has already reached the 200,000 mark and, worse still, is steadily going up.

Part of this is a consequence of the policies pursued by the Dutch government, part of it is simply caused by a natural fall in demand. The latter cause is evident in the slump in the shoe and leather industry, in textiles and in ready-made clothes. After Korea a buying spree started, but stopped, possibly from financial exhaustion, half a year later. The prices of these goods fell during 1951, but higher food prices resulted in a tighter—instead of a larger—family

Build your own equipment with

DEXION
SLOTTED ANGLE

★ Can be used over and over again

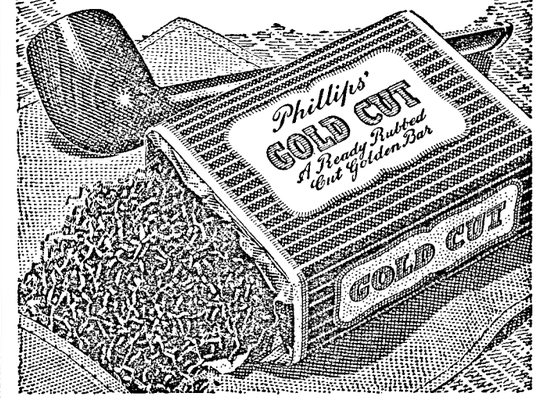
★ No drilling, measuring or painting

★ Just cut it and bolt it, that's all

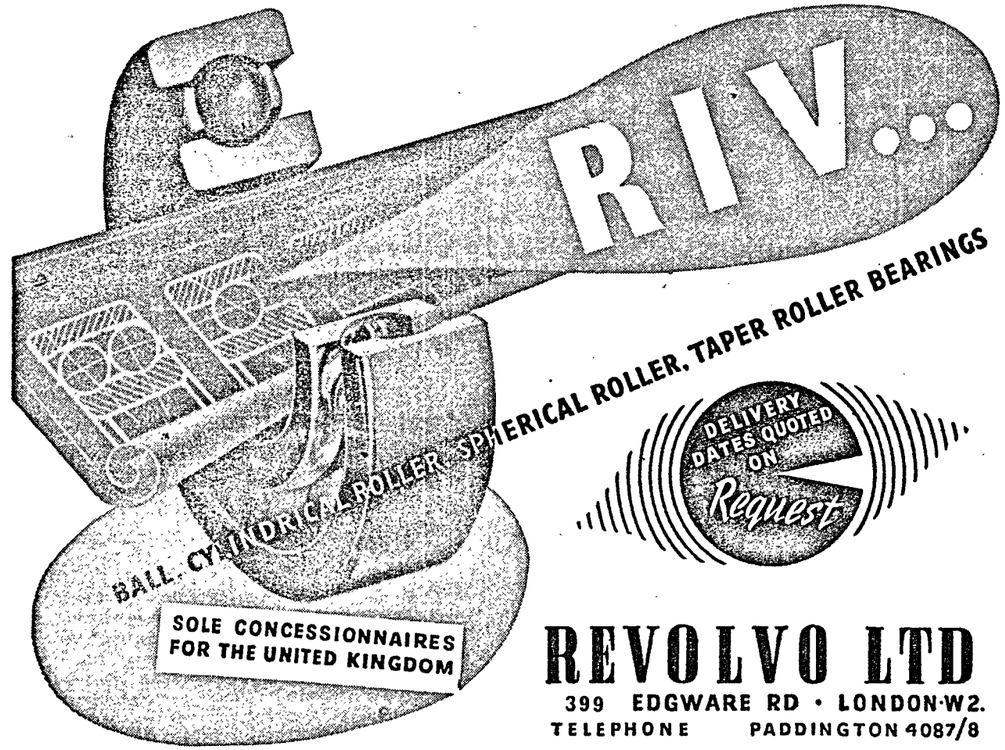
Write or 'phone for illustrated literature D3

DEXION LIMITED
Triumph House, 189 Regent Street, London, W.1.
TELEPHONE: REGENT 4841-5

A NEW old-style pipe tobacco at 4/- an ounce

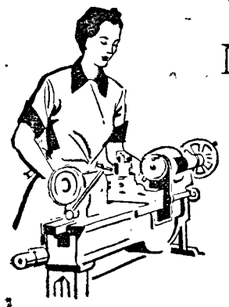


ISSUED BY GODFREY PHILLIPS LIMITED



REVOLVO LTD
399 EDGWARE RD • LONDON·W2.
TELEPHONE PADDINGTON 4087/8

WOMEN IN THE FACTORY NEED HELP IN THE HOME



CONSTANTLY the call comes for more women to work in industry, to increase production both for rearmament and for the export drive.
But if a woman is to work in a factory and at the same time run a home, she needs—and deserves—the best possible labour-saving equipment for her domestic duties.
We at Hoover Limited derive satisfaction from the knowledge that our electric cleaners are doing so much to relieve unnecessary domestic drudgery; and we are proud that their average retail price, exclusive of purchase tax, is only 30% higher than before the war, despite the fact that both quality and design have been improved. We are equally proud of our popularly-priced electric washing machine, specially designed for the very small as well as the larger home.
We look forward to the day when, with free supplies of raw materials available, we shall be able to maintain maximum production of both cleaners and washing machines. It is our aim to supply these *essential* pieces of equipment at the earliest occasion to all housewives in all sections of the community at the lowest possible prices.

HOOVER LIMITED

Makers of Electric Cleaners, Washing Machines, Polishers, F.H.P. Motors, Commutators, etc.

Factories at: PERIVALE, GREENFORD, MIDDLESEX · MERTHYR TYDFIL, SOUTH WALES · CAMBUSLANG, SCOTLAND · HIGH WYCOMBE, BUCKS.

BLOCK & ANDERSON

Engineers Designers

MEAN BUSINESS

B & A's export figures show a record contribution to Britain's export drive, while maximum possible production for the home market has been maintained, *helping to speed production and efficiency* by supplying the never ceasing demand for the Banda 'Master' duplicator—superb product of B & A's twenty years leadership in the development of Spirit Duplicating—*the modern method.*

Speed up the wheels of industry by putting B & A machines and systems to work in the office, on Production Control, Invoicing Routine, Order and Sales Analysis, Adding and Calculating. Write today, for the address of your nearest branch to *Block & Anderson Ltd., 58-60 Kensington Church Street, London, W.8 Telephone: Western 2531-6.*

• PIONEERS OF SPIRIT DUPLICATING •

SPEED THE NEW HOUSES

There is PLENTY OF **LEAD** for Water and Gas Pipes, and Roof Flashings

Lead Industries Development Council, Eagle House, Jermyn St., London, S.W.1

budget, and it is not accidental that the periods of large purchases of these durable consumer goods coincide with the periods of large withdrawings from the savings banks.

The slump in the building trade, on the other hand, is based on tighter financial controls. Fewer houses are likely to be built not so much because of shortage of materials, but because of the difficulty of financing housing projects. The municipalities, always large builders in Holland, are short of money, and propaganda for voluntary housing loans has had only incomplete success. The building trade, with about 7 per cent of all workers, has already 42,000 unemployed, or one-fourth of the total.

Prospects Not Bright

The prospects therefore are not bright, although some relief is in sight from half-pay systems. But the mechanisation and new equipment of the last few years have made many an unskilled worker almost unfit for employment, particularly in branches like the metal industries. Public works lighten the burden of unemployment by providing at least some work, but the psychological hardships of coarse, untrained manual work, loss of prestige and distance from the family remain, and the capacities for public works may be limited.

Politically the strange thing is that this policy, which can politely be called disinflation but is in fact deflation, is carried out by a government of nearly the same coalition structure as all Dutch governments since the war have had—with much social progressiveness in mind and on its programme, but now an increasing amount of Belgian-style *laisser faire* in its practical policies. Rearmament has made this necessary, but not less painful.

Parties and Politics in Italy

[FROM OUR ROME CORRESPONDENT]

SIGNOR DE GASPERI is now having to use all his powers of statecraft to hold his own in the Italian Chamber. He is beset on two sides: by the industrialists who are fighting bitterly against Italy's participation in the Schuman Plan now that this looks like being put into effect, and by the agriculturalists in his own Christian Democrat party who are trying to resist land reform. Dr Costa, the subtle leader of the Industrial Employers' Confederation—a powerful and well-organised group in Italy—has been telling the press that the Schuman Plan will put one sector of Italian industry under the orders of a non-Italian authority without any guarantee that international developments will not affect other sectors adversely. The leader of the sixty senators and deputies who oppose land reform is Signor Carmine De Martino. Until recently he had kept very much in the background, but lately the Wasps, as this group came to be called last year, has been very active under his leadership, and the government's manœuvring space has become very narrow.

The Wasps have been able to embarrass the government by virtue of the fact that there are two kinds of ballot in the Italian Chamber, secret and open. The Wasps began voting against the government in secret ballot early last year. When they do, the only way for Signor De Gasperi to re-establish his position is to insist on a vote of confidence—which has to be taken by an open ballot. So far the rebels have always come to heel when this happens, but the closeness of government majorities, and indeed the occasional government defeats, naturally have a bad effect on the government's prestige in the country. The Communists are quick to exploit this situation. Whenever they see an issue on which there is some opposition to the government's policies within its own ranks, they set in motion the procedure for bringing the debate to a secret vote.

This Communist tactic was adopted recently in the debates on state employees' pay, a topic on which the Christian Democrat trade union group is openly hostile to its government's attitude; this is one of the subjects which has driven a distressingly wide gap between the administration and its trade union supporters all over the country. Once a ballot is ensured in secret, whatever the original subject, the Communists know that other opponents of the government, like the Wasps, will vote against Signor De Gasperi out of sheer ill-humour.

Although making it clear that they would vote for the government when it comes to a vote of confidence, the Wasps have in fact received a bad press in the main middle-class journals. Signor De Gasperi, these point out, is now continually at the mercy of numerous followers whose political aims the public cannot grasp. It is true that the Wasp senators and deputies some weeks ago presented a bulky memorial to the party chiefs containing proposals for land reclamations, for the formation of mobile labour brigades, and for reducing the number of the Ministries. The public, however, already knows the sort of economic orthodoxy advocated by these Christian Democrat right wingers. What it wants to know is what their political plan is. All that is clear is that they dislike Signor De Gasperi's orientation of obstinate fidelity to a synthesis of liberalism and socialism, which is lofty in intention, cloudy in outline, and is kept working by the Premier's capacity to handle personally, with indefatigable adroitness, the tensions arising between his more and his less capitalistic, socialistic, nationalistic or theocratical colleagues.

Major Problems Remain

The load upon Signor De Gasperi (now Foreign Minister too) has become immense. It is an impressive fact that after four years of shepherding along the middle of the road Italy appears to be better off than at the beginning; but it is also true that the major economic and social questions are where they then were—the unemployed still unemployed, the outdated and redundant industries still outdated and redundant, the hesitant mood of the nation towards the great issues of foreign policy still hesitant (despite much pact-signing and some little rearming), and the prevalent Communism of the workers still prevalent. While most of the electors may still be as determined as they were in 1948 to keep out the Communists, they will when the new general elections take place, at latest in the spring of 1953, no longer feel that the mere exclusion of the Communists is going to set Italy on a short cut towards work for all, social justice, and *quieto vivere* in the international sphere—hopes which to some extent accompanied Signor De Gasperi in his triumph in 1948.

Meanwhile eyes are on the partial rehearsal of the general elections due at a much nearer date in the shape of provincial and municipal elections in Rome and farther south. Here it will be seen whether an anti-De Gasperi right-wing front can develop, on that specially favourable ground, and whose adherence and support it will win. Will the Monarchists and the Italian Social Movement ("neo-Fascists") really pull their weight together, as they say they will? Will the Liberals really fulfil their party directorate's pledge, uttered in distant Turin, to have no electoral truck with Fascists? Will Catholic Action, now presided over by the nationalistic Dr Gedda, join with the hierarchy in giving the same unequivocal advice as in 1948 to vote for Christian Democracy? Will the little "lay" democratic groups, from Social Democrats to authentic Liberals, really try to plough a lonely furrow? Some political expression the present feelings must achieve. The political astuteness and personal rectitude of Signor De Gasperi, fortified by a few impressive examples of devotion among his colleagues, will have to offset a truly formidable degree of discontent and bewilderment in the country.

Stick and Carrot in Poland

THE Poles have now published not only their economic balance-sheet for the past year, as the Russians and other east European governments have done, but also their detailed objectives for 1952. From these two documents and comments thereupon it is obvious that despite the admitted failure of agriculture Polish planners are determined to make the tempo of industrialisation still faster.

Partly because of a severe drought, partly because of "speculation and hostile subversive propaganda," agricultural output and supplies were much lower last year than in 1950. Even this year the damage is unlikely to be repaired, and production is expected to fall, at the best, slightly short of the level foreseen in the Six-Year Plan. Not so in industry. Industrial output, it is claimed, rose by almost a quarter in 1951 and should increase by nearly as much in 1952. Here there is no time lag compared with the Plan; on the contrary, by the end of 1952 industrial production should be nearly 17 per cent ahead of schedule. From the steeply raised annual targets it would appear that the Polish leaders intend to reach their long-term industrial objectives in 1954 instead of 1955, thus "fulfilling their Six-Year Plan in five years" on the Russian model. In fact President Bierut has already stated that it should be carried out nine months earlier than the original dateline.

DEVELOPMENT OF BASIC PRODUCTION
('000 Tons)

	1949	1950	1951	Target* 1952	Target† 1955
Hard coal	74,100	78,000	81,900	86,000	100,000
Crude steel	2,304	2,515	2,792	3,325	4,600
Cement	2,301	2,512	2,688	3,266	4,950
Electricity‡	8,300	9,400	11,100	12,500	19,300

* New target. † Plan approved in 1950. ‡ Mn. kWh.

The achievements will certainly not be uniform. It will probably be difficult to accelerate the expansion of the coal industry, while the steel industry should make quick headway once the new mills of Czestochowa and Nowa Huta, near Krakow—expected to produce together 2.6 million tons annually—are fully exploited. The engineering and chemical industries are also forging quickly ahead, the production indices in the main branches rising by one-third to two-thirds every year. By comparison, output of consumers' goods is advancing at a snail's pace. Like Russia, Poland must pay for the rapid development of heavy industry by the relative curtailment of consumption, and despite all the assurances to the contrary this is apparent from the figures themselves. Thus, for example, in 1952 output of capital goods is expected to increase by nearly 30 per cent, that of consumer goods by less than 17 per cent. While in basic production Poland is quickly catching up with the industrialised western nations, it only produces one shoe per inhabitant per year and the target of one pair per inhabitant in 1955 may well not be reached. Output of textiles is progressing, but very slowly, and even so a large proportion is exported to the Soviet Union.

Increasing Burden of Defence

The discrepancy between heavy and light industry is an almost inevitable phenomenon in the rapidly expanding economies of the Soviet sphere of influence. But there are also other strains. Commenting on the Plan before the Central Committee of the Polish Workers' Party, Mr Szyr, the deputy chairman of the Planning Commission, complained of shortages of non-ferrous metals, which hindered the development of metallurgy. The Russians are probably unable to help in this sphere, since Mr Szyr talked of the need to become independent of "imperialist pressure." At the same time he spoke repeatedly of the need to step up defence production, which implies that the Polish economy is expected to bear another burden—to share in the rearmament effort of the Soviet bloc.

Another obstacle is apparently connected with the scarcity of manpower, particularly of skilled labour. This shortage is by itself a measure of the pace of expansion, since workers and employees (excluding agricultural labour) now number over five million, about one-fifth of the total population, compared with just over ten per cent in 1956 and an even smaller percentage before the war. True, this increase may be partly explained by the greater employment of women, who now account for nearly one-third of the total employed. Yet this must have been coupled with a rapid growth of the urban population, a growth which the Polish planners are intent on maintaining, if not increasing.

Thus, the stiffest tasks before them are really how to feed this expanding urban population, how to increase agricultural output and, last but not least, how to get larger supplies from the peasants. The problem must have faced the Polish rulers all along, and last year's drought has only emphasised it sharply. The crops were bad—an overall reduction of nearly five per cent compared with the previous year is officially admitted—the discontented peasant refused to co-operate, and the result was a shortage of potatoes and meat in the towns and of sugar beet and leather for industry, long queues outside shops, and even an indirect threat to the industrial plan. Assuming even that this year's weather will be more favourable, will the peasants cease to resist passively and what guarantee is there that they will not take advantage of any new shortages? In the report mentioned above Mr Szyr put a large part of the blame for the attitude of the peasants on the party's insufficient vigilance. Special meetings are now being held between the Workers' Party rural cadres and other groups to remedy that. But the authorities still seem to find it difficult to decide between a policy of coercion and one of cajolery.

All Depends on the Peasants

A recent move may well indicate that the government is in favour of sterner measures. The Polish *Sejm* has just decreed that each peasant will have to supply a certain number of cattle, pigs and poultry, according to the size of his holding. Formerly contracting was voluntary, and the authorities tried to encourage the peasants by prizes and tax reductions.

On the other hand this decree may be just an isolated act of desperation. Although Mr Szyr repeatedly referred in his speech to the lack of balance between town and country and to the inherent conflict between socialised industry and private agriculture, he made no mention of any plans for rapid collectivisation. He forecast only that the number of tractors available at special tractor stations would be increased by over 50 per cent. There is no doubt that collectivisation is the ultimate goal of the Polish planners. By the end of this year, however, state and collective farms combined are scheduled to account for less than one-sixth of the total arable land and agricultural output. This is certainly not enough to exercise a decisive role in the rural economy. Pressed by the incessant need to extract larger food supplies for the growing urban population, will the Polish rulers embark on a collectivisation drive despite the upheaval it may cause, or will they wait for a more suitable international situation to sap the peasant resistance? They must be pondering hard now on the danger of the stick and the ineffectiveness of the carrot, since it is on their ability to solve the peasant problem that the whole Plan and the planning system will stand or fall.

HAVE SOMETHING SOLID BEHIND YOU

New Interest Rate enhances value of this SAFE INVESTMENT

The Co-operative Permanent Building Society announce that from 1st March, 1952, the rate of Interest on each personal share Investment will increase to

2½%

per annum, with Income Tax paid by the Society. This is equivalent to £4.15.3d. per cent. to the Investor liable to tax at the full standard rate.

TOTAL ASSETS £66,000,000
RESERVE FUNDS £3,000,000

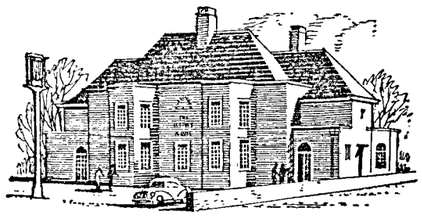
Established 1884

CO-OPERATIVE PERMANENT BUILDING SOCIETY

New Oxford House, London, W.C.1
Tel. : HOLborn 2302

City Office : 163, Moorgate, E.C.2
Tel. : MONarch 3556/7

900 *Branches and Agencies*



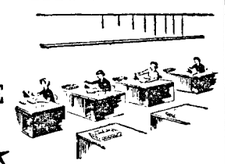
Welcome to the Inn

beer is best

Issued by the Brewers' Society, 42 Portman Square, London, W.1

1

A VALUABLE AUXILIARY CALCULATOR FOR THE LARGE OFFICE



No skilled operator needed.

★

THE IDEAL CALCULATOR FOR THE SMALL OFFICE

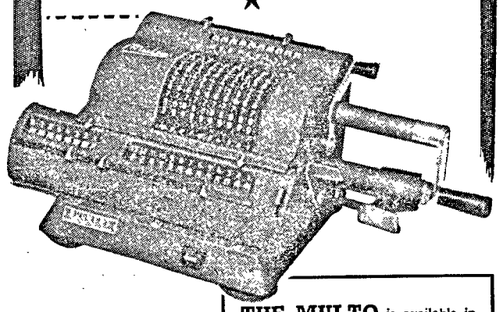
All members of the staff can use it.

★

THE PERFECT PERSONAL CALCULATOR FOR THE BUSINESS EXECUTIVE

No bigger than a desk 'phone.

★



★ Low price—high performance.
★ One hand operated.
★ Handy and Portable.
★ Precision Built.
★ Attractive in Appearance.

THE MULTO is available in **4 MODELS**

MODEL 3—10 figure Setting-board, Result Register 13 figures, Proof Register 8 figures **£49**

MODEL 13—Similar to Mode' 3, but with back transfer device **£59**

MODEL 103—As Model 3, but with full tens transmission **£59**

MODEL 113—As Model 103—and with back transfer **£69**

The MULTO

PORTABLE LIGHTWEIGHT CALCULATOR

BULMER'S (CALCULATORS) LTD.,
7 & 8 POULTRY, LONDON, E.C.2.
Telephone: Central 3611.
Sales and Service throughout Great Britain

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD
64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777

2½ Per Cent Wastage

How much time is wasted in your offices through lack of inter-departmental contact?

The RELIANCE Loudspeaking Telephone Service facilitates intercommunication between executives and departments.

A flick of a switch and your staff is at your elbow and in touch with each other.

Queries are settled without staff leaving their desks or the P.O. switchboard being overloaded with internal traffic. Complete conferences are possible by throwing two or more keys.

Here is real economy and real efficiency.

May we send you full particulars—without obligation of course. *Write for leaflet T.E.11.*

RELIANCE LOUDSPEAKING TELEPHONES

THE RELIANCE TELEPHONE COMPANY LTD.
(A subsidiary of the General Electric Co. Ltd.)
39-47, PARKER STREET, KINGSWAY, LONDON, W.C.2.
Tel.: Chancery 5341 (P.B.X.) *Branches throughout the United Kingdom.*

THE BUSINESS WORLD

Purchase Tax and Utility

TO form an opinion about the report of the Douglas Committee on purchase tax and the utility schemes* (to which brief reference was made in *The Economist* last week) calls for fairly detailed knowledge of the origins of the utility schemes and also of the circumstances that led to the committee's appointment last July. It was set up jointly by the Treasury and the Board of Trade

> to review the present system of Purchase Tax affecting those classes of goods within which Utility schemes operate in relation to international agreements bearing on the internal taxation of imported goods and to the interests of the export trade, consumers and manufacturers

and in recommending any changes, the committee was instructed to have

> due regard to the need to maintain the advantage of the Utility schemes to consumers, the expansion of the export trade and the yield of Purchase Tax revenue.

The industries with utility schemes that came under the Committee's study are textiles, clothing, shoes and furniture. Utility articles do not attract purchase tax (with the exceptions of utility fur coats and fully fashioned stockings, which are both taxed at 33⅓ per cent). Non-utility products of these industries are taxed at three different rates. Clothing, shoes, furniture and bedding bear tax at 33⅓ per cent of the wholesale value, piece goods and household textiles at 66⅔ per cent and furs at 100 per cent. The utility scheme from its inception in September, 1941, has been the product of a mixed marriage between the Treasury and the Board of Trade. It was originally designed to provide the greatest volume of low and medium grade clothing, given the limitations of labour and materials in wartime. Manufacturers were cajoled and sometimes forced (by conditional allocations of materials) to produce utility clothing. Limited prices and standard specifications were laid down—the latter not to secure given standards of quality but rather to make price control effective. Exemption of utility clothing from purchase tax followed in August, 1942, in an attempt to limit the rise in the cost of living.

From this beginning there developed the incredible complications and the confused ideas that surround the utility schemes today. Some 539 specifications for boys' knickers and 781 specifications for men's shirts now exist and many hundreds of special licences have been granted giving the utility mark to goods that would be outside the specifications and, therefore, liable to purchase tax. The confusion of ideas arises from the common assumption that the utility schemes are an integral part of social policy—that they provide goods of guaranteed quality at cheap prices. If this was ever true, it is no longer so. The Board of Trade, in effect, decides how much of the output of these industries will be liable to purchase tax by the simple means of fixing the maximum prices for utility goods. The higher these prices are, the greater will be the volume of utility goods reaching the home market. But the rigid description of utility goods that was at first an essential feature of the scheme has been steadily loosened. A continuous process of piece-meal revision has left the Treasury with a residue of revenue problems and the Board of Trade with the unending task of adapting the utility schemes to meet the needs of producers and consumers as circumstances change.

★

Textile manufacturers have long complained that the utility schemes were prejudicial to British exports, because utility cloth was not of a quality to attract buyers abroad while non-utility cloth, with its extra burden of purchase tax, was unattractive to most buyers at home. The Board of Trade has shown some sympathy with this view, for during the last eighteen months it has modified one utility scheme after another so that manufacturers could adapt their production to take advantage of export opportunities without risk of severe loss if the goods had to be sold at home. Maximum utility prices have been raised, sometimes by as much as 30 per cent, and detailed descriptions of utility goods have been progressively abandoned.

This policy of relaxation has also cut the yield of purchase tax by increasing the volume of tax free utility goods on the home market. In 1948, before the wartime controls had been markedly relaxed, 72 per cent of cotton and linen cloth, 71 per cent of rayon cloth and 72 per cent of wool cloth delivered to the home market was utility. Some 62 per cent of all shoes (excluding those made of rubber) and approximately 90 per cent of the furniture was also utility. By 1950, changes in demand and more plentiful materials had reduced the proportions of utility cotton and rayon deliveries to 55 and 63 per cent but the raising of maximum prices had increased the deliveries of utility wool cloth to 85 per cent of the whole and of utility shoes to 97 per cent. Last spring, indeed, deliveries of utility wool cloth and utility shoes rose still further to 87 and 98 per cent of total deliveries respectively, while utility cotton cloth had fallen to only 54 per cent of total deliveries. It is generally believed that as a result of relaxations of the utility controls for cotton and rayon textiles made last spring, the proportion of utility goods of these materials is now nearer 80 per cent of the whole. The full effect of these latest changes in supplies on purchase tax receipts cannot have been felt until the latter half of 1951; but it is worth recalling that when the utility scheme for shoes was extended to cover the bulk of the industry's home sales, revenue from this one class fell from £12 million in 1948-49 to £3.4 million in 1950-51. In 1948-49, the total yield from purchase tax on shoes, clothing, household textiles and piece goods came to £95 million. In 1950-51, receipts were down

* Cmd. 8452.

to £83 million. The Board of Trade has since set in motion a chain of events that can only reinforce this decline, but the Douglas Committee was instructed to keep in mind a yield from purchase tax approaching that for 1950-51 which must be considerably higher than the current rate of receipts.

The British utility schemes have encountered much criticism abroad. At the meetings of the signatories of the General Agreement on Tariffs and Trade (GATT) in the spring and summer of 1951, there was concerted protest that the broadening of the utility schemes in the British home market discriminated against imported goods. This criticism was in fact justified for, with rare exceptions, foreign goods could not qualify for the utility mark and were accordingly liable not only to import duty, but also to purchase tax. The Douglas report quotes the case of a cotton dress fabric which, before the Board of Trade relaxed its regulations for utility cotton, sold as a non-utility product at 9s. 2d. a yard compared with 11s. a yard for imported cloth. Following the relaxations the British cloth sold as utility at only 5s. 2d. a yard while the imported cloth remained at 11s. As a result of these protests and of the accompanying threats of retaliatory action the Government undertook to make no further changes in the utility schemes until the committee had presented its report.

★

The report concludes that the single purpose of the 1,021 pages of utility price and manufacturing orders is to draw an arbitrary line between goods that qualify for the valuable concession of freedom from purchase tax and those that do not. The schemes no longer serve their original function of keeping prices down; maximum utility prices are now so high in certain classes that the bulk of utility goods are sold well below them. Except possibly for furniture, prices also bear no relation to quality because the detailed descriptions that once governed quality have been largely abandoned. Nor do they ensure that tax is borne by less-essential goods; evening shoes and dress suits can be bought tax free while some articles widely used in poorer households carry the full rate of tax.

Since the utility schemes are now composed of more patches than original fabric, the committee has wisely avoided any proposals that would make the patchwork even more complicated. Its terms of reference, however, call for "due regard to the need to maintain the advantage of the utility schemes to consumers"; and for this reason it has rejected the idea of a low flat rate of tax on all articles and decided in favour of a system that leaves a proportion of output of these particular industries free of purchase tax. But instead of purchase tax being levied, as at present, on the whole value of non-utility goods it would be assessed only on the excess of the total wholesale price above a tax-free limit. This suggestion represents a big advance on present methods. At one step, it removes the main grounds of complaint against the utility schemes. It removes any hint of discrimination against imported goods since these would rank for the same tax treatment as British goods; it reduces the heavy burden of tax where goods are priced just above the tax-free limit, and it suggests a means of checking the present decline in tax revenue. It has the further indirect advantage of placing the whole responsibility for defining the tax-free limits of production with the Treasury instead, as at present, of dividing it between the Treasury and the Board of Trade. It appears to have been in the committee's mind that these limits might be set annually as part of the Budget exercise and not open to further revision during the ensuing year.

There must be doubts, nevertheless, about the means that are proposed for applying this new system. The first problem is to estimate the level of tax-exemption at which goods in the utility classes would bring in a revenue of between £80 and £90 million a year. The committee was anxious that the proportion of tax-free output would be the same for all classes of goods and not range, say, from almost all the output of one class to barely half that of other classes. Plainly, then, the division between tax-free and taxed goods could not be fixed by reference to the present maximum utility prices. The committee, therefore, took as its starting point a survey carried out by the Social Survey into consumer spending in March and April last year. This survey, which has not been published, examined a number of purchases made by families covering a representative range of incomes from the highest to the lowest, and also the price paid for each article. When the purchases of each article were arranged in ascending order of value, it was found that if the price of the middle item in each list was taken as setting the tax-free limit, then, at current rates of tax, the revenue from taxing the upper half of the list by the method proposed would show no significant alteration compared with the tax yield under the utility schemes. On this evidence, the committee has recommended that the present rates of tax should be retained and the tax-free limit for each class of utility goods should be fixed in such a way that at least half the number of purchases would consist of goods carrying no tax. It follows that some tax would fall on goods that now bear none.

The statistical technique of sample surveys is highly developed, but it has still to be proved that the results are accurate enough to provide numerical data to form the basis of a fiscal system. For example, what changes will occur in the distribution of shoe sales, when roughly 48 per cent of the deliveries to the home market attract tax for the first time in several years? This part of the report is intriguing rather than conclusive. The whole operation of the "D" system needs much more convincing demonstration than it receives. The proposal to exempt half the purchases from taxation, and so keep the rate of tax on the balance unchanged, prompts comment on another count: it would still fail to provide encouragement for the production and sale of high-quality goods. Under the proposed re-arrangement, the amount of tax that they would attract remains almost unchanged. Admittedly, the new method of tax assessment proposed in the report provides so gradual a rise in the amount of tax levied above the tax-free limit that it offers the prospect of relief for producers and consumers of goods sold at prices just above that limit. But, for that very reason, the committee's assumptions that for social reasons the tax-free limit has to be set high enough to exempt at least half of the purchases from taxation surely call for proof. If all articles in a given class were to be taxed, the rate needed to bring in the desired revenue need not, according to the committee's own conclusions, be more than 10 to 12½ per cent on made-up articles and about 25 per cent on piece-goods. The committee interpreted its terms of reference to mean that such a flat rate of tax could not be recommended; yet it is simpler to administer than a scheme that divides output into a taxed and untaxed categories by methods that many producers and consumers will regard as recondite. The relatively low rate of tax would have provided the much-needed relief for quality goods without placing any intolerable burden on the cheapest products, and if the tax-free limit was fixed at almost any point below the half-way mark for purchases, the existing rates of tax could presumably have been reduced. No doubt these points will be studied by the Chancellor of the Exchequer. He has at least been armed with a report that throws full light on the anomalies and pretensions of the present utility arrangements.

Lower Prices for Used Cars?

PRICE control for secondhand cars has been considered officially, and turned down, on several occasions since the war. The idea still finds supporters; and a fortnight ago the official organisations of the motor industry and trade discussed its pros and cons in some detail. Such discussion is logical enough, for the supply of new cars to the home market remains hopelessly inadequate. Some 720,000 new cars have been sold at home since the war; there are still orders for 1,250,000 or more on the industry's books, of which only 60,000 are intended to be filled this year. The industry is "now making a further effort to discover whether any other steps can be taken to make the control of new car allocations even more rigid than it is now." In such circumstances, the argument that the sale of secondhand cars should also be brought under control is only human. Here is the one sector of the car market where demand still asserts its full influence on price. The trade associations have again rejected price control for used cars as impracticable, though it should be noted that in the United States the Office of Price Stabilisation, in conditions of much milder shortage, purports to control prices of used cars. But the proposal for similar controls in Britain must be judged in the light of current trends in the market for used cars—which are the only measure of the "free" demand for cars in general. The recent behaviour of prices is beginning to suggest that price control, as a means of moderating the premium that has been obtainable since the war for immediate delivery of a car, is not only impracticable but also is becoming less necessary.

The transformation in the car trade since the war can only be measured by recalling its prewar condition. In 1939, about two million cars were on the roads and new cars came onto the home market at the rate of 250,000 to 275,000 a year. If it is guessed that before the war cars changed hands on the average every two years, then the sale of new cars may have accounted for 20 to 25 per cent of the trade's turnover in units, probably 30 per cent or more of its money turnover, and between 40 and 50 per cent of its profit. Many dealers in the thirties circumvented resale price maintenance by the car makers by allowing exaggerated values for the purchaser's old car. Eventually the manufacturers, through the British Motor Trade Association, contrived to outlaw such competition between dealers by controlling the maximum "part exchange values" to be allowed in the 90 per cent of new car sales then involving such exchanges. This they did by refusing trade terms on new cars to dealers who departed from the values issued monthly in "The National Used Car Price Book."

Such control of part exchange values before the war was assisted by other measures that brought about an orderly price structure for second-hand cars. The trade papers published regular surveys of used car prices, while some large dealers and one private publishing company circulated elaborate guides about the second-hand market. Advertisements in the motoring press have always shown a remarkable uniformity in the prices that different dealers—and individual owners—quoted for a given car at a given date. In Great Portland Street, the physical centre of the London market, prices were equalised within close limits by jobbing traders who could make a living by sales between dealers, often clearing no more than a pound or two on each transaction. The pre-war car market was thus highly organised and well-informed; it was fed at the top by a carefully regulated supply of cars from the factories and drained at the bottom by the steady scrapping of cars from five to ten years old as repairs made them more costly to run; at the same time the number of aspirants to car ownership was increasing. The resultant price structure was simple and consistent. A year old car averaged about 75 per cent of list price, and for each successive year there was a reduction of about 20 per cent on the diminishing value. These steps in price were fairly uniform for the whole range of cars. The more popular of the lower-priced cars, such as the Austin Seven, held their price rather better than the average; so, to a greater extent, did luxury cars like the Rolls Royce and the Bentley. Medium-priced cars lost about 30 per cent of list price in their first year. But since the list prices of these medium-priced cars, in cost per lb of kerb weight, were often 50 per cent higher than the cost per lb of popular cars, they were evidently able to command a loyal public prepared to pay well for them both new and secondhand.

Today, the car trade is greatly changed. About 2,350,00 cars are registered, but the flow of new cars at the top of the market has been on the average only 120,000 a year since the war. If the average period of car ownership has doubled, say to four years, the 1952 quota of 60,000 new cars for the home market may represent little more than 10 per cent of the trade's turnover in units, though no doubt its contribution to total profit will be greater. The trade has to make up a considerable reduction in its earnings on new cars by the sale of used cars and by more service work, in maintaining customers' cars and also in reconditioning used cars for sale, the majority of them being of prewar vintage. The shortage of new cars at prices that have only recently risen far enough to begin to thin out eager buyers has entirely lifted the "downward step" structure of prices for prewar used cars; it now begins higher than current list prices for most postwar used cars, while many prewar cars dating back to the mid-thirties command higher prices than they originally cost. Control of second-hand car prices as a means of maintaining new sale prices has

no meaning today. The temptation, indeed, is of an opposite kind: to obtain a car just out of covenant at list price, a dealer might allow a buyer to jump the queue for a new one.

*

A sample of cars in the popular, medium-priced, and luxury ranges gives a broad picture of the current array of used car values. The first table compares the values per lb of kerb weight of prewar cars sold in 1939, and list prices for that year, with the current secondhand values of these cars. Even a 1935 car in the popular range still commands nearly 50 per cent above the 1939 list price; and a seller can still get the full 1939 list price for a medium-priced model 14 years old and a luxury car 16 years old. The second table shows the average current prices, again in terms of weight, of postwar used cars in the popular and medium-priced classes. In the medium-price range, 1950 models—the latest that are legally out of covenant—no longer command a premium over current new models. Prices in this range are beginning to move towards the prewar pattern, and declining in value by 10 to 12 per cent for each year of age. No average can fairly be quoted for higher-priced cars, though it may be noted that two diverse examples, the Jaguar and the Bentley, still command a premium for 1950 vehicles. These estimates imply that in free competition today the medium-priced cars might find it hard to command the loyal following that they enjoyed before the war.

An estimate of the future trend of used car prices must take account of the fact that the private customer no longer predominates in the trade. Before the war the proportion of cars sold for business purposes was generally put at about 40 per cent of the whole. Motorists for pleasure—including a considerable number of householders with incomes of between £5 and £10 a week—bought a majority of the cars that were sold. With a prewar initial cost of about £80 for a year-old Austin Seven, motoring for pleasure was possible at a total cost for running and depreciation of perhaps 25s. a week. Today such costs must be at least three or four times as great for a new postwar car purchased at list price (about four times that of 1939); and for a year-old car (now about seven times the corresponding price before the war), total costs must be even higher than four times. Salaries and the higher levels of wages have not risen enough to enable as many people today to afford £200 a year out of their net incomes for motoring as could afford £50 to £70 a year before the war. For many private motorists today, hire might well be a more economic proposition when they want to drive. It is the car owned by a business or operated to some extent for business purposes that dominates the postwar trade. An estimate of petrol consumption last year suggests that 80 to 85 per cent of petrol used by passenger cars was bought for commercial purposes; the costs and depreciation of perhaps 70 to 75 per cent of the cars on the road may be in one way or another chargeable against income tax, and as many as 85 per cent of new cars may be bought for business purposes.

Conflicting influences are likely to affect used car values this year. The reduction in the home quota of new cars to 60,000 would of itself tend to raise the values of used cars; but postwar experience suggests doubt whether supplies will be held down to this quota. In the same way, the two-year covenant that came into force in December, 1950, should hold 1951 cars out of the second-hand market and therefore bolster the values of those produced in 1950 and earlier. The British Motor Trade Association is still confident that no more than 2½ per cent of all covenants made have been breached. But it has given no estimate of the current rate of proved breaches, and the 11,782 investigated cases represent only those that aroused suspicion. Control of part exchange values before the war had important features that commended it to dealers; this is hardly true of the covenant scheme, and there is scepticism among some dealers about its present efficacy in all cases. These influences, nevertheless, would suggest some increase in used car prices in the next few months; so would the normal seasonal increase in demand in the spring.

But prices may also be affected by very important influences in the opposite direction, particularly so far as sales to business buyers are concerned. Any car so bought after April 5th—that is after the withdrawal of initial allowances—will cost the user much more than during recent years. With this change in mind, and encouraged by the tightening of interest rates and restrictions on capital investment, most prudent business houses will presumably already have expanded their fleets of cars to meet requirements for some time ahead. The influence of the budget may be in the same direction. An increase in petrol tax must be reckoned with; equalisation of vehicle tax between prewar and postwar cars has also been suggested. Disinflation, too, might be expected to promote lower prices; obduracy on the part of the banks might influence some private owners to sell their cars.

TABLE I—SECONDHAND PRICES OF PRE-WAR CARS, 1939 AND 1952

Prices in pence per lb. kerb weight	Popular Priced Cars*	Medium-Priced Cars†	Luxury Cars‡
List price 1939	19·1	28·6	97·0
1939 price of 1938 car	15·2	19·7	76·9
Price Jan., 1952, of car made in:—			
1939	49·9	42·9	161·0
1938	45·0	36·4	135·0
1937	37·8	27·4	115·0
1936	31·8	20·3	103·0
1935	27·9	16·4	94·0
Average appreciation, 1939 list to 1952 market price	163%	50%	65%

* Ford 8, Austin 7, Vauxhall 10, Morris 8, Standard 8, Hillman Minx. † Humber, Austin 18, Armstrong Siddeley, Lanchester, Daimler 15, Alvis. ‡ Bentley.

TABLE II—SECOND-HAND PRICES OF POSTWAR CARS, 1952

Prices in pence per lb. kerb weight	Popular-Priced Cars*	Medium-Priced Cars†
List price 1952 car (incl. tax)	77·4	119·3
Price Jan., 1952, of car made in:—		
1950	111·7	106·7
1949	103·5	97·0
1948	91·3	85·4
1947	82·9	75·5

* Ford Anglia and Prefect, Morris Minor, Austin A.40 (Devon model), Hillman Minx, Vauxhall Wyvern. † Singer, Sunbeam Talbot, Jowett, Austin Sheerline, Armstrong-Siddeley, Humber, Daimler.

None of these factors is measurable; but after April 5th the market for most used cars seems more likely to fall than to rise—and it might fall sharply. One or two medium-priced cars are already becoming harder to sell new at list prices; out-of-covenant values of these cars, on the average, no longer command a premium. In France, where for a time delivery of new cars was as protracted as it still is in this country, the market has now reached normal. Except for one or two popular models, fairly prompt delivery can be obtained, and used car prices now reflect a rate of depreciation on the list prices in line with prewar conditions. The car market in this country is unlikely to approach this state by the end of 1952, but there may well be increasing signs of a return to normal for cars in the medium price range. As new cars continue to be delivered, even in insufficient numbers, the logical trend would in any case be downwards. It may even be that towards the end of this year delivery dates will become shorter for some of the popular-priced cars, and that the premium obtainable for immediate delivery of a secondhand car will begin to shrink appreciably.

Business Notes

Size of the Budget

The Civil Estimates issued on Wednesday bear out the Chancellor's promise that the 1952-53 provision for civil expenditure, excluding quasi-defence items, would be about the same as the actual expenditure for the year now ending. The total civil vote for 1952-53, apart from that for the Revenue departments and the self balancing Post Office, will be £2,278.9 million; this represents a reduction of £64 million from the expenditure envisaged in the last budget (allowing for the £40 million reduction in the Exchequer contribution to the National Insurance Fund) and one of £260 million from the original estimates plus net supplementaries. As usual, however, the estimates include not only the defence portion of the Ministry of Supply expenditure that is reckoned in the defence budget, but also two directly traceable quasi-defence items—capital assistance to contractors and civil defence. The three items together are estimated at £176 million for 1952-53, compared with £136 million for the current year. When these are excluded, the total estimated civil expenditure therefore shows a reduction of £104 million from last April's estimates for 1951-52 and one of £300 million from the revised estimates. By far the greater part of this reduction reflects the expected decline in the provision for additions to strategic stocks and in the sums estimated for departments that are likely to be running down their trading stocks. By comparison with the revised estimates for 1951-52, the coming year's provision for strategic stocks is down by £128 million (to £61 million) while the votes for the Ministry of Food and the Ministry of Materials are down by £55 million and £50 million respectively, making a total decline of £233 million that seems to be mainly attributable to stocks.

If it were assumed that the total provision for 1951-52 will be expended, these calculations would leave some £70 million of the apparent decline in total civil expenditure in 1952-53 still to be explained. But in years in which supplementary estimates are large there is almost invariably a substantial shortfall of actual expenditure by comparison with the revised estimates. Since large adjustments often take place in the closing weeks of a financial year, it is risky to try to guess the expenditure likely to be charged in the remainder of the 1951-52 financial year; but if Supply expenditure during the last five weeks of this year were to show the same excess over last year as it has done in recent weeks, the year's civil expenditure would be some £100-£125 million short of the revised estimate. So far as can be judged at present, therefore, the final figures will broadly substantiate the Chancellor's estimate that the 1952-53 provision for true civil expenditure will roughly maintain the 1951-52 rate of spending.

* * *

Misleading Surpluses

On this basis, the 1951-52 total above line expenditure, including sinking fund, would be in the region of £4,100 million, or only about £60 million short of the total envisaged at the time of the last budget, despite the lag in defence expenditure. Even so, the above-line surplus of revenue will be very much larger than Mr Gaitskell then expected. A rough projection from last year's figures, adjusted for recent trends, would indicate an above-line revenue of some £4,400 million, compared with the budget estimate of £4,236 million; this would yield a surplus of around £300 million, whereas Mr Gaitskell budgeted for one of only £80 million. The prospective above-line surplus for 1952-53 is likely to be bigger still. The estimates for Supply services, including the £1,462 million for defence, £2,180 million for civil votes and provision for the revenue departments, stand at £3,686 million. If the additional cost of interest on the national debt is put at £30 million gross, and other Consolidated Fund Services are taken at the same amount as was provided twelve months ago, the above-line total of budgetary expenditure would be £4,300 million, a figure that will be well surpassed by the actual revenue secured in the current year.

In 1952-53 the revenue will be fortified by the first full year's yield of last year's tax changes (other than the suspension of the initial allowances), which should bring in £80 million. More important still will be the buoyancy of revenue from existing taxes. On the basis of this very tentative figuring, it will be seen that the yield of revenue has to rise by only £120 million to offset the prospective rise in ordinary expenditure, and it is likely in fact to be more buoyant than that. These calculations, it should be emphasised, take no account of the distortion that will be caused in the budget accounts by the new device of treating the sterling "counterpart" of economic aid from America as a deduction (of £85 million) from the defence requirements. This arrangement, which has been made to meet the wishes of the Americans, does not alter by one jot the amount of expenditure that has to be financed through the budget. But the fact that it may have the effect of enlarging the apparent above-line surplus makes it more than ever important to keep firmly in mind the warnings that emerged from the detailed survey of the budgetary problem in these columns last week. It was then shown that, despite the superficially reassuring appearance of the budget accounts, Mr Butler will not secure a sufficient disinflation to meet this year's emergency unless he fortifies still further whatever surplus confronts him on the existing basis of subsidies and taxation.

* * *

Delays in Defence Output

A valuable supplement to the information about defence production contained in the White Paper on Defence and the departmental estimates and memoranda issued this week is provided by a short interim report from the Select Committee on Estimates. This was specially prepared in time for next week's defence debate; it was released on Wednesday, and includes evidence taken as late as February 19th. This

late evidence affords a useful commentary on the Prime Minister's latest estimate of the cost of the defence programme as now £5,200 million, though hardly an explanation of it. The original sum of £4,700 million included the cost of the armed forces from 1951 to 1954 plus expenditure on re-equipment during that period; it did not, it may be noted, include expenditure upon atomic armaments. The figure of £5,200 million recently given by Mr Churchill was reached simply by adding about 10 per cent to take account of rises that have already taken effect in equipment prices "had it been possible to carry through within the three years the original programme as planned." But prices have continued to rise since, and in any case the figure did not represent an estimate of the costs of the armed forces for four years as well as the production of equipment. Such an estimate, according to the spokesman of the Ministry of Defence, "is quite frankly not possible." If a programme for a given piece of equipment cannot be met in time, it may be decided not to carry it out at all but to make a newer type slightly later. In these circumstances, the total estimates given in Parliament in huge round figures can have little real significance.

The report confirms that the main cause of the lag in defence production—measured, for example, by a 20 per cent fall behind the programme in deliveries of equipment from the Ministry of Supply to the service departments—is still the shortage of labour. There has been a general slackening in the general pressure of demand for labour throughout the economy, but the rearmament programme still remains only one of a number of increasing demands upon manpower resources. The defence industries probably took more than the whole of the net increase in the total labour force during 1951, but this was not sufficient. A memorandum by the Ministry of Supply to the Select Committee suggests that at the end of 1951 the factories actually working upon defence contracts had perhaps 25,000 workers fewer than had been hoped. But the metals engineering and vehicles group of industries as a whole, upon which most defence work falls, had 91,000 vacancies outstanding at the end of November, and this gives a more direct indication of the way in which its demands are growing. It can be inferred from the report that both the Admiralty's equipment suppliers and the Royal Ordnance Factories appear to be slightly more successful in recruiting general and skilled labour than do the aircraft and the machine tool industries, the two private industries most heavily engaged upon defence work; probably location of the particular yards and factories has some influence here. In view of this general shortage of labour, delays in deliveries of tools—except for the machine tool industry itself—have not hampered output as much as was expected, and though materials are short, only a few defence contractors complain that they are working "from hand to mouth."

* * *

Workers for Aircraft

Out of the total estimated expenditure of £727 million on defence production in 1952-53, more than 20 per cent will be upon aircraft. It is now admitted that the aircraft programme has met with serious setbacks during the year, largely from lack of labour. The industry has had the greatest difficulty in recruiting 23,400 extra workers since the end of 1950, and its labour force is still no higher than 177,000, 8,500 smaller than was needed to meet the production schedule. The White Paper on Defence published last week estimates that a further 50,000 workers will be needed by March, 1953, even though defence production will be spread beyond its original three-year limit and might therefore be expected to require a smaller number of men at its peak. According to the Navy and Air Estimates published this week delivery of aircraft, engines and spares from the industry to the value of £127 million is expected during the coming year compared with deliveries worth £95 million that were expected at the beginning of 1951-52. These aircraft will again consist almost entirely of variants of Venoms, Meteors and Canberras, together with a number of training and naval aircraft. The newer fighters produced by Vickers and Hawker are due to come into production during the year, and there is some chance that deliveries of these may start before it ends. By that time the first Valiant bombers may also be coming into squadron service.

Whether deliveries of aircraft will in fact reach the rate suggested in the estimates depends on whether the extra 50,000 workers can be found in time. During the past financial year the Ministry of Supply, which buys aircraft from the industry on behalf of the services, actually spent £18 million less on aircraft than had been allowed for in its estimates because the output of airframes and engines fell well behind. These delays can all be traced directly to lack of labour; among the factories most seriously affected last year was the English Electric plant at Preston, making the Canberra bomber. Here the company was competing for labour not only with established local industries, including a Royal Ordnance factory, but also with the new tank factory which is being built in the district. But as other manufacturers complete the tooling of their new production lines they, too, must expect to experience similar difficulties.

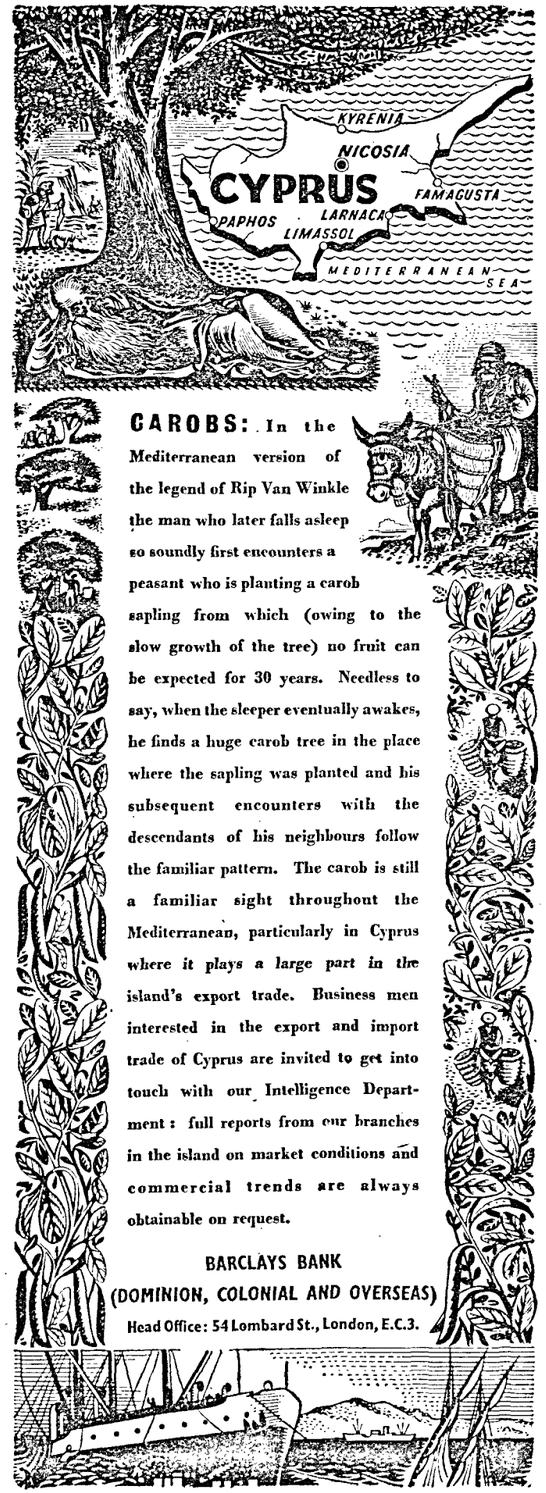
At first sight the recruitment of an extra 50,000 men would not appear an impossible task, but in gaining an extra 23,000 during the past twelve months, most aircraft manufacturers have exhausted the possibilities of local recruitment and this in itself may soon call a halt to the recent gradual rise in the number of workers entering the industry. Few factories are in districts where they can hope to gain labour from contracting consumer industries, so the industry is now almost wholly dependent on the transfer of more workers from other districts.

* * *

Realism in Steel Prices

The rise in steel prices that Mr Steven Hardie chose as an issue over which to resign his chairmanship of the nationalised Iron and Steel Corporation had already been discussed in these columns last week before his resignation became known. The arguments that Mr Hardie has since made public in great detail were there discussed in outline and judged on the whole to be unconvincing. The particular issue is one of respectable disagreement over economic policy upon which no opinion can be conclusive—though the same description can hardly be applied to some of the incidental arguments that Mr Hardie advanced in his press interviews or to the level of political debate stirred up over his resignation by his fellow-Socialists. The effect of his resignation and public apologia upon the timing of the increase in steel prices is interesting. The Corporation, with Mr Hardie in a minority, had in fact finally withdrawn its opposition to the slightly modified increases a fortnight before. The opposition that further delayed the announcement, to which reference was made last week, appears to have come from a somewhat unexpected quarter within the Cabinet. On February 19th Mr Sandys informed Mr Hardie that he was going to sign the order for an increase: on February 22nd Mr Hardie resigned with all guns firing; and on Monday Mr Sandys announced that the Cabinet had approved the increase and he had signed the order—though he did not then announce when the increase would become effective and the order was not, in fact, published until Wednesday. It may be, therefore, that Mr Hardie assisted in precipitating the announcement of the increase that he had opposed.

But by making the change in steel prices a political issue Mr Hardie also made most spokesmen of the steel industry chary of elucidating its economic background. Mr Sandys's own statement seemed designed to give a bare minimum of information. The increase was on the average about £4 a ton; it would cover £56 million of increases in costs amounting to £75 million a year, of which £29 million represented increases in costs at home and £46 million increases in the



INDUSTRIAL AND COMMERCIAL
I. C. F. C.
FINANCE CORPORATION LTD.

Finance for the Private Company

Rising costs of plant, stocks, and work in progress have combined with taxation to set new problems for the Private Company in raising additional capital or long-term funds. To assist sound enterprises in solving such problems within the limits of today's priorities is one of the functions of I.C.F.C.

I.C.F.C. operates on commercial principles and offers despatch, economy and flexibility in method.

Full particulars of the facilities offered may be obtained from

The General Manager, 7, Drapers' Gardens, London, E.C.2.
The Birmingham Manager, 214, Hagley Road, Birmingham, 16.

Habib Bank Limited

Established 1941

Head Office: KARACHI (Pakistan).

Authorised Capital ...	...	**Pak. Rs. 20,000,000**
Issued & Subscribed ...	...	**Pak. Rs. 10,000,000**
Paid-up Capital ...	...	**Pak. Rs. 10,000,000**
Reserve Funds ...	...	**Pak. Rs. 10,000,000**
Deposits as on 31/12/51 ...		**Pak. Rs. 438,200,000**

In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Ltd., with 45 branches spread over West and East Pakistan, can prove to be most helpful and you are invited to use our services.

The Bank is fully competent to handle all foreign exchange business, including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

FOREIGN BRANCHES: Bombay, Calcutta and Colombo.

CORRESPONDENTS & AGENTS at all important cities of the world.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged The Bank of Australasia Limited and The Union Bank of Australia Limited

The new Bank formed by the merger of The Bank of Australasia Limited and The Union Bank of Australia Limited, is known as Australia and New Zealand Bank Limited. The following points indicate some of the improved banking facilities and services which result from the merger.

RESOURCES · With an authorized Capital of £ENG.17,000,000 and the combined assets of the merging banks amounting to £A.475,000,000, Australia and New Zealand Bank Limited has powerful resources for the use of its customers.

LOCAL KNOWLEDGE · The knowledge and experience of local conditions in Australia and New Zealand, acquired by the merging banks in over a hundred years of banking, are at the service of the customers of Australia and New Zealand Bank Limited.

BRANCHES AND AGENCIES With the combined Branches and Agencies of the merging banks numbering nearly 600 in Australia and over 150 in New Zealand and Fiji, as well as an international network of Agents and Correspondents, Australia and New Zealand Bank Limited provides its customers with comprehensive and competitive banking facilities.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

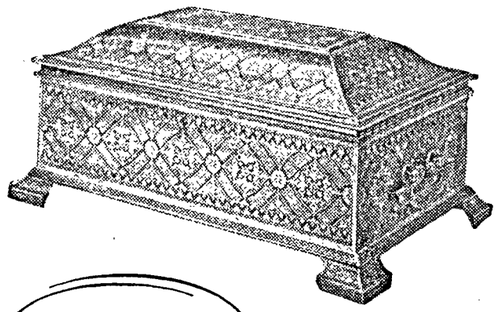
In which are merged The Bank of Australasia Limited and The Union Bank of Australia Limited

HEAD OFFICE

71 Cornhill, E.C.3. Telephone: Avenue 1281

BRANCH OFFICES IN LONDON

4 Threadneedle Street, E.C.2. Telephone: Avenue 1281
263 Strand, W.C.2. Telephone: Holborn 3688
6 Albemarle Street, Piccadilly, W.1. Telephone: Regent 3651



In the tradition of things well done

Down the centuries, the art of the gold and silversmith has ranked among the finest in the world and today it provides a valuable source of revenue from Overseas markets, where demand for this fine craftsmanship is heavy. Karachi, situated in the Sind Province, is famed for this kind of traditional work and, like so many centres of Eastern commerce, its industrial and domestic banking needs are served by the National Bank of India. For almost a century the National Bank of India has continued to further the interests of those concerned with Eastern trading and is, in consequence, well equipped to advise on any such matters. Your enquiries will be welcomed at the Head Office of the Bank, or at any of its branches.

NATIONAL BANK OF INDIA LIMITED

Branches in: INDIA, PAKISTAN, CEYLON, BURMA, KENYA, UGANDA, TANGANYIKA, ZANZIBAR AND ADEN.
Bankers to the Government in ADEN, KENYA COLONY, UGANDA AND ZANZIBAR.
Head Office: 26 BISHOPSGATE, LONDON, E.C.2.

The Gateway to Security

2½%
FOR THE INVESTOR
Income Tax paid by the Society
EQUIVALENT TO £4-15-3 per cent
Subject to Income Tax at 9/6 in the £
£1-£5,000 accepted

TEMPERANCE PERMANENT BUILDING SOCIETY
223-227, REGENT ST., LONDON, W.1
PHONE REG. 7282

cost of importing steel and steel-making materials; yet only £4½ million of the increase would be needed to cover in the home price the higher cost of imports of finished steel—£1 million for such steel from America and the remaining £3½ million for finished steel from elsewhere. The spreading of the cost of this imported finished steel over the price of all steel delivered in Britain was the second and more effective of Mr Hardie's arguments; indeed, he quoted counsel's opinion to argue that it was *ultra vires* the publicly-owned (and, therefore, presumably other) steel companies. Mr Sandys's estimate of the increase in the cost of this item needs clarifying.

*

On the whole of the million tons of steel from America the industry had expected a loss of about £26 a ton from selling it at home prices. A levy of 15s. 6d. a ton on British output of ingot steel to cover the loss on finished steel in particular has been in force since August (when Mr Hardie would have been more logical in obtaining his counsel's opinion); this would provide about £12 million a year for the purpose already. A total fund of £16½ million to cover the loss would imply that perhaps 600,000 tons of the 1,500,000 tons of steel that it is hoped to import this year might be finished steel, which seems reasonable. Whether this is so, and whether in that case the loss on American steel may require a large part of the existing £12 million plus Mr Sandys's "£1 million increase" might usefully be explained. But the arithmetic does not alter the principle. Mr Hardie wanted to sell about 11 million tons of British steel at a price that despite his equivocal evidence about profits is certainly too cheap, and about 1,500,000 tons of imported steel at its economic price. Mr Sandys and the British Iron and Steel Federation agreed to sell the British steel at what Mr Hardie's colleagues accepted as an economic price, and the margin of imported steel below its cost. Economic consistency is perhaps not to be sought here; but there is no doubt which course is more suited to the current conditions of steel shortage that have come about in part through inflation of demand while steel was too cheap.

* * *

Mr Hardie Makes Way

Arguments aside, Mr Hardie's departure from the nationalised steel corporation was logical and timely. No formal disagreements apart from the price issue may have arisen with the Minister. But the position of a convinced Socialist who had been appointed to bring the steel industry under state control, but since then instructed by a Conservative Government to "hold the position" while it put together the Bill for denationalisation that is now in draft, was obviously untenable.

It has naturally prompted the question whether the Minister might now decide to use the Iron and Steel Corporation, with perhaps modified powers, as the authority that must own steel securities during the period while the Government divests itself of control in one way or another. This might be logical, but it seems rather doubtful whether it will, in fact, be done. A draft so far prepared as the Ministry's Bill presumably is acquires considerable resistance to major amendment; and there might be misgivings within the private leaders of the industry over retaining in any form the instrument chosen for nationalisation. Mr Sandys has apparently found it easier to agree with Sir John Green, whom he has appointed as chairman, and with the Corporation's other members than he did with Mr Hardie; this is not surprising but equally not very important, except that some of the personalities concerned might conceivably hope for employment in a subsequent holding company or board. Nor should the Minister's stated intention to appoint a member in place of Sir John be taken as necessarily indicating any intention to prolong the life of the Corporation. The simple fact is that the 1949 Act lays down that the Corporation "shall consist" of a chairman and from six to ten members; after Mr Hardie's going reduced its total muster to a chairman and five, the Corporation was not properly constituted under the Act, and even its legal standing may have become questionable.

* * *

Royal Commission on Taxation

The Opposition intends to challenge the appointment of Lord Waverley as chairman of the Royal Commission on Taxation of Profits and Income, which was announced by the Prime Minister on Tuesday. Its motion of protest is to be debated next Monday, and it is easy to forecast the key in which the discussion will be pitched from the tone of the supplementary questions that followed the Prime Minister's statement. This statement recited the reasons why Lord Cohen had been unable, on his appointment as a Lord of Appeal, to continue to serve as chairman, and it also announced an important amendment in the Royal Commission's terms of reference, deleting the last condition of the original terms, which enjoined the Royal Commission "to make recommendations consistent with maintaining the same total yield of the existing duties in relation to the national income" and substituting therefor

> to make recommendations bearing in mind that in the present financial situation it may be necessary to maintain the revenue from profits and income; and, in so far as they make recommendations which would on balance entail a substantial loss of revenue, to indicate an order of priority in which such recommendations should be taken into consideration.

This change introduces a much-needed element of flexibility into the Royal Commission's work, for beyond doubt its original terms of reference were too restrictive to enable it to range into the larger issues of fiscal policy.

The challenge that has been set down, however, is not concerned with the revised terms of reference, but with the personality of the new chairman. Mr Gaitskell last Tuesday expressed himself at length and with vehemence on this point and concluded from the speeches and bearing of Lord Waverley when he sat as Sir John Anderson in the 1945-50 House of Commons that he was "quite unsuited to fill this post" and further that his appointment "only shows that the Government are determined to influence the conclusions of this Commission for their own party advantage." This is extreme language, which does injustice to Lord Waverley's ability and knowledge in this field and quite unjustifiably impeaches his independence of judgment and his readiness to give a fair hearing to the evidence presented to the Royal Commission. Yet, in more objective terms, there is matter for regret that the Government has not sought a chairman from the Bench. It is not that justice will not be done, under the new chairman, in these questions of complexity and controversy; but it is important that it should manifestly be seen to be done, by all sections of the community. The appointment of a chairman whom the Opposition chooses, rightly or wrongly, to regard as controversial is bound to weaken the authority of the Royal Commission's findings among its ranks and supporters.

* * *

More Uranium from South Africa

Reports that the project of obtaining uranium from the Rand gold mines is to be widened to bring in a number of new companies have an indirect bearing on recent announcements in this country about the progress of atomic research. The Prime Minister's statement that a full atomic armament programme had been undertaken followed a reference in the Navy Estimates to the possible use of atomic power in submarines. Marine engineers began work nearly two years ago on design studies for a nuclear power plant

of this kind and a stage must by now have been reached where construction of a prototype engine can be undertaken. As these and other projects develop they will call for a steady and increasing flow of uranium.

The South African mines promise to become one of the world's leading sources. By comparison with the few rich deposits the concentration of uranium in the gold-bearing ores is low—little more than one per cent—but the major cost of mining the ores will already have been borne in obtaining the gold so produced. Six mines have so far undertaken to treat the ores for uranium extraction by a process comparable to preliminary ore washing followed by rough refining. The project began in December, 1950, when the British and American governments, in conjunction with the South African atomic energy authority, agreed to provide machinery for these purposes on loan to four companies, West Rand Consolidated, Daggafontein Mines, Blyvooruitzicht Mines and West Reefs Exploration and Development. During the year Stilfontein and West Driefontein were also brought in, but the companies in the newly-extended scheme have not yet been disclosed.

Work has gone more rapidly than was expected, and uranium production should begin in a month or so. An indication of the speed and success of the project was given last week when the Ministry of Supply's supplementary estimates revealed that another £800,000 of plant had been supplied to the mines in addition to the £1 million worth allowed for in the full year's estimates. At present the Ministry gets its uranium from the Congo, the three other main deposits being in Canada, the United States and Turkistan. Commonwealth supplies will also eventually be increased by the recent discovery of reasonably high concentrations in the Rum Jungle of Australia.

* * *

New Hopes for Coal Exports?

The British promise to export two million tons more coal this year, which was made at the beginning of the year but continues to be produced with a flourish at each successive international conference on coal, must by now ring rather drearily upon European ears. But there are indications that it does signal a quickening of conscience about exports upon the part of the National Coal Board. In discussions upon fuel policy the Board is now beginning to speak of its duty to export as a reason for restraining the country's inland consumption of coal—in all forms ; and it seems possible that in its current review of the industry's national plan the Board's market forecasters may revise some of the none too optimistic export targets contained in the plan published in 1949.

Such a reassessment of the need for coal exports will presumably gratify the research and planning division of the Economic Commission for Europe, which this week published a report that holds recent British forecasts of overseas coal demand to be too cautious. This report, after tracing the obvious connection between the decline in British coal exports and the postwar shortage of coal in the rest of Europe, finds several grounds for criticism of the British industry. These too are obvious, but valid. It advocates " some means of keeping miners' wages in a more or less constant ratio to other earnings," more attention to attracting a better quality of manager to the industry, and price policies that would give an incentive to economy of consumption, arguments that are familiar to readers of *The Economist*. It makes also the less common point that in comparison with France and probably this year with Western Germany, the investment programme Britain has sanctioned for its coal industry looks inadequate. In fact, British capital expenditure in the industry in 1950 and 1951 fell below that envisaged in the Coal Board's own long-term plan, and the amount sanctioned for 1952 will be about the same as the £30 million spent last year, not the £38 million laid down in the original plan, which ECE took in making its comment. The amounts sanctioned for the other British fuel industries this year—some £40 million for gas and £140 million for electricity—also suggest that too little is being invested in mining development.

* * *

Recoil from the Australian Pound

At the end of last June Australia's total overseas reserves stood at an all-time high of £A843 million (or approximately £675 million sterling). By February 13th they had dropped to £A508 million, and were still falling with a resounding clatter. Up to the end of last year, overseas investors do not seem to have realised what was happening. Between June and December, Australia's sterling reserves fell by approximately £A245 million ; the figures are complicated by the funding of about £A62½ million of Australian-held British Treasury bills in November, but they are believed to be broadly correct. In this period Australia was running a visible deficit of £A215 million, and an overall deficit (on a conservative estimate of its customary net invisible payments) of not less than £A300 million. Even after allowing for some drawings on the existing World Bank loan of $100 million, there must therefore have been some capital inflow into Australia in this period ; the assumption that the Australian pound would not follow any new devaluation of sterling had apparently become sufficiently ingrained to make the Commonwealth still a magnet for funds scared away from London by sterling's plight.

Since the beginning of January, however, there have been signs of a rude awakening. Australia has now returned to a season when it is probably running a small visible surplus, but its reserves have been falling since early January at a rate of about £A15 million a week. It seems clear that speculators are now trying to draw some of their capital back. They are not, however, finding this as easy as they expected. Whenever speculative funds have been transferred to Australia in the past few years, their owners have been warned that they will not necessarily be accorded automatic rights of withdrawal. There are now reports that—at any rate for very large transfers—the teeth of the trap may be springing shut. The plight of those with funds in Australia must not, of course, be exaggerated. Repatriation is still allowed in reasonable amounts, and there seems no danger that the Australian pound will go to a wider discount against sterling in the foreseeable future ; in fact, if the World Bank experts now in Australia recommend a new $150 million loan (as is widely expected), confidence in the Australian pound may well revive. But, as the chairman of Australia's new merger bank, the Australia and New Zealand Bank, emphasised this week, the fall in wool prices, at a time when farmers are still spending heavily from their inflated savings, has clearly caused a severe deterioration in the country's external balance. The same factors are also at work in New Zealand, where fairly sharp import cuts are now inevitable. The Reserve Bank of New Zealand's sterling balances (which, in the past, have represented about two-thirds of New Zealand's total overseas assets) had fallen from a peak of £87 million last August to £21½ million by the end of January ; last year these balances recovered rapidly from a seasonal nadir of £47½ million from the end of December onwards, but there has been no sign of such a recovery so far in 1952.

* * *

Increased Fares

The Transport Tribunal has this week confirmed the revised scheme submitted by the British Transport Commission for passenger charges. This will now take effect in the London area on March 2nd and in the rest of the country on May 1st. The principal changes in charges were summarised in *The Economist* of January 26th. They entail a minimum fare on London Transport bus and train services of 2d., and for the country as a whole a standard single

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are.

Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office : 38 Bishopsgate, London, E.C.2
West End (London) Branch : 28 Charles II Street, London, S.W.1
Manchester Branch : 52 Mosley Street, Manchester, 2
Liverpool Branch : 27 Derby House, Liverpool, 2
New York Agency : 65 Broadway, New York, 6

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

FACTS ABOUT AUSTRALIA

OVER

8,000,000

POPULATION

During the last four years, Australia's population has increased by 6½% with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2. and 47 Berkeley Square, W.1

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5102E

THE "N.P.I." POLICY

not only creates capital out of income, but at a chosen retirement age the fortunate policyholder can apply this capital to provide an income for the rest of his life, without the anxieties of investment. And for fifteen years this income is tax-free.

Please write for the fully descriptive leaflet.

NATIONAL PROVIDENT INSTITUTION

FOR MUTUAL LIFE ASSURANCE

ESTABLISHED 1835

48 Gracechurch Street, London, E.C.3

railway fare of 1¼d a mile and an increase of one-fifth in standard season ticket rates.

But the effect of the increases may be very different for those passengers that have hitherto enjoyed the benefit of sub-standard fares and season ticket rates. The Commission may not increase by more than 42 per cent any sub-standard fare or rate during the twelve months after the scheme comes into force; this, however, is intended as a mitigation of hardship rather than a dilution of the principle which the Commission has been vigorously asserting that standard scales should prevail unless commercial considerations suggest that greater revenue can be obtained at sub-standard rates. There may be shocks in store for passengers hitherto travelling at sub-standard fares which owe their origins to competition between companies before the 1923 grouping or to the efforts of former railway companies to attract traffic to new services. The decision on every sub-standard rate rests upon the Commission's estimates of the effects upon revenue of lifting it to, or towards, the standard.

* * *

Pool Petrol to Stay

Unless Mr Lloyd is prepared to demonstrate that continuing to run British vehicles on pool petrol will afford really significant economies, the decision that he announced this week not to introduce premier-grades of motor spirit must appear as simply one of those "public relations cuts" of which the Government's predecessors were so fond. There is, certainly, some saving: distilling a lower-grade motor spirit from the crude does enable the largest possible output of all types of petroleum product from the refineries. But it also involves a technical misuse of the six catalytic crackers that are particularly important equipment in the new refineries in this country. These crackers are designed to produce a considerably higher grade of motor spirit than pool, and continuance of the present low-grade uniformity means operating them at less than full advantage.

The decision will do more than postpone the day when competition between brands arrives to justify the extensive development of exclusive filling stations that the oil companies have been carrying out for the past eighteen months; branding can have no significance when the petrol is the same no matter what name appears on the pump. It may, indeed, hamper motor engine development by preventing British car makers who have to sell the same car here and overseas from emulating foreign competitors in raising compression ratios. But its worst feature seems to be the refusal to take full technical advantage of the large refinery capacity that has been created in this country since the war. According to a recent estimate by the *Petroleum Times*, the refineries so far operating saved the country, on the basis of current prices, no less than £60 million in 1951 alone, by enabling it to take some 62 per cent of its petroleum imports in the form of crude instead of refined products, compared with about 18 per cent before the war.

* * *

"Suspending" the TDR's

Next week, for the first time since mid-1940, the banks will find themselves without any Treasury deposit receipts in their holdings of Government floating debt. The vestigial amount of £15 million that remained last Saturday matured during the week, and Mr Butler has confirmed by a written answer to a Parliamentary question that there will be no replacement of these maturities. There is no intention, however, to allow the TDR system to lapse entirely. The Chancellor stated that "the arrangements between the Treasury and the bankers concerned will not be terminated"; although seasonal and other factors will cause a "suspension" of TDR borrowing at this time of the year, "the scheme retains its usefulness . . . if and when the need arises, it may well be brought into operation again." This accords with general expectations. No new calls for loans against TDRs had been made since end-September, and at the time of the launching of the new monetary policy the total outstanding was already down to only £175 million, compared with £525 million at the beginning of 1951 and with the peak figure of £2,225 million reached in September, 1945. It was virtually certain, therefore, that the issue would run off entirely during the "revenue" quarter of the current year; but, equally, there was no doubt that the authorities would be unwilling to relinquish entirely a device that offers particular advantages under conditions when the Government needs to borrow heavily from the banking system, as it did during the war. Although it is much to be hoped that such conditions will not recur, the authorities are merely acting with reasonable prudence in deciding to keep the "arrangements" in being.

It is also to be hoped, however, that unless such conditions do recur their actual recourse to TDR borrowing will consist merely of small "token" issues designed exclusively for this limited and technical purpose. The distinctive feature of this form of borrowing is that it is made by direct calls on the banks, which are virtually required to provide the amount sought. Moreover, they cannot in practice secure repayment of the TDRs before maturity (except to the extent that they are transferring funds to the Treasury in payment of their own or their customers' subscriptions to any government loan currently available on tap) and can never be sure that maturing issues will not be replaced by new borrowings. In recent years, when the only Government issues on tap have been tax reserve certificates, the pre-encashment facility has ceased to have any real significance, so that, even before the change in monetary policy, the TDR was one of the least flexible of bank assets and was widely disliked. Now, under a regime of more orthodox monetary control, when the banks have to watch the ratio of their liquid assets (cash, call money and bills), any considerable use by the Treasury of TDRs would be particularly undesirable. The object of the new policy should be to ensure that the banks respond to the normal pressures of the market-place, and they should be left as free as possible to manage, as they think fit, such liquid assets as orthodox official policy makes available. The authorities should not feel themselves free, as they have been in the past, to reduce the supply of liquid assets merely by the expedient of switching Treasury borrowings from bills to TDRs. If the supply of liquid assets is larger than the needs of orthodox monetary discipline dictate, the right way to reduce the supply—in default of budgetary measures to reduce the Treasury's need to borrow—is by making open funding issues on the market.

* * *

New Money for Films?

Under a new Bill introduced in Parliament this week the National Film Finance Corporation, which has been lending Government money to film producers during the last three years, is empowered to borrow up to £2 million "from other persons" for the same purpose. The original company set up by the state obtained funds from its bankers under Treasury guarantee. The Corporation has obtained its finance from the Consolidated Fund, through the Board of Trade, and the new money it may raise from outside is also secured, in the long run, by a clause in the original Act under which, when the Corporation is wound up after March 8, 1954, its outstanding liabilities will be met out of public funds.

It is not easy to discern the advantage of this arrangement. Whether a corporation set up by Parliament to lend public money, which has already been obliged to write off large amounts of the funds it made available to films that have made a loss, is a useful instrument to channel private money into film production seems doubtful. It is probably fair to say that the NFFC, under Mr J. H. Lawrie, has been more successful in controlling the amounts spent on many of the films it has financed than have other backers of films in the past. During its period of existence, too, there has occurred a closer attention to efficiency in making films and a slight general improvement in the prospects of the British film production industry, partly for reasons outside its influence. But this use of a Government-sponsored body to invest private funds under an implied long-term guarantee seems yet one more dubious expedient in state support of an industry that is always ailing or convalescent but never quite recovers. Since in the long run the new arrangement still means that the state will bear the risk, it might be preferable for the Corporation to keep to public funds.

* * *

Confused Outlook for Copper

Dearth of copper is, at the moment, one of the most serious obstacles facing American industry. Recent reports from the other side of the Atlantic suggest, however, that supplies may become easier in the second half of the year. Admittedly, the "stretching out" of the rearmament programme has enabled the Defence Department to hand back small quantities of the copper allotted to it, and meanwhile world output of copper is increasing—American production itself is expected to rise from 1,070,000 long tons to 1,120,000 tons this year. But consumption in the United States is rising even more steeply; last year it totalled 1,220,000 tons and unofficial forecasts for this year put the figure as high as 1,425,000 tons. Imports from Canada are to rise from 56,000 tons to 71,000 tons, and supplies from Chile will no doubt meet most of the remaining deficit. In any case the 50,000 tons which were withdrawn from the stockpile a few months ago must be replaced this year. Given these prospects, the chances of freer supplies of copper this year seem remote. Probably the American reports reflect the fears of the copper producers that continued shortage will hasten the switch to aluminium—which is already so extensive as to cause a minor revolution in the use of metals. At least one big copper company has already entered the aluminium field.

In 1952 total supplies of copper for this country may reach 370,000-380,000 tons, if there is no serious interruption to Rhodesian output; in January and February Rhodesian production fell below the expected level because of transport and coal difficulties. Britain's first quarter allocation from the International Materials Conference amounts to some 98,000 tons including scrap. Allowance must be made for increased imports of blister copper later in the year to ease the shortage of scrap, and on this basis, consumption of primary metal in 1952 will probably absorb the entire prospective supplies—370-380,000 tons compared with last year's consumption of 335,000 tons—with the same restrictions on use. Fortunately, stocks should ease what looks like being a very tight year.

Free market prices of copper have recently been falling and the premium over the world price has narrowed considerably. A week or so ago, Chile, which is allowed to sell 20 per cent of its production outside the IMC allocation scheme, reported substantial sales to Germany and other Continental countries at around 35 cents a lb compared with the world price of 27½ cents. Now Chile seems to be finding difficulty in disposing of the 20 per cent "free quota" and according to reports it would be willing to forgo its free quota in exchange for a rise of 6 cents a lb in the official price of copper. The weakness in the spot market does not necessarily indicate that the shortage is passing. The IMC allocation scheme has enabled countries to cover their most essential needs at the world price and given present uncertainties in world commodity markets, buyers are no longer disposed to buy copper at any price.

THE
UNITED COMMERCIAL
BANK LIMITED

Incorporated in India, Liability of Members is limited)

Head Office:
2 ROYAL EXCHANGE PLACE,
CALCUTTA

G. D. BIRLA, Esq., Chairman.

AUTHORISED CAPITAL Rs.80,000,000
SUBSCRIBED CAPITAL Rs.40,000,000
PAID-UP CAPITAL Rs.20,000,000
RESERVE FUND . . Rs. 6,750,000

With over 80 Branches at the leading centres of Industry and Commerce in India, Pakistan, Malaya and Burma, The United Commercial Bank is well equipped to serve Banks, Commercial Institutions and individuals carrying on business with India or intending to open connections with that country.

B. T. THAKUR, General Manager.

"PUNCHBOWLE Tobacco stood me in good stead through the most harrowing Examinations," says this South African College-man.

Staff Mess, ... Mines, South Africa.

Dear Sirs,
During my three years at College I enjoyed your PUNCHBOWLE Tobacco, and it stood me in good stead through the most harrowing Examinations.
I now find myself as a junior official on a gold mine, with none of my favourite Tobacco—a very bad state of affairs.
I wonder if you would be good enough to let me know how this situation can be remedied.
Yours faithfully,
.....

The original letter can be inspected at, and further enquiries addressed to Barneys Sales Bureau, 24, Holborn, London, E.C.1.

Smokers abroad can arrange for regular personal despatches, Ex-bond and British Duty Free, in 2-lb. parcels, to many lands, but not as yet to all.

Punchbowle (*full*), Barneys (*medium*), and Parsons Pleasure (*mild*). Home price 4/5d. oz.

(320) John Sinclair Ltd., Manufacturers, Newcastle upon Tyne.

Freedom for Lead?

The disappearance of the free market premium for spot supplies of lead has raised hopes that private dealings in this metal in the London market might soon be resumed, and a formal request to this effect was recently made to the Ministry of Materials by metal merchants. Since the beginning of this year, lead has commanded the same price in the free market as the official American price; eight months ago the free market price was nearly double the New York price. During the past fortnight the free market price for zinc has also fallen to the official American level, and while "free" it was last summer. Copper and zinc, however, are both copper still commands a premium it is much smaller than allocated by the International Materials Conference in Washington; lead is not. Further, most of Britain's lead requirements come from the sterling area.

Consumption of imported refined lead in this country last year amounted to 163,000 tons or almost the same as in 1950. But the monthly rate declined almost continuously from 16,300 tons in January to 9,400 tons in December, and consumption in the first two months of this year is reported to have shown no improvement on twelve months ago. Slightly more English refined lead was used in 1951, while the consumption of scrap increased by 13,000 tons to 109,000 tons. Imports last year rose by 3,000 tons to 175,000 tons; increased supplies from Canada, Mexico and Peru in the second half of the year made up for smaller quantities from Australia. Shipping difficulties reduced Australian supplies last year, and in the earlier months of the year led to a fall in stocks. At the beginning of last year stocks amounted to 62,000 tons. By the end of April they had fallen to 25,000 tons but a later recovery raised the total at the end of December to 77,000 tons.

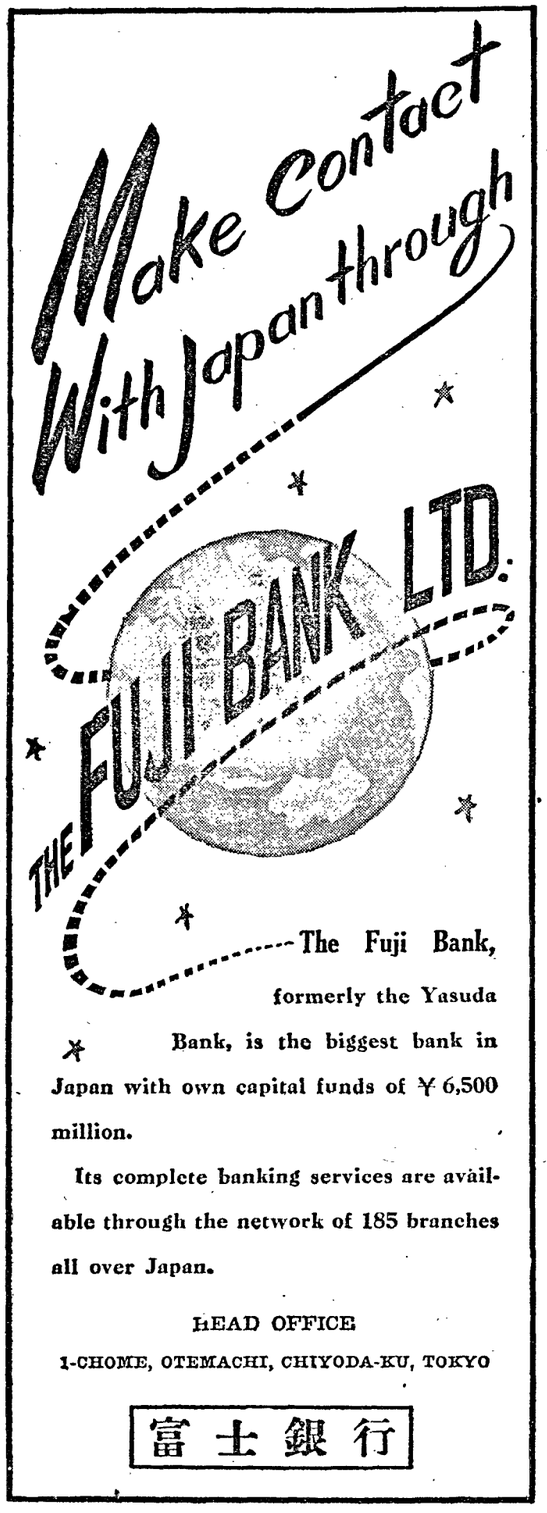
Stocks should be adequate particularly if, as seems likely, consumption has passed its peak. Normally Britain can count on 130,000 tons from Australia, to cover about 80 per cent of its import requirements. The risk of incurring a dollar loss under private trading would therefore seem small. But a London market would have only a limited value without arbitrage facilities with the New York market. And until the United States becomes a permanent importer of lead (as it is of tin), the dollar loss from arbitrage dealings could be large. No doubt this risk makes the Ministry of Materials cautious about handing lead back to private trade.

* * *

American Rubber Policy

The United States Government has decided to hand back the importation of natural rubber to private trade from the beginning of April. The Government became the sole importer on December 29, 1950, in order to secure, so it said, adequate supplies for its stockpile without driving up prices. Whereupon the price of rubber rose to its peak of 72d. a lb two months later. Any move from government to private trading is welcome, but it would be wrong to assume that American consumption of rubber will necessarily increase in coming months. Existing controls on civilian use of natural rubber are to continue and for the first quarter consumption is limited to 105,000 tons. In addition some 45,000 tons of natural rubber latex is expected to be used this year, making prospective total consumption for the year of 465,000 tons.

The return to private imports implies that the American stockpile has reached its minimum figure of a million tons, though only some 850,000 tons was actually in the United States at the end of 1951. The remainder was either afloat or awaiting shipment. The question now arises whether the American authorities will ease the restrictions on the consumption of natural rubber. A slight increase in the monthly rate might well be permitted. But the ultimate target for the stockpile is said to be 1,250,000 tons, and if the United



The Fuji Bank, formerly the Yasuda Bank, is the biggest bank in Japan with own capital funds of ¥ 6,500 million.

Its complete banking services are available through the network of 185 branches all over Japan.

HEAD OFFICE

1-CHOME, OTEMACHI, CHIYODA-KU, TOKYO

富士銀行

States Government intends to complete this extended programme this year, the hope for any major relaxation of controls would seem to be small. At least the rubber producers can console themselves with the expectation that total American imports in 1952 should be of the same order as last year, when they totalled 730,000 tons.

But it is not so much the size of American imports that is worrying the rubber producers as the way in which the stockpile has been used in the last few weeks to depress the price of rubber. Technically, releases from the stockpile can be made only in cases of emergency, and during the past year no such releases of rubber have been made. The authorities, however, can turn over their stock of rubber, and recently they have been doing this by selling spot and buying forward. What is, perhaps, even more galling is the publicity given to these tactics in the United States. Last year's resentment about producers "gouging" the American public has been turned into glee, now that the United States is trying to turn the tables on the producers.

Shorter Notes

The international conference on German debts opened at Lancaster House on Thursday. Some thirty-one countries are attending this conference, which is expected to last for at least two months. The indications are that the proposals that the German Government will lay before creditors in the opening rounds of this bargaining bout may be somewhat shabbier than there was reason to hope a month ago.

*

The maximum credit period normally permitted for British acceptance credits covering exports to non-sterling countries has been reduced from 120 to 90 days; the Bank of England will only allow new acceptance credits in excess of this period for exceptionally long bonds. Although the number of existing acceptance credits with more than 90 days before maturity is believed to be relatively small, some foreign importers have apparently been helped to build up short speculative positions in sterling by 120 day credits. In any case, the movement to cover short positions following the announcement of the new decision on Wednesday was sufficient to lift the sterling dollar spot rate in London above the official support point of $2.78 for the first time in some weeks; the rate closed on Wednesday at $2.78¼-$2.78½.

*

The British Electricity Authority is raising from April 1st the charges that it makes for bulk electricity supply to the Area Electricity Boards. The demand charge—which broadly may be taken to represent capital and indivisible costs of generation—is to be raised from £4 2s. 6d. to £4 5s. 6d. a kilowatt. The running charge remains at 0.33d. a unit, with certain variations in accordance with the price of coal in different areas.

*

Wage rates rose by £352,000 for just over a million workers during January, and the index of rates of wages rose by one point to 127 (June, 1947=100). The interim index of retail prices, which has the same base date, was 132 on January 15th, compared with 130 a month before.

*

In advance of the annual report to be issued on March 18th, Mr J. F. Thompson, the chairman of International Nickel, has announced that the company's receipts from the sale of nickel and other metals in 1951 are estimated at $286,700,000, as compared with $228,071,346 in 1950. The company has been working at full capacity and has installed emergency facilities several months earlier than had been originally planned, and was thus able to mine 11,800,000 tons of ore, compared with 9,849,000 tons in 1950. This increase of nearly 2 million tons came entirely from underground ores; production from underground workings reached a new record level of 7,780,000 tons. At the same time the extensive underground development programme was brought a step nearer completion; by the end of next year no more surface ores will be mined and the company then expect an annual production of 13 million tons from its underground workings.

Company Notes

Bowater Paper.—The Bowater Paper Corporation and its thirty-six subsidiaries earned bumper profits of £11.4 million in the year to September 30th last, compared with £5.9 million in the year before. The British mills made the greater part of their earnings not from their major product of newsprint but from other descriptions of paper and board, which are also subject to control, both as regards tonnage (whether for home or export markets) and prices. "A not unappreciable part of increased earnings" arose on stocks of raw materials and of finished goods. When the controlled prices of the latter were increased last year the corporation was quick to pass on these price increases to their customers. Despite this, demand remained high enough for all sections of the organisation, from the pulp mills in Newfoundland and Scandinavia to the paper mills in Britain, to go on working at substantially full capacity. Just over £5 million, against £1.9 million, of the year's profits had, however, to be provided for taxation, and the directors consider that a good part of the remaining net earnings should be retained as a protection against any future fall in prices. As there are some indications that prices have in fact reached their peak, subsidiaries in Britain have wisely put about £1.5 million to specific reserves to guard against this contingency.

In the balance sheet, the value of stocks is shown to have risen from £9,930,299 to £16,346,597—a rise "attributable not to their greater volume so much as to their enhanced cost." Trade credit seems to have been granted to the corporation quite readily; "accounts payable and accrued" have risen from £2,409,810 to £3,973,858 and "bills payable and acceptance credits" from £2,128,746 to £3,485,000. The apparent ease with which credit has been obtained and the substantial retentions from profits—subsidiaries alone have ploughed back nearly £2.7 million (against £1.1 million)—have enabled the corporation to finance high-priced stocks "equivalent to several months requirements" without imposing any great strain upon liquid resources. At one time the Bowater group had hoped to secure a further expansion in production at home this year, but this no longer seems possible now that the government has re-instituted control over its purchases of raw materials by rather rigid rationing of its dollar expenditure. Nor can the boosting of profits by further price increases be expected to continue indefinitely. It would be over-optimistic for shareholders to look much beyond the maintenance of the dividend of 15 per cent. that has now been recommended on the increased ordinary capital.

	Years to Sept. 30, 1950	1951
Consolidated earnings :—	£	£
Trading profit	5,958,731	11,405,953
Total income	5,963,089	11,410,217
Depreciation	1,444,888	1,450,813
Taxation	1,890,688	5,045,317
Group earnings for ordinary stock	*541,955*	*610,262*
Ordinary dividends	148,500	283,500
Ordinary dividends (per cent)	15	15*
Retained by subsidiaries	1,084,644	2,671,166
General reserve	150,000	200,000
Added to carry forward	65,305	44,303
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	17,842,215	18,082,476
Net current assets	12,056,143	16,317,766
Stocks	9,930,299	16,346,597
Cash	4,207,599	3,610,471
Reserves	7,585,232	10,238,279
Ordinary capital	1,800,000	2,700,000

£1 ordinary stock at 38s. 1½d. yields £7 17s. per cent.
* Paid on £3,600,000 capital.

Linen Thread.—In addition to its mills in Britain and Northern Ireland, Linen Thread has subsidiaries as far afield as the United States, Canada, Australia, Brazil and Japan, and its fortunes are now more closely bound up with overseas than with British markets. In the year to September 30th last overseas interests contributed 57 per cent of the group's trading profit of £2,894,910 (against £2,065,365) while half of the profits earned by the British mills came from direct exports. The chairman, Mr. George Knox, is therefore concerned in his address with far-flung trends in demand — and his outlook is a gloomy one. In Australia, last year's earnings showed a substantial improvement, but the chairman declares that the control of prices and profits (and arbitrary increases in wages) make it difficult to secure a satisfactory return on the money invested by the company. In the United States, he warns shareholders that there is evidence of overproduction and of a decline in activity—a

matter of considerable moment to Linen Thread as the profits of the American subsidiary, converted at the present rate of exchange, form a substantial proportion of the group's sterling profits. In anticipation of a shortage of its principal raw material, the company made substantial purchases of Belgian flax at the beginning of the financial year. As yet, therefore, production has not been threatened by a lack of raw materials. But a fall in the price of cotton and jute has already forced the company to write down the value of part of its stocks, particularly of those held in the United States.

An increase in the volume of stocks, coupled with the increase in prices over the year as a whole, has led to a rise in the book value of stocks by £2,702,256 to £7,973,727. The chairman points out that with stocks at this value, the highest in the company's history, "even a modest recession in price would necessitate a considerable write-down." A serious fall in value is not expected, but Mr Knox reminds shareholders that the company's reserves, totalling £7,032,818 (against £6,522,358), should be weighed against "the types of assets by which they are represented." Mr Knox believes that the immediate future will be "a period of readjustment following on a tremendous spate of activity," and that profits in the current year are likely to be lower than in 1950-51. Sales to date have been almost

	Years to Sept. 30	
	1950	1951
Consolidated earnings :—	£	£
Trading profit	2,065,365	2,894,910
Total income	2,132,449	2,971,230
Depreciation	135,504	158,303
Taxation	857,752	1,498,737
Group earnings for ordinary stock	*436,806*	*534,527*
Ordinary dividends	136,125	129,938
Ordinary dividends (per cent)	15	15
Retained by subsidiaries	314,606	422,582
Added to carry forward	1,015	11,414
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	2,847,886	2,937,456
Net current assets	7,521,322	7,842,038
Stocks	5,271,471	7,973,727
Cash	1,915,370	1,531,874
Reserves	6,522,358	7,032,818
Ordinary capital	1,650,000	1,650,000

£1 ordinary stock at 50s. 7½d. yields £5 19s. per cent.

maintained, but new orders are not being placed on the scale of a year ago, and the volume of work on hand is falling. Despite last year's high profits, the ordinary dividend has therefore only been maintained at 15 per cent.

★

Borax Consolidated.—In the year to September 30th last, Borax spent about £1 million on increasing its productive capacity and on the modernisation of plant, and enjoyed a booming sellers' market. As a result, its group trading profit rose from £1,490,489 to £2,238,687. Demand was stimulated by stockpiling by consumers who feared a future shortage; in meeting this demand the Borax group broke all previous production records—and, by securing a larger spread for overheads, kept down its own production costs. Unfortunately, however, raw material costs and freight and handling charges raced ahead; last September ocean freight represented nearly 33 per cent of the price of borax c.i.f. European ports, compared with just over 15 per cent in June, 1939. Inevitably, these rising costs are reflected in an increase in stock values, from £1,375,147 to £1,950,901, but this has been weathered without any sign of strain upon liquid balances. The fall in net current assets, from £2,589,072 to £2,307,086, is explained by the chairman as being due to heavy capital expenditure and to increased tax liabilities in the United States. Equity shareholders have not been neglected in this year of records; a dividend of 10 per cent is to be paid on the deferred ordinary capital of £3,000,000 as increased by the 100 per cent. scrip bonus; this compares with the dividend of 15 per cent paid in 1949-50 on the original capital of £1,500,000.

The future, however, does not look as bright as the past. The chairman warns shareholders that since the end of the financial year the company has been confronted with a buyers' market. Demand has fallen away and is not expected to revive until the large stocks built up by many customers last year have been run down; moreover, increased competition is expected from two new ventures in the United States. Already production has been reduced, so as to avoid the accumulation of unwanted stocks in the group's own warehouses. In many ways

	Years to Sept. 30	
	1950	1951
Consolidated earnings :—	£	£
Trading profit	1,490,489	2,238,687
Total income	1,912,158	2,586,413
Depreciation	231,214	296,301
Taxation	910,968	1,306,682
Net profit	*697,662*	*892,462*
Deferred dividends	125,750	157,500
Deferred dividends (per cent)	15	10
Group carry forward	1,123,656	775,767
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	5,189,501	5,935,623
Net current assets	2,589,072	2,307,086
Stocks	1,375,147	1,950,901
Cash	1,554,392	1,650,825
Reserves	3,176,288	2,385,927
Ordinary capital	1,500,000	3,000,000

£1 deferred stock at 33s.xd yields £6 1s. per cent.

1950-51 was an exceptional year for Borax; it remains to be seen whether the distribution now made to equity shareholders is equally exceptional.

★

English Electric.—Last December, when English Electric placed £3 million of a new debenture stock issue with the Prudential Assurance and made an offer to its ordinary shareholders of 1,179,577 £1 ordinary shares at 55s. each, the directors stated that profits in 1951 were in excess of those earned in 1950. A preliminary statement now shows that group profits before taxation and depreciation have in fact advanced by over 18 per cent on the year, from £3.8 million to nearly £4.6 million. In his last annual statement, the chairman, Sir George Nelson, drew attention to the modest margin of profit earned on turnover, and the latest increase in profits seems likely to represent a genuine expansion in sales. After allowing for heavier charge for taxation (nearly £2.3 million, against £1.9 million), group net profits have risen from £1,049,892 to £1,326,721, but the ordinary dividend (for which the newly issued ordinary shares do not rank) is only maintained at 15 per cent. Any hopes that may have been aroused by the decision to raise the interim dividend from 4 to 5 per cent have now been dashed by the announcement that the final dividend has been reduced from 11 to 10 per cent. The directors are apparently placing emphasis upon the ploughing back of profits so as to make good the shortfall between the £6 million odd raised by the debenture and equity capital issues last December and the £9 million or £10 million to be spent on the new Metherton factory and on other capital developments in the next two years. At the current price of 56s. 3d.xd. the £1 Ordinary shares yield 5⅓ per cent.

★

Harrods.—In the year to January 31st, the "consolidated net profit" of the Harrods group fell from £1,526,963 to £1,349,816; this figure is struck before tax, but after putting £14,000 (against £47,445 a year earlier) to a reserve for the replacement of assets. Thanks, presumably, to the higher rates of income tax and distributed profits tax, the provision for taxation has increased from £877,116 to £878,987, and net profits have therefore slumped from £649,847 to £470,829. This gives a much more slender cover on the maintained ordinary dividend of 20 per cent. With profit margins being squeezed by the increase in costs and with customers beginning to fight shy of higher prices, Harrods is not likely to be the only department store to report lower profits this year. After the preliminary announcement, the £1 ordinary stock units were marked down 1s. 3d. to 55s.; at the current price of 52s. 6d. xd the yield is £7 12s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to Feb. 27		British Funds and Guaranteed Stocks	Price, Feb. 20, 1952	Price, Feb. 27, 1952	Gross Yield, Feb. 27, 1952
High	Low				£ s. d.
100⅝	99⅛	War Bonds 2½%.. Mar. 1, 1951-53	100⅛	100⅛	1 17 2*a*
100⅛	99⅛	War Bonds 2½%.. Mar. 1, 1952-54	100⅛	100⅛	2 7 1*a*
99⅞	99⅛	Exch. Stk. 2½%.. Feb. 15, 1955	99⅛	99⅛	2 9 3*f*
100⅛	99⅛	Serial Fundg. 1¾% Nov. 14, 1952	100	100	2 8 6
100⅛	99⅛	Serial Fundg. 1¾% Nov. 14, 1953	99⅞	99⅛	1 14 10
99⅞	98⅛	Serial Fundg. 1¾% Nov. 14, 1954	98⅞	98⅛	1 17 3
99⅛	99⅛	War Bonds 2½%.. Aug. 15, 1954-56	99⅛	99⅛	2 4 1
100⅛	98⅛	Funding 2½%.... June 15, 1952-57	100	99⅛	2 15 4*s*
100⅛	99⅛	Nat. Defence 3%.. July 15, 1954-58	100	99⅛	2 13 0*f*
100⅛	100	War Loan 3%.... Oct. 15, 1955-59	100⅛	100⅛	2 5 1*f*
91⅛	90⅛	Savings Bonds 3% Aug. 15, 1955-65	91⅛	91	3 2 2*s*
94	92⅛	Funding 2½%.... Apr. 15, 1956-61	93⅛	93⅛	3 1 1*f*
87⅛	85⅛	Funding 3%..... Apr. 15, 1959-69	86⅛	85⅛	4 10 7*s*
88	86⅛	Funding 3%..... Aug. 1, 1966-68	87⅛	86⅛	4 12 6*s*
99⅛	97⅛	Funding 4%..... May 1, 1960-90	98⅛	97⅛	4 5 3*s*
87⅛	83⅛	Savings Bonds 3% Sept. 1, 1960-70	*84⅛	*83⅛	4 2 9*f*
85⅛	83⅛	Savings Bds. 2½% May 1, 1964-67	84⅛	83⅛	4 9 11*s*
101⅛	99⅛	Victory Bonds 4% Sept. 1, 1920-76	100⅝*	100⅛*	4 5 6*f*
84	81⅛	Savings Bonds 3% Aug. 15, 1965-75	82⅛	81⅛	4 6 6*f*
90⅛	88⅛	Consols 4%.....	90⅛	89	4 5 11
82⅛	78⅛	Conversion 3½%..	81⅛	78⅛*	4 10 2*f*
60⅛	57⅛	Treasury Stk. 2½% (after Apr. 1, 1975)	59⅛	57⅛	4 8 7*f*
71⅛	68⅛	Treasury Stk. 3% (after Apr. 5, 1966)	70	68⅛	4 8 10*f*
88⅛	87⅛	Treasury Stk. 3½% June 15, 1977-80	88⅛	87⅛	4 7 1*s*
77⅛	75	Redemp. Stk. 3%.. Oct., 1986-96	77⅛	75*	4 8 0*s*
81	78⅛	War Loan 3½%....	79⅛	78⅛	4 4 10*f*
61⅛	59⅛	Consols 2½%.....	61⅛	60	4 9 10*f*
85⅛	81⅛	Br. Elect. 3% Gtd.. Apr. 1, 1968-73	84⅛	82*	4 3 10*f*
84⅛	81⅛	Br. Elect. 3% Gtd.. Mar. 15, 1974-77	82⅛*	81⅛*	4 11 5*s*
90⅛	88⅛	Br. Elect. 3½% Gtd. Nov. 15, 1976-79	89⅛	88⅛	4 6 4*s*
77⅛	76	Br. Tpt. 3% Gtd.. July 1, 1978-88	77⅛	76⅛	4 6 10*s*
85⅛	81⅛	Br. Tpt. 3% Gtd.. Apr. 1, 1968-73	84⅛	82*	4 11 9*f*
77⅛	75⅛	Br. Gas Gtd. 3%.. May 1, 1990-95	76⅛	75⅛	4 5 5*s*
93⅞	90⅛	Br. Gas Gtd. 3½% Sept. 10, 1969-71	91⅛*	90⅛*	4 7 1*f*
89⅛	86⅛	Br. Iron&Steel 3½% Feb. 15, 1979-81	87⅛	86⅛	4 3 11*s*

(*e*) To earliest date. (*l*) To latest date. (*f*) Flat yield. (*s*) Assumed average life 13 years 0 months. * Ex dividend.

Prices, Year 1952 Jan. 1 to Feb. 27		Ordinary Stocks	Price, Feb. 20, 1952	Price, Feb. 27, 1952	Yield, Feb. 27, 1952
High	Low				£ s. d.
8⅜	7⅛	Anglo-Am. 10/-...	7⅛	7⅛	4 0 8
6½	5½	Anglo-Iran £1....	5—	5⅜	5 5 6
84/-	70/-	Assoc. Elect. £1..	72/6	72/6	5 10 4
104/9	96/6	Assoc. P. Cem. £1.	97/6	96/10½	5 13 6
32/4½	28/9	Austin 5/-.....	29/-	29/6	7 12 6
129/3	112/6	Bass £1.....	115/-	115/-	7 9 0
23/-	17/4½	Boots 5/-.....	18/9	17/6	5 14 3*s*
30/-	25/6	Br. Celanese 10/-..	26/-	25/6	3 10 7
85/9	76/3	Br. Oxygen £1....	78/-	76/6	5 4 7
52/9	45/9	Coats £1.....	47/6	47/6	5 5 3
46/-	37/6	Courtaulds £1....	38/6	37/6	6 0 0
20/6	18/1½	Distillers 4/-.....	18/9	18/6	4 17 4
61/3	53/-	Dunlop £1.....	55/-	53/9	6 10 2
51/4½	46/-	Ford £1.....	47/-	46/6	5 7 6
92/3	71/9	Gen. Elect. £1....	76/3*xr*	72/6*	6 4 2
125/3	114/-	Guinness £1.....	118/1½	115/-	4 17 5
36/7½	32/1½	Hawker Sid. £1...	32/9	32/9	6 2 2
47/4½	40/10½	Imp. Chem. £1....	41/10½	41/-	5 17 1
95	83/9	Imp. Tobacco £1..	88/9	85/9*	7 12 10
43/1½	35/4½	Lancs. Cotton £1.	35/7½	37/6	8 0 0
49/6	47/-	Lever £1.....	48/9	46/10½	5 15 2
57/3	53/1½	London Brick £1..	54/4½	55/9	5 13 7
89/6	78/3	Marks & Sp. A. 5/-	81/3	78/9	4 15 3
53/9	42/-	P. & O. Def. £1...	47/-*	48/-*	4 8 11*e*
39/3	33/7½	P. Johnson 10/-..	35/7½	34/4½	7 5 6
97/2½	83/5½	"Shell" Stk. £1...	75/7½	83/9	5 13 9
5⅜	4½	Tube Investmt. £1	5⅛	5	5 0 0
89/9	85/3	T. & Newall £1...	87/6	86/3	4 12 9
45/3	42/3	Union Castle £1..	44/-	43/6	4 11 11
59/10½	42/6	U. Sua Betong £1.	48/1½	46/10½	21 6 8
46/3	42/10½	Vickers £1.....	44/-	44/3	5 13 0
44/1½	40/1½	Woolworth 5/-....	42/3	40/6	5 4 11

(*a*) Yield basis 20% after capita bonus. (*c*) Yield basis 10½% after capital bonus. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended February 23, 1952, total ordinary revenue was £109,983,000 against ordinary expenditure of £84,146,000 and issues to sinking funds £740,000. Thus, including sinking fund allocations of £21,683,000, the surplus accrued since April 1, 1951, is £392,591,000 compared with a surplus of £749,677,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1951–52	April 1, 1950 to Feb. 24, 1951	April 1, 1951 to Feb. 23, 1952	Week ended Feb. 24, 1951	Week ended Feb. 23, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1220667	1427811	54,949	61,153
Sur-tax	128,000	102,000	109,000	5,200	5,300
Estate, etc., Duties	180,000	165,650	164,600	3,900	3,900
Stamps	55,000	47,760	55,400	700	800
Profits Tax & E.P.T.	312,650	249,270	287,000	3,500	6,500
Other Inland Rev.	500	500	500	40	50
Special Contributn.	1,500	4,480	2,480	50	30
Total Inland Rev.	2302400	1790327	2046791	68,339	77,733
Customs	930,500	810,619	898,868	16,937	21,560
Excise	720,500	677,800	703,300	12,200	7,300
Total Customs and Excise	1651000	1488419	1602168	29,137	28,860
Motor Duties	62,000	60,178	61,963	...	...
Surplus War Stores	20,000	37,234	32,231	717	1,460
Surpl's from Tradg.	50,000	80,905	75,455	39,000	...
P.O. (Net Receipts)	5,400	7,000	7,000	1,000	1,900
Wireless Licences	13,600	10,650	11,500	...	...
Sundry Loans	27,000	23,476	22,994	...	...
Miscell. Receipts	105,000	68,574	81,659	17	30
Total Ord. Rev.	4236400	3566764	3941760	138210	109983
SELF-BALANCING					
Post Office	179,431	151,700	169,700	3,500	3,300
Income Tax on E.P.T. Refunds	4,900	7,554	5,062	90	431
Total	4420731	3726018	4116522	141800	113714

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	428,978	463,792	2,164	5,136
Payments to N. Ireland	38,000	33,440	33,313	1,922	...
Other Cons. Funds	11,000	9,184	10,452	...	...
Total	584,000	471,602	507,557	4,086	5,136
Supply Services	*3514062	2330382	3019930	40,416	79,010
Total Ord. Expd.	*4098062	2801984	3527487	44,502	84,146
Sinking Funds	...	15,103	21,683	100	740
Total (excl. Self-Bal. Expd.)	4098062	2817087	3549170	44,602	84,886
SELF-BALANCING					
Post Office	179,431	151,700	169,700	3,500	3,300
Income Tax on E.P.T. Refunds	4,900	7,554	5,062	90	431
Total	4282393	2976341	3723932	48,192	88,617

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £70,563 to £3,565,701, the other operations for the week increased the National Debt by £6,962,937 to £25,741 million.

NET RECEIPTS (£ thousand)

Housing (Temporary Accommodation) Act, 1944 s. 8	114
Cotton (Centralised Buying) Act, 1947, s. 21(3)	2,000
	2,114

NET ISSUES (£ thousand)

Post office and Telegraph (Money) Act, 1950	750
EPT Refunds	529
Local Authorities Loans Act, 1945, s. 3(2)	4,500
Coal Industry Acts, 1946 to 1951	5,000
Miscellaneous Financial Provisions Act, 1946 :— s. 2(1) War Damage : War Damage Commission	3,000
Miscellaneous Financial Provisions Acts 1946 and 1950 : Civil Contingencies Fund	20,000
Finance Acts, 1946 and 1947 : Postwar Credits	325
	34,104

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	421	2½% Def. Bonds	635
Nat. Savings Certs.	900	3% Def. Bonds	1,367
Ways & Means Advances	56,420	3% Ter. Annuities	1,461
		Tax Reserve Certs.	14,896
		Other Debt :— Internal	13,419
		Treasury Deposits	19,000
	57,741		50,778

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Feb. 24	3180·0	1749·4	419·8	...	340·0	5689·2
Nov. 24	4571·6*		292·6	...	125·0	4989·3
Dec. 1	4593·3*		304·8	...	125·0	5023·1
,, 8	4631·1*		289·0	3·0	123·0	5046·1
,, 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·9*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·8	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	4601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·5
,, 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1

* The proportion of tender and tap Bills surrendered for 1¼ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Feb. 23	250·0	331·4	250·0	10 3·04	67
Nov. 23	170·0	237·6	170·0	19 2·96	63
,, 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	e59
,, 22	200·0	271·1	200·0	19 10·55	58

On February 22nd applications for 91 day bills to be paid from February 25 to March 1, 1952, were accepted dated Monday to Saturday as to about 58 per cent at £99 15s. 0d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £200 million were offered on February 29th. For the week ended March 1st the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 46 Weeks ended: Feb. 17, 1951	Totals 46 Weeks ended: Feb. 16, 1952	Week ended Feb. 16, 1952
Savings Certificates :—			
Receipts	92,000	135,300	3,000
Repayments	114,500	120,100	2,800
Net Savings	*Dr22,500*	15,200	200
Defence Bonds :—			
Receipts	16,960	51,139	850
Repayments	42,830	63,718	1,300
Net Savings	*Dr25,870*	*Dr12,579*	*Dr 450*
P.O. and Trustee Savings Banks :—			
Receipts	579,745	620,189	13,526
Repayments	625,283	707,340	15,364
Net Savings	*Dr45,538*	*Dr87,151*	*Dr 1,838*
Total Net Savings	*Dr93,908*	*Dr84,530*	*Dr 2,088*
Interest on certificates repaid	25,568	30,039	742
Interest accrued	111,219	111,734	2,503
Change in total invested	—*8,257*	—*2,845*	—*327*

BANK OF ENGLAND RETURNS

February 27, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:— In Circulation	1367,027,466	Govt. Debt	11,015,100
In Bankg. Department	33,329,357	Other Govt. Securities	1385,754,968
		Other Secs.	715,289
		Coin (other than gold)	2,514,643
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,623
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	311,827,853
Rest	3,901,616	Other Secs.:—	49,994,079
Public Deps.:—	12,225,689	*Discounts and Advances*	*17,653,451*
*Public Accts.**	*11,796,764*	*Securities*	*32,340,628*
H.M. Treas. Special Acct.	*428,925*		
Other Deps.:—	366,045,777		
Bankers	*282,988,746*	Notes	33,329,357
Other Accts	*83,057,031*	Coin	1,574,793
	396,726,082		396,726,082

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951	1952		
	Feb. 28	Feb. 13	Feb. 20	Feb. 27
Issue Dept. :—				
Notes in circulation	1289·0	1360·6	1360·6	1367·0
Notes in banking department	61·4	39·7	39·8	33·3
Government debt and securities*	1345·3	1396·7	1396·7	1396·8
Other securities	0·7	0·7	0·8	0·7
Gold and coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·0	16·2	11·4	11·8
Treasury Special Account	9·3	14·0	0·4	0·4
Bankers	293·0	280·7	292·4	283·0
Others	90·1	83·8	83·1	83·1
Total	405·4	394·7	387·3	378·3
Securities :—				
Government	313·2	327·7	319·0	311·8
Discounts, etc.	16·1	16·1	17·6	17·7
Other	32·6	28·0	27·9	32·3
Total	361·9	371·8	364·5	361·8
Banking dept. res.	62·0	41·3	41·3	34·9
	%	%	%	%
"Proportion"	15·2	10·4	10·6	9·2

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Feb. 20, 1951	Feb. 12, 1952	Feb. 26, 1952
Cereals and meat	157·9	180·2	179·2
Other foods	172·4	193·5	195·2
Textiles	335·8	246·6	239·3
Minerals	333·2	372·8	372·5
Miscellaneous	193·4	194·3	192·3
Complete Index	**222·8**	**226·0**	**224·3**
1913=100	*306·6*	*311·0*	*308·6*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 21	77·0	88·00	187 14	104 11
,, 22	77·0	Closed	187 8	104 2
,, 23	Markets Closed		Markets Closed	
,, 25	77·0	88·00	185 1	103 5
,, 26	77·0	88·00	185 7	103 0
,, 27	77·0	88·00	185 00	102 2

LEEK AND MOORLANDS BUILDING SOCIETY

ANOTHER EXCELLENT YEAR'S RESULTS

The annual general meeting of the Leek and Moorlands Building Society was held on February 25th at Leek, Staffordshire.

Sir Ernest Johnson, JP, the president, in the course of his speech said: When I had the pleasure of addressing you some 12 months ago, I made some comments on the vast national expenditure. The previous Government satisfied themselves that re-armament is necessary in the interests of the world. The present Government has endorsed that policy. It is left for the nation now to bear the expense and to suffer the burden and the implications of the programme to rearm.

I firmly believe that one of the ways to assist the country would be for increased savings, as distinct from increased taxation, to be allowed to play their part.

Building societies—representing as they do over four million of the population of the country, and having entrusted to their care funds exceeding £1,200 million—can be relied on to play their part in a great savings drive.

I am glad to find that this Government is at last encouraging home-ownership. By granting licences to persons anxious and willing to build their own home, expenditure on subsidies is reduced.

The year 1951 has left its mark upon the national economy—I cannot think that the year 1952 is likely to be as satisfactory a year. What I do feel is that united through sound finance—harder work—maintenance of fine quality workmanship, the nation can march along the road to a future which will bring stability, security and a better living.

CHAIRMAN'S ADDRESS

In moving the adoption of the report and accounts, Councillor Gilbert Tatton, the chairman, said: During the year 1951 shareholders' balances increased by £1,460,000 and the amount of savings in our share capital comes to £17,795,000. Savings on deposit show an increase of £278,000, so that during the year 1951 the total increase in savings balances on shares and deposits amounted to £1,738,000, making a total sum invested in the Society of £20,323,000. This is the first time in the history of our Society that the total savings have exceeded £20 million, and is a measure of the confidence of the public in our Building Society.

Last year I expressed the hope that I might be in the happy position of presenting to you another excellent report. I feel I have done so, as the year's results show a continuation of that financial strength and stability for which the Leek and Moorlands Building Society is noted throughout the country.

VICE-CHAIRMAN'S REMARKS

Seconding the motion, the vice-chairman, Mr F. Leslie Davenport, JP, said: I view with some apprehension the forthcoming Budget, because there is no doubt that financially the country's position is a very difficult one. Nevertheless, I do feel that building societies, representing as they do the savings of the people, should receive some concession by way of taxation, and I hope the Chancellor has not overlooked the important part they play in "mopping up" surplus income and channelling it into real thrift. It would seem to me that on these grounds alone building societies are so assisting the nation at this difficult time that they merit favourable consideration.

The report was adopted.

HART AND LEVY

RECORD TURNOVER

The fifty-fifth annual general meeting of Hart and Levy, Limited, was held on February 28th at Leicester, Sir Tresham Lever, Bt, the chairman, presiding.

The following is an extract from his circulated statement for the year to October 31, 1951:—

Turnover shows a considerable increase on that of the previous year and is a record for all time. The trading profit is £207,457, as against £203,405. During the past year the rates of both Income Tax and Profits Tax have been further increased. Therefore, in spite of reduced expenses, the balance left for distribution is only £54,634, as against £53,026 a year ago. The directors recommend a final dividend of 10 per cent on the Ordinary shares (making, as in the preceding year, a total of 20 per cent).

DIFFICULT CONDITIONS

The results have been secured in spite of the serious difficulties encountered over the last six months of the trading year and the increased rate of tax. I need not enlarge on the violent fluctuations that have occurred in the wool and cotton markets, and I referred last year to the possible loss on long delivery commitments then existing. In order to preserve our labour force and the volume of production in our factories we had to maintain an adequate supply position, with the result that in taking up our forward commitments, substantial losses did, in fact, arise. I reminded members last year that the credit on general reserve of £120,000 provided a safeguard against such eventualities, and it is with satisfaction I can report that these losses have been absorbed in the trading results under review, and that our general reserve stands intact at the above figure.

Government restrictions still preclude the contemplated expansion of our manufacturing units, but we have been able during the past year to modernise and develop further our subsidiary company interests which have made a valuable contribution to the Group results. The loan and current account of the subsidiary company has risen steeply in the last twelve months from £198,761 to £301,030. This figure is entirely covered by the value of stocks held. These have not only increased in quantity to supply the wider demand, but there is also a big reduction in the value of the commitments of the subsidiary company.

SATISFACTORY STOCK POSITION

The high stock position is brought about to some extent by customers postponing their deliveries and also by our action in reducing the forward commitment position in the last trading year. Such a policy inevitably resulted in increased liabilities to our bankers and to creditors. We have nevertheless thereby assured that our immediate stock requirements are fully provided for, and as the present year progresses we expect that the amount of our investment in stocks will considerably decrease, with a corresponding reduction in the figure of bank indebtedness.

It is most difficult to forecast trading for 1952, but in spite of all the difficulties that have been experienced, we have substantial orders on our books. Although conditions are obviously more difficult than when I addressed you last year, we are sure from our experience of sales to date that our goods are being better received by our customers than ever before, and we are confident that your company will be able to obtain a good share of the trade available in the increased competition that has now returned to our markets.

The report was adopted.

MANCHESTER SHIP CANAL COMPANY

VOLUME OF TRAFFIC AGAIN A RECORD

The ninety-fourth ordinary general meeting of this company was held on February 29th, in Manchester.

The chairman, Mr Leslie Roberts, CBE, in the course of his speech, said:—

The net revenue for 1951 is shown as £835,014, compared with £887,141 in 1950—a decrease of £52,127.

After adding to the net revenue £18,031 brought forward, setting aside £110,000 for Income Tax and deducting £342,631 for Loan and Debenture Interest, the balance available for dividends and reserve amounts to £400,414.

£35,000 has been appropriated to the Reserve for Contingencies, and it is proposed that out of the balance of £365,414 the following dividends, amounting to £349,693, should be paid:—

3½ per cent on the Manchester Ship Canal Corporation 3½ per centum Preference Stock.

5 per cent on the Preference Shares.

3 per cent on the Ordinary Shares, carrying forward £15,721 to next year's account.

RECEIPTS AND EXPENDITURE

Receipts from Tolls, Ship Dues, Traffic Rentals, Towage and Sundry Receipts exceeded those of the previous year by £131,000. It is noteworthy that last year the tonnage of toll-paying traffic for the first time exceeded ten million tons. This is the fourth successive year in which we have been able to report the making of a new record in the volume of traffic handled at the port.

Expenditure on the working of the Ship Canal showed an increase of £190,000. Of this amount, dredging accounted for £112,000, maintenance for £34,000 and the working of locks, sluices, swing bridges and ferries for over £20,000.

The dredging costs, which have had to be charged against revenue in 1951, amounted to no less than £377,000. This is by far the highest expenditure which we have had to face in any year. In 1950 the comparable figure was £266,000, and in the ten years before that the average was under £200,000.

UNOFFICIAL STRIKES

Last year I told you that our good record of freedom from industrial disputes had been broken by an unofficial strike, and I have already alluded to the subsequent six weeks' stoppage of work at the docks, which took place in the early summer. This strike, like its predecessor, was brought about by the activities of the Port Workers' Unofficial Committee, and the issue was connected with overtime working. I need not trouble you with details, except to say that both the stoppages were entirely needless, as there was adequate machinery for the investigation of the dispute. Some of you will have read the report on the second strike, which was issued by the Minister of Labour and National Service, and was in condemnation of the men's actions. It is a tragedy that the Manchester dockers should allow themselves to be misled as readily as they have done. I profoundly hope that good sense will prevail in the future, and that the time has come when each individual docker will start to think for himself. When he does this he will not allow himself to be influenced to join unofficial strikes, but will have proper regard for the constitutional procedure which is available within the industry. It is natural that a docker's first loyalty should be towards his mates, but it is a pity that his loyalties are sometimes misdirected.

BROOME RUBBER

RECORD RESULTS UNDER GREAT DIFFICULTY

The eighteenth annual general meeting of Broome Rubber Plantations Limited was held on February 27th in London, Sir Lionel Smith-Gordon, Bart. (chairman) presiding.

In the course of his speech the chairman said:

Last year, I prefaced my address with a tribute to our staff in the East, both European and Asian, for the courageous way in which they had carried out their daily duties for two and a half years, or more, in conditions of extreme danger. During the past year, conditions have, if anything, worsened, and the difficulties and dangers of administering the estates have increased.

As a result of adverse factors, the actual crop obtained was 2,679,408 lb, which was some 30 per cent lower than the amount we had expected. This reduction in output is not indicative of a falling off of the productive capacity of the trees, for we are confident that given an adequate labour force, working in peaceful conditions, output would rise to its former levels.

FORWARD SALES COMPLETED

You will, I feel sure, appreciate that in the light of these disheartening difficulties with which the management has to contend, it is not possible to take a normal view of the past year's results, although, in fact, they mark a record in the history of the company. As stated in my speech last year, we made forward sales for delivery over the year 1950. These commitments were all met during the year under review, and there were no contracts outstanding at June 30, 1951, nor have we made any further forward sales.

We made a trading profit of £147,840. Debenture interest, depreciation, etc., amounts to £12,195, and £20,000 has been set aside as a provision for replanting expenditure. Taxation calls for £77,000. We have put £15,000 to general reserve, which we trust will be the nucleus of a substantial sum, if future profits permit. Two interim dividends, amounting to 15 per cent, have been paid, and we propose a final dividend of 10 per cent, making 25 per cent for the year, and to carry forward £3,321. At the same time, we have declared an interim dividend of 5 per cent on account of the current financial year ending June 30th next. The results for the six months July-December, 1951, amply justify this distribution.

In this connection, it is interesting to note the heavy toll the governments extract. The export duty, etc. (paid directly or indirectly) in Malaya amounted to no less than about £47,500, while taxation demands in the UK and Malaya are estimated at £77,000, or a total of £124,500, which is a staggering figure, compared with the sum of £31,715 we are able to distribute among the members by way of a dividend, after deducting tax.

REPLANTING

In view of the difficult conditions prevailing, a temporary halt was called to our annual programme of replanting approximately two hundred acres, and no new areas are being undertaken at the present moment.

The assessment officer of the War Damage Commission has already visited two of our properties, and we hope it will not be long now before our claims are agreed and a substantial portion of the assessed damage is received in cash. The total of the amended claims submitted amounted to £45,000.

The report was adopted.

BAJOE KIDOEL RUBBER AND PRODUCE COMPANY, LIMITED

DIVIDEND 25 PER CENT.

SIR ERIC MILLER'S STATEMENT

The fortieth annual general meeting of The Bajoe Kidoel Rubber and Produce Company, Limited, was held on February 27th at the registered office, 1-4, Great Tower Street, London, E.C.3.

The following is an extract from Sir Eric Miller's address, which was read by Sir Eric MacFadyen, who presided:—

After transferring £20,000 to general reserve and a like amount to dividend equalisation reserve, we recommend the payment of a dividend of 25 per cent, less tax, at 9s. 6d. in the £, for the year 1950-51 and, if that is approved by the meeting, the balance carried forward on the parent company's profit and loss account will be £70,592.

In our 1950-51 working period we account for 1,408,781 kgs. of rubber and 654,000 kgs. of coffee, which after covering taxation in Indonesia showed a net profit of Rp.4,520,149 and Rp.1,273,571 respectively which, converted into sterling at Rp.32 to the £, shows in round figures £140,000 attributable to rubber and £40,000 attributable to coffee.

PROFIT ON COFFEE

Although the profit on coffee is overshadowed by the profit on rubber, it nevertheless made a respectable contribution to our income and is proving a useful second string, as it has done during most of the company's 40 years' existence.

Whereas in prewar days most of the Robusta coffee produced in Indonesia was exported, there is now quite a good offtake for local consumption; the actual marketing in Java is being well handled by the co-operative Coffee Bureau. Owing to unfavourable weather at blossoming time, our 1951-52 crop of coffee will be some 100,000 kgs less than the 1950-51 total of 654,000 kgs, but prices are holding up well.

MARKET VALUES

I notice that the £1 stock units of the Bajoe Kidoel Company have been changing hands at under 15s., showing a market capitalisation well below the figure of the cash and British Government securities we hold in London and taking no account whatever of our estates, comprising 8,000 acres under rubber, of which no less than 4,500 acres are budded, mostly in bearing; then 3,000 acres under coffee and 800 acres under kapok, with appropriate buildings, machinery and plant. Our gross capitalisation, including current and all these fixed assets, is only £20 an acre.

I feel it my duty to focus your attention on these simple salient facts, so that you should not be frightened out of your holdings at what, on the face of it, is an absurdly low price, even in "jittery" times like the present.

TESTING TIME AT HAND

There are subversive elements at work, particularly in South East Asia, but the Indonesian Government are clearly doing their best to justify their newly-won independence by manfully grappling with the forces of disruption as and when they can be cornered. Now the prices for rubber and vegetable oils have declined materially from the heights they reached 12 or 15 months ago, the earnings of producers, from which that government derive important revenue by way of taxation, are automatically receding, so it behoves them to play their part in curbing inflation by reducing their own expenditure, which has tended to become astronomical, and by purging the trade unions of Communist leaders who have done so much to throw the whole economy out of balance.

The testing time is near at hand, and those who wish these islands well hope, as I do, that sound policies will be enforced before the economic stresses become too great.

Whilst preparing this address two important items of news have come in. Firstly, the Indonesian Cabinet have resigned as a result of differences within their ranks over the acceptance of American aid under the Mutual Security Act.

CHANGE IN US POLICY

Almost simultaneously came the announcement by the United States Government that they are returning the import of rubber to the usual market channels, but, and this is a very big but, they are retaining control over consumption and inventories. The transition is to be gradual, but as from July 1st manufacturers will have to satisfy their requirements by private purchases or from such stocks as the GSA may find it necessary to rotate. There is no mention of further stockpile purchases by the GSA, nor how these are in future to be made, an omission which we trust will soon be remedied.

The only possible justification for continuing controls by the US Government over the consumption of natural rubber would be a determination on their part further to build up their stockpile. It would appear that their "peril point" figure has now been covered, but there must be a large tonnage still to be acquired before their programme is completed. They have a great responsibility towards South East Asia, whose economy depends so largely on receipts from the sale of natural rubber, and the maintenance of restrictive controls over the consumption of it by US manufacturers would be quite indefensible today except for the definite purpose of enabling their stockpile to be more rapidly augmented than would otherwise be the case.

Not only are US restrictions on the consumption of natural rubber to continue, but simultaneously they are making arrangements to encourage the export of American-produced synthetic substitutes in substantial volume—and at a price which, according to *Natural Rubber News*, is based on their purchasing the principal raw materials which enter into the product at about half the price which private producers would have to pay today. In other words, the price would be higher for synthetics if the industry were operated competitively. We have not been told whether, when our own Government agreed to sell 25,000 tons out of the UK strategic stocks to the US Government, they impressed them with the importance of ensuring that the interests of the producers in South East Asia would be suitably safeguarded.

Dr E. A. Hauser, Professor of Colloid Chemistry in the Massachusetts Institute of Technology, has said some very pertinent things on that subject. He adds that, in spite of the systematic research which has been intensively pursued since the end of the war, so far all attempts have failed to produce synthetically a polyisoprene which, if subjected to X-ray diffraction studies in the stretched condition, would reveal an identity period as found in rubber. Bearing this in mind, he says it is more than doubtful if they will ever be able to produce synthetically an

artificial rubber which is comparable with the natural product in every respect, and queries the wisdom of using up natural resources for the production of an artificial product when a natural product of superior properties is available, even if its price is higher than it used to be. That strikes me as statesmanlike.

The report and accounts were adopted and the proposed dividend was approved.

CLEGG & ORR LIMITED

SUCCESSFUL YEAR'S TRADING

MR J. A. ORR'S REVIEW

The fourth annual general meeting of Clegg & Orr Limited, will be held on March 21, 1952, at the registered office of the company, 90 Great Bridgewater Street, Manchester, 1.

The following is the statement by the chairman, Mr J. A. Orr, which was circulated with the report and accounts for the year ended November 30, 1951.

PROGRESS OF REPLACEMENT AND RENEWAL PROGRAMME

At the end of this, the fourth year of the company's history, I am able to tell you of solid progress within our factories. In spite of many obstacles, the first programme, costing £678,000, for the replacement of plant and the renewal of buildings, has been finished and paid for without recourse to external borrowing, and, as the accounts show, some liquid reserves have been gained. We have taken advantage of all the allowances which the revenue authorities permit, so that the fixed assets now stand in the accounts at reasonable values.

The subsidy arising from the Cotton Industry Re-equipment Scheme has so far produced a sum of £35,000, but this is likely to be reduced by more than half, owing to a consequential cancellation of certain tax allowances; therefore, the scheme, though undoubtedly of some value, was not in our case a deciding factor in favour of re-equipment. We hope to receive a further sum when all our claims are agreed.

I hope that a prudent financial policy will make it possible to scrap plant and methods and to have new ones whenever such changes will give a saving in cost or an improvement in the quality. Thus it is intended to make gradual improvements as opportunity occurs and so avoid in future that complete renewal, which is both expensive and inconvenient.

ARRIVAL OF COMPETITIVE TRADING

Our operating companies, like most others, have enjoyed good trading up to December, 1951, and ought, with new plant, to be able to compete successfully both in price and quality; we have seen that for more than a decade the markets have been short of supplies and now, with increasing production of consumer goods, competitive trade has arrived. It must be remembered that this island country with its high population is dependent on foreign trade for livelihood, a fact which renders it especially subject to outside influences in these times of international stress. When to such considerations are added world shortages of raw materials and food, and less hours of effective work in an economy scarcely yet emerged from the chill clutch of wartime control, a potentially dangerous situation is apparent.

So your directors are mindful of these things, and, knowing that they have themselves striven to put their house in order so as to be able to compete successfully in a buyer's market, now face the more distant future with confidence. With these thoughts, however, you will not expect me to vary the somewhat gloomy forecast for the immediate future at which I hinted last year, though I repeat my belief concerning the sound competitive ability of the company.

E. Clegg & Son, Limited, now possesses 720 Northrop Automatic looms, supplied by new automatic Swiss and English preparation machinery and some new English spinning plant and card room machinery.

A. S. Orr & Company, Limited, now possesses 584 Northrop Automatic looms, supplied by new automatic Swiss and American preparation machinery, and new English spinning and card room frames, including drawing frames. An independent development section was established during last year and much work on quality control has been done.

Modern systems of costing, budgetary control, central stores, production study and personnel training are in full and effective operation.

TRAINING OF STAFF AND OPERATIVES

The training of staff and operatives has proceeded steadily and is beginning to show unmistakable signs of success. Your directors attach the utmost importance to the selection, training and welfare of all personnel, without whom the finest plant in all the world would be ineffective: in productive work your company has been well and truly served by its employees. The helpful attitude of all union officials and representatives of our workpeople has been invaluable during the period of our re-equipment and I feel sure we shall continue to work together and to understand each other's difficulties.

In both cases, the activity, the efficiency and the output per operative have improved considerably, but for the current year much must depend not only upon Government action at home but also upon events abroad during the next few months, and especially upon the quality of our yarns and cloths.

THE DIVIDEND

Bearing in mind the successful year's trading in 1951 and the dubious trading prospects for the near future, a dividend of 10 per cent. before deduction of tax is recommended.

There may be some disappointment at this unchanged rate observing the results of the year under review, but I consider that the directors have given proper consideration to your true interests and that it is wiser at present to keep a steady rate of dividend over as long a period as possible.

SENGAT RUBBER ESTATE

A PROFITABLE YEAR

The forty-first annual general meeting of this company was held on February 25th in London, Sir George Maxwell, KBE, CMG, the chairman, presiding.

The following is an extract from his circulated speech:

It has been a difficult year. The open warfare, which has enveloped Malaya for more than 3½ years, is still camouflaged by the Government by the fatuous word "banditry," and has been waged by the enemy with steadily increasing ferocity. We have had three separate incendiary fires started by the enemy, but the damage has not been heavy. About 1,000 young high-yielding rubber trees were slashed one night recently, but are expected to recover.

The old rubber yielded at an average rate of 592.24 pounds per acre per annum. The modern clones (still in their youth) of proved ancestry gave an average crop of 1,051.18 pounds per acre per annum. The three best fields yielded at the rates of 1,544 pounds, 1,417 pounds and 1,332 pounds.

The high price of rubber, however ephemeral it may have been, has given us a profitable year. The net profit has been £67,980, but provision for taxation (£43,320) reduces it to £24,660. Our replanting reserve, now standing at only £4,000, is an inadequate provision for the work yet to be done, and we have increased it to £10,000. The general reserve, now standing at £23,112 7s. 1d., has been brought up to £25,000.

We propose to pay a final dividend of 10 per cent (less tax), making a total dividend of 17½ per cent (less tax) for the year.

The report and accounts were adopted.

NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Transfer Books of the Bank will be closed from March 12th to March 25th, both days inclusive.
By order of the Board,
T. T. K. ALLAN, General Manager.
26 Bishopsgate, London, E.C.2. February 26, 1952.

PUSHFUL THINKING—the busiest directors usually have the most progressive thoughts and ideas about the development of trade. But because they *are* so busy, many such ideas lie dormant or die for the sake of—what? Co-operation and inspired drive by men of similar calibre—men of ideas trained and well experienced in *pushful* thinking, *practical* interpretation and *profitable* follow through. *You* may need the alert, go-ahead services of the qualified team at Townend-Smith Ltd. (Advertising), 40-41, Conduit Street, W.1. Telephone Regent 2600 or write for an appointment without obligation.

HONOURS Graduate in Economics, with practical turn of mind and full EXPORT experience up to executive level, seeks change offering more scope in home or export sales. Member of Institute of Export, knowledge of German, French, Spanish. Keen interest in current affairs.—Box 874.

YOUNG MAN, 27, seeks executive career commerce or industry in London. 1st Class Honours Law, Cambridge, Barrister, admin. experience other fields.—Box 887.

LARGE Industrial Group requires for its selling organisations an Accountant capable of dealing, on behalf of the Chief Accountant, with the daily management of the Accounting Departments under his control. Applicants must have professional qualifications or degree, experience in management of staff and office organisation and have knowledge of Commercial Accounting including budgetary control. Age 30 to 40. Good prospects for a keen and active man. Starting salary according to qualifications and experience.—Write giving age and full details of education and previous experience to Box 868.

ECONOMIST (agricultural) required to undertake survey of historical farm costings data for special purpose. The work might occupy a vacation, or be accomplished in 3 months "leisure" time. Minimum fee 50 guineas but up to 100 guineas would be paid if warranted by complexity and time occupied.—Box 869.

WORKS MANAGER required for old-established Company, manufacturing machine tools and electric control gear. Applicant must have first-class technical and engineering experience, and be good organiser. Preference given to applicant with public school and university, and/or engineering degrees.—Apply, Secretary, E.M.B., West Bromwich.

ACCOUNTANT/SECRETARY required for Tyneside family business, age 28-38. Minimum starting salary £1,000, excellent prospects. Must have top management qualities.—Box 888.

THE TRAINING OF TECHNICAL TEACHERS

Applications are invited from men and women of approximately 25 years of age and over, for admission to a ONE-YEAR COURSE OF TRAINING as full-time TEACHERS OF GENERAL COMMERCIAL AND PROFESSIONAL SUBJECTS, AND/OR OFFICE ARTS (SHORTHAND, TYPEWRITING AND OTHER SECRETARIAL WORK) in Technical Colleges and similar institutions.

Applicants who wish to teach general commercial and professional subjects, should have a University Degree, or professional qualification, or a Higher National Certificate in Commerce.

Applicants who wish to teach Office Arts should possess higher certificates of some recognised examining body in shorthand and typewriting, and should show evidence of a good general education.

In all cases applicants will be expected to show evidence of good business and other clerical experience.

The courses will begin in September, 1952. Recognised students will pay no fees and they will be eligible for maintenance grants for the period of the course.

Further particulars and application forms may be obtained from the following Colleges on receipt of a stamped addressed foolscap envelope.

Enquiries for forms should be endorsed "S/1/22."

BOLTON—The Director,
Bolton Training College,
Manchester Road,
Bolton, Lancs.

HUDDERSFIELD—The Director,
Huddersfield Training College,
Queen Street South,
Huddersfield, Yorks.

LONDON—The Principal,
Training College for Technical Teachers,
83, New Kent Road,
London, S.E.1.

SECRETARIAT OF THE INTERNATIONAL RUBBER STUDY GROUP, BRETTENHAM HOUSE, 5 LANCASTER PLACE, STRAND, W.C.2, requires Senior Statistician or Assistant Statistician, depending on circumstances. University degree or equivalent in Statistics or in Economics (with Statistics) or in any other main subject (with Statistics). Knowledge English, French essential. Salary Senior Statistician £1,000 to £1,500, Assistant Statistician £600 upwards. Starting salaries for both posts depending on qualifications, experience, etc. Application by letter stating qualifications, references, age, married or single, etc. Final date March 20, 1952.

CONTINENTAL HOLIDAYS—not "organised" or mass produced but arranged as you or your friends may want. Paris—7 days from £12 10s.; Brittany—10 days from £16 10s. 6d.; Italy—15 days from £27 11s. 6d.; also the Rivieras, Spain, Austria, Switzerland, and other countries. Write for brochure or 'phone.—Business & Holiday Travel Ltd., Grand Buildings, Trafalgar Square, London, W.C.2. WHItehall 4114/5.

SIMENON IN FRENCH. List of his novels free on request.—Anglo-French, 72, Charlotte Street, W.1.

LADY, 27, B.Sc. Econ., Registered Statistical Assistant, experience includes analysis and interpretation of statistical data. Desires suitable post from April, 1952.—Box 891.

TRANSLATION.—Rapid service, German into English. Technical and Commercial material a speciality.—Apply by letter to "Translations," c/o Abbotts, Eastcheap, London, E.C.3.

THE *Economist*, June, 1946-December, 1951 (*Records and Statistics*, 1948 and 1949) for sale.—Reply W. F., 139, Clarence Avenue, Northampton.

FOR SALE: *The Economist* 31/5/47-2/2/52, lacking 17/1/48.—Box 884.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 52-54, High Holborn, W.C.2.

ECONOMIC DIGEST (monthly) will keep you informed of many important items you are liable to miss in the modern avalanche of articles, reports, lectures, memoranda. Free specimen copy with pleasure: Economic Research Council, 18, South Street, London, W.1.

ESSENTIAL TO ALL BUSINESS MEN!—"Advantages of trading as a limited Co.," by T. A. Herbert, LL.B., Barrister-at-Law (post 1s. 8d.), from "EC," Anglo-French Press Agency, Ltd., 128, Albany Street, London, N.W.1 (EUS. 8308/8178), who have TRUST INVESTMENT C. REGN. for sale. Ready for use, complete, £20.

SALZBURG SEMINAR, Schloss Leopoldskron, Salzburg, Austria.—Scholarships are offered for sessions in Social Relations (Social Psychology, Sociology and Cultural Anthropology), May 28th-June 26th; General Session (History, Literature, Government, Social Psychology, and Philosophy) July 15th-August 23rd; Economic Problems in American Life, September 1st-28th. Study at the graduate level. Admission is granted on evidence of ability and accomplishment. General age range 23-35. Special consideration given to those engaged in teaching, public life, or creative work and to advanced students. For further information and application forms write to: The Education Secretary, World University Service, 59, Gloucester Place, London, W.1.

QUALIFIED STAFF AVAILABLE NOW

Accountants, Office Managers, Company Secretaries supplied immediately.

FINE'S EMPLOYMENT AGENCY

(HIGHER APPOINTMENTS SECTION)
95/99 PRAED STREET, LONDON, W.2. AMB 3400 (30 LINES)
FINE'S FOR THE FINEST STAFF

Postal Tuition for B.Sc. ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 WOLSEY HALL, OXFORD

NATIONAL COAL BOARD

Applications are invited for the appointment of ASSISTANT INVESTMENTS MANAGER at London Headquarters. The duties of the post include the purchase and sale of marketable securities for the Board's superannuation and pension schemes, and continuous review of a large investment portfolio.

Candidates must have a sound knowledge of finance, investment and Stock Exchange procedure backed by some years' experience with a financial house or similar organisation. An Actuarial qualification is essential.

Salary will be up to £1,500 depending on qualifications and experience. The post is superannuable.

Apply in writing, giving full particulars (in chronological order) of age, education, qualifications and experience (with dates) to National Coal Board, Establishments (Personnel), Hobart House, Grosvenor Place, London, S.W.1, marking envelope TT/436. Original testimonials should NOT be forwarded. Closing date March 15, 1952.

NATIONAL COAL BOARD—WEST MIDLANDS DIVISION

S.V. 881. Applications are invited from persons with good experience of machine accounting systems (Punched Cards Methods) to take charge of a Machine Accounts Section at Dudley, Worcs.

The salary scale will be £720 x £25 to £970 and commencing salary will be according to qualifications and experience.

Applications should give full details of age, experience and type of machine to which accustomed (Powers Samas, Hollerith, etc.) and applications should be made within one week of the appearance of this advertisement, to the Divisional Establishment Officer, National Coal Board, West Midlands Division, Himley Hall, Dudley, Worcs.

Amended.

SENIOR SCIENTIFIC OFFICERS; Scientific Officers; Patent Examiner and Patent Officer Classes.—The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1952. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1952, may eventually be announced. Successful candidates may be appointed immediately. The Scientific posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply.

Candidates must have obtained a university degree with first or second class honours in an appropriate scientific subject (including engineering) or in Mathematics, or an equivalent qualification, or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer and Patent posts taking their degrees in 1952 may be admitted to compete before the result of their degree examination is known.

Age Limits: Senior Scientific Officers, at least 26 and under 31; for Scientific Officers and Patent Classes, at least 21 and under 28 during 1952 (or under 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales: Senior Scientific Officers (men), £812 10s.—£1,022 10s.; (women) £681 5s.—£917 10s.; Scientific Officers (men), £440—£707 10s.; (women) £440—£576 5s.; Patent Examiner and Patent Officer Classes (men), £440—£655. (Rates for women under review.) Somewhat lower rates in the provinces.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S. 53/52 for Senior Scientific Officers and S. 52/52 and S. 128/52 for the other posts.

AN important Malayan Rubber Group requires a man of ability, (age 26-36) to assume, after training, an executive position in its Companies Department in London. Duties comprise officiating as Secretary to Boards, corresponding with the East, and ensuring that policy is executed. There is no accounting responsibility. Applications will only be entertained from men who are Graduates or who have had secretarial experience.—Details of education, employment and present emoluments should be sent to Box 480, Dorland Advertising, 18-20 Regent Street, London, S.W.1.

WANTED,—HIGHLY QUALIFIED EXECUTIVE to direct group of factories employing over 5,000 men; must have knowledge of production and sales; actual factory experience essential; salary not less than £3,000. Location of post is London. Written applications giving date of birth and education, full details of qualifications and experience of posts held (including dates) should be addressed to Appointments Officer, Ministry of Labour and National Service, 1-6, Tavistock Square, W.C.1, quoting reference number K.C.63. In no circumstances should original testimonials be forwarded. Only candidates selected for interview will be advised.

MANAGER required by company with overseas connections to take charge of all production and development of special purpose machinery in a light engineering works. Appointment calls for first-class engineering and technical background, preferably University degree. Experience in development and other aspects of production essential.—Apply giving full details of experience, qualifications, etc. to Box M 4536, A.K. Advg., 212a, Shaftesbury Avenue, W.C.2.

ECONOMIC STATISTICIAN and Practical Engineer, 36, completing tour stats. adviser to Govt. Dept. (four fig. sal.), seeks post. Apprenticed Mech. Eng., B.Sc.(Econ.), Incorp. Statistician. Exp. Commerce Aircraft, Sales, Textiles, Management.—Write Box E 478, L.P.E., 110, St. Martin's Lane, W.C.2.

TRANSLATIONS from and into French (Technical and Commercial). Julian Jacobs, B.Sc., and Germaine Courtiau, New House, Worminghall, Aylesbury, Bucks. Tel.: Ickford 227.

The Economists' Bookshop Ltd.

will be glad to send free to applicants its recent catalogue of current economic textbooks

11-12 Clement's Inn Passage, Aldwych, W.C.2

REFUGE

ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

Printed in Great Britain by ST CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, March 1, 1952.

THE HISTORY OF ZINC

China knew ZINC more than 300 years ago

The illustration shows Zinc smelting in China as described in the T'ien Kung K'ai wu A.D. 1637

TODAY ZINC is one of the most important metals in industry. It is used in brass; as a protective covering for iron and steel; large quantities are used for die casting in the motor car and many other industries; and its pigments, Lithopone and Zinc Oxide are widely used by the paint, rubber, linoleum and associated industries.

During the last 30 years a great Zinc industry has been created in Britain by Imperial Smelting Corporation Limited, whose principal activities, in addition to the production of Zinc metal, include the production of Sulphuric Acid, Zinc Pigments, Fluorine and Fluorine Compounds and ancillary products.

IMPERIAL SMELTING

U.K. MEMBER OF THE CONSOLIDATED ZINC CORPORATION LIMITED

IMPERIAL SMELTING CORPORATION LIMITED · 37 DOVER STREET · LONDON · W.1

The Economist

Established 1843

March 8, 1952 — One Shilling

SECRETARIAT LIBRARY 26 APR 1952 MADRAS GOVERNMENT

LEADING ARTICLES

The Opportunity - - - - - - 565
Will France Face the Facts? - - 567
[illegible] Opposition - - 568
[illegible]sions - - - 569
[illegible]spective - - - 570

[illegible] WEEK - - - 574
[illegible] Toryism Tried; True [illegible]hina; Inside Egypt; [illegible] Stands Fast; Unemployment [illegible]os; Familiar Threats; [illegible]ntral Africa; Ambassadors [illegible] Case for Cannibalism; [illegible]; Dark Blue and True [illegible]ires; Spy Trial in [illegible] Insolved.

[illegible]UBLICATIONS - 582

[illegible]HE EDITOR - - 584

[illegible]SURVEY
[illegible]he Presidential
[illegible] - - - - - - - 588
[illegible] Recession? - - 589
[illegible] State; Mr Morris Begins [illegible] Wind for Shipping; New [illegible] Giant Life Insurance; [illegible]hed Off; Shorter Notes.

[illegible]RLD OVERSEAS
[illegible]ian Plans for "Trans-[illegible]ing Nature" - - - - 594
[illegible]king in Athens; Tito Asks for [illegible]; Cent[illegible]al America—Five or [illegible] Troops in Japan.

[illegible]SINESS WORLD
[illegible]nt and Engines - - 602

NOTES - - - - - - 604
[illegible]ening of Credit; Trend Over [illegible]ths; Industrial Output Sinks; [illegible] Deficit Declines; Increased [illegible]ns; The Rise in Unemploy-[illegible]of Life from IMF; Building [illegible]he Brink?; New Pressures [illegible]g Rates; Quality *sans* [illegible] Under the "D" Scheme; [illegible] in Embryo; Policy for [illegible] Fires Find a Champion; [illegible] a New Car; New Trade [illegible] Germany; Unshed Load; [illegible] Defence and Industry; [illegible]rospects.

NOTES - - - - - - 615
[illegible]AL SUMMARY - - 616
[illegible]EETINGS - - - 617

[illegible]ol. CLXII No. 5663
[illegible]NOMIST, 22, Ryder Street, St. James's, *Telephone:* Whitehall 1511.
[illegible] POSTAL SUBSCRIPTION £3
[illegible] Newspaper. Entered as Second Class Mail [illegible]e New York, N.Y., Post Office. Authorised as [illegible]d Class Mail, Post Office Dept., Ottawa.

The Opportunity

MR BUTLER is not to be envied. Few Chancellors of the Exchequer are so fortunate as to feel no conflict between their duty and their desire to please. When Mr Butler took office just over four months ago duty seemed very plain and a course was laid out in which a stern, unbending budget was to be the culminating third act of a programme for solvency. The resolve, presumably, has not faded. But circumstances are making the carrying out of it more difficult; they are providing beguiling arguments for being very much less than stern; they are casting the cloak of a spurious virtue over facile expediencies.

The abstract nouns can be turned into figures. The estimates published last week make it possible to put a figure, within a million or two, on the total estimated ordinary expenditure for the financial year 1952-53; it will be about £4,215 million. It is already apparent that the ordinary revenue, without any changes in the rates or incidence of taxation, will be much more than that. Some of Mr Gaitskell's tax increases of last year will have a delayed effect in the coming year; there will also be what is usually called the "natural buoyancy" of the revenue, but would be better described as the effect of one year's inflation on the next year's revenue. The arithmetic is tedious, and necessarily approximate. It is enough for the present purpose to say that next year's ordinary revenue, on the basis of taxation as it now exists, can hardly be less than £4,700 million and may be quite a bit more.

In short, when Mr Butler rises in the House of Commons on Tuesday to open his Budget, and before he announces any of the changes either in revenue or in expenditure that he may have decided upon, he will find himself already in possession of an estimated surplus on next year's accounts (calculated on the conventional "above the line" basis) of some £400 or £500 million or even more. The temptation to be content with this must be very strong. It was all very well, the siren voices will say, to promise to be stern and unbending when the two adjectives seemed to be synonymous and equally necessary. But, as events have turned out, it is possible to be unbending in principles of financial orthodoxy without being stern. Why not be content with £400 or £500 million? Why impose fresh burdens, either of taxation (except, of course, the Excess Profits Tax to which the party is unfortunately committed) or of reduced social expenditure? All of these things will be unpopular; and if they are said to be necessary to close the inflationary gap, is that argument not contradicted by the emergence of unemployment of a volume unknown since the war? Devotion to sound finance is the path of virtue; but to insist on pushing the surplus even higher than £500 million would surely be a work of supererogation.

If Mr Butler himself does not feel these temptations, there are plenty of others in his party who do. How easy is the descent from logic and principle when there is an electoral advantage to be snatched

has been shown by the new rates of housing subsidy that were announced last week and are fully discussed elsewhere in this issue. There is no doubt what logic and principle say about housing. Conservative ministers know perfectly well that the demand for housing, though it is real enough, is vastly swollen by the wholly uneconomic rents at which houses, old and new, are made available. They know perfectly well that the mortgage placed by housing—a form of investment which, however desirable, is not in the main directly productive—upon the reduced resources available for investment of all kinds is the least defensible idiocy in their economic policies. Yet so far from making even a small move to correct these distortions and delusions, they have chosen to give housing a general licence of exemption from the tests of necessity and efficiency they are rightly imposing on all other forms of activity. For this there cannot be any form of excuse save the craven one of fancied party advantage at the polls. It is a shocking example of the way politics can play havoc with finance.

★

This is what Mr Butler has to resist. There is no doubt that his duty on Tuesday remains what everybody thought it was in the autumn. Whatever the size of the surplus he finds himself with, he should sternly increase it. His difficulty ought to be not to reach this conclusion, which emerges very clearly from the facts of the situation, but to find ways of explaining the necessity that will carry conviction to his audience both in the House of Commons and outside. Perhaps the easiest way of putting the argument to the ordinary man is to link it up with the necessary volume of saving. The condition of stability is that the community as a whole should aim to save—that is, to set aside out of its income—at least as much money as it aims to spend on projects of capital investment of all kinds. That is the condition of solvency and, as anyone with the merest nodding acquaintance with economic theory knows, it is also the condition of stability. There was never a time when it was more important that it should be observed than now. Since the community other than the state does not do enough saving, the budget surplus must make up the difference. Last year, it is now clear, Mr Gaitskell underestimated the amount of budgetary saving that was necessary—the subsequent inflation is the proof. Moreover, circumstances have changed in the intervening eleven months, and in nearly every case the change has been in a direction that makes a larger surplus desirable. Some of these changes are internal to the budgetary figures themselves: the estimates of expenditure for 1952-53 in several places are made by the artificiality of accounting practice to seem smaller than for 1951-52 without really being so, and to this extent therefore the surplus is fictitious. The programme of import cuts will remove goods from the market without reducing the incomes available to buy goods; it is an inflationary element that needs to be offset. The new export drive has the same effect. It is not necessary to particularise all these factors; the historical argument is convincing enough. In his three budgets of 1948, 1949 and 1950, Sir Stafford Cripps budgeted for surpluses "above the line" of £790 million, £469 million and £443 million. Looking back, one can see quite clearly that only the first of these three was really adequate to the necessities. Today, money is worth less and the danger is far greater. If Mr Butler is to achieve by his budget as much as

Sir Stafford Cripps achieved in 1948, he cannot possibly be content with the surplus that will exist when he rises to speak; he will have to increase it before he sits down.

★

Moreover, is this to be the limit of Conservative policy and of Mr Butler's ambition—to do as well as the Socialists did four years ago? Is it enough for them simply to keep the Socialist policy they inherited on an even keel? Surely the country has a right to expect more than that. Even those who entertained no hopes of a dash for freedom, or of the immediate restoration of competitive free enterprise, did expect to see the Conservatives making moves, however tentative they might have to be at the start, in four directions.

First, they are expected to move in the direction of creating some elbow room for enterprise. This can only be done by real disinflation. It will not be enough simply to prevent inflation getting any worse, which was the most that could be claimed for Sir Stafford Cripps even in his best year. Those who believe in this policy must not try to conceal from themselves the fact that it will result in some increase in unemployment. They must not be scared off it when unemployment rises to 2 or even 2½ per cent, which is still below the lowest figure that anybody has quoted as a possible long-term average. They must cling to their faith—which is wholly reasonable—that a policy of disinflation now will result in less unemployment over the next five years as a whole than any of the softer alternatives.

Second, they are expected to move in the direction of rebuilding the capitalist economy — meaning by "capitalist" not the private ownership of capital, but the system that depends for its progress on the steady injection of new capital into productive channels of investment. There is plenty of non-productive capital being created in Britain today, but far too little productive capital. The only way to make room for it is to increase the national rate of saving—which is the same thing as reducing the national rate of consumption.

Third, they are expected to move in the direction of restoring the price system, so that competing forms of expenditure can be judged on a comparison of their real costs, not their fancy costs as determined by a gentleman in Whitehall. There will never be sanity in economics so long as the patterns of consumption are bent out of the shape that the people really desire by an arbitrary mixture of subsidies and indirect taxes.

Fourth, they are expected to move in the direction of reducing the intolerable burden of taxation; if rearmament prevents them from doing so now, they can at least pave the way for reductions in taxation when it ends by insisting that its cost shall, so far as possible, be met out of reductions in other forms of expenditure.

All these four aims come together in next week's budget. It is Mr Butler's opportunity to demonstrate that there is something worthy of the name of Conservative economic policy and that he is not simply a projection of Sir Stafford Cripps and Mr Gaitskell. The tests, next Tuesday, will be simple. Will Mr Butler insist on strongly reinforcing his surplus? Will he do so, in the main, by cutting the subsidies? If both answers are yes he will have risen to his opportunity. If both answers are no, the opportunity will have been lost. It is very unlikely that it will offer itself again for many long years.

Will France Face the Facts?

THE crisis caused last week by the fall of M. Faure's government is not one that France or its friends abroad can take in their stride. It is the gravest that politicians and people have faced since the war. For the plain fact is that the parties of the centre, who must, somehow or other, govern France by agreement, cannot or will not pay the price of the role they have chosen to play in Europe and beyond the seas. To pay for the rearmament programme of 1952 a large deficit has to be met in the Budget. The coalition split on the familiar argument about how the deficit should be met—mainly by increases in taxation, as the Socialists and Popular Republicans (MRP) preferred, or mainly by cutting expenditure, as the Radicals and Independents wanted.

M. Faure tried to bring these two groups together by a budget that compromised between parties and between methods. He asked for another Frs. 190,000 million in new taxes and proposed a cut of Frs. 70,000 million in the credits for reconstruction and re-equipment and a rise of 1 per cent in employers' contributions to social insurance. The substantial and irreducible deficit which would then remain was to be covered by government borrowing. When the moment came to vote on taxes, eighty deputies from parties pledged to support the government deserted to the opposition—that is to say to the Gaullists, who are not really interested in making the present parliamentary system work, and to the Communists whose policy is for Russia and not for France. And this was only the climax of long arguments and bargaining that showed how immensely difficult it would be to form even a government of national union to defend the franc. The subsequent consultations have not as yet revealed any hope of building a wider base for a government than M. Faure or his predecessors enjoyed. The Socialists will not consider working with the Gaullists. The Gaullists themselves (save for a few who wanted to support M. Pinay's attempt to form a government) either will not co-operate with anyone (this is General de Gaulle's view) or at least make constitutional reform a pre-condition.

These details are mentioned not because they are of greater intrinsic importance than any others that emerge from periodic crises in the Assembly, but because they reveal the narrow views and demoralised mood that prevail there. If the third force coalition is once again patched together both the views and the mood will remain; for there are plenty of issues between the parties to split it wide open again once a budget has been voted. The crisis in parliament is, indeed, a reflection of a crisis in the deeply divided people, which, let it be said, sounds angrier with the politicians than it has been for a long time. The height of exasperation is reached when Frenchmen see their parliamentary representatives mishandling an economic situation which remains fundamentally sound. There is overwhelming evidence that the economy, with the American aid it receives, is much stronger than it was a year ago, thanks to the remarkable recovery achieved since the war. Last month the index of industrial production was the highest ever recorded; and the long and searching examination of French capacity that was made by the "three wise men" of Nato—one of them was M. Monnet—can leave no doubt that it is political, not economic, difficulties that bar the way to national power and self-confidence.

So much has been done to help and encourage France in its return to the front rank of powers, that its allies have earned the right, if not to remonstrate, at least to say very bluntly what seems to them to be wrong. First, it is clear that the constitution does not work. It was intended to keep extremists out of power; it has done that but at the cost of making parliamentary government ridiculous. There are, of course, some stubborn facts which would in any event make it difficult for France to have a very good government. For example, a large proportion of the French people, to judge by their votes, have no belief in democracy or the kind of behaviour that makes it work. It is also true that occupation and resistance brought further divisions into an already divided society. Nevertheless, it would be possible, with a different constitution and a different electoral system, to give France much better government than it has recently been getting. Proportional representation produces too many parties; and the constitution makes it impossible for a statesman who finds he cannot govern with these parties to make them face at the polls the consequences of their refusal. For all practical purposes, the deputy who votes a government out of office is secure enough in his own seat. And when an election does come, the complicated system of proportional representation results in the return of variegated splinters rather than strong parties. The constitution and the electoral law between them have the result that a French deputy is very unlikely to be held responsible for the consequences of his votes; the wonder is only that the system is not even more anarchic than it is.

SECRETARIAT LIBRARY 20 APR 1952 FOR GOVERNMENT USE

★

The remedies are perfectly plain. France needs a political system under which decisions can be taken and adhered to. That means that a government, if it cannot get a responsible decision from the Assembly, should have the right to appeal to the people. And it also means that the people, when appealed to, should vote in a way that gives the best possible chance of a clear yes or no, not fifteen shades of maybe. That General de Gaulle advocates constitutional reforms along these lines is a misfortune, since it results in anybody who supports them being dubbed a Gaullist. But the General happens to be right, and the obvious moral for the parties of the centre is to adopt his policy even if they cannot swallow him. They may be quite sure that if the parties that believe in democracy will not take the necessary steps to make it work, a party that believes in autocracy will come to power on a tide of popular disillusionment.

But constitutional reform cannot solve this budget crisis, nor the further financial crises that are bound to follow it in present conditions. They can be dealt with only by ensuring that Frenchmen pay their direct taxes loyally and punctually. There are two sides to this problem. Because government has been weak and the collection of the revenue inefficient, there is no public conscience against the tax-evader. Because this public spirit is lacking, no party feels it can command powerful support for an effort to collect more taxes. Someone must break this vicious circle once for all, if necessary by making a public example of defaulters and evaders. By putting a few rich businessmen and some recalcitrant peasants into prison after public trial a French government could show that it meant business. By

sending officials to study the methods of other countries with a view to their adoption in France it could give yet another warning. Whether sufficient revenue would then come in to make increases in the rates of taxation unnecessary no one can tell. It would certainly take time, and the bad habits of generations will not be cured in a matter of months. But someone must make a start ; and if the start is to be drastic, then the French Government will also have to improve the pay and working conditions of its civil servants.

The one thing that the outsider can say with dogmatic confidence is that the French fiscal problem can be solved if the political will to solve it can once be assured. There is nothing very intractable about the economics of it. Compared with many other countries of comparable wealth, France is not at all heavily taxed —for perhaps it would be more exact to say that the amount collected in taxation is not high. According to the figures contained in a recent report of the "three wise men," the gross national product of France in the present year is valued at Frs. 10,800 billion. The yield of the existing taxes at the end of 1951 was no more than Frs. 2,684 billion. If any British Chancellor of the Exchequer found himself confronted with this ratio, he would count himself fortunate to have such a large margin of taxable capacity in hand. There is nothing wrong with the economy of France that an efficient, fair, and—for these times—moderate system of taxes could not cure. The French have no valid claim on the economic sympathies of their allies until they have at least faced this fact.

At the moment of writing M. Pinay has failed to interest more than a small section of the Gaullists in taking part in a government. That could mean, among other things, that no aspirant to the premiership can accept their demand for constitutional reform without losing the support of other possible allies. It may mean, too, that M. Queuille, or some other man, will emerge with a government resting either on a leftish combination of Socialists, MRP and Radicals, or on a rightish coalition of Conservatives, Republicans, Radicals and MRP. If the former, then the tendency will be to tax harder ; if the latter, then the tendency will be to tax softer. Whichever happens, it is hard to see a cabinet of the immediate future going to the root of France's political problem. But the warning of this crisis should be clear. France cannot be counted on as a steadfast, solvent ally at the core of the European defence system, until it has the courage to give a Prime Minister power and a Finance Minister revenue. To put off the attempt at these reforms is to play the game of General de Gaulle's rally and, therefore, of the French Communists.

Her Majesty's Opposition

THE 57 Labour members of Parliament who on Wednesday night voted against rearmament have not split their party ; however divided in its doctrines and its policies, it will no doubt be held together by its determination to hold together. The thread is single, but it is made of steel. It is too tough to be cut by Tory jeers or public humiliations or any considerations of logic and honour. The ghost of Mr Ramsay MacDonald is still the most powerful personality in Labour politics. But the 57 have achieved by their open defiance of the party's leaders something no less decisive than a split. They have achieved what was no doubt Mr Bevan's deliberate and carefully calculated objective. They have destroyed the possibility that the Labour party's internal differences might be settled, or at least decently covered, by a compromise nearer to the Right than to the Left.

There are now only two alternatives open to the Labour party while it remains in opposition. It may continue to speak with two sharply opposed voices, to veer incoherently between conflicting policies—and to suffer continually such humiliations as were inflicted on it both last week and this. Or it may move quickly towards agreement on a policy that vaguely satisfies the fervour of the Left but is far removed both from what it did when it was in office and from anything that the British public may be supposed ever to have voted for. Mr Bevan has decided to take his stand, to make his party choose between standing uncertainly and going his way. In the difficult months to come, Her Majesty's Opposition will be either irresponsibly incoherent or irresponsibly inconsistent.

It was plain before this week that Mr Bevan's sympathisers in the party had grown in numbers. It was not plain that almost a fifth of the party was now ready openly to follow him in a direct challenge not merely to Mr Morrison and the other lieutenants on the Right but to Mr Attlee himself. The 57 voted not against the rearmament programme that most of them supported a year ago but against rearmament even as it has been slowed down by the new Government. The reversal of policy goes as far as ever Mr Bevan had urged. The blow to the party's official leaders could not be more direct. It means that the indirect blows will be even stronger. On the rearmament issue, where the inconsistency with past policy is plainest, the Left is at its weakest ; on other issues, and particularly on economic policy, it can certainly muster far more than 57 votes.

Up to a point, this is natural enough. It was always certain that in opposition Labour would move to the Left rather faster than most parties do. The concern of its responsible leaders was not to prevent this movement but to keep it within the channels of reason and realism. It was to ensure that the new, more left-wing policies grew gradually out of those that the party practised from 1945 to 1951 ; and it was to base this growth on a careful reassessment of the problems of British politics, of the facts of Britain's economic and financial position, in the next ten years. The fundamental criticism of Mr Bevan's buccaneering is that it will stultify this re-thinking. Because he has forced the pace, the struggle within the Labour party must now be a struggle on prepared positions and hardened attitudes. Either it will continue throughout this Parliament or Mr Bevan's policies—though not, in all probability, Mr Bevan himself—will win. In either event it can do nothing but harm both to the country and to the Labour party. Mr Bevan has decreed that for the next three years or more his party will be an effective political force only to the extent that it benefits from the Conservatives' mistakes and the country's misfortunes. That is not to say that it will be ineffective ; but it will be the effectiveness neither of reform nor of revolution but simply of nihilism.

The Phantom Divisions

THE Atlantic Council, while assembled in Lisbon, rashly allowed itself to say that some fifty divisions "in appropriate conditions of combat readiness" would be provided to defend Western Europe in 1952. As was pointed out on all hands, if "combat readiness" means the same as "ready to fight immediately" then the statement must be quite untrue and therefore inexcusable. Since then so much energy and calculation have gone to showing how twenty-five must be the right figure for effective divisions—as it almost certainly is—that the twenty-five ineffective divisions have been forgotten. Obviously, in some form or other they exist ; and the nature, location and readiness of these phantom formations are vital matters for public discussion, so long as Nato allows any figures at all to be known.

It is not fashionable to talk of these figures in national terms, but a moment's thought about the British element in General Eisenhower's army brings the realities into sharp relief. In Germany there are just over four divisions of British troops—three of them armoured—which make up the best peacetime striking force this country has had in modern times. They occupy a forward position opposite the Russians, chosen less on the advice of soldiers than on the insistence of politicians. If they were attacked this summer they would probably face odds of at least three to one on the ground and odds little more favourable in the air. This is generally known and accepted in the British Army of the Rhine, even if little thought is given to it in this country. What is less well known—it was not mentioned in the defence debate on Wednesday—is the lack of adequate reserves to support this spearhead of the British army, the lack of resources to enable them to make good casualties, refit and rest, should they get involved in fighting. Indeed, it may be asked whether there is any effective reserve at all for the British troops in Germany.

The answer that is usually given is that two divisions of the Territorial Army would be mobilised and specially equipped to play this part in war or in an emergency. It is, admittedly, far less unsatisfactory than the answer would have been in 1938 ; for the Territorial Army is getting well-trained men and can send battalions to camp at nearly full strength. But there the reassuring note ends and the next questions begin. How can Territorial infantry divisions provide adequate reserves for a force of the kind that the British have in Germany ? How quickly can they be mobilised and how quickly can they be moved to the Continent under war conditions ? How much training, physical and technical, do they need on mobilisation ? Is a fortnight's training a year enough to justify the title "reserve corps" for the Territorial expeditionary force ?

★

These are not questions to which the layman can provide the answers ; but they are the questions he feels impelled to ask. For if the answers are not satisfactory, as some good military judges think, then what must be the state of affairs in the armies that now stand, and will stand in future, alongside the British Army of the Rhine?

In no European country which is a member of Nato is there an organisation comparable to the Territorial Army in this country. The French system of mobilising reserves has been highly praised, but there is little evidence that over two million French reservists receive adequate training. The situation in Italy is not dissimilar. To the Belgians, Dutch and Scandinavians the problem is novel and their organisation still inadequate. How the American system would produce reserves speedily for Europe is unknown. So the evidence amounts to this: that systems of reserve training and mobilisation which, in most countries, are probably inferior to those of Britain, are expected to produce twenty-three divisions while this country produces two.

It is not unreasonable to assume that, in present conditions, they would appear slowly, in a matter of months rather than weeks, and that their quality would be uneven. Reservists who have had no training would have to be hardened and exercised in the use of their equipment. Reserve divisions would need training as divisions. Yet before units could be trained in formations their officers, of which there is a dearth in Europe, would themselves need training. Hundreds of thousands of men with wartime or conscript experience know how long these things take and can judge what is the gap between being a reservist in civil life and an "appropriate condition of combat readiness."

★

It is important that General Eisenhower's headquarters should now give much more attention to this problem of reserves and try to get the agreement of Nato governments to a common attempt to solve it. Indeed, the more SHAPE turns away from questions of high politics—American and European—to strictly military matters the better it will be for western defence. What was said at Lisbon gave the impression that the practical difficulties of turning a peacetime force of twenty-five divisions into a fighting force of fifty divisions had not been honestly discussed with the politicians. It is probably true to say that, of the fourteen members of Nato, only this country, Norway and Turkey have made a serious, long-term effort to provide reserves that are kept in fair training.

It will be argued by those who oppose rearmament that the forces stationed in Germany need be large enough only to act as a deterrent to local adventures. If that were true, then one American and one British brigade in Germany might be considered adequate hostages to fortune. But Continental peoples ask not for deterrents but for protection, and they have been persuaded to make their effort at self-defence only because they see six American and four British divisions on European soil. What has now to be considered is the temptation offered to an aggressor by the sight of ten crack formations, occupying an exposed position on an extended front without adequate reserves close at hand. Having taken this calculated risk for the defence of the West, Nato is now in honour bound to see to it that reserves are available to reinforce its main army not in a matter of months but in a matter of weeks.

SUBSIDIES IN PERSPECTIVE

No field of economic policy is so ridden with prejudice and mysticism as the subsidies. To present the facts about the subsidies is difficult and politically dangerous; to suggest that as instruments of social policy they are wasteful and inefficient, because they help all sections of the community and not merely the poor, evokes bitter hostility. In the thinking of many people, the subsidies have become a Sacred Cow, beyond examination and change. That it is a costly cow would matter less if there were clear gain for those sections of the community that are chiefly in need. In fact, the benefits are largely indiscriminate and dispensed without reference to need. The two articles below provide the basic facts about the housing and food subsidies.

I.—Cheap Housing

IF there were any gratitude in politics, the Opposition would surely have applauded Mr Macmillan's announcement of the revised housing subsidies, instead of trying to score debating points off it. No Minister of Housing and Local Government in a Labour administration could have exceeded Mr Macmillan in open-handedness. His decision, taken less than a fortnight before a Budget that ought to be tough, shows how far social policy has been debased into a political Dutch auction. It marks the uncritical acceptance by both of the major political parties of the fatuous proposition that the British birthright now includes the provision of houses at rents well below their economic costs—for those who are lucky enough to get them. Other householders less fortunate may ask why they should have to subsidise the lucky ones, without any test of the economic needs and means of those who pay and those who receive; but in the present state of party politics, they will get no rational answer from either side.

By raising the statutory housing subsidy from £22 a year to £35 12s. a year (for houses completed after February 28th) Mr Macmillan has entirely mitigated the effect on council house tenants of the rise from 3 per cent to 4¼ per cent in the rate at which the Public Works Loans Board lends to local authorities. From January, 1948, to November last year the rate remained at 3 per cent. Mr Butler then raised it to 3¾ per cent on the proper but long disregarded principle that these loans should not carry a concealed subsidy, and after the further setback in the gilt-edged market the rate was increased to 4¼ per cent last month. To compensate the whole of this rise in interest rates, so far as it affects local authority housing, by a corresponding increase in the subsidies invites the question whether the original exercise was worth while. It has certainly not been allowed to exert any disinflationary effect on the demand for housing, or to set local authorities on a determined path towards sensible standards in housing in return for realistic rents.

It must now be accepted that both parties are unwilling even to make a beginning towards a rational housing policy in which social aims might be matched to national and personal means. Both are victims of sentimental confusion in supposing that a local authority tenant must be assisted from other people's taxes and rates without any demonstration of need. Only the simple-minded would expect a comprehensive solution of the present tangle of housing economies, but Mr Macmillan's action has made artificiality so much the worse. The result will satisfy nobody. Mr Macmillan can claim that the increase in the subsidy covers the rise in interest rates. But it does not cover the additions to the cost and standards of council houses that have occurred since the £22 subsidy was fixed in 1946. The new scale of subsidy still presupposes a standard size house of 950 super feet, but many authorities are building houses of as much as 1,100 feet. The old subsidy was based on an estimated capital cost of £1,100 for the standard house, the loan charges on which (at a rate of 3⅜ per cent) amounted to £40 12s. a year, for a term of sixty years. It was assumed that management and repairs would cost £7 8s. a year, making a total cost of £48 a year, or 18s. 6d. a week. The £22 subsidy —£16 10s. from the Exchequer and £5 10s. from rates— reduced the weekly rent, on this assumed basis of costs, to a flat 10s. The new scale of subsidy is probably based on the assumption of an appreciably higher capital cost—perhaps rather more than £1,500. On such a sum, loan charges at 4¼ per cent together with management and repairs would absorb some £84 a year or, say, 32s. a week. Many local authorities would assert that the cost of a council house together with site and road is nearer £1,700 on which a full economic rent would be 35s.

The unpalatable fact is that the economic cost of a municipal house, built to generous standards, comes to between 48s. and 52s. 6d. a week, including rates. On the conventional assumption that a household will be prepared to devote a fifth of its income to rent and rates, such a house without subsidy could be afforded by a family receiving £12 10s. a week. The new subsidy of £35 12s. a year (of which £26 14s. is provided by the Exchequer and £8 18s. by the local authorities) will relieve the average tenant, irrespective of his means, of 13s. 9d. a week, leaving a net cost of about 18s. to 21s. to be covered by rent or partly relieved by a further

subvention from rates in addition to the statutory subsidy. The new scale thus disposes at least of the convention that 10s. is a "fair" rent for a council tenant to pay; if that was true when the old subsidy was fixed soon after the war, the rise in incomes has since made it absurd.

Many local authorities have sought to spread the excess of cost over subsidies of their postwar housing by pooling the rents of prewar and postwar houses, by using prewar surpluses on their housing accounts, or by charging deficits on their housing accounts to the rates. This last expedient has imposed on the rates, as a supplement to the statutory subsidy (now £8 18s.), an annual contribution that for certain authorities has reached £11 a year for each of their houses. That local authorities should sometimes be tempted to spread part of the cost of their housing over all their ratepayers instead of charging the whole to their tenants may be understandable; it is certainly expedient where a local authority owns a large number of houses which represent a powerful voting force. But that is to yield to the same temptations that pursue the central government, and to transfer yet a further arbitrary slice of the real cost of council housing from the tenants to the shoulders—not necessarily the stronger shoulders—of non-tenant ratepayers. The statutory subsidy, whatever it may be, should surely set the limit of the contribution from public funds.

Local authorities never lose an opportunity of complaining of their loss of independence and of ever-increasing interference from Whitehall. But they alone among landlords have full freedom to fix the rents of the houses that they own. They can, if they have the courage, spread increased housing costs over all tenants and fix rents according to the relative values and amenities of the houses they own; if, on the other hand, they lack courage, they can leave the rents of individual houses to be determined by the incidence of costs and subsidies at the time they were built, so that the way remains wide open for anomalies and inequities—as a comparison between the rents of prewar and postwar houses in some areas quickly shows. Too often they lack the courage because rent restriction of privately-owned property leads the council house tenant, handsomely subsidised though he may be, to suppose that he is being treated unfavourably. He does not see the cumulative deterioration of privately-owned houses that rent restriction causes; nor does he appreciate the plain fact that local authorities, which are not bound by rent restriction, have no excuse for failing to make proper provision for repairs to the houses that they own.

*

But if the local authorities are to go any distance towards a realistic rent policy they will need firmer government support than Mr Macmillan provided last week. The notion of what is a "fair" rent may have been raised from 10s. to about 20s. but that increase is well within the compass of the increase in wages of the last six years, and it is far below the true increase in housing costs. British standards of housing are high, but they will not remain high if the average tenant expects that the rent he pays should absorb a diminishing proportion of his income. Indeed, the time is long overdue for asking fundamental questions about the housing subsidies. At what goal do they aim? What is the limit that can be afforded? How should they be distributed? The local authorities are no longer limited by statute to the provision of houses for the working classes; they are supposed to provide houses to let for all. Almost certainly a greater proportion of the heavy subsidy payments of recent years is being wasted than was wasted before the war. In 1950, according to the National Income White Paper, housing subsidies cost the Exchequer £30 million and the local authorities £35 million; the latest increase in the subsidy payments pours many more millions into assisted housing. To give assistance where it is truly needed, and to avoid throwing assistance away where there is no true need, some advocate the introduction of "rent rebates"—a system under which economic rents are paid by tenants who can afford them and subsidies, graduated according to means, are paid only to tenants who cannot afford the full rents. Others suggest that the subsidies should be stopped, and that rents should be allowed to rise to their economic level, with assistance to needy tenants from a national subsidy pool. These proposals would make demands on central and local administration that would be acceptable only to those who believe that public servants can safely be left to ensure that public services are uniform to the ninth part of a hair from John o' Groats to Land's End.

*

More commendable solutions are likely to be found along other paths. First, the growth of the housing subsidies must be checked by allowing an appreciable part of the increases in housing costs (which are themselves only a reflection of increases in incomes) to fall upon rents. The new subsidies dip one toe into this cold water, but they also pour gallons of warm water into the other end of the pool. Secondly, the number of subsidised houses must be reduced by encouraging private building. It is fantastic that the man who wants to build his own house should have to meet the full weight of higher interest rates and at the same time support the rents of others—often of no smaller means than himself—who enjoy the artificial benefits of subsidised shelter. Swollen to their present dimensions, the subsidies redistribute incomes without reference to any declared principle. Thirdly, the local authorities must seriously consider every suggestion that promises a more economical design for houses and preserves all essential amenities in a more compact form with less circulation space. There will be plenty of cries of "lower standards," just as rent rebates would be denounced as a "means test" and private building as "speculators' paradise." Are housing needs and policy, then, to be left to claptrap? Or are broader views of the social welfare of all sections of the community to have a hearing? It would be easy to become pessimistic after Mr Macmillan's decision last week, for in truth the capricious boons and injustices of housing economics spread far beyond council houses; they urgently demand the modification of the rent restriction acts and reform of the system of valuation for local rates. All this is political dynamite, but if governments had a true conception of social welfare and the courage to take their eyes from the ballot box for a moment, they would surely reserve assisted housing for those in real need of it, and not offer it at large to the lucky tenants of local authority and rent restricted houses, leaving the taxpayer, the ratepayer and the landlord to foot the bill.

II.—Cheap Food

MR MACMILLAN has lacked the courage to start to tackle the housing subsidies. Will the Chancellor of the Exchequer have any greater courage when he turns to the food subsidies in his Budget next Tuesday? The postwar history of the food subsidies is full of brave words by Labour Chancellors about "ceilings," and in the last year or two a fairly effective limit of just over £400 million has been imposed on the total bill. At the same time, any pretence that the food subsidies mitigate the rise in the cost of living or restrain the demands for higher wages is no longer respectable. A broad section of the British public has come to believe that the first £400 million of its food bill (why £400 million is itself a matter of modern folklore) should be paid by someone else—which in fact means itself. Jekyll eats his subsidised breakfast and thinks he has a bargain; Hyde cheerfully lights a cigarette after the meal and pays nearly twopence to make the illusion of cheap food possible.

The illusion is less potent than it was, for the £400 million does not go nearly so far today. Food prices were allowed to rise last year by about 15½ per cent; there was no social upheaval (though there were heavy wage demands) and the £400 million remained intact. Since the subsidies represent nearly one-tenth of the total budget, that is something for congratulation. The average member of the British public spends about 9s. 1d. a week on subsidised foods—the value of the subsidies being equivalent to another 3s. 2d. a week—and about 7s. 6d. a week on other non-subsidised foods. He receives nearly a pound's worth of food for a net cost of 16s. 7d., without consideration of means. The road mender's loaf and the restaurant roll are both subsidised; millionaire and navvy alike eat some of their food cheap.

Facts about the subsidies are not given to simple statement. The latest official figures are to be found in the Ministry of Food's trading accounts for 1950-51 and they are reproduced in Table I. Comparable figures for 1951-52 have to be worked out from the average value of the subsidy per unit of food; these estimates are shown in the last column and are believed to be reasonably accurate, though they are not official. There are two kinds of subsidies: those that are intended to maintain the retail prices of basic foodstuffs below their actual cost and which may be called the "cost of living" subsidies; and those which may be called "welfare" subsidies, including the cost of providing milk and vitamin foods for children and expectant mothers free or at a reduced price as part of a national nutrition policy. In 1950-51 the "cost of living" subsidies accounted for 86 per cent of the total.

The bulk of the subsidies is paid on home produced food; in 1950-51 the proportion was 64 per cent and in 1951-52 it was probably higher. The concentration of the subsidies on home-produced food is in fact greater than these figures suggest, for British agriculture supplies barely 40 per cent of the ration requirements though it provides all the milk. The amount of subsidy per unit of food is thus heavily weighted in favour of home-grown produce. The two largest items among the subsidies are for bread and flour (£90 million) and milk (£65 million). Next comes meat and bacon (each costing about £45 million), eggs (£28 million), butter (£27 million) and cheese (£20 million); the other items are all under £20 million each. These subsidies probably absorbed £370 million in 1951-52, compared with £380 million in 1950-51. In addition, the Ministry of Food makes a net profit from dealing in certain foods, including canned and dried fruit, coffee, oils and sugar; it showed a net profit of nearly £40 million from such trading in 1950-51, but its dealings in 1951-52 were less active and its net profit may have been halved. After crediting these profits, the net "cost of living" subsidies may amount to about £350 million in 1951-52 against £343 million in 1950-51. The welfare schemes last year cost £36 million, fertilisers £11 million and the various agricultural schemes £10 million. For 1951-52 the total of all "welfare" subsidies has been estimated at a maximum of £60 million.

TABLE I—COST OF THE FOOD SUBSIDIES
(£ Million)

Commodity	1950-51 Home-Produced	1950-51 Imported	1950-51 Total	1951-52 Estimated
Bread and flour	21·2	65·4	86·6	90
Meat	22·8	11·0	33·8	47
Bacon and ham	29·6	12·9	42·5	45
Butter	1·4	42·1	43·5	27
Margarine	—	11·2	11·2	15
Cooking fat	—	8·0	8·0	8
Cheese	4·0	12·3	16·3	20
Eggs (shell)	30·3	1·6	31·9	28
Milk	73·2	—	73·2	65
Sugar	3·7	4·2	7·9	10
Tea	—	16·4	16·4	15
Potatoes	12·6	—	12·6	—
Miscellaneous	2·5	(Cr. 40·7)	(Cr. 38·2)	(Cr. 20)
	201·3	141·4	342·7	350
Welfare and milk-in-schools schemes	33·8	1·9	35·7	
Fertilisers	11·0	—	11·0	
Deficit on potatoes bought under guarantee and sold for stockfeed	3·8	—	3·8	
Animal feeding stuffs	3·5	—	3·5	60
Attested herd scheme	2·7	—	2·7	
White fish subsidy	0·9	—	0·9	
	257·0	143·3	400·3	410

TABLE II—INCIDENCE OF SUBSIDIES ON RETAIL PRICES AND WEEKLY EXPENDITURE

Commodity	Unit	Average Retail Price Per Unit	Subsidy Per Unit Average 1951–52	Increase in Retail Price if Subsidy Removed	Weight in Index of Retail Prices	Rise in Index of Retail Prices if Subsidy Removed	Savings Achieved Per Unit Increase in Index of Retail Prices	Weekly Expenditure Per Person at Current Rations	Value of Subsidy Per Week Per Person
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)
		s. d.	s. d.	%		Point	£ mn.	s. d.	d.
Bread	3½ lb. loaf	1 0	6½	52·1	23	1·20	58	1 3	7½
Flour	7 lb.	2 4	2½	51·8	7	0·36		2	1
Meat (carcase)	lb.	1 3	3½	17·5	42	0·74	64	1 2	2½
Bacon and ham	,,	3 5	1 1	31·7	18	0·57	79	10½	3½
Butter	,,	2 6	9½	30·8	19	0·59	46	5½	1½
Margarine	,,	1 2	3½	26·8	12	0·30	152	3½	1
Cooking fat	,,	1 4	3½	21·9				2	½
Cheese	,,	2 0	11	45·8	5	0·23	87	2½	1
Eggs (shell)	doz.	3 10½	11½	24·7	13	0·32	88	9½	2½
Milk	quart	1 0	2½	18·8	32	0·60	108	2 0	4½
Sugar	lb.	6	1	16·7	11	0·18	66	3½	½
Tea	,,	3 8	8½	19·3	16	0·31	48	5½	1

World food prices have been rising since 1949 and throughout the past year the cost of subsidies has been jammed hard against its ceiling, despite the rise in retail food prices. During the past twelve months the retail price of bacon and cheese has been raised by 10d. a lb, butter by 6d. a lb, tea, margarine and cooking fat each by 4d. a lb, meat by 3d. a lb, milk by 2d. a quart, sugar by 1d. a lb, flour by 7d. per 7 lb and the 3½ lb loaf by 1d. On present ration scales, these higher prices have added about 1s. 5d. to each person's weekly expenditure; to offset them by increased subsidies would have cost between £75 and £100 million in 1951-52 and nearly £200 million in a full year.

The Ministry is still having to pay higher prices for food. Australian, New Zealand and Danish butter has been increased by 7½ per cent; Australian and New Zealand cheese by 7½ per cent; Danish and Dutch bacon by at least 7½ per cent; and Australian and New Zealand meat by 10 to 30 per cent, according to grade. Prices for British farm produce were adjusted last autumn to meet the bulk of the increase in agricultural wages and the annual price review is now being made. The known increases in 1952-53 will cost about £50 million of which about half will be due to the higher cost of imported food. If the subsidies are to be kept within the present ceiling, this £50 million must be passed on to the consumer in the form of higher retail prices; it will represent about 4½d. extra on the cost of the weekly rations.

The impact of any reduction in the subsidies can be measured by its effect on retail prices or on weekly expenditure. Table II shows the relation of the subsidies to prices and to expenditure. Columns 2 and 3 give the current average retail price of the various subsidised foods and the average subsidy on each during the current financial year; column 4 shows what percentage rise in the retail price would result if the subsidy on each item were removed. The most heavily subsidised food is bread; the price would increase by over 50 per cent if the subsidy were removed. Cheese enjoyed a heavier rate of subsidy until the recent increase in its retail price; it still comes second and its price without subsidy would rise by 45 per cent; bacon and butter would each rise by over 30 per cent, and the other foods from between 17 and 27 per cent. In its adjustment of retail food prices during the past year, the Ministry of Food has evidently tried to spread the incidence of the subsidies more evenly among the different foods. The range of increase in prices of individual foods, if subsidies were abolished, would be much less than it was even six months ago.

The effect of changes in the subsidies on the retail price index depends on the weight given to particular foods. These weights are shown in column 5 and the effect on the index in column 6. The removal of the subsidy on bread and flour, for example, would raise the index by 1.56 points and would save £90 million. If the meat subsidy were abolished £47 million would be saved for a rise in the index of 0.74 of a point. Bacon, butter and milk would each raise the index by 0.6 of a point if their subsidies were removed and would yield £45 million, £27 million and £65 million respectively. The dropping of the other subsidies would raise the index by 0.3 of a point or less, for a saving of between £28 million for eggs and £10 million for sugar. If the Chancellor were concerned with the impact of the subsidies on the retail price index, he could aim at achieving the maximum saving for each unit increase in the index, as shown in column 7. Judged by this test, the largest saving would be achieved by abolishing the subsidy on margarine and cooking fat, followed by milk, eggs, bacon, cheese and meat.

The effects of a reduction in the subsidies on average weekly expenditure are shown in columns 8 and 9. The largest weekly outlay is now on milk, followed by bread and flour, meat, bacon and eggs. But the largest increase in weekly expenditure would be felt by dropping the subsidy on bread and flour, and the next largest by dropping the subsidy on milk. Next in line come bacon, meat and eggs. If recent experience is any guide it would seem that the public is less concerned about an increase in the index of retail prices than in weekly expenditure, for when the prices of bacon and cheese were each raised by 10d. a lb recently, thereby causing the index to rise by about a point, there was no perceptible reaction. Weekly expenditure increased by only a few pence.

These exercises should give encouragement to Mr Butler. He could save £65 million by taking the subsidy off milk though that would entail major changes in farm production since less milk would then be consumed; weekly expenditure would increase by only 4½d. and the index would rise by only 0.6 of a point. The milk in schools and other welfare schemes would provide for the needs of children and expectant mothers at free or at reduced prices. Abolition of the subsidies on eggs and meat would save some £75 million for an increase in weekly expenditure of 4¾d. and a rise in the index of 1.06 points. Consumption of both of these foods is now markedly seasonal because of greater dependence on home-produced supplies, and the effect of higher retail prices on the consumer would be felt only when home supplies form the bulk of the ration. At other seasons the public would gain, for at these times of the year the Ministry sells imported eggs and meat at a profit which it offsets against the subsidy on home-produced eggs and meat.

It is not difficult from examination of Table II to find ways of saving £200 million of government expenditure in return for an increase in consumers' average weekly expenditure of about 1s. 1d. and for a rise in index of retail prices of a little over 2½ points. This exercise suggests, indeed, that despite the threats and protests of the Opposition it should be possible to prune the subsidy bill without causing unnecessary hardship; a determined lopping would justify special protection for proved need.

In 1950, consumers spent £8,930 million on goods and services that actually cost £9,209 million. For every pound that they spent, another shillingsworth was thrown in "free." The subsidy bill of £479 million in that year exceeded one-tenth of the total expenditures of central and local authorities. Expenditure on such a scale would be a heavy burden, even if it achieved two eminently worthwhile aims—the mitigation of hardship and want, and the promotion of stable prices and incomes. The subsidies satisfy neither aim. There is no argument for spreading relief over all classes and incomes, whether they need it or not. Shelter and food are basic requirements for which a man should be prepared to work and pay—not things that he should expect to be provided, as the subsidies delude him into supposing, at the expense of others. One day—perhaps even next Tuesday—these simple truths may begin to take hold.

NOTES OF THE WEEK

Defence Justified

The politics of the occasion destroyed most of the real substance of the defence debate in the House of Commons on Wednesday. The leaders of the Opposition seem to have thought that at the weekly Labour party meeting the day before Mr Bevan's case had been discussed and defeated in private. During the afternoon they learned that they were mistaken, and the interest of all parties thereafter centred on the frantic scurryings round the corridors and whispered conferences to dissuade Mr Bevan's sympathisers from openly voting against the rearmament programme in principle. Mr Attlee had attempted to assert his authority, and how many of his party would spurn it became the real issue of the day.

Enough of this was known in the afternoon, when Mr Churchill spoke, for him to have great fun. He lost no opportunity to widen the split in the Labour party by praising its leaders for their zeal in defence preparations. But his speech was also effective in its exposition of defence policy. He pointed again to the circumstances which had led to the slowing down of rearmament: the financial crisis meant that a part of rearmament had to be sacrificed to exports. What he unfortunately did not show was whether the late Government's reluctance to sacrifice the standard of life to either rearmament or exports was being modified. In face of the programme's necessary inadequacy however, it is certainly right to concentrate more effort on that part of it which can give the most effective protection. The alarming superiority of the Russian MIG15 does indeed demand that "super-priority" should be given to the production of the latest and best types of fighter aircraft, even though few results of the effort will be seen for some time.

On such detailed points of defence policy Mr Churchill was convincing and reassuring. The orthodox Labour speakers could certainly find nothing to justify their professed lack of confidence in the Government's ability to carry out the defence programme. Mr Shinwell's main concern was to establish some common ground with the Bevanite faction, by insisting that the burden of rearmament should be shared "equitably" without damaging the social services and by protesting that the other Nato countries were leaving Britain to bear too much. Both he and Mr Attlee were too preoccupied with the threat from behind to attend seriously to their opponents in front. Their only valid point that was relevant to the motion was hardly new. It was the criticism that, distinguished as is the record of Lord Alexander, it is wrong to have a soldier as Minister of Defence, and a disadvantage to have him in the House of Lords. That may be important, but hardly important enough to be made the only solid prop for a motion of censure. It crumbled under the strain, and the Government's defence policy stands justified by default of detailed criticism.

* * *

Toryism Tried

The politicians who are awaiting Mr Butler's Budget with most anxiety are the Tory backbenchers. There are as many shades of opinion about what he ought to do as there are guesses about what he will do. On the whole, the "hard money men" have lately been cautious and Conservatives from industrial constituencies are increasingly inclined to talk about the political "impossibility" of tolerating more unemployment. But there is also some serious talk about the closeness of a sterling crisis; it is fair to say that the Conservatives at Westminster seem to be quite as conscious of the economic dangers as is the City.

The attitude of the backbenchers is complicated by the fact that their lot since the general election has not been happy. They have had to face in the House the taunts of an invigorated Opposition and in the constituencies the impatience and irritation of their own supporters at the new burdens, instead of the new reliefs, which the first four months of Conservative administration have imposed. Instead of being led, as they had hoped, into the attack against the errors and follies of the Socialists, the backbenchers have been called on to stand firm under the double attack of intransigent events and jeering critics. There has been no bonfire of controls and the two denationalisation measures, for steel and road transport, have taken an unconscionable time in the making. It is a tribute to the Conservatives' morale that under this strain they have grown baffled and impatient rather than dismayed.

This mood derives largely from Mr Churchill's dominance. He has not only gathered the reins of policy making and administration relentlessly into his own hands; he has also assumed complete control over the party's political strategy. He laid down, and enforced until last month, a policy of "no provocation," of trying, in the House and outside, to establish an atmosphere of national unity and common effort. When the Labour leaders spurned these gestures, partly because of Mr Bevan's prodding and partly because of their hopes of another election before too long, it was Mr Churchill himself who turned to driving a wedge between the Bevanites and the rest of the Labour party. His success, particularly on the China issue last week, delighted the Tory backbenchers as much as it dismayed his opponents. But the Tory rank and file do not want victories alone; they want to be in the fight. And that is where their leaders are giving them little opportunity. Neither they, nor even Mr Churchill's ministerial colleagues, are being encouraged to carry the war into the constituencies in the way that all true politicians enjoy. The spate of weekend oratory, much of it contradictory but much of it enlivening, that characterised Labour's period in office has dried up.

The main reason why the backbenchers' morale is still good is, of course, the division and ineptitude of the Opposition. But they also have an important consolation in the degree to which the Government has taken them into its confidence on matters of detail. Not only the 1922 committee but also the various specialist committees of the Parliamentary party have been widely consulted about many of the Government's measures; the ordinary backbencher feels that he can exercise, if not power, at least influence. He is being given, at second hand, a share in administration. This has its good side, but when the party is given little lead on general policy, its influence tends to work chiefly towards avoiding unpopularity in the constituencies. There seems to be little doubt that pressure from the backbenchers has delayed, if not modified, the Health Service Bill. And if such influence is a consolation, it is still a poor substitute for the full vigour of political battle that the real politician wants.

* * *

Truce Chances in Indo-China

There is a basis for a truce in Indo-China. Both sides would stand to gain and a clear division of territory could be made. But to say that a truce is practicable in view of the attitudes of Peking and Moscow to the struggle is quite another matter. Recent suggestions that an armistice might be concluded must therefore be treated with the greatest reserve. Two new developments have given rise to them. One is a change in French policy, detectable—but not admitted—in the recent comment by M. Letourneau, as Minister for the Associated States. He said that "France cannot on principle reject the slightest opportunity of ending hostilities." Paris had not previously shown willingness to negotiate with Ho Chi-minh since the collapse of the talks in 1946 and the original outbreak of the rebellion. The other development is that non-Communists in the Vietminh are reported to be increasingly anxious about the tightening of China's grip on the movement, through its complete dependence on Chinese supplies and the determination of the Communist element to dominate policy. Annamites—or Vietnamese, as they are now called—have long been strongly anti-Chinese.

The new French attitude springs from public dismay at the absence of any prospect of a decisive victory. It is no longer only the Left in France that wants to bring the Indo-Chinese war to an end, but the Right too. Before Marshal de Lattre died there had been hopes of building up a Vietnamese national army, strong enough to clean up an almost annihilated Vietminh, by the end of 1953. Now those hopes have been destroyed by the continued growth of Chinese aid to the Vietminh and by the recent French withdrawal from Hoa Binh. Whether the Chinese invade openly or not—and there now seems less chance that they may—the evacuation of Hoa Binh is a defeat and looks like the end of the de Lattre era, however much it is dressed up as a tactical move.

On the other hand, French and Vietnamese progress in the south has lately been promising, and it is this progress that makes a truce possible. If there is a stalemate in Tongking and a run of success for the French forces operating from Saigon, and if the Chinese abandon the idea of open invasion, the Vietminh might eventually come to terms. But these are big "ifs," and the one certain way for the French to lose the chance of a settlement on any but disastrous terms would be to relax their military and political efforts now.

* * *

Inside Egypt

In a country that is racked, as Egypt now is, with political and social discontent, any change of government is disturbing. It suggests disagreement in high places, and lack of continuity in policy. Yet the government of Aly Pasha Maher, when it fell on March 1st, was moving fast towards a state of impotence. He himself was a negotiator and a lover of orthodoxy; he spent his last days as Premier seeing all parties. In order to keep all in play, he was tending to concentrate on the "national will" to bring about British evacuation, on which all were agreed, and to soft-pedal the inquiry into the responsibility of certain Wafdist ex-ministers for the riots of January 26th. He was, therefore, the prisoner of the Wafd majority in Parliament.

His resignation was announced a few hours after he had agreed to, and King Farouk had countersigned, the suspension of Parliament. So quickly did a new cabinet get into the saddle, that there must have been foreknowledge and planning. It contains several members from the preceding government, but an entirely new feature is the potential hold of its Prime Minister upon a section of the general public. Whereas Aly Maher had no public or party following, Ahmed Negib Hilaly Pasha is the leading member of a moderate group within the Wafd which has for months opposed the get-rich-quick methods of some of the party's leaders. The public knows him as a good Minister of Education in the Wafd Government of 1942-45. He did not serve in the 1950 government because Nahas Pasha would not accept his terms for taking office; last November he was expelled from the party in connection with his revelation that the Minister of the Interior, Serag-ed-Din Pasha, was tapping telephones.

He stands—as all Egyptians do—for evacuation of the Canal Zone by Britain in order to fulfil the "national will"; but he insists equally on stamping upon the corruption which, as he said in his letter of acceptance of office, had become the "legal tender of political interchange." Whether he will succeed in either aim depends upon whether he has the moral courage to turn the inquiry into the riots against some of the leaders who expelled him from the party. By so doing he could split the Wafd, for the process would reveal how some of its leaders have cheated their following. Alternatively, he may—as the Saadists did in 1938—merely draw off from the Wafd a small group of educated men, who are too reasonable to excite and capture the allegiance of the crowd. His chances of successful negotiation with Britain will be no greater than those of his predecessors unless he takes the bolder line.

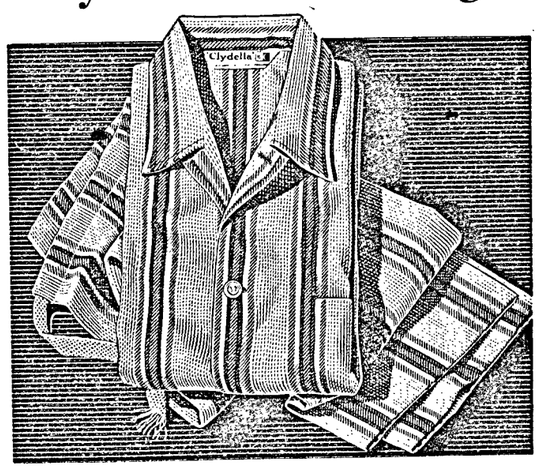
* * *

Dr Adenauer Stands Fast

The chorus of German objection to rearmament has not diminished since the Lisbon meeting. The latest blow to Dr Adenauer has come from the trade unions, whose leaders he has hitherto managed to win to his side. A congress of union officials from all over the country met at the end of last week to thrash out differences of opinion over defence, and issued a manifesto calling for the issue to be put to the country. Some weeks ago the central executive had declared that the Trade Union Federation supported a German contribution to defence, if social welfare were not affected by it. Immediately afterwards, however, the federation leaders were repudiated by a congress of Bavarian unionists, who always object to having their minds made up for them in North Germany or Bonn. It is true that Communists in the factories had helped; but they were only directing a powerful stream of sentiment into prepared channels.

The call for elections which came from the general conference of union officials largely duplicates the demand made by the Social-Democrat Party, as so many unionists are also

'Clydella' lasts longer



Sizes 38 to 44 inches chest. Price 69/11d. *(includes Purchase Tax)*

'Clydella' pyjamas, famous for long service, never lose their softness, warmth or colour. We shall be happy to send you a selection of patterns of men's Shirt and Pyjama fabrics, upon request to Dept. E2/S, William Hollins & Company Limited, Viyella House, Nottingham. If necessary, we will give you the name of your nearest shop.

There's nothing to equal 'Clydella'

IF IT SHRINKS WE REPLACE

MADE BY THE MAKERS OF 'VIYELLA' AND 'DAYELLA'

P2/1

Socialists. But it inflicts further damage on Dr Adenauer's cause on the eve of elections in the new South-West state which has been formed out of three small states. The opponents of German aid in defending the West, whether neo-Nazis, Communists, pacifists or members of any other group, secure most of the publicity and impress a public which is all too ready to step on the biggest and brassiest bandwagon. These *Land* elections are particularly important because the Bonn Government may be frustrated if an opponent of Dr Adenauer goes to the Upper House as representative of the South-West state. Already the *Laender* are endangering the prospects of Germany's paying its present occupation costs, by refusing to raise the percentage of income and corporation taxes which the *Laender* pass to the federal exchequer.

Whatever resolutions are passed and local elections lost, Dr Adenauer has no intention of going to the country until the general elections are due in the summer of next year. Nothing can unseat the chancellor. The Bonn constitution was framed to avoid the weaknesses of the French and Weimar system and welds the government into position. A mere vote of no confidence in Dr Adenauer is not enough; the Bundestag must name the successor it wishes, and the chancellor can decide whether to ask the president to dissolve parliament. Dr Adenauer may secure a majority for the European defence treaty, helped by the fact that fear of a government by Socialists and trade union officials dominates his coalition. He is more justified in making the attempt than the critics who accuse him of killing democracy in Germany allow. It is true that the present Bundestag was not elected with any thought of setting up a new army, but neither was it given a mandate against defence. The question simply did not arise in 1949. A more serious objection to the Chancellor's tactics will hold good if he is successful in inducing the Bundestag to ratify the new treaties and is afterwards defeated at the next elections. The government which came to power in 1953 would then be pledged to secure a revision of the agreements or to repudiate them.

* * *

Unemployment and Unfilled Jobs

The widely ranging debate on manpower in the House of Commons on Monday was important chiefly for the light which it cast on the present degree of unemployment and its distribution between industries. Sir Walter Monckton, analysing the increase in unemployment over the last six months and comparing it with the similar but smaller increases which have marked the second half of each year since the war, elucidated a number of points from which it would be easy to draw wrong practical conclusions. The most striking thing about the present total of 378,000 unemployed is that its excess over the total in January, 1951, is more than accounted for by unemployment among women. At 162,000, the total of unemployed women is the highest for any January since the war; at 216,000, the total of unemployed men is the lowest since 1946. This distribution reflects the fortunes on the one hand of the textile trades and on the other of the engineering group of industries. In the first group unemployment has risen since last July by 59,000—a figure which understates the real change both because of short-time working and because many married women workers in Lancashire, having opted to stay outside the national insurance scheme, do not appear in the unemployment statistics. In the engineering trades, in spite of shortages of materials and switches of production, the increase has been only of 12,000, leaving the total lower than last year; though here again short time has increased and overtime working has diminished—though by a surprisingly small amount.

One may correctly infer from these figures both a measure of disinflation and a net shift of manpower in the right direction; it is possible for politicians to jump to the conclusion that further disinflation, wastefully increasing unemployment and reviving the apprehensive spirit of restriction, would be both unnecessary and positively harmful. But such a jump, however tempting, would be entirely mistaken. The most important of all the statistics employed in the debate was that in January there were as many unfilled jobs for men as there were at the same time last year. If manpower is to be moved from civil to defence industry and from home to export production, it is essential to keep spending—out of higher incomes—to a level that will exert no inflationary pressure on diminished home supplies. All parties are agreed that the less unemployment is generated in this transfer the better; but neither party ought, at this early stage, to exaggerate troubles that are in large measure an inevitable price of solvency.

* * *

Familiar Threats

The talk of industrial action by the workers in protest against Government policies is becoming wider and its motives are becoming more confused. But it is not thereby becoming more dangerous. Since it was condemned by Labour leaders of all the shades from Mr Deakin to Mr Bevan the Communist hand has been more plainly shown. It is reasonable to assume that there was some connection between last Sunday's unofficial shop stewards' conference at Sheffield and the meeting, in Vienna on February 12th, of the Metal Workers' Section of the World Federation of Trade Unions. The programme adopted by the shop stewards differs little from that pursued for years by the federation. They propose to set up a national organisation and to put a stop to short-time working by refusing overtime and to strike whenever workers are dismissed. They maintain that rearmament is inimical to peace and full employment.

It is most unlikely that the shop stewards will succeed where the Communist party has failed. It would be remarkable if many workers deprived themselves, for political reasons, of time and a half or went on strike in the interests of peace and full employment. It is much easier, as some of the miners' leaders in South Wales have proved, to induce people to take action in protest against something which affects them directly, like an increase in bus fares or the health service charges. Many Welsh miners are persisting, undeterred by the warnings of Sir Vincent Tewson and others, in their refusal to work on Saturdays—and some of them seem to be making up for it, in output and in earnings, by working harder earlier in the week. There is no obvious likelihood of full Saturday working being resumed; and if the Scottish miners have their way, the rest of the coalfields will soon follow the Welsh example. But if they do it will be because they are dissatisfied with wages, conditions of work and the cost of living—not because they think the rearmament programme is wrong or even because they are determined to put an industrial veto on the social policies approved by Parliament. Though some Communists among their leaders may be glad of the opportunity, the miners' motives, unlike those of the shop stewards, are personal and economic and do not depend upon policies determined in Vienna.

* * *

No Haste on Central Africa

By a coincidence the future of the Rhodesias was debated in both the United Kingdom and South African Parliaments on Tuesday—but from opposing viewpoints. In South Africa, Dr Malan spoke of a duty "to maintain Western European Christian civilisation in the Union," which, he said, was also the aim of the Europeans in the Rhodesias. These two territories could be a buffer between South Africa and "undesirable developments," by which he evidently meant the extension of the "disastrous" policy pursued in the Gold Coast. In the United Kingdom, on the other hand, Mr Griffiths and Mr Gordon Walker, as well as the Government spokesmen, spoke of the need for federation of the Rhodesias and Nyasaland as a means of providing a bulwark to withstand the spread of the ideas of Dr Malan's party.

Since Mr Griffiths and Mr Gordon Walker were responsible for the original federation proposals, it was unfortunate that the Opposition insisted, mainly for party reasons, on dividing the House at the end of the debate. To Africans, who cannot be expected to understand the intricacies of British political tactics, the division, which gave the Government a majority of only 18, will suggest that nearly half the House of Commons is opposed to the principle of federation, and it will be even more difficult to get them to discuss the proposals.

Ostensibly, the Opposition insisted on a division because it was dissatisfied with the assurances given by the Government both on the recent talks with Sir Godfrey Huggins and on the course to be followed if the Africans persist in refusing to consider federation. Yet Mr Lyttelton could hardly have been more definite. He denied that the decision to hold the conference in April meant that federation was being rushed through in spite of African hostility. He has asked African representatives from Northern Rhodesia and Nyasaland to meet him to discuss their fears before the conference starts, and they have been invited to attend the conference itself. The purpose of the conference is to draw up a draft constitution for the federation which can then be discussed in the three territories—hitherto discussion has not gone beyond the principle of federation. There will then be a later conference of all four governments to decide whether they should continue with federation or abandon it. Mr Griffiths and Mr Gordon Walker know that a government which is trying to reconcile two completely opposed points of view—the African and European—could not be more explicit than this. To ask for more will not promote the partnership between the races so eloquently urged by Mr Griffiths.

* * *

Ambassadors Not at Large

A new meaning has now been given to the phrase "diplomatic circles." It has long been an accepted right of diplomats to travel freely within the country to whose government they are accredited, and the gathering of political and economic information has been recognised as part of their proper duty. Only a few small military areas have been forbidden to them. Soviet Russia, however, has refused to conform to this diplomatic convention, preferring to revert to the almost total exclusion of foreigners which marked the earlier Muscovite regimes, but which had been largely liberalised by the later Tsars. Today everything in the Soviet Union is a secret, to be revealed only to selected and supervised visitors, and foreign diplomats, like foreign journalists, are regarded primarily as spies. Their freedom of movement has been steadily reduced, until at the present moment some 80 per cent of all Soviet territory is completely barred to them, while they cannot even travel more than 25 miles from their embassies in Moscow without special permission. The satellite states of Eastern Europe have mostly followed Moscow's lead in this respect, some with less rigour, some with even more.

Repeated protests against these violations of normal diplomatic courtesy among civilised nations having proved of no avail, the governments of the western democracies have reluctantly decided to apply corresponding restrictions to emissaries from the Communist world. The Atlantic Council agreed at Lisbon to treat Soviet and satellite diplomats on a strictly reciprocal basis. The Russian Ambassador in London will therefore be confined to a circle of 25 miles radius, with access to St Albans but not to Luton, to Guildford but not to Godalming. The Poles and Czechs will roam more freely, as long as western diplomats in Warsaw and Prague are allowed the same privilege; but Bulgarian diplomats in London will never, without special permission, get outside the built-up area. Even the severest restrictions of this kind will not, of course, create an equality of ferrous curtaining. In the west, Communist journalists and party members can supply east European diplomats with any information which is not already provided them by a free press; but in Russia and the satellite states, western diplomats have virtually no sources of information other than their own eyes. The significance of the new move lies, however, less in its immediate effects than in the evidence it provides that the western nations will no longer confine their reactions to intolerance and ill usage to formal protests. It is, in fact, the Atlantic partners' first co-ordinated action in the field of political warfare.

* * *

No Case for Cannibalism

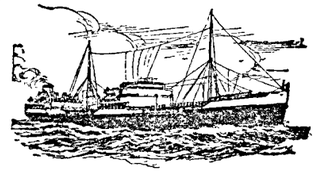
It is being asked in Paris and London whether the prestige and effectiveness of the Organisation for European Economic Co-operation are to suffer from the growing economic role of Nato and Britain's triple commitment to consult with Europe, the Commonwealth and the Atlantic community. It is plainly wrong that those in charge of British policy, delighted with the firm foothold that Nato gives them outside Europe, should grow indifferent to the fate of an organisation that was a pioneer in teamwork between governments in Europe. Once the distribution of American aid passed out of its hands to those of Nato, a change of status became inevitable; but there is still time to consider how great this change should be.

Once the economic and military affairs of fourteen governments became intertwined by the planning of rearmament, it was right that Nato should allocate American aid; that the three wise men should work under Atlantic and not European

ENGINEERING HISTORY CONTINUED

D.E.S. "AURIS"

(The Anglo-Saxon Petroleum Co., Ltd.)



The FIRST Gas-turbine

to be installed for propulsion in an ocean-going merchant vessel was designed and built

by

B T-H

The "AURIS" is NOW crossing the Atlantic powered *exclusively* by BTH Gas-turbine and is operating on HEAVY OIL

THE

BRITISH THOMSON-HOUSTON

COMPANY LIMITED, RUGBY, ENGLAND

Member of the AEI group of companies

auspices, and that their job of supervision should become an annual event. But it does not follow that Nato can simply take the place of OEEC. For the latter can watch over the common economic interests of Western Europe, develop a highly personal co-operation between national representatives, and keep military considerations at arm's length—all in a way which is not possible for Nato.

In Nato it will become increasingly clear that the natural economic interest of the United States—as things are—often runs counter to that of Europe. It is claimed that its members enjoy "equal partnership," but Congress shows no sign of allowing it to do the kind of things that would make this equality real. The British cannot ignore this fact, either in their own or in Europe's interests. OEEC must remain strong enough to work on common problems of trade, payments, coal and steel production and on the occasional brainwaves—some brilliant, some not—that come out of the Chateau de la Muette. It must, in fact, prepare Europe's brief for Nato, if only because America's is so thoroughly prepared in Congress. It must help to keep a healthy balance in a body that, as it gathers power to itself, does not always show the Americans at their best.

* * *

Nato and the Slump

Fears that another economic slump is imminent are echoing round the world, and recently they have sounded as loud in the United States as in Europe. Unemployment, though still small, is increasing in most countries. Many manufacturers, particularly Americans, think that the era of shortages is passed and that a new era of surpluses is about to dawn; yet productive capacity is still expanding under the stimulus of rearmament. It is difficult to know just how real these fears are; a levelling off after a sharp rise often looks like a fall. But the Belgian Government has already suggested informally to the North Atlantic Treaty Organisation that it should call a conference to consider this potential depression. The initiative is understandable; for Belgium, despite its regular monthly gold income from the European Payments Union, sees its unemployment increasing at no mean rate and causing political difficulties.

The three wise men's report to the Lisbon Conference last month made it clear that a realistic approach to rearmament could not exclude economic welfare in its widest sense. Nato must concern itself with the diversion of industrial resources from civilian to defence production. Later on it must also be concerned with the problems of reverting from rearmament to a care and maintenance basis. If the Belgian request is agreed to, Nato would have to concentrate on more purely economic affairs much sooner than was expected. It has still to win its spurs, but that is no reason why the Atlantic powers should shirk the responsibility.

The real question is whether the slump that is being talked about would be wholly or mainly a result of rearmament, or whether it might arise from wider and more fundamental causes. The increasing unemployment in Britain and Europe occurs at present in pockets, both occupational and regional. It is concentrated largely in the textile industries. If labour were mobile that would be no bad thing, for resources would be freed for defence production. But labour, and especially female labour, is not mobile, and the present pockets of unemployment could lead to much more extensive industrial dislocation. If this is the problem that the Belgians have in mind, it is one that Nato can and should study.

On the other hand, it can be argued that the slump might be another version of the age-old problem of protecting either the value of money or the level of employment. Since the war Belgium has chosen to do the former; Italy, and more recently the Netherlands and Britain, have followed similar policies. Most other European countries have maintained a very high level of employment and let the value of money fall. These issues have world-wide implications and could be discussed effectively only under auspices much wider than Nato's. Clearly, the first thing to be done is to survey the extent of the problem; and for that purpose existing organisations are sufficient.

* * *

Dark Blue and True Blue

As the boatrace crews make their first appearance on the tideway Oxford may, without too strong a flavour of sour grapes, reflect that it can afford to allow Cambridge a small triumph between Putney and Mortlake while it is itself so strongly entrenched at Westminster. A correspondent has made some researches into the university education of postwar ministers, the results of which are summarised in the table. Oxford has produced more than half the men

UNIVERSITY EDUCATION OF MINISTERS

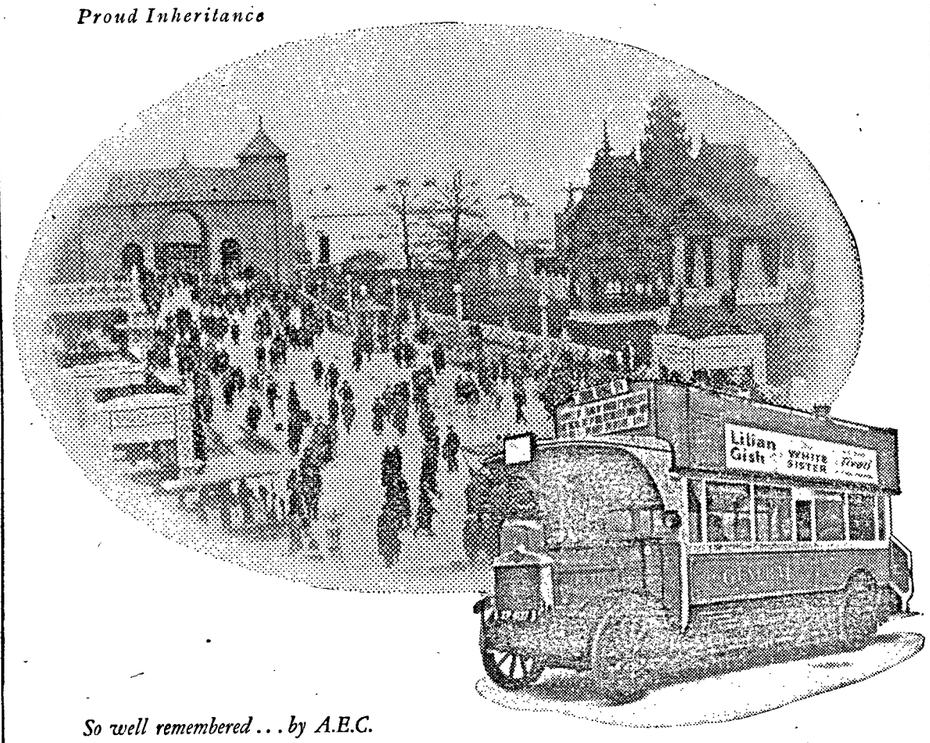
	Labour 1945 to 1951	Conservative 1951 to date		Labour 1945 to 1951	Conservative 1951 to date
Total No. of ministers	65	38	Oxford Colleges:		
Not educated at university	33	9	Christ Church	2	6
Educated at university	32	29	Corpus Christi	1	–
Of which:			Jesus	1	–
Oxford	14	20	Magdalen	2	4
Cambridge	6	7	New College	4	2
London	5	–	Oriel	–	1
Edinburgh	1	–	St. John's	1	–
Glasgow	2	–	Trinity	–	1
Leeds	1	–	University	1	2
Manchester	2	1	Cambridge Colleges:		
University of Wales	1	–	Christ's	1	–
Berlin	–	1	Jesus	–	1
Oxford Colleges:			King's	2	–
Balliol	2	3	Magdalene	–	2
Brasenose	–	1	Pembroke	–	1
			Trinity	2	3
			Trinity Hall	1	–

of ministerial rank in the present Government, and it also had a long lead over the other universities in Mr Attlee's Governments. Four Oxford colleges seem to be favourite cradles of ministers: Christ Church, Magdalen, New College and Balliol; at Cambridge, only Trinity has this distinction.

The other universities have played a very minor part in the making of ministers. London, which now has more students than Oxford and Cambridge put together, has produced only one minister for every seven who went to the older universities; the London School of Economics, by repute so politically minded, has produced none. The formative period for contemporary ministers, however, was more than thirty years ago, and it may be that the newer universities have now their quota of embryo ministers. But the same preponderance of Oxford, with Cambridge second and the other universities far behind, is shown in the educational background of new entrants to the civil service—a fact that cannot be attributed to class privilege, now that 80 per cent of the students at Oxford and Cambridge are assisted by grants.

Is there some special quality in the atmosphere of Oxford? It has a higher proportion of arts students than Cambridge—74 per cent compared with 53 per cent at Cambridge in 1949; and its schools are more likely to stimulate an interest in politics, and to attract those who are already interested, than those at Cambridge—in particular, Greats as compared with the more formal study of classical languages at Cambridge, and Modern Greats as compared with the Cambridge Economics Tripos. Tradition, too, is no doubt an important if incalculable reason why British governments—even Socialist governments—speak with an Oxford accent.

Proud Inheritance



So well remembered . . . by A.E.C.

WEMBLEY EXHIBITION, 1924

The changed world of the nineteen-twenties quickened the pace of living as nothing else had done before. A hectic jazz-mad gaiety...a get-rich-quick ruthlessness, seemed to typify the times. Yet the ever-present stability of Great Britain lay close beneath the surface. Symbol of her true character...of her great Empire...of her advances in Science and Industry, was the Wembley Exhibition. From all over the country her people came: to wonder at the craftsmanship in the vast Palace of Engineering, to glow with pride at the Empire pavilions, and to fling their inhibitions aside in the spectacular Fun Fair. London belonged to the visitor that year: and no better example of British craftsmanship was to be seen anywhere than the buses of the capital — many of them built by A.E.C. in an already famous tradition. The new N.S. type had been produced the year before: though after thirteen years' service the famous old "B" type was still giving untiring service...members of a family whose enduring reliability was typical of the underlying solidity of the nation itself.

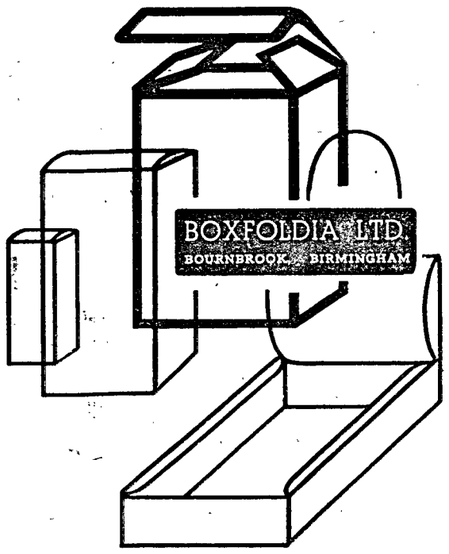
A. E. C.

PIONEERS IN THE WORLD OF MOTOR TRANSPORT

A.E.C. Limited, Southall, Middlesex is a member of the Group of Companies controlled by Associated Commercial Vehicles Ltd., of which the selling organisation is

A.C.V. SALES LTD., 49 BERKELEY SQUARE, LONDON, W.1. *Telephone:* REGENT 2141

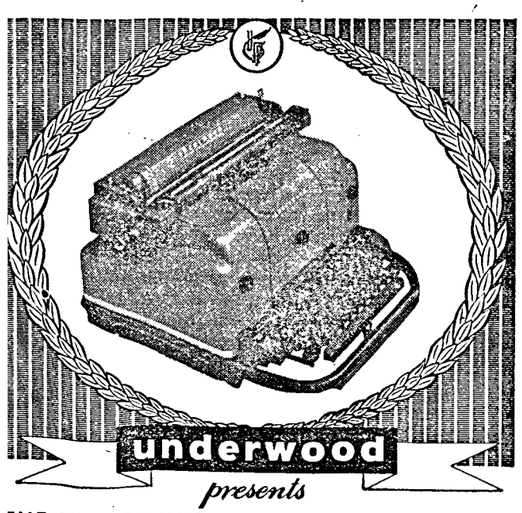
CARTONS
BY



IMPROVED RATES
FOR
CAPITAL ANNUITIES

Write for leaflet on Capital Annuities

ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY
20, LINCOLN'S INN FIELDS, LONDON, W.C.2



presents

THE UNDERWOOD ALL-ELECTRIC TYPEWRITER

Underwood Elliott Fisher make another contribution towards a higher standard of typewriting through the introduction of a new model Underwood All-Electric Typewriter.
All the functions of this machine are operated electrically the instant the typist touches the corresponding key, enabling work of finer quality to be produced with increased speed and no sense of fatigue.

UNDERWOOD · ELLIOTT FISHER · SUNDSTRAND

Speed the World's Business

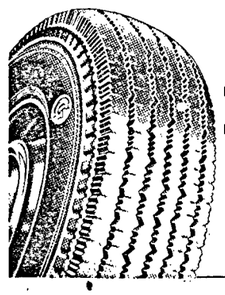
UNDERWOOD ELLIOTT FISHER LTD., 412 New Oxford Street, London, WC1
Tel. CHA 3131 *Factories: Brighton, Sussex* *Sales and Service Everywhere*

AN ANNOUNCEMENT
TO EVERY MOTORIST

The Dunlop tyres you can buy to-day carry on the side-wall a Gold Seal. This symbolises all that is best in design, materials and manufacturing technique.

CASING, TREAD AND COMPOUNDS together set a new standard in tyre service and economy.

Look for this Gold Seal on the latest and BEST EVER car Tyres



DUNLOP
The World's Master Tyre

2H/109

Guarded Fires

Some bad accidents will be prevented if the private members' Bill sponsored by Mr Bullard, and recently published, becomes law; it would make it illegal to sell a gas fire, electric fire or oil heater without a guard fitted to it. The need for such legislation was shown by Dr and Mrs Colebrook in their study of 724 cases of burning admitted to the Birmingham Accident Hospital.* Half these accidents were due to contact—usually momentary—with a domestic heating appliance. One in every six injuries was caused by a gas or electric fire, almost all of which were unguarded.

A guard that is strong enough to be effective has the disadvantage of making the fire look less attractive, and it is a pity that compulsion could not be applied only where there are children and old people, who are the most frequent victims. Guarded fires are already on the market, but the accident rate is still high enough to show that the good sense of parents cannot be relied upon. In making the use of guards universally compulsory Britain would be following the example of several countries, including Sweden and the United States. The Bill should be generally supported.

* * *

Spy Trial in Athens

The spy trial that has just ended in Athens has provided startling and sobering evidence of how little Communist activities can be curbed merely by driving them underground. Twenty-nine Greeks, most of them members of the banned Greek Communist party, have been on trial on charges of espionage and treason. Their activities were brought to light last November when the Athens police broke into two Communist hideouts in the city's suburbs. There they discovered, in concealed underground rooms, not only wireless transmitters and receivers, but also hundreds of coded messages, complete with their keys, that had been exchanged with a Cominform radio station near Bucharest.

Two points of special interest emerged from these messages. The first was that the Greek Communist underground had been supplying its exiled leaders with military intelligence. This included precise details of the armaments tanks used in the Greek Army and the exact penetration power of the projectiles fired by Greek anti-tank guns. This would all come in useful if the Greek Communists fulfil the pledge made by their leader, Zachariades, to attack the Greek Army once more with the help of the armies of the "popular democracies." The second point is that the extreme left-wing party called the United Democratic Left (EDA), which polled about 10 per cent of the votes in last September's elections, has been completely unmasked and shown to be, as was always suspected, nothing more than a cover for the Communists.

The main facts in the prosecution's case are not in dispute. The defendants were given a fair and open trial; seven of them were acquitted because of insufficient evidence. But a heated controversy on the political expediency of the death sentences passed on eight of the accused has been stirred up by a comparatively small section of opinion. This includes the left-wing of General Plastiras's party, the EPEK, and the debate may even help to disrupt the General's coalition government. It will be most unfortunate if the Greek authorities' efforts to expose and destroy underground Communist activities should be allowed to threaten the stability of the Greek Government.

* * *

Trieste Unsolved

The hopes entertained last autumn for settlement of the Trieste problem have now been dissipated. Italy and Jugoslavia may even be further apart than they were six months ago. Having made a special effort to reach agreement and failed, a long time may pass before they come up to the starting line again; it will in any case be increasingly difficult for the government in Rome, as the general election approaches, to accept anything but full satisfaction of Italian claims. The prospect of agreement has been shattered in the Italian view, because the Jugoslavs suddenly started talking about a settlement on vague ethnic principles instead of a definite ethnic line; and in the Jugoslav view because at Lisbon Signor De Gasperi rejected Marshal Tito's interim proposals for the joint administration of the whole territory of Trieste.

It is difficult to see why the Jugoslavs backpedalled first when, presumably through a genuine desire to reach a settlement, they have since sent one of their best men, Mr Velebrit, as the new Minister to Rome. If Signor De Gasperi accepts the present state of affairs and the continuing validity of the allies' declaration of March, 1948, both he and they will be accused in the elections of failure. If he prevails on the Americans and British to give Italy sovereignty over Zone A, he will be bitterly accused by all extreme nationalists of settling for far less than Italy's just claims. And even if he renews negotiations with Marshal Tito his own power to make concessions is becoming more limited.

* *The Lancet*, September 29, 1951; page 579.

Right of Asylum

England has always been the sanctuary—sometimes nearly the sole sanctuary—of the world. Against crime only—such crime as is punishable by the laws, and condemned by the moral sense, of all civilised nations—has she closed her doors. To misfortune, to failure, to heresy, to imprudence, to political iniquity even, she has always afforded, if not a welcome, yet at least an asylum. Huguenots flying from the fiery inflictions of bigotry; patriots escaping from the wreck of baffled and perhaps indefensible rebellion; monarchs flying from the vengeance, just or unjust, of their subjects, the victims of brutal tyranny, the victims of reactionary license; all alike have found in England a shelter and a home. . . . There are many among us who contend not only for the right of England to shelter refugees from any cause, but also for the right of these refugees to make use of the safety from pursuit thus afforded them, to plot and to prepare against the Governments from which we are protecting them. . . . We hold this doctrine to be both dangerous and indefensible. . . . It must be remembered that we, as a rule of national policy, acknowledge all Governments *de facto*, however they originate, and whatever be the principle on which they are based. We are on terms of amity, and in alliance with the rulers of every country with which we are not actually at war. We may harbour their enemies when defeated, but we may not assist them, nor allow them to make use of us to injure or assail our allies. When we see men fighting in the street, the feelings of humanity induce us to open our door to the one who is disarmed and overthrown, without any inquiry into the origin of the quarrel or the justice of the cause; but we do not allow him to fire from our windows on his baffled and exposed antagonist. . . . Our laws on this head are clear and just. . . . We are not Judges of the Right, we are simply Keepers of the Peace on our own soil. And all who value the inviolability of our Island Sanctuary, and the impartiality with which its shelter is afforded to the unfortunate of every sort . . . should join in deprecating in the strongest manner the ungenerous ingratitude of those who abuse our hospitality, and who repay the benefit by compromising the benefactor.

The Economist
March 6, 1852

Books and Publications

The Purity of Impure Competition

American Capitalism. By John Kenneth Galbraith. *Houghton Mifflin*, Boston. 217 pages. $3.00.

Professor Galbraith, of Harvard, has behind him a distinguished record in government service. This experience combines with his ability for lively generalisation to make him peculiarly at home in the border region between economics and social analysis. And, though too much love of epigrams occasionally makes him trite or misleading, he writes forcefully, clearly and without jargon. In sum, this is one of the most important, original and persuasive books on the general theory of economic policy written since the war.

In the past ten years the American economy has worked extraordinarily well. Yet a deep uneasiness about it has persisted. What Mr Galbraith calls the "depression psychosis," the strong fear of instability, continues; and there is a genuine belief that increasing taxation and extending government intervention are undermining and may eventually destroy the free enterprise that is supposed to be the basis of the economy. What are the reasons for this contrast between practical success and inner uncertainty? Mr Galbraith's answer is that the ideas by which both conservatives and liberals judge the system no longer fit the facts of its operation. The classical doctrines of competition are still the implicit interpretation of American capitalism. They describe an economic system of high social efficiency, using its resources to produce at minimum cost what people most want; a system in which there can be no misuse of private power because no individual producer can influence the price of his product, and there is, therefore, no power to misuse. Government intervention is thus harmful or at least redundant. The American businessman still wants to justify himself in those terms. But plainly they do not fit the facts. The great corporations that now dominate large sections of the economy—and the distinctive and most efficient sections at that—plainly do control prices and possess the power that is abhorrent to American beliefs. There is therefore no guarantee that competition will enforce the most efficient use of resources and no *a priori* case against government intervention.

Mr Galbraith concludes that the American economy owes its virtues not to the pure competition of theory but to the imperfect competition that economists have too readily assumed to possess the defects of monopoly. He wants to make the oligopolist—the firm with only a few competitors, who shun price-cutting—respectable in theory as well as in fact. The moral rehabilitation rests on two main arguments. The first is that an economy of large corporations makes technical changes faster than an economy of "pure" competition, which indeed would probably nowadays be a static economy. The second, and more important, point is Mr Galbraith's theory of "countervailing power." The market power of the large corporation leads people who sell to it or buy from it to set up opposing positions of power which limit the exercise of the original power. The main examples of this process are the trade unions (which, significantly, are most effective in the industries dominated by large corporations), the farmers' price-support arrangements, and the chain stores and other large retailers who check the manufacturing corporations' power to raise the prices of many consumer goods.

This concept is important because it provides a guiding principle for pragmatic judgments on the merits of particular government interventions in the economy. Broadly, the state should encourage the development of countervailing power (as American governments have often, though not consistently, done) and attack or control "original" market power where there is no effective private check on its exercise. Here, in theoretical statement, is a doctrine both for the modern trust-buster and—provided there are not many of him—for the bureaucratic controller.

A short and simplified summary cannot do justice either to Mr Galbraith's analysis or to the practical wisdom of his detailed points. But two comments are essential. First, it is difficult entirely to share his enthusiasm about the technical progressiveness of the large corporation. Undoubtedly it introduces continual improvements in established products and processes more quickly than the firm with fewer resources for research. But can it be trusted to make, and apply, the really startling innovations that begin new industries? It was not, in general, the carriage-makers, or indeed established firms from any other industries, who first put motor cars on the market.

Secondly, as Mr Galbraith himself points out very clearly, countervailing power is effective in limiting the ill-effects of imperfect competition only in a buyers' market. He believes both that the American economy still tends to require propping up against depression, and that Keynesian policies can do the job fairly well. But he also recognises that the policies are not symmetrical: they are not so likely to be applied effectively in reverse, to prevent inflation; raising taxes and cutting government expenditure run, as he puts it, "against the current of politics." Inflation may therefore be the most persistent future tendency of the American economy, and in inflation the countervailing power of trade unions and chain stores does not work against the corporations. Mr Galbraith fully recognises this problem, but in dealing with it his prescriptions for government policy lose their clarity and their confidence. That will disappoint British even more than American readers. Until it is fully dealt with, the most brilliant attempt to provide a new philosophy for successful capitalism has not got more than half way home. But the half is indeed brilliantly done, and no one will read this book without seeing many things more clearly—and enjoying its terseness and wit.

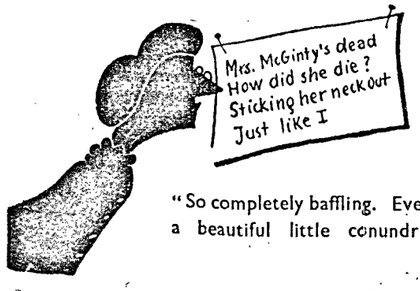
A Myth Exposed

Industrial Democracy and Nationalisation. By Hugh Clegg. *Basil Blackwell.* 147 pages. 9s. 6d.

The postwar years, faced with the problems of full employment and large scale nationalisation, have understandably produced much theorising about industrial relations and a spate of blue prints for a better "industrial society." The majority of these ideas, however, are not based on a practical knowledge of industry, nor are they conspicuous for clear thought. The author of this book, a Fellow of Nuffield College, who, in his previous study "Labour Relations in London Transport," has already shown a capacity for painstaking research and an independent approach, performs a valuable service by his searching analysis of the meaning of "industrial democracy," a concept as nebulous in practical terms as evocative in its emotional

For your leisure reading—the new

Agatha Christie



Mrs. McGinty's Dead

Poirot is back!

"So completely baffling. Every clue scrupulously given; a beautiful little conundrum." — SUNDAY TIMES.

COLLINS 9s. 6d.

appeal. These essays, published under the auspices of the Fabian Society, are the more interesting because they expose some of the fallacies of traditional socialist "mythology," such as the belief "that there was a sufficient number of workers able and eager to take part in running industry once the obstacles of capitalism were removed."

Similarly treated is the assumption that a "socialist society would release other motives for labour and service to take the place of the desire for financial gain." It is surely encouraging to hear from a socialist source the frank statement: "If other motives do not come forward to take the place of cupidity in the pursuit of efficiency in industry, the case for socialism is so much the weaker." When the author concludes his penetrating destruction of the current illusion of "self-government in industry" with the statement "government of a whole industry by a union or by joint control would be autocratic and not democratic since there would be no opposition to defend liberty and check the government's excess," one can only hope that he will be read by as many trade unionists as possible. Indeed if the analysis of this slim volume can stimulate a reconsideration of the problems of industrial organisation among the leaders of the labour movement, there is still a chance that the party might emerge from its period of opposition with an industrial policy of greater relevance to the country's economic needs.

A Swedish Contribution

Wages Policy Under Full Employment. Edited by Ralph Turvey. *Hodge.* 88 pages. 6s.

This stimulating and meaty little book should induce a certain shame in English speaking economists. Four Swedish economists—Professor Lundberg, chief of the Business Cycle Research Institute at Stockholm, Mr Meidner and Mr Rehn, of the *Landsorganisationen* or Swedish TUC, and Mr Wickman, a specialist in welfare economics—introduce, debate and sum up the problem of combining full employment with economic stability and a rational distribution of manpower between different occupations. All four are Social Democrats, which implies that certain solutions to that problem are ruled out from the start. No totalitarian absorption of the trade unions, no transfer of their wage fixing functions to the state, no direction of labour, can be included in their policy; nor can, on the other hand, any mere acquiescence in a wage-price spiral which benefits the profit maker, and a group of strategically placed unions, at the expense of the rest.

Within a similar political framework, British economic thought has, with few exceptions, been content to note the existence of a problem: full employment enormously increases labour's bargaining power; bargaining power used to the full raises wages faster than productivity; the upshot is inflation both of demand and of costs. For a solution it is content merely to appeal to the public spirited restraint of the trade unions. This is not economics; it is not even—as the Swedish essayists demonstrate—practical politics beyond that short run in which union opinion has time to form itself. The present authors may not have produced a generally acceptable or even an agreed solution; but they have at least applied hard headed logic and good sense, instead of woolly wishful thinking, to a problem whose conditions they have seriously thought through.

Professor Lundberg discusses the norms of a desirable wage policy and offers some admittedly sketchy but suggestive observations on the actual determinants of wages over the last thirty years. Mr Rudolf Meidner neatly outlines the dilemma of free trade unionism and demands in its name an end to that excess monetary demand which is the panacea of so many academic friends of the workers in this country. Mr Gösta Rehn and Professor Lundberg then vigorously debate Mr Rehn's proposal to use indirect taxation as a means of keeping profits down and subsidies as a means of keeping employment up, while stimulating mobility by "very active measures" including direct grants for transfer to undermanned industries. Mr Krister Wickman, sympathetically critical of Mr Rehn's argument, lines up firmly with him and with Mr Meidner in condemning inflation plus repression as an instrument of employment policy.

Examples and arguments are mostly drawn, as is natural, from Swedish experience; but they are highly relevant to Britain and even to America. Mr Ralph Turvey, by his services as editor and translator, has earned the gratitude of—one must hope—a large public.

Italy and the German-Soviet Pact

L'Italia e gli Accordi Tedesco-Sovietici dell'agosto, 1939. By Mario Toscano. *G. C. Sansoni*, Florence. 96 pages. 500 lire.

Professor Toscano, who is in charge of the papers at the Italian Foreign Office, has already displayed his masterly technique in handling material of this kind. After his "Origins of the Steel Pact" we now have this analysis of Italy's part in the German-Soviet *rapprochement* in 1939. It becomes clear that, although Ciano seemed taken by surprise when Ribbentrop informed him on August 21, 1939, that he was leaving for Moscow, and although in his speech to the Fascist Chamber in the following December he condemned Hitler's new friendship, the Italians were all along informed of what was being prepared. In fact the Italian Ambassador in Moscow, Augusto Rosso, was ordered from Rome to support the German advances to the Kremlin in the summer of 1939, and through his friendship with Count Schulenburg, the German Ambassador, was kept well posted about their success.

Rosso's despatches to the Palazzo Chigi, which form the backbone of this study of Professor Toscano's, are remarkably intelligent; it is difficult to think of anyone else at that time who so clearly understood Soviet aims in general and Soviet suspicion of Great Britain in particular. Thus Rosso avoided the false conviction of Attolico, his colleague in Berlin, that Russia would come to terms with the western powers; on the other hand, he never over-estimated the permanence of Russia's friendship with Germany, perceiving that it could but desire to set the two "capitalist" groups at one another's throats.

In view of the coolness between Rome and Berlin which followed the German-Soviet Pact of August 23, 1939, it is interesting to learn that Ribbentrop while on his brief, dramatic visit to Moscow, found time to have a long conversation with Rosso. He reminded the Italian Ambassador that Mussolini himself had suggested to Goering in the previous spring an improvement in German-Russian relations, and that the pact he (Ribbentrop) had just signed was naturally envisaged as strengthening the Axis—steps would be initiated, he added, to square Japan. In fact, although they cannot be suspected of planning this in advance, the German-Soviet Pact helped Ciano and his friends to keep Mussolini out of the war until June, 1940.

America's Underworld

Crime in America. By Senator Kefauver. *Gollancz.* 254 pages. 16s.

This book, says Mr Gollancz's familiar saffron livery, "will fascinate anyone in the least interested in the anthropology of present-day societies." The implication is unfair. From first page to last there is no intrusion what-

THE CONTROL OF PUBLIC EXPENDITURE

Financial Committees of the House of Commons

By BASIL CHUBB 25*s. net*

This book is concerned with the institutions and procedures which the House of Commons has devised to ensure, within the limits of policy, that government expenditure conforms with its orders and that public business is conducted faithfully and economically. It resolves itself primarily into a study of the Select Committees of Public Accounts, on Estimates and on National Expenditure.

OXFORD UNIVERSITY PRESS

ever of the familiar jargon of "mores," "folkways" or "culture patterns." For better or worse, Senator Kefauver is no Myrdal, and his book is no "American Dilemma." It is an American "Newgate Calendar," a wonderful gallery of criminal types and trades. It is also a kind of underground Gunther—an Inside America's Underworld. Certainly it asks the same questions: Who runs it? How is it done? The answers, unfortunately, are patchy, and betray only too clearly the limitations on research by senatorial investigation. Material is coaxed, bullied, tricked and squeezed out of one obvious criminal after another, while the television cameras make of it a kind of round-the-clock gangster film. But the answers of these delinquents are seldom enough to convict them as individuals, much less to expose the full interlocking of their criminal conspiracies. The Senator has exposed a "situation," provided a myriad clues, given honest citizens adequate signposts to the major plague spots of their society and aroused a considerable, though probably evanescent, public indignation. Has he done more?

One short answer will be provided by the New Hampshire primaries on March 11th, and this book, as its campaign preface underlines, has obviously been written with one eye on the White House. If Senator Kefauver does ride to victory, his record as a crime crusader will be the main contributory factor. No doubt too his investigation will prove the undoing of several Democratic city and state machines in November. But at the same time his book makes it quite plain that it has not destroyed inter-state crime or dethroned *Signori* Frank Costello and Joe Adonis from their place at the controls. It will take more than trial by television to do that. The ethics of an acquisitive society cannot be changed by the discovery of the cathode ray.

French Fairyland

The Making of France. By Marie-Madeleine Martin. *Eyre and Spottiswoode.* 296 pages. 21s.

Mlle Martin's book, published in France in 1948, received the distinction of the *Grand Prix d'histoire* of the French Academy. The English reader of this translation is at once driven to speculate on the reasons for the award, for, although the book is based on a wide reading of history and literature, it is plain that Mlle Martin does not inhabit the mundane world of the ordinary historian. She prefers the fairyland of legend and myth, seeking the Holy Grail of the French national spirit. Her quest leads her from Merovingian Gaul into the enchanted glades of the France of St. Louis, through the formal landscape of the *Ancien Régime* out into the bleak wilderness of the liberal nineteenth century.

The kings of France are, for Mlle Martin, both the creators and the guardians of the French national spirit. As an ardent disciple of Charles Péguy she pays lyrical tribute to the achievements of St. Louis, who fused the interests of France and Christianity. "The harmonious hierarchy of the kingdom," she says "had at its apex a man who had himself arrived at the apex of his soul." The trumpets sound almost as loudly for Louis XIV, for he, like St. Louis, apparently had a mystical appreciation of the soul of France. His foreign policy represents the perfect marriage of the dual needs of French security and European Christianity, since he both secured the French frontiers from German invasions and preserved the Germans from conquest by Asia. Unfortunately the sceptics and rationalists of the eighteenh century refused to accept the traditions of hierarchy and patriotism so carefully cherished by the monarchy, abandoning them for "a pernicious ideology based on an inaccurate science of human society." At this point Mlle Martin's tone changes from lyrical piety to shrillness as she explains how the French national spirit came to be perverted by the radicals of the Revolution and the liberals of the nineteenth century. Yet in this dark period the spirit of France was reborn in Charles Maurras, who blazoned in the pages of the *Action Française* the true doctrines of patriotism.

Mlle Martin's book is a tendentious survey of French history in terms of a myth. Nostalgic musings form a poetic mist to obscure difficulties such as those connected with the relations of the Most Christian kings and the Papacy. The miasma arising from the romantic royalism of this book should encourage most readers to return to the healthier climate of evidence and dispassionate analysis.

Letters to the Editor

No Business in Moscow

Sir,—The Moscow conference may indeed be a trap, but have you not fallen into a more dangerous one? Far from inviting western delegates with "progressive" leanings, the organisers in each country have gone to great lengths to encourage the attendance of persons prominent in business and industry—and the more conservative their politics the better. To judge by their overtures in France, Italy, Japan and other countries, nothing would please them more than to have the British delegation handpicked by the Federation of British Industries. And with discussion of controversial economic as well as political issues ruled out, why should a deputation representing real British commercial interests allow the "professionals" to "win easily and quickly"?

The list of "arguments for everyone" which you describe as "perfectly good economic sense" is, unfortunately for us, just that. If Britons choose to ignore the arguments merely because the sincerity of their self-appointed proponents is doubted, there are others disinclined to take this risk.

Likewise, whether or not Marxists can be in earnest when they "paint a picture of under-developed countries being peacefully assisted by the heavy industries of the capitalist West," they are dropping this challenge squarely in our lap. The wariness of further American economic aid, when tied with Mutual Security strings, on the part of Mexico, Indonesia, Iceland, Burma, Persia (reported in your same issue), coupled with the repeated Soviet offers of capital equipment at Singapore, Rangoon, Tokyo and Bombay (and Moscow?), add up to something which must be taken seriously.

Active support of the Moscow conference is coming from responsible business circles in the under-developed countries, and sophisticated aloofness from Britain is not going to count for much among peoples who are thinking in terms of bread and butter.

The Russians' apparent ability to make good their tempting proposals (regardless of deprivations entailed within their bloc), plus renewed economic and political hazards in the West which you cite, do not augur well for an improved bargaining position after the year's delay which you favour.

You state that such a conference, if genuine, could be a "miracle" and "serve a really useful purpose." But rather than boycotting it because the communists have taken the initiative in organising it, in the circumstances surely a more realistic attitude for Britain is to send to Moscow the "tough and determined deputation" which a Conservative MP urged on Mr Eden.—Yours faithfully,

H. V. THOMLINSON

London, N.2

★

Sir,—Your cold douche of defeatism for the businessman attracted to the International Economic Conference prompts several questions:

1. You concede that "a genuine conference might indeed perform a miracle." Are miracles so unimportant that even the chance of one should be forgone?

2. You concede that the "arguments for everyone" are "perfectly good economic sense." Would not the Western world, then, only be strengthened by their recognition?

3. You explain that the purpose of the conference is to drive wedges into the Western alliance by the repetition of attractive half-truths. Is it the liberal tradition to suppress half-truths, or to rely on effective competition by whole truths?

4. Those whose hearts are sound and whose eyes are open will find themselves, you believe, in a minority. Is that any reason for making the minority as small as possible?

5. You talk scornfully of "making anti-Communist speeches in Moscow itself." Is this the only tactic? It is certainly a poor paraphrase for that speaking the truth in love (albeit

THE TIMES
REVIEW OF
INDUSTRY

PUBLISHED ON THE FIRST WEDNESDAY OF EVERY MONTH

An Additional Service

The quarterly Bulletin of the LONDON AND CAMBRIDGE ECONOMIC SERVICE, which has long been regarded as the most authoritative publication of its kind, will henceforward be published as a special section of *The Times Review of Industry*.

The Bulletin, which has ceased separate publication, will appear regularly in the March, June, September, and December issues, and will continue to be prepared by its own editorial committee.

The Bulletin in the March issue, just published, reproduces the familiar regular features, notably the index of industrial production and Sir Arthur Bowley's index of wages. The principal article deals with the general economic difficulties which form the background to the Budget.

ORDER FORM

Copies of The Times Review of Industry *can be obtained from newsagents and bookstalls, price one shilling. The annual postal subscription rate is* 15*s.*

Please supply *The Times Review of Industry* for one year to:

Name.....

Address.....

.....

This order form should be sent to your Newsagent or to the Subscription Manager, *The Times*, London, E.C.4.

bluntly) to which the Christian must feel himself impelled.

Your case against participation hinges on the pessimistic belief that, because Communists control the conference, the presence of men of a different persuasion could do no good to offset the danger of their presence being "used as evidence by the enemies of western unity." It is possible, on the contrary, that a strong British delegation, composed of men with goodwill but without illusions, could make a contribution to peace by laying our case before those who would otherwise not hear it, and by eroding a little the misunderstandings that bedevil policy-making in east as well as west.

Your pessimism can only be based on the assumption that the Russians see no way out of the cold war deadlock, save by increasing their own strength (in this case, through propaganda). This need be true of them only if it is true of us.—Yours faithfully,

W. G. McCLELLAND

Whickham, Durham

[It was, perhaps, not made sufficiently clear in the article that there has been no question of a British "delegation" being invited and that the procedure laid down for the conference excludes controversy. How "our case" could be publicly presented in Moscow without controversy is difficult to understand.—EDITOR.]

How to Grow More Food

Sir,—It is a fallacy that highly capitalised, heavily mechanised farms are *ipso facto* more efficient. There is no real warrant for this assumption. On the contrary, Mr F. G. Sturrock and other agricultural economists have shown that, even on the big arable farms of East Anglia, mechanisation (which has absorbed most capital in recent years) has not materially reduced the labour requirement per unit of crops and livestock, while it has, of course, substantially increased the manpower indirectly employed in food production through the construction, transport, servicing and fuelling of the machinery itself. In other words, the consumer and taxpayer now have to pay the costs, not only of farming proper, but of large sections of the engineering and chemical industries.

The individual farmer, of course, has little choice in the matter. If he cannot provide good "tied" cottages, he just cannot get good workers. He has to make up the difference, so far as he can, by buying machinery and other "technical aids" (often with borrowed money). My own view is that agriculture simply cannot compete on equal terms with industry for wage-labour. But it could attract in large numbers keen and energetic young men and women whose chief (and very natural) desire is for "a place of their own" and who, in many cases, are now emigrating.

How could such "places of their own" be provided? Not, I agree, by evicting from their homes sub-standard farmers, but rather by buying from them (by order if necessary) portions of their present holdings, thus leaving them their homes and at the same time impelling them to farm their remaining land more intensively and providing them with the working capital (the purchase money) to do so. Tenant farmers would, of course, receive "tenant right" and compensation for disturbance.

Economists may, perhaps, object that a decrease in average size of farms would reduce efficiency and tend to raise costs. I submit that this line of reasoning, however much it may apply in industry, is not valid as a general principle in agriculture. Our near neighbours, for instance, the Danes and the Dutch, produce far more food per acre than we do, and their rural standards of living and education are at least as good (probably better). Yet for years past they have pursued a consistent policy of creating more and more small family-sized holdings.—Yours faithfully,

JORIAN E. F. JENKS

Pangbourne

★

Sir,—I suspect that you are right for the wrong reason in suggesting that monetary incentives do not offer sufficient inducement to farmers because of high taxation. It has become, deplorably, quite common for shortfalls in production to be blamed on high taxation, instead of on lack of effort and foresight, bad management, and questionable business ethics. These faults are the result not of high taxation but of easy money, and are the cause of high taxation. That is why, as happened in Czechoslovakia, relaxation of taxation on succeeding units of income aggravates the trouble it is supposed to cure.

Suppose that, instead of giving the farmer cash subsidies, the country empowered the Ministry of Agriculture to equip and train teams of practical expert workers that could staff any farm on a self-supporting basis in their own mobile living quarters and allow the farmer and his family to have a well earned carefree holiday during which, according to his deserts, the farm would receive the best of care and attention, even to the extent of overhauling and repairing his implements and farm buildings, and redecorating his abode. The response to such a scheme, would, I feel sure, be so great that at no distant date the teams would become self-supporting financially at the farmers' own request.—Yours faithfully,

A. W. MORRISON

Glasgow

★

Sir,—Prices designed to give an adequate return in a normal season may well mean a substantial loss when weather conditions are such as we have experienced in the last two harvests. The loss of one animal in a herd of beef cattle may well mean the difference between profit and loss and however efficient one may be, these losses do occur. The Agricultural Committees are loth to use their powers to evict many so-called inefficient farmers because they know that this very inefficiency is caused by lack of capital, in most cases due to the effect of two wet harvests.

Since the material raising of prices in 1947 which injected £40,000,000 into the industry which was promptly spent by the farmers in manures, equipment, etc., there has been no further injection of capital to provide the means with which to counter the effects of a bad year or years, and consequently farmers have seen their capital resources gradually dwindling away. Bank credits are strained to the uttermost. Agricultural merchants, that great standby of the farmers in hard times, are unable to give as much or as long credit as they formerly did. How then, can the farmer produce more? If the country needs more food, the wherewithal must be provided with which to produce it. There are two essentials, the rapid provision of working capital and a long term policy. Had this last been allied to the injection of capital which took place in 1947, the situation might well have borne a different aspect today.—Yours faithfully,

R. HENSHAW

Upper Froyle, Hants

★

Sir,—I cannot believe for one moment that the solutions put forward in your recent issues are the right approach to British farmers. New taxes or new rates on land would inevitably discourage still further the vast majority of tenant-farmers, owner-occupiers and landowners who, despite continually rising costs and shortage of labour and materials have struggled for the past fourteen years to reach the targets set them by successive governments of whatever party. What the agricultural industry requires is not more taxation and control, but a clear long-term policy.

Tell them—and the urban population—the true facts. Tell them that the days of cheap food from abroad are a thing of the past and that even dear food is becoming increasingly difficult to obtain. Tell them that every encouragement will be given to farmers to plan ahead, knowing that what they produce is urgently and vitally required, and with sound and far-sighted leadership and a reasonable return on the capital involved, production will most certainly increase. The main increase must come from the poorer land. The well equipped farmer on good land will undoubtedly benefit from the help which his less well placed neighbour receives, but the existing high rate of taxation can, or could be made to, look after this.

We must never forget that the vast majority of farmers are small men on small farms—75 per cent are under 100 acres. They are and must be individualists and self-reliant or they would never tackle the day-to-day problems set by man and nature. They can be led but they "won't be druv."

No one who has studied the problem can disagree with the view that there is no room in this island for incompetent farmers. Existing legislation can deal with them. But the agricultural industry eagerly awaits the Minister's statement on long-term policy, and given the right lead, reasonable security and incentive, and the fullest possible share of the necessary tools, more food can and will be grown.—Yours faithfully,

W. R. BURRELL,
President, Country Landowners' Association

London, S.W.1

Schweppshire Post

VOL. CICLXVIII No. 96 — CIRENSCHWEPSTER, 1952. — SCHWEPPENCE

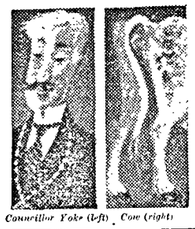
COUNCILLOR COLLIDES WITH COW

ESCAPES WITH SLIGHT ABRASIONS

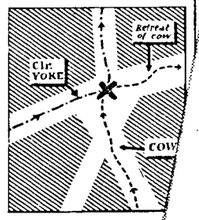
Schwepton Mallet, Tuesday

A small automobile was the focus of what might have been an unpleasant event for Schweppshire this morning. Pedestrians were taken unaware when Councillor Alfred Yoke, turning past Galway Mansions, found himself face to face with an unguarded Shorthorn, which, but for Yoke's presence of mind, might have received serious injury.

POST has long campaigned for one way traffic in Waterworks Lane. Here, if further proof were needed, is further proof that yet another POST campaign should not be allowed to join the realm of lost causes.



Councillor Yoke (left) . Cow (right)

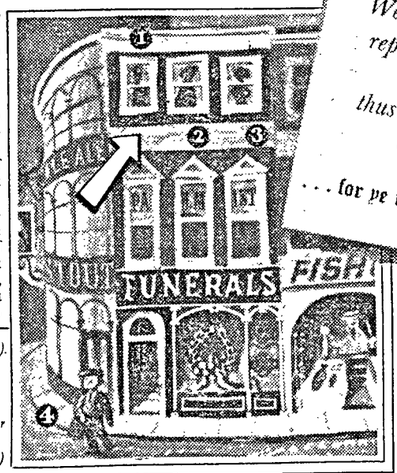


Where Schweppshire SPEAKS to the World

Our 2,000th Registered Reader will meet the Editors of 'POST'

Everyone in Cirenschwepster knows the POST offices at the corner of Groabham Gardens, spaciously designed to give pleasant working conditions to our eager staff. Triple fenestration allows maximum egress to light and air, and a lofty aspect overlooks one of Cirenschwepster's most teeming scenes.

Telephonic communication puts POST within immediate reach of Schweppshire's farthest corners. A delivery van, on which we have first claims. *(TURN TO P 4, COL. 6)*

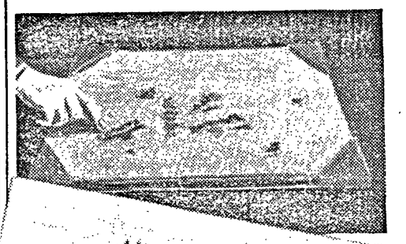


The Offices of POST (arrow). Visible in the picture:
1 *Home and Colonial Editor,*
2 *City and Fashion Editor*
3 *Agricultural and Art Editor*
4 *Schweppshire Lad (Sport and Public Relations)*

Powers sign treaty

"A TURNING POINT" *SAYS ENVOY*

SCHWEPPSHIRE FIRM SUPPLIED BLOTTER



AN ANNOUNCEMENT

The more than international interest aroused by the Guide to Schweppshire demands a response. We hope, during 1952, to be able to reprint pages from our daily organ, THE SCHWEPPSHIRE POST, thus vividly pin-pointing, uniquely, SCHWEPPSHIRE'S LIFE TO-DAY

. . . for ye that fare further, longer is the way . . .

STREETCAR KIDNAPPED

in Hove, Pa.

SCHWEPPSHIRE VISITOR got off in time

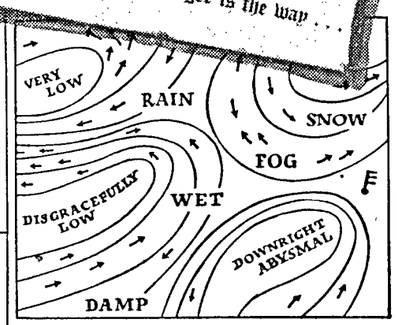
J. Johns, our local apothecary, nearly had first-hand experience of gang warfare, when *(Turn to p. 2, col. 1)*

World Premiere

NEW FILM ACCLAIMED

Schweppshire Man in charge of Buffet

I chanced on "Bandy" Rombold of Aden Gardens dealing out drinks smartly to a *(TURN TO P. 4. COL. 6)*



WEATHER FORECAST. GENERAL: *Dull intervals.* NORTH: *Dull all day.* SOUTH: *Intensely dull.* MIDDLE: *Schweppitome of dullness.*

Written by Stephen Potter · Drawn by Leslitt-Hum

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

AMERICAN SURVEY

Straws in the Presidential Wind

Washington, D.C.

THIS is no ordinary election year. Every week the position gets a little more complicated and a little more fascinating and there are more straws in the winds of conjecture and prophecy. American political pundits have always known how to make innumerable bricks out of the same few pieces of straw and, despite the millions of words which have been written on the subject already, they will find no difficulty in writing a few million more during the next four months. Not since 1920 have there been so many possible choices and so little certainty as to the eventual presidential nominees of both parties. Although many people suspect that, in the end, the voters will be faced with a dispiriting choice between Senator Taft and Mr Truman, there is enough doubt now to make speculation both profitable and attractive.

The addition of Senator Russell of Georgia to the list of Democratic starters adds another valuable piece of straw. In 1948, when the Southern lightning struck him—at the Democratic convention he got 263 votes on the first ballot without asking for them—he quickly ran for cover. This year, although he still knows, as he said a short time ago, that "a man with my geographic location and my ideas" cannot get the nomination of his party, he is prepared to invite the lightning. If his candidacy could be written off, as that of the Republican Mr Stassen can, as merely the delusion of an ambitious and stupid man, it would be unimportant. But Mr Russell is generally admitted to be the ablest parliamentarian in the Senate, and to have an exact knowledge of what is, or is not, politically possible. Therefore the announcement that he is prepared to run for President has considerable strategic significance.

The strategy concerned is, no doubt, that of the leaders of the Dixiecrats, the anti-Truman Democratic group in the South. In 1948, the group suffered from a lack of effective leadership and a candidate who was little more than a joke. It now has Mr James Byrnes, once a Supreme Court Justice and Secretary of State, in the new role of Governor of South Carolina, to provide political guidance, and a candidate who is one of the most respected of Senators and one who has supported Mr Truman on almost every important issue except that of civil rights. The Dixiecrats will go to the convention, therefore, with a solid bloc of delegates and a serious mission: they will go, in fact, to prevent the renomination of Mr Truman. They will be able to do it if Senator Kefauver, the only other Democrat who has declared his candidacy, takes enough delegates from the other flank of the party. If the Dixiecrats succeed in producing a deadlock, they will be agreeable, it is understood, to accepting Governor Stevenson of Illinois as a compromise candidate. And there is always the hope that the presence of Senator Russell in the race will persuade the President that he should withdraw in favour of Mr Stevenson before the convention even opens.

But, should this strategy fail, which it will if Mr Kefauver fades away before July, and Mr Truman be nominated again, the battle is still not lost. A month ago the Alsop Brothers analysed Mr Taft's chances in the election, if he is nominated. After giving him every state he could reasonably hope to carry, they concluded that he would still be 17 votes short of a clear majority in the electoral college. If Mr Russell were to run as an Independent Democrat, he could take enough votes from Mr Truman to prevent him having a clear majority either. Then the decision would be left to the House of Representatives, which might find itself unable to agree on any candidate except Mr Russell. This is, of course, the kind of dream which has deluded the Liberals in England so often; the dream of regaining lost power and prestige by providing the only possible compromise. But, in 1952, in the United States, it conceivably may be made to come true.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

★

Many things may happen before July 21st to make all these calculations irrelevant or unnecessary; for instance, the Republicans might nominate General Eisenhower. But the General's position is becoming daily more difficult. His boom has completely failed to start booming, his machine is being run by amateurs who are quite incapable of competing with Mr Taft's professional organisation and depressing accounts come back from Paris of his ignorance of his own country. He knows the internal politics and economies of a dozen European countries better than those of the United States and has been heard to observe, for instance, that twenty years of Democratic rule has ruined big business. The publication of a book called "What Eisenhower Thinks," however well-intentioned its appearance at this time, only reminds people that they have no idea what he does think, and adds to the demand that he should come home and tell them.

Senator Taft's thoughts, on the other hand, peculiar though many of them may be, are given an airing almost daily. At this moment everything seems to be going smoothly for him and the confidence in his camp is growing. But so, outside his immediate circle, are doubts about the honesty of his methods or his ability to collect independent votes. His curiously contradictory character was probably summed up by Mr James Reston in the *New York Times* two or three weeks ago better than anyone else has done it.

> More dubious assumptions are made about the senior Senator from Ohio than about almost any other man in contemporary American history. . . . He is popularly supposed to be a snappish, unpleasant character, but he is actually an attractive human being. . . . He is supposed to be well informed and intelligent, yet his speeches often reveal the most abysmal ignorance of history and his policies the most unintelligent estimates, even of his own best political interests. . . . He is assumed to be the very symbol of integrity, yet he has lent his name and influence to McCarthyism with more consistency and effect than any other man in the Republican party.

There is, indeed, considerable reason to fear that Mr Taft's burning desire to be President has led him to compromise with principle to such an extent that he would not be able to recover his balance if he reached the White House. Those who live near him in the Georgetown area of Washington and watch Senator McCarthy arriving to spend a quiet evening are no longer inclined to take the rumour that Mr McCarthy would be his Attorney-General as a joke. And some scurrilous personal attacks on his rivals in the New Hampshire primary election have been circulated which he certainly should have repudiated, even if he is not himself responsible for them. Above all, there remains the problem of General MacArthur and his place in the Taft campaign.

The Senator has said that he is satisfied that General MacArthur is his supporter and has suggested that the General should make the main speech at the Republican Convention. As he will not be a delegate, and therefore not eligible to make the "keynote" speech, General MacArthur will presumably play the role of elder statesman which Mr Hoover undertook in 1948. Publicly Mr Taft asserts that this speech will assure him the nomination by carrying the convention off its feet. But there is evident, among the Senator's supporters, an uneasy feeling that the convention, once off its feet, might nominate General MacArthur himself. Such things have happened. At the Democratic Convention of 1896 William Jennings Bryan made such a sensation with his famous "Cross of Gold" speech that he was himself nominated next day, which was more than the party bosses had bargained for. If something of the sort were to happen at Chicago in July it would serve Mr Taft, though not the United States, right.

Inflation or Recession?

[FROM A CORRESPONDENT IN NEW YORK]

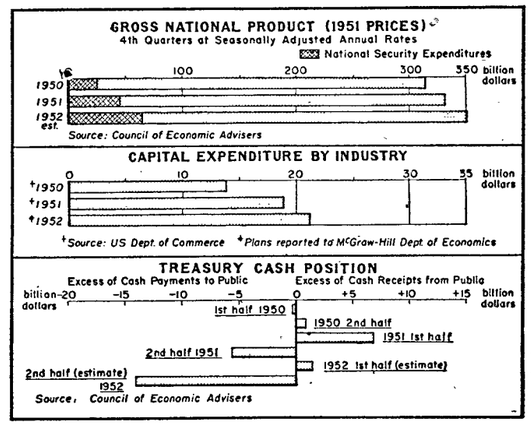
IN Washington the official view is that this year and next will be years of prosperity and high employment, and of marked tendencies towards inflation which must be restrained by numerous economic controls. Hence the Administration will urge that expiring controls be re-enacted, and possibly will ask for new powers.

The official view is supported by many private analysts and is almost inevitable on the basis of the formal figures. According to the federal budget armament outlays will rise by about $20 billion in the next twelve months. The McGraw-Hill survey of industry's plans for capital expenditure reveals the intention to spend about 13 per cent more than last year. Official and semi-official estimates of the number of houses to be started this year range from about 850,000 to 1,000,000—the latter figure being much the same as the number started in 1951. Even if allowance is made for a substantial decline in the rate of inventory accumulation, this is a picture of a marked rise in the total of government expenditure and private investment.

Total output—the gross national product—should rise about 5 per cent, the Council of Economic Advisers believes, or by somewhere between $15 and $20 billion. This could be brought about by the combination of a rise in productivity, longer hours, and an increase in the labour force. The result would be a significant rise in the total of personal incomes and, with taxes rising less sharply, there would be a considerable increase in disposable income—that is, the proportion of income that is available to be spent or saved. Supplies of consumer goods could not keep pace, because of the demand of the armament programme for labour and materials, and it would be difficult to prevent another whirl of inflation.

The critical period will be the last half of the calendar year 1952, the argument runs. During the first half, the Treasury will have a cash surplus, owing to the concentration of tax payments in this period. But during the latter half, a cash deficit of $12 to $16 billion will occur. Material shortages much more acute than those today will then be combined with deficit financing to create a very tight economy. This may well be aggravated by greater consumer buying at that time, as supplies accumulated in the buying waves of the early Korean days run out and as fear of shortages again grips the consumer.

This is indeed a persuasive picture. But a very different interpretation has considerable support, and seems to be gaining ground despite—or perhaps partly because of—the shrillness with which Mr Keyserling, chairman of the Council of



Economic Advisers, upholds the official line. This opposite view rests essentially on four assumptions:—

1. That the armament outlays will not rise as rapidly as they are scheduled to do in the budget. Important support can be found for this belief in Washington and among businessmen. Some think that expenditures cannot rise as fast as the budget estimated that they will, others that they should not; a third group holds both views. As for revenues, the Treasury is believed by some observers to have underestimated receipts again—as it has done for the past several years. Furthermore, such deficit as there is will be financed in considerable part, at least, by tax anticipation paper (the equivalent of the British Tax Reserve Certificates), rather than by the traditional inflationary method of deficit financing through the banks.

2. That the return toward monetary orthodoxy and general credit restriction, which formally started just a year ago with the abandonment of rigid price support for long-term government securities, is exerting a more powerful force than is realised. Since lenders no longer have virtually unlimited access to central bank credit through the sale of government securities at pegged prices, they have been charging significantly higher rates; and what is equally or perhaps more important, they have been rationing credit, both short and long, in the strictly classical manner. The full effect of credit restriction was not felt at once, because of the existence of large commitments, but this cushion is wearing

thin. The rebellion of the Federal Reserve Board against the Treasury is having a powerful influence which will be increasingly evident as the months pass. Furthermore, the authorities are showing signs of even greater firmness: in a refunding operation announced in mid-February they offered a 2⅜ per cent medium-term bond instead of rolling the maturity into one-year paper, to be absorbed by the banks, as had become customary in recent years. This same policy may be pursued farther, it is rumoured, by more aggressive bidding than has been usual for savings to finance the Treasury's new money and refunding needs.

3. That the financial crisis abroad may serve to dampen economic activity. Import restrictions, necessitated by adverse balances of payments and declining reserves, seem to be spreading throughout the world. At the same time competition for exports is growing sharper, particularly on the part of Germany and Japan. Expenditures for armaments abroad as well as in America are being spread out over a longer period, thus lessening the immediate demand for materials.

4. That supplies of raw and other materials are, in fact, considerably more adequate than official figures early in the year suggested. Most materials can now be obtained either at home or abroad, and the premium prices which once were necessary are rapidly diminishing. As months pass, with a smaller demand for materials both in America and elsewhere, and with production continuing at a high level, a revision of the price structure can be expected. The effect on inflated inventories and other business commitments both in the United States and in foreign countries will be harsh.

*

This opposing argument is almost as persuasive as is the official one. Evidently, a situation exists in which the consumer may tilt the balance one way or the other. Should he save more in 1952 than he did in 1951—as he saved more in 1951 than he did in 1950—he could well turn the balance against inflation and perhaps into deflation. Should he, on the other hand, somewhat reduce the proportion of his disposable income that he saves, toward a figure closer to the average of recent years, he might push the economy into some inflation.

However, those who have most closely studied consumer attitudes and habits in these matters doubt whether there will be any important changes in 1952—unless the environment alters very markedly. Only an event even more startling to the consumer than the invasion of Korea, or the entrance of the Chinese into the war, it is said, seems likely to bring another great change in consumer behaviour. Traditional thinking and habit, and the reduction of liquid resources in recent years, strongly favour continued thrift ; while a slight decline in the rate of saving may occur, it should be small.

The Soviet Union, evidently, has an opportunity to exert a very marked influence on the United States economy. By action that would make war seem less likely than has been feared, it might reduce government spending and perhaps increase consumer saving, and thus hasten or induce some business readjustment. Alternatively, by action that would enhance fears of war, it might make it certain that military expenditures would reach, or even exceed, the budget estimates ; and also cause a reduction in savings by stimulating another run on the shops. This would tilt the scales towards inflation and more controls.

It is unlikely that business fluctuations have been permanently obliterated from the American economy. But unless there is some marked change in the Russian attitude, it seems possible that both of the now prevalent theses are, though apparently contradictory, nevertheless correct. One of them, when the necessary qualifications are added, may mean no more than that, for a time, perhaps for most or all of this year, the economy will be tight, with softness to come later this year or in 1953. The other, similarly qualified, would mean that the very slight softness now in evidence in some industries, notably textiles, might become more marked in the near future, to be succeeded by tightness and then some relaxation. In either case, the conclusion would be that things may remain much the same for some time, with continuing patches of scarcity and patches of softness.

American Notes

No Forty-ninth State

The attempts of America's two Pacific territories, Hawaii and Alaska, to reach the safe haven of statehood have once more been foiled, although by a narrower margin than ever before, and the happy ending to their story has been postponed until 1953 at least. The villain of the latest instalment was Senator Robert Kerr, of Oklahoma, who was believed to favour statehood for Alaska until he cast the decisive vote that sent the Bill off the Senate floor and back to committee by 45 to 44. In so doing the Senator hardly improved his chances, until then good, of being picked by President Truman to be his heir. On Monday a desperate attempt to obtain reconsideration of this vote failed.

There is little hope of the Bill being given another chance later in the session, since time presses and debates on statehood are certain to be prolonged by filibusters from Southern Democrats. The Southerners oppose the admission of these two new states to the Union because each would have two Senators who would presumably favour legislation giving equal civil rights to Negroes. So far the Southerners have been able to defeat such legislation by exploiting the Senate's facilities for unlimited debate, but an addition of four to the membership might make it possible for those who favour civil rights to change the rules.

This opposition recurs regularly in the statehood serial, but this year the plot has a new twist. Since Hawaii is expected to send two Republicans to the Senate and Alaska two Democrats it has always been supposed that, if one were admitted as the forty-ninth state, the other would at once be made the fiftieth. Hawaii, it is thought, has the best chance of admission, partly because the Republicans would all vote for it—the party divided equally in last week's vote on Alaska—and partly because Hawaii is richer and more populous than Alaska. But this time the Democratic leader, Senator McFarland of Arizona, unexpectedly insisted on bringing statehood for Alaska to the floor first. His argument was that, if Hawaii came first, the Republicans might help the Administration to bring it into the Union and then leave Democratic Alaska out in the cold. If Senator McFarland is a sincere advocate of statehood, his strategy was mistaken, for it has meant that Hawaii's admission will not even be debated this year. But the mistake may have been made on purpose, for the Senator has Southern sympathies.

* * *

Mr Morris Begins to Sweep

Mr Newbold Morris, appointed five weeks ago by President Truman to sweep corruption out of the federal government, is now getting down to business, after having moved his office out of the Department of Justice. This is one of the agencies alleged to be most in need of cleansing and as long as Mr Morris was working there his appointment could hardly be taken seriously. That he himself takes it seriously became clear a few days ago, when he announced that he would go back home to New York if the President did not dismiss any government employee who refused to answer, or lied in answering, a detailed questionnaire about the sources of his income. These questionnaires, 25,000 of which have already been distributed, are going to practically all administrative civil servants, including members of the Cabinet, and Mr Morris believes that a careful scrutiny of the replies will direct him to most of the government's dirty corners.

To help him get his information, and in order that no one shall be able to say that he did not have all the help he needs, President Truman has asked Congress to give Mr Morris two powers, seldom, if ever, given to an individual, that of granting immunity from prosecution to helpful witnesses and that of subpoenaing persons and documents he wishes to examine. Mr Morris himself does not want the first of these powers, and he is certainly not going to get it, but he does need the authority to issue subpoenas. This Congress can hardly refuse him, unless it wishes to be accused of hampering his work.

It was Congress which forced Mr Truman to appoint Mr Morris, but now it is becoming rather worried at the amount of dust he is threatening to raise. Not only may it blind the voters to the fact that Congress was the first to discover how dirty the Administration had become, but also some of it is sure to settle on those Congressmen who are responsible for much of the pressure on government officials to show favouritism to particular individuals and firms. The Republicans, moreover, are worried that Mr Morris, himself a Republican but by no means a regular one, may clean up the government so successfully that corruption will no longer be an election issue. Congress is therefore hurrying to take attention away from Mr Morris by starting up a whole new series of competitive investigations. The latest of these, into a dubious but profitable transaction involving the sale of government-owned surplus ships, has the added attraction that Mr Morris is himself connected with it, although there is so far no evidence that he knew what was going on.

Chill Wind for Shipping

The Federal Maritime Board announced last week that the American Export Lines will receive a construction subsidy of only 27 per cent on their two new passenger ships, the *Independence* and the *Constitution*, instead of the 45 per cent promised by the old Maritime Commission. If the line decides to accept the ships—it can refuse them at the new price—it will pay nearly $36 million of the total cost of $47 million, instead of $24 million. Two years ago the House Committee on Executive Expenditures took the Maritime Commission sharply to task for granting construction subsidies which it considered excessive and illegal. The Maritime Board, one of the two bodies which soon afterwards replaced the commission, has been struggling with the problem ever since and is far from satisfied with the solution it has reached. According to its chairman, Admiral Cochrane, the subsidy clauses of the Merchant Marine Act of 1936 are an administrator's nightmare ; he feels that unless the Act is revised to provide a more prompt and businesslike method of procedure, it will be difficult to continue building new ships under its provisions. Subsidies are granted to cover certain defence features, such as high speed, and to make the cost of an American-built ship no greater than if it had been built in foreign yards.

This is the second blow in two months at an industry which has been accustomed to smiles and subsidies. Mr Truman, in his budget message, not only did not announce any new merchant shipbuilding programme, but also asked Congress to do away with existing tax concessions designed to stimulate new construction. He condemned these as a hidden subsidy, difficult for Congress to review and difficult to end when the need for them had passed. This is considered a bad omen for the long-range shipping aid Bill, sponsored by the industry, to provide even more concessions and incentives to stimulate building. But an ill wind for American shipping may make it easier for other maritime nations to pay their way.

Banking circles the globe

BUSINESSMEN with foreign interests need a bank whose services circle the globe. The National City Bank of New York, with 56 overseas branches and banking correspondents in every commercially important centre, is well equipped to offer such services.

The London branches of The National City Bank are staffed by men who are experienced not only in British banking but also in the financing of overseas trade. They are, also, uniquely equipped to advise on trade with the dollar countries.

Wherever your interests lie, the world-wide organization of The National City Bank is at your service.

THE NATIONAL CITY BANK OF NEW YORK

1812—ONE HUNDRED AND FORTIETH ANNIVERSARY—1952

Incorporated with limited liability under the National Bank Act of the U.S.A.

HEAD OFFICE: 55 WALL STREET, NEW YORK

LONDON OFFICES—CITY: 117 OLD BROAD STREET, E.C.2. WEST END: 11 WATERLOO PLACE, S.W.1

Considerably more merchantships will be launched from American yards this year than last, a period which saw the United States slide from second to seventh place. Now that steel is easier, enough has been found to permit work to go ahead on all the thirty-five new Mariner freighters being built for the government. The chill wind which has set the industry shivering does not only blow from the White House, however. The great activity stimulated by the foreign economic aid programme is beginning to recede. For the first time in more than a year, the flood of ships flowing out of the reserve fleet has turned, and a few have been retired from active service. Charter rates on coal and wheat have been falling in recent weeks. Some of the slack is being taken up by military shipments, but the industry is looking ahead to a lean period when these too begin to decline.

* * *

New York's Cuckoo

The inflated cost of goods and services took the budget of New York State above $1 billion for the first time this year, but the equally inflated yield of income and corporation taxes enabled Governor Dewey to balance it without asking for an increase in taxation. His budget was therefore passed without controversy and the members of the Republican-dominated State Legislature are expecting to go home next week after an unusually short and peaceful session. But they may be delayed by the unsatisfied cuckoo in their nest, Democratic New York City. For weeks the Mayor, Mr Impellitteri, has been demanding more help from the state in balancing the city's budget. It passed the billion-dollar mark long ago, and is put at $1.5 billion for the financial year beginning next July, with a potential deficit of at least $200 million. Here inflation has pushed up costs without increasing revenue.

Well over half of the state budget is already devoted to aid for the state's cities ; of this 44 per cent, $270 million, has been earmarked for New York City. It is unlikely that Mr Impellitteri will get much, if any, more, although he has been asking for another $64 million and points out that the city provides 56 per cent of the state's tax receipts. The Republicans in Albany maintain that he ought to cut his proposed expenditure to the bone before coming to them for help, and suspect that he has padded his budget so that he can cut taxes in 1953, to coincide with the city's mayoral election.

It is because of this year's national election that no one, Republican or Democrat, is urging the most obvious remedy, an increase in fares, for the most expensive item in the city's deficit, the heavy losses on the operation of the municipal buses and underground railways. They might be covered if the present fare of 10 cents (9d.) were doubled, but even to put the fare up to 15 cents, as other cities have done, would, it is thought, mean a substantial loss of votes next November for the party responsible. However, state officials are now reported to be insisting that the transit system be transferred to an independent authority, in the hope that it would then be managed more efficiently, and that the sales tax be maintained at 3 per cent, instead of being reduced as has been promised.

Mr Impellitteri has already planned to impose a city tax on automobiles and liquor licences, to show he is in earnest, but other tax changes require the permission of the State Legislature. He has put forward various proposals for tax increases, of which the most likely to succeed is that for a tax on real estate, to raise $100 million and to be levied by the five counties making up the city, in order to get round the limit of 2 per cent on city real estate taxes in the State Constitution. But such a tax would be popular neither with voters who are property owners nor with those who are tenants, for it would almost certainly mean a rent increase.

New way of taking a swarm? No—an old way of winnowing; and they still have the knack of it in Brazil. These coffee beans have farther to go than a bee can fly. Down by mulecart and lorry and train to the coast—and thence across the seas to your breakfast table. British Insurance covers them all the way.

British Insurance Companies back World Enterprise

Issued by the British Insurance Association

5,000 Boys and Girls now in our care

67,000 Children already received

LEGACIES can help us to continue our work in the years to come. 5,000 now in our care. DONATIONS can help us NOW

A VOLUNTARY SOCIETY — NOT STATE SUPPORTED CHURCH OF ENGLAND

CHILDREN'S SOCIETY

Formerly WAIFS & STRAYS

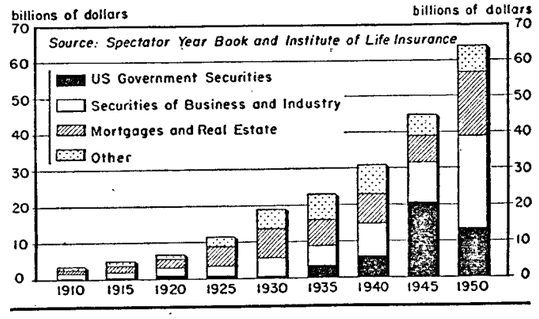
OLD TOWN HALL, KENNINGTON, S.E.11

Giant Life Insurance

Fears of inflation have not cramped the phenomenal postwar growth of life insurance. At the end of last year 86 million policyholders owned insurance worth $253 billion, compared with $152 billion in 1945. Sales of new insurance faltered slightly in 1951, for the first time since 1942, but that was due entirely to a sharp fall in group insurance, which now makes up about a quarter of the total. This was the result of doubts about the position of pension and insurance plans under wage stabilisation. Now that the Wage Stabilisation Board has decided that employers' contributions to pension plans will not be treated as wages, there will be a scramble to make up for lost time.

Assets of the companies, on the other hand, continued to soar in 1951 ; they rose by $4.5 billion to $68.5 billion. These resources are the largest pool of non-governmental investment funds in existence ; the Metropolitan Life Insurance Company alone, with assets of almost $11 billion, is the second largest corporation in the world, exceeded only by the American Telephone and Telegraph Company. It has been a very sore point with the Federal Reserve authorities that, being pledged in the postwar years to support the prices of government bonds, they were forced to buy up

ASSETS OF US LIFE INSURANCE COMPANIES



vast quantities put on the market by the life insurance companies. The companies reduced their holdings from $21 billion in 1946 (nearly half of their assets at that time) to $11 billion at the end of 1951 (16 per cent of a much larger total). Mr Sproul, chairman of the Federal Reserve Bank of New York, took them to task last December for not acting with the responsibility their size should have entailed. But it has been usual, after a war, for the insurance companies to sell their government holdings to invest in higher-yielding industrials ; it was the monetary authorities who made this process so painless.

In this way, since 1946, about $10 billion, in addition to the normal growth of about $20 billion in assets, has become available for lending. If excessive funds for mortgages—some $12 billion—fed inflation, over $15 billion flowed into expanding industrial and business production. Through life insurance, thrifty Americans have a stake in pipe-lines and Canadian iron ore, paper mills, department stores, goods wagons for leasing to the railways and a host of other enterprises which would have been thought risky before the war. Last year, it is estimated, about $3 billion was invested in defence-supporting industry—a wide term.

During 1951, however, loans became conspicuously harder to get from the insurance companies. They believe they have reached the limit with mortgages, and in any case the government curbs on building are beginning to take hold. With the unpegging of government bond prices in March, these can no longer be turned into cash without loss, to supplement the companies' lending funds. Borrowers, in most cases, will have to show that their businesses make a contribution to the defence programme to obtain funds.

Television Switched Off

The hearings of committees of the House of Representatives, at least, will be off the air and off the television screens this election year. Mr Rayburn, the Speaker, in answer to a formal request, has ruled that committees may not permit the televising or broadcasting of their proceedings. The House rules make no mention of either television or broadcasting, and committees, he noted, are bound by the same regulations. In the freer Senate, committees themselves will continue to decide whether to be televised or not. It was the Senate crime investigation last year which first indicated the enormous potentialities of the new medium, both for good and evil. Unquestionably, great interest was stimulated in a serious public problem. Senator Kefauver's friends would also credit television with having made him a national figure overnight. But fears were aroused that the presence of television cameras might lead Congressmen to search for sensations and neglect their soberer duties ; that the legislators might be tempted to use hearings for their own political profit ; and that the rights of witnesses would suffer. The American Bar Association has just approved a report condemning the use of television and broadcasting at Congressional investigations and at any judicial proceeding.

The immediate occasion of Mr Rayburn's ruling was provided by a sub-committee of the Un-American Activities Committee, which had arranged for the television cameras to follow its search for Communists and former Communists in Detroit, Michigan. The ban came as a great blow to Detroit viewers, who had looked forward to the spectacle, and to Representative Potter, of Michigan, a member of the committee, who had counted on this television appearance to strengthen his claim to a Senate seat. In his view, and that of the television and wireless interests, the ruling is an interference with freedom of information. Others argue that any citizen has the right to attend open hearings and that television merely enables the many to exercise this democratic privilege ; that a healthy interest in public affairs is stimulated ; and that, if the rights of individuals are impaired, the fault lies not with television, but with the procedure of the committees themselves.

Republicans also believe, with some reason, that the ban robs them of the chance to make the most effective campaign capital of investigations into governmental corruption. Mr Rayburn's ruling is not final. The House can alter its rules whenever it chooses and some Republicans are suggesting it should in this case. But the signs are that most members would prefer to wait till campaign passions have cooled down to consider what safeguards should be erected before the television cameras and the microphones are invited back.

Shorter Notes

Three camps are being constructed in Arizona and Oklahoma, to hold more than 3,000 people, for the detention of possible spies and saboteurs in time of war or similar emergency. The McCarran Internal Security Act makes the Attorney General responsible for rounding up such persons, but it is being suggested that it might have been better propaganda to leave the construction of these "concentration camps" until they are actually needed.

*

Even steel makers themselves continue to be surprised at the remarkable increases in the national steel capacity ; the final figure for capacity on January 1st was 108,587,670 tons, over a million tons higher than it was expected to be. This figure, which will be the official one for all of 1952, is a rise of five per cent over January, 1951.

*

On January 1, 1952, there were 155,800,000 Americans, an increase of 4,668,000 since the last census was taken in April, 1950. The round total of 156 million must have been passed by now.

THE WORLD OVERSEAS

Canadian Plans for "Transforming Nature"

(From Our Ottawa Correspondent)

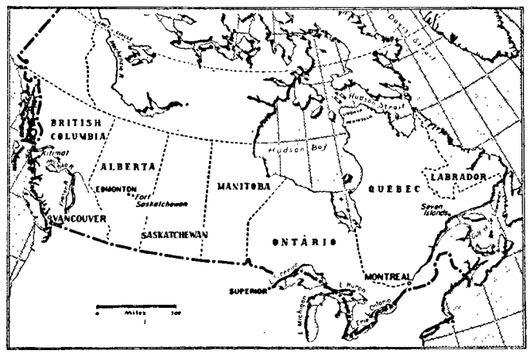
ON one of the worst days of this winter an earnest Englishman arrived in Canada to discuss migration schemes. He was one of the people interested in moving millions of British people from the United Kingdom to "other parts of the Commonwealth suitable for European settlement." The snow was banked four feet high down the Ottawa streets, the temperature showed about 40 degrees of frost, a biting wind was sweeping down across the northern forest direct from the polar ice-cap. And the earnest Englishman was asked if he really counted this frigid land among "those fit for European settlement." Canadians joke about this every winter. They say it was a mistake ever to have taken this country from the Indians. A few lucky ones escape to Florida or the West Indies for the worst part of the year. Most of them stick to their jobs, enjoy the skiing and skating, shovel small mountains of snow from their front doors, and have a very gay time inside their well-heated houses.

But the rigours of the winter have serious economic effects. Just as the work-cycle in the forests and on the farms is determined by the weather, so all construction work has to be planned according to the season. The cutters go into the forests during the autumn: in summer it is often too dry and the fire hazard from a chance spark stops work. Even in British Columbia, where the big trees grow, the moist climate cannot be relied on to permit work all the summer, nor do the usually soft winters preclude long periods when snow prevents cutting. In the east, where most of the smaller wood for pulp and paper comes from, the main cutting has to be done before the snow buries the forests. Then the logs have to be got out while the ground is still frozen. The forest roads are "ice-roads," built up by continual sprinkling with water, over ground that is impassable in summer. The winter's cut is piled on the frozen surface of the rivers, where it waits till the thaw comes and sends it chasing down stream to mill and factory.

In the same way winter is the time when heavy loads can be pulled into many parts of the north. Heavy tractor trains of "caterpillars" pulling big sleighs can travel over the muskeg and the lakes only when they are frozen. It was in winter that the main construction camps were established along the new railway that will bring iron-ore out of the heart of the Ungava-Labrador peninsula. All the rest of the supplies are being moved by air. Railway construction is here at its most up-to-date. A 350-mile line is being built from nowhere to nowhere through nowhere. It starts at what used to be a tiny fishing village on the north shore of the St. Lawrence estuary, called Seven Islands. It wiggles up through some awkward coastal mountains, and then winds north through deserted rock and muskeg to the unknown inland lake which has been chosen as the site for the new mining town. The construction camps are built at intervals along the route. Each has its own air-strip, and they are in communication with each other by radio-telephone and air lift. The first land communication will come with the railway right-of-way. All supplies, even the heavy equipment when needed, are carried by a fleet of aircraft working out of the base at Seven Islands.

This enterprise was fathered by the Canadian mining interests which discovered the rich ore deposits. The major part of the financing was done by American steel companies which will provide the main market for the ore. But only a small part of the still unsearched mineral areas of the Ungava-Labrador hinterland has been leased to the joint U.S-Canadian enterprise called the Iron Ore Company of Canada. The rest of it, and all the other metals besides iron-ore, is still untapped.

By 1954 ore will be pouring down this new railway to the new docks at Seven Islands. It will be loaded onto ore carriers now under construction in British shipyards, and carried (during the eight months of open water) up the St.



Lawrence to new docks near Montreal. From here, for the present, it will have to complete the last part of the journey to the steel mills of the Middle West by rail. But when the St. Lawrence Seaway is built—and it looks increasingly likely that it will be done as an all-Canadian project—the ore ships will go right through to the Lake Erie ports from Seven Islands. Then the annual tonnage might be increased from an initial 10 million tons to twice that amount.

Power Plant Inside Mountain

Of all other Canadian developments the one which matches the Labrador iron project in scale and drama is at the opposite end of the country in northern British Columbia. Here the Aluminum Company of Canada, a subsidiary of Aluminium Limited, has chosen an obscure and rather squalid Indian village called Kitimat as the site of the world's largest aluminium smelter. Kitimat lies at the head of one of the deep sea inlets which indent this coast like the Norwegian fjords. It is a heavily forested and extremely humid area, and timber mills will probably follow aluminium into Kitimat. Fifty miles south of Kitimat, across a spur of the coastal mountains, workmen are already at work in a huge hole in the mountains in which hydro-electric generators will be installed. Full capacity would amount to 2 million horse-power, but production will start at 450,000 h.p. The plans have prompted comic-strip remarks about the "bomb-proof power plant inside the mountain"; but the value of the mountain cavern is to anchor the machinery against the terrific rush of water. It will pour through a ten-mile tunnel under the coastal range, dropping from 2,800 feet above sea level to about 200 feet.

This water now finds its way to the sea hundreds of miles farther south down the thousand-mile course of the Fraser River. It is to be dammed on the Nechako River and its course turned backwards through the mountains. The big dam will raise the water-level over a stretch of a hundred miles on the inland side of the coastal range. The power from this hydro-electric installation would support a production of 500,000 metric tons of aluminium a year, well over one-third of the world's present production. The bauxite, much of it semi-processed in the form of alumina, will be shipped in from British Guiana and Jamaica via the Panama Canal; and the finished aluminium will go out in ocean vessels.

Work has been proceeding on this project throughout the winter, since rock work is a regular winter occupation. Farther south in the spectacular canyon of the Fraser River above Vancouver they have also been blasting rock to make a path for one section of the Trans-Canada Highway, which at this point will climb along the cliffside parallel to the precariously perched track of the Canadian National Railways' trans-continental line. The Canadian Pacific mainline clings to the opposite rockface. Every year there is a chance of the lines being blocked by snow-slides; but this year they have escaped—so far.

New Pipeline for Alberta Oil

The new oil pipeline from Alberta to the Pacific Coast at Vancouver will follow the CNR through much of the mountains; but this is one of the jobs that cannot be undertaken till spring. It will take two summers to complete the project, including the tank farms at both ends of the pipe and the additional refinery capacity at Vancouver. Once this is completed Alberta oil will be flowing out to market both east and west. The capacity of the present pipeline from Edmonton to the head of Lake Superior at Superior, Wisconsin, is being increased by "looping." From the head of the lakes the oil reaches Ontario by tanker—another seasonal operation, since the lakes are frozen during the winter.

The next project to bring Alberta's new-found riches to market will be a line for natural gas. When it will be built, and in which direction, has still to be decided; but in the meantime industry is moving to the gas. It is the raw material for a whole host of modern industries under the general heading of "petro-chemical." It includes plastics, synthetic rubber, cellulose (with wood-pulp) and many other new-fangled substances. At least three major plants are projected for the Edmonton area, all designed to make use of the natural gas. The gas has also attracted the new nickel refinery of Sherritt-Gordon mines. Their ore will be coming from a new mine at Lynn Lake in northern Manitoba. The railway is being pushed another 160 miles north, across difficult muskeg country of value only to trappers, to bring the ore out. It will go by rail to Fort Saskatchewan, near Edmonton, to be refined by a new leaching process which depends on natural gas. Output is expected to reach 17 million pounds of refined nickel and 15,000 tons of copper sulphide annually; and production should start in 1954.

Uranium in Saskatchewan

Northern Saskatchewan has its counterpart to Lynn Lake in the uranium mines now being developed. A crown company, Eldorado Mining and Refining, Limited, is primarily responsible for this development. It has proved its own mine, and will build a mill which could also treat ores from the various private mining ventures in the neighbourhood. It is the establishment of the one paying mine, which Eldorado has now assured, which is the key to opening up another wide area. This is the low-lying country at the headwaters of the Athabasca River, which feeds the Mackenzie and finds its outlet in the Arctic Ocean. In the past access was restricted to summer boats, winter tractor-trains and aircraft equipped with floats or skis according to season. But a year-round landing strip has now been built, and roads are projected.

If these are the most dramatic of Canada's new developments, they are still only samples. A capital investment of nearly $4 billion went into new mines, pulp mills, railways, and factories last year. Much of the development of resources is going on hundreds, or thousands of miles from the main centres of population. Much of it has to be crowded into the summer months, when mosquitos and black-fly are almost as great a menace as the winter cold. But considering what is being accomplished, Canadians find even their winter tolerable. The Indians have little chance of getting their country back. The earnest Englishman may fairly report that the country is "fit for European settlement." And Stalin must regard Canada as a mighty rival to the Soviet Union in the role of Nature's conqueror.

Hard Thinking in Athens

[BY A CORRESPONDENT]

SINCE the war Greece has been dependent on the British and the American taxpayer. It is estimated that since 1944 the country has received some $2,500 million in foreign aid, more than three times the entire foreign debt in 1939. Greece's difficulties have, of course, been quite exceptional. The civil war of 1947-49 caused immense destruction, and, in comparison with the other countries of Western Europe, retarded Greece's recovery by at least five years. Reconstruction has therefore been the first preoccupation of the ECA mission to Greece. In addition, the Americans have been working on a vast scheme for capital investment, in power schemes, for example, which are designed eventually to improve the standard of living.

Since 1950, however, two important changes have taken place in the American attitude. First, though they seem to recognise that Greece should be assisted beyond the deadline of June 30, 1952, there have been many signs that they were losing patience with the apparent failure of the Greeks to help themselves. And secondly, American emphasis has been placed less and less on reconstruction and development, and more and more on rearmament. In September, 1950, Marshall Aid to Greece was reduced for the first time. Last

AFRICAN OPPORTUNITY

The Economist Intelligence Unit now provides a service of quarterly reports on economic and business conditions in Southern Rhodesia and in about thirty other countries. These reports give a concise analysis of matters of concern to exporters and investors. Particulars may be obtained from:

THE ECONOMIST INTELLIGENCE UNIT

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

December it was reduced again, and in the current aid year Greece will receive only $182 million, compared with $206.8 million in 1950-51. It is therefore natural that some hard thinking should have been going on in Athens, and that in the autumn Professor Varvaressos, a former Governor of the Bank of Greece, should have been asked by the government to report on the whole situation.

When he was Minister of Supply in 1945, Professor Varvaressos was responsible for producing and launching an ambitious plan for creating economic order. The plan misfired. Professor Varvaressos resigned, and has since been with the International Bank in Washington. His report, which has recently been published, is a masterly document surveying the whole field of the Greek economy. The Professor starts by assuming that American aid will continue to decrease, and sets himself two questions to answer: what, in that event, will happen to the country's economy, and what will be left of the reconstruction plans designed to increase the standard of living? He finds that the answer to both depends on whether confidence in the drachma is re-established. The hyperinflation of 1944 has been followed by a steady depreciation—at any rate until the last two years—in the drachma's external value. It is thus hardly surprising that, as he points out, millions of dollars which would otherwise have been used to cover the country's deficit or to build up an exchange reserve, have been spent instead on buying sovereigns for sale to the public. Nevertheless, Professor Varvaressos thinks the necessary confidence can be restored in the next few years if Greece can count on a moderate amount of American assistance and will take really determined steps to balance the budget, to restrict credit, and to improve the position of the balance of payments.

Tax Evasion

Forty-five per cent of the expenditure of the State now goes on defence. The Professor thinks half of this, or about drs. 1,500,000 million, is in excess of the normal figure, and is a proper charge against whatever foreign aid Greece may receive. He does not consider that the size of Greece's armed forces should be reduced in present circumstances, but he is of the opinion, shared probably by most British and American officials who have worked in Greece since the war, that some 20 per cent of the civil service is redundant, though the salaries of the remainder should be increased. On the other hand, he thinks revenue could certainly be increased if proper steps were taken to defeat tax evasion. For instance, though the income of the commercial and industrial classes has been more than doubled since 1939, their contribution to the revenue of the State has fallen by half, and he quotes an estimate that if importers of goods of secondary importance had made their proper contribution, the yield of direct taxes would have risen by between 55 and 100 per cent. Moreover, he suggests that Greek shipowners who live abroad and register their vessels under foreign flags should lose their Greek nationality.

It follows from the Professor's main thesis that he excludes any further devaluation of the drachma. He thinks, however, that the sale of sovereigns to the public by the Bank of Greece should continue, and that it should be made legal to conclude contracts in sovereigns. Moreover, he advocates the introduction of a kind of gold-exchange standard for transactions inside the country. Drachmas deposited with or advanced by the banks would be repayable at the same rate for gold as that current on the day the original transaction took place. Deposits would thus be encouraged, and borrowing in the hope of a further depreciation before the loan is repaid would cease to be a profitable operation. The Bank of Greece, now the main source of the funds used by the commercial banks, should further restrict the credits it grants to them, but this would be offset by the resulting growth in private deposits with the commercial banks.

Prices of locally manufactured goods have been pushed up too far by monopolistic practices—for instance, 60 per cent of the credit made available to industry has gone to the financing of only seven concerns. Smaller firms should be encouraged to create competition; and a proper control of prices of imported goods and local manufactures would secure a reduction of 20 to 25 per cent. This, given confidence in the drachma, would remove the pressure on wages. But the Professor is against the rationing of basic foodstuffs, which has been much canvassed in Greece during the past year. Finally, he thinks it is possible to close the gap in the balance of payments in five years if the cost of imports of military equipment is met out of American aid, if other imports are restricted severely to what the country really needs, which he thinks is far from being the case at present, and above all if a real effort is made to reorganise the country's tobacco industry.

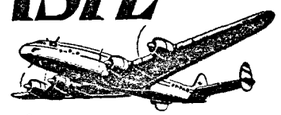
A programme on these lines will not leave much over for reconstruction such as was originally envisaged by ECA. Professor Varvaressos in fact considers that the original plan must be greatly modified. He thinks caution must be exercised in establishing new industries, and that preference should be given to small concerns, especially in the provinces, which manufacture consumer goods, for this will increase competition and impede monopoly. In particular, he is opposed to the creation, originally viewed with favour by many Greeks and even by some of the American advisers, of certain basic industries such as the manufacture of steel, caustic soda and nitrogen, and the production of aluminium from Greek bauxite. Greece should instead concentrate on such capital investments in agriculture as will yield a quick return, for although he does not agree with those who hold that there is a surplus of agricultural labour, he thinks a very considerable increase in agricultural production is still possible. He also attaches great importance to public works, particularly housing schemes for the poorer classes; but he deprecates the building of luxury flats which has been so remarkable a feature of Athens in recent years. For the financing of such a programme he would rely on three sources: what can be found in Greece itself, what can be obtained from the United States after the needs of defence have been met (it will not be much), and such money as can be raised abroad through more normal channels, for instance from the International Bank. But he recognises that it is useless for Greece to expect to borrow abroad until it has reached a settlement with the holders of the pre-war foreign debt. And he thinks it is essential that, before any programme is decided upon, there should be a thorough clean-up of the civil service, including the abolition of the spoils system.

Prospects for Economic Reforms

Some will question the readiness with which Professor Varvaressos defends what they consider a lost cause—the possibility of restoring confidence in the drachma. Others will doubt his belief that deflation will bring back into circulation some of the sovereigns now in private hands, a hoary doctrine which has so far had little evidence to support it. All the same, the report will bring many Greeks back to earth after a period of gazing at the misty horizons produced by the expectation of unlimited American assistance. But will anything be done about the Professor's recommendations? So far the report has been well received in Athens, and even the trade unions have refrained from condemning it, though there are critics of his attitude to industry. Professor Varvaressos admits that if his recommendations are adopted years of steady effort will be needed before results can be expected. Above all, he thinks the present political parties should agree about the ends he sets before the country. With the present Plastiras government, threatened as it is by Field Marshal Papagos's Greek Rally, this may be too much for him to ask. Yet without strong political backing his report may well become merely another interesting contribution to Greek literature.

Top Executives Fly..

PANAIR DO BRASIL



TO South America!

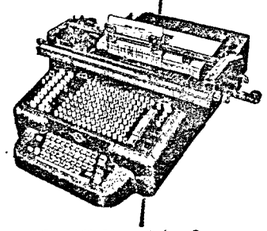
BY LUXURIOUS CONSTELLATIONS

Save time, arrive fresh—book from London to your choice of over 60 South American cities by PANAIR do BRASIL. Enjoy a complimentary cocktail and mealtime wines in superlative comfort, flying by swift luxurious Constellations.

Call Your Travel Agent, or PANAIR DO BRASIL 193/4 Piccadilly. REG 7292

THE National CLASS 31

'DIRECT ENTRY' ACCOUNTING MACHINE

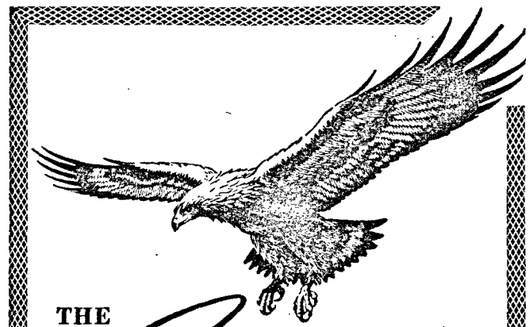


for all branches of

COMMERCE, INDUSTRY, GOVERNMENT & FINANCE

10 Totals each with direct subtraction.
ALL balances—positive AND negative—computed and printed automatically.
Feather touch, 'standard' adding keyboard for speed and accuracy.
All-electric typewriter for unlimited narrative description.
Constantly visible printing line gives confidence, aids speed.
Instantaneous and infinite adaptability to any accounting work.
Fluid-drive carriage moves automatically by oil pressure in both directions.
Simultaneous addition or subtraction in ANY combination of registers.
Automatic carriage opening and closing with instantaneous form alignment.
Fully automatic spacing, column selection and carriage return.

A PRODUCT OF THE NATIONAL CASH REGISTER COMPANY LTD.
206-216 *Marylebone Road, London, N.W.1 and all principal centres.*



THE Eagle BY GOODYEAR

Proved the highest mileage tyre ever built; combining immense strength and road gripping ability with handsome appearance

The tread rubber is tougher, more shock-resisting than ever before.

✳

Wider, flatter tread area grips *more* road for *more* traction, and wears more slowly.

✳

The improved All-Weather Tread—with its new Stop-Notches for quicker, safer stops—resists every direction of skid throughout the tyre's longer life.

✳

Handsome b[illegible]essed side-walls provide protection from kerb damage, and make cornering steadier than you've ever known.

DISTINGUISHED BY THE SILVER RING

You can trust GOODYEAR

FOR LONG LIFE AND LASTING WEAR

Tito Asks for the Tools

THE fact that Colonel-General Petko Dapcevic, Deputy Chief of Staff of the Jugoslav army, has made a stay in London does not indicate any change in his government's attitude towards closer links with Nato and the organisation of western defence. Last week, in an interview with the British United Press, Marshal Tito reaffirmed that Jugoslavia has not changed its attitude towards the Atlantic Pact and that it does not intend to do so. But this does not apparently rule out a close understanding with the Greeks. For Marshal Tito added that Jugoslav-Greek relations had improved so much that if there was an attack on the Balkans he believed that the two countries would take immediate measures for their joint defence. But Jugoslavia still fears the charge that it has lined up with western capitalism. Jugoslav leaders do not forget, and do not wish the west to forget, that they still have a Communist state; that, in spite of Soviet denunciations, they still try to maintain certain Communist principles; and above all, that Marshal Tito must keep the loyal support of his Communists. They believe that if Jugoslavia is attacked by the Russians or any of the satellite states, it would involve all Europe. Its best contribution to such a situation would be an army able and well equipped to fight the invader. Jugoslav leaders claim, and most foreign observers have confirmed, that the morale of the Jugoslav army is high in spite of the privations suffered by the country in recent years. They contend that, given equipment and aircraft of later date than those supplied hitherto, it could hold even the Danube plain until western forces were involved.

Military Advisers Refused

The same principle is being applied to Jugoslav relations with Turkey and Greece. There have so far been no signs of willingness to enter into any kind of regional pact. Belgrade also continues to refuse the offer of military instructors and advisers for the army. Most arms so far received are the same as those the Jugoslav army learnt to handle towards the end of the war. If it receives more recent equipment, then it is believed Jugoslavs can be sent to the west to learn its use. There are already a number of Jugoslavs in the United States under instruction.

This intransigent attitude has been maintained consistently and firmly in spite of considerable pressure, particularly from the United States, and the reasons behind it are not far to seek. Tito does not fear opposition from the right or from any non-Communists in his own country, but he cannot risk losing the support of his own Communist Party. His countrymen regard all staff talks as potentially more dangerous than useful. They have a characteristic supreme confidence in their own ability. In short, give them the tools and they will do the job—if necessary.

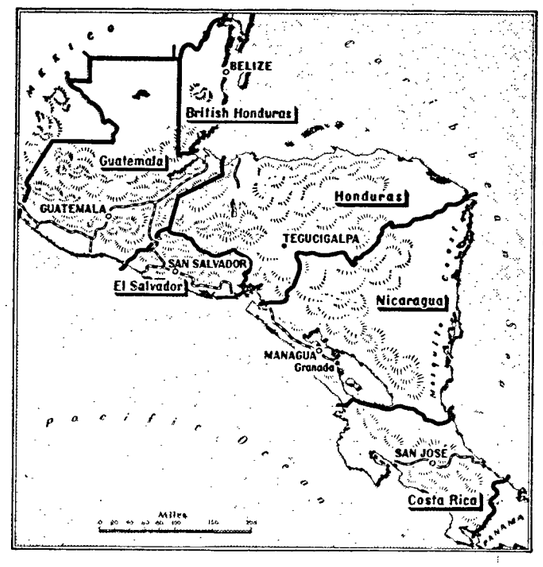
Central America—Five or One?

THE recent exchange of Notes between Britain and Guatemala amounted to a formal recognition that a new phase had begun in the old story of the little Central American republic's claims to the neighbouring colony of British Honduras. On both sides, the change has been brought about by federalist tendencies. British Honduras has been invited to join the proposed British West Indian federation; Guatemala has recently joined with its four neighbour republics in forming the Organisation of Central American States (OCAS). Last October, when the five governments were drafting this organisation, the small pro-Guatemalan faction in Belize appealed to them to support its opposition to West Indian federation. Guatemala, which carries its claims to the colony to the point of showing it as Guatemalan territory on official maps, responded to the appeal with enthusiasm; but to date it has been unable to extract from the other Central American states more than a cautious statement that their new unity would be "convenient" for the solution of the problem of British Honduras.

Whether this colony joins the West Indian federation is, of course, for its own legislature to decide. British Guiana has already declined a similar invitation. But the possibility of Guatemala's claims being backed by a united Central America lends some importance to the question of the degree of the five republics' unity. As yet their new organisation is purely consultative, and its chief practical objective is to free trade between its members. But the idea of a full-blooded federation has been mooted, with the support of the Nicaraguan government, which secured its discussion at the October conference. Is the new experiment in co-operation likely to lead to some closer form of union?

Jealous Separatisms Survive

If it does, it will completely reverse the dominant trend in this area. In the modern world, the division of the eight



million people of Central America into five separate states reflects a survival of jealous separatisms on a scale unknown in other continents since the fusion of the Italian principalities. Moreover, the differences between the Central American republics are more real than were those that divided the petty states of Italy or classical Greece. Guatemala is overwhelmingly Indian; most of its people live much as they lived before the Spaniards came, in self-sufficient communities based on maize, scarcely affected even by their own government. In Costa Rica a people mainly of pure European descent has created a prosperous smallholder economy largely based on export crops. The three other republics are alike in that their populations are predominantly *mestizo*, of mixed Spanish and Indian blood; but they have little else in common. El Salvador is a small but thickly peopled and well developed area clustered round a modern capital. In Honduras little more than a million people live

Aspects of Enterprise No. 16

SIMON ENGINEERING GROUP

This is the first of a further series of notes on the Simon Engineering Group. What it is: the many things it does: why it thinks them worth doing. Briefly, the Simon companies design and build capital equipment for many essential industries, from coal mining and steel making to flour milling. In doing so they share in the achievement of three aims: to enhance the efficiency and competitive power of British industry in world markets; to maintain the world reputation of British engineering; and to earn by exports the foreign exchange which the world pays for first-class British experience and skill.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD.
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

These facts are published to show what British workers can achieve in spite of difficulties, given opportunity and backed by enterprise.

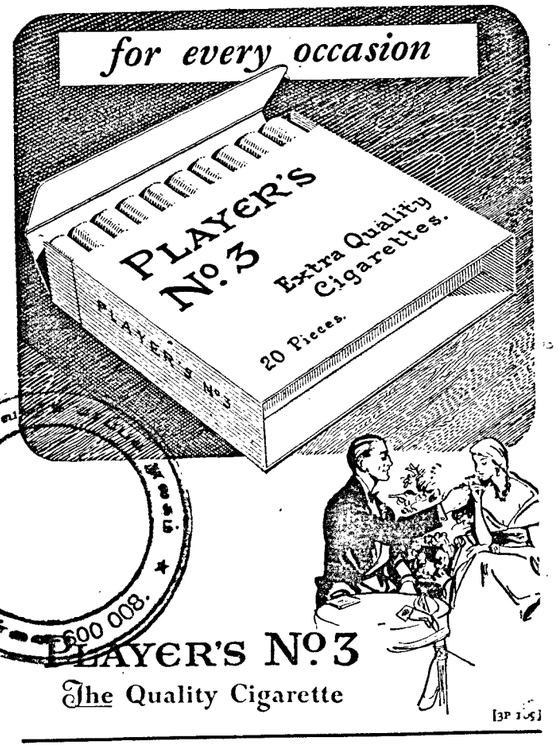
It can be done

At one of the biscuit factories of Messrs. Carr and Company Limited of Carlisle, a building was demolished and a new two-storey bakehouse erected in its place in 10½ days.

Starting on a Friday evening in August 1951, two teams of 35 men worked twelve-hour shifts—the night shift under floodlights. Construction was carried out over machinery which could not be moved and all materials had to be hoisted across existing buildings. The programme—worked out in advance to the last detail —was fulfilled in spite of bad weather. At 7.30 a.m. on the following Monday week the new bakehouse —a steel framed building with pre-cast concrete floor and roof and brick walls—was completed and in production. It was the spirit of those men who worked all hours and in all weathers that saw the job through

LAING

JOHN LAING AND SON LIMITED, Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka. Established in 1848



PLAYER'S No. 3
The Quality Cigarette

[3P 105]

Ascot produce first BALANCED FLUE GAS WATER HEATER

ASCOT 715
Balanced Flue
Multipoint
Gas Water Heater

This is a significant achievement, for the difficulties of applying the "balanced flue" principle to instantaneous gas water heaters had hitherto defied solution.

The important advantage of the new Ascot 715 is that the air intake and flue circuit are sealed off from the room in which the heater is installed, thereby eliminating downdraughts and vitiation of the indoor atmosphere. There are no visible flue-pipes either inside or outside the building.

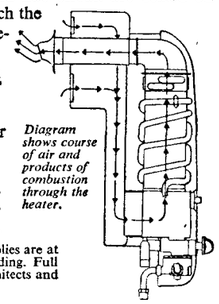


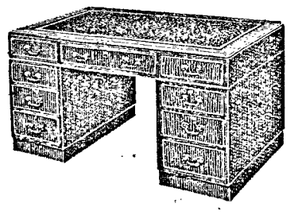
Diagram shows course of air and products of combustion through the heater.

Ten local authorities have already specified the Ascot 715 for their housing schemes.

ASCOT

As production is limited, supplies are at present restricted to new building. Full co-operation is offered to architects and all interested in new housing.

ASCOT GAS WATER HEATERS LTD., 43 Park Street, London, W.1



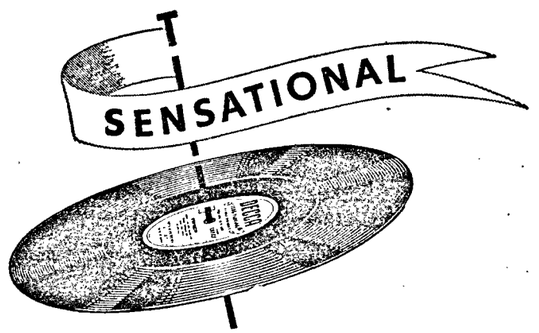
PRIDE OF PLACE . . .

Catesbys Desks are notable for their good design, their variety and quality of workmanship: They have captured to an unusual degree the preference of executives in commerce and industry. There is sound sense and good taste in choosing a

CATESBYS DESK

We shall be glad to send our representative or to submit a complete brochure of photographs portraying complete Office Furnishing and to welcome you in our model showrooms.
May we invite your inquiry to our Director of Contracts.

Catesbys Ltd., 64-67 Tottenham Court Road, W.1
Our only address. Telephone: Museum 7777



DECCA LONG PLAYING RECORDS

UP TO 50 MINUTES MUSIC ON ONE 12-INCH RECORD

This is Long Playing: Beethoven's Fifth Symphony, Grieg's Piano Concerto, Tchaikovsky's "Pathétique", "The Eroica", Gilbert & Sullivan's "Trial by Jury", The "Nutcracker" Suite—*each on one twelve-inch long playing full frequency range record.** Then the great operas: La Bohème, Die Fledermaus, The Mikado—*each on two;* Carmen, Butterfly, Tales of Hoffmann—*each on three;* Parsifal and Die Meistersinger *each on six.* Already there are 473 of these sensational 33⅓ r.p.m. Long Playing records, providing something for every musical taste—revolutionary in their playing time—transcending all others in their quality of reproduction—records which will never cease to thrill you, your family, and a host of envious friends. Decca Long Playing 33⅓ r.p.m. records may be played through your existing 78 r.p.m. radiogramophone or *a radio receiver* by the use of a Decca L.P. player costing from as little as nine guineas. The Decca Long Playing Advisory Panel (address as below) will gladly help you to choose the right one. Send the name of your instrument and its model number.

**Full frequency range recording is exclusive to Decca. It captures every musical frequency audible to the human ear, giving a brilliance of reproduction unobtainable by ordinary recording.*

The Decca 102 page L.P. catalogue, 1/6 from your dealer or direct from us.

LONG PLAYING 33⅓ RPM

DECCA ffrr

the world's finest quality record

THE DECCA RECORD COMPANY LTD., 1-3 BRIXTON ROAD, LONDON, S.W.9

in isolated communities across the face of a poor and rugged country the size of England. Nicaragua is equally empty and equally poor, but its people, unlike most of their neighbours, are lowlanders, bunched together in a central valley.

These differences have been perpetuated by geography. Barriers of distance, jungle and mountain have prevented any linking up between the small centres of population. The sea does not unite them, for in these tropical latitudes the coast is unhealthy and inhospitable, and all five republics have turned their backs on it; none of their capitals is on the sea. One result has been a striking divergence in political development. Costa Rica is one of the most democratic of Latin American countries; in Honduras, on the other hand, political consciousness hardly exists. Nicaragua, long torn between rival factions and twice in this century occupied by the United States at the request of a tottering government, has now been ruled by a typical Latin American "strong man," President Somoza, for fifteen years. In El Salvador conservative governments have maintained themselves without difficulty during the recent period of prosperity.

Coffee and Bananas

The largest of the five republics, Guatemala, which until 1944 was ruled by a small group of landowners and businessmen of Spanish or *mestizo* descent, has since become the most left-wing polity in Latin America. Its present government is dominated by the relatively small class of organised workers, chiefly *mestizo*, whose leaders play an active role in the Communist World Federation of Trade Unions. The government strenuously denies any connection with Moscow, but the tone of its propaganda and its encouragement of "partisans of peace" would suffice to show the closeness of its links with the Communist party even if some of its leading figures were not openly active in the party. However, anti-Communist feeling remains widespread in Guatemala, and there are signs that President Arbenz may have to make concessions to it soon.

Yet the Central American republics, politically and geographically divided as they are, share one characteristic: economic penetration from abroad. The region's two great export products, coffee and bananas, make all five states uneasily dependent on foreign markets, and particularly on the United States; and most of them are now trying to diversify their economies in order to lessen this dependence. But there is a major distinction between the two staples. While the coffee areas have been mostly developed by local planters, both great and small, the huge banana plantations are almost entirely the creation of foreign companies. Along the neglected and barely inhabited Caribbean shores of Central America, great areas of swamp and forest have been cleared and wholly new communities brought into being; their population consists largely of Jamaican immigrants, who constitute an alien element in all the republics except El Salvador. In the case of Guatemala the banana has even established itself on the Pacific coast, where, however, the local Indians have provided the labour.

US Interests Challenged

It is therefore hardly surprising that the brunt of the Guatemalan Government's "anti-imperialist" offensive is being borne by the United Fruit Company, the biggest of the American banana interests. This company is now reported to be seriously considering the abandonment of all its operations in Guatemala, owing to the impossibility of meeting the government's demands. If this step becomes necessary the blow to the economy of the country, which in 1951 exported nearly six million stems, will be very serious. In its efforts to squeeze the greatest possible concessions out of the United Fruit Company, Guatemala has undoubtedly aroused a certain reluctant admiration among its neighbours, who have watched the struggle with fascination and varying degrees of sympathy. But if its outcome is economic disaster, the other republics will draw the appropriate conclusions. The charter of the Organisation of Central American States does not oblige them to follow Guatemala's example by cutting the throats of the geese that lay their own particular golden eggs; nor are they likely to respond with enthusiasm to Guatemalan calls for joint action over British Honduras after such an object lesson. The tranquillity of the colony may thus depend on the extent to which Central American unity survives its first major test.

American Troops in Japan

THE American-Japanese Security Pact, which was signed at the same time as the Peace Treaty at the San Francisco conference, only provided a bare outline of the scheme for stationing American forces "in and around Japan." The details were left to be filled in by an administrative agreement between the two governments. This has now been negotiated and was signed on February 28th. It fixes Japan's contribution to the joint defence costs (which will amount to 17 per cent of the total budget in the next fiscal year), determines the base transport and labour facilities to be made available to the Americans, and provides for an extra-territorial military jurisdiction over American personnel, though the latter would be in future bound to respect Japanese laws. The agreement will require special legislation in the Diet to give effect to several of its provisions, and political observers in Japan expect stormy debates. The Socialist party, which opposed the ratification of the Security Pact, is expected to keep up its opposition to the particular legislative acts which it involves; while the Communists have concentrated all their resources of propaganda against it, representing the issue as one of patriotic, national resistance to permanent occupation and control of Japan by "imperialist" foreign troops.

A Parallel With Egypt

There is no doubt that the present Japanese government and its parliamentary majority regard the Security Pact as a good investment for Japan and wish to co-operate loyally in putting it into effect. Minister of State, Okazaki, who negotiated the administrative agreement, has declared that it involves no humiliation for Japan because, now that the free nations of the world have united and decided to pool their manpower, equipment and strategic facilities for defence, it is natural to station forces in the common interest wherever they are most needed. The question is whether this line of argument will, in the long run, carry conviction with a population which has so long been conditioned to respond to emotional nationalist appeals and has now recovered from the sense of helplessness which prevailed in the period immediately after the war. However willing the Yoshida Cabinet may have been to enter into the defence arrangement with the United States, the Americans may later on be confronted with a situation in Japan similar to that which Britain has had to face in Egypt over the defence of the Suez Canal.

The Japanese Communists are credited with plans for provoking incidents against Americans in the hope of forcing them to fire on crowds and then working on the national feeling thus aroused. It will not be easy to transform the American units from occupation troops into garrisons stationed by agreement on the territory of a friendly sovereign nation, and much will depend on the tact and foresight of the officer selected for the command of these garrisons.

THE BUSINESS WORLD

Rearmament and Engines

THE Prime Minister said in the course of the defence debate last Wednesday that "deliveries of modern aircraft are seriously behind the original programme" and he went on to announce that steps had been taken to advance the production of the newest types of fighters. The Vickers and Hawker fighters, to which he made special reference, are due to come into production late this year, and orders will presumably be placed for the new de Havilland and Gloster all-weather fighters more rapidly than was first intended. Mr Churchill's statement implied that much of the delay in re-arming the Air Force is due to the tardiness with which new types have been ordered in the past and to the smallness of those initial orders. Had they been placed earlier, the prime cause of the present slow rate of deliveries—namely the shortage of workers—might to some extent have been avoided. If, however, the granting of "super-priority" speeds-up the rate of aircraft production, then other causes of delay, that are today of secondary importance, will have to be taken into account. A case in point is the production of aero engines. Progress during the past year gives no grounds for complacency. If a shortage of labour last year in the Preston factory of English Electric Ltd. had not led to setbacks in the production of the Canberra bomber there, deliveries of these aircraft to the RAF would almost certainly have been held up for want of engines.

The reduced output of Avon engines does not stem from lack of labour; this shortage is less important in engine production than in other aircraft factories. In a recent memorandum from the Ministry of Supply to the Select Committee on Estimates, it was stated that by the end of 1951 the air rearmament programme (including components but excluding radio equipment) was 15,000 workers short of the number needed to meet production schedules. The air-frame manufacturers, who were employing 81,000 men at the end of November, would have needed a further 6,400 workers, but the engine manufacturers, employing 45,600, were then only 2,100 workers short of their requirements. This small shortage of labour had no direct effect on the rate of engine production. The White Paper on Defence stated further that 50,000 extra workers would have to be recruited by March, 1953, if the industry was to meet the revised and more modest rearmament programme for this year and next. But of this total, probably not more than 11,000 are needed for the engine factories where, moreover, much of the work is machine minding that can be done by unskilled workers, including women.

The cause of delay in engine production lay rather in the shortage of certain important engine components that are produced for the most part by companies outside the aircraft industry. The critical components are the blades for engines with axial compressors. The Society of British Aircraft Constructors, in its memorandum to the Select Committee, has stated that "it has been found necessary to limit the number of Avon engines which can be produced in 1952 entirely due to the limitations imposed by the supply of compressor blades."

★

At the moment, the Canberra is the one Avon-powered aircraft in production, and the engine is being made only at the Rolls-Royce factory at Derby. By the end of the year the tooling up of four new production lines for Avon engines will either be finished or nearing completion. One is at the new Rolls factory being built at Glasgow; the other three will be in factories belonging to the Bristol Aeroplane Company, to Napier Ltd. and to the Standard Motor Company. The other axial compressor engine now in production is the turbo-prop Mamba produced by Armstrong-Siddeley, and used in certain naval aircraft, while the same company's axial jet Sapphire, an alternative to the Avon, will shortly be in production. This gives some indication of the increase in axial engine production that is expected by the end of the year. Within the period covered by the Air Estimates, engine deliveries of all types are expected to rise in value from £23 million in 1951-52 to £41 million in 1952-53. The average price of a jet engine is £6,000 to £8,000.

★

Since production of compressor blades has failed to keep pace with the modest engine production schedules of 1951 and the greater part of 1952, it may be pertinent to ask whether it will be able to meet a five-fold increase in blade requirements by the end of the year. The difficulties involved go deeper than the provision of extra tools and factory space; they involve a re-assessment of the technique by which these blades are now made. An axial compressor is built up of 2,000 rotor blades ranging from 3 to 15 inches high. Their efficiency, and from this the performance of the engine, depends on their manufacture to a complex aerofoil shape that it not easily reproduced in quantity. When the number of blades needed was small, about 20,000 a month, they were rapidly and accurately produced by die-stamping. One company, High Duty Alloys Ltd., specialised in this type of work, and Rolls-Royce has also produced small quantities of blades. Each set of finishing dies can produce 3,500 to 5,000 aluminium blades after which it loses accuracy and needs re-facing. When harder materials are used, as they are in many sections of the compressor, the life of the dies is proportionately reduced until, in working stainless steel, a set of dies makes barely 500 blades. At the peak of the rearmament programme, engine manufacturers might need, in round figures, a million blades a month—some authorities, indeed, would double this estimate. Die-making is a slow process that involves considerable hand-finishing, and it is recognised as impracticable to provide enough dies by such methods for blade production of this order.

The Ministry of Supply plans to meet part of its requirements by other means. High Duty Alloys, which has already achieved a five-fold increase in output from existing capacity during the past twelve months, will continue to die-stamp blades at its existing plants and at a new factory now being tooled-up in Cumberland; about 40 per cent of total requirements will be produced by this method. Other factories are tooling up to die-stamp "over-sized" blades, getting many more per die and finishing them to form on special machines. This is less easy than it sounds, because the machining of these blades presents special difficulties that are without precedent in machining experience. The fact that the Ministry has ordered four or five different types of machines, some British and some American, suggests that it has not reached final conclusions about them. Most of these machines have been designed either within the aircraft companies, or by machine tool makers, which has led some observers to wonder whether the solution to rapid and accurate blade machining is not more likely to come from the one or two small companies that specialise in blade production and that have their own highly individual methods of working. Only one of these companies has so far been able to agree with the Ministry on terms. But however satisfactory the machines may be, it remains in principle wasteful of resources and manpower to produce components needed in these quantities by methods that involve so many separate operations.

Whatever the developments that may eventually be made in blade-producing technique, the supply of blades during the rearmament period appears to rest on a number of assumptions that have yet to be demonstrated as realistic. The first is that sufficient dies can be produced to make possible the accurate die-stamping of several hundred thousands of blades a month and that there will be in addition a further supply for the preliminary rough forging of these blades and of a large proportion of the balance. This is an optimistic but not an entirely unreasonable assumption. The Ministry's programme further assumes that the tools and machines will be delivered on time for the new blade factories, but the work on the plants is already some months behind and the rate of deliveries suggests that further delays are likely. But the biggest gamble is undoubtedly the assumption that the new blade-finishing machines will meet expectations. If any one model fails to do so, it may not be possible to obtain an equivalent quantity of precision-stamped blades.

★

Production of these particular components therefore does involve a particular risk to air rearmament, but only to the extent that this depends on axial engines. Rather more than half the engines that will be produced in the present programme, the de Havilland Ghost and the Rolls Royce Nene and Derwent, have centrifugal compressors. These big, vaned discs can be machined without trouble by standard profiling methods, and there is no reason to expect that supplies of such engines will fall below expectations. A change in policy, involving a shift in production to the newer, axial engined fighters might, however, change these proportions and so increase the demand for compressor blades.

The views on this question of as authoritative a pioneer in gas turbine development as Sir Frank Whittle cannot be ignored, despite the Minister of Supply's statement this week that "I do not consider that his criticisms call for any changes in our development policy." Much of Sir Frank's dissatisfaction with engine development in this country has been over the cessation of all research on the centrifugal compressor. The value of such further research in Russia has been demonstrated in Korea. The size, and the fuel consumption of a centrifugal engine is higher than that of an axial engine of the same power, and no British airframe designer would contemplate using such an engine today, even if one of sufficient power was in existence. But evidence obtained in Korea of the vulnerability of the axial compressor to damage from ice, debris and cartridge cases has led a number of experts to revise their opinion of the value of axial engines, for casualties from these causes have been high. Debris guards are hastily being developed, but if these keep out particles, it follows that they also reduce the flow of air to the engine, and therefore affect its efficiency. Many of the experts now remember that under similar conditions the centrifugal compressor acts as a mincing machine.

★

In spite of its technical superiority to the centrifugal engine, the axial engine does have certain major drawbacks; and even though its superior performance appears conclusively to outweigh them, Sir Frank's arguments cannot be dismissed as lightly as many in the Ministry and the industry would dismiss them. His recent successful petition for the extension of a patent did, moreover, bring to light further evidence to justify his attitude. This patent was old, dating back to the first jet engines. It related broadly to methods for pre-compressing the air before it reached the main engine compressor. Raising the compression ratio in this way leads to a big drop in fuel consumption. Since the high fuel consumption of the jet engine severely limits the range of the aircraft, this is clearly of great importance, and in particular to bombers. Work was started on this design by Power Jets Ltd. when the company was still permitted to carry out active development. But in 1946 when it was turned into a patent-holding company, and its research functions were taken over by the newly established National Gas Turbine Establishment, the work stopped and does not appear to have been resumed until some years later.

Security makes it difficult to obtain all the facts necessary to form a balanced opinion of jet engine development in this country, but this at least seems clear. Remarkable engines have been designed, but apparently without much consideration about putting them into production. Blades, for example, might have been designed from the start in a way that made it possible to produce them by less extravagant methods. Moreover, the development of other, possibly more important, engines appears to have been needlessly delayed. Nor has it ever been explained satisfactorily why the man who was responsible for developing the jet engine has held no post connected with engines since he resigned from a post in the Ministry of Supply in 1948. Much of the value of his original work lay in designing a jet engine that could be put into production several years ahead of any others then being developed. Such an advantage would be immensely valuable today.

Business Notes

The Tightening of Credit

The latest figures from the clearing banks, those for the February make-up, give the first clear measure of the extent to which the new monetary discipline is restraining the creation of credit. They make it plain that the restraint has developed more quickly than had generally been expected. Paradoxical though it may seem at first glance, the demonstration of this has to be sought rather in the behaviour of bank advances and investment portfolios than in the trend of bank deposits—despite the fact that net deposits showed a record fall of £262 million in the five weeks to which the statement relates. The whole of this spectacular decline was attributable to the Government's big seasonal surplus of revenue, and to the fact that the cash thus made available for the customary repayments of governmental indebtedness to the banking system was strongly reinforced by the accrual to the Treasury of the sterling counterpart of the heavy deficit that Britain is still running on the external balance of payments. But although this explains the month's decline in deposits, it does not explain why the decline was £54 million greater than the similar movement in February, 1951. Rather unexpectedly, the whole of this difference appears to have been attributable not to any increase in the rate of Government repayments to the banking system, but wholly to the effects of the new monetary policy upon the private sector of the national economy.

During the five weeks to February 20th, bank advances rose on balance by £21 million, in contrast with increases of £62 million and £39 million in the comparable periods of 1951 and 1950 respectively—in each of which periods, however, demands upon the banks were reflecting a steep rise in import costs. For this reason, not all of the slackening of the rise in advances ought to be attributed to the toughening of bank lending policies ; but a glance at the trend over the past three months demonstrates very clearly that this has been a powerful influence.

* * *

Trend Over Three Months

In the three months from November 21st, aggregate bank advances have risen by only £8 million, whereas in each of the comparable periods of 1950-51 and 1949-50 they rose by over £90 million and in 1948-49 (probably a better basis for comparison) by £52 million. This is a pronounced change of trend, for although it is possible that repayments of bank advances out of the proceeds of new issues have been particularly heavy this year, there is no doubt that the banks have had to meet further increased demands from the nationalised public utility industries. At the same time, the restraint of credit to the private sector of the economy has been working in yet another way. The pressure upon bank liquid assets that has induced the marked toughening of lending policy has also led the banks to sell investments. In the past month the aggregate investment portfolio shrank by a further £11 million (though this further reduction was attributable to the actions of only four of the eleven banks). In consequence, investments and advances combined rose by only £10 million during the month, in contrast with £76 million in February, 1951, when the banks were adding to their investment portfolios. This contraction in the demands from the private sector more than accounts for the steeper fall of deposits during the month, so that the repayments of governmental indebtedness actually appear to have been slightly smaller than in the similar period last year.

Naturally, these repayments have caused a steep fall in the banks' liquid assets, since only £51 million of them could be concentrated upon the small residue of Treasury deposit receipts (clearing bank holdings of which had been reduced to only £14½ million by the make-up date). In consequence, holdings of cash, call money and bills have dropped by £217 million, compared with a decline of £189 million in February, 1951, and the liquidity ratio has declined from 33.7 to 31.8 per cent, its lowest level since the launching of the new monetary policy. The change in the ratio of "risk" assets (advances and investments combined) has, of course, been still more marked ; it now stands at 65.8 per cent, compared with 62.3 per cent in January and 55.7 per cent last October.

* * *

Industrial Output Sinks

Industrial output in January appears to have been very slightly lower than a year before, thus continuing the trend of the last six months, in which the increase in production began to shrink and eventually vanished entirely. The official index for January is expected to come out at 139-140, compared with 137 in December and with 141 in January, 1951.

Complete figures for last year show that in fact an increase of only 2.7 per cent over the average for 1950 was achieved ; against the forecast of a 4 per cent rise (though it must be noted that the official index has recently a rather more unfavourable picture than does the unofficial London and Cambridge index). The official index suggests that in the manufacturing industries output rose by only 3 per cent over the year, compared with its annual increases of roughly 10 per cent during the previous three years. Mining was the only major industry in which production rose more rapidly than a year earlier. Since the industrial labour force continued to rise at much the same rate as in recent years—about 2 per cent each year—Whitehall now agrees that there was no significant increase in productivity. During a period of increasing shortage of raw materials, and of under-employment of labour before inactive industries began to be pressed by costs to dismiss workers, that was perhaps to be expected. The present outlook for supplies of metals, and for orders for consumer goods, suggests that the current stagnation in output must be expected to continue for some months. No appreciable improvement can be counted upon before the second half of the year, when steel at any rate should be more plentiful—and when, less certainly, demand for textiles may revive.

INTERIM INDEX OF INDUSTRIAL PRODUCTION (1946=100)

	All Industries	Mining and Quarrying	Total Manufacturing	Building and Contracting	Gas Electricity and Water
1947	108	102	109	111	103
1948	121	110	123	122	109
1949	129	113	132	127	113
1950	140	114	146	133	120
1951 (prov.).	144	118	150	130	127

* * *

Britain's EPU Deficit Declines

The customary unofficial but trustworthy advance information of the latest European Payments Union settlement, that for February, has come from Paris this week. It reveals no change in the basic position, that is in the domination of the position by two major debtors, France and the United Kingdom. Some comfort is, however, to be drawn from the indication that Britain's deficit for February has been reduced to $75 million or about half the January figure of $151.4 million. Even this reduced deficit will have involved a substantial gold loss—roughly $60 million—since the United Kingdom is now in the fifth tranche of its quota with EPU and settles additional deficits to the extent of 80 per cent in gold. The reduction of the United Kingdom deficit with Europe is in part due to the first though still modest effects of the import cuts decreed last November. It is also the reflection of substantial purchases of sterling area commodities by France, where such imports have been made as a hedge against the growing risk of a devaluation of the franc. The improvement in the British position is, therefore, to some extent the counterpart of a further deterioration in the French deficit, which on preliminary indications appears to have amounted to $143 million in February. This, after allowing for gold payments, will bring France's total deficit with EPU to around $430 million, leaving a margin of only $90 million before the quota of $520 million is exhausted and France is brought to a point at which further deficits with Europe will have to be settled 100 per cent in gold. There are reports from Paris that this position is in fact on the point of being reached and that France will ask for special help from EPU just as Germany did when it found itself in a similar position towards the end of 1950.

While France and Britain continue to dominate the debtor side of the position, Belgium remains an inveterate creditor. Its surplus for February was slightly over $40 million. Of this, under the special arrangements made with that country, the first $20 million will be covered by gold payment and the balance will be added to the credits granted by Belgium to EPU. The fact that so many members of EPU are at or near the limit of their quotas emphasises the need for a considerable revision of the agreement before its present span of life expires on June 30th next. The Managing Board of EPU considered the whole position at a recent meeting and is now preparing a report for consideration by the Ministerial Council of the Organisation for European Economic Co-operation towards the end of this month.

* * *

Increased Steel Allocations

As had been expected, Mr Sandys was able to say this week that the amount of steel allocated for the second quarter of this year showed "a very slight increase." Details of these second allocations have now reached consuming industries ; and so far at least protests have not been vociferous. Though he fofecast that imports of steel should rise considerably in the third and fourth quarters as the American steel begins to arrive, Mr Sandys refused to make prophecies about the amount of future allocations. In the debate, Mr Strauss found it politically convenient to doubt rather sourly whether all the American steel promised would arrive ; whether it might not be of types that Britain does not need or "would find it awkward and inconvenient to feed into our steel industry" ; and whether Britain might not receive only "the surplus that the Americans do not want" without any say in the types it was sent. He produced no evidence to support these doubts ; nor did Mr Edelman in his contention that the Prime Minister had "bought a pig in a poke." It would no doubt be preferable, as Mr Jack Jones suggested, to obtain steel-making materials and keep British furnaces busy. But some of the critics need reminding that America is not trying to find customers ; Britain has been trying to find steel.

Adjustments have been made in the allocations that aroused most protest in the first period of this year, but the Ministry presumably still lacks an up-to-date statistical basis for its sharing of steel. The figures of deliveries by industries under the ægis of Government departments ceased to be taken in 1950, and new ones cannot have been ready in time for the allocations this month. The more generally useful statistics of deliveries that the British Iron and Steel Federation has published in the meantime have ceased ; and henceforth the figures even on the clumsy departmental basis are to be published only once a year. The Federation's figures for 1951, incidentally, bear out its earlier estimate that steel consumption last year would be little more than in 1950: deliveries totalled 10,789,000 tons, compared with a consumption of perhaps 10,725,000 tons in 1950. For 1952 the Federation's own estimates would suggest that 11,200,000 tons of finished steel would be available ; but the recent White Paper on Defence suggests that the total may in fact reach 12½ million tons of finished steel. Of this, it estimates, rearmament production will require a million tons (which suggests that munitions requiring large amounts of steel quickly, such as shells and bombs, may play a big part in production this year). Whatever the validity of the various estimates, the British economy seems certain to receive more steel by the end of this year than at any time except some of the peak war years ; but until the imports that will cover the margin begin to arrive, that is small comfort for consumers living from hand to mouth.

* * *

The Rise in Unemployment

Sir Walter Monckton's opinion, expressed in the manpower debate this week, that unemployment figures for the middle of February, which will not be published for nearly a fortnight, will be "somewhat higher than for those of January," no more than confirms outside expectations. Common sense would suggest that the upward trend will continue for some time, though Mr Robens's prediction of "a million unemployed" by the end of this year probably takes extrapolation too far. The most important non-seasonal factor in the increase in unemployment by the middle of January, after all, appears still to have been the textile recession—not the shift towards defence production from other industries that are short of materials. Unemployment of men in January was the lowest for any January since 1946 ; the general increase was entirely due to the growth in unemployment of women, 162,000 being unemployed in comparison with 103,000 in January, 1951, and 107,000 a year before. Of the growth of 193,000 in total unemployment between July last year and January, 59,000 came from rising unemployment in the textile and clothing industries. When—and indeed whether—a complete recovery in demand for textiles can be expected is debatable. But it would seem too gloomy to write off some seasonal improvement this spring, which should—eventually—offer their former jobs back to some of these women workers.

The anxiety expressed by members for constituencies where unemployment has increased disproportionately was understandable: but some of the general anxiety about Sir Walter's Notification of Vacancies Order seemed to arm that innocuous and probably ineffective measure with powers that it does not possess. The Minister put it into perspective by saying that the main effect expected was to bring within the knowledge of the employment exchanges the fairly large proportion of workers—perhaps 30,000 out of a total of 80,000 a week changing jobs—who have been finding new jobs upon their own responsibility. The persuasive powers of the exchange officials can thus be brought to bear upon all the workers who leave jobs. Sir Walter's—and Mr Robens's—faith in the efficacy of a Labour Supply Inspectorate, to scrutinise firms' demands for labour and suggest ways in which the additional output required could be achieved with the fewest possible extra workers, is hard to share without more evidence. The new system, indeed, may assist in oiling the turnstiles for labour that already appears to be moving in roughly the right direction. But its positive powers hardly justify any fears ; nor, unfortunately, any confidence that it will bring about the desired shift fast enough.

Signs of Life from IMF

In the early days of February an unusually important meeting of the Executive Board of the International Monetary Fund took place in Washington at which fundamental issues of policy were considered. What was at stake at this meeting was nothing less than the role that the IMF might be called upon to play in meeting the balance of payments difficulties that now face a very substantial sector of its membership. The executive directors of the IMF had to consider first the question of the ban placed on the sale of dollars to member countries in receipt of other forms of dollar assistance from the United States. Marshall dollars have now ceased to flow and have been replaced by dollars made available through the Mutual Security Agency. These are linked more specifically to military aid and cannot be said to offer direct assistance to the civilian economies of the countries concerned. In these circumstances should the ban on IMF sales of dollars to recipients of MSA aid continue? That was one of the basic questions to be discussed.

The other concerned the interpretation of the conditions on which the IMF should make its assistance available to member countries. This involved a partial resurrection of the old controversy between the two schools of thought that respectively support and oppose the principle of "automaticity" in the access of members to the facilities of the fund. This dispute goes back to pre-Bretton Woods days and it is unlikely to have reached final settlement at this latest debate. It would appear, however, that some agreement was reached in favour of diluting the somewhat abstract and "theological" considerations regarding the position of any applicant for help that the IMF, largely under United States pressure, has hitherto regarded as the proper criteria on which to judge applications for such assistance.

As a result of this meeting, a new set of "instructions" is said to have been issued to the Managing Director. It is to be expected that on the basis of this the IMF may in the relatively near future spring back to life once more. On this assumption, and if the United Kingdom government wishes to avail itself of these new facilities, it could over the ensuing twelve months secure from the IMF dollars equivalent to a further 25 per cent of its quota, or around $300 million. If other members of the sterling area, which are also independent members of the IMF, similarly exercise their right to draw the maximum quota of dollars from the fund over the next twelve months, a further total of over $200 million could be mobilised. This might prove a welcome means of overcoming the serious decline in the gold and dollar reserve of the sterling area that appears inevitable over the next few months—but resort to this short-term help would be justified only if the longer term measures designed to ensure the solvency of the sterling area, not least among them the forthcoming British budget, reveal the necessary measure of vigour and courage.

* * *

Building Societies on the Brink?

It now seems clear that, once budget uncertainties are out of the way, the Building Societies Association will have to look again at its recommendation of last November that interest rates should not be raised above the 2¼ per cent dividend on shares and 4 per cent charge on mortgages that is still the norm throughout the movement. In his address at the annual meeting of the Abbey National Society last week, Sir Harold Bellman argued that the present pattern "embodies substantial justice" to both shareholding and borrowing members, but emphasised that the board "is closely watching the trend in interest rates and will feel free to make any adjustment which is clearly required."

Meanwhile, one of the reasons for the Association's "standstill" recommendation of last November emerges from some estimates in the current issue of the *Building Societies' Gazette*. As shown in the accompanying table, the *Gazette* estimates that shareholders put £96 million of new money into the movement last year; thanks chiefly to the continued buoyancy of this form of saving, building societies were able to increase their mortgage lending by some £101 million and to increase their other assets by £3 million in 1951. It is true that the book value of investments, which the *Gazette* estimates to have fallen by £5 million, now

BUILDING SOCIETIES IN 1951

	1949	1950	1951*	+ or −* in 1951
Liabilities :—	(£ mn.)	(£ mn.)	(£ mn.)	(£ mn.)
Balance due to shareholders	856	962	1,058	+ 96
Balance due to depositors	202	205	208	+ 3
Bank loans, other liabilities and provisions	17	17	18	+ 1
Reserves	67	71	75	+ 4
Total liabilities	1,142	1,255	1,359	+104
Assets :—				
Balance due on mortgages	954	1,050	1,161	+101
Investments	146	150	145	− 5
Cash and other assets	42	45	53	+ 8
Total assets	1,142	1,255	1,359	+104
Receipts and payments :—				
Mortgage repayments	198	206	210	+ 4
Advanced on mortgage	276	270	269	− 1
Number of accounts :—	(million)	(million)	(million)	(million)
Shareholders	2·18	2·26	2·38	+0·12
Depositors	0·63	0·65	0·62	−0·03
Borrowers	1·44	1·51	1·57	+0·06

* Estimates by *Building Societies' Gazette*.

probably exceeds current market values—Sir Harold Bellman revealed last week that the book value of the Abbey National's holding of British Government securities (at approximately £13½ million, all in dated stocks) exceeds market values by £654,000. But the movement has recently built up strong published reserves against this depreciation of investment values, and when the Association met last November it did so against a background of such apparent radiant health that it is easy to see why it yielded to the temptation to recommend members to leave well alone.

* * *

New Pressure on Borrowing Rates

There were three other factors that may have reinforced the building societies' traditional propensity towards stability of rates last November. First, they may have believed that the Conservatives' more sympathetic attitude towards home ownership would open up an expanding market for mortgage lending, provided charges were kept low. Secondly, the influx of funds into the movement was then approaching its height; it must be remembered that last year's good record was achieved despite quiet business early in the year—when the movement suffered somewhat from the more attractive terms offered on national savings certificates. Thirdly, the improvement in the supply of savings last autumn was being reported from all over the country; thus the Halifax, the giant of the North, expanded its total assets by £11.7 million, to £177.2 million, in 1951, while the Abbey National's assets also expanded by £14.5 million, to £136.6 million.

Since November, however, outside interest rates have risen further than some leaders of the movement may have expected; in his address at the annual meeting of the Co-operative Permanent Society last week Mr Harry Score dwelt at some length on the proper relationship between building society and other interest rates. In consequence a number of societies—led by the Co-operative Permanent, the Temperance Permanent and the Scottish Amicable—have broken away to a higher range of rates based on a 2½ per cent disbursement on shares and a 4½ per cent charge on mortgages. Finally, from next month, the Inland Revenue is going to assess the surtax payer on grossed-up instead of net receipts of building society interest—for tax purposes

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged
THE BANK OF AUSTRALASIA LIMITED
(Established 1835)
THE UNION BANK OF AUSTRALIA LIMITED
(Established 1837)

ABRIDGED STATEMENT OF ASSETS AND LIABILITIES
(EXPRESSED IN AUSTRALIAN CURRENCY)
30th SEPTEMBER, 1951

Liabilities	£A.
Capital, paid up	10,667,500
Reserve Fund and Profit and Loss Account Balance	8,337,372
Current, Deposit and other Accounts	373,596,221
Acceptances for Customers	21,484,016
Confirmed Credits, Guarantees, etc, on behalf of Customers	61,206,514
	£A.475,291,623

Assets	£A.
Coin, Bullion, Notes and Cash at Bankers	36,475,775
Cheques of, and Balances with and due from other Banks	13,804,835
Investments at or under Market Value	15,043,738
Special Account with Commonwealth Bank of Australia	100,083,000
Bills Receivable and Remittances in Transit	55,172,368
Loans and Advances to Customers and other Accounts	168,978,163
Liability of Customers for Acceptances	21,484,016
Bank Premises and other Fixed Assets	3,043,214
Liability of Customers and Others on Confirmed Credits, Guarantees, etc	61,206,514
	£A.475,291,623

HEAD OFFICE
71 CORNHILL, LONDON, E.C.3

BAYERISCHE VEREINSBANK
ESTABLISHED 1869

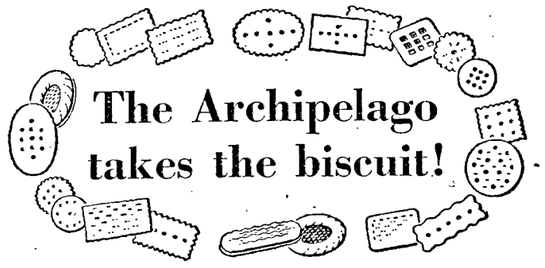
Every description of National and Foreign Banking Business transacted

Munich Office: **14 Promenadestrasse**
Cable Address: "Vereinsbank" Phone: 28401. Telex No. 063/603

Nuremberg Office: **21 Lorenzerplatz**
Cable Address: "Bayverein" Phone: 27741. Telex No. 06/2217

Augsburg Office: **37 Maximilianstrasse**
Cable Address: "Vereinsbank" Phone: 4681. Telex No. 067/20

Offices and Branches all over Bavaria
Correspondents throughout the world



The Archipelago takes the biscuit!

A manufacturer of biscuits, anxious to expand his export trade in dollar markets, had heard that Colombia had recently relaxed its ban on the import of these goods. "Can you confirm this?" he asked.
Reference to Colombian Decree No. 1141 of 22.5.51 provided an immediate answer. Imports of biscuits, though still prohibited on the mainland, could be accepted on the Colombian Archipelago of San Andrés y Providencia. From no other source could our client have obtained such quick and detailed information.

THE ADVANTAGES OF BEING HERE AND THERE

As the only British Bank with branches throughout Latin America, we can offer you special services—either direct or through your own bank. These services are set out clearly and concisely in our booklet "The advantages of being here and there". We shall be glad to send you a copy on application to:—

The Research Department
(SECTION 34)
BANK OF LONDON & SOUTH AMERICA LIMITED
HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 19 SUNBRIDGE ROAD MANCHESTER: 36 CHARLOTTE STREET

he is going to be assessed as receiving 4.3 per cent instead of 2½ per cent per share. It remains to be seen how far this is going to make it necessary for societies to put a juicier bait on the savings hook—and to pass the burden on to both new and existing mortgagors.

* * *

Quality *Sans* Utility

Since the report of the Douglas committee on purchase tax and utility schemes was published two weeks ago, the Board of Trade has held a series of meetings with representatives from the industries most closely concerned in an attempt to devise a quality mark to replace the old utility sign. The Douglas report has effectively demolished the fiction that the utility mark gives any indication of the quality of the goods that bear it, and this task might, therefore have been considered unnecessary. But only a minority of people will ever read the report thoroughly; and when the utility schemes are dropped the Board of Trade can be certain of attacks from the Left on the grounds that it is abandoning the principle of a guaranteed minimum quality.

The Douglas committee suggested that industries should be encouraged to draw up minimum standards in co-operation with the British Standards Institution, but the BSI moves at a snail's pace; and the Board of Trade needs to have a scheme ready, at least in outline, by Budget Day. Some method of describing wool cloth could probably be introduced at short notice; much of the ground-work has already been covered during negotiations on the more controversial question of wool labelling. This, indeed, would be a big advance on the utility scheme, which did no more than define wool cloth as any containing more than fifteen per cent of wool. Minimum standards for cotton and rayon too, would certainly be easy to devise, although they might be too technical to have much meaning for the consumer. Made-up goods like clothing and furniture present greater practical difficulties; here work done by the Clothing Development Council might be used as a basis for agreement.

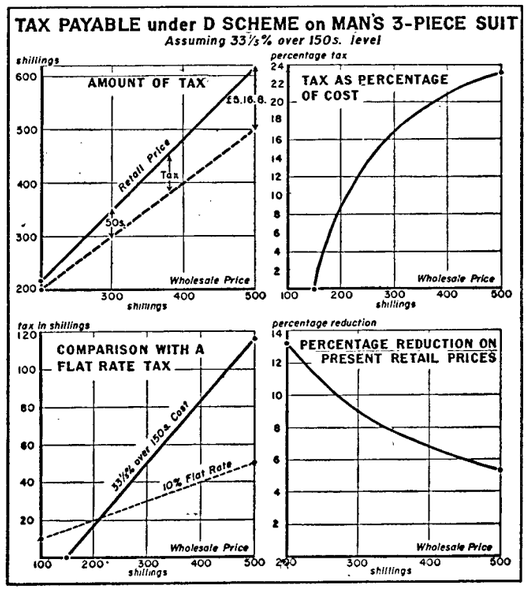
Whether these proposals would in fact prove any more effective than the utility schemes has yet to be demonstrated. The level of quality is more likely to be protected by competition between the producers. Standards of quality have not declined, as they might have been expected to do, as utility controls have been relaxed in the last year. Given the present temper of the home market, such competitive pressure is likely to have much more influence than all the ingenious proposals now being discussed.

* * *

Tax under the "D" Scheme

The effect that the Douglas report's recommendations would produce on the market for the higher quality textile goods is causing concern in this section of the clothing industry. The sale of these goods was actually encouraged under the utility schemes because the slight difference in quality between an article that could be made to sell at maximum utility prices and one that was a little more expensive was not big enough, in the eyes of the consumer, to justify paying the full rate of purchase tax on the non-utility article. The "blind" spot was a frequent object of criticism in the general trade; but it did give the producers of the highest quality goods a special chance to attract the more discriminating home customer. The committee's recommendations would reverse this position by reducing the amount of tax payable by goods just above the tax-free limit, but leaving the sum paid on higher quality clothing almost unchanged.

The following charts, which have been prepared by a manufacturer of high-grade clothing, show how this, in effect, increases the comparative burden that tax imposes on the quality article. On the rough assumption that the tax-free limit for a man's suit is fixed at 150s., and if the rate of tax remains at 33⅓ per cent as the committee suggests, a 200s. suit bears only 16s. tax, but a 500s. suit bears £5 16s. 8d. tax; at present the expensive garment bears only the same percentage tax as the cheaper. In the same way the tax payable represents 8 per cent of the cost of a 200s. suit, but nearly a quarter of the cost of the 500s. garment. If a flat rate tax of 10 per cent had been recommended, which would



bring in the same revenue as the scheme proposed by the committee, then the 200s. garment would still pay less than 20s. tax, while the dearer one would pay only 50s.

The effect of the D scheme on retail selling prices is to reduce the price of the 200s. suit by more than 13 per cent, and that of the 500s. suit by less than half that percentage. The committee apparently argued that such quality goods did not stand in need of tax relief because they have a home market whatever their price. Few producers of such goods would agree with this contention, and they have good reason to believe that their small home market would contract still further were the scheme to be adopted. These are among the manufacturers of clothing as well as piece goods who do a considerable export business; the clothing manufacturer referred to above has sold £1 million worth of goods in the highly competitive United States market since 1939, although his total labour force is less than 400. Goods of this standard are frequently the only kind that can be exported to markets like those in North America, where lively home industries are further protected by steep tariff barriers. They have, therefore, more than a prestige value, and might well expect a measure of relief at least equal to that proposed for other non-utility producers.

* * *

British Motor in Embryo

The Morris-Austin merger has been brought a step nearer completion by the incorporation of the British Motor Corporation Limited, the new holding company, and by a proposal to convert all the prior charge capital in the two companies into 5 per cent £1 cumulative preference shares in the new corporation. The whole of the amalgamation

NEWS FROM THE FISHING INDUSTRY

The problem of fishing the near waters

It is the waters within a few hundred miles of the British coast that contain the choicest varieties of fish such as sole, turbot, plaice and hake. Here lie the traditional fishing grounds of Britain. In 1939 they showed signs of being gravely overfished, but immediately hostilities opened, many grounds were closed and, in a world at war, the fish were left to breed in peace. 1946 and 1947 provided bumper landings from these rested waters, then, again, the decline set in. Today we are back where we were in 1939.

As a result an extra burden is thrown on our distant-water fleet, but a burden which, thanks to the abolition of controls, they have borne well. Once more trawlermen have personal incentives to seek new fishing grounds . . . to search for fish more vigorously and more widely. Thus from the Arctic Ocean, the White Sea approaches and coastal waters of Africa come thousands of tons of fine fish to make good the lighter hauls from nearer home.

British Trawlers know their job!

Issued by the British Trawlers' Federation Limited.

it's only fair to warn you *. . . that the new Sobranie Straight Cut Virginia will make you a confirmed smoker for life. There'll be no turning back — its smooth smoking, its inimitable flavour will captivate you. Here is Sobranie's age-old tradition happily wedded to the Virginia vogue of today.*

* * *

SOBRANIE
straight cut virginia

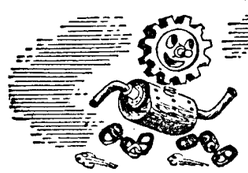
Hold on to SCRAP and you hold up STEEL PRODUCTION

Search out every ton of scrap in your works and turn it in. Old plant, redundant buildings, machines and spares—it's all wanted back in the steelworks to keep up steel production. Round it up and put it in the hands of your local scrap merchant. It will go to make the new steel that you and every other steel user need so urgently.

Scrap merchants are glad to help with dismantling and collection.

WHEREVER YOUR NEW STEEL comes from, please return your scrap to merchants in your own locality. That will save unnecessary transport, and time, before the old scrap is turned into the new steel all steel users want.

SPEED THE SCRAP



SPEED THE STEEL

Issued for the STEEL SCRAP DRIVE by the British Iron and Steel Federation, Steel House, Tothill Street, London, S.W.1
S.22

scheme will fall to the ground if less than 90 per cent of the equity shareholders in the original companies agree to the exchange of their holdings into an equal number of 5s. ordinary shares in British Motor; in addition, the preference share offer, details of which are shown in the accompanying table, must be separately accepted by at least 90 per cent of the preference shareholders. There seems to be no reason why both groups of shareholders should not give their approval, as the insurance and the investment trusts committees have in effect, if not explicitly, advised them to do. The technical advantages of the original merger scheme were discussed in *The Economist* of December 1st; by extending the merger offer to holders of preference shares the company will save £650,000 in stamp duties (ultimately to the advantage of ordinary shareholders) and will secure a simpler capital structure. The bait for preference shareholders lies

Class of Stock or Share	Nominal Holding	Market Value on Jan. 29, 1952	Gross Income	The British Motor Corporation: Holding After Exchange	Estd. Market Value*	Gross Income
	£	£ s. d.	£ s. d.		£ s.	£ s.
Austin Motor						
4½% Cum. Rd. Pf. £1	100	93 15 0	4 10 0	£110 5% Pf.	107 5	5 10
7% Cum. Pf. £1	100	137 10 0	7 0 0	£150 5% Pf.	146 5	7 10
6% "B" Cum. Pf. £1†	100	150 0 0	9 8 7	£190 5% Pf.	185 5	9 10
20% Non Cum. Pf.-Ord. 10s.	100	299 12 6	20 0 0	£160 5% Pf. + £25 Ord.	156 0 + 150 0	21 0‡
Morris Motors						
7½% Cum. Pf. £1	100	139 1 3	7 10 0	£160 5% Pf.	156 0	8 0

* Assuming a market value of 19s. 6d. for the 5% £1 preference shares of 30s. for the 5s. ordinary shares. † Free of income tax up to 6s. in £. ‡ Assuming an ordinary dividend of 52% per annum.

partly in the improved marketability of a BMC preference share over that of the constituent companies' shares, partly in the fact that the new offer lays any possible bogy of losses on liquidation; but chiefly in the fact that preference shareholders will all receive a slight increase in income without any sacrifice of capital rights. On the basis of recent market valuations, however, the holders of the Austin 7 per cent preference shares gain the least, and these were the only preference shares to be marked down after the offer had been made known. The element of equity in the dividends paid on the Austin 20 per cent preferred ordinary shares has been recognised by an offer of a mixture of preference and ordinary shares in British Motor.

If the offer is accepted—and with an institutional seal of approval upon it, acceptance seems likely—the issued capital of the new corporation will consist of £9,241,126 in 5 per cent £1 preference shares and £4,826,359 in 5s. ordinary shares. Highly geared though the new capital structure is, the additional cost of dividend payments on the new preference shares is slight; last year's combined net profits would cover a year's dividend on the new preference capital more than nineteen times. This estimate is a conventional reckoning in which provision for depreciation is based upon historical costs. Clearly, however, the directors must have taken some account of the cost of replacement before announcing that the profits of the new corporation should justify an annual ordinary dividend of not less than 52 per cent; if this rate of dividend is paid, both the existing ordinary shares of Austins and Morris (both at 31s. 3d. xd. on Wednesday) yield no less than 8.3 per cent, compared with 7.4 per cent for such a smaller rival as Rootes. The slate has been wiped clean for a fresh start—at least as far as the financial arrangements are concerned—by the declaration of dividends upon existing shares for the period up to the date of exchange at the end of this month; these dividends include equity payments based on an annual rate of 50 per cent. Once technical economies have been effected—and at the outset these may be most marked in the manufacture and assembly of vehicles overseas—the full measure of the strength of this new giant, now seen in embryo, will be revealed.

Policy for Fuel

The evidence submitted by the Federation of British Industries to the Ridley Committee on National Fuel Policy is a workmanlike statement of what may be called the conventional case for such a policy; but the FBI has been more venturesome than most other advocates in risking its own forecast of fuel supply and demand. It thinks that the National Coal Board's estimate in its long-term plan that demand for British coal in 1965 will total 230-250 million tons is about 50 million tons too conservative; even today, it thinks, the true demand for coal for all purposes—including exports—is probably 10-20 million tons more than the NCB is supplying. Its recommendations are familiar: encouragement—possibly fiscal—of greater fuel efficiency in industry and the home, more private generation of power in factories, a switch from steam locomotives on the railways, and "a

COAL: PRESENT CONSUMPTION AND ESTIMATED FUTURE DEMAND.

	1951 Annual Consumption.	1961/65 Estimated Future Demand
	Million Tons	
Gas	27·4	38
Electricity	35·5	63
Railways	14·3	15
Coke ovens	23·5	26
Industry	45·5	56
Miners and collieries	15·6	12
Domestic	32·4	40
Overseas shipments and bunkers	11·7	30
Miscellaneous	13·6	13
TOTALS	219·5	293

Source: Federation of British Industries.

policy aimed at promoting the choice of the most efficient fuel for each main category of use." Like the recent pamphlet on the subject by two Conservative MPs, the statement says rather less about methods of promoting such a policy; and in particular does not mention the pricing of different fuels.

On this particular point—which would seem the pivot of any national fuel policy—the Ridley Committee will be able to find much plainer speaking in the report made last week by the Economic Commission for Europe on the European coal problem. This report quite bluntly raises the question of pricing policies for electricity, and criticises the complacency with which this industry usually brushes away suggestions of tariffs related to a consumer's demand at the time the power is taken. Some such policy may well be the only one that could achieve any real measure of fuel co-ordination and bring about the use of the most efficient fuel for each purpose.

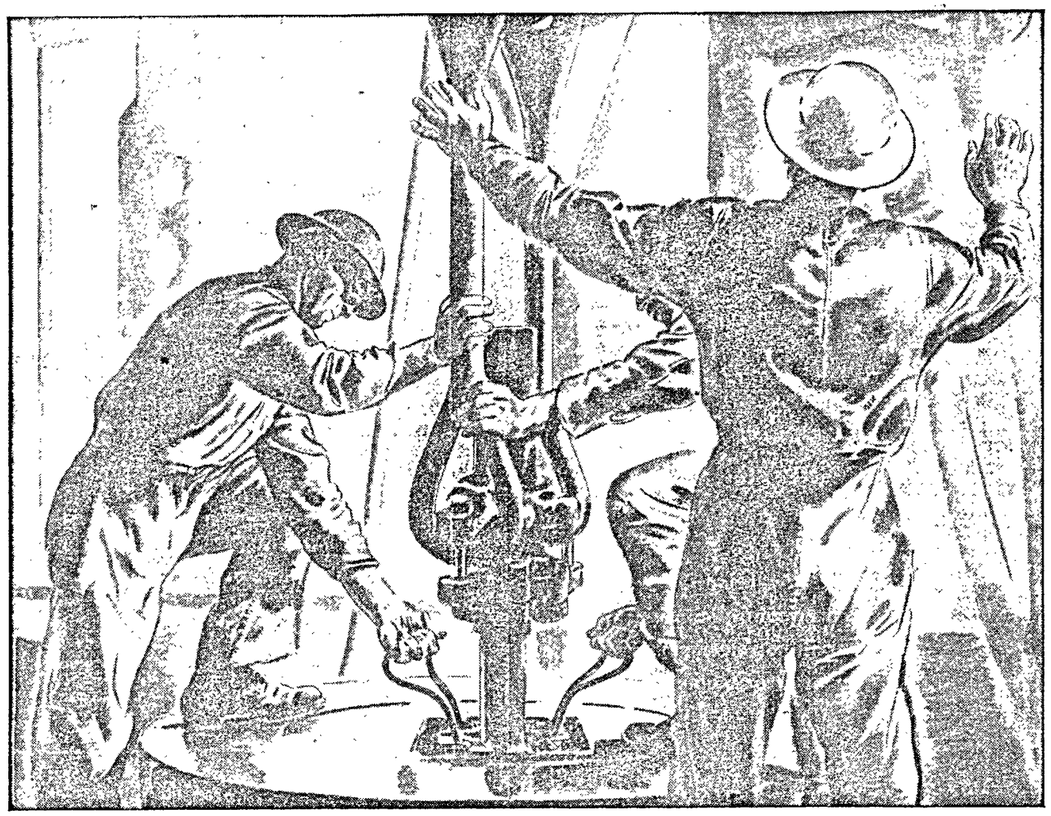
* * *

Electric Fires Find a Champion

One purpose that the Ridley Committee may really achieve is to weed out the basic data for fuel policy—the technical comparisons between different fuels. One dogma, based upon comparisons of "coal economy efficiency" by the Egerton Committee in 1945, has just been challenged. Mr O. W. Humphreys, director of research of the General Electric Company, has declared that not only is the electric fire not an inefficient form of space-heating, but that

> . . . at present generating and distribution efficiencies (it) shows a marked saving in coal consumption when compared with open coal fires (including the latest types) and openable stoves (and) . . . compares very favourably with closed coke stoves for periods of occupation of less than 9-13 hours.

Previous judgments against the electric fire have taken the "coal economy efficiency" of the appliance in distributing the heat of the coal consumed. Mr Humphrey bases his defence upon considering in addition the ways in which different appliances distribute heat, the wall and air temperatures required for comfort, the time needed to build up and bank solid fuel appliances, their excess of consumption



We've solved some problems in our time!

IN 1945 an oil company came to us with a problem. In measuring oil and gas pressures, they told us, recording instruments were lowered into the wells. The change in temperature during descent was resulting in false pressure readings. Could we supply a battery that would preheat the recording mechanism to a temperature of 160°F, and maintain it at that heat till it reached the well bottom? There was just one little difficulty—how to get a battery of 6 volts and one ampere hour capacity *inside a diameter of 1¼ inches* and a length not exceeding 3 feet.

¶ We designed and produced that battery—a contrivance of three cylindrical cells wired end to end within a framework of steel rods. It fitted exactly into its allotted place amongst the delicate recording instruments housed inside the 4 inch diameter steel cylinder. And it did the job.

¶ Hundreds of thousands of Chloride, Exide and Exide-Ironclad batteries giving good service today in every branch of industry, transport and communications owe their origin to just such a demand: 'Here is a job—make us a battery for it'. We have been solving that sort of problem for over 50 years.

¶ Our battery research and development organisation is the largest and best equipped in this country—if not in the world. It is at industry's service always—ready at any time to tackle another problem.

CHLORIDE
BATTERIES LIMITED
Makers of Exide Batteries
EXIDE WORKS · CLIFTON JUNCTION · NR. MANCHESTER

through burning too fast, and the excessive ventilation they induce. His elegant and plausible argument is unlikely to silence the solid fuel enthusiasts, but it may make them re-examine their central theses. It is, incidentally, one of the first forcible statements from electricity's side of this argument; and it may even embolden the BEA into arguing its own case—which may be right or wrong, but should not go by default.

* * *

On Not Buying a New Car

The latest steps taken to police the sale of new cars at home seem to leave things much as they were. The customer, who already has to say whether he has had a new car delivered to him since the war, now has to give further details of any other cars that he owns. As in the past, the retailer is enjoined not to sell a new car to any customer with a postwar car unless there are "exceptional circumstances" to justify it. These circumstances are taken to mean that the vehicle is beyond economic repair or that the business buyer has a "special need" to add to his existing fleet.

The sale of a new car, however, remains a private transaction between customer and any one of the 8,000 registered dealers, and the dealer is still the arbiter of whether the customer qualifies for a new car. He has to pass on to the trade associations the customer's signed declaration of his existing transport as well as the signed covenant form, but he is under no obligation to take steps to check its accuracy. The British Motor Trade Association can prosecute a customer who makes a false declaration; but, as in the case of violations of the covenant, the BMTA cannot start proceedings unless it has knowledge of the transaction, and this is not likely to be volunteered by either the dealer or the buyer.

Announcing these new measures in the House of Commons last Monday, the Parliamentary Secretary of the Ministry of Supply did go on to describe one change that may be important. For the past few years orders for cars have not been dealt with in chronological sequence, but according to a rough order of "priorities" laid down by the Ministry of Supply for the guidance of the industry. As a result, probably not more than half the 500,000 orders placed in 1946 have been met, although more than 750,000 cars had been delivered to the home market by the end of 1951. In future, said Mr Low, delivery will be made "in rotation according to the date of order," although there will still be priority for special cases. This might go some way to remove the main source of grievance among those who have waited five fruitless years for a new car while their neighbours have had comparatively early delivery. But the present high prices of cars, combined with the recent check to exports, may well do more to smooth out new car deliveries than control measures such as these.

* * *

New Trade Agreement with Germany

A new trade agreement between Britain and the Federal Republic of Germany was signed in London this week. It covers the year 1952 and is concerned solely with the trade governed by quotas. It does not, therefore, impinge on the liberalised sector of trade. For this reason it is impossible to determine in advance how the new agreement will affect the total trade betwen Germany and the United Kingdom. Even where Britain has retreated from open general licences and has subsituted global quotas for previously liberalised European imports, the German exporter will have to compete for his share of the global quota, and no prediction can be made at this stage of the success that may meet these efforts. The new agreement, however, takes into account the changed position of the two countries in the European Payments Union since the signature of the previous agreement, covering the year 1951. Over the intervening period Germany's position has undergone a revolutionary change for the better, while that of the United Kingdom has moved, with equal force, in the opposite direction. The German Government has, therefore, increased certain of its quotas for imports from the United Kingdom and the colonies, notably those for textiles and cocoa. The quotas given by the United Kingdom for imports from Germany are for the most part based on those of the 1950 or 1951 agreements. There will, however, be an important increase in the quantities of steel that the German Government will make available for export to the United Kingdom. The tonnage for 1951 was 45,000. This year's figure should be more than twice the quantity.

* * *

Unshed Load

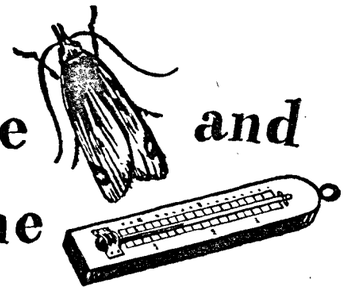
Only about half a dozen power cuts have taken place in Britain this winter, compared with 150 between October, 1950, and March, 1951; reductions in voltage have been more frequent, but also greatly reduced in comparison with former years. This improvement in electricity supply has enabled the regional authorities to relax loadspreading arrangements in industry from the beginning of this month. It has come about partly because much more generating capacity has been in commission. In 1951 some 1,113,000 kW of plant was brought in, as against 965,000 kW in 1950. At the end of January this year the British Electricity Authority had a total generating capacity of 14,143,000 kW, compared with 13,175,000 kW a year before. Perhaps 12 per cent of this total must be expected to be out of commission for repairs at any one time; though concentration of much annual inspection and maintenance into the summer months has somewhat reduced the proportion of plant "out" for this purpose during the winter. That squeezing of repairs into the summer months, incidentally, combined with bad weather to make power cuts more frequent last summer than ever before—and, by arousing public concern, perhaps made this winter's loadspreading arrangements more effective.

The effect of those arrangements is impossible to measure. But it is certain that the growth of demand for electricity has in fact moderated considerably in the last six months. The greatest load on the generating system that was actually met this winter—12,631,000 kW on January 13th—was a million kilowatts higher than the largest load during the previous winter. But the maximum potential demand on the system this winter is estimated to have been 13,543,000 kW (on December 13th), only 100,000 kW higher than the maximum of 13,448,000 kW on December 18, 1950. For the moment, the gap is clearly being narrowed. Loadspreading will have contributed to this; so will milder weather; so will some slackening in industrial activity through shortages of materials. Those are temporary factors. It is too early to decide whether other, less temporary, causes may be partly responsible for the recent flattening in the rate of increase in consumption of electricity, and other fuels. But the BEA, like the National Coal Board, has at least gained some respite. Experience this winter would argue the need for the fastest possible progress on the new 275,000 volt "super-grid." For the few power cuts that have been necessary have not come about through lack of generating capacity. They were caused by lack of interconnection capacity on the transmission system between different regions of the existing grid, which was never designed for the transfer of large blocks of power on a national scale.

* * *

More Comets

Plans to build the de Havilland Comet in the Belfast factory of Short Brothers and Harland will relieve much of the pressure on the existing Comet lines at Hatfield. The aircraft are coming off these lines at the rate of approximately one every month; shortage of space and of labour makes the prospect of more rapid production unlikely. Shorts will still



The and the

Moth-grubs like fur. But moth-grubs dislike cold: in fact, at 36°-40°F. they lie harmless, and at 12°-16°F. they lie down and die.

So refrigeration is the answer to the storage problem of the furrier. He uses a cold room in which low temperature can be kept constant or varied at will. And refrigeration is the answer to a lot of other people's problems too!

If you've a cooling problem, consult

FRIGIDAIRE

Regd. Trademark

the experts in refrigeration: commercial, industrial, medical and household

FRIGIDAIRE DIVISION OF GENERAL MOTORS LTD.
Stag Lane, Kingsbury, London, N.W.9. Telephone: COLindale 6541

Business Car Hire LOWERS your costs

Many famous British companies are using our special Business Car Hire Service—*to their profit.*
They have discovered, as you will, that this individually planned service often reduces travelling costs to a considerable degree.
For meeting clients at airports or docks, for making sales calls or for entertaining—in fact, for all your journeys a fine new chauffeur-driven car is always at your service... bringing your company added prestige and efficiency. Only the large resources of Daimler Hire Ltd. can offer such facilities—and *guarantee* absolute reliability.

CARS INCLUDE *latest model* 1951 *Daimler limousines, Humber Pullman limousines, Humber Super Snipe saloons.* DRIVE YOURSELF SERVICE *provides Humber Super Snipe, Standard Vanguard, Humber Hawk, and Hillman Minx saloons.*

By Appointment Motor Car Hirers to the late King George VI

Daimler Hire Ltd.

Ask for our representative to call.

243 KNIGHTSBRIDGE, LONDON, S.W.7

PHONE: SLOANE 3456 GRAMS: DAIMLERDOM, SOUTHKENS.

The **AGA** *Cooker*

Regd. Trade Mark

as an instrument of public policy

THE AGA COOKER represents the first—and still far and away the most significant—attempt to put domestic chores on the same level of efficiency that we expect of a progressive and prosperous industry. It is an extremely successful attempt: the man who made it was, after all, a Nobel Prizewinner.

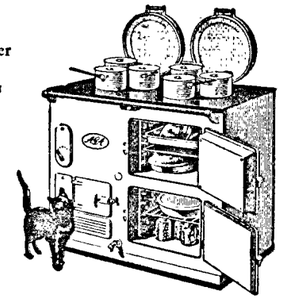
THE AGA's original appeal was, among other things, to its owner's sense of thrift: it cost next to nothing to run. Now, this private advantage is a public virtue. People have got to have cooked meals, hot water and warm kitchens—and ultimately (except for a very few who depend on oil, wood or peat) they can only have them as a result of burning coal. If this consumption is by any other sort of appliance than an Aga Cooker, more coal will be burned.

THE AGA has a guaranteed maximum fuel consumption, however much its owner uses it. Thermal efficiency is so complete that the gases from combustion actually become heavy, and so that they can rise easily up the chimney it is necessary to combine them with a secondary air supply, warmed for the purpose by passing under the ashpit.

IF ALL cooking and water heating were done as efficiently as they are by the Aga Cooker, there would now be no fuel crisis.

BUT THE AGA has more than efficiency to offer in the public interest. It makes an important contribution to social stability by effectively raising the standard of living and 'house-pride' of every Aga-owner. It provides essential services to the highest conceivable standard. It enormously lightens the daily labours of the housewife. It expresses and continues the tradition of more than a century of British progress, by increasing people's leisure and adding to their opportunities for recreation and for acquiring culture.

THE AGA-OWNER is not only a more efficient fuel-user: he is a better citizen. The place of the Aga is not only in the home: it is in the national economy as well.



The makers of the Aga Cooker would be glad to send a copy of their latest book, *The Saga of the Aga* to anyone who writes and asks.

Issued by
AGA HEAT LTD.
34, Orchard House,
Orchard Street, London, W.1

have considerable idle capacity at Belfast, even when part of the factory has been tooled up for production of the Canberra bomber, and there is no shortage of labour in the district. It is in de Havilland's interests to reach a high rate of Comet production while the aircraft is still the only pure jet airliner on the market. With approximately 45 orders in hand, production is fully booked until some time in 1955, and a number of airlines have expressed their reluctance to place orders now for such late delivery. Under the new arrangement, whereby Shorts will build aircraft to de Havilland's order, the first Belfast-built Comets will be ready for delivery in 1954.

The company has also entered into an agreement with the General Electric Company in America for the interchange of information on engine design. This suggests that de Havilland is preparing to take active steps to enter the field of axial compressor engines. The company's entire production has so far been concentrated on centrifugal engines, but the de Havilland engine company has recruited a number of engineers, including Mr Owner from the Bristol Aeroplane Company, who are acknowledged specialists in axial engines. General Electric has also some years' experience in their design and production and is responsible for the engine in the American Sabre aircraft.

* * *

Defence and Industry

The three civilian industries that will be most affected by defence production in the coming year are motors, radio and clothing. Production of tanks and vehicles will account for 20 per cent of the total estimated defence expenditure of £727 million for the financial year; and deliveries, according to the Army estimates, are expected to double in value compared with last year, rising from £49 million to nearly £98 million. The delivery of "several hundred" Centurion tanks is promised, and in addition to the Royal Ordnance tank factory at Leeds, and those operated by Vickers-Armstrongs, work was started last year on two new factories, which may come into production during the period covered by these figures. Engines for the tanks are being made by the Rover Motor Company.

Within the motor industry, tooling up for army vehicles should be completed shortly, and the memorandum attached to the Army estimates reports that quantity production of nearly all the new vehicle designs will start in the course of the year. The existence of these lines does not directly affect the production of passenger cars, but they are expected to make serious inroads into the total supply of materials allocated to the motor industry. These army vehicles are included in the total of 230,000 commercial vehicles that the industry is expected to produce this year, suggesting that there might be an appreciable fall in the output of civilian commercial vehicles.

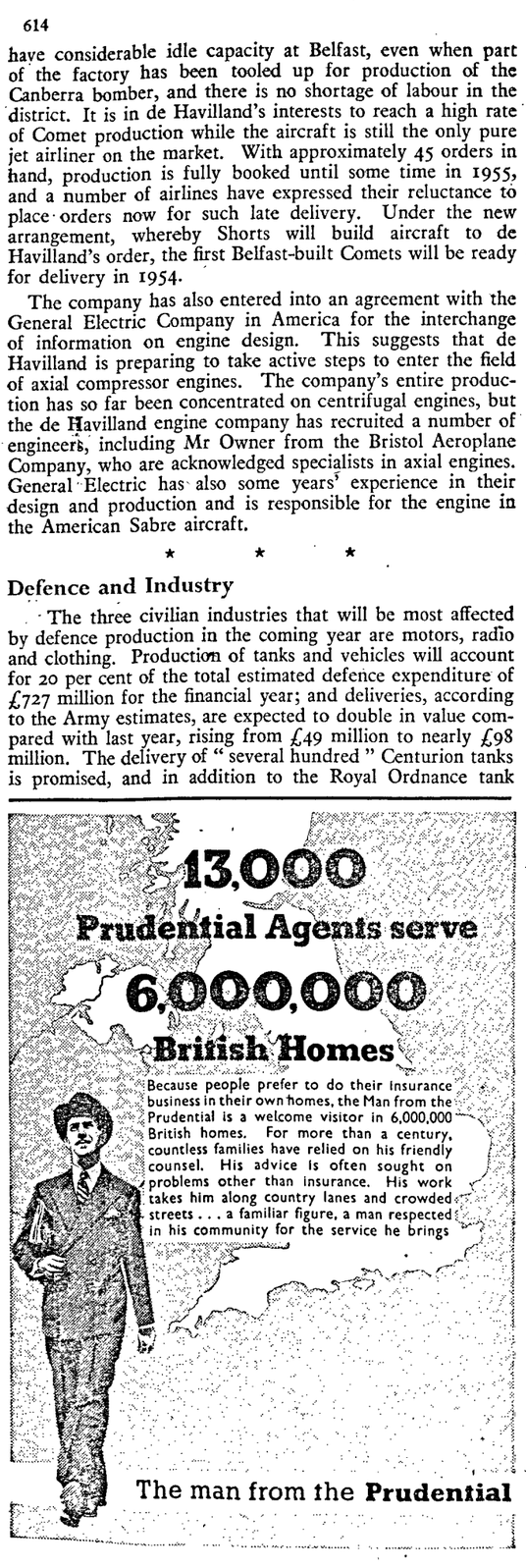
Production of ammunition, which will be carried out mainly in the Royal Ordnance factories, accounts for a quarter of total expenditure and "other major items in the programme" are described as warship construction and repairs, clothing and radio equipment. The Air Force expects to spend £21 million on radio equipment and the Army £7 million, both nearly twice as much as was estimated for the previous year; the Navy gives no separate figure. This programme will begin to make serious demands on the capacity of the radio industry and is more than likely to affect production of civilian radio and television receivers. The three services together expect to spend £67 million on clothing compared with £42 million last year; this may provide some welcome employment for the clothing industry although the margin of profit on such contracts is in normal times considered unattractively small.

* * *

Freight Rate Prospects

The sentiment of the share market is such at the moment that a drop of only 4.6 points in the Chamber of Shipping index of sterling tramp freight rates for January (followed, it is true, by indications of a further slight decline in the general level of sterling freights) caused a far greater decline in the value of tramp shipping shares than did a drop of 24.8 points in the index for June last. But this alarm about the future of tramp freight rates is not as yet shared in the Baltic Exchange. The freight index for January stands at 163.9, which is still substantially higher than the lowest monthly figure of 1951 (149.3 in August), is a good deal higher than the figure for the previous January (151.9), and is not much lower than the average for the whole of 1951 (173.7), which compared with an average of only 84 for the whole of 1950.

The fact that freight rates in most markets are showing a tendency to decline from recent high levels cannot be taken as an indication that the bottom is beginning to fall out of the market. On the contrary, the slight recession may be not only temporary, but possibly beneficial. Two major factors have influenced the easier trend. First, the mild winter has relieved the urgency for immediate shipments of coal from America to Europe. In such circumstances, charterers can afford to wait for the chance that a shipowner will accept a cheap rate for a voyage that would otherwise have to be undertaken in ballast. Thus occasional shipments have been made recently at rates up to $1.50 below the prevailing standard rate of $10.50; but meanwhile large numbers of vessels have already been chartered for consecutive voyages up to the end of the year at the standard rate, and a good number of unfulfilled orders is still circulating in the market. In the second place, this decline in the urgency of trans-Atlantic coal chartering has been accompanied by an almost complete cessation of homeward grain chartering by the Government's grain bulk-buying agencies. Sooner or later, large quantities of grain must be imported by Britain and other grain-consuming countries.



Company Notes

English Electric.—Last December's issues of new ordinary shares and of a new debenture stock by English Electric were partly prompted by the company's plans to spend well over £9 million on the new Netherton factory and on other capital projects, and partly by the knowledge that bank loans would be less easy to obtain in the future. But these issues—like the other issues made by the leading electrical manufacturers—were in any case made necessary by the continuing growth in turnover, importance and strength of the electrical industry since the war. The need for a more permanent base to support an expansion of business is quite evident in the balance sheet of the group drawn up on December 29th. An increase in the rate of production—and probably higher prices, too—led to a rise in the value of stocks from £15,203,354 to £21,046,196, and in debtors from £12,678,343 to £15,510,453. Despite the relief given by the receipt of £2.5 million from the £3 million debenture stock issue and by the growth in "payments received on account" from £10,176,705 to £13,728,347, a further £1,915,105 had, therefore, to be borrowed from the banks, bringing the group's indebtedness to them to £7,018,641. Since the end of the year the £6 million odd received from the rights issue to equity shareholders and from the private placing of the new debenture stock has been used to pay off this loan. The group, however, will still need liquid funds to support a further increase in turnover at a time when the costs of materials and wages are rising; it is probably for this reason that the directors have retained over £930,000 (against £640,000) in general reserves and in additions to the carry forward.

	Years ended Dec. 30, 1950	Dec. 29, 1951
Consolidated earnings :—	£	£
Trading profit	4,085,342	4,762,088
Total income	4,124,638	4,883,170
Depreciation	848,818	934,645
Taxation	1,896,328	2,286,611
Group earnings for ordinary stock	*978,348*	*1,257,726*
Ordinary dividends	340,602	325,121
Ordinary dividends (per cent)	15	15
Retained by subsidiaries	121,326	194,171
General reserve	500,000	550,000
Added to carry forward	16,420	188,434
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	7,664,947	8,970,302
Net current assets	11,479,570	14,439,957
Stocks	15,203,354	21,046,196
Cash	924,058	666,935
Reserves	7,729,770	9,232,011
Ordinary capital	4,128,520	4,128,520

£1 ordinary stock at 56s. 3d.xd yields £5 7s. per cent.

The latest advance in trading profits, from £4,085,342 to £4,762,088, might in other circumstances have justified something more than the maintenance of the ordinary dividend at 15 per cent. But this year may see yet another increase in sales—possibly not wholly confined to defence orders which represent about a fifth of the group's output; if it does, the case for maintaining a dividend of 15 per cent on the increased equity capital of £5,308,097 will hardly be ignored.

*

Associated Electrical.—The value of deliveries by the AEI group to its customers in 1951 amounted to £61 million, compared with £55 million in 1950; simultaneously the group's trading profits advanced from £8,440,000 to £10,321,000. Part of these increases may merely reflect higher prices, but it seems probable that there was also a genuine expansion in sales. With orders in hand, some with delivery dates in 1955, worth over £135 million, the need to expand production and productive capacity readily explains last month's offer of 2,217,649 new £1 ordinary shares to shareholders. The new money will be quickly absorbed in financing heavier stocks, in helping to meet the cost of capital extensions (upon which about £5.5 million will be spent in the next three years), and in repaying bank indebtedness that stood at just over £2 million at the end of the year.

Despite the £6.6 million raised by the new issue, substantial sums have still to be ploughed back to help to finance future developments and to provide against the increased cost of replacement; last year, £1,250,000 (against £950,000) was set aside for this latter purpose over and above the £880,000 (against £810,000) provided for depreciation. Once the tax collector has gathered in £5,400,000 (against £3,960,000) the "net profit available for distribution" has therefore risen only slightly, from £2,496,000 to £2,524,000 and an ordinary dividend of 20 per cent is again to be paid on the old capital. An order book of £135 million is almost sufficient guarantee in itself that the directors should be able to live up to their own expectations and pay a dividend at the same rate on the new capital of £8,870,596 in 1952. The market's confidence in the future prosperity of the group is reflected in the comparatively low yield of 5½ per cent that AEI's £1 ordinary shares offer at the current price of 72s. 6d.

*

Tate and Lyle.—A breakdown of receipts and expenditure included in the full accounts issued by Tate and Lyle indicates that the margin of profit earned on turnover last year was relatively slight; it was probably still slighter the year before. Sales in the year to September 29th last brought in nearly £99.3 million, compared with a gross turnover of about £84 million in 1949-50. But once £83 million (including duty of £12.7 million) had been spent on raw materials and another £12.7 million on operating costs of all kinds, and once provision had been made for plant renewal and depreciation, gross profits were only £2.8 million; of this £1.8 million was earmarked for taxation and £551,250 went to shareholders for the maintained ordinary dividend of 20 per cent. Obviously the income that accrues directly from sugar refining is of paramount importance to shareholders in Tate and Lyle, but it would be interesting to know what margins of profit are earned by Silvertown Services, the company that Tate and Lyle hived off to take care of its transport requirements. All that can be recorded is a jump in the Silvertown group's trading profits from £571,875 to £967,895. Not the least surprising fact thrown up by the new income analysis is that Tate and Lyle earned nearly £46.4 million from exports, representing about 47 per cent of gross receipts.

	Years ended Sept. 30, 1950	Sept. 29, 1951
Earnings :—	£	£
Trading profit	3,052,558	3,723,868
Total income	3,119,249	3,784,439
Depreciation	500,227	729,455
Taxation	1,272,968	1,860,918
Earnings for ordinary stock	*882,347*	*888,371*
Ordinary dividends	577,500	551,250
Ordinary dividends (per cent)	20	20
General reserve	594,000	350,000
Added to carry forward	*Dr. 244,086*	20,028
Balance sheet analysis :—		
Fixed assets, *less* depreciation	8,429,025	8,783,037
Net current assets	3,009,447	3,312,472
Stocks	4,920,716	6,161,819
Cash	36,451	37,169
Reserves	4,030,328	4,400,266
Ordinary capital	5,250,000	5,250,000

15s. ordinary stock at 52s. yields £5 15s. per cent.

A rise in the book value of stocks from £4,920,716 to £6,161,819 has imposed a further strain upon liquid resources; cash balances total only £37,169 (against £36,451) while bank and other short-term loans to the company have risen from £1,952,000 to £3,044,000. Apart from this unwelcome sign of strain—all too familiar in the balance sheets of leading British companies—the full accounts once more justify the blue chip standing that the 15s. ordinary shares enjoy.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Feb. 27, 1952	Price, Mar. 5, 1952	Net Yield, Mar. 5, 1952 (n)	Gross Yield, Mar. 5, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	100⅛	100⅛	0 13 8	1 17 11*e*
Mar. 1, 1951-53			1 0 1	2 4 2*l*
War Bonds 2½%	100⅛	100	1 5 3	2 9 7*e*
Mar. 1, 1952-54			1 6 0	2 9 11*l*
Exchequer Stk. 2½%	99½	99⅞	1 7 1	2 9 0
Feb. 15, 1955				
Serial Funding 1½%	100	100	0 10 9	1 14 10
Nov. 14, 1952				
Serial Funding 1½%	99⅜	99½	0 18 3	1 18 0
Nov. 14, 1953				
Serial Funding	98⅜	98⅝	1 6 5	2 5 2
Nov. 14, 1954				
War Bonds 2½%	99⅛	99⅞	1 10 5	2 14 10*e*
Aug. 15, 1954-56			1 8 7	2 12 9*l*
Funding 2½%	99⅛	99⅝	3 1 11	5 9 8*e*
June 15, 1952-57			1 10 8	2 18 1*l*
Nat. Defence 3%	99⅞	100	1 13 5	3 3 9*e*
July 15, 1954-58			1 12 3	3 1 6*l*
War Loan 3%	100⅛	100⅛	1 10 0	3 1 9*e*
Oct. 15, 1955-59			1 10 9	3 0 11*l*
Savings Bonds 3%	91	91⅛	4 6 7	5 17 2*e*
Aug. 15, 1955-65			2 6 8	3 16 11*l*
Funding 2½%	93⅛	93⅞	3 3 11	4 11 4*e*
April 15, 1956-61			2 3 9	3 9 10*l*
Funding 3%	85⅞	86⅛	3 17 9	5 10 11*e*
April 15, 1959-69			2 12 3	4 4 6*l*
Funding 3%	86⅛	86⅜	2 14 1	4 5 4*e*
Aug. 1, 1966-68			2 11 8	4 2 11*l*
Funding 4%	97⅛	98⅛	2 8 5	4 8 11*e*
May 1, 1960-90			2 3 10	4 3 2*l*
Savings Bonds 3%	83⅛*	84⅛	3 15 1	5 6 6*e*
Sept. 1, 1960-70			2 13 1	4 4 8*l*
Savings Bonds 2½%	83⅛	84	2 18 8	4 5 11*e*
May 1, 1964-67			2 12 9	3 19 11*l*
Victory Bonds 4%	100⅛*	100	2 2 0	4 0 0*s*
Sept. 1, 1920-76				
Savings Bonds 3%	81⅛	82	3 4 11	4 17 2*e*
Aug. 15, 1965-75			2 12 3	4 4 7*l*
Consols 4%	89	89⅜	2 7 1	4 9 11*f*
Conversion 3½%	78⅛*	79⅛*	2 6 3	4 8 0*f*
Treasury Stk. 2½%	57⅛	58*	2 5 2	4 5 11*f*
(after Apr. 1, 1975)				
Treasury Stk. 3%	68⅛	68⅛*	2 6 1	4 7 7*f*
(after Apr. 5, 1966)				
Treasury Stk. 3½%	87⅛	87⅞	2 10 3	4 6 11*e*
June 15, 1977-80			2 9 1	4 5 10*l*
Redemp. Stk. 3%	75*	75⅛*	2 13 2	4 7 4*e*
Oct., 1986-96			2 9 8	4 4 3*l*
War Loan 3½%	78⅛	79⅛	2 6 7	4 9 4*f*
Consols 2½%	60	60*	2 3 8	4 3 1*f*
Brit. Elect. 3% Gtd.	82*	82⅛*	2 18 10	4 10 6*e*
April 1, 1968-73			2 13 2	4 5 0*l*
Brit. Elect. 3% Gtd.	81⅛*	81⅛*	2 14 0	4 6 3*e*
Mar. 15, 1974-77			2 11 9	4 4 1*l*
Brit. Elect. 3½% Gtd.	88⅛	88⅛	2 9 9	4 6 6*e*
Nov. 15, 1976-79			2 8 8	4 5 5*l*
Brit. Tpt. 3% Gtd.	76⅛	77	2 16 9	4 10 10*e*
July 1, 1978-88			2 11 4	4 5 8*l*
Brit. Tpt. 3% Gtd.	82*	82⅛*	2 18 10	4 10 6*e*
April 1, 1968-73			2 13 2	4 5 0*l*
Brit. Gas Gtd. 3%	75⅛	76⅛	2 11 7	4 6 8*e*
May 1, 1990-95			2 10 0	4 5 3*l*
Brit. Gas Gtd. 3½%	90⅛*	90⅛*	2 10 0	4 5 3*e*
Sept. 10, 1969-71			2 8 10	4 4 1*l*
Brit. Iron & Steel 3½%, 1979-81	86⅛	87⅛	2 9 11	4 6 4*e*
			2 9 3	4 5 9*l*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date (*n*) Net yields after allowing for tax at 9s. 6d. in £ (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Feb. 27, 1952	Price, Mar. 5, 1952	Yield, Mar. 5, 1952
%	%					£ s. d.
40	*b*	20	*a* Anglo-Am. 10/-	7⅞	7⅞	4 2 1
5	*a*	25	*b* Anglo-Iran £1	5⅛	5⅛	5 3 3
7½	*a*	12½	*b* Assoc. Elec. £1	72/6	72/6	5 10 4
27½	*c*	7½	*a* Assoc. P. Cem. £1	96/10½	97/6	5 12 10
45	*c*	50	*c* Austin 5/-	29/6	31/3*	8 0 0*m*
15	*a*	†17½	*b* Bass £1	115/-	115/-	7 9 0
40	*c*	5	*a* Boots 5/-	17/6	17/9	5 12 8*h*
9	*c*	7	*a* Br. Celanese 10/-	25/6	26/-	3 9 3
12	*b*	8	*a* Br. Oxygen £1	76/6	75/6	8 6 0
5	*a*	7½	*b* Coats £1	47/6	46/3	5 8 1
6½	*b*	5	*a* Courtaulds £1	37/6	39/6	5 13 11
22½	*c*	7½	*a* Distillers 4/-	18/6	18/-	5 0 0
15	*c*	17½	*c* Dunlop £1	53/9	53/9	6 10 2
10	*c*	12½	*c* Ford £1	46/6	46/6	8 7 6
22½	*c*	7½	*a* Gen. Elect. £1	72/6*	74/4½*	6 1 0
11	*a*	17	*b* Guinness £1	115/-	113/9	4 18 6
4½	*a*	5½	*b* Hawker Sid. £1	32/9	32/9	6 2 2
9	*b*	3	*a* Imp. Chem. £1	41/-	41/-	5 17 1
13½	*a*	18½	*b* Imp. Tobacco £1	83/9*	82/6*	7 15 2
5	*a*	10	*b* Lancs. Cotton £1	37/6	38/1½	7 17 4
7½	*a*	10	*c* Lon. Brick £1	53/9	56/3	6 4 6
15	*a*	60	*b* Marks & Sp. A 5/-	78/9	79/3	4 14 8
8	*b*	8	*a* P. & O. Def. £1	48/-	49/6	4 6 3*p*
17½		7½	*a* P. Johnson 10/-	34/4½	34/4½	7 5 6
17½	*b*	15	*a* "Shell" Stk. £1	83/9	85/7½	5 11 4
12½	*a*	12½	*b* Tube Invst. £1	5	5⅛	4 18 9
5	*a*	15	*b* T. & Newall £1	86/3	86/3	4 12 9
13½	*c*	5	*a* Unilever £1	46/10½	46/10½	5 15 2
8	*c*	10	*c* Union Castle £1	43/6	43/6	4 11 11
50	*c*	20	*a* U. Sua Betong £1	46/10½	46/3	21 12 5
10	*b*	2½	*a* Vickers £1	44/3	44/9	5 11 8
15	*a*	27½	*b* Woolworth 5/-	40/6	41/6	5 2 5

(*a*) Interim div. (*b*) Final div. (*c*) Div. for whole year. (*h*) Yield basis 20% after capital bonus. (*m*) Before merger. (*p*) Yield basis 10½% after capital bonus * Ex dividend. † Free of tax

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 1, 1952, total ordinary revenue was £118,217,000 against ordinary expenditure of £103,852,000 and issues to sinking funds £3,333,000. Thus, including sinking fund allocations of £25,016,000, the surplus accrued since April 1, 1951, is £403,622,000 compared with a surplus of £769,546,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1951–52	April 1, 1950 to Mar. 3, 1951	April 1, 1951 to Mar. 1, 1952	Week ended Mar. 3, 1951	Week ended Mar. 1, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1283024	1497391	62,357	69,580
Sur-tax	128,000	105,900	113,200	3,900	4,200
Estate, etc., Duties	180,000	169,650	168,100	4,000	3,500
Stamps	55,000	49,460	57,100	1,700	1,700
Profits Tax & E.P.T.	312,650	253,770	291,100	4,500	4,100
Other Inland Rev.	500	525	530	25	30
Special Contributn.	1,500	4,540	2,510	60	30
Total Inland Rev.	2302400	1866869	2129931	76,542	83,140
Customs	930,500	835,406	915,813	24,787	16,945
Excise	720,500	693,925	723,905	16,125	20,605
Total Customs and Excise	1651000	1529331	1639718	40,912	37,550
Motor Duties	62,000	60,679	63,551	501	1,588
Surplus War Stores	20,000	37,237	32,235	3	4
Surpl's from Tradg.	50,000	80,905	75,455	...	...
P.O. (Net Receipts)	5,400	7,000	1,500	...	*Dr500*
Wireless Licences	13,600	11,900	12,800	1,250	1,300
Sundry Loans	27,000	23,476	22,994	...	...
Miscell. Receipts	105,000	68,868	81,794	294	135
Total Ord. Rev.	4236400	3686265	4059977	119501	118217
SELF-BALANCING					
Post Office	179,431	154,200	177,500	2,500	7,800
Income Tax on E.P.T. Refunds	4,900	7,628	5,135	74	73
Total	4420731	3848093	4242612	122075	126090

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	466,691	499,398	37,713	35,606
Payments to N. Ireland	38,000	33,440	35,354	...	2,041
Other Cons. Funds	11,000	9,230	10,485	46	34
Total	584,000	509,361	545,237	37,759	37,681
Supply Services	*3514062	2389004	3086102	58,622	66,171
Total Ord. Expd.	*4098062	2898365	3631339	96,381	103852
Sinking Funds	...	18,354	25,016	3,251	3,333
Total (excl. Self-Bal. Expd.)	4098062	2916719	3656355	99,632	107185
SELF-BALANCING					
Post Office	179,431	154,200	177,500	2,500	7,800
Income Tax on E.P.T. Refunds	4,900	7,628	5,135	74	73
Total	4282393	3078547	3838990	102206	115058

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £531,311 to £3,104,953, the other operations for the week decreased the National Debt by £2,179,279 to £25,739 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, s. 26	20
Cotton (Centralised Buying) Act, 1947, s. 21(3)	2,000
	2,020

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
EPT Refunds	87
Housing (Temporary Accommodation) Acts, 1944 and 1947	50
Housing (Scotland) Act, 1950, s. 94(2)	705
Local Authorities Loans Act, 1945, s. 3(2)	8,760
Overseas Resources Development Act, 1948, s. 17(1) Colonial Development	500
Town & Country Planning Acts, 1947	300
Finance Acts, 1946 and 1947: Postwar Credits	311
	11,403

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	17,855	2½% Def. Bonds	585
Nat. Savings Certs.	700	3% Def. Bonds	1,425
Tax Reserve Certs.	1,312	Other Debt :—	
		Internal	210
		External	106
		Ways & Means Advances	4,720
		Treasury Deposits	15,000
	19,867		22,046

FLOATING DEBT

(£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of England		
1951						
Mar. 3	3170·0	1733·8	421·5	...	339·0	5664·3
Dec. 1	4593·3*		304·8	...	125·0	5023·1
,, 8	4631·1*		289·0	3·0	123·0	5046·1
,, 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·9*		252·5	6·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·8	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	4601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·5
,, 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount			Average Rate of Allotment	Allotted at Min. Rate
	Offered	Applied for	Allotted		
1951					
Mar. 2	260·0	346·2	260·0	10 2·87	65
Nov. 30	170·0	244·8	170·0	19 6·54	53
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67

On February 29th applications for 91 day bills to be paid from March 3 to March 8, 1952, were accepted dated Tuesday to Saturday as to about 67 per cent at £99 14s. 10d. and applications at higher prices were accepted in full. Applications for bills dated Monday were accepted at £99 14s. 10d. and above in full. Treasury Bills to a maximum of £200 million were offered on March 7th. For the week ended March 8th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 47 Weeks ended		Week ended
	Feb. 24, 1951	Feb. 23, 1952	Feb. 23, 1952
Savings Certificates :—			
Receipts	102,500	138,900	3,600
Repayments	117,700	122,800	2,700
Net Savings	*Dr15,200*	16,100	900
Defence Bonds :—			
Receipts	19,350	51,899	760
Repayments	43,765	64,878	1,160
Net Savings	*Dr24,415*	*Dr12,979*	*Dr 400*
P.O. and Trustee Savings Banks :—			
Receipts	592,157	632,720	12,531
Repayments	641,744	722,168	14,828
Net Savings	*Dr49,587*	*Dr89,448*	*Dr 2,297*
Total Net Savings	*Dr89,202*	*Dr86,327*	*Dr 1,797*
Interest on certificates repaid	26,320	30,755	716
Interest accrued	113,739	114,237	2,503
Change in total invested	*— 1,783*	*— 2,845*	*— 10*

BANK OF ENGLAND RETURNS

MARCH 5, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1375,141,160	Other Govt. Securities	1385,780,660
In Bankg. Department	25,215,663	Other Secs.	689,764
		Coin (other than gold)	2,514,476
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	334,537,853
Rest	3,914,542	Other Secs.:—	35,268,838
Public Deps.:—	20,194,663	*Discounts and*	
*Public Accts.**	*19,609,845*	*Advances*	*9,473,450*
H.M. Treas.		*Securities*	*25,795,388*
Special Acct.	*584,818*		
Other Deps.:—	357,921,195		
Bankers	*274,205,478*	Notes	25,215,663
Other Accts.	*83,715,717*	Coin	1,561,045
	396,583,400		396,583,400

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951	1952		
	Mar. 7	Feb. 20	Feb. 27	Mar. 5
Issue Dept. :—				
Notes in circulation	1295·1	1360·6	1367·0	1375·1
Notes in banking department	55·3	39·8	33·3	25·2
Government debt and securities*	1345·2	1396·7	1396·8	1396·8
Other securities	0·8	0·8	0·7	0·7
Gold and coin	4·4	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	12·8	11·4	11·8	19·6
Treasury Special Account	0·3	0·4	0·4	0·6
Bankers	290·3	292·4	283·0	274·2
Others	84·7	83·1	83·1	83·7
Total	387·8	387·3	378·3	378·1
Securities :—				
Government	312·8	319·0	311·8	334·5
Discounts, etc.	13·6	17·6	17·7	9·5
Other	24·1	27·9	32·3	25·8
Total	350·5	364·5	361·8	369·8
Banking dept. res.	55·7	41·3	34·9	26·8
"Proportion"	% 14·3	% 10·6	% 9·2	% 7·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	SILVER			GOLD
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Feb. 28	77·0	88·00	185 3	101 10
,, 29	77·0	88·00	Markets Closed	
Mar. 1	Markets	Closed	181 2	98 9
,, 3	77·0	88·00	177 8	95 10
,, 4	77·0	88·00	Markets Closed	
,, 5	77·0	88·00	Markets Closed	

COMPANY MEETINGS

BANK OF LONDON & SOUTH AMERICA

LOWER VOLUME OF UNITED KINGDOM'S EXPORTS

LIMITED MARKET FOR TEXTILES AND CONSUMER GOODS

MR FRANCIS M. G. GLYN ON CONDITIONS IN LATIN AMERICA

The ninetieth Annual General Meeting of the Bank of London & South America Limited will be held on April 1st in London.

The following is an extract from the circulated statement by Mr Francis M. G. Glyn, the chairman :—

In my Address last year I described British shipments to Latin America during 1950 as disappointing in view of the devaluation of sterling, the primary object of which was to stimulate exports. The volume of those shipments was in fact about 10 per cent higher than in 1949, but expressed in dollars their value was $70 million lower. The picture for 1951 is still less encouraging. The apparent increase in our exports to Latin American countries in 1951 over 1950 in terms of sterling is more than accounted for by the increase in their prices ; if the price factor is eliminated these exports fell in volume by 10 per cent compared with 1950 and were no higher than those of 1949.

UNITED KINGDOM TRADE DEFICIT

I would also draw your attention to another aspect of our trading with Latin America. Between 1949 and 1951 the value of our imports from Latin America rose from £184 million to £334 million. The greater part of this increase is attributable to price, since the volume rose by only 14 per cent. This rise in import prices, when related to the much smaller increase in export prices, shows that the terms of trade had moved strongly against us by 1951. A given amount of our exports to-day probably buys no more than three-quarters of the imports from Latin America that it bought in 1949. Thus, in spite of an increase in the adverse balance of our Latin American trade from £48 million in 1949 to £171 million in 1951, we have obtained additional imports worth but £40 million at 1951 prices—the volume of our exports today probably buys no more in each year. There is little need for me to stress the significance of this movement to the economy of the United Kingdom.

CAUSES OF LAGGING EXPORTS

It is not my intention to consider here the purely internal influences affecting the level of our exports ; this has been done fully and adequately elsewhere. I wish to describe, however, the influences which have prevented us from selling more in Latin America. The problem at present is this—that we cannot sell as much as we would like of those goods which we have available, while other goods, which are urgently required, we cannot supply. It is well known, for instance, that British textiles and some other consumer goods are at present available for sale abroad if buyers can be found. Argentina and Brazil, two of our great textile markets in the past, have not for some time allowed foreign exchange resources to be used to buy abroad large quantities of consumption goods, especially textiles. This situation is due to the emergence of local textile industries and their need of protection, as well as to the policies pursued in these countries, by which available exchange tends to be diverted to the purchase of capital goods. In the last few years Argentina and Brazil have thus ceased to be large-scale markets for British textiles, and they are unlikely in the future —the truth must be faced—to revert to this position. The import requirements of fast-developing Latin American countries are changing more and more from the consumption goods of the past to industrial and agricultural machinery, transport equipment and many other types of heavy capital goods, chemicals and fuel.

AMERICAN ACCOUNT COUNTRIES

It would not be out of place again to make a plea for more attention to be paid by British exporters to some of the countries of Central and South America, particularly American account countries under the terms of present United Kingdom exchange regulations, exports to which are equivalent to dollar exports. Of these countries—apart from the United States itself—Colombia is the largest in which your bank operates, though equally important from the economic point of view is Venezuela ; others are Ecuador, El Salvador, Guatemala, and Nicaragua. Coffee is their main export except in Ecuador, where it is normally exceeded by cocoa, and in Venezuela, in which it has been reduced to insignificance by oil. They are consequently all prosperous at the present time, since for a considerable period now coffee has been giving consistently high returns, and they are in a position to purchase abroad on a liberal scale. In none of them is there exchange control worthy of mention (with the exception of a prohibited list of imports into Colombia). The markets of these countries, though limited in size, are therefore wide open to the entry of competitive goods from abroad.

But are British goods competitive ? In quality they are probably unmatched, and in price they doubtless compare favourably in most lines with at least the American equivalent. But in sales technique, knowledge of the market, servicing, supply of spares, adapting designs and materials to the need of the market, eagerness to sell and delivery dates we are continually being told that we are behind the United States. Moreover, in spite of the 1949 devaluation of sterling, we are by no means having it all our own way now even in the matter of price. Reports are received that we are being much undersold by some countries, particularly by Western Germany and Japan. While our exports during 1951 have been static or declining, the German contribution has been increasing by leaps and bounds. In 1951 Germany sent exports to Latin American countries to the estimated value of $370 million, compared with $153 million in 1950 and $32 million in 1949.

INVESTORS' DIFFICULTIES

The would-be investor in Latin America has a treble risk to run. He must contend not only with the economic factors involved in the investment itself but also with possible difficulties of remittance ; and even if the risks involved on both these points are assessed favourably he must still consider the political climate of the country in which he is placing his funds. Young countries often regard the development by foreign capital of their resources—which may be vast and untouched—as the one hope of economic progress and of raising the standard of living of their peoples. But as time goes on the benefits which have accrued and still accrue to the country from the foreign investment are forgotten by its people and propaganda arouses feeling against the foreign investor, who has often been made a scapegoat on which to lay the blame for a country's economic or political difficulties and mistakes. It is forgotten that the original investment was a venture in the success of which both the investor and the country concerned shared and still share, and that the great wealth produced by a successful enterprise, as well as the secondary activities arising therefrom, would in all probability not have been created but for the assistance provided by foreign funds.

RESTRICTIONS ON REMITTANCES

Remittances are now legally restricted both in Argentina and Brazil—in the former to 5 per cent and in the latter to 8 per cent of the registered capital investment. The value of these remittances must be judged against the risks that the foreign investor takes of losing his investment, and the higher returns that local investors expect and receive upon their ventures. It must also be remembered in the case of Brazil that earnings over 8 per cent cannot now be ranked as foreign capital entitled to the right of remittance. When these factors are taken into consideration there can be little hope that such measures to restrict the return on foreign capital investments will attract more funds to these countries. This is particularly the case, since there is always a danger that, owing to shortage of foreign exchange or other reasons, long periods will occur—as they have done in the past—during which no remittances of any sort are sanctioned.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The totals of the balance-sheet now amount to £170,915,045, compared with £165,885,093 a year ago, an increase of over £5 million. It will be appreciated that by applying the exchange rates as shown in the report to the relative foreign currency items for balance-sheet purposes, variations in the equivalent sterling amounts have arisen which preclude an accurate comparison between the component items at December 31, 1951, and the corresponding amounts in 1950, but it would be fair to say that the general effect of these variations has been to reduce the real increase.

The profit and loss account discloses a net profit of £359,871 for the year under review, compared with £82,749 for the three months ended December 31, 1950. It will thus be seen that our earning capacity has been well maintained, and that the additional capital which you provided last year has contributed towards this end.

The interim dividend of 2 per cent, less income tax, paid last August absorbed £53,025, and after transferring £200,000 to contingency reserve, your directors now recommend the payment of a final dividend of 4 per cent, less income tax amounting to £106,050, making for the year a distribution of 6 per cent, less income tax, on the issued capital of £5,050,000.

SCOTTISH EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

The one hundred and twenty-first meeting was held on March 6th in Edinburgh, and in the absence, through illness, of the President, the Right Honourable The Earl of Stair, KT, DSO, the chair was taken by Mr J. N. Shaw, CA, chairman of the board of directors.

Mr Shaw, in the course of his remarks, said:

The report and accounts in your hands show that the Society's affairs progressed satisfactorily during 1951. Perhaps the most striking feature of the year is to be seen in the large increase in new business, bringing with it a corresponding increase in our premium income. My predecessor in office, in his speech last year, drew attention to the fact that for the first time our premium income had exceeded £1 million. The figure was £1,007,000. As you will see from the report the premium income for 1951 was just short of £1,220,000—a substantial increase indeed. Net new sums assured increased from £3,402,814 to £4,342,300; these figures include group life assurances amounting to £98,224 and £574,816 respectively.

The funds have increased by nearly £600,000, and the total assets shown in the balance sheet now exceed £16 million. The effective gross rate of interest earned on the funds over the year was £4 19s. 10d. per cent. I think that the corresponding gross and net rates for the past three years will interest you. They are as follows:

	1949	1950	1951
	%	%	%
Gross	£4 14 1	£4 18 7	£4 19 10
Net	£3 10 9	£3 13 4	£3 14 6

We may regard this recent improvement in our rate of interest with considerable satisfaction. On the other hand, there is a material increase in commission and expenses of management. The extent to which this is related to the improvement in our new business is a necessary factor in healthy growth, but in part, of course, the increase is due to inflation and to this extent it is a matter over which we have little control.

FAVOURABLE MORTALITY EXPERIENCE

Claims by death are some £40,000 less than the previous year at £323,584. The year's mortality experience has been excellent and the results are about 43 per cent better than allowed for in the actuarial tables which we use in our calculations.

Although there has been, as you are all well aware, a substantial general fall in the market values of most classes of investments during the year, there is, however, a useful margin on the right side between the market value of our Stock Exchange securities and the value at which they appear in the balance sheet.

I mentioned earlier that last year our group insurance sums assured exceeded half a million pounds; in addition, we arranged pensions amounting to nearly £150,000 per annum. The great merit of group life assurance and pension schemes is that they can be arranged for companies and firms of any size, large or small, and can usually be adapted without difficulty to meet the particular requirements of any employer. One further point, which also is perhaps not generally appreciated, is that it is possible, if a firm so desires, to make arrangements which will cover not only employees, but also existing pensioners. I strongly recommend any member who is interested in these questions to give us the opportunity of advising and assisting him.

The adoption of the report and accounts was carried unanimously.

JOHN WHITE FOOTWEAR

UPWARD TREND OF SALES

RECORD EXPORTS

MR JOHN WHITE'S STATEMENT

The eighteenth annual general meeting of John White Footwear, Limited, was held at "Prospect House," Higham Road, Rushden, Northamptonshire, on March 6th, Mr John White (chairman and managing director) presiding.

The secretary (Mr L. W. Bradshaw, FCCS, FIAC) read the notice convening the meeting and the auditors' report.

The following is the chairman's circulated statement in respect of the company's trading year 1951:—

I am very pleased once again to present my report to you, and to make a general review of our progress to date.

FINANCE

The group profit for the year under review before charging depreciation is £268,009, which is within £2,490 of the corresponding figure for the previous year. As shown in the separate schedule to the accounts, capital expenditure of £71,894 has been incurred during the year and, as in previous years, full depreciation has been written off. At £36,365 this is some £14,000 greater than the depreciation charge last year and accounts for the slight decrease in the group net profit.

The consolidated balance sheet shows an increase of £300,000 in our stock position. This is due to market conditions, to which I shall refer later, although since the date of the balance sheet a considerable reduction has been made. A further £50,000 has been transferred to stock reserve, bringing this figure to £100,000.

The Treasury has given consent to the capitalisation of reserves amounting to £94,083 5s. for the purpose of making an issue of bonus shares to ordinary shareholders in the proportion of one share for every two ordinary shares held. It is recommended that the balance on the excess profits tax postwar refund account, together with £39,064 5s. of the share premium account, be used for this; and accordingly an extraordinary general meeting has been called to follow the annual general meeting to pass the requisite resolutions.

PRODUCTION

The report will have conveyed to you that 1951 has again shown an upward trend in sales, and the total pairage produced has also been considerably increased. That there is no corresponding increase in profit is occasioned by the fact that the full rises in material and production costs were not passed on to our customers.

During the last few months of the year sales generally declined, and there was also some recession during this period from the former peak leather prices. This recession is not to any large extent revealed in the price of the manufactured article because the cost of almost every component used has been, and still is, rising rapidly. Steel grindery, as well as rising in price, is becoming extremely scarce. In addition, wages have been increased and provision has also to be made for an extra week's holiday with pay. Every practicable step is being taken to control the rapidly increasing costs of manufacture, as instanced by the installation of generators at our Newton Road group of factories, which will have the effect of offsetting to some extent the greatly increased cost of electricity from the grid.

LADIES' FOOTWEAR

A most important development this coming year will be the introduction of a range of ladies' walking shoes. These are in an advanced stage of preparation. Samples will shortly be in the hands of our representatives, and we shall have supplies in the hands of our stockists to coincide with the commencement of a striking national advertising campaign in a few weeks' time.

EXPORT

I am pleased to report there has been an increase in export sales of more than 100,000 pairs over 1950, making our performance in this field an all-time record. The development of the United States market is a particularly pleasing feature of this expansion. Our goods have proved themselves to be most acceptable to both United States and Canadian markets; and, when the plans we now have in hand come to fruition, considerably increased sales are visualised in these territories.

A visit was recently paid by our export sales manager to North America and the British West Indies, resulting in a considerable fillip to our sales. In spite of very much more competitive conditions now prevailing, export prospects for 1952 are very good. A fact that merits particular mention is that for every working week of the year, we made for overseas markets no fewer than 12,000 pairs of men's leather walking boots and shoes, every pair bearing the "John White" signature, which is becoming synonymous with good footwear throughout the world.

ADVERTISING

During the past year our large-scale national advertising has continued strongly to increase the public appreciation of our productions, and we have used our 50 million advertisements a month to publicise new lines and features.

During the coming year, advertising will also contribute to the introduction of a range of ladies' walking shoes. A striking national advertising campaign will commence in a few weeks' time, and thereafter every suitable method of advertising technique will be employed in support of this new venture.

Our efforts overseas have also been supported to the full by our advertising department; by the use of press, radio, display material and other media. More than 14 overseas territories are constantly serviced in this way.

PROPERTY AND PLANT

During the year under review, many important additions and alterations have been made as follows: Our Manton Road, Rushden, production unit has been converted, so as now to give us an additional capacity for approximately 5,000 pairs weekly. New buildings and stockroom at Hazelwood, Rushden, with a floor area of 7,000 square feet. At Prospect House, Rushden, a new directors' room and conference room have been provided. Land has been acquired in Shirley Road, Rushden, for extending our transport department. At our head offices at Higham Ferrers, a new sample room and waiting room. For our Newton Road, Rushden, factories—electrical generators have been installed—and plans are in hand for further generators in other production-units.

The total productive covered floor space of our factories is now about 4½ acres. The whole of the equipment and machinery throughout the organisation is modern in design and is being constantly kept up-to-date and maintained at the highest level of efficiency.

TRIBUTE TO STAFF

I would like to conclude by saying that our progress has been made possible by the loyal and able support of our workpeople, managers, sales staff and executives to whom I give my sincere thanks. Finally, I am sure everyone will be pleased to learn that the New Year has opened in a most promising manner.

The report and accounts were adopted; the proposed final dividend of 30 per cent, less tax, making 38½ per cent, less tax, for the year, was approved; the retiring director, Mr B. M. Lindsay Fynn, BCom., FCA, was re-elected; the remuneration of the auditors, Messrs W. J. Thompson and Co., was fixed, and at a subsequent extraordinary general meeting the proposed bonus issue of one share for every two held was sanctioned.

SECOND BRITISH ASSETS TRUST, LIMITED

SATISFACTORY RESULTS— INCREASED EARNINGS

MR ALASTAIR C. BLAIR'S REVIEW

The seventy-third annual general meeting of the company was held at Edinburgh on March 6th, Mr Alastair C. Blair, chairman, presiding.

In moving the adoption of the report and accounts, the chairman said: Since the last annual meeting Mr W. H. Fraser has resigned from the office of chairman of the company and I have been appointed in his place. While Mr Fraser presided over us the company did very well and we owe much of our present prosperity to his untiring energy and skill. Fortunately he still remains with us as a director and we continue to benefit from his experience and his advice.

The company's investments in USA and Canada now represent 36 per cent of our total valuation. Part of the increase in this figure is caused by our having bought more dollar investments: part reflects the greater rise over the year of American investment values as compared with those of UK. As in previous years the valuation does not include the premium ruling in London.

YEAR'S RESULTS

From the revenue account you will see that our income still continues to rise. Total income is £238,576 against £205,503 last year, and the net earnings for the ordinary capital have risen from £65,150 to £79,348. We feel that on account of the capital gearing of the company, percentage figures for earnings and dividends on the ordinary stock are sometimes misunderstood, and we have decided accordingly to state them in this report and in future in terms of shillings and pence per stock unit of 5s. In doing so we are coming into line with American practice, which we think is more satisfactory.

On the present basis of profits tax, which however may be altered, the company will not become liable for some years, because of past allowances.

In all our present uncertainties, it is difficult to forecast what the future may hold, but our estimates indicate that we should be able to recommend the same rate of dividend at this time next year.

SCHEME OF ARRANGEMENT SANCTIONED

Since the report was issued, the Court of Session has sanctioned the Scheme of Arrangement which had been approved by the holders of the different classes of capital and by the company at the meetings held on December 27th. The increase of the company's capital to £1,200,000 by the creation of 200,000 new ordinary shares of £1 each has therefore become effective, and the voting rights and borrowing powers are now as set out in the Scheme of Arrangement. Prints of the Memorandum and Articles of Association as amended will be available for those who require them at an early date.

THE SCOTTISH PROVIDENT INSTITUTION

MUTUAL LIFE ASSURANCE

RECORD NEW BUSINESS

In presenting the 114th annual report of The Scottish Provident Institution at the meeting on March 4th, the chairman, Mr R. Y. Weir, OBE, CA, referred with pleasure to the record new business of the year 1951.

He pointed out that although 1949 and 1950 had each produced a new high record, the figures for 1951 exceeded the 1950 figures by more than one third. He remarked that such an increase was notable even in a year when life assurance companies generally had reported larger new business figures and went on to consider some of the reasons for the general increase. He observed that, although part of the increase could be accounted for by the fall in the value of money, the higher level of industrial production had led to larger personal incomes and that many persons now enjoying an improved standard of living were learning the virtues of saving and the value of life assurance to that end. He looked for a considerable extension of life assurance business in that field. The importance to the country of real saving was becoming more widely understood today and institutional saving had in recent times been the only method showing positive results.

He also referred to arrangements which the Inland Revenue authorities were prepared to approve for the provision of pensions by way of life assurance and to the new business which had been secured from this source. On this technical subject the services of the Institution's representatives were available at all times and he could promise ready assistance and skilled advice.

SUBSTANTIAL ADDITIONS TO FUNDS

In reviewing the accounts for the year, Mr Weir made special mention of the fact that, for the first time in the institution's history, the premium income had exceeded £2 million and the net interest income £1 million. The interest income represented an improved yield of £4 15s. 3d. per cent gross or £3 14s. 1d. per cent net after deduction of income tax, calculated upon the total funds, including the general reserve fund. The claims and other outlays for the year had been within the estimates and it was satisfactory to know that the year's operations had resulted in an increase in the total funds of nearly one and three-quarter million pounds to over £30 million, the highest figure so far attained.

In closing his speech, the chairman emphasised the special strength of well-managed life assurance funds even in times when there had been a general reduction in the market value of securities. The institution had still a very satisfactory margin between the market prices of Stock Exchange securities and the values at which they stand in the balance sheet, and this surplus, of course, formed a valuable reserve against the possibility of further depreciation.

The report was adopted.

ALLIED LEATHER INDUSTRIES

UNSETTLED TRADING CONDITIONS

The fourth annual general meeting of Allied Leather Industries, Limited, was held on February 29th at the Grosvenor Hotel, Victoria, London, S.W., Mr H. G. Barlow (chairman and joint managing director) presiding.

The following are extracts from the chairman's circulated statement: As a result of the exceptionally good trading conditions in the first nine months of the year, the group trading profit is £150,990, compared with £85,997 last year, and the net profit, after taxation, amounts to £91,956, compared with £28,073.

The directors recommend a final dividend of 7½ per cent on the ordinary stock, making 10 per cent for the year. In view of the increased profit, your directors might with justification have increased the ordinary dividend but, in view of the extremely unsettled conditions obtaining in the hide and leather markets at the present time, they have thought it wiser to set aside £50,000 to contingencies reserve, leaving a balance of £4,917 to be carried forward. The balances in subsidiary companies have increased during the year by £25,554, making the total profits carried forward to next year £56,807 as against £26,785 brought in.

Last year I pointed out that we were trading on a continually rising commodity market. In fact, sales continued to expand until the end of April, when an easing of hide prices made buyers more cautious. There have followed months of continually falling hide prices, and until the stocks built up through buyers over-purchasing in the early part of 1951 have been absorbed we cannot expect to return to more normal business.

PURCHASE TAX HANDICAP

Trading in leather goods continues to be made doubly difficult by the high rate of purchase tax applied to our products. As other countries develop their industrial capacity it is increasingly obvious that we in this country will have to depend more and more upon design and craftsmanship, and I am at a loss to understand a policy which, so far from encouraging the development of craftsmanship (and I am not here referring to leather goods alone), penalises it, in nearly all cases, by singling out the resultant product for the highest rate of purchase tax. This encourages a swing toward mass-produced articles (using cheaper or substitute materials), which attract a substantially lower rate of purchase tax, but which are becoming increasingly difficult to export in competition not only with the vast mass-production facilities of the USA, but also with Japan.

Although we have had our fair share of the market so far, it is impossible for me to attempt to throw much light on the future with trading conditions as uncertain as they are and the dark cloud of further taxation on the horizon.

The report was adopted.

MENTMORE MANUFACTURING COMPANY, LIMITED

INCREASED SALES

The sixteenth annual general meeting of this company was held on February 29th in London.

Mr A. Andrews, chairman and joint managing director, in the course of his speech, said:—The profit for the year ended October 13, 1951, totalled £236,571, compared with £225,990 for the previous year. The corresponding net figure, after providing for income tax and profits tax is £103,815 as against £112,091.

The increase in turnover was maintained throughout the year. Our products sold remarkably well in home and export markets. Our increased sales have been spread over all our products. Your company introduced a ball point ink pencil some two years ago and sales have been phenomenal, but it is interesting to note that in addition to enjoying record sales for our pencil we have seen a corresponding increase in our sales of Platignum and Mentmore fountain pens.

According to Board of Trade figures, the overall sale of fountain pens manufactured in this country increased by 1,200,000 during the twelve months ended October 31, 1951. This period practically coincides with our financial year. Our sales increased by 1,100,000 and so we were responsible for practically the whole of the overall increase in fountain pen sales in this country. Our export figures increased considerably, and in fact the proportion of export sales was rather higher than anything we have achieved in the past.

The report was adopted.

GOVERNMENTS STOCK AND OTHER SECURITIES

INCREASED DIVIDEND

The eightieth annual general meeting of this company was held on February 28th in London.

Mr H. C. Drayton (the chairman) presided, and, in the course of his speech, said:

For the year under review our gross revenue totalled £175,600 as against £151,800 last year.

Your directors recommend a dividend of 9 per cent on the deferred stock, and propose that £9,000 be used to write down investments, leaving a balance of £10,600 to be transferred to revenue reserve account. That account will then stand at £104,800 which at the present rate of Income Tax is equivalent to 31.3 per cent on the deferred stock. Shareholders will also recollect that this 9 per cent dividend which we are recommending is payable on a larger capital. Although we only had the use of that money for nine months, shareholders are receiving a full year's dividend and at an increased rate over the previous year.

There is no need for me to enlarge upon the difficult times and I do not, particularly at this meeting, wish to point out to the Government, as I have done a great number of times, how things can be put right, i.e., by decreasing the number of civil servants and thus reducing taxation. Nevertheless, we have got these difficulties ahead of us and I must ask you to excuse me from telling you what our revenue is likely to be this year. However, I can with confidence say that you can look forward to the maintenance of the present dividend of 9 per cent.

The report was adopted.

CROWN AGENTS FOR THE COLONIES

COMMERCIAL OFFICER required by the Government of Gold Coast for the Department of Commerce and Industry for two tours of 18 to 24 months in the first instance. Salary according to qualifications and experience in the scale £992 to £1,335 a year, including allowances. Outfit allowance £60. Free passages and liberal leave on full salary. Gratuity on satisfactory completion of service of £25 for each three months. Candidates must be educated to Matriculation standard, and possess considerable accounting and commercial experience.

Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience and mentioning this paper, to the Crown Agents for the Colonies, 4, Millbank, London, S.W.1, quoting on letter M.28572.C. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

SOME years ago we initiated advertising for a branded product then unknown in this country. Its name is now a synonym for the commodity—all over the world. We can do as much for *your* product.—Consult Samson Clark & Co. Ltd., 57/61, Mortimer Street, London, W.1. MUSeum 5050.

SALES Boffin seeks job as management trainee, P/A or general dogsbody (but well paid) with industrial or commercial concern on Tyneside, overseas or anywhere. Age 28, B.Com., ex-Cavalry Officer, 4½ years' business experience. Bargain at £700.—Box 871.

EDITOR required by senior London publishers for the development of a monthly industrial publication. Sound technical editorial record with background of university degree or equivalent plus practical experience in industry and knowledge of management techniques are desired qualifications.—Write, stating salary, to Box 880.

PRODUCTION CONSULTANTS.—Applications are invited for progressive appointments as Production Study Engineers. Main qualifications are: Degree in Engineering, practical experience of Production Planning, Motion and Time Study and resultant controls, and Material Control; age 32 to 42. Salary according to qualifications and experience. Pension Scheme.—Harold Whitehead and Partners, Limited, 31 Palace Street, London, S.W.1.

MALE ASSISTANT required in the Market Research and Sales Statistical Department of a large company with world-wide interests, to assist in the preparation of market surveys and general economic and statistical data covering capital and consumer goods.—Applicants having a University Degree, preferably with txperience in Market Research, and the ability to prepare concise reports should apply, quoting ref. GEE, to Box 881.

TRAINED SECRETARY, Hons. Graduate Eng. Lit., with extensive experience, gained here and in Canada, Social Educational Work Engineering business and Films, seeks responsible and remunerative post.—Box 882.

WELL-KNOWN firm of Management Consultants, headquarters London, expanding its consultancy staff, requires qualified Accountants with wide experience of costing and management accounting to undertake assignments in various parts of U.K. Good salary, reimbursement of expenses and excellent prospects for persons able to deal with management problems at highest level.—Please send full particulars and salary requirements to Box 883.

PROGRESSIVE POST for young man, aged 22-26 years, with a degree in Arts or Politics and Economics and a good command of arithmetic.

The successful applicant will start as a Junior Assistant in our Accounts Department, and if he follows an approved course of study leading to professional qualification as a Cost Accountant he will be entitled to promotion.

The Company is efficient and progressive and the widest scope is given to persons with initiative and intelligence for personal development.

Apply in writing to: The Personnel Welfare Worker, Aston Chain and Hook Co., Ltd., Bromford Lane, Birmingham, 24.

WELL-KNOWN PUBLIC COMPANY has vacancy for well-educated man between the ages of 26 and 32 to train as Assistant to Executive in Film Production. Public school and university education an advantage. Post, which offers excellent prospects, will entail thorough training, leading to executive position. Applicants should possess knowledge of accountancy or law, combined with artistic inclinations.—Box 885.

CIRCULATION MANAGER wanted for leading London weekly. Excellent prospects. Write stating full details and salary required. All replies treated in strictest confidence.—Box 894

THE NATIONAL BANK OF INDIA LIMITED

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Shareholders will be held in the Bank's Premises at 24, Bishopsgate, London, E.C.2, on Tuesday, April 1st, at twelve o'clock noon precisely, to receive the Accounts to December 31st last with the relative reports by the Directors and the Auditors; to elect Directors; to fix the remuneration of the Auditors; and to transact all such other business as can be transacted at an Annual General Meeting of the Company.

By Order of the Board,
W. KERR, London Manager.

The National Bank of India Limited,
26, Bishopsgate, London, E.C.2.
March 4, 1952.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH
DEPARTMENT OF AGRICULTURAL ECONOMICS

Applications are invited for the post of Senior Agricultural Economist, Provincial Agricultural Economics Service, in the above Department. Applicants should possess honours degrees, or equivalent, in Economics, Agricultural Economics or Agriculture, and should have experience in Agricultural Economics advisory and research work. Salary scale £880 x £30—£1,040 with superannuation under the Federated Superannuation Scheme for Universities. Applications, with the names of two referees, should reach the undersigned, from whom further particulars may be obtained, not later than March 15, 1952.

T. MAELGWYN DAVIES, Registrar.

THE UNIVERSITY OF LEEDS
DEPARTMENT OF ECONOMICS AND COMMERCE

Applications are invited for the post of Research Assistant in Industrial Relations at a salary of £450 a year, rising by two annual increments of £25. The research will be directed mainly to a study of wage trends, and the relation between wages, cost-of-living and productivity. The Research Assistant will have opportunity to undertake some teaching in the Department. Applications (three copies) should reach the Registrar, The University, Leeds, 2 (from whom further particulars may be obtained), not later than March 31, 1952.

UNIVERSITY OF BELFAST

Applications are invited for a Lectureship in Economic History in the Queen's University of Belfast. Salary of £550 by £50 to £850 and, on certain conditions being satisfied, to £1,150, plus contributory pension under the F.S.S.U. Initial placing may be at any point on the scale £550-£1,150, and is dependent on experience and qualifications. Applications should be received by March 31, 1952. Further particulars may be obtained from G. R. Cowie, M.A., LL.B., Secretary.

C.A. seeks responsible position abroad, where Company Secretarial, Commercial and Accountancy experience at a high level in Industrial Company in the U.K., and previous experience overseas, can be fully utilised.—Box 872.

RESPONSIBLE private secretarial position required by lady (26) with wide experience in similar capacity. London area.—Box 896.

A HIRE PURCHASE FINANCE COMPANY, acting in conjunction with a large firm of Gas Cooker Distributors, requires additional Bill Discounting facilities to the extent of £200,000-£300,000 per annum, in monthly units. Bills of exchange are fully covered by collateral securities and guarantees. The Discounting charge is equivalent to a simple interest rate of 10.56 per cent. per annum.—Particulars from the Company's Accountant's, Box 876.

OUR CATALOGUES show that good original paintings and drawings by leading artists are within the reach of all. Stock includes works by Sickert, Nevinson, Benois, Gill, Hitchins, Innes, Burne-Jones, Millais, Frith, Clausen, Dulac, Birket-Foster, Rackham, Ricketts, Shannon, and many others. Old English water colours a speciality.—Write, Abbott (private address), 73 Castlenau, S.W.13.

ACCOUNTS Office Manager (35), "axed" due to import cuts, seeks similar or responsible position with established company. Good commercial experience.—Box 877.

THE HALEX DIVISION of The British Xylonite Co., Ltd., requires the services of a Production Manager. Experience in the Plastics Industry an advantage.—Apply to Works Director, Halex Division, Highams Park, London, E.4.

BERTOLA is the Cream of Sherries.—Ask for BERTOLA CREAM.

Information about AUSTRALIA....

Imports/Exports:
Travel: Shipping:
Trade References:
Local Conditions:
Business Opportunities.

From over 400 Branches throughout Australia information is collated relating to the above and many other subjects in the interests of British trade. You are invited to make use of this informatory service.

The English, Scottish & Australian Bank, Limited
5, Gracechurch Street, London, E.C. 3.

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

MURRAY-WATSON
LIMITED
Advertising & Marketing
Home and Overseas
58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9
DUDLEY, WORCESTERSHIRE. DUDLEY 3162

FINANCE EXECUTIVE required by well-established manufacturing company. Duties will include direction of accountancy and costing for several factories and reporting to Board on economic trends, capital utilisation, profitability, etc., of departmental sections. The position calls for a man of outstanding ability, tact and personality and should lead in due course to membership of the Board. Applications, which will be treated in strict confidence, should give full details of business experience, professional and other qualifications, as well as personal particulars.—Box 897.

ESSENTIAL TO ALL BUSINESS MEN!—"Advantages of trading as a limited Co.," by T. A. Herbert, LL.B., Barrister-at-Law (post 1s. 8d.), from "EC," Anglo-French Press Agency, Ltd., 128, Albany Street, London, N.W.1 (EUS. 8308/8178), who have TRUST INVESTMENT CO. REGN. for sale. Ready for use, complete, £30.

GOOD FOOD

We specialise in catering for industrial canteens, offices, and luncheon clubs. Our organisation is not too large or unwieldy and we can give personal supervision to all our contracts. Write for testimonials from our clients; addresses given on application to:-
Harold Jayes & Son, Ltd.,
29, West Heath Court,
LONDON, N.W.11.
SPEedwell 2498 & 6754

The Economists' Bookshop Ltd.
will be glad to send free to applicants its recent
catalogue of current economic textbooks
11-12 Clement's Inn Passage, Aldwych, W.C.2

QUALIFIED STAFF AVAILABLE NOW
Accountants, Office Managers, Company Secretaries supplied immediately.
FINE'S EMPLOYMENT AGENCY
(HIGHER APPOINTMENTS SECTION)
95/99 PRAED STREET, LONDON, W.2. AMB 3400 (30 LINES)
FINE'S FOR THE FINEST STAFF

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony
CAPITAL ISSUED AND FULLY PAID UP - - - - - - $20,000,000
RESERVE FUNDS STERLING - - - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - - - - $20,000,000
Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M. Duncan Wallace, H. A. Mabey O.B.E.

BRANCHES

BURMA	CHINA (Con.)	INDIA	MALAYA (Con.)	N. BORNEO (Con.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore (Orchard Road)	SIAM
*Dairen	EUROPE	Osaka	Sungei Patani	Bangkok
*Foochow	Hamburg	Tokyo	Teluk Anson	UNITED KINGDOM
*Hankow	Lyons	Yokohama	NORTH BORNEO	London
*Harbin	HONG KONG	MALAYA	Brunei Town	U.S.A.
*Moukden	Hong Kong	Cameron Highlands	Jesselton	New York
*Nanking	Kowloon	Ipoh		San Francisco
*Peking	Mongkok			

* Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

INCORPORATED ACCOUNTANTS
THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS' EXAMINATIONS
EXAMINATIONS, MAY, 1952

The Society's May, 1952, Examinations will be held on the following dates:—

Final Part I	13th and 14th May, 1952
Part II	15th and 16th May, 1952
Intermediate	15th and 16th May, 1952
Preliminary	15th and 16th May, 1952

The centres will be Belfast, Birmingham, Cardiff, Dublin, Glasgow, Leeds, Liverpool, London, Manchester and Newcastle-on-Tyne.

Applications on the appropriate forms, which can be obtained from local Hon. Secretaries of District Societies, must be lodged with the Secretary, Incorporated Accountants' Hall, Temple Place, Victoria Embankment, W.C.2, not later than Monday, March 17, 1952.

UNITED NATIONS is seeking statisticians for immediate or future appointment at United Nations Headquarters, New York. Candidates should be University graduates in Statistics or in Economics, Mathematics or Sociology allied with Statistics. Preference will be given to candidates with higher degrees or with practical experience in Statistics.

Facility in English is essential and working knowledge of either French or Spanish is desirable.

Entrance base salaries range $4,250 to $5,750 gross equivalent to $3,600 and $4,800 free of all taxes, plus cost of living and other allowances.

Send full particulars including age, nationality and record of employment to Recruitment Section, Bureau of Personnel, United Nations Headquarters, New York City, U.S.A.

Applications which do not meet minimum requirements will not be acknowledged.

AN important industrial organisation in London area requires an experienced Investment Analyst, aged 30-37, competent to supervise a large investment portfolio. Must have a sound knowledge of economics, finance, investment and Stock Exchange procedure, backed by some years' practical experience with a finance house or similar organisation. An accounting qualification is desirable but not essential. Salary approximately £1,500, dependent on qualifications and experience. Pension scheme. Applicants should state (in confidence) present position and salary.—Reply to Box 879, quoting reference A1.

EDITORIAL ASSISTANT required by London oil periodical. Languages, also Degree including Economics essential: knowledge of international trading desirable. Details of qualifications, experience, etc., to Box "FE/79," c/o 95, Bishopsgate, E.C.2.

ABLE ADMINISTRATOR (36), seeks post such as Director/Senior Executive leading Trade or Professional association. Admiralty staff and destroyer captain in war: then head of department in large industrial firm; now in third year key temporary post Whitehall concerned economic/industrial affairs. Would start about £1,500 if scope, prospects attractive.—Write Box 900.

IF you appreciate beautiful Gold and Silver Coins in finest condition, you cannot afford to miss our selection of choice specimens. Personal attention given to postal enquiries.—L. S. Forrer Ltd., 178, Piccadilly, London, W.1. (Regent 6974.)

SOLICITOR, specialising manufacturing and patent agreements and general/company work—five years with leading City firm—present salary £1,200, former staff officer, seeks secretarial or executive post in industry.—Box 898.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc. Econ., LL.B.; and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.

Also expert postal tuition for Prelim. Exams. and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.

More than 50,000 POST-WAR EXAM. SUCCESSES.

Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.

Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary.

METROPOLITAN COLLEGE
(G3/2), ST. ALBANS *or call 30 Queen Victoria St., London, E.C.4.*

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, March 8, 1952.

once again, is unquestionably right, however much trouble it may cause to the road transport industry, and however much capital the Opposition (which would almost certainly have done the same if it had remained in office) may be able to make out of the subsequent increases in fares. And lastly, if any money were properly left over for concessions after these changes there can be no doubt that Mr Butler was right to concentrate it on the income tax, and in particular on those features of it that affect most severely the incentive to effort. Some will regret that he raised the starting point of income tax instead of lowering the starting rate—to remove two million people altogether from the ambit of income tax is not, at this juncture, an unmixed gain—and others will wish that he had found it possible to raise the upper limit of the earned income allowance—the sudden jump in the marginal rate of tax on earned incomes, from 7s. 4¾d. in the £ just below £2,000 to 11s. 6d. in the £ just above £2,025, is fully as severe a deterrent to effort and enterprise as any that affects weekly wages. But these are relatively minor criticisms beside the important point that the relief was properly concentrated on direct taxation.

★

Where there is so much to praise, it may seem churlish to cavil. Politics is, after all, the art of the possible, and the government's narrow majority is hardly an encouragement to boldness in imposing burdens on the electorate. Yet if this were to become the only test of a minister's performance, the standards of public life would soon be lowered. Judged by the objective tests of the nation's needs, it has to be said that Mr Butler's Budget, for all its merits, has two grave defects—one which affects the health of the British economy in the longer run, the other bearing directly on the battle for the pound that is now being waged.

In the short run, it does not greatly matter what forms of expenditure are cut, provided the total of all forms is brought down within the nation's means; capital cuts are, within limits, interchangeable with cuts in consumption. But in the long run it matters very much indeed what is cut. To leave consumption alone and balance the accounts by drawing on stocks and by restricting capital investments is obviously the easier course, and to pursue it for an isolated year or two may not do much harm. But it is no less obviously a policy of sacrificing to present comforts the hope of progress in the future. It is astonishing to see a Conservative Chancellor following the socialist precedent and treating capital as the obvious whipping-boy of economic policy. Britain may by now be an anti-capitalist country in the sense that the rich man who lives on the fruit of invested capital is no longer a popular figure. But it cannot possibly afford to be anti-capitalist in the sense of refusing to encourage, foster and cultivate the steady growth of productive capital. Capital is what industrial nations live by; it is what sustains the standard of life their peoples can enjoy. One expected the Conservatives to make a start towards correcting the vulgar prejudice against capital, to encourage thrift and stimulate investment; it is very surprising to find Mr Butler protecting consumption at any cost to capital.

Nor is this all. Within the general neglect of capital, there is a special popular prejudice against the profits of enterprise. Here also one could have expected the Conservatives to try to correct their opponents' error. But they prefer to pander to it by imposing a new Excess Profits Levy which is indefensible in theory and will be arbitrary in practice. If heavier burdens on unearned income are necessary, they should have been imposed within the framework of the income tax, where they would affect all forms of unearned income and not pick out for differential punishment precisely that form of income that is most closely connected with enterprise and efficiency. It is sad to see an honest and realistic Budget tarnished by such a disingenuous attempt to steal the clothes of the Opposition.

★

The excess profits levy, however, is imposed only for the duration of the emergency. It may be held that even things that run contrary to long-term policy may nevertheless be right in an emergency. The argument would be more acceptable if it had not been trotted out so many times before and if a more definite term could be set to the emergency. It would be more tolerable if this latest additional levy on risk capital formed part of a balanced programme of sacrifice for all. But it does not—and this is the second and even more serious criticism of the Budget. It is not a grim budget, or an austerity budget. The reason why it is so unexpectedly popular is that nobody—save for the road transport industry and the ordinary shareholder—is being called upon for the sacrifices that everybody had been led to expect. Ever since they came into office, ministers have used the firmest language about their determination to do whatever was necessary to save sterling; the only meaning that the public could attach to these warnings was that further efforts and sacrifices were to be required—and the public, on the whole, was ready to make them. Mr Butler began his speech by announcing the most ominous figures of the drain on the reserves that have yet appeared; the obvious inference to those who listened to him was that the Budget was going to be even more severe than had been expected. Between these admonitions at one end of the speech and the concrete proposals at the other end, as Mr Gaitskell pointed out, there was the sharpest contrast. The reason why Mr Butler excited such jubilation on the benches behind him was that they thought the Budget would win them votes in by-elections which they had fully expected to lose. Yet it could almost be elevated into a general principle that, in a nation facing bankruptcy, a popular budget must be an inadequate budget. Once again a public that has been warned of imminent disaster has, in the event, been let down lightly.

That this psychology is, in present circumstances, dangerously wrong does not require reinforcement by any statistical demonstration. But the economic argument is almost as persuasive. The keystone of the Budget is Mr Butler's decision that enough resources can be made available for defence and exports in the coming year without cutting consumption below the level of the expiring year and that consequently the surplus on the Budget, reckoned on the conventional basis, of rather more than £500 million that he found ready to his hand, is large enough. A decision on this crucial point is compounded of a number of subsidiary judgments, and on nearly every one of these Mr Butler seems, to the outside observer, to have been determined to take an optimistic view. He seems to have underrated the volume of resources that will have to be shifted if the defence and export objectives are to be attained—the diversion of manpower was not so much as mentioned. He seems to have exaggerated the extent to which imports can be cut without reacting adversely on exports. He has put the prospective gain from invisible exports very high. He has taken a sanguine view of the probable increase in the total output of the country—certainly of the extent to which there will be an increase unmatched by a parallel increase in spendable incomes. Like Mr Gaitskell a year ago, he is relying heavily on rising prices to t consumption and allowing very little for the contrary effect of rising wage rates. On any one of these points, the Chancellor may well be right and his critics wrong. But when he strains for the favourable assumption on every one at once, the odds against his being right become formidably long.

★

Yet if ever there was a time to make quite sure that the job is done properly, it is now. The reserves leave desperately little margin for mistakes; and if the Chancellor was to run any risk, it should clearly be that of going too far. An excess of severity could be corrected; another excess of leniency might be fatal. Translated into budgetary terms, this means that Mr Butler should have reinforced his surplus by another £200 to £300 million. The ideal way to do this would have been to cut out the subsidies entirely, or almost so; in which case he could have granted his concessions on income tax and social security payments and still have had an adequate surplus. There is no reason why this should be considered politically impossible. After all, it was considered politically impossible, only a short time ago, to touch the subsidies at all, and by cutting them by 40 per cent. Mr Butler has incurred nearly as much odium as he would have had to bear if he had gone the whole hog. But if his colleagues would not have supported him in this, then at least the income tax concessions should not have been afforded. To have budgeted on these lines would not have elated Mr Butler's party; it might well have cost it votes. But it would have put the soundness of British economic policy, and the determination of the United Kingdom to do its part in saving sterling, beyond any question. As it is, the people have been taught once again not to take seriously any cries of "wolf" that may threaten to disturb their sense of economic security.

It was suggested last week in this place that Mr Butler had a unique opportunity to reverse the post-war drift of economic policy, and that the two primary tests of whether he had seized it would be whether or not he reinforced his surplus, and whether or not he cut the subsidies. He has passed one test, the smaller, and failed the other. The verdict on his Budget must therefore be a mixed one. He has done at least as well as any other post-war Chancellor of the Exchequer, and probably better. It is difficult to imagine either another Conservative Chancellor or any Labour Chancellor showing so much realism and courage. But all this is still less than the situation required. The opportunity has not, indeed, been wilfully disregarded. But equally it has not been firmly grasped.

SECRETARIAT LIBRARY 2 MAY 1952 GOVT.

Precedence in Defence

THANKS chiefly to Mr Churchill, the debate on defence in the House of Commons last week illuminated its subject as well as the quarrels within the Labour Party. The rearmament programme rests, as the Prime Minister emphasised, on the assumption that for the present the atom bomb in the hands of the United States will deter Russia from starting a general war. If that assumption were false, if war seemed imminent, the programme would be criminal folly in its inadequacy. Fortunately, Mr Churchill presumably chose his words carefully when he described American atomic power as "rapidly growing and already overwhelming"; he no doubt had in mind not only the rate of production of bombs but also the belief that the Russians' ability to check strategic bombing of their country remains weak. But it was a pity that he did not go on to define more closely the purpose and nature, on these assumptions, of the rearmament programme; the debate showed how widely they are still misunderstood.

The point of rearmament is that it would be foolish to rely on an ally's lead in one weapon, however dreadful and powerful, permanently to frighten the possible aggressor. It is by its nature a lead that may after a time slip away, or with the development of new weapons or new defensive strategies become irrelevant, at a surprising speed. The rearmament programme of the western countries is an insurance against this danger. It has two main purposes. It is, first, to build up over the next two or three years balanced forces strong enough to make general war look too costly for the Communists even if the West has no particular lead in atomic or other weapons. Secondly, it is to become strong enough to deter local aggressions, as in Korea, without using the atom bomb. The particular purpose of British rearmament, in this context, must be to make this island as secure as possible against air attack and to make a full contribution to the deterrent forces stationed in Europe, the Middle East and parts of the Far East.

In the past two years the politicians, anxious to present rearmament as the servant of large ideals, have put too much emphasis on the second part of this objective. Mr Churchill provided a proper corrective by treating it as an urgent response to dangers that directly threaten the lives and homes of the British people. Britain is not only a place to live in. It is a workshop, the centre of Atlantic communications, a bridgehead for American power and an essential part of the European defence system. To say that defence begins at home is therefore not selfish isolationism. That is out of the question. There is no land defence for Britain in Britain. To hold a fairly advanced line on the Continent is the essential condition for an adequate air defence of this country. The place for the British army, as well as for important units of the fleet and of the air force, is abroad. That is where they are. Of the army's eleven effective divisions, five are in Europe and six are spread over the rest of the eastern hemisphere. There are now no regular combatant units here at all.

In the circumstances this, disquieting though it is, is as it should be. The mistake is to imagine that as long as this shield is spread outside, strengthening the troops of allies, little more need be done here as a preparatory measure. Many people seem still to assume that if war should come, this country would have, as in 1939-40, a space to get its own defences in order while, at the least, a holding action was fought on the continent. In fact, one cannot suppose that the Russian strategists have ignored the obvious lessons of Hitler's failure to destroy or at least to neutralise British strength. If the Russians did march westwards, they would certainly seek at the same time to dislocate and disorganise the most important industrial targets that would immediately lie within range —the ports and cities of this country. Hitler tried, but too late. And it would be ridiculous to draw any conclusions from his failure without recognising the great size of the Russian air force, the possibilities of atomic bombing, the vastly increased effectiveness of mines laid from the air, and the rapid development of guided missiles which were in their infancy as recently as 1945. In another war, this country must expect to be at the centre of battle from the beginning, and to remain there even if western forces are able to maintain themselves on the continent.

If these are the tasks the inadequacy of present defences is patent. The main test to be applied to the rearmament programme is not whether it is too big or too little by some notional standard. Obviously it cannot meet within the next year or two all the minimum requirements for effective defence. The questions are whether, within those requirements, it puts first things first and whether it promises to carry those first things to some moderately satisfactory state within the next two years.

*

With eleven divisions overseas, Britain is already making in manpower an entirely fair contribution to the forces ready to meet local aggressions. It is urgently necessary to equip those forces with more Centurion tanks, with more modern weapons, and better vehicles. Tank production, at least, is reported to be "satisfactory and increasing," and much work has been done on the modernisation of the last war's anti-aircraft weapons and vehicles; production in quantity of new types is barely beginning or, in some cases, hardly in sight. There are, however, even more urgent tasks. Important as it is to increase the effectiveness of the army per unit, immediately it is even more important to increase the number of reserve units that Britain could quickly contribute to the defence of Europe.

As yet the number of national servicemen who have completed their full-time service and passed into the reserve army is only one-third of the 300,000 that will be reached in 1954. In the meantime, the recall for 15 days' training of "Z" reservists from the last war has proved to be more valuable than most observers had expected; it is rightly being repeated this year. But of the ten effective reserve divisions to which Mr Churchill looked forward—making a total army, with one extra regular division to be formed, of 22 divisions—only two could this year be ready for action within a few weeks. The immediate obstacle to making the reserve army more effective is a shortage not of equipment so much as of officers, warrant officers and NCOs—both volunteers for the reserve army itself and regulars to form the nucleus of the training staff. An imaginative policy to attract more part-time volunteers has yet to be devised. Much, however, has lately been done in all the services to attract more regulars by improving both pay and conditions of service, and a promising increase in recruitment has followed. The army now proposes to go further by offering a career engagement of 22 years from the start of service. It is essential for the country to understand that the conception of a well-trained and ready reserve army, which is the more economic alternative to a prolonged period of conscription, depends entirely on the attraction of a larger and highly competent force of volunteer regulars; whatever proves to be necessary to this end should be done without hesitation.

The manpower problems of the army are, however, of almost minor significance compared with the enormous tasks involved in making Britain somewhat more proof against attack from the air. There are four main forms of possible attack: bombing, minelaying, guided missiles, and air-borne landings. The last it would be technically possible to carry out from bases in Eastern Germany, before an enemy army began to move overland towards the Channel. Fortunately it is the danger against which some provision can be made most economically. Mr Churchill was able to report "rapid progress" during the past few months in giving a combatant value to the modern army's enormous administrative tail—to the 249,000 soldiers at depots and training centres in this country. All now have small arms and they have been organised into 502 mobile columns, which will gradually be grouped into larger units and presumably be given some support in heavier equipment. They will be strengthened by the seven additional, fully combatant battalions to be formed during this year by combing men out of the administrative tail. And they should also have important support from the reconstituted Home Guard—though it is too early to judge whether that will attract the numbers hoped for.

The Russian navy might well be able to put into the Atlantic twice as many submarines as the Germans ever did, but it is unlikely that they would be as efficient and it is probable that anti-submarine action would quickly be more effective than in the last war. Mines, particularly those laid close to the ports, would probably be a greater danger to convoys. Where the navy last year reported a total force of 63 minesweepers, with 41 more under construction, this year the strength is put at 146, with 65 more under construction (of which 35 are for inshore work). A volunteer force to watch for mines dropped near the coast is also being recruited. It is by no means certain, however, that sweeping of the most modern type of mine will be possible.

The main defence against minelaying, as against bombing and guided missiles, must be to prevent as many as possible of them from being dropped or launched. The four main instruments of defence are radar, anti-aircraft weapons, fighter aircraft, and bombers to attack the aircraft bases and the sites from which guided missiles come. Little information about the development of the first two has been made public. The inferiority of the British fighters now in service to the Russian MIG 15 is well known; it is less serious for defence against enemy bombers than for offensive operations. But the decision to give what Mr Churchill called "super-priority" to the production of the newly-designed fighters is plainly right on every count, though it does not mean that many will be in service next year. It would be a doubtful measure only if it meant delay in producing the new medium bomber, the Valiant; whatever is done to strengthen air defence as such, there is little doubt that far too many bombers and missiles may still get through unless the bases from which they come can be effectively attacked. It is more doubtful whether, among competing needs, the production of a heavy bomber should be given as much priority as it seems to have. But it is important to note that while the various aircraft programmes gather momentum, the RAF is drawing valuable strength from North American production—the F.86 for fighter command, the Neptune for coastal command, and the Washington for the medium bomber force.

The layman is bound to take the decisions of the service departments largely on trust. But as far as can be judged, it does look as though the pressing needs of defence are being met in a reasonable order. The priorities are about right. But there is no ground whatever for complacency about the speed at which the first things are being done first. The whole range of air defence—radar and new anti-aircraft weapons as well as aircraft—involves relatively light demands for metals and other materials. The narrowest bottleneck is the supply of labour to the factories making these things. The pace at which production can be increased therefore depends relatively little—in this most important section of the defence programme—on sacrifices of exports and industrial investment, which the state of the British economy genuinely will not permit. It depends primarily on the release of manpower by sacrifices of home consumption through a rigorous financial policy. If the politics of that were more bravely faced, the effectiveness of the military defence against air attack could be increased more quickly. Civil defence, unfortunately, is another question, which will be discussed in a further article.

Plus Ça Change

Perhaps there never was a country whose prospects, both immediate and remote, were so gloomy and perplexing as those of France. . . . She has three rival Pretenders to the throne—besides a numerous party who insist that there shall be no throne at all. There are the Legitimists, embracing the highest and most polished society in France, strong in fanatical attachment to an intelligible though unsound principle, and supported by nearly the whole weight of the priestly caste. There are the Orleanists, who include within their ranks the great majority of the commercial and financial classes, a vast proportion of the *bourgeoisie*, many of the chief officers of the army, and nearly all the eminent and experienced politicians of the country. There are the Bonapartists, thirsting for the re-establishment of the Imperial regime and the revival of the Imperial glories, strong in the support of the army whose soldiers have known no spoil and whose marshals have reaped no glory since Napoleon's dethronement;—strong also in the blind attachment of the peasantry, whose dull ear no name except Napoleon's has ever reached. Lastly, there are the Republicans of every shade and hue;—stern devotees of a theory; the poetical adorers of a phantom; the interested promoters of misrule;—the idle, who disdain to labour; the criminal, who live by plunder; the savage, whose element is uproar; and the anarchists who hate every Government because they have made themselves amenable to all. These are the hostile sections who, secretly or loudly, are warring for the possession of their country,—none of whom are able thoroughly to conquer, none of whom are willing frankly to submit. Each party, when in power, seeks to govern in a manner which it is impossible for the others tamely to endure; none are willing heartily to amalgamate; and none seem able to divide authority generously with their rivals. Whichever party chances to be uppermost for the time, no one for a moment dreams that the internecine and exhausting strife is ended. The struggle seems likely to be eternal.

The Economist
March 13, 1852

The Red Army Quickens Step

IN last week's budget debate in the Supreme Soviet, one speaker sought to show the peaceful nature of Marshal Stalin's policy by claiming that in 1952 Soviet expenditure on arms would be much less than that of 1940. This was a somewhat remarkable statement; for Mr Zverev, the Finance Minister, had just presented a new defence estimate of 113.8 billion roubles, the biggest the Soviet Union has ever faced in peacetime, and almost exactly twice as large as the 1940 figure of 56.7 billion. The 1952 estimate is, indeed, bigger than that presented in 1942, when Russia was already a battlefield.

The value of the rouble has declined since 1940, while war has become more costly; and it is impossible to deduce from the new budget figures whether the Kremlin feels war to be nearer than it was in 1940, or further away. But the rapid expansion of the Soviet arms programme is seen clearly enough. The 1952 defence estimate is 18 per cent greater than last year's figure, 37 per cent greater than in 1950 and 70 per cent above the 1948 level. From the published figures alone it is not possible to detect any sudden acceleration of the upward trend which has marked Soviet defence spending since 1948.

Such an acceleration cannot, however, be ruled out. The Soviet government reveals no details of its expenditure, and it is thus very easy for it to transfer large parts of the cost of its arms programme to other budgetary headings. The heading "Defence" covers only the direct expenditures of the service ministries on the maintenance of the armed forces and the purchase of their arms at cost prices: it does not include the constitution of military installations or armament factories, which appear under "grants to the national economy." Moreover, it is clear from Mr Zverev's statements that the development of atomic energy is paid for out of the "social and cultural" funds; and the cost of the large para-military forces maintained by the Ministry of the Interior (MVD) appears under "administration and justice." The best available evidence suggests that in reality defence spending now amounts to not far short of a third of the budget; and it must be remembered that the Soviet budget, unlike those of the West, covers something like two-thirds of the whole national income.

What is clear, even from the published figures, is that the arms programme is being stepped up at a pace which gives little encouragement to the Russian people's hopes

In 1948 Soviet policy demanded of Germany reparations, demilitarisation, a ban on Fascism and a share in controlling the Ruhr. Admittedly, as western policy moved towards European integration and German rearmament, Soviet policy moved stage by stage towards proposals that would impede the formation of a European army within the North Atlantic Treaty Organisation, but always, it seemed, with the object of keeping Germany disarmed and with the hope that unity would gradually bring a powerful Communist party on to its political stage. Lately, Stalin must have felt that even if the European Defence Community came to nothing, an American alliance with an independent and rearmed Germany might be the desperate alternative. He, therefore, now offers the Germans independence, rearmament and a partnership—alliance is specifically excluded—based on trade. Von Seeckt and Radek must be stirring in their graves.

Perhaps the Americans gave the Russians the cue for this dramatic entry. They have recently proposed for Austria a new start: withdrawal of occupation forces by all four powers, and the formation of a national army. If that would get the Americans out of Austria, a similar proposal for Germany might get the Americans out of Europe. It is with this main purpose of Soviet policy in mind that the new proposals must be examined.

* * *

For the Record

During the Palais Rose talks which began this time last year the Soviet purpose seemed to be simply propaganda and frustration of western negotiations with Dr Adenauer. Then came an offer from East Germany by Herr Grotewohl which seemed to promise all-German elections and a peace treaty. To his discomfiture Dr Adenauer's government took him at his word, drew up an electoral law for free elections, and persuaded the western powers to ask the United Nations to find out whether free elections would in fact be possible in the two Germanies. The Uno committee set up to do this has been refused entry into the Soviet Zone.

Then a few weeks ago Herr Grotewohl tried to influence the French Assembly's debate on the European Defence Community by addressing to all four occupation powers a request for a peace treaty. When asked why he made no mention of all-German elections, he declared that the peace treaty was the vital matter; whether elections came before or after it was unimportant. The Soviet Ambassador in Eastern Germany replied by demanding a peace treaty on the basis of Potsdam, executed by an all-German government. This would have meant demilitarisation and only limited sovereignty for the new state. In other words, the Russians had apparently shelved their proposal for elections throughout Germany and were suggesting a treaty which would calm French fears of a powerful, reunited Germany more than western integration plans could hope to do.

Hitherto it has not been clear to every western mind that the Soviet alternatives to western policy for Germany were undesirable. In particular, the vision of a neutralised and demilitarised Germany has attracted many. These doubts are now removed; the "middle way" for Germany should now be seen to be an impossibility, and Moscow's motives should be clear. The western powers must reply to the latest Note, and they can insist once again that free elections, a united Germany and the retention of occupation troops might provide a basis for compromise with Moscow; but that a united Germany without occupation troops and free elections does not. It becomes more than ever important to bring about the European Defence Community; but that does not mean scrambling ahead at panic speed and pretending that the French Assembly and the Bundestag will be easily and quickly persuaded to accept it and the new contractual arrangements with Germany.

Lord Ismay for Nato

The North Atlantic Treaty Organisation now has a Secretary-General. Into the shoes prepared for Sir Oliver Franks steps, not Mr Pearson of Canada, not Dr Stikker of the Netherlands, by General Lord Ismay, hitherto Secretary of State for Commonwealth Relations. It would not immediately strike the eye that the same shoes would be likely to fit the two men, and Lord Ismay's particular qualifications and experience are very different from those of the British Ambassador in Washington. But the general has many advantages denied to the don.

He is a soldier whose repute is great across the Channel and the Atlantic. As head of the civilian organs of Nato he will be able to represent the civilians to Shape, and Shape to the civilians, each in their own language. Nato's most pressing problem is to reconcile its military with its civilian interests, and perhaps nobody could do it better than a general acting for the civilians. Secondly, Lord Ismay's strong link with the Commonwealth will bring more prominently into the scene the third leg of the tripod on which the British would like to see Nato rest, and perhaps not a minute too soon. Finally, Lord Ismay is the confidant and adviser of Mr Churchill. With his appointment the British Prime Minister is assured of a new and intimate view of affairs Atlantic and European, to the certain benefit both of the affairs and of the British Government.

Where Lord Ismay may find difficulties in his new job is in the slightly more remote, but no less important, non-military sphere. His functions include not only liaison with military headquarters but the control of the civilian secretariat (mainly concerned with economics and information), the chairmanship of the civilian representatives who are now going to sit in permanent session with the authority of the council itself, and who will determine how the organisation shall develop beyond its immediate, military, preoccupations. There is also much to do in the way of co-ordinating national delegations. These are functions which may well require more experience of civil administration, economics, and the intricacies of European and Atlantic politics than Lord Ismay himself possesses. But they need not present any difficulties that the appointment of a complementary deputy to the Secretary-General, preferably from one of the continental countries, could not overcome. With such support Lord Ismay could be a source of great strength and unity in what has so far been too diffuse an organisation. Without it he may be a harassed man.

* * *

Tory Social Reform

For the second year in succession a Chancellor of the Exchequer has made important changes in payments under the social services. But whereas last year Mr Gaitskell confined himself to the national insurance and assistance schemes, Mr Butler has proposed increases over a much wider range.

Mr Butler said that it was the Government's wish to help those whose needs were greatest, but he has not observed this principle in every case. Family allowances, which are to be raised from 5s. to 8s. a week, although payable irrespective of the parents' means, are in fact an efficient form of social service payment, since they are taxable. Similarly, the small increases proposed for public service pensioners will undoubtedly relieve genuine hardship. The higher basic rate of pensions for those disabled in war or industry has less justification—if the criterion is to be solely one of need. The majority of the 700,000 war disabled (of both wars) are in full-time employment. Their disablement pensions are, therefore, a tax-free addition to wages and salaries. The war disabled who are in greatest need are the 20,000 whose disability prevents them from working and the 18,000 who have to do work inferior to their old job. These, together

with war widows, could be effectively helped at a smaller total cost by increasing the unemployability and other supplements.

If this is true of war pensioners, who are a diminishing liability, it is much more true of those who draw benefits under the industrial injuries scheme—whose numbers will gradually increase. Here, again, a disabled person's benefit can be a tax-free addition to wages, and help should have been similarly concentrated on those whose injury or illness has caused them a real loss of earnings. If, however, industrial injuries had to be treated in the same way as war disabilities—as the trade unions have always insisted—the higher benefits ought to be paid for by higher contributions, on which a decision has yet to be made.

The new favours given to the industrial sick and injured make the contrast between their benefits and those drawn under the national insurance scheme even more marked than before. The basic industrial injury benefit will be 55s. a week. The basic national insurance benefit for the sick and unemployed will still be 26s. a week. Old age pensioners, however, will receive, if Mr Butler's proposals are accepted by industry, a uniform benefit of 32s. 6d.—the distinction drawn last year between the old and the elderly being abolished. This increase in pension, will be met by higher contributions from employers and employed. What is still unknown is the new rate of national assistance. If it merely takes into account the rise in food prices, it will presumably be raised from 30s. to 31s. 6d. a week. But the rise in other prices may well impel the National Assistance Board to go farther than this—with the result that national assistance, even without the rent allowance, may still be above the new rate of old age pension. The prospect of insurance and assistance indefinitely chasing each other upwards has not been avoided by Mr Butler's proposals.

* * *

Poll on the Budget

The Gallup Poll whose results were published in the *News Chronicle* the day before the Budget yielded some interesting evidence about public opinion on government spending and taxation; one fact has considerable political significance. Family allowances are by a large margin the social service which most people (32 per cent) would cut first and fewest people (9 per cent) would cut last; less than half as many (14 per cent) would cut food subsidies first, while those who would preserve them to the bitter end are only a few points behind those who would similarly give priority to housing. A social service that embodies a real transfer according to need apparently ranks much lower in popular esteem than an out-of-one-pocket-into-the-other piece of fiscal legerdemain "benefiting" all consumers indiscriminately. This must have been distressing news for the Chancellor. But a recognisable degree of altruism surely appears in the choice of betting and football pools as the most popular candidates for increased taxation; out of the 54 per cent who assigned first place to these, there must have been patrons of both, and the fiscal naïveté shown by reliance on such a source of finance does not detract from their public spirit.

More important, and more encouraging to Mr Butler, is the fact that the tax most frequently chosen for reduction was income tax; it was also next to the bottom in the list of taxes which people would choose to increase. Traditionally, direct taxation is fair taxation, the time-honoured method of soaking the rich, an impost on whose increase the People, the Common Man, could always look with an equanimity tempered, if at all, by malicious pleasure. Indirect taxation, on the contrary, was the wickedly regressive instrument of fiscal oppression for this same Common Man. The few years during which, with wage-rates rising and exemption limits and allowances comparatively stable, PAYE has brought home to the average wage-earner his status as a taxpayer, have evidently brought about a radical shift in this popular attitude—a shift that the Opposition would be wise to remember in their attacks on the Budget. It is a change that is likely to outlast the present ranking in popularity of government expenditures.

* * *

Watching for Restrictive Practices

The Board of Trade, in its annual report on the working of the Monopolies Commission, shows some doubt whether all the commission's recommendations will be effective. It says of the dental goods industry that "it is not yet apparent that the commission's criticisms of the industry's arrangements have been effective at all points."

The dental goods industry, the first of the three industries on which the commission has so far reported, was the only one for which an Order was made. This followed the recommendation, made perhaps in the innocence of youth, that exclusive dealing and collective boycott should be "prohibited." In its two later reports the commission's more cautious phrase was that "this should cease." To draft an order of this kind without leaving loopholes is certainly difficult. If industry will play ball, it is more satisfactory that informal settlements about changes in trading practices should be agreed between the industries and government departments concerned. This method is being followed for the cast iron rainwater goods and the electric lamp industries. It makes it possible to renew discussions if there is reason to think that the terms of the settlements are not being observed.

The Monopolies Commission, which has too much on its plate already, has no responsibility for seeing that its recommendations are carried out unless specifically asked to do so by the Board of Trade. Where an order has been made, its observance is a legal matter; but otherwise the task of supervision would normally be left to the interested departments. They may be able to perform it adequately while they have only two or three industries to watch. But will they be able to do so when a large number of industries have been asked to mend their ways? A special supervisory body may then be needed. At the commission's present rate of progress, this will not be a problem for some time. But the Monopolies Bill—now put off at least until the next session of Parliament—will speed up the work, presumably by allowing the commission to divide itself into panels. Probably, too, it will make possible horizontal investigations throughout industry of specified practices—the obvious first candidate being exclusive dealing, which is the practice complained of in most of some forty industries that have been suggested to the Board of Trade as ripe for investigation. To prevent such a practice on a wide scale would certainly be too much for the existing machinery of supervision.

* * *

Stagnation in Korea

The last few weeks have done nothing to make it any clearer whether the Communists mean to have a truce in Korea or not. As General Ridgway said on Tuesday, the talks at Panmunjom have reached a point where it is impossible to guess what will happen next. The United Nations representatives are unfortunately less able to force the pace than they were in the earlier stages of the negotiations last year. One reason has been that there has been almost no heavy fighting on the battle front since last November. This has removed the pressure that created even the little sense of urgency at one time detectable in Communist behaviour. It is notable that the American Budget Director, Mr Lawton, in testimony given in answer to Senator Taft's questions in the Congress economic committee at the end of January, con-

firmed that the United States budget for the year 1952-53 assumes that the fighting in Korea will be virtually over.

Another reason for stagnation in the truce talks is the trap into which the Americans have fallen on the question of prisoners of war. In order to get from the Communists the maximum number of facts about the prisoners in their hands, General Ridgway's command several weeks ago handed over the names of all prisoners captured by the United Nations. Now that many thousands of these men have elected not to go back—and the UN authorities have decided not to force them to go—even the release of the others is difficult. For once the exchange had been made, the Communists could check off on their lists the names of those who have not returned and order reprisals against their families.

Although the truce has stalled, so has the war, and there are a number of factors working against any return to large-scale fighting. One can be seen in the frenzied communist accusations that the Americans are waging bacteriological warfare, which suggests that the epidemics in North Korea may be serious. General Van Fleet, the commander of the Eighth Army, has lately said that he does not expect a communist spring offensive, though he could stave off any attempted break-through if it came. This kind of statement is always dangerous, as it may be suddenly and disastrously proved wrong. But because indefinite continuation of a state of neither peace nor full war may prove quite as difficult for the Americans and their allies to sustain as a renewal of all-out fighting, there seems a strong chance that the Communists may have chosen this tactic.

* * *

Prospects of Pinay

M. Pinay has won his majority by the remarkable number of 192 votes. The parliamentary Gaullists as well as the Socialists abstained in his favour. Yet another government of the centre has been confirmed in office. For the first time since General de Gaulle, the Prime Minister of France has a following in the country strong enough to influence his parliamentary position. It was this that made M. Soustelle say on Monday, "Gaullisme sans de Gaulle, c'est néant," and on Tuesday defy the General's express command by leading the parliamentary Gaullists to abstain. The great question is whether M. Pinay has acquired his popularity by firing the country's resolution or by lulling its fears. The present sources of his appeal are not entirely reassuring. There is, first, his own comforting, sensible and essentially bourgeois personality. He is the man with whom most Frenchmen would choose to face a crisis. Then there is his promise to keep down prices, and specifically his reversal of the decision to increase the cost of electricity by 10 per cent. Without wondering how it can be done, the public took this right to their hearts. Finally, there is his promise to give up the attempt to raise new taxes.

These are the reasons why he is being applauded in the cinemas, and why only the Communist deputies dare to vote against him. But this, alone, is not the programme which will save the franc. If M. Pinay is not going to raise new taxes, he can only steer the government into solvency by cutting expenditure, by greater public borrowing, and by increasing the yield on existing taxes.

Little government expenditure can be cut; little money will be lent to the government (though M. Pinay estimates the need at 400 billion francs in the current year) unless, for the first time in many years, Frenchmen can be persuaded that prices are not going to rise and the franc is not going to fall. This cannot happen unless taxes are paid in full. But if M. Pinay is going to stand by this, his most important and least appreciated promise, he must offend the salaried workers by granting an amnesty to the non-salaried who have not paid in the past. And he must offend the backbone of his own and the Radical party, since the main burden of tax enforcement must fall on the small businessman and shopkeeper. Is his popularity deep enough or his courage great enough? It may be, but it will demand more than the endearing traits of the "little man" which have so far been his main recommendation.

* * *

The Commonwealth Defends the Pound

The sterling area has gone into battle to defend the pound, but with different countries using diverse tactics. Indeed, it is clear that the plan of campaign discussed at the meeting of the Commonwealth Finance Ministers could have defined only the broad objective of bringing national payments accounts into balance. Australia's import cuts, especially of consumer goods, were designed so as not to discriminate against any particular country or currency area; but they will hurt the British more than anybody, for it is principally consumer goods that this country will have to offer this year. New Zealand, on the other hand, is controlling imports only from non-sterling countries, and for this purpose members of the European Payments Union are regarded as part of the sterling area. South Africa has made a general cut which will affect imports from non-sterling countries more than those from the sterling area.

The present bout of import slashing was begun by Britain last November. Although it is the easiest and quickest way of reducing a balance of payments deficit, it can have serious repercussions. A more permanent solution lies in expanding exports, and for Australia and New Zealand, at any rate, that means expanding agricultural production. A survey prepared by the Commonwealth Economic Committee* shows that their output has risen less, compared with the four years immediately before the war, than in Britain, Canada, South Africa, or even the United States. In Britain and Canada the agricultural labour force has been maintained or increased, more machines are employed and more fertilisers are used; whereas in Australia and New Zealand the labour force has tended to decline and its effect has been accentuated by a shortage of equipment. The steady rise in the price of wool from 1946 to last March encouraged their farmers to switch to pastoral farming; at the same time there has been, particularly in Australia, a development of secondary industries.

So long as Australia held large sterling balances, it was able to expand its industries without reducing domestic consumption, and the Australian people consumed a larger proportion of agricultural output. Recently those balances have been reduced to a dangerously low level, and if Australia is to get capital goods from abroad it must first build up an export surplus of foodstuffs. The government still hopes it can maintain favourable terms of trade by forcing Britain to pay higher prices for meat and dairy produce; but Mr Butler's cut in the food subsidies will mean that Australia, and other suppliers, can exact higher prices only if the British public is willing to pay them.

* * *

More Power for Hospital Boards

The Ministry of Health is gradually restoring to the regional boards some of the powers it took from them in its efforts to prevent the hospitals from overspending. In 1950, two big checks were imposed on hospital management committees. They were told to send to both the boards and the Ministry a monthly statement showing their actual expenditure under the various subheads—food, salaries, drugs and dressings and so on—compared with their estimates. The regional boards had to submit to the Ministry a similar monthly statement of their own expenditure.

* Review of Commonwealth Agriculture. *HMSO.* 7s. 6d.

The second check restricted the transfer of savings under one subhead to meet increased expenditure under another. For the first two years of the health service, management committees were able to make these transfers subject to the approval of the regional board; and provided the sum was not too large prior approval was often dispensed with. From 1950, however, transfer of savings had to have the permission of the Ministry of Health. Since the Ministry could not possibly know the individual circumstances of all the management committees, this would-be check on extravagance only resulted in penalising the economical committee and encouraging over-budgeting on all the subheads.

The Ministry has now decided that this power to approve transfers of savings should be restored to the regional boards—a step which was recommended by the Select Committee on Estimates last summer. Further, management committees will in future have to send their monthly returns of expenditure only to the boards, which in their turn will send to the Ministry a summary for the region as a whole. These changes are welcome for two reasons. First, they mark a break away from the centralised control over the hospitals which the Ministry had been building up. Fourteen regional boards are better able to control the finances of some 375 management committees than the Ministry. Their second merit is that, together with the simplified arrangements for estimating which came into force last autumn, they make hospital financing much more flexible. The Ministry has still some way to go before hospitals are given block grants and allowed to retain their unspent balances. But at least it has made a start.

* * *

Uproar Over Fares

The agonised protests against the increase of fares in the London area reflect considerable discredit both on the public intelligence and on the London Transport Executive. It is not the increase itself, following with a long lag on rising costs, which is discreditable; compared with most things, London transport is still cheap, and the increase was brought about by due process of law after the independent Transport Tribunal had heard and adjudicated upon the relevant evidence. What is discreditable is rather the executive's astonishing disregard of the need, before making so drastic and onerous a change in their charges, to explain to the travelling public why the change was necessary and how it was going to work out. Explanation was particularly necessary because the general rise in fares, reflecting increased costs, was being made the occasion also to remove historical anomalies by which some fares were relatively cheap even at the old level of costs. This ironing-out was overdue, and so was the tightening of the rules governing early morning fares. But public relations can seldom have been so abysmally mishandled by any corporation whether public or private. The executive had time enough in which to present and explain its case; it had its own advertising media, to say nothing of others, ready to hand; and it must have realised that the casual estimate of a 20 per cent increase would be so far out of line with reality for a large minority of its passengers as to be rather worse than no estimate at all.

Inept public relations, however, do not excuse the attitude that the last fortnight has shown to be typical of the London travelling public. It is an attitude often enough, though less vociferously, displayed in other connections: the belief in the Englishman's inalienable and heaven-bestowed right to get for less than cost anything whose full economic price seems to him inconveniently high. The campaign of protest has demonstrated all the unreason of the small child reviling the bad naughty table on which it has banged its head. It is true that for the traveller the collision is unavoidable, since his fare is far more often than not an essential working expense. That fact is not, however, the Transport Executive's fault, nor would it justify a subsidy largely payable out of the traveller's own pocket. It is a daunting thought that the uproar in London is likely to seem in retrospect the mildest of curtain-raisers when, on May 1st, revised fares come into effect over the rest of the country. Meanwhile Mr Maclay must derive a grim satisfaction from explaining to Opposition questioners that the Minister of Transport's powers of intervention are strictly limited by the terms of Labour's nationalisation statute of 1947.

* * *

Labour Attachés

The Opposition has been pressing the Government for an assurance that the number of labour attachés serving in British embassies and legations will not be cut during the general reductions in the foreign service; but it failed to make all the points that can be made in favour of these useful officials. At present 21 of them are serving abroad, and they are covering all but 18 of the countries in which Great Britain is diplomatically represented. Their main duty, as Ministry of Labour men, is to publicise and spread British methods of maintaining peace in industry, as well as British trade union practices; but they serve other valuable purposes. For example, they move in a stratum of foreign society which is unknown to the average diplomat. They meet large numbers of people who are not officials, and who are not asked to official parties. If the right man is picked in London, he is admitted to a fraternity that stretches across frontiers. His grasp of what the common man thinks and does is often more extensive, and less likely to be founded upon hearsay, than that of colleagues with a purely diplomatic training. His use as an information officer may be secondary to his role as a contact man, but it is equally valuable.

Again, in countries with nascent but under-developed labour movements—for instance, the countries of the Middle East—the right man can help to shape trade union activity

When trading with Switzerland, you will want to ensure that you are dealing with a dependable banking organisation able to serve you efficiently. The Head Office of the

UNION BANK OF SWITZERLAND

and its Branches throughout the country welcome the opportunity to place their long and varied experience at your disposal.

Head Office: ZURICH, Bahnhofstrasse 45,

Union de Banques Suisses Schweizerische Bankgesellschaft

Over 30 branches throughout Switzerland

Capital, fully paid	...	Swiss Francs	80,000,000
Reserves	...	Swiss Francs	55,000,000
Total Assets	...	Swiss Francs	1,863,864,281

Cable address for Head Office and all Branches: BANKUNION

along lines that will render it resistant to Communism. Some good work of this type has been done in both Egypt and Persia. The only possible justification for cuts, if they must be made, is to save money; they must not be a prelude to abolishing this useful work. They would be best made in countries which have the most in common with Britain, where there is little to teach and social mixing is not discouraged by traditional habits. The recent creation of a new post in Madrid suggests that the value of the labour attaché's job is understood in the Foreign Office.

* * *

More Delving at the Docks

While Mr Butler was making his revelations in another place, their lordships managed to keep their minds wonderfully concentrated on delays in handling cargo at the docks. It was a discussion among men with special knowledge—Lord Winster, Lord Ammon, Lord Waverley, Lord Runciman; and finally Lord Leathers replied for the Government with an announcement that yet another investigating committee would be set up. It will be called the Ports Efficiency Committee—but this brisk name can hardly prevent fears that it will be just another paper-chase.

Plenty is known about the docks. There have been working parties on the turn-round of shipping and on mechanisation. There have been inquiries into dock strikes at London and Manchester. The port authorities and the Dock Labour Board are well aware of the problems; and so too are their lordships, as the debate on Tuesday showed. And it still remains true that the turn-round of ships in British ports is on the average 20 days, compared with 17 days before the war. Some of the delay is unavoidable. Ports which were built for the large coal exports of bygone days are not always suited to exports of other goods. These must be crowded into the ports that can take them. The average ship is larger than before the war and takes longer to load. There is a shortage of cranes, of lighters and of deep water berths. Hold-ups are caused by the fact that the working day in the wharves and warehouses is shorter than in the docks. And finally, there is the most intractable part of the problem, the restrictive practices of the dockers—such as their refusal to work new machines or to make up full gangs by amalgamating incomplete ones.

Discipline is admittedly weak in the industry. The Dock Labour Board is a buffer between employers and workers, and trade union leaders have to play incompatible roles as champions and judges. But this part of the problem is already being dealt with in the discussions between both sides of the industry and the Ministry of Labour; it is hoped to find an alternative to the Leggett Committee's rejected proposal for a disciplinary body of employers and unionists. The main task is to improve industrial relations, and it is hard to see how the appointment of another committee can be anything but a last resort of the baffled.

* * *

The Index of Retail Prices

The days of a really satisfactory index of retail prices are still very distant. The new inquiry into household budgets is only in preparation and the results cannot be expected until 1954. In the meantime, the existing index is to have some renovations. The Cost of Living Advisory Committee has received a lengthy report from its technical committee on the working of the interim index and has accepted most of the recommendations. There are to be two main changes. The index is to be weighted acording to the estimated pattern of consumption in 1950, revalued at present-day prices, instead of according to the prewar pattern revalued at 1947 prices. Secondly, the higher rents of new houses and flats will be taken into account; previously, the index included only rents of dwellings in existence when it started in June, 1947. These changes will be made in the February index and although continuity will be preserved in the total figure it will be broken in the separate components.

It is the prewar element in the weighting which has done most to bring the present index into disrepute. Ironically enough—for criticism has implied that the index has been understating the real rise—the technical committee calculates that on either a 1947 or a 1950 pattern of consumption the rise between June, 1947, and August, 1951, would have been a few points smaller than that actually shown by the official index. Admittedly, the alternative weightings have to assume that working-class consumption has changed since 1938 in much the same ways as that of the nation as a whole. But this is probably not far wrong and the result should be at least a more realistic picture, if not entirely the true one. On the other hand, the committee has found that the price increases of some things, particularly of rent, have been underestimated. By a fortuitous balancing-out of the various errors, the present figure for the total index is about right. But it might not have contrived to be so lucky in the future.

A change in the basis of the index coinciding with the cuts in the food subsidies is bound to arouse suspicion. But that will be unjustified. Enough is known about the new weighting to deduce that subsidised foods will have as much importance in total, although there will be relative changes between the individual foods. The reduction in food subsidies will probably increase by about 3 points the total price index calculated on either the old or the new basis.

* * *

The Infirm Old

In spite of the many other demands on their finances, the local authorities are making steady progress in setting up "care and attention" homes for old people. According to the fourth report of the National Corporation for the Care of Old People, in England and Wales over 500 local authority homes are now in being, and more will be set up. In addition there are many homes established by voluntary organisations; the corporation has assisted by grant as many as 150.

Since the provision of homes for the comparatively ablebodied is thus well under way, the corporation is continuing the policy announced in its third report of restricting its grants to homes provided for the infirm old. Many old people cannot be accepted in the "care and attention" homes because they need a certain amount of nursing care and medical attention—but not enough to justify their admission to hospital. The corporation is, however, supplementing its efforts to provide rest homes for the infirm with investigations into the kind of care at home that is needed to enable old people, to live independent lives as long as possible. But the provision of rest homes will attract its main attention for the time being. They will be particularly difficult to run. They are not intended for the chronic sick, and those responsible for running them will have to resist attempts to flood them with people who should be the hospitals' responsibility. Yet co-operation with the hospitals will be essential for success.

It will be interesting to see how the corporation's proposed three experimental rest homes, two of which will be financed from the gift made by the people of South Africa, will get over these difficulties. It would also be interesting to know whether the definition infirm will cover the mentally infirm. If not, here is another need to which the corporation might direct its attention. Too many old people are ending their days as certified patients of mental hospitals because there is no other provision for them. Others could be discharged from mental hospitals if they had a suitable home to go to. Both groups provide a great opportunity for a pioneering venture such as the corporation aims to encourage.

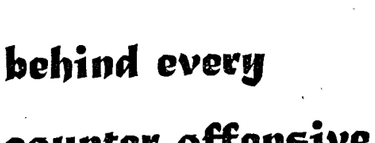
behind every counter offensive...

The majority of shoppers plan their expeditions—and their purchases—more carefully nowadays than ever before. They set out to shop with a definite object in view and it is thanks to the W.T.A. Wholesaler that the retailer of textiles can meet their most exacting requirements with a large and varied stock from factories all over the country.

WHOLESALE TEXTILE ASSOCIATION

DISTRIBUTION FOR THE NATION IS CARRIED OUT BY MEMBERS OF THE WHOLESALE TEXTILE ASSOCIATION

THE WHOLESALE TEXTILE ASSOCIATION, 75 CANNON STREET, LONDON, E.C.4



Gleneagles HOTEL *Perthshire*

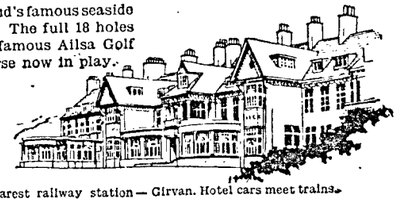
Britain's Distinguished Resort for Fashionable Recreation

attracts its clientele from all over the world

OPEN EASTER TO OCTOBER

Turnberry HOTEL AYRSHIRE

Scotland's famous seaside resort. The full 18 holes of the famous Ailsa Golf Course now in play.



Nearest railway station—Girvan. Hotel cars meet trains.

Enquiries for accommodation will receive the personal attention of the Resident Managers

HOTELS EXECUTIVE · LONDON N.W.1

Gracious living at its best

What a joy it is to relax; what masters of relaxation are Cunard. In these great ships you enjoy precious days that have no equal ashore. Atlantic air, convivial company, wines, cocktails, all conspire to brace and soothe you. From every corner of Europe, from the U.S.A., from the East, a thousand culinary delights have been gathered . . . there is restful quiet or sparkling gaiety. Games, cinema, carnival and dance, laughter and well-being: all blend in one glorious, unforgettable experience. Your Cunard days are indeed gracious living at its best.

Cunard

—your way across the Atlantic

For full information apply: Pier Head, Liverpool 3. (Central 9201). 15, Lower Regent St., London, S.W.1. (Whitehall 7890.) 88, Leadenhall St., London, E.C.3. (Avenue 3010.)

THE "QUEENS" — LARGEST AND FASTEST LINERS IN THE WORLD

P

PERFECTOS

EXCLUSIVE CIGARETTES BY PLAYER'S

P.P.26 *Issued by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd*

Sunshine for Sale

FIRST-CLASS EXCURSION FARES TO SOUTH AFRICA during May and June SAVE 20%

Rest and relax on a beautifully appointed Union-Castle Mail Vessel to South Africa—land of sunshine. Travel during May or June, and save up to £60 in the first-class fares to South Africa and back.

Ask for illustrated literature and for details of Shore Excursions.

Sail for Sunshine by UNION-CASTLE to SOUTH AFRICA—a Sterling Area Country

Apply: Head Office, 3 Fenchurch Street, E.C.3
West End Passenger Agency: 125 Pall Mall, S.W.1

he's a CRAVEN TOBACCO man

CRAVEN TOBACCO gives the man of action just what he wants — a smooth, flavourful smoke of untiring satisfaction. It is always in fine condition, it never bites or clogs, and a pipeful is as enjoyable striding across country as when relaxing indoors.

Obtainable in three blends—*Craven Mixture 4/6 an oz.; Craven Empire de luxe Mixture 4/2 an oz.; Craven Empire Curly Cut 4/3 an oz.*

FOR MEN WHO KNOW GOOD TOBACCOS

South Africa

A wise choice for a holiday in health-giving sunshine

Nature puts no period to the brightness of the South African climate. There is sunshine all year round. Nor do any currency restrictions or tedious formalities intrude on the pleasure of your holiday.

Consult your Travel Agent or write for literature and information. This office is at your service for free, friendly and non-commercial advice on holidays in South Africa.

SATOUR

SOUTH AFRICAN TOURIST CORPORATION
70 PICCADILLY, LONDON, W.1. TELEPHONE: GROSVENOR 6235
475 FIFTH AVENUE, NEW YORK, 17

Books and Publications

War Communism and NEP

The Bolshevik Revolution, 1917-23, Vol. II. By E. H. Carr. *Macmillan.* 397 pages. 30s.

The first volume of Mr E. H. Carr's "History of Soviet Russia" gave rise to animated controversy. This was perhaps not surprising. The volume dealt with such explosive matter as the rise of the Bolshevik Party, the revolution and the formation of the Soviet State. In other times Mr Carr's treatment of these subjects might have been considered a model of detached objectivity. But in the climate of cold war it is precisely objectivity and detachment that provoke controversy. Some readers expect a book on Russia to substantiate the denunciation of Bolshevism with which the speeches of politicians resound. Denunciation may or may not be good politics; it would certainly make poor scholarship. And the clamour for denunciation, if carried only a little farther, may become indistinguishable from the attitude of the Zhdanov school in Russia, which can also brook no objectivity or detachment in the scholar.

This, the second volume of Mr Carr's work, contains less inflammatory material, or at any rate less material that lends itself to dilettante traffic in abstract principles. It deals with the economic outlook of Soviet Russia in the first years after the revolution. Mr Carr describes in broad and sharp outline the almost total economic and social disintegration of Russia that resulted from the war. He then analyses Bolshevik economic policies, as they gradually evolved from agrarian revolution and "control over industry" (but not yet nationalisation) into the fully fledged system of War Communism, as it took shape in 1920. Several books have been written on these developments; but no writer has treated them so thoroughly, systematically and lucidly as Mr Carr. Even more than the first volume, this book is primarily a history of policies and institutions, especially of institutions. Those who want to learn how such bodies as the Supreme Council of the National Economy, the various economic commissariats, the Planning Commission, etc. came into existence, how they grew, how and through what machinery they functioned and how they built up that machinery can do no better than to read Mr Carr's book. They will also find described there in some detail the process by which War Communism ran into an impasse, broke down and gave place to the New Economic Policy of 1921.

Mr Carr has been careful to point out which elements of War Communism Lenin's government saved from the debacle and incorporated in the New Economic Policy. Apart from this, his story makes it clear that some of the policies that had been abandoned in 1921 were revived and applied in different contexts a decade later, during collectivisation and the first Five Year Plan. Some of the Utopian expectations of the earlier period were, incidentally, revived at the same time; the hope that money was about to "wither away" and that a planned, moneyless economy would be achieved. The reader gets the impression that Soviet economic policy moved through its various phases in circles, repeating up to a point the same actions and reactions in ever new combinations, but that every one of its circles began on a different plane and developed on a different scale.

A special feature of this volume, which makes it an ideal reference book, is the double arrangement of its material. Each of the main chapters describes a certain phase: for instance, "The Impact of the Revolution," "War Communism," "From War Communism to NEP," and "NEP: the First Steps." These chapters are split into similar sections, so that the reader interested in, say, agriculture or finance can easily follow its evolution throughout the periods under discussion. Whichever way it is read, the factual narrative runs on smoothly and clearly.

The third volume of this series, which the publishers say is "in preparation," will be devoted to Soviet foreign policy in 1917-23, about which much more has been known in the West than about Soviet economic policies and institutions. It seems, therefore, that, although controversy may centre on the first and the third volumes, this, the second volume, forms the core of Mr Carr's impressive and scholarly achievement.

Presidential Letters

The Roosevelt Letters. Being the Personal Correspondence of Franklin Delano Roosevelt. Volume III, 1928-1945. Edited by Elliott Roosevelt. *Harrap.* 541 pages. 30s.

It was remarked of the first two volumes in this series that the personal and family correspondence they contained gave very little hint that their author would be a great president of the United States. The third volume is devoted almost entirely to the presidential period, since even the years of the Governorship of New York, 1928-1932, are clearly a period of presidential expectation. (There is hardly a letter which does not include a Dale Carnegie touch to possible friends and influential people to "come down to Albany and talk things over"). Without any doubt this volume exceeds in interest and importance all that has gone before it. These letters are the product of an easy, confident maturity, the pronouncements and directives of a born leader, and the monologues and asides of a consummate political actor. They are seldom memorable documents in themselves, in the way that a comparable volume of Mr. Churchill's would be. There is hardly a notable phrase or a striking perception to be found anywhere. The best that can be said for Mr Roosevelt's epistolary style is that it is effortless. In fact, they are the letters of a man whose natural medium is speech and gesture rather than pen and ink.

But this does not mean that they are dull reading. There can be no such thing as dull Rooseveltiana. The magnitude of the man's role and his insatiable appetite for life guarantee that even the most trivial of these communications (and many of them are trivial) is welcome. The book is in no sense an ordered or balanced, much less a complete, collection. Indeed, it seems as if no principle guided the anthologists, beyond considerations of news value, as interpreted by the readers of the popular American weekly in which these first appeared. But for all that it is good to have them, and to have them so soon. Many of them, such as the letters to Stalin or Mr Churchill, are historical documents of prime importance, such as in an earlier age would have collected the dust of decades before they were released to a curious world. Clio has become almost as prying as a Washington columnist.

The Struggle for Europe

by CHESTER WILMOT

★ **The book** that is *already* influencing our diplomatic and military outlook.

★ **Mr. Attlee** reviews it in the *National Review* under the heading TRUTH ABOUT THE WAR, endorsing the theme and argument of the book.

★ **American** publication March 28 — author flying over specially. German, French, Dutch, Norwegian translations in hand.

★ **Fourth printing** now making 125,000 copies. 25s.

COLLINS

Hope for the Present Age

Christianity in European History. By Herbert Butterfield. *Collins.* 63 pages. 7s. 6d.

This book contains the Riddell Memorial Lectures at Durham University for 1951, three lectures which survey the contribution of Christianity to European civilisation. So short a book as this is the most difficult kind of book to write without superficiality or lack of proportion; and the difficulty is multiplied when the subject has hitherto attracted little but propaganda or generalisation. Professor Butterfield has attained both balance and profundity.

The book's essential argument is that the common conviction of the value of the individual human being, a conviction which has begotten so many of our social reforms, cannot survive if cut away from its historical foundation in Christian belief; that it is doubtful whether liberalism has any future apart from the particular doctrine of man inherited from Christianity. Sometimes the author asserts a little too strongly that the more hopeful elements in our society are derived from a Christian background: one cannot agree, for example, that "modern internationalism is the system of medieval Christendom with the religion evaporated out of it." But the case is fairly argued.

Social historians usually attribute to Christianity the graces rather than the structure of a civilisation. Christianity did not try to abolish Roman serfdom but brought with it a lower suicide rate, the end of gladiatorial shows, the flowering of ecclesiastical architecture; it softened Roman manners but did not save Roman society. Yet the author contends that it contains a working solvent for any social order. Although Christian preachers have endemically accepted the society in which they lived and attempted to bolster it with moral exhortation, the principles they proclaim contain an absolute standard whereby the society is always under potential judgment. Thus the Reformation happened not because the medieval Church had done its work badly but because it had done its work well; and modern society is likewise under the judgment of an ideal standard of social life regulated by the law of love.

The most refreshing thing about the book is the unusual atmosphere of hope, a hope which has survived a just diagnosis of the ills of our age.

THE WORLD'S GREATEST BOOKSHOP

FOYLES FOR BOOKS

Specialists in Tracing Out-of-print Books

New, secondhand and rare Books on every subject

Visit Foyles NEW Record Dept. H.M.V., Columbia, Parlophone, Decca Long-Playing and all other makes.

We BUY Books, Stamps, Coins

119-125 CHARING CROSS ROAD LONDON WC2

Gerrard 5660 (16 lines)

Open 9-6 (inc. Sats.)

The Roots of Communism

The Origins of Totalitarian Democracy. By J. L. Talmon. *Secker and Warburg.* 366 pages. 27s. 6d.

This is a book of unusual importance, for it probes into a matter that is now of universal concern and lays bare some facts about it that should be widely understood. Dr Talmon writes well and vigorously, although he might with advantage have pruned away some of the less necessary details in his work.

Stripped to essentials his argument is this. What is variously called communist tyranny or people's democracy is not, as is ordinarily supposed, something outside and alien to the Western tradition of life and thought. On the contrary it is a vigorous growth from those same eighteenth-century roots which gave life to the ideal of liberal democracy. These roots were, first, the idea of natural order, that attainable social harmony when liberty would be fully realised in equality and virtue, and, second, the notion of sovereign man, the free, responsible individual, possessed of inalienable rights and master of his destiny. These incompatible ideas generated that new secular religion, that political messianism which torments the modern world.

Dr Talmon's particular concern is to trace the early and most markedly formative stages of this development, which were completed just before 1800. To this end he first seeks to show how, in Rousseau's work, the idea of individual liberty and what he calls the notion of a final salvationist order rubbed uneasily together. Next he turns to the Jacobins, who held that there was a perpetual conflict in society between virtue and selfishness—an idea easily translated later into the Marxian dogma of class warfare. It was this idea of a righteous and inevitable social conflict which enabled the Jacobins to practise coercion while preaching extreme individualism. Babeuf and his disciples then gave the whole matter a decisive twist. Individual liberty, they believed, could find proper expression only in an egalitarian communist society, which was the inevitable end of the warring motions of the historical process. Thus the messianic tradition of revolutionary violence was brought to birth, for no temporary setback could hinder its preordained consummation, while coercion and brutality on the part of the supposely enlightened would hasten its coming. Others have already noticed the connection between the dogmas of modern totalitarian democracy and the ideas of the French Revolution, but Dr Talmon can justly claim to be first in exploring the inwardness of the matter.

Notebook of a Social Scientist

Productivity and Trade Unions. By F. Zweig. *Basil Blackwell.* 240 pages. 21s.

The author of this book, according to the dust cover, sets out to avoid "generalities, statistics or formulas," and bases his study on personal interviews. His conclusions seem to be based on rather flimsy evidence.

The book consists, first, of five chapters of "General Remarks," which chiefly concern what Mr Zweig calls "the value of the situational approach"—by this he means that individual devices to raise productivity cannot be successful except in the context of good industrial relations, which are dependent on numerous factors.

There follow five studies of industries: building and civil engineering, cotton, iron and steel, printing and engineering. These studies do not, as the title might have led one to expect, address themselves directly to productivity as it is affected by trade union activities. It is true that one of the headings under which each industry is analysed is entitled "Productivity standards," comparing current standards with productivity before the war. But the studies are simply descriptive of working conditions generally. They go on to recount hours of work, wage levels, conditions of entry and the names of trade unions. Facts with a direct bearing on productivity, such as promotion by seniority in the cotton industry, emerge only incidentally. The studies read like a research worker's notebook.

Nevertheless some interesting points are brought out. One is the readiness of some employers to accept, even to approve, practices that restrict output—provided these are applied universally throughout the industry—usually on the ground that they saved argument. Employers' views on the effect of full employment led Mr Zweig to the convincing conclusion that, apart from industries where productivity is largely governed by the speed on the machines, the ill-effects of full employment are felt least in the most attractive industries. These get the pick of the best workers, who are, by and large, the contented workers, with established habits of work not easily upset.

There is some good material in this book, but it is untidy. Mr Zweig somewhere observes that a sense of social betterment is a "pathfinder" which helps the social scientist "to co-ordinate all the miscellaneous small facts of life

THE BRITISH METAL CORPORATION LTD. BMC

LONDON · MONTREAL · SYDNEY · PERTH · MELBOURNE
CALCUTTA · BOMBAY · JOHANNESBURG
KARACHI · BULAWAYO

ASSOCIATES:
C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA, CYPRUS AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials; it provides coal-washing plant, ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: *Brimetacor, London* CABLES: *Brimetacor, London* TELEPHONE: *MONarch 8055*

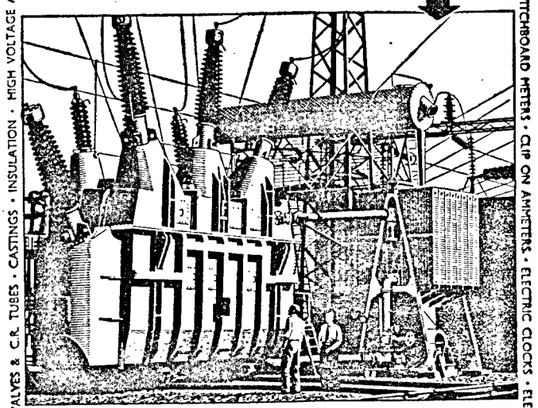
Branches at BIRMINGHAM and SWANSEA

MEASURING INSTRUMENTS · SWITCHBOARD INSTRUMENTS · VOLTAGE REGULATORS

A.C. & D.C. HOUSE SERVICE & SWITCHBOARD METERS · CLIP ON AMMETERS · ELECTRIC CLOCKS · ELECTRIC WATER HEATERS

A.C. & D.C. TESTING EQUIPMENT · HIGH VOLTAGE INSULATION · CASTINGS · VALVES & C.R. TUBES · RADIO & TELEVISION

You know what this is: but what is this?



The familiar electric clock and the 64,000kVA Large Transformer have one thing in common. On each is stamped the name Ferranti, a name that has become part of the history of electricity.

FERRANTI LTD. HOLLINWOOD LANCS. AND 36 KINGSWAY W.C.2

TRANSFORMERS · P.F. CORRECTION CAPACITORS · ELECTRIC FIRES & SPACE HEATERS

TIN

THE element tin has been known and used since the earliest days of history. Egyptians of the 14th century B.C. alloyed it with copper to make mirrors, and Homer tells in the Iliad how Hephaestus, the god of Fire, used tin to decorate a shield for Achilles. Tin obtained from the moors and streams of Cornwall was the one famous product of Ancient Britain. A natural tin oxide—"cassiterite"—is still mined in Cornwall today, but most of the world's supply comes from alluvial deposits in Malaya and Indonesia and from ores mined in Bolivia, Africa and Australia. By far the most important uses of tin are in the production of tinplate for the canning industry, and the tinning of articles such as milk churns and kitchen utensils. Tin is also an important constituent of alloys such as gun-metal and bronze, and it is used to make bearing metals, soft solder and pewter. Compounds of the element are used in dyeing and medicine, and in the production of glazes and enamels.

Besides manufacturing tin dichloride for use in the dyeing and finishing of silk, I.C.I. produces large quantities of tinned copper sheet and tubes for dairy and food-producing equipment.

ICI

THE CASE OF THE CAPTIVE CRUISER

Was there a "secret weapon" to set her free?

H.M. Dockyards, serving one of the largest naval forces in the world, were faced with a serious problem.

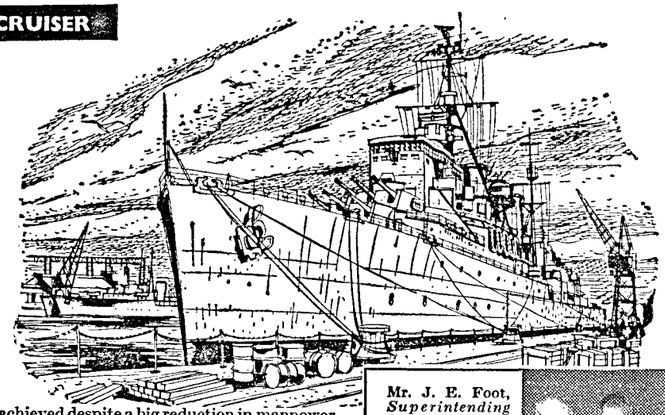
World War II had suddenly increased their inventory of ships' supplies to almost 300,000 items. Handling this increase with hand accounting methods had become almost impossible despite extra manpower and overtime.

As a result, the movement of stock to keep ships supplied was held up by paperwork.

To free these ships, a new accounting system was needed at once. The Admiralty directed an immediate investigation of all methods and systems. Machine accounting specialists of Burroughs Adding Machine Ltd. were called in.

After investigation, Burroughs specialists suggested a simplified system for handling stock cards and ledgers. They specified Burroughs High Speed Accounting Machines, Duplex Adding Machines and Adding-Subtracting Machines for the job. The authorities acted on these recommendations.

Today, the issue of supplies in the Royal Dockyards is never held up by paperwork. Increased speed of inventory accounting has been achieved despite a big reduction in manpower.



Mr. J. E. Foot, *Superintending Naval Store Officer of one of H.M. Dockyards, examines one of his Burroughs High Speed Accounting Machines.*

With him on the right is Mr. S. F. Harmer-Elliott, *one of the Burroughs men who helped solve the Case of the Captive Cruiser.*

WHAT ABOUT YOU? If you think your business could benefit from faster figuring, call in Burroughs. They can advise you on all the latest machines and systems, for Burroughs make the world's broadest line of modern record-keeping machines; Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm equipment.

Call in Burroughs today. Sales and service offices in principal cities around the world.

Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1.

For expert advice in *any* field of business figures

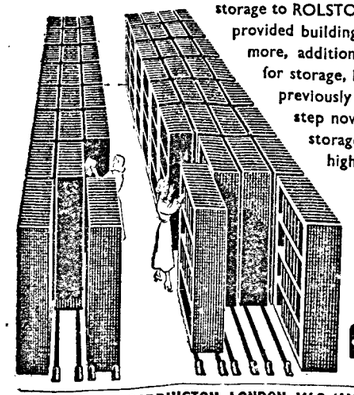
CALL IN Burroughs

FOUND

50% additional storage space

..hidden in the gangways!

In hundreds of factories, warehouses, offices, hospitals, etc., we have, by converting from static storage to ROLSTORE Mobile Unit Storage, provided building owners with 50%, and more, additional effective floor space for storage, in exactly the same area previously used. Take the first step now towards bringing your storage technique up to this high efficiency level.



Write now for leaflet EC, giving full details of this AMAZING NEW ADVANCE IN STORAGE TECHNIQUE to:—

ACROW (ENGINEERS) LTD

SOUTH WHARF, PADDINGTON, LONDON, W.2 (AMBassador 3456-20 lines)

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD

64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777

which would otherwise be dissipated and dispersed in a shapeless agglomeration of small and meaningless facts." His readers may be left wondering whether it was their own sense of social betterment that was at fault, or whether Mr Zweig's approach was not rather too situational.

Modern Religion

Religion in Britain Since 1900. By G. Stephens Spinks, in collaboration with E. L. Allen and James Parkes. *Dakers.* 256 pages. 18s.

This is an addition to the excellent series of books entitled Twentieth Century Histories. Other volumes already published deal with broadcasting, morals, the theatre, flat-racing, etc. Some of these subjects are obviously tougher assignments than others, and it is hard to imagine a more difficult task than that undertaken by the authors of the book under review. Flat-racing seems a simple matter by comparison; even morals. . . .

One can imagine how a book on "Religion in Britain Since 1900" might have been written by G. M. Young or G. K. Chesterton. Two very different books, no doubt, but both alike works of art and expressions of personal judgment. Dr Spinks and his collaborators have not tried to do this, and the result is not a work of art but an industrious and somewhat ill-planned compilation. When one has read it one has learnt many things one did not know before; one is much instructed, but not greatly enlightened—and rather fatigued. The weakness of the book is in bad planning. The occasional inaccuracies, such as the surprising statement that Scotland had a population of only 800,000 in 1843, are of no great matter.

Nonetheless there is much good writing and good judgment in the book, as for example the following paragraph:

> At first some of the new methods seemed to be somewhat remote from the world's problems. The revival of interest in liturgical studies . . .; the redemption of moribund cathedral life from the levy of sixpence a head to view "the place where thine honour dwelleth"; the re-living of the contemplative life by newly established religious orders; the glowing use of old arts in glass, metal and stone; the erection of churches as striking as any buildings designed by modern architects. . . . The million radio receivers from which came the sounds of the Daily Service or Sunday Evening Community Hymn-singing bore witness to the new attempt of organised religion to carry out its Master's instruction, "Go ye into all the world."

It should be added that the authors seek to cover every sect or persuasion in England, Scotland, Ireland and Wales. This conscientious all-inclusiveness is one of the reasons why the book rather lacks drive and direction.

Letters to the Editor

Partnership or White Supremacy?

Sir,—In *The Economist* of January 26th an unfair comparison was drawn between the earnings of European and African miners on the Northern Rhodesian copper mines. The article stated that "a black miner's cash wage may not exceed 2s. a day, while the average white worker earns £100 a month." No mention was made of the fact that the African miner gets free housing, all his food, articles of clothing and equipment and free medical treatment, whereas the European mine-worker has to pay rent and buy his own food and clothing. Today the average overall or real earnings of the African underground worker are 5s. per day, made up by an average basic rate of 2s. per day, plus food and accommodation, awards and bonuses, etc., and there are men on the mines who earn £17 for thirty working days. Housing and food are subsidised.—Yours faithfully,

G. PERKIN.

Government Information Department, Lusaka.

Concealing the Crisis

Sir,—The most dangerous feature of the present economic crisis in Britain is that hardly anybody really believes in it, except the people who have to try to deal with it. The experts know that the nation is overspending. The changes in the balance of payments, the drain on the reserves, the reactions of foreign opinion are all real to them, for they have to deal with these matters at first hand. But to the man-in-the-street such happenings are like moves in a remote, gigantic, ghostly game of chess which he can neither understand nor control. The money matters that are real to him are those relating to his own income and expenditure. He is a microcosm of the nation, and he sees the nation's fortunes in terms of the happenings in his own smaller and more familiar world. When he and his fellows have to curtail some part of their expenditure in order to keep within their incomes, then they are living their individual parts in the crisis of the whole. If no such necessity forces itself upon each one of them how can they understand or believe what they are told about the insolvency of all of them together?

We shall not be far wrong if we assume that the practical effect on the public of propaganda on economic matters in peacetime is nil if the propaganda has no counterpart in the reader's or listener's personal experience, and tells him nothing to his advantage. It is his own direct experience that counts. And it is just here that the lack of any clear connection between national and personal well-being in our economic arrangements fairly bluffs us out of our senses. As soon as the crisis begins to touch us in the one way we could not fail to understand, namely, in our personal spending, it is automatically warded off for the time being by a rise in our money incomes. This only happens directly to a small proportion of the population through the operation of "escalator" clauses in wage agreements, but other incomes move in sympathy to such an extent that a presumption has now taken root in the minds of most of us that our real incomes can and should be maintained in all circumstances by suitably adjusting our supply of money. A spurious success in insulating ourselves physically from the crisis has led to our losing all mental contact with it as well.

The vital question "Can we produce more, or must we consume less?" does not force itself upon our attention, for we find ourselves faced by no such choice in our own daily round. At the worst, it only seems necessary for us to accept the fact that if we want more, we must produce more; to which we generally add the comfortable rider that if we want more production, we must offer more consumption as a bait. Bemused in this way, we believe that we can refuse to sacrifice one jot of our hard-won leisure while still keeping our standard of living intact.

That is the situation we are in. We have deprived ourselves of the means of realising that a crisis exists, or of softening its impact by yielding a little to it in its early stages. The historical processes by which we have been brought into this position may not be directly reversible, but it is time we realised that we can make no progress in obtaining a national response to the crisis as long as we go on allowing it to be concealed from us and pretending that we are too stupid to understand it. The longer we continue with our present game of bluff, the more drastic and uncontrollable will be the eventual reckoning.—Yours faithfully,

O. M. MEARES

Guildford

Canada's Doubled Output

Sir,—Your Ottawa correspondent's otherwise excellent summary, in *The Economist* of February 23rd, of the growth of the Canadian economy errs in one minor but not insignificant particular. The item in the national accounts labelled "gross domestic investment" includes capital expenditures of government-owned businesses (i.e. the Canadian National Railways, Trans-Canada Air Lines, etc.) and special war-time capital outlays by foreign governments, but *not* construction or other capital expenditures by government departments at any of the three levels of government.

If the latter category were included, gross domestic investment in Canada in 1950, for instance, would have approached 27 per cent of gross national product, rather than the "over 21 per cent" suggested by your correspondent.—Yours faithfully,

V. G. HOBBES

Montreal

AMERICAN SURVEY

Aid in the Lion's Den

Washington, D.C.

THE message requesting $7.9 billion for foreign aid which President Truman sent to Congress last week, and the coast-to-coast radio and television talk with which he followed up this far-from-popular appeal, seemed to reflect a conviction within the White House that Senator Taft and his fellow "retreatists" could no longer be handled with the gloves on. The time had come to be a good deal rougher.

In the message to Congress, the President's language was notably plain. He said:—

> The policy of retreat would deprive us of armed forces [abroad] which, if called upon to fight for the defence of their own countries, would at the same time be fighting for the defence of ours. . . . It would require us to become a garrison state and to impose upon ourselves a system of centralised regimentation unlike anything we have ever known. In the end, when the enemy, encouraged by our retreat, began to organise the rest of the world against us, we would face the prospect of a bloody battle—and on our own shores. The ultimate costs of such a policy would be incalculable. It would be a mandate for national suicide.

In the broadcast, one sentence was stronger still. The President said that renewal of the Mutual Security Programme

> may make the difference between life and death for many of you who are listening to me tonight.

The advice given to Mr Truman in the last few weeks may well have taken into account not only a widespread restiveness over the amount of money to be given away to foreign nations in a single year, but also a considerable and general dismay over the scale of the total of federal expenditures proposed for the year beginning next July.

The Chamber of Commerce of the United States has recently produced a map of the country upon which all States west of the Mississippi River are shaded or hatched in, so that a third of the land area or less is left in a white, unshaded condition. Above the map is a legend reading: "The 1953 Federal Budget of $85.4 billion is Greater Than All the Incomes of All the People West of the Mississippi." Below is a key which shows that military spending as provided for in the new budget would require a sum equal to the incomes of all the people in the States of Washington, Oregon, California, Arizona, Nevada, Utah, Idaho, Montana, Wyoming, Colorado, New Mexico, Oklahoma and Texas. The $7.9 billion requested for foreign aid equals the total income of all the people in North Dakota, South Dakota and Nebraska and of most of the people in Minnesota and Kansas.

A few days earlier, readers of one of the Sunday issues of the *Baltimore Sun* had been confronted with a diagram seventeen inches high which graphically demonstrated the following propositions:

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

1. That if the money President Truman is seeking for the new budget were assembled in the form of $1,000 notes and if the notes were piled one on top of the other they would reach 5.79 miles into the sky—that is, above the Empire State Building, through the layer of rain clouds at normal height, above the effective altitude of a Constellation, above Mount Everest and into the thin air where B29 bombers fly.

2. That if the $85.4 billion were stacked up in silver dollars the coins would ascend 153,734 miles, or nearly three-quarters of the way to the moon.

There were many who considered President Roosevelt's budget for 1940, providing for federal spending of $9.2 billion, to be quite ruinous. There was concern and even consternation over Mr Truman's budget for 1950 (covering a fiscal year that ended a few days after the Korean war had begun) which involved $40.2 billion of federal spending. But now there is a budget which sets out to provide $51.2 billion for the military alone.

It is not surprising that in an election year the temptation to suggest that this is Mr Truman's fault is sometimes irresistible. A paragraph which first appeared in a Washington magazine, *United States News and World Report*, and which was taken up by the *Readers' Digest*, and has since attracted a good deal of attention, said:

> All Presidents through Franklin Roosevelt, in 156 years, took from the public in taxes $248 billion. Two world wars in there. Harry Truman, in six years, took from the public $260 billion. Even so there isn't enough tax money to pay current bills.

*

Nothing is clearer than that those who call for, and those who promise to effect, economies which offer some prospect of bringing down federal expenditures are now the most closely in tune with the public mood. Senator Douglas, of Illinois, a progressive Democrat, says:—

> One of the things Congress must do is ride herd on the military and on the civil authorities and try to make them squeeze $4 to $5 billion, at the very least, out of the budget.

And Senator Byrd, of Virginia, who stands for economy in government, has proposed an itemised budget of his own, in opposition to that of the President. It undertakes to reduce the year's spending to $76.8 billion, and an important part of its provisions is that a ruthless 5 per cent should be cut out of the military estimates.

If, between now and the moment this summer when it will be able to adjourn and go off to fight the election, Congress votes all the funds the President asks—and if, as seems most likely, it refuses to give him the new taxes he seeks—the prospect is that a $14.4 billion federal deficit will be created, and that the national debt will be raised to $275 billion. It is manifestly hazardous to attempt to predict how much Congress will be able to squeeze out of the $85.4 billion. But it is safe to say that there is some doubt whether the budget cuts inflicted in Congress last year actually saved all their sponsors boasted they would, when account is taken of the expenses incurred and old spending programmes left.

The public desire to see some money saved has already been reflected in the recent Congressional investigations of alleged waste and extravagance in the armed services. Not for some time has the army been as obviously on the defensive in this respect as it now is. When last month Mr Frank Pace, the Secretary of the Army, appeared before the Armed Services sub-committee in support of his department's budget requests, he earnestly explained that every soldier and every civilian employee was receiving special "cost-consciousness indoctrination."

This was the background against which the President's request for $7.9 billion for foreign aid was submitted to Congress. The message and the broadcast made out a strong case, and put it into tough language. Little mercy was shown toward the "retreatists," and no encouragement was given to the school of thought which holds that, while all or most of the money for military aid may have to be voted, it will be possible to withhold all or most of the money for economic aid. Indeed, the President is asking for more in economic aid than was granted last year—$2.4 billion as against $1.4 billion—and less for arms. But in deference to Congressional feeling, the $1.8 billion of economic aid for Europe is described more accurately this year as "defence-supporting funds." Mr Truman also assured Congress and the nation that

> the cost of the Mutual Security Programme, together with the much larger costs of our military services and other defence measures, are well within our economic capacity.

But of this Congress is far from convinced. Faced, as Senator Bridges, the Republican leader, put it, with "terrific expenditures, back-breaking taxes, and inflation"—as well as an election—it promises to take a good look at all foreign spending.

American Notes

New Hampshire Wants a Change

The Eisenhower boom, which was beginning to look like a damp squib, has at last gone off with a satisfactory bang in New Hampshire. In the primary election last Tuesday 46,441 Republican voters made the General their choice for Republican Presidential candidate, compared with only 35,691 for Senator Taft and 6,673 for Mr Harold Stassen. And all 14 delegates elected to represent the state at the Republican nominating convention next July are supporters of General Eisenhower. In the Democratic primary, Senator Kefauver scored an equally clear victory over President Truman: 20,240 votes to 16,128, and all the delegates to the Democratic convention. The political pundits who flocked to New Hampshire to study this first test of the voters' mood in this election year do not seem to have improved as prognosticators since 1948. All of them were forecasting a defeat for Senator Kefauver, and, if not a victory, at least as near one as could be expected, for Senator Taft in a state where the leading Republicans were all on General Eisenhower's side.

For this reason, if the General had not done well in New Hampshire, his chances of the Republican nomination might have fizzled out altogether. Now he may be encouraged to think he can get the nomination without campaigning for it—and that is the way the General wants it. But there are more primaries to come, in some of which Senator Taft is sure to do well; nor can the nomination be won by primaries alone. Once the first enthusiasm is over, Senator Lodge, Mr Paul Hoffman and the General's other supporters may regret this victory a little, for it will make it even more difficult for them to induce General Eisenhower to come home. On the other hand it makes it easier for them to convince him that, if he does come, he should be able to settle down in the White House.

Its present occupant must be wishing he had never entered the New Hampshire primary. Mr Truman did so in order to give the Democratic machine in the state someone to work for, and in the hope of nipping Senator Kefauver's candidature in the bud. The state machine failed to deliver the votes and Mr Kefauver has been presented with a victory instead of a walkover. However, New Hampshire, a tiny state, and one that is safely Republican, has little importance in Democratic politics, and Mr Truman can still have the Democratic Presidential nomination if he wants it.

The New Hampshire election is full of contradictions, all of which will undoubtedly be over-explained during the next few weeks. General Eisenhower stayed away and won; Mr Truman stayed away and lost. Senator Taft and Senator Kefauver both covered the state with a personal down-to-earth appeal; one won, one lost. Mr Taft is supposed to be liked by farmers and disliked by labour voters; the opposite proved to be the case. The only safe deduction from the results seems to be that New Hampshire voters, who came to the polls in unexpectedly large numbers, want a change, whatever their party. Republicans would rather have a romantic Eisenhower in the bush than a familiar Taft in the hand, and Democrats would rather have a gay young Kefauver fresh from crime-busting than a tired Truman who, however honest he may be himself, seems unable to escape from his dishonest friends.

* * *

Ducking UMT

The House vote to send the plan for universal military training back to committee means that Congress has successfully ducked an embarrassing election issue. Last year the scheme was approved in principle; this session of Congress was to consider the details worked out by a Presidential commission. The proposal was that all eighteen-year-olds should be required to undergo six months of training; after this, they would spend seven and a half years in the reserves. What the supporters of UMT had not bargained for, though they should have, was that the whole case against it would be revived in an election atmosphere. Religious, educational, trade union, and farm groups deluged Congress with letters and Senator Taft suggested the plan be postponed for three years. UMT, it appeared, was more controversial even than corruption, communism or taxes, and it was left to the American Legion, the largest of the ex-servicemen's organisations, to carry the whole burden of defending the scheme.

Friends of UMT can, and do, take comfort from the fact that they were outmanœuvred, rather than defeated. The House Armed Services Committee had made the Bill more appealing by adding certain safeguards for health and morals; Mr Vinson, the chairman, was prepared to go further and insert a five-year time limit, as well as a provision that there should be no universal military training as long as conscription was necessary. The hostile Republicans, joined by a few Southern Democrats, so arranged matters, however, that the Bill the House had to consider was the original bleak Administration draft, lacking all the softening touches added in committee. The Democratic leaders found it impossible to rally their forces in time to prevent this happening, and in the end the Bill was sent back to committee by 236 votes to 162.

The main argument for UMT is that, in the long run, the trained reserves it would produce would provide much greater security at a cost far lower than that of maintaining three or four million men in uniform at $10,000 a year each. This would take time. Military manpower is so scarce

that the Defence Department only proposed to set up a small experimental training scheme this year, hoping to enlarge it later. But critics of the swollen military budget should, logically, be supporters of UMT to a man. Even the Senate, however, which, with only a third of its members up for re-election, has less to fear than the House, shows no disposition to rush in where others feared to tread. Senate consideration of UMT will be put off until the "climate is more favourable"—which is almost certain to mean next year, if then.

* * *

Metals Begin to Thaw

The International Materials Conference has come under attack in Congress just as the freeze on supplies of metals for American civilian industry, for which the IMC is blamed, is beginning to thaw. Lead has been freed from allocation, zinc may follow before long ; some aluminium producers now occasionally have surplus capacity ; while steel alloys are still very difficult, certain types of steel, notably sheet and strip, are easily available. Steelmakers are reminding themselves that it is only in the last year that it has become the rule rather than the exception for the industry to work regularly at over 100 per cent of capacity ; at the end of last week one company actually closed down two small furnaces.

This comparative plenty at the time when, only a few months ago, it was thought metals for civilians would be at their scarcest is explained partly by increased output, but more by the "stretch-out" in the defence programme, which has reduced the military demand for metals during the next few months. Furthermore, now that the Controlled Materials Plan for steel, aluminium and copper has settled down, manufacturers are not bothering to take up their allocations until they need them ; there is a suspicion that some of them never will be needed, unless there is an improvement in the retail demand for consumer durable goods. Finally, it appears that in some cases lack of copper has prevented firms from using all the steel and aluminium to which they are entitled. A few weeks ago, automobile makers refused increased supplies of steel unless they were also promised more copper.

The shortage of copper remains the most serious single scarcity but the IMC cannot be blamed for that, since the United States is apparently not able to buy as much as it is entitled to, because the American price is fixed so low. Copper is available at a much higher price in Chile, and spokesmen for Detroit, and other areas which are seriously affected by unemployment in civilian industries, are pressing the Administration to arrange for this copper to be bought. More will probably be heard of this in the discussions on renewal of the Defence Production Act, which authorises price controls. It also authorises the allocation of materials, and it is being suggested that provisions for the automatic decontrol of metals as they become plentiful should be inserted in the Act. The mobilisation authorities are against this, for they suspect that the present thaw may turn out to be only temporary. But it is already being forecast that it may be possible to celebrate the next New Year by abandoning the Controlled Materials Plan and returning to a simple priority system for defence orders.

*

Meanwhile, however, extra copper and aluminium have been found for the automobile industry, which will be able to make over a million cars in the second quarter of the year, compared with 930,000 in the first. Restrictions on construction are also being relaxed ; permission has been given for over 600 new religious and municipal buildings to be started, for a number of commercial buildings, held up for over a year, to be finished, and for a few to be begun in areas where there is serious unemployment in the construction industry. The light structural steel for these is guaranteed, but the heavy structural steel needed for roads and factories is still very scarce. Partly because of this and partly because of the lack of copper and components, industrial expansion is no longer being encouraged by the government unless it is urgently needed for defence.

The Air Force is, however, insisting that a further expansion in aluminium capacity is needed, in order to be sure that there will be enough for the aircraft industry and for substitutes for other metals, should full-scale war break out. Under present plans aluminium capacity will reach 1.5 million tons a year by 1954 and will be adequate for all anticipated civilian demands as well as for the present defence programme. It is now being suggested that another 300,000 tons a year should be added, to be obtained partly by increased imports from Canada, partly by another domestic expansion. But the industry, already afraid that it is growing too fast, is showing no enthusiasm for the idea.

* * *

Vote for Corruption ?

The President's plan to reform the Bureau of Internal Revenue goes into effect this week unless a "constitutional" majority—49 members—can be found to oppose it in the Senate. Despite all the indignation over tax scandals, there is a risk that it may. The reorganisation would replace the 64 Collectors of Internal Revenue, who are political appointments, with 25 Regional Commissioners, all under civil service. The House, which has no voice in appointing tax-collectors, has not objected, but in the Senate, which values its remaining plums of patronage, the Executive Expenditures Committee has voted by seven to five against the change. Of the seven, five were members of the Republican Party, which has made so much capital out of Democratic dishonesty.

Mr Truman will make himself no friends in the Senate with his charge that some Senators are more interested in patronage than in good public service and more interested in keeping the corruption issue alive than in cleaning up the government. (Mr Truman himself has an interest in burying it as quickly as possible.) But his plain speaking will make it more difficult for the Senate to perpetuate a system which has brought disgrace on the Internal Revenue Bureau and is condemned by most experts on government.

It is more doubtful whether the President was on equally strong ground in ordering the Department of Justice and a number of other departments and agencies to refuse to turn over their files to the House sub-committee trying to find out whether the department has been lax in prosecuting cases of tax fraud. The Attorney-General refused the request on the ground that it would impose a costly and intolerable burden to turn up the records on all cases in which the department had refused to prosecute during the last six years or in which it had taken no action for a year or more. The President flew to support him and to condemn the committee's "dragnet" approach. It is true that when the investigation was authorised the committee was instructed to confine its attention to cases in which there was specific evidence of wrong-doing. It is equally true that the President is entitled to withhold executive files from Congress, and in some cases should do so. But a more co-operative attitude would inspire greater confidence that nothing is amiss, and that the truth is not going to be lost sight of in quarrels over executive and Congressional rights.

* * *

Loyalty on the Rack

In the Foreign Service, years spent in the Far East are classified as hazardous, and credited at time and a half. They have proved so indeed for four high-ranking diplomats whom Senator McCarthy and Senator McCarran have charged with Communist sympathies. The second to go is Mr Edmund Clubb, head of the Office of Chinese Affairs, who, though cleared for loyalty and security by the State Department, has resigned rather than live out a crippled career in a dark corner of the Historical Policy Research Division. This will not end the troubles of the State Department, which was neither candid nor courageous about the clearance. It was left to Senator McCarthy, whose informants are everywhere, to reveal that Mr Acheson himself had cleared Mr Clubb, on the strength of a second review of the evidence, after the department's security board had handed in an unfavourable verdict. Senator McCarran is now proposing a new inquiry and threatening to cut off Mr Clubb's pension.

Of the three others in the fast-thinning ranks of Chinese experts, Mr Vincent, completely cleared (unless the President's Loyalty Review Board should decide on its own authority to reopen the case), has returned to his banishment in Tangier ; Mr John Paton Davies, also cleared, is in Germany ; Mr John Stewart Service is still struggling to reverse his dismissal, made necessary by the Loyalty Board's finding that his loyalty was open to "reasonable doubt." Mr Service insists that, as a court of final appeal, the Board has no right to reach down and reverse favourable verdicts at lower levels. The Board does not agree. It is known, thanks to Senator McCarthy's spies, who provided him with minutes of one of its meetings, that the Board has long been dissatisfied with the State Department's failure to discharge any one on loyalty grounds—an alarming sidelight on its impartiality. Some members actually criticised the State Department for not reaching the high quota of dismissals scored by other departments.

Meanwhile, Mr Owen Lattimore, whom Senator McCarthy once called the chief architect of Far Eastern policy, has after eight months been given a day in court before Senator McCarran's Internal Security Committee to deny the charge of Mr Louis Budenz that he was once a Communist party member. Professor Lattimore was an indignant and aggressive witness, and the day stretched into ten as the committee relentlessly tried to trap him in inconsistencies which might serve as the basis for a perjury charge. Mr Lattimore, apparently, is not frightened of a judicial investigation ; he is anxious that the courts should decide who is the perjurer, Mr Budenz or himself.

It is only the investigation of Senator McCarthy, author of so many of these miseries, which has been hanging fire. Now, however, the committee appointed to look into Senator Benton's charges against him has been so angered by his "outrageous vilification" of the investigation that it has demanded and will secure a showdown—a Senate vote on whether the inquiry should continue.

* * *

Orange Squeezes

Last summer west coast orange growers realised that California was being swamped with fruit from Florida, coming in as concentrated frozen orange juice in tins, and thus getting round the California laws that forbid the import of competitive fruits and vegetables on the excuse that they might carry plant diseases. More important, this frozen juice, one of the most successful postwar products, was driving California oranges out of their national markets, for most Americans nowadays buy their oranges in this form—if they buy them at all. Californian growers have always sold most of their crop fresh, for everyone except obstinate Floridans agrees that California oranges are handsomer than any others. But once squeezed all oranges look much the same. California has also lost the advantage of its summer crop, which Florida does not have, for frozen juice can be put on the market all the year round. California oranges are more expensive than Florida ones, largely because wages are higher on the west coast than along the Gulf of Mexico. Furthermore, it costs much less to transport the concentrated product from Florida than from California to the important markets in the east and mid-west.

But California has never yet admitted defeat by Florida. Once the extent of the threat to the state's chief crop was realised, the fruit growers' co-operative began to make frozen orange concentrate under its own famous branch name of "Sunkist." To capture a market, prices were cut, sometimes as low as 15 cents for a six-ounce tin. But this could not continue for long, for a profit cannot be made on the Californian product at anything below what is regarded as the normal price of 23 cents ; the Florida concentrate can be sold satisfactorily at 19 cents. In 1950 six-ounce tins were selling as high as 29 cents ; but this winter the price has fallen to an average of 17 cents. Two years ago a box of Florida oranges sold at $3.75; now the price is 50 cents and the fruit is rotting on the trees. This is not the result of competition from California, but from the new orange groves planted in Florida in 1946 and now beginning to bear. The Florida orange crop, at 75 million boxes this season, has doubled since 1946 ; in that year 225,000 gallons of the frozen concentrate were made. Now that amount is exceeded on many days during the season. But over 10 million gallons, about one-third of last year's output, were unsold when the new season opened.

In fact, the concentrated product, which once was thought to be the answer to the seasonal fluctuations in the orange market, has so far only accentuated them. But this year's glut both of oranges and of frozen juice is sure to eliminate some of the growers and some of the manufacturers who rushed into what looked like a dazzling thing in 1946. The Florida growers' co-operative is copying the Californian one and making its own "Seald Sweet" brand of concentrate, so that its members are no longer at the mercy of the manufacturers of the well-known brands. It is these manufacturers, however, who by nation-wide advertising and distribution have made the frozen concentrated juice popular, and both they and the growers are taking comfort from a recent estimate that eighty per cent of Americans still do not buy it. Even so, at the new low prices about a million gallons are being sold each week.

THE HANOVER BANK
FIDE ET FIDUCIA
NEW YORK

The Hanover Bank maintains banking offices in London and New York, the financial centres of the world. An international network of correspondent banks is available for every type of banking transaction.

THE HANOVER BANK
(*Incorporated with Limited Liability in U. S. A.*)
LONDON . . . 7 Princes Street, E.C. 2
NEW YORK . . . 70 Broadway

THE WORLD OVERSEAS

From Maher to Hilaly

THE man and the methods have changed in Cairo ; the Egyptian government's objectives have not. They are still " pursuit of the national question," by which is meant British evacuation and the " unity of the Nile valley," and a purging of the worst elements in Egyptian public life. By this is meant a permanent silencing of the Wafdists who used office in order to feather their nests and, inside the administration, the cancellation of all " exceptional promotions " accorded by the Wafd government to its friends. The two aims appear unconnected, but are not so. For the Wafd is the only party in Egypt possessed of a nation-wide machine, and of the apparatus for arousing public clamour. Therefore, to succeed with a purge, any non-Wafdist Prime Minister must be able to outbid the Wafd for public favour. In the present state of public opinion in Egypt, almost the only method of doing this is to produce some very plain evidence—comprehensible even to the illiterate—that success with " the national question " is attainable by negotiation.

The new premier, Hilaly Pasha, is going about this business in a manner different from his predecessor's. Aly Maher believed that, in order to reach a settlement with Britain, he must have internal calm, and that this calm could only be sustained if the Wafd party, with its majority in Parliament, at least acquiesced in his domestic policies. It is unlikely that he really believed in the sincerity of those Wafdist leaders who pledged their support for him, but he believed that he held two trump cards. One was the Origin of Fortunes act—the act, unused as yet, whereby anyone can be challenged to declare the source of capital acquired over the last ten years ; Aly Maher reasoned that this Act, if brandished at a selected list of Wafdists, would keep them quiet. His second card lay in his belief that they would tolerate him in the knowledge that any successor would be less accommodating.

The Wafd's Black Record

He may have been right, but there are powerful influences in Egypt, including advisers inside the Palace, that wanted to seize the chance to exploit the Wafd's black record in order to break its leadership. The first sign that Aly Maher's policy might not work was the Wafd's refusal to vote a sum of E5 million to be used for compensating victims of the riots of January 26th. Aly Maher thereupon obtained from the King the signature of a decree dismissing Parliament for a month. At wind of this decree, the Wafd voted the £E5 million. Aly Maher therefore pocketed the decree and did not use it. His Ministers of Finance and the Interior expressed the disagreement with this policy that was felt by wide circles outside the Cabinet. This pressure upon him forced his resignation. With him there disappeared the most competent cabinet that Egypt has, perhaps, ever had.

In thirty hard working days he had, with the assistance of Abdel Motaal Bey at the Ministry of Finance and Mortada el-Maraghy Bey at the Ministry of the Interior, done much to restore sanity. He had reduced the prices of sugar, kerosene and bread and had begun to tackle the clothing prices ; he had allowed Abdel Motaal to remove the chief government functionaries from the cotton market who, under Wafdist rule, had been manipulating the bourse and cotton trade in pursuit of a policy which seemed peculiarly suitable to the operations of a chosen few ; he had allowed Maraghy Bey to remove some chief security officers whose behaviour had been at least inefficient ; he had withdrawn the disaffected auxiliary police from the Canal Zone and Cairo ; he had allowed the civil authorities in the Zone to resume contact with the British Army in a progressive restoration of normal civil conditions ; and some " patriots " in the Zone who had organised their private gangsterdom had been thrown into gaol.

Without question he was doing good work and most people felt sorry that he had been halted so soon. At least he has the satisfaction of knowing that his credit stands high. But many believed that he had not struck deeply enough at the roots of disorder. Although the Parquet had arrested hundreds of people believed to be connected with the crimes of January 26th, people felt that the Ministry of Interior itself had not been purged enough because of Maher Pasha's reluctance to challenge many of the Wafdist appointments. Furthermore, the large quantity of arms circulating among the resistance forces had not been collected and were a menace to internal security. As many of these arms were held by fanatical patriots who recognised only their own view of patriotism, the danger of assassinations was great. Parliament was entirely dominated by the Wafd. Both deputies and officials could be relied on to work for the maintenance of Wafdist influence. Palace advisers and Maraghy Bey and Motaal Bey believed that neither security nor progress could be achieved under these conditions.

Hilaly Pasha, Aly Maher's successor, had refused office after the riot of January 26th, but took it now. He at once issued the Public Prosecutor's forthright report on responsibility for the riots. This deeply implicated the Wafd Minister of the Interior, Serag ed Din. The buttons are off the foils ; the decision whether not to break, or to try to break, the Wafd has been taken. The Wafd has retaliated by announcing that it will not support Hilaly Pasha's government ; the meeting at which it decided on this policy is said to have been inharmonious. On the " national question," it has reiterated the well-known aims, but has launched a fresh appeal to nationalistic fervour by adding that it " rejects any form of common defence." By this stand it intends to make Hilaly's path to Anglo-Egyptian negotiations as difficult as it can.

If Hilaly remains master of the situation, these negotiations may not occur immediately. He has said that the solution of the Anglo-Egyptian question is " the first thing with which I was entrusted," but that " I am as yet only at the beginning of my study of the question ; I cannot fix a definite period for the conclusion of my study." Meantime, together with Maraghy Bey, whom he retained at the Ministry of the Interior, he is pursuing his onslaught upon the Wafd's former iniquities upon the home front. The present Parliament is unlikely to meet again.

Hilalys' future hangs, first, upon whether a split in the Wafd has occurred and, secondly, upon whether, if this has not happened, the army can once again be relied upon to tackle the crowd should the Wafd decide upon a course of violence. Either situation would be more likely to develop in his favour if he felt sure that the British were ready to reiterate, and to start executing, their undertaking to evacuate subject to suitable multi-power arrangements for Middle East defence. His chances would be still further improved if as part of these arrangements—better arms and training for the Egyptian army were known to be on the way.

After the Indian Elections

[FROM OUR CORRESPONDENT IN INDIA]

THE Congress party has achieved its expected victory in the Indian elections, but it is clear that it has been returned to power only on probation. The electorate felt it owed the party a debt for services rendered ; but now that independence, integration and a democratic constitution have been achieved, it wants from its government honesty, food, cloth and housing. The electorate has also made it plain that Congress candidates have to be worthy of its trust ; 28 ministers, including three chief ministers, were defeated at the polls. Many Congress successes, moreover, were obtained on a minority vote through the divisions of its opponents ; in fact one successful congressman actually forfeited his deposit. Nowhere did Congress get more than 60 per cent of the vote ; in most states it got between one-third and a half.

The most ominous result of the elections has been the failure of the Left Centre, in whom it was hoped to find an opposition. The spray of recent splinters from the Congress, the Kisan Mazdoor Praja (KMP), the Krishikar Lok, the UP dissidents, all failed miserably. But of far greater importance is the failure of the Socialists. Nobody except Congress gained more votes than the Socialists who scored ten million to the Communists' six, but, even in Bihar (where they got one fifth of the vote) or in Bombay city (where they got one-third) they did not obtain enough seats to be taken seriously. Parties, to keep their vote and their workers, must, as the Liberals have discovered, have some chance of getting power. Much in India will turn on whether the Socialists now leave their somewhat ivory tower and turn to hard work and concrete programmes, or whether, despite the efforts of their leaders, their followers succumb to the Communist siren-cry of Left unity.

The Communists, by contrast, have made every vote tell. They got only 6 per cent of the poll, but this has given them 6 per cent of the seats concentrated in an area sufficiently small and compact to enable them to be effective. In three-quarters of India they secured no support at all—in Bombay, for example, they got only one seat, in the Uttar Pradesh and Bihar, none. They failed miserably with their chosen people, the proletariat. Around Calcutta, that hell of the working classes, they got only three out of 21 labour constituencies. The Communists' success has been confined to Bengal, Tripura, Madras, Hyderabad and Travancore-Cochin. But there they have done well enough to be a formidable factor. In Tripura they claim a majority—but since Tripura is still centrally administered, this is of limited importance. In Bengal they got 28 seats out of 238, mostly from the area round Calcutta and there is a danger that they will hypnotize the smaller Left parties who won another 16 seats.

Of all the Communist victories those in the three southern states are the most important for, in Madras and Travancore-Cochin the Congress has no majority, and in Hyderabad its majority is only 11. In Madras, the Communists have 61 seats out of 375 ; in Hyderabad, 42 out of 175, in Travancore-Cochin 32 out of 108. These figures, however, minimize their real strength for two reasons. The first is that within the states, their victories have been very concentrated. In the Telugu country of Hyderabad and Madras, in seven contiguous districts where until last November an almost Malayan guerrilla war was being fought against them by the army and police, they got 60 out of 101 seats. In the rest of the Telugu country they got only 13 seats ; nevertheless, were Mr Nehru to concede the Telugus their demand for an Andhra State, the Communists might well be the core of its first Government.

The second reason is also the explanation for the Communists' present great importance in the south. A considerable proportion of the members of these three Assemblies, who are neither Communist nor Congress, prefer the Communists

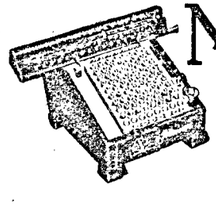
R.S.V.P.

Our social intercourse is peppered with these little formal Gallicisms. French is, indeed, not only the language of formality—the diplomatic language—but, pre-eminently, it is the language of the table. It is the language of the *connoisseur*, the *gourmet* ; it is the language of the *carte du jour* ; that being so, it is the language of the *chef de cuisine* below stairs in the Connaught Rooms. Here, where no fewer than twenty of the most sumptuous banqueting halls are gathered together under one roof, London enjoys a veritable *chef d'oeuvre* every night : it is an amenity which has no equal anywhere on earth.

CONNAUGHT ROOMS
are Banqueting Rooms

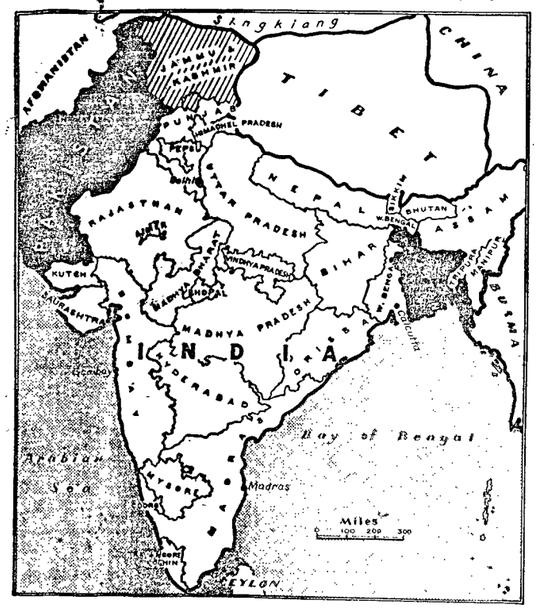
Monroe

The Answer's a Monroe...



MONROE
CALCULATING
MACHINE COMPANY LIMITED
10-11 ALBEMARLE ST., LONDON, W.1
GROsvenor 7541

to Congress. This is true of the Peasant and Workers Party (10 seats) and the Scheduled Caste Federation (5 seats) in Hyderabad; the KMP (35 seats), the Tamil Nad Toilers' Party (19 seats) and some Independents in Madras; and some Independents in Travancore-Cochin. The Peasants and Workers are Marxists under another name, but the Tamil Nad Toilers are a local caste party of the Vannyas, and most of the KMP are Conservatives. The Communists will therefore have to pay a high price to get a minimum coalition programme agreed. In Madras they have already consented to pay compensation to small zemindars. Nevertheless the chances are that they will not be able to form a coalition government even in Madras. In all three southern states, however, they have already emerged as the core of the only formidable opposition the Congress will have to face anywhere, while their 27 seats in Parliament (compared with 346 for Congress so far) may be just enough for effectiveness. If this relative effectiveness makes them, as it might, the focus of all discontent, their strength could grow quite rapidly.



As always, and everywhere, it is society's omissions, rather than Communist commissions, which gave the Communists their successes. The Telugu districts where they got their votes are districts of rack-rented tenants and numerous landless labourers; elsewhere they got many votes from the hungry, under-employed coir workers of Travancore-Cochin, from the idle hand-loom weavers of Malabar, idle for lack of yarn, and from the lower middle class of Bengal which has been so hard hit by inflation and partition. In the guerrilla districts, past police "repression" has been their best electoral trump, which more than blotted out their own past atrocities. Everywhere they throve most where they had agitated most. In Hyderabad they also benefited from the widespread distaste of the people for their Nizam and their transferred resentment against a Congress which had made the Nizam Rajpramukh. In Andhra, the splits and mud-slingings of Congress, the evil repute of the Congress factions in office, and the Centre's refusal of an Andhra State, were all pressed into service in favour of the Communists. Many Congress defeats, too, and not only by the Communists, were due to the widespread and not unjustified belief of the southerners that they are neglected by Delhi. They have the most rigid food procurement and the lowest ration, the highest state taxes and the least central aid. The Communist successes are already paying the southern states dividends; it has been announced that they will get more rice.

The Communists have, for the first time, emerged as a possible opposition, limited and local though their support still is. The choice for the elector five years hence will be economic, not moral, and the Communist talk is all of land, food and housing. It is part of this new emphasis on economic issues that Congress has almost completed the change from a national movement to a conservative party of an almost English type. Though social reforms still continue, where practicable, there is now in general little talk of the welfare state, food subsidies have just been almost entirely abolished and nationalisation is no longer a panacea and a menace. The Five Year Plan, which was one of Mr Nehru's major planks, emphasises all the old-fashioned virtues; work, efficiency and thrift, production and investment. Congress and Communists alike are committed to turning India into a modern, industrialised state.

German Claims to Eastern Markets

According to the East German news service, some West German businessmen recently attended a meeting in Berlin to discuss the forthcoming unofficial Moscow conference on east-west trade. They were invited by the Liberal-Democratic party, the eastern zone's version of the conservative Free Democratic Party. Their hosts asked them to see that the economic newspapers of Western Germany published articles in favour of the Moscow gathering, and explained frankly that one of its objects would be to find ways of evading the restrictions on exports to the Communist countries imposed by the American Battle Act.

A number of factors tend to make German industrialists and traders, especially in the Ruhr and Hamburg, lend a particularly ready ear to propaganda for the Moscow meeting. Scanning British and other trade statistics, Lloyds list and the passage of ships through the Kiel canal, the Germans conclude that their competitors are taking trade with the Soviet Union, China and the satellites which is forbidden to them. A Panamanian ship which was forced to unload its cargo, destined for China, in Hamburg last year, is now sailing on the east-west trade route under a Polish flag, and other vessels still flying the emblem of Panama continue to discharge in Chinese Communist ports. Above all, the British still sell machinery and rubber for Soviet timber and grain. It is true that the Bonn government has to apply the same restrictions as other countries receiving American aid, and no more; but the Germans find themselves subjected to more rigid supervision than their competitors.

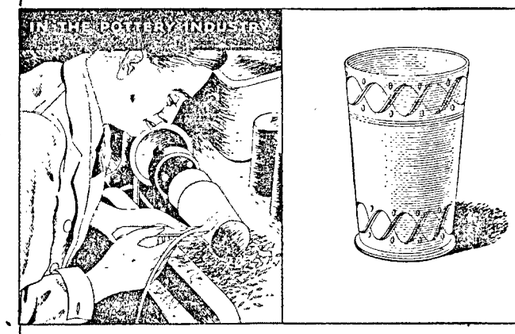
The German industrial and trading world has no Communist leanings whatever, and has pledged itself to aid in western defence production—in the first place by increasing steel and coal output. But they regard Soviet Russia as their natural trading partner. They have not woken up to the vast changes that have taken place in the Communist sphere. Poland, Central Europe and the Balkans are no longer countries eager to sell great grain surpluses to Germany for manufactures—in fact, these areas are suffering from food shortages owing to the over-rapid pace of industrialisation, peasant resistance to collective farming and the Soviet Union's stockpiling. But the Germans do not realise that times have changed. They remember not only the days when Germany was dominant in the Balkans as almost the sole purchaser of surplus grain, but the earlier period of the Soviet-German treaty of Rapallo, when German industry and a government-sponsored credit institute helped the infant Bolshevik republic to establish itself. The Germans underestimate Russia's industrial progress; and, in any case, they see that China has now taken the USSR's place as a vast under-developed country bent upon industrialising itself.

The United States, by contrast, is a competitor which, it was hoped in Germany, would be unable to maintain its

THE HOUSEHOLD NAME

OF A SERVICE TO INDUSTRY

Brown & Polson starch products



WHEN liquid glaze dries on pottery ware, it leaves an even coating of finely powdered glass, which very easily rubs off before it is fired. The mere touch of a finger leaves a noticeable thin patch in the finished glaze.

MODIFIED STARCH AS A GLAZE BINDER

The Brown & Polson Group recommended the mixing of modified starch with the liquid glaze, to bind the glass powder to the ware until it was fired. This is now the main use of starch products in the pottery industry.

MODIFIED STARCH BINDERS FOR REDUCING BREAKAGE

Some potteries are using modified starch binders experimentally for strengthening the ware itself before it is fired. They have proved that modified starch mixed with the clay can treble the strength of the delicate, unfired ware, and so save costly breakage during handling and trimming. Modified starch binders have also been widely used for strengthening the big fireclay containers (called 'saggars') in which pottery ware is first fired. Stronger saggars save oven space, for they can be stacked higher without collapsing.

The development of modified starch binders for the pottery industry is one example of the kind of service that the Brown & Polson Group has performed for many widely different industries, and is ready to perform wherever opportunity exists. Enquiries will be answered by responsible experts. They should be addressed to:

CORN PRODUCTS COMPANY LIMITED

The Industrial Division of

Brown & Polson

BROWN & POLSON LTD., WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2

MECCA Ltd.

announce the opening of the City's most outstanding Catering Facilities situated in the magnificent

PLANTATION HOUSE

and comprising

★ LUCULLUS Restaurant and Cocktail Lounge.

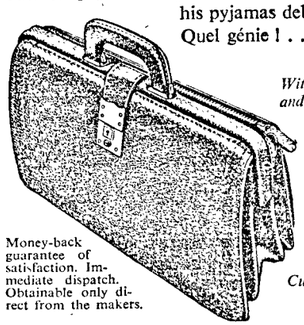
★ Mincing Lane Lounge and Cold Buffet.

★ Plantation Mecca Cafe.

★ Party Suites for 20 to 1,000 persons.

ZIP ALORS!

I unzip one large outside pocket and what is here? A beeg book and "Paris Soir." I unkey ze lock and examine inside. Business papers in two fools-cap-fitting compartements! It is O.K. I am about to shut him up when . . . tiens! What have we? Ze secret compartement full of unlegitimate smugglings? I unzip, but it is . . . *only ze pyjamas and shaving brush!* *Here is an idea* for ze businessman who trips overnight. When he is *en voyage* he has books handy *outside;* when he conferences, he has business papers handy *inside*—for it is *only when he sleeps* that his pyjamas debouche from ze zip cache! Quel génie! . . . Quelle *discrétion!*



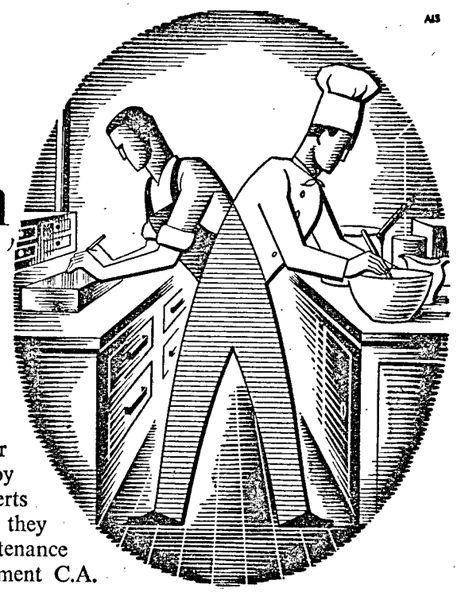
With brass fittings, a single handle, and press studs in the base for slimming, this handsome 17" x 11½" all-leather case is available in golden tan, brown, or black: selected hog-grained leather £7. 10. 0; smooth polished hide £9.9.0. Post free in U.K. In U.S.A. $23.75 and $27.50 respectively, carriage and insurance free. (20% Customs duty payable in U.S.A.)

Money-back guarantee of satisfaction. Immediate dispatch. Obtainable only direct from the makers.

UNICORN LEATHER CO. LTD., (Department ET5) Woodhill Works, Bury, Lancs.

CARRON THE ROYAL CHARTER COMPANY FOUNDED IN 1759

Would a better Canteen help production in your works?



Better food input unquestionably helps work output and highly efficient modern ranges built by Carron Company make better cooking easier. Further, by low fuel consumption, they reduce running costs and so make good meals a practical proposition. Carron Company have built all types of cooking apparatus for nearly two hundred years and Carron equipment may be heated by solid fuel, steam, gas, oil or electricity. The advice of Carron experts is available on the most suitable installation for your works and they will be glad to plan the complete layout for you. Regular maintenance contracts can be arranged. Write for further details to Department C.A.

Carron HEAVY DUTY COOKING EQUIPMENT

COAL · COKE · STEAM · OIL · GAS · ELECTRICITY

CARRON COMPANY · CARRON · FALKIRK · STIRLINGSHIRE & LONDON, MANCHESTER, LIVERPOOL, NEWCASTLE AND GLASGOW

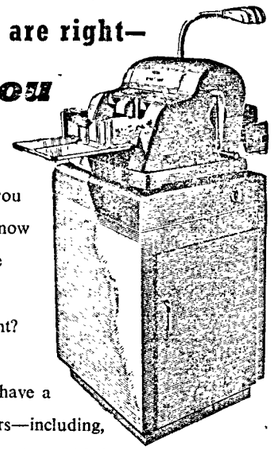
SPEED THE NEW HOUSES

There is PLENTY OF **LEAD** for Water and Gas Pipes, and Roof Flashings

Lead Industries Development Council, Eagle House, Jermyn St., London, S.W.1

You may think you are right—

but have you proved it?



If your business uses duplicating, you are probably convinced that you know which duplicator will give you the best service — but have you *proved* that your conviction is right? Roneo believe that the only way to arrive at a true answer is to have a comparative test of all duplicators—including, of course, Roneo '500.' We know that a side by side test will prove beyond doubt the great advantages of Roneo '500.'

● Considerable saving in running costs. ● Really automatic inking giving continuously even work without stopping to re-ink. ● Interleaving, with blotting or other paper to prevent smudging, is unnecessary. ● No proofing. The very first copy is usable. ● 16,000 copies from a lb. of ink ● Quick clean colour change in 25 seconds. ● Better standard of work with greater speed.

Write for booklet "Let's take a back seat", which gives users' reports on Roneo '500' that may help you to economise.

RONEO "500" SERIES II TWO MODELS: FOOLSCAP AND THE WIDE POLICY (PRINTS ON PAPER 18" × 14")

RONEO LTD : 17 SOUTHAMPTON ROW : LONDON : W.C.1

Telephone: HOLborn 7622. Branches throughout the country. TBW134

exports of consumer goods and capital equipment once defence production began. Instead, German business circles have noted with consternation that American industry is capable of giving the world not only "guns and butter" but "guns and the whole cow." The first signs of a recession in steel and of unsold stocks of textiles made German industrialists and traders more determined than ever to secure a firm standing in the under-developed areas of the world. The danger signals from America heightened interest in the Moscow conference, at which China and other Far Eastern countries will be represented. So have the Australian import cuts, and the latest trade treaty with Britain, which obliges Germany to take more British surplus textiles than before.

Restrictions on east-west trade naturally irk the Germans more than other businessmen, because they apply to exchanges with their fellow-countrymen on the other side of the Elbe. Interzonal trade is now at a standstill, except for smuggling and barter deals by individual firms. The fault lies more with the Russians than with the Allied bans. The Soviet authorities have refused to comply with the Bonn government's condition for concluding a new interzonal trade agreement—that Berlin trade should not be hampered. On the contrary, the Russians have just cut off electric power to West Berlin, and the Federal Republic has retaliated in kind. True to Soviet tactics, the Russians are demonstrating their power over Berlin, at the same time as offering the Germans peace, unity and a national army.

The Ruhr is watching with some concern the way in which the eastern zone is making itself relatively independent of steel. Even fine alloy steels will be produced on a fairly large scale next year. However, the latest East German statements on the fulfilment of the 1951 plan prove beyond doubt that Allied restrictions on trade have seriously affected the economy of the Soviet zone. The Minister of Planning, Herr Rau, has admitted that 21 per cent of the zone's imports were to have come from western countries, but that the foreign trade plan had not been fulfilled. Troubles in the great new steelworks on the Oder have, however, been due chiefly to another cause: the callous treatment of the workers (who include thousands of women). Owing to labour unrest the plan for crude steel production has not been fulfilled. The yearly plan in Eastern Germany as in other Soviet-controlled countries is more than a target. It is a law, and people who break it must suffer the penalties. In consequence, some of the old Communists, such as Selbmann and Lohagen, who have domineered over East German economic life since 1945, have been reprimanded and demoted. The whole central designing bureau has been disbanded and other reforms and purges have been ordered.

On both sides of the Elbe the urge to resume free trade is irrespective of any desire for political reunion. In Western Germany, the appeal of national unity is watered down by the well-to-do man's fear of having to share his wealth with a poor relation. And for their part the East German Communists seem to have been ordered to fulfil the economic plan and overcome the shameful discrepancy between the two Germanies before the parts are reunited. Forces, therefore, are working for a resumption of trade, despite restrictions and political differences. It is a sign of the times that the new Federal German trade treaty with Poland was very smoothly negotiated. Subject to approval by the High Commissioners the treaty provides, among other things, for the exchange of West German rolled steel products for rye, some of which will probably come from the former German territories east of the Oder-Neisse line.

HOW MUCH DEPRECIATION?

With rising prices, many business executives are concerned with the provision they should make for the future replacement of fixed assets. The Economist Intelligence Unit, in conjunction with the Association of Certified and Corporate Accountants, has compiled indices showing changes in the prices of different classes of new plant, machinery, and factory buildings. All indices cover the years from 1938, and some a longer period. Combinations of indices, or special ones, can be prepared to meet individual needs. Each index is kept up to date quarterly.

The Economist Intelligence Unit
22 Ryder Street, London, S.W.1.

From Suvorov to Rokossovski

APART from the Americans, there is no nation on earth in whose history the idea of a constitution has played so great a part as the Polish. The traditional constitution of the old Polish Commonwealth, with its *liberum veto* which permitted a single man to obstruct legislation, is generally considered to have been one of the main causes of Poland's fall in the 18th century. The constitution of 1791, a noble document inspired by the ideals of the American and French Revolutions, was hailed as the prelude to national revival. But it was followed by the armed intervention of Catherine II of Russia and her accomplices, the Emperor of Austria and the King of Prussia. The hopes of 1791 were trampled down by the soldiers of Suvorov; even so, they inspired generations of Polish patriots.

The first constitution of the Polish Republic, in 1921, was similar to that of the Third Republic of France. In particular, the President of the Republic had only very limited powers. This won it the hatred of Marshal Josef Pilsudski, who had been Head of State from 1918 to 1921, and increasingly regarded himself as the sole repository of all the virtues of the Polish nation. Having seized power by force in 1926, he took his time in abolishing the constitution. The process was formally completed in 1935, when a new constitution, of an authoritarian type, was introduced and carried by a trick of procedure in a hostile Parliament.

The 1935 constitution never commanded the loyalty of the majority of the Polish people. When Poland was again partitioned by the heirs to the King of Prussia and Catherine II, it was generally assumed by the fighting Polish people that liberation would bring a new regime. This view did not, however, prevail in the Polish emigration. The leaders of the Polish Government in exile were democrats, but among the officers, diplomats and civil officials who implemented their policies the heritage of Pilsudski was still honoured. Even so staunch a democrat as Premier Mikolajczyk felt unable to repudiate the 1935 constitution. This refusal of the exiles to declare invalid a regime imposed by fraud and maintained by force, was exploited against them by the agents of Moscow.

Continuity with the Past

Even today the Polish emigration—which far exceeds in quantity and quality the emigrations from the other East European countries—is torn in two on the issue of the 1935 constitution. After his experience in postwar Poland, Mikolajczyk decided to repudiate this legacy of the Pilsudski era, and part of the Peasant Party exiles support him. On the other hand the 1935 constitution is upheld not only by followers of Pilsudski, but also by the conservative Nationalists who were Pilsudski's bitterest enemies and—most surprisingly of all—by the Socialists. Their argument is that the legality of the Polish State must be preserved, even in so unsatisfactory a form as this. This triumph of legalism over

political commonsense can only be explained by the passionate desire of the Polish leaders to maintain continuity with the past. The elder statesmen of today's Polish emigration spent the formative years of their lives either in exile or in rebellion against foreign rule. They feel a strong compulsion to prove to the world Poland's historic right to an independent existence. This mentality must and can be sympathetically understood by friendly nations. But it undoubtedly impedes common action with other European exiles, who have not the same psychological background.

It might have been feared that the devotion of the exiles to the "fascist" 1935 constitution could be exploited by Communist propaganda within Poland. This is, however, unlikely to produce much effect at a time when a close copy of the "glorious Stalin Constitution" is being forced on the Polish people by the Bolshevik successors of the Governors-General of the Tsars. Already in 1947 the "popular democratic" regime introduced a "small constitution," which combined certain articles of the 1921 constitution destroyed by Pilsudski with others resembling the constitutions of the other East European satellites. Now a complete constitution has been published in draft form for "public discussion," and will doubtless be enacted with the customary enthusiasm in the near future. That it has been produced so much later than the other east European constitutions is probably due to knowledge in Moscow of the exceptional strength in Poland of anti-Russian nationalism.

Presidency Abolished

Minor concessions are made to Polish national feeling. The white eagle remains the coat of arms of Poland. The Speaker of the parliament preserves the traditional title of "Marshal." The body which performs the functions of the Presidium of the Supreme Soviet of the USSR is called the "Council of State." But essentially this is a replica of the Stalinist constitution. The office of president is suppressed. Its ceremonial function is held by the Chairman of the Council of State. This brings Poland into line with all the other people's democracies except Czechoslovakia. It will be interesting to see if Bierut, who now holds the Presidency, will take on the decorative post of chairman or will concentrate on the office which represents his real power—the general secretaryship of the party. The local organs of government—the National Councils—correspond to the Soviets—not of course to the more or less democratic and representative soviets of 1905 and 1917, but to the emasculated soviets of 1936. Judges are elected, which means nominated by the same body that nominates the parliamentary candidates. The functions of the Public Prosecutor are not specified in the Constitution but are laid down in separate laws. It may, however, be assumed that the office is endowed with the same all-embracing powers to which the holder of its Soviet prototype, Andrei Vyshinski, owes his career.

Unlike the constitutions of the other satellites, the Polish one actually mentions in its text the institutions of collective farm, tractor station, labour competition and shock worker. At the same time it guarantees the right to inherit land. There is the usual impressive series of rights and liberties, accompanied by the less impressive "escape clauses" which nullify them. The right to leisure, for instance, is ensured by the organisation of collective "recreational facilities." Equality of women with men includes the right of women to go down the mines and to do night work and heavy labour, from which the labour laws of the "reactionary" prewar regime excluded them. Religious freedom is guaranteed, but "abuse of freedom of conscience and religion for purposes endangering the interests of the Polish People's Republic is punishable." Freedom of association does not extend to bodies "whose aims and activities are directed against the political and social structure or against the legal order of the Polish People's Republic."

The interpretation of such phrases, and the nomination of those who will fill the various elective posts in the executive and legislative hierarchy, belong to a body not mentioned in the constitution—the Polish United Workers' Party. Unlike its august model, the All-Union Communist Party (Bolsheviks), which is mentioned in article 126 of the Stalin constitution, the Polish party prefers to remain in the background. The formal reason for this is that other parties still nominally exist and participate in the government. Probably the real reason is that Moscow does not yet consider that Poland has advanced sufficiently to deserve the honour of a complete copy of the Stalin constitution.

For the real power is held not even by the Workers' Party but by Moscow. Of this fact there is a very tangible proof in Warsaw—Marshal of the Soviet Union Konstantin Rokossovski. Eminent among the heroes honoured in the Soviet Union, and therefore entitled to compulsory veneration in the "popdemocracies," is Suvorov, who drowned Poland in blood in 1793. His successor, Rokossovski, worthily followed his example, bringing not liberation but enslavement. Suvorov destroyed Poland's true constitution: Rokossovski instals a "constitution" prefabricated in Moscow. Few Poles—few even of Poland's few Communists—will have missed the parallel.

Strong Men of the South

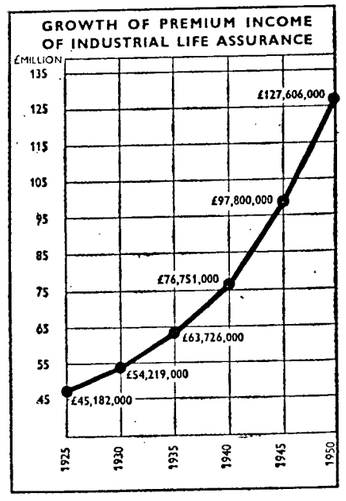
WHEN General Batista overthrew the government of Cuba on Monday, he was reverting to a Latin American tradition which is somewhat outmoded. "Strong men" still rule a fair proportion of the twenty republics south of the Rio Grande, but in recent years their methods of attaining power have shown an interesting change. Time was when every dictator ousted by a rival, or by a popular uprising, was expected to devote the rest of his life to plotting a violent return. Today it is more fashionable for such a man to recover power not by bullet but by ballot. Ex-presidents have been inspired by the example of Dr Getulio Vargas, who won the presidential elections of 1950 in Brazil and thus regained by democratic means the office which had been wrested from him in 1945 after his long spell of absolute power; but not all of them, once in power, are as likely to observe the constitution as Dr Vargas. In Chile, for example, General Ibanez, whose dictatorship ended over twenty years ago, is contesting the election which is due this summer; and General Batista himself was, until this week, inviting Cubans to vote for him in June.

The smooth execution of Monday's *coup* was in part the result of long practice. It was General Batista's fifth revolution, and his influence with the Cuban army has been unrivalled for over twenty years, although his principal aides now seem to be captains instead of sergeants. But to some extent he has also reminded other neighbouring governments how easily they can still be overthrown by a military *junta* if they fail to keep the active loyalty of their peoples. The blend of splinter politics and corruption which has marked Cuban public life in recent years is not unique in Latin America, or unparalleled in other continents; and the lesson that democracy must win respect if it is to survive is a salutary one however small a country it comes from.

In view of the prevalent habit of tarring all Latin American countries with the same brush, it is good that another recent event has demonstrated the vitality of democracy elsewhere in that region. The constitutional reform in Uruguay this month is the fruit of a long period of stable two-party politics, during which the opposition has loyally resisted all temptation to seek by violence the power it has never obtained through the polls. Its reward is now to be given a voice in the government at the insistence of its triumphant antagonists.

Ten million open doors

IT IS OVER TWO HUNDRED YEARS since Edmund Halley, the astronomer, turned his attention from the stars to the study of population statistics. At about that time a similar problem on a modest scale was engaging the attention of some fishermen in Kent. They were concerned with the uncertainties of this mortal life because, being prudent men, they were anxious to make some provision for their families if their scanty earnings ceased through sickness or death. And so they joined together, as did many other similar local groups, to set up a common fund to which members made weekly contributions. These were collected (for the fishermen were sagacious men who knew the value of incentives) at the local inn.



As far as the 'Old Dredgers' of Faversham were concerned thrift was a wholly personal matter. Today, however, it has a wider, national significance. Careless spending lies heavily upon the conscience of the dutiful citizen. He knows that if he saves money, then, in some mysterious way, it is good for the country. In the long run, of course, it is also good for the dutiful citizen. Nevertheless, the fact has to be faced that for every score of us who would willingly travel a mile to spend a pound, there are only a few who would cross the road to save sixpence.

IT is all the more surprising, therefore, to find that people do manage to save money—and, moreover, to save it consistently. Most of them—indeed, about four out of every five families in the country—do this by paying insurance premiums to agents who call regularly at their homes. This is a form of thrift that satisfies an urgent personal need. It offers immediate relief from anxieties with which the provident fishermen of Kent were very familiar. And it is a way, in many cases the only way, of giving men and women in this workaday world the confidence to make their own plans for a future in which, through endowment assurance, they and their children have a personal stake.

THIS service originated about a hundred years ago as a means of making life assurance available for folk of modest means. It has succeeded in revolutionising the thrift habits of the nation. The Victorian pioneers of industrial life assurance recognised that saving, even if it could never be made effortless, could at least be made easy. This they achieved by introducing a regular collecting service—and with it, the insurance agent. Today it is he who keeps alive the habit of thrift in ten million households whose doors are opened to him, week in and week out, throughout the length and breadth of the land. The savings of many millions of these families depend upon the personal service which he brings to their homes; and the nation depends upon it to the tune of over £40,000,000 net savings every year.

THE agent's success as a missionary of thrift arises less from what is commonly understood by salesmanship than from the services which he offers his policyholders, whose confidence and goodwill are of supreme importance. The essence of his job is to take pains to understand other people's problems. This is exemplified by the care with which he arranges his routine of weekly 'calls'. He knows how very slender is the thread that holds intact the resolution to put by ready money for future needs. And so he adjusts his methods to suit his policyholders. Many, although by no means all of them, are weekly wage-earners. This means that the agent's timetable, which takes him, on an average, to several hundred homes between one pay-day and the next, must take into account local circumstances and customs and the personal convenience of the people from whom he collects premiums.

THESE premiums total, at the present rate, about £130,000,000 annually. Twenty years ago they amounted to less than half this figure. The consistent increase in the volume of premiums collected is a reflection of the agent's ability not only to initiate, but to help sustain the habit of thrift among his policyholders. But if he were no more than an efficient collector of premiums he would scarcely be regarded, as he is in so many homes, as a family friend and confidant. When claims arise his policyholders look for quick and sympathetic attention; and his counsel is sought upon a hundred-and-one problems, many of them only distantly related to insurance. Above all, he is the man who can provide assistance and advice on the spot.

HERE, perhaps, is to be found one of the most important of all savings incentives. It springs from the recognition that thrift begins at home. It is here that motives, means and opportunities are examined in the light of domestic circumstances that vary widely between family and family. To these personal problems the voluntary thrift movement developed by the Industrial Life Offices brings a personal service that has become a factor of immense importance to the nation's economy.

Issued by the Industrial Life Offices

THE BUSINESS WORLD

The Budget

BOTH in its details and in its general shape, Mr Butler's budget has taken the world by surprise. Hardly anyone supposed, before the event, that the budget could match the exacting needs of this year of crisis unless it fortified, perhaps substantially, whatever surplus confronted the Chancellor on the basis of 1951-52 rates of taxation and subsidies. Actually, Mr Butler has given away in reliefs more than he is taking back in tax increases and cuts in subsidies, thus whittling down his prospective surplus by some tens of millions. This, he asserted, would still be adequate for the two purposes most immediately in view—the convincing of overseas opinion that Britain means business in its drive for external solvency, and the keeping of inflation at bay in this year when import cuts and export efforts are depleting supplies of goods at home. Not all outside observers will accept this view; and in any case it arouses grave doubts about the Government's attitude to the problems of 1953, when there will no longer be either scope or excuse for drastic raids on the nation's capital resources.

Mr Butler's budgeting, seemingly at variance with earlier assumptions about the need for sternness, springs partly from estimates that suggest that the total strain to be imposed upon domestic resources by the effort to close the external gap may be somewhat less violent than that implied by the unusually sketchy data previously available. Unquestionably, he can also plead that, while the budget is softer than had been expected, the monetary policy is substantially harder. The increase in Bank rate from 2½ to 4 per cent, which will lift rates for commercial and industrial borrowings to levels that should provide real deterrents, should impress overseas opinion and, by narrowing the short position against sterling, should play a valuable part in helping the gold reserves to surmount this year's "hump" of pressure, in the critical phase before the cuts in imports give their full relief. Scarcely less significant is the evidence this move affords that the government is prepared, despite criticism from the Left, to lean still more heavily upon monetary policy as an instrument of domestic disinflation. There may be reason to hope, therefore, that if the budget formula proves to have been too mild to keep inflation in check, monetary measures will be allowed to redress the balance—though only within the limits set by an apparent tenderness towards the consumer goods industries and a reluctance to push disinflation to the point needed to induce transfers of labour, two attitudes that have disquieting implications for 1953.

The statistical foundations of the budget are this year less clearly discernible than at any time since Sir Stafford Cripps introduced the principle of disinflationary budgeting in 1948. That is no criticism of the budget as such, and some may even feel it to be an improvement, for the long exercises in higher economic analysis have always been bewildering to the great majority of the Chancellor's audience—inside as well as outside the House. But the first test of the adequacy of a budget still has to be the manner in which it fits into the pattern of the national economy as a whole; and although Mr Butler did not attempt to construct the "savings-investment" account upon which expert commentators have previously relied for their judgments on this pattern, he fortunately gave sufficient data to indicate his underlying line of argument.

It differs significantly from the line unofficially deduced from his end-January speech. It then appeared that the gross displacement of resources required to bring the external account into balance, or better, in the second half of this year would be at an annual rate of at least £750 million (representing some £500 million of cuts in external expenditure and around £250 million of additional exports, principally of capital goods diverted from home investment). Since then, the Chancellor now reveals, it has been decided that Britain's effort must be stiffened still further: whereas it was first planned to reduce the non-sterling deficit from £575 million in the second half of 1951 to £100 million in the second half of this year, now the object is to extinguish this deficit altogether (after taking credit for external aid), and accordingly the Government has imposed a further £100 million of import cuts. This naturally makes the whole task correspondingly more arduous; yet the Chancellor founded his budget on the assumption that the required displacement of resources in 1952-53, compared with 1951-52, will be £600 million—a substantially smaller sum than had been guessed previously.

Three considerations explain this rather puzzling discrepancy. First, it is now evident that the cuts in overseas expenditure previously announced represented cuts on a programme, not estimated reductions on the actual expenditure of the previous year. The three sets of cuts, totalling £600 million, including some invisible expenditure, are now equated to a reduction of £350 million in actual expenditure upon imports in the calendar year 1952 compared with 1951 and one of £300 million or more in the fiscal year 1952-53 (on the basis of 1951-52 prices). Secondly, the fact that the cuts are smaller than had previously been supposed does not mean that the Government is envisaging a residual deficit on the balance of payments as a whole. It assumes that in 1952-53 the contribution made by the cuts in imports will be supplemented by a gain of £200-£250 million from improving terms of trade and net invisible income and by a net increase of £50 million in exports (after allowing for a sharp decline in exports of consumer goods). This hoped-for total improvement of £550-£600 million is reckoned to be roughly equivalent to the actual total deficit incurred in the fiscal year 1951-52; in the calendar year 1951, the estimated total deficit was £516 million. Finally, it should be noted that a large part of the steep increase in the deficit in the second half of that year (when the annual rate was £800 million) was attributable to stockpiling, now to be sharply curtailed; earlier calculations based on the half-year's experience may, therefore, have been a little misleading.

Because of the cuts in stockpiling, the Chancellor expects that only about half the reduction of £300 million or more of imports in 1952-53 will be felt as a depletion of currently available supplies; but when allowance is made for the diversion of goods to export markets, the effective additional strain that has to be borne to close the external gap (without crediting external aid) is estimated at £200 million. A further £200 million of real resources has to be found for the defence programme, so that the total new strain upon current domestic resources is £400 million. Mr Butler assumes, rather optimistically, that £250 million will come from additional production; that £50 million will be released by the economies in the Government's civil expenditures (a smaller sum than had been implied by his previous estimate that the cuts were equal to 1½ per cent of the national income); and that civil investment will fall by not less than £100 million. He thus neatly balances his "real" account, and concludes that even in this year of emergency there is no need to cut the real level of consumption; the only need is to prevent it from rising. The vulnerable points in this argument are the assumptions about the terms of trade, invisible exports and the level of production, any one of which, or all three, could easily disappoint the Chancellor's hopes. Together they account for £500 million of credits in his balance sheet; he has, however, a possible hidden reserve in the assumption about investment. If monetary policy were toughened, the cut here could probably be raised much beyond £100 million; but it is a deplorable prospect that, in this year when the consumer is being saved by drastic raids on capital, the only expedient remaining for new setbacks is to make still bigger raids.

Even so, this "real" accounting is more acceptable than the financial reckoning. The last step in Mr Butler's underlying thesis is the assertion that no budgetary action is needed to achieve his aim of stabilising the real level of consumption—despite the fact that personal incomes

1951-52 PROVISIONAL OUTTURN AND 1952-53 BUDGET ESTIMATE
CONVENTIONAL FORM OF ACCOUNTS
(£ Millions)

ABOVE THE LINE

	1951-52 Estimate	1951-52 Provisional Outturn	1952-53 Estimate		1951-52 Estimate	1951-52 Provisional Outturn	1952-53 Estimate
Revenue				**Expenditure**			
Inland Revenue	2,302	2,370	2,619	Interest on Debt	515	515	540
Customs and Excise	1,651	1,755	1,815	Sinking Funds	20	27	35
Motor Duties	62	65	64	Northern Ireland	38	39	40
				Miscellaneous	11	11	10
TOTAL TAX REVENUE	4,015	4,190	4,498	TOTAL CONS. FUND SERVICES	584	592	625
Trading Services	55	75	12	Supply:—			
Broadcast Lics.	14	14	15	Defence	3,613	1,112	1,377
Sundry Loans	27	25	26	Civil		2,323	2,180
Miscellaneous (including Surplus Stores)	125	136	110	Tax Collection		47	43
				TOTAL SUPPLY	3,613	3,482	3,605
Total Revenue	4,236	4,440	4,661	**Total Expenditure**	4,197	4,074	4,230
				Surplus	39	366	431*
	4,236	4,440	4,661		4,236	4,440	4,661

BELOW THE LINE†

Receipts				**Payments**			
Interest outside Budget	45	47	61	Interest outside Budget	46	47	61
Export Guarantees				Export Guarantees	8	10	1
Repayments	1	1	2	Postwar Credits	17	17	17
Housing Receipts from Votes	20	20	21	Excess Profits Tax Refunds	6	6	6
Local Authorities:—				War Damage	87	77	70
Repayments	11	12	16	Scottish Special Housing	7	7	7
New Towns:—				Armed Forces:—			
Repayments	...	1	1	Housing	14	10	13
Coal Nationalisation:—				Loans to Local Authorities	300	365	350
Repayments	5	5	4	Loans to Northern Ireland Exchequer	...	3	6
Film Corpn.:—				Loans for New Towns Development	18	15	23
Repayments	1	1	1	Loans to Film Corporation	2	1	1
				Town & Country Planning:—			
				Issues to Central Land Board	12	1	6
				Coal Nationalisation:—			
				Working Capital, etc.	7	16	16
				Raw Cotton Commission:—			
				Working Capital	40	25	14
				Overseas Resources:—			
				Colonial Development	16	11	11
Total Receipts	84	87	106	**Total Payments**	580	611	612
Net Sum Borrowed or Met from Surplus	496	524	506				
	580	611	612		580	611	612
Total Receipts	4,320	4,527	4,767	**Total Payments**	4,777	4,685	4,842

* This figure does not take account of the net saving in expenditure resulting from the reduction of food subsidies and increased payments of pensions, insurance benefits, family allowances, etc.

† Items below the line are:—
1. Receipts applicable by statute to debt interest which would otherwise be paid out of revenue.
2. Receipts applicable to debt redemption.
3. Payments for which the Treasury has power to borrow.

1951-52 PROVISIONAL OUTTURN AND 1952-53 BUDGET ESTIMATE
ALTERNATIVE CLASSIFICATION
(£ Millions)

REVENUE ITEMS

	1951-52 Estimate	1951-52 Provisional Outturn	1952-53 Estimate		1951-52 Estimate	1951-52 Provisional Outturn	1952-53 Estimate
Receipts				**Payments**			
Tax Revenue	4,015	4,190	4,498	Interest on Debt	515	515	540
Broadcast Lics.	14	14	15	Interest outside Budget	46	47	61
Sundry Loans (Interest)	9	8	8	Postwar Credits	17	17	17
Miscellaneous	54	33	47	Other Expenditure	3,356	3,130	3,452
Interest outside Budget	46	47	61				
Housing Receipts from Votes	20	20	21				
Total Revenue Receipts	4,158	4,312	4,650	**Total Revenue Payments**	3,934	3,709	4,070
				Surplus	224	603	580*
	4,158	4,312	4,650		4,158	4,312	4,650

LOANS AND OTHER NON-REVENUE ITEMS

Receipts				**Payments**			
Trading Services	55	75	12	Sinking Funds	20	27	35
Sundry Loans (Principal)	18	17	18	Export Guarantees	8	10	1
Miscellaneous (including Surplus Stores)	71	103	63	Excess Profits Tax Refunds	6	6	6
Export Guarantees:—				War Damage	87	77	70
Repayments	1	1	2	Capital and Loan, etc., Items in Supply Expenditure	160	149	157
Local Authorities:—				Charge in Trading Stocks, etc.	3	74	— 7
Repayments	11	12	16	Stockpiling of Strategic Reserves	143	179	53
New Towns:—				Scottish Special Housing	7	7	7
Repayments	...	1	1	Armed Forces:—			
Coal Nationalisation:—				Housing	14	10	13
Repayments	5	5	4	Loans to Local Authorities	300	365	350
Film Corpn.:—				Loans to Northern Ireland Exchequer	...	3	6
Repayments	1	1	1	Loans for New Towns Development	18	15	23
				Loans to Film Corporation	2	1	1
				Town & Country Planning:—			
				Issues to Central Land Board	12	1	6
				Coal Nationalisation:—			
				Working Capital, etc.	7	16	16
				Raw Cotton Commission:—			
				Working Capital	40	25	14
				Overseas Resources:—			
				Colonial Development	16	11	11
Total Non-Rev. Receipts	162	215	117	**Total Non-Rev. Payments**	843	976	772
Excess of Non-Rev. Payments over Receipts	681	761	655				
	843	976	772		843	976	772
Total Receipts	4,320	4,527	4,767	**Total Payments**	4,777	4,685	4,842

* This figure does not take account of the net saving in expenditure resulting from the reduction of food subsidies and increased payments of pensions, insurance benefits, family allowances, etc.

are now substantially above last year's average level, despite the new pressures likely to be provoked by the cuts in subsidies, and despite the further increment that will accrue to spendable incomes if his estimates of additional production are realised. The outside investigator has been given no means of testing this assumption for himself. The Chancellor merely asserted, without any statistical documentation, that it will cost consumers this year £400 million more to buy the same volume of goods as last year, and that this strain on their pockets will be just equal to the additional sums they spend—without presupposing " any great increase " in voluntary saving. This is the most dubious assumption of all ; it is, in principle, precisely the one upon which Mr Gaitskell leaned so heavily—and, as events proved in the end, so dangerously—last year. He, it is true, had not unsheathed the monetary weapon ; but it remains to be seen whether Mr Butler is prepared to use it to prevent wages from chasing prices—for the purpose, not primarily of cutting investment to relieve consumption, but of putting a direct brake upon consumption itself. In this context, too, it appears that the only emergency expedient is the possibility of cutting capital further.

By the standards of the past, the Chancellor's premises would have dictated a no-change budget ; and, judging by these standards, Mr Gaitskell professes an inability to understand why the budget was introduced before the conventional time. Mr Butler, however, has new and more hopeful standards. All the more important of the considerable changes he has made—with the one strident exception of the new excess profits levy—derive from the conviction that the drive for bigger output and greater efficiency must at last be inspired by relief from the burden of taxation upon incentive and must be supported by a more realistic structure of prices. It may be that the first touch of this wand will yield a gain that will make good at least part of any gap left open by over-optimism in the other calculations.

★

On the 1951-52 basis of taxation, the Chancellor had in view for the new fiscal year a surplus that reached the most optimistic of unofficial guesses. He put the additional yield from direct taxation at no less than £430 million so that, despite the steep fall expected in miscellaneous non-tax revenues, his total estimated ordinary revenue was £4,778 million, or £338 million more than the expected out-turn of 1951-52. Ordinary expenditure for 1952-53 accorded roughly with the unofficial forecasts and, after the arbitrary subtraction of the £85 million sterling counterpart of external aid (causing a corresponding understatement of real expenditure), it is shown as £4,240 million. Hence the prospective above-line surplus was £538 million on the conventional accounting (or £687 million on the alternative classification, which excludes capital items).

The Chancellor's concessions, taken as a whole, provide for the disbursement, in a full year, of no less than £314 million, of which some £260 million will be financed by additional taxation and postal and telegraph charges. In 1952-53, however, the net disbursement will be at only half this rate, absorbing £27 million, and thus reducing the prospective surplus to £511 million on the conventional reckoning and £660 million on the alternative classification. Only some of the changes, it should be noted, are reflected in the financial statement (and in the tables reproduced on page 657), because some of them will be the subject of supplementary estimates and others have still to be worked out in detail.

The only tax increase—apart from the new Excess Profits Levy and the increases concealed in the redistribution of purchase tax, analysed in detail below—is that in petrol duty, which will bring in an additional £66 million both this year and next. The Chancellor explained this increase partly by the need to enforce economy in the use of a burdensome import and partly by his desire to enlarge the resources available to him for the granting of incentive reliefs and for the mitigation of hardship elsewhere. The main fund for this purpose was, of course, that provided by the cut in the provision for food subsidies from £410 million to £250 million ; but a small contribution will come from the increases in postal charges (£10 million this year and £14 million next). Of the £160 million saving on subsidies in a full year, a net £80 million will be disbursed in additions to pensions for old age, war service, industrial injuries and public servants ; these are the changes that remain to be brought into the budgetary accounts, so that a net £80 million has to be added to the prospective surplus shown there.

This £80 million, with the £76 million expected this year from petrol and postal charges, provides finance for the greater part of the large reliefs in income tax. These reliefs, detailed on page 666, will cost £180 million this year and an additional £49 million next year. The Chancellor justified his acceptance of this rising burden in 1953-54 by the fact that then the Exchequer will be reaping the harvest of the new EPL—which will contribute only a nominal £1 million this year but will provide next year a net £100 million, after allowing for the effects of the associated changes in profits tax and the consequential loss of income tax. This is a line of reasoning that defies the logic of disinflationary budgeting: the tax reliefs on personal incomes will boost consumption, whereas the additional taxation of companies, while possibly reinforcing the other restraints upon investment outlay, will mainly be paid merely out of accumulated savings ; it is not to be expected that dividends will be reduced correspondingly and consequentially. This, however, is the problem of next year's inflationary gap ; and the Government, in this as in other respects, is in no mood to anticipate the troubles that lie ahead. In the accounting for this year there is, fortunately, no big flaw of this particular kind—though the same point arises, in principle, on the petrol tax. To the extent that the tax on commercial transport and on industry is not immediately passed on to final consumers, it will in effect be paid from current profits, so that the result of the budgeting is to shift resources from saving to spending. The real inroad into the surplus is, therefore, rather larger than appears—adding yet another morsel (of a few tens of millions) to the doubts about the budget assumptions as a whole.

THE TAX CHANGES

	Estimate for 1952-53	Estimate for a Full Year
	£	£
INLAND REVENUE :—		
Income Tax :—		
Increase in the earned income relief to 2/9ths, subject to a maximum allowance of tax on £450	— 42,000,000	— 53,000,000
Extension of 2/9ths relief to total income not exceeding £250	— 250,000	— 1,000,000
Increase in the single allowance to £120, in the married allowance to £210 and in the child allowance to £85	— 67,000,000	— 84,000,000
Alteration of the reduced rates of tax to 3s. in the £ on the first £100 of taxable income, 5s. 6d. on the next £150 and 7s. 6d. on the next £150	— 71,000,000	— 91,000,000
Surtax :—		
Increase in the limits on the amounts which qualify for relief from Surtax when paid into certain Trust Funds by Lloyd's underwriters	...	— 1,000,000
Excess Profits Levy and Profits Tax :—		
Imposition of the Excess Profits Levy at 30 per cent net	+ 5,000,000	+200,000,000
Reduction in the rates of Profits Tax to 2½ per cent net on undistributed profits and to 17½ per cent net on distributed profits, allowing for consequential effect on Income Tax. Increase in directors' remuneration allowable for director controlled companies	— 4,000,000*	—100,000,000
Income Tax and Profits Tax :—		
Additional allowances to mining concerns operating abroad	...	†
Abolition of time limit for carry forward of business losses	— 225,000	— 250,000
Withdrawal of special deduction in respect of tied houses let for less than their full value	+ 700,000	+ 750,000
Stamp Duty :—		
Reductions in certain rates of stamp duties on conveyances of property other than stocks and marketable securities	— 2,500,000	— 3,500,000
TOTAL INLAND REVENUE	—181,275,000	—133,000,000
CUSTOMS AND EXCISE :—		
Customs :—		
Hydrocarbon oils	+ 63,500,000	+ 63,500,000
TOTAL CUSTOMS	+ 63,500,000	+ 63,500,000
Excise :—		
Hydrocarbon oils, petrol substitutes and power methylated spirits	+ 2,500,000	+ 2,500,000
Entertainments duty	— 500,000	— 250,000
Purchase tax	‡	‡
Betting duty	negligible	negligible
TOTAL EXCISE	+ 2,000,000	+ 2,250,000
TOTAL CUSTOMS AND EXCISE	+ 65,500,000	+ 65,750,000
MOTOR VEHICLE DUTIES	— 850,000	— 1,300,000
POST OFFICE :—		
Postal services	+ 3,630,000	+ 4,180,000
Telephone services	+ 5,775,000	+ 9,415,000
Telegraph services	+ 230,000	+ 200,000
TOTAL POST OFFICE	+ 9,635,000	+ 13,795,000
TOTAL	—106,990,000	— 54,755,000

* Viz. :—Profits Tax — £8,000,000, Income Tax + £4,000,000.
† The cost in future years will depend on factors which it is not possible to forecast.
‡ It is estimated that the replacement of the Utility exemptions by the system of deductions from wholesale value will not substantially affect the total yield of Purchase Tax.

EFFECT OF TAX CHANGES

	Probable Exchequer Receipts in 1951-52	Estimate for 1952-53 at 1951-52 Tax Rates	Estimates for 1952-53 at New Tax Rates
	£000	£000	£000
Ordinary Revenue :—			
INLAND REVENUE			
Income Tax	1,690,000	1,980,000	1,804,225
Sur-tax	128,000	123,000	123,000
Death Duties	180,000	175,000	175,000
Stamps	62,000	60,000	57,500
Profits Tax and Excess Profits Tax	307,000	460,000	452,000
Excess Profits Levy	...	...	5,000
Special Contribution and other Inland Revenue Duties	3,000	2,000	2,000
	2,370,000	2,800,000	2,618,725
CUSTOMS AND EXCISE			
Customs	1,000,000	980,000	1,043,500
Excise	755,000	770,000	772,000
	1,755,000	1,750,000	1,815,000
MOTOR VEHICLE DUTIES	65,000	65,000	64,150
TOTAL RECEIPTS FROM TAXES	4,190,000	4,615,000	4,498,375
Surplus Receipts from certain Trading Services	75,000	12,000	12,000
Broadcast Receiving Licences	14,000	15,000	15,000
Receipts from Sundry Loans	25,000	26,000	26,000
Miscellaneous (including Sale of Surplus War Stores)	136,000	110,000	110,000
Total Ordinary Revenue	**4,440,000**	**4,778,000**	**4,661,375**
Self-Balancing Revenue			
Post Office	190,000	199,600	209,235
Income Tax deducted from Excess Profits Tax, Post-war refunds	5,000	4,900	4,900
Total Self-Balancing Revenue	**195,000**	**204,500**	**214,135**

Excess Profits Levy

THE measure of the drain imposed by the new excess profits levy on company savings and industrial capital is the £100 million net that the Chancellor hopes to secure in a full year, after allowing for the collateral changes in profits tax that he proposes. By the standards of company taxation that have become conventional in recent years, this may not seem a grievous sum ; on the old scale of profits tax the Chancellor expected to obtain £460 million in the year 1952-53. But there is no pretence in the new EPL that it is concerned with the " fortuitous rise in company profits because of the abnormal process of rearmament," to quote the Conservative party manifesto. It is based on a normal standard of the average profits of 1947, 1948, and 1949, with no optional years, long before rearmament became a factor in profits. The Chancellor, indeed, declared that he was not prepared to bring into the average the profits of 1950, and still less those of 1951, on the grounds that " the profits of both these years were inflated by the events following the outbreak of the Korean war." No definite time limit has been announced for the operation of the levy ; " it must continue during the period of the emergency."

The Chancellor had already promised to follow American precedent in devising the levy. He has done so, to all intents and purposes, in his selection of the standard years, and precisely in fixing the rate at 30 per cent of excess profits over the standard, with a limit of 18 per cent of total profits. Thus the 18 per cent limit will come into play when chargeable profits exceed two and a half times the standard profits. As already announced, EPL will be chargeable from the beginning of this year. It will apply only to companies " and other bodies," but not to individuals and partnerships—an obvious saving in administration since the latter are caught under surtax. As a result, the number of EPL assessments should be materially fewer than the 80,000 assessments to EPT at the wartime peak when individuals and partnerships were included. The second change, also in the direction of simplification, marks a departure from EPT precedents of even wider importance. The rates of 30 per cent EPL and the 18 per cent limit on total profits are both net rates ; the levy will not be deductible for either income tax or profits tax purposes. The 30 per cent net rate was justified by the Chancellor as being equivalent to the 60 per cent gross rate to which Dr Dalton reduced EPT at the end of the war.

The collateral changes in profits tax are of great importance. During the EPT regime, profits tax was charged only as an alternative, if higher, to EPT. " We cannot " said the Chancellor " be so generous this time." He has therefore introduced a new conception into company taxation—a three-tier system consisting first of EPL, secondly of profits tax (both to be calculated at net rates and not deductible for income tax purposes) and thirdly of normal income tax. The rates of profits tax are to be reduced, with effect from the beginning of this year, to 2½ per cent net on undistributed profits and 17½ per cent net on distributed profits (compared with approximate net rates of 5 per cent and 25 per cent respectively imposed by Mr Gaitskell a year ago). On this, the Chancellor claimed that he had loaded the reduction in favour of

companies that increased their reserves; "thus we fulfil the promise we gave in our election manifesto to reduce the tax on profits ploughed back into the business." Of the promise "to revise the existing system of taxation on commercial and industrial profits"—which was widely assumed to hold out the expectation of a revised basis of assessing profits, taking into account the replacement costs of capital assets—there was no mention in the budget speech. On the Chancellor's own estimates, it will in future be more difficult, not less difficult, for industry to maintain and expand its real capital, for the additional £100 million that he proposes to levy would otherwise have been available to fortify industry's equipment.

This is the broad nature of the levy and the collateral changes in profits tax that are proposed. There are other points of detail that will be of great importance for certain concerns. First, an alternative capital standard will be provided, too limited to attract the majority of established companies, and to all appearances insufficient to protect new businesses whose profits have grown appreciably since the base years from swingeing EPL payments. In substitution for its actual profits, a company may adopt a capital standard of 8 per cent of its paid-up share capital (not its capital employed in the business) for each of one or two of the standard years, or 10 per cent for each of the three years. These rates will be 2 per cent higher, in each case, for director controlled companies. For new businesses set up from July 1, 1948, the standard will be 10 per cent on the paid-up share capital. Standard profits will be increased by 10 per cent of the amount of profits retained in the business and of new share capital raised; but no allowance will be made for capital raised in other forms. Thus the many companies that have made large issues of loan and debenture stocks (largely to avoid the payment of Profits Tax on dividends had they raised new preference capital) will obtain no relief; the interest on such prior charge capital will, of course, continue to rank as a deduction for computing taxable profits.

A further complication arises from the need evenly to distribute the impact of the initial allowances. For plant and machinery these ran at 20 per cent until April, 1949, when they were raised to 40 per cent; from April 5th next they will be abolished. The effect has therefore been, in the base period, and particularly in the last part of the base period, to raise apparent profits, and in the first chargeable year, 1952 (except for the first quarter) to lower them. Companies will, therefore, be given an option to take 20 per cent for plant and machinery and 10 per cent for industrial buildings, both for the standard period and for all chargeable periods, or to have no allowance in any period.

A minimum standard of £2,000 will be provided, and director-controlled companies will be allowed to charge directors' remuneration as an expense, subject to the new limits, which allow an increase from £3,500 to £4,000 where there are two full-time directors, and from £4,500 to £7,000 where there are four or more.

*

The precise impact of these changes can hardly be computed until fuller details of them are given in the Finance Bill—as the Chancellor's speech indicated; this is likely to be a lengthy and formidable document. Even then, it will be very difficult to translate them into precise terms for individual companies. The option for initial allowances, for instance, may make a considerable difference to the end result; companies do not normally reveal in their accounts the extent of the interest-free loans that they have built up during the operation of initial allowances, and which they will be repaying from January, 1954, onwards; and even if they did, the choice of alternatives would still rest with the individual company. Another complicating factor, on which the financial statement is silent, is the effect of the new changes in profits tax on the liability to make good non-distribution relief granted in earlier periods in the event of a later distribution of capital or income.

The effect of the new EPL and the revised profits tax are best illustrated at this stage, in a number of *pro forma* examples. Mr Butler explained that on its standard profits a company would pay income tax at the standard rate, or 47½ per cent, together with tax on undistributed profits of 2½ per cent, making 50 per cent as a basic charge. On any sums distributed from standard profits it will pay an additional 15 per cent (representing the difference between the two profits tax rates). Thus the maximum liability to tax, assuming no excess profits above the standard and a full distribution or a nil distribution of available profits, will be as follows:—

EXAMPLE I—Standard Profits	100
(a) Full Distribution	
Income Tax	47·5
Undistributed Profits Tax	2·5
Distributed Profits Tax ..... (15% of gross dividend of 74·1)	11·1
Net Dividend ..... (74·1 gross *less* tax at 9s. 6d.)	38·9
	100·0
Total Tax payable	61·1
Total Tax hitherto payable ..... (income tax and profits tax)	66·25
(b) Nil Distribution	
Total Tax payable	50·0
Total Tax hitherto payable	52·75

This example shows that the new profits tax and income tax combined will absorb 61.1 per cent of profits where a maximum dividend distribution is made and no EPL is payable, compared with 66.25 per cent under the old regime. The minimum tax payable, with no excess profits and no dividend payment, will be 50 per cent, against 52.75 per cent.

This is the simplest case. The next example is where the full 30 per cent EPL is payable. The following table shows the calculations, on the limiting assumptions of full distribution and nil distribution:—

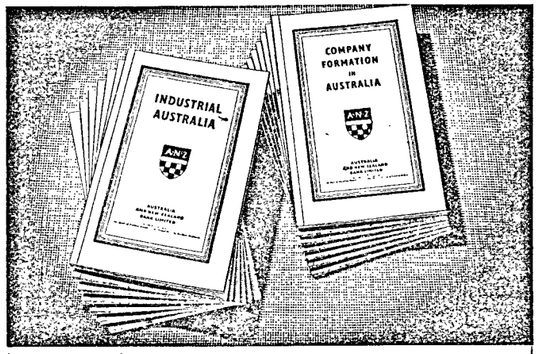
EXAMPLE II—Standard Profits	100·0	
Chargeable Profits	200·0	
(a) Full Distribution		
Income Tax	95·0	
Undistributed Profits Tax	5·0	
EPL (30% of 100)	30·0	
Distributed Profits Tax ..... (15% of gross dividend of 103·8)	15·5	
Net dividend ..... (103·8 gross *less* tax at 9s. 6d)	54·5	
	200·0	
Total Tax payable	145·5	= 72·75%
Total Tax hitherto payable		66·25%
(b) Nil Distribution		
Income Tax	95·0	
Undistributed Profits Tax	5·0	
EPL	30·0	
Total Tax payable	130·0	= 65·0 %
Total Tax hitherto payable		52·75%

Banking with Barclays

A banker's work

touches life at an extraordinarily large number of points and in the nature of things he must in his working life learn quite a lot about the reason for the success or failure of people in every form of business. His experience can be of great use to others embarking on a particular venture, and if you are launching out in uncharted seas it will almost certainly be a good thing to have a chat with one of our managers. He will tell you of the ways in which Barclays can help.

BARCLAYS BANK LIMITED



Spotlight on Australia

To meet the requirements of those contemplating business or manufacture in Australia, two booklets have been issued by the Australia and New Zealand Bank Limited.

"Industrial Australia"—containing authoritative information on industrial resources, markets, labour and finance.

"Company Formation in Australia"—a general guide to Company Law, with notes on current taxation.

Copies of these booklets will gladly be sent on request.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged
The Bank of Australasia Limited and The Union Bank of Australia Limited

Head Office: 71 Cornhill, London, E.C.3.
Telephone: Avenue 1281.

Branch Offices in London:
4 Threadneedle Street, E.C.2.
263 Strand, W.C.2.
6 Albemarle Street, Piccadilly, W.1.

Centred where thrift and reliability are national characteristics, the

Scottish Amicable BUILDING SOCIETY

is the soundest possible Anchor for investment at 2½% income tax paid

President: LORD INVERCLYDE. Vice President: LORD ALNESS. Trustees: JOHN CAMERON, D.S.C., Q.C., and SIR STANLEY ROUS, C.B.E. Chairman and Managing Director: WM. S. ALLISON, D.L., J.P.

Assets £18,340,000

Fuller information from

AMICABLE HOUSE, GEORGE STREET, EDINBURGH 2.

or at any of the branches throughout Britain.

STRENGTH AND INTEGRITY

Friendly contact with each customer is synonymous with the banking house of Glyn, Mills & Co. No matter whether it is a private customer or a large concern, this bank still preserves the personal touch. It also provides a completely modern banking service, one that has earned a reputation for strength and integrity throughout the world.

GLYN, MILLS & CO.
BANKERS
HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

Associated Banks:
Royal Bank of Scotland, Williams Deacon's Bank Ltd.

CANADA

3rd greatest trading nation

Many British firms are already sharing in Canada's rapidly developing economy. For the fullest information concerning trading conditions, marketing opportunities, import-export regulations, etc., you are cordially invited to consult Canada's oldest bank.

BANK OF MONTREAL

47 Threadneedle Street, London, E.C.2

Head Office: MONTREAL

Over 570 branches throughout Canada

Assets exceed $2,000,000,000

Incorporated in Canada in 1817 with Limited Liability

FACTS ABOUT AUSTRALIA

OVER

8,000,000

POPULATION

During the last four years, Australia's population has increased by 6½% with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

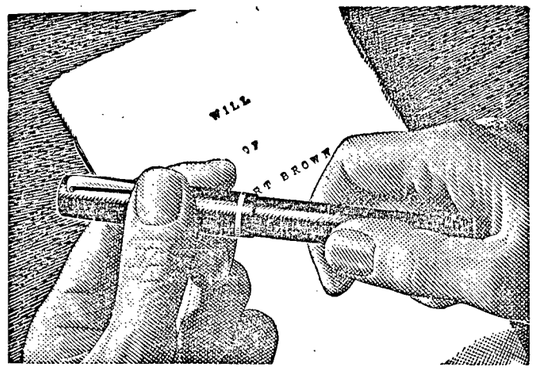
BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2. and 47 Berkeley Square, W.1

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB51028



With the best will in the world

. . . . your friend may find himself prevented, through ill health or other circumstances beyond his control, from discharging his duties as your executor.

The appointment of Lloyds Bank as your executor will ensure the prompt and efficient administration of your estate. Ask the Manager of any branch for a booklet describing the Bank's executor and trustee services.

Let LLOYDS BANK look after *your* interests

Would they give your wife your job?

Could she earn what you are earning now, or will earn in the future? Could she maintain the same standards, and perhaps bring up a family, single-handed? If not—what happens in the event of your premature death?

The right sort of life policy will save you all this anxiety—and some income tax as well. Should you die before retirement age, your wife would receive a series of capital payments. The same policy will provide you with a Personal Pension when you are ready to retire. For details post this coupon to:

The Scottish Mutual Assurance Society Ltd.

Dept. N, 109 St. Vincent Street, Glasgow, C.2.

N

Please send me without obligation details of your advertised scheme:—

NAME _____

ADDRESS _____

DATE OF BIRTH _____

This example shows the effect of EPL in depleting net dividends, where a full distribution is made, and in depleting reserves where no distribution is made. In practice, cases will lie between the two extremes. But in the first case, tax will in future absorb 72.75 per cent of total profits, against the maximum rate of 66.25 per cent hitherto; and in the second case, the net residue for reserves, after tax, will be reduced from 47.25 per cent to 35 per cent of total profits.

*

The third case illustrates the effect of the maximum levy of 18 per cent on total profits, again on the two assumptions of full and nil distributions:—

EXAMPLE III—Standard Profits	100·0		
Chargeable Profits	300·0		
(*a*) *Full Distribution*			
Income Tax	142·5		
Undistributed Profits Tax	7·5		
EPL (18% of 300)	54·0		
Distributed Profits Tax (15% of gross dividend of)	21·4		
Net dividend	74·6		
(142·1 gross *less* tax at 9s. 6d.)	300·0		
Total Tax payable	225·4	=	75·1 %
Total Tax hitherto payable			66·25%
(*b*) *Nil Distribution*			
Income Tax	142·5		
Undistributed Profits Tax	7·5		
EPL	54·0		
Total Tax payable	204·0	=	68%
Total Tax hitherto payable			52·75%

On a full distribution, with EPL at maximum rate, total tax absorbs 75.1 per cent of profits, leaving 24.9 per cent for net dividends, against 33.75 under income tax and the old profits tax. On a nil distribution total taxes absorb 68 per cent, against 52.75 per cent under the old order, resulting in a net loss to reserves of no less than 15.25 per cent of total profits.

These exercises could be multiplied to suit any combination of circumstances. They lead to the summary conclusion that for every 100 above standard profits liable to EPL at 30 per cent, 80 is paid in tax with a nil distribution, and 84½ on a full distribution; for every 100 liable to EPL under the 18 per cent rule, 75.1 is paid in tax on a full distribution, and 68 assuming a nil distribution. Thus the incidence of total tax on marginal increments of profit is high in both cases, and particularly so at all stages until chargeable profits exceed two and a half times standard profits. It may assist in the working out of sums for individual cases to point out that the division of the residue of profits after income tax, undistributed profits tax and EPL have been deducted from the total involves the grossing up of the net dividend to be distributed, since the 15 per cent additional profits tax on the distribution has to be based on the dividend before allowing for income tax. Where x is the net dividend to be distributed, the 15 per cent profits tax represents $0.15x$ multiplied by 1.93 (i.e. 40 divided by 21, to gross up the net payment). It will be found that the 15 per cent profits tax will be equal to two-sevenths of the net dividend.

*

These formal exercises may point the way towards an assessment of the effects of the new EPL. But their detailed application must needs be a fairly prolonged task. There is no conclusion immediately applicable to the ordinary share market save one; EPL does involve a depletion of industrial reserves that is, paradoxically, proportionately heavier (as compared with the old regime) in those cases where no distribution of dividends is made than is the case where a full distribution is made. The difference at the margin (again assuming full distribution) is no more than 4½ per cent of profits under the 30 per cent rate, and 7.1 per cent under the 18 per cent rate. Growth is taxed less severely under the Chancellor's new EPL than it would have been under all previous examples of excess profits taxation. That is an important mark on the credit side.

Income Tax Changes

MR BUTLER'S income tax changes justify the claim he made that they were designed to make radical changes in the incidence of income tax and to lighten the burden, particularly on extra earnings. He demonstrated that the income tax suffers from three major defects: the starting point of liability was too low; the rates were too high; and the graduation was too steep. By changes in the personal allowances and earned income relief Mr Butler has sought to answer the first objection, and will exempt two million people from tax. The single allowance is raised from £110 to £120, the married allowance from £190 to £210, and the child allowance from £70 to £85. The earned income allowance is raised from one-fifth to two-ninths subject to a limit of tax on £450 (corresponding to maximum relief at £2,025) against £400. This has the effect of reducing the average rate of tax, though it imparts no additional incentive beyond the maximum limit, and results in a particularly sharp increase in the effective rate of income tax and surtax when the maximum point is passed.

The graduation at the lower end of the scale is to be made much smoother by the revision of the reduced rate areas that Mr Butler proposes. Hitherto, the first £50 of taxable income has been charged at 3s. in the £, the next £200 at 5s. 6d. and the rest 9s. 6d. In future, the first £100 will be charged at 3s., the next £150 at 5s. 6d. the next £150 at 7s. 6d. and the balance at the standard rate of 9s. 6d. This will mean that the married man with two children will not begin to pay tax at the full rate until he is earning £1,000 a year. The Chancellor claimed that by this method he would provide an incentive to longer and harder work, reducing the effective rate of tax on earned income, including overtime. In all, these reliefs will cost £180 million in the current year, and will be made effective in PAYE computations after June 8th; the full year cost is put at £228 million.

The Chancellor deserves praise for a measure of assistance to those living on small fixed incomes. Pensions already qualify for earned income relief; but small fixed incomes did not and this caused particular hardship in cases where the taxpayer had not qualified for age relief at 65. All incomes below £250 will in future qualify for earned income relief of two-ninths, whether earned or not.

Purchase Tax and the "D" Scheme

THE proposed changes in purchase tax on goods produced under utility schemes and hitherto tax free are not expected to make any difference to the total yield of the tax, but they are likely to have far-reaching consequences in other directions. They follow closely the lines recommended in the Douglas report on the economic effects of purchase tax for industries with utility schemes. This report was fully discussed in *The Economist* of March 1st. It was concerned with the clothing, textiles and furniture industries; but furniture is specifically excluded from the Budget proposals. The liability to purchase tax of the products of these industries previously depended upon whether or not they conformed to utility specifications and could be sold within maximum utility prices. Goods that met both these conditions were free of purchase tax (or in a few cases were taxed at a much lower rate); those that did not satisfy the two conditions were taxed at the full rate.

The Budget proposals leave all but one of the rates of tax unchanged but they entirely change the basis on which these rates are levied. The rate on piece goods remains at 66⅔ and on other articles at 33⅓ per cent, but the rate of tax on fur trimmed coats is reduced from 100 per cent to 33⅓ per cent, while utility furs are now taxed at 100 per cent instead of 33⅓ per cent. In future all clothing and textiles will be free of tax so long as their wholesale price does not exceed a certain datum limit, and utility specifications will no longer be employed. When the goods exceed these datum wholesale prices, they will attract purchase tax, not on their entire wholesale price as at present, but only on the excess of that price above the tax-free limit.

The President of the Board of Trade announced late on Thursday that the utility specifications and the maximum prices for these goods would be dropped, although price control would be kept on nylon stockings which must be one of the few commodities still generally sold at, and not well beneath, maximum permitted prices. The trade associations have undertaken to work out quality specifications to replace the old utility mark but Mr Thorneycroft made it clear that the use of any new quality sign would have no bearing on whether or not any given article was liable to purchase tax. The general impression is that these schemes are fairly far advanced. The utility scheme for the furniture industry remains unaltered, as does the method of levying purchase tax on furniture. The justification for this is that the scheme still serves to guarantee a minimum standard of quality in goods where structural defects can so easily be concealed. It is clear, however, that the utility furniture scheme cannot continue indefinitely.

The tax-free datum prices have been fixed for each class of goods in the way suggested by the Douglas Committee which decided, after studying evidence on consumer spending collected by the Government's Social Survey, that if the division between taxed and tax-free goods should result in half the purchases being taxed and the other half untaxed, then, at existing rates of purchase tax, these goods would bring in the same revenue as in 1950-51. This was £83 million. Presumably there is sufficient corroborative evidence within the Government's departments to cross-check the accuracy of the calculations, and to justify the choosing of the tax-free limits that have now been fixed.

The new scheme is a big advance on existing methods. It removes two of the major objections to the utility schemes — that they discriminated against foreign imports (which are now to be rigidly curtailed) and that they prevented the sale of better quality goods at prices just above the top utility prices. It also gets rid of the irritating anomalies created by the utility schemes and will be far more simple to administer. There are more than 1,000 specifications for cloth in operation. For these the new schedule will substitute only three: class "A" covering wool and wool mixtures; class "B" covering all non-wool cloth, including silk, nylon, oilcloth and plastic sheeting (all of which are outside the utility schemes); and class "C," which will occasionally be used to distinguish linen from other non-wool cloths. The articles themselves are grouped into broad categories, with a maximum tax-free wholesale price fixed according to the class of cloth used.

Until the prices below which goods will be free of tax had been announced, it was not possible to deduce the effects of such a scheme on retail prices. In many cases these tax-free limits are less than half the present utility ceiling prices. The accompanying table shows the amount of tax which certain top-quality utility goods will now bear. The tax-free limit is in each case a wholesale price; to convert this into a presumed top retail price for tax-free goods it is necessary to add to it an approximate retail margin of 30 per cent on men's clothes and 33⅓ per cent on women's clothes.

PRICE CHANGES UNDER THE "D" SCHEME

	Maximum Utility Prices		Tax Free Limit		Tax Liability under D Scheme	New Retail Price of same goods
	Wholesale	Retail	Wholesale	Retail*		
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Women's suit, 2-piece	198 9	265 0	120 0	160 0	26 3	291 3
" woollen dress	130 10	174 5	75 0	100 0	18 7	193 0
" cotton dress	64 4	85 9	40 0	53 4	8 1	93 10
" shoes	77 1*	102 9	37 6	50 0	13 2	115 11
Men's suit, 3-piece	224 1	289 2	146 0	189 10	26 0	315 2
" shirt (double-fronted, 2 collars)	27 6	35 6	19 3	25 1	2 9	38 3
" shoes	88 6*	115 0	40 0	52 0	16 2	131 2
Piece-goods:						
Wool cloth	(per sq. yd.) 27 0	36 0	(per sq. yd.) 14 6	19 4	8 4	44 4
Rayon cloth	7 7	10 6	4 0	5 4	2 4	12 10
Cotton dress cloth	8 2	10 3	4 0	5 4	2 9	13 0

*Estimated.

The figures show that the burden of the new tax will vary widely over the present utility field and in some cases may be unexpectedly heavy.

This is because the proportion of utility deliveries varies from one industry to another; where the utility maximum was high, the tax-free limit has to be set very low if it is to exclude half the number of purchases. To take one example, utility shoes have in the last year or so comprised 98 per cent of home deliveries; this explains why shoes would appear to attract a higher proportion of tax under the "D" scheme than men's or women's suits. The tax-free limit for piece-goods also appears low in relation to today's top utility prices because 87 per cent of the wool cloth deliveries are utility. But the proportion of goods made at these maximum utility prices is small and though they are tax free they have been hard to sell. The bulk of utility production today is probably of goods at prices more in the region of the new tax-free limits. For example, cotton gaberdine, retailing at 24s. 5d. a yard, is among the most expensive utility cotton cloths. It will now attract 10s. tax. But the average retail price for the majority of utility cottons is about 5s. 8d. a yard, with a wholesale price of 4s. 5d., only 5d. above the tax-free limit. In future the average cloth in this category would attract no more than 3d. a yard purchase tax. The effect on retail prices will therefore not be marked except for goods near the top utility prices.

As a result, the initial effect of the scheme may well be to divide production into four distinct classes. At the bottom will be the goods that remain tax-free. Second will come those utility goods, hitherto tax free, that now become liable to tax. This will deprive them of the competitive advantage they have enjoyed over the third category of goods, the non-utility articles of medium quality that are now ranked for tax on their full wholesale price but will in future be assessed on that price less the tax free limit. These are the goods in the "blind spot," many of which are suitable for export but have been taken out of production because they could not sell at home in competition with the best quality tax-free utility goods: and the budget will perhaps encourage production of such goods more than it does of any other class. There is, however, an impression in the textile centres that too strong a case has been made out for these goods at the expense of the fourth category, the highest quality goods, in the price of which the budget affords no noticeable reduction. Quality goods form the spearhead of those British textile exports, particularly in the dollar markets, that reform of the utility schemes was partly designed to help; and such goods might have expected to receive at least equal treatment with goods of medium quality. That they do not is undoubtedly the main weakness of the budget proposals on purchase tax, but one that could only be corrected by a reduction in the rate of tax. Since the tax-free limits have had to be set so low in order to maintain revenue at existing levels, it is perhaps understandable that the Chancellor did not feel prepared to take the risk involved at this stage in setting the limits even lower in order to reduce the tax rates.

Cut in the Subsidies

MR BUTLER has not shirked the task of tackling the food subsidies. He has fixed the new limit at £250 million; the old one which has been in force for two years was £410 million so that the Exchequer will save some £160 million. But the burden to be passed on to the consumer in the form of higher prices will be larger, because the Ministry of Food's purchase prices have risen. As an article on page 572 of last week's issue pointed out, if retail food prices were kept at their current level the annual subsidy bill would have risen to £460 million. Hence some £210 million is now to be passed on to the consumer in higher prices. The increase in weekly expenditure on rationed foods was estimated by the Chancellor to average 1s. 6d. per person. The effect on the interim index of retail prices will be to raise it by about three points, and the rise will probably be slightly more in the new index to be introduced shortly because food (and in particular subsidised food) has a higher weighting than in the old index.

All rationed foods are apparently to share in the price increases but bread and flour, milk and meat—the three largest items of the subsidy bill—will be most affected. The retail price of a 1¾ lb loaf will rise from 6d. to 7½d. and flour from 4d. a lb to 5¼d.; in each case the subsidy is halved and the total saving will be about £45 million. Milk is to go up by 1d. a quart; this is to be done by not making the seasonal reduction of 1d. a quart in the spring and by raising the price by a penny in the late summer. Again the subsidy is almost halved (unless farmers are given higher prices under the annual price review now under negotiation), and the Exchequer will save £30 million. The price of meat is to be increased by 4d. a lb; the average subsidy for the whole of 1951-52 was 3½d. a lb, but it was lower in the first part of the year. If no further increases in prices have to be paid to home and overseas suppliers, the meat subsidy would be abolished, though the Chancellor did not specifically mention this point. The Ministry apparently expects to pay slightly more for home-produced meat and the total cost of the subsidy on meat might fall from £47 million to, say, £7 million, saving the Exchequer £40 million. The subsidy on tea is to be abolished. The retail price will rise by about 8d. a lb to 4s. 4d., yielding a net saving of £15 million. These four items together reduce the annual subsidy bill by £130 million. The further £80 million is to come from the other subsidies, details of which are to be announced later.

The annual cost of the subsidies on margarine, cooking fat, butter, cheese, eggs, bacon and sugar amounted to a little over £150 million in 1951-52. If these subsidies were halved, some £75 million would be saved. It may well be that the subsidies on butter, eggs and sugar will be reduced by more than 50 per cent and those on cheese, margarine and bacon by less. By such changes the Government could save the required £80 million for an increase in weekly expenditure of 5d. The higher prices of bread and flour would add 4½d. to the public's weekly food bill; milk 2d., meat 2½d. and tea 1d., making a total of 1s. 3d. at current ration scales. The fact that the Chancellor estimated the increase at 1s. 6d. would suggest that rations will be increased in the coming months rather than reduced. But the important thing that the Ministry of Food must consider in adjusting the retail prices is that it does not make a profit on imported supplies to mask the actual subsidy paid to home farmers.

Exactly half of the £160 million saved from these indiscriminate subsidies is to be given back to the needy. The largest single hand-out from the Exchequer—£37 million in a full year—will go to increase family allowances, from 5s. a week for each child after the first to 8s. Another large segment may go to National Assistance payments, the ultimate protection for all who slip through the mesh of the existing social security system into real want. The new rates here have not yet been decided but the National Assistance Board may be expected to take into account the Government's new yardstick, that the country can afford—and ought now to afford—32s. 6d. a week for a single person and 54s. a week for a married couple in uniform benefits under the National Insurance Scheme.

The increases in National Insurance benefits themselves will be initially financed by increases in the weekly contributions of both employers and employees, by about 7½d. a week for men and 5½d. a week for women. These figures, however, are apparently not yet "hard" estimates as the levels for benefits, particularly old age pensions, are not yet decided upon. The Chancellor indicated some doubt about whether the present system of differential pensions for those over and under 70 was the best method to induce people over 65 to stay at work. The Minister of National Insurance is to discuss this point with the trade unions and other interested parties. Since an increase in insurance contributions leads to a fall in income tax receipts, the public authorities' surplus as a whole is likely to lose about £10 million even in the early years of the new scheme—once it goes through.

The Government also proposes to raise industrial injury benefits from 45s. to 55s. a week, with appropriate increases for widows; this will cost £3 million a year—but some of the strain may be taken by a small increase in weekly contributions. The standard basic rate for war pensions will also go up from 45s. to 55s. a week for the totally disabled, with *pro rata* increases for the partially disabled and some increases for war widows. These improvements will cost £10 million a year. Finally public service pensioners—retired civil servants, school teachers, policemen, long-service soldiers, and so on—will also get an overdue increase. The amounts concerned are not yet decided upon, but they do not seem likely to be big—Mr Butler believes that they should not exceed £20 a year.

In all, these reliefs for the needy will cost £80 million in a full year—though they will cost more later as the number of old age pensioners increases. In view of the time needed for the introduction of legislation, the cost in this financial year will be substantially less—but then the saving in the food subsidies will also not become immediately effective. The net saving from the re-alignment of social services as a whole will therefore be £80 million even in 1952-53. To have achieved this while still making the really poor less poor is an accomplishment that calls for congratulation, but also for the reflection that such a reform should have been carried through by any professed "social welfare" government long ago.

Other Tax Changes

Petrol

For the third year in succession, duty on motor fuels goes up: this year from 1s. 10½d. to 2s. 6d. a gallon for motor spirit and other light oils and for diesel oil used in road vehicles. This brings the price of motor spirit to 4s. 2¾d.-4s. 3¼d. a gallon according to zone, and that of "derv" fuel to 3s. 9⅛d.-3s. 9⅝d. a gallon (since this fuel is sold only wholesale, a comparable price for motor spirit would be about 3s. 11¼d. a gallon). This constitutes the largest increase in revenue during 1952-53 in the budget proposals; having been imposed from the evening of budget day, it will be in force for a few weeks of the old financial year, and is estimated to yield £63,500,000 in 1952-53. Since the current rate of duty was expected to yield £5 million more in 1952-53 than the £200 million expected in 1951-52, total receipts from oil duties in the coming financial year are put at £271 million.

The bulk of this increased burden will be borne by industrial road users. Buses and coaches consume just under a million tons of motor fuels a year, three-quarters of it diesel oil; this means that about £8 million a year of the increase will fall upon public transport, to be met from economies or profits or passed on direct to the public. About £22 million a year may be paid by goods vehicles, which consume more than two million tons of motor spirit a year, and more than 300,000 tons of "derv" fuel. On the basis of estimates of petrol consumption, about £20 million will be paid by car users; unofficial estimates of the proportions of car mileage chargeable to business purposes suggest that £15 million or more of this sum, too, may count as an addition to the transport costs of industry.

Motorists for pleasure alone, therefore, may contribute no more than 10 per cent of the increased duty on petrol. Their share of the change made by the Chancellor in equalising car duty at £12 10s. a year for all private cars (which will come into force on January 1, 1953, and will cost the Exchequer £850,000 in 1952-53 and £1,300,000 in a full year) may, however, be more generous. They own perhaps 25 per cent of all cars registered and presumably a somewhat greater proportion of the prewar cars still running, since most of the 750,000 cars delivered to the home market since the war have gone to business users. The smallest of these prewar cars will incur an increase in vehicle duty, as will cars registered since 1947; but motorists running the higher-powered cars registered earlier, and still paying 25s. per horsepower, will from the beginning of next year receive some relief to offset their higher fuel costs. Removal of this anomaly—which in time, of course, would have disappeared of itself—is a small measure, but it does end a discrimination against this class of motorist that the small margin of revenue involved could never sufficiently justify.

*

Mr Butler made no reference to a more important anomaly in this group of duties. Probably 600,000 tons or more a year of the motor spirit and light oils that fall within the category affected by the increased duty, and bear perhaps £5 million of the £63,500,000 increase, is consumed for purposes not connected with road transport—in agricultural tractors driven on petrol, in civil aviation, and as solvents in a wide variety of industries. Certain Conservative members, in opposition, have in earlier years argued the case for exemption of these consumers, but Mr Butler has followed Labour Chancellors in refusing to accede to such a plea. He also decided against suggestions that "derv" fuel might be given preferential treatment in any increase in motor fuel duty. Such preference is fairly common in other countries upon the ground that increases in the cost of this fuel, used predominantly in public service vehicles, are passed on to the final consumer more quickly than increases in other transport costs. London Transport, for example, which is at present preparing to justify its latest fare increases to the Central Transport Consultative Committee, estimates that the budget will add more than £1 million a year to its diesel fuel costs.

* * *

Postal Charges

Higher charges for the telephone service will make up most of the extra revenue required to balance the accounts of the Post Office, which at existing rates estimates its cash deficit for 1952-53 at £14,000,000. The present surcharges of 15 per cent on rentals are raised to 50 per cent (which in London will mean a rental of £8 a year for private subscribers compared with £6 today); the number of local calls allowed free is reduced from 100 a half-year to 50; and charges for connection, transfer and removal are also increased. These increases take effect from July 1st; they will yield £5,775,000 in 1952-53 and £9,415,000 in a full year. Rates of postage for excess-weight letters in Britain are increased, as are those for all airmail letters and packets except "Air Letters," and postal registration fees. These increases take effect on May 1st, and together with a rise in the scale of charges on postal orders from July 1st, should yield £3,630,000 in 1952-53 and £4,180,000 in a full year. Increases in the charges for private telegraph and telephone services supplied by the Post Office will yield £230,000 in 1952-53 against £200,000 in a full year; these rentals are largely paid in advance, and the increases are to be applied in respect of bills for 1952-53 paid before the beginning of that financial year.

* * *

Entertainments Duty

The outcome of the review of Entertainments Duty bequeathed to Mr Butler by his predecessor is the introduction of an entirely new scale of duty for admission to sporting events, pitched rather lower than halfway between the present reduced rate that applies to the theatre, music-hall and other "live" entertainment and the full rate that will now apply to the cinema almost alone. This innovation is a duty of 1½d. on the first 1s. 1½d. charged for admission to sporting events of all kinds, with ½d. duty on every penny or part of a penny above 1s. 1½d. Its effect may be judged by an example: a 2s. seat in the theatre will bear 2d. in duty, at a sporting event 4½d. in duty, and in the cinema, still, 10½d. in duty. Duty on racing will come down to this new level on March 30th; and that on football, cricket and other sports will be raised to it on August 31st. The change will cost about £500,000 in 1952-53 against £250,000 in a full year, because the reductions thus precede the increases. It can be inferred that racing of all kinds, which paid duty amounting to nearly £3,500,000 in 1950-51, and probably more in 1951-52, will receive a concession worth £850,000 in a full year; while football and cricket, and all other sports bearing the higher rate—which paid about £900,000 in duty in 1950-51—may have to contribute nearly £600,000 a year more. Football can presumably pass on this increase in costs per admission without much apprehension, though some other sports may do so with less confidence that attendance will remain unaffected; certain of the more fortunate racing promoters have undertaken to pass on to their customers also at least some part of the amount they save in duty.

The review has thus regularised one of the illogicalities of this duty. Equal treatment for all sports, instead of lumping some with the cinema and some with the stage, probably justifies introducing yet a fourth class into the official evaluation of entertainment. The favourite class of duty-free "cultural activities," however, is to lose one interloper; the Treasury has taken the opportunity to screw up a loose definition by reason of which music-hall and variety entertainment on occasion slipped into the "educational" reserved compartment.

It is surprising that no action has been taken about the particular part of the Entertainments Duty over which the whole argument for a review was put forward. The awkward scale of cinema duty, which makes it impracticable to charge some of the prices for seats that are preferred by both exhibitors and their patrons, remains unaltered. It is true that the cinema trade presented Mr Butler with a readymade excuse for turning down the proposals for a better-designed scale of duty that it had put before him. The more evenly graduated scale of duty that it proposed would have cost the Exchequer some £5,500,000 a year; it is not easy to accept at face value the trade's convenient assumption that no improved scale could be devised without a cut in the duty. Some part of this saving in duty by exhibitors might have been paid out in the hire of American films, though not necessarily remitted in dollars. No doubt, however, it was easier for the Treasury to reject these proposals as impracticably expensive than to devise a better scale that might hardly alter the yield of duty. But the anomalies remain: and not even the clumsy advocacy of the cinema trade will forever serve to obscure the fact that it has a fairly good case for wanting them removed.

* * *

Betting

The amount that will be saved by the slight alteration Mr Butler has made in betting tax is negligible; but it will stop a loophole in the existing law governing gambling on football. Certain bookmakers had been trying out a system known as "variable fixed odds," by which they quoted fixed odds but retained the right to reduce those odds if more than a given proportion of gamblers won. This quite legally combined the freedom from tax of ordinary betting at fixed odds on football (which is to remain tax-free) with the protection from risk enjoyed by promoters of pools, who are taxed at the rate of 30 per cent. In future, such hybrid betting transactions will rank for duty.

Commercial History and Review of 1951

This week's issue of the *Records and Statistics* Supplement to *The Economist* includes the second part of the Commercial History and Review of 1951—the 89th of the series which began in 1863.

Part I provided a general review of British economic developments last year, and special articles on finance, investment, overseas trade and agriculture. Part II contains articles on all important British industries, and Part III, consisting of overseas economic reports, will appear in April.

The *Records and Statistics* supplement is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

Business Notes

Break in Markets

Beyond doubt, the big impact upon the stock markets this week has come, not from the budget, but from the increase in Bank rate. Even among the banks and the discount market, few people had been looking for a further immediate turn of the money screw, and no one was prepared for so sharp a tightening as the increase in Bank rate from 2½ per cent to 4 per cent. In the early reactions in the markets, the violence of this movement overshadowed all other considerations, not excluding the new Excess Profits Levy—except that flags were hoisted in the brewery share market at the absence of change in the beer duty. But when the City's view of the budget did become separately discernible, it was very evident that the judgment of many people was still clouded by relief at the Chancellor's leniency instead of the severity that had been feared. Only the minority were yet taking any clear view of the dangers of the raids on capital and of the troubles piled up for 1953; but the few whose eyes were opened to these aspects of the budget were strong in their condemnation, despite their welcome to the realism and courage of the cuts in subsidies and the swing to monetary policy.

Inevitably, the shock from dearer money was felt in the gilt-edged market most violently among the short bonds, although at the outset on Wednesday the whole list was marked down almost indiscriminately. As the selling developed, the price movements became more selective, and at the close the biggest net falls were shown by 2¼ per cent Exchequer Stock 1955 (down 2$\frac{27}{32}$ at 96½), the 1953 and 1954 Serial Funding stocks (down 2$\frac{1}{16}$ at 97 and 96 respectively) and 2½ per cent Funding 1956-61 (down 2$\frac{5}{8}$ at 89½). The yield adjustments in the shorts were generally of the order of 1 per cent, and in some instances more than that. At the other extreme of the market, the net fall in Consols by 2½ points (to 58) raised the flat yield by 3s. per cent, to £4 5s. 5d. per cent. By Thursday morning the market was recovering its breath; and the feeling was spreading that, in the long-term market, the falls might have been overdone. Many people are already jumping to conclusion that the next move in Bank rate—long though it may be delayed—will be downwards rather than upwards. Though this argument takes a great deal for granted, it sufficed to bring in some buyers, and Thursday's closing prices for the longer stocks showed perceptible gains. The shorts, too, recovered sharply, but the movement here was entirely due to the decision of the banks to reduce by ¼ per cent the new rates fixed on Wednesday for call loans to discount houses against bond collateral.

The markets for high-grade equities of course took their tone from the gilt-edged market, though the sharpness of the first day's fall certainly owed something to the preliminary, and very hazy, impression of the new system of profits taxation. On Wednesday, the ordinary share index of *The Financial Times* dropped by 3.4 points—easily the biggest fall on single day since the violent 4.6 drop that greeted Mr Gaitskell's announcement last July of impending legal control of dividends. At 109.3, the index was carried down to its lowest level since May, 1950, and to over 30 points below the peak reached last June; on Thursday, despite a short-lived rally, it receded further, to 108.9.

* * *

Effects of Four per Cent.

The steep increase in Bank rate, which has been followed by roughly corresponding adjustments in money and bill rates, has of course had violent effects in Lombard Street, since the discount houses have had to face severe losses on their portfolios of both short bonds and bills. The big banks, too, are ruefully computing the effects on their profit and loss accounts; as Mr Ralph Assheton, a director of the National Provincial Bank, said in Wednesday's debate, "if the bankers succeed in breaking even as a result of the Bank rate going up, they will be very pleased indeed"—and this, evidently, before taking account of the impact on their investment valuations.

The key adjustment in the rate structure in response to the Bank rate change was an increase in the allowance on deposit accounts (the notice period of which is now lengthened from 14 to 21 days) from ¾ per cent to 2 per cent, a movement accompanied by a precisely similar change in the minimum rate charged by the clearing banks for call loans to the discount market against Treasury bills. The clearing banks' charge for loans against the security of short bonds and bank bills was at first raised to 2¾ per cent (against 1⅛ and 1¼ per cent respectively), but this steep increase was later abated to 2½ per cent—partly, it seems, after consideration of the particularly heavy burden thrust upon the discount market by the break in short bond values. The rate charged by the banks and the market to borrowers by the discount of three months bank bills was raised by the full 1½ per cent, to 3 per cent, but the cost to the Treasury of borrowing on Treasury bills will be rather less than this. In the weeks ahead, the actual rate will be governed partly by the cost of financing the bills on money borrowed from the clearing banks (2 per cent) and partly by the extent to which the authorities compel the market to secure a marginal money supply by formal borrowings at the Bank of England (where loans against such bills, for the minimum period of seven days, now cost 3½ per cent, compared with 2 per cent previously).

The effect on the cost of loans and overdrafts from the banks is less easy to assess. It will not be governed, as most of the recent increases mainly were, by specific official pressure on the banks to raise their charges. This initiative was taken then because bank lending rates for most customers were out of touch with the low Bank rate, even after its increase to 2½ per cent. Now the majority of the initial adjustments will be determined automatically by the arrangements already subsisting between the banks and their customers. A high proportion of personal and business advances (as distinct from those to public and semi-public bodies) were already made, in terms, at ½ per cent or 1 per cent above Bank rate, subject to a minimum rate varying according to the class of borrower from 3½ per cent to 5 per cent. Since an advance running at the highest of these minimum rates is already 1 per cent above the new Bank rate, it will not be automatically affected at all. On the other hand, the majority of the more credit-worthy borrowers, except the strongest of those already paying 4½ per cent (subject to a ½ per cent excess over Bank rate), will pay more, most of the increases being ½ per cent or 1 per cent and a few, perhaps, of 1½ per cent. The first result, therefore, will be to narrow the spread between high and low grade borrowers, and to put many concerns that have previously been quite strong bargainers on the same 5 per cent footing as the small personal borrower. It seems improbable that this anomaly will endure for long, though it was widespread in earlier phases of tight money; some banks, at least, are likely in due course to edge up beyond 5 per cent the rates charged to the least credit-worthy of their customers.

* * *

The Sterling Area's Gold

The latest figure for the gold reserve, which the Chancellor announced in the Budget speech, sets the key in which the whole tenor of his proposals must be read. That reserve stood at $1,770 million at the end of February, having fallen by nearly $2,000 million since June, and by $299 million and $266 million in January and February respectively. This means that in the first two months of this year the run on the reserves reached a fever pitch of $63 million a week. In the third quarter of 1951, which looked bad enough in all conscience, the loss of reserve amounted to $598 million or $46 million a week. In the fourth quarter of 1951 the fall swelled to $934 million, which—when payments on the United States and Canadian lines of credit are omitted—shows an average loss on commercial transactions

GILT EDGED GROSS REDEMPTION YIELDS

(Per Cent)

	Jan. 2, 1951	Nov. 7, 1951	Dec. 11, 1951	Feb. 8, 1952	Mar. 11, 1952	Mar. 12, 1952
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
Shorts and Middles						
2½% Nat. W. Bds. 51/53	0 19 5*e*	0 13 9*e*	2 7 11*e*	1 18 3*e*	1 16 2*e*	4 2 1*e*
	2 0 6*f*	2 1 3*f*	2 8 11*f*	2 4 0*f*	2 3 5*f*	3 5 11*f*
1½% Ser. Fund Nov.'54	...	...	2 0 9	2 3 0	2 5 2	3 4 7
2½% Nat. W. Bds. 54/56	1 17 11*e*	1 14 7*e*	2 13 4*e*	2 15 9*e*	2 14 10*e*	3 18 5*e*
	2 2 0*f*	2 0 10*f*	2 11 11*f*	2 13 3*f*	2 12 9*f*	3 5 11*f*
2½% Exch, Feb. '55	1 17 0	1 17 5	2 6 2	2 7 7	2 9 6	3 9 6
3% War Loan 55/59 {	2 4 8*e*	2 7 4*e*	3 4 1*e*	3 1 4*e*	5 10 1*e*	3 8 11*e*
	2 11 2*f*	2 13 4*f*	3 2 1*f*	3 0 8*f*	4 4 0*f*	3 4 5*f*
Medium Longs						
3% Sav. Bds. 55/65	2 19 6*e*	4 5 9*e*	5 14 9*e*	5 14 11*e*	5 15 11*e*	6 7 5*e*
	2 19 10*f*	3 8 2*f*	3 17 0*f*	3 16 5*f*	3 16 9*f*	3 19 10*f*
4% Funding 60/90	3 3 8	3 10 8*e*	4 4 6*e*	4 5 3*e*	4 8 9*e*	4 14 10*e*
	3 13 8*f*	3 16 7*f*	4 1 8*f*	4 1 11*f*	4 3 1*f*	4 5 4*f*
Longs						
3% Sav. Bds. 65/75 {	3 7 8*e*	4 1 5*e*	4 13 11*e*	4 14 2*e*	4 17 2*e*	5 1 5*e*
	3 5 3*f*	3 14 3*f*	4 2 7*f*	4 2 8*f*	4 4 7*f*	4 7 5*f*
3% Brit. Elec. 74/77 {	3 5 9*e*	3 15 7*e*	4 3 9*e*	4 3 11*e*	4 6 6*e*	4 9 0*e*
	3 5 3*f*	3 14 4*f*	4 1 10*f*	4 2 0*f*	4 4 4*f*	4 6 8*f*
3% Brit. Trans. 78/88 {	3 9 10*e*	4 1 11*e*	4 10 9*e*	4 9 11*e*	4 10 11*e*	4 14 6*e*
	3 8 3*f*	3 18 3*f*	4 5 8*f*	4 4 11*f*	4 5 9*f*	4 8 9*f*
3½% Steel Stk. 79/81 {	...	3 17 1*e*	4 5 2*e*	4 4 8*e*	4 6 4*e*	4 8 11*e*
		3 16 9*f*	4 4 7*f*	4 4 1*f*	4 5 9*f*	4 8 2*f*
3% Brit. Gas 90/95 {	3 8 9*e*	3 18 7*e*	4 5 8*e*	4 5 5*e*	4 6 7*e*	4 9 1*e*
	3 8 3*f*	3 17 6*f*	4 4 4*f*	4 4 0*f*	4 5 2*f*	4 7 6*f*
Undated						
3½% War Loan '52	3 14 7*f*	4 2 2*f*	4 8 4*f*	4 7 9*f*	4 9 1*f*	4 11 10*f*
2½% Consols	3 10 9*f*	3 18 0*f*	4 2 5*f*	4 1 8*f*	4 2 5*f*	4 5 5*f*
2½% Treas. Stk. '75	3 11 5*f*	3 19 7*f*	4 5 1*f*	4 5 1*f*	4 5 3*f*	4 8 6*f*

(*e*) Earliest date. (*f*) Flat. (*l*) Latest date.

PRICES OF REPRESENTATIVE STOCKS

	Jan. 2, 1951	June 14, 1951	Oct. 25, 1951	Nov. 7, 1951	Dec. 11, 1951	Feb. 8, 1952	Mar. 11, 1952	Mar. 12, 1952
Gilt Edged								
2½% War Bds. 54/56	103$\frac{9}{32}$	101$\frac{5}{32}$	102$\frac{13}{32}$	102$\frac{7}{32}$	99$\frac{5}{8}$	99$\frac{5}{8}$	99$\frac{7}{8}$	95$\frac{7}{8}$
2½% Exch. 1955	101$\frac{9}{32}$	100$\frac{13}{32}$	101$\frac{1}{32}$	101$\frac{3}{32}$	99$\frac{13}{32}$	99$\frac{3}{8}$	99$\frac{3}{8}$	95$\frac{3}{8}$
3% Savs. Bds. 55/65	101$\frac{1}{2}$	97$\frac{7}{8}$	97$\frac{7}{8}$	96$\frac{1}{2}$	92	91$\frac{1}{2}$xd.	91$\frac{1}{2}$	90
3% Br. Trans. 78/88	91$\frac{3}{8}$	83$\frac{1}{2}$xd	85	83$\frac{3}{8}$	76$\frac{1}{2}$xd	77$\frac{3}{8}$	77	74$\frac{1}{2}$
2½% Treas. Stk. 1975	70$\frac{1}{8}$	64$\frac{1}{2}$	65$\frac{1}{8}$	63$\frac{1}{2}$	59$\frac{1}{2}$	59$\frac{1}{16}$	58$\frac{1}{4}$xd	56$\frac{1}{2}$xd
2½% Consols	70$\frac{1}{16}$xd	64$\frac{1}{2}$xd	66$\frac{7}{8}$	64$\frac{3}{8}$	60$\frac{1}{2}$xd	61$\frac{1}{2}$	60$\frac{1}{2}$xd	58$\frac{1}{2}$xd
Industrials								
Ass. Port. Cement £1	80/–	109/4½	111/3	107/6	107/6	100/–	97/6	96/10½
Bass £1	148/1½	152/6	149/4½	143/9	127/6	117/6	115/7½	115/7½
Brit. Celanese 10s.	24/–xd	36/3xd	42/3	38/6xd	30/–	27/9	26/9	26/3
Brit. Oxygen £1	89/6	100/–	98/–	94/6	81/3	80/6	76/6	76/6
Courtaulds £1	38/9	50/6	51/9	49/6xd	45/1½	42/6	39/–	38/3
Distillers 4s.	19/6	24/9	24/–	22/3	20/6	19/–	18/6	18/–
Dunlop £1	54/9	67/–	68/–	63/9	60/–	56/3	55/7½	55/7½
Ford £1	46/3	60/7½	56/10½	53/1½	50/–	47/–	46/6	45/6
Gen. Electric £1	81/3	97/6	97/6	94/6	89/6	80/–	76/3xd.	76/3
Imp. Chem. £1	42/6	53/6	54/–	51/10½	46/10½	42/9	41/9	41/–
Imp. Tobacco £1	104/4½	103/9	102/6	98/9	92/6	87/6	85/–xd.	85/–
P. & O. £1	53/6	66/6	48/6	46/6	42/6	50/–	49/6	49/3
Rolls Royce £1	96/3	123/1½xd	65/–	60/–xd	51/3	51/3	49/4½	48/9
Turner & Newall £1	85/–	101/3 1	100/7½	96/3	88/9	88/1½	87/6	85/3
Unilever £1	41/3	56/3	57/6	53/9	49/4½	48/9	48/1½	48/1½
Vickers £1	36/–	53/3	52/–	49/6	44/6	45/–	46/–	45/–
Woolworth 5s.	43/3	49/6	49/–	46/–	43/3	42/–xd	42/3	40/3
Anglo-Iranian £1	110/–	107/6	111/3	110/–xd	105/–	123/9	114/4½	115/–
Shell Trans. £1	67/–	96/3	95/1½	94/4½	92/6	91/3	85/7½	85/7½
Ang-Amer. Cpn. 10s.	135/–	155/–	156/3	156/3	152/6	151/3	142/6	142/3
Crown Mines 10s.	101/3	85/–	86/10½	85/–	81/3	72/6	67/6	69/6
Union Cpn. 12s. 6d.	10½	10⅜	10⅜xd	8⅞	9⅛	8⅛	8⅛	8⅛
Roan Antelope 5s.	17/9	21/9	14/6	14/–	13/9	15/3	13/9	13/9
Financial Times Ord. Share Index	115·5	140·4	138·3	131·4	119·8	114·8	112·7	109·3

THE CONSOLIDATED MINES SELECTION COMPANY, LIMITED

ABRIDGED REPORT OF THE DIRECTORS FOR THE YEAR ENDED 31st DECEMBER, 1951.

CAPITAL.

The authorised capital was increased during the year from £900,000 to £1,200,000. The issued capital remains unchanged at £900,000.

ACCOUNTS.

	1951 £	1950 £
PROFIT—		
Profit after charging all expenses but before providing for taxation was	281,920	305,795
Deduct: Taxation—United Kingdom (and South African)	131,083	122,996
	150,837	182,799
Add: Unappropriated Profits brought forward	36,581	41,032
Making a total available for appropriation of	187,418	223,831
APPROPRIATIONS—		
Deduct: Amount transferred to General Reserve	25,000	50,000
	162,418	173,831
Deduct: (Proposed) Dividend of 1s. 6d. per stock unit and Bonus of 1s. 0d. per stock unit (less Income Tax) and Directors' Additional Remuneration	128,125	137,250
Leaving Unappropriated Profits to be carried forward	£34,293	£36,581

The profit for the year of £281,920 is some £24,000 lower than the previous year's figure but is arrived at after writing-off from the book values of certain investments a net sum of £32,612. In accordance with past practice, quoted investments are shown in the Balance Sheet at cost or market value whichever was the lower. Due to the general recession in share values which took place in the latter part of 1951, a total amount of £51,614 had to be provided to adjust book values to this basis. The book value of one investment had on the other hand to be written-up by £2,750 which was credited to Investments Reserve. The net allocation required of £48,864 was met by utilising the resultant balance on that reserve of £19,002 and charging against profits the £32,612 referred to above. Stockholders will, however, appreciate that whilst the method of valuing investments makes this charge necessary, it has little bearing on the overall strength of the Company's investment position for at the date of the Balance Sheet quoted securities had a market value of £3,288,525 which was more than double their book value of £1,534,750.

The distribution recommended is the same as for last year, viz.: a dividend of 1s. 6d. per stock unit plus a bonus of 1s. 0d. per stock unit. It is not proposed to maintain a balance on Investments Reserve Account but £25,000 has been allocated to General Reserve, thus slightly reducing the balance of unappropriated profits compared with the figure shown in the Accounts for last year.

The Profit and Loss Account shows income from dividends and interest of £249,024. This represents a substantial increase over the £180,000 your Directors foreshadowed on the basis of normal dividends from investments held at the end of 1950 and provided no new revenue producing shares were acquired meantime. The comparative figure for 1950 was £284,855 but, as mentioned in the Report for that year, this included certain revenue of a non-recurring nature. The present amount contains no special items. It includes income from newly acquired investments and also reflects increased dividends from certain companies, in particular from Rhodesian Anglo American, Limited. Whilst the dividend income for 1951 can be considered satisfactory, your Board wishes to stress that the Company's revenues from all sources must inevitably fluctuate year by year.

Although the year under review was again unfavourable for share dealing, net profits from share realisations, underwriting commissions, etc., showed an improvement of some £47,000. Income from underwriting continued to be a fruitful source of revenue, and given normal trading conditions the Directors feel that this branch of the Company's activities can be further and profitably developed.

After allowing for the dividend and bonus recommended by the Directors, the Balance Sheet shows a surplus of current assets over current liabilities and provisions of approximately £127,000. Against this there were contingent liabilities in respect of underwriting and other commitments of £297,000. Since the close of the financial year, some £68,000 of this amount representing underwriting contracts has been discharged with a small profit. Of the remainder, £200,000 is the underwriting commitment outstanding at the date of the previous Balance Sheet in respect of 5 per cent. registered unsecured convertible notes of President Steyn Gold Mining Company, Limited, which are under option until the 30th April next.

INVESTMENTS.

Generally speaking, the pattern of your Company's investments has undergone no radical change, though there are some differences. For instance, the Company has acquired a substantial interest in Rand Selection Corporation, Limited, an active mining finance company with a consistent record of satisfactory dividends, which appears to possess attractive prospects. Investment has also been made in 4½ per cent. registered unsecured notes of African and European Investment Company, Limited. The notes while bearing a useful rate of interest are convertible between April, 1953, and March, 1955, into ordinary shares of African and European at 66s. 8d. per share. This latter holding accounts in the main for the increase over last year in the total of the unquoted investments.

In the course of the year considerable progress has been made in the development of the Orange Free State goldfield, in which your Company has important direct and indirect interests. Two of the mines there have now reached production stage, others should shortly follow suit, though it will naturally be some while yet before these mines work up to full scale and profitable production. Thus, though there is further time to wait before your Company can expect to reap the full benefit from investment in this field, the Company can look forward to receiving income from this source on an increasing scale over the next few years.

The Fifty-sixth Annual General Meeting of members will be held at The Chartered Insurance Institute, 20, Aldermanbury, London, E.C.2, on the 31st March, 1952, at 12.30 p.m. Copies of the full Report and Accounts may be obtained on application to the Company's office, 11, Old Jewry, London, E.C.2.

of $58 million a week. If this trend continued the gold reserve would be exhausted by September.

Fortunately, Mr Butler declared in his speech that the country could "confidently rely upon a considerable reduction in the rate of loss in the course of the next few weeks." Two factors are needed to make this prophecy come true. First, foreign confidence in sterling has got to be revived, and bears of the pound sent scuttling for cover. Judging by the impact that the details of the Budget have had on the various rates for sterling some small improvement in this regard is already afoot. By Wednesday evening the premium on dollar securities in London had fallen from 14 per cent to 13 per cent, and the three months premium on forward dollars had moved from 2⅜ cents to 2½ cents.

Secondly, the brave resolutions set out after the Commonwealth Finance Ministers' conference last January must be translated into very speedy action. Here the picture is still an uncertain one. The Chancellor announced in his speech that new arrangements with South Africa (which is itself cutting imports) should allow the United Kingdom to earn at least £50 million of South African gold "and perhaps substantially more" during 1952. Australia's response has also been heard this week in terms as unmistakable as they will be painful to particular interests. New Zealand is cutting down imports from the non-sterling area (and imports of motor vehicles from all areas) and is to aim at a £25 million surplus on non-sterling account. But of the response from other parts of the Commonwealth, all the Chancellor could say was that he had received certain assurances from New Zealand, India, Pakistan, Ceylon and Southern Rhodesia. These countries, he added, have also "told me of their special difficulties." It remains to be seen whether this form of words indicates a resolution that is adequate to meet the needs of the hour.

* * *

Further Cuts in Imports

The third, and what is hoped the last, dose of import cuts outlined in Mr Butler's budget amounts to £100 million. Some £80 million covers goods, the nature of which, according to the Chancellor, cannot be disclosed "for commercial reasons." The remainder is met by substituting specific for open licences for a host of miscellaneous items ranging alphabetically from "armbands, spring" to "wreath and floral frames of metal." The collection is so heterogeneous that it is possible to make only a very rough guess of what the total quantity of these imports amounted to in 1951. It was somewhere around £150 million and the Chancellor hopes to lop off £20 million. A complete embargo has been placed on the import of all these goods until the end of April—by which time a new licensing scheme will be worked out—unless an importer can prove the existence of a firm contract. This new attack on open general licences means that only 46 per cent of Britain's private imports from Western Europe will be free from quota restrictions compared with 90 per cent last October.

The cut that the British public will feel most is that on imported cheese—the non-rationed varieties. Last year these supplies accounted for about a third of Britain's total imports of cheese, and they were a very useful supplement to the meagre ration of "non-frivolous" cheese. Other articles that will disappear from the British table are gherkins in syrup, tinned herring roes and sauerkraut. The list of prohibited textiles is formidable, covering shopping bags, canvas, coir manufactures, cotton yarn and thread, fabrics, handkerchiefs, piece-goods, woollen and worsted yarns. A number of electrical appliances including irons, kettles and toasters are to be cut; metal goods from balances to collapsible tubes; egg-timers; books and periodicals, including comics; toilet requisites; smokers' requisites and even ice-cream spoons, shoe horns and trouser pressers.

It is impossible to assess the effects of these cuts until it is known just how strict the licensing authorities intend to be. A reduction of £100 million of imports—and most of them presumably consumer goods—implies a reduction in supplies to the home market of something like 5 per cent. The dangers of these cuts to the prospects of British exports to Europe are obvious. Mr Butler, indeed, recognised them, though in a somewhat curious phase: "It is essential in our economic and commercial interest to maintain trade at the highest level we can afford."

* * *

Australia's Import Cuts

Last Friday Mr Menzies swung his long-expected axe at Australian imports—some weeks late but with devastating effect. Overall, Australian imports are to be cut by 50 per cent below their 1950-51 level; this implies a much bigger percentage reduction below the levels recently in operation. The biggest cut is, inevitably, being made in consumer goods, including cars, textiles and footwear; the reduction here will be 80 per cent of the 1950-51 level. Last year British exports of cars to Australia were valued at £23 million (21 per cent of total car exports), British exports of cotton yarns and manufactures to Australia at £39½ million, and of woollen and worsted goods £15½ million. If these exports are now to be cut by between 80 and 90 per cent—as seems probable—it is clear that a hard task in finding alternative markets lies ahead.

These savage cuts are being matched by consequential brutality in Australian exchange control procedure. It was announced this week that no foreign exchange, including sterling, is to be sold or letters of credit established for any Australian imports except those for which a valid import licence is already in force. In the case of goods from the sterling area, for which import licences were not previously necessary, exchange will be sold if the goods have already been landed or are to be landed by March 22nd, or if payment is being effected under documentary credits established on or before March 7th.

A substantial volume of exports ordered by Australia and now in transit may be axed by these orders, and a number of them may now have to be returned to the seller. The Australian authorities have also announced that any increases in the amounts or extension of the expiry dates of letters of credit are to be treated as applications for new letters of credit. In order to soften the impact of the new regulations the London offices of the Australian banks have been advised that they may negotiate documentary drafts not under credits where they are satisfied that the goods in question were shipped on or before March 7th, but in all other cases the negotiation of drafts will only be effected if evidence can be provided of the existence of a valid import licence. Parallel restrictions on payments to non-residents of the sterling area have had to be placed by intermediaries in the United Kingdom on behalf of Australian importers. Such payments can be authorised by an Australian bank only when the transaction is covered by an import licence. Only two exceptions are provided—the first where the goods were shipped to Australia by March 7th, and the second where the payment is being effected under a documentary letter of credit.

* * *

Spending Too High

The main conclusion to be drawn from the Central Statistical Office's preliminary estimates of national income in 1951 is that last year's slide towards insolvency was domestically inspired; it was due to the familiar faults of allowing costs to rise faster than productivity and of trying to eat more cake than was there. According to the estimates,

the money value of gross national product in 1951 was £12,414 million. This represented an increase in money terms of £507 million (or about 4¼ per cent) in the year, compared with an increase of £600 million (or about 5¼ per cent) in 1950. Since industrial production, in real terms, is estimated to have risen by under 3 per cent in 1951, compared with 8½ per cent in 1950, it is clear that wages and other domestic costs rose by more than productivity last year, whereas in 1950 they apparently rose by less than it.

With only an additional £507 million, in money terms, available from home production, personal consumption soared by £710 million, public authorities' expenditure by £387 million, fixed capital formation by £188 million, and stocks and work in progress by £166 million. Most of these increases—both in supply and in demand—were due to higher prices. But the fact remains that the British people were taking far more out of the pot than they were putting into it. The immediate consequence was the alarming plunge from a balance of payments surplus of £238 million in 1950 to a deficit of £516 million in 1951.

National Income and Expenditure in 1951
(£ Million)

	Gross Income: Total 1951	Gross Income: Increase in 1951		Gross Expenditure: Total 1951	Gross Expenditure: Increase in 1951
Wages & Salaries*	8,328	+ 844	Personal Consumption	9,970	+ 710
Farmers' & Professional Earnings	488	+ 1	Fixed Capital Formations	1,860	+ 188
Small Traders' Profits	885	+ 18	Stocks and Work in Progress	370	+ 166
Profits of Companies & Public Enterprises	2,455	+ 418	Public Authorities :— Defence	1,030	+ 260
Depreciation	882	+ 64	Other Current Expenditure	1,410	+ 127
Rent	456	— 19			
Net Income from Abroad	120	— 19			
Total	13,614	+ 1,307	Total Expenditure at Market Prices	14,640	+ 1,451
Less Stock Appreciation	*1,200*	*800*	*Less* Net Indirect Taxes	*1,782*	*204*
Gross National Product	12,414	+ 507	Total Expenditure at Factor Prices	12,858	+ 1,247
			Financed by Drawing on Foreign Balances†	**444**	**740**
			Gross National Product	12,414	+ 507

* Including pay of armed forces and employers' insurance contributions. † This differs from the overall balance of payments deficit since it excludes certain current transfers that had no counterpart in goods and services enjoyed at home.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

(The liability of members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony)

REPORT OF THE DIRECTORS.

SUBMITTED to the Ordinary Yearly General MEETING of Shareholders held at the Head Office, Hong Kong, on Friday, 7th March, 1952

The Directors have pleasure in submitting the Balance Sheet at 31st December, 1951, together with the Profit and Loss Account for the year ended at that date.

The Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which Reserves provision has been made for any diminution in value of current assets, amounts to		HK$17,283,671
		6,699,224
To this must be added the undistributed profit brought forward from the previous year		23,982,895
		5,163,025
An Interim Dividend of £2 per share, free of Hong Kong Corporation Profits Tax, was paid on the 13th August, 1951, amounting to £320,000 at 1/2 7/8		18,819,870
leaving a balance available for distribution of	HK$3,000,000	
This balance the Directors recommend be appropriated as follows:— Amount to be written off Bank Premises	7,744,538	10,744,538
A Final Dividend of £3 per share, free of Hong Kong Corporation Profits Tax, £480,000 at 1/2 7/8		
leaving a balance to be carried forward to next year of		HK$8,075,332

The above appropriations have been incorporated in the Accounts.

DIRECTORS.—The Hon. Sir Arthur Morse, C.B.E., continues in office as Chairman and Mr. C. Blaker has been elected Deputy Chairman.

Mr. C. Blaker, Mr. H. D. Bentham and Mr. E. R. Hill retire by rotation, but, being eligible, offer themselves for re-election.

AUDITORS.—The Accounts have been audited by Messrs. Lowe, Bingham & Matthews, and Messrs. Peat, Marwick, Mitchell & Co., who are eligible for re-appointment.

By Order of the Board,

A. MORSE, *Chairman.*

HONG KONG, 26th February, 1952.

BALANCE SHEET at 31st December, 1951

		Sterling Equivalent			Sterling Equivalent
Share Capital— Authorised and Issued 160,000 Shares of HK$125 each, fully paid	HK$20,000,000	£1,250,000	**Cash in Hand, in Transit and at Bankers**		HK$374,211,486 / £23,388,218
Reserve Liability of Members— HK$125 per Share on 160,000 Shares	HK$20,000,000		**Money at Call and Short Notice**		860,632,271 / 53,789,704
Reserve Fund	96,000,000	6,000,000	**Bills Receivable, in Hand and in Transit**		823,317,880 / 51,457,349
Profit and Loss Account	8,075,332	504,708	**Hong Kong Government Certificates of Indebtedness** issued in respect of funds deposited as security for the Excess Note Issue		721,883,047 / 45,117,690
	124,075,332	7,754,708	**Investments, at under market values**— British, Colonial and Other Government Securities (including HK$39,847,600 deposited as security for the Authorised Note Issue):		
Hong Kong Currency Notes in Circulation— Authorised Note Issue	HK$24,000,000		Quoted in Great Britain		294,888,912 / 18,430,557
Excess Note Issue	721,742,086		Quoted outside Great Britain		104,836,382 / 6,552,274
	745,742,086	47,233,880	Other Investments: Quoted in Great Britain		1,673,001 / 104,563
Current, Deposit and Other Accounts, including Reserves and Provisions for Contingencies and Taxation (of this total $22,987,266 is secured)	HK$3,134,186,055		Quoted outside Great Britain		13,418,619 / 838,664
Amounts Due to Subsidiary Companies	271,480		**Advances to Customers and Other Accounts**, less provision for Bad and Doubtful Debts		803,109,647 / 50,194,315
Acceptances on Behalf of Customers	42,069,648				52,089,648 / 3,255,603
Proposed Final Dividend in respect of the year ended 31st December, 1951	7,744,538		**Liabilities of Customers for Acceptances**, per contra		4,050,062,993 / 253,128,937
	3,184,241,721	199,640,108	**Fixed Assets**— Investments in Subsidiary Trustee and Nominee Companies at cost	HK$2,137,285 / £21,868,861	
NOTES: 1. There are contingent liabilities on Bills re-discounted amounting to HK$1,511,204 and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts. 2. Foreign Currency Balances have been converted into Hong Kong Dollars at approximately the rates ruling at 31st December, 1951. The Sterling equivalents of the figures shown in the above Balance Sheet have been converted at the rate of HK$1 = 1s. 3d.			Bank Premises at cost, less amounts written off	23,996,146	1,499,759
	HK$4,074,059,139	£254,628,696		HK$4,074,059,139	£254,628,696

A. MORSE, Chief Manager. G. O. W. STEWART, Acting Chief Accountant.

C. BLAKER, J. H. KESWICK, H. J. COLLAR, } Directors.

REPORT OF THE AUDITORS TO THE MEMBERS OF THE HONGKONG AND SHANGHAI BANKING CORPORATION

We have examined the above Balance Sheet with the Books of the Corporation kept in Hong Kong, with the audited accounts of the London Office, and with the returns received from the other Offices which have been signed by the Branch Managers. We have obtained all the information and explanations we have required, and in our opinion such Balance Sheet is properly drawn up so as to exhibit a true and correct view of the state of the Corporation's affairs at 31st December, 1951, according to the best of our information and the explanations given to us and as shown by the books kept in Hong Kong and by the returns received from the other Offices.

LOWE, BINGHAM & MATTHEWS, PEAT, MARWICK, MITCHELL & CO. } *Chartered Accountants, Auditors.*

HONG KONG, 26th February, 1952.

PROFIT AND LOSS ACCOUNT for the Year ended 31st December, 1951

Interim Dividend of £2 per Share, free of Hong Kong Corporation Profits Tax, paid 13th August, 1951, £320,000 @ 1/2 7/8		HK$5,163,025	
Appropriations recommended by the Directors:— Amount to be written off Bank Premises	HK$3,000,000		
Final Dividend of £3 per Share, free of Hong Kong Corporation Profits Tax, £480,000 @ 1/2 7/8	7,744,538	10,744,538	
Balance carried forward to next year		8,075,332	
		HK$23,982,895	
Special Administrative Expenses, including Chairman's emoluments as Chief Manager, Directors' Fees and London Committee Fees amounted to HK$770,505.			
Balance brought forward from 31st December, 1950			HK$6,699,224
Profit for the year, after providing for taxation on profits earned to date and after making transfers to the credit of Reserves for Contingencies, out of which reserves provision has been made for any diminution in value of current assets			17,283,671
			HK$23,982,895

STATEMENT IN CONNECTION WITH SUBSIDIARY COMPANIES

(1) The Investments in Subsidiary Companies appearing in the annexed Balance Sheet represent the Issued Share Capital of three Trustee Companies and three Nominee Companies wholly owned by the Bank. No Group Accounts have been submitted as the Directors are of the opinion that such Accounts would be of no real value to the members of the Bank.

(2) No part of the Profits earned by the Subsidiary Companies has been dealt with in the Accounts of the Bank. The net aggregate amounts of the Subsidiaries' profits after deducting the Subsidiaries' losses are as follows:—

(i) For the year ended 31st December, 1951	HK$67,804
(ii) For previous financial years	112,715
	HK$180,519

Profits Too Low

The principal reason for this disastrous excess of demand over domestic supply was, quite simply, that wage and salary earners (who spend) got too much of the year's increase in incomes and company and corporation profits (which are the principal private source of saving) got too little of it. While total incomes rose by £507 million, wages and salaries (including armed forces' pay and employers' national insurance contributions) rose by £844 million. Other incomes, when struck net of stock appreciation, therefore fell by £337 million. Since stock appreciation, which the national income statisticians estimate at the very high figure of £1,200 million, cannot yet be divided between partnerships, public corporations and companies, it is impossible to examine this fall in detail. If the national income statisticians' figures are right, however, small traders and partnerships seem likely to have been hit even more harshly than companies. Rentiers remained among the depressed classes. Dividend and interest payments by companies increased by £78 million, but total rent, dividends and interest received by persons are estimated to have been virtually unchanged. All these figures, of course, are before tax.

SAVINGS AND INVESTMENT IN 1951
(£ Million)

	Savings: Total in 1951	Savings: Increase in 1951		Total in 1951	Increase in 1951
Saving & Provision for Stock Appreciation :—			Fixed Capital Formation :—		
Personal	95	+ 8	Manufac'ng Industry	585	+ 93
Corporate	774	+ 36	Electricity, Gas, Water & Transport	491	+ 37
Central Govt.	531	—108	Agriculture, Forestry, Fishing and Coal Mining	109	+ 3
Local Authorities	29	+ 4	New Housing	310	+ 8
Less Stock Appreciation	1,200	800	Social Services Administration	128	+ 17
Total Saving	229	—870	Other	185	+ 23
Additions to Tax Reserves	641	+440			
Govt. drafts on Capital	— 55	— 23			
Depreciation Provisions	882	+ 64	Total Fixed Capital	1,808	+188
Borrowing, etc., from abroad*	533	+743	Legal Fees, etc.	52	+ 2
			Increases in Stocks & Working Progress	370	166
Gross Capital Formation	2,230	+354	GrossCapitalFormation	2,230	+354

* Balance of payments deficit plus certain small war disposals, settlements, etc.

The details of the deterioration in the balance of payments are set down in the accompanying table. It will be seen that the main feature in the year as a whole was the widening of the visible deficit by £638 million to £786 million, thanks to the swamping of a £485 million increase in exports by a £1,123 million increase in imports; the invisible surplus, at £270 million, was only £116 million less than 1950's record figure. But in the second half of the year it was the invisibles that showed the most strain; largely no doubt because of the Abadan crisis, the invisible surplus declined from £216 million in the first six months to £54 million in the second, while the visible deficit (under the strain of a £209 million increase in imports) widened by £110 million to £448 million. Throughout this period exports went on increasing, by £99 million in the half year, but this movement must have masked a drop in exports to non-sterling countries. Mr Butler revealed in his budget speech that Britain's deficit with the non-sterling area rose from an annual rate of about £325 million in the first half of the year to nearly £1,200 million in the second half. It follows that the surplus with the sterling area must have widened concurrently from an annual rate of under £100 million to one of very nearly £400 million. It is against this truly frightening background that Mr Butler's blueprint for the balance of payments in 1952, discussed on page 656 of this issue, must be judged.

BALANCE OF PAYMENTS
(£ Million)

	1948	1949	1950	1951: Jan. to June	1951: July to Dec.	1951: Year
Exports	1,590	1,820	2,224	1,305	1,404	2,709
Imports	1,791	1,974	2,372	1,643	1,852	3,495
Visible balance	— 201	— 154	— 148	— 338	— 448	— 786
Invisible receipts	805	819	1,052	n.a.	n.a.	1,130
Invisible payments	632	659	666	n.a.	n.a.	860
Invisible balance	+ 173	+ 160	+ 386	+ 216	+ 54	+ 270
TOTAL BALANCE	— 28	+ 6	+ 238	— 122	— 394	— 516

Deficit through the Ceiling

Some unofficial, but possibly better-informed, estimates about steel supply and demand this year have been made this week by Mr Robert Shone, Director of the British Iron

* * *

Beyond the Steel Shortage

Steel output in February was at the annual rate of 16,281,000 tons, compared with a rate of 15,234,000 tons in January and of 16,952,000 tons a year in February, 1951. Production was thus 13,000 tons a week lower than a year before, much the same as it had been in January. The increase in pig iron output that has been continuous since last August was checked in February: the annual rate was 10,263,000 tons, comparing well with 9,687,000 tons in February, 1951; but output in January had reached a rate of 10,319,000 tons. The main reason for this drop in iron output was the inadequacy of supplies of coke. The steelworks produce most of their own coke, and a steady increase in the capacity of their ovens is keeping in step with the demands of the blast furnaces. But the proportion of metallurgical coke that is bought from the National Coal Board and other coke-oven operators has not increased to the same degree; the blast furnaces require about 76,000 tons a week from these sources but are obtaining only about 70,000 tons. The Coal Board was supplying coke at this rate in 1948, and the oven capacity that it owns is now somewhat larger. But over these marginal supplies there is always some reluctance to jettison alternative customers; the Coal Board is probably not confident that the steel industry will always need to buy as much as it needs today, and in recent years has been seeking to diversify its markets for hard coke. The issue is one that may not be settled without a decision from the Government; if steel is scarce to the extent that official estimates suggest, the coke must be made available.

For the long term, the most serious consequence of last year's squeeze on profits may be its effect on the liquidity of companies; this strain, of course, is heightened by the fact that companies and corporations had to pay or put aside £1,320 million for taxes last year, compared with £928 million the year before—principally because the Government's tax collectors (unlike their objective national income statisticians) treat stock appreciation as income. But the most immediate effect of the squeeze was to cause a drastic deterioration of saving. The accompanying table shows that, if additions to tax reserves are excluded, new domestic savings fell by £870 million last year; if tax reserves are included, they fell by £430 million. Against this, however, total capital formation rose by £354 million—with increases in stocks and work in progress taking £166 million more, fixed capital formation in manufacturing industry £93 million more and in utilities £37 million more. Here again—since all roads lead to Rome—the immediate consequence was a £743 million deterioration on external borrowing account.

* * *

REPORT BY THE COURT OF DIRECTORS OF

The ROYAL BANK of SCOTLAND

TO THE ANNUAL GENERAL COURT OF PROPRIETORS, ON WEDNESDAY, 12th MARCH, 1952

The Court of Directors now submit to the Proprietors Group Accounts comprising the Balance Sheet and Profit and Loss Account of The Royal Bank of Scotland as at 13th October, 1951, and the Balance Sheets and Profit and Loss Accounts of its Subsidiary Companies, Glyn, Mills & Co. and Williams Deacon's Bank Limited as at 31st December, 1951.

The Net Profit of THE ROYAL BANK OF SCOTLAND for the year to 13th October, 1951, after providing for Taxation and making transfers to Reserves for Contingencies, out of which Accounts provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments, amounted to		£602,728 17 10
Interim dividend at rate of 8½ per cent. actual paid at Midsummer, 1951, required	£361,250 0 0	
Less Income Tax	171,593 15 0	
	£189,656 5 0	
Interim dividend at rate of 8½ per cent. actual paid at Christmas, 1951, required	£361,250 0 0	
Less Income Tax	171,593 15 0	
	189,656 5 0	
There have been:		
Transferred to Property Maintenance Reserve Account	30,000 0 0	
Contributed to Staff Pension Fund	75,000 0 0	
Contributed to Staff Widows' Fund	15,000 0 0	
Carried to Reserve Fund	103,416 7 10	
		£602,728 17 10

The Reserve Fund now amounts to £4,877,216.

A dividend of 17 per cent. per annum having already been paid, the Court of Directors do not recommend any further dividend for the year.

A valuation of the Bank's quoted investments at 13th October, 1951, is in excess of the sums at which they appear in the annexed Balance Sheet.

The Directors, in virtue of the powers conferred upon them by the Royal Bank of Scotland Act, 1873, have elected Thomas Gordon Waterlow, C.B.E., and David Fortune Landale, Ordinary Directors of the Bank; they hold office until this Annual General Court only, but are eligible for re-election.

The Governor, the Deputy-Governor, the Extraordinary Directors and the Senior Ordinary Director (Mr. Charles Augustus Carlow), retire at this time and are eligible for re-election.

Mr. S. W. Murphy, C.A., Joint Auditor for the past year, is willing to continue in office and will be re-appointed pursuant to Section 159 of the Companies Act, 1948.

Mr. George James Gregor, C.A., Joint Auditor for the past year, has intimated his desire not to seek re-appointment. A Resolution will be moved that Mr. James Haldane, C.A., Edinburgh, be appointed a Joint Auditor to act along with Mr. S. W. Murphy.

By Order of the Court of Directors,
J. M. THOMSON, *Cashier and General Manager.*

Edinburgh, 18*th February*, 1952.

STATEMENT OF ACCOUNTS, 13th OCTOBER, 1951

CAPITAL STOCK, Authorised and Issued	£4,250,000	
RESERVE FUND	4,877,216	£9,127,216
		9,160,459
NOTES in Circulation	135,354,511	
DEPOSITS and other Accounts, including Reserves and Provisions for Contingencies and Taxation	189,656	
DIVIDEND—Christmas, 1951, *less* Income Tax	2,857,112	
AMOUNTS due to Subsidiary Companies		138,401,279
		9,894,834
LIABILITIES for Acceptances, Confirmed Credits and other Obligations		

Notes:—

The profits of Williams Deacon's Bank Ltd. and Glyn, Mills & Co. have been taken into the Royal Bank of Scotland profit only to the extent of the Dividends declared.

The Nominee Companies are non-trading and have made neither a profit nor a loss for the year ended 13th October, 1951.

Foreign Currency Balances have been converted into Sterling at the rates current on 13th October, 1951.

United Kingdom Income Tax has been provided on the profits to date.

Statement required by the Eighth Schedule of the Companies Act, 1948

The Directors of the Bank have, in terms of Section 153(1) of the Companies Act, 1948, investigated the possibility of making the financial year of each of the Subsidiaries coincide with its own. The practice of the Subsidiaries has been to make up their Accounts as at 31st December in each year, and it is considered impracticable to alter this arrangement. The Royal Bank of Scotland has, since 1879, made up its Accounts annually on the second Saturday of October, and any alteration in this long-established and convenient procedure would involve administrative difficulties in the conduct of the Bank's affairs. The Directors are satisfied that the foregoing considerations constitute good reasons for not making any alteration in the financial years of the Bank or of the Subsidiaries.

KENNETH MURRAY, A. MAITLAND, ELGIN. *Directors.*
J. M. THOMSON, *Cashier and General Manager.*

			£166,583,788
CURRENT ASSETS:			
COIN, BANK NOTES and BALANCES with the Bank of England	18,332,195		
BALANCES with, and CHEQUES in course of collection on, other Banks in the British Isles	6,938,747		
MONEY at Call and Short Notice	8,820,000		
BILLS DISCOUNTED (including £2,900,000 British Treasury Bills)	5,215,957		
TREASURY DEPOSIT RECEIPTS	1,000,000		
INVESTMENTS—			
(*a*) QUOTED—at or under market value—			
British Government Securities and Securities guaranteed by British Government	64,617,430		
Dominion and Colonial Government Securities, and Corporation Stocks	673,731		
Other Securities	344,902		
	523,020		
(*b*) UNQUOTED—at cost—Terminable Corporation Mortgages		106,465,982	
ADVANCES to Customers and other Accounts, *less* provision for bad and doubtful debts		42,515,092	
LIABILITIES of Customers for Acceptances, Confirmed Credits and other Obligations per contra		9,894,834	
TOTAL CURRENT ASSETS		158,875,908	
SUBSIDIARY COMPANIES:			
Williams Deacon's Bank Ltd. Shares—1,562,500 "A" Shares of £5 each, £1 paid, and 312,500 "B" Shares of £1 each, fully paid	5,893,750		
Glyn, Mills & Co. £1,060,000 Stock—a company incorporated with unlimited liability			
NOMINEE COMPANIES (are limited by Guarantee and have no Assets or Liabilities)	457,704		
AMOUNTS due by Subsidiary Companies		6,351,454	
TRADE INVESTMENT:		166,500	
Industrial and Commercial Finance Corporation Ltd.—333 Shares of £1,000 each, £500 paid		1,189,926	
FIXED ASSETS: Bank Property, partly yielding rent, at cost, *less* amounts written off			
		£166,583,788	

PROFIT AND LOSS ACCOUNT for the Year ended 13th October, 1951

To Property Maintenance Reserve Account	£30,000	By Profit for the Year after providing for Taxation and making transfers to Reserves for Contingencies, out of which Accounts provisions have been made for all bad and doubtful debts and fluctuations in the value of Investments	602,728
„ Staff Pension Fund	75,000		
„ Staff Widows' Fund	15,000		
„ Reserve Fund	103,416		
„ Dividend—Midsummer, 1951, *less* Income Tax	189,656		
„ Dividend—Christmas, 1951, *less* Income Tax	189,656		
	£602,728		£602,728
Note: Directors' Emoluments—			
Aggregate amount of Directors' Fees	£26,410	Of these amounts, there are included in the Accounts of the Subsidiary Companies sums amounting, in all, to £26,978 (1950, £26,206).	
Aggregate amount of other Emoluments	15,633		
Pension, other than as a Director	4,000		
	£46,043		

AUDITORS' REPORT

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our Audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of those books, and proper returns adequate for the purposes of our audit have been received from Branches not visited by us.

We have examined the above Balance Sheet and Profit and Loss Account which are in agreement with the books of account and returns of the Bank. In our opinion, and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1948, in the manner so required, and on the basis authorised by the Act for a banking company give a true and fair view in the case of the Balance Sheet of the state of the Bank's affairs at 13th October, 1951, and in the case of the Profit and Loss Account of the profit for the year ended on that date.

We have examined the Group Accounts (comprising the above Balance Sheet of the Royal Bank of Scotland as at 13th October, 1951, and the annexed Balance Sheets of its Subsidiaries, Glyn, Mills & Co. and Williams Deacon's Bank Ltd., both as at 31st December, 1951) with the audited accounts of the Banks dealt with thereby, which accounts, with the exception of the Royal Bank of Scotland, have not been audited by us. Subject to the foregoing, in our opinion, the said Group Accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, and, on the basis authorised therein, give a true and fair view of the state of affairs and of the profit of the Royal Bank of Scotland and its Subsidiaries.

GEO. JAMES GREGOR, C.A., *Auditor.*
S. W. MURPHY, C.A., *Auditor.*

EDINBURGH, 16*th January*, 1952.

THE NATIONAL BANK OF INDIA, LIMITED

Registered in London under the Companies Act of 1862 on the 23rd March, 1866.

ESTABLISHED IN CALCUTTA, 29th SEPTEMBER, 1863.

Subscribed Capital	**£4,562,500**	**Reserve Funds**	**£3,675,000**
Paid-up Capital	**£2,281,250**	**Number of Shareholders**	**3,057**

HEAD OFFICE 26, BISHOPSGATE, LONDON, E.C.2.

BALANCE SHEET, 31st DECEMBER, 1951.

	£	£	*1950* £
CAPITAL—			
Authorised and Subscribed 182,500 Shares of £25 each	4,562,500		*4,562,500*
Paid-up £12 10s. per Share		2,281,250	*2,281,250*
RESERVE FUNDS—			
Including Share Premium Account £1,128,750 ... *(1950—£1,128,750)*		3,675,000	*3,600,000*
PROFIT AND LOSS ACCOUNT—			
Profit unappropriated ...		275,161	*281,113*
		6,231,411	*6,162,363*
CURRENT LIABILITIES, PROVISIONS AND OTHER ACCOUNTS—			
Current and other Accounts, including provision for Doubtful Debts, Taxation on profits to date and reserves for contingencies	89,803,997		*88,704,147*
Fixed and Short Deposits	20,156,131		*12,872,240*
Amounts due to Subsidiary Companies	1,267,707		*172,532*
Loans Payable	4,000,000		—
Bills Payable	1,779,884		*1,507,354*
Acceptances for Customers	1,962,702		*451,751*
Second Interim Dividend less Income Tax for the year ended 31st December, 1951	95,812		*100,375*
		119,066,233	
		£125,297,644	*£109,970,762*

	£	£	*1950* £
CURRENT ASSETS—			
Cash on Hand, at Call and Short Notice, and at Bankers		17,370,212	*21,886,789*
Investments at under Market Value:—			
British Government and other Securities quoted on the London Stock Exchange	11,779,649		*14,772,310*
Indian, Pakistan and Ceylon Government and other Rupee Securities quoted on Overseas Stock Exchanges ...	8,811,300		*9,210,530*
East African Government Securities amounting to £1,110,650 and other unquoted Investments	1,132,521		*2,588,696*
		21,723,470	
Bills of Exchange		16,362,679	*15,452,205*
Advances, Loans Receivable and other sums due to the Bank		65,476,404	*43,350,889*
Amount due by Subsidiary Company		—	*83,997*
Customers for Acceptances per Contra		1,962,702	*451,751*
Total Current Assets...		122,895,467	*107,797,167*
SUBSIDIARY COMPANIES Shares at cost less amounts written off		1,450,000	*1,450,000*
FIXED ASSETS— Bank Premises, Property and Furniture at cost, less amounts written off ...		952,177	*723,595*
		£125,297,644	*£109,970,762*

NOTES.

1. Securities to the nominal value of £612,500 (1950—£500,000) have been lodged as security for Government accounts and for guarantees issued to Indian Government Departments.
2. Bills receivable rediscounted £14,680,169 (1950—£6,402,628) of which up to 4th March, 1952 £9,852,070 have run off.
3. Forward contracts outstanding for the purchase and sale of Bills and Telegraphic Transfers £113,834,771 (1950—£94,316,147).
4. Liabilities have been incurred in respect of building contracts for new premises amounting to approximately £516,689 (1950—£158,446).
5. There are contingent liabilities in respect of confirmed credits outstanding amounting to £28,586,847 (1950—£23,322,572).
6. There are contingent liabilities in respect of guarantees entered into in the ordinary course of business.
7. Overseas Current Assets and Liabilities have been converted at the rate of 1/9d. per Indian Rupee, 2/2d. per Pakistan Rupee and £1 per 20 East African Shillings, and other currencies at the rates of exchange ruling on 31st December, 1951.

T. T. K. ALLAN, *General Manager.*
D. A. DEELEY, *Accountant.*
J. K. MICHIE
A. N. STUART
J. R. H. PINCKNEY } *Directors.*

REPORT OF THE AUDITORS TO THE MEMBERS.

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the Bank so far as appears from our examination of those books and proper Returns adequate for the purposes of our audit have been received from Branches not visited by us. We have examined the above Balance Sheet which is in agreement with the books of account and Returns. In our opinion and to the best of our information and according to the explanations given to us the said Balance Sheet gives the information required by the Companies Act, 1948, in the manner thereby authorised for Banking Companies and on such basis the Balance Sheet gives a true and fair view of the state of the Bank's affairs as at 31st December, 1951.

We have also examined the annexed Consolidated Balance Sheet and Consolidated Profit and Loss Account of the Bank and its Subsidiaries dealt with thereby with the audited accounts of those Companies. In our opinion such Consolidated Balance Sheet and Consolidated Profit and Loss Account have been properly prepared from such accounts in accordance with the provisions of the Companies Act, 1948, in the manner thereby authorised for Banking Companies and, on this basis, give a true and fair view of the state of affairs of the Bank and its Subsidiaries dealt with thereby so far as concerns members of The National Bank of India, Limited.

LONDON, *5th March*, 1952.

COOPER BROTHERS & CO.
W. A. BROWNE & CO. } *Auditors.*
Chartered Accountants

and Steel Federation. He estimated that home production might well be about 250,000 ingot tons more than in 1951, exports about the same as last year, and imports at least a million ingot tons more. Making generous allowances for rebuilding of stocks and for the amount of imported steel that may still be in the pipeline at the end of the year, he felt that at least 500,000 ingot tons more steel should be available for home industry this year. Mr Shone calculates the extra steel content for rearmament in 1952, as against 1951, as 300,000 ingot tons (making no reference of any nature to the statement in the recent white paper on defence that in all a million tons of finished steel, or about 1,400,000 ingot tons of crude steel, would be required for defence production this year). From the Chancellor's varying estimate about increases in engineering exports, Mr Shone deduced that such exports might need an additional 350,000 ingot tons; cuts in durable consumer goods, plant and machinery would provide enough "to ensure that at least there is the steel content available for the increased exports at which the Chancellor is aiming." It is not surprising, therefore, that Mr Shone should now be looking forward beyond the immediate shortage of steel to the period in which "the broad emphasis of policy will change from steel shortage to a question of holding and trying to expand our markets for engineering exports."

* * *

Changing Vista for Eastern Banks

There is a grim sound of the unwinding of great ventures in some of the recent reports of British banks doing business with the Far East—but there is also compensating evidence of adaptation and new development. The chairman of the Hongkong and Shanghai Banking Corporation can scarcely have avoided a note of nostalgia when he announced that there were now only four members of the foreign staff in the Bank's imposing and magnificent Shanghai office. Sir Arthur Morse said that trading arrangements with China were now very largely in the hands of Chinese government departments and their agents, and estimated that between 70 and 75 per cent of China's foreign trade was now with the Soviet Union and its satellites. With banking in China following the Russian pattern, the bank has had to take steps to withdraw its offices from Tsingtao, Swatow, Tientsin and Peking. Fortunately for the bank, activity in other sectors of its vast field of enterprise has offset the loss of business in China. Those other fields—Malaya, India, Ceylon, Thailand, Burma, Indo-China and Indonesia—have not been without their problems; but the manner in which the bank has adjusted itself to prevailing difficulties can be gauged from the further increase of £38½ million, to a record £254 million, in its balance-sheet total.

The Chartered Bank of India, Australia and China has also been called upon to adapt itself to a gigantic revolution in the social and political systems of its own particular sphere of interests. The chairman of the bank, Mr V. A. Grantham, claimed that the success with which this adaptation was being achieved owes much to the readiness with which branch managers have adjusted their way of life to unfamiliar social conventions and new forms of government and jurisdiction. Never have Britain's overseas ventures been called upon to adapt themselves to deeper changes than those that have occurred in Asia over the past six years. This theme was also stressed by Sir Charles Innes in his recent review of the affairs of the Mercantile Bank of India. This bank shares with its competitors some of the benefits of the transition from state bulk buying to private trading in commodity markets. Shipments of tea from India to the United Kingdom are now financed almost entirely by usance bills that are negotiated by the banks; when the Ministry of Food was the sole importer, the tea was paid for by telegraphic transfer. The National Bank of India, whose report and accounts were also recently published, has responded to growing difficulties in Asia by developing its interests in Africa. This is a development of fairly long standing, but has been pressed with increasing vigour and the result has been satisfactory to all concerned. Industrially and commercially the High Commission territories of East Africa—Kenya, Uganda, Tanganyika and Zanzibar—continue to expand, and the bank has played its full part in their development.

* * *

The ICI Issue and After

The £23 million rights issue by Imperial Chemical Industries went through before the Budget—and may have profited greatly thereby. About three quarters of the 10,093,023 new £1 ordinary shares, offered at 40s. 6d. each, were taken up by equity shareholders exercising their right to subscribe, and shareholders applied for about one and a half million more "excess" shares than were required to ensure a full subscription list. Stockholders who applied for more than 110 "excess" shares will receive one half of their requirements or 110 shares, whichever is the least, while smaller applications will be satisfied in full.

On the heels of this successful flotation—but also on the heels of the Budget and the Bank Rate change—British Insulated Callender's Cables are coming to the market for the much smaller sum of £3.4 million. This also will be a rights issue to equity shareholders, who are being offered 3,109,614 new £1 ordinary shares at 22s. each in the proportion of one new share for every three held. As £9,240,386 of £1 ordinary stock units are already in issue, the new offer will leave a small balance of shares, to which equity shareholders can also subscribe by right. The new shares do not rank for any ordinary dividend paid for the financial year ended December 31st last, but assuming that the dividend of 7½ per cent paid in 1950 will be repeated on the new ordinary capital of £12,350,000 the new shares at 22s. offer a yield of 6.8 per cent. Full details of the offer will not be posted to shareholders until March 28th, so that shareholders—and the directors—have a full fortnight to watch which way Mr Butler's measures will buffet equity prices and the confidence factor on which so much now depends.

Company Notes

Cable and Wireless (Holdings).—In two successive years the directors of Cable and Wireless (Holdings) have taken the market by surprise in announcing an ordinary dividend that went beyond even the most optimistic of forecasts. From the full accounts, now published, it is clear that the latest ordinary dividend of 8 per cent (against 6 per cent) was well secured by earnings. The dividend takes £210,000 net; with the help of £9,295 received as income relating to earlier years, this leaves £163,175 to be retained within the group—£115,950 by the holding company and £47,225 by Electra House. As last year witnessed modest increases in distribution on the equity capital of many British companies, it might at first have been expected that the gross investment income of the group would have risen. In fact, although 84.2 per cent of the group's investments is held in equity shares (compared with 75.7 per cent in 1950), gross investment income has fallen from £1,048,227 to £900,873. The main explanation of this drop is the reduction in the group's holding of quoted investments from £12,840,118 to £11,202,668, as a reflection of the redemption of another £2,291,632 tranche of the 3 per cent unsecured loan stock.

On December 31st last, the market value of the group's portfolio of quoted investments was £973,150 above its book value of £11,202,668; the directors add, somewhat cautiously, that unquoted investments were worth in aggregate "at least" their book value of £3,187,974. During the year the group hedged against inflation by adding to its holdings in equity shares at the expense of fixed interest stocks. At the end of 1951 only 7.2 per cent (against 15.8 per cent) of the company's holdings was in gilt-edged securities, while debenture and loan stocks of all kinds represented only 10.7 per cent (against 19.0 per cent) of the portfolio. The value of equity shares rose in the year

from £12,364,141 to £12,933,163. Moreover, last December the group held £2,041,166 in United States securities, representing 13.3 per cent of its total holdings; in 1950 it held £975,496, or 6 per cent of its portfolio, in this form. Meanwhile its holdings of British stocks were reduced sharply from £9,415,621 (or 57.6 per cent) to £7,240,255 (or 47.2 per cent). As yet it is too early to judge whether these changes indicate the future pattern of investment by Cable and Wireless. But clearly much of the group's income comes from equity shares, and as the excess profits tax on industrial profits may keep equity dividends at their present levels, shareholders in Cable and Wireless—and probably in other investment trusts as well—should not bank on a higher distribution this year.

Consolidated earnings :—	Years to December 31, 1950 £	1951 £
Investment income	1,048,227	900,873
Total income	1,290,560	1,049,806
Taxation	405,290	263,512
Net Profit	*434,423*	*362,880*
Ordinary dividends	165,000	210,000
Ordinary dividends (per cent.)	6	8
General reserve	930,000	100,000
Carry forward	166,640	182,590
Consolidated balance sheet analysis :—		
Quoted investments	12,840,118	11,202,668
Unquoted investments	3,233,114	3,187,974
Cash	2,483,581	1,177,140
Loan stock	9,958,244	7,666,612
Reserves	2,478,785	2,659,197
Ordinary capital	5,000,000	5,000,000

£100 ordinary stock at 114½ xd yields £6 19s. per cent.

★

Associated Electrical.—The full accounts of AEI help to fill in the details of the picture presented when its preliminary results were commented on in *The Economist* last week. Behind the recent rights issue of ordinary shares lay the solid achievement of a further increase in the value and volume of production last year, despite labour difficulties experienced in one of the most important of the group's factories. This increase was not confined to the home market, as export sales, particularly to hard currency areas, were also increased. A steady increase in production, reflected in the rise in trading profits from £8,439,937 to £10,321,225, cannot be secured in a period of rising prices without leading to some difficulty in financing additions both to fixed and working capital. The strain that this imposed is shown most clearly in the increase in the book value of stocks held by the group (from £23,464,714 to £30,497,630), in the fall in cash balances (from £2,104,806 to £1,116,144), and in the borrowing of £2,062,533 from the banks. The new money is needed to pay off this bank loan and to help to finance stocks, which will probably increase still further both in volume and value this year. Moreover, the group intends to spend about £5.5 million on capital extensions in the next three years; even by the end of the financial year outstanding capital commitments were estimated at £3,677,000.

Consolidated earnings :—	Years to December 31, 1950 £	1951 £
Trading profit	8,439,937	10,321,225
Total income	8,605,377	10,490,702
Depreciation	810,154	879,744
Replacement reserve	950,000	1,250,000
Taxation	3,959,631	5,399,982
Group earnings for ordinary stock	*2,233,624*	*2,321,654*
Ordinary dividends	660,000	672,850
Ordinary dividends (per cent.)	20	20
Retained by subsidiaries	334,920	624,319
General reserve	1,250,000	1,000,000
Added to carry forward	9,538	69,948
Consolidated balance sheet analysis :—		
Fixed assets, *less* depreciation	8,486,799	9,814,478
Net current assets	27,973,278	30,005,149
Stocks	23,464,714	30,497,630
Cash	2,104,806	1,116,144
Reserves	22,060,063	24,325,791
Ordinary capital	6,000,000	6,625,947

£1 ordinary stock at 68s. 9d. xd yields £6 16s. per cent.

stantial retentions from profits in addition to the £6.6 million raised by the new issue. Last year about £1,750,000, excluding the sum earmarked for the replacement of fixed assets, was retained by the group. Since the directors are making prudent provisions to bridge the shortfall between actual depreciation provisions and current replacement costs, replacement has also made—and will make—a considerable call upon profits. Nor will an excess profits tax, added to the already burdensome load of taxation, make any easier the company's task of preserving its capital intact, let alone adding to it. Equity shareholders cannot therefore reasonably look beyond the promise already made that a dividend of 20 per cent should be paid on the revised capital.

★

British Industrial Plastics.—An expansionist policy of capital development, a larger and more even flow of raw materials, and the adoption of four-shift working have all contributed to the increase in output achieved by British Industrial Plastics in recent years. In the year to September 30th this continued expansion of output, together with increases in selling prices, caused a jump in group trading profits from £443,237 to £626,439. Within the year the group earned nearly £4 million from sales, including nearly £1.2 million from direct exports. Equity shareholders have not been forgotten in this year of records. In 1950, a dividend of 20 per cent was paid on the ordinary capital of £580,892 and an interim dividend of 10 per cent was paid on the same capital in 1951; a final dividend of 10 per cent has since been declared on the revised capital of £830,892 as increased by a rights issue of 2,500,000 2s. ordinary shares last June. In addition, equity shareholders are to receive a tax-free bonus of a halfpenny a share from the capital profit of £40,560 that arose when BIP sold its holdings in the Australian company, Beetle-Elliott Ltd.; £20,069 of this profit has been transferred to capital reserve. The company's issued capital is now completely out of line with its real capital, and the chairman, Mr K. M. Chance, believes that this disparity can only be corrected by a bonus issue. But before such an issue can be made, Mr Chance appeals to preference shareholders to form a committee that can decide with the directors on an equitable scheme to convert the preference share capital of £14,820 into ordinary shares.

The new money raised by last year's rights issue has enabled the company to weather an increase in stocks from £467,077 to £720,498 without imposing any strain upon liquid resources. But the rise in the cost of raw materials, especially woodpulp, has forced the directors to create a contingency reserve to which £75,000 has been appropriated from profits and £15,600 has been transferred from a plant replacement reserve. Further extensions to the group's fixed capital should begin to make their contribution to earnings this year, and there should be no difficulty in paying a dividend of 20 per cent on the increased ordinary capital.

Consolidated earnings :—	Years to September 30, 1950 £	1951 £
Trading profit	443,237	626,439
Total income	453,379	630,599
Depreciation	98,262	129,131
Taxation	166,849	257,113
Group earnings for ordinary stock	*109,719*	*83,475*
Ordinary dividends	63,898	74,119
Ordinary dividends (per cent.)	20	20
Retained by subsidiaries	24	6,487
Added to carry forward	45,797	2,869
Consolidated balance sheet analysis :—		
Fixed assets, *less* depreciation	897,878	1,064,488
Net current assets	623,861	1,282,775
Stocks	467,077	720,498
Cash	206,244	695,094
Reserves	730,291	1,276,321
Ordinary capital	580,892	850,892

2s. ordinary stock at 5s. 9d. yields £6 19s. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 5, 1952	Price, Mar. 12, 1952	Net Yield, Mar. 12, 1952 (n) £ s. d.	Gross Yield, Mar. 12, 1952 £ s. d.
War Bonds 2½%...	100⅛	99½	2 16 7	4 2 1e
Mar. 1, 1951-53			2 1 2	3 5 11f
War Bonds 2½%...	100	98⅝	4 15 1	6 0 9e
Mar. 1, 1952-54			2 2 8	3 7 1f
Exchequer Stk. 2½%	99 7/16	96⅝	2 7 1	3 9 6
Feb. 15, 1955				
Serial Funding 1½%	100	99¼	1 16 4	3 1 3
Nov. 14, 1952				
Serial Funding 1½%	99⅛	97	2 12 0	3 12 4
Nov. 14, 1953				
Serial Funding 1½%	98⅛	96½	2 5 4	3 4 7
Nov. 14, 1954				
War Bonds 2½%...	99 7/16	96⅝	2 13 4	3 18 5e
Aug. 15, 1954-56			2 1 3	3 5 11f
Funding 2½%.....	99⅛	98⅛	8 17 1	11 9 1e
June 15, 1952-57			1 16 3	3 4 0f
Nat. Defence 3%...	100	98⅛	2 7 0	3 17 11e
July 15, 1954-58			1 17 5	3 7 0f
War Loan 3%.....	100⅞	98⅛*	2 0 10	3 8 11e
Oct. 15, 1955-59			1 16 1	3 4 5f
Savings Bonds 3%...	91⅛	90	4 16 4	6 7 5e
Aug. 15, 1955-65			2 9 4	3 19 10f
Funding 2½%.....	93 3/16	89⅝*	4 1 3	5 5 11e
April 15, 1956-61			2 11 9	3 16 8f
Funding 3%.....	86⅛	83½*	4 5 6	5 16 7e
April 15, 1959-69			2 15 8	4 7 2f
Funding 3%.....	86⅛	85⅛	2 16 11	4 8 7e
Aug. 1, 1966-68			2 14 2	4 5 10f
Funding 4%.....	98⅛	96⅛	2 13 9	4 14 10e
May 1, 1960-90			2 5 4	4 5 4f
Savings Bonds 3%..	84 3/16	82⅜	4 1 3	5 13 3e
Sept. 1, 1960-70			2 16 2	4 8 3f
Savings Bonds 2½%	84	82¼	3 2 7	4 10 4e
May 1, 1964-67			2 16 0	4 3 6f
Victory Bonds 4%..	100	98⅛	2 4 3	4 2 7s
Sept. 1, 1920-76				
Savings Bonds 3%..	82	80¼	3 8 8	5 1 5e
Aug. 15, 1965-75			2 14 7	4 7 5f
Consols 4%.....	89⅜	87⅜	2 8 2	4 12 1f
Conversion 3½%....	79 3/16*	77⅛*	2 7 6	4 10 5f
Treasury Stk. 2½%..	58*	56⅜*	2 6 6	4 8 6f
(after Apr. 1, 1975)				
Treasury Stk. 3%...	68⅛*	66⅛*	2 7 5	4 10 2f
(after Apr. 5, 1966)				
Treasury Stk. 3½%..	87⅛	86	2 12 6	4 9 9e
June 15, 1977-80			2 11 2	4 6 6f
Redemp. Stk. 3%...	75⅛*	74*	2 14 10	4 9 7e
Oct., 1986-96			2 11 1	4 6 3f
War Loan 3½%....	79 3/16	77⅛	2 7 11	4 11 1f
Consols 2½%.....	60*	58⅜*	2 4 11	4 5 5f
Brit. Elect. 3% Gtd..	82⅛*	81*	3 1 6	4 13 8e
April 1, 1968-73			2 15 4	4 7 7f
Brit. Elect. 3% Gtd..	81⅛*	79⅛*	2 16 4	4 9 0e
Mar. 15, 1974-77			2 13 10	4 6 8f
Brit. Elect. 3½% Gtd.	88⅛	87	2 11 9	4 9 0e
Nov. 15, 1976-79			2 10 6	4 7 9f
Brit. Tpt. 3% Gtd..	77	74⅛	2 19 8	4 14 6e
July 1, 1978-88			2 13 8	4 8 9f
Brit. Tpt. 3% Gtd..	82⅛*	81*	3 1 6	4 13 8e
April 1, 1968-73			2 15 4	4 7 7f
Brit. Gas Gtd. 3%..	76⅛	74⅛	2 13 5	4 9 1e
May 1, 1990-95			2 11 8	4 7 6f
Brit. Gas Gtd. 3½%.	90⅛*	88⅛	2 12 11	4 8 8e
Sept. 10, 1969-71			2 11 6	4 7 4f
Brit. Iron & Steel..	87⅛	85⅛	2 11 11	4 8 11e
3½%, 1979-81			2 11 2	4 8 2f

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date (*n*) Net yields after allowing for tax at 9s. 6d. in £ (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Mar. 5, 1952	Price, Mar. 12, 1952	Yield, Mar. 12, 1952 £ s. d.
%	%					
40	*b*	20	*a* Anglo-Am. 10/-.	7⅛	7⅛	4 4 3
5	*a*	25	*b* Anglo-Iran £1..	5⅛	5⅛	5 4 4
7½	*a*	12½	*b* Assoc. Elec. £1.	72/6	68/9*	5 16 4
27½	*c*	7½	*a* Assoc. P. Cem. £1	97/6	96/10½	5 13 6
45	*c*	50	*c* Austin 5/-.....	31/3*	30/-	8 6 8m
15	*a*	117½	*b* Bass £1	115/-	115/7½	7 8 3
40	*c*	5	*a* Boots 5/-.....	17/9	18/-	5 11 1½
9	*c*	7	*a* Br. Celanese 10/-	26/-	26/3	3 8 7
12	*b*	8	*a* Br. Oxygen £1..	75/6	76/6	5 4 7
5	*a*	7½	*b* Coats £1.....	46/3	44/4½	5 12 8
6½		5	*a* Courtaulds £1..	39/6	38/3	5 17 8
22½	*c*	17½	*a* Distillers 4/-...	18/-	18/-	5 0 0
15	*c*	17½	*c* Dunlop £1.....	53/9	55/7½	6 5 10
10	*c*	12½	*c* Ford £1	46/6	45/6	5 9 11
22½	*c*	7½	*a* Gen. Elect. £1..	74/4½*	76/3	5 18 2
11	*a*	17	*b* Guinness £1....	113/9	108/1½	5 3 7
4½	*a*	5½	*b* Hawker Sid. £1.	32/9	34/-	5 17 8
9	*b*	3	*a* Imp. Chem. £1.	41/-	41/-	5 17 1
13½	*a*	18½	*b* Imp. Tobacco £1	82/6*	85/-	7 10 10
5	*a*	10	*b* Lancs. Cotton £1	38/1½	36/10½	8 2 9
7½	*a*	10	*f* Lon. Brick £1..	56/3	56/3*	6 4 6
15	*a*	60	*b* Marks & Sp. A 5/-	79/3	79/-	4 14 11
8	*b*	8	*a* P. & O. Def. £1.	49/6	49/6	4 6 3p
17½		7½	*a* P. Johnson 10/-.	34/4½	35/-	7 2 10
17½	*b*	15	*a* "Shell" Stk. £1.	85/7½	85/7½	5 11 4
12½	*a*	12½	*b* Tube Invst. £1.	5⅛	5⅛	4 17 7
5	*a*	15	*b* T. & Newall £1.	86/3	86/3	4 12 9
13½	*c*	5	*a* Unilever £1....	46/10½	48/1½	5 12 2
8	*c*	10	*c* Union Castle £1	43/6	43/6	4 11 11
50	*c*	20	*a* U. Sua Betong £1	46/3	45/-	22 4 5
10	*b*	2½	*a* Vickers £1.....	44/9	45/-	5 11 1
15	*a*	27½	*b* Woolworth 5/-..	41/6	40/9	5 4 4

(*a*) Interim div. (*b*) Final div. (*c*) Div. for whole year. (*h*) Yield basis 20% after capital bonus. (*m*) Yield basis 50% before merger. (*p*) Yield basis 10½% after capital bonus * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 8, 1952, total ordinary revenue was £104,327,000, against ordinary expenditure of £58,546,000 and issues to sinking funds £1,156,000. Thus, including sinking fund allocations of £26,172,000, the surplus accrued since April 1, 1951, is £448,246,000 compared with a surplus of £779,700,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate, 1951-52 £'000	April 1, 1950 to Mar. 10, 1951	April 1, 1951 to Mar. 8, 1952	Week ended Mar. 10, 1951	Week ended Mar. 8, 1952
		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1323266	1551276	34,264	53,885
Sur-tax	128,000	110,300	117,400	3,800	4,200
Estate, etc., Duties	180,000	173,950	171,700	3,800	3,600
Stamps.....	55,000	50,460	58,000	700	900
Profits Tax & E.P.T.	312,650	258,670	297,000	4,400	5,900
Other Inland Rev.	500	545	550	20	20
Special Contributn.	1,500	4,640	2,550	200	40
Total Inland Rev.	2302400	1921831	2198476	47,184	68,545
Customs.....	930,500	854,368	935,913	14,475	20,100
Excise	720,500	698,000	728,655	2,690	4,750
Total Customs and Excise	1651000	1552368	1664568	17,165	24,850
Motor Duties	62,000	61,093	64,281	136	730
Surplus War Stores	20,000	37,237	32,238	...	3
Surpl's from Tradg.	50,000	80,905	75,455	...	...
P.O. (Net Receipts)	5,400	7,300	2,228	...	728
Wireless Licences..	13,600	11,900	12,800	...	...
Sundry Loans....	27,000	25,876	23,023	34	30
Miscell. Receipts..	105,000	70,148	91,235	194	9,441
Total Ord. Rev...	4236400	3768658	4164304	64,713	104327
SELF-BALANCING					
Post Office	179,431	158,200	179,772	2,400	2,272
Income Tax on E.P.T. Refunds	4,900	7,801	5,197	141	62
Total	4420731	3934659	4349273	67,254	106661

EXPENDITURE	Estimate, 1951-52 £'000	April 1, 1950 to Mar. 10, 1951	April 1, 1951 to Mar. 8, 1952	Week ended Mar. 10, 1951	Week ended Mar. 8, 1952
		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt.....	535,000	470,715	503,256	2,998	3,858
Payments to N. Ireland.....	38,000	35,362	37,394	...	2,040
Other Cons. Funds	11,000	9,230	10,699	10	214
Total	584,000	515,307	551,349	3,008	6,112
Supply Services ..	*3514062	2454304	3138536	57,244	52,434
Total Ord. Expd..	*4098062	2969611	3689885	60,252	58,546
Sinking Funds ...	...	19,347	26,172	...	1,156
Total (excl. Self-Bal. Expd.).....	4098062	2988958	3716057	60,252	59,702
SELF-BALANCING					
Post Office	179,431	158,200	179,772	2,400	2,272
Income Tax on E.P.T. Refunds	4,900	7,801	5,197	141	62
Total	4282393	3154959	3901026	62,793	62,036

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £317,679 to £3,422,632, the other operations for the week increased the National Debt by £3,635,560 to £25,742 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 & 1921 ...	8

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	1,250
EPT Refunds	77
Export Guarantees Act, 1949, s. 3(2)	75
Local Authorities Loans Act, 1945, s. 3(2).....	5,800
Miscell. Financial Provisions Act, 1950, s. 2(1)	
N. Ireland Exchequer	1,971
Development of Inventions Act, 1948, s. 11(1) ...	1
Coal Industry Acts, 1946 to 1951	500
Cotton (Centralised Buying) Act, 1947, s. 21(1)..	10,000
Miscell. Financial Provisions Act, 1946, s. 2(1) War Damage : War Damage Commission	3,000
Miscell. Financial Provisions Acts 1946 & 1950: Civil Contingencies Fund	25,000
Finance Acts, 1946 & 1947: Postwar Credits.....	275
	47,949

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	21,602	2½% Def. Bonds...	790
Nat. Savings Certs.	1,100	3% Def. Bonds....	2,799
Other Debt :—		Tax Reserve Certs.	3,519
Internal	69	Other Debt :—	
		External	24
		Ways & Means Advances	12,005
	22,771		19,137

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Mar 10	3180·0	1737·3	440·7	...	314·0	5672·0
Dec 8		4631·1*	289·0	3·0	123·0	5046·1
,, 15		4718·1*	207·7	...	123·0	5048·8
,, 31		4782·9*	252·5	5·8	119·0	5160·1
1952						
Jan. 5		4760·0*	267·7	...	116·5	5144·2
,, 12		4723·4*	256·3	...	80·5	5060·7
,, 19		4643·5*	277·8	...	80·5	5001·8
,, 26		4601·4*	270·7	...	79·5	4951·5
Feb. 2		4248·8*	239·2	...	67·5	4555·5
,, 9		4200·1*	260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4516·9

* The proportion of tender and tap Bills surrendered for 1⅜ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Mar 9	260·0	339·3	260·0	10 2·97	68
Dec. 7	170·0	225·3	170·0	19 3·26	73
,, 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·6	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	84
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75

On March 7th applications for 91 day bills to be paid from March 10 to March 15, 1952, were accepted dated Monday to Saturday as to about 75 per cent at £99 14s. 10d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £200 million were offered on March 14th. For the week ended March 15th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 48 Weeks ended: Mar. 3, 1951	Totals 48 Weeks ended: Mar. 1, 1952	Week ended Mar. 1, 1952
Savings Certificates :—			
Receipts.....	109,500	142,400	3,500
Repayments.....	120,900	125,600	2,800
Net Savings	*Dr11,400*	16,800	700
Defence Bonds :—			
Receipts.....	21,550	52,654	755
Repayments	44,605	66,053	1,175
Net Savings	*Dr23,055*	*Dr13,399*	*Dr 420*
P.O. and Trustee Savings Banks :—			
Receipts.....	605,550	646,194	13,474
Repayments	658,728	736,582	14,414
Net Savings	*Dr53,178*	*Dr90,388*	*Dr 940*
Total Net Savings.....	*Dr87,633*	*Dr86,987*	*Dr 660*
Interest on certificates repaid	27,072	31,497	742
Interest accrued	116,259	116,740	2,503
Change in total invested. ..	+ 1,554	— 1,744	+ 1,101

BANK OF ENGLAND RETURNS

MARCH 12, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt....	11,015,100
In Circulation	1380,230,429	Other Govt. Securities	1385,744,817
In Bankg. Department...	20,126,394	Other Secs.....	727,498
		Coin (other than gold)....	2,512,585
		Amt. of Fid.—Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine).....	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs....	343,112,853
Rest.....	3,922,067	Other Secs.:—	40,564,893
Public Deps.:—	15,281,193	*Discounts and*	
*Public Accts.**	*14,787,605*	*Advances....*	*15,649,450*
H.M. Treas. Special Acct.	*493,588*	*Securities....*	*24,915,443*
Other Deps.:—	371,596,870		
Bankers.....	*286,092,371*	Notes.....	20,126,394
Other Accts...	*85,504,499*	Coin.....	1,548,990
	405,353,130		405,353,130

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Mar. 14	1952 Feb. 27	1952 Mar. 5	1952 Mar. 12
Issue Dept. :—				
Notes in circulation.....	1300·3	1367·0	1375·1	1380·2
Notes in banking department	50·1	33·3	25·2	20·1
Government debt and securities*	1345·8	1396·8	1396·8	1396·8
Other securities	0·7	0·7	0·7	0·7
Gold and coin.....	3·9	2·9	2·9	2·9
Valued at s. per fine oz...	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts.....	13·3	11·8	19·6	14·8
Treasury Special Account	11·3	0·4	0·6	0·5
Bankers	291·6	283·0	274·2	286·1
Others.....	78·8	83·1	83·7	85·5
Total.....	395·0	378·3	378·1	386·9
Securities :—				
Government.....	319·4	311·8	334·5	343·1
Discounts, etc.....	19·1	17·7	9·5	15·6
Other	24·1	32·3	25·8	24·9
Total.....	362·6	361·8	369·8	383·6
Banking dept. res.....	50·9	34·9	26·8	21·7
	%	%	%	%
"Proportion".....	12·8	9·2	7·0	5·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 6, 1951	Feb. 26, 1952	Mar. 11, 1952
Cereals and meat	158·7	179·2	179·3
Other foods	172·4	195·2	195·4
Textiles	338·3	239·3	235·1
Minerals.....	335·4	372·5	390·9
Miscellaneous	195·8	192·3	192·3
**Complete Index	225·0	224·3	225·5
1913=100	*309·6*	*308·6*	*310·3*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Mar. 6..	77·0	..88·00	Markets	Closed
,, 7..	77·0	88·00	,,	,,
,, 8..	Markets	Closed	,,	,,
,, 10..	77·0	88·00	,,	,,
,, 11..	77·0	88·00	,,	,,
,, 12..	77·0	88·00	,,	,,

The Chartered Bank of India, Australia & China

(Incorporated by Royal Charter, 1853.)

CAPITAL STOCK, Authorised and Issued **£3,000,000** RESERVE FUND **£4,000,000**

Head Office: 38 BISHOPSGATE, E.C.2. **West End Branch:** 23 CHARLES II ST., HAYMARKET, S.W.1. **Liverpool Branch:** 27 DERBY HOUSE, EXCHANGE BUILDINGS, LIVERPOOL, 2. **Manchester Branch:** 52/54 MOSLEY ST., MANCHESTER, 2.

BALANCE SHEET, 31st DECEMBER, 1951

1950.		£	£
£			
3,000,000	CAPITAL, STOCK, AUTHORISED AND ISSUED ... ... (There is under the Charter a reserve liability of the Stockholders equal to the amount of Stock issued.)	3,000,000	
4,000,000	RESERVE FUND	4,000,000	
365,836	PROFIT AND LOSS ACCOUNT	397,433	
7,365,836			7,397,433
	CURRENT AND OTHER ACCOUNTS, including Reserves for Contingencies, Taxation on profits to date and Exchange Adjustments	169,145,092	
150,204,804	FIXED DEPOSITS	18,985,709	
16,934,240	NOTES IN CIRCULATION against Security per contra	2,549,629	
3,000,527	BILLS PAYABLE	2,530,592	
1,863,994	LOANS PAYABLE	1,409,933	
1,234,902	DEPOSITS BY NOMINEE SUBSIDIARIES	381	
381	DEPOSIT BY TRUSTEE SUBSIDIARY	8,993	
4,544	PROPOSED FINAL DIVIDEND, less Income Tax	110,250	
132,000	ACCEPTANCES, including undertakings to accept, on account of Customers	11,834,066	
13,757,503			206,235,445
186,236,804			

NOTES:—(1) There are contingent liabilities on Bills re-discounted £19,553,080 (1950, £14,129,629) (of which £13,421,153 has run off at 3rd March, 1952) and commitments in respect of Confirmed Credits, Guarantees and Forward Exchange Contracts.

(2) Contracts for outstanding capital expenditure on premises amount to approximately £77,000 (1950, £151,000).

(3) Assets and Liabilities in foreign currencies have been converted into sterling at approximately the rates of exchange ruling on 31st December, 1951.

(4) Under Part III of the Eighth Schedule to the Companies Act, 1948, the Bank is exempted from showing the aggregate amount of its reserves and the movements therein.

W. R. COCKBURN, *Chief General Manager.*
H. F. MORFORD, *Deputy Chief General Manager.*
W. H. CARRICK, *Chief Accountant.*

1950.		£	£
£			
31,430,977	CURRENT ASSETS, CASH IN HAND, AT CALL AND AT BANKERS		33,804,187
	GOVERNMENT AND OTHER SECURITIES AT MARKET VALUE—		
44,984,185	Quoted on London Stock Exchange	49,827,922	
7,779,959	Quoted on Overseas Stock Exchanges	9,059,193	
3,122,550	Dominion Government and other Securities at Local quotations	3,215,127	
55,886,694			62,101,242
1,179,273	HONGKONG GOVERNMENT CERTIFICATES OF INDEBTEDNESS for surrendered coin lodged against Note Issue	1,179,273	
1,767,500	BRITISH GOVERNMENT SECURITIES at Market Value (Quoted on London Stock Exchange) lodged against Note Issue ...	1,750,000	
2,946,773			2,929,273
14,244,427	BILLS OF EXCHANGE, including United Kingdom and Foreign Treasury Bills		12,837,101
67,157,831	ADVANCES TO CUSTOMERS AND OTHER ACCOUNTS		86,779,492
5,569,513	BALANCE OF REMITTANCES, DRAFTS, ETC., IN TRANSIT between Head Office, Branches and Agencies		547,852
13,757,503	LIABILITY OF CUSTOMERS FOR ACCEPTANCES, including undertakings to accept, per contra		11,834,066
190,973,722			210,933,924
	FIXED ASSETS—		
	SUBSIDIARIES—Shareholdings at cost—.		
747,705	Allahabad Bank, Limited—37,648 Ordinary Shares of Rs. 100 each of which 14,665 are fully paid and 22,983 are paid up to the extent of Rs. 50 per share	747,705	
17,500	The Chartered Bank (Malaya) Trustee Limited— 30,000 Shares of Straits $10 each, $5 paid	17,500	
381	Nominee Companies	381	
	The net assets of the Nominee Companies amount to £381, represented by deposits with the Bank, per contra.		
765,586		765,586	
1,342,707	BANK PREMISES AND FURNITURE, at cost less amounts written off	1,912,744	
20,625	TRADE INVESTMENT, representing Property (at cost)... ...	20,933	
2,628,918			2,698,964
£193,602,640			£213,632,879

V. A. GRANTHAM, *Chairman.*
J. L. MILNE, *Deputy Chairman.*
J. TAIT, *Director.*

REPORT OF THE AUDITORS TO THE STOCKHOLDERS

We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit. In our opinion proper books of account have been kept by the bank so far as appears from our examination of those books, and proper returns adequate for the purposes of our audit have been received from the branches, which have not been visited by us. We have examined the annexed balance sheet and profit and loss account of The Chartered Bank of India, Australia and China, which are in agreement with the books of account and returns as aforesaid. In our opinion and to the best of our information and according to the explanations given to us the said accounts give the information required by the Companies Act, 1948, in the manner so required for banking companies, and, on the basis indicated in Note (4) on the balance sheet, such balance sheet gives a true and fair view of the state of the bank's affairs as at 31st December, 1951, and the profit and loss account gives a true and fair view of the profit for the year ended on that date.

We have also examined the annexed accounts of the subsidiaries, Allahabad Bank Limited and The Chartered Bank (Malaya) Trustee Limited, which have not been audited by us. Subject thereto in our opinion such accounts have been properly prepared in accordance with the provisions of the Companies Act, 1948, so as, in conjunction with the accounts of the bank as audited by us (which include particulars regarding Nominee Companies), to give on the basis mentioned above a true and fair view of the state of affairs as at 31st December, 1951, and of the profit for the year ended on that date of the bank and its subsidiaries so far as concerns stockholders of The Chartered Bank of India, Australia and China.

DELOITTE, PLENDER, GRIFFITHS & CO. } Auditors,
W. A. BROWNE & CO. } Chartered Accountants

London, 5th March, 1952.

PROFIT AND LOSS ACCOUNT for the year ended 31st DECEMBER, 1951

1950.		£	£
£			
	ALLOCATIONS—		
200,000	Amount written off Bank Premises	200,000	
125,000	Officers' Pension Fund	125,000	
20,000	Widows' and Orphans' Fund	20,000	
100,000	Contingencies Account	100,000	
445,000			445,000
	DIVIDENDS PAID AND PROPOSED, less Income Tax—		
99,000	Interim 7% paid 28th September, 1951	110,250	
132,000	Final 7% proposed	110,250	
231,000	14%	220,500	
365,836	BALANCE PROPOSED TO BE CARRIED FORWARD		397,433
£1,041,836			£1,062,933

1950.		£	£
£			
409,029	BALANCE BROUGHT FORWARD FROM 31ST DECEMBER, 1950		365,836
632,807	PROFIT, after providing for Taxation and after making allocations to Contingency Accounts, out of which Accounts full provision has been made for diminution in value of assets		637,097
	NOTES:—(1) The aggregate emoluments received by the Directors for their services amounted to £19,230 (1950, £16,250).		
	(2) The nominee subsidiaries do not trade and their accounts show neither profit nor loss.		
£1,041,836			£1,002,933

NOTICES

COMMITTEE OF LONDON CLEARING BANKERS

NOTICE IS HEREBY GIVEN that the maximum rate of interest allowed by the undermentioned London clearing banks on deposits, which must be lodged for a minimum period of 21 days and be subject to a minimum notice of withdrawal of 21 days, will be 2 per cent per annum until further notice:—

Barclays Bank Limited
Coutts and Co.
District Bank Limited
Glyn Mills and Co.
Lloyds Bank Limited
Martins Bank Limited
Midland Bank Limited
The National Bank Limited
National Provincial Bank Limited
Westminster Bank Limited
Williams Deacon's Bank Limited

For the Committee of London Clearing Bankers,
A. I. HANCOCK, Secretary.

London, March 11, 1952.

FERRANTI LTD. have an important vacancy for a man of suitable qualifications and experience to study the uses of the Ferranti Electronic Computer in large-scale accounting and statistical calculations. He will be required to prepare detailed reports on systems now in operation and to work with mathematicians on the problems which arise in the application of new techniques.

Permanent staff appointment with superannuation benefits and generous salary according to qualifications.

Forms of application from Mr. R. J. Herbert, Staff Manager, Ferranti Ltd., Hollinwood, Lancs. Please quote reference DC Comm.

KUMASI COLLEGE OF TECHNOLOGY, GOLD COAST

(PRINCIPAL: J. P. ANDREWS, D.Sc., F.Inst.P.)

Applications are invited for the undermentioned posts in the DEPARTMENT of COMMERCE:

(a) 4 Lectures (Grade I), in (1) English, (2) Mathematics, (3) Economic History and Geography, (4) Economics.

(b) 2 Lecturers (Grade II), in (1) Accountancy, (2) Law.

(c) 1 Lecturer or Senior Lecturer in Local Government Subjects.

Candidates should have appropriate teaching experience and must possess at least Graduate or equivalent Professional qualifications.

Posts are pensionable (in exceptional cases appointment by contract might be arranged). Salary scales:

Lecturers (Grade I): £798-£1,147 per annum.
Lecturers (Grade II): £798-£1,450 per annum.
Senior Lecturers: £1,266-£1,780 per annum.

Above scales include overseas pay and temporary cost-of-living allowance of approximately 15 per cent of basic salaries (£510-£798, £540-£1,000 and £840-£1,200 respectively). Point of entry according to qualifications and experience. Income tax at local rates much lower than U.K. rates. Leave on full salary at rate of 7 days for each completed month of resident service, normally but not necessarily taken annually. Free first-class passages once each way for each tour of service for successful candidate, wife, and children under 9 up to three in number conditional upon their residing in the Gold Coast for a minimum of 6 months during the tour. Partly furnished quarters provided at rental not exceeding 10 per cent of basic salary.

Further information concerning the College and method of application is obtainable from the Secretary, Advisory Committee on Colonial Colleges, 15, Victoria Street, London, S.W.1, to whom enquiries should be addressed in time for applications to be submitted before March 29, 1952.

COMPANY MEETINGS

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

ACCOUNTS REVEAL FURTHER EXPANSION

GREAT BRITAIN'S BALANCE OF PAYMENTS PROBLEM

FINANCIAL AND TRADING CONDITIONS IN FAR EAST

GIGANTIC REVOLUTION IN A DECADE

MR V. A. GRANTHAM ON THE POSITION AND OUTLOOK

The ninety-eighth ordinary general meeting of The Chartered Bank of India, Australia and China will be held on the Bank's premises at 38, Bishopsgate, London, E.C., on April 2nd.

The following is the statement of the chairman, Mr V. A. Grantham, which has been circulated with the report and accounts for the year ended December 31, 1951:—

Before presenting my statement reviewing the affairs of the bank, I would refer to the sorrow which has come upon the Mother Country, the British realm overseas, and the Commonwealth of Nations through the death of His late Majesty, King George. Throughout the eastern lands, among people of diverse races and allegiances, there have been in recent weeks many touching evidences of the universal respect and admiration in which the King was held.

With devotion and loyalty we pay homage to Her gracious Majesty the Queen, confiding that her reign may be long and indeed happy and glorious.

A CENTURY IN RETROSPECT

Almost a hundred years have passed since Her Majesty's ancestor, Queen Victoria, granted to this bank a Royal Charter, and I hope that, in 1953, it will be possible to mark in some way the attainment by the bank of its first centenary.

In the course of this survey I shall refer to some of the political and economic factors which, to a greater extent than formerly, influence the administration of the far-flung branch organisation and world-wide business interests of the bank. When making my last report I paid tribute to the devotion to duty, loyalty and skill with which our overseas branch managers and their British and Asian colleagues continued to serve the bank under conditions of difficulty, discomfort and often danger. Few people who are not concerned from day to day with British commercial and financial operations in Asia are able to comprehend the significance of the political and social changes which have taken place during a decade which may well prove to be one of the great watersheds of world history. Never have there been in so short a time such extensive transfers of sovereignty.

A revolution on so gigantic a scale might have been expected to extinguish institutions more firmly established than the branch organisation of a commercial bank controlled and directed from Western Europe, but it is remarkable that, notwithstanding the almost cataclysmic changes which have occurred in the social, political and economic structures of nearly all the Asian lands engaged in international commerce, The Chartered Bank has preserved its system of branches almost intact.

TRIBUTE TO BRANCH MANAGERS

An important factor in this signal achievement has been the readiness with which our branch managers have adapted their way of life to unfamiliar social conventions and new forms of government and jurisdiction, and adjusted their professional technique to changed commercial customs. In countries proud of their newly acquired standing as sovereign nations and highly sensitive to criticism, the bank's officers have shown patience and comprehension, and manifested an unfailing helpfulness which has won the confidence of the new generation of administrators and made possible an extensive enlargement of the bank's clientele. It is a privilege to be able to acknowledge that the bank is extremely well served by its British and Asian staffs at home and abroad, and that they have never been led so successfully as they are to-day by the general managers under the guidance of Mr Cockburn and Mr Morford.

Throughout the period of the war, revolution and political change in the East, the bank has survived with added prestige and a considerable accession of strength, and I venture to hope that it will go on from strength to strength through the storms and stresses which must be expected to accompany the inauguration of what can best be called the New Order in Asia.

IMPARTIAL SERVICE

On previous occasions I have often said that throughout its existence the bank has sought impartially to serve the needs of the commercial communities, irrespective of nationality, in the countries to which its representation extends. Fifteen years ago the numerous Asian territories served by the bank had many economic interests in common. Their fiscal policies were on the whole liberal. Exchange control and autarchical conceptions of government were almost unknown. Throughout the area there was freedom for British citizens to reside and to trade, and between the governments of Southern and South-Eastern Asia, and to some extent those of the Far East also, there was a large measure of political accord and economic co-operation. In time the administrations of the newly emancipated national states will no doubt restore some measure of economic collaboration and resume multilateral trading, but, in the meantime, the political fragmentation of that great trading area, which extends from the Arabian Sea to the Pacific Ocean, must continue to confront the bank with many new and recurring problems of management and administration.

It is no longer possible to take comprehensive views of the area served by the bank and to formulate policies, however limited in their scope, applicable to the establishment as a whole. Each territory in which the bank conducts business must be viewed, and to a large extent managed, in isolation from the rest. Some economic phenomena are common to several of the Asian countries, but so widely do political systems diverge, that it would be dangerous to apply the experience gained in one to the solution of parallel problems in another. Perhaps some slight comfort may be discerned in the present situation from the reflection that crises of confidence, if not political crises, are less contagious than they were.

Management.—At the beginning of this year the board appointed Mr W. G. Pullen to be a general manager of the bank.

THE BANK'S BALANCE SHEET

Again this year the accounts indicate a further expansion of the bank's business, and the total of the balance sheet at £213,632,879 is the largest we have ever shown, as it exceeds the figure for last year by £20,030,239. It is only fair to say, however, that the very great expansion which was evident during the first six months of the year under review, has been partly offset by a moderate recession in the latter half of the year, and that this recession has continued into the present year, so that we may look for lower figures in future.

On the left-hand or liabilities side of the balance sheet, current and other accounts, fixed deposits, bills payable and loans payable are up by £18,940,198, £2,567,460, £666,688 and £165,931 respectively, all these items being sound indicators of increased business. On the other hand, notes in circulation and acceptances are down by £450,898 and £1,873,436 respectively. The reduction in notes in circulation reflects a slight recession in our business in Hongkong, where alone among all our branches the bank still issues notes. The reduction in the figure for acceptances reflects in the main increased competition from other banks in Japan for this class of business.

SUBSTANTIAL INCREASES

On the right-hand or assets side, cash in hand, at call and at bankers, Government and other securities, and advances to customers and other accounts, all show substantial increases, the figures being up by £2,373,210, £6,235,254 and £19,621,661 respectively, while decreases of £17,500, £1,357,326 and £1,873,436, are shown in the figures for securities held against the note issue, bills of exchange and liability of customers for acceptances respectively. The increases in cash in hand, at call and at bankers, and in the amount of government and other securities, represent the result of our efforts to maintain a strong degree of liquidity in the face of the increased demand for accommodation in the shape of advances

to customers and other accounts which has persisted throughout the year.

The diminution in the amount of securities held against the note issue represents depreciation only, and it will be clear that there is a surplus in this account which could be withdrawn and added to cash in hand or government and other securities, but which is being retained in case there should again be an expansion in notes in circulation. The decrease in bills of exchange reflects the moderate recession in business which took place in the second half of the year and to which I have already drawn your attention, while the fall in liability of customers for acceptances, balances the reduction in acceptances on the liabilities side and is, of course, due to the same cause.

PROFIT AND LOSS ACCOUNT

The net profits for the year are £697,097, an increase of £64,290 over those of last year, which themselves reflected an even greater increase over those for 1949. Throughout the last three years there has been a general deterioration in working conditions in almost every country in which the bank operates, accompanied by higher and ever higher working costs, and only the fact that the bank has handled a progressively increasing volume of business in each of these three years has enabled us to show an increased net profit return on each occasion. Last year I said that we should be prepared from then onwards for diminishing net returns and, although we are, this year, fortunately able to report not diminished, but greater, net returns, it would be foolhardy, in the face of the recession we are now experiencing, although so far this has been of moderate dimensions, not to be prepared for some reduction in future net profits. While we may still hope to increase our share of such business as is available, our turnover must in the end, be related to the volume of trade in the countries which the banks serve.

The stockholders will be only too well aware that there has been a considerable fall during the year in the market value of our investments in government securities. Our holdings are all dated, and predominantly short-dated, so that the losses that have been provided for should be largely recovered in due course. Suffice it to say that all losses have been fully provided for out of our internal reserves, and that in the meanwhile the prices at which these securities now stand in our books bear a more realistic relationship to current rates of interest.

DIVIDEND AGAIN 14 PER CENT

We paid an interim dividend in September last of 7 per cent, less income tax, absorbing £110,250, and it is proposed that, out of the balance now available, a final dividend of 7 per cent, less income tax, should be paid, costing £110,250, making the total distribution for 1951, 14 per cent, as was also the case for 1950.

We propose to repeat the allocations made last year to the pension fund and the widows' and orphans' fund of £125,000 and £20,000 respectively. The calls on these funds continue to be heavy and it is necessary to build them up against the future. Even so, the pension fund only provides for more or less uniform payments to all senior officers and does not permit of senior officials, and in particular officers serving abroad all their lives, receiving on their retirement pensions bearing some relationship to their active service emoluments. It is clearly of importance that the remuneration of all members of our staff should be adequate. Apart from the simple question of justice, it is obviously to our interests to provide emoluments that attract the best men to our service.

During the year, therefore, your directors decided to inaugurate a supplementary pension scheme which, in the case of senior officials and officers serving abroad, would not only increase the ultimate pension, but would, during the service of such members, give substantial benefits to dependents in the event of the untimely death of the member. This scheme is fully covered by insurance and will involve the bank in annual payments which will vary in amount according to the numbers of staff embraced by the scheme. Our opening contribution was made to the debit of profit and loss account prior to striking our profit figure for the year, and we propose to follow this procedure in future years. I feel sure that the stockholders will approve of what has been done.

PREMISES ACCOUNT

Considerable expenditure continues to be incurred in meeting the cost of extensions and renovations of bank premises and in the provision of houses for our officers in the eastern branches, and the board therefore propose that again £200,000 should be applied toward writing down bank premises and furniture account. Our Singapore office extension was recently completed, and we are informed that this large and profitable branch is now a most imposing edifice, providing every possible facility for a full banking service, including an up-to-date safe deposit for our customers and the public.

Finally, it is proposed once again to transfer £100,000 from profit and loss to contingencies, leaving £397,433 to be carried forward to next year, an increase of £31,597. I trust the stockholders will approve of our proposals.

STRUGGLE FOR STABLE GOVERNMENT

I propose to continue my practice of reviewing conditions in the areas in which the bank operates; but I would ask you to bear in mind that there are now so many imponderables on the far eastern horizon, particularly with the Korean trouble still unsettled, that it is unwise, if not impossible, to express views with complete frankness or any assumption of authority. Everywhere we see the struggle for stable government against Communism. In every country in which we operate the impact of Communism is felt in a greater or lesser degree. Everywhere the paramount need is for peace and confidence in place of war and suspicion, but unfortunately the solution of the world's troubles which can in the main be traced to one source, is not yet in sight.

In the meanwhile, the attraction of such lands as the three Delta countries of Indo-China, Thailand and Burma, the granaries of South and South-East Asia, to a country so immense and thickly populated as China, is, unfortunately, obvious. China has been in the past, and is reputed to be again, self-supporting in food grains, while, for some years past, India and many other lands in South and South-East Asia and the Far East, have depended upon rice from the three Delta countries for some portion of their annual requirements, so that the mere possibility that the produce of these three countries might be lost to South and South-East Asia is an arresting thought, which must leave no doubt in the minds of the United Nations Organisation that they must be protected from violation, the more so as their loss would leave Malaya exposed and Indonesia in danger.

We recognise, and are alive to, the threat inherent in the present political situation in the Far East; but, as our interests are purely economic, we can only hope that the counsels of peace will prevail and that we shall be permitted to carry on our normal function of assisting trade and commerce in the Far East without interruption or molestation.

I shall now proceed as usual to devote several paragraphs to each of the countries in which the bank maintains branches; but I feel that I must, without further delay, refer to the position of our offices in China instead of relegating my remarks on that area to their normal place in my review.

CHINA

The bank first opened its Shanghai branch in 1858, and, in spite of many vicissitudes, it operated with success and was effective in aiding the trade and commerce of the country until the outbreak of war with Japan in December, 1941. Stockholders will not need to be reminded that our officers were then interned and suffered considerable hardships until the Japanese were defeated, or that they were among the first to return to China to assist in the rehabilitation, not only of our own business, but of the trade and commerce of China. Exchange control and depreciation of the currency under the Kuomintang Government nullified all efforts to rehabilitate China as one of the great trading nations of the world, and, although since the advent of the People's Government, the internal value of the currency has been stabilised, commerce with the outside world has declined, or is handled on a governmentally-controlled basis, and our usefulness in China as an exchange bank appears to be at an end. As a first step, therefore, we have sought permission of the financial authorities of the People's Government to close our Tientsin office, and, although our Shanghai office remains open for the time being, a great exodus of foreigners has taken place from Shanghai and China generally, and we are handling very little business now, even in Shanghai.

John Hay, who was Secretary of State in the United States Government at the turn of the century, is credited with the assertion that he who understands China holds the key to the world's politics for the next five hundred years. This bank has a longer experience of Chinese affairs than has been given to any other foreign financial institution, and, although many of its officials, both past and present, have striven diligently to find the key, none has been successful. The record of the bank in China over a period of nearly a hundred years is one which we are reluctant to bring to a close, but there would appear to be no alternative.

INDIA

While external developments inevitably left their impress upon the Indian economy during the year, there has been within the country an all-round increase in industrial production, due to an improvement in labour conditions, better transport facilities and a greater availability of raw materials, especially cotton and jute. On the other hand, production of food has not come up to expectations or requirements and, in spite of all that is being done to enlarge the country's capacity for growing food, the task of making India self-supporting in this direction, already almost insuperable, is one of ever-increasing magnitude due to the perpetually rising tide of population.

The deficit in food supplies during the year widened to some three million tons and, but for timely assistance from a number of countries in the shape of food grains and shipping space, famine worse than any known in recent years would have been inevitable. Much of the aid which saved the country from disaster came from the United States, by means of a loan of two million tons of wheat, the rupee proceeds of which India has now been permitted to utilise in financing development projects.

RAW MATERIALS

Notwithstanding the greater availability of raw materials, including jute and cotton,

these two commodities remained in sufficiently short supply to prevent the achievement of full-scale production programmes, while the steady rise in the prices of both jute and cotton exerted considerable inflationary pressure throughout the year. An agreement covering the exchange of a number of commodities was negotiated by India and Pakistan on February 25, 1951, under which India was to obtain from Pakistan *inter alia* 35 lakhs of bales of raw jute between the date of the agreement and June 30, 1952.

Early arrivals of jute were below expectations, however, and although the agreement had the immediate effect of easing pressure on demand and prices, it soon became evident that the growers were in a much stronger position to hold the commodity until the price suited them, and no doubt this has been the main factor, together with demand from other manufacturing centres, in keeping deliveries to India well below the optimum figure. In concluding the agreement in February, 1951, India accepted the official par value of the Pakistan rupee, thus removing one bone of contention between the two countries, although of necessity exchange control has had to be instituted.

STERLING BALANCES

In October, 1951, it was announced that the British Government had agreed to permit the transfer of £310 million of India's sterling balances from the blocked account to the current account, to be held as a currency reserve and drawn upon only in an emergency. The country's sterling balances, which stood at about £643 million on June 30, 1951, had been reduced to some £570 million by February 8, 1952, about which time Sir Chintaman Deshmukh, the Indian Finance Minister, reported that, by an exchange of letters with the British Chancellor of the Exchequer in London, the sterling balances agreement of June 30, 1951, had been extended for six years until June 30, 1957. Under this agreement £35 million is to be transferred each year into current account, and it will therefore be apparent that, at the end of the period, the amount remaining blocked should be inconsiderable, and consequently will also be freed, which means that India's sterling balances problem should by then be completely solved.

The Reserve Bank of India rate was increased from 3 per cent to 3½ per cent with effect from November 15, 1951. This was the first movement since November 28, 1935, and, with a view to making it an effective curb upon inflationary tendencies, the reserve bank simultaneously withdrew its support from government securities, which immediately curtailed the ability of the commercial banks to accommodate the demand for loans and advances. The tempo of inflation had been quickening, and the measures taken by the reserve bank were therefore appropriate to the situation, as also was their expressed determination to keep inflation in check. Following the lead of the Reserve Bank, the commercial banks throughout India also raised their interest rates; but so great is the pressure for accommodation and so tight the condition of the money market, that it is more than likely that the process will have to be continued further before the Indian economy can be brought into balance.

A SIGNIFICANT DEVELOPMENT

The Government of India has recently concluded agreements with the Standard Oil Company of New York, the Burma Shell and Caltex Oil Companies, for the establishment of modern oil refineries in areas near Bombay and Madras. This significant development reveals the Indian Government in a realistic approach to economic and industrial difficulties, entrusting the creation of an important heavy industry to specialised foreign enterprise and capital, while, on the part of the great oil companies, it is an indication of their confidence in the present administration of India. It has been estimated that, in full production, the three refineries will meet nearly 90 per cent of India's present needs of petroleum products.

Toward the implementation of the Five-Year Plan, the Indian Government have already received assistance amounting to some Rs. 75 Crores from the proceeds of the United States wheat deal, and expect to receive a further Rs. 15 Crores from Canada and Australia under the Colombo Plan. There is, therefore, every indication that the first year's programme under the plan will be fully implemented. The budgetary position, too, would appear to be satisfactory in that, according to statements by the Minister of Finance, a surplus of Rs. 25/26 Crores was expected in the revenue of the country during the current year.

INTERNATIONAL BANK'S MISSION

A mission from the International Bank for Reconstruction and Development completed its investigations in India recently, but so far its findings have not been disclosed. The main objects of the mission were to:—

(a) Investigate and report upon the planning, financing and execution of the development programme;

(b) Consider and report upon the factors which bear on the ability of India to assume further external indebtedness in the near future.

India's ability to realise favourable trade balances has been demonstrated over the last two years, but inability to grow sufficient food has rendered the country dependent upon external aid if famine conditions are to be avoided. The Government therefore seeks, through the Five-Year Plan, to strengthen the agricultural side of the national economy, while leaving private enterprise free to increase industrial development. These are worthy and clear-cut objectives, and now that the Congress Party is assured of a working majority in the House of Representatives, it is to be hoped that nothing will be allowed to stand in the way of their accomplishment.

PAKISTAN

It is with deep regret that I record the tragic death, on October 16, 1951, of Mr Liaquat Ali Khan, a great statesman and the first Prime Minister of Pakistan. The late Mr Liaquat Ali Khan became Prime Minister on the birth of Pakistan in August, 1947, and following upon the death of Mr Mohamed Ali Jinnah, the first Governor-General, on September 11, 1948, the whole burden of building a modern state devolved upon Mr Liaquat Ali Khan, and, in spite of many difficulties, he succeeded in guiding the people in the way of progress and peace. The loss of a leader with such outstanding qualities of wisdom and statesmanship at that crucial time was widely deplored, and was a cruel blow to Pakistan, to whose service and welfare he was so wholeheartedly devoted.

During 1951, Pakistan enjoyed a reasonable prosperity, in spite of some final reduction in the prices of the country's main products, cotton and jute, on which it depends for economic stability. Pakistan is one of the many countries throughout the world having a vulnerable economy due to over-dependence upon a few exportable commodities; but, last year, as a result of favourable prices for both cotton and jute, which together represented about 85 per cent in value of total exports in the year ended June 30, 1951, a substantial favourable balance of trade was achieved, which left ample margin for the import of the first instalments of machinery and plant for the new industries which it is planned to set up, with a view to diversifying the economy and rendering the country less dependent upon imported manufactured goods. As the year wore on, and specifically in the period July to September, Pakistan's balance of payments deteriorated to the extent that a substantial deficit was incurred which, however, will probably turn out to be no more than a temporary phenomenon.

IMPORTANCE OF CO-OPERATION

For some years past I have recorded my opinion that the economies of Pakistan and India were complementary, and that the prosperity of both countries depended in some considerable degree upon the two countries working together, India supplying, *inter alia*, manufactured goods, while utilising Pakistan's cotton and jute to produce them. This remains the ideal arrangement, of course, but it is becoming clearly apparent that, in spite of India's agreement to accept the present parity of the Pakistan Rupee, the exchange of commodities and goods between the two countries is still far below the levels which might reasonably have been hoped for, and that Pakistan is determinedly building up industries which are intended to have the effect of rendering the country free from the necessity of importing extensively from her great neighbour. At first glance this procedure would appear to augur well for the future of Pakistan, but independence of the nature envisaged must always be purchased at some cost to the country, for no matter how efficiently the new manufacturing industries are planned and worked, they will find it difficult, if not impossible, to compete on level terms with the industries of other nations, including India, which have the advantage of catering for world markets from the privileged position conferred by the existence of an extensive home market.

The development of Chittagong as a port of importance proceeds apace, and it is satisfactory to record a considerable improvement in the loading of tea and jute for export and in the handling of shipping entering the port. The opening up of subsidiary ports in East Bengal is also making progress, and the Government can be congratulated upon their enterprise in these directions.

STATUS OF CURRENCY

As I have already stated, the Indian Government accepted the official parity of the Pakistan Rupee, after concluding a trade agreement in February, 1951. The International Monetary Fund announced its acceptance of the Pakistan Rupee on the same terms on March 19, 1951, and the currency has therefore attained an international standing which, to date, the prosperity of the country's trade has done much to enhance. The basis of prosperity—as pointed out above—is somewhat limited, and the possible effects of changing conditions of trade will always have to be kept under consideration and guarded against.

Inflation in Pakistan has resulted from and been accentuated by the increased money incomes which have accrued to the agricultural workers and the higher profits earned by the business classes, as a result of the higher prices obtained for exported raw commodities. All things considered, however, Pakistan has come through the last year in a very creditable manner, due in no small measure to the wise and able guidance of her Ministers of State and the State Bank, and to the manner in which the whole community have applied themselves to the task in hand.

BURMA

Until security in the districts can be improved, little further progress in stepping-up production of paddy (rice) to prewar levels is possible. On the other hand the import market, which was flooded toward

the close of the year 1950 with textile goods imported under open general licence conditions, has remained somewhat stagnant until recently when, with the advent of the harvest, the offtake has improved. Economically, however, Burma has not suffered greatly from the effects of this over-importing, and the overall position remains much as it was when I last addressed you.

Before the war, rice exports ran as high as 3,000,000 tons per annum and constituted about 68 per cent of the total exports. In 1949-50, with the insurrection at its height, the export of rice at about 1,200,000 tons, represented about 88 per cent of the whole. No official estimate of Burma's exportable surplus for 1951/52 has yet been issued, but in unofficial circles it is placed at from 1,250,000 to 1,500,000 tons.

Dependent almost entirely upon exports of one commodity for the viability of her economy, Burma is at least fortunate that the commodity in question is rice, for which ample markets exist at prices which hitherto have offset the lack of other exports. Nevertheless no country can afford to be permanently dependent upon only one product, however important and the Burmese Government are now showing concern, and some eagerness to re-start oil production within the country.

BRITISH GOVERNMENT LOAN

In furtherance of this objective the British Government has promised a loan of £2,500,000 towards financing the Burmese Government's share in a proposed joint venture with the Burma Oil Company to produce and refine the country's oil. The amount of the loan is payable as soon as the Burmese Government and the Burma Oil Company reach a mutually satisfactory agreement, but while agreement has been reached in principle, some difficulties, not considered insurmountable, still stand in the way. The joint venture envisages the formation of a new local company in Burma with a capital of £15 million, the shares to be held jointly by the Government and the Oil Company. The Burma Government had asked Britain for a loan of £5 million with which to purchase one-third of the share capital of the new Company.

It was recently announced by Premier Thakin Nu that the Burmese Government had accepted Britain's invitation to join the Colombo Plan. The decision followed a recommendation by a sub-committee of the Cabinet on the grounds that it would be advantageous for Burma to do so. Burma has also joined the International Monetary Fund and the World Bank for Reconstruction and Development.

A trade agreement has been concluded with Japan on a barter basis for the supply by Burma of 200,000 tons of rice at £44 per ton against the import from Japan of miscellaneous goods. The Burma Government is apparently now endeavouring to induce Japan to pay in sterling or United States dollars, but it is understood that Japan, while she might agree to such terms, would like to receive an additional 100,000 tons of rice on a barter basis, and this is holding up agreement as Burma would prefer to be paid in sterling or US dollars.

CEYLON

Again, as in the two previous years, a fair measure of prosperity has been enjoyed by Ceylon, and for this blessing the island is indebted to the continued flow at reasonable prices of the staple exportable products of the country: tea, rubber, coconuts, copra and spices. The prices of these commodities have fallen between 15-40 per cent from the closing prices of last year, but they were all remunerative at the average prices obtained during the year. The position at the end of the year, however, was not so favourable, for any further continued fall in the prices of tea, rubber and coconut products would soon expose the weakness of the country's economy, which depends to an overwhelming extent upon the prosperity of these few agricultural industries.

The government, fully aware of this over-dependence upon tea, rubber and coconuts, etc., especially in face of the need to import a large proportion of the food required by the increasing population, has already devoted considerable thought and planning toward devising means to increase the production of food within the country by extending irrigation and conservancy works. It also recently invited a mission from the International Monetary Fund to visit the island and advise upon means whereby the country's economy could be diversified, e.g., by setting up secondary industries, which would render the country less dependent upon imports of foreign manufactured goods and establish a sounder and more broadly-based economy. The mission's report, which has not yet been published, is eagerly awaited. Further evidence of the efforts being made to diversify the island's economy is found in the appearance of 1,500,000 lb. of tobacco (unmanufactured) among the products to be supplied to India, with 50,000 tons of copra and coconut oil and 400 tons of graphite, in exchange for coal and manufactured textiles, in an agreement just signed covering trade between the two countries for the year 1952.

DROP IN DOLLAR EARNINGS

For a number of years past the demand for rubber and tea from the United States of America has enabled Ceylon to realise a dollar surplus. Last year there was a sharp decline in dollar earnings due to falling commodity prices and a considerable reduction in purchases of Ceylon rubber by the United States. In the face of reports that the stockpiling of natural rubber is nearing completion in the United States, it may be that Ceylon will experience some of the graver disadvantages of the inflationary position, on which I have commented for some years past, and which the country has hitherto escaped due to the continued high prices of its exportable commodities.

No doubt the experience would be uncomfortable; but the country possesses adequate international reserves and, provided the government is prepared to adopt sufficiently severe remedies, there is no reason why the economy should not be streamlined to the more spartan conditions which appear to lie ahead. The measure of the increase in inflation which has taken place over the last year is in the rise in the note circulation and bank deposits, amounting together to about 4-5 per cent; not much in itself, but sufficient, perhaps, in conjunction with the fall in the prices of the main exportable commodities, to render production uneconomic and readjustment a necessity.

CENTRAL BANK'S BALANCE SHEET

The second balance sheet of the Central Bank of Ceylon, for the year ended December 31, 1951, reveals considerable changes since the initial balance sheet of December 31, 1950, appeared. Notes in circulation increased by Rs. 44.5 million and now stand at Rs. 397.75 million. Commercial banks' balances at Rs. 193.43 million are some Rs. 28 million higher than last year's figure. On the assets side, the international reserve had increased by Rs. 103.36 million to Rs. 668.41 million, cash and balances abroad showing an increase of Rs. 43.68 million and foreign government securities an increase of Rs. 46.37 million, the balance being represented by increases in foreign bills discounted, and holdings of Ceylon Government War Loan (payment guaranteed by the United Kingdom Government).

The position of the Central Bank of Ceylon, and therefore of the currency, is thus very strong; but as the balance sheet now gives no indication of the currencies in which the reserves are held except as regards the holding of Ceylon Government War Loan, it is impossible to say what proportion of the international reserve is held in sterling, but it is presumed that it must remain large.

MALAYA

The policy of Her Majesty's Government in respect of Malaya continues to be "that the peoples of the country shall become a united, self-governing nation within the British Commonwealth of Nations." Towards this end, legislation is being enacted under which full Malayan citzenship will be available to all who look upon Malaya as their permanent home; unofficial majorities in the legislatures in Kuala Lumpur and Singapore have been established, and popular elections are being increasingly instituted. While steady progress towards self-government is thus being made, all energies are being directed toward the eradication of the terrorist activities which continue to disrupt the life of the community, so that the full benefit from the country's natural resources, for which there is normally a world-wide demand, cannot be reaped, while the peoples continue to live under conditions of strain and hazard.

As a result of the recent visit to Malaya of Mr Oliver Lyttelton, the new Secretary of State for the Colonies, General Templer was appointed High Commissioner of the Malayan Federation. It is confidently expected that new and effective means will now be adopted to meet the terrorist menace, and devoutly to be hoped that they will bring relief in the near future to this sorely-tried country. It is fitting that I should refer here to the untimely death at the hands of bandits, and in the course of duty, of His Excellency Sir Henry Gurney. His wise counsels and unflinching determination were a strong influence in the fight against terrorism, while he also gave his full support to the policy of political evolution. Nor would it be just were I to omit to record our admiration of the miners and planters who, in a situation of great danger and personal discomfort, continue to carry the burden of the day's work with fortitude and maintain production of the commodities on which the life and well-being of the whole country depend.

RECORD TRADE FIGURES

The trade of Malaya during 1951 again reached record figures, and realised for the second year in succession a heavy export surplus. This must be reckoned a heartening and eminently satisfactory result, more particularly when account is taken of the inability of tin miners to prospect for new fields of operation, the comparatively small amount of replanting which has been possible in recent years on the rubber estates, the illicit tapping which is a feature of the unsettled conditions, the restlessness of labour under present pressures and the constantly rising production costs.

The overall surplus in visible trade is set at Straits $1,268 million (£148 million), compared with Straits $1,066 million (£124,370,000) for 1950. The actual figures for 1950 and 1951 were:—

	1950	1950
Exports	$3,957,000,000	(£461,650,000)
Imports	$2,891,000,000	(£337,280,000)
Total Trade...	$6,848,000,000	(£798,930,000)
Surplus	$1,066,000,000	(£124,370,000)
	1951	1951
Exports	$5,991,000,000	(£699,000,000)
Imports	$4,723,000,000	(£551,000,000)
Total Trade...	$10,714,000,000	(£1,250,000,000)
Surplus	$1,268,000,000	(£148,000,000)

Exports in 1951 to the United States of America aggregated about Straits $1,193,500,000 (Straits $1,048 million in 1950) which produced about US$390 million (US $345 million in 1950) for the Empire Dollar Pool, while imports from the United States, including United States dollar goods imported through Hongkong, reached only Straits $218 million (Straits $89 million in 1950) or, say, about US $70 million. Nett US dollar earnings for 1951 were thus in the neighbourhood of US $320 million, or slightly more than in 1950 and were well maintained when it is remembered that the United States consistently refrained from purchasing tin from Malaya from March right through to December, 1951. As will be recorded later, shipments of tin to the USA during 1951 amounted to only 2,532 tons, against 44,590 tons in 1950.

FALL IN COMMODITY PRICES

It should be noted that no less than 70 per cent of the visible surplus of trade in 1951 had already been reached in the first five months of the year, and that the maintenance of that high level was not possible, chiefly because of the material fall in the prices of the principal commodities during the latter half of the year, which is reflected in the following table of price changes in rubber and tin during 1951:—

	Spot Rubber	Cash Tin
Lowest	40½d. (28.11.51)	£805/807 (7.8.51)
Highest	73d. (2.3.51)	£1,610/1,620 (14.2.51)
Closing	41½d.	£905/907½

While in no sense did slump conditions develop during the latter part of the year, a significant element in the Colony's internal economy was the considerable degree of inflation which followed the high prices, resulting in an almost insatiable demand for consumer goods, and later, when the prices of the exportable products began to fall, the inevitable saturation of import markets. Overstocking of markets became general as cargoes continued to arrive, and with similar conditions obtaining in neighbouring territories, particularly Indonesia, there was a marked tendency for prices of imported goods to fall, and importers generally found difficulty in carrying their excessive stocks.

RUBBER, NATURAL AND SYNTHETIC

Rubber production in Malaya during 1951 at 603,880 tons fell short of the 1950 figure by some 100,000 tons, chiefly due to the effects of bandit activity, and again, as in the previous year, about one-half of the production came from small holdings. Inclusive of imports amounting to 547,105 tons, chiefly from Indonesia, total exports were 1,155,264 tons, against 1,106,483 tons during the previous year. The United States of America took 360,000 tons of the export figure, and it may be of interest here to note that the estimate of the annual world consumption of rubber (natural and synthetic) is now put at some 2,340,000 tons, against total production of some 2,760,000 tons, a large part of the surplus last year having gone into stockpiles.

The costs of production of the natural commodity have risen in Malaya, and probably also elsewhere, to approximately double the 1950 figure. Various proposals were made by the Malayan Government in an endeavour to obtain further contributions from the industry to provide for replanting, and to assist in combating inflationary tendencies. The industry again felt, however, that it was being singled out for additional taxation, as had been the case when the increased rate of export duty to which I referred last year, was applied, but, nevertheless, a further cess, this time of 4½ cts. per lb., while the price remains in excess of 75 cents per lb. is to be applied as from March 1, 1952, to rubber produced on small holdings, the amounts collected to be returned eventually against proof of replanting.

In regard to the synthetic product it would seem now to be accepted that, while the limit of the uses to which it can be put have not yet been reached, there must always remain a reasonable demand for the natural product for purposes for which synthetic rubber is not suitable. However, stockpiling last year accounted for a considerable portion of the off-take of natural rubber, and it must be assumed that, if purchases for the stockpiles of the World cease, and particularly if the United States reduces purchases of natural rubber, the price must be expected to fall, with repercussions upon Malaya which may militate against the successful eradication of the bandit menace. It is to be hoped, therefore, that both the United Kingdom and the United States may find it possible to support the market at a figure which will at least maintain employment in Malaya.

TIN PRODUCTION

The production of tin in 1951 at 57,000 tons differ little from the previous year, which was a postwar record, and exports, including re-exports, amounted to some 64,650 tons, against some 81,000 tons in 1950, when it may be assumed that considerable shipments from Ministry of Supply stocks in Malaya took place.

Due to the discrimination shown by the United States of America purchasing authority against Straits tin, exports of tin to the USA at 2,532 tons showed a diminution against the previous year's figure of no less than 42,058 tons. It was generally regretted that the American purchasing authority should have thought fit to accuse the tin producers in Malaya of "gouging," and though a team of experts which visited Singapore and the Federation appeared to have been satisfied that the charge was unfounded, as indeed it was, no official withdrawal was ever made. Being unable to fix contracts with Bolivia and Indonesia and possibly, too, in the realisation of the importance of tin's dollar earning capacity for the sterling area, the United States of America have recently indicated a change of policy, and one result of Mr Churchill's meeting with Mr Truman, was that 20,000 tons of Straits tin are to be released this year to the United States against payment in dollars.

Recognising that the industry suffers from a lack of publicity, tin producers during the year voluntarily agreed to a cess of 50 cents per picul on tin as from March 1, 1952, which is to be used for propaganda purposes.

IMPROVED BUDGETARY POSITION

The budgetary position of the Federation of Malaya shows further marked improvement, due in great part to the increased export duty on rubber effective from January 1, 1951, which alone is estimated to have brought in to the Treasury $140,960,000, or about 20 per cent of the total estimated revenue of some $689 million. The revised estimate of expenditure is now put at about $563 million, leaving an anticipated surplus of $126 million. In order to present a truer budgetary position revotes are to be made from a reserve created out of the surplus; for 1951 the amount required is $80 million, thus leaving a final estimated surplus for the year of $46 million. Revenue for 1952 is estimated at $641 million and expenditure at $596 million, giving an anticipated surplus of $45 million. Accumulated surplus funds amounted at December 31, 1951, to about $321 million. But the recent fall in the price of rubber has revealed the vulnerability of the revenue position, which the steep grading of the export tax greatly accentuates, and again for the good of the country, we must hope that the fall in the price of rubber will be arrested before irreparable damage results.

The inflationary spiral in Malaya continued as a consequence of the high average prices obtained during the year for the main export commodities, and in step with this situation the note issue expanded considerably. Last year I referred to the danger that a marked fall in the price of rubber and tin would bring heavy losses to importers, and I now have to record that, following the recent fall in the price of rubber, import markets in Singapore have been gravely affected and several failures have already been reported. There still remains a great deal of money in circulation, however, and it would appear desirable that the Governments, both of the Federation and of Singapore, should continue to encourage the people to save, while themselves curtailing expenditure, except to the extent that it assists to provide employment and is economically advantageous for the future.

PREMIUM BOND ISSUE

During 1951 the Government of the Federation of Malaya, in an effort to encourage the public to take an interest in government loans, issued a loan of $10 million in the form of ten-year premium bonds redeemable (unless previously redeemed by half-yearly drawings) in 1961 at $11 for each $10 bond. The response was negative, however, only $877,510 being subscribed up to January 9, 1952, this being rather in line with experience gained in respect of similar issues after the 1914-18 war. On the other hand the Government of the Federation issued a tap loan of $32 million at 3¼ per cent per annum, at $98 per cent, repayable 1961-71 to which subscriptions by the end of the year amounted to about $16.5 million, or slightly over half the amount sought. In view of the marked fall in government securities in the United Kingdom and the consequent enhancement of the rate of interest at market rates now ruling, it seems unlikely that further subscriptions to the tap loan in the Malayan Federation can be expected, although at the date of writing the loan is still open.

Notes in circulation on January 1, 1952, amounted to $764,109,209, against $633,487,211 at the beginning of 1951, a truly staggering increase over the figure of $400 million at December 1, 1948, and a clear index of the advance of inflation in all the territories affected.

NEW CURRENCY LAW

In the latter part of the year the new Currency Ordinance of 1951 became law and implemented an agreement between the Governments of the Federation of Malaya, Singapore, Sarawak, North Borneo and the State of Brunei for the establishment of a Currency Commission to control a single currency which would circulate in all these territories. Provision is made for a board of Commissioners of Currency having the sole right of issuing currency notes and coin which are legal tender in the agreeing territories. Bornean notes and coin, however, continue to be legal tender in Borneo until called in and demonetized.

I can, perhaps, best sum up the position in Singapore and the Federation of Malaya by saying that, after a year of almost unprecedented prosperity, the future is most uncertain, and dependent as ever upon the price of rubber and to a less extent upon the price of tin. In view of the present political conditions in the Far East, and of the struggle in Malaya, it would appear to be vital to the interests of the United Nations that support should be extended to Malaya at least, to the extent that full employment on the rubber estates can be maintained.

NORTH BORNEO

While some progress has been made in the colony during the year, the rate of progress has been hindered by the inadequacy of the labour force available, and in some degree by the budgetary position. The Government has continued its endeavours to find suitable additions to the present labour force and, though the demand arising from their various building projects may cause withdrawals from agricultural areas, to the detriment of the colony's earning power and ability to become self-sufficient in the production of rice, the Government is wisely endeavouring to avoid recruitment of persons who might prove undesirable from the political angle. Some Cocos Islanders, despite casualties due to the change of climate, have arrived, and negotiations are being conducted with the Indian Government for the settlement of Indian labourers, which, if successful, might well prove, here as elsewhere, to be a very satisfactory solution of the problem.

Town plans for Jesselton, Labuan, Kudat, Sandakan and Tawau have been adopted and permanent building in the former two towns has commenced. Government has placed contracts for premises for its own use and plans for some commercial building are well advanced.

High prices for rubber, especially during the early part of the year, brought a good return to producers, but inevitably, and unfortunately, the concomitant of increasing inflation. A restriction of imports as primary commodity prices fell did not wholly prevent markets from becoming overstocked, though it appears to have been sufficient to prevent prices of imported goods from falling to disastrous levels. In consequence of these conditions the cost of living continued to rise. Exports of cutch, copra and timber have been well maintained.

IMPORTS AND EXPORTS

The total of imports and exports for 1951 at $184 million (£21 million) compares with $138 million (£16 million) for 1950, and a favourable trade balance of $43 million (£5 million) shows an increase of $2 million (£300,000) over the previous year's figure, a position which must give all-round satisfaction.

Budget figures for 1951, as now revised, show an estimated surplus of approximately $8 million, against an estimate a year ago of only $1.6 million which, together with the balance brought forward at the beginning of the year of $4 million, give a final surplus of $12 million. While the estimated revenue for 1952 of about $25 million falls short of anticipated expenditure of about $28 million, there is estimated to be a final surplus, after taking account of the amount carried forward from 1951, of some $9 million. In an endeavour to place itself in a position to carry out reconstruction and development plans without calling upon Her Majesty's Government for grants-in-aid, the Government propose to take advantage of the very much improved budgetary position to create a reserve against future commitments.

The exclusive rights of the British Borneo Timber Company will expire on June 30, 1952, by mutual agreements and substantial timber areas will become available to approved applicants. The policy of Government is to plan on a long-term basis, so that the vast resources of timber may be developed in a way which will ensure that valuable forests are not destroyed while substantially increasing commercial production, and a scheme by which concessionnaires will work systematically through forest areas, is being introduced.

On December 14th the King in Council passed the necessary legislation to establish the new Supreme Court of Sarawak, North Borneo and Brunei, and a Chief Justice has since been appointed. The colony has been well served by shipping lines and air services have been increased by the addition of a further weekly flight by Malayan Airways. During the year ex-Japanese rubber estates were sold by the Custodian of Enemy Property and henceforward should represent a useful addition to the colony's export potential.

SARAWAK

Sarawak has enjoyed a full year of commercial prosperity. Estimated trade figures for 1951 give exports at Straits $494 million (£57,633,000), including oil valued at Straits $292 million (£34,067,000) and imports at Straits $330 million (£38,500,000), including oil of a value of Straits $260 million (£30,333,000) and disclosed a visible surplus of Straits $164 million (£19,133,000) or double that for 1950.

Production of crude oil has continued to increase and new borings are being made. Though refining facilities are as yet inadequate, this source of both the crude and refined product must constitute a valuable contribution to the pool of "Sterling" oil now that Abadan has ceased to function. The timber industry is making good headway, chiefly due to the adoption of modern methods and, as a result of the expansion which is taking place, a good export trade is developing. On the other hand, sago production may be expected to fall somewhat for a few years owing to delay in replanting areas which were cut out and the produce exported after the war.

The Colony still has to import about one-third of its rice requirements, but Government projects in this field, limited to some extent by shortage of staff, are progressing satisfactorily. The budgetary position is better than at any time in the Colony's history. For 1951 an excess of revenue over expenditure of some Straits $32,500,000 is expected when the accounts have been finalised, bringing the surplus balance up to some $54,500,000. The estimated surplus for 1952 is put at $8,600,000, but the Government realise that its recent income has to some extent been fortuitous and so intend to act with caution in utilising these accrued funds, partly, and one would say very wisely, to meet an expected deficit under the development plan.

THAILAND

The political peace which has reigned in recent years in Thailand was shattered in July by a coup d'état which broke the power of the navy, and this was followed by the dissolution of Parliament in late November, the result of which has probably placed the Government on a stronger, albeit pro-military, basis.

These events caused no more than a momentary hesitation in the steady economic advancement of the country during the year. Exports of rice of over 1½ million tons aided by remunerative prices for tin and rubber ensured a further strengthening of the country's already favourable external balances, and the result was a steady appreciation in the value of the tical against both sterling and the United States dollar. Typical was the official sterling import cover rate which, from ticals 57 per £1 on January 1, 1951, had been reduced to ticals 52 by the end of the year. It is the avowed intention of the Government to increase the value of its currency and there appears no reason why the above trend should not continue in 1952 as, notwithstanding the new buffer pool of three hundred thousand tons of rice to be created to hold internal prices at the present level, it seems likely that, with the newly increased external selling prices, the final earnings in sterling and United States dollars will not be less than the record figures for 1951. Thailand has also a favourable agreement running through most of 1952 for the sale of its rubber to the United States of America.

A DANGER

A danger to this encouraging trend would be a repetition of the situation that arose in last June and July, when excessive imports in respect of orders placed earlier in the year made inroads into reserves and caused a slump, particularly in textiles, in the Bangkok market. There are indications that the authorities are well aware of this danger and in consequence may restrict the import of luxury goods.

Three loans were obtained from the International Bank for Reconstruction and Development at the end of 1950, covering railway rehabilitation, irrigation, and port development, and the first benefits from the schemes financed should soon be felt. No review of Thailand would be complete without my making favourable reference to the full settlement of war debts during the year.

Perhaps the one jarring note from the point of view of ourselves and all other authorised banks in Bangkok is the reluctance of the authorities to take action against unofficial dealers in exchange who openly compete for business without being made to pay the heavy 2 per mille exchange tax on both purchases and sales, and can thus underquote the banks which must pay the tax. The only way to stop this unfair competition and serious loss of legitimate business would seem to be to abolish the tax.

REPUBLIC OF INDONESIA

President Sukarno, in his message to the peoples of Indonesia in August last, on the anniversary of the Republic's independence, regretted that the ultimate aim of a just and prosperous society had not been achieved. Was this statement, I wonder, tinged with the disappointment that the President, in common with his senior officials, must feel, that lack of internal order and security had prevented full advantage being taken of trade conditions in 1951, propitious enough to have consolidated the Republic's economy?

Not that no progress was made during the year. On the contrary, the continued satisfactory world prices obtainable for the many primary products, resulted in Indonesia's holding of foreign exchange and gold in December, 1951, showing a considerable increase over the figures a year earlier. Export figures in tonnage, as well as in value, were maintained to a remarkable degree, but a continuance of this satisfactory position is doubtful, for more and more estates are closing down as their tea, tobacco or rubber can no longer be produced at market rates owing to wage demands from labour often bordering on the ridiculous, coupled with strikes, ill discipline, squatting and theft of produce. This makes Indonesia's economy more than ordinarily vulnerable to the effects of a fall in world prices of its main exports—rubber in particular.

DR SCHACHT'S REPORT

It is this situation which doubtless led Dr Hjalmar Schacht, the former German finance minister, to stress in his report on general economic conditions in Indonesia which he made at the invitation of the Indonesian Government, that there is not the least chance of the forward development of the country if complete safety of persons and property is not restored. This report of Dr Schacht's appears to a close observer of the Indonesian scene to be a constructive, well-balanced document, and his suggestion for the abolition of the complicated certificate system for exports and imports in favour of outright devaluation, which appealed to all

bankers operating in the area, has now been adopted. The new value of the rupiah is based on the middle rate of 31.72 to £1 sterling and, although this new financial measure is accompanied by a set of export duties, graduated according to the assessed ability of each commodity to bear such duty, the immediate effect should be to alleviate the hardship caused to producers by the inequities of the exchange certificate system.

The finance department officials, who at one time appeared to dislike foregoing the easy source of revenue provided by the certificates, are to be congratulated on the realistic manner in which, in the greater interest of the Indonesian economy as a whole, they have accepted instead the uncertain yield of the export taxes. Perhaps the thought that a re-valuation of the gold stocks and foreign exchange holdings resulting from outright devaluation would more than wipe out the present budgetary deficiency, was a deciding factor in the choice between assured revenue and the placing of trade on the simplest and soundest basis.

The dollar export certificate, a new feature in Indonesia's trade, was introduced simultaneously with devaluation. Its object is to induce producers to export to the dollar area, and banks are authorised to issue certificates to seventy per cent of the value of export bills presented to them. These certificates can then be sold at a price determined by the market and, as merchants cannot import from the dollar area without possession of such certificates, imports through private channels are automatically restricted to seventy per cent of the value of exports.

FOREIGN TRADE

An interesting feature in 1951 was the participation by Indonesian nationals for the first time on a large scale in foreign trade, particularly as importers. Unfortunately many newcomers, whose business experience was probably limited to recent inflationary conditions, seem to regard import licences as synonymous with profit and indiscriminate buying and general over-import, coupled with poor internal communications and disappointing up-country offtake, have produced a saturated and stagnant market which may take a considerable time to revive. In the meantime sharp losses have been made by many dealers and credit is strained.

The Chartered Bank has continued to back to the full extent of its resources the trade of the young republic and it was galling to find that, at the end of a year in which our increased participation earned the thanks of officials and business men alike, the Government should suddenly impose a retrospective company tax graduated up to the crushing impost of 52½ per cent. This measure is another blow to Indonesia's chance of attracting the foreign capital and skill it so badly needs. Indonesia's insistence on reparations, which in any case will only take the form of services, is difficult to understand as the long-term benefit may accrue to Japan rather than to Indonesia.

VIETNAM

This country has been much in the news during 1951. Its defence against the Vietminh forces represents a constant drain upon the French economy, and the French Government has on more than one occasion during the past year, been subjected to pressure from the political left to pull out and leave the country to be defended by indigenous troops. The much-to-be-deplored death of Marshal de Lattre de Tassigny added a note of grave uncertainty to the future of military operations within the country; but recent successes have raised the morale of the fighting services, both French and Vietnamese, the latter every day becoming more numerous and stronger, and some slight improvement in the outlook is apparent, although, overshadowed at present by the possibility of intervention by Chinese volunteers, if by no more regular forces from the north, the position must remain somewhat uncertain.

The economic background, although the country is still far from self-supporting, has improved to the extent that exports of rice during the first nine months of the year increased almost threefold from about 122,000 tons in 1950 to 300,000 tons in 1951. It is estimated that the total shipments during 1951 reached at least 350,000 tons and that, unless conditions deteriorate again, exports of rice should certainly rise to 400,000 tons in 1952, with a possibility that even 500,000 tons may be reached.

The note circulation, which at December 31, 1950, was $4,755,618,583, had increased by December 15, 1951, to no less than $6,121,318,093, a sufficient indication of the inflation within the country which renders the cost of living unduly high. Imports and exchange are closely controlled and restricted; but such imports as are permitted and arrive in the country are sold at high profits, despite which they find a ready market. This is tantamount to saying that the currency is so inflated as to create a lack of confidence in its sustained purchasing power, a condition which must continue so long as the country is unable to stand on its own feet in respect of its foreign trade position or meet its full expenditure for defence and administration from internal revenues, a position which, while nearer than it was, is unfortunately not yet in sight.

REPUBLIC OF THE PHILIPPINES

At one time it appeared that, in 1951, the Philippine Republic would, for the first time since the war, succeed in balancing its external trade, but two unfortunate setbacks prevented this goal being attained. A lapse on the part of the licensing authorities resulting in over-import of non-essentials, and the havoc to export crops by the typhoons which swept over the Visayas during the early part of December, threatened serious damage to the economy and, notwithstanding record exports, the final figures showed a trade deficit of some pesos 120 million.

In spite of this there were many encouraging features noticeable during the year, the most important, perhaps, being the halting of the inflationary tendency which at one time threatened to undermine the national economy. Contributing to this was a rising output in the main export crops which was particularly fortunate as world prices of copra, sugar and hemp, the main dollar earners, tended to ease in varying degree.

There is no doubt that a determined effort is being made to reverse the downward trend revealed by the Bell Report, and revived United States confidence in the economic future of the islands probably accounts for the increased ECA assistance that has been given and promised, although very few signs of the practical results of this ECA expenditure are yet to be seen.

SOUND MONETARY POLICY

A sound monetary policy by the Central Bank prevented any substantial losses of international reserves during the year and consequently the necessity for the Monetary Board's directive that commercial banks must maintain, in certain specified assets, a ratio of 70 per cent to their total letters of credit outstanding is not obvious. The restriction that it places on the volume of import and export trade which this bank is permitted to handle represents a further reduction in an earning potential which has already suffered by the 17½ per cent tax on remittances which, incidentally, has now become the highest revenue-earning tax in the Republic and is, therefore, not likely to be rescinded two years after its inception as originally promised.

Over the past eighty years this bank has given its fullest assistance to the furtherance of the progress and development of the Islands, and in the process has experienced lean years as well as the more profitable periods, and our capital losses in the Philippines in the war years were of a very substantial nature. It would be a poor reward for the whole-hearted efforts made by our branches in the Philippines, and those of other Exchange Banks in the past, if we were not to be allowed to continue to operate with normal commercial freedom of action and potential return of profits, and it is to be hoped that the authorities, who seem essentially practical, will realise that, if we are left to handle the business in which we are so well versed, and the newly formed Philippine banks concentrate on the finance required for internal development, the best results for the economy as a whole will be obtained.

A noticeable trend, and one worthy of comment, is the large part which Japan is again playing in the external trade of the Republic.

HONGKONG

The total overseas trade of Hongkong in 1951, as in 1950, reached record figures. They are quoted here for purposes of comparison:—

	1950	1950
Imports	$3,802,976,054	(£237,686,003)
Exports	$3,756,828,200	(£234,801,762)
Total Trade...	$7,559,804,254	(£472,487,765)
	1951	**1951**
Imports	$4,892,046,009	(£305,752,875)
Exports	$4,460,563,941	(£278,785,246)
Total Trade...	$9,352,609,950	(£584,538,121)

At first glance it might be deduced from these figures that the boom conditions experienced in Hongkong in 1950 had continued right through 1951. Nothing could be further from the reality. The increased figures for 1951 represent the phenomenal extent of trade in the first few months of the year, since when, as a result of the United States embargo upon the shipment to Hongkong of all goods from which strategic exports could be produced, depressed conditions have ensued and trade figures have declined month by month. The position is aggravated by the fact that exports have declined more than imports, which continue to arrive to the embarrassment of many, and especially of the smaller import firms, some of whom may eventually be forced out of business.

EFFECT OF AMERICAN EMBARGO

The industries mainly affected by the American embargo, are those using imported cotton, tinplate and rubber. The cotton mills, dependent as they now are upon imports of Pakistan cotton, which is considerably dearer than American cotton, find themselves unable to compete with Japanese produced yarn made from the cheaper American cotton with which Japan is liberally supplied, so much so that Japan has largely supplanted Hongkong as an exporter of cotton yarn and piece goods to China. Recently it was reported that as many as 15,000 cotton mill workers were unemployed, and Hongkong's difficulties in this respect were accentuated by similar conditions in the other trades chiefly affected by the American embargo.

One major development, unforeseen at first, has been the extent to which China has been turning to Russia for more and more of her requirements, and although the trade between Hongkong and the China mainland remains considerable, it is no longer so confidently

accepted that China could not do without Hongkong's assistance in trading with the outside world. This is a development of some importance which only adds to the uncertainty surrounding Hongkong's continued existence as a world port and manufacturing centre.

JAPAN

Last year I mentioned to you the enormous task ahead of Japan in respect of its overseas payments position, in view of the discontinuance of American aid. I feel that the seriousness of this problem, concealed as it is at the moment by the increase in Japan's foreign exchange holdings, has not been fully realised.

In the first place, the financial position of the banks in Japan is steadily becoming more and more strained. In September last, the advances of the eleven leading banks exceeded their deposits and even the provincial banks had outstanding advances equal to 95 per cent of their deposits. This situation was largely caused by the urgency of the Government's policy of immediate and full-scale rehabilitation. No savings were available to be invested and the only recourse was to the banks.

In 1951 it was deemed necessary to increase industrial production to meet American procurement for the Korean war; but the overlending of the banks caused thereby is obviously a serious development. Remedies which have been proposed in some quarters include deficit budget financing, and a further extension of credit by the Central Institution, the Bank of Japan. The effect could only be to increase the already high degree of inflation and, as the prices of some of Japan's important export commodities have already risen above world market prices, increased inflation would merely create further difficulties in the maintenance of Japan's overseas payment position on a sound basis. No doubt all this is well understood by those officers of the government responsible for the country's financial policy, and based on past experience, I feel confident that the position is receiving their full care and attention.

FUTURE DIFFICULTIES

As I see the position, however, Japan must continue to face considerable difficulties in the future. Japan's purchases since the war, with dollar aid, have been largely from the dollar area, and a large proportion of the country's sales have been made to willing buyers in the sterling area. Any corrective policy involving the curtailment of imports of coal, scrap iron, and cotton from the USA and a similar curtailment in sales of textiles, machinery, etc., to the sterling area, would result in industrial difficulties, a state of affairs to be avoided in Japan at present, especially as the financial structure is in no position to withstand capital losses in any of the industries concerned. The fact that Japan is at present in possession of, and appears to be accumulating, foreign balances by restricting the importation of consumer goods, is an indication of vitality, but it also masks future difficulties and the resultant inflationary pressure is doubtless being reflected in higher and higher internal prices, which must eventually limit Japan's competitive power in world markets.

Something might be done by a monetary policy aiming at a cheapening of the cost of internal financing while still maintaining strict control over the amounts advanced. Overnight loans between banks in Japan carry interest at no less than 8.28 per cent per annum. Advances for commercial purposes are not obtainable at less than 8 per cent per annum, and even the rediscount rate of the Bank of Japan is 5.84 per cent per annum. Japanese banks pay 6 per cent per annum for 12 months' deposits and this rate makes it essential that all commercial borrowing rates shall be considerably higher. The high rates of interest are no longer a deterrent to business. Money must be procured whatever the cost, as the low wage levels in Japan, as compared with those ruling in countries in competition with Japan, still permits of profits in most lines of business. Until the banking system is placed on a sounder basis, however, and the price of money returns to a more normal level, Japan will continue to operate under a severe handicap which must militate against the attainment of a permanent viable position in respect of her balance of payments.

BALANCE OF PAYMENTS POSITION

In considering the position of Japan, I have concentrated upon the difficulties inherent in her internal position and the effect which it might be expected to have upon her external balance of payments. Actually Japan's present position in respect of her balance of payments is extremely favourable in that it is estimated that, at the end of the current fiscal year, Japan will have a favourable foreign trade balance equivalent to US $585 million, which will bring her holdings of foreign currencies to an estimated value of US $1,080 million, comprising:—

US $594 million in US currency.
US $299 million in sterling.
US $187 million in open account currencies.

US $1,080 million.

With this balance of US $594 million in hand, and an estimated surplus of US $46 million in her current year's trade with the dollar area, Japan is apparently considering the possibility of increasing imports from the dollar area, "provided such imports consist of materials and equipment which in turn can be used for increasing exports to the dollar area."

Before the war, and before the operation of exchange controls, Japan's foreign trade was largely with countries (if we exclude China) which are now within the sterling area, and Japan's problem is how to fit in its new pattern of trade with the actual currency conditions as they exist today. In prewar times America was an avid buyer of Japan's raw silk, and this commodity represented Japan's main export to the United States. Now that the demand for raw silk by the United States is strictly limited, it seems that Japan—as soon as the abnormal demands created by the Korean war cease to operate—will be driven again to trade principally with sterling area countries, and that, as the markets turn more and more from sellers' to buyers' markets, as would appear to be happening now, Japan will yet find her surplus holdings of sterling a very useful standby.

OFFICES AND AGENCIES

New York.—Our New York office provides a most valuable link between our many offices in the Orient and the United States, and enables us to maintain close relations not only with our many banking friends throughout the length and breadth of the country and in Canada, but with clients with world-wide business connections, who may find our specialised knowledge useful at times. Moreover, as American economic policy in relation to more than one of the world's raw materials emanating from our fields of operation is the dominating factor, it is essential that we should be represented in the United States, from which also flow loans from the International Bank for Reconstruction and Development and from the Government under the Point IV programme, both of which set up a wide interchange of trade with countries in the Orient, which it must always be our endeavour to assist and handle.

Hamburg.—With a continued expansion of the trade between Germany and the Far East, greater use of our agency has been made and figures show that we can be well satisfied that we have adequate representation in a country which is emerging more fully into the economic life of the world.

Manchester and Liverpool have continued to provide an important link in our participation in the finance of eastern trade, and at the same time to be a source of valuable market information for Head Office and the branches.

West End, London, adequately fulfils its function of providing a full service for many clients of the Bank's eastern branches with with whom it is increasingly popular.

GREAT BRITAIN'S DIFFICULTIES

In closing, I propose as usual to devote my last few paragraphs to conditions in Great Britain, and, because of our special interest in the subject, to the difficulty which Great Britain is experiencing in achieving an external balance of payments.

Much has been written recently on the subject of the United Kingdom's inability to pay for imports with the proceeds of exports, and because of the special difficulty experienced in meeting the cost of imports from the dollar countries, there are many who advocate avoidance of dollar imports and concentration upon imports from Commonwealth and other sterling area countries and from such European countries as will take adequate supplies of goods from the United Kingdom in return. While this might be a practical solution of Great Britain's payment difficulties, were all the sterling area countries able and willing to disregard the effect which such a policy might have upon their sterling balance positions, and allow their sterling balances to rise without limit whenever the United Kingdom's imports exceeded exports, it must be evident that any assumption to this effect would be no more tenable than one which assumed that the United Kingdom might continue to import from the dollar countries, trusting to the United States, Canada and other dollar-based countries, to allow the sterling area, as personified by Great Britain, unlimited credit.

AFTERMATH OF WAR

No doubt there is much to be said in favour of Great Britain, for, when this country was predominant in world trade, it exported capital and capital goods abroad in large measure, building up, *inter alia,* railways in the United States, Canada and the Argentine, to mention no other countries, and was content to wait for repayment until those countries prospered. Moreover, Great Britain's present plight can, to some extent, be attributed to the results of war and the liquidation of the country's foreign holdings of securities in the common cause of the Allies. Having thus received at the hands of Great Britain the seeds of prosperity, these same lands, partly due to the possession of greater natural resources than Great Britain, have proceeded to eliminate Great Britain as a competitor in their home markets, if not by ability to produce cheaper and better goods, then by hedging themselves around with protective duties and regulations.

None of these countries, however, all being sovereign states, can be expected or induced to adopt policies similar to those which enabled Great Britain to remain for an era the great creditor nation of the world, while at the same time encouraging and helping other countries with unfavourable trade balances to prosper through the continued extension of loans and other assistance by way of capital goods. In fact, the world of today is in a different stage of development and, apart from some assistance by way of establishing oil refineries in sterling area countries, there do not appear to be many long-term fields wherein the dollar countries could come to the rescue of the sterling area countries by investing capital in quickly productive enterprises in the way Great Britain did a century ago. If this be so in relation to assistance from the dollar to the sterling area countries, and the United States has been more than generous in extending dollar aid to relieve distress, it is equally so in relation to assistance from Great Britain to the less developed countries of the sterling area, although Great Britain is still sending capital goods in addition to manufactured goods to many of these countries, in payment, or part payment, for imports of vital raw materials, etc.

MUST STAND ON OWN FEET

Therefore, it seems essential that the United Kingdom should become able to stand upon its own feet in relation to both dollar-based countries and sterling-based countries, whether of the British Commonwealth of Nations or otherwise, and as practical bankers, much engaged in the exchange markets of the world, it seems to us that the problem which faces the United Kingdom is essentially a practical one, which can be illustrated in some degree from our own experience.

The Chartered Bank if not the greatest single financial institution based on London dealing with the United Kingdom's foreign trade, is certainly one of the first half-dozen so engaged, and every year the bank makes a very substantial contribution to the United Kingdom's balance of payments and prosperity, without using up any labour or imported raw materials, and with only the minimum consumption of resources within the country. We may therefore claim, without fear or favour, that the bank is a valuable asset of this country, and is justified in giving expression to its views upon this all-important subject of balancing the country's trade.

PROFITS, TAXATION AND INFLATION

The Bank also pays a heavy contribution in tax on all its profits, both abroad and in this country, and the final amount taken by this country, after providing for all foreign payments, is far from inconsiderable. The proportion of profits paid to the stockholders, who take all the risks, and provide all the reserves necessary to the business, represents a very small share indeed as compared with the taxation the Bank pays. So that inflation caused by the payment of dividends by this bank scarcely exists. And if taxation were less, the bulk of the saving to the bank would not be paid out in increased dividends, but would be used in the furtherance of our business abroad, which would not only eliminate any possibility of its creating inflationary pressure here, but would contribute to the greater benefit of this country's balance of payments. As the position stands to-day, what the bank pays in taxation here on profits earned overseas, is spent in this country, and to this extent we are debarred from helping to increase the foreign income which this country so urgently needs.

That all heavy taxation is inflationary is axiomatic, but here we have a concrete instance of taxation which is both damaging to the country's foreign payments position and, at the same time, contributes to inflation within the country. If all the expenditure in this country were necessary we should be the last to complain, but to the average man unnecessary expenditure appears to be incurred and, even if this were not so, there could be no justification for expenditure in this country, whatever it might be for, if it led to the ruination of other nations in the sterling area, through the collapse of sterling as a world currency.

OUTLOOK BLEAK

The plain fact of the matter is that Great Britain must live within its income. That Great Britain is not doing so at present is patent in its inability to balance the foreign payments position. In other words Great Britain is taking more out of the common pool than it is putting into it. This position can only be rectified by putting more into the pool and/or by taking less out of it, which means working harder and/or lowering the standard of living. If this implies, in justice to our friends throughout the world, that the more affluent of the people of the United Kingdom, whether workers or others, must eschew television sets, electrical appliances, films, tobacco, and even some proportion of the food subsidies and benefits of the welfare state, then the people concerned must face up to the position or emigrate, for it is quite certain that sooner or later our friends abroad will refuse to foot the bill. As was appropriately quoted the other day in a special article in *The Times* on "The Beveridge Principles," "To each according to his needs, at the best standard the community can afford."

The outlook is therefore sufficiently bleak; but the unequivocal declarations of the present Chancellor of the Exchequer have given hope that the Government will leave no stone unturned to correct the disequilibrium of Great Britain's foreign payments position, and I have therefore felt justified in putting my views on this painful subject before our stockholders, which hitherto I have refrained from doing. Given the ability to greatly increase production of coal and steel, and accelerate the building of ships, and the production of all kinds of motor vehicles and machinery, etc., the welfare state without modification would be well within the grasp of the people, and the balance of payments position would take care of itself. No doubt all this is very clearly in the mind of the Chancellor of the Exchequer, but until the people of the country can be inspired to greater efforts (which to be effective must not carry with them equivalent monetary gains) the measures open to the Government to balance our foreign payments position are in the main of a restrictive nature. The balance of payments once achieved, however, must be regarded as the initial step to greater effort and greater freedom. Only so will the country regain its stature and justify the use of sterling as the world's most used and most useful currency.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22 Ryder Street, St. James's, London, S.W.1

THE STERLING TRUST

HIGHER GROSS INCOME

The thirty-fifth annual general meeting of The Sterling Trust, Limited, was held on March 11th in London, Mr A. H. Wynn presiding in the absence of the chairman, Mr M. F. Berry.

The following are extracts from the chairman's circulated statement:—

Gross income, excluding arrears, for the past year amounted to £278,645, as compared with £248,709 for 1950, thus showing a satisfactory increase of £29,936. Nett income was £99,560 against £85,314. For 1950 the dividend on the ordinary stock was 7½ per cent. For 1951 your board recommend a total dividend for the year of 10 per cent. This will absorb £45,937 and it is proposed to deal with the balance by adding £30,000 to the revenue reserve account, raising that account to £430,000 and by adding £654 to the carry forward which will then amount to £71,307.

In recommending this larger dividend, your board have been influenced, of course, by the estimate of revenue for 1952 which indicates that it should be possible to maintain this dividend for the current year. In view, however, of the prospect of even higher taxation, shortages of raw materials and the impact of a rearmament programme on our industrial output, it is impossible to put forward estimates of a longer term.

The capital position shows a further small improvement during the year, the valuation at December 31, 1951, at £5,384,815, showing an appreciation of £979,655 or 22.24 per cent over the book cost of £4,405,160. A year earlier the appreciation was 19.2 per cent.

The report was adopted.

THE OMNIUM INVESTMENT COMPANY

DIVIDEND INCREASED TO 9 PER CENT

The 65th annual general meeting of the Omnium Investment Company, Limited, was held on March 6th, in London.

Mr H. C. Drayton (the chairman), who presided, in the course of his speech, said: The gross revenue for the year amounted to £213,800 against £184,600 last year, which is an increase of £29,200. It is satisfactory to note that our income from dividends and interest rose by £31,200 from £177,500 to £208,700. Our expenses of £141,600, which include income tax and debenture interest, show an increase of £22,200, which is practically wholly due to a rise in income tax from £53,600 to £74,600.

We have, therefore, a net figure available for distribution of £72,200, against £65,200 last year, an increase of £7,000. If shareholders endorse our recommendations to pay a final dividend of 5½ per cent, making 9 per cent, and to transfer £5,000 to a superannuation fund, we shall carry forward £87,500, an increase of £16,400 on the year.

I do not think you can expect me to attempt to tell you how the Budget may or may not affect the revenue of this company for the year. I would, however, point out to you that, taking into account the £6,800 additional tax reserves we have made, we earned 16 per cent on the ordinary stock, against the 9 per cent we are paying; so that, taking it by and large, while I cannot forecast what our revenue is likely to be, I think you can take it that your 9 per cent dividend is safe.

The report and accounts were unanimously adopted.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

STEADY BUSINESS EXPANSION REFLECTED IN RECORD FIGURES

FAR-REACHING MEASURES TO STOP DRAIN ON GOLD RESERVES

COMMONWEALTH'S AIM TO MAKE STERLING FREELY CONVERTIBLE

STABILITY HAMPERED BY INFLATION AND LAWLESSNESS IN FAR EAST

EFFORTS TO OBTAIN RELAXATION OF AMERICAN RESTRICTIONS

THE HON SIR ARTHUR MORSE ON THE COLOMBO PLAN PROGRESS

The ordinary yearly general meeting of The Hongkong and Shanghai Banking Corporation was held on March 7th at the head office, 1 Queen's Road, Central, Hongkong.

The Hon Sir Arthur Morse, CBE, who presided, said:—

Ladies and Gentlemen,—We meet here today, still under the shadow of the loss suffered by the Commonwealth and Empire just four weeks yesterday, when the death occurred of our beloved King George VI. In his life His Majesty symbolised some of those characteristics which as a nation we have long considered important—a sense of duty, service for others, and the family life. Our sympathy goes out to the members of the Royal Family and especially to the three generations of Queens who hold a very special place in our hearts. We greet the accession of Queen Elizabeth II with pride, hope, and trust. No successor to the throne could be so welcome. She is the ideal Queen. Long may she reign over us.

NET PROFIT AND APPROPRIATIONS

Turning to the accounts before you, the net profit for the year, after making transfers to reserves for contingencies, amounts to HK$17,283,671, which slightly exceeds the corresponding figure for the previous year. Including the balance of profit brought forward from last year, the total available for distribution amounts to HK$23,982,895. Out of this total it is recommended that, as in previous years, a sum of HK$3 million be written off bank premises, and, after allowing for this amount, the interim dividend of £2 per share, and the final dividend of £3 per share which is now proposed, there remains a balance of HK$8,075,332 to be carried forward to next year.

You will see from the balance sheet that there has again been a substantial increase in the figures and that the total now exceeds £254 million, an increase of £38½ million over last year's total and an all-time record in the history of the bank.

The increase of £38½ million is made up of a rise of £36 million in current and other accounts and £2½ million in acceptances on behalf of customers. Current and other accounts, which now amount to almost £196 million, continue to reflect the steady expansion in our business which has been in evidence during the past years.

ASSETS AND INVESTMENTS

With regard to our assets, cash has decreased by some £4½ million, but you will notice there has been a substantial increase of over £32 million in money at call resulting in a net increase in our liquid assets of approximately £28 million. Bills receivable now amount to nearly £51½ million, the increase of £12½ million being due partly to a rise in our holding of United States Government Treasury bills in New York and partly to the greater extent to which the facilities of the bank have been utilised in financing trade during the year under review. In this connection it is interesting to note that over 64 per cent of our liabilities to our customers is represented by cash, money at call, and bills receivable.

Investments at £26 million show a decrease of just over £6½ million. This decrease arises mainly as a result of the redemption of certain of our short-dated securities, but is also due to some extent to the fall in the market prices of our investments. In common with other financial institutions, our holding of British Government securities suffered a severe decline in value during the closing months of the year. In order to provide for this depreciation a sum has been allocated from our reserves for contingencies, which is an illustration of the necessity to which I referred in my remarks last year of continuing to build up our internal reserves. The only other material alterations in the totals of the assets are increases of £2 million in advances and £2½ million in acceptances which do not appear to call for special comment.

"PEACE BECOMES EXPENSIVE"

"Peace becomes Expensive" was the apt title used by *The Times* for the main editorial in its review of the year 1951. I think that these three words sum up very adequately one of the main economic features of the past year. Rearmament turned out to be a bigger burden than had been expected. The dollar gap yawned wider and deeper than anyone had foreseen and the crisis was clearly revealed in all its seriousness when Mr Churchill's new government took office in November. Now Great Britain is preparing to face the grim task of closing the gap.

The Commonwealth and Colonial Empire must, of course, bear their share of the burden and help to pay the high price of peace. The Commonwealth Finance Ministers agreed in London last January to stand solidly by the sterling area, starting with drastic, realistic, and far-reaching measures to stop the drain upon gold reserves, but ending with expansion and development of the great resources of that widespread area. The Chancellor of the Exchequer said that there was no sign of any of the countries of the Commonwealth wishing to leave the sterling area. The final aim and the lasting solution of the problem is one which will make sterling freely convertible into all the main currencies of the world and will drive on to the position, for which we all so greatly hope, when restrictions and controls can be cast to the winds. I myself am convinced that the more we get rid of the barriers the more rapidly will trade get moving to meet the shortages of raw materials and consumer goods which still exist in so many parts of the world.

INFLATIONARY SPENDING IN THE FAR EAST

But so far as the Far East is concerned and while the war continues in Korea, and even after peace comes (for I fear that in the foreseeable future the tension is unlikely to ease much in the East any more than in the West), currency difficulties will remain and we are unlikely to get back to those happy days of almost unrestricted freedom of trade. Even if political developments in the East get no worse, it is difficult to see how stability can be expected while there is inflationary spending and incompetence on the part of governments and a sad lack of law and order in many areas. Yet so long as there is a demand for the products of these areas, and while they continue to fetch good prices, a fair volume of trade should continue and an improvement should come as and when political conditions take a turn for the better.

One of the most striking features of the postwar years has been the way in which through international agencies or otherwise the countries blessed with a relatively high standard of living have made efforts to bring aid to the less developed territories throughout the world. The United Nations, the United States, and the British Commonwealth have been prominent in such activities.

THE COLOMBO PLAN

I made a reference in my last statement to the Colombo Plan, which was initiated at the meeting in Colombo of the Foreign Ministers of the Commonwealth countries over two years ago. In July last the main plan of development was launched, but in January, 1951, a Council of Technical Co-operation had already been set up in Colombo as an integral part of the whole idea. Real progress has been made with this particular scheme, which provides technical experts and technical training for Asian personnel needed to carry through the projects adopted by the several countries whose development plans have been set forth in the Colombo Plan report. The original report, which was published in November, 1950, no longer accurately describes the scheme of things as now existent. The Commonwealth Consultative Committee has become an International Committee, in which the United States are taking part, and included in the general scope of the "Plan" are the extensive measures undertaken by the United States Government in the same area, such as some of the "Point Four" projects, certain parts of ECA aid (now Mutual Security Administration), and various International Bank and Export-Import Bank loans wherever any of these touch the planned programmes of the participating countries.

It is significant and important that the present emphasis in the whole area should be on agricultural development or plans which will in the main benefit the rural economy of these areas. I heartily welcome this trend of events. I am convinced that it is a mistake to hasten industrialisation, and after all it is hardly surprising that the dominant aspect of planning policy should have turned towards agriculture and food, seeing that more than half of the population of the world get barely half of the calories they need. Thus the Colombo Plan has become an aggregation of various aid projects for the whole of South and South-East Asia. The launching of the original scheme served a valuable purpose in calling attention to the urgent needs of the underdeveloped countries in the area, which, if neglected, would inevitably result in political and revolutionary discontent or revolts against the established authorities.

I have referred in some detail to this matter because the plans and projects now being pressed forward are especially important both economically and politically to the areas where our bank operates. Moreover, in England last year at the first meeting held to welcome the representatives of British Overseas Legislatures I noticed that much stress was laid on the Colombo Plan by the Secretary of State for the Colonies in his opening speech on that occasion.

HONGKONG

I feel sure that I speak for all who have at heart the welfare of Hongkong when I say that it was with great pleasure that we heard that the term of office of His Excellency the Governor, Sir Alexander Grantham, had been extended until July, 1954. Sir Alexander is not only popular in all circles, but he is also honoured and respected for the wise and understanding way in which he administers the affairs of this Colony. We are indeed fortunate that he is to stay with us. But we suffered a blow last December when we heard that our extremely able Colonial Secretary, Mr J. F. Nicoll, was to leave Hongkong on his promotion to the important post of Governor of Singapore. Hongkong's loss is Singapore's gain. I have no doubt at all that Mr Nicoll will very quickly gain the confidence of all sections of the community in his new and onerous appointment as he did so quickly here in Hongkong.

Mr Oliver Lyttelton's visit last December was very welcome to all of us and to the whole Colony, especially as I believe it was the first visit paid to Hongkong by a Secretary of State for the Colonies. It is good to know that the Colonial Office is now in charge of an official with recent personal knowledge of conditions in Hongkong. We can feel that our problems are in safe hands. I would like, however, to add that on recent occasions in London when I had conversations with Mr Griffiths, the former Colonial Secretary, I was much impressed with his keen grasp and wide knowledge of the problems of the Colony. Mr Lyttelton took the opportunity of his visit to make a particularly welcome declaration which I will again place on record. He said:

"His Majesty's Government are resolved to maintain their position in Hongkong, and will discharge to the utmost of their ability their responsibilities towards the Colony as regards both defence and the welfare of its population."

Every year at this time prior to the introduction of the Appropriations Bill, the Governor makes a speech outlining some of the major developments in the Colony. Invariably a great deal of interesting and important information is provided to the public. Again this year, on March 5th, His Excellency's speech was packed with information about Hongkong which should obtain the widest possible circulation. The Governor has always urged that we should press on as much as circumstances permit with those things which we know Hongkong needs; hospitals, schools, reservoirs, roads, the city hall, and, perhaps most important of all, housing for the less privileged members of the community. I fully endorse this policy of advancement. The budget of the Colony was presented to the legislative council on the same day in a very lucid way by our new financial secretary, Mr A. G. Clarke. Naturally there has not yet been time to make a careful study of his figures and I will merely say that it is satisfactory that revenue has remained buoyant throughout the past year and that we have an increased revenue balance against future contingencies.

THE COLONY'S FINANCES AND TRADE FIGURES

However, the long list of important public works which are on the financial programme makes us realise that we cannot be complacent about the financial position of the Colony. Many of these works are urgent: all of them necessary if we want to see Hongkong develop on the right lines. It is quite obvious that it would be out of the question to attempt to float a loan at the present time so we must face the fact that payment for these works must come out of revenue. But as these works get under way their annual cost will grow. I am not in favour of drawing on our general revenue balance as it may well be needed in the future. The implication is that if revenue falls off we may have to face additional taxation to meet these important charges on revenue.

This time last year we hardly expected that the immense trade figures for 1950 could be excelled by those for 1951. You will remember that the 1950 figures for exports were no less than 60 per cent higher than those for 1949 while imports were 38 per cent higher. Yet in fact the 1951 figures show exports up a further 19 per cent and imports nearly 29 per cent. The peak was reached, however, by the end of March, the record month, when imports and exports together totalled HK$1,091 million for the one month, or about the same as for the whole of a normal prewar year such as 1938. By December, 1951, the month's figures were down to HK$737 million, though here we saw some reaction from the low spot of the year which was HK$591 million in September, but even this was well above the monthly averages in 1947, 1948 and 1949, and not far short of the monthly average in 1950.

EXPORTS TO CHINA

The effect of the embargo on exports to China imposed at the instance of the United Nations which comprehensively covered "items useful in the production of arms, ammunition, and implements of war" and which came into force in June, can be seen in the fact that Hongkong's exports to China (excluding Formosa) were valued about HK$1,151 million from January to the end of June, but from July to the end of the year they amounted to only HK$452 million. Imports from China in the two half years showed little change, being HK$455 million in the first half and H.K.$408 million in the second half of the year. Towards the end of the year the balance of trade with China turned in favour of imports: thus exports to China were down to HK$107 million in the last two months of the year, as against HK$173 million of imports from China. It is possible that China will before long start buying non-embargoed goods again in the Hongkong market on a more extensive scale than recently, but there is no doubt that she is concentrating a lot of attention on trade with Russia and East European countries. Meantime there is a large accumulation of goods in Hongkong warehouses, but nothing like the amount we experienced two years ago, which very suddenly dissipated.

The commercial cargo tonnage discharged and loaded has naturally fallen off when compared with 1950, but the figures are still only slightly below those for 1949. It is clear that a moderate recession got under way in the later part of the year. However, in our experience of trade in the Far East the word "normal" has rarely found a place and we can only meet the future as it arrives. Banking operations have continued at a high level. The Clearing House figures fell off a little at the end of the year, but they were still well above the average monthly figures for 1950, and the total for the year 1951 was equivalent to more than £1,100 million, which compared with £900 million in 1950.

AMERICAN RESTRICTIONS

The United Nations embargo, coupled with the restrictions imposed by the United States on shipments to Hongkong in December, 1950, which are still in force, have naturally had an unfortunate effect on some of Hongkong's industries. Efforts are constantly being made, without much success, to obtain relaxation of the more onerous of the American restrictions, which do not do any harm to China and in some cases have caused unemployment in Hongkong through the closure of factories. In others they have put up the costs of local industries, which have had to buy their raw materials, especially cotton, in a more expensive market. As a result Hongkong goods find it difficult to compete with Japanese goods made from American materials. These difficulties will, we hope, be solved if a settlement is reached in Korea: they are just another instance of the pernicious injustices brought about by controls, restrictions, and embargoes, however justifiable they may seem to be.

Further significance is added to what I have just said if you will note that Hongkong's imports from Japan have increased rapidly from HK$229 million in 1950 to HK$392 million in 1951. Exports to Japan only increased from HK$120 million to HK$192 million. Japan has expanded her trade in the past year with all the countries in the East, as is well known, a matter to which I shall refer again later on: Imports from and exports to the United States fell off considerably last year, as was to be expected, but imports from Germany increased from HK$37 million to HK$214 million in the year, and the latter has in fact expanded her trade throughout the East in a way only second to Japan.

I cannot conclude this section of my speech relating to Hongkong without saying how much we appreciate having the British armed forces stationed in the colony. Not only are we glad to have them here for defensive purposes, but also we welcome them because of the part they take in the life of the colony. We must continue to assist in providing amenities wherever they are needed.

CHINA

Trading arrangements with China, both imports and exports, are now very largely in the hands of Chinese Government Departments or their agents, and it has been estimated that 70 to 75 per cent of China's foreign trade is with the Soviet Union and East European countries. Banking is also becoming more and more under Government control, not so much in the western sense, but rather following the Russian pattern.

Two years ago I said that we did not propose to withdraw our offices from China so long as there was some likelihood of their being able to do business. Now it seems that there is little room for foreign banks to operate in China. In fact, we took steps to withdraw our offices from Tsingtao and Swatow in January, 1951. In September Tsingtao was effectively closed, but although we have now liquidated our office in Swatow,

our agent has been unable to get a formal clearance from the local authorities, and he is still there. In September we took steps to close our Tientsin and Peking offices, and we are doing no business at these places while liquidation is proceeding. In Shanghai we now only have four members of the foreign staff, and business as far as we are concerned is at a standstill.

Apart from saying this I do not propose to attempt to penetrate the curtain which hangs over China—whether it is a bamboo or an iron one. We, like others, have a number of problems awaiting solution with the Chinese authorities, and it would not help matters to refer to them. I will however say this. What is at stake in all this turmoil and confusion is something that goes far deeper than party dogma or political theories; it depends upon the honour, good faith, and fundamental character of the Chinese people.

MALAYA

I will now turn to Malaya, a very important territory for the bank. Early in 1951 the Communist rebellion—the so-called "Emergency"—was satisfactorily held in check and indeed for some months considerable success was obtained as a result of the vigorous operations undertaken by the police and military combined. The resettlement of squatters also proceeded smoothly. These intensified efforts appear to have driven the enemy into a desperate recrudescence of bandit activities which, in spite of many losses, brought them not a few successes. The police, military, and civilians as a consequence had serious casualties. The culminating point was the disaster suffered in the murder of the High Commissioner, Sir Henry Gurney, on October 6th. Sir Henry's untimely death was a serious blow to all communities in Malaya as the many remarkable tributes to his great qualities have shown. We wish General Sir Gerald Templer every success in the important tasks ahead of him. Mr Oliver Lyttelton's visit helped to clear the way, but the support of all communities will be needed to obtain a speedy solution of the troublesome problems of Malaya.

It has been said before, but I *do not* apologize for saying again, that the confidence of the Malay, Chinese, and Indian communities needs to be gained and maintained. It is especially important that the Chinese should be enlisted actively on the side of the Government. Phrases like these come easily off the tongue, but to put such words into practice takes time and patience. The Commissioner-General, Mr Malcolm MacDonald, has done a great work in this direction. Definite progress has been made in the past six years while he has held his office and the Malay and Chinese communities are more and more showing a willingness to compromise their differences and to combine for the good of Malaya. It is good news that Mr MacDonald's term of office has been extended. Much still remains to be done and the European, Indian, and Eurasian communities also have their part to play in order to ensure that the peninsula is swept clear of militant communism and united in loyalty to a country which will, we hope, take its place in due course as a sturdy self-governing unit of the British Commonwealth of Nations.

COMMERCIAL AND ECONOMIC DEVELOPMENTS

There is a great deal that could be said about Malayan commercial and economic developments in the past year but it would lengthen this survey too much to do more than refer rapidly to some of the outstanding affairs. The 1951 trade figures were once more a record, being no less than 56 per cent higher in value than those for 1950. Exports exceeded imports by about Malayan $1,270 million. It has been estimated that Malaya's United States dollar net earnings for the year were about 410 million in spite of the fact that the United States Government dropped out of the Singapore tin market in March, 1951. The trade figures were enhanced by the exceptionally high prices of rubber and tin in the early part of the year, but later the fall in prices brought the monthly figures down well below the comparative months in 1950.

Imports, however, were maintained. It is noteworthy that shipments from Japan rose from M$93 million in 1950 to M$243 million in 1951 and from Germany rose from about M$22 million to M$76 million. The fact that imports from the United States dollar area increased considerably to M$270 million must be recorded with some surprise. Tin exports were slightly under 65,000 tons, as compared with nearly 82,000 tons in 1950, but production of tin has been maintained at roughly the same level as the previous year, in spite of the great difficulties facing tin miners under the hazardous conditions in Malaya.

There is reason to hope that the arrangement made by Mr Winston Churchill with the United States Government in January providing the latter with 20,000 tons of tin by the end of 1952 will at any rate bring to an end the boycott of Malayan tin. Those concerned with the tin industry are seriously worried at the almost insuperable difficulty of prospecting for new tin-bearing areas under present conditions in the interior.

Exports of rubber from Malaya, including re-exports, were maintained at the high level of about 1,150,000 tons, of which exports to the United States of America were a little over 360,000 tons. Incidentally, the value of rubber exports came to roughly 70 per cent of Malaya's total exports. Over 40 per cent of the national income of the federation is believed to be derived from the rubber industry and around 30 per cent of the labour population is engaged in this activity. The importance of rubber is therefore obvious and no stone should be left unturned in order to ensure that the industry is maintained in a healthy and prosperous condition. The fall in Malayan rubber production in 1951 by about 90,000 tons was due to a number of causes, such as labour shortages, the disturbed conditions around and on the estates, and so on. Meantime Indonesian production increased by roughly the same amount. It remains to be seen what effect the new exchange regulations issued in Djakarta last month will have on Singapore's entrepôt trade and United States dollar earnings.

RUBBER REPLANTING

One of the most serious problems now facing the Federation Government is that of taking steps to ensure that replanting is started on the 1 million acres of small holdings which contain trees over 30 years old. It is also very important for the future that some agreement with the United States Government should be reached to bring about the relaxation of their policy of enforcing artificial controls and limitations on the use of natural rubber and of subsidising synthetic rubber. Sudden falls in prices such as have occurred recently are not only harmful to the industry, but are an additional cause of anxiety to the local authorities.

Malaya's prosperity depends on rubber and tin; the Communists are doing everything they can to interfere with plantations and mines. If these industries are depressed by policies adopted by the largest consuming country it will in effect be playing into the hands of the Communists and seriously endanger the political and social stability of this peninsula, which is undoubtedly the most vital spot in South East Asia.

It is satisfactory that rice production is steadily increasing year by year. The 1950-51 season gave a record crop of over 442,000 tons, but a similar quantity is still being imported, and Malaya will remain in an unhappy situation at the mercy of the big producers until she becomes self-supporting, as no doubt she will before very long.

INFLATION DANGERS

The danger of inflation in Malaya seemed particularly serious early in the year 1951 when rubber and tin prices were at their peak, but by the end of the year the situation was less menacing. In 1950 the bank note circulation increased over 50 per cent, but last year it rose from M$633 million to M$764 million, some 20 per cent. At the same time total bank deposits were up 21 per cent to M$1,263 million, while the monthly clearings dropped slightly in the latter part of the year. The cost-of-living indices for 1950 rose 10 per cent to 20 per cent according to the grades concerned, and in 1951 there were further rises up to 11 per cent. It is clear that inflationary possibilities need watching.

The financial statement for 1951 of both the Federation and the Singapore Governments show satisfactory revenue surpluses for the year of about M$110 million and M$41 million, respectively, thanks to the swollen receipts from rubber and tin duties and in spite of record expenditures. When it is remembered that these two administrations depend so much, directly or indirectly, on the continued prosperity of the rubber and tin industries, which are subject to many unpredictable tendencies, there is every reason to support the present policy of building up financial reserves against the rainy day. The difficulty of raising capital by means of public loans was illustrated by the lack of public support for both the Federation Government Loan and the Singapore Municipal Loan floated last autumn at the price of 98 with 3½ per cent interest, repayable 1961-71. But considering that as good or better returns were available from prior Singapore and FMS loans and from government stock issued in London and tax free to residents in Malaya, the failure of these issues was not surprising.

Before I pass on to other topics, I must record a note of congratulation to Singapore on its receiving a Royal Charter conferring on it the dignity of a city on September 22 last. Singapore's history dates from January 28, 1819, when a few huts on the edge of the jungle were all there was to indicate to Sir Stamford Raffles a site for this great and prosperous city which he then started to build. The loyal population of Singapore, predominantly Chinese, celebrated the occasion with enthusiastic civic pride. We British, whose forebears initiated the building of so many famous towns and cities in the East, proudly associate ourselves with the honour done to Singapore—"Majulah Singapura"—"Let Singapore flourish."

Finally, a word about the retirement of our Singapore manager, Mr Charles Edwards, who has just left the bank after nearly 40 years' service. As manager for Malaya in the postwar years he has done us very good service and he will be missed by a wide circle of friends. It was fitting that only last June he had conferred upon him the honour of Commander of the Most Excellent Order of the British Empire.

NORTH BORNEO AND BRUNEI

You are probably aware that for administrative reasons our office at Jesselton is entrusted with general control over our other offices in the Colony of North Borneo and the State of Brunei. These agency offices are at Sandakan and Tawau in Borneo, and Brunei Town and Kuala Belait in Brunei. In the latter territory the oil field at Seria dominates the scene. It is operated by the British Malayan Petroleum Company in a progressive way. The production of oil is increasing rapidly and a self-contained town is being built for its general needs. The administration of Brunei naturally profits from this situation and revenue is now, I believe, higher than that collected in the Colony of North Borneo. Perhaps inevitably developments in the towns where our offices are established in Borneo seem to compare unfavourably. Nearly seven years after the reoccupation of the territory the public utility services in these towns are still either non-existent or ineffective and inefficient. Much planning has been done and the groundwork has been laid for progress which will no doubt get under way when steps are taken to import the necessary labour. Nevertheless the natural wealth of the country has come to its rescue. For the second year in succession exports exceeded imports by the equivalent of about £5 million. Rubber accounted for 76 per cent of the value of exports and copra for another 14 per cent, while timber accounted for a considerable part of the balance. Other agricultural products are being encouraged as is indeed very necessary. The Governor has indicated his keen desire for more rapid progress in the development of the country and this augurs well for the coming years. After much delay we have recently obtained a suitable site for a proper bank building in Jesselton. The plans have been prepared and work will start shortly. Although the returns are not spectacular I am satisfied with the steady progress our offices are making in Borneo.

INDIA

The year 1951 provided India with a number of difficult problems, but in spite of periods of despondency she surmounted them surprisingly well, partly as a result of fortuitous circumstances and partly through her own foresight. The tragic death of Mr Liaquat Ali Khan resulted in a lessening of political tension between India and Pakistan and caused at any rate a temporary improvement in the Kashmiri political situation. Furthermore, the fixing of the rupee rate and the trade agreement between the two countries eased up trade difficulties, and in particular helped the movement of raw jute and coal. Prices rose rapidly in the early part of the year, but serious inflationary possibilities were forestalled by Government action coupled with a reaction in prices. The food situation was at one time alarming owing to floods here, droughts there, and the Assam earthquake, but somehow the patient and long-suffering population escaped a major calamity. Yet five million tons of wheat had to be imported and the outlook for 1952 is not much improved.

Much has been written about the ambitious five-year plan, the draft of which was published during the year. Its importance is clearly evident, and it is justly claimed to be an advance on the six-year plan prepared in connection with the Colombo programme, but the prior emphasis is still on schemes which will help to produce large quantities of food. Meantime, as part of their contribution to the Colombo Plan programme Australia, Canada, and the United States of America have contributed supplies of food grains and the rupee counterpart fund has been used to provide loans to help local projects which also benefit food production. Early in January an agreement was signed with the United States by which the latter agreed to provide US$54 million as a technical co-operation fund for rural development schemes. This project, taken with the technical programme which is already progressing rapidly under the Colombo Plan, will undoubtedly prove of great benefit to India's production in the course of time.

The recent agreements relating to the establishment of three oil refineries in India is also of great interest and importance in view of the special terms obtained by the oil companies.

My comments today on developments in a large country like India must necessarily be inadequate and sketchy. I have looked on the rosy side of things: there is unfortunately another side, but the balance shows that there has been progress, although much remains to be done.

CEYLON

The foreign trade of Ceylon continued in a satisfactory state last year and exports exceeded imports by Rs.345 million. Great interest was taken in the visit of a strong mission from the International Bank under the leadership of Sir Sydney Caine, who is so well known to many of us in this Colony. The mission will shortly be reporting on the financing of further agricultural and industrial development which is much needed in order to diversify the economy of the country. The Government Party lost a few adherents during the budget debate last year, but the Prime Minister still has a working majority and his views and outlook were happily expressed in the course of the same debate when he said: "We want friends and we feel that the best friends we could have are the British and other members of the Commonwealth."

THAILAND

The International Bank authorities have also been active in Thailand in connection with their loans made at the end of 1950. A railway authority and a port authority have been set up each governed by an autonomous board as stipulated by the bank. The year saw some surprising political occurrences, but after the dust had settled down outward appearances showed no change. The financial situation gives no cause for immediate anxiety, but there are inflationary tendencies as in so many other countries in the world. Mr W. A. M. Doll, the financial adviser to the Government, who has for 15 years identified himself faithfully with the interests of Thailand, resigned last March. His final report received considerable publicity and contained a number of important recommendations which will no doubt receive the careful consideration of the Government. Mr Doll asserted that "Siam is riding on the crest of a wave of unparalleled prosperity," but he also uttered some words of warning about the excessive number of small banks, the need to strengthen the central bank and the evil effects of the exchange turnover tax. There was again a bumper rice crop last season, and exports in the year probably exceeded 1,600,000 tons, a record figure. Unfortunately the surplus for export in 1952 is put at only 1,100,000 tons, which is, I hope, an under-estimate.

BURMA

It is disappointing that internal political conditions in Burma should have failed to improve in the past year, and recently the situation on the Burma-China-Siam frontier has given rise to much uneasiness. The decision of the Burmese Parliament last October agreeing to the establishment of a Karen State within the Union of Burma was welcome, but more genuine co-operation on the part of the Karens as a whole has not yet become apparent. The rice trade is, of course, the backbone of Burma's economy, but rice exports are still a long way below the prewar figure of 3½ million tons, although there was a slight improvement in 1951 when exports reached slightly over 1¼ million tons. Other important export products such as timber, minerals, and oil remain far behind prewar levels. Nevertheless, the balance of trade for the year showed a favourable balance of Rs.63 million. The agreement made on December 1st with the Burma Oil Company leads to the hope that in due course the oil industry will once again recover its former capacity, even though progress in this direction is certain to be slow. Another good sign was the agreement reached in October with the Burma Corporation on the working of the Bawdin Mines which in the past have produced large quantities of silver, lead and zinc. American aid has continued, and arrangements have been made to rehabilitate the port of Rangoon and five other ports which between them handle most of the foreign trade of the country. Recently Burma has decided to participate in the Colombo Plan. The Government fully realise the need for attracting foreign capital to rehabilitate and develop the country, and in this connection they hold strongly that Japan should provide reparations to restore the damage caused in the war.

INDO-CHINA

The untimely death of General de Lattre de Tassigny cast a gloom over all who are interested in the future welfare of Indo-China but the General's policy of building up the political and military strength of Vietnam has been endorsed and is being continued by the French Government. Meantime the American military aid programme has been getting into its stride. Business conditions are naturally unstable but exports of the country's main commodities, rice, rubber, and coal, increased in 1951 over the previous year. Rice exports totalled over 360,000 tons, as compared with 140,000 tons in 1950, and there is an optimistic outlook regarding rice prospects for 1952, based on the expectation of increased production of Cambodian rice. Our offices at Saigon and Haiphong fully utilised all the resources at their disposal and had a successful year, but when a comparison is made with prewar economic conditions it is tragic to realise how much leeway there is to make up and how much better trading conditions would be if only political troubles did not dominate the scene.

INDONESIA

In Indonesia our branches at Djakarta and Surabaja have continued to improve their business in spite of the confused and disturbing state of affairs in that country. Banditry and gang terrorists not infrequently sweep across parts of the country like tidal waves, clearing out crops and produce from plantations and estates. Other parts after a period of quiet and prosperity may in their turn suffer in the same way. Nevertheless, taking the picture as a whole, progress has undoubtedly been made. Security at the ports has greatly increased and the large quantities of rubber exported at high prices (estimated at nearly 800,000 tons in 1951) have provided a valuable source of foreign exchange for the country. The tonnage of copra exports was also higher than in any other postwar year, but sugar, which previously was such an important export commodity, remained depressingly in the doldrums, while tea and tobacco plantations have suffered severely from troubles of all kinds. The new exchange rate and the associated regulations which were enforced last month came to the rescue of the more depressed commodities and are more realistic than the former Certificate system. The leading authorities at Djakarta are, of course, well aware of the need to deal with the problems of law and order, security, the encouragement of foreign capital, the increase of the productivity of labour and, generally speaking, to ensure that ordinary fundamental economic principles are put into practice. Indeed, we are aware that such problems are being tackled in spite of the many handicaps which are at present obstructing rapid progress. It is highly satisfactory that the authorities are seeking foreign technical assistance and advice in regard to many matters and that financial aid from the Mutual Security Administration and the Export-Import Bank is continuously being

received. But what the country needs most of all is a period of real law and order.

PHILIPPINE ISLANDS

The internal political situation in the Philippine Islands improved in the past year largely through the effective efforts of the energetic Defence Secretary, whose intensive campaign against the Hukbalahaps has brought about a definite change for the better. Unfortunately the land reform measures are lagging and agrarian unrest seems likely to continue until more active steps are taken to deal with this problem. Externally the outstanding event of the year was the signature of the Mutual Defence Pact between the United States and the Philippine Islands, which was followed by the signature of the Japanese Peace Treaty at San Francisco on September 8th. Now the negotiations with the Japanese regarding war reparations have started and there will no doubt be long and hard bargaining before any agreement is reached. Various important recommendations of the Bell Economic Mission have been implemented in the course of the year, such as the Minimum Wage Law and the Exchange Tax Law. The latter and other increased taxes were of considerable benefit to the coffers of the government. However, the international reserve of the Central Bank fell during the year from US$290 million to US$246 million, owing largely to increased issues of import licences, which were aimed at counteracting inflationary pressures. Whereas there was an export surplus in the first half of the year, the second half produced a considerable increase in imports, so that the final trade figures were imports Ps.959 million, exports Ps.831 million, showing an adverse balance of Ps.128 million. The decline in prices of important export commodities, such as copra, coconut oil, and hemp, in the second half of the year also affected the export figures. In view of the world demand for many of the products of the Philippines, more rapid progress with the agricultural programme already laid down would greatly benefit the economy of the country.

JAPAN

The Treaty of Peace which was signed by forty-nine nations at San Francisco on September 8, 1951, was of course the most notable political event of the year for Japan. But the opposition of Russia and the Chinese People's Government leaves serious problems for the future. In the business field one of the main events was the transfer by SCAP of control over foreign currency funds to the Japanese Government Foreign Exchange Control Board as a consequence of which Japan obtained complete control of her foreign trade. Another important event was the signature of the new Sterling Area Payments Agreement on August 31st last. In this agreement the dollar convertibility clause of the earlier agreement was omitted thus leaving all payments between Japan and the sterling area to be settled in sterling. It was hoped that this would result in an expansion of trade both ways but unfortunately Japanese exports to the sterling area have increased while imports have not kept pace, leaving an accumulation of sterling amounting possibly to as much as £100 million. Meanwhile exports to the dollar area have fallen off but imports from that source have increased. It is obvious that adjustments are necessary whereby Japanese purchases can be switched in the future to the sterling area so far as it is possible. This complicated matter is now being studied in Tokyo by representatives of the two Governments.

The dangers of inflation in Japan have become very real in the course of the past year as has been pointed out by the American banker, Mr Joseph Dodge. Currency in circulation has increased from 422 billion to 506 billion yen, and prices have been rising steadily. At the same time an unhealthy situation has been developing as a result of the excessive credits granted by the Bank of Japan to some of the leading Tokyo banks. On the other hand industrial activity and production still continue to expand and agricultural production is now claimed to provide over 80 per cent of Japan's food needs. There will be many difficult problems facing Japan in the coming year. Reparations will be the subject of negotiation with several countries. The future of Korea will affect Japan closely. Trade with China bristles with political complications as does also the matter of her relations with Formosa: a satisfactory settlement can hardly be expected until the Korean conflict comes to an end. Towards the end of 1950 and early in 1951 a fairly active trade was developing between Japan and North China and some steel was shipped amongst other less important commodities. The United States then stepped in and at the present time it is believed that only a small business is proceeding. A further problem is that of Japan's textile trade: the effect on Lancashire is hotly debated in Great Britain without, so far as I am aware, any decision being reached as to how to get a sensible settlement. Further expansion has taken place in our offices in Japan. We opened a new office at Osaka during the year and have recently obtained a site on which we propose to erect a bank building for our branch there.

You will have noticed references in the various sections of my speech to the grave problem prevailing throughout the whole of South and South East Asia of the insufficiency of food—particularly rice—and the crying need for greater agricultural production. Exports of rice are still less than half of the average prewar level, but the population has increased 10 per cent. The shortage is mainly due to the poor production in Burma, Indo-China, and South Korea, where large-scale increases are only prevented by political disturbances. It is right that much attention should be given to this problem in the Colombo Plan and the United States Aid Programmes, but top priority is necessary, and I feel strongly, as I have already said, that further industrialisation should in the meantime be given only secondary consideration throughout the greater part of this area.

ANGLO-AMERICAN RELATIONS

Before I conclude there is one word I want to say about Anglo-American relations. In regard to the economic needs of the East there is no difference of opinion. In political matters there are divergencies, as was honestly recognised by President Truman and Mr Churchill in their joint statement issued at Washington last January, and as we in Hongkong know so well. But divergencies can be straightened out if realistic attempts to do so are made by both parties on all levels. I sincerely hope that this will be done in the near future.

Finally, I feel sure that shareholders will wish me to thank the staff of the bank for the very satisfactory result of the past year's operations. If you look through the list of the branches of the bank the varying conditions at each place will at once come to mind. In some places the strains and difficulties have been much worse than others, but I am well satisfied with the competent way in which each office has faced its particular problems.

I now beg to propose the adoption of the report and accounts as presented.

After the proposal has been seconded I shall be pleased to answer to the best of my ability any questions which shareholders may wish to ask.

The motion was duly seconded and carried.

NATIONAL BANK OF INDIA, LIMITED

FAR EASTERN CONDITIONS

MR J. K. MICHIE'S REVIEW

The annual general meeting of the National Bank of India, Limited, will be held on April 1st in London.

The following are extracts from the statement by the chairman, Mr J. K. Michie, circulated with the accounts:—

The accounts for the year 1951 again show increased figures, the total of the consolidated balance sheet having risen to £147,283,674 from £133,404,121 at December 31, 1950. The figures pertaining to the National Bank of India, Limited, alone show a rise of £15,326,882 over the year, but, contrary to our experience in 1950, and for reasons indicated in my last statement, there was a relatively small increase in deposits and a considerable increase in advances.

LARGER NET PROFITS

After the necessary transfer to the staff pension fund and after making full provisions for taxation, bad and doubtful debts, and other necessary reservations, our net profits are £410,673, an increase of £48,716 over the previous year. In the special circumstances obtaining over the latter part of the year I regard these as satisfactory results.

Although in common with other financial institutions our holdings of gilt-edged securities suffered a considerable depreciation, that has been fully taken care of out of inner reserves and current profits. Our portfolio is very largely in dated stocks on which the depreciation should eventually come back to us. We propose to allocate £75,000 to the general reserve fund, bringing our published reserves up to £3,675,000. The amount remaining to be carried forward shows a small decrease of £5,952. Grindlays Bank, Limited, had a satisfactory year and we are well pleased with their progress. Our Finance and Development Corporation continues to meet the functions for which it was created.

BALANCE OF PAYMENTS PROBLEM

Last year I wrote at a time when the spurious prosperity induced by the 1949 devaluation of most of the currencies of the sterling area had been exhausted and when the balance of payments gap, now so starkly outlined, was plainly foreseen by bankers if not by governments. It is an unfortunate fact that in these days of governmental control or direction of commerce and industry, whether through state trading, import and export licensing systems, export duties, credit policies and or taxation, responsibilities and burdens are thrown on banking systems which in times of greater economic freedom they would take steps to avoid or to neutralise.

I commented on this tendency a year ago and we are now surrounded by its financial results. It is true many commodity prices have fallen, cotton, wool, jute, rubber and copra are cases in point, but stocks have risen, many markets are stagnant, and in these changed conditions capital accretions have not met the needs of industry and trade. In this country a very necessary credit restriction—even if a double-edged measure so far as banks are concerned—has been put into operation. In other countries, commercial banking has taken such steps as are within its power to curb credit but it is not yet a general policy in the sterling area and so is only partly effective.

In India, 1951 was another year of difficulty, crops and foodgrains in particular being adversely affected by a poor monsoon. The food position has been considerably relieved by shipments of wheat from the United States of America largely financed by loans. Economically, Pakistan has enjoyed a very successful year. The trade and revenue of Ceylon continues to be buoyant. In Burma the economic position tends to improve.

I write in the interval between the recent London Conference of the Sterling area countries called to consider the critical position of the balance of payments for the whole area, and the issue of certain national budgets in which presumably the general policy agreed upon will be reflected.

As a bank operating in many of the countries concerned, we hope sincerely a concerted policy will be followed and that, in so far as this requires credit restriction, we shall have the full support of the central banks concerned.

OUTLOOK FOR 1952

Now that it has been agreed inflation must be fought, it is surely an anomaly that money which is a scarce commodity should be "cheap" while everything else is dear. It is this unbalance that has been the cause of some of our postwar economic ills and which must be rectified on world-wide lines. Banks do not want dearer money for its own sake or for their profit, but because money rates must be allowed to reflect market conditions and so play their part in the fight against inflationary tendencies.

1952 is bound to be a year of adjustment and difficulty, but we have no reason to expect that it will not be reasonably successful. In their quality and in the enthusiasm of our staff in the bank's interests we have the assurance that everything possible will be done to make it so.

ROYAL BANK OF SCOTLAND

RECORD DEPOSITS

COUNTRY'S ECONOMIC PROBLEMS

STRAIN OF REARMAMENT PROGRAMME

THE DUKE OF BUCCLEUCH'S SPEECH

The annual general Court of Proprietors of the Royal Bank of Scotland was held in Edinburgh on March 12th.

In the unavoidable absence of His Grace the Duke of Buccleuch and Queensberry, KT, PC, GCVO, governor of the Bank, his speech was read by Mr Kenneth Murray, chairman of the Court of Directors. It was as follows:

Before dealing with the ordinary business of the meeting, I have to refer with deep regret to the loss which we have sustained through the death of Sir James Lithgow, Baronet, GBE, who had been an extraordinary director of the bank since 1939, and one of the leading personalities in the industrial life of the West of Scotland. On the other hand, I have pleasure in referring to the appointment of two additional ordinary directors, Mr Thomas Gordon Waterlow, CBE, and Mr David Fortune Landale. We welcome them as colleagues, and we feel sure that their qualifications and experience will prove of much value in the deliberations of the board; they hold office till this court but are eligible for re-election.

I assume it will be your pleasure that the annual report of the bank, and our balance-sheet and profit and loss account and those of Glyn, Mills and Company and Williams Deacon's Bank, Limited, which have been circulated, shall be taken as read, but in compliance with statutory requirements the auditors' report falls to be read at this meeting, and I now call upon the secretary to do so, after which it is open to inspection by any proprietor.

The secretary (Mr Alexander Anderson) then read the auditors' report.

DEPOSITS AND OTHER LIABILITIES

The governor's speech continued:—Referring first to the balance sheet, it will be observed that the tendency of our figures has again been upwards. Deposits and other accounts at £135 million—a fresh record—show an increase of £4 million as compared with last year, and notes in circulation at £9,160,000 are slightly higher. The total of acceptances and other obligations shows an increase of nearly £3 million, and, as this item mainly arises out of the assistance we give to the country's foreign trade, the increase is one which gives us special pleasure.

Our capital remains unchanged at £4,250,000, but the reserve fund, by the addition of £103,416 from profits, as I shall refer to later, is £4,877,216.

LIQUID ASSETS AND INVESTMENTS

On the assets side of our balance sheet, it will be seen that our total assets now amount to £166 million. The figures under the various headings provide ample evidence that the highly liquid position of the bank is being fully maintained. Cash in hand and balances with the Bank of England and other London bankers, along with money at call and short notice, amount to over £34 million.

The high figure of our bill portfolio last year has on this occasion been exceeded, and the proportion of commercial bills is still further increased. The £1 million of Treasury Deposit Receipts outstanding at October has since been repaid to us.

The total of our quoted investments shows a slight reduction on the year and, as always, they are valued in the balance-sheet at or under market prices ruling on the date of our balance. In the conditions then and still prevailing, it is no secret that banks have had to make adjustments in values by drawing on inner reserves created to meet such conditions, and we have not escaped from this need, but the funds in question are much more than adequate to meet the call thus made upon them. We are fortunate in that a large proportion of our British Government securities consists of short and medium dated stocks.

Advances to customers show a larger movement than usual, having increased by over £6 million. The increase is well spread over agriculture, trade and commerce, and is mainly due to the larger amount of working capital made necessary by the higher level of prices. The other items on the assets side do not appear to call for comment.

PROFIT AND APPROPRIATIONS

Turning now to the profit and loss account, our year's profit at £602,728 shows a decrease of some £16,000 but, considering the higher level of charges and the increased burden of taxation, the directors consider this a satisfactory result. Following our usual practice, full provision has been made for contingencies and all bad and doubtful debts.

Two interim dividends having been paid at midsummer and Christmas respectively, amounting together to 17 per cent per annum, the directors do not recommend any further dividend for the year. The allocations proposed for property maintenance reserve and the staff pension and widows' funds are similar to those of last year. A balance of £103,416 has been added to our reserve fund, raising it, as I have already mentioned, to £4,877,216.

The Three Banks Group.—The accounts of the other two members of the Three Banks Group, namely, our associated banks, Glyn, Mills and Company and Williams Deacon's Bank, Limited, have already been submitted to their general meetings and duly approved. I am pleased to report that the businesses of these two institutions also continue to develop along sound and satisfactory lines.

ECONOMIC SITUATION

The particulars which I have given concerning ourselves are of importance to our customers, our stockholders, our staff and to the community at large, but, satisfactory as we may regard them, their real and ultimate value rests on the general economic structure of which we form a part. Our future, and, indeed, the future of all, rests on the strength and security of the nation as a whole. We must all be conscious of the fact that only yesterday the Chancellor of the Exchequer introduced his Budget and, as my remarks have necessarily had to be circulated in advance, I am, to my regret, denied the opportunity of referring to the measures which the Government have felt themselves forced to regard as essential to our economic wellbeing. There will be varying views on the adequacy and, it may be, fairness of the steps which are to be taken to combat and overcome the difficulties which beset us, but, whatever the differences of opinion which may emerge, all must agree that the dangers inherent in the present economic situation of the country call for definite and drastic action.

It is, I know, customary to acclaim increased productivity as a major contribution towards solving the problems which confront us, but one is at times forced to ponder the extent to which this simple truth has impressed itself on the minds of the people. On the surface of things, many aspects of our everyday life still do not reveal the underlying strain, but in the end a nation, no different from the individual in a matter of this kind, will assuredly go down if it fails to pay its way.

TAXATION: THE HUMAN ELEMENT

It is more than unfortunate that in our present struggle to maintain an adequate export trade we should have to bear the extent to which this simple truth has defence is one which cannot be denied. The strain which our rearmament programme imposes on the standard of living is obvious. Capital and labour, which otherwise would be utilised in adding to the real wealth of the nation, are diverted into channels which, in a material sense, are unproductive; but social security in these days without the means and ability to defend the system which supports it would be nothing other than a delusion.

This strain on the balance of payments position must be faced, and it is only by our own efforts that the disequilibrium which it aggravates can be adjusted. There is no other way. It is the case that our problems of today are largely of an economic nature, and yet one is at times forced to consider whether or not sufficient heed has been given to the important part which the human element must necessarily play in their solution. High taxation in these days is regarded as inevitable but, when administered to an extent which causes it to be regarded as penal, it is bound to have a depressing effect on output.

The call for increased productivity will sound a more popular and alluring note if the need for some forms of incentives is not forgotten. To combat the growing evil of inflation, the disciplinary effect of a restriction of credit and purchasing power is readily appreciated, but more important than all else is the urgency to ensure that nothing is done to impede the production of essential commodities to the fullest possible extent and at all levels.

VIRTUES OF SAVING

At a time when our export trade is all-important, and the amount of goods for home consumption is being reduced, the virtues of saving become more than ever apparent. Saving in itself has a beneficial effect on the currency in these days, and, in return, nothing will encourage saving more than the maintenance and improvement of the external and internal value of the pound sterling. Simply stated, it can be said that, in our modern system, our material welfare largely rests on the value of the unit against which our prices are measured. Schemes of rationing and restraint do restrict the free use of money; but, nevertheless, to industry and to the individual alike, the burden of rising prices is one of our most serious problems.

The current high level of prices is, of course, due to many different causes—some of them quite beyond our control—and there is no simple remedy. But the situation is one which calls for the most serious thought and attention on the part of those in authority and the support of all our people. The pound sterling can look back on a glorious history. Today, if not so strong as it used to be, it has, when compared with many other currencies, stood up well to the strains and stresses of two world wars, and, if those now in authority can by their actions maintain and improve its value, they will indeed have made a solid contribution towards our economic recovery.

SCOTTISH AFFAIRS

Under conditions which, in their impact, are of world-wide significance, the industrial and commercial activities of any one country are largely subject to influences which affect the whole and while one would not wish to view Scottish affairs in any spirit of isolation, there are certain features of the trade and industry of Scotland which are deserving of comment. The shipbuilding and steel industries have on hand work which will keep them busy for a long time, but output has, unfortunately, been restricted by the scarcity of raw materials. The production of coal in 1951 was only slightly in excess of that for the preceding twelve months, and all will hope that the output for the current year will show further improvement. The coal industry has for long had its own particular problems, but it is more vital than ever to our existence as a nation, and everything possible must be done to establish those conditions which will make for increased production.

The year has been difficult for the textile industries and, in particular, the wide fluctuations in the price of wool have been the cause of much concern to those dealing with this commodity. The Scotch whisky industry, it is pleasing to record, continues to play its important part in the export trade, and has still further enhanced the enviable record which it holds as the industry which contributes more than any other to the dollar earnings of the nation. Agriculture, on the whole, has had a difficult year, and the needs of this industry—as vital as any in our programme of defence—merit the fullest consideration and support.

The industries I have so far referred to are among those which have been long established within our borders, but there exists in Scotland today a strong desire to widen the scope of her industrial development and much has already been achieved in this direction. The petroleum chemical industry is showing signs of rapid growth. Production has now commenced at Grangemouth, and it is likely that, as a result of these activities, other new industries will in time be established.

STAFF

It is once more my pleasure to pay tribute to the loyal and efficient manner in which the business of the bank has been conducted during the past year, and to express on behalf of the directors their sincere appreciation of the valued services rendered by Mr Thomson the general manager, the assistant general manager, and the officials and staff at head office, London City and West End Offices, Glasgow, Dundee, Aberdeen, and all the other branches.

APPROVAL OF ACCOUNTS

I now beg to propose that the report, containing a statement of the accounts and balance-sheets, be approved.

The report was approved, and the governor, deputy-governor, extraordinary directors and the retiring ordinary directors were re-elected.

THE MERCANTILE BANK OF INDIA

YEAR OF CONTINUED PROGRESS

SIR CHARLES A. INNES ON GRAVE ECONOMIC PROBLEMS

The fifty-ninth annual general meeting of The Mercantile Bank of India, Limited, will be held on April 1st in London.

The following are extracts from the statement of the chairman (Sir Charles A. Innes, KCSI, CIE):

The record of the bank in 1951 was one of continued progress though the rate of expansion slowed down compared with the previous year. Deposits increased by some £5 million, and the balance sheet total is £74 million against £67 million a year ago. Our profit is better than last year, and we are maintaining our dividend at 12 per cent. We have made the usual allocations and have increased the carry forward. I hope you will agree that the results of the year's working are satisfactory.

DETERIORATION IN INTERNATIONAL SITUATION

Last year I referred to the worsening international situation and in 1951 there was a further deterioration especially in the Eastern half of the world. You are aware of recent events in the Middle East, in Malaya and in Korea, and there is little I need add. The plain fact is that a formidable military machine is being built up in China, and it still remains to be seen whether it is intended merely for the defence of China or whether the People's Republic of China has aggressive designs in South East Asia. I am more concerned in this speech with economic conditions. I have no doubt that in the long view the gravest economic problem in the East is that of food. It is the same story in India, Japan, Malaya and Ceylon. All are deficit countries in the matter of food and in all of them population is increasing at an alarming rate.

A more immediate problem is that of inflation. It is still rife everywhere. Another thing that impresses one in one's study of economic conditions is the way in which international trade is complicated, hampered and distorted by regulations and controls

In spite of all things, however, many of the countries in which we operate enjoyed a year of great if possibly somewhat hectic prosperity and the business of the bank expanded. The general pattern of the year's trade is clear enough. The spectacular rise of prices which followed the outbreak of the Korean war in July, 1950, and which resulted from the general scramble for scarce commodities continued into 1951 and reached its peak in February. At the end of that month rubber was selling at 6s. a pound and tin at £1,422 a ton. It is not surprising that boom conditions supervened in places like Malaya and Hongkong and also for different reasons in Japan, and a good deal of overindenting took place with untoward results later in the year. Prices broke soon afterwards and for the rest of the year the trend of commodity prices was downwards. This fall of prices is a healthy sign as long as it is not pushed too far and too fast. In this matter, of course, much depends on American policy. One of the outstanding features of the modern world is the way in which American demand conditions most of the world's commodity markets. Moreover the end of the year was marked by the balance of payments crisis which blew up so suddenly in this country. It is a crisis which affects the whole of the sterling area, and all member countries have agreed that it must be surmounted and that as a first step they must combat inflation and live within their means. This country has led the way by raising the bank rate, by imposing import cuts and by funding operations which have had the effect of reducing the liquidity ratio of the banks and so restricting credit. Further measures are promised in the Budget. It is obvious that the era of cheap money has passed and that we are in for a period of higher money rates and credit restrictions which may slow down trade.

INDIA.—In the last two or three years there has been an increasing tendency for foreign firms of world-wide repute to establish new industries in India. Usually half the capital employed is Indian. These joint enterprises already cover a wide range of manufactures, and the development constitutes a useful addition to India's capital resources and industrial capacity.

PAKISTAN.—Progress is being made in the programme for the industrial development of the country.

MALAYA.—Immediate prospects for tin seem reasonably good. There is anxiety in Malaya as to the future trend of rubber prices. It would be disastrous if rubber prices were allowed to fall to an uneconomic level and it is to be hoped that measures will be concerted in good time by the American and British Governments to prevent this happening.

JAPAN.—The expansion of her industries in the last two years has been spectacular, and we must expect her to take an increasing share of world trade in the near future. The bank, too, must expect increasing competition from Japanese banks. Our policy must be to establish a reputation for service so that when Japan again becomes a free and independent country the bank may be recognised as a valuable asset in the economy of that country.

JUTE INDUSTRIES, LIMITED

FACTORS CONTRIBUTING TO SATISFACTORY RESULTS

DEMAND FOR PRODUCTS FULLY MAINTAINED

NEED FOR CONTINUITY OF SUPPLIES

MR W. G. N. WALKER ON HIGH INDIAN EXPORT DUTY

The thirty-first annual general meeting of Jute Industries, Limited, was held on March 10th, in the Board Room of the Association of Jute Spinners and Manufacturers, 5, Cowgate, Dundee, Mr W. G. N. Walker (chairman and joint managing director) presiding.

The secretary (Mr W. A. Jeffray, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended September 30, 1951:—

The group trading profit of £1,381,057 exceeds last year's figure by £352,371. This satisfactory result can be attributed to two main reasons; firstly, trading conditions were good and our turnover increased substantially both in value and volume despite the shortage of certain of our raw materials, and, secondly, the large economies effected in manufacturing costs by the progressive installation of modern plant and machinery.

The consolidated and parent company's balance sheets have been prepared on similar lines to last year. The provisions made for depreciation of buildings, plant and machinery are again £140,000. The tax equalisation reserve, which was created two years ago, so as to spread the tax relief on initial allowances over future years and thus more nearly relate the charge for taxation to the profits of each year, has been increased from £90,500 to £123,200. In arriving at this figure, £9,300. a proportion of the reserve created during the past two years has been written back into the accounts under review.

The parent company's stock valuation as at September 30, 1951, is £626,620 up on last year, due to higher prices of raw materials and increased activity. Your directors have considered it prudent to transfer from the profit and loss account a further £150,000, making the total of the stock reserve in the balance sheet £400,000.

To help resist the continuing pressure of inflation on the capital resources of the company, your directors have decided to transfer from the profit and loss account to general reserve a sum of £220,000 which, with a transfer of £10,500 in the accounts of a subsidiary company, brings the total under this head in the consolidated balance sheet up to £918,060.

BURDEN OF TAXATION

The oppressive effect of taxation at its present level may be measured by the fact that the total provisions for taxation in the consolidated profit and loss account for the year under review amounts to £708,417 or 51 per cent of the group trading profit. It is significant that the charge for taxation is equivalent to about one-half of the annual salaries and wages paid to our employees, who number over 5,000.

Your directors recommend the payment of a dividend of 10 per cent on the Ordinary stock, carrying with it a final dividend of 8 per cent (making 12 per cent for the year) on the Eight Per Cent Non-Cumulative Participating Preference stock; in addition, in view of the improved trading results during the year under review, a bonus of 5 per cent on the Ordinary stock and 2 per cent on the Eight Per Cent Non-Cumulative Participating Preference stock is also recommended.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the chairman said: With your permission I will take the accounts, and the statement which was circulated with them, as read. (Agreed.)

RAW MATERIAL SUPPLIES

The past year has seen great changes in the availability of our main raw material. Raw jute imports from Pakistan have been of sufficient quantity to allow the spinning side of the industry to operate to the best advantage within the limits imposed by labour availability, but stocks in this country are still too low to allow of proper selection and assortment.

In contrast to the extreme shortage of supplies which prevailed at this time last year, imported cloth from India is now plentiful. The stocks of these goods held in this country by the Jute Control have borne the very high Indian export duty of £112 per ton imposed in November, 1950, and so are very dear in relation to today's replacement cost. (This duty was only £6 per ton in 1949.) Many responsible bodies made strong representations to the Indian Government to remove, or at least reduce the duty substantially, and so assist in stimulating the demand for a product whose main attribute is its cheapness. Irreparable damage, particularly in the North American market, has already been done; the continued obstinacy of the Indian Government in acting against the advice of Indian industry and of all those who deal in Indian hessian cloth throughout the world was incomprehensible and may well have serious repercussions on Indian economy in the future.

I am glad to say that the Indian Government announced on February 18th that as from that day the hessian duty would be halved, making it 750 Rupees, or £56 per ton. As the Jute Control's issue prices of imported goods and raw jute are now both well above the prices at which they can be imported, it is of vital importance to our industry and our consumers alike that major price reductions should be announced at the earliest possible moment.

PRODUCTION AND DEMAND

The demand for our manufactured products was fully maintained during the year under review, and the production of our main manufacturing sections increased by approximately 20 per cent. Your directors have made it their constant endeavour to retain flexibility of manufacture and so far, despite reduced demand in recent months, have been able, apart from a few isolated instances, to retain our full labour force without resort to short time working. Certain sections of our manufacturing activities are bound to feel the effects of the trade recession throughout the country to a greater or lesser degree and it would be imprudent to attempt to forecast precisely what may happen during the remaining seven months of the current financial year. I feel reasonably confident, however, that next year we shall again be able to put before you results which, under the circumstances, will be considered satisfactory.

PRODUCTIVITY

During the past five years the number of our employees has increased by approximately 1,000 and our labour force has been used to greater advantage as the result of the widespread introduction of modern labour saving machinery and re-deployment. The productivity per worker per hour during these five years has increased overhead by no less than 33 per cent, and amply justifies the large expenditure of capital on the modernisation of plant and machinery in recent years. Without this expenditure our output could not possibly have reached its present level and our profits would have been of a very different order.

CONTINUITY OF SUPPLIES TO CONSUMERS

When I addressed you last year, I gave an outline of the causes of the cloth shortage which was then causing considerable embarrassment to our customers. I do not wish to go over the ground again, but feel that it is my duty to emphasise once more the all important question of "Stability"; upon the outcome of this problem depends the future of the jute industry in the United Kingdom, and therefore of your company. If the industry is to serve its customers, it must be in a position to provide supplies from home or imported sources when they are required and at reasonable prices. We must not have recurring shortages and crises of the type experienced during the past few years. Only half of the cloth requirements of this country was until recently satisfied by Dundee manufactured goods—the remaining half being met by imported goods. The home manufacturing industry cannot possibly meet all consumer demands, and therefore imported goods are necessary. All we ask is that cloth will only be imported to the extent required to cover the demand which cannot be met by the home producing industry instead of as happened before the last war, home produced cloth being limited to the amount required to cover the demands not met by imported goods.

Lack of stability in the home producing industry in the inter-war years did not worry our consumers because in the event of a shortage of imported goods the home industry with mass unemployment at its doors was always able to step into the breach and meet the demand. The position today is quite different. The home industry is now operating at about two-thirds of its prewar level of activity and there is virtually no unemployment at the present time. If the importation and issue of these goods is not regulated in some way, the consumer will be deprived of continuity of supply at times of temporary shortage.

CONTROL

The Jute Control has been operated since its inception by members drawn from the industry. It has had two main functions (1) the purchase of raw jute and imported

goods, and (2) the control and distribution both of Dundee produced goods and imported goods to consumers. The first main function of the Control has given stability to the trade; its removal at the present time would have a damaging effect on not only the industry itself, but ultimately also on its consumers. The second main function—that of licensing—has been carried out in a fair and just manner. It is debatable, however, whether it is necessary today to continue this system. We in the industry are most anxious that our consumers should not be burdened with filling in forms and applications for permission to purchase, and we would co-operate with the Government to the best of our ability should it be decided to dispense with this function of the control.

FINANCE

There is one aspect of finance which should be mentioned and that relates to our raw material stocks. Although stocks appear in the parent company's balance sheet at £1,942,159, only approximately one quarter of this figure relates to raw materials, and the balance comprises work in process and finished stocks, etc. Raw material stocks are low because we are only carrying the amount required for normal day to day working, the balance being held by the Jute Control. Removal of control on the raw material end would, therefore, throw a serious additional burden on our finances. The magnitude of this burden would depend, of course, on price levels.

AUSTRALIA

Your directors have been considering for some time how to improve the company's sales organisation in the Australian market. One of your directors visited Australia to gain first hand knowledge of the position, and after consideration of the whole problem it was decided to wind up your Australian subsidiary company. This company—Jute Industries (Proprietary) Limited—accordingly went into voluntary liquidation on October 1, 1951. This action is in the best interests of the business as a whole, and does not in any way imply a diminution of our interest in the Australian market.

TRADE ASSOCIATIONS

There are two trade organisations of comparatively recent origin which deserve special mention—The British Jute Trade Research Association and The British Jute Trade Federal Council. Your company has had a research department for over thirty years, but the advent of the trade body has widened the scope of research and has been of great service to the industry.

The British Jute Trade Federal Council is a body to which all associations in the trade, with one small exception, are affiliated. Your company is a member of all the constituent associations and we have been much impressed by the spirit of co-operation and confidence within the industry which this council has built up. The industry has suffered for some time from lack of publicity, with the result that the people of this country have not realised the basic importance of jute to the national economy. The Federal Council's recent action in appointing a public relations officer is therefore very much in our interest.

In conclusion, I am sure you would wish me to convey to all executives, management, staff and employees at home and overseas your most sincere thanks for their work during the past year. All concerned have worked together with enthusiasm and common purpose. As I said last year, this team spirit, a characteristic of your company, is also one of its greatest assets.

The report and accounts were adopted and the dividend as recommended was approved.

The retiring directors, Mr B. C. Walker and Mr G. H. Pilcher, were re-elected and the remuneration of the auditors, Messrs Dewar and Robertson, CA, having been fixed, the proceedings terminated.

THE MONOTYPE CORPORATION LIMITED

SATISFACTORY YEAR'S TRADING

THE LORD RAMSDEN'S STATEMENT

The forty-fourth annual general meeting of The Monotype Corporation Limited was held on March 11th, in London.

The Lord Ramsden (chairman) presided.

The following is an extract from the chairman's statement circulated with the report and accounts.

Although this does not fall in the year under review, a most important event has been the increase in the capital structure of the Corporation.

At the extraordinary general meeting held on Tuesday, December 11, 1951, unanimous agreement was expressed by shareholders with our proposals and the operation has now been completed.

It is believed that this increase, which more accurately represents the true capital of the Corporation, will eventually prove to be in the best interests, not only of shareholders, but also of those in the employment of the Corporation.

SATISFACTORY PROFIT

The profit earned this year has maintained the high level reached in the postwar years. Under existing conditions, this can be considered satisfactory. A slight increase in turnover contributed to the result. However, the already high level of taxation, still further increased during the year, has reduced our disposable balance, and prevents us making the provision for reserves which we should like.

This increased production, mainly due to the new and well-equipped engineering shop, has made it possible to deal more rapidly with orders for Commonwealth and foreign countries. The order book is still big although we are catching up with the backlog, particularly in overseas markets. Every attempt is being made to obtain orders, but it is unlikely that there still exists the same spectacular demand we have had since the end of the war.

NEW PRODUCTS

We are also making every endeavour to find new products suitable both to the works and the trade in which we are interested.

In this connection, one of our newest products, the 'Monotype' Boston Stitcher, has met with a good reception, and the 'Monotype' Thompson Casting Machine will be available for sale in the near future.

On previous occasions my predecessor made reference to the development of a photo-composing machine. Here again, what is now known as 'Monophoto' has been favourably received and pilot machines are in the course of production. In this matter, the interest and help given by some of our customers is much appreciated.

With regard to the question of matrices, towards the end of last year permission was given us to proceed with a new building. It is required to deal with ever-increasing demands for the production of matrices of all types.

Our objective is to offer from stock, or be able to deliver quickly, standard matrices. We are also developing as quickly as possible those special types which are required for use abroad. These range from Greek to Urdu. Special attention has been and will be given to the needs of Eastern and Far Eastern countries.

As in the case with other new buildings and equipment, referred to in previous reports, the funds for the new matrix building are being provided out of existing capital.

A conservative policy, followed for a number of years, has more than justified itself. In present circumstances it would have been difficult, if not impossible, to borrow money for such capital expenditure.

Every endeavour is made to maintain the closest possible contact with existing or potential users of 'Monotype' equipment, both at home and abroad. In this country, our representatives and inspectors call regularly on those engaged in the printing trade. In the overseas field, in addition to our representatives on the spot, members of the board and senior officers of the Corporation have paid visits to many countries.

The Corporation can once again be said to have contributed materially to the national export drive, upon which so much depends today.

If this country is to redress its adverse balance of trade, it is not merely a question of sales to what were generally referred to as hard currency countries, but sales everywhere. We have buyers throughout the world.

CONDITIONS DURING THE YEAR

During the year conditions have not been easy. Shipping space has not always been available when it was needed and on more than one occasion consignments were held up for long periods. It was fortunate that towards the end of 1951 we were able to ship a substantial number of machines.

Supplies have also been difficult to obtain—more particularly steel—and strenuous efforts were necessary in order to obtain the materials essential to keep the works going. Unfortunately, the coming year does not appear likely to bring any ease. On the contrary, there is every expectation that conditions will be more difficult. However, wherever possible, stocks are being built up and everything has been done and will continue to be done to obtain all that is required.

An advance in wages was granted recently and this became effective in November, 1951. The full effect is expected to cost something round about £60,000 per annum. This, added to the very largely increased cost of

practically everything that we use has compelled us, although reluctantly, to follow with an increase in our prices. From the beginning of this year, machines, etc., have had a general increase of 12½ per cent and matrices of 25 per cent.

EXCESS PROFITS TAX

The Chancellor of the Exchequer has announced that from the first of this year an Excess Profits Tax is to be levied on business gains. When these notes were prepared no knowledge existed, however, of the system which would be applied. This lack of knowledge in itself causes a certain amount of difficulty.

It is to be hoped that any scheme will leave sufficient funds in the coffers of this corporation in particular, and of industry in general, that it will be possible to provide for the repair of old buildings and the erection of such new buildings and equipment as will make for still further efficient and economic production.

Any system of taxation which does not allow for these factors is bound, in the long run, to have an adverse effect upon the future of British industry.

CHANGES ON THE BOARD

I now refer to changes that have taken place on the board in 1951.

First, Mr Silcock, the general manager, who has rendered most valuable service in that capacity, was made a director.

In November, 1951, Mr Harold Macmillan was appointed a member of his late Majesty's Government and in consequence was compelled to resign his seat on the board. From the point of view of the corporation this was regretted. His sound knowledge and experience had been most useful during the many years he served as a director.

I am glad to say, however, that his son, Mr Maurice Macmillan, having been invited to become a director, accepted the invitation. His knowledge of the publishing and printing of books will be of value to the corporation.

THE DIVIDEND

It was made clear in the circular to shareholders dated November 16th, that the amount paid in dividend would not be increased for the present year. In consequence, it is proposed that the final dividend shall be at the rate of 6½ per cent on the new capital of £1 million. This, together with the interim dividend of 5 per cent already paid on the old capital, leaves the distribution at the same rate as last year.

THE FUTURE

It has always been my custom when dealing with the future to use great caution. This is particularly desirable today when everything is so uncertain, and when I address shareholders of The Monotype Corporation Limited for the first time. The order book still remains good, but how long this will last one cannot say. Furthermore, what increases there will be in the costs of materials and services we use cannot be foreseen. For this reason it is better not to be prophetic. All one can say is that everything possible will be done to serve the interests of stockholders. Much of our future, however, is in the hands of others.

The report and accounts were adopted.

INDIAN JUTE MILLS ASSOCIATION

IMPROVED RAW MATERIALS POSITION

LOST MARKETS IN NORTH AMERICA

The annual general meeting of this company was held at the Bengal Chamber of Commerce, Calcutta, on Wednesday, February 27th.

Mr K. D. Jalan presided, and the following are extracts from his speech:—

There is available this year from India and Pakistan a raw jute crop which is the second highest ever to be produced. Prices were obtained for raw jute as also jute manufactures which were the highest ever witnessed in the history of the trade; their continuance would certainly have meant our extinction and we welcome a return to lower realistic levels. The fall in prices of raw jute has not been in proportion to that of gunny prices. It cannot be too strongly emphasised that jute goods attained their premier position in the packaging world by reason of cheapness; that factor is increasingly important with competition from substitutes daily gaining in strength.

THE PRICE FACTOR

The Government's efforts to increase jute cultivation will be subject to their most critical test once the heady stimulant of high prices disappears, as it must. Far greater attention must be paid to increasing the yield per acre as also to all other factors which can reduce the production costs of raw jute. According to official estimates the yield per acre today is less than it was in 1948-49. It is under 2.4 bales per acre, a deplorably low figure. Equally as important as the quantity of raw jute production is the question of quality. I am confident that should no catastrophe happen our crop in India will be in the neighbourhood of 50 *lakh* bales for the next jute year, inclusive of "bimli" and "mesta." It is not possible now to judge the position in Pakistan for the season 1952-53; but I should imagine that the crop will not be any less than this year, say about 70 *lakh* bales.

HESSIAN TRADE LOSES GROUND

With the exception of an insignificant amount, all of our hessian production goes overseas. The jute mill industry has always been India's greatest dollar earner; and two years ago we maintained that position, contributing to India 54 per cent of her total dollar earnings in trade with America and Canada alone. Last year our contribution to India's dollar earnings fell to 29 per cent of the total from these two countries, an event of significance to us in particular and to this country in general.

By far our biggest hessian consumer is America. That country normally takes over half of our production, and on average we exported to America 19,000 tons per month. That figure dropped to under 10,000 tons per month in 1951. Our next biggest customer is the Argentine, to which normally we exported over 5,000 tons a month. Even with the aid of the much advertised barter deal in foodgrains for jute goods, our exports were in 1951 only 4,800 tons monthly. That barter deal is finished; there is now no market for that production.

We have lost no opportunity of bringing these extremely pertinent facts most prominently to the Government's attention.

THE EXPORT DUTIES

What now stares us in the face is that the demand for our goods, by two countries previously taking over 65 per cent of our hessian production, is now halved in relation to an output which in itself is down by a quarter of its previous level. Raw jute costs are beyond our control, and they constitute by far the major factor in the cost of the finished article. Labour charges—our next largest single factor in costs—are dictated by Government awards. Finally, there is added to the price a duty which prior to its reduction constituted an addition of approximately 73 per cent to the cost of an article which we must sell to consumers abroad.

We are not unmindful of the courageous step taken by the Government in slashing by half a penal duty which has been a millstone round our necks for too long. We are unable, however, to share with the Government a belief that our products are so valuable in the eyes of our consumers that they can still afford to pay the present duty of Rs. 21s. per 100 yards to the Government before they are allowed to purchase from us. On today's prices of jute and at the present level of costs we are making no profit but rather a heavy loss in selling hessian. The high rate of duty is therefore not being borne by overseas consumers in its entirety; it is now an additional direct tax on the Indian industry from which producers in Europe and elsewhere are deriving every benefit.

THE SACKING POSITION

To think that the present duty on sacking is not unduly high and could be justified would also be to neglect facts. We here in India, because of the techniques we ourselves developed, could utilise our great sacking production to support and maintain our competitive position in hessian. In 1950 the duty levied by our government in India was Rs. 50s. per ton of sacking goods. Today, the duty is seven times higher at Rs. 350. The effect of this has also been to provide encouragement to our foreign counterparts. I would, therefore, urge upon the Government of India now to give their serious consideration to the question of reducing this duty to the original level.

THE FUTURE

It must be accepted that the prewar capacity of the jute industry outside India is now fully restored if not more. Their level of efficiency is much higher than in this country today. New jute manufacturing industries are springing up not only in countries cultivating a fibre akin to jute, but in Pakistan where there is first-class jute in abundance at a cost cheaper to them than to us. I submit that we cannot hope to face such intensified competition, in addition to paper and cotton substitutes, if our goods are subject to what we still regard as heavy and crippling rates of duty. Despite its being reduced by half, the hessian duty amounts to over a third of the price at which we can sell our goods today. But the history of our industry shows that, since its inception, we have been subjected to an almost constant series of ups and downs. This applies equally to the volume of our business as to our profits or losses. I am not therefore unduly dismayed by the prospect before us; we have a wealth of skill and experience both technical and scientific; we have a great resilience and an extraordinary measure of resourcefulness and adaptability. Our record is a proud and good one and I am sure that we can face and overcome whatever difficulties lie ahead. To that end the Association will continue to work in the closest collaboration with our government and will continue to receive, I feel sure, every consideration, sympathy and co-operation.

BRITISH INDUSTRIAL PLASTICS

EXPANSION OF THE CHEMICAL INDUSTRY

ADVANTAGES OF FREE ENTERPRISE

MR KENNETH CHANCE'S ANSWER TO MONOPOLY CRITICISM

The annual ordinary general meeting of British Industrial Plastics, Limited, will be held on April 3rd in London.

The following is an extract from the circulated statement by the chairman, Mr Kenneth M. Chance:—

The consolidated profit and loss account shows an increase in trading profit at £626,439 of £183,200. Taxation amounts for the year to the huge sum of £257,113, and there is a sum of £159,957 available for reserves and dividend. £75,000 has been transferred to a contingency reserve, and after providing for proposed dividends the Group carry forward has increased from £123,702 to £133,058.

MONOPOLY PROMOTES ECONOMY

During the year under review substantial gross profits have been made, and your managing director and his staff and workpeople at Oldbury have done wonders in increasing the output of moulding powders, adhesives and resins for various purposes from your Oldbury factories. But during the period your directors have had to increase the price of first grade Beetle powder twice, and the fact that even now its price exceeds the basic prewar price by less than 40 per cent does not make such increases any the less distasteful.

The following figures speak for themselves:—

Cost September, 1939		Cost September, 1951
100	Urea	112
100	Formaldehyde	128
100	Hired transport	233
100	Packages	237
100	Boiler slack	300
100	Woodpulp	595
100	Zinc oxide	913
	Basic selling price of first grade Beetle powder, which contains about 30 per cent of	
100	woodpulp	139.4 (August, 1951)

Both urea and methanol, the raw material for formaldehyde, are made by only one manufacturer in this country and may therefore be termed monopolies. So much was said during the recent General Election about the evil of monopolies that I most devoutly trust, in the interest of your company, that before monopolies of this kind in the chemical industry are condemned that they shall receive close study for, to quote from the Report on The Chemical Industry, 1949, published by the Association of British Chemical Manufacturers: "Monopoly as we have described it does not necessarily raise prices; it may be a potent means, and is sometimes the only possible means, of reducing them."

THE BENEFITS OF FREE ENTERPRISE

I receive the admirable publications of the Institute of Public Affairs of the State of Victoria, and the following quotation is taken from the recent address by its chairman: "Open hostility to free enterprise may, it is true, be confined to a minority. But the real trouble is that there is so little real enthusiasm for it . . . this lack of enthusiasm has developed because great numbers of people do not understand the simple truths about business and the means by which private business operates to improve the living standards of the people. In turn, this absence of understanding is partly attributable to the failure of business men to play an adequate part in educating the public about the system in which they believe."

I will take up that challenge. The condition of the chemical industry 60 years ago was chaotic. With a few exceptions, it consisted of a number of family concerns, once prosperous but having failed to maintain sufficient reserves, competing with one another in the manufacture of alkali and acids and now finding competition from the more economic process of making alkali installed by Brunner Mond. In self-protection the United Alkali Company, Limited, was formed, but in those days British capital was more often invested abroad to open up new markets for the products of worn-out plant than in creating new industries at home. So the outbreak of war in 1914 found this country dependent for its nitrogen upon shipments of nitrate of soda from Chile to supplement ammonia from gasworks and for its dyestuffs mainly upon one small factory. This was converted into British Dyestuffs, Limited, which fell on evil days after the war through lack of ability to compete with products from abroad. Meanwhile, Germany had developed a great industry from the invention of the Englishman, Perkin, for making aniline dyes, and had invented processes and installed plant for the extraction from the atmosphere of the nitrogen essential for explosives.

FORMATION OF THE BRITISH CYANIDES COMPANY, LIMITED

Another British invention, the MacArthur-Forrest process, for extracting gold from the tailings of the ore from the mines by means of cyanide led to the formation of companies to manufacture sodium cyanide for this purpose, of which two survived the South African war when the mines were closed down. One of these was The British Cyanides Company, Limited, from whose reconstruction your company has developed.

After the war came the slump of 1920-21 and the General Strike and prolonged coal stoppage of 1926, followed by the combination, of Brunner Mond, Nobel Industries, the United Alkali Company and British Dyestuffs into Imperial Chemical Industries Limited. Now the chemical industry is progressive, creative, based on solid foundations, well managed and with endless scope for further development. Other great concerns have arisen and there is a host of lesser companies, among them yours, which prosper and depend for their success upon raw materials supplied by these great concerns. I have been brought into contact with several of their directors and have learnt something of their methods. They are among the hardest-worked men in this country and it is only because of their excellent methods of management that these concerns have so greatly expanded.

The greatest restriction to industry today is the burden of taxation which deprives industry of the surplus which should be put aside for renewals and the development of new processes and deprives the individual of the ability to save and lessens his incentive to work. Restrictions on commerce, the handmaid of industry, are too numerous to mention, often ludicrous, always troublesome. I was personally responsible for the negotiations which resulted in the rise of your company from the burnt out ashes of The British Cyanides Company, Limited, and I know that they could not have succeeded in present conditions.

CONCLUSION

I am proud that it has been my lot to spend my life in industry during a period when it has conferred benefits so great upon the whole community and I hope that before it is too late unwarranted criticisms against monopoly, profits, "big business" and those who control industrial concerns, above all against the British workman, the backbone of industry, may cease, to give industry a chance, under wise and sympathetic Government, to play its part in saving this country from the perils by which it is menaced. The future prospects of your company are governed by the conditions I have referred to. I have only to add that at present they are satisfactory.

THE EASTERN BANK LIMITED

The Transfer Books and Register of Members will be CLOSED from April 1 to April 15, 1952, both days inclusive.

By Order of the Board,
C. L. MANNING, Secretary.

2 and 3, Crosby Square, London, E.C.3. March 12, 1952.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the post of LECTURER or ASSISTANT LECTURER in Economic Theory in the Department of Economic Science, at an initial salary within the range £450 to £600 per annum, according to qualifications and experience.

Applications stating age, academic qualifications and experience, together with the names of three referees, should be received not later than March 24, 1952, by the undersigned, from whom further particulars of the conditions of appointment may be obtained.

STANLEY DUMBELL, Registrar.

February, 1952.

HOLIDAYS abroad—not "organised" or mass produced but arranged as you or your friends may want. Cyprus—15 days (by air) from £131 9s.; also Malta and Gib. No currency restrictions. Europe—any country available on £25 limit with adequate spending money.—Write for brochure or phone Business and Holiday Travel Ltd., Grand Buildings, Trafalgar Square, London, W.C.2. WHItehall 4114/5.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (*periodicals excluded*).

EDITOR required by senior London publishers for the development of a monthly industrial publication. Sound technical editorial record with background of university degree or equivalent plus practical experience in industry and knowledge of management techniques are desired qualifications.—Write, stating salary, to Box 880.

BUSINESS EXECUTIVE (Company Director), aged 45, wide administrative experience agricultural marketing, wartime Ministry, film exhibition and distribution, retaining present interests, seeks additional occupation offering financial prospects. Responsible position or high level representation. Would consider full time. Negotiations strictest confidence, highest references. Birmingham area.—Box 886.

DOLLAR EXPORTS COUNCIL requires services of a full-time Senior Executive Officer, age 32 upwards. Good business experience and personal acquaintance with North America essential. Experience in marketing, public relations and public speaking also desirable. Salary £2,000 to £3,000, according to experience.—Applications, in writing, to the Secretary, 41, Buckingham Palace Road, London, S.W.1, marking envelope Senior Executive Officer.

THE KNOWS HAVE IT. Discriminating drinkers know the brandy that's best for their purses—J.V.R. at 37s. 6d. a bottle is a fine South African brandy you can rely on. In half-bottles at only 19s. 3d.

TRADING OR ESTABLISHING in CANADA or the WEST INDIES?

If you are trading with or contemplating establishing a plant in Canada or in the West Indies, we can be of help to you.

Through 345 branches across Canada and 23 in the West Indies, we can provide information on business conditions, exchange regulations, exports and the establishing of branch plants.

Your enquiries will receive prompt and courteous attention.

THE BANK OF NOVA SCOTIA

108, Old Broad Street, London, E.C.2

Established in Canada in 1832 with limited liability.

NATIONAL BANK OF EGYPT

Incorporated in Egypt. Liability of Members is Limited.

Head Office - - - CAIRO

Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £E.3,000,000
RESERVE FUND - - - - £E.3,000,000

London Office:

6 & 7 KING WILLIAM STREET, E.C.4

Branches in all the Principal Towns in EGYPT and the SUDAN

THE UNIVERSITY OF MANCHESTER

Applications are invited for research posts in ECONOMICS, and in ECONOMIC STATISTICS. There are three grades: Grade I, £500-£1,100 per annum; Grade II, £450-£500 per annum; Grade III, £350-£400 per annum. Applications should be sent, not later than April 15, 1952, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of ASSISTANT LECTURER IN ECONOMIC STATISTICS in the Faculty of Economic and Social Studies. Salary scale £450 to £500 per annum, with membership of the F.S.S.U. and Children's Allowance Scheme. Applications should be sent not later than March 31, 1952, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

SECRETARY FOR A COMPANY NORTH OF MANCHESTER

A vacancy occurs, due to retirement, in a firm established over fifty years. The Secretary will be required to advise Technical Directors on financial matters, company taxation and economic trends, and to take complete control of the offices. Applicants should be worth not less than £1,500 per year. The successful candidate will be required to collaborate with consultants now developing budgetary control routines. Acquaintance with price fixing and sales forecasting methods an advantage. Age limit 45 years. Closing date for applications March 28th.—Box No. 905.

MANAGER REQUIRED for its Export Branch, by firm with established trade abroad. Applicant should be between 30 and 45; will control from London Office with periodic overseas visits.—Apply, giving particulars, to Box 889.

MONEY isn't everything, even in advertising. Ideas, drive and organisation are the first essentials. For sound guidance through every stage of an advertising campaign, consult SAMSON CLARK & CO. LTD., 57/61, Mortimer Street, London, W.1. MUSeum 5050.

STAFF PROBLEMS SOLVED!

Let us shoulder *your* staff difficulties as we have already done for ¼ million other employers!

EFFICIENT OFFICE STAFF
Permanent and temporary—always available.

HIGHER APPOINTMENTS SECTION
Supplies all executive (non-technical) personnel—male and female.

GROUP STAFFING—in and out of town! From time to time we handle the complete staffing of new organisations.

In every case pre-selection by FINE'S saves time. Please write for a copy of our 4-page brochure which gives full details of our unique service.

FINE'S EMPLOYMENT AGENCY

(Licensed annually by the L.C.C.)

95/99 PRAED STREET, LONDON, W.2

PHONE **AMB 3400** (30 LINES)

LONDON'S LARGEST EMPLOYMENT AGENCY

DEN NORSKE CREDITBANK

Established 1857

Capital Paid-up and Reserves Kr. 53,700,000

OSLO, NORWAY

Branches: Arendal, Brumunddal, Flisa, Grimstad, Kongsvinger, Larvik, Lillesand, Mandal, Porsgrunn, Risor, Skarnes, Tonsberg, Tvedestrand.

Every Description of Banking Business transacted

Correspondence invited.

Telegraphic Address: "Creditbank." Telephone: "42 18 20 Oslo."

REFUGE ASSURANCE COMPANY LIMITED

CHIEF OFFICE
OXFORD STREET MANCHESTER 1

THE REFUGE WILL SAFEGUARD THE FUTURE

AN important industrial organisation in London area requires an experienced Investment Analyst, aged 30-37, competent to supervise a large investmen. portfolio. Must have a sound knowledge of economics, finance, investment and Stock Exchange procedure, backed by some years' practical experience with a finance house or similar organisation. An accounting qualification is desirable but not essential. Salary approximately £1,500, dependent on qualifications and experience. Pension scheme. Applicants should state (in confidence) present position and salary.—Reply to Box 879, quoting reference A1.

FINANCE EXECUTIVE required by well-established manufacturing company. Duties will include direction of accountancy and costing for several factories and reporting to Board on economic trends, capital utilisation, profitability, etc., of departmental sections. The position calls for a man of outstanding ability, tact and personality and should lead in due course to membership of the Board. Applications, which will be treated in strict confidence, should give full details of business experience, professional and other qualifications, as well as personal particulars.—Box 897.

CHAIRMAN considering high level appointment of Chief Executive or Controller, invited to communicate with gentleman aged 46; C.A., A.C.I.S., A.C.W.A., with successful commercial career, recently resigned from Boards of large London Company Group.—Box 899.

EDITORIAL ASSISTANT required by London oil periodical. Languages, also Degree including Economics essential; knowledge of international trading desirable. Details of qualifications, experience, etc., to Box "FE/79." c/o 95, Bishopsgate, E.C.2.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with limited liability).—NOTICE TO SHAREHOLDERS.—The Seventy-first Annual General Meeting of the Shareholders of this Company, for the election of Directors to take the places of the retiring Directors and for the transaction of business generally, will be held on Wednesday, the seventh day of May next, at the principal office of the Company, at Montreal, at twelve o'clock noon (daylight saving time, if operative). The Ordinary Stock Transfer Books will be closed in Montreal, Toronto, New York and London at 3 p.m. on Tuesday, the fifteenth day of April, 1952. The Preference Stock Books will be closed in London at the same time. All books will be re-opened on Thursday, the eighth day of May, 1952.—By Order of the Board, F. BRAMLEY, Secretary. Montreal, March 10, 1952.

TRANSLATION.—Rapid service, German into English. Technical and Commercial material a speciality.—Apply by letter to "Translations," c/o Abbotts, Eastcheap, London, E.C.3.

SELL JEWELLERY

to JAMES WALKER — *Established 1823*

Prompt settlement up to any amount. Expert valuations without obligation. For large collections a representative will be pleased to call. 77 Branches at your service. Registered parcels should be sent to

James Walker

Specimen offers:

£5-£5,000
Diamond and other Precious Stone Rings, Bracelets, Brooches, etc.
£15-£100
Gold Cigarette Cases
£5-£100
Cultured Pearl Necklets.

Also equally high prices for Sports Trophies, Collector's Coins, Medals, Silverware, etc.

D.98. 245, HIGH ROAD, STREATHAM, LONDON, S.W.16. *Tel.: STReatham 2001 (10 lines)*

Postal Tuition for **B.Sc. ECON.**

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

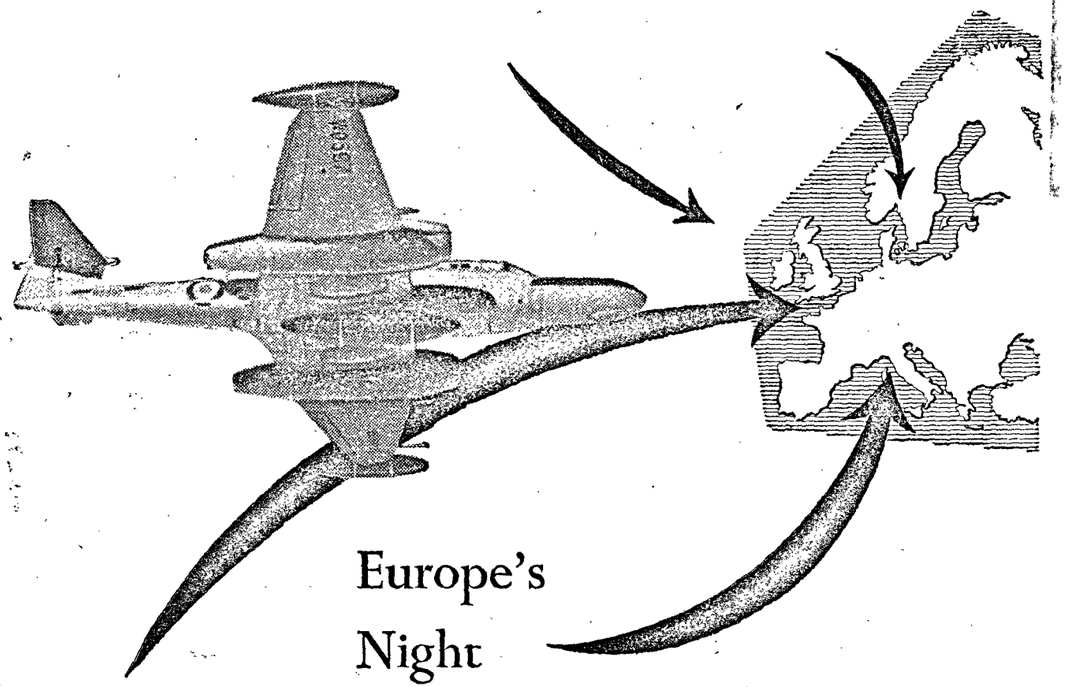
Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

OTHER NOTICES APPEAR ON PAGES 678 AND 698

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, March 15, 1952.

In Defence of the Realm

NUMBER 3 IN A SERIES



Europe's Night Watchman

ARMSTRONG WHITWORTH N.F.11

As befitting a good night watchman, the Armstrong Whitworth N.F.11 spots danger quickly and clearly in the dark, thanks to the keenest, most extensive radar equipment carried by any night fighter. Moreover, it is fast, has a superb rate of climb and is easy to maintain and service. Deliveries of this deadly night fighter for Western European defence are being made against production orders placed with Armstrong Whitworth Aircraft.

The N.F.11 is still another product of the Hawker Siddeley Group. Largest of its kind, this great industrial commonwealth of companies now employs all its mighty resources in building the defensive strength of the Free World.

Hawker Siddeley Group

PIONEER . . . AND WORLD LEADER IN AVIATION

Group Head Offices: 18 St. James's Square, London, S.W.1

A. V. ROE, GLOSTER, ARMSTRONG WHITWORTH, HAWKER, AVRO CANADA, ARMSTRONG SIDDELEY, HAWKSLEY, BROCKWORTH ENGINEERING, AIR SERVICE TRAINING AND HIGH DUTY ALLOYS

The Economist

Established 1843

March 22, 1952 — One Shilling

SECRETARIAT LIBRARY 25 APR 1952 MADRAS GOVERNMENT

LEADING ARTICLES

Bargaining for Germany - - - 701
Where is the Left? - - - - - 703
Dilemma in Malaya - - - 705
Men in Defence - - - - - - 707

NOTES OF THE WEEK - - - 708

Mr Eden Encourages Europe; Atomic Allies; Whose Fleas?; The Budget Debate; Mr Butler the Bear; Drilling Orders for Labour; No Business in Moscow; Taming Communism; Back to the Donkey; The Pace of Pay Increases; Cuts within the Commonwealth; Budget Obscurity; Americans and Greeks; Israel's Preoccupations; The Exchequer and the Schools; After Groundnuts, Sorghum; No Quarter for Tourists; Shorter Note.

BOOKS AND PUBLICATIONS - 717

LETTERS TO THE EDITOR - - 720

AMERICAN SURVEY

After New Hampshire - - 721
Transcontinental Canal - - 722

Economy Begins Abroad; Steel Deadline; Bargains in Spain; Communists and Constitutional Liberties; Shorter Notes.

THE WORLD OVERSEAS

Burdens of the Soviet Budget 731

European Socialists and Rearmament; French Taxes and Benefits; Chops in the Sky; Belgium Looks East Again; Cominform Gymnastics.

THE BUSINESS WORLD

Elevating Bank Rate - - - - 742
Cuts in Sterling Trade - - - 744

BUSINESS NOTES - - - - - 748

Markets and Policy; Stronger Sterling; EPL Again; More EPL Examples; "Super-priority" in the Air; "D" Scheme in Operation; British Standards; Improvisations in France; Britain's Deficit with Europe; Restraint on Bank Advances; The Medicine Works; Higher Building Societies' Rates; Sun Life Dividend Cut; Delays in Port; Egyptian Cotton in Trouble; Freedom for Tea?; Steel Companies and the Public; The Navy's New Engines; Shorter Notes.

COMPANY NOTES - - - - - 760

STATISTICAL SUMMARY - - 761

COMPANY MEETINGS - - - 763

Vol. CLXII No. 5665
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Bargaining for Germany

THERE should be no illusions anywhere in the western countries about the meaning of the new Soviet proposals for Germany. Without much regard for consistency with their previous attitudes, the Russians now propose that the present occupying powers should sign a peace treaty with an independent German government, representing a unified country, and withdraw their armies of occupation, leaving the new Germany completely sovereign and free—among other things, free to have its own national army, provided only that it was pledged not to enter into any alliances or coalitions. The magnitude of the somersault involved in these proposals in itself reveals their purpose. They are plainly designed as a dramatic move to stop Western Germany from becoming a permanent partner and military ally of the Atlantic Powers and to work for the withdrawal of American forces from central Europe. The move is neither surprising nor novel; for eighteen months the Soviet bid for German favours has been steadily rising towards this point. Soviet policy has naturally tried, ever since the early days of the revolution, to break up by diplomatic means any coalition of capitalist countries hostile to it; and the group that is now gathering strength in the West has in Soviet eyes two specially alarming features. One is the presence of rapidly increasing American power at the heart of Europe; the other is the plan to rearm Western Germany as part of a European Defence Community comprised within Nato. To remove these simultaneously is a diplomatic objective so vital to Moscow that it might pay a high price to achieve it. There are, therefore, two questions to be examined. First: what price are the Russians offering? Second, is it a fair exchange for American and British abandonment of the policy built up in the last three years?

No one should underrate the appeal of these proposals to the German public. To a defeated, occupied and partitioned people, unity, national freedom and equality have an emotional appeal which, for all but the most wary, may well overwhelm all sober, logical calculations of advantage and all fears of possible consequences. No German government could turn down these proposals out of hand, and Dr Adenauer has not attempted to do so. The three western occupying powers are not so affected by emotion—or at least not by the same emotions as the Germans—and they can therefore give the Trojan horse from Moscow a cooler scrutiny. But to them also it has a number of apparent advantages. There are many people in the West who have shown a liking for the notion of a free and united Germany pledged to neutrality. Western Germany is larger than Eastern Germany, and it is tempting to take it for granted that a reunited Germany, whatever else it might be, would not be Communist.

This is, indeed, an appealing picture. If it were attainable and if, once attained, it could be guaranteed to stay that way, it would solve many problems. Indeed, the Russians bait their offer with the assurance that "a peace treaty with Germany would make it possible

once and for all to solve problems which have arisen as a result of the Second World War." If this is read to mean that the most crucial issue in east-west relations is the future of Germany, it is true. If it means that the west should make a bad bargain over Germany in the hope of getting better, but unspecified, bargains elsewhere, it is both untrue and dangerous.

Unfortunately, it is almost certain that acceptance of the Russian proposals would not lead to the idyllic state of benevolent neutrality for which the wishful thinkers in the West yearn. The catches are all too obvious. In the first place, the general evacuation of Germany means that the Red Army would retreat fifty miles eastwards over the Polish frontier, while on the other side it is doubtful whether American or British troops would remain anywhere on the Continent ; even if the French invited the Americans to remain in France, Congress could probably not be persuaded to agree. Secondly, it cannot be taken for granted that the merger of the two Germanies would mean one less Communist state in Europe. Eastern Germany may be much smaller than Western Germany, but it would be a tough morsel for the westerners to swallow. It has been made as indigestible as six years of Communist treatment can make it. Again, it might seem an advantage that the new German government would pledge itself to enter into no coalitions or military alliances against any of the victors of 1945. That seems to promise a harmless armed neutrality, a vast Switzerland between Poland and France. It might just as well mean that a Germany forbidden to join the Atlantic pact could conclude with the Soviet Union an arrangement like the Stresemann treaty of 1926. This enabled the Germans to draw loans from the United States with one hand while receiving secret military assistance from the Soviet Union with the other. Only the German nationalists and their Communist allies could benefit from such an outcome.

*

There are other questions that must be asked about these proposals. The West has friends in Western Germany. They are still, it is true, a minority ; but they have worked loyally for the European policy of Dr Adenauer and run risks for it. How would they fare in the new Germany? All its subjects would enjoy " the rights of man and the fundamental freedoms "; the " free functioning of democratic parties and organisations " would be secured. That is, in principle, excellent. But it must be understood that in Communist parlance the whole organisation of Eastern Germany is democratic: Herr Grotewohl and his monolithic Socialist Unity Party are democratic, whereas Dr Adenauer and his friends are enemies of peace and democracy. According to the Soviet proposals, the peace treaty would forbid " the existence of organisations hostile to democracy and the cause of maintaining peace "; whereas full civil and political rights would be given to all former members of the German Army and to all former Nazis save those serving sentences for political crimes. Equally, there is a catch in the proposal to permit a new national *Wehrmacht*: the East Germans would confront the frontier police and ex-servicemen of the west with a large body of trained and indoctrinated young soldiers from the *Bereitschaften*. It is by no means impossible that a Germany reunited on the Soviet terms would be a Soviet satellite, or at the least a Russian ally, within a matter of months.

For these reasons the western allies are approaching the Soviet proposals with the greatest caution. They will not, it appears, turn them down from the start ; they may accept, at least in principle, the proposal of another four-power conference. But they will subject the whole new Soviet initiative to the most rigorous tests to determine its sincerity. The first test they are likely to apply is whether the Russians will agree to wholly free elections, in the east as well as the west, properly supervised. It should not be taken for granted that the Russians will reject this. To accept it would, of course, involve them in losing the Communist majority they enjoy in their zone. But in Germany as a whole, owing to the blind rancour of the Social Democrats, there might well not be a majority for Dr Adenauer's policy of integration with Western Europe. Its halting compromises would hardly compete in popular appeal with " unity and peace." After the election, the disciplined Communist minority would be instructed to co-operate with the Social Democrats and even with the Nationalists—anything to keep out the westerners. Dr Schumacher, the leader of the Social Democrats, seems to be preparing himself for the role of von Papen. At the best, all-German free elections at the moment would give a parliament as divided as the French Assembly. At the worst, they would start a slide into " popular democracy " and alliance, overt or covert, with the Soviet. This is not to say that the western powers should now abandon the demand for free elections that they have so often made ; indeed, they are about to reiterate it. But they should make it quite clear that they will not agree to withdraw their forces of occupation until they see what sort of new Germany emerges from the reunion.

*

When examined, therefore, the prospect held out by the Russian offer is not nearly so attractive as at first sight. There is certainly nothing in it to make the western allies turn aside from their present plans for a European Defence Community and for the gradual integration of Western Germany into Western Europe. But the Russian offer does underline one fact of great significance and danger. The present western policy does not make nearly enough allowance for the natural emotions of patriotism in the German public. It may be right that western integration should precede any revival of German nationalism ; from the American and British, and most particularly from the French, point of view it is essential that it should. But to say this, and this only, is for the West to appear before the Germans in the very dangerous pose of opponents of their unity and freedom. To the German nationalists, the western policy seems to offer almost nothing ; the Soviets now seem to offer them almost everything.

Not quite everything ; for in addition to unity, freedom and equality, there is one other German aspiration on which the Russians offer no concession. No German (save a Communist mercenary, and he not in his heart) can ever accept the line of the Oder and Neisse rivers as the eastern boundary of Germany. On this subject, the Russian Note simply says that the frontiers of Germany have already been laid down by the Potsdam decisions. This is untrue ; it was agreed at Potsdam that " the final delimitation of the western frontier of Poland should await the peace settlement " and the Oder-Neisse line has never been formally accepted by the western powers.

This is, for the West, an extremely delicate question, the difficulty of which they have hitherto recognised by their complete silence on it. To admit that the Oder-Neisse line is a perversion of justice—as it unquestionably is—aggravated by the policy of expulsion enforced by the Poles to the east of it, would be to encourage in the Germans the hope of western support in a war of revenge and to tie the Poles the more firmly to Moscow. But silence also has its dangers. For the Oder-Neisse line is not a weakness in the Russian case, but potentially, and even actually, the greatest strength of all. It is the Poles, not the Russians themselves, who occupy the lost German lands. Not even the dispossessed Germans can positively relish the idea of another war to get them back. But the only alternative method is an agreement with the Russians, and with every demonstration of the desperate desire of the Russians to win the whole of Germany to their side, it becomes more likely that the Kremlin will, some day, offer the supreme bait of another partition of Poland. They would certainly not be held back from any such proposal by considerations of honour or decency, any more than Catherine the Great was. There is nothing the western allies can do to deprive the Russians of this trump card. But it might at least be forced into the open. If there are to be four-power discussions on a peace treaty with Germany, the western powers should insist that they should cover the whole question of Germany's eastern frontiers.

This is only one example of the sort of hard thinking that the western powers, if they reject the Russian initiative, will have to impose upon themselves. The auction for Germany is on, and the bids are rising. The western powers are right to insist that integration must come first. But they will show themselves foolish and short-sighted if they do not see in the Soviet Note a strategy for the capture of Germany to which a counter-strategy must be devised. They have been slow in the past to grasp what is needed to win a divided Germany for the western camp ; and even now the policy of integration and limited rearmament hangs in the balance because most Germans believe—rightly or wrongly—that partnership in Western Europe does not offer them the real substance of sovereignty. Perhaps the French will now see in the Soviet proposals what is the real alternative to a generous policy towards Dr Adenauer : an independent, rearmed, united Germany, owing to the Kremlin both its unity and its hope of regaining the eastern territories—and the Saar.

Where is the Left ?

AFTER the Labour party's internal struggles about rearmament everyone agrees that it is moving to " the Left " ; but no one knows where that is. The past fortnight has been given over to the appeasers within the Labour party. They have gained their immediate reward. Mr Bevan has been spared a public whipping for his revolt in the rearmament debate. He has not been squashed, but he has been pushed back quietly into a pose more befitting the dignity of the outraged Labour front bench. The party's standing orders will provide some guarantee against another damaging public demonstration of its private differences. It is even possible that the left-wing journals will now fly some decent shreds of pink and white bunting over the Jolly Roger, and peaceful citizens like Mr Attlee and Mr Deakin will be able to face their Fridays with more composure.

The Labour party has dramatised and advertised its personal rivalries with so effective a simplicity that their fascination is irresistible. But the important thing to assess is not who has won the recent struggle but how its results may be shown in the policy of the next Labour Government. The struggle has confirmed more than it has brought to light. There was never any doubt that the Labour party would move to the Left while it was in opposition, and hardly more doubt that it would contrive to stick together during the move. A few personalities on the extreme Right of the party may be jettisoned, or at least left in the backwaters. It is quite possible that in the process some of the more strident extremists on the Left may also be thrown out, as a sop to the reformist conscience ; but the victims would probably be men of the stature of Mr Bevan's lieutenants rather than of Mr Bevan himself. For all practical purposes, the Labour party is likely to stick together even if no one knows where it is going.

The real problems are two. First, where nowadays is the Left ? To what new doctrines is the Labour party's inevitable movement, as it revives after its exhaustion in office, likely to lead it ? And, secondly, as the Labour party gropes for the new Left, will it also be able to play the role of a constructive and responsible Opposition ? Or will the country have to put up with an indefinite continuance of the spectacle of the last five months, when Labour has been so blinded by its internal and external rancours that it has succeeded only in making itself look foolish ? This is the first test of the party's qualities out of office since 1940—when it had had no real experience of power. They are muddy waters that have been stirred. The first test brought out the worst in the Labour party. It has shown before that when it is in a jam, even when it is merely in an unfamiliar position, it turns nasty. Rather than state any coherent alternative to the policies of the Conservatives, it has simply impugned their honesty and competence. As soon as Labour's leaders can close their minds to the discipline of facts that power imposes, as soon as they are free from the restraining influence of the civil servants, they tend to see red and run wild—or, what is perhaps worse, they run wild because they think their followers are seeing red.

Perhaps it would be wrong to draw any firm conclusions from the record of these first few months. The Labour party could not be expected to adjust itself to opposition quickly. And it is still suffering acutely from the splits and divisions that disturbed its last year of office. The occasion of those divisions was in defence policy—and, therefore, by easy extension, in foreign policy. But it would be a mistake to suppose that these are the real bones of contention between the Right and the Left, or that, in the process of " going to the Left," the party as a whole will greatly change its policy in these largely external matters. The leaders of the party are too far committed both by their past policies and by their personal convictions to turn their coats on these issues. If the party were going to become pacifist and

neutralist it would have to depose and expel its own majority, including Mr Attlee himself, and there is no prospect whatever of that. Moreover, there is no such thing as a Bevan policy on defence and foreign policy; there is merely dissent from the official policy. And as circumstances change, that will become increasingly unreal as a dividing line of policy.

It is on domestic policy that the war between Right and Left in the Labour party will be fought out. It is economic and social policy at home that interests the party as a whole, which is still far too irregular in outlook to bother unduly about external affairs unless they threaten the standard of living of the trade unionist. So much is reasonably certain; but it is not by any means clear what the dividing line will be. Indeed, on the surface, there is much agreement. The exhaustion of the capital of ideas Labour had in 1945 is universally recognised. There is a widespread feeling that, since Labour executed in four years the ideas that had taken it twenty years to establish, the new period of gestation will also properly be prolonged. There is no present sense of what a coherent Left-wing policy for Britain in the nineteen-fifties implies. Men of the Left as well as of the Right are prepared to say that the distribution of incomes is (or was before the Budget) equal enough, that Labour cannot give the workers more benefits at the expense of the middle-classes or the rich. Nowhere in the party are there large ideas for further social reforms or grandiose nationalisations. The vacuum is complete; such groping for new ideas as there has been so far has come, oddly and significantly enough, as much from the normally passive co-operative movement as from the Fabians or other intellectuals.

★

But a common emptiness of ideas is not unity. No one who knows the Labour party can fail to be conscious of a keen sense of mental divorce between Right and Left; it would not be going too far to speak of a lack of intellectual and emotional contact between them. The differences are real enough, but they have not yet crystallised into specific disagreements on policy. Nobody can yet say how, in a future Labour government, the Left would differ from the Right in the things it wanted to do, because neither side has yet cleared its mind. It is only possible to speak of differing approaches and attitudes. But the differences are large.

The Right thinks that Socialism on the British pattern was established in 1945-51. Power to control the economy was successfully transferred to the state. It turned out to be a control different from expectations, owing more to the ideas of Keynes and the experience of wartime planning than to the collectivism of the early Fabians. But the Right thinks it to be little the worse for that. The Labour party has still to discover how to use this socialisation of economic power to free Britain from difficulties with its balance of payments and to maintain full employment without inflation. The Right would also say that the part-socialised economy should be turned to new social purposes—perhaps to reducing inequalities in the ownership of capital. It has still to find adequate ways of improving productivity. There may be scope for further experiments in different forms of public ownership. But essentially men like Mr Morrison and Mr Gaitskell are well content with the machinery that six years of Labour Government have established. The new policy for Labour is to be found in widening its purposes and improving its methods.

The Left, on the other hand, sees that the nationalisation and planning of the past six years have not produced the utopia that was expected of them and concludes that there must be something wrong with the machinery. The mixed economy is an unsatisfactory compromise that should at least wither away pretty quickly. If the workers are not yet well enough off, the levers of economic control must still in some mysterious way lie in private hands. The Labour party did not achieve its main aims in 1945-50. Socialism is still far off, and Labour must not sink into being a reformist party. The Left that agrees with Mr Bevan on this extends far beyond his 56 supporters on rearmament. The "revolutionary purpose and idealism" that it wishes the Labour party to serve is not aimed at any large schemes for social benefit; those have not been thought of. It is aimed at undefined changes in the mechanism of the modern state—changes that the Right does not want.

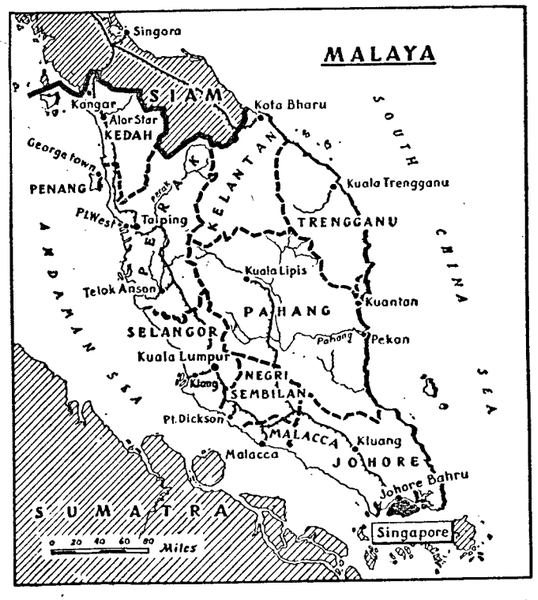
★

Even if on many particular issues the two wings of the party come closer together, this fundamental division is likely to remain. At the best, it will take a long time to hammer out a new policy and it will be difficult to put much realism into it. In the meantime, while the vacuum continues, there are real dangers for Labour's effectiveness as an opposition, and therefore for the service that it can render to the nation. The Labour party will remain tempted to try to hide the vacuum by simply abusing everything the Government does, good, bad or indifferent. The party's official leaders tried to resist this tendency in the defence debate; but after getting for their pains nothing better than an open clash and a temporary stalemate with Mr Bevan, they will be under increasing pressure to try to swim with the tide even if it means rejecting their own recent policies. The pressure is unlikely to diminish even when a new policy crystallises, since there is little doubt that, within the ranks of active party members, the Left is emotionally far more attractive than the Right. The party leaders will obviously be tempted to try to keep their control by rivalling the Left in the violence of their generalised words. And though that may gain them votes within the bosom of the party, it is more likely to lose them in the country.

In all these battles within the party, the elector is the forgotten man. That is true to some extent in any party—the practising politician spends his life among the converts and zealots—but it is true in a quite peculiar degree in the Labour party. Its leaders should remember that they have never yet been placed in office by a positive preference of the voters, as distinct from dissatisfaction with the Tories. Certainly its only chance of moving to the Left and taking the country with it is by showing responsibility, reason and charity. In that lies also the only chance of having a coherent policy if office is regained. The leaders must know this. If Labour's move to the Left is made in an atmosphere of irresponsibility, then the Left will indeed turn out to be nowhere. The inevitability of the move is not in dispute. But the quality and realism of the policy that it eventually produces depend on the fight that the official leaders put up in the next few months—a fight not against new ideas and new policies but against moving blindly at the bidding of the demagogues and the doctrinaires.

The Dilemma in Malaya

THE realistic programme outlined by General Sir Gerald Templer in the Malayan Legislative Council on Wednesday marks the opening of a new phase in the conduct of the emergency. Although there was little new in his proposals, this was the first time that they had been put together in a detailed and co-ordinated form. They spring from the British Government's original directive to the new High Commissioner, which was an excellent analysis of Britain's proper aims in Malaya. It showed that Mr Oliver Lyttelton, the new Colonial Secretary, had gone to the roots of the immediate problem during his South East Asian tour. There were, however, limits beyond which the directive clearly did not profess to go. It said nothing, for instance, about tackling the obstacles to good administration presented by the present constitution of the Federation of Malaya. And it did not embark on the very delicate issue of putting Singapore and the Federation under a single administrative authority, a course which has been strongly urged in some quarters since General Templer assumed his appointment as High Commissioner. While the Government is likely to be forced sooner or later to take fundamental decisions on both these questions, the first is so urgent that it ought to be dealt with at once.



During the past few months there has been a complete change of almost everyone responsible for the conduct of affairs in Malaya. This is partly chance; the last High Commissioner was assassinated within a few days of the British general election, and Sir Harold Briggs, the Director of Operations against the guerillas, handed over to Sir Rob Lockhart on a schedule agreed upon several months before. But Mr Lyttelton's arrival at the Colonial Office has started a chain of events which also led to the resignations in Malaya of the Chief of Police, the head of the police intelligence and the Chief Secretary. The result of this clean sweep has been to create what many observers believe to be at once a unique and final opportunity of recapturing the initiative in Malaya.

During the past few weeks the casualties inflicted on the guerrillas have risen, largely because more information about their movements has been given to the police. The amount of such intelligence is always a barometer of the government's prestige, and there can be little doubt that the guerillas have not lately made any new headway. On the other hand, the crucial fact in Malaya is that if the government does no more than maintain its position it is in reality losing ground. One of the most distressing features of the campaign is that the Communists, however many guerillas are killed or captured, appear to retain a constant operational strength of about three thousand. This implies that they are continually able to recruit new men, and to maintain their forces at a predetermined level—not too many for subsisting in the jungle but enough to cause the maximum harm to Malaya.

Recently the Communists have adopted the tactic of terrorising estate workers. They have succeeded in slowing down the tempo of Malayan economic life both by these direct methods and indirectly through the general demoralisation that the long emergency has gradually induced. This is a new and serious development, particularly at a moment when the price of rubber has fallen to a point at which some of the high-cost producers now have very little in hand before running at a loss. Seventy per cent of estate costs are for labour, whose real wages have risen considerably during the past two years. At the same time, as Sir John Hay recently stressed in a report to shareholders, productivity has been going down. He spoke of an average monthly output in the present year 21 per cent below that of the corresponding period before the emergency began, while on an estate in the most dangerous area the fall had been 38 per cent, although the rubber trees of this estate are of particularly high-yielding stock. Part of the Communist tactic is now to attack the economy of the country and there can be no doubt that this is beginning to succeed. If he continues, then the already declining boom in rubber and tin, which has hitherto done much to smother the effects of the emergency, will collapse altogether and economic stagnation will make the government's task even harder than it is to-day.

This, then, as Mr. Lyttelton has recognised, is a moment which may not come again. New men and new methods could still do much to change the trend of events. Before he left Singapore, the Colonial Secretary emphasised six headings under which he proposed to attack the immediate problem, and these now form the basis of General Templer's programme. He would streamline civil and military control; the new regime under General Templer is the outcome and by all accounts it has started well. He would reorganise and retrain the police; in a sorry state as a result of being expanded so far so quickly, the force is already beginning a drastic overhaul at the hands of the new Chief of Police, Colonel Young. Then there must be "a much higher measure of protection of the resettlement areas" and the "organisation of a Home

Guard"; both steps are already in hand—although the arming of Chinese recruited for Home Guard duties is a leap in the dark. Lastly, the civil service must be put on a sounder basis and—a point to which Mr Lyttelton attaches the greatest importance—the Federation must accelerate its schemes for compulsory primary education. In addition, General Templer now includes among his proposals a Federal military force recruited from all communities, and security of land tenure for resettled Chinese squatters.

The resolution and boldness of these proposals present an encouraging picture of understanding in the Government. Satisfactory also is the importance attached, in the directive to General Templer, to such fundamental political necessities as the establishment of a "common form of citizenship for all who regard the Federation or any part of it as their real home and the object of their loyalty." Yet it is for just such problems as Chinese citizenship and tenure or police reform that the present means of carrying out the new policies appear inadequate. General Templer has been sent out to Malaya with supreme political powers only within the sphere of federal action. Malaya, it is often forgotten, really is a Federation. The constitutional powers of the central government are limited and there are no less than eleven constituent elements with a wide range of local autonomy. Moreover, nine of these eleven are Malay sultans who, as the natural repositories of Malay conservatism, are in large degree inherently opposed to the kind of measures now necessary to beat the Communist guerrillas; they are also very slow—sometimes, it would seem, deliberately. They understandably consider it to be in their interest to prevent the Straits born Chinese obtaining a greater foothold in the country. Yet if these native Malayan Chinese are not given a bigger stake in the future of Malaya, there can be little chance of their coming off the fence.

*

This is characteristic of the way in which the whole Malayan problem now goes round in circles. The British cannot win unless they woo the Malayan Chinese; yet to do so is to risk alienating the one section of the population on which they depend, the Malays. Again, if the British are to make any progress they must try to work with the local leaders of all the communities; yet there are no real leaders possessing the confidence of their peoples with whom to work. And even if the Chinese, like the other races in Malaya, are to be encouraged—as they must be—by grants of land, new forms of citizenship, steps towards representative government, and the promise of eventual independence, none of this is really of any use on its own. However important these steps may be in themselves, the supreme requirements above every other are that public security should be restored and that the British should neither intend nor look like scuttling out of Malaya. As Lord Milverton said last month in the House of Lords:

> Not one Communist rebel would desert if every Chinese in Malaya were given a vote tomorrow. Not one would desert if Malaya were independent under a Chinese President tomorrow. . . . The crying need of Malaya is not self-government tomorrow, but government now.

In these circumstances there is a strong case for carrying the policy of firmness combined with political development to its logical conclusion. This would mean suspending the present Federal constitution of Malaya until the emergency is over. It may be recalled that the constitution was introduced only after the war, when the idea of a Malayan union fell through. If the union had been better prepared and better handled, the Malay rulers might have accepted the idea even then, and it is certainly arguable that sooner or later the federal arrangement will have to go if Malaya is to make progress on the road to self-government. But this is not the moment, at the height of the emergency, to hammer out a new constitution.

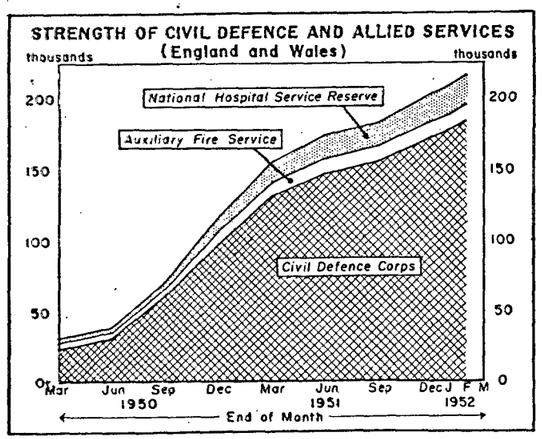
To suspend the federal constitution, on the other hand, is another matter. It would be a temporary measure and it could and should be taken without prejudice to any eventual constitutional development. There would have to be promises that, while the Government's policy of giving the Chinese a stake in the country makes a number of immediate administrative measures inevitable, the constitutional rights of the Malay rulers would be safeguarded at the end of the emergency. Naturally, these are political matters of great delicacy. Their successful handling, with or without suspension of the constitution, depends on the right leadership from Kuala Lumpur. But unless the government now goes the whole way in assuming powers to carry out its policies swiftly and effectively, the alternative may well be to drift into a growing state of frustration and eventually chaos. As things are, a good start has been made in drawing up a clear list of priorities and in trying to inject a new sense of determination and efficiency into government policies. It would be logical now to remove the one major obstacle to their execution.

ALLIANCE
ASSURANCE COMPANY LTD.
Head Office Bartholomew Lane, London, E.C.2
THE FINEST SERVICE FOR ALL CLASSES OF INSURANCE
The Alliance undertakes the duties of Executor and Trustee and of Trustee for Debenture Issues.

Gap in Defence

CIVIL defence is badly out of phase with the rest of the defence programme. By 1954, it is hoped, rearmament will have gone far enough to deter aggression. But civil defence in Britain, at its present rate of progress, will be invitingly weak for several years after that. Only in part does this reflect public indifference. The Labour Government acted on the assumption that it was impossible to do much while maintaining a politically acceptable standard of consumption. Expenditure on civil defence is to rise sharply this year—to £45 million—but that reflects the implementation of plans and orders already decided on. It does not mean that the new Government is making any change from the policy of giving civil defence a low priority.

There is no shortage of plans for civil defence. They originate in the Home Office, and are based on scientists' forecasts of what could be expected in another war. They are then referred to the civil defence Joint Planning Staff, on which all the departments are represented; and when a joint decision has been reached, the plan is handed over to the appropriate department for further elaboration, or—on rare occasions—for action. This cumbrous machinery is hardly suited to produce quick decisions, and it is confusing for local authorities to receive circulars from so many departments. It is probably true that at present, while civil defence administration is on a small scale, it would be wasteful to centralise it under a single roof at the Ministry of Defence or the Home Office. But the test of the organisation should be what would work in an emergency. Civil defence is comparable to a military operation and ought to have a clear chain of command. At the top there is divided authority. In the regions, none of the commissioners who are to control the civil defence forces in their regions has yet been appointed, and a start is only just being made in providing control rooms. On local councils civil defence must go through the slow mill of democratic discussion, and probably takes a lowly place compared with matters of immediate practical importance like drains or the appointment of a new headmaster. The fundamental problem is that, since there is little money for it, the officials responsible for civil defence within the local authorities are few and have little authority.



Only in the matter of training leaders has there been a suitably military approach. The Civil Defence Staff College at Sunningdale gives advanced courses in civil defence leadership, originally intended for those sent by local authorities or large firms, but also attended by visitors from all over the free world. There are, in addition, three technical schools, where practical courses are given. But when those who have taken these courses return to instruct others, they find very few people willing to be instructed. The ambulance section has done best with 63 per cent of the required peacetime strength; it would do still better if it offered to teach people to drive and to service cars, because this would be a useful qualification in peacetime. The rescue section, vital in a war where great numbers of people would be trapped by debris, has only 20 per cent of its establishment. The welfare section, which would be concerned with receiving refugees, has reached only 31 per cent; it would be quite unfitted to deal with hordes of homeless people, possibly panic stricken, and with vast problems of transportation, sanitation and mass emergency feeding.

The plans for evacuation, indeed, are among the vaguest and least realistic. To cope with the mass exodus that would occur after the first heavy bombing, it would be necessary to set up transit camps on the outskirts of the main target areas—but this is a subject which so far is merely being "studied" by the Ministry of Housing, the department responsible. The reception areas have very little idea of what they might have to expect. It is admittedly difficult to tell them with any accuracy. For the planned evacuation of mothers and children, specified parts of the target areas are to be linked with specified reception areas; but if war broke out, people would scatter in all directions—to wherever they had a relative or even to wherever they could get a train. At least, however, the evacuating authorities and those that will receive their refugees ought to be working in close consultation and be fully informed of each other's plans. This is not happening at present. The London County Council, for example, has had no general conference with the authorities in its reception areas.

*

For those who had to stay behind in the target areas there would be very little protection. There are shelters for only 3 or 4 per cent of the population, and those are not necessarily where they would be wanted. Local authority areas are classified according to the risk of their being attacked, in order to determine the type of shelters that might eventually be allocated to them. Anderson shelters can give fair protection against an atom explosion as little as 130 yards away, provided that they are covered with 3 feet of earth. The jigs for producing them have been ordered, but the start of production must wait upon steel supplies. As for concrete shelters, their construction is not in sight, for they compete directly with building resources which the Government has earmarked to implement its unfortunate promises about housing. Housing is a good political bet, shelters a bad one; but that would not be so if the threat of war became imminent. Meanwhile the failure to provide them prevents people from taking civil defence

seriously. They know that it took two years to put up the shelters last time, and this convinces the optimists that there is no urgency to join civil defence and the pessimists that there is no point, as everyone will be dead anyway.

The provision of respirators is much nearer than the provision of shelters. There are probably enough left over from the last war, and held in Government stores, to equip people in the most likely target areas. Production of a new respirator, which fits more closely than the old, is in the pilot stage.

There are ambitious plans for the hospital service, intended to provide some half a million beds for air-raid casualties. Of these, over 5,000 would be in 186 emergency wards. But these plans are on paper only; the present state of their execution is that 60 of the emergency wards are being built, providing only 2,000 extra beds, and the National Hospital Service Reserve is below 25 per cent of the required peacetime establishment. Equally poor is recruitment to the Auxiliary Fire Service, which stands at a mere 15 per cent of the first stage of its planned expansion. Here, for once, the supply of equipment outruns the supply of men. But the service is still pitifully small in relation to the fire danger that could be expected in a future war; for not only can the flash of the atom bomb ignite inflammable material two miles away, but there is the possibility of "saturation" bombing with incendiaries, leading perhaps to a fire-storm like the one which devastated Hamburg.

A case for giving civil defence little priority can be made out. Wars are not won, nor aggression deterred, by encasing the civilian population in concrete. The essence of defence policy is to achieve a marginal superiority over the whole field of potential warfare—and there is no reason to think that civil defence is less advanced here than behind the iron curtain. But even from a strictly military standpoint, civil defence is a vital part of defence strategy. Not only does the protection of industry depend on it (here it is slightly encouraging to note that civil defence in industry is rather farther advanced than elsewhere), but also it is vital to morale. It is no use taking the attitude that "it will be all right on the day." A heavy onslaught on a people utterly unprepared could break morale in no time, and once the destruction had begun it might be impossible to organise anything. It would be foolish, too, to count on several months or even weeks in which it would become clear that war was on the way, and still more so to rely on having a few weeks' breathing space while the enemy attacked Europe.

If people are to see the urgency of joining civil defence they must be given a clearer idea of what they could expect if war broke out, and what would be expected of them. The official guardians of morale are afraid to tell them too much at this stage. But if people are able to take measure of the danger and of the possibility of defence, they will be less inclined to dismiss the whole subject of air attack with a shrug of vague defeatism. The vagueness and the defeatism must be dispelled. They can be dispelled only if people see more visible signs of civil defence preparation. That ought to have more priority even though it makes heavy demands on materials and labour. A moderate increase would make a lot of difference if it was combined with franker discussion. And who could dispel vagueness and defeatism better than the Prime Minister?

NOTES OF THE WEEK

Mr Eden Encourages Europe

It looks as if Mr Eden's advisers are now trying hard to think constructively about the part that this country can play in the process of European integration without weakening its position in the Commonwealth and the Atlantic community. During the meeting in Paris this week of the Committee of Ministers of the Council of Europe, the Foreign Secretary struck a blow at the Foreign Office's reputation for obstruction by putting forward a useful proposal. It is that the Council's consultative assembly and committee of ministers should, by remodelling themselves, provide the assembly and committee of ministers needed for the European coal-steel pool and defence community.

Here at last, his listeners must have felt, was a positive idea for strengthening the organs of unity in Europe coming from across the Channel, even if the British are proposing to *sauter pour mieux reculer*. It would mean that the countries which take integration seriously—even to the point of ultimate federation—could make a reality of the Strasbourg spirit; while those which favour European consultation, and nothing more, would cease to hamper the Council's development by their limited view of what it should do.

Mr Eden went to the roots of the basic problem of West European politics. There are urgent reasons why Western Europe should unite, but the French and others are reluctant to unite without Britain being there to hold the balance between France and Germany. Britain has decided—and both parties in the House of Commons agree on this—that it cannot enter institutions which involve a growing surrender of sovereignty. It promises association, but that is a concept too vague to satisfy Continental ways of thinking. In the present situation the proposed institutions may miscarry.

Mr Eden sees that Britain has a clear duty and interest to bring them to birth. He has hinted at a future, not so distant, when his government would sit in the counsels of a confederate Europe, participating but not voting. France and Germany could then feel that Britain was at least sitting at their elbow, not merely listening, like the Irish and Swedes, in the public gallery. This is a promising and important move which will be welcomed in the United States.

* * *

Atomic Allies

The visit to London of Dr Conant, President of Harvard University, to give the Stevenson Memorial Lecture at the London School of Economics, has produced a useful stir of ideas on Anglo-American co-operation. As a scientist who is now head of a great home of the humanities, he called attention to the complexity of the problems raised both for science and for politics by the current situation with regard to nuclear physics. He made the point that, although in the past scientific knowledge has frequently been applied to the invention or improvement of weapons of war, this has always involved hitherto only a special application of principles already discovered through free scientific inquiry. The development of atomic weapons has for the first time subjected a large field of science to conditions of secrecy under the control of national governments. Dr Conant did not question the need for such secrecy in a world of dangerous international tensions, but urged that the implications of such a state of affairs should be frankly recognised.

Dr Conant claimed that the economic uses of atomic energy could not be separated from the military. Quite apart from the hazard and uncertainty introduced into all public consideration of international affairs by ignorance of the real power possessed by each nation, it had become impossible to check claims of what could be done industrially with atomic energy. This situation gave enormous scope for speculative rumours, demagogy among politicians and "court intrigues" in administrative circles. As between the three countries which had jointly promoted the production of the atomic bomb during the last war, there was now an unfortunate lack of close co-operation, for the question of security had become a matter of mutual recrimination on both sides of the Atlantic; Americans accused Britain of being negligent in precautions against espionage, while voices in Britain talked of American "hysteria" and "witch-hunting." With so much misunderstanding and distrust it was impossible to obtain the benefits of joint endeavour in the field of atomic research. He suggested that the present emergency required the creation of a joint Anglo-American commission for co-ordination of atomic energy policies.

Dr Conant's views are worthy of serious consideration, but the difficulties should not be under-estimated. In any case action in the direction he advocates can hardly be expected in the American election year. The trouble about international co-operation in these matters is that no nation is willing to enlarge the security risk by divulging secrets of such transcendent importance even to its allies, especially when so many scientists everywhere are genuinely opposed to any restriction of the traditional freedom of publicity in science—or have Communist sympathies.

* * *

Whose Fleas?

The charges of American bacteriological atrocities which are now the main theme of the Chinese Communist propaganda machine become more and more fantastic. According to Peking, flies, fleas and mosquitoes carrying cholera and plague germs have been fired into the North Korean lines in shells, and dropped in bombs some of which explode at 6,000 feet, from which height the insects make a free drop. The North Korean Minister of Health has admitted that these airborne insects, despite their apparent ability to survive these ordeals, die quickly of cold once on the ground; but he assures his people that the germs are quite capable of "living on in the snow" for weeks on end. These are tall tales; but for sheer improbability they do not compare with the many Communist claims that the Americans have spread germs in the foremost Chinese positions, sometimes sending infantry patrols across to do this nefarious work. To spread cholera, a water-borne disease, by means of flies, which can only transmit it for a few hours after infection, would be a remarkable feat; to spread it a mile or so from one's own front line would be suicidal.

All atrocity stories have a recognised propaganda value, but these particular charges have other uses. They will help to keep Koreans and Chinese away from points where UN aircraft have dropped leaflets until Communist "sanitary squads" have cleared the area. They are also the basis for an intensive anti-epidemic drive in North Korea, where plague often appears when flea-bearing animals come out of hibernation, while cholera has probably been introduced by soldiers from south China. There is little evidence that either has taken much toll as yet; indeed, according to the North Koreans, only three fatal cases have occurred.

The only reason the Communists have given for refusing to let the International Red Cross investigate their charges is that no epidemic has yet begun. The logic of this argument is not apparent even to Marxist minds, for demands for a Red Cross Inquiry have come not only from Washington but also from European Communists.

* * *

The Budget Debate

The general debate on the Budget ended on Monday with the House of Commons concentrating on two main themes. First, is the Budget fair in its balancing of bigger social service benefits and income tax reliefs against higher food prices? Secondly, is Mr Butler's surplus about right or will it provoke either inflation or deflation?

The first issue was debated with a wealth of arithmetic which, if sometimes confused, never left the main point in doubt. The lower-paid worker with a small family or none will be a little worse off. The Labour party naturally condemned this as unfair and reactionary—by its own standards of what equality should mean. What was patently wrong was the attempt of some speakers to suggest that these workers were being penalised in order to relieve the surtax payer. Mr Butler had no difficulty in showing that the principal benefits of his Budget will in fact go to the very needy—to large families and to people dependent on social security payments—and to the higher-paid wage and salary earners. Since the tax reliefs give an incentive to higher production, that is entirely in accord with Tory social philosophy and Mr Butler could quote the evidence of the Gallup Poll that the majority of voters thought it fair.

On the second issue, the debate was more confused. Some Opposition speakers seemed to accuse Mr Butler of providing a licence for inflation, and others thought that he was provoking a slump; a few appeared to make both charges. On the Government side, it was agreed that some of the assumptions on which the Budget was based were optimistic; but Mr Butler thought that if things turned out to be worse the penalty would be "disinflation"—"and consequent unemployment greater than any of us would wish to see." It would be unfair to read too much meaning into a necessarily discursive speech answering the main points raised in a long debate. It is none the less plain that, though his choice of phrase is less sure, the underlying ideas of Mr Butler's economics are remarkably close to Mr Gaitskell's. But the Government view was certainly far more coherent than that of the Labour party, which in the divisions on Thursday fell into the usual irresponsibility of a baffled Opposition by voting against the tax increases and not against the tax reliefs.

* * *

Mr Butler the Bear

The most important feature of Mr Butler's speech on Monday was the bearish economic forecast that it implied. The Chancellor has been greatly impressed by the evidence that inflation has been arrested and the financial climate of the whole world economy is changing. The signs have hardly gone as unobserved as he seemed to think. But past experience should have taught some caution in interpreting them. There is a tendency, both in the United States and in this country, towards a seasonal recession; the early months of the year have several times given a misleading impression of what was to follow.

This year, it is true, is different. Whatever the general level of employment and incomes turns out to be, a serious contraction of world trade seems to be more than a possibility: Britain's import cuts are the biggest single contribution to it. And for this country such a contraction would undoubtedly produce unemployment in many industries even if there was no stay to activity in most of the world. For a country with a healthy balance of payments the remedy would be to keep up demand at home; for a country struggling to close a desperately large external gap at the last moment, a weaken-

lng of overseas demand makes it more necessary than ever to put financial pressure on manufacturers in order that they will find every possible market abroad. The threat of a slump in exports does not do the work of disinflation for the Government: on the contrary, it increases the amount of disinflation that an adequate Budget should secure. The transitional unemployment involved becomes the direct and obvious instead of merely the contingent price of solvency—and, therefore, the price of preventing still more unemployment.

Precisely because they are so far from wanting to use deflation as a deliberate weapon of economic policy, it is most important that the Conservatives should be clear-headed about this from the start. If the contraction of demand that Mr Butler fears is one that comes from outside this country, there is nothing that can be done to prevent it happening. But the best way of preventing it from opening up a new gap in the balance of payments—and, incidentally, the best way of minimising any unemployment it may cause—is surely to try to extend British sales in markets that are not contracting. And for that, on Mr Butler's own showing, the best method is continuing disinflation. At this stage, the argument about whether the Budget is disinflationary enough depends primarily on estimates of the future strength of home demand, not of export demand; and about this Mr Butler had little to say. It would have been difficult for him to offer evidence of anything but the beginnings of a mild and indispensable shake-out in an overloaded economy.

* * *

Drilling Orders for Labour

For the first time since the controversy with Mr Bevan became acute two months ago, the stocks of Mr Attlee and the more orthodox Labour leaders rallied last week. In the Budget debate Mr Bevan's supporters were overshadowed by the Opposition front bench, and Mr Gaitskell's broadcast on the Budget was as skilled a piece of party pleading as could be wished by the most ardent opponent of the Tories. This greatly strengthens him in the rivalry between the front bench and Mr Bevan who, though an orator, is no broadcaster.

These gains in public were followed this week by a tactical success for the front bench in the semi-privacy of the Parliamentary party. At the meeting on Wednesday the official leaders showed unexpected resource and skill. They easily secured a vote that the party's former standing orders, which had been in suspense, should be put into force as an interim measure until new orders are framed. This not only brings Mr Bevan's followers under immediate discipline, but makes it idle for them to attempt to delay, by lengthy debate, the new orders. Indeed, they now have an interest in seeing that the new orders replace, as soon as possible, the old ones under which "persistent refusal" to toe the party line is punishable. This shrewd manœuvre bears all the signs of Mr Morrison's planning. It is said to have been accompanied by the first outspoken speech Mr Morrison has made for months, in which he tackled Mr Bevan with much of his old vigour. If Mr Morrison is getting back to form—and getting back into his familiar field of domestic politics—the rebels will find the future a good deal tougher than the recent past.

The debate on the new orders brought forth many objections from the Bevanites, but the main lines of the official draft, which requires Labour members to abide by majority decisions in their speeches as well as in their actions, will probably be adopted. The Bevanites are anxious to widen the clause permitting abstention on grounds of conscience. They might by that means greatly modify the meaning of the orders. But success or failure in this would not be decisive. What matters is not so much the precision with which Labour members' obligations are defined as the degree to which the existence of some rules reflects a determination in the party to blend discipline with unity. Any sanctions under the new orders, however drafted, can be imposed only with the consent of the majority of the party. Their effectiveness will depend, therefore, on the spirit in which they are applied; and that will not be decided solely in the present discussions.

* * *

No Business in Moscow

Preparation of the economic conference which opens in Moscow on April 3rd has been notably thorough. If the visitors from all over the world do not agree that American foreign policy is the chief barrier to increased trade and co-operation between countries, it will not be the fault of the organisers. The propaganda that is being made shows that a notable success for the peace campaign is expected—if sufficient numbers of the right people turn up. Moscow Radio has given the impression that this is to be an informal get together of business men and economists organised by an "international initiative committee." In fact the arrangements have been under Moscow direction for some time.

The Soviet Preparatory Committee has received copies of all correspondence arising from invitations, and it has insisted that lists of proposed visitors should be restricted to what it considers a proper representation from each country. The Committee is directing all propaganda for the occasion not only in the Soviet Union but outside as well. National committees under its instructions arrange interviews and press articles, and select public personalities as mouthpieces. So official is the Soviet Committee for this unofficial meeting that it includes the deputy minister of light industry, the deputy minister of internal trade and the deputy chairman of the State Bank. The hospitality offered is generous; a sojourn of ten days in Moscow and opportunities for travel in the Soviet Union afterwards. Air passages are paid from points as far apart as Warsaw and Karachi. One-third of the cost is being borne by the Communist governments of Eastern Europe, the Chinese Government, and the Soviet Government.

From REYKJAVIK to RANGOON

History TODAY

has enthusiastic readers

Read in every continent, and in cities as far apart as Reykjavik, Teheran, Hongkong and Rangoon, HISTORY TODAY is a magazine designed for the intelligent man or woman, planned upon entirely new lines. The basic idea is very simple—that to understand *today* and forecast *tomorrow*, one must have studied *yesterday*, and that the key to present problems often lies in the remote past.

Among articles published in the March issue, now on sale, are: *The Pictorial Records of the Medicis*—a richly illustrated article on the great Renaissance family of patrons, bankers and politicians, by F. M. Godfrey; *Thomas Paine*, a study of the famous Radical, with special reference to the part he played in shaping the constitution of the United States; an illustrated account of *The Vanished Churches of the City of London* by Gerald Cobb; and *The Tinkers and their Language*, a description of a mysterious and rapidly vanishing Scottish tribe of Gipsies by Naomi Mitchison.

History TODAY

ON SALE NOW—2/6

From booksellers and newsagents everywhere, or direct from the publishers price 2/9 (post free). An annual subscription costs 30/-.

HISTORY TODAY, 72 COLEMAN STREET, LONDON, E.C.2.

The event will show how free discussion will be and whether the recommendations reflect minority—that is to say, non-Communist—views. If there is fair play for all, then the instructions of the World Peace Congress in Berlin which proposed this conference will have been disregarded. This would be surprising and significant; but it is unlikely. Mr Acheson hit the nail on the head last week when he spoke of this "stratagem to lure unsuspecting men of good reputation to participate in order to misuse their names and their public standing." They have been warned. They would do better to watch the conference on east-west trade that is being summoned by the Economic Committee for Europe in Geneva.

* * *

Taming Communism

In his recent pronouncements on foreign affairs Mr Aneurin Bevan has constantly resorted to a line of argument which is as seductive to uncritical minds as it is dangerous to the safety of the free world. It is the thesis that rearmament is not really necessary for resistance to Communism, because Communism is simply a product of poverty; therefore the only way to resist it is by promoting higher standards of living everywhere. In the foreign affairs debate in the House of Commons on February 26th Mr Bevan, after referring to the Korean war and the Middle East, declared:

> we think that a very great deal of energy, of material wealth, is being thrown away on fighting the wrong sort of war. The war that we want fought is a war against those despairing social conditions that give rise to war. As a result of pouring out our treasure on a myth, on an assumption that all this is Russian military aggrandisement, Europe has been ruined.

Recent history does not bear out the idea that mass poverty is the most significant factor in the spread of Communism. If the Russians had won in the blockade of Berlin, Germany would now have been under Communist control, but the outcome of that crucial conflict did not at all depend on the degree of poverty then existing in Germany. The nearly achieved conquest of South Korea was not due to any rising of desperate, poverty-stricken South Koreans, but to a straight military invasion with tanks (which Russia had supplied to North Korea, but America had not supplied to South Korea). It is plausible enough to attribute Communist movements in Asia to "despairing social conditions," but how can this explain the remarkable strength of Communism in Australia, which enjoys one of the highest standards of living in the world?

The fact is that Communism as a totalitarian political system uses force whenever it appears expedient, propagates and exploits the idea of Soviet military invincibility, and appeals to every sort of discontent, grievance or ambition, whether economic in origin or not. The attraction which Communism has for sections of the middle-class intelligentsia, both in western and eastern countries, is not due to hunger in these circles, but mainly to factors of another kind: the craving for the certainty and safety of a system of intellectual authority which is "scientific" and yet admits of no doubt or questioning; the desire to belong to a dominant *élite* and at the same time to sink one's individuality in a collective will; the romantic appeal of the fairyland of marvels which Soviet propaganda projects. Nationalist resentments and hatreds, which are much more than mere manifestations of poverty, are likewise exploited by Communism, as they were recently by Fascist movements. To promote higher standards of living throughout the world is in itself a desirable object of policy, but it is no substitute for defence.

* * *

Back to the Donkey

The Persian New Year, which is celebrated with all the zest that the Anglo-Saxons devote to Christmas, not only falls this weekend but immediately succeeds "Nationalisation Day." Dr Mossadegh is therefore able to profit by the holiday he has announced for the one occasion and by the thirteen days of festivity accorded by custom to the other. That is to say, for a fortnight, he will be immune from attack on the score of his failure to come to terms with the International Bank. The Bank mission has returned to the United States, and American and British views on the impossibility of dealing rationally with the Mossadegh government are probably closer than they have ever been before.

The talks broke down upon three points, of which one was so fundamental to the other two that the latter were not worth discussing until it was settled. The key point was whether the Bank or the Persian government should be master of policy; the Persians maintained that, under the nationalisation law, the Bank could be no more than their agent. The Bank replied that, given its status as an international body representing fifty countries, it could not serve any one of them in such a capacity. So long as this issue remained unresolved, questions of price, and of whether or no to discriminate against British technicians (whom the Persians say they cannot re-admit), were immaterial.

Persia's New Year prospects are not bright. A member of the Mixed Oil Commission has announced by broadcast that "it is the duty of the Iranian government to ignore the loss of oil income." He did not add the corollary, which is that Dr Mossadegh has nothing to show for his year of nationalisation save dwindling finances, curtailment of development and welfare, and a retrogression—both economic and spiritual—towards mediævalism. The number of elderly reactionaries who are being elected to Parliament on the wings of oil nationalisation is alarming all Persians who are anxious to see their country play an important part in Asia. If the year now starting goes on as Dr Mossadegh has begun it, its trend will be away from the Packard and towards the donkey, away from the new look and back to the veil.

* * *

The Pace of Pay Increases

The Chancellor can never have supposed that the rise in the cost of living would not provoke successful claims for higher wages this year. His reason for ignoring them in his Budget speech was, presumably, a belief that the unions would formulate claims at their annual conferences in the spring and early summer and the normal leisurely negotiations would follow; people would not actually get more money until the autumn, when many things may have changed. Wages might on balance lag behind prices and exert no net inflationary influence.

It is by no means certain, however, that this year the pace will be so slow. There was a quick reaction even before Mr Butler predicted this Tuesday that the cut in food subsidies would raise the cost of living index by 4½ points. The unions argue that higher insurance contributions, increased bus fares and even higher mortgage charges by the building societies must all be added to the higher cost of food in estimating the budget's total effect on their members. A delegate conference of the National Union of Mineworkers has already called for a new wage demand "to offset the effects of this budget upon our members' living standards." The president of the Union of Shop, Distributive and Allied Workers, who is a Labour MP, has predicted a similar claim by workers in the distributive trades. Leaders of the foundry workers' and electrical trades' unions have also announced that they intend to ask for more money soon. The electricians pronounce that "the bogy of inflation will not deter us from leading the fight for increased wages."

Some of these demands, notably that of the mineworkers, may have been advanced in an attempt to forestall the inevitable complaints of the Communists. But the complaints

have been made and will certainly be pressed as soon as the unions can collect the evidence on which to base them. The first will probably be advanced when the distributive workers meet in conference at Margate on April 13th. The next important claims will probably come from the miners, the railwaymen and the engineering workers. They may easily precede the annual conferences of these unions, which do not take place until July and August. Union leaders, who have experienced the delays of arbitration, now tend to anticipate rises in the cost of living instead of reacting to them after they have happened. It is likely, therefore, that many wage claims will be lodged by midsummer, several months earlier than usual. By then, too, workers whose wages are linked to the cost of living index (notably the steel workers) and others whose claims were pending before the budget will no doubt be getting more money than they have now. It would be wrong to assume that there will be no restraint at all by the unions, or no resistance from employers. But the increase this summer in the cost of labour is certainly likely to exceed the corresponding increase in 1951.

* * *

Cuts within the Commonwealth

The President of the Board of Trade was recognisably and understandably unhappy in his attempt last week to explain Australia's cuts in imports, which many British industries seem to find nastier the longer they are studied. He and his colleagues find themselves, indeed, in an unpleasant dilemma. Either the cuts were discussed and agreed to at the Conference of Finance Ministers, or they were not. If they were, then the Government must bear the odium of having condoned the infliction of a heavy blow on the already hard-pressed textile industry and must, moreover, be convicted of moral cowardice for having failed to give any indication of what was in store. If they were not, then Commonwealth economic co-operation must regretfully be dismissed as a form of words. It is true that there is not much political capital to be made out of events which no United Kingdom Government, of whatever party complexion, had power to prevent; but that hardly consoles Mr Thorneycroft, or anyone else, for so apparently devastating a demonstration of imperfect solidarity.

What is really being demonstrated, however, is less a lack of reasonable solidarity than a hard fact which no professions of solidarity can conceal: the fact that not even the best-intentioned and most co-operative member of the Commonwealth can be expected to go bankrupt in the interests of either the profits or the employment levels of particular British industries. It is for industry and the pattern of employment to adapt itself to the needs of external markets, and not vice-versa. That the adaptation called for in this instance should be sudden and violent, making hardship inevitable, is the kind of misfortune that is the penalty for delaying adjustments as long as they have been delayed both by Australia and by the United Kingdom itself. If blame is to be laid on the Australian Government it is not for deciding that Australia is no more able to afford a flood of new cars than is Great Britain; it is for failing to realise that fact earlier and to shape its economic policy accordingly.

There remains, however, a hard core of unanswerable reason in the Opposition's protests. The manner of the cuts, leaving goods earmarked for Australia on the exporters' hands, is impossible to reconcile with the notion of an agreed approach to a common goal of solvency, however loosely the idea of agreement is construed. Somewhere between Canberra and London the machinery of co-operation seems to have broken down in a manner unworthy of what Mr Thorneycroft rightly called a "great, useful and powerful organisation." One must hope that a repair squad is now at work.

* * *

Budget Obscurity

For all the lucidity that marked most of his Budget speech last week, Mr Butler managed to leave one important matter completely obscure. Did the Government intend to raise all national insurance benefits or only retirement pensions? He spoke of "uniform benefits" of 32s. 6d. a week, which would appear to mean that sickness and unemployment benefit would be put on the same level as pensions. But he was speaking in the context of old age pensions; he did not mention the other benefits by name; and he certainly left most of his audience with the impression that by uniform benefits he meant merely that he would abolish the distinction introduced last year between pensions for the old and pensions for the elderly.

The odd thing was that this mistaken impression was not corrected immediately. It would surely have helped the Government's case to let people know that their other insurance benefits—particularly unemployment benefit—would also be increased. But nothing was said until Monday's debate. Mr Butler then announced that the higher family allowances and insurance benefits would come into force by the end of September but that possibly the higher sickness and unemployment benefits might be introduced earlier.

All these changes will need legislation, and the Minister of National Insurance will introduce a Bill as soon as he has consulted both sides of industry. In the meantime the lack of further progress on the National Health Service Bill strengthens impressions that it is being substantially modified before it gets its second reading. There seems, in fact, to be every likelihood that the age limit for exemption from the charge for dental treatment will be raised to 21. This has much to commend it—on one condition: that equivalent economies will be made elsewhere.

Business demands ACCURACY

and accuracy demands FACTS

More than A MILLION FACTS

are available in

ENCYCLOPAEDIA BRITANNICA

Write to-day for full details of the TEN YEAR PROGRAMME

ENCYCLOPAEDIA BRITANNICA LTD.
E1 Britannica House, Dean Street, London, W.1.

Please let me have complete details of the latest Encyclopaedia Britannica, including particulars of the two valuable Supplementary Services and the subscription methods of payment.

Name .....

Address .....

.....

Americans and Greeks

An incident in Athens last week shows how difficult it is for a great power to be at the same time generous, firm, and tactful. General Plastiras, the Prime Minister and leader of the EPEK, announced from his sick-bed that he personally disapproved of his Liberal colleagues' plan to reintroduce simple proportional representation. He said he would prefer to see the majority system of voting used in the next elections. The American Ambassador, Mr Peurifoy, then sent a message to General Plastiras, intended for publication, in which he strongly approved of the Premier's stand against a return to methods which, in the Ambassador's view, could only perpetuate the chronic instability of Greek governments and would seriously threaten the efficient use of American aid. Mr Peurifoy's action, which has been deeply resented by the Greek Government, has received the backing of the State Department, which went so far as to imply that future American aid depended on a sensible solution of this electoral problem.

Few would deny that Greece's economic reconstruction has suffered from the instability of its governments. And it is natural for the Americans to do what they can to create the political stability which is essential if the Greek economy is really to be put on its feet and if the American taxpayers' money is not to be wasted. Indeed, the United States' present generosity to the other countries of the free world could be a golden opportunity for some of them to put their houses in order. That they do not is a proof of the restraint with which American officials normally behave. Whether their advice is taken depends to a large extent on the manner in which American influence is exercised. There is all the difference between friendly private persuasion and a statement by the US Ambassador, which publicly takes sides in a dispute within the Greek Cabinet over a domestic matter.

It is hard to see how Mr Peurifoy could have failed to foresee the results of his intervention. No doubt he intended to strengthen General Plastiras's position; instead he appears to have done the exact opposite. The new electoral law has, it is true, been pigeon-holed for the time being; but Mr Peurifoy's action destroyed any chance there might have been of drawing a veil over the differences within the coalition over it. And General Papagos (who also favours a majority system of voting) has seized on this as a good moment to launch an all-out attack on the Government in Parliament. Moreover the Greeks' open repudiation of American advice can hardly have improved their standing in the Congressional committees which are now considering next year's Mutual Aid funds.

* * *

Israel's Preoccupations

The visit to London of Mr Sharett, the Foreign Minister of Israel, has two main purposes. The first is to talk with Mr Eden about Anglo-Israel relations in general and Israel's attitude to Middle East defence in particular. The second, no less important, is to stimulate the raising in Britain of the £2 million at which this year's Jewish Palestine Appeal is aiming.

The defence prospect is still so full of unknown factors that no conclusions have been reached. The Israel government is not anxious to take part in any scheme that might jeopardise the position of the two million Jews in the Soviet Union, of whom one man only, Mr Kaganovitch, still holds an important post. It has an open mind about changes in the existing defence structure, provided that these do not end simply in a strengthening of the Arab League Security Pact, a document conceived as a weapon against the Jews. Israel has yet to be convinced that the integration of Arab armies into some wider defence framework would ensure that they would not be used for local quarrels.

The fund-raising problem is serious. Israel's sterling balances are exhausted and its need of sterling is great. Few people realise that the gifts received from British Jewry are almost as generous, if computed pocket for pocket, as those from American Jewry. In the four years 1948-1951, contributions to the Jewish Palestine Appeal in Great Britain totalled nearly £6 million; in the same period, the United Jewish Appeal in the United States contributed just over $325 million. Whereas the British figure has risen in the last two years and still seems to be rising, that in the United States has fallen. The slump last year to $85 million is causing anxiety and a minimum of $151 million has been set for 1952. Collection has not been made easier by Mr Ben Gurion's speech to the Knesset last December, in which he upbraided communities that were "able but unwilling" to furnish Israel with educated immigrants, thereby frightening the many "America first" Jews in the United States. The gathering of money is not an entirely straightforward task; Mr Sharett has done well, therefore, while he is in England, to stimulate the collection of over one quarter of the sum hoped for this year.

* * *

The Exchequer and the Schools

The Ministry of Education estimates make Miss Horsbrugh's bark look worse than her bite. They provide for total expenditure of £206 million, or nearly £6 million more than in the year now ending; but grants to local authorities, at £184 million, are more than £10 million greater than in 1951-52. The cut of 5 per cent ordered by the Minister was, of course, to be made in local authorities' original forecasts of their expenditure in the coming year, and not in their actual expenditure in 1951-52. A higher total is inevitable in view of the larger number of schoolchildren; the increase in teachers' salaries that was granted in April, 1951, will not be fully charged to the Ministry's grant until the coming year; and costs generally are higher—that of school meals, borne entirely by the Exchequer, will be even higher than these estimates allowed for, now that subsidies are to be cut.

There have been some reductions in the Ministry's estimates for its expenditure other than grants to local authorities. The amount for scholarships and maintenance grants is reduced by nearly £2 million to £5½ million. The Ministry explains that this reduction is due to the running down of the Further Education and Training Scheme and to the ending of the Emergency Training Scheme for Teachers. It does not mean that there is any reduction in the number of state scholarships, which is to remain at 1,850. But the maintenance grants to be given with state scholarships are still under discussion. They will almost certainly be increased—sufficiently, it is to be hoped, to cover the higher cost of living; for it would have been better to reduce the number of scholarships than to keep the scholars in perpetual financial anxiety.

An interesting point in the estimates is that in the calculation of the grants to local authorities there appears the item "Additional 15 per cent Grant for Advanced Technology Courses, £50,000." During the lifetime of the last government a White Paper argued against the establishment of a university of technology, but recommended that grants should be made to existing technical colleges to enable them to establish advanced courses in technology. But the present government has made no pronouncement on this subject, and the Ministry's estimates appear to be a jump ahead.

* * *

After Groundnuts, Sorghum

Little attention was paid to the Queensland-British Food Corporation in its early years because its activities were so completely overshadowed by the East African groundnut scheme. What little was heard about the Queensland scheme seemed to be fairly encouraging. Defending the policy of the Overseas Food Corporation, which was

originally responsible for both schemes, Mr Strachey, then Minister of Food, once said that in Queensland things were going "extremely well." The scheme was "well ahead of programme" and so far had been "remarkably successful." That was at the end of 1949. A year ago, direct responsibility for the Queensland scheme was transferred from the Overseas Food Corporation, which with its groundnuts was placed under the overlordship of the Colonial Office, to the Minister of Food. The report on the Queensland scheme which has just been published is therefore the first to stand alone, no longer hidden by the longer and sorrier tale told by the report on groundnuts.

It is now clear that earlier hopes that the Queensland scheme would redeem the public corporation as a means of carrying out big agricultural projects on undeveloped territory were unjustified. The original intention was that it should produce large numbers of pigs for the United Kingdom, increasing the bacon ration just as Kongwa's groundnuts were to increase the ration of margarine. Fortunately, those responsible were far more cautious in their approach to pigs than the Overseas Food Corporation to groundnuts. They began by concentrating on the production of sorghum for export; then a start was made on fattening cattle to use the sorghum residues, but pig production was, and still is, largely experimental. Moreover, the financial results of the year ended September, 1951, have been disappointing. Because of drought, only a little more than half of the acreage planted to sorghum was harvested, with a financial loss on the year of £184,000. There was a loss of £16,000 on pigs, and a profit of £9,000 on cattle.

The corporation has consequently decided that a review of the whole scheme, which had to be undertaken within the next three years in any case, should be started immediately, and in the meantime no further expansion will take place. The report comments that production on the present scale "cannot make any significant contribution to the food requirements of the United Kingdom." The only consolation is that the Ministry of Food has so far invested only the comparatively small sum of £1,406,000 in the scheme and the Queensland government £469,000.

* * *

No Quarter for Tourists

Britain gets more visitors than it deserves. The British Travel and Holidays Association, whose forecast of about 700,000 overseas visitors was near the mark in 1951, estimates that there will be some 750,000 this year, of whom 200,000 will come from North America. The tourist (second class) air fares which come into operation on May 1st have stimulated heavy advance bookings. But British hospitality does not become any less austere. The Government says it has no time to deal with the Travel Association's proposals for changes in the licensing laws. It is still impossible for a traveller, except in "permitted hours," to buy a drink on arrival or departure from an airport, or to stand one to a friend at his hotel. And there are, if anything, rather fewer suitable hotels for him to stay in.

At the peak season, the hotels may be fuller than ever this year, in spite of higher living costs. Not only will there be more overseas visitors, but some people who otherwise would have spent all their holiday abroad will be forced by the £25 tourist allowance to spend at least part of it at home. It is true that the overseas visitor is not as a rule interested in the coastal resorts so dear to the British, but there are a few places—London, the Lake District, Edinburgh and other places in Scotland—where home and overseas tourists clash.

The proposals of the British Travel and Holidays Association for drawing some of the July and August traffic into June and September have received an even more dusty answer than its proposals for changing the licensing laws. The Transport Commission, in understandable fear for its finances, refuses to reduce its fares outside the peak season; and the Government has now announced that it will make no change in the dates of the Whitsun and August bank holidays, on the ground that there is no public support for the proposal. Enthusiasm was not to be expected, but there is sense in the idea that if the August bank holiday, at least, were shifted to the last Monday in the month, many people would time their holidays with it in order to get the extra day; and the weekend traffic would not be added to the peak of holiday traffic, as it is now. Britain is too slow to adapt itself to the tourist trade; its welcome still has an undercurrent of "take it or leave it."

Shorter Note

The table in a Note entitled "Trade with the Communists" on page 515 of *The Economist* dated March 1st, showed that the United States was still exporting in 1951 a fairly large quantity of goods to China. It is learnt that no American exports went to the Chinese mainland last year and the figures refer to shipments of American goods to Formosa. The Office of the International Monetary Fund, whose figures were used to compile that table, points out that they include Manchuria and Formosa under "China" although no such indication is given in their *Direction of International Trade*. The point of the Note, however, is not materially altered, for an American import surplus with China implies that the United States is providing China with dollars—the one universally accepted currency—which could be used to foster illicit trade.

Tory Reform

In plain language Lord Derby proclaims that his is not a Protectionist, but a *Conservative* and reactionary Ministry. Protection to corn and sugar, important as he deems it, is only one phase of his policy. . . . A duty on foreign corn, both for the sake of revenue and protection, he thinks desirable and just; but . . . he is not prepared as Prime Minister to force it on the country. But apart from this—and apparently a matter of greater magnitude in his estimation—he conceives that the general tendency of things in England has for some time past been in a dangerous direction; our national as well as our commercial policy has been based upon erroneous principles; the democratic element has become too strong—it is undermining the pillars of the Constitution . . . it is augmenting the difficulties of administration to an insurmountable height. This general tendency he proposes to stem: the question of Protection to our home industry may be decided against him: he has still a higher duty to perform to his country, and an object of deeper and more universal interest to strive for. . . . Supposing the question of the Corn Laws decided and laid to rest for ever—as it will be three months hence—what will remain as the avowed object of Lord Derby's Ministry? . . . The readjustment of our system of taxation, with a view of relieving property, and especially landed property, and raising a greater proportion of the revenue than at present by import duties on foreign produce. . . . Lord Derby imagines that the existing surplus in the revenue would already enable us to dispense with half the income tax. . . . Now, we are by no means prepared to defend all points of our actual fiscal system. . . . But in the meantime we must remind Lord Derby . . . that it is *not by augmenting but by reducing* the Excise Customs duties that the revenue is increased. . . . One thing is perfectly certain:—that the country will not endure to have its consumption either of home food or foreign imports curtailed.

The Economist

March 20, 1852

In Conference...

Direct contact with the problems of interior design and decoration has been the deciding factor in making Catesbys Contracts Department a first choice for the planning, furnishing and decor of Conference and Board Rooms, Executive and General Offices, Showrooms, Restaurants, Hotels, etc. For a complete scheme for a whole building, or for a single item we invite your enquiries to our Director of Contracts.

CATESBYS

64/67 TOTTENHAM COURT ROAD · LONDON · W1

Telephone: MUSeum 7777

Decisive stroke solves knotty problem

In Gordian Knots or Heavy Duty Cooking

ZEUS had spoken. The oracle was quite definite. Whoever could undo the knot that bound King Gordius's chariot-pole on to its yoke, would be the master of all Asia.

Alexander (whom some talk of) had ambitions that way — but the knot was a really knotty problem. So he smartly drew his sword and slashed the Gordian knot through. In the ancient world, this was good evidence that Alexander must be irresistible.

Time and again, he who hesitates is lost. For instance, if you order Falkirk Cooking Equipment *now*, then you will get it now — and at the very reasonable *current price*. Just think what a decisive stroke that would be for your budget!

Decisive Facts about Falkirk

- Equipment for Gas, Electricity, Oil, Steam and Solid Fuel
- Really tough cast-iron construction—will last for years
- Efficient modern equipment means less work for small staffs
- No weak links, a complete and balanced range of equipment
- Specially designed installation and plans for each customer
- Price most competitive
- If you need new kitchen equipment, *now* is the time to buy

Find out NOW *about*

FALKIRK

HEAVY DUTY COOKING EQUIPMENT

for Hotels, Restaurants and Canteens

Please write for illustrated leaflet to

The Falkirk Iron Co. Ltd., Falkirk, Scotland
or 37/41 Mortimer St., London, W.1
or 40 Hanover Street, Leeds, 3
or 18 Leigh Street, Liverpool, 1
(Proprietors: Allied Ironfounders Ltd)

WHAT DISAPPOINTMENTS dogged the early aviators in their first experiments in flying. Many worked in secret; few were so ambitious as Sir Hiram Maxim who in 1894, testing his machine at Baldwyns Park in Kent, coaxed sufficient power from a light marine steam engine to lift the whole contraption off the rails. There his endeavours ceased and who would have thought that in less than 60 years men would be flying at speeds faster than sound? Who, indeed, could have foreseen the great industries which would arise from the inventive genius of the 1890's? In that same year, 1894, Albert Edwin Reed acquired his first paper-mill at Tovil near Maidstone, to lay the foundation of what is today one of the largest organisations of its kind in the world. He was outstanding among the pioneers of modern paper-making methods and from his vision and enterprise have grown the great Aylesford mills of the Reed Paper Group, where giant high-speed machines turn out mile after mile of newsprint and the tough Kraft paper which has entirely revolutionised this country's packaging methods.

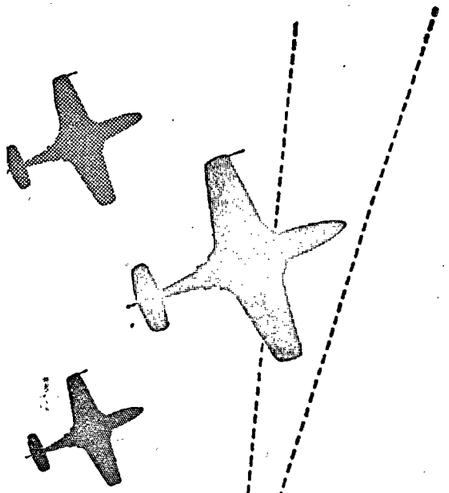
Reed

PAPER GROUP

HEAD OFFICE: 105, PICCADILLY, LONDON, W.1

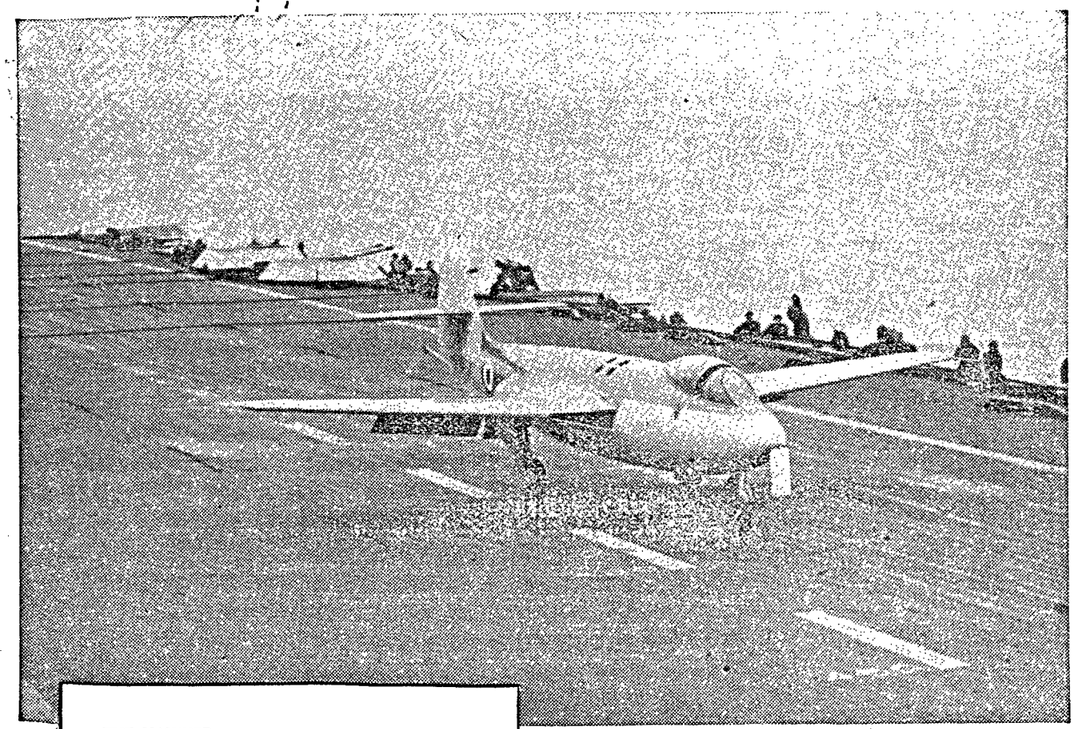
ALBERT E. REED & CO. LTD
LONDON PAPER MILLS CO. LTD
THE MEDWAY CORRUGATED PAPER CO. LTD
MEDWAY PAPER SACKS LTD · BROOKGATE INDUSTRIES LTD
THE NATIONAL CORRUGATED PAPER CO. LTD
REED FLONG LTD · REED PAPER SALES LTD
POWELL, LANE MANUFACTURING CO. LTD
E. R. FREEMAN & WESCOTT LTD

PIONEERS IN MODERN PAPER TECHNOLOGY



The Hawker Touch

Shortly going into service with the Royal Navy, the new Sea Hawk definitely has the Hawker touch. It's clean, it's fast, it's manœuvrable, it's easy to handle, easy to fly—and easy to land on a carrier deck. It has exceptional endurance, and finally its firepower has a real bite. Here's the naval strike fighter at its very best.



THE HAWKER

Sea Hawk

HAWKER AIRCRAFT LIMITED KINGSTON-ON-THAMES · SURREY

MEMBER OF THE HAWKER SIDDELEY GROUP / PIONEER . . . AND WORLD LEADER IN AVIATION

Books and Publications

Guardians of Expenditure

The Control of Public Expenditure. By Basil Chubb. *Oxford University Press.* 291 pages. 25s.

It may be claimed that the two factors that have enabled the British economy to achieve an enormous volume of public expenditure without seriously reducing the productivity of industry are on the one side the efficiency of tax administration and on the other the system of control of expenditure which has been built up since the time of Mr Gladstone. Dr Chubb now tells us for the first time the history of the development of that system through the financial committees of the House of Commons. It is, however, something more than a parliamentary account, since the secret of the system's success has been the close co-operation with the executive—the Treasury on one side and the Department of Exchequer and Audit on the other—from the very beginning.

The greater part of Dr Chubb's book is concerned with the Committee of Public Accounts. This is natural because of its long and distinguished career. Its power and prestige are shown to have been partly due to the happy associations of its birth—established five years in advance of the Department of Exchequer and Audit, it helped to determine the form of that department and was also instrumental in the emergence of the Comptroller and Auditor-General as a great parliamentary officer; on the other hand, it was enabled to do these things because the Treasury had wisely seen that the best men for the job were appointed to the committee.

Dr Chubb traces carefully the successive solution of the technical problems of orderly accounting—the achievement of a complete set of accounts (1868), the rules for virement and a code for contracts (the Public Accounts Committee condemned the use of "cost plus" as early as 1903). It was of incalculable advantage to the country that orderly accounting and close estimating had already been achieved on the eve of the great expansion of public expenditure in the eighteen-nineties. As time went on much of the purely administrative control was—appropriately—transferred to the Treasury, and by this means, from the early interwar years, the Public Accounts Committee was released from detailed control for the consideration of matters of principle and efficiency. Not all its efforts have been successful; and it seems to emerge from Dr Chubb's researches that where the committee has failed it has usually been because—exceptionally—it has had something less than the full support of the Treasury.

Although the Public Accounts Committee is as fully respected as it ever was, it seems clear that its constructive period is long over. Even if it were to be established that the committee was the best answer to the as yet unsolved problem of parliamentary examination of the reports of the nationalised industries, the committee would be able to do little without drastic changes. It has no power to call for papers, and it could have no assistance from the Comptroller and Auditor-General, who has himself no jurisdiction in the matter.

Interest, in fact, has now shifted from the Public Accounts Committee's job of securing correct expenditure to the more difficult job of securing wise expenditure—to the work of an expenditure or estimates committee. A no less interesting part of Dr Chubb's work tells the story of the slow and painful steps by which a committee that started off as badly on the wrong foot as could be has made itself into probably the most powerful check of efficiency in spending that any country has devised at the parliamentary level.

The story of how obstacles were overcome is fascinating. First came the problem of when to examine. The Select Committee on Estimates has solved this by abandoning the attempt to vet the estimates between the Treasury and the Committee of Supply, investigating them instead only as they go into operation. Secondly, there was the difficulty of what to examine (in the absence of an agenda parallel to that prepared by the Department of Exchequer and Audit for the Public Accounts Committee). This was solved, in so far as it has been solved, by the use of the subcommittee system (which we owe essentially to Lord Samuel), and in particular to the work of the co-ordinating or steering subcommittee whose job it is to find the right subjects. Other important obstacles have been overcome, though there are also urgent problems still awaiting solution; in particular, the question of the form of the public accounts must not be allowed to rest.

Dr Chubb has written a scholarly and readable book; but there is one aspect of the subject on which one might reasonably ask for more. We are always told how the committees functioned, often what they investigated, but virtually never what they said. This omission is especially regrettable in respect of the work of the estimates committee, for an investigation of a series of reports shows clearly that the same sources of waste occur again and again. One may instance the premature engagement of staff and purchase of materials, faulty planning often due to the employment of an insufficiently experienced officer at the initial stage, change of plan after substantial investment has been incurred. These errors are no doubt pointed out to the departments concerned as they occur; but Dr Chubb might have contributed importantly to keeping them before the eyes of ministers and of officers responsible had he included a thorough investigation of this aspect of his subject.

Personality and Period

Montrose. By C. V. Wedgwood. **Queen Elizabeth.** By Milton Waldman. Brief Lives. *Collins.* 158 pages; 159 pages. 7s. 6d. each.

This series, good though it is, seems to be heading for the usual difficulties of the short biography. Is it to deal with a personality with the minimum of period background and political analysis? Or is to deal with a period in the course of studying a great man—or woman? Miss Wedgwood does the former, quite deliberately and successfully. Mr Waldman does the latter, apparently with reluctance. The publisher would have done better to let him concentrate on Elizabeth the woman ruler, leaving a fuller picture of the manifold achievements of the reign to further lives—say of Cecil and Walsingham.

Nevertheless, two classes of reader will be well satisfied with both volumes: young people—and their teachers—who want to escape from the kind of textbook which treats politics and personalities as far less important than the invention of windows and the expansion of the wool trade; and older people who want to refresh and correct their memories with two hours' reading under a good guide. In this role Miss Wedgwood writes excitingly about Highlanders in action and movingly about Montrose himself, while Mr Waldman condenses admirably. His is certainly the more difficult job: to bring out in 159 pages the story of a Queen in times more perilous than our own, when the French were on the Scottish border and England lay, in the continental struggle, like a bone between two dogs.

There is much to be said for reading the two books together. Montrose is a figure of romance, "kin to Hector, Roland and Lancelot." A brilliant and humane general, he lacked the sheer cunning and ruthlessness of the Queen, whom events made into a pretty tough character before she was even adult. He is all the better for this worldly weakness, and we are all the better for being reminded of the way he died and of the legend he created. Elizabeth Tudor is all "patience, compromise and thrift," guarding an England of 3½ million souls, conducting the cold war of the sixteenth century with high skill, and holding her own in will and intellect with the brains trust of Cambridge intellectuals who composed her council. Those who hope and plan for a new Elizabethan age under the House of Windsor should notice what the principles of government in the Tudor reign were: the security of the realm, ceaseless and determined diplomacy, as little ideology as possible in foreign policy, the development of wealth and the release of energy. But they should also note the nobility of character and the deep religious convictions of that Elizabethan character, Montrose, without whose qualities politics is a pretty sordid affair.

Medical Economics

The Cost of Health. By Ffrangcon Roberts. *Turnstile Press.* 200 pages. 16s.

A few years ago, Dr Roberts began to wonder why, with the big advances made in medical treatment in the last twenty years, we should be wanting more and more hospital beds. Looking for an answer he studied a few hospital statistics: first, in his own speciality, radiology, the number of X-rays taken; then, in pathology, the number of blood counts done; and so on. Seeing the great increase in the number of tests carried out, not only on a greater number of patients, but on each individual patient, he built up a theory about the cost of health which he describes in this book.

Briefly, his theme is that the application of science to medicine in this century has enabled it to expand indefinitely. But in its successful advance medicine has been selective. Its victory over acute diseases is virtually complete. In other cases, it cannot cure, it merely prolongs life; and the future progress of medicine is bound to be along the lines of further prolonging life. Hence the ageing of the population; hence the cost of the health service; hence the compatibility of an increase in ill-health with an advance in medical knowledge. In diagnosis, too, science has made investigations infinitely more elaborate, infinitely more refined, infinitely more costly.

Dr Roberts has a number of minor themes which he argues as persuasively and as lucidly as his main one. His section on medical auxiliaries, for instance, in which he describes how new occupations, each eager to emphasise its professional status, can grow up, is particularly revealing.

But what is of immediate importance is the relation of his main theme to the national health service in this country. Dr Roberts ridicules the proposition expressed in the Beveridge report, and widely held among politicians and people of all parties, that by diminishing ill-health a national health service increases productivity—in other words, that we cannot afford not to have a health service. He shows that a vast amount of sickness is treated under the service without productivity being affected one jot.

The treatment that he prescribes for the ills of the health service is twofold. First, doctors must rationalise medicine. They must ask themselves to what extent, measured by results, modern methods of investigation and treatment are necessary. Secondly, since it has now been made clear that the state, like the private citizen before 1948, has to limit expenditure on its health, there must be priorities. The first claim on the health service's resources should be given to those whose ill-health prevents them from working and the second to those for whom treatment is purely or mainly humanitarian. The rest, those whose ill-health is not disabling, however distressing—acne in a young woman for instance—ought, in the present economic state of the nation, to pay for their treatment.

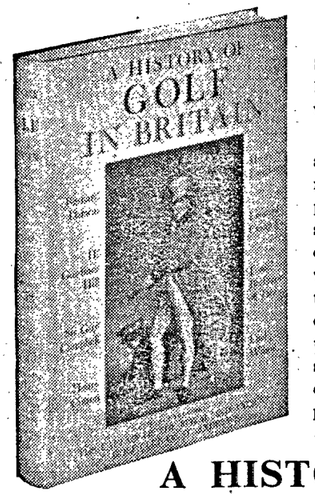
Dr Roberts' book is not so cold-blooded as this summary makes it sound. But he makes a justifiable plea for emotional attitudes to be shed when the health service is discussed. What a pity that this book was not written six years earlier—although if it had been, few people would have believed it.

Ricardo in Parliament

The Works and Correspondence of David Ricardo: Vol. V. Speeches and Evidence. Edited by Piero Sraffa. *Cambridge University Press.* 534 pages. 24s.

In this, the fifth volume of his great edition of the Works and Correspondence of David Ricardo, Mr Sraffa has carefully gathered the entire documentation of Ricardo's parliamentary career; speeches, evidence before committees, papers on parliamentary reform, and for good measure several contemporary appreciations of his work. This is the first time that these have been collected and reprinted; and the difficulty of the editor's task has lain not only in the tracking down of the matter and its proper setting against its historical background, but in assessing the accuracy of reports made from semi-surreptitious longhand notes by parliamentary press correspondents existing on sufferance in the back rows of the Strangers' Gallery.

Ricardo in his parliamentary role appears as a respected and valued independent member—his seat was a most disreputable pocket borough, obtained, in consideration of a large loan, on terms which gave him politically a free hand—with a striking gift for getting to the heart of the matter under discussion, a corresponding unconcern with the compromises of practical politics, and on occasions a surprisingly forceful turn of speech. While the greater part of his contributions to debate concerned the questions of currency on which he was, owing to his part in the Bullion Controversy, a recognised authority, he also took a vigorous concern in general economic questions, and on occasion (notably in the debate on the Six Acts) spoke up as a good liberal on matters of free opinion and free assembly. He also appears, not only in the House but out of it, as a champion of parliamentary reform. Had his premature death in 1823 not cut short his parliamentary career after less than five years, it is hardly too much to say on the evidence of this volume that he might well have been remembered today no less as a statesman than as an armchair economist.



SIR GEORGE CUNNINGHAM
1950-1 Captain of the Royal & Ancient writes in his Foreword:

"This book will, if I am any judge, be a classic in the literature of golf. The names of the contributors, famous for playing the game and for writing on it, are sufficient earnest of that. There is a wealth of fascinating reading here for everyone, whatever his taste. Whether his fancy turns to the early history and implements of the game, to heroes and heroines of today and yesterday, to incidents and stories of famous matches, or to the ways of hitting a golf ball, he will find in these pages what he seeks."

A HISTORY OF
GOLF IN BRITAIN

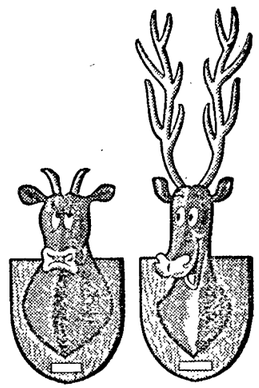
BY THESE EMINENT CONTRIBUTORS

BERNARD DARWIN — HENRY COTTON
H. GARDINER-HILL — SIR GUY CAMPBELL
HENRY LONGHURST — LEONARD CRAWLEY
ENID WILSON — LORD BRABAZON

with a Foreword by the 1950-1
Captain of the Royal & Ancient Golf Club of St. Andrew's

This monumental volume, size 11¼ in. by 8⅛ in., contains 320 pages plus 64 pages of illustrations and 4 colour plates. It is printed on cartridge paper and bound in green buckram with leather label. 42/-.

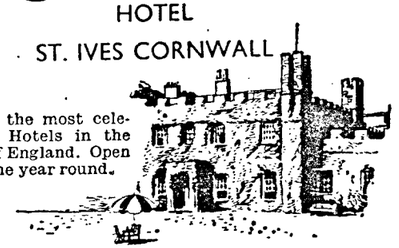
Write for prospectus to CASSELL & CO., 37/38 St. Andrew's Hill, London, E.C.4



but for
higher mileage

It LOWERS *the cost of motoring!*

Tregenna Castle
HOTEL
ST. IVES CORNWALL



One of the most celebrated Hotels in the West of England. Open all the year round.

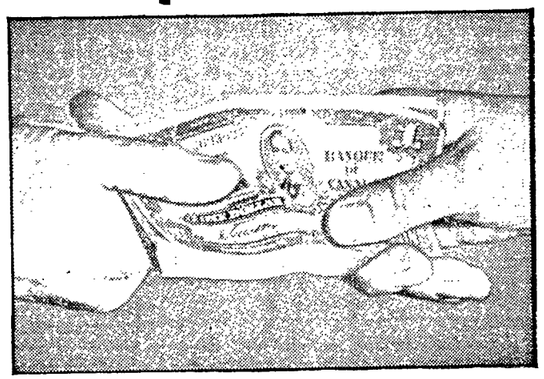
WELCOMBE
HOTEL
STRATFORD-UPON-AVON

Shakespeare's genius immortalised not only his memory but the Countryside he knew so well in leafy Warwickshire, especially the beautiful grounds of the Welcombe Hotel, which were once part of his estate.

Enquiries for accommodation will receive the personal attention of the Resident Manager.

HOTELS EXECUTIVE · LONDON N.W.1

Cheaper Dollars!



FROM MAY 1st

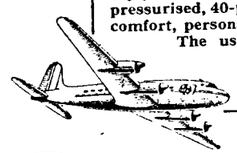
Only £94.13.0 to reach the Canadian dollar market by *TCA*

DOLLAR EARNERS should take advantage of new, reduced fares to Canada. Beginning May 1st, these tourist fares will be the lowest ever! On a single ticket to Montreal you will save £41.9.0 and on return ticket £74.12.0.

TCA 'North Star' Skyliners will leave daily, providing most frequent service to Montreal, all of Canada and the U.S.A. Make your reservations now. Contact your Travel Agent or TCA, 27, Pall Mall, S.W.1. Telephone: WHItehall 0851. Scotland—Prestwick Airport, Ayrshire. Telephone: Glasgow Central 3428 or Prestwick 7272, Extension 268.

REDUCED FARES—REGULAR FLIGHTS
—SAME TCA COMFORT

Although making big savings in fare, you will enjoy the same TCA 'North Star' service in roomy, pressurised, 40-passenger Skyliners with armchair comfort, personal attention and 'on-time' arrival. The usual delicious hot meals will be available at a moderate charge. Ground transportation at nominal cost.



TRANS-CANADA Air Lines

CANADA—LESS THAN A DAY BY TCA

Observation of Masses

On the Objective Study of Crowd Behaviour. By L. S. Penrose. *H. K. Lewis.* 73 pages. 10s.

It has long been plain that the behaviour of men as individuals is quite different from that of the same men as members of a team, a nation, or a mob. Some thirty years ago, both McDougall and Trotter published classical studies of group behaviour, and more recently "the group" as a therapeutic medium and as a stimulus for leadership has aroused great interest.

In this short book Professor Penrose suggests that the behaviour of crowds should be studied quantitatively. He uses the analogy of epidemics and points to the great advances in the control of bacterial infection made possible by a careful study of the infective agent, the means of transmission, and the phenomena of immunity. From detached witnesses of the behaviour of crowds he would like to have detailed accounts of how fast an infectious idea travels, of the numbers of people infected at various times, and of the cooling-off phase. His analogy is briefly illustrated by descriptions of some crazes, an outbreak of religious fervour, a run on a bank, and the "invasion from Mars" scare in the United States in 1938; in later chapters he discusses politics and war from the viewpoint of epidemiology.

The author's second theme is mathematical, and though he feels at home many readers may be loth to follow him far in it. He is at pains to show by mathematical means how powerful, in deciding the result of a vote, a small and resolute block can be, under the simple majority system, if the mass of voters is indifferent.

It is a pity that this essay is so short. A fuller exposition of his fertile analogy would have been rewarding, and the author could thereby have avoided one or two dogmatic statements which slightly mar his objectivity.

Letters to the Editor

Mixed Verdict

Sir,—The leading article on the Budget in your issue of March 15th contains the following statement:

> The reason why Mr Butler excited such jubilation on the benches behind him was that they thought the Budget would win them votes in by-elections which they had fully expected to lose.

This conclusion is not one of your best. In the first place, there are no by-elections impending, and we are all in good health in the Conservative party. Secondly, it occurred to those of us behind Mr Butler, just as it did to you, that this was "politically the most courageous" of the postwar Budgets. We felt that the salvation of our country had at last been made possible. Was there not cause for honourable jubilation?—Yours faithfully,

JOHN HOPE

House of Commons

Will France Face the Facts?

Sir,—The picture of French internal politics given in your issue of March 8th is, on the whole, true, but I am afraid you are fundamentally wrong on the taxation problem.

According to eminent financial experts, France is taxed on up to 31 per cent of the national income, against 24 per cent in the United States and 33 per cent in Great Britain. This represents a heavier burden for France than for the other two countries, as the portion of national income remaining after deduction of the "vital minimum" is much smaller than in either Great Britain or the United States.

As regards the proportion between direct and indirect taxation, I quote below an excerpt from the report of the French Budget Minister, M. Edgar Faure, to the Government in April, 1951:

> Although direct taxes represent only 30 per cent of the overall fiscal revenue, compared with 70 per cent in the US and 60 per cent in Great Britain, our rates are higher than in those two countries. If the yield is relatively smaller, this is due to well-known causes, the more important of which are: average French income per head of population is two-thirds of the British and only one-quarter of the American; one-third of the French population lives by agriculture, which pays its contribution, not by direct taxes, but by selling its products at prices which leave but a small income to the average farmer and producer; the socialised portion of personal income (family allowance, sickness and death insurance) is not subject to tax, and the ever-growing extension of social security constantly reduces the base of assessment of direct taxation; nationalised industries, which represent 20 per cent of French industrial capacity, make no profits, which fact further reduces the base of assessment.

On the basis of 1949=100, the wholesale price index of French agricultural products was 133.8 in February, 1952, as against 170.2 for industrial products. I shall be glad to know how to make large taxable profits when buying on the basis of 170.2 and selling on that of 133.8.

I do not know much about the American taxation system on farmers' profits, but has the United States Government not spent billions of dollars to support agricultural prices? What about the subsidies for not sowing potatoes? We in France have not gone to quite such lengths yet.

These are uncontroversial facts, which seem to have escaped your correspondent's notice. Will they lead you to revise your views on the desirability of the drastic remedy you so complacently suggest?—Yours faithfully,

GÉRARD F. SILHOL

Paris

Partnership or White Supremacy?

Sir,—The recent article in *The Economist* has been unjustly criticised by Mr Roy Welensky, leader of the European unofficials in the Northern Rhodesia Legislative Council.

He condemned the statement that on the copperbelt "a black miner's cash wage may not exceed 2s. a day" as "a deliberate attempt to distort the truth," and quoted the "overall average cash payment to African miners underground" to have been 91s. 3d. during November.

His use of the qualification "underground" is significant and in no way invalidates the statement in the article. One need comment no more on this point; but Mr Welensky went on to suggest that the statement was doubly misleading because "in Northern Rhodesia no African, irrespective of income, pays any income tax." This is a half truth which may give the British public the impression that the African pays no direct taxation. The truth is that, while not paying income tax, every adult African male, irrespective of income, pays direct taxation in the form of poll tax, which is now 17s. 6d. per annum on the copperbelt and 12s. 6d. in the rest of the country. Europeans pay income tax only if their income is above £300 per annum. Since the average black miner's earnings are under £60 per annum the non payment of income tax is hardly relevant.—Yours faithfully,

Ndola SIMON B. ZUKAS

Planning in Practice

Sir,—It seems to me that, as a connoisseur of the vagaries of planning in practice, you will be glad to hear of another interesting example.

During the war, a large military hospital was built in the grounds of a women's college at Oxford. The buildings consist of five large wards and two smaller ones, all very soundly built of brick and concrete. The university, which has leased the buildings since the war, has no further use for them, and no one can blame the college for wishing to restore its flowerbeds without delay. Accordingly, the buildings are being demolished.

One might have thought that some use could have been found for them. (The civil defence authorities in Oxford have spoken of the urgency and the difficulty of finding a reserve of hospital accommodation for use in the event of war.) One might also have thought that landscape gardening was the sort of project which had to be postponed, along with other kinds of investment, in order to support the process of disinflation. In any case, the destruction, by the use of powerful machinery, of physical assets makes a curious sight in March, 1952. The whole thing is made more extraordinary by the knowledge that the necessary licence for the work, having been withdrawn by the Labour government early in October, was re-issued by the present government within a few weeks of taking office, and within a few weeks of the Chancellor's first "austerity" speech.—Your faithfully,

Oxford E. P. M. BUCKATZSCH

AMERICAN SURVEY

After New Hampshire

Washington, D.C.

SENATOR KEFAUVER called his success in the Democratic primary election in New Hampshire a "victory for amateur politicians," and said that it indicated that there is "a wide and growing popular demand for new blood and new ideas in both parties." He could have used General Eisenhower's defeat of Senator Taft as further evidence of the truth of his contention because, although most of the Republican leaders in this particular state supported the General, the Eisenhower-for-President movement has been conspicuously amateurish in its operations, and its very existence is a symptom of the popular suspicion of those professional politicians who have grown old in pursuit of office. It is often remarked that there is a whole generation of American voters who cannot remember when there was a Republican President in the White House, but it is sometimes forgotten that at least half of that generation cannot remember a time when Senator Taft was not frantically trying to get there.

On the day on which the result of the New Hampshire primary was published, Mr Newbold Morris, the New York Republican who had the courage to accept the thankless task of investigating corruption in the Federal government, was being bullied by a Senate committee. Unlike most people who appear before committees, Mr Morris turned and attacked his inquisitors. He spoke of the "diseased minds in this chamber," told the Senators that they had "created an atmosphere so vile that the people have lost confidence in their government" and, when reprimanded for being "pretty critical of Congress," retorted that he was "not as critical as 150 million people—you ought to hear them in the corner store." The vote in New Hampshire suggests that Mr Morris may be reporting accurately and that the people there are "tired of both ends of Pennsylvania Avenue"—the White House and the Capitol.

The vote in the Minnesota primary was even more surprising. It is made very easy to vote for candidates whose names are printed on the ballot paper and very difficult to write in the names of others. The Eisenhower enthusiasts had only four days in which to organise a write-in campaign and there is no previous instance of a candidate getting, as the General did, 40 per cent of the vote under such circumstances. That is not to say that, despite what has just happened, the electorate may not find itself, when November comes, with only a choice between Mr Taft or Mr Truman for President. There are few states with any kind of primary—an election in which members of the two parties indicate their preferences amongst their party's candidates—and even fewer that have one which provides, as New Hampshire does, a genuine opportunity for the people to give firm instructions to the delegates to their party's national convention. General Eisenhower and Senator Kefauver could win every primary in which their names are entered, and repeat their Minnesota performances in states where they are not entered, and still lose the nominations in the conventions in July; the Senator, at least, probably will. But their victories in New Hampshire will continue to have a profound effect on the rest of the campaign for the presidential nominations.

Mr Kefauver's was as amateur as any campaign could be. His delegates were unknown and without funds. Yet he beat the state Democratic organisation, which had the support of the trade unions, without difficulty. Nobody knows how this result will affect Mr Truman's decision on whether or not to run again for the presidency, and there are some who think that his irritation with Senator Kefauver may make him stubbornly determined to put the Senator in his place. But it should certainly convince Mr Truman that there is no urgent need for him to sacrifice himself and run again for the good of the Democratic party. The good of the party, it is now clear, would be served best by choosing a candidate who could be nominated on the first ballot at the Convention with the unanimous—or nearly unanimous—support of all the various Democratic factions.

★

There only appears to be one possible candidate on whom the two main wings of the Democratic party could agree—Governor Stevenson of Illinois. Mr Stevenson is not yet a recognisable public figure but Senator Kefauver has already proved what television can do in a few weeks for a man whose name and face were relatively unknown until last year. Today he is recognised on every street corner. The Democratic National Committee would have no difficulty in doing the same for Mr Stevenson, who already has a reputation for having cleaned up a state which every other state is happy to acknowledge as the most corrupt in the Union.

But, at the moment, Mr Stevenson's position is a difficult one. He cannot, of course, give any indication of his availability until Mr Truman has announced his intentions and Mr Stevenson is, as he says, at the moment only a candidate for a second term as Governor of Illinois. He would probably like nothing better than to continue in that role, but he will have no choice in the matter if the President decides, as most people now think he will decide, to retire, for there is little doubt that Mr Stevenson has been chosen as heir apparent. Because he would have the support of the party organisation—and, it is believed, that of Governor Byrnes of South Carolina and most of the rest of the South—he could probably be nominated without doing anything between now and July 21st. But he would be under pressure to use the three precious months before the convention to make his name a household word and his face as familiar as General Eisenhower's. And that would mean withdrawing from the contest in Illinois, where he is unopposed in the gubernatorial primary on April 8th, and losing his present job, before knowing whether he is certain to be nominated for the presidency or who his eventual opponent might be.

General Eisenhower's easy victory over Senator Taft in the Republican primary in New Hampshire was not as sur-

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

prising as that of Senator Kefauver over Mr Truman. It would not have been a surprise at all if, as the campaign progressed, the Eisenhower supporters had not become more and more gloomy and those of the Senator increasingly confident. Had the General been beaten or won with not much to spare, it is probable that little more would have been heard of him as a candidate, for most of his organisation would have folded their tents and stowed them on the Taft bandwagon. As it was, General Eisenhower proved that he is as formidable a popular figure as his supporters had believed —until they began to get cold feet in the New Hampshire snow—and as the public opinion polls had suggested.

But the Eisenhower-for-President movement has a long way to go yet. Senator Taft is continuing his strenuous campaign all over the country, making four or five speeches a day, and, before he meets the General again in the New Jersey primary on April 15th, he will have collected, in primaries where he has weaker opposition, many more delegates than he lost in New Hampshire. Nevertheless many people will begin to question the myth of the Senator's invincibility and to recall that, before his defeat of the ridiculous Democratic candidate in the Ohio election of 1950, he had always been conspicuously inept at persuading the electorate to vote for him. Mr Taft, indeed, needed an almost uninterrupted string of successes to keep the myth going, just as General Eisenhower's forces needed a resounding victory at their first attempt to get the movement started.

★

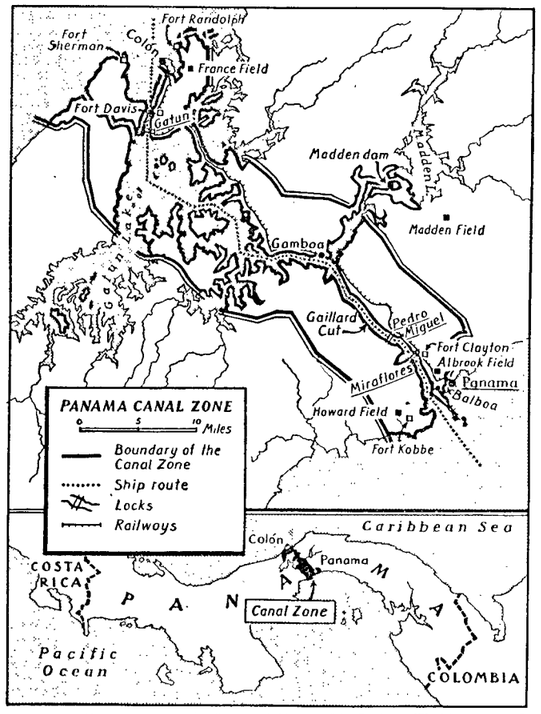
The movement has started now and Minnesota showed how infectious success can be; but it only started just in time. A number of waverers—among them the Governors of two states—have already begun to talk as if they had always been for the General; over the next week or two some of the delegations to the nominating convention, which the Senator thought he had sewn up, will probably begin to come apart at the seams. But the group that is running the Taft campaign consists of hard-bitten professionals, and it would be fatal for the Eisenhower forces to repeat the mistakes they made in New Hampshire and hope that the Senator would again save the day with an answering blunder. However, the professional element, which has been so badly lacking in the Eisenhower campaign, is now being brought in and the effects of its competence will no doubt soon be apparent. And Mr Paul Hoffman, who is now taking a leading part in the movement, has been in Paris this week trying to find out whether the General can be induced to return to the United States as a candidate before the Republican convention invites him to do so.

But even if the General does consent to campaign on his own behalf, he cannot count on the nomination. For what New Hampshire meant was that there would be a hard fight at the Republican convention—not that General Eisenhower would necessarily win it. Minnesota suggests that the General is capable of a runaway victory; Mr Stassen may have been his chief victim on Tuesday, but the small number of write-in votes for Mr Taft is a further indication that his attraction is for other politicians, not for the public. Before the New Hampshire result was known, there was a growing belief that Mr Taft would be able to do what he claimed he could do and arrive in Chicago with enough delegates committed to him to make his nomination a certainty. That now seems impossible and it is the task of the General's new and newly inspired team to turn the Senator's discomfiture into a rout.

Transcontinental Canal

FROM AN AMERICAN CORRESPONDENT

THE Panama Canal, that useful cut in the thread of land connecting North and South America, has never been the scene of bloodshed such as that over the Suez Canal which has embittered Britain's relations with Egypt. There is, however, always an undercurrent of anti-American feeling, particularly when the slackening of the never-ending work on the Canal causes unemployment. Communists are thought to have been particularly active in fomenting the student strikes and anti-United States disorders which are accompanying this year's Presidential campaigns in the Republic of Panama. The likelihood is, however, that on May 11th the victor will be Colonel Remón, the chief of the National Police, who has made and unmade several Presidents, and



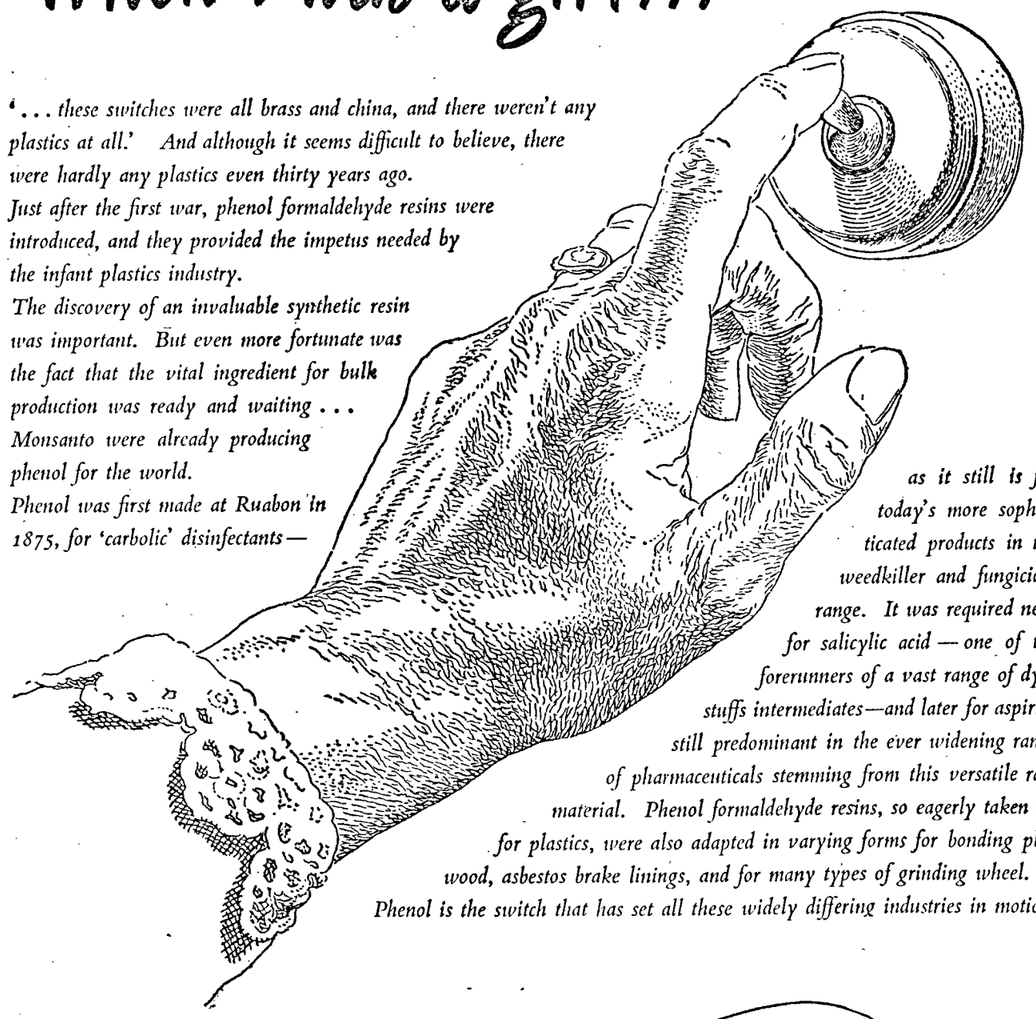
By courtesy of the National Geographic Society, Washington, D.C.

who is regarded as pro-American. Colonel Remón is expected to profit from the release from jail of ex-President Arias, still a very popular figure, though last year he was removed from office for seeking dictatorial powers.

Except at election times, Panama has never seemed to resent the Canal, or the fact that the United States built it thirty-eight years ago. The Panamanians, in fact, have been so busy supplying goods and services to the Canal and its clients that they have neglected their own mineral resources and their own agriculture; Panama imports 60 per cent of its food. Panama, indeed, owes its existence to the Canal in another sense. When, in 1903, Colombia refused to ratify the treaty granting the United States the site for the canal, the separatist movement which had been brewing on the Isthmus of Panama boiled up into revolt. Theodore Roosevelt, who had not been without foreknowledge of what was happening, recognised the new republic in three days.

'When I was a girl'...

'... these switches were all brass and china, and there weren't any plastics at all.' And although it seems difficult to believe, there were hardly any plastics even thirty years ago.
Just after the first war, phenol formaldehyde resins were introduced, and they provided the impetus needed by the infant plastics industry.
The discovery of an invaluable synthetic resin was important. But even more fortunate was the fact that the vital ingredient for bulk production was ready and waiting ... Monsanto were already producing phenol for the world.
Phenol was first made at Ruabon in 1875, for 'carbolic' disinfectants— as it still is for today's more sophisticated products in the weedkiller and fungicida range. It was required next for salicylic acid — one of the forerunners of a vast range of dyestuffs intermediates—and later for aspirin, still predominant in the ever widening range of pharmaceuticals stemming from this versatile raw material. Phenol formaldehyde resins, so eagerly taken up for plastics, were also adapted in varying forms for bonding plywood, asbestos brake linings, and for many types of grinding wheel.
Phenol is the switch that has set all these widely differing industries in motion.



MONSANTO'S RANGE OF GENERAL CHEMICALS INCLUDES

MONSANTO CHEMICALS – PLASTICS

PHENOL
CRESYLIC ACIDS & XYLENOLS
PURE CRESOLS
PHTHALIC & MALEIC ANHYDRIDE

MONSANTO CHEMICALS LIMITED
8 Waterloo Place, London, S.W.1

"There's a whole morning's mail answered!"

Perfectly recorded by the Dictaphone Time-Master on a single Dictabelt

On to one little Dictabelt, you can often dictate the replies to a whole morning's mail! There they are, perfectly, clearly recorded and ready for your secretary to transcribe at the most convenient moment.

For the amazing little Dictabelts—small pliable plastic belts—give *more* recording as well as *better* recording. In fact it was the invention of the Dictabelt that led to the development of the Time-Master—a smaller, simpler, more efficient dictating machine than was ever thought possible!

SIMPLER, CLEARER DICTATION

Dictation with a Time-Master is remarkably simple. Controls are reduced to a minimum and are wherever possible, fully automatic. The tap of a finger is all you need to put a new Dictabelt in or get a completed Dictabelt out; flick a switch and you're all set for 15 minutes of crystal-clear recording.

And Time-Master recording is *clear*—the sensitive microphone picks up every word, even a whisper—making transcription easier for your secretary.

ONLY THE TIME-MASTER OFFERS ALL THIS!

1. Streamlined machine, only 4¼ ins. high, slightly larger than a letterhead. 2. Uniformly clear recording and reproduction. 3. Uniform backspacing, immediate place finding. 4. Simple automatic operation. 5. Mailable, filable, expendable Dictabelts, low-cost plastic medium. 6. Service facilities in principal cities, Dictaphone dependability.

Write for TIME-MASTER literature to Dictaphone Co., Ltd., Dept. O, 107 Kingsway, London, W.C.2.

DICTAPHONE

GREATEST NAME IN DICTATION

Dictaphone and Dictabelt are registered Trade Marks

Branch Offices: BELFAST · BIRMINGHAM · BRISTOL · CORK · DUBLIN · GLASGOW · LEEDS · LIVERPOOL · MANCHESTER · NEWCASTLE

For an original payment of $10 million and a yearly one of $250,000 (raised in 1936 to $430,000) Panama granted the United States the use, in perpetuity, of a strip of land ten miles wide, over which the United States was to possess and exercise all sovereign powers. The Canal, which was opened to sea-borne traffic in 1914, was a tremendous engineering feat.

Construction followed the earlier plan of the Frenchman, De Lepinay, whose countrymen, unfortunately for themselves, turned it down in favour of a disastrous effort to build a sea-level canal. That effort defeated De Lesseps, who had succeeded at Suez. Ships passing from the Atlantic to the Pacific—an eight-hour journey—ascend the Valley of the Chagre River, and then are raised, in three stages, to Gatun Lake, eighty-five feet above sea-level. This is the height of most of the Canal's fifty-one mile length. After passing through a cut in the Continental Divide, the descent is made through the Pedro Miguel locks to Miraflores Lake and through the Miraflores locks to sea level. The only major improvement to the canal since 1914 has been the construction of Madden Dam, which conserves the vast quantities of water needed to operate the locks. It takes 50 million gallons of water to pass a ship through, and in 1950 nearly 5,400 commercial ships were shifted from one ocean to another. This was not as many as in the peak year 1929, but the net tonnage was greater.

Iron ore and nitrates from Chile, wheat and timber flowed from the Pacific to the Atlantic; mineral oils, iron and steel manufactures and phosphates moved the other way. In 1950 American intercoastal traffic accounted for nearly a quarter of the total tonnage, but this was due to abnormally heavy fuel oil shipments from California. Usually, the busiest trade lies between the west coast of South America and the east coast of the United States.

★

The Canal is operated by the Panama Canal Company, whose one share is held by the Secretary of the Army; and the President of the Company is also Governor of the Canal Zone, with its population of some 50,000 American and Panamanian workers and their families. The present arrangement is the result of a reorganisation carried out by President Truman in 1950, a progressive step which for the first time permitted the Canal company to retain its toll revenues, instead of making them over to the US Treasury and having to secure Congressional approval of its operations every year. The Canal company is also authorised to set its own toll rates, subject to Presidential approval, but so far nothing has been done, despite Congressional prodding, to raise the rate of 80 cents a net ton, in effect since 1937.

Nothing has been done, either, and nothing is likely to be done in election year, to satisfy those who feel that the vulnerability of the locks and dams to air attack demands the conversion of the vital artery into a sea-level canal. The defences of the Canal have fallen away since the war, when the Zone bristled with troops and aircraft. In 1947 Panama, in an outburst of nationalism based on economic misery, refused to allow the United States to retain the air bases on Panamanian territory that had been granted during the war. Since then, the sharpening of world tensions has meant the transferring of men and equipment to more vulnerable spots. A number of airfields in the Zone have been closed down completely. Defence of the Canal today depends on strict regulation of all commercial aircraft (which are not allowed to fly over or near the Canal), scrutiny of all ships before they reach either end of it, and a careful watch on all strangers in the Zone. Last year the Governor's security powers were increased by the President.

Congress had shown some interest in the arguments for a sea-level canal as early as 1939, when it approved a plan to add a third set of locks. (There are now two, allowing traffic to move in both directions at once.) The plan accepted contained features which would have made it possible to convert the Canal to a sea-level route. But work on the new locks had to be abandoned in 1942, when labour and materials were required for more urgent purposes. Again in 1945, after Hiroshima, Congress called for a new report on the best way of defending the Canal and expanding its capacity. The Mehaffey Report submitted to the President two years later recommended an entirely new sea level canal, estimated then to cost $2.5 billion. But neither the President nor Congress, absorbed as they were in domestic matters and an approaching election, received it with enthusiasm. Those on the spot in the Canal Zone seem to think that the danger from the air is over-estimated; today there is no unfriendly nation near enough to deliver a large full-scale attack on Panama. They are more alarmed by signs of internal unrest, which has brought the Communists political power in Guatemala, and feel money would be better invested—as it is being, to the tune of nearly $1 million a year in Panama under Point Four—in alleviating the miseries which open the door to Communist propaganda.

American Notes

Economy Begins Abroad

The President's annual request for funds for foreign aid, for the 1953 fiscal year beginning next July, is once more being put through the Congressional hoops by the Administration's most experienced ring-masters: one round through committees and floor debates in each House for authorisation, and then another for appropriations. This year the request is again appearing under the ingratiating name of mutual security, but even so its chances of getting through the programme unscathed are worse than usual. For even the official sponsors of the request in Congress, Senator Connally of the Foreign Relations Committee and Mr Richards of the House Foreign Affairs Committee, both take it for granted that the amount ought to be cut by $1 billion or more.

MUTUAL SECURITY FUNDS REQUESTED FOR FISCAL YEAR 1953
($ Million)

	Direct Military	Defence Supporting	Economic and Technical	Administration	Totals
Europe	4,070	1,819	...	...	5,889
Near East and Africa	606	...	196	...	802
Asia and the Pacific	611	...	408	...	1,019
American Republics	62	...	22	...	84
Multilateral technical and other assistance	...	...	30	...	30
Administration	...	...	...	75	75
Totals	**5,350**	**1,819**	**658**	**75**	**7,909**

Columns do not add to totals because the figures are rounded.

It will do little good for Mr Acheson to argue that this year's request—for $7.9 billion compared with $8.5 billion asked and $7.3 billion received last year—is "the lowest limit of safety" for both the United States and its allies. What Senator Connally and Mr Richards, and many other members of Congress, are thinking of is the safety of their seats in next November's elections. They are convinced that this can only be secured by economy that begins not at home, where American voters would feel it, but abroad, where only America's allies would suffer. It will take more to shake this conviction than last week's primary elections, even though the voters there showed that they can see beyond the budget deficit.

Congress is not likely to be very careful about where its pounds of flesh for the voters comes from, although it will ask a great many questions before actually cutting it. At the moment the knives are being sharpened for economic aid for Europe; its new name of "defence support" will not persuade Congress that this is anything other than the remains of the Marshall Plan that was supposed to end this year and, at $1.8 billion, it is just about the amount of flesh that is wanted. Of this sum, $400 million is intended for Greece, Turkey, Jugoslavia and Austria, and the rest for the original Atlantic Pact countries. Britain's share, put at $600 million,

"Nothing Personal, Pal. I Just Want To Impress A Girl"

Herblock in the *Washington Post*

may have been saved by the good impression made by Mr Butler's Budget, but France's new government will have to balance its accounts quickly if that country is to get its $400 million.

Last year General Eisenhower came to the rescue of economic aid for Europe and the Administration will be very tempted to appeal to him again. He had not intended to give evidence to Congress this year, but already Democrats are suggesting that he should be summoned. They, however, are thinking as much of the presidential election as of their allies. It would be most embarrassing for the Republicans if their potential candidate came back to the United States, not as a politician to fight for the nomination, but as a non-political figure to fight for the Mutual Security Programme which is one of the Democrats' chief assets.

* * *

Steel Deadline

Last week's short stoppage on the New York Central Railroad was an attempt, which has had some success, to focus attention on the three-year-old dispute between the railway unions and the companies. It is nearly two years since the railways were taken over by the government, in order to prevent strikes, and the members of the union are justified in feeling rebellious at the long delay in reaching a settlement. So far the steel workers have only had to postpone their strike for less than three months, since January 1st, but their leaders have no intention of giving the false impression that they are likely to be as patient as the railwaymen's leaders have been. Midnight on Sunday is the deadline when the 650,000 members of the steel union are supposed to stop work and Mr Murray, president of the union, has refused to promise that they will change their minds, even though this means that a certain amount of steel output will be lost this week as furnaces are damped down.

The union committee is, however, meeting in Washington to decide its final action while *The Economist* is in the press. The decision will turn on the recommendations for the settlement of the dispute made by the Wage Stabilisation Board, which has been considering them since January, and on the reactions of the steel industry to these recommendations. The board is expected to propose a wage increase of from 15 to 18 cents an hour, consisting partly of holiday and other "fringe" benefits. This should be acceptable to the union, even though it is not all it has asked for, but the industry has already stated that it cannot agree to such an increase unless it is allowed to raise steel prices by $6 a ton; it calculates that every extra cent an hour in wages adds 44 cents to the cost of a ton of steel.

The stabilisation authorities refuse to accept this argument, although they are about to give permission for a smaller increase in steel prices, probably an average of from $2 to $3 a ton, under the Capehart formula, which lifts price ceilings by an amount equal to increases in costs during the first seven months of last year. But this will not satisfy the steel companies, and they are now less afraid of a work stoppage than they were in January, since steel is in better supply; a few furnaces are already being shut down for that reason. There will almost certainly be some attempt at collective bargaining on the basis of the board's recommendations but after that, as far as can be judged at the moment, a steel strike is very possible. It could, of course, be prevented if the mobilisation authorities overrode the stabilisation officials and gave the companies the price increases they want in order to pay the higher wages, or if President Truman obtained a court injunction against the strike. But the one, with its inflationary consequences, would be unpopular with consumers and the other with trade unionists. The Administration will hesitate to offend either of these large groups of voters in an election year.

* * *

Bargains in Spain

As soon as he reaches Madrid next week Mr McVeagh, the new American Ambassador, is to begin negotiations for a bilateral agreement which will permit the United States to use Spanish air and naval bases. The ground was explored by two American missions last year, a military one under Major-General Spry, and an economic one under Professor Sufrin; in his pocket Mr McVeagh will have the $100 million for Spain pressed on the Administration last October by Congress. Mr McVeagh's job is to work out the conditions of the bargain with a government which has stood outside the international give-and-take of the last four years.

Spain's need for help has already prompted the offer of certain concessions: American troops would be allowed to be stationed in Spain to defend the bases, and General Franco might be willing to allow the Spanish army to take part in the defence of Europe. Mr McVeagh's hand is also strengthened by the evident waning of the enthusiasm of the Air Force, at least, for Spanish bases. It was the services which forced the President to swallow his publicly expressed distaste for the Spanish regime. But the Air Force, with its vast construction programme in French North Africa, is now interested in Spanish bases only as a last resource, to be used if and when necessary.

General Franco has already been given notice that as far as military aid is concerned—and the Spanish army needs help of every kind: food, transport, weapons and armour—Spain will have to take its place at the end of the queue, behind Korea, Indo-China and the North Atlantic Treaty countries. In the American view, the rehabilitation of the railway system, the building of roads and the dredging of harbours should come first. Mr Sufrin reported in December that Spain could absorb up to $450 million in the next three years if its military importance justified such an expenditure. Encouragement would also be given to the production of wolfram, pyrites, lead and mercury, all strategic materials.

The spending of economic aid would be strictly controlled—something which it may be hard for Spanish pride to stomach. But apparently no more pressure is to be put on General Franco to liberalise his regime than has been put on Marshal Tito. There is, however, the matter of the Benton amendment to the Mutual Security Act, which requires countries receiving aid to take a stand against cartels and in favour of free enterprise and free trade unionism. This presents no problem to General Franco. But the American negotiators may find it harder to accept the view that the Spanish management-labour syndicates, and the ban on strikes, constitute free trade unionism in Senator Benton's meaning of the phrase.

* * *

Communists and Constitutional Liberties

The proceedings against groups of local Communist party leaders which are now going on in Los Angeles and Baltimore appear to be more orderly and dispassionate than was the original trial in New York of the party's national leaders. They were found guilty of conspiring to overthrow the government of the United States by force, under the Smith Act of 1940, the legislation which the Administration considers adequate to keep the party under control. The Supreme Court confirmed that conviction last year and it has now also given its approval, although not very enthusiastically, to part of the McCarran Act of 1950, Congress's complicated and controversial answer to the Communist problem.

The Court has ruled that there is no constitutional barrier to the deportation of aliens who have been members of the party, even though they may have come to the United States as children thirty or more years ago, and may no longer be Communists. The majority of the Court admitted that Congress was justified in deporting anyone who had not taken out citizenship papers, but Mr Justice Jackson added that "judicially we must tolerate what personally we may regard as a legislative mistake."

The Court further decided that the Attorney-General could constitutionally refuse bail to alien Communists awaiting deportation, although Mr Justice Frankfurter opposed this decision on the grounds that the government should not make a habit of denying bail automatically to active Communists as it seems to have been doing lately.

It was on similar, practical, grounds that Mr Frankfurter also last week dissented from the majority of six Justices who upheld the constitutionality of New York State's Feinberg Law, passed in 1949. It requires the state educational authority, the Board of Regents, to bar from employment in the public schools anyone who belongs to a subversive organisation. The Court held that it was the duty of the state to protect its children and to preserve the integrity of its schools, and that there was nothing improper in judging a teacher's fitness for employment from the company he kept. However, the two most liberal Justices, Mr Douglas and Mr Black, who frequently dissent from anti-Communist decisions on the grounds that they infringe the constitutional liberties of the individual, objected that this ruling established the doctrine of guilt by association.

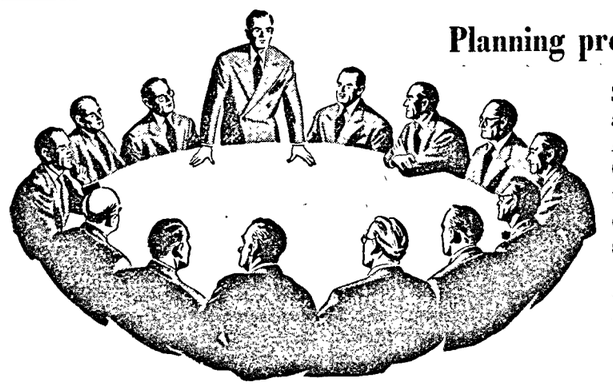
Mr Frankfurter, on the other hand, dissented because the decision was made on a test case, brought to prevent the Board of Regents from implementing the Feinberg Law. He felt that the extent to which the law limited academic liberty and the right of free association could not be judged until it was put into operation. The critics of the law believe that, once this happens, the judgment will inevitably be adverse. They object, as a rule, not to the principle of the law but to its methods, thinking that it can hardly fail to work unfairly and to weaken the independence and originality of the teaching in New York's schools. Nearly all anti-Communist laws can reasonably be criticised on these lines for, even when they do not violate the letter of the Constitution, there is usually a danger that they will be applied in a way that violates its spirit.

Shorter Notes

In spite of determined efforts by Senators of both parties interested in retaining political patronage and keeping the corruption issue burning during an election year, the President's reorganisation of the Internal Revenue Bureau was approved by a vote of 53-37. The new system, which went into effect on March 15th, happily coinciding with the deadline for filing tax returns, eliminates from the government "the last big island of political influence."

*

The wireless adventures of Hopalong Cassidy will have the benefit of expert appraisal; an inventor has designed for riders of the range, more specifically those cowboys who use a Western saddle, a battery wireless with the loudspeaker and tuning dial on the pommel, the batteries at the back of the saddle, and the antennæ under the side flap.



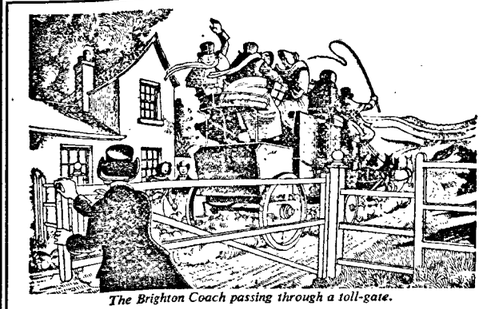
Planning produces results in the dollar market

Successful selling in the U. S. market requires a carefully planned sales approach. As one of America's oldest commercial banks, Irving Trust Company knows this great market thoroughly . . . will gladly work with you in locating competent organizations to help develop or expand your sales there.

IRVING TRUST COMPANY

ONE WALL STREET • NEW YORK 15, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION



The Brighton Coach passing through a toll-gate.

When the future Emperor Charles VI of Austria came to England to visit the Duke of Somerset in 1703, his coach capsized a dozen times before he reached Petworth, owing to the bad roads. Only the well-to-do travelled to any extent in those days; wealth was concentrated into the hands of the few and the need for particular modern developments of banking, such as the Corporate Trustee, had not arisen.

The Bank of Liverpool Limited, now Martins Bank Limited, was founded in 1831, and commenced Trustee business early in the present century. The Bank acts as Executor and Trustee, providing security, skill and continuity of management, at moderate fees. A descriptive booklet may be obtained at any of the Bank's 600 branches.

MARTINS BANK
LIMITED

Trustee Department, Head Office,
4 WATER STREET, LIVERPOOL, 2

Branches of the Department at
80 Gracechurch Street, E.C.3; 16 Whitehall, S.W.1.
43 Spring Gardens, Manchester, 2.
28-30 Park Row, Leeds, 1.
24 Grey Street, Newcastle-upon-Tyne; 9 Highgate, Kendal.

TOTAL ASSETS (AS AT 31st DEC., 1951)
£347,336,244.

Established in 1845. All classes of insurance transacted including Fire, Life, Accident, Motor, Marine and Aviation. Represented throughout the world.

ROYAL INSURANCE COMPANY LIMITED

Head Offices:
North John St. LIVERPOOL. | Lombard St. LONDON.

CHATHAM HOUSE

THE ROYAL INSTITUTE OF INTERNATIONAL AFFAIRS, with its Headquarters at Chatham House, St. James's Square, came into existence immediately after the First World War. Its object was to stimulate, through discussion, publications, and general research, the study of International Affairs, without fear or favour, propaganda or government 'inspiration.' So well has it pursued its declared intention, that its name upon a title-page is a guarantee of the highest motives and the most efficient scholarship. Since 1920 the OXFORD UNIVERSITY PRESS has been privileged to publish on its behalf a number of books which have not only recorded, but made, history.

Among these may be numbered the remarkable series of **SURVEYS OF INTERNATIONAL AFFAIRS,** to which Arnold Toynbee devotes much of his time, and the companion volumes of **DOCUMENTS;** to these may be added the six volumes of Arnold Toynbee's **STUDY OF HISTORY** (and their one volume abbreviation by D. C. Somervell). Dr. Toynbee has now completed the remainder of his great 'Study' and it is hoped that we may have the last three volumes ready for publication in 1954.

These are a few landmarks of the past. But the work goes on. The present and the future show promise of being no less productive.

Quite recently were published

A HISTORY OF THE LEAGUE OF NATIONS
by F. P. WALTERS. Two volumes. 60*s. net*

CONSULTATION AND CO-OPERATION IN THE COMMONWEALTH
by HEATHER J. HARVEY. 30*s. net*

and the immediate future is rich with promise. There are in preparation:

THE WORLD IN MARCH, 1939. Being a prologue to the Survey of International Affairs, 1939-46. Edited by ARNOLD TOYNBEE and FRANK T. ASHTON-GWATKIN. 45*s. net*

SURVEY OF INTERNATIONAL AFFAIRS, 1947-48. By PETER CALVOCORESSI, with an introduction by ARNOLD TOYNBEE. 45*s. net*

DOCUMENTS ON INTERNATIONAL AFFAIRS 1947-48. Selected and edited by MARGARET CARLYLE. 75*s. net*

SOVIET DOCUMENTS ON FOREIGN POLICY Volume II: 1925-32. Edited by JANE DEGRAS. 45*s. net*

(The first volume has been described as 'one of the most important of the works on foreign politics published under the auspices of the R.I.I.A.')

SOVIET FAR EASTERN POLICY SINCE YALTA
by MAX BELOFF.

(*All prices are provisional*)

A List of new Chatham House Books is available

OXFORD UNIVERSITY PRESS
Amen House Warwick Square E.C.4

THE WORLD OVERSEAS

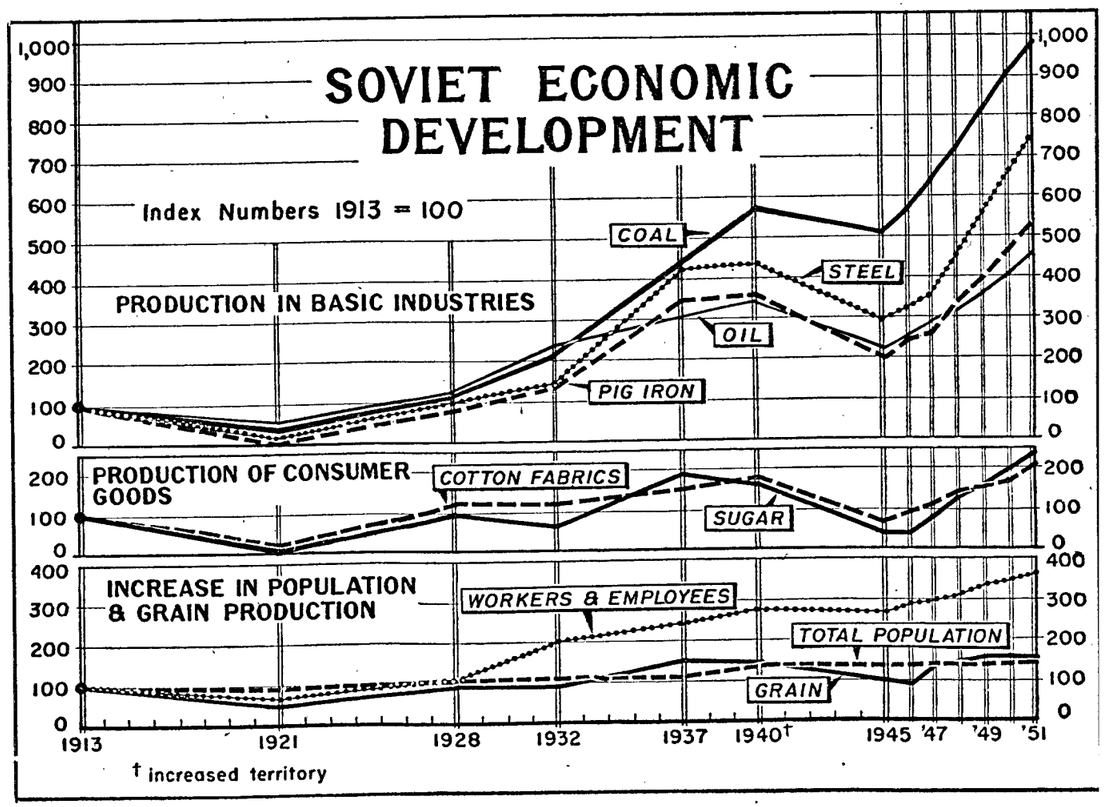
Burdens of the Soviet Budget

THE budget plays such an important part in the Soviet economy that if the Russians were to reveal their detailed accounts they could certainly produce an illuminating *tableau économique* of the Soviet Union. This is probably the chief reason why the veil of secrecy surrounding the budget figures is raised so reluctantly. The recent budgetary session of the Supreme Council was no exception in this respect and the Minister of Finance, Mr Zverev, was rather more reticent than usual. He reviewed briefly the accounts for 1950 and, somewhat incompletely, for 1951 (he omitted, among other things, the actual expenditure on defence) before announcing the estimates for 1952. The debate over the new budget provided few additional clues; the Supreme Council limited its task almost entirely to raising the estimated revenue and surplus by another 1,100 million roubles.

Yet even the limited information given to the Supreme Council throws some light on the trends of the Soviet economy. In *The Economist* last week, the rise in Soviet defence spending was analysed. It was shown that direct defence expenditure rose by over 16 per cent in 1951 and is scheduled to increase by nearly 19 per cent in the current year. What is the impact of this growing cold war burden on the economy as a whole, and how is this burden apportioned between the various sectors?

To a certain extent the task of the Russian planners is made easier by the wide scope there still seems to be for rapid expansion. It is claimed that in 1951 national income rose by 12 per cent and the Russians probably expect to maintain this rhythm of growth. Though defence expenditure is now rising at a much quicker pace than the national income, it would appear from Soviet statistics that the other branches of the economy have not, as yet, begun to decline in absolute terms; but they have increased at a declining rate, getting a relatively smaller slice of the bigger national cake.

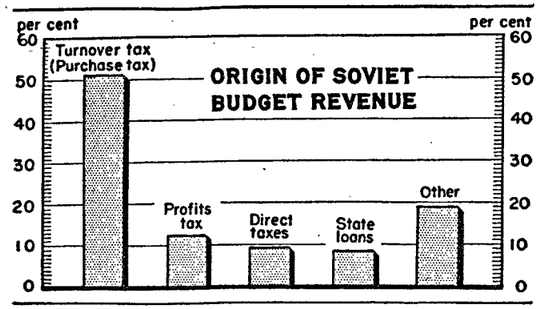
In 1951 the social and cultural services seem to have been the chief "relative victims" of the defence effort, the main sufferers in terms of alternatives forgone. The amount spent on this item rose by less than 2 per cent over the year, scarcely more than the usual growth of population. Consumption, on the other hand, is not expected to be seriously affected by the arms drive until the current year. The price reductions announced in March, 1951, were to result during that year in a "saving" by consumers of 27,000 million roubles in their purchases in state retail shops. Yet the yield of the turnover tax, which falls almost exclusively on consumer goods, rose by some 11,000 million roubles. This year the estimated increase in the yield of the turnover tax is slightly greater, but for the first time since 1949 no lowering of



prices of consumer goods has been announced. Taking the Soviet figures at their face value it would appear that in 1951 consumption roughly kept pace with the growth of the national income, but this year it is expected to increase by less than 5 per cent.

On the face of it, investment too has suffered a similar relative decline, for wholesale prices of products of heavy industries and engineering have fallen. Such reductions were announced successively in 1950 and January, 1951 and 1952. These are probably not mere propagandist claims, but may well be the belated effects of more efficient production, due to the continued mechanisation and schooling of technicians. The effect of these reductions is that prices of heavy industrial goods have fallen more than prices of consumer goods and this manœuvre may well hide part of the actual increase both in investment and rearmament.

Referring to the revenue side of their budget, Soviet propagandists made much of the fact that the Russians' taxes account for less than ten per cent of total revenue. This is rather a naïve boast. They simply forgot to add the word "direct," since it is well known that direct taxation plays an unimportant role in the Soviet fiscal system. Since wage differentiation forms part of a definite policy for creating incentives there is no intention of jeopardising it by a progressive income tax.



For the average Russian the main tax has been, and still is, the indirect turnover tax, the sales or purchase tax mentioned above. According to most modest estimates this tax adds at least one-third to the total nominal value of consumption. It also accounts regularly for over half of the total budget revenue. It enables the Soviet planners to balance the supply of goods with the demand for them and to impose the "saving" necessary to finance the high level of investment and defence expenditures. In this year's accounts the share of the turnover tax is slightly less than usual, probably because of the relative drop in consumption.

Voluntary saving cannot flourish in the Soviet Union if only for the reason that none of the advantages of the *rentier* class can be enjoyed there. A semi-compulsory form of saving, the purchase of State bonds, is expected to bring in over 8 per cent of the revenue, a somewhat larger share than in the previous years. The yield from taxes on profits is also expected to provide a larger share of the total. The growing volume of production and cost cutting have probably enabled industrial enterprises to make larger profits. The state will take a part of it, but it has apparently been decided to leave a substantial part for the enterprises to plough back into investment, since direct investment by industrial undertakings is to account for a larger proportion of total investment than in the previous years.

Generally, however, there are no important structural changes on the revenue side of the budget. Here growing rearmament required only a greater volume of revenue to finance it. On the other hand, the planners had to decide what items of expenditure to eliminate to make room for the arms drive. The cold war has imposed a similar problem both for the West and for the East.

The Russians may find it more difficult to curtail consumption not only because their level of consumption is lower, but also because the ratio of consumption to total output is lower in the Soviet Union than in the West. Many reliable estimates have put Soviet investment, including investment in defence industries, at over 20 per cent of total output. If one adds about 15 per cent for direct defence expenditures and 6 per cent—the usual figure—for stockpiling there remains less than 60 per cent for consumption. On the other hand, out of their expanding production the Russians have apparently managed hitherto to pass on, at least a part, to the consumers and these increases, even at a declining rate, must have been more than welcome after the appallingly low wartime level of consumption. Furthermore the ploughing back each year of a large slice of the national income is not a new thing for the Russians. A glance at the accompanying chart of Soviet industrial development will show that the emphasis had always been put on heavy industry, investment taking precedence over consumption. In the long run the Soviet planners cannot tolerate any encroachment on investment's share of productive resources. Thus if defence expenditure goes on expanding more than proportionately the point will soon be reached when consumption will have to drop not only relatively but even in absolute terms. The average Russian has only just recently regained his prewar standard of life. Will he find out that some curse prevents him from ever substantially exceeding it? Will he soon look back with regret at the modest prosperity of 1951?

European Socialists and Rearmament

[BY A CORRESPONDENT]

EXPERTS from the Socialist parties of Europe—and Japan—met near London last week to discuss the economic and social effects of rearmament. The noises-off from Westminster which accompanied their discussions need not have embarrassed the British representatives unduly. During the last twelve months, many of the European Socialist parties have found their loyalty strained by rearmament—while the Japanese Party split into two over this issue.

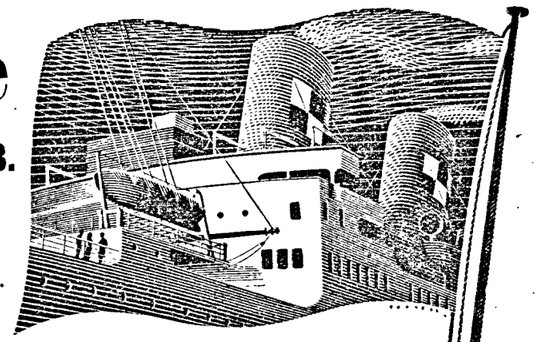
Thus in Norway, Mr Bevan's resignation was preceded by a crisis which threatened to develop along very similar lines. In January, 1951, the Finance Minister, Hr. Meisdalshagen, was actually delivering his Budget speech when Hr. Hauge, the Minister of Defence, told a press conference that defence expenditure was to be greatly increased above the budget estimate. Pressure from the Prime Minister and Foreign Minister compelled Hr. Meisdalshagen to accept the addition, but several months later he indicated his desire to resign. Hr. Meisdalshagen was an old Socialist of some standing in the party, while Hr. Hauge was young and politically inexperienced. At a private meeting of the Labour MPs, Hr. Meisdalshagen had actually won a majority for his case when the Prime Minister threw his immense prestige into the balance. The party accepted the new arms programme and Hr. Meisdalshagen withdrew his resignation. Most of the dispute was concealed at the time, and all the protagonists, except Hr. Hauge have since left the Government. Since the middle of 1951 there has been no organised opposition to rearmament in Norway.

Uneasiness about Nato policy is, however, reflected in the proposal to set up a Scandinavian Parliamentary Assembly, which might revive the spectre of a Scandinavian Defence Act, unsuccessfully conjured up a few months ago by Hr. Kekkonen, the Finnish Prime Minister. And the Norwegian Socialists, always the most idealistic in Europe, are looking for some positive policy to offset the negative policy of rearmament. It is likely they will shortly launch

Empress of France

LIVERPOOL TO SAINT JOHN, N.B.

26th MARCH



"GOODBYE, GOOD LUCK" your friends shout from the quay. *What can they mean—you're on an EMPRESS,* where nothing is left to luck. Where the Canadian cuisine has the certainty of genius. Where every last luxury is quietly inevitable. Where an ocean-rail ticket *will not let you* miss your way to your chosen spot in Canada or the United States. First class accommodation is available at moderate rates.

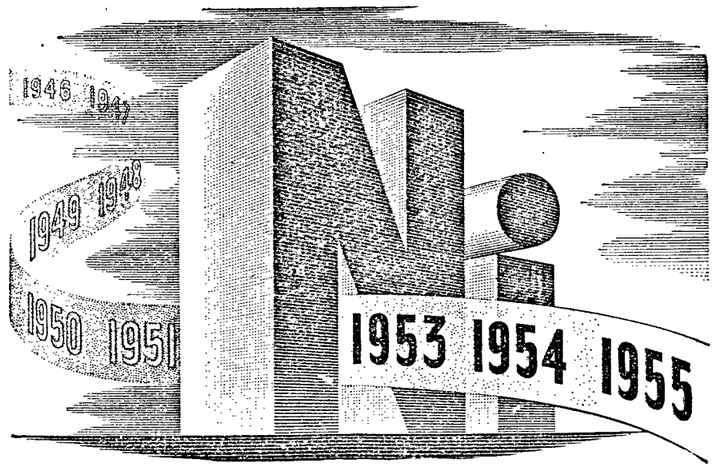
Further sailings from Liverpool to Quebec and Montreal.

April 8 - - - **EMPRESS OF CANADA**
April 15 - - - **EMPRESS OF FRANCE**
April 29 - - - **EMPRESS OF CANADA**
May 6 - - - **EMPRESS OF FRANCE**

For information your authorised agent or

Canadian Pacific

Trafalgar Sq., W.C.2 (Whitehall 5100). 103 Leadenhall St., E.C.3 (Avenue 4707) LONDON and offices throughout Britain and the Continent

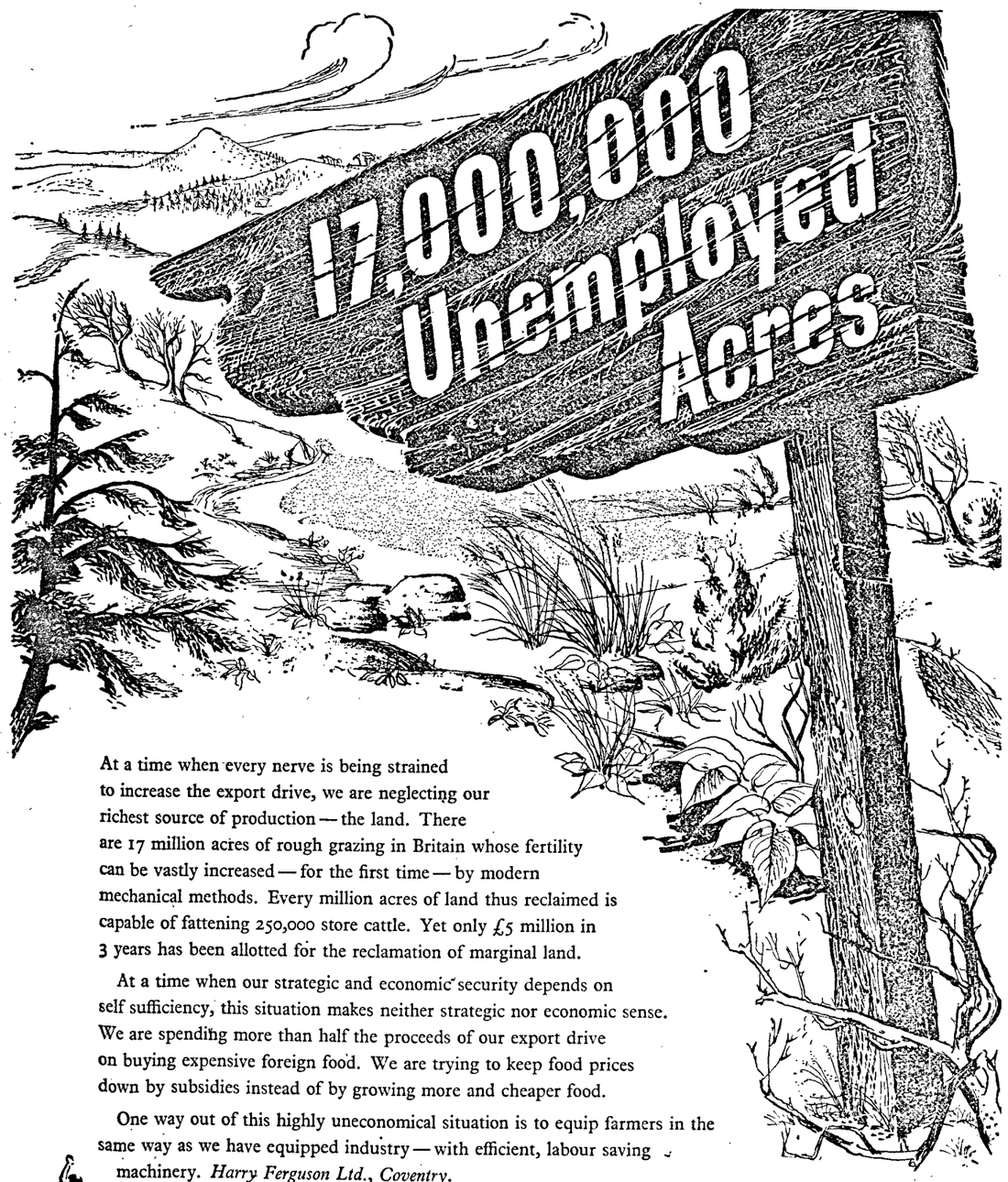


A Symbol of Progress

Development work by Mond Nickel looks years ahead — to the time when new engineering projects, at present only in vague outline, will need improved materials to carry them out. The metallurgist aims always to anticipate these needs so that the designer, making his first drawings, may have confidence that the better properties he seeks will be available when design gives place to construction.

MOND NICKEL

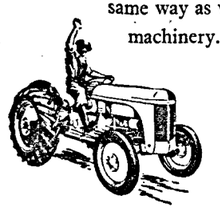
THE MOND NICKEL COMPANY LIMITED, Sunderland House, Curzon Street, London, W.1.



At a time when every nerve is being strained to increase the export drive, we are neglecting our richest source of production — the land. There are 17 million acres of rough grazing in Britain whose fertility can be vastly increased — for the first time — by modern mechanical methods. Every million acres of land thus reclaimed is capable of fattening 250,000 store cattle. Yet only £5 million in 3 years has been allotted for the reclamation of marginal land.

At a time when our strategic and economic security depends on self sufficiency, this situation makes neither strategic nor economic sense. We are spending more than half the proceeds of our export drive on buying expensive foreign food. We are trying to keep food prices down by subsidies instead of by growing more and cheaper food.

One way out of this highly uneconomical situation is to equip farmers in the same way as we have equipped industry — with efficient, labour saving machinery. *Harry Ferguson Ltd., Coventry.*



Grow more food in Britain

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

an international campaign to support the UN technical assistance programme. Neutral Sweden, ironically enough, has also had its crisis over rearmament. Hr. Gustav Møller, for thirty years among the most prominent architects of the Swedish welfare state, threatened last spring to resign as Minister of Social Affairs if rearmament interfered with his plans for the social services. He carried out his threat a few months ago, but failed to win any support for his position. In Denmark the Social Democrats had an easier passage since they left office before Nato decreed the great increase in arms. Indeed the Social Democrats' unwillingness to accept direct responsibility for the consequences of rearmament may give the present Danish Government a longer life than it could otherwise expect. Nevertheless they have given the Government public and unequivocal support in both foreign policy and defence.

In Holland, too, rearmament has caused no breach inside the Labour Party—perhaps because it has no left wing. When the Labour Party was formed in 1946 on the model of the British, the left wing of the prewar doctrinaire Social Democratic Party in the main refused to join it, voting Communist in the first postwar elections and abstaining later. So far these dissidents have failed to form their own organisation, though some of them recently set up a "third way committee" whose programme is nearer that of Mr Zilliacus than that of Mr Bevan.

Bevanism in Germany

It might be expected that Bevanism would rouse the loudest echoes in the German Social Democrat Party, which opposes the Adenauer Government not only on the military but also on the financial contributions to defence. But for the most part the Social Democrat Party's position is based far more on national interests than on Bevanism. The only common ground between them is the plea that a defence contribution may wreck the social and economic stability which is needed to prevent Communist penetration. In recent weeks, however, Bevanite arguments have helped to mobilise trade union, as distinct from Socialist, opposition against the rearmament policy of the Adenauer Government. A German translation of "One Way Only" has been widely distributed in the German Trade Union Federation (DGB). When the Bavarian trade unions on February 10th led the way to the DGB's recent withdrawal of support for a German contribution, they were fortified by a well-argued pamphlet which denied that Germany or Western Europe stood in danger of attack, and presented Communist penetration as a greater danger than Soviet aggression.

Bevanism has, of course, considerable appeal in the French Socialist Party—indeed the British resignations received more acclaim in France than anywhere else in Europe. A vociferous left wing group led by the ex-Trotskyist, M. Marceau Pivert, maintains some contact with British Bevanites, particularly those of ILP origin. But the French Socialist Party as a whole has not needed to adopt Bevanism, since, like most French parties, it finds no difficulty in voting for increased armaments while refusing to vote the funds necessary to provide them. Many observers last year saw M. Jules Moch's defeat in the elections to the party executive, like Mr Shinwell's in Britain, as the penalty of serving as Defence Minister; but this was only a contributory factor.

Only one Socialist Party has wholeheartedly accepted the Bevanite position—that of Belgium, which draws heavily on "One Way Only" for arguments to justify its opposition to the Government's defence programme. No doubt its hatred of the Christian Socialist Party now in office helps to explain its position. Moreover most Belgians are fatalistic about a Russian occupation, which they imagine as no more unpleasant than the German occupation they survived so well. But much in Mr Bevan's mode of argument corresponds to the ideological traditions of Belgian socialdemocracy. In Italy, too, the left-wing Socialist splinter groups drew new confidence from "One Way Only."

The fact is that, though the rearmament programmes have had their opponents in most European Socialist Parties, only those of Latin extraction use the same sort of arguments as Mr Bevan. For the speed and level of rearmament raise no question of Socialist principle. Mr Bevan has tried to make his opposition to the arms programme a matter of principle by exploiting prejudices about Russia, America, and the causes of war which are stronger in Socialist parties than in others. But the rhetoric in which he clothes his prejudices has little appeal in Northern Europe.

French Taxes and Benefits

THE frequency of French budget crises and the general atmosphere of fiscal irresponsibility which has surrounded the Fourth Republic have tended to distort two basic facts of French social life. The first is that one way or another —and admittedly the ways are sometimes strange—the French nation as a whole surrenders almost as much of its income through taxation as the British. According to French official claims the figures are 38 per cent of the national income in the French case and 40 per cent in the British. The second fact is that since 1946 France has been building up a system of social security and free health services which is at least as comprehensive as any in Western Europe. The delusion that the French state handles an insignificant portion of the country's resources has led to this second delusion that in France there are virtually no welfare services as they are understood in Britain. It is impossible to make a fair comparison between the social benefits in two different countries. But, for illustration only, there are given overleaf the tax obligations and security benefits of three different types of employees in Britain and France, earning what are roughly comparable salaries for each type of work in each country.

The table does not show that either nationality is better off than the other, for the background conditions are unequal. In France, food costs more, rents less, clothes are not so essential and fuel consumption is lower than in Britain; the average income per head, and hence the general standard of living is lower; and so, in every case, is the basic wage. All that is proved is that both British and French families tend to receive the same sort of benefits in the same sort of quantities from their respective states; that on the whole the French employee earns less from his employer and receives more from the state; and on the whole the English employee pays a higher income tax, and a slightly lower

AUSTRALIA'S DILEMMA

Trade deficit, import cuts, inflation . . . The latest report by The Economist Intelligence Unit describes events in Australia and shows how they could concern business people elsewhere.

The Unit issues quarterly reports on economic and business conditions in more than 30 countries. These reports can be obtained by annual subscription, or singly.

THE ECONOMIST INTELLIGENCE UNIT

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

…tribution to social insurance. In addition, there are …eral unspecified benefits available to the nationals of both …ntries; children are educated free until they are fifteen; …dical treatment is about 90 per cent free; there are state …urance schemes against industrial injuries, other dis…ilities, and chronic sickness; and in both countries, there …s system of special assistance to the very poor. Finally, …re is one important respect in which the benefits for the …nationals are different; in Britain, some revenue is still …istributed in the form of food and housing subsidies; in …nce these have been abolished, and they are omitted from …table. Similarly, there are special allowances to the privi…ed agricultural population in France, which are also not …ected in the table.

FRENCH AND BRITISH WAGES AND BENEFITS

Monthly Figures	Unskilled Worker Three Children Wife not Working		Skilled Worker Three Children Wife not Working		Office Executive One Child Wife not Working	
	British £	French '000 francs	British £	French '000 francs	British £	French '000 francs
…e of salary	32·5	20·0	52·0	32·0	83·3	70·8
…me tax	…	…	0·3	…	12·6	3·3
…l Security contributions	1·2	1·2	1·2	1·9	1·2	2·0
…e Income	31·3	18·8	50·5	30·1	69·5	65·5
…ily allowances	3·5	14·4	3·5	14·4	…	…
…e wage allowances*	…	9·0	…	9·0	…	1·8
…ge pension claimed at :—						
…	…	4·8	…	7·4	…	14·0
…ployment	11·7	9·2	11·7	14·5	11·7	
…'s allowance	13·5	7·5	13·5	7·5	12·5	7·5
…ance —	9·7	…	9·7	…	8·7	…
…ent owned	13·5	9·0	13·5	14·4	12·5	15·3
…d two months	(27·1)	(22·4)	(27·1)	(35·9)	(24·9)	(32·8)
…mary Payments —						
…ervancy grants and allow…						
…ances for all children	24·0–82·2	230·4	24·0–82·2	288·0	8·0–27·4	107·7
…th grant (for one adult)	20·0	60·0	20·0	96·0	20·0	102·0

…te (1 = 1,000 francs (approximately) the two sets of figures can be compared directly.
…British figures are on the new rates proposed in the last budget.
…Read where only one person is earning in a family which includes dependents.
…varying according to whether the woman is working or not. In France, it makes no …ference.

…f the two schemes cover approximately the same ground, …y are essentially different in method and approach. …nce is proved to be a welfare state to much the same …gree as Britain, but the money for its welfare is raised …d distributed on utterly different principles. To take …ation first: of the total sum which passes through the …nch budget, only 29 per cent is raised by a direct tax …personal or company incomes; 10 per cent comes from …te properties, and 61 per cent from indirect taxes on con…mption and imports. Of the direct taxes, practically all …paid by employers on behalf of themselves and their …ployees. In addition, the employer has to pay the state …mething like 29 per cent on his basic wages bill in respect …social security contributions which are not included in …budget.

…Benefits as well as taxation in France have their own …syncrasies. Contrary to general belief, the French system …based on a comparatively small basic wage packet, and …mparatively large allowances from the state. With three …ildren, the regular allowances are 60 per cent of the basic …ge. Sick or healthy, employed or idle, the French …*ille nombreuse* has a fairly solid guarantee against …rvation before it starts claiming sickness or unemployment …nefits. It is, in fact, startlingly profitable to have children …France, with results that speak for themselves in statistics. …the years immediately before the last war, deaths, on a …rly average, were 20,000 more than births. Since 1946, …ths have exceeded deaths by more than 312,000 on a …rly average. The accompanying table clearly shows how …e office executive earning 850,000 francs a year loses …und by having only one child to the industrial worker's …ot. In comparison, the English are given half-hearted …couragement, though, as his food is cheaper, the additional …t of each child is probably less than in France.

Finally, there is a refreshingly un-egalitarian streak about the French welfare system which is entirely absent from the British. Within certain limits, the more a Frenchman earns the more he receives from the state. Up to 408,000 francs a year (34,000 francs a month), certain benefits are calculated on a percentage of the man's income, including old age pensions, sick leave and maternity allowances and death grants. Beyond that figure, the benefit does not increase with the income. But below it (and it is not as low in France as it would be in Britain) the French state actually connives at making the rich richer and the poor poorer. A degree of incentive remains cheek by jowl with a system of security and social welfare.

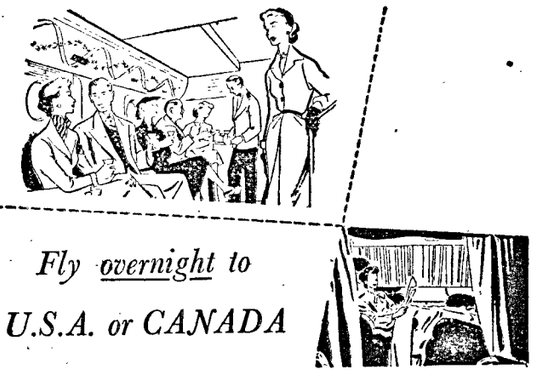
Nobody could argue that the French system in general is better than the British. In practice, it certainly does not work so well. But it does appear from this analysis that France as a whole is not grossly under-taxed. The incidence of taxation is such that French entrepreneurs are, at least in theory, quite heavily taxed when their payments on behalf of their labour force are taken into account; the French employee is, since the war, well cared for by the state; and the French government has devised a system of welfare which is not without advantages over the British counterpart. Like many things in France, it is more difficult to administer and less stifling in its effect. There is plenty of scope and every need to improve the extent to which taxes are paid; but the basis on which they are assessed, and the total burden, is not so uniformly inadequate as is sometimes believed. France is by no means backward in its social services and it is not entirely backsliding in paying for them.

Chops in the Sky

[FROM OUR WELLINGTON CORRESPONDENT]

THERE is a danger that the publicity given to recent agreements between New Zealand and the United Kingdom may arouse some premature and over-optimistic hopes about the extent to which New Zealand is likely to increase its meat exports to Britain in the immediate future. Setting aside, for the moment, materialistic considerations of price and terms of trade, there is unquestionably a great deal of goodwill towards Britain in New Zealand and a general desire, by no means confined to politicians, that if New Zealand can help Britain to improve its meat ration, it should do so. But it is doubtful whether good will and agreements will be enough unless they are reinforced by practical proposals which will first induce and make it possible for New Zealand's farmers to rear more store cattle, sheep and lambs, and then facilitate the preparation and shipment of this extra meat to Britain.

Britain, having given New Zealand an approximate 15 per cent increase in the current season's meat prices and followed this up with a guarantee that it will accept all the meat New Zealand can send for the next fifteen years, may well feel that it has done its part, for the time being, at least. Unfortunately for British purposes, however, the New Zealand Government has decided that it is not practicable to pay out the whole of this increase to the farmers this season, nor has it been able to give any guarantee that it will be paid out next year unless some acceptable formula can be devised. There are various reasons for this decision, but the chief of them is the undoubted difficulty in revising the fixed schedule of prices established at the beginning of the season last October 1st and of making retrospective payments to thousands of farmers who had sold their stock before the London meat price negotiations were concluded. Mr Holland is also bound to be concerned with the effect of a 15 per cent rise in export prices upon retail meat prices in New Zealand, particularly when the NZ Federation of Labour is waiting to make a fresh application for a general rise in wages based upon increased living costs.



Fly overnight to U.S.A. or CANADA

Fly the Atlantic overnight in a luxurious double-decked *Stratocruiser*. Deep-seated comfort. Complimentary meals, mealtime drinks. Lower-deck lounge and bar. Foam-soft private berth (nominal extra charge).

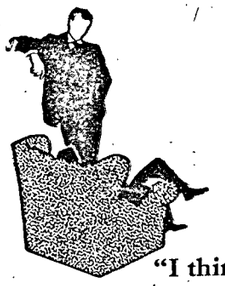
LONDON — NEW YORK	LONDON — MONTREAL
7 Flights Weekly: 3 *direct* by de luxe Monarch service, also 2 flights via Prestwick, 1 via Prestwick and Boston, 1 via Shannon and Boston.	3 Flights Weekly: 1 direct flight; 2 via Prestwick. B.O.A.C. operates the only sleeper services to Montreal.

Consult your local Travel Agent or B.O.A.C., Airways Terminal, Victoria, S.W.1 (VICtoria 2323) or 75 Regent St., W.1 (MAYfair 0611).

B.O.A.C. TAKES GOOD CARE OF YOU

FLY BRITISH BY B·O·A·C

BRITISH OVERSEAS AIRWAYS CORPORATION



"I think I'd like a White Horse better than anything"

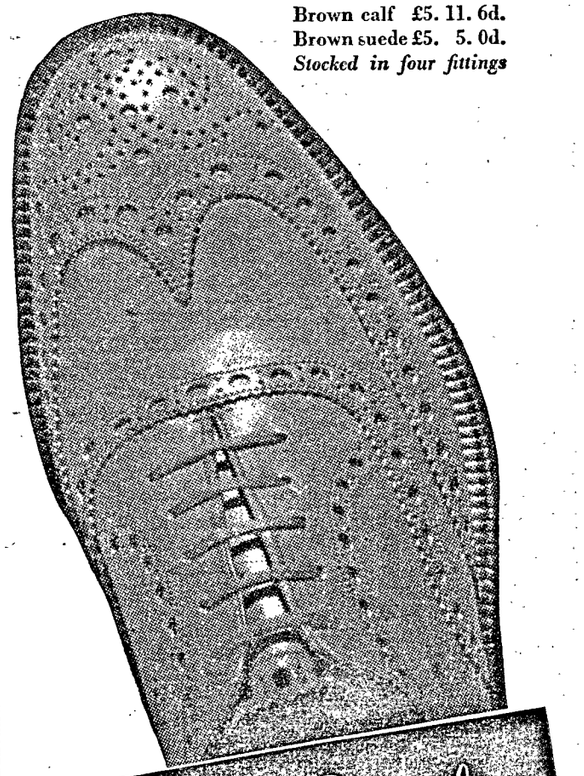
MAXIMUM PRICES:— Bottles 35/-, ½-Bottles 18/3, ¼-Bottles 9/6, Miniature Bottles 3/8, as fixed by the Scotch Whisky Association.

You cannot do better...

than full brogues built by craftsmen

Church's famous English shoes

Chetwynd
Black calf £5. 7. 6d.
Brown calf £5. 11. 6d.
Brown suede £5. 5. 0d.
Stocked in four fittings



Russell & Bromley

24-25 NEW BOND ST. LONDON W1

Also available at branches at: STREATHAM · CROYDON · LEYTONSTONE EALING · TORQUAY · ST. LEONARDS · HAYWARDS HEATH · EAST GRINSTEAD · BOURNEMOUTH · MARGATE · CLACTON · TUNBRIDGE WELLS SEVENOAKS · WINCHESTER · SOUTHAMPTON

In the meantime the undistributed balance—which may amount to anything from £1,750,000 to £2,500,000 for the whole season—will be paid into what is known as the meat industry reserve account. This was originally set up by the Labour Government as a bolster for price stabilisation, and now amounts to over £37 million. The Prime Minister, Mr Holland, like his predecessor, Mr Fraser, has given several assurances that the money in this reserve belongs to the New Zealand farmers, but these assurances are carrying less weight in view of the inability of the farmers to use it. Most of the funds are held in long-term stocks in London and, taken in conjunction with the dairy industry reserve account (now over £23 million), represent a large and accumulating indebtedness to New Zealand's primary producers. The New Zealand federated farmers' organisation which, under one umbrella, represents most of the producing organisations, has urged that the size of these reserves should be reduced and that the possibility of vesting their effective control, as well as their titular ownership, in the producers, should be considered. The effect of such a transfer and dispersal of funds upon New Zealand's overseas reserves creates difficult problems for the government and, somewhat understandably, Mr Holland has pushed the idea away from him—but only for the moment.

Reviving Chilled Beef Industry

The further United Kingdom-New Zealand agreement for an "experimental" revival of New Zealand's chilled beef export trade has also been played up rather beyond its immediate merits. There is no prospect of New Zealand resuming shipments of chilled beef to Britain on the substantial scale existing before the war (when they represented 60 per cent of New Zealand's export meat trade) unless and until it can reorganise its railway and wharf services, obtain ships equipped with "chiller" compartments and reorganise its refrigeration industry to prepare large quantities of chilled instead of frozen meat. Experimental shipments will not be difficult because they will involve only small quantities, but for some time to come the British people should not be encouraged to expect anything more. The immediate obstacles to be overcome are the shortage of refrigerated railway wagons sufficiently well insulated to carry chilled meat and the difficulties in the way of the prompt loading and despatch of overseas vessels from New Zealand ports. Even at the present time, when only frozen meat is being handled, there is very serious congestion and delay in despatching meat ships from both Auckland and Wellington. With chilled meat a strict timetable must be kept and, in the case of New Zealand, the period between the killing of the animal and the distribution of its meat in Britain cannot exceed fifty days, of which thirty to thirty-five will be taken up by the voyage. If the meat is not distributed within this period, it must either be frozen—in which case it loses its "chiller" premium—or it is likely to be condemned. It is nearly twenty-five years since New Zealand abandoned the chilled meat trade with Britain and it cannot quickly be resumed, even if the premium of £23 a ton offered by the United Kingdom is a sufficient inducement to the various interests concerned to reorganise the trade.

The general prospects for any substantial increase in New Zealand's export meat production are governed by several considerations. First, there is the extra capital, equipment and labour necessary to bring in further areas of marginal land. This is only now being investigated and results cannot be expected too quickly. Secondly, there is the shortage of sulphur and its effect upon artificial fertiliser production. The correction of this depends upon either finding larger supplies of imported sulphur (which is likely to be extremely difficult), or upon the establishment of new plants for the manufacture of phosphatic manures by non-sulphur burning processes—which will be expensive in money and electric power and cannot be achieved quickly. Thirdly, there is the chronic New Zealand farm labour shortage and the increasingly high cost of mechanisation as a substitute for labour. Fourthly, there is New Zealand's own increasing meat consumption and the extent to which it may encroach on export surpluses.

None of these problems are insuperable, but the solution of them will take time and co-operation. Probably one of the most useful suggestions made during the recent Anglo-New Zealand discussions about meat in London was that the British Minister of Food, or someone equally responsible, should visit New Zealand as soon as possible to discuss and assess the problems on the spot. The annual "price haggles" in London are not the most suitable occasions for explaining New Zealand's production problems because at these discussions it is always assumed that the seller has an axe to grind.

Belgium Looks East Again

[BY A CORRESPONDENT]

THE new Belgian Ambassador to Moscow, M. Wauters, is going to his post with every intention of trying to increase Belgian trade with Russia as much as possible. In this he has the keen support both of his fellow Socialists in Brussels and of Belgian business men. But there can be little chance of his succeeding without raising in an acute form some of the problems which have already given the American officials administering the Battle Act much cause for worry. Since it came into force in January, considerable efforts have been made to reach agreement between the United States, Canada and the European countries receiving American aid, on details of the extent and type of East-West trade now permissible without endangering the flow of dollars. Belgium is in a stronger position than most of its neighbours, in that it is not as dependent on American aid as they are. But nor is the Belgian economy as dependent, for instance, as the British on supplies of raw materials from beyond the iron curtain. While M. Wauters can therefore expect a freer hand than some of his other western colleagues in Moscow, any marked success of his efforts would unnecessarily prejudice the now agreed aims and interests of the western powers.

The Belgians, nevertheless, argue their case firmly. Some even go so far as to claim that, while present rearmament aims can only be achieved by fully maintaining the volume of external trade, a higher proportion of exports must be directed to the Russians, who pay in gold. M. Wauters' attitude has received the tacit blessing of the Belgian government and he is by no means just an idle talker. A few days before his departure for Moscow, the Belgian Socialist party submitted to the Socialist International a paper on balance of payments problems, in which it said that one of the three factors in a long-term solution is "a reconversion of trade aimed at the expansion of commercial relations between Western and Eastern Europe." Moreover, one of the last functions he attended before leaving Brussels was a meeting of the National Committee for the Study of Trade with Eastern Europe. Before a gathering which included the whole of the Russian diplomatic and commercial missions in Belgium, many leading Belgian industrialists and bankers and the heads of the government departments of Foreign Affairs, External Trade, and Finance, he spoke of pouring "oil in the gearbox" and of his ambition to "increase the volume of trade between Belgium and the USSR."

More Trade with Finland

Behind this new approach stand two interesting facts: that Russian-Belgian trade has declined in the last two years, but that Belgian exports to Russian satellite countries and to Finland have risen sharply. There was, for example, a drop of 60 million francs in the value of Belgian deliveries of iron and steel to Russia in the first eleven months of 1951, but an

Aspects of Enterprise No. 17

SIMON ENGINEERING GROUP

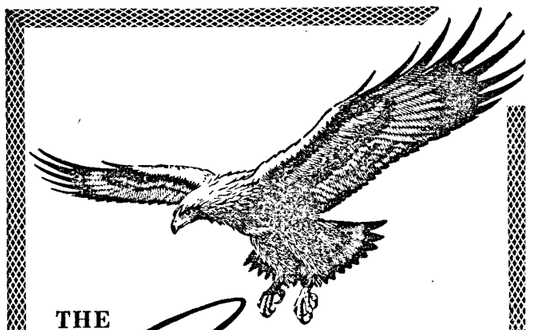
Thousands of rusty mountings

which carried Oerlikon guns on merchant ships in World War II have been cleaned and reconditioned by two Simon companies, Metal Laundries and Thomas Adshead. This has been done at a tenth of replacement cost, owing mainly to the special de-rusting process operated by Metal Laundries. Similar work has been carried out on thousands of large bomb casings.

These, like all aspects of rearmament, are melancholy tasks, but as they have got to be done they must be done as efficiently and cheaply as possible.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD



THE Eagle BY GOODYEAR

Proved the highest mileage tyre ever built; combining immense strength and road gripping ability with handsome appearance

The tread rubber is tougher, more shock-resisting than ever before.

✳

Wider, flatter tread area grips *more* road for *more* traction, and wears more slowly.

✳

The improved All-Weather Tread—with its new Stop-Notches for quicker, safer stops—resists every direction of skid throughout the tyre's longer life.

✳

Handsome buttressed sidewalls provide protection from kerb damage, and make cornering steadier than you've ever known.

DISTINGUISHED BY THE SILVER RING

You can trust GOODYEAR

FOR LONG LIFE AND LASTING WEAR

increase during the same period of nearly 90 million francs in supplies of these commodities to Czechoslovakia. Shipments of copper and other metals to Russia were cut down by about 162 million francs, but a new item appeared, "naval and aviation goods," to the value of 246 million francs. In 1951, through considerable boosting of purchases in Belgium, Finland had run into a severe deficit in its balance of payments, and this threatened the conclusion of the new trade agreement. It has just been learned, however, that a "considerable effort" by the Finns has produced a solution and that quotas for 1952 will be increased all round. This is particularly significant in view of the fact that Finnish sales to Russia have also more than doubled during 1951, both under the commercial agreement and in reparations. Belgian sales to Finland had reached 1,574 million francs last year, compared with 635 million francs the year before. Iron and steel supplies moved from 222.9 million francs to 789.4 million, zinc from 28.3 million to 76.1 million, mineral oil, petrol and lubricating oils from 23.4 million to 111.5 million, and boiler plants and machinery doubled in value. In fact, the total value of Belgian sales to the Communist world and Finland is nearly back at that of 1949: exports worth 4,813.5 million francs in 1949 compared with 4,598 million francs in 1951, the only qualification being that between the two dates the Belgian franc was devalued by 12.5 per cent.

Cominform Gymnastics

Up to last week, fulmination against Anglo-American plans for the rearmament of Western Germany was one of the staple lines for Communist leaders and commentators. When, therefore, the Russians announced their new plan for a unified Germany equipped with its own national defence forces, they needed all their practice in mental gymnastics to put a good face on this Soviet change of policy. The Russians themselves have very much played down the military aspects of their proposals. A *Pravda* leader of March 12th, which commented on the Note, did not, as broadcast, mention the military clauses. For the first few days, at any rate, after the official announcement Moscow radio does not seem to have so much as mentioned the proposed German "national" army in its broadcasts to Eastern Europe. It preferred to concentrate on eulogies of the generous and enlightened attitude of the Soviet Union.

Most Polish and Czech commentators, however, grasped the nettle of Soviet-sponsored German rearmament more firmly,, although without doubt they must have been both shocked and humiliated by the Russians' failure to consult them beforehand. (If they had been honoured with Stalin's confidence the fact would certainly have been noisily published.) They managed to reach the satisfactory conclusion that the Soviet proposals would give their respective countries far more security than they enjoy at present. All Polish comment aimed at removing the fears of German revisionism which had been so sedulously fostered, when plans for open German rearmament were a monopoly of the western powers. The Polish paper *Trybunu Ludu* pointed out that the proposed withdrawal of all occupation forces within a year of the signature of the peace treaty will remove the numerous "Atlantic" divisions which form the "advance guard of aggression" in Western Germany; and that the Soviet proposals will eliminate for ever the possibility of a resurrection of a neo-Nazi Wehrmacht, of a *Drang nach osten* and of the use of Western Germany as a base for aggression by the western imperialists. Another Polish commentator said:

> The Soviet proposal firmly resists the resurrection of German aggressiveness and militarism, which are both instruments for preparing a fresh war. To the democratic and peaceful German state of the future, which will not anywhere furnish bases for the imperialists, it offers armed forces on the scale befitting a sovereign state.

The Oder-Neisse Line

Both Polish and Czech commentators naturally emphasise the Soviet suggestion that Germany's frontiers should remain as agreed at Potsdam, although they no doubt privately regretted that the Soviet Note laid so little emphasis on the frontier *status quo*, and the comment from Moscow has held aloof from discussing the exact territorial provisions of the proposed peace treaty. A Czech commentator said:

> We know what a danger the Henleinist and vengeance campaign conducted in Western Germany against the Polish Oder-Neisse frontier and against Czechoslovakia's integrity constitutes. Hence, also, we realise how much the Soviet Note means for our security and that of the world, and for world peace.

The Polish youth paper, *Sztander Mlodych* (Banner of Youth), which, like the rest of the Polish press, printed the full text of the Russian Note, bravely dressed up the frontier clause in leaded type. But the insignificant placing and scant wording of this clause must have been clear to every Polish reader. There is no specific reference to the Oder-Neisse line, nor to the Polish-East German pact signed at Görlitz in June, 1950, which pdelged German acceptance of the "frontier of peace."

Western Communists were plainly taken aback by the Soviet move. In Britain, the *Daily Worker*, after printing the text of the Note, contented itself with a despatch from its Moscow correspondent which was largely based on the *Pravda* leader of March 12th. It waited a whole week before it ventured on any editorial comment. This draws a comparison between American and Russian policy towards Germany. The Americans are concerned solely with rearming the West Germans as quickly as possible so that they can help in an attack on the Soviet Union "in the next few years." The Russians are concerned only with creating "a peaceful Germany that will not be a pawn of any group of powers."

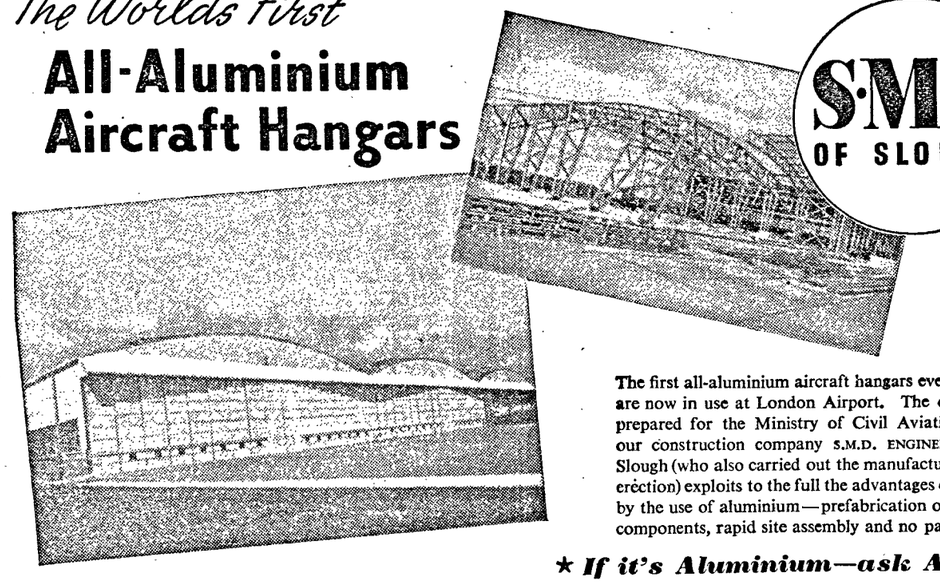
The French sympathisers with Moscow were particularly discomfited. Just before the Russian Note was published, a group of Frenchmen closely connected with the "peace movement" sent a letter to the French President urging that the French Government should declare its opposition to German rearmament "in any form or under any pretext." The French Communist paper, *Humanité*, plunged into print at once with what was clearly an attempt to bury its former principles respectably and decently. It stoutly maintained that there was all the difference in the world between the rearmament of a part of Germany which was thirsting for revenge and a member of an aggressive coalition, and the authorisation to be given to a united, democratic, peaceful Germany to raise a "national army," which was an "unquestionable attribute of sovereignty." The French Communist leader, M. Duclos, consoled his followers in a speech at Romainville, by pointing out that the nature of the proposed German army would be strictly regulated and controlled in the peace treaty; and that France as a signatory of that treaty would be able to make sure that the army was restricted to a purely defensive role.

In Eastern Germany the Communists have striven to remove any hopes their countrymen may still nourish concerning the return of their lost eastern territories. They have emphasised that the Oder-Neisse frontier is a "frontier of peace" which "cannot be abolished in peace or war." They have also been at pains to show that Stalin's proposal for a German army does not indicate any change of policy. To prove this point, Herr Grotewohl quoted the following passage from a speech by Stalin in November, 1942.

> The task is not to destroy all organised military power in Germany; for anyone with any intelligence will realise that this is as impossible in the case of Germany as in the case of Russia, as well as being inadvisable from the victor's point of view. But to destroy the Hitlerite army is both possible and necessary.

The World's First

All-Aluminium Aircraft Hangars



S·M·D OF SLOUGH

The first all-aluminium aircraft hangars ever built are now in use at London Airport. The design, prepared for the Ministry of Civil Aviation by our construction company S.M.D. ENGINEERS of Slough (who also carried out the manufacture and erection) exploits to the full the advantages offered by the use of aluminium—prefabrication of main components, rapid site assembly and no painting.

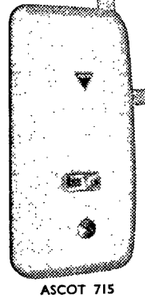
★ *If it's Aluminium—ask Almin!*

THE ASSOCIATED LIGHT METAL INDUSTRIES GROUP

Parent Company

ALMIN LTD • FARNHAM ROYAL • BUCKS • TELEPHONE: FARNHAM COMMON 594

Ascot produce first BALANCED FLUE GAS WATER HEATER



ASCOT 715 Balanced Flue Multipoint Gas Water Heater

This is a significant achievement, for the difficulties of applying the "balanced flue" principle to instantaneous gas water heaters had hitherto defied solution.

The important advantage of the new Ascot 715 is that the air intake and flue circuit are sealed off from the room in which the heater is installed, thereby eliminating downdraughts and vitiation of the indoor atmosphere. There are no visible flue-pipes either inside or outside the building.

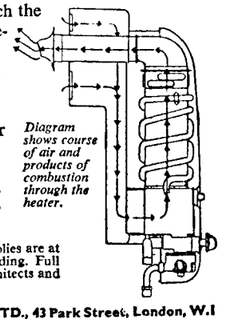


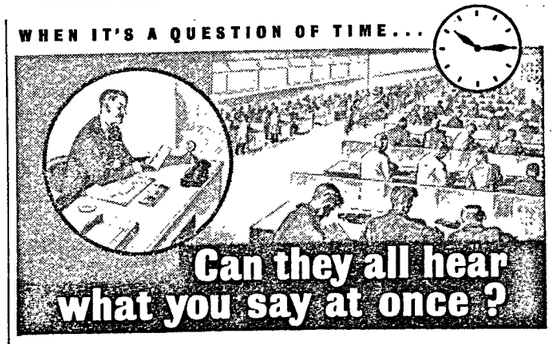
Diagram shows course of air and products of combustion through the heater.

Ten local authorities have already specified the Ascot 715 for their housing schemes.

As production is limited, supplies are at present restricted to new building. Full co-operation is offered to architects and all interested in new housing.

ASCOT GAS WATER HEATERS LTD., 43 Park Street, London, W.1

WHEN IT'S A QUESTION OF TIME...



Managements' contact with their employees must not weaken as the business grows in size. The personal touch, so essential to productive co-operation must be preserved. Through T.R. Internal Broadcasting the voice of Management, carrying announcements, instructions, encouragement, praise or advice, can be heard by everyone throughout the premises at the same time. No one need leave his job and the speaker remains at his desk. Everyone saves time and the personal link is preserved—but T.R. Internal Broadcasting can do far more than that to speed the day's work for you. Spend a profitable moment now to write for full particulars.

TR SERVICE *speeds production*

Internal Broadcasting, Internal Telephones, Time Recorders installed and maintained under guarantee by Telephone Rentals Ltd. —that's T.R. Service.

WRITE TO INF. E.10 KENT HOUSE, RUTLAND GARDENS, LONDON S.W.7, OR YOUR NEAREST BRANCH—14 THROUGHOUT THE UNITED KINGDOM. ALSO JOHANNESBURG, CAPE TOWN, PARIS AND BRUSSELS.

H-F-429

THE BUSINESS WORLD

Elevating Bank Rate

SECOND thoughts about Mr Butler's budget have not led to any perceptibly different conclusions from those evoked by first thoughts, set out here last week. But one conclusion emerges with ever-increasing sharpness. Monetary policy appears as the central figure in the whole performance, and the part it may have to play, perhaps is intended to play, looms steadily larger. It is certainly an incomparably bigger part than anyone outside the official circle expected to see, and much bigger, too, than the Chancellor himself was envisaging when the first moves towards monetary orthodoxy were made last November.

Mr Butler then said that he did not believe that "in present circumstances monetary policy by itself can have decisive results"; that there was no need for any "dramatic process"; and that he was making a "clear change of emphasis" because he could not afford to neglect any measure that might help him in his task. The impression given—at least to those who judged from what the Chancellor said rather than by any conviction of their own about the potency of even a "change of emphasis"—was that monetary pressures would prove to be a relatively minor adjunct to the government's other measures when these had been worked out. Now the Chancellor has moved from changing emphasis to dramatic process; he describes the increase in Bank rate to 4 per cent as his chosen "decisive action" to impress overseas opinion with Britain's determination. But this elevation of Bank rate to first place among the psychological measures directed outwards is not the limit of its promotion. It also stands in lonely eminence among the measures directed inwards.

The budget debate has not contributed much to the previously available information—unusually sparse this year—about the technical structure of the budget or about the government's intentions in monetary policy. On neither theme has it produced any notably effective criticism from the Labour standpoint—as distinct from the criticism that arises from doubts, which are to be found among informed observers in all parties, about the wisdom of unexpectedly soft budgeting. One criticism voiced by several Labour spokesmen was, however, clearly well founded. This budget, as such, is a budget of income redistribution, not one that is demonstrably addressed to the problems of 1952. The Chancellor is fully entitled to retort that his "incentive" reliefs and his move towards realism in prices go to the heart of the fundamental problem—in so far as their beneficial effects are not neutralised by the disincentives of the new levy on profits and the cuts in the supply of physical capital for industry. But he cannot reasonably claim that any of his budgetary proposals, except perhaps the increase in the petrol duty, will have any perceptible effect upon the external balance of payments until after the end of the first critical period to which Britain's plans are now geared—the second half of this calendar year. These plans depend upon physical cuts in imports and efforts to expand exports by diverting capital goods from home industry; and neither objective, again excepting the petrol duty, will be directly promoted by any of the budgetary proposals—nor, even, will last January's project, of which little has since been heard, to divert £70 million of durable goods from domestic consumers. A budget that seeks to maintain consumption, and imposes no differential taxation of such goods, cannot be of any help here.

★

In short, except to the extent that physical measures and exhortation may play a part (they never played any very effective part in the hands of the Labour Government), the whole task of achieving the hoped-for diversion of capital goods and durable consumables from the home market has been handed over by the Chancellor to monetary policy. Moreover, monetary policy has not only to do in this sphere what budgetary policy refrains from doing; it has also to underpin the budget itself. Mr Butler's conclusion that consumption need not be cut does not derive from any budgetary action he has taken, but rests primarily on the assumption the stocks of imported goods will be run down by £150 million and that other civil investment will be cut, on balance, by £100 million. Most of the first cut will, no doubt, be ensured automatically by the running-down of the government's own stocks, but the non-recurring disinflationary relief from this would be diminished if other stocks rose. More important than this consideration is the fact that, if additional exports of £50 million are to be achieved, the diversion of plant and equipment from civil investment will certainly have to be much larger than the assumed net reduction of £100 million in civil investment in home-produced goods. The government is in effect assuming that the physical volume of exports of these vital supplies will expand not merely by £50 million but in addition by an amount sufficient to make good the loss of exports of consumer goods resulting from the import cuts made by sterling area countries. The assumption that civil investment in home-produced goods will fall by £100 million therefore seems to postulate a cut of a much bigger amount in essential investment, but one that will be partially offset, in the purely statistical reckoning of "investment," by an accumulation of unsaleable stocks of consumer goods.

The task of achieving these large "gross" cuts in investment outlay, upon which both the budget assumptions and the export plans depend, is assigned to monetary policy—with some assistance from physical controls and from Mr Gaitskell's decision eleven months ago to withdraw the initial allowances at the end of this fiscal year. Monetary policy, too, is the only instrument the authorities have in reserve if the assumptions that underlie the budget prove to have been too optimistic to prevent an excess of total home demand from attracting resources away from civil investment into domestic consumption. If consumption were to rise, or if the increase in production or the improvement in the terms of trade and invisible exports proves to be smaller than the Chancellor assumes, civil investment will need to be cut still further—with monetary policy again as the means of ensuring the increased cutting. Mr Butler is presumably satisfied that there is no danger of any such inflationary excess of demand. The deeper concern he has revealed this week for the difficulties of some consumer goods industries shows that he expects recession of demand in such directions to do the disinflationary work that would otherwise need to be done by the budget. But, without prejudging this question of the "danger of deflation," it is clear that any domestic recession of this kind could not of itself quickly ease the task of closing the external gap. An inflated demand for capital goods could menace the balance of payments at the same time as certain consumer goods industries were experiencing deflation. Continuance of a tough monetary policy would be needed to check the former at the very moment that symptoms of slack elsewhere in the economy might seem to be arguing for a more gentle policy. And if the gold reserves do not show from quarter to quarter the recovery upon which the Chancellor counts, a still tighter money policy may be the only way of preventing a dangerous reversal of the incipient revival of confidence in sterling.

★

For all these reasons, the part that monetary policy has to play is a crucial one. But it is clear, in any case, that Mr Butler's faith in its efficacy must now be much greater than it seemed when he first resorted to it. That in itself enhances its value, and strengthens the chance that it may be equal to the high responsibility unexpectedly thrown upon it. Orthodox monetary weapons wielded without conviction quickly lose much of their effectiveness, chiefly because a substantial part of the restraint they induce generally arises from the threat to lenders that they may be used still more vigorously. In the first four months after the first move towards orthodoxy, there was no certainty that the policy was rooted in any real faith. The Chancellor's explanation of it, and the fact that the measures were carefully devised to secure the biggest result at the minimum cost in terms of the Treasury bill rate, both seemed to imply that only limited objectives and limited techniques were in view. The recourse to the old unsatisfactory expedient of the "directive" on bank lending policy and the entirely novel request to the banks to raise their charges for loans pointed in the same direction, creating the impression that orthodoxy might be fettered by an undue solicitude for the Treasury's borrowing costs, and perhaps even by fear of left-wing criticism. Finally, the arbitrarily wide spread that the authorities were trying to ensure—and, over a considerable part of the borrowing field, did ensure—between the central structure of rates and the rates charged by the banks for advances left room for other lenders to accept business that the banks were turning down.

The significance of the sudden increase in Bank rate, therefore, does not lie only, and perhaps not mainly, in the fact that 1½ per cent is a "crisis" move; it lies also in its demonstration that the suspected inhibitions either never did exist, or have now been shaken off, as well as in the fact that at least the worst anomalies in the rate structure should now begin to disappear. It is significant, too, that this dramatic step—which has administered a violent shock to the banks and the money market, chiefly because of its severe impact upon the short bond market—was taken at a time when all the evidence showed the more limited policy to be exerting strong effects. As a note on page 754 records, the whole of the net rise in bank advances in the three months since last November was attributable simply to the fast-rising demands of the nationalised public utilities. This success of monetary policy, instead of being treated as an indication that no further toughening was needed, has apparently led the authorities to conclude that it can safely be entrusted with a much bigger task than was formerly intended.

It has been said in some quarters that this latest move, unlike the initial measures, will not exert much "quantitative" effect, because it does not of itself further tighten the banks' liquidity ratios; the impression is thereby conveyed that it will be less potent than might appear at first glance. This overlooks the fact, however, that the strength of the weapon of pressure on bank liquidity depends, first, on the firmness of the threat that it will be used fearlessly, in conjunction with other orthodox weapons, if need arises; and, secondly, upon the extent of the loss the banks will suffer if it is used. In both respects, the hands of the authorities are now seen to be much stronger than they looked a fortnight ago. Moreover, the technical limits to the use of this weapon are wider than they were at first expected to be. The fact that there is prospectively an "overall" surplus on the Exchequer accounts should mean that the Government can this year avoid making any net new sales of bills to the banking system without having to turn to the gilt-edged market instead—unless the external balance of payments actually develops a surplus. The strengthening of the technical position in these ways will certainly ensure a continued, and perhaps a more pronounced, toughness in the attitude of the banks towards borrowers. But beyond this is the even more important fact that the costs of borrowing are now rising to levels that should be a marked discouragement to marginal expenditures by businesses on fixed assets as well as on stocks, and by those individuals who are able to live on their capital.

The combined effects of the dual process of restraint by the banks and direct discouragement by higher interest rates could be very marked, especially when the secondary repercussions on the whole level of demand develop fully. It should not be supposed, however, that the monetary weapon, if thus firmly used, is likely to do more than ensure the capital cuts upon which Mr Butler's planning for this year rests. If it is to be employed for the more vital, ultimate purpose of redressing the fundamental disequilibrium that compels the national economy to draw upon capital, it will have to cut consumption as well. And it will not do that, to any perceptible extent, unless the credit screw is allowed to press upon the industries that are, or will be, in a position to release labour for more essential work. This is the ultimate question in economic policy. But Mr Butler's concern about the industries now coming under fire does not suggest that monetary policy will be allowed to answer it.

Cuts in Sterling Trade

THE size of the Australian import cuts and their effect on British exports were a painful surprise and caused as much bewilderment to the British as to the Australian public. At their meeting in London two months ago, the Commonwealth Finance Ministers subscribed to the broad principle that countries should live within their means. The cuts have upset those who fondly supposed that there were no limits to sterling trade, and also those who have blithely ignored the fact that Australia had been living so far beyond its sterling means that its imports from Britain would have to be reduced. But among the most astute British exporters, few can have dreamt that British goods would be reduced so drastically as the Australian announcement suggests. New Zealand and South Africa have also been obliged to reduce their imports, though less drastically. So the first task of the leading members of the sterling area is, apparently, to balance their payments accounts by reducing the total volume of their mutual trade—a policy that would certainly be nonsensical save as a drastic and temporary expedient. This chain reaction of import cuts, started last November by Britain and now extending far beyond the sterling area, poses two questions : First, whether these cuts are unavoidable ; and, secondly, what effects they may have on British production and exports.

Australia's imports have lately been running at an annual rate of £A1,100 million. They fell sharply in December, when the new monetary policy introduced by the Australian Government last autumn seemed to be taking effect, only to reach record heights in January and February. Exports for the current year are estimated at £A660 million, leaving a visible deficit of £A440 million, and a total deficit of £A600 million. This gap measures the order of the cuts that have to be made ; whatever may happen to the invisible deficit next year, there seems little chance of a major expansion in Australian exports. The Australian Government has divided imports into three categories. The first includes certain types of equipment and raw materials for industrial use ; these have been cut to 60 per cent of the 1950-51 level. The second category covers consumer goods ; these come mainly from Britain and have been cut to 20 per cent of the 1950-51 level. The third category consists of "capital development goods," including textile machinery, agricultural tractors and tinplate ; these items are to be subject to "administrative control," which will decide import applications on their merits. No exact measure of the impact of the cuts in each category can be made ; they are based on 1950-51 imports, but these have been greatly exceeded in 1951-52. A rough calculation indicates a saving of £A300 million on first category items, and £A200 million on the second list ; a further £A100 million will presumably have to come from the third category.

Britain supplies about a half of Australia's total imports ; it supplies nearly all the consumer goods in the second category—as can be seen from Table I—and a large proportion of industrial items in the first category. In all, Britain could lose as much as £250 million of its trade with Australia, for some of the restrictions, although equivalent to an 80 per cent reduction compared with 1950-51, may, in fact, represent a 90 per cent reduction in terms of current shipments, since Australian imports this year have been 50 per cent higher than in 1950-51. Australia is apparently unable to carry out an immediate pruning of its current dollar imports on the ground that licences for such imports run for twelve months ; it has also obtained one dollar loan from the International Bank and hopes to get another. But the severity of the cuts on those goods that come almost entirely from Britain remains surprising. On present reckoning, this country could lose £70 million of its Australian business in motor cars, £85 million in textiles, £55 million in consumer goods and £40 million in other goods.

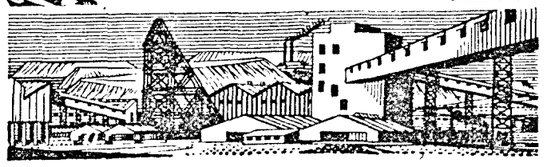
★

New Zealand's difficulties are not so acute. Its total deficit for 1952, based on last year's trends, may reach £43 million, of which £40 million would arise from visible trade. For the twelve months beginning next June, New Zealand aims at a surplus of £25 million with the non-sterling area. Imports from the United States, Japan and other countries are to be cut, but motor cars are the only goods from the sterling area and Western Europe that will be subject to licensing, and even on these no specific quota will be imposed ; general restrictions on credit and other monetary measures are expected to be sufficient to curb imports from these sources. The demand for vehicles is already largely satisfied and stocks of consumer goods are heavy. In all, New Zealand imports are expected to decline by about £50 million, of which £30 million will be borne by the sterling area and Western Europe. The goods most affected will be vehicles and textiles. This country supplies more than 60 per cent of New Zealand imports ; the most important items are textiles and vehicles, which together account for between 40 and 50 per cent of the total. The effect of the New Zealand cuts on British exports will depend so largely on the degree of disinflation inside the dominion that it is difficult to guess. The total is not expected to exceed £20 million, of which about a half might be borne by textiles.

South Africa is aiming to cut its import bill by £70 million. Its total deficit in 1951 was about £55 million. It had a trade deficit (after allowing for net output of gold) of about £55 million and its invisible deficit of £68 million was offset by an equivalent inflow of capital. The impact of the South African cuts is even more difficult to assess than for the other two dominions, for the basic year is 1948 and the percentage cut gives only a broad indication of what importers can expect. A rough estimate of the effect compared with last year's supplies indicates that finished consumer goods will be reduced by approximately a third, and raw materials, semi-manufactures, and capital goods by 25 per cent. The cuts will be heavier on goods from the dollar area than on supplies from Britain or Western Europe. Some important British exports, including textiles and unassembled vehicles, are classified as "semi-manufactures" in South Africa because they have to be processed after importation before they can be sold. South Africa's stocks of consumer goods, and particularly of

GOLD: It has now been generally accepted that the famous voyage of the Argonauts was in fact a marauding expedition directed against the unfortunate inhabitants of Colchis who extracted alluvial gold from the river sands by a process involving the use of sheepskins. Although gold was one of the earliest metals known to man, the amount produced by the whole of the ancient world would seem insignificant when compared with the present production of the Union of South Africa. Here the famous Witwatersrand goldfield alone has produced, in less than seventy years, nearly 470 million ounces of fine gold worth approximately £2,260,000,000. We can always provide full and up-to-date reports from our branches in the Union for business men who are interested in market conditions or commercial undertakings in the country. Enquiries are welcomed by our Intelligence Department at the address given below.

BARCLAYS BANK
(DOMINION, COLONIAL AND OVERSEAS)
Head Office: 54 Lombard St., London, E.C.3



A MEMBER OF THE THREE BANKS GROUP

THE ROYAL BANK OF SCOTLAND

The Royal Bank of Scotland was incorporated by Royal Charter in 1727. Retaining its Scottish character and traditions, its influence, though deeply rooted in Scotland, now extends to every part of the commercial world. The Head Office is in Edinburgh ; the Royal Bank of Scotland is a member of the Three Banks Group.

THE THREE BANKS

Total resources over £350,000,000

ROYAL BANK OF SCOTLAND
Founded 1727. Edinburgh, London & branches
GLYN, MILLS & CO.
Founded 1753. London
WILLIAMS DEACON'S BANK LTD
Founded 1771. Manchester, London and branches

"Accepted by the Public because it serves a Public Need"

SUN LIFE ASSURANCE COMPANY OF CANADA

(*Incorporated in Canada in 1865 by Act of Parliament as a Limited Company*)

FAMILY INCOME
RETIREMENT INCOME
CHILD'S EDUCATION
PARTNERSHIP SECURITY, ETC.

Why not ask us to help you with your Life Assurance Problem ! You incur no obligation

M. MACAULAY (General Manager for the British Isles)
141, SUN OF CANADA HOUSE,
COCKSPUR STREET, LONDON, S.W.1

THE

STANDARD BANK

OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

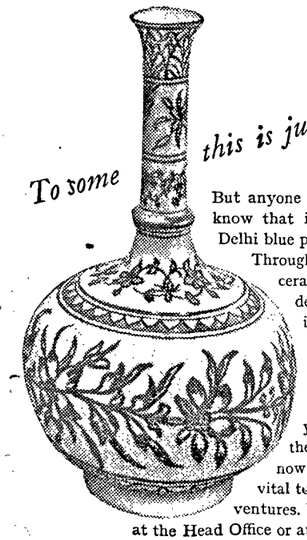
Capital Authorised and Subscribed -	£10,000,000
Capital Paid-up - - - - -	£5,000,000
Reserve Fund - - - - -	£5,000,000

10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch — 63 London Wall, E.C.2.
WEST END Branch—9 Northumberland Avenue, W.C.2.
NEW YORK Agency — 67 Wall Street.
HAMBURG Agency — Speersort, 6.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH-WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA ZANZIBAR AND PORTUGUESE EAST AFRICA.

Banking Business of every description transacted at all Branches and Agencies.



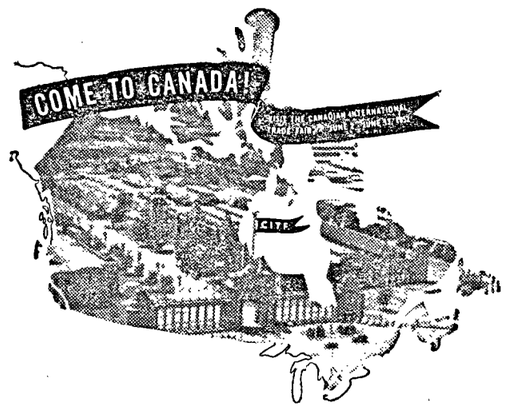
To some this is just a Vase!

But anyone familiar with ceramics would know that it is a piece of world-famed Delhi blue pottery.

Through years of specialized study, the ceramics expert has attained a high degree of skill and discernment in his particular sphere and this is also true of the National Bank of India and its unrivalled knowledge of eastern trading. As a result of many years of continuous experience the National Bank of India can now provide much information vital to the success of modern trading ventures. Your enquiries will be welcome at the Head Office or at any of the Bank's branches.

NATIONAL BANK OF INDIA LIMITED

Branches in: INDIA, PAKISTAN, CEYLON, BURMA, KENYA, UGANDA, TANGANYIKA, ZANZIBAR, and ADEN. *Bankers to the Government in* ADEN, KENYA COLONY, ZANZIBAR and UGANDA. *Head Office:* 26 BISHOPSGATE, LONDON, E.C.2



. . . where the world's

3rd largest trading nation

welcomes buyer and seller alike!

Seek new markets in Canada for your products!
See the goods that others have to offer!
Come to the **1952 Trade Fair!**

Write **TODAY** to your nearest Canadian Government Trade Representative regarding your visit to Canada and the Canadian International Trade Fair.
In the United Kingdom, write to Miss M. A. Armstrong, Canadian Government Exhibition Commission, Canada House, London.

Expand your Business Contacts at the

CANADIAN INTERNATIONAL TRADE FAIR
TORONTO - JUNE 2 — JUNE 13 - 1952

CANADA'S OUTSTANDING INTERNATIONAL BUSINESS EVENT OF THE YEAR
OPERATED BY THE GOVERNMENT OF CANADA TO PROMOTE YOUR BUSINESS

textiles, are high. But the Union hopes to derive some benefit from the Australian import cuts; in the past year, it has been compelled to buy goods from the United States and other countries rather than from Britain because British delivery dates were too far ahead. The partial closing of the Australian market is expected to accelerate delivery dates so that to some extent South African buyers may be attracted to British exports. A saving of £15 million is expected on consumer goods, £30 million on textiles and £25 million on other goods. In the past Britain has supplied over a third and often nearer 40 per cent of South Africa's imports and theoretically the British share in the cuts in 1952 might reach £25 million. In fact British exports may not fall by more than £10 million.

The total cuts to be imposed by the three southern dominions might reach £550 million, of which, say, £280 million might fall on Britain. To assess the effect of such a reduction on British exports involves an estimate of the approximate size of cut for each of the main export items and such estimates can only be hazardous. But perhaps some £75 million of business in vehicles (particularly motor cars) may be lost, up to £100 million on textiles (this estimate takes account of the large stocks of textiles already existing in the three dominions), some £65 million on consumer goods such as pottery, vacuum cleaners and refrigerators, and £40 million on capital goods and raw materials, including chemicals. If these goods cannot be diverted to other markets, then Britain's exports for 1952 will amount to £2,300 million compared with £2,580 million last year and £2,171 million in 1951, and a total payments deficit of £300 million might be in prospect for this year. That is the worst picture and it is gloomy enough. What are the chances that these "frustrated" exports can be sold elsewhere?

The significance of the three dominions to Britain's export trade and the relation between total exports and output last year is shown in Table II. There should be little difficulty in disposing of the £40 million worth of capital goods, for demand in other markets is well maintained. A reduction of £75 million in vehicle exports would bring them back to the 1950 total of £405 million. Here the Australian cut will be severe, for last year that market took almost 30 per cent of British exports of cars and over 25 per cent of its exports of commercial vehicles. If the Canadian market could be reopened some £10 million more cars might be sold there and a determined sales drive ought to expand exports to Europe and to other parts of the world. But it would be dangerous to suppose that more than, say, £30 million of additional car exports to other markets could be achieved this year. In volume terms, there might be a fall in vehicle exports of some 10 per cent, with a proportionately greater fall for motor cars, outstripping the expected decline in car production resulting from the steel shortage.

*

Exports of British textiles last year amounted to £535 million compared with £415 million in 1950. A cut of £100 million means a decline of 5 per cent in output. Exports of both cotton and wool goods increased generally last year and it is difficult to see where new markets could be found. Australia took 20 per cent of British exports of cotton piece-goods and South Africa 13 per cent. British exporters might find larger outlets in Europe and South America, but it is unlikely that much more than £25 million worth of exports could be diverted.

For pottery and china there is no simple method of switching supplies from one market to another; much depends on design and pattern. In time such changes could be made for there is still room for increased exports to the western hemisphere and even to parts of Asia, but the development of these increased sales would be difficult and expensive. The export trade for many other consumer goods is still in its infancy. But if this experience has not frightened them away from exporting, it should be possible to find alternative outlets for about half of the loss they are likely to suffer at the hands of the three southern dominions. Australia was an important market last year for British pottery, washing machines and vacuum cleaners.

Any estimate of the extent to which exporters can switch their supplies from these Commonwealth countries to other markets must be rough and ready. But from the guesses that have been made above some £130 million out of the cut of £280 million might be diverted, leaving a net decline in total exports of £150 million. This figure is not put forward as a fact or a forecast; it merely shows the extent to which extra effort must be made to expand exports so that there will still be some promise that the British payments account can be brought into balance.

TABLE I—IMPORTS INTO AUSTRALIA, NEW ZEALAND AND S. AFRICA
(£ Sterling)

	Australia		New Zealand*		South Africa†	
	Total Imports (f.o.b.) 1950-51	*Proportion from U.K.*	Total Imports 1951	*Proportion from U.K.*	Total Imports 1951	*Proportion from U.K.*
	£'000	*per cent.*	£'000	*per cent.*	£'000	*per cent.*
Total:	593,497	*50*	161,414	*60*	476,214	*55*
of which motor cars and chassis	59,262	*80*	8,266	*85*	14,807	*40*
commercial vehicles and chassis			3,568	*80*	7,342	*40*
agricultural tractors	n.a.	*n.a.*	3,376	*85*	n.a.	*n.a.*
motor cycles	2,129	*95*	458	*90*	n.a.	*n.a.*
cotton goods	36,958	*75*	8,638	*75*	43,019	*85*
wool goods	3,252	*95*	7,054	*75*	14,936	*85*
rayon and silk goods	22,266	*75*	5,244	*75*	31,273	*80*
apparel	9,536	*50*	3,304	*65*	14,033	*80*
refrigerating mach.	1,507	*95*	554	*95*	2,992	*85*
vacuum cleaners	855	*95*	158	*95*	n.a.	*n.a.*
washing machines	n.a.	*n.a.*	118	*95*	n.a.	*n.a.*
domestic radio sets	73	*95*	332	*95*	1,735	*80*
textile machinery	2,170	*70*	560	*55*	n.a.	*n.a.*
china & earthenware	2,806	*95*	730	*95*	1,836	*65*

* Based on six months. † Based on eleven months.

TABLE II—BRITISH EXPORTS AND OUTPUT, 1951

	Unit	British Exports							British Production
		Australia		New Zealand		South Africa		Total all countries	
		Quantity	*Per cent*	Quantity	*Per cent*	Quantity	*Per cent*	Quantity	Quantity
Motor cars	'000	107·3	*29·1*	33·0	*8·9*	22·6	*6·1*	368·7	475·9
Commercial vehicles	,,	36·3	*26·4*	9·9	*7·2*	5·3	*3·9*	137·1	258·0
Agric. tractors	,,	21·5	*19·1*	7·0	*6·2*	12·2	*10·8*	112·6	140·6
Motor cycles	,,	24·2	*26·4*	5·6	*6·1*	2·1	*2·2*	91·7	171·7
Cotton yarns	mn. lb.	10·0	*15·3*	2·1	*3·2*	3·4	*5·2*	65·5	1,138·8
Cotton piece-goods	m. sq. yd.	167·8	*19·4*	45·4	*5·3*	114·8	*13·3*	865·2	2,216·4
Wool tissues	,,	5·7	*5·3*	7·5	*6·9*	14·1	*13·0*	109·2	417·0
Rayon piece goods	,,	65·0	*27·1*	25·2	*10·5*	45·6	*19·0*	239·8	835·1
Refrig. machy.	£'000	2,136	*15·3*	763	*5·4*	1,549	*11·1*	14,003	27,528
Washing machines	'000	149·8	*32·4*	3·1	*0·8*	26·3	*6·9*	379·7	715·2
Vac. cleaners	,,	154·6	*37·5*	1·9	*0·5*	9·1	*2·2*	412·7	1,162·4
Radios	,,	9·2	*1·9*	0·8	*0·2*	61·7	*12·9*	479·0	2,076·0
Textile machy.	£'000	1,707	*3·9*	352	*0·8*	1,183	*2·7*	43,641	74,452
Pottery, etc.	,,	2,803	*16·9*	871	*5·2*	1,174	*7·1*	16,624	29,125

Business Notes

Markets and Policy

The City's second thoughts on the Budget have this week quite wiped out the effects of its spontaneous sense of relief at the absence of the expected severity in the Chancellor's proposals. The criticisms voiced only by the few last week have now become almost general. Virtually every City observer is acutely aware of the fact that the softness of this year's budgeting has been achieved only at the cost of severe cuts in the supply of capital to industry, and fears that the Chancellor has given hostages to fortune and will have to pay the price next year. From a City standpoint at least, a Budget that was intended to give incentive appears only an accentuation of the disincentive policies of these postwar years. And to these sources of depression there has to be added the widespread discussion, which the Chancellor himself provoked by his statements in the House last Monday, of the difficulties of certain consumer goods industries, and the possibility that they may generate a more general flagging of consumer demand.

Against this background, industrial equities and commodity shares have sagged further, but in the gilt-edged market the tougher monetary policy seems to have lost some of its terrors. At the end of last week, industrials had made a modest recovery, but early this week the more realistic attitude towards the Budget, combined with rumours of large

GILT EDGED GROSS REDEMPTION YIELDS
(Per Cent)

	Nov. 7 1951	Dec. 11 1951	Mar. 11 1952	Mar. 12 1952	Mar. 13 1952	Mar. 19 1952
	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
2½% Nat. War Bds.,	0 13 9*e*	2 7 11*e*	1 16 2*e*	4 2 1*e*	3 11 7*e*	3 9 3*e*
51/53	2 1 3*l*	2 8 11*l*	2 3 5*l*	3 5 11*l*	3 0 8*l*	2 19 5*l*
1½% Ser. Fund, Nov.'52	...	1 14 11	1 14 10	3 1 3	2 19 8	2 14 3
1½% Ser. Fund, Nov.'53	...	1 15 8	1 18 10	3 12 4	2 19 10	2 10 7
1½% Ser. Fund, Nov.'54	...	2 0 9	2 5 2	3 4 7	2 18 7	2 13 8
2½% Nat. War Bds.,	1 14 7*e*	2 13 4*e*	2 14 10*e*	3 18 5*e*	3 14 0*e*	3 11 4*e*
54/56	2 0 10*l*	2 11 11*l*	2 12 9*l*	3 5 11*l*	3 3 5*l*	3 1 11*l*
2½% Exch., Feb.'55	1 17 5	2 6 2	2 9 6	3 9 6	3 4 0	3 2 3
3% Sav. Bds., 55/65	4 5 9*e*	5 14 9*e*	5 16 11*e*	6 7 5*e*	6 9 7*e*	6 10 0*s*
	3 8 2*l*	3 17 0*l*	3 16 9*l*	3 19 11*l*	4 0 5*l*	4 0 6*l*
4% Funding, 60/90	3 10 8*e*	4 4 6*e*	4 8 9*e*	4 14 10*e*	4 14 2*e*	4 14 9*e*
	3 16 7*l*	4 1 8*l*	4 3 1*l*	4 5 4*l*	4 5 1*l*	4 5 3*l*
3% Sav. Bds., 65/75	4 1 5*e*	4 13 11*e*	4 17 2*e*	5 1 5*e*	5 1 2*e*	5 2 2*e*
	3 14 3*l*	4 2 7*l*	4 4 7*l*	4 7 5*l*	4 7 3*l*	4 7 11*l*
3% Brit. Elec., 74/77	3 15 7*e*	4 3 9*e*	4 6 6*e*	4 9 0*e*	4 9 1*e*	4 9 4*e*
	3 14 4*l*	4 1 10*l*	4 4 4*l*	4 6 8*l*	4 6 8*l*	4 6 11*l*
3% Brit. Trans., 78/88	4 1 11*e*	4 10 9*e*	4 10 11*e*	4 14 6*e*	4 14 2*e*	4 14 3*e*
	3 18 3*l*	4 5 8*l*	4 5 9*l*	4 8 9*l*	4 8 6*l*	4 8 7*l*
3½% Steel Stk., 79/81	3 17 1*e*	4 5 2*e*	4 6 4*e*	4 8 11*e*	4 9 0*e*	4 9 5*e*
	3 16 9*l*	4 4 7*l*	4 5 9*l*	4 8 2*l*	4 8 3*l*	4 8 7*l*
3% Brit. Gas, 90/95	3 18 7*e*	4 5 8*e*	4 6 7*e*	4 9 1*e*	4 9 2*e*	4 9 1*e*
	3 17 6*l*	4 4 4*l*	4 5 2*l*	4 7 6*l*	4 7 7*l*	4 7 5*l*
3½% War Loan, '52	4 2 2*f*	4 8 4*f*	4 9 1*f*	4 11 10*f*	4 11 8*f*	4 11 10*f*
2½% Consols	3 18 0*f*	4 2 5*f*	4 2 6*f*	4 5 5*f*	4 5 3*f*	4 5 2*f*
2½% Treas. Stk., '75	3 19 7*f*	4 5 1*f*	4 5 3*f*	4 8 6*f*	4 8 2*f*	4 8 2*f*

(*e*) Earliest date. (*f*) Flat. (*l*) Latest date.

impending industrial issues, brought a renewed fall in quiet markets. By Wednesday's close, the ordinary share index of the *Financial Times* had dropped by another two points, to 107.1, or 5.6 points below its pre-budget level. In textiles, and in some of the other groups that are vulnerable to the sterling area's import cuts and to recession of domestic demand, the declines have, of course, been more marked than that shown by this index.

In the gilt-edged market the most notable movement has been the further rally in short bonds. The rate established for Treasury bills at the first tender after the increase in Bank rate proved to be a little below the first expectations—the average rate was 2 5/16 per cent, compared with 1 1/32 per cent in the previous week—and the discount houses have also encountered easy conditions in the short loan market. This experience, combined with a rising strength of sterling in the foreign exchange market has served to lighten, though perhaps only temporarily, the gloom that greeted the new monetary pattern in banking circles. Among the short bonds, the most notable of this week's recoveries have occurred in the 1953 and 1954 issues of Funding Bonds. The 1954 stock had recovered by Wednesday evening to 97⅜, compared with only 96 at its low point a week previously. In the long term market, the dominant influence has, of course, been the strengthening of sterling, but the movements here have been small and indeterminate. Old Consols lost on Tuesday their fractional gains of the previous two days, but closed slightly firmer on Wednesday at 58¾, which is ⅝ above the lowest closing price since the Budget, but 2⅜ below the pre-budget level.

* * *

Stronger Sterling

The behaviour of sterling in the exchange market continues to provide reassuring indications that the favourable psychological implications of the Budget and the higher Bank rate have considerable substance behind them. This substance is nothing less than the substantial bear position in sterling which had been built up in various ways during the pre-budget weeks when rumours were rife of another devaluation of sterling or of a decision to let the rate find its own level untied to any rigid parity to gold and the dollar. This short position, the builders of which were aided and abetted by the relatively low level of short term money rates in London and by the freedom with which acceptance credits have been granted by London banks to overseas customers, is being rapidly reduced. The higher rates are proving some deterrent while the shortening of the period for which such credits can be extended, together with the stricter scrutiny of their commercial justification, have begun to cause considerable repayments of these facilities. In addition, the effect on confidence of the rise in Bank rate and of the reduction in food subsidies, two items which appeal with special force to the overseas observer, is causing the outright speculators in sterling to rush to cover. The result has been a steady demand for spot sterling which, this week, has risen to $2.80⅞. Most of the offering of dollars has come from New York but much of the business has been on Continental account. The authorities have no doubt been active in the market but their operations have been discreetly and effectively veiled. It would, however, be surprising if the trend of markets had not allowed the Exchange Equalisation Account to repurchase some of the dollars which it had sold in previous weeks while the range of market rates was squatting firmly on the Bank of England's selling price for dollars, namely $2.78.

The premium on forward dollars, though it has narrowed, is still as high as 3 per cent per annum, which is appreciably more than the present margin between short-term money rates in London and New York would justify. Forward sterling, in other words, is still under some suspicion. The rates for transferable sterling also show some improvement, the latest figure being $2.44-45 which is some 4 points better than the quotation on the eve of the Budget. The turnover in this market has been considerably reduced; this suggests that the commodity shunting operations based on cheap transferable sterling are declining, which should help the hard currency earnings of the sterling area. Another helpful development is the resumption of United States purchases of Malayan tin for which the equivalent of £2,500,000 has already been received in dollars since the Reconstruction Finance Corporation's ban on these purchases was lifted a few weeks ago.

EPL Again

The Chancellor of the Exchequer, in winding up the budget debate, added little to what had become known six days earlier about the Excess Profits Levy. He emphasised its weight—an extra burden of £100 million that would have ultimately to be borne by the ordinary shareholder. Mr Butler had no doubt that EPL would be followed, or ought to be followed, "by a sane policy of dividend limitation" with which he coupled "a restraint in demand for wages." No doubt if it were a matter of flat choice, EPL is somewhat to be preferred to any system of statutory dividend limitation, if only because it is in the nature of excess profits taxes to be mortal. No doubt, too, EPL is a fairly devised tax within the limits that the Chancellor has set himself. Only Dr Dalton, whose denunciation of excess profits taxes will always shine brightly in British fiscal history, was able to identify EPL as a "disincentive demagogic device"; only Mr Nicholson among government backbenchers expressed alarm at the weight of tax on profits placed to reserve. The average industrialist will not accept the proposition that EPL fulfils the Conservative election manifesto on the treatment of industrial profits.

More precise conclusions about the effects of EPL must await the appearance of the Finance Bill. It is already clear that no useful purpose is to be served by attempting to apply the basic rules to the cases of individual companies. Company accounts (particularly those of 1947) throw no clear light on profits as assessed for profits tax purposes—on which EPL is to be based. If they did, the investment statistician would still have the puzzle of equalising, or dispensing with, the initial allowances before striking his EPL computation. He would also have to include the 10 per cent "growth allowance," which might be possible for new share capital, but hardly for profits ploughed back in the business; on this latter, the tax authorities will have the previous figures of non-distribution relief from profits tax to guide them, and these are not to be found in published accounts. To attempt this kind of guesswork for individual companies without the proper information would be irresponsible.

One general point, however, can be made. Profits tax has had arbitrary effects on company finance in recent years; companies large and small have sought to avoid payment of full profits tax that would otherwise have been payable in respect of dividends on new preference and ordinary capital, and have resorted to debenture and loan stock issues. None of this new fixed charge capital is to count for EPL purposes in computing capital. Yet in many cases it will have made an appreciable contribution to the growth of earnings on which EPL is to be levied. This is a point of great substance which certainly demands reconsideration.

* * *

More EPL Examples

The table at the foot of this page provides a supplement to the examples of the minimum and maximum burden of EPL, on various assumptions about the growth of profits, that were presented on pages 660 and 663 of last week's issue of *The Economist*. Last week's examples showed the limiting rates of total taxation payable under the new company taxes and the old, when standard profits were earned and when double and treble standard profits were earned. These rates of total taxation are recapitulated in the short table below:

STANDARD PROFITS 100 THROUGHOUT

	Percentage of Chargeable Profits Absorbed in Total Taxation, with Profits of		
	100	200	300
(*a*) *Full Distribution* :—			
Under EPL and revised profits tax	61·10	72·75	75·10
Under old profits tax	66·25	66·25	66·25
(*b*) *Nil Distribution* :—			
Under EPL and revised profits tax	50·00	65·00	68·00
Under old profits tax	52·75	52·75	52·75

It is useful to consider in greater detail what happens to total tax rates and to free reserves on the more practical assumptions, not of maximum and zero distributions, but of distributions ranging between one-eighth and one-half of total profits. These rates are set down in column (1); in column (2) they are converted to the equivalent net rates after allowing for income tax at 9s. 6d. in the £. Columns (3) and (4) give the effective rate of tax under the old regime (income tax at 9s. 6d. and 50 per cent profits tax) and the net sums left for reserves. To use the example of a distribution of one-third of profits (before tax), the combined rate of income tax and profits tax was formerly 59.8 per cent, leaving 22.7 per cent (net) for reserves after distributing 17.5 per cent (net, after tax at 9s. 6d.). Columns (5) and (6) show what happens to this case under the new regime. There is no EPL to pay, since chargeable profits equal standard profits. The changes in profits tax reduce the combined rate of income tax and profits tax to 55 per cent, against 59.8 per cent on the old basis, and leave an increased sum for reserves of 27½ per cent of total profits, compared with 22.7 per cent.

Next, the assumption is made that chargeable profits equal one and a half times the standard profits. This results in 15 units being charged for EPL in respect of the excess of 50 units, or 10 per cent of total profits. Thus the tax percentage in column (7) are throughout 10 points higher than those in column (5) and the reserves percentages in column (8) are 10 points lower than those in column (6). For the case where one-third of profits are distributed, therefore, the impact of EPL on a company that increases its standard profit by a half is to increase its combined rate of taxation

EPL EXAMPLES

Proportion of Total Profits to be Distributed	Equivalent Proportion after Deducting Tax at 9/6 in the £	OLD BASIS *Income Tax* = 9/6d in £ Profits Tax = 50% with Non-distribution Relief of 40%		NEW BASIS (Standard Profit = 100) Income Tax = 9/6 in £ EPL = 30% of Excess Profits above Standard *or* 18% of Total Profits Profits Tax = 2½% net on Undistributed Profits and 17½% net on Distributed Profits							
		Total Profit = 100		Chargeable Profit = 100		Chargeable Profit = 150		Chargeable Profit = 200		Chargeable Profit = 300	
		Total Taxes	To Reserves	Total Taxes	To Reserves	Total Taxes	To Reserves	Total Taxes	To Reserves	Total Taxes	To Reserves
Per Cent (1)	Per Cent (2)	Per Cent (3)	Per Cent (4)	Per Cent (5)	Per Cent (6)	Per Cent (7)	Per Cent (8)	Per Cent (9)	Per Cent (10)	Per Cent (11)	Per Cent (12)
12½	6·6	55·4	38·0	51·9	41·5	61·9	31·5	66·9	26·5	69·9	23·5
25	13·1	58·0	28·9	53·8	33·1	63·8	23·1	68·8	18·1	71·8	51·1
33⅓	17·5	59·8	22·7	55·0	27·5	65·0	17·5	70·0	12·5	73·0	9·5
40	21·0	61·2	17·8	56·0	23·0	66·0	13·0	71·0	8·0	74·0	5·0
50	26·3	63·3	10·4	57·5	16·2	67·5	6·2	72·5	1·2	75·1*	Nil*

* Maximum distribution possible in this case would be 47·3 per cent of gross chargeable profit or 24·9 per cent net.

from 55 per cent to 65 per cent, and to reduce its net appropriations to reserves from 27½ per cent to 17½ per cent (the net dividend being 17½ per cent in each case). A further increase in tax and a corresponding reduction in reserves of 5 points occurs when profits rise to twice the standard, as shown in columns (9) and (10). Finally, the calculations are extended to cover the case where profits exceed two and a half times standard, and 18 per cent of total profits is substituted for 30 per cent of the excess over standard. These figures are shown in columns (11) and (12). The percentages in column (11) are 18 points higher throughout than those in column (5), up to the limiting point where gross dividends absorb 47.3 per cent of chargeable profits.

The penal effects of EPL on reserves—or alternatively the threat it provides for future dividends—can be measured by the differences between the figures in column (4) and those in columns (8), (10) and (12).

* * *

"Super-priority" in the Air

Presenting the Air Estimates to the House of Commons last Tuesday, the Under-Secretary of State for Air said that the Minister of Supply would shortly inform the aircraft industry of the steps to be taken in giving "super-priority" to the production of the new fighters. The first of these aircraft are due off the production lines late this year; it is therefore unlikely that any steps taken at this stage will bring them into squadron service any earlier. But if it is to have any meaning, "super-priority" must put the claims of the chosen aircraft ahead of those ordered at an earlier date. Aircraft production proceeds at inexorable pace; new capacity or new production lines sanctioned now would not begin to give results for a couple of years. This conclusion applies not only to the labour and machines needed in the aircraft factories, but also to claims on the capacity of sub-contractors. A large element in aircraft production is the machining and assembling of components that have been precision forged by specialist sub-contractors. In normal times the presses and other heavy plant used cannot be delivered in less than two to three years and hence capacity cannot be expanded at short notice. One of these specialist forgers, High Duty Alloys, is working now with plant that was ordered in 1947, long before rearmament was in prospect.

Because sub-contracting capacity is limited and heavily burdened with work, aircraft manufacturers tend to place their orders for components before they know their exact requirements and, for the same reason, place bigger orders than are strictly needed for the numbers of aircraft they expect to build. Hence the component makers and forgers quote exceptionally long delivery dates for urgently needed components for other aircraft. These delays have prompted some aircraft manufacturers to ask the Ministry of Supply for help in installing their own drop forging plant, though it is unlikely that, once the rearmament period was over, they could keep it employed.

If effective priority is to be given to individual aircraft, tools will have to be diverted from one company to another and specialised component-making capacity will have to be freed so that the requirements of the two aircraft manufacturers immediately affected can be met. Such steps would, it seems, inevitably affect the building programme of the Canberra bomber more than any other single aircraft. Three companies, A. V. Roe, at Manchester, Handley Page at London and Short Brothers at Belfast, are tooling up for production of the Canberra—a bomber that uses the same engine, the Rolls Royce Avon, as the two fighters, and uses two to their one. The Canberra is to be produced in the United States and Australia, so that the air forces are not wholly dependent on British production. Measures less drastic than these could hardly add very much to the output of fighters.

"D" Scheme in Operation

Vocal criticisms of the tax exemption levels for certain groups of articles have drowned the sighs of relief with which most industries have welcomed the ending of the utility scheme for clothing and textiles. Retailers generally consider that it provides the first opportunity for a return to normal trading or, as the house organ of a big retail group has put the point, "shopkeepers will once again be able to practise the gentle art of shopkeeping as it used to be practised before the war." The new purchase tax arrangements apply only to those goods that were delivered to retailers on or after last Monday, by which date most of the spring and summer stock had already arrived; retailers therefore have large supplies of untaxed goods. The withdrawal of the price control orders applies to goods in stock as well as to new deliveries. Together, these changes should mean that shopkeepers have considerable scope for averaging out the price of their taxed and untaxed stock and avoiding heavy losses on goods on which purchase tax has been paid at the old rate. No doubt the provisions against stocks made in the 1951-52 accounts of the big stores include some allowance for their tax losses.

A Board of Trade statement issued when the President made his announcement to the House of Commons ten days ago declared that it was impossible to give "any definite indication" of the effect of the D scheme on retail prices. Some speakers in the budget debate were less reticent. Labour members maintained that a man's suit which cost £12 9s. on Saturday would have increased to £15 10s. by the following Monday. It must be admitted that advertisements published by certain stores this week lend some support to this view. These announced that existing utility stock would continue to be sold at the "old" prices with a warning that new stock would be fifteen to thirty shillings dearer. This warning is entirely justified in the case of goods that previously sold at the top utility prices for their class, but such goods formed a small proportion of total sales of utility articles. Mr Thorneycroft pointed out that utility suits had a maximum price of £14 9s. 2d. but that many were sold between £10 and £12. The price of a £10 suit, now that it attracts purchase tax, would go up by precisely 1s. The same argument holds for the hotly disputed tax-free limit of £2 wholesale that has been fixed for shoes. Manufacturers and retailers have both protested that this low level victimises an industry already suffering from lack of orders. But for more than a year there has been only limited trade in shoes selling at the top utility price of around £5 retail; the price of the majority of shoes will go up by a few shillings at the most.

The indifference with which the public has received the news of last week's changes must be a disappointment to those who expected that the shops would now be filled with hunters after utility "bargains." In refusing to be stampeded into buying up utility stocks the public may in fact be showing not apathy but common sense, for consumers can see no sign that the fall in textile prices that started this year is likely to be decisively checked in the immediate future.

* * *

British Standards

An important section of Mr Thorneycroft's speech on the new "D" scheme was devoted to quality. It is proposed to lay down standards of quality, but the success of this project depends on a lively public interest and it has been received with an indifference even more chilling than that accorded to the changes in purchase tax announced by Mr Butler. It should not be difficult to get the three trade bodies, the Wool Textile Delegation, the Cotton Board and the British Rayon Federation, to agree with the British Standards Institution on a "British Standards" quality mark for wool, cotton or rayon textiles. Although manufacturers will be liable to prosecution for misapplying this mark, its use is to be wholly voluntary. Some manufacturers

IT BEGAN WITH THE CRUSADES

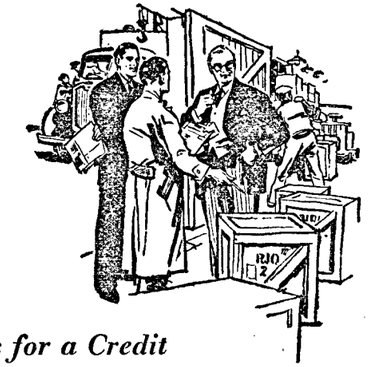
We take some pride in our long history but the business in which we are engaged is older than we are. Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 27 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.



Bombay asks for a Credit

It is a simple matter for the Westminster Bank to establish local credits anywhere in the world, for there is no town of commercial importance in which it is not represented. Equally, the collection of funds due to you from foreign buyers presents no difficulties. The comprehensive service of information and advice which the Bank provides for those who trade abroad is fully described in a booklet called 'The Foreign Business Service of the Westminster Bank'. We shall be glad to send you a copy on request.

WESTMINSTER BANK LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or projected interests in the Dominion.

You are invited to contact the London Office or the Head Office.

BANK OF NEW ZEALAND

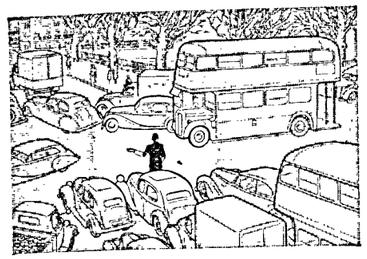
(Incorporated with limited liability in New Zealand)

London Office: 1 Queen Victoria Street, E.C.4.

Head Office: Wellington, New Zealand

Branches also in
Melbourne and Sydney; Fiji and Samoa

Figures speak louder than words



For adequate control a typical intersection may need a minimum of two police officers if all-day point duty coverage is given. At £600 per head this would involve an annual expenditure of £1,200 *every year!* In comparison, an Electro-matic installation at an initial cost of £1,750 approx. — plus £175 p.a. for running and maintenance — can effect an economy of £300 in the *first two years* and a saving of £1,025 every year thereafter. Multiply these figures in ratio to a greater number of policemen needed, and the outstanding economies made possible by Electro-matic become even more impressive. All over the country thousands of Electro-matic installations are working full time providing an efficient, safe and reliable traffic control service on the most economical basis. May we — without obligation — call and discuss traffic control in *your* area?

Wherever you turn

ELECTRO-MATIC SIGNALS

make the highways SAFER!

AUTOMATIC TELEPHONE & ELECTRIC CO. LTD.
Strowger House, Arundel Street, London, W.C.2. *Phone:* TEMple Bar 4506. *Grams:* Strowger, Estrand, London. Strowger Works, Liverpool 7

AT.10431-BQX23

Build your own equipment with DEXION SLOTTED ANGLE

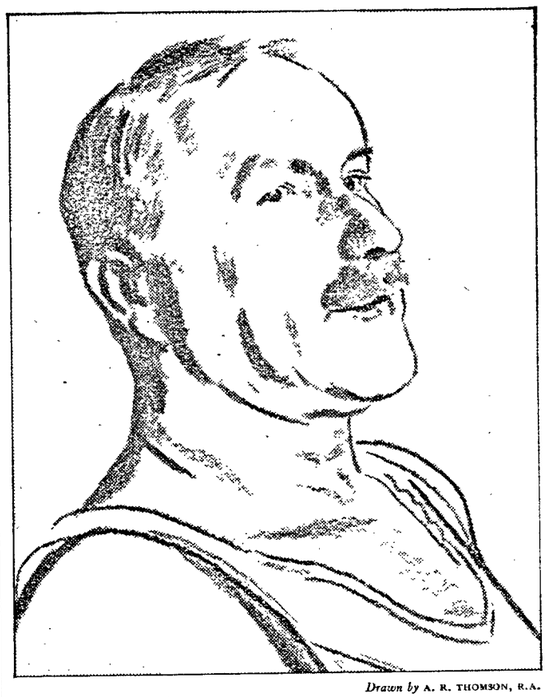
★ Can be used over and over again

★ No drilling, measuring or painting

★ Just cut it and bolt it, that's all!

Write or telephone for illustrated literature D.8

DEXION LIMITED 189, REGENT STREET LONDON, W.1 *Telephone: REGent 4841*



Drawn by A. R. THOMSON, R.A.

A man of few words

Long before momentous events have become newspaper headlines, taciturn Tom Armstrong*, in charge of one of the paper-making machines at Bowaters Kemsley Mill, has run through the newsprint to carry the news.

At one end of the towering machine, a hundred yards in length, a sheet of liquid of the colour and apparent consistency of thin porridge is carried in by a moving belt. As it travels over a series of suction boxes this grey liquid quite suddenly whitens, for all the world like an egg beginning to poach. Almost instantaneously it has turned into paper, gliding on over steam-filled cylinders which carry it along to the roll.

If you can hear him above the noise, Armstrong will explain that four miles of paper are wound onto the roll every fifteen minutes throughout the twenty-four hours of every day. There are many such mammoth machines in the Bowater Organisation and this particular one happens to be the widest paper-making machine in the world. It is known, he will tell you, as "Bowaters' Number 5" — and it produces a roll 300 inches wide, which is cut into five to fit the printing presses. "Bit quicker than making papyrus," you shout. "What?" shouts Tom. "Quicker than making parchment," you bellow through your cupped hands. "No. 300 inches," Tom replies. "Widest in the world." And on a strip of newly-made paper he writes the figure down.

The whole wealth of Bowaters craftsmanship, experience and research in the art of making paper — the 'know-how' in short — is freely at your service.

THE BOWATER PAPER CORPORATION LIMITED

GREAT BRITAIN · UNITED STATES OF AMERICA · CANADA · AUSTRALIA · SOUTH AFRICA NORWAY · SWEDEN

*Fictitious name

believe that it is a sound advertisement to carry some kind of quality certificate and already submit their products to tests. But the widespread use of a quality mark depends upon the willingness of the public to recognise it and insist upon it. Mr Thorneycroft said that "the public can help themselves by demanding in future goods made in accordance with British Standards and bearing a certification mark, as they have in the past demanded goods bearing the utility mark." But utility goods were demanded because they were tax free, and the utility mark implied no clear assurance about standards of quality. It remains to be seen whether the public will show the same interest in a mark that offers a guarantee of quality without reference to the price that is charged.

The reform of the Merchandising Marks Act, to which the President of the Board of Trade referred, may prove considerably more important than these new standards. At present the Act provides a safeguard against false descriptions of weight, measure, materials and methods of manufacture, but not against misleading descriptions of goods such as claims to colour fastness, crease-resistance or waterproofing. Mr Thorneycroft promised that the Act would be amended in the next session to include misleading as well as false descriptions, but some retail traders question whether this will go far enough. It will then be possible to prosecute a manufacturer who makes claims of this kind for his goods when they have not gone through any recognised form of treatment, but, so long as treatment has been carried out, a manufacturer will still be able to claim that his product is, for example, waterproofed no matter how ineffectively it keeps the rain out. It is perhaps more important to protect the public from claims unjustified by actual performance than from the few open frauds to which they are still exposed.

Prosecutions for false descriptions are usually brought by the Retail Trading Standards Association, which has its own facilities for testing goods. The RTSA depends for its income on subscriptions from the big stores and from manufacturers. The average cost of a prosecution is about £120, considerably more than the costs awarded. The efficiency with which the revised Merchandising Marks Act is enforced may therefore depend on the RTSA's ability to increase its income by widening its membership or by the award of higher costs. It is, in fact, far simpler to draw up schemes for safeguarding quality than it is to make them effective, and there is some danger that lack of public interest, combined with the high cost of legal proceedings, will affect the successful enforcement of the "British Standards."

* * *

Improvisations in France

The European Payments Union has given M. Pinay a breathing space in which to struggle with his three-point programme to save the franc. Last week-end the Council of the Organisation for European Economic Co-operation agreed to put a special credit of $100 million at France's disposal. The whole of this loan, which is to be repaid on June 30th next, was swallowed up in helping to finance the French deficit with EPU in February. This deficit amounted to $128.9 million and it would normally have had to be settled by a $112.3 million payment in gold and a $16.6 million increase in France's overdraft with EPU; thanks to the special credit, the gold loss for the month was reduced to $12.3 million but France's overdraft has risen from $234.5 million to $351.1 million.

Internally as well as externally, French economic policy is still in the realm of day-to-day improvisations. The first point in M. Pinay's official programme is to check the upward trend of prices by reducing the profit margins of producers and traders. He has intimated, however, that he will eschew all forms of compulsion and will apparently depend for his success on enlisting the support of producers and other interests concerned. The second point in his programme is to reduce Government expenditure by the curious device of ejecting from the Budget the capital needs of the nationalised industries. He intends to force these industries to raise funds on the open market. Unless this means that the real investment programme is to be cut down, the net effect on the national economy of this juggling with Budget accountancy will be precisely nil. The third point in M. Pinay's programme is that of achieving a genuine balance of what might in Britain be called the "above the line" items in the Budget. If the tax proposals that led to the fall of the previous Government are abandoned, M. Pinay is faced with an "above the line" deficit of between Frs. 200 and 300 billion—and he has not yet made any specific proposals for filling this void. Meanwhile, the franc has temporarily strengthened on the foreign exchange market, thanks to covering of speculative positions after the EPU advance to France and the consequent postponement of expectations of devaluation. But it seems as if something more than M. Pinay's present programme will be needed if this recovery is not to be short-lived.

* * *

Britain's Deficit with Europe

The European Payments Union settlement for February reveals a welcome diminution in the sterling area's deficit with Europe; it fell from £54,060,000 in January to £22,351,428. Since Britain is now in the fifth slice of its quota, where 80 per cent of any deficit has to be met in gold, another £17,881,071 has had to be drawn from the gold reserves in London. The balance of the deficit was added to the United Kingdom's cumulative debit balance, carrying it to £217,574,000. The amount of gold lost to EPU to date totals £113,115,000. But the measure of the loss is also a measure of the gain that would be secured from a return to surplus with Europe. If, as is to be hoped, there is an early change in the account, thanks to import cuts and speculative

"...LOST with all hands"

3/694

How OFTEN the happiness of a fisherman's family ends with those words!—and a bereaved wife or mother turns in bitter need to the Deep Sea Mission.

The Mission brings her God's message in her dark hours — provides comforts, aid, guidance if required. The happier side of the Mission's work includes social gatherings for fishermen's families, and the invaluable communication service that keeps them in touch with the fishermen as the fishing fleets journey from port to port.

The Mission is not state-aided. Its great work is paid for mostly by donations and subscriptions of devoted supporters. Won't *you* join them? Donations or requests for the free pamphlet *Stand by the Fisherman's Family* are welcomed by the General Secretary,

J. W. DONALD—

DEEP SEA MISSION

ROYAL NATIONAL MISSION TO DEEP SEA FISHERMEN
74, R.N.M.D.S.F. House, 43 Nottingham Place, London, W1

PLEASE do send any books or magazines that you can possibly spare for the fishermen—they are so VERY badly needed—to R.N.M.D.S.F STORES, QUAYSIDE, GORLESTON, GT. YARMOUTH

covering, gold recoveries should be proportionately large. Under the cumulative principle on which relative gold and credit payments are calculated a Britain in surplus would retreat down the various 20 per cent slices of its quota by retracing the steps with which it advanced. Thus, in the first instance, Britain would get back 80 per cent of any credit it accumulated in the form of gold and only 20 per cent would have to be devoted to repayment of its overdraft with EPU.

* * *

Restraint on Bank Advances

The latest quarterly classification of bank advances shows the restraint exerted by the new monetary policy to have been even more effective than appeared from the monthly statements of the clearing banks. These, as a note in these columns a fortnight ago pointed out, showed that in the three months to February 20th the total of clearing bank advances rose by only £8 million, to £1,933 million, whereas in each of the comparable periods of the two previous years it had risen by over £90 million. These totals, however, include advances made outside Great Britain, as well as some items that are not advances at all (notably cheques in course of transit between branches of each individual bank). The quarterly figures give a truer picture, since they relate only to domestic advances, strictly so defined, but include all members of the British Bankers' Association. This "clean" total rose during the three months to February last by only £39.6 million—though to a new peak of £2,056 million. This is by far the smallest movement at this time of the year since the quarterly series was started in 1946. In the corresponding period of 1950-51 the increase was no less than £123 million, in 1949-50 it was £113 million, and in 1948-49 £82 million.

Even more striking evidence of the effectiveness of the new monetary discipline can be seen in the classification of advances into 25 categories of borrowers. This shows that the whole of the quarter's rise in the total was attributable to the continued outpouring of credit to the nationalised electricity and gas industries that certainly account for the bulk of the advances classified under the heading of "Public Utilities (other than Transport)." Advances to this group have risen during the quarter by £41 million to no less than £135 million, easily a new high level. In the corresponding period last year, these advances rose by £14 million to £56 million. It will be seen, therefore, that the banks have succeeded, on balance, *in stabilising* the total of their credits to all other domestic borrowers—and, indeed, in fractionally reducing them.

* * *

The Medicine Works

This is a remarkable tribute to the strength of the new policy especially when it is remembered that under the former regime, when advances were going steadily upwards, the bankers all affirmed, with complete sincerity, that they were loyally observing the exhortations to them to lend only for "essential" purposes. This stabilisation has been achieved, too, at a time of strong seasonal demands for credit —chiefly for the payment of taxes, but also for other seasonal purposes. The new reluctance of the banks to lend even for the purpose of financing tax payments has no doubt exerted its effect on many categories of borrowers, but this effect is separately discernible only in the big category of Personal and Professional borrowings. In the past, these have invariably expanded at this season of the year, last year rising by £13 million; but in the first three months of the new monetary discipline, they dropped by nearly £7 million. At £429 million, they now represent hardly more than a fifth of total advances, whereas in the early postwar years they stood at not much under 30 per cent. Among other categories that normally make big demands at this season, the Retail Trade group has this time had to release £8½ million of credit, whereas last year it absorbed an additional £12½ million. Other notable declines are those of £10 million in borrowings by local authorities (raised by £10 million last year) and by the "Other Financial" group, which has repaid no less than £17½ million, whereas last year it borrowed £15 million.

The toughness in lending policy that these declines reflect has enabled the banks, without increasing their total credits to the private sector, to lend more to the active and expanding metal using industries. Thus the Engineering group has received an additional £15½ million, raising its total to £142 million, or 6.9 per cent of aggregate advances, compared with 5.5 per cent twelve months ago. Credits to the much smaller Iron and Steel group of borrowers have risen by more than one-third—by £6 million to £23.8 million. The additional credits have not, however, been confined only to these critical groups. An expansion of over £5 million in advances to the Cotton group, whose credits now total £19 million, plainly shows the part the banks are playing in financing the rising stocks of frustrated exports. Advances to the Wool Textile group, which in the corresponding period last year rose very steeply by £17¼ million in consequence of the soaring of wool prices, have this year contracted by £3 million, but the "Other Textiles" group has absorbed an additional £6 million. The moderate additional credits granted to two big groups—Food and Tobacco, and Agriculture—are well below the seasonal average.

* * *

Higher Building Societies' Rates

The Building Societies' Association has at last given ground before the rising tide of interest rates. Its council announced last Friday that it was recommending that members should consider raising the rates they pay on shares to 2½ per cent and on deposits to 2 per cent, and the rates they charge on advances to a minimum of 4½ per cent. After the previous increase in Bank rate in November, the council had recommended members to stand by the old pattern of rates of 2¼ per cent on shares, 1¾ per cent (with considerable variations) on deposits and 4 per cent on advances. The share and advances rates now suggested are those that two of the big ten societies—the Co-operative Permanent and the Temperance Permanent—had already adopted before the budget. It seems probable that, once due notice has been given to existing mortgagees and other legal formalities have been completed, the greater part of the movement will now follow suit. But the resistance of the giant of the movement, has often been able to attract savings at low rates) has estimated. The Halifax (which, as deposit rate and its announced that it is raising only its charge to new borrowers to the rate to existing mortgage charge to new borrowers to the present level; it is keeping its share rate and its charge to existing borrowers unchanged for the present.

With the commercial banks now paying 2 per cent on deposits and with some mortgage contracts making specific mention of Bank rate, widespread and enduring resistance would be surprising; since at least some housebuilding by the provided with an easy means of living off capital at a national present low rates, it may also be undesirable from an economic point of view. The real question may be, indeed, whether the movement has merely shuffled forward to a recommended pattern of rates that some societies may soon be prepared to abandon. With new money still coming in in ample quantity (some of it fleeing from low savings bank deposits at which the Inland Revenue is not casting an inquiring eye) there is no sign of any great urge to advance past the new pattern yet. It remains to be seen whether this attitude will long endure if there is any withdrawal of funds by surtax payers (who will lose their special advantages from building society investment after April 1st) or by investors tempted back towards the now friendless Stock Exchange later in the year.

Now your bicycle's all over my towel!

Young men of every generation are slow to realise how difficult it is to remove grime by washing. The housewife looking at her towels, has needed little telling. Within recent years sodium phosphates have come to her help. New washing powders, anonymously containing Albright & Wilson's phosphate products—although hardly abolishing washdays—are making clothes cleaner and whiter with much less effort on the housewife's part.

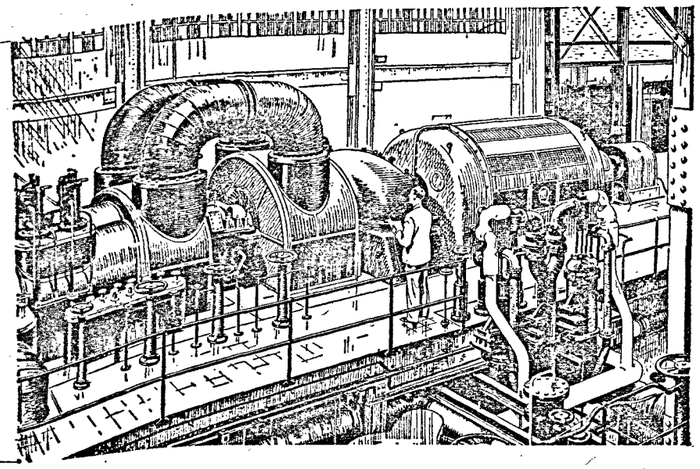
Chemicals for Industry

ALBRIGHT & WILSON LTD

49 PARK LANE, LONDON, W.1

'ENGLISH ELECTRIC'

During 1951, 'ENGLISH ELECTRIC' turbo-alternators were supplied to many power stations all over the world, and ten new units went into service in the United Kingdom alone. These and other giant generators made by 'ENGLISH ELECTRIC' are making a valuable contribution to the supply of electricity to both industry and the home.



bringing you

In the field of television 'ENGLISH ELECTRIC' turbo-alternators often play a dual role, supplying not only the power to transmit the picture but also the power that enables television sets to receive it. The fact that many of these sets are also products of The ENGLISH ELECTRIC Company completes this further illustration of the ways 'ENGLISH ELECTRIC' brings better living to millions.

better living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

Sun Life Dividend Cut

The reduction by the Sun Life Assurance Society of the next half-yearly dividend from 2s. per share net to 1s. 9d. per share net was an unpleasant surprise. In common with other purely life offices, the Sun Life declares a dividend after each actuarial valuation at a rate which it expects in normal circumstances to maintain until the next valuation ; the dividend in each of the next five years will, therefore, presumably be 3s. 6d. per share net. The shares were marked down on the announcement by 27s. 6d. to £8 ; at last Wednesday's price of £7⅞ they yield 4¼ per cent in line with other insurance shares. Reductions in insurance dividends are unusual, and speculation as to the reason is inevitable when one occurs. The whole of the 1941 valuation surplus of the Sun Life was carried forward and ten years' reversionary bonuses were declared at the end of 1946 ; the shareholder's proportion of the surplus then distributed enabled the dividend to be raised from the wartime level of 3s. 8d. per share gross to 4s. per share net, and this rate was maintained until the end of last year. Dividends during the last five years have, therefore, been swollen by what were in fact deferred payments for the war years when the dividend was sharply reduced from the prewar level. Whether or not this year's dividend could have been maintained had a transfer of £3,250,000 not been required for investment reserves cannot be ascertained until the 1951 accounts, the chairman's statement and further information regarding the basis of last year's actuarial valuation are published.

Under the provisions of the Assurance Companies Act, 1909, companies publishing an actuarial valuation of their liabilities (which need be made only once in five years) must certify that in the belief of the persons signing the balance sheet the assets are in the aggregate fully of the value stated ; the certificate need not be given by purely life offices in other years. Some strain on the inner reserves of the Sun Life is suggested by last year's replenishment ; in the absence of fuller information all that can be said regarding its extent is that all insurance companies have suffered depreciation of their United Kingdom Stock Exchange securities during the last five years and fixed interest stocks have fared a good deal worse than ordinary shares, in which the Sun Life has an exceptionally small stake. Examination of the profits statement suggests that a part of the transfer to investment reserves may represent actuarial reserves released by adjusting the valuation basis ; such a release would be wholly proper, for the rise in the rate of interest since 1946 has considerably reduced the present value of the liabilities of all life offices.

* * *

Delays in Port

Figures published by the Liverpool Steam Ship Owners' Association reveal a large increase in the weight of imports into United Kingdom ports last year, to 79.6 million tons compared with 63.2 million tons in 1950. If coal and petroleum cargoes are excluded, the comparative figures are 52.5 and 44.3 million tons respectively. It is estimated that 125 tons of cargo was carried per 100 tons net of shipping entrances, compared with 110 tons in 1950 and 98 tons in 1938. These figures suggest prosperous trading, but this favourable picture is clouded by port delays. In fact, five cargo liners are now required to do the work of four, and consequently there is more congestion in port for the same amount of cargo handled.

The association's annual report gives some examples of the delays suffered by liner companies in various trades during 1951. One company trading with India and the United States used to average three voyages a year with each ship before the war ; in 1951 the average was no better than 2¼ voyages, although most of the ships were faster and had greatly improved gear for handling cargo. United Kingdom ports compare unfavourably with those on the Continent and in North America. The average rate of discharge for bulk grain in Hamburg, for instance, was 128.22 tons per hour in 1951, compared with only 71.41 tons in London. Another operation involves the discharge and loading of general cargo at four separate American ports, at only one of which loading and discharge can proceed simultaneously. This operation, which includes steaming 900 miles, was performed in 17½ days. By comparison, 22 days were required to load one general cargo in two United Kingdom ports. Of the total time spent in West African ports, one fifth is spent merely waiting for berths, and the round voyage in this trade is taking 25 per cent longer than before the war. This involves one company in a loss of nearly 30 round voyages a year. Six weeks are entailed in turnround at several West Indies ports, which before the war cleared the ships in four weeks. The time occupied in loading and discharging in Liverpool, Glasgow and London is twice as long as before the war, and the same is roughly true about Santos and Rio de Janeiro. Thus ships trading between these ports are making only two voyages a year instead of about three and a half before the war. In some ports abroad freights have been subject to a special surcharge, because of inordinate delays. It does not say much for the efficiency of port operation in the United Kingdom that demands from continental shipowners for a similar levy on cargoes to be discharged in the United Kingdom are being resisted with difficulty.

* * *

Egyptian Cotton in Trouble

The Egyptian Cabinet decided on Monday night to come to the rescue of the Alexandria cotton market where business had been at a virtual standstill for some time. The Government is to buy Karnak (the long staple cotton) at 60.58 pence a lb, and Ashmouni (shorter staple cotton) at 34.89 pence a lb ; it will accept any quantity that is offered in order to clear stocks of old cotton before the new crop reaches the market. The crisis in the cotton market was a legacy from the Wafdist Government which adopted various measures to keep cotton prices up, despite the large stocks of cotton that it had to dispose of, at a time of falling world demand and of expanding American exports. Last summer the Egyptian Government of that time proclaimed minimum levels for the futures market of 74.58 pence a lb for Karnak and 39.78 pence a lb for Ashmouni, which were far in excess of current quotations. Demand evaporated and many operators in cotton futures were exposed to serious losses. By last month heavy stocks had accumulated and the new Government, in an effort to solve the deadlock, abolished the minimum prices fixed by their predecessors. This resulted in heavy losses for those holding cotton, but little response in demand. Prices declined sharply, because buyers continued to hold off expecting further falls. Whereupon the government introduced new minimum prices the only virtue of which is that they are much lower than the old ones.

Even these new prices will mean severe losses for some traders and will probably result in losses for the Government when it resells, because most buyers are still unwilling to pay the Government's price. Admittedly, the Government price for Ashmouni (which in American currency is equivalent to 40.71 cents a lb) is below the New York quotation for approximately similar grades, which was around 42.10 cents a lb this week. But the market in Alexandria is seriously overladen with supplies and exporters will probably look for much lower prices before they can be induced to buy.

Britain has bought little cotton from Egypt in recent months. Imports of long-stapled cotton between October, 1951, and January, 1952, amounted to 8½ million lb compared with 72 million lb in the same period twelve months earlier. On the other hand supplies from the Sudan have increased from 2½ million lb to 27½ million lb during the same period. In the case of medium stapled cotton (equivalent to Ashmouni), British imports from Egypt this season amounted to 16½ million lb against 47¼ million lb twelve months ago ; in contrast, supplies from the United States have increased considerably.

Freedom for Tea?

The tea trade is hopeful that rationing will soon be ended but these hopes seem to be built on a slender foundation. The Chancellor has decided to abolish the subsidy, a move that certainly suggests the first step along the road to freedom, but his words implied that even this step would not be immediate. Meanwhile tea merchants are watching the larger imports coming to this country and the growth in the Ministry's stocks and they assume that freedom might descend upon them any day.

Nobody knows how the public will react to the rise in the price of tea from 3s. 8d. a lb to 4s. 4d. On prewar experience, consumption should not decline significantly, but other food prices are also going up. The first stage is to see what happens when the subsidy is abolished and that step will no doubt be taken with an eye on the political atmosphere. Again, nobody knows for certain what the free demand for tea will be. Most guesses put it a little above 2½ oz a week; the present ration is 2 oz. The Ministry could test this by increasing the ration to this level and watching what is tecchnically known as the "off-take." Current shipments and stocks would seem to be adequate to make this experiment, but it would have to wait until the subsidy has been abolished.

The road to freedom therefore would seem to be marked by a series of milestones. First, the retail price must be increased so that the public is paying the world price. Then two or three months later, an increase in the ration to 2½ oz a week and possibly for a shorter experimental period to 2¾ oz would test the demand. Finally, a fairly accurate assessment of supplies in the new season will be needed, and that means waiting until the late summer. If the public shows that it will consume not much more than 2½ oz a week at the world price and if supplies are at least as plentiful as at present, then freedom in the tea market might become a possibility during the last three months of this year.

* * *

Steel Companies and the Public

The annual meeting of Dorman Long last week lasted barely a minute. Sir Ellis Hunter, as chairman, presented the brief directors' report and accounts to Sir Ellis Hunter, as representative of the sole shareholder, the nationalised Iron and Steel Corporation; in this capacity, he approved them. This cursory occasion marked the first disclosure to the public of a complete reorganisation of the company's capital structure, by which in September last the company repaid its debenture loan capital and converted the whole of its share capital into £1 ordinary shares. Its 6½ per cent first and 8 per cent second preference shares thus disappeared without trace. It is believed that Dorman Long is not alone in making such radical changes in its share capital, and that other steel concerns have also eliminated high-dividend preference capital, for obvious reasons. The company's trading profit in the year ended September 29, 1951, was £6,076,744 against £6,216,485 in 1949-50; its stocks and work in progress during a year in which two rises in steel prices took place, declined from £8,130,000 to £7,813,000. The company's procedure complies with its obligations; but apart from the public interest that might be assumed in the operations of publicly owned companies, Dorman Long's directors have presumably in mind some process of return to private ownership. They might have been expected, therefore, to afford some explanation of their policies and operations to the investing public whom they hope sooner or later may participate in the enterprise.

The contrast between Dorman Long's discretion and United Steel's detailed account of its operations in the year to end-September last is most marked. All that the Dorman Long report lacks in information about production, profits and finance is set down in great detail by United Steel. This is surely right. So far as is known, the Iron and Steel Corporation, as sole shareholder in the steel companies it owns, has left them free to draw up their reports and accounts as they think fit, subject only to the adoption of a standard balance sheet date at end-September. The investing public will surely hope that no other steel company follows the Dorman Long precedent of extreme reticence.

* * *

The Navy's New Engines

The First Lord of the Admiralty told the House of Commons during his statement on the Navy estimates that a new light-weight, high-powered diesel engine had been on test for the past year and is at present undergoing sea trials. Plans are being made for the "large-scale production" of these engines, which will be used in a new class of fast patrol boat. Little else has been released about these engines, but they appear to represent a radical advance on present design.

This research, as well as that on gas turbines, has been stimulated by the need for fast and comparatively small craft, and the emphasis in design has been on weight-saving; the majority of the new ships being built are either frigates or minesweepers. Like the new diesels, the gas turbines have the advantage of providing more power for less weight; they have the added advantage of requiring few spares and little maintenance. A number of experimental gas turbines of varying power are on order and some are already at sea; during the summer two motor torpedo boats were launched that are generally regarded as prototypes for a gas-turbine class. They are fitted with a combination of gas turbines and diesel engines. The diesel provides economical cruising power; the gas turbines provide power at full speed.

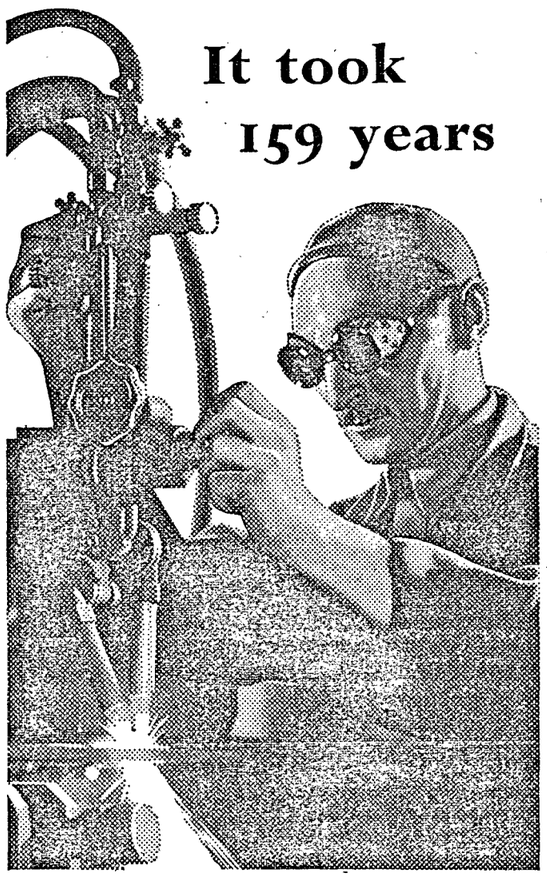
Two other new types of power unit are still in the research stage; one involved the use of atomic power and the other oxygen-bearing fuels. This second project is unlikely to be of much practical value. Fuels like these are the basis of most rocket propellants, as rockets—like submarines—have to carry their own oxygen. They are highly explosive, and their use would only add a further unnecessary risk to the many hazards of submarine operation. The atomic pile is a more attractive engine for this purpose; it needs no oxygen and infrequent re-fuelling. The Ministry of Supply commissioned design studies for such a reactor nearly two years ago, and the Navy has given its own contracts for design studies for the propulsive machinery.

Shorter Notes

The market received the news of a one in four scrip issue by "Shell" Transport and Trading with distinct relief, for the fear of a large cash issue had depressed the shares in the last week or so. The new shares will require the capitalisation of £10.9 million from share premium reserve, and they will not rank for the final dividend in respect of 1951 which is due to be announced in two months' time.

*

Last month the Indian Government halved the export tax on hessian to £56 a ton. Calcutta hessians are now cheaper on the American market than the local Osnaburg cottons that are used as a substitute, but American buyers have not resumed buying from India because they expect a further cut in the tax. The reduced demand for jute manufactures has depressed the price of raw jute to £120 a ton against £170 a ton two months ago. The Indian Government has this week abolished the export tax on groundnut oil, raw wool, kardi seed and niger seed; the duty on raw cotton has been halved to 200 rupees a bale and that on soft cotton waste reduced to 30 per cent ad valorem.



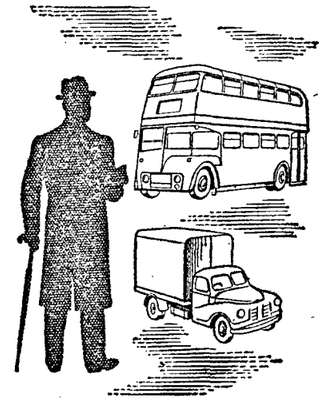
A keen eye and a steady hand guide the brilliant oxy-acetylene flame—and the metal is cut with astonishing ease and exactness. This modern craftsman works with care and skill, just as did six generations before him at Newton Chambers. It is a tradition with him to do a job just as well as it can be done and as well as it has ever been done. *At Newton Chambers every present-day development rests on the sure foundation of 159 years of hard-won experience.*

Newton Chambers

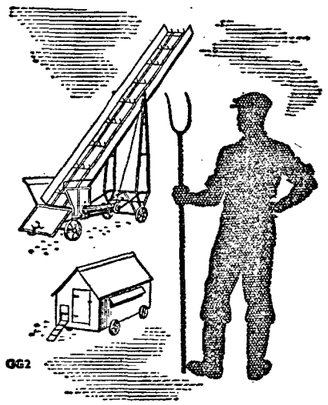
& COMPANY LIMITED, THORNCLIFFE, SHEFFIELD

HEAVY CONSTRUCTIONAL ENGINEERING, EXCAVATORS, INDUSTRIAL AND DOMESTIC HEATING APPLIANCES, FUEL ECONOMISERS, IZAL AND OTHER CHEMICAL PRODUCTS.

Look down the street



across the fields



...you see DURALUMIN

REGD. TRADE MARK

Look where you will and you will almost certainly find one of the aluminium alloys in the comprehensive "Duralumin" range.

The increasing popularity of this versatile material is hardly surprising. It cannot rust, need not be painted, is of good appearance, and whilst only one-third the weight of steel is equally as strong and lasts longer.

"Duralumin" can be welded, machined, pressed and fabricated in much the same way as other metals. It is produced as sheet, strip, tubes, wire and sections; the latter in a limitless variety of different contours.

While shortages exist at present, this is a passing phase. Now is the time to consider the use of aluminium alloys in your business so that your plans may be complete when the needs of re-armament are satisfied. Our development department will advise, entirely without obligation.

JAMES BOOTH & COMPANY LIMITED
ARGYLE STREET WORKS · BIRMINGHAM, 7

Company Notes

International Nickel.—Last year International Nickel secured its two principal objectives. Production was increased to meet the flood of orders for nickel and copper swollen by industry's defence requirements, and the long-term programme to switch from surface to underground mining was brought much nearer completion. Everywhere, in fact—except in nickel deliveries—new records were set up. Nearly 11.8 million short tons of ore, against 9.8 million short tons in 1950, were mined—the increase coming entirely from the underground workings, where ore production increased to 7.8 million short tons. As production could not be augmented by drawing upon previously accumulated stocks—as was possible in 1950—nickel deliveries fell from 256.4 to 243.8 million lb; but there was an increase in refined copper deliveries from 212.9 to 236.9 million lb. From its sales, International Nickel earned nearly $286.8 million, compared with $228.1 million in 1950.

Operating costs, of course, continued to increase, from $130.3 million to $150.1 million; wages were raised twice during the last year and for some employees the working week was shortened. These increases in costs, however, were more than compensated by a

	Years to Dec. 31, 1950	1951
Consolidated Earnings :—	$	$
Net sales	228,071,346	286,785,241
Operating earnings	86,980,227	124,939,069
Total income	88,260,565	126,831,710
Depreciation, depletion	8,963,574	9,080,607
Taxation	27,597,615	48,148,718
Net earnings	48,765,849	62,875,571
Earnings per common share	3·21	4·17
Paid per common share	2·00	2·60
Common dividends	29,156,338	37,903,239
Added to earned surplus	17,675,612	23,038,433
Cons. Balance Sheet Analysis:—		
Fixed assets, *less* depreciation	144,255,321	158,912,289
Net current assets	150,329,694	165,948,466
Stocks	64,655,128	82,407,921
Cash	27,537,490	29,274,056
Capital surplus	60,606,500	60,606,500
Earned surplus	116,374,595	139,413,028
Common stock	60,766,771	60,766,771

Common stock at $5¼ yields £5 8s. per cent.

rise in the price of nickel in the middle of the year and by the economies associated with greater production; as a result operating earnings advanced from $86.9 million to $124.9 million and earnings per common share rose from $3.21 to $4.17 a share. This enabled the company to pay a record common dividend of $2.60 a share, compared with $2.0 in 1950.

Dividends in the next few years will depend in part upon the company's success in damping down the rise in costs that will inevitably follow the conversion from opencast to underground mining. By the end of next year, an annual production of 13 million tons is expected from the underground workings, and thereafter no more surface ores will be mined. Last year's progress towards this objective absorbed $15,888,942 of $23,737,575 spent upon capital developments and improvements, at least another $20 million of capital expenditure is planned this year, most of it to the same end. Already, however, the emphasis is beginning to shift away from capital costs towards operating costs. Mining by caving methods at the newly opened Creighton mine is but one instance of the efforts that are being made—and that will be progressively needed—to keep a tight rein upon working expenses.

★

De Havilland.—Production rather than development is De Havilland's immediate concern, and the directors have felt able to break with the very conservative dividend policy that they have pursued for some years past. They have been encouraged to take this step by an advance in group profits before tax from £1,071,101 to £1,773,594 in the year to September 30th; the rise in net profits from £421,983 to £639,290 certainly enabled a higher distribution to be safely made. In 1949-50 a dividend of 10 per cent was paid on an ordinary capital of £1,827,275. After this payment, the ordinary capital was increased by a 50 per cent scrip bonus to £2,740,912 and at the same time there was a rights issue of 1,644,547 new £1 ordinary shares. The directors now propose a distribution of 7½ per cent on the capital of £2,740,912 and a payment, as promised when the issue was made, of a quarter of that percentage on the new ordinary shares. In effect, the new rate of payment is equivalent to 11¼ per cent on the original capital. Subsidiary companies have held back £324,019, against £178,094, in their accounts, while £200,000, against £100,000, has been transferred to a general reserve.

As a progressive company whose profits have grown rapidly since the war, De Havilland will be hard hit by the excess profits levy, and equity shareholders might be unwise to look beyond a dividend of 7½ per cent on the revised ordinary capital of £4,385,459 in the immediate future. At the current price of 25s. the £1 ordinary shares yield 6 per cent.

★

Woolcombers and Illingworth, Morris.—The precipitate retreat in wool prices from the giddy peaks reached a year ago and the virtual drying up of new orders in the last half of the year mean that differing profits experience reported by leading woollen manufacturers are often a function of differing accounting dates. The business of Woolcombers, for example, fell off so sharply in the last six months of the financial year ended December 31st last, and especially in the last quarter of the year, that trading profits fell from £727,657 to £530,417. On the other hand, Illingworth, Morris, whose accounts were drawn up three months earlier on September 30th, report an "exceptional but nevertheless satisfactory" trading year; group trading profits jumped from £777,056 to £1,317,538. In view of the transient and exceptional nature of this increase, the directors of Illingworth, Morris have left the ordinary dividend virtually unchanged; in 1950 a dividend of 20 per cent was paid on an ordinary capital of £460,000, and in 1951 an interim dividend of 6½ per cent was paid on the same capital—now a final dividend

	Years to September 30, 1950	1951
Illingworth, Morris :—	£	£
Group trading profit	777,056	1,317,538
Net profit	102,042	366,920
Stocks	2,936,537	3,893,151
Cash	304,648	251,384
Reserves	2,107,504	2,275,333
Ordinary capital	460,000	1,000,000
Woolcombers :—	Dec. 31	Dec. 31
Trading profit	727,657	530,417
Net profit	230,823	112,353
Stocks	481,825	635,509
Cash	431,621	415,285
Reserves	1,194,926	1,308,897
Ordinary capital	1,200,000	1,200,000

of 6⅞ per cent is to be paid on the ordinary capital of £1,000,000, as increased by the recent 100 per cent scrip bonus and a cash issue of 400,000 4s. ordinary shares. Woolcombers have left their dividend unchanged at 13½ per cent.

Once the "complete and unhealthy, yet universal scramble for wool, yarn and cloth" was over and wool prices began to fall, very few fresh orders were placed with the woollen spinners and manufacturers. Fortunately, Illingworth, Morris, had sufficient orders in hand to keep its mills in full production until the end of last December, and even now "short-time running is not severe." In the factories owned by Woolcombers, however, orders in hand seem to have been insufficient to cushion profits against the sharp fall in new orders.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 12, 1952	Price, Mar. 19, 1952	Net Yield, Mar. 19, 1952 (n)	Gross Yield, Mar. 19, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	99½	99⅝	2 2 9	3 9 3e
Mar. 1, 1951-53			1 14 3	2 19 5f
War Bonds 2½%	98⅜	98⅝	3 16 9	5 3 6e
Mar. 1, 1952-54			1 18 0	3 2 6f
Exchequer Stk. 2½%	96⅝	97⅛	1 13 10	3 2 3
Feb. 15, 1955				
Serial Funding 1¾%	99⅛	99⅜	1 18 7	2 14 3
Nov. 14, 1952				
Serial Funding 1¾%	97 1	98⅛	1 10 2	2 10 7
Nov. 14, 1953				
Serial Funding	96½	97⅛	1 14 7	2 13 8
Nov. 14, 1954				
War Bonds 2½%	96⅛	97⅛	2 6 3	3 11 4e
Aug. 15, 1954-56			1 17 4	3 1 11f
Funding 2½%	98⅛	98⅛	...	... e
June 15, 1952-57			1 13 0	3 5 11f
Nat. Defence 3%	98½	97⅛	2 14 2	4 5 6e
July 15, 1954-58			2 0 1	3 9 11f
War Loan 3%	98¼*	97⅝*	2 4 9	3 13 1e
Oct. 15, 1955-59			1 17 11	3 6 6f
Savings Bonds 3%	90	89½	4 18 8	6 10 0e
Aug. 15, 1955-65			2 9 10	4 0 6f
Funding 2½%	89¾*	89½*	4 0 11	5 5 9e
April 15, 1956-61			2 11 6	3 16 6f
Funding 3%	83½*	83½*	4 5 9	5 16 11e
April 15, 1959-69			2 15 9	4 7 8f
Funding 3%	85⅛	85⅛	2 15 11	4 8 7e
Aug. 1, 1966-68			2 14 2	4 5 10f
Funding 4%	96½	96⅝	2 13 7	4 14 9e
May 1, 1960-90			2 5 4	4 5 3f
Savings Bonds 3%	82⅜	82⅛	4 1 3	5 13 4e
Sept. 1, 1960-70			2 16 2	4 8 3f
Savings Bonds 2½%	82½	82⅜	3 2 5	4 10 2e
May 1, 1964-67			2 15 10	4 3 5f
Victory Bonds 4%	98⅜	98⅜	2 5 0	4 3 6e
Sept. 1, 1920-76				
Savings Bonds 3%	80½	80	3 9 4	5 2 2e
Aug. 15, 1965-75			2 15 0	4 7 11f
Consols 4%	87⅜	87½	2 8 4	4 12 3f
Conversion 3½%	77½*	77⅜*	2 7 6	4 10 5f
Treasury Stk. 2½%	56½*	56½*	2 6 4	4 8 2f
(after Apr. 1, 1975)				
Treasury Stk. 3%	66⅜*	66½*	2 7 6	4 10 5f
(after Apr. 5, 1966)				
Treasury Stk. 3½%	86	85⅞	2 12 8	4 10 1e
June 15, 1977-80			2 11 4	4 8 10f
Redemp. Stk. 3%	74*	74*	2 14 10	4 9 8e
Oct., 1986-96			2 11 1	4 6 4f
War Loan 3½%	*77½	77⅝	2 7 11	4 11 10f
Consols 2½%	58⅜*	58⅜*	2 4 9	4 5 2f
Brit. Elect. 3% Gtd.	81*	81*	3 1 8	4 13 10e
April 1, 1968-73			2 15 5	4 7 9f
Brit. Elect. 3% Gtd.	79½*	79⅜	2 16 7	4 9 4e
Mar. 15, 1974-77			2 14 1	4 6 11f
Brit. Elect. 3¼% Gtd.	87	87	2 11 10	4 9 2e
Nov. 15, 1976-79			2 10 6	4 7 10f
Brit. Tpt. 3% Gtd.	74½	75	2 19 5	4 14 3e
July 1, 1978-88			2 15 5	4 8 7f
Brit. Tpt. 3% Gtd.	81*	81*	3 1 8	4 13 10e
April 1, 1968-73			2 15 5	4 7 9f
Brit. Gas Gtd. 3%	74½	74⅜	2 13 4	4 9 1e
May 1, 1990-95			2 11 7	4 7 5f
Brit. Gas Gtd. 3½%	88⅛	88⅛	2 12 8	4 8 6e
Sept. 10, 1969-71			2 11 4	4 7 1f
Brit. Iron & Steel	85½	85½	2 12 3	4 9 5e
3½%, 1979-81			2 11 6	4 8 7f

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, Mar. 12, 1952	Price, Mar. 19, 1952	Yield, Mar. 19, 1952
%	%					£ s. d.
40	*b*		20 *a* Anglo-Am. 10/-	7½	7⅜	5 6
5	*a*		25 *b* Anglo-Iran £1	5⅜	5½	5 9 1
7½	*a*		12½ *b* Assoc. Elec. £1	68/9*	66/6*	6 0 4
27½	*c*		7½ *a* Assoc. P. Cem £1	96/10½	93/9	5 17 4
45	*c*		50 *c* Au.tin 5/-	30/-	28/9	8 13 11m
15	*a*		†17½ *b* Bass £1	115/7½	119/4½	7 3 10
40	*c*		5 *a* Boots 5/-	18/-*	18/-*	5 11 1s
9	*c*		7 *a* Br. Celanese 10/-	26/3	24/1½	3 14 7
12	*b*		8 *a* Br. Oxygen £1	76/6	72/6	5 10 4
5	*a*		7½ *b* Coats £1	44/4½	43/9	5 14 3
6½	*b*		5 *a* Courtaulds £1	38/3	36/9	6 2 6
22½	*c*		7½ *a* Distillers 4/-	18/-	17/3	5 4 4
15	*c*		17½ *c* Dunlop £1	55/7½	53/1½	6 11 9
10	*c*		12½ *c* Ford £1	45/6	43/-	5 16 3
22½	*c*		7½ *a* Gen. Elect. £1	76/3	72/6	6 4 2
11	*a*		17 *b* Guinness £1	108/1½	113/1½	4 19 1
4½	*a*		5½ *b* Hawker Sid. £1	34/-	33/6	5 13 5
9	*b*		3 *a* Imp. Chem. £1	41/-	40/5	5 13 3
13½	*a*		18½ *b* Imp. Tobacco £1	85/-	85/-	7 10 10
5	*a*		10 *b* Lancs. Cotton £1	36/10½	33/9	8 17 10
7½	*a*		20 *f* Lon. Brick £1	56/3*	53/9*	6 10 3
15	*a*		60 *b* Marks & Sp. A 5/-	79/-	75/-	5 0 0
8	*b*		8 *a* P. & O. Def. £1	49/6	45/-	4 14 10p
17½			7½ *a* P. Johnson 10/-	35/-	33/6	7 9 1
17½	*b*		15 *a* "Shell" Stk. £1	85/7½	81/10½	5 15 5
12½	*a*		12½ *b* Tube Invst. £1	5¼	4¾	5 2 7
5	*a*		15 *b* T. & Newall £1	86/3	81/10½	4 17 8
13½	*c*		5 *a* Unilever £1	48/1½	46/3	5 13 11
8	*c*		10 *c* Union Castle £1	43/6	41/6	4 16 5
50	*c*		20 *a* U. Sn Betong £1	45/-	43/9	22 17 2
10	*b*		2½ *a* Vickers £1	45/-	43/9	5 14 3
15	*a*		27½ *b* Woolworth 5/-	40/9	33/6	5 7 7

(a) Interim div. (b) Final div. (c) Div. for whole year. (h) Yield basis 20% after capital bonus. (m) Yield basis 50% before merger. (p) Yield basis 10⅓% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 15, 1952, total ordinary revenue was £75,374,000, against ordinary expenditure of £78,452,000 and issues to sinking funds £510,000. Thus, including sinking fund allocations of £26,682,000, the surplus accrued since April 1, 1951, is £444,657,000 compared with a surplus of £770,393,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1951-52	April 1, 1950 to Mar. 17, 1951	April 1, 1951 to Mar. 15, 1952	Week ended Mar. 17, 1951	Week ended Mar. 15, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1353036	1581395	29,770	30,119
Sur-tax	128,000	114,400	121,200	4,100	3,800
Estate, etc., Duties	180,000	177,850	175,400	3,900	3,700
Stamps	55,000	51,660	59,300	1,200	1,300
Profits Tax & E.P.T.	312,650	262,170	300,900	3,500	3,900
Other Inland Rev.	500	560	550	15	...
Special Contributn.	1,500	4,720	2,580	80	30
Total Inland Rev.	2302400	1964396	2241325	42,565	42,849
Customs	930,500	874,329	958,587	19,961	22,674
Excise	720,500	701,400	732,200	3,400	3,545
Total Customs and Excise	1651000	1575729	1690787	23,361	26,219
Motor Duties	62,000	61,213	64,528	120	247
Surplus War Stores	20,000	37,508	32,238	271	...
Surpl's from Tradg.	50,000	80,905	75,455	...	...
P.O. (Net Receipts)	5,400	- 7,800	5,228	500	3,000
Wireless Licences	13,600	11,900	12,800	...	...
Sundry Loans	27,000	25,876	25,393	...	2,370
Miscell. Receipts	105,000	71,032	91,923	884	689
Total Ord. Rev.	4236400	3836359	4239678	67,701	75,374
SELF-BALANCING					
Post Office	179,431	160,200	179,772	2,000	...
Income Tax on E.P.T. Refunds	4,900	7,934	5,245	133	48
Total	4420731	4004493	4424695	69,834	75,422

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	473,187	508,282	2,472	5,026
Payments to N. Ireland	38,000	35,362	37,394	...	...
Other Cons. Funds	11,000	9,479	10,712	250	13
Total	584,000	518,028	556,388	2,722	5,039
Supply Services	*3514062	2528590	3211949	74,286	73,413
Total Ord. Expd.	*4098062	3046619	3768338	77,008	78,452
Sinking Funds	...	19,347	26,682	...	510
Total (excl. Self-Bal. Expd.)	4098062	3065966	3795020	77,008	78,962
SELF-BALANCING					
Post Office	179,431	160,200	179,772	2,000	...
Income Tax on E.P.T. Refunds	4,900	7,934	5,245	133	48
Total	4282393	3234100	3980037	79,141	79,010

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After decreasing Exchequer balances by £296,267 to £3,126,365, the other operations for the week increased the National Debt by £44,966,474 to £25,801 million (corrected total).

NET RECEIPTS (£ thousand)

Cinematograph Film Production (Special Loans) Act, 1949, s. 8(1)	126

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	1,250
EPT Refunds	58
Local Authorities Loans Act, 1945, s. 3(2)	6,800
Cotton (Centralised Buying) Act, 1947, s. 2(1)	3,000
Miscell. Financial Provisions Act, 1946, s. 2(1) War Damage: Board of Trade	350
Miscell. Financial Provisions Acts 1946 & 1950: Civil Contingencies Fund	30,000
Finance Acts, 1946 & 1947: Postwar Credits	343
	41,801

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	24,075	2½% Def. Bonds	490
Nat. Savings Certs.	300	3% Def. Bonds	2,240
Ways & Means Advances	27,055	3% Ter. Annuities	1,850
		Tax Reserve Certs.	1,691
		Other Debt:—	
		Internal	190
		External	1
	51,430		6,462

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposit by Bank	Total Floating Debt
1951						
Mar. 17	3180·0	1799·6	369·6	6·5	294·0	5676·7
Dec. 15	4718·1*		207·7	...	123·0	5048·8
,, 31	4782·5*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·0	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	6601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·5
,, 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4516·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0

* The proportion of tender and tap Bills surrendered for 1¾ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Mar. 16	250·0	332·7	250·0	10 2·96	66
Dec. 14	170·0	234·0	170·0	19 6·88	60
,, 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75
,, 14	200·0	250·4	200·0	26 3·64	69

On March 14th applications for 91 day bills to be paid from March 17 to March 22, 1952, were accepted dated Monday to Saturday as to about 69 per cent at £99 8s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £200 million were offered on March 21st. For the week ended March 22nd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 49 Weeks ended Mar. 10, 1951	Totals 49 Weeks ended Mar. 8, 1952	Week ended Mar. 8, 1952
Savings Certificates:—			
Receipts	117,500	146,100	3,700
Repayments	125,300	128,200	2,600
Net Savings	*Dr. 7,800*	17,900	1,100
Defence Bonds:—			
Receipts	23,725	53,559	905
Repayments	45,690	67,691	1,638
Net Savings	*Dr21,965*	*Dr14,132*	*Dr 733*
P.O. and Trustee Savings Banks:—			
Receipts	621,126	663,517	17,323
Repayments	675,603	752,140	15,558
Net Savings	*Dr54,477*	*Dr88,623*	1,765
Total Net Savings	*Dr84,242*	*Dr84,855*	2,132
Interest on certificates repaid	28,106	32,186	689
Interest accrued	118,739	119,236	2,496
Change in total invested	+ 6,391	+ 2,195	+ 3,939

BANK OF ENGLAND RETURNS

MARCH 19, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1381,557,836	Other Govt. Securities	1385,802,826
In Bankg. Department	18,798,987	Other Secs.	670,653
		Coin (other than gold)	2,511,421
		Amt. of Fid.-Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	338,137,853
Rest	3,946,811	Other Secs.:—	41,295,288
Public Deps.:—	11,759,097	*Discounts and*	
*Public Accts.**	*11,415,508*	*Advances*	*16,114,450*
H.M. Treas. Special Acct.	*343,589*	*Securities*	*25,180,838*
Other Deps.:—	369,512,114		
Bankers	*287,371,006*	Notes	18,798,987
Other Accts.	*82,141,108*	Coin	1,538,894
	399,771,022		399,771,022

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Mar. 21	1952 Mar. 5	1952 Mar. 12	1952 Mar. 19
Issue Dept. :—				
Notes in circulation	1313·0	1375·1	1380·2	1381·6
Notes in banking department	37·4	25·2	20·1	18·8
Government debt and securities*	1345·7	1396·8	1396·8	1396·8
Other securities	0·8	0·7	0·7	0·7
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits:—				
Public Accounts	14·6	19·6	14·8	11·4
Treasury Special Account	11·3	0·8	0·5	0·3
Bankers	302·7	274·2	286·1	287·4
Others	86·1	83·7	85·5	82·1
Total	414·7	378·1	386·9	381·2
Securities:—				
Government	361·5	334·5	343·1	338·1
Discounts, etc.	8·5	9·5	15·6	16·1
Other	25·0	25·8	24·9	25·2
Total	395·0	369·8	383·6	379·4
Banking dept. res.	38·3	26·8	21·7	20·3
	%	%	%	%
"Proportion"	9·2	7·0	5·6	5·3

* Government debt is £11,015,100, capital £14,553,000. *Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Mar. 13	77·0	88·00	Markets Closed	
,, 14	77·0	88·00	,,	,,
,, 15	Markets	Closed	,,	,,
,, 17	77·0	88·00	,,	,,
,, 18	77·0	88·00	150 4	86 4
,, 19	77·0	88·00	148 4	85 10

THE BOWATER ORGANISATION

A Policy of Continuing Development

AT THE ANNUAL GENERAL MEETING of The Bowater Paper Corporation, held in London recently, the Chairman, Sir Eric Vansittart Bowater, reviewed the consolidated Balance Sheet and Accounts of the company and its subsidiaries of which a summary is given below.

A substantial part of the earnings was attributable to extraneous profits arising from inflation but the higher level was also attributable to increased production generally, to achieve which the Organisation has spent during the last five years on plant, machinery and development generally some £9 million, of which only £3,200,000 was new money.

The overseas companies, from which so substantial a part of the revenues is derived, achieved record results, particularly the Canadian Company which shared in the great prosperity of the North American continent, and achieved all-time high records in the production of newsprint and pulp.

The business of the Organisation is such that it depends for its prosperity on high consumption and quantity production and the plants are laid out and designed to that end; it is one which has and should continue to have an ever increasing demand for its products, and the policy is of continuing development for so long as the market for increased production exists.

To that end plans for another newsprint machine at the Kemsley mills had been approved and orders placed for the plant and equipment; current plans include new steam and power plants at Kemsley mills and Thames mills, speeding up existing paper machines in the United Kingdom and development of the plants of the converting companies.

With regard to the United States, Sir Eric reported the successful conclusion of negotiations for the erection of an integrated newsprint and kraft sulphate pulp mill in Tennessee with an annual capacity of 130,000 tons of newsprint and 50,000 tons of pulp, to be constructed and operated by Bowaters Southern Paper Corporation. All the necessary governmental consents, including that of the U.K. Treasury enabling the parent Corporation to acquire the entire equity capital, have been obtained and the output of both newsprint and pulp covered by forward contracts.

The Canadian Company also continues its policy of development and plans for speeding up existing plant to maximum possible capacities are in course of implementation and orders for the replacement of two of the vessels lost during the war have been placed with a British firm. These developments will be financed out of the Canadian Company's own resources.

With regard to the future, Sir Eric said it was impossible under current conditions to make any detailed forecast, but in saying that the immediate future for the Organisation would appear to be not unsatisfactory, he had in mind that the earnings to date had been running at a reasonable level and so far as can at present be seen there is a fair prospect of maintaining full production of the plants in this country, and more than probable that the overseas companies would again enjoy a satisfactory year.

The Bowater Paper Corporation Ltd and Subsidiary Companies

Summary of Profits for the Year ended 30th September 1951

1950 £			£	£	
		PROFITS after deducting depreciation and interest on Loan Capital of overseas subsidiaries but before charging taxation		8,564,729	
3,683,166		DEALT WITH AS FOLLOWS:			
1,890,688	*51.3%*	**Taxation** (including overseas taxation)		5,045,317	58.9%
57,204	*1.6%*	**Interest on Loan Capital of the Corporation** (net)		55,563	.6%
215,305	*35.3%*	**Profits transferred to Reserves or carried forward by** Parent Corporation	244,303		
1,084,644		Subsidiary companies	2,671,166		
				2,915,469	34.0%
164,450	*4.5%*	**Dividends** (net) on Preference Capital of subsidiary companies		158,057	1.9%
122,375	*3.3%*	on Preference Capital of the Corporation		106,823	1.3%
148,500	*4.0%*	on Ordinary Capital of the Corporation		283,500	3.3%
£3,683,166				£8,564,729	

Summary of Net Assets as at 30th September 1951

1950 £		£	£
18,629,248	**FIXED ASSETS** including Investments and War Damage Claims at book values		19,037,870
19,445,540	**CURRENT ASSETS**	28,673,605	
7,389,397	*Less:* Current Liabilities and Provisions	12,355,839	
12,056,143			16,317,766
£30,685,391			£35,355,636
	REPRESENTED BY:		
11,885,193	**Loan Capital**		11,533,561
5,720,871	**Preference Capital** of subsidiary companies		5,727,546
4,600,000	**Preference and Ordinary Capital** of the Corporation		5,500,000
2,396,531	**Capital Reserves** *and Share premiums*		2,960,723
5,188,701	**Revenue Reserves** and undistributed Profits		7,277,556
894,095	**Reserves for future Income Tax**		2,356,250
£30,685,391			£35,355,636

COMPANY MEETINGS

IMPERIAL TOBACCO COMPANY (OF GREAT BRITAIN AND IRELAND), LIMITED

SUBSTANTIAL ADDITIONS TO RESERVES: A PRUDENT AND NECESSARY PROVISION

TAXATION'S DEPRESSING AND DAMAGING EFFECT ON INDUSTRY

SIR ROBERT SINCLAIR ON THE RESULTS AND PROSPECTS

The fiftieth annual general meeting of the Imperial Tobacco Company (of Great Britain and Ireland), Limited, was held on March 18th in Bristol.

Sir Robert Sinclair, KCB, KBE, the chairman, who presided, said: Before proceeding to comment on some of the more important aspects of the accounts I would invite your attention to that paragraph in the report which refers to the directorate.

Mr Stephen Mitchell, who died last June, was for many years associated with the branch which bears his name and, after retirement from active work, he continued to serve on the board; on both business and personal grounds we shall miss him greatly. Mr A. B. Mitchell, who resigned during the year, had been one of the managers of the W.D. & H.O. Wills branch; he was a valued colleague and we are sorry indeed that the time of his retirement from the board has come. Mr Charles Broadhead has been appointed a director since the last meeting; he has rendered outstanding service to the company as personnel manager; he still holds that office and his experience and general ability will, I am sure, be of great value to our board.

THE STOCK POSITION

Turning now to the accounts, you will observe that the comparison of our balance-sheet figures with those of last year is dominated by the increase of some £15,300 000 in stock-in-trade. In paragraph 3 of the directors' report it is stated that the value of stocks of general materials and stores has increased, but that is mainly because of higher prices, and the effect, though substantial in itself, is small in relation to the increase in the value of our tobacco stocks. These stocks consist of unmanufactured leaf in bond and in transit, leaf in course of manufacture, and our manufactured goods. In the value of the two last the major element is, of course, duty. During the year in question the rate of the duty was unchanged, and the amount of tobacco in course of manufacture and in the form of manufactured stock at the end of the year was very much the same as it was at the beginning. Thus it is that the predominant reasons for the substantial increase in this item are, as indicated in the report, firstly, larger quantity, and secondly, higher average price, of the unmanufactured leaf tobacco in stock.

Dealing firstly with the physical quantity of the leaf stocks, I would explain that we were enabled in 1951, for the first time for some years, to buy from the United States and Canada quantities considerably in excess of a year's using, and thereby to go some way towards putting our stocks in a healthier position. During and since the war we have been for most of the time leading a hand-to-mouth existence as regards supplies of dollar tobaccos (although, I am glad to say, gradually building up a better position in regard to sterling area tobaccos); but last year's tobacco crops in North America were large and contained a good proportion of desirable tobacco, and with the dollars available our leaf buying organisations there made purchases that were satisfactory in quality and quantity.

LEAF PRICES

I come now to the other point, namely the increase in price of our leaf stocks—this increase is largely accounted for by the fact that at October 31, 1951, the quantity of leaf in stock which had been purchased before devaluation was very much less than at October 31, 1950. Indeed, it had very nearly been exhausted; that is to say, practically the whole of the stocks of dollar tobaccos at October 31st last were purchased after devaluation, whereas a year before there remained a substantial quantity purchased before devaluation. But the increase in value is also a reflection of the higher prices paid on most of the markets last year. The dollar prices of our purchases in America were rather higher than in preceding years, but the rise was not as much, grade for grade, as might have been expected or as, in fact, was experienced in some other markets. In my speech last year I commented on the fact that it might well give cause for concern that the price increase in many sterling area markets had been as great as it was. Southern Rhodesia is the most important of these markets, and it so happened that last year the flue-cured tobacco crop there was short and of relatively poor quality by reason of adverse weather conditions. No doubt that fact helped to put up prices, grade for grade, somewhat abnormally, although it is, in general, true that the level of prices in sterling area markets has been a reflection of a world shortage of suitable leaf tobacco which is only gradually being remedied. Fortunately, as I have indicated, our stocks of tobacco from these markets had been comparatively good so that our manufacturing programme in the year under review was not restricted by last year's short crop in Rhodesia. Moreover, it is not, I think, unreasonable to hope that, with more favourable growing conditions this year, there will be an opportunity to restore the position by a greater purchase of suitable Rhodesian tobacco.

The increase of some £3 million in the debtors item is due, firstly, to the level of sales at the end of October last being somewhat higher than in October, 1950; secondly, though to a small extent, to the higher price; and, lastly, to the normal fluctuations in the proportion of accounts outstanding.

PROFIT AND LOSS ACCOUNT

The trading profit of the parent company, taking into account the special surplus, shows a small decrease of £500,000, while the income from dividends and investments is slightly more. For the group there is a net increase before taxation of £1,700,000. The difference is accounted for by higher earnings of subsidiary companies, for some of which trading conditions in the past year have been exceptionally favourable. The parent company consists of the tobacco manufacturing branches, our leaf buying organisations overseas, and our headquarters organisation. The subsidiary companies are, in the main, companies whose primary function is to supply the parent company with essential supplies — packing materials, cigarette paper, etc. But they do a considerable amount of outside trade and operate on a competitive basis. The dividends received by the parent company from these subsidiaries amount to £828,000, as compared with £946,000 in 1950, and the balance of their profit, after taxation, has been put to reserve to help towards meeting increased replacement costs.

CAPITAL AND RESERVES

You will observe that we have again thought it prudent to transfer to leaf replacement reserve the special surplus which arises from the conversion to sterling at post-devaluation rates of exchange of the cost of such of our pre-devaluation stocks of dollar tobacco as we used during the year. The quantity of pre-devaluation tobacco used was in total substantially less than in the previous year, and, as I have already explained, by October 31st last the stocks of that tobacco had virtually been exhausted. Thus it is that the transfer to reserve on this account is this year £1,344,000, as compared with £3,073,000 in the previous year.

The use of the description "Special Surplus" has, I am afraid, given rise to some confusion of thought even to the extent of an inference that it is in some curious way a profit which arises from devaluation. To this company, which has to purchase part of its raw materials in dollars and sells only in a sterling market, devaluation of the £ represents a very substantial additional expense. It has been, and is, a substantial addition to our costs, requiring us not only to put our brands on a basis which currently can carry that extra cost, but also to provide additional finance to cover the dearer stock we need. It was for these reasons that we thought it fitting and prudent to put to reserve before considering any other appropriations the net amount of the profit which represented the difference between post- and pre-devaluation cost of the dollar tobacco purchased before devaluation and used during the year. But it is unfortunate and, as I have ventured to suggest, unreasonable that amounts of this nature, and applied in this way, should be subject to the severe deduction represented by profits tax and income tax.

It will be noted that bank overdraft and acceptance credits are, taken together, higher than last year, despite the fact that this year the balance of money due on the loan stock issue has been brought in. This increase is, of course, a reflection of the increase in the quantity and value of stock-in-trade to which I have already referred. For reasons which I will explain later the capital required for stock-in-trade at October 31st next will probably be appreciably less.

As is noted in paragraph 7 of the report, £1,344,000 is put to leaf replacement reserve; £800,000 is transferred from the balance of the parent company's profit, after taxation, to that company's general reserve; just over £1 million, after tax, has been added to the reserves of the group from profits of subsidiary companies; and the carry-forward of the group is increased by

£120,000. As a group, therefore, we have added this year some £3,300,000 to reserves apart from the provision for future income tax. It is perhaps too much to expect that we shall succeed in doing as much every year, but, so long as present conditions persist, we must regard a substantial addition to our reserves from the year's profits as a prudent and indeed necessary provision.

TAXATION

The charge for UK taxation in the parent company's accounts is about £1,300,000 more than last year, but this includes nearly £400,000 provided to cover the additional 6d. on the standard rate of income tax imposed in last year's Budget and payable on the 1950 profits. For the group the total charge, including the figures I have mentioned, is £16,166,000, or nearly £3 million more than last year.

You will not, I am sure, expect me to give any precise estimate of the effect on this company of the excess profits levy introduced in the Budget last week. It would be premature to do so until there has been an opportunity of studying the detailed proposals which in due course will be disclosed in the Finance Bill. Nevertheless, looking at the general rather than the particular position, I cannot refrain from saying that however grave the country's economic situation may be—and no one can deny that it is very grave—and however courageous are the measures to deal with it, it is a pity if the great contribution that industry can make to our national recovery is to be hindered by additional costs and taxation which combine to increase the difficulty of maintaining the capital which is the real structure of industry.

I am sure that industrial firms generally—certainly the overwhelming majority of those engaged in their management—are very conscious of their responsibilities in these critical days, and will not waste time by protesting against the new tax being given general application, on account of the physical impossibility of segregating those profits that are directly or indirectly derived from the re-armament programme. There may well be important points of detail which require further consideration when the text of the Finance Bill is available. But two facts cannot in my judgment be over-emphasised. The first is that some way has got to be found of making it less difficult than it is for industry to maintain its capital. I mean by that some revision of the basis on which profits are computed for tax purposes and some reduction of the weight of taxation so as to diminish the inflationary effect which it undoubtedly produces at present. The second is that some real reward, other than tax reliefs in limited cases or increases in remuneration which are in effect mainly increased contributions to the Exchequer, should be possible for greater ability, for better and more skilful application of scientific knowledge or management technique, and for increased responsibility or for risks successfully undertaken. Sooner or later the depressing and damaging effect of present taxation in this respect will receive recognition, and the sooner that happens the better for industry as a whole and for the increased productivity of the country.

DIVIDEND

The rate of dividend on the ordinary stock is the same as last year. I need hardly remind you that this rate is less than it was a few years ago, and that the working capital has very substantially increased. Moreover, the gross amount distributed in dividend is slightly less than it was before the war, and with the higher rate of income tax which now operates the net amount is, of course, appreciably less than prewar. When the purchasing power of the £ declines, as it has done in recent years, the investor might look for the number of pounds that he receives in dividend to be increased in some rough proportion to their fall in purchasing value. And he might the more reasonably expect this when he knows that operating costs including the remuneration of the other partners in industry—the salary and wage earners—have increased, and when he sees the increased money value of most of the items on the assets side of the balance-sheet. But, of course, the fact is that under present conditions many businesses, including our own, can do little if any more than earn a profit sufficient after taxation for some substantial annual provision towards meeting the steeply rising replacement costs and for the distribution of approximately the same amount in dividend, even though the purchasing power of that amount is much reduced. I hold no brief for any rigid limitation of dividends—a policy which is the antithesis of the encouragement to enterprise and efficiency which we need so badly today. Yet, in these critical times, I could not advocate, in the interests of higher dividends, a policy which increased profits to a point which prejudiced our goodwill or helped even in some small degree to fan the fires of inflation into stronger flame. Although tobacco may not be, strictly, a necessity of life it is perhaps more than a luxury, and we cannot ignore the fact that with the present very high rate of duty it is an item which has some weight in the official index of retail prices.

When all things are considered and regard is had to the considerable financial burden we have to carry, I hope that our stockholders will feel that the results of the year's operations are not unsatisfactory.

GIFT TO STAFF AND WORKPEOPLE

As will be seen from the report, the directors have decided once again to recognise loyal and efficient service by making a gift to staff and workpeople over and above their ordinary salary and wage.

The conditions of the gift are unchanged. It is paid as a percentage on total salary or wage received during the year ended October 31, 1951. This year the rate will be 14 per cent and the cost at that rate will be not less than the cost at 15 per cent last year, and, of course, substantially greater than it was a few years ago. It will be clear that this is the result of general increases in salaries and wages during the year.

The directors reserve to themselves a discretion to grant or withhold a share in the gift in any case that may appear to them to require exceptional treatment.

The results which the company has achieved reflect good team work. My colleagues at headquarters and I endeavour to visit all our factories and offices frequently—and, I may say, derive very real pleasure and benefit from so doing—and I can assure you that the conditions under which the work is carried on are good, that efficiency is all the time improving with advances in machinery and technique, and that we are a team. Efficiency, good working conditions (and that includes welfare), and the preservation of a really happy spirit among all our employees are the constant care of our branch managements, and there will be no disposition to rest on our laurels.

THE OUTLOOK

On our particular section of the front the outstanding features are, firstly, leaf supplies, and, secondly, costs, including duty.

The curtailment this year of the imports of dollar tobaccos will mean a return to the position where the stocks of these tobaccos in this country are at the bare minimum, even allowing for our considerable and increasing using of tobaccos of suitable quality produced in the sterling area. But we will do everything possible to meet public demand, and meet it with brands that continue to be very acceptable to the smokers of this country. In course of time as the country's economic situation improves we may reasonably expect that the stocks we hold in this country will gradually be restored to a satisfactory level for all the growths that are needed to maintain good quality blends in our products.

While it lasts, the reduction in leaf stocks will, of course, correspondingly reduce our need for finance so that, as far as we can see, the extent of our short-term indebtedness should be less next October than it was in October last.

Duty is, of course, the chief element in the cost of tobaccos and cigarettes. Frequent allusion has been made in the past to the undoubted dangers—to the industry and to the revenue—which must arise from too long a continuance of a rate of duty which is a very real deterrent to new smokers and imposes a severe penalty on those who now smoke. There can be no doubt that each year that passes, with prices as high as they are, does tend to sap the foundations of the trade and the contribution it makes to the national revenue. We may perhaps be somewhat reassured, if not consoled, by the fact that the Chancellor indicated in his Budget statement that he is alive to these dangers. Our fortunes as a company are very closely linked to the economic strength of the country, and in the present critical state of the country's finances it is, I think, our job to make the best of the situation and, despite all the difficulties, do our utmost to maintain production and sales and therefore the duty revenue.

At this meeting a year ago I referred to several factors which were increasing our costs, but I added that we would avoid as far as we could increasing the prices of our products to the public, and, where that was impossible, would keep the increase to the minimum. Unfortunately, during the year under review our costs, apart from duty, continued to rise in all directions. I have referred to the increases in the cost of our raw materials, but practically all other costs also rose, and all that we were able to do by way of increased efficiency—and there have been, I am glad to say, still further improvements this year—did no more than prevent the burden we had to carry increasing by more than it otherwise might have done. As you may remember, we made some small price increases in certain pipe tobaccos more than a year ago, and by last summer it was clear that we could not avoid some increase in the price of cigarettes. The increase made, however, was as small as possible, and it has had no adverse effect on the popularity of our brands.

Only some 2½ months of the new cigarette prices are reflected in the accounts before you today, and we would anticipate that a full year's benefit of these prices will, in general terms, offset the increases in costs. I think that, unless some entirely unforeseen complications arise and subject, of course, to further examination of the excess profits levy proposals when the Finance Bill is available, there are good grounds for hoping that the results of the current year's trading will not be very different from those we now present. But I would not feel justified in these uncertain times in pitching my hopes higher than that.

JUBILEE OF CORPORATE EXISTENCE

In conclusion, may I draw your attention to the fact that this is the fiftieth annual report of the company. It marks the jubilee of our corporate existence, and, with the account of the proceedings of this meeting, stockholders will receive a booklet describing and illustrating some of the company's present activities and telling something of its history. The tobacco manufacturing branches are, of course, the successors of firms of considerable antiquity. For more than two centuries, the names of some of them have been household words. And I think events have shown that those who formed the company 50 years ago last December were wise in their adoption of a policy which preserved the trading identities of these firms, while giving them the strength of cohesion and a pooling of resources and experience.

Confronted as we now are with altogether abnormal conditions, with recurring economic crises, with a rate of duty that only a few decades ago would have transcended the wildest flights of human imagination—we may be tempted to look with envious eyes on what, from this distance, seem to be the smaller problems of earlier years. Yet, in facing up to the difficulties of the present we can fittingly acknowledge our debt to the past. At the company's formation and at various times in its history problems that were formidable by any standard were successfully solved, and we may well be thankful today that there are, built into the structure of our company, the beneficial results of 50 years of prudent administration. Nor are such benefits purely material, or capable of precise evaluation. They include manufacturing experience and technical skill that have been accumulated over many years, and traditions of loyalty and service that had their origin in the constituent firms long before the company was formed. Moreover, I think we can justly claim that throughout the years there has been a steady enhancement of the goodwill of our trading branches with the public who buy their goods. These are assets of great price.

I now have pleasure in moving "That the report and accounts for the year to October 31, 1951, now presented be received and adopted."

I will ask the deputy chairman, Sir Wilfrid Anson, to be good enough to second that resolution and, in doing so, I am sure you would like me to say how very pleased we all were when, in the Birthday Honours last year, we saw the announcement of the Knighthood conferred upon him in recognition of his great services to the country and to this industry in particular.

Sir Wilfrid Anson seconded the resolution, which was carried unanimously.

The chairman then moved "That the payment of dividends of 5½ per cent on the 'A' 5½ per cent cumulative preference stock of the company, 6 per cent on the 'B' 6 per cent non-cumulative preference stock of the company, and 10 per cent on the 'C' 10 per cent non-cumulative preference stock of the company for the year to October 31, 1951, and the payment of an interim dividend of 13½ per cent on the ordinary stock of the company on September 1, 1951, be and the same are hereby approved and confirmed."

The resolution was seconded by the deputy chairman and carried unanimously.

The chairman then moved: "That a final dividend of 18½ per cent on the ordinary stock of the company for the year to October 31, 1951, be declared and be paid forthwith."

The motion was seconded by the deputy chairman and carried unanimously.

RE-ELECTION OF DIRECTORS

The chairman continued: The next resolution, ladies and gentlemen, is one of which notice was contained in the paper sent to you summoning this meeting and it reads: "That Mr George Adolph Falk, who is aged 75, having been born on June 2, 1876, and who is retiring from the board by rotation under the Articles of Association, be and is hereby re-elected a director of the company."

Although Mr Falk retired from active work at the end of the war, he retains a very keen interest in our affairs, keeps in close touch with many of us and is a most regular attender at our meetings. He has a very great knowledge of this industry and his wisdom and judgment are great assets to our board. For these reasons, as well as on personal grounds, I have the greatest possible pleasure in proposing this resolution, and I will ask the deputy chairman to second it.

The deputy chairman seconded the motion and it was carried with acclamation.

On the proposal of Mr A. G. Thomson, seconded by Mr C. H. Clements, the other retiring directors were unanimously re-elected.

The chairman announced that the auditors, Messrs Deloitte, Plender, Griffiths and Company, would continue to act in that capacity, their reappointment being automatic under the provisions of Section 159 of the Companies Act, 1948.

VOTE OF THANKS

Proposing a vote of thanks to the chairman, Mr S. G. B. James said that his personal association with Sir Robert had extended over 30 years, and in his opinion the chairman's outstanding quality was leadership. In so many aspects of national life leadership had been sadly lacking, and the company was most fortunate to possess a man so gifted in that respect. Some might say that the chairman had a tremendous driving force, but that so often suggested a picture of a man behind urging his team on. That was not so in this case, for Sir Robert was always out in front leading. Results were achieved by his inspiration and by the example set not only to his colleagues on the board, but to the most junior employee in office and factory.

At the end of next week their chairman was due to start on a tour of the company's African organisation, and he was sure that all stockholders would wish him a happy and successful trip.

Seconding the resolution, Mr R. M. E. Reeves said that he also had known the chairman for over 30 years and had always admired his never-failing calmness and steadiness even when things were very difficult, as business life had been in postwar years.

The motion was put to the meeting and carried with acclamation.

In brief acknowledgment, the chairman thanked the meeting for their reception of the motion and said how much he was indebted to the splendid team whose loyalty, knowledge and help in every possible way had brought about the results shown.

The proceedings then terminated.

ALDERS (TAMWORTH) LIMITED

STRONG POSITION

CONFIDENCE IN FUTURE

The sixteenth annual general meeting of Alders (Tamworth) Limited, was held on March 14th in London.

Mr E. B. Montesole, JP (the chairman), presided and, in the course of his remarks, said: During the year under review trading conditions have been greatly influenced by the wood-pulp market, which resulted in steadily increasing costs, and prices by the end of 1951 had reached an all-high level. Scarcity and heavy demand added to the inflated selling prices of paper. Her Majesty's Government has now taken action, and by currency allocations and by fixing a ceiling price on wood-pulp it is hoped the widely fluctuating conditions which have existed will disappear.

The accounts reflect the abnormal trading conditions and are no true criterion of the future; in support of this view your board recommends an appropriation out of taxed profits of no less a sum than £120,000, which should be adequate to meet any possible fall in stock values. So far as home-produced materials are concerned the price of waste-papers has risen between two and three times its former figure, but these stocks are quickly turned over and there is no insuperable difficulty in meeting such a situation.

As pioneers in the use of waste materials, including straw, we have increased production so as to establish a record for all our mills. This result has only been attained by the loyalty and fullest co-operation of our colleagues, staff and employees, who have made an outstanding contribution to our own and the national needs both as regards rearmament and export.

The last few weeks have shown a recession in trade, and while it is dangerous to prophesy, your board has confidence in the future; the fact that our plant and machinery at the various mills is entirely modern and economically run encourages us to think that we are in a sound position to meet the ever-changing conditions and whatever competition may arise.

The report was adopted.

BIRMINGHAM CITIZENS PERMANENT BUILDING SOCIETY

A YEAR OF CONTINUED PROGRESS

The annual general meeting of the society was held at the Imperial Hotel, Birmingham, on Wednesday, March 5, 1952. The chairman, Mr George Howe, presided, and in moving the adoption of the report and accounts said:—

The year under review is one which again records steady progress. The total amount invested with the society during 1951 was £490,646 and after allowing for the withdrawals there is a balance of £3,118,518 due to members, an increase of £190,247. Interest at the rate of 2¼ per cent tax paid by the society has again been paid for 1951, and it is proposed as and from April 1, 1952, to increase this rate by ¼ per cent making a total yield of 2½ per cent equivalent where tax is paid at the rate of 9s. 6d. in the pound to a gross return of £4 15s. 3d. per cent. The restrictions as to amounts which could be invested had been removed.

Advances during the year amounted to £772,390. The balance now due was £3,681,743 an increase of £179,325. Applications from sitting tenants formed a substantial part of the mortgage advances. Investments in Government securities and cash at bank amounted to £453,141 which represents 11 per cent of the total assets.

The profit and loss account shows a gross income of £156,827. After allowing income tax and profits tax £35,037, which is approximately 20 per cent of the society's gross income, management expenses £18,924 and other outgoings, the net profit was £84,328 out of which £67,018 was paid to shareholders at the rate of 2¼ per cent tax paid, and £15,000 transferred to general reserve fund. Total reserves and carry forward are £139,866. The total assets now amount to £4,144,644, an increase of £276,278.

The report and accounts were adopted and the retiring directors, Messrs. J. B. Chatterley and W. H. Madin were re-elected. The manager and secretary, Mr Leslie Goode, was also co-opted to the board of directors as a mark of appreciation for twenty-one years' service.

THE EASTERN BANK, LIMITED

A BUSY YEAR

The forty-second annual general meeting of The Eastern Bank, Limited, will be held at 2 and 3 Crosby Square, London, E.C., on April 9th

The following is an extract from the statement of the chairman, Sir Evan M. Jenkins, GCIE, KCSI, circulated with the report and accounts for the year to December 31, 1951:

The balance sheet total at £29,325,664 is higher by £1,666,271 than that of 1950. Current, deposit and other accounts show an increase of £1,617,051, and on the other side cash and bills receivable are up by £1,098,826 and advances by £2,526,970, while investments are down by £2,298,157. Net profit is £124,763 against £123,928 for 1950.

CHANGING TRADE TENDENCIES

The year 1951 was, like 1950, a busy one, but as the months passed signs began to appear of what may be a real change in trading conditions. Commodity markets were weaker and, though the demand for manufactured goods remained generally high, sellers were probably less comfortable than they had been at any time since the end of the war. These tendencies have continued into 1952 and will need careful watching.

The appropriations made from net profits are the same as those for 1950—£30,000 to premises and £60,000 to reserve for contingencies, and the final dividend recommended is again 3s. 6d. per share, less tax. We shall shortly be building premises at Aden, Baghdad and Karachi, and a reasonable appropriation to premises is desirable.

There has been little change in the conditions in which our Eastern branches work. The cost of living is still very high and is reflected in salaries and allowances, and building is as expensive as ever.

CONDITIONS IN THE EAST

In Iraq the outstanding event of the year was the negotiation of agreements between the Iraq Government and the companies concerned with the production and distribution of oil. It has always been the policy of the Iraq Government to apply almost the whole of the oil revenue to permanent development, and with the large resources available under the new oil agreements the Development Board and certain departments of the Government—to which 30 per cent of the resources will be allotted—will be able to undertake a really comprehensive programme of development. Business in Iraq in 1951 was satisfactory.

In Bahrein and the Persian Gulf business was well maintained during 1951 with steady prices and a lively demand for Continental and Japanese goods. The revenue derived from oil made it possible for the Ruler of Bahrein to carry out extensive improvements. Progress during the past few years has been impressive and is continuing.

In India the favourable swing of trade continued for the first quarter of 1951; thereafter, except in May, monthly balances were adverse. Economically, Pakistan has had another very prosperous year, with buoyant revenue and a favourable trade balance. Imports remained high and overbuying of piece goods led to a fall in prices which proved embarrassing to some importers. Ceylon has had another prosperous and tranquil year with a markedly favourable trade balance. Imports continued at a high level, assisted by some reductions in duty. Plans for the further development of the island are in hand.

CENTRAL LINE SISAL ESTATES

MR E. W. BOVILL'S STATEMENT

The fifteenth annual general meeting of Central Line Sisal Estates Limited was held on March 12th in London, Mr E. W. Bovill (the chairman) presiding.

The following is an extract from the chairman's statement which was circulated with the annual report and accounts for the year ended June 30, 1951:—

The consolidated accounts show a profit for the year of £155,111, after providing for rotation planting, London administration expenses and depreciation on buildings, machinery, rolling stock, etc.

Taxation absorbs £82,775. Much progress has been made during the year towards the settlement of the company's taxation liabilities; in fact, we are now almost up to date. Last year you will remember that I referred to the provision for taxes in dispute amounting to £15,700 in respect of the appropriate relief for payments of East African income tax and expenditure on native housing. On the advice of counsel we have reluctantly accepted the Inland Revenue's decision regarding the basis of relief for East African tax, and accordingly the relative provision of £6,400 has been transferred to current taxation liabilities. With regard to expenditure on native housing, the Inland Revenue have agreed that the amount expended for the year 1948 should be allowed as a charge in that year and therefore the relative provision of £2,222 has been transferred back to the profit and loss account. The balance of the item "taxation in dispute," amounting to approximately £7,000, has now been transferred to current taxation liabilities, pending the outcome of our continuing negotiations with the authorities.

The directors of the subsidary company have transferred £25,000 to general reserve and the general reserve of the parent company has been increased by £5,000 making in the aggregate £100,000. The board recommend the payment of a final dividend of 30 per cent, less tax, making with the interim dividend paid on June 29, 1951, 35 per cent, less tax, for the year. This will absorb £35,832. The balances to be carried forward to next year in the books of the parent company and the subsidiary company will be £4,117 and £3,053, respectively.

Our production of fibre totalled 2,032 tons, of which 1,124 tons came from Pangawe and 958 tons from Kingolwira. The big difference between the amount of fibre produced in the year under review and in the previous year is largely due to our now operating only two estates.

LABOUR POSITION

When I was in East Africa a year ago I naturally gave considerable thought to our labour problem. The conclusions I reached were not reassuring. Every estate was short of its needs. Our estates were worse off than some, but better off than others. Wherever I went I heard complaints of inequitable allocations of labour. I formed the opinion that the labour bureau were doing their best in an impossible task. We Tanganyika sisal growers have to face the basic fact that there is not enough labour to go round. Today there are 100,000 more wage-earning Africans in Tanganyika than before the war, but this increased labour supply is more than off-set by a greatly increased demand for labour, notably for Government-sponsored development schemes, but also for the planting industry to which high commodity prices have given a great stimulus.

WATER SUPPLY AT PANGAWE

Our other major problem has been the inadequacy of the water supply at Pangawe. There is probably no estate in East Africa which can produce sisal to equal that of Pangawe, but owing to an inadequate supply of water the quality of our fibre suffers and our costs are far too high. Great efforts have been made to improve the estate's own water resources, but we have been forced to the conclusion that no matter what we do they will never prove fully adequate. Happily the estate has been granted a permit to draw water from the Ngerengere River which lies on the far side of Kingolwira from Pangawe, and the work of laying down a pipe line and erecting a new pumping station is now in hand.

We have had under consideration the building of a central electric power station for the two estates in order to free ourselves from dependence on a number of prime movers. This project has been postponed in the hope that a public supply will become available before long at reasonable rates. If we are disappointed in this hope we shall have to proceed with our central power station project.

As shareholders are aware, our admirable Pangawe estate is a little handicapped by lack of land for new development and for providing gardens for our labour force. Two alternative ways of overcoming this shortage of land are now open to us: which we adopt depends upon negotiations which are now proceeding.

THE WAMI FARM

Although our Wami Farm incurred a loss of £3,603 in the year under review there is no reason to regret our having embarked on this venture. It was, and still is, our intention that it should pay its way, and this we hope it will do. But its real object was to ensure an adequate supply of food for our labour force in the famine years which periodically afflict East Africa and which, in the face of increasing population and chronic soil erosion, are likely to become more frequent.

A year ago I told you that we were still suffering the consequences of the disastrous drought of 1949. We are still feeling its effects. Our young areas are more backward than they should be and our nurseries are not adequate to our needs. Consequently our future production may be prejudiced, but not, I think, to a serious extent, especially as recent rainfall has been unusually heavy.

EFFECT OF CLIMATIC CONDITIONS

Considerable publicity has in recent weeks been given to the damage done to the sisal industry by the flooding of estates and by sun-scorch. These two evils have in my view been greatly exaggerated. Few sisal estates are so low lying as to be subject to flooding and our two estates are not among them. Sun-scorch has, for climatic reasons, been unusually widespread in the last year, and we have not escaped. In consequence the quality of our fibre will suffer a little in months to come, but the effect of sun-scorch is temporary and not a reason for alarm.

A matter which is causing the board some concern is our high cost of production. Official wage rates have recently been greatly increased by as much as 55 per cent. for one category of labour, and in East Africa, as in this country, practically all other charges tend steadily to rise. Nevertheless we consider our costs too high. Our new water scheme should help to bring them down.

Finally I must pay tribute to our general manager, Mr A. J. Marr, and his staff. Their burden is no light one. The problem of the competing demands on our inadequate supply of labour—for production, maintenance, planting, building, etc.—imposes on them a heavy burden of responsibility, but they are discharging it in a manner which does them credit.

The report was unanimously adopted.

SIXTY MINUTE CLEANERS

RECORD TURNOVER AND TRADING PROFIT

MR J. WILSON NICOL'S STATEMENT

The eighteenth annual general meeting of Sixty Minute Cleaners, Limited, was held on March 18th at the company's registered office, Annfield House, Maule Street, Carnoustie Mr J. Wilson Nicol (chairman and joint managing director) presiding.

The secretary (Mr Alex J. Hay) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended November 16, 1951, and was taken as read:

I have pleasure in submitting to you the eighteenth report of the directors of the company, together with the balance sheet of the parent company, and the consolidated profit and loss account and balance sheet of the parent company and subsidiaries for the year ended November 16, 1951.

The trading profits of the group this year amount to £159,312. Last year, when there were no profits brought in from the newly acquired subsidiaries, the trading profit for the year amounted to £101,926, but, of course, the figures are not comparable.

DRY CLEANING BUSINESS

So far as the company's principal business of dry cleaning is concerned, the year under review again constituted a record in the company's history in turnover and in trading profit. The net profit from dry cleaning is £28,113, as against £27,865 last year, depreciation having taken £24,154 (against £19,768).

Income-tax, £41,000, and profits tax, £36,000, for the year are not comparable, as the group has been treated as a whole for profits tax purposes.

During the year, your directors have opened a new branch at Chelsea, and the Galashiels branch has been operating throughout the year. The company is restricted in the opening of new branches by the limitations imposed by the Government on building licences, and shortage of raw materials for dry cleaning, but new ideas have already been put into operation for overcoming part or all of these difficulties. Shareholders may, therefore, rest assured that no opportunity of obtaining suitable new premises will be overlooked.

SUBSIDIARY COMPANIES

You will expect me to say something of the experiences of your subsidiaries during the first year of trading. As shareholders will know, the clothing and other textile trades have in recent months, been going through a difficult time. The turnover for the companies for the year under review was a record, and until the autumn months of 1951 very gratifying profits were being earned; but owing to certain irresponsible utterances, and to the general shortage of money, coupled with the fluctuation in wool prices, some sales resistance was encountered during the latter months of 1951, and the trading profit for the full year was disappointing in that it fell below the average for the two previous years.

Your directors are hopeful that as these subsidiaries produce essential articles of children's outer wear, trade will again improve in the spring of this year. In order to strengthen the position for the future as far as possible, your directors have written down the stocks in the subsidiary companies, by what is considered to be a reasonable sum, namely an amount equivalent to an overall reduction on cost price of approximately 18 per cent, which includes a sum of £10,000 provided as a fluctuation reserve. Shareholders will appreciate that such a rate of depreciation is quite considerable, and they should know that wool, which has fluctuated very sharply in price during the course of 1951, forms only a small percentage of the cost of a finished garment.

FUTURE OF CLOTHING INDUSTRY

The future of trade in the clothing industry is very difficult to forecast, but your directors will energetically pursue a policy of good service, confident that they have a first-class factory producing in Peter Pan coats and accessories the ultimate in value for money. The export market is also being increased as much as possible.

During the year it was decided, in order to raise further capital to finance stocks in the subsidiary companies, to dispose of the heritable properties in Edinburgh, Aberdeen, Dunfermline, Galashiels and Perth. These properties were sold for a total consideration of £91,000, which was in excess of the prices paid for the properties, and it was a condition of the sale of these properties that the purchaser should grant very long leases extending to 99 years at what are considered to be very reasonable rentals. The company is thus assured of security of tenure, while at the same time they raised capital which has been, and can continue to be usefully employed in the group.

DIVIDEND MAINTAINED

In view of the considerable appropriations which have been made for depreciation on all the companies' assets, and the sums which they have been able to place to reserve, your directors consider they are fully justified in maintaining the dividend on the increased capital at 7½ per cent for the year.

The old service agreements having expired, the joint managing directors have signed new service agreements for a further period of five years, thus assuring continuity of the policy and administration which has proved so successful in the past.

TRIBUTE TO STAFF

The results obtained, which your directors in the circumstances consider reasonable, could not have been achieved without the active co-operation of the staff and, on your behalf, I should like to thank them for their efforts during the year.

The report and accounts were unanimously adopted and a final dividend on the ordinary stock of 45 per cent, less tax (making 75 per cent, less tax, for the year) was approved.

The retiring directors, Mr Horace Bell and Mr Andrew R. Wylie, were re-elected; the appointment to the board of Mr Ronald H. S. Anderson was confirmed; and the remuneration of the auditors, Messrs G. and J. McBain, CA, having been fixed, the proceedings terminated.

BRITISH HOME STORES LIMITED

GROWING FINANCIAL STRENGTH

The twenty-fourth annual general meeting of this company was held on March 19th in London, Mr Horace Moore, the chairman, presiding.

The following is an extract from the chairman's circulated statement:

The profit for 52 weeks, against 53 in the previous year, before taxation, was £1,063,619, against £959,239. Provision for taxation takes £625,000, compared with £542,500, leaving the profit, after taxation, £438,619, as against £416,739.

To general reserve is placed £274,649, bringing the total to £1,125,000. The proposed final ordinary dividend is 9d. per stock unit, less tax.

The Capital Issues Committee have given permission to capitalise the sum of £496,493 14s. from the company's general reserve and distribute two new ordinary shares for every ordinary stock unit of 1s. held. The issue will be made by renounceable allotment letter to stockholders on the company's register at the close of business on March 17, 1952, and the new stock units will rank for dividend as from January 6, 1952.

TRADING CONDITIONS

In 1951 we again had a large increase in turnover, but profit margins were lower as we had to meet substantial wage increases and rising costs of operation. A year ago I commented on the abnormally high costs of commodities and expressed the view that such levels would not be permanent. Towards the end of 1951 the shopping public became very price-conscious and refused to pay the prices then ruling. This resistance quickly brought about a reversal of the former price trend. Fortunately we are solely retailers, so that our losses, while considerable, have been limited. However, we have been able to end the year with clean stocks and a low forward order position.

The old saying "The customer is always right" begins to mean something again, particularly in textiles, and I believe that this reversal from a sellers' to a buyers' market will finally bring benefits to the community. If present conditions continue, from now on all concerned will have to be on their toes, the efficient will prosper, the inefficient may not survive.

A GROWING OUTLET

We have a very large and continually growing outlet to the public for the sale of low-priced quality goods of many types in everyday demand. I have welcomed the action taken in removing controls and, in my view, some of those remaining, particularly in clothing, could now safely be dropped. Such a course would tend to reduce the costs of production even faster.

Our new store at Southampton, the largest in our chain, was opened in November. Business there has been satisfactory. The Government have many serious problems to deal with, but we do enjoin them to show every possible sympathy to the quick restoration of the shopping facilities of the cities and towns, which have suffered so long in the cause of freedom.

The year has been particularly trying and difficult, but as always our staff have responded and given of their best.

The way in which we have been able to meet and surmount the manifold problems which have arisen encourages me to hope that next year we may once more report progress and a satisfactory year's trading.

The report was adopted.

MITCHELL COTTS AND COMPANY

ANOTHER RECORD YEAR

The annual general meeting of Mitchell Cotts and Company Limited will be held on April 9th in London.

The following is an extract from the statement by the chairman, Mr Leonard Aldridge, CBE, FGS, which has been circulated with the report and accounts:—

The year was a period of continued progress for your company and your directors are pleased to be able again to show a record profit and a correspondingly strengthened position.

During the year to June, 1951, there was a considerable increase in the turnover of nearly all companies in the group. This was due not only to rising price levels, but also to an increase in the volume of business. The group's exports from the United Kingdom alone amounted to about £6,600,000 for the year and during the current year have been running at a level equivalent to about £9 million per annum. Imports of produce and other materials into the United Kingdom were in excess of £2 million, and trading between overseas branches of the group has been at an increased level.

Under more stable conditions your directors might have felt that the overall position justified an increase in the ordinary dividend. You will recall that the 25 per cent rate has been maintained since 1947, although in 1949 an issue was made at par of three ordinary shares for every seven held. However, after careful consideration, the board decided that the interests of the company and shareholders would best be served by maintaining the same distribution.

OVERSEAS INTERESTS

Both our South African and East African groups of companies showed substantially improved results and their trading since the close of the year has been fully maintained.

It is interesting to record that one of our companies in South Africa will make a major contribution in the development of projects for the production of uranium by several of the large South African gold mines. Our subsidiary has been awarded very important contracts for the design, supply and erection of uranium plants and additional large orders are under negotiation.

In the Middle East there was also a very marked improvement and up to the present time political disturbances have not greatly affected our business in that area.

Our Far Eastern, Italian and American subsidiaries have shown better results and rendered useful service to the other members of the group. Our United Kingdom subsidiary, Alexander Young (London) Limited, trading in the Far East, has also increased both its turnover and earnings. In London the parent company has had an active and satisfactory year, most departments showing increased turnover and profit.

The expansion of our business, which has continued in recent months, has called for additional finance. Your board, who are carefully studying the present position, may decide that an increase of permanent capital is advisable. With this possibility in view you will be invited at the annual general meeting to pass the necessary resolution to increase the authorised capital to £3 million by the creation of 3 million ordinary shares of 5s. each.

Preliminary figures for the current year are promising and if conditions remain no less favourable in the coming months I am sure we can look forward to another satisfactory year.

BORAX CONSOLIDATED, LIMITED

FURTHER EXPANSION

The fifty-fourth annual general meeting of Borax Consolidated, Limited, was held on March 18th in London, Mr D. Abel Smith, MC (the chairman), presiding.

The following is an extract from his circulated statement:

Our expansion during the year is evidenced by a further increase in the trading profits, which have risen from last year's figure of £1,407,774 to a new record of £2,043,621. At the same time our investment income has risen from £260,397 to £367,425. After charging directors' remuneration, depreciation and debenture interest, the profits before United Kingdom taxation are £2,049,391, compared with £1,558,601 last year. The charge for taxation totals £1,258,000 against last year's figure of £907,000. This leaves a net profit for the parent company of £791,391 compared with £651,601 in 1950, the Group figures being £892,462 (1951) and £687,662 (1950).

CAPITAL EXPENDITURE

Capital expenditure during the year amounted to just over £1 million. We increased productive capacity in the case of some products, whilst in the case of others we modernised plant and machinery. Our overall aim has been to mechanise and reduce the cost of labour wherever possible. We have been successful in this, and the beneficial effects of some of this expenditure were already felt in the year under review. The increased output assisted us materially in holding down production costs.

The sellers' market continued during the period under review. Demand was stimulated by some of our buyers stockpiling to protect themselves against possible future shortages. This caused our plants to be operated at top capacity, with the result that production everywhere broke all records. I must point out, however, that since the end of our financial year conditions have changed again, and we are now in a buyers' market. The demand has fallen off considerably, and we do not expect it to pick up again until the rather large stocks built up by many buyers during 1951 have been reduced. In order not to accumulate stocks ourselves, we have had to ease output, which the flexibility in our productive capacity permits us to do without great penalty in the cost of production. For the foregoing reasons we do not expect to repeat this year the remarkable record which we have achieved in the year under review.

US POTASH COMPANY'S GOOD YEAR

The increase in the income from our trade investment came from the United States Potash Company, and this company has had another very good year, their production and sales having achieved a very high level.

I feel sure you will wish me to express our great appreciation to our executives, both at home and abroad, for the excellent results obtained during a difficult year. Our thanks are due to them as well as to all our agents in Britain and overseas. Their extensive knowledge of the varying requirements and individual characteristics of each consuming centre has always been and is of the utmost value to us in maintaining the high demand for the products sold under our famous 20 MULE TEAM brand.

The report was adopted, and a final dividend of 5½ per cent (making 7½ per cent for the year) and a bonus of 2½ per cent on the deferred ordinary stock was approved.

NATIONAL MORTGAGE AND AGENCY COMPANY OF NEW ZEALAND

A GOOD YEAR

The seventy-sixth annual general meeting of National Mortgage and Agency Company of New Zealand, Limited, was held on March 18th in London, the Rt Hon Lord Glenconner, the chairman, presiding.

The following is an extract from his circulated review:—

In spite of abnormal conditions the company has had an exceptionally good year, ending September, 1951. Wool has played an important part in the profits earned. The year 1951 was, in fact, the most remarkable one in the long history of the wool trade. Great as the advance in prices had been before Christmas, 1950, it was eclipsed when sales were resumed in the New Year.

A second important influence was due to the widespread publicity given to the rise in prices. As a result the public bought clothing and other textiles, so that a record output of the world's textile industries in 1950 was cleared without difficulty. Then came a sudden and a dramatic change.

It was announced in Washington that the stockpiling had been suspended and there was no buying for current military needs in the United States for the next few months. The civilian trade, too, became very quiet and there was nothing to prevent a headlong slide in prices.

The mercantile side of the company's business has once again had a most successful year. Turnover has been exceptionally large. Net trading profit for the year at £108,643 shows only a small increase over last year.

The report was adopted.

BREVITT LIMITED

ANOTHER SUCCESSFUL YEAR

The third annual general meeting of Brevitt Limited was held on March 17th in London, Mr E. S. Harding (the chairman) presiding.

The following is an extract from his circulated statement:

I am once more pleased to be able to report a successful year's trading by the group, the accounts showing a net profit of £211,104 before taxation. The difficulties and uncertainties of trading conditions, to which I referred in my review last year, have continued, and I think, therefore, you will regard the results of the year as satisfactory.

An important factor contributing to the trading result which has been achieved is an expansion in turnover, and that this has been possible reflects great credit upon the factory staff, who have obtained the additional production by efficient management. The increase in turnover represents an increase in trade both at home and overseas, and "Brevitt" is proud to be by far the largest exporter of women's shoes from this country to the United States of America.

The directors recommend the dividend on the ordinary shares be maintained at the rate of 20 per cent per annum (less tax) for the year.

The balance of the profit and loss account to be carried forward to next year amounts to £46,443, of which £24,103 has been retained in the accounts of the subsidiary companies apart from the reserve for future taxation, now totalling £85,000.

All the company's factories are employed to full capacity and our order book is full.

The report was adopted.

SCOTTISH AMICABLE BUILDING SOCIETY

DIAMOND JUBILEE ANNUAL GENERAL MEETING

The sixtieth annual general meeting of the shareholders of the Scottish Amicable Building Society was held on March 17th in Edinburgh. The President, Lord Inverclyde, KStJ, DL, said in the course of his speech:

During the year business conditions in a troubled world have proved perhaps more favourable for building societies than might have been anticipated. We have been told that 1952 will be a hard and difficult year, and this has been confirmed by the Chancellor of the Exchequer.

The President made reference to the encouragement given by the Government to local authorities to increase the grant of licences to would-be owner-occupiers of newly built houses, a welcome policy to the many thousands who wish to become home owners. He also referred to the national necessity for thrift, pointing out that building societies will continue to be a very popular medium for savings, and this has been proved by the very satisfactory increase in the Society's investment department.

STRONG LIQUID POSITION

The President continued: I would draw your attention to one or two of the more outstanding figures in the annual report. The sum at the credit of shareholders and depositors has increased by £1,445,460. Investments in trustee securities and cash at bank amount to £3,644,216, representing 20.8 per cent of the amount standing at the credit of shareholders and depositors. The Society invested considerable sums in Government securities during and after the war, thus forming a sound liquid position. Owing to the decline in the gilt-edged market, the valuation of Government Stocks at the end of the financial year was less than the "book value"; your directors point out, however, that the Society's holdings consist solely of trustee securities, redeemable at par, and the redemption value exceeds the amount at which they stand in the books. A special investment reserve account has been created in recent years and now amounts to £150,000.

Mortgage assets show an increase of £1,481,554 to £14,372,250, and it is worthy of note that interest accrued and in arrear amounts to only £2,478. Share investors, depositors and borrowers now total 53,123. The assets have increased by £1,513,674 to £18,342,943.

After allowing £51,500 for depreciation and reserve funds, equivalent to 15.2 per cent of the divisible profits, the directors recommend allocating interest to unadvanced shareholders at the rate of 2½ per cent, income tax paid by the Society, leaving a balance of £13,160 8s. 6d. to be carried forward. Intimation has already been made of the board's recommendation that as from 16/2/52 the rate of interest on share investments be increased to 2½ per cent, income tax paid.

The president then stated that it was a fitting opportunity to pay tribute to the chairman and managing director, Mr Wm. S. Allison, who has completed thirty-one years' service; he has made the interests of the Society his life's work and is an acknowledged leader of the Building Society Movement.

The president referred to the exceptional strength of the Society's financial position enabling the future to be faced with well-founded confidence.

The report and accounts were approved.

ARISTON GOLD MINES (1929) LTD

The twenty-second annual general meeting of Ariston Gold Mines (1929) Limited was held on March 18th in London, Major-General W. W. Richards, CB, CBE, MC, chairman of the company, presiding.

The following is an extract from his circulated statement:—

Production and Ore Reserves.—328,370 tons of ore of an average grade of 7.134 dwts were milled during the year, against 293,000 tons of 7.564 dwts grade milled for the previous year. In addition, 5,402 tons accumulated concentrates were re-treated; 808 ozs of gold was produced from the special treatment of slags.

The total amount realised for the year was £1,327,446, against a total of £1,286,506 for 1950, an increase of £40,940. The ore reserves at September 30, 1951, were computed at 2,933,991 tons of an average value of 6.73 dwts, showing a decrease of 191,353 tons and an increase in value of .07 dwts. as compared with the preceding year's figures.

UNDERGROUND DEVELOPMENT

On the recommendation of the general manager and the technical advisers after a careful assessment of the company's ore reserves position in conjunction with the available supplies of labour and materials, it was decided to limit expenditure on development work to the exploration of the North Ore Body, where development on the 24th level has proved its downward extension with the consequent indication of a considerable further tonnage of payable ore. This is a development of major importance.

The tonnage sent to the mill from the mine is within the present 30,000 tons per month capacity of the plant. A final milling unit is now in course of shipment, to bring the total milling capacity up to 40,000 tons per month. Delivery of the winding engine necessary for this higher milling rate is expected in approximately 12 months.

The gross revenue at £1,327,446 is again a record, from the treatment of a record tonnage of 328,370 tons. Costs show a progressive increase at a total of £771,948, or 47s. per ton, against £659,387, or 45s. per ton for the previous year, despite every effort made both technically and administratively to reduce expenditure wherever possible.

The net result of our operations is a profit of £332,424 before taxation, being a reduction of £163,281 against the previous year. Ore development redemption at £61,245 is £17,834 more than last year. The cost of development redemption averaged 3s. 8d. per ton.

TAXATION

Although the company obtained some relief from taxation on the year's profits from initial allowances in respect of capital expenditure incurred during the year, the total charge for taxation (including gold duty) absorbed 62 per cent of the company's profits against 51 per cent in the previous year. The Gold Coast Government alone took some 38 per cent of the company's profits for Gold Coast income tax and gold duty, the total amount of which exceeds the distribution to members.

Dividends.—We have a total available for disposal of £240,548, out of which an interim dividend of 7½ per cent, less tax (2¼d. per unit) was paid on May 11th last. Your board now recommends the payment of a final dividend of 17½ per cent, less tax (5¼d. per unit), making a total of 25 per cent (7½d. per unit) for the year (less tax).

The report and accounts were adopted.

GOLD COAST MAIN REEF

CONTINUED PROGRESS

The eighteenth annual general meeting of this company was held on March 17th in London, Major-General W. W. Richards, CB, CBE, MC, chairman of the company, presiding.

The following is an extract from his circulated statement:—

The financial year ended on June 30, 1951, was one of continued progress. The net profit, after writing off £24,109 for depreciation and £31,060 for development expenditure, amounted to £34,413, as compared with the previous year's net profit of £9,937. We maintained the unbroken series of dividends since the year 1940-41 by the distribution of 5 per cent, less tax; and this has been followed very recently by an interim distribution of 5 per cent, less tax, for the current year ending on June 30, 1952.

Our mining activities extend over a length of four miles, from the Tuappim Mine at the south western end of our concessions running through the Bondaye and Ekotokroo sections up to our common boundary with the Ariston Mine. We are on the same line of quartz reef as Ariston, and it is very desirable that our two companies should work in the closest harmony to the best advantage of each. I have stressed this policy in my annual reviews during the past two years, and I am pleased to report that the liaison between the two mines has advanced quite materially since I last addressed you. This has permitted the introduction of various economies.

The liquid position of our company is distinctly more favourable than for some years past, and we can look forward with hope and confidence to the future.

The report was adopted.

HILGER AND WATTS

WORLD MARKET FOR PRODUCTS

The fourth annual general meeting of Hilger and Watts Limited was held on March 20th in London.

Mr G. A. Whipple, MA, MIEE (chairman and managing director) who presided, said: The accounts show an available surplus of £37,118, against £35,373 for the previous year. The trading surplus amounts to £162,006, against £145,528. The directors again recommend a first and final dividend on the ordinary shares of 7½ per cent, less income tax.

Difficult trading conditions persist, but we are fortunate in that our products have a low raw material content with a high conversion value. They are therefore viewed with especial favour by the Board of Trade and other interested departments.

Our associate company, Scientific Exports, will shortly be sending three specially trained University Graduates to strengthen their existing technical sales staff in Canada. North America is now our largest single market, and when I was there last autumn I formed the opinion that its capacity to take up our products is almost unlimited. Whilst still maintaining its export sales, your company is nevertheless contributing to the rearmament programme.

Our instruments continue to find favour throughout the world. Several very important new instruments have been put into production during the year; others are in course of development.

Great credit is due to our production staff in maintaining current output whilst planning and organising for the new factory; nevertheless, the coming months will be difficult.

The report was adopted.

CHURCHILL & SIM LIMITED

A GOOD YEAR

The fourteenth annual general meeting of Churchill & Sim Limited (timber brokers) was held on March 18th in London.

The report and accounts for the year ended December 31, 1951, showed a consolidated net profit, before taxation, of £155,365. A final dividend of 9 per cent is being paid on the ordinary shares plus a bonus of 10 per cent, making a total for the year of 25 per cent, compared with 15 per cent for 1950.

The following statement by the chairman, Mr J. C. C. Sim was circulated with the accounts:—

I greatly regret that it is my first duty to refer to the death of your late chairman, my father, Mr A. Chatterton Sim, who died in July last year. Mr Chatterton Sim was one of your founder directors and served with your company and its predecessor for over 50 years. Messages of condolence were received from all over the world.

HIGH LEVEL OF TIMBER PRICES

You will see from the accounts that our profits for 1951 are considerably more than for the preceding year. As mentioned by my father in his statement to you last year, this is, to some extent, due to contracts which were intended for 1950 shipment being shipped in 1951.

The very high level of timber prices ruling during the year contributed to the increase and, in addition to this, the company considerably expanded its trading activity.

After making provision of £75,640 for taxation, £30,000 is being placed to reserves, bringing the total of reserves up to £200,000.

Your directors recommend that a final dividend of 9 per cent be paid on the ordinary shares and, having regard to the trading result, they also recommend the payment of a 10 per cent bonus dividend, making a total payment of 25 per cent for the year.

TRADE'S HEAVY BURDEN

Although it was expected by many that all imported softwood buying would be handed back to the trade at an earlier date, it was not until the commencement of the current year that the Government took this step; in doing so, they imposed individual import quotas which will considerably reduce softwood importers' purchases from abroad. Even so, with the high prices ruling for softwood, hardwood and plywood and the present tendency to restrict borrowing powers, the trade will carry a heavy financial burden.

I record with much pleasure our sincere thanks to the assistant directors and members of the staff who have given your company such loyal support; this has greatly contributed to an excellent year's trading result.

The report and accounts were approved.

AMENDED

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS; PATENT EXAMINER AND PATENT OFFICER CLASSES. The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1952. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1952, may eventually be announced. Successful candidates may be appointed immediately. The Scientific posts are in various Government Departments and cover a wide range of scientific research and development in most of the major fields of fundamental and applied science. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply.

Candidates must have obtained a university degree with first or second-class honours in an appropriate scientific subject (including engineering) or in Mathematics, or equivalent qualification, or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer and Patent posts taking their degrees in 1952 may be admitted to compete before the result of their degree examination is known.

Age Limits: Senior Scientific Officers, between 26 and 31; for Scientific Officers and Patent Classes, between 21 and 28 during 1952 (up to 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales: Senior Scientific Officers (men) £812-£1,022; (women) £681-£917; Scientific Officers (men) £440-£707; (women) £440-£576; Patent Examiner and Patent Officer Classes (men) £440-£655. (Rates for women under review.) Somewhat lower rates in the provinces.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S. 53/52 for Senior Scientific Officers and S. 52/52 and S. 128/52 for the other posts.

THE ACCOUNTANCY OF CHANGING PRICE LEVELS
PUBLIC MEETING

arranged by the London Area Committee of the Institute of Cost and Works Accountants, to be held at Beaver Hall, Great Trinity Lane, London, E.C.4, at 5.15 p.m., on April 1, 1952, under the Chairmanship of Sir Henry Wilson Smith, K.C.B., K.B.E., a Director of Powell Duffryn Ltd., and late Second Secretary H.M. Treasury.

Mons. Francois-M. Richard, an eminent French accountant, will discuss French fiscal policy in an inflationary economy, and will show how the problem is being handled in France. The talk is addressed to business men, accountants, and economists.

Tickets of admission are free and obtainable from the Director of the Institute, 63 Portland Place, London, W.1.

SALES ADMINISTRATION.—A large firm of Paint Manufacturers (Public Company) in the London area has a vacancy for a Sales Executive with wide experience in Sales Administration. Knowledge of the technical side of paint selling is desirable but not essential. The person appointed will act as assistant to the Managing Director with special responsibilities in connection with Sales, and should be of a calibre suitable for eventual appointment to a Directorship.—Write in the first instance to Box L.337, c/o Streets, 110, Old Broad Street, E.C.2.

GRADUATES in Psychology required, aged 24-30, by large business organisation in London. He is required to assist in the work of a small group, under an experienced social psychologist, concerned with the development of methods for assessing attitudes and opinions. He should be interested in, and familiar with, qualitative methods and able to handle such data. The work involves the study of consumers by continuous contact, and will give ample opportunity for experimental work. The post is progressive, and the company operates a contributory pension scheme.—Write giving brief particulars of age and qualifications to Box 890.

FERRANTI LTD. have an important vacancy for a man of suitable qualifications and experience to study the uses of the Ferranti Electronic Computer in large-scale accounting and statistical calculations. He will be required to prepare detailed reports on systems now in operation and to work with mathematicians on the problems which arise in the application of new techniques.

Permanent staff appointment with superannuation benefits and generous salary according to qualifications.

Forms of application from Mr. R. J. Herbert, Staff Manager, Ferranti Ltd., Hollinwood, Lancs. Please quote reference DC Comm.

ACCOMMODATION AVAILABLE for conferences and summer schools at Needler Hall, Cottingham, during the months of July, August and September, 1952. Hall of Residence with facilities for 68 residents. Further particulars from The Registrar, University College, Hull.

BERTOLA is the Cream of Sherries.—Ask for BERTOLA CREAM.

ORGANISATION and methods man (39), of wide experience, administrative and journalistic ability, seeks responsible position anywhere.—Box 912.

UNIVERSITY OF ADELAIDE

Applications in writing are invited for the position of Reader in Commercial Studies. The appointment carries the status and superannuation benefits of a Reader in the University. Particulars of the general conditions of appointment of Readers may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The salary range is £A1,250—£25—£A1,450 a year; in addition, it is confidently expected that as from January 1, 1952, a cost-of-living allowance of not less than £150 a year will be added to all academic salaries in the University.

The Reader will be under the Professor of Economics for administrative purposes. His duties will include the teaching of some courses in Accountancy and the supervision of all courses in Accountancy and of those courses in Law which fall within the curriculum of the Faculty of Economics.

Applications in duplicate should (a) give particulars of age, nationality, academic qualifications, practical experience, war service (if any), and a list of publications (if any); (b) give the names and addresses of two referees of whom confidential enquiries may be made; and (c) be accompanied by copies of testimonials from persons other than the two referees, by a recent photograph and by a medical certificate of health. They should reach the Registrar, the University of Adelaide, not later than March 31, 1952.

A. W. BAMPTON, Registrar,
University of Adelaide,
North Terrace, Adelaide,
South Australia.

RHODES UNIVERSITY, GRAHAMSTOWN, SOUTH AFRICA

Applications are invited for the posts of:
SENIOR LECTURER IN ENGLISH
and
LECTURER IN ECONOMICS AND ECONOMIC HISTORY
from July, 1952.

Salary scales:

Senior Lecturer:	Men	—£600 x £25—£850 p.a.
	Women	—£550 x £25—£700 p.a.
Lecturer:	Men	—£550 x £25—£700 p.a.
	Women	—£425 x £25—£575 p.a.

Plus a variable cost-of-living allowance, at present about £109 p.a. for single persons and £256 p.a. for married persons. Previous experience and academic qualifications may be taken into account in fixing the initial salary.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is *April* 15, 1952.

ACCOUNTANT (Chartered or Incorporated) required as Assistant Secretary to a large public Company in the textile trade in Manchester. Age 30 to 40 years. Commercial Experience desirable. Excellent prospects.—Write Box 246, Wheelers Advertising Agency, 18, Pall Mall, Manchester, 2.

WILL any company employ barrister, Oxford graduate, as understudy to company or assistant company secretary with view to his assuming position in due course?—Box 910.

BRITISH CELANESE LIMITED require a Statistician with some years' experience in industry for work based on London. Age between 27-32 years. Qualifications required equivalent to Association of Incorporated Statisticians Final standards. This is a new post and offers good opportunities to the right man. Applications, enclosing full details of age, experience and qualifications, should be sent to the Personnel Manager, British Celanese Limited, 22 and 23, Hanover Square, London, W.1.

ACTUARIAL STUDENT, preferably having passed Part II of the examination, required to assist with consulting work in Johannesburg. Generous salary and excellent prospects. Apply stating age, qualifications and experience, to Messrs. Shepley, Fitchett & Eriksen, Consulting Actuaries, P.O. Box 6831, Johannesburg.

A.C.A., A.C.W.A., N.A.C.A. (45), experienced in standard costs, budgetary control and management, accounting generally, at present Secretary/Chief Accountant, requires post with more scope.—Box 893.

"SHE is a woman, therefore to be won." Advertising to women is an art in itself—a mixture of insight, experience and exact knowledge of their tastes and buying habits. You draw on many years of experience of advertising to the feminine market when you consult SAMSON CLARK & CO. LTD., 57/61, Mortimer Street, London, W.1. MUSeum 5050.

LADY, 36, B.Sc. (Econ.) Hons., 15 years' administrative, executive and statistical experience, industrial and organisational, in U.S., Europe, China, seeks permanent responsible post in London. Initial salary less important than assurance of advancement when merit proven.—Box 901.

UNIVERSITY OF LONDON
LEON FELLOWSHIP

Applications are invited for the Leon Fellowship for Research (preferably in the fields of Economics or Education) for the Session 1952-53. The Fellowship is of the value of not less than £500 a year, and is tenable in the first instance for one year. It is not essential that candidates should be members of a University, but they are expected to put forward a programme of research of an advanced character and to produce evidence that they can carry it out. Selected candidates will be required to attend for interview. Further particulars should be obtained from the Academic Registrar, University of London, Senate House, London, W.C.1, and applications for the Fellowship must be received not later than April 1, 1952.

THE UNIVERSITY OF MANCHESTER

Applications are invited for the post of Assistant Lecturer in Government. Salary scale £450 to £500 per annum with membership of FSSU and Children's Allowance Scheme. Applications should be sent not later than May 12, 1952, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

THE UNIVERSITY OF LEEDS
DEAN SCHOLARSHIPS

It is intended to appoint one or more suitably qualified graduates to Dean Scholarships, of an annual value of £300, ordinarily tenable for two years. Scholars are required to undertake research on a subject related to the history and economics of the wool textile industry.

Applications should reach the Head of the Department of Economics and Commerce, The University, Leeds, 2 (from whom further particulars may be obtained), not later than June 1, 1952.

CIVIL SERVICE COMMISSION. SPECIAL DEPARTMENTAL Classes (i.e. H.M. Inspectors of Taxes; Cadet Grade, Ministry of Labour and National Service; Probationary Assistant Postal Controllers; Grade III Officers, Ministry of Defence). The closing date for the receipt of completed application forms from candidates under Method I who are otherwise eligible has been extended to May 31, 1952.

For particulars and application forms write (preferably by postcard) to Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 17-20/52.

SECRETARY FOR A COMPANY NORTH OF MANCHESTER

A vacancy occurs, due to retirement, in a firm established over fifty years. The Secretary will be required to advise Technical Directors on financial matters, company taxation and economic trends, and to take complete control of the offices. Applicants should be worth not less than £1,500 per year. The successful candidate will be required to collaborate with consultants now developing budgetary control routines. Acquaintance with price fixing and sales forecasting methods an advantage. Age limit 45 years. Closing date for applications March 28th.—Box No. 905.

30-YEAR-OLD Cambridge Graduate (Economics), single, ex-Naval Officer, and with 3½ years' good commercial experience, seeks worthwhile and interesting post, preferably on Continent. Travel, long hours, and hard work welcomed.—Box 909.

EXPORT.—Honours Graduate Economics (30), with full export experience up to executive level, seeks change offering scope in home and export sales. Member Institute of Export, knowledge of German, French, Spanish. Keen interest in current affairs.—Box 904.

EXPERIENCED practical economist (36) offers his services as adviser (full-time or part-time) to a firm, group of firms or to an organisation. Specialised knowledge of raw materials, international trade and overseas economic affairs; skilled negotiator, flair for organising and capable of handling people. Write Box E511, L.P.E., 110, St. Martin's Lane, London, W.C.2.

YOUNG man (36), of proved ability, capable of assuming position of the greatest responsibility, trust and initiative, seeks appointment in London offering opportunity at a higher level. Cambridge science tripos, law degree. Wide production research and commercial experience in industry. Interested general economic questions related to trade and industry.—Box 906.

MALE (26), experience Commerce home and abroad, B.Sc. (Econ.) specialising in statistics, speaking Portuguese and Spanish, seeks opportunity with scope for training and talents.—Box 902.

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home farm), country-house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London.—Write Major B. Carnegie, "Stronvar," Balquhidder, Perthshire.

GOOD FOOD

We specialise in catering for industrial canteens, offices, and luncheon clubs. Our organisation is not too large or unwieldy and we can give personal supervision to all our contracts. Write for testimonials from our clients; addresses given on application to:-

Harold Jayes & Son, Ltd.,
29, West Heath Court,
LONDON, N.W.11.
SPEedwell 2498 & 6754

QUALIFIED STAFF AVAILABLE NOW

Accountants, Office Managers, Company Secretaries supplied immediately.

FINE'S EMPLOYMENT AGENCY
(HIGHER APPOINTMENTS SECTION)
95/99 PRAED STREET, LONDON, W.2. AMB 3400 (30 LINES)
FINE'S FOR THE FINEST STAFF

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony

CAPITAL ISSUED AND FULLY PAID UP - - - - - - $20,000,000
RESERVE FUND—STERLING - - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - - $20,000,000

Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
Chief Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M. Duncan Wallace H. A. Mabey O.B.E.

BRANCHES

BURMA	CHINA (Cont.)	INDIA	MALAYA (Cont.)	N. BORNEO (Cont.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaia	Kobe	Singapore	SIAM
*Dairen	EUROPE	Osaka	(Orchard Road)	Bangkok
*Foochow	Hamburg	Tokyo	Sungei Patani	UNITED
*Hankow	Lyons	Yokohama	Telok Anson	KINGDOM
*Harbin	HONG KONG	MALAYA	NORTH	London
*Mouklden	Hong Kong	Cameron	BORNEO	U.S.A.
*Nanking	Kowloon	Highlands	Brunei Town	New York
*Peking	Mongkok	Ipoh	Jesselton	San Francisco

* Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

B. W. BLYDENSTEIN & CO.
Established 1858

BANKERS

We specialise in all financial transactions with The Netherlands

54, 55 & 56, Threadneedle Street, London, E.C.2

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

ASHANTI GOLDFIELDS CORPORATION LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today recommended a Final Dividend (No. 111) on the Issued Capital of the Corporation at the rate of 1s. per cent per Unit of Stock, less Income Tax at 9s. 6d. in the £. This Dividend, which is in respect of the year ended September 30, 1951, to be payable on and after May 22, 1952, to all Stockholders on the Registers on March 27, 1952.

THE TRANSFER BOOKS WILL BE CLOSED from March 28, 1952, to April 3, 1952, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.

Registered Address:
10 Old Jewry, London, E.C.2.
March 18, 1952.

BIBIANI (1927) LIMITED

NOTICE IS HEREBY GIVEN that the Board of Directors have today recommended a Final Dividend (No. 29) on the Issued Capital of the Company at the rate of 6d. per cent per Unit of Stock, less Income Tax at 9s. 6d. in the £. This Dividend, which is in respect of the year ended September 30, 1951, to be payable on and after May 22, 1952, to all Stockholders on the Registers on March 27, 1952.

THE TRANSFER BOOKS WILL BE CLOSED from March 28, 1952, to April 3, 1952, both dates inclusive, for the preparation of Dividend Lists.

By Order of the Board,
E. W. MORGAN, Secretary.

Registered Address:
10 Old Jewry, London, E.C.2.
March 18, 1952.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc. Econ., LL.B.; and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.

Also expert postal tuition for Prelim. Exams. and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.

More than 50,000 POST-WAR EXAM. SUCCESSES.

Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.

Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary.

METROPOLITAN COLLEGE
(69/2), ST. ALBANS or call 30 Queen Victoria St., London, E.C.4

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, March 22, 1952.

SIR ROBERT

McALPINE

& SONS

Civil Engineering and
Building Contractors

The need for economy in the use of steel is in itself an invitation to Industrialists to consult McAlpines' organisation with a view to building in reinforced concrete instead of structural steelwork, thus saving up to 60% steel, up to 20% cost and considerable time in erection.

80 PARK LANE · LONDON · W.1

AREA OFFICES IN SOUTH WALES, MIDLANDS, TYNESIDE & SCOTLAND

The Economist

Established 1843

March 29, 1952 One Shilling

SECRETARIAT LIBRARY 26 APR 1952 MADRAS GOVERNMENT

LEADING ARTICLES

...p or Solvency? - - - - 773
...n Africans Entrenched - - 776
... Flannel or Ice Cream - - 777
...munists and Peasants - - 779

...S OF THE WEEK - - - 781
...ly to Moscow; The Odds in Europe; ...our Starts to Agree; The Local ...tions; Little Money and Fewer ...chers; The Saar Needs Time; Trieste ...Italy; The Paris Agenda; Award for ...ors; Health Service Costs; Spon- ... Television?; Report on the ...nbo Plan; Russians in Tokyo; Like ..., like Paul—like Perón; No ...enchment in Ireland; Equality and ...distance; Traffic in Footballers.

...OKS AND PUBLICATIONS - 789

...TERS TO THE EDITOR - - 793

...MERICAN SURVEY
Unmilitary Revolution - - 794
Good Enough for Farmers? - 795
...teel Dilemmas; Taft at Bay; Trouble ... Local 600; Southern Strategy; The ...axpayer's Burden; Shorter Notes.

...HE WORLD OVERSEAS
...General De Gaulle and His Troops - - - - - - - - 801
...gium Fears a Slump; Black Year for ...gentina; Cold War over Dutch New ...inea; Europe's Green Pool.

THE BUSINESS WORLD
...ing since the Budget - - 808
...erses for Rubber - - - - 810

...SINESS NOTES - - - - - 812
...nterpoint in Markets; Alarm in ...ncashire; Cuts in Rayon; EPU Mark ...; The Persistent Creditor; "Super- ...rity" Defined; South Africa's ...dget; Chartered Accountants on Taxa- ...; February Trade; Terms of Trade ...prove; Buying Experience in Big ...craft; The Latin American Market; ...g-term Contract for Tin; Contrasts in ...per and Lead; Higher Bank Salaries; ...y of Welded Ships; Shorter Notes.

...PANY NOTES - - - - - 820

...ISTICAL SUMMARY - - 821

...PANY MEETINGS - - - 822

Vol. CLXII No. 5666
ECONOMIST, 22, Ryder Street, St. James's, ..., S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
...ered as a Newspaper. Entered as Second Class Mail ... at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Slump or Solvency?

IS the task of economic policy this year still to combat inflation or will it have to guard against a slump? The Chancellor has nodded gravely and the general assessment of the economic outlook has undergone a revolutionary change. Before the Budget there was disagreement enough on what should be done about inflation and rising prices, but that this was the danger was agreed by most people from the Bevanites to the far Right of the Conservative party. It was certainly Mr Butler's own view two months ago, when he presented the second instalment of his economic programme. But the Budget implied that after all there was little inflation to fight, and in replying to the Budget debate the Chancellor last week made explicit his fears of a recession of trade. Outside opinion has, for the most part, obediently taken his word for it.

That is natural. The Chancellor's view, based on fuller information than anyone else can get, is in itself important evidence—even though the Treasury's forecasts have shown such a consistent bias of error in the past. And it has the force of novelty. Mr Butler is the first Chancellor for a long time to base his policy on the belief that deflationary forces may soon be pressing on the economy. Reluctant and unsuccessful as the Socialist Chancellors have been in combating inflation, they have not shown much doubt that it was the enemy. It is true that in 1948 Sir Stafford Cripps's economic planning involved an assumption that unemployment would rise by the end of the year to 450,000—rather higher than it is now, and an appreciably bigger proportion of the labour force. But that was to have been the deliberate by-product of a disinflationary policy greatly increasing the Budget surplus; it was the measure of his determination to make sure that inflation was headed off. Mr Butler is, by modern standards, unique in his assumption that little or nothing needs to be done about inflation—at least in the Budget itself.

No one in his senses would wish to take the risk of unemployment lightly; certainly no politician can afford to do so. There is no other issue of public policy, except only that of war and peace, that is charged with half the emotional content that the inter-war years injected into employment policy. The more is the necessity, not indeed to forget the personal miseries that are involved in any degree of unemployment, but to insist that policy should be governed not by fears and shadows but by analysis and reason.

There are several points that public opinion, in its sudden alarm over unemployment, is overlooking. The first is that nothing very disquieting has happened yet. Unemployment last summer was lower than ever. In the autumn it increased rather faster than usual, but it was not until last December that the unemployed became as numerous as at the same time a year before. At the turn of the year the rise was noticeable but still gentle. By last month unemployment had climbed to 1.9 per cent of the civilian working population. Not only is this slight—in 1938 unemployment was about 10 per cent—it is also

essentially a particular, not a general, recession. The latest figures show scarcely more unemployment among men than there was a year ago. There are 168,600 women out of work, compared with 97,800 in February, 1951. The number of men unemployed has risen only from 204,200 to 224,900. It is true that there is appreciably more short-time working, not reflected in the official figures. But it is also significant that the number of people who have been unemployed for more than eight weeks is still a little smaller, even if men and women are reckoned together, than it was a year ago. People have been temporarily stopped or have been unable to find a new job within a week or two. And even this short-term unemployment is heavy only in the textile and clothing industries. There unemployment has increased, compared with a year ago, by 62,600. That accounts for two-thirds of all the extra unemployment (91,500). If there were no recession in textiles, there would be no talk of a slump. The few men and women who have lost their jobs in other consumer goods industries are almost balanced by expanding employment elsewhere.

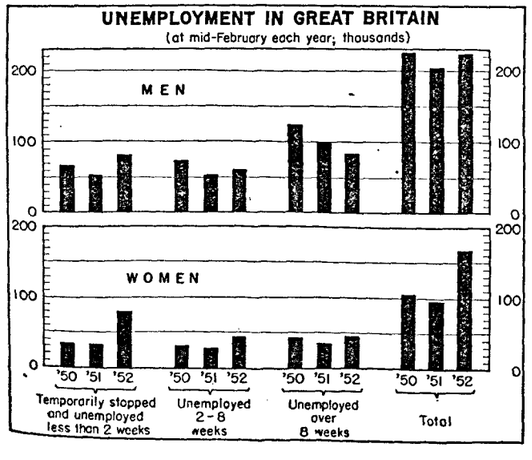
These figures are not intended to suggest that there is nothing needing to be put right. But it would be ridiculous to judge the state of the economy by one industry. There is nothing that ought to make anyone get into a panic. The over-full employment of the past five years as yet remains almost undisturbed. The recession in the textile and clothing trades is the only considerable change. That recession is world-wide; it means that the very high prices of textile raw materials, when supplies were short, did their work of choking off consumer demand. It is hard to detect any reason why demand should fail to revive when prices in the shops are seen to have settled down again to a lower level of raw material prices. It is true that the textile trades are unlikely to enjoy again the sellers' markets of the postwar years. It may well be that in the boom both they and some other consumer goods industries have been over-expanded and must now permanently lose some workers. But that is the sort of structural change that must be made in an economy which tries to give people what they want.

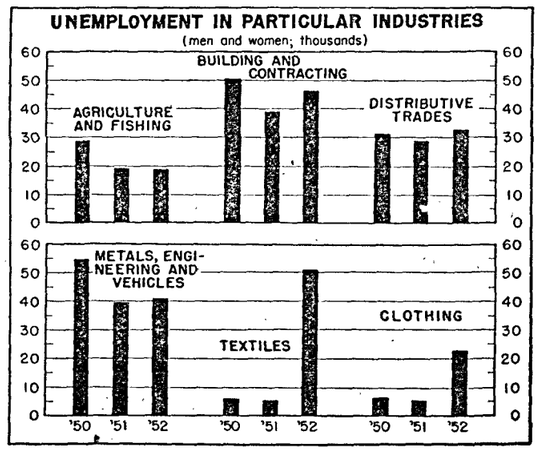
It is true that even this special variety of unemployment could conceivably be put off for a time by re-inflating the pressure of consumers' demand. If people are given enough money to spend, they will eventually buy enough textiles to employ all the industry's present workers. But the price of such a policy would be very heavy. The British people spend roughly one-tenth of their disposable incomes on clothing. To increase the demand for textiles by £10 million by reversing the policy of disinflation would, therefore, involve allowing consumption in total to increase by £100 million. Whatever good the £10 million did in textiles would be much more than outweighed by the harm that the £90 million would do in pressing on other industries where there is no unemployment. It would produce all the familiar consequences—shortages, higher prices, queues, frustrations and low productivity. Worse than all these, it would obstruct defence production and exports.

General economic policy can only be based on the general economic health of the country—and that, it is necessary to insist, is still much closer to the danger of inflation than to that of deflation and slump. The main aim of financial policy is that demand in general should balance supply in general, leaving the supply of particular things free to adjust itself to changing demands. Judged by that test, there can be no doubt whatever that the greater general danger is still that demand, the burdens laid upon the economy, may outrun supply, its capacity to perform its tasks.

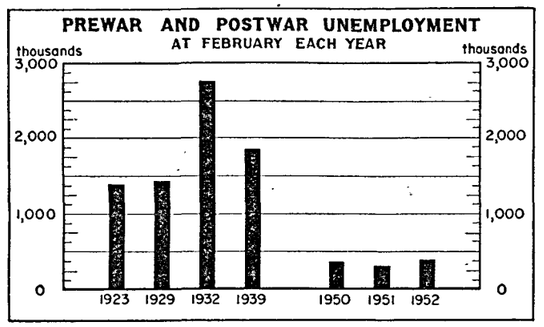
★

But circumstances may change. Even if this is still the present position, perhaps it may be that there is some reason to expect the present difficulties in textiles to widen out, in the course of the year, into a more general inadequacy of demand? So far as the domestic scene is concerned, it is difficult to see how that could be so; there are many reserves of purchasing power, now held back by controls. No one doubts that the capital goods industries will remain "hard"—that demand for their products will continue to outrun supply. What of consumption? Incomes are higher than ever and wage-rates, at least, will certainly continue to rise. Mr Butler thinks that it will be possible to expand production, and incomes should increase for this reason as well. General demand in the British home market can fall this year only if people begin to save more out of their larger money incomes. That they will do this, to any great extent, seems most unlikely; Mr Butler himself does not expect it. How, then, can there be any considerable or prolonged slump?





Many practical men will point in reply to the fact that firms in other industries besides textiles are feeling an unaccustomed financial pinch. That is true. It will force some firms to scale down their investment plans and many more to stop building up their stocks, or even to run down present stocks. The cut in investment is necessary to match the Government's enforced diversion of engineering products to export; the pressure against stock-building is necessary if supplies for home consumption are to be kept up, as Mr Butler's budgeting assumes. These are the ways in which the tighter monetary policy, on which the Government has chosen to rely, must work. They are not signs of a slump unless the Government's whole policy is misconceived.



The chart shows the number of registered unemployed in Great Britain. The prewar and postwar figures are not strictly comparable, since the scope of the insurance scheme has been greatly widened; if the prewar figures had been compiled on the present basis they would have been appreciably higher, and the chart therefore somewhat overstates the relative size of postwar unemployment.

As far as can be seen now, the only danger of any substantial falling-off in demand in Britain this year lies in a contraction of exports. It is, in fact, the Australian import cuts that have induced the gloomy prophecies of the last fortnight. The reality of the sterling area cuts cannot be denied. But, again, their proportions should be kept in mind. First, they also are a special situation; there is little or no sign of any sharp change in the economic climate of the world as a whole. That depends, more than on anything else, on the course of events in the United States. The Americans have been fairly successful in what everyone was urging on them a year ago—not to rush the free world to ruin by inflation. But that is all. There is no sign of anything worse than a slight recession in America this year—and perhaps not even that. It should follow that some of the British exports that are lost in the sterling area can be sold elsewhere. There may, of course, be further blows still to fall upon British exports. But so far from justifying a reversal of policy, a relaxation of disinflation or a soft budget, this prospect rather calls for a reinforcement. The last thing this country can do—unless it wants heavy unemployment and acute distress—is to give up the struggle for solvency. If there is danger of British goods becoming uncompetitive, or if the present export markets for some consumer goods are closing, then it becomes more necessary than ever to find new markets and to divert other products—even coal—to export. And the only way to make that effort is to reduce demand at home, not to let it rise in order that any industry which is losing export business may keep its workers on by immediately selling more in British shops.

The difficulties involved in trying to increase exports by disinflation, by reducing demand at home, are well known. They are no greater now than they were when the franker Conservatives urged such a policy on the last Government. When the Government reduces home demand, the things people give up are not—in general—the things that can be exported. Disinflation can work only by forcing some people to change their jobs. That takes time, and, therefore, causes some temporary unemployment. If the Government means what is implied by a 4 per cent Bank rate and by its determination to balance external payments, it will cause transitional unemployment to rise this year—just as Sir Stafford Cripps would have made it rise if the first year of disinflation had worked out according to plan in 1948. Disinflation is undertaken not because anyone wants unemployment but because there is every reason to think that over the next five years it will on the average cause less unemployment than anything else. It is not a perfect policy, but the Conservatives certainly have no other; to draw back from it at the first signs of unemployment would be to have no policy for solvency at all.

★

Solvency, after all, is not an alternative to full employment. On the contrary, the only real risk of large-scale unemployment in this country in the near future lies in the possibility that the battle for solvency may be lost and the imports on which British industry depends may be cut not with caution and by plan but arbitrarily and catastrophically. The fact that the British public has never been led to believe in the reality of this threat may make things difficult for politicians. But the threat is terribly real and terribly near. Indeed, so real is it that even if there were a general inadequacy of demand, it might still be necessary to put the balance of payments right before releasing a Keynesian flood of demand.

But that painful choice does not present itself now. The right policy for the domestic economy is also the right policy for external solvency—and that is to keep demand down to the capacities of supply. If within this general framework, patches of softness appear, they should be treated as special situations to be dealt with by special methods, of which the most important is to move some of the workers affected as quickly as possible to the "hard" industries that need them. To deal with the special problem by the general method—to inflate demand in general to the point at which the home market will absorb all that the present labour force of the textile industry produces—is simply to invite the mass unemployment of insolvency. Its folly is not less patent because it is the policy that much current discussion, on both sides of politics, implies.

Whatever its political difficulties, the Government cannot be so short-sighted as to intend to encourage this attitude. It may be, of course, that the situation will soon change, that a general slump may after all threaten. There are no signs of it now. All that is visible is that exporting needs more effort—but is not yet hopeless—and that monetary policy is beginning to put some restraint on domestic business. It is not a slump. It is what the doctor ordered. The last thing ministers ought to think of, and the last thing to earn them any political credit, is to put people into a panic and make their own task more difficult when they have barely begun it.

SECRETARIAT LIBRARY 2644 HM TREASURY GOVERNMENT

South Africans Entrenched

IT is already clear that Dr Malan's chief weapon in the present constitutional struggle in South Africa is to be the charge that the United Party, which is leading the opposition to him, is trying to keep the country tied to British apron strings. This charge was not made openly in the National Party manifesto issued on Monday; but every South African knows exactly what the manifesto meant by such phrases as "the struggle for freedom," "a revival of the attacks of imperialism on nationalism," and "the old bitterness of the imperialistic period." The implication is that to oppose the Malan government's assault on the constitution is to deny that South Africa is as yet wholly free from the tutelage of Whitehall. This is an ingenious tactic, for nothing could do the United Party more harm than its identification in the mind of the average South African, whether Afrikaans or English speaking, with any limitation of the country's full sovereignty.

Outside the ranks of his own fervent supporters, however, Dr Malan is unlikely to find many people ready to believe that South African independence is in danger. South Africa enjoys all the rights of a modern sovereign state. Neither its Supreme Court nor its parliamentary opposition is seeking to void a jot of that sovereignty. All that has happened is that the court has found that the Act of 1951, by which Coloured voters in the Cape Province were deprived of the full franchise assured to them by the original constituent Act of 1909 and were transferred to separate electoral rolls, was not passed in accordance with the procedure laid down in the constitution.

Nor is the National Party justified in asserting that either court or opposition has challenged the supremacy of Parliament within the Union. The Chief Justice has pointed out that the court is in no way attempting to control the legislature, and Mr Strauss, leader of the United Party, has given even more explicit assurances. What is in dispute is not the sovereignty of Parliament, but the manner in which that sovereignty is to be exerted. South Africa is not a federal state, and there is no question of a separation of powers. But it is a state based on a written constitution, and in that respect fundamentally different from the United Kingdom.

★

The South African constitution was drawn up at a national convention held at Durban in 1909, by delegations from the four colonies which thereby agreed to form the Union. It was approved by the British Parliament in the form of the South Africa Act, and the British Government thereby assumed a responsibility for ensuring that it was not violated, which lasted until the passage of the Statute of Westminster in 1931. That statute acknowledged South Africa's full sovereignty, but in no sense vitiated the constitution of 1909, which remains to this day the whole basis of the Union's political life. Being essentially an agreement between South Africa's "founding fathers," and not an Act of the Union Parliament, the constitution is not a document which can be arbitrarily revised by any South African government. British precedents are obviously misleading here, for no document of this kind is known to the law of the United Kingdom. And there is a certain irony in the fact th Dr Malan has fallen back upon the opinion of the Dow ing Professor of the Laws of England as support for h thesis that the Union Parliament may do as it pleas with the constitution. It is a bold man who, while d nouncing his antagonists for their alleged subservience Whitehall, appeals to Cambridge.

The constitution of 1909 can, however, be amende and the supremacy of Parliament is fully preserved i that it alone can amend it. Moreover, it can effect mo amendments by a simple majority vote. But the constitu tion itself expressly provided that its "entrenche clauses," which guaranteed the equality of the Englis and Afrikaans languages and the non-European franchis in the Cape Province, could only be amended by a two thirds majority of both Houses of Parliament in join session. Here again the sole authority of Parliament i preserved, but the right of a bare majority of its member to amend the clauses is explicitly denied. The mere existence of the entrenched clauses is clear evidence that the founding fathers did not intend that any future government should act as Dr Malan wishes to do.

While denying the Supreme Court's right to pass judgment on Acts of Parliament, the government is, paradoxically, resting part of its case on that court's judgment in the Ndlwana case of 1937. On that occasion the court ruled that Mr Hertzog's Representation of Natives Act of 1936 was valid, although, like the Act of 1951 which has just been invalidated, it amended the entrenched clauses of the constitution. But Mr Ndlwana's appeal was based on a technical point of procedure; the Act of 1936 had been duly carried by a two-thirds majority in a joint session of both Houses, while that of 1951 scraped through with a bare majority.

★

Logic and legal authority are therefore now united in demonstrating the invalidity of last year's Separate Representation of Voters Act, which transferred to a separate electoral roll the 40,000 Coloured males qualified by literacy and property to vote in the Cape Province. But, far from ending the conflict on this issue, the court's decision has intensified it. Dr Malan's announcement that he would at once introduce legislation to strip the courts of all power to test parliamentary Acts has aroused greater alarm among non-Nationalist South Africans than any of the present government's previous actions. This alarm is justified. Although there is an element of truth in the Nationalist argument that the proposed change in the franchise would leave the Cape Coloured voters with just as much representation as they now enjoy, the issue at stake is a much deeper one. It is, in fact, the whole issue of basic constitutional guarantees in a plural society.

It is undeniable that the whole trend of the policies of Dr Malan's government, and of his predecessors, the Afrikaner Nationalist leaders of prewar years, has been toward the exclusion of all non-European groups from the main political structure of the country. Hitherto the entrenched clauses have formed a limited but rigid barrier against this movement. The political segregation of the Cape Bantu in 1936 was achieved by the mobilising of the necessary two-thirds majority in Parliament, but

Mr Hertzog was forced to abandon the idea of treating the Coloured voters in the same way at that time. The relative strength of the Coloured vote was, however, reduced by its restriction to literate, propertied males when the franchise was extended to all Europeans of both sexes. The Act of 1951 would have completed the work of segregation; had it taken effect, not a single non-European would thereafter have taken part in the same poll as a European. But the consequences would have been even more far-reaching if Dr Malan had succeeded in overriding the entrenched clauses. Not only the clause guaranteeing linguistic equality, but the whole tenuous fabric of the civil rights possessed by non-Afrikaner South Africans would have been left at the mercy of the present parliamentary majority.

Here there is a deeper distinction between South Africa and Britain than the possession or lack of a written constitution. A homogeneous society like that of these islands may find it possible to entrust a bare majority of its legislators with absolute, if temporary, power. No nation divided like South Africa into antagonistic groups, no one of which can hope to maintain its supremacy indefinitely, has ever proved stable enough to take such a risk and survive. South Africa's plural society has had less than fifty years' experience of complete independence. It is clearly neither willing, nor suited by its present circumstances, to surrender its fate entirely into the hands of a party which represents less than one-tenth of its population, and barely half even of its white population.

In neighbouring territories, moreover, it is precisely over the lasting validity of guarantees to racial groups that the liveliest doubts have arisen to block political progress. For this reason alone British opinion cannot remain indifferent to the outcome of the present conflict in South Africa. But, whatever Dr Malan may think to the contrary, British intervention in the purely internal affairs of South Africa must remain a Nationalist myth. It is entirely up to South Africa whether that country becomes a model, or an object lesson for its neighbours.

Red Flannel or Ice Cream

NO official statistics are more widely used than the index of retail prices. And few statistics have come in for more criticism. It is not, to any great extent, criticism of the scope of the index—the items included in it—or of the methods of measuring changes in the prices of those individual items; the main objection is that they have been combined, in order to make the total index, according to a prewar pattern of consumption. Now, in the index for February which has just been published, a more up-to-date basis of combining, or "weighting," has been introduced; the voices of the critics should be at least fainter. They are unlikely to be entirely stilled, for grievances can be found with any price index, and this one depends, for lack of direct information, on a number of assumptions about spending habits. Arguments about the technical niceties of calculation tend, however, to obscure two simple but very important issues—issues that are in no way settled by the present refurbishing of the index. What exactly does this index measure? Is it the right one for the uses to which it is put?

The level of retail prices in this country has been officially measured in one way or another for sixty years. The first index, which lasted from 1892 to 1914, was a scanty affair. It covered food, coal, clothing and rents, but food and coal for London only. Then came the long life of what has become known as the old cost of living index. Even when it started, the basis of this index was not entirely happy; it depended on rather fewer than 2,000 budgets which had been collected in 1904 and afterwards revalued at 1914 prices. By 1947, when it was abandoned, nobody could be in doubt that the serge, red flannel and candles of over forty years before were absurd indicators of the current changes in prices. So came the interim index of retail prices, based on budgets collected in 1937-38 from 10,700 working-class households and afterwards revalued at 1947 prices. Now the fourth stage has started. With only some small changes in the items included in the index, the prices are combined together according to the estimated pattern of working-class consumption in 1950, but valued at January, 1952, prices.

One conception has remained unaltered throughout this series of price measurements. It is that the index should first of all measure the cost of an assorted basket of goods at the starting date and then the cost of this same basket of goods at monthly intervals afterwards. It has never, therefore, been an index of the cost of things actually bought at the time, for then the basket of goods would need to be varied with changes in spending habits. Each time there has been a break in the series, however, the goods have been changed both in their relative amounts and in their assortment. Table I shows the proportions—that is the weightings—given to each of the main groups of items in the various index numbers.

I.—WEIGHTS USED IN THE INDEX NUMBERS
(As Percentages of the Total)

	1914 Cost of Living Index	1947 Interim Index	1952 Price Index
Food	60·0	34·8	39·9
Rent and rates	16·0	8·8	7·2
Clothing	12·0	9·7	9·8
Fuel and light	8·0	6·5	6.6
Total of above	*96·0*	*59·8*	*63·5*
Household durable goods	0·5	7·1	6·2
Miscellaneous goods	1·5	3·5	4·4
Services	1·2	7·9	9·1
Drink	...	10·1	7·8
Tobacco	0·8	11·6	9·0
TOTAL	100·0	100·0	100·0

The fact that the share going to items other than food, rent, clothing and fuel was increased from 4 to 40 per cent when the interim index appeared in 1947 reflects in part the improvement in working-class standards of living. But it was not all due to this. Some of the less essential goods were left out of the 1914 index. It tried to record changes in the cost of buying the most necessary things, with a few others thrown in for good measure.

But the interim index embraces the whole field of working-class expenditure, since, although it cannot measure the price of every single item, representatives of each group are chosen and given the weighting corresponding to the full spending on that group. And so, into the index in 1947, came—alongside beer and whisky—such things as radio sets, vacuum cleaners, admission to cinemas and football matches, and hairdressing. The new index carries the process a little further. In case it should not fully represent the typical working-class budget, it adds chocolate-covered biscuits, ice cream, children's toys and comics, hair cream and motor-cycle insurance.

This is the index to which the wage-rates of some 2 million workers are directly tied by sliding-scale agreements. These agreements vary as to exactly how and when the changes are applied. There are a large number of purely local arrangements within small industries. But there are also some national contracts, notably in building, civil engineering, the iron and steel industries, footwear and furniture manufacture. The effect of the index on wage-rates does not, of course, stop with these automatic adjustments. Its upward movement was quoted as the main justification for most of the other wage claims. And, for want of anything else, salary earners also used it to support their petitions for higher pay.

★

The sponsors of the interim index deplore its description as a cost of living index. They argue, rightly, that it is imposible to define such a term. Yet, however colourless its official label, nine out of ten people still refer to it by the old title, and they judge that they are being hardly done by if it rises more than their income. It is important to be quite clear about what such a hardship may entail. A rise in the index may reflect higher food prices or it may be due to an increased tax on smoking or cinema-going. If the Chancellor were to increase the duties on tobacco so that 20 cigarettes cost 4½d. more, the total index would move up about one point. It would go up by the same amount if a 1¾ lb. loaf of bread cost 1½d. more or a pint of milk 1¼d. more. Nobody disputes the desirability of keeping up the standard of living to which people have become accustomed. Yet, if the welfare state is to use its limited resources to help people as much as possible, there is surely need to distinguish between two forms of hardship: it is one thing to compel the majority of people to sacrifice a little from the full variety of their present spending; it is quite another to raise the price of essentials for people living near the subsistence level. To make any judgment about the adequacy of national assistance payments and small pensions, the existing index should be supplemented by a much simpler one measuring only the prices of essentials. Food, rent, clothing and fuel should obviously be included, and there, probably, the list ought to end. Table II shows, for three different measures of retail prices, the total index and a comparable but narrower index based only on the subsistence items; in each case these are combined in the same relative proportions as in the original index.

The index of national consumption prices is derived from the figures given in the national income white papers, and covers the whole field of consumer expenditure. Subsequent revisions are likely to raise the index a little in the last few years. The working-class index is the one published by the London and Cambridge Economic Services and uses the interim index from 1947 onwards.

II.—Changes in the Cost of Subsistence

Date	National Consumption Prices 1938=100		Working Class Index 1938=100		Interim Index June, 1947 =100	
	All Items	Subsistence Only	All Items	Subsistence Only	All Items	Subsistence Only
Average, 1938..	100	100	100	100	...	...
June, 1947..	169*	149*	161	138	100	100
Average, 1948..	181	160	173	148	108	107
,, 1949..	185	166	178	155	111	113
,, 1950..	190	172	184	164	114	118
,, 1951..	205†	189†	201	181	125	131
December, 1951	...	...	210	192	130	138
January, 1952..	...	...	213	196	132	142

* Average for 1947 † Unofficial estimate.

As would be expected, in the two series which are carried back to 1938, the cost of subsistence has risen less than prices as a whole. But the gap has narrowed considerably in the last few years. Indeed, the interim index shows that since 1947 the subsistence items have risen more sharply than the rest. Indeed, the total cost of food, as measured by the index, was nearly 50 per cent higher in January this year than in 1947, while beer and tobacco, taken together, had risen in price by less than 9 per cent. Compared with 1938, of course, the prices of beer and tobacco have risen much more than food. But in general, the prices of essential goods which had fallen so much behind the general level at the end of the war have since been catching up.

The statistician may well question whether there is any significance in the idea of a cost-of-living index which tries to measure something more than the cost of subsistence. But if such an index is legitimate at all—and in practice it must be used—why should it stop at the working classes? The argument that the middle classes have too much spare money to give any meaning to an average budget has worn much thinner now that there is also quite a lot of elbow room in the working-class budget—and little more in many middle-class budgets. The cost of living for the middle classes has never been measured officially and existing information only allows of very rough estimates. Table III shows a set of such estimates, using as basic material some prewar surveys carried out by the Civil Service Statistical and Research Bureau. These figures indicate, of course, that since 1938 the higher income groups have fared worse than others.

III.—Estimated Middle Class Cost of Living Indices

Date	Prewar Income Group			
	£250–350	£350–500	£500–700	£700 and over
Average, 1938...	100	100	100	100
December, 1948...	183	191	198	203
,, 1949...	187	196	204	211
,, 1950...	195	204	214	223
,, 1951...	219	228	241	253

The new index which has just been launched is certainly an improvement on the old. The weighting is more up to date and changes in rents are measured more realistically by bringing in the higher rents of newly built houses and flats. Although the index numbers for the separate groups of items start again at 100 in January 1952, the total index is linked to the previous one. This continuity is necessary and though it may introduce some error it should not be serious. For most purposes the new index can be accepted as a reasonable enough measure until the new enquiry into family budgets has been made. Then it may well be appropriate to ask whether the budgets could not be kept up to date and a current weighting given to the index to reflect the cost of the goods and services actually bought at a particular time.

It is, however, less important to refine the one index than to fill in the gaps that it inevitably leaves. The main need is for two auxiliary index numbers, to show the cost of living on the one hand at a subsistence level and, on the other hand, at a middle-class standard of living. When the results of the new budget enquiry are available—which is unlikely before 1954—there will be more information from which private research workers can make their own estimates of these things. But it would surely be better to make them officially, at the source of the information—where it is likely to be so much more complete.

Communists and Peasants

THROUGHOUT Eastern Europe the worker-peasant alliance, which is intended to be the corner-stone of the new "popular democracies," is showing obvious signs of strain and stress. The peasants are not playing the part planned for them; and if they do not produce anything like enough food for the growing army of industrial workers, then it is hopeless to expect the latter to go on playing their part either. Few have the revolutionary enthusiasm to sweat and toil indefinitely merely to fulfil production plans that are impossibly high when they know that the effort will do little to restock their larder. The Communist leaders of the Soviet satellite states cannot, however, afford to slacken the present rapid pace of industrialisation. They know that their own position depends on the success with which they can secure the fulfilment of the economic plans recommended and supervised by Moscow with the primary object of building up the military strength of Eastern Europe.

It is likely that the present emphasis of Soviet propaganda on the desire for east-west trade is due to Moscow realising that these economic plans would have a better chance of success if the satellites could get bigger supplies of raw materials and machinery from the West. Although the operation of the Battle Act is bound to deprive them of many strategic supplies, they must realise that they are more likely to get something of what they want if they can offer Western Europe grain, meat and other food supplies. The trouble is that the food surpluses that Eastern Europe exported in prewar days are no longer available. Agriculture has not kept pace with industrial development and Poland, Czechoslovakia and the rest are hard put to it to feed their industrial workers, let alone find food for export.

It was Mr Hilary Minc, Poland's chief economic planner, who was the first to stress publicly last October that serious supply difficulties were bound to result from the different rates of development of industry and agriculture. He pointed out that industrial production would by the end of 1951 be about 168 per cent above the 1938 level, whereas agricultural production would not even achieve its modest target of a six per cent increase over the 1938 level. In the event, Polish agricultural production was nearly five per cent less than in the previous year, and the Poles do not attempt to throw the whole blame on bad weather conditions.

The cue given by Mr Minc has since been followed by official spokesmen elsewhere in Eastern Europe. In Czechoslovakia agricultural production last year was actually below the prewar level, while industrial production was said to be about two-thirds greater. Whereas the Poles and the Hungarians can, in theory at any rate, deal with the discrepancy to some extent by curtailing their normal food exports, the Czechs are forced to import additional supplies. According to Mr Zapotocky, their Prime Minister, half the grain and a large part of the meat now being consumed in Czechoslovakia are being imported from the Soviet Union and the other "people's democracies." This dependence on food imports makes the Prague Government particularly vulnerable to Soviet pressure.

In Poland, Czechoslovakia and Rumania an ineffective rationing system adds to the workers' discontent. The dissatisfied peasants have been quick to turn the situation to their own advantage by withholding supplies from the official government collectors in order to speculate with them on the free market. The authorities have thus been unable to get hold of enough grain and meat even to meet the ration quotas; the town worker has therefore been forced to buy what he can on the free market at extortionate prices. A bad situation has been made worse by the extraordinary complication of the rationing systems. Instead of regarding rationing simply as a means to secure the fairest possible distribution of supplies, the Communists have tried to turn it into both a bait and a weapon of coercion. Both manual and intellectual workers are supposed to receive varying rations, graded accorded to their estimated contribution towards building the national economy. In Poland there are as many as nineteen different categories. Bureaucrats may revel in these methods but they add to the resentment and exasperation of the ordinary worker.

Unfortunately for the Polish and Czech authorities, the supply situation in these countries is probably too patently bad for them to follow the Hungarian example and cut a way—for themselves if not for the workers—out of their distribution difficulties by abolishing official rationing in favour of what amounts to rationing by the purse. When Mr Rakosi announced the end of most food rationing in Hungary last December, he admitted that the methods restored at the beginning of 1951 had been wrecked beyond repair by the orgy of speculation and black marketeering into which the farmers had plunged. Like Mr Minc, he attributed the supply difficulties to the

disproportionate development of industry and agriculture; but, unlike his Polish and Czech colleagues, he professed to find the remedy in less rather than more rationing. In the middle of last month the end of meat rationing marked the freeing of all food in Hungary. The event was celebrated with official rejoicings and praises of the peasants' conscientious fulfilment of their duties. But if Hungary's supply situation is really as good now as it is made out to be, and if the peasants are really behaving so well, it is difficult to understand the reason for the government's latest decree on agricultural deliveries. This abolishes all voluntary deliveries and increases compulsory deliveries so steeply that it was thought necessary to publish it two months earlier than usual in order to give good warning of what was expected from the farmers.

*

Why are the Communists in Eastern Europe failing to secure adequate food supplies? The fundamental reason is that they cannot treat the development of agriculture as a purely economic problem. They are obliged to make things much worse for themselves by pressing on so rapidly with industrialisation and by shifting more and more people to the towns. Agriculture is not given a chance to catch up with the additional burdens laid upon it. But the political and ideological subservience of the satellite governments to Moscow models prevents them from going slow with their industrial plans. They are therefore forced to antagonise the farmers by demanding impossibly high delivery quotas and by introducing a growing measure of compulsion and an increasingly stringent supervision by officials into their dealings with the rural population.

Again, the Communists' attitude towards the countryside is governed not only by the wish to extract from it as much food as possible for the urban workers, but also by the need to extend and consolidate political control in the villages. In the long run they plan to achieve this through large scale collectivisation. Although they disclaim any intention of forcing the peasants into the collectives, they are clearly trying all the time to prepare the way for collectivisation. This desire for political control determines their attitude towards different classes of peasant. The poorer and more backward the peasant the more likely is he to be persuaded that his future lies within a collective. The small farmer, therefore, is regarded as the pillar of the Communist regime; the medium farmer as a possible ally to be won over at all costs, the kulaks or village rich as its sworn and inveterate enemies, because they would undoubtedly be worse off within collectives than they are at present.

The result is that those farmers who from the size of their holdings as well, perhaps, as by their general alertness, could do most to increase food supplies quickly are those whom the Communists are doing their best to ruin. Two years ago the Polish currency reform was largely aimed at the destruction of the kulaks' savings. Last month the Rumanian currency reform had the same principal object. The richer farmers are awarded disproportionately high delivery quotas which they can only fulfil by supplementing the produce of their own land with purchases on the free market. In Czechoslovakia, if they do not meet their quotas they get no sugar or soap. If a kulak slaughters illegally one of his own animals to feed his family, he is liable to be clapped into jail for considerable periods. Unfortunately for the Communists the difficulty of clearly distinguishing the kulaks has misled them into antagonising many medium farmers as well.

The same anxiety to strengthen their political hold is seen in the Communists' attitude towards mechanising agriculture. Increased mechanisation is obviously the key to increased productivity; and in the long run the small farmer is more certain of a fair deal if he can hire machinery from a cooperative than from his richer neighbour. But if the immediate problem is to get more food as quickly as possible, the common sense course is to let the richer farmers have the fullest use of what machinery is available. But this would run directly counter to the Communists' political plans. It would strengthen the class they wish to destroy, and would delay the development of the machine tractor stations which, following the Soviet model, are designed to be powerful centres of political control in the countryside. In recent weeks both the Poles and the Czechs have been considering ways of improving the work of the tractor stations which in an official Czech report were described as the most important instrument for developing socialism in the countryside.

It may be asked whether the Communists will not soon be driven to go back on their promises and embark on forced collectivisation. Mr Zapotocky's most recent speech, in which he called for a reorganisation of agriculture but denied that he wanted to change the government's agricultural policy, seemed to come near to advocating this. It is clear that the Communists will continue to use every form of pressure, direct and indirect, to push peasants into collectives; but they seem likely to stop short of using brute force.

The Fight is On

It is now obvious that a general election is immediately impending, and that, whatever efforts the Ministry may make to prevent it, that election will mainly turn upon the question of Free Trade or Protection. We have no fear whatever as to the result. We do not believe in retrogression. It is not the habit of Englishmen to retrace deliberate steps; and a country which has basked for three years in the sunshine of prosperity and plenty, and should then voluntarily fling itself back upon restriction and scarcity, would assuredly stultify itself more completely than we are in the habit of doing.

Oh! who 'mid the shadows of night would abide
That can taste the pure breezes of morn;
And who that hath drunk of the crystalline tide
To the feculent flood would return?

Still it is annoying enough to have to buckle on our armour and furbish up our weapons to re-contest a victory long since won; to have to re-tread the weary ground of reiterated arguments, and of objections repeatedly and triumphantly demolished; and to defeat over again antagonists who, like the Duke's soldiers at Waterloo, do not know when they are beaten. . . . To the Conservative Free Traders—a most numerous and respectable class, we would say . . . *Protection is the Jonah which Conservatism must throw overboard before it can hope to arrive in the haven of administrative power.* However much you may hate the Leaguers, join their ranks and fight their battle now, that you may join your own friends and fight your own battles ever after.

The Economist
March 27, 1852

NOTES OF THE WEEK

Reply to Moscow

Having received from the western powers their reply to its Note proposing a peace treaty with Germany, Moscow has now to say whether it will or will not allow free elections throughout the country for a government of unity. The key question has been asked and possibilities of future negotiation depend on the way it is answered. The outlook is not promising, if only because of the manner in which Soviet and East German propaganda has been clarifying the original Soviet Note.

It suggests that it is Soviet policy to get back to the Potsdam basis; and this would mean that a peace treaty would be negotiated with a provisional German administration, not with a freely elected government. This administration would have at least one-third representation from the Communist-controlled eastern regime of Pieck and Grotewohl, doubtless with the purpose of aligning westerners and easterners on a common patriotic platform during the peace negotiations. The merger of the zones would follow gradually, under four-power supervision. This is strikingly different from the picture that some comment has painted—a picture of free elections bringing about a Communist collapse in Eastern Germany and a triumphant absorption of its economy by Western Germany.

If this is the Soviet intention, then certain phrases in the original Note take on a new significance. It is nowhere stated that the new German state will have sovereign independence. Instead it is said that a peace treaty with an all-German government

> will be conducive to the development of Germany as a united, independent, democratic and peace-loving state in accordance with the Potsdam decisions.

Likewise there is nowhere any suggestion that the occupying powers would withdraw completely; it is only their "armed forces" that would be withdrawn a year after the peace treaty. Is it possible, after all, that the Russians offer nothing more than limited sovereignty and limited forces to a united Germany whose "development" would be watched over by some four-power body? The next Soviet Note should make this clear.

* * *

The Odds in Europe

General Gruenther has spoken to Congressmen about the defence of Europe honestly and clearly, as is his way. He has laid to rest the phantom army of the Lisbon conference and said that about half of the fifty divisions planned this year for the North Atlantic forces under General Eisenhower are now ready. That leaves open the question of how soon, and in what condition, twenty-five reserve divisions would appear. If, as he claims, a deliberate Soviet attack on Europe is unlikely this year, it might even be said that the half-ready reserves are in "appropriate conditions of combat readiness." But that is only worth saying in order to acquit the drafters of the Lisbon communiqués of deliberate falsehood.

Those who maintain that there is no Soviet threat of aggression, or that it has been overestimated, or that rearmament goes too fast will draw their own conclusions from what the Chief of Staff told the House of Representatives Foreign Affairs Committee. On the question of Soviet strength his authority is exceptional. He stood firmly on the figure of about 175 divisions, 20,000 operational aircraft—of which about 4,000 are jets—and 300 submarines. Mr Bevan will have to say either that these figures are untrue and produce better ones, or that the Soviet Government has maintained these forces with no intention of using them. It will be difficult to accept the latter argument, in view of the sacrifice the Russian consumer has had to make to pay for such armaments.

Current controversy often loses sight of the main object of General Gruenther's staff: to prevent Europe being suddenly overrun and again submitted to the ordeal of liberation. For this there must be ground troops that people on the Continent can count and see. One day, if all goes well, there will be over thirty divisions in the line and full reserves behind. Even that may not be enough to frighten the Russians; but clearly the prospect of putting them into a compromising frame of mind is greater the more imposing is the programme of western rearmament. That may be happening now; and Mr Bevan and others do no service to peace by prescribing sedatives for the Kremlin.

* * *

Labour Starts to Agree

The disagreements of the past month seem temporarily to have driven the Labour party to a state of emotional exhaustion, at least in its members' attitude to each other. The new code of Standing Orders for Labour MPs was settled with remarkably little fuss on Tuesday. Members are now required to keep to the line laid down at party meetings, with the one exception that they may abstain from voting "on matters of deeply held personal conscientious convictions." This is somewhat more elastic than the previous definition of matters of conscience. The anxiety to judge whether it represents a victory for Mr Attlee or for Mr Bevan has caused its main significance to be ignored. On paper, at least, Labour has disciplined itself into some sort of formal unity without making its MPs complete robots. For the sake of Parliament and democracy, this concession to individual freedom of opinion, small though it is, must be welcomed, whether or not it aids Mr Bevan.

His supporters seem satisfied that this compromise will give them adequate elbow room—at least until the party's next annual conference, when they hope to upset the official policy on rearmament. But the party leaders now have a fixed disciplinary code to support their authority and it may be rather stronger than it looks, especially since the new rules apply the conscience clause only to individual members; any attempt to organise group action by the Left would invite sanctions. Tuesday's meeting seems to have passed off in an atmosphere of geniality, if not cordiality, in marked contrast to the tension and anger of recent party meetings. The suggestion from the Left that Mr Attlee should yield the chairmanship of meetings to a backbencher, as was usual when the party was in power, was manifestly so naïve (or so cunning) that it was rejected unanimously—a result which presumably means that its sponsor shunned his own proposal.

In part, this pacification within the Parliamentary party means that Mr Attlee has reasserted his control—at Westminster. Its main significance, however, is that the struggle for power in the Labour party will now be transferred from Westminster to the constituencies. Mr Attlee and his colleagues have, over the next six months, to mount their campaign for support at the party's annual conference at Morecambe. The speeches last weekend by Mr Gaitskell and Mr Wyatt, vigorously defending rearmament, were the first shots in this counter-attack. The orthodox leaders can count on the majority of trade union votes, but they cannot feel safe unless they can also secure support from a substantial section of the constituency parties—support not only in the votes on policy but also in the election of leaders. An extension of last year's Bevanite victories in the voting for the seven constituency representatives on the Executive would undermine the authority of Mr Attlee and his colleagues, whatever the disciplinary rules for MPs.

The Local Elections

Increasingly, of recent years, the shadow of national politics has fallen over the local government elections. The parties more and more regard these events as "tests" of public opinion and as exercises for tuning up their machines. This process has gone furthest in the large towns, where the old appellation of "independent candidate" has virtually disappeared.

The results have been higher polls and, according to local party leaders, a heightened public interest in the processes of local government. In fact, this claim is spurious. Questions of local significance get thrust aside in a slanging match over national issues, such as food subsidies and the Budget, which are only very indirectly the concern of local authorities.

The elections for the County Councils, which fall next week, are usually somewhat staid and apathetic affairs, but this year there are more signs of party fever. Possibly, too, the public attention has at last been caught by the much enlarged powers of county councils gained at the expense of the smaller local authorities. Traditionally, polls for county councils are exceptionally low, but this time a higher vote may be expected.

This year, moreover, the steep rise in some county rates —amounting, for instance, to 2s. 4d. for Dorset, 1s. 10d. for Gloucestershire, 1s. 4¾d. for Kent, and 1s. 4d. for Lancashire—may impel the public to investigate the reasons. A surprising contrast is offered by those counties, including London, which have managed to keep the rate unchanged or actually, as with Norfolk and East Sussex, to reduce it. A partial explanation of the discrepancies is the extent to which some counties have drawn on their working balances, together with the strange effects of the Exchequer Equalisation Grant. But it is noteworthy that education has become much the costliest county service, absorbing over half the rate revenue in many cases. The alternatives of drastic economies in education or a stiff rise in the rates pose the biggest real issue in the county council elections.

In the special case of London, more definite local controversies do exist. Two prongs of the Conservative attack are the heavy losses incurred by London's civic restaurants and the doubtful educational merit of the comprehensive high school. On housing and planning, the Conservatives skate round the issues, refusing to accept the need for rent adjustments to offset the enormous burden which housing will increasingly put on the rates.

* * *

Little Money and Fewer Teachers

When the House of Commons debated education on Tuesday, the Opposition's denunciation of the economies turned out to be little more than a mild, humorous and not very effective speech by Mr Chuter Ede. He brought up instances of the harmful things that some local authorities were doing in the name of economy, the implication being that they were glad of the pretext to cut even the "essential fabric" that the Minister had said must be preserved. He asked Miss Horsbrugh to define this now famous phrase more closely. But the Minister was not to be drawn into definitions; she merely replied that she was not going to be coerced by local authorities or anyone else. Yet her critics are on firm ground in suggesting that she should be more specific about what she thinks should or should not be cut. The obvious candidates, such as recreational classes, were mentioned in her circular, but as these do not account for the required 5 per cent, some further guidance would have been useful. She might have said more on the possibility of administrative saving by abolishing most of the divisional executives, a step that is being taken in Hertfordshire with every prospect of success and of a saving of £15,000.

Miss Horsbrugh had, however, an effective reply to some of the criticism about the restrictions on school building, much of which concerns the need to reduce the size of classes. The size of classes obviously depends as much on the supply of teachers as on the supply of classrooms. To keep the teaching profession at its present level about 10,000 entrants a year are needed, and to maintain the existing staffing ratio with the larger number of schoolchildren will require a further 3,000, rising to 4,000.

Two-thirds of the teachers are women, and it is they who are in short supply. Yet 60 per cent of the girls who stay at school after fifteen become teachers, and against the attractions of more highly paid and less exacting occupations this is already a high proportion. Teachers are to be recruited as fast as possible, but it is clear that, with all the school building in the world, there could be little or no reduction in the size of classes before 1961, when the school population begins to fall.

* * *

The Saar Needs Time

The German Chancellor is learning not to be too optimistic in his statements. On his return from Paris last week he deprecated any attempt to label his talks with M. Schuman on the Saar a "success" or a "failure." The Saar, he said, was a matter which could only be settled slowly by Germany and France together. Dr Adenauer had taken a risk by agreeing not to raise Germany's memorandum on infringement of democracy in the Saar before the Council of Europe. The Council was to have been asked to consider the law passed by the Hoffmann government which effectively hinders, if it does not actually ban, parties that oppose the Saar statute. Dr Adenauer and M. Schuman have now agreed to hold an inquiry into the conditions for holding free elections this year, together with Herr Hoffmann. What the Chancellor has achieved by this is hard to say. According to French comment, the results of the inquiry will bind nobody and the law restricting political parties will stand. The Saar premier can produce a number of reasons why the law is justified, but they do not make it good politics. Action against the revisionists should not be necessary if, as Herr Hoffmann contends, the Saarlanders are content to remain under their present regime of economic union with France and political separation from Germany

As matters stand, there is a danger that events will take the same course as they did during the period between 1919 and 1935, when the Saar population swung back into a chauvinist Reich as soon as their standard of living was affected by the slump and a glorious future was offered by Hitler. There is, however, no need for history to repeat itself. On both sides there is now a body of opinion in favour of something vaguely called the "Europeanisation" of the Saar. The chauvinists have not yet secured a hold on public imagination, and "Europe" is popular.

As a result of Dr Adenauer's talks in Paris, the possibility of placing the disputed territory in some way under the Council of Europe will be examined. Clearly such ideas demand time for their realisation. Even the Schuman heavy industry pool, which should create a free market for the steel and coal of France, Germany and the Saar, has not yet begun to operate. Until the machinery of co-operation begins to turn, Dr Adenauer and M. Schuman will have a hard task in controlling the forces on both sides which tend to wreck their efforts.

* * *

Trieste for Italy

Since the Jugoslavs occupy Zone B of the Free Territory of Trieste, there is no logical reason why the Italians should not now occupy Zone A. They were not originally permitted to do so because Italy was an ex-enemy and, in addition, possessed inadequate forces to hold a potentially dangerous frontier with the Jugoslavs. Today Italy is a fully fledged partner in the Atlantic Pact and the position has entirely altered. Moreover, if Britain and America were to withdraw from Zone A in favour of Italy they would at least be going as far as is readily practicable towards implementing the clear and categoric three-power declaration made by Britain, America and France on March 20, 1948. This stated that the whole of the Free Territory, including Zone B, should be returned to Italy. It is understandable, therefore, that on the fourth anniversary of that declaration last week, serious riots broke out in the city of Trieste and that demonstrations have since taken place in Rome and other parts of an exasperated Italy.

The position is complicated by several other factors. It is arguable whether an Italian occupation of Zone A could be made legally watertight without the consent of the Russians and the other signatories of the Italian peace treaty. Nor would occupation of Zone A necessarily satisfy extreme Italian nationalists; they consider themselves entitled to part at least of Zone B on ethnic grounds, and they might bitterly oppose Signor De Gasperi if his government appeared to abandon all claims to Zone B by settling with Britain and America for Zone A now. Last, and not least, Marshal Tito would to some extent be affronted by such a partial settlement, because he has counter claims to Zone A.

The present situation cannot be allowed to go on. For the last few months negotiations have in any case been taking place to settle the whole question of Trieste over the heads of the Russians. And Marshal Tito has only himself to blame for failing to make any material concession in the direct negotiations with Italy during the winter, from which at one time there were modest hopes of a final settlement which would have covered both Zones.

It may be that the idea now attributed to the former Italian ambassador in London, Duke Gallarati Scotti, would be the best first step—namely, that Italy should forthwith participate in the occupation of Zone A under Nato auspices. But, whether a total settlement can ever be negotiated or not, only the Italian Communists will gain if the Rome Government can obtain no advance on the present situation by agreement with Britain and America. For Signor De Gasperi the events of the last few days are damaging portents for the coming regional elections and the Italian general election within a year. Marshal Tito, whatever his difficulties at home, should reflect on what his situation would be if the strictly Stalinist Italian Communist Party got into power next year.

* * *

The Paris Agenda

The Council of Ministers of the Organisation for European Economic Co-operation has a full agenda for its meeting this week. The items cover all the major projects that OEEC has undertaken. The future of the European Payments Union is one of the first subjects to be discussed (a new Belgian settlement is expected to be announced) together with the once famous scheme for freeing European trade from quota restrictions. The future of this scheme, which has been mutilated by the recent attacks from Britain and France, is closely allied to that of EPU. If a method could be found of preventing the chronic creditor from amassing too much gold and the chronic debtor from paying too much gold, liberalisation might be provided with more secure foundations.

Other topics are a study of the working parties' reports on expanding European output by 25 per cent over the next five years; the coal report, with its recommendations on increasing coal production and reducing Europe's dependence on American supplies; the operation of the International Materials Conference in Washington; a further survey of Europe's progress towards financial stability; and, finally, the future of the organisation itself.

The long agenda may simply be a way of showing that it has many important projects in hand which could not be easily taken over by other organisations. Much of the spade-work on them has been done, and it could be argued that it should complete these tasks before becoming another exhibit in the museum of experiments in co-operation. The future of OEEC is a serious matter. Part of its functions —in particular the distribution of dollar aid—has been taken over by Nato, while other parts will come more and more under the various new European organisations that are sprouting up—the Schuman Plan, the defence community and the so-called "green pool." Even EPU has technically a separate existence and a separate staff.

The fact that of all these bodies only EPU covers all the countries that are at present in OEEC is not alone a sound argument for retaining the organisation in its present form. But if Europe is to be afflicted with a variety of independent organisations, there will clearly be a need for co-ordination which might be the job of a smaller OEEC secretariat. In the final analysis the decision about its future will depend on political considerations, especially on whether Britain wishes to be more closely aligned with Europe in economic affairs. And on this the evidence is uncertain.

* * *

Award for Doctors

There must be wry faces at the Ministry of Health this week. The long dispute with the British Medical Association over general practitioners' pay has ended—in favour of the doctors—and it is a reasonable assumption that if the doctors' claim had been settled earlier by negotiation it would not have cost so much as the present award. But in the autumn of 1949 Mr Bevan, then Minister of Health, turned the claim down outright. Over a year later his successor, Mr Marquand, admitted that it had some justification, but it was not for some months, and then only after much temporising, that he agreed that the claim should go to arbitration. This week, the adjudicator—a High Court judge—has determined that in the year 1950-51 the general practitioners should have been paid nearly £10 million more than they in fact were. This is an average of about £500 per doctor. Underpayment in the year and nine months preceding, and in the year following, is likely to bring the total cost of the award to about £35 million.

The British Medical Association has based its claim on the recommendations of the Spens Committee. These were that general practitioners in the national health service should have the incomes which it thought should have prevailed in 1939 written up to allow for the fall in the value of money since then and having regard to the increases in the pay of other professions. The association has consistently held that the Ministry of Health has failed to apply the Spens recommendations properly in determining the total sum of money from which individual doctors are paid. In particular, it has argued that the Ministry ought to have applied in 1948 a betterment factor of 70 per cent for gross incomes, in order to compensate fully for the change in the value of money since 1939. For 1951 it asked for a betterment factor of 120 per cent. The Ministry has applied 20 per cent for net taxable incomes, and its percentage of earnings to be treated as practice expenses was less than the figure claimed by the doctors. Its argument was that doctors' earnings from all sources are high enough to justify its assertion that the Spens recommendations were being carried out.

Mr Justice Danckwerts has agreed with the doctors on the percentage to be taken for expenses. But he has applied a betterment factor of 100 per cent in determining his award for 1950-51 and has suggested one of 85 per cent for 1948.

Health Service Costs

There is, on the face of it, no reason why the award to general practitioners should be taken as an example by other professions. The British Medical Association has not obtained a cost of living increase in an agreed standard of pay, but an independent ruling on what that standard of pay should be. It does not even follow that other practitioners in the health service whose pay is also related to the Spens Committee's recommendations, and who have agreed to that pay, will be eligible for increases. There was nothing in the committee's reports to suggest that pay under the health service should be regularly tied to the cost of living.

Nevertheless, the award puts the Government in an awkward position. Will it fix a new limit on the cost of the health service and spread the cost of the award over the general body of taxpayers, or will it keep to the limit of £400 million and confine the cost to the patient by imposing new charges? Mr Crookshank refused to commit himself this week. Were it not for the back pay involved, he could almost apply the award without exceeding the limit. If the cost of civil defence is excluded from the health service estimates for 1952-53, their net total is £392 million, compared with £398 million in the year just ending.

Yet, even without the increased cost of the general practitioner service, the finances of the health service are still precarious. As the table shows, the cost of the hospital service continues to increase. Some of the additional £20 million can be accounted for by higher prices for food, fuel and power, and drugs, but the biggest single increase in maintenance expenditure—over £6 million—is attributable to the cost of the nursing staff. This, presumably, implies some expansion of hospital services.

HEALTH SERVICE ESTIMATES
(£ Million)

	1951-52	1952-53
Net Total Cost	**398**	**392**
Of which :—		
Advances to hospital boards	262	282
General practitioner service	48	48
Pharmaceutical service: gross cost	44	48
Less Receipts from patients	...	*8*
	44	40
Dental service: gross cost	41	31
Less Receipts from patients	*5*	*11*
	36	20
Ophthalmic service: gross cost	19	11
Less Receipts from patients	*5*	*5*
	14	6

What is also clear from the table is the extent to which the bill for drugs has got out of control. The gross cost of providing spectacles has fallen to about half the actual cost in 1950-51, and there is no doubt that, apart from the natural fall in demand, the charge has acted as a deterrent. But the cost of drugs goes on rising. It is possible that the proposed charge will have a bigger deterrent effect than has been allowed for in the estimate. In any case, its size is determined by the general practitioners who write the prescriptions. Now that they have received their award they have a special obligation to reduce unnecessary and unnecessarily expensive prescribing.

* * *

Sponsored Television?

Rumours that Conservative backbenchers, impatient to see something denationalised, are urging the Government to admit a commercial element into the television service, have stirred up a number of impressive protests. There is one powerful argument in favour of permitting some "sponsoring" (that is, payment by commercial firms for the right to attach advertising appeals to some of the programmes) in television, and that is that television is an extremely expensive service to provide. It is the more necessary to make this point first, since so few of those who have raised their voices against "sponsoring" have seen fit to face the financial alternative. If television is to be financed out of revenue derived from licences then either the service will be starved of funds, or the present television licence fee of £1 a year (in addition to £1 for sound broadcasting) will have to be sharply raised, or else television will have to continue to be subsidised out of the fees contributed by the sound listeners who never see it. If the Post Office refrained from keeping for itself part of the licence revenue, the position would be eased, but not very much, as most of this "retained" revenue ought to go to sound broadcasting, whose listeners provide it.

Nevertheless, in spite of this financial difficulty, it would be a retrograde step to permit advertising in television. One reason for this is the distaste that most people in this country feel for the commercialisation of what should be a public service. Another reason is that, unless sponsoring were also to be allowed in sound broadcasting, it would inevitably lead to some degree of separation of the two services, which would run counter both to the technical requirements and to common sense. If the two techniques had been perfected at the same time they would never have been separated, and the obvious course of future development is for them to grow together.

This is not, of course, to say that the BBC's monopoly is a good thing. There is a third way of organising broadcasting which would have neither the commercialism of "sponsoring" nor the stiffness, the inhibitions, and the political dangers of monopoly. The ideal solution would be to have several competing public-service corporations, each embracing sight and sound and none accepting money from advertisers. It would cost more than the present BBC, but in any case, if British broadcasting is to be both adequately financed and free of commercial taint, the public will have to be persuaded that it would be worth paying, say, 3d. per day per household (instead of the present ¾d. for sound and a further ¾d. for sight) for a complete service.

* * *

Report on the Colombo Plan

This week the first annual meeting of the consultative committee of the Colombo Plan has been taking place in Karachi. Its purpose is to review the progress so far made, to reach as much agreement as possible on certain immediate problems, and to maintain the dynamic behind the plan. Unfortunately the meeting will not be able to report any great progress of a nature likely to capture the imagination of either Asia or the West. And it is above all by its impact on public opinion that the eventual success of the Colombo Plan will have to be measured. At best, the achievements of the first year in a six-year programme of capital development can hardly be conspicuous. Nor is the programme in any case big enough to do more than lay the foundations for greater investment later on. It is, nevertheless, no small achievement to have established during the past year a new technique of consultation in Asia, to have proceeded with a number of specific development projects which depend in part on external economic aid, and to have added Burma and Nepal to the list of participating countries.

Among the problems for the future discussed in Karachi three in particular will affect the ultimate influence of the Colombo Plan. One is to decide what type of work by the permanent secretariat is most likely to lead to American investment, either through increased government aid or through the World Bank; in this respect it is unfortunate that, while Washington takes part in the running of the Colombo Plan, American influence in Jakarta is reported to be working against Indonesia joining the plan. Other problems are the role of Japan in furthering the work of the plan and the effect on South East Asia of the current recession in the world prices of raw materials. While the latter may be temporary, in the long term Japanese industry is clearly in a position to do a great deal for the whole area. Japan ought to be invited to attend next year's meeting.

* * *

Russians in Tokyo

The impending (though still delayed) transition in Japan from occupation status to normal sovereignty has raised delicate questions about the future of the Soviet military-diplomatic mission in Tokyo. Although the Soviet Union did not provide any troops for the occupation (which it refused to do unless its contingent could be independent of General MacArthur's command), it has been represented throughout the occupation period on the Four-Power Allied Council. It has maintained in Tokyo a large mission with a military guard, nominally as staff for the Soviet member of the Council. Soon, however, a new situation will arise. When the peace treaty comes into force, there will no longer be any occupation regime or Allied Council, while the Russians, not having concluded any peace treaty with Japan and not having any diplomatic relations with its government, will no longer have any recognised right to remain in a large building with extraterritorial juridical status for its inhabitants and armed guards at the door.

It is nevertheless expected that the Russians may refuse to withdraw. As far as they are concerned, nothing done at San Francisco has any legal validity; treaties concluded with Japan by the United States and others do not bind the Soviet Union, which remains technically at war with Japan until a peace treaty between them is concluded. No doubt the Soviet mission could be removed by force, but such action would aggravate an already tense situation. The Japanese may take the less provocative course of sealing off this Soviet outpost from its contacts in the country.

One solution, of course, would be to resume Soviet-Japanese diplomatic relations, even without a formal peace treaty; the Soviet mission could then become a regular embassy. The Japanese Government is reported to be not unwilling to have such diplomatic relations, but to insist that there must first be a satisfactory settlement of Japan's two principal grievances. One is the Soviet failure to account for 300,000 Japanese prisoners of war who have not been repatriated; the other is the Soviet seizure of some small islands off the coast of Hokkaido, on the pretext that they belong to the chain of the Kurile Islands annexed by the Russians in accordance with the wartime Yalta agreement.

* * *

Like Peter, like Paul—like Perón

Peronistic autarky has become a contagious disease in the southern hemisphere. The two latest victims are Australia and New Zealand. New Zealand at the moment seems to be only a mild case, but the Australian symptoms show all the signs of a deep-rooted infection that may be suppressed from time to time but not cured. The disease, admittedly, is an economic malady as far as the two southern dominions are concerned and not a political one.

A few months ago the New Zealand Government asked for and got an increase of 15 per cent in the price of meat it sells to Britain, despite the fact that the existing long-term contract contains a clause limiting the annual variations in price to 7½ per cent either way. It had a strong case, for Britain had agreed to much larger increases in the price for both Argentine and Australian meat. Taken by itself this manœuvre contained nothing sinister. But the New Zealand Government has now decided that "for administrative reasons" it cannot pass on the higher price to its farmers. It is true that most of the livestock has already been slaughtered and much of the meat shipped and that retrospective payments would require a more elaborate accounting system than exists. But the New Zealand Government could at least promise that it will pay farmers the higher prices next season. This technique of exacting higher prices from its buyers and refusing to let those higher prices encourage an increase in output has been used by Argentina ever since the end of the war.

Australia is in a much more serious plight. It, too, with its various produce boards, has not passed on to producers all the increases in price it has exacted from its customers. But that is not all. As in Argentina, Australia's secondary industries have been artificially stimulated and supported to the detriment of agriculture. Agricultural output has been declining and it may not be long before Australia becomes a net importer of food. Farmers consider that their profits, except in recent years from wool, are too low. The drift to the towns has made labour scarce and costly, and agriculture has not been fully mechanised.

This development was just beginning to be corrected in 1951 when the flood of imports made the Australian people realise that their domestically produced goods were, on the whole, of poorer quality and of higher price. Now, however, the new import restrictions will not only give domestic industries a new lease of life but also every incentive to expand since incomes are not being cut. If the Australian Government really intends to foster agricultural production, it should introduce fiscal and monetary measures that will make any increase in secondary industries impossible. If it fails to do that, it will be only a matter of time before Australia (like Argentina at present) suffers all the impoverishments of autarky.

More room in Oxford

The Randolph Hotel in Oxford has in the past three years been almost doubled in size; extensively improved and largely re-furnished. It now offers accommodation of the high standard expected by visitors to the University City both for overnight and for restaurant meals. There are bedrooms, many with bathrooms en suite, for 180 guests and the restaurant services have been increased in size and modernised. The finest Assembly Room in the City provides for banquets and balls and smaller functions. A Garage adjoins, with entrance in Beaumont Street.

Resident Managers: Major & Mrs. Stewart
Telephone 47481/5

*

RANDOLPH HOTEL

*

TRUST HOUSES LIMITED

No Retrenchment in Ireland

The Irish Budget which is to be introduced on Wednesday, a month earlier than usual, is likely to provoke intense controversy. The Minister for Finance contemplates an expenditure of about £135 million in 1952-53, of which £94 million has to be found for the supply services. Both government and opposition seem to wish to confuse comparisons between these estimates and the budgetary provision for the current year. The inter-party innovation of dividing the budget into current and capital accounts has been abandoned. Last year, Mr McGilligan's budget provided £71 million for the supply services, £10 million for the central fund services and £29 million for capital development. There have been supplementary estimates for about £11 million since then; and it is an issue between government and opposition how far the necessity for these should have been foreseen in May last or how far they are a result of *Fianna Fail's* return to office in the following month.

Mr MacEntee has said that he will have a gap of £50 million to cover, but it is possible that this estimate was stretched to the limit and that there will be some contraction on budget day. Nevertheless, Mr MacEntee's task will be formidable. A year ago, the counterpart fund from Marshall aid helped to provide for schemes of capital development through the budget. It has now disappeared; and the need is even greater than it was twelve months ago, since the government has retained the development schemes that it inherited and has added some of its own. There is certainly no sign of state economy; indeed, the government has issued, since the publication of the estimates, its scheme for social welfare which is to cost another £4 million.

There will, no doubt, be some borrowing, but increased taxation also seems to be inevitable. Income tax, at first sight so much lower than in Great Britain, is in practice borne by a comparatively small—and vocal—section. There is room for increased taxes on consumption, and ministerial speeches have foreshadowed some reduction in the food subsidies. The government may feel that its majority is too undependable, for bold measures to be possible, but it is to be hoped that the opposition will admit the need for greater flexibility in the public finances, and refrain from opposing measures that it would find inevitable if in office itself. So far the emphasis is on economy by the public rather than on economy by the state, and it is discouraging to learn, in view of the protectionist leanings of *Fianna Fail*, that a list of import cuts is being prepared. In agriculture, the government is taking the first steps back to a policy of self-sufficiency which would reduce the capacity to export. The Irish economy badly needs reduced consumption and increased production, and it is to be hoped that Mr MacEntee will apply the remedy all round.

* * *

Equality and Equidistance

The economics of rail transport can be relied on to exert a peculiarly addling effect on the minds of those called on to discuss them. Last week's debate in the House of Commons was no exception. Mr Hector Hughes proposed that, in the interests of the Scottish fishing ports, there should be "standard freight charges irrespective of the distance covered." The simplest element in the argument was the analogy with the Post Office: if a flat rate is economic for letters, why not for consignments of fish? The answer, indeed, emerged clearly enough: terminal costs, independent of distance, are most of the total cost of the postal system, while the cost of actual carriage, varying with distance, constitutes the greater part of the cost involved in freight in general.

But equity, as well as economics, was heavily involved. Anything but a flat rate is, according to Mr Hughes, scandalously unfair. "Mileage is made a deity, while the unity of our country is repudiated" and the community is denied "equality of opportunity." He might have carried this novel concept of equality much further; it is, after all, a shocking denial of the "unity of the country" that some regions should be more fertile, or rainier, or hillier, than others, with corresponding advantages or disadvantages to their inhabitants. Should there not be compensating levies and subsidies? Once one has exalted equality unconditionally above the rational use of resources, why stop at transport?

Other considerations were eloquently adduced by Mr Grimond on behalf of his distant constituents. Transport costs, increasingly penalising remote areas, accentuate the drift to the crowded and vulnerable mainland towns; they should therefore be equalised. Economists may ask why people should be, in effect, paid to live in these areas. The answer may be strategic: "Because their presence there is a source of national strength." Or it may be social: "Because a community is more than an economic organisation, and changes its nature for the worse when it loses its outliers." These may be arguments for a subsidy, but there is no conceivable reason for making that subsidy a charge on rail users in particular. Still less can they be generalised to make economic equidistance an essential ingredient of social justice.

* * *

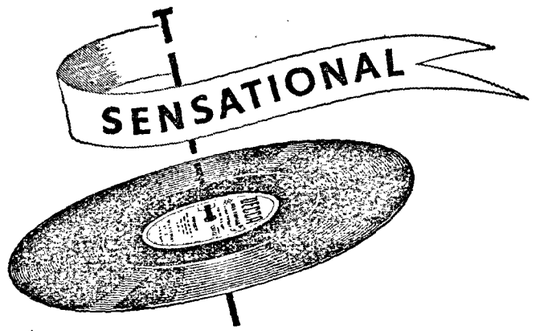
Traffic in Footballers

The high salaries that are paid in the top flights of the entertainment industries do not extend to professional football. In the 1949-50 season the matches of League first teams draw attendances totalling 44 million. Yet the idols of these vast crowds are paid a maximum of £14 a week during the winter and £10 a week in the summer. They also get bonuses for matches that they win, and a benefit of £750 for five years' service may be granted, at the discretion of their club employers. But in all, the earnings of a star footballer are unlikely to exceed about £900 a year—and after a few years he normally has to find a new occupation.

Differences between the players and their employers caused the late Minister of Labour to appoint a committee of investigation. Its report*, published last week, makes it clear that the players are not being exploited for private gain. Under the rules of the Football Association, to which all League clubs subscribe, a club's maximum dividend is 7½ per cent, and club directors, as well as those of the League Management Committee, are unpaid. But some clubs are certainly making very large profits, and the fact that they have few outlets for their surplus cash is, in the opinion of the committee, the reason why transfer fees have risen so high. The committee proposes that in future transfer fees should be limited to £15,000, one-third to be handed over to the Football Association for the advancement of football, one-third to a benevolent fund for professional footballers, and only one-third to the club. The committee did not recommend the abolition of the maximum wage, as this enables even the poorer clubs to have their share of the best players; but it thought that some recognition of star performances could be given if much larger bonuses were paid for appearances in the most important matches.

These proposals, which the disputing parties are free to reject if they choose, meet only part of the players' case. When a player's contract expires he is not free to leave. His club may, if it chooses, retain him at the minimum wage of £332 a year; or it may charge a fee for releasing him. This fee may be so high that no other club is willing to pay it, so that meanwhile he is without a job and without wages. The economic and social principles involved in tying a man so closely to his club surely need a more thorough revision than the committee proposes.

* Association Football. Report of a Committee of Investigation Regarding the Terms and Conditions of Association Football Players. HMSO, 9d.



DECCA LONG PLAYING RECORDS

UP TO 50 MINUTES MUSIC ON ONE 12-INCH RECORD

This is Long Playing: Beethoven's Fifth Symphony, Grieg's Piano Concerto, Tchaikovsky's "Pathétique", "The Eroica", Gilbert & Sullivan's "Trial by Jury", The "Nutcracker" Suite—*each on one twelve-inch long playing full frequency range record.** Then the great operas: La Bohème, Die Fledermaus, The Mikado—*each on two;* Carmen, Butterfly, Tales of Hoffmann—*each on three;* Parsifal and Die Meistersinger *each on six.* Already there are 473 of these sensational 33⅓ r.p.m. Long Playing records, providing something for every musical taste—revolutionary in their playing time—transcending all others in their quality of reproduction—records which will never cease to thrill you, your family, and a host of envious friends. Decca Long Playing 33⅓ r.p.m. records may be played through your existing 78 r.p.m. radiogramophone or *a radio receiver* by the use of a Decca L.P. player costing from as little as nine guineas. The Decca Long Playing Advisory Panel (address as below) will gladly help you to choose the right one. Send the name of your instrument and its model number.

**Full frequency range recording is exclusive to Decca. It captures every musical frequency audible to the human ear, giving a brilliance of reproduction unobtainable by ordinary recording.*

The Decca 102 page L.P. catalogue, 1/6 from your dealer or direct from us.

LONG PLAYING 33⅓ RPM

DECCA ffrr

the world's finest quality record

THE DECCA RECORD COMPANY LTD., 1-3 BRIXTON ROAD, LONDON, S.W.9

Are you bothered by your boiler?

You can soon put a stop to that and have all the hot water you want, as easily and quickly as you like it, if you install an

AGAMATIC

THE AGAMATIC is a water heater that *always works* and need never go out. It is cleaner than you would think possible. It heats your water quickly, cheaply, automatically.

It has a thermostat to give you hot water whenever you need it and to damp the fire down when you don't.

The circular grate makes riddling a simple job, over in a moment. It is as dustless as can be: the ashpit door fits like the breech block in a gun.

The whole casing is heavily insulated: no heat is wasted.

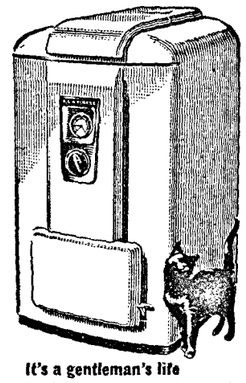
It will burn any type of solid fuel and most kitchen refuse.

Price £50 . 0 . 0 ex works, which is very reasonable indeed.

This is the new **AGAMATIC**

There has never been a boiler like it. It has:

- a built-in thermometer, grouped with the thermostat control in a single panel
- a foot-pedal to release the ashpit door
- a full-depth top-cover, hinged at the back, which you can raise with one hand, making stoking easier
- a most elegant appearance—which comes as an agreeable surprise in these thin times



It's a gentleman's life for the stoker of an Agamatic

For full information, visit the London showrooms, or write for the illustrated Agamatic leaflet to:

AGA HEAT LTD

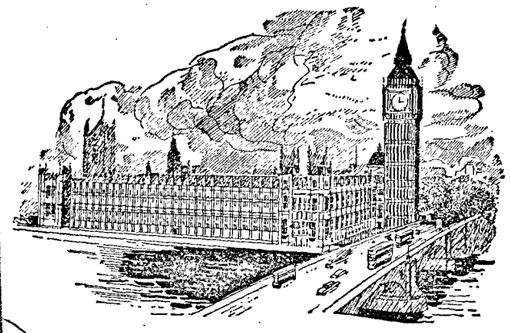
134 ORCHARD HOUSE, ORCHARD STREET, W.1

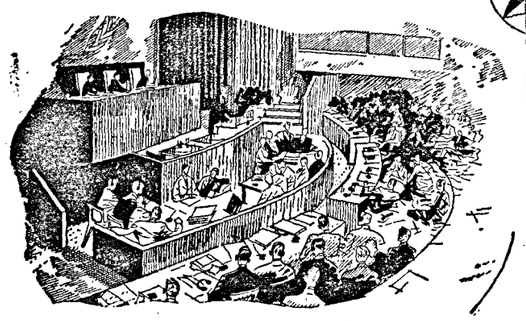
(The Agamatic is another splendid fuel-economy appliance from the Allied Ironfounders Group)

The word 'Agamatic' is a registered trade mark of Aga Heat Ltd.

MARCONI

serves mankind





Marconi was a lone thinker who revolutionised communications by methods "the entire meaning of which no one before him had recognised.". There is a great contrast between his crude copper-sheet aerial and the Marconi equipment which televises such programmes as the opening of the new House of Commons and the sessions of the United Nations. But there is also a great similarity—Marconi's tradition of service to mankind.

MARCONI'S WIRELESS TELEGRAPH COMPANY LTD · MARCONI HOUSE · CHELMSFORD . ESSEX

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

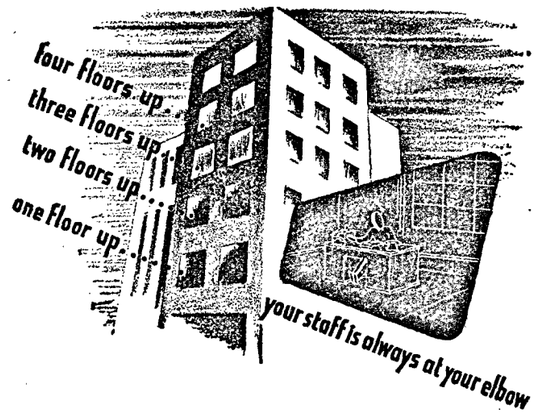
As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

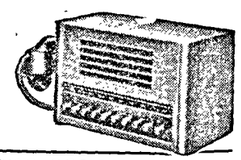
University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD
64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777



With the RELIANCE Loudspeaker Telephone System your staff is always at your elbow. No matter how scattered your staff, a flick of a switch puts you in instant communication with any department. Investigate—to your advantage—the RELIANCE Loudspeaker Telephone System.

A postcard to the address below will bring full particulars.



THE RELIANCE TELEPHONE COMPANY LTD.
(A subsidiary of the General Electric Co. Ltd.)
29-47, PARKER ST. (Dept.T.E.12), KINGSWAY, LONDON, W.C.2
Tel. Chancery 5341 (P.B.X.) Branches throughout the United Kingdom

LI629Q

Books and Publications

Allies or Enemies?

German-Soviet Relations Between the Two World Wars, 1919-39. By E. H. Carr. The Albert Shaw Lectures on Diplomatic History. *Oxford University Press.* 146 pages. 18s.

Between the wars Germany, so long as it was weak and subject to the Versailles Treaty, needed the support of Russia. Russia, so long as it was weak and shared neither fear nor friendship with France and Britain, needed the support of Germany. Once Moscow had made up its mind that there would be no revolution of the proletariat in Germany, the People's Commissariat of Foreign Affairs put the still hopeful Comintern in its place and worked with Stresemann for the Berlin treaty of 1926, which made it certain that the Soviet Union would stand aside from any military or economic action against Germany—and *vice versa*. And once Berlin was certain of the Locarno Treaty and American financial aid, heavy industry and the Reichswehr put the German Foreign Office in its place and looked to the Soviet Union for markets and secret military aid. Frederick the Great had advised Prussia "to cultivate the friendship of these barbarians" and Bismarck never forgot what united Germany owed to Russia's benevolent neutrality while Austria and France were being defeated in 1866 and 1871. William II thought he knew better, and Hitler hovered between accepting and resenting this tradition of statecraft. Disaster was the result in 1914 and 1941. The question now is, as Mr Carr says in his concluding paragraph, whether the policy of Bismarck will be rejected a third time. He might have added, if he had not so scrupulously eschewed, comment of topical relevance, that Bismarck's view, were he alive, might be much modified by the presence of American power on the continent.

Some of the factors have changed in Central Europe, but sufficient remain to make this book of lectures before the Page School of International Relations at Johns Hopkins University not only remarkably well-timed but highly stimulating. It is cool, clear and readable. It is not the last word on the subject because the full personal records of General von Seeckt and Stresemann have not yet been published. It will add weight to the Butterfield-Kennan advocacy of a less emotional approach to international affairs, and it should be prescribed reading for under-secretaries in Washington, London and Paris who did not experience the middle twenties. History, of course, does not repeat itself; but it is salutary to compare the Central European situation seven years after the first world war with the situation seven years after the second. The parallels are instructive.

Much has been written already about the covert and tortuous moves that led to the Ribbentrop-Molotov negotiations of 1939. What is less well known is the scheme of events between 1921 and 1926, which produced first the Rapallo Treaty of 1922 and then the Berlin Treaty of 1926. The western nations were so obsessed with the Bolshevik bogy that they almost drove the Russians into an understanding with the Germans. And when Pilsudski attacked the Ukraine in 1920, only to be thrown back by a Soviet army which looked at one moment like "liberating" the territory that Germany had lost, the generals of the Reichswehr realised two things: that the Red Army was to be reckoned with and that Russians and Germans had a common interest in checking the Franco-Polish alliance.

From then onwards, unbeknown to government and Reichstag, Moscow made "concessions" which enabled von Seeckt's secret general staff to organise training, scientific experiment and arms manufacture in Russia. Mr Carr quotes from the Trotsky archives to show that the Soviet government, unlike the German, knew well what was going on. He shows, too, in some fascinating passages, how Radek had earlier held a political salon in Berlin while detained by the German Ministry of War, talking at length with politicians, soldiers and industrialists like Rathenau. It only needed Rapallo to show the scandalised West in 1922 that "the two outcasts from the Versailles system had joined hands." Brockdorff-Rantzau, who had made a dramatic protest in 1919 against the peace treaty, now went to Moscow as ambassador, resolved that "the evil of Versailles can be corrected from Moscow." One wonders whether we shall hear of a German ambassador going to the United States, resolved that the evil of Potsdam can be corrected from Washington.

By 1926 Stresemann had shown that he could combine the policy of Locarno with a friendly adjustment of relations with the Russians. He understood that it was possible, as well as necessary, for Germany to face both east and west. At the moment Germany does that by being divided. The question of the future is whether, with no independent Poland interposed between Berlin and the Soviet frontier, Germany can be left again in this central position of manœuvre unless the United States is present in Europe in force.

Problem Island

Report From Formosa. By H. Maclear Bate. *Eyre and Spottiswoode.* 210 pages. 16s.

Mr Bate was brought up in China and last year he went back to the Far East as a newspaper correspondent, visiting Formosa, Hong Kong, Macao and Manila. The book which is the sequel to this trip bears the marks of hasty writing, but it is as up to date as such a book can be, and the account of Formosa is a valuable piece of first-hand reporting, though rather confusedly mixed up with the author's own speculations and comments. He enjoyed special facilities while in Formosa on account of personal friendships with Chinese naval officers who were trained in Britain during the last war and are now in charge of the Nationalist fleet. He had interviews with the principal figures of the residual Nationalist regime—Chiang Kai-shek himself, General Chen Cheng, Dr K. C. Wu and Mr George Yeh—and with their American military advisers, Major-General Chase, Admiral Cooke and the "Flying Tiger" Major-General Chennault.

Mr Bate makes it clear that, as far as the Nationalists themselves are concerned, Formosa is not simply a refuge, but a base for ultimate counter-attack. All their talk is of "the Return" and their troops are being trained in offensive tactics. American policy so far has been to help them to hold Formosa, but not to support them in any attempt to return to the mainland. Nationalist officers told Mr Bate of their fear that their army's morale would decline if it had no chance of fighting; as one of them put it, "You don't train a horse for steeplechasing and then keep it all the time locked in a stable." Since the defeat of the Kuomintang on the mainland, its principal military test has been the defence of the island of Quemoy, which is only two miles from the coast of the mainland; its garrison has so far repulsed all Communist attempts to capture it, and Mr Bate, who flew there and saw the place under bombardment, considers that this has been a substantial achievement. He believes that the Kuomintang really has reformed itself in Formosa, for the opportunist elements in the party have deserted to the Communists and the corrupt parasites have fled to America, leaving only a hard core of anti-Communist resistance, and enabling the best men of the regime, such as Dr K. C. Wu, to exercise a power which they never had in the old days. Mr Bate claims that a genuine land reform has now been carried out in Formosa and even if it is regarded as a mere deathbed repentance, he thinks its political effect locally has been considerable. The author's own political sympathies are not left in doubt, and from contact with American Service representatives in the Far East he has acquired much of their point of view. On a visit to the ruins of the fortress of Corregidor in Manila Bay, where the Americans in 1942 made their desperate last stand against the Japanese, he reflects that this battle "has probably done more to promote the United States' present attitude towards Asia than any other single factor" and that Corregidor "symbolises to many the fate of all efforts to appease a ruthless and unappeasable foe."

Constitutional Model

Government and Politics in Ceylon (1931-46). By I. D. S. Weerawardana. *Ceylon Economic Research Association.* 207 pages. Rs. 8.00.

Ceylon's constitutional development has been model. Everything has been settled quickly and by agreement. Mr Weerawardana's book covers the crucial fifteen years, the years from the inauguration of the Donoughmore constitution to just before the attainment of Dominion status. He has not only read all the documents, he has also talked to all the people ; this is perhaps more important in a case where so much has depended on the growth of conventions—conventions which sometimes made nonsense of the formal statutes. The result is a book that, with a wealth of scholarly detail, really explains. We are enabled to see the constitutional process unfolding itself in a way that is rarely possible with constitutions of the British type, with their emphasis on the unwritten adjustment and the casual compromise.

Mr Weerawardana obviously has no great love either for the Colonial Office or for the Ceylonese politicians now in power. Yet his book is in fact a sustained tribute to the moderation and reasonableness of both. The Donoughmore constitution itself helped in two ways. It gave Ceylon adult suffrage ; and a bigger electorate means less corruption and more consideration for the interests of the people as a whole. And it refused to grant communal electorates, so that at a time when India was moving towards division, the communities of Ceylon were, on the whole, coming together. Otherwise, that constitution, because of the lack of organised parties in Ceylon at that date, combined the pattern of an English county council and its executive committees with the usual pattern of a colonial constitution, with its reserved powers and its dyarchy.

Mr Weerawardana's book shows how the pull of the British constitutional tradition was too strong for these arrangements. The reserved powers, in the usual way, gradually slipped into disuse. There was an occasional minor crisis. But the power of disallowance was never used once ; by the time the war came the power of reserving legislation was exercised only formally ; and the common objective provided by the war finally brought the ministers fully into foreign affairs and defence, despite a momentary possibility of friction when Admiral Layton was first given overriding powers as Commander-in-Chief. On the other hand, the Legislature's executive powers fell into disuse almost from the beginning ; the committees were more and more content to leave day-to-day administration to their chairmen, thus making them ministers in fact as well as in name ; and the ministers, although they were separately elected as chairmen and had no organised party behind them, tended increasingly to become a Cabinet. By 1946 Ceylon was not only almost governing itself, it had established that its model would be Westminster and not County Hall.

The Diplomatic Dollar

The Diplomacy of the Dollar. By Herbert Feis. *Johns Hopkins Press.* (London: *Geoffrey Cumberlege.*) 81 pages. 18s.

By "the diplomacy of the dollar" Mr Feis, who was adviser on International Economic Affairs to the State Department from 1931 to 1943, means "the way in which we use our power to make gifts or loans to serve our ends in our dealings with other peoples"—a concept which he distinguishes sharply from the odious "dollar diplomacy" of 1908-12. In this book, which began as a lecture series in 1950, he casts a backward glance over the first era of the diplomatic use of American lending power, the period 1919-32, and contrasts it with the present time.

The book begins with a brief sketch of the attitudes which led to American faith in private foreign investment as the cure for the world's problems, and to the first attempts to control this investment in the interests of American foreign policy—if "control" is the right word for a policy so lightly applied for fear of public censure. After underlining the inconsistency of heavy foreign lending, high tariffs, and insistence on payment of war debts, Mr Feis examines the success of the policy in attaining its main objectives: to prevent loans for the finance of budget deficits or armaments, loans to foreign monopolies, and loans to unrecognised or defaulting governments. He then deals with the special cases of Germany, France and Russia, and the oil of Mosul —the last of which scarcely justifies Mr Feis's new concept.

In relating this experience to American postwar lending, Mr Feis is emphatic about the main lesson: without a clear and consistent foreign policy, supported by an integrated foreign economic policy, the use of American foreign lending to back up American diplomacy is apt to prove a dismal failure ; even with these things it is a chancy business. Writing in 1950, he says much whose relevance has increased with the passage of time: that America must not be impatient with its debtors, that insistence on repayment of loans may defeat the purpose for which the loans were given, and that the economic commitments imposed on borrowers must be kept consistent with the political and military commitments imposed by diplomacy. Though the signs are hopeful, it remains to be seen whether "the diplomacy of the dollar" will live up to Mr Feis's conception of it.

Pseudo-Insurance

The Economics of National Insurance. By Alan T. Peacock. *Hodge.* 126 pages. 8s. 6d.

It is in the field of public finance, more perhaps than in any other, that the science of economics and the kindred acts of political economy and administration are most practically and fruitfully allied. Mr Peacock's study of the economic implications of the national insurance system is an outstanding example of this alliance. Described in the author's introduction as "a by-product of a wider study into the effects of income redistribution," it is limited in its scope, deliberately disregarding or treating only very briefly such traditional questions as the incidence of social security contributions or the particular effects of the social security scheme on "mobility of labour, on the incentive to work, on trade union policy, and so on." It concentrates rather on the significance of the scheme's finance to the magnitude of income flows, and so to public finance, and in general, and especially, to the management of the national debt.

It is a most penetrating, and probably to many readers, a highly disconcerting, study. Mr Peacock demonstrates that national insurance is not, by any reasonable standards, insurance at all ; that its autonomy *vis-à-vis* the fiscal apparatus as a whole is a legal fiction, serving a useful psychological and political purpose but economically non-existent ; that the scheme's reserve funds are for all practical purposes indistinguishable from other forms of Government debt, from which they differ only in that contributions to them are compulsory. The various strategic uses to which they can be put are enumerated, but described, owing to the secrecy surrounding them, as mostly hypothetical. The picture thus unanswerably presented differs almost diametrically from that generally drawn, on the analogy of private insurance, by the scheme's beneficiaries. Once the insurance fiction is swept away the scheme appears as a social service like any other, financed by an earmarked and grossly regressive tax, and illogically overlapping both the system of income tax reliefs and the social services outside its nominal scope.

Mr Peacock outlines proposals for reform which follow logically from his analysis. They have a good deal in common with the plans suggested by Lady Rhys Williams, Professor Meade, Mr F. P. Chambers, and the Liberal party ; they abolish the contributory system, the structure of income tax reliefs, and the food subsidies, substituting a personal allowance, a basic tax, and a surtax over £600 a year. His final chapter, in the nature of a postscript, assesses and approves the pension changes in the 1951 Budget. Events have outstripped him, but the Budget of 1952 appears, in the light of this study, all the more clearly as a step in the right direction.

Shorter Notices

The School of Salamanca : Readings in Spanish Monetary Theory, 1544-1605. By Marjorie Grice-Hutchinson. *Oxford University Press.* 134 pages. 12s. 6d.

The highly specialised but highly readable study explores an unfamiliar but significant subject, of interest both to economists and to historians ; the impact on Spanish law, custom and economic theory of the great changes brought about by the sixteenth-century inflow of treasure from the New World. That impact took effect on a legal and theoretical structure rigidly determined by the doctrines of the Church with regard to the just price and to usury, and not the least interesting part of Miss Grice-Hutchinson's study is that which describes the efforts of the theologians and jurists of Salamanca to reconcile these doctrines with economic reality. In the

Hutchinson's

Some Spring books already published:—

INTERNATIONAL MONETARY CO-OPERATION, 1945-52
Professor Brian Tew
Provides a general analysis of the scope for international co-operation ; deals with the actual machinery of international co-operation ; and gives a short survey of the events since 1945.

THE GREEK WAR OF INDEPENDENCE
ITS HISTORICAL SETTING
The Hon. C. M. Woodhouse
Corrects the usual lack of proportion by relating the Greek War of Independence to the general history of Europe contemporary with it, and to the chronological continuity of the whole history of the Greek people.
Two endpaper maps

A SHORT HISTORY OF IRELAND
J. C. Beckett
The first attempt to incorporate the fruit of the research of the past 10 or 15 years in a short general history of Ireland.
Two endpaper maps

AUSTRALIA
Professor R. M. Crawford
Traces the development of Australia's aboriginal inhabitants into the complex, predominantly urban and fairly highly industrialised society of today.
Six maps

THE BARBARIAN WEST, 400-1000
J. M. Wallace-Hadrill
Discusses what men thought and talked about over these six centuries ; how such thoughts about past and present and their own traditions helped to shape their world politically ; and how we know about these things.
Two endpaper maps

Ready in April:—

CEYLON
Sydney D. Bailey
Begins in the realm where myth and history meet, and comes down to the new era which began on 4th February, 1948, when Ceylon became the youngest self-governing member of the Commonwealth family.
One map

Still available:—

THE BRITISH BANKING MECHANISM
W. Manning Dacey
Economic Adviser, Lloyds Bank
". . . he does it [describing the money market] more acutely, more penetratingly and more subtly than it has yet been done, and this makes his book a valuable addition to the literature of banking. . . . The chapters on liquidity of banking assets, the working of the Bank rate, 'cheap' and 'ultra-cheap' money, and 'deficit finance' are outstanding." THE ECONOMIST.

Each Volume 8s. 6d.

University Library

Flying Holidays
on currency of
£25

Two people flying Air France, with no extras, no tips, and wonderful free meals and drinks, can enjoy up to 14 days abroad on their combined £50 currency allowance. Fares are paid in this country and do not come from the allowance.

Flights to
PARIS · NICE · CORSICA
DINARD · DEAUVILLE
LA BAULE · MAJORCA
BARCELONA · MADRID
ITALY · SWITZERLAND
AUSTRIA · U.S.A. · ASIA
AFRICA · AUSTRALIA

Send for this fascinating free book "FLYING HOLIDAYS"

Your Travel Agent will give you the best advice

AIR FRANCE
The 4-Engine Service

LONDON: 52/54 Haymarket, S.W.1. WHI. 4455 · GLASGOW: 33 Renfield St. CEN. 8054/5
MANCHESTER: St.. Peter's Sq. CEN. 8071/2 · BIRMINGHAM: Civic Centre. MID. 5891

Increased Interest on a
SAFETY-FIRST INVESTMENT
2½% per annum
Income Tax paid by the Society
Equal to £4. 15. 3 per cent to investors subject to income tax at the Standard Rate
Abbey National announce that, with effect from April 1, the interest on shares will be raised from 2¼% to 2½%, and on deposit accounts from 1½% to 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.
Total Assets £136,630,000
ABBEY NATIONAL
BUILDING SOCIETY
HEAD OFFICE : ABBEY HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory

CVS-289

Persian Lamb in Africa

THAT THE HUDSON'S BAY COMPANY has a subsidiary company in S.W. Africa, farming Karakul sheep for "Persian lamb" is disclosed in *New Commonwealth*. Moreover, "Persian lamb" production of 2 million skins, worth over £5 million, represents over half S.W. Africa's total exports.

It is one of the romances of Commonwealth trade that this should have been achieved in the tropics by a Company usually associated with the arctic circle!

It is also one of those interesting and valuable pieces of trade information that can only be found in *New Commonwealth* — the publication which helps you to sell to the Commonwealth.

Send for specimen copy to: 33 TOTHILL STREET, LONDON, S.W.1

"Certainly—it's just part of our service in London for people visiting Australia. But as well as complete travel facilities our Information Department provides market surveys, business introductions and any specific information you may require."

"You will find a similar service awaiting you at our 630 offices in Australia."

London Office: 7 Lothbury, E.C.2
Other London Offices: Australia House, Strand, W.C.2., and 8 Princes St., E.C.2.

THE NATIONAL BANK OF AUSTRALASIA LIMITED
(Incorporated in Victoria)
Established 1858 Assets £288 Million

The Gateway to Security

2½%
FOR THE INVESTOR
Income Tax paid by the Society
EQUIVALENT TO £4-15-3 per cent
Subject to Income Tax at 9/6 in the £
£1-£5,000 accepted

TEMPERANCE PERMANENT BUILDING SOCIETY
223-227, REGENT ST., LONDON, W.1
PHONE REG. 7282

course of these efforts they recognisably anticipated some of the leading ideas of modern theory. Nearly half the book is devoted to texts, here made available for the first time to the English-speaking reader.

A Short History of Ireland. By J. C. Beckett. *Hutchinson.* 208 pages. 8s. 6d.

Mr Beckett has performed, with great success, the difficult task of disentangling the numerous threads in the pattern of modern Irish history. Although his book briefly covers the history of the country from the earliest times, the main emphasis is on the events since the Act of Union. The interplay of the political, religious and economic forces at work in the nineteenth century is skilfully traced, with particular regard to the changes that took place in opinion in Ulster. The greatness of O'Connell, who founded modern Irish nationalism, and of Parnell, who united the constitutional, revolutionary and agrarian movements, emerges from the narrative. The origin and growth of the numerous streams—the IRB, the Gaelic League, Sinn Fein, the Irish Volunteers and the Citizen Army—whose confluence led to the rising of 1916, are clearly explained. The events which preceded and followed the Treaty of 1921 are described with a remarkably correct perspective. Mr Beckett concludes that the relations between Irish Catholics and the Protestant minority and between Great Britain and Ireland have not yet been settled. Since the treaty, Irish politics have remained static. "In both north and south the public is compelled to judge men and events according to the politics of thirty years ago." This little book should be read by all who wish to understand modern Irish politics and particularly by Irishmen.

World Political Geography. By G. E. Pearcy and R. H. Fifield. *Constable.* 653 pages. 45s.

This symposium, edited by the Geographic Attaché to the State Department and Professor Fifield of Michigan University, provides some information on new trends in American views on geopolitics. The first of seven parts deals with the definition, history, and scope of political geography, which the authors suggest, rather surprisingly to British geographers, is synonymous with geopolitics. Part seven considers some special aspects, such as boundaries, population factors, grand strategy, and geography in future world politics. The greater part of the work consists of studies of the principal political divisions of the world. The geographical situation, historical development, and economic resources of each area are examined, with the aid of small but adequate inset maps, in order to determine its status in world politics. These studies will provide a useful source of reference.

The analytical parts of the work are, however, regrettably short, and the definition of the central concept of the book, national power, lacks the rigour which is essential in so large a symposium. Thus the studies are interesting, but the conclusions about countries and their foreign policies tend to be vague, and often far removed from the fundamental elements on which national stability and development must depend.

Letters to the Editor

Will France Face the Facts?

Sir,—In your leading article of March 8th you stated that "France is not at all heavily taxed . . . or perhaps it would be more exact to say that the amount collected in taxation is not high." This is ambiguous. As M. Gérard Silhol complains in your issue of March 22nd, nearly a third of the French national income is earmarked for revenue, a burden theoretically greater than that borne by the United Kingdom and the United States. In practice, however, the yield is poor because (as every tax collector admits) several hundred milliards annually escape the Treasury's mesh as a result of fraud on income tax and sales tax. Now the worm at the core of the French political economy is social unrest stimulated by inflation. Price rises have several causes, a budget deficit among them; but France's real *spécialité de la maison* among inflationary pressures seems to be the operations of countless middlemen who make large profits per unit on a small turnover and then pay incommensurate taxes upon them. It is surely the ever blossoming *commerçants*, not the employers, still less the wage-earners with known fixed incomes, who are at the root of the bubble. Each year, under rearmament, an ever more inflated expenditure may be met only by ever more exorbitant direct taxation on consumption and imports (now 60 per cent of all taxation). This progressively unjust pattern of taxation seems inescapable so long as direct taxes give an insufficient yield and the state has no credit. Whether M. Pinay can substantially reduce the cost of living by direct agreement between economic groups remains to be seen.

The postwar scissor movement between agricultural and industrial prices, to which M. Silhol refers, will, as he says, certainly have reduced the taxable profits of the farming community. But when has the French state been able to count on the farmers to swell its budget?
—Yours faithfully,

YOUR CORRESPONDENT

Paris

New Zealand's Reserves

Sir,—In your comments on the deterioration in the position of the Australian pound, on page 550 of *The Economist* of March 1, 1952, you write:

> The same factors are also at work in New Zealand where fairly sharp import cuts are now inevitable. The Reserve Bank of New Zealand's sterling balances (which, in the past, have represented about two-thirds of New Zealand's total overseas assets), had fallen from a peak of £87 million last August to £21.5 million by the end of January; last year these balances recovered rapidly from a seasonal nadir of £47½ million from the end of December onwards, but there has been no sign of such a recovery so far in 1952.

The figure of £21.5 million for the reserves in January is too small by £32 million. Since August 15, 1951, one of the main reasons for the steady decline in the Reserve Bank's holdings of sterling exchange has been the purchase of overseas investments.

Normally the Reserve Bank's sterling exchange is held in the form of British Treasury Bills; as a matter of policy it was decided to invest part of these funds in short and medium term British Government securities, which are included in the Reserve Bank's investments. Between August 15th and November 14, 1951, overseas investments rose from £1.9 to £32.1 million; no further additions to this portfolio seem to have been made between then and March, 1952.

Taking this adjustment into account, total New Zealand foreign exchange reserves have moved as follows:

	(in £NZ million)		
	1950-51		1951-52
August	78.4	...	117.9
September	71.0	...	110.7
October	68.8	...	98.0
November	63.5	...	86.3
December	73.0	...	81.8
January	90.9	...	81.6

There has been no significant deterioration in the position since January. While the general trend of events in Australia is applicable to New Zealand, it can be seen that the omission of the change in the Reserve Bank's investment policy creates a picture which does not reflect the greater stability of the New Zealand economy.—Yours faithfully,

W. ROSENBERG

Canterbury University College, New Zealand

Planning in Practice

Sir,—In your issue of March 22nd, Mr Buckatzsch makes three points about the recent demolition of some brick and concrete structures in Oxford—that they could be used for hospital accommodation, that the conversion of the site to landscape gardening is economically wrong and that the whole is an example of vagarious planning. That is not, surely, the whole story.

The Oxford hospital administrator is reported in the press to have made a statement that evinces very little enthusiasm for the use of these buildings for hospital purposes, and presumably he knows whether they are conveniently sited in reference to the present layout of the Oxford hospitals.

In attempting an economic evaluation of landscape gardening one should surely take into account the previous uses to which the site was put. It may be that by change of use the community may attain a greater degree of utility, move to a higher indifference curve or to a "preferred position" (one has a choice of jargon for this purpose) than by retaining the previous uses of the site.

Finally, is this perhaps not an example of planning but of an attempt to get free from planning, to enable the uses of resources to be determined by the free play of consumer choice, expressed through the blind machinery of the market-place rather than through the wide-awake calculations of economic satisticians?—Yours faithfully,

E. M. HUGH-JONES

Keble College, Oxford

AMERICAN SURVEY

Unmilitary Revolution

Washington, D.C.

IN 1939 the United States Army, which then included the Air Force, had a total strength of about 268,000. At the end of 1951 the Army and the Air Force between them mustered 2,458,000, and by the middle of 1953 it is planned that they will have a combined strength of 3,160,000 men and women. The Defence Department is now not only the largest department of the US Government, but probably the largest single organisation in the world, and in the coming financial year the United States will spend about 70 per cent of its budget on national security. No General has been President of the United States for sixty years, but of the four Generals of the Army (a rank which did not exist in 1939) two are at present actively involved in the forthcoming presidential elections; one has a good chance and the other an outside chance of becoming the next President of the United States. These are only a few examples of the size and scope of the revolution which has taken place in the relationships between the American people and their armed forces.

Before the Second World War few of the professions counted less in the social pattern of American life. There was no connection, as there was in Britain, between the upper middle class and a military career. The Civil War, by keeping the US Military Academy at West Point closed to the sprigs of the Southern gentry for many years, broke the older connection between the Army and the plantation aristocracy, although Virginia Military Institute, where Stonewall Jackson taught and General George Marshall studied, provided some able officers. The young man of energy, outdoor tastes and independent means, upon whom the British Army has always relied, did not normally take up soldiering and the wealthy sportsman who was also a fine professional soldier, such as George Patton, was very much the exception.

By and large the officer class of the prewar American Army was drawn from all levels of society, including the farming and poorer sections, under the system of nomination to West Point, which brings cadets from every Congressional district. A high percentage of officers were of German and Irish descent and they formed a caste not, as in Germany, because they had a monopoly of power, but because they were literally a class apart. The most likely reason for going into the Army was because one's father had been in it. Military service was confined to Washington, to a string of isolated camps and forts across the country, and to the Pacific garrisons. There was no foreign service other than in the Pacific, and the overseas possessions of the United States provided few of the minor proconsular jobs to which a moderately capable British General could aspire. The points of contact with a civilian society engaged in very different purposes were few; West Point gave a cadet a good education but it was not of a kind to give young men a very profound grasp of or interest in the affairs of a civilian community—although the Academy can claim Edgar Allan Poe and James McNeill Whistler as alumni. Promotion was even slower than in the British Army and after twenty-five years of service Lieutenant-Colonel Omar Bradley was still thought too young for a Brigadier-General's command.

Nor were the enlisted men held in very high regard. During the twenties they were despised for "riding on *Uncle Sam's back*" instead of making a living, and in the thirties they were reviled by liberal opinion for keeping order in the hunger-marching riots. One of the ablest of today's young General officers started life as a juvenile delinquent in a Pennsylvania coal town and was offered by the police the alternative of jail or the Army. Unfortunately America had no Kipling to give the Army a place in the ballads, and therefore in the affections, of the American people.

★

Has the pendulum swung in the other direction? Are Americans in danger of glorying in their new-found military strength, of worshipping their Generals, of abandoning their old civilian tradition for a Prussian concept of the all-wisdom of the military leader? This would be the logical antithesis of their prewar attitude, but only the professional fellow traveller can find evidence to support the view.

While the armed services now provide wider opportunities, greater prestige and relatively better pay than they did before the war, there is no indication that soldiering has overtaken the law or any other of the professions in popularity. Reserve officers accept their recall with duty rather than enthusiasm. Certainly the draft of about 35,000 young conscripts a month rates second only to high taxation as a grievance against the government and as the most distasteful obligation in contemporary American life. There is no sign that "I did not raise my son to be a soldier" has ceased to be the theme song of the American mother. The Air Force remains the favourite service amongst the public because there is a widespread feeling that a strong Air Force is not only the best method of exploiting America's technological supremacy, but represents the best hope of diminishing the size of the Army. It is the Army with its casualties, its hardships, its periods of service in foreign parts which is not only unglamorous but disliked by civilians.

In *Look* magazine of March 11th Justice William Douglas of the Supreme Court said "the formulation of our foreign policy has slipped more and more into the hands of a military clique that has possessed Washington, D.C." That is the view of many troubled American liberals and there is some truth in it. The Pentagon, the Department of Defence, not only has a great stake in the formation of foreign policy, but is also well aware that, since the Korean outbreak began, it is more readily listened to by Congress and the public than is the State Department. The Administration's policy on German rearmament is constantly cited as an instance of the undue influence of the Pentagon on policy, although an investigation into the growth of this particular policy actually reveals as much enthusiasm for it among the civilian officials in the Pentagon as among the Generals themselves.

The influence of the Pentagon is certainly considerable, but belief in the power of a military clique overlooks the diffidence of the American military mind when faced with the business of civil government. One of the strongest traditions in the armed forces before the war was that officers and men had no concern whatsoever with politics, that the services were the pawns of the politicians. They extracted a kind of wry pride from their subjection to the civil authority and even a general interest in world affairs could bring raised eyebrows from commanding officers; this is one reason why Army intelligence was so inept in the early years of the last war. The result has been to produce a generation of senior officers who are nervous of the higher ranges of strategy where economic, political, military and psychological factors combine.

But the military men in Washington, who express their distaste for politics with such vehemence, are somewhat disingenuous, for many of them know every trick of the most seasoned political boss when it comes to advancing the cause of their own particular service. No one who witnessed the debates three years ago on unification of the armed forces can really believe the man from the Pentagon when he says that he only obeys orders and does not understand politics.

Nevertheless, the general neglect of the health of the prewar American Army did thwart the existence of the "military intellectual," the staff planner with an extensive grasp of non-military factors. This is a lack which is keenly felt today. The recent disclosure that General Walter Grow, while Military Attaché in Moscow, kept a diary peppered with naïve and belligerent comments, which have fallen into Soviet hands, is less a reflection upon that hapless officer, for he was a brave and capable tank commander during the war, than upon the shortage of American senior officers suitable for such specialised military posts. This shortage is, however, slowly being overcome by the excellent work of the National War College in Washington, where Colonels and Navy Captains go for a year, mingling with State Department officials and professors, to learn that most international problems are insoluble even by force and that black and white are not the only colours on the strategists' palette.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Good Enough for Farmers?

[FROM A SPECIAL CORRESPONDENT]

IN September, 1948, President Truman, with the polls and the prophets all against him, went to Dexter, Iowa, primed to "give 'em hell." Before an assembly of farmers, whose prosperity was illustrated by the private aeroplanes in which many of them had come, he inveighed against "the gluttons of privilege," insisted that "the notorious do-nothing Eightieth (Republican) Congress . . . has already stuck a pitchfork into the farmer's back," and swung the decisive middle-western farm vote into his column, thus, as it later turned out, winning the election for himself.

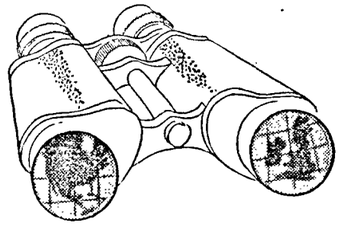
Recently a reporter, who wanted to find out where that farm vote is today, went to the grass roots across the Mississippi River, and asked a farmer about his voting intentions next November. He replied that he would vote for Mr Dewey; when reminded that Mr Dewey will not be a candidate this year, he insisted on his preference. Trying a new tack, the reporter listed the possible candidates for both parties.

> Young man, you heard me the first time. I'm gonna vote for Dewey. I voted for him in '44 and in '48, and I ain't never had it so good.

The story is not only an extreme example of the confusion in the current presidential picture but also perhaps a statement of the one clear fact about the agricultural vote: farmers, like most other people, appreciate "having it good." Apart from this the political confusion is nowhere greater than in the farming sections of the country. In July, when the parties choose their presidential candidates at their Chicago conventions, some of this confusion will be cleared up; in August estimates of the farm vote can at least be based on known alternatives. But other questions will remain.

In 1948, farm prices were falling. Farmers were anxious about the future and were especially worried about two pieces of legislation passed by the Republican Congress. The charter of the Commodity Credit Corporation had been amended, to restrict the building of storage facilities for surplus grain, and the principle of flexible, instead of fixed, price supports for agricultural products had been written into law. Actually the Democrats were similarly committed to a sliding scale for farm price supports; but it was the Republicans who had made them official. These grievances were undoubtedly in the minds of the farmers who listened to Mr Truman at Dexter. But another factor was active too—their suspicion of Mr Dewey as a Little Lord Fauntleroy, the man on a wedding cake, the candidate who was not the Midwest's kind of fellow.

Flexible supports for agricultural products are still on the



Clear two-way view... of transatlantic trade

The Chase National Bank is well situated to assist British businessmen engaged in trade with the United States. As an established American bank in Britain, the Chase affords a service based on clear understanding of British requirements and thorough knowledge of business and trade conditions across the Atlantic.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
A United States Corporation with Limited Liability
LONDON—6 Lombard Street
31 Berkeley Square Bush House, Aldwych

books and they will be the chief farm issue again this election year. An alternative method of ensuring prosperity for farmers has been developed by the Secretary of Agriculture, Mr Brannan; he would allow prices to seek their market level and provide supplementary government payments, if necessary, to bring farm incomes up to standard. The Brannan plan was greeted with some enthusiasm in the cities, where the prospect of only having to pay market rates for food was attractive, since it might be somebody else's taxes which helped the Treasury to meet its part of the grocery bill. But among farmers, the plan ran into heavy opposition and, as farm prices rose after the Korean war began, discussion of the proposal died down.

Now, however, the Brannan Plan is in the news again, somewhat restyled so that the average level of price supports under it would be higher than at present. The Farmers' Union—which, of all the farmers' organisations, is the one most sympathetic to the Truman Administration—has just voted for higher price supports and President Truman, in a congratulatory letter to the Union's Golden Jubilee Convention, said:

> We ought to strengthen our system of farm price supports and remove the sliding scale before it penalises farmers who are answering the call for bumper crops to aid defence.

Mr Brannan put his plan to the session in a fighting speech and, at a press conference, charged that Mr Allan Kline, head of the American Farm Bureau Federation, had had a deal with Mr Dewey in 1948, under which he was to deliver the farm vote in return for the Secretaryship of Agriculture, and that he now has a similar deal with Mr Taft. Mr Kline issued a resounding denial (many members of his Federation are working for General Eisenhower) and the season for agricultural politics was officially open. The Farm Bureau supports the principle of flexible price supports applied to a limited range of agricultural products.

*

This year, however, it seems likely that many farmers will be more concerned with the broader issue of inflation in general than with the narrower one of special programmes for agriculture. The ratio between maize and hog prices has turned in an unprofitable direction and sows are going to market before farrowing. Widening price margins for food processors have reduced the share of the consumer's dollar that goes to the farmer. Rising costs of machinery, fertilisers and labour are bearing down on net farm income. Political candidates who say they are for a balanced budget will therefore have strong agricultural appeal. With self-conscious righteousness the Farm Bureau is demanding a cut of $10 billion in federal spending; $200 million would be taken from the Department of Agriculture, the axe biting into all activities except research, the farmers' advisory service and the Office of Foreign Agricultural Relations. With the demands of the tax collector breaking all peacetime records, the issue of corruption in government will be very useful in farm areas, as Senator Kefauver proved by his victory over Mr Truman in New Hampshire.

Beyond these general matters, farmers have a special share in the nation's discomfort at life in a garrison state. When conscription takes a farm boy, the impact is sharper than in the cities; his productive manpower is used within sight of his family and the loss is felt directly. A truce in Korea, unless it is followed at once by a new outbreak elsewhere, could be an important electoral asset for the Democrats.

On these issues, which candidate will make the best showing? And will it be the same man in both of the country's chief agricultural regions, the South and the Middle West? So the question shifts back to the possible candidates again. The Republican primary elections in Minnesota and New Hampshire have put real steam in the Eisenhower bandwagon and the results of the contest in Iowa for membership of the Republican National Committee will also be worth watching. The fight will be between a Taft admirer and an "Ike-liking" candidate put up by progressive young farmers; the odds favour the latter. The Wisconsin primary will be another significant indication of how the agricultural vote will go. For if General Eisenhower is strong in the farm states west of the Mississippi River, Senator Taft is formidable in the five to the east of it—Wisconsin, Illinois, Indiana, Michigan, and his own State of Ohio. If Wisconsin abandons the Senator, the Republican party may well abandon him too, even if reluctantly, in order to save itself from once more sinking into defeat.

This year, the traditionally Democratic South presents more possible presidential permutations than any other area. Mr Truman's unpopularity hangs like an albatross round the necks of the few Democrats who co-operate with the Administration and cements the separatist movement under Senator Russell. If Mr Truman is the Democratic candidate there may well be a bolt from the Democratic party. If he is not, Senator Russell and his group are unlikely to take the risk of seceding, but they will probably be lenient towards those members who stray from the fold into the Republican wilderness. And if General Eisenhower is the Republican nominee, there will be many such strays. For the southern farmer, an Anglo-Saxon who still admires the eighteenth century, likes somebody with a touch of the grand manner, and he feels that he belongs to the Atlantic community. He would support a southern regional party, if there is one, but otherwise he will be tempted by General Eisenhower.

So at this early moment in the election campaign, when the General's views on domestic matters are still unknown, it looks as if the two great farming regions might vote against each other, if Senator Taft is the Republican candidate and if the Middle West supports him. But if General Eisenhower is the Republican candidate they might vote together, as they might also do if the Democrats choose a midwestern-southern combination for their presidential and vice-presidential candidates, and not Mr Truman. Above all, the farmers might vote together if it is once more brought to their attention with sufficient force that under Democratic Administrations they "ain't never had it so good."

American Notes

Steel Dilemmas

The steel workers, jubilant at the recommendations of the Wage Stabilisation Board on their dispute with the steel companies, have once more postponed their strike, until April 8th, to give the industry and the government a chance to struggle off the horns of the dilemmas on which they are now even more firmly impaled than they were before the board issued its report. The union itself is taking its stand on the board's recommendations—for wage increases in three stages, amounting to 17½ cents an hour by next January, for "fringe" benefits which add up to another 5 cents an hour, and for a union shop. These are far more favourable to the union than had been expected; apparently the public representatives, who make up one third of the board's membership, made concessions to the labour point of view because they found themselves quite unable to compromise with the industrial representatives, who voted against the report, and were anxious that the board should not collapse entirely at its first important test.

Under the recommended settlement the union would get

LIFE International

BRITISH AND CONTINENTAL ADVERTISERS, 1951

Agricultural Equipment

HARRY FERGUSON LTD.
JACK OLDING AND COMPANY LTD.

Aircraft and Travel

AIR FRANCE
AVIATION DIVISION, DUNLOP RUBBER CO. LTD.
BRITISH OVERSEAS AIRWAYS CORP.
THE BRITISH TRAVEL ASSOCIATION
CUNARD STEAMSHIP CO. LTD.
HOTEL DU RHONE
KLM ROYAL DUTCH AIRLINES

Automotives, Accessories and Petroleum Products

THE AUSTIN MOTOR EXPORT CORP. LTD.
CALTEX (U.K.) LTD.
CHAMPION SPARKING PLUG CO. LTD.
GODFREY DAVIS LTD.—CAR HIRE
DUNLOP RUBBER CO. LTD.
FIAT
NUFFIELD EXPORTS LTD.
ROOTES LTD.
SINGER MOTORS LTD.
THE STANDARD MOTOR CO. LTD.

Clothing and Household Equipment

BATA SHOE CO. INC.
DOLCIS SHOE COMPANY
DUNLOP RUBBER CO. LTD.
MORRIS (GLASGOW) LTD.—FURNITURE

Electrical, Industrial and Office Equipment

AKTIEBOLAGET ATVIDABERGS INDUSTRIER
ASSOCIATED ELECTRICAL INDUSTRIES LTD.
DICTAPHONE CO. LTD.
A/B B.A. HJORTH AND CO.
ING. OLIVETTI & C.S.p.A.
PHILIPS ELECTRICAL LTD.
PHILIPS GLOEILAMPENFABRIEKEN, EINDHOVEN
TELEFONAKTIEBOLAGET L.M. ERICSSON

Watches

CYMA WATCH CO. S.A.
DOXA WATCH CO.
GIRARD-PERREGAUX
INCABLOC-UNIVERSAL
INTERNATIONAL WATCH CO.
INVICTA-SEELAND
JAEGER-LECOULTRE
MIDO WATCH COMPANY
OMEGA WATCH COMPANY
THE ROLEX WATCH CO. LTD.
SWISS FEDERATION OF WATCH MFRS.
CHS. TISSOT AND FILS S.A.
UNIVERSAL GENEVE
VACHERON ET CONSTANTIN

Liquor

ARTHUR BELL AND SONS LTD.
BISQUIT COGNAC
BOOTH'S DISTILLERIES LTD.
JAMES BUCHANAN AND CO. LTD.
CAMPARI EXPORT-IMPORT
CINZANO AND CO.
THE DISTILLERS AGENCY LTD.
W. AND A. GILBEY LTD.
PETER F. HEERING
ERVEN LUCAS BOLS GIN

Miscellaneous

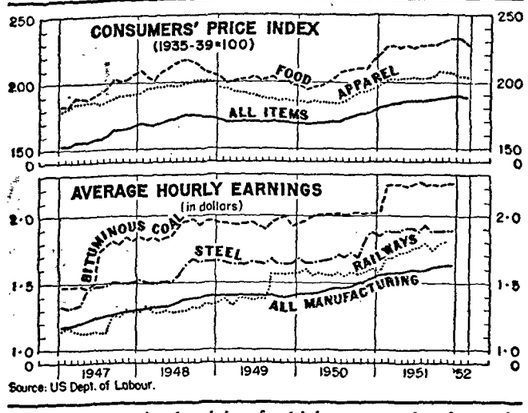
FESTIVAL OF BRITAIN 1951
FRANKE AND HEIDECKE—CAMERAS
INTERNATIONAL PHOTO-CINEMA EXHIBITION
MILES MARTIN PEN CO.

LIFE *International*

circulates in 120 countries throughout the world outside North America. It represents a new and extraordinarily successful concept in international advertising.

For information please write or telephone to:
LIFE International, 2-4 Dean Street, London, W.1. Telephone Gerrard 6335
Paris Office, 26 rue de la Pepinière, Paris. Telephone Laborde 9703
Zurich Office, Mr. Kenneth McDonnell, Mythenquai 23, Zurich. Telephone Zurich 27744

more than it could have hoped for under collective bargaining; at least so the steel companies allege. They claim that they cannot accept the proposed wage increases unless they are allowed to raise the price of steel by $12 a ton (the average price is $110 at present) instead of the $6 which was their estimate before the report was issued. Their dilemma is that they do not want to increase prices, for in the present state of the steel market a fall in demand would almost certainly follow. The economic stabilisation authorities insist that steel profits are far too high to permit any such increase under the formula which allows higher prices to be charged if an industry's earnings fall below 85 per cent of the years 1946 to 1949. An increase in steel costs could hardly fail to force up the price ceilings on many manufactured articles, just as an increase in steel wages would make it almost



impossible to resist the claims for higher wages already put in by such important groups as the oil and aluminium workers. The WSB, however, maintains that steel workers are in a different position from other trade unionists because it is so long since they have had a wage rise; as the chart shows, hourly earnings in the steel industry have remained steadier than have those in manufacturing generally.

The government's dilemma is that the rearmament programme, already seriously delayed, cannot afford the disruption of a steel strike; yet if a strike is avoided by the only means by which it apparently can be avoided, an increase in the price of steel, not only will the inflationary spiral be set spinning again, but a disgusted Congress will probably also abolish the Administration's powers to control prices and wages. There is some excuse at the moment for feeling that the economy would be more stable if left to itself than if guided by the government, for the WSB's proposals for increases in steel wages coincided with a fall in the cost of living, the first since last June and the sharpest since the end of 1949. The wage stabilisation policy is supposed to be linked with the cost of living and the fall is expected to continue; if it does, it will mean wage reductions for several groups, notably the automobile and electrical workers, whose pre-stabilisation contracts are tied to the consumers' price index; already the wages of over one million railwaymen have dropped by one cent an hour. No wonder Mr Charles Wilson, the defence mobiliser, with a few unhappy remarks about the generosity of the WSB, flew off to consult the President in Florida.

* * *

Taft at Bay

In Minnesota last week over 100,000 voters went to the polls, through a storm and with little urging, to perform the complicated feat of writing in, on voting-machine ballot papers, the name of Eisenhower—or some variation of it, such as plain Ike or General Izehauer—as their choice for Republican presidential candidate. This spontaneous proof of the General's popularity, coming just after the discovery that in New Hampshire Senator Taft had lost votes in the places where he appeared personally, convinced the Senator that he would be unwise to challenge the General directly in future. Their next meeting was scheduled for the April 15th primary election in New Jersey, where Governor Driscoll had just led the state's Republican officials over to the Eisenhower side, and Mr Taft attempted to use this affront as an excuse for withdrawing from the primary. But the General's supporters had no intention of allowing the Senator to avoid open contests and take cover amongst the party machines in states where there are no primary elections to give voters a say in the choice of delegates to the nominating conventions, or in the choice of the presidential candidate. The New Jersey courts have now ruled that Mr Taft's name must stay on the ballot and April 15th may well be the day on which the Senator is finally brought to bay.

Meanwhile, however, the Republicans of Nebraska and Wisconsin have an opportunity to make a fool of him on April 1st, when both these states hold primaries. He is not entered in Nebraska, but his supporters there, hoping to cancel out the Eisenhower success in Minnesota, are organising a write-in vote for the Senator. In Wisconsin his reputed strength is such that anything but an overwhelming victory will look like a defeat. General Eisenhower is not entered in this contest, but Governor Warren and Mr Harold Stassen are. Both of them, obviously convinced that Mr Taft's days are numbered, are manœuvring for good positions at the kill. Mr Warren has long promised his convention delegates to General Eisenhower if he does not need them himself, and Mr Stassen has now offered to hand over at once half of any delegates he may win in Wisconsin. If he can thus collect enough votes from Eisenhower supporters to defeat Mr Taft, Mr Stassen will hope to claim a reward from the General for having saved him the trouble of finishing off the Senator.

For the present Senator Taft is still alive and kicking hard and shows no intention of giving in. Even if he does so, General Eisenhower cannot be sure that the convention will fall at his feet, for there are indications that the Republican Old Guard is preparing to set up General MacArthur in Mr Taft's place. However, the Eisenhower managers, after a professional reorganisation of their operations, are wooing the organised politicians with reminders that General Eisenhower has always been a loyal team-mate and is unlikely to change now that he has joined the Republican party. It looks as if the General will be back to make promises on his own behalf by the end of May; the Minnesota voters seem to have given him the "clear-cut call" to political duty that he had not expected until the Republican convention.

* * *

Trouble in Local 600

To Mr Walter Reuther, head of the United Automobile Workers, the end evidently justifies the means, for he has seized upon hearings of the House Un-American Activities Committee as an excuse for taking over the largest and noisiest branch of the UAW, Local 600, with about 50,000 members at the River Rouge plant of the Ford Motor Company in Detroit. Mr Reuther is ambitious to head the national Congress of Industrial Organisations after the retirement of Mr Murray, its present chief, and wants to reinforce his claim to this eminence by putting his own house in order. He had largely succeeded in unifying a trade union noted for its factionalism until the big Ford branch last year became the centre of opposition with the desertion to the enemy of Mr Carl Stellato, president of Local 600 and at one time a Reuther lieutenant.

The House committee brought Mr Reuther a chance to regain control of Local 600 when, at sessions in Detroit, it called witnesses who said the branch was infiltrated by Communists. Mr Stellato, who was refused permission to

testify, wrote the committee that the union constitution barred Communists from office and he would remove any officer proved to be a Communist. But two days after the hearings adjourned, without giving Mr Stellato a chance to carry out his pledge, a six-man board headed by Mr Reuther took over the administration of Local 600 and has called for new elections of officers in May.

In the curious politics of the volatile Ford branch, stemming from the aggressiveness developed in the bitter fight to conquer this last outpost of resistance to trade unionism in the motor industry, Mr Stellato heads a coalition of forces that include the once-powerful left wing. Although twice elected on an anti-Communist platform, his last victory was a narrow one and he has since consolidated his position by concessions to the left which have placed him in opposition to Mr Reuther. Damning the devil has meant damning his works, so Mr Stellato for the past year has vociferously condemned Mr Reuther's wage policy; this is embodied in the "escalator" contracts he steered through the automobile industry in which wages are tied to the cost-of-living index. As part of the fight against Mr Reuther, last June Local 600 invited his old enemy, Mr John Lewis of the independent United Mine Workers, to speak at an anniversary celebration. Mr Reuther refused to share the rostrum and Mr Lewis had an undivided spotlight and an enormous audience for his attacks on escalator contracts, the automobile companies—and Mr Reuther.

While Mr Reuther's tactical move has left him in temporary possession of the field, winning the branch election may be more difficult, especially if his opponents swing attention away from which side is the more anti-Communist by centring their fire on the wage contract. Working Detroit is already concerned about its pay packet with over 100,000 men laid off from the motor factories, although this situation is likely to improve now that more materials are available. But if the consumer's price index continues to fall, it may mean that wage cuts for UAW members will coincide with the election, which would hardly help Mr Reuther win.

* * *

Southern Strategy

The determination of the South to prevent Mr Truman's renomination and to reassert its influence on Democratic decisions has already put Senator Russell of Georgia in the electoral field. Steps are now being taken in the South to make it possible to punish the Democrats if they disregard this warning. If General Eisenhower is the Republican candidate, southern reprisals will hardly be needed; a recent Gallup poll showed that twice as many Southerners would vote for the General as would vote for Mr Truman. But if the battle is between Mr Truman and Senator Taft, or some other Republican unable to split the traditionally Democratic South, the southern leaders themselves hope to teach their party a lesson.

Under the Constitution, voters choose, not the President, but delegates to the electoral college. In modern times it has come to be taken for granted that electors will vote for the national candidates of their party. But the election of 1948 showed that this was not necessarily true. President Truman lost the electoral votes of four southern States to the Dixiecrat party, hastily thrown together by rebellious Southerners after the Democratic convention took its stand on a strong Negro rights plank.

If the able and respected Senator Russell should lead a similar walk-out this year, he could count on the electoral votes of at least eight, and perhaps more, States. In Mississippi and Georgia the election law has recently been changed to make it legally watertight for Democratic electors to withhold their votes from Mr Truman and cast them for Senator Russell—or perhaps even General Eisenhower. In Alabama, one of the secessionist four in 1948, the courts have refused to allow Democrats loyal to the Administration to require delegates to promise to support the candidates chosen by the convention. The Supreme Court is to hear arguments against this refusal next week. In Louisiana the newly elected Governor, Judge Kennon, has promised that none of Louisiana's electoral votes will be cast for Mr Truman if he is the Democratic candidate.

These signs of revolt raise the possibility that the election may have to be decided by the House of Representatives, something which has not happened since 1824. For the Alsop brothers have calculated that if Senator Taft runs, he will, at best, be 17 votes short of a clear majority in the electoral college, while Mr Truman, if he runs, cannot hope to win without the electoral votes of the South. In that case the House, with each State delegation voting as a unit, would choose among the three top candidates. The small States would come into their own and, although Southerners imagine they might be able to hold the balance of power, the result could hardly fail to be a Republican victory. The South is so bitter against Mr Truman, however, that it seems perfectly prepared to cut off its nose to spite his face. The threat of such a split in the party if he runs again must weigh heavily with the President—as it is meant to.

* * *

The Taxpayer's Burden

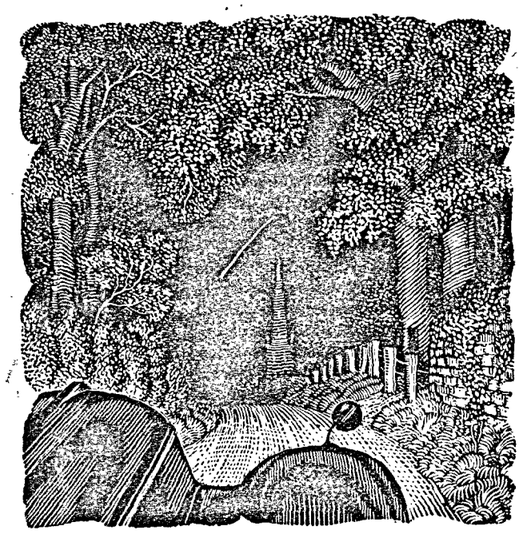
This month the historic movement of Europe's cultural treasures across the Atlantic was significantly reversed: the Rosenbach collection of Shakespearean volumes was sold to a Swiss for his personal collection. The excuse given by the rather embarrassed firm which made the sale was that high taxes had left individual Americans too poor to support even public institutions; private buying on a large scale is alleged to have ceased to all intents and purposes.

A few days later nearly half of the 156 million Americans were in a position to appreciate the truth of this remark, for March 17th—the official March 15th date fell on a Saturday—was the final day for making, and paying on, 1951 income tax returns to the federal government. The Treasury was expecting to collect over $50 billion this year in personal and corporate income taxes, compared with less than $40 billion last year. In New York alone over $1 billion was taken in from taxpayers who had to struggle through the St. Patrick's Day celebrations to hand over anything from 22 to 91 per cent of their earnings. Two of the collectors' offices in the city received cheques of record size as instalments on corporate payments, one for $144 million, another for $55 million.

Nowadays, even in America, it is not only the rich who are weighed down by taxation, and many citizens carry a heavier tax burden than they realise. In a majority of states state income tax must be paid as well as federal; in many towns both state and city sales taxes are levied in addition to federal excise taxes and there are, of course, other state and local taxes. Althogether these now take nearly $20 billion a year of the taxpayer's money, quite apart from the various federal collections.

It is estimated that 32 cents out of every dollar earned by the average American is now handed over for taxes, compared with only 25 cents in 1949. Nearly everywhere more than half the amount paid for a packet of cigarettes (about 20 cents or 1s. 5d.) or a gallon of petrol (about 25 cents or 1s. 9½d.) is tax. The liquor tax usually accounts for more than three-quarters of the retail price of a bottle of whisky, selling at around $5.60 or £2; a whisky tax of 3 cents a gallon started a rebellion 160 years ago. The Tax Foundation has calculated that a family of 3.2 persons with an annual income of $3,500 (a skilled workman's earnings) pays $798 in indirect taxes, including social security, and only $299 in income tax. On $15,000 a year the family's income tax would be $2,606 and other taxes $4,012. The taxpayer today has only one comfort: Congress is determined to add nothing to his burden this year and some State Legislatures have actually been trying to reduce it.

NICKEL



NICKEL is sometimes found in meteorites, alloyed with iron, but in the earth's crust it does not occur in the metallic state. More than four-fifths of the world's supply of this valuable element is mined in the Sudbury district of Ontario from deposits of "pentlandite"—a mineral containing sulphides of iron and nickel. A corrosion-resistant silver-white metal, nickel is well known in the form of nickel-plating, but it is far more important as a constituent of alloys. It is used for example in stainless steels and to add strength and toughness to alloy steels for motor cars, aircraft, armaments and machine tools. It is alloyed with copper and other metals to make condenser tubes and coins. Together with zinc and copper it forms nickel silver, the basis of plated tableware, and with chromium it is used extensively in gas turbine engines and to make heating elements for electric fires. Nickel and its salts are also used in alkaline storage batteries and in the manufacture of enamels.

Besides producing large quantities of wrought alloys containing nickel, such as nickel silvers and cupronickels, I.C.I. uses a nickel silver alloy to make 'Lightning' slide fasteners, and nickel catalysts in the manufacture of cyclohexane, one of the intermediates from which nylon is produced.

ICI

Shorter Notes

Now that the Senate has ratified the Japanese peace treaty and the accompanying security pacts with a minimum of controversy, Mr John Foster Dulles has decided that his Republican party needs his help more than does the State Department, and has left his post of special adviser to Mr Acheson. There is much speculation as to which Republican candidate for the Presidency will promise Mr Dulles the Secretaryship of State in return for his support; but it may well be that Mr Dulles himself feels that, in a campaign in which foreign policy is bound to play a large part, he can best serve his country and his party by independent and constructive criticism.

★

Leading boxing promoters have an unscheduled match on their calendar with the anti-trust dvision of the Justice Department. The International Boxing Clubs of New York and Illinois, two of their officers, and the Madison Square Garden Corporation are charged with maintaining a contractual hold over champions and chief contenders in all major weight classes, tying up the sale of radio, television and film rights for important boxing bouts, and having a monopoly on promoting matches in all the main arenas. The government states that the defendants have participated in the presentation of 90 per cent of all championship contests since 1949, and that the effects of such control have been to exclude other promoters as well as limit the opportunities of boxers. An important legal issue at the trial will be to determine whether boxing falls under federal jurisdiction as interstate commerce; in any event, the defendants will claim that sports are exempt from the anti-trust laws.

★

Natural and synthetic rubber are both becoming cheaper. On March 7th the price of synthetic, still under complete government control, was reduced from 26 to 23 cents a pound, as the result of increased output and new techniques. During April and May, government-owned natural rubber will be sold to private buyers at 48.5 cents a pound instead of 50.5; a much sharper reduction had, however, been expected, in preparation for the time when the natural rubber trade is returned to private hands, for this latest US price is still well above world prices.

★

The threatened budget deficit in New York City, which provides 56 per cent of the state's tax receipts, but is scheduled to receive only 44 per cent of state budget expenditures, has been postponed through a series of eight emergency measures passed by the Republican State Legislature. The temporary financial programme, while not giving the city more of the state's money, will enable it to levy special taxes that will provide $234.8 million toward balancing the $1.5 billion city budget for the fiscal year starting July 1st. The proposals include an extension of the city sales tax and authorisation for city bonds to finance transit deficits so that fares need not be raised.

★

Scientists in Boston have developed a new method of removing salt from sea water by means of an "ion exchange" instead of distillation. The old method was too expensive for anything but emergency use, while the cost of the new process compares favourably with that of transporting water from distant rivers to sea-coast cities in dry areas, such as Los Angeles, which is rapidly outgrowing its potential water supplies. Where electricity is plentiful, the new process will cost from ten to twenty cents a thousand gallons, as soon as the equipment can be mass-produced. It has great importance for industrial and agricultural purposes, as well as for human consumption, but it is likely to be used first to purify brackish water in places where the water table has fallen so low that sea water is seeping into the wells.

THE WORLD OVERSEAS

General de Gaulle and His Troops

(From a Paris Correspondent)

FUTURE historians who have to estimate the place in history of General de Gaulle will agree that the peculiar vigour of his mind was one of his main characteristics. They will be divided between those who think it was his principal merit and those who consider it reduced his usefulness to almost nothing. Many men trust their hunches. The General belongs to the class, small even in France, who require no moral support to believe in their own reasoning.

His first speech broadcast by the BBC on June 18, 1940, is indeed a passionate document, but it is the passion generated by the effort to think clearly and logically against a tidal sweep of other people's emotions. It is a short statement of a staff officer's estimate of a strategic situation. The conclusion is—amongst other things—that all his superior officers are wrong. They nearly all were. It is a situation to which General de Gaulle was already becoming accustomed as a colonel. But this very attitude of the stubborn individual mind refusing to adjust itself to other people's errors and emotions has limited his ability to apply even the truths he sees. In that first broadcast he declares "Car la France n'est pas seule. Elle n'est pas seule. Elle n'est pas seule." Such emphasis on the fact of alliance was a curious prelude to four years' battle with France's allies. Throughout his career he has seen the necessity of united action, but the union is apt to become all the more difficult because of the mathematical violence with which the General conceives it. France, one sentient individual person, constantly replaces in his thought the reality of the French people consisting of an infinite variety of men and women.

At least three times his country has owed a most valuable impulse to his single-minded purpose—in 1940 when he created a centre about which resistance could be crystallised; in 1944-45 when he restored civil government and democratic process (raising, when most people criticised him for it as pernickety, the question whether Communists could be trusted with the ministries of defence or the interior); and in the autumn of 1947, when, at the head of his newly formed French People's Rally, he more than anyone else was responsible for preventing the gradual Communist conquest of France through the municipalities. Fifty-two of the ninety-two departmental capitals had Gaullist mayors, including the thirteen largest towns of France. The percentage of the electorate that had followed him was put as high as 38 per cent. His organisation had only been in existence six months. "The wave is launched," he commented on November 12, 1947, "I repeat to you that it will grow and burst. I can only pity those who refuse to understand. If they insist on struggling against this force, they will be swept away by it."

After 1951 Elections

It sounded very convincing, but in the elections of June, 1951, the Gaullist votes were far from reaching 25 per cent. The General had indeed at last a parliamentary party not absurdly out of proportion with the strength of his supporters. What is more the parliamentary system which he had so shrewdly criticised and denounced really did seem on the point of breaking up. The Pleven government seemed only able to survive as long as it took no responsibility for the Assembly's legislative activities. The Assembly's preoccupations had for long no relation to any sane person's standard of priority. M. Faure, in spite of all his personal brilliance and courage, survived forty days without getting a single bill turned into law. Some of the most level-headed French republicans were beginning to say that the only possibility of having a government at all would be to accept the leadership of the General. In spite of the decline in his electoral support his hour seemed approaching.

Yet the next turn of the wheel was the revolt of 27 of the General's sworn supporters in the Assembly determined to vote for M. Pinay. His next public appearance was a bitter if still resolute press conference at which one could only wonder whether it was the perverted minds of his political opponents still leading the country to perdition, or the refusal of the Gaullist deputies to accept his assessment of the situation that most troubled him. The General has always stressed that the Republic is the nation's as a whole, and not merely the parliamentarians' or the parties'. More than ever on this last occasion did he speak of the masses. Yet the one man in France who at that moment was showing a curious knack of establishing contact with at least large sections of the nation across the barriers of party (including the barriers of the General's party) was a small provincial industrialist whose position in the previous governments nine Frenchmen out of ten could not have named with any certainty.

M. Pinay's Success

To explain away M. Pinay's political success—undoubted, though possibly momentary—by his promise to try to balance the budget without new taxes, is to leave unasked the question why, when he says that prices will be held and probably brought down, a very large number of Frenchmen begin to think it likely. They would never have believed the same statement if made by M. Faure, M. Pleven or M. Queuille, all of them able men and two of them much more eloquent. Part of his secret is no doubt that he has never acquired a politician's professional manner in any sense. He does not even look at ease on a platform. Still more important is that he does approach the political problem from the angle of the small man's worries. This is exactly what the General has never done and seems intellectually incapable of doing. It is almost chance if his analysis of historic processes brings him to the same point on the same day as the French man in the street. It is in moments of stark crisis that they concur. His followers in the Assembly discovered that if the collapse of the franc was the only way to bring to an end the present regime, he envisaged the possibility with calm. To change the regime was their agreed aim. To a good many of them this seemed like insisting on a surgical operation when the family doctor simply recommended a strict diet and a holiday at a spa.

The General may thunder and he may plead, but until the dieting and the Vichy water has been tried his parliamentary party cannot be used for the historic purpose to which he dedicated it. Little more than half can be relied on if its whips tell it to vote against M. Pinay. The General's moment, which seemed so near when M. Faure fell, is now farther away than ever. This is not to say that it might not come back rapidly. The French parties have not shown themselves so wise that they can be trusted not to prove him right. Few even of M. Pinay's warmest political

admirers would assert that his policy of "confidence in confidence" is more than a bet—a bet in which he has a great many of the experts against him. But even if the General's hour does come back his will be the same isolated revolutionary mind, prepared to accept as providential catastrophes what most other men will wish to avoid.

This is not to deny the contribution he has made and may yet make to his nation's survival. There is more folly than wisdom in those of his fellow citizens who talk of him as only a public danger. There is indeed more than a little truth in his warning that if the present regime collapses and the French People's Rally has been compromised in it, the greatest surviving force might well be the Communists. But the logic of that must surely be to reconsider the negative policy that has split his party, and use it so that it contributes to avoidance of what the ordinary man considers catastrophe. The break up of the French People's Rally may make it easier to run the Fourth Republic, but it would also deprive the country of the only non-communist party which is not run by a headless committee.

Belgium Fears a Slump

[FROM OUR BELGIAN CORRESPONDENT]

CLEAR signs that economic activity in Belgium is slowing down have been appearing since the beginning of the year. The result must be to force Belgium increasingly into co-operation with the other members of Nato with inevitable effects on the external economic policy of the country. Since the Lisbon conference the Belgians have shown their willingness in principle to increase their defence effort, and to adopt in part the recommendations of the Three Wise Men, by their proposal to grant a loan of $20 million to Europe and to make purchases in EPU countries to the amount of $40 million in the shape of reserves of weapons and munitions for the Belgian army. Belgium was also prepared to agree to a loan of $100 million to France within the framework of the EPU, but this was turned down by the American authorities.

Belgium was encouraged to make these concessions largely by its anxiety over the future of its exports. But the avoidance of any further increase in the defence effort and an undiminishing distrust for international commitments remain as the central preoccupations of both government and public opinion. Belgium, in fact, is torn between its traditional policies of monetary restriction at home and minimum co-operation abroad on the one hand, and, on the other, the necessity of some economic expansion at home and collaboration in Europe forced on it by the dangers of severe recession. This is the background to the rumours, which started at Lisbon, of a Belgian plan for an international economic conference under the auspices of Nato, with the object of combating the dangers of a world economic crisis.

Consumer Industries in Trouble

An important indication of Belgium's economic predicament is the number of unemployed, which exceeded 300,000 in February, 1952, in contrast to 200,000 in February, 1951. In the same period figures of unemployed women rose from 57,000 to 100,000, for the recession has hit the textile and clothing industries worst. In these two industries alone unemployment rose from 45,000 at the end of 1950 to 85,000 at the end of 1951. Out of a peak total unemployed of 320,000 it looks as though about 70,000 have been thrown out of work by general business conditions; 100,000 by seasonal factors; while frictional unemployment—that is temporary unemployment of people who are changing jobs—remains at about 60,000. The index of total industrial production remains high, in the region of 128 (1939=100). But this is due to the activity of the capital goods industries, in sharp contrast to the consumer goods industries, where the indices of production fell from 124 in November, 1950, to 112 in November, 1951. Retail sales remain slack and the financial markets, as in the United States and Switzerland, have sagged noticeably since the end of January.

On the other side, there is still no solution to the problem of financing Belgium's exports to Europe. At the end of February the sum of the credits granted to the EPU since 1950 reached 20 billion francs*, and Belgium's surplus with the EPU during March looks as though it is going to be as high as the February surplus which was still running at 2.4 billion francs. But this growing surplus cannot really be accounted for by genuine business conditions—which have, in fact, been deteriorating—but rather by the uncertainty which still surrounds the monetary policies of certain European countries. It is estimated in Brussels that the Belgian surplus with Europe is inflated by about 4 billion francs simply because doubts about the pound and the franc are making British and French importers accelerate their payments, and Belgian importers delay theirs. On top of this, short-term flight capital from France alone amounts to at least 3 billion francs.

The slackening in economic activity at home does not seem to be leading the Belgian Government to a fundamental modification of the restrictionist monetary policy which it has pursued since 1944. These restrictionist tendencies, indeed, have been encouraged by the measures taken in the Netherlands in February, 1951, and in Great Britain in the last few months, which have been interpreted as reinforcing the arguments in favour of an orthodox monetary policy. As the Belgians see it, an expansionist internal monetary policy would be all the more dangerous in Belgium since the financing of the surplus with the EPU is already a major source of inflationary pressure. During the second half of 1951, the volume of money increased by 13 billion francs—that is by about 8 per cent. The Belgians, therefore see the improved functioning of the EPU as essential for their economy and as the condition of maintaining their rearmament effort—as their delegation to Lisbon was at pains to point out.

New Employment Policy

On the other hand, the increase in unemployment is going to require some degree of economic expansion but it must be expansion without a direct inflationary effect. A new employment policy in process of preparation by the Ministry of Economic Affairs will contain the following elements: aid to new industries and new investments, in the form of state guarantees or tax relief; the provision of work for the unemployed by the municipalities; some substantial new investment in the coal industry and communications; a dollar export drive; and increased investment in the under-developed regions. The increase in public expenditure made necessary by the rearmament effort and by an employment policy on these lines would be financed not by a monetary expansion but by public borrowing and, eventually, by an increase in indirect taxation. Indeed, the restriction of credit has become even more severe since March 23rd when it was decided to throw a large part of the cost of financing exports on to the private exporter. Henceforth 25 per cent of the proceeds are to be blocked, thus relieving the strain on the Treausry and helping to reduce this source of inflation.

The basic issue is whether these developments are peculiar to Belgium or whether they are the first signs of a general recession in the western world. What is happening seems to be this: the Belgian economy has proved once more that it is exceptionally vulnerable. It is more sensitive than all other European countries to the effects of even a moderate slackening in world economic activity. For Belgium's problems are by origin international; they are common to all countries—allowing for a difference in timing—and their solution is only to be found in international co-operation.

* 50 Belgian francs=approx. $1.

The peculiar character of the 1950 boom which accompanied the beginning of rearmament accelerated the demand in the investment industries; but the consumer goods industries, especially textiles, having flourished in the hot house conditions that have prevailed since 1950, are now feeling the cold in Belgium, in the Netherlands, in Great Britain, as they are in Australia and even in the United States. The rapid fall in the price of primary products, the large stocks built up both by consumers and retailers, and the difficulties of financing business, are all contributing to make these industries particularly vulnerable.

Thus there is a real danger of an economic depression in certain industries in many countries, though world demand as a whole remains generally strong. What can be done about it? Recent developments in currency restrictions and the return to bilateralism suggest that there are two points at which the weakness is being unnecessarily exaggerated and at which something might well be done to produce new strength. First, the effort to increase production and rearmament is badly distributed within the Atlantic community; and, secondly, the means of international finance are insufficient to permit an optimum distribution of this effort between countries according to available productive capacity. The best solution from the Belgian point of view would be to prolong and reinforce the functions of the EPU through additional American aid.

It is because these difficulties are for the moment felt most acutely in Belgium that Belgium is so much preoccupied with a solution to the problems with which Nato in its wider and less military sense is concerned. The Belgians, in fact, are convinced that the success of Nato from the political and social point of view, and even from the point of view of rapid rearmament, will depend largely on its capacity to organise foreign exchange and to utilise to the full the industrial capacity of various countries.

Black Year for Argentina

[FROM A CORRESPONDENT]

BOTH before and after the Argentine elections of last November, General Perón assured his people that the country had "no economic problems"; and he maintained this blithe attitude until the end of January, despite storm warnings at home and abroad. Then the storm broke. A weekly meatless day was imposed on February 1st; the freezing of all prices was ordered on February 12th; and on the 18th the President spent forty minutes at the microphone announcing a "policy of austerity." Many Peronistas must now be wondering why this abrupt transition was necessary; and the official press is having some difficulty in explaining away that part of General Perón's speech which contained the ominous word "sacrifices."

Much of the President's new prescription is surprisingly orthodox in style, when compared with his usual bold verbal ventures into the realms of economic surrealism. His "economic plan for 1952" comprises a national wage freeze, curtailment of expenditure on public works, drastic cuts in consumption, and demands for greater production, higher savings, less waste, and bigger exports. Two meatless days each week are now the rule, and on one day of the week all cattle slaughtered must be reserved for export. Apparently doubting whether his first appeal to the nation had had all the effect desired, General Perón went on the air again on March 5th with a further demand for production and economy, and denounced all who did not produce at least as much as they consumed as "parasites and public enemies." Blame for all Argentina's difficulties is still laid on foreign machinations and on the droughts of the past two years. But the sudden abandonment of almost all the policies of the past five years amounts to a tacit admission of the regime's share in responsibility for the disaster.

General Perón's call for more agricultural production is a welcome return to reality, for agriculture was the Cinderella of the recently concluded Five Year Plan. As a fresh incentive to growers, prices of grain—except maize, the price of which will probably be adjusted later—have again been raised by from 35 to 50 per cent. And immigration is to be restricted to people who "without possibility of doubt" will settle on farms, or to specialists. But it remains to be seen whether the farmers will greet the higher prices any less sceptically than last year or the year before, when increases granted early in the year were eaten up by mounting costs long before harvest time.

Grain Production Falls

Argentina's economy has always been dependent on the products of its fruitful soil, and if sporadically affected by climatic and other reverses—droughts, locust plagues, even the vagaries of politicians—has always shown remarkable powers of regeneration. In the early part of the past century the country's economic life was closely tied to the products of pastoral farming in its more primitive form, wool, hides and dried meat. As population increased and the railways opened up the fertile black-earth lands, arable farming came into its own and Argentina became one of the world's great granaries, besides building up an immense export trade in meat and cattle. During the last war, however, grain exports were of necessity restricted, and at one time, as in the early thirties, surplus grain was being burnt in factory furnaces. On the other hand the war had a stimulating effect on meat exports and on cattle-breeding, and this continued after 1945, with a diversion of arable land to pasture, and a tendency for forage to supplant non-forage grains. In the five prewar years roughly 66 per cent of the area sown to grain comprised non-forage crops; in 1949-50 the percentage had fallen to about 49, while the total area sown to all grain crops had also fallen by 30 per cent.

But the decline in grain production since the war is not due to the loss of markets alone. Government policy during the first years of General Perón's rule denied the farmer any share in the golden harvest then being reaped by the State Trade Promotion Institute ((IAPI)), whilst at the same time it estranged many of Argentina's former good customers by exorbitant price damands. Even today, the Argentine farmer is only receiving about one-third of the world price of wheat. And of recent years Argentina has been hit by a succession of droughts. The 1949-50 summer drought, the most devastating in living memory, caused an almost total loss of the maize crop and seriously depleted cattle herds, although sheep were not so badly affected. This was followed by further dry spells culminating in another severe drought in the mid-1951 winter, prolonged into the current summer season.

Ten Million Cattle Lost

Cattle herds were estimated at 31.46 million head in 1942, the 1947 census figure was 42.26 million, and a ministerial statement put the 1949 total at 45 million. The extent of their subsequent decline is not known exactly, estimates of their present size varying from 35 million head to as low as 27 million. The seriousness of the situation was pointed out by a Buenos Aires financial journal early in 1951, but it was not until late in the year that any official action was taken to restrict slaughterings and exports; and about the same time General Perón discovered that Argentines habitually ate too much meat, and the propaganda machine was turned on to preach the advantages of a balanced diet.

It has been suggested that land under cultivation in Argentina, at present about 58 million acres, could be extended to about two and a half times that figure, at the cost of tilling natural grass lands. This would entail an enormous outlay,

and Argentina has not now the capital resources and under the present regime does not offer an attractive field for foreign investment. As regards beef, it is unlikely that Argentina will ever recover her position as a major exporter, however temporary the present decline in cattle stocks may be. Domestic consumption has increased considerably, and may be expected to increase further as population rises. The population was 17,885,000 in 1951, and at its actual rate of increase should reach 21.5 million by 1959. Equally ominous for agricultural and pastoral farming, too, is the tendency for the arid dustbowl regions in the west of the republic to spread eastwards. This tendency is not yet of major importance; but its potential danger should not be ignored.

Prospects for Exports

Prospects for exports of foodstuffs in the current year are depressing. Argentina has no export surplus of wheat; linseed also suffered from the drought and available stocks will be low; maize possibilities are still somewhat of a mystery, but undoubtedly the crop suffered from the hot dry winds during January, and any estimates made before that month must now be drastically revised. Pig-breeding is closely linked to maize production, and stocks must by now be affected by the failure of the maize harvest two years ago. Prospects for beef are conjectural. It is hoped that the meatless days will result in a saving of 250,000 tons in the year, but only if this saving is fully achieved can exports be maintained at more or less last year's level. However, about 140,000 tons of mutton and lamb should be available for export, if, as is estimated, present flocks of sheep are still near the 1947 level of 50 million head, and the price of wool does not soar again.

GRAIN SOWINGS IN ARGENTINA
(Million Hectares)

	1935–40*	1940–45*	1949–50	1950–51	1951–52
Wheat	7·55	6·86	5·69	6·55	4·80
Maize	6·46	4·73	2·16	2·40	2·50
Linseed.....	2·96	2·47	1·08	1·08	0·66
Oats	1·44	1·82	1·23	1·31	1·21
Rye.....	1·02	1·53	1·86	2·18	2·01
Barley	0·77	0·75	0·80	0·90	0·88
Sunflower...	0·30	1·02	1·49	1·61	2·00
Total(7Crops)	**20·50**	**19·18**	**14·31**	**16·03**	**14·06**

* Annual average.

ARGENTINE MEAT AND GRAIN EXPORTS
('000 Metric Tons)

	Meat and Meat Products	Cereals and Linseed*
Annual average 1936–40.....	618	10,254
Annual average 1941–45.....	659	3,303
1946	548	4,882
1947	687	5,679
1948	508	5,689
1949	497	3,611
1950	346	4,366
1951†	278	3,455

* Excluding by-products, *e.g.*, wheat flour, linseed oil.
† Estimated.

Sources: *Anuario Estadistica* and *Sintesis Estadistica Mensual* (except 1951 export figures).

In the meantime the President has made his own renunciatory gesture by turning his salary over to the Treasury; official cartoonists and slogan-writers work overtime at making the public austerity-minded, production-minded, savings-minded, and anti-saboteur-minded; and bread is getting noticeably darker. If the reasons for putting the elections forward from late February of this year to early November of last were not evident before, they are plain as any pikestaff now.

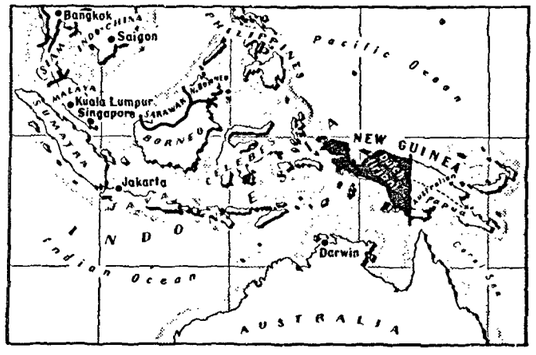
Cold War over Dutch New Guinea

[FROM A CORRESPONDENT IN THE HAGUE]

THE latest conference on the future of Dutch New Guinea which began in The Hague on January 15th was temporarily suspended a few weeks ago because of the Indonesian Cabinet crisis. For six years the Dutch and the Indonesians have been wrangling over this problem. Neither side has given way one inch, and a cold war has alternately waxed and waned according to political winds and government temperatures.

Patient observation of this strange conflict makes one wonder why either the Netherlands or Indonesia wants this unattractive territory. Barely five per cent of its 132,000 square miles has been explored, even by aerial survey; its economic resources are largely a matter of guesswork or hope; and of its estimated 1 million inhabitants not one per cent is literate and less than one-third have been brought under official administration. The territory has an annual deficit of about 25 million guilders (roughly £2.5 million), and even preliminary exploitation of its known resources has been variously estimated to cost from 30 million guilders (£3 million) to 100 million guilders (£10 million) a year for at least ten years.

Why, then, this constitutional battle which threatens to sever the last ties of political and economic co-operation



between the two countries? Holland claims it has a legal, scientific, international and moral right to exercise sovereignty over the area until the people are able to decide, democratically and freely, their own political future. Indonesia maintains that as western New Guinea was an integral part of the former Dutch East Indies it should have been included in the territory over which the Dutch transferred sovereignty to the Indonesian republic in 1949. At the Round Table Conference in that year a dangerous and unstable compromise was eventually reached by maintaining the status quo of New Guinea until special negotiations between the two countries within a year determined the future status of the area. During most of this period each side reiterated its inflexible attitude. The Dutch put a new constitution for New Guinea into operation and the two countries formed a fact-finding commission to provide material for the proposed negotiations. Then, as the sands of the stipulated period were running out, a conference was hurriedly called in The Hague to consider the Commission's report. But as the Dutch and Indonesian members had been unable to reach any form of agreement or put forward any practical proposals, the two-sided report proved merely an incomplete, unscientific, politically-flavoured, and therefore almost useless document. In these circumstances it was not surprising that the conference made no progress. The Indonesians offered blandishments to the Dutch in the form of special economic concessions and guarantees if sovereignty over New Guinea were transferred even nominally. The Dutch declined the bait on the grounds of moral duty, and in return offered to transfer sovereignty to the Netherlands-Indonesian Union, that well-intentioned but anaemic effort at co-operation which is at this moment on the operating table in The Hague to see if it can be transformed into a bilateral treaty. The sole result of the 1950 Conference was agreement that for the time being no form of solution was possible.

Indonesia has now tried a new line of approach, or attack. Declaring that it was dissatisfied with the whole Netherlands-Indonesian Union, the government suggested a conference with the Dutch to discuss the advisability of changing the Union into a bilateral treaty. The Dutch agreed to talk things over, but when the Indonesian delegation arrived in The Hague last December, they sprung a surprise on the Dutch by bringing forward the New Guinea problem again. They suggested that if the Dutch agreed to transfer New Guinea, they would remove a great obstacle to co-operation and encourage Indonesia to be more accommodating in agreeing to the new treaty relationship.

But the Dutch remained adamant. They were prepared to continue talks on New Guinea, but made it clear they were determined not to relinquish sovereignty. Nor could they make the revision of the Union Statute conditional on agreement over New Guinea. Contrary to general expectations, this firm Dutch attitude did not make the Indonesians pack their bags. In a sort of exploratory atmosphere discussions were started and satisfactory progress made on the Union problem. It seems that the Indonesian delegates have been instructed to concentrate on this problem and apparently forget New Guinea for the time being.

From this two possibilities emerge: either the Indonesian Government is convinced of the uselessness of trying to get sovereignty over New Guinea, or it feels the economic and political benefits of a treaty with the Dutch in place of the Union will outweigh the admittedly doubtful benefits of possessing New Guinea. Indonesia obviously does not want to fall out with the Dutch. Many observers believe it is more anxious to receive co-operation from the Netherlands than from any other country.

Signs of Change in Dutch Opinion

Meanwhile in New Guinea the Dutch administration has got slowly to work. In these days of economic stress, with so many urgent calls for home defence, the Dutch admit they have not the money to spare to get anywhere near fulfilling their self-chosen obligations towards this territory. It seems, indeed, they are almost afraid to count the cost, or, if they have done so, fear to tell the Dutch people just how much this generous interest in the Papuans will ultimately drag from the citizen's purse. This side of the problem is, however, beginning to cause both interest and anxiety in Holland, especially as it is realised that the Netherlands will, sooner or later, have to give up New Guinea either to Indonesia or the local people, and thus get little material return for its present and future philanthropy.

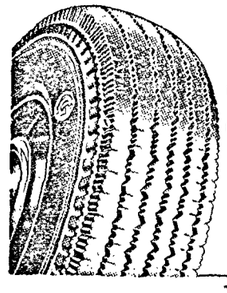
There are also other indications of a slow but steady change in Dutch public opinion. Not only is the glamour of retaining a foothold in the Pacific beginning to dim under the shadow of the heavy financial cloud, but its effect on Dutch-Indonesian relations is also causing anxiety. The bulk of the Dutch people are still against the immediate transfer of sovereignty, but there is a growing desire to find some way by which the faces of both countries can be saved. Even if an international court ruled in favour of the Dutch attitude, many Netherlanders feel it would not improve the position. Britain's oil dispute with Persia is

AN ANNOUNCEMENT TO EVERY MOTORIST

The Dunlop tyres you can buy to-day carry on the side-wall a Gold Seal. This symbolises all that is best in design, materials and manufacturing technique.

CASING, TREAD AND COMPOUNDS together set a new standard in tyre service and economy.

Look for this Gold Seal on the latest and BEST EVER car tyres



DUNLOP
The World's Master Tyre

2H/109

Britain's Great Chance as an Air Power

TO be a power at all Britain must be an air power.

No air force can be strong without a world-flying merchant air service to back it up, any more than a navy could be strong without the backing of a merchant shipping fleet. The industry sustaining the air services must be broadly based on world-wide sales.

Thus, whether we consider rearmament alone, or the export trade to pay for it, or Britain's status in the years ahead, it is vitally necessary to build up our air transport operation, production and exports. To build military aircraft alone is not enough.

Aircraft exports rank high for priority with our other exportable products. This becomes doubly evident when we realise that we stand on the very threshold of the air age. The gas turbine is heralding a new and historic advance in the movement of loads into the air. With such aircraft as the Comet, Britain holds the lead in turbine airliner development—our first opportunity of regaining world markets which we were forced to relinquish in the nineteen-thirties.

In many classes of merchandise we are meeting increasingly severe competition in the world markets. In the expanding field of civil aviation we are at present well placed—if we can produce. To foster a British response which will help us towards economic stability is in the interests of our allies as well as of ourselves.

We are presented with what may be our unique chance in history of firmly establishing our influence as an air-faring nation.

To disregard this great occasion would be as disastrous as would have been the neglect of our maritime calling when Elizabeth I was queen.

DE HAVILLAND

being quoted as an example of what poor consolation and profit there can be from juridical justification.

Dutch socialists would prefer some international intervention, either in the form of combined mediation or multinational responsibility. In this connection Australia's great interest in the strategic value of New Guinea is fully noted, and although Australia has recently emphasised again its support of the Dutch in this matter, neither Australia nor the Netherlands seems too happy over the other's attitude. Australia fears the Dutch will weaken; Holland wonders just how far Australia would translate its wishes into deeds if it came to a show-down.

Can Indonesia Pull Its Weight?

The Dutch Government has promised parliament not to make any change in the status of New Guinea without giving both Chambers an opportunity to debate it. And if it is just a question of complete and unconditional transfer of sovereignty, it is most unlikely that the required two-thirds majority of parliament would be obtained to sanction it. Many members of the major political parties fear that Indonesia will be clever enough to get nominal sovereignty, and then leave the Dutch to foot the bill and shoulder the blame if progress is slow. It is evident that the Indonesian Government is in such a difficult political, economic and administrative position that it could not spare more than a very nominal staff and budget for New Guinea for many years. This confirms the Dutch in their determination to "stay put" in the interests of the local people, unless Indonesia proves that it can pull its weight.

But there is also a strong body of Dutch opinion that still refuses to listen to any transfer of sovereignty, international intervention, or even international help in solving the problem. It will heed no argument, financial or otherwise, probably because it feels that as long as the Netherlands has New Guinea, the Dutch will have a right to representation in the various South East Asia and Pacific organisations which in one way or another affect the extensive Dutch commercial interests in that region.

On the Indonesian side the desire for a transfer of New Guinea is unabated, although the practical difficulties that would follow seem to be becoming increasingly plain. But for the present the Indonesians can take refuge behind the useful fact that there is to be a Dutch general election in June, followed certainly by a new government. So it is not to be expected that the outgoing government will at this stage make any important decisions. That is probably why the present Hague talks have not broken down over the supposedly vital New Guinea question, but are concentrating on a settlement of the Union-or-treaty problem. There seems little doubt that the Union will go and that a reasonably satisfactory treaty will take its place. Both countries have many good bargaining points, and as both agree that a stultified or unwilling Union would kill future relationships, every effort is being made to draw up a treaty that will produce much more friendly co-operation than the Union has done.

Europe's Green Pool

On Tuesday, there opened in Paris a preparatory meeting for a European conference to consider the integration of European agriculture. It is attended with varying degrees of enthusiasm by all members of the Organisation for European Economic Co-operation, including Britain, with France and the Netherlands in the lead.

The present meeting is preparatory in more than a formal sense. It has been called to consider no plan. It is an open question whether a supra-national body, an inter-governmental organisation or nothing at all will emerge; whether and how far any possible scheme would include the reduction of tariffs as well as of quantitative restrictions; whether it should provide for a central pool which would subsidise the inefficient producers; whether there should be long-term and intra-European market guarantees for surplus produce. This is not because there are no plans. There are plenty: M. Pflimlin's plan, M. Mansholt's plan, not to mention the epic and unsuccessful attempts to create a customs union between Belgium and the Netherlands, and between France and Italy, which broke largely on the issue of agricultural tariffs. The truth is that all such plans have raised insuperable difficulties and objections. The enthusiasts were forced to realise that there would be no conference unless it started from scratch. Thus the ostensible purpose of the Paris meeting is to decide the "procedure, terms of reference and objective of a conference to be held later, on the unification of European agricultural markets."

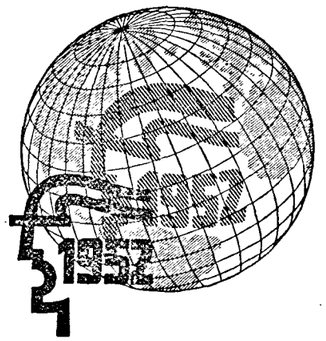
The project is, perhaps, the most necessary and least hopeful aspect of European integration. It is most necessary, because only through international (or rather supra-national) action can most European countries hope to make progress against the inefficiency and firmly vested interests of their agricultural producers. It is virtually hopeless, because the walls of protection are higher, the effects of knocking them down more devastating, the structural difficulties greater than for any other sectors of European economies.

This is not to say that some progress may not be made in several directions. There may be some adjustments of tariffs; there may be some new intra-European marketing agreements. There is certainly scope for negotiation. But, unless Europe becomes politically more united than now seems likely, there can be nothing approximating to a single market for agricultural produce. In the first place, the political objections to an agricultural High Authority are very powerful. Of the eighteen countries attending the present meeting, only France, Western Germany, Belgium and the Netherlands would seriously consider a supra-national body on the lines of the Schuman plan. For the protection of agricultural communities has traditionally been the most lively issue in internal politics on the Continent; and the surrender of sovereignty on such an issue would amount to political suicide for practically every government except the Dutch.

Britain's Position

In the second place, the protection of agricultural tariffs has been traditionally so complete that the dislocation which would follow from their removal—except in a very gradual form over many years—would be prohibitive. Even Britain, which has a shorter history of agricultural protection than any other European country, has so far insisted that continental agricultural produce on the liberalised list should be excluded during the periods when home output is at its peak. In the third place, there is already, in contrast to the coal-steel industries, a problem of agricultural surpluses. New arrangements for the disposal of these, which would be an integral part of the green pool as envisaged by its sponsors, would work directly contrary to the reduction of tariffs and the attempt to create a single market.

Thus, through no virtue of its own, Britain has a comparatively easy hand to play. It could not deny that Commonwealth preference and its own domestic price-support policy would make it difficult for it to join any green pool. But it may never be faced with the necessity of excusing itself. In the meantime, it can fairly promise, as Mr Nutting did on Tuesday, that it is in favour of any scheme which would increase European production and reduce European prices, and that it will undertake to provide an expanding market for European agricultural produce. For the initiative must in this case rest with the Continent as being the worst offender. If the Continent reduces its tariffs, then Great Britain must certainly follow. But so far, the question has not arisen.



GERMAN INDUSTRIES FAIR
HANNOVER 1952

THE HEAVY INDUSTRIES FAIR
27 APRIL — 6 MAY

General Engineering (except Machine Tools) · Electrical Industries · Products of the Iron and Steel Industries · Iron, Sheet Iron and Metal Goods · Tools and Precision Mechanics · Chemistry Synthetic Products · Caoutchouc (Asbestos) · All Office Supplies

FOR PARTICULARS PLEASE APPLY TO:
DEUTSCHE MESSE-UND AUSSTELLUNGS-A.G.
HANNOVER
MESSEGELÄNDE

The machine tool industry will show a comprehensive range of its products at the:

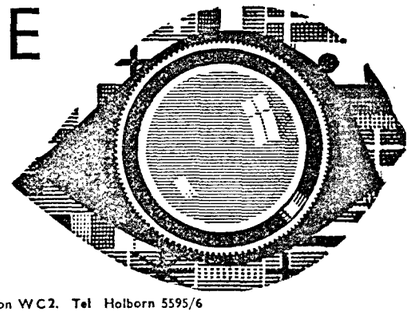
2nd European Machine Tool Exhibition Hannover
14th - 23rd September 1952

MARK THE CALL OF GERMAN ENGINEERING

FOR INFORMATION PLEASE APPLY TO:
„photokina"
MESSE- UND AUSSTELLUNGS-GMBH
COLOGNE-DEUTZ

International Photo and Cinema Exhibition

COLOGNE
26 APRIL—4 MAY



photokina 1952

Our representative: Schenkers Ltd., 27 Chancery Lane, London WC2. Tel Holborn 5595/6

THE BUSINESS WORLD

Sterling since the Budget

THE short-range objective of the Budget, and especially of the simultaneous dramatic rise in Bank rate, was to arrest the speculative pressure against sterling and to turn the short-run psychological factors to its advantage. The urgency of such stop-gap relief was starkly demonstrated by the ominously low level to which the gold and dollar reserve had fallen by the end of February and the frightening rate at which it was being encroached upon. Judged by this criterion of reviving confidence, how far are the Budget and the Bank rate proving effective?

The first statistical measure will become available towards the end of next week, when the figures for the gold and dollar reserve at the end of March will be announced. Any verdict based on these figures will, however, be inconclusive. They will not show any reflection of the fundamental effects that the Government expects to flow from the decisions announced on budget-day. The relief to Britain's current balance of payments from the rise in money rates and the latest cut in non-sterling imports cannot begin to show itself for some time. In February gold was being lost at the rate of $66 million a week; and although since then the effects of the earlier import cuts should have become more apparent, the Exchange Equalisation Account has had to transfer a further £18 million of gold to the European Payments Union for the February settlement. Whatever items may have come to the support of the gold and dollar account in March, it is unlikely that they will have fully offset both this loss and the momentum of the adverse payments to the dollar world that was running so strongly in February. The figures for end-March are likely, therefore, to show a further reduction in the gold and dollar reserve, though the rate of loss should have diminished appreciably as compared with that shown by the February figures.

In this crucial phase of the battle for sterling, before the fundamental measures can show their full worth, psychological influences have however a great part to play. If the psychological factor can be turned to Britain's advantage and kept so for the next few critical months it may hold the line and keep the gold reserve at the level adequate to meet the essential day-to-day working needs of the sterling area until the major forces are sufficiently mobilised to permit the indispensable forward movement. From this point of view there can be little doubt that the tactics of the British authorities have met with some success. Foreign opinion has undoubtedly been impressed by the rise in the Bank rate and, given the atmosphere thus created, has also been reassured by such decisions as the cut in the food subsidies and the concessions in direct taxation. These are moves that have made their impression abroad; and there was, from the outset, ground for hoping that their psychological effects might quickly be reflected in a demand for sterling and in some consequent accretion of gold and dollars to the reserve.

The main reason for this hope lay in the existence of a substantial bear position in sterling. The size of that position cannot be accurately measured; even in the best informed quarters in the City and Westminster, widely varying estimates of its magnitude are current. But the general drift in the months before the Budget was clearly apparent. Sterling was under suspicion, and in consequence every foreign trader having sterling payments to make was postponing those payments to the last possible moment, raising sterling credits and using every other possible device for this purpose. On the other hand, everyone in the sterling area having foreign currency payments to make was covering his needs as quickly as possible. In addition, there have been outright speculative forward sales of sterling and these have an immediate impact on the gold and dollar reserve. Past experience suggests that the swing of the semi-speculative, semi-commercial psychological pendulum from one extreme when sterling is being "beared" to another when sterling is being "bulled" may amount to as much as £500 million—not an implausible figure when it is realised that international trade financed in sterling amounts to over £10,000 million a year. On this assumption it might be said that the short position in sterling, i.e., the extent to which the normal incidence of sterling payments and receipts had been shifted adversely by anticipatory exchange operations, might perhaps amount to £250 million. It might be hoped that the combined effect of the higher Bank rate and the Budget would rapidly reduce this short position and thus bring into the reserve the gold and dollars due from current transactions but not previously paid into it.

★

So far these hopes of a major psychological swing do not appear to have been realised, although some bear covering has taken place. Some weeks before budget-day the Bank of England imposed various technical measures to promote this highly desirable objective, by putting severe restrictions on the acceptance credit facilities accorded by British banks to foreign customers. The term for such credits was brought down to a maximum of 90 days; all "pre-finance" or refinancing credits were forbidden; and steps were taken to ensure that acceptance facilities were provided only for goods actually afloat. These technical measures have already begun to bear fruit. As ineligible credits mature, they are not being renewed and the covering operations involve a corresponding purchase of sterling. An appreciable part of the short position in sterling had been founded upon such acceptance facilities, and furthermore these had been granted on the basis of the inordinately low discount rates that prevailed in London before the latest increase in Bank rate.

The tendency to repay these credits has inevitably been encouraged by the increase in Bank rate and the steep increase in discount rates for commercial bills. But the extent of the covering movement seems so far to have been modest, and limited to the virtually enforced response to the technical measures instituted by the Bank of England. It is not altogether surprising that the foreign trader should keep his short position in sterling open until he is compelled to close it. He stands to lose nothing by doing so, since there is no possibility, in existing circumstances, of any appreciation of sterling beyond the official buying rate for dollars, $2.82 to the £. As long as there are fixed parities, these swings of speculative sentiment for and against a currency must involve the grant of a one-way option to the operators concerned. They cannot lose, and may gain, by swimming with the prevailing tide.

Nor is any scarcity of sterling in the near future likely to compel the foreign trader to cover his position. There is too much sterling in non-residents' accounts—more than £3,500 million of it, of which such components as the total of over £100 million held on Japanese account is very unwillingly held, and is being pushed into international circulation by every conceivable device. In addition, sterling can be made automatically available to Europe to the tune of £450 million through the machinery of the European Payments Union. Britain has now almost exhausted its credit facilities and stands in debt to the Union to the amount of over £217 million. If the balance of payments in EPU swings in favour of Britain this will, in the first instance, involve a welcome recouping of gold previously lost; but it will also involve an extension of sterling credit to EPU member countries on a gradually expanding scale. There are, therefore, well-filled cushions that must for a time soften the impact of any courageous policy to make sterling scarcer. There can be no early relief from that direction.

Nevertheless, it is quite evident that a change for the better has occurred in the sterling position. The most telling evidence of it is the fact that during the past two weeks sterling has held itself not merely above $2.78, the Bank of England's selling rate for dollars, but above the parity of $2.80. This is a reliable indication that the demand for and supply of dollars in the market have kept in balance without the aid of market purchases of dollars from the Bank of England at its official rate. The fact that the market rate has not yet risen to the Bank of England's buying rate for dollars, namely $2.82, does not, however, necessarily signify that no dollars have gone back to the reserve via official purchases on the open market. The authorities are normally big users of dollars; and if their needs exceed the amount maintained as a working balance with the New York Federal Reserve Bank, that balance must be reinforced by transferring gold or by buying dollars in the market. During the past two weeks it is quite certain that official needs for dollars have been satisfied by purchases in the market and not by transferring gold, which on the basis of current rates would have been the more expensive operation. It may be that official purchases of dollars have exceeded current requirements and have gone to rebuild the British dollar balances in New York or the gold held in reserve. But, if so, the net gains must have been small. The indications of market turnover do not justify any more optimistic interpretation of recent developments. Nor do the weekly figures of United States gold reserves and foreign-held dollar balances suggest that—in the first week after the Budget at least—any substantial accretion can have taken place in the British gold or dollar reserves.

In the phase that lies immediately ahead, the movements in the gold and dollar reserve should depend not only upon the psychological factors but increasingly upon the effects of the cuts on dollar imports decided upon by Britain and other sterling countries; later on, the more positive measures, notably the effort to expand exports, should begin to exert their effects. It is reassuring to note that United States purchases of sterling area commodities have been resumed on a larger scale than in 1951, although satisfaction at this tendency should be qualified by the knowledge that part of the sales of such materials as tin have come from the British stocks that will later have to be replaced. The reserve should also benefit in the second quarter of the year from the larger sales of South African gold to Britain announced in this week's South African budget—though here, too, the benefit is likely to be a non-recurring one. There may also be some help to be gleaned from the International Monetary Fund if, following the new directives issued by its managing director, Mr Rooth, that institution decides to raise the shutters that have denied facilities, for the past four years, to recipients of American aid.

All these factors, reinforced by continued bear-covering, may change the trend of gold movements during the second quarter of the year and cause the June 30th figure—generally regarded as the crucial "hump" in the balance of payments crisis—to show some improvement on that for March 31st. The improvement cannot be massive unless the more fundamental measures provoke a rush to cover bear positions in sterling. It is unlikely that Australia, despite its heroic though belated import cuts, can be prevented from dipping heavily into the gold and dollar reserve in the months to come. India is likely to run a chronic and considerable dollar deficit, with substantial dollar expenditure on foodstuffs as the only condition of avoiding famine. Ceylon, that traditional dollar-earner, has recently seen its dollar surplus vanishing.

★

The restoration of the gold reserve is also at the mercy of operations in cheap sterling. Their volume has been growing. A Dutch trader—to take a familiar example—buys a sterling commodity such as wool, pays for it in sterling obtained from his central bank, which ultimately finances its sale through the EPU compensation. The wool is then sold in the dollar markets and the dollar proceeds are used to purchase cheap sterling and thus reconstitute the original sterling position. The sequence of these transactions depends on one important link—the readiness of a resident in the Netherlands to exchange his sterling for dollars at the rate of say $2.45. It is through such transactions that the bulk of certain sterling commodities—including hemp, sisal, flax, and certain edible oils—are financed when sold to the United States. The dollar proceeds of these sales escape the reserves of the sterling area altogether. Furthermore, these commodities are being sold to their ultimate buyers in the dollar markets at lower prices (since they are sold at $2.45 or whatever the rate for transferable sterling may be) than those paid by competing British firms. This market in cheap sterling has been growing. One small but significant pointer is that there is a newly established exchange in Milan that specialises in the many varieties of sterling. Such sterling is being used not only for "shunting" commodities but also in settlement of shipping freights, insurance premiums and other items of "invisible" income.

How can such dealings be stopped? They will not be

stopped by trying to plug the holes through which the cheap sterling goes out. The efficiency of exchange control for an international currency such as sterling depends partly on the co-operation of other central banks and on their willingness and capacity to establish in their countries systems of exchange control comparable with the British. To demand such controls would be asking for the impossible and for the unreasonable.

The long term remedy is to make sterling so scarce that no foreign holder of sterling is prepared to exchange it for dollars at less than the official rate. But so long as sterling remains inconvertible it must be expected that some discount will establish itself on non-convertible sterling held on foreign account. Such sterling will, in effect, seek convertibility as it is doing now through commodity shunting and comparable transactions. Non-resident sterling is in fact convertible today, not at the official rates, but at the various rates that emerge from these arbitrage commodity deals. The true remedy for the present ills, therefore, is to make non-resident sterling convertible—to fortify the balance of payments and to create conditions in which the jump into true convertibility can be made without risk of disaster. This might require new arrangements with overseas holders of sterling balances; it might require greater freedom for movements in exchange rates; it would certainly call for a strengthening of the domestic measures already taken to make sterling a scarce and strong currency. But in envisaging this step it should be recognised that such sterling is already convertible through cheap sterling transactions and that this is a convertibility from which the sterling area gets all the disadvantages and none of the benefits—all the odium of seeing sterling quoted at debased rates and none of the hard currency earnings that should by rights be accruing to the sterling area from which the commodities that are "shunted" are derived. No position could be less desirable or, in the long run, more untenable than the present.

Reverses for Rubber

NO primary commodity better illustrates than rubber the influence of American buying on prices and on the dollar earnings of the sterling area. In the short space of twelve months rubber has fallen by half from the wholly abnormal peak of 6s. a lb. to 2s. 9½d., a level that on all present prospects cannot be regarded as abnormally low. Indeed, the prospects for rubber this year are dismaying. Consumption is falling, and a surplus of perhaps 250,000 tons of natural rubber may well occur. What happens to rubber this year depends on the answer to a dual question: will American buying for strategic stocks absorb the threatened surplus or will American policy allow an increase in the civilian consumption of natural rubber? Without help of one kind or the other, natural rubber and the economic condition of South East Asia are likely to suffer severely.

At this moment, the usual statistical tests for rubber can easily mislead. The 1951 figures of world output—natural and synthetic—show a rise from 2,400,000 tons to 2,800,000 tons. In fact, the whole of last year's increase in output was of synthetic rubber. Natural rubber output was scarcely changed at 1,862,500 tons in 1951, compared with 1,855,000 tons in the previous year, and the year's total actually conceals a sharp fall in the second half of the year. Nothing could hold synthetic output; it rose consistently throughout the year, reaching a total of 908,300 tons—slightly above the wartime production record in 1944 and 80 per cent above the 1950 level. Some American forecasts suggest that the output of synthetic rubber throughout the world may reach a million tons this year, including a possible 10-15,000 tons from Germany, where production is starting again.

All producing areas marketed less natural rubber during the second half of last year. This was a natural reaction to falling prices, and since rubber has dropped from 3s. 6d. to 2s. 9½d. in the last three months, the fall in production must still be going on. The effect of price movements is most clearly visible in changes in smallholders' production. For example, total production in Indonesia last year rose by 100,000 tons to 792,000 tons; output from smallholdings increased by 58,000 tons to 579,000 tons, and output from estates by 41,000 tons to 213,000 tons. In the second half of the year, total output fell by 20 per cent, but whereas smallholders' production fell sharply, estate output continued to increase. Total production in Malaya, affected by increased banditry, showed falls in estate output of 48,000 tons to 329,000 tons, and in smallholder output of 41,000 tons to 277,000 tons. There was a slight improvement in estate output in the second half of the year, but smallholders' output fell by 8 per cent. Stronger military measures might bring production in the areas affected virtually to a standstill; in any case, on present assumptions Malayan output is not put higher than 575,000 tons this year.

Falling prices tend to increase the proportion of estate-grown rubber in total output. Roughly one quarter of world output consists of No. 1 grade rubber, and this comes almost entirely from the estates. Conversely, almost all the "off-grade" rubber is produced on the smallholdings. A falling price cuts down the output of low grade rubber but has markedly less effect on the output of No. 1 grade rubber. This feature, already apparent in the later months of last year, is likely to be accentuated this year.

*

World consumption of natural rubber fell sharply last year from over 1.7 million tons to less than 1½ million tons because the United States used much less. British consumption increased by 15,000 tons to 234,000 tons, and European consumption rose by 30,000 tons to 380,000 tons. But consumption this year in both Britain and Europe is more likely to fall than to rise, if only because of the decline in motor car production. Net imports into Britain in 1951 amounted to 299,000 tons of which 65,000 tons went to government and private stocks. The government is now liquidating part of its stocks and industry will no doubt be inclined to reduce its own holdings. Net imports this year may not exceed 225,000 tons, and France and Germany are also likely to reduce their imports. As Britain and Europe mainly use the better grades of rubber, such reductions in imports may affect the price of No. 1 rubber. On the other hand Russia buys only No. 1 grade and its purchases this year are expected to increase to 100,000 tons, which is considered to be a normal civilian requirement; in 1950 Russia took only 67,500 tons.

The United States is the largest single user of natural rubber and the cut in American consumption last year was the more painful for that reason. Indeed, the fall in consumption of natural rubber more than offset a sharp increase in the use of synthetic rubber; total consumption of rubber of both types fell from 1,260,000 tons to 1,215,000 tons. Smaller production of motor-cars leading in turn to reduced output of tyres (which account for about 70 per cent of civilian use of rubber) outweighed any increase in requirements for defence, apart from stockpiling. The United States Government imposed control on the civilian use of natural rubber at the end of 1950. This policy was intended to release a maximum quantity of natural rubber for the stockpile and in fact it did; indeed, some manufacturers last year did not take up the whole of the rubber which they were allowed. As a result, some 300,000 tons of natural rubber went into government stocks last year compared with 100,000 tons in 1950, while commercial use of natural rubber fell from 720,000 tons in 1950 to 456,000 tons. Consumption of synthetic rubber showed exactly the opposite movement, rising from 538,000 tons in 1950 to 759,050 tons in 1951. A further increase is expected this year. A recent American trade estimate puts rubber consumption in the United States as high as 1,336,000 tons for this year. This figure may prove too high, for defence needs have recently been cut back. But its significance lies in its assumption that synthetic consumption will reach well over 850,000 tons, leaving a mere 465,000 tons for natural rubber. In fact, official allocations for the first three quarters of this year have been made at an annual rate of 475,000 tons. Fortunately for natural rubber producers, American imports of rubber may not be limited to this meagre total. The Administration has promised to continue to purchase rubber for the stockpile but the stockpile has already reached its minimum limit of one million tons, and further purchases are unlikely to exceed 250,000 tons. Even if the whole of this amount were bought in 1952, imports of natural rubber this year would be a little below last year's figure of 730,000 tons.

*

In the past the rubber market has been supported by American stockpiling. In future it can count on no more than limited support from that direction and it faces a serious threat from synthetic production. The United States Government is expanding synthetic output to the limit, ostensibly as a matter of defence policy, and the plants have been given priority for raw materials. In the first quarter of this year the American Government has issued licences for the export of 16,000 tons of synthetic rubber. Such a policy is within its competence but the rest of the world might think it odd since natural rubber is not allowed freely to compete with synthetic rubber in the American market. But it is important for producers of natural rubber to recognise what free competition now means. They cannot complain merely that American tyre manufacturers are forced to use a large percentage of general purpose synthetic; they must also recognise that the American rubber manufacturers have acquired much skill in using synthetic rubber and have learned to appreciate the advantages of a homogeneous producer. The United States was formerly one of the main markets for off-grade rubber; in future it is likely to call for more No. 1 grade and to be less willing to pay dearly for it.

If the United States in future takes less off-grade rubber, the consequences for South East Asia could be serious. During the past eighteen months, the American stockpiling authorities have been buying rubber without close regard to quality. Their previous policy of buying only top grade rubber, because it stored better, was abandoned. But with the reaching of the minimum limit of the stockpile, the authorities have reverted to "top grades only." This change of policy has depressed the price of rubber. The off-grade rubber in stock has to be turned over more frequently and is at present being sold spot. But No. 1 grade rubber can only be bought forward, except in small quantities; as a result, rubber prices, particularly for lower qualities, have fallen sharply. Moreover, the American Government has reduced the price of general purpose synthetic from 26 cents a lb to 23 cents—and has thus widened the margin below the current price of 38½ cents a lb for natural rubber.

These changes promise little relief from the pressures to which natural rubber is now subjected. Supplies of natural rubber this year are likely to exceed requirements unless the United States adds the final instalment of 250,000 tons to its stock. In that event, there may be a squeeze on the top grades later in the year. But the pressure of supplies will be felt by the lower grades, which means that the smallholder in South East Asia may suffer rather than the estates. This fact may prompt the United States Government to reconsider the present controls on the use of natural rubber. Assistance for its domestic synthetic rubber industry on grounds of defence would be a doubtful gain if it indirectly affected the economic and political stability of Malaya and Indonesia.

WORLD PRODUCTION AND CONSUMPTION OF RUBBER

NATURAL RUBBER

Production	1949	1950	1951	Consumption	1949	1950	1951
Malaya :—				U.S.A.	574,522	720,268	454,276
Estates	400,815	376,745	328,789				
Smallholdings	270,688	317,345	276,556				
Indonesia :—				U.K.	184,255	219,668	234,234
Estates	167,990	171,405	212,779				
Smallholdings	263,851	521,345	578,962				
Ceylon	89,500	113,500	105,000	USSR	105,000	82,500	67,500
Others	297,156	354,660	360,414	Others	573,723	682,564	738,990
TOTAL	1490000	1855000	1862500	TOTAL	1437500	1705000	1495000

SYNTHETIC RUBBER

Production	1949	1950	1951	Consumption	1949	1950	1951
U.S.A. :—				U.S.A.	414,381	538,289	759,379
G.R.S.	295,165	358,248	696,810	Canada	18,063	22,577	26,433
Other	98,524	117,936	148,345	France	8,303	7,400	9,250
Canada	46,642	58,440	62,293	Germany	2,230	3,372	4,352
Germany	...	...	850	U.K.	2,367	2,757	3,867
				Others	4,656	5,605	11,719
TOTAL	440,331	534,624	908,298	TOTAL	450,000	580,000	815,000

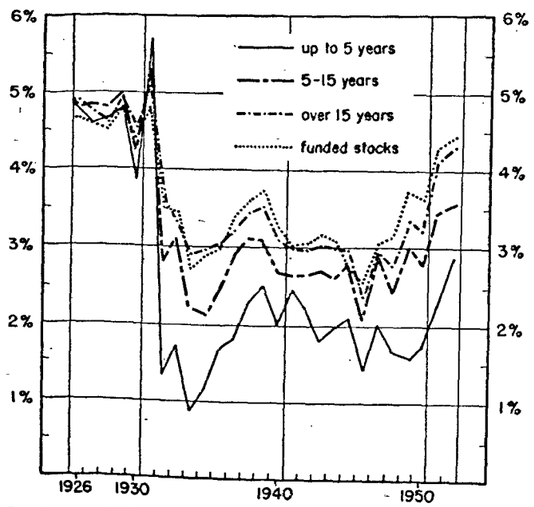
Source: International Rubber Study Group.

Business Notes

Counterpoint in Markets

The dominant movements in stock markets this week have nearly all of them taken the form of some accentuation of tendencies that were beginning to show themselves in the second half of last week. The most noticeable general characteristic has been the re-emergence of an inverse relationship between prices of gilt-edged and of equities. Immediately after the budget, when the rise in Bank rate was by far the most potent influence, the whole market tended to move together—not only on the sharp downswing, but also on the first slight rally. Since the end of last week, however, a notable strengthening of gilt-edged prices has combined with a further sagging of industrials and commodity shares. The equity markets were, of course, under the shadow of uncertainties about the effects of the new Excess Profits Levy—uncertainties that, to judge from Thursday's confusion in the markets, are not likely to be quickly resolved by the terms of the Finance Bill. Apart from that, the main preoccupation of equity investors has been with the rising tempo of public discussion of the likely effects of "recession" in consumer goods industries. Reflections on these themes drove the ordinary share index of *The Financial Times* down another 1.6 points in the four business days to last Tuesday, when the index touched 105.5, less than 6 points above the nadir reached in 1949. It rallied by 0.5, however, on Wednesday.

GILT-EDGED SECURITY YIELDS



In the gilt-edged market the dominant influence was quite evidently the continued firmness of sterling in the foreign exchange market, a firmness that has generated hopeful forecasts—probably too hopeful ones—of the end-March statement on the gold reserves due to be issued shortly. On each day up to last Wednesday some gains were shown in the gilt-edged list; the individual movements have been small, but over the week the whole range has been lifted slightly. In the irredeemables, the advance has not exceeded ½ point, but the longer dated stocks showed gains ranging to 1⅛. Even so, the smaller movements recorded among the short bonds were relatively more significant. The longest of the three 1¾ per cent Serial Funding stocks (1954), which had slumped to 96¼ on the day after the budget, rose in the week by ¼ to 97⅜—a movement that represents a decline in the gross redemption yield from £2 13s. 8d. to £2 11s. 10d. per cent. Over the same period the flat yield on 3½ per cent War Loan fell by only 3d., to £4 11s. 7d., and that on Old Consols by 10d., to £4 4s. 4d. per cent. The net effect, therefore, has been to add a little to the spread in the spectrum of yields—a spread that has, of course, been drastically narrowed since the steep rise in Bank rate.

Market observers long accustomed to the distortions caused by cheap money policies are now finding it hard to recall the relationships appropriate in conditions of orthodox monetary discipline. The task will be eased for those who have access to the well-known, though privately-circulated, "Gilt-edged Securities in the Twentieth Century." The chart above adds the movements since the end of 1949 (up to the middle of this week) to the second half of a revealing diagram included in that invaluable source-book.

* * *

Alarm in Lancashire

The House of Commons expressed its concern with Lancashire's present trade recession in a discussion that lasted throughout Wednesday night and Thursday morning. Most of the speakers called for government action to relieve growing unemployment and short-time working in the industry, and suggestions for assistance ranged from increased government orders to a temporary lifting of the purchase tax on textiles. The industry's difficulties are not yet fully reflected either in the export returns or in the rate of cloth production, because short-time working on a significant scale did not begin until Christmas. By the beginning of March, twenty-eight mills, employing 6,390 workers, were closed down for the week, and output of yarn, including spun rayon and mixtures, came to just under 17 million pounds compared with nearly 22 million in the same week last year.

This unemployment is the direct consequence of the fall in world demand for textiles that became evident last summer; most members of the industry would now agree that they completely misjudged both its scope and its duration. The Korean war led to a wave of panic buying by consumers that ended as suddenly as it had begun, leaving retailers and wholesalers with heavy stocks, but leaving manufacturers with long order books that prevented them from feeling the effects of the rapid fall in demand until shortly before Christmas. In consequence, few attempts were made during this period to adjust prices, delivery schedules or styles to meet the arrival of a buyers' market. This is true of the home market, which takes 70 per cent of the cotton industry's production, as much as it is of the export markets; it also affects the cotton industries of the United States and Japan, which were hit harder and earlier than Lancashire.

The scope for direct government action, given these circumstances, is limited. The one positive step announced by the President of the Board of Trade was the temporary withdrawal of licences to import grey cloth for finishing in this country. This grey cloth represents about one-fifth of British cotton supplies, but as large stocks have been accumulated, it is unlikely that much is still being imported. The effect of government defence orders upon employment is small. The combined requirements of the Army and Air Force during the rearmament period amount to only 160 million square yards of cotton cloth—the equivalent of ten per cent of Lancashire's output in a single year—and 114 million square yards of wool and flannel. Orders for about half the cotton cloth, including 42½ million square yards of canvas and 23½ million square yards of drill, were placed abroad last year because the British industry was working to full capacity and could not promise delivery. As late as November, British mills were still quoting delivery in 1953 for some of the cloths needed for defence purposes. A few outstanding orders in the United States have been cancelled, but most of the cloth ordered abroad has arrived in this country. All orders for wool cloth have gone to the British industry; with the exception of orders for 10 million blankets, the bulk of them have already been placed.

Attacks made by some speakers on the "D" scheme were not convincing. The tax-free limits tend, if anything, to favour cotton and rayon cloth rather than other materials; and the ending of price control, which enables traders to average the prices of old and new stock, is one of the surest ways of moving the high-priced stocks that are generally believed to be blocking the pipeline between the mills and the consumer. Retail sales in the past few weeks appear to have returned to their normal level. Retail stocks in January were down from 223 in November and 190 in December to the more reasonable figure of 178 (1947=100). If the clearing of stocks has continued at this rate a revival of orders in the early summer might be in prospect.

* * *

Cuts in Rayon

The plight of the cotton industry has dominated the discussion of unemployment in the textile industries. But the decisions of Courtaulds and British Celanese to cut rayon output is a no less painful matter, particularly after the stratagems to which rayon producers resorted last year to get enough sulphuric acid to maintain production. Rayon production recovered from 28.5 million pounds in December to 34 million pounds in January, and production during February continued at the same rate. But Courtaulds have recently put three of the company's factories on short-time working and is now expected to close down for two weeks during Easter. The big Spondon factory of British Celanese is to introduce a short-time rota, varying from one week in four to one in twelve in different parts of the plant.

These measures which are in line with those introduced by the other rayon producers, have been introduced because of the rate at which yarn stocks have accumulated. Although rayon could not expect to escape the general textile slump of last year, the state of the producers' order books throughout 1951 held no threat of so sudden a reversal in demand. British rayon is still the cheapest of the textile fibres, and its prices are well below those of its foreign competitors. These prices, moreover, have been free from the violent fluctuations that have disturbed the market for cotton textiles. Sales of rayon may have been affected by a swing in fashion in favour of cotton cloths that has resulted from the cotton industry's energetic research into improved finishes.

The decision to follow the example of the cotton mills and adopt the uneconomic expedient of short-time working to avoid dismissals suggest that the rayon producers do not expect the present setback to last. A speech made in Manchester by the chairman of the Cotton Board early on Wednesday afternoon was also in marked contrast to those made later in the day at Westminster. Sir Raymond Streat spoke of the need for the "utmost realism" and "realistic decisions," by which he must have meant adjustments in price and profit margins, as the necessary equipment for a trade revival. If a return to a normal rate of retail buying is clearing the stocks of goods in British warehouses it is reasonable to hope that the same process may take place in some export markets. But so many countries now impose quotas on textile imports that the flow of foreign orders to British mills cannot again reach the levels of 1950 or 1951. Unless the Government is able to bargain for the raising of these quotas with more success than in the past, the British textile industries may find themselves largely confined to the home and colonial markets where, Mr Thorneycroft hinted, they might be given some element of protection against foreign competition. In that event the scope of any trade recovery to be expected this summer will be limited.

EPU Mark III

The Council of Ministers of the Organisation for European Economic Co-operation has this week begun its consideration of the report of the management board of the European Payments Union. EPU comes to the end of its second year of operation on June 30th. Whether to extend it for a third year and if so subject to what amendments, have been the ground for considerable discussion in Paris in recent weeks. The conclusions reached in this debate have now been summarised in the report that is the main item on the agenda of the Council of Ministers. The board of management of EPU is strongly in favour of continuing the system, it points out that its disappearance would represent a serious setback for the twin causes of convertibility of currencies and liberalisation of trade. It goes on to point out that experience gathered over the life of EPU so far suggests certain flaws. The first of these is the inadequacy of the Union's working capital. The Union was endowed at its start with US dollars made available by ECA to the amount of $350 million. The strain on these resources may be gauged from the fact that, since the beginning of EPU operations, the gold that has been paid out to creditor members amounts to $638.9 million and the gold received from debtors to only $444.5 million. Had it not been for supplementary dollar receipts represented in the main by payments into EPU of direct dollar assistance given by the United States to certain member countries such as Turkey and Greece, familiarly known as "the wards," the cash reserve of EPU would by now be virtually exhausted. At the end of January it amounted to $294 million.

The board of management suggests that this working capital should be increased by $200 million in order to meet far greater fluctuations of payments than were originally contemplated. This increase can be provided only by further American assistance, though the problem of equilibrating gold receipts and payments could be eased by changing the sliding scale on which debtor countries have to pay gold as they incur deficits with EPU. The board of management of EPU also stresses the need for a permanent solution to the problem of the persistent creditors such as Belgium, Italy, Portugal and Switzerland which are at or near the full extent of their quotas. At present, when a member country exceeds its quota, its relations with EPU are subject to special individual arrangements. The need for some unification of these arrangements is self-evident. The report of the management board touches the real fundamentals of the problem when it calls for a greater harmonisation of the financial and economic policies of member countries. In their disharmony lies the main cause of the disequilibrium in balances of payments with which EPU has had to contend.

* * *

The Persistent Creditor

Try as they will, the Belgian authorities are unable to abolish their payments surplus with other members of the European Payments Union. For February that surplus amounted to $48.2 million. Of this, $20 million was taken in gold, in accordance with the special arrangements with EPU covering the first quarter of 1952. These arrangements, made after Belgium had exhausted its EPU quota, provide that, for the first quarter, a maximum of $60 million of gold can be withdrawn by Belgium from EPU in respect of its surplus. Any excess of the Belgian surplus over this figure must be granted to EPU in the form of an additional credit. The maximum gold that may be withdrawn for the second quarter of the year has been raised to $80 million.

The Belgian Government is redoubling its efforts to bring its surplus down to the dimensions of this gold ceiling. The feature of its latest proposals is the substantial increase in the proportion of Belgian export proceeds subject to blocking. As in the past, this blocking is to be operated on a discriminatory basis and will apply only to exports to,

EPU countries. But the rate of blocking will in future be adjusted to various types of exports. For such essential goods as steel, non-ferrous metals and cement, the rate goes up from the previous uniform figure of 5 per cent to 25 per cent. For fertilisers it rises to 20 per cent. For most chemical exports the rate becomes 10 per cent, while for textiles—now increasingly unsaleable—the rate remains at 5 per cent. Belgian exporters are being encouraged to invoice in dollars even when selling to EPU countries. If they succeed in getting payment in dollars, the proceeds of their exports will not be subject to blocking. The amounts that will be collected from the increased rates of blocking are expected to provide the approximate counterpart of the additional credits that Belgium will have to grant to EPU during the next six months, thus neutralising the inflationary effect of this extension of external credit. Belgian exporters have, however, discovered that in many cases they can add the blocked portion of their export proceeds to the prices they charge to the foreign buyer. The blocking provisions are, therefore, helping to improve the terms of trade of Belgium and thus to increase the very malady against which they are directed.

* * *

"Super-Priority" Defined

Details of the new "super-priority" scheme published by the Ministry of Supply this week show that its scope has been greatly widened since the Prime Minister announced on March 5th that special priority was to be given to the production of fighter aircraft. In its final form, "super-priority" applies to roughly one-sixth of all rearmament production. It covers bombers as well as the new fighters; the Gannet aircraft for anti-submarine work; aircraft ammunition; radar equipment; Centurion tanks; guided weapons and certain mine-sweeping plant. When the scheme is in operation the Minister of Supply will tell direct government contractors which orders rank for "super-priority." Contractors will then classify their orders to sub-contractors in the same way, and the sub-contractors will do the same with their orders for components or materials. Any order classified as "super-priority" must then take precedence over all other work, including other defence work or export orders. It is hoped that the dislocating effect on industry as a whole will be slight because these orders will not employ more than 2½ per cent of the metal-using industry's capacity.

There is much to be said for a scheme that introduces some order of priorities into arms production, provided that the price of success is not a widespread interference with the expansion of defence production as a whole. The first orders placed for equipment may absorb capacity that could be better employed in making recently developed or more essential equipment. Competition between companies engaged in defence production for limited resources of labour, supplies and components is particularly apparent in the aircraft industry. The "super-priority" scheme is intended to speed up the rate at which new fighters and bombers are put into production; it covers all those aircraft ordered or about to be ordered in any quantity within the last year. It appears to involve nine aircraft production lines and six or seven engine lines. Conceivably it may be found that the physical resources at the disposal of the aircraft industry are insufficient to give "super-priority" to so many producers at the same time. Specialised sub-contracting capacity is limited. Recruitment of labour in some districts is almost at a standstill—though the further requirements for aircraft are now put no higher than 75,000 workers by early 1955. Deliveries of certain special machine tools are late; only about 10 per cent of those ordered have been delivered whereas about a quarter of the more general tools are in position. The Ministry has also taken an evident risk in giving the same "super-priority" rating to all the aircraft powered by the Rolls-Royce Avon engine. Production of axial flow engines is going through a difficult development period, and it will be a considerable feat if the production of Avon engines keeps in step with the output of the various airframes.

More ruthless classification of aircraft, giving perhaps a lower order of priority to some of the four Canberra lines, might have inspired greater confidence in the promise of this scheme to give results. In some other directions such determination has been shown. The proposal to give aircraft ammunition "super-priority" over all other types should end a bottleneck that has recently developed in ammunition supplies. Priority for radar equipment may have similar results. But this is a scheme that will need to be closely watched to ensure that it gives results and at minimum cost in terms of less-eligible defence equipment and exports.

* * *

South Africa's Budget

South Africa is not one of the countries that has led the sterling area into economic crisis. It has merely trotted along somewhere near the tail of the procession. In the budget that he presented on Wednesday Mr Havenga therefore felt it adequate to raise the Reserve Bank rate from 3½ to 4 per cent and to aim at a neat balance in his budget, by accelerating the collection of £12 million of income tax arrears and imposing £11 million of new taxes. The tax levied on industrial, commercial and base mining companies has been raised by 6d. in the £, that on diamond mines by 1s. in the £, and the rebate on personal income tax (equivalent to tax allowances here) has been lowered; excise duties on beer, cigarettes, soft drinks, sweets, films and domestic whisky have been raised and an increase in imports of whisky should increase the yield of customs duties. The only tax rebate goes to shareholders of private companies, which will now be taxed in the same way as public companies; the previous system of apportioning their earnings among shareholders (and thus levying some super tax as well as income tax on them) was a badly constructed device to cure a rush of ingenious tax-dodging during the war. It should have been ended long ago. The gold mines, which had expected some tax reliefs, will be disappointed with this budget. Mr Havenga chose to couch his usual references to the need for an increase in the dollar price of gold in the tones of a man impatiently urging on the inevitable instead of in those of an irritated special pleader. This probably represented a change in methods of diplomacy rather than in assumed prospects for success.

As had already been intimated, South Africa's imports are to be cut by about £70 million to £400 million this year. This will not necessarily lead to a serious increase in domestic inflationary pressure since much of the cut will fall upon textiles with which South Africa is now grossly overstocked. The main reason for the cut is that credit restrictions in Britain are likely to reduce the flow of capital with which the Union has hitherto bridged the persistent deficit in its post-war balance of payments. Earnings from wool exports are also likely to fall substantially, but this may be counteracted by increased exports of uranium (on which Mr Havenga sounded a soberly optimistic note) and, above all, of gold; three new gold mines are now in production, six more are expected to begin production in 1953 and thereafter production will start from two or three more each year. One corollary of the present situation is that this year's import cuts may fall more heavily on Britain than the United States, but another—and more important from a national point of view—is that a greater proportion of the Union's imports will be financed by gold and foreign exchange and less by sterling capital. In consequence, Britain may be able to earn more gold from South Africa this year even though it may sell less goods to it. To allow this gold to come to London at the time that it is most needed the Reserve Bank is making an immediate advance sale of £10 million of gold to the Bank of England against sterling. Present political tensions should not obscure the fact that the Malan Government is playing a notable part in the fight for sterling's recovery.

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are.
Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA
(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2
West End (London) Branch: 28 Charles II Street, London, S.W.1
Manchester Branch: 52 Mosley Street, Manchester, 2
Liverpool Branch: 27 Derby House, Liverpool, 2
New York Agency: 65 Broadway, New York, 6

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

THAU

KREDITKASSEN
Christiania Bank og Kreditkasse

Established 1848

Every banking facility

TELEGRAMS: KREDITKASSEN

OSLO — NORWAY

FACTS ABOUT AUSTRALIA

OVER
8,000,000
POPULATION

During the last four years, Australia's population has increased by 6½% with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF
NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2.
and 47 Berkeley Square, W.1

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5102E

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £1,800,000)

is associated with

The British Metal Corporation (Pakistan) Ltd.
The Cyprus Co., Ltd., Drew, Brown Ltd. (Canada),
Sandilands Buttery & Co. Ltd. (Malaya), and C. Tennant Sons & Co., of New York, as well as with the associates of The British Metal Corporation Ltd., Australia, Canada, India and South Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3.

TELEGRAMS: *Nonfermet Telex London* CABLES: *Nonfermet London* TELEPHONE: *MANsion House* 4521 (10 *lines*)
Branches at BIRMINGHAM, MANCHESTER and GLASGOW

FRENCH RAILWAYS NEWS

POLL-AIDED COACH DESIGN

Modern methods ensure streamlined services

Realising that passengers are the best judges of rail services, French Railways organised in 1946, a passenger's quiz to find out the sort of things they liked. This inquiry revealed widespread preference for many features consequently incorporated in the French railway system since the war.

The coaches are roomy and temperature controlled, with comfortably upholstered seats. A special study concerned the ideal inclination of the back. All classes have head and elbow rests. Lightweight metal coaches with controlled ventilation give increased comfort and more coaches per train.

Electrical signalling and track switching devices have largely superseded the old manual methods, resulting in quicker and safer traffic handling. As the *Manchester Guardian* said in their January 15 issue—"Travel . . . is improving every year. Great progress has been made in building a new railway system from the ruins left by the war; and what is more they make a fetish of running trains to time."

THAT £25 LIMIT

Your railway fare does *not* reduce your currency allowance so you are not restricted by distance. And travel-wise folk can still have a modestly enjoyable holiday in France if they avoid the peak of the summer season or choose a place off the beaten track.

BUSINESS OPPORTUNITIES

The Continental trade fairs and exhibitions can help British enterprises seeking new contacts abroad. Business men should study the following calendar of principal events—all of which are well served, in whole or part, by French Railways, who offer special concessions to exhibitors and buyers. Details from French Railways Ltd., Freight Dept., Room 118, Victoria Station, London, S.W.1.

APRIL Milan Samples Fair—*April* 12–29. **Lyons Fair**—*April* 19–28. **Basle, Swiss Industries Fair**—*April* 19–29. **Turin Motor Show**—*April* 23–*May* 4. **MAY Bologna Exhibition of Electrical Appliances**—*May* 13–27. **Paris International Fair**—*May* 17–*June* 2. **Lucerne Photographic Exhibition**—*May* 15–*July* 31. **Frankfurt, Achema Chemical Exhibition**—*May* 18–25. **JUNE Milan Traffic and Safety Exhibition**—*June* 1–30. **Padua Samples Fair**—*June* 7–22. **Bordeaux Fair**—*June* 8–23. **Barcelona Samples Fair**—*June* 10–30 **Casabianca Fair**—*June* 14–20. **Lille Fair**—*June* 14–29. **Trieste Fair**—*June* 29–*July* 13.

FREE BOOKLET—a Feast of Colour
The new, exquisitely colour-printed booklet, "France", is available free on application to French Railways Ltd. Write today, a postcard will do.

Information, tickets and reservations from any good Travel Agent or—

FRENCH RAILWAYS LIMITED
179 Piccadilly, London W.1

CVS–60

Ever heard of Tweed Heads...

. . . a New South Wales town that grows pineapples? Perhaps not, but it is one of many comparatively unknown places which together form the Australian market. Tweed Heads has something particularly its own . . . other than a branch of the Commonwealth Bank, that is. Its social and economic conditions are individual. And so are those of all the other towns and cities throughout Australia which the Commonwealth Bank knows as intimately as it knows Tweed Heads. This detailed yet nationwide knowledge is essential to British business houses viewing the Australian market from 12,000 miles away. It can be easily obtained from our Financial Information Service at Australia House which will be glad to assist you in every possible way.

The Commonwealth Bank KNOWS Australia

COMMONWEALTH BANK OF AUSTRALIA · COMMONWEALTH SAVINGS BANK OF AUSTRALIA
8 Old Jewry, London, E.C.2. And at Australia House, Strand, W.C.2.

CRÉDIT LYONNAIS

(Limited Liability Company Incorporated in France)

LONDON OFFICE: 40, LOMBARD ST., E.C.3

WEST END BRANCH:
25/27, CHARLES II STREET, HAYMARKET, S.W.1
(Private Safes for rental at this Office)

TRAVELLERS' CHEQUES ISSUED IN FRENCH FRANCS PAYABLE AT ALL BRANCHES OF THE BANK IN FRANCE AND THE FRENCH FRANC AREA.

OVER 1,300 BRANCHES IN FRANCE
33 BRANCHES IN ALGERIA, TUNISIA & MOROCCO
Also at ABIDJAN, ALEXANDRIA, ANTWERP, BARCELONA, BRUSSELS, CAIRO, CONAKRY (French Guinea), DAKAR, DUALA AND YAOUNDE (Cameroons), GENEVA, GHENT, LUXEMBURG, MADRID MONTE CARLO, PORT SAID AND SARREBRUCK.
Representative in Frankfort-on-Main.

SUBSIDIARIES IN BRAZIL:
BANCO FRANCES E BRASILEIRO S.A., RIO DE JANEIRO, SANTOS AND SAO PAULO.

IN LEBANON:
BANQUE G. TRAD (CRÉDIT LYONNAIS) S. A. L. BEIRUT.

IN PORTUGAL:
CRÉDIT FRANCO-PORTUGAIS: LISBON AND OPORTO.

Correspondents in all parts of the World.

EVERY CLASS OF BANKING BUSINESS THROUGHOUT THE WORLD

Chartered Accountants on Taxation

Of all the evidence submitted to the Royal Commission on Taxation, none is more clear and comprehensive than the memorandum of the Institute of Chartered Accountants. It provides a valuable exposition of the present system of taxation on individuals and companies and offers a well-argued series of submissions for desirable changes. It rejects on grounds of definition and of equity the proposition (which on the statement of the former Chancellor is within the ambit of the Royal Commission's terms of reference) that capital profits should be brought under tax. It reviews at length the rules governing deductions for expenses, drawing the familiar contrasts between the rules affecting Schedule D and Schedule E incomes and proposing reasonable alleviation in the latter case. The memorandum argues for a greater number of reduced rates of income tax to make the progression towards the standard rate more smooth—a point which the Chancellor has in some measure taken in his budget; it also claims that the level of income on which earned income relief is granted should be raised (the budget, by a mere arithmetical adjustment, has conceded this principle to the meagre extent of £25) and that surtax on earned income should be charged at a lower rate than on unearned income.

If the sections on rising price levels still exhibit great caution, they suggest at least some modification of emphasis compared with the Council's previously declared views. The memorandum summarises the suggestions that have been made, such as additional charges against profits to meet higher costs of replacement, and the revision of asset values to current price levels. It admits the need for some measure of relief from taxation of retained profits, but it also admits that in practice relief might have to be related to actual expenditure on fixed assets. This cannot be done, at present, through initial allowances, for the former Chancellor of the Exchequer killed the Tucker Committee proposals on this point almost as soon as they appeared; and there are many others apart from the Council who "would not urge the reintroduction of initial allowances"—particularly on the lines advocated in the Tucker report. Arguments on grounds of complexity are put forward against adjusting replacement allowances to current prices. The Council does, however, give its approval to the "renewals method" for replacement of fixed assets. This is already available to the taxpayer, and was formerly widely employed by railway companies in this country. It has its limitations in cases where plant is not renewed save at long intervals and then often enough by new equipment of a somewhat different character from the old. Whether this goes sufficiently far to satisfy those who argue for relief based on current replacement costs is questionable. But there will be general approval for the terse submission that "the profits tax should be abolished and at the same time all liability to the future withdrawal of non-distribution relief should be cancelled." Here, at any rate, all accountants and all industrialists will be in common accord.

* * *

February Trade

The trade figures for February show a fall in the value of exports of £22 million to £228 million, largely because of the shorter month; the daily rate of exports was more or less maintained at the January level. Imports, however, fell more sharply by £60 million on the month to £297 million, the lowest total recorded for a year. Re-exports rose by £2 million to £16 million, so that the excess of imports (valued c.i.f.) over total exports (valued f.o.b.) amounted to no more than £53 million, the lowest visible deficit for any month since the end of 1950.

So far as they go, the export figures for January and February are favourable; the total is £506 million or £100 million more than the first two months of last year. But these figures (as conceivably those for March will be when they appear) are as yet unaffected by cuts in imports imposed by Commonwealth countries. The metal-using industries again showed the biggest increase over a year ago, maintaining the high rate recorded in January. Exports of vehicles were £10 million larger than in February, 1951, though they were lower than in January; shipments of cars and chassis dropped from 37,926 in January to 29,216, and the decline was evenly spread over most markets. Machinery exports were £12 million larger than in February, 1951, and only slightly below the January level. Iron and steel manufactures were £14 million above the February total of last year. Textiles are still a black spot. Exports were £500,000 less than in February, 1951; the decline of £3 million in wool manufactures more than offsets the increases in cotton goods and other textiles. The most striking feature among re-exports was the shipment of 7,500 tons of Malayan rubber valued at £2 million to the United States; this shipment represents part of the sale of rubber from British stocks.

Smaller imports in February apparently show the first fruits of the Chancellor's cuts. Food imports show only a slight decline on the month, but they cost much more than a year ago, chiefly because of larger quantities of wheat and maize bought at higher prices. Raw material imports were £37 million smaller than in January and only £9 million larger than in February, 1951. Arrivals of coal, cotton, wool, hides and skins and rubber were all down on last year, reflecting both lower prices and smaller quantities.

* * *

Terms of Trade Improve

In February the terms of trade again moved in favour of this country. A favourable movement, which first appeared last summer, means that imports have become cheaper in relation to exports and it is on the continuation of this movement throughout the year that Mr Butler is counting so heavily in his policy for restoring the external balance of payments. In December and January it seemed for a time that such calculations might be too optimistic, for during those two months the terms of trade moved slightly against this country. The February figures revive the hope that the improvement may be more persistent.

The improvement in February was entirely due to the slight increase in export prices. The Board of Trade's index of export prices (1951 = 100), which had fallen back to 105 at the end of last year, rose to 106 in February. The lower prices for textiles were offset by higher prices for metals and engineering products and for other manufactures. Import prices have, in fact, remained steady since November, the slight rise in food prices at the end of 1951 being offset by reduced prices for raw materials and manufactured goods. Between January and February food prices remained unchanged, but raw materials increased slightly.

UNITED KINGDOM IMPORT AND EXPORT PRICES
Index Numbers, 1951=100

	Imports			Exports				Terms of Trade*
	Total	Food, Drink & Tobacco	Raw Materials	Total	Articles wholly or mainly manufactured			
					Metals & Eng. products	Textiles	Other Manufactures	
1951, Feb.	92	94	93	92	93	89	89	100
March	95	94	97	94	95	92	94	101
April	100	99	104	96	96	95	94	104
May	104	101	108	99	97	99	99	105
June	105	102	108	100	99	102	100	105
July	105	103	107	102	100	105	103	103
Aug.	103	102	103	104	103	107	104	99
Sept.	102	101	102	105	104	108	106	97
Oct.	101	103	96	105	106	107	107	96
Nov.	102	105	97	106	107	106	108	96
Dec.	103	103	99	106	107	106	109	97
1952, Jan.	103	104	100	105	107	103	108	98
Feb.	103	104	101	106	108	102	109	97

Source: Board of Trade.
* Ratio of import prices to export prices. A rise indicates an adverse movement.

Buying Experience in Big Aircraft

Now that the Air Ministry has decided against using the Princess flying boats as troop transports, only the first of them is likely to be completed. The Minister of Supply announced in the House of Commons last week that all work on the second and third hulls, as well as on the second Brabazon airliner, has been suspended at an estimated saving of £2 million in the coming financial year. A report of the Comptroller and the Auditor General since published shows how expenditure on the two projects has increased since the end of the war. In 1944, when work started on the Brabazon airliner, the estimated cost of building two prototypes and their hangars and runways was put at £8 million. The final bill for the runways and buildings came to £6 million instead of the original figure of £3.4 million and by March, 1951, more than £4 million had been spent on building the aircraft. The total cost of completing the two Brabazons now would exceed £14 million. Three Princess flying boats were ordered in 1946 for the South American services at a combined cost then put at £2.8 million; four years later the estimate had risen to £10.8 million. If the five aircraft were ever to be completed their cost would exceed £25 million, of which much has already been spent.

Sir Frank Tribe's report does not cite any departmental explanation why estimated costs should have more than doubled in a few years; delays in completing the projects must account for much of the increase. Unexpected difficulties in developing the turbo-prop Proteus engines held up work on the airframes, but a sense of urgency needed to push these projects ahead seems to have been absent. Had there been a prospect of either the Brabazon or the Princess going into service on May 2nd instead of the de Havilland Comet, the airlines might have shown more interest in them. There is an ironic lesson in the fact that the second Brabazon will be stored in a corner of the huge Bristol hangar while work goes ahead in the assembly shops on the smaller and promising Britannia airliner. The first Princess flying boat will be completed and flown experimentally. The cost may be justified by the experience of designing, building, and gaining experience with big aircraft. But no one would deny that it has been heavy, and in the nature of the experiment difficult to control and too slow to give really valuable results.

* * *

The Latin American Market

The twenty republics of Latin America stand high on the list of the non-sterling countries where British trade lagged badly last year and where improvement this year must be both rapid and marked if British solvency is to be restored. Unfortunately, a great opportunity was missed last year when, despite high local spending generated by the 1950 commodity boom, the volume of British exports to Latin America was 10 per cent lower than in 1950, and thus only at about the same level as in 1949. British imports from Latin America, on the other hand, were 14 per cent higher by volume in 1951, and no less than 81 per cent higher by value than in 1949; in consequence Britain's adverse balance of trade with this area rose from £48 million in 1949 to £171 million in 1951.

The latest issue of the *Fortnightly Review* of the Bank of London and South America includes a valuable series of charts and statistics that illustrate the fluctuations of Latin American inflation and demand for imports. In the republics of the south, especially Argentina and Brazil, the prospect does not seem very bright. Some of these countries show high earnings of foreign exchange when commodity prices are at their peak, but they use this exchange for imports of capital goods for their industrialisation programmes; British textiles may have lost much of their old market here for ever. When commodity prices turn downwards, these countries resort to more and more stringent import controls; these in turn reduce customs receipts, drive the local budgets into deficit, and add fuel to the fires of inflation, further restrictions and, eventually, currency depreciation. The best prospect for British exporters, as the Bank of London's chairman, Mr Francis Glyn, pointed out recently, may lie in the markets to the north of the sub-continent. In Venezuela, Ecuador, El Salvador, Guatemala and Nicaragua there is no exchange control worthy of mention—but in some of these countries (and also in Colombia, which does prohibit imports of some consumer goods) retail shelves are now full and demand shows signs of flagging.

Any new British export drive to these markets must therefore be both determined and selective. It must recognise, as Mr Glyn pointed out, that Latin American import requirements "are changing more and more from the consumption goods of the past to industrial and agricultural machinery, transport equipment, and many other types of heavy capital goods, chemical and fuel." At the moment British goods are competitive in price with American goods in these markets—though not necessarily with those of Japan and of a Western Germany whose exports to Latin America have been increasing by leaps and bounds. "But in sales technique, knowledge of the market, servicing, supply of spares, adapting designs and materials to the needs of the market, eagerness to sell and delivery dates," reported Mr Glyn, "we are continually being told that we are behind the United States." These easy-going failings are at once the fruit of six years of domestic and sterling area sellers' markets, and one of the explanations of recurrent crisis.

* * *

Long-term Contract for Tin

The United States has signed a three-year contract with Indonesia for 18,000 tons of tin a year. This agreement may mark an important move in American commercial policy. For the first two years the price has been fixed at $1.18 a lb (equivalent to £965 a ton in London) which is the same as that agreed with Britain for the recent bulk sale of 20,000 tons. The price for the third year will be negotiated later. The contract contains the usual undertaking that if the United States agrees to pay a higher price to any other supplier before next March the Indonesian price will be adjusted accordingly. Indonesia has the option to offer a further 2,000 tons of tin a year at the agreed price.

This agreement will no doubt encourage all those who believe that the sterling area's dollar troubles can be cured if the United States can be persuaded to buy the primary materials it uses regularly and over a period of years. In the past a long-term contract in American terms meant an agreement for twelve months. In international conferences American delegates often argued that it was politically difficult to commit the United States for any longer period. That attitude will now presumably be discarded and conceivably the United States will come to play a leading role in international conferences for those commodities which it buys, in the same way that it has always co-operated in conferences concerned with the commodities that it sells.

The new tin agreement means that the United States has contracted to buy this year nearly a quarter of the world's output at $1.18 a lb.—20,000 tons of Malayan tin from the United Kingdom and 18,000 tons from Indonesia. This price should thus set a floor to the tin market for the next two years, and give producers confidence to maintain and even expand output. Prices in the London market, which since the beginning of the year have been nearer £1,000 a ton than £950, dropped this week to £961 a ton, which is in fact a little below the equivalent of $1.18 a lb in the Far East.

Contrasts in Copper and Lead

The allocations of copper for the second quarter made by the International Materials Conference are to be cut. World production has not increased as expected and the quotas for the first quarter proved to be too generous. A coal shortage is recurring in Rhodesia and the output at Mufulira is "considerably below normal." These reports will no doubt put an end to the belief, hitherto based on America's smaller requirements for defence, that the copper shortage is passing. In fact, copper, nickel and molybdenum remain the scarcest of non-ferrous metals.

Lead provides a sharp contrast. Supplies in the United States and Britain are ample and both countries have now formally ended restrictions on use. British consumption has been so low that, following the sale of 30,000 tons to America in February, another 23,000 tons have been sold during the past fortnight. Together, these two parcels of lead will earn $22 million and bring the total sum realised from sales of tin, rubber and lead to about $100 million. By the end of January, stocks of lead held by the Ministry of Materials increased to over 68,000 tons. Part of the increase was due to abnormally large imports under contracts placed by the Ministry during the worst period of the shortage last year—and these shipments will continue for a time. On the other hand, consumption in January was only 11,800 tons, compared with 16,300 tons twelve months earlier and a monthly average of 13,600 tons over the whole of last year. February consumption was also small and manufacturers may have been delaying purchases in the hope that the Ministry might reduce its price.

The Ministry has now done this. Two days after the announcement about the sale of lead to the United States it reduced its selling price from £170 to £163 a ton, which, incidentally, is still above the current continental level of £155 a ton. World prices of lead have been falling for some time, but the Ministry's price has not kept pace, and already British manufacturers are finding themselves at a disadvantage with continental competitors.

* * *

Higher Bank Salaries

The big clearing banks have now completed the long-expected revisions of their salary scales. Up to now the young bank clerk of 16 or 17 has received a basic salary of between £135 and £150 a year; this has risen to between £475 and £500 a year at the age of 32, with increases thereafter related to the degree of responsibility assumed. In addition, the banks have paid a cost of living bonus, which seems to have been rising sufficiently fast in the last three years to effect some increase in his real income—compared with 1946, though not with 1938. By the end of last year this bonus amounted to 27½ per cent of basic salary. The method of salary revision now chosen by most of the banks has been to consolidate 17½ per cent of this bonus into basic salaries, and to add a bit of "sugar" besides. The average bank clerk can now expect a salary of £170 a year at 16, and (in the case of male clerks) of £600 at 32, plus a variable cost of living bonus now at 10 per cent of this new salary. Pensions and "large town allowances" have also been increased (London allowances are up to about £50 a year), but the advantages of the new scale seem to taper off slightly for those in the higher executive posts.

The exception to this general pattern is Lloyds Bank, which announced at the end of last year that it was pioneering a new method of salary incentives. Its new salary scale for male clerks goes from £150 at 16 to £650 at 39, plus a variable cost of living bonus now at 25 per cent of basic salary; when pensions contributions are taken into account, this is not very different from the new scale of remuneration in the other banks. But the distinctive feature of the Lloyds scheme is that clerks who have been with the bank for three years, who are aged 24 or over, and who are regarded as potential managers, will be elevated to one or other of two higher grades, one of which reaches £600 a year at the age of 28 and the other at 31. These scales are better than many university graduates can expect in teaching and some other professions, and they seem to be clearly designed to attract university men into banking. With a higher proportion of the best type of secondary school pupils—from whom the banks used to recruit in the past—going on to university, and with banking becoming an ever more complex business, this is clearly a desirable trend for the future. It remains to be seen how it, and the method of salary revisions chosen by the other banks (where promotion, of course, also depends upon merit), will fit in with the staffing traditions of the past.

* * *

Safety of Welded Ships

Two of the advantages of welding in shipbuilding are to make full use of prefabrication and to speed up output. These arguments justified the extensive resort to welded construction for the vast shipbuilding programme of the United States during the war. The policy was justified by urgency, but it carried risks. Welded shipbuilding had not been fully developed, and large numbers of part-skilled workers had to be recruited. As early as 1943 several welded ships fractured, some in port and others in fair weather conditions. The American Bureau of Shipping immediately investigated these defects and steps were taken to remedy them in all vessels in service. In June, 1943, the Admiralty Ship Welding Committee was set up on this side of the Atlantic. It was found that defects might be caused by unsound workmanship, unsuitable steel, or possibly by the injudicious distribution of cargo and ballast in the ship, and steps were taken to avoid these risks. Lloyd's Register rules for welded ship construction govern the materials used and the standard of workmanship in welding and also in fabrication and assembly. In addition, guidance is given to shipowners on the most suitable methods of loading to minimise longitudinal hull stresses in severe weather.

The structural failures which occurred during the heavy winter weather experienced in February naturally aroused some anxiety about the reliability of welded ships, particularly as so many shipyards since the war have been completely reorganised and re-equipped for welding. Lloyd's Register of Shipping, therefore, has issued a statement asserting its complete agreement with the findings of the Admiralty Ship Welding committee that "welding as a process for building ships has been entirely vindicated" and that "given sound design, good workmanship and tough steel, the reliability of welded ships is beyond question." It points out that the recent failures occurred entirely among war-built ships, and the few failures must be related to the large number of more than 3,000 ships in this class. No major failures have occurred so far in welded ships built since the end of the war. Marine underwriters, it is fair to note, have shown no discrimination against welded ships, and treat a claim through failure of a welded structure in the same way as any casualty through stranding, fire or the like. Individual shipowners may have their own views as to the relative merits of welding and riveting, but these views are formed after consideration of cargo carrying capacity, speed, cost of building and repair, fuel consumption, and other operating factors. Questions of safety and durability can safely be left to the experts in the classification societies.

Shorter Note

The production of cars in January reached only 36,270 vehicles, 3,000 fewer than in December. Weekly output averaged 9,070 cars, a reduction of 350 a week on the average for the last quarter of 1951. Production of commercial vehicles was also slightly lower than in December, but output of tractors rose from 9,837 to 10,727. The output of the industry was running at a much lower rate than in January, 1951, but in each case exports were higher than they were a year ago.

Company Notes

A. W. Gamage.—Not many retail stores scraped through last year's recession in prices—a recession that put no brake on the increase in wages and other costs—without reporting a fall in trading profits. Gamages belong to the unhappy majority. Its profits fell from £362,964 to £311,532, despite an increase in the monetary value of turnover; the board reports that a fall in prices in the last few months of the financial year compelled the company "to write substantial amounts" off the value of certain stocks. The ordinary dividend has been maintained at 25 per cent, but shareholders will have to wait a full year—a year certainly not free from anxiety—for their next dividend cheque. The chairman, Mr. E. M. Gamage, has announced that the company will not pay any interim dividends in the future, on the extraordinary argument that as "very few members hold more than a relatively small amount of stock, the directors feel that the work and cost involved in paying an interim dividend is really not worth while." If this explanation were carried to its logical conclusion, it would seem that the board considers that the greater the number of capital owners, the less their convenience should be studied.

	Years to January 31, 1951	1952
Earnings :—	£	£
Trading profit	362,964	311,532
Total income	364,168	326,435
Depreciation	12,200	15,344
Taxation	139,499	144,847
Earnings for ordinary stock	*71,841*	*74,879*
Ordinary dividends	68,750	65,625
Ordinary dividends (per cent)	25	25
Contingencies reserve	50,000	—
Added to carry forward	4,295	27,157
Balance sheet analysis :—		
Fixed assets, *less* depreciation	399,284	408,535
Net current assets	961,432	941,421
	492,776	526,490
Stocks	484,117	403,451
Cash	685,717	674,957
Revenue reserves	500,000	500,000
Ordinary capital		

10s. ordinary stock at 23s. 9d. xd yields £10 10s. per cent.

The company has been able to plough back only a small proportion of the year's earnings, and the increase in the book value of stocks from £492,776 to £526,490 and in debtors from £209,348 to £244,092, amply explains the fall in cash balances from £484,117 to £403,451. Costs are still rising and customers are still refusing to pay the high prices charged on certain goods. This year's risks may not be altogether discounted in the yield of 10½ per cent that the 10s. ordinary shares offer at a price of 23s. 9d. xd.

★

Ford Motor.—Last year the Ford Motor company—in common with the rest of the motor industry—had to contend with shortages of sheet steel and other raw materials and with growing consumer resistance abroad; it had also to grapple with the problems arising from changes in factory layout and the introduction of new models. In view of this, the chairman warned shareholders at the general meeting last May that the high level of profits earned in 1950 was unlikely to be repeated in the year to December 31, 1951. In the event, however, profits before tax and depreciation (but after allowing for special credits and debits) show only a slight fall, from £11,410,000 to £10,995,000. Taxation takes £5,460,000 (against £4,730,000) but this increase is counterbalanced by reductions in pension fund allowances and in the provision for depreciation. A detailed survey of fixed assets has shown that the accumulated provision for depreciation is £2,512,000 higher than was considered necessary, and this amount has therefore been transferred to a fixed assets replacement reserve. Together with the massive appropriation of £2,750,000 against £2,000,000) from profits, this transfer brought the amount held in the replacement reserve at the end of the year to £11,806,000.

The result of all this is that that group net profits, after allowing for all charges, including taxation, have actually risen, from £3,774,000 to £3,985,000. The directors have therefore felt able to raise the ordinary dividend for the second year in succession, this time from 12½ to 15 per cent. At the current price of 43s. 6d. xd. the £1 ordinary shares yield 6.9 per cent.

★

United Sua Betong.—When they announced an interim dividend of 20 per cent last October, the directors of United Sua Betong were able to report that they had already sold a good two thirds of the current year's crop at the high average price of 3s. 10d. a lb. They, therefore, felt able to forecast an increase in profits over the 1950 level despite a fall in output, caused by attacks or threatened attacks by bandits, and despite an increase of 100 per cent in f.o.b. costs (including the Malayan export duty). The results now published show that profits, before tax and the export duty, have in fact risen from £1,626,193 to £1,932,282, but that once the export duty of £401,696 (against £143,381) has been paid and once £912,374 (against £833,095) has been put aside for British and Malayan taxes, net profits have fallen from £649,717 to £618,212. Distributable earnings have fallen even more sharply as £250,000 has been earmarked for replacement reserves and another £56,311 has been written off the company's holdings of government securities. Nevertheless, the year's total distribution on equity capital has been left unchanged at 50 per cent, and £100,000 (against £425,000) has been added to general reserve.

	Years to December 31, 1950	1951
Earnings :—	£	£
Profit before tax	1,626,193	1,932,282
Malayan export duty	143,381	401,696
Taxation	833,095	912,374
Earnings for ordinary stock	*649,717*	*311,901*
Ordinary dividends	236,250	236,250
Ordinary dividends (per cent)	50	50
Replacement revenue	—	250,000
General reserve	425,000	100,000
Added to carry forward	*Dr. 11,533*	*Dr. 24,349*

£1 ordinary stock at 42s. 6d. yields £23 10s. per cent.

The directors of United Sua Betong tend to be more cautious about dividend payments than the boards of many other rubber companies. But as gross profits are threatened by the fall in rubber prices and distributable earnings by the excess profits levy, there are good reasons for conservatism this time. The market is clearly not optimistic about future prospects for the £1 ordinary shares, at the current price of 42s. 6d. give the very high yield of 23½ per cent.

★

Cammell Laird.—The increase in the ordinary dividend of Cammell Laird from 12 to 14 per cent is clearly justified by the advance in trading profits from £661,058 to £888,317; the latter figure includes some profit on work in progress. After providing £777,000 (against £566,000) and £60,000 for stock depreciation, net profits have fallen slightly, from £465,299 to 463,550. The directors have appropriated £200,000 (against £250,000) to general reserves which have also been fortified by £200,000 previously over-provided for taxation and now written back. In the year the company's capital reserve has increased by £5,840,884, representing the surplus of £6,008,008 on the transfer of the company's holdings in English Steel to the Iron and Steel Corporation less a loss of £167,124 on the sale of government securities. Shareholders can now concentrate their interest on the prospect of a return of the holding in English Steel. At the current price of 10s. 9d. the 5s. stock units yield 6½ per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Mar. 19, 1952	Price, Mar. 26, 1952	Net Yield, Mar. 26, 1952 (n)	Gross Yield, Mar. 26, 1952
			£ s. d.	£ s. d.
War Bonds 2½%....	99⅛	99⅜	1 19 5	3 7 1e
Mar. 1, 1951-53			1 12 6	2 18 3f
War Bonds 2½%....	98⅛	98⅛	3 7 11	5 5 10e
Mar. 1, 1952-54			1 17 10	3 2 8f
Exchequer Stk. 2½%	97⅞	97⅞	1 19 9	3 2 4
Feb. 15, 1955				
Serial Funding 1¾%	99⅛	99⅛	1 7 5	2 13 10
Nov. 14, 1952				
Serial Funding 1¾%	98⅛	98⅛	1 7 10	2 8 5
Nov. 14, 1953				
Serial Funding	97⅛	97⅛	1 12 7	2 11 10
Nov. 14, 1954				
War Bonds 2½%...	97⅛	97⅛	2 5 8	3 10 11e
Aug. 15, 1954-56			1 16 11	3 1 8f
Funding 2½%.....	98⅛	98⅜	....	.... e
June 15, 1952-57			1 17 1	3 5 1f
Nat. Defence 3%....	97⅛	98	2 12 5	4 3 11e
July 15, 1954-58			1 19 4	3 9 3f
War Loan 3%.....	97⅝*	97⅝*	2 6 11	3 5 5e
Oct. 15, 1955-59			1 19 0	3 7 8f
Savings Bonds 3%..	89⅛	89⅞	4 18 4	6 9 11e
Aug. 15, 1955-65			2 9 8	4 0 5f
Funding 2½%.....	89⅞*	90⅛*	3 17 4	5 2 2e
April 15, 1956-61			2 9 10	3 14 9f
Funding 3%.....	83½*	84⅜*	4 1 11	5 13 0e
April 15, 1959-69			2 14 0	4 5 4f
Funding 3%.....	85⅛	85⅛	2 16 1	4 7 9e
Aug. 1, 1966-68			2 13 5	4 5 1f
Funding 4%.....	96⅜	96½*	2 12 1	4 10 5e
May 1, 1960-90			2 4 11	4 3 8f
Savings Bonds 3%..	82⅛	83⅜	3 17 9	5 9 8e
Sept. 1, 1960-70			2 14 4	4 6 3f
Savings Bonds 2½%	82⅜	82¼*	3 1 4	4 7 7e
May 1, 1964-67			2 14 11	4 1 3f
Victory Bonds 4%..	98⅜	98⅜	2 4 5	4 2 11e
Sept. 1, 1920-76				
Savings Bonds 3%..	80	81¼	3 6 10	4 19 5e
Aug. 15, 1965-75			2 13 5	4 6 1f
Consols 4%.....	87⅛	87⅛	2 8 2	4 12 1f
Conversion 3½%...	77⅛*	77⅛*	2 7 4	4 10 2f
Treasury Stk. 2½%..	56⅜*	57⅛*	2 5 11	4 7 6f
(after Apr. 1, 1975)				
Treasury Stk. 3%...	66¼*	66¼*	2 7 2	4 9 10f
(after Apr. 5, 1966)				
Treasury Stk. 3½%..	85⅞	87⅛	2 11 1	4 8 2e
June 15, 1977-80			2 9 11	4 7 0f
Redemp. Stk. 3%...	74*	75½*	2 13 7	4 8 0e
Oct., 1986-96			2 10 0	4 4 9f
War Loan 3½%....	77⅛	77⅛	2 7 9	4 11 7f
Consols 2½%.....	58⅝*	59¼*	2 4 3	4 4 4f
Brit. Elect. 3% Gtd..	81*	81¼*	3 0 2	4 12 2e
April 1, 1968-73			2 14 3	4 6 5f
Brit. Elect. 3% Gtd..	79⅛	80⅛	2 15 2	4 7 10e
Mar. 15, 1974-77			2 12 10	4 5 6f
Brit. Elect. 3½% Gtd.	87	88⅛	2 10 6	4 7 7e
Nov. 15, 1976-79			2 9 4	4 6 8f
Brit. Tpt. 3% Gtd..	75	76⅛	2 17 9	4 12 3e
July 1, 1978-88			2 12 1	4 6 10f
Brit. Tpt. 3% Gtd..	81*	81¼*	3 0 2	4 12 2e
April 1, 1968-73			2 14 3	4 6 5f
Brit. Gas Gtd. 3%...	74⅛	74⅝*	2 12 6	4 7 1e
May 1, 1990-95			2 10 10	4 5 7f
Brit. Gas Gtd. 3½%..	88⅛	89⅛	2 12 3	4 8 0e
Sept. 10, 1969-71			2 10 11	4 6 9f
Brit. Iron & Steel..	85½	86⅝	2 10 9	4 7 6e
3½%, 1979-81			2 10 0	4 6 10f

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Mar. 19, 1952	Price, Mar. 26, 1952	Yield, Mar. 26, 1952
%	%					£ s. d.
20	40	*l*	Anglo-Am. 10/-	7⅛	7⅛	4 3 5
5	25	*b*	Anglo-Iran £1	5⅛	5⅛	5 7 10
7½	12½	*b*	Assoc. Elec. £1	66/6*	66/6	6 0 4
27½	7½	*a*	Assoc. P. Cem. £1	93/9	92/6	5 18 10
45	50	*c*	Austin 5/-	28/9	27/6 9	1 10m
†5	†17½	*b*	Bass £1	119/4½	119/4½	7 3 10
40	5	*a*	Boots 5/-	18/-*	18/9	5 6 8h
9	7	*a*	Br. Celanese 10/-	24/1½	22/6	4 0 0
8	12	*b*	Br. Oxygen £1	72/6	71/-	5 12 8
5	7½	*b*	Coats £1	43/9	43/1½	5 15 11
6½	5	*a*	Courtaulds £1	36/9	35/3	6 7 8
22½	7½	*c*	Distillers 4/-	17/3	17/6	5 2 10
15	17½	*c*	Dunlop £1	53/1½	54/1½	6 11 9
12½	15	*c*	Ford £1	43/-	43/6*	6 19 11
22½	7½	*a*	Gen. Elect. £1	72/6	73/9	6 2 0
11	17	*b*	Guinness £1	113/1½	115/7½	4 16 10
4½	5½	*b*	Hawker Sid. £1	33/6	34/-*	5 17 8
9	3	*a*	Imp. Chem. £1	40/3	40/6	5 18 6
13½	18½	*b*	Imp. Tobacco £1	85/-	85/-	9 12 0
5	10	*b*	Lancs. Cotton £1	33/9	31/3	9 12 0
7½	10	*f*	Lon. Brick £1	53/9*	52/6	6 13 4
15	60	*b*	Marks & Sp. A 5/-	75/-	79/-	4 14 11
8	8	*b*	P. & O. Def. £1	45/-	43/6	4 18 1p
17½	7½	*a*	P. Johnson 10/-	33/6	31/8	7 18 9
†7½	†5	*a*	"Shell" Stk. £1	81/10½	86/3	5 10 6
12½	12½	*b*	Tube Invst. £1	4⅞	4⅞	5 2 7
5	15	*b*	T. & Newall £1	81/10½	78/9	5 1 7
13½	5	*a*	Unilever £1	46/3	46/3	5 16 9
8	10	*c*	Union Castle £1	41/6	41/-	4 17 7
50	50	*c*	U. Sua Betong £1	43/9	42/6	23 10 7
10	2½	*a*	Vickers £1	43/9	43/6	5 14 11
15	27½	*b*	Woolworth 5/-	39/6	40/6	5 4 11

(*a*) Interim div. (*b*) Final div. (*c*) Div. for whole year. (*h*) Yield basis 20% after capital bonus. (*m*) Yield basis 50% before merger. (*p*) Yield basis 10½% after capital bonus * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended March 22, 1952, total ordinary revenue was £70,001,000, against ordinary expenditure of £69,925,000 and issues to sinking funds £280,000. Thus, including sinking fund allocations of £26,962,000, the surplus accrued since April 1, 1951, is £444,453,000 compared with a surplus of £757,122,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1951–52	April 1, 1950 to Mar. 24, 1951	April 1, 1951 to Mar. 22, 1952	Week ended Mar. 24, 1951	Week ended Mar. 22, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1375785	1609406	22,749	28,011
Sur-tax	128,000	117,500	124,900	3,100	3,700
Estate, etc., Duties	180,000	182,750	179,100	4,900	3,700
Stamps	55,000	52,960	59,800	1,300	500
Profits Tax & E.P.T.	312,650	264,370	304,200	2,200	3,300
Other Inland Rev.	500	560	580	...	30
Special Contributn.	1,500	4,800	2,630	80	50
Total Inland Rev.	2302400	1998725	2280616	34,329	39,291
Customs	930,500	887,736	978,414	13,407	19,827
Excise	720,500	708,200	735,795	6,800	3,595
Total Customs and Excise	1651000	1595936	1714209	20,207	23,422
Motor Duties	62,000	61,213	64,528	....	....
Surplus War Stores	20,000	45,355	32,343	7,847	105
Surpl's from Tradg.	50,000	80,905	75,455	....	....
P.O. (Net Receipts)	5,400	3,500	7,728	*Dr4300*	2,500
Wireless Licences	13,600	11,900	12,800	....	....
Sundry Loans	27,000	25,876	25,393	....	....
Miscell. Receipts	105,000	76,754	96,606	5,722	4,683
Total Ord. Rev.	4236400	3900164	4309679	63,805	70,001
SELF-BALANCING					
Income Tax on E.P.T. Refunds	179,431	166,700	179,772	6,500	...
	4,900	8,098	5,383	164	138
Total	4420731	4074962	4494834	70,469	70,139

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	475,227	510,609	2,040	2,327
Payments to N. Ireland	38,000	37,284	37,394	1,922	...
Other Cons. Funds	11,000	9,754	11,621	275	909
Total	584,000	522,265	559,625	4,237	3,236
Supply Services	*3514062	2601431	3278638	72,840	66,689
Total Ord. Expd.	*4098062	3123696	3838263	77,077	69,925
Sinking Funds	...	19,347	26,962	...	280
Total (excl. Self-Bal. Expd.)	4098062	3143043	3865225	77,077	70,205
SELF-BALANCING					
Post Office	179,431	166,700	179,772	6,500	...
Income Tax on E.P.T. Refunds	4,900	8,098	5,383	164	138
Total	4282393	3317841	4050380	83,741	70,343

* Including £6 million of the margin for Supplementary Estimates provided in the Budget (£160 million).

After increasing Exchequer balances by £235,822 to £3,362,187, the other operations for the week increased the National Debt by £13,904,487 to £25,815 million.

NET RECEIPTS (£ thousand)

Post Office and Telegraph (Money) Act, 1950	8,500
EPU (Financial Provisions) Act, 1950, s. 3	183
	8,683

NET ISSUES (£ thousand)

EPT Refunds	168
Export Guarantees Act, 1949, s. 3(2)	115
Armed Forces (Housing Loans) Act, 1949, s. 1(1)	9,842
Local Authorities Loans Act, 1945, s. 3(2)	7,650
Cotton (Centralised Buying) Act, 1947, s. 2(1)	4,000
Finance Acts, 1946 and 1947: Postwar Credits	372
	22,147

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Nat. Savings Certs.	1,300	Treasury Bills	8,521
Other Debt :—		2½% Def. Bonds	480
Internal	4,299	3% Def. Bonds	2,071
Ways & Means Advances	22,090	Tax Reserve Certs.	1,900
		Other Debt :—	
		External	812
	27,689		13,784

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Mar 24	3170·0	1811·6	428·9	...	284·0	5694·5
Dec 31	4782·5*		252·5	5·8	119·0	5160·1
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·1	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	4601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·0
,, 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4516·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount Offered	Amount Applied for	Amount Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Mar. 22	250·0	332·9	250·0	10 2·94	66
Dec. 21	170·0	236·1	160·0	20 2·27	49
,, 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·7	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75
,, 14	200·0	250·4	200·0	26 3·64	69
,, 21	200·0	251·9	200·0	26 3·39	68

On March 21st applications for 91 day bills to be paid from March 24 to March 29, 1952, were accepted dated Monday to Saturday as to about 68 per cent at £99 8s. 5d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £210 million were offered on March 28th. For the week ended March 29th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 50 Weeks ended Mar. 17, 1951	Totals 50 Weeks ended Mar. 15, 1952	Week ended Mar. 15, 1952
Savings Certificates :—			
Receipts	123,500	149,100	3,000
Repayments	129,400	130,900	2,700
Net Savings	*Dr. 5,900*	18,200	300
Defence Bonds :—			
Receipts	25,270	54,579	1,020
Repayments	46,640	68,766	1,075
Net Savings	*Dr 21,370*	*Dr 14,187*	*Dr 55*
P.O. and Trustee Savings Banks :—			
Receipts	632,876	677,951	14,434
Repayments	691,006	766,508	14,368
Net Savings	*Dr 58,130*	*Dr 88,557*	66
Total Net Savings	*Dr 85,400*	*Dr 84,544*	311
Interest on certificates repaid	29,069	32,901	715
Interest accrued	121,156	121,677	2,441
Change in total invested	+ 6,687	+ 4,232	+ 2,037

BANK OF ENGLAND RETURNS

MARCH 26, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1384,559,997	Other Govt. Securities	1385,724,842
In Bankg. Department	15,796,826	Other Secs.	745,077
		Coin (other than gold)	2,514,981
		Amt. of Fid. Issue	1400,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1400,356,823		1400,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	325,917,853
Rest	3,977,615	Other Secs.:—	49,419,062
Public Deps.:—	12,658,611	*Discounts and Advances*	*23,561,627*
*Public Accts.**	*12,142,031*	*Securities*	*25,857,435*
H.M. Treas. Special Acct.	*516,580*		
Other Deps.:—	361,517,525		
Bankers	*280,267,472*	Notes	15,796,826
Other Accts	*81,254,113*	Coin	1,573,010
	392,706,751		392,706,751

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951	1952		
	Mar. 28	Mar. 12	Mar. 19	Mar. 26
Issue Dept. :—				
Notes in circulation	1320·1	1380·2	1381·6	1384·6
Notes in banking department	30·3	20·1	18·8	15·8
Government debt and securities*	1345·7	1396·8	1396·8	1396·7
Other securities	0·8	0·7	0·7	0·7
Gold and coin	3·5	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	13·8	14·8	11·4	12·1
Treasury Special Account	14·6	0·5	0·3	0·5
Bankers	302·4	286·1	287·4	280·3
Others	89·3	85·5	82·1	81·3
Total	420·1	386·9	381·2	374·2
Securities :—				
Government	367·3	343·1	338·1	325·9
Discounts, etc.	12·3	15·6	16·1	23·6
Other	27·7	24·9	25·2	25·9
Total	407·3	383·6	379·4	375·4
Banking dept. res.	31·3	21·7	20·3	17·4
	%	%	%	%
"Proportion"	7·4	5·6	5·3	4·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue reduced from £1,450 million to £1,400 million on January 16, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	Mar. 20, 1951	Mar. 11, 1952	Mar. 25, 1952
Cereals and meat	159·0	179·3	184·6
Other foods	174·1	195·4	195·2
Textiles	341·4	235·1	232·2*
Minerals	332·2	390·9	390·1
Miscellaneous	195·9	192·3	192·3
Complete Index	**225·4**	**225·5**	**226·5***
1913=100	*310·2*	*310·3*	*311·7**

* Provisional.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Mar. 20	77·0	88·00	152 10	89 0
,, 21	77·0	88·00	161 0	92 4
,, 22	Markets Closed		161 4	92 2
,, 24	77·0	88·00	162 12	93 2
,, 25	77·0	88·00	159 12	93 2
,, 26	77·0	88·00	156 12	91 8

COMPANY MEETINGS

ASSOCIATED PAPER MILLS, LIMITED

FACTORS CONTRIBUTING TO SATISFACTORY RESULTS

DEMAND CONTINUES TO EXCEED SUPPLY

MR L. W. FARROW ON NEED FOR CONSERVATION OF RESOURCES

The thirtieth annual general meeting of The Associated Paper Mills, Limited, was held on March 21st at Winchester House, Old Broad Street, London, E.C.2, Mr L. W. Farrow, CBE (the chairman), presiding.

Mr Barrington C. Gain (deputy chairman and secretary) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended September 29, 1951:—

I am pleased to be able to put before you trading results which I think you will agree are very satisfactory.

The greatly increased profits have been made possible by a variety of reasons, one of them being an exceptional one—namely, that selling prices have had to be raised several times to meet the greatly increased prices of raw materials and each time this has occurred a certain amount of profit, additional to the normal percentage, has accrued to the company on paper made from stocks of raw materials bought at lower prices.

The question of the stocks of raw materials to be held and the contracts to be entered into for future supply is one that has occupied the constant attention of your directors and managers throughout this period, bearing in mind, as I said last year, that your board felt there was bound to come a time when there would be a steep and sudden drop in raw material prices. During the past year we have, I think, maintained a satisfactory balance between the dangers of being committed too far ahead and on the other hand of not always having sufficient raw material on hand to keep the mills supplied.

I have mentioned above one exceptional cause of the increased profits and I do not want you to infer from this that your directors consider there is any reason why the company should not continue to make a satisfactory profit when more normal conditions return.

Improved efficiency of the mills consequent upon plant improvements and the carrying out of much overdue repair work has been another contributory factor to the trading results. Continuous research and experiment has led to the commercial development of a number of new and profitable lines. The demand for all types of paper, particularly of board for packaging, has again been much in excess of that available.

RAW MATERIAL PRICES

The prices of our principal raw materials during the latter part of the year reached levels which were the highest on record. However, the Government have recently fixed ceiling prices for the purchase of woodpulp from abroad, which are approximately 25 per cent lower than the peak prices to which I have referred.

We managed to get through the year to September 29, 1951, without any stoppages due to lack of coal or power cuts and have taken steps to improve our power generating units at certain of the mills.

As you will see, the group had capital commitments at September 29, 1951, for some £84,000. About £80,000 of this is for new plant and when we receive this and instal it a further improvement in efficiency should result.

During the year a general wage increase has been granted to all workpeople together with the right from 1952 onwards to six additional days' holiday per annum with pay, making twelve in all. The workpeople have agreed to make up the production time which would otherwise have been lost by these six additional days' holiday.

It has for some time past been your company's practice to grant pensions to those (both staff and workpeople) retiring from companies in the group after long service, each case being considered as and when it arose. The directors have now decided to institute pension schemes for the staff and workpeople on a regular basis, that is, everyone who is now in or later enters the company's employment will know that they are entitled to a pension on a basis laid down if they are still in the company's service at retirement age and qualify by the requisite number of years of service. Negotiations in connection with the schemes with the Inland Revenue are well advanced, and it is hoped that we shall be able to commence them as from April 1, 1952.

You will doubtless have observed that we have transferred £50,000 to pensions reserve out of the 1950-51 profits.

THE YEAR'S RESULTS

If you will turn to the consolidated profit and loss account you will see that the trading profit of the group, after providing for depreciation, is £800,537 higher, at £1,128,228 than for the year to September 30, 1950, and that the net profit (before taxation) is £799,318 higher, at £1,105,341.

Out of this sum we have to provide £591,346 for our sleeping partner, the Inland Revenue, and £18,874 to spread the income tax on initial allowances over the appropriate years. This makes the total tax charge £610,220 (against £161,618 for 1949-50), representing over 55 per cent of the net profits.

The present inflated prices make it necessary for more capital to be retained in the business, and we have accordingly increased the sum transferred to general reserve from £25,000 in 1949-50 to £100,000 for the past year.

We have transferred to contingencies reserve no less a sum than £250,000, against £50,000 the year before, bringing the total of this reserve up to £480,000. This is available to meet any contingencies, but in making the large transfer this year the directors had particularly in mind the likelihood of substantial losses arising from falls in raw material prices. The reserve should be adequate to meet these.

I have already referred above to the transfer of £50,000 to pensions reserve. Your directors feel that the inauguration of these pension schemes should do much to ensure the continuance of the happy relations with the staff and workpeople which have subsisted for many years past.

To the other two items under this heading—namely, amount written off goodwill and the increase in the profits balance carried forward, I do not think I need refer in detail. The way in which these have been shown in the accounts this year has been altered so that it can easily be seen, without any calculations, how much out of the year's profit has been (*a*) provided for taxation, (*b*) retained in the business, and (*c*) provided for dividends.

You will observe that the directors recommend a final dividend which will make the total ordinary dividend the same as for the previous year—namely, 25 per cent. They recommend, in addition, a bonus dividend of 7½ per cent, making a total distribution on the ordinary shares for the year of 32½ per cent.

INFLATIONARY EFFECT OF TAXATION

I have no doubt that many shareholders will feel that, having regard to the amount of the profits, the directors might well have been more generous in their recommendations, so I will mention one or two of the reasons which have led to this decision.

Taxation, in addition to taking its irreducible minimum, penalises the payment of ordinary dividends very heavily, as the profits available for them have to bear in effect not only the additional 40 per cent profits tax on ordinary distributions, but also that on the preference dividends. Thus any increase in the ordinary dividend entails providing a further 40 per cent of such increase for additional profits tax. This taxation aspect makes the raising of additional capital unduly costly, as prospective investors naturally look to the return on their money they can expect after the payment of profits tax. Therefore, it becomes all the more necessary to retain profits in the business to enable it to have the capital which has become so costly to obtain from outside sources. This capital has to be obtained, not for expansion, but, under existing circumstances, to maintain the buildings, plant and machinery and to carry the stocks and debtors with which the company earns its profits, and to maintain the necessary liquidity to carry on the business. Furthermore, at the time the directors made their decision as to the dividends to recommend they knew that there was to be an excess profits tax, but they had no information as to what the rate of this will be nor on what basis any "excess profits" are to be computed—that is, what year or years will be taken as a standard.

So it comes to this, that in order to pay on a prudent basis £78,000 in dividends to the shareholders, it has been necessary to earn £1,105,000 profits and I venture to suggest to you that this provides a very positive example of the inflationary effect of taxation at the rate it stands today.

In the face of these figures and my remarks above, I cannot but feel that, in the case of your company anyway, exhortations to be moderate in the declaration of dividends are unnecessary.

I give below the table which I have included in my statements in past years showing how the profits for the year to September 29, 1951, as compared with those for 1938-39 and 1949-50, have been dealt with, taking the total net profits before taxation as equivalent to 100 per cent.

	1938-39 %	1949-50 %	1950-51 %
Taxation	39.6	52.8	55.2
Retained in business	22.8	25.5	37.7
Dividends to shareholders (net) ...	37.6	21.7	7.1
	100.0	100.0	100.0

STRONG FINANCIAL POSITION

From the consolidated balance-sheet you will see that the financial position of the group continues to be strong. Current assets at £2,071,708 exceed current liabilities by over £1,517,000 as compared with an excess of £767,000 at September 30, 1950, but provision for future taxation has increased from £143,000 to £531,000.

Current assets include an amount of £21,488 which is on deposit with solicitors pending the completion of the purchase of certain leasehold reversions and water rights pertaining to the mill of our subsidiary company, Cooke and Nuttall, Ltd., at Horwich in Lancashire.

The increase in the value of stock and debtors is again mainly accounted for by the higher prices prevailing. This increase amounts to £691,000 as compared with September 30, 1950, and to £965,000 as compared with October 1, 1949, and emphasises what I have said above as to the necessity for retaining substantial profits in the business.

THE CURRENT YEAR

With regard to the results for the current year, the profits for the first four months to January 31, 1952, are in excess of those for the corresponding period of the previous year. A form of rationing by reference to money values of certain raw materials which have to be purchased abroad has been introduced recently by the Government. The fixing of ceiling prices for woodpulp, which are below the peak prices which were in force when the form of rationing was introduced, should enable more of that material to be purchased. It is too early to say what the effect of these changes will be. While I think it unlikely that profits on the same scale as for the past year will be earned, I look forward to another successful year.

Once again it is my pleasant task to express the thanks of the directors, and I am sure of the shareholders also, to the managers, staff and workpeople of the whole group for their continued loyalty and hard work during the past year.

CHAIRMAN'S ADDITIONAL REMARKS

Addressing the meeting the chairman said: We have asked our accountants to make an estimate of the standard to which we will be entitled for the purpose of the new Excess Profits Levy. This estimate must of necessity be a very approximate figure in view of the meagre details given in the Government White Paper. Fortunately your company is quite well placed, as it can continue to pay the same dividend and bonus as it has paid for the past financial year of the company and have a moderate balance to place to reserve, provided of course your company earns profits at least equal to the standard to which I have referred.

I am pleased to inform you that the profits for the first five months of your company's financial year have already exceeded the standard.

The report and accounts were adopted and the final dividend of 15 per cent and bonus of 7½ per cent, making 32½ per cent for the year, was approved.

The retiring directors, The Rt Hon Viscount Margesson, PC, MC, and Mr A. P. Jackson, were re-elected, and the remuneration of the auditors, Messrs J. B. Boyd Wrigley and Company, having been fixed, the proceedings terminated.

THE STANDARD LIFE ASSURANCE COMPANY

SUBSTANTIAL PROGRESS

MR G. P. S. MACPHERSON'S ADDRESS

The one hundred and twenty-sixth annual general meeting of The Standard Life Assurance Company was held in Edinburgh on March 25th with Mr G. P. S. Macpherson, OBE, TD, CA, in the chair.

The general manager and actuary having read the auditor's report, the chairman said:

REDUCTION IN EXPENSE RATIO

I think you will agree that the report and accounts now before you present an encouraging picture. Our premium income is shown in the revenue account to be £12,895,000, representing an increase of £1,638,000 over the previous year. This increase has resulted in a reduction of our expense ratio from 9.6 per cent to 9.3 per cent, the lowest expense ratio in the history of the company. During the last war our expense ratio fell to 9.5 per cent, but at that time new business was practically at a standstill and many of our staff were absent on National Service; to have worked on as low a ratio last year as 9.3 per cent is therefore a real achievement.

Our interest income, amounting to £3,466,000 represents a net rate of interest earned on the funds of £4 0s. 4d. per cent, an increase of 3s. per cent over the rate earned in the previous year. This is more than double the very stringent rate of 2 per cent which we adopted some years ago for the valuation of our assurance liabilities, so that the margin between the rate assumed and the rate actually earned is very substantial.

ASSETS OVER £98 MILLION

From the balance sheet you will see that our total assets, at over £98 million, show an increase of more than £11 million over the previous year's total. Despite the severe depreciation which took place in investment values last year, which could not but affect the company's portfolio in some degree, the value of the assets as at November 15th last exceeded in the aggregate the amount stated in the balance sheet.

RECORD NEW BUSINESS

You will also see from the report that the new life assurance business written last year amounted to £28,851,000, a figure which, for the sixth successive year, constitutes a record in the history of the company. Included in this total is a sum of £12,454,000 representing group life assurances. For many years past, as you know, the company has made a feature of pension business and our new pension business last year, namely £6,336,000 per annum, also constitutes a record. The increase in new business has been contributed to not only by our home branches, but by each one of the countries in which we operate overseas.

The increase at home is particularly satisfactory for two reasons. In the first place, in the difficult economic circumstances of these days, it is vitally important to the nation that savings should be increased, and premiums paid to life assurance companies represent savings by the community. Secondly, this increased business has been written in spite of some uncertainty surrounding the taxation position of policies effected by self-employed people who wish to make provision for benefits on retirement. I hope that before long the Millard Tucker Committee which has been set up by the Government will issue its recommendations and that, as a result, facilities for the provision of pensions will be extended to a wider section of the public. To those in salaried employment the same uncertainty does not apply and I would recommend anyone interested to ask for a copy of the company's leaflet entitled "Pension Arrangements for Directors and Senior Executives." This leaflet has proved of great service to many.

OVERSEAS

In Canada the company continues to give the service traditionally expected of the Standard, and its business continues to increase. By reason of the rapid growth of its premium income and of the large funds of which it therefore disposes in Canada, the company's importance as a financial institution in that country is steadily growing. We are much indebted to our Canadian Board and staff for the care and skill which they devote to our Canadian investments. It is now widely realised that mineral deposits of great size and importance are in course of development in Canada which will greatly enrich the country and progressively improve the balance of its economy. It is our intention steadily to expand our business there and to open up, as soon as practicable, additional branch offices so that we may take our part in the country's economic development.

The striking increase in our West Indies business achieved during recent years was more than maintained last year. Our house mortgage business in the West Indies has developed under the careful supervision of our local board there, and we believe provides a valuable service to the community. We have been glad to note the recent moves for industrial development in Jamaica, and to take some financial interest in particular projects.

You will also be interested to know that our branch in Uruguay, although the smallest of our active overseas organisations, is at present showing a rate of progress which is not exceeded by any other branch.

STRONG AGENCY CONNECTION

The new business results at home and overseas afford proof once more of the strong agency connection which has been built up over the years, and we gladly acknowledge the loyal support which we continue to receive from our agents. These agents are served by members of our own outdoor staff, who are experts in the intricacies of present-day assurance and pension business, and our outdoor staff in their turn are supported by a hard-working and efficient indoor staff, from whom also great skill and up to date specialised knowledge are required. I take the opportunity of thanking, on behalf of the directors, all members of the staff at home and abroad for the efficiency with which they discharge the responsibility which the community's confidence places upon them and for maintaining so well the Standard's tradition of service; and I congratulate our general manager on the results of his first year in office.

NEXT BONUS DECLARATION

The year upon which we have entered will end another triennium for the company, and the next declaration of bonus will fall to be made as at November 15, 1952. Much will

depend, of course, on economic and other developments during the year, and with so many uncertainties I decline to prophesy; but I would remind you that my predecessor stated last year that, despite our growth in a short span of years to one of the largest assurance companies in the kingdom, we had not outgrown our strength and we had never been in a more favourable position to serve the public.

I now move the formal adoption of the report, revenue accounts and balance sheet submitted.

Mr Kenneth W. Deacon, FCA, in seconding this motion, said:—

My Lord, Ladies and Gentlemen,—The statement which we have just heard from our chairman and the figures which are now in our hands should be a cause of pride and satisfaction to all the members of this company. As well as being a member of the company I am, myself, one of the agents to whom the chairman referred. I pursue my professional activities in a thriving Midland industrial city where all life offices are represented; needless to say, as one who is in a position to influence business, I have been approached by the majority of them. I am well content with the Standard, its record, its service and the proud position it holds.

I have much pleasure in seconding the adoption of the report and accounts for the past year.

The report and accounts were adopted.

SCOTTISH AMICABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

MR HOWARD CUNNINGHAM'S SPEECH

The one hundred and twenty-sixth annual general meeting of the Scottish Amicable Life Assurance Society was held in Glasgow on Wednesday, March 26th, Sir Lynden Macassey, KBE, QC (president of the society), presiding.

In moving the adoption of the report and accounts, Mr Howard Cunningham, MC, CBE (chairman of the ordinary board of directors), said that it had been a remarkable feature of recent years that, while other forms of saving had displayed disappointing trends, the volume of new life assurance had shown continued expansion. Life assurance now represented the principal channel of personal saving in this country and contributed a substantial element of stability to the national economy. Thus, in the case of the Society, the net new sums assured amounted last year to more than £10 million, as compared with rather less than £3,500,000 in 1946. The effect of this rapidly increasing new business during the past five years was reflected in the total annual premium revenue which amounted to almost £3,500,000 in 1951—the comparable figure for 1946 being approximately £1,250,000. Each of these figures had reached a new record last year—a comment that applied equally to "ordinary" life assurance business and to "group" pensions and life assurance business which now represented a very important part of the Society's activities.

Although the total amount paid by way of death claims during 1951 was 25 per cent greater than in the previous year, the incidence of these claims was such that once again the mortality experience had proved very favourable. The upward trend of expenses had, however, continued during 1951.

INCREASED INTEREST YIELDS

During the past year there had been a considerable rise in the market rate of interest and a substantial fall in the market value of all fixed interest securities. To the Society, with a fund increasing at a rate of more than ten per cent per annum—the increase last year amounted for the first time to more than £3 million—the opportunity to invest this large annual increment of new money on favourable terms was clearly beneficial, despite the consequent depreciation in the current market value of existing investments. By reason of the higher rate of interest now obtainable on new investments and of the wider spread of investments made in recent years, the gross rate of interest earned on the Society's funds during 1951 rose to £4 16s. 2d. per cent, as compared with £4 8s. 5d. per cent in 1950. The depreciation in the market value of existing investments had been covered by inner depreciation reserves and had not necessitated any change in the balance sheet valuation of the assets as a whole.

At this early stage in a new quinquennium it was not possible to make any useful assessment of bonus prospects, but, as already indicated, the effects of increased interest yields were fundamentally favourable. A new form of "Double Bonus Policy" had recently been introduced which offered two units of profit-sharing for each unit of basic assurance to any member who wished to avail himself of this opportunity to double his participation in the Society's bonus prospects. This offer was open not only to new members but also to existing participating members of the Society whose policies might, in most cases, be converted to the new "Double Bonus" system at an appropriately increased premium.

The report and accounts were adopted.

JEREMIAH ROTHERHAM AND COMPANY, LIMITED

SOUND POSITION

The fifty-fourth annual general meeting of this company was held on March 26th in London, Mr Joseph Hockley (chairman and managing director) presiding.

The following is an extract from the chairman's circulated statement:—

Although the trading for the first half year to July 15, 1951, resulted in a satisfactory increase both in sales and profit, the autumn half year, however, was somewhat disappointing. The announcement in the press of falling prices, and exhorting the public to withhold buying, practically caused a cessation of business both in the wholesale and retail trades.

Taking this into consideration and the adjustment of certain stocks which had to be made to meet the lower values, the result which we now place before you may not be considered unsatisfactory.

The financial position of the company is still very sound, the excess of current assets over current liabilities amounts to £585,685.

After crediting interest on investments, and an excess provision of taxation, and providing for profits tax and income tax on the current year's profit amounting to £52,809, there remains a balance of £29,786, adding to this amount the balance brought forward from last year, viz., £70,631, gives an available total of £100,417, which we recommend be applied as under: To a dividend of 6 per cent and a bonus of 2½ per cent, making 8½ per cent for the year, less income tax.

With regard to future prospects, it is impossible to make any forecast whilst the present condition of affairs remains.

SCOTTISH MUTUAL ASSURANCE SOCIETY

NEW BUSINESS AGAIN A RECORD

The sixty-ninth annual general meeting of the Scottish Mutual Assurance Society, Limited, was held on March 26th in Glasgow.

Mr David T. C. Sloan, who presided, said: Sir John Craig, chairman of the society, is at present in New Zealand and greatly regrets that he is unable to be present today. In his absence it is my privilege to preside at this meeting.

As you are aware an extraordinary general meeting of the society was held last month to approve the draft bill which is being submitted to Parliament to make the society completely mutual. We hope that all the necessary legal processes will have been completed by the early summer. Almost the only outward sign of the change will be the dropping of the word "Limited" from our name but the administration will be much simplified and the members of the society will be the policyholders instead of the shareholders.

Once again we have to congratulate our field staff on a record amount of new business and to thank our broker friends and agents up and down the country for their continued support. The net ordinary life business was nearly 8 per cent higher than in the previous year, which was itself a record. Unfortunately the group business shows a fall, but we look forward to better results in this class of business this year.

THE ACCOUNTS

The net premium income has increased by the record figure of £131,941 and exceeds £1 million for the first time. Gross interest exceeds £500,000 for the first time and gross rate earned on the funds is up from £4 9s. 10d. per cent to £4 16s. 10d. per cent, an increase of 7s. per cent. This is accounted for partly by the fact that our funds were more fully invested during the year and partly by increased dividends received on our holdings of ordinary shares. The net rate of interest is up from £3 9s. 10d. per cent to £3 18s. 2d. per cent, an increase of 8s. 4d. per cent, the higher increase in the net rate than in the gross rate being mainly due to the increase in expenses of management.

On the outgo side, claims by death are up by £15,155 but are still well within the amount expected by the mortality table used in the valuation. Sums payable on maturity are down by £16,502. Sums paid on surrender are up by nearly £15,000 and are at the highest figure for many years. This is a most disappointing feature but it is largely beyond our control.

The life assurance fund has increased by £488,926 exceeding the record increase of the previous year by over 10 per cent.

The balance sheet is in much the same form as last year, but following on the calls on the shares made in January, 1951, on the advice of counsel as a first step in the procedure for mutualisation the issued capital is now £100,000 in 100,000 shares of £1 each fully paid. Going back to the profit and loss account, you will see that as a result of the increase in capital, the amount of the net dividend is increased from £688 to £2,625 but of this amount only the trivial balance of £4 3s. is paid to outside shareholders.

I now formerly move the adoption of the report and accounts with a declaration of the usual dividend of 5 per cent on the paid-up capital.

THE SCOTTISH LIFE ASSURANCE COMPANY

ANOTHER YEAR OF CONTINUED PROGRESS

RECORD NEW BUSINESS

Mr Charles R. Munro, CA, Chairman of the board, presided at the annual meeting of the Scottish Life Assurance Company, Limited, held in Edinburgh on March 26th.

In moving the adoption of the report and accounts for the year 1951, the chairman said:

1951 has been yet another year of continued progress. Once again both the gross and the net new business broke all previous records for the company. The new life assurance business at £4,500,000 gross showed an increase of over £200,000 on the previous year, and the net new business retained by the company at £4,175,000 was also in excess of the record figure of 1950.

There has been a considerable increase during the past year in the demand for our scheme for providing pension benefits for employees of commercial and professional concerns of limited size. The company has so far not undertaken "Group" business but has specialised in providing pension schemes for undertakings where for size or other reasons the "Group" type of scheme is unsuitable. Experience in this class of business has shown how desirable these schemes have become, particularly in the past year or two, and it is opportune for me to say that our branch officials are always glad to receive inquiries from employers and to advise them how their requirements can best be met.

In these days emphasis tends to be laid on provision for old age, and adequate security for dependants in event of early death is apt to take the second place. It is satisfactory therefore to know that a very substantial proportion of the company's business is written under the whole life assurance plans, which, especially if family income benefits are added, supply the best provision for dependants which can be secured for a given annual outlay.

ADVANTAGES OF LIFE ASSURANCE WITH PROFITS

It is appropriate that I should draw your attention to the advantages of life assurance with participation in profits as a hedge against inflation. So long as a substantial proportion of a life office's funds is invested in real values, such as equity stocks and shares and property, a life policy which shares in profits gives, not only security for dependants in the event of early death, but a measure of security against the fall in the purchasing power of the £. No other form of saving provides this dual security. I referred last year to the inflationary tendency of the national economy and to the steps which the directors proposed to take in order to counter this tendency by increasing the proportion of our funds invested in equities. The balance sheet shows what has been achieved in this direction, to which I would add that our investment in equities includes moderate holdings in both USA and Canada.

The life premium income, which reached the million mark a year ago, has advanced to £1,194,000. The life fund has increased by £500,000 to a new level of over £12 million. The gross rate of interest earned on the life fund during the year has increased from £4 9s. 3d. per cent to £4 13s. 5d. per cent, and the net rate after allowing for income tax, from £3 14s. 7d. per cent to £3 17s. 10d. per cent. Claims by death were again low, being 61 per cent of the amount expected by the mortality table as against 76 per cent last year.

The main changes in the balance sheet as compared with 1950 are a reduction of £383,000 in British Government and Government guaranteed securities, and increases of £150,000 in debenture stocks, £526,000 in ordinary stocks and shares, and £240,000 in mortgages on property. There was a heavy fall in British stock markets towards the end of the year, and this affected the values of our investments at the date of closing our books; but the market values were still in excess of book values, although the margin was of course reduced.

The motion having been seconded by Mr G. T. Chiene, DSO, MC, WS, was adopted.

SUN LIFE ASSURANCE SOCIETY

RECORD PREMIUM INCOME

MR W. M. PRYOR'S STATEMENT

The annual general meeting of the Sun Life Assurance Society will be held at 63 Threadneedle Street, London, E.C.2, on Tuesday, May 6, 1952.

Mr W. M. Pryor, DSO, DL, chairman of the Society, has issued a statement to shareholders, which in outline is as follows:—

DIRECTORS

During the year Mr R. M. M. Pryor and Mr C. H. Villiers were appointed directors, and you will be asked to consider their re-election at the forthcoming general meeting.

FUNDS, INCOME AND OUTGO

The total funds of the Society increased by £5,095,000 during the year and amounted to £83,298,000 as at December 31st last.

The total income for the year amounted to £14,156,000, the premium income of the life assurance fund reaching the record figure of £10,786,000.

The gross interest income of this fund amounted to £2,817,000, representing a gross rate of £3 19s. 4d. per cent which, I am pleased to record, shows an increase of 2s. 8d. per cent over that for the previous year.

Claims by death at £2,292,000 exceeded those of the previous year by £291,000, but I am glad to be able to report that the mortality experience has again proved favourable.

NEW BUSINESS

I have once again to report a successful year as regards the transaction of new business. The total new life assurances granted during the year consisted of 28,800 policies for sums assured of over £41 million. The sums assured represent an increase of nearly £6 million over those granted in the previous year, while the yearly renewal premium income in respect of the new assurances effected last year reached the record figure of £1,840,000, compared with a little under £1,500,000 arising from the previous year's new business. The new sums assured include a considerable amount of endowment assurance business effected in connection with the many staff pension schemes which we operate.

INVESTMENTS

The outstanding feature of investment conditions during 1951 was the substantial fall in the market prices of fixed-interest securities. On many occasions since the war I have drawn attention to the difficulty of securing an adequate income from investments owing to the continued pressure of the cheap money policy. This situation no longer exists, as the fall in the market prices of medium and long-term British Government securities, which illustrates the general trend of prices of fixed-interest securities, has been rather more than 12 per cent during 1951.

The higher yield obtainable, especially from the large number of new issues made during the year, enabled the Society to make investments on more favourable terms than those available for many years.

It has long been the policy of the directors to confine investments, in the main, to fixed interest securities possessing a final date of redemption, although in current conditions it has been considered prudent to increase our holdings of ordinary shares by about £1,250,000 during the year. Nevertheless, practically 93 per cent of our stock exchange investments comprise redeemable securities of an average term of about 22 years. The depreciation which has occurred in the value of these investments will ultimately be recovered as the securities approach their final redemption date, provided, of course, that they are held until maturity. In view, however, of the extent of the depreciation which has occurred, the directors thought it right to set up an investment reserve fund by the transfer from the assurance funds of amounts aggregating £3,250,000.

QUINQUENNIAL VALUATION

The results of the quinquennial valuation made as at December 31st last are given in the report by the general manager and actuary, and the board has adopted the recommendations set out therein. The present distribution of profits is in respect of a period of five years (1947-1951) whereas the last distribution covered a period of ten years (1937-1946), no distribution having been made as a result of the wartime valuation as at December 31, 1941. It is not surprising, therefore, to find that the total amount of the surplus is less than in 1947. I am pleased to say, however, that the bonuses now declared are at higher rates per annum than those declared in 1947, notwithstanding the fact that the large sum already referred to was transferred in 1951 to the investment reserve fund. The amounts of the bonuses to be allotted to individual policies are being calculated and will be notified to policyholders as soon as possible.

DIVIDEND

The proprietors' share of the divisible surplus is £328,232, which, for the reason just explained, is less than the share apportioned to them in 1947 (£443,477). This fact, coupled with the effect of profits tax on the proprietors' fund, has caused the directors to reduce the half-yearly dividend from 2s., free of income tax, to 1s. 9d., free of income tax. A dividend of the latter amount has been declared and will be payable on June 30th next.

TRIBUTE TO THE STAFF

I am sure that you will wish to be associated with the board in paying tribute to the staff for their excellent work during the past year. The results which I have placed before you are a testimony to the zeal and energy of the general manager and of the staff throughout the whole of our organisation.

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of THE ECONOMIST. The organisation that produces the paper can also serve the needs of business and other clients through:

The Economist Intelligence Unit
22, RYDER STREET, ST. JAMES'S,
LONDON, S.W.1.

G. R. HERRON AND SON, LIMITED

(Wool Merchants and Topmakers, Wool Combers, Wool Scourers, Fellmongers and Leather Dressers)

SATISFACTORY RESULTS

CATASTROPHIC FALL IN WOOL PRICES

MR F. J. HILL ON THE OUTLOOK

The forty-ninth ordinary general meeting of G. R. Herron and Son, Limited, was held on March 26th in London, Mr F. J. Hill (the chairman) presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended October 31, 1951:

Looking back over the twelve months trading of the company which ended on October 31, 1951, I can say without fear of contradiction that we have witnessed in that period the most violent fluctuations in the price of wool ever experienced in the trade.

In the first five months of the financial year the price of wool continued the rise which had been set in motion by the devaluation of sterling in the autumn of 1949 and to which fresh impetus had been given by the breaking out of the Korean war in July, 1950. In the late autumn of 1950 the fires were further stoked following the announcement by the American Government of their intention to stockpile 1,500,000 bales of wool. The incredibly inept method of acquiring this wool encouraged many firms in the primary markets to compete one with the other for the same wool to reoffer to the Americans.

PRICE FLUCTUATIONS

By the end of March, 1951, the price of 64's Merino tops had reached 350d. per pound and of 50's crossbred tops 240d. per pound, or more than twice the price these qualities had ever reached in any previous boom. The percentage rise over the five months was 50 per cent on 64's tops and 60 per cent on 50's tops. At this point the Americans, evidently appalled at the juggernaut which they had created, suddenly stopped buying and the market collapsed. In the next six months the fall was even more spectacular than the meteoric rise had been and by the middle of September the price of 64's tops had dropped to 120d. per pound and 50's tops to 65d. per pound.

This situation would have been serious enough if trading had remained reasonably active, but as nearly always happens when a market collapses, business dried up and for long periods there were no buyers. This accentuated stock losses which have proved exceedingly heavy. If a futures market had existed in Bradford during this period it would have been of inestimable benefit to top-makers and stock losses could have been considerably minimised.

The creation of a futures market in Bradford is, I believe, under discussion at the moment, and although there are certain objections, I consider that the advantages far outweigh the disadvantages.

Although it is true that dealings in the Antwerp and New York futures markets are possible, such dealings are in tops which are not Bradford standard type and this is a considerable drawback. Furthermore, the business is hedged round with restrictions.

Fortunately the profit earned by the company in the first five months covered by the accounts was exceptional, so that despite the catastrophic fall in prices in the second half of the year, the results can, on the whole, be considered satisfactory.

THE ACCOUNTS

I will now turn to the accounts which have been prepared to show the consolidated position of the company, that is to say, including the subsidiary, Walker, Holdsworth and Company, Limited.

After allowing for all items of expenditure, but before providing for taxation, the net profit is £156,955, compared with £389,623 for 1949-50. Income tax and profits tax require £94,388 and £1,842 is retained in the accounts of the subsidiary company, leaving £60,725. The amount brought in from the preceding year is £19,810, which, together with the net profit for the year, after taxation, makes a total available of £80,535. Your board recommend a final dividend of 9 per cent, which, with the interim of 6 per cent paid in October last, makes a total of 15 per cent for the year. This, together with the dividend on the preference shares, absorbs £15,844. A transfer to general reserve of £30,000 has been made, increasing this to the substantial sum of £330,000, which is now well in excess of the paid-up capital of the company. This leaves £34,691 to be carried forward in the accounts of G. R. Herron and Son, Limited, to the current financial year. The value of group stocks at £1,200,809 compares with £1,377,266 at the end of the previous financial year. These stocks, both sold and unsold, have been conservatively valued on the basis of prices ruling at October 31, 1951, and the bulk has since been disposed of at a satisfactory margin of profit.

WALKER, HOLDSWORTH AND COMPANY, LIMITED

The reorganisation and re-equipment of our subsidiary's mill continued during the year, and although the work proceeded more slowly than was hoped, it is now practically completed. The mill has been brought up to a high state of efficiency with up-to-date machinery and is a combing establishment from which first-rate production can be guaranteed.

CENTRAL MILLS

The re-equipment of this mill is also now practically complete and the potential output has been considerably increased, which will enable us to take full advantage of any revival in trade when it occurs.

MONKMOOR MILLS, HEREFORD

New machinery has also been installed during the year for the fellmongering and leather dressing section, and is giving highly satisfactory results.

CURRENT FINANCIAL YEAR

Since the end of the year under review, the price of wool has remained fairly stable, fluctuating about 10 per cent either side of a mean price, and it appears as though a basis is being established. Trade, however, still continues exceedingly quiet and, as a consequence, we have for the present been compelled to reduce the running of our two combing mills to four days and nights a week, at which level of activity they only just break even. Profit margins on new wool purchases are also infinitesimal due mainly to the cut-throat competition caused by the general short-time running throughout the trade. At the moment there is no sign of any improvement, but full employment in the country as a whole seems likely to continue with the consequent maintenance of purchasing power, and there seems little doubt that the rearmament programme in Europe and America will proceed without curtailment. With the lower price of wool, the influence of these factors upon the home and export trade gives reason for expectation that there will, before long, be a change for the better in the present state of affairs. While it seems improbable that the level of last year's profits will be maintained, I am hopeful that the current year's results will prove to be reasonably satisfactory, always provided of course that we do not experience a further substantial fall in wool prices.

TRIBUTE TO MANAGEMENT AND EMPLOYEES

I have much pleasure in again paying tribute to the very high standard of service given to the company by the management and its employees. The entire absence of any labour dispute throughout the year is testimony to the spirit of co-operation which exists between the officials of the company and all those who work under their direction.

The report and accounts were adopted.

At a subsequent extra-ordinary general meeting a resolution was passed changing the name of the company to G. R. Herron and Son (Holdings), Limited.

INTERNATIONAL COMBUSTION (HOLDINGS)

A TRIPLE RECORD

The eighteenth ordinary general meeting of International Combustion (Holdings) Limited, was held on March 27th, in London, Mr G. R. T. Taylor (chairman) presiding.

The following is an extract from his circulated review:

Once again a larger output and increased profits of subsidiary and other companies in which we are interested have served to make the profit of the group a record in its history. The preference dividend and an interim dividend of 7½ per cent on the ordinary stock having been paid, your directors have transferred the sum of £350,000 to general revenue reserve and recommend that a final dividend of 17½ per cent be paid on the ordinary stock, leaving a balance of £185,868 to be carried forward.

With the inclusion of valuable export contracts our order book constituted a new high record at the end of the year under review. During the current year good orders have been received from sources at home and abroad. I mention above that our output for the past year is larger. Up to the present no perceptible slowing down of our activities has occurred due to lack of raw materials, but it would be rash to predict whether or not the shortage will ultimately affect our output.

The achievement of a triple record, order book, output and profit is one which seldom occurs and it calls for the greatest measure of gratitude from the Board of Directors to all workers in the group on your behalf.

The report was adopted.

ENGLISH ELECTRIC COMPANY

ALL PREVIOUS RECORDS SURPASSED

SIR GEORGE NELSON ON THE GROUP'S CONTINUED EXPANSION

The thirty-third annual general meeting of the English Electric Company, Limited, was held on March 27th in London.

Sir George H. Nelson, FCGI, MIMechE, MIEE (chairman and managing director), in the course of his speech, said: Turnover and production have again been substantially increased in volume and value during the year and the net profit has risen by £203,984 to £1,132,550, thus in all respects creating records over past achievements. The consolidated net profit has risen by £276,829 to £1,326,721. These figures show that the subsidiary companies have more than maintained their earnings during the year.

It is proposed to transfer £550,000 to the general reserve, and to pay a final dividend of 10 per cent, less income tax, on the ordinary stock, making a total of 15 per cent, less income tax, for the year, leaving the carry forward at £477,186, which is £188,434 more than last year.

Inflation remains a serious threat to our national economy. Workpeople are often misled into thinking that high profits are the main cause of inflation, by those who are either ill informed or mischievous and anxious to disturb the stability of industrial relations. We wish it to be widely known that the level of profits in our company is extremely modest and does not contribute to the lowering of the purchasing power of the £.

TAXATION

Some of Mr Butler's proposals for the coming year are encouraging steps to better things.

In industry, I feel convinced that the proposed changes in allowances must encourage the workers to give all the overtime and week-end work that is asked of them, enabling the man who does not at present pay tax to provide himself with extra income to meet extra costs consequent upon the reduction in subsidies on foodstuffs; in other words, beat the crisis by longer hours and more output.

STABLE EMPLOYMENT

I would remind you that our policy for over twenty years has been an endeavour to provide stable employment for our employees. To do this our manufacturing range has been widened and our distributing activities spread all over the world in such a way as to ensure that a fall in demand for any particular product, or isolated political, financial or economic disturbances in any part of the world should not have a serious effect on the company's activities.

I must, however, point out that since we initiated this policy a state of national full employment has developed which has contracted the pool of available labour and the pile of unabsorbed materials. The possibility and tempo of further industrial expansion will, therefore, be difficult and slower, and the problem for the future will be the integration of production resources with labour supplies to meet the needs which may arise. This must involve controls of one kind or another from time to time, or perhaps continuously, but it is essential that they should be skilfully applied, so as to avoid either the discouragement of initiative or the development of a feeling of disappointment and depression among administrators arising from the apparent frustration of their efforts by people who have no direct responsibility for results. Furthermore, workers in all industries must also realise that full employment cannot mean that they will continue to be employed on the same job in the same place indefinitely. This would entail national stagnation.

INCREASED MANUFACTURING FACILITIES AT HOME

The demands of the defence programme have presented us with the problem of maintaining a just balance between the immediate demands of rearmament and the country's vital need to earn income from overseas—particularly dollars—while following a course which enables us to fulfil our basic policy of stability of employment for our staff and workpeople when rearmament work declines. In the solution of this problem we have had the valuable advice and support of the Treasury and the other Government Departments concerned.

Extension of our manufacturing facilities undertaken during 1951 and the acceptance of long-term business have both been related to these considerations. We have added a large, new bay to our Liverpool works, while at Netherton, near Liverpool, work is at present in progress on the erection of a large, new factory, the cost of which is being provided jointly by your company and the Ministry of Supply.

GROUP ACTIVITIES

The accounts of D. Napier & Son, Limited, show a substantially increased net profit. The company has a substantial part to play in the country's rearmament programme, including the production of Rolls Royce "Avon" aero-engines.

The Marconi's Wireless Telegraph Company, Limited, and the Marconi International Marine Communication Company, Limited, have both again had a successful year. The Marconi Companies' leadership of research, in their special electronics field, is acknowledged all over the world, and has been maintained in 1951.

RESEARCH, DEVELOPMENT AND TRAINING

By far-seeing research, intensive development, the provision of the most up-to-date manufacturing facilities, and the training of engineers and skilled craftsmen, we feel we have done everything humanly possible within our own organisation to provide for the future. Although we can play some part in inspiring future progress, its speed is not entirely in our hands, but depends largely on the action of Governments, both in encouraging the production of basic materials and in the furtherance of the economic integration of the British Commonwealth. We are not pessimistic about the future, provided that everybody in the country plays his part in checking inflation and that a solution is found to the country's problem of balancing its external payments. If these two essentials are not dealt with, the outlook is very obscure.

TRIBUTE TO EMPLOYEES

In conclusion, I wish once more to express on your behalf and that of the board our great appreciation of the efforts of our staff and workpeople, and also of the way in which so many of them have sacrificed their personal time to bring about an increase of several million pounds in our output, which has resulted in the notable achievements laid before you at this meeting.

The report and accounts were adopted, and at a subsequent extraordinary general meeting the proposed increase of the company's authorised capital to £10 million by the creation of a further 2 million ordinary shares of £1 each was approved.

MARCONI'S WIRELESS TELEGRAPH

TURNOVER AGAIN LARGER

The fifty-fourth annual general meeting of Marconi's Wireless Telegraph Company Limited was held on March 27th in London.

Sir George H. Nelson, FCGI, MIMechE MIEE, the chairman, in the course of his speech, said:

A satisfactory increase is again recorded in turnover with a corresponding rise in our trading profit achieved against growing competition and continued rising costs.

The profit for the year, after deducting all charges, but before making provision for taxation, etc., is £74,490 higher than in 1950 at £356,381. Tax provision, however, is £89,132 heavier at £171,714, and after allocating a further sum of £25,000 to the depreciation equalisation reserve, the net profit for the year is £159,667, which, due entirely to increased taxation, is £4,642 less than in 1950. Your directors recommend a dividend of 7 per cent less tax on the ordinary shares.

The double load of increasing exports and preparing for defence weighs heavily on all branches of our national activity. In times like these the load falls very heavily on firms like our own which possess research, development and engineering productive capacity and in these respects your company stands second to none.

The value of our export sales in 1951 was nearly 50 per cent greater than that of the previous year, which was itself a record year. Inquiries for our products continue from all over the world, but raw materials are getting harder to come by. At the same time competition in overseas markets is also in many respects keener now than ever before.

CONTINUED DEMAND

Sales of our radio communication equipment in 1951 were again greater than in the previous year, and the demand for our well established high-frequency point-to-point communication equipment continues, together with the demand for our very high frequency multi-channel radio telephone communication systems. Offering as they do the advantage of modern trunk communications in district where line telephone systems are economically or geographically impracticable, the demand for these equipments should continue.

Our aircraft radio compasses are giving reliable service all over the world. Several foreign air lines will shortly be using the latest types they have recently purchased here, and which have been specified for new British airlines. The age of supersonic speeds continually poses the most complex problems in connection with the responsibility for making flying safer, and our AD200 very high frequency direction-finder is astonishingly effective.

Since we introduced wireless for safety at sea, it has shown a steady improvement, and in 1951 has sustained this advance.

The outstanding television event of 1951 was the opening of Britain's third great television station, at Holme Moss. The occasion made history of a special kind, for this was the first time that the entire design and manufacture of a complete television station had been entrusted to any one firm—Marconi's Wireless Telegraph Company.

Ten years have now passed since Marconi Instruments, Limited, became a wholly owned subsidiary of the M. W. T. Company. I feel sure you will be gratified to know that this company, with its ever widening range of electronic and electro-medical apparatus, now has a turnover of more than £1 million a year.

The report was adopted.

TATE AND LYLE, LIMITED

MODEST REWARD FOR HUGE TURNOVER

LORD LYLE ON CONTROLS

The forty-ninth annual ordinary general meeting of Tate and Lyle, Limited, was held on March 26th in London.

The Rt Hon Lord Lyle of Westbourne, the president, in the course of his speech, said:—

Last year the dark cloud of nationalisation was still threatening, though there were signs of a change in the weather. Now I hope we may have a few years respite from the oppressive and retarding atmosphere of threats and vituperations.

Thinking back on those years, one good thing did come out of them—Mr Cube. He has been a real asset to us and to others. We are not going to see him squeezed into the background. Mr Cube must keep in training. He will always be ready and willing to enter the ring to fight for those principles and ideals which in the past have made our country great. He will constantly be proclaiming his belief in free enterprise.

TURNOVER £99 MILLION

Our turnover this past year was £99 million. This huge total resulted from refining nearly 2 million tons of sugar—more than 4 tons a working minute, of which a third was exported. The very modest reward to the owners will be £590,000 in dividends after deduction of tax. This dividend is equivalent only to 1¼d. in twenty shillings of turnover or 1/28th of a penny per pound of sugar sold. The increase in turnover is reflected in the substantial increase of £670,000 in trading profit.

It is much to be regretted that circumstances have caused the Chancellor to feel it essential to burden industry with an Excess Profits Levy, under which it is possible that 80 per cent of all profits earned above the standard figure will be taken by the total charge of Income Tax, Profits Tax and Excess Profits Levy. Until the Finance Bill is published and there has been an opportunity of studying all the provisions of what I think is bound to be complicated legislation, a precise estimate of the effect of the new scales of taxation on your company cannot be made. From a preliminary examination, however, it would not seem likely that your company will be adversely affected.

The company's very large turnover was due to the spectacular export trade, which reached the record of 720,000 tons. Thus my fears of last year were proved groundless, partly because the panic buying after the start of the Korean war continued longer than we expected.

As under the present restrictions on home trade one-third of our output is exported, and as this third earns about a half of our profit, it will be clear to all that a drop in quantity or value of exports would affect us very seriously.

SUGAR RATION PROSPECTS

Now you would like to hear my views on the prospects of taking sugar off the ration. I will no doubt be accused of mixing business with politics. But nowadays politics intrude into every aspect of business. The business man who says "I am not interested in politics" will soon find that politics are certainly very interested in him. The centre of economic power today is no longer the City of London but the floor of the House of Commons. Socialism has always proclaimed itself the open enemy of Free Enterprise. This springs partly from a love of power but fundamentally from the inferiority complex of the unsuccessful wishing to destroy what they cannot emulate. Industry must drop the pose that it must not be interested in politics.

But I must not make a political speech. Let us get back to sugar. Last year Empire exports and home grown production of sugar came within 100,000 tons of the unrationed requirements here of 2½ million tons. This year the gap will be larger because of poor crops, particularly in Australia. Even so, the gap is a relatively small one and could easily be bridged if we were the only people being considered. The snag is that the rest of the sterling area (composed mainly of Dominions and Colonies) is making ever-increasing demands on the available supplies. The Ministry of Food for many years past has undertaken to supply the sterling area. If the requirements of these countries continue to be filled with Empire sugar before the requirements of the United Kingdom—the gap will grow wider, unless there is yet another cut in the ration at home.

DOLLARS THE CRUX

Dollars, therefore, are again the crux of the affair, not only here but in the importing Colonies and Dominions. We can only spend the dollars we earn. Some go to buy coal, some to buy films, some to buy tobacco, some for steel and some for food of which a few are spent on sugar. It is all a question of priorities. I am extremely doubtful whether the priorities that have been given so far are the right ones.

I hope that some dollars can be found for sugar, but dollars should not be relied on for ever and every effort must be made to gain freedom from dependence on dollar sugar. A step towards this end has been taken in the signing of the Commonwealth Sugar Agreement. In this, Empire producers are offered certain guarantees and they in return intend to expand their production from the present 1,700,000 tons to 2,375,000 tons. It will take a little time to achieve this target and my own forecast is that before the target is achieved the top limit will be raised.

CONTROLS SHOULD GO

If, despite everything, de-rationing cannot be achieved at home in the near future, some steps should be taken to remove some of the controls which at present prevent refiners from fulfilling completely their true functions.

The parlous condition in which the country finds itself is not to be cured by a continuation of controls. Higher output through more efficient management will only be achieved by freeing industry. In this way will both capital and labour be put on their mettle. There is ample evidence that enlightened trade union leaders are ready to join hands with those employers who have cast aside restrictive practices. But controls are restrictive in themselves.

I cannot end my speech without attempting to convey our intense appreciation of the sense of partnership which is an outstanding feature of the day to day life in refineries and offices.

This sense of partnership has been of tremendous benefit to the public and all concerned in the welfare of our industry. But I do not feel that it is built on solid foundations as long as we are still menaced by the whims and fancies of unbridled bureaucracy.

The report was adopted.

NORTON INDUSTRIES LIMITED

VERY SATISFACTORY RESULTS

MR JOHN NORTON ON RECORD OUTPUT

The fourth annual general meeting of Norton Industries, Limited, was held on March 26th at the Registered Office, Priorfields Foundry, Spring Road, Ettingshall, Wolverhampton, Mr John Norton (the chairman) presiding.

The secretary (Mr R. C. Page) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:—

I would like to welcome to this meeting all those shareholders now present and who have been able to be here and support the directors at this fourth annual general meeting of the company.

A copy of the accounts of the group for the year ended October 31, 1951, has already been circulated to members, together with a report of your directors, and are self-explanatory, and I think show a very satisfactory result of the year's working.

In addition to the matters covered by your directors' report there are one or two points to which I would like to draw your attention.

Production—The mechanised foundry plant to which I referred in my last speech to you has helped to make this a record year for output, and the other departments of the foundry have also contributed to the increased production. The scrap metal section of the group has considerably increased its turnover despite the general shortage of materials and the quest for scrap metal continues unabated. The engineering and drop forge sections have also maintained increased output during the year, the majority of which is exported and assists directly the export drive.

Extensions—During the year the extensions to the drop forge department were completed and additional plant put into production. Further expansion of other departments is in hand.

REPLACEMENT OF FIXED ASSETS

The problem of providing for the replacement of fixed assets, particularly plant, in view of the ever-increasing costs, is still a real difficulty. There appears to be no hope in the immediate future of the present excessively heavy burden of taxation being reduced, and together with the present inflationary tendencies this makes replacement increasingly difficult, and with this problem in mind your directors have considered it prudent to increase the provision for depreciation.

Supplies—During the year under review we have experienced some difficulty in obtaining supplies of raw materials, but we were able to maintain our plant on full production by careful planning. It is hoped that this position will be maintained during the current year.

Reserves—The general reserve account in the consolidated balance sheet has been increased to £80,000, and the shareholders' funds now amount to £220,395.

PROSPECTS

The company's order books are satisfactorily filled with normal work, and with the prospect of additional orders due to the rearmament programme now getting under way, the future may be looked to with some confidence. The continuance of increasing costs must not, however, be overlooked.

On behalf of myself and my co-directors I would like to express our appreciation of the loyalty shown by the whole of the staff and work-people during the past year, and look forward to continued good relations between management and employees.

The report and accounts were adopted and a final dividend of 12½ per cent, making 20 per cent for the year, was approved.

The retiring director, Mrs M. Norton, was re-elected and the other formal business having been transacted, the proceedings terminated.

BOWMAKER LIMITED

RECORD TRADING RESULTS

The twenty-fourth annual general meeting of Bowmaker Limited was held on March 27th at Bournemouth, Mr E. R. Bardsley (the chairman) presiding.

The following is an extract from his circulated statement:—

The accounts show further improvement on the good result of the previous year and, indeed, constitute a record in the history of the company. The consolidated profit has increased by over 70 per cent, from £160,131 to £277,003. Taxation, at £153,687 on the profit for the year, leaves us with the sum of £123,316, as against £72,244 last year.

The consolidated balance sheet, showing an increase in total assets of over £1 million, reflects, in addition to the greater activities of the parent company, the expanded operations of the active consolidated subsidiaries and the increase during the year of a little over £113,000 in total capital and revenue reserves.

Your board has felt it desirable to maintain interest in those other activities which are within our knowledge and experience and which, having helped the company in the difficult times of the last war, might well again prove useful if further difficulties arose through different or similar causes. Even now, the latest of the postwar recurring financial crises can hardly be regarded as encouraging to the immediate prospects of those engaged in hire purchase.

In spite of all the difficulties, I am confident that the unrequited demand for our services will ensure that we shall get at least our share of the business available.

The report was adopted and a dividend of 10 per cent was approved.

WILLIAM BEARDMORE AND COMPANY LIMITED

ANNUAL GENERAL MEETING

The annual general meeting of William Beardmore and Company Limited was held at 207 Shettleston Road, Glasgow, E.1, on March 13, 1952. Sir Alexander Williamson, chairman and managing director, presided, and Mr A. R. Robertson represented the Iron and Steel Corporation of Great Britain.

The report and accounts for the nine months ended September 29, 1951, which showed a net profit for the period of £121,272 after providing for depreciation, taxation and other charges, as compared with £144,074 for the preceding twelve months to December 31, 1950, were adopted.

A dividend on the ordinary stock for the nine months to September 29, 1951, at rate of 17½ per cent per annum (less tax) under deduction of the amount already paid for period January 1 to February 14, 1951, was declared.

The retiring directors, Dr A. S. MacLellan and Sir William Wallace were re-elected and the remuneration of the auditors, Messrs J. Wyllie Guild and Ballantine, was fixed.

A vote of thanks to the chairman concluded the proceedings.

HARRODS LIMITED

RESULTS OF A DIFFICULT YEAR'S TRADING

SIR RICHARD BURBIDGE'S STATEMENT

The sixty-second annual general meeting will be held in Brompton Road, London, S.W.1, on April 21st.

The following are extracts from the chairman's statement circulated with the report and accounts:—

TRADING RESULT

Trading conditions during the year followed the pattern that I forecasted in my review last year. The underlying feature was that consumer resistance to the increasing prices continued to grow although there were several periods of rush buying. On the other hand, the Festival of Britain celebrations undoubtedly brought a large number of visitors to England and especially to London. We made a great effort to cater for them and the extra trade resulting from our efforts was very satisfactory, our export trade at Harrods increasing by 50 per cent to £763,000. As a result of the above factors, trade in all the stores during the first six months of the year showed a satisfactory increase. During the second six months, trading conditions deteriorated. There was the period of uncertainty caused by the General Election and then the continued warnings that were given as to the condition of the country's finances and the steps that were necessary to put them on a sound basis. The result was that sales were adversely affected—particularly of furniture, men's wear and luxury articles, and the total trading for the second six months was less than for the previous year. However, the value of the sales of the group for the whole year showed a slight increase and as you will see from the consolidated profit and loss account, the gross profit on trading at £5,768,484 was £93,138 more than last year. Owing to the sale of some investments in Government stock and a decrease in rents due to the derequisitioning by the Government of some of our floor space, other income was £40,649 less than last year, so that the total gross profit £5,849,957 showed an increase of £52,489 on last year.

EXPENSES AND NET PROFIT

Expenses of the group amounting to £4,500,141 continued to increase in spite of all our efforts and were up by £229,636. Salaries and wages, including pension funds accounted for over 60 per cent of the total expenses and were £161,565 more than last year. Although the net profit before taxation was £177,147 less, taxation on these profits absorbed slightly more than last year owing mainly to the increased rate of distributed profits tax, with the result that the net profit of the group after taxation was £179,018 less than last year at £470,829.

You may remember that I told you last year that the directors considered that the reserves of the subsidiary companies had been built up to a point that enabled a larger proportion of their profits to be taken by the parent company. Consequently, although the net profits of the subsidiaries were less than last year, the same amount has been received by Harrods Limited by way of dividends, with the consequence that the amount of the year's net profit retained by the subsidiaries, namely, £18,807, is less by £65,597.

APPROPRIATION ACCOUNT

After allowing for the dividends on the preference shares of the subsidiary companies the amount of net profit to be dealt with by Harrods Limited is £438,446, a decrease of £112,835 compared with last year. The directors recommend that £50,000 be placed to buildings reserve, and that after payment of the dividend on the preference stock, the dividend on the ordinary stock be made up to 20 per cent for the sixth year in succession, by the payment of a final dividend of 10 per cent and a bonus dividend of 5 per cent.

Because of the strong feelings aroused by the seemingly never-ending rise in the cost of goods, necessities and luxuries alike, charges are often made that the profits made by retailers are excessive, and the dividends paid to ordinary stockholders, declared, as they are, as a percentage of the issued capital, are quoted as evidence of this. I should like to emphasise, therefore, that the gross dividend of 20 per cent paid to ordinary stockholders of this company represents only 7 per cent (equivalent to less than 3½ per cent net) on the written down book value of the net tangible assets attributable to the ordinary stock.

EXPORT MARKET

It is certain that this country must export more goods, and it is equally true that the first essentials of these goods are that they should be of good quality and reasonably priced. Without the Home Market, in which to test their goods, the manufacturers will have great difficulty in maintaining, or improving this quality.

Again I say what we need is more freedom, not more restriction. Do not restrict the output of consumer goods to the Home Market too much, for by so doing, the freedom of the manufacturers to produce the goods required for export will also be restricted.

PROSPECTS

The economic difficulties and uncertainty prevailing in the months prior to the Budget had a serious effect on our trade, with the result that we have got off to a bad start; particularly as at this time last year, there was a rush of buying in anticipation of increased prices. Furthermore, the expenses have continued to rise and the Budget will place upon us further burdens by way of increased charges for petrol, national insurance, telephones and postages. On the other hand the present Budget proposals will provide us with some relief this year as the distributed profits tax at a rate of 50 per cent hits your company very hard.

The Chancellor of the Exchequer has told us that we must face up to the realities of the times, and at least we now know more clearly where we stand and the task that lies in front of us. Certainly the Government has already dealt in a rapid and resolute way with some urgent trading problems. Price controls which were out of date and had become a serious handicap to orderly distribution have been abolished, with the effect that the retailer is now stimulated to develop better values and lower prices.

The adoption by the Government of the proposals of the Douglas Committee will also have a very beneficial effect on the range of merchandise in the shops. The blind spot which existed between the highest prices in the Utility range and the lowest prices in the non-utility field cramped both manufacturer and retailer in their efforts to provide a range of goods to suit all purses. We are disappointed that greater relief from tax has not been given to those items which we find from experience are most keenly sought by our overseas visitors. I refer more especially to articles of fine craftsmanship which need a more generous home market to develop the demands of the export trade.

This will be a difficult year, but now that the Budget proposals are known and in view of the changes made, I hope trade will improve and help us to meet our rising costs. I can assure you that your businesses are in fine fettle and I have faith in our ability to meet the challenge of the times.

TEMPERANCE PERMANENT BUILDING SOCIETY

A PERIOD OF CONSOLIDATION

TOTAL ASSETS NOW £27,043,715

MR CYRIL W. BLACK ON THE SOCIETY'S PROGRESS

The ninety-eighth annual meeting of the Temperance Permanent Building Society was held on Thursday, March 20th, at the Caxton Hall, London.

Mr Cyril W. Black, JP, MP, FRICS, chairman of the society, in the course of his speech said: The year which has recently ended has been in the main a period of consolidation. In view of the manifold difficulties and uncertainties of the times it was considered expedient not to strive after any spectacular expansion in our business but to concentrate rather on strengthening still further the very strong foundations on which your society is built.

INCREASE IN ASSETS AND MORTGAGES

The total assets at the close of the year amounted to a record figure of £27,043,715, showing an increase of £1,131,915 on the corresponding figure of the previous year. On the liabilities side of the balance sheet the amount standing to the credit of shareholders and depositors was £25,161,876, an increase of £1,024,113. The total amount advanced on mortgage was £5,070,645, approximately 80 per cent being secured on properties where the advance did not exceed £2,000. Of the total amount outstanding on mortgages at the date of the balance sheet, £23,887,657, little more than £500,000 was owing in respect of mortgages where the debt exceeded £5,000. The average amount outstanding on the mortgages of the society was only £890.

Probably sooner, rather than later, a fall in property values will take place, and this possibility has been ever present in the minds of your directors. They have accordingly subjected all mortgage applications to the most careful consideration, and have pursued the policy of only accepting business in cases in which they have been thoroughly satisfied of its soundness.

RESERVES, LIQUIDITY AND TAXATION

It is hardly necessary for me to mention the great importance attached by your board to the strengthening and building up of the reserves of the society. During the past year we have made appropriations of £50,000 to general reserve account and £22,408 to contingency account, raising these reserves to all time high records of £1,250,000 and £280,000 respectively. The total of the general reserve account, contingency account, and balance of profit carried forward amounts to £1,558,853, representing 6.19 per cent of the aggregate share and deposit capital. Our cash and Government and municipal investments amount to £3,026,581, this impressive figure representing, in the view of your board, a satisfactory degree of liquidity for a society of our character and size.

I must again direct attention to the crippling burden of taxation by which, in common with other building societies, we are afflicted. For the first time in the history of the society the total amount payable in respect of income tax and profits tax amounted to a figure in excess of £300,000. Taxation on this penal scale makes it increasingly difficult to augment our reserves. Such balance of profit as has been made available for strengthening our reserves has only been secured as a result of the most rigid scrutiny by your directors of the various items comprised in our management expenses.

INTEREST RATES

I desire to refer now to important decisions taken by your directors towards the end of the year regarding the interest paid to shareholders, and the interest charged to borrowers. It is common knowledge that for some time past we have been passing through a period of rising interest rates, and it may well be that the end of this phase has not yet been reached. Your directors have been conscious of this trend for a considerable time past and in July last they increased by ½ per cent the rate of interest charged on new mortgage loans. Later in the year the decision was taken to increase the rate of interest both to existing and new shareholders as from January 1, 1952, by ¼ per cent to 2½ per cent, income tax paid by the society. This new rate is equivalent, in the case of an investor liable for income tax at the standard rate of 9s. 6d. in the pound, to a gross yield of £4 15s. 3d. per annum, which is a little in excess of the rate obtainable from investment in Government securities. From past experience it would appear that, if a satisfactory volume of investment money is to be secured, it will always be necessary for building societies to offer a rate of interest a little higher than the yield obtainable at the time from Government securities.

The decision to increase the rate of interest payable to shareholders necessitated in turn an increase in the rate charged to those borrowers who had elected to take up their mortgages at an interest rate which they knew was liable to be increased, in preference to fixed interest mortgages at a higher rate. Our decision to increase the rate of interest charged on our variable rate mortgages has not been operated so as to increase the monthly repayments, but by extending slightly the term of repayment, the monthly instalments remaining unchanged.

GOVERNMENT HOUSING POLICY

Towards the end of the year a change of Government brought with it a change of national policy in regard to housing. Neither the building society movement in general nor your society in particular is concerned with party political matters as such; we exist to serve the interests of the nation and our members irrespective of the political complexion of the Government in power at the time. Evidences are not lacking that a new approach is being made to the housing problem. Greater freedom is now promised to the citizen who desires to erect his own home for his own occupation, and local authorities who desire to do so are to be permitted to sell council houses to the occupiers. This new policy not only recognises the desirability of encouraging home ownership on the widest scale possible, but it also holds out the hope of some relief from the very heavy charges on the public purse involved in the subsidies payable on council houses.

The new Government's policy on housing appears to be more in line with what the building society movement has been advocating ever since the end of the war, and is accordingly to be welcomed. The building of new houses for private ownership, as it materially increases the supply, will have the effect of bringing down the prices of existing houses, a consequence much to be desired. We believe, therefore, that our society will have the opportunity in the future of playing an increasingly significant part in the solution of the grim housing shortage which affects the nation; it is a challenge to which we are willing to respond to the utmost of our resources.

The report and statement of accounts were adopted.

UNIVERSITY OF BRISTOL

Applications are invited for the post of TUTOR IN SOCIAL SCIENCE (with the status of Lecturer, Grade II). Salary scale £550 to £900 per annum, with membership of the F.S.S.U. and Children's allowance scheme. Applicants must have considerable experience in practical social work and in directing students' work.

Applications should be sent not later than April 30, 1952, to the Registrar, the University, Bristol 8, from whom further particulars may be obtained.

THE International Labour Office invites applications from men and women of United Kingdom nationality, aged not less than 21 and not more than 30 years (excluding war service) for a post of Library Assistant in the Library and Periodicals Service of the International Labour Office, Geneva, Switzerland.

Qualifications required: (1) Library school diploma, or at least three years' practical experience in technical processes in a modern library. (2) Good knowledge of French; a knowledge of other languages would be an advantage.

Further particulars and application forms may be obtained on application, with stamped, addressed foolscap envelope, from: The International Labour Office, 38/39, Parliament Street, London, S.W.1.

The closing date for the receipt in this office of completed application forms is April 30, 1952.

ROBSON, MORROW AND CO. invite applications for positions on their staff from qualified accountants between the ages of 28 and 38 who have had executive experience in industry. A four-figure commencing salary will be paid with substantial annual increases.—Applications, giving details of age, education, qualifications, experience and salaries, should be sent to 59 New Cavendish Street, London, W.1.

SECRETARY, part-time or temp. Own machine.—Box 911, or 'phone CAN 5330.

THE UNIVERSITY OF MANCHESTER

RESEARCH STUDENTSHIPS IN ECONOMIC AND SOCIAL STUDIES

Applications are invited for the above studentships, tenable for one year in the first instance, but renewable for a further period not exceeding two years. The studentships are normally of the value of £250 or £300 per annum. They are offered to candidates who have obtained the degree of Bachelor or Master in this or any other approved University. Applications should be sent not later than May 31, 1952, to the Registrar, the University, Manchester 13, from whom further particulars and forms of application may be obtained.

BRITISH CELANESE LIMITED require a Statistician with some years' experience in industry for work based on London. Age between 27-32 years. Qualifications required equivalent to Association of Incorporated Statisticians Final standards. This is a new post and offers good opportunities to the right man. Applications, enclosing full details of age, experience and qualifications, should be sent to the Personnel Manager, British Celanese Limited, 22 and 23, Hanover Square, London, W.1.

ACCOUNTANT (Chartered or Incorporated) required as Assistant Secretary to a large public Company in the textile trade in Manchester. Age 30 to 40 years. Commercial Experience desirable. Excellent prospects.—Write Box 246, Wheelers Advertising Agency, 18, Pall Mall, Manchester, 2.

EXECUTIVE (32), Cambridge graduate, wide knowledge marketing, advertising and market research; five years' experience, including managerial responsibility, with well-known manufacturer, seeks position in any field offering opportunity to exercise proven initiative and ability.—Write Box 914.

PLACE your Publicity in experienced hands.—Copyvets Press and Publicity, 316 Vauxhall Bridge Road, London, S.W.1. VICtoria 4189.

THE NATIONAL BANK OF SCOTLAND LIMITED

Head Office: EDINBURGH ESTD.

Branches throughout SCOTLAND 1825

LONDON OFFICES: 37, Nicholas Lane, E.C.4; and 18/20, Regent Street, Piccadilly Circus, W.1.

Every description of Banking Service undertaken.

The Bank of Adelaide

invites all who have or would like to have relationships—business or personal—with Australia, to use its complete banking service throughout that country.

Head Office: Adelaide, South Australia.

LONDON OFFICE:

11, LEADENHALL STREET, E.C.3

Incorporated in 1865 in South Australia with limited liability.

PRINT/PACKAGING BUYER, 32, presently engaged food manufacturers, seeks appointment offering commensurate reward and prospects in return for sound experience all aspects purchasing, coupled with integrity, loyalty and hard work.—Box 895.

HOLIDAYS abroad—not "organised" or mass produced but arranged as you or your friends may want. Cyprus—15 days (by air) from £131 9s.; also Malta and Gib. No currency restrictions. Europe—any country available on £25 limit with adequate spending money.—Write for brochure or phone Business and Holiday Travel Ltd., Grand Buildings, Trafalgar Square, London, W.C.2. WHItehall 4111/5. *Amended.*

MANAGEMENT.—An opportunity for the employment of an experienced executive in a large business concerned with the manufacture and distribution of office appliances and efficiency merchandise, in which past experience would be useful but is not essential. Applicants must be willing to act for a short period as assistant to the Managing Director, shortly due to retire, when appointed applicant will succeed him. State nationality, educational background and business experience in detail.—Box 892.

BRING OUT YOUR LATENT TALENTS. Pelmanism will eliminate your difficulties and strengthen and develop qualities of the utmost value in every walk of life. Reduced fees for serving and ex-Service members of H.M. Forces.—Write for a free copy of "The Science of Success," which fully describes the Course, Pelman Institute, 87, Norfolk Mansions, Wigmore Street, London, W.1.

NIALL MACPIERSON, M.P., on "The Conservative, Unionist and National Liberal Party and FEDERALISM"; Church Ho., Grt. Smith St., Westminster. 6.30 p.m., April 3rd. Federal Union arr.

ANY MOMENT NOW you'll open that bottle of brandy you keep for emergencies. So get a bottle of J.V.R. Three Star to take its place. Over 500 hospitals use it. 3/6. 6d. per bottle; 19s. 3d. per half-bottle.

TRANSLATION.—Rapid service, German into English. Technical and Commercial material a speciality.—Apply by letter to "Translations," c/o Abbotts, Eastcheap, London, E.C.3

QUALIFIED STAFF AVAILABLE NOW

Accountants, Office Managers, Company Secretaries supplied immediately.

FINE'S EMPLOYMENT AGENCY

(HIGHER APPOINTMENTS SECTION)

95/99 PRAED STREET, LONDON, W.2. AMB 3400 (30 LINES)

—FINE'S FOR THE FINEST STAFF—

SELL JEWELLERY

to JAMES WALKER — *Established 1823*

Prompt settlement up to any amount. Expert valuations without obligation. For large collections a representative will be pleased to call. 77 Branches at your service. Parcels should be sent (by registered post) to Head Office:—

James Walker

Specimen offers:

£5-£5,000 Diamond and other Precious Stone Rings, Bracelets, Brooches, etc.

£15-£100 Gold Cigarette Cases

£5-£100 Cultured Pearl Necklets.

Also equally high prices for Sports Trophies, Collector's Coins, Medals, Silverware, etc.

D.98. 245, HIGH ROAD, STREATHAM, LONDON, S.W.16. *Tel.: STReatham 2001 (10 lines)*

Markets Abroad

Information on markets and sources of supply in Canada, the West Indies, Central and South America is available through the Royal Bank, with over 750 branches in these areas.

London Offices—

6 Lothbury, E.C.2 — B. Strath, Mgr.

2-4 Cockspur Street, S.W.1 — R. B. Murray, Mgr.

THE ROYAL BANK OF CANADA

Head Office, Montreal

Offices in New York and Paris

Over 750 branches in Canada, the West Indies, Central & South America

Incorporated in Canada in 1869 with Limited Liability.

REFUGE ASSURANCE COMPANY LIMITED

CHIEF OFFICE OXFORD STREET MANCHESTER 1

THE REFUGE WILL SAFEGUARD THE FUTURE

THE ALEXANDRIA WATER COMPANY, LIMITED

ALEXANDRIA, EGYPT

ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-fourth ORDINARY GENERAL MEETING of the Shareholders will be held at the Company's Offices, 61 Avenue Fouad 1er, Alexandria, on Wednesday, April 23, 1952, at four o'clock in the afternoon, for the transaction of the ordinary business of the Company, pursuant to Act of Parliament.

Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before April 9, 1952, or in Alexandria before April 20, 1952, until after the Meeting, at the National Bank of Egypt, 6 King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

A Member of the Company is entitled to appoint a proxy to attend and vote at the Meeting in his stead and any proxy so appointed need not be a Member of the Company.

Dated, Alexandria, Egypt, February 16, 1952.

By order of the Board,

ROBERT WALTON, Managing Director.

YOUNG administrator (31), British, wishes to contact now in the U.K. active expanding British or Canadian Company who in two years' time may require in the U.S.A., Canada or possibly U.K. a man of the following qualifications: Public School education, fluent French, trained as an executive by big international Company in the U.S.A., some foreign business experience, three years active selling in the U.S.A. in highly competitive field. Admitted to the Harvard Graduate School of Business Administration for commencement September, 1952; graduating September, 1954.—Box 907.

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home farm), country-house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London.—Write Major B. Carnegie, "Stronvar," Balquhidder, Perthshire.

MURRAY-WATSON LIMITED

Advertising & Marketing

Home and Overseas

58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9

DUDLEY, WORCESTERSHIRE. DUDLEY 3162

POSTAL TUITION for B.Sc. ECON.

The London University B.Sc. *Econ.* Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 760 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 — WOLSEY HALL, OXFORD

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, March 29, 1952.

THE HISTORY OF ZINC

China knew ZINC more than 300 years ago

The illustration shows Zinc smelting in China as described in the T'ien Kung K'ai wu A.D. 1637

TODAY ZINC is one of the most important metals in industry. It is used in brass; as a protective covering for iron and steel; large quantities are used for die casting in the motor car and many other industries; and its pigments, Lithopone and Zinc Oxide are widely used by the paint, rubber, linoleum and associated industries.

During the last 30 years a great Zinc industry has been created in Britain by Imperial Smelting Corporation Limited, whose principal activities, in addition to the production of Zinc metal, include the production of Sulphuric Acid, Zinc Pigments, Fluorine and Fluorine Compounds and ancillary products.

IMPERIAL SMELTING
U.K. MEMBER OF THE CONSOLIDATED ZINC CORPORATION LIMITED

IMPERIAL SMELTING CORPORATION LIMITED · 37 DOVER STREET · LONDON · W.1

The Economist

Established 1843

April 5, 1952 — One Shilling

SECRETARIAT LIBRARY 10 APR 52 GOVERNMENT 164799

LEADING ARTICLES

Allied Commanders - - - - - 1
The Siege State - - - - - - 3
Indo-Chinese Dilemma - - - 4
Straining at GATT - - - - - 6

NOTES OF THE WEEK - - - 8
Nato Birthdays; Cold War Broadcasting; The Tory Backbenchers; Wages and Salaries; The Exile of Seretse Khama; London Talks on Trieste; New Stage in Tunisia; Ignoble Economics; The Logic of Steel Prices; Conflict over Farm Prices; The Base at Antwerp; Delhi Faces Economic Facts; Charges and the Ceiling; Constables and Congestion.

LETTERS TO THE EDITOR - - 17

BOOKS AND PUBLICATIONS - 18

AMERICAN SURVEY
Aid for Senator Connally - - 22
Mr Truman Steps Down; Taft Holds His Own; Wilson Through the Ceiling; Investigators Fall Out; The New Refugees; Plans for Prosperity; Shorter Note.

THE WORLD OVERSEAS
Ambitions in the Sudan - - 29
Japan Looks for a Change; Failure of Australia's Farms; Between Russia and China; Pakistan and the Pathans.

THE BUSINESS WORLD
IPL under Scrutiny - - - - 38
The Future of European Payments 40

BUSINESS NOTES - - - - - 44
Gilt-Edged and Electricity Finance; Difficulties of Funding; Budget Outturn; Steel Prices Analysed; The Credit Squeeze; Shoppers in Control; Coal after the Winter; Loan Aid for Britain; Airline Finances; Building Societies' Rates; More Rubber for America; World Steel Output Soars; Comparisons in Metal Prices; Steadying the Jute Market; Higher Bill Rates; Negotiations with Argentina; Fiduciary Issue Increased; AEI and the Future; Demand for New Ships; Shorter Notes.

COMPANY NOTES - - - - - 54

STATISTICAL SUMMARY - - 58

COMPANY MEETINGS - - - 59

Vol. CLXIII No. 5667
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Allied Commanders

IT now seems virtually certain that General Eisenhower will give up the post of Supreme Commander Allied Forces in Europe in order to become a presidential candidate in the United States. Already people are asking who shall succeed him, and there is a natural tendency for American politicians to say that it should be an American. There is an equally natural tendency for British politicians, like Mr Shinwell in the House of Commons this week, to protest that this is not a hereditary American office but one for which a European should be eligible. Certainly, if the fighting records in the last war are to be taken first into account, British candidates would have a strong claim. In fact, however, to be Supreme Commander in Europe in peacetime has not so far demanded a fighting man's qualities. It has been more a job for the organiser, the co-ordinator, the team leader, the enthusiast; and in the early stages of Atlantic defence planning only an American could bring sufficient power and authority to such a role. The major purposes of the Atlantic Pact were to spread the American umbrella over Europe and to harness the Europeans together; and it happened that the obviously right man to hold both the umbrella and the reins was General Eisenhower.

The question now is whether the requirements have changed. Must General Eisenhower be succeeded by an American? And what kind of a man should he be? Clearly the essential factors remain the same. It is still the contribution of the Americans that is the core of Atlantic defence, and their authority in the Supreme Headquarters helps considerably to maintain the interest and goodwill of Congress. To switch at this stage to a non-American Supreme Commander would be to jeopardise this goodwill and provoke an unseemly competition between French and British claims—for there are no other obvious claims. Where outstanding ability is not available, supreme command is a function of superior power, and there is no doubt where in the western alliance that lies.

What sort of man should the new Supreme Commander be? Obviously not an imitator of General Eisenhower. Europe was willing to accept from the Generalissimo of the liberating armies of 1945 the kind of leadership that would have been resented coming from anyone else. As he himself said in his report, published three days ago, the problems he has dealt with have been economic, political and psychological rather than purely military. His is a performance that cannot be repeated. What is now needed is that SHAPE should become more military and less political, more of a headquarters and less of a court. Much that it has been dealing with lately is better left to the new permanent organisation of Nato in Paris under Lord Ismay. Defence plans have been laid and the task is how to carry them out as fast and as thoroughly as possible. The need is for efficient staff work by a chief of operations who knows from experience exactly how much and how little the Supreme Headquarters can accomplish—and that rules out such men as Generals Ridgway and Collins. The omens,

in fact, all point to General Eisenhower's present Chief of Staff, General Gruenther, who is much liked and respected by all Nato members and has lately impressed Senators by his manner of presenting the case for aid to Europe.

This is a matter in which it is the interest of the British to be generous. The argument which justifies the choice of an American for supreme command in Europe also justifies the choice of an American for supreme command in the Atlantic. It is that American power, in case of war, would be clearly preponderant in areas where American interests are greatest. If the British stand firmly on this argument, they are respecting realities and strengthening their claim to high command in the Mediterranean and Middle East, where both the interests and the forces of the Commonwealth are—or could be in time of war—preponderant.

★

Recent events in the Mediterranean suggest that this claim will have to be vigorously defended, if it is not to go by default. On March 6th, there ended a four-power exercise under the direction of the American Admiral Carney. Some two hundred warships, a thousand merchant vessels and five hundred aircraft were engaged, while American, British, French and Italian airmen and seamen experimented in working together under near-war conditions. By normal standards Exercise "Grand Slam" was a success; but in one respect it came very near to being an over-bid. Any layman who had been following the reports of the non-British press would have assumed that Admiral Carney is officially master of the Mediterranean. He directed the manœuvres; his spokesmen ran the publicity; he, according to many reports, controls forces including both the Home and Mediterranean Fleets of the Royal Navy. The impression was left that he had taken over the vacant Mediterranean command about which there has been so much dispute.

Admiral Carney was doubtless innocent of any attempt to give this impression. Nato having been unable to decide on the Mediterranean command, somebody had to organise joint manœuvres, and who better than the man who simultaneously commands the carrier striking force of the US Sixth Fleet and acts as General Eisenhower's lieutenant in Southern Europe? But the real problem in the Mediterranean remains. When General Eisenhower set up his headquarters in 1951 he appointed General Juin (France) to command the Nato land forces in Central Europe, and Admiral Brind (Britain) to command the naval, air and land forces of Nato in Northern Europe. He found the task of organisation in Southern Europe complicated by the fact that Britons, Americans, Turks, French and Italians all had different ideas about the main purposes of defence in the Mediterranean.

France thought in terms of protecting its south coast and communications with North Africa. Turkey was, and still is, anxious to see the Americans committed up to the Black Sea. The Americans looked at the Mediterranean primarily as the southern flank of General Eisenhower's position in Europe, on which air power could operate from carriers and land bases. The British thought far less in European terms and far more of the West's communications with the Middle East, with the Canal base, and with the Commonwealth, passing within easy range of Russian submarine and air bases in the Black Sea. For them the primary task in the Mediterranean is to guard these lines and to think of the Middle East as the bridge between Asia and North Africa. A commander thinking in European terms would not think in these terms; and in the British view Shape has no business east of the Adriatic; Europe ends where the Near East begins.

Unfortunately Egypt's attitude has held up all progress with the organisation of a Middle East command which might make clearer the division of responsibility in the Mediterranean. The idea is that this command should not be subordinate to Shape but on a par with it. The three Supreme Commanders—Europe, Atlantic and Middle East—would report to the Standing Group of Nato with its representatives of the American, British and French chiefs of staff capable of taking wider strategic views. Lately, to complicate matters further, Greece and Turkey have become full members of Nato and their forces had to be put under someone's command. Their preference was for an American and for as close a link as possible with General Eisenhower himself, in spite of the obvious fact that their real interest lies in links with a strong Middle East defence organisation.

★

The result is a thoroughly unsatisfactory and muddled situation. Admiral Carney's command is European and covers the coastline from Trieste to the Spanish frontier on the north and the communications with the North African coast, including Algiers, on the south. It does not extend to the Eastern Mediterranean but it does cover, for the moment, the land and air forces of Greece and Turkey. In short, the command of the Eastern Mediterranean, including the Greek and Turkish naval forces, is vacant, and the responsibility for naval defence of the sea as a whole is undecided. It would be only too easy for Nato to decide that Admiral Carney, having done two-thirds of the job, should take on the other third as well. But it is most important that the British Government should stand firmly by two points in its case against such a decision. The first is that the Supreme Commander in Europe (to whom Admiral Carney is responsible) has already too much to do, and an extension of his subordinate's authority to the shores of the Black Sea would be pure empire building; the second is that it is a vital interest of members of the British Commonwealth that Mediterranean communications and the Middle East land position should not be considered from the point of view of a headquarters whose main task is to defend Western Europe.

It has taken *years* to convince American strategists of the importance of the Middle East and the Mediterranean, and it remains for them an unfamiliar problem. Neither their interests nor their power are preponderant there; nor are they likely to become so in the state of protracted cold war with which western defence policy is concerned. A clear recognition of this by the Americans and other partners in Nato would underline what is in any case the manifest fact: that, of all the western powers, Britain is the one that is most able and willing to act as the chief agent of the alliance in the Middle East. It would also serve to remove a growing suspicion that the Americans are not prepared to permit any sharing of the supreme commands, that they will always accept command over others but that they will never enter into arrangements that might bring their own forces under a British or European commander.

The Siege State

SECRETARIAT LIBRARY GOVERNMENT

MR ANEURIN BEVAN'S much-heralded political testament has been published this week. If it often seems that his views get too much attention, on this occasion at least the attention is deserved. They are flexible views. It is an entire misjudgment to treat his book primarily as a contribution to the stale controversies of the past twelve months. It seeks to widen the opposition to rearmament by a more general exposition of a foreign policy than Mr Bevan has previously attempted. But the exposition tails off into the woolliest advocacy of something to follow rearmament.

> At this stage it is not possible to put forward some novel proposal that will command immediate and universal commendation. . . . Suppose we fix a date—towards which we should at once begin to work—when a definite percentage of what we are now spending on arms shall be set aside for the peaceful development of backward parts of the world.

Bevanism as it has existed since April, 1951, will no doubt continue to exploit the latent pacifism and the anti-Americanism within the Labour movement. But it becomes increasingly unlikely to remain a sharp issue of principle. It becomes merged in Mr Bevan's wider struggle for the Socialist soul of his party.

The essence of that struggle is simple. Labour came to power as the party of rebellion against the conditions of the thirties. That task is done. Mr Bevan's views are of first importance not because he is an ambitious politician but because he crystallises in a remarkable fashion the tensions of a conservative society. What do rebels do when rebellion has achieved a bloodless victory, when their most popular tenets have become the orthodoxy of their opponents—and when, nevertheless, the economic foundations of the new society that they have built are unsure? If they are wise, they turn to strengthening the foundations, to consolidation. But while that is politically realistic, psychologically it requires that the leopard should change his spots. Consolidation may be philosophically distinct from conservatism, but emotionally it is much the same. It cannot satisfy a party that is more of the Left than of the Centre, because the Left must have something to change just as much as a bicycle must move in order to stay upright.

This is the dilemma of the British Labour party. Mr Bevan's distinction is that, in face of this dilemma, he is the party's emotional conservative. He maintains the attitude of rebellion. He insists that the world is still pretty much what he always thought it was. His philosophy remains rooted in the human and material decay of the Welsh mining valleys between the wars. To dispute that philosophy intellectually is beside the point. The formulation of its ideas still reflects their origin in the Tredegar Workmen's Library. But the ideas themselves reflect the common experience on which the growth of the Labour movement was based. In the two inter-war decades, capitalism seemed to be losing the efficiency, the capacity to provide employment and an expanding economy, that had been taken as the justification of its inequalities. It was natural, if superficial, to believe that the problem of production had been solved, that the main economic need was to distribute more justly what Mr Bevan still identifies as an economic "surplus." It was at least superficially reasonable to think that plenty could be achieved by throwing out the bosses and legislating for equality.

Postwar experience has destroyed the intellectual framework of this attitude but not its emotional content. The country has moved a long way towards equality but many workers are disappointed with the result. After the disillusionments of six years in office, envy of the rich and hatred of the Tories are the main parts of the traditional impetus of the Labour movement that survive. They may still be powerful if they are given a new intellectual framework. That is the task Mr Bevan has set himself. While other leaders of the Labour party are looking for a new impetus, Mr Bevan is trying to whip up the traditional impetus. While they are looking for new policies adjusted to a new society, he is merely looking for new forms in which to keep the revolution against the old society going. He feels no need to offer a cure for the Labour party's disillusionment with the simple blacks and whites of its old doctrines. He simply denies that there is any reason for disillusionment.

> Whenever the Labour party has made a mistake, it has not been in consequence of pursuing its principles too roughly or too far, but by making too many concessions to conventional opinion.

Mr Bevan is the high priest guarding the written tablets of the fathers' faith in a naughty world. It is an easy role, the one that guarantees a fair minimum of support in the constituency Labour parties. Yet the simple assertion of faith will not satisfy many even of the zealots. Mr Bevan's doctrines and emotions gain in immediate appeal by being ready-made, but the test of his real success or failure is the extent to which he seems to offer a policy relating them to concrete action in the future.

★

The test is obvious in principle but it is hard to apply with confidence. Whatever Mr Bevan's strength as an orator, as a writer he is ineffective. "In Place of Fear"* is less a book than an extended and diffuse pamphlet, in which meaning is often hidden in a Celtic twilight and a rare devotion to long words for their own sake. This obscurity may sometimes serve Mr Bevan well, but it can hardly distract attention from the two obvious weaknesses of his position. The first is that even he now finds it rather hard to hate the Tories as they are. He has to suggest, in effect, that they will become more reactionary. "The crisis in British politics" is bound to deepen and will endanger democratic practices. "A number of people" are questioning "a constitution which erects no barriers between privilege and the popular will." Praise of the House of Lords is an instrument in "the struggle once more to enthrone the principle of authority as a barrier against movements of mass opinion." It is hard to imagine a less convincing attempt to find something to hate and sweep away. If the rebel has to find his justification in fears of a counter-attack so divorced from political reality, he has been driven a long way from the traditional doctrines and attitudes of the British Labour movement. He will not by this means win to his side any but the most fanatical near-Marxists.

But this false note in Mr Bevan's structure of assumptions is trifling by comparison with the central

* "In Place of Fear." By Aneurin Bevan. Heinemann. 201 pages. 10s. 6d.

inconsistency in his policy. He starts by identifying private property, poverty and democracy as the three main "social forces." Poverty is the universal and justifiable conviction that in modern industrial societies the lot of the ordinary man is "much worse than it need be." But, later, Mr Bevan maintains that "professional" standards of living ought not to be further reduced. Presumably, therefore, poverty is to be removed (by definition it is removable) by increasing the country's real income and seeing that the "ordinary man" gets all the increment. Further squeezing of the shareholder alone can hardly be supposed to free much consumption for the workers. Indeed, the limitations of taxation as a means of redistributing income are pointed out with some force. The cure must go deeper. There should be a "radical extension" of public ownership, so that public property predominates over private property. But at this point the argument ceases to be one for creating more wealth. The emphasis is on drastically altering "the power relations of public and private property."

The rebel has come into his own again, but where now is the social reformer? It is true that "private economic adventure" is condemned for becoming too cautious: "We had organised scarcity and high profits instead of expanding production and the acceptance of risk." But there is no serious argument that more nationalised industries (to be run as government departments, not public corporations) would be more enterprising, that they would rapidly produce more wealth and banish artificial poverty. If they did, Mr Bevan would surely have to condemn them. For his main charge against capitalism is not that it is restrictionist but that it is too expansionist. Private enterprise grows fat by burning up the dwindling supplies of metals and other materials without thought for the future; they are running so ominously short that capitalism may soon have sawn off the limb on which it is sitting. Mr Bevan offers no statistical evidence to support this variety of Malthusianism. More important, its obvious implication is ignored. If Mr Bevan seriously suggests that the world ought to use its natural resources more slowly, he is urging it to reduce production and create more poverty. The motive is plain enough. Fears of increasing scarcity make more plausible Mr Bevan's vague generalisations about priorities, about the need to transfer the pattern of consumption from private to public decision. A siege economy is welcome because in a siege the state necessarily gathers all power into its hands.

This is the position to which even so agile a brain as Mr Bevan's is driven by his determination to carry the Socialist revolution further. It will not meet either the needs or the wishes of the British people. Any policy for preventing poverty and fear must be a policy for creating more wealth in these islands. The British electorate may be reluctant to believe that the creation of more wealth is worth any disturbance either to worker or to manager. But if it is aware of the choice it certainly will not prefer organised scarcity as the alternative. Mr Bevan wisely does not try to define the machinery by which the state would determine and enforce its economic and social priorities; if the mechanism were defined, it would certainly have no more electoral appeal that the (also unspecified) agenda for continuing nationalisation.

All this is so plain that the realists of the Labour party should take heart. The confusions of Mr Bevan's policy admittedly do not destroy his appeal to the easy emotions and stock attitudes of his party. But they do mean that his strength lies primarily in the vacuum about him. He has no policy capable of winning new supporters. The fervour with which he points to the Left does not hide his inability to say where he wants to lead the party. If no one else has a frankly expounded policy either, he will continue to capitalise all Labour's discontents and disillusionments, to thrive on the thwarted emotions of a party that has lost not only its constructive faith but the genuine social idealism that was once so large a part of its inspiration. But that is all his strength.

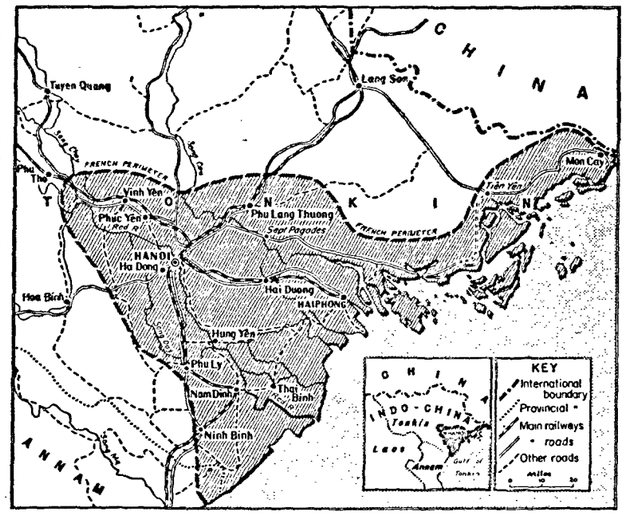
It still requires courage and a clear head to stand up in these circumstances for caution and charity, to insist that Labour's new policies should be politically liberal and should meet the need for a more efficient and flexible economy rather than promise more even shares of state bounties. But the alternatives can surely be set confidently beside Mr Bevan's nihilism. What do the other Labour leaders prefer to crude class war, to the omnipotent state and the economics of organised stagnation? If they know, and will say, neither they nor the country need pay much more attention to Mr Bevan.

Indo-Chinese Dilemma

EVENTS in Indo-China have now produced a grave situation. Recent setbacks to the French and the Vietnamese forces of Bao Dai have made a military stalemate the best that can be hoped for in the foreseeable future. This prospect is renewing the sense of frustration and defeat which Marshal de Lattre de Tassigny had managed to sweep away for ten brief victorious months last year. It has invalidated his timetable for building up an effective Vietnamese national army capable of taking over major defence responsibilities and allowing the French to return home. It has provoked, instead, talk of an armistice with Ho Chi-minh which could be concluded, if at all, only on exceedingly disadvantageous terms. It has even led to serious suggestions in Paris that the French should abandon the struggle altogether.

It is not always recognised that this deterioration in Indo-China affects the British more adversely than any other western power. Any failure there, even the drawing of a truce line across the middle of the country on the 16th parallel, would be likely to have serious repercussions on the Siamese, and so on the war in Malaya. As it is, General Templer is hard put to it to stop the slow decline in the morale and economic resilience of Malaya. Anything which tipped the scale enough to make his task impossible could have untold economic consequences for the whole sterling area. Compared with such possibilities, the French have less to lose. The war in Indo-China is at present a tragic drain on their resources; its ending, even by defeat or withdrawal and however great the shock to national morale, would by definition stop that drain. And the Americans, although they justifiably point to the dangerous effects a Communist success in Indo-China would have on their positions in the Philippines and Japan, are in reality no worse placed than any of the western powers with interests in Asia.

In Indo-China itself the military situation is clear-cut only in the north. There, in the province of Tonkin, the French and Vietnamese national army hold a perimeter 250 miles long, based on the sea and running in a squashed semi-circle round the provincial capital of Hanoi. Almost the whole of the area contained within the perimeter is the rich, rice-growing delta of the Red River. There are about six battalions of Vietminh Communist rebels operating as guerrillas within the perimeter. Outside it French writ no longer runs at all; the frontier with China is wide open except for a tiny stretch at Moncay. Down to the south in central and south Vietnam—which covers all the eastern seaboard of Indo-China and contains the bulk of the population—there is guerrilla warfare with, in some areas, the French in control only of the towns. Lately, however, the critical struggle in the other delta, that of the Mekong round Saigon, has gone slightly in favour of the French.



The main battle is at present in the north, where the French profess confidence about holding their perimeter. But at the end of January shortage of troops for dealing with the guerrillas within the perimeter forced them to withdraw from Hoa Binh to shorten their line; this town had been occupied some months ago to cut the north-south highway, down which supplies were pouring in to the Vietminh from China. The fruit of this withdrawal has been seen this week, however, in Operation Mercury when the French appear to have been strong enough to trap most of the Vietminh 320th Division, operating in a guerrilla role round Thaibinh. As a result of these two engagements the French claim to have inflicted some 12,000 casualties on the Vietminh, with much smaller losses of their own, and thus to have prevented the possibility of any major Communist offensive before the five-month rainy season begins in May.

If this turns out to be correct, it is a considerable achievement; but that it should be counted as such shows how hard the French are being pressed. All the time the war is costing the French exchequer something over £400 million a year, with American military aid in addition at the current annual rate of about £175 million. Moreover, one regular officer in every four and virtually half the cadre of regular NCOs are now in Indo-China, where the French expeditionary force numbers about 175,000 men; French killed and captured since the beginning of the campaign amount to over 30,000, which is slightly more than America's equivalent losses in Korea. With the French, there is a Vietnamese national army of about 110,000, and some 60,000 auxiliaries; against them, the Vietminh have a well-equipped force of 300,000, much of it trained on regular military lines by the Chinese. Thus there are now well over half a million armed men locked in the battle for Indo-China.

In theory, provided neither side wins outright, this situation could endure for another five years; the war has already been raging since the end of 1946. But in practice this is impossible for three reasons. The whole scale of the fighting in Indo-China is constantly increasing; a year ago neither Chinese aid to the Vietminh nor American aid to the French and Vietnamese was as large as it is today. In France, the re-emergence of the German problem and reaction against the Schuman policy of reconciliation have greatly stimulated growing doubts about French ability to carry a mounting burden in the Far East for less and less apparent advantage to France; the demand to end the war is now heard in Paris not only from the Left but from a Right which might feel differently about Germany if the 12 French divisions in Indo-China were back at home under General Eisenhower. And, of paramount importance on the spot, there is the constant threat that decisive Chinese intervention may start a new Korea in the south—a threat which has already brought the western allies to a dangerous division of views on the whole strategy and tactics of their containment policy in the Far East.

What, then, should be done? For the French first need is to ensure that the war is not abandoned or a truce concluded on hopeless terms, simply through a crisis of will and fears about Europe. The danger of this is real and there may not be much that Britain can do about it directly. Certainly no British forces exist which could be thrown into the struggle in Indo-China to turn the scale, even if the French were willing to admit them. On the other hand, British public opinion can still provide a buttress which may not be without its effect in France, and there can be no question but that a more positive British attitude towards European co-operation and defence would help the French to overcome their fears of Germany. Britain's refusal to take more than an external benevolent interest in the European army, inevitable though it may be, has certainly weakened the will of many Frenchmen to keep the flower of their army locked up on the other side of the world in the jungles and rice plains of Indo-China.

In the Far East itself, however, specific steps are possible. For months the French have been asking the Americans—and the British—to give an undertaking that they would come to the assistance of Indo-China if

it were invaded by the Chinese. The State Department and the Pentagon are by now fully convinced that the United States cannot be indifferent to what happens in Indo-China, but they hesitate, in this election year, to undertake a commitment with the clarity and emphasis that are needed if it is to have the best chance of being effective as a deterrent. Moreover, they have made it clear that the United States cannot, in any case, undertake to send ground troops to Indo-China. If they gave a guarantee and had to implement it, they would do so by bombing Chinese communications and blockading the Chinese coast. And this in its turn alarms both the French and the British, who see in it, as they do in all American proposals to "take the war to the Chinese," the risk of a new world-wide conflagration. So that American policy on the one hand, and Anglo-French policy on the other, are as much out of harmony at the southern end of the Far Eastern front as they are at the northern end, and for much the same reasons.

Perhaps the most immediate danger in Indo-China is that the Chinese will greatly increase their aid to the Vietminh without making any overt act. Yet it should not be impossible to define a limit beyond which their actions would constitute clear aggression or too difficult to remove the differences between the western powers about an agreed, if flexible, policy of retaliation. There is, undoubtedly, on both sides of the western argument, a lack of courage in framing logical conclusions from agreed facts. On the American side, it is clear that open Chinese aggression on Indo-China would in fact be resisted. Why not therefore say so in all clarity in advance and therefore help to prevent the contingency from ever arising? On the European side, there is a similar unwillingness to face the facts. If the Chinese Communists do invade or infiltrate into Indo-China in force, Britain and France will in fact be compelled to hit back in the way that is most likely to be effective. That cannot be by sending ground troops to Indo-China, since the ground troops do not exist. It would have to be by using the means that do exist, that is, by using naval and air power. If China starts a war on its southern frontier, these are the means by which it will have to be fought. Why not say so now? It was this logic, applied to Korea, that forced the Labour Government to agree that, in certain eventualities, China might have to be attacked, though they also, for reasons of domestic politics, deprived their decision of the publicity that might have made it effective.

The cold war is the same in character in the Far East as in Europe, and the same in Indo-China as in Korea. Any cold war must necessarily be very embarrassing to democratic governments responsible to peace-loving public opinions. In Europe, the elementary lessons of how to deal with the threat of aggression have, on the whole, been learned, and there is a willingness to take a calculated risk of provoking aggression by preparing to resist it. There, the nations have on the whole been willing to ask themselves what they would do in the ultimate analysis and to declare their intentions beforehand. In the Far East, none of them has yet been willing to do so, to the great advantage of the potential aggressor. An agreed Franco-British-American policy for the whole of the Far East, based on the facing of unwelcome facts and the running of calculated risks, might indeed not be enough to save the situation, first in Indo-China and Hongkong, then in Siam, then in Malaya and the archipelago. But without such a policy it is becoming clear that the situation cannot be saved.

Straining at GATT

IN the past few weeks many people have been urging an increase in Empire preference and suggesting that the Government should cut Britain adrift from the General Agreement on Tariffs and Trade which limits its freedom to extend preferential tariff treatment. The problems that provoke these suggestions are real enough. They are the growing evidence of economic difficulties and of the painful process of adjustment which the British economy is being called upon to undergo in the struggle for solvency. In these circumstances, and with unemployment in Lancashire mounting, there is no more natural reaction than to attempt to draw a web of preferences and protection a little more thickly round the economy. It is a reaction common to some members of both the main political parties. Mr Shinwell, speaking last week-end, said that he was afraid it had now become essential "to exclude our competitors from Empire markets. We exhausted ourselves in defeating the Japanese and Germans and now we are allowing them to capture our markets with goods made by cheap labour." This week the House of Lords has debated a motion by Lord Balfour of Inchrye arguing the desirability of "amending international agreements entered into by Britain which, in their present form, have the effect of limiting the extent and restricting the development of inter-Commonwealth and Colonial Empire trade."

The aims of these two extremists are fundamentally similar, though the spokesman for the Left stated his with the greater candour. Mr Shinwell seems to find no difficulty in reconciling Britain's trusteeship of the colonial territories with a demand that the people of Malaya, for example, who are at this moment saving the mother country from dollar bankruptcy, should be prevented from buying cheap Japanese textiles in order to prop up Lancashire. Nor does he appreciate what a double-edged argument he is using when he condemns Japanese and German goods as the produce of "cheap labour." Could this not apply to British motor cars and textiles trying to make their way into dollar markets?

In this crude form, the arguments for more protectionism can be dismissed as nonsense. But that is not the end of the matter. The specific enemy which Lord Balfour of Inchrye had in mind was the General Agreement on Tariff and Trade, a shortened version of the code of conduct for non-discrimination in international trade which was expressed in the charter of the International Trade Organisation. That charter was stillborn because the United States has been unable to ratify it. Without this lead, the other signatories have let the matter drop. But the immense labour put into the drafting of the charter has not been altogether wasted. Most of the sections establishing a code of commercial behaviour were incorporated in the General Agreement on Tariffs and Trade signed in 1947. This was intended to be the precursor, but it has become the real thing, the sole repository of the hopes once placed on ITO. The philosophy of GATT is directly that of the draft charter —the creation of a system of freer and nondiscriminatory world trade, in which quotas and other quantitative restrictions to trade would be prohibited save in defined circumstances; and such quotas, if applied, would have to be operated on a non-discriminatory basis, again save in defined circumstances. It is quite true that large segments of the charter were not incorporated in the General Agreement. Those dealt with the maintenance of high employment, the development of backward countries, monopolies and cartels and commodity agreements. They were in large part the expression of general hopes and promises of good behaviour, making strange companions for the other sections of the charter which dealt in precise lawyer's language with tariffs, preferences, quantitative restrictions and the deviations from the code permitted in order to safeguard the balance of payments of signatory countries.

★

The usefulness of GATT is not likely to suffer from the accidents which caused much of the ballast to be thrown overboard. Nor has the prospect of useful life for GATT suffered from its small beginnings—which mean that it can build itself up by a slow process of adaptation. It may thus avoid that curse of so many postwar international organisations, the imposition of enormous administrations on inflexibly elaborate charters.

The work put into the draft charter has also produced substantial practical results. It was wisely decided at an early stage of the discussions that the participants should match action to words in their devotion to the ideals of freer and expanding world trade. They conducted a series of negotiations to reduce their tariffs and margins of preferences. The first negotiations at Geneva in 1947 were followed by a second tariff conference at Annecy in 1949, and the last of the series was held at Torquay in the winter of 1950-51. There were 23 governments concerned in the Geneva negotiations and the number had grown to 34 at the Torquay meeting. The result of this bargaining has been to reduce the average level of tariffs in the world and to extract from all participants a guarantee that they will not increase tariffs by unilateral action save in very exceptional circumstances. This undertaking to "bind" existing rates of tariffs, at least until the end of 1953, applies to more than 55,000 tariff rates covering a very large part of world trade.

If tariffs were the main obstacle to international trade, the efforts made under the ægis of GATT could already be counted a major victory. Unfortunately, in the prevailing unbalance of international payments it is the scarcity or abundance of currencies which chiefly determines the distribution of world trade. Quotas and import licensing are the main visible obstacles against which such trade has to battle. The General Agreement provides abundant exemptions from its rules for countries in trouble with their balances of payments, but it must be admitted that this world of chronic payments instability is not that for which GATT or ITO was conceived.

The cause which GATT represents has suffered not merely from the stubborn refusal of economic realities to return to the "normalcy" of a world of convertible currencies and non-discriminatory trade; it has also suffered from some backsliding by the United States, its main sponsor. The American decision to abandon the draft charter was a serious disappointment, particularly to many of the less developed countries which seemed to derive considerable encouragement from the sections dealing with employment and development and the other more nebulous chapters of the charter. Moreover, the Americans have conducted their tariff negotiations under GATT in a tough bargaining spirit, extracting a very full price for any concession granted by them and, in general, failing to live up to the role of the world's greatest creditor and exporting country. The United States has also had recourse to escape clauses in GATT, and in its own Trade Agreements Act, to increase import duties on hats and to threaten increases on other goods, including motor bicycles, bicycles and chinaware, all of which touch Great Britain at particularly sensitive spots. Another serious blot on United States fiscal policy was last year's amendment to the Defence Production Act, which put quotas on dairy produce on the ground that they were essential to the defence of the United States. Finally, Congress has failed to make any progress with the Customs Simplification Bill, which is the real test of American sincerity in letting in additional imports of manufactured goods. But in judging these shortcomings of the United States it would be well to keep a sense of proportion. This is an election year; and the higher duties on hats and the quotas on cheese do not loom large in comparison with the solid tariff concessions the United States has made to the rest of the world over the last five years.

★

The limitations on GATT's achievement so far are real, but they are certainly no reason why this country should want to throw over all that has been done. The case for leaving GATT must be an argument that it has done too much—an allegation that it puts intolerable restrictions on Britain's and the Commonwealth's freedom to discriminate in favour of sterling trade. But what are these restrictions? The rules of GATT fully entitle the sterling countries, in their present balance of payments difficulties, not merely to impose quotas but to make them as discriminatory as they choose. There is no restriction here. The only real restriction is on Britain's freedom to increase its tariff preferences in Commonwealth trade. But what is this freedom? It takes two to make a preferential agreement. Most of the evidence of recent commercial discussions with Commonwealth countries suggests that their fervour for preferences is waning fast. In its last agreement with Great Britain, Pakistan took the initiative in reducing certain margins of preference on British goods. India has expressed its intention to do the same at the earliest opportunity. Canada is clearly in favour of seeing what remains of the preferential system wither away and tends to blush at the very name of the "Ottawa Agreements." Australia's unofficial flirting with the dollar countries has similar implications. The colonial territories are, it is true, markets in which margins of preference could be increased; but such a move dictated from London would

hardly be consonant with Britain's wider responsibilities for these territories or with the honourable traditions of British colonial administration.

Lord Cherwell, replying for the Government in the House of Lords on Wednesday, defended GATT against some criticisms but stalled on the main issue: he left it open for the Government to decide to withdraw later. Yet the sphere of international and inter-Commonwealth trade that is really governed by preferences is steadily narrowing. This clutching at the straws of preference, in which the young Tories and the new Socialist imperialists are strangely joined, reflects an equally strange and defeatist view of the British economy. Abroad, it would certainly be interpreted as this country in its senile decay propping up inefficient industries at the expense of its overseas dependants. It also disregards all that would be thrown away in terms of the promise of expanding trade with Europe and the dollar countries if GATT were to be sunk without trace. It is often enough that immediate circumstances give this country no choice but to pursue trading policies contrary to liberal principles and its own long-term interests. It is the more important to make no unnecessary departures from those principles. In the long run, no country stands to gain so much from GATT. In the short run, the advantages gained by throwing it over would be slight if they ever in fact materialised at all and even if they provoked no retaliation.

There is scope for further amendment of the General Agreement—for attuning its basic provisions rather than its exceptions to the kind of world in which the contracting parties will have to live and trade in the years ahead. But there is no valid ground for throwing the whole thing overboard and incurring the consequent ill-will of the United States, Canada and most of the countries of Europe. Any such counsel smacks of irresponsibility. Indeed, it smacks of lunacy if it is prompted by visions of the comfortable haven of preferential protection from which GATT is allegedly excluding Britain. There is no such haven.

NOTES OF THE WEEK

Nato Birthdays

This week has witnessed a concentrated celebration of Atlantic occasions: the third anniversary of the signing of the North Atlantic Treaty; the first anniversary of General Eisenhower's assumption of control over Western Europe's defence forces; and the formal installation of Lord Ismay as secretary general of a streamlined organisation. Each event well deserved a toast, and public attention has been called to the remarkable progress that Atlantic co-operation has made in preparing Europe's defences. Nato itself is developing power and personality; indeed, one of the most remarkable things about it is the way in which it has outstripped the organisation of Europe, about which there has been in the past far more discussion, research and propaganda. Being at this early stage primarily a military organisation, it has grown stealthily and at times has enjoyed all the advantages of being a cabinet without the disadvantages of being responsible to a parliament. It has developed novel methods of consultation and persuasion, and it has now come to the point where it will have a permanent headquarters in Paris and a central team to do its work.

No one really knows in what direction Nato is heading. So far it has developed by trial and error. First it swelled; now it is contracting. First it was vastly ambitious in its armament and economic plans; now it has become more modest. It represents a compromise between Mr Bevin's taste for "functionalism" and the American taste for organisation as such. Its leading statesmen declare that they aim at an Atlantic community; but when its minor statesmen try to find out how the small nation would fare in such a community they find ideas still vague. Indeed, there has been little deliberate thought about the institutions that such an experiment would require. For Nato has concentrated quite properly on defence in its widest aspects.

Two things, however, are certain. The organisation is not consciously moving towards either federation or confederation. Nothing it has done, or proposes to do, involves formal modification of the sovereignty of national governments; on the contrary this sovereignty is jealously guarded. Yet in some respects it is a tighter body than the Commonwealth. There is no voting in the executive body of Nato, the Atlantic Council, and decisions are unanimous. If the seed of the Atlantic community is to be found anywhere outside the many common interests of Nato members, it is in the habits of work that have developed between ministers, ambassadors and permanent officials. On many matters there is now a Nato as distinct from a national point of view. Whether the 14 nations can advance far beyond this depends above all on their ability to help one another in economic matters, both during and after rearmament.

* * *

Cold War Broadcasting

During the debate on the overseas information services last Wednesday, the House of Commons was told that the BBC's grant in aid from the Treasury would be increased as much as is necessary to cover its anti-jamming activities without affecting its existing services. This is a welcome announcement. It should prevent an intolerable situation in which the Russians could to some extent dictate the size of the BBC's overseas broadcasts. For the considerable success so far achieved, at great expense, by the BBC in countering Soviet jamming of its broadcasts to Eastern Europe and the Soviet Union is not likely to discourage the Russians from bigger and better efforts in this direction; and if the BBC were forced to finance its countermeasures from its static Treasury grant it would be bound to do so at the cost of existing services.

The debate betrayed a lively anxiety on both sides of the House lest the proposed cuts in the information services should prove serious handicaps in the cold war without making any noticeable contribution towards restoring Britain's economic position. Such anxiety is justified; but it tends to become exaggerated by a failure to distinguish clearly between which information services can properly be classed as vital in the cold war and which can not. The provision of news and information to Western Europe is not in the same category of urgency as broadcasts to Communist-dominated countries, however true it may unfortunately be that Britain's case can seldom be allowed to go by default even with its closest friends and allies. When it is a case of deciding between these two priorities, it is clear which must come first. Broadly speaking the Government seems to be making the right disposition of its information resources.

All the same, Mr Nutting was quite right when he said it was high time that there was an inquiry into the political and strategic aspects of the whole range of Government information activities. But it is a pity that this inquiry should be restricted to the Government departments concerned, together with the BBC and the British Council. An independent inquiry would be much more worth while. If a new and coherent policy is to be worked out it is neither fair nor satisfactory to ask the interested parties to be judges in their own cause.

* * *

The Tory Backbenchers

The excellence of Mr Iain Macleod's speech in the debate on the health service has caused its significance to be overlooked. He deployed from the Conservative back benches an unusually powerful argument against Mr Bevan. But his speech was also a most important piece of Tory internal politics. Mr Macleod's attack on the Opposition diverted attention from the fact that his real victory was not over Mr Bevan but over his own front bench. The Bill which Mr Crookshank, Minister of Health, commended to the House was no longer the Bill which the Government suggested two months ago. It was more Mr Macleod's Bill. The back-benchers' health and social services committee, of which he is chairman, had secured big modifications by getting the exemption age for dental treatment raised from 16 to 21 and by securing free dental inspection. This type of back bench activity may well score another victory within the next week or so, if the Cabinet yields to the equally insistent and well-organised demand from another group of its supporters for sponsored television. Such pressure is also apparent in the drafting of the Transport Bill.

Mr Macleod's grasp of the problems of the health service goes back to the days when he was one of Mr Butler's chief staff officers at the Conservative Central Office. His speech was so much better than that of most that are made from the Government front bench that it revives more sharply than before the question of last October—why he and several like him were not given at least junior ministerial posts. Mr Macleod is only one of a number of back benchers of known ability who were left out of Mr Churchill's government. The most remarkable aspect of the continuing high morale of the Conservatives in Parliament is the fact that these men do not show the sense of growing frustration which in the Parliament of 1945 so quickly became apparent on the Labour back benches, and which helped to bring some members into open and repeated conflict with their leaders.

There are several reasons for the difference. Some are personal, and it is also important that the Tory party has always secured greater solidarity from its rank and file. It has, too, organised an effective system of thirteen back bench committees, including the 1922 committee, through which the energies of the more active back benchers can be canalised. But probably the chief reason is essentially the simple one. Every Tory back bencher knows that the present pattern of the Government cannot remain fixed for very long. Sooner or later Mr Churchill is bound to make way for someone—almost certainly for Mr Eden—and Mr Eden's government will certainly draw less heavily on the Lords and on the party old stagers and more readily on the men of talent. Moreover, Mr Butler, the leader of the party reformers, is now so firmly installed in one of the citadels of power that the battle can confidently be regarded as won. The younger Tories can afford to wait and to occupy themselves in the meanwhile trimming their elders' bills and baiting their opponents.

* * *

Wages and Salaries

The TUC has declared that the "inequity" of the Budget will compel trade unions to demand wage increases; Mr Deakin's encouragement for a forward wage policy is all the more significant by reason of his reputation as a responsible moderate; and the moral support provided for a new and ambitious round of wage claims by Mr Gaitskell's speech in the Budget debate is not likely to have been wasted.

Any argument which justifies wage increases by reference to the Budget is an argument from the hardship of the lowest-paid worker; but wage increases in practice cannot be limited to those for whom the net result of the Budget is genuinely a reduced standard of living. The principle that differentials must be retained can be counted on to ensure that any increases justified by the appeal to hardship will be matched sooner or later by claims on behalf of the higher-paid beneficiaries of Mr Butler's tax reliefs. The notion of a proper hierarchy of incomes does not, however, extend to the professional classes. Mr R. G. D. Allen's memorandum of evidence, which formed part of the British Medical Association's case before Mr Justice Danckwerts, showed in a nutshell the economic decline of the professions, relatively and absolutely, since the war. Real disposable national income per head increased by 7 per cent between 1938 and 1950; wage earners gained between 20 per cent and 25 per cent without counting benefits under the social services; and property incomes and professional earnings declined by roughly 25 per cent apiece.

The Danckwerts award, interpreting the recommendations of the Spens Committee, ensures that the medical profession shall be no worse off than other professions; it does not by any means restore the family doctor as such to his prewar place on the economic ladder. Even this measure of improvement, however, has been enough to draw from Mr Bevan the extraordinary statement that "the gap between professional awards and manual workers' standards is getting too wide." (The appropriate comment, after all the levelling of the past twelve years, is that made by the Red Queen to Alice: "I've seen hills compared with which this is a valley.") Of course an average increase of £10 a week looks large to workers whose total earnings fall short of that sum.

A great idea...a
DAKS
town suit

This town suit is an asset to any business man. Superbly tailored in the finest worsted, it gives you the comfort-in-leisure for which Daks are renowned. Choose in a single-breasted style also if you wish—from a wide range of cloths specially woven for Daks in a variety of patterns. And remember the handsome reduction in cost to conform with revised Purchase Tax.

SIMPSON TAILORED

But objectors to any perpetuation of the differential between professional and manual earnings should ask themselves whether a community urgently needing high professional skills is likely to get them from professional workers reduced, over years of attrition, to the artisan's economic level. Too high a price can be paid for the equalitarian's "social justice"—or class animosity.

* * *

The Exile of Seretse Khama

Two British governments have now decided that Seretse Khama cannot be chief of the Bamangwato tribe in Bechuanaland because he has a white wife. The present government was in no way committed to the action of its predecessor; on the contrary, while it was in opposition it was critical of Labour's handling of the affair, and Lord Ismay righted the wrong which the Labour government had done to Tshekedi Khama. But even he, who in order to do justice to an individual dared to go against the advice of independent observers, was convinced that Seretse ought not to go back to his native land as chief. When his tribe has settled down under a new chief he may return, like his uncle, as a private citizen, provided he gives a similar undertaking not to engage in politics—an undertaking which so far Seretse has refused to give.

This unanimity of Labour and Conservative governments, when a change of government would have allowed a change of policy without loss of face, makes it clear that there are strong reasons for Lord Ismay's decision, which is now supported wholeheartedly by his successor, Lord Salisbury. What is so perplexing about the whole affair is that no convincing reasons have ever been made public. If Seretse's tribe had persisted in its original opposition to his marriage, that would have been reason enough. But all the reports go the other way. The tribe apparently will have no one but Seretse, and it is far from certain that Lord Salisbury will be able to persuade the deputation of Bamangwato elders now on its way to England that they must choose another chief. There would also be good reasons, though not so good, for excluding Seretse if the government feared resentment and trouble among the other tribes of Bechuanaland and in Basutoland were Seretse to return as chief with a white wife. If this is the case why not say so?

There remains the effect of his return on opinion in South Africa. Lord Salisbury denied emphatically in Monday's debate that there had been any communication with the Union government or that the decision was taken to placate extremist opinion in the Union. No one would seriously make either suggestion. But has the Government been influenced by a desire to strengthen the position of the moderates in the Union, who, as Lord Salisbury himself pointed out, would see a rallying of opinion in favour of the extremists were Seretse to return? If so, then it is a bad reason for excluding him, because it is a reason that no British government would want to make public; and in a case like this, where both individual rights and tribal wishes are being denied, the Government's reasons should not only be convincing to itself, they should be clearly and publicly stated.

* * *

London Talks on Trieste

The past week has brought nearer a basic change in the administration of Zone A of the Free Territory of Trieste, but it has probably seen the ultimate solution to the problem of the two Zones pushed still further away. Talks began in London on Thursday between the Americans, British and Italians about giving Italy a greater share in the administration of Zone A, and possibly, later on, in the military responsibility for it. On Monday Marshal Tito made a brilliant but bitter speech, rejecting the allies' right to make any change in Zone A without his consent. The London talks can hardly fail to bring the Italians into it in some way or other, but this very fact prejudices their case with Jugoslavia. The justice of Italian claims at least to share in its administration is now generally recognised.

Marshal Tito has created new difficulties by his uncompromising attitude. There is no wish whatever in the west to add in any way to his internal difficulties, whatever they may be; but his assertion that nothing should be done in Zone A without his consent is against the logic of present events and against every western interest. Action is now being taken only because the long drawn-out failure to reach general settlement has created an intolerable atmosphere in Zone A. In his speech Marshal Tito went out of his way to attack the view expressed in *The Economist* that the acceptance of Italy as an ally of the west has changed the situation in Trieste; by refusing to face this fact and by calling Signor Gasperi—of all men—a Fascist, he showed less than his usual realism.

Every effort must now be made to ensure that creation of a new regime in Zone A does not wreck the chances of a final settlement. This depends in the last resort on relations between Rome and Belgrade. To Marshal Tito's heartfelt but unfair question: "Why do you want us to be always the ones to pay out of our blood and material resources?" the Italian Prime Minister has replied that the London talks are "prudent and limited in scope," that Italy wants, "in the case of the Free Territory, no renunciation but also no adventures," and that "as far as we are concerned, we ask of you nothing which humiliates you, nothing of that which belongs to you, nothing which can prejudice the hoped for collaboration between (our) two peoples." This was a statesmanlike approach in very difficult circumstances, and some of Italy's own hotheads would do well to ponder over it. Likewise Marshal Tito should understand that what he says and does will deeply influence the prospects of maintaining a reasonable and democratic government in Rome.

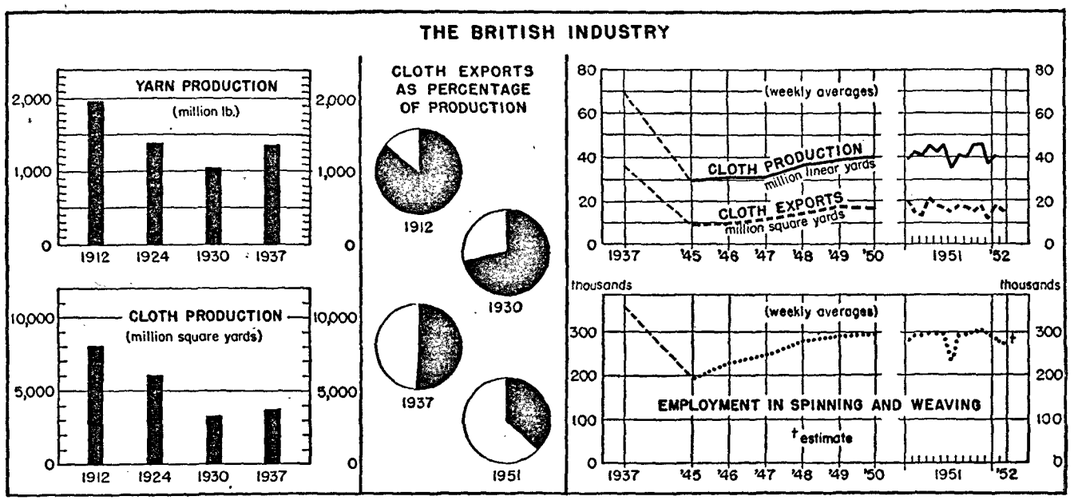
* * *

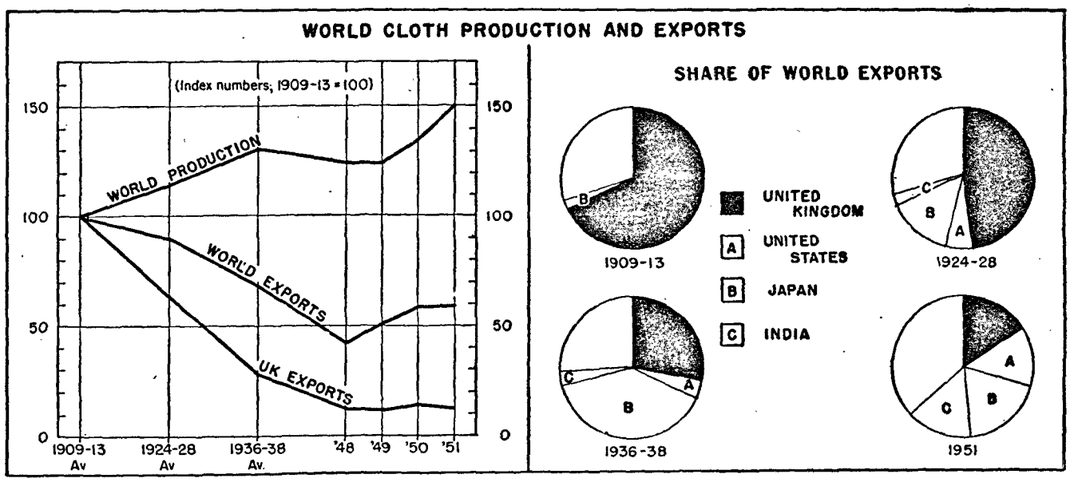
New Stage in Tunisia

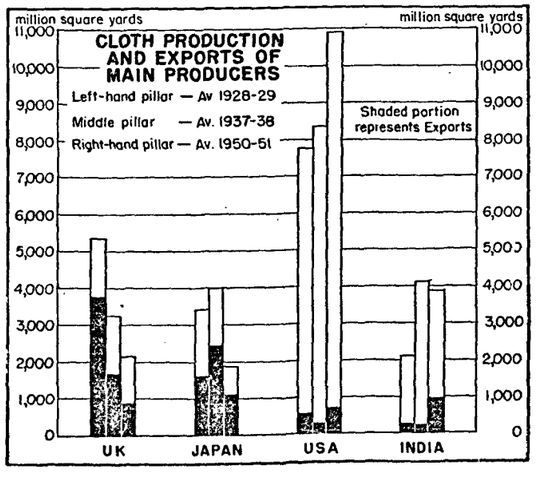
The new French reforms proposed for Tunisia run the risk of proving too little and too late. That is not because they are inherently unreasonable, but because they have been made only after riots and arrests have embittered nationalist opinion; proposals that might have had a fair chance of acceptance in December look quite different the following April. At the same time, it is worth a good deal to have brought to an end the indecisions of successive gove[illegible]om [illegible]ared in Paris and for the new Resident-General, M. [illegible] BBC [illegible]anised cloque, to have taken bold and successful action[illegible]s static [illegible]tees, in has the reputation of being progressive as w[illegible]e cost of [illegible]rie[illegible]ell intelligent as well as confident. If, as he [illegible] [illegible]belie become as impossible to bridge the gap betw[illegible] [illegible]r[illegible]een the Neo-Destour ministry of M. Chenik as for the British and the late Wafd government in Egypt to meet on common ground, the unfortunate events which have led to the designation of M. Baccouche as the new Prime Minister may yet prove the beginning of a measurable step forward.

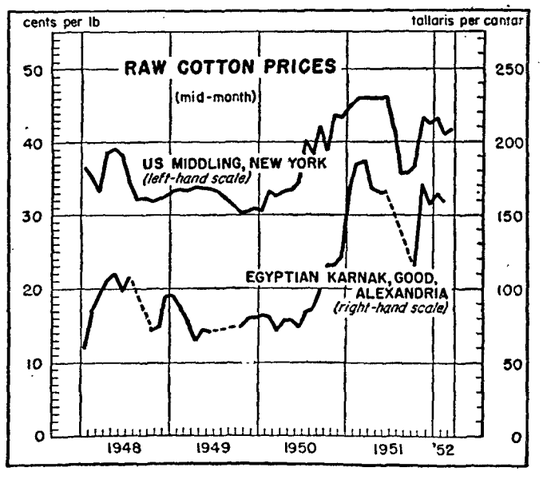
Meanwhile, the approach of fifteen Arab and Asian states to the Security Council has yet to be accepted or rejected. Even the acrimonious international debate as to whether the Tunisian dispute is admissible to the Council's agenda or not can hardly fail to fan the flames of nationalist irritation in Tunisia itself. On purely legal grounds the French are certainly justified in denying the Tunisian right to be heard, and some recognition of this fact appears to be shown in Syrian and Lebanese hesitations about backing the claim. On the other hand, as its Pakistani sponsors in effect assert, a move forward in the political evolution of North Africa is now inevitable and, if it cannot be achieved through negotiation and agreement by those on the spot, there is a case to be made for focusing on it the attention of others. Once Libya had achieved independence, some change in Tunisia became

THE COTTON INDUSTRY









only a matter of time. It is a direct interest of the free world that this change should take place peacefully.

The only way in which this can now happen in the foreseeable future is for the new French reforms to be accepted and made workable. It may be said in their favour that they at least reaffirm the sovereignty of the Bey and accept the principle of gradually creating a responsible Tunisian Government. The Resident General's powers are to be restricted and Tunisians are to assume much greater responsibilities in the civil service. These proposals do not meet Tunisian claims for an immediate national assembly based on universal suffrage. But it is unlikely that this demand would receive the support of all the more moderate elements in Tunisia at this stage, provided that a sincere advance is begun in other ways. A solution in Tunisia is not unattainable, if both sides can be brought to respect each other's intentions.

* * *

Ignoble Economics

The Lords had intended to debate the economic situation on Tuesday, but they fell to quarrelling instead. Lord Pethick Lawrence made the now familiar attack on Lord Woolton for having promised that the food subsidies would not be cut. Whatever the truth about whether or not Lord Woolton offered his resignation, and whether if offered it should have been accepted, Lord Swinton's defence of him hardly helped Lord Woolton or the Conservative party. He claimed that the Government had to change its mind when it discovered what a "terrible mess" the country was in. "Never," he added, "was a country kept so much in the dark." When this statement was challenged by Lord Pakenham he lost his temper.

However annoying Lord Pakenham's interruptions, they had right on their side. It was during the month of the election campaign that the gold and dollar reserves ran out most rapidly. The normal information was published, the gold and dollar reserve once a quarter and the balance with the European Payments Union once a month. Mr Gaitskell did not minimise the dangers in his speech to the bankers early in October. It is true that the electioneering speeches of Labour candidates did not stress this uncomfortable aspect —but, though there were honourable exceptions, the majority of Conservative candidates also ignored realities in favour of vote-catching promises about housing, food and the social services. It is good party politics to be shocked at one's opponents' party politics; but a more constructive debate was to have been expected from the House of Lords.

Only one or two peers considered seriously whether the Budget was adequate for its task, and these were not among the chief spokesmen of either Government or Opposition. If the Conservatives were unconvincing in their defence, Labour peers were even more so in their effort to reconcile the claim that the Budget is inadequate with the claim that it was wicked to cut the food subsidies.

* * *

The Logic of Steel Prices

In moving that the Order raising iron and steel prices should be annulled, Mr Strauss, the former Minister of Supply, made a triple attack on his successor. He claimed, first, that Mr Sandys's statement that he had had no disagreement with Iron and Steel Corporation was untrue; he challenged the Minister to deny that Mr Hardie had written to him on January 24th, on behalf of a unanimous corporation, opposing an immediate rise in steel prices. Mr Sandys refused to produce this letter; his summary of the correspondence was a strange story of Mr Hardie's changes of mind and still did not make clear what the rest of the corporation had thought. Mr. Sandys seemed to be unnecessarily secretive, but at least there is no doubt that his only final disagreement with the corporation concerned the subsidy on imported finished steel.

As the second part of his attack, Mr Strauss accused the Government of having political motives for raising steel prices; it was trying to increase the profits of the steel industry so that it would be easier to sell back to private owners. Even if this were true would it not be a fair retort to Mr Strauss, who made the stock almost unsaleable by announcing that it would be renationalised at the original compensation price when Labour was again in power? But Mr Sandys had no difficulty in showing that, to set against gross profits of about £60 million, the industry would have to meet increased costs of about £70 million on home and imported supplies. At least it will be granted that he is under no obligation to make the industry less profitable.

Finally, the Opposition maintained that the price increases were bad for the economy. Their arguments were childish. Higher steel prices in the home market will check demand and help to divert supplies to rearmament and to the engineering exports on which solvency depends. While demand for capital goods is so strong in export markets, and while British steel prices will still compare favourably with those of other countries, it is clearly nonsense to talk of impairing Britain's competitive power. With the balance of payments in its present state, British exports should be sold as dearly as possible. A more proper criticism of the Government would be, as indeed Mr Sandys himself said, that the increase in steel prices is too little and too late.

* * *

Conflict over Farm Prices

The schedule of agricultural prices for 1952-53 has been delayed far beyond the normal date because the Government and the farmers' representatives cannot agree. The deadlock is hardly surprising. The farmers' unions have been pressing for a substantial increase in prices in order to offset a substantial rise in costs whose existence the Government cannot deny. The Treasury, however, has had the best of reasons for opposing the farmers' claims with all its might. Not only is the Government pledged to a general policy of financial retrenchment, but large concessions to agriculture are especially awkward when they come so soon after the cut in the food subsidies. To give the farmers their way would necessitate further rises in food prices beyond those now allowed for—with obvious effects on the Government's popularity.

This year's price negotiations have been a version of the irresistible force meeting the immovable mass—and at the time of writing it is uncertain which will prevail. At any moment a compromise may be reached which receives at least the grudging acceptance of the National Farmers' Unions, and in any case the announcement of the new prices cannot be much longer postponed—the delay is already vexatious to farmers.

Whatever the result, one point requires immediate emphasis. It is under the Agriculture Act the exclusive responsibility of the Government to determine farm prices each year. The Government's obligation to the farmers' unions is limited to preliminary consultation, and its final decision is meant to be made in the interests of the nation as a whole, not a bargain struck between equals. The late Minister of Agriculture allowed a convention to grow up that the price schedule should be such as to obtain the blessing, or at the least the acceptance, of the farmers' representatives. This is an objectionable convention from a constitutional standpoint. It means in effect that a Minister who flouts the farmers' wishes will lose his prestige with the industry for which he is responsible—and therefore may well find his office almost untenable. This year's conflict should at least have removed all doubt that the whole system of agricultural price-fixing needs overhauling, both from the farmers' standpoint and in the interests of good government.

* * *

The Base at Antwerp

At the end of last month the Belgian Parliament became strangely absorbed with the question of "Operation Gondola," the proposed British military supply base at Campine, behind Antwerp. This will be in future the main and only British base of its kind in Europe. The installations to be built at Campine will, in fact, be Europe's main assurance of the permanence of Britain's military commitment on the Continent. It is important because it enables the British to shorten and strengthen their lines of communication, which at present lie through the strategically vulnerable ports of Bremerhaven and Hamburg. It is, or has been, controversial because Communist and ex-Fascist ("Dinaso") circles in Belgium chose to make it so.

The arrangement, which was agreed in principle by the two countries eight months ago, means that Belgium will provide four thousand acres free of charge and one-tenth of the cost of the installations (about 130 million Belgian francs) in return for an immediate gain in morale and security—since the defence of Belgium becomes more obviously important. In the case of American-financed infrastructure on the Continent, the country of location has to contribute at least 20 per cent of the cost. There is also a future gain in the installations themselves (warehouses, workshops, fuel tanks, dock and railway improvements, etc.) in the event of an east-west *détente*.

The Belgian Government tried to complete the transaction without reference to Parliament, on the grounds that it was covered—which it clearly was not—by the clauses in the 1946 Anglo-Belgian agreement concerned with the communications of the British army of occupation in Germany. But extremist agitation, and the underlying dislike even in moderate circles of assuming international obligations, forced them into last month's debate. The result was an almost unanimous and cordial welcome when the benefits to Belgium became as clear as the benefits to Britain.

* * *

Delhi Faces Economic Facts

Although the recent shake-out in Indian prices has sometimes been referred to as a slump, it has in reality been no more than a healthy readjustment which has done more good than harm. It is partly a reaction to the government's more determined deflationary policy following the agreed decisions reached at the Commonwealth Finance Ministers' Conference last January. Indian wholesale prices have now fallen by about 20 per cent from their peak to a level around the average before devaluation in September, 1950. The main results have been to catch out the speculators and, so long as the present trend back towards stability continues, to put the economy in a better state to meet a real slump if it comes. The only lasting damage of any importance may be the falls in the prices of jute goods and cotton textiles, which imply an adverse movement in India's terms of trade.

The government in Delhi has done well to stand fast on the main lines of policy that it has been developing over the last few months, in spite of strong representations in the early stages of the recent "crisis" to reduce taxation, to abolish export duties and internal controls, and to make money more readily available. Admittedly, certain export duties have been reduced and import cuts have now been made in order to bring overseas payments into balance. But in general the government has, since last year, pursued a policy which has been consistently deflationary. It has produced a large budget surplus, raised the bank rate, stopped the Reserve Bank buying government securities at fixed rates, and tightened private bank credit, all at a time when industrial production and the output of cash crops has been rising.

These are bold and realistic policies, which suggest that the administration in Delhi is prepared to face economic realities with skill and determination, in spite of pressures from both the business Right and the political Left. What will be even more difficult for the government to decide, however, is the future division of resources between capital development and the meeting of current needs. Much of the American aid so far provided for India has had to go on food. If aid is to be increased in the coming years—as it is likely to be—courage will be needed to see that the maximum possible amount goes into capital development. Per-

Commercial History and Review of 1951

This week's issue of the *Records and Statistics* Supplement to *The Economist* includes the third part of the Commercial History and Review of 1951—the 89th of the series which began in 1863.

Part III consists of overseas economic reports and completes the review of 1951. Part I, which was published on February 16, provided a general review of British economic developments last year, and special articles on finance, investment, overseas trade and agriculture. Part II, published on March 15th, contained articles on all important British industries.

The *Records and Statistics* supplement is obtainable by subscription only, at £2 10s. a year; a combined subscription to *The Economist* and *Records and Statistics* costs £5 a year.

When trading with Switzerland, you will want to ensure that you are dealing with a dependable banking organisation able to serve you efficiently. The Head Office of the

UNION BANK OF SWITZERLAND

and its Branches throughout the country welcome the opportunity to place their long and varied experience at your disposal.

Head Office: ZURICH, Bahnhofstrasse 45,

Union de Banques Suisses Schweizerische Bankgesellschaft

Over 30 branches throughout Switzerland

Capital, fully paid	...	Swiss Francs	80,000,000
Reserves	...	Swiss Francs	55,000,000
Total Assets	...	Swiss Francs	1,863,864,281

Cable address for Head Office and all Branches: BANKUNION

haps the real importance of the events of the last few months is to suggest that the government can and will on occasion take unpopular decisions in order to build up the Indian economy on a sound basis.

* * *

Charges and the Ceiling

A year ago, Mr Marquand's balance between the total health service estimates and the ceiling of £400 million was very small, and it became even smaller in the course of the year with the arbitration award of £1 million to Scottish dentists. This year, it looked as if Mr Crookshank was going to have a bigger balance in hand but since the publication of the estimates the arbitration award to doctors, for which he has to thank his Labour predecessors, has knocked it for six.

Last week, in the second reading of the delayed National Health Service Bill, Mr Crookshank announced how the award would affect the ceiling. On the assumption that Parliament votes the money needed to implement the award, the back payments will be taken out of the account altogether. In other words, Mr Butler's surplus will be run down to the amount of some £30 million. When it is decided what doctors' remuneration should be in the new financial year, 1952-53, in the light of the Danckwerts award, the limit will be extended accordingly, and presumably a revised estimate will be submitted.

Mr Crookshank's nominal balance of about £8 million justifies his assertion that the new limit will not be very much higher than the old in the year 1952-53. But there is every prospect of higher costs next year. For one thing, the raising of the age limit for exemption from the charge for dental treatment to 21 and imposing no charge on examinations will cost about £1 million. More important is the steady increase in the cost of the hospital service. As the following table shows, the advances to hospital boards (for which incorrect figures were given in *The Economist* last week) have gone up inexorably from year to year:—

(£ Million)

	Total Advances	*Of which for Maintenance*
1949–50*	220·7	*210·0*
1950–51*	251·1	*244·0*
1951–52	274·4	*260·8*
1952–53	295·7	*285·7*

* Actual advances, except advances for maintenance, which are estimated.

Mr Crookshank has decided that the award to doctors should be borne by the taxpayer and not by the patient in heavier charges. But what is he going to do next year if the hospitals submit higher budgets merely to keep pace with higher prices? It may be that the charges will exercise a greater deterrent effect than has been allowed for in this year's estimates—from Mr Crookshank's speech it appears that the deterrence of the prescriptions charge is valued at about £5 million. But the margin in hand cannot be large, and there can be no confidence that Mr Crookshank can spare the taxpayer from yet more burdens without imposing further charges on the patients.

* * *

Constables and Congestion

The Association of Chief Constables, at a conference in Warwickshire last week, discussed the ever-growing traffic congestion in big towns. The improvements that they could urge upon the Government would touch only the fringe of the problem, which can hardly become less acute while the policy of reducing capital investment lasts. The Ministry of Transport, it is true, will be spending more on the roads this year; the estimate of £34 million shows an increase of £3½ million over the estimate for 1951-52. But the extra expenditure will be absorbed by higher costs and does not allow for constructional work that could help to relieve traffic jams.

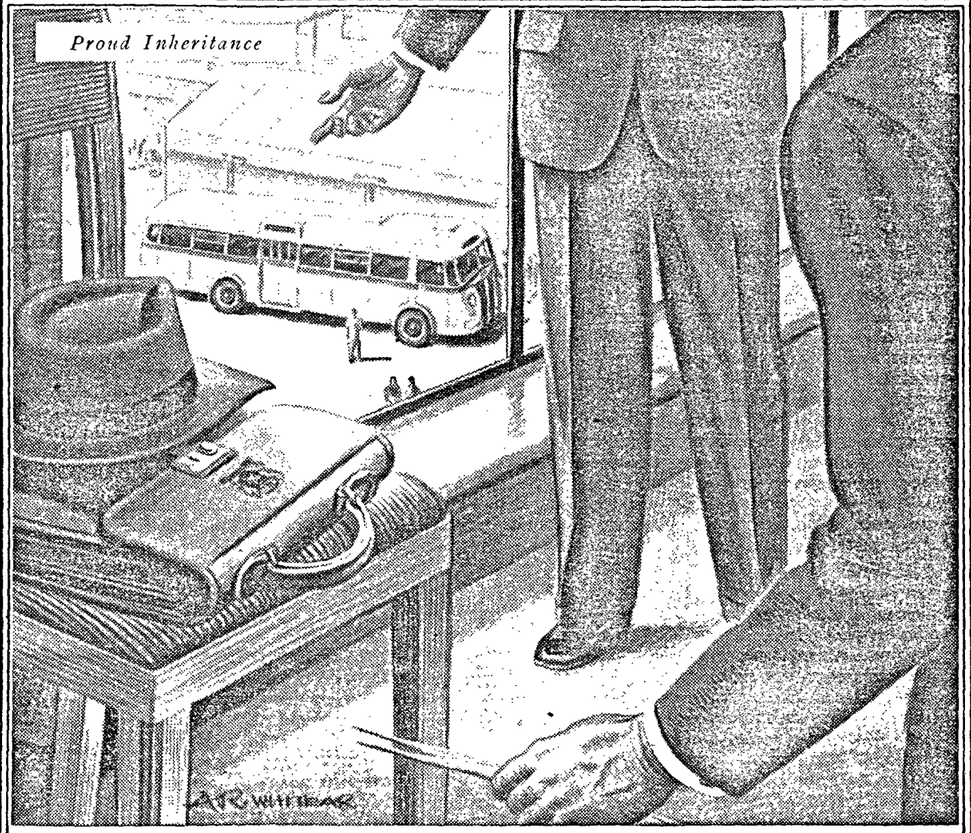
A little can be done by applying the traffic regulations more widely. Waiting on both sides of the road slows down the traffic on the main streets and, in side streets especially, petrifies it into immovable blocks. The Minister of Transport's announcement on Monday that he is considering plans for extending "unilateral waiting" is welcome, though the designation of the streets in which waiting on one side only is permissible involves lengthy negotiations with the local authorities. It is to be hoped that the matter will be pursued with as much speed as possible.

Any extension of the regulations involves another problem—the shortage of police to enforce them. For the sake of convenience, many motorists are prepared to run the risk of being fined for obstruction, and even to flout such regulations as the complete ban on waiting in "yellow band" roads. The existing police would be more effective if the fines that followed their prosecutions were heavier. But is it fair to impose heavier penalties for illegitimate parking while the facilities for legitimate parking are so inadequate—and are, if anything, becoming more so as bombed sites are returned to their owners? A census of parking in the City of London on a day in 1949 showed that the accommodation was just about half what was needed. But all the same, it was not fully used. If that were generally true of the big towns there would certainly be a case for sterner treatment of the unprincipled parkers who are a small proportion of motorists but who cause a disproportionate amount of trouble.

Party Issues

There is much in the present posture of affairs that is both annoying and perplexing to sincere and conscientious men of all parties. Few can feel that they have a perfectly clear and satisfactory path before them, in which they can walk without *some* degree of doubt, some regret, some feeling that they are sacrificing one object to another. . . . Those who love Free Trade much, but who love Conservatism more; those whose hearts are with Mr Cobden on one question, and with Lord Derby on all others . . . those, again, who desire a progressive policy on the whole, but who are favourable also to a fixed duty and to indirect taxation; those, finally, who deem the general views of the late Ministry to be sound, but who are dissatisfied with their style of administration, and who are anxious for a stronger and more comprehensive Government; are all more or less puzzled and uneasy as to the course which it behoves them to pursue in the impending contest. . . . We can keenly sympathise with the perplexities to which many earnest and excellent patriots will be exposed by this circumstance. We can well imagine that a Free-Trade candidate nominated by the revived League, and sound and strong upon this one question, but narrow, extreme, and incompetent on every other, might be opposed by a man whose general views were wise, moderate, and statesmanlike, but who had a special crotchet in favour of dispensing with the income tax by raising a revenue from imported grain. To thoughtful and honest electors who are environed with difficulties of this nature, we offer our full sympathy and our true appreciation. But we would say to them: Define distinctly what it is you wish, and what it is that is attainable. Ascertain clearly to your own mind what is your chief purpose, and then consider in what way that purpose can be best achieved. Is not the irrevocable establishment of our Free-Trade policy the first, the most urgent, and the most paramount object of the day?

The Economist
April 3rd, 1852



I shall recommend my Government to order more than a thousand!

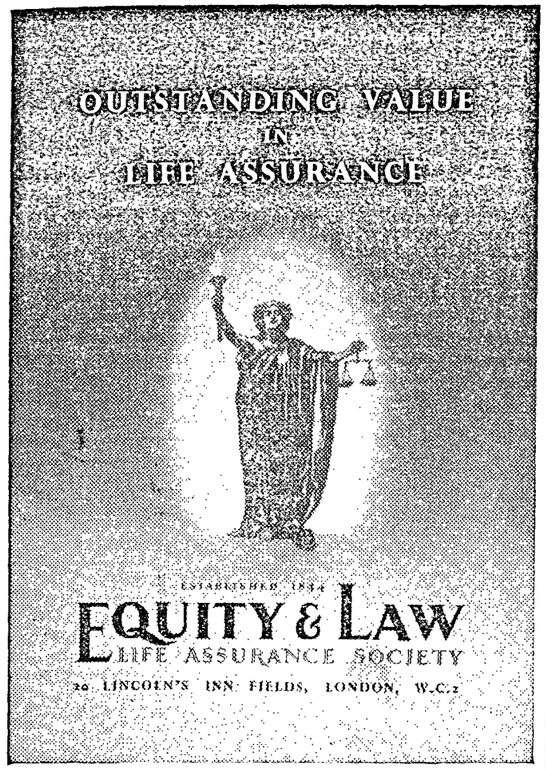
It was one of the biggest orders for passenger vehicles that a British company had ever received; and coming as it did soon after the second Great War it showed the whole of Britain that her great reputation for quality was still intact. When the Netherlands Railways were faced with supplying their country with a completely new passenger vehicle system after the German occupation, they came to Crossley and ordered well over a thousand chassis from them . . . not because they had heard of the superlatively built vehicles produced for the Allied armies, nor even because of the fame Crossley engineers had won for advanced design (they built for example the very first British oil-engined bus in 1931): but because for more than forty years a policy of the highest possible mechanical standards had been faithfully pursued by the Company; a distinguishing quality which has always been associated with the famous name of Crossley.

CROSSLEY

FOUNDED IN THE TRUE TRADITION OF BRITISH CRAFTSMANSHIP

Crossley Motors Ltd., Errwood Park, Stockport, is a member of the Group of Companies controlled by Associated Commercial Vehicles Ltd. of which the selling organisation is

A.C.V. SALES LTD., 49 BERKELEY SQUARE, LONDON, W.1. *Telephone:* REGENT 2141



It's the wise man who knows that if you take care of your shoes your clothes will take care of themselves.

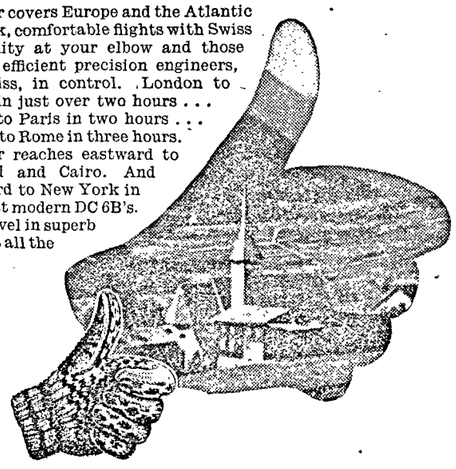
LOTUS shoes are made for such, having an eye to the fine points of appearance. Their leather, their lines, their workmanship and multiple measurements provide each with the perfect fit.

LOTUS SHOES

FOR ALL MEN AND MOST OCCASIONS

Comforting thought for you...

Swissair covers Europe and the Atlantic ...Quick, comfortable flights with Swiss hospitality at your elbow and those steady, efficient precision engineers, the Swiss, in control. London to Zurich in just over two hours ... Zurich to Paris in two hours ... Geneva to Rome in three hours. Swissair reaches eastward to Istanbul and Cairo. And westward to New York in the most modern DC 6B's. You travel in superb comfort all the way.



SWITZERLAND - LONDON

SERVICES FROM ZURICH, GENEVA, BASLE AND BERNE. ALSO FLIGHTS TO MANCHESTER FROM ZURICH.

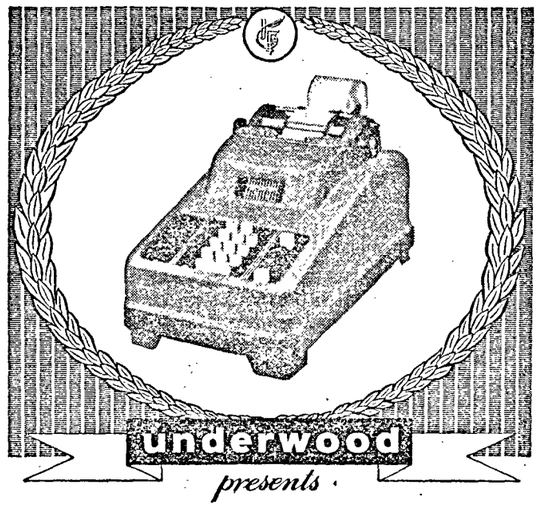
SWITZERLAND - NEW YORK

FROM GENEVA DIRECT, OR FROM ZURICH VIA FRANKFURT.

Fly SWISSAIR

you'll enjoy it

CRC 27



THE UNDERWOOD SUNDSTRAND ADDING MACHINE

The wide range of Underwood Sundstrand Adding Machines, now becoming available from our Brighton Factories, includes a model especially suited to handle all your adding/listing needs. **Simpler, easier and faster,** Underwood Sundstrand brings to your organisation **Efficiency, Accuracy and Economy.**

UNDERWOOD • ELLIOTT FISHER • SUNDSTRAND

Speed the World's Business

UNDERWOOD ELLIOTT FISHER LTD., 4-12 New Oxford Street, London, WC1
Tel. CHA 3131 *Factories: Brighton, Sussex* *Sales and Service Everywhere*

Letters to the Editor

Equality and Equidistance

Sir,—A Note in your issue of March 29th criticises my speech in the House on March 21st. The amusing and untenable argument you adumbrate seems to be that because some parts of this island are rainier and hillier than others (features which man at present finds uncontrollable) therefore this island should not be treated as a unit for transport (which is controllable). Is there not a *non sequitur* here ?

You ask "Once one has exalted equality unconditionally above the rational use of resources, why stop at transport ?" Surely this not only begs the question but is also open to the grave objection that it imputes to me views (by both extension and limitation) which I did not express ; which are not necessary to my argument which was solely on transport and not on other things ; and which tend to mislead persons who have not read Hansard. Indeed, your question reminds me of the story about the man who jumped on a horse and rode off furiously in all directions at once.

My argument was confined to transport and was, simply, that it would be rational to treat this island as a unit for the fair distribution of essential resources, e.g. food and heat. This island is a unit in many ways, e.g. geographically, politically, economically and culturally as well as for defence purposes. Surely it is irrational to treat it otherwise than as a unit for the distribution of essential resources especially when this penalises its various parts and groups in a variety of ways: the fishermen, whose skill in naval warfare is an important feature of our defence ; the railways, for at present less fish is carried than is caught ; and the consumers who get less fish than they otherwise would get and pay more for it.

Perhaps I may venture to quote a brief extract from my speech, which you criticise, on the present system which damages our unitary community,

> economically, for the reasons I have indicated ; ethically, because it is wrong ; politically, because it is separatist ; and strategically, because it is a military and naval danger.

You ask "why stop at transport ?" My answer is, I did not say a word to affirm or deny stopping at transport ; transport is the matter we are discussing ; and other applications of the doctrines of equality can with more relevance be discussed in their proper places. One might perhaps, with equal relevance ask "why should outliers pay taxes for services which are in the main spent for the benefit of the large urban centres" but that, too, is another question to which a variety of other considerations apply.

Permit me to add, with respect, that it ought to be possible to discuss this matter without an observation like that which impairs the objectivity of your opening sentence.—Yours faithfully,

HECTOR HUGHES
House of Commons

A Swedish Contribution

Sir,—The review of our little symposium on "Wages Policy under Full Employment," in your issue of March 8th, contains a serious error. To imply that Professor Lundberg's liberalistic outlook is that of a Swedish Social Democrat must give people a very peculiar idea of our party.—Yours faithfully,

G. REHN
Swedish TUC

Sponsored Television ?

Sir,—In saying that sponsoring in television "is payment by commercial firms for the right to attach advertising appeals to some of the programmes" I think you encourage the confusion which has muddled recent controversies on all forms of broadcasting. You permit advertising in *The Economist*, but you do not conclude your leaders with the ejaculation "*Somebody's Mother isn't using Persil*," nor announce that your American Survey comes to your readers by the courtesy and at the expense of Stork Margarine. Yet that is what "sponsoring" commonly means,

Good fare can be appreciated more after a glass of DRY FLY SHERRY. It is the best appetizer at cocktail time.

20/- bottle • 10/6 half-bottle

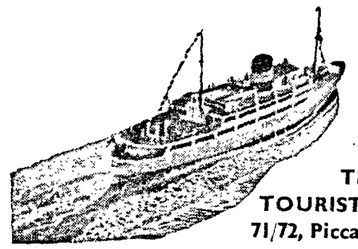
From your Wine Merchant or :
Findlater Mackie Todd & Co., Ltd.

DENMARK
for your next holiday

Within the travel allowance

The charming country of hospitable people, delightful beaches, gay cities and attractive scenery.

Travel via
HARWICH — ESBJERG
by comfortable m/v "KRONPRINSESSE INGRID"
or m/v "KRONPRINS FREDERIK"



For tickets and further information apply to your local travel agency, or to

THE DANISH TOURIST BUREAU LTD.,
71/72, Piccadilly, London, W.1

Liberty or Equality

ERIK VON KUEHNELT-LEDDIHN

The implications and dangers of Democracy, in a new light. "*Bold, lively, speculative, precise and encyclopaedic. . . . The book is full of acute perceptions.*"—**Michael Oakeshott** in *The Spectator*. "*Has a depth and a grandeur that raises him far above all but a very few writers of our day. . . . A wonderful book.*"—**F. A. Voigt** in *Truth*. 30s

Eleven Years in Soviet Prison Camps

ELINOR LIPPER

"*A book which is, or should be, news. . . . It is a story which every free citizen of every free country should know. . . . If everybody made the small effort required to read this book we should know where we all stand. For it is impossible to read it without coming to a personal decision.*"—**Edward Crankshaw.** 18s

Russia Absent and Present

WLADIMIR WEIDLE

At long last—a *cultural* study of what Russia was, is, and might be. "*Unexpected vistas are dramatically disclosed amid the quiet flash of epigram. . . . Brilliant. . . . Absorbing.*"—*Times Lit. Supp.* 15s

Historical Aspects of Organic Evolution

PHILIP G. FOTHERGILL B.Sc., Ph.D.

Dr. Fothergill holds that a sound conception of Evolution is compatible with the Christian Revelation and brings a much-needed historical balance to correct the excesses of fundamentalists on the one hand and materialists on the other. With a Foreword by **J. Heslop-Harrison, F.R.S.** 35s

HOLLIS & CARTER

and what the writers to the press have very properly condemned.

If the BBC were broken up into several competing bodies it would be quite possible (as the recent Royal Commission fleetingly mentioned) for advertisements to be allowed under the same restrictions as to honesty and propriety as all decent newspapers enforce today. The advertiser would no doubt be charged varying rates equivalent to "solus position," "against reading matter" or "classified," but that could have no effect on the character and nature of the programmes.

Anyhow, what is most essential is to discover some financial means of ending the existing monopoly. Historically, it is an accident; at present, its complacency strangles enterprise and new ideas, both intellectually and in entertainment. In television, which you were discussing, one of the most important officers proclaims a preference for stupid programmes with a sincerity that has to be heard to be believed. But those who could substantiate these charges most enlighteningly cannot speak for fear of retribution.—Yours faithfully,

AN OCCASIONAL BROADCASTER

Books and Publications

Mr Truman's Testament

Mr President. By William Hillman. *Farrar, Straus and Young.* New York. $5.00.

"Never," says the note on the dust-jacket of this remarkable book, "has a President allowed such a personal revelation while still in office . . . ." and this may well be one of the rare occasions when a publisher has more understated than overstated his case. Now that Mr Truman has announced that he will not stand for the presidency again, there is no longer any reason to regard the work with the suspicion accorded to campaign documents. It must be accepted as the gesture of a President who, feeling that he has nothing to apologise for, is anxious that the record should show the well-spring of his effort.

What Mr Truman did was to give to Mr William Hillman (an experienced newspaper correspondent who has had the self discipline and good sense not to attempt to improve upon Mr Truman with fine or fancy writing) a catholic collection of jottings in his diary, unpublished letters, memoranda and other private papers, such as a biographer years hence might have counted himself incredibly fortunate to discover and obtain permission to use. The President supplemented these documents with much intimate and often uninhibited talk with the compiler of the book, and this, too, was faithfully set down.

The object of the exercise is thus set forth in Mr Hillman's first sentence:

> President Truman said to me: "I want the people to know the presidency as I have experienced it and I want them to know me as I am."

There seems to be no good reason for doubting that this is indeed Mr Truman's motive. Moreover, many of those who have had other opportunities of verifying the accuracy of his instinct are likely, after reading this book, to conclude that this is one more instance when he has broken the accepted rules with considerable skill and to great advantage.

For the total effect is to present, with such plain truth that its authenticity cannot be doubted, the character of a man whom the American millions (and millions beyond America for that matter) will take to their hearts as a good man, a genuine man, a man of courage and conscience, who has brought to high office a faith and serenity that have been proof against every assault of sophistication.

There are sentences in the printed extracts from the President's diary which read like lines from a sentimental song. "I am always so lonesome when the family leaves," he unashamedly writes; and "I cannot help wanting to talk to my sweetheart and my baby every night." He writes out a prayer that

> . . . has been said by me—Harry S. Truman—from high school days, as window washer, bottle duster, floor scrubber in an Independence, Mo., drug store, as a timekeeper on a railroad contract gang, as an employee of a newspaper, as a bank clerk, as a farmer riding a gang plough behind four horses and mules, as a fraternity official learning to say nothing at all if good could not be said of a man, as a public official judging the weaknesses and shortcomings of constituents, and as President of the United States of America.

Nobody he has met in the White House or on the way to it has altered his belief in the Christian verities and in the power of goodness. "I hope," he told Mr Hillman, "we can make Stalin realise that we believe in that Sermon on the Mount and that as a realist he ought to do as he would be done by." And again: "What we are trying to do . . . is nothing in the world but gaining happiness for everybody."

In a fragment of talk on the folly of "preventive war" he says: "It is not war that is going to solve this thing, but morals and ideas." On atomic energy: "Ever since the cessation of hostilities I have had the Atomic Energy Commission busy seeking peacetime uses of the immense energy realised by the splitting of atoms." On his Point Four plans:

> How do you think this country was developed? England and France and Germany and Holland furnished the money for the opening of the West, for the building of the railroads. . . . I have talked to the Presidents of Brazil, Uruguay, Chile, Ecuador, Venezuela and Mexico and urged them to help find some way for the protection of proper investments, not on the basis of colonialism, not even on a guaranteed return basis, but merely that capital investment ought not to be confiscated when used to develop new resources and areas. We must do everything we can to help people everywhere get what they want in the way of modern goods to make their lives easier, and this would keep our industrial plant running to supply them. But they must get a chance to earn something so they can pay for what they buy. We want to help them to help themselves and in that way the whole world can prosper.

These were some of the big ideas of a man who has now been big enough to yield the presidency of his own accord.

The Stalinist Purges

Conspiracy of Silence. By Alex Weissberg. *Hamish Hamilton.* 509 pages. 21s.

Mr Weissberg, a former Communist of Polish-Austrian origin, was involved in the Stalinist purge trials of 1936-38, went through the ordeal of GPU interrogation during the ill-famed Yezhov period, "confessed" to all sorts of imaginary crimes, withdrew his "confessions," then, in 1939, was extradited into the hands of the Gestapo and has lived to tell the story.

His narrative has the ring of absolute authenticity. His explanation of the techniques by which the GPU extracted the confessions, although by now familiar from other sources, is still baffling in its simplicity. Unlike the Holy Inquisition and the Gestapo, the GPU did not as a rule inflict any violent torture upon its victims—only exceptionally did crude beatings occur. The modern version of the rack was a plain chair, on which the prisoner was made to sit for many days and nights, being constantly subjected to interrogation by examiners who worked in relays, until sleeplessness, pain in his muscles and dullness in his mind made him sign a "confession." Mr Weissberg describes these sessions with vivid realism and even humour so that the reader gets an almost physical sensation of being present at the scene. The book is also remarkable for the picture it gives of life in the prisons and for a long gallery of striking character sketches. As an account of an eye witness and a document of the time this is a first rate work.

When, however, the author attempts to draw the general background or to offer an explanation of the purges he is disappointingly unhelpful. He maintains that all the victims were in fact pro-Stalinists, and that the purges were reduced to an absurdity by design of the first defendants, who deliberately implicated Stalin's most ardent supporters. Such cases may have occurred. (Mr Weissberg illustrates the incongruity of the purge procedure by the story of a Kharkov doctor, who, when charged with the standard crimes and asked to name his accomplices, at once gave the GPU the names of all the doctors practising at Kharkov.) But surely the scale and momentum of the purges cannot be explained in this way. What is striking in Mr Weissberg's narrative is how many of the defendants, including Mr Weissberg himself, had in fact been "deviationists" at heart, Bukharinites or Zinovievites. This does not mean that the treatment to which the GPU subjected them was less criminal than Mr Weissberg asserts. But it does mean that the GPU and Stalin, if their objective was to destroy every potential nest of opposition—as it undoubtedly was—did not strike quite so blindly as Mr Weissberg believes.

Apart from this, his evaluation of the result of the purges is, not unnaturally, exaggerated and lacking in perspective. He repeatedly claims that the purges had destroyed the basis of Soviet industrialisation just as collectivisation had destroyed the basis of agriculture. Such statements may have seemed true in the thirties, especially to the victimised industrial and scientific managers, of whom Mr Weissberg was one; but they cannot be accepted as true in 1952. Nor can one seriously maintain that in the process "all these [national] minorities were liquidated." Finally, the author tells us that up to 1950 he still believed, in spite of all he had seen and gone through, that Russia was "the land of socialism." He does not explain what made him stick to this belief for so many years after his ordeal and what finally made him abandon it. But political theorising is not Mr Weissberg's strong suit.

Methods of Mapmaking

The Story of Maps. By Lloyd A. Brown. *Cresset Press.* 398 pages. 50s.

Cartography has recently been defined by a United Nations commission as covering all the stages in the making of a map—from the field to the printing press. The number of technical operations involved, ranging from astronomy and geodesy to offset colour printing, is large, and to explain them within the covers of one book requires wide knowledge and ability to co-ordinate. If it is proposed not merely to explain modern procedure but to trace its historical development, the task is probably beyond the resources of a single author. It is no doubt for this reason that no satisfactory comprehensive history of cartography exists. Clearly a selective approach and an acute sense of proportion are indispensable. Mr Brown states, rather disarmingly in view of the title he has chosen, that he will describe "how the job was done, stressing methods and apparatus rather than the end product, the hundreds of thousands of maps and charts produced."

This he proceeds to do with gusto and at considerable length. Though he begins with the astronomical knowledge of the Babylonians and ends with the experiences of the United States Army Map Service in the last war, his arrangement is not strictly chronological. Prominent among the topics he has chosen for detailed treatment are the geographical work of Claudius Ptolemy, the development of the sea chart, progress in the determination of latitude and longitude, and the history of national topographic surveys. This arrangement entails a certain amount of overlapping; at no point does an integrated impression of the process of map-making at any given period emerge; and the "end product" is buried under somewhat lengthy accounts of sextants, chronometers, wind-roses and so forth. No mention is made, incidentally, of modern developments such as wireless time signals or mapping from air photographs. Precise instruments certainly assisted in the production of more accurate maps, but the details of their evolution do not constitute the whole story of maps. Here and there throughout the book there are brief passages which do something, but not enough, to restore the perspective. The reader will scarcely realise that cartographers do not confine their labours solely to the production of topographical maps.

The author writes easily and with humour, and has the merit of recognising that he is narrating the works of individuals, with all their aspirations and shortcomings. His text is based on a wide reading in the voluminous literature of the subject, largely that published in English. There are numerous notes to each chapter and in addition a bibliography extending to thirty-two pages. There are too many slips and omissions for a work of this type, and there is one "howler" regarding representative fractions. It is doubtful whether the book will meet "the new interest in world cartography" to which he refers, and it must be concluded regretfully, in view of the enthusiasm and industry which have gone to making this book, that a history of cartography remains to be written.

Government Publications

Our Men in Korea

by

Eric Linklater

First official account of the contribution made by the British Commonwealth to the campaign in Korea which it covers from the start of the fighting to the end of July 1951.

Paper cover edition 2s. 6d. (2s. 8d.)
Bound edition 5s. (5s. 3d.)

Post Office 1951

Special articles on many aspects of Post Office work with an account of the Department's activities in 1950-51.

(Illustrated) 3s. (3s. 3d.)

H.M. STATIONERY OFFICE

P.O. Box No. 569, London S.E.1, and Sale Offices in London, Edinburgh, Manchester, Birmingham, Bristol, Cardiff and Belfast or through any bookseller.

Australia's Economic Difficulties

Inflation and Expansion. Essays on the Australian Economy. By D. B. Copland. *F. W. Cheshire*, Melbourne. 130 pages. 14s. 6d.

The somewhat insecure foundations of Australian prosperity, to which the recent import cuts have directed attention, give added interest to this collection of addresses by Sir Douglas Copland, who is as well known in this country as in his own for his outspoken beliefs.

The Australian postwar economy has been noted for its lack of balance—too much emphasis on the production of "inessentials" and too little attention to the basic industries. In brief, Australia's difficulties arise out of the over-ambitious policy of expansion almost at any cost—the attempt to do too much too quickly. But Sir Douglas rejects as a solution the suggestion that investment and migration should be slowed up. He thinks the cause of the trouble lies in inadequate productivity Moreover, his wool levy scheme as a means of immobilising inflated pastoral incomes deserved a more sympathetic reception than it got.

What of the other remedies? It is probably Sir Douglas's advocacy of dollar loans that has received most publicity in this country. The big question here is whether Australia could service them itself or whether it would have to draw on the resources of the sterling area as a whole. Wool and meat are possible dollar earners, but surely not on the scale that would be required. On the other hand, Sir Douglas is inclined to dismiss large-scale migration as a major source of strain and to overlook the problems of digesting this rapid inflow. Nor are his arguments against the revaluation of the Australian pound—at a time when it might have done some good—completely convincing. By itself, appreciation could not have stopped inflation, but as part of a concerted disinflationary programme it might have done more good than harm.

This is a thought-provoking book, but it is spoiled by too much repetition of insufficiently developed arguments. It would be remarkable, too, if Sir Douglas has had no second thoughts on at least some of the subjects he has discussed.

Town and Country

The Making of Our Towns. By Sir William Savage. *Eyre and Spottiswoode.* 189 pages. 21s.

The English Village. By Victor Bonham Carter. *Penguin Books.* 249 pages. 3s.

Sir William Savage has combined a career of eminent service in public health administration with long and close study of local history. The title of his latest work is misleading, for the book is concerned largely with the origins of the towns and the processes of their early growth. He gives in these pages no more than a quick glance at the consequences of the Industrial Revolution. Many of his conclusions will be familiar to readers of some of the individual town histories, but a merit of this book is its treatment of town life as an institution reflecting many of the forms and much of the character of English living.

The changing fortunes of the towns chart the country's history. The decay of the towns, for example, at the end of the Roman period, and their revival under Alfred, resulted from a combination of military requirements and economic and political factors, which transformed the English scene. Again, the absence in this country of the continental type of city state was not surprising in view of the greater centralisation of government. The corporate character of the English borough community in the Middle Ages served certain social and economic purposes, whose supersession led to the creation of a new type of urban organisation and society, only the beginnings of which are described in this book.

Mr Bonham Carter writes as a farmer with a sense of mission, who wants more people to know and understand the countryside. He deplores the disappearance of the village as a self-contained community, but he does not hope, romantically, for substantial redress. In his highly readable book, he urges measures to stem the migration from country to town. He appeals for greater diffusion of industry and the erection of more dwellings away from towns. Village craft industries ought to be encouraged. He examines the extent to which the countryside shaped English national character in the past, and believes it may, to the advantage of the health, good taste and stability of the nation, regain some of its lost influence. If only, he pleads, more people would take an intelligent, as distinct from a passing sentimental, interest in its former strength and present problems.

Many of those who are interested in local administration or English social history will find pleasure in reading these books, and some may find illumination. Both volumes are admirably illustrated and contain useful bibliographies.

Shorter Notices

Forms of Public Control and Ownership. By E. Goodman. *Christophers.* 142 pages. 8s. 6d.

The renewed debate about the best form of the public control of the steel industry and the promises of the Conservative Government to review the organisation of all nationalised industries makes the publication of an objective examination of the wider issues particularly welcome. Moreover, the most doctrinaire Socialists are beginning to doubt whether the centralised large-scale corporation, the "chosen instrument" of the Labour Government for the nationalisation of the basic British industries, is capable of realising their expectations for the democratisation of industry. The report on "Public Control of Industry" approved by the Trades Union Congress in 1950 and, more recently, various pamphlets of the Co-operative Movement, indicate a greater receptivity to alternative approaches.

The present short volume can obviously do no more than sketch out the main lines of development and illustrate the variety of forms evolved in this country for a flexible relationship of Government and industry, ranging from representative trusts to supervisory boards and development councils. But, within these limitations, it is a helpful and readable introduction for the general reader. The appendices, which include a list of institutions and organisation charts together with a selective booklet, will be appreciated by students of industrial organisation and by the adult education movement, for whom this book is the first postwar attempt to present these controversial issues in a broader and historical setting.

Handbook on the Income Tax Act, 1952. Prepared by Butterworth's Legal Editorial Staff. *Butterworth.* 395 pages. 27s. 6d.

A Comprehensive Index to the Income Tax Act, 1952. By A. C. Monahan. *The Solicitors' Law Stationery Society.* 160 pages. 15s.

These two publications provide valuable guides to the new Income Tax Act which comes into force tomorrow. That monumental statute incorporates in logical sequence all the statute law on income tax from the labyrinths of the foundation Act of 1918 and of Finance Acts ranging over more than thirty years; it has long been needed. The 1952 Act is still only a consolidating Act and makes no changes in the existing law. Nevertheless the mechanical feat of consolidation—if that is not too depreciatory of the care and ingenuity that went into the preparation of a Bill greater in length but less productive of controversy than any in modern times—calls in turn for effective signposts to the new arrangement of the income tax law. Conceivably, even the tax practitioner might get lost in its 26 parts, 532 sections and 25 schedules. Both of these works provide him with efficient indexes to the new Act, the text of which is reproduced in the "Handbook." It is an advantage to be able to turn so quickly to the right section of an Act that contains so much pain and obscurity. Yet, no sooner have the consolidators done their job than another Finance Bill appears to mar their work by proposing to repeal some sections of the new Act. It is almost enough to make the average taxpayer despair of ever knowing the tax law.

The United States in World Affairs 1950. By Richard P. Stebbings. *New York: Council on Foreign Relations. London: Royal Institute of International Affairs.* 500 pages. 35s.

The latest volume in the series of annual surveys of American foreign policy, and of the world events in which the United States is involved, covers a particularly complex period and is chiefly concerned with three problems: the increasing tension in the relations between East and West, concentrated on military collisions in the Far East as Communist China became the new centre of the struggle; the growing strain in the relations between America and the other countries of the free world at the same time as the North Atlantic alliance was being strengthened; and the internal divisions inside America over foreign policy which grew as the international commitments developed in complexity, and as American military strength increased. A true perspective of all these world events is perhaps impossible at such short range, but this is a remarkably dispassionate and comprehensive appraisal of a new phase in American foreign relations.

UNITED NATIONS

NEW BOOKS FOR BUSINESS EXECUTIVES

Economic Survey of Europe in 1951

243 pp. 11s. (11s. 7d. incl. postage)

Prepared annually by the Secretariat of the U.N. Economic Commission for Europe, the *Economic Survey of Europe* presents an authoritative review of current European economic problems and trends. Special attention is given in the present *Survey* to such problems as inflation and the continuing dollar shortage.

Statistical Yearbook 1951

617 pp. Cloth Bound: 55s. (56s. 3d. incl. postage). Paper Bound: 45s. (46s. 1d. incl. postage).

For your desk or library, a current source book of official facts and figures on world economic and social conditions. Information is included from 250 countries and territories on such subjects as manpower, agriculture, consumption, industrial production, mining, manufacturing, transport, communications, internal and external trade, wages and prices, finance, public finance, social statistics, etc.

Demographic Yearbook 1951

603 pp. Cloth Bound: 55s. (56s. 3d. incl. postage). Paper Bound: 45s. (46s. 1d. incl. postage).

The insurance actuary or the business librarian will find constant use for this collection of the latest available data on the world's population and its trends. The volume includes information on births, deaths, marriages, international migration and total population for the major countries and areas.

Measures for International Economic Stability

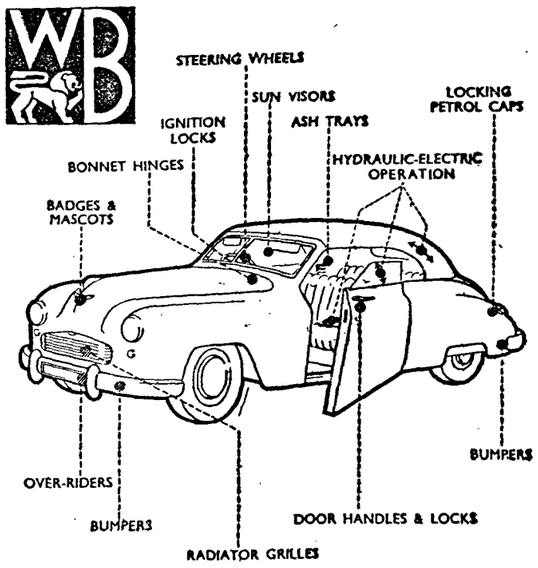
48 pp. 3s. (3s. 2d. incl. postage).

Prepared by five independent experts, this report on methods of dealing with the international impact of economic recessions has been the subject of world-wide press comment. The experts make a number of recommendations concerning international action to reduce fluctuations in the volume of trade and in the prices of primary commodities.

United Nations Publications are obtainable from

H.M. Stationery Office, P.O. Box 569, London, S.E.1,

or through any bookseller.



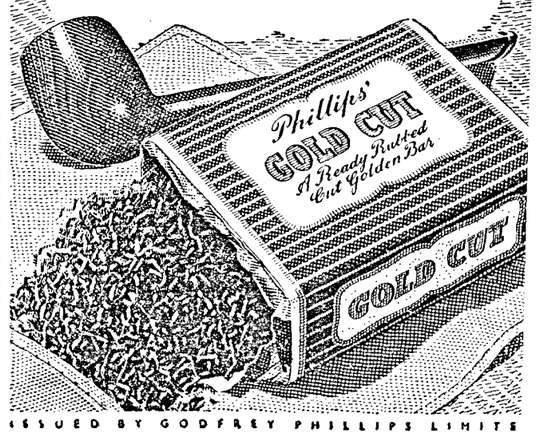
Britain's leading manufacturers of automobile components and accessories

WILMOT BREEDEN

LIMITED

BIRMINGHAM • LONDON • BRISTOL • MANCHESTER • GLASGOW

A NEW old-style pipe tobacco at 4/- an ounce



ISSUED BY GODFREY PHILLIPS LIMITED

AMERICAN SURVEY

Aid for Senator Connally

Washington, D.C.

THE Administration began its attempt to get $7.9 billion, or a reasonable proportion of it, for next year's Mutual Security Programme on March 6th when the President sent his message to Congress. That evening in a broadcast he tried to take the programme out of party politics. A week later, when the hearings started in Congress, the four biggest guns—Mr Harriman, Mr Acheson, Mr Lovett and General Bradley—fired a salvo, on the first morning. Since then the artillery has been strengthened by the arrival of Mr Bruce and General Gruenther from France and Mr Batt from England.

Last year it was possible to say, and many of the officials concerned were prepared to admit, that the Administration's case had not been well prepared and that its presentation was slipshod. It would be impossible to say the same this year. All concerned were only too well aware of the danger to the programme in an election year and at a time when the public is just beginning to feel the effects of higher taxes, when the President is asking for still more and when the domestic military budget is over $50 billion. The strategy was carefully planned. The President started the campaign with a speech written in the language of extreme urgency—but delivered, in the opinion of many, in a voice which betrayed his misgivings about its probable impact—and the statements of the big four were alike in the earnestness with which they tried to impress the committees that, as Mr Harriman put it, this was one of those "moments in history when acts of omission are as fatal as acts of commission."

Next day Mr Harriman went alone to the Senate committee, the first of the witnesses to undergo cross-examination. No doubt he was ready for any questions that he thought might come his way. If there was a weakness in his case, it was one inherited from last year's artificial separation of military and economic aid for those countries, chiefly the North Atlantic Treaty group, which had embarked on rearmament programmes of their own. "Economic aid" had, in an attempt to recover some of the lost ground, been rechristened "defence support," but the new name did not deceive Senator Tom Connally for a minute and he immediately asked how much of the $7.9 billion was going to be spent on "economic aid," such as aircraft, tanks and guns.

Everybody had expected that the $1.8 billion of "defence support" would meet with stiff opposition and would have to bear the brunt of any reductions. Great stress had therefore been laid on its importance in all the prepared statements. General Bradley had pointed out that the tools of mutual security are military, economic and technical assistance used in varying combinations, where they would do the most good, and Mr Harriman had offered to show that for a fraction of the amount we are spending for our own military establishment we are assisting in the development of military forces with more men under arms—in Europe alone—than are in our own services.

But nobody had expected that it would be necessary to teach Mr Connally the elementary facts which had, incidentally, been clearly explained in an official document prepared by the staff of the committee of which he is chairman.

*

As things have turned out so far, indeed, the careful and detailed preparation of the Administration's case has been a waste of time. Senator Connally has shown no interest in eliciting the kind of information which a committee should, and most of the other members of the committee do, want to know. He has given nobody else much chance to ask serious questions, but has made the hearings into an integral part of his campaign for renomination in Texas. It has always been accepted that the tariff is a local issue, in the eyes of the Congress of the United States; that the Mutual Security Programme should become one too is new.

The Senator will be 75 in August, and was first elected to the House of Representatives in 1916, moving up to the Senate after the elections of 1928. If he is younger than some of his colleagues and not yet past the age when many men have done useful work, he has at least reached the moment when he could retire with what laurels he has been able to collect. And, thanks to the care with which his important speeches have been written since time brought him the chairmanship of the Foreign Relations Committee, the laurels would not have been inconsiderable. But he is now trying to throw them all away in order to meet the first serious challenge he has ever had to face for the Democratic nomination in the Texas primary election. Senator Connally may be right in thinking that his state is tired of foreign aid, hand-out programmes and all the other policies he is now denouncing. But he helped most of them through the Senate, his votes on them are a matter of record, and it is hardly likely that Texas is too stupid to see through his present manœuvre.

Senator Connally's trouble is that Texas has changed a great deal since it first sent him to Washington and that ten-gallon hats and flowing white manes no longer represent it. He has seldom taken the trouble to go back to study the new cities of Houston and Dallas, the spreading oil industry, and even the modern cattle ranches which have turned Texas into an industrial state, to whose inhabitants Mr Connally is an anachronism. As he is being opposed by a young man—Mr Price Daniel, the Attorney General of Texas—able to express the southern conservative philosophy with considerable vigour, his present moral somersault may not do him any good. He may well lose both his Senate seat and his reputation in his urgent desire to come back to Washington for another six years and decay in harness.

As long as Senator Connally carries on his present circus, and his is the committee which makes news, the Mutual Security Programme can hardly be treated seriously in any committee. Argument is not over whether $7.9 billion is too much or too little to carry out its aims, something of which nobody can be sure, but over the size of the cut which will be imposed and where it will fall. There are plenty of people who understand that, from the point of view of American self-interest, the largest amount of "defence support" that Europe can digest should be provided first, that as many arms as Europe can use should be the next priority, and that the domestic military budget should take third place. But nobody dares to say so and, if anybody did, the three Services would rise to defend their own vested interests.

The pattern of the Administration's presentation has, indeed, for this reason, among others, become somewhat stereotyped. So many inconvenient problems have been evaded ever since the first days of the Marshall plan, and so many half-truths have been accepted as dogma, that advocates of the case now have to work and argue in a restricted field. And familiarity with the advocates themselves has bred something like indifference to their arguments. There was a time when the Chairman of the Joint Chiefs of Staff had a visible and immediate effect when he appeared before a committee to champion any legislation. But General Bradley has been used too often. He is now treated like any Cabinet officer when he speaks to committees, and suspected, like them, of trying to further some slightly nefarious cause of his own.

It was no doubt the novelty of General Gruenther's face rather than anything new he had to say—it is hard to see what startling news he could have brought from Paris—that made such an impression. The General, alone among the Administration's witnesses, has not, in the past, taken a hand in selling those policies which are now causing Mr Connally so much trouble back home. The Senator was publicly polite to him, and that makes the General unique at the moment in Washington. But it remains to be seen whether General Gruenther's arguments will succeed in holding the cuts in the programme to a reasonable figure. He may well find, in the end, that the result of his trip has been that Congress will insist that he must succeed General Eisenhower in command of an army whose effective strength it has deliberately undermined.

Despite all the talk of cutting this year's Mutual Security Programme to ribbons, however, its fate probably depends on the progress of General Eisenhower's presidential candidacy between now and the time when the votes in Congress are taken: nobody wants to be in the position of destroying the policy of the man who may be his party's candidate. After the New Hampshire and Minnesota primary elections, the Republican threats against the programme became muted, and nothing that happened in Wisconsin or Nebraska is likely to revive their previous stridency. So the reductions, although considerable, may not be so great as was once feared, or as Senator Connally's side-show would suggest.

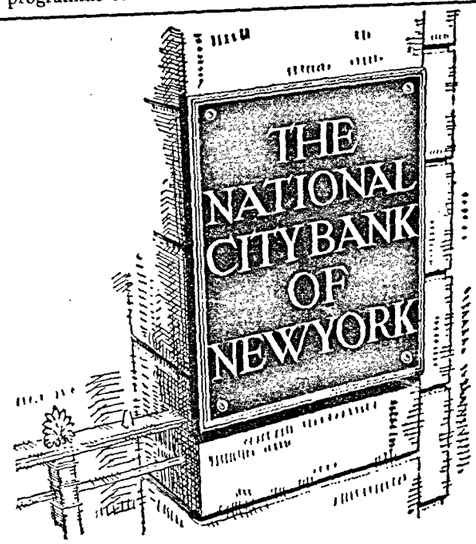
"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

American Notes

Mr Truman Steps Down

Mr Truman's decision not to run for the Presidency is in keeping with the good sense, modesty and courage with which he has met most of the big problems of his period in office, and his last months may be marked by a revival of the good feeling which welcomed him when he was catapulted into the White House in 1945. Nearly eight such tumultous years are trial enough for any man, and whatever the domestic failings of his Administration, Mr Truman's place in history has been made more secure than his enemies will admit by the revolution in America's international role which he helped to bring about. The likelihood that General Eisenhower, and not Senator Taft, will be the Republican candidate, and that therefore there will be no reversal of his foreign policy undoubtedly helped the President to lay down his burden with an easy conscience.

A great deal of political bitterness, both in the country and in the Democratic party, will evaporate now that the President has made it clear that he does not consider himself



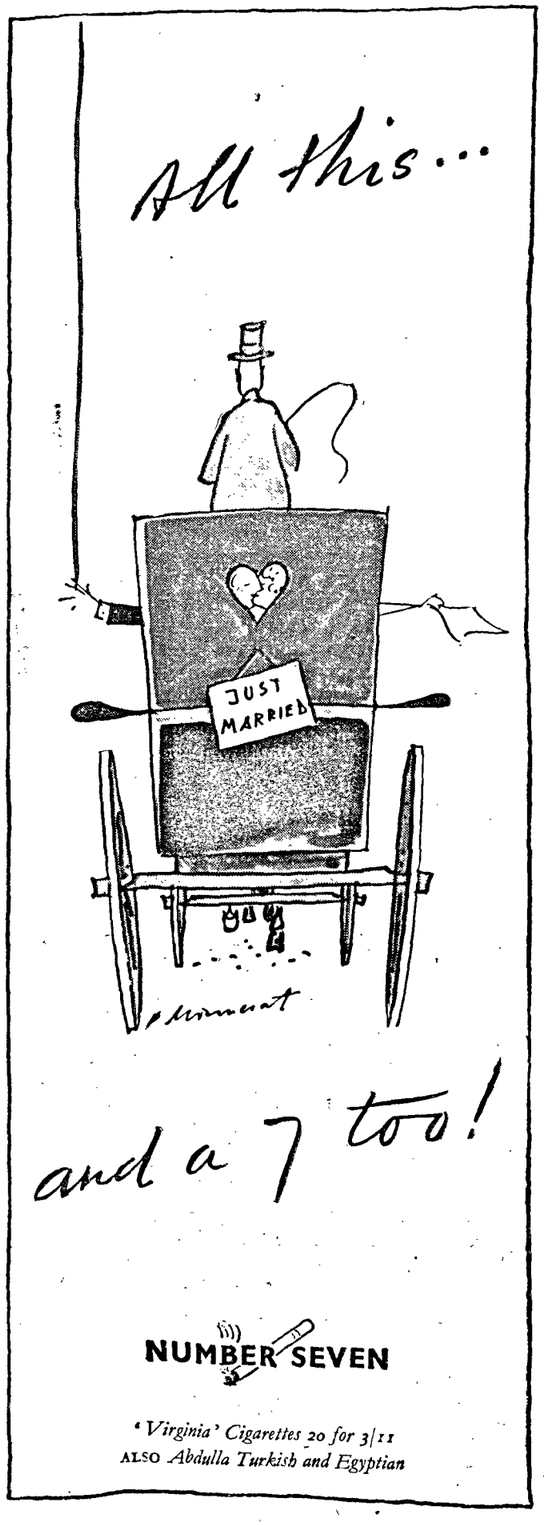
World-wide banking

Businessmen with international interests rely on a bank whose services are world wide. The National City Bank of New York provides a global network of 54 branches, as well as banking correspondents in every important centre of the world.

The staff of the London branches are experienced not only in British banking, but also in the financing of overseas trade, and are uniquely equipped to advise on trade with the dollar countries.

Wherever your interests lie, a world-wide organization stands at your service.

THE NATIONAL CITY BANK OF NEW YORK
(ESTABLISHED 1812)
Incorporated with limited liability under the National Bank Act of the U.S.A.
HEAD OFFICE: 55 WALL STREET, NEW YORK
LONDON OFFICES: CITY: 117 OLD BROAD STREET, LONDON, E.C.2. WEST END: 11 WATERLOO PLACE, LONDON, S.W.1



indispensable—a temptation from which even greater men have not been immune. The Democrats are free to set about repairing the split in their southern ranks which, had Mr Truman run again, might have gone beyond mending, and to make a new start with a candidate completely divorced from the scandals which have weakened the present Administration.

The field is thrown open to a whole host of Democratic candidates, something which has not happened since 1933, when Mr Roosevelt first entered the White House. Senator Kefauver and Senator Kerr, clashing in Nebraska, have the advantage of being the first to show their paces, but most observers give a better chance of winning the race to Governor Stevenson of Illinois, the President's own choice to succeed him and a man whose qualities have won him the esteem of southern politicians as well as the votes of workers in the vital industrial cities of the north.

Mr Stevenson is thought to be genuinely reluctant to run and sincerely anxious to finish his job of reforming the government of Illinois. With some reason, he may also regard the Democratic nomination this year as a rather barren honour. For Mr Truman's withdrawal and the probability that the Democrats will enter the campaign a united party may persuade even the most hardened Republican politicians that the only candidate who can assure them victory is General Eisenhower. A contest between General Eisenhower and Governor Stevenson would take place on a high level and be a refreshing change from the stale and unprofitable arguments between Senator Taft and Mr Truman which have become so familiar during recent years.

* * *

Taft Holds His Own

Even Senator Taft's manager had admitted that, if the Senator did not do well in the Republican primary election in Wisconsin last Tuesday, he "might as well get out" of the contest for the presidential nomination. For in Wisconsin, and Nebraska too, the Senator is almost as much a "favourite son" as in his own State of Ohio and if he could not win there, he could not win anywhere. In Wisconsin he had the whole-hearted backing of the local Republican machine and he fought with even more thoroughness than usual. He held his own in that round and in the one in Nebraska, which had its primary election on the same day, he gained a few points.

In Wisconsin Mr Taft obtained 24 of the State's 30 delegates to the Republican nominating convention, after having cautiously announced that he would regard anything over 20 as a victory. The other six have gone to Governor Warren of California; if he does not need them, they are promised to General Eisenhower, who was not entered in Wisconsin and has therefore lost little by Mr Taft's far from overwhelming success there. The General's supporters are claiming that the Senator was in fact defeated, for the combined total of voters who preferred Mr Warren or Mr Stassen (who had also associated himself with the General) for the Republican nomination was over 100,000 more than the number who chose Mr Taft. But there is truth in the Senator's contention that a proportion of Mr Warren's supporters were Democrats, taking their chance of getting in a blow at Senator Taft. For in Wisconsin voters can participate freely in either party primary, and in the Democratic contest there was no serious rival to Senator Kefauver.

In the Democratic primary in Nebraska Mr Kefauver did, however, have a full-strength opponent, Senator Kerr of Oklahoma, originally fighting as a stand-in for Mr Truman, but all out for himself once the President retired. Senator Kefauver added to his reputation by winning handsomely. Neither Senator Taft nor General Eisenhower was entered in the Republican primary in this State, but supporters of both spent a great deal of energy and money urging voters to write the names in on the ballot papers, a practice not permitted in Wisconsin. Write-in votes gave the General his triumph in Minnesota, but in Nebraska it was Senator Taft who did best out of them, and here he can claim a clear victory over General Eisenhower. Mr Harold Stassen, the official Republican candidate in Nebraska, got fewer votes than either the Senator or the General. Mr Stassen's overwhelming defeats there and in Wisconsin—he won both in 1948—have knocked him right out of the Republican ring.

* * *

Wilson Through the Ceiling

Mr Charles Wilson, as head of the Office of Defence Mobilisation, was responsible both for mobilising and for stabilising the economy during the rearmament period. In his judgment a stoppage of steel production would do more harm to that economy than would an increase in steel wages and prices. He came back from his hasty visit to the President in Florida a fortnight ago under the impression that he had authority to prevent a strike by promising such increases in steel prices as were unavoidable, but no more, if the steel companies were to be induced to accept the Wage Stabilisation Board's recommendations for higher pay for steel workers. There is much argument about the exact amounts that would be involved. In Mr Wilson's opinion the recommendations broke through the ceiling on wage increases, supposed to cover rises in the cost of living, and therefore justified breaking through the ceiling on price increases, supposed to be allowed only when a company's profits had dropped to 85 per cent of the 1946-49 base period.

However, when President Truman got back to Washington, he was besieged by outraged stabilisation and price officials, nominally subordinates of Mr Wilson's. They explained that the board's recommendations did not, in their view, go through the wage ceiling and that, in any case, the steel companies' profits were quite big enough to enable them to pay the increase. Higher steel prices, these officials insisted, would make a mockery of price control. The President then decided that the possibility of an increase in steel prices should be considered only after an agreement on wages had been reached, instead of the two being negotiated at the same time. Since the trade union so far refuses to budge from the board's recommendations and since the company refuses to pay higher wages unless it is guaranteed much higher prices, this makes a settlement difficult. Collective bargaining is going on but, at the time of writing, a steel strike seems very possible next Tuesday.

Meanwhile, however, Mr Wilson himself went through the ceiling, in a dignified manner, and resigned. He felt that it had been made impossible for him to do his work and that, in over-riding him, the President had given in unfairly to pressure groups. The most noticeable pressure in this case came from labour, always suspicious of Mr Wilson's sympathy for big business. But the President was also under pressure from Congress to try to settle the steel dispute without a price increase, which would give a new twist to the inflationary spiral and make Congress feel that it was useless to renew the Administration's power to control wages and prices.

* * *

Investigators Fall Out

Hot water seems to be the only ingredient of federal housecleaning available to Mr Newbold Morris, the President's special investigator of corruption. Mr McGrath, the Attorney-General, whose assistant Mr Morris technically is, has told a Congressional committee that he may refuse to answer the sixteen-page questionnaire which Mr Morris is sending out to all top government servants, and may not permit other officials of the Department of Justice to answer it either. This defiance on the part of a man whose department needs to be cleared of suspicion, and who himself was nearly replaced two months ago, would avail little if it were not that many other department heads and civil servants resent the questionnaire and share Mr McGrath's open doubts about Mr Morris's suitability for the task of rooting out corruption.

The questionnaire requires federal employees to disclose, under oath, their total incomes (from both government and outside sources) and expenditures over the past five years, bank and savings accounts, net worth (including furs which, as Mr Morris humorously remarked, are almost legal tender in Washington), relations with convicted felons, if any, and even what schools their children attend and the fees paid. Few believe that wrongdoers will make a clean breast of their crimes; it is the honest and innocent who will spend hours detailing their most private affairs.

If Mr McGrath persists, the President will have to choose between his Attorney-General and Mr Morris. Congress has already denied Mr Morris the broom he needed, the power to subpoena witnesses and documents, if he was to investigate the pressures brought on government employees by outsiders. If he is to lose what he himself has called his feather duster, his power to examine federal servants, he will have no choice but to throw in his hand, and there will be few others willing to take his place.

The refusal of the Senate Judiciary Committee to grant Mr Morris subpoena powers was based partly on jealousy and a fear that he might tie up witnesses and documents sought by Congressional investigators. There may also have been some anxiety that the corruption trail would lead back to Congress, instead of the White House. Even the Congressional bloodhounds are already sniffing politely at Senators Bridges and Brewster. But Mr Morris's outburst of indignation, at the "diseased minds" of Congress engaged upon character assassination, made it certain that he could expect no co-operation from Senator McCarran and Senator

McCarthy. The outburst was one which could be applauded by indignant spectators of Congressional procedure, but it was ill-timed, and his answers to questions about his part in a deal in surplus ships and the sale of oil to China might well have puzzled and irritated more even-tempered and judicious questioners than Senator McCarthy.

* * *

The New Refugees

President Truman has made a first allocation of Mutual Security funds to help able-bodied men escaping from behind the Iron Curtain join the defence forces of the West. The Kersten Amendment to last year's Mutual Security Act authorised up to $100 million, but for the present only $4,300,000 is to be used, supplemented by $2,900,000 contributed by private sources and other governments. The Kersten Amendment was the first substantial recognition, and one quickly resented by the Russians, that a new flood of refugees was taking the place of the victims of Nazi oppression. Some 20,000 a month are slipping across the border into Western Germany; and another 1,000 or so every month escape further south. Many are encouraged in this hazardous flight by American propaganda; far too many of these, after they have been sucked dry by the intelligence authorities, are left to fend for themselves in countries ill-equipped to help them start a new life.

In a recent message to Congress on refugee problems, the President asked for money to assist fugitives unable to join the US forces under the Lodge Amendment, or the forces of the North Atlantic powers under the Kersten Amendment. In addition, he pointed out that Europe needs relief from over-population; it is estimated that 5 million Europeans should be resettled during the next five years. The United States cannot open its doors to more than a few of these. But unless something is done, it will not be able to help at all. The Displaced Persons Act, under which 400,000 refugees have already been admitted, expires in June, and after that the old rigid quota system will apply, with the added obstacle that, under the DP Act, many of these quotas have been mortgaged for many decades ahead.

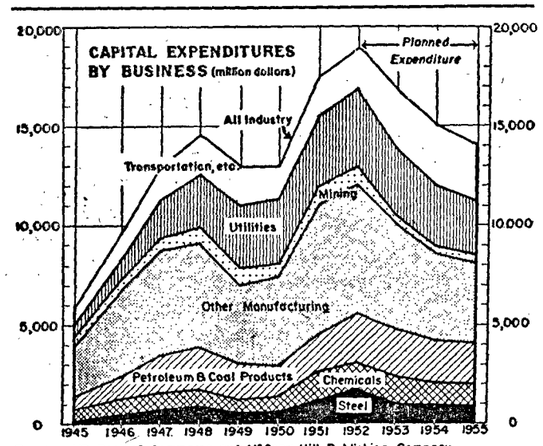
The revision of the immigration law now before Congress does not permit even the transfer of unfilled quotas to rescue fugitives from Communist tyranny. Senators Lehman and Humphrey are now drawing up a more generous substitute for the McCarran and Walter Bills, which are better described as exclusion, rather than immigration, measures. But in case they fail—and their prospects are not bright—the President asks that during the next three years 300,000 refugees and surplus persons be admitted, and that the United States should support a permanent international resettlement organisation. Unfortunately even a temporary programme must run the gauntlet of Senator McCarran's Judiciary Committee, and it is not certain that, despite his harrying of supposed Communists at home and his friendship for General Franco abroad, Senator McCarran will prove more kindly disposed toward Stalin's victims than he was toward Hitler's.

* * *

Plans for Prosperity

After breaking all records last year for expenditures on new plant and equipment, American industry plans to do so again this year, although by a much smaller margin. On this the annual surveys of proposed capital spending, conducted by both the McGraw-Hill Department of Economics and the Department of Commerce and Securities and Exchange Commission, are agreed. The latter puts the total at about $19 billion (with another $5 billion for commercial and miscellaneous expansion), rather less than in the McGraw-Hill estimate and probably more accurately; shortages of materials for construction and of components will almost certainly prevent some of industry's dreams from coming true this year, as they did last. By the end of 1952, however, America's manufacturing capacity will have doubled since 1939; the greatest increases have been in facilities for producing transport equipment (including aircraft but not cars), electrical machinery, and chemicals, in that order.

This year's record is in prospect, in spite of anticipated reductions in expenditure by a number of civilian industries, because it is the year in which spending for the expansion of industry for defence purposes is to reach its peak. Last year there was much concern about the inflationary consequences of these heavy outlays, but now there is more concern about the deflationary effects of their completion, which in most cases will come in 1953, and about whether many industries may not find that they have grown out of their civilian markets once the rearmament build-up is over. Here the McGraw-Hill survey was most encouraging. Businessmen

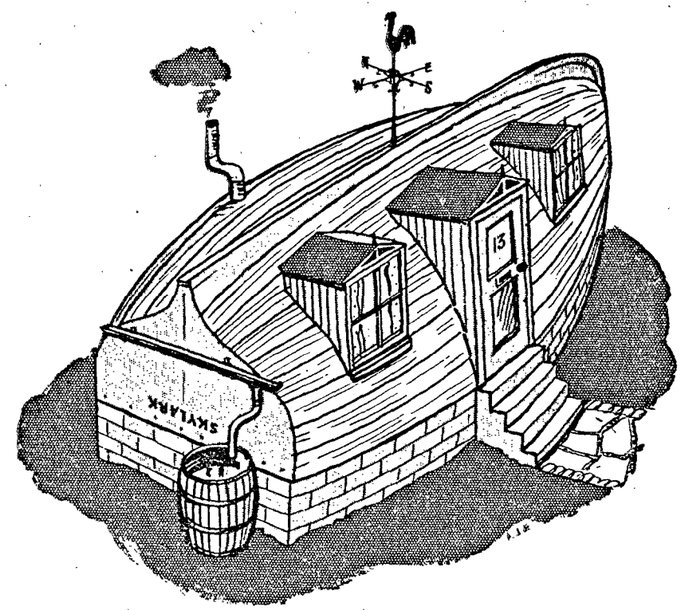


were asked how much they proposed to spend on new plant and equipment in coming years; most of them were found to have every intention of continuing to pay out substantial sums, even if less than at present, for these purposes until 1955, at least. An increasing proportion of this expenditure will be for replacement and modernisation rather than for expansion; at present the money is about equally divided between the two. But the plans also include plants to serve new markets and to make new products.

It is thought that these programmes are likely to grow rather than to contract as the time comes for putting them into practice—on two conditions. There must be potential customers for the output of the new plants and the money to finance them must be forthcoming. The businessmen questioned were told to take it for granted, when outlining their plans for the future, that consumers would be reasonably prosperous and that the excess profits tax would be abolished. The demand for reductions in corporate taxation is already being reinforced by the suggestion that without them capital investment will dry up, as it did in the depressed thirties, once the defence boom is over, with disastrous results for the country's prosperity.

Shorter Note

The Bureau of Labour Statistics has begun to calculate its wholesale price index on a new base; the average of the years 1947-49 now equals 100, instead of the 1926 average. The new index also includes about 1,900 items, more than twice as many as the old; amongst them are such modern products as plastics, anti-biotic drugs and television sets. On its last day of official life, December 31, 1951, the old index stood at 178.2, while the level of the new was 113.2.



It would be a

strange home

that had nothing in it advertised by

F. C. PRITCHARD, WOOD & PARTNERS LIMITED

ADVERTISING & PUBLIC RELATIONS, 25 SAVILE ROW, LONDON, W.1. TELEPHONE: REGENT 7080 (16 LINES)

COOKERS, STOVES (*Radiation*) **BEDS, FURNITURE** (*Heal's*) **BEER** (*Beer is Best*)
TOOTHBRUSHES (*Halex*) **CHOCOLATE BISCUITS** (*Cadbury's*) **CARS** (*Jowett*)
BABY POWDER (*Johnson & Johnson Ltd*) **RADIO AND TELEVISION** (*Ultra*)
MEN'S WEAR (*Austin Reed*) **COSMETICS** (*Boots No. 7*) **SWEETS** (*Pascall's*)
'LIGHTNING' FASTENERS (*I.C.I.*) **STOCKINGS, UNDERWEAR, GLOVES** (*Morley*)
COFFEE (*Red, White & Blue*) **CIGARETTES** (*Churchman's No. 1*) **WHISKY** (*Old Angus*)
SHAVING CREAM (*Shavallo*) **ELECTRICAL FITTINGS** (*Troughton & Young Ltd*)
TOILET ROLLS (*Izal*) **HOUSEHOLD DISINFECTANTS** (*Sanizal, Zal Pine Fluid*)
WINDOW AND PLATE GLASS (*Pilkington Brothers Ltd*) **BABY FOOD** (*Ostermilk, Farex*)
BEAUTY PREPARATIONS (*Atkinson's Skin Deep*) **PORT AND SHERRY** (*Sandeman*)
TOILET SOAPS AND WASHING POWDERS (*J. Bibby & Sons*) **FISH** (*British Trawlers' Fed. Ltd*)
ADHESIVE DRESSINGS (*Band-Aid*) **MEN'S HATS** (*Men's Hat Promotion Ltd*)
HOLIDAYS (*Poly Tours*) **ETC., ETC.**

A Growing Contribution to Britain's Overseas Trade

THE BRUSH ABOE GROUP can report a continuing increase in Overseas sales:

1949 £10,400,000

1950 £15,300,000

1951 £17,700,000

Sales figures for 1952 already show a rise in the monthly rate over 1951.

THE

BRUSH ABOE

GROUP

Diesel engines and electrical equipment for use on land and sea produced by THE **BRUSH** ELECTRICAL ENGINEERING CO. LTD., AND ASSOCIATED BRITISH OIL ENGINES: *Mirrlees, Bickerton & Day Ltd., Peters Ltd., J. & H. McLaren Ltd., and The National Gas and Oil Engine Co. Ltd.*

THE WORLD OVERSEAS

Ambitions in the Sudan

WHEN the Anglo-Egyptian conversations begin, the question of Middle East defence is bound to take first place. It ranks as a natural first in the eyes of all the world outside the Nile Valley. Yet the problem of the Sudan's path to self-determination, which progressed apace on Wednesday when the new draft constitution was laid before the Sudanese Legislative Assembly, may well turn out to be of equal importance to the world as a whole. For, though the two questions are unconnected and could, in theory, be settled separately, they have become so united in Egyptian minds that the one cannot be resolved without the other. It is conceivable therefore that any points ceded by the Egyptian negotiators on the one score may be made more palatable to the Egyptian public by a display of intransigence on the other.

On a long term basis, there is—at least on paper—no Anglo-Egyptian disagreement as to the Sudan's future. The common aim is "to enable the Sudanese to choose freely for themselves the form of government and the relationship with Egypt that will best meet their needs." Both negotiators agree that a special relationship goes without saying—that it is inevitable on account of the dependence of the two peoples on the same river. The only variance is over a matter of opinion: most British observers think, as do a few Egyptians, that the Sudan will opt for total independence; whereas many Egyptians do not even contemplate such a verdict because, meeting as they do only the pro-Egyptian Sudanese who visit Cairo, they assume—to quote one of them—that "on the day that the Sudan becomes autonomous, its foreign policy as well as its defence would become identical with that of Egypt."

Such divergences of opinion will in due course be settled by events. Where more fundamental and less soluble differences arise when questions are asked about two shorter term arrangements; the first, what shall be the King of Egypt's title pending the final decision of the Sudanese as to their country's status and form of government? The second, by what means shall they make their decision?

Kingship for Egypt?

The title is the more delicate matter. Egypt's demand that it be recognised is a reflection of Egyptian bitterness at the way in which the condominium has been run by its British servants, ever since the removal of Egyptian troops and officials from the Sudan after the murder in Cairo of a British governor-general, Sir Lee Stack. The demand reflects, also, Egypt's belief that it is part of British policy to "separate the Sudan from Egypt." The Egyptian argument for unity is based principally on history, and omits to notice that history cuts both ways. For instance, the best Egyptian debating point is the fact that Kitchener, confronted with the French at Fashoda, flew only the Egyptian flag and spoke in the name of the Khedive; but against it must be set the fact that the Egyptians are fair-weather cocks who claim the Sudan only when its prospects are bright, since they did nothing when it was invaded by the Italians in 1940.

The legal question of sovereignty presents complications because—in the words of Lord Cromer—there was invented for the Sudan "a hybrid form of government hitherto unknown to international jurisprudence." Common sense therefore suggests that the title question had best be settled on a basis of present and future realities. What do the Egyptians mean when they demand kingship? Do they want it conceded temporarily, and as a mere matter of form? Or do they seek some gain of substance, such as the permanent hold upon Sudanese finance, defence and foreign policy with which they endowed their King by the law which the Wafd parliament—now dissolved—passed in November, 1951? If conceded have they reflected on the blow to royal pride which will ensue if the Sudanese vote against the link? Have they, and have the British, reflected upon the hard fact that, if conceded, the concession is likely to affect the plebiscite since the Sudanese are largely an uneducated people; they do not understand subtle distinctions between sovereignty and kingship, and may well reflect that a king is a king and therefore a person for whom it might be prudent to cast one's vote? If this is so, concession even of the formal title can hardly be reconciled with Mr Eden's promise of November 15th that the Sudanese shall be left "to exercise their choice in complete freedom."

Britain's Point of Honour

Amidst a forest of question marks, two points only are certain. The first is that the issue involves the personal reputation of two important men—the King of Egypt on the one hand and, on the other, Mr Eden, a person with a deserved reputation for sticking to his principles. The second is that if an Egyptian demand for temporary recognition were to become the price of some compromise on the defence question, some of the other parties involved in defence, notably the United States and France, would consider the British mad to insist on what is in some, though not all, foreign eyes a quite minor point. Both Americans and Frenchmen believe that if there is any trouble in the Sudan over temporary recognition, it will break out because the British there took no pains to avoid it; some Asians, by contrast, think that the British will be breaking their word to the Sudanese if they humour King Farouk's whim.

The question of how the Sudanese are to settle their future is, though problematic, less intricate. Broadly speaking, the difference of opinion between Britain and Egypt on the subject is that the former—along with many other observers including a recent American two-man mission of investigation—thinks that a plebiscite is not a particularly satisfactory method of deciding the fate of a people some millions of whom are so backward that they cannot really grasp what they are voting about. The view of this group is that it would be better to take the decision through the medium of an assembly of representative and relatively educated people. Hence the haste with which the local administration is pressing on with the steps for attainment of Sudanese self-government in 1952. The Egyptians view this haste as proof that the British are exercising a piece of anti-Egyptian sharp-practice; they hold this view the more strongly because the pro-Egyptian Sudanese have boycotted the Sudan's present representative institutions and so have no voice there. The Egyptians want a plebiscite preceded by "the withdrawal of all foreign troops and officials." The drawbacks to them of a plebiscite which may go against them have scarcely occurred to them.

Sudanese friendship and confidence are necessary to Egyptian prosperity. The fact that the Egyptians are not doing much to woo either, and that they lately repelled both by passing imperialistic laws about the Sudan, would be much easier to bring home to Egyptians if the Sudanese knew—as they do not—what they want.

Japan Looks for a Change

[FROM OUR TOKYO CORRESPONDENT]

HARASSED by thunder on the right as well as on the left, Prime Minister Shigeru Yoshida is doggedly facing mounting difficulties in the Diet and on the industrial front as Japan prepares proudly to unfurl the Rising Sun of national independence after six and a half years of defeat and occupation. The contemporary scene is confused and confusing and heavily overhung with dark paradoxes that portend an end to most occupation reforms. The spectacle of United States army officers wryly bemoaning the effectiveness of their costly destruction of Japanese armament facilities, which must now be expensively replaced, is no less ironical than the repeated Diet scenes in which Mr Yoshida plaintively argues that Japan is not rearming, and does not intend to. Mr Yoshida's dilemma is a legacy of the occupation. The new Japanese Constitution, which General MacArthur reputedly wrote in large part himself, specifically prohibits Japan from rearming. Before his departure, however, General MacArthur called on Japan, in blunt defiance of his constitution, to rearm swiftly. The nucleus of its army is now being rebuilt in the guise of the National Police Reserve and Japanese factories are already producing armaments again. But Mr Yoshida, who does not wish to go to the country yet for a revision of the constitution on the rearmament issue, cannot constitutionally admit these facts and must persist in his argument that only a domestic police force is in the making and that Japan is far too poor to undertake rearmament.

The exasperated Prime Minister is now challenged by a constitutional approach to the Supreme Court by the left wing of the sundered Socialist party, seeking an injunction to dissolve the National Police Reserve as "unconstitutional." The plaintiff argues, not implausibly, that the police are armed with bazookas and trench mortars, not customary equipment for traffic control and other conventional police duties; and that the force is being trained by army officers in mass military manœuvres, in bridge construction and railway repair under artillery and aerial attack and in river-crossing exercises which appear remote from the accepted responsibilities of beat-patrolling. Simultaneously with these attacks from the left, Mr Yoshida is being assailed from the right and from liberal intellectual circles with denunciations of the provision in the United States-Japan security pact which gives to America military courts, and not Japanese civil courts, jurisdiction over American military personnel stationed in Japan after the peace treaty. The inflammatory cry of "extraterritoriality!" has been raised.

Against American Reforms

The significant common factor in these attacks on Mr Yoshida's Liberal Government is that, while they emanate from opposed political elements, they derive their strength and popular appeal from the resurgent "Japan-for-the-Japanese" sentiments now widespread among the people. The Socialists, for instance, object to rearmament generally, but they object particularly to the retention of American troops on Japanese soil—even although the presence of foreign troops could strengthen their general objection to Japanese rearmament. And the liberal intellectual, while intensely concerned with the preservation of Japan's new concepts of freedom against reaction from the extreme left or right, can make sincere common cause with the rightist or leftist reactionaries on the issues of extraterritoriality and national dignity and independence.

That popular feeling here should be in a hot, bubbling, patriotic ferment on release from foreign military occupation is not surprising. Notoriously touchy and prickly, the Japanese have borne the inhibitions of bland and blind obedience to the occupation with extraordinary discipline and humility. Their immediate reaction is bound to be a wild and instinctive emotional swing away from alien influences and occupation practices. The best-selling books in Ginza stores at present are the reminiscences of Japanese war leaders. Occupation-prohibited war songs are at present red-hot favourites on gramophone records and in radio request programmes. The lacquer-thin coating of occupation reform is cracking and peeling off in most places. General MacArthur's pet plan for deconcentration of the police force has been denounced by Cabinet Ministers (reasonably enough, the impartial observer is inclined to concede) as "uneconomic and inefficient." The Zaibatsu trusts, scattered by occupation directive, are already openly regrouping, led by the Mitsui and Mitsubishi interests. Occupation labour reforms and provisions for overtime pay, a 48-hour week and special protection for women and minors are under fire from employers' federations as "excessively democratic." Legislation has been drafted to restrict the right to strike and to lower occupation standards in labour and industry. It threatens to provoke widespread labour disputes which the Communists will gratefully exploit.

The tempo and enthusiasm of this "back-to-the-old" trend are being hastened and encouraged by the return to public life of "depurged" leaders in Japan's prewar and wartime industry, politics and public affairs, who—because of their superior ability and experience, enhanced by the prestige of occupation punishment—are naturally resuming their old positions of command and authority. There is also gathering criticism of the economic policy of Mr Joseph Dodge, the American banker, who killed all Government subsidies, revised taxation and imposed a programme of rigorous financial austerities which is now being branded as unnecessary and deflationary. Tanzan Ishibashi, former Finance Minister and likely next Finance Minister if Prime Minister Yoshida steps down for the "depurged" Ichiro Hatoyama, urges a special issue of Government bonds to meet Japan's lack of industrial capital.

Return to Prewar Cartels?

As surplus stockpiles mount, the Government has already been compelled to apply restriction orders against cotton textile production (40 per cent) and rubber manufactures (30 per cent), with the probability of further restrictions in the iron-and-steel and caustic soda industries. These restrictions will not only create unemployment (20,000 mill workers are likely to be laid off) but will also hasten the amalgamation or disappearance of small industries and an apparently inevitable return to the prewar pattern of huge cartel-like industries strong enough to withstand the financial strain of falling export markets, to command bank credits and even to attract foreign investment. Here, of course, is the end of another occupation dream of the dispersal of industrial management and organisation.

Against this turbulent background, there is evidence that, in the current national mood of change for change's sake, the Liberal Government under its present leaders is losing popular appeal. In two recent by-elections, Mr Yoshida's party lost almost 90,000 votes (compared with the 1949 election figures) to the split Socialists and to the new leaderless centre-of-the-road Progressive Party. Newspaper polls also show a decline in support for Mr Yoshida. This trend, if continued, does not presage any new political influences in Japan. There may be changes in leaders and even in parties but general policy is likely to remain conservative, expedient, tough and increasingly assertive. The Socialists still lack leadership and are hopelessly split. Communist strategy, which is expected to explode into violence and bloodshed combined with a strong Asiatic appeal to Japan to throw out the white man, is now being shaped by leaders who have gone underground. It is too early to discern any firm outline in foreign policy: until the negotiations with Chiang Kai-shek reach a presumably unhelpful conclusion, until some agreement in principle on reparations is reached with the

Shell Chemicals

Shell research has brought a new, improved technique to the laundry. The modern detergents are kind to all fabrics; their efficiency is unaffected by the hardness of water and they deposit no lime scum—a major cause of greying in white materials. Outstanding among these Shell products from petroleum is LENSEX — an all-classification detergent now being used on an ever-increasing scale in many laundries. Its versatility ranges from the safe washing of delicate fabrics to powerful grease-removing action on mechanics' overalls. LENSEX is also playing an important part in laundry economics, because with all types of laundering — light, heavy, white, coloured — it gives a cleaner wash on less fuel and water, and in less time.

SHELL CHEMICALS LIMITED, Norman House, 105-109 Strand, London, W.C.2
(DISTRIBUTORS)

GERMAN INDUSTRIES FAIR 1952

HANNOVER

THE LIGHT INDUSTRIES FAIR

27TH FEBRUARY 2ND MARCH

THE HEAVY INDUSTRIES FAIR

27TH APRIL • 6TH MAY

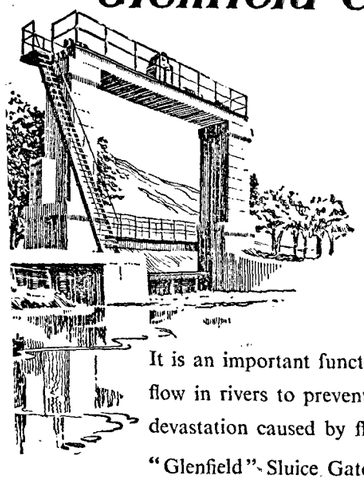
★

For further information apply to:

SCHENKERS LIMITED

27 CHANCERY LANE. LONDON. W.C.2 • TEL.: HOLBORN 5595/6

Glenfield Control



IN RIVERS AND WATER COURSES

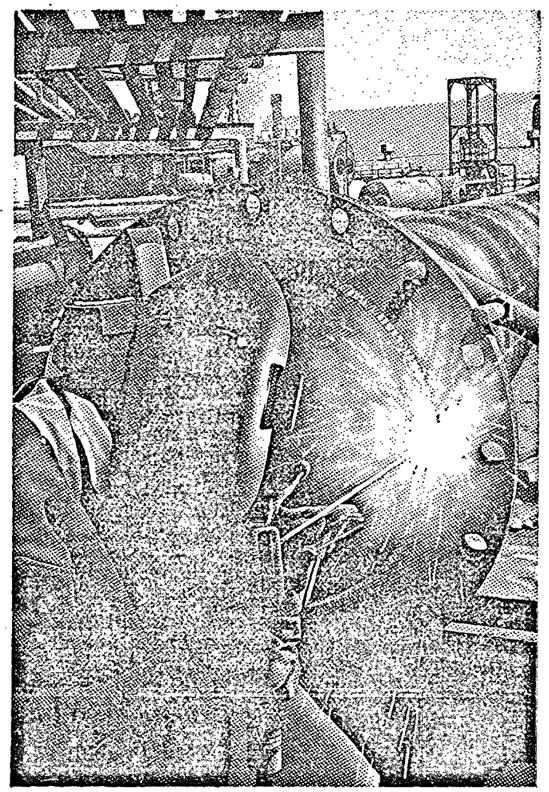
It is an important function to control the flow in rivers to prevent the damage and devastation caused by floods.

"Glenfield" Sluice Gates are performing this very function in rivers and water courses throughout the world.

Glenfield

GLENFIELD & KENNEDY LIMITED KILMARNOCK

HEAD OFFICE & WORKS KILMARNOCK, SCOTLAND



THE MAN

IN THE IRON MASK

THIS man is a welder working on a new pipeline at one of Anglo-Iranian's three oil refineries in this country. Anglo-Iranian's refinery expansion continues on a world-wide scale. In addition to the nine refineries in Europe and Australia already operated by Anglo-Iranian and its associated companies, a new refinery in Belgium recently went into production and another new refinery is under construction in the United Kingdom.

THE BP SHIELD IS THE SYMBOL OF BP THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company

LIMITED

Philippines and Indonesia, until Red China shows its hand, and until trade prospects in South East Asia harden, there will be no stable basis on which foreign policy can be developed. The only safe forecast is that it will be neither pro-West nor anti-West but exclusively pro-Japanese. A serious danger is that it may be influenced by a rash and ingenuous hope to do business with both the Communists and the West and to seek to play off each against the other.

Failure of Australia's Farms

[FROM OUR MELBOURNE CORRESPONDENT]

AUSTRALIA is facing a crisis in its farming industries. Their output has in general failed to show more than a token increase since 1939. In some of the most vital industries, moreover, there is an unmistakable tendency for production to decline. The overall output of Australia's farming industries has expanded only by about 1 per cent since before the war. Over the same period there has been an increase in population of about 3 per cent per annum. The demands for foodstuffs from Australia's rapidly increasing population are thus not being met by the increase in farm production. The inevitable result is that there is a smaller quantity available for export.

There has been a quite fantastic increase in the financial return from wool in the postwar years. This, however, has been achieved not by an increase in the volume of production, but by the sky-rocketing of prices in the postwar inflationary boom. The great increase in the return from wool has, in effect, been a purely monetary phenomenon; the fall in woolgrowers' returns since March, 1951, has also been caused by monetary factors.

In wheat, which ranks second only to wool as a contributor to Australia's export income, there has been a 25 per cent decline in acreage over the last four years. The area sown to wheat this season is only 10,434,000 acres compared with 13,880,000 acres four years ago, and is, in fact, the smallest in any peacetime year since 1925-26. As a result, wheat production this season is expected to be only 162 million bushels compared with the peak of 220 million bushels in 1947-48. Australia's domestic requirements are about 80 million bushels, and there is an export quota under the International Wheat Agreement of 88.7 million bushels. Because of declining production, Australia will not be able this season to meet more than 72 million bushels of its international commitments, leaving a very small quantity for carry-over and disposal on the free markets.

In dairying there has been an increase of only 1 per cent in wholemilk production since 1939. As more milk has been used for processing, there has been a substantial fall in the production of butter. Butter production in 1950-51 was 164,971 tons against 203,500 tons in 1938-39. Increasing domestic consumption has resulted in a very substantial fall in the quantity available for export. Only 55,635 tons were exported last year against 102,534 tons in 1938-39. There has been an increase in meat production in the last four years from 947,000 tons to 1,013,800 tons. Domestic consumption, however, grew in the same period from 739,400 tons to 847,900 tons, again resulting in less meat for sale overseas.

This, then, is the general picture of static or falling production of Australia's farm industries. This winter, New South Wales will have to import butter from New Zealand if last year's severe shortage is to be avoided. On present acreages, Australia could well become an importer of wheat if there should be a drought. Bounteous seasons in the last five years, in which the average yield has varied between 15.15 bushels to 17.83 bushels to an acre, have ensured ample wheat for domestic consumption and export, but the position could change overnight. The reasons for the tendency of farm production to decline rather than rise are many, but the concentration of the Commonwealth Government since the war on greater industrialisation and intensive migration rather than on the agricultural and pastoral development of the country has influenced the whole picture. The consequence of this, as Professor S. M. Wadham, Professor of Agriculture, University of Melbourne, has pointed out, is that farmers have found it most difficult to get materials or machinery, or even the all-important superphosphate to enable them to intensify their activities.

There have naturally been no complaints about the price of wool from sheepmen since the war, but production has not shown any significant increase since 1939 because of the tremendous stock losses in the great drought of 1944-46. Since then, flocks have been slowly built up. The tremendous increase in wool prices has been a potent factor in causing both wheat growers and dairy farmers to switch to sheep. There could well be a reversal of this trend with the fall of wool prices to levels more in keeping with those of other farm products. In both wheat and dairying, producers consider that they are not receiving returns to show a sufficient margin over production costs. Dairymen consider that adequate returns must be guaranteed to them by the Government if production is to be expanded, and the wheat men are resentful that they are forced to sell their grain for domestic consumption at 10s. a bushel, compared with 16s. 1d. fixed under the International Wheat Agreement and with the free market price of 20s. 6d. And overshadowing everything is the basic need for capital in large and continuing increments, not only to bring poor land into production but to raise the fertility of land already in use.

The Commonwealth Government is fully aware that it is faced with a crisis of great magnitude in the farming industries, particularly because of the need to increase Australia's export income as the only satisfactory means of surmounting the present balance of payments impasse. As a first step in a general plan to increase farm production, the Commonwealth has allowed certain tax concessions to farmers. Federal and State Ministers, at a special meeting of the Australian Agricultural Council in February, undertook to prepare measures, as part of a five-year plan, to step up the output of superphosphates to work towards the closer settlement of rural areas, to assist rural housing and to help farmers to obtain machinery and materials. These measures could well lead to considerable expansion of rural production, but they

BUSINESS ABROAD

At the request of subscribers The Economist Intelligence Unit has extended the list of countries on which reports are issued every three months. This is now the complete list:—

Argentina	India	Persia
Australia	Indo-China	Philippines
Belgium	Indonesia	Portugal
Borneo	Italy	Siam
Brazil	Japan	S. Africa
Burma	Kenya	S. Rhodesia
Canada	Malaya	Spain
China	Mexico	Sweden
Denmark	Netherlands	Switzerland
Egypt	New Zealand	Turkey
Finland	Norway	U.S.A.
France	Pakistan	W. Germany

The reports are designed for those with business interests abroad. They are obtainable by annual subscription, or singly. Further particulars from:—

THE ECONOMIST INTELLIGENCE UNIT

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

will take time to take effect. In the meantime, output remains basically static against a background of increasing demands for food and raw materials from home and abroad.

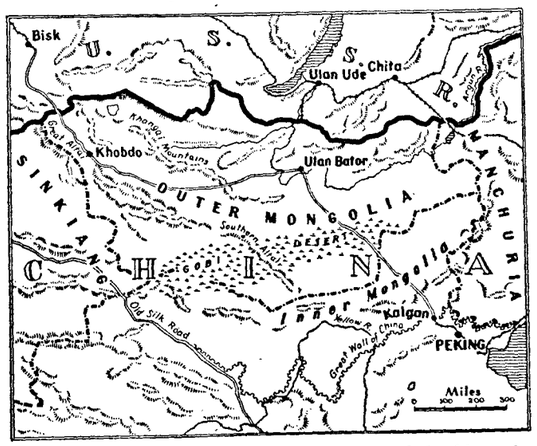
Between Russia and China

MARSHAL CHOIBALSAN, Prime Minister of Mongolia (the Mongol People's Republic), died in Moscow on January 26th, and his funeral took place with much ceremony in the Mongolian capital Ulan Bator (formerly Urga) after his body had been brought back from the Soviet Union. Soon afterwards the Mongols, "joyfully and solemnly" according to *Tass*, celebrated the sixth anniversary of their Treaty of Friendship and Mutual Aid with the Soviet Union and sent a message of greeting to Stalin, "the great leader and teacher of all workers, the standard-bearer of peace and friendship between peoples, and the best friend of the Mongolian people." In an editorial on the anniversary *Pravda* quoted Marshal Choibalsan as saying that Soviet aid and guidance had enabled the Mongols to jump straight from feudal backwardness to people's democracy, by-passing the capitalist phase of development.

The funeral was attended by the Ambassadors of the Soviet Union, China and North Korea, these being the three states which have diplomatic relations with Mongolia, and by special Soviet and Chinese delegations, the former headed by Marshal Budenny and the latter by General Nieh Jung-chen, Acting Chief of Staff of the Chinese army; another member of the Chinese delegation was Ulanfu, chairman of the Inner Mongolian People's Government, which forms an autonomous unit within the Chinese People's Republic. The composition of the Chinese delegation including a representative of the Mongols who are still Chinese citizens indicates the somewhat complicated relations which now exist between Russia, Mongolia and China.

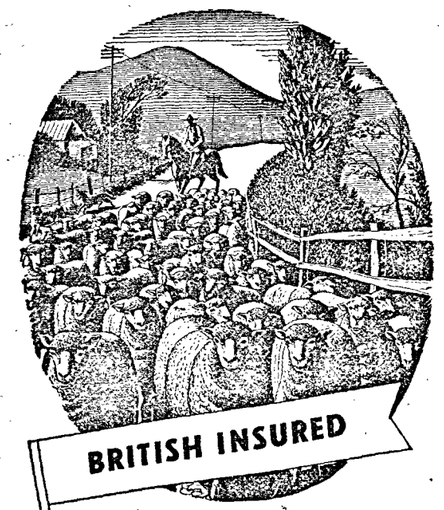
Mongolia, in the sense of the whole region inhabited by Mongols, was formerly included within the Manchu-Chinese empire, except for the area of the Buryat tribes which has been under Russian rule since the seventeenth century. The Mongols did not regard themselves as subjects of the Chinese, but only as vassals of the Manchu imperial dynasty which they had aided in the conquest of China, and when the Manchu dynasty was overthrown by the Chinese Revolution of 1911, they declared their independence of China. However, only a part of the Mongol people was able successfully to resist incorporation in the new Chinese Republic. The old Mongolia was divided into two zones by the Gobi desert, known as Inner and Outer Mongolia respectively; the Outer Mongols were able to free themselves from Chinese rule with the support of Tsarist Russia; but the Inner Mongols, being closer to China and having lost much of their land to Chinese colonists, were held under Chinese control and their territory divided among several Chinese provinces.

This state of affairs has continued to the present day in spite of all Mongol aspirations for a reunification of the two halves of the Mongol people. The Soviet Government continued the Tsarist policy of supporting the Outer Mongols



against Chinese reconquest, but instead of backing the Mongol princes, as Tsarist Russia had done, aided the social revolutionary movement which was led by the Mongol People's Revolutionary Party (MPRP); this was formed by the fusion of two groups headed respectively by a soldier of the Outer Mongolian army called Sukhe Bator and by Choibalsan. Sukhe Bator was a nationalist first and foremost, though he also aimed at radical social changes, whereas Choibalsan's group operated in 1917-21 in the Russian quarter of Urga, where he was already in touch with Russian Bolsheviks. Sukhe Bator died in 1923, and after the withdrawal of Soviet Russian troops from Outer Mongolia (which they had entered to expel the White Russian forces of General Ungern) the MPRP governed the country as a one-party state, basing itself on Marxist principles, though without formally taking the name of Communist. The Soviet Government gave material and technical aid to the new regime and brought it under a kind of protectorate, without, however, repudiating Chinese nominal sovereignty over the country until 1945.

The Chinese were never strong enough after 1921 to enforce their claim to authority in Outer Mongolia, but from 1932 onwards a new threat developed in the shape of Japanese expansion based on Manchuria. In order to obtain Mongol support against the Chinese in Manchuria the Japanese detached the Mongol-inhabited districts and made them into a separate province with a Mongol administration. Thus a new Mongol national centre was created, but as the Japanese supported the old ruling class of the nobility and Buddhist lamas, the Japanese-protected



They are taking no avoidable risks with this golden crop—the wool for which nation will bid against nation. It's insured on the sheep's back, in the shearing shed, on truck and train and ship till it reaches the distant ports. British Insurance Companies cover it all the way.

British Insurance Companies back World Enterprise

Issued by the British Insurance Association

REFUGE

Assurance Company Limited.

Chief Office: Oxford Street, Manchester, 1.

In 1951 representatives of the Company provided service, usually at the homes of the policyholders, in respect of NINE MILLION POLICIES, making more than 240,000 maturity payments totalling £5,500,000 and paying £3,700,000 in death claims.

Habib Bank Limited

Established 1941

Head Office: KARACHI (Pakistan).

Authorised Capital	...	**Pak. Rs. 20,000,000**
Issued & Subscribed	...	**Pak. Rs. 10,000,000**
Paid-up Capital	...	**Pak. Rs. 10,000,000**
Reserve Funds	...	**Pak. Rs. 10,000,000**
Deposits as on 31/12/51	...	**Pak. Rs. 438,200,000**

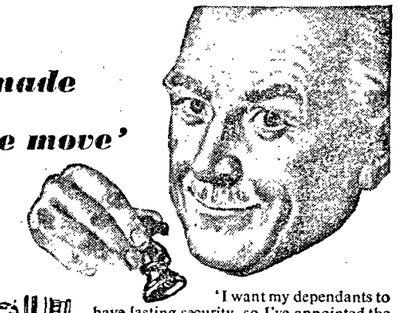
In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Ltd., with 45 branches spread over West and East Pakistan, can prove to be most helpful and you are invited to use our services.

The Bank is fully competent to handle all foreign exchange business, including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

FOREIGN BRANCHES: Bombay, Calcutta and Colombo.

CORRESPONDENTS & AGENTS at all important cities of the world.

'I've made a wise move'



'I want my dependants to have lasting security, so I've appointed the 'General' in my will, to act as my trustees. Why? Mainly because they have all the necessary qualifications and ability to look after my estate. Their service is continuous—over many generations if necessary—and my dependants will benefit from the 'General's' wide experience of investment and financial administration.'

YI7

Peace of mind costs very little

The cost of expert trusteeship through the 'General' Executor and Trustee Department is small. The benefits may make all the difference to the well-being of your dependants. Find out more about this way to ensure permanent, reliable administration.

Please send me particulars of the 'General' Executor and Trusteeship Services.

NAME

ADDRESS

E.

General

ACCIDENT FIRE & LIFE ASSURANCE CORPORATION LTD

Trustee Department, General Buildings, Aldwych, London, W.C.2

FAMOUS FOR ALL CLASSES OF INSURANCE

Aspects of Enterprise No. 18

SIMON ENGINEERING GROUP

Research and development

have been undertaken on a greatly enlarged scale since the war. The Simon companies sell their specialised experience, designs and equipment in over fifty countries, and to ensure that these tangible and intangible products continue to compete in world markets a large block of new research and development buildings has been built at Cheadle Heath and brought into use in stages during the past two years. A vigorous flow of new ideas in plant and processes is more vital than ever to keep Britain in the forefront as a producing and exporting nation.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

BANKS
•
INSURANCE COMPANIES
•
INVESTMENT TRUST COMPANIES

The investor can obtain a well-diversified interest spread over the stocks and shares of these financial institutions through the medium of the

Bank Insurance Trust Corporation Group of Unit Trusts

★

For full particulars, including prices of Units and their yields, apply through your stock-broker, banker, solicitor or accountant, or direct to the Managers of the Trusts:—

BANK INSURANCE TRUST CORPORATION, LTD
30, CORNHILL, LONDON, E.C.3

These facts are published to show what British ingenuity and skill can achieve in spite of difficulties

It can be done

Vacuum Oil Company's new refinery at Coryton will draw its cooling water—45 million gallons a day—from the lower Thames. A reinforced concrete caisson forms part of the intake jetty and houses the pumps and machinery.

Conditions prevented building the caisson in position within a cofferdam in the usual way. How else could it be done? "Mulberry" harbour suggested an answer. The unit was partly constructed in a dry dock at Gravesend. It was then towed—its topsides bristling with reinforcing rods—across to Tilbury and berthed among astonished ocean liners. Here the walls were concreted up to their full height. Then the whole structure—4,200 tons of concrete and steel with a draught of 29 feet—was moved again, under escort of four tugs, eight miles down river to Coryton; and there it was carefully sunk in position offshore. This epic voyage took place on March 6th 1952. Not even the Thames has ever seen a stranger craft. The operation, so far as is known, is unique in history. Design and construction were carried out in conjunction with the Lummus Company Limited, London.

LAING

JOHN LAING AND SON LIMITED, Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka. Established in 1848

Mongols of Inner Mongolia were inevitably in conflict with the Soviet-protected MPRP ruling Outer Mongolia, as well as with the Chinese. The Japanese hoped to gain control of Outer Mongolia and thus acquire a great strategic advantage against Russia; Russia, however, reinforced the MPRP with a Soviet army and in the great "unofficial" battle of Nomonhan in 1939 the Russian and Outer Mongol troops were victorious over the Japanese.

The increased dependence of Outer Mongolia on the Soviet Union brought Choibalsan to supreme power. His predecessor as Prime Minister, Gendung, was removed from office and liquidated, along with a number of other leaders regarded in Moscow as unreliable. Choibalsan went to Moscow and had an interview with Stalin in 1945; he subsequently commanded the Outer Mongol army in alliance with the Soviet Union in the brief August campaign against the Japanese, but he was not permitted to incorporate any part of Inner Mongolia in the Mongol People's Republic. Nationalist China was compelled to recognise the sovereignty of the Mongol People's Republic after a plebiscite on the question of formal separation from China had been held in Outer Mongolia, but there was no question of holding a plebiscite in Inner Mongolia, as Russia did not wish to alienate Chinese opinion too far, and Inner Mongolia was therefore left to China.

The Chinese Communists have now created an autonomous province for the Inner Mongols, but this is far from meeting Mongol aspirations for a unified national state. As long as the Russo-Chinese alliance persists, the Mongols have to be content with their present situation; if, on the other hand, there were to be a decline of the harmony between Moscow and Peking, Mongol irredentism remains always in reserve as a potential weapon for Russian use against China.

Pakistan and the Pathans

[FROM OUR CORRESPONDENT IN KARACHI]

AFGHAN propaganda for the setting up of an independent Pathan state continues unabated. The Pakistan Government seems to pay scant attention to it, and some observers fear that it is taking it too lightly. But the reaction of the average Pathan, when "Pakhtoonistan" is mentioned, is one of derisive laughter, for he has seen with his own eyes conditions on both sides of the border. He has seen on the Pakistan side a big programme of hospital and school expansion being put into effect—and the Pathan is avid for education. He knows that one of his rupees will buy about three Afghan rupees. He knows that the fine metalled road up to the Afghan border immediately becomes a dirt track for the remaining one hundred and fifty miles to Kabul. He can contrast the smart turnout of the Pakistan troops at the border posts with the shoddy, shapeless uniforms of the Afghan sentries. His Maliks are also well informed about world affairs, and are sufficiently intelligent to realise that an independent Pathan state would be quite incapable of economic and political survival.

According to reliable reports, the Afghans have recently sent secret emissaries to the Pakistan side of the Durand line in an attempt to seduce the Maliks by gold. Only one Malik, an Afridi, yielded to temptation. Having received a bribe of a million rupees Afghani he dutifully assembled several *jirgas* for the purpose of arousing interest in the "Pakhtoonistan" idea. But his advocacy was so half-hearted, his discharge of his obligations so perfunctory, that the Governor decided to take no action and to leave the matter to the good sense of the people. The upshot is merely that the Malik in question finds himself so much the richer and the Afghan exchequer so much the poorer. The danger in this, of course, is that other tribal leaders may be tempted either to take money from the Afghans or to blackmail the Pakistan Government for increased subsidies by pretending to espouse the cause.

If, however, the agitation does after all take hold, the Pakistan Government can very easily bring economic pressure to bear on Afghanistan, most of whose imports come through the port of Karachi and are passed, duty free, up to the frontier. If international interest is attracted the Pakistan Government would probably be only too willing to offer to submit to the verdict of a plebiscite held under United Nations supervision. There is no doubt whatever that the vote of the Pathans living between the Durand line and the Indus would be overwhelmingly in favour of Pakistan.

The visitor to the North-West Frontier Province, standing perhaps in the Khyber Pass looking over towards the snowy expanses of Kohistan, may well find it hard to convince himself that he can take a plane to Chittagong and still be in the same country. Pakistan is often described as the meeting place of the Middle East and South East Asia, but it is also a link between central Asia and South East Asia. The North-West Frontier Province and East Bengal are still poles apart, having nothing in common but religion; but the bond of Islam is a strong one and it is making the Pathans, no less than the Bengalis, conscious of the growth of a common Pakistani nationhood. The North-West Frontier Province now has an East Bengali Governor who, in his capacity as Agent to the Governor-General, is directly responsible for the administration of the tribal areas—an idea which must sound strange to the older generation of frontier administrators. But Khwaja Shahabuddin has been given a very friendly welcome by the Maliks.

Change of Spirit

Outwardly, the form of administration of the tribal territories remains unchanged. The garrisons have of course been withdrawn from Razmak and other stations in the area, but the same subsidies are being paid, the Khassadar system is still retained, and the militia formations (the Tochi Scouts, the Khyber Rifles, and so on) have not been reduced in strength. Yet the whole spirit has changed. The Afridi or Masood still humps his rifle and bandolier around with him—he would probably feel naked without them, and maybe he has a blood feud to think about—but he is no longer tempted to take pot shots at transport passing along the road beneath him. In the days of British rule, apart from being good fun, this could be regarded as meritorious; but there is no merit in shooting indiscriminately at one's own brethren.

The policy of the Pakistan Government is to further unobtrusively the cultural and economic fusion between the tribal areas and the settled districts. The process is inevitable, for the two have always been closely interdependent, and the connection has naturally grown even closer since the creation of Pakistan. The tribesmen, who number nearly two and a half million souls in the five Agencies, depend on the six districts for their main markets and find there opportunities for profitable work as cultivating tenants or as labourers. The districts, for their part, depend on the tribal areas for various raw materials, such as hides and skins, wool, charcoal, and timber. The big programmes of development and industrialisation in the settled districts, which are now being carried through under the energetic guidance of Khan Abdul Qayum Khan, the Chief Minister of the Province, are bound to have important reactions on the outlook and economic condition of the tribesmen. They will help to fortify their belief that Pakistan is a country worthy of their loyalty, and it is only a matter of time before economic fusion leads to a political integration. Already a pointer to the future has been afforded by the recent merging in the Province, at the request of the local inhabitants, of 287 square miles of tribal territory. The government has made it clear that it will take no initiative in this movement, which must gather its impetus entirely from the Pathans themselves; but it is confident that in time—say twenty-five years—the process of integration will be complete.

THE BUSINESS WORLD

EPL under Scrutiny

ANY notion that the Excess Profits Levy was to be limited to "the fortuitous rise in company profits because of the abnormal process of rearmament" was exploded by the Chancellor's Budget speech. It may catch "abnormal" profits generated by the defence programme. But it will catch much else besides—the adventitious effects of devaluation (still an important factor in the sterling income of many companies with overseas business); the paper profits caused by the rise in prices that occurred after the end of 1949 but before the war started in Korea and long before the defence programme itself had made any appreciable impact on the British economy; the fruits of hard work and postwar recovery; and the earnings of enterprise and expansion. Only in the smallest minority of cases will the amount of levy that is paid have any connection with "the abnormal process of rearmament."

It is on grounds of this kind that the rubber companies and a host of industrial concerns, ranging from the smallest to the largest, have every justification for their protests. All excess profits taxes are bad taxes; on this proposition *The Economist* is in complete agreement with Dr Dalton. The commonsense of monetary and fiscal policy should be to prevent "fortuitous" rises in profits caused by inflation, and to encourage the rises in profits that are the genuine earnings of enterprise. On this criterion EPL, so far from being limited to defence profits, is as bad as any excess profits tax could be. But in another respect also it fails to fulfil the claims that the Chancellor made for it. Mr Butler promised to simplify the new levy, and to avoid "the delay, complications and waste of manhours involved in the old EPT." But his draftsmen have produced twenty-seven sections and four schedules, together making fifty-two pages of gritty text, compared with the twenty-one pages (of larger print) that were needed to introduce EPT in 1939. Is it simplification to require that in certain cases average expenditure on repairs and renewals for the ten years 1940 to 1949 must be substituted for the actual costs in the standard period 1947 to 1949? Is the substitution of paid-up share capital for the familiar but more complex concept of "average capital employed" a fair exchange of simplification against equity for those companies that have to adopt a substitute standard? For every sign of simplification in the Finance Bill, there are half a dozen legal thickets to keep the taxpayer in his place. The greatest act of simplification is the omission of individuals from EPL; they were an administrative nuisance in EPT assessments and their omission is not an act of magnanimity that will cost the Exchequer dear, for what is not seized as EPL will be seized in surtax.

The anticipated net yield of £100 million is a mere shadow of the £470 million produced by EPT under full steam. This is a pitiable bag for such a legislative effort—an elephant gun has been used to shoot at rabbits. Those that are hit will be grievously hurt; the fixed profits standard, with no benefit of choice, of the average profits of 1947 to 1949 will see to that. This was a period largely governed by reconversion from war to peace, by delays to new buildings and plant, by the fuel and dollar crises of 1947 and by devaluation after the uneasy summer of 1949. The following profits records extracted from some recent prospectuses show a wide range of fluctuation in these standard years:

Company	1947	1948	1949	Average	*Average as percentage of best year*
	£	£	£	£	
A	79,667	111,275	97,883	96,275	*86·5*
B	162,966	220,560	293,240	225,589	*76·9*
C	88,695	70,828	52,652	84,058	*60·7*
D	191,510	423,674	420,589	345,258	*81·5*
E	42,811	46,891	46,928	45,543	*97·1*
F	239,294	215,286	253,482	236,021	*93·1*
G	104,161	176,100	194,318	158,193	*81·4*

This rigid standard is in marked contrast with the options that were offered under EPT—1935, or 1936, or 1935 and 1937 or 1936 and 1937. The American excess profits tax (which Mr Butler has in other respects so readily followed) offers a choice of the average of three years out of 1946 to 1949. Lack of choice will be highly disadvantageous, for the best-regulated concerns are liable to have off-periods during thirty-six consecutive months. The reliefs afforded by the share capital standard are unlikely to attract such companies, for the profits of the standard years must indeed be unsatisfactory before a company is tempted to substitute for them amounts equal to 8 per cent of its average paid-up share capital for the years concerned, and even worse than unsatisfactory before it would substitute 10 per cent of its share capital at the end of 1949. The percentages for director-controlled companies are 2 per cent higher in each case, and for metal mining and oil companies 4 per cent higher if the estimated life of the deposits is not longer than thirty years. (This last is the only concession for EPL purposes offered to mining and oil companies, and in many cases it will have a mere token value; the only positive gain held out to them in the Finance Bill lies in the income tax concessions, long overdue, which will enable them to write off expenditure on abortive exploration, and will provide more reasonable treatment for plant used for exploration, for expenditure on land abroad and on mining townships.) Standard profits, however arrived at, will be increased by 10 per cent of the profits retained in the business between January 1, 1948, and the beginning of the chargeable period, and further by 10 per cent on any share capital raised, including share premiums.

Resort to the concept of a percentage on paid-up share capital as a measure of excess profits has rightly aroused criticism. The 8 per cent that the Finance Bill offers is itself a mean reward for providing new capital and undertaking risks; and share capital, as distinct from capital employed, is a grotesquely inadequate basis for a substitute standard. It is worth recalling the two purposes for which capital was brought into EPT calculations. First, it was used where there were no profits, or where profits were so low that they were an unreasonable measure of the normal earning capacity of the business. In these cases, a percentage of the absolute amount of capital employed in the business was taken as an alternative standard. This exercise involved much research and calculation but the answer, once arrived at, gave the historical cost of the capital employed and provided a guide, failing anything better, to the normal base profit against which an excess could be measured. Secondly, changes in capital between the standard period and the chargeable period determined the additional allowance for growth. In these calculations the absolute of capital was not material; only the increase had to be measured and that involved no particular complication. Under EPT, it was possible for the taxpayer and the inspector to agree on a tolerable measure of capital employed. The substitute standard offered under EPL is a measure of nothing save the historical accident of how much of the real resources of a company happens to be represented by "paid-up share capital." Although the Bill is not entirely free from doubt, these words appear to exclude shares issued in the capitalisation of accumulated profits. Borrowed money is without question excluded; here the Bill chases back to the dim precedents of 1915 and the original EPD. To have issued loan stock for the legitimate purpose of avoiding profits tax, as many companies have done in recent years, now adds to the weight of EPL. In two major respects—the arbitrary character of the profits standard, and the manifest inequities of the substitute standard—EPL must stand condemned.

*

It is something, after this criticism, to record that the treatment proposed for small companies introduces a slightly greater degree of fairness. At first sight, the minimum standard of £2,000 proposed for EPL seems far from generous. The figure was the same in the closing years of EPT, and the value of money has shrunk appreciably since then. But minimum standards apply largely to small family businesses, where the directors have a controlling interest, and EPL (in contrast to EPT) will treat the remuneration paid to working proprietors as an admissible deduction, within the limits allowed for profits tax. These limits are extended in the profits tax sections of the Bill so that together with the minimum standard of £2,000 the effective amounts that can be earned, subject to directors' remuneration, before any liability arises for EPL are (in comparison with the corresponding limits for EPT) £4,500 (£2,500) for one, £6,000 (£4,000) for two, £7,500 (£6,000) for three and £9,000 (£8,000) for four working proprietors. These increases are welcome, for director controlled companies have suffered severely from the tax practice of disallowing excess remuneration in arriving at chargeable profit and then treating the excess as a distribution chargeable to profits tax at the full rate. It has meant that no controlling director dare presume to draw as remuneration anything like the salaries that are earned by employees of public companies with equivalent skill and responsibility. The Tucker Committee recommended more generous treatment; Mr Gaitskell made a start last year, and Mr Butler has continued the process. It could go much further without much risk of abuse, for the surtax provides the Exchequer with an effective long-stop; the only difficulty is to design safeguards to prevent the distribution of largesse among family directors who perform no services warranting the reward.

The period of charge for EPL is regarded as a homogeneous whole, beginning on January 1, 1952, "and ending with such day as Parliament may hereafter determine." This period, whatever it may eventually be, will be broken up into manageable units of a year for convenience of assessment and collection; but within the period, excesses and deficiencies of profits will be set off so that only if there is a net excess over the whole period of charge will EPL be payable. This fact has an important bearing on the prospective life of the levy, for at the first convincing sign of any general recession of profits below the level of the standard years, the Exchequer would be faced with the choice of repealing it, or repaying large sums in respect of deficiencies. For those concerns that establish a liability in 1952 there may thus be comfort in the fact that the levy acts as a cushion as well as a ceiling.

It has an important bearing, too, on the nature of the over-riding limit of charge of 18 per cent of total profits. It might have been supposed from the Budget statement that this limit would apply to the results of each single year. The Finance Bill makes it clear that the limit will not be calculated in this way, but upon the cumulative results for the whole period of charge. This scheme of things may indeed be logical and leave the taxpayer no worse off in the end, but it may lead to odd results during the lifetime of the levy. Suppose, for example, that a company with a standard of £20,000 earns £80,000 in year I and £20,000 in year II. In year I the excess would be £60,000 and the 18 per cent limit would apply, the EPL payable being £14,000. In year II there would be no excess profits, but the cumulative excess of £60,000 for the two years combined would now be taxable at the 30 per cent rate. Hence, in a year when there were no excess profits, an additional sum of £3,600 would have to be paid to bring the total EPL up to £18,000. This promises a contingent liability analogous to that which attaches to non-distribution relief from Profits Tax—no doubt carrying the same kind of financial and accounting complications. Accountants of companies that start off in the 18 per cent class might be well advised to reflect on the potential effects of future excess profits or deficiencies, in order to spare their directors from unpleasant shocks if events should switch the company into the 30 per cent class at a later date. On the other hand, pleasant surprises may be in store for the company that starts to pay at 30 per cent on a modest excess and is then suddenly elevated to bumper profits and an 18 per cent limit that holds good for successive years. On present prospects, there will be few such lucky ones.

In the adjustment of profits for the purpose of the levy, gross injustice is again meted out to investment trusts. It is no justification in their case to argue that as they were liable to EPT so they should be liable to EPL; that is safe precedent and bad tax administration. To include investment income whether received from sources that are themselves liable to EPL or not, means

that to a large extent the EPL paid by every successful investment trust (or every trust that has an unfavourable standard) will be double taxation. For companies that hold investments incidentally to their main purposes, there is not even the excuse of precedent, for they were not liable to EPT on their investment income, whereas they will be liable for EPL. This is not the only objectionable feature of the 8th Schedule to the Bill. The old formula that "no deduction shall be allowed in respect of expenses in excess of the amount which is reasonable and necessary" sounds fair enough; but it brings back memories of wartime negotiations on points that Morton himself would have loved to impale on his fork. The provision to average out repairs deferred from the war years will involve in many cases the disinterment of dusty records of ten years from 1940 to 1949; it will ruin the accountant's clothes even if it does not break his heart.

The only conclusion on the Finance Bill is that it marks the end of any hope that industry might have entertained of fair treatment for profits by either political party. The fiscal enormities committed against profits that passed muster during the war, and were speedily removed by the first Labour Chancellor after the war, are here repeated and enlarged by a Conservative Chancellor. He did not draw up the original formula in his party's manifesto, but he has chosen to interpret it in a manner that treats profits, whether earned by enterprise or generated by the deceptive process of inflation, as a social sin—with absolution at the extortionate rate of 84½ per cent. All this damage to the economy, all these ulcers for accountants, will produce next year a spurious benefit of £100 million. The best verdict on Mr Butler's first Finance Bill is Prince Hal's:

> Oh, monstrous! but one half-pennyworth of bread, to this intolerable deal of sack? What there is else keep close, we'll read it at more advantage. . . . I'll to the court in the morning.

The Future of European Payments

ON June 30th next, the European Payments Union will be two years old. When the Union was founded in 1950, no limit was set on its life but it was, in effect, put on probation until its second birthday. It was agreed that a comprehensive review of its operations should be made not later than March 31, 1952. This review was recently completed, and last week the managing board presented its report to the Council of Ministers of the Organisation for European Economic Co-operation.

EPU has not had an easy first two years of life. No heaven has lain about it in its infancy. European balances of payments have had to meet the combined impact of the wild post-Korean fluctuations in commodity prices and of the rearmament programme. These factors invalidated all previous estimates of probable "swings" in intra-European balances of payments and have placed far greater strain on the reserves of the Union than had been foreseen. The surprising thing is, therefore, not that many members feel that some amendments to EPU's structure are called for, but that none of them wants the whole experiment to be discontinued.

Whatever may be the differences of opinion about the future of EPU, there is now no serious criticism of the objectives for which it was launched. Its purpose was to establish for member countries and their associated territories a multilateral system of payments, in which members would no longer be bound to achieve approximate balance in their bilateral payments but could automatically use the surpluses earned with some members in order to meet the deficits incurred with others. This system of payments was designed to strike European trade free from the shackles of unnecessary import and exchange control restrictions, and it did in fact become the instrument through which trade liberalisation made considerable progress in the first eighteen months of the Union's life. Unhappily, some of the forward steps that were taken then have now had to be retraced under the stress of recent balance of payments difficulties, but there can be no doubt that the Union has played an important part in assisting the development of intra-European trade. The total trade between member countries rose from an annual rate of $8,800 million just before EPU was launched to an annual rate of $12,800 million in the third quarter of 1951; these figures do not include imports from the associated territories of member countries or from those countries of the sterling area that are not members of EPU. About half of this notable increase represented an expansion in the real volume of trade.

This expansion was due not only to liberalisation (that is, to the removal of certain imports from import licensing), but also to the automatic transferability conferred by the Union on the currencies of participating countries. Member countries were freed from the need to concern themselves with the balances on their bilateral accounts with each other, and this freedom contributed to the development of intra-European trade on a non-discriminatory basis and achieved a very welcome widening of the area of genuine commercial competition. Besides facilitating payments and trade in this way, the EPU has provided, through its managing board, an important focal point of European consultation and financial co-operation. As the result of such consultation, the economies of almost all member countries have been examined, and specific recommendations have been made and sometimes—though not always—acted upon. The way in which the managing board's recommendations helped to produce the remarkable turn-round in the economy and balance of payments of Germany is only one, though the most spectacular, example of the fruits of such consultation.

In broad terms, therefore, the story of EPU's first two years is undoubtedly a story of success—despite the difficulties that members have experienced in maintaining equilibrium in their balances of payments in the face of post-Korean price fluctuations and rearmament. But there is no doubt that the Union has also been used for one purpose for which it was never intended. The paucity of members' individual reserves of gold and dollars, which today represent only about 25 per cent of their annual imports (compared with 80 per cent before the war) has caused the Union to be looked upon by certain members as a mechanism for strengthening their gold

TRADE with SWEDEN

We offer a trade introduction service efficiently equipped to place British exporters and importers in touch with reliable Swedish firms engaged in foreign trade.

Ask your bank to consult and use the services of

SKANDINAVISKA BANKEN
Established in 1864

Central Offices:
GOTHENBURG STOCKHOLM MALMO

INDUSTRIAL AND COMMERCIAL
I. C. F. C.
FINANCE CORPORATION LTD.

Finance for the Private Company

Rising costs of plant, stocks, and work in progress have combined with taxation to set new problems for the Private Company in raising additional capital or long-term funds. To assist sound enterprises in solving such problems within the limits of today's priorities is one of the functions of I.C.F.C.

I.C.F.C. operates on commercial principles and offers despatch, economy and flexibility in method.

Full particulars of the facilities offered may be obtained from

The General Manager, 7, Drapers' Gardens, London, E.C.2.
The Birmingham Manager, 214, Hagley Road, Birmingham, 16.

BLOCK & ANDERSON MEAN BUSINESS

Expand production! Increase exports! Defence and Economic Survival depend upon *more in less time*, but scarcity of manpower tends to limit possibilities. Speed up! Speed up the wheels of industry by putting B & A Machines and Systems to work in the office.

Banda *Spirit Duplicating—the modern method*—plus scientifically designed forms, with modern addressing and mailing equipment, *can speed up communication processes of business and industry.*

With B & A calculators, computations vital to business and production economy *are completed much faster.*

Records and instructions needed for planning and control can be prepared with B & A machines and systems *with minimum time lag.*

The installation of B & A machines and systems ensures readily available service from B & A Specialists and Engineers in seventeen branches throughout the United Kingdom and in Eire.

Write to-day for the address of your nearest branch, to *Block & Anderson Ltd., 58-60 Kensington Church Street, London, W.8. Telephone: Western 2531-6.*

• PIONEERS OF SPIRIT DUPLICATING •

CANADA
land of opportunity

Great opportunities await the Industrialist or trader seeking new fields of enterprise. Find out more about conditions in this rapidly developing country from Canada's oldest Bank.

Enquiries welcomed.

BANK OF MONTREAL

47 Threadneedle Street, London, E.C.2

Head Office: MONTREAL

Over 570 branches throughout Canada
Assets Exceed $2,000,000,000

Incorporated in Canada in 1817 with Limited Liability

We've solved some problems in our time!

TIME—1939 : PROBLEM—the magnetic mine. The answer came quickly: sweep with a loop of cable carrying heavy impulses of direct current, thus generating a magnetic field to detonate the mines. But the means ? Every available mine-sweeping trawler must be fitted *at once* with batteries capable of enormous output—3,000 to 4,000 amperes at 150 to 200 volts. That was Chloride's part of the problem.

¶ The trawlers got their equipment. Car batteries by thousands, with new connections hurriedly burned in to put the cells in series-parallel, provided each ship with a fearsome make-shift battery of 1,134 cells. Later, our special 400 volt mine-sweeping batteries, designed for the job and produced in very great numbers, made sweeping safer and more certain. But the magnetic mine, as a decisive weapon of war, was already beaten—by brave men and a battery that looked like an ' electrician's nightmare.'

¶ For over 50 years we have been designing & making special types of Chloride, Exide and Exide-Ironclad Batteries for every branch of industry, transport and communications. Our battery research and development organisation, the largest & best equipped in this country —if not in the world—is at industry's service always: ready at any time to tackle another problem.

CHLORIDE
BATTERIES LIMITED
Makers of Exide Batteries
EXIDE WORKS · CLIFTON JUNCTION · NR. MANCHESTER
P.18

and dollar reserves. Although no debtor country has exceeded its quota for long, some countries have remained almost continuously in surplus. Belgium and Portugal, for instance, have already run up an accumulated surplus in excess of their quotas.

The rock upon which the Union—in its present form —has come near to foundering is that the currencies within EPU membership are by no means equally hard in relation to the currencies outside that membership. This has tended to set up a cross-pattern of undesirable capital movements. Some members, notably Belgium, have been able to proceed much further than others in removing restrictions on their imports from countries outside EPU. Their currencies are thus more easily convertible into dollar commodities and tend to be in greater demand. These countries may incur substantial deficits with the dollar world, but they compensate this by the surplus they are running with their EPU colleagues and by the gold they extract from EPU. As the managing board of EPU points out in its report, it seems clear that the Union must always be in difficulties " unless member countries follow internal and external policies which will result in a reasonable parity between the ' nominal ' and the ' real ' values of their currencies "—which is asking a great deal. It is largely because of this that EPU has not fulfilled all the hopes that were originally placed in it. Many member countries, in view of their relatively small gold and dollar reserves, have had to retreat precipitately from trade liberalisation as soon as they have found themselves obliged to make substantial gold payments to the Union.

★

The unexpected difficulties with which the Union has had to contend have also been reflected in the reserve position of the Union itself. The initial capital of the Union was furnished by a grant of $350 million from the United States ; this has since been increased to $361 million as a result of the renunciation by Sweden of $11 million of conditional aid. The Union has also received $131 million of gold from the special resources provided by the United States to cover the EPU deficits of Austria, Greece, Iceland and Turkey, but it has lost $50 million of gold as a result of the fact that the initial credit balances established in favour of certain countries exceeded the initial debit balances by about $125 million—a discrepancy that involved a once-for-all drain on both the credit resources and the gold reserve of EPU.

The net effect of this initial subscription and of these special gains and losses of gold is that, by June 30th next, the Union can expect to have received a total " extraneous " contribution of $442 million to its gold and dollar resources. This reserve is the working capital of the Union from which gold payments are made to creditor countries and to which gold receipts from debtor countries are credited. Owing to the persistent creditor status of certain countries and to the differences in the sliding scales on which debtors and creditors respectively make and receive gold payments, the Union has so far been called upon to pay out more gold than it has received in the course of its normal monthly compensations. By the end of February, 1952, no more than $306 million of the capital fund of $442 million remained in its coffers. This figure may be considerably reduced in the next few months. The most persistent creditor, Belgium, has been guaranteed $80 million of gold payments in the second quarter of 1952 if, as seems virtually certain, its surplus exceeds this figure. France has been forgiven certain gold payments it would otherwise have to make and has received a special loan of $200 million from the Union. And, finally, if Britain should become a creditor in the next few months, it will recoup gold from the Union at the relatively high percentages at which it has recently been losing it.

If this happens, the Union will very soon face a crisis of liquidity. The managing board considers that a reserve of $200 million should be the minimum below which the assets of the Union ought not to be allowed to fall. It needs an ample reserve to cover its normal operations, to provide security for creditors who have granted credit to the Union, to ensure that there is general confidence in the solvency and continuity of the Union among traders and bankers of member countries, to pay gold to creditors that exceed their quotas, and, lastly, to provide for the needs of member countries that may encounter particular difficulties. The managing board estimates that, in order to secure all these objectives, the minimum additional amount of cash that the Union will require in the immediate future is $178 million. A subscription of this magnitude can come only from the United States and it is to be hoped that this suggestion, made with the utmost tact in the report of the managing board, will be duly heeded in Washington.

Can such a subscription from the United States be supplemented (or, if necessary, be replaced) by self-help? Two possibilities—one that debtors would like and the other that creditors urge—have been canvassed. The solution favoured by the debtors is that the quotas fixed in 1950 should be amended to take account of the subsequent rise in prices and of the great fluctuations in intra-European balances of payments. The managing board admits that the quotas are much smaller in real terms than they were when the agreement was signed, when the total value of intra-European trade was a third less than it is now and when the gold reserves of most members were much larger. Not unnaturally, however, the persistent creditor countries seem to have raised strong objections to such an upward adjustment of quotas, which would diminish the gold that they earn. These objections have had to be heeded. In its report the board does not recommend a general increase of quotas, though it implies that it might do so if it could count on a parallel increase in the convertible assets of the Union. The ball is, therefore, thrown back to Washington.

The solution favoured by the creditors is that there should be changes in the sliding scales of gold and credit payments on which debtors and creditors respectively settle their deficits and surpluses with the Union. At present debtors have to pay less gold than the creditors receive when both are in the lower tranches of their quota. The position of the Union would, therefore, be strengthened if the debtors had to make proportionately larger gold payments in the early stages of their overdrafts. Not unnaturally, however, the debtors have objected and, once more, the ball has had to be sent back into the United States court. The managing board has decided not to make positive recommendations to amend the scales of gold payments " until a decision is reached regarding the amount of convertible assets which will be available to the Union."

Whatever may be the United States answer to these implied and indirect invitations, there can be no doubt

that the life of EPU should and will be extended into 1953. The difficulties the Union has had to encounter should not be allowed to detract from the good work it has done. It stands today as the last bulwark that prevents the dollar-parched countries of Western Europe from returning to a system of bilateral payments even more rigid and restrictive than the system adopted immediately after the end of the war. The managing board has no doubts about what would happen if EPU were allowed to lapse. Its demise "would tend to upset and delay the defence effort, would destroy the wider market which has been created by the transferability of European currencies and would bring to an end the progress which has been made towards a general increase of productivity in Western Europe." EPU should be judged not solely by the limping liberalisation that it has achieved, but by the chaos and restrictionism that it has prevented.

Business Notes

Gilt-Edged and Electricity Finance

The rally in gilt-edged has become more pronounced during the past week and has been joined by a rebound in equities ; blue-chip industrials have now recovered almost three-quarters of their post-budget losses. These rather unrepeatable movements reflect the markets' mood in response to the continued firmness of sterling in the exchange markets and to governmental statements that have been construed as foreshadowing a heartening performance by the gold figures due to be published on Monday (together with the White Paper on the balance of payments during the second half of last year). A further consideration—and one of a somewhat contrary kind—has been the short-sighted hope that the Government may respond to the pleas for relief to the textile and other consumer goods industries. The rises in gilt-edged prices have not been large nor, despite the reappearance of some institutional buying, do they imply any real robustness in the underlying tone of the market. Everyone is well aware that the close season for new issues, inevitably ushered in by the uncertainties preceding the budget and the finance bill, is now about to end ; the tightness of the rein the banks are keeping on bank advances obviously leaves many industrial borrowers with no choice but to turn to the market in the fairly near future, and observers of the gilt-edged scene are conscious that the reverberations of any substantial revival of industrial borrowing, even by "rights" issues, are unlikely to be confined within the share markets.

A consideration of even more immediate relevance for gilt-edged is the possibility of the first big government operation since the launching of the new monetary policy. It seems that the authorities cannot delay much longer the overdue re-financing of the nationalised public utility industries. By February, bank advances to these groups had run up to the huge total of £135 million, most of which represented finance for electricity and gas, especially the former ; and, as noted below, it is probable that these advances have mounted further.

* * *

Difficulties of Funding

Given the objectives of the new monetary policy, and the manner in which it obliges the banks to watch very closely the ratio of their advances and investments to deposits, it would be utterly unreasonable to expect the banks to carry much longer the burden imposed by such large lendings to these privileged public borrowers. If their needs for cash continue to mount, one or more funding operations become imperative. The Gas Council secured £75 million from its issue of 3½ per cent stock, 1969-71, offered at 98 last July, and the proceeds of the last call were not received until late in the year (though a large part of the whole was bespoken for the repayment of earlier bank advances); but the Electricity Board has not approached the market since May, 1950, when it raised £150 million (also partly bespoken for repayments to the banks) in 3½ per cent stock, 1976-79, offered at 99. In these circumstances, whether or not the gilt-edged market looks robust, it becomes questionable whether the authorities can refrain from snatching the chance presented by the present appearance of relative firmness.

The problem that confronts them presents, however, some peculiar technical questions, quite apart from that of timing. Given the relatively high level to which long-term yields have risen, there has been some discussion in market circles about the reasonableness, on this occasion, of choosing a short or medium dated issue—despite the fact that the funds are needed for long-term purposes. On the other hand, unless the stock selected is one that stands the best chance of quickly finding a permanent home with private investors and with institutions outside the monetary circle, the effect will be to ease the pressure of monetary discipline on the banking system. That will happen to some extent in any case, because the loan will be used to repay bank advances ; but this effect would be re-doubled if any large portion of the loan had to be carried for long by the "departments"—since they would finance themselves by selling bills to the banking system, thereby expanding the banks' supply of liquid assets, now likely to rise seasonally in any case. If the authorities were concerned about this possibility—as, in present circumstances, they surely ought to be—they would have no alternative but to select a stock designed for the general investor, and to offer it on terms attractive enough to give a good chance of quick clearance. The worst of the several difficult choices would be to offer a short security of a kind that could not be financed without large recourse to bills, and otherwise could not be quickly shifted from the authorities without cajoling the banks into taking a direct participation. If that were the likely course, the banks would doubtless prefer even to carry the unfunded advances—for these, at least, do not involve a market risk and will soon, thanks to recent negotiations, be paying a rate roughly twice the very low one that obtained only a few months ago.

* * *

Budget Outturn

The 1951-52 financial year ended last Monday with an above-the-line surplus (after allowing for sinking fund expenditure) of £379 million and an overall deficit of £150 million ; these figures were, of course, a far cry from Mr Gaitskell's estimates (after allowing £160 million for defence supplementaries and taking credit for a reduced contribution to the National Insurance Fund) of an above-the-line surplus of only £79 million and an overall deficit of £417 million, but—as the accompanying table shows—they were only marginally different from Mr Butler's provisional figures of four weeks ago. It would be conventional to call such a heavy shortfall of the overall deficit below original estimate an "improvement," but in this case it was nothing of the sort. Income tax brought in £44 million more than was originally expected largely because inflation rose above estimate by more than production fell below target. Customs duties brought in £68 million more than expected because import values rose far beyond what the country could afford. The ruddy glow in ordinary revenue as a whole—which came out £197 million above original expectations—was a sign of high fever instead of health.

BUDGET OUTTURN AND ESTIMATE, 1951-52
(£ Million)

	Budget Estimate*	Outturn	
		Provisional†	Actual
Above the Line			
Inland Revenue	2,302	2,370	2,362
Customs and Excise	1,651	1,755	1,752
Other Revenue	283	315	319
Total Ordinary Revenue	4,236	4,440	4,433
Consolidated Fund Expenditure‡	584	592	592
Defence Expenditure	1,274*	1,112	1,110
Civil Expenditure	2,299*	2,370	2,351
Total Ordinary Expenditure	4,157	4,074	4,054
Ordinary Surplus	+ 79	+ 366	+ 379
Below the Line Payments (Net)			
Loans to Local Authorities	289	353	365
War Damage	87	77	77
Other Payments (net)	120	94	87
Net Below the Line Payments	496	524	529
Overall Deficit	— 417	— 158	— 150

* The £160 million margin for defence supplementaries provided for in the Budget (which included a small sum for civil defence) is here included in the estimate for defence expenditure, and the £40 million Exchequer contribution to the national insurance fund (the suspension of which Mr. Gaitskell announced in his budget speech) is excluded from civil expenditure.
† Provisional outturn estimated in the Financial Statement at the time of the budget speech on March 11, 1952.
‡ Including sinking fund.

On the other side of the account ordinary expenditure fell £103 million below the level that Mr Gaitskell envisaged in last year's budget speech. Defence expenditure was some £164 million below the original target but civil expenditure surged remorselessly upwards. Below the line, loans to local authorities were £76 million above estimate, thus more than offsetting the better showing of other extra-budgetary payments and receipts. In short, in nearly all the fields in which it was least desirable expenditure burgeoned beyond estimate—and 1951-52 must go down to history as the year in which Britain's "overall" deficit was much smaller than expected, but for all the wrong reasons.

* * *

Steel Prices Analysed

Perhaps the only useful result of this week's debate in the Commons on higher steel prices was that Mr Sandys gave the details of the increases in costs that he felt unable to disclose a month ago when the price went up. Home costs of steel-making, he explained, had risen since the earlier rise in price last August by £29 million a year: £4 million for rail transport, £6 million for home-bought scrap, £8 million for coal, coke, and fuel oil, and £5 million for other materials, with a wage increase of £1½ million a year and an increase in production costs of £4 million because more pig iron was being used in the making of steel. The earlier increase had allowed £35 million a year for the higher cost of importing steel and steel-making materials at the rate expected in August, 1951 ; but since then the steel from America obtained by Mr Gaitskell and Mr Churchill and the rises in price of imported materials generally had lifted the extra cost of imports by another £46 million. In total, the industry's costs are expected to be £75 million a year greater than were allowed for last year ; of this the increase in prices will provide some £56 million a year.

This leaves £19 million to be met from the profits of the industry, which at the end of September last appeared to be running at the rate of some £60 million a year and may, as Mr Strauss argued, have increased somewhat since. At least £8 million of these profits came as a windfall from higher stock values, as recent steel company reports would suggest, and more than £10 million from subsidiaries outside steel-making. Perhaps another £12 million a year arose from the premium earned by companies in exporting steel at prices higher than those charged at home—with exports during the period at a rate between 2½ and 3 million tons, the export premium was presumably something over £4 a ton. This government, like the last, considers that such premium earnings should not be taken into account in setting home prices. Taxation, the Minister had said earlier, reduced the proceeds remaining to the industry from the original £60 million to some £25 million and the service of British Steel stock costs the industry about £10 million a year. Its development programme commits it to an expenditure of about £50 million a year for several years to come. There is no more to be said.

In a written answer the next day, the Chancellor of the Exchequer stated that the subsidy paid to the iron and steel industry amounted to £7,900,000 in 1951-52 and would be £4,500,000 in 1952-53. Since the cost of importing expensive steel and steel-making materials is now wholly borne as a charge on home steel prices, this "subsidy" needs identifying. The amounts in fact cover remission of duty on iron and steel that has been brought in duty free. If the duty concession were to continue, the figure might be expected to increase with the much greater steel imports this year ; so it would appear that freedom from duty for imports of steel, as for machinery from abroad, is being brought to an end.

* * *

The Credit Squeeze

The evidence of the restraint exerted by the new monetary policy over the supply of credit to the private sector of the economy looks even more impressive in the clearing bank figures for March than it did in those for earlier months. In the four weeks to March 19th, aggregate bank advances rose by £13.6 million in contrast with a rise of nearly £51 million in February, 1951 and one of £29 million in February, 1950. Despite the fact that the new issue market has been virtually closed by the uncertainties surrounding the budget, this is a more marked contrast than was shown in February, when the month's expansion was £21 million compared with one of £62 million twelve months previously. It is noteworthy, too, that more than two-thirds of this latest expansion was attributable to an increase in the advances of the National Provincial Bank, whose business is well known to be susceptible to substantial short-term fluctuation. In addition, there is no doubt that there has been a further demand upon the banks from the nationalised public utility industries. It seems possible, therefore, that advances to all other domestic borrowers have remained more or less unchanged at the level at which they had been approximately stabilised over the period covered by the latest quarterly return, i.e., the period November-February.

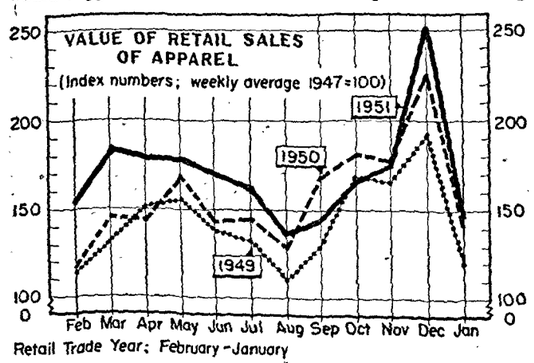
Despite the firm hold that has been kept over advances, the banks' investment portfolios were reduced by a further £9 million during March ; at £1,935 million, aggregate investments are now almost £100 million below the peak figure touched immediately after the funding operations last November, though it should be noted that a substantial part of this reduction reflects a writing-down of book values. In consequence of the month's decline in investments—which may itself be partly due to writing-down—the additional advances have been accommodated without causing any perceptible rise in the ratio of "risk" assets to deposits ; this ratio now stands at the new high level of 65.9 per cent, compared with 65.8 per cent, in February. The liquidity ratio, however, is unchanged at 31.8 per cent.

Unfortunately, the effect upon the total volume of credit of the tightening of the credit rein upon the private sector of the economy has been more than offset by demands from the public sector. Aggregate net deposits of the clearing banks dropped during the month by only £11.8 million, compared with a decline of £27 million in March, 1951, and one of £59 million in March, 1950. This reduction by £15 million in the rate of decline in deposits contrasts very sharply with the slackening, by about £55 million, in apparent private demands for credit (as indicated by the fact that advances and investments combined rose during the month by only £4.6 million, whereas last year they rose by £59 million). These figures suggest that the seasonal repayments of Governmental indebtedness to the banking system amounted last month to little more than £16 million, whereas in March last year they totalled fully £86 million. It is very evident, therefore, that the recent tendency for Governmental demands to expand has become more marked during the past month. Over the whole period of four months since the launching of the new monetary policy, net bank deposits have declined by £289 million, or only £67 million more than they fell in the similar period of 1950-51—despite the fact that over the same period bank advances and investments combined have fallen by £77 million, whereas in the comparable period a year earlier they rose by £181 million. The implication of these figures is that over the four months the central government's dependence upon the banking system has increased by £191 million, partly in consequence of the rising pressure of armament expenditure but chiefly, no doubt, in consequence of the effort to reduce the rate of external borrowing from the catastrophic level obtained in the second half of last year.

* * *

Shoppers in Control

Retail trade reached its nadir in the autumn and early winter, and has since then been slowly returning to normal. The Board of Trade reports an average increase of nine per cent in the value of all retail sales in the year ended last January and of seven and a half per cent in sales other than of food. There was a twelve per cent increase in food prices and rises of from sixteen to eighteen per cent in the prices of clothing and many household goods in the year, which would suggest some fall in the volume of goods sold during



the year. The accompanying chart shows that sales of clothing, which are a sensitive indicator of retail trends, were consistently higher during 1951-52 than they had been in the previous year, except in the later summer and autumn months when a combination of unseasonably mild weather, sharp price increases, and over-buying in the spring combined to keep people out of the shops.

It begins to appear that the depression in retail sales, and the resulting lack of orders for the textile centres, may have been due less to sales resistance by the public than to misinterpretation by retailers of the outlook for trade at the beginning of 1951. They bought so heavily in the early boom months of last year that their stocks of clothing, to give one example, were still rising when the public had exhausted its buying spree; the "slump" in the second half of the year began when they slowly and painfully ran down their stocks and at the same time clamped down severely on their own buying. The accounts of some large stores, which are analysed on a later page, support these conclusions. Most of them ended their trading year with higher stocks and Sir Richard Burbidge, the chairman of Harrods, has declared that this company has "got off to a bad start." Like the other store chairmen, Sir Richard gives a qualified welcome to the D scheme, and a readier welcome to the ending of price control. But the department stores have problems of a special kind. They lost ground to the multiple stores throughout 1951; while the total value of sales increased by nine per cent, sales by the department stores remained unchanged, but those of the multiples increased by thirteen per cent and those of the co-operatives by eight per cent. Retail sales in Central London and the West End evidently felt a greater pinch than those for the country as a whole. This evidence from the Board of Trade's survey, combined with the heavy fall in the sales of furniture and furnishings, suggests that better quality goods have borne the brunt of the recession in retail sales. It remains to be seen how far the changes in purchase tax will assist in the coming year.

* * *

Coal after the Winter

Coal supplies this winter have managed to confound most of the prophets. In November total stocks of some 17 million tons seemed quite inadequate to the new Minister of Fuel and Power, who forthwith ordered coal from America; the coal merchants, alarmed because their stocks were 900,000 tons lower than at the same time in 1950, prevailed upon the Ministry to limit winter deliveries to domestic customers. Mr Lloyd felt that stocks at the beginning of the coal winter should be 19 million tons, since 9 million tons is the lowest level of coal stocks with which the economy can safely end the winter, and he thought stocks "normally" declined by 10 million tons during the winter. On March 22nd, with five weeks to go during which stocks are not likely to change much, there were 13,274,000 tons in hand, compared with 9,600,000 tons at the same period in 1951: stocks have in fact been reduced by little more than 3½ million tons during the winter. Though domestic consumers, since the restrictions were imposed, have received only about 12 million tons of coal and 880,000 tons of anthracite and boiler fuel, compared with nearly 13 million tons of coal and 960,000 tons of boiler fuels during the same period a year before, it cannot be said that there has been any very marked shortage of household coals; and the merchants' stocks of fuel are now about 50 per cent higher than at this time in 1951.

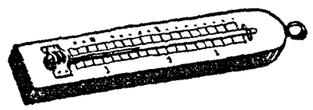
The industry is at present generally being commended for this improvement in supplies; and it is true that it is continuing to attract manpower—recently at the rate of 1,000 men a week—and to work Saturday shifts. But the transformation scene in coal seems in fact to be due to a much greater extent to the disappearance of the growth in inland coal consumption. During the last six months 111,908,000 tons of coal have been used in Britain, against 111,822,000 tons in the same six months of 1950-51; and even a moderate increase in exports and bunkers this year—2,894,000 tons in 12 weeks, against 2,086,000 tons in the same period of 1951—has hardly reduced the margin of 4 million tons by which stocks this year exceed those last year. It would be over-optimistic to attribute this stabilising of inland consumption to any sudden access of efficiency in the use of fuel; it has coincided, unfortunately, with a similar stagnation in the level of industrial output. Output according to the latest figures, continues to be hardly higher

THE National CLASS 31
'DIRECT ENTRY'
ACCOUNTING MACHINE

for all branches of
COMMERCE, INDUSTRY, GOVERNMENT & FINANCE

10 Totals each with direct subtraction.
ALL balances—positive AND negative—computed and printed automatically.
Feather touch, 'standard' adding keyboard for speed and accuracy.
All-electric typewriter for unlimited narrative description.
Constantly visible printing line gives confidence, aids speed.
Instantaneous and infinite adaptability to any accounting work.
Fluid-drive carriage moves automatically by oil pressure in both directions.
Simultaneous addition or subtraction in ANY combination of registers.
Automatic carriage opening and closing with instantaneous form alignment.
Fully automatic spacing, column selection and carriage return.

A PRODUCT OF THE NATIONAL CASH REGISTER COMPANY LTD.
206-216 Marylebone Road, London, N.W.1 and all principal centres.

The and the 

Thousands of duralumin rivets can be hardened in a single batch by heating them to 500°C. and then quickly "quenching" or cooling them to room temperature. At this stage they are still pliant enough to form or head, but only for a few hours.

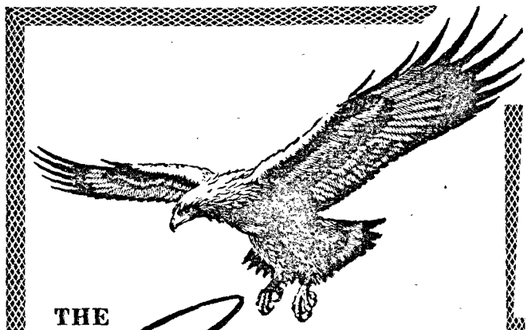
That's where refrigeration steps in. If, after "quenching", the rivets are cooled still further and kept at 0°F., the metal will remain in a workable state for several days. Refrigeration is the answer to this problem and a lot of other people's problems too!

If you've a cooling problem, consult

FRIGIDAIRE
Regd. Trademark

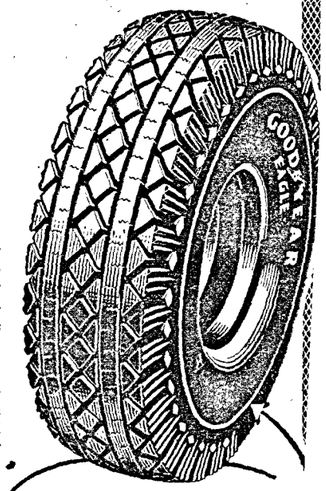
the experts in refrigeration:
commercial, industrial, medical and household

FRIGIDAIRE DIVISION OF GENERAL MOTORS LIMITED
Stag Lane, Kingsbury, London, N.W.9. Telephone: COLINDALE 6541



THE Eagle BY GOODYEAR

Proved the highest mileage tyre ever built; combining immense strength and road gripping ability with handsome appearance



The tread rubber is tougher, more shock-resisting than ever before.

*

Wider, flatter tread area grips *more* road for *more* traction, and wears more slowly.

*

The improved All-Weather Tread—with its new Stop-Notches for quicker, safer stops—resists every direction of skid throughout the tyre's longer life.

*

Handsome buttressed side-walls provide protection from kerb damage, and make cornering steadier than you've ever known.

DISTINGUISHED BY THE SILVER RING

You can trust GOODYEAR
FOR LONG LIFE AND LASTING WEAR

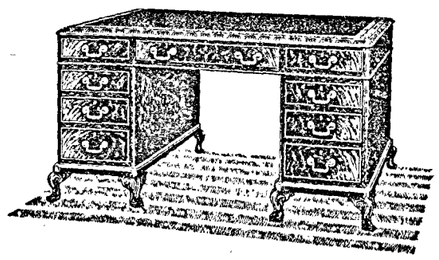
"My—My" said the M.D.

"Yes sir, thanks to you" "Thanks to me?—don't be facetious, Smith." "No sir, sorry sir—but you see, sir, since you had the forethought to instal Tan-Sad chairs throughout the office our typists are all still as fresh as a daisy at the end of the day, still full of youthful vigour and charm" — "Alright Smith, there's no need to go into raptures — but — well I do see what you mean, old boy."

Tan Sad

THE TAN-SAD CHAIR CO. (1931) LIMITED
Postural Seating Specialists
AVERY HOUSE, CLERKENWELL GREEN, LONDON, E.C.1.
Telephone: CLErkenwell 3192/3

PRIDE OF PLACE



Catesbys Desks are notable for their good design, their variety and quality of workmanship: They have captured to an unusual degree the preference of executives in commerce and industry. There is sound sense and good taste in choosing a

Catesbys *DESK*

We shall be glad to send our representative or to submit a complete brochure of photographs portraying complete Office Furnishing and to welcome you in our model showrooms.
May we invite your inquiry to our Director of Contracts.

Catesbys Ltd., 64-67 Tottenham Court Road, W.1
Telephone: Museum 7777

Welcome to the Inn

beer is best

Issued by the Brewers' Society, 42 Portman Square, London, W.1

than at this time last year. Nevertheless Whitehall is counting upon an increase in output during 1952 ; so Hobart House must expect the consumption of coal to begin to rise again.

* * *

Loan Aid for Britain

Details were published this week of an Export Import Bank loan of $47.9 million to the British Government. This is not a cash transaction. The dollars in question have not gone into the reserves of the Exchange Equalisation Account. The total of the loan represents 16 per cent of the Mutual Security Aid of $300 million allocated to Britain for the year to June 30, 1952. Under the provisions of the Mutual Security Act this proportion of the aid had to be made available in the form of a loan. As in the case of the loans granted under the Marshall Plan, the Export Import Bank of Washington was made the agency for canalising this aid and making the contracts with the borrowing Governments. The dollars represented by this loan will be indistinguishable from outright aid dollars. They will not become available until the goods eligible for aid have been delivered in Britain and paid for by the British Government. At the end of this sequence the British Government will receive a reimbursement of its expenditure. Some Mutual Security Aid may have come into the gold and dollar reserve by the end of the first quarter, but it is unlikely to prove a large amount. Unless the rules of eligibility are widened considerably it may prove impossible to secure the whole of the allocated $300 million even by June 30th next. The part of this aid covered by the Export Import Bank loan will bear interest at 2½ per cent. Interest together with capital will be repayable in annual instalments which are due to begin on June 30, 1956.

* * *

Airline Finances

British Overseas Airways Corporation has made a clear profit in the past financial year and will not need to draw the £1 million subsidy for which allowance has been made in the Ministry of Civil Aviation estimates for 1952-53. Whether there is an element of subsidy in the increased mail payment awarded to the corporation last year can be left to others to argue. Last November the Post Office agreed to pay retrospectively from January, 1951, an extra 3s. 1d. a ton for first-class mail, bringing the rate up to 14s. 2d. a ton. This rate, however, is equivalent to no more than 4.17 gold francs compared with the international rate of 6 gold francs, so that BOAC can fairly claim that competing airlines are treated more generously by their postal authorities.

BOAC now starts on a year of great promise. The financial success of 1951-52 owes much to improved administration and to the fact that the corporation had sufficient modern aircraft to take advantage of the great increase in air traffic. This year the corporation has a lead over its competitors by introducing the world's first jet airliner passenger service. Starting on May 2nd with one weekly Comet service each way between London and Johannesburg, BOAC should be operating three weekly services by the end of June. Towards the end of the year, the Comet flights should be extended to Singapore.

While BOAC's finances have been stimulated by the delivery of new aircraft, those of its sister corporation, British European Airways, have been depressed by the lack of them. BEA expected to put the new Ambassador aircraft into service last summer, but a number of small but time-consuming adjustments delayed the introduction of the aircraft on scheduled services until the middle of last month. Seven of the 21 Ambassadors on order have now been delivered, and seven more are expected during the summer. In October, Vickers-Armstrongs should deliver the first of the turbo-prop Viscounts. Lack of the Ambassadors last year has cost BEA "many hundreds of thousands of pounds" for the services had to be run with Vikings and Dakotas that had become too small for the volume of traffic. By December, 1951, the corporation's accumulated deficit for the first three quarters of its financial year was more than £500,000, double the deficit for the same period of 1950, and the increased petrol tax, which does not seriously affect BOAC, will cost BEA a further £103,000 a year on its already uneconomic internal services. It is probable, therefore, that BEA will need most of the £1 million subsidy allocated to it in the civil estimates. The traffic results for January, one of the worst months for airlines, illustrate the main difficulty facing BEA. Total revenue, at nearly £652,000, was 30 per cent higher than a year ago, but total expenditure, at £1 million, was 24 per cent higher and the month ended with an operating loss of £353,000, 14 per cent higher than a year ago, when fewer passengers were carried and fewer ton-miles flown. The solution lies in a reduction of unit costs that should be steadily achieved with the new aircraft.

* * *

Building Societies' Rates

In response to the recommendation made by the council of the Building Societies' Association on March 14th, well over a hundred building societies have now raised their investment rates to 2½ per cent on shares and 2 per cent on ordinary deposits, and their charges to new mortgagors to 4½ per cent. There has been some variation in the date fixed for these increases—several societies will conduct operations at the old rates up to July 1st—and also in deposit terms. Exceptionally, the Halifax has decided to leave its rate on shares unchanged at 2¼ per cent for the present, but otherwise the new pattern can now be taken as more or less standard throughout the movement—so far as investors and new borrowers are concerned. For existing borrowers, however, there is no such uniformity. At the annual meeting of the Halifax Building Society last Monday Mr Algernon Denham reaffirmed that this society was leaving the charge to existing "occupier borrowers" unchanged at 4 per cent for the present ; he agreed that future circumstances might make a ½ per cent increase unavoidable, but seemed at least moderately hopeful that the line could be held. The Abbey National, on the other hand, which announced its decision to raise investment rates and charges to new borrowers on March 17th, has now decided to take the full plunge. Its existing mortgagors will pay 4½ per cent from July 1st next. Other societies that have been sitting on the fence in the last three weeks will now have to decide which leader to follow.

* * *

More Rubber for America

Relaxations in the control of natural rubber consumption in the United States announced this week mean that American consumption will increase by 15,000 tons this year to about 480,000 tons including latex. The quarterly allowance of dry natural rubber for industry has been raised from 105,000 tons to 110,000 tons for the last three-quarters of the year. In making the announcement Mr Kelly, director of the Rubber Division of the National Production Authority, promised that more relaxations will follow in the near future.

A month ago the US Government announced that on July 1st the Defence Production Administrator would cease to be the sole importer of natural rubber. The latest step increases the total amount of natural rubber that can be consumed and also raises the maximum percentage of natural rubber that may be used, particularly in tyres. The proportion has been increased from 14 per cent to 17 per cent for the smaller-sized motor-car tyres and from 20 per cent to 25 per cent for the larger sizes. Restrictions on the produc-

tion of "white sidewall" tyres have been removed; these luxury tyres, which use a fairly high proportion of natural rubber, can now be made again, although the pale crepe rubber, which manufacturers prefer to use for them, will still not be available.

These relaxations are a step in the right direction, and the pace at which the American government is at present carrying out its declared policy of removing controls is heartening. An extra 15,000 tons for civilian consumption scarcely represents the end of restriction for natural rubber; much remains to be done before it can compete freely with synthetic. Until July the effect of these relaxations will be blunted because the American manufacturer has to pay the government price of 48½ cents a lb for his natural rubber, which is far above the current market price of 32 cents. Perhaps after July the Administration will abandon a synthetic price for natural rubber.

* * *

World Steel Output Soars

World output of steel in 1951 rose by nearly 11 per cent to some 206 million tons, according to estimates of the British Iron and Steel Federation. This is the highest output ever, about 30 per cent more than in 1943, the peak year of the last war. The largest absolute expansion was in the United States, where output rose by more than 8 per cent to 93,870,000 tons; but greater proportionate increases among the large steel producers were recorded by Japan (34 per cent), Belgium (32 per cent), the USSR (13 per cent), France (13 per cent), and Western Germany (11 per cent). Britain had the dubious distinction of being the only steel producing country, not only among the major producers but among the small fry as well, in which output last year was lower than in 1950 (by some 4 per cent); even Norway managed to produce 80,000 tons compared with 70,000 tons the year before.

WORLD STEEL* PRODUCTION
(Million Long Tons)

	1937	1950	1951
USA	50·57	86·46	93·87
USSR	17·54	27·16	30·80
UK	12·98	16·29	15·64
Western Germany	15·37	11·93	13·29
France	7·79	8·51	9·68
Eastern Europe†	6·45	8·02	9·09
Japan	5·71	4·76	6·39
Belgium	3·80	3·72	4·92
Canada	1·40	3·02	3·19
Luxemburg	2·47	2·41	3·03
Italy	2·05	2·32	3·00
Saar	2·30	1·87	2·56
India	0·90	1·44	1·50
Sweden	1·09	1·42	1·48
Finland, Jugoslavia, Spain	0·39	1·32	1·36
Australia‡	1·10	1·25	1·44
Austria	0·64	0·93	1·01
South Africa	0·33	0·74	0·93
Brazil	0·08	0·78	0·80
Netherlands	0·06	0·48	0·54
Mexico	0·02	0·22	0·30
Turkey	...	0·09	0·13
Norway	0·06	0·07	0·08
Other countries	0·55	0·42	0·62
Total	**133·65**	**185·63**	**205·65**

* Steel ingots and steel for castings. † Czechoslovakia, East Germany, Hungary, Poland, Rumania, Bulgaria. ‡ Years ended June 30th.

With world output now 72 million tons, or 54 per cent, higher than in 1937, the best prewar year for steel output, and many countries continuing to expand steel capacity, it is not surprising that many in the industry apprehend a surplus not far off. Given the large imports expected this year, it seems likely that even in Britain steel of most types will be much less scarce by the third quarter. The immediate situation is somewhat paradoxical; consumers are still short of steel, and some are even complaining that their allocations cannot be honoured, yet supplies seem sure to increase within a few months. There probably remain fairly considerable stocks in consumers' hands, but not generally in the right places. Within the general steel shortage, however, the shortage of alloying materials and special steels is much farther from solution: and it seems certain that within the industry some special measures will be taken to deal with this much knottier problem.

* * *

Comparisons in Metal Prices

The Ministry of Materials has been busy this week. It has raised the prices of aluminium by £6 to £154 a ton and of copper by £4 to £231 a ton and has reduced tungsten by 35s. to 500s. per long ton unit. These prices seem to have no close connection with changes in the world market. The aluminium price has been raised because of the higher cost of imported supplies, but the Ministry's announcement makes it clear that the higher cost of home-produced aluminium has also been taken into account. Most of the imported aluminium comes from Canada under the new long-term contract; there has been no official mention of any increase in price to Canada this year. On the other hand the marginal supplies obtained from Norway and other countries could hardly account for a rise of £6 a ton; presumably the cost of home-produced aluminium has increased sharply.

The copper price was raised because of the higher "overhead charges (including refining) that the Ministry has to bear." Refined copper accordingly now costs £11 a ton more than the official American price—an ample margin, it would seem, for freight, storage and delivery to consumers' works. The Ministry's footnote to its announcement that its "selling price is still well below the free market price prevailing in many other countries" sweetens only one side of the pill.

* * *

Steadying the Jute Market

The reduction in the Jute Control's price for raw jute and jute goods this week has so far had little effect on the market. The cut was considerable; the main grades of raw jute were reduced by £50 to £164 a ton and corresponding reductions were made for other grades. Yet Dundee prices are still £20 to £30 a ton above present world levels. Three months ago raw jute was selling at £172 a ton; then the price fell until a fortnight ago it was down to £122 a ton. The Pakistan Government promptly imposed a minimum domestic price for raw jute and steadied the market, though there is still uncertainty because export prices have not been fixed. Prices are now around £125 a ton at European ports for export qualities, which is slightly above the equivalent domestic prices in Pakistan.

The demand for jute goods has been weak since the turn of the year—somewhat surprisingly in view of the heavy crop of cotton and wheat. All jute manufacturing countries have felt the reduction in orders but the Calcutta mills have had to bear the added handicap of a heavy export duty which made their hessians and sackings uncompetitive. The Indian trade was brought to a virtual standstill as American buyers had switched to the cheaper continental markets. The halving of the export duty in February has not helped greatly; the Americans have not resumed buying from the Indian mills and rumours of a further cut in the duty persist. Stocks of hessians and sackings have piled up and from the beginning of April, the Calcutta mills are reverting to a [illegible]

ABRIDGED REPORT

CANADIAN PACIFIC RAILWAY COMPANY

(Incorporated in Canada with Limited Liability)

SEVENTY-FIRST ANNUAL REPORT OF THE DIRECTORS FOR THE YEAR ENDED DECEMBER 31, 1951

TO THE SHAREHOLDERS:

For your railway enterprise, 1951 was a record year in tonnage carried, and gross earnings were at an all-time high. However, working expenses were also at a new high. In consequence of higher prices, wages and tax rates, working expenses increased at a greater rate than revenues and absorbed 94 cents of each dollar of earnings as compared with 90 cents in 1950. As a result, net earnings from railway operations were far below the level necessary to provide a sufficient contribution to dividends and a reasonable amount for reinvestment in railway property. The rate of return earned on investment fell to 2.4% from 3.5% in 1950.

The Income and Profit and Loss Accounts of your Company show the following results for the year ended December 31, 1951:

INCOME ACCOUNT

Gross Earnings			$428,911,639
Working Expenses			402,098,807
Net Earnings			$ 26,812,832
Other Income			29,343,635
			$ 56,156,467
Fixed Charges			12,848,997
Net Income			$ 43,307,470
Dividends:			
Preference Stock			
2% paid August 1, 1951	$ 1,660,927		
2% payable February 1, 1952	1,667,083	$ 3,328,010	
Ordinary Stock			
3% paid August 1, 1951	$10,050,000		
3% payable February 29, 1952	10,050,000	20,100,000	
			23,428,010
Balance transferred to Profit and Loss Account			$ 19,879,460

PROFIT AND LOSS ACCOUNT

Profit and Loss Balance December 31, 1950		$224,636,260
Balance of Income Account for the year ended December 31, 1951	$19,879,460	
Portion of steamship insurance recoveries representing compensation for increased cost of tonnage replacement	210,357	
Gain on redemption of £591,890 Perpetual 4% Consolidated Debenture Stock	897,182	
Excess of considerations received for sales of properties over book values	10,078,888	
Miscellaneous Net Credit	338,377	
		31,404,264
		$256,040,524
Transfer from Premium on Capital and Debenture Stock of amount of interest paid on subscriptions to Ordinary Stock 1928-1930	$ 2,292,477	
Loss on sale of £658,853 War Loan Stock	800,715	
		3,093,192
Profit and Loss Balance December 31, 1951, as per Balance Sheet		$252,947,332

RAILWAY OPERATIONS

Gross earnings, at $429 million, were the highest on record and were $50 million, or 13%, greater than in 1950.

Freight earnings provided 82% of gross earnings, a larger proportion than in any previous year. There was an increase of $45 million over 1950, of which more than half was the result of increased traffic volume. Greater revenues were reported for all commodity groups except coal, coke, petroleum, livestock, and fruits and vegetables. Revenues from grain and grain products and from lumber increased by $17.5 million and $9 million respectively.

Traffic volume in terms of tons carried was at an all-time high, and was 12.5% greater than in 1950. Ton miles increased by 16.9%, and were at a level exceeded only in 1944 and 1945.

Net earnings from railway operations, at $26.8 million, were $11.2 million less than in 1950. The table on pages 36 and 37 shows that they were even less than in 1939, a year in which gross earnings were only a little more than one-third those of 1951. The table also shows that the ratio of net to gross earnings, at 6.3%, was lower than in twenty-seven of the previous twenty-nine years.

GENERAL BALANCE SHEET, DECEMBER 31, 1951

ASSETS			
Property Investment:			
Railway, Rolling Stock and Inland Steamships		$1,058,439,155	
Improvements on Leased Property		124,216,933	
Stocks and Bonds—Leased Railway Companies		174,980,235	
Ocean and Coastal Steamships		67,038,254	
Hotel, Communication and Miscellaneous Properties		103,164,396	
			$1,487,838,973
Other Investments:			
Stocks and Bonds—Controlled Companies		$ 72,462,111	
Miscellaneous Investments		46,047,640	
Advances to Controlled and Other Companies		5,556,268	
Mortgages Collectible and Advances to Settlers		1,062,533	
Deferred Payments on Lands and Townsites		6,684,038	
Unsold Lands and Other Properties		8,971,416	
Maintenance Fund		5,000,000	
Insurance Fund		13,188,540	
Steamship Replacement Fund		21,693,405	
			181,326,551
Current Assets:			
Material and Supplies		$ 47,658,333	
Agents' and Conductors' Balances		19,242,096	
Miscellaneous Accounts Receivable		26,622,357	
Government of Canada Securities		47,606,150	
Cash		43,785,391	
			184,914,327
Unadjusted Debits:			
Insurance Prepaid		$ 472,396	
Unamortized Discount on Bonds		3,300,229	
Other Unadjusted Debits		2,185,124	
			5,957,749
			$1,860,037,600
LIABILITIES			
Capital Stock:			
Ordinary Stock		$ 335,000,000	
Preference Stock—4% Non-cumulative		137,256,921	
			$ 472,256,921
Perpetual 4% Consolidated Debenture Stock		$ 360,529,197	
less: Pledged as collateral to bonds and equipment obligations		67,971,500	
			292,557,697
Funded Debt			99,045,000
Current Liabilities:			
Pay Rolls		$ 9,759,072	
Audited Vouchers		17,651,097	
Net Traffic Balances		3,949,684	
Miscellaneous Accounts Payable		10,805,595	
Accrued Fixed Charges		878,359	
Unmatured Dividends Declared		11,697,083	
Other Current Liabilities		26,273,636	
			81,055,166
Deferred Liabilities			3,241,792
Reserves and Unadjusted Credits:			
Maintenance Reserves		$ 5,000,000	
Depreciation Reserves		513,159,220	
Investment Reserves		2,940,483	
Insurance Reserves		13,188,540	
Contingent Reserves		4,118,619	
Unadjusted Credits		9,635,347	
			548,242,409
Premium on Capital and Debenture Stock			36,560,154
Land Surplus			73,731,129
Profit and Loss Balance			252,947,332
			$1,860,037,600

ERIC A. LESLIE,

MY UNCLE JOE

by

STALIN'S NEPHEW

BUDU SVANIDZE

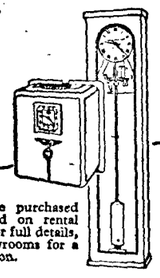
"I asked Molotov to pay half of it for it was really a private dinner to Churchill," complained Stalin when his daughter Svetlana told him that he had paid 10,000 roubles out of his budget for entertaining at the Kremlin.

So records Budu Svanidze, Stalin's nephew, who has written for the Sunday Express the fascinating, personal story of Stalin as seen in the intimacy of his home and family.

The first enthralling chapter on Sunday will tell how Stalin's pious conservative family forced him into a Church wedding at which he sang a love song and performed a dagger dance with his friend Prince Mdvani.

You must read
'MY UNCLE JOE' *on Sunday*

When you say that SMITHS, famous for all time, make the finest MASTER CLOCKS and TIME RECORDERS, you are absolutely accurate



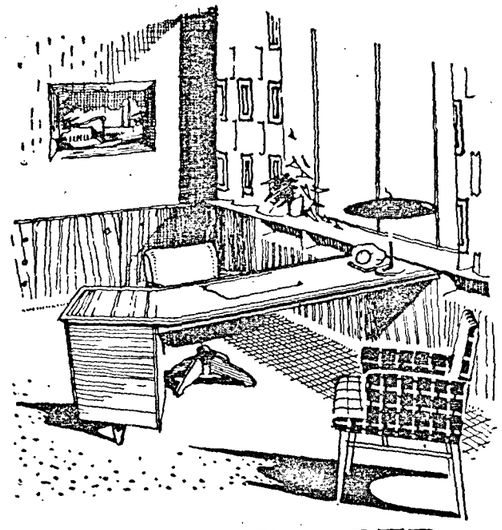
Installations may be purchased outright or arranged on rental terms. Write to us for full details, or call at our Showrooms for a practical demonstration.

ENGLISH CLOCK SYSTEMS LTD.

Speedometer House, 179-185 Great Portland Street, London, W.1. *Langham 7226.*

153-155 Bothwell Street, Glasgow C.2. *Central 3972*

THE INDUSTRIAL BRANCH OF SMITHS ENGLISH CLOCKS LIMITED



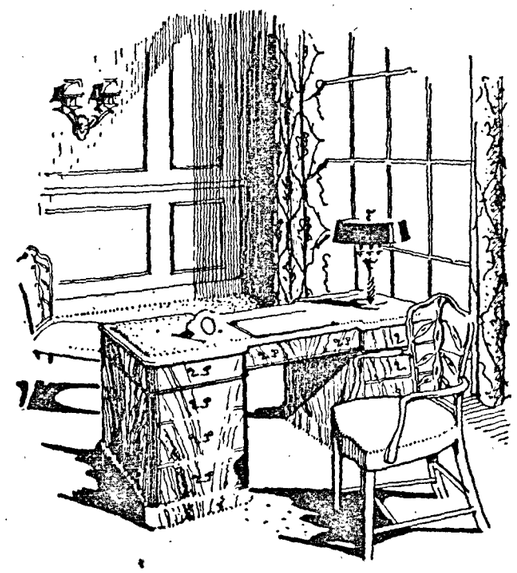
STORY & CO. LTD.

Designers of Interiors

KENSINGTON · LONDON

EXPERIENCE gained over many decades in the design of interiors and the *actual* production of fine furniture together with suitable floor coverings and textiles, enables Story's Contracts section to give competitive estimates on a high level of quality and design, both in English Traditional styles and in the Contemporary manner.

Since 1945, Board Rooms, Directors' and other offices, reception halls, showrooms, restaurants, canteens, residential staff quarters, etc., have been successfully executed (many in collaboration with the clients' architects) for over 30 notable organisations, including Martins Bank Ltd., I.C.I. Ltd., Tube Investments Ltd., Kuwait Oil Co. Ltd., Kodak Ltd., Cyanamid Products Ltd., Dunlop Rubber Co. Ltd., Patons & Baldwins Ltd., Lever Bros. & Unilever Ltd., Ind Coope & Allsopp Ltd.



The latest forecast for the current jute crop is about 11 million bales, of which 6.3 million bales are expected from Pakistan and 4.7 million from India. In the present depressed state of trade it is doubtful if the whole of this amount will be taken up before June ; the balance remaining to be sold is, according to one estimate, about 2 million bales. Dundee has sufficient raw jute to last until October at a normal rate of consumption but with present short hours at the mills stocks could last until next year. If the world trade in jute does not soon improve, the Ministry of Materials may have to consider a further cut in price.

* * *

Higher Bill Rates

The discount market, on Thursday of last week, was unexpectedly forced "into the Bank"—for the first time since the increase in Bank rate to 4 per cent. That is to say, several discount houses found supplies of credit in the short loan market insufficient to enable them to finance their portfolios on that day without recourse to formal borrowings from the Bank of England. When the market seeks these emergency loans, it has to take them for seven days, and it is charged 3½ per cent p.a. if the collateral security consists of Treasury bills. This compares with the normal charge of 2 per cent for day-to-day loans on similar securities from the clearing banks. The market had previously hoped that the authorities would have left a longer period after the steep increase in Bank rate before allowing money conditions to tighten to the point at which this expensive supplementary finance had to be sought. As it was, the sudden strain was at once reflected in an advance in Treasury bill rates. At the following day's tender, the discount houses reduced their application price for the £210 million of bills on offer, with the result that the average rate of allotment rose from £2 6s. 3.64d. per cent to £2 7s. 3.61d. per cent. The clearing banks' buying rates for bills—and also that of the "special" buyer when he operated last Monday—have since been raised in conformity. Although money supplies have remained tight, the market has not been driven into the bank a second time.

* * *

Negotiations with Argentina

The annual Anglo-Argentine negotiations are proceeding quietly and apparently smoothly in Buenos Aires. Argentina is making a strenuous effort to catch up on its meat shipments to this country ; by mid-May the deficiency on last year's meat contract should not exceed a few thousand tons. The agreed amount was 200,000 tons of carcase meat and 30,000 tons of canned meat. But Britain has received more mutton than was expected and no chilled beef. Last year, Argentina insisted that Britain should accept chilled beef and pay a high price for it ; 35,000 tons were promised and Argentina was given the option to send more if it wanted to. In fact it sent none. The Ministry of Food may have been relieved at the consequent reduction in the average price for Argentine meat, but the British consumer had to be content with poorer quality.

At long last, the Argentine Government is taking steps to revive agricultural production and to curtail home consumption by introducing two meatless days a week. These measures will take time to produce their effect, but they may ultimately be important. Argentina could still offer and ship another 200,000 tons of carcase meat to Britain during the coming twelve months if exports to other countries were reduced. On this question, prices will give the answer. Argentina's opening gambit of £250 a ton has not been taken seriously ; nor was it allowed to be published inside Argentina. But it would be surprising if the Argentinian negotiators did not hold out for some increase on last year's figure of about £126 a ton, particularly if supplies have to be diverted from other markets.

Meat is only one of the items in this annual tussle. Coal, petroleum and tinplate are some of the others. Under last year's agreement Britain promised 500,000 tons of coal, 4 million tons of petroleum products and 27,000 tons of tinplate. Both the coal and the oil shipments will be completed by the end of this month but tinplate, although authorised by the Board of Trade, has been held up by shipping difficulties. These three products are scarce and could be easily sold to other markets. They may provide a lever for opening the door to British textiles, particularly if agreement could be reached on the price of meat.

* * *

Fiduciary Issue Increased

In consequence of the seasonal increase in the demand for notes the fiduciary issue has been raised from £1,400 million to £1,450 million ; the authorisation for this rise runs from April 1st for not more than six months. Although the Government did not find it necessary to make a similar "Easter increase" last year, it should not be assumed that this latest rise is a sign of newly mounting inflation. It is largely a backwash from the increase in money-holding habits generated by last year's increase in prices. At its August peak in 1951 the active note circulation was £65 million higher than it had been a year before ; by the time of the October "low" the corresponding rise on the year was £74 million, by Christmas it was £80 million, and by the time of the end-January low it was £72 million. Throughout this period (except for a temporary widening at Christmas time) the fiduciary issue was kept at only £50 million above the previous year's level. By the end of January, 1952, therefore, the reserve in the banking department, at rather over £46 million, was about £22 million less than at the corresponding period of 1951. Between the end of January, 1951, and the post-Easter peak £40 million of notes flowed into active circulation. The corresponding efflux will clearly be substantially greater this year, since it had already reached £40 million by last Wednesday and would have left only £6 million in the reserve if there had been no increase in the fiduciary issue. The assumptions behind Mr Butler's budget—that consumption should be about the same as last year and that prices and disposable increases may be about 4 per cent higher—do not suggest that any downturn in the active circulation is expected in the near future.

* * *

AEI and the Future

While the order books of many consumer goods industries continue to run down, the order books and the production of capital goods industries are still surging to record levels. Associated Electrical Industries is one industrial giant that can look back to the past with every satisfaction and forward to the future with every confidence. At the annual general meeting, the chairman, Sir George Bailey, revealed that last year the value of production jumped to the record figure of £61 million and that orders in hand, with contract dates spread over the next four years, are worth £135 million. In the last twenty years, the group has spent about £17 million on increasing the size and number of its factories, on improving its equipment and in ensuring greater productivity within its workshops. The original cost of fixed assets, valued in the balance sheet at £9,800,000, was £23,800,000 but these assets could only be replaced at the moment by spending £45 million. These figures bear out Sir George's contention that "to build a similar organisation from the ground upward . . . would be a practical impossibility under present circumstances."

Sir George is confident that the rate of expansion in electricity consumption, which has doubled in this country

in the last ten to twelve years, will continue for some time to come. Moreover, a market exists for the group's products abroad as well as at home; over three-quarters of the orders in hand have been placed by customers abroad, by the Government and by the nationalised industries. But two major problems remain. The first is the shortage of raw materials, which caused difficulties in every one of AEI's factories towards the end of last year. The second is the debilitating effect of high taxation on enterprise and expansion. Last year £5,400,000 of AEI's profits went to the tax collector against £673,000 to ordinary stockholders; this year EPL will take an additional £350,000, even if profits are only maintained. The logic of the present economic prescription for Britain is that capital goods industries should continue to expand, if necessary at the expense of consumption goods industries; the stick of EPL —which falls especially heavily on companies that have expanded in the last three years—seems designed to drive industry in the opposite direction.

* * *

Demand for New Ships

Despite an increase of 2.6 million tons gross in the size of the world's merchant fleet during the past year, the demand for new tonnage shows no sign of abatement, according to the annual report of Lloyd's Register of Shipping for 1951. The world fleet, including the American laid-up reserve, now totals 87,245,044 tons gross, some 27 per cent greater than in 1939. Ships registered in the United Kingdom now make up 21 per cent of the total, compared with 26 per cent before the war, while the United States, which had only 13 per cent of the prewar world fleet, now has nearly 29 per cent. The fact that the world fleet in being is expanding so rapidly might be expected to cause a decline in shipbuilding orders, but last year's prosperity kept in service many ships that otherwise would have been scrapped. The age of ships in service now suggests a fairly high level of shipbuilding work for some time in replacement. No less than 82 per cent of the American fleet, for example, is between five and nine years of age, and 50 per cent of the UK fleet is between five and 14 years.

Another factor affecting the size of the merchant fleet is the expansion of specialised tonnage. The seagoing tanker fleet now exceeds 18.2 million tons gross, compared with 11.4 million tons in 1939. Many ships are now being specially designed for carrying ore, and these carriers are showing the same trend towards bigger units displayed in the case of tankers. Some of the ore carriers under construction have a carrying capacity of over 30,000 tons, and a number of them are designed to carry heavy oil as an alternative to ore. Tankers and ore carriers for service on the Great Lakes are showing similar tendencies, and the interest being taken in the St. Lawrence Seaway project opens up new possibilities of trading that are likely to be reflected in the design of future ships.

As for methods of propulsion, nearly three-quarters of the world tonnage is still steam-driven, and almost half is propelled by steam reciprocating engines. While the tonnage of steamships has remained static in the last four years, that of motorships has advanced from 17.2 million tons gross in 1948 to 23.4 million tons in 1951. The tonnage of ships burning coal is declining rapidly, having dropped from 18 million tons in 1948 to 14.7 million tons in 1951, compared with a total of 31 million tons in 1939. The percentage of ships burning oil has increased from 54.7 per cent in 1939 to 83.2 per cent in 1951. No fewer than 500 steamships have been converted from coal to oil burning since the end of the war under the supervision of Lloyd's Register; the report states that there are now indications that this programme may be nearing completion. The dominant trend at present is undoubtedly the conversion or building of diesel engines to burn boiler fuel; despite the satisfactory results of the first voyage undertaken with a gas turbine tanker, it will probably be some time before this form of engine will become a general competitor with other types of prime mover.

Shorter Notes

Industrial output in January, according to the official interim index, was rather more than 3½ per cent higher than a year before, though the advance estimate last month had suggested that it would be no higher or even slightly lower. The provisional guess for January is 144, compared with 139 in December and 140 in January, 1951; between December, 1950, and January, 1951, no increase was shown in the index. According to early information about February output, the index for that month is expected to be 148-149, compared with 151 in February last year. It is worth noting that the "B" index of the London and Cambridge Economic Service shows industrial output in January as 138, compared with 137 in January, 1951.

*

As "a token of good will towards the holders of Japanese sterling bonds." Japan is to deposit £20 million from its sterling balance of about £100 million with the Bank of England; it is depositing $20 million with the Federal Reserve in a similar gesture to dollar bondholders. These deposits will be available for use if a settlement of the whole problem of Japanese indebtedness is reached within the next two years.

Company Notes

Canadian Pacific.—The opening of new industrial frontiers in Canada has brought booming business—but not booming profits—to the Canadian Pacific Railway. Last year more tons of freight were carried on its railways than ever before, and gross earnings jumped by $50.3 million to a new record level of $428.9 million. An expanding economy, however, has also brought with it a shorter working week, and higher prices, taxes and wages. The consequent increase in CPR's working costs has outstripped the advance in its revenue. Costs absorbed 94 cents of every dollar earned in 1951, compared with 90 cents in 1950, and net railway earnings fell from $38 million to $26.8 million. These earnings, in the words of the directors, are "far below the level necessary to provide a sufficient contribution to dividends and a reasonable amount for reinvestment in railway property." They represent a return of only 2.4 per cent on capital employed (as compared with 3½ per cent in 1950). The chief trouble was the long delay before the central authorities finally sanctioned an increase in freight rates to offset the rise in costs—and the fact that this permitted increase, when it did come, did not apply to rates charged on the transport of grain and grain products in Western Canada. This hidden subsidy to the agricultural interest, made at the expense of the rest of the Canadian economy, has a visible effect upon CPR's earnings. In 1951, for example, grain and grain products accounted for more than 40 per cent of the freight traffic in Western Canada, but for only 20 per cent of freight receipts. Although railway earnings are inadequate, the company spent about $72 million on railway extensions and improvements in 1951—and intends to spend more in the future. But the directors add the warning that "adequate rail earnings will be necessary to enable the company to finance the expenditures" envisaged in its five-year plan.

There is obviously a good deal of truth in the saying that "Canpacs" are anything but a railway stock; the company derives a substantial proportion of its profits from its shipping interests and the dividends declared by Consolidated Smelting. The 1951 result

	Years to Dec. 31, 1950	1951
	$	$
Gross earnings	378,576,688	428,911,639
Working expenses	340,556,331	402,098,807
Net earnings	38,020,357	26,812,832
Ratio of net to gross earnings	*10·0%*	*6·3%*
Other income	23,256,264	23,343,635
Earnings for ordinary stock	44,478,363	39,979,469
Earnings per $25 ordinary share	*3·32*	*2·93*
Paid per $25 ordinary share	1·50	1·50
Balance to profit and loss a/c	24,378,363	19,879,469
Balance retained	27,955,483	28,311,072
Property investment	1424,197,017	1487,838,973
Other investments	190,172,027	181,326,551
Working capital	89,556,389	103,859,161
Funded debt	85,709,000	99,045,000
Reserves	518,842,273	538,407,062
Ordinary capital	335,000,000	335,000,000

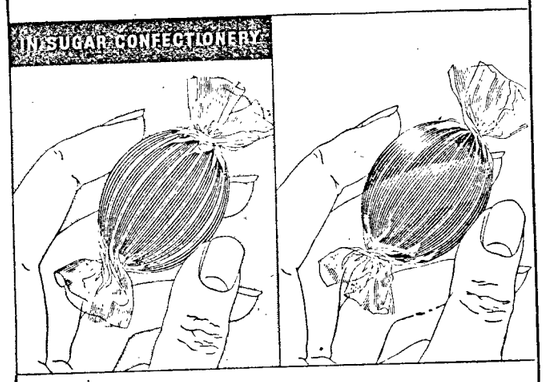
$25 ordinary stock at $69½ yields £3 18s. per cent.

THE HOUSEHOLD NAME

OF A SERVICE TO INDUSTRY

Brown & Polson

STARCH PRODUCTS



THE largest single use of glucose is to improve the products of the sugar-confectionery trade—boiled sweets, in particular. Every day, millions of young hearts are rejoiced by the sight of gay glass jars in sweet-shop windows, full of brightly-coloured 'cushions' of flavoured sugar, clear and translucent as the jars that display them.

But boiled sweets did not always shine so bright. Once (long ago, it is true) the sugar confectioners were vexed by the crystallising of the sugar in their sweets, which dulled their surfaces and spoiled their translucency. The first attempt to cure the trouble was by adding cream of tartar and so 'inverting' enough of the sugar to prevent crystallisation. That did stop the crystallising to some extent, but invert sugar is hygroscopic — it absorbs atmospheric moisture, and makes the sweets that contain it damp and sticky.

Glucose as a Crystal Inhibitor

Later, glucose was used instead of cream of tartar, with complete success. The glucose, itself an energy-providing food, affords a colloidal medium in which sugar crystals cannot form, and keeps the wares in the sweet-shop windows permanently bright.

The provision of glucose for confectioners to use as a crystal-inhibiting medium is one example of the varied services that the Brown & Polson Group performs for many widely different industries, and is ready to perform wherever opportunity exists. Enquiries will be answered by responsible experts. They should be addressed to:

CORN PRODUCTS COMPANY LIMITED

The Industrial Division of

Brown & Polson

BROWN & POLSON LTD., WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2

WITH 45% FEWER NEW CARS AVAILABLE

More and More Motorists are turning to

HENLYS SMALL MILEAGE CARS

on 7 Days' Free Trial

In 1951, 60% more motorists bought a used car from Henlys—because they know it is the best alternative to a new car. Incomparable selection, all guaranteed for 6 months and available on 7 days' free trial. Deferred terms available. Here are some examples:—

'50 ARMSTRONG Hurricane Coupe	£1495	'50 TRIUMPH Mayflower Saloon	£1075
'50 AUSTIN A.90 Atlantic Saloon	1425	'50 TRIUMPH Renown Saloon	1395
'50 FORD Pilot Saloon	1095	'50 VAUXHALL Velox Saloon	1095
'50 FORD Prefect Saloon	925	'49 ARMSTRONG Typhoon	1195
'50 HILLMAN Minx Sal.	1075	'49 AUSTIN A.40 Saloon	1075
'50 HUMBER S/Snipe Sal.	1775	'49 JAGUAR 3½ Mk.V Sal.	1895
'50 JAGUAR 3½ Mk.V Sal.	1995	'49 JAGUAR 2½ Mk.V Sal.	1825
'50 JAGUAR XK 120 Sports	2295	'49 MORRIS Oxford Sal.	1045
'50 MORRIS MinorTourer	845	'49 ROVER 60 Saloon	1425
'50 RILEY 2½ Saloon	1795	'49 STANDARD Vanguard Saloon	995
'50 ROVER 75-P.4 Saloon	1995	'49 TRIUMPH Roadster	1075
'50 SUN/TALBOT "90" Saloon	1345		

Also

1948, 1949, 1950 and 1951 BENTLEY Saloons.

In addition we have a large selection of Used Commercial Vehicles

HENLYS

England's Leading Motor Agents

Head Office: Henly House, 385 Euston Rd., N.W.1. (EUS 4444)
Devonshire House, Piccadilly, W.1 (GRO 2287)
and at 1-5 Peter St., Manchester . The Square, Bournemouth
Cheltenham Rd., Bristol . A. Mulliner, Bridge St., Northampton
182 London Rd., Camberley . 30 *Branches throughout the Country*

Handy-Andy

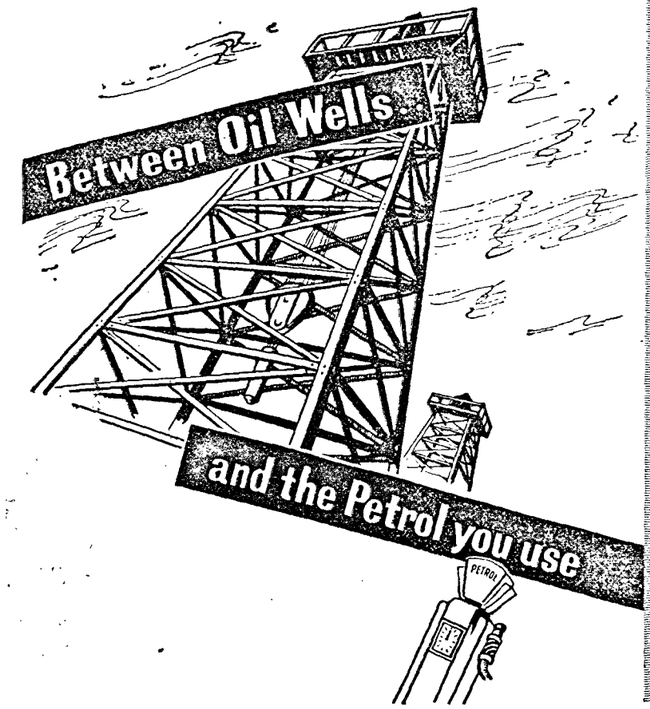
WARM AIR TOWELS

DRY

They do it quickly, thoroughly, hygienically and cheaply; cutting out laundry bills, towel pilferage and the cost of paper towels, while meeting the demands of Section 42 of the Factory Acts. Installation costs are saved in less than a year.

QUIZ ELECTRICS LTD.

160 HIGH ST., TEDDINGTON, MIDDX.



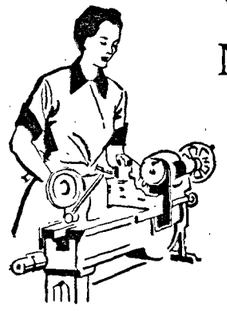
The Spence organization specialises in the manufacture of chemicals for other industries. The accumulated experience of many years of making special alumina products is invaluable when adsorbents and alumina supported catalysts are being manufactured for petroleum refining.

SPENCE

CHEMICALS FOR INDUSTRY

PETER SPENCE & SONS LTD.
WIDNES LANCASHIRE
LONDON MANCHESTER BRISTOL

WOMEN IN THE FACTORY NEED HELP IN THE HOME

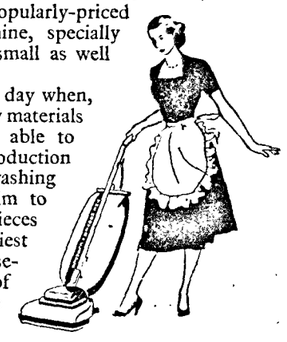


CONSTANTLY the call comes for more women to work in industry, to increase production both for rearmament and for the export drive.

But if a woman is to work in a factory and at the same time run a home, she needs—and deserves—the best possible labour-saving equipment for her domestic duties.

We at Hoover Limited derive satisfaction from the knowledge that our electric cleaners are doing so much to relieve unnecessary domestic drudgery; and we are proud that their average retail price, exclusive of purchase tax, is only 30% higher than before the war, despite the fact that both quality and design have been improved. We are equally proud of our popularly-priced electric washing machine, specially designed for the very small as well as the larger home.

We look forward to the day when, with free supplies of raw materials available, we shall be able to maintain maximum production of both cleaners and washing machines. It is our aim to supply these *essential* pieces of equipment at the earliest occasion to all housewives in all sections of the community at the lowest possible prices.



HOOVER LIMITED

Makers of Electric Cleaners, Washing Machines, Polishers, F.H.P. Motors, Commutators, etc.

Factories at: PERIVALE, GREENFORD, MIDDLESEX MERTHYR TYDFIL, SOUTH WALES CAMBUSLANG, SCOTLAND HIGH WYCOMBE, BUCKS.

show, however, that the fall in railway earnings, despite an increase in income from other sources, has reduced the earnings cover on the ordinary dividend to a level that is not altogether comfortable, in view of the developments on hand. Earnings per $25 share have narrowed from $3.32 to $2.98, but the ordinary dividend has been maintained at $1.50 a share—or 6 per cent.

★

Decca Record.—The case of Decca Record is an object study of the way in which EPL falls harshly on the enterprising and lightly on the sluggard. For a number of years the company has pushed forward determinedly with the development of new electronic navigation devices and long playing records—neither of which earned any profits until after 1949. The standard EPL period of 1947, 1948, and 1949 imposes a direct tax on these developments. Decca also fares badly under the alternative assessment, which is based, in the words of the directors' report, on "the dangerous concept that the real capital of the business is its paid up share capital." Such a standard takes no account of money raised by loans—and much of the working capital needed by Decca in recent years has been found by the £750,000 issue of unsecured notes, by a mortage of £40,000, and by borrowing about £1,000,000 from the banks.

As the company has made every effort to increase its exports sales, from which £1,896,000 was earned in 1951 compared with £758,000 in 1949 and with only £54,000 in 1939, the directors have every reason to complain that the company has been "penalised for its enterprise." The accounts published last week, which refer to a trading year that ended as long ago as March 31, 1951, show that the first fruits of development were beginning to emerge last year. Following a substantial increase in turnover,

	Years to Mar. 31, 1950	1951
Consolidated Earnings :—	£	£
Trading profit	349,707	651,508
Total income	457,324	653,839
Depreciation	141,864	149,102
Taxation	29,152	106,782
Net profit	88,427	255,760
Ordinary dividends	61,366	64,455
Ordinary dividends (per cent)	112½	112½
Development reserve	...	100,000
Added to group carry forward	33,287	43,604
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	1,547,883	1,528,789
Development account	769,747	733,871
Work in progress, etc.	1,148,350	1,334,790
Cash	160,769	206,548
Bank overdrafts	1,091,763	983,161
Reserves	770,952	973,680
Ordinary capital	99,246	109,167

1s. ordinary shares at 17s. 6d. yields £6 9s. per cent.

group trading profits jumped from £349,707 to £651,508 and an annual distribution of 112½ per cent, paid in 1949-50 on an ordinary capital of £99,246, was maintained on the increased capital of £109,167. In addition, an interim dividend of 25 per cent was declared on the new capital of £120,088, as increased by the recent rights issue of £218,264 1s. ordinary shares at 4s. 6d. each. the accounts for the year that ended on March 31, 1952—which, it is to be hoped, should this time be published with less than a year's delay—will apparently "show a further substantial improvement." They will, however, bear three months of EPL. It seems inevitable that the new tax will put a brake on further developments in this important export industry and will also postpone the day when the company can present a balance sheet in which intangible assets play a less dominant part.

★

Harrods and Lewis's.—Last year retail stores had to face both a sharp drop in sales from the summer and a heavy increase in working costs. It is the latter that shows up most noticeably in the accounts that departmental stores are now publishing for the year to last January; the drop in sales in the second half of the year was rather more than balanced by heavy custom in the first six months. The result is that nearly all the departmental stores have reported a somewhat unexpected increase, though a slight one, in annual turnover, but a fall in profits.

The effect of mounting costs upon profit margins is readily discernible in Harrods' accounts. Before charging for wages, salaries and other operating expenses, gross trading profits of the Harrods group are shown to have increased from £5,675,346 to £5,768,484, thanks to an increase in turnover. But once the increased charges for wages and salaries (up from £2,666,032 to £2,827,597), and for other operating expenses (up from £1,359,969 to £1,451,430) are deducted from earnings, trading profits show a fall from £1,649,345 to £1,489,457.

Although a common thread of bigger sales and lower profits runs through most of the departmental stores' accounts, there are variations within the pattern. The chairman of Harrods, Sir Richard Burbidge, for instance, reveals that sales fell more sharply in the north of England than in London, and that the departments hardest hit in the second half of the year were those selling furniture, men's wear and luxury articles. Confirmatory evidence that there has been less spending in the north can be gleaned from the accounts of the companies within the aegis of Lewis's Investment Trust. Its subsidiary, Lewis's Limited, trading in the north of England, has reported a fall in trading profits from £2,161,767 to £2,068,442, but its newly acquired London subsidiary, Selfridge (Holdings) has reported a slight increase in trading profits from £850,800 to £859,996. In a year when increases in prices were predominant, an increase in the book value of stocks was to be expected. In Harrods' accounts the increase from £3,036,585 to £3,409,138 represents "for the most part the increase in price level;" and very much the same can probably be said about the rise in the book value of stocks held by Lewis's from £1,368,492 to £1,765,580. Exceptionally the consolidated balance sheet of Selfridge (Holdings) shows a fall in stocks, from £874,309 to £783,442. Almost all the stores imposed a very tight control upon buying into stocks towards the end of the year, and it looks as if Selfridge's control was stricter than most.

Both Harrods and Lewis's Investment Trust have maintained their ordinary dividends, at 20 per cent and 25 per cent respectively. By freely admitting that Harrods' stores "have got off to a bad start" in 1952, Sir Richard has added to the doubts about the future of Harrods' dividends; the hazardous nature of the course still to be run is reflected in the yield of 7.8 per cent that is offered by Harrods' £1 ordinary shares at the current price of 51s. 3d. The 4s. ordinary shares in Lewis's Investment Trust offer a lower yield of 6¼ per cent at the current price of 16s. xd, but Lewis's dividend is more amply covered by earnings than is Harrods', and the company earns profits from other sources besides its retail stores.

	Years to Jan. 31, 1951	1952
HARRODS :—	£	£
Trading profit	1,649,345	1,489,457
Net profit	635,685	457,253
Ordinary dividends (per cent)	20	20
Stocks	3,036,585	3,409,138
Cash	1,048,306	1,377,386
SELFRIDGE (HOLDINGS) :—		
Trading profit	850,800	859,996
Net profit	302,997	279,551
Ordinary dividends (per cent)	14	14
Stocks	874,309	783,442
Cash	219,458	453,224
	Years to Feb. 1, 1951	1952
LEWIS'S :—	£	£
Trading profit	2,161,767	2,068,442
Net profit	923,502	846,846
Stocks	1,368,492	1,765,580
Cash	1,070,393	905,296
LEWIS'S INVESTMENT TRUST :—		
Trading profit	2,736,564	3,429,897
Net profit	1,136,805	1,298,828
Ordinary dividends (per cent)	25	25
Stocks	2,050,795	3,198,075
Cash	1,565,088	1,509,408

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to April 2 High	Low	British Funds and Guaranteed Stocks	Price, Mar. 26, 1952	Price, April 2, 1952	Gross Yield, April 2, 1952 £ s. d.	
100¾	99	War Bonds 2½%.. Mar. 1, 1951-53	99⅝	99⅝	2 19 11	
100⅛	97⅞	War Bonds 2½%.. Mar. 1, 1952-54	98⅜	98⅜	3 4 6	*l*
99⅝	96½	Exch. Stk. 2½%.. Feb. 15, 1955	97⅛	97⅛	3 2 5	
100⅛	99	Serial Fundg. 1½% Nov. 14, 1952	99⅛	99⅛	2 16 6	
100⅛	97⅛	Serial Fundg. 1½% Nov. 14, 1953	98⅛	98⅛	2 15 9	
99¾	96	Serial Fundg. 1½% Nov. 14, 1954	97⅛	97⅛	2 16 0	
99⅝	96	War Bonds 2½%.. Aug. 15, 1954-56	97⅛	97⅛	3 13 4	*e*
100⅛	97⅛	Funding 2¾%.... June 15, 1952-57	98⅜	98⅞	3 3 0	*l*
100⅛	97⅛	Nat. Defence 3% July 15, 1954-58	98	98⅛	... ...	*e*
100⅝	96⅝	War Loan 3%..... Oct. 15, 1955-59	97⅛*	97⅛*	3 5 11	*l*
91⅛	89½	Savings Bonds 3% Aug. 15, 1955-65	89⅞	90⅛	3 13 11	*e*
94	89½	Funding 2½%.... Apr. 15, 1956-61	90⅛*	91½*	4 1 9	*e*
87⅛	83½	Funding 3%..... Apr. 15, 1959-69	84⅝*	85*	3 8 4	*l*
88	84½	Funding 3%..... Aug. 1, 1966-68	85⅛	86	3 13 11	*e*
99½	95⅛	Funding 4%..... May 1, 1960-90	96⅛*	96⅛*	3 6 11	*l*
87½	83½	Savings Bonds 3% Sept. 1, 1960-70	83⅝	84	4 4 10	*l*
85⅛	81½	Savings Bds. 2½% May 1, 1964-67	82½*	82⅛*	4 4 6	*e*
101⅛	98½	Victory Bonds 4% Sept. 1, 1920-76	98⅛	98⅛	5 6 10	*e*
84	79½	Savings Bonds 3% Aug. 15, 1965-75	81½	81½	4 4 6	*e*
90⅜	86⅜	Consols 4%.....	87½	88	4 19 0	*e*
82⅜	76¼	Conversion 3½%..	77⅛*	78⅜	4 6 9	*l*
60⅜	55⅜	Treasury Stk. 2½% (after Apr. 1, 1975)	57⅛*	57½	4 9 4	*f*
71½	65½	Treasury Stk. 3% (after Apr. 5, 1966)	66½*	67⅛*	4 6 5	*f*
88⅜	85½	Treasury Stk. 3½% June 15, 1977-80	87½	87½	4 9 4	*f*
77⅜	73½	Redemp. Stk. 3%.. Oct., 1986-96	75½*	76½	4 7 6	*e*
81	76½	War Loan 3½%....	77⅜	78½	4 6 4	*l*
61⅜	57⅞	Consols 2½%.....	59⅛*	59⅝*	4 11 0	*f*
85½	80½	Br. Elect. 3% Gtd.. Apr. 1, 1968-73	81⅛*	82½	4 3 6	*f*
84½	79⅜	Br. Elect. 3% Gtd.. Mar. 15, 1974-77	80⅜	81⅜	4 11 1	*e*
90⅜	86½	Br. Elect. 3½% Gtd. Nov. 15, 1976-79	88⅛	88⅝	4 5 5	*l*
77⅛	74	Br. Tpt. 3% Gtd.. July 1, 1978-88	76⅛	76⅞	4 6 2	*e*
85⅜	80¼	Br. Tpt. 3% Gtd.. Apr. 1, 1968-73	81⅞*	82½	4 11 1	*l*
77⅜	73⅜	Br. Gas Gtd. 3%.. May 1, 1990-95	74⅜*	75½*	4 5 5	*l*
93⅞	88½	Br. Gas Gtd. 3½%.. Sept. 10, 1969-71	89½	89⅞	4 6 4	*e*
89⅜	85	Br. Iron & Steel 3½% Feb. 15, 1979-81	86⅜	87	4 7 10	*e*
					4 6 6	*l*

(e) To earliest date. *(l)* To latest date. *(f)* Flat yield. *(s)* Assumed average life 13 years 0 months. * Ex dividend.

Prices, Year 1952 Jan. 1 to April 2 High	Low	Ordinary Stocks	Price, Mar. 26, 1952	Price, April 2, 1952	Yield, April 2, 1952 £ s. d.	
8⅝	7	Anglo-Am. 10/-...	7⅞	7⅞	4 4 11	
6¼	5⅞	Anglo-Iran £1....	5⅞	5⅞	5 5 6	
84/-	66/-	Assoc. Elect. £1..	66/6	67/6	5 17 6	
104/9	91/3	Assoc. P. Cem. £1.	92/6	96/10½	5 13 6	
32/9	26/9	Austin 5/-	27/6	28/9	8 14 0	*b*
129/3	112/6	Bass £1	119/4½	119/4½	7 3 10	
23/-	17/-	Boots 5/-	18/9	19/6	5 2 7	*a*
30/-	22/-	Br. Celanese 10/-.	22/6	23/9	3 15 9	
85/9	70/9	Br. Oxygen £1 ...	71/-	74/-	5 8 1	
52/9	41/9	Coats £1	43/1½	45/-	5 11 1	
46/-	36/-	Courtaulds £1....	35/3	36/9	6 2 6	
20/6	17 -	Distillers 4/-.....	17/6	17/6	5 2 10	
61/3	52/4½	Dunlop £1.....	53/1½	53/9	6 10 2	
51/4½	42/9	Ford £1.....	43/6*	45/-*	6 13 4	
92/3	71/6	Gen. Elect. £1....	73/9	78/-	5 15 5	
125/3	108/-	Guinness £1.....	115/7½	111/10½	5 0 1	
36/7½	32/1½	Hawker Sid. £1...	34/-	35/-	5 14 3	
47/4½	38/7½	Imp. Chem. £1 ...	40/6	41/6	5 15 8	
95/-	82/9	Imp. Tobacco £1..	85/-	85/-	7 10 10	
43/11	30/6	Lancs. Cotton £1.	31/3	33/1½	9 1 2	
57/3	52/3	London Brick £1.	52/6	53/6	6 13 4	
89/6	74/3	Marks & Sp. A. 5/-	79/-	81/-	4 9 4	
53/9	42/-	P. & O. Def. £1...	43/6	49/-	4 7 1	
39/3	31/-	P. Johnson 10/-..	31/6	34/-	7 7 1	
97/2½	80/7½	"Shell" Stk. £1...	86/3	88/9	5 7 4	
5⅝	4¾	Tube Investmt. £1	4⅞	5⅛	4 17 7	
89/9	78/-	T. & Newall £1...	78/9	83/9	4 15 7	
49/6	45/10½	Unilever £1.....	46/3	46/10½	5 15 2	
45/3	40/6	Union Castle £1..	41/-	41/-	4 17 7	
55/10½	41/3	U. Sua Betong £1.	42/6	44/4½	22 10 8	
47/-	42/10½	Vickers £1.....	43/6	45/7½	5 9 7	
44/7½	36/6	Woolworth 5/-....	40/6	41/-	5 3 8	

(a) Yield basis 20% after capital bonus. *(b)* Yield basis 80% before merger. *(e)* Yield basis 10½% after capital bonus. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the 9 days ended March 31, 1952, total ordinary revenue was £123,713,000, against ordinary expenditure of £187,996,000 and issues to sinking funds £438,000. Thus, including sinking fund allocations of £27,400,000, the surplus accrued for the financial year was £379,733,000 compared with a surplus of £720,515,000 for 1950-51.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

REVENUE	Estimate, 1951-52 £000	April 1, 1950 to Mar. 31, 1951	April 1, 1951 to Mar. 31, 1952	Week ended Mar. 31, 1951	9 Days ended Mar. 31, 1952
		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1624750	1404364	1668749	28,579	59,343
Sur-tax	128,000	121,100	129,600	3,600	4,700
Estate, etc., Duties	180,000	185,250	183,000	2,500	3,900
Stamps	55,000	54,460	61,900	1,500	2,100
Profits Tax & E.P.T.	312,650	267,770	315,400	3,400	11,200
Other Inland Rev.	500	595	600	35	20
Special Contributn.	1,500	4,850	2,670	50	40
Total Inland Rev.	2302400	2038389	2361919	39,664	81,303
Customs	930,500	905,216	998,497	17,480	20,083
Excise	720,500	724,800	753,285	16,600	17,490
Total Customs and Excise	1651000	1630016	1751782	34,080	37,573
Motor Duties	62,000	61,357	65,211	144	683
Surplus War Stores	20,000	45,355	32,345	...	2
Surpl's from Tradg.	50,000	80,905	75,459	...	...
P.O. (Net Receipts)	5,400	962	...	*Dr2538*	*Dr7728*
Wireless Licences	13,600	13,000	14,150	1,100	1,350
Sundry Loans	27,000	26,876	25,393	1,000	...
Miscell. Receipts	105,000	80,964	107,137	4,211	10,530
Total Ord. Rev.	4236400	3977825	4433392	77,661	123713
SELF-BALANCING					
Post Office	179,431	171,088	190,050	4,388	10,278
Income Tax on E.P.T. Refunds	4,900	8,347	5,525	249	142
Total	4420731	4157760	4628967	82,798	134133

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	535,000	477,827	513,595	2,600	2,990
Payments to N. Ireland	38,000	37,688	39,435	405	2,040
Other Cons. Funds	11,000	9,856	11,678	101	57
Total	584,000	525,371	564,712	3,106	5,087
Supply Services *	3636394	2712582	3461547	111151	182909
Total Ord. Expd.*	4220394	3237953	4026259	114257	187996
Sinking Funds	...	19,357	27,400	10	438
Total (excl. Self-Bal. Expd.)*	4220394	3257310	4053659	114267	188434
SELF-BALANCING					
Post Office	179,431	171,088	190,050	4,388	10,278
Income Tax on E.P.T. Refunds	4,900	8,347	5,525	249	142
Total *	4415294	3436745	4249234	118904	198854

* Including supplementary estimates.

After increasing Exchequer balances by £115,175 to £3,477,362, the other operations for the week increased the National Debt by £23,946,970 to £25,839 million.

NET RECEIPTS (£ thousand)

New Towns Act, 1946, s. 12(5)	70
Cotton (Centralised Buying) Act, 1947, s. 21(3)	4,000
Miscellaneous Financial Provisions Acts, 1946 and 1950, Civil Contingencies Fund	55,000
	59,070

NET ISSUES (£ thousand)

EPT Refunds	174
Housing (Temp. Accomdn.) Acts, 1944 and 1947	50
Local Authorities Loans Act, 1945, s. 3(2)	14,100
Overseas Resources Development Act, 1948, s. 1(1)	
Colonial Development	13
Miscellaneous Financial Provisions Act, 1948, s. 2(1)	
War Damage: War Damage Commission	3,500
Finance Acts, 1946 and 1947: Postwar Credits	344
	18,131

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	50,809	2½% Def. Bonds	775
Nat. Savings Certs.	300	3% Def. Bonds	4,280
Other Debt :—		3% Ter. Annuities	1,233
Tax Reserve Certs.	558	Other Debt :—	
Internal	367	External	89
		Ways and Means Advances	21,710
	52,034		28,087

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Mar. 31	5009·9		446·8	...	283·5	5740·2
1952						
Jan. 5	4760·0*		267·7	...	116·5	5144·2
,, 12	4723·4*		256·8	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	6601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·5
,, 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4538·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6
,, 31	4273·1		337·9	...	...	4611·0

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate
1951					
Mar. 30	250·0	332·4	250·0	10 2·98	66
Dec. 28	170·0	188·3	150·0	19 4·06	82
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75
,, 14	200·0	250·4	200·0	46 3·64*	69
,, 21	200·0	251·9	200·0	46 3·59*	68
,, 28	210·0	240·2	210·0	47 3·61	81

* Corrected figure.

On March 28th applications for 91 day bills to be paid from March 31 to April 5, 1952, were accepted dated Monday to Saturday as to about 81 per cent at £99 8s. 2d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £220 million were offered on April 4th. For the week ended April 5th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 51 Weeks ended: Mar. 24, 1951	Totals 51 Weeks ended: Mar. 22, 1952	Week ended Mar. 22, 1952
Savings Certificates :—			
Receipts	129,000	153,100	4,000
Repayments	134,400	133,600	2,700
Net Savings	*Dr 5,400*	19,500	1,300
Defence Bonds :—			
Receipts	26,470	55,584	1,005
Repayments	47,290	69,822	1,056
Net Savings	*Dr20,820*	*Dr14,238*	*Dr 51*
P.O. and Trustee Savings Banks :—			
Receipts	645,246	691,176	13,225
Repayments	705,792	780,799	14,291
Net Savings	*Dr61,546*	*Dr89,622*	*Dr 1,066*
Total Net Savings	*Dr87,766*	*Dr84,361*	185
Interest on certificates repaid	30,244	33,617	716
Interest accrued	123,573	124,118	2,444
Change in total invested	+ 5,563	+ 6,140	+ 1,908

BANK OF ENGLAND RETURNS

APRIL 2, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—			
In Circulation	1393,955,378	Govt. Debt	11,015,100
In Bankg. Department	56,401,445	Other Govt. Securities	1435,712,431
		Other Secs.	160,736
		Coin (other than gold)	2,511,733
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	282,946,430
Rest	3,995,682	Other Secs.:—	53,562,171
Public Deps.:—	11,341,326	*Discounts and Advances*	29,437,329
*Public Accts.**	*10,824,746*	*Securities*	*24,124,843*
H.M. Treas. Special Acct.	*516,580*		
Other Deps.:—	364,579,068		
Bankers	*282,901,821*	Notes	56,401,445
Other Accts.	*82,377,247*	Coin	1,559,030
	394,469,076		394,469,076

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 Apr. 4	1952 Mar. 19	1952 Mar. 26	1952 Apr. 2
Issue Dept. :—				
Notes in circulation	1321·7	1381·6	1384·6	1394·0
Notes in banking department	28·6	18·8	15·8	56·4
Government debt and securities*	1345·7	1396·8	1396·7	1446·7
Other securities	0·7	0·7	0·7	0·8
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	14·0	11·4	12·1	10·8
Treasury Special Account	14·6	0·3	0·5	0·5
Bankers	302·8	287·4	280·3	282·2
Others	89·9	82·1	81·3	82·4
Total	421·3	381·2	374·2	375·9
Securities :—				
Government	371·5	338·1	325·9	282·9
Discounts, etc.	15·0	16·1	23·6	29·4
Other	24·1	25·2	25·9	28·1
Total	410·5	379·4	375·4	336·4
Banking dept. res.	29·4	20·3	17·4	58·0
	%	%	%	%
"Proportion"	6·9	5·3	4·6	15·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
Mar. 27	77·0	88·00	149 12	87 4
,, 28	77·0	88·00	152 12	88 12
,, 29	Markets Closed		151 12	89 8
,, 31	77·0	88·00	154 4	89 2
April 1	77·0	88·00	151 12	87 10
,, 2	77·0	88·00	149 12	87 3

COMPANY MEETINGS

THE BRADFORD DYERS' ASSOCIATION LIMITED

ANOTHER SATISFACTORY YEAR'S TRADING

TEXTILE INDUSTRY'S DIFFICULTIES

RESUMPTION OF DEMAND EXPECTED

MR JAMES EWING ON THE OUTLOOK

The fifty-fourth annual general meeting of The Bradford Dyers' Association Limited was held at the Midland Hotel, Bradford, on April 3rd. Mr James Ewing (the chairman), who presided, in the course of his speech, said:—

I am glad today to present to you the results of the year's trading—a gross profit nearly equal to the record figure submitted to you for 1950. For the first nine months of the year there was exceptional activity, both in our home branches and in our associated companies abroad. During the final quarter of last year trade activity in textiles showed a rapid decrease; but fortunately, owing to a heavy accumulation of orders, our branches were kept fairly well employed even during the serious recession. Today we are passing through a difficult period, and the volume of available business has fallen considerably. The industry is suffering from the excess buying which took place, both here and abroad, towards the end of 1950 and early in 1951, when we were threatened with scarcity of materials which it was thought would be accentuated by the change over to defence work. Manufacturers and merchants everywhere were loaded with goods at high prices, and with the break in prices of wool and other primary products, after the orgy of buying, there was a very definite fall in production. Until all these high price stocks have been cleared, it is not to be expected that normal trading will ensue. On the whole, production in the United Kingdom is high, particularly in defence work, and the purchasing power of the public is well maintained and, as stated by the Chancellor of the Exchequer, it will not be diminished by the Budget. I believe, therefore, that before long there will be a resumption of demand for consumer goods, at any rate in the home market. The public, advised from many quarters that textile prices would fall, naturally have refrained from buying; and if we add to this the uncertainty of the trade in producing and stocking utility goods, because of the expectation of changes in purchase tax, it is not to be wondered at that textile sales during the past few months have seriously declined. Purchase Tax, despite the recent amendments is, I believe, a serious deterrent to the immediate recovery of the industry, and had the Government been realistic and courageous it would have taken the risk of abolishing that tax on textiles, thus giving the industry the opportunity to put forward all its energies to meet home and export needs. No other important textile producing country is trammelled as is the United Kingdom by such a handicap as this tax imposes. Surely it is axiomatic that our exports require to be buttressed by a sound home market.

TRADING RESULTS

The year's trading, both at home and overseas, has again been satisfactory. The total trading profit before taxation, at £2,051,062, shows an increase of £66,000 on the previous year. The charge for taxation at £932,000 is nearly £180,000 more than for 1950, but this has been offset by reductions in the amount of profit retained by subsidiaries and in the deduction for minority interests. The result is an increase of £76,000 in the available profit for the year.

The balance sheet of the parent company shows that our shareholdings in subsidiary companies have increased by £786,000 to £2,125,000. During the year, Beida Dyers, S.A.E., Egypt, increased its paid-up capital from £E.500,000 to £E.1 million. We subscribed for our proportion of the new capital, at a cost of £285,867. Our investment in the new Canadian subsidiaries required £463,107 in addition to $84,640 provided by Bradford Dyeing Association (USA), it being desirable, for administrative reasons, that the latter should have a shareholding in the Canadian companies.

In the consolidated balance sheet, the increase in stocks of £1,234,226 is due, in part, to the addition of the stocks of these new subsidiaries, to increased quantities of supplies rendered necessary by lengthening delivery dates and to increased prices. These stocks are all in current use and are held at favourable prices. Fortunately, our liquid resources are ample to provide the increased working capital which has been called for.

Our capital commitments amount to £950,000. We expect that this amount will largely be covered by provisions for depreciation and plant replacement reserve before the full amount has been expended.

OVERSEAS COMPANIES
BEIDA DYERS, S.A.E., EGYPT

This company had another successful year in the financial period ended September 30, 1951, despite considerable fluctuations in trade. The factory extensions undertaken in recent years have been completed and all sections of the plant are operating at a high level of activity. The constant aim of the company is improvement of quality, and in this it has the advantage of very close liaison and co-operation with Société Misr, Kafr el Dawar, which produces the bulk of the grey cloth processed by Beida.

The disturbed political situation recently has not been conducive to good trade. I am hopeful, however, that these difficulties will be soon resolved, permitting a return of the stability so necessary for the industrial development and prosperity of the country.

BRADFORD DYEING ASSOCIATION (USA), BRADFORD, RHODE ISLAND, USA

BDA (USA) achieved a better result on the year's trading than might have been expected in view of the depressed market conditions and the heavy increases in costs of labour and materials and higher taxes. It was not possible to increase prices to counteract these increased costs because of the Government Price Stabilisation Regulations. The high reputation of the company for good quality dyeing and finishing, supported by judicious advertising of its brand names and unremitting effort by a keen sales staff, enabled BDA (USA) to obtain a fair volume of civilian business notwithstanding severe price competition, particularly from the large vertical companies in the Southern States which have a marked advantage over their New England competitors in their cheaper labour rates. In addition to civilian work, bulk orders for dyeing and finishing cloth for the defence programme have helped to keep the work steadily employed. The "Rigmel"-Shrunk finish on cotton goods forms a big part of the company's output.

DOMINION SILK DYEING AND FINISHING COMPANY LIMITED
DOMINION SILK PRINTING LIMITED

In June, 1951, your managing directors, after several visits, concluded negotiations for the acquisition of a controlling interest in these two companies and their subsidiaries. The Dyeing Plant and the Printing Plant are situated at Drummondville, a small town in Quebec Province within easy reach of Montreal. The two companies are firmly established and have a sound trading record. The Dyeing Company was established in 1921 and today dyes and finishes piece goods composed of silk, rayon, nylon and wool or mixture yarns. The Printing Company was established in 1929 and is equipped to print silk, rayon, wool and mixture fabrics by the roller and screen processes. The processing of rayon fabrics predominates in the activities of the two companies. Production and consumption of rayon and rayon mixture fabrics in Canada have been increasing rapidly since 1939.

The price at which we acquired the controlling interest in these two companies was determined largely by current book value of their assets as disclosed in the audited accounts and balance sheets. The vendors thereby secured a fair price whilst we obtained an entry to this market far less costly than by the erection of a new works.

BRADFORD DYEING ASSOCIATION (CANADA) LIMITED, MONTREAL AND COBOURG

Since we acquired this business in August, 1949, conditions in the Canadian woollen and worsted trade have been very unpropitious. Domestic production fell seriously after devaluation of sterling in 1949. Fortunately during 1951 the output at our works was increased by cloth for the Government's defence programme, and during the past few months our works have been fairly well employed. We have taken the opportunity to instal new types of machinery, and we hope to be in a position to process on an adequate scale the latest types of cloths, 100 per cent spun rayon and mixtures of wool and spun rayon, in the development of which we shall be able to give to the Canadian market the benefit of our unique experience in this class of work. The trading results so far have been disappointing, owing to the depressed condition—the worst for many years—of the domestic industry, but your Board is satisfied that before long this company will be a useful addition to our overseas activities.

RESEARCH AND DEVELOPMENT

Research figures prominently in our own activities, and we are now engaged upon a programme of research and development more extensive than at any previous time in the company's history.

Our range of water repellent finishes has been extended by the use of silicones, which are new to industry. We have applied for letters patent for a unique method, superior to any other yet made known, of utilising silicones to the best advantage. This finish will be known in the trade as "Bradsylda."

New finishes on cotton fabrics are also making headway, and particular attention is being paid to developments which will lead to greater operational efficiency in established processes.

For our "Maxifix" finish we employ a new, patented method of producing unshrinkable effects on wool, wool and cotton or wool and viscose rayon materials. Older methods are discontinuous in operation and often have adverse effects on the cellulose constituents of materials. Our new method is continuous in operation and is exceptionally advantageous in that during the treatment neither the cotton nor the rayon is weakened in any way.

During the past year our branch, Oakroyd Dyeing Company Limited, Bradford, has been in operation. We have laid out this works to specialise in the dyeing and finishing of knitted and woven fabrics made from synthetic fibres only. Whilst it will eventually be capable of a large weekly output of such fabrics, it can also be considered a large-scale laboratory for dealing with all the dyeing and finishing problems which will undoubtedly arise with the growth of synthetic fibres, of which only two are at present produced in this country—nylon and "Terylene." On the other hand, in USA the weight of synthetic fibres produced annually is already substantial.

DYEING PRICES

Recently there has been some adverse criticism in the press of dyeing prices. It might be opportune, therefore, for me to indicate the policy of your company in regard to the determination of prices. We make no secret of the fact that there is the fullest co-operation in the finishing industries through their well-organised trade federations, not only in regard to prices but also upon many matters affecting the well-being and progress of the industry and upon matters requiring consultations with other sections of the textile industry and with government departments. Having accepted the principle of trade co-operation, we have to ensure that the interests of the community, our workpeople and our stockholders are safeguarded. In the cotton and rayon industries—in which lie our major interests—we support and co-operate with two national bodies, one statutory and one non-statutory, the Cotton Board and the British Rayon and Synthetic Fibres Federation. Throughout the war period and subsequently, the prices for dyeing and finishing in the main have been based on a cross-section of costs submitted by representative producers and checked by independent accountants. There is no room for speculative margins in the finishing industries, and our prices vary as costs rise and fall. Prices of our main commodities, coal, dyestuffs and chemicals, are subject to change at any time without prior notice, and also in wages, changes which are effected take place immediately. It is necessary, therefore, to make corresponding adjustments to our price lists. We regret we are unable to give our customers warning of changes, and we only hope that as stability returns these changes will become less frequent.

We believe it is in the best interests of our customers that the established practice of the commission dyeing trade, of basing its prices upon cost of production, should be consistently pursued. We neither advance prices because orders are plentiful nor reduce when business slackens. Memories are short, and when a depression takes place the finishing industries become the target of attack. The measure of soundness of our price policy must surely be an assessment of whether the industry is taking an undue toll as against the other sections. That charge cannot be levelled against your company if profits are related to the capital employed in the business or calculated per yard on the hundreds of millions of yards processed by the group. It should also be borne in mind, as I have already stated, that a very substantial proportion of our profits accrues from our overseas investments, in some of which we are partly interested as manufacturers and distributors, where margins have been better than those of the commission finishers.

JAPANESE COMPETITION

The matter of Japanese competition should receive unceasing and vigilant attention by our industrial organisations such as the Cotton Board, the British Rayon and Synthetic Fibres Federation, and the National Wool Textile Export Corporation in order to determine what concerted action might be taken to protect our export trade. It should be possible to establish a liaison between them and representative organisations of the Japanese textile industries with a prospect of reaching understanding on the limitation of Japanese exports to sterling area markets. On the other hand it might prove necessary to resort to restrictive measures such as quotas, and I hope the textile trade organisations will not hesitate to press the Government to take such steps as lie within its power, for undoubtedly the mass purchase of consumer goods by countries within the Commonwealth from Japan rather than from the United Kingdom could undermine the stability of the sterling area.

INDIAN COTTON INDUSTRY

The abnormal expansion of trade by the Indian cotton industry within the colonial markets of the Empire, resultant on the supply position during the war and after war period, is likewise calling for government attention. There are factors in connection with this, especially those of the price of raw cotton supplies and the high rate of duty levied on UK exports to India, which do not conform to that equality of trading conditions which should obtain within a well-balanced and ordered Commonwealth system.

Although I will not venture into the realms of prophecy, there is no doubt that conditions this year are showing signs of serious difficulty, but from the survey I have attempted to give you in this address of our national and international activities, our stockholders may be assured that the company is in a strong position, financially and technically, to meet the recession, and is ready, when trade does revive, to undertake its full share of the business available. Our interests are well spread, and it should also be borne in mind that, unlike other sections of the industry, we do not have to face extraordinary fluctuations in the prices of basic raw materials, although we cannot entirely ignore the effect of the price changes upon the manufacturing section and its repercussions upon the finishing section.

The report and accounts were adopted.

THE INVERESK PAPER COMPANY

MR B. H. BINDER ON THE EXCEPTIONAL RESULTS

The twenty-ninth annual general meeting of The Inveresk Paper Company, Limited, was held on March 28th in London.

Mr B. H. Binder, FCA (the chairman), in the course of his speech, said: The results for the financial year are exceptional; prices of woodpulp and esparto continued to rise until they had more than trebled, as a result of which sale prices of paper had to be increased from time to time to meet these and other increased costs. Under such conditions of inflation profits were made on the turnover of trading stocks.

The group's production for the year ended September 30, 1951, increased by about 12 per cent over that of the previous year, and production and profits should continue to be favourably affected by the benefits derived from the group's large programme of capital expenditure.

PROFIT AND LOSS ACCOUNT

The group's trading profits amounted to £4,760,000, and after charging taxation the net consolidated profits amounted to £1,890,000.

All companies contributed to the increased results and, as a result of the acquisition and development of additional undertakings, the basis of the group's earning capacity has been broadened, and a considerable proportion of the profit earned arises from paper conversion operations supplementary to papermaking.

Over £1,600,000, retained in reserves, was considered essential to provide cash resources to meet capital expenditure and working capital and as a precaution against a reduction in the present high prices of raw materials and paper stocks.

Having regard to all circumstances, it was considered that the payment of a dividend on the ordinary stock of 10 per cent, free of income tax, was reasonable.

Current assets total £11,300,000 and exceed current liabilities and provisions of £4,340,000 by nearly £7 million, about 2½ million pounds more than last year. The group's reserves now total nearly £5 million.

Although the liquid resources of the group as at September 30, 1951, are substantial, and include bank balances of £3,400,000, it is anticipated that all these resources will be required. Substantial capital expenditure still has to be met and in winter large stocks of raw materials have to be carried at prices which until recently have continued to rise, so that there has been a considerable drain on the group's cash resources since September 30th.

THE OUTLOOK

As a consequence of recent Government regulations, there will be a reduction in the price of future supplies of some of our raw materials. This will result in a fall in the sale prices of paper, which means that we may have to face some losses on our existing stocks, but it should ultimately lead to greater stability and to the mutual benefit of both papermakers and consumers.

For the first five months of the current financial year the group's profits have been satisfactory and, as a result of the cumulative benefits of continuing substantial capital expenditure, we can face the future with confidence, in the knowledge that our mills are well equipped to meet future competition.

I cannot stress too much that our present satisfactory position as regards financial resources and profit-earning capacity is due very largely to the conservative policy followed over a number of years. This has resulted in the group building up reserves now totalling £5 million, after capitalising £650,000 of reserves during the past year. Apart, however, from the accumulation of funds in this way it is the judicious use of them that counts and that is where our management comes in. It is their suggestions as to what should be spent on capital account and their supervision of the expenditure that has brought us up to our present satisfactory position.

The chairman concluded with a tribute to the managing director, management, staff and workpeople.

The report was adopted.

THE STEETLEY COMPANY

INCREASED GROUP TRADING SURPLUS

RESULT OF IMPROVED WORKS EFFICIENCY

DEMAND FOR HIGH-TEMPERATURE REFRACTORIES

MR N. M. PEECH ON THE OUTLOOK

The twenty-second annual general meeting of The Steetley Company Limited was held on March 31st at the Royal Victoria Hotel, Sheffield, Mr N. M. Peech, chairman of the company, presiding.

The acting secretary, Mr G. M. Norledge, read the notice convening the meeting and the auditors' report.

The following is the chairman's statement, which was circulated with the report and accounts for the year to December 31, 1951:—

In submitting the report of the year's operations, the board felt that those shareholders who have not long been members of the company would like to know more about dolomite and refractories and what Steetley does with these materials, so a more comprehensive report than usual has been prepared.

DOLOMITE

Dolomite is a magnesian limestone. The range of mountains known as The Dolomites in Europe are a familiar example of the rock formation. Dolomite from the Steetley Quarries at Worksop was used in the construction of the Houses of Parliament, York Minster and other well-known buildings.

At five strategically located quarries, Steetley extracts with large excavators, and conveys in diesel trucks, many thousands of tons of dolomite each week. The stone is crushed, graded and sold as raw material for seawater magnesia and stabilised dolomite productions, chemical uses and for neutralising explosive coal dust in collieries and for agricultural liming purposes. But the bulk of the production is burnt into a refractory product at very high temperatures in cupolas which resemble small blast furnaces.

REFRACTORIES

The word "refractories" is little known to the public mainly because such products are not advertised and sold across the shop counter but supplied in big tonnages to the heavy industries. Briefly they can be described as heat resisting materials and in one form or another are necessary for all industrial and domestic processes involving the application of heat. They range from the brickwork structure and hearths of a 250 ton steel furnace to the household firegrate. Their production is backed by substantial teams of research and technically trained management. Without refractories there could be no bridges nor battleships nor any other form of iron and steel; no glass and cement; no gas and electricity.

Steetley specialises in the production of high temperature refractories, in particular dolomite, magnesite and silica in granular and brick form. In the 1914-18 war, imports of magnesite were cut off with grave consequences to Steetley's long established customers. When the clouds of war again gathered in 1937, your company applied itself to the task of finding new domestic refractory raw materials. This was tackled, as a matter of great urgency, in two directions. First, a new process was initiated to stabilise the lime in dolomite so that bricks made therefrom not only had the essential refractory properties but also could be used after an indefinite period of storage. Second, another novel idea to produce magnesia from dolomite and seawater was explored. Despite many initial difficulties, the pioneering work and substantial expenditure proved worth while and by 1939 small commercial productions were being achieved.

INDEPENDENCE OF IMPORTED MATERIALS

The strategic value of these new domestic productions was quickly shown up in 1939 when magnesite was required not only for refractory brick and steel production but also as the raw material for magnesium metal and incendiary bombs. Stabilised dolomite and magnesite refractories now relieve this country wholly of the stranglehold held by the Austrians in prewar days whereby Britain's production of magnesite bricks was tied to the tonnage of imported magnesite from Austria and British export of bricks was not allowed.

Today the value of the refractories made in the United Kingdom from these domestic productions is £2 million per annum, and if Britain had to import and could obtain in these times the same tonnages, they would cost through higher prices another £1 million. Further, British exports now exceed £500,000 per annum, so that the total foreign exchange position has improved by £3½ million per annum.

It will thus be seen that the United Kingdom is well endowed with indigenous raw materials for refractories. Let me now refer to the individual activities of your company during the past year.

DIVISIONAL REPORTS

In the Dolomite Division, due to the lower steel production, outputs were a little lower but satisfactory results were obtained from the highly mechanised quarry and re-equipped processing works at Coxhoe (Co. Durham). Progress was made with the reconstruction of the Taffs Well (South Wales) Works and this should be completed in the current year. The agricultural limestone business is developing more slowly than anticipated mainly due to the abnormally wet weather in the spring and autumn which reduced liming operations.

In the Refractory Brick Division, at the Oughtibridge Works, benefit both in weight of production of silica bricks and efficiency was felt from recent capital expenditure. At the Steetley Brickworks, increased production of stabilised dolomite and other basic bricks yielded improved financial results.

In the Magnesia Division, mechanical teething troubles delayed full production of the extension to the Hartlepool Works of the Ministry of Materials for whom we act as managers. These, coupled with having to produce caustic magnesia for rearmament purposes and the rising home demand for dead-burnt magnesite, seriously upset the export programme.

THE HOLDING COMPANY

The Steetley Company Limited is now a holding company and all the works operations are carried on by wholly owned subsidiary companies.

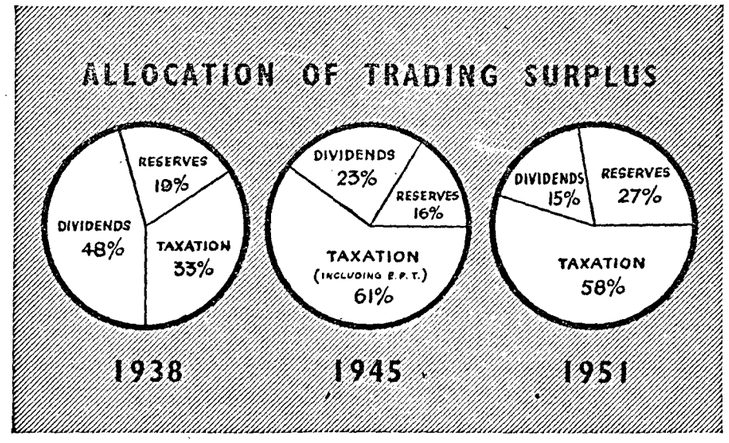
Since the close of the financial year, the issued share capital of the Cleveland Magnesite and Refractory Company Limited has been acquired in consideration of an issue to the vendors of 46,666 ordinary shares in The Steetley Company. The board are satisfied that this acquisition will prove to be a good investment. The identity of the company is being retained and its business will be expanded.

GROUP TRADING RESULTS

The group trading surplus amounted to £599,627, which compares with £508,563 last year. This improvement arises largely from greater works efficiency due to new machinery that has been installed in recent years. It is also a tribute to the enterprise, hard work and loyal support of everyone who works for the company.

From the trading surplus of £599,627, £133,110 has to be deducted because all machinery wears out and provisions for replacement in due course must be made. Owing to the inflationary rise in prices, this sum for depreciation of plant is not sufficient to buy the new plant and we have to draw on reserves to meet part of the cost. Where do these reserves come from?

The trading surplus after depreciation is



£466,517, to which is added income from investments £4,788 and after deducting fees of £5,817 paid to directors whose experience and advice are most valuable to Steetley, and taxation amounting to no less than £271,976, the balance or profit is £193,512. The dividend to the shareholders who put up the money to form and expand the business costs £70,285 on the issued capital at December 31, 1951, of £1,163,760. (The recommended dividend rate is the same as last year.) We are thus left with only £123,227 for reserves from a year's successful trading.

RESERVES

These reserves are essentially used to finance:

Increased prices of stocks of raw materials, coal, etc., and products in course of manufacture and the difference between the money that is due to us from customers and the bills we have to pay. These items are the working capital required to run a business and the increase in the last five years has been from £146,026 at December 31, 1946, to £600,761 at December 31, 1951, an amount of £454,735.

Expenditure on new machinery and buildings, etc., to bring our works operations up to the highest state of efficiency and to maintain our position in the fields in which we are interested. In the last five years this has amounted to £1,264,365.

Thus we have had to find a sum of £1,719,100 over five years and this is how it has been done:

The depreciation, which compares closely with that allowed by the Inland Revenue amounted to	£536,447
Reserves, which have been taxed, have had to be fully spent and amounted to	£441,328
Shareholders invested a further	£700,000
Investment of tax reserve	£41,325

ESSENTIALS FOR FUTURE PROGRESS

The board do not regret their action in risking the substantial capital expenditure that has been undertaken, but the figures bring out the following important points if industry is to remain progressive in future, and let no one forget that the future standard of living in this country still depends on healthy commercial enterprise:

(i) The depreciation allowed by the Inland Revenue is inadequate, based as it is on the original cost of machinery and not the replacement cost today.

(ii) Commercial taxation, which is our contribution to the National Exchequer, has taken the sum of £893,314 over the last five years.

TAXATION ENDANGERING PRODUCTION

In 1945 with Excess Profits Tax at 100 per cent, necessary while the country was at war, taxation took 61 per cent of the profit, and in 1951 after six years of peace, it took no less than 58 per cent of the profit and an unknown amount of Excess Profits Tax is still to be imposed. To buy our machinery, however, in 1951 costs almost twice as much as it did in 1945, so that the company, in common with the rest of industry, is now in a far worse relative financial position than at the end of five years of total war. It should be clear to any government that taxation at the current rates is endangering both the volume of production as well as the competitive power of industry in Great Britain.

(iii) Due to the inadequacy of the depreciation allowed by the Inland Revenue and high commercial taxation, the whole of the reserves resulting from five years' good trading have had to be put back into the business. The result has been that it was not possible throughout this long period to retain any reserves for a rainy day, recession in trade, or for embarking upon new industrial developments which are badly needed by this country.

IMPORTANCE OF DIVIDENDS

(iv) The profits of the company have been the very minimum essential to meet necessary expenses of maintaining the business, and mischievous statements about exorbitant business profits are quite unjustified.

(v) Dividends are essential to the raising of new capital. Suppose no dividend at all was to be paid, the prices of our products would be reduced by only 2½ per cent, but the business would die like a human being without food. The dividend rate, in fact, is only one-sixth more than the prewar established standard, yet wages have increased by one and a half times since 1939. There has indeed been no profiteering. The dividend record of a company taking industrial risks, and the risks we have taken are clearly great, must be sufficiently attractive to encourage subscribers for new capital in the face of other investments open to them. It was satisfactory and essential to the future development of Steetley, that in recent years shareholders were prepared to make a further investment of £700,000 in the company.

PROSPECTS

The capital expenditure that has been undertaken over the last five years is yielding beneficial results and with the re-equipmer of the Taffs Well Works completed befor the end of the current year, the Dolomit Division will be exceptionally well equippe with very high productions per man em ployed. The Refractory Brick Division i solidly based to a great extent on domesti raw materials but the small extent to whic it still relies on imported materials which ar difficult to obtain even at high and still risin prices, is not satisfactory. This may hav some effect upon the profits of this divisio in the current year and research to overcom the difficulty is proceeding. In the Magnesi Division, greater production for refractorie and magnesium should be obtained.

The rapidly rising costs of machinery i this country, coupled with tremendous indus trial taxation, demand that the closes scrutiny be applied to future capital expendi ture which will yield less in results than i has done in the past.

Overall, the demand for our product remains good and the current year should show satisfactory results.

The report and accounts were adopted; the proposed final dividend of 11 per cent, less tax, making 15 per cent, less tax, for the year, was approved; the retiring directors, Mr A. J. Peech and Mr E. J. Pode, were re-elected and the remuneration of the auditors, Messrs John Adamson, Son and Company, was fixed.

JAS. WILLIAMSON & SON, LIMITED

(Manufacturers of Linoleum, Felt Base, Leathercloth and Lancaster Cloth)

TURNOVER AGAIN A RECORD

LARGE EXPORT TRADE

THE EARL PEEL ON THE OUTLOOK

The annual general meeting of Jas. Williamson & Son, Limited, was held on April 3rd, at Lancaster, The Rt. Hon. The Earl Peel, the chairman, presiding.

The following is his statement, which had been circulated with the report and accounts for the year to December 24, 1951:

For the third year in succession I am pleased to be able to tell you that the turnover of your company reached a new record. In 1951 we sold £1 million more goods than in 1950, and once again despatches overseas exceeded those to the home market. There was an increase in our profit from £601,000 in 1950 to £817,000. We have a first-class industrial unit, upon the improvement of which we have spent £218,000 in 1951, and we have also a first-class team of managers and workpeople to whom I know you would wish me to express your thanks for their fine and untiring efforts during the past year.

If it were possible to consider such evidence of progress in isolation and to exclude those difficulties which continue to beset all industries in this country we should have every reason for satisfaction. By no means all of this increase of turnover, however, can be attributed to the volume of goods despatched. Part of it is due to continued inflation, a state of affairs which affects every aspect of our national life today, and it is open to question whether the proportion of what appears to be a satisfactory profit which we are allowed to retain in the business is, in the light of this inflation, sufficient to maintain and replace our plant and carry out necessary development.

PROFITS, INFLATION AND TAXATION

It is the fashion in certain quarters today to decry rising profits. This is somewhat curious, as the people who do so are precisely those who wish to have at their disposal unlimited financial resources with which to indulge their extravagant fancies. We have, in fact, been told by such people that Government expenditure cannot possibly be reduced. It is difficult to reconcile this statement with the wish for an all-round lowering of profits. Inflation has brought about a continuous fall in the value of the £ with a consequent increase in the cost of everything affecting industry; raw materials, buildings, plant and machinery, salaries and wages. As an illustration of this tendency our own stocks of raw materials and finished goods have risen in value by over £1 million. In these circumstances it is only natural that profits should also have gone up and, indeed, it would be very serious, if not disastrous, if they had not. Even so, the present crippling rate of taxation and the high cost of replacing existing equipment, and of making any additions and improvements, are leaving first one industry and then another with insufficient financial resources to carry on properly.

I suggest that those who criticise the so-called high profits should consider what must of necessity be retained in the business and, therefore, what a relatively small proportion is paid out as dividends to shareholders. Out of each £1 of profit, 11s. 11d. is taken in taxes, 3s. 1d. is required for replacement of plant at higher prices than the original costs on which depreciation has been allowed, 2s. 5d. is required to provide a reserve against falling stock values, and only 2s. 7d. is left to be paid out as a dividend to shareholders.

At the end of 1950 your company had an overdraft with its bankers of £495,000. In order to correct this position, to finance our capital expenditure programme and the continuous rise in costs, the company in March, 1951, made an offer to shareholders of £1 million 4 per cent debenture stock, which offer was heavily over-subscribed.

DIVIDEND 10 PER CENT

Out of the year's profits your directors recommend that £125,000 be placed to the plant replacement reserve (previously described as the development reserve), bringing the total to £475,000, and £100,000 to stock depreciation reserve. The former is a calculated provision indicating the amount required to meet the increasing cost of plant replacements. The setting up of a special reserve to meet a possible fall in stock values is a measure of prudence. You will see in the directors' report that a final dividend of 7½ per cent is recommended which, with the interim dividend of 2½ per cent already paid, makes a total for the year of 10 per cent.

It is difficult to make any forecast for the current year. Many industries throughout the country are suffering from a trade recession and we have not entirely escaped. There was a marked falling away in orders for some of our products during the last six months of the year. There are a variety of causes for such a recession and in our case we believe that not the least of them is the incidence of purchase tax, which prices some of our products out of the market in competition with other products which, if taxed at all, are taxed at a lower rate. Our products are used in every home and would, I am sure, still be preferred if they were permitted to compete on equal terms. We have a large export trade which has, for over 100 years, been built up on the foundation of a healthy home trade. The artificial and sometimes capricious interference with trade in this country by price restriction and taxation cannot fail to make export more difficult.

CHANGES ON THE BOARD

As many of you already know, there have been some changes in the board of your company. I decided that, as from January 1st, I would relinquish the position of managing director, as the many calls on my time were making it increasingly difficult for me to give that appointment the time which it demands. Your board unanimously agreed that Mr C. H. Martineau, who has been with the company since 1939, and who was appointed a director in charge of the commercial department in 1946, should be offered the position of managing director. I am pleased to say that he accepted this new responsibility. At the same time, Mr I. D. Taverner, whom I mentioned last year had been appointed works manager, was elected to the board and you will be asked to confirm this appointment.

Last year I was happy to tell you that Mr H. E. Sier, the deputy chairman of your board, had agreed to continue to serve the company if re-elected, despite the fact that he had reached the age limit. He was, in fact, duly re-elected, but now I am sorry to have to inform you that he feels he must retire from the board after the annual general meeting. I would like to thank Mr Sier personally—and I am sure you will wish to join with me—for the guidance and advice which he has given to us for so many years, and to wish him every comfort and enjoyment in the future. He began his connection with my grandfather, the late Lord Ashton, in 1907, and so in one capacity or another he has served the Williamson family and this company for 44 years.

The report and accounts were adopted; the retiring directors, The Earl Peel, Mr F. E. Winmill and Mr G. G. Parkinson, were re-elected; the appointment to the board of Mr I. D. Taverner, was confirmed, and the remuneration of the auditors, Messrs Viney, Price and Goodyear, was fixed.

BANK OF SCOTLAND

SATISFACTORY RESULTS

LORD ELPHINSTONE ON NEED FOR GREATER PRODUCTION

The annual general meeting of the proprietors of the Bank of Scotland was held on April 1 within the head office, Edinburgh. The Rt Honourable Lord Elphinstone, KT, governor of the bank, presided.

In submitting the directors' report, the chairman, said:

It is unfortunate that the various proposals and actions of recent years intended to combat inflation have not proved fully effective. The continuous erosion in the value of our money calls for stern measures. A policy of dearer money might, with advantage, have been introduced much earlier—indeed I ventured to suggest this last year when I addressed you. I think Mr Butler is to be complimented upon his courageous and forthright budget proposals. With the bank rate once more exercising its corrective influence, and its traditional function as a stabiliser and a deterrent to over-expansion, interest rates are more realistic and the position is now healthier.

Loans and advances have increased by £4,300,000 during the year. A not inconsiderable part of this is represented by our quota of the additional borrowings of the nationalised industries and public corporations. These carry a low rate of interest and the earning capacity of "advances" is thus less than is sometimes assumed.

CREDIT RESTRICTION

The policy of credit restriction enjoined upon the banks by the authorities presents us with many problems and frequently it is the cause of disappointment and embarrassment to credit-worthy borrowers. The basic consideration in our lending under present conditions is that it should pass the test of being for "essential" purposes and, while responding to all legitimate or "permissible" applications for assistance, we endeavour faithfully to interpret the spirit of the Treasury directives in dealing with all requests for accommodation. We continue to find, however, that many of these are for purposes which, but for the heavy burden of taxation, would normally be financed out of the borrowers' own resources. Under existing fiscal arrangements the accumulation of adequate reserves for necessary replacements and renewals is practically impossible, and adjustments which will more nearly relate depreciation allowances to replacement costs are urgently needed if our industries are to have any prospect of maintaining their position—or even of survival. Unfortunately the proposed new Excess Profits Levy, which is in addition to an adjusted profits tax, will intensify one of the most difficult problems of industry, namely, the creation of that new capital which is so badly needed.

Unfortunately, large sections of the general public are apparently still not fully alive to the real cause of most of our difficulties, and the complacency which I have previously deplored is still too much in evidence. The cry for increased production has been so often repeated that it has come to be regarded with suspicion, but that call should be resounded throughout the length and breadth of the land. If the production of coal and food and manufactured articles could only be stepped up by even a modest percentage there would in a very short time be an amazing improvement in the situation.

The changes in assessment to liability for income tax which are proposed by the Chancellor in his Budget will, it is hoped go some way towards providing the much-needed incentive to additional personal effort, while the higher rate of interest now ruling should encourage saving on the part of those with an income surplus. Savings are entitled to be rewarded with a "living wage."

Throughout the year there has been recurring evidence of the influence which a small minority of irresponsible people have on the thoughts and actions of their fellows. Restrictive practices encouraged by these disturbing elements are a serious menace, while unofficial strikes introduce a canker in the economy of the country. It is obvious, too, that under present conditions we cannot afford the luxury of a five-day week. It must be the constant endeavour of us all to exert ourselves to the utmost in order that our country may again be deserving of the universal respect that honest hard work and integrity won for us in the past.

I feel I must again state my view that if this country is to recover its former prosperity there must be a return to the high moral standards which in the past actuated the great majority of our people. A country-wide revival of these old qualities and virtues would make a wonderful difference to our conditions and prospects, and to our status among the nations.

RESULTS FOR THE YEAR

After allowing for taxation and after making provision for contingencies and all known bad and doubtful debts, the net profits are £290,320; adding the balance from last year, £191,979, there is available £482,299.

Out of this there has been transferred: To reserve for contingencies, £110,000; to trustees for staff pension fund, £30,000; and after payment of a dividend of 12 per cent for the year (less tax) taking £151,200, there is left to be carried forward £191,099.

I think you will agree that, in the circumstances, these results are satisfactory.

The report and accounts were adopted.

ILLINGWORTH MORRIS & COMPANY LIMITED

The thirty-second ordinary general meeting of the company was held at the Midland Hotel, Bradford, on Monday, March 31st. The Rt Hon Lord Wilmot of Selmeston, PC, JP (chairman), presided.

In his statement to the stockholders, Sir Donald Horsfall, the retiring Chairman, described the year October, 1950, to September, 1951, as the most eventful in the history of the wool textile industry and the six months from April to September as probably the most alarming period the wool market had ever experienced.

Regarding the future, he said: It is my plain duty to utter a very definite word of caution. No optimist, even in his wildest dreams, could ever have expected the boom-like conditions in our industry during the five or six postwar years to have been maintained indefinitely. And just as the industry returns to more normal conditions so must more normal results be expected.

The future consumer demand is almost as indiscernible as the trend of prices. From all reports, however, one point is clear—the results of the panic buying on the part of the public nearly a year ago will have to resolve themselves before the demand returns to its normal quantity, but once that occurs I still have a great faith in the future demand for high-class worsted goods throughout the world, and I believe that this demand will tend in future years to increase rather than decrease.

The directors' report and accounts and dividend recommendations were approved, and the Rt Hon Lord Wilmot of Selmeston, PC, JP, Mr Mark Ostrer and Mr M. T. R. Hall were re-elected directors.

FORD MOTOR COMPANY LIMITED

YEAR OF ACHIEVEMENT IN SPITE OF DIFFICULTIES

DEMAND FOR PRODUCTS AGAIN EXCEEDS SUPPLY

CONTRIBUTION TO FARMING MECHANISATION

SIR ROWLAND SMITH ON IMMEDIATE PROBLEMS

The twenty-third annual general meeting of Ford Motor Company Limited will be held on April 25th at Grosvenor House, Park Lane, London, W.

The following is the statement by the chairman, Sir Rowland Smith, MIMechE, which has been circulated with the report and accounts:—

In the face of increasing difficulties 1951 was, nevertheless, a year of successful achievement.

Demand for our products again exceeded our ability to supply under conditions of increased material shortage. In spite of this, during the year 171,000 cars, trucks and tractors were produced, of which 125,000 were exported.

During the year costs increased substantially, particularly on imported material. There was also a general upward movement in salaries and wages, and in October our rates were liberally increased.

The maximum effect of material shortages which we had anticipated would occur during 1951 has not been felt until this year. Further, by reasons of delays in delivery of machine tools, the introductory date of the new tractor was postponed until the end of 1951. As a result, the higher costs associated with initial production were not felt during the year.

EXPORT TRADE

Compared with 1950, our total income increased in value by just over 5 per cent to £68 million despite the slight decline in volume. About 80 per cent of cars and tractors, and more than 55 per cent of commercial vehicles, were exported in the year, and the more recent severe reductions in the industry of annual domestic quotas (to 60,000 each for cars and commercial vehicles) will emphasise strongly the industry's increasing dependence upon the export market.

Australia again bought most of our own products, followed in order of importance by Ireland, South Africa, Canada and New Zealand, the latter greatly aided by the abolition of import licences.

However, in recent weeks in Australia severe import restrictions have been imposed to redress their adverse trade balance. We are assured that these restrictions will be removed as soon as practicable, but in the meantime the effect has been to restrict considerably our business in this our largest export market. It only serves to emphasise the difficulties under which we operate today and the importance of distributing our up to date and low cost products as widely as possible through the world-wide Ford sales and service organisation.

Our exports to North America were lower, mainly because of tighter credit restrictions there, but realised over $12 million.

Strong competition was again encountered from continental manufacturers, chiefly in Europe and South America.

Assembly of our products abroad has developed to a point where more than half the units exported now go for completion to 14 of the Ford plants throughout the world.

SUCCESS OF THE NEW TRACTOR

In the agricultural field the outstanding event was the advent of the new Fordson Major tractor, unique in that three alternative engines are offered—for diesel, petrol or paraffin. Many of the components are basically the same with a saving in cost and consequent low price, particularly of the diesel unit. This tractor, together with its range of new implements, has been enthusiastically received at home and abroad, and we are confident that it will enhance the high reputation of its predecessors.

The sales of the old Fordson Major tractor were well maintained until production ceased in December, export sales being almost 90 per cent of the previous record year. Nearly 5,000 were shipped to the Turkish Government as part of an intensive drive for agricultural development in that country.

We have received Government contracts for a substantial number of general service vehicles for defence purposes.

No record of our operations would be complete without reference to the servicing of our vehicles at home and abroad, on which we place great importance. At home the number of ageing Ford cars and trucks on the roads and the army of Fordsons in our fields bring demands for service and for reconditioned engines and parts which are met to the limit of our ability under the supply conditions today. Abroad, the sales of the past few years have brought in their wake a steeply increasing service demand.

THE ACCOUNTS

Turning to the accounts, a profit of 13.1 per cent (compared with 12.1 per cent in 1950) on sales yielded £8,907,848: of this, taxation takes 57.6 per cent, reserves 33.7 per cent, and 8.7 per cent goes to our stockholders.

This profit is determined after setting aside depreciation, conventionally based upon the original cost of our assets, which produces at the end of the life of each asset a provision equal to original cost. Were equipment costs static during the period, replacement could be afforded and the business continue unimpaired. Since the bulk of our assets were purchased, costs have more than doubled; therefore, if we are to continue operations on the same scale from our own resources, it is necessary to set aside, out of already taxed profits, further substantial amounts to cover the excess cost of replacement.

During the year a comprehensive study has been made to determine our position, and a further £2,750,000 has been set aside this year towards the £14,641,000 which we estimate as being the proportion, related to expired life, of the eventual excess replacement cost of our fixed assets at present price levels. An important by-product of our study has been the reassessment of our depreciation rates, and the revised rates have been applied since the beginning of 1951. From time to time we propose to make similar surveys to take stock of the position and to reassess the depreciation rates.

Our taxation laws, dating from the happy days of static prices, give allowances based only upon original asset cost. (This situation is unaffected by the palliative of initial allowances.) Unless tax allowances are based upon replacement cost values of assets, industry will progressively become less able to replace its assets from its own resources as it should.

This position is further aggravated by the introduction of the excess profits levy which may well impose a heavy burden on your company, and this would deplete still more the amount of profits which could be retained in the business.

MATERIAL SUPPLIES

Our immediate concern in the future is in respect of the adequacy of material supplies, the movement of costs, the maintenance and expansion of our export markets, and the prospect of supplying vehicles to the home market. All these factors are dependent upon the outcome of our threefold national economic battle—to direct resources to defence, to balance our external trade, and to defeat inflation.

The outstanding shortage is steel. While prospects have improved since the initial announcements under the new distribution scheme, there is no certainty that steel will be in sufficient supply to meet our export demand. As successful exporters, we hope to share in the additional imported USA steel later in the year and, indeed, to be enabled to make our full contribution towards closing the yawning gap in our country's trade balance.

The motor industry in 1938 exported £19 million worth of goods, or 4 per cent of the nation's total exports. Last year, the corresponding figures were £317 million and 12.3 per cent. In that period the industry has increased its exports (at 1938 prices) by more than 500 per cent, by far the greatest increase recorded by any one of our major exporting industries. It is, I believe, a principle accepted by all great generals that success should be exploited, and in this case I hope that our administrators will follow this axiom and give us the materials for the job, especially since exports from this company in the last six years have been £152 million, and our competitive position has been strengthened by the recent addition of two new cars and a tractor to our range.

It is to be hoped that, as a cushion for possible disruption in export markets, increased deliveries will be permitted in the home market; otherwise unemployment could arise.

It must be some consolation to motorists in this country that car taxation has now been placed on an overall flat-rate basis, in place of the previous inequitable dual system.

EXPANSION OF MECHANISED FARMING

We look forward to a long-term expansion of mechanised farming, particularly in the undeveloped areas where increased food production will help to raise the living standard, and as that standard rises, so will there be an increase in the general demand for goods. We shall contribute our new tractor and full implement range to this expansion.

When supplies are available in the home market we hope to meet the additional demands which will result from the drive to greater self-sufficiency in food production, as a means of reducing imports and balancing our trade.

Plans for capital expenditure amounting to some £14 million are envisaged during the next three years. Contracts totalling £3 million have already been entered into The programme includes a two-storey manufacturing building at Dagenham, with a floor area of 288,000 sq. ft., which is nearing completion, a new battery of coke ovens about to go into operation, replacing those erected 18 years ago, extensions to our power house equipment, improvements to our foundry, and further factory re-equipment.

We have now put into effect the pension scheme for hourly paid employees, to which I referred last year. A new contributory sick benefit fund is also in operation, which gives a man £3 a week for up to six months' absence through illness or accident.

Training schemes have been further developed to meet the wider needs of our employees; our service schools also have been well attended by representatives from Ford dealers and companies at home and abroad anxious to bring themselves up to date with our new products.

EXECUTIVE APPOINTMENTS

During the year the following executive promotions have been made:—

Mr J. L. Claridge—From Assistant Secretary to Secretary.

Mr A. Haselden—From General Works Manager to Director of Manufacture.

Mr J. M. A. Smith—From Secretary to Director of Finance and Administration.

Mr C. Thacker—From Managing Director's Executive Assistant to Director of Supply and Sales.

Mr Tom Williams, the former Minister of Agriculture, joined us in February of this year as adviser on all agricultural matters in which your company is interested.

You will have received with this statement a letter and notice of extraordinary general meeting concerning new company Articles of Association. These are brought up to date and into conformity with requirements of the new Companies Act, and current practice. They also incorporate certain other changes, as explained in the letter.

It is my privilege once again to express our grateful thanks to all members of our fine team who have given such loyal and strenuous service in the past year.

TRADE INDEMNITY COMPANY

SUBSTANTIAL PROGRESS CONTINUES

SIR JOHN MAKINS ON THE OUTLOOK

The thirty-fourth ordinary general meeting of Trade Indemnity Company, Limited, was held on April 3rd in London.

Mr A. E. Phelps (deputy chairman) presided in the absence of the chairman, Sir John Makins, through indisposition.

The following is an extract from the chairman's circulated statement: The 1949 underwriting account has been closed at the end of its third year with a favourable balance of £110,570, which has been transferred to profit and loss account.

The 1950 and 1951 underwriting accounts remain open and the balances of £175,518 and £85,268 respectively are carried forward. In regard to the 1950 account, it is unlikely that there is much in the way of additional premium income to come in the third year, but further claims are a possibility. Referring to the 1951 account, we expect to earn substantial additional premiums and, of course, there is plenty of time for claims. On the subject of claims I shall have more to say at a later date, but the state of both accounts can at this stage be considered satisfactory.

The profit and loss account shows that we made a net profit in 1951 of £61,713 after providing for taxation on profits credited in the account. To this must be added the balance of £172,534 brought forward from 1950, less £50,000 capitalised and applied in paying up 50,000 £1 shares issued to members in 1951. Against the total of £184,247 we have provided £7,043 for profits tax, less income-tax thereon, in respect of investment and other income for the two years ended December 31, 1950, with the result that our tax provisions now cover all ascertained profits of the company up to and including December 31, 1951. We have also written £50,000 off the value of our quoted investments to compensate for the heavy falls in Stock Exchange prices of which you will be aware.

This leaves an available balance of £127,204, out of which the directors recommend the payment of a dividend of 10 per cent, less tax, amounting to £15,750.

The carry-forward will then be £111,454, and I will anticipate the proceedings of the extraordinary general meeting, which has been called to follow the annual general meeting, by mentioning the proposal to increase the company's capital again this year to £350,000 by the creation of 50,000 fully paid £1 shares. If this proposal is agreed to, the balance brought forward in the 1952 profit and loss account will be £61,454.

AN IMPORTANT SERVICE

The substantial progress of your company continues and from some recent paragraphs in *The Economist* it appears that we are covering more than half the credit risks underwritten in the United Kingdom by the Export Credits Guarantee Department and ourselves. Of course, the total of one thousand million pounds of insured transactions given in *The Economist* is not large in comparison with the trade of this country as a whole, and there is room for much greater use of our facilities. Nevertheless, I think we can claim to be providing an important service for which in current conditions there is a growing demand.

I close these remarks on a note of caution and of faith. A year ago Mr Falloon referred to the rapid increase in the cost of basic materials used in industry and indicated that we were not unmindful of the danger which such a state of affairs presented. In certain directions the inevitable has happened. There has been a recession from high prices and this in combination with other factors has resulted in financial difficulties and actual insolvencies on a scale which, though still moderate, has been unknown for the last 12 years. The trend is unmistakable and we must expect it to show up in our claims figures in the next few years. We are not unprepared for this trend. We have enjoyed a long period of freedom from serious losses during which time we have built up our resources as far as the level of taxation has permitted. We are now in a strong position to help traders in limiting the effect of bad debts which cannot be avoided in the changed circumstances which we foresee. Furthermore, these circumstances will sharpen the edge of our propaganda and make it easier for us to cut through the remnants of opposition to the idea of insuring credit risks.

Credit insurance has been referred to as "a little known service provided by the insurance industry." I suggest that the description is out of date and, in any event, I am confident that future developments will lead to a much wider use of the facilities we offer.

The report and accounts were adopted.

ANGLO-MALAY RUBBER COMPANY, LIMITED

POSITION STRENGTHENED

The thirty-second annual general meeting of The Anglo-Malay Rubber Company, Limited, was held on March 28th in London.

Sir Eric Miller, the chairman, in the course of his speech, said: A year ago I referred to the profit then shown as being the highest the company had realised since 1920, and now, due to the higher prices fetched by our product in the year under review, the figures are better still.

Leaving out of account the small quantity of rubber purchased, the crop harvested on the company's estates totalled 2,240,000 lb some 50,000 lb short of the previous year's figures. This fall of only about 2 per cent reflects in the clearest way the loyalty and fortitude of our staff, for without their unrelaxed efforts in face of the strain and hazard which Malayan conditions continued to impose upon them, our crop would have been far smaller. Inclusive of all grades it was sold at an average price of nearly 3s. 7d. per pound (equivalent to 3s. 9d. per pound London landed), which was an improvement over the 1949-50 average of 1s. 6d.

But if income increased, so also did costs. The Malayan Government, which drastically increased the scale of export duty from January 1, 1951, took no less than 4¾d. for each pound of rubber exported.

RESULT OF YEAR'S WORKING

The proceeds from rubber sales plus interest on investments, etc., brought total profit before taxation to £219,416, which is reduced by taxation to £104,687. We are increasing our cultivation and replanting reserve to £80,000 (by a transfer from profit and loss account of £40,919, which sum includes the expenditure for the year on that account) and are placing a further £12,018 to special depreciation reserve (over and above a capital excess of £1,666) and a further £10,000 to general reserve. Having done that, we propose for your approval a final dividend of 12 per cent, less income tax, making 16 per cent for the year, against 12 per cent for 1949-50. If these transfers and proposals are agreed, we shall carry forward £45,715, compared with £37,307 brought in. Our financial condition has been substantially strengthened.

For the current year we are estimating for a crop of 2,400,000 lb. It is a figure well within the productive capacity of our estates, provided, of course, that Communist and terrorist activities are kept in check.

THE OUTLOOK

The immediate outlook is more subdued than it was a year ago, but the era of exceptional prosperity which we have enjoyed in the last year and a half was not an unmixed blessing. Some reaction in price was bound to come, but the rubber policy of the USA should have been less discriminatory against natural rubber, in view of its importance in the economy of South East Asia. Buying for shipment from the East after May 1st for manufacturers' actual requirements and to augment their depleted inventories is now in the hands of the trade. Some slight quantitative relaxation of controls over actual end use of natural rubber in the USA has just been announced, and we hope this may be the forerunner of further relaxation at an early date. The present GSA selling price of 48½ US cents for No. 1 sheet is, however, considerably higher than the current price in the open market, which should encourage manufacturers to place competitive orders with the trade for their future needs.

The report and accounts were adopted.

ASSOCIATED ELECTRICAL INDUSTRIES, LIMITED

RECORD ORDERS

The fifty-second annual general meeting of Associated Electrical Industries, Limited, was held on April 1st in London.

Sir George E. Bailey, CBE, MSc, MIMechE, MIEE (the chairman) said that the net profit for the year at £2,524,000 was slightly higher than that for the previous year. The dividend of 20 per cent recommended might appear to be a generous return, but it should be understood that stockholders had invested large sums in the business by way of retention of profits. The return was, in fact, a very modest one, being slightly less than 4½ per cent on the total cash invested. The very conservative dividend policy adopted by the board was due to the calls made on the company's financial resources by the heavy burden of taxation, the high cost of replacements, the increase in the value of work-in-progress and the necessity of providing the extensions required to meet the ever-expanding demand for their products.

BURDEN OF TAXATION

How great was the burden of taxation was evidenced from the fact that during the year the company had had to provide £5,400,000 for taxation. Against that the ordinary stockholders would receive £673,000 net for the year. As to the effect of the budget on the profits for 1952, it was estimated that if the profits were the same as in 1951 the levy would amount to around £350,000. To that extent, therefore, there would be less available for ploughing back into the business. The great strength of the company had been built up by ploughing back profits and they therefore hoped that the Chancellor would be able to avoid sacrificing industrial efficiency on the altar of taxation.

The group companies continued to secure a large volume of orders for export, up to their maximum manufacturing capacity. This year's order book showed a wide distribution of business throughout the world covering all the group's products.

However, to fulfil their heavy obligations still greater efforts were needed. With the value of orders in hand standing at the record figure of £135 million he hoped their employees would realise that given the raw materials they need have no anxiety with regard to employment and would redouble their efforts to reduce that load, particularly as the budget proposals would mean less taxation on enhanced earnings. The combined efforts of management and workpeople, however, would be unavailing if the necessary raw materials were not forthcoming.

FUTURE OUTLOOK

The demand for electricity continued to expand throughout the world and with it the demand for their products. The total value of orders received in 1951 was 30 per cent higher than in 1950. The consumption of electricity per head of population in Great Britain was, however, still only about half the comparable figure in the United States.

In the past the tendency had been for the consumption of electricity in this country to be doubled over 10-12 years. All the available evidence tended to show that that rate of expansion at least would continue for some time to come. That meant that if the group was to maintain its premier position in the industry, they must continue to expand their manufacturing facilities. Much had been done in that connection, but much still remained to be done.

The report was adopted.

REFUGE ASSURANCE COMPANY LIMITED

TOTAL INCOME EXCEEDS £20 MILLION

MR J. WILCOCK HOLGATE'S REVIEW

At the eighty-eighth annual general meeting, the chairman, Mr J. Wilcock Holgate, in the course of his remarks, said:

I am glad to report a gratifying increase in the amount of new business, coupled with success as regards the avoidance of any increase in expense ratios: the latter representing a real achievement in these days. On the other hand, we, in common with financial institutions generally, have had to face a degree of depreciation in the value of securities, not only serious in extent, but also very rapid in its growth. This is a matter beyond our control, but we have been able to cope with its ill-effects, another proof of the wisdom of the company in building up over the years substantial reserves to meet such emergencies.

In the ordinary branch, new sums assured were nearly £12,500,000, an increase of more than £2 million, whilst in the industrial branch, new sums assured amounted to over £14 million, an increase of nearly £1 million. We can record an increase of £640,000 in total premium income, which now totals some £16 million.

LIFE ASSURANCE AND SAVING

These figures are of particular significance in these days, when the need of the country is to save rather than spend. It is our function, by dint of personal approach to the individual, to help to secure this object. When one considers that after full allowance for direct taxes and the increased cost of living, wage earners in 1950 were one-third better off than before the war, there is ample scope for all agencies of saving to intensify their endeavours. It is in this connection that life assurance offices assume particular importance. They assist the public to set aside monies for the future and, in their investment of these monies, they canalise, as it were, these savings in directions of real value to the community. During the year we paid on the average £30,000 each working day in claims. A large proportion of this sum was in respect of policies which became claims by death. In this connection, our services were particularly appreciated in the early months of the year, when heavy mortality, consequent on the influenza epidemic, gave rise to a greatly increased number of death claims. This is, of course, precisely the kind of personal disaster with which only life assurance can deal.

EXPENSES

I am glad to report that we have been able, by careful management, to hold our expense ratios at their 1950 figures. Following negotiations between the company and the staff associations, material increases have been granted to members of the staff, the full effect of which will be felt from the beginning of 1952. No aspect of the management calls for more continuous and watchful consideration than this matter of expense. Our business is concerned with a multitude of transactions, the majority of very small amounts, the whole making up large totals. Each transaction necessarily involves some expense, however small, and, unless carefully watched, these small items may accumulate to such a figure as seriously to affect the success of our work.

INDUSTRIAL BRANCH

In the industrial branch, the policies valued were 8,586,614, assuring £166,886,003. The premium income was £8,982,971 and the life assurance fund £53,443,032. In the ordinary branch, the life assurances valued were 523,859 policies, assuring £127,054,697. The premium income was £6,898,622 and the life assurance fund £56,238,232. The surpluses, which include sums released by changes in the valuation bases, have been dealt with as follows:

In the industrial branch, £3 million has been transferred to investments reserve, and it is proposed to grant additional benefits to existing premium paying policies (with certain exceptions) where death or survivance of the endowment term occurs within the twelve months commencing March 20, 1952, of amounts varying from £2 8s. per cent of the sum assured upwards. Certain additional paid-up policies will also be granted on whole-life assurances.

ORDINARY BRANCH

In the ordinary branch, £800,000 has been transferred to investments reserve, and, having regard to the uncertain investment outlook, it has been decided to declare, in place of a general reversionary bonus, a bonus on participating policies which become claims by death or survivance before March 20, 1953, at the rate of £1 6s. per cent on the sum assured in respect of each year's premium due and paid in 1951. The company is enabled thereby to carry forward the very greatly increased sum of £1,402,397, which will be available towards meeting any contingency which may arise, or to be dealt with subsequently as your board may determine. Until further notice, an interim bonus at the same rate will be paid.

INVESTMENTS

I have already referred to the considerable depreciation in the value of our Stock Exchange securities, which we, in common with other financial institutions, have suffered. In view of this depreciation and the uncertain outlook, our total investments reserves have been increased to £3,700,000 in the ordinary branch and £7,575,000 in the industrial branch.

Although British Government securities have decreased by some £4,750,000, the aggregate amount of British Government and British Government guaranteed securities is still some £55 million, and represents about 44 per cent of the total assets. Our holdings of debentures have been increased, and substantial expansion has also taken place in ordinary stocks. These latter now amount to over £7,500,000. "Cash in Hand" at the end of the year had increased to some £2,750,000. The bulk of this sum has been placed on deposit awaiting more favourable opportunities for permanent investment.

The total amount advanced during the year under our house purchase scheme was £2,782,502. Our total investments by way of mortgages on property are now over £11,500,000.

TRIBUTE TO STAFF

The chairman concluded his remarks by expressing appreciation to the staff, both in the field and at chief office, for their contribution to the increase in new business and the efficient administration of the company's affairs. He referred to the cordial relations which continue to exist with the staff associations and said that he would be sorry indeed were the time ever to arrive when the free interchange of opinion between company and staff should be restricted.

He affirmed his confidence in the unique advantages of life assurance to the public, and his pride in the part played by the company in providing that service.

RYLANDS AND SONS, LIMITED

SIR EDWARD RHODES' STATEMENT

The annual general meeting of Rylands and Sons, Limited, was held on March 31st at 6, High Street, Manchester. Sir Edward Rhodes (chairman and managing director) presided.

The following is his statement which was circulated with the report and accounts:—

At the end of my statement issued with the accounts for 1950 I gave as my opinion that the coming year was likely to be a difficult one. In truth 1951 was not only difficult but tantalising and disappointing.

The first half went fairly well and left us with an increase in profit as compared with the same period in the previous year. In the second half a complete change came over the whole field of operations and the active buying in the home trade and from overseas ended, to be followed by extremely cautious and very restricted purchases. Retailers were cramped by the fear of a drop in prices and by a doubt of the future of the Utility scheme, and especially of Purchase Tax. This uneasiness spread to the general public, with the consequence that our customers' shelves filled and buying continued to shrink.

The restriction of credit by the banks was another adverse influence. Because of this, where there had been heavy over-buying in the earlier part of the year, especially in cotton and rayon piece-goods, some of the buyers have been compelled to sell their stocks at prices much below the cost price and even below replacing cost. This, in turn, has affected values of the usual stocks held by wholesalers in anticipation of the seasonal requirements of their customers and has needed to be dealt with in the preparation of our accounts.

HOME AND EXPORT TRADE

As I have said already, the first half of 1951 was quite satisfactory, but the second six months were disappointing owing to the reduction in turnover, which was 18 per cent less than in the same period of 1950. Demand is still on a meagre scale, and it is thought that the general resumption of buying may be delayed until after the Chancellor's Budget speech, and a decision has been made concerning the new plan to replace the Utility scheme and the incidence of Purchase Tax. On the complex Douglas Report my only comment at this point is that, if it be adopted, it will add greatly to the work and responsibilities, as well as to the operating expenses, of general wholesale houses such as ours. It will also be, in my opinion, a hindrance to the export trade, as was the Utility scheme. It is therefore to be hoped that the President of the Board of Trade will have this in mind when the Report comes up for discussion in the House.

The promise of the early part of the year was not fulfilled in the later months. Just as in the home trade, so also in our overseas markets active demand died out, no doubt for the same reasons as at home—the fear that lower prices were imminent and also because of the restriction by the banks of accommodation with which to finance stocks and imports and, in addition, the lack of import facilities. Governments overseas arrange these matters to suit their own financial convenience. Thus the supplies we bought in anticipation of the usual seasonal requirements are still awaiting a resumption of demand. Therefore, in view of these facts and with the knowledge we have of the present weak textile market here, we have brought these stocks intended for the overseas markets into the accounts on a conservative basis. No reasonable man will cavil at the Chancellor's determination to increase the export trade, and to increase it quickly. It is of vital importance that this should be done. If, however, it is to be accomplished, then the present financial restrictions in our principal markets will need to be lifted and more generous import licences granted. We hope it may be so.

I have therefore to report with regret that, under these adverse circumstances, our export trade has not been as successful as in former years, but we are keeping a sharp eye on it and shall miss no chance of bringing it back to full prosperity.

MILLS AND WORKS

The result of the year's work at our three establishments is that our net profit is higher than last year. Whereas at our Wigan mills we have for many months past had to refuse orders because of our extended delivery date, we can now turn out orders for yarns and cloth quickly. The heavy demand of the first half of the year is over; instead some of our customers are asking that their deliveries shall be delayed and are seeking accommodation in the length of their terms of payment. This state of affairs is widespread.

In spite of the general reduction of demand throughout the floor-covering trade, our allied company, Thomas Witter and Company, Limited, had another good year and again paid us a highly satisfactory dividend. With their fine establishments at Heapey, Appley Bridge and Chorley, Witter's are ready to cope with any demand for linoleums and for their well-known British Balatum felt base floor covering. We are looking forward with confidence to the continued prosperity of this company.

ACCOUNTS

In Rylands' balance sheet the first item to which I need draw your attention is the amount due from our subsidiary company, the Overseas Company, £637,085, which covers their day-to-day trading and the stock here and abroad.

Under current assets appear stocks at £1,320,132 against last year's £1,106,458. The market value of our investments has fallen sharply, especially Government gilt-edged securities. These are, however, fortunately all well spread dated securities, which, together with our holdings in British corporations and public boards, comprise 83½ per cent of our investments. Tax reserve certificates stand at £22,550 and balance at bankers and cash in hand £164,850.

On the liabilities side our capital still remains at £3 million. Capital reserve has been increased from £534,666 to £570,075 by the addition of a transfer of £2,795 from War Refund Account and a surplus of £32,614 on sale of property. This property was our mill at Swinton which, owing to serious subsidence caused by coal mining operations, we could no longer use as a cotton manufactory. It was bought by the Coal Board.

The general reserve still stands at £200,000. The contingency reserve will be increased by £60,000 to £870,000 and the profit and loss balance carried forward will be £99,627, against £92,471 brought in, if the recommendations of the Board are approved. Revenue reserves and surplus will then amount to £1,169,627 against last year's total of £1,102,471.

Grants amounting to £4,512 from the staff consideration fund were made during the year to 85 retired members of the staff.

Consolidated balance sheet: All I need mention about this consolidated balance sheet is the value of the stocks, which at £1,917,636 includes the stock of our subsidiary, the Overseas Company.

Consolidated Profit and Loss Account: Profit on trading is £294,151 against £460,173 last year. This reduction has been mainly brought about by the falling off of trade in the second half of the year, and the necessary depreciations of our stocks. The dividend from our allied company, Thomas Witter and Company, Limited, is £57,143. We have brought in a net amount of £26,000 accruing from previous years, bringing the total profit to £432,349 against £571,875 last year. The net profit is £166,906 which, together with the balance brought forward from January 19, 1951, of £92,471, makes a total available of £259,377 against last year's £334,471.

Turning to the other side of the consolidated profit and loss account, directors' emoluments are £26,855. United Kingdom profits tax for the current year is £91,500 and income tax £115,908, a total of £207,408. The net profit, as I said above, amounts to £166,906 against last year's figure of £243,836.

The directors recommend: (*a*) That for the half-year ended January 19, 1952, a dividend of 6 per cent per annum, less income tax on the preference stock shall be paid. (*b*) That for the year ended January 19, 1952, a participating dividend of one per cent, less income tax, on the preference stock shall be paid. (*c*) That the dividend for the year ended January 19, 1952, on the ordinary stock shall be six per cent, less income tax. (*d*) That £60,000 shall be transferred to the contingency reserve, increasing it to £870,000, and, finally, (*e*) That £99,627 shall be carried forward to the next account against £92,471 brought in.

PROSPECTS UNCERTAIN

I have already dealt with the state of affairs during the past year at home and overseas. What now concerns us is the present and the future. The present offers little encouragement: Trade at home and abroad is in the doldrums. About the future it would be futile to speculate. All one can truthfully say is that the prospect is dim. We are, however, ready for any demand, whether in spinning and manufacturing, or merchanting for the home and overseas markets, and shall not fail to take advantage of the first moves towards normal conditions.

I wish to offer my sincere and grateful thanks to my colleagues on the Board and to the heads of departments and their staffs for their constant and loyal support.

The report and accounts were adopted.

Mr Oswald Fardell, Mr David Courtney Wybrants and Mr Charles Joseph Franklin were re-elected directors; and the auditors, Messrs Cooper Brothers & Co., chartered accountants, re-appointed.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

THE NATIONAL MUTUAL LIFE ASSURANCE SOCIETY

NEW BUSINESS EXCEEDS £2 MILLION

Mr Kenneth A. E. Moore, FCA, presided on April 2nd at the one hundred and twenty-second annual general meeting of the National Mutual Life Assurance Society. In his speech to the members the chairman drew attention to the net new life assurances for 1951 which, for the first time in the Society's history, had exceeded £2 million, and to the continuing success of the Society's recently developed organisation for dealing with staff pensions schemes. The claims in the year had been light and in general the Society's mortality experience had not been more than about 65 per cent of the level expected by the mortality tables in current use.

Turning to the Society's investment policy Mr Moore told the members that owing to the shifting of emphasis during the year towards securities offering some protection against the serious depreciation which appeared likely, the Society had done better than the published Index, which showed that the price of 2½ per cent Consols fell by 13½ per cent and that other fixed interest stocks had suffered more or less correspondingly. The Society had been successful in limiting the depreciation of Stock Exchange investments to less than half that suffered by Consols and to no more than 3.8 per cent of the total assets. The chairman reminded the members that the Society was almost unique in the world of life assurance in showing the investments at market value in the annual balance sheet. He said: In the years when there is appreciation the gain is carried to the reserve fund and when depreciation is suffered it becomes a charge on that fund, which, on this occasion, and for that reason, is shown in the balance sheet as being reduced from £1 million to £581,000.

For the future the prospects of substantial new business are good and provided no new national crisis were to supervene the chairman said that the members could reasonably look forward to a favourable outcome of the biennial valuation and declaration of bonus due at the end of 1952.

THE BUDGET AND NATIONAL ECONOMY

The recent Budget and the rise in the Bank rate and other steps now in train offer some hope of a return to a sound economy, but the further increase in the burden of tax on industry to something over 60 per cent of its profits can only be regarded with misgiving, particularly as in an inflationary phase the profits chargeable to tax are arrived at before provision for the increased cost of replacements of plant and other fixed assets.

This debilitating taxation, coupled with the proposed diversion for export of plant and machinery badly needed for home industry are perhaps inescapable expedients for a limited period while our economy is undergoing drastic overhaul, but if perpetuated will amount to eating our seed wheat with all the consequences associated with that process.

But to return to our particular business. It is worth recalling that the work of this and other life offices is entirely in harmony with the needs of the moment, among which loom large the need for the State to spend less and the community to save more.

The work of the life offices is, in fact, one of the most important and effective branches of what is popularly known as "the savings movement." In this the life offices are performing a most useful and valuable service and our officials can go about their business encouraged by this fact.

The report was adopted.

EQUITY AND LAW LIFE ASSURANCE SOCIETY

SATISFACTORY NEW BUSINESS

STRONG POSITION

SIR RICHARD HOPKINS' SPEECH

The annual general meeting of Equity and Law Life Assurance Society was held on April 2nd at the Chartered Auctioneers' and Estate Agents' Institute, 29, Lincoln's Inn Fields, London.

The Rt. Hon. Sir Richard Hopkins, PC, GCB (the chairman), who presided, said:—Gentlemen,—I rise to move: "That the report and accounts for the year ended December 31, 1951, be received and adopted and entered on the minutes." These have been in your hands for several days and I assume may be taken as read. (Agreed.)

First, it is my very pleasant duty to welcome here today Mr Gerald Russell, of the firm of Charles Russell and Company, who joined the board on December 1, 1951. We are very glad that Mr Russell has agreed to join us, not only on account of his personal qualities, but also on account of the previous connection which his family has had with the society. Mr Russell's uncle, the Hon. Sir Charles Russell, Bt., KCVO, who was the founder of the firm of Charles Russell and Company, was a member of our board from 1899 until his death in 1928.

DEMAND FOR WITH-PROFIT CONTRACTS

I turn now to the report and accounts in your hands. Our new business continues to be satisfactory and, in particular, the trend shown by our new with-profit life assurance business is especially gratifying; for a number of years now this trend has been steadily upwards and indicates the growing appreciation of our with-profit contracts. This public preference is not surprising in view of our high rate of bonus—38s. and upwards—the strength of our actuarial valuation, and the strength of our general position disclosed by our annual report and accounts.

The surplus earned by a life office depends mainly on the interest earned, the mortality experienced, and the level of the expenses incurred. All these factors are, to a greater or lesser extent, under the control of the office concerned. We attach great importance to the interest earning power of our funds. An examination of the rate of interest since the end of the war shows a steady and satisfactory trend. The gross rate of interest has now risen to £3 6s. 6d. per cent and a detailed examination of our assets as at December 31st last indicates that this rate should be well maintained during the current year. Mortality is, of course, subject to quite wide variations beyond our control, but for many years now results from this factor, owing in some measure to care in underwriting in past years—which is still continuing—have been favourable.

GROWTH OF EXPENSES

In expenses of management, as you will see from the comparative figures in the revenue account, there has again been a substantial increase. The most important element in this item is salaries, and I am sure you will agree that the salaries of our staff must be maintained at a proper level relative to that of other similar institutions. The increase is largely due to the steady diminution in the value of the pound.

Let us hope that this decline will soon be arrested. We have recently heard the Budget proposals—the latest of a series of measures which the new Government deem requisite in the public sphere to rectify our trade balance and restore confidence in our economy. These measures include also the partial removal of some disincentives to private effort. It remains now for the community to play its part. If work and thrift have come in recent years to be thought a little outmoded, never was it more opportune to explode such heresies, for it is only by work and thrift that the country can now win through.

Turning to the balance sheet, there is only one item on which I wish to comment, namely, our wholly owned subsidiary, The Law Reversionary Interest Society, Limited. This old-established society, investing in reversions and life interests, was founded in 1853, and next year we celebrate its centenary. The Law Reversionary Interest Society forms a very important link between our own society and the legal profession, and if you observe the sums invested through this channel in the last few years you will see that it forms a very substantial investment outlet for our funds.

STOCK MARKET CONDITIONS

You will, perhaps, expect from me not indeed a review of stock market conditions during 1951, but some comment on the margins to which reference has been made in past years as existing between the values at which our assets appear in the balance sheet and their market values. A year ago I was able to tell you that an increase had occurred; I am even more pleased to be able to tell you today that, in spite of the very heavy fall in certain sections of the stock market during 1951, there was practically no change in the margin which existed at the end of the year as compared with that at the beginning, in fact, there was actually a slight increase.

Since the end of the year there has, of course, been a further substantial fall in markets, but as far as we can see our margin today is not dissimilar from that which existed at the end of 1949—the date of our last triennial valuation. That is an interesting comparison when one remembers that market values of long-dated fixed-interest securities have fallen by about 15 per cent since that date. You will realise the great importance of sustaining capital values during a period of rising interest rates—if successful this should result in a useful gain in income in the future.

THE OUTLOOK

That concludes my review of the present position of the society's affairs. Our new business is developing in the way we would wish, and you will observe that so far during this triennium our funds have increased by £3 million. Within wide limits we attempt to forecast and control both the rate and the nature of the expansion of our funds. Our asset position is strong; the actuarial basis on which we value our liabilities is searching—no office, as far as we know, uses a stronger basis. We look forward to placing before you at our next annual general meeting the results of the triennial valuation to be made at the end of the year. We, in fact, make a valuation for our own purposes every year and I am able to say that the surplus disclosed for the first two years of the triennium was undoubtedly sufficient to maintain the rate of bonus we are now granting to our with-profit policies.

Finally, I would draw your attention to our new rates of premium for non-profit life assurances. Hitherto our rates for such business have been entirely uncompetitive since we believe primarily in the advantages to all parties of with-profit life assurance. Our belief is unchanged, but we have recently revised our non-profit rates, with the result that for the shorter terms in particular they are now highly competitive.

TRIBUTE TO AGENTS AND STAFF

I cannot close without an expression of thanks to our agents for their loyal and continued support and to our staff for their good year's work. In the nature of things your directors' association is closest with the senior members of the staff, but it is obvious to your board from the way in which matters are placed before them that excellent work is done throughout the society at all levels, and on behalf of the directors I wish to take this opportunity of recording our most sincere thanks.

One final word to both our staff and our agents: if there is any validity in a remark I made earlier, this is indeed the time to put in some very solid work in the cause of thrift for the results of which we cater in a very attractive form.

The report and accounts were adopted.

BRITANNIC ASSURANCE COMPANY, LIMITED

£1,425,000 ALLOCATED TO POLICYHOLDERS

FUNDS OVER £74 MILLION

Mr J. A. Jefferson, FIA, presiding at the eighty-sixth annual general meeting, said:—

During 1951 the premium income in the life branches has well passed the tenth million milestone, and amounted to £10,335,000—an increase of £383,000 in the year. The total funds for the security of our policyholders at £74,891,000 rose by £4,346,000. The gross interest earned by the life funds amounted to £2,826,000, which was £265,000 more than in 1950. The premium income of the fire and accident branch increased by £48,000 to £562,000. The directors, therefore, are fully justified in saying there was good all-round progress made by the company in 1951.

We companies and societies, collectively known as "The Industrial Life Offices," have continued during the past year, through advertising and by other means, our policy of informing the public of our contribution to the promotion of thrift and the habit of regular saving through the home service which we provide. Today we are undoubtedly better understood and therefore more appreciated for our work than ever before. Our policyholders have always understood and respected the industrial assurance staffs throughout the country, and now those staffs are also recognised as worthy servants of the public by all who seek to understand our business. "Mutualisation" or some other form of interference still lurks in the background, but the industrial life offices are showing by their methods and results a continuing record of service, security, and fair dealing which no other system could equal, let alone surpass.

The ordinary branch premium income increased by £196,000 to £3,457,000 and there was an increase of £1,899,000 in the fund, which now amounts to £27,471,000. The net rate of interest rose from £3 2s. 5d. per cent to £3 3s. 6d. per cent, and the expense ratio from 11.91 per cent to 12.50 per cent. This rise in expenses is largely accounted for by the substantial increase in the new business procured. The new sums assured amounted to £8,414,000, compared with £7,031,000 in 1950. There was a gratifying increase in the average new life policy to just over £500 sum assured. Maturities were £1,077,000. Death claims rose by nearly £57,000 to £394,000, but were still within the expectation by the mortality table employed in the valuation.

Industrial branch premiums at £6,877,000 were up by £186,000 and the fund increased by £2,078,000 to £40,595,000. The net rate of interest at £3 14s. per cent showed a small increase over that for the previous year. Death claims were distinctly heavier at £1,732,000 and were up by £178,000. This rise was due to the influenza epidemic which started in the seaports of the north early in the year. Surely the way in which the Industrial Life offices quickly help to relieve the sudden and unexpected strains caused by these epidemics is a good example of the help we are to our policyholders at such times. Maturities also showed a substantial increase, being up by £116,000 to £1,690,000. The expense rate was somewhat higher than in the previous year, being 26.74 per cent compared with 25.72 per cent in 1950. Nevertheless, the rate is still moderate in a time of rising costs. Pure lapses continue to fall, although they have been low for a number of years. In every case where at least a year's premiums have been paid, the policy is dealt with under our automatic paid-up policy scheme and the policyholder receives either a paid up policy in proportion to the number of years' premiums paid, or a cash surrender value.

The valuation of our securities has this year had to be made against a background of rapidly declining security values and a changed governmental financial policy. Those of you who have followed my speeches over past years will remember my consistent opposition to the artificial "cheap money" policy. I cannot better express my views than in words I used at our annual meeting in March, 1947, when I said:—"Cheap money pushed to excess means valueless money. The credit of a nation is not to be measured solely by the rate of interest it has to pay on its internal loans, but in the final result by the productivity of its soil and hands and brains, and it is a fallacy to assume that a forcing down of interest rates can alone produce high productivity or prosperity."

I venture to suggest that now in 1952 you are at last seeing a return to what I would call a "healthy money" policy which will not only restore world confidence in sterling but will also restore our own sense of values which had become so sadly distorted by the strains and stresses of a wartime economy.

The effects of this changed atmosphere have been severe. In a short space of time we have seen a drop of anything from 10 per cent to 15 per cent in the Stock Exchange prices of the various classes of fixed interest securities. Applying these figures to our balance sheet will show you—particularly in relation to our £36,000,000 British Government or Government guaranteed securities—the magnitude of the depreciation which we have had to withstand. I make no complaint against something which I had expected, and I have no regrets, but only pride, at the millions of new money we provided for the Government during the war years—it was part of our national duty. We were, however, all through these years conscious of the dangers ahead, despite the song in a certain person's heart, and regularly we asked you to approve large appropriations of surplus to our investment reserve funds to buttress the company against the falls we foresaw. At December, 1938, against total assets of £32,272,000, we had investment reserves of £1,750,000—or 5.42 per cent. Since then we have sought your approval for appropriations of £3,550,000 to build up these reserves and now, against total assets of £76,260,000, we have reserves of £5,300,000—or 6.95 per cent. The position today shows how wise were these past appropriations; they have enabled us to more than cover all this depreciation without any abnormal transfers this year and without any weakening of our very strong actuarial valuation basis.

During 1951 there has been a growing demand for capital by industry, and I am glad that we have at last been able to assist in financing industry on terms which give a fair return to our policyholders. During the past few years much of this financing was done through the medium of fixed interest redeemable securities. Too much of this type of finance, with its obligation to redeem in a fairly short term of years, would not have been healthy for expanding industries in the long run, and I am glad to see our leading companies now financing their requirements by ordinary share issues. Whether the effect of the new Excess Profits Levy will reverse this trend remains to be seen. My own view is that ordinary shares of first-class companies still remain inherently sound. The policy of dividend restraint has been much criticised, but I take the view that the future will show it to have been a stabilising influence.

The annual valuation of the policy liabilities in each of the life branches was again made on the strong bases used in previous years, namely, by the net premium method at 2 per cent interest. The heavy falls in the values of Stock Exchange securities during 1951, to which I have already referred, mean that we shall have better opportunities for securing an improved yield on new investments, and therefore there should gradually emerge a bigger margin for profit.

In the ordinary branch the surplus was £1,103,117, inclusive of £276,516 brought forward. The directors have allocated £624,938 to with-profit policies which enables them to declare a reversionary bonus of £1 8s. per cent on the sum assured—the same rate as for 1950.

In the industrial branch the surplus was £2,161,876 inclusive of £670,549 brought forward. The directors have allocated £740,000 for bonuses to Britannic policies, which again enables them to improve the vested reversionary bonus scheme. The policies to which these bonuses have been added were all issued without any right to share in the profits.

New house purchase advances made during the year totalled 3,387 for just under £3½ million. These figures indicate the popularity of the scheme, and we are proud of the fact that since its inception as long ago as 1908 we have made 32,097 advances for a total sum of over £21 million.

It was with very great pleasure indeed that the directors were able, last September, to introduce a valuable extension to the company's non-contributory staff pension scheme in the form of widows' and orphans' pensions. Clearly no individual member of the staff could have stood the financial strain of providing such benefits, and naturally they add immediate heavy liabilities to the staff pension fund. We are therefore recommending a transfer to the pension fund of £200,000, which is £25,000 more than the amount transferred last year. Your thanks to the staff for producing such excellent results as these we have laid before you can be expressed in no better way than by your unanimous acceptance of this recommendation.

WESLEYAN AND GENERAL ASSURANCE SOCIETY

SUBSTANTIAL PROGRESS IN ALL DEPARTMENTS

The one hundred and eleventh annual general meeting was held on April 1, 1952, Mr A. H. Sayer, MC, JP, the society's chairman, in the chair.

The chairman, in moving the adoption of the reports, said:

In October last, our general manager (Mr D. R. Woodgate) was honoured by being elected to the position of deputy chairman of the Industrial Life Offices' Association.

The special concern of the association is the industrial life (home service) side of our business, and it has done, and is doing, everything possible to ensure that the business is conducted in the best interests of the policyholders and all connected with it. The term "industrial" life assurance is possibly misleading, or is, at best, uninformative. I much prefer the term "home service" life assurance, which does accurately describe what in fact happens, namely, that representatives of the society and other offices make regular calls every week or every month to collect premiums, to pay claims, and to give the greatest possible personal help to policyholders.

INVESTMENTS AND VALUATION OF LIABILITIES

From 1931, when the United Kingdom departed from the gold bullion standard, until 1945, with but a temporary pause during the few years immediately before the outbreak of war in 1939, interest rates steadily fell. After the war until the end of 1946 the tempo was quickened. The steady fall in rates of interest made it necessary to strengthen the basis upon which these calculations of actuarial reserves were made, and it will be found that, since 1931 until 1950, the story is one of ever-increasing additions to the strength of the actuarial reserves. At the same time, the society did not neglect to add to the general reserve and the investments reserve, which were built up to the large amounts of £150,000 and £1,400,000 respectively.

The peak of the Stock Exchange market in fixed interest securities was reached by the end of 1946. Since then there has been a rapid fall in prices. But the threat—and a serious one—that it would only be possible to invest premiums at 2½ per cent or 2¾ per cent or 2 per cent, or perhaps even lower than that, was removed, and the basis of the valuation of liabilities which was quite proper for earlier years began to lose touch with reality. Accordingly, this year the actuary has reverted to the basis which was last used in 1946, namely, a rate of interest of 2¾ per cent for the ordinary department and 3 per cent for the industrial department. Investment conditions are in fact very considerably better for the investor now than they were in 1946. One would have to go back to 1931 to find comparable conditions.

The change in the basis of valuation has set free very large amounts of the actuarial reserves against liabilities, and these amounts fall into surplus. This year the surplus in the ordinary department is £593,782 as compared with £289,498 for 1950; it includes £288,614 which has been released by the change in basis of valuation. In the industrial department the surplus is £1,377,693 as compared with £187,964 for 1950; it includes £1,172,863 which has been released by the change in basis of valuation.

The large sum of £1,614,000 has been added to investments reserves from the ordinary and industrial departments—a sum which, it will be noted, is £152,523 more than the total amount released by the changes in the basis of valuation of liabilities. The investments reserve now stands at the figure of £2,950,000 and, when the general reserve of £150,000 is added thereto, total reserves at £3,100,000 are just double what they were twelve months ago.

The gross rate of interest earned on the whole of the funds was £4 0s. 3d. per cent, being 5s. 4d. per cent more than last year, and the net rate of interest was £3 14s. 4d. per cent, being 4s. 10d. per cent more than last year.

The Society's house purchase plans proved almost embarrassingly popular last year. The Society's assets increased by £957,794 during the year, whereas mortgages on property within the United Kingdom, now standing at approximately £6,300,000, rose by £830,181, thus absorbing a large proportion of the money available for investment.

ORIENT STEAM NAVIGATION COMPANY

MR I. C. GEDDES ON RISING COSTS

The fifty-second annual general meeting of Orient Steam Navigation Company, Limited, was held on April 2nd in London.

Mr I. C. Geddes said that the working profit was £1,143,929, showing a decline of some £180,000 on the previous year. Voyage earnings had, generally, been maintained, but running expenses continued to rise.

He thought shareholders should receive more this year, but in view of the unpromising outlook it was unwise to increase the regular dividend of 5 per cent tax free. Instead the directors recommended a special distribution of 5 per cent out of profits made on realisation of investments and standing in investment reserve account which, as capital profits, were not subject to income tax.

Commenting on rising costs, Mr Geddes pointed out that the price of oil fuel had, in general, risen more steeply than any other commodity, even before the disturbance brought about by the Persian dispute. Increases in the past year had added about £502,000 to operating costs. In addition, increases in seafarers' wages amounted to over £200,000. As to earnings, passage rates had recently been increased but fares had to be maintained at a reasonable level. The new Australian currency restrictions might well reduce passenger traffic.

Ships could not benefit from the increased freight rates owing to the slow handling of cargo in Australian ports, and the decline in the export of frozen produce. The cut in Australian imports would reflect adversely on earnings, but easement in the demand for labour might have a compensatory effect.

The increases in building and operating costs, together with the demands of taxation, were creating a dangerous situation, and shipowners felt that to preserve our position as a leading maritime nation, the rules of taxation should be adjusted so as to allow proper and adequate depreciation before revenue was considered to be profit. The period chosen as a basis for the new excess profits levy was particularly unsuitable for the company, but its effect could not be forecast until the promised special provisions were studied.

Mr Geddes warmly thanked the staff ashore and afloat for their loyal service during the year, adding a special word of appreciation to all those in the Services and in civilian life who had untiringly maintained the flow of traffic through the Suez Canal during the recent disturbances in Egypt.

The report was adopted.

LAW LAND COMPANY, LIMITED

INCREASED GROSS REVENUE

The sixty-ninth annual general meeting of Law Land Company, Limited, was held on April 2nd in London.

Mr M. E. F. Crealock (chairman and general manager), in the course of his speech, said:—On this occasion—our sixty-ninth annual general meeting—it is very pleasant to be able again to report to you a welcome increase in our gross revenue. The increase is not as great as last year (1950), which is in accordance with my forecast. We have completed many re-lettings during the past five years at moderate increases and there are now fewer tenancies to be revised each year, and those that do come up for revision are more recent and short tenancies which have already produced an increased revenue, so that there is little reason to anticipate any considerable rise in our income for some time to come.

LEASEHOLDS REDEMPTION ACCOUNT

Leaseholds redemption account has received out of the year's revenue a sum of £19,500, bringing the total of this account to £406,000. We have also out of the year's profits added £20,000 to the account for depreciation of flat properties, bringing the total to £100,000. At the end of the period under review there were only four flats unlet and negotiations with prospective tenants were proceeding. These four flats represented in rental value approximately one-half of 1 per cent of the company's properties. The office buildings were, and still are, fully let.

Mortgages and loans have decreased by approximately £27,000. Other liabilities have gone up by £23,000, which includes £5,500 for profits and income tax and £7,000 due to contractors for work done. On the assets side we have an increase in the amount due for war damage work of £6,000.

The balance available at the end of the year was £89,650. Out of this the dividend on the preference stock and an interim dividend on the ordinary stock have been paid, £19,554 has been added to the leaseholds redemption account, and £20,000 to the account for depreciation of flat properties. A sum of £50,096 is left for distribution and it is proposed to pay a balance dividend on the ordinary stock of 5 per cent and a bonus of 2 per cent as last year. If this is approved we shall carry forward £2,044 more than we brought in.

THE NORFOLK ESTATE

As I have mentioned in previous years, it has been very much in my plans for the future of the company to negotiate new leases or extension of existing leases from the Norfolk Estate. Some of these leases have a comparatively short time to run and it seems impossible to foresee an opportunity of rebuilding for some years. I should regard it as desirable to modernise some of the old buildings if leases or extensions could be negotiated at reasonable figures. But the Duke of Norfolk's advisers seem at present disinclined to quote or discuss terms. We shall, of course, continue to press for some indication of the policy which is likely to be followed, and if we are not able to obtain some more definite progress with the Norfolk Estate advisers we must consider seeking other properties in the neighbourhood of the Law Courts and the Strand.

Again I would like to thank all members of your staff for the way they carried out their duties during the past year. Without exception, the staff has been loyal and very hard working.

The report was adopted.

SISAL ESTATES LIMITED

(In Voluntary Liquidation)

BIRD AND COMPANY (AFRICA), LIMITED

STATEMENT BY THE CHAIRMAN

As I have not had an opportunity of addressing shareholders at an annual general meeting this year a statement from me on the general position to date may be of interest.

Last year I said that, subject to prudent provision to ensure the soundness of the business, we proposed to make as adequate a return as possible to shareholders, for only by such means could confidence be created in sisal enterprise; and that the importance of capital reorganisation was recognised. Sisal Estates Limited has since paid a 100 per cent dividend and on March 31, 1952, resolutions were passed providing for the liquidation of Sisal Estates Limited, the reorganisation of the capital structure of Bird and Company (Africa), Limited, a company incorporated over 30 years ago in East Africa, and the distribution of its shares to the shareholders of Sisal Estates Limited.

We have been specially indebted to the investment trust houses who over a long period of years, under uncertain and precarious conditions, gave our enterprise their support, and I am pleased to state that the repayment terms of the preference shares received understanding support from ordinary shareholders. I would take the opportunity of placing our present policy against the history of Bird and Company (Africa), Limited, over the last 30 years. Tropical enterprise in primary production is very different from business undertakings in the settled conditions of the United Kingdom, and different standards of incentive for the heavy risks involved are essential to success. In the past, the return on the capital invested in this enterprise was inadequate for the risk taken by the investing public. I am fortified to know that at last the tropical primary producer is coming into his own, and his economic importance more clearly and generously realised.

ACCOUNTS

The accounts of Bird and Company (Africa), Limited, for the year to June 30, 1951, show profits of £1,004,590 (£391,908 in 1949-50), from which £257,000 (£75,000 in 1949-50) is deducted for taxation, leaving a net profit for the year of £747,590, which, together with £378,918 brought forward, makes a total of £1,126,508. From the profit, sundry appropriations have been made amounting to £250,000 (£156,895 in 1949-50), made up of £130,000 for development and cultivation, £20,000 for staff fund, and £100,000 to general reserve. This leaves £876,508, from which £231,869 dividends are deductible, leaving a balance of £644,639 carried to the balance sheet.

Our current assets amounted at June 30, 1951, to £1,420,081 and included balances at banks and cash in hand of £1,164,974.

Since June 30, 1951, our output and scale of profits have continued to expand. We have repaid all balances of loans on account of estates purchased amounting to £354,845, and at December 31, 1951, our current assets amounted to £1,613,291, of which £1,413,969 was cash or short-term bills. That position has since been further strengthened.

PRODUCTION

Last year I estimated the 1950-51 production at 12,000 tons and we achieved 12,678 tons. For the coming year to June 30, 1952, I estimate 14,000 tons in spite of the torrential and unseasonal rains in the later part of 1951, which slowed down output, but which we are now steadily overtaking.

As a result of abnormal atmospheric conditions, we have also experienced some leaf blister, caused by the globules of rain on the leaves and in the atmosphere acting as lenses to the tropical sun's rays. A few areas looked as though a severe fire had passed through. This will cause in Tanganyika a fall in the production of higher grades, but we have ample leaf to maintain our estimates.

More serious factors in future production of sisal in East Africa are labour supply, and to a less degree internal transport and port facilities. These matters are receiving the attention of the authorities concerned.

The growth of Bird and Company business in terms of output may be seen from the following figures:—

	Average yearly Production
1920-30	3,240 tons
1930-40	5,476 „
1940-50	9,152 „
1950-52	13,000 „ estimated

Our planting programme provides for a steady increase of output up to 50 per cent in excess of the 1950-52 figure shown above. Our future production increase will be the key to our future prosperity.

The company is considering the development of tea production, and have acquired an area of suitable freehold forest land at 4,000 feet in the Usambaras overlooking our main estates. Heavy forest clearing is taking place and tea nurseries are being developed.

LABOUR AND STAFF

Increase in production is dependent upon increase in labour supply, and this may be the main limiting factor in the future to expanding production. I am glad to report, however, that the sisal industry is increasingly attracting labour, not only from all over Tanganyika, but from the adjacent countries. The increase in sisal prices has made it possible not only to increase wages, but to make up a great deal of leeway in housing and welfare of all kinds. Since 1941 we have spent about £400,000 in this way, mainly on capital housing construction and medical and other amenities. This has been a progressively annual figure. In 1941 £10,500 was spent, while last year's figure was £105,500, but that in my view is the peak.

Unfortunately, we are allowed for taxation purposes to depreciate this expenditure, as a charge against profits, only at the rate of 2 per cent annually, which is inadequate and a disincentive to progress in this direction.

Over the ten years from 1941-42 the cash wages of our field and factory workers rose by 295 per cent, and indirect expenditure charged to revenue in respect of amenities by 330 per cent. Most labourers complete their day's work, which traditionally starts at daybreak, between 9 and 11 a.m., and the average days worked are about 23 per month, or, in terms of an eight-hour day, 11 days per month. That is the tempo and tradition of tropical Africa, and the pace cannot, in my estimation, be forced. African economics are not to be judged by Western standards, and an increase in the wage rate generally results in a reduction in the hours worked, save for the gradually increasing margin of more skilled and responsible workers. The often-quoted solution of increasing consumer goods is in my view greatly overrated. In Tanganyika there has never been any unemployment problem and the number of Africans gainfully employed or seeking employment does not exceed about 400,000 out of a population of 7,500,000.

In the more skilled categories of African labour work is more sustained, and salaries range from £100 to £400 per annum, and in addition annual bonuses are received by an increasing number. Every encouragement has for years been given to training as mechanics, turners, welders, motor winders, electricians, dressers, field assistants, medical assistants, clerks, etc. I must say that the response is very encouraging. We also employ other skilled categories, in which the Sikh especially displays great technical skills.

Our major managerial positions are filled almost entirely by Europeans, but it is a remarkable fact that throughout the sisal industry of Tanganyika, whose exports last year were valued at over £24 million, or about 60 per cent of the total exports of the country, including gold, diamonds, minerals, etc., the number of Europeans is less than the present remnant which the Ground Nut Scheme is still carrying on its payroll. No wonder we are economic and they are not.

PRICE

I mentioned last year that owing to the established policy of forward sales we had not derived the full profit represented by the continued quoted rise in the sisal prices. On this question of sisal prices, I have read statements from various sources which are apt to be misleading, and I would like to make a comment.

Sisal, as you are aware, is not a seasonal crop but a continuous production. The established practice for years has been to sell ahead at least six months. Market quotations do not record the actual average price received by the producers. Generally speaking, they reflect special prices resulting from buyers who wish to cover current deficiencies or sellers who wish to offer sisal not already sold under long-term contracts. They therefore tend to represent marginal extremes only. For example, in mid-March, 1951, the price quoted on the London market for the December-February shipment of BEA sisal No. 1 was £243-248 per ton. The average import price, however, i.e. c.i.f. UK port of delivery, at that time, was £165.59 per ton, whilst the f.o.b. price at East African port was £154.3 per ton. The average net f.o.b. price which we received for our sisal during the twelve months to June 30, 1951, was £133 per ton. I may add that the average f.o.b. price received per ton for 142,111 tons of sisal exported from Tanganyika for the year to the end of December, 1951, which is the latest date to which we have returns, was £167, and the average for the last quarter £180. The average price of the Tanganyika Sisal Marketing Association (Tasma), through which we market the bulk of our sisal, was slightly in excess of this figure, and on the sale returns from January to June, 1952, up to which month practically all our sisal is sold, the price and our output will be still higher.

THE SISAL OUTLOOK

The supply and demand of world hard fibre, which includes sisal and manila, is

gradually moving to equilibrium, and by the end of 1952 availabilities should about meet current requirements, apart from the building up of stocks which any well-balanced industry needs. Exchange factors will be important, for manila is a dollar, and sisal for the most part a sterling commodity. During 1951 the world requirements of hard fibres were:—

	Including Stockpile	Excluding Stockpile
	%	%
North America ...	52.4	47.8
Continent	24.0	26.6
United Kingdom ...	14.7	16.3
Commonwealth ...	3.7	4.0
Other	5.2	5.3

Sisal, it will be seen, is a multilateral commodity. Since the war East African producers have done their best to prevent speculation, and have everywhere steadily met consumer demand for future delivery. Consumer demand is mainly determined by world harvests, shipping expansion, etc., and is therefore inelastic and not greatly influenced by particular price levels. The strength of demand is reinforced by the absence of stocks at most points of consumption and distribution. Apart from the world volume of credit, the stock position will be an important influence. During the next two years prices may decline, but, in my opinion, any fall is unlikely to be appreciably below the average price received by growers during the last twelve months. A somewhat lower basis of value will, in my view, be a more healthy one for all concerned, so long as steady forward buying and selling is continued. So far as your own company is concerned, the steady rise in our future output should to some extent counteract the effect of a price fall.

DIRECTORS AND STAFF

In addition to the chairman and the two local working directors who are resident in Tanga, the board of Bird and Company (Africa), Limited, has been strengthened by the addition of Mr Richard Gray, who has just retired after many years as Superintendent of the East African Branches of the Standard Bank of South Africa Limited. Mr Gray, who resides in Nairobi, will be readily accessible for the business of the board. I welcome his financial experience and great knowledge of East Africa.

Directors resident in the United Kingdom are Col. C. E. Ponsonby, TD, DL; and Mr A. A. Lough, FCA. They provide an invaluable link. Mr Clyde Higgs has resigned, but I am glad that his advice, especially on animal husbandry, will still be available. The appointments of Mr Humphrey Slade and Major F. H. de V. Joyce, MC, as members of the board of Sisal Estates Limited now lapse. I value their personal friendship and their judgment on East African affairs. To my staff on the estates, at head office, and elsewhere I render my sincere thanks.

BEANS INDUSTRIES

EXCELLENT RESULTS

At the eighteenth annual general meeting of Beans Industries, Limited, held on March 28th at Tipton, Mr J. H. Bean, CBE (the chairman), who presided, said: The net profits, after all charges except taxation, amounted to £393,331, an increase of some £172,000 on the previous year. The charge for taxation absorbs £228,150, compared with £117,300. In spite of the heavy burden of taxation which the company has had to bear, you will, I am sure, agree that the results are excellent.

This taxation burden has now been increased by the imposition of the Excess Profits Levy recently announced by the Chancellor of the Exchequer, and in my opinion taxes of this nature are wrong in principle as they stifle efficiency.

Your board recommend a final ordinary dividend of 27½ per cent, less income tax, making 37½ per cent for the year.

A considerable expansion of production has again been achieved in all sections of our business. This is specially gratifying when it is realised that it was attained despite shortages of essential raw materials which in some instances have been on a day-to-day basis, and a constant source of anxiety. Despite increasing costs we were able in most cases to maintain our selling prices at existing levels until quite recently.

The orders on hand, production and sales for the present year are satisfactory when compared with the year under review. I am hopeful that when next I address you I shall be able to present another satisfactory report.

The report was adopted.

BEAUMONT PROPERTY TRUST, LIMITED

SATISFACTORY RESULTS

The eighteenth annual general meeting of this company, was held on April 2nd in London, Mr Cyril W. Black, JP, MP, CC, FRICS, FAI, the chairman, presiding.

The following is an extract from his statement which had been circulated with the report and accounts: The net profit for the year ended September 30, 1951, including dividends received from the three subsidiary companies, amounted to £55,864, after providing £63,299 for income tax and profits tax. Compared with the previous year, the net profit shows a decline of about £6,000, and the amount payable in respect of income tax and profits tax an increase of about £4,000. To the profit for the year there must be added the sum of £34,500 brought in from the previous year, making a total sum of £90,364 available for appropriation.

Dividends on our preference capital were paid on the due dates during the year, and, if your directors' recommendation regarding the final dividend on the ordinary capital is approved, the ordinary shareholders will receive a total of 7½ per cent, less income tax, for the year. The directors hope that, having regard to the many difficulties of the period, the results for the year will be regarded as satisfactory.

ALLOCATION OF INCOME

During the past year, every £ received by us in respect of rental income was appropriated approximately as follows:—

	£ s. d.
In payment of ground rents and interest on borrowed money (less interest received)	4 5
In payment of general and water rates	1 8
In providing various services for the tenants, including landlords' repairs, administrative charges, and bad debts	5 8
Depreciation on leasehold properties and furniture	9
In payment of income tax and profits tax	5 5
Distributed to shareholders in Preference and Ordinary dividends	2 1

It will thus be seen that out of every 20s. we collect in rents, 17s. 11d. is paid out in the form of outgoings of one kind and another, and only 2s. 1d. distributed to the owners of the properties.

Your directors continue to be satisfied with the soundness of your companies.

The report was adopted.

THE HALIFAX BUILDING SOCIETY

TOTAL ASSETS OVER £177 MILLION

MR ALGERNON DENHAM'S REVIEW

The ninety-ninth annual general meeting of members of The Halifax Building Society was held in Halifax on March 31, 1952. The President of the Society, Mr Algernon Denham, JP, in moving the adoption of the accounts, said:—

Our experience in 1951 has on the whole been favourable and we are gratified to be able to report a record increase in assets, an increased volume of mortgage business, a reasonable yet adequate surplus and what is most important, the retention in full measure of the confidence of the investing public.

The total assets as at January 31, 1952, amount to £177,211,675, an increase of £11,723,892 in the year and a record in the Society's history.

The Society has 237,552 borrowers, with a total debt of £138,758,960.

Investments in corporation loans amount to £19,922,981. Our remaining assets consist of tax reserve certificates £1,250,000, balances at bankers and cash in hand £5,317,751, and office premises £490,450.

The reserves and carry forward at January 31, 1952, amount to £9,766,809, an increase of £169,467.

COST OF SUBSIDISED HOUSES

The late Government devoted the major portion of their housing efforts to fostering and encouraging the erection of municipally owned houses to let on a subsidised basis. This, in our view, was a mistaken policy which unnecessarily created through subsidies, future liabilities for rates and taxes far in excess of what need have been the case. As an indication of the saving to the state and local authorities I would mention that although since 1945 there have been erected only 188,000 houses for private owners, for a similar number of municipally owned houses, there would have been a future liability for subsidy of £248 million under the old rate of £22 per house per annum.

Favouring, as we do, a reduction rather than an increase in national and municipal expenditure, we welcome the announcement by the new Housing Minister that home ownership without subsidy is to be encouraged and that local authorities may subject to certain stipulations, sell their house properties to individual tenants, thereby reducing the local and national indebtedness.

GRAPPLING WITH INFLATION

During the postwar years concern with regard to the continuing inflationary trend has been voiced at succeeding annual meetings, and I welcome the attempt now being made to grapple with our present difficulties. It is vital that both our own nationals and the peoples of the dollar and sterling areas should have their confidence in the £ restored and until this is done there will always be the danger around the corner of a breakdown in our economy.

I would with all the strength and sincerity at my command, impress upon our depositors and shareholders that the Treasury is waging a battle for the country's survival as a first-class nation, and I regret more than I can express that at the present time there are some shallow thinking people still ready to assert that a dearer money policy provides some unspecified advantage for financial institutions, at the expense of the community.

CABLE AND WIRELESS (HOLDING) LIMITED

REMARKABLE PROGRESS

The twenty-third annual general meeting of Cable and Wireless (Holding) Limited, was held on March 28th, in London.

Sir Edward Wilshaw, KCMG, DL, JP, LLD, FCIS (the governor), in the course of his speech, said:

The year under review shows remarkable progress. It is the best year so far that the company has experienced since the telegraph part of the business was nationalised.

The profits available to ordinary stockholders, before providing for taxation, have increased by £283,395, that is from £343,997 to £627,392, which is very nearly double.

This sum of £627,392 represents earnings of more than 12½ per cent on our ordinary capital of £5 million, whereas, you will remember, at the time of the reconstruction in 1950 we estimated that the earnings for this particular year would be not less than 8¼ per cent on that capital. The overall earnings of 12½ per cent this year have been achieved in spite of the fact that we have had to realise by sale investments to pay off £2,291,632 of the 3 per cent 3½-year unsecured loan stock.

REDUCTION OF EXPENSES

The administrative expenses have been reduced by nearly £30,000—a reduction of 25 per cent.

The market value of the portfolio of quoted investments compared with the book value shows an appreciation of £973,000 odd or 8.7 per cent, which is £720,000 more than the appreciation at the end of 1950.

The dividend and bonus, which you will be asked to pass later in the meeting, increase the total distribution for the year from 6 per cent to 8 per cent.

The carry forward is increased by £33,175 from £170,132 to £203,307 which more than covers a year's dividend at what I may call the basic rate of 6 per cent; in fact it very nearly covers a year's distribution at the rate of 8 per cent, as is being paid this year.

The capital and general reserves have been increased during the year by £133,000 odd and now amount, in the aggregate, to £2,266,152. If the profits carried forward are added to this figure there is a total sum of £2,469,459, which is only £30,541 short of 50 per cent of the company's ordinary capital. This figure, moreover, does not take into account any part of the appreciation in the value of the company's investments, which, as already stated, is some £973,000.

MAJORITY OF STOCKHOLDERS HOLD ONLY £200 OR LESS

It is interesting to note that we have 10,536 stockholders, 6,693 of whom do not hold more than £200 stock. We therefore have a special responsibility, which we fully recognise, to the small investor. I believe that well-managed investment trusts should be a great encouragement for savings and provide for those who are not experienced in investing a security with a wide cover which could not be obtained by other means. When I tell you that our portfolio consists of no less than 800 separate investments, exclusive of those held by our companies overseas, it will be realised what a wide spread of security the investor has by investing in such a company as this.

There is little more I need say on the company's activities except again to emphasise the fact that we do not visualise ourselves merely as a body collecting dividends from others and distributing them to stockholders, but as a body charged with the even more important duty of applying as great a part as possible of the company's funds to the best advantage for the development of industry and public works, both here and overseas; this is particularly so in South Africa and the Rhodesias, where four companies were formed in conjunction with our associates, The Globe Telegraph and Trust Company, Limited, and Cables Investment Trust, Limited.

To each officer and member of the staff I am sure you would wish to express your thanks for the loyal and untiring services, enthusiastically given, which have contributed in no small measure to the success which has been achieved.

These results in so short a time after capital reconstruction and distribution of capital arising from compensation and nationalisation are, I think you will agree, no mean achievement and must be highly satisfactory to those stockholders who decided to retain their interest in the company—they are also very gratifying to your court of directors.

EXCESS PROFITS LEVY

You will have noticed in the remarks which I have just made to you that there is no reference to the effect on the company of the Excess Profits Levy proposed by Mr Butler in his recent Budget. Until the publication of the Finance Bill it was impossible to ascertain the effect on your company of this levy. The Bill was only published yesterday and there has not been time to give more than preliminary consideration to it, but it is clear that as the Bill stands investment trusts are liable to the Excess Profits Levy.

When the White Paper was published after the introduction of the Budget, it was stated that assessments for the proposed Excess Profits Levy would be "computed in the same way as they are computed for profits tax purposes."

This was thought to mean that so far as investment income was concerned what is called "franked" income, i.e., dividends received from companies which had already been subject to Excess Profits Levy, would be exempted from assessment, as otherwise double taxation would arise.

Clause 1 of the Eighth Schedule of the Finance Bill which has now been published expressly stated, however, that the exemption given to "franked" income for the profits tax purposes shall not apply for the new levy, and the Chancellor would therefore seem to be deliberately imposing double taxation on part of our investment income, in spite of the fact that for some years past by negotiating numerous conventions with foreign countries it has been the policy of his department to remove this injustice where possible.

It is very much to be hoped that suitable amendments will be proposed during the passage of the Bill.

There are in our case other complications arising out of the peculiar position in which your company was placed in the three standard years—1947, 1948 and 1949 whilst awaiting compensation for its nationalised assets—and also as a result of the capital reconstruction scheme which took place in 1950.

The Bill will shortly be debated in the House of Commons and there is still time for amendments to be made in it. You may rest assured that your directors will take every step possible to protect your interests and will point out the special position of the company as it stands under the present Bill.

The report was adopted.

BIRMINGHAM AND DISTRICT INVESTMENT TRUST, LIMITED

MR H. C. DRAYTON ON THE OUTLOOK

The sixty-eighth annual general meeting of this company was held on March 25th in London.

Mr H. C. Drayton, chairman and managing director, in the course of his speech said: Our gross revenue for the year under review was £507,837, against £556,155 in the previous year, a decline of some £48,300. That decline is due to our receiving a smaller dividend from our associated companies. For the year under review we received £248,500 from those companies, as against £349,600 for the previous year, a decline of £101,100.

Those who read my speech last year will remember that I warned you that, owing to the increased petrol tax and increased wages, the income from our associated companies was liable to fluctuate. However, our general investments made up for a good deal of that loss of revenue, as they produced £254,000 in the year under review, as against £199,000 in the previous year, an increase of £55,100.

After deducting expenses, debenture interest, income tax and profits tax, we have a net amount available for distribution of £232,600. The preference dividend has already been paid and we recommend a dividend on the ordinary stock which, if you approve it, will leave £117,690 to add to our carry forward.

DIVIDEND MET BY GENERAL INVESTMENTS

An interesting point about our revenue account this year is that our income from general investments is more than sufficient to pay the dividend which you are receiving this year. In other words, if our associated companies had not produced any revenue at all, we should still have had sufficient—had we thought it wise—to pay you the dividend which you are going to receive. Further, if you look at the balance-sheet you will see that we have a large sum in cash uninvested. This sum, after deducting our creditors and the final dividend on the ordinary stock, amounts to approximately £520,000 and that sum up to the present is available for investment.

If you will turn to the investments, you will see that we have invested in general quoted investments £2,748,000 as against £2,644,000 last year and in unquoted investments £900,700 as against £913,800. The valuation shows that those quoted investments are worth £3,820,000 as against £3,534,000 last year, and the unquoted investments £1,059,000 as against £1,179,800.

THE CURRENT YEAR

As regards the current year, our investments are very widespread and we have no equity investments, with the exception of one in the textile industry. No doubt there will be some reductions in the dividends that we shall receive, but, on the other hand, we are of the opinion that we shall receive some increases. It may be that when we meet you next year we shall be able to show you the same revenue from our general investments though I do not think we shall show you an increase. When we come to our associated companies, it may be that there will be further decrease. Further than that I cannot go, but I do not think that you need have any worry as to maintenance of the dividend which we are paying you this year.

The report was adopted and the payment of a final dividend of 15 per cent on the ordinary stock, making 19 per cent, less tax for the year, was approved.

EBURITE CORRUGATED CONTAINERS, LIMITED

FURTHER EXPANSION OF BUSINESS

The annual general meeting of Eburite Corrugated Containers, Limited, will be held on April 24th in London.

The following is an extract from the circulated statement of the chairman, Mr J. F. Fielding:—

The year 1951 has again shown an increase and expansion of business over previous years, and the results of successful trading have been further applied in building up the financial strength of the company.

The net profit on trading for the year 1951, including dividends received from wholly owned subsidiaries, interest on investments, and after providing for all administration and other expenses and taxation on all profits earned to December 31, 1951, amounts to £277,781, as compared with £153,509 for the previous year. It is proposed to pay a final ordinary dividend at the rate of 1s. 9d. per share, less tax.

The consolidated balance sheet indicates a position of great strength.

INCREASED PROFITS

The increase in profits is due to an expansion of business. The results for the year include, for the first time, a full year's trading of Autolex, Limited, and its wholly owned subsidiary—Charles G. Donald and Company, Limited. These two companies have made satisfactory profits. Andrew Ritchie and Son, Limited, and Alfred Kent and Son, Limited, the other subsidiary companies, have again had a satisfactory year's trading and both have shown improved results during the year under review. It should be noted that, after making the appropriations already referred to, the carry forward in the consolidated profit and loss account is increased from £136,829 to £307,766, indicating the extent of the profits carried forward in the accounts of the four subsidiary companies.

Last year I made reference to the dividend policy of your directors as one of moderation and restraint, and I compared the year 1947, when dividends were voluntarily pegged, with the year 1950. In the year 1947 distributions equalled approximately 19½ per cent of the profit earned and 5½ per cent on the book value of assets employed. The figures for 1951 are approximately 9 per cent of the profit earned and just over 3½ per cent on the book value of the assets employed. As compared with 1950, the former figure is 5½ per cent lower and the latter 1 per cent lower, which again shows the continuation of this conservative policy.

NEW FACTORY AT MILNGAVIE

The new factory at Milngavie was formally opened on June 7, 1951, and full operations were commenced before that date. The addition of this factory to the group increases very considerably our productive capacity. The large extensions to the factories of Autolex, Limited, and Alfred Kent and Son, Limited, have now been completed, enabling these companies to increase their output materially. During August, 1951, Charles G. Donald and Company, Limited, moved to larger premises in Glasgow, and have also substantially increased their output for the year.

With regard to manufacturing costs, your directors believe that the very substantial rise in the cost of raw materials which has taken place during 1951 is coming to an end. Trading conditions may soon alter appreciably, but I feel confident that the strong position which has been built up over a number of years will stand us in good stead.

RUGBY PORTLAND CEMENT

ANOTHER RECORD YEAR

MR HALFORD REDDISH'S REVIEW

The following is an extract from the speech of the chairman and managing director, Mr Halford W. L. Reddish, to the forthcoming meeting of The Rugby Portland Cement Company Limited:—

We have another year of steady progress to report. All our works have again exceeded their previous best figures for production. Our total deliveries and our exports were again records, and our trading profit is a record for the sixth successive year.

The increased profit is entirely due to our expanding exports. The tonnage of cement sent abroad in 1951 was over 28 per cent up on 1950. It went to over 60 countries, and would have been substantially greater but for the troubles at the docks which affected our despatches for eleven out of the twelve months.

Although, as you will see from the accounts, our trading profit increased by some £76,000 to £541,356, or by £66,000 after depreciation, this increase was whittled down to a mere £14,000 by the big rise in the charge for taxation. Can any sane man, whatever his political outlook, really believe that British industry can continue to bear such an impossibly heavy burden?

In all the circumstances we have decided to recommend the same dividend, 1s. per share, less income tax, on the ordinary shares, together with the usual distribution of 3d. per share from capital reserves, which is of course not subject to income tax. The contribution made by each bag of cement sold in the home market to the total amount of the dividend on the ordinary shares is almost exactly one half-penny.

I know you will wish the congratulations of this meeting to go to all employed by the company on the continuing success of their team-work, which is so clearly reflected not only in the profit and loss account for 1951, but also in the financial strength shown by the balance sheet.

We hear a lot about the avoidable loss of working hours in this country today: but not in this company. Our percentage of such lost time in 1951 was .06—six hours in every 10,000—a pretty good record.

I apologise to no one for the increase in the profits, but I do express regret both to shareholders and employees that the heavy charge for taxation should prevent on this occasion an increase in the dividend.

DEVELOPMENTS ABROAD

We have made some calculations as to what it would cost us today if we had to build the whole of our plants and replace the remainder of our fixed assets at current prices. The total would be about £6,500,000. If we were to take this figure and then depreciate each asset for the number of years it has been in existence at a rate which would write it off over its useful life, there would be a surplus over book values of at least £1,500,000 at December 31, 1951. This would raise the net asset total to something over £4,300,000, which, after allowing for the preference shares, represents about 34s. for each ordinary share.

If we take the figure of £4,300,000 as the approximate amount of real capital now employed in the business, the net profit before taxation represents a return of 9.7 per cent thereon.

Towards the end of the year, following many months of technical investigation and of negotiations with the Trinidad Government, we registered a subsidiary company in Trinidad—Trinidad Cement Limited—to erect and operate a works in that colony. This is the subsidiary company referred to in the Consolidated Balance Sheet. It will have a capital (expressed in sterling) of £1,600,000—£1,150,000 in cumulative redeemable preference shares and £450,000 in ordinary shares.

A copy of the full speech may be obtained on application to the Secretary, Crown House, Rugby.

ERICSSON TELEPHONES

OVERSEAS TRADE MAINTAINED

The forty-ninth annual general meeting of Ericsson Telephones, Limited, was held on March 31st in London.

Sir Harold A. Wernher, GCVO, the chairman, in the course of his speech, said: At our last annual meeting I reported that export business had become more competitive and consequently there would be some recession in profits in the immediate future. I also anticipated there would be shortages of many raw materials, but despite these difficulties I expressed confidence that we would meet again this year with another satisfactory report. I think you will agree that the accounts fully justify that confidence; indeed, having regard to all circumstances, they are better than might have been expected. Total sales for the year were only slightly below those of 1950 and resulted in a trading profit of £1,009,101, compared with £1,188,223.

The telecommunication industry continues to make an important contribution to the country's export effort, and it is now just around £20 million per annum. Our own overseas trade has been well maintained.

Our time recorder, metal powders and specialised paints departments all increased their turnover during the year.

As to the current year's prospects, our order book is greater than at this time last year; to set against this there is the difficult raw material position, which I anticipate will not improve for some time. In spite of this and other factors, I feel justified in saying that we will meet next year with another satisfactory report.

The report and accounts were adopted.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22 Ryder Street, St. James's, London, S.W.1

UNIVERSITY OF BRISTOL
SENIOR AGRICULTURAL ECONOMIST

Applications are invited for the post of Senior Agricultural Economist in the Department of Economics (Bristol II Provincial Agricultural Economics Centre, Newton Abbot, Devon). An honours degree (or its equivalent) in Economics, Agricultural Economics or Agriculture is essential, together with some years of post-graduate experience in research problems in Agricultural Economics. Duties will include acting as Liaison Officer with the local N.A.A.S. Salary scale men—£880 x £30—£1,040, women—£780 x £30—£910. Application should be sent to the Registrar, The University, Bristol, 8 (from whom further particulars may be obtained), not later than May 17, 1952.

ASSISTANT COMMISSIONERS, NATIONAL SAVINGS COMMITTEE. The Civil Service Commissioners invite applications for approximately 10 pensionable posts.
Candidates must be at least 25 years of age on April 1, 1952, but candidates at least 21 and under 25 years of age on that date may be admitted if they have exceptionally suitable qualifications.
A University education and a knowledge of economics are desirable. Experience of public speaking, supervision of office procedure, and organisation of work with the public, will be an advantage.
Salary scale in London: £467 at age 25 and over on entry to a maximum of £933 (men); £445 at age 25 or over on entry to a maximum of £796 (women). Starting pay reduced by approximately £27 (men) and £22 (women) for each year of age below 25. The salary scale in the Provinces is somewhat lower. Prospects of promotion.
Particulars and application forms from Secretary, Civil Service Commission, Burlington Gardens, London, W.1, quoting No. 154/52; completed application forms must be returned by April 22, 1952.

AN American Company in the pharmaceutical field offers a most progressive position to an Organic Chemist or Chemical Engineer between the ages of 30 and 35 years who has already embarked upon a career in commercial production. The Company is in early stages of production in the United Kingdom. Candidates should have a first-class general educational background, should possess a good University degree in either Organic Chemistry or Chemical Engineering and should have had some years' practical experience. Adequate training for this progressive executive position will be given and it is most important that the successful candidate should have the enthusiasm and ability to make the rapid progress envisaged by this Company.—Applications, giving complete details of education and career to date, to Box 909.

APPOINTMENT will fall to be made about July/August of Secretary to Hotel Company with Head Office in London. Applicant should be not over 45 years of age, admitted Solicitor, with Company experience. Letters will be treated in strict confidence and should state age and give particulars of experience and present remuneration, to Box 927.

PRINT and packaging buyer (32) presently engaged leading food manufacturers, seeks change where sound wide experience all purchasing and allied functions coupled with keenness, industry and initiative required and appreciated.—Box 895.

WOMAN ECONOMIST (30), seeks interesting post where extensive knowledge foreign countries, editing, press relations, research and general conference work can be usefully employed. Educated London (B.Sc.Econ.), Paris (Sorbonne), New York (Columbia post-graduate) Fluent English, French, Spanish, German, Russian.—Box 923.

BUSINESS EXECUTIVE with world-wide experience, fluent French, German, Spanish, seeks position entailing business journeys abroad.—Box 919.

OLD-ESTABLISHED highly reputable Company, with selling agencies abroad, has spare capital and some factory space available. Would like to meet man or small Company in need of finance and space to manufacture some commodity in demand abroad, preferably in dollar countries. Raw material must be readily available. Recommendation by Solicitors or Accountants would be required. Strict confidence.—Box 916.

CLOTHES LOCKERS, suitable factories, canteens, hostels, etc., any size and quantity to special requirements. Best timber only used.—Birney's Products Co., Swan Works, Fishers Lane, London, W.4. Tel.: CHIswick 6946.

PORTUGUESE Evening Classes, all grades. Term begins April 23rd. Summer Vacation Course at Coimbra University, July 14th-August 23rd.—Details from Portuguese Language Committee, 4, Upper Berkeley Street, London, W.1.

ECONOMIC DIGEST (monthly) will keep you informed of many important items you are liable to miss in the modern avalanche of articles, reports, lectures, memoranda. Free specimen copy with pleasure: Economic Research Council 18, South Street, London W.1.

QUALIFIED STAFF AVAILABLE NOW
Accountants, Office Managers, Company Secretaries supplied immediately.
FINE'S EMPLOYMENT AGENCY
(HIGHER APPOINTMENTS SECTION)
95/99 PRAED STREET LONDON, W.2. AMB 3400 (30 LINES)
FINE'S FOR THE FINEST STAFF

GOOD FOOD

We specialise in catering for industrial canteens, offices, and luncheon clubs. Our organisation is not too large or unwieldy and we can give personal supervision to all our contracts. Write for testimonials from our clients; addresses given on application to:-
Harold Jayes & Son, Ltd.,
29, West Heath Court,
LONDON, N.W.11.
SPEedwell 2498 & 6754

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony

CAPITAL ISSUED AND FULLY PAID UP	$20,000,000
RESERVE FUNDS STERLING	£6,000,000
RESERVE LIABILITY OF MEMBERS	$20,000,000

Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M. Duncan Wallace, H. A. Mabey O.B.E.

BRANCHES

BURMA	CHINA (Con.)	INDIA	MALAYA (Con.)	N. BORNEO (Con.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore	SIAM
*Dairen	EUROPE	Osaka	(Orchard Road)	Bangkok
*Foochow	Hamburg	Tokyo	Sungei Patani	UNITED
*Hankow	Lyons	Yokohama	Teluk Anson	KINGDOM
*Harbin	HONG KONG	MALAYA	NORTH	London
*Moukden	Hong Kong	Cameron	BORNEO	U.S.A.
*Nanking	Kowloon	Highlands	Brunei Town	New York
*Peking	Mongkok	Ipoh	Jesselton	San Francisco

* Branches at present not operating.
BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

REFUGE ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 52-54, High Holborn, W.C.2.

APPLICATIONS are invited for an editor to have general working control under the Editor-in-Chief of an old-established, independent, non-socialist, weekly: male graduate with knowledge of economics or politics preferred; exceptional opportunity for an outstanding man; applications, three copies, to Box 926.

A GENERAL MANAGER, age forty years, experienced in all aspects of management, with an outstanding record of organisation and sales direction, seeks change of employment. Only responsible appointments offering opportunities of high advancement with substantial salary will be considered.—Box 918.

BUSINESS MAN with accountancy, secretarial and managerial experience, seeks executive, administrative or secretarial position. —Box 922.

BLAZING away into the brown seldom brings down a bird, and hit-or-miss advertising similarly wastes ammunition. Successful advertising concentrates its fire on a well-chosen target.—Consult SAMSON CLARK & CO. LTD., 57/61, Mortimer Street, London, W.1. MUSeum 5050.

SPANISH Evening Classes, all grades. Term begins April 21st. Also Vacation Course at Universidad Internacional, Santander, August 1st-31st.—Details from the Hispanic Council, 4, Upper Berkeley Street, W.1.

BERTOLA is the Cream of Sherries.—Ask for BERTOLA CREAM.

IMPACT OF REARMAMENT ON THE PEOPLE OF WESTERN EUROPE. This vital subject is dealt with comprehensively in the special double number of PUBLIC FINANCE devoted solely to this purpose. Published April. Subscription £2 p.a.—Write for details to London Representatives, 33, Dartmouth Park Ave., N.W.5.

OUR LADY OF FATIMA
Please accept Novena of Masses each month of 1952 for all Christians suffering persecution under Communism, for early liberation of enslaved Nations and for speedy salvation of Russia's rulers. —Pilgrim.

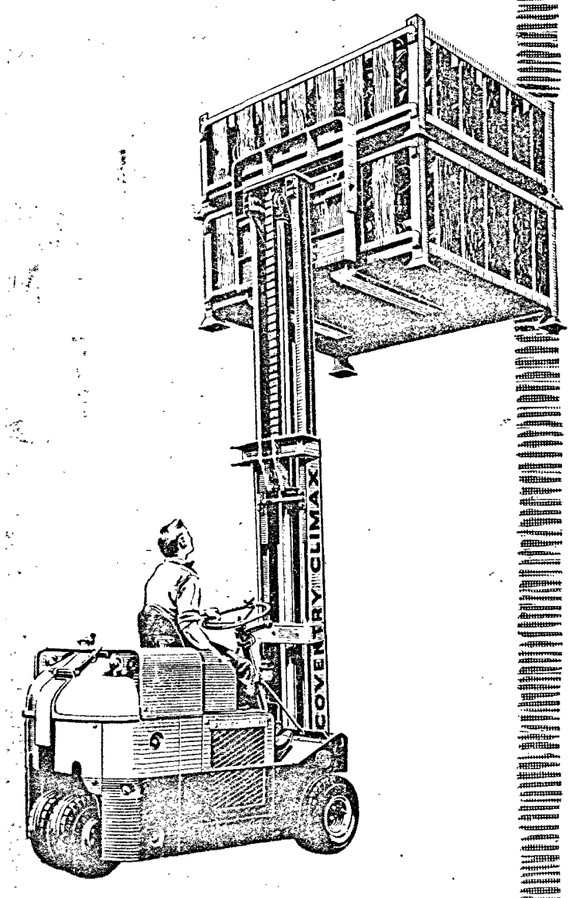
The Economists' Bookshop Ltd.
caters for specialists and students in
Economics and the Political and Social Sciences
11-12 Clement's Inn Passage, Aldwych, W.C.2

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc. Econ., LL.B., and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.
Also expert postal tuition for Prelim. Exams. and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.
More than 50,000 POST-WAR EXAM. SUCCESSES.
Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments
Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary.
METROPOLITAN COLLEGE
(G9/2), ST. ALBANS or call 30 Queen Victoria St., London, E.C.4

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d. — Saturday, April 5, 1952.

Carried unanimously



Some 50 Anglo-American Productivity Council Reports are unanimous in drawing attention to the importance of mechanical handling of materials.

To quote from one:

"We believe that substantial increases in production from existing plant and manpower in industry can be achieved by relatively little capital expenditure . . . . . by the current application of handling devices."

which echoes the statement of Mr. Cloud Wampler, President Carrier Corp., as quoted in "Factory," Oct. 1950:

"If I had just one choice as to technological improvements that could be adopted practically overnight to boost productivity, I'd take materials handling."

Pioneers of the small (diesel) fork lift truck—most versatile material handling machine available to industry.

Coventry Climax

COVENTRY CLIMAX ENGINES LTD. (DEPT. E) COVENTRY, ENGLAND.

SECRETARIAT LIBRARY 20 MAY 1952 MADRAS GOVERNMENT

The Economist

Established 1843

April 12, 1952 — One Shilling

LEADING ARTICLES

Sheep, Not Lambs - - - - - - 77
Vendetta in Downing Street - 79
The American Bases—I - - - 80
Genial Boss - - - - - - - - 82

NOTES OF THE WEEK - - - 84
Cairo and the Sudan; Ten Out of Ten for M. Pinay; Opposition by Delay; Parliament's Timetable; Defence for Textiles; Moscow Curtain-Raiser; Tanjong Malim; China Stiffens the Home Front; The County Elections; Labour Probes its Thoughts; Death Blow to Beveridge; Amnesty for Greek Rebels; Tangerine Troubles; Ireland's Austerity Budget; Army Reform by Night; Charity Goes where it was Willed.

LETTERS TO THE EDITOR - - 93

BOOKS AND PUBLICATIONS - 94

AMERICAN SURVEY
Democrats Without Truman - 99
Banking Leviathan - - - - 100
Steel Seizure; Dropping the Prober; A Calculated Risk; On the Inflation Front; General Eisenhower's Coat-Tails; Shorter Notes.

THE WORLD OVERSEAS
Ferment in Italy - - - - - - 106
General Principles; Germany Recreates Capital; A Code for the World Press; The Ukrainian Resistance.

THE BUSINESS WORLD
No Respite for Sterling - - - 115
Radio Industry and Defence - 118

BUSINESS NOTES - - - - - - 122
Amendments for EPL; Purchase Tax and Textiles; Textile Trade Prospects; A Rubber Grower's Lot; Fall in the Sterling Balances; Extra Blast Furnaces; Bigger Demands for Coke; Accountants and Rising Price Levels; Remedy for Tuberculosis?; New Shapes for Ships?; Metal Fatigue in Aircraft; Responsibility in the Mines; No Change in National Savings; Compensation at Snail's Pace; Precautions for Farm Chemicals; Shorter Notes.

COMPANY NOTES - - - - - 131

STATISTICAL SUMMARY - - 133

COMPANY MEETINGS - - - 134

Vol. CLXIII No. 5668
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Sheep, Not Lambs

A GOVERNMENT with a Parliamentary majority of a hundred would be disturbed by such a defeat as the Conservatives have suffered in the past week's county council elections. It is true that choosing county councillors is connected only indirectly with what people think of the nation's government at Westminster. But no amount of qualification can turn defeat into victory. For Ministers with a Parliamentary majority of only sixteen over Labour, it is acutely disturbing.

Three qualifications are important in an accurate interpretation of the defeat. First, the Conservatives had further to fall in the county elections than they have in Parliament. The previous councils reflected an outstanding Tory success in 1949. Labour was probably then in worse odour than it was on October 25, 1951, when the House of Commons was elected, and the Conservatives might, therefore, have lost some county council seats in the past week even if their support in the country was still quite as strong as it was at the general election. Secondly, all the efforts of the two big parties, and particularly of the Labour party, have still not made the county elections a pure reflection of national politics. Local issues retain some importance; even if they predominate in very few voters' minds, they may sometimes tip the balance and make waverers vote in local elections for the side they would still oppose at Westminster. And that is particularly likely to be true of dissatisfied Government supporters, who may be glad to register a harmless protest in the counties though they would not help Labour back to power at Westminster.

The third qualification is the most important. Labour has gained votes in the counties and the Conservatives have lost votes, but that is no evidence that many people have changed their minds. A party's success in local elections depends less on winning converts than on getting a good proportion of its known supporters to the polling booths. And the proportion is almost inevitably higher for the party that is in opposition at Westminster, the party that offers its supporters something to protest against, than for the government party. The change in the composition of the county councils reflects less the opinions of the British people than the fact that Labour was in power in 1949 and the Conservatives are in power now.

The county elections do not mean, therefore, that the verdict of last October has already been reversed. They do not prove that the Government has lost public confidence, that Labour could feel sure of winning a general election if one could be forced now. That is party propaganda, not statistical deduction. But the real significance of the results is great enough. When all the qualifications have been made, it remains true that the county elections could not have gone so badly for the Conservatives if there were not a real mood of dissatisfaction with the Government.

It is easy to see reasons why the Government was bound to lose favour with the public. Dearer food, higher fares, unemployment in

Lancashire and Yorkshire, import cuts and threats of greater austerity—all these things are little less disliked because they were in fact unavoidable when the new Government came into office last October. But the Conservatives will be unwise to shrug their shoulders and protest that it would all have been the same in any event. That is good logic but it is poor politics. The Conservatives can complain that Labour chose the right moment to get itself out of office; they can reasonably console themselves with the reflection that any Government is likely to be unpopular when it is coping with an economic crisis. But there are two other things also to be taken into account.

First, if ever there were discontents for which the government of the day should have managed to escape public blame, they are the discontents of the past six months. This is merely the other side of the proposition that higher fares, import cuts and the rest had become inevitable by last October. But it is the side that is hardly flattering to the Conservative party. It suggests a sharp failure in ministers' powers of political persuasion. If they cannot convince people that Labour is responsible for the hardships that immediately follow its six years in office, then there is nothing to come for which they can escape responsibility. At the best, political memories are short. From now on the weaknesses of the former government will be increasingly forgotten and any hardship or disappointment will produce proportionately more unpopularity for the Tories than has been reflected in the county council elections. If they have not escaped whipping in the past week, they must expect to endure flogging in the next twelve months.

The second consideration is no less disturbing for the Government. Not only is it allowing itself to be blamed for the consequences of the past, it has also so far failed to substitute any clear new policy for the old mistakes. The things that are making its supporters dissatisfied are not, for the most part, things that it has done. They are not the price of solvency, measures that will transform the British economy and within the possible lifetime of the Government remove the causes of dissatisfaction. The main charge against the Conservatives is what they have failed to do; they have disappointed the hopes of quick relief from austerity—hopes that much, though not all, of their election propaganda helped to create. The Tories baited the trap for themselves. They should be able to draw the plain conclusion now. They will not benefit themselves, even in the short run, by trying to meet criticism with further hopes of a miracle.

*

If ministers and their supporters in Parliament face these facts frankly, they cannot hesitate over the right course for themselves and for the country. They will not try to buy off criticism by rushing to relieve every cause of dissatisfaction. They will not try to arrest a growth in Labour's popularity by stealing more of their opponents' clothes and behaving themselves as a Labour Government might. Such a policy of concessions would perhaps be sensible if the Conservatives were losing popular favour because they had begun by embarking on a high Tory policy far to the Right of public opinion; it might be justified if they had undertaken a drastic economic policy that promised not merely to save these islands from insolvency but to do it with a margin in hand for contingencies. There are in fact no margins. In politics, the Tories have on balance tightened state controls over industry and have shown the greatest caution about disturbing the nationalised industries or any other creation of Socialism. In economics, they have taken the minimum of emergency measures that may stave off the immediate crisis—though the dollar deficit of $71 million in March was still perilously big and leaves the issue far from certain. They certainly have not as yet done much towards putting the British economy permanently on a sounder footing.

What, then, could concessions to popular feeling amount to? Should the Government seek to outdo the crudest of Socialist sentiments about soaking the rich by imposing a larger and yet more inequitable levy on "excess" profits? Should it put the draft Bills on steel and transport into pigeon holes? Should it restore the food subsidies—and drop the tax changes? Should it spend more on the health services than ever Mr Bevan did? Should it inflate money demand so that every man can, for a time, stick comfortably to the job he has? Should it slow down the defence programme still further? Should it squeeze industrial investment yet more tightly in order that consumption may increase? Should it go back on the credit policy that is in most industries the one strong weapon against further congestion of demand? Should it abandon as hopeless the programme to expand exports?

There are few of these things that the Government can think of doing at all. To combine even any two or three of them is entirely out of the question; it would invite swift and certain disaster for the country and incidentally for the Government. But if policy cannot be greatly softened, there cannot be even an immediate advantage in softening it at all. That would not sensibly reduce the present volume of dissatisfaction; on the contrary, it would encourage the Government's critics and confuse its supporters. If the Conservatives are unpopular after six months in office, nothing they can do will make them popular in the next two years. Minor concessions to shortsighted demands cannot offset the fact that all the time recollections of Labour's alternative mistakes will be growing fainter.

The lesson of the county council elections is therefore plain. At this stage, the Conservatives are bound to be unpopular. They should fully and honestly accept the fact. Their one hope of justifying the voters' trust in them last October is to set themselves to prove three years from now that they have given the British people new opportunities of wealth and better prospects of security. Since they have to be unpopular for the time being, it is political commonsense as well as national duty to concentrate on having something to show for it at the end. If they are to be hanged anyway, it may as well be for sheep as for lambs.

A government trying to prove that Tories are no longer Tories is defeating itself. If the British electorate decides again that it prefers Labour policies, it will vote Labour however much stealing of clothes has been done. The only type of success open to the Government is to show that there is a modern Tory policy which can in time get the country out of the frustrations of the past six years. The task of ministers is to do what they believe to be right and necessary for eventual safety and prosperity. As politicians frightened out of their own policies, they would invite slaughter; as courageous and competent statesmen, they may yet get the country's vote again.

Vendetta in Downing Street

DURING the last few weeks, British ministers have been scattering crumbs of comfort to their anxious audiences on the Continent of Europe. Mr Eden made an impressive statement to the Committee of Ministers of the Council of Europe which seemed to promise a new substance to the vague and over-worked concept of "close association" with European institutions. In another speech on April 3rd to the Foreign Press Association, the Foreign Secretary seemed at last to be subscribing to the solution that common sense has long demanded: "An inner European unity lying within a wider Atlantic unity, each interwoven with the other and each dependent on the other, is a prospect to which we can look forward with confidence." The previous weekend, Mr Butler had charmed and inspired his economic colleagues on the ministerial council of OEEC, leading them and the international press to believe that Britain was renewing its loyalty to the European, side by side with the Atlantic organisation. All this has sounded well and may have been meant well. But Europeans cannot so easily be flattered by fair words from Britain as once they could; they have learned to wait and see what action follows. And in the sphere of action, Britain is doing little at present to reassure its friends in Europe.

*

In the first place, there is the question of Britain's relationship to the proposed European Defence Community. The argument for the Schuman Plan is by now familiar; it is made up not so much of the merits of the Plan itself as of the dangers that will follow from its absence—dangers that were very clear a few weeks ago when recalcitrance in both the French and the German legislatures seemed to threaten its prospects. Then it was clearly seen that some sort of European army was a necessary means of holding the West European coalition together and in that moment of clarity British help in bringing it about was promised by ministers. But once the moment of crisis and clarity passed, the familiar sapping and mining started again at the official level. The desire of the French is to have an assurance that they will not be left alone in Western Europe with the Germans. As a minimum they ask for a British "guarantee" of the Schuman plan treaty. But they would be much better pleased by a British promise to provide some troops (by no means the whole of the British Army) for the European Defence Community, and to occupy a seat on the council of the community. And since British troops will in any event have to remain on the Continent for a long time to come, this would seem to the layman to be an easy concession to make. Towards a position of this kind, towards a definition in real terms of "close association" with the European Army, Mr Eden seemed to be moving in his speech to the Council of Ministers. But neither in that speech nor in subsequent discussions has he or his officials shown any signs of getting down to detail. The Foreign Office is picking away at the legal difficulties of defining a "guarantee" to the French, when if there was any warmth of feeling or elasticity of mind behind the promise of "closer association," they would have turned long ago to more active and positive means of giving the French what they want.

Another example of the same smallness of spirit can be seen in the question of the Organisation for European Economic Co-operation, whose future is now subject to one of the silliest compromises on record. To understand the story it is first necessary to know that for some time past the Foreign Office has had its knife into the OEEC. That this is so is a fact that one one connected with either body any longer troubles to deny. But if one asks the reasons, the only ones that can be discovered are almost inconceivably petty. They are compounded partly of the Foreign Office's dislike of anything European and partly of personal incompatibilities within the ranks of British officialdom.

The decision that the North Atlantic Treaty Organisation should have a full-fledged secretariat in Paris and that it should extend its activities into the general economic field would in any case call for some re-assessment of OEEC's work. Nato is now the British Government's favourite organisation, and its coming enlargement and translation to Paris were seized upon as an opportunity to give the *coup de grace* to OEEC, which was to be cut to ribbons. But the other nations concerned were insistent that some purely European body should continue to exist in the economic field. Clearly, the ideal solution was that OEEC should continue as, so to speak, Nato in special and restricted session, with some additional members, and that the same expert staff and the same national delegations should serve both. If that could not be done, the next best course was to define the ways in which, while remaining separate, they could assist each other. As it is, the decision has been reached to maintain two quite distinct international organisations, with separate staffs co-existing less than a mile apart, bumping and boring across each other's territory, with a waste of expertise and an expense of inefficiency. It would be wrong to suggest that British stubbornness was wholly responsible for this decision; there was opposition in other quarters to the right course of building a joint staff. But there can be little doubt that something much more sensible could have been achieved if the British had not been so determined that Nato should not be contaminated by any purely European economic organisation.

*

This squabble in itself is not very interesting to the public, which can never understand why officials get so worked up about the details of organisation. But it may go some way to explain to the puzzled British public—which knows only the benevolence of its intentions and the impeccable sentiments of Ministers' speeches—why British policy is now so widely distrusted in Western Europe. Most of the Europeans who have knowledge of international affairs, and almost all the Americans in Europe, believe that the British Foreign Office, for reasons of its own has sworn a vendetta against all forms of European co-operation. They do not trust the fair speeches of British ministers, because they think that any policy of "closer association" will be sabotaged in Downing Street. For a long time, the travelling Briton who heard these tales was inclined to pooh-pooh them, saying there must be some misunderstanding. Then as the evidence accumulated, it became the fashion to blame

the British attitude on to Socialist ministers' unwillingness to risk any disturbance to their precariously poised plans. But with the change of government, and with the spectacle of previously pro-European Conservatives suddenly singing a very different tune after they took office, one is compelled to admit that the Continentals are right. The Foreign Office has sworn a vendetta against Europe.

If one asks why, it is quite extraordinarily difficult for the outside observer to suggest a reason that begins to make sense. There was a time when it was necessary to resist attempts to push Britain into projects of European federation. But Europe's demands on Britain have radically changed in the last eighteen months. No one now asks Britain to surrender sovereignty to a federal institution, to hand over the main part of its army to the European defence community or to imperil its Commonwealth trade relations by any exclusive preoccupation in Europe. That battle was finally won at Strasbourg last summer. And since the point has been conceded, it is surely the obvious strategy to show how far Britain will go to help Europe once it is allowed to do so in its own way. Europe now asks that Britain shall name its own terms for the close co-operation and neighbourly helpfulness that it has always promised. But the Foreign Office fails to do so because it is dizzy with thinking itself the centre of "three concentric circles."

Yet if any concept is more foolish than "Britain imprisoned in Europe," it is "Britain excluded from Europe," which is likely to be the consequence of the present British tactic. Any plea for attention to the needs of Europe is, of course, likely to be misinterpreted in some quarters as a desire to turn the back on the North Atlantic conception and particularly on the Commonwealth. It is nothing of the kind. Even if the possibility of a European federation be totally excluded, even if Britain's relationships with the outer continents be given a clear priority, there still remain many topics on which it is to Britain's interest to co-operate as closely as it can with its continental neighbours. Defence is too obvious to be more than mentioned; but there are also several examples in the economic field. Recent events have shown how necessary it is to ensure that the liberalisation of European trade does not upset balances of payments; and that can only be done by the fullest readiness to discuss the impact of each country's economic policies on the others. The rationalisation of American aid to Europe is another case in point. The British pipe-dream that a special and preferential relationship can be built up between London and Washington has no reality whatever in questions of aid, where Congressional appropriations are needed, for Congress has made it clear that anything of the sort will simply be regarded as queue-jumping. For all these purposes a specifically European economic organisation is needed, and Britain should actively co-operate in it, instead of trying to kill it.

*

Nobody in this country relishes the task of criticising a department of state, as distinct from its political head. The task is doubly invidious when the object of attack is something as elusive as an attitude, a state of mind. Yet the dangers of the present position are so great that the conventions must be disregarded. The irony is that it is not only in Europe that there is distrust. If, of the three concentric circles, the European were being disregarded for the deliberate purpose of building up ever closer and more trustful relations with the United States or the Commonwealth, that would at least be a policy. But it is not so; the opinion of the conduct of British foreign affairs that is held in Washington, in Ottawa and in Canberra is no higher than in Paris, Rome or Brussels. British policy, as seen through other countries' eyes, is not extra-European or imperial or oceanic but isolationist. When the pressure of the Communist menace, which is now forcing the free nations to get along with each other, are relaxed there is a risk that Britain will fall between its concentric circles and find itself without a real ally in the world.

This is a danger to which the Foreign Secretary and the Prime Minister should direct their attention. They will find the key to the problem in Downing Street. But they may need a psychologist to help them find it.

The American Bases—I.

Training Grounds and Fighters

FEW things have attracted more glancing references and less serious discussion than the presence of an American air force in Britain. Mr Churchill has been franker about it than ever Mr Attlee was, and has shown a proper wish that no British susceptibilities should be offended. The communiqué issued after his Washington talks with President Truman made it explicit that operations from the American bases in Britain would be "a matter of joint decision" by the two governments. But even Mr Churchill, for all his emphasis on the essential role of the atom bomb as the present deterrent to aggression, has shrunk from directly relating this to the importance of the American bases here. It has been left to recent and authoritative American press reports to say that "the United States Air Force in Britain is in possession of atomic weapons of tremendous capability." The other aspect of the matter—the contribution of American fighters to the air defences of Britain itself—has been given even less public attention, though the Government spokesman in the air debate last month did say in general terms that the defences would be "woefully inadequate if we had not powerful allies in Nato."

This series of two articles is intended to set out such information about the American air strength in Britain as can be collected without breach of security and to consider its political and social significance. The force has grown by addition, not on a predetermined plan. Appropriately, it was the West's first effective act of determined resistance to Russian pressure—the Berlin airlift—that started it. The first American bombers to come to this country after the war arrived in July, 1948, as a result of a verbal agreement between Mr Ernest Bevin and the American Ambassador. There were 60 bombers in all. In the following August another 30 heavy bombers arrived, and the total number of servicemen, including the maintenance staff, was then estimated to be about 6,000. It became known as the 3rd Air Division and was put under the command of General Johnson, who led the air attack on the Ploesti oilfields during the late war.

Less than a year later, on June 3, 1949, the strength of the division was officially estimated to be over 8,000 men. On July 24, 1950, Mr Attlee said in Parliament that it had about 10,000 men and 180 aircraft. On January 31, 1951, the Secretary for Air put the number at 15,000. At present it is estimated that it has risen to nearly 30,000 officers and men, stationed at 26 bases, depots and storage and supply centres.

Exact figures of the number of aircraft cannot be given. American press reports that there are "more than 200" bombers have been officially denied. It is known that, at times, as many as three bomber wings have been stationed here. Usually, however, the force does not exceed one bomber wing; an American medium bomber wing normally consists of 45 bombers and 20 "tankers" for aerial refuelling. The aircraft are both B-29s (known to the RAF as "Washingtons") and B-50s. The B-36s, the "biggest bombers in the world," are not normally stationed in England, though several of them have visited some of the bases on training flights from the United States.

The escort fighters, here for simultaneous training with the bombers, are Republic F-84 Thunderjets. Usually there is not more than one escort fighter wing in England, and the normal size of such a wing is about 75 aircraft. In addition, since August, 1951, a fighter interceptor wing has been assigned to England. It is equipped with North American F-86 Sabre jets, and would also normally consist of 75 aircraft.

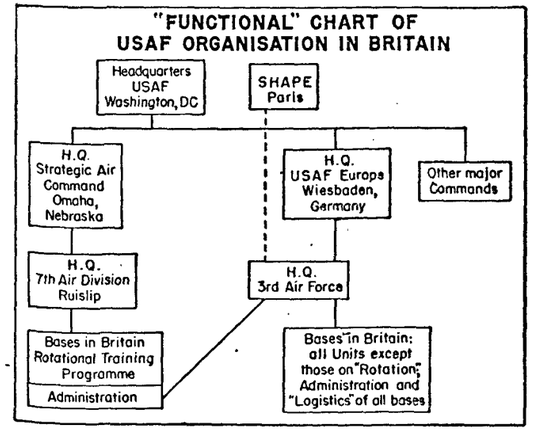
It is generally believed that the USAF bases are concentrated mainly in East Anglia. Phrases like "the East Anglia American atom bases" have often been used in Parliament. In fact the force is deployed through much of England. There are three bomber bases in East Anglia, four bomber bases in Oxfordshire and Gloucestershire, two fighter stations in Suffolk (Bentwater and Shepherd's Grove), and one at Manston, Kent. In addition to these better-known bases, USAF units are stationed at several other RAF airfields. The two main supply and maintenance depots are at Burtonwood and Sealand, Liverpool. The headquarters are at Ruislip and Bushey Park. The main transit camp—the Americans call it "personnel processing"—is at Shaftesbury, Dorset. The accompanying map shows most of the principal bases, though there are several others whose location has not yet been officially revealed.

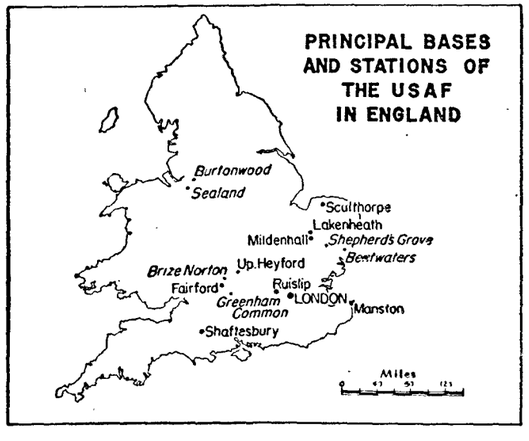
*

Since May, 1951, the American forces in Britain have been divided into two groups. The bomber force is now known as the 7th Air Division and comes under the direct operational control of the Strategic Air Command in the United States. Presumably it is this force, and this force alone, whose status was to some extent defined at the Washington conference. All the other American air forces stationed in this country are embraced in the 3rd Air Force, which developed from the 3rd Air Division, and which is controlled by the headquarters of the American air force in Europe (USAFE) at Weisbaden in Western Germany.

The relationship between Shape and USAFE (Wiesbaden) is not very clearly defined, at least so far as the 3rd Air Force in Britain is concerned. It appears that the 3rd Air Force is generally recognised as being in some sense "under Shape," but for administration purposes it is still very much under the Wiesbaden headquarters, which claims to be independent of Shape. This uncertainty may be removed in the reorganisation of all the USAF commands in Europe that is due in the near future. The 3rd Air Force in Britain is then expected to come more directly under Shape. In any event, it seems certain that Shape would be regarded as the "overall boss" in an emergency.

The bomber forces of the 7th Air Division are usually stationed in Britain for about three months, though some have stayed for as long as seven months. The main purpose is to make the crews familiar with the European area. The efficiency of an air force unit is known to be much higher if it operates in familiar conditions, and the Strategic Air Command therefore has a "rotational training programme" under which units are sent to areas where they might be expected to operate in case of





hostilities. Besides England, its training bases are known to be scattered widely over the Pacific, Alaska, the Caribbean and Labrador.

The 7th Air Division concentrates all its attention and efforts on training; administration, "logistics" and housekeeping at its bases are controlled by the 3rd Air Force. It is this force, not the bomber division which has attracted almost all the public attention, that is the steady core of American defence in Britain. All its members are stationed in England for what is called the "regular" period of overseas service—about three years. The fighter interceptor wing is here for the specific purpose of strengthening Britain's air defences —indeed, its Sabres are the only adequate aircraft at present available for action against bombers flying at the highest altitudes. It operates within the British defence system, controlled by the RAF Fighter Command. The 3rd Air Force has assigned to it some US Army groups, which include the 928th Engineer Aviation Group and the 32nd Anti-Aircraft Artillery Brigade. This brigade arrived in Britain in February, 1951, and is working in close co-operation with British AA units. There are also about 2,000 men of the American navy in Britain.

Two main conclusions stand out from this analysis. First, the American air forces in Britain are not here because they are poised to strike at an enemy in the east—as is often supposed by people who fully recognise that the motive is in any event defensive, not offensive. In fact the "atom bomb" bases have two more immediate purposes. They are training-grounds, and their fighter aircraft are an enormously valuable prop to Britain's air defences, which by any standards but those of the complete pacifist are otherwise quite inadequate.

Secondly, while the American forces in Britain are quite impressive taken by themselves, they represent only a fraction of the American military power at present deployed on this side of the Atlantic. Britain is not, to use a fashionable expression, "the American aircraft carrier in Europe." Only about 10 per cent of the American servicemen in the European area are stationed in this country. The expansion of the American military forces in Europe and in the Mediterranean is far greater than their expansion in Britain. When it reaches its intended peak—in about 1954—the forces in Britain will certainly represent much less than 10 per cent of the total. Moreover, the strategic importance of the American bases in North Africa, in Western Europe, and especially in the eastern Mediterranean outweighs considerably the importance of the bases in Britain. The notion on the Left that the Americans have "endangered" this country by making it the centre of their military effort in Europe has no relation to the facts. Britain is not quite so important as that.

(To be concluded.)

Genial Boss

IN the present month falls the thirtieth anniversary of the appointment of Joseph Djugashvili to the post of General Secretary of the Russian (later All-Union) Communist Party (Bolshevik). The duration of his power far exceeds that of any statesman of today, equals that of Nicholas I, the most despotic Czar of modern times, and approaches the periods of adult rule of the two great tyrants whom Stalin is known to admire—Ivan the Terrible and Peter the Great. Its extent dwarfs that of any who preceded him in the Moscow Kremlin or the palaces of St. Petersburg. Throughout the world today government is a more complicated task, and penetrates wider fields of human activity, than in the days of the Czars. But now, as in the past, the ruler of Russia excels all other potentates in his control over his subjects.

The dense clouds of incense that surround the "genial teacher of progressive humanity," ("genial" in its communist sense is the adjectival form of "genius"; it has nothing to do with affability) who aspires to lead the proletariat of the world, conceal the remarkable politician Stalin. From the scraps of documentary evidence and the glimpses offered by a few witnesses, it would seem that his success has been due above all to two talents: an extraordinary understanding of the machinery of government and an exceptional ability to manipulate persons.

Stalin was an important figure during the revolution and civil war, but it was when fighting ceased that he rose to eminence. He then held two major offices, the People's Commissariats of Nationalities and of Workers' and Peasants' Inspection (*Rabkrin*). Both had the advantage that no clear line could be drawn between their powers and those of other authorities. As Commissar for Nationalities, Stalin could make himself felt in the borderlands, and also in such strategically and economically vital regions as the Middle Volga and the Urals, largely populated by Tatars, the most intelligent and civilised of Russia's Moslems. His double duty—to protect the local populations from "Great Russian Great-Power chauvinism," and to defend the local proletariat (in most cases of Russian extraction) from "local petty-bourgeois nationalism"—enabled him to interfere with policy and personnel at all levels of all the various hierarchies created by the Bolshevik dictatorship. As Commissar of *Rabkrin* he was entitled to any information on the practical functioning of the administration for which he cared to ask. His officials could examine office archives, supervise public employees at work, spy on all, encourage denunciations, create or remove cliques and factions. A whole new bureaucracy was built to watch the already existing bureaucracy. Stalin's chances of patronage and intrigue were unlimited.

The key job, however, was the General Secretaryship. The Secretariat had been created by the 8th Congress of the Party in 1919, together with the Politburo and the Orgburo. While the Politburo handled political decisions, the Orgburo was responsible for the internal organisation of the Party and for personnel questions. The Secretariat was at first little more than a technical executive arm of the Orgburo. During the following three years the party's Central Committee lost power to these three executive bodies; the larger it became, the less real power it could exercise. During the same period the Orgburo lost power to the Secretariat. In April, 1922, the post of General Secretary was created, and given to Stalin. Thenceforth the General Secretary controlled appointments and internal organisation, while the Orgburo did little more than issue general directives.

The two supreme organs of the party were the Secretariat and the Politburo. Stalin dominated one and was a member of the other.

The creation of the General Secretaryship coincided with the illness of Lenin. Soon both the Bolshevik leader himself and some of his lieutenants realised how much power they had placed in Stalin's hands. Lenin himself, the ruthless bigot and master of lies and intrigue, was alarmed by the proficiency of his pupil. In his famous article "Better less, but better" of January 1923, Lenin wrote of Stalin's Commissariat of Inspection—"Everyone knows that there is no institution worse organised than our *Rabkrin*." In his "Testament" of December, 1922, and the additional note to it of January, 1923, he wrote harshly of Stalin, and recommended that he should be replaced as General Secretary by someone "more patient, more loyal, more polite, more attentive to comrades, less capricious, etc." In March, 1923, he decided to "break off all comradely relations" with Stalin. He planned to attack him at the impending 12th Congress.

★

Stalin escaped partly by luck and partly by skill. The luck was the collapse of Lenin a few weeks before the Congress met. Stalin's skill was shown in his handling of the Congress. He accepted Lenin's criticisms of *Rabkrin* and produced a plan for close co-ordination between it and the body created in 1921 to perform similar supervisory functions within the Party itself—the Control Commission. The result of the co-ordination was that Stalin manipulated both bodies. In the following years the same process took place within the hierarchy of control commissions as had previously occurred within the Central Committee of the Party. The Central Control Commission had 7 members in 1921 and 150 in 1924. With a membership of this size, it inevitably came to be controlled by its Presidium, whose leading members were Stalin's confidants. One of these, Shkiryatov, has survived to the present time. He must know more than any living man of the dark secrets of his master, and sometimes enjoys at public ceremonies in Moscow the same precedence as members of the Politburo.

At the time of Lenin's death Stalin controlled through the Secretariat all important appointments within the party, through *Rabkrin* the supervision of the state hierarchy, and through his men in the Central Control Commission Presidium the supervision of the party hierarchy. Thus he managed both the regular bureaucracy of the party and the special bureaucracy set up by the party to control itself. He was at once shepherd, sheep-dog and wolf. Even so he might have failed but for the quarrels between his rivals. In the summer of 1923 Zinoviev and Kamenev had discussed with other leading Communists, in a cave in the Caucasian holiday district of Kislovodsk, measures to diminish the powers of the General Secretary. Stalin had circumvented their manœuvres. Soon afterwards the struggle with Trotsky had forced Zinoviev and Kamenev to make Stalin their ally. In May, 1924, they persuaded the Central Committee that Lenin's request for the removal of Stalin from the General Secretaryship need not be fulfilled.

Neither they nor their enemy Trotsky realised what was happening while they wrangled. Trotsky, one of the great personalities of the twentieth or of any other century, never understood the role of personal factors in politics. Himself an outstanding administrator, he never understood the importance of the administrative machine. All he could do was to rail at the wickedness of bureaucracy. His tirades did not save him. When the turn came of his inferior in rhetoric, the demagogue Zinoviev, he, too, was crushed. By the end of 1925, when the 14th Congress met, Stalin's position was impregnable.

★

This is no place to discuss what Stalin has done with power. This is not the thirtieth anniversary of any policies, but rather of a man's rule over men; the victory to be commemorated is that of a technique. It is a technique of bossdom. Stalin is the greatest party boss of all time, greater than Crassus, Walpole or Tweed; a boss of genius, or, to use the present idiom of his compatriots, a Genial Boss.

The machinery by which he climbed, and the power that he has held and holds, are discernible at least in outline. But how he did it remains a mystery. To explain that he built a series of bureaucracies and packed them with his men is no real answer. It is not easy to pick men and bind them to one, to know whom to help and whom to discard at the right moment, whom to reward for service and whom to unmask as a counter-revolutionary diversionist. This is an art, which combines the right proportions of flattery and blackmail, remoteness and *bonhomie*, which appeals in turn to patriotism and cupidity, ambition and terror, honour and treachery. The practice of this art has put Stalin where he is, but its workings are withheld from the historian's eye.

The secret will certainly not be found in the direction in which Marxists delight to look—the "class origin." It is a curious coincidence that the three men who have plagued our generation have a similar origin. The cobbler of Gori, the blacksmith of Forli and the customs official of Braunau all belonged to that drab grey border zone between the petty bourgeoisie and the proletariat. Their sons grew up to be semi-intellectuals, with no fixed profession but with pretentions to artistic or philosophic eminence. In ability to handle men the Tiflis observatory clerk far surpassed the Vienna house-painter or the Italian schoolmaster. Hitler and Mussolini surrounded themselves with charlatans; Stalin has been well served by able men, and his Olympian ingratitude has not prevented him from replacing them by others as loyal. The other two let loose on humanity disasters which swept them away and their nations to ruin: Stalin has made monumental errors, but he has not let control over events slip for long from his hands.

General Secretary is a less resonant title than autocrat. Though his name is now surrounded with a pomp and flummery that have hardly a parallel even in the annals of Byzantium, Peking or Bagdad, Stalin himself shuns the eye of the public. But of the reality of his power there can be no doubt. What Soviet Russia is, he has made it. The immense network of the Communist Party, the myriad factory chimneys of the Urals, the bleached skeletons that pave the roads across the arctic wastes, are his work. When his time comes, his passing may have good or bad effects: it will not be unnoticed.

NOTES OF THE WEEK

Cairo and the Sudan

The past week has nearly seen the Anglo-Egyptian conversations in Cairo come to a full stop. The mood of optimism, created by the improving conditions in the Canal Zone and a feeling that the British and Egyptians were edging towards agreement in principle on defence and evacuation, was shattered by news from Khartoum before the week-end. There, a draft constitution for the Sudan had been tabled without any preparation for its effect on Egyptian opinion. It is felt in Cairo that the action of the Sudanese Administration and the nature of the new constitution challenge the whole Egyptian position—in particular King Farouk's claim to be King of the Sudan—and cast serious doubts on British good faith. Great efforts have been made to get the talks moving again. But, although both the present British and Egyptian governments give the impression that they are now committed to eventual agreement, further progress seems bound at least to be delayed. Meanwhile, anxiety about public order in Egypt and the safety of non-Muslims as well as foreigners is again beginning to grow.

The Sudan represents an even more intractable difference between the British and Egyptians than the defence of the Suez Canal. As the trend of the Cairo talks suggests, it should not be inherently impossible, given good will, to devise a military formula with the aid of other countries which would both ensure the adequate defence of the Canal and satisfy Egyptian aspirations about British withdrawal. But the future of the Sudan strikes down to the roots of both British and Egyptian sentiment. It would be almost inconceivable for British public opinion to agree to any solution that meant forcing the Sudanese to accept Egyptian sovereignty against their will. The Egyptians, all question of prestige apart, fear that a hostile government in Khartoum might interfere with the flow of the Nile.

In the Middle East as a whole, there is now a rising tide of xenophobia. By reaching what is widely regarded as a stalemate with the British over the Canal question, the Egyptians, unpopular in many other ways, have won much applause. But there still remains a hope in some quarters that the British may yet do something to regain the respect in which they were once held. The opportunity for this exists only in the Sudan. The British gained immense goodwill in Asia by leaving India and Burma when and how they did. Although it is not so easy to leave the Sudan, they must and will do so within the foreseeable future. If so, there is much to be said for the idea that the Egyptians and Sudanese should be enabled to discuss and reach agreement on their common problems—and in particular the control of the waters of the Nile—before, not after, the Sudan is committed to any new status.

* * *

Ten Out of Ten for M. Pinay

France now has a budget, and M. Pinay ten votes of confidence and a great achievement to his credit. That the economics of his budget are highly speculative is scarcely relevant to the political importance of its existence. Revenue estimates are inflated in expectation of higher prices; expenditure has been estimated in the hope that prices will in fact be kept down. There is a balance only on the assumption that the public will lend to the government, which in turn depends on the government keeping inflation at bay. But this is not the moment for economists to carp. Far more important than a good budget was to have a budget at all. For the content of this or any other budget will really be determined by the solution of France's basic economic problems, especially tax evasion and rising prices; and these in turn required a respite for M. Pinay which could only be gained when a budget had been passed.

For success in these wider fields, the Prime Minister still has much in his favour. The country as a whole is still more inclined to trust him than anyone else. There is a growing agreement with him that prices not only must but should be made to fall, and that agricultural prices particularly are unnecessarily generous. He has the Assembly's vote of confidence for the tax amnesty which was an essential preliminary to any subsequent programme of tax enforcement. And he has his own determination to get such a programme through by June.

Against him, on the other hand, he has some formidable factors. Only last week, food prices in Paris were given another vicious upward twist, and public confidence in him received its first rebuff just when he was acquiring a position of parliamentary strength. Secondly, that position itself has its own weaknesses. Like the Socialists with the previous, more moderate, coalitions, the MRP now find themselves torn between supporting a government of the Right and voting against the government which could save the Fourth Republic. This time, twenty of them voted for M. Pinay and the rest led their troubled consciences to abstain with some of the Gaullists. M. Pinay is too wise not to see that in the longer run this conflict in one of the largest parliamentary parties cannot bode well for the parliamentary republic. Then, there is always the possibility that though he may keep a majority for his own programme, he may well lose on such legacies as the sliding wages bill. Finally, there is the cost of all this to the man himself. Rumour has it that saving the franc and the Fourth Republic removed 10 lb in forty days from M. Faure and 4 lb from M. Pinay (the leaner man) in thirty. Nothing can prove more eloquently the need for a constitutional reform.

* * *

Opposition by Delay

Parliament is taking its short Easter break with the prospects of fiercer battles when it returns. The finely balanced House of Commons has become a severe testing-ground for the skill of both Government and Opposition. In the last Parliament, the problem for the Government whips was mainly the administrative one of keeping their exhausted members within the precincts for fear of a snap division. The Government had, after all, little that it wanted to do. The Conservatives have a large enough majority to be free from perpetual anxiety, but they have a legislative programme; to carry it out is proving to involve a battle of wits and procedure calling for Parliamentary leadership of the highest quality. Mr Crookshank, the Leader of the House, is facing a highly skilled, if not highly disciplined, Opposition. Its main objective is to ensure that the Steel Bill and the Transport Bill, when these are ultimately tabled, are held off the statute book as long as possible.

That is not discreditable. Delay is one of the oldest of Parliamentary weapons and much of the apparatus of modern procedure—the closure, the guillotine, the kangaroo—has been devised to cope with it. Every Opposition uses delay. The Conservatives fought, for instance, a very skilful rear-guard action on the Steel Bill and on the Gas Bill even when the majority against them was that of the 1945-50 Parliament.

The reason why delay is a more formidable weapon now—and therefore open to abuse if the Opposition is unscrupulous—is simply the composition of Parliament. The Tory majority is adequate to avoid defeat in the whole House, but it cannot ensure victory in the standing committees, on which the Government's majority is only one. This means that the committee stages of all major legislation must be taken on the floor of the House, a procedure very costly in Parliamentary time. In any ordinary session, the task of getting complicated and controversial Bills through a committee of the whole House would be considerable. In a session which has started late and which was interrupted by a lengthy Christmas recess it is formidable. Despite the advance of the Budget and the Finance Bill by a month, Captain Crookshank has perilously little time to spare for the two major denationalisation Bills dealing with steel and transport. And he is therefore highly vulnerable to delaying tactics by the Opposition.

* * *

Parliament's Timetable

With the Opposition plainly bent on delaying it as much as possible, ministers can hope to get their legislation through only by careful—and flexible—planning of the Parliamentary timetable. By curtailing the Whitsun recess, the Government whips can count on some 64 sitting days between Easter and the end of July. Much of this time is already mortgaged. Seventeen days must be used for Supply debates, ten for private members' bills and motions, and perhaps ten for the Finance Bill. There are half-a-dozen minor bills, such as the Dentists Bill and the Housing Subsidies Bill, which will occupy an average of a day apiece at the least. There is still the prospect of a Monopolies Bill; the BBC charter must be debated; the House must consider the report of the select committee that is examining the relations of Parliament with the nationalised industries; the Civil List has yet to be dealt with, and there must be days for general debates—on, for instance, Germany and the Lisbon decisions. Labour will certainly claim the right to move in committee of the whole House a number of amendments to the Steel Bill comparable to those moved by the Tories during the discussion of the original Steel Bill in standing committee in 1950. The Bill will also have to go to the Lords in reasonable time. In short, the Government will have to display more skill and have more luck than in recent weeks if it is to get the Steel Bill through by the end of the summer, let alone the Transport Bill. Already, the chances are strong that the session will run on into November or December.

Labour's appetite for this battle has been whetted by its victories in the county council elections, which have restored the party's morale after the shocks of the Bevanite dispute. The effect on the Tories at Westminster has been to increase the backbenchers' impatience for more drastic action. Though last week the 1922 Committee had agreed to support the Government timetable under which the Steel Bill will be taken before the Transport Bill, there is strong feeling about the need to liberate road transport. The backbenchers' impatience is natural, but it seems doubtful whether those who are most strongly pressing the Government to get on with denationalisation have weighed up all the political complications that might follow.

In the weeks ahead, the Labour party will fight with a massive array of amendments and new clauses, and the Government will retaliate with its weapon of closure. This is all part of the Parliamentary process, but it will certainly hold back the denationalisation statutes—and it may seriously weaken the self-confidence of one side or the other.

* * *

Defence for Textiles

Monday's debate on the second reading of the Finance Bill was mainly concentrated on the excess profits levy—the dangers and inequities of which worried chiefly the Conservatives—and on the need to help the textile industries—a cause which appealed to members on both sides of the House. The Government went a little way to meet both sets of critics. Mr Boyd Carpenter promised that the Government would consider any proposals that might be made during the debate for a third way of calculating standard profits that might make the levy less inequitable. And Mr Butler offered a little first-aid for the textile industry.

The Chancellor rightly rejected the appeals from members on both sides of the House that he should remove the purchase tax from textiles. Not only would this cost between £80 and £100 million of revenue, but it would mean that any industry in difficulties would feel that it had a right to the same treatment. It would not, in any case, solve the industry's problems, for tax-free goods have not been exempt from the slump in recent months. As for a tax-free holiday for a limited period, that would merely add to the uncertainties of the trade and invite another recession later. The aid Mr Butler did offer is small, but it is certainly better than removing purchase tax. By bringing forward some £25 million of textile orders for defence the Government will provide employment for about 25,000 or 30,000 workers, compared with about 100,000 who are now unemployed; and by the time they have finished their defence work, demand in the home market may have revived—though by promising to reconsider some of the details of the new purchase tax in the committee stage of the Bill Mr Butler has given retailers an inducement to put off new orders to the industry as long as they can.

Mr Butler was "insulted" when Mr Gaitskell asked him whether he thought the level of unemployment was high enough to secure a movement of workers to defence. In fact he certainly ought to have thought about it; the manpower for rearmament has got to come from somewhere. The case for special measures to help the textile industries is not, as even their more intelligent spokesmen have been urging, that otherwise their workers will find new jobs. The real case is that unemployment is wasteful where—but only where—the workers cannot fairly easily be absorbed into defence or export work. The Government's special orders of textiles for the Services will weaken the Budget by reducing the surplus, but they have the merit of doing that in a specific form, not by inflating demand in general, and will therefore do the minimum of harm to the economy as a whole. In a sense, unfortunately, they are too specific: they may help the Yorkshire woollen industry a lot, but the benefit to Lancashire will be small. It could certainly be made to look trifling beside the orders for British textiles that may be brewing in the East, and whose propaganda value to the Communists could be very great.

* * *

Moscow Curtain-Raiser

When the curtain rose on the Moscow economic conference last week the foreign delegates found that the stage had been prepared with meticulous care. The authorities had even thought of providing a boost for retail sales, so that foreigners would see the Russian people flocking to the shops in contrast to their own people who have recently been reducing their purchases. The technique was simple. On every March 1st since 1949 the Soviet Government had reduced prices of consumer goods, until this year, when March 1st came and went and prices remained unchanged. Even the Soviet budget gave no definite promise. The surprise came on the eve of the conference; prices, chiefly of foodstuffs, were reduced quite sharply—so sharply that according to one estimate the cost of living was cut by between 5 and 10 per cent.

The Soviet authorities have also shown their skill in other directions. They have apparently watched with interest the growing unemployment in the British textile industry, and dangled a carrot before the British delegation—that China is a large untapped market for Lancashire textiles. Lord Boyd-Orr nibbled at the carrot and hastily cabled London

to tell them what it tasted like. The Board of Trade has decided not to send out officials to inspect it. A carrot with just the same reddish tinge was displayed in the House of Commons during the recent debate on the textile industry. But Moscow went further. It showed how in 1950 nearly 80 per cent of China's imports came from, and 70 per cent of its exports went to, "capitalist states." In the first nine months of 1951 only 30 per cent of China's imports came from the "capitalist" world, and only 22 per cent of its exports went there. This decline in trade with China, the Russians pointed out, hit Britain most severely because of Britain's investments and financial interests in the Far East. They even hinted—and it was no more than a hint—that a resumption of trade on its previous scale might lead to an agreement on compensation for British investments taken over by the Chinese Government.

All this is perfectly true. An increase in trade between Britain and China could help both countries. But does China really want British textiles? If it does, why has it not bought them? There is no embargo on the shipment of textiles to Communist China, and most British exporters would be glad to experiment with a new market. For China, British textiles are merely a bargaining point. Its offer to take large supplies may be sincere, but only if certain strategic materials are sent as well. The carrot has certainly a bitter core.

* * *

Tanjong Malim

Although General Sir Gerald Templer, the new High Commissioner in Malaya, has now been widely congratulated on his quick grasp of the Malayan problem, doubts have already arisen about some of the methods he is adopting to solve it. There have been three distinct innovations under his rule. The little town of Tanjong Malim has been collectively punished for a prolonged series of Communist incidents in the neighbourhood, culminating in a particularly heavy casualty list after the ambush of a party going to mend a water pipeline. The occasion of the punishment has been used to send a thousand special questionnaires to householders, asking for information about Communist organisation which may be given anonymously. And now there comes news that equipment has been ordered in Britain for spraying the Communists' food-growing plots with hormone plant killer from aircraft; the same chemical is reported to be destined for use on roadside verges to kill vegetation from which hidden Communists launch their ambushes.

The idea of collective punishment is not new in Malaya, but this is the first time its penalties have been so severe and so strictly enforced. Its effectiveness has yet to be proved, and this may well depend on other measures taken simultaneously by the concentration of security forces in and around Tanjong Malim. Security is now the Government's prime task. Until protection can be given to people who oppose the Communists, the government cannot expect full support. It would be hard, however, to condemn the administration for also taking the action it has against the citizens of Tanjong Malim. For months, many people have been begging it to be firm and, if need be, ruthless. During the past few weeks a new spirit of determination has been felt in Malaya, and if one of the first acts of the new regime is to apply sanctions against a group of people, some of whom almost certainly deserve much greater punishment, it should certainly have the benefit of any doubt about the propriety of its decision. On purely utilitarian grounds the verdict must be postponed until clearer results can be seen. On moral grounds, the action at Tanjong Malim must rank for the moment among other police measures required to protect the community from murder and violence.

As to the probable success of the experiment, General Templer's ingenious questionnaire may yet provide one key to the riddle. If people can be induced to give information without revealing their own identities and so marking themselves down for Communist reprisal, an entirely new stage may have been reached. Already in Tanjong Malim answers to the questionnaire appear to have led to several arrests. As General Templer once said with some warmth, if he could secure the full co-operation of the Chinese, Malay and Indian communities as a whole for only three weeks, he could virtually end the emergency. If the method of punishing Tanjong Malim does not leave a lasting resentment behind it, this means of providing information may prove an acceptable compromise between opposition to the Government through fear and the voluntary public co-operation which has unfortunately proved so dangerous.

* * *

China Stiffens the Home Front

China has now been at war in Korea for a year and a half. Indeed since July, 1937, there has been less than one year during which China has neither been at war externally nor divided by civil war on the mainland. The Chinese have thus come to regard a state of war almost as the normal condition of life; and there have so far been no indications that the Communist regime is under any popular pressure to make peace or that it is itself in any hurry to end a state of affairs which does not threaten its survival, but enables it to justify everything it does on the plea of war emergency and to explain all failures and calamities as due to the malice of foreign enemies.

The use of the bacteriological warfare propaganda stunt internally in China is indeed quite typical of the current methods of the regime. An increase of disease in China (one of the last countries in the world to adopt modern institutions of medicine and hygiene) has been an inevitable consequence of the fact that the majority of foreign doctors have left China and that many of the few qualified Chinese doctors have emigrated or been arrested as counter-revolutionaries. But one of the main lines of Communist propaganda has been that the previous regime in China never did anything for public health in China and that the People's Republic is looking after it for the first time. The discrepancy between propaganda claims and the fact of large-scale epidemics could hardly be explained without the saving device of American "germ warfare," which acquits the authorities of all responsibility. Elementary instructions in hygiene are now given on the radio with the assurance that "under the leadership of the Chinese Communist party and the People's Government the Chinese people can conquer bacteriological warfare."

China today is indeed a country living on two utterly different levels of capacity. On the military plane, with armaments which have been lavishly supplied by the Soviet Union over the past year, China can now really count as a great power, but in economic and civilian life the country remains at a primitive stage from which it has no early prospect of emerging. Even with abundant economic aid from the west it would be a long and arduous task to raise the standard of living of the Chinese masses to any perceptible degree, and, having cut itself off from such sources of help, the present regime can do little to fulfil the hopes of rapid progress which it has inspired. But with Soviet military equipment and the largest manpower available to any nation in the world, it can pursue a truculent and adventurous foreign policy and counteract disillusionment over the non-arrival of its promised millenium with ever-increasing doses of chauvinism and xenophobia. The recent stepping-up of Chinese military aid to the Vietminh in Indo-China is symptomatic of the state of mind of a regime which has hitherto enjoyed military success out of all proportion to its own inherent strength.

The County Elections

It was not possible, when this issue of *The Economist* went to press, to give a full analysis of the results of the county council elections. The swing to Labour has been much greater than was expected, although only in a few significant cases has the control of a council passed into Labour hands. In many counties, especially in rural areas, party politics are still viewed as an unwelcome innovation, and on such councils the position of independents or Conservatives or (where danger seemed to threaten) of a combination of the two was too strong to be more than slightly shaken by the Labour attack.

Labour gained its main successes in Lancashire, the West Riding of Yorkshire, and in Greater London. It won back Essex, came close to recapturing Middlesex, and registered substantial gains in Surrey and Kent. Many of the suburban areas which swung to the Right at the 1950 general election appear to have renewed their faith in Labour.

The most remarkable result was the size of Labour's victory in the election for the London County Council. The mere fact that Labour has been in control of London ever since 1934 might be thought to predispose Londoners towards a change of administration. The Conservatives also had telling points to make on the losses incurred by civic restaurants, on the unpopularity of comprehensive high schools, and on the length of the waiting list for dwellings. So far as local issues were concerned, they had every reason to expect a victory. In fact, Labour increased its representation from 63 to 92 (more than it had hoped) and secured a majority of 55. It would seem that the London electorate voted almost entirely on issues of national policy and ignored the matters that their votes actually decided.

* * *

Labour Probes its Thoughts

The main struggle over the Labour party's policy and leadership has now shifted from the House of Commons to the constituency parties, and the National Executive Committee is trying to respond to this situation with an important experiment. It has published this week a discussion pamphlet on "Problems of Foreign Policy," and with this has gone out a letter from the general secretary to all the constituency parties and affiliated trade unions. According to Mr Phillips, the executive wants to have "the personal opinion of every member of the party"—on such questions as "Can Germany be permanently neutralised?"—and the executive intends to be guided by the opinions expressed.

The executive's own statement on foreign policy will be submitted to the party's annual conference at Morecambe on September 29th. In the meantime, the rank-and-file opinions on other matters will also be considered. The executive intends to publish and circulate discussion pamphlets on the social services, socially-owned industry, private industry, agriculture and the Commonwealth. Constituency parties will be asked to discuss and submit their conclusions on each of these subjects and to encourage trade unions and other affiliated bodies to do likewise. Mr Phillips hopes that they will all support "the greatest experiment in democratic expression and decision that has ever been attempted by any political party anywhere."

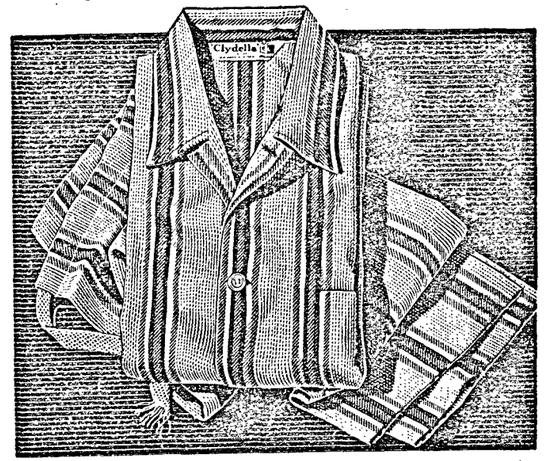
Such flamboyancy should not be allowed to conceal the real importance of this attempt to formulate Labour opinion. Stalwarts of the party may want to remind Mr Phillips that its constitution was designed to ensure that the wishes of its members were not only heard but carried out, but no one can pretend that this has worked well. The constituency parties have submitted their resolutions to the party's annual conference and pleaded for their acceptance. The party's policy has often been decided, or has suffered important changes, as the result of this process. But it has become increasingly unreal. The resolutions submitted to annual conferences have tended recently to fall into three distinct categories—those which favoured the policies of Mr Bevan, those which favoured the policies of the party executive as a whole, and those which advocated the impossible. To try to get down to the party's opinions and attitudes on specific matters does provide a possibility of escape from the stock and arid controversies in which the only real choice for most of the party is whether to take the side of the party leaders or the side of the perpetual rebels. But it seems too much to hope that by this experiment the leaders can, as they no doubt wish, short-circuit the Bevan controversy by transforming the party's annual conference from the battleground that it has become into the forum that it used to be and ought to be again.

* * *

Death Blow to Beveridge

The significance of the new rates of national assistance announced this week is that they have outstripped the proposed new rates of national insurance benefits, which are to be 32s. 6d. for a single person and 54s. for a married couple. In practice the insurance benefit has been below the full subsistence level ever since the social security scheme was introduced in 1948, because the Assistance Board's scale rates, shown in the accompanying table, are exclusive of rent for which an additional allowance, usually amounting to the actual rent, is made. But the problem of determining a rate of insurance benefit that would cover subsistence including rent—which differs so much from one part of the country to another—has never been satisfactorily solved. What is completely at variance with the principle of the Beveridge report, and the Government schemes based on it, is that the insurance benefit should fall below the cost of food, fuel and clothing.

'Clydella' lasts longer



Sizes 38 to 44 inches chest. Price 69/11d. *(Includes Purchase Tax)*

'Clydella' pyjamas, famous for long service, never lose their softness, warmth or colour. We shall be happy to send you a folder of the patterns in which our men's 'Viyella' sports shirts and men's 'Clydella' pyjamas are obtainable. Please write to Department E3/S, William Hollins & Company Limited, Viyella House, Nottingham. If necessary, we will gladly give you the name of your nearest shop.

There's nothing to equal 'Clydella'

IF IT SHRINKS WE REPLACE

MADE BY THE MAKERS OF 'VIYELLA' AND 'DAYELLA'

F2/1

The Beveridge report did, it is true, propose that for a transitional period old age pensions should be below the subsistence level. The first break with the Beveridge principles, therefore, occurred when the Coalition Government, and later the Labour Government, put pensions on the same level as other benefits at considerable cost to the Exchequer. The second break was made a year ago when the Labour Government increased retirement pensions for the older pensioners to the new subsistence level and left other benefits at the old basic rate of 26s. a week. But this anomaly is being ended by the present Government, and it

ORDINARY SCALES OF NATIONAL ASSISTANCE
(Per Week)

	1948	1950	1951	1952 *
	s. d.	s. d.	s. d.	s. d.
Husband and wife	40 0	43 6	50 0	59 0
Person living alone or householder responsible for rent .	24 0	26 0	30 0	35 0
Any other person :—				
Aged 21 or over	20 0	22 0	26 0	31 0
„ 18—21	17 6	19 0	22 0	26 0
„ 16—18	15 0	16 0	18 6	21 6
„ 11—16	10 6	12 0	13 6	16 0
„ 5—11	9 0	10 0	11 6	13 6
„ under 5	7 6	8 0	9 6	11 0

* Proposed.

was hoped that the new basic benefit would be high enough to cover subsistence. The Assistance Board now announces that the rise in prices since last autumn, together with the prospective rise resulting from the cut in the subsidies, justifies the proposed scales. They mean that the cost of subsistence for a married couple with three children aged, say, 12, 8 and 3, paying 12s. rent, is calculated at £5 11s. 6d. a week. Since people on assistance are allowed to earn up to a pound a week without having their assistance payments reduced, a family on assistance may receive nearly as much as the lowest paid workers in full-time employment.

* * *

Amnesty for Greek Rebels

Almost all parties in Greece have been agreed that some measure of amnesty towards those imprisoned as a result of Communist insurrection was essential for the permanent pacification of the country. The argument has been over the extent of the amnesty. The "pacification and leniency" Bill finally passed by the Greek National Assembly last Monday seems to lean as far towards a general amnesty as any Greek Government not of the extreme left could be expected to go. It commutes the death sentences passed on 2,000 rebels and will probably lead to the release of about 5,000 others.

General Plastiras, the Prime Minister and leader of the EPEK, has always been in favour of as wide an amnesty as would be consistent with national security. Many people in Greece, however, think that he has gone too far. They feel that the bitter personal enmities created during the civil war will prevent many of those released from returning to their own villages; and that if they remain in the towns they will find it hard to get employment and easy to drift back into the arms of the Communist underground. This is a genuine danger. It can only be hoped that the authorities will do what they can—which admittedly may not be much—to assist the reassimilation of these people. The Government has also been accused (not least within its own ranks) of inconsistency in pushing through the amnesty law just after it has allowed the execution of four Communist spies. Such charges of apparent inconsistency are bound to be the fate of a Government which is trying to pursue simultaneously policies of conciliation towards past enemies and of firmness towards present ones.

The Greek Government has chosen a particularly turbulent moment in its career to push through this controversial measure. The chief opposition party, the Greek Rally, has since March 27th been carrying its opposition to the length of absenting itself from Parliament in protest against references to its leader, Field-Marshal Papagos, contained in an Order of the Day issued by the Minister of Defence, Vice-Admiral Sakellariou. The resignation of the Admiral has failed to bring the Greek Rally back to its seats in Parliament. It is, in fact, clear that the present Government is being subjected to an all-out attack by Field-Marshal Papagos, who is pressing hard for new elections under the majority system. But last week's appeal by the Greek General Confederation of Labour for an all-party government to solve the country's economic, social and political problems suggests that his fanatical refusal to collaborate will do his cause no good.

* * *

Tangerine Troubles

Reports that British troops in Gibraltar were standing by last week in case they were needed in Tangier must have been for many people a startling reminder of this country's share of responsibility for the little international zone south of the Straits. The Sultan of Morocco exercises suzerainty over Tangier, and it was therefore hardly surprising that the town was affected by the demonstrations staged throughout Morocco on March 30th, the fortieth anniversary of the establishment of the French protectorate over the country. But the violence of the rioting in Tangier was clearly unexpected by its small mixed police force, which at present is commanded by a Belgian, or by the administrator of the zone, who is Portuguese. It is difficult to explain why this international community should have become the victim of what was primarily an anti-French outburst. There would seem, however, to be some significance in the fact that a number of residents who wanted to protect their property from the rioters promptly hung out Spanish flags.

Spain, which made itself virtually master of Tangier from 1940 to 1945, has never been satisfied with the agreement reached in the latter year, under which the zone was restored to the international status it had enjoyed for some fifty years in substance and since 1923 in form. It is true that the 1945 agreement was a provisional one, which was only intended to last until a full conference of the interested governments could be held. No such conference has yet been convened, and there is some reason for this week's suggestion by the Spanish Foreign Ministry that steps should be taken towards a revision of the status of Tangier. But the Spanish argument that the 1945 agreement has now lapsed can scarcely be accepted; and if the Spaniards had wanted their new approach to find a welcome on all sides, they would have done well to avoid making it at a moment when France is not only beset by a sea of troubles in North Africa, but is highly suspicious of Spanish manœuvres both in Morocco and in the Arab world generally.

* * *

Ireland's Austerity Budget

In the Irish Budget last week, expenditure was estimated at £101 million and revenue at £86 million. Mr MacEntee closed the gap by slashing the food subsidies and by higher taxation. The subsidies on sugar, butter and tea were withdrawn and the subsidies on bread and flour were reduced. Income tax was increased by a shilling to 7s. 6d. The price of petrol was increased by fourpence to 3s. 6d. a gallon, of cigarettes by sevenpence to 2s. 4d. for twenty, of stout by threepence to 1s. 3d. a pint and of whisky by sixpence to 3s. 6d. a glass. There are reliefs for smaller income-tax payers and increases in children's allowances, old age pensions and unemployment benefits. A programme of

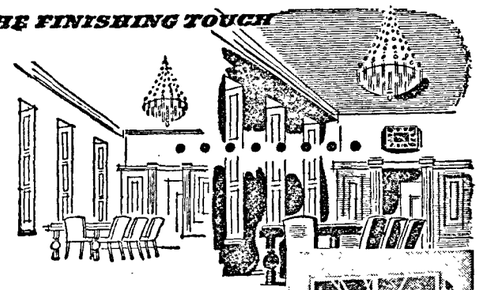
What stands behind the Assistant?

. . . how is it he can carry a range of goods both large enough and varied enough to meet the most exacting requirements of all his customers? The answer lies with the W.T.A. Wholesaler, who enables retailers of textiles to stock the products of many factories and to offer their customers an unlimited choice of size, style and shade.

DISTRIBUTION FOR THE NATION IS CARRIED OUT BY MEMBERS OF THE WHOLESALE TEXTILE ASSOCIATION

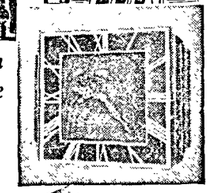
THE WHOLESALE TEXTILE ASSOCIATION, 75 CANNON STREET, LONDON, E.C.4

THE FINISHING TOUCH



. . . which unites taste with an incomparable time service

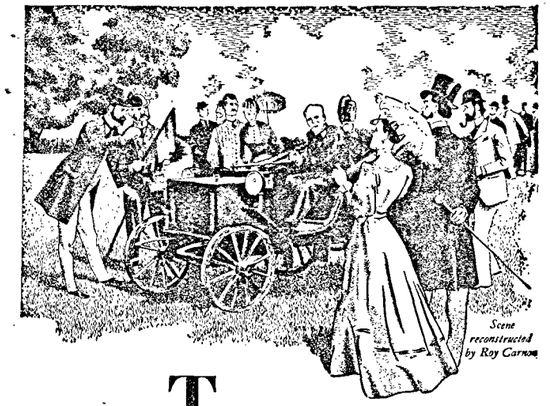
In factories, schools and hospitals, in offices and homes, Smiths Clocks are an automatic choice where long and dependable service is desired. And to service is added aesthetic satisfaction. No matter what the style of interior construction or decoration, there is a Smiths Clock which will fall happily and harmoniously into place.



HERBOURNE
Surface fixing 16" square dial, walnut case, gilt zone, plate glass front. Wall to glass 2½". 'Sectric' movement. Height 16", Width 20".

SMITHS
FAMOUS FOR ALL TIME

SMITHS ENGLISH CLOCKS LTD., LONDON, N.W.2
The Clock & Watch Division of S. Smith & Sons (England) Ltd.



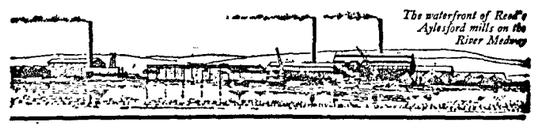
Scene reconstructed by Ray Carnon

TO THE MECHANICALLY MINDED, 1895 was an exciting year. In spite of stringent Highways Acts, people were driving the first few horseless carriages on the public roads—frequently without the man with a red flag who should have preceded them and exceeding the speed limit of 4 m.p.h. British engineers were building their first cars; a new industry had been founded. And that same year the foundations of another great enterprise had been laid. At Tovil, Albert E. Reed had begun to make super-calendered newsprint at his first paper mill acquired the previous year. Successfully reviving other mills, he was soon to be known as "the Wizard of the South" and to build up an unrivalled reputation as a manufacturer of super-calendered printing papers, including newsprint. From this beginning, not sixty years ago, has grown the vast paper-making enterprise of the Reed Paper Group, producing today an ever-increasing tonnage of British newsprint and the largest output of Kraft paper in the whole of Europe.

Reed
PAPER GROUP

PIONEERS IN MODERN PAPER TECHNOLOGY

ALBERT E. REED & CO. LTD
THE LONDON PAPER MILLS CO. LTD · MEDWAY PAPER SACKS LTD
THE MEDWAY CORRUGATED PAPER CO. LTD
BROOKGATE INDUSTRIES LTD · REED FLONG LTD
THE NATIONAL CORRUGATED PAPER CO. LTD
POWELL, LANE MANUFACTURING CO. LTD
E. R. FREEMAN & WESCOTT LTD · REED PAPER SALES LTD
HEAD OFFICE: 105 PICCADILLY, LONDON, W.1.



The waterfront of Reed's Aylesford mills on the River Medway

capital investment totalling £35 million is dependent on the response to a new loan.

The public reaction has been sharp. It is true that the new standards of taxation are still below the British levels. But the Irish taxpayer is being introduced to austerity without any prior conditioning; and he argues that he has neither a war nor a rearmament programme to pay for. He will argue further that the limits of Irish taxable capacity are quickly reached.

It must be said that the Budget has some admirable features. The jettisoning of the subsidies and the increased consumption duties will restore a valuable flexibility. But this benefit may be expensively purchased. Rightly or wrongly, Ministers have not succeeded in convincing the public that the problems of the balance of payments and of financial equilibrium are as urgent as they claim. Their case may well be stronger than is generally admitted, but it suffers because their suggested remedy of retrenchment is not in fact being applied all round. There seems to be no prospect of any worthwhile reduction in state expenditure. Moreover, the Opposition's argument that Mr MacEntee has overestimated his needs and underestimated the yield from new taxes has not yet been satisfactorily answered; if it is not, there is little prospect that the public will respond favourably. There seems no doubt that there will be an immediate and general demand for higher wages and salaries, and the effects on trade and employment may be severe.

* * *

Army Reform by Night

The Army and Air Force (Annual) Bill is usually passed without much controversy and without much attention to its anachronisms. This year the Opposition—still having no Steel Bill on which to exercise its ingenuity—decided that it should be brought up to date, and it arrived in committee last week with 107 amendments attached. It became the subject of fierce argument through three long committee sittings at night and the occasion of another revolt by Mr Bevan and his followers. They were less concerned, perhaps, with army reform than with delaying the Government; in particular, they wished to prolong the discussions in order to hold up the committee stage of the Health Service Bill.

At the first of the three committee sittings, the delay was largely accidental. The debate became a chaos of points of order and formal withdrawals of insults. But on the following evening the Secretary of State for War, Mr Head, announced that he had reached agreement with the Opposition that the revision of the Act should be referred to a departmental committee, whose proposals might be considered by a select committee, so that the House would be ready to make full reforms in time for next year's Bill. (In order to allow more time for this, he later agreed that the duration of this year's Act should be 15 instead of 12 months.) Meanwhile, the Government would accept some amendments to the present Bill which did not require complicated drafting. Labour backbenchers, however, were not content with this, and pressed on with their amendments as before. Mr Bevan distrusted the departmental committee. He distrusted the nominees of the Government with whom it might be packed. He distrusted the "experts"—Who would they be? An American general?

On the third evening Mr Head offered a further compromise that satisfied most of the Opposition. The select committee is to consider general questions of policy before the departmental and expert committee, which would undertake the review of the Act and then have its proposals considered in detail by the select committee. This is a cumbrous procedure, but it should at any rate produce a better Bill than the piecemeal amendment of an Act which has not been materially altered since 1881 and which is generally agreed to need thorough revision—if Parliament has time to spare from more urgent matters.

Charity Goes where it was Willed

The destination of the funds given by Lady Bland-Sutton's will for the Bland-Sutton Institute of Pathology at Middlesex Hospital has at last been settled. The impact of the National Health Service Act, 1946, on this bequest was noted earlier in these pages. The decision then reported was that of the Court of Appeal. Now the House of Lords has given its decision. Lady Bland-Sutton intended that her residuary estate should be used to support the institute associated with the name of her husband, provided that hospital and institute were not nationalised. If they were, she directed that the money should pass to the Royal College of Surgeons.

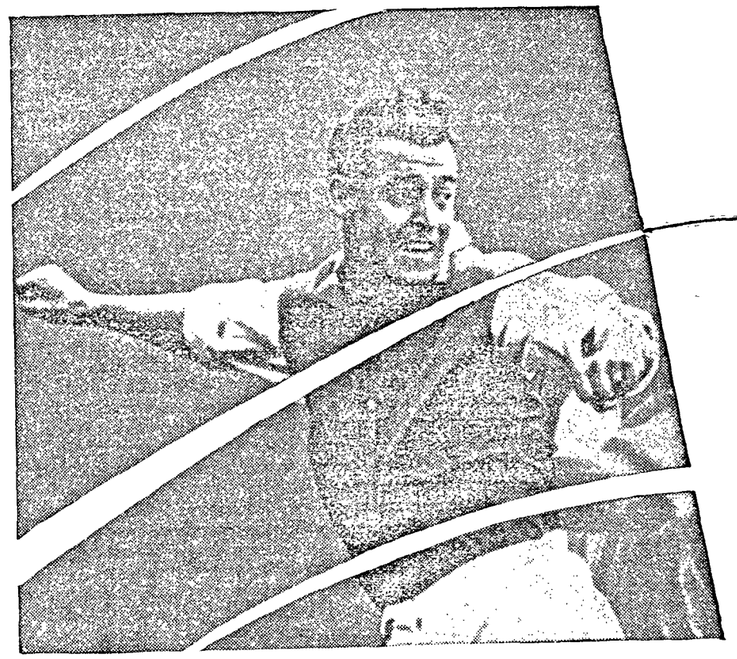
When the 1946 Act was passed, her trustees asked the Court for directions and the trial judge held that the Act did not "nationalise" the institute, and that in consequence the new administrative unit, bearing the old name "The Bland-Sutton Institute of Pathology," retained the benefit of the legacy. The Court of Appeal, which found that the institute had been nationalised but that the gift could not pass to the Royal College of Surgeons because the college was not a "charity" as the English law defines charities. The House of Lords has produced a third solution. The majority judgments agree that the institute is nationalised but declare that the Royal College of Surgeons is a legal charity and, therefore, entitled to the residue of the estate. Lady Bland-Sutton died in February, 1943. The uninstructed, reading her will, would have gathered that she had no wish to see her estate used to subsidise a state enterprise and that she believed that the Royal College of Surgeons could make better use of it. The wheel has taken just over nine years to turn its circle, but it is worth recording that its revolution has in the end been a complete one.

"Cooked Statements"

After the unscrupulous and indecent attacks in which Mr George F. Young and other Protectionists had indulged against the department of the Board of Trade, the public must have looked forward to the first monthly returns issued by the new Protectionist authorities with more than usual interest. The facts which the monthly and annual "Trade and Navigation Accounts" elicited as the results of the new commercial policy were so striking, so contrary to the predictions of the apostles of protection and restrictions, that there seemed to be no way out of their difficulty, but to accuse high and honourable public officers of a wilful perversion of the facts. "Cooked statements to serve the objects of Free Traders," and "partial and insidious statistics," were terms used in reference to the returns of the Board of Trade by the most active leaders of the party now in power. . . . Well, the new President of the Protectionist Board of Trade has laid before Parliament the first monthly return made up under his supervision. . . . What do these first returns show? Do they exhibit any corrections of the figures of last year, or any retrograde movement in the facts of the present year during the first month of the new Government when the public is no longer to be deceived by falsified accounts? Not a bit of it. On the contrary, it has seldom happened that a single month's return has exhibited a more striking proof of the rapid progress made under Free Trade. . . . What will Mr George F. Young do in this dilemma? Will he rush to public meetings and vituperate Mr Henley, the new President of the Board of Trade, as the greatest impostor, the greatest "*cooker*" of all? or will he go down to his place in Parliament, and with the meekness which becomes a convicted libeller, humbly apologise to Mr Henley's predecessors?

The Economist

April 10th, 1852



The instinct warns of the split-second when the corner of the net will be unguarded. Off spring-heels the body becomes a balanced jack-in-the-box. The head twists. The forehead flicks the bullet-swift ball away at the perfect acute angle. **IT ALL ADDS UP TO** two points for the home side.

LEAGUE PLAY

The companies of AEI are a league formation. They are a strong and lively group. Their young industry has risen rapidly into the ranks of the traditional giants. Sharing their knowledge, their experience and their resources, the companies of Associated Electrical Industries put forth *co-ordinated effort* for the common good.

These are the companies of AEI
The British Thomson-Houston Co. Ltd
Metropolitan-Vickers Electrical Co. Ltd
The Edison Swan Electric Co. Ltd
Ferguson Pailin Ltd
The Hotpoint Electric Appliance Co. Ltd
International Refrigerator Co. Ltd
Newton Victor Ltd
Premier Electric Heaters Ltd
Sunvic Controls Ltd

IT ALL ADDS UP TO AEI

Associated Electrical Industries

Gleneagles HOTEL *Perthshire*

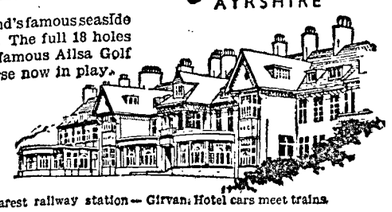
Britain's Distinguished Resort for Fashionable Recreation

attracts its clientele from all over the world

OPEN EASTER TO OCTOBER

Turnberry HOTEL AYRSHIRE

Scotland's famous seaside resort. The full 18 holes of the famous Ailsa Golf Course now in play.

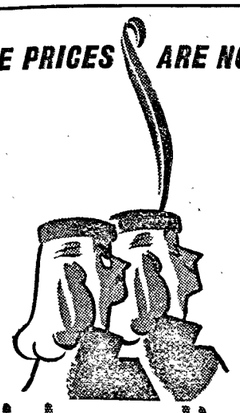


Nearest railway station — Girvan. Hotel cars meet trains.

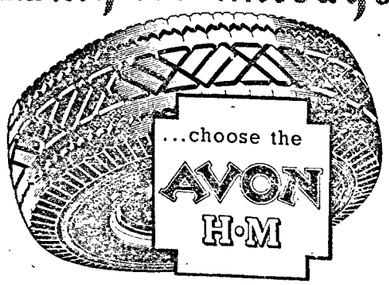
Enquiries for accommodation will receive the personal attention of the Resident Managers

HOTELS EXECUTIVE (LONDON N.W.1)

ALL TYRE PRICES ARE NOW REDUCED



but for **higher mileage...**



AND MAKE A **DOUBLE** SAVING!!

BCPA-B·O·A·C-QANTAS

Fly round the world by BRITISH airlines

The world is yours for just over £500 !

Yes, B.O.A.C. — in co-operation with Qantas, B.C.P.A. and TEAL — now offers a special round-the-world concession ticket. You can circle the globe — East to West or West to East — on British airlines all the way.

You fly *above* the weather in fully pressurized 4-engined aircraft. And always you enjoy the same high standards of British service, hospitality and world-wide flying experience.

Your whole trip — on one ticket all the way — is planned carefully in advance. Liberal stopover privileges enable you to break your journey where you wish — in a dozen or more countries — for as long as you wish, provided your round-the-world journey is completed within 12 months. You actually enjoy 25,000 miles of air travel with all the comfort and convenience of a short flight.

Consult your local Travel Agent or any B.O.A.C. or Qantas office.

B·O·A·C

BRITISH OVERSEAS AIRWAYS CORPORATION IN ASSOCIATION WITH QANTAS EMPIRE AIRWAYS LIMITED, BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED AND TASMAN EMPIRE AIRWAYS LIMITED

Letters to the Editor

Ignoble Economics

Sir,—In a Note in *The Economist* of last week you say "Only one or two peers considered seriously whether the Budget was adequate for its task and these were not among the chief spokesmen of either Government or Opposition."

I made the opening speech for the Opposition and the 8½ columns as reported in *Hansard* were divided as follows:—Introduction ¾, adequacy of the Budget 2½, Monetary policy and the restriction of capital development 2½, Redistribution of subsidies and tax relief 1¼, Lord Woolton 1½. In closing the debate I devoted a further 1½ columns to the first two subjects and expressed my regret that Lord Swinton had felt unable to supply the information which would have enabled me to judge the adequacy of the Budget.—Yours faithfully, PETHICK-LAWRENCE

House of Lords

Straining at Gatt

Sir,—Your article of April 5th seems to read as a defence of Gatt in its entirety. It assumes that those who express dissatisfaction with any part wish to "throw the whole thing overboard." Lord Balfour of Inchrye, who is chairman of this Association, in his speech in the House of Lords on April 2nd demanded nothing of the kind. He asked that the particular provisions of Gatt which deny the right of the United Kingdom to make any change in margins of preference, except in a downward direction, should be withdrawn. This involves no demand from Commonwealth countries for increased preferences on United Kingdom goods. It merely asks that the United Kingdom should have restored the right to increase margins of preference on Commonwealth and Empire goods if we decide that this is wise. Any subsequent increases in favour of United Kingdom goods would be the result of fair bargaining with other Commonwealth countries which might follow Britain's lead in regaining the same right.

The case of Pakistan quoted in your article is an apt illustration of the injustice to which the present position gives rise. Following partition of the Indian Continent, Pakistan found itself giving a great deal more in preferences to the United Kingdom than it was receiving in return. In the normal course, the United Kingdom would have been in a position to offer extended preferences in compensation for Pakistan's disadvantageous position. Gatt prevented any such action. The only course open to Pakistan in order to adjust the matter was a reduction of preferences upon United Kingdom goods.

It seems to be straining at wishful consequence for *The Economist* to attribute success to non-discrimination as represented by the ban on preferences. It is not clear that we have been brought nearer to "freer and expanding world trade" or indeed convertibility as a result of this ban. On the contrary, the independent development of trade within the Commonwealth area and other similar areas appears to offer the best hope of achieving these objects.

Any reasonably competent third-year student of economics can demonstrate with triumphant theoretical finality that any international trading system which has the peace and the welfare of mankind at heart must be based upon these principles of multilateral convertibility and non-discrimination. No sensible person would dispute that they represent polysyllabic perfection. They have only one defect: in the world as it is, they will not work.—(*The Economist*, July 15, 1950.)

Why and when did *The Economist* change its mind?—Yours faithfully,

W. A. WELLS

Empire Industries Association

[We have not changed our mind. In the world of today unmodified non-discrimination will not work. But it does not in the least follow that any piece of increased discrimination is necessarily helpful. In our view, a British denunciation of the preference clauses of Gatt would bring Gatt to an end for all practical purposes. Measuring prospective gain against prospective loss, it would be a very bad bargain.—EDITOR.]

Is the Retailer Trying?

Sir,—In the Parliamentary debate on the plight of the textile industries and in press comment, much emphasis has been laid on the need to remove the purchase tax, as if this would clear the "choked pipeline" and bring back full-time work in the factories. Singularly little has been heard of the unwillingness of the ordinary retailer to clear the pipeline himself. He wants the taxpayer to clear it for him. The wool merchants and manufacturers have done their bit and will probably have to do more whether they like it or not. The two dozen balance sheets of wool textile public companies published this year show that with about two exceptions profits are little more than one-third of those of the preceding year. They have written down their stocks, cut losses, granted quite a number of "accommodations" under the dictation of falling world prices at public auctions for wool and the need to keep machinery running. They have paid workpeople for part-time service even if it meant a loss. Unless a remarkable improvement occurs, the next balance sheets will be even worse.

What has the retailer done? The multiple tailors have slashed prices in their own branches, but they are outstandingly bold. One store still asks about 15 guineas for making up a tailored costume from the customer's own cloth. Another quoted "from 28 guineas, or from 42 guineas if you select the cloth from our stock." These quotations were made five weeks ago. One shop then had several dozen men's winter overcoats for which it asked 38 guineas each. Really superior worsted costume cloth can be bought from the mills at a cost of not more than £7 per costume. Where is the sense of quoting 15 guineas, let alone 28 guineas, for making it up, even after all allowance for purchase tax? The men's overcoats could all be made today for less than half the price asked. No wonder some of the January "sales" were failures. What inducement is there to the public in deducting 15 per cent from the regular price of wool underwear when new goods are unsaleable by the factory to the retailer at a further 25 per cent drop? The retailer has no machines to keep going and is not governed by world raw material prices as are the mills. Even if the purchase tax is a hurdle, is he doing his share to get things moving again? — Yours faithfully, WEST RIDING

Slump or Solvency?

Sir,—You ask whether the task of economic policy this year is to combat inflation or to guard against slump, and you wonder whether the Chancellor of the Exchequer knows the answer to this question. Of course the Chancellor of the Exchequer knows. If he does not, there are other ministries that do. The Board of Trade and the Ministry of Labour must have a picture of what is happening in industry today as accurate as that possessed by most bank managers, and they can have no illusions that a slump is already on its way.

Although the Government may make an important contribution in conditioning the economic climate, the economy still largely responds to the actions of individual people, business men and consumers. If profits have been expanding, business activity in general will be expansionist. When profits cease to expand, business men generally damp down their activities. If, at the same time as profits cease to expand, a banking policy which has found it almost impossible to say no to a loan is changed suddenly into one where the bank finds it almost impossible to say yes, there can be no surprise that the business man contracts his activities very sharply.

You may well ask whether the slump is limited to the textile trades or whether it is more widespread. In most industries we can now observe a number of symptoms that furnish the answer to this question.

(1) Materials which were in very short supply a few months ago are now so abundant that suppliers are almost begging their customers to place orders. Typical examples in an industry with which I am familiar are cellophane, aluminium foil, paper and board, and metal containers.

(2) Instead of quoting lengthy delivery dates, suppliers will now move heaven and earth to supply their customers at very short notice, if only the customer will undertake to place an order.

(3) Suppliers are pleading with their customers for more rapid payment because they urgently need ready money.

(4) Customers are being asked to take delivery of consignments at an earlier date so as to relieve pressure on storage space. At all points along the line of production and distribution stocks seem to be piling up, stocks which people for

a variety of reasons are anxious to liquidate.

(5) Most employers already sense a change in their relations with the employment exchange officials. When an employer informs the employment exchange officials that employees are to be laid off, he feels that they are anxious for him to spread the work as far as possible because they will find it difficult to place most of his workers in alternative employment.

(6) Published figures underestimate the true facts. Many married women who pay an insurance contribution of 3d. per week see no point in registering at the exchange. The figures for unemployed women are, therefore, much higher than the statistics of registered unemployed. Many men and women have a natural reluctance to visit the employment exchange for collecting their insurance benefits. The older workers haven't been to the exchange for this purpose for some twelve years; while, for younger people, calling at the labour exchange to draw insurance is not a pleasant prospect. Reluctance may be overcome when it becomes obvious to the worker that the interruption of work may be prolonged and savings are exhausted; then registered figures will rise suddenly and substantially. At the present moment figures of the employed population would be more relevant and more revealing than the figures of the unemployed. It is symptomatic of the situation that for the first time for almost a generation juvenile labour is being offered to the employer.

As far as the consumer is concerned, the reduction in purchasing power is already reaching such proportions that, when the multiplier effects are taken into consideration, we may well find ourselves faced with widespread trade depression. Small wonder that the Chancellor needs to re-examine his employment policy.—Yours faithfully,

JOHN R. GREYSTOKE

London, N.W.4

European Socialists and Rearmament

Sir,—May I redress the chronology of events to be found in your correspondent's comments in your issue of March 22nd regarding Belgian socialists and Mr Bevan? To judge by the debates and resolutions passed in the last three or four annual congresses of the Belgian Socialist Party, Mr Bevan's arguments were labour policy in Belgium years before anyone had heard of his theories.

For years the party had held that the only way to internal stability and external security—one and the same thing it said—was to increase the wellbeing of the masses through improved social services, to maintain economic equilibrium in the country, to balance the admittedly necessary military expenditure against the economic possibilities, to restore East-West trade and to achieve a higher degree of independence towards all great powers.

While passing no judgment here on these views, I think that they disprove what in your correspondent's comment was intended to be a charge of collective Bevanism. There is a Bevanite trend in Europe, but it did not start in Britain.—Yours faithfully, NOEL C. ANSFLOT

London

Books and Publications

Which is the Great Illusion?

A History of the League of Nations. By F. P. Walters. 2 Vols. *Oxford University Press* (for the *Royal Institute of International Affairs*). 833 pages. 60s.

At first sight a history of the League is an unattractive subject. The bitterness of disillusionment has been all too vividly revived by the renewed disappointment of men's hopes after the Second World War, and the current discussion of international relations is strongly influenced by the mood of down-to-earth realism to which Mr Kennan has given expression in his lectures on American diplomacy. Any reviewer may therefore be forgiven for sitting down to Mr Walters's eight hundred pages with mingled feelings of distaste and resignation. Half-way through the first volume, however, prejudice begins to yield to the conviction that Mr Walters has written an unusually interesting history of international relations between the wars, and this is amply confirmed by the rest of the book.

There are several reasons for Mr Walters's success. The first is that up to 1936 the League is the most satisfactory focus for the complicated story of international politics. It is interesting to see how much of the history of those years naturally falls into place in Mr Walters's account, and this more than compensates for the inevitable decline in interest after 1936. The second is that the author had the advantage of being at Geneva the whole time, becoming personal assistant to the Secretary-General after serving in the League of Nations section of the British delegation at the Peace Conference and finally ranking as the senior British official of the League Secretariat. He is thus able to add to an impressive knowledge of the records personal acquaintance with the figures and scenes he describes.

These advantages Mr Walters doubles by his skill as an historian. His style is lucid and, despite the length of the book, he is rarely dull and never long-winded. Few of his chapters are twenty pages long, many are not more than ten or twelve. Footnotes are rare and the note on sources commendably brief. The chapters on the Disarmament Conference might well be recommended to all writers of PhD theses who mistakenly confuse historical scholarship with the dreary accumulation of detail. The author is equally successful in keeping discussion of the organisation and procedure of the League within reasonable limits and skilfully interweaving it with the political narrative.

Mr Walters is not at all afraid to speak his mind, and some of his judgments are sharply turned. He is critical of the policy of all the great powers in turn, not least of the tepid support given to the League by the United Kingdom and the other Commonwealth countries. Few, if any, of the statesmen of the great powers measured up to the expectations of Geneva. They were too much preoccupied with what appeared to convinced supporters of the League as narrow domestic issues, selfish national advantage, or the plain avoidance of responsibility. This raises a fundamental issue and the most serious criticism of Mr Walters's book—of much greater importance than the justice or injustice of his judgments of particular issues or particular persons. For the author's view throughout is that of a man who believes unquestioningly in the principles of the League; yet nowhere are the grounds for such a view *properly set out, they are* simply taken for granted.

But what are the lessons of the League's failure? Are they, as Mr Walters appears to think, that next time the great powers ought to behave less selfishly and more resolutely in their support of international institutions like the League and the United Nations? Or are they, as a reader of Mr Kennan might be tempted to think, that the attempt to establish justice and the rule of law by international co-operation is a dangerous illusion that has served only to confuse and weaken the diplomacy of the West? Which is the Great Illusion—idealism or realism in foreign policy?

No one can read Mr Walters's admirable history without being brought up against this question time and again. It is all the more to be regretted that the historian did not feel the need to turn political philosopher at the end and put up a case for his assumptions against the advocates of the new *realpolitik*.

The Fall of France

Les Evènements survenus en France de 1933 à 1945: témoignages et documents recueillis par la Commission d'Enquête Parlementaire. Vols. 1-6. *Presses Universitaires de France.* 1,939 pages. 2,400 francs.

Au Coeur de la Mêlée. By Paul Reynaud. *Flammarion.* 1,077 pages. 1,950 francs.

When the history of the last years of the Third Republic, and that of its ephemeral successor, the Vichy regime, are written, the historian will not lack sources. In setting up a Parliamentary commission to hear witnesses and receive documents, the French National Assembly performed a service to historians, none the less valuable because men's memories are unreliable when their interests are involved.

The first six volumes contain the records of the hearings held between May 21, 1947, and June 30, 1949. Much of the testimony, particularly General Weygand's, is concerned with the military situation in 1940 or with the story of French armaments and military preparations in the preceding seven years, but there are also matters of considerable political interest. On the internal side, it is interesting to find M. Blum, in 1947, expressing his belief that the events of February 6, 1934, in Paris represented a definite and premeditated attempt at a *coup d'état* against the Republic, a sort of dress rehearsal for Vichy. The comments of M. Daladier and M. Lebrun on this episode are also of considerable interest; it is perhaps a pity that General Weygand was not asked about it as well.

On the international plane, M. Daladier's account (in Volume I), which deals in some detail with the Czechoslovak crisis of 1938 and with the Anglo-French conversations, is important for what he says about the Anglo-French negotiations with Russia in the summer of 1939 and his refutation of M. Reynaud's claim that the Western powers were offered, and refused, a Soviet alliance. Of equal interest is M. *Flandin's version* of why there was no reaction to the German reoccupation of the Rhineland and of his own conversations with Mr Baldwin and Mr Chamberlain on that occasion.

The crucial role both of British caution and of strong antipathy in France to military action on both the right and the left are brought out in even more detail in M. Sarraut's evidence in Volume III. An examination of this and other events in the light not only of the verbal evidence but also in that of the documents provided (not least the contemporary press comments) reveals the small share of individuals in the march to catastrophe. It shows how superficial are writings which seek to present contemporary history as a series of indictments against individuals.

M. Paul Reynaud, whose own evidence is given in Volume I of the report, has now revised his earlier work, "*La France a sauvé l'Europe*," under a new and less challenging title of "*Au Coeur de la Mêlée.*" This work differs from the earlier one in setting M. Reynaud's own recollections and reflections against the other evidence now available. It makes ample use not only of the work of the Commission of Inquiry, but of the records of the Pétain trial and of a variety of other sources, including Mr Churchill's *Second World War*. Unlike the latter, it is thus not simply a personal contribution to history, but a combination of this sort of contribution and an appraisal of the other materials as an historian might attempt it. For the period immediately before the war and for the war itself until the fall of France, it is indeed a work of great utility to the student, even if he may find M. Reynaud occasionally guilty of a little special pleading. This is particularly true of internal French affairs and the responsibility for certain wartime policies and for the seeking of the armistice.

M. Reynaud's fundamental point, that the false military doctrines of France's leaders, with Pétain foremost among them, were as much to blame as the alleged political vices of the Republic, can hardly be disputed. His own record of clairvoyance in this respect is not unimpressive. It is easy to see how his picture of the inadequacy of the British alliance has led him to his present campaign for a European union including Great Britain.

Overseas Law

The British Commonwealth. The Development of its Laws and Constitutions. Vol. 2: The Commonwealth of Australia. By G. W. Paton. 355 pages. 55s. **Volume 6: The Republic of India.** By Alan Gledhill. *Stevens and Sons.* 309 pages. 45s.

These are the first volumes in what may well prove to be an important and useful series. As yet no introduction by the general editor (Mr G. W. Keeton) is available to explain the scope and purpose of the whole series and the volumes under review seem to show that the various authors have been allowed fairly considerable latitude; but the publishers announce on the dust-jackets that "the main purpose of the series is to explain the development of the laws and constitutional structures of the nations of the British Commonwealth." This explains (more clearly than the sub-title) that each volume is a self-contained exposition of the legal experience of one of the entities of the Commonwealth. Very properly no attempt is made to describe the cloudy and evanescent rules governing the mutual relationship of those entities. This is no longer a topic of interest to the lawyer, who is much more interested to discover how his colleagues in other parts of the Commonwealth are tackling the legal problems of the welfare state. In short, the series attempts to do something new, and does so with a considerable degree of success.

The contrasts revealed by the two volumes are interesting. The High Court of Australia enjoys peculiar prestige in the common law world, and it is natural that Dean Paton and his rather formidable battery of specialist contributors should concentrate on the mass of robust and vigorous learning in the "Commonwealth Law Reports." This is mostly lawyers' law, and very interesting it is. The Indians, on the other hand, although rich in law reports, tend to be litigants rather than lawyers and in addition have a constitution of unparalleled complexity. Many will be thankful to Mr Gledhill, for he has provided a very readable exposition of an extremely complicated subject. After a brief review of the history and present constitution of India, he explains the main departments of its public and private law in a clear and straightforward style illuminated by many sensible reflections.

Both volumes are well produced, with indexes, bibliographies and (most usefully) chronological tables; but the prices are well up to the most punitive levels of the law publishers.

The Fanatic

The True Believer. By Eric Hoffer. *Secker and Warburg.* 192 pages. 10s. 6d.

This is a book about the place of the fanatic in the active phases of mass movements. There is much repetition, from which the following conclusions are drawn: that the active phase of mass movements is inevitably unpleasant; that the fanatic is ruthless, self-righteous, credulous, disputatious, petty and rude; that the readiness for self-sacrifice upon which mass movements depend is achieved at the expense of the full life; and that mass movements to be creative must be short-lived, as in the case of the Reformation, or the Puritan, French and American Revolutions; when the pattern of the active phase is preserved for generations, as in the militant Church of the Middle Ages or the imposed orthodoxy of Islam, periods of stagnation follow.

The fruitful attempts of small homogeneous nations to realise an ideal society are contrasted with the ugliness and violence of the vast mass movements of a heterogeneous population. Experiments in Israel and the Scandinavian socialisation programmes are cited against the "hectic coercive atmosphere" of the rise of Christianity and Islam and the Russian and Nazi revolutions. The author concludes that extreme social experiments should be left to small civilised states, on the principle of a pilot plant in large mass-producing industries, and that the West might receive from them the blueprint of a hopeful future as it received in the past its essential religion, culture and civilisation.

Mr Hoffer's generalisations are sometimes startling. Teamwork, he says, is rare among intellectuals but common among men of action. Few scientists would agree with him. He is perplexed that "people who live full, worthwhile lives are usually not ready to die for their own interests, nor for their country, nor

Ready on 1 May

THE WORLD IN MARCH, 1939

Being a Prologue to the Survey of International Affairs, 1939-1946

edited by

ARNOLD TOYNBEE and FRANK ASHTON-GWATKIN

45s. net

Professor Toynbee is probably known almost as well for the series of "Survey" volumes which he edited for Chatham House between the wars, as for his great "Study of History," which is now nearing completion. The War stopped the Surveys, but they are now to be resumed. They could not be better revived than with the trumpet blast sounded in the present volume by Professor Toynbee.

The book is published under the auspices of the Royal Institute of International Affairs.

OXFORD UNIVERSITY PRESS

for a holy cause." Perhaps he has not heard of "the first hundred thousand" of 1914, or "the few" of 1940. He measures a nation's potential vitality by the intensity, but not the quality, of its longing, and says that "the gross ideal of an ever-rising standard of living has kept America fairly virile," but the "lessening drive" of the British results from "the limited ideal of the country gentleman." It will be deduced that Mr Hoffer is an American; he is. On the strength of this book some American critics have compared him with Toynbee, Koestler and La Rochefoucauld. His publishers claim that it is readable and provocative. It is.

Federal and Provincial Finance

Taxation in Canada. By J. Harvey Perry. *Toronto University Press.* (London: *Geoffrey Cumberlege.*) 409 pages. 45s.

Mr Perry's aim in writing this book at the request of the Canadian Tax Foundation was "to describe in some detail the salient features of the Canadian taxation system of today" (that is, the middle of 1951). The subject is large, covering the policies and administration of three forms of government—federal, provincial and municipal. Each of these exhibits certain characteristics in devising taxes to support the expenditures expected of it. The study therefore includes chapters on federal income taxes applicable to residents and to non-residents, succession duties, commodity taxes; provincial consumption and expenditure taxes, liquor and motor vehicle revenues, revenues from the public domain; and municipal taxes on real property. In addition to giving the basic facts about each of the principal taxes in Canada, Mr Perry has provided very useful references to the statutes under which the taxes are imposed and brief summaries of the judicial interpretation of the laws by the courts. This sort of information is of more than academic interest for individuals and business firms who have financial and commercial interests in Canada.

Quite often the author, who is a senior official in the Canadian Department of Finance, explains in some detail why a particular tax has been imposed and why it has been imposed in a particular way. In addition to providing some replies to the perpetual public complaints that taxes seem to arouse, these glimpses behind the facade of governmental pronouncements throw an interesting light on the Canadian official mind at work.

For the political scientist the book should prove stimulating as a description of a federal system of government in practice. In his admittedly sketchy chapters on the "Influences in the Evolution of the Canadian Tax Structure" and "Constitutional Limitations on Provincial Taxation," Mr Perry has given us a brief glimpse of the historical background of the present taxation system. It was originally intended that the study should include an historical survey of the development of taxation in Canada. A combination of detailed historical analysis and a full description of the present situation was, however, too big a task to be undertaken in one volume, and Mr Perry and the Tax Foundation have promised us the historical analysis in a second book.

Text and Reference Books

FBI Register of British Manufacturers, 1951-52. *Kelly's Directories Limited and Iliffe and Sons, Limited.* 882 pages. 42s.

This is the twenty-fourth edition of the authorised directory of the Federation of British Industries. It has become a standard export reference book and is classified in English, French and Spanish.

Private and Public Investment in Canada, 1926-1951. *Department of Trade and Commerce, Ottawa.* 254 pages. $2.

A very thorough investigation of investment expenditure in Canada and its importance to the economy has been made in this report. It has been prepared by Dr Firestone, Economic Adviser to the Department of Trade and Commerce. These are full tables of new investment in durable physical assets and repairs and maintenance, both by industry and by province. Details are given of how the estimates are made and their reliability.

The value and volume of investment are discussed in relation to the level of gross national product, prices, employment and other measures of economic activity. One result of this analysis is to show that, although the total volume of investment in the postwar period was the largest on record, yet in relation to either the population of the country or its total output, investment was higher in the late twenties. The results are illustrated by a number of charts and the material is very clearly presented.

City of Birmingham Annual Abstract of Statistics. No. 1, 1931-49. Edited by Richard Padley. *The City of Birmingham Central Statistical Office.* 139 pages. 15s.

This is the first of a series of statistical records for the City of Birmingham which it is intended to publish annually. A hundred and seventy-nine tables provide information on features ranging from the city's population to its weather, with special emphasis on health and housing. These tables are well set out with short notes on how to use them. Figures are mainly for 1949, but some are for 1950 and historical series are given where possible. As with national statistics, however, there are often changes in scope and definition which limit comparisons.

The usefulness of some of these detailed statistics can only be judged by those for whom they are mainly intended—the civic planners and social investigators. This first experiment in collecting standard statistics for a British city deserves careful study by local administrators.

Local Government Financial Statistics. By V. J. Oxley. *Published for the Institute of Public Administration by Allen and Unwin.* 96 pages. 7s. 6d.

This account of what statistical information is available about local government finance and where it is to be found leaves a strong impression that there is considerable overlapping between the publications of the professional societies and the various government departments. Generally there is more delay in getting out the official figures and, although this may be partly justified on the grounds of completeness, it is a severe drawback. Mr Oxley goes some way towards clearing up the difficulties which users of these statistics experience. Rather more explanation of the broad workings of local government finance would, however, have been helpful. But some useful suggestions are made about how the statistics could be improved, and the need is stressed for comparative figures over a longer length of time. Perhaps it should be added that this book does not contain any of the actual statistics.

United Nations Statistical Yearbook, 1951. *HMSO.* 616 pages. Paperbound 45s. Clothbound 55s.

The third edition of the United Nations Statistical Yearbook contains a new section on consumption of food, power, textiles and raw materials. The accuracy of the figures on food vary widely from country to country, and comparisons between countries may have only a limited usefulness. Prewar and postwar comparisons within countries, however, are said to be reasonably close.

There are also a few new tables in other sections of the yearbook, which follows the pattern of its two predecessors. Most tables give figures from 1931 to 1950.

Cassell's Dutch Dictionary. Compiled by Dr F. P. H. Prick van Welby. 1,376 pages 25s.

This is the first English edition of Kramers' English, Dutch and Dutch-English dictionary which has reached its 22nd edition in Holland. The main change is the addition of an English explanation of Dutch pronunciation. While the text is sufficiently up to date to include the Dutch equivalent of the ATS, radar or television it is pleasant to find that Little Red Riding Hood and Thomas Atkins are still there too.

THE WORLD'S GREATEST BOOKSHOP

FOYLES

* FOR BOOKS *

All new Books in stock on day of publication. Secondhand and rare Books on every subject. Over 3 million volumes.

Subscriptions taken for British and overseas magazines and we have a first-class Postal Library.

We BUY Books, Stamps, Coins

119-125
CHARING CROSS ROAD
LONDON WC2

Gerrard 5660 (16 lines)

Open 9-6 (inc. Sats.)

Flying Holidays

on currency of

£25

Two people flying Air France, with no extras, no tips, and wonderful free meals and drinks, can enjoy up to 14 days abroad on their combined £50 currency allowance. Fares are paid in this country and do not come from the allowance.

Flights to

PARIS · NICE · CORSICA
DINARD · DEAUVILLE
LA BAULE · MAJORCA
BARCELONA · MADRID
ITALY · SWITZERLAND
AUSTRIA · U.S.A. · ASIA
AFRICA · AUSTRALIA

Send for this fascinating free book "FLYING HOLIDAYS"

Your Travel Agent will give you the best advice

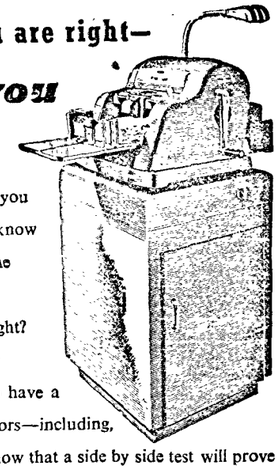
AIR FRANCE

The 4-Engine Service

LONDON: 52/54 Haymarket, S.W.1. WHI.4455 · GLASGOW: 33 Renfield St. CEN. 8054/5
MANCHESTER: St., Peter's Sq. CEN. 8071/2 · BIRMINGHAM: Civic Centre. MID. 5891

You may think you are right—

but have you proved it?



If your business uses duplicating, you are probably convinced that you know which duplicator will give you the best service — but have you *proved* that your conviction is right? Roneo believe that the only way to arrive at a true answer is to have a comparative test of all duplicators—including, of course, Roneo '500.' We know that a side by side test will prove beyond doubt the great advantages of Roneo '500.'

● Considerable saving in running costs. ● Really automatic inking, giving continuously even work without stopping to re-ink. ● Interleaving, with blotting or other paper to prevent smudging, is unnecessary. ● No proofing. The very first copy is usable. ● 16,000 copies from a lb. of ink ● Quick clean colour change in 25 seconds. ● Better standard of work with greater speed.

Write for booklet "Let's take a back seat", which gives users' reports on Roneo '500' that may help you to economise.

RONEO 500 SERIES II

TWO MODELS: FOOLSCAP AND THE WIDE POLICY (PRINTS ON PAPER 18" × 14")

RONEO LTD · 17 SOUTHAMPTON ROW · LONDON · W.C.1

Telephone: HOLborn 7622. Branches throughout the country. TSW134

R.S.V.P.

Our social intercourse is peppered with these little formal Gallicisms. French is, indeed, not only the language of formality—the diplomatic language—but, pre-eminently, it is the language of the table. It is the language of the *connoisseur*, the *gourmet*; it is the language of the *carte du jour*; that being so, it is the language of the *chef de cuisine* below stairs in the Connaught Rooms. Here, where no fewer than twenty of the most sumptuous banqueting halls are gathered together under one roof, London enjoys a veritable *chef d'oeuvre* every night: it is an amenity which has no equal anywhere on earth.

CONNAUGHT ROOMS

are Banqueting Rooms

he's a

CRAVEN

TOBACCO

man

Men who are always on the go find CRAVEN TOBACCO a full flavoured smoke that gives untiring satisfaction. Fresh and fragrant, it burns evenly—slowly. It never bites, and every pipeful is smooth and cool. A grand, manly tobacco.

Craven Mixture 4/6 an oz.; Craven Empire de luxe Mixture 4/2 an oz.; Craven Empire Curly Cut 4/3 an oz.

FOR MEN WHO KNOW GOOD TOBACCOS

Schweppshire Post p6

COOKERY

WOO HIM WITH NATURAL FOODS

Have you tried raw cod sandwiches garnished with a bouquet of shredded turnip?

Serve on a bed of toasted red cabbage if you want HIS eyes to light up.

FASHION

for the fuller figger

IF NOT ACTUALLY FAT

For (B) *the belt is extended*

NEW *Beauté* FOR OLD

Schweppes Appeal

THROUGH SIMPLE EXERCISES

For nose and ears, this is POST'S Bi-manual: With right hand rotate nose anti-clockwise; with left pull out each ear in rhythmic countermotion, allowing it to spring back as *nose reaches upwards position*, so that the two blood supplies may interact.

TEEN-AGE TONIC

Let me be your Uncle

A SPLIT-SECOND SERMON BY DR PRESCHWEPT

From the thousands of letters you have written let me pick one. A simple question. "Why must I relax?" Relaxing is being. Is knowing. Is living. Let the impetus *of relaxation come from within out, never from without in. Muscle by muscle. Arms—and remember the bones. LET YOUR TEETH RELAX.*

A S Preschwept

'POST' BAG

AN OLD BULB

We have in our home a 1900 electric bulb still working. On it is a picture of the Archduke Otto wearing a sailor suit. Would not gayer, painted bulbs help to brighten our drab world of queues and form-filling?

(Miss) *Evadne Schwepperfield*

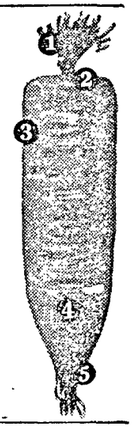
WORTH FOURPENCE

I have just come by a copy of Pilgrim's Progress marked with the date 1883. The price seems to have been 4d. *What is its value now?*

(Address not supplied)

GARDEN HINTS

'Marquess of Schwepstow'



For those of us who are carrot-minded, E. WILT, *Post's* carrot expert, reminds us of points to look for.

Note, in "Marquess", the high shouldering, absence of "waist", and abrupt taper.

1. Top or "pennant"
2. Shoulder
3. Underwing
4. Waist
5. Tip or "low-point

Written by Stephen Potter. Drawn by Lewitt-Him

SCHWEPPERVESCENCE LASTS THE WHOLE DRINK THROUGH

AMERICAN SURVEY

Democrats Without Truman

Washington, D.C.

THE present plight of the Democratic party in the United States is curiously similar to that of the exasperated man, a familiar figure on the variety stage and in some of the earlier Hollywood comedies, who at last pulls out the pin that has been painfully sticking into his back, only to find that as soon as it is out his trousers fall down. There was never any doubt that President Truman was causing the party great pain in its southern regions. Most Democrats had come to believe that if he decided to run again for the Presidency, and if he were renominated in July, there would be a southern revolt of such scope and determination as to make the Dixiecrat effort in 1948 look like a ragged rehearsal.

Some of the more versatile visionaries in both parties were already shuddering over the possibility that at the end of a destructive three months of campaigning Mr Truman, as Democratic candidate, and Mr Taft, as Republican candidate, would have fought one another to such a standstill that neither would be able to command a clear majority of the 531 votes in the electoral college. The election would thus be thrown into the House of Representatives, and the more anybody thought of what might happen then, the colder the sweat on his forehead became.

But now Mr Truman has declared that he will not accept renomination. The notion that it might even yet be possible to "draft" him lived for only a few hours after his bold and brave declaration at the Jefferson-Jackson dinner. The Democratic party was now free to nominate somebody else. The painful pin had been pulled out, the shadow of a devastating Dixiecrat revolt receded and, in a burst of sunshine that followed, the prospect of reconciliation and unity seemed to stretch ahead like a green and fruitful valley. Nobody, however, had leisure in which to study this vista, for urgent priority had to be given to securing the party's future.

It was thus not much noticed at the time that, by the sort of irony which is so often a by-product of politics, the withdrawal of Mr Truman seemed likely to ease some of the party's other pains, as well as promising that the Solid South would now come back into the fold. Not the least of these reliefs might be that one of the issues with which the Republicans were proposing to win the election—the projection of Mr Truman's Administration as one riddled with corruption—would suddenly develop a wan and hollow aspect. Everybody, including Mr Truman's successor, would be against graft and corruption, and all could hold out the prospect of a house-cleaning.

On the other hand, the Democratic party will miss Mr Truman more than it perhaps realises yet. It can hardly hope to find another candidate with his fighting courage, his ability to attract the common voters, and his close identification in their minds with progress and prosperity at home and international co-operation abroad. Moreover, many a Democrat is filled with a sense of loneliness and insecurity as he realises that no one can now be even moderately sure who will be the party's candidate.

The conclusion hurriedly reached upon the withdrawal of Mr. Truman was in most cases that the Democratic party needed a presidential nominee who would appeal to the mass of trade union and other voters in the North without offending the South, and a vice-presidential candidate who would be able to deliver the votes from the South without offending the North. The further conclusion has been that this trick might best be performed by Governor Adlai Stevenson of Illinois as the presidential candidate with Senator Richard B. Russell of Georgia as vice-presidential candidate.

"Didn't You Know, Dearie? This Is Leap Year!"

Herblock in the *Washington Post*

The elephant traditionally represents the Republican party, the donkey the Democratic.

Governor Stevenson's record and experience as a vote-getter, a successful administrator and a liberal exponent of an enlightened foreign policy are admirable. The twin facts that he once said a good word for Mr Alger Hiss, and that he has been divorced, have been much mentioned in the course of anxious studies of the Governor which have lately appeared in print; but it seems doubtful that anybody can regard them as serious obstacles to his nomination. If this were all the Democratic party chieftains had to worry about, they would be consuming much less aspirin than at present.

One cause of the chieftains' headaches has been the preoccupation of Mr Stevenson with this week's primary election in Illinois, the first step towards his re-election as Governor. He is understandably unwilling to cast away this post as things stand now, and in consequence has refused to declare himself available for the Democratic presidential nomination. He can hardly reverse this attitude just yet and he is in fact reacting much as General Eisenhower did to the Republican wooing. Mr Stevenson has made it reasonably clear that he may be available at a later date, if the circumstances seem to warrant it, that is, if what is at present a relatively limited demand for him has been satisfactorily enlarged. What the party chieftains, Mr Truman among

them, will have to worry about here seems to amount mainly to a matter of timing. But they have another and very much bigger worry.

Senator Estes Kefauver, the man from Tennessee, wearer of the symbolical coonskin cap, gentle of voice, friendly of manner, well remembered as the television star of the Senate Crime Investigation, a sayer of popular things on virtually all issues, from Far Eastern policy to Fair Employment practices—this brash amateur who announced his candidacy while Mr Truman was still silent about his own plans—has made such good use of his early start that he now appears to be within sight of (if he has not already reached and passed) the point where he will have to be taken seriously.

As Mr Richard Strout of the *Christian Science Monitor* pointed out the other day, nobody seems to be for Senator Kefauver but the voters. They, however, have recognised in him the gallant underdog, the plucky challenger of the power of the big battalions; and in the New Hampshire, Minnesota, Wisconsin and Nebraska primary elections he has romped home.

There is no reason to suppose that he is not going to repeat the performance in the Democratic primaries in New Jersey on April 15th, Maryland on May 5th and Ohio on May 6th. And if, also on May 6th, the Democratic voters in Florida allow him to make even a respectable showing against Senator Russell, and if he then goes on to roll up a substantial vote on May 16th in the Oregon primary, in which Governor Stevenson's name has been entered without his consent, the party chieftains will certainly have to think again. "The people," said Senator Douglas of Illinois, after Mr Kefauver's triumph in Nebraska, "are beginning to speak in unmistakable terms, and it would be well for the politicians and king-makers to listen." But what the party chieftains need at the moment is succour rather than a sermon.

Banking Leviathan

[FROM A CORRESPONDENT IN CALIFORNIA]

In a country where both bigness and bankers have always been suspect, the giant Bank of America has naturally been considered a double menace. Its growth into the world's largest non-governmental financial institution has excited fear and hostility among other bankers and attempts at restraint on the part of the government. The latest took place a fortnight ago when the Federal Reserve Board, by a vote of three to two, with two members abstaining and the minority publicly protesting, decided to order the Transamerica Corporation, a holding company with an interest, now much reduced, in the Bank of America and in forty-seven other banks, to divest itself of its share holdings in the latter.

The argument was that the operations of Transamerica, which controls half the bank loans made in the five far-western states of California, Nevada, Washington, Oregon and Arizona, have tended to reduce competition in the banking field and thus violate the Clayton Anti-Trust Act. This is the first time the Act has been invoked against a bank holding company and the ruling can only be enforced by a court order, which the president of Transamerica declares will be fought right up to the Supreme Court. The Truman Administration has been far from single-minded on Transamerica and the Giannini banking empire. On at least one occasion the Treasury has opposed the Federal Reserve Board, and Mr Marriner Eccles, a former chairman

of the Reserve Board, attributed his removal to Mr Truman's desire to win support in the critical state of California for his campaign in 1948.

The Bank of America, the foundation stone of the Giannini enterprises, is not directly affected by the dispute. In itself, it is a colossus, even in a period of increasing economic concentration. Both a savings and a commercial bank, its assets of $7.5 billion are half again as large as those of its nearest rival; its savings deposits are triple those of the nation's largest savings bank, and as the pioneer of American branch banking, it has three times as many offices and deposit accounts as the second largest chain. It holds a proportion, estimated at 40 per cent, of all deposits in wealthy California and finances about a third of all new car purchases in the state. In 1947 it held, in US government securities, 1 per cent of the entire national debt.

★

Large as it is, however, it is not nearly the institution its founder, Amadeo Peter Giannini, dreamed of establishing. Giannini envisioned a nationwide and even worldwide branch banking system and doggedly pursued his goal in the face of the traditional American reliance on small unit banking. Lacking the assurance of adequate government control over large aggregations of capital, the United States has not developed the branch banking pattern almost universal in other nations, although in recent years the proportion of branch banks has been growing.

Giannini, a successful fruit pedlar in San Francisco, in 1904 raised $150,000 in capital and opened, in a former public house in the Italian quarter, the "Bank of Italy," which, naturalised and with a thousand times as much capital, is today's Bank of America. When, eighteen months later, the earthquake struck San Francisco, the new bank, by such "unethical methods" as open solicitation of deposit accounts and advertising for borrowers, had accumulated almost $2 million in resources. Giannini met the catastrophe with a celebrated manœuvre: he loaded $600,000 in gold, notes and securities into two wagons, heaped them high with oranges and vegetables and drove them through the burning city to his suburban home, where he buried them in the garden. The city's business district, its water mains broken by the tremor, was destroyed by fire, but almost before the ashes were cool, Giannini tacked a cardboard sign on a pole and started doing business in the ruins.

The following year he again capitalised on calamity when, with what his biographers call "uncanny prescience," he hoarded all the gold he could lay his hands on and greeted the panic of 1907 in fully liquid condition. These incidents not only established the young banker in the community, but suggested to him the merits of branch banking, which, he is said to have thought, saved Canadian banks from serious disruption in the panic.

When California, in 1909, approved statewide branch banking, the Bank of Italy acquired a bank in an Italian district in San Jose. By 1913 it had penetrated Los Angeles, where it began financing the infant film industry, to which it today lends $50 million a year. In 1916, acquisition of a small bank chain in the fertile Central Valley initiated

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

relations with Californian agriculture, today the nation's richest, with an annual income of $2.5 billion.

By the nineteen-twenties the bank's growth had begun to cause alarm. The California League of Independent Bankers appeared, its members pledged never to sell to Giannini, whose competition was putting many small banks out of business. State banking supervisors, alarmed over what they called Giannini's "weird mosaic" of units, refused to issue him new charters, but he evaded them with mergers, dummy corporations and interlocking directorates.

Branch banking was spreading so fast that the federal authorities, alarmed over the increasing concentration of banking assets in state banks (i.e., those organised under state laws; banks with national charters were not authorised to have branches), moved to discourage the trend. The McFadden Act, which restricted branch banking, allowed state banks converting to a national basis to retain all branches held on February 25, 1927. Three weeks before that deadline the Bank of Italy, which Giannini intended to convert into a national bank, suddenly absorbed into its 98-unit system 191 other Giannini banks. This frantic amalgamation was made possible by the election of a new Governor of California, whom 100,000 Giannini stockholders had been urged to support.

★

The Transamerica Corporation, the Giannini holding company, originated in 1919 under another name to purchase shares of other banks and prepare them for integration into the Bank of Italy. It acquired banks in four other western states, a chain in New York known as the Bank of America, and through its diverse holdings and stock manipulation became famous as "the world's largest investment trust," and a favourite of speculators. The 1929 crash ended Giannini's dreams of empire. He retired to Bad Gastein, relinquishing control of Transamerica to Wall Street bankers whom he had allowed to buy into his companies, previously owned completely by west coast stockholders. Two years later, however, he regained control by convincing stockholders that they had been cheated by slippery Eastern manipulators.

It was in the nineteen-forties that booming California became the nation's second most populous state and the Bank of America its largest bank in terms of resources, deposits, capital, profits and loans. Today it has 529 branches, 26 installations at military bases, and, through a subsidiary, 8 overseas branches with another planned for London's West End. A profitable enterprise, its shares, unlike those of other banks, sell for nearly twice their par value. It specialises in service for "the little man," refusing to follow other California banks in closing on Saturdays, and offering such innovations as "Lisa," a life insured savings account under which a depositor's savings goal is guaranteed if he should die before reaching it.

Giannini's cordial relations with the New Deal (the decision to reopen his bank after the "bank holiday" of 1933 is said to have come directly from the White House) were unique among bankers. They lasted until 1938, during which time the Bank of America added 149 branches. For the next three years no new branches were authorised, and the Securities and Exchange Commission instituted an investigation of Transamerica for alleged irregularities in its financial statement and stock manipulation.

Giannini died in 1949, and was replaced by his son, Mr Lawrence Giannini, a frailer figure, who is, however, just as closely watched by government agencies. The SEC hear-

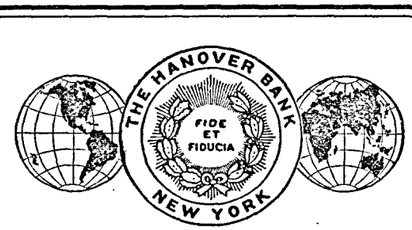
ings were dropped in 1947, no conclusion having been reached, and the Federal Reserve Board assumed the burden of seeing that the Gianninis' attempt "to bring the resources and ability of a billion dollar bank to every American small town" does not also, as one small banker put it, "deprive citizens of their sacred American right to do banking with whom and where they choose."

American Notes

Steel Seizure

The steel industry has been snatched from the jaws of its long-anticipated strike by the President's last-minute seizure of the plants, but to the steel companies this is a fate worse than a strike. They consider it to be confiscation and are appealing to the courts. Should the companies refuse to co-operate by continuing to manage the mills under the nominal authority of the government, they could make it almost impossible for steel output to continue. The President's legal authority for seizure is certainly doubtful; he is taking his stand on his "inherent" constitutional powers to protect the country against disaster. A prolonged steel strike would indeed have been disastrous for the defence programme, although most manufacturers seem to have had sufficient stocks of steel to carry on for two weeks or more. But whether or not it is decided in the end that the President has power to seize the steel plants, the legal argument is likely to drag on so long that a settlement of the steel dispute will have been reached in the meantime.

The companies fear that the government will force them to give the full pay increase recommended by the Wage Stabilisation Board, without the accompanying price increase which they insist is essential and which Mr Arnall, the Price Stabiliser, has refused to consider. But in the final days of negotiation in New York before the strike was due to start,



Firms Engaged in Foreign Trade

A connection with The Hanover Bank makes available to you knowledge gained by many years' experience in international banking.

THE HANOVER BANK

(Incorporated with Limited Liability in U. S. A.)

LONDON . . . 7 Princes Street, E. C. 2

NEW YORK . . . 70 Broadway

genuine collective bargaining seemed at last to be beginning. The companies made their first offer, of a pay increase of over half the 26 cents recommended by the WSB, and Mr Putnam, the Economic Stabiliser, was said to be ready to over-rule Mr Arnall and grant a price rise of about $4 a ton, one-third of the amount the companies were asking. The negotiations have now moved to a higher level in Washington and, with pressure being put on the companies by the seizure, agreement should not be impossible, provided that the trade union can be persuaded to step down a little from the WSB recommendations.

The union should be in a mood to make concessions, for so far the steel dispute has gone very much its way. Not only was the WSB report much more favourable to the union as regards wages than had been expected, but it included a recommendation for a union shop, which the companies contend has nothing to do with stabilisation and therefore nothing to do with the WSB. And now the President, arguing that the union had already repeatedly postponed the strike at his request, has seized the steel plants instead of using the alternative method of an anti-strike injunction against the union under the Taft-Hartley Act. Mr Truman thus made it clear that his sympathies were with the steel-workers and that he agreed with the union leaders that this was a strike brought about by the industry, not by the union. Labour now owes him, and the Democratic party, a debt which it will be able to repay at the polls next November.

* * *

Dropping the Prober

Mr Newbold Morris has been sacked from his job of cleaning up the federal government and has gone home convinced that it was only a whitewashing the Administration wanted after all. But he has the satisfaction of taking with him Mr McGrath, the Attorney-General. It was the implication that the Department of Justice, which should be above suspicion, had been concerned in recent scandals which made the President and Mr McGrath invite Mr Morris to come to Washington. But when Mr Morris paid the Attorney-General the doubtful compliment of presenting him with the first of the financial questionnaires he had drawn up for senior government servants, Mr McGrath discharged him. Within a few hours Mr Truman had removed the Attorney-General as well.

Judge McGranery, Mr McGrath's successor, has no intention of recalling Mr Morris; he has already announced that he will turn the corruption hunt over to the Federal Bureau of Investigation. First, however, Mr McGranery must himself get a clean bill of health from the FBI. This is usual before the Senate confirms an appointment, but it is already being alleged that Judge McGranery, when Assistant Attorney-General at the end of the war, "whitewashed" government employees accused of conveying secret documents to the offices of the left-wing magazine *Amerasia*. It looks as if Mr McGranery may have some difficulty about his confirmation, even though he was once a member of the Senate himself.

Mr Morris has already given his view that the FBI is quite unsuited to the task of tracking down corruption and correcting unethical conduct in office; he is not alone in believing that the FBI should be kept outside politics and confine itself to the business of law enforcement. Mr Hoover, its head, himself seems to have felt, in the past at least, that his hands were full enough with counter-espionage and the investigation of loyalty cases for the government. It may be, however, that the Administration knew, after the Morris fiasco, that no independent investigator could be persuaded to take on the task of cleaning an establishment which soon will be turned upside down to accommodate a new tenant. The President, by trying to ride two horses at once—to keep Mr McGrath in office and to have him investigated too—has missed the opportunity of leaving his house in order, or even giving the impression that he considered it very important to do so.

* * *

A Calculated Risk

Mr Charles Wilson's swan-song, his last report after fifteen months in charge of America's industrial mobilisation, was a rousing reply to those who have been accusing him of showing so little sense of urgency and so much concern for the civilian economy that the defence programme, in the words of the Senate preparedness subcommittee, has produced "a small number of guns and a great amount of butter, with a considerable number of lollipops thrown in." Mr Wilson also managed to get in a few digs at the Defence Department's planners, whose unattainable schedules for future armament output have provided most of the evidence for allegations that the defence programme has been lagging dangerously. Mr Wilson insisted that defence production had never been limited by shortages of materials and that he had given the services everything they wanted, even when he considered their requests irrational.

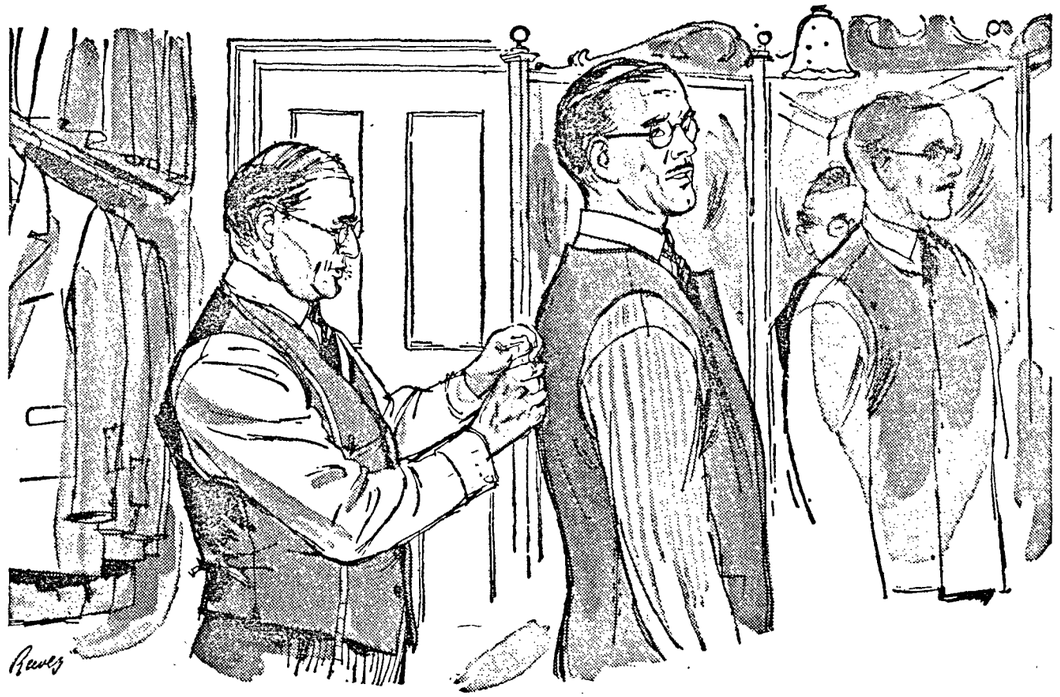
To Mr Wilson the long series of "stretch-outs" or "cutbacks" in the defence programme, which have been so much criticised, represent a calculated risk. When in 1951 the chance of full scale war breaking out seemed no greater, if as great, than in 1950, it was decided that, instead of rising sharply to a peak, military production should rise more gently to a plateau; there it would stay much longer—until at least the end of 1954, according to Mr Wilson, who put the date six months later than President Truman had in January. Defence output is already two-thirds of the way up to this plateau and in most cases climbing rapidly. When it gets to the top, at the end of this year, $4 billion worth of "hard goods" and military construction will be turned out each month. This, Mr Wilson emphasised, is the goal set by the services themselves and he reported that he was leaving the rearmament programme firmly set upon the path towards it.

The risk of this delay was obvious, and is not over yet, but the calculation was that it would in the end give America greater and more lasting strength. The new arms, when they do come off the assembly lines, will be of the latest types, a match for anything the Russians have, instead of the obsolescent weapons that are all that could have been put into large-scale production quickly. But they are armaments which take a long time to get into production, which are always being improved by research, and which involve all sorts of complicated electronic and other equipment. They will be coming, however, from factories that could double or triple output at the drop of a hat—or an outbreak of war. This is another advantage of making haste slowly; American rearmament will be on the broad base that Mr Wilson considers so important, able if necessary to rise much higher much faster than is at present contemplated. If defence industry had rushed up the peak this year, it would have been some time before it could gather enough breath to go further. It would have been ready for a war, perhaps, but not for the long pull needed to prevent war.

* * *

On the Inflation Front

Pressure is once more being put on the Federal Reserve Board by Congress to revive flagging retail sales by relaxing its curbs on consumer credit for automobiles, appliances and furniture. Consumer credit stands just about where it did a year ago, and bank loans to business, which increased little more than $100 million in the first quarter of this year, have not added to the money supply as they did a year ago, when they rose by $1.6 billion in the first three months. Indeed, at the beginning of the second quarter, there was a rapid contraction, as the season for repayment of loans began. The federal cash deficit for the year ending in



*

"Do you favour Colloidal Silica, Sir?"

Indeed you do — whether you realise it or not. This Monsanto chemical brings many benefits to the textile industry — greater yarn strength, fewer breakages, faster production. This, in turn, means finer quality woollens, worsteds, cottons and rayons for everyone.

Chemistry plays an important role in the textile industry by contributing substantially to better products and processes. Other Monsanto chemicals preserve yarns and fabrics from mildew and similar growths, assist in washing, scouring, sizing and dyeing.

Supplying chemicals to the textile industry is only one of many ways that Monsanto serves industry. Hundreds of similar instances are found wherever industry serves mankind.

**Chemical synonym for SYTON, registered Monsanto trade name for a textile spinning aid which increases yarn and cloth strength.*

MONSANTO CHEMICALS LIMITED
8 Waterloo Place, London, S.W.1.

MONSANTO
CHEMICALS — PLASTICS

In association with :—
Monsanto Chemical Company, St. Louis, U.S.A.
Monsanto Canada Ltd., Montreal.
Monsanto Chemicals (Australia) Ltd., Melbourne.
Monsanto Chemicals of India Ltd., Bombay.

June will be much smaller than the $4 billion the President forecast last January, and may not materialise at all, because military deliveries are lagging, and spending of the foreign aid appropriations has been slower than expected.

The monetary authorities may be forced to give way, under the threat that if they do not loosen the credit curbs, Congress will. But looking ahead, they see little cause for complacency in the fight against inflation. In the new financial year, the Treasury will probably have to borrow between $5 and $10 billion, depending, to some extent, on the amount by which Congress cuts the President's budget. No one is willing to predict that this can come entirely from non-bank sources, particularly as money will be needed to finance a record expenditure for new industrial plant and equipment. Deliveries of military "hard goods" will rise from more than $2 billion worth a month to more than $3 billion worth by December and it is hard to foresee any slackening of the economy when payments of this size are pouring into the national income stream without any compensating increase in civilian goods.

The politics of an election year have already forced the Federal Reserve Board to make a hole in one of its anti-inflationary dikes. Mr Truman has asked the voluntary restraint committees, made up of representatives of financing institutions of all kinds, to cease screening the proposed borrowings of states, municipalities and other local bodies. The reason given by the President was that it is undesirable to continue, for any longer than absolutely necessary, a federal veto on local activities. But what pushed the President momentarily into the states' rights camp was the refusal of the credit restraint authorities to approve a new bond issue by public bodies in the State of Washington to buy out a privately owned electricity company. They considered this would be inflationary, as the supply of electricity would not be increased, but in the north-west it was represented as a veto on public ownership imposed by private investment bankers. The danger is not so much that borrowings by states and cities will increase, though they certainly will, especially for such purposes as paying bonuses to ex-servicemen, but that lenders may conclude that there is no longer any need for restraint in other directions.

* * * *

General Eisenhower's Coat-Tails

The hearts of Eisenhower supporters have been warmed by results in the primary elections, which suggest that, if only he can be nominated, the General will be swept into office on a flood of popular enthusiasm. These results strengthen the argument, which has force for the professional Republican politicians, that only General Eisenhower's nomination can guarantee Republican control of the Senate, where the Democrats now hold fifty seats to the Republicans' forty-six. But it is an argument which is beginning to give cold feet to some more far-sighted friends of the General. They fear that the Eisenhower flood may float back into the Senate a group of isolationist Republicans who can be counted upon to oppose General Eisenhower's international policies at every turn.

The alternative, should General Eisenhower win by something less than a landslide, is that while the Republicans would almost certainly carry the House of Representatives, the Senate might well remain under nominal Democratic control. This might be the lesser disaster, for on foreign policy General Eisenhower would command Democratic support, and the Senate committee chairmanships would be kept out of the hands of such Republicans as Senator Bridges, Senator Wiley, Senator Capehart, and Senator McCarthy.

The dilemma arises because this year, of the thirty-four Senate seats to be filled—there are in addition to the usual thirty-two contests, two special elections, one in Nebraska and one in Kentucky—only fourteen are held by Democrats, and twenty by Republicans. Their vintage is 1946, a year in which the country took revenge on the Democrats for controls, scarcities, and meat rationing by electing a Republican Congress. A number of obscure Republicans profited. The chances of the Democrats this year are further improved because at least five of their seats falling vacant lie in safe southern states.

Republicans counting their chickens concede that four other Democratic seats, in Wyoming, Kentucky, Arizona, and Rhode Island, are probably safe. If this is true, there are only five contests in which the Republicans stand a good chance of picking up the three new seats which are all they need for control of the Senate if they can hold those they now possess. The most promising are those in Connecticut, where Senator Benton was elected by a majority of just over 1,000; in Michigan, where Senator Moody was appointed to succeed Senator Vandenberg, a Republican; and in West Virginia, where Senator Kilgore squeezed in by less than 4,000 votes in 1946. But the Republicans have their own weak brethren, on whom Democratic fire will be concentrated: Senators Cain of Washington, Ecton of Montana, Kem of Missouri, Watkins of Utah, Malone of Nevada, and Williams of Delaware. With the exception of Senator Williams, who almost single-handed rang up the curtain on curruption in the Bureau of Internal Revenue, General Eisenhower would miss none of them. The irony is that if he runs he can hardly avoid giving them a free ride on his coat-tails.

Shorter Notes

The President has asked Congress to authorise a special federal ballot, similar to the one used by the armed forces in 1944, for members of the services who wish to vote while away from home. Mr Truman criticised the "complicated and conflicting" electoral laws of the various states that will make absentee voting very difficult for the 2.5 million servicemen of voting age, their wives, and 200,000 civilians living overseas. He urged that a federal ballot be provided for the coming election and that general amendment of state voting measures be undertaken to simplify the procedure for future elections.

*

One face which many had hoped to see in the next Senate will not appear. The President has announced that he will not be a candidate for his old job of Senator from Missouri, and Senator Humphrey's project of making all ex-Presidents life members of the Senate is not likely to mature in time.

*

A group of more than 100 waiters have filed suit against the Waldorf-Astoria Hotel in New York City for $3 million which they allege is due to them for gratuities. The waiters argue that the hotel collects 15 per cent of banquet charges from diners as tips for the waiters, but that during the past six years they have received only 10 per cent; the remaining 5 per cent, they allege, has gone into the management's till.

*

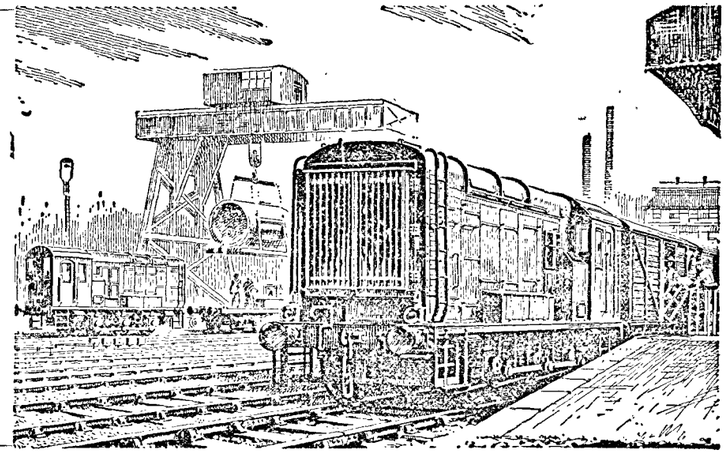
New York housewives will shortly be able to buy yellow margarine instead of having to buy it white and stir in a yellow dye. Thanks to Governor Dewey, the Republicans in the State Legislature, many of whom represent dairy farming districts, have at last summoned up the courage to repeal the ban on the manufacture and sale of coloured margarine which had existed for over 60 years. The federal tax on coloured margarine was repealed two years ago, but its sale is still restricted in seven other dairying states.

*

The law of supply and demand was the reason why price controls were lifted recently on sundials, bowling pins, dinosaur bones and "non-edible" foods, all of which, the price stabilisers said, "have but a trifling effect" on living costs. By non-edible foods, it was added, are meant the wax fruits and plastic turkeys often used in displaying refrigerators.

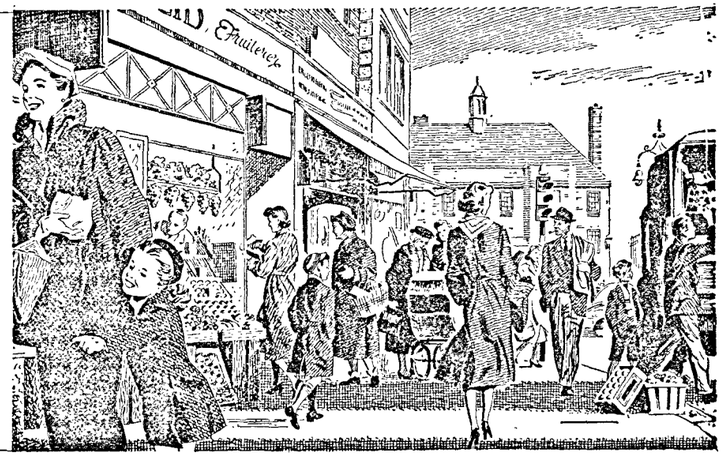
'ENGLISH ELECTRIC'

Every month Britain's railways carry more than 22 million tons of goods, and the marshalling of this enormous traffic requires powerful shunting locomotives of the utmost reliability. 'ENGLISH ELECTRIC' diesel-electric shunters, handling loads of hundreds of tons, are doing this job 24 hours a day — not only in Britain but on railways all over the world.



bringing you

In the monthly total of freight transported by Britain's railways are 4½ million tons of food and general merchandise for the shops. 'ENGLISH ELECTRIC' plays a vital part in ensuring that your meat, fish, fruit and vegetables are delivered regularly and on time — one more example of the many ways in which The ENGLISH ELECTRIC Company brings electric power to the service of millions of people.



better living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

THE WORLD OVERSEAS

Ferment in Italy

THE storm over Trieste has swept through Italy at a moment of considerable political confusion. All political parties are out with moistened fingers testing the electoral weather because the next round of municipal and regional elections is due in May; these will be followed, moreover, by a general election, which must be held either in the autumn or by this time next year. The imminence of these two important tests of public opinion greatly increases the difficulties of Signor De Gasperi, the Prime Minister, in dealing with a subject about which nearly everyone in Italy has come to have deep and often violent emotions. This feeling about Trieste has been deliberately fostered for political and personal motives by a wide variety of persons. The upshot has been to create a mood of extremism which has already shown signs of getting out of hand. As a result, the Government's efforts to adopt a rational approach, although secretly supported by considerable sections of intelligent opinion, may yet cost it dear among the masses. In some places people now run the risk of being beaten up if they are known to express the view that Italy cannot seriously expect to regain the whole of Zone B from Jugoslavia.

Complicated Manoeuvrings

It is difficult at present to assess the Government's standing in the country. On the general issues of foreign and home policy there is probably no serious disagreement between men like Signor De Gasperi, a Democratic Socialist like Signor Saragat, the Republican Signor Pacciardi, the leading Liberals, and even many of the monarchists. Yet the position of Signor De Gasperi within the Christian Democrat party is being continually undermined by his own right wing; Signor Saragat is being vigorously encouraged to enter a popular front with the Communists; the Liberals and Monarchists are increasingly subject to the pull of the neo-Fascists; and the Republicans, although they did well in the municipal elections last year, are threatened with extinction if their alliance with Signor De Gasperi is broken up. In the end the outcome of these and other complicated manœuvrings is likely to be decided by the development during the next few months of three main elements in current Italian politics—the clerical bid for power inside the Christian Democrat party, the Communist tactics of forming a popular front, and the national resurgence of the Fascists.

At the last general election in 1948, the prestige of the Church played a vital, perhaps decisive, role in winning votes for the Christian Democrat party. Since then, under Signor De Gasperi's leadership, a great deal has been done to emphasise the party's lay aspect. Although the Prime Minister is a devout Catholic—one of his daughters is a nun—he strongly believes that democrats of all kinds, Liberal and Socialist just as much as Christian Democrat, must band together if the parliamentary state and republican constitution are to be upheld. He himself has consistently tried to maintain his government as a coalition, often against the opposition of other Christian Democrats in the cabinet who could point out that the party by itself has an absolute majority in the lower house if not quite in the upper. For a long time the right-wing Socialists were in the government, but now the coalition includes only the Republicans.

Today the Vatican is profoundly worried about the prospects for both the regional and the general elections. There is accordingly a strong movement afoot in Italy to re-establish the ascendancy of clerical influence over the Christian Democrat party in order to prevent the popular front victory at the polls which many people fear. To this end, a kind of political crusade has been generated during the past few months by Catholic Action (*Azione Cattolica*) under the able and active guidance of its lively new head, Dr Luigi Gedda. Unfortunately this crusade alienates a great many people and is ruinous to Signor De Gasperi personally. It is splitting the Christian Democrat party. It has already contributed towards Democratic Socialist unwillingness to be committed to a common list with the Christian Democrats for the regional elections. It is in consequence making Signor De Gasperi increasingly dependent on right wing support, and this in turn means that he can no longer enjoy his former prestige of being virtually above party.

To these criticisms, the Church may well argue that it did, after all, make a heavy contribution to the defeat of the Communists in 1948. But the answer is that the present tactics of Catholic Action are in fact breaking up, for the first time since 1948, the political situation which has existed in Italy since those elections. What is wanted is the spread of the Church's influence outside party politics, rather than the encroachment of clericalism on the inner direction of the one mass party which is opposed to Communism. If the new political crusade were called off, the Christian Democrats would be in a stronger position to form decisive electoral alliances with other parties and Signor De Gasperi might be able to recover some of the ground he has lately lost. There can be little doubt that this would be in the interests of a democratic Italy and of its allies in the North Atlantic Pact. As things are, the leading spirits of *Azione Cattolica* frankly regard the present republican constitution as unworkable and mean to change it as soon as they can for a cross between those of Spain and the United States. Since they call Signor De Gasperi an out of date nineteenth century figure, it is not surprising that already their attitude is sometimes said to smack of *Francoismo*.

Communists Regain Lost Ground

To the left of the Christian Democrat bloc, the success of the Communists in forming a popular front depends on detaching the Democratic Socialists finally from Signor De Gasperi's side. The prospects of Communist success have improved since the recent election of Signor Romita as the Socialist Secretary and Matteo Matteotti as his Vice Secretary. Both have succumbed to the temptation of trying to filch votes from the Communists and the left wing Nenni Socialists by opposing the government; but the result of such a policy may well mean that they themselves end up again as a minor group inside the popular front. In that case the Italian Communists, who have already won back some of the voting strength they lost between 1946 and 1948, might have a larger number of fellow travellers by next year than at any previous election.

To the right of the Christian Democrats, the position is scarcely any better. Everyone expects a swing to the right in the forthcoming regional elections. If that happens and the neo-Fascist MSI (*Movimento Sociale Italiano*) gains substantially, its power of attraction over the remaining followers of the smaller and more moderate right wing parties, the Liberals and Monarchists, will increase correspondingly at the general election. Moreover, if the election is not held till next year the old guard of regular Fascists, men who followed Mussolini to the end and who are precluded by law from public life till next December, will be able to appear again openly. Already they stand in the wings, much of their prestige regained and their advice increasingly sought in private by members of the present democratic parties. How the Italian right will sort itself out eventually is still inscrutable. But already the combined strength of clericals, fascists and monarchists is enough to represent a major political force nearly comparable with the other two—the Communists and, for want of a better definition, those who are potential adherents of Signor De Gasperi.

This, then, is the scene of political confusion in which the Prime Minister is having to deal with the explosive problem of Trieste. Beneath a relatively placid exterior, Italy is today seething with a pre-electoral fever which has permeated every corner—except possibly the collected determination of the Communist camp. Sometimes it hardly seems conceivable that, beset by parliamentary difficulties even among its own followers, so friendless a government could carry on quietly for another year and then get itself re-elected to office. It is equally hard to see, nevertheless, just what the next steps even of Catholic Action are to be. And it is almost certain that President Einaudi would refuse to accept Signor De Gasperi's final resignation until somebody else, with a fully fledged programme, put himself at the head of an explicit political rebellion in the Christian Democrat ranks. The Prime Minister, therefore, is likely to carry on, living rather from hand to mouth as he has virtually done since last July. What he cannot afford is to make no progress in taking over some measure of Italian responsibility for Zone A. That is what the western alliance must always bear in mind in trying to solve the Trieste problem.

General Principles

"OUR goals are simple; they are honourable; they can be achieved. Why, therefore, should there be confusion in the minds of millions of our own peoples as to the basic aims of our defence programme?" To this question, posed by General Eisenhower in his report on his first year as Supreme Commander of the Atlantic allies' forces in Europe, there is no simple answer; but the mental confusion of which he speaks cannot be wholly attributed to the efforts of those who deliberately seek to confuse. In part, it is the result of the western leaders' failure to explain their policies in words which make a clear impression on the man in the street. The Supreme Commander's report, however, will itself help to fill this gap. Ostensibly addressed to the military Standing Group of Nato, it is nevertheless clearly directed to the general reader. It ranges far beyond the technical scope of the general's responsibilities, and in so doing provides the answers to several of the questions in the minds of the confused millions.

One of these questions asks why, if the threat of Soviet aggression is so real, the Russians have not already taken advantage of the West's weakness by sweeping through to the Channel. In simple and patient words, General Eisenhower explains that "the threat of force is no less terrifying to the weak than force itself," and that if the West had not taken both its defences and its morale in hand, nation after nation could have been "infiltrated, harassed, and browbeaten into submission" without war. Again, to the argument that rearmament means ruin he returns the firm answer that "nothing would be gained and much lost through any substantial lowering of the already low standard of living in Europe." His report, indeed, shows a sincere sympathy for European economic difficulties, and for the caution with which European governments have approached the loading of new burdens on to their peoples. To both the American and the European public he makes it clear that Atlantic defence will not call for an infinity of effort. While on the one hand America cannot be expected to arm the whole free world, and each major area must eventually be defended primarily by its own peoples, Europe will not be required to maintain permanently under arms the full regular forces necessary to meet a Soviet invasion. And for all the Atlantic peoples the goal is not too remote.

> Visible and within grasp we have the capability of building such military, economic and moral strength as the Communist world would never dare to challenge. When that point is reached, the Iron Curtain rulers may finally be willing to participate seriously in disarmament negotiations.

Yet this buoyancy is not achieved by playing down the difficulties and dangers. If General Eisenhower's forces have been doubled in numbers and successfully redeployed during his year of service, they still are not strong enough to offer "prolonged resistance east of the Rhine barrier." If morale is far better than it was a year ago, at the same time the trend towards more complex weapons is accelerating; and the resultant saving in manpower is being offset by the mounting cost of equipment, which can only be overcome by "eliminating every trace of luxury" both in the equipment itself and in military organisation. The barriers which divide the nations of Europe are still "expensive and wasteful encumbrances, pyramiding the cost of production with tariffs, overheads, taxes and middlemen." The Supreme Commander sees in the unification of Europe "the only possible way of creating reasonable security, and ensuring, at the same time, the improvement in living standards that characterises western civilisation." His hopes of seeing this unification realised are tempered by some appreciation of the difficulties involved; and if his readers on this side of the Atlantic are tempted to wish that this appreciation was stronger, they will be relieved by his verdict that, even without European union, "respectable strength can be achieved within Nato."

But the most striking thing about General Eisenhower's report is perhaps its exhortatory vein. He addresses himself in turn to political factions that consider their interests as more important than the fate of their nations; to businessmen who place "profits above patriotism"; and to workers who are still taken in by the propaganda of those who have destroyed free trade unionism east of the Iron Curtain. There are, he writes, "many steps possible in Europe which would cost little and yet bring rich returns through increased strength"; he does not specify these steps, but their nature emerges from his praise of such projects as the Schuman Plan. It is not, however, only to Europe that the general addresses himself. The whole of the West can, in his view, only be saved if its peoples "make a complete break with many things of the past, and show a willingness to do something new and challenging." This is rich fare, which neither Americans nor Europeans would find easy to stomach if it was served up by any other than General Eisenhower.

Germany Recreates Capital

SOME answers can now be given to the question—how has Germany found the capital to finance the extraordinary recovery since the currency reform of 1948? During 1951 the gross national product amounted to DM 111 billion and net investments for new plant and additional inventories amounted to DM 20.4 billion. In the previous year it was DM 15.4 billion. Large sums have, of course, also been spent on repairs to war damage. Self-financing has provided a very large proportion of investment capital. German firms and trade have been able to accumulate investment capital by charging high prices in a market which was for a long time almost insatiable and by taking advantage of a concession made in income tax and generous provisions for amortisation. Only a small proportion of investments have come from the state, though a certain amount of direction has been exercised by offering special tax concessions for investments in essential branches of industry, such as housing and shipbuilding. The Reconstruction Loan

Corporation, which was founded in 1949 to channel state funds into industry and to finance the export trade, extended total credits of DM 4 billion in the three years of its existence. Over three-quarters of its resources consisted of the counterpart funds arising from imports under ERP and relief grants from the US Government. The funds put at the Corporation's disposal by the German central bank, chiefly for financing long-term export contracts, amounted to DM 627 million.

The private banks—by tradition closely bound up with industry—helped German firms that sought credits at any cost. About one-third of the short-term credits which the banks have extended have been constantly prolonged and used for long-term investments. The banks raised the total amount of short-term credits to industry from DM 4 billion at the end of 1948 to about DM 16 billion at the end of 1951. They did so in spite of their own huge capital losses arising out of the war and inflation. In the event, the risks have been justified by the great increase in production that has followed. The banks have been able to build up more satisfactory capital reserves themselves. A very high rate of employment has been achieved, while the unemployment figure has remained fairly stable around 1.3 billion. (The number of persons who are both employable and are not earning money "on the side" is, however, certainly less than half this figure.)

Extent of Hidden Reserves

One of the main reasons why German enterprises have been able to secure bank credits has been the extraordinary strength which they revealed when they brought out their hidden reserves after 1948. After the currency reform it was necessary to prepare new D-mark balance-sheets. The opportunity was given to revalue capital assets without becoming liable for taxation on that account. Ever since the period following the first world war German firms have conducted an excessively conservative policy of restricting dividends and writing-down assets to sums which have become increasingly disproportionate to the true value of plant. The limitation of dividends to 6 per cent became compulsory when Hitler began his rearmament campaign, and has still not been abolished. By revaluing assets to something nearer their true value, most German enterprises have been able to offset in their balance-sheets the vast losses they have incurred through the currency reform (or, more accurately, the inflation which the reform ended), the loss of property in the eastern areas of Germany, destruction through bombing, and dismantlement. The extent of this process is expressed in the single fact that the average rate of conversion of capital of industrial companies from Reichsmarks to D-marks has so far been 10:8, although the currency was cut at the rate of over 11:1. It has been expressed also in the great rise in the quotations of the leading industrial shares, which has in turn enabled an increasing number of companies to make successful issues of bonds convertible into equities.

A complaint of the iron, steel and coal companies of the Ruhr is that they have hitherto been prohibited from raising capital in the market in this way, as the regrouping of the trusts under Allied Law 27 is not completed; the assets of the companies which have been formed out of the old trusts have not yet all been valued nor has the rate at which shares will be exchanged been fixed. This handicap, together with the fact that the prices of steel and coal are limited, has placed the basic industries at a disadvantage. Nevertheless, the steel industry has helped itself to a remarkable extent out of profits and the use of short-term credits for investment. Heavy industry also received the greater part of the long-term credits given by the Reconstruction Loan Corporation. Some DM 450 million has been invested in the steel industry during the last 3 years on expansion (not including repairs), a fact reflected in the growth of steel production from some 3½ million tons to an annual rate of nearly 15 million tons. However, if output is to rise, as the Ruhr hopes, to 19 million tons, an investment of DM 3 billion is needed in the next two or three years (or double this sum according to the report of the Reconstruction Credit Corporation) and only about 40 per cent of this sum can be raised by the industry itself.

The coal industry has been neglected to an extraordinary extent despite its basic importance. This has been due to many factors, chief among them being the low price at which export coal has been fixed, and the continued uncertainty about the ownership of the mines. Some DM 1.5 billion is needed in the Ruhr coalfields for a long-term programme. About DM 600 million, part of which has already been raised, is to be invested in the short-term programme for increasing output to 450,000 tons a day. The electric power industry also calls for investment of some DM 3 billion, of which it can only raise about 20 per cent.

Needs of Basic Industries

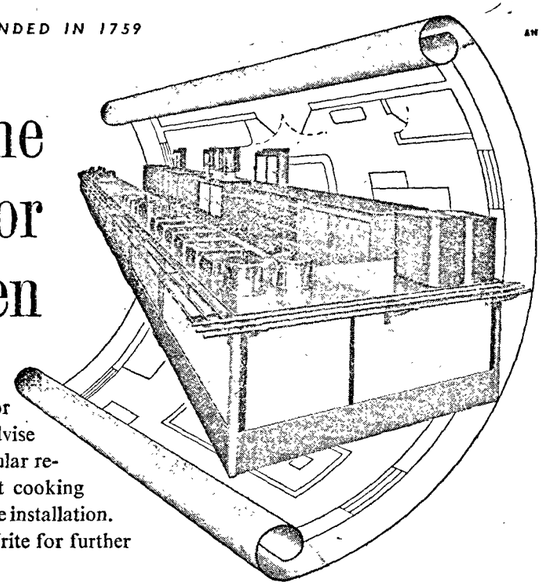
The amount invested in the last few years in Western Germany has therefore been large proportionately to the gross national product. But the gross national product itself is comparatively low, and investment has been for the most part undirected. The coal industry in particular has been left without the funds needed to expand production. The principle followed was laid down by the Minister of Economics, Dr Erhard, when he remarked: "No one but a fool would entrust his money to the state to invest." If it had not been for Marshall aid and the device of the counterpart funds, there would have been little chance of priming the pump in the basic industries and the export trade. But counterpart funds are an uncertain factor for the future, as the amount of aid which Germany will receive from the United States will depend upon the extent to which it is ready to help in defence. With this in mind, and realising the essential importance of raising coal output if all the other expanding industries are not to be frustrated for lack of materials, German financial experts have for a long time past been working on a scheme for making all other enterprises and trade contribute towards investment in the basic industries. A complicated, and probably ineffective plan after long delays is still not in operation. Uncontrolled private capital formation is still proceeding very rapidly, helped by extremely generous taxation allowances. But for the basic industries, Germany looks to the United States to provide investment credits, once the Schuman pool's High Authority is set up and a similar body controls a common defence budget for the European Defence Community.

The Reconstruction Loan Corporation's report gives two alternatives for the future. If the rearmament drive continues, the German economy will have to exert itself to the utmost in order to increase production, maintain social welfare, and prevent inflation. On the other hand, if international tension relaxes without the markets controlled by Russia being opened there will be such extreme competition among the western exporting nations that it will be hard to prevent a dangerous fall in the standard of living.

A third alternative is proposed by Professor Fritz Baade, the head of the Kiel Economic Research Institute, whose findings are always used to support the arguments of the Social-Democrat Party. Professor Baade declares that the reunion of Germany is "much more important than our military defence contribution." If unity is achieved, Western Germany must invest in the Soviet zone some DM 3 billion, which he proposes could be saved by cutting down occupation costs. It will be seen that the question of capital investment in Germany is inextricably bound up with international politics.

CARRON THE ROYAL CHARTER COMPANY FOUNDED IN 1759

Carron will plan the complete layout for your works canteen



Carron heavy duty cooking equipment is produced to run on any type of solid fuel, steam, gas, oil or electricity. Carron experts are in a position to advise on the most suitable installation to meet your particular requirements. Not only will Carron supply the best cooking equipment for your purpose, but will plan the complete installation. Regular maintenance contracts can be arranged. Write for further details and literature to Department HC.

Carron HEAVY DUTY COOKING EQUIPMENT *Coal · Coke · Steam : Oil : Gas : Electricity*

CARRON COMPANY · CARRON · FALKIRK · STIRLINGSHIRE *and London · Manchester · Liverpool · Newcastle · Glasgow*

Increased Interest on a

SAFETY-FIRST INVESTMENT

2½% per annum

Income Tax paid by the Society

Equal to £4.15.3 per cent to investors subject to income tax at the Standard Rate

Abbey National announce that, with effect from April 1, the interest on shares will be raised from 2¼% to 2½%, and on deposit accounts from 1¾% to 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

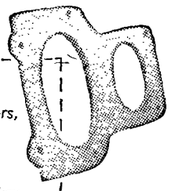
Total Assets £136,630,000

ABBEY NATIONAL BUILDING SOCIETY

HEAD OFFICE: ABBEY HOUSE, BAKER STREET, LONDON, N.W.1

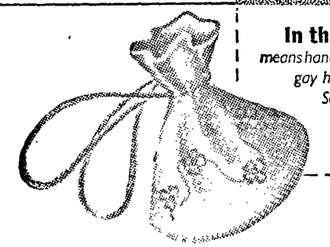
For address of Local Office see Telephone Directory

CVS-289



In industry felt *means filters for gaskets, seals, washers, shock-absorbing mountings. Felt can be die-cut, punched, machined and even ground, and does not ravel, shred or fray.*

BURY FELT



In the fashion field felt *means handbags, smart accessories, gay hats in charming colours. Soft, just the right texture, felt wears well, keeps its shape and colour*

Whatever your interest, send your inquiries to **Bury Felt Manufacturing Co. Ltd., Hudcar Mills, Bury, Lancs.**
London office: 3 Snow Hill, E.C.1.
Phone: Central 4448

The Ukrainian Resistance

THE population of the Ukrainian SSR is now 41 million, nearly equal to that of France. With the postwar incorporation in the Soviet Union of the former Polish Ukraine, of Carpatho-Ukraine or Sub-Carpathian Ruthenia, which was formerly part of Czechoslovakia, and of parts of Bukovina and Bessarabia which belonged to Rumania between the wars, all Ukrainian-inhabited lands have been united in one state, but subject to Soviet Communist rule directed from Moscow. The movement for national independence, which was already active under the old Russian Tsardom, is still very much alive. It operates secretly within the Ukraine, but has its public political organisation and bases of action abroad.

Ukrainians outside the Ukraine belong to three categories. The first and most numerous consists of non-political emigrants and their progeny, who have settled mainly in the United States and Canada. The second group consists of anti-Bolshevik Ukrainians who went into exile after the Soviet victory in the Ukraine in 1920 and also of Ukrainians who resisted the Polish annexation of eastern Galicia. Thirdly there has been the emigration since the Second World War, consisting partly of prisoners of war and deportees in Germany who avoided repatriation to the Soviet Union and partly of refugees who came out with the retreat of the German armies; to these has been added a steady trickle of Red Army deserters and escapers over the last six years.

Politically the Ukrainians abroad are now divided into four groups, of which only one is able to function effectively beyond the Iron Curtain. In Europe the main political organisation is that of the Ukrainian National Council, associated with the so-called State Centre of the Ukrainian People's Republic, which is claimed to represent the formal continuity of the independent Ukrainian state created in 1918 and to constitute the legal basis of a government-in-exile. The State Centre has a president, Mr A. Livitzky, who has held this nominal office since 1926. The politically functioning body of the State Centre, however, is the National Council, with its executive committee, on which are represented the principal Ukrainian political parties—the Socialists, the Revolutionary Democrats (URDP), the National State Federation (UNDS), the National Democrats (UNDO) and the section of the Nationalist party (OUN) led by Colonel Melnyk.

Two important bodies stand outside the National Council. One is the Hetmanist party, a formation of the extreme Right, which has never recognised the People's Republic; they were the followers of the Hetman Skoropadsky, who held power in the Ukraine under German protection in 1918, and since his death in 1945, they have supported his son Danylo Skoropadsky. They have always had close connections with German military circles, but they are few in numbers and lost prestige when Germany failed to do anything for them in 1941.

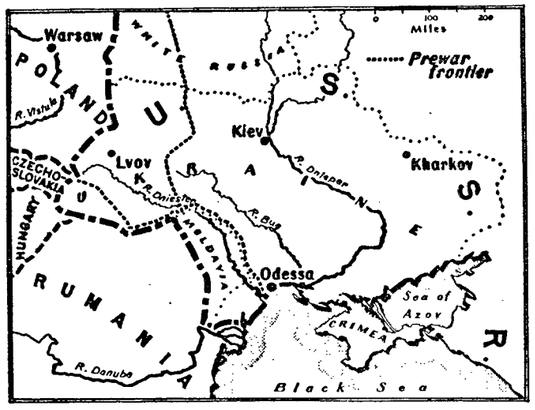
The Banderivtsi

Much more important, especially in its hold on the younger generation, is the party led by Mr S. Bandera. The Banderivtsi broke away from the OUN after violent internal dissensions in that party in 1940. The split was not due to differences of political principle, but to a dispute over tactics. The leading group of the OUN headed at that time by Colonel Melnyk, advocated a waiting policy, with approaches to Germany in the hope that Hitler could be induced to agree to an independent Ukraine after his anticipated victory over Russia. Bandera and his followers, on the other hand, maintained that the Ukrainian nationalists must undertake immediate revolutionary action, relying on themselves alone. After the Germans captured Lvov, Bandera proclaimed the independence of the Ukraine and set up a Provisional Government without reference to the German authorities.

The Germans then arrested Bandera and his friends and sent them to concentration camps. The Nazi idea of turning the Ukraine into a colonial territory prevented the Germans from making effective use of Ukrainian nationalism during the war until it was too late; even so, there was a great deal of pro-German collaboration and a body of troops was enlisted in 1944 with the idea that they could outlive the German occupation like Pilsudski's legionaries in 1918. But this was rendered impossible by inter-Allied agreements which recognised everything east of the Curzon Line as Soviet territory.

Since 1945 the tactics of the Banderivtsi have been the maintenance at all costs of a secret political organisation within the Ukraine and the waging of perpetual guerrilla warfare against the troops and agents of the MVD, even though no immediate result is expected. Their success in harassing the Soviet regime is proved by Soviet press mention of the two names of Petlura (killed in 1926) and Bandera as synonymous with anti-Soviet Ukrainian nationalism, and recent refugees from the Soviet Union have testified to the ferment which they have caused in the Ukraine since 1945.

The Banderivtsi, however, claim that their services to the national cause as the one effectively fighting organisation entitled them to a position of leadership in the National Council, and this claim has been stoutly contested by the other parties, with the result that the Banderivtsi withdrew from the Council in 1950. The parties of the National



Council denounce what they call "totalitarian monoparty trends" and disapprove of terrorist methods. It is undeniable that the Banderivtsi have acquired some of the undesirable characteristics of a fanatical secret society; on the other hand, in the eyes of many Ukrainians theirs is the "heroic" party of the national movement, and the death-roll of their members is their greatest asset.

The Ukrainians of North and South America, who are mostly by origin not political emigrants, but normal settlers, have kept aloof from the dissensions of the emigration in Europe and have formed their own national organisation—the Pan-American Ukrainian Conference (PACU), the most important element in which is the Ukrainian Congress Committee of the United States. The American Ukrainians, though farther away from the homeland than those in France and Germany, are in a key position because they have direct access to American public opinion. So far the State Department has been extremely wary of giving any encouragement to Ukrainian nationalism. But certain American politicians, notably Mr Stassen, have publicly endorsed the Ukrainian cause, and President Truman himself sent greetings to the 1949 Congress of American Ukrainians. The Ukrainian vote is by no means negligible in several States, and the Ukrainian pressure group has the sympathy of many Americans who believe in fighting Moscow with its own weapons of internal disruption.

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

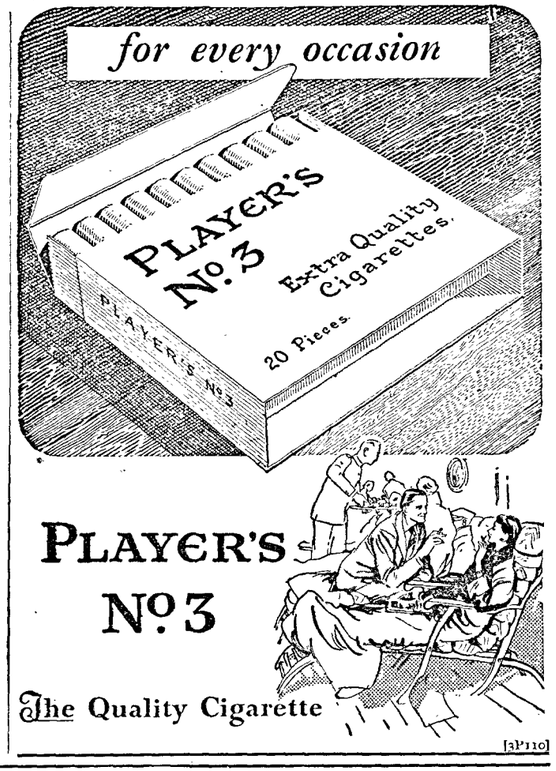
As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

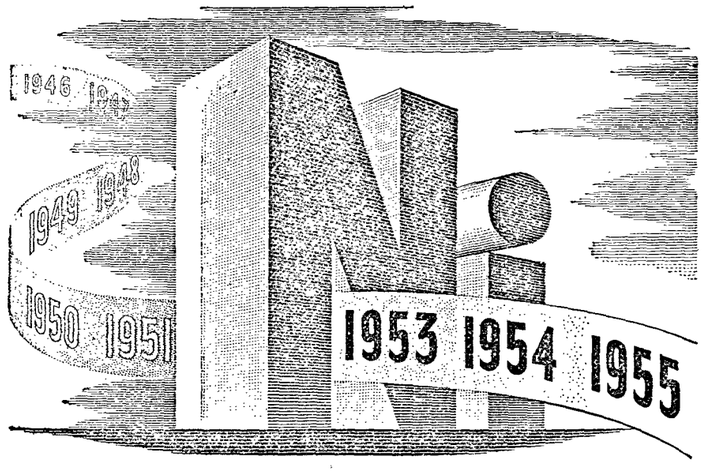
We invite your enquiries to our Linoleum Contract Division:

University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD
64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777



[3]P110

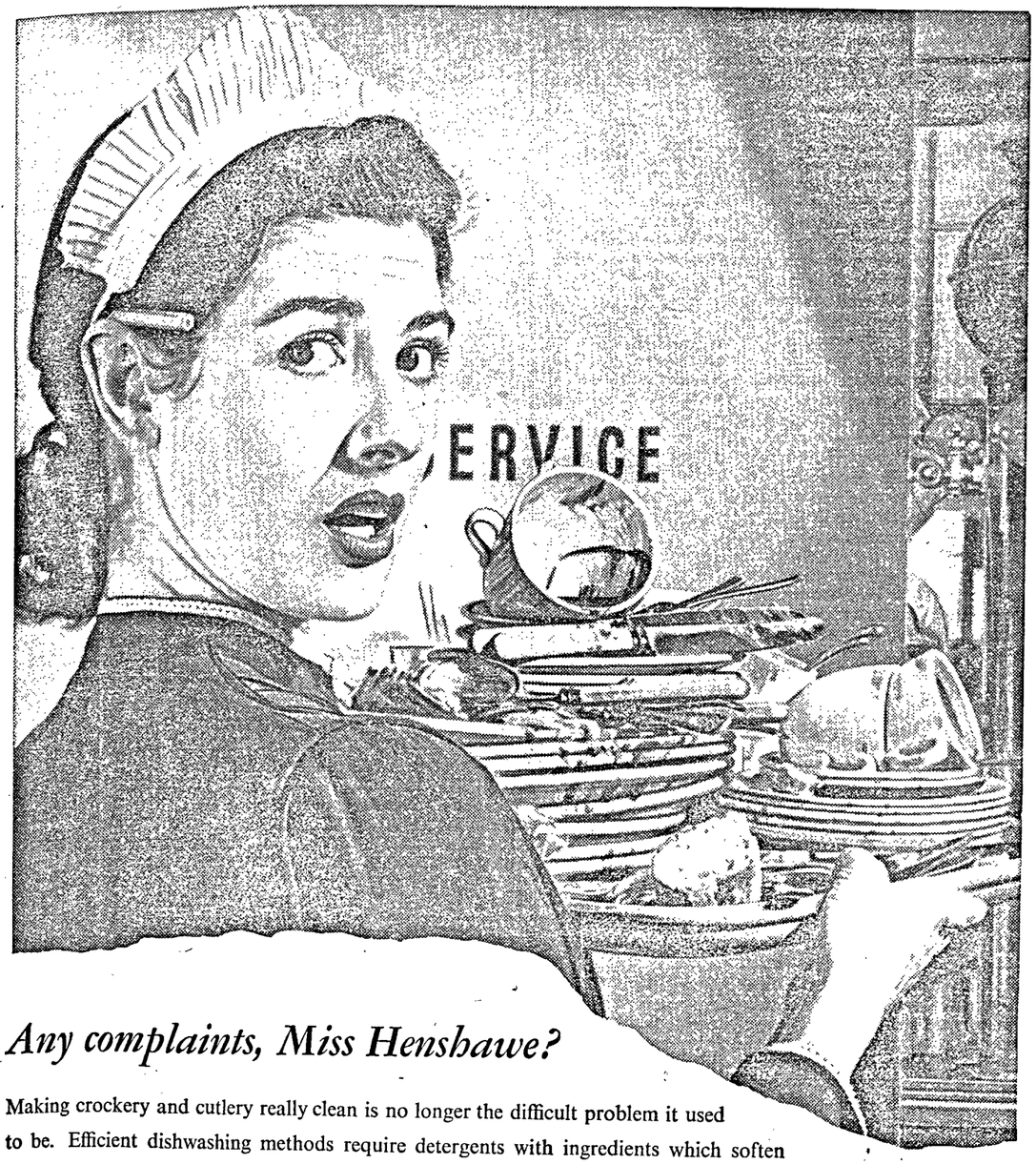


A Symbol of Progress

Development work by Mond Nickel looks years ahead—to the time when new engineering projects, at present only in vague outline, will need improved materials to carry them out. The metallurgist aims always to anticipate these needs so that the designer, making his first drawings, may have confidence that the better properties he seeks will be available when design gives place to construction.

MOND NICKEL

THE MOND NICKEL COMPANY LIMITED, Sunderland House, Curzon Street, London, W.1.



Any complaints, Miss Henshawe?

Making crockery and cutlery really clean is no longer the difficult problem it used to be. Efficient dishwashing methods require detergents with ingredients which soften water and prevent the deposition of film and scale. These are only some of the useful properties of Calgon - a phosphate product made by Albright & Wilson. Many proprietary dishwashing compounds now embody this practical answer to the demand for cleaner food.

Chemicals for Industry ALBRIGHT & WILSON LTD

49 PARK LANE · LONDON · W.1 TBW155

THE BUSINESS WORLD

No Respite for Sterling

THE trend of the gold reserves in March was disturbingly inconclusive. Immediately after Mr Butler had announced a gold and dollar deficit of $71 million for the month, the stock exchange, remembering its worst pre-budget fears, marked gilt-edged up, but the foreign exchange market, remembering its best post-budget hopes, let sterling fall. On the next working day, each market, looking quizzically over its shoulder at the other, shuffled back towards its former level. This nervous and uncertain reaction was due to two reflections: first, that although there was some underlying recovery in the second half of March it was heavily overlain by non-recurring factors; and, secondly, that since the central reserves are now down to $1,700 million the hump of the crisis clearly cannot be said to have been passed.

Direct comparison of last month's deficit with the much larger deficits of $299 million in January and $266 million in February is vitiated by the fact that the March figures include a bewildering hotchpotch of pre- and post-budget influences. Just over $50 million of last month's net deficit of $71 million represented the transfer of gold to the European Payments Union made necessary by the sterling area's deficit with Europe in February. This, of course, was wholly a pre-budget factor, but unfortunately no great comfort can be drawn from this fact. It has been officially intimated that the sterling area's deficit with Europe in March was very little lower than that in February. The February deficit with Europe was kept down by a large British surplus with France, which has now clamped restrictions on both its imports and its rate of capital outflow; the March deficit will include a much smaller surplus with France, and this loss has offset the effects of the reduction of the sterling area's deficit with other European countries. In consequence, another $50 million odd of gold will have to be transferred to EPU within the next two weeks.

The main improvement in March occurred in the sterling area's net gold and dollar payments to non-European countries. These payments shrank to $21 million, compared with $172 million in February and $224 million in January; and in the last week of March this account was actually in surplus, so that the gold reserves increased. The month's figures included, however, about $75 million of mainly non-recurring receipts. South Africa made a special sale of $28 million of gold against sterling; the recent commodity agreement with the United States brought in $35 million from sales of rubber, tin and lead from the British stockpile; and $10 million came in from the so-called Katz-Gaitskell agreement of 1950 (under which ECA guaranteed Britain against losses of gold to EPU as a result of the use of pre-1950 sterling balances in European payments transactions). The true comparison therefore seems to be between a dollar deficit of about $96 million on non-EPU account in March and one of $172 million in February. Since there was probably some capital reflux in March—whereas in February there had certainly been some capital efflux—these figures are disappointing. They suggest that the post-budget revival of confidence in sterling has not gone much further than the covering of certain short positions in sterling that have been made unprofitable or untenable by recent interest rate changes and restrictions on the terms of acceptance credits.

In view of this, it would be optimistic to assume that the temporary swing into dollar surplus in the last week of March will necessarily be continued in the critical three months ahead. There are, however, two special factors that should lend some aid to the reserves in this period. First, unless confidence in sterling very gravely deteriorates again, the bear position against sterling should continue to be diminished, as existing credits to foreigners mature and come up for renewal on more stringent terms. Secondly, some of the promised $300 million of American economic aid should reach the reserves in the next three months. Receipts from this source have so far been negligible; about $7 million of mutual security funds were included in the figures for March, but these were mainly a backflow from previous agreements (including the agreement on purchases of machine tools in 1950-51). Unfortunately, the disappointments of this last disappointing week have included an announcement from Washington that reimbursements to Britain from its $300 million of economic aid for the current American fiscal year will be made only against imports of a very restricted list of "defence-like" commodities shipped or contracted for between November, 1951, and July, 1952. For some months the British authorities in Washington had been pressing an urgent request that the approved list of defence-like imports should be widened; many of the commodities on the present list are items that Britain added in considerable volume to its strategic reserves between June and November. The American refusal of this request in effect punishes Britain—and punishes it differentially compared with all other European countries—for pushing ahead fast with rearmament in the late summer of last year. This decision may reduce the flow of dollars in the critical three months ahead by $100 million or more below the $300 million originally hoped for.

★

There is, therefore, still perilously little room for manœuvre in the sterling area's hard and unpleasant struggle to put its external payments to right. The publication last week (as Cmd. 8505) of Britain's balance of payments statistics for the second half of 1951 has made the two main pre-requisites of such a recovery brutally clear. The first is that Britain, if necessary at

The Strain and its Sources

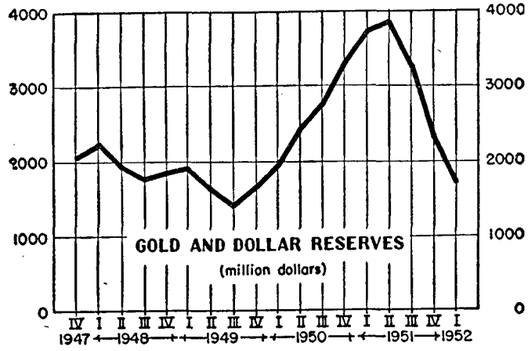
Table I and the accompanying charts show the direct causes and consequences of recent fluctuations in the sterling area's gold and dollar reserves. Tables II and III, as explained in the text of the article, sketch the course of Britain's balance of payments crisis and assess the strain that has been imposed on Britain by the overseas sterling area.

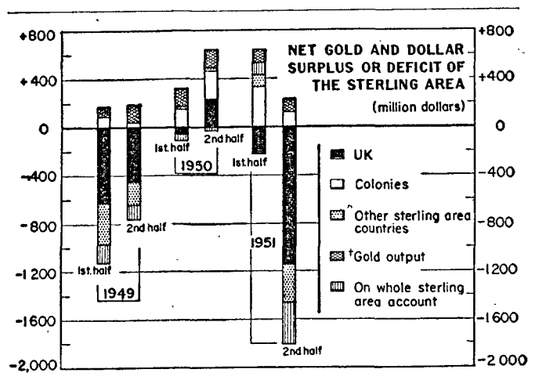
TABLE I.—GOLD AND DOLLAR RESERVES

($ US Million)

Years and Quarters	Net Deficit	Financed by: US and Can. Credits	Other Gold Borrowing†	ERP	Change in Reserves	Reserves at end-period
1946	*— 908*	1,123	...	...	+ 220	2,695
1947	*— 4,131*	3,273	240	...	— *618*	2,079
1948	*— 1,710*	352	453	682	— *223*	1,856
1949 :—						
I	*— 330*	30	32	325	+ 56	1,912
II	*— 632*	30	...	340	— *262*	1,651
III	*— 539*	29	...	284	— *225*	1,425
IV	*— 31*	27	20	246	+ 263	1,688
Total, 1949	**— *1,532***	**116**	**52**	**1,196**	**— *168***	**1,688**
1950 :—						
I	+ 40	27	...	229	+ 296	1,984
II	+ 180	18	...	240	+ 438	2,422
III	+ 187	...	...	147	+ 334	2,756
IV	+ 398	...	...	146	+ 544	3,300
Total, 1950	**+ 805**	**45**	**...**	**762**	**+1,612**	**3,300**
1951 :—						
I	+ 360	...	...	98	+ 458	3,758
II	+ 54	...	...	55	+ 109	3,867
III	*— 638*	...	...	40	— *598*	3,269
Oct.	*— 320*	...	...	...	...	...
Av. Nov.-Dec.	*— 222**	...	...	...	...	...
IV	*— 940*	...	...	6	— *934*	2,335
Total, 1951	**— *1,164***			**199**	**— *965***	**2,335**
1952 :—						
Jan.	*— 299*	...	...	...	— *299*	2,136
Feb.	*— 266*	...	...	...	— *266*	1,770
Mar.	*— 71*	...	...	1	— *70*	1,700
Jan.-March	**— *636***	**...**	**...**	**1**	**— *635***	**1,700**

* Excluding the $176 million repayment of capital and interest on the American and Canadian credits at the end of 1951. † Purchases from IMF except for 1948, which includes $325 million gold loan from S. Africa.





* Dollar payments to non-dollar countries.
† Sales of sterling area gold production to United Kingdom.

TABLE II.—UNITED KINGDOM BALANCE OF PAYMENTS

(£ Million)

	1950		1951 Jan.–June		1951 July–Dec.		1951
	Sterling Area	Other	Sterling Area	Other	Sterling Area	Other	Total
Food imports	*— 410*	*— 464*	*— 238*	*— 372*	*— 261*	*— 378*	*—1249*
Raw material imports	*— 415*	*— 445*	*— 332*	*— 412*	*— 263*	*— 570*	*—1577*
Other imports	*— 122*	*— 516*	*— 84*	*— 208*	*— 94*	*— 285*	*— 671*
Total Imports	*— 947*	*—1425*	*— 654*	*— 992*	*— 618*	*—1233*	*—3497*
Total Exports	+ 997	+1228	+ 579	+ 731	+ 675	+ 723	+2708
Visible Balance	**+ 50**	**— *197***	**— *75***	**— *261***	**+ 57**	**— *510***	**— *789***
Invisibles (net)							
Shipping	+ 60	+ 53	+ 47	+ 26	+ 55	— *22*	+ 105
Interest, profits and dividends	+ 106	+ 22	+ 66	+ 7	+ 57	— *40*	+ 90
Travel, current private transfers and Govt. transactions	— *98*	— *64*	— *49*	— *33*	— *70*	— *35*	— *187*
Other	+ 116	+ 196	+ 79	+ 100	+ 72	+ 8	+ 259
Invisible Balance	**+ 184**	**+ 237**	**+ 143**	**+ 100**	**+ 114**	**— *89***	**+ 268**
Overall Balance	**+ 234**	**+ 10**	**+ 68**	**— *161***	**+ 171**	**— *599***	**— *521***

TABLE III.—DRAIN ON UNITED KINGDOM BY OVERSEAS STERLING AREA

(£ Million)

	1948	1949	1950	1951 Jan. to June	1951 July to Dec.	Total 1951
Overseas sterling area's current balance with :—						
United Kingdom	*—232*	*—266*	*—234*	*— 68*	*—171*	*—239*
Dollar area	— *77*	— *89*	+155	+155	— *69*	+ 86
Rest of world	+ 76	— *14*	+192	+156	*—162*	— *6*
Total	*—233*	*—369*	+113	+243	*—402*	*—159*
Gold sales to UK, etc.*	+152	+101	+117	+ 47	+-39	+ 86
Contribution to (+) or Drain (—) on UK	**— *81***	**— *268***	**+ 230**	**+ 290**	**— *363***	**— *73***
Financed by :—						
Capital outflow (from UK = —)†	*—149*	*—256*	*—149*	— *78*	— *52*	*—130*
Drain on sterling balances (repayment by UK = —)	+ 68	— *12*	+379	+368	*—311*	+ 57
Total	**— *81***	**— *268***	**+ 230**	**+ 290**	**— *363***	**— *73***

* Includes ERP receipts by Irish Republic, South African gold loan and sterling area drawings on IMF.
† Australian gift of £16 million in 1949 subtracted from capital outflow.

he cost of temporary unemployment, must switch esources away from the consumer goods industries that ıave been cosseted by sterling area extravagance and owards the capital goods industries that alone can make progress in overseas markets. Secondly, the overseas sterling area must cut its imports back to somewhere near the 1950 level—which means cutting them by half.

The accompanying Table II shows the vagaries of the United Kingdom's balance of payments in the last two years. In 1950 Britain ran a surplus of £234 million with the sterling area and one of £10 million with the non-sterling area; in the first half of 1951 the sterling surplus contracted moderately, to an annual rate of £136 million, while the non-sterling account deteriorated catastrophically to a deficit at an annual rate of £322 million. In both cases the trouble was the same—an alarming increase in the value of imports, especially of raw materials. Imports from the sterling area rose from £947 million to an annual rate of £1,308 million, and the rate of raw material imports rose from £415 million to £664 million. Imports from the non-sterling area rose from £1,425 million to an annual rate of £1,984 million; within these totals, raw material imports rose from £445 million to an annual rate of £824 million.

In the following six months this setback relapsed into rout. Between the first and the second half of 1951 Britain's surplus with the sterling area rose from £68 million to £171 million, but its deficit with the non-sterling area widened from £161 million to no less than £599 million. Three principal influences were at work. First, and least excusable, the whole increase in exports in this period went to the sterling area, while exports to other countries actually fell; these were six months in which the locusts of easy and unrequited exports of textiles and other consumer goods to sterling area markets ate away Britain's recovery. Secondly, imports from non-sterling area countries rose from £992 million to £1,233 million, with raw material imports rising from £412 million to £570 million; this was probably largely due to stockpiling. Thirdly, the invisible balance with non-sterling area countries deteriorated from a surplus of £100 million to an exceptional deficit of £89 million; about half of this deterioration was due to a fall in shipping earnings, and to the first interest payment on the postwar dollar loans, while most of the remainder seems to have been due to the loss of Abadan. It is a fair deduction from these statistics that Britain relapsed into a large deficit with the non-sterling area in the first half of 1951 because it failed to contain internal inflation, and that it then collapsed into a quite catastrophic deficit in the second half of the year because it was hit by certain non-recurring factors at a time when it was complacently refusing to put the previous deterioration right.

For the overseas sterling area the picture was somewhat different. It was in the second half of the year alone that the economies of these countries ran off the rails, especially in their dollar accounts. In 1950 exports from the dominions* to the dollar area were $710 million, but in the first half of 1951 they rose to an annual rate of $1,240 million—only to fall again in the second half of the year approximately to their 1950 level. Their imports from the dollar area, however, went on rising, from $590 million in 1950 to an annual rate of $900 million in the first half of 1951 and to one of no less than $1,410 million in the second half of the year. Throughout this period, the colonial empire managed to stay in surplus on its visible trade with the dollar area, at $371 million in 1950, $328 million in the first half of 1951 and $122 million in the second half. To put the matter quite bluntly, in the second half of last year Britain and the independent dominions were living partly off capital and partly off the colonies' backs.

* These statistics for the "dominions," it should be explained, exclude South Africa and Canada but they include the Irish Republic and a few other small non-dominion countries for which separate figures cannot be obtained.

The dominions went further. They tried to live off the mother country as well. Table III assesses the drain imposed on the United Kingdom by the whole overseas sterling area since 1948. This drain is estimated by subtracting sales of sterling area newly mined gold to Britain from the overseas sterling area's total current deficit (which is broadly deducible from the inter-area transfers of sterling shown in Cmd. 8505); the assessment is not ideal—for example, it excludes the £16 million gift from Australia in 1949—but it is tolerably fair. It shows, first, that the overseas sterling area's drain on Britain rose from £81 million in 1948 to £268 million in 1949; the devaluation crisis was a direct corollary. There followed, mainly as a consequence of the boom in commodities, eighteen months of sterling area lending to Britain, amounting to £230 million in 1950 and to £290 million in the first half of 1951; and then came the collapse into borrowing from Britain—to the extent of no less than £363 million, or of over a shilling from every £1 of British income, in the second half of 1951. The record of the dominions in 1951 was, of course, far worse even than this. Despite an inflow of capital, their sterling balances fell by £367 million in the second half of the year.

The lessons of this experience are clear. The normal, healthy pattern for sterling area payments should be for the overseas dominions and colonies to run a surplus with the dollar area and for Britain to run at least an equivalent surplus with the overseas sterling area as a whole. It may be that this United Kingdom surplus with the overseas sterling area should leave something to spare for investment in new primary production. And it is certainly true that, since the overseas sterling area's surplus with the dollar area is bound to wither in times of genuine American slump, the whole area must at other times run a dollar surplus sufficient to absorb the recurrent strains that are to be expected. But, in fact, the pattern that has been followed since the war is for the dominions to achieve a dollar surplus only in times of exceptional American inflation, and for them to run into uncontrolled deficit with the world as a whole whenever American economic activity has in any way receded. Britain has encouraged this process—and has usually added a deficit of its own besides—because it has found that easy sterling area markets have provided a comfortable cushion for its over-expanded textile and consumer goods trades. The whole system has been kept in being by loans from the colonies, by gifts from America and by recurrent bites into the central reserves. The last two expedients can be relied upon no longer. The first will not always endure. If the Commonwealth is to drag itself out of its third and worst postwar crisis, it is from Lancashire, Australia and the Eastern Dominions that the sharpest cries of pain must be expected. For it is they who have enjoyed the seats of most misleadingly cushioned comfort as sterling has coasted, these last seven years, intermittently but relentlessly downhill.

Radio Industry and Defence

LITTLE has been heard about the Government's decision, announced by Mr Butler on January 29th, to reduce this year's deliveries of radio and television receivers to the home market by one-third. The radio industry does not doubt that a cut—but probably of a quarter and not of a third—will be enforced, though it would prefer that this should be done without the introduction of individual production quotas. The Ministry of Supply appears to favour a quota system based on last year's output, but no decision has been taken ; perhaps there is already a sufficiently strong presumption of a fall in sales this year to match the reduction in home deliveries that the Chancellor had in mind.

Output of the radio industry, which for this purpose includes the production of radio and television receivers and transmitters, components, valves, and communications equipment increased in terms of value from £75 million to nearly £110 million. Defence orders represented £30 million of this total compared with £6 million in 1950 ; £45 million consisted of domestic radio and television receivers and their components compared with £42 million in the previous year. Exports, which included £5 million for receivers and nearly £6 million of transmission equipment, amounted to £22 million, compared with £18 million in 1950.

If a reduction of one-quarter is imposed on deliveries of domestic receivers, the radio industry does not expect to make it good by increased defence production. In the current financial year, defence orders may amount to roughly £42 million, with only a slight rise to £45 million in prospect for 1953-54. There has been genuine disappointment in the industry at the limited size and scope of defence work. The services could not work out their radio requirements until orders had been placed for the tanks, aircraft and artillery in which the equipment would be used. For some time, therefore, radio manufacturers remained in the dark about the demands that defence would make on their capacity. They knew that in value terms, defence production might quickly reach one-half of the industry's total output in 1950 and continue to run at a high level for a year or two thereafter ; but they could not foresee that equipment for defence would be so much more intricate than the normal output of the industry that its cost would be several times greater. Misconceptions thus arose about the scale on which defence equipment might be ordered. Some manufacturers who in the last war produced relatively simple receivers for tanks and aircraft in vast numbers on the same assembly lines that they had used for building domestic radio sets hoped to receive defence orders on a similar scale when the rearmament programme was announced. To their surprise, they have received small orders for highly complicated radio sets needed to work effectively in aircraft that fly at speeds of between 600 and 700 m.p.h. Less than half the defence orders consist of receiver-type equipment that can be made on assembly lines, and orders on this scale would not interfere appreciably with normal domestic receiver production.

The greater part of the radio defence programme consists of equipping the radar chain, and most of this plant is built by the big electrical engineers whose activities range beyond the radio industry as it is usually defined. In an attempt to lessen their dependence on the market for domestic sets, several of the companies that previously concentrated on making receivers are beginning to branch out into the wider fields of electronic engineering, making equipment for television transmission, cinema-television projectors, electronic calculators, high-frequency heating apparatus and portable radio transmitters. Much of this skilled engineering capacity is likely to be required for defence orders during the next year or two and although the Ministry of Supply is doing what it can to secure some expansion of capacity to avoid serious inroads into exports and essential home needs, defence orders are bound to cause some interference. As an example, exports of transmitters fell from £6.5 million in 1950 to £5.7 million last year and a sharper fall is probable in 1952. New capacity is also needed to meet the need for special components designed for defence equipment but not for standard commercial equipment.

Of these, perhaps the most important are the smallest high-duty valves designed to withstand the shock conditions under which much military radio equipment has to work. Elaborate precautions have to be taken to keep these valves dust-free during manufacture ; these entail a relatively slow rate of production, and unless further advances are made in mechanising the production processes these small valves may not be forthcoming in sufficient quantities. The Select Committee on Estimates, in a report on rearmament in May last year, expressed concern that two contracts awarded in 1946 for the development of high-speed production lines for small valves had later been cancelled. The committee was informed that although a new contract had been placed for a high-speed production line, this would not be in production for eighteen months to two years. One of the original contracts was placed with the Mullard Company, a concern associated with the Philips group in Holland. Mullard has continued independently with research and has now developed and built high-speed machinery for producing miniature valves which it claims to be equal to any similar line in the United States. It is fortunate, perhaps, that guided missiles are not an important feature of the defence programme—at least in the sense that large numbers of miniature valves are not needed for them at this stage. But recent developments hold out the hope that their production need not depend, as was at one time feared, on the recruitment and training of vast numbers of assembly workers to make the valves that control them.

★

Thus the defence programme will involve some expansion of the radio industry's capacity. But only specialised capacity is needed for defence equipment, and there is little prospect that defence orders will take up the slack in the production of receivers that has followed the fall in home sales. Last year the industry produced more

THE
COMMERCIAL BANK
OF AUSTRALIA
LIMITED
Established 1866

•

Assets Exceed Aust. £190,000,000

392 BRANCHES AND 233 AGENCIES PROVIDE COMPLETE BANKING AND EXCHANGE FACILITIES THROUGHOUT AUSTRALIA AND NEW ZEALAND

•

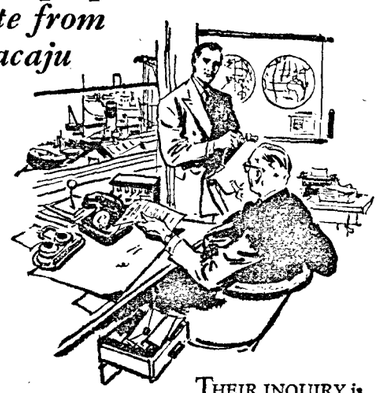
Correspondence Invited

London Office:
12 OLD JEWRY,
LONDON, E.C.2.

Head Office
335-9 COLLINS STREET,
MELBOURNE, C.1

(Incorporated in Victoria.)

These people write from Aracaju



THEIR INQUIRY is interesting. What, however, is their commercial standing? You do not know—but the Westminster Bank almost certainly does. And even if it does not, the facts can quickly be obtained because the Bank has representatives in every town of importance throughout the world. This unrivalled Credit Information service is part of the much wider service which the Bank places at the disposal of all who trade abroad and which is fully described in the booklet 'The Foreign Business Service of the Westminster Bank'. A copy will be sent gladly on request.

WESTMINSTER BANK LIMITED
Foreign Branch Office: 41 Lothbury, London, E.C.2

One of our clients recently had an order from Argentina for a consignment of foodstuffs to be shipped to a port in Patagonia. He had been informed by his agent that no import permit was necessary but, being aware that such permits were normally needed for goods shipped to Argentina, he was somewhat concerned about the legality of the contract. A telephone call to us immediately set his mind at rest. We were able to tell him that certain articles including some foodstuffs could be imported into Patagonia without permits and free of customs duty.

THE ADVANTAGES OF BEING HERE AND THERE

As the only British Bank with branches throughout Latin America, we can offer you special services—either direct or through your own bank. These services are set out clearly and concisely in our booklet "The advantages of being here and there". We shall be glad to send you a copy on application to:—

The Research Department
(SECTION 34)
BANK OF LONDON & SOUTH AMERICA LIMITED
HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2.
BRADFORD: 19 SUNBRIDGE ROAD. MANCHESTER: 36 CHARLOTTE STREET.

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

•

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or projected interests in the Dominion.

You are invited to contact the London Office or the Head Office.

BANK OF NEW ZEALAND
(Incorporated with limited liability in New Zealand)

London Office:
1 Queen Victoria Street, E.C.4.

Head Office:
Wellington, New Zealand

Branches also in
Melbourne and Sydney; Fiji and Samoa

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are. Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 27 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

THE PERSONAL TOUCH IN BANKING

Nearly two centuries of financial experience and personal service to each customer have helped to build up the present tradition of Glyn, Mills & Co. The banking service which is provided is completely modern in all its aspects, yet has never become impersonal in its attitude towards the large concern or the private individual.

GLYN, MILLS & CO.
BANKERS
HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

Associated Banks: Royal Bank of Scotland, Williams Deacon's Bank Ltd.

GILLETT BROTHERS DISCOUNT COMPANY, LIMITED.

Capital and Reserves
£1,800,000

ESTABLISHED 1867

52, CORNHILL, LONDON, E.C.3

than 2 million radio sets and 710,000 television receivers; in 1950, output reached 1,800,000 radio and 540,000 television receivers. This year, production of radio receivers is likely to fall considerably; at best it will scarcely reach 1,500,000 and at worst it may not much exceed a million. Production of television receivers may reach 800,000. Since a television receiver uses roughly three times as many components as a radio receiver and costs nearly three times as much, expansion in television ought partly offset the drop in production of radio sets. The industry would prefer to expand the production of television sets and effect the one-quarter cut in home deliveries by curtailing its output of radio sets. Last year's budget, which doubled the purchase tax on radio and television sets from 33⅓ per cent to 66⅔ per cent, was quickly followed by a sales boom that cleared dealers' and manufacturers' stocks. Production was kept at a high rate for some months after in order to rebuild the stocks but meanwhile sales fell sharply. Last summer sales of radio sets were running at an estimated rate of 1,400,000 a year; sales have now fallen to an annual rate of 800,000 sets and seem unlikely to rise much above that figure. Production has been cut back from 200,000 sets in October to 144,000 in January and, until the tax is reduced, the industry sees little prospect of recovery.

Television sales are not easy to predict. The chart shows the number of licences taken out in the three main areas covered by transmitters. Licences are not the best guide to sales, for a fair proportion of viewers find it easier to buy a set than to buy a licence and television licences never catch up with sales of television sets.

Although the average price of a television receiver is between £60 and £80, some families whose principal income is no higher than £6 a week are known to buy television sets, and some optimistic producers put the limits of the potential market as high as the number of families within the transmission area. This is an oversimplification, for there are marked differences of attitude towards television among different income and occupational groups. Transmission from Alexandra Palace which covers nearly three and a half million families was resumed in 1946. The service from Sutton Coldfield started in 1949, covering nearly one and three-quarter million families. Sales in these two areas are now approaching the limit of potential expansion and in these, but not in the other transmission areas, the doubled purchase tax last year inflicted a further check. It has been estimated that 250,000 sets were sold in the London area last year, and sales this year are not expected to exceed this figure. In Birmingham, sales reached 180,000; some manufacturers expect the same level to be reached this year, but others are less optimistic and expect a reduction. The Holm Moss transmitter, which opened last October, provides for more than three million families in an area not much smaller than that served by the London station. The licence figures show that at least 200,000 sets were sold in this area last year, some of them to families living within receiving distance of Sutton Coldfield. A cautious estimate puts sales this year at 250,000, allowing for the possible effect of continued recession in the textile industries. This figure might, indeed, prove to be 100,000 too low. The Scottish station, which opened with a low-powered transmitter at Kirk o' Shotts last month, should eventually be capable of serving about a million families. By the end of March about 12,600 licences had been taken out in this district, though by the start of regular transmission in March there may have been as many as 20,000 sets installed. Sales in the coming year may reach between 60,000 and 100,000 sets. The South Western transmitter, due to open later this year, provides for a smaller area containing less than a million families. To judge from the licence figures, 12,000 viewers are already receiving programmes from Sutton Coldfield; when local transmissions start, sales of receivers might rise by 30,000 in the first year.

Until work is resumed again on the five low-powered transmitters these figures may set the limits to the market for television receivers. They suggest sales this year of rather more than three-quarters of a million sets, as a lower limit; at the upper limit, the home market might be capable of absorbing nearer a million receivers. There are also possible developments in the export of receivers; overseas sales are not likely to be significant this year but in future years they could become important. Transmissions are about to start in Italy and in South America; there are still possibilities of services in Western Europe if the problems of meeting the costs can be solved. There is no reason why British makers should not make a bid for these markets. Perhaps £125 million is a fair estimate of the output of the radio industry this year, compared with £110 million last year. But this increase will not be evenly spread over the whole industry, and the domestic receiver market holds out rather uncertain prospects. If the sales estimates given here should prove to be optimistic, the effects would be felt not only on the receiver assembly lines, but also by component manufacturers, whose general capacity is believed to be well in excess of what is needed to meet normal demand.

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of THE ECONOMIST. The organisation that produces the paper can also serve the needs of business and other clients through:

The Economist Intelligence Unit

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1.

Business Notes

Amendments for EPL

Both the Chancellor of the Exchequer and the Financial Secretary of the Treasury adopted a defensive posture when they explained the nature of the Excess Profits Levy on the second reading of the Finance Bill last Monday. It is evident that some major criticisms of the new tax have struck home; and the Chancellor proved to be in a placatory mood by showing that he would be prepared to think again on certain aspects of the levy. He has not closed his mind, for example, to some improvement of the standard years. It is one thing to demonstrate, as Mr Boyd-Carpenter did, that the inclusion of 1947 in the standard years is of no general disadvantage to companies, since profits in 1947 as computed for EPL were "only £110 million behind those of 1948" or to prove, as Mr Butler did, that "for about one-third of the companies we have been able to examine, 1947 was the best year of the three." The real point is that the area of disadvantage in 1947 for particular companies is still so great that in fairness they should be given an opportunity of choice in the standard years. On this, the Chancellor has promised consideration in Committee; this will do much to satisfy the developing companies that their complaints about the inadequacies of the choice of standard years have not gone unheeded.

Equally welcome is the Chancellor's promise to consider the representations put forward by the Malayan rubber and tin industries; he declared that he was "fully conscious" of their difficulties. On the substitute standard, he repeated the defence of simplicity in justification for the use of paid-up share capital instead of capital employed. "Our experience in the last war, when a substituted standard was given on the basis of capital employed, was that in over half the cases the capital employed was less than the nominal capital." This argument is a little breathtaking in view of changes in prices and the expansion of industrial investment since the war. But fortunately the Chancellor was prepared to admit the case for an improved substitute standards, subject to clear limitations:

> I am prepared to explore, between now and the Committee stage, the possibilities of providing a third alternative standard based on the net assets of the business valued, broadly speaking, on the basis that they were for EPT purposes, after deducting debts and liabilities. I must make it clear that in that event I should have to reconsider the percentage offered.

On the levy in principle, Mr Boyd-Carpenter admitted that "a tax of this sort has certain inherent and unavoidable disadvantages." The Chancellor expressed no views. And neither spokesman thought it necessary to refer to the savage treatment of investment income, which will be subject to double EPL in many cases.

* * *

Purchase Tax and Textiles

The greatest service that Mr Butler could do for the textile industry was to state firmly and finally on Monday night that the government would neither lift purchase tax from clothing nor abandon the "D" scheme. Uncertainty about the future rates of tax and the goods that would attract it had been an important factor in holding down textile orders at home to the bare minimum before the budget; and the recent campaign for lifting the purchase tax only increased the general determination to withhold orders in the hope of further concessions. Mr Butler's promise to consider amendments to the "D" scheme at the Committee stage could do the industry more harm than good if it were to encourage false hopes of widespread relief.

An appeal for the general lifting of purchase tax on textiles was from the first unrealistic. Mr Butler put the revenue cost at between £80 and £100 million; perhaps many who had supported the appeal did not realise that the figure was so high. As for the "D" scheme, it certainly has its faults—the most serious being the lack of any relief for quality goods. But its critics tend to minimise the improvement that it undoubtedly represents on the utility schemes, and it is perhaps significant that none have put forward the alternative suggestion of the Douglas Committee—namely, a flat rate tax of ten per cent on all items; such a tax would in some respects be preferable to the present system.

Considerable uncertainty prevails about the nature of the £20 to £25 million worth of defence orders that Mr Butler promised for the relief of the textile industries. The general impression is that the Government has decided to place immediately orders that were intended to be spread over a longer period. Of the 45 million square yards of serge and overcoating material needed for the three years' rearmament programme, some 20 million square yards have been ordered, and 17 million yards of the 26 million square yards of flannel shirting. Orders for £2 to £2½ million worth of blankets are also expected soon. Of the 160 million square yards of cotton goods required, 80 million were bought from abroad last year, leaving orders for a further 80 million for the home industry. But 40 to 60 million yards of this material has already been ordered. If, as seems probable, the balance of these orders are placed immediately, with perhaps the addition of further requirements that are outside the current rearmament programme, some sections of the textile industry might experience temporary support. But although Mr Butler specifically mentioned that the Government would be prepared to buy some of the lighter fabrics, such as linings, to keep in stock until uniforms were actually made, most of the goods required are heavy cloths, including canvas, drills and denims. The textile depression is felt most severely among the fashion goods sections. Mills concentrating on the heavier industrial cloths have so far escaped much of the general fall in trade, but it is here that most of the Government orders will be placed.

* * *

Textile Trade Prospects

The effectiveness of emergency measures such as the acceleration of defence orders depends on how long the present recession may continue. Many mills are likely to extend the Easter holidays to a week or more; some of Courtaulds rayon plants are to be shut for the fortnight. The Cotton Board's returns show that during the last week of February 41 weaving mills, employing 4,140 workers, were closed for the whole week. The mills that remained open were running 81 per cent of their looms compared with 85 per cent in November, before short-time working was so prevalent. By the middle of March, 43 spinning mills, employing 9,410 workers, were shut down for the week. The open mills were running to 75.5 per cent of capacity compared with between 85 and 89 per cent before Christmas. In Bradford, there was a slight increase in activity during February; the combing sections were operating to 59 per cent of capacity compared with less than 54 per cent at Christmas, but also compared with nearly 90 per cent at the beginning of 1951. The fall in wool employment has been slow and prolonged, whereas the fall in Lancashire has been more rapid in its onset and has thus attracted greater attention.

There are clear signs that, in the prevailing uncertainty about price and tax trends, retailers in the home market have talked themselves into a deeper slump than events have

justified. The King's death in February and the late spring have both affected retail sales, but the general level of consumer buying is believed to have returned to levels that might have been considered normal in 1950. There is no virtue in making matters worse by comparing the current level of sales with the inflated levels of early 1951, when buyers were in a state of panic. The difficulty of comparing figures for 1952 with those of the corresponding months of the previous year are likely to increase as the year goes on. The wholesale trade figures for textiles in February, for example, show a fall of one-third compared with February, 1951, but the sales index (1947=100) rose from 71 in January to 112. In February, 1951, the sales index reached 168, but from then until April the trade boom was at its peak, and all sections of the trade were rebuilding their stocks as fast are they could. There is also a big change in prices to allow for in comparing current trade figures with those of a year ago. A rough estimate suggests that in February wholesale prices might have been as much as 25 per cent lower than they were in February, 1951.

* * *

A Rubber Grower's Lot

In his annual address to the shareholders of United Sua Betong, Sir John Hay had every reason to complain of malignant fate and official folly. In Malaya, and particularly in Johore, Communist bandits are waging a brutal campaign of murder, arson, sabotage and theft against the company. In order to keep labourers on the estates—where their loyalty is liable to be repaid by being hacked to pieces by Communist parangs—wages have been raised to five times their prewar level. In fact, costs per unit of output actually doubled last year. Meanwhile, the price of rubber is only 113 per cent above its 1939 level; it has been kept down largely by the protectionist policy of the United States, which continues to believe that it is being gouged, although it is getting between 169 and 360 per cent more than in 1939 for its own four main agricultural products (tobacco, maize, wheat and cotton). In consequence, Sir John sees "unmistakable signs" that "prosperity, after a fleeting and fortuitous visit, is now departing" from the rubber industry. It is this moment that the British and Malayan tax authorities, who took 68 per cent of United Sua Betong's profits last year, have chosen to step up their demands—to about 75 per cent of United Sua Betong's profits unless EPL is amended.

Sir John put forward an unanswerable case not merely for amending EPL but for withdrawing it altogether from the rubber plantations. The standard EPL years of 1947-49 were a period when "the industry had scarcely emerged from the rehabilitation stage after a disastrous three-and-a-half years of enemy occupation, whilst the price of rubber was still under the influence of a blundering decision by the Government of the day by which, at a time of shortage, the price was fixed below the cost of production." Moreover the proffered alternative method of calculation of standard profit under EPL, which relates profits to "something so irrelevant as nominal capital," holds out no advantage to United Sua Betong; the company's nominal capital is £900,000, while its real capital employed is very little short of £3,000,000. It is not only in Johore that this vital dollar-earning industry is meeting murder on its way.

* * *

Fall in the Sterling Balances

Overseas holdings of sterling balances, which increased by £425 million in the first half of 1951, ran down by £361 million in the second half of the year. The whole of this fall was accounted for by repayments of £367 million to independent sterling area countries. As is explained in an article on page 115, this fall occurred despite an inflow of about £50 million of British capital to the overseas sterling area and represented a drain on Britain that was a major contributing factor to last year's crisis. Apart from a fall of £13 million in the balances of OEEC countries (which had increased their holdings by £27 million in the previous six months) the only other significant movements in the second half of the year were another increase, of £56 million, in colonial balances and a decline of £35 million in sterling held on American accounts; the fall in the latter is, of course, a sign of American and Canadian fears of sterling devaluation.

The accompanying table shows that although sterling area balances have fluctuated wildly in the last three years, in successive export booms and import sprees in the Commonwealth, non-sterling area balances have remained remarkably stable—at any rate since the Argentine railway transaction and the start of European recovery in 1948. This has an important bearing on the current controversy whether the existence of these balances represents an insurmountable barrier in the way of sterling convertibility. Convertibility would presumably mean that the unblocked portion of the balances held by OEEC countries, non-dollar western hemisphere countries and "other non-sterling countries" could be converted into dollars. Much of the

STERLING BALANCES OUTSTANDING
(£ Million)

	Dec. 31, 1947	Dec. 31, 1948	Dec. 31, 1949	Dec. 31, 1950	June 30, 1951	Dec. 31, 1951
NON-STERLING AREA COUNTRIES :—						
Dollar area	18	19	31	79	73	38
Other Western Hemisphere	235	135	80	45	55	57
OEEC countries	480	370	439	395	422	409
Other non-sterling countries	573	531	514	492	518	514
Total—non-sterling area countries	1,306	1,055	1,064	1,011	1,068	1,018
STERLING AREA COUNTRIES :—						
Dependent overseas territories	510	556	583	754	908	964
Other sterling area countries	1,787	1,809	1,770	1,978	2,192	1,825
Total—sterling area countries	2,297	2,365	2,353	2,732	3,100	2,789
TOTAL—STERLING LIABILITIES TO ALL COUNTRIES	3,603	3,420	3,417	3,743	4,168	3,807

£409 million of European balances seems to be in unofficial hands so that, if these balances were made convertible, the drain could be large. But the greater part of the £57 million of balances held by non-dollar western hemisphere countries is believed to represent the blocked holdings of Brazil and Uruguay, while the mapor components of the £514 million of balances held by "other non-sterling countries" are the unblocked Japanese balance of approximately £100 million (about which an agreement might be negotiated) and the blocked Egyptian balance of about £200 million; this latter, incidentally, has been reduced by £10 million this week as Britain has—presumably for political reasons—allowed the new Egyptian Government to draw its 1952 "ration" from the blocked balance nine months before the end of the year. If, therefore, an agreement on the sterling balances is a prerequisite of sterling convertibility, it would presumably need to be chiefly an agreement with Europe and Japan.

* * *

Extra Blast Furnaces

Steel production continued to recover in March. It reached an annual rate of 16,648,000 tons, compared with rates of 15,234,000 tons in January and 16,281,000 tons in February; and was in fact higher than a year before. But not much significance can be attached to this last comparison; the annual rate of output achieved in March, 1951, 16,546,000 tons, was reduced by Easter holidays, and it was indeed from March onwards that the decline in 1951 output began to be recorded. The annual rate of output during the first quarter of this year, 15,991,000 tons, was much lower

than in the first quarter of 1951, when the rate was 16,425,000 tons, but this year's trend should continue to be more favourable.

The check in the growth of pig iron output that occurred in February appears to have been temporary. Last month the blast furnaces' output was at an annual rate of 10,478,000 tons, their highest output ever, and pig iron output in the first quarter was at the annual rate of 10,355,000 tons, compared with a rate of 9,587,000 tons in the first quarter of 1951. There is still some way to go if 16 million tons of steel is to be produced this year, though the industry's iron-making capacity is growing. In the next two months three new blast furnaces at Skinningrove, Consett and Cargo Fleet and an additional furnace at Kettering should be brought into blast; allowing for the closing down of two old furnaces, this should give a net increase in pig iron capacity of 300,000 tons a year. During 1952 this capacity may rise in all by more than a million tons a year, which would enable the production of 11 million tons of iron if supplies of raw materials were sufficient. The industry is budgeting for a rather lower output of about 10,600,000 tons; but even this will require a continued growth in current output of pig iron, and supplies of materials, particularly of coke, are still uncertain.

* * *

Bigger Demands for Coke

Because a much greater proportion of British steel is being made from pig iron this year than in previous years, and supplies of ore have improved, coke has become the steel industry's most crucial raw material. For some months the British Iron and Steel Federation has been complaining that the supplies of metallurgical coke that it purchases from the National Coal Board and from independent coke oven operators have been falling short of the amounts promised; this week it said in a public statement that

> Unless this shortfall in purchased coke supplies can be overcome, pig iron development will be held back and steel production will be below last year's level.

The additional blast furnaces now becoming available, it added, could not be brought into blast until at least 6,000 tons a week of additional coke was assured.

The country's blast furnaces are expected to require a total of about 11,700,000 tons of metallurgical coke this year, or 225,000 tons a week. Last August the Federation expected that its own coke oven capacity would be increased by about 26,000 tons a week by the end of 1952; at the time it was using about 205,000 tons of coke a week and supplying about 135,000 tons of this from its own ovens. Today it is making nearly 150,000 tons a week. By the end of the year, therefore, its own increased coking capacity might be able to make all the additional coke it requires even if its purchases from the NCB and elsewhere are not much higher than the present level of 70,000 tons a week. But in the meantime, before extra ovens are ready, consumption at the blast furnaces must grow to meet higher demand for steel-making iron, and a greater use of home ore, which requires more coke to smelt it, is accentuating the pressure on supplies; in March the blast furnaces drew on their stocks by 2,000 tons a week, and these stocks now represent only about four days' supply.

The Federation is asking for another 6,000 to 7,000 tons a week from the NCB and its other suppliers, saying that current supplies have fallen by this amount below the "supply of 76,000 to 77,000 tons on which the steel development plan was based." The National Coal Board has replied that it entered into no undertaking to supply the steel industry with given supplies of coke; that its only undertaking, to the Ministry of Fuel and Power, was to ensure that the coke oven capacity owned by it and the independent operators should not fall below 8,200,000 tons a year; and that this undertaking has been fully carried out. In any case, it adds, all coke produced in coke ovens, whether owned by the Board or not, is allocated by the National Coke Supplies Officer of the Ministry. This seems to be an effective defence. On the face of it, the steel industry has the strongest of cases for these extra supplies of coke—particularly as uncertainty about American steel is making the hopes of better supplies later this year more doubtful. But was it necessary to plead this case before the public, since only the allocating department of the Ministry can render any useful verdict upon the claims of all hard coke consumers?

* * *

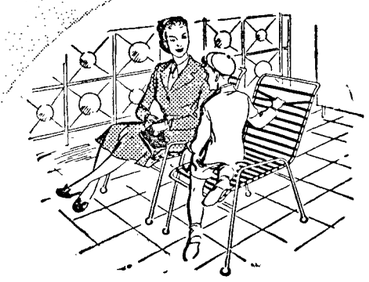
Accountants and Rising Price Levels

There are few signs of an accommodation between the two sides in the accountancy profession on replacement costs versus historical costs. Not all chartered accountants would endorse without qualification the suggestions on this controversial issue recently submitted by the Institute to the Royal Commission on Taxation of Profits, which were summarised in *The Economist* of March 29th. The principal submission (in default of relief from taxation on retained profits) was a modified "renewals basis" for replacing fixed assets; the Council of the Institute was unable to make suggestions for relief for profits retained to finance stock in trade because of "practical difficulties." Some practical difficulties and limitations might indeed arise if the renewals basis that the Council suggests were itself adopted. Put shortly, the proposal is to allow as a deduction for tax purposes any excess of the cost of replacing an asset over the tax allowances that have accumulated during its life. Annual allowances on the new asset would thereafter continue at the same rate as those granted on the original asset, and would be accumulated towards the second stage of replacement, when again any deficiency of allowances compared with replacement cost would be allowed for tax purposes in the year of replacement. These principles would be relatively simple to apply in those cases where regular and rapid replacement of fixed assets takes place, and where no element of improvement in their nature occurs. Whether such conditions apply to wide sectors of British industry, where assets are replaced at comparatively long intervals, and then commonly with equipment of a technically different nature, is another question.

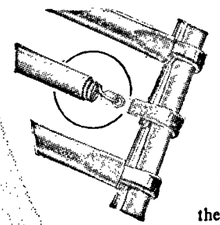
To be fair, the accounting difficulties inherent in the Institute's proposals are probably no greater than those inherent in other suggested schemes of tax relief for rising replacement costs. But they would appear to do little or nothing to remedy the understatement of the true cost of the fixed and current assets used up in current output. The Society of Incorporated Accountants, in its memorandum of evidence to the Royal Commission, emphasises "a serious danger of real capital consumption which accounting practices tend to veil"—which is to put the same point in a different way—and is pursuing its researches into problems that this raises for accountants and for industry. The Association of Certified and Corporate Accountants covered the point in its first memorandum of evidence last year, when it recommended the valorisation at current prices of annual depreciation allowances as they accrued.

A demonstration of what "replacement cost accounting" would mean in practical terms is provided in a publication of the research committee of the Institute of Cost and Works Accountants entitled "The Accountancy of Changing Price Levels" (15s.) of which an abridged version for those concerned with industrial management rather than accounting technique is available at 2s. 6d. These publications set out the principles that should apply in accounting for the effects of changing price levels and then show by a series of "models" the accountancy techniques that could be used to implement the principles. They show that comparison of "real" profits with profits computed by conventional methods, and the tracing of the fate of "real" capital against

PLASTICS
inspire new ideas



Remember the gay "Springbok" garden chairs at the South Bank last year? They were designed and made by Ernest Race Ltd., and in the construction Plastics played an essential part. The springs had to be covered, and the covering had to satisfy quite a list of "musts." It had to be soft and comfortable to sit on yet tough enough to stand a lifetime's wear in a few months. It had to be weather resistant, impervious to moisture, quick-drying after rain, colourful, fadeless and flexible. BX Plastics solved the problem with a special P.V.C. extruded tube made in five different colours.

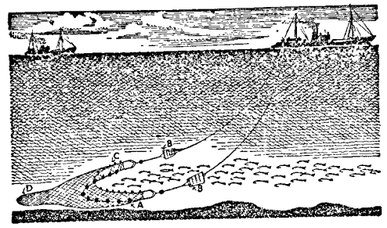


Plastics have a way of solving problems and inspiring new ideas. They offer advantages not possessed by other materials. Have you thought how you might use them in your business? That is where the Technical Service Department can help you.

BX PLASTICS LTD.
Chingford, London, E.4. *LARkswood 5511*
Manufacturers of Plastics

BX PLASTICS
inspire confidence

NEWS FROM THE FISHING INDUSTRY



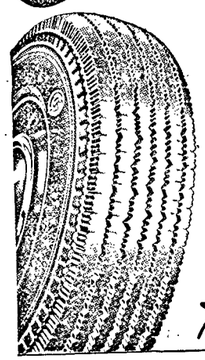
How fish are caught

Towed about 200 yards astern, the trawl runs along the sea-bed where the fish feed. Wooden or metal "bobbins" (A) are attached to the lower part of the mouth and act as wheels, enabling the trawl to be pulled more readily and with less risk of damage over rocks and other irregularities. Even so nets have constantly to be renewed, and it is not uncommon for a complete trawl to be lost. Replacements today cost nearly treble the 1949 price!
The action of the water forces the trawl doors (B) apart and this, in conjunction with the floats (C), keeps the mouth wide open and the way clear to the cod-end (D) where the catch congregates. About every 2 hours, the trawl is winched in and — with luck! — a silvery cascade of fish pours onto the deck for instant cleaning, sorting and packing in the ship's fish-rooms.

British Trawlers know their job!

Issued by the British Trawlers' Federation Limited

MOTORISTS—
This Gold Seal on the sidewalls of the latest Dunlop car tyres is the symbol of
Greatest Service



- Stronger and more flexible casing for greatest durability and maximum riding comfort.
- Compounds which provide highest resistance to abrasion and wear.
- Patented Dunlop tread with thousands of 'teeth' to bite the road.
- Deep-pattern tread giving non-skid efficiency right to the end.
- Silent running throughout its long life.
- Non-Static properties for improved radio reception.

DUNLOP
The World's Master Tyre
2H/113

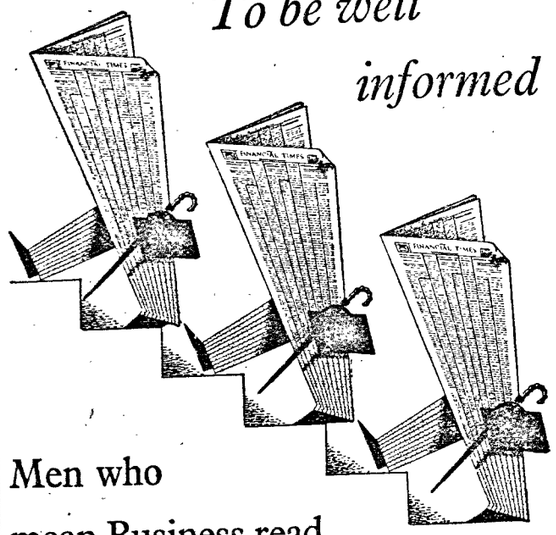
ZINC

THE element zinc occurs in "zinc blende"—a natural form of zinc sulphide—and in certain ores of lead and silver. A hard bluish-white metal, zinc was originally produced only in China and Sumatra, and substantial quantities were once mined in Britain, but most of the world's supply now comes from the Americas and Australasia. Centuries before zinc was discovered in the metallic form, the Ancient Greeks were smelting its ores with copper to make brass, an alloy that has become indispensable to modern industry. Apart from its use in alloys zinc is chiefly important today for coating or "galvanising" iron sheet and wire to give protection against rust. Zinc is also used as a roofing material and in the manufacture of casings for dry batteries, fittings for motor cars and plates for printing. Compounds of the element are well known in such diverse fields as medicine, dyeing and paint manufacture.

In addition to producing zinc wire and strip for the electrical industry I.C.I. makes zinc-chrome pigments for paints and zinc compounds for the processing of rubber.

ICI

To be well informed



Men who mean Business read

THE FINANCIAL TIMES

—every day

FACTS ABOUT AUSTRALIA

OVER

8,000,000

POPULATION

During the last four years, Australia's population has increased by 6½% with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2 and 47 Berkeley Square, W.1

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

285/102E

the deceptive appearance of the conventional balance sheet involves accounting procedures of great technical complexity. The demonstrations are not put forward as suitable for immediate adoption by accountants; they are, rather, formal solutions of problems of replacement costs illustrating the accounting techniques that could be deployed.

* * *

Remedy for Tuberculosis?

A cautionary announcement issued by the Ministry of Health last week about the new anti-tuberculosis drug, isonicotinic acid hydrazide, has not dissuaded a number of companies from announcing their intention to start production as soon as possible. Reports from the United States, where the drug was developed, say that it has achieved remarkable results in serious cases which had not responded to the recognised forms of treatment; results in less critical cases were not so dramatic.

In many countries, though not in Britain, a drug manufacturer must obtain permission from a public authority before he can put a new product on the market. The medical authorities are acting properly in trying to prevent excessive expectations before the drug has undergone full clinical trials although the results of first trials are claimed to be spectacular. It is already in production in America and in this country.

Much of the development work on the new compound was carried out by the American branch of the Swiss company, Roche; the English factory put the drug in production within a short time of receiving details from the United States and is already producing it in large quantities. But the compound was first identified in 1912, and cannot be patented. The Roche company, therefore, has no claim to the exclusive production rights that are the usual reward for work and expenditure on pharmaceutical research. Indeed, the American Squibb organisation, which was conducting research into the new compound at the same time as Roche, has set up an organisation in this country with the intention of producing the drug under the trade name "Nydrazid" in competition with Roche's "Rimifon." Other companies have announced similar plans. Roche Products, which is at present the only British producer, has taken two steps to control the distribution of "Rimifon." It has informed the Ministry of Health that the compound will be sent only to tuberculosis centres and has sent samples to the Poisons Board to ascertain whether it will be classed among those drugs that are supplied only on a doctor's prescription.

If the drug only partially fulfils its initial promise, the market may prove immense. Unlike streptomycin, which is the most effective anti-tuberculosis drug now in use, isonicotinic acid hydrazide is cheap and is taken orally. Roche Products' price for 100 tablets is 22s. 6d. and treatment consists of two or three a day. It remains to be seen whether the new drug proves effective in the treatment of animal tuberculosis; if it were, it would make possible a rapid improvement in cattle herds and provide for tuberculosis a remedy as potent as penicillin has been for mastitis.

* * *

New Shapes for Ships?

In a paper on "Britain's Deep-Sea Liner Trade 1945-51," which he presented to the Institution of Naval Architects last week, Mr Basil Sanderson, chairman and managing director of Shaw Savill and Albion, dealt at length with the two main problems that have confronted the liner owner since the war: the making good of war losses, and the effects of taxation upon the replacement of obsolescent tonnage. This is a problem familiar throughout industry; Mr Sanderson was concerned to show that its effects upon shipping are peculiarly "lethal." What other industry, he asked, has such a large proportion of its capital represented by plant depreciating so quickly as within 20-25 years, and what other industry has always to scrap 100 per cent at one time when the unit of plant is becoming uneconomic? "In the case of the shipping industry the whole factory, plant, accommodation and all goes at one fell sweep into the melting-pot at scrap prices, which latter are even then subject to a balancing charge."

But to the outsider the main piquancy of Mr Sanderson's paper lay outside its weighty main theme. Venturing cautiously into the realm of the naval architects whom he was addressing, Mr Sanderson ended with three "user's questions" about ship design. Why, he asked, was cargo still handled by methods basically unchanged since the Phœnicians—lifted by derrick, swung, and then lowered to about the same level: was some approach to "horizontal loading" as opposed to vertical a possibility, even if it meant dispensing with "such anachronisms as masts and the projecting vertical funnel"? He enquired whether some improvement in the insulation of refrigerated shipping, which would allow savings in the power of refrigeration equipment, might be brought about by modification of hull design. Last, he spoke of the troubles that have come in the wake of the latest and most efficient hulls turned out by shipbuilders. These hulls, he argued, appear to suffer far more from fouling than older, less efficient hulls. There appears some need for tank tests in simulated conditions to allow for a moderate degree of fouling, instead of the ideal conditions that are usually presupposed.

* * *

Metal Fatigue in Aircraft

The Air Registration Board's recent decision to impose a limit on the life of certain aircraft structures has led to some confusion among the general public. For several years, the Aircraft Research Establishment at Farnborough has been carrying out research into metal fatigue in aircraft, with the object of defining fatigue limits for metals subjected to given combination of stresses. This research was given new significance by an accident that occurred in Australia last autumn when the onset of metal fatigue caused the wings to fall from an aircraft. This catastrophe showed that serious gaps existed in the data on which estimates of metal fatigue were being based. To fill these gaps and to eliminate any possibility of a second accident of this kind, the board started a series of practical tests on aircraft in service.

Certain combinations of stress are more likely to induce metal fatigue than others. The laboratory test programme therefore concentrated on aircraft whose design suggested the presence of these stress combinations. The first aircraft tested was the Viking, and the Air Registration Board has decided to require the replacement of the centre-section spars of the wings after 10,000 flying hours—the equivalent of three years' service. The Hermes aircraft is now undergoing the same test and other aircraft will follow.

As information is obtained the board may be able to decide, on issuing a certificate of airworthiness for a new aircraft, whether any limit must be put on the life of any part of its structure. In the past, such limitations have been imposed only when the need for them became apparent after the aircraft had been in service for some time. Service experience, for example, revealed the need for regular replacement of certain parts of the Dakota airframe. If limits can be set down before and not after an aircraft shows a tendency towards metal fatigue, the result will contribute to greater safety in the air.

* * *

Responsibility in the Mines

Early in the inquiry that followed the Knockshinnoch Castle colliery disaster in September, 1950, it became obvious

that the National Coal Board's organisation between the level of the area and the pit was in a sense on trial. This impression in the public mind has since been amply confirmed by the courts, which acquitted the manager, the former agent of the group of mines, the sub-area production manager and the sub-area production engineer of contravening mining regulations, and upheld these acquittals on appeal by the Crown. Dismissal of the appeals was in part based upon obscurities in regulations covering "moss, quicksand or liquid matter"; but perhaps mainly upon the diffusion, and indeed dissipation, of responsibility, in the area organisation. Lord Cooper, the Scottish Lord Justice General, put the gravamen of the charge in his leading opinion:

> It is impossible to lay responsibility on any individual or individuals when the hands of the manager and agent are tied and their eyes blindfolded by the hierarchy of officials responsible for planning and production. The duties were distributed among a corps of officials so that what was everybody's business was nobody's business.

This judgment is at present under discussion by the Board, and officials at Hobart House are hesitating to comment upon its consequences for their area structure of organisation. These do not arise solely from defects in that organisation. It has been increasingly obvious in recent years that the central principles of responsibility upon which mine safety regulations are based, as laid down in the Coal Mines Act of 1911, bear little relation to the organisation of modern coal mining; and though the regulations have frequently been amended, changes in the Act are overdue. Before the war a Royal Commission studied the question with a view to framing new principles, but its report appeared in 1939 and action was inevitably postponed.

Nationalisation has since complicated the chain of responsibility to a far greater extent. These are changes in organisation; but the effect of technical development has been in the same direction. Under the Act the colliery manager is responsible for direction, management and daily supervision of the pit, and takes instructions from nobody who is not technically qualified. Coal mining has gradually become a complex alliance of techniques, and specialists on particular types of engineering and equipment underground multiplied in the larger coal combines between the wars; under the National Coal Board their number has grown apace. Effective responsibility for the operations in a large-scale mine is now almost beyond one man, and in practice the colliery managers share responsibility at many points. Yet legally the main responsibility still rests upon these managers, less than a thousand in number; one result of the Coal Board's elaborate "*line and staff*" chain of command may be, it appears, to diffuse that legal responsibility beyond identification. The Board has as a member the country's foremost expert upon safety regulations, Sir Andrew Bryan, who has long recognised the need for amendment of the Act, though he has often emphasised the difficulties of framing satisfactory new principles. Amendment would be a lengthy process; but there is obviously a need for some definition of the responsibilities of specialist officials in relation to those of agents and managers.

* * *

No Change in National Savings

In the financial year 1951-52 new savings through the national savings movement amounted to £1,044 million, or £95 million more than in the previous year (when the same amount of accrued interest—£126 million—was included in the recorded total). Unfortunately, withdrawals from past savings rose in step, by £93 million to £1,037 million, so that the movement's recorded surplus of receipts over withdrawals rose only from £5 million to £7 million; in fact if the £43 million of defence bonds repaid at maturity last year are included, the movement's experience in 1951-52 was about £41 million worse than in 1950-51. The introduction of the new savings certificate in February, 1951, boosted sales of certificates by £24 million to £156 million. While encashment of existing certificates was little changed at £136 million, a great deal of the new money invested in certificates seems, however, to have come from encashment of defence bonds, withdrawals from trustee savings banks (whose "surplus" of receipts over withdrawals narrowed from £16 million to £5 million) and from the post office savings banks (whose "deficit" widened from £80 million to £96 million).

Analysis of the monthly returns shows that (even if repayments of defence bonds at maturity are excluded) small savings experience was slightly worse in the high summer of last year than in the summer of 1950; it improved slightly relative to the previous year in the last four months of 1951, deteriorated again in the first two months of 1952, but was rather better in March (thanks partly to the lateness of Easter this year). These trends accord broadly with known trends in public spending, but they suggest that national savings cannot now be regarded as much more than a neutral factor in the national economy. To have maintained neutrality is, however, no mean achievement; as Lord Mackintosh said last week "in the present economic conditions, and with many good wartime savers now reaching retirement" it is not surprising that withdrawals are so high. The movement enters the new financial year with the pattern of interest rates that it is allowed to offer on small savings much less attractive, relative to other forms of investment, than it was a year ago.

* * *

Compensation at Snail's Pace

More than five years after the vesting date for coal nationalisation, compensation of the former coalowners appears to be about half complete. So far only £40,691,998 of the £250-300 million to which it may finally amount has been paid in final settlement—for railway wagons, stocks and stores, and a few of the ancillary assets outside coal mining that were taken over. But in all, £140,148,488 has been paid out, of which about £96½ million represents payments in partial settlement of claims for collieries. Though no final settlements have been recorded by the District Valuation Boards for mines, these partial payments often represent some 90 per cent of the eventual value: they have been made to a large number of the coalowners who came to voluntary agreements to share their district's part of the £164,600,000 "global award" for collieries as a whole. Such agreements have now been made in Somerset, Cannock Chase, Kent, Northumberland, Durham, Cumberland, South Wales and Monmouthshire, Warwickshire, and North and South Derbyshire. No agreements have been reached in Yorkshire and Scotland, two big districts, and in Nottingham, Lancashire and Cheshire, North and South Staffordshire, North Wales, Forest of Dean, Shropshire and Bristol; and some disagreement appears to have arisen about the agreement reached in Leicester. Officialdom has contributed a considerable share of this delay; but some mining companies have played their part. Those still holding out against agreement must obviously protect their shareholders; but, with the aid of some of the Chancellor's periodical estimates of the fall in the purchasing value of the pound, they must be uneasily aware of how much the delay so far has lopped off the real value of the compensation they hope eventually to get.

* * *

Precautions for Farm Chemicals

A bill has been published that proposes to give the Ministry of Agriculture authority to lay down precautions for protecting workers who handle and apply certain of the more dangerous farm chemicals. The bill covers two groups of

THE BRITISH METAL CORPORATION LTD.
BMC

LONDON · MONTREAL · VANCOUVER · SYDNEY · PERTH
MELBOURNE · CALCUTTA · BOMBAY · JOHANNESBURG
KARACHI · BULAWAYO

ASSOCIATES:
C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA, CYPRUS AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials; it provides coal-washing plant, ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

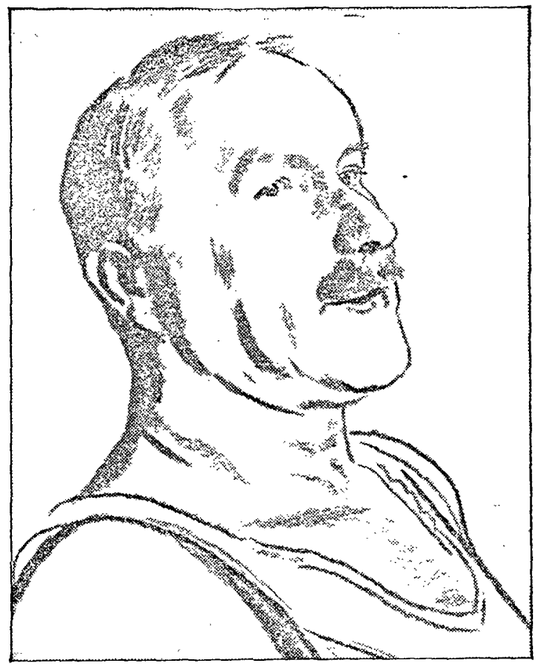
TELEGRAMS *Brimetacor, London* · CABLES *Brimetacor London* · TELEPHONE: *MONarch 8055*

Branches at BIRMINGHAM and SWANSEA

Established in 1845.
All classes of insurance transacted including Fire, Life, Accident, Motor, Marine and Aviation. Represented throughout the world.

ROYAL INSURANCE COMPANY LIMITED

Head Offices:
North John St. LIVERPOOL. | Lombard St. LONDON.



Drawn by A. R. THOMSON, R.A.

A man of few words

Long before momentous events have become newspaper headlines, taciturn Tom Armstrong*, in charge of one of the paper-making machines at Bowaters Kemsley Mill, has run through the newsprint to carry the news.

At one end of the towering machine, a hundred yards in length, a sheet of liquid of the colour and apparent consistency of thin porridge is carried in by a moving belt. As it travels over a series of suction boxes this grey liquid quite suddenly whitens, for all the world like an egg beginning to poach. Almost instantaneously it has turned into paper, gliding on over steam-filled cylinders which carry it along to the roll.

If you can hear him above the noise, Armstrong will explain that four miles of paper are wound onto the roll every fifteen minutes throughout the twenty-four hours of every day. There are many such mammoth machines in the Bowater Organisation and this particular one happens to be the widest paper-making machine in the world. It is known, he will tell you, as "Bowaters' Number 5" — and it produces a roll 300 inches wide, which is cut into five to fit the printing presses. "Bit quicker than making papyrus," you shout. "What?" shouts Tom. "Quicker than making parchment," you bellow through your cupped hands. "No. 300 inches," Tom replies. "Widest in the world." And on a strip of newly-made paper he writes the figure down.

The whole wealth of Bowaters craftsmanship, experience and research in the art of making paper — the 'know-how' in short — is freely at your service.

THE BOWATER PAPER CORPORATION LIMITED

GREAT BRITAIN · UNITED STATES OF AMERICA · CANADA · AUSTRALIA · SOUTH AFRICA
NORWAY · SWEDEN

*Fictitious name.

UNION CORPORATION, LIMITED

(Incorporated in the Union of South Africa.)

ABRIDGED REPORT OF THE DIRECTORS FOR YEAR 1951.

After providing £1,153,000 for United Kingdom Income Tax and Profits Tax the profit for the year is £982,714, plus £282,327 brought forward, making a total of £1,265,041. The Directors have placed £300,000 to the credit of Exploration Reserve Account, have provided £47,000 for Staff Pension Fund contingencies and have declared a final dividend of 4s. 6d. United Kingdom currency per share free of United Kingdom Income Tax, absorbing £418,500, and making, with the interim dividend of 2s. per share, a total distribution of 6s. 6d. per share free of United Kingdom Income Tax or £604,500 for the year, leaving £313,541 to be carried forward.

Holdings of shares, debentures and other securities have been taken into the Accounts at cost or under but in no case above the market value of December 31st last, or, where no market price exists, at ove the Directors' valuation. At present market prices these holdings show a very substantial surplus over the amount at which they stand in the Balance Sheet. The Directors, as on other occasions, have thought it expedient to write down the book cost of certain holdings below both cost and market price. As a result of the sale of certain shares in a subsidiary company, capital profits previously applied against the cost of the investment in that Company have been freed to the extent of £50,000, and this sum has been placed to the credit of Capital Reserve Account, which now stands at £300,000.

A copy of the Corporation's Annual Trade Cycles Chart, revised to date, is enclosed with the Report.

GOLD MINING INTERESTS

Summary of the operating results for the past year of the Companies operating in the Witwatersrand in which the Corporation is largely concerned :—

	East Geduld Mines, Ltd.	Geduld Proprietary Mines, Ltd.	The Grootvlei Proprietary Mines, Ltd.	Marievale Consolidated Mines, Ltd.	Van Dyk Consolidated Mines, Ltd.
Tons milled... ...	1,738,000	1,259,000	2,339,000	729,000	1,204,000
Yield per ton... dwt.	6.00	2.93	4.45	4.97	3.02
Working Costs per ton	25s. 5d.	27s. 10d.	25s. 0d.	37s. 2d.	35s. 1d.
Working Profit per ton	53s. 0d.	10s. 6d.	33s. 1d.	27s. 8d.	4s. 4d.
Total Working Profit	£4,604,000	£658,000	£3,872,000	£1,009,000	£263,000
Net Profit	£2,158,000	£1,154,000	£1,819,000	£512,000	£250,000
Dividends : Total...	£1,950,000	£1,077,000	£1,716,000	£450,000	—
Per cent.	108¾	73¾	60	20	—

The net profit figures include revenue from other sources. Thus East Geduld Mines' dividend income in 1951 on its shareholding in The Grootvlei Proprietary Mines was £80,640 and Geduld Proprietary Mines' dividend income in 1951 on its shareholdings in East Geduld Mines and The Grootvlei Proprietary Mines was £770,585.

On Van Dyk, development in the No. 5 Shaft area has commenced. Payment of dividends has been suspended in order to finance this Shaft and initial development therefrom.

ST. HELENA GOLD MINES—The first ore reserve estimate as at December 31st last showed an amount of 625,000 tons, having a value of 5.9 dwt. over a stoping width of 48 inches.

After trial runs the reduction plant came into commission on 1st November and by the year end 81,000 tons of ore derived mainly from development had been milled, resulting in a working loss of £43,995. During the current financial year the mine has shown a small working profit.

The opening up of stopes has not progressed at a rate sufficient to supply the reduction plant with ore to its full capacity, but the position should improve gradually as additional stope faces become available. In order to provide funds to accelerate development work, to cover capital expenditure at the mine, and to repay the temporary loan of up to £1,000,000 granted by the Corporation last year, the Company has raised the sum of £1,700,000 by an issue of 2,125,000 shares at 16s. 0d. per share.

THE WITHOK PROPRIETARY COMPANY.—The borehole in the centre of the Company's property, which was referred to in last year's report, intersected the Main Reef at a depth of 7,034 feet. No values were disclosed.

Interests not under the administration of the Corporation :

STILFONTEIN GOLD MINING COMPANY.—This Company continues to make good progress in opening up its mine in the Klerksdorp district of the Transvaal and development work has disclosed a high percentage of payability with good values on Vaal Reef. It is expected that production will commence about the middle of 1952.

WESTERN HOLDINGS.—Both of this Company's shafts in its lease area in the Orange Free State have intersected the Basal Reef with satisfactory results. It is expected that production on a small scale with rock from development will start about the middle of 1952.

OTHER MINING INTERESTS

SAN FRANCISCO MINES OF MEXICO.—In the year to 30th September, 1951, 597,400 tons of lead-zinc-silver ore were milled compared with 623,000 tons in the previous year. Power cuts in the supply of electricity to the Mine in the later months of the year contributed to the reduction.

The Company's issued capital was doubled in May, 1951, by capitalising £1,028,406 10s. from Reserves and issuing bonus shares to members in the proportion of one 10s. bonus share for each 10s. stock unit held.

CHROME MINES OF SOUTH AFRICA.—Operations continued throughout the year but were again handicapped by the shortage of railway trucks.

Interest not under the administration of the Corporation :

TSUMEB CORPORATION.—The net profit of this Company for the year ended 30th June, 1951, was £2,966,943 compared with £1,495,572 for the previous year and dividends totalling 7s. 9d. per share were declared. During the current financial year dividends totalling 10s. 0d. per share have so far been declared. Steps are being taken to increase the capacity of the Mine and the Mill plant.

OTHER INTERESTS

BAY HALL TRUST.—The net profit for 1951 was £77,435 and a dividend of 6¼ per cent. free of tax was declared. The Trust's investments as at December 31st last showed an appreciation of £716,014 over book cost of £2,232,419.

BRITISH ENKA.—Production in 1950 was substantially increased. Net profits for the year rose to £315,241 to which was added £217,798 in respect of taxation over-provided in previous years and no longer required, making a total of £533,039. Dividend paid was increased to 10 per cent., absorbing £105,125 and £400,000 was transferred to General Reserve. During 1951 the Company further increased its output.

SOUTH AFRICAN PULP & PAPER INDUSTRIES.—During the year production and sales were again increased. The net profit for 1951, after making provision for taxation and depreciation, amounted to £274,022. Dividends totalling 2s. 0d. per share have been declared compared with 1s. 10½d. per share for previous year.

At the Enstra Mill the smaller of the two additional paper machines referred to in last year's Report was brought into production during the latter part of the year under review. Work has started on the erection of the main factory buildings for the Company's new Mill in Natal. To provide further funds for this expansion of operations, the Company last year issued 1,000,000 shares at 40s. 0d. per share.

EXPLORATION

Active exploration work was continued during the year under review by the Corporation and its subsidiary Companies, including Capital Mining Areas in the Bethal District of the Transvaal, and Central Mineral Exploration in the Miala area of Tanganyika. The Corporation continues to hold the mineral rights on certain farms in the Orange Free State.

Copies of the full Report and Accounts can be obtained on application at the London Office, Princes House, 95, Gresham Street, E.C.2.

products—compounds based on dinitro-phenol and those using organic phosphorus. The first group are weed-killers and the second, insecticides ; their use has caused increasing concern because contact with the spray of either can be fatal and the dinitro-phenol compounds have been responsible for a number of deaths.

Last year, between three and four million acres of arable land were sprayed with weedkillers, many of them being in the dinitro group. This total shows a rapid growth, for less than a million acres were sprayed in 1949. A similar growth in the use of phosphorus insecticides was checked by an interruption to supplies. Of the two most effective phosphorus insecticides, one is sprayed on to the plant and kills insects on contact ; its best known form is parathion. The other is absorbed by the plant and kills those insects that feed on the sap. An accident last year stopped production at one plant that supplied most of the parathion for insecticides, and production has not been resumed. Another company has decided not to proceed with plans for building a new parathion plant. The companies that manufacture insecticides are therefore wholly dependent on the limited supplies of parathion that they can import from the Continent. The second form of "systemic" phosphorus insecticides is still sold only by Pest Control, although the company has a close competitor in Plant Protection Limited, which has been working on the same type of product for four years and supplies more than half the market for weed killers and insecticides. Both companies are conscious of the temptation to disregard the irksome precautionary measures that they recommend to protect spray operatives. Rubber boots and gloves, hooded overalls and eyeshields are not comfortable to wear and the risk of a £50 fine under the new bill is the only legal sanction to ensure that they are in fact worn throughout the spraying operations. Both companies are working hard to discover a non-toxic phosphorus compound that could replace those now in use. Meanwhile Pest Control has developed a technique for packing the "systemic" insecticide in capsules which are placed among the plant roots and thus absorbed into the plant system. This method has been successfully used in the Gold Coast experiments to control swollen shoot disease in the cocoa plantations. It is more expensive than direct spraying, and can be used only for chemicals that can be drawn up by plant roots. But agricultural chemists are watching its development with considerable interest.

Shorter Notes

A new reference by the Board of Trade to the Monopoly Commission directs it to inquire into the supply and export of electric generators, electric motors and transformers, and steam and hydraulic turbines for driving heavy alternators. The reference sets lower limits to the capacity of the generators, motors and transformers, of which the manufacture and export are to be investigated ; but these are so low that all but a very small percentage of the value of most of this equipment produced lies above them—with the outstanding exception of fractional horse-power motors. A report upon another section of the electrical engineering industry, cable-making, should be completed this month ; and it may be noted that the recent annual report of the Commission recorded domestic electrical appliances and steam boilers as among the manufactures of which investigation has been suggested to the Board of Trade—boilers having been suggested by the London County Council.

★

Palestine currency has now ceased to circulate as legal tender and the old Palestine Currency Board is to be dissolved. Any notes still outstanding can be tendered to Barclays Bank (DC and O), which has been appointed by the Crown Agents to handle the business of redemption.

Company Notes

Ford Motor.—In spite of material shortages, Ford Motor was able to produce 171,000 vehicles and tractors last year, and to export 125,000 of them. This was less than the record output of 185,000 vehicles and tractors in 1950 ; but, despite this, total income rose by about 5 per cent, from £64,750,000 to £68,000,000. The increase in income was, however, accompanied by an increase in costs, particularly of imported materials, and group trading profits fell slightly, from £11,643,282 to £11,275,663.

Sir Rowland Smith opened his address to shareholders by averring that "in face of increasing difficulties 1951 was, nevertheless, a year of successful achievement." Unfortunately, these difficulties may become even greater this year, for costs seem certain to increase again, while the threat of a shortage of materials is by no means averted and that of a sales recession in Ford's export markets is growing. Sir Rowland explained that "the maximum effect of material shortages" was not felt until the beginning of this year and that there is still "no certainty that steel will be in sufficient supply to meet export demands."

The portents for export demands, however, are not encouraging. Last year Ford's exports to North America were smaller than in 1950, thanks to tighter credit restrictions there ; elsewhere strong competition from continental manufacturers was again encountered, particularly in Europe and South America. Moreover, in recent weeks the Australian market, the company's biggest overseas buyer last year, has been considerably restricted. Sir Rowland hopes that any disruption of foreign markets will be offset by permission from the Government to increase deliveries at home ; otherwise, he adds, "unemployment could arise." The home market would probably absorb any frustrated exports offered to it.

One symptom of last year's difficulties may be found in the steep rise in the book value of stocks and work in progress from £7,991,420 to £13,122,674 ; this increase may

BANQUE DE LA SOCIETE GENERALE DE BELGIQUE

Société Anonyme,

3 Montagne du Parc, Brussels, Belgium

THE LEADING BELGIAN BANK WITH 130 YEARS OF EXPERIENCE

BALANCE SHEET 31st DECEMBER, 1951

LIABILITIES

CURRENT LIABILITIES :

	Frs. (1)	Frs. (1)
Preferred or guaranteed creditors:		
Banque Nationale de Belgique —		
Other creditors ... 28.136.555,99		
	28.136.555,99	
Balances due to banks	2.176.436.466,50	
Head Office, branches and Banking Affiliates	263.506.230,19	
Acceptances	3.208.385.607,75	
Other short term liabilities	292.730.843,91	
Creditors for bills in course of collection ...	563.834.478,44	
Deposits and current accounts:		
on sight or at one month's notice 20.362.781.754,40		
time deposits 2.306.806.642,11		
	22.669.587.756,51	
Amounts callable on securities	328.655.545,—	
Other liabilities	652.530.031,82	
		30.244.152.556,11
CAPITAL AND RESERVES :		
Capital	500.000.000,—	
Legal reserve fund (Royal Decree nr 185 art. 13)	50.000.000,—	
Available reserve	678.549.805,02	
Reserve deriving from revaluation of investments	151.242.194,98	
		1.379.792.000,—
PROFIT AND LOSS ACCOUNT :		
Balance brought forward	17.175.650,77	
Balance for 1951	197.854.425,70	
		215.030.076,47
	Frs.	31.838.974.632,58

ASSETS

CURRENT ASSETS :

	Frs. (1)	Frs. (1)
Cash in hand, with the Banque Nationale and Postal Cheque Office		959.603.027,23
Money at call		515.940.000,—
Balances due from banks		658.340.957,43
Head Office, Branches and Banking Affiliates		449.069.971,22
Other short term assets		855.382.498,27
Bills portfolio :		
Trade bills 3.467.440.645,44		
Government bills rediscountable with the Banque Nationale ... 3.100.000.000,—		
Government bills mobilisable up to 95% with the Banque Nationale 9.993.400.000,—		
	16.560.840.645,44	
Loans and advances on securities		173.898.866,62
Customers' liability for acceptances		3.208.385.607,75
Accounts receivable		4.734.740.543,64
Securities portfolio :		
Legal reserve securities 50.000.000,—		
Belgian government securities 2.288.785.668,55		
Foreign government securities ... ... 2.430.004,—		
Bank stocks 596.098.574,50		
Other securities ... 236.034.364,—		
	3.173.348.611,05	
Other assets	427.423.901,93	
		31.716.974.630,58
FIXED ASSETS :		
Bank premises		122.000.000,—
Participation in real estate subsidiary companies		1,—
Amounts due from real estate subsidiary companies		1,—
		122.000.002,—
	Frs.	31.838.974.632,58

(1) £1=140 Belgian francs.

CONTINGENT ACCOUNTS :

Assets pledged as collateral :		
for own account with Banque Nationale (credit unused)	2.110.000.000,—	
for account of others	20.030.500,—	
		2.130.030.500,—
Securities pledged for own account		95.250.000,—
Guarantees received		11.630.631.943,88
Guarantees given for account of others		3.907.244.691,06
Bills rediscounted		2.529.427.694,57
Forward exchange		1.209.670.471,55
Securities held in safe custody		€2.073.356.981,98
Monetary reform loan (Law of 14-10-1945 art. 3) :		
(a) for private holders	6.369.783.967,24	
(b) for tax-collectors	827.879.779,38	
		7.197.663.746,62
Other accounts		€.913.016.097,30

Principal correspondent in London: BANQUE BELGE POUR L'ETRANGER (OVERSEAS) LTD., 4 Bishopsgate, E.C.2.

be associated with teething troubles in the production of new models and the introduction of the new tractor last December. Shareholders have been given due warning by Sir

	Years to Dec. 31, 1950	1951
	£	£
Consolidated earnings :—		
Trading profit	11,643,282	11,275,663
Total income	11,762,758	11,943,769
Taxation	4,729,394	5,461,679
Depreciation	1,683,558	1,392,688
Group earnings for ordinary stock	*1,706,885*	*1,164,705*
Group earnings for ordinary stock	618,750	708,750
Ordinary dividends	12½	15
Ordinary dividends (per cent.)	2,000,000	2,750,000
Replacement reserve	400,000	—
Contingencies reserve	688,135	785,449
Added to group carry forward		
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	11,319,783	16,457,165
Net current assets	21,365,633	22,408,955
Stocks	7,991,420	13,122,674
Cash	11,613,594	3,198,572
Reserves	20,742,276	26,947,980
Ordinary capital	9,000,000	9,000,000

£1 ordinary stock at 45s.xd. yields £6.13s. per cent.

Rowland of the problems that lie ahead, but they can glean some comfort from the fact that Ford intends to push ahead with capital development and expansion—about £14 million is to be spent in the next three years—and that the dividend has been raised from 12½ to 15 per cent. This increased dividend absorbed £708,750, but it was still comfortably covered by last year's distributable earnings.

★

Reyrolle.—Last year Reyrolle clipped, but did not squarely hit, the bull's eye of its target. In the year to December 31st its output, both in volume and value, was the highest in its history, but shortages of materials prevented it from producing as much as had been originally planned. The expansion of production led directly to the increase in trading profits, from £1,747,464 to £2,099,622. The chairman, Sir Claude Gibb, admitted that in view of these achievements many shareholders may believe that the company's dividend policy is "none too generous." A final dividend of 6¼ per cent has been recommended on the ordinary capital of £2,035,294, as increased by the 100 per cent scrip bonus, following an interim of 7½ per cent paid on the original capital of £1,017,647; it was upon this capital that a distribution of 15 per cent was made in 1950. Total net dividends amount to only £127,420, while £1,175,000 was provided for taxation and £628,345 appropriated to reserves. The directors justify conservatism—perhaps a little lamely—by referring to the Chancellor's plea for dividend restraint. A dividend of 15 per cent would

	Years to Dec. 31, 1950	1951
	£	£
Consolidated earnings :—		
Trading profit	1,747,464	2,099,622
Total income	1,815,206	2,190,228
Taxation	915,000	1,175,000
Depreciation	65,596	71,173
Group earnings for ordinary stock	*379,210*	*419,955*
Ordinary dividends	83,956	106,853
Ordinary dividends (per cent.)	15	10*
Retained by subsidiaries	5,674	5,161
Stores reserve	78,413	100,000
Development account	200,000	200,000
General reserve	200,000	228,345
Added to carry forward	89,580	83,531
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	668,268	670,996
Net current assets	4,737,483	5,474,215
Stocks	2,770,954	3,454,388
Cash	1,875,100	1,884,098
Reserves	3,949,134	3,842,781
Ordinary capital	1,017,647	2,035,294

£1 ordinary stock at 41s. 6d. yield £4 16s. per cent.
* Equivalent rate on new capital of £2,035,294.

have been justified by the year's results, but shareholders would perhaps be unwise to look beyond a dividend of 12½ per cent this year (compared to the equivalent of 10 per cent on the new capital in 1951). The market is certainly expecting at least that distribution, for at the current price of 41s. 6d. the £1 ordinary shares yield—on the 1951 distribution—only 4.8 per cent.

A bigger order book is reflected in the rise in the book value of stocks from £2,770,954 to £3,454,388 and there are likely to be even more orders this year, for this type of capital goods industry is booming even while the prospect for consumer goods industries recedes. In the chairman's words, "higher targets have been set for 1952 and subsequent years to meet increasing demands for the company's products at home and overseas." Last year an increase in orders was apparent in all the company's foreign markets, and at home, where about 60 per cent of the group's output is sold, Reyrolle has been able to plan for about four years ahead to satisfy the British Electricity Authority's requirements for the larger types of switchgear. The biggest danger is a shortage of raw materials and Sir Claude joins other chairmen of metal-using industries in making a plea for an additional allocation of steel.

★

W. T. Henley's.—A preliminary statement by W. T. Henley's Telegraph for the year to December 31st last shows another slight fall in profits before tax, from £1,417,235 to £1,368,644. In 1950 a steep rise in production costs and fluctuations in prices of raw materials led to a similar recession in profits, and the same causes probably underlie the latest decline. As the group's manufacturing interests range from electric cables to motor tyres, its earnings are likely to be jarred—more than most—by the see-saw of metal and rubber prices. It is probably for this reason that the company has made an appropriation of £200,000 (against £105,000) to a reserve against fluctuations in prices of materials. This appropriation is made from a net profit of £646,447, compared with a net profit of £685,559 in 1950, and another £250,000 (against £200,000) has been allotted to a fixed assets replacement reserve. These appropriations have been accompanied by a draft on the carry forward, which has been reduced from £953,477 to £927,000. The fall in profits has not been sufficient to prevent the directors from recommending the customary annual distribution of 20 per cent. At the current price of 19s. the 5s. ordinary shares give the not over-generous yield of 5¼ per cent.

★

Elder Dempster.—A modest recovery in earnings has been reported by Elder Dempster. In the year to December 31st last, gross profits before tax increased from £2,486,317 to £2,826,470. Taxation absorbs £890,727 (against £834,817) and depreciation takes £582,782 (against £514,041) and net profits have risen from £1,137,459 to £1,352,961. Both gross and net profits, however, appear to be below the level of profits earned in 1948 and 1949. This modest increase in profits may disappoint some shareholders, particularly when set against the substantial advances reported by other shipping lines last year; but it does at least suggest that EPL will be less onerous for Elder Dempster. The dividend is again maintained at 15 per cent, the rate to which it was raised a year ago, and £1,072,867, against £906,385, is transferred to reserves. Like most other shipping undertakings, the company gives no indication of what proportion of its appropriations has gone to freely distributable reserves; any calculation of the earnings cover on the ordinary dividend would therefore be misleading. Since the end of the financial year ordinary stockholders have been offered 687,149 £1 shares at 30s. each in the ratio one new share for every four held. The new money will help to provide a small part of the finance needed for the recent purchase of British and Burmese Steam Navigation by Elder Dempster, an acquisition that should help to swell earnings in future years. At their current price of 44s. 6d. the ordinary shares yield 6.7 per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, April 2, 1952	Price, April 8, 1952	Net Yield, April 8, 1952 (n)	Gross Yield, April 8, 1952
			£ s. d.	£ s. d.
War Bonds 2½%...	99⅛	99⅛	...	...
Mar. 1, 1951-53			1 13 2	2 19 11
War Bonds 2½%...	98⅛	98⅛	...	...
Mar. 1, 1952-54			2 0 4	3 5 7
Exchequer Stk. 2½%	97⅛	97⅛	2 0 2	3 3 0
Feb. 15, 1955				
Serial Funding 1½%	99⅛	99⅛	2 0 0	2 14 0
Nov. 14, 1952				
Serial Funding 1½%	98⅛	98⅛	2 1 9	2 17 6
Nov. 14, 1953				
Serial Funding	97⅛	97⅛	2 0 10	2 17 1
Nov. 14, 1954				
War Bonds 2½%...	97⅛	97⅛	2 7 3	3 12 11
Aug. 15, 1954-56			1 17 9	3 3 8
Funding 2½%.....	98⅛	98⅛	...	...
June 15, 1952-57			1 16 7	3 4 9
Nat. Defence 3%...	98⅛	98⅛	2 5 2	3 17 0
July 15, 1954-58			1 16 7	3 8 6
War Loan 3%.....	97⅛*	97⅛*	2 4 0	3 12 9
Oct. 15, 1955-59			1 17 6	3 6 4
Savings Bonds 3%.	90⅜	90⅜	4 12 1	6 3 9
Aug. 15, 1955-65			2 7 10	3 18 5
Funding 2½%.....	91⅛*	92⅛*	3 8 6	4 13 3
April 15, 1956-61			2 5 8	3 10 5
Funding 3%.....	85*	85⅜*	3 19 7	5 10 9
April 15, 1959-69			2 12 11	4 4 2
Funding 3%.....	86	86½	2 15 5	4 7 1
Aug. 1, 1966-68			2 12 10	4 4 6
Funding 4%.....	96⅛*	97⅛*	2 9 7	4 7 10
May 1, 1960-90			2 4 2	4 2 9
Savings Bonds 3%.				
Sept. 1, 1960-70	84	84⅜	3 15 2	5 7 1
Savings Bonds 2½%			2 13 1	4 4 10
May 1, 1964-67	82⅛*	83⅛*	2 19 7	4 5 10
Victory Bonds 4%.			2 13 6	3 19 9
Sept. 1, 1920-76	98⅞	99⅛	3 5 11	4 2 6
Savings Bonds 3%.	81⅛	81⅛	3 5 7	4 18 2
Aug. 15, 1965-75			2 12 7	4 5 2
Consols 4%.....	88	88⅛	2 7 7	4 8 9
Conversion 3½%..	78⅛	78⅛	2 6 7	4 5 11
Treasury Stk. 2½%.	57⅛	58⅛	2 5 1	4 8 2
(after Apr. 1, 1975)				
Treasury Stk. 3%..	67⅛*	68⅛	2 6 3	4 8 2
(after Apr. 5, 1966)				
Treasury Stk. 3½%.	87⅛	88⅛	2 10 0	4 6 11
June 15, 1977-80			2 8 11	4 5 10
Redemp. Stk. 3%...	76⅛	77	2 11 10	4 5 9
Oct., 1986-96			2 8 6	4 2 9
War Loan 3½%....	78⅛	78⅛	2 7 6	4 10 6
Consols 2½%.....	59⅛*	60⅛	2 3 6	4 2 10
Brit. Elect. 3% Gtd..	82⅛	82⅛	2 18 9	4 10 9
April 1, 1968-73			2 13 1	4 5 2
Brit. Elect. 3% Gtd..	81⅜	81⅜	2 14 0	4 6 6
Mar. 15, 1974-77			2 11 9	4 4 4
Brit. Elect. 3½% Gtd.	88⅛	87⅛*	2 10 1	4 5 11
Nov. 15, 1976-79			2 9 0	4 4 11
Brit. Tpt. 3% Gtd..	76⅛	77⅛	2 16 10	4 11 2
July 1, 1978-88			2 11 4	4 5 11
Brit. Tpt. 3% Gtd..	82⅛	82⅛	2 18 9	4 10 9
April 1, 1968-73			2 13 1	4 5 2
Brit. Gas Gtd. 3%..	75⅛*	75⅛*	2 11 7	4 5 11
May 1, 1990-95			2 10 0	4 4 6
Brit. Gas Gtd. 3½%..	89⅞	89⅛	2 11 6	4 7 2
Sept. 10, 1969-71			2 11 2	4 5 11
Brit. Iron & Steel..	87	87⅛	2 9 11	4 6 7
3½%, 1979-81			2 9 3	4 5 11

(e) To earliest date. (f) Flat yield. (l) To latest date. (n) Net yields after allowing for tax at 9s. 6d. in £. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (a) (b) (c)	Ordinary Stocks	Price, April 2, 1952	Price, April 8, 1952	Yield, April 8, 1952
% %				£ s. d.
20 a 40 f	Anglo-Am. 10/-.	7⅛	6¾	4 8 1
5 a 25 b	Anglo-Iran £1..	5⅛	5¼	5 2 2
7½ a 12½ b	Assoc. Elec. £1.	67/6	68/6	5 16 9
27½ c 7½ a	Assoc. P. Cem. £1	96/10½	97/6	5 12 10
45 c 50 c	Austin 5/-	28/9	28/9	8 13 10
15 a †17½ b	Bass £1	119/4½	120/7½	7 2 2
40 c 5 a	Boots 5/-	19/6	19/6	5 2 7
9 c 7 a	Br. Celanese 10/-	23/9	23/9	3 15 9
8 a 12 f	Br. Oxygen £1..	74/-	75/6	5 6 0
5 a 7½ b	Coats £1	45/-	45/-	5 11 1
6½ b 5 a	Courtaulds £1..	36/9	36/9	6 2 5
22½ c 7½ a	Distillers 4/- ...	17/6	18/6	4 17 4
15 c 17½ c	Dunlop £1.....	53/9	55/-	6 7 3
12½ c 15 c	Ford £1	45/-*	45/-*	6 13 4
22½ c 7½ a	Gen. Elect. £1..	78/-	77/6	5 16 2
11 a 17 b	Guinness £1....	111/10½	110/7½	5 1 3
4½ a 5½ b	Hawker Sid. £1.	35/-	35/3	5 13 8
9 b 3 a	Imp. Chem. £1.	41/6	41/10½	5 14 7
13½ a 18½ b	Imp. Tobacco £1	85/-	86/3	7 8 5
5 a 10 b	Lancs. Cotton £1	33/1½	34/4½	8 14 6
7½ a 10 f	Lon. Brick £1..	53/6	53/6	6 10 10
15 a 60 b	Maks & Sp. A 5/-	81/-	80/-	4 13 9
8 b 8 a	P. & O. Def. £1.	49/-	49/-	4 7 1
17½ 7½ a	P. Johnson 10/-.	34/-	34/6	7 5 0
†7½ b †5 a	"Shell" Stk. £1.	88/9	91/3	5 4 4
12½ a 12½ b	Tube Invst. £1.	5⅛	5⅛	4 16 4
5 a 15 b	T. & Newall £1.	83/9	83/9	4 15 6
13½ c 5 a	Unilever £1....	46/10½	46/10½	5 15 2
8 c 10 c	Union Castle £1	41/-	41/6	4 16 5
50 c 50 c	U. Sua Betong £1	44/4½	47/6	21 1 1
10 b 2½ a	Vickers £1.....	45/7½	46/4½	5 7 9
15 a 27½ b	Woolworth 5/-.	41/-	41/-	5 3 8

(a) Interim div. (b) Final div. (c) Div. for whole year. (h) Yield basis 20% after capital bonus. (m) Yield basis 50% before merger. (p) Yield basis 10⅔% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the 6 days ended April 6, 1952, total ordinary revenue was £90,634,000 against ordinary expenditure of £92,796,000 and issues to sinking funds £176,000. Thus, including sinking fund allocations of £176,000, the deficit accrued since April 1, 1952, was £2,338,000 compared with a surplus of £14,102,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1950 to Mar. 31, 1951	April 1, 1951 to Mar. 31, 1952	Week ended April 7, 1951	6 Days ended April 6, 1952
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
ORD. REVENUE					
Income Tax	1804225	1404364	1668749	31,667	43,304
Sur-tax	123,000	121,100	129,600	4,800	4,000
Estate, etc., Duties	175,000	185,250	183,000	4,900	2,700
Stamps	57,500	54,460	61,900	1,200	900
Profits Tax & EPT	452,000	267,770	315,400	12,800	11,000
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	5,445	3,270	70	50
Total Inland Rev.	2618725	2038389	2361919	55,437	61,954
Customs	1043500	905,216	998,497	20,776	18,233
Excise	772,000	724,800	753,285	5,200	2,665
Total Customs and Excise	1815500	1630016	1751782	25,976	20,898
Motor Duties	64,150	61,357	65,211	1,796	1,726
Surplus War Stores	...	45,355	32,345	10	...
Surpl's from Tradg.	12,000	80,905	75,455	...	...
P.O. (Net Receipts)	...	962	...	...	...
Wireless Licences.	15,000	13,000	14,150	...	...
Sundry Loans....	26,000	26,876	25,393	...	55
Miscell. Receipts..	110,000	80,964	107,137	5,726	6,001
Total Ord. Rev...	4661375	3977825	4433392	88,945	90,634
SELF-BALANCING					
Post Office	209,235	171,088	190,050	2,400	2,500
Income Tax on E.P.T. Refunds	4,900	8,347	5,525	68	502
Total	4875510	4157760	4628967	91,413	93,636
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	477,627	513,599	25,972	26,036
Payments to N. Ireland	40,000	37,688	39,435	1,281	1,360
Other Cons. Funds	10,000	9,856	11,678	9	...
Total	625,000	525,371	564,712	27,263	27,396
Supply Services..	3605362	2712582	3461547	47,500	65,400
Total Ord. Expd.	4230562	3237953	4026259	74,763	92,796
Sinking Funds ...	...	19,357	27,400	80	176
Total (excl. Self-Bal. Expd.)....	4230562	3257310	4053659	74,843	92,972
SELF-BALANCING					
Post Office	209,235	171,088	190,050	2,400	2,500
Income Tax on E.P.T. Refunds	4,900	8,347	5,525	68	502
Total	4444697	3436745	4249234	77,311	95,974

After decreasing Exchequer balances by £392,857 to £3,084,505 the other operations for the 6 days increased the National Debt by £22,101,027 to £25,861 million.

NET RECEIPTS (£ thousand)	
Land Settlement (Facilities) Acts, 1919 and 1921	12
NET ISSUES (£ thousand)	
Post Office and Telegraph (Money) Act, 1950...	600
EPT Refunds	615
Tithe Act, 1936, s. 26(1)	1,125
Export Guarantees Act, 1949, s. 3(2)	15
Housing (Scotland) Act, 1950, s. 94(2)	690
Local Authorities Loans Act, 1945, s. 3(2).....	13,650
New Towns Act, 1946, s. 12(3)	1,400
Development of Inventions Act, 1948, s. 11(1) ..	20
Overseas Resources Development Act, 1948, s. 17(1)	500
Miscellaneous Financial Provisions Act, 1948, s. 2(1)	200
War Damage: Board of Trade.....	1,000
Town and Country Planning Acts	200
Finance Acts, 1946 and 1947: Postwar Credits..	353
	20,168

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	26,880	Nat. Savings Certs.	750
Tax Reserve Certs.	2,760	2½% Def. Bonds..	640
Other Debt :—		3% Def. Bonds...	805
Internal.....	160	Other Debt :—	
		External	14
		Ways and Means Advances	5,490
	29,800		7,699

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Apr. 7	3190·0	1774·8	432·8	...	338·5	5736·1
1952						
Jan. 12	4723·4*		256·8	...	80·5	5060·7
,, 19	4643·5*		277·8	...	80·5	5001·8
,, 26	6601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·5
,, 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4516·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6
,, 31	4273·1		337·9	...	...	4611·0
Apr. 6	2380·0	1919·6	332·5	...	...	4632·1

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

(£ million)

Date of Tender	Amount: Offered	Amount: Applied for	Amount: Allotted	Average Rate of Allotment	Allotted at Min. Rate %
1951					
Apr. 6	240·0	320·3	240·0	10 3·13	67
1952					
Jan. 4	150·0	212·5	150·0	19 3·39	61
,, 11	150·0	217·3	150·0	19 6·90	54
,, 18	170·0	240·4	170·0	18 11·05	62
,, 25	170·0	247·2	170·0	19 10·74	55
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75
,, 14	200·0	250·4	200·0	46 3·64	69
,, 21	200·0	251·9	200·0	46 3·39	68
,, 28	210·0	240·2	210·0	47 3·61	81
Apr. 4	220·0	302·1	210·0	47 3·96	58

On April 4th applications for 91 day bills to be paid from April 7 to April 12, 1952, were accepted dated Monday to Thursday and Saturday as to about 58 per cent at £99 8s. 2d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £210 million were offered on April 10th. For the week ended April 12th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 52 Weeks ended: Mar. 31, 1951	Totals 52 Weeks ended: Mar. 29, 1952	Week ended Mar. 29, 1952
Savings Certificates :—			
Receipts.....	132,000	156,100	3,000
Repayments	137,500	136,300	2,700
Net Savings	*Dr 5,500*	19,800	300
Defence Bonds :—			
Receipts.....	27,495	56,719	1,135
Repayments	48,170	71,367	1,545
Net Savings	*Dr20,675*	*Dr14,648*	*Dr 410*
P.O. and Trustee Savings Banks :—			
Receipts.....	654,399	704,652	13,476
Repayments	718,655	795,342	14,543
Net Savings	*Dr64,256*	*Dr90,690*	*Dr 1,067*
Total Net Savings.....	*Dr90,431*	*Dr85,538*	*Dr 1,177*
Interest on certificates repaid	30,973	34,332	715
Interest accrued	125,990	126,559	2,441
Change in total invested....	+ 4,586	+ 6,689	+ 549

BANK OF ENGLAND RETURNS

APRIL 2, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt...	11,015,100
In Circulation	1393,955,378	Other Govt. Securities ...	1435,712,431
In Bankg. Department...	56,401,445	Other Secs....	760,736
		Coin (other than gold)...	2,511,733
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine).....	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs....	282,946,430
Rest.....	3,995,682	Other Secs.:—	53,562,171
Public Deps.:—	11,341,326	*Discounts and*	
*Public Accts.**	*10,824,746*	*Advances...*	*29,437,329*
H.M. Treas. Special Acct.	*616,580*	*Securities ..*	*24,124,842*
Other Deps.:—	364,579,068		
Bankers.....	*282,201,821*	Notes.....	56,401,445
Other Accts...	*82,377,247*	Coin.....	1,559,030
	394,469,076		394,469,076

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

£ million)

	1951	1952		
	Apr. 4	Mar. 19	Mar. 26	Apr. 2
Issue Dept. :—				
Notes in circulation.....	1321·7	1381·6	1384·6	1394·0
Notes in banking department	28·6	18·8	15·8	56·4
Government debt and securities*	1345·7	1396·8	1396·7	1446·7
Other securities	0·7	0·7	0·7	0·8
Gold and coin.....	3·9	2·9	2·9	2·9
Valued at s. per fine oz...	*248/0*	*248/0*	*248/0*	*248/0*
Banking Deptt. :—				
Deposits :—				
Public Accounts	14·0	11·4	12·1	10·8
Treasury Special Account	14·6	0·3	0·5	0·5
Bankers	302·8	287·4	280·3	282·2
Others.....	89·9	82·1	81·3	82·4
Total.....	421·3	381·2	374·2	375·9
Securities :—				
Government.....	371·5	338·1	325·9	282·9
Discounts, etc.	15·0	16·1	23·6	29·4
Other	24·1	25·2	25·9	24·1
Total.....	410·5	379·4	375·4	336·4
Banking dept. res.....	29·4	20·3	17·4	58·0
	%	%	%	%
"Proportion"	6·9	5·3	4·6	15·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 3..	77·0	88·00	Market	Closed
,, 4..	77·0	88·00	154 4	89 10
,, 5..	Markets	Closed	155 10	90 0
,, 7..	77·0	88·00	157 10	90 8
,, 8..	77·0	88·00	Market	closed

NATIONAL BANK OF EGYPT

ALY SHAMSY PASHA'S REVIEW

The fifty-second annual general meeting of the National Bank of Egypt was held on March 26th in Cairo, when the report of the directors and the balance sheet as follows was submitted:—

BALANCE SHEET, DECEMBER, 31 1951

ISSUE DEPARTMENT

Liabilities	£E. MM.
Notes issued	211,000,000 000
Reserve (Art. 14 of Law 57 of 1951)	11,760,711 521
	222,760,711 521

Assets	£E. MM.
Gold	60,553,606 439
Egyptian and Foreign Govt. Treasury Bills and Securities	162,203,105 082
	222,760,711 521

BANKING DEPARTMENT

Liabilities	£E. MM.
Share Capital:—	
300,000 fully paid shares of £E.10 each	3,000,000 000
Reserve Fund:—	
Statutory reserve	1,500,000 000
Special reserve	1,500,000 000
Egyptian Government	30,750,427 747
Egyptian Government Special Treasury Bills account (Art. 14 of Law 57 of 1951)	80,000,000 000
Sudan Government	9,364,783 201
Banks in Egypt (Art. 19 of Law 57 of 1951)	51,487,025 209
Current, deposit and other accounts	65,394,898 765
Cheques payable	251,010 407
Sundry other accounts	1,391,392 239
Provision for payment of final dividend at the rate of 16 per cent per annum	480,000 000
Profit and Loss account, balance	220,337 092
Contra Accounts:—	
Credits opened and letters of guarantee issued, etc.	33,205,381 868
	290,155,236 628

Assets	£E. MM.
Egyptian and Foreign Govt. Treasury Bills and Securities and Securities guaranteed by the Egyptian Govt.	175,795,855 662
Sundry Securities	756,367 448
Advances to Banks in Egypt:—	
On merchandise	1,200,000 000
On securities	15,423,668 318
Other Advances:—	
On merchandise	9,416,798 424
On securities	1,243,998 308
Sundry other advances	1,714,376 503
Bills discounted	396,967 854
Foreign bankers and correspondents and money at call	30,015,180 835
Sundry other accounts	749,295 990
Buildings	100,000 000
Cash:—	
N.B.E. notes	10,032,746 000
Other notes and coin	144,600 418
Contra Accounts:—	
Clients' liability for credits opened, letters of guarantee issued, etc.	33,205,381 868
	290,155,236 628

PROFIT AND LOSS ACCOUNT

Dr.	£E. MM.
Directors' fees	18,920 142
Current expenses	1,566,145 178
Interim dividend at the rate of 4 per cent per annum	120,000 000
Provision for payment of final dividend at the rate of 16 per cent per annum	480,000 000
Balance carried forward	220,337 092
	2,405,402 412

Cr.	£E. MM.
Gross profit for the year ended December 31, 1951, after providing for depreciation on buildings and furniture, for rebate of discount, for doubtful debts, and contingencies	2,214,139 081
Balance brought forward from last year less amount necessary to convert capital and reserves into pounds Egyptian	191,263 331
	2,405,402 412

Aly Shamsy Pasha, the president, in the course of his speech said:—

Generally speaking, agricultural production did not prove altogether satisfactory, while industrial production was maintained at a favourable level. In the commercial field business did not maintain a steady flow; during the first nine months of the year turnover was comparable with 1950 levels, but in the last quarter it slowed down considerably. On the other hand, our gold and dollar reserves continued to increase. However, it cannot be concealed that the improvement in certain aspects of our monetary situation was hampered by the course of prices.

BALANCE SHEET

Current, deposit, and other accounts show a reduction of about £E.22 million, due partly to a fall in certain foreign accounts owing to the opening of documentary credits and the investment of some public funds on deposit with us, and partly, but to an unimportant extent, to withdrawals of deposits since, under the Central Bank Law, we no longer pay interest on current accounts but only on notice and fixed deposit accounts, contrary to the practice of commercial banks, which allow interest on current accounts.

On the assets side, Government securities show an increase of about £E33 million, mainly due to three causes of unequal significance; the purchase of foreign Government Treasury Bills on behalf of the Central Exchange Control, the transfer to the Banking Department of British Treasury Bills against the gold withdrawn from this Department for deposit in the Note Issue cover, and finally to increased holdings of Egyptian Treasury Bills issued in connection with the Government purchases of cotton. We have taken the opportunity of switching part of the British Treasury Bills into the new One and Three-quarter per Cent Serial Funding Stock, 1952.

The total of our advances shows a reduction of about £E3 million. Advances against securities and merchandise to banks in connection with the financing of the cotton crop show an increase of about 3½ million pounds. On the other hand, advances on merchandise, mainly to cotton exporters, are down by nearly £E5 million, while other advances are down by about £E1½ million.

DIVIDEND MAINTAINED

Our profit and loss account shows gross profit at £E2,214,139, against £E1,897,536 for the previous year; this satisfactory increase of £E.316,603 in earnings is due to greater dividends on our securities and increased interest received and to a reduction in interest paid, and also to a satisfactory increase under the headings of exchange and commission, due to enhanced business, specially in documentary credits.

On the other hand, our expenses amount to £E.1,566,145, as against £E.1,277,734 in 1950. The increase in our expenses of about £E.288,000 is attributable to increased taxation, and to higher salaries, allowances, and the special bonus to our staff.

Net profits amount to £E.629,073, against £E.607,153 in 1950, which enables us to propose the distribution of a dividend similar to that of last year—namely, 20 per cent per share—which will be paid on the capital now converted into Egyptian pounds.

The report was adopted.

Copies of the President's address in full will be available at the National Bank of Egypt, 6 and 7, King William Street, London, E.C.4.

ANGLO-FRENCH EXPLORATION COMPANY

PRICE OF GOLD

The sixty-second annual general meeting of The Anglo-French Exploration Company, Limited, was held on April 2nd in London.

The chairman, Mr F. R. Cottell, ACA, in the course of his speech said:—Our investments stand in the books at £962,018 and are valued at £1,236,458, an excess of £274,440. The profit is £33,833, and we recommend the payment of a dividend of 7½ per cent on the increased capital

INTERNATIONAL MONETARY FUND

The future stability of the sterling area as a whole is in danger and further efforts are being made to achieve a balance in our trade, which it must be hoped will be more successful than the earlier attempts. However, some of the steps which are being taken are mainly with a view to correcting the short-term position and a longer-term objective in order to improve our trade is the convertibility of sterling; this is impossible of achievement until our reserves of gold have been substantially increased.

I would refer you to a recent report prepared by the United Nations entitled "Measures for International Economic Stability," which advocates changes in the structure and policies of the International Monetary Fund. The report states that the existing reserves of most countries are not in general adequate to enable them to maintain a reasonably stable flow of imports and that the International Monetary Fund provides only a comparatively trivial supplement to national reserves.

QUESTION OF RISE IN PRICE

The report acknowledges that one of the ways to raise reserves to a more adequate level would be by raising the price of gold uniformly in terms of all currencies, as provided in the articles of agreement of the International Monetary Fund.

The report also states that the official price of gold measured in dollars is no higher than before the war, while prices in international trade have doubled, and that the effectiveness of a given gold reserve as a buffer against trade fluctuations has been halved. However, the conclusion is reached by the authors of the report that, whatever the balance of the economic arguments, a change in the price of gold raises many political problems, and they have thought it appropriate to restrict their analysis to other methods of raising reserves to a more adequate level, although they acknowledge that such other methods also raise difficult questions for governments.

In my opinion, it is particularly unfortunate, and perhaps significant, that the political problems are not disclosed and explored and that the authors of the report fail altogether to examine the possibilities of increasing the price of gold in all currencies whereby reserves would be raised to a more adequate level to deal with trade fluctuations. I am far from claiming that such a world increase in the gold price would solve present-day economic problems, but I do believe it would materially assist the achievement of that desirable object, and it is to be noted that some well-known authorities are advocating an upward revision in the price of gold.

It is to be hoped that the International Monetary Fund and the United States authorities, in whose hands any decision will rest, will take steps with a view to effecting this change and that they will not delay action until they are perhaps forced to do so by a serious recession in trade.

The report was adopted.

UNITED SUA BETONG RUBBER ESTATES

FUTILITY OF COMBATING TERRORISM WITH POLITICAL WEAPONS

EPL: DESTRUCTIVE OF ENTERPRISE

SIR JOHN HAY ON USA RUBBER POLICY

The forty-third annual general meeting of the United Sua Betong Rubber Estates, Limited, will be held on May 14th at 19, Fenchurch Street, London, E.C.3.

The following is the address by the chairman, Sir John Hay, which has been circulated with the report and accounts:—

In the year 1950 two members of our staff were murdered by Communist terrorists. At the beginning of this current year another member, Mr Butler-Madden, was shot dead. He was a senior officer of great promise, serving on Tanah Merah Estate, a property situated in a district which was regarded as comparatively safe. His death is greatly deplored and we extend to his widow our very deepest sympathy. Two months later, Mr Jansen, serving on Young Peng Estate, was ambushed in company with his driver, a contractor and a special constable. All four engaged the enemy and drove them off. The driver was wounded and subsequently had to have a hand amputated. The contractor was killed. Mr Jansen was wounded, but he had the satisfaction of killing a bandit, upon which he has been congratulated by General Templer. Mr Jansen, happily, is well on the way to recovery.

It would be a mistake to suppose, however, that these are only isolated incidents. There have been many attacks both on person and property, particularly on our estates in Johore, where ten members of the security forces were killed and a greater number wounded. There have been numerous attempts at murder of selected individuals, while shooting at security forces and others is a frequent happening. Attacks on property take many varied forms—trees slashed, tapping cups broken, lorries and buses burned, telephone wires cut and poles destroyed, trains derailed, hand grenades thrown, and railway sidings raided for food. Stealing of rubber is widespread, corrupting intermediaries and serving as a source of rich income to the bandits. For nearly four years evil men have conducted a campaign of murder, violence, destruction and intimidation. Labour is the object of highly organised subversive activities: fear and apprehension are kept alive by threats and recurring acts of violence. Very recently on the estate of Oil Palms of Malaya, Limited, with which this company is associated, an Asian assistant was attacked by bandits. His hands were tied behind his back and he was literally hacked to pieces by parangs. His fault was that in the service of his company he was loyal and faithful. Those who live near such tragic realities and whose constant companion is danger do not receive well the statements too often repeated by officials to the effect that terrorism is to be fought by "political" weapons. Savagery and brutality must be suppressed by force. Political and social measures are matters to be dealt with on their merits. Progress should be neither retarded nor accelerated by the brutal acts of brutal men.

STAFF AND LABOUR

Such, in brief, is the background against which much of our company's activities are conducted. The welfare and safety of our staff and labour are our constant concern. Nothing which would contribute to their security, and which it is within our competence to provide, is denied them. During the year under review we spent over $600,000 on security measures. It was a special pleasure to me to meet members of the company's staff on the occasion of my visit to Malaya in December and January last. Such meetings are particularly valuable in present difficult circumstances in contributing to an understanding and confidence between those who direct in London and those who work in far distant Malaya. To all who continue to serve us, especially those in dangerous places, we extend our good wishes. Our thanks will find tangible expression in the payment shortly to be made by way of commission on profits. This profit-sharing scheme, together with a contributory provident fund, has long been in force in this and associated companies. It was my pleasure when in Malaya to announce the introduction of a supplementary retirement fund which offers substantial inducements and special rewards for long service. The Asian staff has its own provident fund. Another one is about to be introduced for the benefit of labour. The former also receive a share in the profits, while the latter are rewarded by bonuses on output.

Despite many difficulties, including a continuing shortage of materials, progress has been made in the improvement of housing on our estates, while additional amenities, especially for the labour force, have been provided. On our major property a cinema hall has been erected where regular film shows are given. Labourers' earnings were more than sufficient to cover the increased cost of living. It has been estimated that their earnings were about five times the rate prevailing before the war. All who are in the service of the company are, in their various ways, sharing very amply in our fortunes. There are unmistakable signs, however, that rubber is again running true to form and that prosperity, after a fleeting and fortuitous visit, is now departing, leaving in its train the difficult and painful task of adjustment to the meagre fortune which is our more usual lot.

PROFITS AND TAXATION

The tax collector again lays heavy and greedy hands on our profits, which are distributed in the following proportions:—

	%
(a) To the Malayan and United Kingdom Governments	68.0
(b) Dividends to stockholders	12.2
(c) Retained in the business	19.8

At present our total tax payments consist of four items—namely, Malayan export duty, which alone amounted to over £400,000; income-tax; profits tax; and distribution tax. One would have imagined that even the most rapacious of Governments would have recognised that the limit in taxation had already been reached, if not exceeded, but further burdens are to be laid upon us. From March 1 of this year, the Malayan Government has added to the existing duty a further 4½ cents per pound. True, this is to be returned to us—after deduction of expenses. I won't pause to explain why a supposedly hard-pressed bureaucracy should occupy itself in collecting money merely to return it—less expenses. We must extract such comfort as we can from the knowledge that in this instance they are fairly harmlessly employed. From the provisions of the United Kingdom Finance Bill, just published, it becomes evident that we do not escape from the

EXCESS PROFITS LEVY

In this context there is no exact definition of "excess." Consequently, some arbitrary standard of measurement has to be set up, Liability is not regulated according to any recognisable principle. It is determined by the haphazards of circumstance and the accident of time. The standard by which "excess" is to be measured is the average profits for the years 1947-49, plus certain allowances for increased capital, etc. It is notorious that these "standard" years were particularly unfavourable to rubber. The industry had scarcely emerged from the rehabilitation stage after a disastrous three-and-a-half years of enemy occupation, while the price of rubber was still under the influence of a blundering decision by the Government of the day by which, at a time of shortage, the price was fixed below the cost of production. The alternative method of calculating "standard profit," as defined by the Bill, offers no advantage. One of the strangest features of the provisions of this Bill is its insistence in relating profits to something so irrelevent as nominal capital instead of to real capital. Our nominal capital is £900,000. The real capital employed in the business is very little short of £3 million. The probable effect in our case of this ill-conceived tax will be to raise our total taxation to about 80 per cent of profits—and on profits so computed that out of the residue provision has still to be made for the replacement of equipment—for which this year we have had to put aside £250,000—as well as for replanting. Replanting is permitted as a charge only in so far as it is in practice undertaken. In present conditions in Malaya it can only be carried out to a limited extent and in some cases not at all. In its application to this industry the tax is harsh and inequitable. Generally, it is an incentive to waste and extravagance, it is inflationary, it impairs capital, it is destructive of enterprise, and it makes nonsense of the talk now current of "developing the empty spaces of the Commonwealth." No amendment can make this tax unobjectionable. It should be withdrawn.

ESTATE OPERATIONS

In our interim statement issued in October last we stated that the rubber crop for the year was not likely to exceed 18 million lb. It in fact fell slightly short of that figure. Significantly, the heaviest fall in crop occurred on our Johore properties. In the disturbed conditions existing there, to which I have already referred, it was no mean achievement on the part of the managers to have maintained productive operations without interruption. Despite many discouragements, we continue to persevere with replanting, although the extent of these operations has to be restricted to modest proportions and falls below our original aim. As predicted, costs were virtually double those of the preceding year. This startling increase in so short a period of time was due mainly to higher wages, lower output per unit of labour, and

a substantially increased export duty. On the whole, our rubber properties have been well maintained.

TEA

The tea industry in Malaya is young and small, and there is consequently no general pool of skilled labour upon which we can draw. Plucking entails longer hours of work than rubber tapping, and exposure to the heat of the sun is greater. To retain necessary labour we had, therefore, to conform to the higher prevailing wage standard, although against this there was no offset corresponding to the then better price of rubber. None the less, we succeeded in operating at a moderate profit. We increased the crop and maintained the quality without any neglect of the upkeep of our properties. To have achieved all this is greatly to the credit of the managers.

USA RUBBER POLICY

Deprived by governments of by far the greater part of our profits, our interest in the price of rubber becomes rather secondary. If our dividend of 50 per cent seems to belie that, it should be remembered that a dividend at that rate occurs only very rarely in our history. Moreover, if related, as it should be, to our real capital instead of the nominal capital the percentage drops to a modest figure. Our total net dividend for the year is the equivalent of less than 3d. per pound on our rubber output. On an average tyre, containing about 10 lb of rubber, that would be less than 2s. 6d. I hardly imagine that at this trifling cost the tyre user would grudge the rubber shareholder his rare dividend. Least of all would he wish to deprive the rubber worker or his manager of a fair reward for their labours.

But the importance of rubber extends beyond considerations of private profit or Government taxes. What happens to rubber may well determine the course of events in South East Asia and must certainly exert a considerable influence on the sterling area's dollar problem. One of the aims of the Communist insurrection in Malaya is the disruption of its economy. That aim has been frustrated largely by the courage and fortitude of the planter, aided by a timely, albeit fleeting, return of prosperity to Malaya's main industry. To force the price of rubber below its economic level would encourage the enemy in the pursuance of his nefarious purpose and bring dismay to those who have so long withstood his attacks.

Even if the price of rubber is maintained —an assumption which hardly seems warranted—the value of exports of rubber to dollar countries in the current year may very well decline by as much as one hundred and seventy million dollars as compared with 1951. Against this very serious loss in exports there is no offset in the form of a reduction in the price of raw materials imported from the USA. On the contrary, the prices of such imports are held fast at a high level. We are familiar with the comparison between the prices of cotton and natural rubber—a comparison which shows that in terms of American cotton rubber has declined to 55 per cent of its 1939 value. This is by no means a solitary instance of a wide disparity between the prices of what we sell and what we buy, as the following table illustrates:—

COMMODITY PRICE COMPARISON

	1939		Current price	Current price increase %
Natural rubber	17.56c	per lb	37.33c	113
Cotton	9.00c	„ „	41.40c	360
Wheat	70.00c	„ bushel	251.00c	259
Maize	48.00c	„ „	185.00c	285
Tobacco	$19.2	„ 100 lb	$51.7	169

With the terms of trading flowing so strongly and set so unfairly against the sterling area, it is hopeless to expect that the dollar problem can be solved.

In exercise of her dominant position in rubber, America pursues a course which is in strange contrast to the generous policy she otherwise follows in support of world peace and economic welfare. The main features of her present rubber policy are the enforced use of her synthetic product and the restricted use of natural rubber. This policy, originally introduced to free natural rubber for stockpiling, is now being continued and applied with accumulated momentum after that purpose has been served. The synthetic material is the product of a Government-owned industry and is at present sold at the arbitrary fixed price of 23 USA cents per lb. The market price for natural rubber, delivered to the USA, is under 38 USA cents per lb. From the fact that, despite this advantage in price, the use of synthetic has to be enforced by law, it is fair to infer that natural rubber, even at its higher price, is still the superior product. It is difficult to escape the conclusion that the policy originally introduced for defence purposes is now being used as a weapon to depress natural rubber and to protect the synthetic substitute. It would befit a great and generous creditor nation to abandon a restrictive trade practice which not only seriously disturbs the balance of trade, but also threatens to impoverish the harassed and troubled peoples of South East Asia.

LONDON & LOMOND INVESTMENT TRUST LIMITED

REVENUE EXPANSION

The twenty-first annual general meeting of London & Lomond Investment Trust Limited was held on April 9th at 116 Old Broad Street, London, E.C.2.

The following is the statement by the chairman, The Hon. W. B. L. Barrington, circulated with the report and accounts:—

The gross revenue received from investments during the year under review was £152,701, which was £26,649 more than in the previous year. This expansion of the revenue is attributable almost entirely to increases in the dividends received from investments. Expressed as a percentage, the amount earned on the ordinary stock rose to 36.38 per cent. £10,000 has again been added to general reserve. Your directors recommend that the dividend on the ordinary stock be raised to 22½ per cent by a final payment of 16½ per cent. If this recommendation is adopted, the remaining surplus revenue for the year, amounting to £10,403, will be added to the amount carried forward at the credit of profit and loss account and the net available revenue, after charging expenses and income tax, will have been disposed as follows:—

	Per cent
Debenture stock interest	17
Preference stocks dividends	12½
Ordinary stock dividends	43½
Retained by company	27
	100

At January 31, 1952, the total value of the investments as stated in the balance sheet was £2,349,237, which was £262,132 more than the aggregate amount of their book values at that date, and as usual I am giving you the following summary showing the position:—

	£
Appreciation in value of investments	262,132
Share premium account	40,000
Capital reserve	612,167
General reserve	170,000
Profit and loss account	35,180
	£1,119,479

which means that at January 31, 1952, after providing for the final dividend recommended on the ordinary stock, each £100 of ordinary stock was represented by net assets of approximately £500. This compares with £529 at the close of the previous financial year.

The chairman referred to the fact that his statement had been issued before publication of the Finance Bill and contained no reference to the position of the Company as regards the proposed Excess Profits Levy. He thought it desirable, therefore, to mention that the provisions of the Bill appeared to involve the company in a liability to pay about £800 in respect of the month of January, 1952, and about £10,000 in a full year. While reducing the earnings on the ordinary stock, payment of the levy should still permit of the dividend being maintained at the present rate with a substantial margin. The proposal to charge this levy on profits arising from dividends paid out of income already subject to the levy was greatly to be deprecated.

The report and accounts were adopted and the retiring Director, Mr W. W. Brock, was re-elected.

JOHN EMSLEY LIMITED

RESULTS AFFECTED BY STOCK REVALUATION

The fifth annual general meeting of John Emsley Limited was held on April 4th, at Bradford, Mr Harold Jaques, chairman and joint managing director, presiding.

The following is an extract from his circulated statement:—

The trading result of the group for the year has resulted in a loss, compared with the substantial profit made in the previous year. This loss is entirely due to bringing the stocks and work in progress, held by the group, down to the market replacement value on November 30, 1951.

During the year the turnover of the group has increased in comparison with the previous year, principally due to the heavy increase in the price of wool and production costs. Since March the value of wool has fallen by over 50 per cent, and it has, therefore, been deemed prudent that stocks should be valued on the market price of replacement.

With regard to future prospects, so far the operating companies in your group have maintained full-time running and have the prospect of continuing to do so for some time yet. There is, however, still no firm basis for our main raw material, wool—and this factor, coupled with the heavy stock at all stages of distribution, much of which was purchased at a higher basis than that existing today, makes the absorption of our production by those who have contracted for it, and the booking of orders for future delivery much slower and more difficult than at any time for the past 10 years. These difficulties are not confined to our home trade.

The report was adopted.

CONWAY STEWART AND COMPANY, LIMITED

(Fountain and Stylographic Pen and Gold Nib Makers)

A GOOD RESULT

MR S. W. JARVIS'S SPEECH

The seventeenth annual general meeting of Conway Stewart and Company, Limited, was held on April 9th at the Holborn Restaurant, London, W.C., Mr S. W. Jarvis, chairman and managing director, presiding.

The secretary (Mr W. G. F. Nash, ASAA) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—The accounts and directors' report for the year ended December 31, 1951, have been in your possession for some little time, and with your permission I will take them as read. (Agreed.)

You may remember that when I addressed you last year, I mentioned that your company had just moved into a new factory, and you will be pleased to know that the planning and co-operation of all concerned enabled the actual removal to be carried out most efficiently. However, the change necessitated the recruitment and training of 40 per cent of those employed. That this situation was adequately met was proved by the fact that the turnover for 1951 was greater than 1950, although the increased labour costs caused a slight reduction in profit.

PROFIT AND ALLOCATIONS

The net profit for 1951 was £25,121 after making full reservation for depreciation of plant, and taxation. This compares with a net profit for 1950 of £33,653, and in view of the circumstances I am sure you will agree this is a very good result.

You will notice that dilapidations at the old premises, and some initial expenses at the new address totalling £10,105 have been charged against the contingencies reserve. The balance, £4,895, together with a further amount of £5,105, making a total of £10,000, has been added to the general reserve. The sum of £5,380 has been allocated to capital reserve, and this is the equivalent amount of the two premiums paid against the sinking fund policy.

FACTORS IN THE OUTLOOK

While the goodwill of your company's products is higher than ever, in both the home and export markets, I feel it is necessary to say that our business, at the moment, is affected by conditions beyond our control, such as the sudden serious cut in Australian imports by 80 per cent and a further cut in South African and New Zealand imports.

Your directors trust and believe that these interruptions are temporary, and that it will not be long before we can reap the benefits of the years of work we have put into these and other markets, where our goodwill and reputation stand so high.

TRIBUTE TO STAFF

This year I wish to propose a special vote of thanks to all those members of the staff who gave us such excellent support, not only during the actual time of the move, but during those difficult months which inevitably followed such a disturbance.

The report and accounts were unanimously adopted, and a final dividend of 30 per cent (making 40 per cent for the year) was approved.

The retiring director, Mr W. D. Fry, was re-elected, and the appointment of Mr G. J. Norris as a director was confirmed. The remuneration of the auditors, Messrs. Chalmers Wade and Company, having been fixed, the proceedings terminated with a cordial vote of thanks to the chairman, directors and staff.

AERATED BREAD COMPANY

SUBSTANTIALLY INCREASED TURNOVER

MR J. G. GIRDWOOD ON BURDEN OF EVER-RISING COSTS

The annual general meeting of the Aerated Bread Company, Limited, was held on April 4 in London, Mr J. G. Girdwood, CBE, CA (chairman and joint managing director), presiding.

The following is an extract from his circulated review:

The accounts cover a period of 15 months.

The results for the trading during the period cannot be considered other than satisfactory, and particularly so in the light of the known difficulties the catering industry has had to face during these 15 months.

As against the previous 12 months' figure of £413,184, the total profits of the group for the 15 months amount to £603,318. Of this sum taxation absorbs £298,307 (against £206,129) and £81,249 (against £59,105) has been provided for depreciation. The net profit of the group amounts to £212,087 and, after deducting the profit retained in the subsidiary companies, £14,346, the net profit of Aerated Bread Company is £197,417 (against £131,281).

Obviously these results could not have been achieved without a very substantial increase in turnover. It is gratifying to your directors to have this further proof that the company is maintaining its position as "London's Popular Caterers."

We have had to provide £298,307 for Imperial taxation. As compared with this amount the ordinary shareholders receive £84,131. That is to say the Government, without any capital stake whatever in the company, take three and one half (3½) times as much out of the company as do the holders of the ordinary shares who provide the capital and take all the risks inherent in the running of the business. And further, I should point out that before arriving at our trading profits we have had to pay no less a sum than £126,759 for local rates, or almost exactly 50 per cent more than the amount received by the ordinary shareholders for the same period. These two forms of direct taxation, imperial and local, have together taken out of the business five times as much as the prudent amount available for distribution to the ordinary shareholders.

COMMODITY PRICE INCREASES

An independent calculation by a catering consultant of the increases since 1939 in the wholesale prices of the principal consumable commodities we buy, shows that these have risen approximately as follows: meat 195 per cent, fish 170 per cent, fresh vegetables 345 per cent, tea 60 per cent, and coffee 165 per cent. We estimate that the approximate overall increase to this company is over 160 per cent. Similar, and in some cases even heavier, increases have been experienced in the cost of our equipment items. Over the same period, rates of wages to our employees have increased on average by between 300 per cent to 400 per cent. In spite of these heavy increases in direct costs, the increases in the prices we charge to our customers have been only of the order of 60 per cent to 70 per cent. This is further proof of our efforts to combat the inflationary trends of the period in which we operate.

During the period, costs of every kind have been rising and they are still on the upgrade.

WAGES PROBLEMS

Two years ago, I pointed out to shareholders that we reckon profit margins in our business in fractions of a penny per item sold. Our policy always has been to give to our customers the greatest possible variety and the highest possible value at the lowest possible cost, and our prices are changed only under the stress of necessity. That still is the policy of this board. But surely it is obvious that these increased costs, mainly the result of continuous and recurring wage increases, make nonsense of our efforts to maintain steady prices and some equilibrium in the cost of living. It is equally obvious that these wage increases, unaccompanied by increased production in increased ratio, are one of the principal causes of the increased cost of living. Wage earners are pushing their claims too far.

Primarily these wages problems are political rather than industrial and will have to be faced and solved by those who, from whatever political party they may be drawn, are competent to lead and direct the fortunes of this great country.

There is one other feature to which I should draw the attention of shareholders. The issued ordinary capital of the company is £1,282,000. The reserves and surplus shown on the balance sheet total £1,092,342, all belonging to the holders of the ordinary stock whose total investment in the company therefore now is £2,374,342.

In addition to our catering interests, the position of shareholders has been protected in large measure through the valuable property interests now held by the company. Our financial position is one of great strength and we have a highly skilled and energetic technical and administrative staff. The foundations on which the company rests were never as sound as they are today.

Turnover since the beginning of 1952 is still showing a satisfactory upward trend.

The report was adopted and the dividend of 12½ per cent approved.

ZAMBESIA EXPLORING COMPANY

SIR ULICK ALEXANDER ON EXCESS PROFITS LEVY

The annual general meeting of the Zambesia Exploring Company, Limited, was held on April 2, 1952, at 20, Aldermanbury, London, E.C.2, the Rt. Hon. Sir Ulick Alexander, PC, GCVO, KCB, CMG, OBE (the chairman), presiding.

The Chairman said: "I should like to add to the remarks made in my review (circulated with the report and accounts) the statement that while the impact on the company's business of the Chancellor's Budget provisions regarding taxation cannot be accurately estimated until the passing of the Finance Act, it appears that the standard of profits for assessment to the Excess Profits levy of the company and its subsidiary will be about £125,000.

Your company will be unfairly treated if the provisions of the Ninth Schedule of the Finance Bill are not amended. This Schedule lays down the general rules for ascertaining undistributed profits since January 1, 1948. In broad terms this amounts to taking one-half of the profits and comparing that figure with the net dividends paid in the period from January 1, 1948, to December 31, 1951. In taking one-half of

the profits, the Treasury are presuming that the other half has gone, 47½ per cent in income tax, and 2½ per cent in undistributed Profits Tax, but during the period in question your company was not in fact paying Income Tax or Profits Tax, owing to the fact that taxation losses incurred during the war period were brought forward and set off against profits earned during the period January 1, 1948, to December 31, 1951.

We thus have a position whereby the accounts of the company show that since January 1, 1948, your company has under-distributed to the extent of £100,000, whereas the provisions of the Ninth Schedule result in the conclusion that during that period we over-distributed profits to the tune of £50,000. This results in our standard for Excess Profits Levy being £15,000 less than it should be by any reasonable computation, and representations will be made to the Chancellor of the Exchequer for the removal of this anomaly during the Committee Stages."

The report and accounts were adopted, and a special resolution to amend the Articles of Association governing the remuneration of the directors was also approved.

GENERAL INVESTORS AND TRUSTEES

The forty-fifth annual general meeting of General Investors and Trustees, Limited was held on April 3rd in London.

Mr Sidney S. Lamert (the chairman), in the course of his speech, said:

It is a source of considerable gratification to your directors to be able to present to you accounts and a balance sheet which certainly suggest that, as it reaches middle age, your company is thriving and prosperous. Revenue this year reaches a new high level at £181,419. More impressive still is the strength of our reserve position. With the transfer of £30,000 from current revenue, our general reserve in round figures equals the Ordinary capital of the company at the balance sheet date.

We recommend that the dividend be maintained at 10 per cent and that the bonus this year be 4 per cent, an increase of 2 per cent on last year.

Until the terms of the Finance Bill are finally settled by Parliament, it will be impossible to gauge the ultimate effect on industry of the proposed Excess Profits Levy. The grave and urgent problem which confronts industrialists today is the provision of additional capital to maintain plant and equipment and to finance stock and raw materials. Not only has Mr Butler failed to give the assistance which our national industry so badly needs, but he appears to have aggravated the difficulties of the situation.

The direct impact of the new Levy on this company is quite unpredictable, but it is reasonable to anticipate that net revenue will enable us to continue our present rate of dividend with a satisfactory margin.

The report was adopted.

THE BIRMINGHAM & DISTRICT INVESTMENT TRUST LIMITED.

In the Report of the Proceedings of the recent Annual General Meeting of the above Trust, the Final Dividend was incorrectly stated.

The correct figures are:—

Final Dividend of 11 per cent on the Ordinary Stock making 15 per cent, less tax, for the year.

THE WHITE FISH AUTHORITY invite applications for the post of AREA OFFICER.

A knowledge of the fishing industry is desirable, and a qualification in economics or business administration, with experience in investigating problems of the organisation of small-scale industry would be an advantage.

The duties of the post would include the investigation of problems at the smaller fishing ports; the supervision of the Authority's development and re-organisation policies relating particularly to production and marketing, and the encouragement of fishermen's mutual trading organisations.

The person appointed will be expected to serve in any part of England.

Age not over 35 years, salary £750—£1,000 per annum according to qualifications and experience.

Forms of application may be obtained from the Secretary, White Fish Authority, Conyngham Hall, Knaresborough, Yorkshire, to whom completed forms should be returned not later than April 30, 1952.

THE WHITE FISH AUTHORITY invite applications for the post of ADMINISTRATIVE OFFICER at Milford Haven, who will be responsible for the general supervision of the Authority's work in Wales.

A knowledge of the fishing industry is desirable, and a qualification in economics or business administration, with experience in investigating problems of the organisation of small-scale industry would be an advantage.

The duties of the post would include the setting up and administration of the Welsh office of the Authority; the investigation of problems at the fishing ports in Wales; the supervision of the Authority's development and re-organisation policies relating particularly to production and marketing, and the encouragement of fishermen's mutual trading organisations.

Age not over 35 years, salary £750-£1,000 per annum according to qualifications and experience.

Forms of application may be obtained from the Secretary, White Fish Authority, Conyngham Hall, Knaresborough, Yorkshire, to whom completed forms should be returned not later than April 30, 1952.

A QUALIFIED ACCOUNTANT OR COMPANY SECRETARY required to understudy the Director Company Secretary of a large engineering concern in S.W. London. Applications are invited from well-educated men with commercial experience in the engineering industry. Knowledge of the statutory and legal duties of a Company Secretary, together with experience in Income Tax procedure, mechanical cost accounting and budgeting, is necessary. Applicants should be between 30 and 40 years of age. Contributory superannuation scheme in operation. Commencing remuneration £1,500 to £2,000 per annum, according to qualifications and experience, with exceptional prospects.—Write, giving full particulars, to Box 917.

PUSHFUL THINKING—the busiest directors usually have the most progressive thoughts and ideas about the development of trade. But because they *are* so busy, many such ideas lie dormant or die for the sake of—what? Co-operation and inspired drive by men of similar calibre—men of ideas trained and well experienced in *pushful* thinking, *practical* interpretation and *profitable* follow through. *You* may need the alert, go-ahead services of the qualified team at Townend-Smith Ltd. (Advertising), 40-41, Conduit Street, W.1. Telephone Regent 2600 or write for an appointment without obligation.

HOLIDAYS abroad—not "organised" or mass produced but arranged as you or your friends may want. Cyprus—15 days (by air) from £131 9s.; also Malta and Gib. No currency restrictions. Europe—any country available on £25 limit with adequate spending money.—Write for brochure or phone Business and Holiday Travel Ltd., Grand Buildings, Trafalgar Sq., London, W.C.2. WHitehall 4114/5.

SHERRY EXPERTS SINCE 1664—in York, famed for sherry since the XVI Century! Send 20/- for a case of four quarter bottles—one of each of our four most popular wines (Cloister Cream, Cloister Fino, Old Bridge Amontillado and Mirador Dry S. African) carriage free.—J. & G. Oldfield Ltd., Bin 107, St. Sampson's Square, York.

PORTUGUESE Evening Classes, all grades. Term begins April 23rd. Summer Vacation Course at Coimbra University, July 14th-August 23rd.—Details from Portuguese Language Committee, 4, Upper Berkeley Street, London, W.1.

PLACE your Publicity in experienced hands.—Copyvets Press and Publicity, 316 Vauxhall Bridge Road, London, S.W.1. VICtoria 4189.

MONSANTO CHEMICALS LIMITED require a statistical assistant for the Newport Factory, South Wales. Applicants should be either graduates in economics (including statistics) or mathematics, and have had experience in the collection and analysis of statistical data. Work in the first instance will entail statistical analysis in the introduction of various production control programmes. The post is permanent and pensionable and a salary commensurate with qualifications and experience is offered.—Apply in writing, giving full details of age, education, training and experience, to the Chief Personnel Officer, Monsanto Chemicals Limited, Allington House, Allington Street, London, S.W.1. Please also quote ref. 509.

THE JOHN LEWIS PARTNERSHIP, a Co-Operative Society of Producers, requires Managing Director, man or woman, for Peter Jones, Chelsea. Policy high quality, good value. Present turnover exceeds two and a half million without advertising. Start £3,000 to £5,000 according to qualifications, advancing as business grows. Non-contributory pension one-sixtieth each year's pay. Negotiations strictly confidential.—Write fully "Chelsea Post," 35, Cavendish Square, London, W.1. Applications should be received by April 26th and will not be acknowledged earlier.

AN American Company in the pharmaceutical field offers a most progressive position to an Organic Chemist or Chemical Engineer between the ages of 30 and 35 years who has already embarked upon a career in commercial production. The Company is in early stages of production in the United Kingdom. Candidates should have a first-class general educational background, should possess a good University degree in either Organic Chemistry or Chemical Engineering and should have had some years' practical experience. Adequate training for this progressive executive position will be given and it is most important that the successful candidate should have the enthusiasm and ability to make the rapid progress envisaged by this Company.—Applications, giving complete details of education and career to date, to Box 903.

AUSTRALIAN manufacturers of diesel engines up to 15 h.p. prepared to negotiate agreement with company willing to manufacture in the U.K. for world markets. Australian company prepared to supply all manufacturing drawings and assistance under technical consultancy agreement and to place substantial initial order. This project should interest company foreseeing surplus foundry and machining capacity and available shop space for assembling the engines, a large proportion of which could consist of specialised bought-in parts.—Replies to Box 928.

STATISTICIAN required by rapidly expanding firm engaged on specialised market research. Applicants must have First or Upper Second Hons. Degree in mathematical statistics and practical experience in the tabulation and analysis of figures, together with grounding in market research. This post offers tremendous opportunities for advancement.—Write giving details of age, education, qualifications and previous experience, to Bedford Attwood; Attwood Statistics Limited, Chantrey House, Eccleston Street, S.W.1.

OLD-ESTABLISHED highly reputable Company, with selling agencies abroad, has spare capital and some factory space available. Would like to meet man or small Company in need of finance and space to manufacture some commodity in demand abroad, preferably in Colla countries. Raw material must be readily available. Recommendation by Solicitors or Accountants would be required. Strict confidence.—Box 916.

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home farm), country-house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London. Reduced terms May. Open May 1st.—Write Major B. Carnegie, "Stronvar," Balquhidder, Perthshire.

IF you appreciate beautiful Gold and Silver Coins in finest condition, you cannot afford to miss our selection of choice specimens. Personal attention given to postal enquiries.—L. S. Forrer Ltd., 175, Piccadilly, London, W.1. (Regent 6974.)

IF YOUR PRODUCT is technical . . . and it needs advertising or some printed matter . . . get in touch with Geoffrey Dadd Ltd., the nationally known Technical Advertising Practitioners, 90, Epsom Road, Sutton, Surrey. Derwent 4444 (4 lines).

CANADIAN MARKETS.—May I represent you? I am in the United Kingdom for the next four weeks and could arrange to represent you in Canada.—Please write to B x 924.

FOR SALE—*The Economist* complete with Indexes 1946-47 bound. 1948 to June 1951 unbound.—Offers to Box 920.

UNIVERSITY OF OXFORD
DIRECTORSHIP OF THE INSTITUTE FOR RESEARCH IN AGRICULTURAL ECONOMICS

Applications are invited for the above directorship which will become vacant on December 31, 1952. Post tenable for seven years in the first instance. Applications should reach the Registrar of the University not later than May 3, 1952. Stipend £1,900 per annum (plus children's allowances). The duties will include responsibility for teaching in agricultural economics at both the undergraduate and post-graduate level. Special regard will be paid to applications from economists with special interest in agricultural problems. Retiring age 65. Further particulars may be obtained from the Registrar, University Registry, Oxford. WMG/RM. 8.3.52.

OXFORD UNIVERSITY COMMITTEE FOR COLONIAL STUDIES

Applications are invited for the post of Research Assistant to the Professor of Colonial Economic Affairs, at the Institute of Colonial Studies. Applicants should be graduates in Economics, History or Social Science and be able to take responsibility in the collection and collation of source material; experience in handling statistical material will be an advantage. Salary on scale £350 x £25 to £550 and F.S.S.U., entry into scale determined by qualifications, age and experience. The appointment will be for 3 years, of which the first will be regarded as a year of probation.—Applications, giving particulars of education, national service, and experience, and the names of two referees, should reach the Secretary, Institute of Colonial Studies, 10 Keble Road, Oxford, by May 15th.

UNIVERSITY OF BIRMINGHAM
ASSISTANT LECTURESHIP IN STATISTICS

Applications are invited for an Assistant Lectureship in Statistics, tenable in the Faculty of Commerce and Social Science. The post will be in Grade III (£450 x £50 — £500) and the appointment will be made in the first instance for a probationary period of three years. The successful candidate will be expected to teach and to develop work in economic or social statistics. He or she should be well grounded in statistical method and acquainted with current sources.

Applications, together with the names of three referees should reach The Registrar, The University, Birmingham, 15, by April 30th. Further particulars may be obtained from the undersigned.

C. G. BURTON, Secretary.

The University, Birmingham, 3.
March, 1952.

UNIVERSITY OF DURHAM
THE DURHAM COLLEGES

Applications are invited for the post of LECTURER IN POLITICS, which will be vacant on October 1, 1952. The appointment will be temporary for one year, and will carry a salary of £500.

Further particulars may be obtained from the Secretary, 38, North Bailey, Durham. Applications should be sent to him not later than May 6, 1952.

UNIVERSITY COLLEGE OF WALES, ABERYSTWYTH

Applications are invited for the following posts in the Department of Economics and Political Science:—

(1) Assistant Lecturer in Economics. Salary £450 per annum, rising to £500.

(2) Two Research Assistants. Salary £450 per annum. Appointment for one year in the first instance but renewable up to a maximum of two further years. One Research Assistant will be required for a project in the field of Modern Welsh Economic History and one for a project in the field of Industrial Organisation.

Applications, with the names of two referees, should reach the undersigned, from whom further particulars may be obtained, not later than May 8, 1952.

T. MAELGWYN DAVIES, Registrar.

THE GLASGOW AND WEST OF SCOTLAND COMMERCIAL COLLEGE
(Central Institution for Higher Commercial Education)
Principal—Dr. ERIC THOMPSON, M.A.(Com.), B.Sc.(Econ.)
DEPARTMENT OF MANAGEMENT ACCOUNTANCY

AMENDED ADVERTISEMENT

Applications are invited for the post of Head of the Department of Management Accountancy in the College. This is a new Department and the present salary attached to the post is £1,050 x £50 to £1,250 per annum. The successful candidate will be required to take up his duties on May 1st or as soon thereafter as possible. Previous teaching experience, although desirable, is not necessarily essential, and age will not adversely affect a candidate's application. Further particulars of the post may be obtained from the Secretary of the College, and applications (no special form) should be received as soon as possible. A. W. MIDDLETON, Secretary.

Pitt Street, Glasgow, C.2.

UNITED NATIONS is seeking statisticians for immediate or future appointment at United Nations Headquarters, New York. Candidates should be University graduates in Statistics or in Economics, Mathematics or Sociology allied with Statistics. Preference will be given to candidates with higher degrees or with practical experience in Statistics.

Facility in English is essential and working knowledge of either French or Spanish is desirable.

Entrance base salaries range $4,250 to $5,750 gross equivalent to $3,600 and $4,800 free of all taxes, plus cost of living and other allowances.

Send full particulars, including age, nationality and record of employment, to Recruitment Section, Bureau of Personnel, United Nations Headquarters, New York City, U.S.A.

Applications which do not meet minimum requirements will not be acknowledged.

SPANISH Evening Classes, all grades. Term begins April 21st. Also Vacation Course at Universidad Internacional, Santander, August 1st-31st.—Details from the Hispanic Council, 4, Upper Berkeley Street, W.1.

QUALIFIED STAFF AVAILABLE NOW

Accountants, Office Managers, Company Secretaries supplied immediately.

FINE'S EMPLOYMENT AGENCY
(HIGHER APPOINTMENTS SECTION)
95/99 PRAED STREET, LONDON, W.2. AMB 3400 (30 LINES)
—FINE'S FOR THE FINEST STAFF—

TRADING OR ESTABLISHING in CANADA or the WEST INDIES?

If you are trading with or contemplating establishing a plant in Canada or in the West Indies, we can be of help to you.

Through 345 branches across Canada and 23 in the West Indies, we can provide information on business conditions, exchange regulations, exports and the establishing of branch plants.

Your enquiries will receive prompt and courteous attention.

THE BANK OF NOVA SCOTIA
108, Old Broad Street, London E.C.2

Established in Canada in 1832 with limited liability.

NATIONAL BANK OF EGYPT

Incorporated in Egypt.
Liability of Members is Limited.

Head Office - - - CAIRO
Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £E.3,000,000
RESERVE FUND - - - - £E.3,000,000

London Office:
6 & 7 KING WILLIAM STREET, E.C.4
Branches in all the Principal Towns in EGYPT and the SUDAN

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

UNIVERSITY OF HONG KONG

Applications are invited for two vacant LECTURESHIPS IN ECONOMICS, both occasioned by expansion to the present establishment.

Emoluments (for a married member of the staff normally resident outside Hong Kong or China and inclusive of allowances): £1,400 x £40 —£1,640 p.a.

Applicants should be Honours graduates of British Universities, either

(a) with qualifications in Applied Economics, if possible with special reference to Eastern Asia; or
(b) having specialised in Modern Economics—a knowledge of Modern Economic History will be an additional advantage for this post.

First-class sea passages and furnished houses or flats at reasonable rentals are provided for expatriate staff.

Further particulars and information as to the method of application may be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, Gordon Square, London, W.C.1.

The closing date for the receipt of applications is May 31, 1952.

THE ALEXANDRIA WATER COMPANY, LIMITED
ALEXANDRIA, EGYPT
ANNUAL GENERAL MEETING

Notice is hereby given that the seventy-fourth ORDINARY GENERAL MEETING of the Shareholders will be held at the Company's Offices, 61 Avenue Fouad 1er, Alexandria, on Wednesday, April 23, 1952, at four o'clock in the afternoon, for the transaction of the ordinary business of the Company, pursuant to Act of Parliament.

Holders of share warrants to bearer desiring to attend or to be represented at the Meeting must deposit their share warrants in London before April 9, 1952, or in Alexandria before April 20, 1952, until after the Meeting, at the National Bank of Egypt, 6 King William Street, London, E.C.4, or at the National Bank of Egypt, Alexandria, or at some other approved bank in London or Alexandria.

A Member of the Company is entitled to appoint a proxy to attend and vote at the Meeting in his stead and any proxy so appointed need not be a Member of the Company.

Dated, Alexandria, Egypt, February 16, 1952.

By order of the Board,
ROBERT WALTON, Managing Director.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (*periodicals excluded*).

POSTAL TUITION for **B.Sc. ECON.**

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 765 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, April 12, 1952

SIR ROBERT

McALPINE

& SONS

Civil Engineering and Building Contractors

The need for economy in the use of steel is in itself an invitation to Industrialists to consult McAlpines' organisation with a view to building in reinforced concrete instead of structural steelwork, thus saving up to 60% steel, up to 20% cost and considerable time in erection.

80 PARK LANE · LONDON · W.1

AREA OFFICES IN SOUTH WALES, MIDLANDS, TYNESIDE & SCOTLAND

The Economist

Established 1843

April 26, 1952 One Shilling

SECRETARIAT LIBRARY 27 MAR 1952 MADRAS

LEADING ARTICLES

anning Unplanned - - - - 201
Containment Plus" - - - - 203
vernment by Guillotine - - 205

NOTES OF THE WEEK - - - 206
Sir Stafford Cripps; Fares Befogged; Housing Unlimited; Tariffs and Politics; Moscow Trade Methods; Australia Sets the Sights; Making Out the Wage Bill; Devil's Advocate; Selecting Students; Rival to Ridgway; Egypt and the Sudan; German Defence Costs Divided; The Consumer in 1951; Doctors on Divorce; Another Grievance for Pakistan; Consoling the Poles; Keeping it Dark; Rats Among the Rations.

TTERS TO THE EDITOR - - 217

OKS AND PUBLICATIONS - 219

MERICAN SURVEY
Eisenhower's Problems - - 223
oods of Controversy - - - 224
king Time in Steel; Presidential ade; Rubber Half Free; Strains on ood Neighbours; Springtime for Television.

E WORLD OVERSEAS
ccess and Stress in Nigeria - 229
ow Strong is the Chinese Air Force?; he French in Algeria—I; The Pulp ar; New German Dollar Export Bonus; evolution in Bolivia; Russia Cuts Its ices.

THE BUSINESS WORLD
nomic Survey for 1952 - - 239
nited Freedom for Cotton - - 243

SINESS NOTES - - - - - 245
lt-edged Landmark; Implications for netary Policy; EPU and the Monetary und; Relief for Rubber?; Freight Rates all Sharply; Free Gold Weakens; Proctivity Reports and Results; Surplus Wool; Prelude to the Comet; Is er Output Falling?; Television for dustry?; Cheaper Secondhand Ships; ectrical Exports; Earnings and Hours.

MPANY NOTES - - - - - 254

TISTICAL SUMMARY - - 256

MPANY MEETINGS - - - 257

Vol. CLXIII No. 5670
ECONOMIST, 22, Ryder Street, St. James's, S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
ered as a Newspaper. Entered as Second Class Mail er at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Planning Unplanned

THE Economic Survey for 1952 is the sixth of its kind and the first to be produced by a Conservative government. It is a full and illuminating account of the British economy in 1951 and a useful restatement of present difficulties and known policies. But it is not for those things that the Survey is being anxiously read, both in Britain and abroad. Its importance lies in what it says about the future, and in particular about the methods by which this Government hopes during the next three years or so to strengthen and expand the British economy while making the country more secure.

At best, the 1952 crisis of sterling has as yet merely been put into suspense. It cannot be escaped unless last month's improvement in confidence is not only maintained but extended. The Government has to give the world more general grounds for optimism about Britain than are provided simply by raising Bank rate to 4 per cent and cutting the food subsidies. The need that the Survey could have met is to put these particular measures into the context of a general economic philosophy and strategy.

The outside world, more perhaps than the British voter, sees the ministers who have been in office for the past six months as the men who had spent the previous six years castigating the philosophy and strategy expressed in the last Government's economic surveys. This, surely, was the opportunity to demonstrate, to the small public at home and abroad which reads the Survey, that intellectually at least British Conservatism has an alternative, even if it is hedged round in practice by formidable political limitations. The opportunity was all the greater because this year's Survey is later than usual and comes after, not before, the Budget. The major decisions of immediate policy were made more than a month ago, and here the Survey could do little but repeat and explain. If it was to say anything constructive and important, if it was to contribute something of its own to confidence in Britain under a new Government, its primary function was to discuss the next stages in economic planning.

It does nothing of the kind. The obstacle that prevents it is perhaps technical rather than political. The Government does not know how to plan. The planning of the past has been discredited for two obvious reasons. It relied too much on physical controls and it was expressed too much in precise "targets," or estimates, for coal output, manpower movements, exports and all the rest. The present Survey will be worth a line or two in the history of economic policy in Britain only because it carries on to a stopping-point the trend of development in the Labour party's ideas of economic planning: the trend to vanishing-point. The targets of 1947 and 1948 became the estimates of 1949; in 1950 and 1951 the estimates become less detailed and more cautious. Now they have almost entirely disappeared. In itself, this is a welcome realism. But what is the replacement for too much ambition in planning? If the Government no longer sets itself to do precise things, or to see that precise things are done, how does it

fulfil its general responsibility for the course of the economy?

In principle, the answer is plain and familiar enough. Planning has gone wrong since the war because both the government's physical controls and its estimates have had little relation to the main economic policies, and particularly to the fiscal and monetary policies, of the planners themselves. Plans to shift workers to essential industries and the like have been gestures of defiance, brave hopes flung into the teeth of the gale. If the planners have been mocked, it is not because their estimates were so often wrong but because so little was done to make them right, to achieve what the government thought desirable. Planning itself was unplanned.

*

To stop setting targets or framing estimates does not change the nature of planning. It exposes the hollowness there has always been. It merely poses the question: What, under a Conservative government or even a future Labour government, is the purpose of the Survey that was intended to be the annual exercise in democratic planning? How, now that the initial illusions are finally broken, can reality be given to planning? If it is truly to express the government's general responsibility for the economy, the primary function of the Survey is to discuss—in concrete, quantitative terms—the significance for government policy of the main economic questions with which it has each year to deal. The questions for 1952 are apparent. What are the relative strengths of inflationary and deflationary forces in the world economy as a whole? How, in particular, is the level of demand in Britain itself likely to change? How seriously will British export trade be affected by the restrictions other governments put on imports, even if world activity is unchecked? What is the significance for the sterling area mechanism of cuts such as Australia has made in trade with other members of the area? What are the comparative prospects of British exports of different things and in different markets? In what directions and in what magnitude ought resources of manpower and materials to be redistributed between industries in order to meet the changing needs and opportunities of the year?

On such questions as these the government must have some tentative ideas—implicit if not explicit—in order to have any policy. The value of an economic survey consists in making the ideas explicit. They cannot be firm ideas; but they surely should be discussed—and be discussed with, where it is appropriate, figures to indicate the possible size of the changes that may happen or the results that may be achieved. There is no need to be afraid of making official estimates as long as they are acknowledged to be estimates. If there are no figures at all, there is no planning.

This year's Survey is almost as innocent of discussion as of figures. It points out uncertainties and in conclusions rarely gets beyond unexceptionable generalities. It emphasises, for example, this country's need to earn a surplus, not strike a mere balance, in overseas payments. It makes the obvious point that in the sort of world Britain now has to live in, expanding exports means primarily expanding engineering exports. It would surely be reasonable to go on to consider how large an expansion of the engineering industries this may call for if, over the next three or four years, there is also an effort to meet British industry's demand [illegible] equipment and the British consumer's demand [illegible] metal goods.

The Survey summarises the general problem [illegible] unusual neatness. In 1951 "we could not sell eno[illegible] of the things we could supply and we could not sup[illegible] enough of the things we could sell." It underlines w[illegible] some boldness the general need for shifting resourc[illegible] "Some industries may have to contract in order t[illegible] others can expand. Adjustments of this kind are alwa[illegible] difficult and painful, and they must inevitably cause[illegible] temporary increase in unemployment while workers [illegible] changing jobs." The question is how much practi[illegible] force lies behind these excellent sentiments. It is n[illegible] of course, a matter of detailed "planning" by gover[illegible] ment controls. The shifts are to be brought about [illegible] market forces, by letting financial pressure work on co[illegible] tracting industries and tolerating some small financi[illegible] inducements to expanding industries. But to rely [illegible] general policies does not make forecasting unnecessar[illegible] The Government can make a rough judgment ho[illegible] strong its policies ought to be—how far disinflatio[illegible] should go—only if it has some idea how much som[illegible] industries need to expand and therefore how much othe[illegible] ought to contract.

At such points the Survey is weak where it is nc[illegible] empty. It barely looks beyond the problems of this yea[illegible] and what it says about this year is a very mild reflectio[illegible] of the brave generalisations. Business men and trad[illegible] union leaders will look to it for an assessment of th[illegible] dangers of recession that worry them. They will loo[illegible] in vain. The Government assumes that "market forces [illegible] —in particular, the textile recession—will help to shif[illegible] labour where it is needed and so reduce the amount o[illegible] disinflation that must be brought about by deliberate[illegible] policy. But the Survey makes no attempt to assess how important this influence may be. And on the general prospects it says almost nothing.

Undeniably, there has been a change in the past six months in the economic weather in this country and throughout the world. To put it at its lowest, there is definitely less inflation than there was. But even so it is impossible to believe that at this moment, while the pace of rearmament is still increasing, any appreciable recession in the American economy, or in the world as a whole, is in sight. At home, unemployment in all industries except textiles and clothing has been small and almost constant for the past three months. At 317,000 it was only 52,000 bigger in March than at the same time last year—and smaller than it was at the same time in the two previous years. Except in textiles, there is no evidence whatever of anything but the mild financial difficulties that a policy of dearer money is intended to create, and on which the success of government policy depends. Indeed, the number of vacant jobs rose slightly last month and became equal to the number of unemployed outside textiles. The present talk of a slump is unreal. But that does not mean that it should not be discussed. Precisely because the state of the balance of payments would make it disastrous for this country to start fighting a slump before there is a slump, it is essential to watch for the earliest signs that a slump may really be beginning. Only one thing would be more foolish than to assume that it could not happen, and that is to let people talk themselves into a slump when there is no evidence of it. If an Economic Survey has any purpose at all, it should be to discuss—cautiously

but frankly—what the situation looks like from Whitehall.

There are, no doubt, two reasons for the emptiness of this year's Survey. Ministers are not clear in their own minds what economic planning under a Conservative government involves. They have let the momentum of the machine carry it on—but, for form's sake, slightly diluting the sort of document that it produced under their predecessors. That in itself is not, for one year, any great matter. But would ministers have been able to let their thoughts fall into this ready-made pattern if they really had anything new or important to say about future policy? They have devised, as their predecessors several times devised before them, a set of temporary expedients which may be inadequate—or may be inadequate—to carry through its immediate crisis. After the publication of the Survey they cannot pretend, either to themselves or to anyone else, that they have as yet done anything more. They cannot delude themselves that in 1955, or whenever the next election may be, the country will thank them for saving it from what did not happen in 1952. The test is whether the Government has a developing policy for making this country more prosperous and more secure in 1953 and 1954. It has not revealed any such design yet. If it finds a policy, next year's Survey may have something to say and planning will for the first time be planned.

SECRETARIAT LIBRARY 27 MAR 1952 PARLIAMENT

"Containment Plus"

THE discreet silence of western diplomacy about its hopes and purposes in Eastern Europe becomes more and more conspicuous. When the Russians declare that the eastern frontiers of Germany are settled once for all, the western Foreign Ministers are found to be ready with no effective reply. When the Communist governments of Poland and Czechoslovakia get into grave economic difficulties and blame western countries for restricting trade, no one in the West stands up and says "that is precisely what we want to do." Instead, leaders of public opinion speak piously of the need to relax tension and imply that to create a little, probably quite temporary, employment in Lancashire it is worth helping to save the prestige of the five-year plans beyond the iron curtain. And when Mr Bevan and his friends make it clear that they have ceased from mental strife about the tyranny that reigns there, it is left to a Spanish liberal in exile, Señor de Madariaga, to ask in the columns of the *Manchester Guardian* whether East Europeans are to maintain their standard of dying so that the British may maintain their standard of living. There is, indeed, a growing tendency in the West to assume that foreign policy consists in keeping the Russians quiet by a certain measure of rearmament—as little as possible—and by a great deal of organisation. The main purpose of policy is to keep things as they are. Containment is both the end and the means. What lies beyond is nobody's business.

There are, of course, good reasons both for official silence and for popular carelessness. People want peace, some of them at almost any price. They will make some effort to keep Communist power where it is now; they are not, as yet, willing to make any effort to push it back to where it was in 1939. British reactions to MacArthurism and Chiang Kai-shek make that quite clear. They are loth to consider how and where—if at all—that would be possible. They accept laconically statements—most of them American—that western policy is to create situations of strength and then strike bargains with Stalin, or his successors. This being the mood to which politicians appeal—not only in Britain—the diplomatists find it convenient to keep quiet. If they said, as they would be entitled to say, that Europe can enjoy no real security until Soviet forces have withdrawn behind their own frontiers, they would be called warmongers. If they said, with equal justification, that western policy has no plan for relieving its friends in Eastern Europe, they would be charged with betraying wartime pledges and—dread word—appeasing Stalin. For the moment, therefore, it is easier and seems wiser to say nothing.

From the viewpoint of the Kremlin this silence of embarrassment must look like the silence of conspiracy. From London and Paris, from the land and sea stations of the Voice of America, from Radio Free Europe in Munich, and from such guerrilla bases as Madrid and Belgrade and so-called "black" stations, there comes hour after hour a stream of criticism and exhortation directed at the Soviet Union and its satellites. The effort is comparable only to that of the Cominform itself. To Moscow monitoring services and to the Russians who read analyses of western output, it must all look systematic and sinister. To experienced Communists, who themselves plan ahead and think in terms of political warfare, it must seem incredible that all this activity is not harnessed to a plan for war and civil war among the western marches of the Soviet Union. To encourage resistance by words and to have no intention of supporting it later by arms does not, the Russian would argue, make sense.

He is obviously right. Propaganda that does not aim at making people act and think according to a plan of operation is poor stuff; and it may well be that some of the western output to Eastern Europe is poor stuff. But the extent of Soviet jamming and other evidence suggest that some of it is very hot stuff. There is, for example, the output of Radio Free Europe, whose headquarters in Munich is subject to no official control, and which can interpret as it pleases the aspirations of exiles and what it believes to be the policy of the State Department and the Pentagon. It is most unlikely that either friendly or hostile listeners distinguish clearly between what is said on the air officially and what is said unofficially; and the general atmosphere of conspiracy is heightened by the actual and alleged activities of the Central Intelligence Agency behind the iron curtain.

There can, indeed, be little doubt that there is in Eastern Europe a widespread belief that time will bring what the rulers call a war of aggression and what the ruled call liberation.

There is much to be said for frightening both the Politburo and its friends in Eastern Europe. For the West to allow tyrannical regimes to carry out their aims without making any effort to exploit their difficulties would be a craven and short-sighted policy. Its govern-

ments are fully entitled by the rules of the cold war to play the Cominform at its own game. What is dangerous is that an unofficial and covert policy of "actively supporting passive resistance" should run parallel with an official policy of doing next to nothing about Eastern Europe. In wartime the right hand need not always know what the left hand is doing; in peacetime it must. To encourage in any way, even by accident, the belief that the West is preparing to go to war for the liberation of Poland, Czechoslovakia and the rest is to mislead millions of gallant people, to fly in the face of the declared purposes of Atlantic alliance, and to cause Moscow the wrong kind of apprehension.

It would be natural to expect the closest Anglo-American co-operation in these matters, to assume regular consultation on activity and propaganda in Eastern Europe and general agreement on a carefully defined policy. It is uncertain whether this is yet the case. Although specialists and departments consult, there is no evidence that a concerted policy for Europe's most inflammable area exists. Yet the Russians and the security experts of their allies are probably convinced that there does exist a highly organised western plan of operations, and that official silence about Eastern Europe is designed to conceal it. They would naturally assume that their opposite numbers think and work like themselves.

This is obviously an unsatisfactory state of affairs, which might become dangerous. It may mean that American and British policies are out of step and that there are two policies in Washington. It may mean that planning has moved from containment pure and simple to containment plus all such interference with the Russian sphere of influence as can be safely got away with. The case for making the change to "containment plus" has been admirably argued in a pamphlet on British foreign policy recently published by a group of Oxford dons.* As the West gained strength it was bound to come; but it should not have come surreptitiously. In a decision to pass in Europe from containment to political, economic and social counter-attack there is nothing whatever to be ashamed of. So long as the cold war goes on it is a legitimate aim of policy to make life difficult for the Gottwalds and Bieruts. To restrict trade with them, and so increase their demands for Soviet capital goods and raw materials, is legitimate economic warfare against a government which supplies the Chinese in Korea with nearly a thousand jet aircraft. What is wrong is that policy in such a matter should be formed piecemeal under the pressure of special requirements without any formulation of how far it is to go and what its ultimate objectives are to be. Indeed, had it not been for the writings of Mr George Kennan, now about to become United States Ambassador in Moscow, no one would ever have known what the policy of cantainment amounts to.

★

It is clearly impossible for the western nations to accept, or give the impression of accepting, that Soviet forces should remain permanently poised for action in Eastern Europe; but it is likewise out of the question that they should propose to drive them out and supplant the Communist regimes with emigres. But it would be both wise and right that they should make at a suitable moment a declaration of aims which would restore a sense of reality on both sides of the iron curtain. They could say that in no circumstances will they attempt to change the state of affairs in Eastern Europe by force of arms: but they must go on to say that they will continue to condemn and work against the abuse of human rights and treaty pledges by the Communist governments of that area. They will go in Eastern Europe as far and no further than the Cominform itself goes in their own countries. Co-existence with Eastern Europe will be just as peaceful as Moscow likes to make its own co-existence with Western Europe. Such a statement might help to reassure the Soviet Government, in its more fearful moments, about the intentions of the Atlantic alliance, though this is doubtful. But it would certainly help to prevent "accidents" on the European frontier between East and West. And, above all, it would check the present tendency of people in Western Europe to thrust the plight of the East away from their consciences because they feel that there is no alternative between going to war and doing nothing. Much can be done and, apparently, is being done; but it has not been given the firm and considered support of public opinion. If it had, the West would not be witnessing the present undignified scramble for the trading favours of Moscow, Prague and Peking; and people would have a clearer understanding of what is needed to win the cold war and restore security in Europe. The policy of "containment plus" is just beginning to hurt the East; but unless it is formulated and explained, public opinion will not support it and accept its consequences.

* Britain and the Cold War. The Oxford Radical Association. Published by the Westminster Press. Provincial Newspapers, Limited.

A Noble Temple

When the question of removing the Crystal Palace was first mooted, while the Exhibition was in the full tide of its glory, we felt so certain of its being preserved that we spoke of the removal of St. Paul's as equally probable. The time, however, has arrived when the Crystal Palace is in great danger of being pulled down, and when it can only be saved by a strong and general expression of public opinion. . . . The very thought of defacing or injuring St. Paul's stately temple is considered a desecration. Yet it may be doubted if it now finds a fitting congregation or fitting service, and be not more visited by sightseers than worshippers. Human feelings—sufferings and enjoyments—"hallow to human hearts" "the ruin of a wall," and consecrated by human feelings the Crystal Palace is a noble temple. . . . Considered as a temple, the Crystal Palace was expressly consecrated to that industry by which life is sustained and filled with enjoyments. To pull it down is something like casting an insult on the manual skill it was erected to protect, exhibit and honour. It would be tantamount to declaring that labour has reverted to its old condition of serfdom, and is less worthy of respect than the idols that were worshipped in antiquity or in the middle ages. . . . The Vandals pulled down buildings that they regarded with superstitious terror, and were never connected in their minds with one kindly thought; but the Crystal Palace, which our Vandals would destroy, is entwined in the heart of the community by the most enobling and endearing sentiments. It is connected with intellectual enjoyment, the progress of knowledge, and the peace of the world; and no temple built by human hands is more worthy of preservation.

The Economist

April 24th, 1852

Government by Guillotine

THIS week the Government has resorted to the guillotine in order to get contested legislation through the House of Commons. The device is always distasteful. A guillotine resolution, such as was passed on Wednesday for the Health Service Bill, imposes a rigid timetable for the various stages of the Bill's passage through the House and for the detailed discussion of its clauses in committee. The normal processes of Parliamentary discussion are intended to give the minority party or parties the fullest possible rights of criticism of the government. The use of the guillotine is a confession that those normal processes have broken down.

This is always regrettable, but it does not condemn the guillotine. The test is why the breakdown in normal procedure has occurred. If the government is responsible, if it has unreasonably incited the opposition to delaying tactics, then in effect ministers have themselves chosen to govern by guillotine and stand condemned. They are asserting more authority over Parliament than they have any political right to. But, equally, it may be the opposition that tries to assert an undue authority. It may abuse the powers of delay that free discussion gives to it. The right to such discussion cannot be upheld against the primary responsibility of ministers, which is to conduct the business of Her Majesty's Government in Parliament. It is because that responsibility is paramount that the British system of government gives, as a measure of last resort, an almost unlimited power to any majority of the House of Commons that remains united and is prepared to risk the consequences at the next general election. The guillotine is the most extreme exercise of that power which convention has sanctioned. Oppositions will always vehemently protest against it—as the Liberals joined the Labour party in protesting this week. But there is no government that may not be driven to use it, however reluctantly, as a measure of last resort.

★

These general principles are clear, but it is not only the emotionalism of Wednesday's debate that makes them hard to apply. Responsibility for the breakdown in normal procedure over the Health Service Bill is divided between the Conservative and Labour parties. The Government's fault is not that it has tried to assert too much authority over Parliament, but that it has not known what it wanted to do. After only six months in office, it finds itself in a Parliamentary jam partly by ill-luck—particularly the death of King George VI, which held up debate for ten days—but chiefly through its own incompetence.

It began by shortening the session by taking an extra fortnight for the Christmas recess. That would have been wise if it had achieved what it was supposed to do—to enable ministers to return to Westminster at the end of January with a clear and settled programme of action. Most—Mr Butler and the housing ministers were the conspicuous exceptions—in fact came back as befogged as they left. Neither of the Government's two really contentious pieces of legislation, the Steel Bill and the Transport Bill, has yet seen the light of day. The Government lost Parliamentary time by fixing a date for the Budget it could not keep and by modifying the Health Service Bill under pressure from its own backbenchers. More than once it has lost time by sheer clumsiness in the leadership of the House, which has enabled the Opposition to out-manœuvre Mr Crookshank. And, to crown all, it is now wasting more time by incurring the necessity of a day's debate next week on the unprofitable folly of its intervention over transport fares. The result is plain. Unless it now imposes a rigid timetable, the Government cannot hope to get through its major legislation this session. Even if it faced the meekest of oppositions, the remaining days of the spring and summer would not provide it with time for more than one of the denationalisation bills.

It is difficult to have much sympathy with ministers in the predicament into which they have got themselves. But it is necessary to condemn far more the arrogance with which the Labour party is behaving. It is not the Government but the Opposition—led, as usual, by its tail—that is trying to assert more authority over the conduct of Parliament than is compatible with the ordinary processes of free discussion.

There is no firm line between delay, which is in moderation a normal and legitimate tactic of opposition, and obstruction, which is the abuse of the minority party's rights to criticism. But in recent weeks Labour has put itself far on the wrong side of any reasonable line. Its object, it is true, is the same as the Tories' own object a year ago: to block the Government's path and force it to go to the country. But there is this difference. A year ago the Labour Government had nothing to do; it had no legislative programme. It was patently clinging on in the hope that something would turn up. The present Government, for all its weaknesses, has something to do. The Tories were obstructing men, the Labour party is obstructing measures. Its technique is, according to one of its chief designers, to employ Government time in "administrative" measures—such as the Army (Annual) Bill—in order to deny it time to introduce "contentious" measures. During the first three days on the committee stage of the Health Service Bill, the Labour backbenchers carried the attempt to waste time to the point of attacking as much their own leaders as the Conservatives. No Government could or should quietly let its business be held up while the Opposition advertises its internal feuds. Whatever that may be, it is not the efficient democracy that the obstructionists claim to be defending.

The Opposition can justify its recent use of Parliamentary time only by denying that the Government has a right to govern. The denial takes two forms. It is argued that the Government has lost the support of the country and should resign. Somewhat more moderately, it is said that because the Government has a small majority it should not do anything that the Labour party dislikes.

Both claims are nonsense. British democracy does not work by referendum—still less by the vague indications of popular feeling that elections to county councils provide. A British Government is put into office for as long, within five years, as it can keep its majority in the House of Commons. The last thing wanted in a constitution is that it should force ministers continuously to look over their shoulders to make sure that they are popular all the time for all they do. No government should be judged

by its popularity after a few months. The last Labour government was urged to resign in 1951 not because it was manifestly unpopular but because it did not know what to do. The present government may get into the same condition, but it is not quite there yet, and if it has a policy it is entitled to carry it out. The more sophisticated of the Labour tacticians would accept this in principal but add a convenient rider: a government should avoid controversial legislation unless its majority is big enough for detailed discussion to be left to a standing committee rather than the whole House—which means, unless it has a majority of about sixty.

This would be strange doctrine from any party, but from the party that has done most to extend the power of the state it is patently insincere. To require more than a simple majority for controversial legislation might well paralyse British government. Who can be sure that any party will command a majority of sixty in the foreseeable future? Is the Labour party prepared to give an assurance that it will abjure anything the Tories dislike until it has a majority of sixty? Does it now regret that it put the Steel Bill into force in the last Parliament?

It is, of course, true that the sort of programme a government can and should carry out depends in part on its Parliamentary strength. If it is to govern effectively it cannot avoid controversy because it has a small majority. It should try to limit the scope of the controversy to essentials that are, as far as possible, familiar to public opinion. At the present time it would be wrong if, for example, Mr Churchill's Government set out to reform the House of Lords or to denationalise coal or the railways or electricity. But the criticism would in this case be of the measures—as was the criticism of Labour's nationalisation of steel in the last Parliament—not of the constitutional method. A small majority does not in itself give the opposition more right to be obstructive. Two principles may fairly be laid down. An opposition is entitled to go beyond the normal techniques of delay if the government tries to push through a programme that is unreasonable in scope—because it involves more legislation than there is time to criticise thoroughly. That has certainly not been true, even given the need to take Bills in committee of the whole House, of the present Government's programme so far, and there are no signs that it will become true. Secondly, an opposition is justified in obstruction if the government attempts a programme that is authoritarian in content—if it departs from its own clearly professed principles as the electors know them or if, without any acute pressure of circumstances, it does things on which public opinion has never had the chance to express itself. There cannot on those grounds by any objection to anything in the Government's economic policy or in its legislation—in the Army Bill, in the Health Service Bill or, when they come, in the Bills for steel and transport.

The immediate conclusion is plain. The Government is caught in a net that is partly of its own making and partly the product of circumstances beyond its control, but chiefly a net laid by the Opposition. It has no choice but to use the drastic weapon of the guillotine to clear a way for itself at this stage. But it is right to do so only on two conditions. First, it should remember, whatever the provocation from the Opposition, that it has to try to conduct the business of state in this Parliament for another four years ; it cannot hope to do so with credit unless it scrupulously keeps departures from full freedom of debate to the indispensable minimum. Secondly, it should not be afraid to draw the obvious moral from the state it is in. The way to avoid future jams of the same kind is for ministers to prepare their programme better and, above all, to make up their minds more quickly and more consistently. Indecision and muddled thinking are more dangerous than muddled procedure. To use the guillotine to force through Parliament a consistent policy honestly conceived in the national interest is justifiable even if it is unpleasant and unpopular. But to use the guillotine to impose the incoherent policies of frightened men would be damaging for the country, for Parliament and for the Conservative party alike.

NOTES OF THE WEEK

Sir Stafford Cripps

Sir Stafford Cripps seems unlikely to hold in history the stature as a Chancellor of the Exchequer that public opinion gave him in 1948. But that decline—visible already in the more sophisticated of the obituary notices—reflects the nature, not the size, of his achievement. It was the triumph of character rather than of deeds ; it was the changing of a mood rather than the formulation of a policy. It may look thin in the history books, but Sir Stafford's personal contribution was real and decisive in the experience of his times.

Few men have more certainly shortened their lives by selfless devotion to a chosen duty. There are even fewer politician whose sincerity of purpose has been so universally recognised—by friends, by opponents and, most significant of all, by rivals in his own camp. The tribute paid to him on Tuesday by Mr Churchill was as real as Mr Attlee's. Yet the rectitude that commanded such respect was curiously personal. It sprang from a conviction of the strength not merely of morality in general but of Sir Stafford's own particular moral force and of the competence it gave him to move the world not in faith and thought but in the dusty arena of politics. Such an attitude is scarcely comprehensible to most men and perhaps hardly at all to politicians. Yet it worked. Sir Stafford Cripps did move the world ; he forced a purpose on his party when it was bewildered and by that he saved his country from drifting disastrously.

His characteristic achievement was the policy of voluntary restraint in wages, which he put into precise form soon after he became Chancellor and which was finally breaking down as he resigned. That policy was a crazy improvisation. It defied gravity and commonsense. It could not and ought not to have lasted longer. Yet by the sheer force of Sir Stafford's character, it was fairly effective. And thereby rigidity became, for once, the stimulus to expansion ; wage restraint gave the economy an invaluable measure of internal stability at a time when production was expanding, and it therefore made possible the diversion of resources to export.

This was his distinctive success ; his distinctive weaknesses had been demonstrated in his political misjudgments before the war, and they were never hidden afterwards. Though over the years he changed his mind more widely and more often than most men, over the months he stuck to what he had once decided. That rigidity was both his weakness and his strength as a Chancellor. He remained as tightly bound as any of his colleagues by some of the emotions and misconceptions of Labour policy in 1945. But he appreciated earlier than anyone else the full force of the economic limitations on that policy. And having felt the moral call to a sterner economics, he listened to good advice and when he had made up his mind he stuck to it with an unusual faith in what the British people would stand if they believed it to be right. This would be a happier Parliament if more of his colleagues and his opponents had shared that faith.

* * *

Fares Befogged

Nothing has happened this week to remove the impression that the Government's intervention over fares was ill-judged or to disprove the Opposition's claim that the results of the county council elections were the cause of it. The House of Commons on Monday saw a remarkable display of evasion. The Minister of Transport refused to answer eleven questions, saying that they would be answered by a statement from the Prime Minister. But Mr Churchill did not answer them ; nor did he answer any of the supplementaries. He justified the standstill order on the ground that the Government had thought it wrong to allow extensive changes without giving the House a chance to debate them—which he proposed to do on Monday next.

In theory, it may be that this debate and the White Paper on transport, which is expected later, will make everything plain, and that the strange antics of the last few days will be shown as part of an integrated policy. But it is impossible to discover the vestige of a policy so far, and it is almost impossible to imagine any policy within which the Government's actions on fares would take a logical place. The Minister's intervention followed only a short time after he had said that it would not be proper for him to intervene. The standstill order on provincial fares was given when the Government already had in its hands the report of the Transport Consultative Committee justifying the rise in sub-standard fares in London. The committee's findings made it rather likely that it would uphold the tribunal over the rates proposed for provincial fares ; and in any case, if the Government refuses to allow sub-standard fares to be abolished in the provinces it will have to do the same for London, which would mean going flatly against the committee's advice. Finally, the Government seems to have intervened without any clear idea what its legal powers were, and to have sought reassurance on the point afterwards. Its action seems not to have been illegal, but it was certainly illogical.

When Mr Churchill was asked on Monday whether it was intended to subsidise the Transport Commission, he replied that it had in effect been subsidised for the last five years to the extent of its deficit. Did Conservative propaganda never protest against " the cost of Socialism " ? Is this Government not trying to reduce subsidies ? The intervention over fares cannot be justified by anything but the contradiction of the principles that the Government has applied to food and to the health service. It is trying to make itself less unpopular on one count by making its policies harder to justify on other counts. And what it is doing is therefore as foolish politics as it is poor economics.

* * *

Housing Unlimited

The responsibilities of office have still not shaken the Conservatives' determination to build more houses—in their eyes the most important of the social services. At Manchester last weekend Mr Macmillan said:

> It's not 200,000 or 250,000 or even 300,000 that we want. It's whatever the labour and materials available can produce or be made to produce. . . . To satisfy the housing needs of the nation there is a vast demand ahead.

To the House of Commons this week he said:

> Our aims . . . are not unduly ambitious, and the sights would have to be raised much further before we could be accused of singling out housing for some special favour or undue emphasis.

He even argued that more houses are essential for " the redeployment of our industry, for rearmament, for export and for our whole economic survival " because

> we need a margin of free accommodation in many areas of the country and we must not slacken until we can achieve it.

All this is preposterous nonsense. Mr Macmillan knows very well that the " vast demand " for houses is largely artificial because rents are kept artificially low. Yet he intends to build the houses before he tackles rent restriction, and one of the purposes of the Housing Bill—which was read a second time this week—is to protect tenants from the higher rate of interest that local authorities now have to pay on their loans.

BUILDING OF PERMANENT HOUSES IN GREAT BRITAIN
(Number of houses or flats ; thousands)

	Completions		Under Construction at End of Period		Started	
	For Local Authorities	For Private Owners	For Local Authorities	For Private Owners	For Local Authorities	For Private Owners
1950:						
Oct. ..	14·9	2·3	...	...	41·2	4·4
Nov. ..	14·8	2·2	...	...		
Dec. ..	13·0	1·9	174·5	18·5		
1951:						
Jan. ..	11·1	1·5	...	...	35·2	7·2
Feb. ..	12·0	1·5	...	...		
Mar. ..	14·4	1·8	172·2	20·9		
April .	12·9	1·7	...	...	48·9	8·3
May ..	13·7	1·6	...	...		
June..	14·4	2·1	180·0	23·7		
July ..	13·2	2·0	...	...	50·8	6·8
Aug. ..	12·0	2·1	...	...		
Sept. .	14·1	2·3	191·5	24·1		
Oct. ..	14·4	2·5	...	...	43·9	6·9
Nov. ..	14·4	2·5	...	...		
Dec. ..	15·9	2·6	190·7	23·4		
1952:						
Jan. ..	12·9	2·0	...	...	...	...
Feb. ..	13·4	2·1	...	...	...	...

Mr Macmillan hopes to build his houses by greater flexibility and by greater reliance on private enterprise ; and he declared at Manchester that his policy was already bearing fruit. But it is doubtful whether the improvement in the number of houses completed and started in the three months ended February this year, compared with the same period in 1950-51, is attributable to anything but better weather and a diversion of labour from general building work to housebuilding. It is also difficult to reconcile the published figures with Mr Macmillan's statement that the ratio of private enterprise housing to local authority housing is today working out at about one in four. It means that there must have been a big increase in the number of houses started by private enterprise this year. There will soon have to be a big increase in the total numbers started if 300,000 houses a year are ever to be finished in the lifetime of this Government.

* * *

Tariffs and Politics

It is a remarkably confusing fortnight which brings together American demands for higher tariffs, Mr Acheson's reminder that the dollar gap is America's problem, and a

Soviet bid to put American trade policy in the dock. In the United States the first signs of a recession in business activity have been accompanied by demands to withdraw tariff concessions on goods such as motor-cycles, bicycles, certain chinaware, tobacco pipes and wooden srews, imports of which represent only a small proportion of American supplies. No country likes to see foreign competition in its domestic market creating unemployment, but Mr Acheson ten days ago gave the honest and brave answer. He claimed that trade policy was an important part of a foreign policy which aimed at building a firm foundation for the defence of the free world. He might have quoted Article 2 of the North Atlantic Treaty which states that the contracting parties "will seek to eliminate conflict in their international economic policies and will encourage economic collaboration between any or all of them."

It is one thing for the Secretary of State to know what must be done, and it is another to convince the American public, particularly at a time when pockets of unemployment exist. Only two ways are open to the United States, if it does not want to maintain foreign aid as a permanent policy. It can either import more or export less—that is, force other countries to curtail their purchases of American goods. Of these alternatives the first offers the better return because it helps both the United States and Europe. It helps America by raising the standard of living of the American people, and in no case are imports likely to be large enough to cause serious hardship to domestic producers. It helps Europe because the United States exports essential foodstuffs and raw materials that cannot be readily replaced from other sources.

This incipient tariff tussle could have serious political repercussions in the western world. The American market has never been regarded as easy and British exporters were reluctant to enter it. They did so in response to exhortations from both the British and the American Governments. Now they are liable to punishment by the US Tariff Commission, which is being asked by American producers to invoke an escape clause which would permit it to withdraw tariff concessions previously granted. Admittedly Article XIX of the General Argeement on Tariffs and Trade permits a withdrawal of concessions if imports are threatening serious injury to domestic producers; but if it were invoked every time a reduction in tariffs leads to increased competition then the whole structure of Gatt would be made worthless. Such a policy could well drive some European producers straight into the arms of the Soviet trade delegations.

* * *

Moscow Trade Methods

The Russians have always been famous for camouflage, and the economic Potemkin village that was run up to impress visitors to the recent Moscow conference showed that they have not lost their touch. But here and there a crack is beginning to appear: some at least of the promising offers made to unofficial individuals by Mr Nesterov and his East Europe colleagues are proving to be merely for goods already overdue for delivery under official governmental trade treaties.

The Austrian Ministry of Trade, for example, has disclosed that there is a balance in favour of Austria on the Austro-Hungarian clearing account of $1,500,000; and that Hungary has delivered only 5,000 tons of rye out of the promised 30,000 tons of grain, comprising 15,000 tons of wheat and rye flour, 10,000 tons of rye and 5,000 tons of maize. In Moscow, the Hungarians offered an Austrian professor 10,000 tons of wheat, presumably part of the quantity for which they had been pressed for weeks through official channels. The meagreness of the offer is likewise remarkable. Hungary, a rich agricultural country, is Austria's traditional food supplier. The Vienna government has tried in vain to revive this trade, but even to the professor the Hungarians were not able to offer the pigs that once graced Austrian tables.

It has also emerged that Chinese Communist trade with Japan is to be revived only if the Japanese abandon rearmament. That this condition would be attached was always certain, but the Chinese seem to have been less cautious than the Russians in revealing during the Moscow talks the strings attached to deals. The same proviso will probably be found attached to Mr Nesterov's tempting offer to buy DM2 billion worth of industrial goods from Western Germany for delivery within two or three years, in return for Soviet manganese, chrome and other desirable commodities. There is good reason to think that the whole conference had the particular aim of luring Japan and Germany out of the American camp.

A further point which has come to light is that the Soviet negotiators insisted on sterling as the unit of account in deals with Western Germany. The Soviet government would gain a considerable amount of sterling during the two or three years that the Germans would require for manufacturing and delivering industrial equipment, for there was no talk of Moscow giving a credit. With this sterling the Soviet Union would be better placed than ever to buy rubber and other sterling area raw materials. The proposal has met a snag in Germany which has nothing to do with the Battle Act. Western Germany still has by law to settle in dollars all trade balances with countries that have not concluded special payments agreements with the Federal Republic. This regulation would of course apply to trade with the Soviet Union.

* * *

Australia Sets the Sights

The Australian Government is getting as worried about the decline in its agricultural production as its customers have been for some years past. This week Mr McEwen, the Federal Minister of Agriculture, submitted a five-year plan which could add about £A100 million—or nearly a tenth—to Australia's annual income and save some £A7 million of imports, particularly of tobacco, cotton and linseed. Products of the land still represent over four-fifths of Australia's exports, and these exports are as vital to it as they are to Britain. A policy of industrialisation should not imply a smaller volume of exports; on the contrary, most of the new industries require imported raw materials and all of them require imported capital goods which have to be paid for in part, at any rate, by the proceeds from exports. What Australia is doing now should have been done immediately after the war—build up its agricultural production to ensure an adequate volume of exports, and then industrialise.

The plan envisages increases in almost all sectors of agriculture. The wheat acreage is to be raised from 10½ million acres in 1951-52 to 14 million acres; oats and barley from under 3 million acres to 4½ million acres; tobacco from 5,000 acres to 20,000 acres and linseed from 30,000 acres to 200,000 acres. Meat production is to be increased by nearly a quarter from 1,000,000 to 1,230,000 tons, with a greater concentration on lamb then beef, and milk output is to be increased by 12 per cent. This is undoubtedly a wise policy, but its fulfilment depends on what action the Australian Government takes to stem the flow of labour to the towns, to increase the supply of agricultural machinery and equipment, and to encourage a greater use of fertilisers.

* * *

Making Out the Wage Bill

There is now no doubt that the trade unions' answer to the Budget will be unanimous, or as near unanimous as makes no matter. Last week the Confederation of Shipbuilding and Engineering Unions, whose members received

their last increase as lately as last November, decided to press for a substantial increase. With miners, transport workers, shop workers and agricultural workers, this brings the total number of workers who mean soon to ask for more money to between five and six million. The wages of two million other workers will increase automatically as the cost of living index rises. By the end of the summer, therefore, the national wage bill will almost certainly be a good deal higher than it is at present. And Mr Butler, who in theory hopes that if there are to be wage increases they will be linked to rises in productivity, will not see his hopes fulfilled this year—nor, indeed, are they ever likely to be realised so long as the incomes of most British workers depend not upon the prosperity of the plants in which they work but upon that of the industry to which the plants belong.

There would have been a round of wage claims whatever the Budget, for prices have risen since the last crop of awards. The Budget merely means that the claims are larger than they otherwise would have been. The most that Mr Butler could realistically hope was that it would not also accelerate them. In fact it has done. Wage claims are normally formulated at the unions' annual conferences, but several unions are not waiting until then. Yet for many workers increased family allowances and income tax concessions already offset the higher food prices; big wage increases can only give another fillip to prices. This is regrettable but at present inevitable. The unions are strong enough to ensure that no large group of their members suffers any reduction in living standards.

* * *

Devil's Advocate

If there is one theme on which economists of all persuasions generally speak in unison, it is the evil effects of private monopoly. The exceptions are not, however, always unimportant. Of late two eminent dissenting voices have been heard—Mr Galbraith in the United States and Sir Henry Clay in this country. In the current issue of *Lloyds Bank Review* Sir Henry argues that ever since the first world war the greatest progress, both technical and commercial, has been observed in industries that are heavily cartellised or dominated by a few large firms. More generally, he argues that unrestricted competition, combined with the high overhead costs typical of modern industry, almost certainly means a level of returns inadequate to cover total long-run costs of upkeep, modernisation and research. So far, indeed, from being detrimental to the public interest, restrictive practices are an essential part of modern economic life, a safeguard against chaos and a necessary condition of progress.

The arguments are ingeniously presented and often individually telling. But they are not new. In sum what they prove is, first, that they are genuine social advantages in a large unit of control; and, secondly, that in times of slump cartellised industry can and does push much of the burden of depression on to competitive industry. There is a distinct logical gap between these propositions and a conclusion in favour of the general beneficence of restrictive practices.

Sir Henry is on stronger ground in criticising the Monopolies and Restrictive Practices Act of 1948 not as a manifestation of anti-monopoly sentiment but simply as a piece of legislation. Both the powers and the scope of the present commission are, he holds, wrongly conceived; the powers are too great, the scope is too narrow. It can investigate organisations controlling competition, but not organisations abolishing it entirely—as do statutory monopolies; it is limited to manufacturing and building, and excluded from services and labour relations. The manufacturer

> will have his labour costs settled by negotiation with monopolistic trade unions . . . his power—coal, gas or electricity—he will buy from statutory monopolies . . . his raw material will frequently be controlled by some Government scheme for protecting primary producers.

But thus exposed to the action of monopolies on every side, he will find his own efforts at self-protection subjected to *ex post facto* regulation impossible to know in advance or even to deduce from general principles. The commission, Sir Henry argues, should be purely an investigating body with far wider powers of investigation. The second point should command ready agreement. Monopoly power, for good or for ill, does not cease to be fit matter for investigation in the public interest when wielded by a public corporation or a trade union.

* * *

Selecting Students

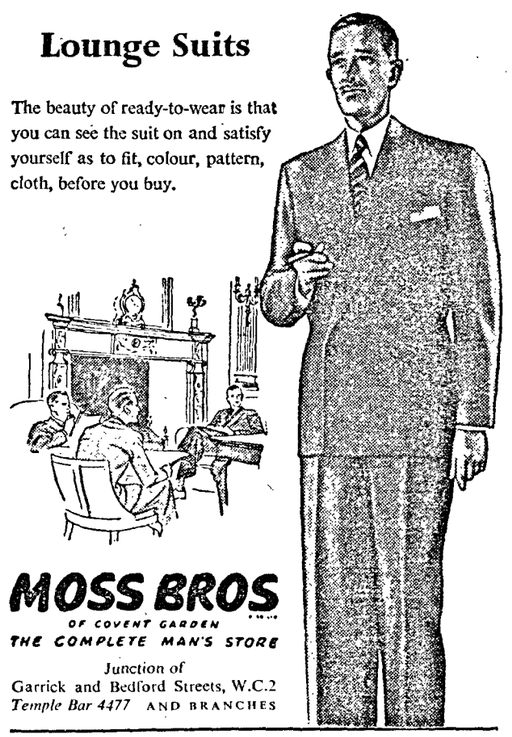
The methods by which the universities choose their undergraduates are likely to attract more and more interest; an important contribution to the discussion is made this week in a pamphlet* by Dr F. W. Warburton, of the School of Education at Manchester University. There was no problem of selection when getting into a university depended on money, exceptional ability or grim determination; now that financial barriers have been removed, and there are already twice as many sixth-form pupils as before the war, the need to find the right kind of sieve is acute. In its latest report the University Grants Committee noted with approval that the universities were alive to this problem. Dr Warburton's survey shows that a great deal of thought is being given to it.

The traditional methods of selection can be relied on to sort out the best candidates and the worst; but they are clumsy instruments to measure the relative capabilities of the moderately good. Higher Certificate results—the most usual criterion—may, by a single mark and a stroke of ill-luck, deprive a candidate of a university career while his inferiors are admitted; and the chance element is strikingly brought

* The Selection of University Students. By F. W. Warburton. *Manchester University Press.*

Lounge Suits

The beauty of ready-to-wear is that you can see the suit on and satisfy yourself as to fit, colour, pattern, cloth, before you buy.



MOSS BROS
OF COVENT GARDEN
THE COMPLETE MAN'S STORE
Junction of
Garrick and Bedford Streets, W.C.2
Temple Bar 4477 AND BRANCHES

out by Dr Warburton's example of how different examining boards may vary in their assessment of the same papers. Testimonials from headmasters are equally liable to human variability, and especially to optimism. Personal interviews can be of little value unless the interviewers are skilled and, again, widely differing judgments are made by different interviewers.

Dr Warburton considers the new techniques that might be used to supplement the old—intelligence tests, for example. By themselves, these would not answer the purpose, for his general level of education is as important to a student as his innate intelligence. But according to research done at the London School of Economics, certain intelligence tests have proved valuable in conjunction with the traditional selection methods. Another possibility is the group interview, on the lines of the Civil Service's "house parties," but that method would have to be greatly modified if expense were not to put it out of court.

No firm conclusions are possible at this stage. Dr Warburton rightly urges that the universities should carry out research into the efficiency of both old and new methods by correlating their results with those obtained in degree examinations. When the nation is investing such large sums in its university students, it is certainly worth a little trouble to make surer that the investment is sound.

* * *

Rival to Ridgway

With remarkably little fuss public opinion has arrived at the view that General Eisenhower's successor as Supreme Commander in Europe must be an American soldier. The decision on which American it is to be now rests with the North Atlantic Council, which meets in Paris next week. President Truman is said to have asked the thirteen allies to choose between General Gruenther, the Supreme Commander's present Chief of Staff, and General Ridgway, the United Nations Commander in Korea. It would not be easy to decide between a proven organiser and a proven fighting man, each of whom has shown his talent for getting teamwork out of allies, even if military considerations were the only ones to present themselves. As it is, important political factors must play a part.

One thing, at least, is clear: Europe does not want the Eisenhower role taken over by someone who will try to play it in the manner of its creator. The result would be mere caricature. Shape must become less of a court and more of an operational headquarters; it should attract less sightseers, not more. On the other hand, the role of whip and spur to the allied forces and their defence ministers is already played with great energy by Lord Montgomery, and does not yet need the aid of a tight-lipped look and a grenade strapped to the shoulder. Likewise, for the actual command of land forces there is General Juin. Although neither his energy nor his concentration on this job have been conspicuous, there are political reasons in the way of his removal by promotion. There appears, therefore, to be no role in Supreme Headquarters for a fighting commander fresh from the battlefield—unless the official appreciation of the risks of war in Europe has lately changed. If Nato believes these risks have increased, or will increase, as its forces grow, then there would be a case for appointing General Ridgway with his admirable battle record. If, on the other hand, it is judged that the risks are decreasing, then General Gruenther, with his admirable record of getting things done quietly and quickly, should be the man.

Nato ministers will doubtless not ignore Moscow's possible reactions. What conclusions would be drawn there from General Ridgway's transfer to the cold war from the real war front? To western ears it sounds ridiculous that the inadequate ground and air forces of Nato should be accused of aggressive intentions; but the charge is made and may be believed by its makers. It would, perhaps, be wiser to keep battledress out of Supreme Headquarters unless there is a real risk of its becoming a battle headquarters in the next twelve months.

* * *

Egypt and the Sudan

The prospects for eventual agreement on the points in dispute between Britain and Egypt seem a little better; but in addition to the dangers that have already revealed themselves there are still some submerged rocks to be circumnavigated. To British eyes there seems no theoretical impossibility in the idea of a Sudan that has been granted complete freedom to determine its own fate, but is nominally linked with the Egyptian crown. Commonwealth experience has shown how many variations can be played on this theme. But the difference between the British and the Egyptian views of the political role of a monarch has only recently been illustrated by King Farouk's dismissal of the Wafd government. If it is difficult for Egyptian opinion to grasp the concept of a wholly non-political throne, it is virtually impossible for most Sudanese to understand it. There is thus a serious danger that even a morally impeccable formula for an Egyptian-Sudanese relationship would be regarded in Khartoum as an act of betrayal.

It can be assumed that the Foreign Secretary and the Governor-General of the Sudan, both honourable men and keenly conscious of Britain's pledges to the Sudanese, will accept no solution that violates the essential spirit of those pledges. But this is a case in which justice must not only be done, but must be seen to be done. If the simple villager of the upper Nile is left with the impression that he has been delivered into the hands of his wilier neighbours downstream, the damage done will be almost as great as if he had been so delivered. The repercussions of such a mistake would not be confined to the Middle East. Among the slender majority of Mr Churchill's Government there is probably a considerable number of MPs who would find it hard to stomach even the appearance of appeasing Egypt at the expense of the Sudan. The Government's decisions in the Khama affair have made minds suspicious and consciences sensitive—a point that should not be overlooked by the American Embassy in Cairo.

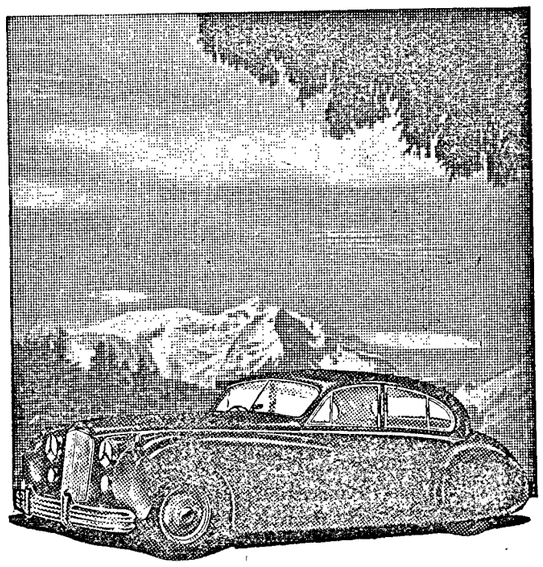
* * *

German Defence Costs Divided

The deadlock in Franco-German exchanges over the Saar is a grave development and puts yet another obstacle in the way of European integration, and optimistic forecasts about the European Defence Community are less justified than ever. None the less there seem to be good prospects of concluding by the end of May the EDC treaty and the contractual agreements with Western Germany that are to replace the occupation statute. The negotiators in Bonn and Paris have put on a spurt in the race to finish their work before the present session of Congress ends and the issue of all-German elections comes up for final settlement.

Finance is still the main obstacle in negotiations with the Germans, and it is still probable that the British Treasury will have to shoulder an additional burden when their army is set up within the EDC. The Federal government agreed to make a total contribution of DM 10.2 billion for the community's first full year, though a loophole of escape was left if German production failed to expand according to estimates. But the problem remained of dividing this sum between the cost of forming a German contingent in the EDC and the cost of maintaining American, British and French troops in Germany. Bonn's embryo Ministry of

GRACE . . . SPACE . . . PACE

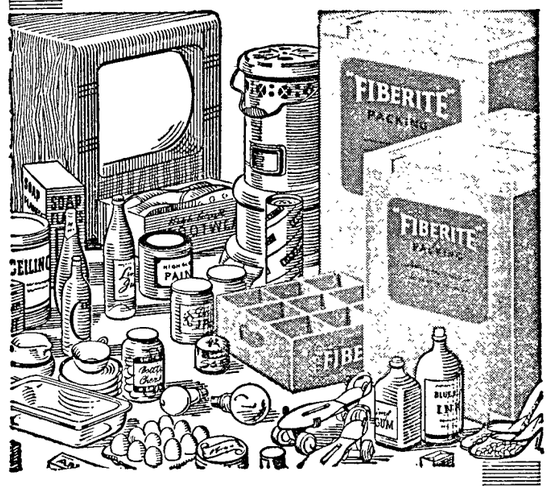


JAGUAR

Powered by the world-famous XK120 engine

P.P.26 *Issued by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.*

Good packing is an investment



Proud of your product? Then be critical of the way it is packed! Wise manufacturers use "FIBERITE" packing cases, for "FIBERITE" quality is complementary to good goods. But "FIBERITE" cases are not a luxury, they are as good as good packing can be—yet they are economic in cost and bring packing room savings that are a distinct advantage these days—savings in space, time and trouble.

Regd. Trade "FIBERITE" Mark
PACKING CASES

THAMES BOARD MILLS LTD.
PURFLEET : ESSEX

Manufacturers of
"THAMES BOARD" for cartons and other uses;
"FIBERITE" Packing Cases; "ESSEX" Wallboard

FB 1-1524

Flying Holidays

on currency of

£25

Two people flying Air France, with no extras, no tips, and wonderful free meals and drinks, can enjoy up to 14 days abroad on their combined £50 currency allowance. Fares are paid in this country and do not come from the allowance.

Flights to

PARIS · NICE · CORSICA
DINARD · DEAUVILLE
LA BAULE · MAJORCA
BARCELONA · MADRID
ITALY · SWITZERLAND
AUSTRIA · U.S.A. · ASIA
AFRICA · AUSTRALIA

Send for this fascinating free book "FLYING HOLIDAYS"

Your Travel Agent will give you the best advice

AIR FRANCE

The 4-Engine Service

LONDON: 52/54 Haymarket, S.W.1. WHI.4455 · GLASGOW: 33 Renfield St. CEN. 8054/5
MANCHESTER: St., Peter's Sq. CEN. 8071/2 · BIRMINGHAM: Civic Centre. MID. 5891

History TODAY

and the Advertiser

HISTORY TODAY, first published in January, 1951, is a magazine designed for the intelligent man and woman, planned upon entirely new lines. The basic idea is very simple—that, to understand *today* and forecast *tomorrow*, one must have studied *yesterday*, and that the key to present problems often lies in the remote past.

But readers of HISTORY TODAY are not merely specialists. They are students of the modern world, whose interests extend to every field of human activity—industry, economics, the history of science, besides political thought, art and literature.

As HISTORY TODAY has grown and prospered, more and more advertisers have come to recognise its value as an advertising medium. Among its readers are many of the consumers to whom *your* product will make a strong appeal.

History TODAY

For details, consult your Advertising Agent, or write direct to:
THE ADVERTISEMENT MANAGER, HISTORY TODAY,
72 COLEMAN STREET, LONDON, E.C.2

RUSSIA

Has Communist policy changed—does it mean PEACE?

Read the important contributions by

SIR DAVID KELLY

British Ambassador in Moscow, 1949-1951

Beginning next Sunday exclusively in

The Sunday Times

London's Best-informed Sunday Newspaper

Defence, the office of Herr Blank, drew up a so-called "minimum plan," in which the cost of setting up and equipping a German army with light weapons only was estimated at DM 9 billion for the first year. The High Commission for its part estimated as DM 6.8 billion the cost of maintaining the non-German troops. The German answer was in effect: "Canteens or cannon." Every pfennig that came out of the government's DM 10.2 billion for the comfort of the foreign troops and their families in Germany would, it was indicated, come off Germany's own contribution to defence.

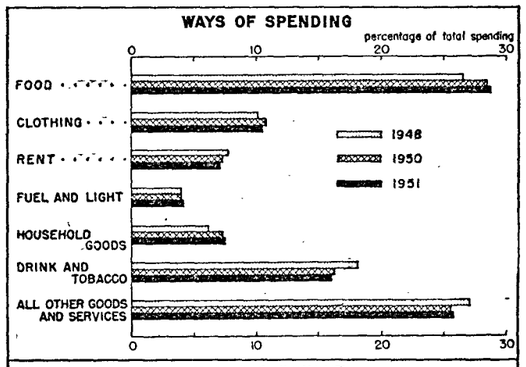
Both Herr Blank's costing and the High Commission's estimates have been examined by EDC experts with experience of similar matters in their own countries, and the axe is being used on the exuberant growths which have come to Paris from both Bonn and the High Commission. Herr Blank's total has been cut to a sum which could actually be spent in the first year of the EDC. If this cut and others are accepted by both sides, there should be enough left of the German total to cover the greater part of American, British and French costs in the first year of the community's functioning.

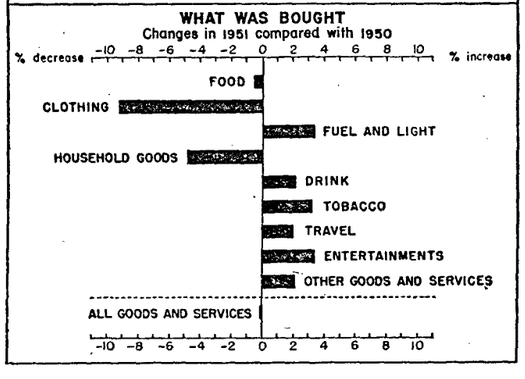
It is now for the Germans to prove that they can be good partners by accepting the Paris verdict. They will also have to accept the fact that American heavy weapons will be allocated to the EDC as a whole for division among its members. The Americans have shown loyalty and good sense by refusing to deliver heavy weapons direct to Germany. The EDC, even in its present rudimentary stage, is proving its value.

* * *

The Consumer in 1951

Last year's Economic Survey forecast that personal consumption in 1951 would be slightly but definitely less than in 1950—by 0.5 per cent. In fact, it remained almost exactly constant. In money terms, of course, people spent much more. Total consumers' spending last year was £9,970 million, compared with £9,260 million in 1950, £8,796 million in 1949, and £8,419 million in 1948. But, after the rise in prices is taken into account, last year saw the first halt to the upward trend of consumption since the end of the war. People bought much less clothing, fewer household goods and just a little less food than in 1950—the last because increased buying of imported tinned meat did not offset the reduced ration of carcase meat. On the other hand, purchases of most other goods and services increased, so that on balance real consumption was just about the same in 1951 as in 1950 (the actual figures show a very slight drop of less than 0.1 per cent).





* * *

Doctors on Divorce

Much of the evidence submitted to the Royal Commission on Marriage and Divorce by the British Medical Association and the Royal Medico-Psychological Association is, naturally, concerned with insanity. Under the present law, a petition for divorce may be presented if either husband or wife is incurably of unsound mind and has been continuously under care and treatment for at least five years immediately preceding the petition. This last provision has prevented many petitions from being granted even though the insanity has persisted. Certification of insanity is avoided wherever possible in modern psychiatric practice, and continuous care and treatment as a voluntary patient, no matter for how long, does not satisfy the provision. The associations consider, therefore, that the best course is to abolish the existing provision altogether. Instead they propose that a person should be able to present a petition if the other spouse has been suffering from mental disorder continuously for five years, is unlikely to recover and at the time of the petition has been a patient in a mental hospital continuously for a year. This last stipulation, though covering voluntary patients, does not get round the difficulty that such patients can discharge themselves as often as they like, thereby breaking the continuity of treatment.

Some of the other recommendations are more general. Thus, the associations propose that, where husband and wife have been separated by mutual consent for a long time and there is no prospect of reconciliation, either party or both together should be able to present a petition for divorce—at present, this is not allowed because the separation does not amount to desertion. They also propose that where the offended person refuses to take any action for a divorce, the offending party should after a period be able to sue for divorce; and they suggest a wider definition of cruelty.

In general, it should be pointed out, the doctors' recommendations are based on a fundamental change that they would like to see in the attitude of the divorce courts. Instead of deciding whether one party has been deliberately wronged, as in a civil action, they should aim at the relief of suffering and hardship. This attitude would commend itself to the layman also. But it may be too vague to appeal to the lawyers.

* * *

Another Grievance for Pakistan

The intense indignation aroused in Pakistan by the British Home Secretary's endorsement of the court order for the extradition of Mr Mubanek Ali Ahmed, a Pakistani industrialist, to India on a criminal charge may appear to be a storm in a teacup. Yet it is in fact a serious matter, because in Pakistani eyes it appears to be further confirmation of the alleged British tendency to tip the scales in favour of India in Indo-Pakistan disputes. There is no reason to question the validity or fairness of the legal pro-

ceedings for Mr Ahmed's extradition ; he had been charged with forgery in Bombay and there was no claim to asylum on political grounds. There must always be, however, in cases of extradition a distinction between returning to the justice of his own country a man wanted on a criminal charge and handing over a citizen of a third state, especially when political tensions exist between the claimant state and the state of which the fugitive is a citizen. It is difficult to deny that the Home Secretary has considerable discretionary power, and one cannot feel quite certain that if Pakistan had been claiming an Indian citizen from Britain the outcome would have been the same.

The decision has been no inadvertent one, for the Pakistan High Commissioner protested vigorously both to the Home Secretary and the Secretary of State for Commonwealth Relations. The rejection has raised the incident from the status of an ordinary criminal case to the level of international political relations. It comes after four years of the Kashmir dispute, in which Pakistanis feel that British influence has been adverse to their cause, and almost simultaneously with the Security Council's refusal to hear their appeal on behalf of Tunisia. Opinion there is in a sensitive and irritable condition, and each time these disappointments occur, Pakistani ears hear again the siren voices which tell them that they should turn away from a pro-Indian Britain to a power which is always ready (at a price) to sponsor the grievances of discontented nations. This tendency has already led to a serious military conspiracy, and the trouble may break out again at any time. The effect of the Kashmir deadlock has been to render fundamentally unstable the position of any Pakistan government which must bear responsibility for the national frustration, and the official policy of adherence to the Commonwealth is affected by the same unpopularity.

* * *

Consoling the Poles

It looks as if the Russians are trying to soothe their Polish allies with an array of demonstrative and tactful gestures. The recent suggestion from Moscow that a united Germany should be granted control of its armed forces obviously caused the Poles alarm, and the embarrassment of Warsaw press comment at the time seeped up between the lines. For some time opposition to German rearmament had been one of the few things in common between the Communist Party and the people ; to have the Russians reviving the old fear of a deal with the Germans over Poland's dead body was a shock, even though their Note to the western powers had insisted on the finality of the Oder-Neisse line.

The chief feature in the current comfort campaign is a palace of culture, which is to be erected in Warsaw with Soviet money and the assistance of Soviet architects and workmen. Much was made of the matter when an agreement for the job was signed and work has now begun. The new building will house the Academy of Sciences and similar institutions, and it will be Poland's first skyscraper—30 storeys high. Other features have been the handing over by the Russians of manuscripts of Copernicus and others which they acquired in eastern Poland towards the end of the war ; specially warm greetings from Stalin to President Bierut for his birthday ; much mutual congratulation on the seventh anniversary of the Soviet-Polish Treaty ; and celebration of a month of friendship with Eastern Germany. What effect these gestures have on the people it is impossible to judge.

* * *

Keeping It Dark

Intriguing changes have taken place in the reasons given by the Communists for refusing to allow an impartial inquiry into their "germ warfare" charges. When it was first suggested, the Communist press declared that it was unnecessary, since no serious epidemics had broken out. But the logic of this argument was apparently not very clear even to good Marxists, and some European Communists joined with Mr Acheson in calling for an investigation by the International Red Cross. These unhappy deviationists were, however, rapped sharply over the knuckles when the new party line was promulgated. This took the form of a denunciation of the International Red Cross, the World Health Organisation, and all similar bodies as mere tools of American militarism, wholly unworthy of admission to North Korea or China, and incapable of producing an objective report.

Some flaw has now been found even in this process of reasoning, and a new argument has been put forward. The Communist press in Britain and elsewhere now says that the Chinese and North Koreans refuse to admit inquirers because the Americans merely want to assess the effectiveness of their alleged bacteriological operations. A report by the Red Cross or the World Health Organisation would provide them with free military intelligence. The authors of this particular ploy have not stopped to think of the slight they are putting on Mr Pritt's "democratic lawyers," who have returned from the "germ-ridden areas" with what purports to be a full and conclusive report of conditions there. If the danger of an objective report is that it would provide the Americans with information about their achievements, have not the "democratic lawyers" already done the damage? That these subtle minds should have overlooked both quarantine regulations and the security risks to their own side is one of the more delectable incidents of 1952.

* * *

Rats Among the Rations

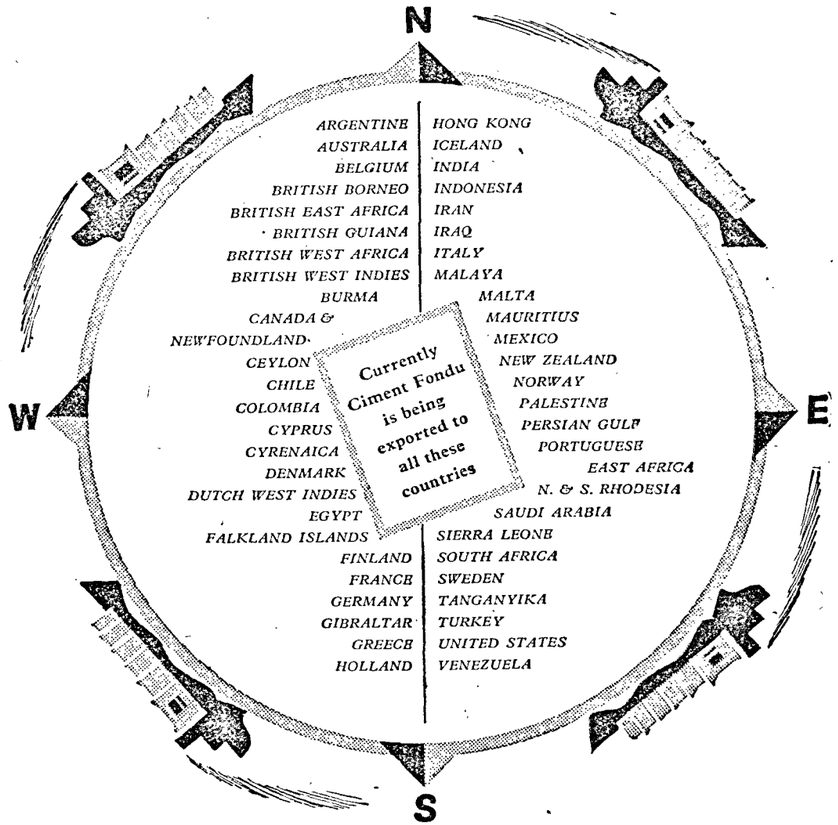
Last week in Prague four men were sentenced to death for forging ration cards and other black market offences. Seven other people, including two women, were sent to prison for periods ranging from nine years to life. The Czechoslovak Government has, of course, every right to punish rationing offences with reasonable severity. But such severe sentences seem out of all proportion even if, as the prosecution alleged, the defendants' activities were extensive enough to cause a "hitch in the rationing system." The explanation probably lies in the prosecutor's admission that the forgers had concentrated on "the most sensitive sector of our economy—supplies for the nation." The government's grave uneasiness over food supplies will have been only partially allayed by the Soviet promise to send substantial food supplies, including over 1 million tons of bread grain and fodder, during the current year ; for the Czechs know that these supplies may not appear if they do not produce the increased quotas of "foundry products" which Dr Gregor, Minister of Foreign Trade, had to promise during his three months absence in Moscow.

It is clear that the Communists are playing up the activities of the ration forgers in order to distract from themselves the popular discontent which appears to be causing increasing concern. The ration forgers are linked up with the "US warmongers" who "breed rats in human shape infected with capitalist avarice." The defendants were said to be part of "Truman's army of rats" who were working to poison the "moral and political unity" of Czechoslovakia. Likewise Mr Bacilek, the Minister of States Security, when opening an exhibition on "*Ration Card Forgers and Gold* Hoarders," appealed for closer co-operation between the National Security Corps and the general public so that "no suspicious individual who could be an enemy agent shall remain undetected." He pointed to the example of the Soviet Union where the people's vigilance had successfully unmasked all enemy agents.

The British Product which is *indispensable throughout the World*

Ciment Fondu the original high-alumina Cement is produced at West Thurrock, Essex, the only source of manufacture within the British Commonwealth.

Its remarkable properties and high quality have created a universal demand for this unique Cement and made the name of Lafarge known and respected all over the World.



The Best Cement in the World **CIMENT FONDU** Used all over the World

ALUMINOUS CEMENT

LAFARGE ALUMINOUS CEMENT CO. LTD.

73, BROOK STREET, LONDON, W.1

Ciment Fondu is distributed in N. America by

CIMENT FONDU LAFARGE CORPORATION
141 East 44th Street, New York 17, N.Y.

CIMENT FONDU LAFARGE (CANADA) LTD.
1405 Peel Street, Montreal, P.Q.

3-116

Oil and Water

Development of oil-fields and hydro-electric power is transforming two of Canada's provinces. According to *New Commonwealth* British Columbia—its population growing at a greater rate than ever before—is switching rapidly from mining, fisheries and lumber to secondary production. Exploitation of Alberta's oil-fields, and of its forests for pulp and paper, is altering the whole face of the province.

Major developments like these—recorded in detail every fortnight in *New Commonwealth*—represent valuable openings to British manufacturers of machinery and engineering supplies. *New Commonwealth* is read by leaders of trade and industry throughout the Empire. Introduce yourself and your products to the men responsible for Commonwealth development through the advertising columns of *New Commonwealth*, the only publication devoted exclusively to Commonwealth affairs.

Send for specimen copy to: 33 TOTHILL STREET, LONDON, S.W.1

5 Per Cent Wastage

How much time is wasted in your offices through lack of inter-departmental contact?

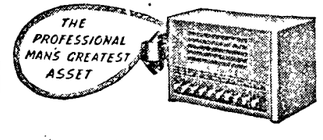
The RELIANCE Loudspeaking Telephone Service facilitates intercommunication between executives and departments.

A flick of a switch and your staff is at your elbow and in touch with each other.

Queries are settled without staff leaving their desks or the P.O. switchboard being overloaded with internal traffic. Complete conferences are possible by throwing two or more keys.

Here is real economy and efficiency.

May we send you full particulars—without obligation of course. *Write for leaflet T.E.13.*



RELIANCE LOUDSPEAKING TELEPHONES

THE RELIANCE TELEPHONE COMPANY LTD.
(A subsidiary of the General Electric Co. Ltd.)
39-47, PARKER STREET, KINGSWAY, LONDON, W.C.2.
Tel.: Chancery 5341 (P.B.X.)
Branches throughout the United Kingdom.

The Gateway to Security

2½%
FOR THE INVESTOR
Income Tax paid by the Society
EQUIVALENT TO £4-15-3 per cent
Subject to Income Tax at 9/6 in the £
£1-£5,000 accepted

TEMPERANCE
PERMANENT
BUILDING SOCIETY
223-227, REGENT ST., LONDON, W.1
PHONE REG. 7282

Letters to the Editor

European Realists

Sir,—Western Europe needs a unity from which member countries, including Western Germany, cannot contract out. Such a unity is a vital British interest, and Britain has a key role to play in enabling this unity to be achieved (though it may not itself become a full member of any purely European union). This you have convincingly argued in the last few weeks.

What is the sort of union from which member countries cannot contract out? There are only two answers—a unitary state like the United Kingdom, and a federal union like the United States, Switzerland, Canada or Australia. To weld the countries of Western Europe, with their long separate national traditions, into a unitary state is at present neither desirable nor practical politics. On the other hand, to form them into a union under democratic control from which they could not contract out, while at the same time leaving all domestic matters in the individual countries' own hands, is not only highly desirable, it is something the leading European statesmen (and General Eisenhower) think practicable, and it is what federal union means; indeed, the Schuman and Pleven plans, which you rightly praise because they aim to make Western Germany an integral part of Western Europe, will succeed in this just in so far as they are federal in character. Why then, while you imply that the best hope for Western Europe lies in a union of this sort, do you—and the British Government—disparage federalists, who only call a spade a spade, as idealists?

Woolly thinking on a matter so fundamental, or a failure to acquaint the public with the logic of the case, will guarantee that we don't get for our country what is best for it. Let there be no doubt: nothing less than a federal union will ensure that Western Germany, once it has gained equality and arms, does not divorce itself from its Western partners. Treaties, alliances and guarantees have been broken too often to enumerate; the League ideal has failed, and the present United Nations charter is based on the same principles; confederations, that is, unions where the general government is subordinate to the regional ones, are invariably transitory—either they break up, or they are found to be inadequate for their purpose and the general government is, sooner or later, given independent powers; the Commonwealth idea, which some suggest should be applied to Europe, cannot by definition prevent member states from quitting; and as for the latest nostrum, an "organic union," it could not possibly grow to maturity in time to counter the very real risks of today and tomorrow, and even if it did it could only guarantee the continued adherence of the countries concerned if it developed into some federal (or unitary) form.

Never has there been so much talk of unity—international "communities," "partnerships," "integration" and the rest. We will do well to ask our leaders to define just what they mean by all this, and what ends they count on achieving by the type of "unity" they have in mind. Unless we in Britain are careful, we shall find our union-loving sentiments have become no less a mockery than the peace-loving double-talk of the East.—Yours faithfully,

MARTIN MADDAN

West Malling

[Federal union may well be the ultimate destiny for Western Europe; but its advocates have done their cause harm by neither examining nor admitting the serious sacrifices it would demand from individual nations. The form of co-operation attempted in Nato and in working European institutions has at least the merit that comes of learning how a car works before offering to drive it.—EDITOR.]

The Strain and its Sources

Sir,—The sterling area system, as operated during the past ten years, has enabled the United Kingdom to indulge in reckless borrowing from the rest of the area. A nation's liabilities may sometimes be its best assets: but this should not lead one to forget that there is an essential difference between debts and credits. Yet the terms used in the article in your issue of April 12th suggest that this difference has become, to say the least, somewhat blurred in your treatment of the sterling area balances.

You mention that the sterling area lent Britain £230 million in 1950 and £290 million in the first half of 1951: "and then," you say, "came the collapse into borrowing from Britain—to the extent of no less than £363 million." You add that "the record of the Dominions in 1951 was, of course, far worse than this. Despite an inflow of capital, their sterling balances fell by £367 million in the second half of 1951." Surely the United Kingdom cannot expect the rest of the sterling area always to lend to it and never to draw on its balances here. If we claim to be the bankers for the sterling area, we cannot complain if the rest of the area, having deposited with us £520 million in the eighteen months to the middle of 1951, chooses to draw out £363 million in the next six months. And as the total deposited with the United Kingdom by the Dominions amounted to nearly £2,000 million, even after the end of 1951, the record of the Dominions does not seems to compare so unfavourably with the record of the United Kingdom in this matter of mutual borrowing.

The doctrine enunciated by the Finance Ministers' Conference that each part of the sterling area should, in future, establish a balanced position is an important innovation. During the past four years, it would not have suited us very well as, so far from having a balanced position, the United Kingdom increased its debt to the rest of the sterling area by some £800 million. If, in future, the rest of the sterling area can manage to balance its accounts, without drawing on the sterling deposited here, it will greatly help us in the objective of restoring sterling convertibility, but it is scarcely a doctrine which we can reasonably treat as being a self-evident moral principle.

It is unfortunate that the official statistics do not give a fuller break-down of the sterling area dollar deficits and of the method by which they are compiled. For example, the suggestion has been frequently made that Australia in 1951 was running a large deficit with the dollar area. The United States foreign trade statistics, on the other hand, show that in 1951 Australia exported to the United States goods to the value of $350,083,000 and imported from the United States goods to the value of $176,796,000, leaving a surplus on current account in favour of Australia of $173,287,000. Perhaps Australia was running a dollar deficit on capital account; but the explanation may be that as much of this Australian export trade was financed by London, the dollars accruing from that trade were credited to the United Kingdom and not to Australia. Is this possible?—Yours faithfully. F. W. LEITH-ROSS

Crowborough

Trade with the Communists

Sir,—We noted with interest the Note which appeared in *The Economist*, on page 515, of the March 1, 1952, issue. A table in that article purports to show United States trade with Russia, China and the Soviet satellites during the year 1950 and the first three quarters of 1951. On the basis of this table your article stated that "United States exports to China [in 1951] were still much larger than Britain's." This is incorrect. The United States authorised no shipments whatsoever to China during the first three quarters of last year. In the fourth quarter of 1951, $181 worth of books were permitted to be sent by parcel post. This represents the total of United States exports to Communist China during all of last year.

We note that in your issue of March 22nd, on page 714, you indicate that the source of the figures which you used in compiling your table was the joint publications of the United Nations Statistical Office and the International Monetary Fund which have, until recently, been incorrectly showing United States exports to China, including exports to Formosa, under "China." It is these shipments to Formosa and not to China to which you incorrectly referred on March 1st as exports to China. We were glad to have you call attention to this error.

It is disturbing, however, to read in your correcting Note your comment that

> the point of the Note, however, is not materially altered, for an American import surplus with China implies that the United States is providing China

WHO'S WHO 1952

With many thousand revisions and 1,000 new entries, now ready at all booksellers. 3,190 pages.
Buckram 100s. net.
Leather back 110s. net.

WHO WAS WHO
VOL. IV
1941 - 1950

The biographies removed from WHO'S WHO, revised with date of death.
1,280 pages.
Just published.
80s. net.

A. & C. BLACK

Summer Selections

CHILD ARTISTS OF THE AUSTRALIAN BUSH
MILLER AND RUTTER
With many superb reproductions in full colour or black-and-white.
12/6 net

JUNGLE DOCTOR
WERNER JUNGE
Medical adventures in Liberia. Illustrated. **About 12/6 net**

THEY WERE SINGING
CHRISTOPHER PULLING
An account of the music-hall songs and artistes, and the way in which they presented a mirror to society. Illustrated.
About 21/- net

HARRAP

with dollars—the one universally accepted currency—which could be used to foster illicit trade.

Your readers would undoubtedly not concur in your comment if they knew that United States imports had declined in consequence of United States import regulations from $110 million in 1950 to $45 million in 1951. Whereas, in the first half of 1951, imports from China totalled $31 million, they were reduced to $14 million in the second half of the year. Under the Treasury Department's Foreign Assets Control Regulations, effective from December 17, 1950, all imports into the United States, directly or indirectly, of products of Communist Chinese origin are prohibited except under Treasury licence. The import of such goods during 1951 consisted of goods considered to be of security advantage, goods in which all Communist Chinese interest had ceased prior to December 17, 1950, and of goods the import of which was authorised where the failure to grant licences would have imposed a special hardship on an American importer, and would not have brought about a disadvantage to Communist China. The same regulations applied to goods of North Korean origin. —Yours faithfully,

LORING K. MACY
Director
Office of International Trade
US Department of Commerce

Is the Retailer Trying?

Sir,—Let me assure Mr Cohen and Mr Fox that I buy my apparel from a multiple clothier, that mills are not exempt from rates, that they, too, make a living by turning stock over at a profit and not by merely holding it, that they, too, cannot ask the landlord to defer the rent, that their profit in pence per unit also falls as prices fall, that I *have* seen hundreds of sales and bargains advertised by retailers, and that I had made to myself all the excuses now put forward for them (and one or two overlooked by your correspondents) before I wrote my letter which, in brief, asked:

> Why does the retailer not cut his stock prices to replacement cost as wool importers and mills have been compelled to do by world auction prices for wool?

Mr Cohen and Mr Fox do not answer this question.

In addition, mills have accepted cancellations, bad debts, "softened" contracts, given extra time to pay, and taken business at less than cost to find four days' work a week. Has the retailer balanced these efforts by his own? Last week a public wool textile company reported last year's profits at £300,000 against £1,300,000 for the previous year. Do any published retail store balance sheets show falls in profits like the average of those of the two dozen wool textile firms published in the last four months?

Retail bargain sales do not necessarily mean "cut to replacement cost." A part of the country's retail stocks may have been so cut, but the whole of importers' and mills' stocks have had to be. The high-priced overcoats have probably not been cut because fashion in men's overcoats changes little, and next winter will come. Making-up charges for ladies' costumes like those quoted are obviously for the few, but a mass-produced costume gives as many shillings to the retailer as to anyone else in the chain of its manufacture.

Rents and rates are certainly higher for shops than for mills, but below a certain point of activity mill overheads are just as big a drain.

If the retailer has not written down his selling prices to today's cost (plus profit, plus tax), he is keeping up the cost of living; doing less than he could to clear the pipe line and inviting eventual losses through change of fashion and shop-soiling. All that Mr Fox says about purchase tax is true. But taxation does not prevent cutting to replacement cost —or below. It is still arguable that the mills have done this, but that retailers in general have not.—Yours faithfully,

WEST RIDING

Ambitions in the Sudan

Sir,—The article in your issue of April 5th brings to mind a recent pronouncement by a public figure that "it is hard to play chess when your opponent insists on moving his knight like a bishop." As a student of international affairs, I feel that—within reason—it is high time for us to start moving knights like bishops ourselves. In this connection I can suggest two pragmatic solutions of two pressing political problems:

(1) The problem of Egypt and the Sudan. The British could publicly recognise Farouk as "King of the Sudan." After the Egyptian press has had forty-eight hours to exploit the announcement, the British should announce quietly—perhaps via the Court Circular—that henceforth, and until settlement of the Sudan issue on an equitable basis, Queen Elizabeth II, as the other of the two Co-Domini, has taken the style and title of Queen of the Sudan.

(2) The problem of prisoner exchange in Korea. The United Nations could give in, pro forma, to the Communists' demand that all prisoners be exchanged. However, in the days which are bound to intervene between signature of the armistice and actual prisoner exchange, the guard personnel could be found to be necessary for other duties. By the time the actual exchange takes place, it will be found that only those North Korean and Chinese prisoners who wish repatriation are being exchanged, the others having taken advantage of the reduction of guard personnel to effect their escape from the prisoner-of-war camps—so sorry.

In the short run, the actions outlined will, by throwing a sop to the vociferous demands of the opposition, enable the West to gain the substance of the argument. In the long run, it may teach the opposition that a game of chess becomes more even, if less correct, if both parties insist on moving their bishops as knights. —Yours faithfully,

FRANK E. G. WEIL
Germany

Books and Publications

Portrait of a Newspaper

The Story of *The Times*. Volume IV. Part I, 1912-20. 534 pages. **Part II, 1921-48.** 1182 pages. *The Times*. 25s. each.

The Times's history of itself has become more and more shapeless but more and more interesting as it has moved from "The Thunderer in the Making" through the "Twentieth Century Test" to the present volume, in which the reviewer is confronted with over 1700 admirably printed and indexed pages. There is now no longer one majestic theme but several: the swashbuckling Northcliffe theme, the curious and pathetic appeasement theme, the imperial theme, and the persistent prestige theme, a little like "Land of Hope and Glory," played quietly. The link between what leading articles say and what statesmen do becomes more tenuous or harder to believe in. Foreign correspondents seem to shrink in stature, although the historian is still fascinated above all by foreign affairs. It becomes less certain that public opinion is the opinion of those who announce their births, marriages and deaths on the front page.

It also becomes harder to distinguish a magnificent record of professional integrity and craftsmanship from a faded aristocratic tradition, which may at times have led the paper astray but always in the company of the "best" people. And a determined attempt to distinguish between the paper and the men who ran it sometimes leads to premature and uncharitable judgments. But there is no denying that the selection of material from rich and new sources, both public and private, is done with great journalistic skill; the story of 1912-48 is sometimes irritating but it is never dull. At times it is brilliant, notably in the account of how Rothermere was beaten on the tape by the Astor interest in the race to buy the paper after Northcliffe; or in the analysis of how and why Geoffrey Dawson came to amend and approve for publication the leading article of September 7, 1938, which hinted that "some quarters" favoured the cession to Hitler of the Sudeten German districts of Czechoslovakia; or in the appendix which describes the paper's handling of the abdication crisis of 1936.

A sense of regret and shame over the policy of appeasement has led to some wise comments on a newspaper's responsibility in public affairs and a skilful balance is struck between national, personal and office reasons for it. Geoffrey Dawson is shown as receiving too free a hand, the co-chief proprietors after Northcliffe's death as being too self-effacing. His direction of policy was too centralised; there was neither a foreign editor nor a military correspondent to provide an expert judgment in the formative years. The despatches and private messages from the men abroad no longer provided the basis of policy. Indeed, if they conflicted with policy they were cut.

Dawson's real interest lay in imperial affairs and in national affairs as seen from his own social circle. He had an acute instinct for politics without policy—provided the Conservative Party was in power. He and his assistants distrusted "viewey men"; those who analysed or philosophised the revolutionary trend of the time were classed as bores. That was, perhaps, one reason why the office did not understand until too late how radically Britain's political and economic position was changed by the first world war. The Victorian habit of following and interpreting public opinion no longer worked in a country that had had Lloyd George as Prime Minister. "As it turned out, the electorate was not sensible, statesmen were not wise, and *The Times* came near to abdicating its leadership." That is a stern judgment; and one would argue in exoneration of the offence that Dawson and his successor erred in company that has since become distinguished. Their upbringing and experience had prepared them to see national safety in a "new imperialism," in limited continental commitments, in a revision of the peace treaty, and in a nursing of the nation back to strength and normality—not a bad policy if there had been no Bolsheviks, Fascists or Nazis to deal with.

What is freshly revealed about Northcliffe in these volumes renews the conviction that there is a masterpiece of biography still to be written. The newspaper's debt to his genius is even now not adequately assessed, and throughout these pages there is a deplorable failure to understand how much the reader of *The Times* cherishes those features of entertainment in it which have little to do with high policy and the destinies of nations. It would have been a disaster if Northcliffe had had his own way against the "gentlemen scholars," but *The Times* would be a less prosperous, influential and readable journal if the struggle between him and the "giant sloth PHS" had never taken place. On the whole this history's treatment of him has been magnanimous, and it offers no more revealing and exquisite moment than the simple recording of his dying wish that he should get "a full page and a leader by the best available writer on the *night*."

Anthology of Opinion

Nineteenth Century Opinion. Compiled and edited by Michael Goodwin. *Penguin Books.* 283 pages. 2s. 6d.

The Victorian age saw the heyday of the serious political and literary periodicals. Mr Goodwin, the present editor of *The Twentieth Century*, has had the happy idea of compiling a stimulating anthology of extracts from his own review to illustrate the intellectual predicaments and viewpoints of the late Victorian period. *The Nineteenth Century* for the years 1877-1901 is a well-stocked hunting ground for the collector of intellectual trophies, for James Knowles, its founder and editor, was a skilled organiser of controversy. He had assembled in the Metaphysical Society men as sharply opposed as Huxley and Manning, Gladstone and Fitzjames Stephen. *The Nineteenth Century* provided a public arena for their contests, and Knowles also brought in writers as diverse as Ouida, Oscar Wilde and Tom Mann.

Mr Goodwin has chosen his excerpts with an eye for their present topicality. He prints some vivid pieces of social reporting, followed by an entertaining exchange of views on the emancipation of women. The problem of Leviathan loomed large. In 1883 the Earl of Shaftesbury was uttering Cassandra-like cries on the subject of state subsidised housing. In 1895 another contributor was prophesying that the growth of state intervention in economic matters would cause this country to fall before the competition of industrial rivals as surely as centralised and bureaucratic Rome had fallen before the vigorous and free barbarian invaders. But if the majority of the contributors refused to bow to the god of the state, they paid their homage to the altar of Science. "All the sciences," wrote one contributor in 1889, "are now fast resolving themselves into one—the Social Science."

The main trends of late nineteenth-century opinion, with their foreshadowing of present problems, are all represented fairly in Mr Goodwin's selection. But in seeking to illustrate so much he has done less than justice to the character of the review and the quality of the chief contributors. The blood has been drained away from some of the controversies. Gladstone's laboured ruminations on authority in matters of opinion are quoted, but not the trenchant attack on his loose thinking in this article delivered by Fitzjames Stephen. Huxley's discussion of natural rights loses much of its force and interest by being detached from its setting of an attack upon Rousseau. Mr Goodwin might with advantage have excluded some of the lesser game to allow us to observe more clearly the habits and contests of his greater captives.

For your leisure reading

LAST CHANCE to read a *new*

Peter Cheyney

VELVET JOHNNIE

With an appreciation of the man who wrote the stories by Viola Garvin
9s. 6d.

COLLINS

Attack on Democracy

Liberty or Equality. By Erik von Kuehnelt-Leddihn. *Hollis and Carter.* 395 pages. 30s.

This is an attack on democracy in the name of liberty by a European Catholic. Mr von Kuehnelt-Leddihn begins by insisting on the distinction between democracy and liberty. The former, he truly observes, is concerned with the question who shall govern; the latter with the rights of the individual regardless of the form of government. This distinction is not a new one, and the dangers to liberty inherent in egalitarian political theories have long been noted by writers of various kinds. The second chapter of this book is indeed a long catalogue of observations made on this theme since the French Revolution, but it probably serves a purpose to remind communities obsessed with democratic shibboleths that parliamentary democracy has many shortcomings in practice and some latent dangers in theory.

The present author's recommendations will not, however, command as much sympathy as his analysis. His aims are to ensure the greatest possible individual liberty, to abolish the party system, to relegate ideological and philosophical struggles to the private sphere of society, and to establish the proposition that the will of the majority is of less account than the reasonable and the useful (which presumably remain to be discovered). His formula for achieving these aims is the establishment of a monarchy, in which the king acts as an umpire between a co-operative elected Diet and the experts and bureaucrats who form the executive. In addition there is to be a Supreme Court to safeguard the constitution and to act as *censor morum*; this court will be appointed by the Church and the universities. "It is obvious," says Mr von Kuehnelt-Leddihn, "that a deep religious cleavage or a variety of denominations would constitute a not inconsiderable obstacle to the establishment of such a court." And liberty of conscience or religion is not included in the liberties to be safeguarded by his constitution.

The chapters intervening between the author's analysis and his recommendations contain a critique of democracy, thirty points in praise of monarchy (not the constitutional variety but the enlightened paternalism of Maria Theresa), an elaborate derivation of the Nazi creed from the errors of Hus and Luther, and an appraisal of the political temper of Catholic nations. At one point the author remarks that a monarchy might have been the best solution for Rome about A.D. 100 but was impossible because of popular recollections of Tarquinius Superbus. One cannot help feeling that the somewhat romantic backward glances of the present writer ignore similar impossibilities.

A NEW LIBRARY SERVICE

Hitherto the Library 'guarantee' has only covered novels up to 10/6, and non-fiction up to 21/-.

To meet current higher book prices Harrods now offer the KNIGHTSBRIDGE SERVICE, which includes in the 'guarantee' novels up to 15/- and non-fiction up to 30/-. Each librarian attends to a limited number of subscribers only, ensuring a personal service to each.

Books are delivered by van within the area and posted anywhere.

Write for particulars Library, Third Floor

Harrods

HARRODS LTD LONDON SW1

The West and the Middle East

The Near East and the Great Powers. Edited by Richard N. Frye. *Harvard University Press.* (London: *Geoffrey Cumberlege.*) 214 pages. 22s. 6d.

Until 1950—the year of the conference of which this book is the record—the Near East consisted, for most Americans, of Israel and little else besides. Since then, a revolution of thought has taken place. Considerations of oil, strategy and the need to vote aid for needy Arab countries have brought it about. So has television with its display of the personalities and photogenic qualities of many Arab delegates to the United Nations. The Arab world is on the map, and this conference held at Harvard helped to place it there.

It was attended by a wealth of talent from the State Department, from Middle Eastern legations in the United States, from the United Nations staff, and from universities in America and Britain. The talks here reproduced therefore assume that the hearer, or reader, has some background knowledge, though not much. The book is, as it were, a grade III primer. In this class, it is excellent, and worth even its exorbitant English price. It contains chapters which the expert can read with profit, for though the contributions by Anglo-Saxon speakers are almost all statements of the obvious, those by men with other blood in their veins—Ralph Bunche, Charles Issawi, Majid Khadduri, Charles Malik—stimulate some less prosaic thoughts. Charles Issawi, for instance, points out that the modern tendency to build oil refineries in consumer rather than in producer countries deals a grievous blow to the industrialisation that the Near East is or ought to be, trying to promote (he was speaking nearly a year before the Persians gave the Middle Eastern refining industry a push in the wrong direction by reducing the security of investment at Abadan).

But the most interesting and perspicacious of the contributions comes from Charles Malik of Lebanon—the professor turned diplomat who has made such a name as his country's representative both in Washington and at the United Nations. Western money, he says in effect, is not by itself enough to win the friendships of the Arabs. People take it, and forget the giver. The West must give, in addition, something which he at one point calls "love," but which—in more prosaic western idiom—can be described as a change of heart that cuts out a superiority complex based on material superiority alone. If the West fails to execute this change, he says, it will discover that Islam is not, as it so smugly imagines, basically opposed to Communism. It is not strong enough, or prosperous enough, to stand a social onslaught of Communist type. Most Arabs, he adds, prefer the West, but not while it cherishes the illusion that there are no limits to the liberties it can take with certain parts of the Middle East because there is no danger that these will ever turn Communist. His reasons why "despite everything" it is possible for the West to win Near Eastern confidence is the most stimulating section of a good and useful book.

Shorter Notice

European and Comparative Government. By Robert G. Neumann. *McGraw-Hill.* 730 pages. 42s. 6d.

It is symptomatic of the current position in American universities that the author of this quite respectable textbook should feel himself obliged to apologise to his colleagues in the history departments for having included brief historical introductions to the institutions of the four countries he deals with—Great Britain, France, Germany and Russia. The other novelty, the addition of a chapter comparing particular institutions, is also welcome and in the hands of a good teacher might be very useful. The book contains texts of the French, German (Bonn) and Soviet constitutions. The last would be more useful if the date up to which amendments are included were given.

On the other hand, there seems to be no escape from the fact that no American textbook on government ever gets the position in Great Britain completely right. Mr Neumann does better than most, but even he has his lapses. The Committee of Imperial Defence is spoken of as though it were still a current part of British government; the statement that a broad system of scholarships does not exist at Oxford and Cambridge makes one wonder if the author knows anything about their present situation; the Bishop of London is not known as the Lord Bishop of Lambeth; there must by now be more than twenty Labour peers.

"As important as my telephone – and as easy to use!"

The Dictaphone Time-Master is the simplest dictating machine

Here is a dictating machine that is really simple to operate—just as simple as using your telephone! The Time-Master requires the minimum of controls. There are no intricate, time-wasting adjustments to be made.

THE MARVEL OF THE DICTABELT

The great advances in both design and performance shown in the Time-Master were made possible by the use of the Dictabelts. These little plastic belts carry on the well-proved principles of cylindrical recording, which ensures uniform quality recording, uniform speed *and* uniform back-spacing.

Slip in a Dictabelt and you are all ready for 15 minutes perfect crystal-clear dictation. Flick a lever, the completed Dictabelt pops out, ready for your secretary to transcribe.

ONLY THE TIMEMASTER OFFERS ALL THIS

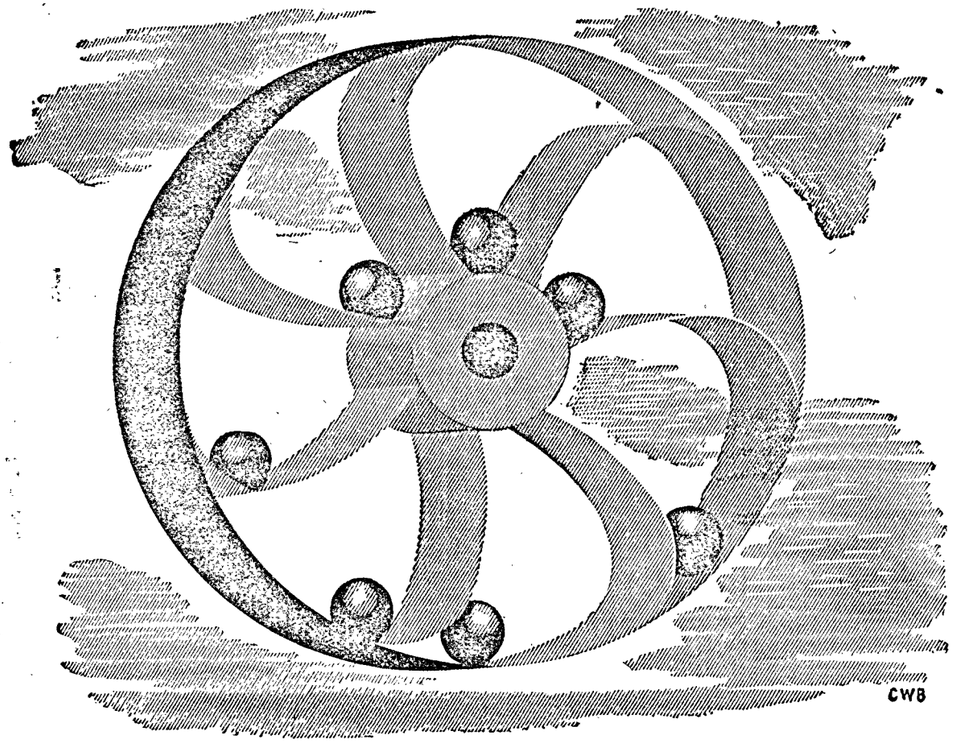
1. Streamlined machine, only 4¼ ins. high, slightly larger than a letterhead. 2. Uniformly clear recording and reproduction. 3. Uniform back-spacing, immediate place finding. 4. Simple automatic operation. 5. Mailable, filable, expendable Dictabelts, low-cost plastic medium. 6. Nation-wide service, Dictaphone dependability.

Write for Time-Master literature to Dictaphone Co. Ltd., Dept. O. 107, *Kingsway, London, W.C.2.*

DICTAPHONE *Registered Trade Mark* GREATEST NAME IN DICTATION

MADE IN GREAT BRITAIN. *Branch Offices:* BELFAST BIRMINGHAM BRISTOL CORK DUBLIN GLASGOW LEEDS LIVERPOOL MANCHESTER NEWCASTLE

Perpetuum mobile



FROM THE VAIN SEARCH for a machine that would continually rewind itself emerged the most important of all generalizations of physical science—the principle of the conservation of energy. With the development of the diesel engine science has come close to an approximation of this principle. And today the diesel engine is being applied to the services for mankind to which the search for perpetual motion was dedicated—the raising of water, the fertilising of deserts, the grinding of corn.

BRUSH ABOE is a group of companies concerned mainly with the production of diesel engines — from the small 8 h.p. engines, more than 20,000 of which are working in India, to powerful 3,000 h.p. engines for heavy diesel-electric generating plants. In 1951 over 70% of the production of THE BRUSH ABOE GROUP was exported — to make the earth more fruitful by irrigation, to bring light and power to the under-developed areas of the East, to modernise locomotion everywhere. Every day and every hour the diesel engines exported by BRUSH ABOE are somewhere in the world improving living conditions — thus ensuring a " perpetual motion " of service to mankind.

EXPORTING POWER THAT THE WORLD MAY BE FREE

THE
BRUSH ABOE
GROUP

Diesel engines and electric equipment for use on land and sea produced by THE BRUSH ELECTRICAL ENGINEERING CO. LTD., *and* ASSOCIATED BRITISH OIL ENGINES: *Mirrlees, Bickerton & Day, Ltd., Peters Ltd., J. & H. McLaren Ltd., The National Gas and Oil Engine Co. Ltd. and Henry Meadows Ltd.*

AMERICAN SURVEY

Eisenhower's Problems

Washington, DC

WITH every week that passes the political situation in the United States gets curiouser and curiouser. Those whose names have been mentioned over the past few months as possible presidential candidates can be divided into two groups—the over modest and the over ardent. In the Democratic party the best prospective candidates are too modest and among the Republicans the worst are too ardent. Midway between these two groups, however, is General Eisenhower whose official reluctance is counterbalanced by the ardour of those who had his tacit approval for their campaign.

The General is lucky to have others to blow his trumpet for him. That is surely the way trumpets should be blown and it has been apparent in the public statements of Mr Warren, Mr Stevenson, Senator Russell and Mr Harriman that all four felt uncomfortable when called upon to announce their own availability for the highest post in the country. Senator Taft, Mr Stassen and Senator Kefauver have, however, shown no reluctance to shout their wares, while the supporters of Senator Taft are prepared to go even further and hint at the existence of possible impurities in some of the competitive products.

General Eisenhower will come back at the beginning of June to an atmosphere of rapidly increasing bitterness within the party he has chosen as his own. If this had not been apparent before, the Taft tactics in the New Jersey primary and the speech of Representative Clarence Brown, who was representing the Senator officially, at a dinner in Washington last week, have now made it quite clear that nothing will be left unattempted in the effort to stop the General's nomination. The problem of how he is to handle himself and how his managers are to handle him between June 1st and the Republican Convention is therefore not an easy one. The man whose chief attraction is his promise of national unity can hardly begin his political life by indulging in a violent quarrel inside his own party before he even starts to cross swords with the real enemy. And yet the Taft forces are determined that he shall:

★

But General Eisenhower's worst problems lie farther ahead—beyond the time when, or if, he has been nominated. He will then, presumably, take the traditional trips round the country, speaking from the back platform of a train and helping those Republicans who are up for election or re-election to Congress this year. And the list of Senators who will come back to Washington on his back is enough to make the most courageous General of the Army quail. Mr Truman's own qualities had much to do with the miraculous victory of 1948 but, in many states, Mr Dewey was carried to defeat by the type of man the local Republican machine had given him as a running-mate. And Mr Dewey's burdens were light compared to the load which the General, or any progressive Republican candidate for the Presidency, will have this year.

The problem is made no simpler by the fact that the Republicans have only a slender chance of winning control of the Senate, whatever the outcome of the Presidential election; for this reason, the sacrifice of one or two of the worst Senators on the altar of decency is not, in political terms, a very practicable proposition. It is not easy to see how the Republicans can achieve the necessary gain of four seats, or even how they can hold all the states won by Republicans in 1946, when the voters made their only postwar lunge towards normalcy. For the group of Republicans elected in that year is generally admitted to be the most unpleasing that anyone in Washington can remember.

Some weeks ago a large number of leading political scientists were asked to place the 96 members of the Senate in order of merit. As the political affiliation of those who answered did not seem to affect their opinions of the Senators, all the replies were lumped together. They made a revealing document and, as five of the nine Senators who came out best were Republicans, presumably not one which could be accused of being grossly partisan. What was important about it, from General Eisenhower's point of view, was that, of the 25 worst Senators, 22 were Republicans—the three Democrats were Messrs McCarran, McKellar and Eastland—and, of these 22, eleven, including the four at the bottom of the list, are running for re-election this year.

This group would probably create no problems for Senator Taft; he has already formed a public alliance with Mr McCarthy, of Wisconsin, the worst of them all. But they would be a continuing embarrassment to General Eisenhower, for his strength in the country comes from the independent voters who want Mr Taft disposed of as quickly as possible and are tired of Mr Truman, and particularly of the operations of the less reputable characters in his Administration. But if the General is nominated and starts to campaign against a new Democratic face, the independent voters would at once begin to inquire into his attitude towards this unprepossessing team of Senators.

One of the problems of being a White Knight is that of staying white; it would be a simpler task for Senator Kefauver, whose role is also that of a crusader, should he be the Democratic nominee. He would not have to go into the South, where Democrats need no help, he could support those Democratic Senators who are in danger with a clear conscience and he could attack the General's eleven albatrosses with all the vigour of righteousness, secure in the knowledge that his own party's candidates could not be worse and that, in nearly all cases, they were demonstrably better. Which would be the more comfortable, for example, in the State of Washington—General Eisenhower speaking for Senator Cain, the 91st in the political scientists' order of merit, or Mr Kefauver advocating the election of Mr Cain's opponent, Mr Jackson, one of the best men in the House of Representatives?

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

It would be politically impossible—and almost equally impossible physically—for the Republican train to cross the continent without going into the states where these eleven worst Republicans are running. Only three of them, Mr Malone, of Nevada, Mr Brewster, of Maine, and Mr Langer, of North Dakota, are in any danger from within their own party. There is plenty of danger, however, from Democratic opponents in some of these states, as well as in others where better Republicans are running. So it would be no surprise, particularly since the American electorate is showing a growing tendency to abandon its old habit of voting a "straight ticket" for all the candidates of one party, and becoming more selective, if the General were to win the Presidency without difficulty while his party lost some Senate seats at the same time.

*

But, although this could well happen, there is no doubt that, if General Eisenhower is nominated and elected, the size of his majority cannot help being seriously affected by these Senators, and that they could cause his defeat if the Democrats find a strong opponent for him. Mr Bernard de Voto reported in *Harper's Magazine* this month that the independent voters have become increasingly depressed as they have begun to understand what the nomination of the General would mean. The Republican party in the Senate would still be led by Mr Taft, who, as Mr de Voto says, "would be fixed in absolute hostility to the foreign policy the President had been elected to support"; and the committee chairman in both Houses—if the Republicans could win both Houses—would constitute a "Murderers' Row" which not even the prestige of an Eisenhower "could convert or subdue . . . to a foreign policy which they have opposed through war, peace and rearmament."

The problems which confront General Eisenhower now, and would continue to confront him all through his Presidency, are, therefore, so vast that few men would have the courage to try to solve them. If the Democrats had not been in power for twenty years, in a country where the spoils system makes too long a period of consecutive power unhealthy, there would be no obligation on anyone to try to save the Republican party from its attempts to commit suicide. Even as things are, it will take all the General's powers of persuasion and all his ability as a chairman to get anything he wants done. He must often, during the last year, have cursed the day when he accepted the task of trying to keep the governments of a dozen European countries together as a team. After a few months of trying to keep the Republican party's Senators in line he may well wish that he were back among more reasonable men.

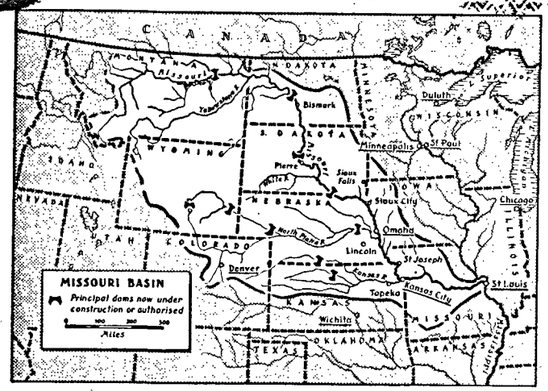
Floods of Controversy

[FROM A CORRESPONDENT IN MISSOURI]

IN the valley of the Missouri River, which drains over 500,000 square miles, one-sixth of the United States, heavy snows in winter ensure political controversy in spring and summer. The snows have been exceptionally heavy during the winter just past, and their consequence this April is the greatest flood ever recorded along the middle stretch of the Missouri between Pierre, South Dakota, and Kansas City, Missouri. While the muddy water was spreading across the bottoms from bluff to bluff, engulfing valuable farm land and homes and factories on the riverbank, President Truman flew to Omaha for an urgent conference with the Governors of the states in the region. It was certain that the flood would leave a deposit of heavy silt wherever it crept, and that it would leave a deposit of talk—in the valley, in Congress and in the Administration at Washington—to the effect that something must be done about the Missouri River.

Something is in fact being done. Eight years ago the army engineers, who have jurisdiction over navigation and flood control, got together with the Bureau of Reclamation, the sub-agency of the Department of the Interior which deals with irrigation for the federal government, to work out the Pick-Sloan plan for the Missouri basin. On the drawing boards or under construction are nearly 150 dams for the river and its tributaries. Electricity plants, levees, dykes, irrigation canals and all the other apparatus of a river control system are in various stages of planning, design or construction. Nearly $1.5 billion has already been spent, and $4 billion or more is to be spent in the future.

But the work goes slowly, especially since rearmament became a prior claimant on the federal budget. Meanwhile floods keep recurring, and the accompanying political debate keeps churning. Last summer unseasonable rains produced the greatest property damage ever known along the Kansas River, which flows into the Missouri at Kansas City. There was at once a clamour to build certain dams which might have held back part of those waters. The dams have never been started; Congress is still debating them, with some



members insisting that these particular dams would not have stopped the 1951 flood as effectively as would certain others.

So it will go, no doubt, with the Missouri flood of 1952. The series of big dams now planned, or being built, on the Missouri in North and South Dakota would have held back most of this April's flood, which originated from melting snows on the prairies in the Dakotas and Montana. But before these dams are finally completed, there is sure to be furious dispute from those who insist that the river would be better controlled by terracing and contour ploughing, by farm ponds, and by regulating the creeks rather than by damming the main stream. Water, like theology, brings out the fanatic and the doctrinaire.

The bitterest controversy of all has lately taken on new life with President Truman's appointment of a Missouri Basin Commission to make one more study and one more set of recommendations. The President acted at the request of Senator Thomas Hennings of Missouri, a Democrat and a liberal, who is presumed to favour the principle of a Missouri Valley Authority, modelled on the successful Tennessee Valley Authority. The suspicions of those who oppose such an all-embracing solution were further aroused when Mr James Lawrence, a Nebraska editor, was appointed chairman of the commission; he was the protégé and is the biographer

of the late Senator George Norris of Nebraska, the father of the TVA. Mr Lawrence's commission is to bring in a report by the end of this year, recommending how the federal government can best organise and administer the many water control projects which now occupy various agencies, including the Bureau of Reclamation, the army engineers, the Department of Agriculture and the Federal Security Agency.

The predominantly Republican states of the valley have so far resisted an MVA with passionate intensity, the passion deriving from a combination of state's rights sentiment, dislike of the New Deal, prejudice against "socialism," attachment to things as they are, and the complexity of the problems involved, which defy solution by any simple formula. This does not mean that the states want the federal government to withhold funds. Indeed, when Congress tries to economise, the popular demand for money to build dams, bring new land under irrigation, produce hydro-electric power and improve the channel for barge navigation becomes almost irresistible. The valley wants the projects and its own people cannot pay for them, so it turns to the federal government, and finds it more comfortable to deal with the traditional agencies than with a newfangled valley authority.

The federal agencies, notably the Bureau of Reclamation and the army engineers, have a strong position. Each has a lobby and a set of faithful Congressmen who look out for its interests. How the Army Corps of Engineers got into the business of water development in the first place is lost in the mists of history. In the early days of western migration army men charted the routes and explored the rivers. Lewis and Clark, for example, broke the Oregon trail on an army mission. Later, when river navigation became important, before the days of railways, the army inherited the job. It has kept the assignment ever since, on the excuse that the work offers valuable peacetime training for engineer officers.

When fifty years ago Theodore Roosevelt inaugurated federal spending to irrigate arid western lands, a new agency, the Bureau of Reclamation, was created to carry on this function. In the Missouri basin the Bureau started upriver and worked down; the army engineers started downriver and worked up. They collided some fifteen years ago. The army wanted certain dam sites to maintain a navigable channel and to control floods, the Bureau wanted the same sites and water for new irrigation projects. After a good deal of conflict, the two agencies made an uneasy peace by agreeing on the Pick-Sloan plan, which is now the official blueprint for development of the basin. There are those who say the marriage was one of convenience, intended to forestall the threat of an MVA which might displace both the older agencies.

*

As each new dam is begun, the need for integration becomes more apparent. The Missouri is one river, even though it drains a vast and diverse area, and many of its problems demand a unified approach. This has been recognised by the formation of an inter-agency committee, which brings all the federal agencies and the states together for periodic discussion of water problems. The committee is purely informal and has no power to act. The Hoover Commission, in its study of governmental reorganisation, strongly recommended that integration become real rather than make-believe, through the creation of a new Department of Natural Resources which would direct all water development in all basins.

President Truman, while inching toward a possible MVA through such moves as his appointment of the Lawrence Commission, also seems to be going in the direction suggested by the Hoover Commission. The White House is reported to be ready to sponsor a reorganisation plan taking all river work away from the army engineers and concentrating it in the Department of the Interior. This would be a good trick if Mr Truman could do it, but the power of the army engineers, its captive Congressmen and its friendly lobby, is such that the engineers have at times over-ridden the President's own budget recommendations by direct appeal to Congress over the head of their Commander-in-Chief.

Yet the sheer logic of integrated water development—either through a single federal department, or through a series of valley authorities, perhaps co-ordinated by such a department—stands out like a beacon. Not only would unification save money, but the conflicting demands on water may ultimately make it a practical necessity. Serious doubt exists whether the Missouri basin, in spite of its momentary glut, has enough water to supply all the irrigation projects now planned and at the same time maintain a navigable channel below Sioux City, also planned. An MVA or a governmental reorganisation could not eliminate these problems, but it might make them more easily soluble.

American Notes

Marking Time in Steel

Once the steel companies and the steel workers failed to reach a quick agreement under the pressure of the seizure of the industry, the government was faced with the possibility of a long and increasingly bitter occupation of the steel plants. That is still in prospect, for there has been no real change in the situation during the past week. But, whatever

The CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

(Incorporated with Limited Liability under the Laws of the U. S. A.)

Through the Chase Banking organisation, with its broad contacts throughout the United States, Anglo-American trade will find both increased access to American markets and important facilities to expedite its transactions.

The Chase Banking Organisation has Branches in:

Havana, Marianao, San Juan, P. R., Santurce, Panama, Colon, David, Cristobal, Balboa, Frankfurt/Main, Heidelberg, Stuttgart, Tokyo, Osaka

Special Representatives in

Mexico, D.F., Buenos Aires, Rome, Cairo and Bombay

The Chase Bank, Paris, 41 Rue Cambon

Correspondents throughout the world

Main London Branch: 6 Lombard Street, E.C.3

Bush House Branch: Aldwych, W.C.2 — **West End Branch: 51 Berkeley Square, W.1**

The Chase National Executors & Trustees Corporation Limited
6 Lombard Street, E.C.3

other members of the Administration may feel, it is a prospect that is certainly not pleasing to Mr Sawyer, the Secretary of Commerce, who is in control of the industry. He has been putting off the step that would finally dash any slight hope of a negotiated settlement that remains. That step, to give the unions at least part of the recommended wage increase even though the stabilisation authorities refuse to allow a price increase, is one which would involve the government in a second legal battle. The first is over Mr Truman's constitutional right to seize the steel plants ; the second, probably even more complicated, would be over his right to interfere in the industry's conditions of employment and to use its funds to pay higher wages.

Neither side in the dispute is doing anything to help Mr Sawyer avoid this battle. The union spokesmen, secure in the President's approval of their position and with the members becoming increasingly restive, accuse the companies of attempting to obtain higher prices by blackmail. The industry, spreading its case across the country by heavy advertising, attacks the integrity of the independent members of the board which recommended the steel wage rise. Nor is Congress acting constructively in spite of an appeal from the President. The situation can hardly be improved either by the Senate's attempt to deny him money to operate the steel mills, or by the suggestion in the House that he should be impeached, even though neither of these projects is likely to be carried out.

The President's position has, however, just been strengthened by the approval of his national advisory board on mobilisation policy and, as *The Economist* goes to press, a last effort to settle the dispute is apparently being made. Mr Putnam, the Economic Stabiliser, is now deciding, at Mr Sawyer's request, what increase in wages is justified, and he has already forced upon the industry an increase of $3 a ton in steel. This increase had long been on the way under the Capehart amendment to the Defence Production Act, which allows price rises to cover higher costs incurred in the first half of last year. But it had been resisted by the industry for fear that the case for higher prices in connection with the present dispute would be weakened by acceptance of the earlier increase.

* * *

Presidential Parade

When the Democratic party's stable of possible presidential candidates was paraded at a dinner in New York last week, the most applauded was the one who had just withdrawn from the race—Governor Stevenson of Illinois—and as a result there are still those who hope that, when the Convention comes, he may be forced to run. Meanwhile, his withdrawal has stimulated the hopes of a string of other wishful starters, but not one of them looks like a winner to the party tipsters. Senator Russell of Georgia is too southern and too conservative to appeal to the trade unions, the Negroes and the liberals on whom the party depends for victory ; Senator Kerr of Oklahoma is also a southerner and he is tarred with the oil industry's brush. The Vice-President, Mr Barkley, is too old, and Senators Humphrey and McMahon are too progressive for the South. Senator Kefauver is distrusted by party officials in South and North alike, but he has collected impressive proofs of his popularity with the voters in the Democratic primary elections. Governor Stevenson's withdrawal, therefore, made it essential for the party organisation to find a candidate at once who could overtake Mr Kefauver.

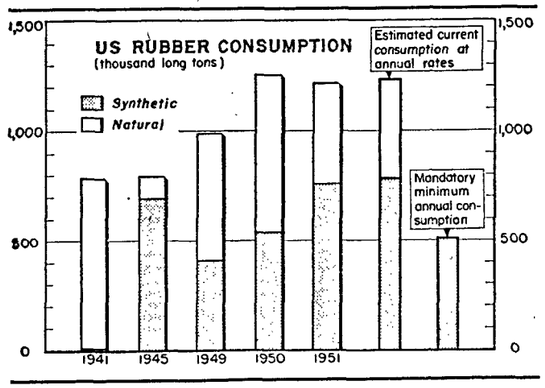
At first sight Mr Averell Harriman hardly seems to have the necessary turn of speed, in spite of his long and efficient service as an Administration wheel-horse. But he is nationally known and respected, he is a liberal who apparently has no enemies within the party, in spite of his big business heritage, and, above all, he is willing to run. So he has been chosen by the Democratic organisation to lead the parade, for the present at least, and he has begun by collecting most of New York's huge delegation to the Democratic National Convention.

At the Republican Convention, General Eisenhower should be able to rely on the New York delegates, for most of them will do as Governor Dewey tells them, and he is one of the General's most faithful supporters. These delegates were chosen last Tuesday: few of the places were contested and of those that were General Eisenhower lost only one to Senator Taft. The Republican delegates elected in Pennsylvania on the same day are not officially committed either, but in that State there was also a popularity contest. Senator Taft was not entered, but a surprisingly large number of voters wrote his name in. However, the size of the vote for General Eisenhower was much more impressive and he has come out of this week at the head of the Republican parade—for the moment. With his New York delegates and at least some of the Pennsylvania ones, the General can now claim to have in his pocket as many Convention votes as can Senator Taft. But neither of them can yet count on anything approaching the full 603 that are needed to secure the Republican nomination.

* * *

Rubber Half Free

This week the United States collected a prize for having remembered at least one of the lessons of the last war. The lesson, that of the dependence of America on rubber from overseas, was learnt the hard way and, as a result, rubber was never entirely decontrolled even in the postwar rush for freedom. When the Korean outbreak began and the need for natural rubber for the stockpile became acute, it was

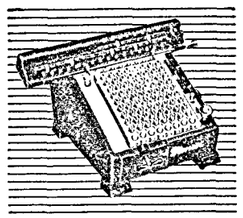


therefore possible at once to put restrictions on the use of natural rubber in civilian products and to make up the deficiency by increasing output from the synthetic rubber plants built during the war and still owned by the government. These plants have an annual capacity of about 860,000 tons.

Now, however, the reserve of natural rubber is apparently satisfactory and manufacturers of rubber products, who accepted the restrictions with remarkably good grace, have been rewarded by having them almost entirely lifted, the first important decontrol measure since the present rearmament programme began. Output of synthetic rubber is to be cut back gradually while the government collects a stockpile of this too, amounting to 122,000 tons. This would be enough to fill the gap until the synthetic factories could return to full production, should it again become necessary to restrict the use of natural rubber. In order that the synthetic facilities should be kept in active working condition and that there should be a market for their output, a minimum annual consumption of 450,000 tons of GRS and of 60,000 of butyl rubber is required by the latest regulations.

The Answer's a

Monroe

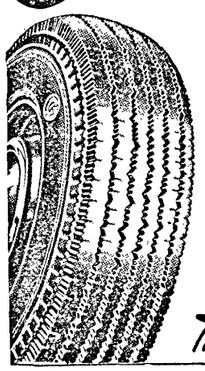


With a Monroe adding-calculator the most complicated calculations are as easy as a five-finger exercise—and among the wide range of Monroe models there is one exactly suited to the volume and variety of *your* requirements. . . . *the answer, of course, is a Monroe.*

MONROE CALCULATING MACHINE COMPANY LIMITED
10–11 Albemarle Street, London, W.1. GROsvenor 7541

MOTORISTS—
This Gold Seal on the sidewalls of the latest Dunlop car tyres is the symbol of

Greatest Service



- Stronger and more flexible casing for greatest durability and maximum riding comfort.
- Compounds which provide highest resistance to abrasion and wear.
- Patented Dunlop tread with thousands of 'teeth' to bite the road.
- Deep-pattern tread giving non-skid efficiency right to the end.
- Silent running throughout its long life.
- Non-Static properties for improved radio reception.

DUNLOP
The World's Master Tyre
2H/113

Fly overnight

to U.S.A. or CANADA

Discover how swift, sure and comfortable air travel can be. Fly across the Atlantic overnight in a luxurious double-decked *Stratocruiser*. Relax in deep-seated comfort. Enjoy complimentary meals and mealtime drinks. Meet congenial company in the lower-deck lounge. Retire to a foam-soft private berth (nominal extra charge).

LONDON - NEW YORK

10 Flights Weekly : 7 *direct* by de luxe Monarch service, also 2 flights via Prestwick, 1 via Prestwick and Boston.

LONDON - MONTREAL

3 Flights Weekly : 1 direct flight ; 2 via Prestwick. B.O.A.C. operates the only sleeper services to Montreal.

TRANSATLANTIC TOURIST CLASS SERVICES START 1ST MAY

Fly Tourist Class at substantially lower fares. London to New York or Montreal by 4-engined *Constellation* airliners. Frequent flights. Complimentary light refreshments ; moderate charge for meals. Steward service.

Consult your local Travel Agent or B.O.A.C., Airways Terminal, Victoria, S.W.1 (VIC 2323), or 75 Regent Street, W.1 (MAY 6611).

B.O.A.C. TAKES GOOD CARE OF YOU

FLY BRITISH BY B·O·A·C

BRITISH OVERSEAS AIRWAYS CORPORATION

It is expected that this rate of consumption will in fact continue to be substantially exceeded, for at present prices synthetic rubber is more acceptable than natural for many purposes; in addition, recently the quality of some shipments of natural rubber has been criticised. The government is at present selling GRS at 23 cents a pound; the price was reduced from 26 cents early in March and a further reduction may come when lowered output makes it possible to do without the expensive alcohol which is now being used as a base for a certain proportion of the synthetic rubber. On the other hand, it has been suggested in Congress that it might be easier to induce private firms to take over the synthetic factories if the price was raised to a level which would enable manufacturers to cover interest, taxes and other expenses which the government does not have to provide for. The government is still selling natural rubber at 48.5 cents a pound, well above the present world price of around 37 cents, to cover the higher cost of rubber bought some time ago. But the price is expected to go down before the end of June, when the natural rubber trade will return to private hands. Then there will be free competition, on one side at least, between natural and synthetic to provide the 250,000 tons, and more if consumption goes up, of rubber which has been left unaccounted for by the removal of the restrictions.

* * *

Strains on Good Neighbours

The Secretary of State's coming visit to Rio de Janeiro is a recognition of the need to relieve some of the strains that have recently developed between the United States and its "good neighbours." Brazil's economic leadership in Latin America, its importance as a trading partner of the United States, and the fact that the mutual defence pact between the United States and Brazil has yet to be ratified by the Brazilian Congress, make that nation a natural starting point for reinforcing ties with the countries south of the border. That those ties need reinforcing has been shown by the considerable opposition in Brazil to the pact, the strong nationalist sentiment in Chile and in Mexico against similar agreements (the talks collapsed completely in Mexico), and the general instability now apparent below the Rio Grande.

The *coup d'état* in Cuba and the bloodshed in Bolivia are dramatic highlights in an area that may produce more such surprises, for most of these countries are facing major economic and political problems. These are problems for the United States, too, not only because of the $6 billion that is invested there and the annual trade between the United States and Latin America, amounting altogether to over $7 billion last year, but also because of the vital importance to US security of good hemispheric relations.

The disquieting weakness that is developing in these bonds is apparent from the growth of nationalism and of its counterpart, resentment against the United States. While the leadership in the anti-*Yanqui* crusade has been taken by Argentina, the current election campaigns in Mexico, Chile, Panama and Venezuela show that Sr Peron's words have not fallen on deaf ears. This feeling against the United States is based on something more solid than propaganda, for the distortion of the normal trade pattern in the hemisphere by the United States defence programme has brought new difficulties to the southern neighbours. The rising prices of many US exports, the shortage of some capital goods for export to countries anxious to industrialise, attempts to raise US tariff barriers, and US price ceilings on such key Latin American exports as Brazilian coffee and Bolivian tin, have all contributed to the increasing strain. Mr Acheson, in his first official visit to a leading sister republic, will presumably try to counteract it by showing that, in spite of its concern with the cold war in Europe and Asia, the United States has not forgotten the importance of its allies nearer home.

Springtime for Television

It is over a year since the Federal Communications Commission first heralded the approaching end of the freeze which since 1948 has kept new television stations from sprouting, but it was only on Easter Sunday that the thaw finally set in. Then the FCC announced that, as the result of its long study of the airwaves, it had decided to open up 70 new channels in the ultra-high-frequency band, ranging from 470 to 890 megacycles, in addition to the 12 already available in the very-high-frequency band, from 54 to 216 megacycles. This would eventually make room for 2,053 new television stations in nearly 1,300 towns all across the United States; there are 108 stations telecasting at present from 65 centres to about half of the population. The new scheme, designed to provide what the old one did not, "the widest possible service with the least amount of interference," will mean that a state like California, which now has 11 stations, will be able to have 87, while Texas, where there are now 6, will have 179; even under-populated states like Maine and South Dakota, neither of which have television at present, are allowed 29 and 30 stations respectively.

Applications for permission to build and operate the new stations must be sent to the FCC by July 1st; over 500 are already pending but it is likely to be years before all the new licences are granted. The FCC plans to begin by considering requests from such large centres as Denver, Colorado, Portland, Oregon, and Charleston, South Carolina, which do not yet enjoy the blessing of television at all. Competition for the

new channels will be especially fierce in important marketing areas such as Pitttsburgh and Boston, each of which has been allotted four additional channels, but with only one in the very-high-frequency range. This range is more coveted than the ultra-high-frequency, because existing sets need adapters to enable them to receive UHF programmes. In both the cities mentioned and in many others, a VHF channel has been set aside for an educational telecaster; altogether 242 channels, more than was expected, have been reserved for non-commercial use, to the chagrin of the commercial television interests.

The objection to UHF stations is that they may not have enough viewers to be able to operate profitably at first; however, it seems probable that the set makers will have caught up with this new demand before many of the stations are ready to go on the air. No serious difficulty in obtaining transmitters and other equipment is expected and in the course of next year the television industry is hoping to branch out in a way that will make its phenomenal growth in the immediate postwar years look stunted. This second flowering will be as welcome to the set makers, whose sales have been lagging badly, as to the telecasters, who need the promise of bigger and better audiences to attract advertisers who are finding that television programmes today cost more than they are worth.

THE WORLD OVERSEAS

Success and Stress in Nigeria

(From Our Correspondent)

THE Nigerian budget sessions have shown that to end an empire is at least as difficult as empire-building. It is a slow, painful, hazardous business, demanding political maturity on both sides of the imperial relationship. Still, the budgets have been got through, both in the regions and at the centre; the achievement in fact has been great. At the lowest, the first big task of the part-African government under the new constitution has been accomplished without a breakdown. At the highest, although dozens of speakers have exploited their opportunities for pure denunciation, African ministers have shown courage and staying power. On the whole, they were moderate and balanced in their criticisms of the budget proposals, and co-operated in the job of getting them accepted. The proposals were not their own, as they had to be framed before the present ministers were appointed. The first test therefore has been one of patience and understanding rather than of inventiveness; and many of the Nigerian leaders have shown that they can digest as equals what they could not stomach as dependants. There is now a measure of political stability and this, plus a realistic if orthodox central budget, should go a long way to create reasonably favourable conditions for social and economic progress. It has to be admitted, however, that many people believe the most recent opposition tactics of Mr Awolowo's Action Group party in the central House of Representatives have ben damaging, and prophetic of things to come.

Shadow Boxing

In the regions, the progress of the western budget was the least smooth, partly because of the ding-dong battle between Mr Awolowo and Dr Azikiwe. Members everywhere felt the strain of British parliamentary procedure. Often it was difficult to tell whether speakers were being deliberately obstructive or genuinely tripped up by standing orders and the rules of debate. Much of the discussion, too, in all three regional assemblies was mere shadow boxing. Sessions began in February, only a week or two after ministers took up office, and had to be ended in time for members of the House of Representatives to rush down to Lagos to try to get the central budget through if possible before the end of March. The time factor alone put any redeployment of resources out of the question. The new ministers were quick to appreciate the limits of possible action, and accepted the main lines of the administration estimates—"budgets of necessity dictated by circumstances." Some minor changes were made (big scholarship schemes were promised for higher education, the money to be cut out from other votes), but an extreme clash between the desirable and the practicable was avoided.

In the central House of Representatives the Ministers had agreed to accept the deliberately conservative budget proposals of the former government as a working basis. Politically, then, these proposals were less interesting than the reception they got in the House. The spirit of the budget was one of incredulous joy. It was wonderful that income should continue to grow (from £5.8 million in 1938-39 to an estimate of £42.6 million for 1952-53), that imports and exports should go up by leaps and bounds, that cocoa may fetch anything over £200 a ton, so that, with some other crops doing almost equally well, export duties alone may produce £8.5 million next year. But, as the Financial Secretary said when introducing the budget, Nigerian prosperity in agriculture is "prosperity of price." The economy is dependent on the world market and the budget is dependent on customs duties. The house could be brought down with a huff and a puff; so that in addition to the very considerable reserves of the Marketing Boards the Government on its own account is wisely tucking away tidy little sums, this year £3¼ million into the Revenue Equalisation Fund, another £2 million in the Loan Development Fund as well as collecting a small surplus. This still leaves enough for increased expenditure on docks, roads, public works, and higher education, among other things.

Encouraging Foreign Capital

Otherwise a main object of the budget and of the other financial proposals associated with it was to stimulate the investment of foreign capital in Nigerian industry, partly by trying to build up a stable and balanced economy, in itself an inducement to overseas investors, and partly by such direct encouragement as tax reliefs. By 1956 the Ten Year Development Plan should have led to the investment in general development of £55 million from the Colonial Development and Welfare fund and from Nigerian revenue and loans. This probably represents the largest programme that could be financed from these sources. The Government is also sending out "a call to overseas capital" to share the task. The Pioneer Industries Bill offers exemption from company tax for five years to enterprises entering new fields of industry, or extending others not yet fully developed; and a Bill to amend the Income Tax Ordinance will permit all companies, pioneer and otherwise, to "write down" their capital assets for the purpose of assessing income tax more rapidly; it will also allow new companies to build up liquid reserves and established ones to renew equipment.

Although all the bills were passed the Government did not avoid some political troubles. Mr Awolowo, head of the Action Group Government in the west and western regional Minister of Local Government, but a back-bencher in the central House, struck out an entirely new line for himself and his party and startled everybody by the vehemence of his attack on government policy. Saying that the budget was dominated by "cautious conservatism and a traditional street-beggar mentality," entirely unrelated to the "vast potentialities and phenomenal dynamism of the country," he demanded a large-scale improvement in agriculture, and vast expansion of health, education, and other social services. "I agree that side by side with these projects," he is reported to have said, "some industrialisation should be introduced. But this in my view should be partial, and should be left to the initiative of Africans. . . ." Later other speakers from his party seemed to modify this attitude a little, not so much attacking industrialisation as demanding a comprehensive plan for industry, nationalisation of industries, the creation of a national industrial board and other boards to fix and control prices, and a Central National Bank. They and their press made great play with the drift from "political slavery to economic bondage"; "the new bills are a clarion call to foreign investors to flood Nigeria and help Britain

to keep us in perpetual economic servitude." In the end the Minister of Mines challenged the westerners to declare whether or not they had confidence in the central ministers. They replied with another editorial salvo:

> The west has implicit and unqualified confidence in the western ministers of the central legislature. . . . We do not have any iota of confidence in certain Nigerian ministers who hobnob with the imperialist and are ready any day (except during elections) to blow the imperialist trumpet. . . . We have no confidence in lily-livered imperialist hirelings.

The western province representatives clearly reserve the right to walk out at any moment.

All this manœuvring for position has given Mr Awolowo the initiative and put everyone else on the defensive. It may be very useful in the nationalist game to be able to point out, in the future, that it was Action Group that fought for the economic freedom of Nigeria. In attempting to fill the dual role of Prime Minister of the west and leader of the opposition at the centre, Mr Awolowo may achieve two separate reputations, as a constructive statesman in the one case and as the nationalist leader in the other. On the other hand, his plans may be based on a huge miscalculation. Already he has driven the north into alliance with the east and lost the support of some moderate opinion. But moderate opinion counts for less and less in elections and Mr Awolowo has stolen Zik's clothes with a vengeance.

How Strong is the Chinese Air Force?

[BY A CORRESPONDENT]

For over a year now it has been common knowledge that China's air force has, apart from the Russian, become the most important in the Communist sphere. The Chinese Air Force received large numbers of modern Soviet-built jet fighters and supplies of Soviet radar equipment early in 1950, long before the air forces of Czechoslovakia, Poland, Hungary, Rumania and Bulgaria. Last November General Vandenberg, Chief of Staff of the US Air Force, surprised many people when he said at a Washington press conference: "Overnight, China has become one of the major air powers of the world." He went on to say that the United Nations complete air superiority over Korea was being seriously challenged. It is now more than five months since General Vandenberg made that statement. During the prolonged truce negotiations, air operations over Korea have continued as far as weather conditions have allowed. The fighting of the past few months, together with the record of Chinese air operations in 1951, make possible a reasonably valid assessment of the true fighting value of the Chinese Air Force.

Numerically the Chinese are much stronger in the air than ever before. It was noticeable that, at the beginning of 1951, Chinese fighters were encountered over Korea in groups of as many as 50 to 75 compared with 15 to 20 in the autumn of 1950. By the end of 1951, a single United Nations bomber operation was sometimes opposed by several hundred Chinese fighter aircraft. In November, 1951, General Vandenberg's official estimate gave the Chinese Air Force an operational strength of about 1,500 aircraft. Of these, some 700 were obsolescent fighter bombers and light bombers and the rest modern jet fighters, mostly MiG 15s and some twin Tupolev jets used mainly, so far, as night fighters. The latest intelligence reports from Washington, which were confirmed by General Vandenberg in a speech last Sunday, put the Chinese strength at about 1,700 aircraft. This increase is not surprising. Air operations over Korea have been restricted lately, and losses on both sides have been slight. In such conditions nearly all air forces will increase their strength, and in General Vandenberg's opinion the Chinese have been receiving from the Russians "some seventy MiG 15s monthly."

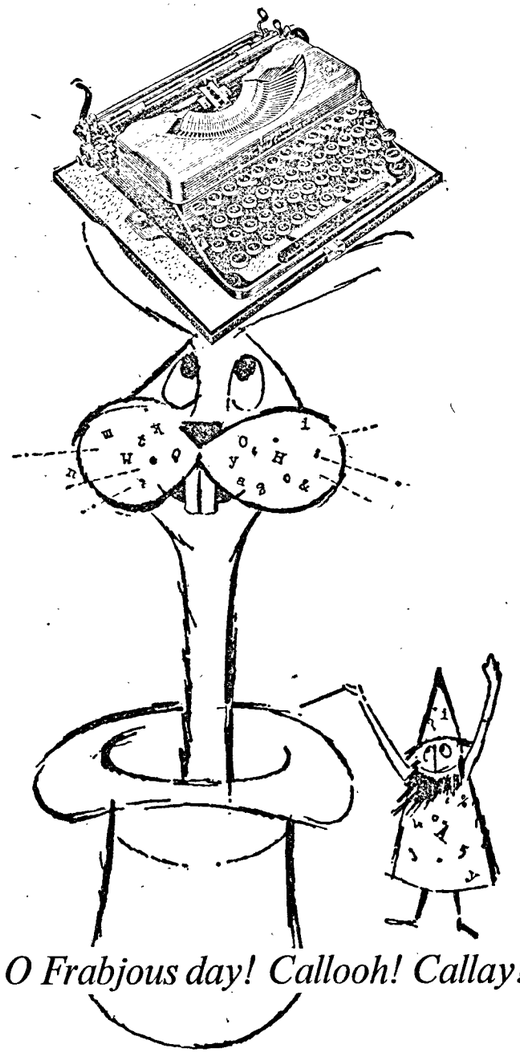
But, as Lord Tedder has so often insisted, air statistics are not the true yardstick of air power. To judge a nation's air strength it is necessary to assess its ability to defend its own territory from air attack, its power to carry the air offensive to enemy territory, and, finally, to ask whether it has enough transport aircraft to carry equipment and supplies to and from the battlefront. How strong is the Chinese Air Force measured by these three important yardsticks? Undoubtedly it has shown more ability to defend the target areas in Northern Korea during the past six months. Increased supplies of radar from Russia have improved the Chinese early warning system and also the accuracy of the anti-aircraft fire. Chinese MiG 15 jet pilots are more experienced and more determined in their attacks on bomber formations. But the Chinese Communist fighter squadrons are operating under ideal combat conditions at the moment. They have only to defend the small combat area of North Korea and they know that United Nations bombers must always return to the same target areas. If the area of bombing were to spread (to the Chinese mainland, for instance) they would for the first time be subjected to a severe air test. Some of their basic weaknesses would then be exposed.

Some of these weaknesses have already been indicated in the recently published statistics of Korean air battles during the last year or so. In air combat between United Nations Sabre jets and Chinese MiG 15s, the "losses" (or should one say claims?) have been about 7 to 1 against the Chinese Air Force. And this despite the superior technical performance of the MiG 15 at certain heights and the highly advantageous defensive situation of the Chinese fighter force. The United Nations air crews have been greatly superior in tactics and training and their radar gun sights are better than the gyroscopic uncertainty of the equipment so far fitted to the Communist MiG.

Failure in Reconnaissance

As for carrying the air offensive to enemy territory, the Chinese Air Force has failed to attempt this task seriously. United Nations troops and lines of communication have been virtually free from Chinese air attack. In fact, it is very rare for a Chinese Air Force plane to be seen south of the front line in Korea. On the odd occasion when they have appeared, the obsolescent Tupolev and Ilyushin bombers have run into heavy losses. The Chinese Air Force has failed in its reconnaissance task of keeping Communist headquarters up-to-date with information on United Nations ground movements behind the Korean battle front. The Chinese Air Force also lacks an adequate force of transport aircraft, though it is slowly acquiring a small force of Soviet Dakotas (PS. 84) and Ilyushin twin transports. Whenever the Communist communications system has been severely affected by United Nations bombers in Korea, the Chinese Air Force has been unable to bridge the gap by bringing supplies by air to Chinese front-line troops, except on a very small scale. This, of course, is not such a serious deficiency as it might be, as the Chinese Army fights—and fights well—with the minimum of equipment and supplies.

The real test of the Chinese Communist Air Force will come during the next few months of better flying weather. If the truce negotiations fail, it may find that it will have to operate over a much wider area of combat. Increase in the scale of operations and increase in the area of operations will almost certainly prevent any further considerable expansion during 1952. It will continue to gain in experience and, no doubt, modernise its obsolescent bomber force and fit its fighters with radar gun sights. As long as it does not have to meet fresh operational commitments it may continue to gain in effectiveness. But, as General Vandenberg said last November, from the United Nations point of view, the situation is in hand and will almost certainly remain so in the foreseeable future.



O Frabjous day! Callooh! Callay!

The news that the Imperial Good Companion portable is here again is falling sweetly on many an ear . . . and many a set of fingers that have itched to work on a Good Companion are flexing themselves . . . and many a Good Companion owner will be gratified years from now to find it still working flawlessly . . . and last but far from least, many of you will find that the Good Companion, for all its virtues, is so reasonably priced that it's almost magical.

PRICES FROM £22.10.0

Imperial TYPEWRITER COMPANY LTD · LEICESTER

Catesbys LINOLEUM *and* CORBULIN

The contracts listed suggest the wide variety of Floor-covering work and exemplify the craftsmanship attained by CATESBYS LINOLEUM CONTRACT DIVISION. They include canteens, hospitals, schools, factories, offices, churches, power stations, banks, universities, etc.

As the life and efficiency of Catesbys Linoleum and Corbulin depends upon proper fitting, it is important to get the craftsmen best suited for the job. We have a long established specialist staff of highly skilled fitters who know precisely what is needed when floors and floorings are in question. It is their job to know how to get greatest efficiency with the saving of material.

The use of Corbulin—the damp-proof floor covering, in various colours and thicknesses—has played a big part in bringing old and new concrete surfaces into use with a minimum of delay and the maximum of comfort and efficiency.

We invite your enquiries to our Linoleum Contract Division:

University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.
Rootes Securities
Dentists Provident Association
Iron and Steel Federation Research Association

CATESBYS LTD
64-67 TOTTENHAM COURT ROAD · LONDON, W.1
TEL: MUSEUM 7777

Build your own equipment with DEXION SLOTTED ANGLE

★ Can be used over and over again

★ No drilling, measuring or painting

★ Just cut it and bolt it, that's all!

Write or telephone for illustrated literature D.8

DEXION LIMITED 189, REGENT STREET LONDON, W.1 *Telephone: REGent 4841*

gas

first put to practical use in Soho in *1802* by William Murdoch.

water

first piped to Londoners from outside in *1613* by Sir Hugh Middleton.

electricity

first produced from motive power in *1831* by Michael Faraday.

Parkinson & Cowan

who started serving these industries in *1816*, make meters, cookers, water heaters and industrial equipment; pumps, instruments, industrial leather, precision mechanisms and oil appliances.

COMPONENT COMPANIES

Parkinson & Cowan Ltd. • Parkinson & Cowan (Gas Meters) Ltd. • The Parkinson Stove Co. Ltd. Parkinson Water Heaters Ltd. • Measurement Ltd. Aspec (London) Ltd. • Monitor Engineering & Oil Appliances Ltd. • Rotoplunge Pump Co. Ltd. Parkinson & Cowan Group Exports Ltd. The Metropolitan Leather Co. Ltd.

SERVING PUBLIC SERVICES

PARKINSON & COWAN GROUP

HOW WIDE CAN COVERAGE GET?

In the realm of big circulations Ration Books and Birth Certificates take the lead with 100% National coverage—a Birth Certificate is compulsory—a Ration Book a necessity. But, consider the RADIO TIMES—nearly 8,000,000 families, of their own free will, buy it each week. This means the RADIO TIMES reaches 60% of the families of Great Britain, providing an advertising medium giving the widest National coverage. So large is the RADIO TIMES circulation, so stable and so truly representative of all standards of British home life that . . .

a Single insertion in the

RADIO TIMES

Average weekly net sale for 1951 (A.B.C.) 7,880,718

is a National Campaign for nine days plus . . .

Advertisement Dept., B.B.C. Publications, Broadcasting House, Portland Place, London, W.1.

sells limited

The French in Algeria—I

Moslems Look Both Ways

[FROM OUR SPECIAL CORRESPONDENT]

THE events in Tunisia that were described in last week's issue of *The Economist* have naturally stirred much interest in next-door Algeria. The French element in the population, which belongs, as do nearly all Europeans settled in Africa, to the right rather than the left in home politics, takes a short-term view and is pleased at the firmness with which the Pinay Government has stamped on Tunisian separatism. The Moslem element is by contrast indignant and—among its moderates and pro-French members—dismayed at an act so arbitrary as the arrest of the Tunisian cabinet. These moderates are finding the incident unsavoury, if not impossible to defend among fellow Moslems who criticise their fondness for France. Yet the incident, provided that it is an isolated one, is not sufficient cause for an upset in Algeria. The Algerian Moslem is sturdier, though far less quick witted, than his Tunisian neighbour and in any case has in the forefront of his mind a rather different set of problems to resolve.

In many ways Algeria is, politically speaking, unique in the Moslem world, and, indeed, in the world as a whole. It is made so by its nearness to France, as well as by the high proportion of Europeans to Africans among its inhabitants—one in eight. Further, many of its European settlers are now Algerian to the fifth generation. For one hundred and twenty years they have founded homes and recovered waste land and invested money in a territory which, before they came, was peopled by a few coastal nests of pirates and by inland tribes who had no communications and no culture. They have therefore been able to practise the traditional French policy of assimilation in peculiarly advantageous circumstances—near home, and on what was, socially and psychologically speaking, virgin soil. The thirty Algerian members of the French Chamber and the 14 in the Senate—some of them French, some Moslem—sit not as a group but with their parties and are indistinguishable from their fellows in speech and even in face.

Arab and European

Yet the educated Algerian is Arab or Berber by blood and Moslem by faith. Even though he writes all but one of his newspapers in French, and, often enough, talks French at home, he would not be human if he did not on occasion feel pricks of the primitive emotion which is kinship with his own race. Algeria is an unusual place because there is so much room for speculation as to which of two pulls will win it over. At present, that part of its Moslem population which is politically awake stands hesitant between the two and could, by policy, be drawn either way. And where it went the great mass of 6 million uneducated Arabs and Berbers in rural Algeria would naturally follow.

In the towns, the pull of France has been enhanced by the noticeable levelling as between the European and the indigenous population that has taken place in the last ten years. Its effects are visible not only in Algiers but in country towns inland, and its cause was the war. Shortages of fuel, clothes and foodstuffs quickly equate conditions for all; the French took to bicycles and to gathering their own firewood and vegetables, and the Moslems to catching fish; all took what they could get. A change was wrought and survives in assimilation of diet, clothing and the upbringing of women.

This social phenomenon has been furthered politically. In 1946, in the flush of postwar eagerness to make equal all members of the French Union, all Algerians were endowed with French citizenship. Previously, the indigenous Jews had had it since 1870; they are content with it, since only 1 per cent of Algerian Jews have gone to Israel. But Moslems had been able to acquire it only if they abandoned their "personal status"—that is, their right to be tried and marry under Moslem law. In 1947 there followed a new organic statute for the territory designed partly to meet Moslem aspirations and partly to quell the separatist tendencies that had developed during the war among a certain number of Algerian Frenchmen. By this statute Algeria enjoys a slightly increased measure of home rule; it had since 1898 managed its own internal finances, but can now also initiate and discuss legislation prior to endorsement by the French Parliament. It also enjoys universal and direct suffrage in electing its Assembly and a reduction in the former European predominance in its management. Formerly, economic arguments were uppermost, and the Europeans claimed to hold the reins because, though possessing only a third of the cultivated land, they produced all its wine (which constitutes between one-half and two-thirds of the value of its exports), roughly half its grain supplies, and also because they operated its other principal source of wealth—the mines.

Illiterate Voters

From 1947, the demographic argument began to take pride of place. The Algerian Assembly consists of two colleges of equal size, one elected purely by Moslems and the other mixed because Moslems with certain qualifications—education, or an ex-service record—can vote in this college if they wish. The President is drawn alternately from each college. Ingenious voting arrangements ensure that the one shall never be pitted against the other. The present house is lightly peppered with the turbaned heads of sheikhs, but in general creates an impression of sober suits and accents among which the Corsican is the most marked. It is about evenly balanced between the "independent" and "liberal" groups to which most Frenchmen belong, and contains only a negligible number of obstructionist elements—the Communist and three members of the MTLD (Movement for the Triumph of Democratic Liberties) the *Führer* of which is the one-time rebel Messali Hadj. The few representatives of UDMA (Democratic Union of the Algerian Manifesto), which is led by the more sober Ferhat Abbas, and which wants a republic federated to France, on the whole work constructively on the framing of laws in general and the budget in particular. French settlers who in 1947 feared for their future under the new statute have become inured to the innovation, thanks to this cosy apportionment of seats.

But it cannot be said to be representative of Moslem opinion in the territory. The high proportion of sitting Moslem members who—in the words of their chairman at the spring session—"love France and want to be French" was attained only by rigging the elections. In justification of this act, Frenchmen point out that when an electorate is for the most part illiterate (only 15 per cent of the 1,800,000 Algerians of school age are at school) someone is bound to exert undue influence. If they had not done so, Messali Hadj would have filled the role, and a highly disturbed Algeria would have been the result. The argument rings with some truth in the ear of anyone who has watched elections among the illiterate—for instance, in Persia or Iraq—but to have to advance it reveals some specious thinking. Algeria has, as it were, been given the comforter of universal suffrage to suck but is not deriving from it the real taste of democracy. Whether this is a good method of hastening slowly in a part of Africa that is also an integral part of France only time can show. At present, it is working.

(To be concluded)

The Pulp War

[FROM OUR SCANDINAVIAN CORRESPONDENT]

THERE is more than a smack of a "phoney war" about the "pulp war" which has recently exercised public opinion in Scandinavia and led to a special meeting of Uniscan in London. The exporters of pulp and other forest products have for some time expected that the uncommonly high prices they were getting would not last; but they did not expect them to be forced down so brusquely by governmental action. The British Government, having watched both the price of pulp and the export tax imposed by the Scandinavian governments rise sharply throughout 1951, decided in conjunction with certain other members of the Organisation for European Economic Co-operation, not to issue import licences for pulp bought at prices above those stipulated by the importing countries; these prices were some 20 per cent below prevailing rates. The vociferous resentment in Scandinavia was caused not so much by the fact that pulp prices were immediately forced downwards as by the method Britain and these other countries used—the method of dictation instead of negotiation. The resentment was accompanied by a sly if rueful satisfaction that the immediate cause of this strong action was the maintenance of the high export taxes on pulp which the producers themselves have frequently tried to get their governments to reduce or abolish.

These duties on forest products are imposed in various forms by all three of the Scandinavian timber countries. Their avowed purpose was to prevent the high postwar earnings of the forest industries adding to the inflationary pressure at home. Hence part of this export income was "sterilised." Pulp has the highest tax of all the forest products and Sweden is the worst offender. As the price of pulp rises and falls, so does the tax but not in a direct ratio; in all three countries it rises much more rapidly than it falls. At intervals a basic price, based on British prices, is agreed as a norm, and a sum fixed for payment as export tax so long as prices do not deviate more than a certain amount from that norm. Thus, with a basic price for Swedish pulp on European markets of about 1,500 kronor for bleached and 1,350 kronor for unbleached pulp, export duties in the first quarter of 1952 amounted to 560 kronor a ton for bleached and 540 kronor for unbleached pulp. In Norway with a basic price for chemical pulp of 987 kroner a ton, the export tax is N. kroner 280 up to a price of N. kroner 1,280. Above N. kroner 1,280 the tax is 280 kroner plus half the amount by which the price exceeds 1,280 kroner. In Finland the tax is calculated on quantity and is at present 900 Finmarks per cubic metre. Provision is made to increase and decrease the tax with the rise and fall of prices and beyond a certain level the tax rises by four times the increase of the price above that level.

Scandinavian Boom

The receipts of the export taxes are used for various purposes in the different countries. In Finland 1 per cent is used for sylvicultural research, half of the remainder goes to subsidise import prices, and the other half is placed in an export fund which is to be paid back to exporters (without interest) in the years 1959-61. The Norwegians return none of the money to producers and use most of it for subsidising imports. The export taxes collected on pulp in Sweden are held by the National Debt Office and, under the current agreement, 34 per cent of the total will be released in the period 1959-63 and must be spent on directly promoting the interests of the forest industry while the balance will be repaid to the industry after the usual business taxes amounting to about 50 per cent, have been paid.

Whatever the merits or demerits of such devices it is clear that they always constitute a potential source of friction between buyer and seller. And once the buyer begins to feel that the price he is charged is in any case getting too high, the gratuitous addition to it of an arbitrary tax may, as on this occasion, strain his patience to breaking point. Of course, much has been made of the fact that the British Government acted suddenly without giving the trade time to produce substantially the same results. Much has been heard also of the increased price of British steel which was announced about the same time as pulp prices were cut. Such comments, however, ignore several decisive factors. The terms of trade of the three Scandinavian pulp-producing countries have been very favourable since the outbreak of the Korean war—and increasingly so to the end of 1951. By contrast the prices of British steel and coal, and indeed of many British exports, tend to be low, and the British terms of trade, although improving, are still adverse. The cut in pulp prices will still leave Sweden, Finland and Norway with the most advantageous terms of trade in Europe.

Finally, it is practically certain that the British action was neither as sudden nor as unheralded as publicly alleged. At the annual trade talks at the end of 1951, both the Swedes and the Finns were left in no doubt either of Britain's economic difficulties or of its dislke of the export taxes these countries added to already high prices. Discussions between Britain, France, Germany and other interested parties later took place with the aim of putting pressure on the producers to lower their prices when the next quarter's prices came to be fixed. In any case, for some time prior to the official announcement Britain had not been granting import licences for pulp bought at peak prices. All this would have led to normal, if obstinate, negotiations, starting presumably with the review of the Anglo-Swedish trade agreement at the end of March. It appears, however, that the producers forced the issue by trying to get a written agreement from the purchasing countries in Paris at the end of January that prices would not be lowered. This first "shot" in the "war" provoked a heavy British broadside in which other countries soon joined. In these circumstances it is misleading to complain of unsympathetic action by Britain and to pretend that, particularly after the United States had introduced maximum prices for imported pulp in the middle of 1951, the whole affair was a horrid surprise.

New German Dollar Export Bonus

THE German Federal Government has introduced a bold new scheme which, if it works according to plan, should stimulate direct sales to the dollar area, and at the same time allow exporters to cut their prices. The authorities have been worried at the increase in so-called "switch" transactions, by which German exports are sold to the dollar area by way of soft-currency countries, notably Holland. Under the new scheme, the German exporter to the dollar area will receive an "import right" valid for six months and equal to 40 per cent of the gross effective proceeds of his contract. The bonus is also given for sales in Swiss francs. These "import rights" will allow anyone to import dollar goods from a specified list, without special permission. Previous dollar bonuses have been traded illegally; the new rights can be freely bought and sold. It is envisaged that they will be sold at a premium for buying goods or commodities that are either cheaper than soft currency equivalents, or are more easily obtainable from the dollar area than elsewhere. With the prospect of this premium for his rights, the exporter can afford to cut the price of his goods to the American buyer, and secure an advantage over his foreign competitors.

To prevent this partial liberalisation of dollar imports from reaching too dangerous a scale, the total of goods imported under the special rights has been limited. In all its other conditions, however, the new scheme reflects the Bonn government's policy of relying upon incentives rather than on restrictions.

The Federal Republic is running a small deficit in its dollar trade, but its reserves do not make as poor a showing as might be expected on this account. Income from the spending of Americans in Germany was $18 million in March; it thus reached the rate of $200 million a year, which was called impossibly optimistic by the German authorities some months ago. The German surplus in the European Payments Union brought in a payment of $17.6 million at the end of March. In all, the Republic's reserves, inadequate though they are for the volume of trade which the country is doing, are about a quarter of those which Britain holds for the entire sterling area

The United States rose to the position of Germany's second largest customer in 1951, but this achievement does not make the Germans optimistic about the future. In negotiations on the Reich debts and in comment on the offer to buy DM 2 billion worth of goods which the Soviets made at the Moscow economic conference, Germans never forget that their prewar pattern of trade is completely distorted. Western Germany is now dependent on the dollar area for its main supplies of wheat and sugar and is now even to import rye from the United States with funds from the Mutual Security Agency. It is small wonder that the desire to return to the old days should grow as the difficulty of selling in the American market increases.

Revolution in Bolivia

[BY A CORRESPONDENT]

THIS month's outbreak in Bolivia was long overdue. It did not result in a mere swapping of *caudillos*, but was a revolution in the modern sense of the word. Just as, at the beginning of the nineteenth century, the ideals of the American War of Independence and the French Revolution gradually penetrated Latin America and inspired the local liberating movements, so are the ideologies of twentieth-century Europe influencing the evolution of Latin America today. In Argentina, President Perón has devised a policy that is a hotchpotch of Marxism, Fascism and British "Labourism," mixed with more colourful local ingredients. In Bolivia the now victorious *Movimiento Nacionalista Revolucionario* is pledged to release the poverty-stricken miners and peasants from economic oppression, to nationalise the tin mines (which are owned, principally, by three fabulously wealthy families), and to resist United States interference.

The revolution was inevitable. A grave economic crisis had been aggravated by Washington's refusal to pay the price which the Bolivians demanded for their tin; and shipments of tin to the United States had been suspended since October. No adequate measures had been taken to alleviate the lot of the neglected Indians who inhabit Bolivia's lunar altitudes or of the peasants who live in virtual serfdom in the subtropical valleys and jungles. It was evident that the MNR, denied the fruit of their electoral victory last year, were bound to resort to force, and that their insurrection would have a substantial foundation in discontent and hunger.

In the centre of La Paz (altitude 12,000 feet) are streamlined modern buildings of concrete and glass: hotels, apartments, bars, and night-clubs. On the *altiplano*—a vast plateau situated on the outskirts of the city, but 1,400 feet above it—the Indians seem to belong to another planet. There is no vegetation on this eerie tableland, where dark-brown men wrapped in woollen blankets trudge inscrutably beside their llamas. Attached to their waist the Indians wear a bag containing a day's supply of the dried coca leaf, which is grown in the hot damp valleys of the lower Andes. They chew the leaf for about half an hour four times a day. Coca is cheaper than any food, and the cocaine which exudes from the leaf during mastication deadens the feeling of hunger and stimulates physical exertion and endurance at high altitudes. Many enlightened Bolivians condemn the sale of this drug to the Indians.

The owners of the coca plantations in the lowlands naturally have a vested interest in the trade. Their labourers provide so many days' work a year, and in return receive a small plot of land for their own use. Sometimes they are required to surrender to the landlord a proportion of their produce. They are an isolated, neglected and illiterate race. Opponents of the coca traffic have been stigmatised as agitators, Communists and enemies of the state; but the fact remains that peasants cultivate coca instead of food, and that the Indians receive a drug instead of bread. This is one of the roots of the discontent which took violent form in the recent revolution.

Although it is unlikely that President Perón gave any practical assistance to the revolutionaries, it is certain that their success will have pleased him. The Argentines normally look upon Bolivia as part of the River Plate system., which they themselves dominate. And they are keenly interested in Bolivia's mineral resources and in the possibilities of extending their communications across its territory. They therefore welcome any sign of a weakening in American influence at La Paz. Washington has promised to supply Point Four aid to Bolivia (to be devoted, primarily, to agricultural development); but resentment against the United States, as a result of the prolonged dispute over tin prices, is acute. A few weeks ago the Bolivian Ambassador at Buenos Aires presented a note asking the Argentine Government for its support in obtaining higher tin prices and in resisting "this typical case of economic aggression." Earlier, an agreement was signed authorising the creation of an Argentine-Bolivian Economic Development Company, and Argentina undertook to help financially in certain projects for increasing the output of "products required by Argentina." Argentine-United States rivalry is a very important factor in the life of Bolivia, and there is no doubt that the victory of the MNR was a victory also for General Perón.

It is an unfortunate fact that even today in many Latin American countries an Opposition cannot attain power by democratic methods. The use of force is particularly to be deplored in the case of Bolivia, because that nation was about to begin an unprecedented experiment in administrative reform which, if successful, might have been copied with advantage elsewhere. Last October the military *junta* announced that, on the advice of a United Nations mission, they had decided to appoint a team of ten foreign experts to reorganise the Bolivian civil service. The plan was still only in a preliminary stage at the time of the revolution, and

Binding Cases

Because of increased size, THE ECONOMIST *will this year have to be bound in quarterly instead of half-yearly volumes, and* RECORDS & STATISTICS *in half-yearly instead of yearly volumes. Suitable binding cases are now available in stiff, dark blue cloth covers, with gilt lettering on the spine. These cases provide a firm and effective binding, and the year can also be stamped on the spine if required. The cost per case, post free throughout the world, is* **11/-**.

Orders, stating requirements clearly and enclosing a remittance, should be sent, **not** *to* THE ECONOMIST, *but to—*

EASIBIND Ltd.

(Dept. E), 84 Newman St., London, W.1.

A binding case can be sent on approval, if required.

it is now unlikely to be put into effective operation for years to come, if at all.

It remains to be seen whether the MNR will be able to diversify the nation's economy and thus diminish its dependence on the unpredictable world tin market. The much-needed development of agriculture will require a vast improvement in the communications linking the barren *altiplano* with the remote fertile regions, and a formidable increase in agricultural research, training and mechanisation. Not only is Bolivia divided internally: it is also surrounded by vigorous and relatively homogeneous nations. The natural economic ties of its tropical hinterland are with Argentina, Paraguay and Brazil, rather than with Bolivia's own highlands. Bolivia is a buffer state which, unlike Uruguay, has failed to acquire a social cohesion capable of withstanding pressure from outside. It has already lost to neighbouring republics its Pacific seaboard and part of its Chaco plains. Unless a real national unity can be created by enabling the miners and peasants to participate fully in the life of the state, the disintegration may well continue.

Russia Cuts Its Prices

THOUGH there have been regular price reductions in Russia every year since 1947, the recent cut in Soviet retail prices came partly as a surprise. Hitherto price reductions preceded the budget. This year the order was reversed and the delay would lead one to believe that the Soviet planners did not find it easy to decide whether they could afford a further increase in consumption in the present international situation. They finally decided that they could, and the prices of the main foodstuffs have now been officially cut by from 10 to 30 per cent. This should result in the current year in a "saving" by consumers of 23,000 million roubles in their purchases in state retail shops, compared with a saving of 27,000 million roubles last year and of 80,000 million roubles in 1950. When these figures are linked with the estimated increased yield of the turnover tax, it appears that the rise in consumption in 1952, if smaller than two years ago, is expected to be about as large as last year—or more than ten per cent.

Like last year, but unlike two years ago, the reductions are limited to foodstuffs. This fits into the pattern of recent Soviet economic development, in which a growing emphasis is put on defence. In a period of rearmament food is the branch of consumption that the Russians must find least difficult to foster since the development of food production does not involve a very great drain on scarce resources. It is also interesting that a rise in consumption is expected despite last year's unsuccessful harvest. The price of potatoes has not been cut, but bread has and increased consumption of flour may well result in a reduction of stocks or exports or both. The greater supply of foodstuffs for the towns is also probably due to more efficient methods of extracting surpluses from collective farms and to improvements in the technique of food production itself.

Any appraisal of the average Russian's condition on the basis of the new prices must naturally be very tentative. The Russians do not publish any detailed indices of cost of living and for some time now they have not given any figures of wages either. Prices of some commodities in recent years are given in the accompanying table.

Compared with before the war the changes have been of varying magnitude. Buckwheat and tea, for example, have now come down roughly to the level of 1940. Rye bread, on the other hand, is still much dearer and sugar nearly three times as expensive. The general level probably lies somewhere in between, at roughly 50 per cent above the 1940 prices. If the average wage be taken as lying half-way between the planned level for 1950 and a higher estimate—based on an unconfirmed statement by Moscow—then it would appear that in terms of foodstuffs the purchasing power of the Russian town dweller is now greater than it was before the war.

A claim to the same effect was made recently by the Soviet Minister of Food Industry. Reviewing the planned production of food for 1952, Mr Sivolap insisted on the important rise compared with 1940. As usual, he spoke in percentages, but thanks to certain Soviet documents which have now become available the mysterious percentages may be translated into fairly accurate actual figures. When these are divided by the appropriate percentage of the population (excluding those farmers who consume on the spot) estimates of per caput consumption are obtained. The estimates confirm the view expressed in *The Economist* of November 17, 1951, that the prewar level of consumption has now been regained and exceeded (the improvement would now appear even more marked, since the figures in *The Economist* referred to 1950 while the new estimates are based on the plan for 1952), that the average Russian is now incomparably better off than immediately after the war, but that his standard of life and of food consumption still lags far behind the average for the United States or even for the United Kingdom.

SOVIET PRICES
(Roubles)

Commodity	Unit	1940	1950	1951	1952	% Decrease 1952 over 1951	% Increase 1952 over 1940
Rye bread	kg.	0·85	2·0	1·7	1·5	12	76
Wheat bread	,,	1·70	4·4	3·8	3·3	12	94
Buckwheat	,,	3·0	4·3	3·65	3·1	15	3
Beef	,,	10·5	20·5	17·5	15·0	15	43
Butter	,,	21·0	40·3	34·3	29·0	15	38
Vegetable oil	,,	15·7	27·0	27·0	21·6	20	38
Eggs	unit	0·85	1·0 / 1·4	0·9 / 1·2	0·76 / 1·02	15	5
Tea	100 gms.	10·0	14·4	13·0	10·3	20	3
Sugar	kg.	3·8	13·2	13·2	11·9	10	213
Salt	,,	0·05	0·65	0·50	0·35	30	600

The latter view would seem to conflict with the statements made by some visitors to Moscow for the recent economic conference. The difference may be partly explained away by the fact that foreign visitors are sometimes easily deceived, and that anyhow Moscow presents a deceptive picture, being a shop-window rather than a faithful mirror of Russian conditions. Yet, even changes in the aspect of a shop-window are significant. Besides, there seem to be other indications that Soviet consumption may well be somewhat greater than the production of consumer goods would warrant. Thus, from the plan outlined by Mr Sivolap it appears that the production of foodstuffs in 1952 should rise by roughly 10 per cent compared with the previous year. This is not more, but rather slightly less, than the estimated general rise in consumption. Hence, either the production of other consumer goods will develop at least as quickly as that of foodstuffs—which seems unlikely—or the home production of consumer goods is expected to be substantially supplemented by imports.

It has for some time been known that the Polish textile mills and the Czech shoe factories could claim some responsibility for the external appearance of the inhabitant of, say, Moscow. Now, it would seem these imports have increased both in range and in scale. At the recent Moscow Conference the Soviet delegate, M. Nesterov, claimed that the foreign trade turnover of the Soviet Union is now three times greater than before the war. In this increased turnover the share of Western countries has been dwindling and that of Eastern Europe growing at a fast pace. It would not be unreasonable to assume that some three quarters of Soviet trade is now being carried on with countries within its orbit. Consumer goods, not only the products of light industry but foodstuffs as well, must account for quite an important proportion of these exchanges. Soviet grain shipments westwards always get a great amount of publicity. Shipments of consumer goods in the opposite direction are certainly more substantial, though less advertised.

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £1,800,000)

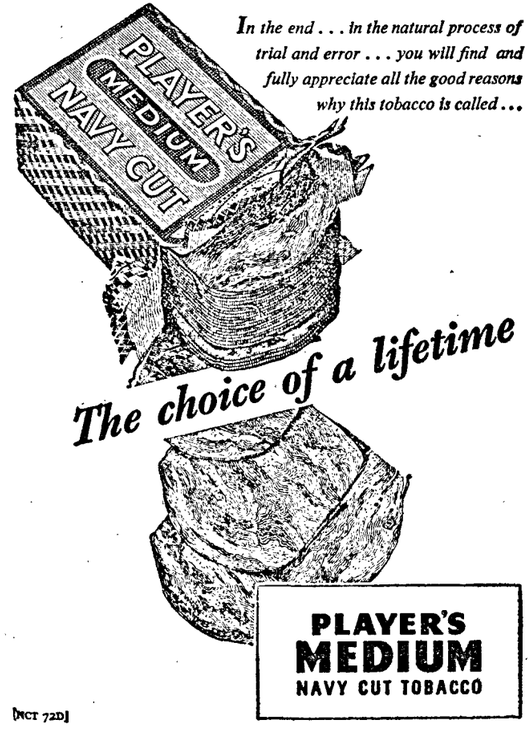
is associated with

The British Metal Corporation (Pakistan) Ltd.
The Cyprus Co., Ltd., Drew, Brown Ltd. (Canada),
Sandilands Buttery & Co. Ltd. (Malaya), and C. Tennant Sons & Co., of New York, as well as with the associates of The British Metal Corporation Ltd., Australia, Canada, India and South Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3.

TELEGRAMS: *Nonfermet Telex London* CABLES: *Nonfermet London* TELEPHONE: *MANsion House 4521 (10 lines)*
Branches at BIRMINGHAM, MANCHESTER and GLASGOW



In the end . . . in the natural process of trial and error . . . you will find and fully appreciate all the good reasons why this tobacco is called . . .

The choice of a lifetime

PLAYER'S MEDIUM NAVY CUT TOBACCO

[OCT 72D]

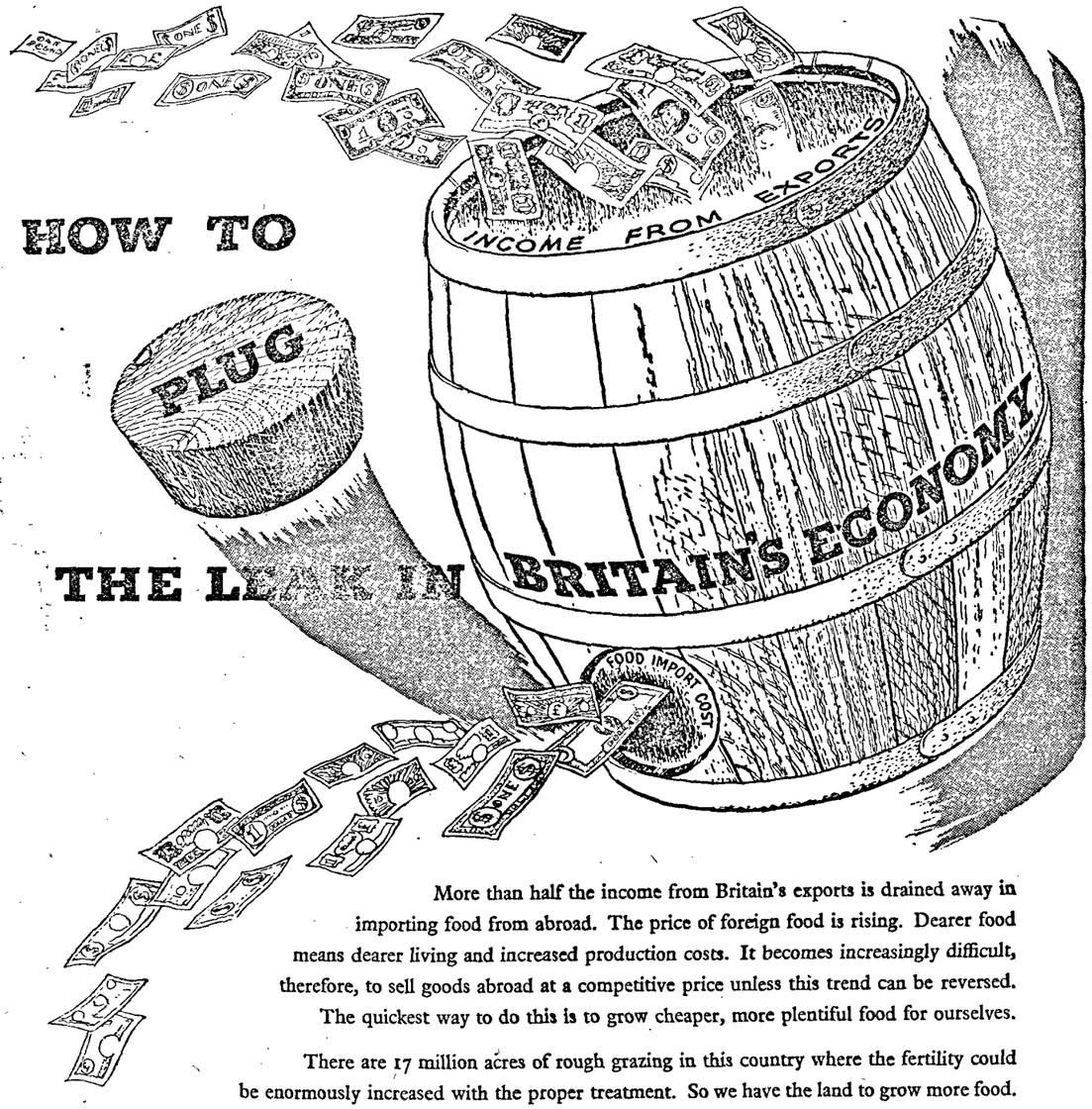
It took 159 years

Sensitive fingers, steady hands, a keen eye—and behind them the mind of a man who knows, and understands, wood. In Newton Chambers' works such men fashion elaborate wooden patterns, prototypes of iron castings. For seven generations such men have worked for Newton Chambers, and the skill of their hands has found expression in the many products of the Company, famous for their quality all over the world. *At Newton Chambers every present-day development rests on the sure foundation of 159 years of hard-won experience.*

Newton Chambers

& COMPANY LIMITED, THORNCLIFFE, SHEFFIELD

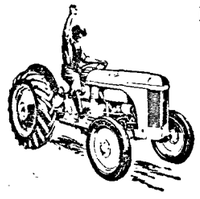
HEAVY CONSTRUCTIONAL ENGINEERING, EXCAVATORS, INDUSTRIAL AND DOMESTIC HEATING APPLIANCES, FUEL ECONOMISERS, IZAL AND OTHER CHEMICAL PRODUCTS.



More than half the income from Britain's exports is drained away in importing food from abroad. The price of foreign food is rising. Dearer food means dearer living and increased production costs. It becomes increasingly difficult, therefore, to sell goods abroad at a competitive price unless this trend can be reversed. The quickest way to do this is to grow cheaper, more plentiful food for ourselves.

There are 17 million acres of rough grazing in this country where the fertility could be enormously increased with the proper treatment. So we have the land to grow more food.

But the £5 million in 3 years, which is all that has been allocated for this purpose, is inadequate.



What farmers need is more of the modern farming equipment that can bring to agriculture the efficiency, increased output and lower production costs that modern machinery and methods have brought to industry. Once this is understood this leak in the nation's economy can soon be plugged.

Harry Ferguson Ltd., Coventry.

GROW MORE FOOD IN BRITAIN

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

THE BUSINESS WORLD

Economic Survey for 1952

THE latest Economic Survey, presented this week as Cmd. 8509, sketches an admirably clear picture of the shape of Britain's economy at the beginning of 1952 and assembles in convenient form most of the data that explain the plunge during 1951 from external surplus into a crisis of insolvency. Inevitably, however, it is a document of less immediate interest than any of its five predecessors. Each of these served as a revealing curtain-raiser to an impending budget, whereas this latest survey has followed not only the budget but also the balance of payments White Paper (Cmd. 8505), the preliminary estimates of national income and expenditure (Cmd. 8486), and two major pre-budget pronouncements on economic policy from the Chancellor himself. In addition, as the article on page 201 emphasises, this survey "for 1952" carries much further the reticence about making economic forecasts that has become increasingly apparent in the Surveys of recent years.

For these reasons, it adds very little to the previously available official data upon the present state and 1951 trends of the national economy, and scarcely anything to what was already known about the policies the Government is pursuing or hopes to pursue. But, for the many people who cannot keep pace with the fast-moving stream of economic news, and for the many more who even now are wondering about the nature and causes of this latest crisis, this Survey (or even its "popular" version) will provide a valuable and instructive guide.

In presentation, it follows the familiar pattern, reviewing in turn the problems of the balance of payments; the defence programme; industrial production, investment and manpower; and the problem of securing a balance in the domestic economy as a whole. Each of these analyses is related to the over-riding objectives, first, of restoring a surplus in the gold and dollar accounts of the sterling area and, later, of maintaining a surplus in the total external payments both of Britain and of the whole sterling area, so that the reserves may be "built up towards the level at which they would provide adequate protection against fluctuations in world trade" and Britain may be enabled to secure sufficient imports to support both a growth of industrial production and a rise in the standard of living. For 1952, the main task is to provide, with as little friction as possible, more workers for essential industries; a movement of workers from contracting to expanding industries, inevitably at the cost of some transitional unemployment, is in present circumstances "a condition of national survival."

The Balance of Payments

The only specific target that the Government sets up is the one revealed in the budget speech. Britain "has undertaken" to its partners in the sterling area to balance its non-sterling current payments for the second half of this year, after taking credit for defence aid received from the United States; by comparison with the second half of 1951, this will require an improvement of almost £600 million. The rest of the sterling area is aiming, for its part, at a surplus of £100 million on its non-sterling payments for the same six months, compared with a deficit of £150 million. An integral part of the plan is that Britain, which earned a surplus of £171 million with the overseas sterling area in the second half of last year, should remain in surplus with this area—at least to the extent of the dollar aid. On this minimum basis, therefore, Britain's external account as a whole would be in balance; but it is evidently hoped that it will swing into surplus—though much is admitted to depend upon the extent to which the exports frustrated in sterling markets can be switched to other markets.

The import cuts, as already announced, are expected to save fully £300 million in this calendar year, "almost wholly" in non-sterling expenditure, and at the cost of a "substantial" reduction in consumption of non-rationed food. The bridging of the non-sterling gap will be assisted, too, by the cuts in invisible payments, by foreign aid, and possibly by some improvement in the terms of trade and in the volume of non-sterling exports; but at none of these points does the Survey attempt quantitative forecasts, so that it is impossible to discern precisely the manner in which the Government expects the £600 million non-sterling gap to be closed. For the purpose of guessing the shape of the domestic economy as a whole, the assumptions about the total balance of payments are the same as those made in the budget speech, so that the volume of exports is put at £50 million more than for 1951. But the detailed discussion makes no export forecast at all. It is stated—or, rather, understated—that the outlook for exports of consumer goods, comprising two-fifths of the total, is "not promising"; yet it is regarded as "of the utmost importance at least to maintain the current volume" of such exports.

The possibility of doing this now looks even more slender than it did at the time of the budget speech; yet the hoped-for diversion of capital goods from home investment into export markets is certainly not larger, and may be smaller, than that implied by earlier statements. Moreover, it is now evident that the Government shares some of the doubts expressed in these columns, and elsewhere, about the reasonableness of several of the assumptions on which the budget was based. The Chancellor then assumed that in the fiscal year 1952-53 £200-£250 million of the external gap could be filled by improvements in the terms of trade and in net invisible receipts. Now it is confessed that the terms of trade are only "rather more favourable," that "there can be no assurance" that they will stay so, and that invisible earnings "are not likely to be much

higher than in 1951." In the previous statements, these earnings were apparently reckoned to include defence aid, which, may conceivably be $104 million more this year than has been generally assumed, thanks to allocations made, but not yet received, from the US Government appropriations for 1949-50 and 1950-51.

The "Balance" of the Economy

It is also admitted that the uncertainties about the scope for exports of consumption goods create parallel uncertainties about the volume of industrial production, since the industries suffering from loss of markets in the sterling area will have to contract if they cannot find export markets elsewhere. Especially for this reason, but also because shortage of key materials may cause some contraction of output at the fringes of the metal-using group of industries, estimates of production are regarded as "more than usually hazardous." Yet the arithmetic by which the final chapter in the Survey seeks to demonstrate, in "real" terms, the balance of the economy as a whole follows at all points the arithmetic of the budget speech. Here it is still assumed that the loss of £300 million of imports will be offset to the extent of £250 million by a gain in production, so that, after providing an additional £200 million of real

TABLE I. TRENDS OF PRODUCTION AND EMPLOYMENT, 1948-51
1946=100

	1948	1949	1950	1951
All industries covered by Interim Index of Industrial Production:				
Output	121	129	140	144
Employment	111	112	115	117
Manufacturing Industries:				
Output	123	132	146	150
Employment	110	112	115	118

resources for defence and £50 million for exports, the amount to be released by economies elsewhere will be no more than £300 million. As in the budget analysis, it is reckoned that the whole gap can be filled by cutting total domestic investment by £250 million and by the expected reduction of £50 million in the Government's civil demands for resources, so that the real level of consumption need not be reduced—although the range of consumers' choice will be significantly narrowed.

On the monetary side, no evidence is adduced to justify the budgetary assumption that the rise in prices will just suffice this year, as it apparently did last year, to mop up the expansion of consumers' net spendable incomes—except that it is expected that the tighter money policy will not only curtail investment, especially floating investment, but will also promote a greater flexibility of resources and a slowing down of the rise in prices. One heartening realistic comment amid an otherwise pedestrian account of the new monetary policy is the observation that the induced fall in stock exchange prices, led by gilt-edged, reinforced the effects of the increased difficulty in obtaining bank advances.

Prospects for Industry

No evidence to document or even to support the budgetary assumption of a rise of £250 million in national output is to be found in the detailed review of industrial production. Last year's rise of 3 per cent is prudently written down: "When the allowance is

made for normal seasonal changes, it appears that there has been no real upward movement since early last year"—and output per man-year rose during the year as a whole by only 1 per cent (though it is worth recalling that independent estimates put both figures slightly higher than the official index). For 1952, the Survey gives warning that the demand experienced since the war for the utmost increase in output that almost every industry could achieve "cannot be assumed" to continue this year; that production of some metal goods must be cut down to concentrate resources upon more important metal goods, partly by the use of steel allocation; and that production in many consumer goods industries must depend upon ability to increase exports. It also contains some discussion of likely supplies of imported raw materials: these should in general be sufficient to match the steel available, though some uncertainty remains about non-ferrous metals. What it does not contain is any quantitative forecast of the volume of production.

The additional burden placed upon the metal-using industries by the obligation to expand engineering exports while continuing to carry the rising weight of rearmament is also fully discussed but not measured. Only £275 million of the output of these industries went into defence in 1951-52, compared with the £360 million that had been intended. This was partly because of difficulties in design and planning, and in the supply of labour, materials and tools; but it was also partly attributable to the shift of emphasis towards engineering exports. To make further room for exports, the total requirements of defence for metal goods in 1952-53 have been held down to £460 million, though of this the "super-priority" work—perhaps £80-£90 million—takes precedence over all other engineering production. By implication, the expansion in volume of engineering exports required this year has to suffice to increase total exports by £50 million in spite of the inevitable decline in exports of consumer goods. The cuts in investment, also designed primarily to assist metal exports, should eventually reduce home demand upon these industries by £150 million a year compared with 1951, but not all of this relief can be expected in 1952, while investment for defence is expected to rise in 1952 by about £30 million. The one-third cut promised in home deliveries of metal consumer goods should free another £70 million a year of resources in these industries. But the exports of consumer goods that can be attained remain an unknown quantity, and no attempt is made in the Survey to estimate the amount by which engineering exports need to grow.

Not all metal goods, it is frankly admitted, will be equally easy to sell abroad. Last year there was a sharp check to the growth of engineering exports; they did increase by 4 per cent in volume compared with 1950, but in that year they had risen by 16 per cent. World demand for capital goods remains very high and should permit a considerable increase in British exports. But the prospects for cars, cycles and other durable consumer goods are "nothing like so good," though not so bad as for textiles. This is particularly unfortunate, in that these are the metal goods that could most readily be switched to export. The metal consumer goods make up about a quarter of the country's total engineering exports at present; in general they come from mass production plants that will not be easy to switch to other products. With certain exceptions, including agricultural machinery and commercial vehicles, capital goods

will take longer to divert; much equipment is custom-built, and the cut in investment cannot become effective quickly. It should, however, enable manufacturers to quote shorter delivery dates.

Even if the reduction in supplies of metal goods at home covers whatever increase is achieved in engineering exports, the output of the metal-using industries will need to grow by at least £185 million to meet the extra claims of defence. This represents an increase of about 5½ per cent by value over the 1951 output of these industries. That output, on which more than two-fifths of all workers in manufacturing industry are employed, appears to have grown in value by no less than 17½ per cent last year, from the revised figure of £2,850 million in 1950 to £3,350 million. As Table II shows, about

TABLE II. DISTRIBUTION OF SUPPLIES OF METAL GOODS
(£ Million)

	1950	1951
Supplies:		
Production	2,850	3,350
Imports	80	100
Total	2,930	3,450
Used for		
Defence	165	275
Investment (including all passenger cars)	925	1,060
Consumer goods	230	265
Other industrial goods, repair work, etc.	710	800
Export	960	1,050

half the output of these two years has gone to provide industry at home with new capital equipment and maintain its plant, and almost a third for export; defence took about one-fourteenth of output of metal products over the two years (rising to one-twelfth in 1951), while consumer goods took most of the remainder. In physical terms, it is stated, there was a "considerable further increase" in the output of these industries last year, though the progress of different industries in the group was uneven. But the increase in volume of output appears to have been much smaller than that in value. Indices of production for the different metal-using industries—these indices are omitted from the Survey this year but have been incorporated in Table III—show that engineering output rose by a much smaller percentage than in recent years—perhaps only 4 per cent as a whole—and production in 1951 did not remain at the level attained in the last quarter of 1950, as was hoped in the 1951 Survey. The current Survey expresses the hope that there will be enough steel to permit these industries as a whole "to continue to expand production"; and it may be agreed that the total increase necessary does not seem beyond their powers. But the pattern of output within the group will have to alter. Certain industries are to be encouraged: the Survey instances machine tools, output of which rose in numbers by almost 20 per cent last year after having been static since 1947. By the end of this year three-quarters of the tools required for defence should have been met from home or abroad, and more of this increased output can be freed for export. But output of other metal goods—cars and civilian commercial vehicles are cited—may be expected to fall; and the switches of resources within engineering thus made necessary "must inevitably entail some temporary loss of output."

The main physical lever that the Government can use to bring about such switches is its allocation of steel. The Survey agrees that when the benefit of American imports is obtained in the second half of the year supplies to home industry should improve, but holds that, "with the increased demands for rearmament and export production, a shortage of steel is likely to persist," perhaps particularly of alloy steels. This is cautious; but official caution is perhaps justified. British steel output in 1952, as the Survey says, "can equal or better the 1951 output [itself 4 per cent below output in 1950] only if there is a very substantial increase in the production of pig iron for steel-making, which depends in turn upon a substantial increase in iron ore and coke supplies." The intended increase in defence production and engineering exports thus depends largely upon more steel, and more steel largely upon more hard coke. An increase in output in the basic industries and in engineering is described as "the really important thing" in production. The coal outlook for 1952 is regarded as "very uncertain," and only the increase in mining manpower offers any hope of a substantial expansion of output. Consumption of coal in Britain is expected to rise by about 2 per cent above the 1951 figure; hardly any increase has been recorded so far this year, but this assumed expansion will be indispensable if the hopes of higher production, particularly in the metal industries, are to be fulfilled. Coal exports are being raised by 2 million tons to 8½ million tons this year; the Survey adds cogently that "a further increase would be of particular value" in obtaining raw materials for Britain as well as in assisting Europe. Higher output also means bigger demands on transport. The railways were under strain last year because an increase in freight traffic came at the same time as a drift of labour from them, but there are signs that this drift has been checked. The slow turn-round of shipping, which might hamper the expansion of exports, remains "a matter for grave concern."

Cuts in the replacement of railway rolling stock, in work on stations, bridges and tunnels, and some curtailment of track renewal, have been decided upon in the

TABLE III. OUTPUT OF THE METAL-USING INDUSTRIES

	1947	1948	1949	1950	1951
Index of Production (1946=100)					
Engineering, shipbuilding and electrical goods	116	136	140	153	164
Vehicles	111	121	151	174	168
Precision instruments, jewellery, etc.	114	128	155	201	207*
Other metal goods	104	111	114	119	122
Selected Items (Numbers)					
Cars and chassis	287,000	328,500	412,290	522,515	475,919
Commercial vehicles and chassis	154,670	170,000	216,373	261,157	257,964
Steam locomotives	677	779	826	808	719
Railway wagons	38,115	45,520	38,379	33,155	41,447
Agricultural tractors	57,978	117,038	90,411	120,211	141,176
Metal-working machine tools	44,807	44,840	44,104	44,904	53,663
Wood-working machine tools	16,057	17,546	17,215	16,491	17,359
Internal combustion engines	222,000	257,000	237,000	305,000	390,000
Steam turbo-alternators and turbines ('000 kilowatts)	1,199	1,641	2,255	2,539	2,076

* Jan.-Oct.

present steel shortage. These are the only cuts in fixed investment that are specifically mentioned in the Survey, and the table of gross fixed investment up to 1951 (revised once again according to slightly altered definitions) is merely a compressed version of that already given in the preliminary White Paper on National Income and Expenditure. This is no real loss of information: the detailed forecasts of investment industry by industry, which finally disappeared from the Survey last year, gave an impression of precision in control over investment that was always illusory. A big increase in investment in stocks—some £300 million—took place

in 1951; but fixed investment, in real terms, was no higher, the increase of £188 million in value being entirely accounted for by the rise in prices. There was a decline in real investment in building and works, offset by an increase in the volume of output of plant, machinery, vehicles, ships and aircraft. This decline was partly due to a fall in total building output: productivity in the industry decreased early in 1951 and, though it later recovered to some extent, it did not regain the level of 1950. Shortage of constructional steel hampered building; partly because a large amount of new defence work was started during the year, the industry became overloaded and too much material was locked up in unfinished work. This may have been partly corrected by the postponement of new building projects outside the spheres of housing and defence. The 1952 building programme will be larger than in 1950 though not so large as was originally intended; but defence expenditure on works services is due to rise from £77 million in 1951-52 to £116 million in 1952-53.

TABLE IV. CONSUMPTION OF SELECTED RAW MATERIALS
(Thousand Tons)

	1948	1949	1950	1951
Sulphur—for sulphuric acid	267	308	358	272
Sulphur—regular (1)	87	86	111	95
Sulphuric acid (2)	1,564	1,678	1,816	1,675
Copper	357	319	334	330
Zinc	223	199	237	189
Lead (3)	188	157	163	163
Tin	25	21	23	24
Aluminium	173	178	181	203
Cotton	428	437	454	457
Wool (million lb) (4)	483	492	518	396
Rubber—natural	194	184	220	234
Sawn softwood (thousand standards) (5)	1,111	1,150	1,031	1,142
Hardwood (million cubic feet)	61	72	97	94
Woodpulp—for making paper	822	1,170	1,363	1,339
Woodpulp—for other uses	108	132	170	185

(1) Including recovered sulphur.
(2) 100 per cent. acid equivalent.
(3) Excluding English refined lead.
(4) Estimated clean weight.
(5) Excluding sleepers, poles, boxboards, pitwood and pulpwood.

The revision of economic policy has completely reversed last year's reliance upon an expansion of exports of textiles and other consumer goods. The recession of demand for textiles last year was world-wide, and still continues: the Survey does not discuss how long it may be expected to last. In 1951 production of cotton and rayon yarn was 2½ per cent higher than in 1950 and cotton and rayon cloth production 4½ per cent higher, but production of wool yarn fell by nearly 10 per cent and of wool cloth by 7 per cent. Exports of cotton piecegoods expanded considerably in volume, though mainly as a result of increased shipments to Australia and South Africa, markets that have since been drastically restricted. Unemployment grew last year in the wool, hosiery and clothing industries, and is now growing in Lancashire; the labour force in the wool industry at the end of 1951 was no larger than at the end of 1947, and in some sections may be below the point at which, in the Survey's words, it could "take advantage of a revival of world trade as soon as it shows itself." In the home market these industries may find some hope in the fact that, while personal consumption in real terms is not expected to vary much this year from the level maintained in 1950 and 1951, metal consumer goods will become more scarce. Consumers should be able to afford more clothing, furniture and other consumer goods produced at home if they want them. Nevertheless, the Survey recognises that additional workers for engineering must come mainly from the consumer goods industries, "many of which will in any case be tending to lose labour during 1952."

Manpower

The main problem of 1952, says the Survey, is "how to bring about a change in the pattern of the use of resources so that more are devoted to defence and exports, even though total resources will be less." Allocation of the main scarce materials is in Government hands, and in general the engineering industry does not lack plant capacity; the crucial problem this year and later, therefore, will be the transfer of manpower. On this matter the Survey says the right things fairly often and fairly firmly:

> We cannot afford to have labour and scarce materials engaged in producing goods for consumption at home when these resources could be used to increase exports. . . . Adjustments of this kind are always difficult and painful, and they must inevitably cause a temporary increase in unemployment while workers are changing jobs. But this country cannot expect to survive in a competitive world without continually adjusting the pattern of its production to meet changes in overseas demand for its exports.

In broad terms, it can be said that the prescription is already beginning to work: labour has begun to move, and to move in the right direction. In 1951 the "metals, engineering and vehicles" group of industries gained 118,000, and increases took place in coal-mining, public utilities and chemicals, while employment in the consumer goods industries began to fall in the second half of the year. But labour is not yet moving fast enough; nor are employers and workpeople convinced that the transfer cannot be avoided.

*

This is the point at which the Survey's refusal to come to quantities most weakens its effect. The pitfalls of forecasting manpower changes have been blatantly demonstrated in earlier Surveys. Nevertheless, some appreciation of the problem for 1952 and beyond, showing in the broadest of terms the transfers of labour within the economy that the Government would consider necessary for Britain's long-run stability, might have strengthened its unexceptionable principles. It might also have forestalled, or more obviously weakened, the special pleas that are coming from workers and employers in industries suffering recession. Those pleas are already beginning to grow more powerful, not only from the soft goods industries but from producers of metal consumer goods who are naturally reluctant to accept cuts in their deliveries at home just at the time when their export markets are showing more resistance. Tenderness towards these industries might begin to frustrate the whole purpose of current policy; but already some signs of it can be detected. The Government's desire to retain flexibility is to be applauded; and even a broad outline of the change in the pattern of national output that the situation requires might be mistaken for a commitment, but this is the only way of demonstrating the order of magnitude of the task that lies ahead—and such a demonstration would surely help the Government to carry through the requisite policies.

Limited Freedom for Cotton

The resumption this year of the private purchase of raw cotton on a limited scale, which was announced by the President of the Board of Trade on Tuesday, has been made possible by the unanimity, ingenuity and expedition shown by the Cotton Import Committee, whose report (Cmd. 8510) was published on the same day. This committee was set up under the chairmanship of Sir Richard Hopkins only last December, and it comprised representatives of all sections of the Lancashire cotton industry, including the trade unions. It says much for the unity and far-sightedness of the industry that the committee has been able to submit a unanimous report within four months, in time for something to be done before the new buying season starts in August. The President of the Board of Trade and the Chancellor of the Duchy of Lancaster took only four weeks to consider and accept the recommendations. Briefly, they are that spinners should be given the option each year of buying cotton privately if they so desire, but that the Raw Cotton Commission should continue to supply those spinners who choose to buy from it as well as to offer forward cover to the whole industry (including those spinners who prefer to do their own buying and the merchants who will serve them).

These recommendations seem to provide an ingenious solution to a problem that has its principal roots in the foreign exchange restrictions that are at present unavoidable, but that had threatened, nevertheless, to become a subject of bitter and sterile political controversy. The Raw Cotton Commission was set up by the Labour Government in January, 1948. It took over from the wartime Cotton Control the purchase and import of raw cotton, and it was intended to be a permanent organisation replacing the prewar Liverpool market. It was given a monopoly of the import trade in raw cotton, and from the outset it bought most of its supplies in Britain through agents of foreign shippers. The commission was required by law to sell cotton to spinners "at prices best calculated to further the public interest," and it was enjoined "to balance its revenue and expenditure taking good years with bad." It soon became evident, however, that its selling prices had to be based more or less on current replacement costs—that is to say, on the prices that reflected those in the two remaining cotton markets of the world. So much of Britain's cotton yarn and cloth is sold in competitive export markets that the commission quickly realised that British spinners should not be asked to pay more in the aggregate for their raw material, at any given moment, than their foreign competitors. It has, however, used the price mechanism to encourage spinners to take certain growth of cotton and to discourage them from others.

The main complaints that have been levelled by the spinners at the commission seem to have arisen, not from any alleged inefficiency on its part, but from the fact that the Treasury allows it only a limited allocation of dollars. Some two thirds of Britain's annual consumption of raw cotton is of the "American" type, and the commission has normally been able to buy only about a half of this from the United States or other dollar account countries. The rest has had to come from non-dollar producers of "American" cotton; as many other importing countries have imposed similar restrictions on dollar purchases, demand—and therefore prices—have tended to be higher in these non-dollar markets. In order to balance its books, the commission has had to "average" its selling prices, so that spinners have paid higher prices for United States growths than those ruling in the world market and lower than "world" prices for American-type cotton obtained from non-dollar sources. While the sellers' market persisted, it was easy to pass this higher cost of raw material on to the consumer, but as soon as a buyers' market appeared—as it did towards the end of 1951—British manufacturers found that those of their foreign competitors who were free to buy dollar cotton at the world price could undercut them.

*

The commission also took over the function of the prewar Liverpool Futures Market by providing its customers with a comprehensive cover or insurance against price fluctuations. This scheme, which was introduced, in its present form, for spinners in November, 1949, and which was later extended to include converters, doublers and manufacturers, provides a better service than that enjoyed by some other European cotton industries. Hedging facilities are indispensable, and if private importation were to be fully restored, such facilities could be provided privately only if freedom were given to import cotton of a whole group, such as American-type or Egyptian-type, irrespective of the country of origin or the currency used.

It is, therefore, only in the context of present exchange restrictions that a comparison between the virtues of the Raw Cotton Commission and the prewar system can be made. The advantages claimed for the present system

Capital Replacement Costs

This service, prepared jointly with the Association of Certified and Corporate Accountants, provides indices of changes in the replacement cost of industrial plant, and is being steadily expanded. We have recently added new indices covering the following types of equipment:

Mechanical Handling Equipment.
Foundry Plant.
Tanning Machinery

These are in addition to our indices for factory buildings, agricultural machinery, electrical equipment, chemical plant, machine tools, textile machinery, food processing machinery, office equipment, and commercial vehicles.

Other indices can be prepared on request. For further particulars please write to:

The Economist Intelligence Unit
22 Ryder Street, St. James's,
London, S.W.1

certainly right to address themselves to the general body of investors, for subscriptions from them offer the best assurance that the loan, when it finds its home, will not be financed directly or indirectly through the banking system. The trouble is, however, that a loan does not find such a home quickly, and the turn offered on this operation does not seem large enough to make this process as speedy as possible. In the meantime, the "departments" have to carry the load, financing themselves by floating debt borrowings from the banks—which will be likely to find their liquid assets increased by the very operation that reduces their advances. For the time being, therefore, the grip of monetary discipline upon them will be somewhat slackened. In short, these issue terms are consistent with a firm, but not with a really tough, objective for monetary policy. By the standards of gilt-edged market management, they may prove to have been highly skilful and well in the interests of BEA; but if monetary control is to be kept as taut as the national interest requires, some further initiatives may be required from the authorities before many weeks have passed.

* * *

EPU and the Monetary Fund

The Managing Board of the European Payments Union has given further consideration in Paris to the amendments that will have to be made to EPU before it is renewed for a third year on June 30th next. The board is due to report to the Ministerial Council of the Organisation for European Economic Co-operation by the middle of May and to make definite proposals under two heads, the capital needs of EPU and the measures to be taken to meet the case of the exceptional creditors. An earlier proposal of the Managing Board was that a further $200 million is required as an addition to the capital resources of the Union if it is to fulfil its task with efficiency. Any hopes that this additional sum might be provided by the United States Government have by now been shattered. The refusal from Washington has, however, been softened by suggestions that the International Monetary Fund might intervene to assist EPU. The ways and means of such assistance have probably been discussed in Paris, where the IMF has an observer who can be taken into consultation by the Managing Board of EPU. The Monetary Fund is not allowed to deal direct with organisations. Its transactions must be with member countries. It could, however, come to the assistance of EPU indirectly by arranging deals with, for example, Belgium and Britain, the effect of which would be to convert part of the British overdraft with EPU into a purchase of dollars from the IMF, the dollars being used to effect payments to Belgium and reduce that country's credit position with the Union.

The position of Belgium was discussed at some length in London this week when the Belgian Finance Minister and the Governor of the National Bank met the Chancellor of the Exchequer. Although there are indications that the Belgian surplus with other members of EPU is at long last beginning to run off, Belgium wishes to fund, and if possible market, part of its large surplus with EPU. Up to the end of March Belgium had run up a cumulative surplus of $733.3 million with EPU, or more than twice its quota of $360 million. Various schemes have been put forward for funding at least the excess over the quota, one suggestion being that Belgium might convert it into bonds for which it might find a market in Switzerland and other hard currency countries. In March Belgium was again the main EPU creditor, with a surplus of $45.4 million. It was followed by the Netherlands with a surplus of $39.2 million and Germany with a surplus of $35.5 million. Later indications from Paris suggest that the Belgian surplus for this month will be considerably smaller. In accordance with the gold payment arrangements made with Belgium for the second quarter of this year, the whole of it will probably be payable in gold, thus encroaching further on already seriously depleted capital resources of the Union.

Relief for Rubber?

Despite the news that the United States Government has lifted most of its controls over domestic consumption of natural rubber the price of rubber on the London market has remained virtually unaltered this week. There was a minor boom in rubber shares on the stock exchange on Monday, but it was short-lived. This dull response was due to recognition that so long as the Government-operated synthetic rubber industry in America keeps its product sheltered behind a fixed minimum consumption level and an artificially low price, natural rubber will be unable to compete—in this, its largest market—on anything like equal terms. Moreover until July the American manufacturer will have to buy all his natural rubber from the United States Government at its present price of 48½ cents a lb, which is far above the world level. In the third quarter of the year United States imports may begin to rise, but it would be optimistic to suppose that its imports of natural rubber for 1952 as a whole will now be much more than 100,000 tons above the earlier estimate of 475,000 tons exclusive of stockpile needs.

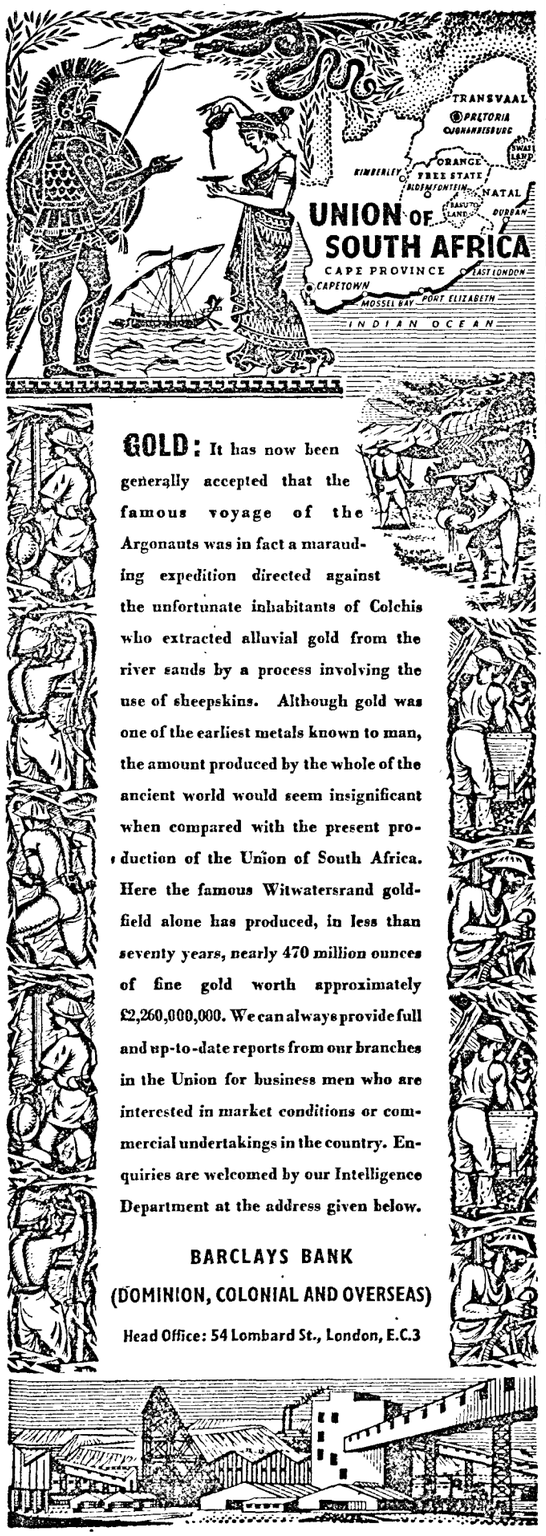
For the longer term, too, the prospect is still very difficult to assess. In freeing natural rubber, the American Government has announced that it will allow consumption of general purpose synthetic (GR-S) to fall to 450,000 tons a year and of special purpose synthetic to 60,000 tons a year, compared with present total consumption of 775,000 tons of both types of synthetic. Until the stockpile of GR-S reaches 75,000 tons, however (it is now believed to be about 55,000), production will only be allowed to fall to an annual rate of 600,000 tons—that is, 100,000 tons below the present level; when the stockpile reaches 122,000 tons, production may come down to 450,000 tons. Unfortunately, the reduction of the obligatory level of consumption does not mean that American industry will necessarily take an extra 265,000 tons of natural rubber. The National Production Authority considers it unlikely that synthetic consumption will drop to the minimum level; in any case, there will be some delay because of the technical difficulties of switching back to natural rubber.

Whether or not American industry will take advantage of the opportunity to use more natural rubber will depend largely on how its price compares with that of synthetic—at present GR-S at 23½ cents a lb, is about 13 cents a lb below the world price of natural rubber and 25 cents a lb below the American price. This difference in price may tempt manufacturers to go on using synthetic for many products. So long as GR-S is kept at this absurdly low price—which is below the price that would have to be charged by any privately-owned synthetic rubber plant—there seems little prospect of any really marked improvement in the rubber market. In any case, rubber producers have hanging over their heads the American government's threat that controls will be reimposed on natural rubber if consumption of synthetic rubber falls below 450,000 tons a year.

* * *

Freight Rates Fall Sharply

The steady decline in tramp freight rates that began in November last accelerated during March. The Chamber of Shipping's index of sterling tramp freight rate index was 137.7 for March, having fallen 20 points from the level in February. It can be compared with an average of 173.7 for the whole of 1951 and of 84 for 1950. The index may slightly overstate the downward drift, since the feature of the freight market in March was the large number of forward fixtures arranged, for which lower terms are normally accepted. Several early fixtures for grain from the St. Lawrence to the U.K/Continent were made at the beginning of March at 16s. per quarter; by the middle of the month 14s. 6d. per quarter was being accepted for June loading and at the end of the month 13s. was arranged for July. Such a sequence of fixtures during a particular



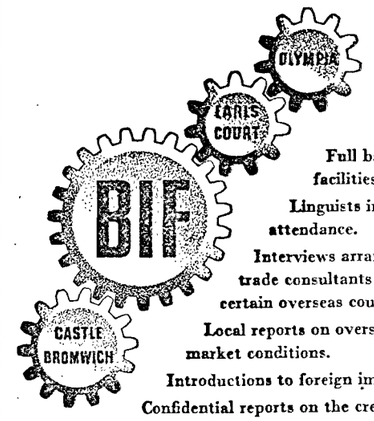
GOLD: It has now been generally accepted that the famous voyage of the Argonauts was in fact a marauding expedition directed against the unfortunate inhabitants of Colchis who extracted alluvial gold from the river sands by a process involving the use of sheepskins. Although gold was one of the earliest metals known to man, the amount produced by the whole of the ancient world would seem insignificant when compared with the present production of the Union of South Africa. Here the famous Witwatersrand goldfield alone has produced, in less than seventy years, nearly 470 million ounces of fine gold worth approximately £2,260,000,000. We can always provide full and up-to-date reports from our branches in the Union for business men who are interested in market conditions or commercial undertakings in the country. Enquiries are welcomed by our Intelligence Department at the address given below.

BARCLAYS BANK

(DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54 Lombard St., London, E.C.3

SOME SERVICES WHICH MAY INTEREST CUSTOMERS OF LLOYDS BANK AT THE BRITISH INDUSTRIES FAIR



Full banking facilities.
Linguists in attendance.
Interviews arranged with trade consultants from certain overseas countries.
Local reports on overseas market conditions.
Introductions to foreign importers.
Confidential reports on the credit standing of overseas buyers.
Advice on any further problems connected with the export trade.

LLOYDS BANK
LIMITED

FACTS ABOUT AUSTRALIA

OVER
8,000,000
POPULATION

During the last four years, Australia's population has increased by 6½% with a consequent expansion of primary and secondary industries. To prospective settlers and to companies which wish to establish themselves in Australia the Bank of New South Wales can give helpful advice.

Ask your bankers to consult and use—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2.
and 47 Berkeley Square, W.1

INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY

GB5102E

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are.

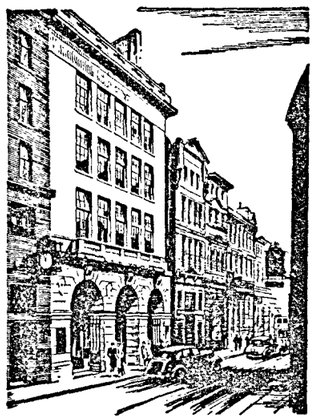
Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2
West End (London) Branch: 28 Charles II Street, London, S.W.1
Manchester Branch: 52 Mosley Street, Manchester, 2
Liverpool Branch: 27 Derby House, Liverpool, 2
New York Agency: 65 Broadway, New York, 6

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.



PRINCIPAL LONDON OFFICE:

75, CORNHILL, E.C.3.

DISTRICT BANK LIMITED ESTABLISHED 1829

THE DISTRICT BANK IN LONDON

LONDON COMMITTEE:

SIR THOMAS D. BARLOW, G.B.E.
SIR ROBERT A. BURROWS, K.B.E.
LT.-COL. T. MARSHALL BROOKS, D.L.
SIR KENNETH LEE, BT.
ALAN RUSSELL.
THE RT. HON. THE EARL OF VERULAM.

"Accepted by the Public because it serves a Public Need"

SUN LIFE ASSURANCE COMPANY OF CANADA

(Incorporated in Canada in 1865 by Act of Parliament as a Limited Company)

FAMILY INCOME
RETIREMENT INCOME
CHILD'S EDUCATION
PARTNERSHIP SECURITY, ETC.

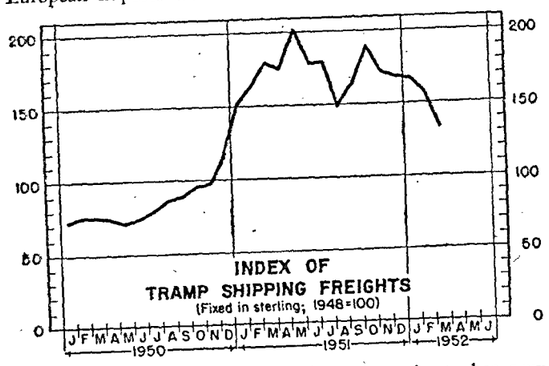
Why not ask us to help you with your Life Assurance Problem! You incur no obligation

M. MACAULAY (General Manager for the British Isles)

141, SUN OF CANADA HOUSE,
COCKSPUR STREET, LONDON, S.W.1

calendar month is bound to exert an influence on the index; but apart from vagaries of this nature, the general trend of freight rates is reflected, and that trend is clearly downward. The rate for sugar from Cuba to the United Kingdom, for example, declined from 125s. to 95s. a ton during March, and the rate for coal cargoes outward to the Plate, which has remained for months at 120s. a ton, dropped to 90s.

The major cause of this fall in rates has undoubtedly been the easing of coal shortages in Europe in a mild winter permitting a cessation of transatlantic coal chartering, another cause has been the import cuts imposed by many countries. European imports were once estimated at 42,000,000 tons.



of American coal for this year, but the estimate has now been cut to 17,000,000 tons, of which nearly half has already been shipped. Large numbers of vessels have thus become available in the Atlantic, although this sudden surplus of tonnage is being offset by the withdrawal of vessels previously released from the American reserve fleet. By the end of March the US authorities had ordered that 266 ships should be laid up, and a week later it was reported that another 100 would be withdrawn. It was stated in Washington that Government ships operated under general agency agreements would in future be confined to war cargoes, leaving all "aid" cargoes for private operators. Vessels owned outside America are now willing to accept cargoes at rates which would be completely uneconomical for American-operated vessels.

When freight rates dropped to their lowest level in 1950, owners were faced with the prospect of being forced to lay some ships up. Since then operating costs have risen considerably. The level has now probably already been reached at which the owners of American-flag tramp tonnage are being compelled to lay up ships, but it is fairly certain that the majority of British ships are still able to operate at a profit. Many of them, in any case, are already fixed for fairly long periods at much higher rates than prevail at the moment: vessels are still being fixed on time charter at about 28s. per month, compared with 12s. 6d. before the Korean campaign. Some British shipowners moreover find some evidence for their hope that the downward trend of freights in general is coming to a halt for the time being, in the fact that charterers are certainly tending to cover their requirements well forward rather than wait in the hope of catching the market at a much lower level.

* * *

Free Gold Weakens

The free market premium over the official dollar price for gold has been sagging in recent weeks. The current price for free gold is no higher than $37\frac{1}{4}$-$\frac{1}{2}$ per ounce, the lowest figure quoted since the official price was fixed at $35 per ounce in 1934. The price broke through what was regarded as a minimum floor of $38 in mid-March, following the troubles in the Bombay bullion market. These led to the suspension of dealings and to a temporary cessation in the offtake of gold by India. The pipelines that feed this market—through Kuwait from the West and Macao from the East—filled up rapidly. The traffic to India is smuggling pure and simple and does not immediately adjust itself to changes in the Bombay market. By the time the true import of events in the Bombay market had percolated to the sources of supply the pipelines were overfilled. The result is that though Bombay is open again and taking modest amounts of gold, it will be a considerable time before the resumed offtake from India begins to affect the free market price of gold in Europe and the Middle East.

The most important single factor in the more recent decline of the free market price has been the cessation of buying in France. During 1951 French hoarding demand was probably the largest single source of buying in the free market. It cannot be claimed that the battle of the French franc has been won; but the surprising longevity of the Pinay Government, the voting of a seemingly balanced budget for 1952 and the readiness with which further United States assistance has been forthcoming have combined to create a respite for the franc and a virtual cessation of gold hoarding in France.

While these two important props of support for the gold market have been temporarily withdrawn or weakened, the supply of gold reaching the free markets has continued to flow strongly. The latest quarterly returns of the South African mines indicate an appreciable increase in the profits earned from premium sales. Since the premium over the first quarter of 1952, the period covered by the returns, was falling, it must be concluded that the South African mines have been selling in the free market a larger proportion of their production. Another straw showing a similar direction of wind is the announcement by the Finance Minister of Southern Rhodesia that the gold mines in that country will henceforth be allowed to sell the whole of their production in the free market and will no longer be limited to the former proportion of 40 per cent. Another indication of the easing and official recognition of the free market for gold is the decision of the Swiss Government to free from licensing all traffic in gold to, from or through Switzerland. The co-existence of the two markets in gold—free and official—is becoming increasingly recognised and officially tolerated; but by the same token the price margin that separates them is narrowing.

* * *

Productivity Reports and Results

It is only on the factory floor that the real value of the many productivity reports published in Britain in the last two years can be proved or written off. The Anglo-American Council on Productivity, therefore, has done well in the present period of uncertainty about its future to publish progress reports assessing just how much influence two of the earliest reports published have had in practice. These concern steel-founding, which published the first report late in 1949, and drop-forging, upon which a report was published in May, 1950. The assessments have been made by the Council, which disclaims any pretence of completeness; but it may safely be assumed that few important or measurable improvements in practice following upon the reports will have been missed.

The results recorded in both industries are impressive. Something has been heard before of the advances achieved in steel-founding; for this reason, and also perhaps because some of its work is more easy to measure, the report upon changes in drop-forging has more immediate interest. A number of companies report increases in output by 1951 such as 40 per cent over 1949, 50 per cent over 1945 or 1946, and 100 per cent (and in one case 500 per cent) over prewar. One of the leading firms in the industry claims a rate of output between 5 and 48 per cent higher than American for 12 identical forgings made on similar plant,

and an equivalent rate of output for seven others. Three trends of advance can be discerned in the industry; greater use of the board hammer, which is similar to the Ceco hammer used in America and described in the report; improvement of the friction-lift hammer generally in use in Britain; and use of the forging press—which since 1949 has begun to be produced in this country. The industry's trade association has commissioned a long-term investigation into furnace design, which has already thrown up some weaknesses in British designs of furnace.

The British Steelfounders' Association at the end of last year assessed the general increase in productivity throughout its industry as 15 to 20 per cent in the last two or three years, though this is particularly difficult to measure with any precision. Apart from the technical advances that have followed within the industry, this particular report may be credited with a considerable influence outside. It was the first, and its comparisons of productivity were sensational enough to arouse wide discussion about their applicability to British industry in general. Its outspoken comments upon the two countries' different attitudes to industry perhaps did more to interest other industries in sending productivity teams to the United States than any propaganda of the Council could have done. It might even be said that it provided a pattern for the general conclusions—and some of the vocabulary—used by many of the teams that reported later.

* * *

Surplus of Wool

The recent weakness in the wool market is partly explained by the revised estimates of world wool production that are published by the Commonwealth Economic Committee in the current issue of *Wool Intelligence*. Although the world clip is now estimated at 3,954 million lb (greasy) or 130 million lb less than the first estimates made at the beginning of the season, the clean content of 2,290 million lb is still some 250 million lb above the current rate of consumption. Nevertheless, part—at any rate—of this surplus is likely to be used in increasing strategic and manufacturers' stocks, and the prospect for large supplies next year is not bright.

The Australian clip has declined for the second year in succession owing to lighter fleeces; the recent bush fires and drought will probably cause a serious fall in next season's output. New Zealand, United States and Uruguayan production has remained practically stationary this year, while wool production in Argentina is now believed to be about 20 million lb (greasy) below 1950-51. South Africa is the only major wool producing country to show an increase—one of about 3½ per cent—above the 1950-51 level; more than 85 per cent of the South African clip is merino wool and this has offset the smaller merino output from Australia. In all, world supplies of merino wool this season at 1,348 million lb greasy (729 million lb clean) are estimated to be a little below those available last year—the first time supplies have not increased since 1947-48. Next year supplies of wool for apparel may decline quite sharply, for the loss of sheep in Australia—especially among the merino sheep that graze mainly on upland pastures—is said to be severe.

ESTIMATED WORLD PRODUCTION OF RAW WOOL
million lb—greasy basis

	Average 1934-38	1947-48	1948-49	1949-50	1950-51 *	1951-52 *
Australia	995	973	1,030	1,111	1,092	1,080
New Zealand	300	362	367	390	390	391
South Africa	261	215	227	225	240	248
Argentina	376	460	425	415	430	420
Uruguay	114	150	144	163	183	180
United States	451	328	296	264	259	259
United Kingdom	111	75	81	88	89	87
Others	1180	1126	1201	1179	1235	1289
Total	**3,788**	**3,689**	**3,771**	**3,835**	**3,918**	**3,954**
Clean equivalent :—						
Merino	693	654	678	707	731	729
Crossbred	965	1,057	1,069	1,098	1,134	1,142
Total apparel	1,658	1,711	1,747	1,805	1,865	1,871
Other	400	389	403	394	409	422
Total	**2,058**	**2,100**	**2,150**	**2,199**	**2,274**	**2,293**

Source: Commonwealth Economic Committee.
* Provisional.

* * *

Prelude to the Comet

The de Havilland Comet has been giving a series of demonstration flights to a mixed bag of passengers before starting the world's first jet service next Friday afternoon. Many of them were noticeably subdued when they boarded the aircraft which has nearly the same speed and is capable of a rather better rate of climb than the RAF's jet fighters. A middle-aged passenger can be excused for expecting a flight under these conditions to be a little alarming, but the passenger's view of the Comet is very different from that seen from the ground. The scream of the jet engines that deafens the ground crew and disturbs the sleep of the local residents is for the great part shut out of the cabin. The absence of any vibration from the engines, or of any visible means of propulsion, gives an impression of immobility even when the aircraft is flying at 500 mph and gaining height at the rate of more than 1,000 feet a minute. These flights have proved that the Comet's claim to introduce a new standard of comfort into air travel was no idle boast. The months of development flying that proceeded them have also shown BOAC that its operating costs compare more favourably with those of other aircraft than its critics would admit. Such comparisons are limited to aircraft on which BOAC has its own operating data, but they provide a rough and ready yardstick by which to measure the Comet's performance.

The Johannesburg route is not ideally suited to the Comet, and it tends to exaggerate what is the biggest handicap of any jet airliner; its high fuel consumption by comparison with that of a piston-engined aircraft. Until night landings are made at Cairo again, the Comet must make five refuelling stops on the 6,700 mile journey between London and Johannesburg. This gives a total journey time of nearly 24 hours, less than 19 of which are spent in the air. Some of the new piston-engined aircraft that are just coming into service can do the same journey with only one stop. BOAC's competitors could therefore provide nearly as fast a service on the Comet route, but only if their passengers are prepared to spend ten hours at a stretch in the air. The Comet is also penalised by the short life of its engines. While piston engines are overhauled at intervals of between 600 to 900 hours, the Comet's Ghost engines, being new, are overhauled at less than 400 hours, soon to be raised to 450 hours. It will be some time before the Air Registration Board is prepared to grant them the same life as that of the piston engines with several thousands of hours flying experience behind them. The cost of these overhauls is difficult to estimate. The first few engines may cost as much as £2,500 apiece; compared with £1,500 to £3,000 for a piston engine, depending on its complexity. By the end of the year, the cost of overhauling the Ghost may be nearly halved, and if the period between overhauls has by then been lengthened, the comparison with a piston engine in, say, a Stratocruiser, should be in the Ghost's favour.

Nevertheless, there is no longer any doubt that from the outset the aircraft will pay its way over this route with a slight margin over some of the aircraft now in service. Operating experience will make it possible to tighten flight schedules and this, combined with a reduction in engine overhauls, makes it reasonable to expect a ten per cent reduction in operating costs by the beginning of next year.

A VALUABLE AUXILIARY CALCULATOR FOR THE LARGE OFFICE

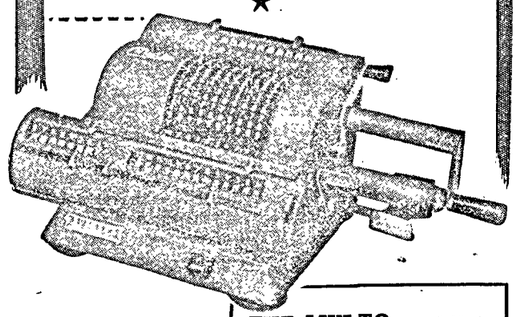
No skilled operator needed.

THE IDEAL CALCULATOR FOR THE SMALL OFFICE

All members of the staff can use it.

THE PERFECT PERSONAL CALCULATOR FOR THE BUSINESS EXECUTIVE

No bigger than a desk 'phone.



★ Low price—high performance.
★ One hand operated.
★ Handy and Portable.
★ Precision Built.
★ Attractive in Appearance.

THE MULTO is available in **4 MODELS**

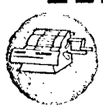
MODEL 3—10 figure Setting-board, Result Register 13 figures, Proof Register 8 figures **£49**

MODEL 13—Similar to Model 3, but with back transfer device **£59**

MODEL 103—As Model 3, but with full tens transmission **£59**

MODEL 113—As Model 103—and with back transfer **£69**

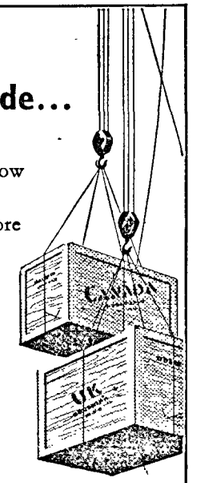
The MULTO



PORTABLE LIGHTWEIGHT CALCULATOR

BULMER'S (CALCULATORS) LTD.,
7 & 8 POULTRY, LONDON, E.C.2.
Telephone: Central 3611.
Sales and Service throughout Great Britain

$2 Million Daily Trade...



That's a measure of the two-way flow of goods between Canada and the United Kingdom! Why not explore the opportunities for expanding *your* business in this vast market?

British business men buying, selling and manufacturing in Canada realize they can rely on *The Canadian Bank* to give constructive, efficient banking service and valuable market information. Why not call on *The Canadian Bank* yourself?

The Canadian Bank of Commerce
2 Lombard Street,
London, E.C.3
Head Office: Toronto, Canada
Over 600 Branches across Canada

THE
UNITED COMMERCIAL BANK LIMITED

(Incorporated in India, Liability of Members is limited)

Head Office:
2 ROYAL EXCHANGE PLACE, CALCUTTA

G. D. BIRLA, Esq., Chairman.

AUTHORISED CAPITAL	Rs.80,000,000
SUBSCRIBED CAPITAL	Rs.40,000,000
PAID-UP CAPITAL	Rs.20,000,000
RESERVE FUND . .	Rs. 6,750,000

With over 80 Branches at the leading centres of Industry and Commerce in India, Pakistan, Malaya and Burma, The United Commercial Bank is well equipped to serve Banks, Commercial Institutions and individuals carrying on business with India or intending to open connections with that country.

B. T. THAKUR, General Manager.

This brings the Ghost Comet's costs to the level of those of the Constellation, the most economic aircraft that the industry has seen for many years. The costs of the Avon Comet may show a further reduction of 20 per cent, giving a 30 per cent drop in costs within two years of the start of operations. The spotlight on Friday will be on BOAC but the Comet was from start to finish the project of the aptly named de Havilland Enterprise, built and developed with several million pounds of the company's own money. It should prove a profitable investment to the company and to the country.

* * *

Is Beer Output Falling?

Beer production in February amounted to 1,530,000 bulk barrels, 121,000 barrels, or over 7 per cent less than in February, 1951. This is an unexpected development, since in each of the previous four months output was greater than a year earlier. It does not seem to accord with the conclusion that has been formed in recent months that the long postwar decline in output was at last over and that beer production had perhaps begun to increase. But one month's evidence cannot entirely upset that conclusion.

The rate of brewing depends largely upon the kind of trade expected in the future. How far ahead the brewer looks will vary with the proportions of draught and bottled beer he sells. Draught beer is more perishable than bottled, and is normally consumed within two or three weeks, but bottled beer is good for six weeks or longer. Since draught beer now comprises two-thirds of total production and bottled beer one-third, the weighted average period of consumption for beer as a whole is about four weeks after its brewing. Easter, 1951, came in late March; this year three weeks later, in mid-April. Beer for the Easter trade last year was probably brewed in February; this year it will probably have been brewed in March. Here is one reason why output was lower this February; though it is hard to assess how much of the difference it explains. It may be concluded at least that the lower February figure alone does not prove that the decline in beer consumption has been resumed. For the same special reason, output in March this year may be expected to be higher than in March last, so that comparison of the combined output for February and March in each year will be a better guide to the trend of demand. Since Whitsun this year is also three weeks later than last year—it comes early in June compared with mid-May in 1951—similar caution will be needed in interpreting the figures of output in April and May when they appear.

* * *

Television for Industry?

A demonstration given last week of the private television link installed by Pye Radio between the office of Glyn Mills Bank in Whitehall and its records office at Osterley, ten miles away, suggests that there may be a substantial market for television in industry. The television link was not suggested until the bank had tried and abandoned several more conventional methods of direct communication with the records office. It has the advantage over them of not only making the recorded information on customers' accounts immediately available, but also of presenting them visually so that they can be read over in the normal way or the specimen signatures checked at will. Glyn Mills was forced by circumstances to store records at Osterley; other companies keeping bulky records might find that the two-to-one difference between central and suburban rents makes it worth while to adopt a similar procedure. The deciding factor will be the capital and running costs of the installation. Pye Radio puts this as low as £10,000, with running costs of £5 to £10 weekly. But the ten miles between Whitehall and Osterley represents the effective limit of the transmitters' range.

Pye has worked hard since the war to find markets outside the BBC for television transmission equipment. The BBC does not often want more than one transmitter at a time or a small number of cameras, and orders on this scale hardly justify the extensive development expenditure that must be incurred if a company's products are to be kept to front line standards. If the equipment can be mass produced at the price quoted by Pye, there is scope for using it more widely in industry for monitoring dangerous reactions, for supervising operations, and inspecting instruments. The few private television systems such as those in the atomic energy plants operate on a closed circuit with the cameras and receivers linked by direct cable, but Pye has been giving advice on the installation of a system similar to that developed for Glyn Mills in the Trostre tin-plate mills where machinery obstructs the use of closed circuit cables. Exports also relieve dependence on the bounty of the BBC; British companies are competing strongly with each other for these markets but among them Pye has what must be a unique arrangement with American equipment distributors that is giving it a comfortable business in the sale of equipment—mostly cameras—in the United States. This is now running at the rate of $1 million a year and may secure the company one of the contracts to supply cameras to the Atomic Energy Commission.

* * *

Cheaper Secondhand Ships

The decline in freight rates has had its inevitable effect on the prices of secondhand dry-cargo tonnage in the ship market. The prices of secondhand ships, moreover, fluctuate much more sharply than freight rates. Reviewing sales of ships in the first quarter of this year, Harley, Mullion and Company, Ltd., the London shipbrokers, estimate that a Liberty ship might now be secured for about £375,000, compared with the peak of about £600,000 at the end of last year. Even at this figure, buyers are holding back, and it may be that prices will have to sink lower before any more sales take place. Before the outbreak of war in Korea a Liberty ship changed hands at £105,000. By October, 1950, the value was £200,000, and by June, 1951, it had risen to about £400,000. Secondhand tankers, indeed which showed even more spectacular rises in value, have been maintained, in company with tanker freight rates, although sales have been few. For example, a tanker built over 20 years ago changed hands in January last for over £1 million; a sister ship of the same age was sold for only £162,500 in June, 1950.

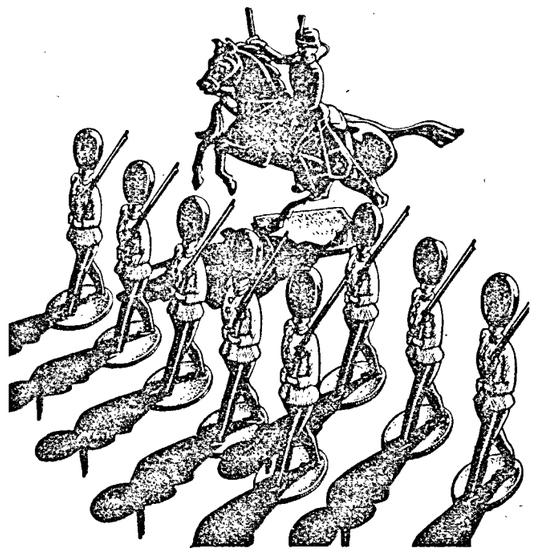
Prices have not declined to the same degree for all classes of tonnage. In dry-cargo tonnage, whereas the value of Liberty and other standard war-built ships may have declined by about 30 per cent in the last three months, prices for ships built before the war but not more than 25 years old have declined by only about 20 per cent. Good class modern ships, not built during the war, have declined only by about 10 per cent in value; at the secondhand prices recently prevailing it was conjecturable whether it would not be cheaper to buy a new ship. The prospect of immediate earnings at high freight rates was commanding a substantial premium. Now that freight rates are returning to a more normal level the demand for immediate tonnage loses its force, except in special circumstances, and the prices of secondhand ships seem likely to decline still further unless there is another sharp rise in freight rates this year.

* * *

Electrical Exports

World exports of electrical equipment in 1951 reached a record level of about £625 million, according to estimates

LEAD



LEAD, one of the heaviest of the elements, is found in many parts of the world as galena or sulphide of lead. It is still mined in Northern England and in Wales. Lead was one of the first metals to be worked by Man. The baths of ancient Rome were supplied with water through pipes made of lead, and for centuries it has been used as a roofing material. Soft, easy to shape and resistant to corrosion, lead is still employed for these purposes, but today it has many other important uses. Large quantities alloyed with antimony are now used to make plates for electric accumulators and to protect insulated cables. Soft solder is an alloy of lead and tin, and alloys of copper, tin and lead are used for bearings. Litharge, an oxide of lead, is used in making flint glass, pottery glazes and in the processing of rubber. Red lead, another oxide, and white lead, or lead carbonate are well known in the manufacture of paint. In the chemical industry, plant and equipment for the manufacture and storage of sulphuric acid are lined with lead because of its resistance to corrosion.

I.C.I. makes wrought lead products such as sheet, pipes, tape and wire for a wide variety of purposes. It also makes the compounds, lead-azide and lead-styphnate for the detonators used with blasting explosives in mining and quarrying.

ICI

Sell to CANADA!

There is still room on the Canadian market for millions of dollars' worth of the right British goods. Canada's first and oldest Bank will be glad to offer valuable information and advice on trading conditions and opportunities.

Enquiries welcomed.

BANK OF MONTREAL

47 Threadneedle Street, London, E.C.2

Head Office MONTREAL

Over 570 Branches throughout Canada

Assets Exceed $2,000,000,000

(Incorporated in Canada in 1817 with Limited Liability)

Explore the Australian Market

— FROM YOUR DESK

Before making plans to visit or establish in Australia, you will naturally wish to make a preliminary survey of the prospects.

Like other business men, you can use our fully equipped information service at 7 Lothbury, London, E.C.2, for every aspect of Australian commercial intelligence.

The NATIONAL BANK OF AUSTRALASIA Limited

(Incorporated in Victoria)

Established 1858

Other London Offices: Australia House, Strand, W.C.2 and 8 Princes St., E.C.2

Over 630 Offices in Australia. Assets £288 Million

of the British Electrical and Allied Manufacturers' Association; this was more than eight times the average value in the thirties. The United States and Britain are the main exporters today, as might be expected, and during recent years the value of their trade has been roughly of the same order; in 1935 the two countries accounted for well under a half of total electrical exports, but last year their combined proportion made up more than 62 per cent. British electrical exports make up nearly a fifth of the total exports of the engineering industries, upon which the main reliance is now being placed. What are the prospects of further expansion of overseas sales by this industry?

This is a question that BEAMA, which has one of the most elaborate export departments that any trade association could maintain, still finds it very difficult to answer regarding 1952. Import cuts in the Commonwealth countries weigh against much further expansion in those markets. Last year they received about three-fifths of the total of £189 million; Australia, for example, buying more electrical equipment last year from Britain than had ever been purchased in one year by any single country. The import cuts at home may also have some repercussions affecting electrical exports to Europe; last year's sales were helped to some extent by measures to encourage intra-European trade. But Canada offers excellent prospects for higher dollar exports: British companies have secured, for example, large amounts of traction equipment for the new Toronto underground, and contracts for generators and transformers for the Aluminium Company of Canada and the Ontario hydro-electric power authorities.

British manufacturers are watching closely the rapid advance of Germany in this field. In 1949 German exports of electrical machinery were negligible in comparison with British; last year they were nearly one-third as high. German manufacturers, without defence preoccupations, have been able to offer shorter deliveries; direct incentive to export is provided by profits tax relief; and there is some prospect that a German Export Bank may be formed to finance long-term export credits. Competition from Japan last year turned out to be less important than some manufacturers feared in 1950, largely because Japanese prices for electrical machinery are now in general no lower than British; but some penetration of the market has been achieved of India and Pakistan, which are valuable British customers.

WORLD EXPORTS OF ELECTRICAL PRODUCTS
(In £ Millions)

1935	Principal Exporting Countries	1951
18·6	Germany	56·0
16·3	U.S. America	200·1*
13·7	United Kingdom	189·1
6·3	Netherlands	36·6†
2·6	France	46·2‡
2·2	Switzerland	23·5
2·2	Sweden	21·6
1·9	Japan	4·7§
1·7	Belgium	24·0
1·3	Austria	4·6
1·2	Hungary	n.a.
0·9	Canada	6·8
0·6	Italy	11·3
0·5	Czechoslovakia	n.a.
70·5	TOTALS	624·5

* Excluding approximately £28·7 million "special category" electrical exports. † Estimate based on 11 months exports only. ‡ Including dispatches to *France d'outre mer*. § Year to June 30, 1951.

* * *

Earnings and Hours

In October last year the average earnings of all workers in the wide range of industries covered by the Ministry of Labour's twice-yearly inquiry was £7 1s. 1d. a week; the average for men was £8 6s. a week. Six months earlier the average for all workers was £6 12s. 2d. and for men £8 0s. 2d.; while compared with twelve months before, these average earnings had risen by about 11 per cent and 10 per cent respectively. This 1950-51 rise is roughly in line with that of wage rates in general and with the rise in the index of retail prices. But as compared with October, 1938, earnings have risen by about 165 per cent, compared with an estimated rise of about 96 per cent in wage rates in the industries covered by the earnings investigation.

The highest average weekly earnings recorded by the Ministry were in the paper and printing trades, where men were earning an average of £9 7s. 5d. a week. But it is interesting to note that in the manufacturing industries covered average earnings for all workers were slightly lower than in the non-manufacturing—mining, building, a small section of the transport industries and national and local government services. Here men's earnings are lower than in manufacturing industries; but the higher earnings of youths and women shift the balance. Railway earnings are excluded from this sample; but a census taken by the Railway Executive for April last shows that average earnings of men in the conciliation grades were £7 12s. 11d.—well below the general average. In coal mining, on the other hand, figures recorded by the National Coal Board showed that in October last men in the industry were earning an average of £10 11s. 11d., with allowances in kind worth 8s. 10d. a week. In the docks, the average earnings in October amounted to £9 14s. 9d. a week, including all allowances.

The Ministry's records of hours worked in the industries covered by its sample show considerable stability. In 1938 the average period of work was 46.3 hours a week; in 1947 and 1948 this dropped slightly below 45 hours; in October, 1950, it was back to 45.7 and last October it was 45.6 hours. Though the proportion of these working weeks represented by overtime has obviously changed, these figures make nonsense of some recent appeals for a "return to the 45-hour week in industry."

Company Notes

Vickers.—When the directors of Vickers doubled the distribution on ordinary capital last year they pointed out that the payment should be regarded as a dividend of 10 per cent and an additional payment of 2½ per cent from undistributed profits that were no longer required by subsidiaries; at the subsequent annual general meeting in June, the chairman emphasised that the payment in this form was a warning in itself that a distribution of 12½ per cent could not automatically be expected in 1951. In these circumstances shareholders will welcome the news that a dividend of 12½ per cent will, in fact, be paid for the year ending on December 31st last. This distribution has been recommended despite a sharp setback in group net profits, which have fallen from £2,838,074 to £2,072,872. This decline is mainly due to an increase in the provision for taxation from £3,575,537 to £4,434,606; gross profits appear to have risen moderately, from £6.9 million to £7.1 million. A large increase in gross profits was not to be expected in a year when Vickers' energies—as far as the aircraft division was concerned—were concentrated upon tooling up.

In contrast to the experience of the group as a whole, the net profit of the holding company has risen from £1,643,644 to £1,793,996 after providing £2,055,226 (against £1,735,570) for income tax, and £516,038 (against £317,800) for depreciation on British government securities. Depreciation on investments has been a very serious matter for the group, since its £6,316,273 holding in English Steel was vested in the Iron and Steel Corporation last February. The £15,267,081 of steel stock then received as compensation is included in the balance sheet at par, but its market value on December 31st was only £13,385,674. As both

Vickers and Cammell Laird have apparently held on to the stock issued in compensation for the vesting of English Steel, the return of the holdings to their original owners would seem to be a comparatively easy operation. The terms on which steel denationalisation is carried out will be eagerly awaited by Vickers shareholders.

Vickers has, of course, an important part to play in rearmament. It also has the underlying financial strength to meet any calls that are made on its resources. In the last year consolidated revenue reserves and undistributed profits have risen from £19,592,824 to £29,551,810, and total net assets from £50,056,013 to £59,953,754, including the £8,950,808 surplus arising on the vesting of English Steel. Now that tooling up is almost completed, earnings from the production of aircraft should soon begin to be reaped. At the current price of 45s. 6d. the £1 ordinary stock units yield 5½ per cent.

Consolidated earnings :—	Years to Dec. 31, 1950	1951
	£	£
Trading profit	4,312,514	4,805,112
Total income	4,320,475	4,814,666
Depreciation	1,212,220	1,352,945
Taxation	1,749,167	1,965,134
Group earnings for ordinary stock	*1,030,613*	*1,082,011*
Ordinary dividends	414,905	437,107
Ordinary dividends (per cent)	20	20
Retained by subsidiaries	319,889	294,464
General reserve	150,000	250,000
Added to carry forward	145,819	100,440
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	12,057,397	14,724,037
Net current assets	8,475,003	6,995,934
Stocks	5,705,629	7,461,504
Cash	2,685,266	711,058
Reserves	8,464,583	9,278,348
Ordinary capital	4,162,922	4,162,922

£1 ordinary stock at 75s. 0d. xd. yields £5 6s. per cent.

*

British Oxygen.—The British Oxygen group enjoyed a greater volume of sales last year, but "continuous and heavy advances in operating costs" kept the increase in trading profits down to modest proportions, from £4,312,514 to £4,805,112; moreover much of this increase was absorbed by higher provisions for depreciation and taxation. Equity shareholders, however, receive a little more. On an ordinary capital of £4,162,922 the full year's distribution is 20 per cent. A year ago a final dividend of 12 per cent was paid on this capital following an interim of 8 per cent paid on a capital of £3,469,102. About £645,000 (against £615,000) has been ploughed back into the business.

Consolidated earnings :—	Years to Dec. 31, 1950	1951
	£	£
Trading profit	4,312,514	4,805,112
Total income	4,320,475	4,814,666
Depreciation	1,212,220	1,352,945
Taxation	1,749,167	1,965,134
Group earnings for ordinary stock	*1,030,613*	*1,082,011*
Ordinary dividends	414,905	437,107
Ordinary dividends (per cent)	20	20
Retained by subsidiaries	319,889	294,464
General reserve	150,000	250,000
Added to carry forward	145,819	100,440
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	12,057,397	14,724,037
Net current assets	8,475,003	6,995,934
Stocks	5,705,629	7,461,504
Cash	2,685,266	711,058
Reserves	8,464,583	9,278,348
Ordinary capital	4,162,922	4,162,922

£1 ordinary stock at 75s. 0d. xd. yields £5 6s. per cent.

The balance sheet shows that further investment in fixed and working capital has led to a marked deterioration in the group's liquid resources. The net book value of fixed assets has risen from £12,057,397 to £14,724,037 and the value of stocks from £5,705,629 to £7,461,504. Bank borrowings and sums due to creditors have both increased and cash balances have fallen substantially, from £2,685,266 to £711,058; part of this fall must be due to the investment of £600,000 in tax reserve certificates, but it is clear that the balance of the proceeds of the new issue in 1950 has been quickly absorbed into the business. By the end of the year the group had already placed £4.1 million orders on capital account, and shareholders must expect that this year the emphasis will be upon profit retentions rather than upon increases in equity distribution.

*

British Insulated Callender's.—Six weeks ago, when British Insulated made an offer of just over 3,100,000 new £1 ordinary shares at 22s. a share, the terms of the offer did not look particularly generous on the basis of the 1950 dividend of 7½ per cent. The over-subscription of that issue showed, however, that shareholders had every confidence in the future prosperity of the company. Their confidence has not been misplaced. The ordinary distribution for 1951 has been raised to 9 per cent by the addition of a cash bonus of 1½ per cent to the maintained ordinary dividend of 7½ per cent. The new shares, which are not yet fully paid, do not rank for this distribution.

Consolidated earnings :—	Years to Dec. 31, 1950	1951
	£	£
Trading profit	6,130,642	7,966,464
Total income	6,307,027	8,288,039
Depreciation	781,899	845,836
Taxation	2,945,201	4,081,211
Group earnings for ordinary stock	*1,801,127*	*2,570,442*
Ordinary dividends	368,460	436,608
Ordinary dividends (per cent)	7½	9
Capital reserves	7,589	5,308
Revenue reserves	1,323,977	1,938,013
Added to group carry forward	307,987	257,349

£1 ordinary stock at 30s. 3d. yields £5 19s. per cent.

When the offer was made, the directors indicated that profits earned in 1951 were in excess of those earned in 1950. This statement is amply borne out by the preliminary announcement that group trading profits in the year to December 31st last jumped from £6,130,642 to £7,966,464. Taxation absorbed £4,081,211 (against £2,945,201) but group net profits still show an impressive rise, from £2,309,147 to £3,054,868. Despite the increased equity distribution, the appropriation to revenue reserves has therefore been increased from £1,323,977 to £1,938,013, while £257,349 (against £307,987) has been added to the carry forward. This is the year of opportunity for the capital goods industries and British Insulated should share in their prosperity, provided raw material shortages do not hold up production. There is clearly every chance that the cash bonus will be consolidated into the ordinary dividend this year and that a rate of 9 per cent will be paid on the new capital of £12,350,000. On this basis, the yield on the new shares at their issued price of 22s. is nearly 8.2 per cent.

*

United Molasses.—In the year to December 31st last, group profits of United Molasses more than doubled, from £3,643,644 to £8,186,344. These bumper profits, which more than bear out the chairman's optimism of a year ago, must largely reflect the prosperity of the group's shipping subsidiaries in last year's buoyant freight market. In addition, the demand for molasses remained high last year and the earnings from the group's other interests probably showed substantial increases.

Consolidated earnings :—	Years to December 31 1950	1951
	£	£
Total profit	3,643,644	8,186,344
Depreciation	1,203,358	1,577,128
Taxation	1,382,256	4,086,628
Group earnings for ordinary stock	*1,079,302*	*2,360,306*
Ordinary dividends†	459,368	610,781
Ordinary dividends (per cent)*..	14·60	19·84
General reserves	205,000	1,010,000
Added to group carry forward	414,994	739,525

10s. ordinary stock at 32s. 9d. yields £5 17s. per cent.

* Equivalent gross rates on ordinary capital of £5,683,500
† Tax free.

The rise in gross earnings has been so sharp that in spite of an equally sharp increase in taxation (from £1,382,256 to £4,086,628), group net profits have also more than doubled, from £1,173,052 to £2,452,650. This has allowed the company to pass on some of the increased earnings to stockholders. A final tax-free dividend of 6½ per cent makes the total ordinary distribution for the year equal to 19.84 per cent gross on a capital of £5,863,500, compared with an equivalent distribution of 14.60 per cent gross in 1950. The directors have also transferred £1,010,000 (against £205,000) to general reserves, while £739,525 (against £414,994) has been added to the carry forward. As freight rates have recently been falling, 1951 may prove to have been the peak year for United Molasses' earnings, but the demand for molasses for industrial purposes seems likely to remain high, and though total earnings may fall, the dividend should not be in jeopardy.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, Apr. 16, 1952	Price, Apr. 23, 1952	Net Yield, April 23, 1952 (*m*)	Gross Yield, April 23, 1952
			£ s. d.	£ s. d.
War Bonds 2½%..	99⅛	99⅛	... *e*	... *e*
Mar. 1, 1951-53			1 10 11	2 18 11 *f*
War Bonds 2½%..	98⅜	98⅜	... *e*	... *e*
Mar. 1, 1952-54			1 19 0	3 4 11 *f*
Exchequer Stk. 2½%	97⅛	97⅛	1 19 7	3 2 10
Feb. 15, 1955				
Serial Funding 1¾%	99 7/16	99 7/16	2 0 3	2 15 4
Nov. 14, 1952				
Serial Funding 1¾%	98 7/16	98½	1 18 7	2 14 9
Nov. 14, 1953				
Serial Funding	97 7/16	97⅜	2 1 11	2 18 6
Nov. 14, 1954				
War Bonds 2½%....	97⅛	97 7/16	2 6 0	3 12 2 *e*
Aug. 15, 1954-56			1 17 0	3 2 2 *f*
Funding 2½%.....	98⅛	98⅛	... *e*	... *e*
June 15, 1952-57			1 16 1	3 4 6 *f*
Nat. Defence 3%...	99 7/16	99⅛	2 2 6	3 14 11 *e*
July 15, 1954-58			1 15 7	3 5 8 *f*
War Loan 3%.....	98 7/16	98⅛	2 2 3	3 11 3 *e*
Oct. 15, 1955-59			1 16 8	3 5 7 *f*
Savings Bonds 3%..	91⅛	91 7/16	4 8 11	6 0 11 *e*
Aug. 15, 1955-65			2 6 10	3 17 5 *f*
Funding 2½%.....	93⅛	92⅞	3 4 11	4 9 11 *e*
April 15, 1956-61			2 3 11	3 8 9 *f*
Funding 3%.....	85 11/16	85⅛	3 19 8	5 11 0 *e*
April 15, 1959-69			2 12 11	4 4 3 *f*
Funding 3%.....	86⅝	86⅞	2 14 5	4 6 1 *e*
Aug. 1, 1966-68			2 11 11	4 3 7 *f*
Funding 4%.....	97⅛*	97*	2 10 2	4 8 9 *e*
May 1, 1960-90			2 4 4	4 3 11 *f*
Savings Bonds 3%..	84⅞	84⅞	3 15 0	5 7 1 *e*
Sept. 1, 1960-70			2 12 11	4 4 9 *f*
Savings Bonds 2½%	83⅜*	83¼*	2 19 0	4 5 3 *e*
May 1, 1964-67			2 13 0	3 19 3 *f*
Victory Bonds 4%..	99⅛	99	2 4 3	4 3 0 *s*
Sept. 1, 1920-76				
Savings Bonds 3%..	82⅜	82⅛	3 4 8	4 17 2 *e*
Aug. 15, 1965-75			2 12 0	4 4 6 *f*
Consols 4%.....	89⅜	89	2 7 5	4 10 10 *f*
Conversion 3½%..	79 7/16	79⅛	2 6 6	4 8 9 *f*
Treasury Stk. 2½%..	68⅛	68⅛	2 5 2	4 6 1 *f*
(after Apr. 1, 1975)				
Treasury Stk. 3%..	68⅛	68⅛	2 6 3	4 8 1 *f*
(after Apr. 5, 1966)				
Treasury Stk. 3½%..	88⅜	88⅜	2 10 0	4 6 11 *e*
June 15, 1977-80			2 8 11	4 5 10 *f*
Redemp. Stk. 3%..	77⅛	77⅛	2 11 7	4 5 7 *e*
Oct., 1986-96			2 8 4	4 2 8 *f*
War Loan 3½%....	79⅛	79 7/16	2 6 9	4 9 10 *f*
Consols 2½%.....	60⅛	60	2 3 10	4 3 6 *f*
Brit. Elect. 3% Gtd..	83¼	82⅞	2 18 9	4 10 9 *e*
April 1, 1968-73			2 13 1	4 5 2 *f*
Brit. Elect. 3% Gtd..	82	81⅞	2 13 9	4 6 2 *e*
Mar. 15, 1974-77			2 11 6	4 4 11 *f*
Brit. Elect. 3½% Gtd.	88*	87⅞*	2 10 1	4 6 0 *e*
Nov. 15, 1976-79			2 8 11	4 4 11 *f*
Brit. Tpt. 3% Gtd..	77⅞	77⅜	2 16 8	4 11 0 *e*
July 1, 1978-88			2 11 2	4 5 9 *f*
Brit. Tpt. 3% Gtd..	83⅛	82⅞	2 18 9	4 10 9 *e*
April 1, 1968-73			2 13 1	4 5 2 *f*
Brit. Gas Gtd. 3%..	76¼*	76⅛*	2 11 2	4 5 5 *e*
May 1, 1990-95			2 9 7	4 4 0 *f*
Brit. Gas Gtd. 3½%.	90⅜	90⅛	2 11 0	4 6 9 *e*
Sept. 10, 1969-71			2 9 9	4 5 7 *f*
Brit. Iron & Steel..	87⅛	87⅜	2 9 10	4 6 7 *e*
3½%, 1979-81			2 9 2	4 5 10 *f*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*m*) Net yields after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, Apr. 16, 1952	Price, Apr. 23, 1952	Yield, April 23, 1952
%	%					£ s. d.
20	*a*	40	*c* Anglo-Am. 10/-..	6⅜*	6⅞*	4 13 2
5	*a*	25	*l* Anglo-Iran £1..	6	5⅞	5 1 1
7½	*a*	12½	*b* Assoc. Elec. £1..	68/6	68/6	5 16 9
7½	*a*	20	*b* Assoc. P. Cem. £1	98/9	100/-	5 10 0
45	*c*	50	*c* Austin 5/-	28/9	28/9	8 13 10 *m*
15	*a*	117½	*b* Bass £1	123/1½	125/-	6 17 2
40	*a*	40	*c* Boots 5/-	20/-	20/-	5 0 0 *l*
9	*c*	7	*a* Br. Celanese 10/-	25/6	24/6	3 13 6
8	*a*	12	*b* Br. Oxygen £1..	76/-*	75/6*	5 6 0
7½	*b*	5	*a* Coats £1	46/3	45/7½	5 9 7
6½	*b*	5	*a* Courtaulds £1..	38/3	37/6	6 0 0
22½	*c*	7½	*a* Distillers 4/- ...	19/-	19/-	4 14 9
15	*c*	17½	*c* Dunlop £1	56/3	56/3	6 4 6
12½	*c*	15	*c* Ford £1	45/-	48/-	6 5 0
22½	*c*	7½	*a* Gen. Elect. £1..	79/6	79/6	5 13 3
11	*a*	17	*b* Gunness £1	112/6	112/6	4 19 7
4½	*a*	5½	*b* Hawker Sid. £1..	35/9	35/9	5 11 11
9	*c*	5	*a* Imp. Chem. £1..	43/3	43/9	5 9 9
13½	*c*	18½	*b* Imp. Tobacco £1	86/3	86/3	7 8 5
5	*a*	10	*b* Lancs. Cotton £1	34/4½	33/9	8 17 10
7½	*a*	10	*b* Lon. Brick £1..	54/6	55/7	6 5 10
60	*b*	15	*a* Marks & Sp. A 5/-	80/6	79/6	4 14 4
8	*a*	10½	*b* P. & O. Def. £1.	49/-	51/-	6 5 6 *f*
27½	*b*	7½	*a* P. Johnson 10/-..	35/-	36/6	6 17 0
11½	*a*	15	*a* "Shell" Stk. £1.	90/7½	93/9	5 1 7
12½	*a*	12½	*c* Tube Invst. £1..	5⅞	5⅞	4 9 11
5	*a*	15	*c* T. & Newall £1..	85/-	85/7½	4 13 5
13½	*c*	5	*a* Unilever £1	46/10½	46/10½	5 15 2
8	*c*	10	*a* Union Castle £1	42/-	45/6	4 7 11
50	*c*	50	*c* U. Sna Bocong £1	43/11½	45/7½*	21 18 3
10	*b*	21½	*a* Vickers £1	47/6	45/6	5 9 11
15	*a*	27½	*b* Woolworth 5/- ..	43/-	42/9	4 19 5

(*a*) Interim div. (*b*) Final div. (*c*) Div. for whole year. (*b*) Yield basis 20%, after capital bonus. (*m*) Yield basis 50% before merger. (*f*) Yield basis 16% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 19, 1952, total ordinary revenue was £48,474,000, against ordinary expenditure of £97,215,000 and issues to sinking funds £545,000. Thus, including sinking fund allocations of £1,101,000 the deficit accrued since April 1, 1952, was £74,221,000 compared with a deficit of £25,615,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1951 to Apr. 21, 1951	April 1, 1952 to Apr. 19, 1952	Week ended April 21, 1951	Week ended April 19, 1952
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
ORD. REVENUE					
Income Tax	1804225	64,688	78,501	18,307	16,545
Sur-tax	123,000	9,300	7,400	2,200	1,200
Estate, etc., Duties	175,000	11,500	7,600	3,200	2,500
Stamps	57,500	3,600	2,400	1,200	500
Profits Tax & EPT	452,000	20,900	19,500	2,800	2,900
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	220	120	80	70
Total Inland Rev.	2618725	110,208	115,521	27,787	23,715
Customs	1043500	61,166	54,005	20,111	19,852
Excise	772,000	17,000	10,510	6,900	4,523
Total Customs and Excise	1815500	78,166	64,515	27,011	24,377
Motor Duties	64,150	3,172	3,009	134	197
Surpl's from Tradg. P.O. (Net Receipts)	12,000	...	...	...	...
Broadcast Licences	...	...	...	...	...
Sundry Loans	15,000	...	...	...	...
Miscell. (incl. Surplus War Stores)	26,000	76	55	20	...
	110,000	6,222	6,187	250	185
Total Ord. Rev.	4661375	197,843	189,287	55,202	48,474
SELF-BALANCING					
Post Office	209,235	8,400	8,100	3,500	3,000
Income Tax on E.P.T. Refunds	4,900	82	520	2	3
Total	4875510	206,325	197,907	58,704	51,477

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	51,358	51,907	22,152	21,286
Payments to N. Ireland	40,000	1,281	1,360	...	...
Other Cons. Funds	10,000	479	540	466	529
Total	625,000	53,118	53,807	22,618	21,815
Supply Services	3605562	170,000	208,600	67,700	75,400
Total Ord. Expd.	4230562	223,118	262,407	90,318	97,215
Sinking Funds	...	340	1,101	210	545
Total (excl. Self-Bal. Expd.)	4230562	223,458	263,508	90,528	97,760
SELF-BALANCING					
Post Office	209,235	8,400	8,100	3,500	3,000
Income Tax on E.P.T. Refunds	4,900	82	520	2	3
Total	4444697	231,940	272,128	94,030	100763

After increasing Exchequer balances by £9,796 to £2,964,276 the other operations for the week increased the National Debt by £55,311,902 to £25,626 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	2
Export Guarantees Act, 1949, s. 3(2)	100
Local Authorities Loans Act, 1945, s. 3(2)	5,200
Finance Acts, 1946 and 1947: Postwar Credits	114
	6,016

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	38,858	Nat. Savings Certs.	100
Other Debt:—		2½% Def. Bonds	695
Internal	4,470	3% Def. Bonds	953
Ways and Means Advances	14,390	Tax Reserve Certs.	655
		Other Debt:— External	3
	57,718		2,406

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
Apr. 21	3220·0	1779·5	450·6	...	344·0	5794·0
Jan. 26	6601·4*		270·7	...	79·5	4951·5
Feb. 2	4248·8*		239·2	...	67·5	4555·5
„ 9	4200·1*		260·6	...	34·0	4494·7
„ 16	2130·0	2036·5	270·8	...	34·0	4471·3
„ 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	323·8	...	...	4507·5
„ 8	2220·0	1986·4	310·5	...	...	4516·9
„ 15	2250·0	1980·5	334·3	3·2	...	4568·0
„ 22	2280·0	1941·9	359·7	...	...	4581·6
„ 31	4273·1		337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	333·5	...	...	4632·1
„ 12	2440·0	1600·9	305·3	1·0	...	4347·3
„ 19	2500·0	1579·8	320·7	...	...	4400·5

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Average Rate of Allotment s.	d.	Allotted at Min. Rate %
1951						
Apr. 20	240·0	354·5	240·0	10	2·60	54
1952						
Jan. 18	170·0	240·4	170·0	18	11·05	62
„ 25	170·0	247·2	170·0	19	10·74	55
Feb. 1	170·0	249·8	170·0	19	10·64	52
„ 8	170·0	239·9	170·0	19	7·01	61
„ 15	190·0	264·2	190·0	19	6·76	59
„ 22	200·0	271·1	200·0	19	10·55	58
„ 29	200·0	249·5	200·0	20	6·76	67
Mar. 7	200·0	239·2	200·0	20	7·09	75
„ 14	200·0	250·4	200·0	46	3·64	69
„ 21	200·0	251·9	200·0	46	3·39	68
„ 28	210·0	240·2	210·0	47	3·61	81
Apr. 4	220·0	302·1	210·0	47	3·96	58
„ 10	210·0	297·2	210·0	47	0·14	62
„ 18	200·0	316·6	200·0	47	3·27	45

On April 18th applications for 91 day bills to be paid from April 21 to April 26, 1952, were accepted dated Monday to Saturday as to about 45 per cent at £99 8s. 2d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £200 million were offered on April 25th. For the week ended April 26th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Totals 2 Weeks ended: April 14, 1951	April 12, 1952	Week ended April 12, 1952
Savings Certificates:—			
Receipts	10,000	4,850	2,600
Repayments	6,200	6,500	3,500
Net Savings	3,800	*Dr1,650*	*Dr 900*
Defence Bonds:—			
Receipts	1,995	1,550	700
Repayments	2,145	2,930	1,750
Net Savings	*Dr 150*	*Dr1,380*	*Dr1,050*
P.O. and Trustee Savings Banks:—			
Receipts	30,688	32,418	16,556
Repayments	30,751	30,632	16,156
Net Savings	*Dr 63*	1,786	400
Total Net Savings	3,587	*Dr1,244*	*Dr1,550*
Interest on certificates repaid	1,488	1,755	945
Interest accrued	4,867	4,900	2,459
Change in total invested	+ 6,966	+ 1,901	— 36

BANK OF ENGLAND RETURNS

APRIL 23, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1411,825,381	Other Govt. Securities	1435,700,490
In Bankg. Department	38,531,442	Other Secs.	775,133
		Coin (other than gold)	2,511,271
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,821
	1450,356,823		1450,356,821

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	308,651,430
Rest	3,232,876	Other Secs.:—	43,310,164
Public Deps.:—	11,279,572	*Discounts and*	
*Public Accts.**	*10,762,992*	*Advances*	*21,925,178*
H.M. Treas.		*Securities*	*21,384,986*
Special Acct.	*516,580*		
Other Deps.:—	362,904,543		
Bankers	*286,058,971*	Notes	38,531,442
Other Accts.	*76,845,572*	Coin	1,476,955
	391,969,991		391,969,991

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
(£ million)

	1951	1952		
	Apr. 25	Apr. 9	Apr. 16	Apr. 23
Issue Dept.:—				
Notes in circulation	1313·8	1413·7	1418·8	1411·8
Notes in banking department	36·5	36·7	31·5	38·5
Government debt and securities*	1345·7	1448·7	1446·7	1446·7
Other securities	0·7	0·8	0·7	0·8
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	14·2	14·2	10·4	10·8
Treasury Special Account	5·4	0·5	0·5	0·5
Bankers	305·8	277·1	284·3	286·1
Others	89·0	79·7	77·3	78·8
Total	414·4	371·5	372·5	374·2
Securities:—				
Government	364·6	310·7	312·2	308·7
Discounts, etc.	6·4	19·1	25·6	21·9
Other	23·8	21·2	19·4	21·4
Total	394·8	351·0	357·2	352·0
Banking dept. res.	37·3	38·2	33·0	40·0
"Proportion"	% 9·0	% 10·2	% 8·8	% 10·6

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927 = 100)

	April 17, 1951	April 7, 1952	April 22, 1952
Cereals and meat	163·1	183·4	182·8
Other foods	174·1	194·1	192·6
Textiles	342·9	231·9	227·8
Minerals	335·4	389·1	389·2
Miscellaneous	194·4	195·3	195·7
Complete Index	**226·9**	**228·0**	**224·9**
1913 = 100	*312·2*	*311·0*	*309·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 172s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 17	77·0	88·00	159 6	89 14
„ 18	77·0	88·00	159 14	90 8
„ 19	Markets	Closed	161 4	90 12
„ 21	77·0	88·00	160 12	90 12
„ 22	77·0	88·00	160 8	90 8
„ 23	77·0	88·00	162 14	91 6

COMPANY MEETINGS

THOMAS TILLING LIMITED

INCREASED PROFIT

POSITION OF VARIOUS INTERESTS

MR W. LIONEL FRASER'S REVIEW

The fifty-fifth annual general meeting of Thomas Tilling Limited will be held on May 15th at Crewe House, Curzon Street, London, W.

The following is an extract from the review by the chairman, Mr W. Lionel Fraser, CMG, in respect of the year ended December 31, 1951, circulated to stockholders:—

As you will see from the consolidated profit and loss account our trading profits amounted to £1,018,283, an increase of £262,070. Of this increase approximately £100,000 is due to improved trading results, and the balance is due to the inclusion of our new subsidiaries. The profit of the group before taxation is £1,249,894, but this sum has to bear taxation at an increased rate and a larger amount is attributable to minority shareholders. As a result, the net profit attributable to your company is £354,561, which is £31,798 more than the figure for 1950.

DIVIDEND MAINTAINED

Out of the available profits of £659,854 there has been paid the preference dividend for the year, and the directors now recommend the payment of a dividend on the ordinary stock of 6 per cent, which is the same rate as was paid last year.

I should point out that the suggested Excess Profits Levy, as the Finance Bill is at present drafted, will bear most harshly on your company, owing to the incidence of the capital profits dividend which was paid in 1949. It goes without saying that your board are taking energetic steps to impress upon the Chancellor of the Exchequer the injustice of the proposals as they would affect your company, and one must hope that the Finance Bill will be suitably amended in the Committee stage.

I will now review your company's interests:

SUBSIDIARY COMPANIES

Cornhill Insurance Company, Limited.—Marine, Fire, Accident, Employers' Liability, Engineering, Motor and Contingency Insurance.

During 1951 there was a healthy expansion of business both in the British Isles and overseas, and the total premium income for the year is the largest ever reached. As in 1950, home motor insurance was affected both by the increase in the number of accidents and by the tendency for claims to outstrip premium rates, due to national inflationary conditions. This position was, however, more than counterbalanced by the excellent underwriting experience of the fire department. The company has recently introduced wider forms of insurance protection for householders and houseowners than are normally available elsewhere. Close attention is being devoted to the development of new overseas markets, and with the persistent broadening of the basis of the company's operations, we count on continuing progress in the future.

Daimler Hire Limited.—Motor car hirers, chauffeur driven and drive yourself services.

The results have again been highly satisfactory. The programme of expansion has continued and 50 new Daimler limousines, specially designed and constructed to meet the requirements of American, Dominion and other overseas tourists, have been added to the fleet. No other hire company operates cars of such comfort and dignity. This Daimler limousine service is, of course, well known throughout the world both for its efficiency and for the high standards set by its chauffeurs. To meet today's conditions, however, an additional service has been introduced and is already proving very popular. It is for clients who insist on the Daimler Hire standard of service, but are quite happy to hire a car slightly smaller than the big Daimler limousine, provided the charge is correspondingly lower. Daimler Hire has therefore introduced two new chauffeur-driven services, the Humber Pullman limousine and the Humber Super Snipe saloon at charges 15 per cent and 30 per cent, respectively, less than for the Daimler limousines. In spite of considerable competition, the Drive Yourself section is going from strength to strength, due to the quality of the service provided, the variety of cars available for hire and the very moderate charges. The managing director expresses confidence about the demand for the company's services, both from overseas visitors and from clients at home. The Theatre Ticket Bureau has now become firmly established and is much appreciated.

Hobcurn Aero Components Limited.—Engineers, manufacturers of textile machinery, rotor oil pumps, electrical radiators and light engineering components for the automobile, aircraft and agricultural industries: at Stroud, Kent.

The results of this group, in which we purchased a 60 per cent interest early in 1951, have exceeded our best expectations. Additional machines are being installed to cope with the increasing demand for the group's products. The re-allocation of raw materials occasioned by the rearmament programme may affect production of certain lines, but this will be more than counterbalanced by rearmament work being undertaken by the group.

"PYREX"

James A. Jobling and Company, Limited.—Glass manufacturers, specialising in "Pyrex" brand ovenware, and laboratory and scientific glassware; at Sunderland.

Once again this company—our biggest subsidiary—has established a new record both for sales and profits. Judging by the orders, their industrial glass is becoming as well known as "Pyrex" ovenware, and many manufacturers in the food and drink trades and the fine chemical industry are now going over to "Pyrex" glass pipe-lines in place of metal pipes. As a result, additional plant and equipment have been installed, and a modern factory close to the main works has recently been leased. A concentrated drive is being made to increase export sales, and it is meeting with success, despite import restrictions in a number of countries.

Stratstone, Limited. — Distributors of Daimler and Lanchester cars, holding the Royal Appointment as suppliers of motor cars to His late Majesty King George VI and the Royal Family.

This company also earned record profits during the past year. It has now been appointed a main distributor for Lanchester cars, and this with the Daimler agency, further enhances the position of Stratstone as one of the leading motor car dealers in the country. Its reputation stands very high, and it is unequalled for efficient service and courtesy. Included in the company's activities is the marketing of the Essex Bus and Coach Washer. This automatic machine is quite unique in its design and contributes to a marked degree in reducing labour and other costs. It is accepted by the transport industry as of outstanding value. Here again special efforts are being made in the export markets.

F. Troy and Company Limited.—Building and Painting Contractors.

In my review last year I anticipated that the rearmament programme was likely to increase the difficulties of the building trade in general, and this, in fact, has been the case. During 1951 there developed an acute shortage of all kinds of steel required for building work, causing serious delays and a consequent reduction in turnover. These, and other factors, have adversely affected operations, and unfortunately there does not appear to be any immediate prospect of an improvement in supplies. Nevertheless, the company is doing everything possible to overcome the current obstacles.

ASSOCIATED COMPANIES

The British Steam Specialties Limited.—Manufacturers and Distributors of Valves, Gauges, etc., for Steam, Gas, Air and Water; at Leicester.

This company continues to trade at an increasingly high level, although material shortages are causing difficulties. The company has its own distributing warehouses in most of the big cities in the United Kingdom, and the demand for its products continues to grow. If materials and labour are not further restricted, the future looks promising.

Timothy Hird and Sons Limited.—Worsted Combers and Spinners; at Keighley, Yorkshire.

The hopeful anticipations expressed for 1951 proved themselves to have been justified although the appalling state of the wool textile market naturally had its effect on trading profits. In spite of this, the company's machinery was kept fully employed, which was a commendable achievement in the circumstances. The coming year may be even more difficult, but the management is alert and experienced and faces 1952 with resolution.

E. R. Holloway Limited (includes The Barnet Comb Co. and Lustrac Plastics)—Comb Manufacturers and Producers of Plastic Powders; at Welwyn Garden City.

This company has successfully maintained, and has indeed improved, its position in the comb industry. It is doing an ever increasing export trade, and last year it shipped overseas no less than one third of its production. Many new lines have been, and are being, introduced, and these should add to the prestige of this progressive concern.

Western Motor Holdings Limited. Group of companies engaged in the Motor Retail Trade and Repair Business in the West of England.

The trading results of this Group have fully confirmed the confidence we held when making the investment reported last year. The number of new vehicles delivered to

them was slightly less than in the previous year, but the Group substantially increased its turnover in the sale of used cars and commercial vehicles.

PROPERTIES

Our policy of development within the limits of current restrictions continues, and the income from our properties has increased. New purchases, conversion of old properties, and increased revenue from properties previously let at pre-war rentals have contributed to the improvement. Properties which are at present held on requisition and others which are war-damaged, offer scope for additional income when existing restrictions are removed.

NEW ACQUISITIONS

In the autumn of 1951 we took the opportunity to purchase the whole of the share capital of Mark Dawson and Son, Limited, an old-established firm of worsted spinners with mills at Bradford and Thornton. This business appealed to us as a unit in a basic industry, and it is also complementary to our interest in Timothy Hird and Sons, Limited. Obviously the industry as a whole is in an unhappy state just now, having had to face a storm of gale force, but we look beyond this with assurance, especially having regard to the attractive basis on which the business was bought.

During the year we also acquired an interest in Stevensons (Dyers) Limited, which is an old-established family business of hosiery dyers and finishers situated in the Midlands, with a long record of progressive development and an excellent relationship with its customers. Its buildings, plant and machinery are all of the most modern types, and it has large interests in the export markets. Trading has been at capacity for a long period.

Since the date of the balance sheet we have purchased a 60 per cent interest in Newey and Eyre Limited, industrial electrical engineering suppliers. This company, which was established in Birmingham 25 years ago, has branch offices and warehouses in Dudley, Wolverhampton, Derby, Peterborough, Cardiff and London. Its activities consist mainly of the distribution of electric lighting, heating and power equipment in a widespread industrial field. The company's progress is not bound up with trade fluctuations in any specific industry, and it should have great scope over the years.

GENERAL REVIEW AND PROSPECTS

The past year has again been one of consolidation, as well as of growth and of progress. New friends have been found, and older friendships have been cemented. I said last year that we were encouraged by the development and expansion of our interests. This still holds good today, and we see no reason to change our view that over the years our varied interests will yield an increasing income, provided nothing untoward overtakes us. Our underlying companies are all admirably managed by men of character and ability, and their boards enjoy complete latitude to conduct their affairs in their own way, subject always to the benign guidance and supervision of the parent company on matters of policy and finance. We describe Tillings as an industrial holding company, and are creating a loosely bound, active and well co-ordinated group of companies, free and unlimited in their possibilities, able to devote themselves to the advancement of their respective businesses and animated by a desire to be of service to the community. We still have considerable resources in the form of funds at short call and quoted investments. As stated on previous occasions, it is our policy to dispose of these investments as and when we think fit, and to use the proceeds for the development of our existing interests or by further direct participation in industry.

This then is the path which the new Tillings is following. It will take us some time to emerge from the re-development period which commenced three years ago. We are proceeding carefully, thoughtfully, but vigorously, and we shall try to carry on in this way.

Once again please let me conclude by assuring the directors, executives and all employees, men and women, of our subsidiary and associated companies of our deep appreciation of their work during the past year.

"SOFINA"

The annual shareholders' meeting of the Société Financière de Transports et d'Entreprises Industrielles (SOFINA) was held on April 24th in Brussels, Mr. Charles K. Wilmers (General Manager) presided in the absence of Vicomte Van de Vyvere (the chairman of the board).

In their introductory remarks to the report, the directors make, *inter alia*, the following statements:

The danger of a third world war appears to be less threatening, and cohesion is strengthening between the policies of the Atlantic Union nations. Some consideration should, however, be given to the situation which will arise when rearmament is judged to be sufficient, especially in the event of the United States deciding simultaneously to lighten the burden which aid to other countries imposes upon taxpayers at home. The problem will then be to maintain full activity of the means of production which have been so greatly expanded under the impetus of those two influences. The essay attached this year to our annual report surveys a field which affords immense opportunity for employment: the promotion of decent housing conditions, with which wide sections of the population are still inadequately provided even in the most advanced countries.

Wherever the demand for consumers goods has increased more rapidly than the supply, the retail price index has continued to rise, and in countries where this rise has been reflected in wages and profits, imports have increased and exports have fallen. The governments of some of these countries have imposed new restrictions on imports with a view to improving the balance of payments in their external trade, although, as a recent study by the E.C.C.'s Research Division points out, "these restrictions themselves will have inflationary repercussions." Again, despite the risk of causing unemployment at home, other governments have sought to direct exports exclusively to destinations from which payments will be received in some desired currency. . . .

In normal circumstances, balances of international payments were adjusted by means of transfers of money to debtor countries and of investments in them, effected by private capital. But foreign capital is deterred from contributing to such adjustments because its deposits and investments run the danger of being "frozen" for the very reason that the recipient country's balance of payments shows a deficit. Until this vicious circle is broken international exchanges will remain blocked. . . .

Our company has increased during 1951 its participations in countries where proper treatment of private enterprise obtains, and where the remuneration derived from its services and investments remains at its disposal, notably in the United States and the Belgian Congo.

In the wider general interest, no less than by reason of its duty towards the companies concerned and of its holdings in those undertakings, our company is endeavouring to obtain redress of the wrongs inflicted on the Barcelona Traction, Light and Power Company in Spain.

Addressing the meeting, Mr Dannie N. Heineman, chairman of the standing committee, drew attention to devious methods by which a government is apt to practice "expropriation without due process of law."

Liquid and realisable assets stand at B.Frs. 2,978,847,668 as against B.Frs. 2,903,820,590 at the end of the preceding year. A footnote to the balance sheet mentions that the former amount comprises investments and claims in Argentina, where present economic conditions are difficult, for a total of B.Frs. 721,900,422. The book value of "Holdings" increased to B.Frs. 1,944,606,000 or B.Frs. 87,640,000 more than last year; "Liquid Assets" (Government bonds and bank acceptances in US dollars, cash on hand and on deposit) are valued at B.Frs. 460,960,360 or B.Frs. 46,153,569 less than in the preceding balance sheet, while advances to associated companies and other debtors have risen by B.Frs. 33,540,647.

Income from all sources amounted to B.Frs. 239,591,899 as against B.Frs. 217,917,531. Profits derived from sales of securities (B.Frs. 69,075,301 as against B.Frs. 41,165,161) have been applied mainly to writing down "Holdings," the balance—B.Frs. 19,000,017—being carried to "Reserve Fund and Sundry Provisions." Earnings which could not be cashed in Belgian francs—B. Fr.s 43,650,728 as against B. Frs. 55,896,235—have also, as last year, been applied to writing down "Holdings."

A dividend of B.Frs. 70 net per share has been declared, the same as for 1950.

CRUSADER INSURANCE COMPANY

At the annual general meeting of the Crusader Insurance Company Limited, held on April 18, 1952, at Crusader House, Pall Mall, London, the chairman, Colonel Sir Gilbertson Smith, TD, DL, CA, in outlining the progress made by this office since 1945, pointed out that whereas in that year the company maintained a total of nine district offices, the number had grown to 22; all departments had been able to report outstanding achievements in 1951 when new life assurances totalled £2,443,752—a record year; a feature of this result had been the growth in the number of group pensions and life assurance plans underwritten by the Crusader. A group service department had been formed to assist employers in the installation of virtually any type of staff welfare plan.

The fire branch premium income rose from £32,655 (after deducting reinsurances) in 1950 to £46,175 in 1951. The company was participating in a number of overseas treaties.

The sickness and accident weekly premium income had again substantially increased to £347,673, while the ordinary branch figure was also greater at £56,204. In the miscellaneous branches the premium income had been raised to £23,144.

A dividend of 7½ per cent was recommended, with £13,737 to be carried forward to profit and loss account.

The chairman concluded by paying tribute to all who had contributed to the company's excellent results, including connections such as other companies, brokers, solicitors, valuers and agents, and making special mention of the staff, to whose willingness to give a standard of service out of the ordinary the company owed its present strong position.

The report was adopted.

THE DECCA RECORD COMPANY

SUBSTANTIAL VOLUME OF EXPORTS

EPL—"THE WHEEL OF FORTUNE"

SIR CYRIL F. ENTWISTLE'S VIEWS

The twenty-second annual general meeting of The Decca Record Company, Limited, was held on April 18th in London.

Sir Cyril F. Entwistle, QC, MC (the chairman), who presided, said:—

I gave last year an extensive account of your companies up to what was virtually the end of the year covered by the present accounts now under review.

You will, no doubt, be more interested now in a report of the trading experience for the financial year which finished some three weeks ago, covering a period in which your business has shown a greater expansion than at any previous time.

Dealing with the record side first, the main features have been the increase in the sales of long-playing microgroove records, which has been largely responsible for a big growth in record exports, which for the first time have passed the million pound mark. Similarly, in the home market long-playing records have become an increasing percentage of our total turnover, and there is every indication of continued expansion. Combined home and export turnover shows an increase of approximately a third over that of the previous year.

Teldec in Germany has completed its first year's trading, with a small net profit. The sale of Decca and Telefunken records is becoming a factor of increasing importance on the German market and prospects are favourable.

A new Italian company has been formed, Decca Italiana S.p.a., a controlling interest being held by Decca Holding, Limited, Liechtenstein. This company commenced its operations on January 1, 1952. A large number of records has already been shipped from our English factory.

A major improvement has taken place in the operations of the London Gramophone Corporation, New York. We have every reason to anticipate that the results for the year to March 31, 1952, will show a satisfactory profit as against a loss for the previous year. The company is in a healthy condition, and as one of the three major companies in the classical record field in the USA it has assumed a prominent position of considerable importance in that market.

THE NAVIGATOR

Decca Navigator hirings continued to expand, new commercial hire contracts secured for the year ended March 31, 1952, being double those of the previous year. This was due largely to the extension of the coverage through the erection of the North British Chain of Transmitters which was opened in June, 1951.

In December last the contract for the erection of the French chain of transmitters was signed by the French Government. The chain is being constructed by our licensees, the Societe Francaise Radio-Electrique and should be in operation by the end of the year.

The German chain, built by the Telefunken Company and the first to be erected primarily for aerial navigation purposes, was officially opened in Dusseldorf in January last by Dr Seebohm, the Federal Minister of Transport, Sir Norman Guttery representing the British Minister of Transport at the function.

British European Airways announced last month that, subject to a satisfactory contract arrangement, they would equip their entire fleet with the Decca Navigator, following the corporation's technical and operational analyses of the various means of meeting their requirements for a precise navigational aid in Europe. The importance of this decision by the biggest air operator in Europe needs no emphasis.

The south-west chain of transmitters is now being erected and should be in operation by June of this year. Altogether contracts for hire and sale total over 1,650 installations, excluding the large number of fittings which will result from the BEA decision.

MARINE RADAR

Decca marine radar has continued to forge ahead, with deliveries for the year to March 31, 1952, amounting to 800 installations, just double those of the previous year. Over 470 shipowners and authorities at home and abroad have either fitted, or contracted to fit, Decca radar to a total of nearly 2,000 vessels of all types and sizes. Already adopted by the Royal Navy, Decca radar has also been selected by no less than 12 British Commonwealth and foreign navies, including those of Australia, New Zealand, Sweden and Denmark.

The largest tank ship yet built in the United Kingdom, the *World Unity*, completed trials last week, and is one of the 12 new large tankers building in this country for the North American Shipping and Trading Company, all of which are being fitted with Decca radar. Two of them are of 44,000 tons, the largest to be laid down in the world. In all, over 2 million tons of tankers are fitted, or are to be fitted, with Decca radar.

Many important customers for radar include the British Electricity Authority, British Railways, General Post Office, Mersey Docks and Harbour Board, Northern Lighthouse Board, North Thames Gas Board, Scottish Home Department, South Eastern Gas Board, Trinity House and Meteorological Office ocean weather ships.

We have established world-wide connections for the exploitation of our business overseas and to provide the highest standard of maintenance and service. As at this date we have appointed agents in 30 countries. Export sales of our marine radar, which exceeded half a million pounds for the 12 months to March 31st last, are expected to show a further marked expansion in the year on which we have just embarked.

EXCESS PROFITS LEVY

It is at this stage in our company's progress that we are faced with the Excess Profits Levy, that most pernicious of all forms of company taxation, with its arbitrary incidence.

The directors report gives some details to illustrate how your own company may be penalised for its strenuous and successful efforts to establish new enterprises and to expand its exports, efforts that have entailed the investment of very large sums since the end of the war. During the standard years of 1947, 1948 and 1949 we made no profits on long-playing records, now a major portion of our record production, no profits on the Decca Navigator, and no profits on Decca Marine Radar. During the period of re-equipment priority in effort and sales was given to exports, particularly to the dollar area, but it would now seem that some £1,800,000 of working capital then raised, as well as £1,406,700 written off in two pre-war reconstruction schemes, will be ignored in computing a capital standard.

SUCCESS OF EXPORT DRIVE

The success of the export drive is shown by the following figures:—

		£
Export sales	1939	54,000
	1949	758,000
	1950	1,139,000
	1951	1,896,000

Despite import restrictions in certain markets, exports have been maintained for the first three months of 1952. If we are successful, as we believe we shall be, in holding our own, and indeed improving our overseas trade still further, the Government will extort a heavy fine under EPL, a tax as unfair in its principle, and as arbitrary in its incidence, as any imposed even in Tudor days.

Cardinal Morton has at long last, five hundred years after his death, found his master, and if this Act, which should be scrapped in its entirety, reaches the Statute Book, I am tempted to suggest that with the eclipse of the Cardinal schoolboys for centuries to come will be swotting up on the intricacies of "Butler's Fork."

It has become fashionable for a producer of a radio programme to adopt a signature tune. There is a record coming up fast, in fact our best seller, with the title "Wheel of Fortune," which would make a most suitable one for the Chancellor's EPL programme.

Despite fine phrases about the encouragement and reward of enterprise, inventiveness and energy, I am forced to question whether the Government really believes in private enterprise with the profit motive as its driving force. If it does, it is acting in a very strange way. If it does not, it is only a matter of time before the wells of capital run dry and the wheels of industry slow down.

Come what may, you may rest assured that we shall do everything in our power to increase our profits—the only sanction we know. We experienced many years of heavy and sustained losses, and understand full well how narrow is the margin between a profit and a loss, and that if we were to relax our efforts in any way the great enterprise we have built up so laboriously would be placed in jeopardy. Whatever taxation we have to face, and however inequitable it may be, we shall continue to do our utmost to increase the prosperity of our business.

We already know that profits for the year just completed will show a substantial improvement; as for the future, we have started the new year with contracts signed and in immediate prospect for radar and navigator equipment exceeding £2,500,000, with the factory production for the month of March at the highest level yet achieved. Despite signs of a slackening in world trade and increasing import restrictions which will make direct exports of records more difficult, we have confidence in the future and in our ability to maintain our leadership in the industry.

IONIAN BANK LIMITED

EXPANSION OF BUSINESS

The one hundred and thirteenth annual general meeting of Ionian Bank Limited, was held on April 22nd in London.

Mr A. H. Reid, CBE, the chairman, presided.

The following is an extract from his circulated statement:—

The figures for the year 1951 indicate a noteworthy expansion in the bank's activities. This is due mainly to the expansion of business in our Greek branches. The total balance sheet figures have increased from £14,989,258 to £18,813,514. Loans and advances now stand at £7,140,439 compared with £6,401,789 at the end of 1950, though there has been an insignificant fall in bills receivable, from £947,033 to £937,262. On the liability side, you will observe that there is an increase in current, deposit and other accounts from £10,493,406 to £12,520,798. At the same time, the liquid position of the bank has been strengthened; cash in hand and balances with bankers and foreign correspondents stood at the high figure of £3,408,148. The corresponding figure at the end of 1950 was £1,948,004. Naturally this increase diminishes the earning power of the bank, but your directors felt that this was a year in which a strong cash position should be maintained.

Profits are just a little lower than in 1950, the net profits for the year amounting to £35,580, as against £36,329. It is proposed that a sum of £25,000 should be appropriated to the contingency fund, and that a dividend of 3 per cent should be paid. Our two Greek subsidiary companies have had a good year, though in conformity with a desire conveyed by the Greek authorities to all Greek banks the Popular Bank S.A. has slightly reduced its dividend, which is payable in drachmæ.

IMPROVED CONDITIONS IN GREECE

In Greece, 1951 was on the whole a year of further progress in the restoration of the damage caused by the war and by the years of guerrilla warfare which followed it. This progress, however, would not have been possible without the funds provided under the Marshall Plan.

Our Greek branches continued to benefit from the general improvement in local conditions, but drachma deposits are still inadequate and as in previous years we have reason to be grateful to the Bank of Greece for its financial support and co-operation. In the later months of the year some reductions were made in the amount of financing provided for certain classes of imports, but facilities continued to be granted on the old scale for other approved types of business. Thanks to these facilities, and to the gradual increase in our deposits, we were able to expand our activities and although the continued rise in the cost of living caused a further substantial increase in expenses our drachma profits were higher than in 1950. As in previous years, however, Greek exchange restrictions allowed us to remit to London only limited amounts which could be shown to be required for the purpose of meeting specific liabilities incurred in this country on behalf of our Greek branches.

The outlook in Egypt has been obscured by the difficulties which have arisen in Anglo-Egyptian relations, and by the artificial prices which have obtained locally for cotton. Until a free market is re-established in this commodity, the uncertainty as to the country's immediate economic prospects will persist. Moreover, it should not be forgotten that cotton growing is now on the increase elsewhere in the Middle East, and that Egypt must expect competition in the future.

Conditions in Cyprus last year showed some improvement over 1950. Foreign trade was again at a higher level than ever before, and the total of exports and imports stood at £34 million, exports increasing from £11 to £14½ million. On the whole, the cereals harvest was poor, but this was offset by higher prices obtained abroad for some of the island's exportable surplus. Cyprus has suffered from inflation, the cost of living has risen notably, and there has been a tendency to seek refuge from these movements in the purchase of real estate. Our own branches have on the whole had a good year and have played their part in the expansion of Cyprus's foreign trade.

The report was adopted.

LEWIS'S INVESTMENT TRUST LIMITED

DIFFICULT TRADING CONDITIONS SUCCESSFULLY SURMOUNTED

CONSTANT EXPANSION FINANCED FROM INTERNAL RESOURCES

MR S. H. LEAKE ON THE SELFRIDGE ACQUISITION

The twenty-third annual ordinary general meeting of Lewis's Investment Trust Limited, was held on April 24th in London. Mr S. H. Leake, OBE (chairman and senior managing director) presiding.

In the course of his speech the chairman said: I wish to refer to the resignation of Lord Woolton on his acceptance of office as a Minister of the Crown. Lord Woolton has been actively concerned with the direction of this group of companies for some 30 years. During that period our trading profit has increased nearly 40 times. All my colleagues on the board have spent almost the whole of their working life in the closest association with him. Hence none know better than they how much the development of the group into one of the largest commercial organisations in the country owes to his inspiration, leadership and business genius.

We report a trading profit which, together with other miscellaneous revenue, totals £3,724,852. Of this total the contribution made by Selfridge (Holdings) Limited, is £891,583.

The net profit for the year, after tax, has now reached £444,509, of which the dividend from Selfridge (Holdings) Limited, accounts for £77,179. We propose to pay the same final dividend of 20 per cent on the ordinary stock as increased during the year, making 25 per cent in all, and to increase our carry forward to £146,069 as against the balance brought in of £139,795.

It has been a source of great satisfaction that in spite of the difficult trading conditions of the past year, we have still ploughed back into the business £812,998 or no less than 58.47 per cent. of our net profits. In the case of nearly all our companies, it has been possible to set aside the customary amounts to reserve as well as to increase our carry forward to next year's accounts without interfering with the rate of dividend our shareholders have come to expect. In other words and in spite of the constant expansion which is taking place in the scope of our activities, we have been able to handle from our own internal resources and without undue financial strain, a business deal of the first magnitude.

THE SELFRIDGE ACQUISITION

In this connection you will no doubt wish me to say a few words about the Selfridge acquisition. The actual take-over of effective control in September was completed with the utmost harmony, and it is a source of genuine satisfaction to us that the two organisations are now working smoothly together. As we have been in control for little more than six months, the work of integration is, of course, far from complete; but whatever financial benefits may ultimately accrue from this latest investment, we are satisfied that the impact on the parent organisation has already been of value. We have also no doubt that in due course the trading methods which have brought us success in the provinces will contribute to a further substantial development of Selfridges. Thus we look for development both in London and the Provinces, and this must be of increasing advantage to the parent company.

EXPORT TRADE

The group as a whole is now substantially interested in the export trade. Selfridge's store alone accounted for £584,918 of direct export sales and a further £706,126 of this valuable export trade, mostly to hard currency countries, was handled by subsidiary companies of Lewis's and Selfridges.

REBUILDING OF LIVERPOOL STORE

With regard to our main subsidiary, I may mention that the rebuilding of our mother store in Liverpool, which was largely destroyed by enemy action in 1941, is proceeding satisfactorily. In view of the publicity given to that rebuilding, I desire emphatically to deny that we sought or have been given any preferential treatment in the allocation of steel or any other raw material, or in skilled or unskilled labour in the restoration of our store. On the contrary, we have voluntarily demolished and used the steel framework of a contemplated prewar extension to our Manchester store.

In another of our Liverpool subsidiaries—S. Reece and Sons—we have almost completed the erection of a new dairy plant which will enable us to cope with an expanding milk distribution service on Merseyside with greater efficiency.

Amongst the subsidiary companies, your company is interested through its main subsidiary—Lewis's Limited—in Lewis's Bank. The confidence shown by our customers in the services afforded by this Bank is such that there is a continued increase in the number of accounts, and today the total number approaches 100,000. Another feature of the bank is its appeal to children for whom we have a special counter at each branch so that children can bank for themselves. This innovation has been widely appreciated, and we have opened nearly 3,000 children's accounts. We opened, during the year, a new head office in Liverpool, to replace that which was destroyed by enemy action in 1941, and are finding it necessary to extend our branches in both Manchester and Birmingham. We also have branches of this bank in the Glasgow, Leeds, Hanley and Leicester Stores.

TRADING CONDITIONS

After referring to the economic conditions with which they had had to contend during the past year, Mr Leake continued: The trend towards consumer resistance is persisting. It is accentuated by falls in raw material prices, which have already resulted in certain reductions in retail prices, and by an increase in supplies for the home market, as a consequence of which the public is reverting to its prewar shopping habits. We welcome this as a healthy and wholly desirable development. If a time of economic crisis lies ahead, as the position of the textile industries already suggests, I have no doubt that the period of transition until economic health is restored must prove difficult for the retail trade, and will call for the highest qualities of leadership and determination.

In this connection we could not fail to give the warmest possible welcome to the removal of price control and of most of the other restrictions with which we have been hampered for so long. We are keenly looking forward to the opportunity which we hope current conditions will soon provide of exercising our merchandising skill to the advantage of the spending public.

DEPARTURE OF AN OUTMODED SCHEME

It is for this reason that we shed very few tears about the departure of the Utility Scheme. In our view, this scheme had long outlived its usefulness. No large-scale organisation needs to be supplied with a series of specifications for providing merchandise of good quality for its customers. Its whole reputation depends upon and, in the last resort, its success has generally been due to, the very fact that its customers can rely upon getting good value for money at its counters. And, indeed as early as the 1920s, when prices were fluctuating, we had established a range of merchandise which we named "Standex" in order to provide our public with a reliable standard of value. We also maintained a similar range of children's clothing called "Wilwer." These "Standex" and "Wilwer" ranges had perforce to be abandoned during the war but now that freedom has been restored to us we have already set to work to reintroduce these lines on what we hope will be the same high standard of value. We have guaranteed satisfaction or money back to our customers since 1856, and shall continue to do so.

PURCHASE TAX

I regret that the recent opportunity for reviewing Purchase Tax was largely restricted to a consideration of its effects upon the export and import trades, and that the Treasury insisted upon any changes in its incidence producing the same total revenue. Whatever justification there may originally have been for this tax when supplies were limited and it was desired to discourage consumption, this now no longer exists. By applying Purchase Tax to a greatly increased range of articles, the Government has extended the use of what is now proving to be an inflationary tax and is to this extent on a falling market preventing a healthy fall in retail prices with all its implications on the cost of living. In particular I would urge that the home dressmaker who makes up clothes for herself and her children from textiles which she buys in a shop should not be expected to pay twice as much Purchase Tax as that charged upon ready-made garments.

I conclude by assuring shareholders that in each of our nine stores we have managers, buyers and staff who are skilled and experienced in retailing, and that whatever problems face us in the future, your business is in good hands.

The report and accounts were adopted.

GENERAL REFRACTORIES

NEW HOME AND EXPORT SALES RECORDS

The fifty-second annual general meeting of General Refractories Limited was held on April 22nd at the Royal Victoria Hotel, Sheffield.

The following are extracts from the statement by the chairman (Sir Ronald W. Matthews, DL, JP) which has been circulated with the accounts for the year 1951:

The demand for all kinds of refractory products continues at a very high level and during the past year our manufacturing resources have been fully employed. Once again fresh records have been established for turnover, the increases over 1950 being 16.1 per cent for home sales and 19.3 per cent for export sales. The increase in export business is particularly gratifying in view of the large increase we recorded the previous year of 40 per cent over 1949 and is a measure of the success your company has achieved in extending its hold in foreign markets.

ANOTHER MILESTONE IN THE COMPANY'S HISTORY

The group trading surplus was substantially higher at £529,731, an increase of £43,978 over the previous year. This is the first time the group surplus has exceeded £500,000 and marks another milestone in the history of the company. All subsidiaries contributed their share to this outstanding achievement.

The inflationary spiral continued its upward course during 1951 and has had its repercussions on the operations of your company. Whilst it is true that by far the greater proportion of the raw materials required by the group is obtained from our own mines and quarries, nevertheless your company requires to purchase considerable tonnages of imported raw materials for the manufacture of basic bricks and other high-grade products. Besides steadily advancing in price, many of these materials are tending to be in short supply owing to an exceptional world demand and stockpiling for rearmament. There is, inevitably, always a time lag between increases in costs and the necessary adjustment in selling prices, which reacts unfavourably on results.

The group surplus for the year, after providing for interest, depreciation and taxation, amounts to £159,852. The proposed dividend of 11 per cent on the new capital as increased by the bonus issue in September last is equal to 17.6 per cent on the old capital. I feel that it should also be pointed out that the proposed dividend represents only 6.4 per cent on the capifal employed in your business.

THE OUTLOOK

I do not feel we can see any further into the immediate future than we could at this time last year. 1951 has been full of alarums and excursions and to whatever quarter of the world we turn we see no lessening of the pressure of Soviet Imperialism. But we can say with truth that there is in many parts of what has come to be known as the Western World a much greater awareness of the immediacy of our peril and a real determination to get to grips with our problems. But there are still far too many people here and in neighbouring states who, bemused by the subtlety of Communist propaganda, are not putting in all they know and so are deferring the hour of absolute security. Your company at all events and all those employed in it can look back with real satisfaction on the achievements of 1951.

The report was adopted.

W. & A. GILBEY LIMITED

MR A. RONALD GILBEY'S REVIEW

The annual general meeting of W. and A. Gilbey Limited was held on Monday, April 21st, at Gilbey House, Oval Road, N.W.1, Mr A. Ronald Gilbey presiding.

The following are extracts from the chairman's circulated statement:—

The trading profits show a satisfactory increase. Most of the credit for this must be ascribed to our increasing export trade and to the activities of our overseas branches. Unfortunately the latter now have to bear taxation at levels almost comparable with our own, with the result that the net surplus for the year is slightly less than that of 1950.

We are recommending the payment of a final dividend of 3.6d. per share, together with a bonus of .6d. per share, making the equivalent of 6.6d. for the year, which compares with the equivalent of 6d. per share paid for 1950.

HOME AND EXPORT TRADE

The wine markets of the world have not been over favourable to us during the past year, inasmuch as prices in all wine producing countries have shown a considerable hardening and are tending to increase further.

Costs of production on this side are also rising; and the increases in rail charges and the price of petrol, added to the continued excessive rates of duty on our products, are all factors which tend to place yet a further burden upon the already highly taxed British citizen.

However, our sales of port have shown a substantial increase, and the demand for Gilbey's ports continued throughout the the year. Our slogan, "The People Who Made Port Famous," has been amply justified.

Our three distilleries in Scotland worked to full capacity during last season, and we filled largely at other distilleries to make good the shortage of production during the years in which distillation of Scotch whisky was restricted.

Turning to the export side of our business, I think we have justification for considerable optimism. The sales during the past three years have shown a really marked upward trend, and the figure for 1951 is the largest since the year 1928, being well over the average for the years 1935 to 1938.

I think I am correct in saying that for the first time in the history of the business, the export department earned over a million pounds worth of foreign currency for Great Britain. Two-thirds of this foreign currency was earned in the dollar area, and must therefore have been of great value to the nation as a whole.

It appears that as we had a satisfactory profit standard in the years 1947/49 the proposed Excess Profits Levy should not have any serious effect on us.

THE FUTURE

I think, though, I would be rash indeed if I attempted to forecast the trading prospects for 1952.

World economic conditions are so precarious, particularly in the sterling area, that a business like Gilbey's, which depends a great deal on imports and exports, will undoubtedly have its trials and tribulations.

I do feel that with all our overseas branches, coupled with the fact that we own practically all our sources of production, we should be in a good position to weather any economic storms that may arise.

The report and accounts were adopted.

BONDOR LIMITED

SATISFACTORY RESULTS

MR JOHN GOODENDAY'S STATEMENT

The Twenty-fourth Annual Ordinary General Meeting of Bondor Limited is to be held on April 28th at 10a, Hanover Square, London, W.1.

The following is the statement by the chairman, Mr John Goodenday, circulated with the Report and Accounts.

I am able to report that the turnover, both in domestic and export sales for the past year again constitutes a record in the Company's history.

As the accounts are set out in considerable detail, I will only make brief comments thereon. In the Consolidated Profit and Loss Account profit from trading operations amounts to £1,324,936 and the net profit available for distribution, after providing for depreciation, debenture interest, taxation and all other expenses, amounts to £419,840.

DIVIDENDS

A Final Dividend of 13 per cent, less tax, is proposed, which will require £40,950 and which, together with the Interim Dividend of 7 per cent paid last September, will make a total distribution for the year of 20 per cent, less tax, absorbing £63,000.

With regard to the balance of the available profits, the Directors recommend that £250,000 be transferred to General Reserve. With this transfer the General Reserve will stand at £700,000, which sum is £100,000 in excess of the present issued capital. It is also recommended that a further £100,000 should be added to the Contingencies Reserve, increasing that Reserve to £200,000. If these recommendations are accepted, there will be an increase in the Carry Forward of £6,840, making a total of £113,950.

It is further proposed that £50,000 of the Share Premium Account should be capitalised and that this amount should be distributed to Stockholders in fully paid Ordinary Shares of 5s. in the proportion of one new Ordinary Share of 5s. for each twelve 5s. units of Ordinary Stock held by them on April 3, 1952. The new Ordinary Shares will be converted into Ordinary Stock and will rank pari passu with the present outstanding Ordinary Stock. Fractions will be sold and Ordinary Stockholders will receive the appropriate amount in cash. The Resolution to cover the issue of these new Shares will be submitted at an Extraordinary General Meeting to follow the Annual Meeting.

The effect of this proposed capitalisation will only become apparent in the Balance Sheet as at December 31, 1952, which will then show the Issued Ordinary Capital increased from £600,000 to £650,000 and the Share Premium Account reduced from £56,772 to £6,772.

BALANCE SHEET ITEMS

As far as the Consolidated Balance Sheet is concerned, it will be noted that the stock in trade at the close of the year amounted to £1,643,314, an increase of £692,291 compared with the previous year, and that debtors and payments in advance have increased from £698,946 to £985,630 during the year under review. Whilst the increase in debtors is in line with the increase in turnover, the increase in stock in trade is partly due to the more competitive conditions prevailing but in the main to increased stocks of cloth to which reference will be made later in my statement.

Our investment in our Associated Company, Workington Rayon Mills Limited, has increased during the year as a result of an advance to that company of £17,000. Workington Rayon Mills Limited, incurred a loss during its first financial year which ended on June 30, 1951, against which we have provided in these Accounts our share amounting to £13,000.

Before leaving the Balance Sheet, reference must be made to the Taxation Equalisation Account, which after crediting a further £45,000, this year represents the approximate benefit up to December 31, 1951, resulting from the excess of capital allowances granted on plant and machinery acquired over the actual depreciation charged in the Accounts. As you are aware, the 1951 Finance Act provided for the termination of this concession as and from April 1, 1952. There have, however, been some further deliveries of machinery in the first quarter of this year and the benefit of the initial allowances in respect of these deliveries will be reflected in the current year's Accounts.

RESISTANCE TO HIGH RETAIL PRICES

The reaction of the public to high retail prices is increasingly noticeable. Consumers are reverting to prewar buying habits and are becoming increasingly discriminating in the matter of values. In consequence the trade is faced with stronger competition, both in home and overseas markets. Despite the change to a buyers' market, there have not been any noticeable reductions in the price of raw materials during last year. In fact, during 1951 the cost of cotton yarn increased by 22 per cent, packing materials by 80 per cent, and the wages of employees in the Hosiery Division have, under the sliding scale which operates in that industry, increased by a further 15 per cent.

Despite these large advances in costs we have refrained from making increases in the selling prices of our products, and we have in fact effected a number of reductions. This has been made possible by the development of new processes, the benefit of new machinery and the increase in production in every section of our business.

We welcome the introduction of the Douglas Committee recommendations in the Budget which have permitted us to reduce prices in our entire hosiery range. They have also enabled us to give better comparative values in garments as a result of the elimination of the tax anomalies inherent in the old Utility Scheme.

INCREASED MANUFACTURING SPACE

Last July we purchased a small freehold factory at Southwick to supplement the brassiere production of the adjacent factory at Portslade. This unit is now operating at full capacity. This acquisition, together with new buildings constructed at Baldock and Biggleswade, have during the past year provided an additional 31,500 square feet of manufacturing space. The Company's manufacturing operations now occupy 450,000 square feet. In this inflationary period the cost of building and replacement of machinery is continually in the minds of your Directors. New hosiery machines—although more efficient—cost five times as much as in 1939. In all, since the end of the war, we have purchased or entered into contracts to purchase new machinery at a cost of almost £1 million.

The difficult supply position to which I referred last year no longer exists and there is now no shortage of yarns and fabric other than nylon yarn, the allocation of which is related to export performance. During the period of shortage a year ago, we contracted for a substantial yardage of cloth for our expanding Underwear Division. Our purchases have proved to be in excess of actual requirements, and this factor is responsible for a considerable proportion of the increase in stock in trade. If we can maintain sales, it is hoped that these stocks will be reduced to normal proportions by the end of 1952.

THE FUTURE

In view of general market conditions, I have to be restrained in anticipating the future. So far this year our turnover has been maintained, and there is every reason to believe that our brand Kayser Bondor continues to gain prestige in the opinion of the trade and public. To maintain flow of production in the Hosiery and Underwear Divisions from factories through to warehouse, retailer and consumer is, of course, our aim; but to achieve this objective during the period of a buyers' market will involve a reduction in profit margins.

In July last Mr Percy Lawrence McConnell was appointed a Director of the company. Mr McConnell joined us in October, 1945, as Manager of the Purchasing Department. In January, 1951, he was placed in control of underwear manufacture and his position in the company is now that of director of Underwear Production. You will be asked to confirm this appointment. Mr David Goodenday, who previously held this position, is now General Manager of Kayser-Bondor Limited.

TRIBUTE TO STAFF

The Board feels a deep sense of appreciation and gives its warm thanks to the staff and employees for the loyalty and zeal with which they have performed their duties and responded to all calls made upon them. It is to their ungrudging support that we must attribute the satisfactory results of the year's activities.

RIO DE JANEIRO FLOUR MILLS AND GRANARIES

IMPROVED CASH POSITION

The sixty-sixth annual general meeting of the Rio de Janeiro Flour Mills and Granaries Limited was held on April 17 in London, Mr E. McT. Sheppard (the chairman) presiding.

In his statement the chairman said that the same rate of exchange was again applicable for the conversion of Brazilian currency assets and liabilities. He drew attention to the much improved cash position in London, due to the substantial remittances made during the year under review and added that a further good remittance had been received shortly before the end of the last calendar year.

The satisfactory profits estimated and the remittances received enabled the board to pay interim dividends of 4 per cent in June, 1951, and 6 per cent and a bonus dividend of 4 per cent in January, 1952, all less income tax, making a total distribution of 14 per cent, less tax, for the year.

Reporting on his recent extensive tour of the Group's properties, the chairman said that everywhere he found the factories in good trim, and he was very well impressed with all he saw in Brazil. Transport was one of the greatest problems with which the Brazilian authorities were faced, but great strides continued to be made in this direction by the opening up of more and more roads in the interior, and he understood that in the not too distant future railway rolling stock, and in particular locomotives and waggons, would be renewed and augmented.

The report was adopted.

KRIAN RUBBER PLANTATIONS

RECORD PROFIT

MR T. B. BARLOW ON E. P. LEVY

The forty-third annual general meeting of The Krian Rubber Plantations Company, Limited, was held on April 22nd at Plantation House, Mincing Lane, London.

Mr T. B. Barlow, the chairman, in the course of his remarks, said: The accounts for 1951 show the record profit of £29,721 and in addition there is a capital profit of £40,000 arising from the liquidation and reconstruction of Chamek Rubber Estate, Limited. An interim dividend of 12½ per cent has been declared, and it is not proposed to recommend a final distribution. Taxation is estimated to require £18,000 and the carry forward will be increased to £14,479.

CAPITAL CASH DISTRIBUTION

Last year the Chamek board decided to liquidate and reconstruct so that we now own 10,000 shares in Chamek Plantations, Limited, which stand in our balance sheet at £10,644, and in addition we have received to date £40,000 from the liquidator. Under the circumstances the board decided to pay a capital cash distribution of 2s. per share, which will not attract income tax from recipients, but the company will have to pay a tax of nearly 3d. on every 2s. so distributed. This is the explanation of the heavy taxation appropriation.

The excess profits levy recently announced will be particularly unfair to rubber estates raising their rate of taxation from 63 per cent to a possible 83 per cent, but—and this does not happen in other industries—rubber has already been heavily taxed by a special export levy in the country of origin. In view of the losses during the war and the expenses of rehabilitation which covered the standard years there is every justification for exempting rubber estates from the excess profits levy.

POSITION IN MALAYA

The position in Malaya has drifted during the past twelve months, but with the appointment of General Sir Gerald Templer as High Commissioner our hopes are raised that at last it is realised that our duty to the Sultans and the people is to provide Government today rather than self-government tomorrow. There are signs that the general public are beginning to have confidence in us again. Once this is re-established our difficulties will be easily solved. Recently a distinguished visitor to Malaya was told: "The people are 99 per cent on the side of Government; if they were not, you would have been finished long ago. But until they are sure that Government is going to govern they will sit on the fence."

The company's outlook for this year is governed entirely by political considerations, first in Malaya and then in America. Shareholders must form their own opinion on this matter, but in the meantime they can rest assured that the company's finances are strong and it will continue to uphold its good record.

A debt of gratitude is due to the staff on the estate and the eastern agents for their loyal work during difficult times.

The report and accounts were adopted.

EVANS MEDICAL SUPPLIES

INDUSTRY'S EXPORT CONTRIBUTION

The following is an extract from the circulated statement of Mr I. V. L. Fergusson (chairman and managing director of Evans Medical Supplies Ltd.):—

The division of the parent company profits disbursed or to be disbursed is: UK income-tax and profits tax £194,958, preference dividend (net) £7,617, ordinary dividends and bonus (net) £28,283.

Although we have increased reserves and carry-forward by £91,054 and charged for depreciation of buildings and plant £71,074, a total of £162,128, the removal from the business of £194,958 in taxation will make further inroads into our working capital and render ever more difficult the replacement of assets at existing inflated prices. These penal levels of taxation deny us the ability to improve our competitive position in overseas markets.

Pharmaceutical Exports.—Total British exports in 1951 increased in value by 19 per cent over the previous year. Exports of "drugs, medicines and medicinal preparations" increased by nearly 50 per cent. Our own increase as stated elsewhere was above the average for the industry as a whole.

The pharmaceutical industry is small but highly complex. The value to the country's economy of its exports at £33 million should not be compared with those of larger industries without paying full regard to the profitability of pharmaceutical exports, measured in terms of their insignificant consumption of imported raw materials and scarce home produced steel, metals, coal, etc.

If regard is paid to these and other relevant factors and to the continuing high trend of increase it is clear that the pharmaceutical industry is making a real national contribution in the export field.

According to the Civil Estimates the gross expenditure for the National Health Service for the year 1951/1952 amounted to £470.5 million. Of this £24.5 million was paid to chemists for ingredient costs, which include dressings and appliances, and for container allowances and £10.9 million was paid by hospitals for drugs and dressings.

After deducting from the total of £35.4 million a reasonable estimate for the proportion attributable to container allowances, surgical dressings and appliances and adding an appropriate amount for drugs dispensed by doctors and dentists, the total received by pharmaceutical manufacturers and wholesalers for drugs and medicines for the National Health Service would appear to be of the order of £28 million.

Based on statistics issued by the Inland Revenue the net profit of the chemical and allied trades, in which group the pharmaceutical industry is included, averaged 5.6 per cent on turnover. On the basis of these figures the total net profit the industry has earned from the National Health Service—or from perhaps 90 per cent. of its home market—is approximately £1.5 million.

If the industry had supplied all the drugs and medicines required by the National Health Service without profit and with no return on the capital invested in the industry the cost to the Health Service might have been reduced from £470.5 million to £469 million.

I deem it expedient to stress these facts and conclusions in view of the suggestions which have been made that the high cost of drugs and medicines is an important contributory factor to the high cost of the Health Service.

UPSONS LIMITED

(The Dolcis Shoe Company)

A PROFITABLE YEAR

The annual general meeting of Upsons Limited was held on April 17th in London.

Mr F. J. Stratton (chairman and managing director), in the course of his speech, said: The accounts presented are for the 12 months ended January, 1952. The year has been a profitable one, though not without its special difficulties. Freedom from price control helped us to merchandise much more efficiently during the whole year and, although trade in general showed a declining resilience we were able to increase our financial turnover once more. These two factors taken together placed us in a strong position and enabled us to clean our stock aggressively during the last two months of the year. During the period of the Christmas trade and January sale we exceeded the all-time high records set up the previous year.

POLICY OF EXPANSION

We have continued our policy of steady expansion and opened three Dolcis and three Delores stores. All are making satisfactory progress. In addition we have recently opened new premises at 22, Old Bond Street. This is a development which we have had in mind for some time. It is designed to give us an outlet and at the same time a sounding board for the highest fashion and best quality goods we can provide from our contacts the world over. In so doing it will act as a style and fashion stimulator and infect advantageously our whole business. It is highly necessary for your business to have at its disposal the best possible imaginative and creative work, not only from original work performed in our own design studio but from the world at large. By such means are we able to maintain our place as leaders in shoe fashions. Architecturally the store aims to provide the best which can be done in the idiom of the age in which we live, relying on contemporary design and materials.

In Ottawa and Toronto, Canada, we opened two new stores in August last. In this Dominion we have been well received, and have in course of construction a further store at Toronto which we hope will be opened later this year. I think we have made a promising start in a market which should become more and more valuable as Canada develops her truly wonderful potentialities.

THE "D" SCHEME

You will expect me to make some reference to the trading possibilities for the present year. I fear that the proposals of the Douglas Committee will result in increased difficulty and unemployment in the footwear industry. The new scheme brings within the field of tax a large proportion of our shoes and a good deal of our hosiery and underwear. This has had a very serious effect on the industry as a whole. The tax discriminates against medium and better priced goods, depresses quality, restricts design and damages efforts in the export field. It disrupts and confuses the whole normal pattern of the industry just when vigorous competition between firms has returned. Distributors' and manufacturers' organisations are doing their very best to convince the Government that a tax on quality and craftsmanship must be thoroughly unsound.

The report and accounts were adopted, and the payment of a final dividend of 12½ per cent, less tax, on the ordinary stock of the company, making 20 per cent, less tax, for the year, was approved.

BLOCK & ANDERSON, LIMITED

(Manufacturers and Distributors of Office Machines and Equipment)

RECORD RESULTS

INCREASED EXPORT ACTIVITIES

MR W. E. BLOCK'S STATEMENT

The twenty-first annual general meeting of Block and Anderson, Limited, was held on April 21st at the registered office of the company, 58-60, Kensington Church Street, London, W., Mr A. E. Block (assistant managing director) presiding in the absence of Mr W. E. Block, the chairman and managing director, who was abroad on the company's business.

The secretary read the notice convening the meeting and Captain R. M. Peat, of Messrs Peat, Marwick, Mitchell and Co., read the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended November 30, 1951, and was taken as read:

It gives me pleasure to report that your company's operations during the financial year, which ended in November last, have produced results which are, in all respects, a record in the history of the company.

INCREASED GROUP PROFIT

The group profit before taxation amounts to £147,312, which shows an increase of £70,635 over the corresponding figure for the previous year.

Your directors have recommended a dividend of 60 per cent and a bonus of 15 per cent, both less income-tax.

Allowing for this distribution and also for an allocation of £15,000 to a reserve for any contingencies which may arise in the future, the balance remaining to be carried forward to the current year amounts to £98,315, as compared with £83,942 brought in.

During the year under review, arrangements were made to bring into being a pension and life assurance scheme for the benefit of all the company's employees and this was started on August 1st last. The scheme was enthusiastically received and should prove beneficial to all concerned.

NEW SHOWROOMS

Towards the end of 1951, work was completed on new showrooms at our head office in Kensington, giving us the opportunity to display a full range of our office machines and equipment in suitably attractive surroundings.

Also, at long last, we have been able to provide badly needed additional space in London for our development division, as well as our stores, packing and despatch departments, by taking over a modern well-lit five-storied building, not far from our West Central Street premises.

The export activities of your company were very successfully developed and increased during the period under review. The import restrictions which have since been introduced by some countries such as France and Australia must, of course, affect this section of our business, but all possible steps are being taken to counteract such temporary difficulties by increasing deliveries to other countries and opening up one or two important new markets.

THE AYCLIFFE FACTORY

Our factory at Aycliffe, I am glad to say, did extremely well by considerably increasing the output of "BandA" spirit duplicating machines during the year while maintaining the high standard of quality for which our machines are known the world over.

In conclusion, I should again like to extend, on your behalf, our best thanks to the managers and staff at head office, in our service department, in all our branches at home and abroad and at our factory, for their continued valuable and loyal co-operation.

It may be of interest to you to know that in March, 1952, it was exactly thirty years since I laid the foundations of our business in London.

The report and accounts were unanimously adopted and the dividend and bonus, as recommended, were approved.

The retiring director, Mr W. H. Bennett, was re-elected and the proceedings then terminated.

GEORGE BRETTLE AND COMPANY, LIMITED

A YEAR OF EXCEPTIONAL DIFFICULTY

DIVIDEND AND BONUS MAINTAINED

SIR HARRY TWYFORD'S STATEMENT

The thirty-eighth annual ordinary general meeting of George Brettle and Company Limited, was held on April 21st, at the offices of Messrs Josolyne Miles and Company, 28 King Street, London, E.C., Sir Harry E. A. Twyford, KBE (chairman and joint managing director) presiding.

The secretary (Mr H. O. Randall) read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which had been circulated with the report and accounts for the year ended January 19, 1952, and was taken as read:—

It will be generally acknowledged that the past year has been one of exceptional difficulty. From January to July trading opened propitiously, and our sales had increased by 39 per cent. But the sudden fall in the price of raw wool, and indiscreet advice from certain sections of the press and some politicians caused the public to expect a general fall in prices of manufactured textile articles, and changed a sellers' market into a buyers' market.

No account of increased taxation and higher costs, which are in the main responsible for high prices, was made, and the inevitable result was an almost complete cessation of trade, reducing this increase to 11 per cent in comparison with 1950.

During this period stocks mounted up, and it will have been seen from the accounts in your possession that these were particularly high in raw materials, work in progress and finished stock.

THE YEAR'S TRADING PROFIT

In spite of this setback, from the figures now before you it will be seen that the net trading profit for the past year, after charging all expenses other than taxation and dividends, amounts to £128,520, which is £14,830 less than in the previous year.

Plant and machinery have again been increased during the year by £63,852. This is due to the installation of more modern machinery, including the latest 51-gauge and 60-gauge fully-fashioned hosiery machines.

The policy of the directors in this respect is still not complete, as it will be seen from the note on the balance sheet that there is an estimated balance of uncompleted contracts for capital expenditure of £75,000.

Current assets now exceed the current liabilities by £276,000, as compared with £270,000 last year, without taking into account the investments amounting to £100,000.

APPROPRIATIONS

We recommend the same dividend and bonus as last year; but this calls for an extra allocation of £2,325 due to the increased capital.

Taxation calls for the provision of £68,000, as against £71,000 last year. The directors have also decided to place £20,000 to general reserve and £20,000 to stock reserve, which I am sure the shareholders will agree, in these days of fluctuating prices, is a wise policy to adopt.

After dealing with the dividends, taxes and reserves, to which I have previously referred, we are able to carry forward a balance of £66,334, against £65,620 brought in.

Early in the new year the company decided to apply to the Stock Exchange for permission for transactions of the company's ordinary shares to take place "unnumbered," and transfers have accordingly been dealt with in this manner since Feburary 1st last.

The company has a scheme for the paying of bonuses to employees on fixed incomes, and in 1951 such bonuses were paid representing an additional ten weeks' pay.

A SOUND POSITION

In view of the disturbed condition of affairs in general at the present time, it is futile to try to make any forecast for the present year; but it will, I am sure, be quite obvious from the figures already presented to you that the position of our company is a sound one. I have the greatest confidence in the management and in the efficiency of our staff, and I would like to emphasise very strongly that my appreciation of their efforts and their loyalty is very sincere.

For the information of the shareholders I again give details as to how each £1 of the company's income is expended:—

Per cent		s.	d.
78.16	Raw materials and Manufactured Goods	15	7¼
13.45	Wages, Salaries, Pensions and Welfare	2	8¼
2.26	Taxation		5¼
4.14	New Machinery, Equipment and all other Services		9¼
0.66	Dividends to Shareholders		1¼
1.33	Reserves retained in the business		3¼
100.00		20	0

THANKS TO EMPLOYEES

In conclusion, may I add my thanks to every employee whatever his contribution towards the satisfactory results of 1951 may have been, and express the hope that the hitherto happy relations between us all will continue so that when times become more normal we shall find ourselves ready to meet any competition that may confront us.

The report and accounts were unanimously adopted and a final dividend of 7½ per cent (making 12½ per cent for the year) and a special bonus of 2½ per cent on the ordinary shares were approved.

The retiring director, Mr Walter Bennett, was re-elected and the remuneration of the auditors, Messrs Josolyne Miles and Company, having been fixed, the proceedings terminated with a vote of thanks to the chairman.

BALLITO HOSIERY MILLS

COMPREHENSIVE EXPORT TRADE

The twenty-third annual general meeting of Ballito Hosiery Mills Limited, was held at St. Albans, on April 23rd.

Sir Cyril F. Entwistle, QC, MC, LLB (chairman of the company) in the course of his speech said: We have had another highly successful year. The net profit, before taxation, amounts to £183,127, as compared with £166,054—an increase of £17,073. We are recommending payment of dividends at the same rates as in the previous year.

I am very pleased to report that despite a considerable falling off in the general demand from foreign countries over the last quarter of the year, our total export sales for 1951 were substantially the same as for 1950, during which year we were not only supplying for current public demand but also to replenish the depleted stocks which existed at that time.

Our export effort is one of the most comprehensive in the trade; we have 57 foreign agents covering practically every country in the world where it is possible to sell stockings, and our sales director has made personal visits to a considerable number of the markets.

Through increased production we have been able substantially to increase our home sales over the year, and therefore satisfy to a further extent the ever-growing demand for our Ballito brand stockings. We successfully launched on the market, during the latter part of the year, two new Mirrasilk styles, which have proved extremely popular, and repeat orders are reaching us every day.

HALL-MARK OF QUALITY

It is no idle boast to say that Ballito is not only a household name as far as women are concerned in this country, but it is established as a hall-mark for the highest quality. Our production of fully fashioned hose shows an increase of 12½ per cent over last year, and our total turnover an increase of 30.77 per cent.

The installation of new machinery mentioned last year is still proceeding and will, we hope, continue without interruption during the whole of 1952. Our hosiery production is of a specialised nature, the fibres used being mainly nylon, pure silk and rayon, and as a result of this we have not been adversely affected by the abnormal fluctuations in the price of wool.

With regard to the current year, of which three months are completed, there have been some reductions in gross profit margins, but, owing to our continuously increasing productive capacity, our estimated profits are being satisfactorily maintained. We shall, of course, be subject to Excess Profits Levy this year. It is quite impossible to say exactly how we shall be affected by this tax until the Finance Bill is on the Statute Book. The year 1947 was for us one of rehabilitation and the reconditioning of our premises and plant requisitioned during the war. The years 1948 and 1949 were good, and we have since and during the standard years ploughed back a large portion of our profits and we have also raised fresh share capital for new machinery. I can at least safely say that our standard profit will be sufficient to cover our present rates of dividend with an ample margin to spare.

I am happy again to be able to say that the relationship between management and workers is excellent and cordial, and I am sure you will wish me to conclude by expressing our thanks and hearty appreciation to our management, staff and employees for their enthusiastic and successful efforts.

The report was adopted.

PLATERS AND STAMPERS, LIMITED

A RECORD YEAR

The annual general meeting of Platers and Stampers, Limited, was held on April 17th in London, Mr Lloyd W. Sichel, managing director, presiding in the absence in the USA of the chairman, Mr Arthur Keating.

The following is an extract from his circulated statement for 1951:—

I am happy to tell you that 1951 was a record year for your company. The consolidated profits amounted to £819,296, compared with £335,504 in 1950. There remains a net profit after taxation of £347,949, which compares favourably with the previous year's net earnings of £152,879.

The final dividend on the ordinary shares represents, when added to the interim dividend already paid, 25 per cent on the issued ordinary share capital of the company as compared with 20 per cent for 1950. Whereas the profit is 144 per cent greater than for 1950, the corresponding proposed dividend is increased by only 25 per cent.

The demand for our products was such that sales were limited only by the availability of material and of our capacity to produce. The popular trade names, "Prestige," "Skyline," "Overnex," "Kumfi-Kut," etc., have been increased by the addition of yet another. I refer to "Tru-Spot," the name under which we are marketing electric torches. Sales of Prestige pressure cookers and hollow ground cutlery were higher than ever. Export business has continued to expand.

The outlook for the immediate future appears reasonably favourable.

The report was adopted.

JOHN BARKER AND COMPANY, LIMITED

CHANGED TRADING CONDITIONS

The fifty-ninth ordinary general meeting of John Barker and Company, Limited, was held on April 24th in London.

Mr Trevor A. Bowen, DL, JP (chairman and joint managing director), in the course of his speech, said: I have to report a net profit of £624,415 in the Barker Group. Of this amount taxation absorbs £367,591, or 58¾ per cent of the net profit, leaving a balance of £256,824. The drop of £322,334 in the net profit, before taxation, is not altogether surprising, as last year I laid special stress on the menace of rising costs and on the probability that our future trade would be adversely affected.

The Douglas Committee, which had been set up to consider the relationship between the existing utility scheme and purchase tax arrangements, published its report recommending the introduction of the "D" scheme.

Following on the introduction of the "D" scheme, comes the winding up of the old utility scheme, freeing from price control all goods except furniture and some minor items. Henceforth competition must be the safeguard from high prices and debasement of quality, and the hallmark of future business transactions.

Largely as a result of the prudent policy pursued in the past, your company is in a strong position as regards its current assets, and therefore well able to cope with any trouble that may come.

The report was adopted and the total distribution of 20 per cent was approved.

INNS AND COMPANY, LIMITED

SUBSTANTIALLY INCREASED OUTPUT

The seventeenth annual general meeting of Inns and Company, Limited, was held on April 18th, in London, Mr. Walter Wallace (joint managing director) presided, and in the course of his speech, said: The net trading profits amount to £284,628, being an increase of approximately £88,000 over those for the preceding year. Not only are the profits good but I am happy to tell you again that every department shows proportionate profit increases this year.

There have been substantial increases in output and the company's efficient organisation has enabled economies to be made both in production and working.

The heavy burden of taxation on the profits for the year amounts to more than 12s. 9d. in the £ leaving the company with a little under 7s. 3d. for each £1, out of which the directors have to provide remuneration to shareholders, carry amounts to reserve for replacement of assets, and to cover other contingencies.

The effect of the new Excess Profits Levy cannot be accurately worked out until the Finance Bill, 1952, has passed through Parliament. On the information at present available it is calculated that on the assumption that the profits for 1952 will equal those of the previous year, the increase in taxation will amount to about 1s. 9d. in the £, making a total of 14s. 6d. out of every £1 of net profits.

MILLARD TUCKER COMMITTEE

I informed shareholders last year that officials of your company had given evidence before the Millard Tucker Committee on the taxation of trading profits, particularly with reference to companies whose business, like ours, is to extract minerals from land. This evidence and other evidence on the point was reviewed in the report, which contained the following statement on this subject: "It will be sufficient for us to record our view that the business profits of a concern of the kind in question cannot be properly computed without a proper allowance for depletion of minerals."

Your company obtained a special depletion relief concession during the late 1939-45 war period for parts of its trading. Your board is continuing to press for the correction of what cannot be regarded as other than an unfair, illogical and incorrect basis of taxation as applied to the company's sand and gravel pits.

The report was adopted and the total distribution of 17½ per cent, less tax, was approved.

Economic Intelligence

The Economist Intelligence Unit provides a means whereby the specialist knowledge of *The Economist*, its research facilities and its sources of information, both at home and overseas, can be directed to the particular requirements of business firms and other organisations. The Unit can supply information and prepare reports on a wide range of subjects. In suitable cases, it can provide authoritative opinions on specific problems.

The Economist Intelligence Unit

22 Ryder Street, St. James's, London, S.W.1

SUDAN GOVERNMENT

The Ministry of Education requires an Assistant (Administration) aged 25 to 40 or thereabouts for service in the Sudan. The duties consist of the setting up of a central storekeeping and accounts system for technical consumable stores and fixtures, e.g. machine tools, etc. *Candidates* must have served in a similar post in industry. A good knowledge of office *procedure* is essential.

Appointment will be on probation for a Short-Term Contract for two years on a salary scale £E750 to £E1,400 with post-service bonus. Starting rate would be determined according to age, qualifications and experience, and cost-of-living allowance may also be payable. Outfit allowance of £E50 is payable on appointment. There is at present NO INCOME TAX in the Sudan. Free passage on appointment.

Further information and application form will be sent on receipt of a postcard only addressed to the Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1, quoting "1015" and name and address in BLOCK LETTERS.

SUDAN GOVERNMENT

The Ministry of Education requires Lecturers aged 25 to 40 or thereabouts for service in the Sudan Khartoum Technical Institute. The duties consist of lecturing in (a) *Accountancy*, or (b) Office Management Subjects, or (c) English and Commerce or Economics. For (a) candidate must have passed the final examination of one of the recognised Accounting Bodies, for (b) the final examination of the Chartered Institute of Secretaries and/or be members of the *Office Management* Association, and for (c) candidates should have a University Degree in Economics or Commerce or equivalent.

Appointment will be on probation for a Short-Term Contract for two years on a salary scale £E950 to £E1,675 with post-service bonus. Starting rate would be determined according to age, qualifications and experience, and a cost-of-living allowance may also be payable. Outfit allowance of £E50 on appointment. There is at present NO INCOME TAX in the Sudan. Free passage on appointment.

Further information and application form will be sent on receipt of a postcard only addressed to the Sudan Agent in London, Wellington House, Buckingham Gate, London, S.W.1, quoting "1011(a), (b), or (c)" as the case may be, and name and address in BLOCK LETTERS.

THE ROYAL BANK OF CANADA

DIVIDEND NO. 259

NOTICE IS HEREBY GIVEN that a dividend of twenty-five cents per share upon the paid-up capital stock of this bank has been declared for the current quarter and will be payable at the bank and its branches on and after June 2, 1952, to shareholders of record at the close of business on April 30, 1952.

By order of the Board,
T. H. ATKINSON,
General Manager.

April 17, 1952.

A LEADING Agency House has a vacancy for a lady to act as Private Secretary to the director in charge of their Estates Department in Kuala Lumpur. The Director is a Legislative Councilor of the Federation of Malaya. First-class secretarial and good educational qualifications are essential. The successful candidate would be offered a three-year contract in the first instance. Emoluments total the equivalent of £840, rising to £910 per annum, exclusive of furnished accommodation, for which a nominal rental is charged, and of a share of profits. There is a Provident Fund. Applications are to be made through any Employment Exchange. Please quote Ref. No. O.M.P. 1323/52.

YOUNG woman B.Sc. (Econ.) London, Honours Economic History, having first-class knowledge French and German and some recent experience Market Research, seeks appointment, home or abroad, as a Lecturer or with industrial or commercial organisation on research staff.—Box 936.

SWISS, 32, background—International raw materials trade, experience—*market research, statistics, publicity, administration*, seeks congenial occupation, commercial or non-commercial, preferably in Europe. Wide interests, journalistic ability, linguist.—Box P 50135 Z, Publicitas, Zurich 1, Switzerland.

HAVE you the ability to inspire and teach both new and experienced salesmen? Front-rank manufacturing company requires Sales Trainer for its entire field sales personnel. Applicant, in addition to being an experienced salesman or sales executive, should be fully *conversant with modern selling technique* and have first hand knowledge of wholesale and retail distribution, particularly in the Chemists' trade. The successful applicant must be between 30/45, of high character, and able to produce impeccable references. Position is one of importance and responsibility calling for man management of an excellent order. Write in first instance, giving full particulars of your experience and personal sales business record.—Box 937.

FOR SALE.—*The Economist* 13/11/48 to 29/12/51 unbound. Excellent condition.—Offers to Box 941.

EXPERIENCED business *executive* with wide knowledge home and export conditions wants full-time job preferably textiles, this country or U.S.A. Available London for interview now.—Box 935.

INCORPORATED STATISTICIANS.—EXAMINATIONS, JUNE, 1952. The Association of Incorporated Statisticians, Ltd., announce that their EXAMINATIONS for REGISTERED STATISTICAL ASSISTANT, INTERMEDIATE and FINAL, will be held on JUNE *4th, 5th and 6th*.—Applications on the prescribed forms must be forwarded to the Secretary, 3 Hill Street, W.1.

EMPLOYERS' NATIONAL FEDERATION IN LONDON requires senior assistant. Applicants for the position must give full information, which will be treated as confidential, regarding their age, their educational qualifications (including any University degrees), their industrial, legal or other business experience, and their present position. They should state also their present salary or the salary desired.—Applications should be addressed to Box 932.

COMPETENT *works manager* required for iron foundry in the London area. Good knowledge of all classes of castings, simple machinery and engineering assembly essential. Some commercial experience an advantage. House provided.—Full details to Box 933.

GENERAL SALES MANAGER, age about 40, required to take charge of Home Trade sales organisation of world-famous company distributing its products to the retail through its own force of over 70 salesmen. Practical selling background with *experience* at executive level of all aspects of modern marketing methods and research, sales promotion, organisation and control of representatives are essential, also capacity to indicate new methods as conditions demand. Only men of marked ability and energy need apply.—Details of career in strict confidence to Stephenson, Harwood & Tatham, 16, *Old Broad Street*, London, E.C.2 (Solicitors).

PLACE your Publicity in experienced hands.—Copywrits Press and Publicity, 316 Vauxhall Bridge Road, London, S.W.1. *VICtoria* 4189.

BRAZIL.—A Joint Managing Director is required for the Associated Company in Sao Paulo of the *A.P.V. Company* Ltd. The appointment offers great scope for a man with high level experience of management, including commercial and financial matters, and if possible with an engineering background. The successful applicant will be around 40 years of age, having a first-class education, preferably with a university degree; breadth of vision, wide interests and congenial personality are all necessary qualities. Aptitude for languages is indispensable, and knowledge of Portuguese a great advantage. *Consideration can be given only to those who conform* to these requirements and can qualify for the high level of remuneration and other privileges which the position commands. Before proceeding to Brazil this man will have a course of intensive training in London.—Apply in writing, with full particulars, to the Export Department, The A.P.V. Company Ltd., Wandsworth Park, London, S.W.18.

RICHARD COSTAIN LIMITED require the services of a Senior *Qualified Accountant for service in Northern Rhodesia*. Previous experience of *Building and/or* Civil Engineering Contractors' Accounts useful but not essential. Contracts for 3 years' duration with opportunity of renewal.—Apply in writing, giving full details of age and experience, to Personnel Director, Richard Costain Limited, Dolphin Square, London, S.W.1.

THE SCOTTISH COUNCIL (Development and Industry) invites applications for the appointment of London Secretary to the Council. Energy, skill in negotiation and extensive business or *administrative* experience will be essential. The post will be superannuable after trial period.—Applications, which should state the age, qualifications and experience of the applicant, as well as the salary expected and the names of three referees, should be forwarded immediately to The Secretary, *The Scottish Council* (Development and Industry), 1, Castle Street, Edinburgh, 2.

STATISTICIAN required by rapidly expanding firm engaged on specialised market research. Applicants must have First or Upper Second Hons. Degree in mathematical statistics and practical *experience in the tabulation and analysis* of figures, together with *grounding in market research*. This post offers tremendous opportunities for advancement.—Write giving details of age, education, qualifications and previous experience, to Bedford Attwood; Attwood Statistics Limited, Chantrey House, Eccleston Street, S.W.1.

GLAXO LABORATORIES (INDIA), LTD., require an Assistant (male) Personnel Officer for their Bombay factory. Applicants, who should be of British birth, should have had training and experience in Personnel Management and be willing to make a permanent career in India. *Preference* given to single men, aged *not over 30. Contract three years*, followed by six months' leave in U.K. The terms of services and allowances are generous.

An application form may be obtained from Senior Personnel Officer, Glaxo Laboratories, Ltd., Greenford, Middlesex.

CONTROLLER.—Up to £4,000 p.a. for a permanent and pensionable appointment is offered by a well-known engineering combine to a young and highly-qualified accountant with intimate experience of modern management in Manufacturing Industry and a personality suitable for high executive *responsibilities. Candidates* will be interviewed initially by a professional selection board and complete confidence will be expected and maintained.—Applications, typed and in triplicate if possible, should be marked "Controller," and addressed to Messrs. Linklaters & Paines, 6 Austin Friars, London, E.C.2.

AN International Commodity Organisation has a vacancy in its Statistical Department for a young statistician to assist in the *collection and compilation* of world-wide statistics.—Applications with a note of qualifications to Box 929.

ACTUARIAL STUDENT, preferably having passed Part II of the examinations, required to assist with consulting work in Johannesburg. Generous salary and excellent prospects.—Apply, stating age, *qualifications and experience, to Messrs* Shepley, Fitchett & Eriksen, Consulting Actuaries, P.O. Box 6831, Johannesburg.

COMPREHENSIVE but economical service offered by independent print consultant, London, for designing and printing home and export brochures and *advertising* literature.—Box 940.

THE Economists' *Bookshop*, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, *and Social Sciences*, you may wish to sell (*periodicals excluded*).

SINGLE MAN (25), experience Produce, B.Sc.(Econ.), Ex-Capt., seeks new post offering more scope. Perfectly mobile.—Box 930.

FOR SALE.—*Economist* with indexes, 1945 on.—Apply Box 938.

KEESING'S ARCHIVES, 3 vols., *1946 to date*: infrequent user will sell for reasonable offer or GIVE to Library/Institution with genuine need and willing to continue.—Box 939.

CANADA.—Top executive (40) seeks responsible post in Canada. Exceptional experience in engineering industry including finance, administration, factory organisation, sales and service. *Adaptable* to any type of business.—Write Box 931.

TRANSLATION.—Rapid service, German into English. *Technical* and Commercial material a speciality.—Apply by letter to "Translations," c/o Abbotts, Eastcheap, London, E.C.3.

12.48 PER CENT simple interest p.a. offered for trade bill discounting facilities. Large and small bills available with a supporting guarantee. *Particulars from the company's* accountants. —Box 908.

AMERICAN ECONOMIST visiting U.K. and W. Europe this summer has some time available.—Offers Box 934.

HELSINGFORS SWEDISH UNIVERSITY OF ECONOMICS, FINLAND

Applications are invited for the post of Assistant Lektor in English, to teach English language, including commercial correspondence, to students of Economics. Candidates must be men, preferably single and under 30, and must have a degree in English, Modern Languages or Economics; English language teaching experience desirable. Salary equivalent at *present rate of exchange to £1,125 per annum*. One year contract, renewable. Write, enclosing stamped addressed foolscap envelope, quoting title of post, for application form and further particulars to Director, Personnel Department, The British Council, 65, Davies Street, London, W.1, to whom completed forms *should* be returned not later than May 14, 1952.

ASSISTANT Export Manager required by international company. Knowledge of languages essential. Good salary and prospects. London office. *Please apply* Box 912.

TECHNICAL RESEARCH AND COMMERCIAL DEVELOPMENT CONSULTANCY. A gentleman having wide technical training and commercial experience is prepared to act for small expanding firms in *drawing up*, executing or supervising and reporting upon new project and development programmes.—Box 943.

DEN NORSKE CREDITBANK

Established 1857

Capital Paid-up and Reserves Kr. 53,700,000

OSLO, NORWAY

Branches: Arendal, Brumunddal, Flisa, Grimstad, Kongsvinger, Larvik, Lillesand, Mandal, Porsgrunn, Risor, Skarnes, Tonsberg, Tvedestrand.

Every Description of Banking Business transacted

Correspondence invited.

Telegraphic Address: "Creditbank." Telephone: "42 18 20 Oslo."

UNIVERSITY OF LONDON

The Senate invite *applications for the chair of Sociology* tenable at Bedford College (salary not less than £1,800 a year).—Applications (10 copies), must be received not later than May 26, 1952, by the Academic Registrar, University of London, Senate House, W.C.1, from whom further particulars should be obtained.

UNIVERSITY OF LONDON

A course of two lectures on "The Classical Counter-Revolution in Monetary Theory and Policy" will be given by Professor M. Friedman (Chicago) at 5 p.m. on May 1st and 6th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2. ADMISSION FREE, WITHOUT TICKET.

James Henderson, Academic Registrar

UNIVERSITY COLLEGE OF HULL

RESEARCH STUDENTSHIPS

The College *proposes* to award two Post-Graduate Studentships in the Faculty of Arts for full-time *research in Arts, Commerce*, Economics or Law. The value of the award is £250 for one academic year, renewable for a second year. Further particulars may be obtained from the Registrar, to whom applications in triplicate should be sent not later than May 12, 1952.

C. LEGGITT, Registrar.

UNIVERSITY OF BRISTOL

Applications are invited for the appointment of ASSISTANT LECTURER (Grade III) in ECONOMICS. Salary scale £400-£500 per annum by annual increments of £50. Superannuation under F.S.S.U. and Family Allowance where applicable.—Further particulars may be obtained from the Registrar, to whom applications should be sent, not later than May 7, 1952.

UNIVERSITY OF NOTTINGHAM

ASSISTANT AGRICULTURAL ECONOMIST

The Council *invites applications* for the above appointment in the Department of Agricultural *Economics* at the School of Agriculture, Sutton Bonington. Candidates should be graduates in Economics and/or Agriculture. Salary scale: men £360 rising to £620; women £360 rising to £520.

Form of application and conditions of appointment may be obtained from the undersigned.

H. PICKBOURNE, Registrar.

UNIVERSITY OF NATAL, DURBAN, SOUTH AFRICA

Applications are invited for the post of LECTURER IN ACCOUNTING.

Salary scale £550 x £25—£725 per annum. A temporary cost of living allowance is *also payable* at the rate of £256 p.a. for a married person and £109 p.a. for a single person. Pending the introduction of improved salary scales a 10 per cent non-pensionable allowance is paid on the present scales in addition to the *cost of living* allowance. The initial salary will be determined by qualifications and experience.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5, *Gordon Square, London*, W.C.1.

The closing date for the receipt of applications is *June 15, 1952*.

COUNTY BOROUGH OF CROYDON

EDUCATION *COMMITTEE CROYDON POLYTECHNIC*

Principal: Hugh A. Warren, M.Sc.(Eng.), A.M.I.C.E., M.I.Struct.E.

Applications are invited for the post of full-time ASSISTANT to teach ACCOUNTANCY AND COMMERCE. Candidates should be graduates in Commerce or Economics and/or hold a professional qualification. Teaching and business experience are desirable.

The salary will be in accordance with the Burnham Technical Scale *for Assistants* (Grade A) with *London* Allowance.

Duties to commence in September, 1952.

Further particulars and forms of application *may be obtained* (on receipt of a stamped addressed envelope) from the undersigned, to whom completed forms must be returned within two weeks of the date of this advertisement.

Note.—The Committee are unable to provide housing accommodation.

HERBERT ROBERTS,
Chief Education Officer.

Education Office,
Katharine Street, Croydon, Surrey.

BOARD CHANGES

INSURANCE ENGINEERS LTD. Mr W. A. Osborne, F.I.A., has been appointed Chairman, and Mr E. Lansdowne, Deputy Chairman.

PART-TIME Lecturers in ECONOMICS AND ALLIED SUBJECTS are required for evening work, commencing in September next. —Application forms may be obtained from The Secretary, City of London College, Moorgate, E.C.2.

QUALIFIED STAFF AVAILABLE NOW

Accountants, Office Managers, Company Secretaries supplied immediately.

FINE'S EMPLOYMENT AGENCY

(HIGHER APPOINTMENTS SECTION)

95/99 PRAED STREET LONDON, W.2. AMB 3400 (30 LINES)

—FINE'S FOR THE FINEST STAFF—

The Bank of Adelaide

invites all who have or would like to have relationships—business or personal—with Australia, to use its complete banking service throughout that country.

Head Office: Adelaide, South Australia.

LONDON OFFICE:

11, LEADENHALL STREET, E.C.3

Incorporated in 1865 in South Australia with limited liability.

REFUGE

ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1

THE REFUGE WILL SAFEGUARD THE FUTURE

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS; PATENT EXAMINER AND PATENT OFFICER CLASSES. The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1952. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1952, may eventually be announced. The Scientific posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply.

Candidates must have obtained a university degree with first or second-class honours in an appropriate *scientific subject* (including engineering) or in Mathematics, or an equivalent qualification, or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for *Scientific Officer* and *Patent* posts taking their degrees in 1952 may be admitted to compete before the result of their degree examination is known.

Age Limits: Senior Scientific Officers, between 26 and 31; for Scientific Officers and Patent Classes, between 21 and 28 during 1952 (up to 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales: Senior Scientific Officers (*men*) £812 to £1,022; (women) £681 to £917; Scientific Officers (men) £440 to £707; (*women*) £440 to £576; Patent Examiner and Patent Officer Classes (men) £440 to £655. (Rates for women under review.) Somewhat lower rates in the provinces.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S. 53/52 for Senior Scientific Officers and S. 52/52, S. 128/52 for the other posts.

CANADIAN PACIFIC RAILWAY COMPANY
(Incorporated in Canada with Limited Liability)

PROXIES

Shareholders are reminded that proxies in connection with the *forthcoming* Annual Meeting should reach this office not later than Friday morning, May 2nd.

R. F. TREMAYNE,
Deputy Secretary.

8 Waterloo Place, S.W.1.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—CANADIAN PACIFIC RAILWAY PERPETUAL 4 PER CENT CONSOLIDATED DEBENTURE STOCK, —NEW BRUNSWICK RAILWAY 4 PER CENT DEBENTURE STOCK.—CALGARY AND EDMONTON RAILWAY 4 PER CENT DEBENTURE STOCK,—ATLANTIC AND NORTH-WEST RAILWAY 4 PER CENT FIRST MORTGAGE REDEEMABLE DEBENTURE STOCK.—In preparation for the payment of the *half-yearly interest* due July 1, 1952, on the above Stocks, the Transfer Books will be closed on May 19th and will be reopened on July 2, 1952.—R. F. TREMAYNE, Deputy Secretary, 8, Waterloo Place, Pall Mall, London, S.W.1. April 21, 1952.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—ONTARIO AND QUEBEC RAILWAY COMPANY—5 PER CENT DEBENTURE STOCK—6 PER CENT COMMON STOCK. In *preparation* for the *payment* of the half-yearly interest payable on June 2nd next, the Debenture Stock Transfer Books will be closed on May 1st and will be re-opened on June 3rd. The half-yearly interest on the Common Stock will be paid on June 2nd to holders of record on May 1st.—R. F. TREMAYNE, Deputy Secretary, 8, *Waterloo Place*, Pall Mall, London, S.W.1. April 12, 1952.

OLD-ESTABLISHED British-owned financial commercial weekly published Calcutta, requires *editorial assistant*, single, either sex; some practical newspaper experience, *preferably with economics* or similar degree. Usual passages, leave, etc., terms. Interviews London during May.—Box 921.

POSTAL TUITION for B.Sc. ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894). *Fees are reasonable* and may be paid by instalments if desired. 765 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17

WOLSEY HALL, OXFORD

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, April 26, 1952.

THE HISTORY OF ZINC

Hunting — a favourite motive in Ancient Indian Art.

14th Century India knew ZINC

The earliest records of Zinc being obtained by distillation were those made in India about the 14th century.

TODAY ZINC is one of the most important metals in industry. It is used in brass; as a protective covering for iron and steel; large quantities are used for die casting in the motor car and many other industries; and its pigments, Lithopone and Zinc Oxide are widely used by the paint, rubber, linoleum and associated industries.

During the last 30 years a great Zinc industry has been created in Britain by Imperial Smelting Corporation Limited, whose principal activities, in addition to the production of Zinc metal, include the production of Sulphuric Acid, Zinc Pigments, Fluorine and Fluorine Compounds and ancillary products.

IMPERIAL SMELTING

U.K. MEMBER OF THE CONSOLIDATED ZINC CORPORATION LIMITED

IMPERIAL SMELTING CORPORATION LIMITED · 37 DOVER STREET · LONDON · 1

SPRING BOOKS: p. 307

The Economist

Established 1843

ay 3, 1952 One Shilling

SECRETARIAT LIBRARY MADRAS 5 JUN 52

LEADING ARTICLES

od Without Thought - - - 269
w Start With Japan - - - 271
Truce for the Saar - - - - 272
eforming the Certificate - - 274

OTES OF THE WEEK - - - 276
Dr Dalton Helps Moscow; New Treaties in Danger; Ridgway Succeeds Eisenhower; Government by Public Relations; Deflating the Overlords; Competition in Hypocrisy; Deadlock in Korea?; The Templer Touch; Not Everybody's Business; The New Costs of Welfare; Federation Fears; The Right to Idleness; London Talks on Trieste; Greeks, Turks and Thrace; Education for Industry.

ETTERS TO THE EDITOR - - 287

MERICAN SURVEY
How Corrupt is America? - 290
Taft Country - - - - - - 291
The President's Powers; Stabilisation After Steel; Delegates *versus* Popularity; Riots and Reforms; Foreign Aid on the Move; Stay-down Strike; Housing Prospects.

HE WORLD OVERSEAS
Solvency without Tears - - 298
Soviet Germans Prepare for Victory; Egypt's Economic Troubles; Jugoslavia and Trieste; The French in Algeria—II; Israel's Birthday; *British Firms in China.*

PRING BOOKS, 1952 - - - - 307

THE BUSINESS WORLD

ofits Too Low - - - - - 322
ecord Roundabout - - - - 324

BUSINESS NOTES - - - - - 325
Big Borrowers' Turn; Points on Distillers; Bank Deposits and Government Borrowing; Australia Draws from the Fund; Petrol Tax in Committee; Textiles and Tax; ICI Does It Again; Healthier Film Finance; Cheaper and Better British Films?; Best Face on Coal; Exports Still Rising; Bigger Imports; Co-operation in Raw Materials; Wool Prices Recover; The Prudential in 1951; Free Gold Boomerang; Outlook for International Nickel; Flying Tourists; Shorter Notes.

COMPANY NOTES - - - - - 336

STATISTICAL SUMMARY - - 338

COMPANY MEETINGS - - - 339

Vol. CLXIII No. 5671
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Food Without Thought

IN nothing is there more need for the Government to be bold and inventive than in food policy. The problems that it has inherited do not permit of any quick or easy solution. Britain has been living in a siege economy for food ever since 1940. It is the melancholy truth that an end to this predicament is not yet in sight. The notion that physical shortages might be overcome simply by making a bonfire of controls, an idea nourished by some foolish boasting from Lord Woolton himself, has already evaporated. Indeed the crisis of solvency forced the new government, as one of its first acts, to cut food imports and thus add to its domestic difficulties.

But this situation does not commit the Government to a torpid acceptance of its predecessors' policies. The machinery for getting and distributing food operated during the six years of Labour rule was in all its essentials a continuation of wartime methods. It has produced rigidities in both supply and demand, and inefficiencies of distribution, which are not inevitable consequences of economic stringency. It has completely insulated British agriculture from its domestic market. One Ministry fixes farm prices; another Ministry purchases the whole national supply of food (home and imported), regulates all the channels of distribution, and fixes retail food prices. The fact that the gap between the two price levels is simply charged to the taxpayers' account is hardly calculated to stimulate realism and efficiency in the official controllers.

Labour's shibboleths prevented any attack on this cumbrous machinery of control bolstered by food subsidies. The Conservatives need not operate under such inhibitions. It is possible for them to work towards the restoration of a free market in food, subject to two limitations. Those are, first, that agricultural producers should enjoy some measure of stability in their earnings, as promised by the Agriculture Act, and, secondly, that the poorer consumers should be shielded from any large rise in food prices by devices such as family allowances and welfare schemes. To dismantle the whole apparatus of state control is at present quite impossible. To substitute a looser and more flexible model for the rigid wartime one is both possible and highly desirable—though it calls for hard thinking and ingenuity rather than for party polemics.

The Conservative Government started quite well. The appointment of Lord Woolton as co-ordinator of food and agriculture suggested that a real attempt would be made to think out policy afresh and to bridge the narrower departmental interests and jealousies. The new Minister of Agriculture made speeches in which he emphasised the consumer's interest in keeping down the cost of food production. Best of all, the Chancellor found the courage to take an axe to the food subsidies.

The dawn was false. Last week the Government announced the results of this year's review of farm prices. The announcement itself comes unpardonably late in the year; the new livestock prices

are meant to operate from April 1st. Its presentation was extraordinarily inept and obscure. The Minister withheld all the relevant economic data for later publication in a White Paper; he gave a single, misleading figure of the cost of the new award. The trick of breaking awkward news by instalments rarely profits a government, and this was not one of the exceptions. The announcement was not accompanied by the expected declaration of the Government's long-term agricultural policy. That is also reserved to a later date—apart, again, from one stray figure to the effect that by 1956 net farm output ought to be 60 per cent higher than it was before the war. The Minister did assert, however, that the present award provides "a firm foundation for the long-term policy." It can therefore be regarded as pointing the direction in which the Government will go.

If that is the case, its treatment of agriculture will be the Achilles heel of Conservative policy for food. The party's tenderness towards rural interests is well known and of long standing. But the very strength of the Government's position in its rural bailiwicks, in contrast with its tenuous hold on some urban constituencies, produced hopes that it would not sacrifice the interests of food consumers to those of British food producers. These hopes have been dashed. The effect of the present award, so far as it can be understood, seems to be to give farmers as a class full recoupment for the rise in costs during the last year. Some of the more influential groups, such as the milk producers, have done rather better than this, while others may have done less well. The general intention of the settlement is to repeat, on a smaller scale, the special stimulus to agricultural production that was last given in 1947.

*

The objective of growing more food at home is not in dispute; it is given further emphasis by Lord Woolton's gloomy forebodings about imported supplies in the House of Lords this week. And in one important respect the present award is a great improvement on that of 1947. The costly device of price incentives was then relied on exclusively. This time, a considerable portion of the extra money for agricultural production will be handed out in the form of direct subsidies to producers. The fertiliser and ploughing-up subsidies are to be extended, the calf-rearing subsidy is to be reintroduced, and the price of feedingstuffs is to be stabilised at its present level. These devices promote good farm practice and, by keeping down costs, act as a surer stimulus to expansion than do higher prices. In particular, the benefit goes most directly to small farmers and to all those who are short of working capital, whereas higher prices give the chief gain to the large producers who are not in need of assistance.

If the award had concentrated on measures of this kind, it would have been entirely welcome. In fact they are a small part of it. The Government is also providing an appreciable general increase in farm prices—the second such increase within a year. The total cost is known to be a good deal more than the Government originally intended. The Minister put it at £39 million a year, but this figure is misleading for three reasons. First, it is kept down by the happy circumstance that wool, which is now treated as a guaranteed commodity, is able to make a contribution towards the agricultural pool through an overdue cut in its price. Secondly, it excludes the £14 million given to farmers only a few months ago through a special review. Finally, it does not allow for the cost of the new feedingstuffs subsidy, presumably because that cannot be accurately calculated.

The true amount by which the cost of home-grown food has been raised is more like £60 million over a full year. This is serious enough in itself. It is particularly damaging because it undermines the figures on which the Chancellor worked out his cut in the food subsidies. The increase in the cost of home food production will be bigger than he allowed for. He has said, however, that the increase in food prices to the consumer will be no more than he forecast on March 11th. This must mean that the cut in the subsidies will be less. Retail food prices are being raised only slowly, and it now seems that the subsidy bill for the present financial year would not be brought below £325 million even if the annual rate were down to £250 million by next winter. The immediate impact of the whole policy of retrenchment is in doubt. And since little more than a third of the subsidy bill was attributable to imported food even before last week's announcement, the high cost of home-grown food is plainly the major obstacle to the fulfilment of the Government's good intentions.

*

No agricultural policy will make that cost low. No one disputes the farmer's claim to a fair price for the output the nation so urgently needs. No one denies his right to such protection against violent fluctuations in income as the Agriculture Act was intended to provide. But there is also no doubt that the cost of home-grown food need not be quite as high as it is. Government assistance to agriculture will plainly do most good the more it is concentrated on the farmers who most need assistance if they are to expand output, instead of being treated as a general bounty which inordinately inflates the taxable incomes of the farmers who can already produce most cheaply. As in social security, the function of the welfare state is to help the most needy rather than give money to everyone at everyone's expense.

That is supposed to be Tory policy. It is not being applied to agriculture because the Government is allowing itself to be bound by the conventions of its predecessor. In theory, the state fixes farm prices according to the general national interest. In practice, the annual price review has become a process of hard bargaining between two parties who meet as equals and feel themselves under a political constraint to reach agreement. The bargaining has two stages: first, to agree what total sum ought to be added on to farmers' gross incomes; secondly, to apportion this sum among the various crops and livestock products. At both stages, the wishes of the National Farmers Union count for as much as the intentions of the Government. The Government cannot, without breaking what are now the conventions, implement the guarantee to agriculture in some other form than a general increase in prices. It cannot, save within narrow limits, concentrate its assistance on those producers who need it most. It cannot relate farm prices effectively to the needs of consumers.

This time, for instance, it is milk producers who have gained the most favourable treatment, although milk is one of the few foods that is being produced up to, or rather beyond, the limits of effective demand. If more money is spent on milk production, less is available for other foods which are more urgently wanted. Yet the Minister of Agriculture is permitted to make the Minister of Food's task more difficult, and to stimulate the production of a food which, however intrinsically desirable, ought now to be put last rather than first on the nation's shopping list.

It was not intended that the Agriculture Act, to which all political parties subscribed, should be worked in this way. The farmers' organisations have a statutory right to be consulted. That is all. But the Government, through a series of precedents, has been led to a point where it has lost its freedom of action for determining agricultural policy. The blame for this attaches to the last Minister of Agriculture, who walked into the farmers' parlour with bland self-assurance. But the situation is far worse now that a new government has accepted a convention it could perfectly well have repudiated. The price review took so long because ministers put up some fight, but in the end they made concessions rather than face the embarrassment of a public quarrel.

After this, there is no alternative to radical reform. The present method of determining agricultural prices ought to be scrapped. It is not fair to consumers; in the long run it will not prove in the true interests of producers; and it threatens to bring government itself into disrepute. If ministers have no ideas of their own for bettering the system, they should at least accept the suggestion that a Royal Commission be appointed to investigate the problem. But they ought to have ideas of their own. The Government even has a minister specially charged to produce such ideas. Lord Woolton's denial on Wednesday that this is his job cannot be interpreted as anything but an admission that he has tried and failed. There is emphatically a job to be done, and it is Mr Churchill's responsibility to find someone who can do it.

SECRETARIAT LIBRARY
GOVERNMENT

New Start With Japan

THE peace treaty with Japan concluded last year at San Francisco came into force this week. With this event Japan has regained its place among the nations as a fully sovereign state in normal diplomatic relations with the signatories of the treaty. In London there is now again a Japanese Embassy and Mr Asakai, who has for many months ably represented his country in the status of Agent-General, becomes Chargé d'Affaires pending the appointment of an Ambassador. The Commonwealth countries which were represented at San Francisco have likewise resumed diplomatic relations with Japan; and India, which was not a signatory to the treaty, has formally terminated the state of war with Japan and appointed an Ambassador in Tokyo.

This change of international status may seem to some a matter more of form than of substance; for a long time now it has been possible for Britain and other countries to have dealings with the Japanese Government without having to refer everything to the bureaucracy of the American occupation authority. But even if it were only a matter of form, the change would be significant, for the Japanese have a great regard for formality, and the psychological effect of the return to normal in foreign relations is an important factor in the political situation. The change is, in fact, more than formal, for as long as the occupation authority remained, with powers that were theoretically almost unlimited, it overshadowed all Japanese politics, even though it lost something of its awe-inspiring grandeur with the departure of General MacArthur. In the new era no nation will have a right of control or interference in Japan beyond the specific provisions of the Peace Treaty and the American-Japanese Security Pact. It is clear that the United States, by its special responsibility for the defence of Japan, as well as by its general position in the Pacific, will continue to be the foremost power in Japan's foreign relations, and there will certainly be no disposition in this country to challenge such an American preponderance. But Japan will be much freer than before to frame its own foreign policy and enter into international agreements in accordance with its own national interest on particular questions. The resumption of full diplomatic relations should, therefore, be an occasion in this country for taking stock of the situation and considering what kind of policy should be followed in future.

It must be admitted at the outset that there is no very lively interest in this country and no great fund of friendly feeling. Japan is an ex-enemy nation in relation to which wartime attitudes have not been radically altered as they have with regard to Germany by the urgent sense of danger in Europe. There is, of course, an awareness that there is a danger to peace in the Far East as well; but it is obscured by the Anglo-American controversy over policy towards China. There is a tendency to regard contemporary Japan not as a partner in a common front against Communist expansion in Asia, but rather as a satellite of Washington in courses of action of which Britain does not approve. Further, the competition of the Japanese in foreign trade means that the picture of that people most widely accepted by the British public is that of dangerous industrial rivals. The number of people in this country who have had close acquaintance with them has never been large and the days of the Anglo-Japanese alliance are now remembered only by a few. There are, nevertheless, favourable opportunities for a fresh start in relations.

*

Policy towards Japan has not only to take account of the United Kingdom's interests and of relations with the United States, but also of the interests and opinions of Commonwealth nations more closely concerned with the Far East. Both Australia and India have strong, though divergent, views on the subject. Australia has always been the exponent of a "tough" policy towards Japan, sceptical of alleged regeneration of heart among its people and opposed to any policies which may seem to involve risks of a new expansion of their power. On the other hand, Australian non-recognition of the Communist regime in China inclines Canberra to a position closer than the British to the American policy of promoting an alignment of Japan with the Chinese Nationalists. The attitude of India is the opposite. India has always tended (partly as a consequence of the Congress policy during the war) to urge leniency for Japan; further, it has not only recognised and entered into full diplomatic relations with the Chinese Communist Government, but has largely accepted Peking's picture

of Japan as an Asian country compelled against its will to conform to a purely American policy of unjustified interference in Asian affairs.

★

It is no easy matter for London to maintain harmony with both Canberra and Delhi on the delicate and controversial issues involving Japan's relations with China and role in the front for containing Communism in the Far East. There is, however, another sphere in which Britain's own interests are more directly concerned and which offers more common ground for members of the Commonwealth. The association of Commonwealth and non-Commonwealth states in the Colombo Plan is at present the most promising and constructive effort of international co-operation in Asian affairs, and it is vitally important for Britain that, in spite of all the difficulties in the way, this great undertaking should be successfully carried forward. It is no luxury of policy, but a bold attempt, taken in hand none too soon, to meet the needs of a vast region of the world in which a continual increase of population unaccompanied by any corresponding increase of productivity has been threatening economic and social catastrophe. Success in this enterprise would mean not only greater political stability (which makes it a part of policy for the containment of Communism), but also new markets for world trade in which all the great industrial exporting countries may hope to benefit. It is here that there should be a chance to adjust the commercial interests of Britain and Japan in a scheme of economic co-operation beneficial to both as well as to the under-developed areas of Asia.

The best means for such co-operation would be the association of Japan with the Colombo Plan. However, there would at present be strong political objection in the Commonwealth to any suggestion that Japan should be directly associated with the Colombo Plan, and no such proposal is practical politics for the present. More urgent is the question whether Japan can be persuaded to use more sterling, which in itself would tend to bring about closer relations with Commonwealth countries and solve the problem of its trade surpluses in the sterling area. Its dollar-mindedness is a natural consequence of the finance of the occupation period, when it acquired the habit of dollar spending. But it is basically an illusion for post-treaty Japan, for in normal trade it would not have a hope of balancing its accounts with America. The Japanese economy cannot be really healthy as long as it rests on a fantasy. Much depends on the American attitude, for habits of dollar luxury are only encouraged by such aid as last year's loan to Japan by the Export-Import Bank for the purpose of buying cotton in America which it could have obtained from Pakistan. At present the Japanese pile up sterling balances and buy all they can from the dollar area. It is necessary to convince them that, as the sterling area must trade on a sterling basis, Japan will only bring about a contraction of trade if it continues on present lines.

There is reason to believe that patient diplomacy may have an effect on the Tokyo Government's commercial policy in this matter. The Japanese, like the British, will desire, as an economically mature and independent nation, to be as self-reliant as is compatible with the common defence needs of the free world, and it is very improbable that they will wish to remain permanently in a relation of economic dependence on the United States. Nor is it in the long run in the American interest to perpetuate the artificial state of affairs that grew up under the occupation; for even though certain special American interests may benefit from it, it is politically more advantageous that a stable Japan, standing on the side of the free world, should exert its full influence in South and South East Asia. This it cannot do if it stands aside from Asia and has its main economic ties with another continent. Moreover, if Japanese governments —and certain industries—are not to be lured into dangerous dependence on the trade that Communist China will offer, they will have to be shown evidence of the free world's good will in trading matters. Even without its former naval and military power, Japan is potentially a political factor of the greatest importance in Asian affairs and the implications of this need to be carefully studied both in Washington and in London.

A Truce for the Saar

THE European spirit is still a feeble and febrile thing. When it only contemplates action it can show an impressive zest for life; when action has to be taken it can turn faint-hearted and irritable. All the obstinate skill of Dr Adenauer has been needed to keep it alive and all the *bonhomie* of M. Schuman to keep it cheerful. And now it is going through an ordeal that could either kill it or give it a new lease of life. That it should thrive is a vital American and British interest; and the trouble that has arisen over the Saar is clearly an occasion for the Federal Chancellor and the French Foreign Minister to listen to a third opinion.

The problem can be simply stated. From the moment the war ended the French adopted in the Saar a policy designed to separate that territory politically from Germany and attach it economically to France. Had they attempted straight annexation of the territory as reparation for what Hitler's Germany did to France their case would have been straightforward. Instead they paid half-tribute to their allies' principles by insisting that it should be politically independent of Germany and economically united with France. They argued at the time, and have maintained ever since, that the Saar coal and Lorraine ore belong together and that France can feed the Saar more easily than can Germany. Because these economic facts pointed to economic union with France, they argued that political separation from Germany was a logical and essential consequence. And there the French case still stands. Time, of course, has been used to strengthen the evidence and the arguments. If France and Germany launched the Schumann Plan tomorrow, the German share of its members' coal and steel production would be 35 per cent and the French share 34 per cent; let the Saar return to Germany and the proportions become 42 to 27 in Germany's favour. This, say the French, would mean not partnership but subservience.

The German argument is, by comparison, simple. The Saarlanders, frontier folk though they are, talk and behave as Germans; therefore they belong to Germany now as they have in the past. In 1935 91 per cent of their voters chose to enter Hitler's Reich. Until recently all were content with the prosperity created by French efficiency which occupied Germany of 1947 could not offer. Now Western Germany, compared with France, offers stable government, a stable price level, and growing status in Europe. All these things—and the Roman Catholic Church—are pulling the Saar away from France. Germans who work sincerely for European integration would have preferred to leave the issue dormant between Paris and Bonn, provided that the French and their allies kept their repeated pledges to settle the future of the territory in a peace treaty and to do nothing meanwhile to prejudice the decision. Germans who care more for the power that comes of rousing national feeling declare—with good reason—that the French have been using the delay to tighten their grip on the Saar and prevent a German or European solution of the problem. Because Dr. Adenauer cannot pursue his European policy without concessions to national feeling in this matter, he has been drawn first into negotiations and then into altercation with M. Schuman.

★

The root of the trouble is that no French government could break suddenly with a policy that was adopted at a time when it was inconceivable that Germany should be thought of as an armed and equal partner. Occupation policies develop a momentum of their own, especially when they have behind them the driving force of a man like M. Grandval, first governor of the occupied Saar and now French Ambassador in Saarbruecken. The territory now has serious pretensions to statehood, and a constitution that embodies separation from Germany and economic attachment to France as principles. It has a Prime Minister and parties for whom a return to Germany offers no future on the European scene. They hope, by one means or another, to hang on until elections take place later this year. Then, all activity by pro-German parties having been banned, they hope to show the world that the Saar has voted for another five years of things as they are.

The Germans have also been, in some sense, carried along by events. When decisive steps were taken in the Saar there was no German government to protest. Now there is a West German government which finds itself in a bargaining position of unexpected strength. To expect it to negotiate for equality in Europe, for a contribution to western defence, and for membership of the Schuman Plan and the European Defence Community without raising a whisper about the Saar is unreasonable. Complaint and nationalist propaganda there was bound to be; and if the French regard the present outbursts as a sign of German bad faith they should not overlook the special reasons for them. In German eyes, and in some non-German eyes, M. Schuman has seemed at times not entirely master in his own house. Provocative things have been said and done in Paris at critical moments in Dr. Adenauer's parliamentary struggle, only to be avidly taken up by the intemperate opposition in Bonn led by Dr Schumacher.

Until ten days ago the French Foreign Minister and the German Chancellor hoped to carry through their policy for conciliation and co-operation in European institutions by skilful and semi-secret manœuvring, each feeling his government's position too weak to allow entire frankness before public opinion. M. Schuman seems to have tried to soothe Germany's fear of rigged elections in the Saar by agreeing to a commission of French, Germans and Saarlanders to investigate whether free political activity and voting are possible there. Dr Adenauer, for his part, seems to have agreed to modify the flat assertion of all German leaders that "the Saar is German." Their purpose was, presumably, to play for time while the preparations for the Allies' contractual agreements with Germany and for ratification of the new European institutions went ahead.

What then went wrong after this private agreement had been reached is not clear. To the German complaint that arrangements to investigate political freedom in the Saar should begin first, the French replied that the Germans should first explain how they proposed that the status of the territory should be changed. When it came last week to debate in Bonn, the German Chancellor found himself abandoned by his coalition partners. In order to avert the kind of resolution on the Saar that would slam the door on any dealings with Paris, he himself spoke in stern tones of the French attitude and said the negotiations "no longer offer hope of success." Meanwhile, tension is being made worse by the efforts of Herr Hoffman, the head of the Saar government, to prevent pro-German political activity. He has succeeded only in stimulating complaints from the Germans that they are being tricked and these complaints strengthen French belief that the German appetite is insatiable.

When trading with Switzerland, you will want to ensure that you are dealing with a dependable banking organisation able to serve you efficiently. The Head Office of the

UNION BANK OF SWITZERLAND

and its Branches throughout the country welcome the opportunity to place their long and varied experience at your disposal.

Head Office: ZURICH, Bahnhofstrasse 45,

Union de Banques Suisses Schweizerische Bankgesellschaft

Over 30 branches throughout Switzerland

Capital, fully paid	...	Swiss Francs	80,000,000
Reserves	...	Swiss Francs	55,000,000
Total Assets	...	Swiss Francs	1,863,864,281

Cable address for Head Office and all Branches
BANKUNION

The United States and British governments cannot ignore this state of affairs. Not only does it threaten the whole progress of European integration but it underlines their own responsibility in the matter. Germany's increased bargaining power is the direct result of the American wish to get German divisions quickly. That the French are so firmly dug in at Saarbruecken is a direct result of British connivance at past actions. Both Washington and London have not only an interest in mediation but a moral obligation to offer it. But to say that is not to imply that a great deal can be done. The fault of the French has been to attempt a final solution of the Saar question in a rapidly changing situation. The fault of the Germans has been to try to exploit too quickly a situation changing in their favour. It would therefore seem that a solution—and it can be only a temporary one—can be found only by persuading the French to be less inflexible and the Germans to be less impatient.

*

On the face of it there is no sense in a territorial quarrel between two governments which propose to enter into an entirely new political and economic relationship, which will limit the sovereignty of each. To say this is, of course, to take the advocates of European integration at their word and that can easily be shown to be both unfair and unrealistic. But there is no obvious alternative to saying that there must be a European, a middle way between German demands and French resistance. One point of principle in the matter stands out. It is that the Saarlanders should be given real freedom to make their own choice. At the moment that choice is between being a satellite of France and becoming a state of the Federal Republic of Western Germany. It is possible —one cannot put it higher than this—that the future might present a third alternative. Five years hence the progress of European integration might have been such that to make of the Saar another Luxembourg might be attractive to Saarlanders. If the Schuman Plan pool became a reality and the European Defence Community produced the beginnings of federal institutions, it might be possible to reconcile French economic interests and German political interests in a manner that is now impossible. If, on the other hand, the European idea had by then died, nothing short of force could prevent the return of the Saar to Germany; and what British and American opinion would then be no one can foretell.

There is, therefore, a strong case for political truce and a temporary settlement with American and British help. The French would have to insist that Herr Hoffman should grant real political freedom ; the Germans would have to agree that the Saar should be offered the opportunity of becoming an independent state belonging to European institutions. Both would have to confirm that they contemplate such changes in Europe's economic structure as would give each nation equal access to the production and markets of the Saar.

It will be objected that things cannot work out that way; but if that objection is valid then the Schuman Plan and the European Defence Community mean much less than has been claimed for them. If the French object that their security is threatened by German predominance, the reply is that they have American and British guarantees that no French statesman would have believed possible five years ago. If the Germans object that their rights are ignored, the reply is that some sacrifice of national rights is inevitable whether they join the European or the Soviet system. If the experiment should break down, the Saar would come to them but they might lose the friendship of Western Europe and the support of the United States. If it succeeded they would doubtless find in an independent Saar a useful voting partner in the councils of Europe. To seek now a final solution of the problem is to court disaster to Franco-German relations and to frustrate Western policy for Europe when it may be within sight of success. There should be a European solution, but Europe is not yet ready to provide it.

Reforming the Certificate

THE Minister of Education is basking in the unfamiliar sunshine of popular approval. Her decision to let headmasters and headmistresses decide at what age children should take the General Certificate of Education is not, however, a political decision—although a review of the regulations was promised by the Conservative party at the election. It is a decision made on the advice of the Secondary Schools Examination Council—the same body that devised the general certificate five years ago. One year of its operation and a spate of protests from the teachers' associations, the Headmasters' Conference and the Central Advisory Council for Education have convinced it of what common sense should have told it long ago—that to set a minimum age of sixteen before which children should not be allowed to take the examination was a mistake.

In bowing to this weight of opinion, the council has retreated from an objective that the educational advisers of governments had been trying to reach ever since the Norwood committee reported in 1941. That objective was that ultimately there should be no external school-leaving examination, except for older pupils who needed a qualifying examination for the universities or professions. There was a good deal of sense in the reasoning that led to this conclusion. Only a small proportion of schoolchildren are going into careers that require a grammar school curriculum, and it would be wrong to force all those who now receive secondary education into the grammar school mould. It was true, too, that some children had suffered from the rigidity of the old school certificate curriculum and that a few had been subjected to strain by being forced to take it too early.

It was to avoid these evils that the examinations council devised its general certificate. The fact that it could be taken in individual subjects meant that the curriculum could be suited to the child—and this change was wholly to the good. But to use a minimum age as a means of protecting a few pupils from strain and the modern schools from a grammar school curriculum was absurd. It assumed that headmasters and headmistresses had no sense at all, and that they would be quite unable to resist the clamour of parents who thought that secondary education was a hoax unless it ended with a certificate ; or—worse still—that if the examination were not put largely out of their reach, the modern schools would never achieve the visionary "parity of esteem" with the

grammar schools that the egalitarians thought necessary.

Not only was the age limit unsound in theory but it worked badly in practice. First, there is the obvious point that bright children were held back and unable to devote themselves to their sixth-form work until they were sixteen. This would not have been such a serious problem if the general certificate had been used as the council had hoped. The intention was that pupils who were to enter the universities or professions would by-pass the Ordinary level of the general certificate, and take it at a still later age at either the Advanced or the Scholarship level. It was hoped that the universities, professional bodies and employers would be content with an external examination at these levels in a narrower range of the candidate's special subjects, and that, instead of insisting on, say, five subjects at Ordinary level they would accept three at Advanced level, and be content to rely for evidence of general education at a lower level on school records and testimonials. Both these hopes were unrealistic. The children of poor parents are never sure how long they will be able to stay at school and would be unwise to miss the Ordinary level lest they should have to leave without a certificate. They also have good reason to fear that an Advanced certificate in their special subjects would be thought too specialised. Universities, professional bodies and employers have not been prepared to rely on the schools for evidence of a candidate's general education, but have insisted on certificates that include a relatively wide range of subjects at Ordinary level. They may be forgiven for thinking that a teacher has an interest in showing that his instruction is not useless. And it seems to have escaped the egalitarians that if the universities and employers had been prepared to rely on reports from teachers, the result would have been to give an advantage to those who came from the better known schools.

Because a certificate in several subjects has been insisted on, pupils have had to keep subjects "ticking over" at Ordinary level while they went on with their advanced work. This meant that sixth-form pupils had to be divided into more groups, with the result that the shortage of teachers and classrooms, which is acute in any case, was made even worse. The comparatively ample staffs of the independent schools managed to cope with the situation fairly well, but for the smaller grammar schools it was desperate.

It is strange that the council did not foresee all this. It is even stranger that it should have been unanimously in favour of a minimum age for which very few other people have since found a good word to say. It is strangest of all that the regulations were imposed by the late Minister in spite of a clear warning from the grammar schools of the quandary in which it would place them. The story behind this is that before the schools examination council made its report some of its members wanted to abolish a school certificate examination altogether, and there was danger of a minority report. This led the other members to accept the minimum age proposal as a compromise that was the lesser of two evils. Later, when the grammar schools warned the Minister of Education of what would happen, Mr Tomlinson brushed aside their objections. As a Socialist he was strongly influenced by the idea of "parity of esteem" for the modern schools ; and indeed, he was in favour of raising the minimum age to seventeen as soon as possible. Under his regime the Ministry of Education enforced the minimum age provision even more rigidly than the examinations council had intended, applying it not only to the general certificate but also to other examinations, such as those of the Royal Society of Arts and the chambers of commerce.

That rigidity is now happily at an end. The council saves its face by still insisting that the general certificate should normally be taken at not less than sixteen years of age, and by imposing conditions for taking it earlier. These are that the head of the school must certify that it is "educationally desirable" and that the candidate is likely to pass. It is claimed that the new system will give them some protection against the pressure of parents who think their children are cleverer than they are. But it is annoying for headmasters and headmistresses to have yet another form to fill in, particularly such a silly one. At least, however, their discretion is restored to them.

The council has also partially dealt with the other main flaw in the general certificate—the concealment of intellectual differences by making candidates either pass or fail, without grading. This was all part of the levelling process and it is good that distinctions are in future to be awarded at the Advanced level. But why not at the Ordinary level also ? The council's motive was presumably that this would encourage children to take their best subjects at Ordinary level instead of by-passing it to take them at Advanced level ; the council is opposed to the same subjects being taken at different levels. This is altogether too subtle. What harm can it do? The possibility of distinction is a spur, and many benefit by some practice in external examinations. Surely the case against external examinations rests on their effect of forcing the pupil to take uncongenial subjects, not his best ones.

There is another problem to be solved. What is the proper standard for the examination ? The intention is that the Advanced level shall correspond roughly to the

For the Information of Overseas Readers—

Secondary schools in England are those that cover the ages of 11 or 12 to 18. **Grammar schools** are those secondary schools giving an education (literary or scientific) designed to lead on to the universities or the professions ; they include the great majority of children staying at school after the minimum legal age for leaving of 15. **Modern schools**, which have by far the greatest number of secondary schoolchildren, and **technical schools** are the other varieties of secondary schools.

The **sixth form is**, by tradition, the highest. Under the system that existed until last year, the **School Certificate** examination was the entry to the sixth form. To gain a certificate, a candidate had to pass in each of a relatively wide range of subjects, and success carried with it exemption from the universities' entrance examinations, provided that the subjects taken met the universities' requirements. School Certificate was normally taken at 15 or 16 and, with this behind him, the sixth-form pupil concentrated on a narrower range of subjects of his or her own choice.

The main changes introduced by the new General Certificate of Education in 1951 were (a) that a certificate would be given in any number of subjects, from one upwards, without any "required subjects" ; and (b) that no candidate under the age of 16 could take the examination.

old Higher certificate, and that the Ordinary level shall be roughly that of the old school certificate but at "credit," not "pass" level. This may seem rather high; credits in school certificate papers were obtained by, on ne average, only half of the candidates. But it must be emembered that the general certificate is now taken not s a group, but in the subjects in which the pupil is likely o pass, and therefore a much higher proportion than 50 per cent should get through. They will not get hrough, however, if the practice of at least one of the ight examining boards is continued—the fixing of a pass nark that fails about half the candidates. There was a great outcry from the grammar schools taking this board's examination when they found that candidates whose success they regarded as certain had failed. This, however, is something that will be put right in the light of experience, and council and boards are giving it their attention.

One criticism remains. Why should not the new regulations have come into operation this year instead of waiting until 1953? It is impossible to believe that the entry of some extra names would have placed too heavy a burden on the administration of the examining boards. It is true that the schools are more than half way through the course and that an immediate change in the age limit would be hard on those who could now take the examination but have not done the necessary work; but it is harder still now that the principle has been conceded to hold back those boys and girls of 15 who have done the work and are ready to take the examination. Is the machine of educational administration now so very cumbrous that it cannot adjust itself to this small change? If it be insisted that the summer examination is too early, why should not the change be made in time for December? Why should it be any answer that the December examination is merely supplementary? In whose interests are these delays imposed? The children's? Or the administrators'?

Apart from this delay, the council's recommendations and the Minister's acceptance of them are very welcome. However good the intentions that prompted the setting of a minimum age, they were academic in the worst sense—that is they were based on theoretical reasoning, and were at variance with public opinion, whose support was necessary to make them effective; and indeed they were contrary to common sense. The removal of the offending regulations leaves the general certificate, if properly used, as an examination that measures a child's capabilities without forcing his education into a mould that may not suit him at all. But it will not be that if the universities and others—and more particularly, the faculties of universities—insist on using it as they did the old school certificate: if they insist, for example, that arts students should have a qualification in mathematics and scientists in French. They have indeed a right to insist that those whom they admit shall give evidence of breadth of mind as well as depth. But what real good does it do to insist that the aspiring undergraduate shall have passed an examination in a "required subject," at a low level and several years before—and forgotten all about it by the time he reaches the university? As everybody knows, these requirements are generally regarded as irritating technical obstacles to be surmounted as early and as indifferently as possible, having little in common with education in any true sense. If the English educational system is to reap the full benefit of the elasticity that the general certificate is designed to foster, the next move clearly lies with the universities.

NOTES OF THE WEEK

Dr Dalton Helps Moscow

It does not seem to be generally realised that the issue in Germany is no longer between rearmament or continued demilitarisation, but between German troops in a European army and German troops in the *Bereitschaften* created by the Russians. The alternatives changed when the last Soviet Note offered Germans unity, free elections, a peace treaty which would break all links with the Atlantic community, and a national army. If the word "national" were translated "people's" the full implications of the Soviet offer would, perhaps, be clearer. A people's army, such as the *Bereitschaften*, has the task of defending a people's democracy, and is packed with officers and NCOs who are politically indoctrinated for the purpose.

The manifesto of the British Labour Party Executive, calling for talks with the Soviet Union, "without further delay"—presumably before anything further is done to set up the Defence Community—is a particularly striking example of the confusion surrounding this matter. It was issued after Dr Dalton had conferred with the German and French Socialists in Bonn. For once, the British Labour party is not leading them. A party which has not been noticeably ready to support plans for consolidating Western Europe in the Atlantic community is now helping a narrow-minded doctrinaire party of Nationalist Marxists, whose eyes are fixed on Eastern Germany. Dr Dalton, who has been bitterly opposed to rearmament of Western Germany, even in the framework of the European community, is now advocating a policy which might well end in the establishment of a new German National-Communist Reich, defended against democrats (in the western sense of the word) by its people's army.

New Treaties in Danger

Clearly the British, American, and French governments must agree to yet another conference with the Soviet Union. Dr Adenauer himself is quite right to advocate a Four-Power meeting; but the final negotiations on the EDC and the contractual agreements to replace the occupation statute should not, as the Labour party and the German Social-Democrats demand, be held up for that purpose. The only good ground for delaying the new treaties would be if ratification by the various parliaments were more likely to be secured in this way. That is a debatable point. Dr Adenauer thinks not, and he has shown himself a skilful politician who knows his people. In a recent broadcast on the alternatives facing the Germans, he once again made clear that he believes the only chance of achieving unity in freedom lies in first of all concluding the EDC treaty and the new contractual agreements. And when the western and eastern representatives finally meet, must be to discuss elections and not in the first place the terms of a peace treaty to be presented to the future all-German government. On this point all Western German parties—and the Labour party—agree.

The most telling criticism made by Dr Adenauer's opponents is that the new treaties with the West will close the door to the reunion of Germany. The Chancellor has replied by pointing out that the treaties can be revised by an all-German government. He appeared to be speaking only of the contractual agreements and not of the Defence Community; but the same argument must hold good for the latter. The outcry which this statement raised in France is hardly justified, for it is clearly impossible for the present government of the Federal Republic to commit the future government of a new German State to any treaties. There would be little hope of securing ratification of the contracts if the Chancellor were to attempt to do so. Only a British and American guarantee could deter an all-German Government from repudiating the EDC.

Dr Adenauer is now in even greater need of all the support he can be given from outside. To the general astonishment, the new coalition government in the South-West *Land* has been formed without the Christian-Democrats, even though they won the elections. As a result, Dr Adenauer has lost his majority in the upper house, which votes on the most important legislation. This fact could prove fatal to the new treaties.

* * *

Ridgway Succeeds Eisenhower

Europe has been paid a notable compliment by the appointment of General Ridgway to succeed General Eisenhower. That the outstanding American field commander should be moved from the United Nations to Shape, from a hot to a cold war front, is an act of political significance which can be interpreted in different ways by different people. General Ridgway will command great respect from the growing forces that he will take over next month, and his record in Korea as leader of an international team should inspire confidence in the thirteen governments with which he has to deal. As for relations with the United States Government, it will be remembered to his credit that he served its chiefs of staff with conspicuous loyalty and has largely restored the confidence in Washington's control of military events that was weakened by General MacArthur.

General Gruenther remains as his chief of staff to carry on the stripling traditions of the headquarters, and doubtless many non-political matters that fell within General Eisenhower's purview will be directed towards the permanent Nato organisation directed by Lord Ismay. It is, perhaps, a little early for a new broom to get to work among the European commands, but General Ridgway will arrive just at the right moment to ensure that the first full-scale exercise of Nato forces in the autumn will have the full benefit of Korean experience.

* * *

Government by Public Relations

It is the modern fashion among politicians, when things begin to go wrong, to blame faulty public relations for their failures. Labour Ministers were able to put more conviction into this self-consolation by abusing the press. Though that resource is denied to the Tories, they do their best, in this as in so much else, to do as their predecessors did. Since the fright of the county council elections, the rank and file has been muttering angrily about the party's publicity; at Westminster, at least two meetings of the 1922 Committee have shown a widespread belief among Conservative backbenchers that the Government's case is being badly presented.

There is danger that this will be allowed to distract attention from the real issue. Mr Churchill himself has fostered an exaggerated idea of the importance of public relations. He has reacted to the criticism from behind by appointing another "overlord." Lord Swinton, Chancellor of the Duchy of Lancaster, now has the duty of supervising the Government's relations with the press. From all accounts, he is tackling his job with vigour, but it will be surprising if he finds much that is useful to do. A government is made or unmade by its policy, not by its publicity. Where this Government has proved to be weak has been not in presenting its case badly but in not having a case. When the policy has been firm and coherent—as, on Budget day at least, for the subsidies—there has been no complaint about the way it was put. Indeed, smaller subsidies have caused less uproar than the far smaller burden of higher fares—because Mr Butler in his speech grasped the nettle firmly. Similarly, Mr Eden has succeeded to a considerable degree in taking foreign policy out of the sphere of party controversy, at any rate for the time being, because he (and, in this matter, Mr Churchill) have not been afraid of making the policy—and that of their predecessors—reasonably plain.

The things that have made the Government unnecessarily unpopular have been its sudden lurches and swerves, the decisions taken precipitately and without forethought, the failures to make plain at an early stage how Ministers' minds were working. To a small extent, the weaknesses are simply in the tactics of government. The long delay in preparing and presenting the Steel and Transport Bills has dismayed the Tories and delighted their opponents. Faults of leadership in the House of Commons have put the Government in a position of humiliation. But these are symptoms. Good public relations consist in keeping the public in the picture, and the only important barrier to doing so is that the picture is blurred in Ministers' own minds.

* * *

Deflating the Overlords

Whatever may be true of the Government as a whole, Lord Woolton's curiously inept speech in the House of Lords on Wednesday leaves no doubt that he is rattled. It has set off a new controversy about the activities of Mr Churchill's "overlords"—the cabinet ministers he made responsible for broad matters of policy affecting two or more departments. Lord Woolton claimed that in his role as a co-ordinating minister he has no responsibility to Parliament but only to the cabinet. His task was not to formulate a general policy for food but simply to replace a cabinet committee as the

ADVERTISING WISDOM . . .

Advertising pays . . . whom?

Would it pay me to advertise? Can I handle my own advertising? What does it cost to employ an agent? What do I get from an agent? Is it true that once you start advertising you have to keep it up? Can I advertise in overseas publications? How much advertising can I do for two thousand pounds? What are the pros and cons of direct mail advertising in my business?

These are only a few of the questions you are likely to want answers to before you know exactly what to do about your advertising.

Through the post it would take you about twelve months to arrive at the answers to these questions. No business with an advertising problem can afford to wait as long as that. But you could settle the thing in an hour by talking it over with somebody who knows—or can get you—all the answers. So why not come along for a chat when you are next in London?

SAMSON CLARKS

SAMSON CLARK & CO. LTD., *Incorporated Practitioners in Advertising*
57-61 Mortimer Street, London, W.1. Telephone: MUSeum 5030

means of ironing out differences between the ministries of food and agriculture. And since he also implied that those differences are few, his post certainly merits his own description of it as "a minor job."

This may accord with the facts. It hardly bears out the picture painted before the election of Lord Woolton as the leader and inspirer of a co-ordinated drive to cure the country's food shortages. Still less does it fit the defence of the appointment of overlords that the Government made last November. It was then said that Mr Churchill would answer in the House of Commons on broad matters of policy for which the overlords were responsible. Plainly they were intended to have the responsibility that Lord Woolton now disclaims.

It would be a pity if this confusion—besides the obvious difficulties into which the Government has got itself over both food and the nationalised industries—were allowed to discredit what was potentially an important experiment in the machinery of cabinet government. Admittedly, it has worked badly so far. Lord Leathers—perhaps more by force of circumstances than by inclination—has recently concentrated on the specialised field of transport rather than on general policy for the nationalised public utilities; it is not clear that an extra Minister of Transport has helped either the minister or the smooth functioning of the ministry. Lord Woolton, on his own account, has carried less weight—though he seems, nevertheless, to have made the two departmental ministers uncommonly hesitant. Mr. Churchill once attacked the idea of "ministers without portfolio brooding over problems over which they have no control." Much worse, however, would be a situation in which ministers with portfolio brooded over problems over which they had no control. There is now serious danger that the overlords will in practice either produce that situation or do nothing at all to justify their places in the cabinet.

But that would be the consequence of personalities, not of the system. If the experiment is to be given a fair trial, its basis must be clearly understood. The case for co-ordinating ministers is that, freed from detailed departmental duties, they can formulate broad policies involving more than one department. If, as Lord Woolton says, that is not so, they should go. If it is so, they must be responsible to Parliament and not merely to the cabinet—which means that most of them should be in the House of Commons, where the broad policies receive their most public debate.

* * *

Competition in Hypocrisy

The debate in the House of Commons on Monday threw no light on the confusion over the suspended increase in railway fares. Indeed, without the White Paper on transport policy that is to be published next week, it was largely meaningless. Both sides were disingenuous. The Government had to avoid awkward questions about dates which might seem to confirm the Opposition's charge that their precipitate intervention in the fare-fixing procedure laid down under the Transport Act was done with an eye to checking the anti-Tory drift at the forthcoming municipal elections. If this was not so, why was the standstill debated separately this week, instead of waiting for the White Paper? The Opposition, on the other hand, was not going to make itself unpopular by standing for full fares, and avoided voting either for or against the Government's motion. It was content instead to try to add some words of regret about the confusion and about the denationalisation of road transport.

In the absence of Mr Maclay, the Minister of Transport, who had fallen a victim to exhaustion in the progress of this battle, the Government's case was presented by Sir David Maxwell Fyfe, the Home Secretary. No one can be more lucid than Sir David when he has a strong case, and no one can achieve a more diplomatic obscurity when he is defending a weak one. The technique is simple. It is to retreat into a smokescreen of legal phraseology, from the midst of which he proclaims that he has made his case crystal clear and left nothing to answer. On Monday Sir David was very obscure—particularly about the charge that, for provincial fares, the Government took the very action which Mr Maclay had declared to be illegal for London fares. Mr Morrison, on the other hand, was at his best. For a day at least the ghost of the fumbling Foreign Secretary was laid by the figure of Mr Morrison the confident expert on transport and local government; he deployed brilliantly the speeches made by Lord Swinton and by Sir David himself five years ago when they had moved an amendment to the Transport Act to make doubly sure that no future Government should overrule the commission on fares. It was a speech which merited a better occasion—and a better cause. Mr Callaghan, too, in a good speech asked awkward questions to which the Parliamentary Secretary gave no clear answer.

But both sides were playing at nothing but politics, and the moral of the episode is plainly that politics should not be mixed with business in running the nationalised industries. It was precisely to prevent this happening that independent corporations were set up. That independence has proved to be a sham. A Conservative Government has settled the issue for no stronger motive, as far as it is able to show, than that holders of season tickets should have guaranteed to them any relative standard of living they have once enjoyed. It is not only the independence of the public corporation that is destroyed by such insistence on protecting special positions. A prescription for rigidity of this kind is a prescription for economic stagnation by Government order.

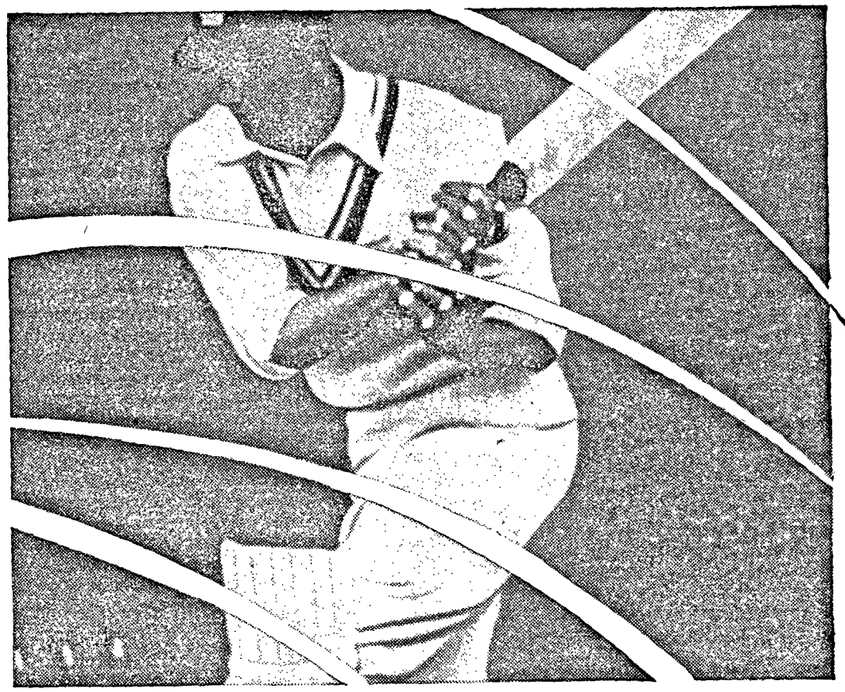
* * *

Deadlock in Korea?

On Monday the truce delegates at Panmunjom met in plenary session for the first time since February. This was a special meeting at which the United Nations put forward a fresh general plan to break the deadlock in Korea; after they had done so, the Communists asked for an adjournment, presumably to consult their governments. The essence of the plan is that a compromise should be reached on the three main points that have held up progress during the past few months: the Communists' right to build airfields in the north during the proposed armistice; repatriation of prisoners; and nomination of the Soviet Union as a member of the Commission to supervise the armistice. On the first point, the United Nations are said to have given way; on the second, they are said to have proposed that approximately three out of five Communist prisoners should be returned; on the third, they are adamant that the travesty of nominating the Soviet Union as a neutral cannot be condoned.

In spite of recent public optimism and the probability that the Kremlin now favours peace in Korea, there seems to be no firm reason for believing that the Chinese and North Koreans will accept the new proposals. They have always acted as if the return of all prisoners is for them a vital matter of prestige, while on the UN side exhaustive discussion has produced the predominant view that to return unwilling prisoners at pistol point is wrong and is out of the question, whatever the consequences. This view has been maintained against arguments which, if accepted, would sweep away what little is left of international conventions for humane behaviour in wartime. It is, for example, suggested that UN refusal could be used by the Communists in future to obstruct the return of any prisoners they might take. They could simply say "Your men refuse to return." It is also pointed out that under the Geneva Convention no prisoner of war shall divest himself of his right to repatriation.

Never yet has optimism about Korea proved well grounded, and the predicament of the UN forces is as baffling as ever. So great has been the enemy's build-up that a return to full-scale operations would settle nothing. If the



The eyes signal the fast long-hop outside the leg stump. The heels pivot . . the shoulders are square . . the arms sweep round, and follow through . . the bat superimposes its weight upon the ball's own impetus. IT ALL ADDS UP TO a hook that scatters the spectators beyond the square-leg boundary.

UNITED WE STAND

The team who work for AEI is sixty thousand strong—three times the strength of a British Army Division. In a year these people turn out enough electrical equipment to pay for a quarter of the nation's meat imports. The companies of Associated Electrical Industries working separately and together, pooling their knowledge, their experience, and their resources, are a fine example of *co-ordinated effort* for the public good.

These are the companies of AEI
Metropolitan-Vickers Electrical Co. Ltd
The British Thomson-Houston Co. Ltd
The Edison Swan Electric Co. Ltd
Ferguson Pailin Ltd
The Hotpoint Electric Appliance Co. Ltd
International Refrigerator Co. Ltd
Newton Victor Ltd
Premier Electric Heaters Ltd
Sunvic Controls Ltd

IT ALL ADDS UP TO AEI
Associated Electrical Industries

Communists insist on peace on their own terms—and it is easy to see why they should—the only course of action is to hold on. That means combating boredom, impatience and lack of understanding of what the cold war is about.

* * *

The Templer Touch

General Sir Gerald Templer has been giving the British community in Malaya some old-fashioned advice. It is refreshing to hear a British administrator taxing consciences and appealing to public spirit in Victorian tones and vivid modern language. "The Communists work," said General Templer in Kuala Lumpur recently. "They seldom go to races, give dinner parties, cocktail parties or play golf. They work. How many people on our side do the same thing?" He has doubtless received many indignant answers from those who already work to the limits of their time and strength; and by now some people will have grasped that he was deliberately using shock treatment. Few white men and women could or would stay in places like Malaya if it were all work and no play; not everyone is endowed with the gift of leadership that General Templer is looking for; many British people of excellent qualities are uncertain whether their government's policy in dependent territories makes it worth while for them to try to strike deep roots there. But when all this has been admitted, there remain certain things that need saying from time to time, both at home and abroad.

Some officials, business men and other persons in British communities abroad—whether in Asia, Africa or the Middle East—still seem blankly unaware of what is going on around them. They understand neither the political awakening of those among whom they live nor the extent to which individuals and their families are regarded as representatives of British ways and ideals. Like royalty, they are always under scrutiny. To take notice of these facts is often regarded as rather "leftish"; to seek opportunities of service beyond the limits of official duties may be regarded as excess of zeal; to whittle away racial and social barriers can look like disloyalty to fellow-Britons. Because it is easier and more convenient to live apart, the case for doing so becomes convention.

There are plenty of honourable exceptions who have taken abroad with them British ideals of public service, toleration and Christian fellowship; but the Templer touch is needed from time to time for the rest. In Malaya the contrast between the front line of plantations, mines and railways and the rear of offices, clubs and golf-courses must often be painful, especially to a soldier fresh from Britain. But General Templer has drawn attention to something of more general importance—the need for dedicated men and women wherever the struggle with Communism is waged.

* * *

Not Everybody's Business

At the end of last week the Indian delegation to the United Nations threw down a challenge which cannot be ignored. In a letter to Asian, African and Latin American countries and to some of the members of Nato its leader, Rajeshwar Dayal, issued a warning that, if the Great Powers make a practice of refusing a hearing to disputes brought before them by the smaller countries, Uno may fall into disrepute and go the way of the League of Nations. Bitter remarks in the same vein had been made by Mr Nehru when the complaint of certain Tunisians against France failed to reach the Security Council's agenda. The letter says that India still hopes to secure a hearing for the Tunisian dispute, and encourages the Asian-Arab bloc either to renew the application to the Security Council or to ask for a special session of the General Assembly, or to propose the question for inclusion in the agenda of the next session.

It is true that nothing could do more harm to the United Nations than to make it a pawn of the Great Powers. The Russians tried to do just that and a similar tendency has been noticeable in American policy. Indeed, every government would like to see its own point of view prevail in this forum of world opinion. But there is no good reason why smaller nations should have the right to a special hearing whenever they have a grievance, just because their own sense of injustice is highly developed. Uno's prestige would soon touch bottom if it allotted time automatically to every complaint put up to it. Already its work is badly congested, in spite of the specific attempt made in its Charter to define and limit the type of disputes with which it is competent to deal. If blocs of powers now try to coerce Uno for their own purposes, they will defeat their own ends; and there is no doubt at all that some questions become more, not less, intractable when they are treated as everybody's business.

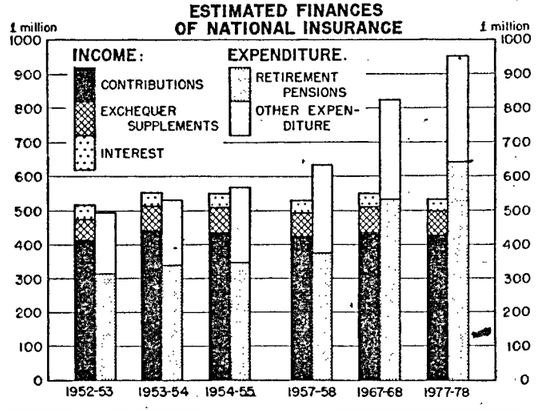
* * *

The New Costs of Welfare

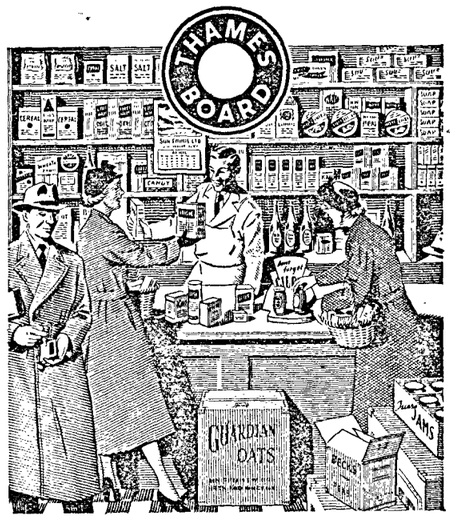
The Government has saved some parliamentary time by rolling up into one bill all the higher social payments announced in the Budget speech—with the exception of the new national assistance scales, which were given parliamentary approval this week.

Family allowances are dealt with in the first clause of the new Bill. According to the financial memorandum the cost of raising the weekly allowance for each eligible child from 5s. to 8s. will be £39 million in a full year, less a saving of about £1,250,000 in national assistance. In the present financial year, during which the new allowances will be in force for seven months, the net cost will be about £22 million.

The rest of the Bill is taken up with the higher benefits and contributions in the national insurance and industrial injury schemes. Raising the basic industrial injury benefit from 45s. to 55s. a week—probably from the end of July—and the other changes will cost an extra £3,500,000 in a full year, which will be met by small additions to the contributions for men and boys and an increase of £600,000 in the Exchequer supplement. The national insurance clauses provide, as proposed by Mr Butler, for a uniform benefit of 32s. 6d. for a single person and 54s. for a married couple. It will require higher contributions from all classes of insured and an additional Exchequer supplement, which will cost the taxpayer £4 million in 1952-53 and £8 million in a full year.



But the Exchequer's liability does not end there. Once again, the Government actuary sounds a warning about the mounting cost of retirement pensions, shown in the accompanying diagram. Compared with a year ago, his estimates of the finances of the national insurance scheme shows a slightly higher rate of expenditure in the next three years because, it is interesting to note, he has been instructed to assume a slightly higher rate of unemployment: 2 per cent



Indispensable cardboard

We all use board. It is part of our modern way of living. The man in the street calls it "cardboard" and takes for granted the ubiquitous cartons and fibreboard packing cases which play so vital a part in protecting and delivering his food and other necessities. Similarly he ignores the binding on his books and the wallboard in his home. But where would he be without these things?

Making "THAMES BOARD"—and "FIBERITE" packing cases—is the business of Thames Board Mills Ltd. This unique organisation—the largest of its kind in the British Empire—has increased its productivity fifty times in fifty years. Half the immense quantity of packaging board made in this country comes from the two mills of Thames Board Mills Ltd—a worthy example of essential service to the nation.

THAMES BOARD MILLS LTD
PURFLEET, ESSEX

Manufacturers of
"THAMES BOARD" *for cartons and other uses;*
"FIBERITE" *Packing Cases;* "ESSEX" *Wallboard*
(Mills at Purfleet, Essex and Warrington, Lancs)

T82-1514

Old friends to know. Old books to read. Old wood to burn. Old wine to drink. And let us add—old shoes to wear. But they must be shoes that had it in them to grow old.

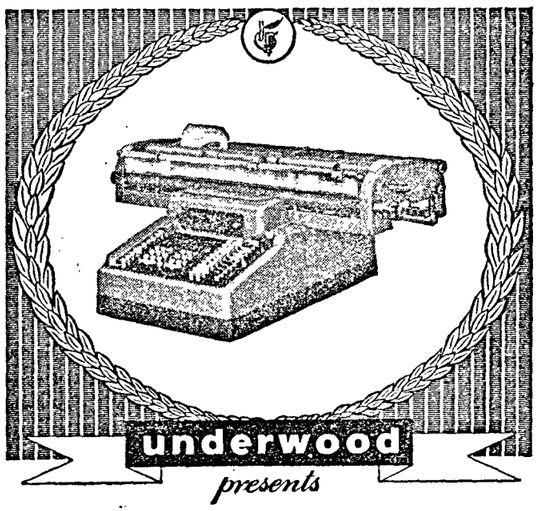
Lotus Veldtschoen shoes will be the possession of years. Watch them take the polish and, mingling it with the stains of earth and weather, acquire the complexion of an old violin.

LOTUS Veldtschoen

THE MOST FAMOUS SHOE IN THE WORLD

GUARANTEED WATERPROOF

LOTUS LTD · STAFFORD



THE UNDERWOOD SUNDSTRAND CLASS "D" ACCOUNTING MACHINE

The Class "D" is the most comprehensive of the wide range of Underwood Sundstrand fully automatic Accounting Machines now becoming available from our Brighton Factories. Any variety of different Accounting tasks may be dealt with, speedily and accurately, by the same standard equipment simply by changing the Control Plate — a matter of seconds.

UNDERWOOD • ELLIOTT FISHER • SUNDSTRAND

Speed the World's Business

UNDERWOOD ELLIOTT FISHER LTD., 4-12 New Oxford Street, London, WC1
Tel. CHA 3131 *Factories: Brighton, Sussex* *Sales and Service Everywhere*

Careers for able Advertising men in Unilever

THE Unilever business offers opportunities to advertising men because of the continuous need to solve the selling problems of more than a thousand products in over fifty countries.

In Unilever the competent advertising man is a key figure, because this a business where the techniques of advertising march with those of production and distribution. The problems he faces are often new, complex and difficult, but in dealing with them he commands resources which could hardly be matched elsewhere. A Unilever advertising job is harder and more exacting; but it is also more rewarding to the capable man who enjoys getting advertising to work harder.

Continuing expansion is creating such jobs faster than they can be filled by promotion from within the organisation. Shortly, Unilever will be picking new men for a number of interesting positions in the U.K., in Continental centres, South Africa and other overseas countries. These jobs carry high starting salaries.

Men chosen for these jobs must be between 25 and 40 years old, with a successful background in first-class agencies or in the advertising departments of national advertisers. There must be no doubt of their executive ability, their technical knowledge of the advertising business, and their capacity to hold much bigger jobs.

Applicants, who will be interviewed in London, should write in the first place to Personnel Division, MWG/AT1, Unilever House, Blackfriars, London, E.C.4.

up to 1953-54 and 3 per cent for 1954-55, compared with 1½ per cent and 2½ per cent, respectively, which he was told to assume a year ago. The long term average of 4 per cent has not, however, been altered. In spite of this, after 1955 the finances of the scheme alter radically. If the balance in the insurance fund is not to be run down, large extra sums will have to be found, either by the Exchequer or by the contributors, to enable the fund's total expenditure to be met.

* * *

Federation Fears

The conference on Central African federation has now been in session for a week, in the middle of which the Opposition took the unusual course of initiating a debate on the subject in the House of Commons. The reason for its action was made clear by Mr Griffiths, Secretary of State for the Colonies in the Labour Government, in his opening speech. Two Africans from Southern Rhodesia, nominees of Sir Godfrey Huggins, are attending the conference; but the Africans from Northern Rhodesia and Nyasaland, although they have had talks with Mr Lyttelton, have refused to take any part in the conference or even to attend it as observers. They are afraid that attendance would appear to commit them to acceptance of the principle of federation to which there is a deep-seated and universal opposition among the Africans of the two protectorates. Mr Griffiths's main fear was that the African delegations would return to Africa while the conference was still on, with the Governors and their own European representatives attending it, and report that the British Government was intending to push ahead with federation in spite of the African opposition. This might have led to serious trouble on the copper belt. He asked, therefore, that the Africans should be invited to remain in London until the conference ended and perhaps have more discussions with the Secretary of State on its results.

Mr Lyttelton agreed to the suggestion that the Africans should stay on, although saying that this was hardly a substantial point to hold a debate about. Yet the debate was worth having, because it did provoke some assurance, though not very definite, from the Government that the holding of the present conference does not by itself mean that federation will be pushed through, willy-nilly. Its purpose is to provide a draft constitution which will then be subject to discussion and criticism. There is now no question, Mr Lyttelton said, of having the next conference as early as July. Before it is held either he or Mr Lennox-Boyd will visit Central Africa and form first-hand views on the state of public opinion; and no final decision will be taken—nor will the proposed referendum in Southern Rhodesia be held—until after the next conference. African fears have grown so intense in recent months that they will not be entirely dispelled by Mr Lyttelton's cautious remarks. But the imminent prospect of violence on the copper belt has receded.

* * *

The Right to Idleness

Industrial relations in the welfare state have taken many queer turns, but it is a new and astonishing demand that has been made this week by the workers of the Smith clock company at Cricklewood. It is that redundant staff should be paid full wages to do nothing "pending suitable alternative employment." Their strike committee has declared that "our members demand the right to work. Until the management or the Ministry of Labour can offer suitable alternative employment they insist on remaining paid employees of S. Smith and Son, Ltd." The company naturally rejected this preposterous request—and 1,200 workers therefore went on strike.

The dispute began on Monday when the company informed the shop stewards that it would have to dismiss 200 or more production workers because foreign importers had cancelled their orders for £300,000 worth of clocks and watches. One of the company's factories is therefore being re-tooled in readiness to execute Government contracts in the autumn. In the meantime not even the Smith group, one of the largest clock and instrument manufacturers in the world, can afford to keep between 200 and 400 skilled men in idleness. The shop stewards' reply was to call a mass meeting of the workers, who resolved to stop working until their leaders' demand for continuous employment had been met.

On Tuesday officials from the local employment exchange, summoned by the management, told the strike committee that other jobs were available; but the strike committee continued to insist that the company must recognise, as a "basic principle," its obligation to retain and pay redundant workers until they have found other jobs. This demand, as the Federation of British Industries assured the Smith company, has no known precedent. It will no doubt give great satisfaction to the editor of the *Daily Worker*, who told the Communist party congress at Easter that declarations of redundancy should be answered by strikes. It will also please the Sheffield Action Committee, whose conference of engineering shop stewards on March 2nd resolved that shop stewards everywhere should "fight every case of redundancy, thus frustrating the Government's plan to force workers into the arms industry regardless of its effects on the workers or their families or the economy of the country." Actually it was the Australian rather than the British Government that deprived the Smith company of its orders, but to those who sympathised with the Sheffield resolution that would seem an unnecessarily subtle distinction.

* * *

London Talks on Trieste

The London talks on Trieste are taking too long. The risk is that all this labour may in the end produce something that looks like a mouse. What is required of the present negotiations between Britain, America and Italy is a clear cut decision to hand over to the Italians a clearly defined part in the day to day administration of Zone A. That was the understanding on which the talks were held; if after all this time anything less emerges they may do more harm than good. Already it looks as if bargaining and hesitation may be holding up the type of agreement in principle that Italian public opinion has been led to expect.

That being said, it is clear that when the results of the talks are announced—which may now be very shortly—they must be judged only within the limits of what it is practicable for the British and Americans to give and in the light of Italy's best interests. It cannot be too strongly stressed that the danger of holding the talks at all has always been that they may make an ultimate settlement between Italy and Jugoslavia over the whole Free Territory more, not less, difficult to achieve. That is why it is arguable whether the Italians would be wise to press for the early transfer to themselves of full military responsibility in Zone A. While to do so might give them a more equal bargaining position with Marshal Tito, since he is in full control of Zone B, the attainment of actual Italian sovereignty would render invalid the whole constitutional structure on which the Free Territory rests. Jugoslavia could then say with some justification that, since the relevant clauses of the Italian peace treaty had been torn up, there was no obligation for it to embark on any further negotiations at all.

In practice, the new arrangements made as a result of the London talks are unlikely to prove more than another provisional stage on the road to the wider agreement which must still be the aim of all the powers concerned. This means that Signor De Gasperi is in the difficult position of being unable to accept as large an Italian role in Zone A as that for which the extreme Italian nationalists are pressing. It will, consequently, be most important, if the new agreement is to be a success, that the Anglo-American authorities on

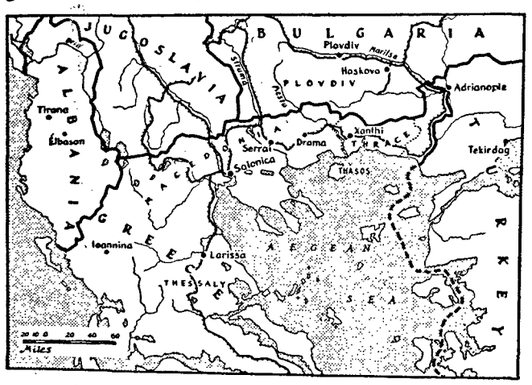
the spot in Trieste avoid interpreting it in anything but a generous spirit.

* * *

Greeks, Turks and Thrace

This week's visit to Athens by the Turkish Premier and Foreign Minister and the invitation to King Paul to visit Ankara are the latest signs of the determined effort that Greeks and Turks are making to bury their old animosities. The talks now in progress are the sequel to the visit that Mr Venizelos paid to Turkey last February, when it was agreed to set up a mixed commission in Ankara to study problems of common concern. The first fruits of this commission's labours have just been announced in agreements to abolish visas between the two countries, and to carry out a common export policy for tobacco and raisins. The commission has yet to tackle successfully the vexed question of Greek fishing activities.

Mr Mendères and Mr Köprülü have been accompanied to Athens by General Kanadli, the Commander-in-Chief of the Turkish land forces. It can therefore be assumed that common defence problems, which have provided the main impetus to the present *rapprochement,* have been high on the agenda. The two countries have been brought together by their common desire to secure admission to Nato, and by their common determination, now they have achieved this object, not to place their armed forces under an Italian general. But if their professions of the closest co-operation



are to have any reality they must clearly work out joint plans for the defence of Greek Thrace. Otherwise a Communist attack across the narrow strip of land separating Bulgaria from the Aegean could completely disrupt the land communications between the Greek and Turkish armies. Although the Turks must think first of the defence of their Asian frontier with the Soviet Union, there is no reason to suppose that they are not fully aware of the danger in Thrace. Both governments are gravely handicapped by uncertainty over Jugoslavia's attitude. A firm commitment from Marshal Tito to counterattack on Bulgaria's flank if it attacked Thrace would have an invaluable strategic effect. Unfortunately, although the Jugoslavs are markedly more co-operative than they were, they still profess to be firmly opposed to any regional alliance. The Greeks and the Turks therefore can only hope that, if a crisis arose with the Cominform, Marshal Tito would be neither neutral nor hostile.

* * *

Education for Industry

A very full report on further education was produced recently by the National Advisory Council for Education in Scotland.* It goes back to first principles with a discussion on the aims of further education, which ideally are no less than the full development of the individual (even of the illiterate and semi-illiterate) and not merely the teaching of useful skills. Unfortunately, many of the council's recommendations to this end are incompatible with the prescribed economies in education; broadly speaking, only the utilitarian kinds of further education go forward unchecked. The chapter in this report which has the greatest practical significance is therefore that which concerns technical education.

At the lowest level of technical education, the council thinks that the whole system of apprenticeship ought to be reviewed by a body representing all the interests concerned. In many industries the rules for apprenticeship have become inappropriate, mainly because the need for craftsmanship has declined; and at the modern speed of production it is difficult to train people on the production line. The council was favourably impressed by the state-financed schools of apprenticeship in France. Experiments along those lines will have to wait for better days, but at least the subject could be reviewed meanwhile. Many of the council's recommendations involve no extra spending, but merely a better use of facilities that are already provided. Continuation classes, for example, show a very high rate of wastage. Many students give up because they find the courses they have chosen too difficult—mistakes that might be avoided by routine consultation between the teachers at continuation classes and those of the day schools which the pupils attended.

At the highest level of education for industry, the council carries a long standing argument a stage further by opposing the proposal of its opposite number in England and Wales for a Royal College of Technology. It is true that technology as such is not a profession, like medicine or architecture; it is likely also that a mixed body representing universities, technical colleges, employers, employees and local authorities will never have the status and prestige of a major professional institution. Scotland can afford to take this attitude because three of its four big technical institutions are linked with its universities, and all four have courses comparable with degree courses. But in England and Wales, where technological education is less advanced, the proposal might lead to an improvement in standards and should not be dismissed.

* Further Education. A Report of the Advisory Council on Education in Scotland. Cmd. 8454.

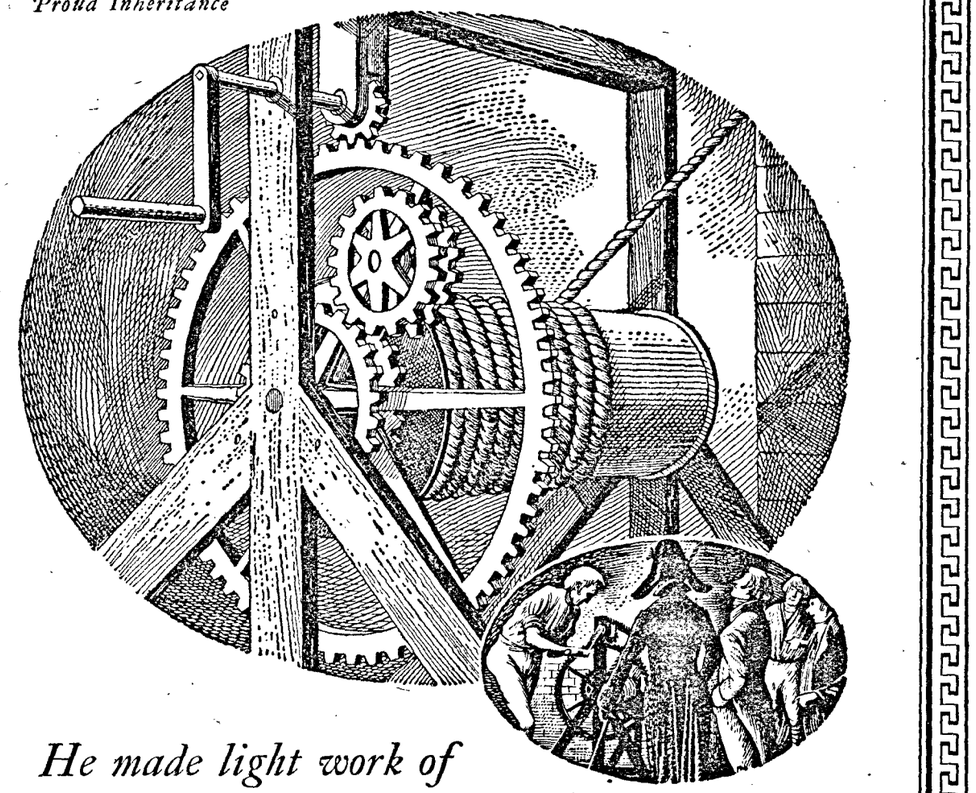
Tax on Knowledge

We are rather shy of writing about the taxes on knowledge, because we have a professional interest in them, and may be suspected of delivering a biased judgment. Moreover, we do not like the name, for nearly all taxes are taxes on knowledge. . . . It is not, therefore, on any of the usual or professional grounds, but on financial and economical principles, that we are about to advert to that branch of Mr Milner Gibson's motion which referred to the paper duties. Of the stamp duties on advertisements and newspapers we shall not say a word. . . . Our readers are aware of the contest now going on between certain classes of booksellers; the whole of which arises from a felt necessity to cheapen books, that the trade may flourish. Mr Ingram's plan will effect that to a very great extent. If it be well founded, it must promote the success of the cheap booksellers, and effect a revolution in the book trade. It may be inferred, therefore, as that is a probable consequence of abolishing the excise on paper, that the old system of bookselling has been kept alive by the tax. If, as we believe, and as the cheap booksellers assert, this system adds from 20 to 30 per cent to the cost of books, a very large reduction, indeed, in the selling price would be the consequence of abolishing the excise duty on paper. The tax impedes, to a great extent, home industry and foreign trade. It checks the diffusion of knowledge, cherishes ignorance, keeps up the price of articles indispensable to civilisation, and forces business into putrifying heaps, instead of allowing it to be equally and healthily diffused throughout the land.

The Economist

May 1st, 1852

Proud Inheritance



He made light work of the way to lift weights

So fertile was the mind of Henry Maudslay, and so quick was his mechanical perception, that at the turn of the eighteenth century his inventions were following each other in rapid succession. When in 1806 he patented a differential motion for lifting weights (British patent No. 2948—the forerunner of the differential pulley we know today), he had already produced the slide-rest, perfected his micrometer, made the first screw-cutting lathe and remodelled the Royal Navy's blockmaking plant. Soon his attention was to turn to marine engineering, and he became a pioneer in the new era of steam.

Maudslay's genius lay in the simplicity of his technical approach, for he was a craftsman himself and he retained the uninhibited approach of the practical man throughout his life. The principles he made available to mankind are found in many of the machine-tools now in use—basic principles which are nowhere more brilliantly applied to the technique of modern production-methods than in the fine Warwickshire plant that bears his name today, and which produces passenger and commercial vehicles worthy in every way of the tradition begun by Henry Maudslay more than one and a half centuries ago.

MAUDSLAY

HONOURED NAME IN ENGINEERING HISTORY

The Maudslay Motor Co. Ltd. Castle Maudslay, Warwickshire, is a member of the Group of Companies controlled by Associated Commercial Vehicles Ltd., of which the Selling Organisation is

A.C.V. SALES LTD., 49 BERKELEY SQUARE LONDON, W.1 *Telephone:* REGENT 2141

IMPROVED RATES
FOR
CAPITAL ANNUITIES

Write for leaflet on Capital Annuities

ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY
20, LINCOLN'S INN FIELDS, LONDON, W.C.2

BRITAIN'S COMET

—a new era in world travel

AN entirely new form of world travel is offered by the jet-propelled Comet airliners of the British Overseas Airways Corporation. A degree of steadiness and smoothness, an independence of changing weather, quite unprecedented in the history of travel, are combined with a speed which would have seemed fantastic only a few years ago.

With a feeling of being poised literally motionless in the heavens people may now traverse the continents and oceans at nearly five hundred miles an hour, covering almost a fiftieth part of the world's circumference in that time. The journey from England to the Middle East now occupies an evening; one may dine between the Alps and the Greek Archipelago.

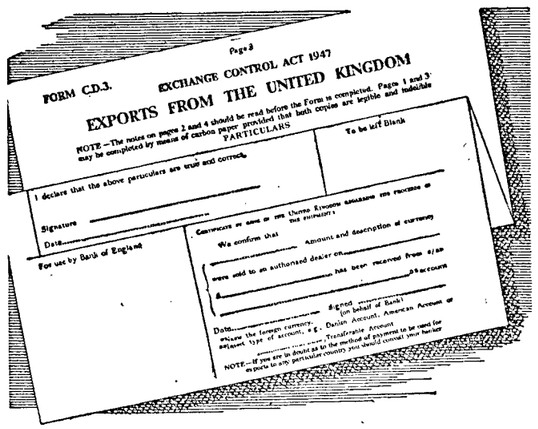
It is Great Britain that introduces this new facility to mankind.

The achievement results from a close working relationship and understanding between the aircraft builder and the operator. The gap of several years in that essential partnership was one of the costs which Britain had to bear in the second great struggle to defend her sovereignty. It was almost enough to eliminate this country as a builder of airliners. The Comet, however, by the sufficiency of its technical advance, has closed the gap at a single stroke.

On this historic day the de Havilland companies, designers of the new aircraft and its gas turbine jet engine, and the British Overseas Airways Corporation, whose foresight has hastened them into public service, recognise together the great importance of pursuing Britain's new opportunity to become a supplier of mainline aircraft to world operators. No such opportunity has presented itself hitherto.

The hopeful outlook is endangered by the fresh threat to world security. Those responsible for the Comet are among the first to recognise the importance of the civil element in Britain's air strength and the need to consolidate the advance which has been made.

DE HAVILLAND



—advice on exchange control regulations and on methods of payment—these are among the many services which are available to exporters who consult the

MIDLAND BANK

OVER 2,100 BRANCHES TO SERVE YOU

Comforting thought for you...

Swissair covers Europe and the Atlantic ...Quick, comfortable flights with Swiss hospitality at your elbow and those steady, efficient precision engineers, the Swiss, in control. London to Zurich in just over two hours ... Zurich to Paris in two hours ... Geneva to Rome in three hours. Swissair reaches eastward to Istanbul and Cairo. And westward to New York in the most modern DC 6B's. You travel in superb comfort all the way.

SWITZERLAND - LONDON

SERVICES FROM ZURICH, GENEVA, BASLE AND BERNE. ALSO FLIGHTS TO MANCHESTER FROM ZURICH.

SWITZERLAND - NEW YORK

FROM GENEVA DIRECT, OR FROM ZURICH VIA FRANKFURT.

Fly SWISSAIR

you'll enjoy it

CRC 27

Letters to the Editor

The Strain and its Sources

Sir,—There is no need for any such mysterious explanation as Sir Frederick Leith-Ross suggests for Australia's substantial visible trade surplus with the United States in 1951. United States and Canadian figures for their trade with Australia tally very closely with those given by Australia. But balance-of-payments figures recently released by the Commonwealth Statistician show that Australia's total dollar surplus of $97 million in the first half of 1951 was almost exactly balanced by a deficit of $95 million in the second half. Australia ran a very large dollar deficit on services and on investment account. Surely the only assertion on this matter made by any responsible person is that Australia ran a very large overall deficit in 1951? The latest figures show that the overall current account surplus in the first half of 1951 was dwarfed by a deficit of some three times that amount in the second half.

This illustrates one answer which should be made to Sir Frederick Leith-Ross. The objection is not to the banker's customers making use of their balances, but to certain among them drawing them down inconveniently quickly whilst the equal or superior claims of other customers go unsatisfied. In particular, of the increase of some £500 million (not £800 million, as printed in Sir Frederick's letter) in the United Kingdom's sterling liabilities to other sterling countries over the last four years, only £38 million was to the independent group (the Dominions, etc.); the vast majority was to the colonies. In view of the enormous flow of lending by the United Kingdom to the Dominions in this period, the rise in their balances seems remarkably small. The £2,000 million or so now held by the independent group really represents what they accumulated during the war (when the moral rights of the matter were certainly on the side of the United Kingdom). By the end of 1951 the United Kingdom's liabilities to them were actually lower than at the end of 1945.

It would seem difficult for the Dominions in general to level criticism in this matter at the United Kingdom: honours (or dishonours) seem to be about easy. But the figures underline the moral obligation to pay more attention to the needs of the banker's least vocal customers—the colonies. The recent import cuts by the Dominions provide the ideal opportunity to divert our energies to satisfying some of the claims the colonies have been building up over the last few years.—Yours faithfully,

J. O. N. PERKINS
St. Catharine's College, Cambridge

New Zealand and Perón

Sir,—Your note of March 29th, "Like Peter, like Paul—like Perón," dealing with the New Zealand Government's farm prices policy, is much below your usual standards of accuracy and fairness. The facts concerning the payments in the current meat season are set out in a statement by Mr. Holyoake, the New Zealand Minister for Agriculture, published on April 1st. They show that only about £900,000 of the amount paid by the United Kingdom for this season's New Zealand meat is not being paid out to producers.

You say: "Peronistic autarky has become a contagious disease in the southern hemisphere. The two latest victims are Australia and New Zealand." This conveys the false impression that the policy of basing payments to farmers on internal costs rather than on export proceeds is of recent origin. In fact, it began in New Zealand with the dairy industry stabilisation scheme of 1937, was extended to other industries during the war, and has been continued in the postwar period, though with a growing tendency to bring farm payments up to the level of export prices. Whether the policy will be continued is perhaps doubtful: in most industries opposition by producers appears to be increasing.

The question which merits serious consideration is whether the movement away from stabilisation schemes is in the best interests of the British consumer or the New Zealand producer. In your note you say: "This technique of exacting higher prices from its buyers and refusing to let those higher prices encourage an increase in output has been used by Argentina ever since the end of the war." The implication appears to be that if New Zealand had, since the beginning of bulk purchase contracts, paid out full export proceeds to producers, New Zealand's meat production would be substantially higher than it is now. To judge by your article of February 9th, "Incentives for Farmers," you are well aware that, in the farming industries, increased prices do not necessarily bring increased production.

New Zealand's original dairy stabilisation scheme was designed to save the industry from economic collapse, and in its earlier years the payment to producers was substantially higher than the export return. During the war, farm stabilisation schemes were extended as part of a general scheme of economic stabilisation whereby wages, costs in industry, and the cost of living were held at levels below those obtaining in any other part of the Commonwealth. I do not think it can be shown that this general stabilisation policy reacted unfavourably on the volume of farm production or that it resulted in a stimulus to local manufacturing industries. The stimulus to manufacturing came from the reduction in imports caused by the war.

New Zealand's policy for primary industries, as well as her wartime and postwar record of economic co-operation with the United Kingdom, deserve something better than the offensive and wholly misleading label of "Peronistic autarky." It is vitally important to the

THE COMET IN SERVICE

A TRIUMPH OF BRITISH ENGINEERING

BRITISH AIRWAYS LEADERSHIP

To record for posterity the inauguration of the first jet airliner service in the world — THE B.O.A.C. LONDON–JOHANNESBURG SERVICE by DE HAVILLAND COMET — this week's issue of *THE AEROPLANE* has been specially enlarged.

It contains exclusive contributions by

SIR MILES THOMAS, D.F.C., M.I.Mech.E., M.S.A.E., Chairman of the British Overseas Airways Corporation.

MR. R. E. BISHOP, C.B.E., F.R.Ae.S., Designer of the COMET and Director of The de Havilland Aircraft Company Limited.

MR. J. L. P. BRODIE, M.I.Mech.E., F.R.Ae.S., Hon. M.S.L.A.E., Director of The de Havilland Engine Company Limited, which produced the Ghost turbo-jet engines.

Other exclusive features include

Full-colour photographs by *THE AEROPLANE* Chief Photographer, Charles Sims, showing Comets in operation along the African route on proving flights.

A specially drawn cut-away technical study by J. H. Clark, A.R.Ae.S., showing the structure and accommodation of the Comet.

THE AEROPLANE

THE WORLD'S LEADING AERONAUTICAL JOURNAL
One Shilling · Every Friday · Temple Press Limited

Commonwealth that the problems of food production in New Zealand and Australia should be understood in the United Kingdom.—Yours faithfully,

LEICESTER WEBB

Australian National University, Canberra

Wages and Unemployment

Sir,—In your regrettably churlish note on Sir Stafford Cripps you call the policy of voluntary wage restraint a "crazy improvisation" which "ought not to have lasted longer." Surely your own eloquent description two pages later of the present hopeless drift towards open inflation accelerated by the misguided Budget gives a shattering answer to this charge. If Sir Stafford was amiss he was amiss in that he weakened the policy of income and wage stabilisation, and this paved the way to our present discomfitures. No doubt, however, mass unemployment could cure the evil of the wage spiral without voluntary restraint. If that is *The Economist's* view it should be stated without circumlocution.—Yours faithfully,

T. BALOGH

Balliol College, Oxford

[It is not.—EDITOR.]

European Realists

Sir,—In reply to your statement that the advocates of Federal Union "have done their cause harm by neither examining nor admitting the serious sacrifices it would demand from individual nations," let me emphasise that the economic changes brought about by federation cannot be estimated until it is decided which countries are forming a federation and to what extent, if at all, the federal authority would have economic powers. The first and only essential for any federation is the merging of sovereignty as regards foreign affairs and the control of armed forces. If this were done today between the western nations there would be very little sacrifice from any of them, for those nations are forced by events to pursue similar foreign policies within a vague framework of alliances and treaties. But the only way in which they are able to exert their own wishes and influence is to strain the ties they already have as far as they can without, they hope, snapping them.

If the federal authority were to be given economic powers, it would be the duty of the federal authority to protect the economic well-being of the whole and therefore of the parts, though not necessarily the individual interests in the parts. It is obvious that there would be no sudden removal of tariffs. There would be a gradual change and adjustment over a period of years. There would be compensatory funds and schemes similar to those allowed for in the Schuman Plan. It might be that the federal authority would slowly free trade by commodities through a series of "Schuman Plans," though the wider the field of economic changes, the greater the possibility for give and take and balancing one loss against another gain.

It is unlikely that a federal authority could ever completely free trade. But it should control all tariffs and subsidies. The decisions would be taken by the federal authority and not by the national governments—a system which is producing economic anarchy even within the Commonwealth. As long as the changes are made slowly there would be no greater sacrifices (a word often used to disparage change) from individual nations than are being demanded today by events beyond their control.—Yours faithfully,

J. KEITH KILLBY
Secretary, Federal Union

London, W.C.2

Is Beer Output Falling?

Sir,—While I am almost entirely in agreement with the views expressed in the Note in your issue of April 26th, there are one or two points which I think might be amplified.

In dealing with the time which must elapse between the output and consumption of beer it must be remembered that the Excise figure of the monthly "beer output" is rather misleading. It is really "wort output"—that is, the output of the liquid (which contains sugar but no alcohol) from which beer is produced by fermentation. This fermentation, which breaks up a large proportion of the sugar into alcohol and carbon dioxide, continues for about a week; therefore, a brew which the Excise includes in the last days of a month is not "beer" until some seven days later.

You are correct in saying that draught beer is more perishable than bottled beer, but what is more important in considering this problem is that the period which must elapse between the date of the "brew" and the earliest date at which the beer is ready for consumption is much longer in the case of bottled beer than in draught. A draught beer may be racked into cask within a day or so of the completion of fermentation and may be consumed within the following few days. A bottled beer, however, is usually conditioned, sometimes for weeks, before being bottled, and some beers are stored in bottle for a period before being sent out into the trade. Again, owing to the fact that some bottled beers are pasteurised it is quite usual for a brewery to spread the deliveries of these over two or three weeks before a bank holiday in order to ease the transport burden, and this puts back some of the brewings of beer for bottling.

Easter Monday this year fell on April 14th, compared with March 26th last year—a difference of nineteen days—and it is therefore obvious that a portion of the beer for bottling for the bank holiday trade, which was brewed in March this year, was brewed in February last year. The last occasion when an early Easter was followed by a late one was in 1948-49. Easter Monday in 1948 fell on March 29th and in 1949 on April 18th, a difference of twenty days, and the Excise figure for February, 1949, was approximately 14 per cent below that for February, 1948. Of course, many other factors upset comparisons between individual months; for instance, there was a fall of nearly 40 per cent in the output figure for February, 1947, compared with the previous February, probably due largely to the very cold weather in January and February of that year. It cannot, I think, be too strongly stressed that no reliance should be placed on month to month comparisons; they mean very little.—Yours faithfully,

V. E. ROBERTSON

London, W.2

[Some of the bottled beer for the Easter trade was probably brewed in February in both 1951 and 1952; but it seems clear that the proportion of all beer for Easter brewed in February was higher this year than last.—EDITOR.]

From Suvorov to Rokossovsky

Sir,—While agreeing with the main trend of the article in your issue of March 15th, may I take the liberty of calling your attention to a few details.

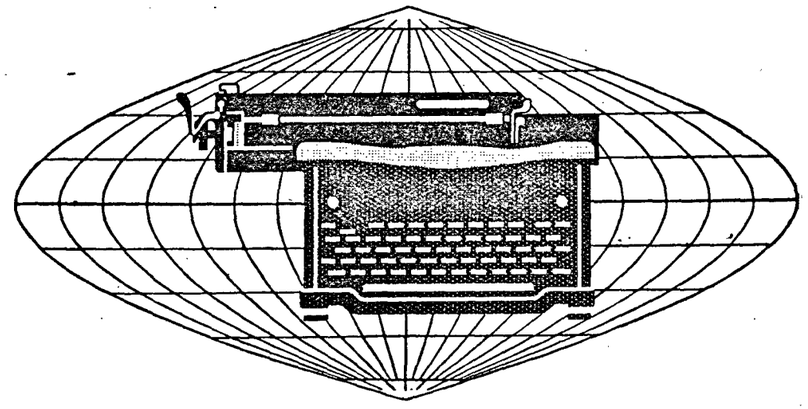
(1) You adopt a rather severe view of the "traditional constitution of the old Polish Commonwealth." In fact this constitution was a *sui generis* federal constitution. The local government was so highly developed that the central parliament was a body composed of envoys (*nuntius*) of the local diets. Every bill was sent to all the local diets in advance, and only if one of them considered the adoption of the bill prejudicial to the interest of Poland did they have the right to instruct their envoy to veto it. Doubtless such a system can be criticised, but it was not so absurd as the propaganda of Poland's enemies makes it look.

(2) You qualify the 1935 Polish constitution as "fascist." Owing to the success of the British constitution, most of the continental nations modelled their constitutions on it, in spite of the fact that their characters greatly differed from the British. Moreover, there is a marked tendency in this country to have only two parties, while on the Continent the number of parties often exceeds twenty. This creates extraordinary difficulties in forming anything like a stable administration. The Polish constitution of 1935 was an attempt to combine the principles of the British constitution with the American presidential system in order to counteract the tendency towards frequent changes of government. Whether it would have been a success nobody can tell. You maintain that it was "carried by a trick of procedure." Unfortunately in every country there is something called "parliamentary tactics." Is it not a fact that those who are outmanœuvred by such tactics have a tendency to complain of a "trick"?

Anyhow, the constitution became law, and why should you think it surprising that it is upheld by all parties and that even Mr Mikolajczyk "felt unable to repudiate" it? But Mr Mikolajczyk was Prime Minister and was sworn in as such according to the formula prescribed by this constitution. It is true that later he did repudiate it. It was, however, not "after his experience in postwar Poland" (1947), but at the moment when, in 1945, he accepted the post of Vice-Premier in a "Government" appointed for Poland by Mr Stalin with the concurrence of the American and British Ambassadors, a fact which cannot be discussed by any constitutional standards.—Yours faithfully,

LUDWIK RUBEL

London



Wherever typewriters are used

In offices sealed against freezing Arctic winds Olivetti typewriters are at work, just as you will find them under the punkas of India or typing Portuguese in Brazil.

Olivetti is a world-wide name because for 44 years it has distinguished the best typewriters of the time. From their superbly equipped factory in Glasgow, Olivetti are supplying many famous businesses at home and overseas with a superior machine that has behind it the finest inventive skill and craftsmanship in the world of typewriters.

olivetti

clearly distinguished

BRITISH OLIVETTI LTD 10 BERKELEY SQUARE LONDON W1 GRO 6161

Standard · *Electric* · *Portable Typewriters* · Printing Calculators · *Adding/Listing Machines*

TBW10

AMERICAN SURVEY

How Corrupt is America?

Washington, D.C.

WHETHER the corruption issue is going to figure prominently in the forthcoming presidential elections in the United States is a question to which the political prognosticators tend to return either a clear-cut "Yes" or a clear-cut "No," depending on their party affiliations and sympathies. Good Republicans, asked for an opinion, usually exhibit signs of pleasurable indignation and say "Yes." Good Democrats generally frown and say "No."

This is because "the corruption issue" has taken on by now a curiously narrow meaning. Those who talk about it publicly—the politicians, the press and the radio orators—have slipped into a sort of tacit agreement that the phrase applies to wrongdoing for personal profit by officials of the present Democratic Administration. Only in exceptional cases does anybody point out that no man is an island and that, if any substantial number of federal government employees has been infected by corrupt practices, the disease is most unlikely to be occurring in a moral vacuum that has somehow been created in government offices alone. The tendency is to accept the view that corruption prevails and is centred among Administration officials, and spreads out from them.

The Administration—any Administration—is, of course, both the most compact and the safest objective that the righteous can attack. The President bears a clear responsibility for the behaviour of those whom he has appointed to posts in the executive branch of the government. If an unduly large proportion of them turns out to be corrupt or to have permitted corruption among their subordinates, there is no difficulty about assigning the blame. It would be a far more complicated thing to try to demonstrate just who should be brought to judgment for corruption in, say, the Congress, or the ranks of what is imprecisely called "business." And the consequences of assaults on such alternative objectives might be much more unpleasant.

The attack has been upon Mr Truman's Administration; and though no good reason has yet been produced for doubting that, as the President has said, the vast majority of government employees are honest people trying to do their duty, it is beyond dispute that some unlovely behaviour among officials has been brought to light. From the tax collectors in the Bureau of Internal Revenue who have been convicted of enriching themselves in return for dishonestly granted concessions to firms or individuals owing income tax, and from those who have taken well-paid jobs in private firms in return for loans or other benefits engineered while they held official posts, to those who accepted lesser favours for unrightful benefactions at the public expense, the evidence that there has been some thoroughly dirty work within the Administration's broad territory has become too comprehensive to ignore. It is still true, however, that the charges of corruption have been levelled at those of lower rank and appear to have involved lesser depredations than in the famous scandals of the past.

It has been the probing committees of the Congress that have exposed most of the suggestions of wrongdoing by employees in agencies run by the Administration. The Congress at this politically favourable moment is playing the honourable and popular role of prosecutor. It has not always been as favourably placed. Within the last three years one Congressman has been sent to prison for accepting money from the operators of a munitions business in return for favours he secured for them from the War Department; a second has been convicted of collecting pay from the government in respect of persons he had fraudulently represented as bona-fide employees; and a third has lost an appeal against a conviction for talking illegal "election campaign contributions" from an employee. It is a little over two years ago that a news agency, recalling that each Congressman was allowed up to $20,000 a year to spend on office assistance (in addition to his salary of $12,500 and his annual tax-free $2,500 for expenses), had the curiosity to examine the lists of office employees and found that ninety Congressmen had placed a relative—most often a wife—or more than one relative on their payrolls.

But at this moment the Congress is on the attacking end. At this moment, too, not very much is being said in criticism of business. It has been abundantly clear from much of the testimony the Congressional committees have heard that the federal officials under fire were usually men who had been unable to resist the handsome bribes offered by business firms, sometimes firms with what have been regarded as highly reputable names. But it is the Administration, and not business, that is considered to be at the centre of the corruption issue.

*

Many months of headlines, millions of words of testimony and reports, have now satisfied a large part of the American people that there is much corruption in the government (meaning in the party in power). And several persuasive explanations of how it has come about have been offered. The most charitable is that something of the sort is inevitable at a time when the government is spending money on such a scale as rearmament and foreign aid are now dictating. When there is so much wealth about, so the argument goes, when the taxes which must provide most of it are so high and when the number of federal government employees has climbed to such a peak, decisions affecting large sums of money—sums large enough to make great differences to the annual profits of firms dealing with the government—have to be taken by low-salaried officials with a longing for more rapid material advancement. "How," it is asked, "can you expect a hundred per cent honesty?" The least charitable explanation is that the corruption is mainly a result of Mr Truman's system of appointing mediocre people to big jobs, and then taking the view that loyalty requires him to defend and retain them while they dispense patronage to, and allow themselves to be bamboozled by, a still greater number of mediocrities in lesser jobs.

In the speech Mr Truman delivered to his Democratic friends on March 29th—a speech which, because it contained four sensational sentences announcing his decision not to accept renomination, never got the attention it deserved—he sketched out the Democratic counter-attack on the Republicans who are hoping to whip the Administration on the corruption issue. Mr Truman reminded his followers of the "scandals and corruption of the Republican office-holders in the nineteen-twenties," of Teapot Dome and Muscle Shoals and of Republican legislation that "favoured the greed of monopoly and the trickery of Wall Street." While the Democratic Administration had fought against the efforts of the special interests to corrupt the government, said Mr Truman, the Republican party had consistently fought for the special interests.

And that is probably the most effective way for the Democrats to deflate the corruption issue during the election campaigns. For it would be very hard to get a hearing for the more complicated truth that the whole responsibility for corruption in America, a nation of 156 million people, cannot rest on 2 million federal employees, or even on the Administration which controls them. It would be hard to make it plain that the whole nation has a responsibility and that the true reasons for the slackening of moral standards which has made so many Americans so uneasy will not be found in the behaviour of some government officials, but will merely be reflected there. Not many popularity contests will be won by a politician who invites the voters to consider whether the standards of behaviour in business, as distinct from the standards in personal relationships, which have been set since America's industrial beginning, have been all they should be.

An election year during a cold war is unlikely to be the most promising time to preach the doctrine that whatever corruption there is can most profitably be considered the collective fault of every voter and every office-holder together—a product of every slightly dishonest advertisement, every "fixed" parking ticket, every railway carriage argument that "you-can't-afford-to-be-honest-these-days" and "what's-the-use-anyway?" Yet anyone who did preach thus could end his sermon on a note of hope. He could point out the essential requirement for reform is that an evil should be widely recognised; and he might go on to quote Mr Lindsay Warren, head of the General Accounting Office, who said in a recent interview published by *U. S. News and World Report*:

> The General Accounting Office has been a voice crying in the wilderness since as far back as 1942. The situations now coming to light are not any surprise to us. We knew of similar situations in the past and pointed them out. . . . Our reports received practically no attention during the war years. For the last six years we have been getting a lot more co-operation.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

Taft Country

[FROM A CORRESPONDENT IN OHIO]

IF most party primary elections are "eyewash" as President Truman remarked in an unguarded moment, the Ohio primary on May 6th might be described as an acid bath. Several of the contests to determine the parties' candidates and preferences reveal a bitterness unusual even in this politically doubtful state. The most important function of the primary is the election of pledged delegates to the two presidential nominating conventions in Chicago. Ohio's favourite son, Senator Taft, seems bound to corral most of the 56 Republican delegates, thanks to solid support from the state party organisation and the lingering glow of his 430,000-vote majority in the senatorial election two years ago. His only opponent on the ballot—in a state which does not permit additional names to be written in on the voting paper—will be Mr Harold Stassen, whose anti-Taft campaign has grown more intense as his own chance of securing the nomination has faded. In 1948, Mr Stassen managed to win nine delegates. On his own he could hardly do so well this year; but, as leader of a stop-Taft movement, he has hopes of being supported as "the Eisenhower candidate." One wag suggests that Mr Taft's opponent will be "Stassenhower." The General's supporters in Ohio, however, are chary of such tie-ups, having noted the failure of a similar manœuvre in Wisconsin. There Mr Stassen offered to share any delegates he won with General Eisenhower, but failed to secure a single one.

On the Democratic side, former Senator Robert Bulkley originally offered himself as a "stand-in" for President Truman and as such won the support of the state organisation. The President's withdrawal from the race pulled the rug from under Mr Bulkley and vastly encouraged the hopes of Senator Kefauver. That amazing Tennessean has been campaigning vigorously and hopes to capture 33 of the state's 54 Democratic delegates. He has the advantage of being a serious candidate, whereas Mr Bulkley is only a figurehead.

*

The senatorial race this year is for the seat now held by Mr John Bricker, who looks like a copy-book version of a Senator, speaks with old-fashioned eloquence and espouses a rockribbed Republicanism which makes Senator Taft seem a liberal. Mr Bricker has no rivals for the Republican nomination. Less fortunate in the Democratic camp is Mr Michael DiSalle, a former mayor of Toledo, who resigned as federal Price Administrator in order to try to unseat Senator Bricker. Mr DiSalle is a genial roly-poly figure of a man, who never permitted his mountainous task in Washington to spoil his temper or weaken his popularity in Ohio. His decent, intelligent campaign will probably win the Democratic nomination. But then Mr DiSalle's real troubles will begin: 1952 looks very much like a Republican year in Ohio.

The bitterest contest this year is over the Republican nomination for Governor. Mr Charles Taft, the Senator's younger brother, finds himself opposed by State Senator Roscoe Walcutt and Mr Thomas J. Herbert, a former Governor of Ohio. The Taft brothers differ markedly in temperament and in their conception of what Republicanism should stand for. While Mr Charles Taft supports the party in state and national affairs, and was one of Governor Landon's campaign managers in the 1936 presidential race, his dominant political interest has been governmental reform in his native, and Republican, city of Cincinnati. A past president of the Federal Council of Churches, he shares the broadly international views of that group. Nobody has ever accused the younger Taft of being an isolationist. Several of Ohio's big county Republican organisations support him, but he is passionately opposed in his own city.

This opposition is based on two counts. The first is that for more than twenty years he "has served the New Deal and Fair Deal Democratic organisations." Actually, he held more than a dozen wartime posts in Washington, the most

important being Director of Wartime Economic Affairs in the State Department. Previously, in 1937, he served as federal mediator in the violent "Little Steel" strike. It is a record of which many a Republican, and any number of Democrats, might be proud.

The second charge—of anti-Republican activity in Cincinnati—cannot be denied. Indeed, Mr Taft admits it with pride. As a leader of the "City Charter Committee" (a fusion of Democrats and "independent" Republicans), he has been a thorn in the flesh of Republican regulars, in the interests of good government. They regard a strong organisation in Cincinnati as the wellspring of party strength in state and national politics. While serving as a "Charterite" councilman, Mr Taft also allied himself with the Political Action Committee of the Congress of Industrial Organisations. This is anathema to orthodox Republicans, who denounce the younger Taft as a turncoat.

*

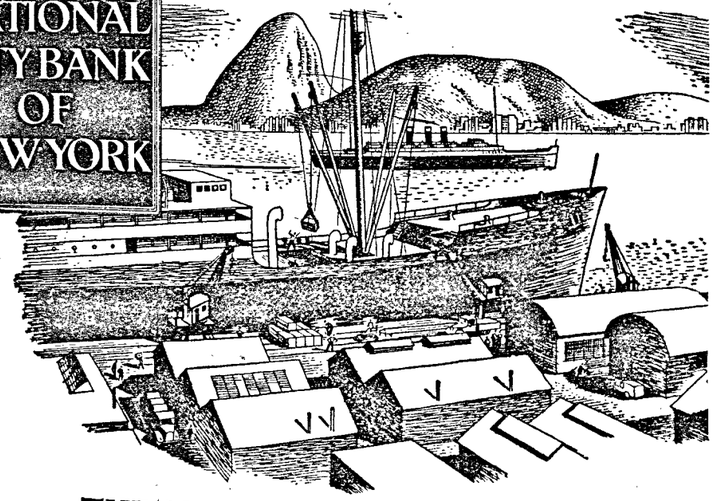
The intra-party feud has not marred the family relations of the Taft brothers, who respect each other's opinions. Indeed, Mr Charles Taft actively supports the Senator's presidential campaign, and appreciates why the latter must remain neutral in the contest for the Republican nomination for Governor. But many Ohio Republicans fear that the entry of the younger Taft into state politics may harm his brother's national chances. The appearance of the two names at the top of the Ohio ballot on Election Day might strike the voters as "too much Taft." Besides there is a strong American prejudice against political royal families. To all this, Mr Charles Taft's supporters retort that his influence might help the Senator among religious and reform groups.

The Taft brothers symbolise the conflict between the liberal and conservative elements within the Republican party. The Senator is the traditional Republican, suspicious of foreign entanglements, dedicated to public economy, anxious to limit wherever possible the powers of central government. Mr Charles Taft is an experimenter by nature, deeply interested in foreign affairs, acutely aware of social problems, and quick to adopt Senator Kefauver's personal approach to the voters. He feels a special effort must be made to attract the young, and quotes, as a warning, the recent Gallup Poll in which voters between the ages of 21 and 29 listed themselves as 24 per cent Republican, 41 per cent Democratic and 35 per cent independent. Evidently he does not agree with his brother that all the party needs to win in 1952 is to arouse the 40 million members of the electorate who failed to vote in 1948.

In any event, 1952 is likely to be a year of much crossing of party lines in Ohio. To compute all the possible combinations is a mathematician's task. Many Republicans favour Senator Taft, but not his brother. A lesser number take the opposite view. The Democratic Governor, Mr Lausche, who is hoping for an unprecedented fourth term, is liked by many Republicans and disliked by many orthodox Democrats, who object to his unconcealed coldness toward the Truman Administration in Washington. With the strongly conservative Senator Bricker and a contrasting pair of Tafts on the ballot, the Republican ticket in November would run the national gamut of Republican sentiment. That possibility should help to bring a heavy turnout at the primary polls on May 6th. In any event, the variety of its political complexions, the sharpness of its rivalries and the eminence of its contestants should make this Ohio contest one of the most interesting of the sixteen state primaries of 1952.

BUSINESS AROUND THE WORLD

THE NATIONAL CITY BANK OF NEW YORK



For a hundred and forty years, The National City Bank of New York has been developing a world-wide service for businessmen.

Today the Bank has fifty-six overseas branches in the principal centres of commerce, and is in direct touch with nearly 1,000 correspondent banks around the free world.

The London branches of The National City Bank have long experience of both British and international banking. They are uniquely equipped to advise on trade with the dollar areas, and they can command the resources of a global organization.

Whatever your problem and wherever your business, The National City Bank of New York can assist you.

THE NATIONAL CITY BANK OF NEW YORK

1812—ONE HUNDRED AND FORTIETH ANNIVERSARY—1952

Incorporated with limited liability under the National Bank Act of the U.S.A.

HEAD OFFICE: 55 WALL STREET, NEW YORK

LONDON OFFICES—CITY: 117 OLD BROAD STREET, E.C.2. WEST END: 11 WATERLOO PLACE, S.W.1

American Notes

The President's Powers

Judge Pine's decision that the inherent powers of the President do not include the right to seize the steel industry in peacetime has precipitated the strike staved off for four months and has posed a constitutional issue of the first importance. The Administration at once sought and obtained a stay to permit it to apply to the Supreme Court, but the steelworkers have refused to wait upon the courts and the mills are now idle.

In the Judge's view, this is a lesser calamity than the injury

> which would flow from timorous judicial recognition that there is some basis for this claim to unlimited and unrestrained executive power

and he is widely applauded for his courageous stand. This is the first time an injunction has been granted, in effect, against the President, although technically it is directed at the Secretary of Commerce. The Administration itself seemed almost to invite the judicial lightning. The Assistant Attorney General, in answer to the Judge's questions, made claims of unlimited powers for the President in an emergency, which he later attempted to withdraw, and earlier Mr Truman had made a poor impression when he attempted to justify the steel seizure by hazy references to a non-existent "*ultimatum*" *sent to the Soviet* Union in 1945.

Judge Pine relied, for his interpretation of the President's powers, upon a statement of a former President and Chief Justice, Mr Taft, that the President can exercise no power which cannot be reasonably traced to some specific grant of authority or justly implied in its exercise. This is not an interpretation which has appealed to the strong Presidents of the past, who believed they had the power and the responsibility, in the interest of the national welfare, to do anything not specifically forbidden, and who on occasion defied the Supreme Court. But Mr Truman has made it clear that he is a "constitutional President" and will abide by the decision of the courts. He has no intention, as the steel companies have suggested, of setting aside Magna Carta or claiming the divine right of Kings.

It is now up to Congress, which has been so critical of the President, to prevent a prolonged steel stoppage, which would have a damaging effect upon the rearmament programme. So far Mr Truman's critics have been able to indulge in the luxury of investigating and obstructing the President, and talking wildly about impeachment. Many would be delighted to see the President forced to invoke the Taft-Hartley Act, which he has so far successfully avoided. But even if he did, it would be at least ten days before an injunction against a strike could be obtained, and there is no guarantee that the union, which has held its hand for longer than the "cooling-off period" prescribed by the Act, would obey a court order. The idleness of half the oil industry underlines the need for Congress either to improve the Taft-Hartley Act or to authorise some form of seizure, if the defence of the Constitution against executive usurpation is not to leave the government unarmed to deal with emergencies.

* * *

Stabilisation After Steel

Administration supporters, piloting the renewal of the economic controls Bill through the Senate, prudently put back to port when the steel storm broke. To have pressed on, in the face of the angry Congressional suspicion that the Administration was scuttling its own stabilisation programme, would have invited shipwreck. A month ago the Senate Banking Committee tentatively voted a year's renewal of the Defence Production Act, which authorises controls over wages, prices, rents, credit, and materials and which is due to expire on June 30th. Now the Senate Bill will not emerge from committee until the middle of May at least; hearings have just begun in the House.

Any hopes the Administration may have cherished of stronger powers are now dead. Instead, both the Senate and the House are thinking of weakening the Wage Stabilisation Board, which many Congressmen feel was unduly generous to labour and which most observers agree exceeded its authority in prescribing the union shop for the steel industry. One suggestion is that a panel representing only the national interest should be substituted for the present system of equal representation for labour, industry and the public.

The demand for a wage board composed only of public members may seem strange in view of the steel industry's campaign against the present public members of the board. Steel spokesmen have charged that public members in fact were labour members because in the past they had been in the employ of the trade unions. In fact, most of them had been equally in the employ of industry, having acted as arbiters in labour disputes, with their fees met by both sides. Critics of the tripartite make-up of the WSB believe that, if public members were in a clear majority, they would not have to compromise with either the unions or industry and could act more boldly in the public interest.

On prices, the steel dispute has strengthened the convictions of those who believe price controls should be abandoned. But even in industries whose market prices are today far below the ceilings, Congressmen are not all anxious, in an election year, to expose themselves to the charge that they destroyed safeguards against inflation. Many would be happy to let the Administration take the responsibility, if they felt sure it would relax controls wherever possible. Mr Arnall, the Price Stabiliser, who is anxious to keep the controls intact for an emergency, has just offered proof of his good intentions; he has suspended price controls on sixteen commodities, including wool and some fats and oils. Raw cotton, textiles and apparel are next on his list for consideration. He has reserved the right, however, to re-impose controls if prices reach a certain level.

* * *

Delegates *versus* Popularity

Tuesday's primary election in Massachusetts was the first occasion since the original contest in New Hampshire that General Eisenhower and Senator Taft had competed directly on equal terms for the support of Republican voters, and the result was the same—a clear triumph for the General. Admittedly he had much in his favour in Massachusetts: it is the home of Senator Lodge, his leading champion; the other Massachusetts Senator, Mr Saltonstall, is also on the General's side; and his main strength has always been in New England, as Mr Taft's has always been in the Middle West. The official Republican organisation in Massachusetts was, however, neutral and for once there was no suggestion from Senator Taft that he was not being given a fair chance.

In the popularity contest, no names of candidates were printed on the ballot paper for the guidance of the voters, who had to remember their preference for themselves: 246,000 Republicans wrote in the name of Eisenhower, and only 106,000 that of Taft; even more striking, 16,000 Democrats spontaneously chose the General compared with 27,000 for Senator Kefauver. The General received a clear majority, over all the other possibilities in both parties, of the record number of votes cast. And 29 of the 38 delegates picked to represent Massachusetts at the Republican nominating convention support General Eisenhower. Senator Taft hoped for at least ten from this State, but he obtained only three.

The Senator, whose approach to political life is more practical than is the General's, attaches more importance to delegates than he does to popularity and he is claiming that at the Republican convention in July he will have 650 votes; 603 are needed for the nomination. This is not yet whistling in the dark, but it is certainly wishful guessing. Detached observers give the Senator and the General about 270 dele-

gates each at this moment, with over 100 unpledged to either and nearly half of the 1,205 still to be selected. Most of these, like many of those already appointed, will be chosen not by popular vote but by the party organisations in their states, many of which are in Senator Taft's pocket, especially in the South.

Even party officials, however, are not impervious to popular feeling and there are few state delegations so deeply committed to Senator Taft that they will be unable to climb out on the winning side, even if it turns out to be General Eisenhower's. For example, Governor Fine, who controls most of the huge Pennsylvania delegation and is understood to prefer Mr Taft, has no intention of promising his support until he is sure that, by so doing, he can have a decisive effect on the outcome of the convention. What the convention will want is a candidate who can secure the Presidency and it is that which makes General Eisenhower's victory in Massachusetts so important. Not only has he once more proved that he is a vote getter, but he has also proved that he can get the votes of Democrats and independents—and without these the Republicans cannot win.

* * *

Riots and Reforms

The three prison riots that took place last week, two in New Jersey and one in Michigan, were the worst such outbreaks in twenty years, and have focused public attention on the urgent need for reform in prison administration. These riots were all in state prisons; of the 148 prisons housing 170,000 adult convicts in the United States, 126 are state institutions, the rest federal. The most spectacular revolt—and it was significant that these disturbances were not attempts to escape but fights for better conditions within the prisons—was the one at Jackson, Michigan, where 6,500 convicts are enclosed in buildings meant for a maximum of 5,000. More than $2 million worth of damage was done during the riot, which was started and finally ended by a nucleus of 171 prisoners in the disciplinary isolation block, graphically described by its inmates as "The Hole" because it is always kept dark. The convicts seized a group of guards as hostages, lived off food hidden during weeks of preparation, and surrendered, after five days, when the Governor of the State, Mr Williams, agreed to the eleven reforms they demanded.

While the Governor declared he acted to save the hostages, an assistant warden, since relieved of his position, said the complaints were justified. The principal protests were against brutal treatment, lack of proper segregation, lack of hospital and psychiatric treatment, and parole procedure. Parole methods were also one of the chief targets of the rioters at the Trenton and Rahway prisons in New Jersey. Here the "strikes" were shorter and less violent, and the wardens succeeded in inducing surrender without the complete loss of face suffered in Michigan—or the dinner of steak and ice-cream which had to be provided there. In New Jersey the complaints are simply to be investigated by the Osborne Association, a private group concerned with penal welfare, which has also been called in for counsel in Michigan.

It should not be difficult for the association to find the causes of the riots. The growth in population, and with it the rise in the number of prisoners, has not been accompanied by an expansion of corrective institutions; on the contrary, too often state legislators have cut funds for prisons to the bare minimum. The association's difficulty will come when it tries to convince the states, whose budgets are often drawn up for two years in advance, that the rising cost of living affects prison life too. A lack of sufficient funds inevitably means a decrease in the amount and quality of trained personnel, of recreational and educational facilities and of food. This is true also of other state institutions such as mental hospitals and juvenile reformatories, but improvements in prison management seem to be the most difficult to attain. Economising legislators find it cheaper and easier to cry out against "coddling" prisoners and "making a country club" out of what they regard as a punitive rather than a reformative institution—and one where the residents do not vote.

* * *

Foreign Aid on the Move

This year's foreign aid programme has got over its first obstacle, the Senate Foreign Relations Committee, with the least that had been expected, $1 billion, shorn off the $7.9 billion requested by the President. The cut is to applied to all sections of the programme alike, if the committee's proposals are approved, instead of being taken mainly, as had been feared, from economic assistance. In the House, if not on the floor of the Senate, more is likely to be heard of the alleged unsuitability of Mr Averell Harriman, the Mutual Security Director, remaining in charge of this supposedly bipartisan programme while he is running for nomination as Democratic candidate for President. Mr Harriman has no intention of resigning, and there seems little, if any, reason why he should before he is nominated. The suggestion came from Mr Richards, chairman of the House Foreign Affairs Committee, whose affection for Senator Russell, another Democratic aspirant, may have something to do with his fear that foreign aid will be adversely affected by Mr Harriman's political activities.

Not Mr Harriman, but the job he holds, is, however, once more under attack from those who feel that the foreign aid programme needs a central organisation rather than a co-ordinator. Mr Harriman's appointment was the compromise by which this same controversy was settled last year. The Committee on the Present Danger, a private but influential organisation, believes that administrative confusion is responsible, amongst other things, for failure to make best

ONE OF THE OLDEST NAMES IN INTERNATIONAL BANKING

CHARTERED 1799

Bank of the Manhattan Company

40 WALL STREET · NEW YORK N.Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

For the Nation's Good

In the unremitting struggle to expand British exports, a vitally important part is played by the men who travel all over the world to the various markets — surveying, supervising, organising and, above all, *selling*.

These representatives of British Industry include Hoover executives who, between them, visit every country in which export business can be done — from Finland to Siam, from Pakistan to Chile — at least once every year. Their sole object is to maintain and increase Hoover exports — Electric Cleaners, Washing Machines, Polishers, F.H.P. Motors, etc. — and some measure of their success is indicated by the fact that shipments of Hoover products are now being despatched regularly to 66 countries in all parts of the world.

It is encouraging to note that during 1951 Hoover exports were about two and a quarter times as large as in 1950, which was itself a record year. Indeed, during 1951, Hoover Limited exported nearly 50% more electric cleaners and 50% more electric washing machines than all other British manufacturers combined.

HOOVER LIMITED

Factories at: PERIVALE, GREENFORD, MIDDLESEX

CAMBUSLANG, SCOTLAND · MERTHYR TYDFIL, SOUTH WALES · HIGH WYCOMBE, BUCKS

Good fare can be appreciated more after a glass of DRY FLY SHERRY. It is the best appetizer at cocktail time.

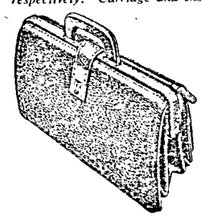
20/- bottle · 10/6 half-bottle

From your Wine Merchant or:
Findlater Mackie Todd & Co., Ltd.

Carry a

UNICORN LEATHER *Briefcase!*

Whether you travel by black magic or British Railways, here is the case for carrying *all* your papers . . . your opportunity to acquire a fabulous UNICORN LEATHER briefcase at a far-from-fabulous price! This 16" x 11" briefcase, in Golden Tan, Black or Brown smooth polished hide, has foolscap size compartments with 3" gussets, a pocket for visiting cards and a rack for emergency pencils *inside*, a "cradle" for newspaper or "mac." and a handy ticket pocket *outside*. *Four models: HX.2, 2 compartments, £4 2s. 6d. HXZ.2, ditto, with zip back pocket, £5 2s. 0d. HX.3, 3 compartments, £4 11s. 6d. HXZ.3, ditto, with zip back pocket, £5 12s. 0d. Post free in the U.K. (In U.S.A., $14, $16.75, $15.25, $18.25 respectively. Carriage and Insurance Free.)*



And here is the Overnight edition: a case for carrying pyjamas and papers—but separately. There is a capacious outside zip pocket for newspapers and books, two inside foolscap compartments and a zipped-off section for overnight things. *With lever lock and fittings of solid brass, a single handle, and press studs in the base for slimming, this handsome 17" x 11½" case is available in Golden Tan, Brown or Black: selected hog-grained leather, £7 10s. 0d.; smooth polished hide, £9 9s. 0d. Post free in the U.K. (In U.S.A., $23.75 and $27.50 respectively. Carriage and Insurance Free.)*

20% Customs Duty payable in U.S.A. on both cases. Immediate dispatch. Obtainable only direct from the makers. Money-back Guarantee of satisfaction.

UNICORN LEATHER CO. LTD. (Dept. ET.) Woodhill Works, Bury, Lancs

Drawing by A. R. THOMSON, R.A., *now on exhibition in the* ROYAL ACADEMY

Backroom Boy with a bucksaw Although his name never appears Halloran is one of the most important contributors to the newspapers. In fact, it is on his bucksaw that the publication of the newspaper depends. For Barney Halloran* is a Newfoundland logger, on the pay roll of the largest paper mill in the world — Bowater's at Corner Brook. His job is to fell and cut the trees into four foot logs, using the length of his bucksaw as a measure. They are then ready for the journey to Corner Brook by sleigh, truck, train, ship or most usual of all, floating down by river, there to be pulped and processed into newsprint. Halloran stands five foot eleven in his socks, and weighs 200 pounds, according to the Medical Officer who runs the foot rule over every logger at the start of the season. According to the camp cook, his appetite is built in proportion! "He'd eat a cow between two biscuits." But Barney just smiles tolerantly, knowing that a logger without an appetite is as useless as an axe without a handle.

THE WHOLE WEALTH OF BOWATER CRAFTSMANSHIP, EXPERIENCE AND RESEARCH IN THE ART OF MAKING PAPER — THE 'KNOW-HOW' IN SHORT — IS FREELY AT YOUR SERVICE.

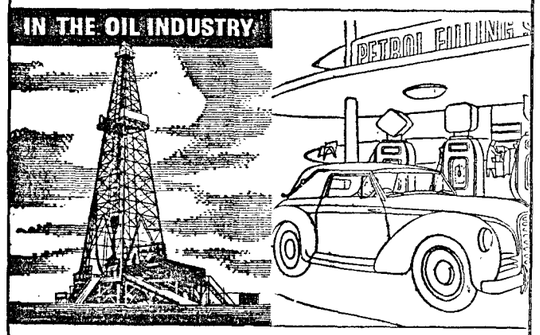
THE BOWATER PAPER CORPORATION LIMITED

GREAT BRITAIN · UNITED STATES OF AMERICA · CANADA · AUSTRALIA
SOUTH AFRICA · NORWAY · SWEDEN

*Fictitious name

THE HOUSEHOLD NAME
OF A SERVICE TO INDUSTRY

Brown & Polson
STARCH PRODUCTS



AMONG the problems that oilwell drillers have to solve are the cooling of their drill (which may be three miles or more below ground, at the bottom of a hole only a foot or two wide) and the removal from the hole of the earth and rock that the drill cuts away. The surprising answer to these problems (and to one or two others as well) is — mud. It is special mud, of course — a thick and sometimes rather milky fluid which costs just about as much as milk. It is pumped continuously down the slender, jointed steel tube that drives the drill; it flows through the drill itself, fills the hole outside the tube, and so flows back to the surface, carrying the drill-cuttings with it. The returned mud is sieved, to remove the cuttings, and used again. But if the earth round the hole is porous, as it usually is, the mud may lose so much water by seepage that its circulation cannot be maintained.

Starch for sealing a porous surface

A common way out of this difficulty is to add to the mud some substance that will blanket the porous surfaces of the hole with a more or less waterproof coating. A substance that is widely used for the purpose with ordinary clay muds is common starch. The effect of the starch is to bind particles of clay from the mud into an impervious plaster on the porous surfaces.

The provision of starch in large quantities for the use of oilwell drillers is one example of the kind of service that the Brown & Polson Group performs for many widely different industries, and is ready to perform wherever opportunity exists. Enquiries will be answered by responsible experts. They should be addressed to:

CORN PRODUCTS COMPANY LIMITED

The Industrial Division of

Brown & Polson

BROWN & POLSON LTD., WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2

use of the European economy in the common effort and for the delay in placing arms orders, to be paid for in dollars, in Europe. And Mr Nelson Rockefeller has again demanded an overseas economic administration, to deal with all foreign aid apart from purely military assistance.

He was speaking at a conference called in Washington to encourage private American investment in underdeveloped areas. But the doubts of private investors will hardly be stilled by Mr Justice Douglas, another speaker at the conference, who insisted that the main object of this Point Four programme should be to foster peasant revolts, instead of protecting feudal landlords, in underdeveloped areas. Nor will this speech be helpful to the American officials who are trying to induce the governments of these areas to accept aid in spite of their suspicions of American interference. However, the new head of the Point Four programme, Mr Stanley Andrews, is a man who should be able to convince Middle Eastern leaders and others that the programme is indeed a technical assistance scheme and nothing more. He is also well qualified to make best use of its limited funds—$656 million was requested this year, but will not be received. Mr Andrews comes from the Office of Foreign Agricultural Relations, which was working on schemes of the Point Four type long before the programme was officially born.

* * *

Stay-down Strike

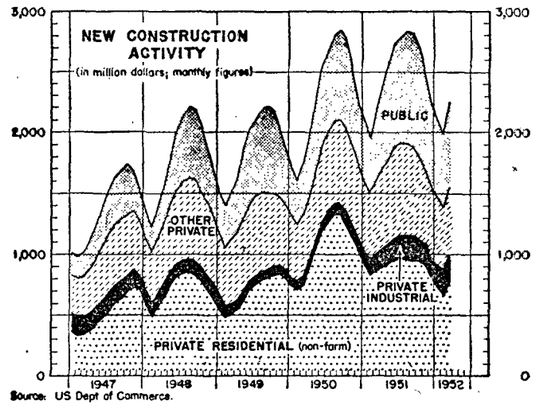
The Air Force, on second thoughts, has dealt leniently with its "mutiny." Two reserve officers have been court-martialled for refusing to fly, but they probably will not serve their prison sentences, and an administrative discharge without dishonour probably awaits the other twelve, who seemed likely to be court-martialled, as well as some 35 other reserve officers who, without refusing to obey orders, have pleaded "fear of flying." Most of these men saw combat during the war and have fine records. That is the root of the trouble, not the high number of deaths from accidents, or suspicion of the B-29's efficiency. When the war broke out in Korea, regular officers of the strategic bombing command were carefully withheld, lest the war suddenly spread. Other regulars were kept at home for training purposes. The reservists, not unnaturally, resent having to undertake, for the second time, risks that others have escaped altogether, though their retention of a commission after the war—and the pay that went with it—clearly made them subject to combat if needed.

Eighty per cent of the Air Force's pilots are reservists, their average age is over 30, and most of them have families, businesses, and homes to pay for. Involuntary recall of reservists ceased five months ago, but for a long time reservists will be the backbone of the Air Force. This is because hasty demobilisation after 1945 slowed down training, while the attack in Korea and the rapid expansion of the Air Force put a premium on anyone with flying experience. Hardship cases are inevitable, though they would be fewer if Congress had authorised the reclassification of the reserves.

Flying, however, cannot be taught by order. The Air Force would be less worried about its reluctant reservists if new recruits were coming along satisfactorily. But this is not the case. For the first time this year fewer than the allowable 25 per cent at Annapolis and West Point volunteered for flying training. Of the 6,700 to be commissioned this year from the air training programme in the colleges, only 750 are fit and willing to fly. Flying seems to have lost its glamour, even for the young, and the call of patriotism is weaker, when it is to an undeclared and apparently unending war in Korea, than it was a decade ago. For this reason the services exerted all their influence to persuade Congress not to accept Senator Douglas's suggestion—which had both democracy and economy in its favour—to reduce all "hazard pay" to a private's $30 a month. They consider that an earlier reduction contributed to the present difficulties.

Housing Prospects

It is a happy coincidence for the Democratic Administration that the growing availability of building materials is permitting last year's restrictions on construction to be progressively relaxed as the election campaign gathers speed. By autumn, unless there is a prolonged steel strike, the building industry should have returned to business as usual. Already in March the amount spent on new construction was higher than in March, 1951. This was explained by the large sums paid out by both the government and private firms for industrial expansion and defence facilities. A substantial part of these programmes will be completed before long, but some at least of the slack will be taken up by public works which have had to be deferred because of shortages of materials.



These shortages have, however, affected the building of private houses little, if at all. Here the limiting factors have been the same reluctance to buy that has been noticeable in other consumer goods markets and, even more, shortage of mortgage credit. If the March rise in spending on residential construction is maintained, nearly 1,000,000 new non-farm units should be built this year. If buyers are not found for these houses, the Administration will hardly be able to resist some relaxation of the terms on which mortgages are granted. These terms are now too stiff for many potential borrowers, but even those who could meet them have not always been able to find a lender. Conditions on the money market are now becoming more favourable, but even so the government guaranteed loans, with interest rates at only 4 and 4½ per cent, are not very attractive.

These are the types of loans which are taken out for the low-cost houses, at under $12,000, which are still easy to sell. The poor demand for more expensive houses is perhaps in part an indication of the coming exhaustion of the postwar demand for homes. It is true that the Federal Reserve Board's latest survey of consumers' spending plans found just as many people who definitely intended to buy a new house this year as it did last—but there were fewer who thought that perhaps they might. More significant is a study by the Department of Commerce, which puts the average annual demand, in times of prosperity, for new dwelling units at about 750,000, exclusive of replacements. Since 1947 over 1,000,000 new units have been provided on an average each year, and this has done much to meet the extra demand resulting from lack of building during the depression and the war. It is thought that there are still enough married couples living "doubled up," and wanting their own houses, to sustain a high rate of building at least until 1953. But after that, it can only be maintained at its present level by replacing existing houses; it is encouraging for builders, at least, that the 1950 census found nearly 3,000,000 dwellings in a dilapidated state.

THE WORLD OVERSEAS

Solvency without Tears

(From Our Paris Correspondent)

NOTHING at all startling has happened in France since Christmas: but a person returning to the country after some months' absence is obscurely aware of a difference not wholly attributable to the splendid spring weather. It seems as if the French public had switched from sterile theoretical thinking about affairs to something more like genuine policy. To say this is not to hail M. Pinay as the national saviour. His government has achieved hardly anything yet and his programme is highly contentious; but there is a deeper change which may lead to better government. It is as if the grim period which ran from about 1934 to about today were at last ending. This was an essentially ideological phase in French public life—if one may call "ideological" the state of democratic politics in which philosophic formulae assume a greater importance than urgent tasks.

Post-war France has experienced not only its normal "structural" struggles—rich versus poor, town versus country, Catholic versus *laique*. It has been bedevilled by bitter short-term quarrels—resistance against non-resistance; right resistance against left resistance; and, in foreign policy, neutralism against membership of the Atlantic Pact. It seems at last that the resistance is falling into its true place, as a chapter of military history; for, whatever moral renovation it achieved, neither its leaders nor its constituent groups will, severally or conjointly, rule France. De Gaulle's RPF has not made the grade; the Communist party is slipping; the bloom of youth is gone from Socialism: the MRP, middle-aged from birth, is now thoroughly decrepit. The initiative—or, at worst, the power of inertia—seems again to lie with a broad, hardly definable national mass which is old, conservative and non-ideological.

M. Pinay faces in aggravated form the problem which tormented his predecessors of the left and centre; how simultaneously to wage war in Indochina; build a metropolitan army; modernise French industry and agriculture; and maintain purchasing power. He inherits an industrial situation in which France's costs are some 15 per cent higher than those of its trading competitors and a budget which can be balanced only by raising a loan of 100 billion francs. (Preceding coalitions have not been able to borrow.) In addition M. Pinay must sometime repay to the OEEC the emergency loan of 100 million francs which was granted to France. In the opinion of many the currency is so overvalued at the current exchange rate as to be undefendable. This school concedes that M. Pinay, if all goes well, may bring about a five per cent price reduction by his appeal to entrepreneurs, but it denies that the country will thereby regain external solvency: whereas, on this view, a prompt devaluation would gain time in which to introduce conditions of competitive production. In spite of the stabilisation or fall in the price of many raw materials, the Government is already operating cruel import cuts, which are themselves inflationary in effect. Another deadly feature of the import controls is the growing inability of French manufacturers to choose the favourable moment for the purchase of their raw materials.

However this may be, the franc is not to be devalued at present and M. Pinay is staking his all on the success of his price-cutting campaign and his loans. The campaign, which was given impetus by the Prime Minister's speech at Lyons, a resounding profession of the liberal faith, is going better in the towns than in the countryside. The farmers have already protested against the anticipation by one month of the normal seasonal reduction in the price of milk; and they are more interested that M. Pinay should decree a higher price for wheat in July than in lowering their own prices for him now. It is probable that not much response will come from the country until the town sells it more cheaply the goods, and especially the capital goods, which it must buy. After gaining the support of the big stores the Prime Minister has continued to convene businessmen, working through such modest organisations as "the federation of small and medium businesses." M. Georges Villiers, chairman of the *patronat*, has also publicly supported price reduction, and the tentative principle of voluntary cuts is gaining momentum; but it is far too soon to speak of success. The crux of the matter will be M. Pinay's handling of the meat market.

Can M. Pinay Survive?

The government-inspired *baisse* has one excellent tactical advantage. It enables M. Pinay to stave off wage increases for a while. Some kind of sliding-scale seems to be politically inevitable. Two lethal bills to this end have already been voted by the Assembly and returned radically amended by the Council of the Republic. On the return of the second amended bill M. Pinay ducked, saying that he would himself present a third bill after a month's delay during which the *baisse* would have had time to take effect. The point at issue is whether the sliding-scale is to be based on a new minimum wage incorporating the 12 to 15 per cent price rise that has occurred since the last statutory minimum of October, 1951, or whether the October minimum can be retained as a base. Fortunately for M. Pinay the Communist union (CGT) is weak, and the other unions are willing to give the Prime Minister a few weeks' respite, for he has it to his credit that in February the cost of living fell by 0.4 per cent, a reversal of an upward trend that had persisted for twenty-two months. If he can cut prices a bit during May before the parliament reassembles, M. Pinay will probably be able to survive the summer on the wage-price front.

Far more uncertain is the outcome of his bid for public credit. His problem is to squeeze out of the public's homes some of its gold and banknotes and make it lend them to him. The main enticement offered (which is an enticement only if there is a general atmosphere of economic confidence) is the waiving of penalties for tax-evasion. This concession will cease punctually on July 1st. After that date all accretions to bank balances will be taxed as income and future evasion will be subjected to far heavier penalties than under the present "transactional" system. M. Pinay's own solvency will therefore depend purely upon the public reaction to his cane and candy. The Government must first choose the precise type of loan from the samples that the financiers are offering. Even if the tax-amnesty brings funds to light it is not certain that a large part of them will not be used for investment in private businesses. Therefore a real counter-attraction is needed. French solvency is in the lap of the gods. All that can be said for the moment is that the conservatives are in and seem bent on at least a limited financial patriotism, a sort of solvency without tears.

Soviet Germans Prepare for Victory

HERR ULBRICHT, head of the German Socialist Unity Party, has made it plain that the Soviet government seriously intends to hold all-German elections. Speaking to a delegation of Western Germans last week, he said:

> All-German elections alone can prevent Western Germany's integration into the Atlantic Pact. This is the basic issue. The fact that we hold different views about the structure of the new Germany to emerge from elections is immaterial. Adenauer and his associates know very well that there would be no Adenauer government left after such elections.

Preparations are now being made in the Soviet zone to ensure that this prophecy comes true. Elections, when they come, are to bring victory for the joint lists of Communists, Social-Democrats, candidates put up by the Communist-dominated organisations, and anyone else who supports the terms of the Soviet draft peace treaty recently presented to the West. The Soviet government, it seems, envisages elections that will be "free" according to the letter of the law, but which will not be fought on the issue of Communism or non-Communism but of "peace, unity, free trade, a people's army, and the withdrawal of foreign troops." As Bishop Dibelius has said: it would need the equivalent of 15 divisions to supervise the voting. The Communists are ordered to collaborate with the Social-Democrats, and the Socialist Unity Party has even made an approach to the Social-Democrat Party Executive. In recent local elections in the Federal Republic, Communists have already begun to support Social-Democrats. Evidently Moscow intends a national front government to be the outcome.

Human Touch Ordered

Administrative reforms are being introduced in the Soviet zone as preparations for the test to come. The present over-centralised system is being broken down in order to bring the Communist bureaucrats more directly into touch with the public. Hitherto the "bosses" have simply issued orders from central offices that swarmed with officials who cared little whether they were unpopular or not. Leipzig is now the first large city in the zone to start a far-reaching process of decentralisation. The borough staffs will be greatly increased, and will include honorary district councillors—presumably politically reliable individuals who will "nurse" the constituency for election day. The best men must go into the local administrations, according to orders, and "must turn every German into a true and active friend of the great USSR." At the same time, the pernicious system of house and street wardens is to be overhauled. These petty spies and tyrants are told to become the trusted friends of the people whose private lives they dominate. They will know how every occupant of a house intends to vote, or—still more important—every occupant will think they know.

According to one report, the Socialist Unity Party secretariat has recommended that the Soviet zone parties and Communist-dominated mass organisations should at first exert only a moderate influence over the inhabitants in local elections. Herr Ulbricht is said to have ordered that the new urban district committees should be genuinely elected, in order to test the "democratic awareness" of the population. The elections of SED executives are for the first time being held by genuinely secret vote. There have been a large number of attempts to evade this order by distributing voting slips before discussion of the candidates to be nominated. All along the line, promises have been made to examine grievances, and see why social welfare regulations have not been carried out.

These attempts to popularise the Communists are going hand-in-hand with terrorism. Herr Ulbricht has warned that there will be intensified activities by West German "saboteurs" in the immediate future and SED party members must be prepared to frustrate them. Efforts are being made to intimidate listeners to the western radio. It is evident that the Soviet German leaders are in earnest with the assurances they are giving that the new Germany which emerges from elections will be "peace-loving and democratic," in the Communist meaning of the phrase.

In the meantime the Communists are indulging in a new bout of wishful plotting. Urgent appeals to overthrow the Adenauer government and begin all-German talks on elections are being made. After official announcements that "the hour for action has struck," Herr Ulbricht told the Western German delegation last week:

> A force expressing the people's will must be created against Adenauer. His preparations for a *Putsch* must be countered by mass demonstrations and mass strikes. There is no other alternative. If the people gains in strength, the Adenauer government will be forced to resign and power will pass into the hands of politicians willing to negotiate. . . . Men anxious for East-West talks must be helped to assume leadership in Western Germany, regardless of their party ties. I leave this question quite open for the moment.

The accusation that the Chancellor intended to enforce the treaties with the western powers by means of a *Putsch* appeared to be due to fear that Western Germany would be told by the Allies to make use of its freedom to rearm without waiting for the Bundestag to ratify the new agreements. It also serves to excuse the Communists' call for a *coup* against the Bonn regime.

Herr Ulbricht's talk to the West German delegation stressed the Communist policy of appealing to nationalism. "We believe national feeling must be strengthened," he remarked. He went on:

> At the moment, the Adenauer government is supported by US, French and British bayonets. By fighting for its overthrow the people will be fighting also for the isolation of the American interventionist enemies in Western Germany.

In the Cominform Journal of April 25th Jacques Duclos, the French Communist leader, elaborated this theme further:

> The Soviet proposal [i.e., for a German peace treaty] is aimed at ensuring peace by means of eliminating the division of Germany into two parts and by creating conditions for the withdrawal from Germany of foreign troops—which would also lead to the withdrawal of the American occupationists from France and from the other countries in which they have entrenched themselves.

Nobody could put the Russian aim more plainly than that.

Egypt's Economic Troubles

[FROM A SPECIAL CORRESPONDENT]

THE preoccupation of the Egyptian Government and press with Anglo-Egyptian relations has diverted public attention from the grave economic crisis which threatens the country. The pasha's 1953 limousine and the fellah's new *galabiya* depend on the export of the cotton crop, a considerable part of which remains unsold; at this late stage in the season, large-scale foreign buying is unlikely. Egypt's postwar economic policy, which has been based on the export of a single crop, has temporarily broken down because in 1951 and again this year the merchants have been unable to sell their cotton abroad, and as a result the country is short of the foreign currency urgently needed to buy foodstuffs, petroleum, fertilisers and agricultural machinery.

Thus the Government has recently been forced to draw sterling from the unblocked No. 1 account at the rate of £500,000 daily to pay for imports, and when the British Government released £10 million from the blocked account on April 5th the free balance had sunk to *£E7 million.

*£E1 = £1.026.

Egypt's bankers and government officials had grown accustomed to a balance of around £E60 million in the free account, which at the present rate of spending will be entirely exhausted within two months. In Egypt the change from a strong to a weak financial position coincided with the Wafdist period of office. Nahas Pasha, however, and his cabinet cannot be blamed for the fall in the world price of cotton, but they are responsible for the "erroneous policy" (to quote the present Minister of Finance) which artificially bolstered the price of Egyptian cotton to the advantage of a few Wafdist speculators but contrary to the interests of the country as a whole. Egyptian cotton constitutes about 80 per cent of the country's total exports, but in 1951, owing to the high minimum prices which it had imposed, the Wafdist Government was obliged to buy 1,250,000 cantars* at £E35 million in Treasury bills. This stock if sold today would entail a loss of about £E12 million to the Egyptian Treasury.

The Governments of both Aly Maher Pasha and Hilaly Pasha attempted to break the power of the speculators in the Alexandria futures market, but minimum prices have again been imposed. Cotton exports today are over two million cantars less than they were during the corresponding period last year, and the Government will once more be forced to buy heavily at the end of the present season. The result of this internal spending has contributed to a rise in the cost of living which has occurred despite the fact that rents are lower.

There are, however, other factors which have an adverse effect on the country's economy today. Perhaps the most important of these arise from the wave of postwar xenophobia and the increasing difficulties experienced by foreigners who live and conduct business in Egypt. Many companies chose to establish regional offices in Beirut rather than in Cairo immediately after the war, but the movement to leave Egypt has been further accelerated by the events of January 26th and the fact that the British Middle East Office, American Point Four Organisation and the United Nations Relief and Works Agency have now made the Lebanon their headquarters. The new airport at Beirut provides an excellent Middle Eastern alternative to the Farouk airfield for long-distance airliners and one where there are fewer and less irksome delays for the traveller.

Fortunes Move Westward

The Egyptian authorities are aware that much of the postwar legislation controlling the work of foreign companies was hasty and frequently ill-advised, but politicians of all parties have lacked the courage to introduce amendments. To quote but one example, as a result of the mining law passed in 1948 the petroleum companies operating in Egypt have announced their decision to cease exploratory drilling operations in the Red Sea area, where they hoped to strike new petroleum deposits. Successive governments have vainly promised to amend this and other laws which they admit are unwise and a grave hindrance to the economic development of the country.

Political instability since the abrogation of the Anglo-Egyptian Treaty in October last has caused a serious flight of capital from Egypt which is now in progress through the free market of Beirut. This movement began when the Jewish community felt their fortunes inside Egypt to be insecure during the Palestine war. But since that time several banks have been established in Beirut which specialise in the transfer of large capital sums from Cairo to the West at a discount of from 12 to 15 per cent These services are extensively used by the European communities of Cairo —British, Italian, Swiss and Greek—and the rich Egyptians —Moslem as well as Copt—are now anxious to transfer at least a part of their fortunes to the United States, Switzerland or Britain.

* 1 cantar = 99 lb.

Internal trade is almost at a standstill. The riots of January 26th destroyed a large part of the European shopping centre in Cairo, causing considerable unemployment and a slump in the luxury trades. Those stores which have managed to reopen in temporary premises have, so far, done so with small stocks and they have few customers. There is but little business activity even in the Musky (bazaar), where all Egyptian merchants complain of a bad season. Egyptian firms lost their profitable contracts with the British Army at the time of the abrogation of the Anglo-Egyptian Treaty. The smaller merchants are suffering not only because the British soldier has been spending no money, but because the 70,000 Egyptians employed by the British forces have lost their well-paid jobs and are either unemployed or working for a much lower wage.

Tourist traffic has almost ceased. After the destruction of Shepheard's Hotel few new visitors were likely to be attracted to Egypt this spring. In any case travel agencies felt they were unable to guarantee the safety of prospective clients. Those few tourists who have ventured to come to Cairo were carefully guarded by the special tourist police, but, despite this, two gentlemen who photographed their hotel were arrested by a diligent police sergeant who thought the pictures had a military value. The Department of Tourism, which has during the past few years spent over $10,000 monthly in the United States in their efforts to attract tourists, has never received the co-operation of the Ministry of the Interior and this lack of co-ordination has caused constant difficulties for the visitor over visas, censorship of mail and telegrams and other tiresome police formalities.

The Minister of Finance must face great difficulties in the near future; he has admitted that there is a serious decrease in customs dues this year. This can partially be accounted for by nervousness on the part of merchants who do not wish to build up large stocks in Cairo and by the cessation of shipping in the Suez Canal zone ports, where, despite the apparent return to normality, the docks are idle and shippers are still apprehensive of consigning goods there. The drop in revenue from customs is a serious blow to the Ministry of Finance, who now anticipate that receipts will be £E25 million (Aly Maher's estimate) in deficit of the budget estimate of £E107 million, and in a country where the few rich are but lightly taxed on their incomes or land. The receipts from customs form the largest and the most important item of revenue in the 1952 budget. It amounted to £E217 million.

Only a strong united and courageous cabinet in Cairo can avert a dangerous economic crisis in Egypt. Hilaly Pasha has now a great opportunity to amend existing laws and introduce new legislation by decree which could enormously benefit Egypt and the West.

Jugoslavs and Trieste

[BY OUR SPECIAL CORRESPONDENT]

FOR the first time since the Cominform break, possibly since the end of the war, Tito has the whole Jugoslav people behind him on a major issue. They are backing him up to the hilt over his attitude towards a settlement of the Trieste dispute with Italy. Even Jugoslav Catholics support the Marshal on this issue. Jugoslav Catholic priests from the disputed territories have given evidence in support of Tito's policy, and though the Church would not be averse to receiving concessions in return, yet the support itself is quite genuine.

Both politicians and people in Jugoslavia were shocked by what appeared to them to be the success of the organised Trieste demonstration in influencing Anglo-American leaders to give way to Italian pressure. In spite of assurances on the limited nature of the London talks, Jugoslav pride received a severe blow and a number of arguments were

THE BANK TELEVISION LINK WAS DEVELOPED AND MANUFACTURED BY PYE LIMITED

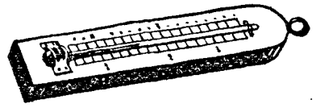
The new camera for industrial and commercial purposes, used by Glyn Mills & Co. for their TV link between Osterley and Whitehall, can be used for many practical applications in industry and commerce besides banking. Enquiries should be sent to Pye Ltd., Cambridge.

PYE

STATICON

TV Camera for industrial and commercial uses

PYE LIMITED · CAMBRIDGE

The **and the** 

Chocolates can't be coated unless the coating is hot. But they can't be packed until the coating is cold. And in warm weather, warm chocolate has a habit of staying warm — which creates trouble in the production line.

That's where refrigeration steps in. Refrigeration — in this case, a tunnel in which the air is automatically kept at about 50°F. — is the answer to this problem of the chocolate manufacturer. And to a lot of other people's problems too!

If you've a cooling problem, consult

FRIGIDAIRE

Regd. Trademark

the experts in refrigeration:

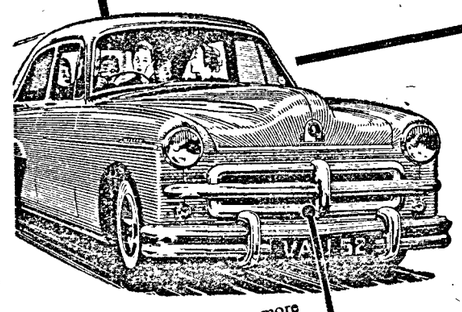
commercial, industrial, medical and household

FRIGIDAIRE DIVISION OF GENERAL MOTORS LIMITED

Stag Lane, Kingsbury, London, N.W.9. Telephone: COLINDALE 6541

NEW!

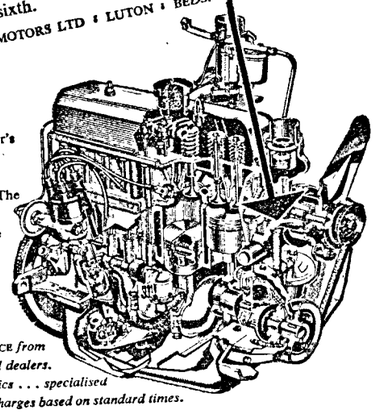
VAUXHALL ★ SQUARE ENGINES



- More power
- Less petrol
- Longer life

More power.. greater verve.. more m.p.g. . . . longer life . . . from the new "Square" engines in the famous Vauxhall Wyvern and Velox. Top speeds now 70 m.p.h. and 80 m.p.h. respectively, petrol consumption better by 3 to 4 m.p.g. Here is new efficiency and economy with all Vauxhall's famous comfort and reliability. See your local dealer for details. Wyvern, 4-cylinders 1½ litres, £495 plus £276.10.0 P.T. Velox, 6-cylinders 2¼ litres, £535 plus £298.14.5 P.T. Similar in size and styling, both are full five-seaters with space for a sixth.

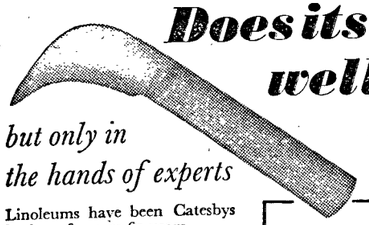
VAUXHALL MOTORS LTD ▪ LUTON ▪ BEDS.



★ "Square" is the engineer's term for the new high-efficiency engine with equal bore and stroke. The new Vauxhall engines (Bore 3¼" Stroke 3") are "better-than-Square".

And SQUARE DEAL SERVICE *from 665 authorised Vauxhall dealers. Factory trained mechanics . . . specialised tools and equipment . . . charges based on standard times.*

Does its job well...



but only in the hands of experts

Linoleums have been Catesbys business for over 60 years . . . . . small wonder then that they know so much about it! In most fields of endeavour it is experience that counts above all. Catesbys possess the largest stocks of finest quality linoleum in the country. The great thing about linoleum is that it doesn't crack in use, is germ proof, has a long life and—last but not least—it is so easily cleaned. Fine quality linoleum deserves careful laying and fitting, especially where pattern is concerned, and the skill of Catesbys team of expert fitters is without equal.

Some recent contracts:
University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.

CATESBYS LTD.
the greatest name in Lino
64-67 Tottenham Court Road, W.1 · Tel: Museum 7777

Smoke
Wavy Navy

Pure Navy Cut of Pre-War quality

2 OZ. AIR-TIGHT TIN 9/-
1 OZ. FOILED PACKET 4/6
Also ready rubbed

(Wavy Navy Cigarettes are for export only)

GODFREY PHILLIPS LTD MANUFACTURERS AND GUARANTORS

IT'S HERE! IT'S NEW! THE TYRE SPECIALLY BUILT TO CUT RUNNING COSTS!

THE ***de Luxe***
ALL-WEATHER TYRE BY **GOODYEAR**

6 POINTS OF SUPREMACY

- **LONGER LIFE.** Tread is tougher, wider, flatter—gives lasting wear.
- **EXTRA STAMINA.** Stronger cord fabric resists cruellest road shocks.
- **STRONGER GRIP.** More grip, safer cornering from Diamond Tread — with Stop Notches.
- **MORE STABILITY.** High tensile steel beads for firm anchorage on rim.
- **STRONGER SIDEWALLS.** Thicker, tougher shoulder buttresses protect sidewalls from strain, kerb-scuffing.
- **INCREASED COMFORT.** Strength and resilience correctly balanced for maximum comfort.

You can trust
GOODYEAR
FOR LONG LIFE AND LASTING WEAR

advanced in Belgrade to show that the talks were not strictly legal according to international law. The demonstration in Belgrade on Easter Monday of 300,000 people was admittedly officially organised, but it was the biggest demonstration seen in Belgrade since the famous *coup d'état* of 1941. Many people who took part have never before been seen on the streets shouting for Tito. For many others it was a nice change to be shouting for something about which they felt genuinely moved.

It has been suggested by some foreign observers that Tito was quick to see the advantages to the regime of making the most of an issue on which the whole people were so unusually united; that the Jugoslav Communist party was beginning to lose the fire of its enthusiasm and that this proved an excellent method of reinvigoration. But in fact there was little evidence of any frenzied government attempt to whip up popular enthusiasm. It was already there.

Most Jugoslavs are not interested in the town of Trieste. With its predominantly Italian population it has never been considered as "South Slav" territory. Slovenes, and to a less extent Croats, feel strongly about the parts of the disputed zones where there are Slav majorities, and all the country has been roused to fury by extremist Italian claims to former Italian occupied places like Rijeka (Fiume), Zadar and parts of the Dalmatian coast and islands. Some Jugoslavs think that these claims were put forward with official Italian connivance as a kite to test western reactions. Jugoslavs nowadays do not talk much about their horrifying wartime experiences, but this issue has naturally aroused bitter memories of the harsh and often brutal Italian occupation during the war, and many people ask if Tito, a wartime ally, is to be treated worse by the West than Italy, the wartime enemy.

The French in Algeria—II

The Pull of the East

[FROM OUR SPECIAL CORRESPONDENT]

An article in the last number of *The Economist* described the arrangements whereby representative government in Algeria has, at least for the moment, lulled the fears of the million European Algerians while affording the Moslem majority some of the sweets of popular representation. At present, this system covers the three northern departments of Algeria only; these have for decades ranked as an integral part of France. A bill to include within its range sections of the southern areas beyond the Atlas mountains has passed through the Algerian Assembly and awaits endorsement by the French Parliament. If it becomes law, it will increase the preponderance of uneducated Moslem voters, though it will add voters who are accustomed to do what their sheikhs say and are therefore more biddable than the Moslem proletariat in and near the northern towns.

Of the four local parties which sway the Moslems, the Communists are neither numerous nor influential. Since the war, they have split off from the Communist party in France on issues connected with separatism and religion. Intermittently, they give and withdraw their support from the MTLD (Movement for the Triumph of Democratic Liberties) which is potentially a far more important group because it has a leader with a capacity for making an appeal to the crowd. This leader, Messali Hadj, at one time led the Algerian Populist Party (PPA). The PPA is now banned, but in 1945 was responsible for the serious rising in the department of Constantine which was put down by the French military authorities with draconian severity. Messali is, today, a figure familiar to anyone who knows the left wing parties of Iraq or Syria. His programme is nebulous; his theme song is destructive criticism of the West. France has but to give him the reins of power and all will be well. A soberer and more interesting figure, though one with the capacity for firing an ignorant public to shout slogans is Ferhat Abbas, the leader of the UDMA (Democratic Union of the Friends of the Manifesto). This party wants to retain the link with France by means of a federated republic.

More Islamic Schools

The fourth group—at one time unimportant but now worth watching—is that of the *Ulema* (the word means pupils) which bases its appeal upon religion and is the only party which publishes its newspaper in Arabic. Its campaign for education in the vernacular fell on deaf ears because there are so few careers open to men educated in Arabic. But the present *Ulema* leader, Sheikh Bachir Brahimi, is largely by force of personality at present increasing the number of Islamic primary schools, which now cater for 50,000 pupils. During the United Nations Assembly, Sheikh Brahimi spent a month in Paris and made his mark farther afield. The Egyptians invited him to preach at a service commemorating the "martyrs of Ismailia." He also founded and presided over a co-ordinating committee of all the Algerian, Tunisian and Moroccan independence parties. And the Pakistanis have entertained him in Karachi.

Too Many Mouths to Feed

Political influences are not the only pull against the link with France. Unfairly, since such prosperity as Algeria enjoys is owed to Frenchmen, certain economic and social influences militate against the tie. Conditions of poverty and overpopulation, some of which are the fruit of heedless development carried out by Europeans, are splendid breeding grounds for anti-French propaganda. It is easy to forget that Moslem health conditions have so greatly improved that the Moslem and French rates for infant mortality are now almost the same, and to remember only that the population is therefore rising so fast that the cultivated land per Moslem inhabitant was 83 acres in 1872 and is only 24 today. As in Egypt, the amount of local production per hungry Algerian mouth to feed is falling not rising. The establishment of new industries has not solved and cannot solve the labour problem; industries created between 1946 and 1951 employed 12,000 pairs of hands, but hands are simultaneously being turned off farms by the introduction of agricultural machinery. As in all countries, the government is blamed; in Algeria, therefore, the whipping-boy is France.

One labour outlet that might, at first sight, seem to increase the link with Europe may in fact have the opposite effect. Now that all Algerians are French citizens, they are crowding to France in search of a job, better pay and better family allowances than they can earn at home; 400,000 men in their prime are said to have gone last year. The extraordinary social effects of this migration will be described in another article; its political effect seems, at present, to be to increase rather than decrease the nationalism of the migrant. Messali Hadj is said to derive the larger part of his party funds from groups in France.

Siren calls, political and economic, therefore reach the Algerian Moslem from two quarters—one French, the other Arab and nationalist. Quite erroneously, he believes that the independent countries of the Middle East, and Egypt in particular, suffer from none of Algeria's social ills and are havens of admirable administration. He writes off any information to the contrary as a piece of prejudice. The call of the east reaches him in accents which may be religious or nationalist or communist. The call of Europe makes its appeal to intellect and to material advantage; it therefore attracts only the educated bourgeoisie. Yet all young people of this class are nevertheless ready to demonstrate their sympathy with the Tunisians or Moroccans.

All told, France is still obviously in a position to exercise the greater of the two pulls upon Algeria by means of policy.

But achievement of this result depends on three conditions. The first—simple but expensive—is provision of French primary schools at an increased rate; the Moslems are asking for them; if they do not get them they might turn elsewhere. The second is the invention of political developments sufficiently imaginative to afford the Moslem some outlet for his pride of race, since most Algerians are also nationalists; this job is difficult to combine with the perpetual task of allaying the fears of the European minority, and of the pressure group at its command in Paris. The third is the pursuit both in Tunisia and Morocco of a policy sufficiently liberal to furnish the pro-French section of Algerian Africans with proof that they have made a satisfactory choice.

(Concluded)

Israel's Birthday

FOUR years have now passed since the Palestine war came to an end; and Jews and Arabs are not perceptibly nearer the peaceful coexistence which both need so badly. Of all the futilities to which the quarrel has led, the economic blockade of Israel by the Arab States is perhaps the most futile. Four years should have been long enough to show Arab politicians that it is they, not the Israelis, who have suffered from it. Israel—expanding, industrialising, selective in its agriculture—promised to be the perfect complement to Arab farm economies. It offered a guaranteed and growing market for their chief exports and the opportunity of a permanent trade surplus with a country trading in acceptable currency. In 1947, the year before the Arabs changed the half-serious embargo that had existed since 1936 into a rigid boycott, Arab exports to Israel amounted to £7½ million and their imports from Israel to little more than £500,000. Between 1926 and 1947 Palestine had had to finance a cumulative deficit with its Arab neighbours of £60 million. Since the boycott, in spite of the rapidly swelling Israeli market, Arab exports to Israel have never been worth more than £200,000. As most of the goods involved are perishable, the difference is a total loss to the Arabs. Israel has had no difficulty in finding other sources of supply. As it had already been running a deficit with the Arabs, it was not disturbed by having to take its custom elsewhere.

Israel's recovery, it is true, has suffered from the economic warfare on the Suez Canal, on the Haifa refinery and on the Jordan water supplies for the potash works; but its losses have been nothing to the Arab losses. These are growing so painful that traders are taking matters into their own hands by running the blockade. It is time this economic lunacy stopped, even if the grand political settlement is still impossible. If there is any basis for the Arab belief that Israel is dangerous because it can survive only by expanding, is it sensible to hinder its attempts at survival within its present borders?

British Firms in China

[BY A CORRESPONDENT]

THE trade discussions between British and Chinese delegates at the recent Moscow conference have drawn attention to the position of the British business houses still remaining in China. When the Chinese Communists gained power three years ago, most British firms did not put up their shutters; they stayed on in the hope that once the dust of revolution had settled, it would be possible to re-establish sound and profitable trading relationships. Although most of these expectations have been disappointed, their activities have never been brought to a complete standstill. They have, for instance, acted as intermediaries for the Ministry of Food in its regular purchases of eggs and egg products. British fertilisers have been, and still are being, sold in substantial quantities; British tea exporters are still active; and British ships still call at those ports which are safely accessible and which it is worth their while to visit. There is no reason why these activities should not be expanded to cover any business which the Chinese want and which British export controls allow.

It is, however, true that the number of British firms in China has shrunk considerably during the last two years (there are now only about 600 British people in China compared with some 10,000 before the war); and if conditions do not improve, it seems certain that still more firms will feel compelled to pack up and go home. These deteriorating conditions are, of course, largely the result of the Korean war. The United Nations have imposed rigid controls on exports to China. The Chinese, for their part, have for more than a year insisted that all imports must have actually arrived before they will grant permits for the compensating exports. This regulation, apparently dictated by the Chinese fear that a complete UN blockade might suddenly stop all exchanges, has a stultifying effect on trade. Moreover, during the past year the Chinese have directed more and more of their exports towards the Soviet Union and its satellites in order to pay for the metals and other strategic materials which they can no longer obtain from the West.

But even if the Korean war and all its consequent restrictions were ended, there now seems small cause for optimism over the probable position of the remaining British merchants in China. Apart from trade restrictions they are faced with a number of formidable difficulties—such as punitive taxation, the arbitrary cancellation of contracts by Chinese Government trading bureaux, and the inability of senior British representatives to obtain exit and entry permits without endless delays. All this, in addition to the Chinese activities in Moscow, would seem to indicate that the Chinese have a settled policy of squeezing the remaining British firms out of China, however great the loss to themselves.

FRENCH RAILWAYS NEWS

BRITISH BUSINESS MEN SEEING FOR THEMSELVES

Special Concessions to Continental Exhibitors

The search for trade outlets in France and other Continental markets is bringing business men abroad in increasing numbers. Continental trade fairs and exhibitions in particular offer a good starting out point for many British enterprises.

French Railways offer special concessions to business houses in the form of reduced rates for the transport of exhibition merchandise, etc. Both exhibitors and buyers will find that fares too are frequently subject to special concessions. Details from French Railways Ltd., Freight Dept., Room 118, Victoria Station, London, S.W.1.

Official encouragement is expressed on this side of the Channel in the form of special currency allowances. Your bank manager will be able to give you full details.

SPEED AND COMFORT

Modern methods have made French Railways a revelation of smooth organisation. Even the longest journeys pass swiftly and enjoyably. To quote the *Manchester Guardian* of January 15th—"Travel is improving every year. Great progress has been made in building a new railway system from the ruins left by the war;' and what is more they make a fetish of running trains to time."

EXHIBITION PROGRAMME

All events well served, in whole or part, by French Railways.

JUNE—JULY

Milan Traffic and Safety Exhibition—*June* 1-30. **Padua Samples Fair**—*June* 7-22. **Bordeaux Fair**—*June* 8-23. **Barcelona Samples Fair**—*June* 10-30. **Casablanca Fair**—*June* 14-20. **Lille Fair**—*June* 14 - 29. **Trieste Fair**—*June* 29-*July* 13.

AUGUST—SEPTEMBER

Trento Fair (Tourism and Sport)—*Aug.* 9-24. **Innsbruck Fair**—*Aug.* 21-31. **Strasbourg Fair**—*Sept.* 6-21. **Cologne Autumn Fair**—Textiles, *Sept.* 7-9; Household Goods, etc., *Sept.* 14-16. **Vienna Autumn Fair**—*Sept.* 7-14. **Parma Exhibition of Preserved Foods and Packing**—*Sept.* 12-25. **Lausanne Swiss Fair**—*Sept.* 13-28. **Marseilles Fair**—*Sept.* 13-29. **Metz Fair**—*Sept.* 27-*Oct.* 13.

OCTOBER

Paris Motor Show.

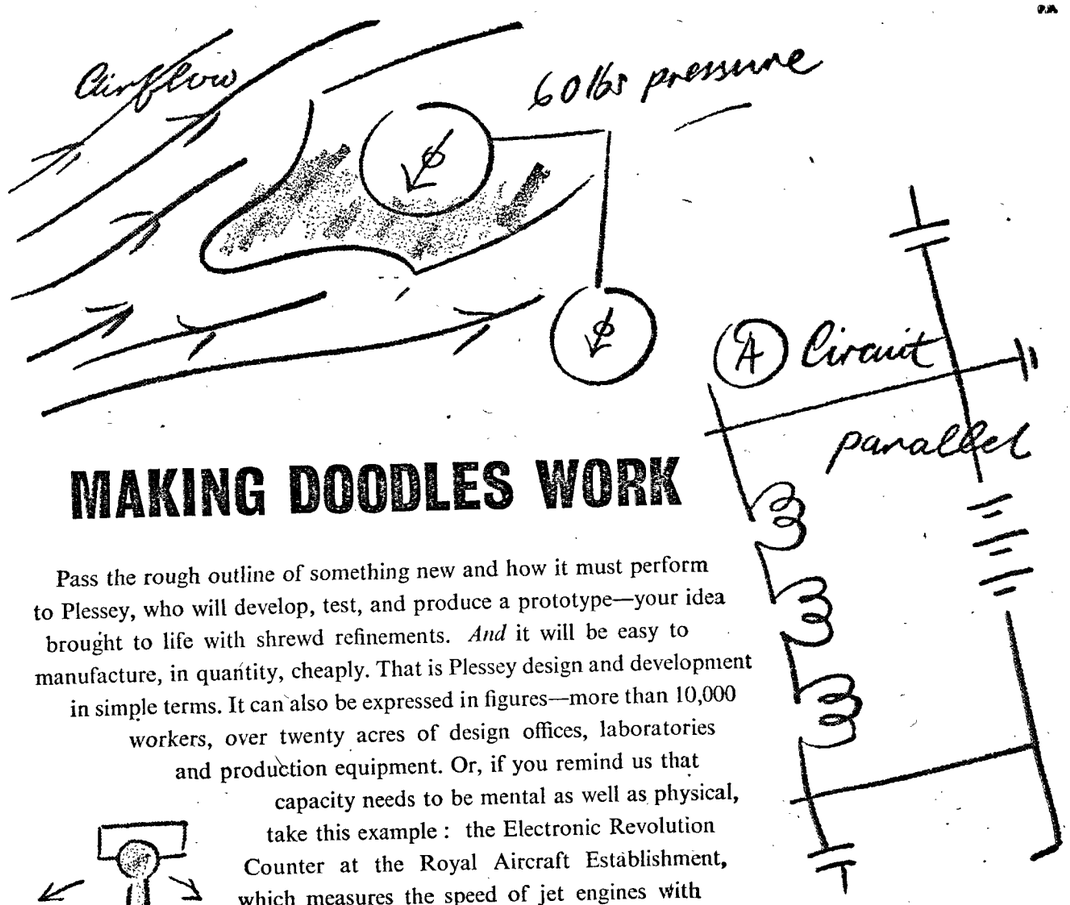
FREE BOOKLET—*a Feast of Colour* The new, exquisitely colour-printed booklet, "France", is available free on application to French Railways Ltd. Write today, a postcard will do.

Information, tickets and reservations from any good Travel Agent or—

FRENCH RAILWAYS LIMITED

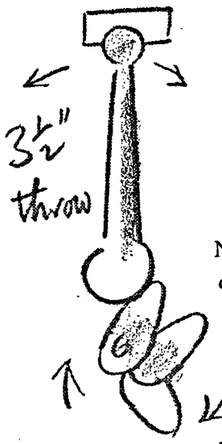
179 Piccadilly, London W.1

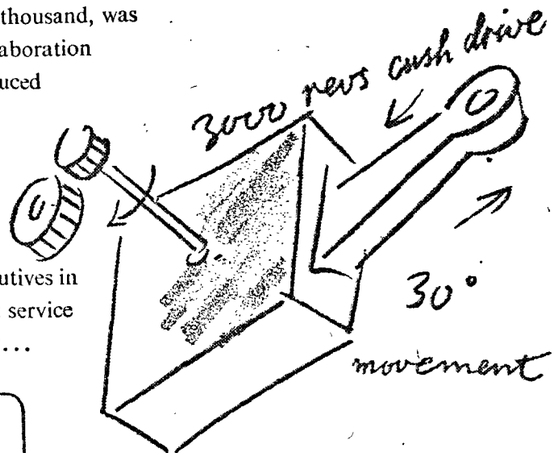
CVS-62



MAKING DOODLES WORK

Pass the rough outline of something new and how it must perform to Plessey, who will develop, test, and produce a prototype—your idea brought to life with shrewd refinements. *And* it will be easy to manufacture, in quantity, cheaply. That is Plessey design and development in simple terms. It can also be expressed in figures—more than 10,000 workers, over twenty acres of design offices, laboratories and production equipment. Or, if you remind us that capacity needs to be mental as well as physical, take this example: the Electronic Revolution Counter at the Royal Aircraft Establishment, which measures the speed of jet engines with an accuracy of one in a thousand, was developed in collaboration with RAE and produced throughout by Plessey. Now you have some idea of the unique combination of technical brain and mechanised brawn at your command. Executives in industry or Government service may like us to explain how...





Plessey *PUTS IDEAS INTO PRODUCTION*

THE PLESSEY COMPANY LIMITED • ILFORD • ESSEX

Aspects of Enterprise No. 20

SIMON ENGINEERING GROUP

A *sulphur famine* is not the least of the many threats that confront British industry.

Much of the energy and experience of Simon-Carves is being devoted to building plants to produce sulphuric acid from pyrites. Most of them embody a pyrites "flash roasting" system which (besides many other advantages) on large plants enables enough power to be generated from waste heat recovery to run the pyrites-burning and acid-producing units, thus avoiding any demands on Britain's already overtaxed resources of coal and electricity.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

These facts are published to show what British ingenuity and skill can achieve in spite of difficulties

It can be done

Vacuum Oil Company's new refinery at Coryton will draw its cooling water—45 million gallons a day—from the lower Thames. A reinforced concrete caisson forms part of the intake jetty and houses the pumps and machinery.

Conditions prevented building the caisson in position within a cofferdam in the usual way. How else could it be done? "Mulberry" harbour suggested an answer. The unit was partly constructed in a dry dock at Gravesend. It was then towed—its topsides bristling with reinforcing rods—across to Tilbury and berthed among astonished ocean liners. Here the walls were concreted up to their full height. Then the whole structure—4,200 tons of concrete and steel with a draught of 29 feet—was moved again, under escort of four tugs, eight miles down river to Coryton; and there it was carefully sunk in position offshore. This epic voyage took place on March 6th 1952. Not even the Thames has ever seen a stranger craft. The operation, so far as is known, is unique in history. Design and construction were carried out in conjunction with the Lummus Company Limited, London.

LAING

JOHN LAING AND SON LIMITED, Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka. Established in 1848

BLOCK & ANDERSON MEAN BUSINESS

The continuous expansion of B & A is founded upon four factors;

First, the success of B & A customers following installation of B & A machines and systems.

Second, the growing realisation, both here and overseas, that the wheels of industry can be speeded up by putting B & A machines to work in the office.

Third, the self evident advantages of *Spirit Duplication — the modern method* — on the BANDA 'Master' duplicator—superb product of Block & Anderson's twenty years leadership in Spirit Duplicating.

Fourth, the readily available service from B & A Specialists and Engineers in seventeen branches throughout the United Kingdom.

Write to-day for the address of your nearest branch to *Block & Anderson Ltd., 58-60 Kensington Church Street, London, W.8. Telephone: Western 2531-6.*

• PIONEERS OF SPIRIT DUPLICATING •

SPRING BOOKS 1952

The Retreat From Social Radicalism

Political Philosophy Since the War

POLITICAL philosophy has traditionally had four main functions: describing and classifying political institutions; formulating and assessing political ideals; drawing the political consequences held to follow from some system of philosophical ideas; and analysing political concepts. This last function is in any case performed if the first three are carried out as they should be; but it has sometimes been particularly emphasised, as in Cornewall Lewis's "Use and Abuse of Political Terms."

The first of the four functions is now being detached from political philosophy and, with the name of "political science," tends to be grouped with other social studies like economics or even with history. In the last twenty years this separation has been encouraged by philosophers themselves; for they have come more and more to the view that, while it is the function of the empirical sciences to investigate matters of fact, it is the function of philosophy to analyse the language in which matters of fact are reported and reasoned about. Thus, a philosophical theory—the view that logical analysis is the essence of philosophy—has encouraged a separation of political science from political philosophy that might well have happened in the ordinary course of the subdivision of intellectual labour.

According to this same view of the nature of philosophy, it is for philosophers to show what it is to have or to advocate ideals, but not for them, as philosophers, to discuss or advocate them. In this way the second of the departments of political philosophy is denied its traditional home, though in this case no new one appears to have been found for it. Again, for various reasons philosophical systems are today much despised by the disillusioned debunkers who predominate in philosophical circles, so that there is little encouragement for anyone to work in the third department of political philosophy. One is therefore left with the analysis of political concepts. But it is obvious that some of these, such as "rights" and "obligations," really form part of ethics. The task of political philosophy, therefore, would be reduced to the analysis of such specifically political concepts as "sovereignty" or "legislation." But a discipline of this sort, even if it were distinguishable from jurisprudence, would merit the description that Kant applied to traditional formal logic—"short and dry." Shrivelled by the blasts of a dogmatic philosophical empiricism, political philosophy in this country had, by the forties, entered upon a Bleak Age.

Some authors, however, have braved the postwar cold spell to the extent of writing about political ideals and their connection with philosophical outlooks. The most notable contribution to political philosophy that has appeared since the war is undoubtedly Professor Popper's "The Open Society and its Enemies" (1945. Second, enlarged edition, 1952). This learned and comprehensive work can be said to formulate the political philosophy of undogmatic empiricism. It is thus primarily a contribution to the third department of the subject. But a large part of it is given over to criticism of the political ideals of Plato, Hegel and Marx, and it therefore belongs to the second department also. Mr Popper holds that these three thinkers have in common the mistaken belief that the history of mankind follows a predetermined course that can be foreseen and perhaps delayed, but not prevented. This belief he calls historicism. In criticising it he distinguishes between the large-scale but quite unwarranted prophecies made by confessed speculative philosophers like Hegel, or by disguised ones who, like Marx, use pseudo-scientific language, and the limited predictions which are made possible by an empirical and piecemeal study of human society. In the manner of Kierkegaard (whom he quotes with approval) he argues that such grandiose prophecies of an inevitable social future serve as excuses for evading responsibility for the personal decisions on which the future of mankind really depends.

Once it is seen that man's future is largely in his own hands, the choice has to be made between a radical policy of large-scale social reorganisation, which he calls "Utopian social engineering," and a gradual policy of mitigating particular evils, which he calls "piecemeal social engineering." Mr Popper rejects the first course because of its adherents' unscientific claim to know infallibly the total workings of society; and he accepts the second as being analogous to the tentative methods of the empirical sciences. Just as science advances by rejecting false hypotheses rather than by continually finding support for allegedly true ones, so society will be improved by removing particular and admitted evils rather than by pursuing some uncertain and abstractly conceived good. Thus Mr Popper thinks that liberal democracy, with its ideals of freedom, humaneness and rational criticism, can be shown to be intrinsically superior to the narrow "tribalism" that still fascinates a superficially scientific age.

Mr T. D. Weldon, in his "States and Morals" (1946), is, like Mr Popper, undogmatic; but, unlike him he carries his lack of dogmatism to the point of scepticism. Like Mr Popper again, he prefers a democratic system of government by consent, but, unlike him, he thinks that totalitarian "organic" ideals (what Mr Popper calls "tribalism") are not likely to be upset. He points out that it would be inconsistent with the very nature of liberal-democratic ideals to endeavour to spread them by force, and that, in any case, they are quite unsuitable for unsophisticated peoples. The most, therefore, that a liberal-democrat can look forward to is the survival of his own type of society in a world where adherents of different ideals are too intelligent to risk everything in a conflict that might destroy them all. We might say that, in Mr Weldon's view, safety lies, if anywhere, in a

Some Spring Books from

OXFORD

Again Available

A CRITIQUE OF WELFARE ECONOMICS

By I. M. D. LITTLE

21*s. net*

'This book establishes him as a thinker of the first flight and a fine economic theorist . . .'

Economist.

Books from CHATHAM HOUSE

SOVIET DOCUMENTS ON FOREIGN POLICY

Vol. II, 1925-1932

Selected and edited by JANE DEGRAS

45*s. net*

SURVEY OF INTERNATIONAL AFFAIRS 1947 - 1948

By PETER CALVOCORESSI assisted by SHEILA HARDEN.

With an Introduction by ARNOLD TOYNBEE.

45*s. net*

On behalf of PRINCETON UNIVERSITY PRESS

THE STRUGGLE FOR THE MEDITERRANEAN SEA: 1939 - 1945

By RAYMOND DE BELOT (Rear-Admiral French Navy, retd.), translated by JAMES A. FIELD

25*s. net*

OXFORD UNIVERSITY PRESS

sort of Armed Lucidity. According to his pessimistic unbelief, reason can operate diplomatically to secure accommodation, but not morally to secure a community of aims.

Those who feel drawn towards this relativism might nevertheless hesitate to fall in with it if they first read Mr J. D. Mabbott's "The State and the Citizen" (1948). For Mr Mabbott argues that some things are valuable quite independently of the society in which they exist. Some of these non-social values, like beauty and religious worship, might, in spite of his arguments, be shown to get their essential features from the particular society they arise in, but others, notably freedom and scientific inquiry, seem to spread over from one society to another and thus to be ends that any state might reasonably be expected to promote.

What of the issue between liberalism and collectivism? This is a matter that we should expect to find most profitably discussed by those who approach political philosophy from the standpoint of economics and political science, and in fact certain of the issues were admirably formulated during the war by Professor Hayek in his "Road to Serfdom" (1944), and by the late Professor Laski in his "Reflections on the Revolution of our Time" (1943) and "Faith, Reason and Civilisation" (1944). If one now looks back to Laski's wartime publications, the striking things are, on the one hand, his clear perception that a centrally planned society requires agreement on a system of social priorities, which in its turn implies a system of moral valuations; and, on the other hand, his failure to see that voting at a general election could not possibly settle the question of morals, though it might settle the question of power. Mr Hayek's book emphasised what Laski missed: that large-scale planning could —Mr Hayek says "must"—involve the attempt to impose a moral code on the whole population.

Laski's published writings in the post-war period have been about such topics as trade unionism and reform of the constitution, and we do not yet know what final compromise emerged from the life-long struggle between his Marxist head and his liberal heart. Mr Hayek, however, in the lecture entitled "Individualism: True and False" (1946), maintains that institutions that arise spontaneously must be greatly superior to anything consciously designed by individual men or governments. His main argument is that the knowledge at the disposal of any single man or group is necessarily inferior to the knowledge diffused throughout a free and inquisitive society. Mr Hayek, therefore, advocates "an attitude of humility towards the impersonal and anonymous social processes by which individuals help to create things greater than they know." He quotes Burke with approval, and the kinship of ideas is obvious. Mr Hayek attacks the pride of planners, just as Burke attacked the "sophisters and economists" of the French Revolution who presumed to remake the constitution of their country.

It is, no doubt, a significant fact about the political thought of the past decade that a liberal like Mr Hayek agrees with a traditionalist like Mr T. S. Eliot ("Notes towards the Definition of Culture," 1948) that the conscious planning of a whole society must lead to something monstrous. Perhaps Prometheus is losing some of his popularity, and the unseen forces are regaining some of theirs.

Literary Reformers

The Victorian Temper: A Study in Literary Culture. By Jerome Hamilton Buckley. *Allen and Unwin.* 282 pages. 30*s.*

This book presents the brilliant panorama of Victorian literary England as seen today from Madison, Wisconsin. The author acknowledges the support received in this project by the John Simon Guggenheim Memorial Foundation and the help given him in his researches by the Graduate School of the University of Wisconsin. There are moments when Mr Buckley reminds one of Macaulay's New Zealander sketching the ruins of St Paul's, but his sympathy with his subject, though detached, is eager.

His study shows how the main social, political and moral currents of the Victorian age were influenced by its writers. Carlyle, Dickens and Mrs Gaskell were reformers who gave great stimulus to those liberal and humane movements which ameliorated the cruelties of the Industrial Revolution. By mid-Victorian times the author had become the conscience of the age. Through the period when national wealth, power and pride reached their unexampled peak, the major and minor prophets of literature were crying out against a hundred evils and abuses. The Victorians were never allowed to enjoy the complacent possession of their souls. Mr Buckley describes the waning of the moral and reformist influences of the writer when the theory of art for art's sake became fashionable in the "aesthetic eighties." Wilde and the decadents provide a shoddy antithesis to Dickens and Tennyson, but Mr Buckley handles his contrasts with artistry.

The book is easy to read. But only those who have ever laboured in the vast fields of Victorian literature can appreciate the extent of the author's reading among the minor writers. Everybody knows about W. S. Gilbert of the Savoy Operas, but how many are aware that his father, William Gilbert, a retired naval surgeon, was a writer of grim novels of social protest as long ago as 1858. Mr Buckley abounds in such erudition. His book is one more example of the devoted thoroughness of modern American research in the by-ways as well as the main roads of English literature.

The Gentlemen in Whitehall

How the Civil Service Works. By Bosworth Monck. *Phœnix House.* 258 pages. 25*s.*

Too few people will read this book. It could help to remove much misunderstanding and plain ignorance, for it is a significant and thought-provoking essay, written by a man who has enlarged his experience of the civil service in wartime by careful research and reflection.

The book is ambitious in scope, and discusses not only the working of the civil service but also the background of its work. There are sections on financial procedures, on the "processes of Government"—from the voter at an election to what is done for, and to, the voter—and on the relations between civil servants and the Government of the day. It is right that the work of the civil service should be seen in this full setting. But the result is that the book tends to be too comprehensive for its size. It abounds in acute observations on the chief problems of the central machinery of Government; but the problems are not always clearly identified, or more than slightly discussed.

Mr Monck's criticism, summarily expressed, is that the service is over-departmentalised, fussy about detail, overworked at the top, and underworked lower down; that there is insufficient understanding, down the line, of aims and purposes; and that the Whitehall system may produce good conclusions but not, necessarily, speedy and effective action.

It is a virtue in Mr Monck that his consideration of remedies goes wider than the civil service itself. He suggests that Parliament should itself decide to be less exacting in its demands on the service; and that there should be a realistic review of "the almost fantastic mumbo-jumbo of the state's accounting procedures." Mr Monck would do a service if he would also consider, as a major contributing factor to the creakings of Whitehall, the volume and complexity of the work thrust upon it by the international issues, political and economic, which so greatly influence policy and administration today. On the major question—the general structure of the machine of government—Mr Monck rejects as impractical a functional organisation on the lines of the Haldane report, and would rely on *ad hoc* adjustments and regrouping; but he gives an edge to this opinion by proposing regular and comprehensive reviews by a procedure like that which produced the Beveridge report.

Within the civil service Mr Monck would have no official stay for more than five years in one department. He favours "age zones" for promotion, and premature retirement with proportionate pension (but seems to be unaware of recent legislation which goes some way in that direction). He is concerned about the separation, which he tends to exaggerate, between "policy" and "finance"; and about the desirability of giving the official outside experience. He draws the vital distinction between "thinkers" and "doers," whom he would separate between grades. Is there not something to be said also for an early identification of the types within the administrative class?

But criticism does not alter the fact that this is a worthwhile book which should realise Mr Monck's own ambition—to stimulate further thought and discussion. The public should be grateful for it. So indeed should the civil service, to which Mr Monck is generous in praise. But no doubt some senior servants of the Crown will be surprised to find that they belong to a class "addicted to jokes of a literary rather than a music-hall turn . . . whose principal common failing is a sense of superiority to humanity at large."

Outside Ike

Eisenhower. By John Gunther. *Hamish Hamilton.* 184 pages. 10*s.* 6*d.*

Mr John Gunther, who has explored so many dark continents, never seems to get quite "inside Ike." It is amazing that so friendly a character should remain so featureless under Mr Gunther's shrewd if hurried scrutiny. Part of the trouble is that the General is so admirable, and that Mr Gunther admires him so much, for his ability, his incorruptibility and his sense of duty.

This is not quite a campaign biography, though its timeliness is suspicious and some of its speculations, such as whether the General is a Democrat or a Republican, are out of date. Mr Gunther does not attempt to gloss over the unpopularity of General Eisenhower's absentee presidency of Columbia University, or to pretend that he is an intellectual. He gives a fair hearing to the objections against General Eisenhower as a potential president: his political inexperience; the prejudice against soldiers in politics; the reactionary Republicans he might sweep into power; his own extremely right-wing views on domestic policy. But he quotes approvingly the unnamed liberal who said that General Eisenhower could not turn the clock back on progress and that he was absolutely sound on the two things that matter today, foreign policy and civil liberties.

The book is full of details—many interesting—about General Eisenhower's background, his friends and his staff, culled from the Eisenhower literature and Mr Gunther's own meetings with the General. It casts very little light, however, on his supreme achievement as the most successful chairman of committee the western world has known. If General Eisenhower were able as president to do the same for the warring elements in the United States, it might be an even more notable achievement. Mr Gunther's penetrating sub-title is "The Man and the Symbol." General Eisenhower's strength is that he is a symbol of peace, unity and integrity.

CAMBRIDGE

Flora of the British Isles

CLAPHAM, TUTIN & WARBURG

'Becomes the standard work on the subject and is indispensable to all serious students of botany.' MANCHESTER GUARDIAN.

50*s. net*

Shakespeare Survey 5

EDITED BY ALLARDYCE NICOLL

This fifth annual volume is mainly concerned with the methods and achievements of textual criticism. Christopher Fry contributes some letters on the acting of *Hamlet*, and there is a long review of three recent Old Vic productions. 15*s. net*

The Fortunes of Faust

E. M. BUTLER

A sequel to *Myth of the Magus* and *Ritual Magic* dealing with Faust in literature from 1587 to Thomas Mann. 30*s. net*

Mathematics at the Fireside

G. L. S. SHACKLE

A new experiment in the presentation of mathematical ideas to children, for children and their parents and teachers. 16*s. net*

Ricardo (V)

EDITED BY P. SRAFFA

Ricardo's speeches in Parliament and elsewhere and his evidence to Parliamentary Committees. 24*s. net*

CAMBRIDGE UNIVERSITY PRESS

2nd Impression now Ready

The Life of John Maynard Keynes

R. F. HARROD

"Mr. Harrod has produced a great document in the history of twentieth-century Britain; at once a study on the history of ideas, a survey of the development of economics and a portrait of the outstanding intellectual of the age."—*Times Literary Supplement*. "It is reliable, instructive, vivid, and a pleasure to read. It is a due memorial to a man whom Mr. Harrod, without overstatement, describes as 'one of the greatest Englishmen of his age.'"—*Observer*.
Illustrated. 25*s*.

★

Hugh Walpole

A Biography by
RUPERT HART-DAVIS

"A vivid and undemonstratively skilful portrait." — *The Times*. "An immensely full and balanced account." — *Sunday Times*. "A delightful book."—*The Observer*. *Illustrated.* 25*s*.

★

Studies in British Financial Policy 1914-25

E. VICTOR MORGAN

"The fact that he has included in his work a wealth of facts and figures has not stopped him producing a book that is very readable."—*Financial Times*. 28*s*.

The Rate of Interest and Other Essays

JOAN ROBINSON

The Rate of Interest; Notes on the Economies of Technical Progress; The Generalization of the General Theory. Each of these essays is more or less self-contained, but they are all closely related to the extension of Keynes's General Theory of Employment. 10*s*. 6*d*.

Macmillan

Moderation in Power

The Problem of Power. By Lord Radcliffe. *Secker and Warburg.* 110 pages. 8*s*. 6*d*.

Rejecting the British "legend" that power is necessarily evil, Lord Radcliffe prefers to ask what prevents men who have authority from abusing it. With this question in mind, he examines some aspects of the theory and practice of philosophers and statesmen to see what light they throw on present problems. The result is seven stimulating lectures, broadcast as the Reith Memorial Lectures in 1951 and now printed.

Lord Radcliffe considers the scheme set forth in Plato's "Republic" for granting to a carefully selected and educated ruling class complete and unrestricted power—a conception which would, by contrast, have been something of an impiety to the medieval mind with its strong belief in political authority as circumscribed by custom and by a universal moral order. Locke's doctrines of the social contract and natural rights are criticised as an unreal basis for the modern state, and the classical Whig theory, devised to resist the Crown, turns out to be little more than "Parliamentary absolutism tempered by revolution." Turning to more concrete examples, Lord Radcliffe presents the American constitution as a successful experiment in the limitation of power; this case is balanced by a finely drawn study of the administrators of British India in the early nineteenth century, who exercised unfettered authority but did so with great restraint and a strong sense of duty. Finally, after examining the ethical status of majority decision as treated in the works of Rousseau, Bentham, Bagehot and John Stuart Mill, he concludes that there would not appear to be only one possible attitude towards power. Power is not a thing in itself; we are confronted, rather, with the conduct of men in authority, and attitudes towards that authority change with the social conditions surrounding it.

In the lectures devoted to Platonic and medieval thought, a fuller account of their bearing on contemporary society would have been justified; a juryman considering the evidence of a professional psychiatrist, for example, or a parliamentary voter that of a professional economist, cannot escape the problem of what respect is to be paid to knowledge and what is the price of that respect. And the theories of Locke—more nearly exemplified in American than in British government—are discounted unduly. But in general Lord Radcliffe does excellent justice, in the restricted space at his disposal, to his selected themes. He offers no final answer to the contemporary problem of power. At times he is inclined to rely upon the British character as singularly fitted to exercise authority; at other times, he questions whether we can always count on its moderation and tolerance or whether they were just "the hall-mark of a particular class" and of special economic conditions. The historical studies he presents point different ways. But his lucid analysis will be an important aid to understanding of the problem.

Soul and Soil

Community Farm. By John Middleton Murry. *Peter Nevill.* 255 pages. 16*s*.

Mr John Middleton Murry is the latest of our intellectuals to experience a mystic affinity with the soil, and to find balm for his soul in a return to the land. The opportunity to own a farm, a goal to which he had long aspired, was thrust upon him by wartime circumstances. Mr Murry was then both a pacifist and a socialist, and he was inspired with the ideal to create on the land a model community which would transcend the traditional "capitalist" relationship between master and man. He bought a derelict farm in the eastern counties and settled on it a group of pacifists with whom he was connected.

It is not the first time that this particular ideal has been cherished, nor the first that it has met with disillusionment. Much of the book tells of the disputes and difficulties which occurred when the ideas of "community" held by Mr Murry and his fellow pacifists quickly diverged. The author was understandably incensed by the unbusinesslike methods of some of the "communiteers," as well as by the procession of eccentrics who arrived on the scene.

Community farm, in its original form, quickly collapsed. Many of the pacifists were there for ephemeral reasons, and soon departed (or were ejected); while Mr Murry himself clearly lacks the monumental patience, the Tolstoyan self-abnegation, which is necessary for the uncompromising pursuit of this brand of ideal. By the end, Mr Murry is heartily sick of the woollier versions of "community." His farm prospered eventually, but by methods that are not distinguishable from those of an enlightened capitalist. A parallel evolution seems to have taken place in the author's ideas.

The latter part of the book contains an amusing account of village feuds and the operations of the parish council together with some interesting reflections on the ills of modern society. The author believes that "an urbanised machine-civilisation tends to dissolve away the stuff of experience out of which religion is made," and that a wholesome awe before nature has been an essential ingredient of traditional religions and moral attitudes. He views "service to the land" as being an "unconditional good," even a religion. It is at least certain that there are today many who feel likewise.

This is not really a book about farming as such, on which the author has little of interest to say. It is primarily a personal document. Mr Murry chews over his views on life, the soil, and human relations, in a suitably bucolic way, so that the reader is taken through the whole process of thought formation. It is sometimes irritating to find the author's opinion of some person or subject (especially persons) shifting from page to page, but the book does not lose in readability thereby. This is an interesting book for what it tells us, not about the soil, but about Mr Murry.

Quest for an Ideal

The Wisdom of the Sands. By Antoine de Saint-Exupéry. *Hollis and Carter.* 350 pages. 21*s*.

Saint-Exupéry wished that this book should be published posthumously, since it is the crystallisation of his experience into a credo and was continually growing until death ended it. It is a pity that Stuart Gilbert was not able, in his excellent translation, to use the author's own title, "*Citadelle*," which is appropriate to the consideration of an ideal state. The word "wisdom" is a challenge which arouses wary resistance against the pompous, the facile or the banal. We are soon conquered, however, and under the spell of poetic cadence, vivid imagery and shrewd insight, suspicion is disarmed into fascination and we willingly co-operate in the quest for a civilisation "built on what is required of men, not that which is provided for them."

The author was in love with austerity—with the need for men to "barter themselves for that which is more precious than themselves"—and he sets his citadel against the continual unseen menace of the desert, in the conviction that no just form or proportion is possible without an enemy to shape it, as the force of the wind conditions the wing of a bird or the buffeting of the sea the prow of a ship. In the meditations of his Prince his own philosophy is declared.

His Utopia is not a mirror of perfection but a reflection of the human struggle. The Prince's concern is for the inherent possibilities of the individual: "He who instils the sense of human greatness into his people is tempering an instrument which will serve him in tomorrow's need." His faith is in the continuity of growth which is nourished by endeavour and the rare understanding that comes from shared tasks and dangers—"the fertile collaboration of one man with another." He dreads the decay that is bred by the inertia of achievement—the decrepitude of routine. "Civilisation does not rest on the using of its inventions but solely on the fervour that goes to the making of them." He is not interested in the freedom, happiness or success of his people but in the quality of the individual who experiences these benefits. Equality disgusts him; true charity is co-operation and only to be found in a hierarchy in which the diversity of sundry things is closely bound instead of being effaced for the sake of a sterile symmetry. Nothing must be free of effort; a poem is a challenge to the reader to scale the heights; the view from the mountain-top enchants because it is the meed of the climber's weariness, built up by his struggle.

The book is astringent without hardness, compassionate without mawkishness, authoritative without arrogance. It was written in love and sincerity and a deep anxiety to reach the hearts of men in their modern dilemma, and whether one reads it as the romance and adventure of a desert empire or for its deeper intention it would be difficult to do so without benefit.

★ *100,000 copies sold of British edition*

The Struggle for Europe

by CHESTER WILMOT. **"There can be no doubt** that this is an important book, written with detachment and fairness. Anyone who wishes to understand the world of to-day ought to read this book . . . an almost classic example of how a war can be not merely described but explained."—ECONOMIST. This book is now repeating its sensational success in America. *25s.*

★ *His first cricket book for 15 years*

Neville Cardus

CRICKET ALL THE YEAR, in which the author portrays the great personalities of the game in a series of brilliant and subtle studies. Not only does he tell of the grounds on which they played, but also of the counties they have played for and the teams they have played with. A contribution to the higher criticism of cricket in the best Cardus manner.

23 *illustrations.* *15s.*

★ *First biography of*

Tedder

by RODERIC OWEN. The biography of one of the least well-known of all the war figures—the man who fought for and preserved the independence of the air arm, and in whose hands it triumphed.

"A very fine performance. The most difficult book to write . . . the most successfully accomplished."—DAILY TELEGRAPH

"His personality and firmness of purpose left an indelible mark on the history of the war."—DAILY MAIL *18s.*

★ *For your leisure reading*

Norman Collins

THE BAT THAT FLITS. **"A top thriller."**—ERNEST DUDLEY, *The Armchair Detective.*

His first detective novel and the Crime Club's May Choice. *10s. 6d.*

Peter Cheyney

VELVET JOHNNIE. **The last chance** to read a *new* book in the inimitable Cheyney manner.

9s. 6d.

COLLINS

SIR CHARLES
Darwin
The Next Million Years

"What will be the fate of the human race a million years from now? Here a distinguished natural scientist, the grandson of his famous namesake, attempts a prediction. It makes an absorbing, if depressing, story."
MANCHESTER EVG. NEWS

"His speculations are fascinating." DAILY GRAPHIC

"His conclusion is not merely unexpected. It is startling."
NEW STATESMAN

"A book remarkable in its intellectual power."
JOHN O'LONDON'S
15/-

ELIZABETH
Bentley
Out of Bondage

"The facts are well marshalled, and the implications of Soviet infiltration in America are alarming."
SPHERE
12/6

COMING MAY 26
Harpoon
AT A VENTURE
by Gavin Maxwell
THE FIRST BOOK EVER TO BE CHOSEN AS THE BOOK OF THE MONTH BY ALL THESE NEWSPAPERS:
Evening Standard
Daily Mail
Daily Graphic
Shark hunting off the West of Scotland. *Illustrated* 21/-.

HART-DAVIS
SOHO SQUARE LONDON

Women at Work

Women's Life and Labour. By Dr F. Zweig. *Gollancz.* 190 pages. 13s. 6d.

Any community aspiring, as a modern industrial nation must, to exert collective control over its own economic destinies, is confronted by a certain danger having both practical and spiritual aspects. The first essential of collective control is collective knowledge; knowledge not only, or even mainly, about things and institutions but about people and their past, present and possible future behaviour. The law of large numbers, giving confidence to actuaries and statisticians, bestows on the numerical aggregates which are the planners' or politicians' essential raw material a fallacious appearance of sufficiency. The statistically insignificant becomes the absolutely insignificant; what is incapable of being reduced to statistical terms at all appears a mere unwelcome disturbing factor.

Here is, surely, the justification of the kind of social research in which Dr Zweig has made his name. It is not, perhaps, "scientific." This small scale, highly personal, inquiry, among a few hundred working women and non-employed working class wives, is akin rather to the reporter's work than to the sociologist's or economist's. It is concerned, overwhelmingly, with intangibles; what is the working woman's attitude to her work, to its rewards, to her workmates and superiors, to the unions? How does her status as a worker affect her home life as wife and mother, her leisure, her psychology in general? Absenteeism, incentives, supervision, are considered by Dr Zweig from their psychological aspect; and one of the most interesting and valuable elements in his book is its perceptive discrimination not merely between men and women workers but between women workers themselves according to their different situations—between the young girl fresh from school and the older girl looking forward to marriage; the childless wife, the woman with a normal family, and the deserted or widowed mother; the spinster of forty or sixty; the worker by choice and the worker by necessity. His conclusions throughout are put forward with due consciousness of possible error. Yes, the sample is small; yes, it may be biased; yes, in this realm of intangibles one cannot be certain of having in every case got at the truth—does the invariable assertion of the working mothers, for instance, that their children are on balance the gainers from their work, reflect real conviction or an uneasy rationalisation?

Correspondingly, Dr Zweig's conclusions are hedged about with reservations. "Most women like their jobs in industry . . . to a much greater extent than men do"—but industry gives them a raw deal, the most urgent need for reform being in the direction less of equal pay than of shorter hours. ("Absenteeism," he acutely remarks, "is frequently the only answer of a married woman to the unsuccessful quest for a part time job.") Home, he concludes, is apt to give them a raw deal too, though here he pleads rather for further investigation—"the whole labyrinth of housekeeping money needs careful study and reviewing." And both at home and in industry, he feels, women are apt to undervalue themselves, and to get taken at their own unduly low valuation. "Women's Life and Labour" is both an absorbing "human document" and a valuable piece of documentation—the two are not necessarily the same thing. No doubt the impressions it conveys need to be set against the wider background provided by orthodox statistical research; but, equally certainly, orthodox statistical research needs to be corrected and enriched by such works as this.

Gangster Background

Murder Inc. By B. B. Turkus and S. Feder. *Victor Gollancz.* 350 pages. 16s.

This book is an account of the prosecution by Mr Turkus, then an assistant District Attorney in Brooklyn, New York, of a number of gang leaders in 1940. Mr Turkus has been assisted by a journalist, Mr Feder, who is responsible, no doubt, for the lurid style. Readers who can put up with this will find here a more coherent and detailed account of gangster activities on a large scale than that presented by Senator Kefauver and his Senate Investigation Committee. There is nothing quite so chilling in the Senator's pages, for instance, as the description here of how to tie a man "like a little ball." Specialists in crime fiction should find the book a mine of information and of gangster jargon.

The close-knit organisation of crime into a "cartel," the authors believe, began in 1934. It was then that the gangs abandoned their anarchy and formed crude caricatures of business and political organisations with boards of directors, courts of a kind, and the use of assassination as a way of building up good will. In this strange world, the denizens are not above talking of the merits of "majority rule" and exalting their peculiar vision of "the democratic way." By federating, and also by cultivating, political connections the crime networks have usually been able to escape effective prosecution in the courts in spite of the recurrent public outcry against them.

The book provides an extensive background for Senator Kefauver's revelations; the authors insist, rather disquietingly, that the Senators were merely tracing the later activities of national crime organisations that had long been established. Mr Turkus and Mr Feder feel that the remedy lies, not so much in the "moral crusade" advocated by the Kefauver Committee, as in closer co-operation among law enforcement bodies and less headline-hunting. They urge the Senate to give up "investigating abuses long since exposed" and occupy itself with finding ways to keep people who are likely to "do business" with criminals out of official life.

Just Published

Antoine de Saint-Exupéry
THE WISDOM OF THE SANDS
"A subtle, fascinating and wise writer . . . It is profound, beautiful and intensely exciting . . . of great and lasting significance . . . . an astonishing achievement."—EVENING NEWS. 21s.

Salvador de Madariaga
PORTRAIT OF EUROPE
"Extraordinarily stimulating . . . Has a wit that . . flickers, sometimes like the forked tongue of a snake or the flame of a Spanish fire, over whatever he touches."— 18s.
DAILY TELEGRAPH

To be published shortly

ACTON'S Political Philosophy
by G. E. FASNACHT
Sir Harold Butler, in his Preface, calls this book *"a timely and valuable contribution to the thinking of all lovers of liberty in this time of doubt and transition."* 21s.

Recent books

Russia Absent and Present
WLADIMIR WEIDLE
"The close student of . . . Russian history and literature will find much intellectual stimulus in this volume, which is by way of being an anatomy of Russia's cultural tradition."—THE TIMES. 15s.

Historical Aspects of Organic Evolution
PHILIP G. FOTHERGILL
A new and invaluable approach to one of the most influential of scientific ideas. With a Foreword by **Professor J. Heslop-Harrison, F.R.S.** 35s.

HOLLIS & CARTER

Tee and Green

A History of Golf in Britain. By Bernard Darwin, H. Gardiner-Hill, Sir Guy Campbell, Henry Cotton, Henry Longhurst, Leonard Crawley, Enid Wilson and Lord Brabazon of Tara. *Cassell.* 312 pages. 42s.

Every golfer, tiger or rabbit, will love this book. History indeed it is, and much amiable scholarship has been devoted to it. But it is so beautifully written and illustrated, so full of enthusiasm without a moment's boredom, and so handsomely produced that it will be the British golfer's companion. Good golf and good writing are often found together; here are eight virtuosos of the double art, as dextrous on paper as they ever were on the greens.

The captain of the Royal and Ancient in 1950-51, Sir George Cunningham, records in a graceful foreword his opinion that this book will be a classic in the literature of golf. Mr Bernard Darwin, doyen of golfing writers, raises the curtain with an essay of great charm and distilled experience "Then and Now." "Then" was the middle 'eighties when at the age of eight he had just begun to play golf; "now" is for him the middle 'seventies, not able to get easily about but with a pen as nimble as ever. Mr Gardiner-Hill contributes a study of the development of the rules of the game. The wells of golf law were first struck, not at St. Andrews, where in 1754 twenty-two noblemen and gentlemen met "to draft certain Articles and Laws in playing the Golf," but at Leith ten years earlier. The regulations of 1744 are the foundations of the rules today, and law that commands respect and obedience two centuries later must evidently be sound.

On the broad shoulders of Sir Guy Campbell has fallen the main weight of the historical chapters—the early history of the game, and the development of implements and courses. It may be possible to trace the origins of the game to Roman times; it is certain that by the middle of the fifteenth century the game was interfering so much with the poor Scottish infantry that James II ordered "Fute-ball and Golfe [to] be utterly cryed downe, and not to be used." From that time, in reference and illustration, evidence about the game abounds. A dozen and a half golf balls cost £Scots4 7s. in 1672; any economist knows that the £Scots was worth 1s. 8d. sterling before 1707, or if he does not, Sir Guy will tell him.

He also records the grant in 1618 by King James VI and I of a monopoly for making and purveying golf balls. Here the economist may feel on more familiar ground; he will note a little wryly that the recipients of the grant undertook to make better and cheaper balls "provyding that the saidis patentaris exceed not the pryce of four schillingis money of this realme for everie ane of the saidis golfe ballis." Four shillings for a golf ball has a familiar sound; it is remarkable how many makers today have hit upon that price for their best

The Second Impression of the Second Edition of
Economics
An Introductory Analysis
by PAUL A. SAMUELSON
Now Published in London
766 pages *9 x 6* *39/-*

"In three years it has deservedly gained a unique position in its field. Indeed, . . . it is becoming as dominant an influence on a generation of students as Marshall's 'Principles' once was." *—The Economist*

"We would be well advised to use the new edition of this book in our classes. It is incomparably the best and most up-to-date introduction available." *—Tutors' Bulletin*

"Utility, aesthetic and strength are perfectly combined."
—The Statist

"The emphasis has been shifted throughout . . . from mass unemployment to the problems of inflation . . . An eminently readable book, imbued with the . . . enthusiasm of its author."
—Economica

McGRAW-HILL PUBLISHING CO. LTD.
Aldwych House, London, W.C.2

POLICE NATIONALE — Service de Documentation Générale et de Renseignements
THE WHITE RABBIT
by
BRUCE MARSHALL
The true story of Wing Commander F. Yeo-Thomas, G.C., M.C., — the *White Rabbit*—who organised French Resistance and survived the horrors of Buchenwald. "One of the most terrible stories a man has lived to tell."
Recommended by the Book Society. Illustrated 16/- *net from all Booksellers.*
EVANS

J. L. Talmon

THE ORIGINS OF TOTALITARIAN DEMOCRACY

"This is a fascinating study, brilliantly executed and with a wealth of learning which is never allowed to weigh too heavily on the theme" . . . *The Listener*. "A book of unusual importance" . . . *The Economist*. 27s. 6d.

Lord Radcliffe

THE PROBLEM OF POWER

(The Reith Lectures of 1951)

"Learned, lucid, graceful and provoking, these lectures are in the great tradition of public discourse" . . . *News Chronicle*. 8s. 6d.

George F. Kennan

AMERICAN DIPLOMACY

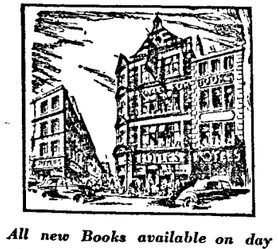
"Wise and highly important" . . . *The Times*. 12s. 6d.

SECKER & WARBURG

THE WORLD'S GREATEST BOOKSHOP

FOYLES

FOR BOOKS



All new Books available on day of publication. Secondhand and rare Books on every subject. Over 3 million volumes.

Subscriptions taken for British and overseas magazines and we have a first-class Postal Library.

We BUY Books, Stamps, Coins

119-125 CHARING CROSS ROAD LONDON WC2

Gerrard 5660 (16 lines)

Open 9-6 (inc. Sats.)

balls. Can there still be traces of monopoly in the golf ball industry?

The game of golf gets no easier and no cheaper. Perhaps the nearest approach to economic dissertation in this admirable compendium comes at the end of Lord Brabazon's lively speculations on the future of golf. He admits that costs are high and increasing, and suggests ways of reducing them; but he ends on an optimistic note, chronicling the virtues of the game. To which all golfers, good or bad, will agree—and particularly those whose friends are so discerning as to buy them this history of a fascinating and infuriating game.

Meditation on Society

In an Age of Revolution. By Cyril Garbett, Archbishop of York. *Hodder and Stoughton*. 318 pages. 20s.

There is a portrait of Bishop Westcott sitting in a black gown against a black background, a portrait from which the observer receives little of the person except a sense of dark brooding. This is how the Archbishop of York's new book affects the reader.

He seeks to analyse the social changes during his own lifetime, the alternatives to religion now offered, the medicine prescribed by the Church. Not pretending to specialised knowledge, this wise and experienced Christian leader publishes a meditation upon society. Part I describes the main technical and educational changes during the last half century, the effects upon faith and the altered standards of morality. Part II criticises the substitutes for Christianity —humanism, capitalism, the state, communism. And Part III, entitled "The Answer of the Church," discusses the new methods which the Church should adopt if it is to bring its Gospel to an industrial and careless society.

The backcloth is dark. If Dr Garbett has a failing, it is the selection of the most extreme illustration that he can find. It may be true that Belsen and Buchenwald are connected with the decline of faith, but this is an argument which should be used sparingly; it is hardly fair to choose Judge Lindsay's plea for the "Companionate Marriage" of young people as an illustration of the change in a social attitude towards divorce; the judgments formed from a mass observation poll are not usually regarded as an accurate criterion of the social influence of religion. Chapter III is entitled "Moral Chaos"—a phrase redolent rather of prophetic exhortation than of accurate diagnosis. Perhaps the intention was to illumine the Christian white with a nimbus of non-Christian black; but the nimbus has cast its shadow across what was intended to be light.

Yet his comments are always worth reading. He has travelled far and read widely, (astonishingly widely for so busy a person), has talked with everyone from Stalin to dockers, and is still learning and thinking at a time of life when many men have become fossilised. Gaiters have never buttoned his spirit nor hampered his outspokenness.

Pageant of Arabia

Arabian Jubilee. By H. St. John Philby. *Robert Hale*. 280 pages. 30s.

Mr Philby, whose supremacy as an authority on Arabia is unchallenged, commemorates in this book the lunar jubilee of King Ibn Saud. In a preface he asks the reader to consider his book rather as a pageant of his hero's achievements than an historical record of his life and reign. This disclaimer is timely as the earlier chapters of "Arabian Jubilee," leading up to Ibn Saud's final conquest of the Hedjaz, present chronologically a somewhat confused sequence of events.

Partisanship and indiscretion may be faults in historians and statesmen, but they lend much attraction to this book and it is refreshing for readers accustomed to Hashimite history to read the story as presented by a champion of the other side. The author in his account of the political and military exploits of Ibn Saud is sincere and for the most part uncritical as befits an encomiast. In any case the outstanding courage, energy and rightmindedness of the King make him a character whom one can praise without misgiving.

The chapters on the Court at Riadh, Taif and Mecca are full of interest and entertainment and we are indeed fortunate in having an Englishman to draw from experience and not from hearsay a picture of the life behind a hitherto impenetrable curtain.

The humour, good humour and humanity of this masterful, uxorious autocrat are sympathetically depicted by the King's good friend and counsellor. One cannot, however, read Mr Philby's description of his patron's hunting expeditions without distaste. The destruction of whole herds of gazelle and oryx by the royal "sportsman" armed with "magazine shotguns"—whatever such weapons may be —and driven across the desert at top speed in a high-powered car can only be considered sporting because the car might have skidded and turned over at any moment. Otherwise it is comparable with the inglorious murder at close range of the ibex in a desert sanctuary in another land not so many years ago. Mr Philby's passion for metaphors drawn from cricket, football, golf and rowing, with which his pages are larded, may indicate a lack of understanding of huntin' and fishin' that would account for his tolerance of the King's methods in the hunting field.

One would gladly have read a fuller account of the exploitation of Arabian oilfields which have altered the whole economic and probably also the moral aspect of Saudi Arabia. Many readers of "Arabian Jubilee" would have been glad to know exactly where the oilfields are situated. The tiny map facing page 1 does little to satisfy the reader's curiosity on this and many other matters.

A curious chapter is devoted to the Palestine problem. Mr Philby, who is careful to say that, in his view, the Jews have no standing whatever in Palestine, describes a plan conceived by himself in 1939 for handing over the whole of Palestine to the Zionists in return for

AMERICAN FOREIGN POLICY

HANS J. MORGENTHAU

"A very distinguished work, done with great power and insight and elegance." WALTER LIPPMANN.

"A profound and stimulating book." *The Times*. 18s.

SOCIAL PROVISION IN RURAL WILTSHIRE

H. E. BRACEY

With a Foreword by Professor S. W. WOOLDRIDGE

Dr. Bracey is a member of the Reconstruction Research Group of Bristol University. His book is a study of the professional, social and commercial services provided in a typical English county. It sheds new light on the social, economic and administrative problems of rural communities. With numerous maps and diagrams. 21s.

A HISTORY OF IRELAND UNDER THE UNION 1801-1922

P. S. O'HEGARTY

An account of political events in Ireland during the period, with an epilogue carrying the narrative down to the acceptance in 1927 by de Valera of the Anglo-Irish Treaty. The author played an active part in the achievement of Irish Independence. "A noteworthy work. Written on occasions with superb skill, it contains many of the attractions which academic scholarship so often lacks." *Sunday Independent*. 50s.

IRISH NATIONALISM AND BRITISH DEMOCRACY

E. STRAUSS

"Mr. Strauss is to be congratulated upon entering so boldly the virtually unchartered seas of Irish economic history. . . . The approach is a valuable one and has been ably handled." *Manchester Guardian*. 21s.

THE BRITISH TARIFF SYSTEM

E. B. McGUIRE

A description of the United Kingdom collecting machinery, with an historical account of the tariff since 1914 and its political objects. 2nd edition, revised and enlarged. 21s.

METHUEN

a payment of £20 million to King Ibn Saud with various conditions attached, including the settlement in Arab countries of the displaced Arabs. This plan, the author declares, was approved in principle by Mr Churchill, Mr Roosevelt and Dr Weizmann and was communicated unofficially by Mr Philby to the King, who waited in vain for official proposals. So nothing came of it. As it is described by Mr Philby, nothing was likely to come of it.

Descriptions of administrative problems in Arabia and of the effect of newly discovered mineral riches on the morale of the Government and the formerly austere inhabitants make good but gloomy reading, and the book ends with the cheering statement that the venerable monarch considers the world quite ripe for the Day of Judgment.

Prototype of A Few

The White Rabbit. The Story of Wing Commander F. F. E. Yeo-Thomas, GC, MC. By Bruce Marshall. *Evans*. 262 pages. 16s.

Le petit lapin est rentré au clapier. Thus the BBC French service advised his colleagues of the Resistance that Wing Commander Yeo-Thomas, alias Shelley, had safely returned from an investigation into their activities. His friend, Bruce Marshall, pieces together the story, from the fall of Paris—when *Monsieur Thomas*, a veteran of 1914-18, was manager of the Molyneux dress salon, struggling to re-enlist in the air force for which he was over age—through the maddening delays and misemployment of his special aptitudes of knowledge of France and perfect command of the language, to his acceptance at last in February, 1943, into a special mission to investigate the potentiality of resistance groups in the *Zone Occupée* and to finance and co-ordinate their activities in order to weld them into a secret army for D Day.

The next section reads almost like a blue book of resistance groups in all their manifestations—political, masonic, journalistic, intellectual, civil, military and communist. It is an ungarnished account of the training of special agents; the endless and complicated precautions against discovery; the disagreements about procedure and jealousies over promotion; the sickening danger of careless or treacherous colleagues; the difficulties of financing the able-bodied men who evaded conscription into the German compulsory labour service and later became the Maquis; the constant pleading for essential supplies from unenthusiastic government departments; and the final Churchillian gesture which gave Yeo-Thomas the equipment he needed.

Almost immediately after this triumph he was captured by the Gestapo, imprisoned, tortured and sent to Buchenwald. The detailed account of brutal interrogations and savage punishments makes survival a miracle and endurance unbelievable—yet Yeo-Thomas didn't tell and he did escape. The reaction of an average, uncourageous, dentist-dodging, peacetime citizen on reading

MACGIBBON & KEE — NEW & RECENT BOOKS

Ordeal by Slander

by OWEN LATTIMORE

Prof. Lattimore was named "top Soviet spy in U.S.A." How he rebutted the charge in the face of a "tide of fear that was sweeping Washington." 13s. 6d.

NEW WRITER

Mr. Nicholas

by THOMAS HINDE

Family life pin-pointed by a young novelist in all its mutual discomfort, wry humour and affection, in the face of total misunderstanding. 12s. 6d.

Leslie Stephen

by NOEL ANNAN

"I doubt whether any living educationist or critic possesses comparable knowledge of the threads that went to compose the 19th century tapestry. . . . A delight to read."—HAROLD NICOLSON (*Observer*). 25s.

For a copy of our list send p.c. to

MACGIBBON & KEE

87 Gower St., London, W.C.1

A Service for U.S. Clients

A deposit account with us enables U.S. book-purchasers to save time and money by buying direct from Britain. Books published in Britain, if in print, can be sent by return of post. A deposit of $25 paid into our account with the *Chase National Bank*, New York City 15, allows you to take advantage of this quick, trouble-free service.

The Economists' Bookshop

11-12 Clements Inn Passage, Aldwych, London, W.C.2.

Just out!

PHILIP INMAN

(LORD INMAN OF KNARESBOROUGH)

writes his autobiography

NO GOING BACK

"A brave, honest book written with fine sincerity. I have been deeply moved by this record of a remarkable life."

SIR PHILIP GIBBS

"He writes with such engaging simplicity and frankness about the many high offices he has held."

DAPHNE DU MAURIER

Illustrated 12*s.* 6*d.*

WILLIAMS & NORGATE

36 Gt. Russell Street, W.C.1

The Way of the Free

STEFAN OSUSKY

A former Czecho-Slovak ambassador sums up the place of America in the world today. 25*s.*

How to Make More Money with Your Direct Mail

EDWARD N. MAYER JR.

The most complete survey, fully illustrated, by America's leading expert. 40*s.*

Advertising and the Law

F. P. BISHOP M.P.

A 'classic' revised and edited by P. N. S. FARRELL and a 'must' for all concerned with advertising. 18*s.*

Blue Guide to Sweden

Edited by L. Russell Muirhead

With 57 Maps and Plans. 25*s.*

Coming: Henry Hazlitt's **great novel** Time Will Run Back.

Ernest BENN Limited

154 Fleet Street London E.C.4

this book is one of homage to a fortitude so vast as to be unimaginable. How could a man endure so much for so long? What can he think of ordinary people who moan about the weather, the queues and the rations? Back in his manager's office *chez Molyneux* does he sometimes wonder if we were worth it? Or is he only thankful that he kept himself his own man, and that through the medium of Bruce Marshall he can offer himself to us as a prototype of others who suffered and died unsung?

Man and Novelist

Hugh Walpole. By Rupert Hart-Davis. *Macmillan.* 503 pages. 25*s.*

No one should be put off this biography because he has not read any of Hugh Walpole's books or because he dislikes what he has read or because he disliked or is uninterested in the man himself. For the book teems with the literary personages of a whole generation. Here is the ageing Henry James writing to Walpole long letters in long involved sentences which even his adoring protégé confessed were sometimes a little difficult to understand. Here is Arnold Bennett whose unrestricted admiration for his novels Walpole could never obtain. He would write hurt, defensive letters to Bennett and get back aloof bantering, though friendly, replies. Writing to reviewers was one of Walpole's weaknesses. But the reader of this biography will thank him for it, because it often provoked such memorable answers: a scathing retort from Rebecca West on one occasion; on another an analytical description by Katherine Mansfield of the "mysterious" and "miraculous" creative act in writing a book.

Other writers who reveal themselves and are revealed in these pages include "Elizabeth" of the German Garden, Hardy, Kipling, Galsworthy, Conrad, and Virginia Woolf—an admirer of Walpole's novels who became one of his most loved friends and whose infinite superiority as a writer he was always acknowledging. He was jealous of his place in English literature and sensitive to a fault when he thought he was unjustly criticised. But he was conscious of his limitations and always ready to help younger writers with money, encouragement and advice.

Few subjects of a biography can have been so well documented as Walpole. Besides all the correspondence to him and from him, there are his diary and a more elaborate, self-conscious, journal in which from time to time he attempted some introspection into his own character. Mr Hart-Davis makes ample use of all the documents. But what distinguishes his biography is its uncommon restraint. He does not attempt a balance sheet of Walpole's character; nor does he attempt a psychological study in the modern manner, although the publishers' claim that the material provides a perfect case history is justified. He sets down with admirable objectivity Walpole's faults and virtues and leaves the reader, if he wants to, to form his own judgment.

The Irish Capital Grows Up

Dublin 1660-1860. By Maurice Craig. *Cresset Press.* 362 pages. 42*s.*

Cities have lives of their own and form the proper subject of biography. Mr Craig, in this beautifully produced and richly illustrated volume, has told the life of Dublin through two centuries. The period he covers includes the great Georgian years, which have attracted the attention of many earlier writers. But he covers also the less known periods that preceded and followed the classical era of Dublin architecture. His chapters on the nineteenth century are particularly valuable. In spite of the degradation suffered by Dublin as the result of the Union, considerable building activity continued. The place occupied in the eighteenth century by private mansions and public buildings was taken by churches, institutions and railway stations. But the inspiration of the Georgian century survived, and the tradition of beauty and grandeur still flourished.

Mr Craig traces, with a rich knowledge and deep love of his subject, the gradual evolution of Dublin from the small community which huddled round Christ Church in the seventeenth century. The city grew in an eastward direction. Two enlightened schemes of private development, north and south of the Liffey, were integrated by the far-sighted activities of the Wide Streets Commissioners. After the Union the suburbs continued to extend east. Throughout the Regency period, architectural fashions were absorbed in the local tradition. Strange exotic intrusions were made by John Hungerford Pullen, who built University Church, and Woodward and Deane, who built Kildare Street Club. Broadstone Railway Station, "the last Dublin building to partake of the sublime," was erected in 1861. In the following decade the great Georgian tradition "ran out in the sands."

Although Mr Craig's main interest is in architecture, his book throws light on many other aspects of Dublin history. He traces the relation between the buildings of the city and the lives of its inhabitants. The struggle for supremacy between Catholics and Protestants, the decay of the aristocracy after the Union, the social habits of the professional and commercial classes, all receive attention. The growth and decline of many intellectual, literary and artistic movements of the period are shown against the background of political, economic and social change. But the emphasis is on the city rather than on its people. The author is concerned with individuals "only so far as each one has given something—it may be a building, it may be a legend, or it may be only a bad example—to Dublin or to Ireland." Judged by this test, Mr Craig is entitled to be included among the city worthies.

The Long View

The Story of Language. By Mario Pei. *Allen and Unwin.* 493 pages 25*s.* net.

In this age of specialism run mad, it is good to find a book that takes, historically, the long view and, linguistically, the broad view. It is perhaps relevant to be indirectly reminded that no philologist can write a thoroughly dependable book on a small subject unless he has a sound general knowledge of the big one. Language forms by far the most important means both of expression, whether to others or to oneself, and of communication; and, on the literary plane, of conveying beauty and affording delight, a delight resulting not only from aesthetic appreciation but also from intellectual pleasure in masterly persuasion, lucid exposition, unmistakable description, unencumbered narrative.

Without some such attitude towards language, a philologist tends to write, if not in a vacuum, then at least from a bookish tower; and without some such understanding of what is involved, the general reader will fail to do justice to "The Story of Language," unless he happened to have read the late Otto Jespersen, that learned Dane's "Language: Its Nature, Development and Origin," first published about a generation ago and still extremely readable and helpful.

Mario Pei, Italian by birth and American by nationality, professes in the Romance Languages department of the Columbia University of the City of New York. He has written several impressively erudite books on Old French and Medieval and Modern Italian; a few years ago he published "The World's Chief Languages," comprehensive, very well arranged, convincingly illustrative; and he has, one understands, completed a work to be called "The Story of English." Like Jespersen, he writes a clear, leisurely English, well suited to his matter.

In "The Story of Language" Professor Pei covers more ground than was covered by Jespersen's Language work, and he shows an even more alert awareness of the best way in which to overcome the difficulties of the general intelligent public. (Not that scholars can afford to ignore his book.) He is a master of the truly apposite example, illuminating and precisioning whatever theory or "law" or tendency he is, at any moment, expounding or relating. His book falls into the following parts: The History of Language; The Constituent Elements of Language; The Social Functions of Language; The Modern Spoken Tongues; Problems of Language Learning; and An International Language. Each of these parts contains a number of brief yet adequate chapters. We have, for instance, not merely the inevitable Language and Literature but also the important, often disregarded, Language and Science; not only the Evolution of Language but also the History of Writing.

It is refreshing and delightful to meet a scholar at once erudite and readable, instructive and entertaining, expository and thoughtful, thorough and human. Deliberately, Mario Pei has exhausted nobody—and nothing. To have given less would have been discourteous; to have given more, perhaps inhumane. Although "The Story of Language" may, one fears, irritate a philologist or two, it will certainly please the public at which it has been aimed.

Gallery of Eccentrics

The Scandalmonger. By T. H. White. *Jonathan Cape.* 223 pages. 18*s.*

It is improbable that many twentieth-century Englishmen would really like to go back to the Good Old Days of Mr White's Age of Scandal, the eighteenth century. Even were they given the option of belonging to the privileged classes, or at least the certainty of not finding themselves among the dispossessed peasantry of Goldsmith's Deserted Village, the pauper children in the earliest Satanic mills, or the victims of current criminal law, they would have noses too sensitive for the smells described by Smollett, nerves too sensitive for contemporary dentistry—let alone surgery—and a degenerate modern preference for seeing their children grow up.

Mr White is an exception. He really, thoroughly, whole-heartedly loves and prefers this rumbustious age, at once elegant and unbelievably squalid; he revels in the eccentrics and freaks who supplied the scandalmonger's topics, from Beau Brummel to the ambiguous Chevalier d'Eon. Bullies and duellists, courtiers and lunatics, highwaymen, quacks, and demagogues; dear Parson Woodforde and yet dearer Horace Walpole, Fanny Burney and her Nemesis Mrs Schwellenburg, Earl Ferrars, Sheridan—there is no summarising Mr White's *dramatis personæ* or their foibles. Incongruously enough, one would think, he rounds off his scandalous chronicle with a portrait of Queen Victoria, whom he sees as a "prodigious old Tory" who "gathered into her own reactionary character nearly all the traits of Walpole's period . . . a survival, not a pioneer." And indeed some of the anecdotes which he culls from Sir Henry Ponsonby's "Life" are in refreshing contrast to one's usual mental picture.

This is a vastly entertaining book, not the least of whose merits is that it will send many of its readers to dig for themselves in the inexhaustible mines from which Mr White has selected his shining nuggets of scandal. One may not, perhaps, find for oneself anything quite so beautiful as Lord Glenbervie's story of Lord and Lady Lavington and the unaccustomed double bed, or of the "young gentleman of small fortune" whose presence of mind, equal to his chivalry, saved the Duchess of Marlborough from an embarrassment and won him a commission; but what fun to try!

Constable Books

Collector's Progress

WILMARTH LEWIS

Inspirer and editor-in-chief of the Yale Edition of the *Correspondence of Horace Walpole*, Wilmarth Lewis has now written reminiscences of his collecting life. *John o'London* writes: "both a Walpolian footnote and a tale of treasure hunting. In both aspects it is a thriller." *Illus.* 30*s.*

Luxembourg: Land of Legends

W. J. TAYLOR-WHITEHEAD

You really can spend a delightful holiday in Luxembourg on £25. "A book which inspires the reader with *wanderlust* to visit the diminutive Duchy." (*Truth*).

Illustrated Map 12*s.* 6*d*

novels

Time and Chance

JOHN CONNELL

MARGHANITA LASKI (*Spectator*): "This book is about the retreat of British government from an imaginary South American Trust Territory.
"Its strength depends on the convincing portrayal of the small group of educated men working for their various ends. Here was a subject very well worth writing about, and Mr. Connell has written a very English story and a very good one." 15*s.*

Be Kind to the Killer

HENRY WADE

"One can always depend on Henry Wade for a soundly-written, thoughtful thriller, and in my opinion *Be Kind to the Killer* is his best yet. Gripping and authentic." *Western Mail.* 12*s.* 6*d.*

The Third Pip

RUPERT LANG

The outrageously funny adventures of a subaltern in search of promotion at the end of World War II. "Rockingly funny." JOHN BETJEMAN (*Daily Telegraph*). 10*s.* 6*d.*

International Association for Research in Income & Wealth

Bibliography on Income and Wealth

Vol. 1, 1937-1947

Edited by DANIEL CREAMER

The first volume of this work covers a period when research was most active and fruitful. It includes material published throughout the world.

63*s. net*

Income and Wealth

Series I

Papers by Richard Stone, Gerhard Colm, Jan Marczewski, E. F. Jackson, G. Stuvel, Simon Kuznets, J. B. D. Derksen and W. B. Reddaway, edited by Eric Lundberg.

30*s. net*

The New Issue Market and the Finance of Industry

R. F. HENDERSON

A study of the sources of risk capital for industrial development.

25*s. net*

BOWES & BOWES PUBLISHERS

A lively and comprehensive survey

BOSWORTH MONCK'S

How the Civil Service Works

The only book on this subject

How does the great system of Government Offices operate? What do the various Departments do? What is their relation to each other and to society as a whole? What reforms can be made to the general advantage? This book—the first on the subject—seeks to answer these and related questions. By analysis of the parts it builds up a clear picture of the whole. It is assured of a welcome from Civil Servants and all bodies who deal with Government Departments.

The book has been under preparation for three years and has been submitted in proof to the Departments concerned. The publishers believe that they have here a book which will be regarded as a standard text. It will certainly create a new understanding of the complex organism which now touches the lives of us all.

Demy 8vo (8½ x 5½) 256 pp. 25/- net

Phoenix

Published by Phoenix House Ltd., 33 William IV Street, London, W.C.2. Obtainable from, or through, your bookshop.

Inquisitive Genius

Eugenics: Galton and After. By C. P. Blacker. *Duckworth.* 349 pages. 25*s.*

Anyone attempting to write a biography of Francis Galton has a formidable difficulty to surmount. Almost all that could be said about him has already been well said by his disciple and friend, Karl Pearson. Dr Blacker does not attempt the task; instead, after a survey of Galton's life, beliefs and discoveries, he devotes the major part of this book to an account of the development of eugenic science and creed since the great man died.

The biographical chapters describe most enjoyably this energetic and inquisitive genius whose life spanned the gap between the reigns of George IV and George V. His range of interests was immense, and those readers who are well aware of his pre-eminent researches into inheritance and his eugenic beliefs will be surprised to encounter him exploring in South-West Africa, testing the dogs of Berne with a high-pitched whistle in the end of his walking-stick, counting the fidgets of the audience at a Royal Geographical Society lecture, or conducting a statistical inquiry into the efficacy of prayer. His work on fingerprints and his invention of the mathematical technique of correlation are among his more solid achievements, and he can claim too to have originated the term anticyclone.

The remainder of the book is an attempt to say what Galton's views on eugenics would be now if he had had access to the new knowledge amassed in the last forty years. Dr. Blacker discusses population trends, mental testing and selection procedure, modern developments in genetics, the spread of contraception, the Lysenko controversy and social policy. It was perhaps inevitable, with such great changes to discuss, that some of his chapters should read like a review of the year, and the author is at his best when dealing critically and at length with a single book or topic of controversy.

Since Galton died new knowledge of genetics has shown that human inheritance is far more complex than was at one time thought. It has become plain that "negative" eugenic policy—sterilisation and other methods of preventing the transmission of undesirable traits—is only likely to be successful in a very limited number of disorders. In so far as poor intelligence, most varieties of mental disorder and defects of character are inherited, their elimination by such means would be slow and incomplete and would involve compulsion on the widest scale. But eugenics has hardly yet recovered from the bad name foisted on it by Nazi racial policy and Dr Blacker firmly rejects compulsion.

"Positive" eugenic measures to encourage sound physical health, high intelligence and moral qualities remain. In much recent legislation, in population and economic policy, and in movements widespread in civilised countries for family planning, Dr Blacker sees much evidence that eugenic ideals are being pursued, albeit haphazardly. In an egalitarian age, however, the belief that all men are created unequal and that some should be encouraged to procreate and others discouraged will meet hostility. This book should go far to overcome any prejudice.

Lord Tedder

Tedder. By Roderic Owen. *Collins.* 320 pages. 18*s.*

The air arm has had less than its due share of postwar controversy and reminiscence. Though libraries could now be filled with books on the actions of the land commanders, relatively little has been written of the main campaigns in the air. Of the few air leaders whose names are widely known, one is certainly, however, Marshal of the Royal Air Force Lord Tedder, and a biography of him has long been needed. He won one of the crucial air battles of the war—in the Middle East, where victory was essential for success on the ground.

Mr Owen's book, however, hardly meets adequately the lack of books about the air arm. His study of Lord Tedder as a man is marred by a naïveté of approach, and his study of Lord Tedder as a leader and strategist is too limited to be fully satisfactory. The Air Marshal, naturally quiet, reticent and unspectacular, is admittedly a difficult figure to portray. Even Mr Churchill in 1941 seriously misjudged him as being merely "a man of nuts and bolts." Why, in fact, did he come through to the top? His virtues of determination, thoroughness, tact and high professional skill are not a complete answer. Probably the real reason, at any rate for the success in the Middle East which laid the basis of his reputation as a commander, was the single minded way in which he gave expression to the fundamentally sound concept of strategy with which the RAF entered the war—that its first and main duty was to secure command of the air. Lord Tedder enforced this by a ruthless concentration of his aircraft for decisive battles with the enemy, and set his face calmly against the clamour for dispersion of the RAF to give local protection to the hard-pressed ground troops.

Once superiority had been achieved, however, and the air war entered its second phase, RAF opinion was sharply divided on the way in which this command of the air was to be exploited. Lord Tedder became, as much by reason of his duties as General Eisenhower's Deputy as by any deep theoretical conviction, the exponent of the use of air forces to help win the immediate land battle, as opposed to Sir Arthur Harris's view of victory by destroying the enemy's industrial potential. The issues involved in this dispute are fairly, if not profoundly, set out by Mr Owen. It is a controversy which has been sharpened by the addition of the atom bomb to the airman's armoury.

Augustus John

Chiaroscuro. Fragments of Autobiography. By Augustus John. *Jonathan Cape.* 285 pages. 30*s.*

This delectable book has, from the reviewer's standpoint, a grave disadvantage. It is not meant to be read, as a reviewer must read, consecutively from start to finish; it is a succession of conversations, not a discourse. It has no single connected theme; it follows no connected chronological order; it suggests indeed less the chiaroscuro of its title than an incomplete collection of *tesserae,* brilliant constituents of a grand mosaic whose composition and balance cannot be inferred. "Fragments of Autobiography," says the sub-title; from almost any of these fragments there could be reconstructed, *ex pede Herculem,* a character, but an orthodox biographer using "Chiaroscuro" as his only source would, whatever his detective ability, soon be reduced to despairing fury.

It is not, however, as a source-book for orthodox biographers that "Chiaroscuro" has been written. Its aim, one would guess, is purely to give pleasure and entertainment, not least to its author. And how brilliantly and entirely does it succeed! The reader's enjoyment springs from many sources. It springs from the consciousness of a personality gloriously out of the ordinary and at the same time gloriously in the great human tradition. (Composed predominantly of Augustus Johns, modern society would explode and sink without trace. This is chiefly a criticism of modern society.) It springs from the vividness with which scenes, landscapes, atmosphere and above all individual characters, celebrated or obscure, are brought to life; here the seeing eye of the artist is turned to account in a new medium, triumphantly. (Could one infer, from the gusto, unsentimentality, affection and occasional wickedness of the writer's character sketches and anecdotes, the quality of the painter's line and colour? Hardly; but there is an unmistakable kinship.) Not least among the sources of enjoyment is Mr John's style; free-running, vigorous, sometimes hyperbolic, sometimes, on the other hand, expressing a take-it-or-leave-it objectivity as effective in its own way as the perfectly straight face of an outrageously funny *raconteur.* There are moments, particularly where affairs of the heart are concerned, when one is irresistibly reminded of Kai Lung; there are others which recall the Ruthless Rhymes for Heartless Homes.

It is not, however, possible entirely to analyse the delight which Mr John bestows. It is rather like the pleasure of sunshine, a pervasive sense of heightened vitality, a conviction that life is more fun than one had supposed. Not that he is by any means a Mark Tapley or a Pollyanna. He has some lively hates, including—a fairly massive inclusion—the entire modern economic order and the entire apparatus of the coercive state; he ends on a note of misgiving, a warning that humanity is on the wrong track. Nor is he complacent about his own achievement. "Foresight, calculation, patient planning," he says, "have not been within my grasp. I was never apprenticed to a master whom I might follow humbly and perhaps overtake." But he has what is better than complacency, an undimmed sense of "that more than real Presence . . . to be traced in trees, rocks and pools, in earth and sky and everything that lives." In this least didactic of books there is not only delight but wisdom.

Junior Wranglers

Mathematics at the Fireside. By G. L. S. Shackle. *Cambridge University Press.* 156 pages. 16*s.*

"Did you enjoy this book?" asked Gillian. "Well," said her father, looking at her a little sheepishly, "I certainly enjoyed it, but I'm not sure that I understood it all. And I'm not certain whether I was meant to, because the publishers say that if the book can be left about in houses where the unsophisticated live, sooner or later the persons for whom the book is written will find it, and begin it and read it through." Gillian found this puzzling. "Do you mean," she asked, "that you are sophisticated, or that you know nothing about mathematics? It's a very different kind of maths book from the one we have in the Upper Fourth, and I would rather have George and Lucy's father teach me than old Miss Carpenter."

"So you liked the family?" asked Gillian's father. "I found them a bit tiresome occasionally. Particularly Lucy, who seemed to know all about complex number vectors and was better at the differential calculus than ever I was. How would you like it if every outing we took turned into a maths lesson, with me doing most of the talking?" Gillian shook her head. "Not at all, but they're not really a make-believe family, are they? And the book is jolly nicely printed by some people I never heard of called Syndics. I don't think I understand the preface, though I expect you did. That part about Lucy's necklace was interesting; I shall see if mine is the same shape as hers when I put it on, but it will be a long time before I learn how Lucy's father drew the line of her necklace by mathematics."

Gillian's father nodded. "Me, too. I have a lot to do with figures, but I have never been any good at maths. But I might have been a lot better if I could have studied this book when I was a boy, because I could never understand what dear old Ben, as we called our maths master, was trying to teach us. I think those Syndics of yours are right when they say that some lucky children will really learn mathematics from this book."

Gillian looked pensive. "Well, I'm not sure, but I'd like to keep it on my bookshelf; it might be jolly useful when I'm in the Upper Fifth."

Important books from

PITMAN

Economics of Industrial Organization

By A. Beacham. Second Edition. 15/- *net*

". . . Mr. Beacham's lucid, succinct method of dealing with the problems of organization in Britain can confidently be recommended to all—whether their interest be academic or practical—who are embarking upon the study of economics."—*The Accountant.*

". . . covers several points which are not usually found in textbooks on general economics . . . recommended to students."—*Management Library Bulletin.*

International Combines in Modern Industry

By Alfred Plummer. Third Edition. 25/- *net*

"Dr. Plummer, in his survey and analysis of international combines in modern industry, has performed an exceedingly difficult task with intelligence and clarity."—*Financial News.*

". . . has filled a gap in economic literature, and provided a foundation for further study."—*Stock Exchange Gazette.*

Psychology: General, Industrial, Social

By J. Munro Fraser. 25/- *net*

". . . this work should become a standard textbook."—*Management.*

". . . It is easy reading, pleasantly free from 'psychological jargon' and will be widely read for many years by personnel officers and all whose life is devoted to people rather than things."—*Management Library Bulletin.*

Methods of Wage Payment in British Industry

By Norman C. Hunt. 18/- *net*

". . . fills a gap in British management literature, for although the Americans have published plenty on the subject, we in this country, have not. Mr. Hunt writes as an idealist, but one whose idealism is tempered by expert knowledge."—*Personnel Management.*

". . . a very valuable contribution to a complex subject."—*A.E.U. Journal.*

A Course in Applied Economics

By E. H. Phelps Brown. 25/- *net*

". . . Everywhere he shows an impressive ability to combine intellectual penetration with horse sense, to set the findings of current speculation in perspective, and to illuminate difficulties with apt example and analogy . . . should occupy an accessible place on the shelves of anyone whose work leads him, from time to time, to lament that he has not kept abreast of modern economics."—*Economist.*

Transport Staff Relations

By Frank Gilbert. 20/- *net*

". . . worthy of the highest recommendation."—*Modern Transport.*

"Although 'Transport Staff Relations' is valuable as the first up-to-date textbook on its subject, it will be apparent that it is more than that. It contains a great deal of commonsense in the views it postulates as to how labour relations and problems should be approached."—*Railway Gazette.*

Sir Isaac Pitman & Sons Ltd

Parker St. · Kingsway · London, W.C.2

THE BUSINESS WORLD

Profits Too Low

ONE of the main reasons for last year's balance of payments crisis was that industrial profits were too low. This is not a contentious political opinion. It is a sad statistical fact. According to the preliminary estimates of the national income statisticians (published in Cmd.8486 and unamended in the Economic Survey), wages, salaries and forces' pay rose by £838 million in 1951, but all other incomes, before including stock appreciation, fell by £331 million. Although full estimates are not yet available, it is clear that the main brunt fell on company profits and within this heading—since dividends increased by £78 million—with even greater weight on additions to free company reserves, which had been a principal component of saving in 1950 and previous postwar years.

The impact on Britain's balance of payments was dramatic and direct. Although most other forms of saving rose slightly in 1951, the squeeze on companies' free reserves caused total domestic savings (including depreciation provisions and additions to tax reserves) to fall by nearly £400 million in the year, while gross domestic capital formation (partly because of Government re-stocking) rose by over £350 million. This shortfall of £750 million between domestic savings and investment could only be financed by running down external capital and by borrowing abroad—in other words, it had its direct arithmetical counterpart in the turn round in the balance of payments from a surplus of £244 million in 1950 to a deficit of £521 million in 1951.

Some politicians choose to ignore these statistics, but most, of course, have simply not heard of them. This is not surprising. The profits figures that attract most attention—those that induce indignant thunder from left wing platforms and expostulatory clucking from right wing newspapers—are the unamended figures in company profit and loss accounts. In a year of inflation these include—indeed under British tax law have to include—a large element of "profit" that arises purely from the appreciation of stock values—an appreciation that inevitably carries with it a contingent need to strengthen stock replacement reserves. A tolerably fair analogy, on the plane of personal incomes, would be if a rise in fares were held to increase the taxable wages or salaries of holders of unexpired season tickets, bought at the old rates. The national income statisticians estimate that total stock appreciation in Britain last year amounted to no less than £1,200 million, and it is only when a large portion of this fortuitous element is included in company profits that the estimate published and publicised in last week's "Economic Survey" is arrived at—namely, that the total income of companies and public corporations rose by just over £500 million last year, or by more than 20 per cent.

★

The average increase of over 20 per cent in such "profits" was the result of a much bigger proportionate increase in the first half of the year and a much smaller one in the second half. The 475 companies that published accounts in the first three months of 1952 showed an increase in total income including stock appreciation, of £41½ million, or 16 per cent. The majority of these accounts referred to financial years that ended between early September and late December of 1951, and many of the companies concerned had therefore begun to feel the first effects of sagging consumer demand and falling raw material prices (but still rising labour costs) in the last few months of their trading years. The increase of 16 per cent in the total income of these 475 companies compares with an increase of 32 per cent in the total incomes of the 564 companies that published accounts in the last quarter of 1951 (excluding the exceptional experience of three oil companies), and of 24 per cent in the total income of the 515 companies that published accounts in the quarter before that. As the rate of profit expansion, even as thus illusorily measured, passed its peak (and as earnings on both ordinary capital and net worth actually declined), caution clamped down in company board rooms. As a result only £584,000 of the £41½ million increase in total company income reported last quarter was passed on in increased dividends to ordinary shareholders; the tax collector took over £29 million of the increase and most of the rest was added to various sorts of much needed reserves.

The full statistics for the latest quarter, published in last week's issue of the *Records and Statistics* supplement, show the differential impact on the various groups of industries of last year's first downward flicker in demand. The results were not, perhaps, precisely those that a casual observer of the current scene would expect. The groups from which the loudest complaints are now heard—retail stores, cotton, clothing and footwear—all showed a slight increase in profits on the year here analysed, either because they had not worked through the existing backlog of their orders or because a ruddy glow was imparted to their accounts by their happy experience in the first half of the year; with the writing on the wall before them, however, each of these groups slightly reduced its ordinary dividend payments. The biggest declines, in both income and dividends, were shown by wool and other textiles; some other small groups, such as tea plantations, also showed small declines in income but their dividends were usually at least maintained. The biggest proportionate increases in income were shown by rubber companies (whose accounts chiefly reflect sales before June of last year) and newspaper, printing and paper companies (whose bumper "profits" were associated with an increase of no less than 68 per cent in stock values). Engineering and electrical manufacturing also enjoyed an increase in income slightly above the average. There was some sign here, though only a faint one, of profit increases pulling resources the way they ought to go. Unfortunately, the excess profits levy will from now on be pulling lustily at the other end of the same rope.

★

The third of the accompanying tables shows the balance sheet movements in what, for most of these companies, was the last full financial year before the sea change in credit policy. The total assets of these 475 companies ran up by £218 million, of which no less than £109 million was due to a change in the value of stocks and £62 million to an increase in the value of fixed assets, but £39 million in sums due from debtors. These increases were absorbed with only a small fall in cash and gilt-edged holdings, but bank overdrafts increased by nearly £29 million (or 47 per cent) and other current liabilities and creditors by £81 million; borrowing on debentures ran up by another £19 million and ordinary capital increased by just over £20 million (though bonus issues no doubt played some part in this). The average increase in stock values was some 26 per cent. This increase was spread widely across the different industrial groups, though the newspapers, printing and paper group (up by 68 per cent), chemicals and paint (58 per cent), warehousing (43 per cent), cotton (42 per cent), and clothing and footwear (31 per cent) are worthy of note.

The 475 profits statements analysed here represent a snapshot taken across a period of violent change. Any detailed conclusions based on them might therefore be badly out of focus. But one thing is clear. When the profits statements published in the last quarter of 1951 were commented on in these columns on February 9th, it was pointed out that they mirrored a period when sales were much too easy for economic flexibility but profits still too low for national stability. In the following three months the first fault was slightly corrected, and the latter made grievously worse. In a year of inflation such as 1951, industry had to make high "profits" on the appreciation of its stocks; it needed those profits to finance stock replacement at higher values, but the tax collector prevented it from using sufficient of them for this purpose. This nibbling into industry's free reserves, urged on by a farrago of political malevolence, was a recipe for balance of payments crisis so long as the high tide of inflation lasted. It may prove to have been a recipe for something worse if the tide ever turns round to full ebb.

IN GERMANY

The latest report by The Economist Intelligence Unit reviews economic affairs in Germany, and analyses prospects for production, exports to the dollar countries, the likely effects on trade of sterling area cuts, and much more which may concern business people in other countries. There is a valuable statistical appendix.

The Unit now reports on nearly 40 countries every 3 months. These reports may be obtained by annual subscription, or singly.

THE ECONOMIST INTELLIGENCE UNIT

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

PROFITS, PROVISIONS AND DEPRECIATION
(£'000)

	Reports Published January-March, 1952		Reports Published April, 1951-March, 1952	
	475 Companies		2,434 Companies	
	Previous Year	Latest Year	Previous Year	Latest Year
Gross trading profit	*282,190*	273,037	*1,142,707*	1,517,186
Income from investments	*19,531*	21,175	*80,439*	90,332
Other current income	*380*	148	*7,712*	6,876
Non-recurring credits	*6,931*	6,181	*45,670*	34,748
Total Income	*259,032*	300,541	*1,276,528*	1,649,142
Repairs and maintenance	*1,547*	1,718	*9,138*	11,442
Depreciation	*28,968*	31,687	*179,737*	207,885
Income tax (excl. profits tax)	*77,648*	95,582	*380,279*	525,611
Profits tax	*28,816*	39,742	*123,698*	174,766
Directors' emoluments	*8,704*	9,058	*38,736*	42,168
Administration charges, etc.	*8,231*	8,270	*32,981*	34,947
Contingencies, provisions, etc.	*21,549*	21,108	*95,322*	157,712
Pensions	*2,841*	3,348	*17,120*	21,622
Minority share in profits	*1,991*	2,189	*16,991*	17,475
Profits retained by subsidiaries	*10,786*	19,420	*81,326*	104,241
Debenture interest	*6,251*	6,957	*23,583*	26,531
Preference dividends	*6,154*	5,771	*32,675*	32,440
Ordinary dividends	*31,862*	31,846	*130,659*	145,600
Revenue reserves	*18,665*	20,551	*92,629*	123,005
Brought in (parent company)	*41,281*	47,920	*209,714*	231,368
Carried forward (parent company)	*47,920*	51,214	*231,368*	255,065

NET WORTH, EARNINGS AND DIVIDENDS
475 COMPANIES REPORTS PUBLISHED JANUARY-MARCH, 1952

	Preceding Year	Latest Year
	£ Million	£ Million
Issued ordinary capital	*323·5*	343·9
Real equity or net worth (i.e. net assets after deducting liabilities and prior charges)	*765·9*	850·2
Ordinary earnings*	*67·4*	75·1
Ordinary dividends†	*31·3*	31·8
Earnings rate per cent :—		
On issue capital	*39·0*	38·4
On net worth	*16·5*	15·5
Dividend rates per cent :—		
On issue capital	*17·6*	17·6
On net worth	*7·4*	7·1

* Including amounts retained by subsidiaries and after tax. † After tax.

ANALYSIS OF COMPANY BALANCE SHEETS PUBLISHED JANUARY–MARCH, 1952
(£'000)

	475 Companies			475 Companies	
	Previous Year	Latest Year		Previous Year	Latest Year
Capital (Parent Companies) :—			**Fixed Assets :—**		
Debenture	*204,722*	223,947	Land, property and plant	*737,534*	820,768
Preference	*183,098*	183,190	*Less* depreciation	*212,107*	233,490
Ordinary	*323,471*	343,861		*525,427*	587,278
	711,291	750,998			
Reserves and Surplus :—			**Trade Investments**	*59,020*	66,192
Capital reserves	*112,303*	127,534			
Revenue res. and carry forward	*330,133*	378,759	**Intangible Assets**	*40,158*	42,558
Total Capital Reserves & Surplus	*1,153,727*	1,257,290	**Current Assets :—**		
			Stocks	*421,110*	530,594
Outside Interests in Subsidiaries	*30,548*	34,061	Debtors	*258,022*	297,167
			Gilt-edged securities	*23,579*	20,299
Current Liabilities and Provisions :—			Other marketable investments	*169,577*	170,018
Bank overdrafts and loans	*60,763*	89,463	Cash	*173,038*	173,400
Creditors and accrued charges	*317,154*	381,067			
Reserve for future taxation	*72,207*	89,205			
Other provisions	*35,532*	36,400			
	485,656	596,155		*1,045,326*	1,191,478
	1,669,931	1,887,506		*1,669,931*	1,887,506

Record Roundabout

ON April 10th Electrical and Musical Industries sent a letter to EMI record dealers telling them that the company would start production of long-playing records in October. This puts an end to nearly four years' speculation about EMI's attitude to LP records. These have been on sale in the United States since 1948 ; in this country they were put on the market in 1950 by the Decca Record Company, EMI's principal British competitor. Shortly after the introduction of the LP record by Decca, EMI stated that the company would continue for the time being to issue all its work on standard records, but promised that dealers would be given six months' notice of any change in this policy. This notice has now been given, but with no indication of the type of long-playing record that EMI intends to adopt.

Until 1948, all recordings were made on standard discs that played for less than five minutes a side, and revolved at a common turntable speed of 78 revolutions per minute. In that year, the Columbia Record company in America began to issue discs with a playing time of approximately 25 minutes a side. This they did by placing the grooves more closely together and reducing the turntable speed to 33⅓ rpm. The records themselves were no bigger than the standard 12 inch 78 rpm record which had up till then been the main medium for recording classical music. The LP records presented an immediate challenge to the 78 rpm record for the reproduction of major works, for they provided a performance without interruptions every five minutes for record changing. Many such works fit into one or sometimes two sides of a 33⅓ rpm long-playing record while a number of well-known operas fit on two records involving only three breaks in the complete performance. The long-playing records have several incidental advantages ; they are unbreakable, easy to store and are cheaper per playing minute than the 78 rpm recordings. It is questionable, however, whether these features alone would have turned the scale in their favour.

Shortly after the 33⅓ rpm record was introduced in the United States, Columbia's principal rival, RCA-Victor, introduced a second type of record which ran at a speed of 45 rpm. Strictly speaking, this is not a long-playing record, for the discs are 7 inches in diameter, and play for the same time as a standard size 78 rpm disc ; they were really designed to operate with a highly efficient changing mechanism incorporated in the turntable spindle. They have never become serious competitors of the 33⅓ rpm record for the standard classics, but they appear to meet a definite need in the American market. An element of uncertainty about the future of these three speeds, 78, 45 and 33⅓ rpm, has been kept alive by the knowledge that Victor has done some experimental work on a 12 inch 45 rpm record that would play almost as long as the 33⅓ rpm record, and companies in Europe have toyed with the idea of a long-playing 78 rpm disc.

Given the success of LP records in the United States, where the catalogues now list 5,500 different recordings, EMI's delay in introducing them is not easy to explain. Between them, EMI and Decca are responsible for the great bulk of the records produced in Britain, sold under their own trade-marks or pressed for the smaller record companies. Home sales have become fairly stable at between 15 and 20 million records a year, several times larger than before the war. There was, in addition, an export business of nearly 18 million records last year, worth £2 million, and exports in the first quarter of this year reached nearly £600,000. Import restrictions in Australia, New Zealand and South Africa, three of the leading foreign markets, will cut these sales during the rest of the year, and the slump in the American record market may cut them further. Last year a quarter of Decca's £1 million exports went to the United States: EMI's exports sales were smaller because the company does not distribute its own records in the United States. Almost from the start Decca has been pressing long-playing records for export to America, and in 1950 began to sell them in this country, too. In the past two years, during which it has been in sole command of the British LP record market, Decca has built up a catalogue of 550 long-playing records which includes most of the popular classics and many modern works, while EMI has continued to record on the standard 78 rpm discs.

For a number of reasons, it was probably easier for Decca to take the decisive step to LP records two years ago than it is now for EMI. Long-playing records are admirably suited to classical works, which never formed as big a part of Decca's business as they did of EMI's. Even with its present leadership in LP records, Decca's sales of major works may not represent more than 20 per cent of the total value of its sales, whereas the corresponding proportion for EMI might be at least 40 per cent. Classical and near-classical works are kept in the catalogues for a longer time than popular music, and the companies and their dealers are obliged to hold stocks of such records dating back for some years. This represents a vast amount of locked-up capital. Nor can recordings be easily transposed from 78 rpm to 33⅓ rpm. The unsatisfactory quality of some earlier long-playing records was due to attempts at direct transposition. Only a small proportion of the performances sold on 78 rpm discs were originally recorded on magnetic tape, but it is only from these tape recordings that long-playing records can satisfactorily be made. For most of the works on 78 rpm discs it would be necessary to make new recordings with new artists.

Any company with a big classical catalogue might well dislike the prospect of having to re-record a considerable proportion of its stock and of scrapping or duplicating its own and its dealers' stocks of the same work on 78 rpm discs. Dealers who are carrying 66⅔ per cent purchase tax on their existing stocks and who are understandably short of cash would find it no more agreeable. EMI's agreements with the two rival American companies also made a decision difficult. The relations between the British and American companies are difficult to follow, for while the financial ties that existed between them have been dissolved, they retain rights to a common trade-mark in certain defined areas. The clearest case is that of British and American Decca. The English company set up an American subsidiary in the 'thirties which, as it grew, became more interested in pressing its own records and less in distributing those from the English company. After the war the two companies gradually separated, leaving American Decca with the American rights to the Decca trade-mark. The English Decca company, which retained world rights outside the American continent, sells its own records in the United States as London Records, and sells American Decca records here as Brunswick ; it also has the British rights of the Capitol catalogue and has now an interest in the German Telefunken group. The British Columbia company severed relations with its American parent in the early thirties and is now owned by EMI. But EMI has continued to distribute the American Columbia catalogue, using American "masters" and making pressings from them in this country for sale here and abroad. EMI has a similar agreement with Victor which distributes EMI records in America. Victor has the right to sell under the His Master's Voice trade-mark but does not do so. A third agreement exists with Metro-Goldwyn-Mayer, who supply film sound-track from which EMI makes direct recordings.

At one time, the competition in America between Columbia's 33⅓ rpm long-playing record, and Victor's 45 rpm, threatened to be mutually destructive. With EMI distributing the catalogues of both companies in Britain, a choice between their two long-playing systems would be certain to give sore offence to the other. But EMI's neutrality has not pleased either of them. Both American companies are anxious to see their own long-playing records sold in competition with Decca's in the British and Commonwealth markets. Whether because of dissatisfaction or not, the American Columbia company has made new arrangements for the distribution of its catalogue outside the United States, and from the beginning of next year this will be done not by EMI but by the Dutch company Philips.

This is a serious blow, for at one stroke it deprives EMI of access to Columbia's extensive long-playing repertoire, just when EMI is entering the LP business, and offers it instead to a competitor new to the industry. Philips has not pressed records on any scale before ; since EMI has the rights to the Columbia trade-mark (as distinct from the American Columbia catalogue) in this and in other countries, Philips will presumably have to distribute American Columbia records under a different name, and to avoid the British import restrictions, the records might have to be pressed here rather than in Holland. In this case Philips might find it easier to arrange for, say, Decca to press records for it in this country rather than install complete new plant here.

Although it seems certain that EMI will sell 33⅓ rpm records, the loss of the Columbia catalogue and the conclusion of a new agreement with Victor may lead the company to press a number of 45 rpm records as well. Even among the classics, some of the EMI's best selling records are short pieces—single movements or arias—which do not play for more than four or five minutes. There is no point in recording these on LP 33⅓ rpm records, but recorded on 45 rpm records they would have a better tone than the standard 78 rpm disc, take up less space and also be unbreakable. Without the need for the elaborate record changer that now makes it impossible to play Victor 45 rpm records on a turntable with a normal-sized spindle, such 7 inch discs might be built up as serious competitors, not to the 33⅓ rpm long-playing record, but to the 78 rpm recording of the short classics and of popular music.

EMI's plans in this direction will not be known until later in the year, when the first long-playing catalogues are sent to the dealers. But a bold step seems to be needed to make good the leeway that the company has lost by its late entry into the LP market. Any move towards 45 rpm would shortly be followed by a similar move by Decca, which is pressing 45 rpm records for the American market ; but Philips might not at this stage be able to do the same, since Columbia in America make no 45 rpm pressings. There is also a possibility that EMI may have been able to use the intervening years to develop a better material for the records than the standard polyvinyl chloride available here. This is not as good as the vinylite used for long-playing records in the United States but careful mixing and blending can improve it. EMI is not, however, alone in this work.

Although the market for classical music is more stable than that for popular recordings, its ability to absorb the output of two new producers in addition to Decca may be open to question. Decca, with most of the popular classics already on sale, must have skimmed much of the cream of the long-playing market. But there are indications that the 33⅓ rpm record need not be limited to classical works. Some of the best selling records in America are long-playing selections by popular bands. A larger market on these lines will have to be developed, especially by Philips, if the capital investment in long-playing records is to be justified.

Business Notes

Big Borrowers' Turn

It is difficult to say exactly what "success" means for such an issue as the £150 million of British Electricity 4¼ per cent stock, 1974-79, which was offered on Friday last week at a point discount. The terms were geared to attract the ordinary investor on interest considerations alone, but he can hardly be expected nowadays to be able to produce £150 million over three months and the departments have no doubt taken a major part of the issue—though perhaps, it would be plausible to guess, a smaller stint than they took of the 1950 issue. At any rate, applications up to £100,000 have been allotted in full, and over that figure at about 90 per cent ; the dividing line in 1950 was £250,000 with allotments at the rate of 84 per cent for applications above that amount.

The new stock opened at ⅛ discount—an inevitable recognition of the fact that the existence of a departmental "tap" may favour those buyers who are prepared to wait while the loan is being digested—and by mid-week was no better than 5/16 discount. No doubt this somewhat inauspicious start to dealings will not greatly disturb the authorities at this stage, for they had a major success in peddling out the 1950 issue. But a similar success on this occasion would raise pointed questions of monetary policy—or alternatively would flow from the conviction on the part of the investing public that the foreign exchange crisis was well on the way towards solution. The behaviour of the gilt-edged market this week does not suggest that investors generally have reached any such firm views, and the weight of the electricity issue must be expected to have its effect on the normal course of gilt-edged prices in coming weeks.

The placing of a further *tranche* of Tanganyika 3½ per cent stock 1970-73 offers an unwonted opportunity to the life insurance funds and the surtax paying investor. The new issue of £2,280,000 stock is on identical terms with the £1,750,000 issue made nearly two years ago; some £1,500,000 is being placed with the institutions at a basic price of 88, resulting in an inviting gross yield to redemption approaching 4½ per cent.

* * *

Points on Distillers

The Distillers Company is developing something of a flair for the unconventional in its capital financing methods. The company was one of the first to exploit the issue of unsecured loan stocks; it placed two serial issues with the institutions in 1950, for a total of £10 million with annual repayments extending to 1960, side-stepping the market and seeking no quotation for the stocks. This week brings the expected announcement of further financing, in a totally unexpected form. The company is raising £10 million 5 per cent unsecured loan stock, repayable in 1964, but convertible into 4s. ordinary shares between November 1st this year and November 1, 1957, at varying rates—116 shares for each £100 stock at first date, 112 shares at November 1, 1953 and 1954, 108 shares at November 1, 1955, 104 shares at November 1, 1956, and 100 shares in 1957. The first year option implies a price of 17s. 3d. per share, compared with 18s. when the announcement was made.

An interval for reflection now presents itself before the publication of the prospectus on Thursday next week and the opening of the lists on the following Tuesday. Without doubt, this is not a method that could be adopted by more than a small proportion of industrial borrowers, for the conversion option, to be of attraction, presupposes solid worth and expanding possibilities for the existing equity capital. That a 5 per cent stock with a life of no more than twelve years should require such an additional inducement is no doubt a disagreeable discovery to those prospective borrowers who only a short time ago were thinking in terms of a 5 per cent basic rate for first-class debentures. Inside the Distillers' boardroom, the alternatives were presumably a higher coupon rate or an equity issue. With the 4s. ordinary shares standing at the time of the announcement at 18s. to yield £5 per cent how much would have had to be conceded in the price of a rights issue? And what then would have been the feelings of holders in balancing the value of the rights against the fact that their existing shares had been thoroughly "banged"?

On the assumption that a rapid flow of conversions is aimed at, Distillers have ingeniously avoided this quandary, which has led to much disturbance of particular share values in the last six months. But there is a wider question apart from the mere mechanics of issue that then arises. If it is true that the effect of the Distillers issue is to increase the equity capital by taking two stages instead of one, how do the existing holders of Distillers ordinary stand? They have no say in the terms of the issue, and have no rights though they are promised special consideration. In saluting the ingenuity of the Distillers issue, therefore, it is still proper to call attention to the fact that it involves an alteration of the participation of the existing ordinary shareholders without formal consent on their part.

* * *

Bank Deposits and Government Borrowing

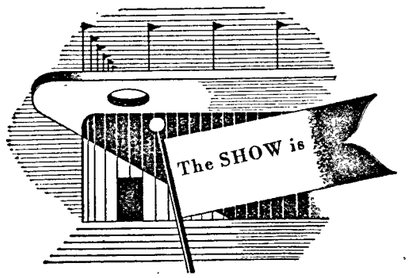
It is evident from the figures of the clearing banks for April that the effectiveness of the new monetary discipline is being fully maintained. Bank advances, which rose by £13.6 million in the previous month, increased by only £6.7 million in the four weeks to April 16. Some decline in demands for additional advances is a normal feature of the first month of the nation's financial year, after the heavy pressures of the tax-collecting season; and this latest increase is appreciably less than that for any previous postwar April since 1948—the 1951 movement was £12 million. It is understood, moreover, that it was wholly represented by additional loans to public utilities—including, apparently, the BEA, whose floating indebtedness, as shown in last week's loan prospectus, was £121 million at end-March. Evidently, the banks are succeeding in holding the position disclosed by the latest of the full quarterly analyses of advances: between November and February, it will be recalled, aggregate advances to the private sector of the national economy were approximately stabilised. During the past month, too, there was a sharp decline in the volume of credit extended by the discount and purchase of commercial bills: clearing bank portfolios shrank from £176 million to £133 million. To some extent this contraction merely reflects the increase in the proportion of such bills retained in portfolios by the Eastern and other overseas banks and by discount houses, but there is no doubt that it also results from a genuine decline in the volume of bill finance—in response to the increase in London bill rates, the ban on refinance credits and the cuts in sterling area imports.

For these reasons, it is apparent that the month's upturn in bank deposits, after their three months of seasonal decline, is wholly attributable to Governmental demands upon the banks. Net deposits rose during the four weeks by £31 million, to £5,715 million—not a large increase for this season, but one that cannot fairly be compared with the £111 million increase shown for April, 1951, since the movement then was distorted by fortuitous influences (and was, indeed, largely offset by an abrupt fall in the following month). The rise in Governmental demands, arising from the opening of the phase of Exchequer deficits and from the reduction in the flow of external finance as the external deficit narrows, is reflected in an expansion of the banks' holdings of Treasury bills by nearly £72 million—a movement that is offset only to the extent of £5½ million by a net decline in call money and cash. Despite the expansion in the total of liquid assets, the liquidity ratio has declined further, to 31.6 per cent, but this movement is wholly due to the fact that gross deposits (on which the ratios are customarily computed) were raised sharply by an abnormal growth of items in transit. Partly for the same reason, the ratio of "risk" assets (advances plus investments) dropped by a full point, to 64.9 per cent. This month will bring a more genuine relief to this ratio, as the first proceeds of the BEA loan are used to reduce bank advances. Moreover, the financing of the "departmental" share of the loan will augment the Treasury's borrowings on bills, and thus will help to raise the banks' liquidity ratio—unless the monetary authorities take countermeasures to reinforce their discipline, for example, by trying to speed up the flow of the new stock through the "tap." The particular tactics they choose to adopt in this context will obviously be a major influence upon the gilt-edged market for some time to come.

* * *

Australia Draws from the Fund

Australia is to purchase $30 million from the International Monetary Fund. This is the first transaction of any sterling country with the IMF since 1949. In that year Australia purchased $20 million and India $31.7 million. The sale of dollars to Australia is the third transaction of the IMF this year, the others being sales of $37.5 million to Brazil and of $2,200,000 to Iran. The loosening of the Fund's purse strings follows the recent directive on its operations issued under the authority of Mr Rooth, the new managing director. Australia has a quota of $200 million with the IMF. In accordance with the articles of agreement any member may purchase currencies from the Fund to finance temporary deficits in its balance of payments provided that the Fund's holdings of its currency does



THE BRITISH INDUSTRIES FAIR

Exhibitors and visitors to the Fair are cordially invited to make use of the complete banking service provided there by Barclays Bank. The staff at our stands given below will be pleased to help you in any way possible.

BARCLAYS BANK LIMITED

LONDON: Olympia, Stand A.6 Earls Court, Stand S.23
BIRMINGHAM: Castle Bromwich, Outdoor Stand 1105/1004

THE
STANDARD BANK
OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

Capital Authorised and Subscribed	£10,000,000
Capital Paid-up	£5,000,000
Reserve Fund	£5,000,000

10 CLEMENTS LANE, LOMBARD STREET and
77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch — 63 London Wall, E.C.2.
WEST END Branch—9 Northumberland Avenue, W.C.2.
NEW YORK Agency — 67 Wall Street.
HAMBURG Agency — Speersort, 6.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH-WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA ZANZIBAR AND PORTUGUESE EAST AFRICA.

Banking Business of every description transacted at all Branches and Agencies.

CALEDONIAN
Insurance Company
FOUNDED 1805

Incorporated by Special Act of Parliament

A World Wide
Organization Transacting
All Classes Of Insurance

General Manager: William Graham Robertson

HEAD OFFICE: St Andrew Square, Edinburgh
LONDON OFFICE: 5 Lothbury, London, E.C.2

Habib Bank Limited
Established 1941

Head Office: KARACHI (Pakistan).

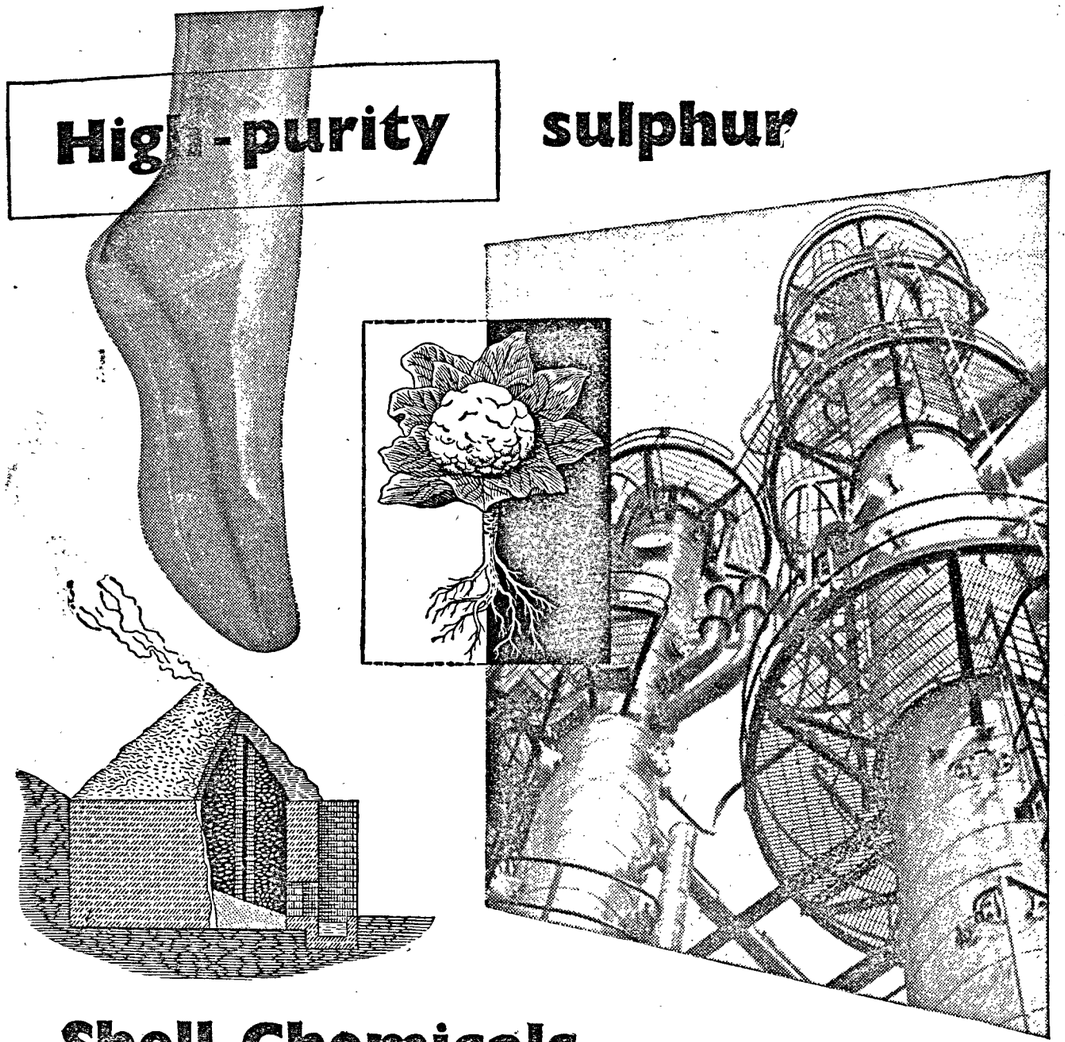
Authorised Capital ...	...	Pak. Rs. 20,000,000
Issued & Subscribed...	...	Pak. Rs. 10,000,000
Paid-up Capital ...	...	Pak. Rs. 10,000,000
Reserve Funds ...	...	Pak. Rs. 10,000,000
Deposits as on 31/12/51	...	Pak. Rs. 438,200,000

In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Ltd., with 45 branches spread over West and East Pakistan, can prove to be most helpful and you are invited to use our services.

The Bank is fully competent to handle all foreign exchange business, including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

FOREIGN BRANCHES: Bombay, Calcutta and Colombo.

CORRESPONDENTS & AGENTS at all important cities of the world.



Shell Chemicals

The chemicals-from-petroleum industry is now helping in yet another way to meet this country's urgent need of raw materials. A shortage of sulphur means a severe drag on production. Rubber, rayon, steel, paper, dye-stuffs, many essential chemicals—even more homely things like starch and gelatine—all utilise sulphur at some stage of their making. In this country most sulphur is used for producing sulphuric acid, a vital need in literally hundreds of processes, not least in the manufacture of the super-phosphate fertilisers so important in present-day farming. Though Britain's sulphur is mainly imported, plants have been established to produce it here—plants very different from the traditional kilns. The first of these new plants to come into operation is at Stanlow, where rock sulphur, 99.9% pure, is now being produced by Shell from petroleum.

SHELL CHEMICALS LIMITED, Norman House, 105-109 Strand, London, W.C.2.
(DISTRIBUTORS)

not increase by more than 25 per cent of its quota in any twelve months' period. Since no other member is likely to buy Australian pounds from the Fund this means that in any one year Australia may buy dollars up to $50 million. The $30 million purchase announced this week will be drawn between now and the end of next September. The dollars will be drawn from the Fund as they are required by Australia to meet part of its dollar deficit. They will not be paid into the sterling area dollar pool, but will reduce by an equivalent amount the drawings which Australia will be making on the gold and dollar reserve.

The question that Australia's action inevitably raises is whether this breaking of the ice is to be followed by an approach to the Fund by other members of the sterling area. If Australia is deemed a suitable purchaser of dollars the eligibility of other sterling area countries, who have a combined quota of nearly $2,000 million with the Fund, can be taken for granted. These quotas are fully available in the sense that no utilisation of these facilities with the Fund have taken place over the past twelve months. In case of need, therefore, and assuming the IMF were willing, the sterling area could mobilise close on $500 million from this source in the coming twelve months.

* * *

Petrol Tax in Committee

On Wednesday of this week the Finance Bill started what threatens to be its long and tortuous journey through committee. The first day's debate was devoted to the petrol tax, a subject on which both parties are inhibited—by their past records and present political manœuvring—from talking any great deal of sense. The most serious reason for doubting the efficacy of the petrol tax is the fear that the force of the new duty may be largely absorbed by the undistributed profits of public and private companies; it is only to the extent that the increase in costs is passed on to the public that the tax can have its full and desirable effect of cutting back consumption in general. In the present political conjuncture, however, no member of Parliament is very willing to point this out—and Wednesday's debate therefore tended to lapse into a farcical situation in which members on each side were expressing fears that the tax would work, and the Chancellor seemed intent on issuing assurances that it probably would not. Mr Butler estimated the increase in cost for users of small cars doing 30 miles per gallon at ¼d. per mile, for users of larger cars doing 20 miles per gallon at ⅓d. per mile, and for commercial users at 3¼ or 4 per cent. He did not believe that this would mean an automatic increase in fares, and he welcomed "the statesmanlike approach of the Road Haulage Executive, which has promised to keep the position as stable as possible and has stated that it does not intend to increase its rates, at any rate for the time being."

In the course of the debate, the Government announced small compensatory grants to disabled servicemen using invalid chairs and to flying and gliding clubs; it also promised to consider the difficulties of other users of invalid chairs and taxicab drivers. An opposition amendment to exempt white spirit and light oils used in the paint and other non-transport industries was, however, resisted on the grounds that all imported oils contained some dollar element. The real battles on the committee stage of the Finance Bill lie ahead. They are likely to be fought on EPL, where concessions would accord with justice and the need for economic flexibility without encouraging any increased demand for resources; and on purchase tax where the Financial Secretary to the Treasury promised this week that the Government would give the "fullest and most careful consideration" to all suggestions that it should flutter away from its present anti-inflationary stand.

Textiles and Tax

Tuesday's debate in the House of Commons on the removal of purchase tax on textiles was, not surprisingly, an inconclusive affair. Naturally the idea of lifting the tax finds favour in Lancashire and Yorkshire, but it is no longer—if it ever was—at the root of the textile industry's trading difficulties. Even if the Chancellor was prepared to forgo an estimated £100 million tax revenue, large sections of the cotton and woollen trade would still be no better off than they were before. The Financial Secretary to the Treasury estimated that only 30 per cent of the textile industry's output attracts any tax; under the new graduated system of tax, at least two-thirds of this escapes extremely lightly. In short, the tax has no marked effect on retail selling prices except in the case of high quality goods which represent only ten per cent of the industry's output. There is certainly an argument for a greater measure of tax relief for quality goods, but this was not what the Labour speakers had in mind when they asked for the total abolition of purchase tax on textiles.

Some speakers made a point of the psychological effect on the market of lifting the tax. The market is, however, suffering at this moment from the much stronger psychological effect created by continued uncertainty about future tax levels. The Government bears some measure of responsibility for this by its well-meaning undertaking to consider amendments to individual tax exemption levels at the committee stage of the Finance Bill. When the rate of purchase tax is reduced on any item, retailers cannot claim a rebate on the tax already paid on goods in stock, and usually have to stand the loss themselves. Many retailers were waiting for the budget before placing orders for summer stock, but since then the continued agitation for alterations in the individual "D" levels has impelled them to restrict their buying to the minimum while there was any possibility of revised "D" limits. This uncertainty has tended to make home trade slacker than it need have been. The completion of the committee stage of the Finance Bill and with it the end of the argument, should help the textile industry quite as much as any tax concessions that may be made. The hardening of raw wool prices should do the same, since many orders have been withheld in the hope of further price falls.

The industry's long-run difficulties may now lie less in the home market than abroad. In its Monthly Record, the Manchester Chamber of Commerce calls the Australian import restrictions a "major blow" likely to cost £20 million a year, while continuing import restrictions in South America keep British textiles out of some of their most promising markets. If, however, the Government finally decides to impose similar restrictions on the import of foreign textiles into the colonial markets, an increase in British sales to these markets may offset some of the effects of the Australian cuts.

* * *

ICI Does It Again

For the second successive year the directors of Imperial Chemical Industries have been able to recommend an increase in the ordinary dividend, this time from 12 to 13 per cent. They have also been able to announce that the group's profits have more than doubled in the last two years. Group profits in 1951, before depreciation and taxation, amounted to £48,950,393, or just over £9 million more than in 1950 and just under £25 million more than in 1949; group net profits in these two years have risen from £10.8 million to £23.5 million. All these figures, however, are profits as the accountant and the tax collector, not as the economist and eventually the shareholder, sees them. In real terms the picture is not so heartening. The increases in profits in both the last two years have been largely swallowed up in reserves for the replacement of fixed and working capital. Last year £7 million (against £4 million) was set aside for stock replacement and £5 million—as in 1950—

for obsolescence and the replacement of fixed assets. Increased earnings from a remarkable expansion in business have been swollen disproportionately by the inflation of prices, but real or illusory increases in earnings are both treated alike by the tax collector, who took £16.6 million from profits last year, against £12.5 million in 1950.

The constant need to provide for the cost of replacing and expanding capital, while the burden of taxation has grown heavier, has meant that the growth in gross profits has not been accompanied by a similar expansion in freely distributable earnings. The ordinary dividend, however, has been allowed to reflect some of the increase in profits. In 1950, when profits increased by £16 million, the dividend was

Years to December 31	1949	1950	1951
	£	£	£
Group profit	23,984,131	39,713,280	48,950,393
Depreciation	6,660,622	8,694,823	8,892,892
Taxation	6,496,828	12,455,692	16,557,129
Group net profit	10,826,681	18,562,765	23,500,372
Retained by subsidiaries	554,977	1,113,033	2,356,237
Net profit	9,791,503	16,843,912	20,382,548
Central obsolescence, etc.	3,000,000	...	...
Deferred tax reserve	2,215,000	2,960,000	2,944,000
Obsolescence and fixed assets replacement reserve	...	5,000,000	5,000,000
Stock replacement reserve	...	4,000,000	7,000,000
Ordinary dividends	3,330,697	3,860,581	4,133,092
Added to carry forward	318,814	96,339	420,060
Ordinary dividends (per cent)	*10*	*12*	*13*

raised from 10 to 12 per cent; for 1951, when the rate of expansion in profits slowed down, the year's distribution has been raised from 12 to 13 per cent. The recently issued new ordinary shares do not rank for this payment, but a similar 13 per cent dividend will be confidently expected on the new capital of £70,651,162 this year. If this proves to be the case then the yield on the new £1 shares at the issue price of 40s. 6d. is 6.4 per cent; the old shares at the current price of 43s. 1½d. x.d. yield 6 per cent. With an unfavourable EPL standard added to ICI's other problems, however, shareholders might be wise to assume that the phase of expanding dividends may now be temporarily coming to an end—even if, thanks to the capital development programme, the phase of expanding profits is not.

* * *

Healthier Film Finance

Mr James Lawrie, managing director of the National Film Finance Corporation, was this week able to give British film production a somewhat cleaner bill of health for 1951-52 than he had been able to present in previous years. Of the films released in 1951 that were backed with public money by the Corporation, a rather higher proportion seem likely to cover at any rate 70 per cent of their costs than did in earlier years—thanks largely to the operation of the "Eady plan" by which a small proportion of box-office takings is siphoned off and distributed specifically to the producers. In the corporation's annual report for 1951-52, the effects of the Eady levy, which was considerably increased in amount last summer, are examined. Out of 34 films backed by the Corporation and released in 1951, distributors guaranteeing 70 per cent of the production costs would probably, without the levy, have lost money on 21; now lose on 9; and would lose on only 6 if the higher levy had been in operation throughout the year. Moreover, the distributors' share in the profits of the successful films now covers their aggregate losses two or three times over. Though only three or four films seem likely to be converted from loss to profit by the levy—about 16 or 17 may be profitable as against 13 if there had been no levy—the aggregate figures of cost and producers' receipts show that 106 per cent of the total cost was recovered, against 73 per cent without a levy; had the higher levy been operating throughout 1951, as it will be in 1952, 115 per cent of the total cost would have been recovered.

The distributors, on this showing, would have done considerably better than the NFFC, which puts up mainly "end" money—all or part of the 30 per cent remaining to be found after a distribution guarantee has been obtained for the film. The Eady levy, even increased in amount, has not removed the risk of such financing, though it has lessened it. What it has done, says the report

> is to reduce to small proportions the risks of distributors if they guarantee only 70 per cent of the budget or cost of production . . (and to make) it possible to invest end money with profit, provided the investment is spread over a fairly large number of films and provided an arrangement is made for setting off losses against profits.

These are the methods on which the Corporation has recently concentrated in its "group" production schemes; and this confidence is presumably the source of the Government decision that the Corporation should be empowered to borrow in addition to the £6 million of public money it has been guaranteed, £2 million from "non-governmental sources." It expects to be able to obtain such advances "through normal banking channels" and since a Treasury guarantee for such advances can be had if required, it presumably will be able to. In fact it has laid out in film production about £5,200,000 of the £6 million of public money, and expects to be repaid more than £1 million by producers this year; so it may not have to look for such extra funds for some time. The accounts for the first time show an item for a share of profits on five successful films—£32,996; after making provision for losses on loans of £110,000, the Corporation made a net profit of £10,891, against a loss of £675,850 last year.

* * *

Cheaper and Better British Films?

During the three-and-a-half years that it has thus been on public assistance, British film production does appear to have carried through some belated reform of its earlier extravagances. Among films backed with public money in 1951-52, there was on the average no excess of expenditure over the budget figures estimated in advance; this now applies to the British Lion group, which still owes the NFFC £3,000,000, and in which expenditure remained excessive up to a year ago. Another index of efficiency in the studios is the amount of "screen time" shot in a "camera-day"; this rose by 40 per cent in 1951-52 to 1.66 minutes, the average number of camera-days taken in making a film having been halved in four years. On the other hand, the number of films made without public money—apart from films largely backed by American companies with sterling "frozen" in Britain—would seem to have fallen. Last year Ealing Studios, the one important British studio that had managed in earlier years to stand entirely on its own feet, joined the queue at the NFFC for assistance on certain films.

The Corporation considers that "the saving in cost has not been achieved at the expense of quality." But success at the box-office demands an intangible blend of qualities that few in the industry would care to define, and it cannot yet be said that a sufficient proportion of British films have it. In recent years the British exhibitor, whatever his regard for the native product, has still been incurring a larger risk by exhibiting a British film than by showing an American. In 1949-50 and 1950-51 many exhibitors were unwilling to take that risk as often as the law demanded. During 1949-50 the quota of British films they were called upon to show was quite certainly too high, but in 1950-51 nearly 800 exhibitors failed to fulfil even the reduced quota—30 per cent of the films shown—that has operated since 1950. None have yet been prosecuted. Much political play has been made with this figure in recent weeks; spokesmen of the film workers have pointed out that members of the Films Council, which advises whether quota defaulters should be prosecuted, include directors of companies some of whose own cinemas failed to fulfil the quota in the years concerned. The innuendo is neat but not really very effective; it might be hard to find major

I used to be the office typist

. . I'm the OFFICE TYPE COMPOSITOR!

You could call me a 'one-girl department,' really. With my electric Varityper I produce master copies of all my firm's stationery—from routine forms and circulars to the latest issue of our monthly catalogue. I prepare the 'galleys' of the house magazine, and set the type for our advertising literature. I can change my style of type in literally two seconds, and line spacing, leading, column width and margin justification are all automatically controlled.

My finished copy is the reproduction copy, ready for printing by direct plate, photo-offset or stencil methods.

My Boss says—"Printing is the life blood of our business. We don't cut down on its supply*—we cut down on its cost with the Varityper."*

But that's only half the story. I'd like to tell you more about my Varityper and the work we do. Then you'll realise why so many 'one-girl' departments like mine are being set up in businesses large and small throughout the country.

Drop me a line or ring me at

VARITYPER DISTRIBUTORS (Gt. BRITAIN) LTD.,
ALDWYCH HOUSE, LONDON, W.C.2. TEL. HOLBORN 2014.

Vari-Typer

THE OFFICE COMPOSING MACHINE

WITH 45% FEWER NEW CARS AVAILABLE
More and More Motorists are turning to

HENLYS SMALL MILEAGE CARS
on 7 Days' Free Trial

In 1951, 60% more motorists bought a used car from Henlys—because they know it is the best alternative to a new car. Incomparable selection, all guaranteed for 6 months and available on 7 days' free trial. Deferred terms available. Here are some examples:—

'50 ARMSTRONG Lanc. Saloon £1625	'50 ROVER 75—P.4 Sal. £1995
'50 ARMSTRONG Whit. Saloon 1695	'50 TRIUMPH Mayflower Saloon 1075
'50 AUSTIN A.40 Saloon 1095	'50 TRIUMPH Renown Saloon 1375
'50 AUSTIN A.90 Atlantic Saloon 1295	'50 LAND ROVER 675
'50 FORD Pilot Saloon ... 1045	'49 ARMSTRONG Lancaster 1275
'50 FORD Prefect Saloon 895	'49 AUSTIN A.40 Saloon 945
'50 HILLMAN Minx Sal. 1045	'49 JAGUAR 3½ Mk.V Sal. 1775
'50 HUMBER S/Snipe Sal. 1775	'49 JAGUAR 3½ Saloon... 1325
'50 JAGUAR 3½ Mk.V Sal. 1995	'49 MORRIS Oxford Sal. 995
'50 JAGUAR XK 120 Spts. 2195	'49 ROVER 60 Saloon ... 1425
'50 MORRIS Minor Tourer 845	'49 STANDARD Van. Sal. 925
'50 RILEY 2½ Saloon 1795	'48 AUSTIN 16 Saloon ... 895

Also
1948, 1949, 1950 and 1951 BENTLEY Saloons.

In addition we have a large selection of Used Commercial Vehicles

HENLYS
England's Leading Motor Agents

Head Office: Henly House, 385 Euston Rd., N.W.1. (EUS 4444)
Devonshire House, Piccadilly, W.1 (GRO 2287)
and at 1-5 Peter St., Manchester . The Square, Bournemouth
Cheltenham Rd., Bristol . A. Mulliner, Bridge St., Northampton
182 London Rd., Camberley . 30 *Branches throughout the Country*

Decisive stroke solves knotty problem
In Gordian Knots or Heavy Duty Cooking

ZEUS had spoken. The oracle was quite definite. Whoever could undo the knot that bound King Gordius's chariot-pole on to its yoke, would be the master of all Asia.

Alexander (whom some talk of) had ambitions that way — but the knot was a really knotty problem. So he smartly drew his sword and slashed the Gordian knot through. In the ancient world, this was good evidence that Alexander must be irresistible.

Time and again, he who hesitates is lost. For instance, if you order Falkirk Cooking Equipment *now*, then you will get it now — and at the very reasonable *current price*. Just think what a decisive stroke that would be for your budget!

Decisive Facts about Falkirk

- Equipment for Gas, Electricity, Oil, Steam and Solid Fuel
- Really tough cast-iron construction—will last for years
- Efficient modern equipment means less work for small staffs
- No weak links, a complete and balanced range of equipment
- Specially designed installation and plans for each customer
- Price most competitive
- If you need new kitchen equipment, *now* is the time to buy

Find out NOW *about*
FALKIRK
HEAVY DUTY
COOKING EQUIPMENT
for Hotels, Restaurants and Canteens

Please write for illustrated leaflet to
The Falkirk Iron Co. Ltd., Falkirk, Scotland
or 37/41 Mortimer St., London, W.1
or 40 Hanover Street, Leeds, 3
or 18 Leigh Street, Liverpool, 1
(*Proprietors: Allied Ironfounders Ltd*)

WINDOW

ON THE FUTURE

A great new oil refinery with a projected capacity of 4,000,000 tons a year is being erected by Anglo-Iranian on the coast of Kent, at a cost of some £40,000,000. By 1953 the Company's four home refineries will have a total output of 10,500,000 tons—the largest contribution to the country's planned refining capacity of 26,000,000 tons.

In many other countries the refineries operated by Anglo-Iranian and its associated companies are increasingly contributing to the world's supply of petroleum products.

THE BP SHIELD IS THE SYMBOL OF BP THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company

LIMITED

figures in film exhibition who could prove complete fulfilment of the quota, particularly in 1949-50. The trades unions are understandably anxious to assist their members, many of whom have had irregular employment in recent years, while others have drifted out of films. But it is still to be demonstrated that setting the exhibitors a high quota and ordering them by hook or crook to fulfil it would bring about the production of sufficient British films worth making or seeing.

* * *

Best Face on Coal

Coal output so far this year is about 740,000 tons higher than in the same 16 weeks of 1951, but deep-mined output is only about 435,000 tons higher. In a statement "at the end of the coal winter" this week, the National Coal Board has analysed this bare and not too favourable comparison a little further, with rather more reassuring results. The tonnage obtained during the five-day week, it shows, increased by more than a million tons during the four months; but the output from shifts worked on Saturdays fell by 670,000 tons. During the last 34 weeks, which, it now seems to be implied, constitutes "the coal winter" output from the mines rose by some 3,200,000 tons over the figure for the 1950-51 winter, about 2,000,000 tons of the increase being won in the normal week's working and the remainder on Saturdays. This improvement in the five-day week, which seems to have been general in all areas except Durham and Scotland, is an important and encouraging trend, since this is the only output that can be counted as permanent, for the miners will not work on Saturdays for ever. Nevertheless, the figures illustrate what Sir Hubert Houldsworth said at the beginning of this (calendar) year—that with the main increase from Saturday working now spent, output from the mines cannot be expected to rise this year by anything like the 7 million ton increase achieved last year.

The industry has now 713,600 men on colliery books, more than at any time since September, 1949, and the steady increase in manpower should contribute some increase in coal output later this year. But the main increase is in juvenile recruiting; though this is what the industry needs in the long run, the youths cannot contribute to productive output for at least six months. The same applies to untrained men entering the mines. The effect of training these young and older newcomers will probably be a temporary fall in output per manshift: apart from the fact that new face-workers take time to increase their pace of coal-getting, some experienced men will be taken from production to develop new faces.

Coal stocks at the end of the winter appear to be about 13 million tons, 3½ million tons higher than at the same time last year. Good weather and industrial recession have combined to reduce inland consumption this winter, and it has probably been less than in 1950-51; this is the real reason why there are hopes of "no coal crisis next winter." But if industrial production is to rise this year, home consumption of coal must be expected to rise as well. So far this year the Coal Board has managed to export 2,800,000 tons, compared with only 1,600,000 tons in the same period of 1951. This suggests that in practice it may better the Government's undertaking to increase coal exports this year by two million tons; any further increase will certainly assist Britain's bargaining capacity in world trade.

* * *

Exports Still Rising

To judge from the official figures, the export drive is keeping up its momentum. Exports in the first quarter of this year reached £718 million and were £138 million or 24 per cent above the figure for the corresponding period of last year. On the face of it, this rise is impressive, but there

are two reasons for caution. First, the import cuts imposed by many of this country's biggest markets have still not had any effect on the export figures; and secondly, the first quarter's exports in 1951, on which the comparison above is based, were far below the level for the remainder of the year. If the current level of exports can be maintained, the total for 1952 would be some £170 million above last year's figures, but it remains a big "if."

Machinery exports in the first quarter of 1952 have shown the biggest increase on the year; they amounted to nearly £113 million and were £34 million larger than in the first quarter of 1951. The value of exports to Australia—Britain's largest market for machinery—was doubled at £18 million. In part, this must presumably reflect hasty shipments to avoid the Australian import cuts. Vehicles remained the largest single group of exports and at £139 million were £33½ million more than in the corresponding period of last year. Australia and New Zealand were still the two largest

UNITED KINGDOM EXPORTS

	Three Months ended March 31,		
	1950	1951	1952
	£'000's	£'000's	£'000's
Food, drink and tobacco	31,903	37,478	43,434
Raw materials	29,382	23,940	28,029
of which :—			
Coal	15,904	5,481	10,848
Raw wool	6,691	10,270	7,788
Manufactures	444,195	506,555	635,023
of which :—			
Pottery, etc.	12,767	13,481	20,861
Iron and steel manufactures	36,956	37,342	47,676
Non-ferrous metals and manufactures	15,915	21,214	22,517
Electrical goods	20,263	20,018	30,173
Machinery	80,278	78,545	112,888
Cotton manufactures	37,796	46,806	49,842
Wool manufactures	31,526	46,786	33,995
Chemicals, etc.	23,068	30,017	40,542
Vehicles	99,551	105,349	138,902
Parcel post, etc.	10,556	12,291	11,939
Total	**516,037**	**580,263**	**718,425**

markets and shipments to them were larger than twelve months ago; exports to Canada on the other hand were down, though there are signs that this market is recovering once more. Other metal-using industries (principally iron and steel manufactures and electrical goods) and the chemical and drugs industries also increased their exports. Among the smaller consumer goods, domestic pottery exports continued to rise partly because of abnormally heavy shipments to Australia. Textiles provided a sharp contrast to the general expansion; wool manufactures alone fell by nearly £13 million to £34 million, but this decline was to some extent offset by rises in other textiles, notably cotton goods.

Re-exports during the first quarter of this year were much larger than in the first quarter of last year. They amounted to £55 million compared with £33½ million in the first quarter of 1951, and this increase was almost entirely due to rubber and tin. More than 70,000 tons of rubber were re-exported compared with 7,500 tons in the same period last year; 43,000 tons went to Soviet Russia, and 22,450 tons to the United States (valued at over £7 million). In March there were also very heavy shipments of tin to the United States; £4 million worth of Malayan tin (probably about 4,000 tons) were re-exported together with 1,925 tons of tin refined in this country valued at £1,925,000. These commodity transactions are converting physical stocks into a welcome addition to the country's dollar reserves.

* * *

Bigger Imports

The import side of the trade picture shows a much less cheerful prospect. For the first quarter of this year imports were £984 million compared with £851 million for the same period last year. Over the whole of 1952, Mr Butler hopes

to save about £300 million on the import bill; if he is to succeed, imports for the remainder of the year will have to be about £150 million a quarter below last year's level—and so far there is little sign of any fall in import prices to ease the burden. Admittedly, the latest quarterly total is lower than that of the last three quarters of last year, but imports are normally smaller at the beginning of the year.

Larger supplies of industrial raw materials and machinery account for about 40 per cent of the increase in total imports. Many raw materials, for instance lead and zinc, are now being imported under contracts placed during the height of the materials shortage last year. Non-ferrous metals imports increased from £31½ million a year ago to £53½ million in the first quarter of 1952. Imports of iron and steel manufactures, principally from Belgium and the United States, rose from £6¾ million to £24 million over the same period. The increase in machinery imports from £10 million to £27 million was almost entirely concentrated on machine tools—largely for the rearmament drive. Food, drink and tobacco imports at £339 million were £54 million larger than for the same quarter a year ago, but most of this increase is probably due to higher prices. For instance maize cost £25 million—more than twice the total for the first quarter of 1951—but the tonnage received only increased from 8,300,000 cwt. to 13,000,000 cwt. Grain supplies as a whole cost £26 million more than a year ago and included more wheat from Canada and substantial shipments of wheat and maize from Soviet Russia and the satellite countries. The other major items in the increased food bill were tea, raw cocoa and sugar.

The terms of trade continue to move in this country's favour, but the movement is still very slow, and it depends entirely upon the increase in the price of exports. Import prices have remained completely steady for the last four months—the rise in food prices in March being offset by a fall in raw materials prices. The export price index has increased by one point a month this year. The fall in export prices of textiles has continued and there was a further sharp drop between February and March; but prices of metals, engineering and other manufactures more than made good this fall.

* * *

Co-operation in Raw Materials

The first task of the International Materials Conference in Washington has been completed. Within a signally short time its various committees had assessed the supply and demand of the materials within the purview of the conference and had introduced allocation schemes for eight of them. The IMC was perhaps fortunate to start after the general level of commodity prices had reached its peak and when the scramble for all commodities had become a scramble for one or two metals. Some consuming countries then began to wonder whether booming prices and shortages might give way to freer supplies and more reasonable markets. In this atmosphere, caution was beginning to temper the feverish need to amass supplies. To say that this changed atmosphere helped the IMC is not to belittle its achievements; the IMC would be justified if only because it taught the world that international co-operation does not involve a grandiose institution or large secretariat. Co-operation depends on the will to work together, not on legal instruments of association. Undoubtedly the IMC was given a good start by the readiness of the United States to hand over its export allocations of sulphur to the conference and even to accept the recommendation that total exports for a particular quarter ought to be larger than the quantity that the United States was at first ready to provide.

The immediate task of the IMC was to share out supplies of those materials that were inadequate to meet the full or reputed requirements of the free world. This task was carried out first by allocating supplies for the rearmament programmes, for stockpiling and for essential civilian needs, and

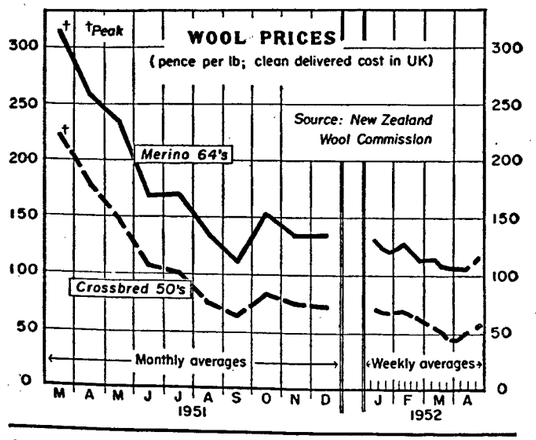
then by distributing the remainder proportionately among all consuming countries of the free world, whether members of the IMC or not. A description of the setting up of the conference, its membership and method of working is given in its first annual report* published this week. The report also contains statistics of production, consumption and trade of the various commodities covered by the conference, many of them new. These tables will be reprinted in the *Records and Statistics* supplement.

The conference's next task is to study longer term problems that may well test the will of member countries to continue to work closely together. The IMC expects to continue allocating copper, tungsten, molybdenum, nickel, cobalt and sulphur during the current year ; it expects to drop the allocation schemes for zinc and newsprint. But its study of various projects to increase production of scarce materials is bound to raise the question of some form of price stabilisation. It can hardly encourage producers to expand output unless it gives some guarantee that the extra output will be needed for current consumption and, further, that the large stockpiles built up during recent years will not eventually be used to force down prices.

* * *

Wool Prices Recover

During the past week wool prices have risen quite sharply by 10 to 12½ per cent. The price of merino wool had fallen almost continuously, though not drastically, from January until the middle of April ; during these three months merino 64's dropped from 131d. a lb to 105d. Last week they jumped to 116d. and recovery has continued on a more modest scale this week. Prices for crossbred wools have followed a very similar trend ; they fell particularly sharply between the middle of February and the beginning of



April, but they recovered before merinos. At the beginning of January crossbred 50's stood at 70d. a lb ; in mid-February they were 68d. and in the first week of April 44d. By last week they had risen to 57d. a lb.

This change in the raw wool market has not been accompanied by any marked increase in retail sales of wool textiles, though sales during the past few weeks have shown some improvement. But it suggests that the fall in world consumption of wool has been arrested. By the last quarter of 1951, indeed, consumption of wool in France, Italy and Germany had begun to revive and in recent weeks Bradford has shown a much more optimistic tone. There is no risk of another wool boom, for, as a note on page 250 of last week's issue pointed out, world output this season may be some 250 million lb larger than the current rate of consumption, and large stocks of unsold wool are held by both Argentina and Uruguay. Admittedly manufacturers' stocks are still low and some wool has to go into strategic stockpiles, for which Britain itself is buying 50 million lb. Despite the present uncertainty about retail sales, 105d. a lb for merino wool may well be sufficiently low to entice manufacturers to buy. On the other hand recent experience has shown that a rise to much above 135d. a lb tends to discourage re-stocking.

* Report on Operations of the International Materials Conference 1951/52.

* * *

The Prudential in 1951

The substantial depreciation of stock exchange securities that all insurance companies had to face last year makes the 1951 accounts of the Prudential of special interest. The statutory certificate that the value of the assets is "in the aggregate fully of the value shown in the balance sheet" is given this time, unlike previous years, after taking into account the branch contingency funds ; since the branch contingency funds at the end of 1951 amounted to £16¼ million and total assets to £645½ million, this suggests that the cushion remaining against further depreciation after December 31, 1951, was less than 2½ per cent of total assets. It should be noted, however, that the actuarial valuation of liabilities has been maintained on the stringent basis adopted in recent years ; it is still assumed that only 2 per cent and 2½ per cent net will be earned in the ordinary and industrial life branches respectively, despite the sharp rise in the rate of interest last year. When this cautious valuation is taken into account, it is clear that the Prudential has come through a difficult year comfortably. Total assets rose last year by a further £37.3 million ; the new money was chiefly invested in mortgages (£5.5 million), debentures (£12.9 million) and property (£5.8 million). British Government securities now account for 45 per cent of total assets compared with 47.4 per cent in 1950 and 49.8 in 1949. The continued movement out of gilt-edged into mortgages and debentures is in line with the general trend of life office investments.

New business in both the ordinary and industrial life branches was broadly in line with the experience of other offices. The new ordinary sums assured rose from £94.4 million to £107.6 million, and those in the industrial branch from £74.3 million to £77.9 million. Once again over one-third of the new business in the ordinary branch was transacted overseas (£39.4 million compared with £32.1 million in 1950). Premium income in the general branch (fire, accident and marine insurance) rose by £1,300,000 to £9,577,000, of which over £4,900,000 was in overseas business ; the premium income of the American subsidiary, which is not included in the consolidated accounts, rose by nearly £500,000 to £1,468,000. However, fire underwriting profits and accident profits were both slightly lower than in 1950—a loss of £34,637 was incurred on motor insurance business.

The dividend on the "A" shares for 1951 is 20s. per share net, rather more than the 19s. 6d. per share net forecast when the new articles were adopted earlier this year. It will be remembered that these new articles laid down that a minimum of 90 per cent of the surplus in the ordinary and industrial branches should be allocated to policy holders. The allocation has been made at this minimum rate and is expected to remain at it for some time ; reversionary bonuses in the ordinary branch for 1951 are thus at the rate of 30s. per cent of the sum assured, compared with 28s. for 1950 and 26s. for 1949, while in the industrial branch they are at 26s. per cent, compared with 24s. and 22s. in the two preceding years.

* * *

Free Gold Boomerang

The free market price for gold in terms of United States dollars has weakened further this week and has now broken

through the $37 line. Towards the close of the week the quotation in the most important continental markets was $36⅞-$37⅛. The softness of this price is the combined result of a rapidly dwindling demand for hoarding purposes, especially in the French market which in recent months had provided the main single source of support, and of steadily expanding offers of newly mined gold coming to the premium market. West Africa has now followed Rhodesia in lifting restrictions on sales in this market. Last November, following the new dispensation of the International Monetary Fund on sales of gold at a premium, the producers on the Gold Coast were given permission to sell up to 40 per cent of their output in the free market provided such sales were made against US dollars ; the balance of 60 per cent or over was sold to the United Kingdom Treasury at the official price of 248s. per ounce. From now on West African producers will be free to sell the whole of their output on the premium market, if they deem it profitable to do so. At the present free market price this margin of profitability is becoming decidedly tenuous.

In selling gold on the premium market, certain formalities have to be honoured. Affidavits purporting to show that the gold is required for industrial purposes must be obtained or the gold in question must be fabricated. In either case an expense is incurred that must bite deeply into the existing premium of $1⅛ per ounce that the seller can secure. But the flow of gold to the free market continues, as is made clear by the behaviour of the free market price. Thus the flow of gold going to monetary channels is correspondingly reduced. For the United Kingdom gold and dollar reserve this is a double blow. Much of the gold which was automatically forthcoming under agreements with the authorities in the producing countries—Australia, Rhodesia and West Africa—is no longer arriving. At the same time the dollars paid out for gold sold to hoarders in the sterling area (mainly in India, Pakistan and Ceylon) are dollars that have escaped the net of exchange control and that after being converted into gold are finally lost to the dollar reserves of the sterling area. The International Monetary Fund, for its part, must be looking back with some satisfaction on its abandonment last October of the fight against the premium market. By giving the producing countries the freedom for which they clamoured it has gone a long way towards destroying what they wanted to get and what it wished to abolish. Gold producers can ruefully reflect that there has seldom been a clearer illustration of the dangers—and the potency—of a boomerang.

* * *

Outlook for International Nickel

International Nickel celebrated its half centenary in 1951 by setting up new records in production, in profits, in dividend payments—almost everywhere, in fact, except in nickel deliveries ; deliveries, at just under 244 million lb were 12½ million lb less than in 1950 when the company had been able to draw down inflated stocks. But 1951 proved to be a year not only of records but also of radical changes in methods of production and in patterns of demand. The conversion from surface to underground mining is taking place at a time when rearmament, which since the middle of last year has pre-empted "somewhat less than one half" of the company's nickel supplies to the United States for direct defence or atomic energy requirements, has disturbed the normal ratio of distribution between primary nickel and nickel in other forms. United States Government controls have led to a reduction in the consumption of primary nickel in engineering alloy steels, while the demand for high temperature nickel alloys—particularly from the aircraft industry—has been growing.

In his address to shareholders the chairman, Dr John F. Thompson, indicates some concern about the size and shape

THE BRITISH EMPIRE TRUST COMPANY, LIMITED

Incorporated 30th April, 1902

SECRETARIES - TRUSTEES - REGISTRARS

TRANSFER AGENTS

INDUSTRIAL FINANCING

Capital £845,438
Reserves 773,759
£1,619,197

On the completion of fifty years service in the financing of Empire development we send greetings to our friends at home, in Canada and elsewhere. At the commencement of our second half century we look forward with every confidence in the future of the Commonwealth and Empire and with every intention of participating in the development of their resources.

52-60 Bishopsgate in the City of London

of the market for nickel when defence orders wane. He estimates that when the development programmes to increase production in Canada, Cuba, and elsewhere mature, annual world production of nickel—outside Russia where production is of the order of 50 million lb a year—will be roughly 375 million lb, an increase of more than 150 million lb above annual production before the war. At the moment Canadian production is rather more than 275 million lb a year, of which over 90 per cent comes from International Nickel.

* * *

Flying Tourists

At one minute past midnight on May 1st, a BOAC Constellation took off from London Airport on the first air tourist flight from this country. Last December the airlines operating the North Atlantic route finally reached agreement on the rates and conditions covering these flights. The fares show a reduction of 30 to 40 per cent on the standard rates, and the operating economies which make the low fares possible are being achieved by carrying more passengers per aircraft (with more frequent re-fuelling stops), by reducing the free baggage allowance and by charging for meals.

The idea behind these cheap flights was to broaden the basis of air travel by bringing it within the reach of those who could not afford the standard fares for what is coming to be known as the first class service. The standard return ticket to New York costs £254, the tourist flight under conditions of less luxury, £173 13s. It was first intended to operate these flights for a trial period of six months, limiting their frequency to four a week per operator; in the final agreement any restriction on frequency was dropped. This led to doubts about whether the traffic would be forthcoming to fill the extra number of seats offered without at the same time doing serious damage to the first class service. BOAC is using five Constellations for its tourist services, carrying up to 68 passengers. By June, these will be operating eight round trips a week, two of them between London and Montreal, the rest to New York. These services could carry more than 540 passengers a week. By running daily tourist flights between London and New York using DC6Bs capable of carrying 80 passengers, Pan-American will add another 560 seats a week.

The weight of advance bookings suggest that these original doubts were groundless. By the beginning of April, BOAC had taken 17,000 advance tourist bookings for the summer season May to September, apparently at no cost to first class bookings. Pan-American is already over-booked on the flights from America to Europe, but less heavily the other way. This company expects to carry between 25,000 and 30,000 air tourists during the summer, again without any noticeable effect on its first class traffic. Even the optimists have been surprised at these figures; perhaps there is a lesson in them for other forms of transport.

Shorter Notes

Lord Radcliffe, a Lord of Appeal in Ordinary, has been appointed chairman of the Royal Commission on Taxation of Profits and Income. There have been no public sittings of the commission since November, but it is expected that they will be resumed in a few weeks' time.

*

The Governor of the Bank of Japan and the Japanese Finance Minister are now seeking to formulate some "flexible principles" as a basis for negotiation on the problems of the prewar bonded debt, the postwar debt to the United States and reparations. A Japanese spokesman has declared, however, that it would be impracticable to suppose that negotiations can start before the German debt negotiations re-open on May 19th.

*

The first fall in American base metal prices since the start of the Korean boom occurred this week when the price of lead on the New York market fell from 19 cents a lb (£152 a ton) to 18 cents (£144 a ton). The Ministry of Materials accordingly reduced its selling price for lead by £8 a ton to £155. This is the fourth reduction in the British price since it reached a peak of £180 a ton in the middle of last year.

*

Another sign of the opening up of western Canada as a major oil producing area is contained in the news that Hudson's Bay has extended for another 34 years its agreement with Hudson's Bay Oil and Gas for the exploration and development of all Hudson's Bay's oil and gas rights acreage. In return Hudson's Bay will receive another one twelfth interest in the oil and gas undertaking and an increase in the rate of royalty, so that Hudson's Bay will now own 25 per cent and the Continental Oil Company of Delaware 75 per cent of the interest in the oil and gas company.

*

Although the official EPU figures for April are not due to be revealed until the week after next, it is already known that France's trade balance with Europe improved further during the month; for the first time in a year France is believed to have balanced its trade with Western Germany.

*

India's trade deficit in the financial year to March 31st last amounted to £117 million, excluding the deficit on land trade with Pakistan. The economic pressure towards further cuts in imports of manufactured goods is being strengthened by mounting complaints against foreign competition by domestic producers, who are caught in the vice of a buyers' market.

Company Notes

De Havilland.—With £85 million of orders on hand, de Havilland's main problem this year may be that of finding the finance to gear up production sufficiently to meet the booming demands of rearmament and the export trade. This problem of finance had already cast its shadow across the balance sheet made up on September 30th last. The issue of 1,644,547 new £1 ordinary shares at par (which ranked for a quarter—that is, 1⅞ per cent—of last year's distribution of 7½ per cent) enabled the company to reduce its bank loans from £2,091,911 to £430,964; at the same time, however, cash balances were drawn down from £1,080,805 to £484,951, and the growth in production led to an increase in the value of stocks and work in progress, after the deduction of progress payments, from £9,360,956 to £12,592,224. As the peak of production still lies ahead, investment in working capital is sure to increase in the months to come, and this, in the chairman's words, "will be bound to involve the company in substantial temporary borrowings." Progress payments and deposits by customers, which totalled £4,289,769 at the end of the financial year, will lead to only a slight easing of the strain.

	Years to Sept. 30, 1950	1951
Consolidated earnings :—	£	£
Trading profit	1,601,612	2,297,293
Total income	1,769,843	2,592,348
Depreciation	512,306	548,515
Taxation	618,024	1,117,170
Group earnings for ordinary stock.	*373,585*	*546,768*
Ordinary dividends	100,500	*124,112
Ordinary dividends (per cent)	10	7½
Retained by subsidiaries	178,094	324,019
General reserve	100,000	200,000
Added to carry forward	27,989	29,921
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	2,011,343	2,059,279
Net current assets	4,679,629	7,111,529
Stocks	9,360,956	12,592,224
Cash	1,080,805	484,951
Bank loans	2,091,911	430,964
Customers' deposits	3,170,197	4,289,769
Reserves	3,906,197	3,810,742
Ordinary capital	1,827,275	4,385,459

£1 ordinary stock at 27s. 6d.xd. yields £5 9s. per cent.
* 7½% on £2,740,912 ordinary stock and 1⅞% on £1,644,547 new ordinary stock.

Taxation, which gives no relief for the high costs of replacement, makes the financial problem more difficult to solve, and the company will have to bear the additional burden of EPL, which in de Havilland's case is more a tax on enterprise than on the fortuitous increase in profits arising from rearmament. Increased costs and taxes may well prevent the increase in output from being reflected in equity distribution. Last year's advance in group trading profits, from £1,601,612 to £2,297,293, encouraged the directors to increase the distribution slightly above the level at which it has been maintained for some years past. The new dividend of 7½ per cent on the rearranged capital represents a small increase over the previous dividend of 10 per cent on the old capital; the latter is equivalent to 6¾ per cent on the capital as increased by the one for two scrip bonus. The directors' traditional conservatism and the company's financing problems suggest, however, that this 7½ per cent dividend may be all that shareholders can reasonably expect this year—in spite of the company's full order book.

*

Leyland Motors.—The absorption of Albion Motors into the Leyland group has been greeted, rather surprisingly, by what is in effect a cut in Leyland's ordinary distribution. The ordinary dividend has been maintained at 25 per cent, but in 1950 shareholders also received a tax free bonus of 2½ per cent from a surplus arising from the sale of fixed assets. No such payment has been made for 1951 and the balance of £324,042 arising from the surplus has been transferred to a reserve for the replacement of fixed assets. Shareholders will remember that when the tax free bonus was reduced from 5 to 2½ per cent in 1950 the ordinary dividend was raised from 20 to 25 per cent, and they may well wonder why similar compensation was not given last year. The fall in trading profits cannot be regarded as a complete answer to this puzzle, for it has been accompanied by an increase in freely distributable earnings. The decline in profits has been more severe in the parent company's accounts (where trading profits have fallen from £2,081,260 to £1,693,484) than in the group accounts, where profits, which have fallen from £2,178,360 to £2,026,907, have been swollen by two months' earnings by Albion Motors. The increase in distributable earnings arises from the directors' decision to transfer £500,000 to a general reserve, whereas a year ago they appropriated

	Years to Sept. 30, 1950	1951
Consolidated earnings :—	£	£
Trading profit	2,178,360	2,026,907
Total income	2,187,686	2,349,114
Depreciation	299,596	357,344
Taxation	1,008,477	1,014,885
Group earnings for ordinary stock.	*193,681*	*533,917*
Ordinary dividends	185,625	189,733
Ordinary dividends (per cent)	25*	25
Replacement reserve	500,000	...
General reserve	...	500,000
Added to group carry froward	8,056	138,295
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	2,449,883	3,260,612
Net current assets	6,793,081	9,550,240
Stocks	7,121,823	10,674,905
Cash	1,155,088	1,288,991
Reserves	6,220,137	8,994,289
Ordinary capital	1,350,000	1,827,920

£1 ordinary stock at 85s. yields £5 18s. per cent.
* Excludes 2½% tax free bonus from surplus realised on sale of fixed assets.

a similar sum to a capital—and therefore non-distributable—reserve for the replacement of fixed assets.

It is obvious from Mr C. B. Nixon's review, however, that Leyland Motors faced considerable difficulties of supply last year, and that it expects even graver difficulties of demand this year. The output of vehicles fell by 6 per cent, owing to a serious shortage of materials last year, although the value of turnover increased by 7½ per cent. Costs, particularly wages, seem to have risen steeply last year and the company was forced to increase selling prices last July and then again—after the end of the financial year—in February this year. At present the problem of steel supplies persists; when that is resolved, as it might well be by the end of the year, there may be the problem of contracting markets. Mr Nixon points out that overseas markets are rapidly becoming "more difficult and risky" and that in Leyland's trade in commercial vehicles the home and the export markets are two distinct entities; models designed for one market cannot be automatically switched to the other "as complete units or even as semi-manufactured material." Moreover, any further increases in selling prices to offset the rise in costs would raise prices "to such a level as would exclude the company from most export markets and constitute a most serious sales resistance at home." The increasing tempo of rearmament, the growth of production generally, and the denationalisation of road transport may ultimately increase the demand for commercial vehicles, but clearly shareholders' hopes this year should not be directed towards anything better than maintenance of the dividend of 25 per cent.

*

Elder Dempster.—Towards the end of last year Elder Dempster was chiefly concerned with laying in cash for the recent purchase of British and Burmese Steam Navigation. By December 31st it had realised almost the whole of its holdings of quoted investments, whose book value fell from £3,745,598 to £171,570 in the year, and had augmented its cash balances from £3,083,663 to £6,134,811. Further finance for the purchase had to be found from outside the group's own resources, and £1,030,723 was therefore raised by the issue of 687,149 new £1 ordinary shares at 30s. The company's ability to finance the purchase largely from its own resources was due to persistent ploughing back of profits in the past, as last year's increase in capital reserves from £10,739,355 to £11,805,877 bears creditable witness.

The acquisition of British and Burmese Steam Navigation is perhaps a suitable climax to Elder Dempster's efforts to rehabilitate its fleet after the ravages of the war years. Further additions, notably the 14,000 gross ton motor vessel "Aureol," were made to the fleet last year and more are to come. At the end of the year the net book value of the fleet had risen from £7,392,878 to £9,525,417 and the group were committed to spend another £3,150,000 on new tonnage. Moreover, British and Burmese Steam Navigation has five "K" class cargo ships on order, the first of which will be delivered in September. The chairman, Mr. A. C. Tod, once more draws attention to the slow turn round at the docks, both at home and overseas. These delays are expensive; Elder Dempster's cargo ships are now taking 25 per cent longer on each trip than they did in prewar years, which means that the company is losing the equivalent of 30 round voyages a year. Last year's profits were discussed in a note in these columns on April 12th and the full accounts strengthen the impression given by the preliminary statement that the company should have no difficulty in redeeming its promise to maintain a dividend of 15 per cent on the new ordinary capital of £3,435,745.

Union Castle, which, like Elder Dempster, derives much of its earnings from the African run is raising its dividend from 10 to 12½ per cent, reflecting an increase in its profits from £1,578,641 to £1,783,039; this is to be followed by a 100 per cent ordinary scrip bonus. The increase in the dividend is smaller than some market quarters had expected, and Union Castle shares opened weakly on Wednesday, though they recovered later when the implications of the scrip bonus had been weighed.

	Years to Dec. 31, 1950	1951
Consolidated Earnings :—	£	£
Operating profit	2,330,938	2,642,316
Total income	2,486,317	2,826,470
Depreciation	514,041	582,782
Taxation	834,817	890,727
Net profit	*1,137,459*	*1,352,961*
Ordinary dividends	226,759	216,452
Ordinary dividends (per cent)	15	15
Reserves	906,385	1,072,867
Added to group carry forward	4,315	*Dr. 1,358*
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	8,039,068	10,243,876
Total current assets	10,484,581	11,111,975
Debtors	1,351,019	2,920,790
Quoted investments	3,745,598	171,570
Cash	3,083,663	6,134,811
Capital reserves	10,739,355	11,805,877
Ordinary capital	2,748,598	2,748,596

£1 ordinary stock at 45s. 6d.xd yields £6 12s. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to April 30 High	Low	British Funds and Guaranteed Stocks	Price, April 23, 1952	Price, April 30, 1952	Gross Yield, April 30, 1952 £ s. d.	
100⅝	99	War Bonds 2½% Mar. 1, 1951-53	99⅝	99⅝	...	*e*
					2 19	1*l*
100⅜	97⅛	War Bonds 2½% Mar. 1, 1952-54	98⅛	98⅛	...	*e*
					3 5	5*l*
99⅞	96⅛	Exch. Stk. 2½% Feb. 15, 1955	97⅛	97⅜	3 3	5
100⅛	99	Serial Fundg. 1⅞% Nov. 14, 1952	99⅛	99⅛	2 14	10
100⅛	97⅝	Serial Fundg. 1⅞% Nov. 14, 1953	98⅛	98⅜	2 14	2
99⅞	96	Serial Fundg. 1⅞% Nov. 14, 1954	97⅛	97⅛	2 18	8
99⅝	96	War Bonds 2½% Aug. 15, 1954-56	97⅜	97⅝	3 11	9*e*
					3 1	11*l*
100⅛	97⅛	Funding 2½% June 15, 1952-57	98⅞	98⅞	...	*e*
					3 4	9*l*
100⅛	97⅜	Nat. Defence 3% July 15, 1954-58	99⅛	99⅜	3 14	5*e*
					3 5	5*l*
100⅞	96⅞	War Loan 3% Oct. 15, 1955-59	98⅛	98⅜	3 10	11*e*
					3 5	4*l*
91⅝	89⅛	Savings Bonds 3% Aug. 15, 1955-65	91⅜	91⅜	6 3	10*e*
					3 18	0*l*
94	89⅛	Funding 2½% Apr. 15, 1956-61	92⅛	92⅞	4 10	4*e*
					3 8	11*l*
87⅛	83⅛	Funding 3% Apr. 15, 1959-69	85⅛	85⅜	5 11	10*e*
					4 4	7*l*
88	84⅞	Funding 3% Aug. 1, 1966-68	86⅛	86⅜	4 6	9*e*
					4 4	2*l*
99⅛	95⅛	Funding 4% May 1, 1960-90	87*	97⅛	4 8	7*e*
					4 3	0*l*
87⅛	81⅛	Savings Bonds 3% Sept. 1, 1960-70	84⅛	84⅜	5 7	9*e*
					4 5	1*l*
85⅞	81⅛	Savings Bds. 2½% May 1, 1964-67	83¼*	83⅜	4 5	9*e*
					3 19	8*l*
101⅛	98⅛	Victory Bonds 4% Sept. 1, 1920-76	99	98⅞	4 3	6*s*
84	79⅞	Savings Bonds 3% Aug. 15, 1965-75	82⅛	82⅜	4 17	8*e*
					4 4	10*l*
90⅜	86⅛	Consols 4%	89	88⅞	4 11	0*f*
82⅜	76⅛	Conversion 3½%	79⅛	78⅛	4 9	1*f*
60⅛	55⅛	Treasury Stk. 2½% (after Apr. 1, 1975)	58⅛	58⅜	4 6	0*f*
71⅛	65⅞	Treasury Stk. 3% (after Apr. 5, 1966)	68⅛	68⅜	4 8	0*f*
88⅛	85⅞	Treasury Stk. 3½% June 15, 1977-80	88⅛	88⅛	4 7	5*e*
					4 6	4*l*
78	73⅛	Redemp. Stk. 3% Oct., 1986-96	77⅛	77⅜	4 5	6*e*
					4 2	7*l*
81	76⅛	War Loan 3½%	79⅛	77⅞*	4 10	1*f*
61⅛	57⅛	Consols 2½%	60	60	4 3	7*f*
85⅛	80⅛	Br. Elect. 3% Gtd. Apr. 1, 1968-73	82⅛	83	4 10	8*e*
					4 5	1*l*
84⅛	79⅛	Br. Elect. 3% Gtd. Mar. 15, 1974-77	81⅛	82	4 6	1*e*
					4 3	11*l*
99	98⅛	Br. Elect. 4½% Gtd. Sept. 26, 1974-79	...	98⅛	4 6	10*e*
					4 6	8
90⅛	86⅛	Br. Elect. 3½% Gtd. Nov. 15, 1976-79	87⅛*	87⅛*	4 6	1*e*
					4 5	0*l*
78⅛	74	Br. Tpt. 3% Gtd. July 1, 1978-88	77⅛	77⅛	4 10	11*e*
					4 5	8*l*
85⅛	80⅛	Br. Tpt. 3% Gtd. Apr. 1, 1968-73	82⅞	83	4 10	8*e*
					4 5	1*l*
77⅛	73⅛	Br. Gas Gtd. 3% May 1, 1990-95	76¼*	76⅛	4 5	6*e*
					4 4	1*l*
93⅞	88⅛	Br. Gas Gtd. 3½% Sept. 10, 1969-71	90⅛	90⅛	4 7	2*e*
					4 5	11*l*
89⅜	85	Br. Iron&Steel 3½% Feb. 15, 1979-81	87⅛	87⅛	4 6	7*e*
					4 5	11*l*

(*e*) To earliest date. (*l*) To latest date. (*f*) Flat yield. (*s*) Assumed average life 13 years 0 months. * Ex dividend.

Prices, Year 1952 Jan. 1 to April 30 High	Low	Ordinary Stocks	Price, April 23, 1952	Price, April 30, 1952	Yield, April 30, 1952 £ s. d.	
8⅜	6⅛	Anglo-Am. 10/-	6⅞*	6⅛	4 16	0
6⅛	5⅜	Anglo-Iran £1	5⅛	5⅛	5 2	2
84/-	66/-	Assoc. Elect. £1	68/6	71/6	5 11	11
104/9	91/3	Assoc. P. Cem. £1	100/-	101/3	5 8	8
32/9	26/9	Austin 5/-	28/9	28/9	8 13	10*b*
129/3	112/6	Bass £1	125/-	125/-	6 17	2
23/-	17/-	Boots 5/-	20/-	20/3	4 18	9*a*
30/-	22/-	Br. Celanese 10/-	24/6	25/9	3 9	11
85/9	70/9	Br. Oxygen £1	75/6*	75/6	5 6	0
52/9	41/9	Coats £1	45/7½	45/7½	5 9	7
46/-	35/-	Courtaulds £1	37/6	38/3	5 17	8
20/6	17/-	Distillers 4/-	19/-	18/3	4 18	8
61/3	52/4½	Dunlop £1	56/3	56/3	6 4	6
51/4½	42/9	Ford £1	48/-	48/-	6 5	0
92/3	71/6	Gen. Elect. £1	79/6	80/6	5 11	10
125/3	108/-	Guinness £1	112/6	112/6	4 19	7
36/10½	32/1½	Hawker Sid. £1	35/9	36/6	5 9	7
47/4½	38/7½	Imp. Chem. £1	43/9	43/1½*	6 0	7
95/-	82/9	Imp. Tobacco £1	86/3	83/9	7 12	10
43/1½	30/6	Lancs. Cotton £1	33/9	35/-	8 11	6
58/3	52/3	London Brick £1	55/7½	57/6	6 1	9
89/6	74/3	Marks & Sp. A. 5/-	79/6	79/-	4 14	11
54/-	42/-	P. & O. Def. £1	51/-	49/6*	6 9	4*c*
39/3	31/-	P. Johnson 10/-	36/6	36/6	6 17	0
97/2½	80/7½	"Shell" Stk. £1	93/9	95/-	5 0	4
5⅜	4⅜	Tube Investmt. £1	5⅛	5⅜	4 8	11
89/9	78/-	T. & Newall £1	85/7½	86/10½	4 12	9
49/6	45/10½	Unilever £1	46/10½	46/10½	5 15	2
46/3	39/6	Union Castle £1	45/6	43/6	5 14	11
59/10½	41/3	U. Sua Betong £1	45/7½	42/6	23 10	7
47/7½	42/10½	Vickers £1	45/6	44/3*	5 13	0
44/1½	38/6	Woolworth 5/-	42/9	43/-	4 18	10

(*a*) Yield basis 20% after capital bonus. (*b*) Yield basis 50% before merger. (*c*) Yield basis 16% after capital bonus. * Ex dividend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended April 26, 1952, total ordinary revenue was £67,165,000, against ordinary expenditure of £67,622,000 and issues to sinking funds £230,000. Thus, including sinking fund allocations of £1,331,000 the deficit accrued since April 1, 1952, was £74,907,000 compared with a deficit of £861,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 £'000	April 1, 1951 to Apr. 28, 1951	April 1, 1952 to Apr. 26, 1952	Week ended April 28, 1951	Week ended April 26, 1952
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1804225	86,265	100,278	21,577	21,777
Sur-tax	123,000	11,100	8,900	1,800	1,500
Estate, etc., Duties	175,000	15,200	10,900	3,700	3,300
Stamps	57,500	5,100	3,600	1,500	1,200
Profits Tax & EPT	452,000	24,100	23,100	3,200	3,600
Excess Profits Levy	5,000	...	..	...	...
Special Contribution and Other Inland Revenue	2,000	290	170	70	50
Total Inland Rev.	2618725	142,055	146,948	31,847	31,427
Customs	1043500	72,887	74,129	11,721	20,124
Excise	772,000	47,985	21,540	30,985	11,030
Total Customs and Excise	1815500	120,872	95,669	42,706	31,154
Motor Duties	64,150	3,439	3,527	267	518
Surpl's from Tradg.	12,000	...	...	...	...
P.O. (Net Receipts)	...	200	...	200	...
Broadcast Licences	15,000	1,000	...	1,000	...
Sundry Loans	26,000	76	55	...	...
Miscell. (incl. Surplus War Stores)	110,000	6,375	10,253	154	4,066
Total Ord. Rev.	4661375	274,017	256,452	76,174	67,165
SELF-BALANCING					
Post Office	209,235	13,200	12,400	4,800	4,300
Income Tax on E.P.T. Refunds	4,900	122	520	40	...
Total	4875510	287,339	269,372	81,014	71,465
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	52,463	55,978	1,106	4,071
Payments to N. Ireland	40,000	2,562	2,721	1,281	1,361
Other Cons. Funds	10,000	532	554	53	14
Total	625,000	55,558	59,253	2,440	5,446
Supply Services	3605562	218,840	270,776	48,840	62,176
Total Ord. Expd.	4230562	274,398	330,029	51,280	67,622
Sinking Funds	...	480	1,331	140	230
Total (excl. Self-Bal. Expd.)	4230562	274,878	331,360	51,420	67,852
SELF-BALANCING					
Post Office	209,235	13,200	12,400	4,800	4,300
Income Tax on E.P.T. Refunds	4,900	122	520	40	...
Total	4444697	288,200	344,280	56,260	72,152

After increasing Exchequer balances by £30,850 to £2,995,126 the other operations for the week increased the National Debt by £14,120,528 to £25,640 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	1
Housing (Temp. Accommodation) Acts, 1944 and 1947	100
Local Authorities Loans Act, 1945, s. 3(2)	12,400
Finance Acts, 1946 and 1947: Postwar Credits	303
	13,404

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	24,116	Nat. Savings Certs.	900
		2½% Def. Bonds	745
		3% Def. Bonds	1,177
		2½% Ter. Annuities	1,617
		Tax Reserve Certs.	664
		Other Debt:—	
		Internal	21
		External	32
		Ways and Means Advances	4,840
	24,116		9,996

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951 Apr. 28	3230·0	1789·8	434·3	...	319·5	5773·7
1952 Feb. 2	4248·8*		239·2	...	67·5	4555·5
,, 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·6	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4516·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6
,, 31	4273·1		337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·6	...	...	4632·1
,, 12	2440·0	1600·9	305·3	1·0	...	4347·2
,, 19	2500·0	1579·8	320·7	...	...	4400·5
,, 26	2530·0	1574·0	312·1	3·7	...	4419·8

* The proportion of tender and tap Bills surrendered for 1¾ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Average Rate of Allotment s.	d.	Allotted at Min. Rate %
1951 Apr. 27	230·0	359·0	230·0	10	2·44	48
1952 Jan. 25	170·0	247·2	170·0	19	10·74	55
Feb. 1	170·0	249·8	170·0	19	10·64	52
,, 8	170·0	239·9	170·0	19	7·01	61
,, 15	190·0	264·2	190·0	19	6·76	59
,, 22	200·0	271·1	200·0	19	10·55	58
,, 29	200·0	249·5	200·0	20	6·78	67
Mar. 7	200·0	239·2	200·0	20	7·09	75
,, 14	200·0	250·4	200·0	46	3·64	69
,, 21	200·0	251·9	200·0	46	3·39	68
,, 28	210·0	240·2	210·0	47	3·61	81
Apr. 4	220·0	302·1	210·0	47	3·96	58
,, 10	210·0	297·2	210·0	47	0·14	62
,, 18	200·0	316·6	200·0	47	3·27	45
,, 25	200·0	296·3	200·0	46	4·20	63

On April 25th applications for 91 day bills to be paid from April 28 to May 3, 1952, were accepted dated Monday to Saturday as to about 63 per cent at £99 8s. 2d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £200 million were offered on May 2nd. For the week ended May 3rd the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 3 Weeks ended: April 21, 1951	April 19, 1952	Week ended April 19, 1952
Savings Certificates:—			
Receipts	14,000	6,850	2,000
Repayments	8,700	8,600	2,100
Net Savings	5,300	*Dr1,750*	*Dr 100*
Defence Bonds:—			
Receipts	3,224	2,450	900
Repayments	3,235	4,125	1,195
Net Savings	*Dr 11*	*Dr1,675*	*Dr 295*
P.O. and Trustee Savings Banks:—			
Receipts	43,706	42,392	9,974
Repayments	46,284	41,220	10,588
Net Savings	*Dr2,578*	1,172	*Dr 614*
Total Net Savings	2,711	*Dr2,253*	*Dr1,009*
Interest on certificates repaid	2,088	2,322	567
Interest accrued	7,310	7,367	2,467
Change in total invested	+ 7,933	+ 2,792	+ 891

BANK OF ENGLAND RETURNS

APRIL 30, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1409,981,359	Other Govt. Securities	1435,709,256
In Bankg. Department	40,375,464	Other Secs.	765,593
		Coin (other than gold)	2,510,051
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	274,341,430
Rest	3,271,788	Other Secs.:—	59,199,295
Public Deps.:—	11,221,792	*Discounts and Advances*	*27,430,181*
*Public Accts.**	*10,705,212*	*Securities*	*31,769,115*
H.M. Treas.			
Special Acct.	*516,580*		
Other Deps.:—	346,367,645		
Bankers	*272,950,475*	Notes	40,375,464
Other Accts.	*73,417,170*	Coin	1,498,033
	375,414,225		375,414,225

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 May 2	1952 April 16	1952 April 23	1952 April 30
Issue Dept.:—				
Notes in circulation	1318·6	1418·8	1411·8	1410·0
Notes in banking department	31·7	31·5	38·5	40·4
Government debt and securities*	1345·8	1446·7	1446·7	1446·7
Other securities	0·7	0·7	0·8	0·8
Gold and coin	2·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·9	10·4	10·8	10·7
Treasury Special Account	5·4	0·5	0·5	0·5
Bankers	288·2	284·3	286·1	273·0
Others	91·2	77·3	76·8	73·4
Total	398·7	372·5	374·2	357·6
Securities:—				
Government	348·7	312·2	308·7	274·3
Discounts, etc.	6·6	25·6	21·9	27·4
Other	28·9	19·4	21·4	31·8
Total	384·2	357·2	352·0	333·5
Banking dept. res.	32·3	33·0	40·0	41·9
	%	%	%	%
"Proportion"	8·0	8·8	10·6	11·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
April 24	77·0	88·00	161 10	91 4
,, 25	77·0	88·00	162 8	91 12
,, 26	Markets Closed		165 4	93 0
,, 28	77·0	88·00	167 4	94 4
,, 29	77·0	88·00	170 10	95 8
,, 30	77·0	88·00	169 12	95 2

COMPANY MEETINGS

THE UNITED KINGDOM PROVIDENT INSTITUTION

LIFE ASSURANCE STILL EXPANDING

TODAY'S CHALLENGE TO THE CITY

MR JOHN BENN'S SPEECH

The one hundred and eleventh annual general meeting of The United Kingdom Provident Institution was held at the Incorporated Accountants' Hall, London, W.C.2, on April 30, 1952.

Mr John Benn, the chairman and managing director, in the course of his speech, said:—

The board is gratified to report that the new sums assured have exceeded £7 million for the second time in the history of the Institution. As this fine total comprises individual assurances only, and does not include any group business in which the risk element is greater, the solid character of our progress will be evident. The increase in the fund last year amounted to £1,386,925, while the premium income rose by £163,000 to £2,628,000.

Further progress is also reported by our subsidiary, the United Kingdom Fire and Accident Insurance Company Limited.

NEW TRIENNIUM OPENS WELL

The new triennium has opened well in terms of claims by death, which were again well below expectation in 1951, so continuing the favourable experience of the previous three years. The new rate of interest earned on the fund is also extremely satisfactory, amounting to £5 13s. 6d. per cent gross, or £4 3s. net. Although the rise in the gilt-edge rate has contributed to the improvement of no less than 7s. per cent gross over the 1950 earnings, this improvement is mainly due to the better yields received from our high-class ordinary stocks, which also served to cushion the funds of £34 million, against the general fall in Stock Exchange values. Compared with the position at the end of 1950, our undisclosed reserves against our Stock Exchange securities fell during 1951 by not much more than £250,000, a remarkable proof of the strength of our investments in a period which so fully justified Sam Weller's definition of shares as "things that go up and down in the city."

Expressed as a percentage, the fall in the twelve months represented only one per cent of the market value of these securities at December 31st last, which was again greatly in excess of the balance sheet figure. Thus the funds have been maintained in a year of heavy losses, a tribute to the solid worth and distribution of our investments, including our holdings in real estate.

PUBLICITY FOR THE CITY

At the present time, the British public is confused and divided about economic issues, which call for a wider understanding if we are to avoid violent fluctuations in our national fortunes.

At our meeting two years ago I suggested that the City of London should make its services better known to the public. Since then further payments crises and two general elections have served to underline the gravity of our overseas trading position. Yet the man in the street, whatever his politics, still fails to grasp the fundamental issues, largely because political strife continues to obscure the great danger that faces sterling and hence our daily bread.

There is a new opportunity and a challenge to the City of London, with its unique position in the economic life of the nation and of the world, to render an urgent service by publicising its activities, which so well illustrate the extent of our dependence as an island people on overseas trade.

The issues at stake transcend party differences, yet some of those responsible for the City's business feel that, as their shareholders or members doubtless include those of all party persuasions or none, a company cannot rightly spend their money in supporting "one side." It is just this limited idea of "one side" which needs replacing by an appreciation that all political programmes are equally subject to the necessity to pay our way as a nation. And unless we can pay our way there can be no reasonable standard of living for any of us.

For centuries the world-wide activities of the City have depended on personal character and initiative, which have been its driving force in the service of the private firm, the public company and latterly of the state undertaking. The City is accustomed to take the long view and is acutely aware that this driving force must be preserved and actively encouraged, whatever the colour of the government or the structure of an industry may be.

During the past few months efforts have been made to arrange collective publicity for the city's many functions and services. If such a scheme were well supported and wisely directed, I am confident that it would serve an extremely useful purpose, and would point the way for similar publicity in our other great cities engaged in overseas commerce.

British insurance is already showing the way by some striking illustrations of its work in foreign markets now appearing in the press, and our members will have observed that the life offices have also enlisted the powerful aid of newspaper advertising. The United Kingdom Provident Institution is giving full support to this valuable campaign, which promotes saving on such a large scale.

INSURANCE PIONEERING

I am happy to report that we have reduced our terms for non-profit assurances, and as the office which pioneered in the temperance field, we are able through our subsidiary company to offer new and favourable terms to motorists who are total abstainers, thus playing our part in the campaign to make known the dire relation of alcohol to road accidents.

The case for life assurance is as strong as ever. Opinion differs widely on the remedies for our present discontents, but happily there is general agreement on the value of saving, to which life assurance contributes in such high degree.

STRONG POSITION

Sir Alan Rae Smith, the directors' auditor, said that he wished to refer to one very outstanding feature of the year's operations, which had been touched upon by the chairman.

The fact that the market value of the institution's quoted securities when valued at the Stock Exchange prices ruling on December 31, 1951, showed to all intents and purposes the same excess over book values as at December 31, 1950, was a very remarkable result.

The report was adopted.

THE ROYAL LONDON MUTUAL INSURANCE SOCIETY

YEAR'S PROGRESS REVIEWED

INCOME - - - - - £15,900,000

TOTAL ASSETS - - £98,370,000

The ninety-first annual general meeting of The Royal London Mutual Insurance Society Limited, was held on April 29th in London.

Mr C. H. Shuttleworth, FCII, chairman and joint managing director, who presided, said:—

The fall in security values, combined as it is with increased interest yields, is very welcome to an office such as the Royal London, which has year by year large amounts of the policyholders' funds to invest.

The improved opportunities for investment are already reflected in the yield on the Society's funds. The interest yield on the industrial branch fund was £4 4s. 5d. per cent, an increase of 4s. 5d. per cent over that for 1950, while the yield on the ordinary branch fund (excluding the auxiliary fund) was £3 6s. 8d. per cent after deduction of income tax, being an increase of 4s. 10d. per cent.

The only way to secure a large volume of saving is by personal calls at the homes of the people for this purpose. This is why the funds of industrial assurance companies, which represent the savings of millions of policyholders, continue to grow steadily when other forms of saving stand still. The periodical call of the insurance agent is a regular reminder and encouragement to save money that would otherwise go to increase the pressure on the limited amount of goods and services available.

The present high taxation of incomes has made it difficult for any class of people to accumulate a substantial estate for the protection of their dependants, and the question of providing for wife and family in the event of early death has become a source of great anxiety to many. Life assurance is the only solution to this difficulty, for on the payment of the first premium on a life policy an estate is immediately created which would otherwise take many years of saving to build up.

ORDINARY BRANCH

The premium income in the ordinary branch (including consideration for annuities granted) amounted to £3,624,000, an increase of £208,000 over the previous year.

Interim bonuses will be maintained in respect of the current year on policies becoming claims, etc., at the rate of one pound ten shillings per cent per annum.

INDUSTRIAL BRANCH

In the industrial branch the premium income for the year amounted to £8,529,000, an increase of £180,000 over the previous year.

Interim bonuses will be continued during the ensuing year at the same rate as the reversionary bonus declared for the period 1946-1950, namely, one pound per cent per annum upon the sum assured.

The distribution of surplus amongst the policyholders of the industrial branch makes the industrial branch contracts which participate very attractive.

GENERAL BRANCH

The premium income in this branch, amounting to £528,000 for the year, shows an increase over last year.

To sum up the Society's position I would

point out that during 1951 the total income amounted to nearly £15,900,000 per annum, while the funds at the end of the year had grown to nearly £98 million. During the year benefits amounting to £6,583,000 were paid.

The report and accounts were adopted.

W. WOOD AND SON, LIMITED

INCREASED GROUP PROFITS

The forty-second annual general meeting of W. Wood and Son, Limited, was held on April 30th at Kelvin Works, Power Road, Chiswick, Mr Alan H. Wood, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts for the year ended November 30, 1951:—

The trading results of the parent company are substantially the same as in the previous year. In the consolidated profit and loss account, however, it will be noted that the group profits before charging taxation have risen by £4,289 to £42,441 and that the amount carried forward has been increased by £3,105.

During the year the group has taken the opportunity to augment stocks which, mainly as a result of recent restrictions, are in short supply. This policy has fully utilised your company's liquid resources and has necessitated the use of temporary bank finance. The reserve against price fluctuations and other contingencies has been further increased by £2,000 and this item now stands at £17,000. An interim dividend of 7½ per cent has already been paid and your directors now recommend a final dividend of 15 per cent, making 22½ per cent for the year.

NEW MODELS

Your directors are fully aware that changes in the company's general policy must be made to meet the re-distribution of spending power and to make Revelation luggage available to a much larger public. Accordingly, a great deal of attention has been given to the design and production of attractive luggage at competitive prices. In spite of heavy purchase tax, it is now possible to buy a Rev-Robe wardrobe case either for men or women for as little as £5 12s. 6d., and a Revelation suitcase for only £3 19s. 6d. We have also developed the modern trend for sets of matching luggage to even a greater degree than in the past. Our new models have been very favourably received by the trade, and provided that general trade conditions do not deteriorate to any marked extent, it is reasonable to hope that future results will reflect the benefits we anticipate from this policy.

In conclusion, it gives me pleasure to take this opportunity, on behalf of the board, of thanking the staff and employees for their loyal support and assistance during the year.

The report and accounts were adopted.

SOFINA

Translations of the report and of the essay, entitled "Better Housing—A Contribution to the Peace of the World," as also of Mr. D. N. Heineman's address, are obtainable on application to Electric and Railway Finance Corp., Limited, Claridge House, 32, Davies Street, London, W.1.

An abridged report of the directors was advertised in last week's issue.

NORWICH UNION INSURANCE SOCIETIES

ANNUAL MEETINGS

Speaking at the Life Society's one hundred and forty-fourth annual meeting on April 29th, the president, Sir Robert Bignold, said the net new life business for 1951 at £44,100,000, an increase of over £8,600,000 on 1950, constituted another record in the society's history. In addition to these figures policies were issued providing pensions of approximately £900,000 per annum, representing a capital value of about £10 million. The mortality experience had again been very satisfactory, whilst the expense ratio showed an increase of only .7 per cent, despite the continued rise in costs of every kind.

Having regard to the heavy fall in value of Stock Exchange securities, the society was fortunate that these represented only 26 per cent of the total assets; despite the depreciation the securities still stood in the balance sheet below their market value.

It was particularly gratifying to be able to record once again that, while saving in many directions had been on the wane in recent years, the representatives of the life offices had been able to convince the public of the special advantages of saving by insurance.

Of the new investments of over £12½ million made in 1951, approximately £8¼ million was placed in first-class mortgages, including house purchase loans.

Total funds increased by £6,389,342 during the year to £86,650,481, the net interest return being £3 17s. 8d. per cent, an increase of 1s. per cent.

While their business at home, which formed the largest part of their activities continued to increase, he was pleased to be able to report that their business overseas was also expanding.

THE FIRE SOCIETY

At the one hundred and fifty-fourth annual meeting of the Fire Society, the chairman, Sir Robert Bignold, said the total 1951 premium income at £12,964,208, had advanced by £2,138,185, and was the highest in the society's history. Fire premiums increased by £803,127 to £6,451,903, the resulting profit being £666,820.

The accident income had increased by a record figure of £1,020,729 to £5,324,933, but owing to adverse experience in the motor and employers' liability sections this account showed a loss of £81,296. Premiums in the marine department increased by £314,329 to £1,187,372 and £75,000 had been transferred to profit and loss.

Net interest totalled £217,173. Income and other taxes absorbed £379,302 and the balance for transfer to the appropriation account was £486,421. Appropriations from profits include the net dividend (paid to the Life Society) of £161,700, £52,000 to the pension fund and £271,895 to the investment and contingency reserve, leaving a balance carried forward of £328,747 against £327,921.

Total assets had increased by £1,668,174 to £18,024,246.

From the accounts it would be seen that they closed the year with their financial resources strengthened. Building up a strong financial position was always very much a long-term operation. The society had attained it and today was in the forefront of British insurers.

At both meetings Sir Robert referred to the forthcoming retirement of the general manager, Mr W. W. Williamson, on December 31st next, after nearly 50 years' wholehearted devotion to the interests of the Norwich Union.

INTERNATIONAL NICKEL

JUBILEE YEAR—A RECORD

The fiftieth annual meeting of the International Nickel Company of Canada, Limited, was held on April 30th, at Toronto.

Dr John F. Thompson, chairman and president, in the course of his address to shareholders, said:—This meeting marks an auspicious occasion in the history of our company. It is our fiftieth annual meeting since the formation of International Nickel.

The company's fiftieth year, 1951, was outstanding, with new high records for net earnings and dividends. Wages paid and capital expenditures reached new all-time highs, and income taxes, which registered much the sharpest increase of all, were larger than in any preceding year. The net earnings of $62,875,000, or $4.17 a share on the common, compared with the previous peak in 1937 of $50,299,000, or $3.31 per share. Production of nickel was further increased and more ore was mined from underground than in any previous year.

NICKEL

Although our production of nickel was increased, our deliveries of 243,800,000 lb were some 12,500,000 lb less than in 1950. In that year the company was able to draw on stocks of refined nickel accumulated from operations in 1949 when demand was slack and governments were limiting their purchases for stockpile.

Deliveries to the trade in 1951 in the form of primary nickel increased almost 8,000,000 lb, while nickel in our rolling mill and foundry products decreased over 20,000,000 lb as our mills in England, Scotland and the United States progressively converted to defence production at the expense of peacetime alloys and certain end-uses of high nickel alloys were suspended or officially prohibited.

Nickel alloys were used in all jet and reciprocating airplane engines produced in 1951. Our plants and research organisations in Birmingham, England; Glasgow, Scotland; Bayonne, New Jersey; and Huntington, West Virginia; have been devoting much effort to meeting the demands of the builders of gas turbines and jet engines. Greater efficiency, measured in power output per pound of engine, has required materials which will perform reliably at high temperatures under mechanical stress. Included in the materials developed by our company for these purposes are the Nimonic and Inconel groups of high nickel alloys, and other special purpose compositions.

CAPITAL EXPENDITURES

Capital expenditures in 1951 were the highest for any year in the company's history. They totalled $23,700,000 and compared with the previous high of $21,400,000 in 1929. The principal expenditures were $15,880,000 for our Canadian programme of major expansion in the mining and treating of undedground ores plus $3,090,000 for the building of homes for our employees in the Sudbury district, required by our expansion programme.

It is estimated that capital expenditures for 1952 will exceed $20,000,000.

Distributions on the common shares totalled $37,900,000, or $2.60 per share, and were larger than in any previous year. In each of the four preceding years dividends of $2.00 per share were paid. Four regular quarterly dividends of $1.75 per $100 of par value were paid on the preferred shares.

The reports and accounts were adopted.

GLENFIELD AND KENNEDY, LIMITED

RECORD RESULTS OF CENTENARY YEAR

MR HUGH COWAN-DOUGLAS'S STATEMENT

The fifty-third annual general meeting of Glenfield and Kennedy, Limited will be held on May 16th at Kilmarnock. The following is an extract from the statement by the chairman, Mr Hugh Cowan-Douglas, which was circulated with the report and accounts for the year ended December 31, 1951.

One hundred years ago a small group of men established a little meter works in the town of Kilmarnock. A few years later the same people opened an iron foundry nearby. Eventually these two companies joined up to form the present company of Glenfield and Kennedy, Limited.

Our founders "builded better than they knew." By hard work, technical skill, business enterprise and financial prudence, they laid the foundations of the considerable business that we know today. Through easy and difficult times the company has been able to give good and steady employment to many Kilmarnock people. At the same time they have the proud record of having always given a reasonable return, by way of dividend, to those who invested their savings in the company. Let me add that our shareholders, at least in my experience, have been equally consistent in supporting the board's policy of ploughing profits back into the business. Our steady accumulation of reserves has enabled us to develop and expand, while our dividend record has enabled us to raise fresh capital whenever the need has arisen.

It is gratifying to submit to you, in this our centenary year, results which, I am sure you will agree, are highly satisfactory and indeed constitute a record in our long history.

We must not, however, be misled by the large figures of so-called profit. It is, I think, generally accepted by everyone, except the Inland Revenue, that there is no true profit until provision has been made, firstly for the upkeep and replacement of fixed assets, and secondly for the maintenance of adequate working capital to support the volume of business which the fixed assets are designed to produce.

PLANT REPLACEMENT

It has been a matter of concern to your directors that the normal wear and tear allowances fall far short of what is required to provide for replacement of plant and buildings at current ruling prices. We, therefore, instituted an inquiry with a view to estimating, on this basis, the shortage in our annual provisions for depreciation. We have also made a calculation as to the amount by which our past appropriations to plant replacement, etc., fall short of what is really needed on the same footing. As a basis for our calculation we used the indices compiled by *The Economist*.

Following on this investigation and in order to raise our annual charge for depreciation for 1951 to a realistic figure we have charged against the year's trading surplus of the group a sum of £59,516 by way of supplementary depreciation. Furthermore, we have ascertained that our deficiency for past years, after setting off the total sum standing at the credit of our replacement reserves, amounts to the formidable figure of £520,000. It is our intention gradually, so far as we can out of surpluses available after tax, to wipe out the deficiency. This explains the substantial appropriations we propose to "Increased Cost of Replacement of Fixed Assets," the new name we have given to this reserve.

There remains the problem of financing the large increase in our stocks, work-in-progress and debtors. Five years ago—on March 31, 1947—these items in our group required £1,501,322. At December 31, 1951, the sum involved was £3,673,163. Fortunately our strong cash position has enabled us to take much of the increase in our stride. For the rest one might say that the new capital raised in 1946, and our allocations to general reserve, have been adequate to keep us going without recourse to heavy borrowing.

In these circumstances our shareholders and, I hope, others, will appreciate what a serious matter it is when, with the introduction of excess profits levy, a further heavy burden is placed on our industry, thereby making it more difficult to remain competitive and to improve conditions in our works. It is my earnest hope that the Government will, at an early date, be able to abolish the levy, which to a great extent seems to have been introduced for political reasons, rather than from the standpoint of equity or commonsense.

ACCOUNTS

Dealing first with the balance sheet, you will appreciate that the issued share capital and the reserves have been affected by the issue of £1 new ordinary stock for every £1 held, following resolutions passed at our last annual meeting.

Our capital expenditure during the year for the group amounted to £237,333. The greater part of this was incurred by our subsidiary companies—particularly at Brighouse, Polmadie and in South Africa. Stocks, work-in-progress and debtors have risen by a total of £559,038. Stocks, etc., at Kilmarnock were slightly reduced, but debtors are up by about £200,000 owing to completion of some large contracts at the end of 1951. In addition there are increases in stocks, work-in-progress and debtors at Blakeboroughs, and Alley and MacLellans. It follows that the parent company has had to find substantial sums to finance the subsidiaries, and this accounts for the rise in the advances to subsidiary companies as disclosed in the legal balance sheet.

The profit and loss account shows an improvement of over £200,000 in the group trading result. Once again Kilmarnock has made the largest contribution to this increase. There we continue to enjoy the benefits of the rebuilding and re-equipment of our machine shops. Our output of standard sluice valves constituted a record, and we have reduced our delivery dates to a more reasonable level. Both Brighouse and Guisborough have more than held their own during 1951. The profits at Worcester were not up to those of 1950 owing to the introduction of new designs of cast steel valves to comply with British Standards Specification. That change-over is now complete and results in recent months have been excellent. The Polmadie Works have shown gratifying progress.

I have already dealt with the new method adopted in dealing with depreciation. Apart from that the outstanding feature of the profit and loss account is the very large sum we require to set aside for taxation.

Our board will, I know, continue to direct this undertaking on sensible and economical lines, but it is clear that, when such a proportion of profit is taken away by taxation, it becomes increasingly difficult to resist claims for any form of expenditure chargeable to revenue for tax purposes. In my view the excess profits levy will in many cases tend to reduce the powers of resistance to extravagance of those responsible for the conduct of business enterprises.

The sum available for appropriation is £438,973. We recommend the transfer of £100,000 to the reserve for increased cost of replacement of fixed assets, and of £113,777 to round off the general reserve at £350,000.

You will remember that for 1950 we paid a dividend of 25 per cent. The ordinary capital has subsequently been doubled, and we now recommend a dividend for 1951 of 15 per cent, of which 5 per cent has already been paid as an interim. In addition, as a modest celebration of our centenary year, we recommend a special bonus of 2½ per cent. These appropriations leave us in a position to raise our carry forward from £61,290 to £88,134.

I trust you will support our recommendations. They might be criticised as overconservative. However, in view of our large capital commitments, of the increased cost of replacements, of the extra tax burdens that are being placed on our shoulders, and of the somewhat less assured future of trade generally, I feel that a policy of prudence is the right one to follow.

GENERAL

Your company supported the proposal to send a team from the valve industry to the United States of America under the auspices of the Anglo-American Council on Productivity, and I am pleased to say that a member of the staff of each of our three major companies was included in the visiting party. Several of the recommendations in their report have already been adopted.

STAFF AND EMPLOYEES

I am sure it will be the wish of all our shareholders that we should place on record our sincere appreciation of the work of our executives, staff and employees throughout the Group for all they have done throughout 1951. Obviously the results now being presented to you would not have been achieved without their whole-hearted support and co-operation. It is my sincere conviction that we shall continue to enjoy that collaboration, and that the company will prosper in the second century of its existence, to the benefit of shareholders, staff and employees alike.

ALBERT E. MALLANDAIN

INCREASED EXPORTS

The fifteenth annual general meeting of Albert E. Mallandain, Limited, was held on April 30th in London, Mr Albert E. Mallandain, chairman and managing director, presiding. The following is an extract from his circulated statement:

Your company has again achieved a record turnover—partly due to inflationary trends during the year as well as to the continued satisfactory demand for its products. The aggregate net profit for 1951 amounted to £126,978, compared with £102,382 for 1950. After deducting the net provision for taxation, £73,572, compared with £55,187 for 1950, the aggregate net profits amounted to £53,406, compared with £47,195 for 1950.

The directors recommend a dividend of 50 per cent, less tax. The balance of the net profit for the year has been added to the balance carried forward on profit and loss account, which now stands at £23,037. These proposals will mean that 58 per cent of the company's profits go in taxation, 20.6 per cent reaches the shareholders, and 21.4 per cent is ploughed back into the business.

The company's export trade figures were further increased during the year, both in volume and value. We are constantly striving to extend our export business, despite increasing competition in the markets open to us and import restrictions, which still prove a barrier in others.

While it may not be possible to maintain the 1951 level of profits, our order book is in a satisfactory state, and I have no reason to think that the current year's results will be unsatisfactory compared with those of the last few years. The report was adopted.

I. GRIEW AND CO.

(Furniture Manufacturers)

SATISFACTORY TRADING RESULTS

The sixteenth annual general meeting of I. Griew and Company, Limited, was held on April 30th in London, Mr Louis Samuels (the chairman) presiding.

The following is an extract from his circulated statement:—

The combined trading profits for the year amounted to £111,360, and show an increase of £35,573 over the figure of £75,787 for 1950. There is a net profit of £32,747, which compares with £20,350 for 1950, but taxation takes £49,384, which is over £17,000 more.

Your directors propose that £20,000 be transferred to general reserve and that a final ordinary dividend of 17½ per cent actual be paid, making 25 per cent for the year, the same rate as for 1950, leaving a balance of £13,924 to be carried forward.

I. GRIEW AND COMPANY, LIMITED

Trading conditions during the greater part of the year were satisfactory, but, unfortunately, during the latter part of the year the demand for furniture was at a much lower level throughout the country. The substantial improvement in profits resulted from the increased volume and improved methods of production.

Although at the present time there are signs of improvement in trade, it is extremely difficult to forecast the immediate future. I do not anticipate, therefore, that the trading results for the current year can be as satisfactory as those now under review.

DAVEY AND ARMITAGE, LIMITED

The volume of business done by the subsidiary company showed a substantial improvement, and the trading profit for the year amounted to £41,390. The net profit, after providing for all outgoings, including depreciation and taxation, was £16,023, and compares favourably with £11,437 for 1950. The accounts also provide for a dividend of 30 per cent on the share capital, the same as for the previous year.

Since the end of 1951 the quota system has been restored and purchases of softwoods during 1952 will, therefore, be on a much lower basis. Although the stocks held are higher than at this time last year, both in the company and in the trade generally, we are dependent almost entirely on foreign imports and it is, therefore, not easy to assess the prospects for 1952, which may prove to be a difficult trading year.

The report was adopted.

UNITED GLASS BOTTLE MANUFACTURERS

A RECORD YEAR

MR L. A. ELGOOD'S STATEMENT

The annual general meeting of the United Glass Bottle Manufacturers, Limited, will be held on May 22nd, at 8, Leicester Street, London, W.C.

The following is an extract from the statement by the chairman, Mr L. A. Elgood, OBE, MC, DL, JP, CA, circulated with the report and accounts:

I am in the happy position of being able to present to you figures denoting further improvement in the development of your company and in fact from every aspect it has been a record year.

The consolidated profit and loss account opens with the group trading profit for the year £1,562,923, which exceeds the comparable figure for 1950 by £564,483. The year's provision for depreciation computed on our normal basis is higher by £41,773 at £366,889. The increased group trading profit should, however, be considered in relation to the net group profit, which amounts to £634,012, exceeding that for 1950 by £154,622. It is then evident that the charge of taxation on profit for the year £888,511 has absorbed the larger part of the increased earnings.

An indication of the additional drain on the finances of the group which would be caused by the proposed excess profits levy can best be given by informing you that the provisions of the Finance Bill, 1952, applied to profits at the level of those earned in 1951, would result in additional taxation liability amounting to £120,000.

CONSIDERABLE EXPANSION IN PRODUCTION AND SALES

All companies in the group have contributed to the increased earnings, which result largely from a considerable expansion during the year in the volume of production and sales of glass containers and of closures.

The holding company profit for the year amounted to £544,559, an increase of £129,333 over 1950. From that profit your board have transferred to reserves the amount of £373,500. A final distribution at the rate of 10 per cent, less income-tax, is now recommended. This will maintain the rate of 17½ per cent for the year, established for 1950.

The resultant balance available to carry to the holding company's balance-sheet is therefore £321,394, compared with £300,265 last year. After dealing with the holding company's interest in subsidiary companies, the corresponding balance carried to the consolidated balance-sheet is £417,269.

The glass container manufacturers were compelled to increase the selling prices of their products in January and May, 1951, by 5 per cent on each occasion, since when there have again been very substantial increases in manufacturing and distribution costs, foremost among which have been an increase in wage rates and in addition an agreement by the employers to grant this year a second week of paid holiday to their hourly paid workers.

Your company have been able so far partially to offset these heavy additional costs by increased production stemming from technical advances and, in order to sustain their policy of retaining the glass container as the cheapest form of package for the many purposes to which it is suited, will aim to minimise any price advance this year.

I am confident that you will agree that the state of your company at the close of 1951 was satisfactory and reasonably assured against whatever difficulties the future might hold. Business so far this year has been generally well maintained, but there are undoubted signs of diminution of demand in certain directions.

RAW MATERIALS

It is natural that you should desire to be apprised of our position in regard to the supply of the raw materials from which our glass is made. In the main we anticipate little difficulty in obtaining these in sufficient quantities by regular deliveries and it is our policy also to maintain stocks to tide us over temporary interruptions. There is, however, one exception: this is in the case of selenium. This element enables us to produce colourless glass without disagreeable tints arising from the presence of unavoidable impurities. Continuity of the supply of selenium is essential to the maintenance of the standard of quality our customers, in particular those exporting their products in our bottles, have come to expect from us. There is no substitute for it known to glass manufacturers anywhere in the world, but in spite of this we are in constant danger of reduction in the supplies available to us. Your company is foremost in promoting economy in the use of this essential material.

During the year direct export sales provided a new high record in the history of your company, and I am pleased to be able to add that sales promise to be substantial in the present year. Overseas markets, however, show signs of contraction: Australia has imposed drastic reductions upon her imports and fewer import licences are being granted in South Africa. Your company have, however, a comprehensive overseas sales organisation built upon foundations laid even before the First World War, and can face the situation with a degree of justified equanimity. It is essential that the flow of exports should be accelerated and the cost of exporting thereby be reduced.

This subject would not be fully covered were I to omit mention of indirect exports. From Customs returns it has been calculated that glass in some form or another was associated with the export of goods to no less a value than £430 million in 1951. Of that enormous figure goods valued at £100 million were exported in glass containers. Your company had by a great deal the largest share in providing the containers for those exports.

The difficulties attending the supply of machines, spare parts and moulds under existing conditions have been considerably alleviated by the acquisition of Messrs Dilworth and Carr, Limited, and the Lunn Engineering Works.

Our subsidiary company, Kork-N-Seal, Limited, with works at Charlton, London, and Bridge of Allan, Stirlingshire, have been working to full capacity producing all types of metal and moulded bottle closures, stoppers, capsules and lever caps.

The output of containers and domestic glassware during the year under review represents in terms of both tonnage and gross a 68 per cent increase over the last full year before the outbreak of war. We are not, however, content with even this contribution to the trading needs of our customers, and during the current year plans in operation or nearing fruition will result in a further substantial increase in production.

TELEPHONE AND GENERAL TRUST

SCOPE FOR EXPANSION IN PORTUGAL

SIR ALEXANDER ROGER ON INVALUABLE ASSISTANCE

The twenty-sixth annual general meeting of Telephone and General Trust Limited was held on April 29th in London.

The following are extracts from the speech by Sir Alexander Roger, KCIE (chairman and managing director):

The accounts again show satisfactory results. The profit at £87,339 for 1951 after charging £94,200 (against £87,400 in 1950) for taxation was up by £1,502. Profits tax and income tax absorbs nearly 52 per cent of our gross profit. This percentage of taxation is on much too high a scale and it is devoutly to be hoped that at no far distant date it will be much lower so that enterprising business can again venture and expand with some safety.

The loan to associated company—£208,829—is money advanced to The Anglo-Portuguese Telephone Company since the issues of capital by that company in 1950, and demonstrates the necessity for a continuous flow of new capital by a successful and ever-expanding public utility.

As announced in the circular letter to stockholders dated April 12, 1952, the Trust has issued 373,000 new ordinary shares of £1 each at 23s. per share, and I am glad to be able to say this was a complete success. It was essential for us to broaden the base upon which to carry the initial financing of the overseas Telephone Operating Companies and so enable the Trust to continue to play its full part in their further development.

The substantial group reserves—capital and revenue amount to £992,141, an increase of £78,347 over 1950.

DEVELOPMENTS IN PORTUGAL

The Trust holds a substantial investment in The Anglo-Portuguese Telephone Company Limited.

The Group through the medium of the Trust has provided and it continues to provide financial, manufacturing, engineering, advisory assistance and invaluable help at all times to that important company, The Anglo-Portuguese Telephone Company, Limited.

Following upon the introduction of new tariffs in Portugal in May, 1950, the development and expansion of the telephone service there has proceeded apace. The addition of 8,296 new stations to the system during 1951 brought the total number of telephones in operation to over 109,000 at December 31st last, and further solid progress is being made in 1952.

The company was able to reduce the list of waiting applicants during the year but the demand for telephones is unceasing and there is great scope for expansion in Portugal for many years.

OTHER ACTIVITIES

The expansion and modernisation of Caracas and all important towns in Venezuela continues at a rapid pace, creating great demands on the public services. Further telephone expansion and development programmes have been prepared and are being submitted shortly to the Venezuelan authorities, and it is hoped that a final plan to meet the modern requirements of the service over a number of years will be approved in the near future.

West Indies.—The boards and managements of our associated telephone operating companies in Jamaica, Trinidad and Barbados continue their policy of expanding and improving the telephone services to the public in their respective territories. In this they were fully supported by the Trust with its technical, research and manufacturing associates.

During the year the Trust advanced on temporary loan to these West Indies companies an additional £225,000 towards their capital development programmes, upon which collectively they expended some £388,000, having provided the balance from their own resources.

Jamaica.—The hurricane which struck Jamaica on August 17, 1951—one of the worst in the island's history—prevents me reporting another year of uninterrupted progress in the Jamaica Telephone Company. Despite the stoppage of normal development from August onwards, the company expended some £120,000 on capital works and added 969 stations during the year, making a total of 14,406 in service at December 31, 1951. The gross plant assets of the company now exceed the £1 million mark, amounting to £1,153,000 at December 31st last.

Trinidad.—At December 31, 1951, Trinidad Consolidated Telephones Limited had 16,170 stations in service, a substantial gain of 1,376 stations. Nearly £200,000 was expended upon additional automatic exchange equipment, and the extension of the cable network throughout the island.

Barbados.—In Barbados additional exchange equipment enabled 525 stations to be added to the 'Telephone Company's system, making 4,855 in service at December 31, 1951—an increase of over 12 per cent.

The telephone companies with which the Trust is actively associated added some 18,500 telephones to their systems during 1951, increasing the total in service to nearly 217,000. The value in sterling of their gross telephone plant, land and buildings amounts to over £15 million and the replacement value at today's prices would be very considerably higher.

THE NATION'S PROBLEMS

Overshadowing the country's economy today is the rearmament programme. A necessary evil—but one to be faced and dealt with as expeditiously and effectively as is within our power. Indeed, under present world conditions there is the possibility of this becoming almost a permanent feature of our financial problem, yet we must not lose sight of the fact that industrial and social advance must go on, albeit on a reduced scale. Accepting this, the challenge for all to meet is how best to utilise our resources to improve our way of life side by side with the drive for arms.

Whilst fully recognising the high standard of achievement of industry since the war one is forced to repeat what has so often been said that only by dint of harder work by all of us will we achieve real progress and avert an economic collapse which has come closer to us than most people will admit. It is essential for our political and industrial leaders constantly to bring home to all and every one of us the seriousness of the country's position and by every practical inducement encourage real effort to be made to stem the adverse economic tide.

The report was adopted and the ordinary dividend of 8 per cent was approved.

HOFFMANN MANUFACTURING COMPANY, LIMITED

RECORD PRODUCTION

The annual general meeting of this company was held on May 1st in London, Mr J. W. Garton, chairman and managing director, presiding.

The following is an extract from his statement circulated with the report and accounts:

The year 1951 was one of continued progress. The trading results reflect the high volume of sales, consequent upon a new record in production.

The net profit of the Hoffmann Group for the year 1951, after taxation, amounts to £470,668, and compares with £382,297 for the previous year. During 1951 there were advances in the cost of materials and in wages and these charges have been carried in part by increased productivity.

Your directors agree that there should be moderation in dividend policy, but regard the circumstances affecting this company as exceptional in view of the very careful distribution made during the rehabilitation period, and consider that they are justified in recommending a further 2½ per cent, free of tax, making a total of 12½ per cent, free of tax, for the year.

SUBSIDIARY AND ASSOCIATED COMPANIES

Hoffmann Gloucester Limited has had a very successful year and by its increased output made a valuable contribution to the group result. Part of the output of this factory is work of very high precision and plays an important part in the defence programme.

Hoffmann Tweedales Limited, in which Hoffmann Gloucester Limited has a 50 per cent holding, has again had a very satisfactory year and continues materially to assist the textile machinery export trade which is of great help to the country.

Norma-Hoffmann Bearings Corporation, of America, has had a very busy and successful year and has paid one year's dividend on the preference stock, although it has not been able to make up the arrears. This situation would have improved considerably but for the fact that, owing to adversity, the standard years for taxation gave the Corporation such a low average that it had to adopt the capital employed basis for computing its liability, which has resulted in very heavy payments for taxation.

DEMAND AT HIGH LEVEL

The demand for our products remains at a very high level. At the moment we are under constant pressure for bearings for the defence programme, and in a short time certain disorganisation, on account of the increased change from civil to defence needs, will be experienced. Your company has tried to give to each of its customers a fair share of its output and will continue to do so in the future.

For security reasons, it is obviously not possible to quote here examples of the important part played by the company's products in defence equipment, but Hoffmann bearings continue to be used in an ever-widening variety of machinery in the air and on land, such, for instance, as the engine of jet-propelled civil aircraft and axle-boxes of the first gas turbine locomotive built in this country.

Your company is now deriving benefit from the training schemes inaugurated in recent years and every encouragement is given to employees to make use of these facilities. Research and experimental work continue to have every priority and enable your company to maintain a leading position in the industry.

The report was adopted.

MAPLE AND COMPANY, LIMITED

ALL PREVIOUS RECORDS EXCEEDED

The sixty-second annual general meeting of Maple and Company, Limited, was held on April 24th in London, Mr Charles Clare Regnart (president of the company) presiding.

The following is an extract from his circulated statement.

The turnover for the past year has again exceeded all records, an increase in fact of more than half a million pounds, in itself a very gratifying statement, but as I have previously stated overheads have continued and are still continuing to rise, while profit ratios remain static. In spite of the difficulties and a shrinkage in the purchasing power of the public, encouraged by the advice given by Mr Hugh Dalton, I think the results may in the circumstances be considered satisfactory.

As you will have heard, the Douglas Report proposes to abolish the Utility Scheme, but the conditions relating to furniture have been deferred. It does seem, however, that the great gulf that has existed between Utility and non-Utility furniture will be closed, which will encourage the production of better class furniture without the penal difference of 33⅓ per cent on the total cost being charged; the proposal being that purchase tax should apply to the cost after allowing for the tax-free margin. This scheme should not only encourage export, but give more scope to the designers and craftsmen of our industry, who have been so discouraged for more than a decade by unnecessary restrictions.

All branches continue to give satisfaction and seem to gain in popularity year by year. Your subsidiary companies have all had a busy year.

As far as exports be concerned, our record is even better than last year and we have flown representatives to obtain valuable orders to the Americas, Asia and Europe, while overseas inquiries in general are larger than I can ever remember. Every effort will be made even to improve this very satisfactory position, especially in view of the nation's need for exports.

I think it is plain that our world-wide reputation remains supreme and the volume of our export trade seems to be expanding yearly in spite of serious tariff and currency difficulties.

Providing there are no further international eruptions, I view the future with a degree of quiet confidence.

CHAIRMAN'S ADDITIONAL REMARKS

The chairman, addressing the meeting, said:—Ladies and gentlemen, the report and balance sheet, with my statement, has been in your hands for some weeks, but before formally moving their adoption I imagine you would like me to refer to the effect the Finance Act, now before Parliament, is likely to have on the immediate future of your company—I refer, of course, to the Excess Profits Levy and the Douglas Report or D Scheme as it is called.

Fortunately we have a very good standard of profit so that we should not be adversely affected by the alterations in the tax position.

The D Scheme, however, if passed in its present form, will have various repercussions, as many cotton fabrics now sold as Utility and free from tax will have to carry tax over and above the free margins, which, in my opinion, have been placed at too low a figure for furnishing fabrics; I hope in this respect there may be some adjustments.

As regards furniture, the application of the D Scheme is deferred, but as the Utility Scheme is to be scrapped in the near future, it will apply to furniture and it seems likely that all better class Utility furniture and upholstery will be subject to a small degree of tax, so that my advice to all those likely to be requiring this type of furniture and furnishings in the near future is that they should buy now and not miss the present opportunity which may not come again for some time, having regard to the fact that purchase tax is now regarded by the Chancellor of the Exchequer as a revenue tax in spite of the late Sir Stafford Cripps's assurance that it was not to be so regarded, but imposed purely to stop inflation.

EXPANSION OF EXPORT BUSINESS

I am pleased to tell you that export orders and enquiries continue to expand, and it is gratifying to know that the name of Maple is still recognised the world over to be synonymous with all that is best in the realm of hotel and household equipment.

The home trade has been, I think for the time being only, slowed up by the uncertainty of the immediate future and the fluctuations in the price of raw materials and the consequent anxiety as to whether prices of goods are likely to become cheaper or not. As soon, however, as the Government restores confidence, I think we shall see a marked increase in public demand, in which case this company should be one of the first to benefit. I was very pleased to learn this morning that all controls are to be taken off carpets.

The report was adopted and a dividend of 10 per cent, together with a bonus of 2½ per cent, was approved.

CROFTS ENGINEERS (HOLDINGS)

CONTINUED PROGRESS

The fourth annual general meeting of Crofts Engineers (Holdings) Limited, was held on April 25th in Bradford, Mr Arthur Croft (chairman and managing director) presiding.

The following is an extract from his circulated statement:

I have pleasure in presenting accounts which again reflect the continued progress of your company, although the profits show a slight reduction on the previous year's high standard. Trading conditions have been difficult during the year; we have had to face increased costs, part of which we decided not to pass on in our selling prices.

The trading profit for the year amounts to £630,707, compared with £659,462 for the previous year. Income tax and profits tax absorb no less than £375,953 (59½ per cent), together with an amount of £9,431 in respect of the previous year, leaving an amount of £245,323, representing the net profit of the company and its subsidiaries so far as concerns the members of Crofts Engineers (Holdings), Limited. The directors propose a final dividend of 25 per cent, making a total distribution of 40 per cent, less income tax, for the year.

The group balance sheet again discloses a strong financial position, the fixed assets (excluding trade investment) having been increased by £41,588.

Last year I referred to the extensions which were then under consideration at our Dudley Hill works. These are essential for expanding our export markets, but unfortunately we have not been granted the necessary building licences. The increase in fixed assets mentioned above refers to additions in the main to our plant which is being increased, and kept in an up to date and efficient condition.

Our order book still maintains a high level, although our turnover has increased during the year under review. As with all concerns in the engineering industry, the difficulty of obtaining adequate labour and raw materials is a problem which faces us every day. We are very fortunately placed in having our own iron, steel and non-ferrous foundries, but coke, scrap and pig iron are in very short supply. The effect of these shortages on the company, has, to a large extent, been reduced by the invention by myself, Mr M. Goff and Mr D. Hammond, all members of our company, of a process for melting cast iron borings in iron foundry cupolas. We are using all the borings we produce with great saving to the company, and we have already taken steps to exploit this process throughout the world. We can look forward to the future with confidence.

OVERSEAS SUBSIDIARIES

Canada: Our Canadian subsidiary—Crofts Canada, Limited—has had a successful year's trading, and steps have been taken to develop still further the business in that country. Unfortunately, the selling organisation—Britenco, Limited—is not yet on a profit earning basis, although the loss incurred in the current year is negligible. We have made arrangements to appoint to the company in Canada a fully trained technician from these works, and I hope very shortly to pay a visit to Canada and the United States of America to examine further our prospects in these countries.

South Africa: I have recently returned from a visit to South Africa, and am most satisfied with the results so far achieved in that country. Both the companies in which we are interested have had satisfactory years. Further extensions to the buildings and additional plant are necessary to achieve our objects, and during my visit I made the necessary arrangements with the directors to carry out these new projects as quickly as possible.

The report was adopted.

SAPONG RUBBER

In his statement which accompanies the directors' report and the annual accounts for 1951 of the Sapong Rubber Estates, Limited, the chairman, Mr W. Percy Pinckney, says: The crop of rubber harvested in 1951 was 1,536,000 lb. I have said on previous occasions that the Estate is easily capable of producing 2 million lb a year, which has been unattainable because of the shortage of labour. This is a feature which has become unpleasantly familiar to all concerned with productive enterprise in North Borneo.

The substantial increases in salaries and wages which followed on the rise in the price of rubber late in 1950, as I reported in my last statement, remained in force throughout the year. The period of high prices produced a very keen demand for goods and labour of all kinds, and particularly for those required for erection of buildings.

The increase in the cost of production was, fortunately, not so great as to absorb the increased receipts resulting from the unusually high prices realised for our produce. The gross profit of £141,287, though £85,001 of it is subtracted by income taxes in North Borneo and the United Kingdom and profits tax, enables the directors to recommend that the interim dividend of 15 per cent already paid should be supplemented by a final dividend of 25 per cent, making in all 40 per cent for the year, and to allocate £10,000 to dividend equalisation reserve, £10,000 to the reserve for replacement of planted areas and £7,240 to a special depreciation reserve.

In November last the company made two forward sales for 1952, covering 180 tons of rubber: 10 tons per month to be shipped during January/June at 3s. 5d. per lb c.i.f. European port and 10 tons per month to be shipped during January/December at 44.5/16 USA cents (equal to 3s. 2d.) per lb c.i.f. New York.

DERBYSHIRE STONE

FACTORS AFFECTING TRADING RESULTS

MR JOHN HADFIELD'S STATEMENT

The sixteenth ordinary general meeting of Derbyshire Stone Limited was held on April 29th in London, Mr John Hadfield, MSc, ARIC (chairman and managing director), presiding.

The following is an extract from his circulated statement.

The directors' report shows that the provision for depreciation has been lifted from £60,800 in 1950 to £69,536 in 1951. Taxation amounted to £76,676, as compared with £63,075 for the previous year. The trading profit was somewhat higher than that of the preceding year, although a number of factors combined to affect the profit adversely.

Derbyshire Stone Limited is a very large producer of ground limestone for use in agriculture, and although, due to heavy rainfall, 1950 was not a good year for agricultural business, 1951 was much worse and the company's sales of ground limestone to farmers were less than half those of 1950.

During the year successive increases in road and rail haulage charges had the effect of increasing the delivered prices of our products, at the same time restricting our radius of operations and reducing the tonnage of materials which the funds available to our customers would purchase.

Although your company has a large range of products, the principal output is still coated macadam for use in roadworks and surfacing generally, and in those areas of the country in which our coated macadam is normally used, the demand for road materials has been relatively low. Your directors think it pertinent to indicate some of the problems which affected your company in particular and in some cases no doubt had a bearing on other industries in Great Britain, and in view of the whole of the circumstances they feel that the results of the year's trading can be regarded as satisfactory.

Your directors recommend the payment of 15 per cent, less income tax, on the ordinary stock.

One of the most important developments during the year was the conclusion of negotiations with John Summers & Sons Limited, Shotton, near Chester, in connection with the blast furnace slag which will be produced from the new two-blast furnace plant now being erected there. It is expected that the first of these furnaces will come into production in 1953.

Last year at the annual general meeting reference was made to the joint activities of Johannesburg Consolidated Investment Company Limited and Derbyshire Stone Limited in connection with the large-scale programme of prospecting for lead in Derbyshire, and it was intimated that the discoveries to date had been sufficiently encouraging to warrant a continuation. Since then boring operations have been continued, the results of which were sufficiently satisfactory to lead Johannesburg Consolidated Investment Company Limited to undertake the sinking of a 500 ft shaft 9 ft by 8 ft in cross-section, upon which work has recently commenced, for closer and more detailed exploration of the veins.

Your company now has a wide range of products which enter many industries, and in consequence its fortunes are not inseparably associated with any one market. The programme of road construction and maintenance must surely be at the lowest possible level, and with any improvement your company would expect to achieve proportionate benefits. Your directors have great confidence in the long-term prospects of the company.

The report was adopted.

CAMP BIRD, LIMITED

A JUBILEE BONUS

The fiftieth annual general meeting of Camp Bird, Limited, was held on April 29th in London.

Mr F. C. Heley, the chairman, said: The profit for the year amounted to £259,000, an increase of £62,000 over 1950. Of this sum £100,000 is required to meet taxation, £25,000 has been added to our general reserve, bringing the total sum to £200,000. £65,000 has been transferred to investment reserve, bringing the amount of that reserve to £81,500 and providing £49,500 for depreciation of certain of our investments, and leaving a balance, including that brought forward from last year—£49,000—of £118,000.

In considering the amount of the dividend to be recommended, we had before us the specific request of the Chancellor of the Exchequer. In view, however, of the fact that we are now holding our fiftieth annual general meeting, your directors felt that some special recognition should be made to the consistent support given by the shareholders to the board over the long term of years, and they therefore recommend that in addition to the usual dividend of 10 per cent, which has been maintained for six years past, there should be a Jubilee bonus of 2½ per cent, both subject to income tax.

The categories of our investments are substantially the same, namely, 66 per cent Gold and Platinum mining; 19 per cent Silver and Base-metal mining; and 15 per cent Miscellaneous. The geographical distribution is: South Africa and Rhodesia, 66 per cent; Australia, 12 per cent; America, 11 per cent; West Africa, 1 per cent; and elsewhere 10 per cent. All these percentages are based upon book values.

The report was adopted.

RAND MINES, LIMITED

(INCORPORATED IN THE UNION OF SOUTH AFRICA.)

BALANCE SHEET, 31st DECEMBER, 1951.

CAPITAL AND LIABILITIES.

Share Capital—Registered 2,200,000 Shares of 5s. each, £550,000. Less 49,005 Shares of 5s. each in reserve, £12,251.	
Issued—2,150,995 Shares of 5s. each	£537,749
Investment Reserve—As per Balance Sheet, 31st December, 1950, £4,648,615. **Add**—Amount realised by the sale of investments during the year ended 31st December, 1951, less book value thereof and amounts written off Investments and Freehold Properties, £310,133	4,958,748
Shareholders—Dividends declared but unpaid, £464,411. Contingency Reserve pending claims for dividends forfeited since September, 1939, £105,500. **Trustees of the Corner House Pension Fund,** £834,000. **Creditors and Provisions,** £282,766	1,786,677
Exploration Reserve—As per Balance Sheet, 31st December, 1950, £337,197. Less—Expenditure on Ventures charged thereto, £40,524—£296,673. **Add**—Transfer from Appropriation Account, £50,000	346,673
Appropriation Account—Balance Unappropriated	1,743,566
Contingent Liabilities. There are Contingent Liabilities as under, viz. :—I.—To finance and to subscribe for shares in certain undertakings. II.—To guarantee housing loans to employees. III.—For contracts open for the supply of Stores, etc. IV.—To guarantee commitments of associated Companies.	£9,373,413

PROPERTY AND ASSETS.

Freehold Properties and Ventures at cost *less* depreciation	£2,421
Shares, Debentures, etc., at or below cost, but not exceeding market value, or Directors' valuation, where not quoted	5,525,614
Shares in Subsidiary Companies, at or below cost, but not exceeding Directors' valuation	42,888
Plant, Stores, Vehicles, Furniture, etc., at cost *less* depreciation	30,509
Advances to Subsidiary Companies	39,900
Debtors, Loans and Payments in Advance, etc.	237,832
Deposits, Fixed and on Call	2,086,129
Government Stocks, etc.	850,645
Cash at Bankers and in Hand	111,205
Dividends to be received on Shareholdings	446,270
	£9,373,413

APPROPRIATION ACCOUNT.

Taxation	£44,075	**Balance Unappropriated** — As per Balance Sheet, 31st December, 1950	£1,640,937
Forfeited Dividends Account	27,261	**Balance of Profit and Loss Account**—For the year ended 31st December, 1951	949,513
Transfer to Exploration Reserve	50,000	**Transfer from Shareholders' Contingency Reserve**	27,300
Dividend Account—Dividend No. 96 of 3s. 6d. per share, declared 12th June, 1951, £376,424. Dividend No. 97 of 3s. 6d. per share, declared 13th December, 1951, £376,424	752,848	NOTE—The Accounts have been drawn up in accordance with the normal practice of the Company; an amount of £310,133 realised by the sale of Investments during the year, less book value thereof and amounts written off Investments and Freehold Properties having been dealt with through the Investment Reserve shown in the Balance Sheet.	
Balance Unappropriated—31st December, 1951—Carried to Balance Sheet	1,743,566		
	£2,617,750		£2,617,750

The full Report and Accounts may be obtained from the London Secretaries, A. Moir & Co., 4, London Wall Buildings, London, E.C.2.

DOMINION STEEL & COAL CORPORATION, LIMITED

RECORD EARNINGS

The annual meeting of Dominion Steel & Coal Corporation, Limited, was held on April 25th in Montreal.

Mr L. A. Forsyth, the president, in the course of his speech, said: For the fiscal year which closed on December 31, 1951, the results of operations of the corporation and its subsidiary companies, when translated into net profit figures, show earnings which substantially exceed those of any previous fiscal period in the history of the corporation.

Net profits for the year at $5,453,832.51 exceed those for 1950 by $972,798.52 and are greater by $201,769.44 than those of 1949, the previous record year. Operating profits for the year 1951 were $17,187,722.10 and miscellaneous income $527,976.37. These figures show total net profits before depreciation and taxes which exceed those of 1950 by $5,326,054.53. Dividend declarations during 1951 amounted to $1,611,263.65. Two quarterly dividends totalling 75 cents were declared on the Common Class "B" shares. The conversion and subdivision of those shares into ordinary shares without nominal or par value was effected in July, 1951. Two quarterly dividends, each of 20 cents per share, were declared on the new shares. Since the close of the year 1951 one quarterly dividend of 25 cents, or at the annual rate of $1.00 per share upon the presently outstanding ordinary shares, has been declared and paid.

Production of steel ingots at Sydney and Montreal reached 768,417 net tons, an increase of 6.55 per cent over the production of 1950. At Montreal the furnaces of Canadian Tube & Steel Products, Limited, produced over 60,000 tons, an increase over the previous year of some 62 per cent.

Total sales of our products increased by approximately 20 per cent in dollar volume over those of 1950.

CURRENT OUTLOOK

So far as current business is concerned we can observe no appreciable diminution in demand for our products. It is true that in certain lines where acute shortages have been the rule supplies appear to be becoming sufficient to bridge the gaps, but not to such an extent as to indicate an early surplus.

Looking at the picture of Canadian steel production from as detached a point of view as a party so deeply interested can assume, I note that the pressure of the demand upon the industry experienced during the past two years has, and it is not a matter to occasion surprise, resulted in an expansion of facilities more than sufficient to meet what we might, five years ago, have been delighted to consider the normal increase in Canada's steel requirements.

It is, I think, impossible to appraise our future without some consideration of the world situation. If, as I believe, is the case, a supply of basic raw materials is becoming more readily available, and essential reconstruction abroad has reached a point where local efforts are adequate or nearly adequate to the necessities, the consequent lessening of the strain upon the resources of the western world cannot be without its effect on the industrial economy of this continent.

In the result, the conclusion must be that for the future we must rely more and more upon our domestic market and must prepare to meet in that market competition which has not been evident during the past eighteen months.

The report was adopted.

THE RHEOSTATIC COMPANY, LIMITED

ORDERS EXCEED PRODUCTION

The fifteenth annual general meeting of The Rheostatic Company, Limited, was held on April 29th at Slough.

Mr M. J. Gartside, BSc(Eng), AMIEE, MAmerSocH & VE (chairman of the company), in the course of his speech said: Once again it is my pleasure to report to shareholders very satisfactory trading results. Both in the home and export markets sales were appreciably higher. The profit before taxation was a record at £98,542. This attracted a record taxation of £60,800, leaving a net profit of £37,742 only. The board recommends a final dividend of 12½ per cent, making a total of 16½ per cent as last year payable on the increased capital.

EXPANSION OF PRODUCTION CAPACITY

During the past year orders have exceeded production capacity. Further expansion has now been made possible by the completion of extensions at the Frimley works and the leasing of additional premises to serve as a machine shop at Farnham, Surrey, but these are adequate only to meet current demand.

The necessity for thermostats, motorised valves and other equipment for the control of central heating, air conditioning and automatic firing equipment such as coal stokers, oil and gas burners, etc., is stressed by the Government's recently announced additional support of fuel economy measures and gives us reason to believe that in spite of the curtailment of some building programmes, the demand for our products will continue to be well maintained. Recent developments in specialised safety and control equipment for gas and oil firing are attracting much interest in these markets. Some recession exists in the home market for domestic controls for electric cooking which, although not welcomed, enables us to make some improvement in general delivery times.

INCREASED EXPORT SALES

Despite recent import restrictions in Australia, which has always been a valuable market to your company, the total export sales continue to increase and for the first six months of the current financial year average monthly despatches overseas were 20 per cent higher than for the previous year. The interest in our new design of resistor, referred to a year ago, has resulted in substantial orders destined for traction undertakings in Australia and South Africa.

Referring now to the current financial year, results so far indicate to your board that with continuance of present trading conditions, the profit should not be less than that for the year just passed. We have a new form of tax before us by way of the Excess Profits Levy, this being in such a form that, in general, efficiency and enterprise are penalised. However, we are fortunate in that so far as can be judged at the present time the Excess Profits Levy will not appreciably change the level of taxation on results such as those before us today.

With rise of wages in the engineering industry and higher costs of materials, increase of price levels has been necessary on all our products. We have been able to keep this increase to a minimum by the co-operation of our employees throughout the organisation in maintaining a high standard of productive efficiency. Keen prices in export markets where severe competition has to be met both from the United States and Europe must be quoted.

The report was adopted.

CROWN AGENTS FOR THE COLONIES

PRODUCE OFFICER required by the Government of Nigeria for the Department of Marketing and Exports for one tour of 18 to 24 months with prospect of permanency. Commencing salary according to qualifications and experience in scale £711 rising to £1,290 a year, including allowances. Outfit allowance £60. Free passages for officer and wife and assistance towards the cost of children's passages or their maintenance in this country. Liberal leave on full salary. Candidates, under 40, should have had a good education and preferably hold a University Degree in Commerce, Economics or Agriculture, or a Diploma of an approved Agricultural College. Experience in the inspection and grading of agricultural products an advantage.

Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience, and mentioning this paper, to the Crown Agents for the Colonies, 4, Millbank, London, S.W.1, quoting on letter M.25572C. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

ADVERTISING of technical products calls for specialised knowledge and experience—which is why so many famous industrial concerns have learned to value the services of Geoffrey Dadd Ltd., Technical Advertising Practitioners, of 90, Epsom Road, Sutton, Surrey. Derwent 4444 (4 lines).

WHY do so many businessmen, economists, accountants, subscribe to the INCOME TAX DIGEST AND ACCOUNTANTS' REVIEW? It is because this monthly journal is practical, authoritative, and a real help to those who have to deal with Income Tax, and Trustee or Funds administration, etc. Annual Subscription 21s. post free; overseas 23s. Specimen current copy 2s. on application to The Secretary, The Fiscal Press Limited, P.O. Box 45, St. Albans, Herts.

SENIOR BUSINESS EXECUTIVE with world-wide experience, fluent French, German, Spanish, available for executive position entailing business journeys abroad.—Box 914.

INSTITUTE OF STATISTICS

Applications are invited for the post of Assistant Research Officer on the salary scale £350—£550. Applicants should have qualifications in Economics and Statistics, and will be required to work on problems of applied economics within the Institute's research programme. Applications should be received by May 19, 1952. Forms may be obtained from the Secretary, 13, Norham Gardens, Oxford.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the TRANSFER BOOKS for ORDINARY STOCK and PREFERENCE STOCKS will be closed from May 14th until May 27, 1952, both dates inclusive.

By Order of the Board,
H. EAVES, Secretary.

Offices: Cunard Building Liverpool. May 1, 1952.

REQUIRED for Trading Department of leading London firm of international commodity merchants, young man of good education and presence who has completed his military service. Some business experience is essential and experience of international trade, preferably in commodities, desirable. While preference will be given to candidates of under 30 years of age, applicants of slightly over that age will be considered if they have experience of commodity dealing. Salary will be dependent on qualifications and experience. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.—Applications, giving age and full particulars of education, business experience and any other relevant information, should be addressed to Box 915.

FELLOW or Associate, Institute of Actuaries, required in Mauritius by important company with large sugar and other interests. The appointment will be as an Actuary for the Anglo-Mauritius Assurance Society Ltd., and other statistical work for the company in question. Good salary and allowances, Pension Fund, free accommodation and periodical home leave.—Apply: Clough, Empire House, St. Martins-le-Grand, London, E.C.1.

Markets Abroad

Information on markets and sources of supply in Canada, the West Indies, Central and South America is available through the Royal Bank, with over 750 branches in these areas.

London Offices—
6 Lothbury, E.C.2 — B. Strath, Mgr.
2-4 Cockspur Street, S.W.1 — R. B. Murray, Mgr.

THE ROYAL BANK OF CANADA
Head Office, Montreal
Offices in New York and Paris
Over 750 branches in Canada, the West Indies, Central & South America

Incorporated in Canada in 1869 with Limited Liability.

Information about AUSTRALIA....

Imports/Exports: Travel: Shipping: Trade References: Local Conditions: Business Opportunities.

From over 400 Branches throughout Australia information is collated relating to the above and many other subjects in the interests of British trade. You are invited to make use of this informatory service.

The English, Scottish & Australian Bank, Limited
5, Gracechurch Street, London, E.C. 3.

UNIVERSITY OF LONDON

A lecture on "The Role of Political Bosses and Machines in the United States" will be delivered by Professor H. Zink (Ohio) at 5 p.m. on May 12th at the London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2.
ADMISSION FREE, WITHOUT TICKET.

JAMES HENDERSON,
Academic Registrar.

THE UNIVERSITY OF LEEDS
DEPARTMENT OF GEOGRAPHY

The Council invites applications for two Assistant Lectureships on the salary scale £450—£25—£500, according to qualifications and experience. For one post, preference will be given to those having special qualifications in Geomorphology, and for the other, to those having special qualifications in *either* Economic Geography *or* Climatology. The appointments will be effective from October 1, 1952. Applications (three copies) should reach the Registrar, The University, Leeds 2 (from whom further particulars may be obtained), not later than June 9, 1952.

APPLICATIONS are invited for the post of INVESTIGATIONAL OFFICER/CLERK ACCOUNTANT in the Department of Economics (Bristol Provincial Agricultural Economics Centre, Newton Abbot, Devon). Candidates should possess a Diploma in Agriculture or an equivalent qualification. Salary scale:
Men: £325 x £20—£505 by £25—£650.
Women £300 x £15—£345 x £20—£505 x £25—£530.
Applications, stating age, qualifications and experience, accompanied by not more than three recent testimonials, should reach the Registrar, The University, Bristol 8, not later than May 19th.

12.48 PER CENT simple interest p.a. offered for trade bill discounting facilities. Large and small bills available with a supporting guarantee. Particulars from the company's accountants.—Box 908.

GOOD FOOD

We specialise in catering for industrial canteens, offices, and luncheon clubs. Our organisation is not too large or unwieldy and we can give personal supervision to all our contracts. Write for testimonials from our clients; addresses given on application to:-
Harold Jayes & Son, Ltd.,
29, West Heath Court,
LONDON, N.W.11.
SPEedwell 2498 & 6754

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony
CAPITAL ISSUED AND FULLY PAID UP - - - $20,000,000
RESERVE FUNDS STERLING - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - $20,000,000
Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M. Duncan Wallace H. A. Mabey O.B.E.

BRANCHES

BURMA	CHINA (Cont.)	INDIA	MALAYA (Cont.)	N. BORNEO (Cont.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore (Orchard Road)	SIAM
*Dairen	EUROPE	Osaka	Taiping	Bangkok
*Foochow	Hamburg	Tokyo	Sungei Patani	UNITED KINGDOM
*Hankow	Lyons	Yokohama	Telok Anson	London
*Hartin	HONG KONG	MALAYA	NORTH BORNEO	U.S.A.
*Mukden	Hong Kong	Cameron Highlands	Brunei Town	New York
*Nanking	Kowloon	Ipoh	Jesselton	San Francisco
*Pekng	Mongkok			

* Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in HONG KONG LONDON SINGAPORE

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

NORANDA MINES LIMITED

DIVIDEND NOTICE

Notice is hereby given that an interim dividend of One Dollar ($1.00) per share, payable in Canadian funds, has been declared by the Directors of Noranda Mines Limited, payable June 16, 1952, to shareholders of record at the close of business May 15, 1952.

Toronto, April 28, 1952.
By Order of the Board,
C. H. WINDELER, Secretary.

THE ALEXANDRIA WATER COMPANY, LIMITED
PAYMENT OF DIVIDEND

At the Annual General Meeting of the Company held on April 23, 1952, the dividend of Fifteen Shillings per £5 share proposed by the Directors was declared but it was decided that only Ten Shillings of this amount should be paid as from May 1st, leaving payment of the balance in abeyance until the position regarding the effect of the Public Utilities Concessions law (law 129 of 1947) is clarified with the Egyptian Government. *In accordance with this decision notice* is hereby given that a dividend of Ten Shillings per £5 share on Coupon No. 125, less Egyptian Government and Alexandria Municipal Taxes amounting to 1s. 11.37d. will be paid on and after May 1, 1952, at the National Bank of Egypt in Alexandria at Rue Toussoun, or in London at 6 King William Street, E.C.4.

United Kingdom tax at the standard rate will also be deducted from Dividends paid in London except when coupons are accompanied by an affidavit of non-residence in the United Kingdom.

Net profits for the year ended December 31st, 1951, £168,000 (last year £168,000).

Dated, Alexandria, Egypt, April 23, 1952.
By order of the Board,
ROBERT WALTON, Managing Director.

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 52-54, High Holborn, W.C.2.

SHERRY-TASTING! York has been a sherry city since the XVI Century and we have *sold fine sherries there since 1664. Send 20/-* for a case of four quarter bottles—one of each of our most popular wines (Cloister Cream, Cloister Fino, Old Bridge Amontillado and Mirador Dry S. African) carriage paid.—J. & G. Oldfield Ltd., Bin 207, St. Sampson's Square, York.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations; B.Sc. Econ., LL.B.; and other external London University Degrees. *Civil Service, Local Government and Commercial* Examinations, &c.

Also expert postal tuition for Prelim. Exams. and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.

More than 50,000 POST-WAR EXAM. SUCCESSES.

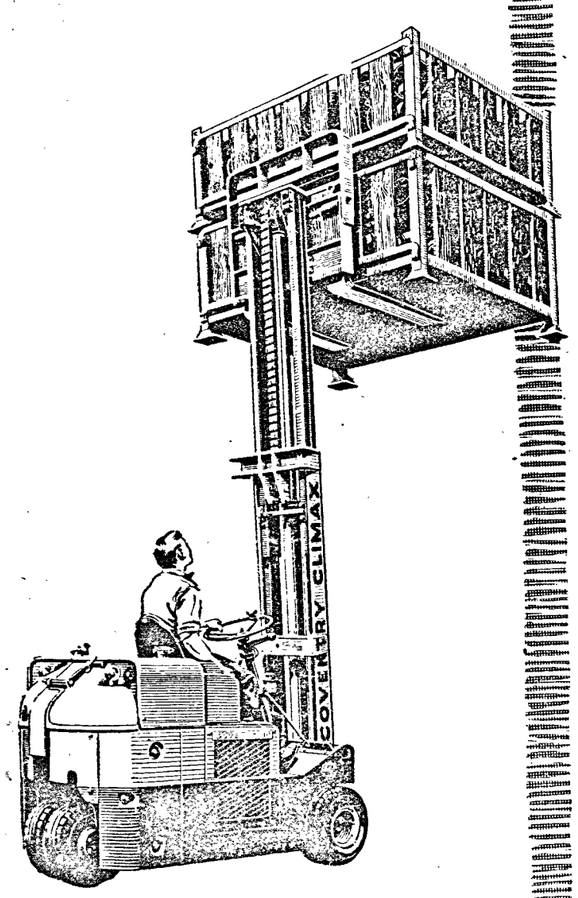
Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.

Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary.

METROPOLITAN COLLEGE
(G9.2), ST. ALBANS *or call 30 Queen Victoria St., London E.C.4.*

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, May 3, 1952.

Carried unanimously



Some 50 Anglo-American Productivity Council Reports are unanimous in drawing attention to the importance of mechanical handling of materials.

To quote from one:

"We believe that substantial increases in production from existing plant and manpower in industry can be achieved by relatively little capital expenditure . . . . . by the current application of handling devices."

which echoes the statement of Mr. Cloud Wampler, President Carrier Corp as quoted in "Factory," Oct. 1950:

"If I had just one choice as to technological improvements that could be adopted practically overnight to boost productivity, I'd take materials handling."

Pioneers of the small diesel fork lift truck— most versatile material handling machine available to industry.

Coventry Climax

COVENTRY CLIMAX ENGINES LTD. (DEPT. B) COVENTRY, ENGLAND

The Economist

Established 184

May 10, 1952 — One Shilling

14 JUL 52 MADRAS GOVERNMENT

LEADING ARTICLES

Transport Policy - - - - - - 349
One Question to Moscow - - 351
Chairmen or Overlords? - - - 353
Colombo Plan's First Year - - 354

NOTES OF THE WEEK - - - 356
Prisoners of Korea; Admirals and Admiralissimos; Next Stage in Egypt; The First Shuffle; Constitution for Central Africa; The Young and the Old; Europe's Economic Dilemma; Less Need for American Coal; Camouflaged Communists; Academic Freedom and Accountability; Labour's Health Service Pledge; Mr de Valera Against the Tide; The Struggle in the Union; Franco and Islam; New Ambitions for Bulgaria; Durham Again Closes Shop; Reasonable Arrest; Shorter Notes.

LETTERS TO THE EDITOR - - 364

BOOKS AND PUBLICATIONS - 367

AMERICAN SURVEY
Steel Puts the Question - - 370
No Limits on Productivity? - 371
Ida's Choice; Oil Strike; Republicans South; Closer Look at the Atom; Religion.

OLD OVERSEAS
Ishida Raises a Storm - 377
Bonn; Progress with the Soviet Projects"; Election Vigil; Speaks Up; The Church's Resis- Poland; Presidential Race in

THE BUSINESS WORLD
Forecast under the Coal Board 387

BUSINESS NOTES - - - - - - 391
Surprises from the Chancellor; Britain Trusts EPU Quota; Productivity After Steams; Labour on the Move; Textiles and BIF; Wholesale Sales Improve; Stimulating the Private Investor; Fall in Rubber; The Copper Wrangle; Lead Sets the Pattern; Strain on the Road System; Small Change in Entertainments; Changes in Steel Finance; Cargo Liner Prospects; Tanker Freight Rates; Next Steps in Cotton Buying; Shorter Notes.

COMPANY NOTES - - - - - 402

STATISTICAL SUMMARY - - 404

COMPANY MEETINGS - - - 405

Vol. CLXIII No. 5572
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Transport Policy

IT is difficult to discover from the White Paper on transport policy why the Government decided to give precedence to transport rather than steel. There is no dispute that radical changes are needed in transport, and if the White Paper presented a convincing set of principles, outlining the things that need to be done to make transport as cheap and efficient as possible, it would be thoroughly welcome. But instead the White Paper might not unfairly be described as a set of contrivances to make the resale to private bidders of lorries now owned by the Transport Commission look respectable. It has little to say about the machinery for fixing fares and charges, now wrecked by the Prime Minister's spanner. It offers no study of any of the serious issues on transport—the terms on which rail and road transport can live together, the public obligations each should assume, the nature of their costs and the best way in which they should be organised and managed. We have it on the Prime Minister's authority that transport is a matter for which the whole Cabinet has become responsible. Neither the Government as a whole, nor Lord Leathers as the particular "overlord" for transport, can take any pride in this attempt at collective thinking on transport.

In detail, the White Paper closely accords with the obviously inspired forecasts that appeared nearly a fortnight ago. All road haulage vehicles owned by the Transport Commission will be offered for sale to any bidder, and will be free to operate over any distance. These assets total 40,000 vehicles, for which the Commission paid about £80 million, including £30 million for goodwill. Secondly, the White Paper proposes that a levy designed to yield £4 million should be raised on road transport (including traders' own vehicles operated under "C" licences other than local delivery vans). This levy seems to be a mixture of two ideas—a part payment for goodwill, which the White Paper says has "substantially disappeared" and part compensation for loss of railway traffic to the roads. The method by which the levy is to operate is described most vaguely in the White Paper and requires much fuller explanation.

For the railways, there are two main proposals. First, it is proposed to decentralise the railway system, giving local management greater independence. This is the only change in organisation that is proposed for those parts of the transport system that are to remain in public ownership. Secondly, the Transport Commission is to be given greater latitude to vary its charges "so as to improve the ability of the railways to compete with other forms of transport." It is proposed, quite sensibly, to allow the Commission to raise or lower its charges within given limits, seeking subsequent approval from the Transport Tribunal.

When the Labour Government nationalised public inland transport in 1947, it justified its action almost solely on the grounds that this was what the trade unions wanted, and what the mandate of 1945 demanded. Transport is fundamentally a matter of efficient manage-

ment and wise policy, and if public ownership ensured wisdom and efficiency, nationalisation would be abundantly justified. Equally, if private ownership guaranteed an acceptable half-way house between all-in competition and the waste of transport resources on the one hand, and a private cartel of the owners of the different forms of transport on the other hand, the public might expect to be well and economically served. Neither of the political parties has ever talked in terms of the principles of transport economics; each assumes that ownership is fundamental, and that mere changes in ownership are likely in themselves to increase efficiency.

*

It is when it is judged by this broadest criterion that the White Paper is such a disappointing and inadequate statement of transport policy. The Socialists, six years ago, nationalised transport without saying, or knowing, why. The Conservatives are now partially denationalising transport with equally little attempt to give a convincing reason why. Both actions are about equally rooted in doctrinaire politics, and the outside observer who wishes to form an opinion for or against the Government's proposals is compelled, now as in 1946, to form his own idea of the reasons for which they are brought forward and of the results they are likely to have.

It was not impossible in 1946 to find a coherent chain of reasoning that led to the Labour Government's conclusion. The basic difficulty of transport policy arises from the fact that on top of a railway system designed to do virtually the whole of the nation's transport business (and still capable in a high degree of doing so), the last generation has superimposed a whole new system of public and private transport by road. As a result, the nation's transport potential is a long way in excess of the demand for it. If the two systems compete freely, the danger is that they will ruin each other. If, while remaining separate, they are held back from the ultimate consequences of competition, the transport-using public will have to support far more transport overheads than it needs. The solution is to create a financial community of interest between them (for which a common ownership is much the most effective method) and then proceed to a thoroughgoing pruning of overhead and rationalisation of functions. If this were done effectively, it would yield economies that would far outweigh the diseconomies that are the inevitable price of public ownership and giant size. It was this reasoning (of which, it should be observed, public ownership is the conclusion and not the starting point) that led *The Economist*, six years ago, to give the Labour Government's proposals the benefit of the doubt.

The experience of the intervening six years has, beyond much question, reversed the balance of doubt. The diseconomies of public ownership and giant size have certainly been forthcoming in greater measure than could have been foreseen in 1946. But a real rationalisation of transport seems quite as far off as ever. Not only has very little been effectively done towards co-ordination —which is, in any case, only the first chapter of rationalisation—but the real obstacles to doing anything effective have become much more apparent. The argument for a single ownership is still good in theory. But perhaps that is all that it will ever be.

Basically, therefore, it is possible to endorse the

wisdom of the Conservative Government's decision to retrace some of the steps that were taken in 1946. But once again the onlooker who is trying to found his views on the principles of transport finds himself compelled to address the Government as Coleridge addressed one of his importunate admirers: "Young woman, I will accept your conclusion provided you will let me state the reasons for it." Once again, the doubt rises in the mind whether the Government has realised the logical consequences of the steps it is proposing and is determined to ensue them. If single ownership and nationalisation are rejected as a means of pruning the excessive overhead of transport, and if there is to be a return towards competition, it must be with the intention of making it serve the same purpose. Public ownership has been a failure because it is clearly not going to be allowed, under any government, to lead to a real rationalisation; it has turned out to be merely a means of retaining the whole costly apparatus and making the public pay for it. One fears that the Conservative alternative will turn out to be merely another means of perpetuating the same basic inefficiency.

*

If, contrary to these gloomy forebodings, Conservative transport policy is to demonstrate that it sees the goal and means to reach it, it will have to provide answers to two questions which the White Paper leaves aside—one of economics, the other of management. The economic question is concerned with the nature of "competition" in transport. Both road and rail haulage have—and are bound to have—many aspects of monopoly. No one is free to enter road haulage without a licence, though until 1947 road haulage enjoyed with this element of monopoly a wide degree of freedom to choose traffics and name its own charges. "Freedom" for road haulage therefore implies restoring an important private monopoly, and the White Paper has nothing to say about imposing any corresponding public obligations on road hauliers. If road haulage is to be "freed" on these terms, and the railways left under their present forms of control, there will be no competition between the two that will serve the public good in the long run. The railways would be left with public obligations as common carriers, subject to close political control, required to provide some services below cost, and impeded from altering their charges as their costs change.

If the railways are to have a chance of competing with road haulage, let it be on terms that leave them less hampered by restrictions applying to them alone, and more free to run their affairs as an independent business. Because in the last resort the railways are monopolies effective public supervision is needed over what they do; the same principle is true equally of road transport. But the wider the area over which both can compete on equal terms with each other, the greater will be the relaxation of public control that can safely be allowed.

If the railways are given the chance to act less as public carriers and more as providers of such transport as can be made to yield a reasonable return over the cost of carrying, there is no reason to suppose that they would necessarily come off worse in competition with road haulage; the result would no doubt be cheaper service but certainly less comprehensive service for all forms of traffic at all hours. Those are broadly the terms on which road haulage and long-distance road passenger services

pay so well and with such apparent efficiency. They have not been the conditions under which the railways have ever been allowed to operate in this country. But they are the only conditions on which "competition" between the different forms of transport has any meaning. The result would certainly be a pruning of overhead and a reduction of the total real cost of transport to the nation—but it would be pruning on the sole basis of competitive profitability, and the results might not be at all to the public's liking.

*

The second main question unmentioned in the White Paper concerns the future organisation of publicly owned transport. Road haulage will be back in private hands; road passenger transport, whether it be publicly or privately owned, is still decentralised for management; and London transport, the canals and the docks are special problems. There remains only the railways. The Transport Act in 1947 introduced new methods of organisation with the Transport Commission at the head and its operating agents or executives below. This form of organisation was criticised at the time, in these columns and elsewhere, on the ground that it failed to make enough distinction between the functions of broad direction, and the functions of detailed management. Mistakes were also made in the adoption of a functional method of organisation for the Railway Executive, and later modifications to this method have conceded the truth that it grossly exaggerated the need for central decision and left quite inadequate responsibilities in the hands of the officers running the separate railway systems.

If co-ordination now has to be written off as a blessed word, the character of the organisation responsible for publicly owned transport should clearly be radically revised. It will now be more difficult than ever to see good reasons for the steady centralising of management functions in the Commission that has taken place since 1947. It will instead be obvious that new opportunities for restoring the function of broad direction—a function that was flung out of the window in 1947—now present themselves. A radical revision of the Commission is necessary. A full-time chairman and a part-time directorate with a small secretariat and accounting unit is probably the limit of what is required. As for the Railway Executive, there are certain central duties that it must fulfil—such as labour relations and wages, charges, and some (though not all) technical services. For the rest, the greater the degree of effective decentralisation, the better service are the railways likely to provide for the public. With all this, there should go greater commercial freedom, greater flexibility to adjust charges (in either direction) and greater independence and incentives for railway staffs. If co-ordination in a single ownership is now to be ended, it must be on terms that will enable the separate sections of the industry to work efficiently without mulcting the public or destroying themselves. The White Paper is not even the end of the beginning of the process by which this will be made possible.

One Question to Moscow

THE affairs of Germany now demand from the western powers the utmost resolution, skill and boldness. This was to have been for them a decisive month, in which Dr Adenauer would initial the instrument giving the western republic a new independence and the treaty bringing it into the European Defence Community. Instead, it threatens to become a decisive month for the Russians, whose object is what it has been for the last thirty years, to prevent Germany aligning itself with Western Europe. If their offers of unity and free elections for an all-German government succeeded in holding up western plans, then Mr Molotov and Mr Vyshinsky could claim a diplomatic success of the kind that has eluded them in the last five years. So far their tactics have usually united the western allies; now they threaten to divide them. They have made France so nervous that many Frenchmen are ready to abandon their whole policy of an integrated Western Europe and to return to pure obstruction. They have made Americans more impatient for German rearmament, and Germans more stubborn in raising their price for a defence contribution. Not least among their feats is to make Dr Dalton and his friends sound the retreat from positions once taken up by Labour foreign policy. These Bevanite bugles in the rear have added to the confusion on the western front.

The most useful thing that can now be done is to ascertain and reflect on the secret of Russian success. It does not lie in any eagerness of Germans to live in a unified Communist Germany; it lies rather in their feeling that to enter into partnership with the West is to lose the opportunity, which Moscow appears to offer, of uniting now without risks and long struggle. Dr Adenauer stands for unity in freedom, and argues that an armed western republic aligned with the Atlantic powers will one day draw the eastern republic to it. The Communists of Eastern Germany stand for what they call unity and peace, which means unity achieved by the western Germans turning their backs for good on the Atlantic powers. To many western Germans peace, even in this sense, seems more attractive than freedom. But this is not the end of the story. To the West German politician who is thinking of next year's elections, the Soviet offers give a heaven-sent opportunity to bargain with the Atlantic powers. When he discovers, as he has lately, that the new contractual agreements would not give complete sovereignty to the Bonn Government and that the European Defence Community could mean conscription and increased taxation, he is impelled to patriotic protest. He finds he can obstruct integration with Western Europe by demanding German unity and so turning Soviet pressure on to the Americans, British and French. They are in a hurry to win Western Germany; the Russians are in a hurry to prevent them; the obvious tactic for the Bonn politician is to mark time and play one off against the other.

None of these various people who, for their different reasons, are nibbling at part of the Russian offer, want to swallow the whole—not even Dr Dalton and the Bevanites positively wish to assist in the creation of a Communist Germany. But all of them think that they can use part of the Russian proposals—usually the offer of immediate German unity—as a lever to secure some particular end of their own. That the Russian offer presented so many temptations to so many

people to play with fire is a measure of its cleverness.

The central problem of allied policy is to deal with this mood and the Soviet handling of it. Tactical moves against Russian efforts to delay the contractual agreements and the European defence treaty are insufficient; because even if Russian tricks are frustrated there is still the resistance of the Bonn Parliament to overcome. Recent events have demonstrated to everyone, what should have been obvious last February, that the coalition parties on which Dr Adenauer depends for a slender majority in the Bundestag would join the opposition in protest if he had presented these arrangements for ratification. They would argue that Western Germany should and could get out of the allies full sovereignty and better terms in the defence community just because they are afraid of the Russians. They would argue, too, that arrangements so binding—and, some would say, so provocative to the Russians—must not be accepted until it is clear beyond doubt that Moscow's terms for unity are unacceptable; when the western allies insist that those terms are in fact unacceptable, it is not so much because they want German freedom as because they want German divisions. That is how the argument runs in Bonn; and it is inspired by motives ranging from sheer political opportunism to genuine fear that West Germans should be led into fighting East Germans.

★

If this analysis is correct, then the immediate aim of American, British and French policy should be clear. It is to demonstrate by every resource of diplomacy and propaganda that the Russians' terms for free elections, unity and a peace treaty in reality open up a prospect that most West German politicians would not dare to defend before the electors. It is not sufficient to say, as some do, that the Russian bluff in offering elections all over Germany should be called. It may not be bluff. There is every sign that Eastern Germany is already being prepared for a perfectly cooked "free" election by methods described in last week's issue of *The Economist* (page 299). The Russians might well concede free elections in the knowledge that the eastern Germans are better organised, both to vote correctly and to take part in a national government, than the western Germans will be. If they are to regain the initiative, western governments must go to the heart of the matter and challenge the Russians with the question: How free will Germans be in a united Germany?

That is a question that every man and woman in free western Germany should be asked to face. Awaiting them in the Soviet Zone is the whole apparatus of the Nazi regime, restored in its Communist form: the secret police and the ruthless sentences for "sabotage" and political offences; the street and block warden who spies on his fellows; the party bosses in the factory and in the trade union; the SS of indoctrinated and trained young men in the *Bereitschaften*; the pressure of school and youth organisations on the children; the censorship of press and books. The evidence that these things exist is overwhelming. How and when are they to be abolished? That is the question the Russians must answer. If they are not abolished before the elections, the votes of Eastern Germany will mean nothing; after the elections neither Western Germany nor the western allies would have any power to get them abolished. An all-German government with, say, 25 per cent representation of east German Communist or Communist controlled parties, sitting in Berlin and dependent on the good behaviour of the "People's Police" and the *Bereitschaften*, would be in no position either to restore civil rights in Eastern Germany or to maintain them in Western Germany.

It is sometimes argued that allied troops would still be there to defend civil rights in the western part of Germany. But to say that is to overlook the next and most important step in Soviet policy. After an all-German government had been installed, it would be immediately under pressure from the Russians and the German Communists to negotiate a peace treaty with the four occupying powers; and the Russians would then insist—they have said so repeatedly—on the withdrawal of all foreign troops. How could any German Government resist such a demand? Those that did so would be accused of being traitors to their country and the accomplices of warmongers. Sooner or later the Americans and their allies would have to choose between staying in Germany in the face of a Communist-led resistance movement and withdrawing westward while the Red Army moved a short distance across the Polish frontier. Once the allied troops had left Germany—and perhaps Europe—the Communists would be free to begin open and surreptitious attack on civil rights in free Western Germany.

What then should the action of the western governments be in this matter? At the moment they are preparing a Note to Moscow which is said to contain some frank statements and some searching questions. First among those questions should be the essential challenge. Are the Russians ready to abolish immediately all restraints on civil rights within their zone? Will they allow West German parties to campaign for elections in the East? Will they order Grotewohl to release political prisoners from concentration camps and prison? In fact, will the Russians raise the iron curtain that divides the free world from a population that has lived seven years in a police state? It is by such questions that the dishonest bluff at the root of the Soviet-German flirtation could be revealed.

★

To do this would, of course, take time. It would not at once ensure that the Bundestag would grasp eagerly at the limited sovereignty and conditional partnership offered by the West. It would not at once save the European Defence Community. Moreover, it is not at all certain what the Russian reply would be. The dangers of such a challenge would be at once seen in Moscow and all the resources of propaganda might be used to evade it. But it is impossible to believe that the Russians would concede the essential point—real freedom for German men and women. If they refused or hedged, Dr Adenauer's hand would be greatly strengthened, for honesty and realism would have returned to German discussion about unity. So long as that is not done, so long as millions of Germans feel they ought to want what the Russians appear to be offering, the allies in Western Germany will be struggling vainly against the charge that they are disregarding the legitimate aspirations of all patriotic Germans. It should be their main purpose to force the Russians now to reveal how much freedom they offer with unity.

Chairmen or Overlords?

IT was evident from the start of Mr Churchill's government that the appointment of "overlords" was the most controversial aspect of its structure; and now the indiscretions of Lord Woolton and the vagaries of transport policy, which lies within Lord Leathers' overlordship, have exposed the Prime Minister to positive attack on this front. Unfortunately, the statement he made to the House of Commons on Tuesday, in spite of (or perhaps because of) its deliberate drafting, has served to confuse rather than elucidate the matter.

No very useful purpose is to be served, however, by attempting to disentangle its incongruities, some of which are almost contradictions. The basic principle of British constitutional practice is and remains the collective responsibility of ministers for all of each other's acts. Provided that this principle is observed—and nobody suggests that the existence of overlords has infringed it—then it is right to leave every Prime Minister relatively free to decide how he shall organise his government. The political scientists may record that experience tends to show one method to be more effective than another; but there should be no constitutional principles involved. Indeed, nobody would have supposed there were if Lord Woolton had not clumsily suggested that he had no responsibility to Parliament for the performance of his ministerial duties.

The Opposition, of course, makes the most of these *contretemps;* that is its privilege and duty. But there is no reason why unattached public opinion should excite itself about the matter. There is, nevertheless, one distinction that is worth making, and that is between the purpose that Mr Churchill's appointment of overlords was intended to serve and the details of the particular method that he chose to serve it. However questionable it may be to appoint none but elderly peers to perform these functions, and however much the particular personalities may have laid themselves open to attack, it still remains desirable and essential that some arrangements should be made for co-ordination within groups of cognate departments.

The Cabinet has always been the co-ordinating body within the British Constitution. But with the growing complexity of modern government, it began to be clear more than thirty years ago that the task of co-ordination was becoming too great for the ordinary cabinet. The horns of a dilemma emerged even more clearly from the twilight in which the administrative practice of a British government is shrouded. Either the number of separate departments grew monstrously large, with the cabinet resembling a public meeting with an intolerable agenda, or else the traditional departments grew so big that no minister could be responsible for, or even know about, all their actions. The resolution of this dilemma can only be by way of some devolution of the Cabinet's co-ordinating functions, and between 1940 and 1945 the practice grew of regarding several of the standing committees of the cabinet as virtually performing its functions for a defined range of subjects.

Cabinet committees require chairmen; and it will usually (though not always) be convenient for the chairman to hold no departmental office. If Mr Churchill's overlords were, as in one passage of his statement on Tuesday he asserted, no more than chairmen of standing Cabinet committees, then there is nothing either new or objectionable in their existence. But the case is different if they are, in any degree, supervisory ministers, empowered to give instructions to the departmental ministers or of their own authority to decide disputes between them. The difference between a co-ordinating chairman and a directing super-minister lies precisely in the doctrine of collective responsibility. A departmental minister is responsible to Parliament for the conduct of his department, and he can bear that responsibility only if he himself has voluntarily accepted the policies on which it is based. He has the right, so to speak, to be tried by his peers, and he must accept the verdict or resign his office. If the device of standing committees of the Cabinet is to relieve the Cabinet of its burden, then ministers must be prepared, in all ordinary instances, to accept the verdict of the committee; there must, that is to say, be some restriction of the right to appeal from committee to full Cabinet. But this does not vitally affect the principle; a minister has discussed his policy with other ministers and they are all bound by the decision they have all accepted. The chairman of the committee has no more "instructed" the departmental minister, or come between him and his responsibility to Parliament, than the Prime Minister "instructs" his colleagues, or gathers all responsibility to himself in the fashion of a President of the United States. (This, presumably, is what Lord Woolton meant by denying that he had any responsibility to Parliament.)

★

What is extraordinarily hard to tell from the growing number of conflicting statements is whether or not Mr Churchill's overlords stray over this boundary line between co-ordination and supervision. The general sense of his statement was that they do not. But, as Mr Attlee was quick to point out, the conferment upon them of titles that appear to mark out a range of territory (Lord Leathers is Secretary of State for the Co-ordination of Transport, Fuel and Power) or the announcement (as in Lord Woolton's case) of what they are to co-ordinate, at least suggests that they have some powers of decision within those frontiers. Moreover, Mr Churchill himself said (in the unprepared part of his statement) that he had entrusted "the general supervision" of transport matters, "including initiative in many ways," to Lord Leathers, and there is much more than a suspicion (which many people will think confirmed rather than denied by the terms of the correspondence between Mr Churchill and Mr Maclay) that the Minister of Transport had found himself overruled—and not by the collective vote of all his colleagues—in the matter of fares. In Lord Woolton's case, he can hardly be represented as no more than the chairman of a committee, since he himself says that the Labour Cabinet's committee on food and agriculture was abolished when the new government took office; "instead," he said, "ministers are good enough to confer with me, bringing their departmental staffs with them." This is a very different picture.

It is, indeed, a little disingenuous to pretend that the overlords are a mere variant of the cabinet committee system. They may have become no more than that; but that was not the original intention. Indeed, they tended to be regarded, at the start, as a deliberate alter-

native to the system of standing committees of the Cabinet. Most of the committees, it was understood at the time, had been abolished, and report has it that Mr Churchill took a great deal of persuading to resuscitate them. It is difficult not to believe that the overlords were intended to be super-ministers. The Chancellor of the Exchequer said at the time (November 28, 1951) that "there must be some element of supervisory functions as well as co-ordination."

There is, to repeat, nothing constitutionally wrong in having super-ministers. It is what Lord Haldane suggested a generation ago—though presumably it was not Haldane's intention that all the super-ministers should be in the Lords. The political scientists could not condemn Mr Churchill for wanting to have super-Ministers. But they could warn him that super-ministers would be exceedingly hard to fit into the British constitution indeed, they would inevitably tend to collect super-ministries around them, in which the present departmental ministers would sink to the level of Parliamentary secretaries. That would be perfectly constitutional ; but it is certainly not desirable.

In any case, Mr Churchill seems to have changed his mind—though the process is evidently not yet quite complete. In this, as in other respects, the Conservatives seem to be settling down to a continuation of the Labour Government's practices, with quite minor variations. Now that the Prime Minister has declared the overlords to be no more than committee chairmen, it is to be hoped that they will in fact be no more. Thus, by the practice of both parties, another most promising precedent will have been written into the British constitution.

Colombo Plan's First Year

THE Colombo Plan has suffered from a curious lack of publicity ever since it started. Apart from a burst of interest stimulated during the Commonwealth Conference of September, 1950, and then again when more details were published last year, this great enterprise has been largely wrapped in silence. This air of mystery adds both interest and importance to the first annual report of the Consultative Committee of the Colombo Plan, published last week after being prepared at the committee's fourth session and first annual general meeting, held in Karachi during March. It deserves to be widely read, both for the information it contains and for the questions it raises.

In opening its report the committee has wisely seen fit to review the historical background of the plan. It reminds readers that its object is to

> raise the standard of living by accelerating the pace and widening the scope of economic development in the countries of South and South East Asia by a co-operative approach to their problems, with special emphasis on the problem of the production of food.

An outline is then given of the present economic and financial state of the area, followed by a series of studies of those member countries that have received help under the plan during the past year: Ceylon, India, Pakistan, the British territories of Malaya and Borneo, and Vietnam. Newer members, in whose territories organised planning has not yet been possible for one reason or another, are Burma, Cambodia, Laos and Nepal. At the end, there is an assessment of the positive contributions so far made by recipient members such as India, and by Australia, Canada, New Zealand, Britain and the United States, which is advancing large sums to southern Asia, but not directly through the Colombo Plan.

The project has been launched at a moment not only of widespread political disturbance but of rapid swings of the economic pendulum. The dominating factor in the situation has been the war in Korea. During the last few months of 1950, and in the first half of 1951, this brought a substantial improvement in the terms of trade of most of the countries in the Colombo Plan area. The prices obtained for rubber, tin, jute, cotton, tea, and other primary products sent their exchange earnings soaring, and turned deficits into surpluses. This also made possible several steep increases in export duties. The result was that many of the plan's original estimates were shown to be too pessimistic, and the area was on the whole able to finance its own development programmes for 1950-51. Indeed, extra foreign aid—assessed for the first year at £206 million, of which £50 million was to come from sterling balances—could not be readily absorbed because of the difficulty of speeding up the tempo of expenditure.

Since the latter part of 1951, conditions have again radically altered. The cost of existing development schemes has risen, on account of worldwide inflation, and capital equipment has become more, not less, difficult to obtain owing to rearmament. At the same time the prices of raw materials have fallen sharply over a wide range. The result has been to make the terms of trade of both India and Pakistan, which together account for over two-thirds of the Colombo Plan, even less favourable than when the original estimates were drawn up, and virtually to offset the improvements in the other countries. In addition, the general position of the sterling area, to which most members belong, has deteriorated.

Taken as a whole, however, these past eighteen months have seen this great project get off to a good start. In spite of rising costs, real public investment is rising. The actual expenditure in India, Ceylon and the British territories, for instance, was £226 million in 1950-51, compared with revised estimates of £312 million for 1951-52, and estimates of £475 million for 1952-53. In India, progress is being made on important power and irrigation schemes such as the Nangal barrage, the Bokaro power station and the Tungabhadra irrigation project, which should be finished next year ; the great Sindri fertiliser factory is contributing to the drive for higher food yields, and the Chittaranjan locomotive works are almost finished. In Pakistan the first stages of the Thal irrigation scheme and the Lower Sind Barrage have nearly been completed, and in Ceylon the main dam of the Gal Oya Scheme is all but built.

*

This, then, is the relatively favourable background of progress with some of the more spectacular projects incorporated in the plan. Against it, however, many other problems must be assessed. For the venture will succeed or fail according to its ability to affect the living standards of many millions of people ; and this depends not so much

on a few large-scale enterprises, but rather on the degree to which general methods and yields of agriculture can be improved. It is no use advancing a great deal of money if it cannot be invested wisely and employed at the right place at the right time. One of the main administrative problems so far thrown up has been the apparent inability of many Asian government officials to decide on a realistic appraisal of priorities. There has been a feeling that the flow of money and technicians can be repeatedly diverted hither and thither. In some cases there has been quite unwarranted procrastination: technicians have been asked for and then kept kicking their heels ; capital equipment has been ordered for schemes before buildings have been provided to house it ; and expensive machinery has been left in the open to rust and disintegrate. Attempts have been made to play the British and Americans off against one another: for instance by cancelling orders for carefully considered and proven British equipment in favour of the latest gadget from the United States, regardless of its suitability either for the job or to the technical standards of those who will operate it. One of the plan's most important functions is to help countries to learn the technique of planning. These abuses are natural enough at this stage, but every effort should be made to overcome them as the plan gathers impetus. At Karachi governments showed they at least recognise the existence of this problem.

Among other specific questions discussed at Karachi were those of forming a permanent secretariat, obtaining a flow of the right kind of technicians, and enlarging the membership of the plan. Further consideration of a secretariat was postponed until next year ; for the work can be done by individual governments, and Asian members are rightly chary of constituting any body with what might look like an overriding authority. The problem of getting technicians was not, however, fully solved. The real need at the higher level is for governments to assess and describe their requirements more exactly, and at the lower level for far more properly trained foremen. The turnover of technicians is too rapid ; men come but do not stay. To meet this difficulty, it would probably be wise to increase the employment of firms of consulting engineers rather than the recruitment of individuals. And to do this satisfactorily there is much to be said for opening a permanent Colombo Plan bureau in London, able to give the fullest information. The Karachi meeting made no new decisions about adding new members. The question of the role that Japan might play has, however, only been postponed until next year. By then, too, it is to be hoped that Indonesia will have decided to participate ; there seems little chance of Siam and the Philippines coming in.

*

The Karachi meeting did not formally re-examine the main premises on which the Colombo Plan rests. Yet the more the progress is made with the existing concept of co-operative effort within severely practical limits, the more the question presents itself whether the project goes far enough. In India, for example, the aim is to increase the national product by 10 per cent in five years' time. Yet, with population increasing by between three and four million a year, these plans are barely enough to do more than prevent the present low standards of living from falling. It is already a high achievement to have set on foot a practical scheme to hold the present level, but the ultimate needs go far beyond the scope of present plans. Not only must the present work of increasing the yield of peasant agriculture be coupled with a more intensive land reform and the extension of education in co-operative principles ; but some means must be found of offsetting the constantly increasing gap between birth and death rates, as, for instance, by subsidising birth control propaganda.

Time is desperately short, and this effort to raise economic standards comes on top of the effort to fight the Communists with arms. In the long run, a rise in living standards is essential if South and South East Asia are to be saved from Communism, and a start must certainly be made now ; but in the short run, it is the fighting in Indo-China, Malaya and Burma that matters most. Unless the threat from Communist armies is first sealed off, every penny put into the Colombo Plan will be lost to the free world. Yet even those battles cannot be won without either the promise of a better future or a vigorous belief in the human values for which the free world stands. While rearmament claims priority, it is the function of the Colombo Plan to lay the foundations for the constructive work of the future. Growing understanding of this fact made the recent Karachi meeting an important and successful occasion.

New Zealand's Constitution

Sir John Pakington has shown a great deal of alacrity in complying with the desire of some gentlemen connected with New Zealand, and has introduced a measure for conferring a Constitution on that settlement. From recent experience abroad and in some of our own colonies, we thought constitution-making had rather fallen out of favour ; but it seems to be still held in high honour at the antipodes and at Westminster, and to be of such urgent importance that to make a Constitution for New Zealand is a part of the business which the Parliament must perform before it can possibly die. To settle the just limits of legislative and executive authority was thought an extremely difficult task by the most profound of modern political philosophers. Sir John Pakington, by the help of his New Zealand friends, has mastered the subject in a few weeks, and defines with the utmost nicety all the functions of an executive, a general legislature, and six subordinate and separate legislatures which he is to confer, one for each province, on New Zealand. We raise no objections to his scheme. . . . With our convictions, however, all on the side of *laisser faire*, we have a kind of logical repugnance to issuing minute directions on the banks of the Thames how our expatriated countrymen are to comport themselves on the other side of the globe. We have a pretty strong conviction, too, that if a body of men be selected to make regulations, they will, as a matter of duty, set about making some, whether they be wanted or not. . . . If not too minute, the Constitution, being demanded by gentlemen from New Zealand, may be useful. . . . The substantial practical objection to it was suggested by Mr Gladstone and enforced by Sir W. Molesworth. Both deprecated the idea of having a second chamber, the members of which are to be nominated by the Crown. . . . Probably, in a young colony, where ranks are not very distinctly defined, whither men go, in the majority of cases, to avoid the restrictions of a long peopled country, one chamber would be quite sufficient. If it were based on a wide suffrage and renewed frequently, so as to be always identical with the bulk of the people, there could be no apprehension of its establishing a crude despotism.

The Economist

May 8, 1852

NOTES OF THE WEEK

Prisoners of Korea

A new stage opens in Korea with the statement that Mr Eden made in the House of Commons on Wednesday. After ten months of most painful negotiation the division between the two truce delegations has been reduced to one matter of substance—the return of prisoners. The struggle over this is unlikely to be ended quickly, for moral principle on the United Nations' side and prestige on the Communist side are in deep and direct conflict. And the Chinese attitude will not be softened by the fact that the whole world now knows that three-quarters of the Chinese prisoners and nearly half the North Korean prisoners refuse to return voluntarily to the Communist side of the front. On the other hand it is something gained that the Communists have made concessions that they are now hardly likely to withdraw.

The fact that negotiations are again at deadlock should not obscure this important exchange of pieces: the Communists have given up their demand that the Soviet Union should be a "neutral" member of the armistice commission and the United Nations have given up their demand—which they could not have enforced—that the Communists should build no new airfields. This was brought about by the United Nations' proposal for a settlement of all outstanding issues in one effort, a method that Communist diplomacy generally rejects. This provides yet another reason why the effort at negotiation should not be given up, exasperating though it is for the delegates and harrowing though it is for the relatives of prisoners in Communist hands. It might yet be possible to break the deadlock over prisoners by getting a neutral commission of inquiry appointed.

Meanwhile the eagerness of propaganda organisations to exploit the refusal of Chinese and North Koreans to return home must not be allowed to make negotiation more difficult. Peace in Korea is more important than points scored over the radio.

* * *

Admirals and Admiralissimos

The visit to London of the United States Chief of Naval Operations, Admiral Fechteler, has caused inaccurate and undignified comment. It is not the case that the British, out of pride and pique, demand for themselves a supreme command in the Mediterranean; nor are they jealous of the special position given to the Americans in those waters by the carrier strength of the Sixth Fleet. Lord Alexander and others have insisted on a weighty and much pondered question: is it right to give control of all naval forces in the Mediterranean to the man directing the Supreme Commander's forces in southern Europe? He would be bound to think first of the defence of Western Europe, which is Nato's direct concern; he would not be directly concerned with the defence of the Middle East and the communications that lie across it, for that is not Nato's concern. That job falls to the British, for whom the Mediterranean is not so much the flank of land operations in southern Europe as a corridor from this country to Commonwealth countries, from the Atlantic to the Indian Ocean.

It is reasonable for the Admiralty to argue that no commander—whether he is Admiral Carney or Lord Mountbatten is irrelevant—can look at the Mediterranean simultaneously from a European and a Middle Eastern standpoint. So long as there is no clear American or Nato commitment in the Middle East, naval forces in the Mediterranean for its defence should be allocated separately and should be under British command. The division of command at points where Nato's powers end and national responsibilities begin should be clearly drawn, even though it is in peacetime.

Next Stage in Egypt

The speech delivered on the sixteenth anniversary of King Farouk's accession by the Egyptian Prime Minister, Hilaly Pasha, is tacit proof that recent consultations in London with the British Ambassador in Cairo and the Governor-General of the Sudan brought little progress on the Sudan. The purpose of all the recent talk has been to produce a preliminary statement on the basis of which formal negotiations could open. In preparing this, it is known that the British are ready to go far towards meeting Egypt's aspirations with new arrangements in the Canal Zone. They are also ready to recognise in principle the Egyptian King's sovereignty in the Sudan, on condition that the Sudanese, after consultation, consent. But how is the consulting to be done? The representative bodies that it would be normal to consult are regarded by the Egyptians as too much under British influence. In their eyes the Sudan is part of Egypt; as a broadcast put it this week, they "do not oppose the principle of self-determination," but "insist on the principle of unity between the two countries." That is to say, they accept self-determination but only if the Sudanese determine themselves in Egypt's favour.

What more can the British Government do? Outsiders, such as the Americans or the Pakistanis, recognise that it has gone as far as can be expected; many Asians and Africans are just as concerned about the maintenance of British promises to the Sudanese as about satisfaction for Egypt. Yet, if the Egyptians insist that "negotiation" means one hundred per cent concession to their view, it is difficult to see how the desired preliminary statement can be secured.

If it cannot, there are ways around the *impasse*. One would be to separate the matter of the Canal Zone and the matter of the Sudan, so enabling Hilaly Pasha to score a considerable personal triumph in the former; but his latest speech makes this look unlikely. Another would be to start formal negotiations without a preliminary statement, which would be unpromising. A third would be to tackle the Sudan problem from the angle that really matters to Egypt: its concern lest an independent government in Khartoum should one day tamper with the vital Nile water. To create an international Nile Valley Authority would be to bring Egypt the longest-term measure of security, and here the British could take the initiative.

* * *

The First Shuffle

The minor reshuffling of Ministers carried out by Mr Churchill this week followed the expected lines. It has been clear for some time that the double post of Minister of Health and leader of the House of Commons was too much for Mr Crookshank, as it probably would have been for any man. The only surprising reflection is that six months ago Mr Churchill thought that Mr Eden could combine the leadership of the House with the office of Foreign Secretary. Mr Crookshank will certainly need every ounce of skill and energy he has to lead the House effectively in the next few months, and he rightly gives up the Ministry of Health and takes over the sinecure post of Lord Privy Seal.

The tribute that may fairly be paid to Mr Crookshank's successor is to say that the appointment is no surprise. Mr Macleod's abilities have made him the obvious choice—although he is only 38, although he not merely comes straight from the backbenches but has been there only since 1950. As Minister of Health he combines the two qualifications of knowing his subject and of being both willing and able to stand up for himself in Parliament against Labour's assumption of proprietary rights in the social services. He has demonstrated that quality most plainly in the debates on the Health Service Bill in recent weeks. Mr Churchill's other changes are routine enough.

Lord Salisbury relinquishes the post of Lord Privy Seal which he had kept after becoming Secretary for Commonwealth Relations, but continues to lead the House of Lords. The appointment of Mr Lennox-Boyd to succeed Mr Maclay as Minister of Transport confirms the impression that what Mr Churchill seeks in this post is an exponent rather than an originator of policy. Mr Maclay, whose ill health and resignation are widely regretted, has been the victim of unfortunate circumstances. Mr Henry Hopkinson, who takes Mr Lennox-Boyd's place as Minister of State for the Colonies, was formerly a professional diplomat and became a research worker for the Conservative party after the war—as did Mr Macleod. It seems that the party bureaucracies are increasingly becoming a training ground not merely for the backbenches but for ministerial office.

Mr Lennox-Boyd will have only a short time in which to brief himself to steer the Transport Bill through the House of Commons. This bill, giving effect to the proposals in this week's White Paper, will be published shortly. Labour has a powerful team—Mr Morrison, Mr Barnes, and Mr Callaghan—to lead the opposition to the bill, and the rank and file of the party will want to fight at every point to delay the return of road haulage to private ownership. Mr Churchill may have reason to regret that Lord Leathers cannot himself champion the bill in the House of Commons. It is the more important to make a political success of this bill because the denationalisation of steel is apparently to be delayed for its sake. Mr Churchill promised in his broadcast last weekend that the Steel Bill would be introduced "this year"—not "this session." Though the hint is obscure, there is little doubt that it is only by postponing the Steel Bill that the Government can make its life in Parliament tolerable.

* * *

Constitution for Central Africa

The full details of the draft constitution for Central Africa, which was agreed at the London conference, will not be given until the White Paper is published. But the main amendments to the proposals put forward by the officials last summer have been made known. Of these, the most important concern the safeguarding of African interests. The officials proposed not only an African Affairs Board but a seat in the federal cabinet for a Minister for African Interests who would be responsible to the Governor-General. Objection was taken to this because it would have made government unworkable, and the draft constitution relies instead on a strengthened African Affairs Board, composed of a nominated European and African from each territory and an independent nominated chairman. It will have the power to veto any legislation that it considers discriminates against the African. The protectorate status of Northern Rhodesia and Nyasaland is confirmed in the constitution, and earlier assurances on African land rights are written into it. Even more important is the proposed establishment of a federal Supreme Court to protect these safeguards for Africans, from which appeal will lie to the Privy Council.

On what has been made known it seems fair to say that the draft constitution goes further than the officials' scheme in protecting African rights. But that does not make the next steps any easier. The next conference will be held in about six months' time, by when the commissions appointed to consider fiscal affairs, the public service and the police will have reported, and the draft constitution can be completed. After that it will go before the legislatures of the three territories. The Government's difficulty is that if it tries to explain the new proposals to the Africans in the meantime, it may intensify their suspicions that federation will be forced upon them. If, on the other hand, it takes no action, it will be accused by the Rhodesian Europeans of allowing the whole scheme to go by default. It is thus particularly unfortunate that Mr Lennox-Boyd should have been promoted to the Ministry of Transport just now and his place taken by someone whose interests have not hitherto lain in colonial affairs.

* * *

The Young and the Old

There was virtually no political sparring in the second reading debate of the Family Allowances and National Insurance Bill. For once, almost all members on both sides of the House of Commons showed themselves aware of the shadow overhanging social security in this country—the shadow of age—and addressed themselves to the best means of dispelling it. This awareness is particularly welcome when shown on the Labour benches, for it is the generosity shown by the Labour Government to retirement pensioners that is largely responsible for the liability that will eventually be placed on the national insurance fund. Both parties have now evidently woken up to the fact that it is not some distant government that will have the responsibility for meeting this liability, but the government that is elected at the next general election. In five years' time, according to the government actuary, the expenditure of the national insurance fund will exceed its income by £100 million.

Some members, particularly Mr Angus Maude, wanted to relieve the burden placed by the old by more generous family allowances, in particular by increasing the allowance for the third or fourth child. This, he argued, would encourage larger families and therefore increase the ratio of workers to retired in twenty-five years' time when the insurance fund's excess of expenditure will have grown to £400 million. But this policy would imply a steadily increasing population, and it is by no means certain that that is desirable on other grounds.

The best course would seem to be to extend the working years of elderly people by raising the minimum pensionable age. Here Mr Peake, Minister of National Insurance, gave some interesting facts and figures. Because of their earlier retirement and longer life, two-thirds of the amount spent on pensions goes to women and one-third to men. The increments to pensions earned by postponing retirement, he also pointed out, have been increased to a point that brings no saving to the insurance fund from delayed retirement. They would also involve a higher basic pension if the pension age is raised. Raising the age would not of itself help the fund's finances; but by setting an example for later retirement in industry generally it would help the country to support the pensions burden. There is, he emphasised, no easy way out of the financial difficulties of the national insurance scheme. Anyone who faces them must admit, he said in effect—and it is a welcome change for a Minister to say it—that in future retirement pensions must take second place to provision for the sick and unemployed.

* * *

Europe's Economic Dilemma

The boom and slump controversy has now reached the Organisation for European Economic Co-operation. One group of national representatives still regards inflation as the main danger, and the OEEC is forming a small committee of experts to review once again the internal financial stability of countries; the other is more worried about deflationary tendencies and rising unemployment. These views are not contradictory, for the essence of economic policy is to maintain a delicate balance between inflation and deflation—or to maintain expanding output while keeping the value of money relatively stable. No government can afford to allow

large-scale unemployment, and Britain's present difficulty reflects the European problem before OEEC. There is a race between rising unemployment and the effort to increase gold and dollar reserves. If Britain's present dose of disinflation can adequately increase reserves before unemployment rises above the politically acceptable maximum then all is well for the moment.

The OEEC finds that the main obstacle to its programme of expanding Europe's output by 25 per cent over five years is not lack of equipment but decline in demand. Last September all depended on whether there would be sufficient coal, steel and other raw materials. Now manufacturers are not so sure of a continuing large demand, and are less eager to extend investment and increase output. In a fully controlled economy the authority would push on with its investment policy in the belief that it could expand demand later. In free European countries, industrialists need something more than exhortation and reports of experts.

The OEEC's new study of internal financial stability will, apparently, not deal with this question of how to maintain financial stability and an annual rise in output of five per cent. Yet this is what Europe wants to know. Continued inflation, or even "creeping" inflation, is no solution because the day of reckoning must come, when it may be impossible to prevent large-scale unemployment. The answer may be to try to imitate what has happened in the United States since the war. There the economy has expanded for a period, then there has been a modest recession, then expansion has resumed. The catch is that this may have been far more the result of pure accident, or the working of "blind economic forces" than anyone is prepared to admit.

* * *

Less Need for American Coal

Western Europe has become accustomed to sudden changes of economic prospect, but few governments could have hoped to reduce this year their imports of American coal. Coal has become a major item in their dollar expenditure and some 35 million tons were to have been imported from the United States in 1952. Early in January the Council of OEEC formed the Ministerial Coal Production Group with the task of increasing production so as to dispense with these dollar imports by the end of 1953. Now, four months later, it looks as if they will be less than half what was forecast.

WESTERN EUROPEAN COAL PRODUCTION
(Million metric tons)

	First 16 Weeks			Full Year		
	1951	1952	*Percentage Change*	1951	1952 Estimate	*Percentage Change*
United Kingdom	71·1	71·8	+ 0·92	226·4	229·4	+ 1·32
Germany	36·8	37·7	+ 2·45	118·9	126·0	+ 5·95
France	17·3	18·3	+ 5·92	54·4	57·4	+ 5·52
Saar	5·2	4·9	− 5·68	16·3	17·0	+ 4·55
Belgium	9·1	9·7	+ 7·32	29·7	31·0	+ 4·48
Netherlands	3·9	3·9	− 0·43	12·4	12·8	+ 3·06
TOTAL	143·4	146·3	+ 2·01	458·1	473·6	+ 3·38

Source: Organisation for European Economic Co-operation.

European production, it is true, has risen, though by less than was planned. The figures so far available (released after the meeting of the Ministers' deputies in Essen last weekend and shown in the accompanying table) refer to the first sixteen weeks of this year and are not directly comparable with the same period of 1951. Last year British production jumped ahead in response to Mr Attlee's plea, while in Germany and the Netherlands miners worked longer hours because of special arrangements no longer in force. In total, output has gone up by two per cent compared with the planned increase of 3.38 per cent; but the ministers' deputies were confident that the planned increase would be obtained over the year as a whole.

The main reason for the decline in imports of American coal is the fall in consumption. The mild winter has left most countries with much larger stocks than they expected. This, coupled with manufacturers' fears of a slump and the effects of restricting credit, has caused a significant decline in the demand for coal.

The Ministers' deputies have set up a working group to study various projects to increase output next year put forward by countries which claim that their domestic resources are inadequate to finance their own investment. The chief claimant was Western Germany, despite the fact that it is known to have made very large "hidden" investment in its coal industry during the past two years. If price is at long last to bring supply and demand into equilibrium, then it would seem unfair—indeed unwise—to encourage investment (with the help of dollar gifts or loans) that the producing countries are not willing to finance themselves.

* * *

Camouflaged Communists

"Invisibles" are playing an increasingly important part in the Soviet Union's political balance of payments. Wherever Soviet agents have a hand in organising disorder, the local Communist parties form only one of Moscow's assets. Political parties, organisations and individuals, all variously camouflaged, make up the rest. In Western Germany nearly eighty different crypto-Communist bodies, all subsidised from the Soviet Zone, have been counted, and they are growing. If four power talks on all-German elections are held, the Russians will doubtless demand for these "parties" and "mass democratic organisations" the right to put up candidates.

At the famous meeting of the Far Eastern branch of the World Federation of Trade Unions in November, 1949, one Chinese Communist leader frankly explainly that allegedly non-Communist parties had been formed to attract the Chinese bourgeoisie. They were included, for the sake of appearances, in the government set up after the Communist victory, and some European correspondents praised Mao Tse-tung somewhat ingenuously for refraining from establishing a single party regime in Peking. Their members, however, were bluntly told that the Communist party would give the orders.

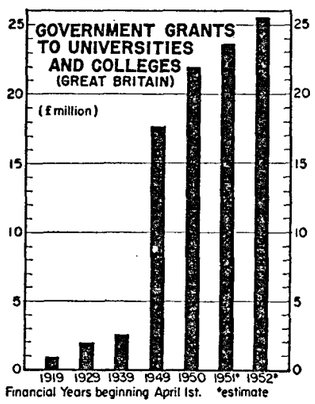
Latterly some of Moscow's invisible exports have revealed their hall-marks too plainly for Soviet liking. The World Peace Council, for example, which thinks out new propaganda stunts, dropped quietly out of the Moscow economic conference after proposing it. At its latest meeting the Council framed the allegation that the Americans have been waging bacteriological warfare in Korea, and it has since sent instructions to Communist parties and camouflaged organisations to exploit its material on the subject.

Crypto-Communist organisations are comparatively easy to recognise, but the growing Communist practice of infiltrating genuinely non-Communist bodies is much more difficult to combat. Few remember the part played in the Communist coup in Czechoslovakia by Fierlinger and Erban, who posed as good Socialists until "the day" came. The libel laws and the distaste for witch-hunting felt by most western liberals make it almost impossible to expose such individuals in time. Moreover, in most countries of Western Europe, they have the easy task of persuading the public that rearmament is unnecessary, and that all their worries are due to the Americans. Except in Federal Germany, Europeans are not being urged by agents to go to the barricades, but simply to do nothing. This is as beguiling as the fanatical nationalist role played by disguised Communists in Asia and Africa.

Academic Freedom and Accountability

One of the wisest features of educational policy was the decision to leave the universities free from detailed parliamentary control. But when, in 1919, the University Grants Committee was appointed to advise on, and later to carry out, the allocation of the grant in aid, the decision was more obviously wise than it is today. The total amount of the grant was then £916,000; last year it was £23 million, and for 1952-53 it is £25 million. That is a very large sum to dispense without any obligation to account in detail for the way it is spent. It is over ten times as large as any other grant in aid made under the same conditions, and the Select Committee on Estimates, in its fifth report, was right to re-examine the problem of reconciling the independence of the universities with adequate control over the use of public money—particularly as the Committee of Public Accounts has also implied that the independence was now too great.

The Select Committee is satisfied, in the main, with the present system. It does, however, recommend that the use of non-recurrent grants—the grants made for building and other capital expenditure—should be subject to more detailed control: the books and accounts should be open for inspection by the Comptroller and Auditor-General. The present arrangements are that the universities are bound to accept the lowest tender, and their plans are considered by a subcommittee of the University Grants Committee, which is attended by representatives of the Ministry of Works. The safeguards against extravagance are thus fairly strong already.



A serious encroachment on academic freedom is the practice of earmarking part of the recurrent grants to finance particular developments—for example to meet the need for more doctors or more technologists. This practice is strongly disliked in the universities, and the University Grants Committee also, in its latest report, expressed disapproval in principle. The select committee agrees that these grants should not be used beyond the period necessary to establish a new school or faculty, but thinks they may still be needed for that purpose. The University Grants Committee is about to start on the allocation of this year's grant in aid, and it is for it to decide whether any of it should be earmarked. While certain professions—for example, dentists and technologists—are still so understaffed, it sounds reasonable to insist that public money shall be used to produce them; but much the same result could no doubt be obtained without compulsion and rigidity by simply asking the universities for their co-operation.

* * *

Labour's Health Service Pledge

The final stages of the National Health Service Bill in the House of Commons were notable for a declaration by Mr Marquand when making the last speech for the Opposition. He said that when the Labour party was returned to power it would take steps

> as soon as parliamentary opportunity permits, to bring all these charges—charges for drugs, medicines, dentures, dental treatment and spectacles—to an end.

He thus in effect repudiated two Labour measures, the Act of 1949 imposing the charge on prescriptions, which was not put into operation, and the Act of 1951 imposing the charges for spectacles and false teeth, for which he was personally responsible as Minister of Health.

Conservative backbenchers, including the new Minister of Health, Mr Iain Macleod, were quick to seize upon the significance of this declaration. Taken in conjunction with some of Mr Marquand's earlier remarks, it means that the Labour party has abandoned all idea of a fixed ceiling on health service expenditure. The money to be saved by the new Bill, he said, could have been found by not giving relief to income taxpayers. It is true that in the 1951 Act a clause was inserted limiting the duration of the charges imposed to 1954, thus linking the need for them to the period of rearmament. The new Bill abolishes this time limit, and the Government resisted attempts by Labour to reintroduce it. But it was not in Mr Marquand's original Bill; it was put in at a later stage to pacify Labour backbenchers. Moreover, the Central Health Advisory Council, of which a Labour member of Parliament is chairman, in its report for 1951 says that it advised the Minister to consider measures to limit the demand for dentures, suspecting that some of it was unreasonable.

Tht fact is, as Mr Marquand and his colleagues on the Opposition front bench know full well, that there is no limit to the amount that could be spent on the health service if demand were the only criterion. The particular ceiling of £400 million that has been enforced by two Governments is not necessarily final. Nor are the charges necessarily being imposed in the best way. Clearly there is need for a thorough reorganisation of health service finances, which it is hoped Mr Macleod will undertake. But Mr Marquand's return to the carefree, irresponsible days of 1946 was as foolish as any pledges of red meat.

* * *

Mr de Valera Against the Tide

After an unusually prolonged debate the Irish *Dail* has passed the last of the Budget resolutions by three votes. No doubt the political temperature will now fall, but it is unlikely to remain at the lower level for long. Mr de Valera's slender majority of two has been reduced by the death of a *Fianna Fail* deputy. This untimely vacancy occurs in a constituency where last June the opposition parties, taken together, had a clear majority of votes over the government candidate. It is generally taken for granted that the government will not only lose the seat but will also receive so reduced a poll that it will be forced to go to the country. To those who think so, the only question is whether the by-election will be held before or after July 1, the date on which the reductions in the food subsidies come into effect. This, however, seems to ignore two points that may turn out to be of considerable importance. The constituency is in Mr de Valera's own part of the country; and it remains to be seen if the opposition parties can in fact act and vote together.

Although the tide seems to be flowing in favour of the opposition parties, they have yet to set a course. *Fine Gael*, the principal opposition party, is gathering fresh strength and self-confidence. It is unlikely, and it certainly would be most unwise, to tie its hands by promises to repeal the entire budget if returned to office. Its late allies in the inter-party government may not be so restrained. This confused situation is one after Mr de Valera's heart; and a dissolution may be further off than is thought at present.

* * *

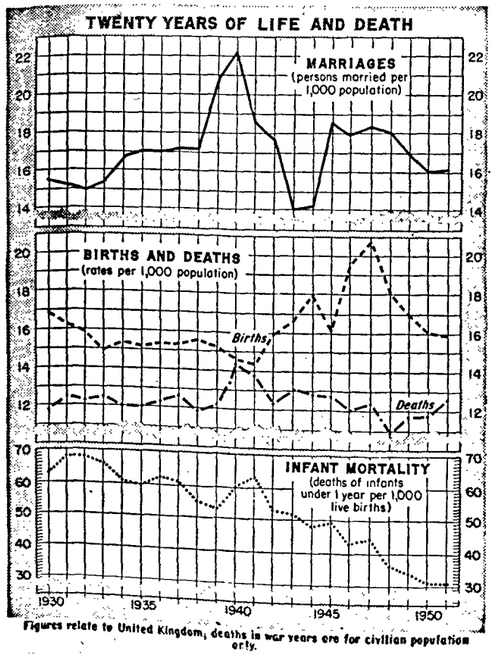
The Struggle in the Union

The High Court of Parliament Bill, designed by the Malan government to override the entrenched clauses of the South African constitution, has come up for its second

reading, and the campaign against it throughout the Union has been intensified. In the House of Assembly the Speaker had already been challenged by Mr Strauss, the leader of the opposition, to rule the Bill out of order on the legal principle that parliament cannot, as ordinarily constituted, do indirectly what it cannot do directly; the Speaker refused. Outside in the streets of Capetown extra police have been drafted in from all over the Union to guard, as Dr Malan claims, against possible unconstitutional pressure from the Torch Commando. And in Natal the United Party provincial councillors have met at Pietermaritzburg to propose a national convention of South Africa's four provinces to reaffirm the constitution; in Durban they have since had the backing of the Natal branches of the Labour Party and the Torch Commando.

It is a reflection of the atmosphere in which tempers are now rising that Dr Malan should have taunted Mr Harry Oppenheimer, who is the brains of the United Party, with the epithet "arch-Liberal." Even in South Africa, where much of the white community feels it is fighting with its back to the wall on racial questions, such an attitude will get no response from the majority. There are reports that Dr Malan's marginal adherents are questioning the wisdom of the government's present tactics, and that Dr Malan himself may just be beginning to hint at compromise.

More important than the legal issue is the moral one. It is one thing for the government to push its *apartheid* policy to the limits allowed by the constitution, but another that it should seek means of overriding the constitution. On this point the Dutch and British are not divided racially. The leadership of the United Party rests in Afrikaner hands, and the moderate Afrikaner is now quite as worried and incensed by the flagrant illegality of Dr Malan's intended programme as is his British neighbour. The traditions of Botha and Smuts are not dead and it is possible that Dr Malan has started something that could bring down his government at the next election, if he pursues his present course.



Figures relate to United Kingdom, deaths in war years are for civilian population only.

Franco and Islam

The Middle Eastern tour of Spain's Foreign Minister, Señor Artajo, is paying a dividend only a week after its conclusion. The Regent of Iraq and his Prime Minister, General Nuri Pasha, are visiting Madrid. Further outpourings of bouquets and banquets, cultural conventions and treaties of friendship are bound to follow. It suits both parties to extol the success of their relations: the Arabs in order to show their British and French adversaries that they are not friendless, the Spaniards in order to impress the Atlantic community with Spain's uses as a go-between, or even as an influence in Uno upon the Arab-Asian bloc of voters.

Beyond these frills there is little evidence of substantial agreement. The parties' economies do not dovetail. Some Arabs feel that to fraternise with a power that is still sovereign in an Arab territory—Spanish Morocco—is a negation of a longstanding doctrine of the Arab League. Others know the military futility of General Franco's assertions that Spain is "guardian of the unity of the Mediterranean."

From an Anglo-American standpoint it is no bad thing that a country that belongs to the western world should be on good terms with eastern peoples; opposition to this state of affairs comes only from Communist circles, which hissed Señor Artajo as he went on his way, and from France. For the French are inconvenienced by the quickened pace set by this spurt in Spanish policy. One part of it is to introduce in the Spanish zone of Morocco methods more liberal than anything the French can afford in their own zone because of the diehard views of the European population in French North Africa.

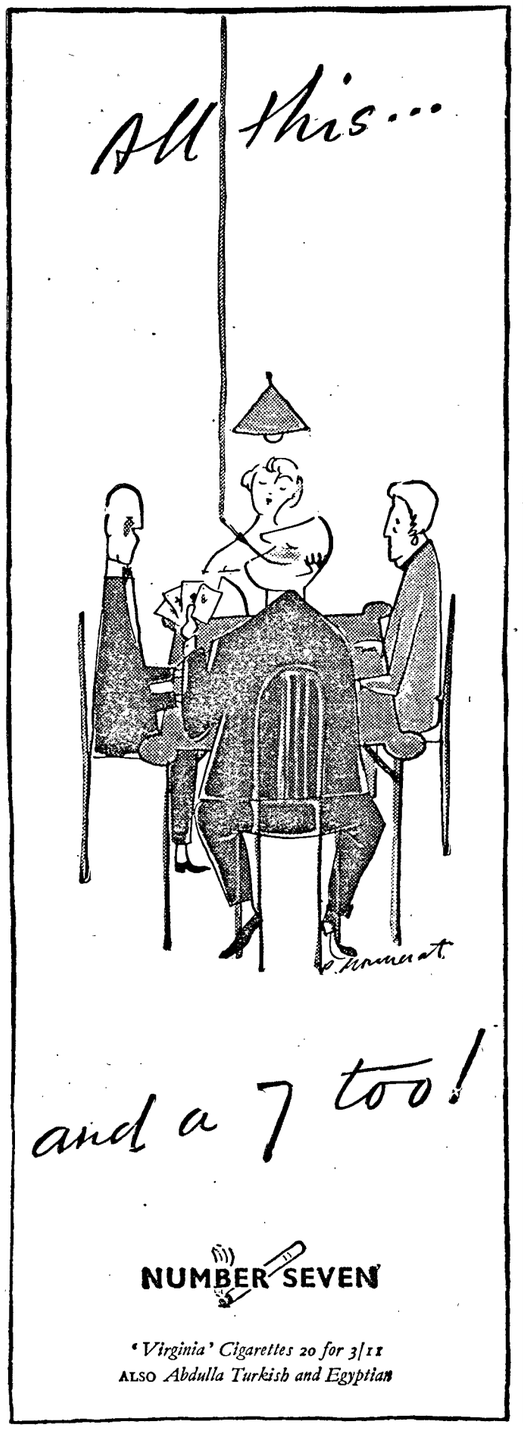
Lately, Madrid has, in the Spanish zone, authorised political parties, introduced a five-year economic and educational plan costing £7.5 million, appointed a well-known Islamic specialist as chief of staff, dismissed an officer for not giving an order through the Sultan's representative; Señor Artajo was asked in Cairo whether the liberation of Spanish Morocco lay ahead, and gave the sybilline reply that "Spain could not unilaterally break its international engagements on the subject." What he did not say was whether Spain was glad or sorry to be thus hampered. For the moment, anomalously enough, General Franco is made to look the champion of Arab rights to liberty, equality and fraternity, and France the stodgy reactionary withholding them.

* * *

New Ambitions for Bulgaria

A recent cabinet decree demanding in urgent terms the speedy completion of Bulgaria's first major iron and steel combine suggests that this backward country will not escape the extensive industrialisation now being carried out all over Eastern Europe. Although Bulgaria, like the other Soviet satellites, has been fitted out with a five-year plan (now in its fourth year) some observers have surmised that it was still destined to play a primarily agricultural role in the Soviet scheme of things. It has some coal and iron ore, as well as hydro-electric resources which are being steadily developed; but, generally speaking, it has usually been considered poorly endowed with mineral and other natural resources. The Communists think otherwise. At the National Day celebrations last September the Prime Minister, Mr Chervenkov, said that the geological research now being carried out, "which could be only dreamed of before 1944," was "opening up great prospects for the extraction of iron ore, non-ferrous metals, coal and many other useful minerals."

The new iron and steel combine under construction at Dimitrovo, not far from Sofia, will no doubt be able to

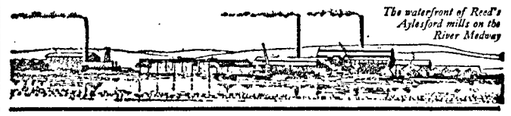


TO THE MECHANICALLY MINDED, 1895 was an exciting year. In spite of stringent Highways Acts, people were driving the first few horseless carriages on the public roads—frequently without the man with a red flag who should have preceded them and exceeding the speed limit of 4 m.p.h. British engineers were building their first cars; a new industry had been founded. And that same year the foundations of another great enterprise had been laid. At Tovil, Albert E. Reed had begun to make super-calendered newsprint at his first paper mill acquired the previous year. Successfully reviving other mills, he was soon to be known as "the Wizard of the South" and to build up an unrivalled reputation as a manufacturer of super-calendered printing papers, including newsprint. From this beginning, not sixty years ago, has grown the vast paper-making enterprise of the Reed Paper Group, producing today an ever-increasing tonnage of British newsprint and the largest output of Kraft paper in the whole of Europe.

Reed
PAPER GROUP

PIONEERS IN MODERN PAPER TECHNOLOGY

ALBERT E. REED & CO. LTD
THE LONDON PAPER MILLS CO. LTD · MEDWAY PAPER SACKS LTD
THE MEDWAY CORRUGATED PAPER CO. LTD
BROOKGATE INDUSTRIES LTD · REED FLONG LTD
THE NATIONAL CORRUGATED PAPER CO. LTD
POWELL, LANE MANUFACTURING CO. LTD
E. B. FREEMAN & WESCOTT LTD . REED PAPER SALES LTD
HEAD OFFICE: 105 PICCADILLY, LONDON, W.1.


The waterfront of Reed's Aylesford mills on the River Medway

R.S.V.P.

Our social intercourse is peppered with these little formal Gallicisms. French is, indeed, not only the language of formality—the diplomatic language—but, pre-eminently, it is the language of the table. It is the language of the *connoisseur*, the *gourmet;* it is the language of the *carte du jour;* that being so, it is the language of the *chef de cuisine* below stairs in the Connaught Rooms. Here, where no fewer than twenty of the most sumptuous banqueting halls are gathered together under one roof, London enjoys a veritable *chef d'oeuvre* every night: it is an amenity which has no equal anywhere on earth.

CONNAUGHT ROOMS
are Banqueting Rooms

but for **higher mileage...**

It **LOWERS** *the cost of motoring!*

Sea of oil under Canada

A FEW YEARS AGO oil gushed in western Canada. Two thousand million barrels of oil are known to be available and, say experts, that's only a fraction of the oil-sea that lies beneath. It is a vast oil land with natural-gas pools, to be used for great mills that industry has already planned.

In addition, tar sands in the north hold in their frozen embrace 200,000 million barrels of oil, it is estimated — more than twice the world's known reserve.

Oil is indeed adding to the wealth of Canada — where one of the world's highest living standards already exists. Canada's power to buy British goods is high—and going up.

Fly to Canada by TCA and you can be in Montreal tomorrow. You travel in the complete comfort of fast TCA Skyliners, at the lowest fare ever for trans-Atlantic flying. TCA services link all the industrial centres of Canada and the United States.

Fly TCA
TRANS-CANADA *Air Lines*
CANADA—less than a day by TCA

Contact your local TRAVEL AGENT or TCA, Pall Mall, London, S.W.1.
Telephone: Whitehall 0831. Scottish Address: Prestwick Airport, Ayrshire.
Telephone: Glasgow Central 3428 or Prestwick 7272, Extension 268.

supplement domestic sources of iron ore from the Krivoi Rog ores of the Donetz basin, although these must already be in great demand to feed both Russian and satellite industries. It is, indeed, hard to understand the extreme urgency attached to the completion of the new combine which it is hoped will be producing at an annual rate of only 10,000 tons sometime next year. The Bulgarian Ministers call it a task of "paramount and nation-wide importance" and demand what amounts to a compulsory levy of whatever material, installations, specialists and workers may be necessary for its building.

* * *

Durham Again Closes Shop

The "closed shop" dispute in Durham is like a toxic condition which, suppressed in one form, reappears in another. The county council's capitulation to doctors, dentists and teachers did not end the matter. They are no longer asked, when applying for a post under the council, whether they belong to a trade union or professional organisation, but members of some other professions still have to answer that question. And in the autumn a new and subtle way of pursuing the closed shop policy was found. The council decreed that any of its employees who wished to apply for extended sick leave—that is, beyond the normal maximum of six months—must do so through his trade union or professional organisation.

The professional organisations of doctors, dentists, engineers, teachers, midwives and nurses then joined together to form an emergency committee. This committee met an emergency committee of the Durham county council, and they evolved a proposal—which is accepted practice with other local authorities—that the application for extended sick leave should be sponsored, not by a union, but by another employee of the council belonging to the same profession as the applicant and nominated by him: a doctor, for example, would normally apply through the Medical Officer of Health. This proposal was referred back to the county council itself, which rejected it. The joint emergency committee of the professions has now asked the professional journals of its constituent organisations to publish no advertisements of appointments under Durham county council. It has also asked the Ministers concerned—the Ministers of Health, Education, Transport and Housing and Local Government—to intervene in the dispute.

Applications for extended sick leave are made but rarely, and the effectiveness of using them to enforce the closed shop may seem too slight to call for the sledgehammer of ministerial intervention. But the principle of professional freedom is important. When the previous Minister of Education issued his directive against the closed shop for teachers he did so on the ground that the county council's attitude was jeopardising educational services in Durham. With members of several professions boycotting appointments under the council, the Ministers concerned would certainly be justified in intervening on similar grounds.

* * *

Reasonable Arrest

The word "reasonable" is so enshrined in English law that every fresh decision seems designed to add to its lustre as a guiding principle of conduct. It is a symbol of the lawyers' distrust of the absolute, of any rule which makes no allowance for common sense and practical convenience. Judge and jury are asked to consider what a reasonable man would do. Though the economic man has long since died and the truly reasonable man has not been born, it would be doctrinaire to criticise, for the conception has many negative virtues. It may lead to litigation, for a court can only say what is reasonable in the circumstances of the case when it has heard all the circumstances of each case, but that is no longer a hardship since poverty has ceased to be a bar to the law.

The word appeared again last week, when the House of Lords discussed the rights of a reasonable shopkeeper, and his employees, to detain those whom they suspect of shoplifting. In December, 1948, the detectives of an Oxford Street store detained a mother and daughter on the suspicion of shoplifting. The two suspects were followed out of the shop, challenged in another shop and brought back for interrogation by the chief detective and the managing director, all of which took some time. The store's officials decided to make a charge and the suspects were then taken to a police station. A day or so later the charge against the mother was withdrawn. Her response was to sue the store for damages under various heads, only one of which had survived by the time the case reached the House of Lords.

The issue there was, had the lady been falsely imprisoned? In other words, had the delay between the first detention and the final journey to the police station been long enough to convert an originally justifiable arrest into an unlawful detention? In the Court of Appeal, the Lord Chief Justice had said it had. His view was that it was the duty of the person making an arrest to take the accused to the police station, or before a magistrate, forthwith (an uncomfortably absolute word). Lord Porter, in the House of Lords, disagreed. The test, in his view, was this: had the accused been taken to the station or before the magistrate within a reasonable time? In this case, yes. So relativity is restored. Since the right to arrest is not confined to the police but may be exercised by any citizen who sees a felony committed, it may, however, be as well to repeat Lord Porter's last sentence: "Reasonable time" should be as short as is reasonably practicable.

Shorter Notes

Sir Alan Anderson, who died last weekend, was a shipping magnate. But the son of Elizabeth Garrett Anderson could never be content to be that alone, and service to the community was the guiding principle of his life. In his later years, he served as Member of Parliament for the City of London and for five years of the war as Controller of Railways—a strange position for a shipping man, but one in which he won unquestioning respect. He had since 1929 been a Trustee of *The Economist*, and the strength and wisdom of his counsel will be long remembered.

*

In last week's debate on the Health Service Bill, some MPs were indignant because hospital outpatients, awaiting the delivery of national health appliances, have been asked to sign a declaration that they realise that a charge will be payable should the National Health Bill become law before the date of delivery. The declaration is open to criticism: It does not mention the exception in favour of national assistance beneficiaries; the relevant provisions of the Bill itself—which are another matter—may seem harsh in that they impose a financial penalty on the very persons who have already suffered a long wait for essential appliances. But Opposition criticism was chiefly based on a different principle: that any warning or guidance to persons affected by pending legislation is an unwarranted prejudgment of Parliament's decision. The greater and more immediate the impact of legislation on the ordinary man, the more nonsensical is this argument. Socialists surely should be the last to use it.

Letters to the Editor

Food Without Thought

Sir,—With much of what you write concerning the Agricultural Price Review I agree, but I am surprised to see you endorsing fertiliser and ploughing up subsidies, the calf rearing subsidy, and the virtually blank cheque which has been given to imported feeding stuffs to stabilise their prices at present levels. Surely farmers by now realise the value of the proper use of fertilisers and feeding stuffs, and of ploughing up suitable grassland, without having to be bribed to follow such practices. As a farmer, I don't feel that I shall produce more if my costs are reduced by means of indirect subsidies by £1 a ton, or 6d. a gallon, than if I were to receive a similar amount for the end product.

But it is not only the arguments in support of these indirect subsidies which are, to my mind, illusory: there are two strong arguments against them. In the first place, as you yourself have often and rightly pointed out, it is essential for the country to realise the true cost of the food it consumes, whether home produced or imported. The more the issue is confused by *ad hoc* subsidies, the harder it is to know what the food does in fact cost. Who, for instance, could calculate with any accuracy the true cost of a cut off the joint from a bullock who at birth received the calf subsidy, was weaned on oats grown on former pasture on which the ploughing up subsidy had been paid, grew to manhood on grass, the growth of which had been stimulated by the application of subsidised fertilisers, and received his final bloom from subsidised linseed cake? Surely our aim should be to pay the producer the price that he requires to enable him to produce what the country needs; and if it is then found that this price is higher than the consumer can afford, to give a direct subsidy to the consumer.

In the second place, feeding stuffs and fertilisers are both to a large extent imported, and it surely cannot be in the national interest to encourage a greater consumption than there otherwise would be, of materials which can only be acquired by expenditure of foreign exchange, when this is being done to the detriment of home produced alternatives. A far greater quantity could be produced than at present of dried grass, which offers a satisfactory substitute for imported protein, but if imported protein is subsidised the production of this home-grown rival will suffer. Home-grown silage, too, can in many instances replace imported feeding stuffs, but the lower the price of the latter, the fewer farmers will bother to produce the former. Even with fertilisers we have domestic alternatives—old fashioned dung, sewage sludge and compost. All of these, it is true, are expensive to use, but the higher the price of artificial fertilisers, the more farmers will turn to domestic sources of fertility. Here, too, then, it seems that the present price policy is deliberately encouraging the expenditure of foreign exchange rather than the development of domestic resources.—Yours faithfully,

H. D. WALSTON

Newton, Cambridge

Devil's Advocate

Sir,—In observing, in your issue of April 26th, that economists of all persuasions "speak in unison" of the evils of private monopoly, you list me in the distinguished company of Sir Henry Clay as a voice of dissent. The state of agreement on this point is, indeed, formidable but in placing me in flat opposition you make me both more of a hero and more of a heretic than I can claim to be.

I do argue in my recent book that the industry of small numbers, or oligopoly, is likely to be technically more progressive than the more purely competitive industry (in the manner of agriculture, cotton textile manufacture, boot and shoe manufacture or, with us, bituminous coal mining) and that there are good reasons why this should be so. But I also argue that oligopoly has some very considerable advantages over monopoly. Again it may be more progressive and its positions of strength, because of uncertainty and the possibility of playing one firm off against another, are much more likely to be invaded by the countervailing power of strong buyers or sellers.

The trend of economic theory has been toward identifying the market results under oligopoly with those under monopoly. In arguing that there is a difference I do something to rehabilitate the case for the Antitrust Laws for these, while they may have prevented the control of industries by one firm, certainly have not prevented their division between a few. With tolerant men this should still qualify me as a defender of the faith.—Yours faithfully,

J. K. GALBRAITH

Cambridge, Mass.

European Realists

Sir,—There is an important point not mentioned by the secretary of Federal Union in his letter concerning your comment that "federal union may well be the *ultimate* destiny for Western Europe." It must be the immediate aim: time is not on our side. Unless Western Germany is quickly offered a form of partnership in Western Europe which both satisfies her demand for equality and allays French fears of German nationalism, and which produces a framework for the mutual settlement of such problems as that of the Saar, then Germany will either set off down the road of chauvinistic independence or enter the Soviet embrace. Federal union is the only form of partnership which meets these needs, and it should be one of the brightest spots among our postwar disappointments that both M. Schuman and Dr Adenauer, along with other European (and American) leaders, support the federal idea; but no time must be lost in turning this idea into reality. You lend your own support to this proposition in your current article on the Saar, in which you say:

> Five years hence . . . if the Schuman Plan pool became a reality and the European Defence Community produced the beginnings of federal institutions, it might be possible to reconcile French economic interests and German political interests in a manner that is now impossible. If, on the other hand, the European idea had by then died, nothing short of force could prevent the return of the Saar to Germany. . . .

To hasten the federation of Europe is so patently in the interests of the whole western world, including Britain and the Commonwealth, that one might have supposed the ambition of the British Government would have been to play the role of pacemaker. But if we are too spiritually exhausted to do this, let us at least encourage as best we can, and with good grace, the other members of our western team who are giving the lead in the race to help win some chance of peace and ordered economic progress.—Yours faithfully,

MARTIN MADDAN

West Malling, Kent

Displaced Persons

Sir,—May I draw your attention to the fact that since the liquidation of the International Refugee Organisation the various religious societies, the British Red Cross, the International Guides, etc., have been compelled to cease their welfare work in the camps and hostels for displaced persons and that there is now no international body to whom these people can appeal. The organisation of a High Commissioner to look after the legal rights of displaced persons is, indeed, under way, but it is by no means certain that the functions of his organisation will embrace welfare activities in the camps and in the meantime there is no one to whom they can turn. The majority of those that remain are people who cannot emigrate for reasons of health, age, or disability of one member of the family, but are prevented from returning to their former countries for personal or political reasons. It is imperative that some international welfare committee should have free access to every person.

It seems incredible that the new organisation should not have been formed before the IRO was disbanded; but since this has not been done, then at least it must be possible for the governments who contributed and staffed IRO to make finances available either to an interim committee, or at least to those voluntary societies who formerly worked at these camps.

England has given a lead by finding homes for an enormous number of displaced persons and also "hard-core" cases. I hope that it will also lead the way, in conjunction with other countries, in lightening the lot of those tragic cases that remain.—Yours faithfully,

H. W. ROTHSCHILD

London, S.W.10

See twice as much

BCPA-BOAC-QANTAS

on your flight to and from Australasia

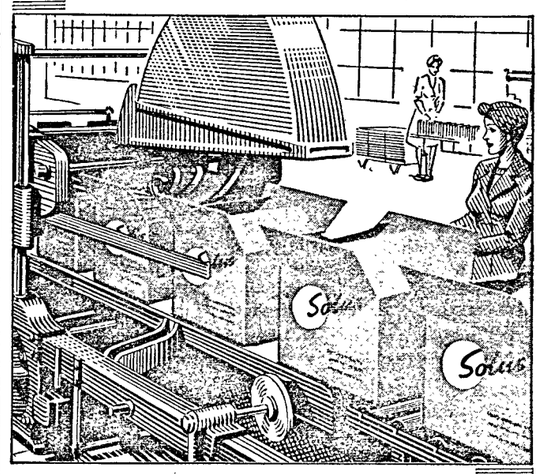
Fly to Australia and New Zealand by one British air route, return to London by another. Actually *see twice as much* for just over £500—it may even cost you less than by going and returning the same way! B.C.P.A.—in co-operation with B.O.A.C., Qantas and TEAL—offer you a special round-the-world concession ticket. Whether you fly West or East from London, you cross the Atlantic, North America, the Pacific, Australasia, the Middle East and Europe. Liberal stopover privileges enable you to break your round-the-world journey where you wish, for as long as you wish—provided it is completed within 12 months.
You fly *above* the weather in fully pressurized 4-engined aircraft. And always you enjoy the same high standards of British service, hospitality and world-wide flying experience.

Consult your local Travel Agent or any B.O.A.C. or Qantas office.

B·C·P·A

BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED IN ASSOCIATION WITH BRITISH OVERSEAS AIRWAYS CORPORATION, QANTAS EMPIRE AIRWAYS LIMITED AND TASMAN EMPIRE AIRWAYS LIMITED

Packed right in "Fiberite"!



If goods are worth making and worth advertising, they are worthy of good packing! Manufacturers whose trade-marks are household words realise this and pack their products in "FIBERITE" cases. Thus they increase their prestige, but packing costs stay low. Yes, it pays to let the "FIBERITE" trade-mark give your goods the hall-mark of good packing.

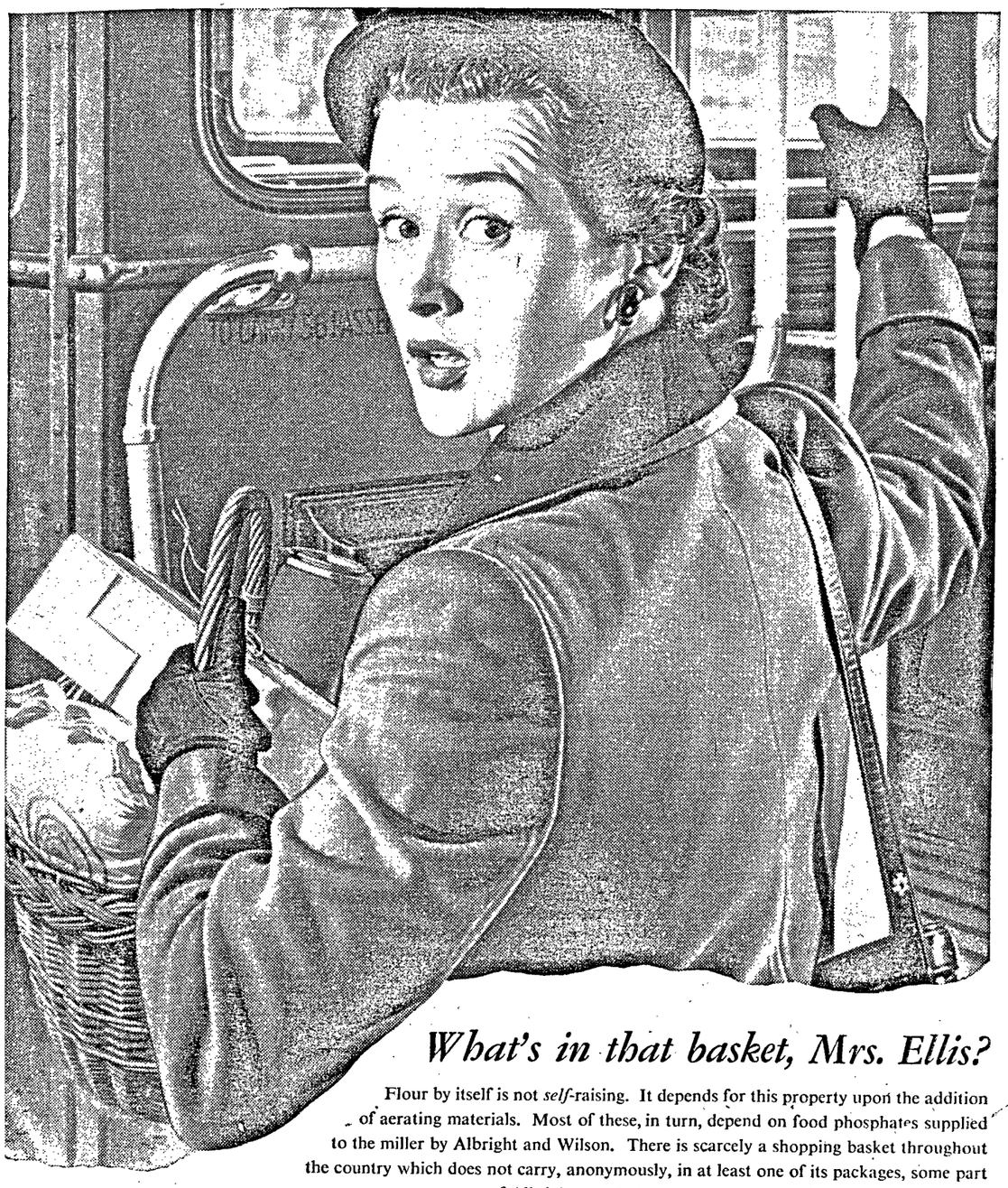
Regd. Trade "FIBERITE" Mark

PACKING CASES

THAMES BOARD MILLS LTD.
PURFLEET · ESSEX

Manufacturers of
"THAMES BOARD" for cartons and other uses;
"FIBERITE" Packing Cases; "ESSEX" Wallboard

FB 2-1524-69



What's in that basket, Mrs. Ellis?

Flour by itself is not *self*-raising. It depends for this property upon the addition of aerating materials. Most of these, in turn, depend on food phosphates supplied to the miller by Albright and Wilson. There is scarcely a shopping basket throughout the country which does not carry, anonymously, in at least one of its packages, some part of Albright and Wilson's output of essential phosphate products.

Chemicals for Industry

ALBRIGHT & WILSON LTD

49 PARK LANE, LONDON, W.1

WWW.168

Books and Publications

Prelude to War

The Challenge to Isolation, 1937-1940. By William L. Langer and S. Everett Gleason. New York ; *Harper Bros.* London ; *The Royal Institute of International Affairs.* 794 pages. 60s.

The Council on Foreign Relations have put us all in their debt by launching a full history of American foreign policy in the years before Pearl Harbour so soon after the events it describes. And the authors of "The Challenge to Isolation" are greatly to be congratulated on the celerity, dexterity and clarity with which they have executed their large assignment. To the classic virtues of the historian they have added many of the welcome attributes of the journalist. Their narrative, though compendious, is neither dull nor clogged. They have given American policy a full and ample diplomatic setting, and described in almost equal detail most of the background of great power relationships during 1939 and 1940 (the years to which seven-eighths of this volume are devoted). Thus, for example, the negotiations leading to the Nazi-Soviet pact and the ensuing partition of Poland are analysed afresh and in full. Clear signposting enables the selective reader to arrange his own *détours*, but in fact such excursions amply justify themselves on their own merits. (They may even, incidentally, lure a few *savants* whose habitual focus is European to see their subject in a somewhat wider setting.)

But the book's central theme is, of course, the development of American policy, and its distinctive and most welcome contributions are twofold. First it makes a synthesis, superlatively deft and thorough, of the very great mass of material already published in America and elsewhere on American policy during these years. Whatever further material may appear, the general lines of this synthesis are unlikely to be seriously modified, and for a long time to come all scholars of the period will find it an indispensable aid. Second only to this is the value of its new source material, drawn from the files of American officials and their departments, particularly from the State Department. Little of this is sensational, but much is interesting and valuable.

It is indeed the files of the State Department which provide the book with its centre of gravity—and at the same time, perhaps inevitably, with its limitations. For valuable as it is to have the policy of the State Department documented in this way, there are certain drawbacks to making it the backbone of such a history. First, the State Department is not the sole organ for the conduct of American foreign policy. Under President Roosevelt, who often distrusted it, it was repeatedly by-passed by the White House itself or its other agents. Of course the authors know this, but their material, one feels, has often overborne them. For nearly everything done or said in that extraordinary wedding cake of a building on Pennsylvania Avenue there is documentary evidence—the sort of evidence so dear to a historian's heart. For much of what was done and said in the White House next door (and how much of it was *said*—and never written down—by F. D. R.) there is no evidence at all, or only evidence at one remove, in the erratic columns of the press or the faulty memories of the survivors. Yet who can doubt that Roosevelt, and not Hull or Welles, was the hero of this play ?

Perhaps an even graver consequence of this State Department bias is that, by comparison with the skilful and detailed analysis of the diplomatic documents, the authors' handling of public opinion is perfunctory and superficial. They pay verbal tribute to its importance, but it receives neither the space nor the careful examination it deserves. The genesis of isolationism, the composition of the isolationist forces in Congress, the finances and affiliations of both the isolationist and the pro-ally associations in the country, the nature of the news and the comment reaching the American public through their press and radio—where all these are not ignored they are passed over lightly. Such omissions must seriously detract from the book's claim to completeness. It must also reduce its usefulness, particularly for British readers, whose knowledge of the American background cannot be taken for granted. It reflects, one is almost tempted to say, an old world attitude towards new world history.

Economic Warfare

History of the Second World War: The Economic Blockade, Vol. I. By W. N. Medlicott. *HM Stationery Office* and *Longmans.* 732 pages. 35s.

Such official history of the Ministry of Economic Warfare as is now to be published has been assigned to the United Kingdom Civil Series. Professor Medlicott deals principally with the blockade rather than with the whole range of economic warfare but his volume has, nevertheless, a wider scope than traditional histories of blockade.

The first volume covers the prewar planning of the Ministry and many parts of its activities from September, 1939, to the middle of 1941. Despite its length it has a single theme: that traditional blockade was not and could not be enough when any of the principal belligerents were totalitarian and did not accept the distinctions between public and private property upon which the classical doctrine of extended blockade rested. The judgment of Lord Eldon and Chief Justice Marshall, Part II of the Treaty of Paris and the Hague conventions of the early years of the present century were largely irrelevant in the later stages of World War I and were, even before the collapse of French military resistance in June, 1940, largely inapplicable in World War II.

Professor Medlicott's study is likely to be the swan song of traditional blockade. Its objectivity, clarity and masterly arrangement of very intractable material will give it an honoured place in the literature of the subject. At a later date when the closely inter-related activities of the Foreign Office and Service Departments have been told, it will make its own contribution to the ultimate evaluation of the direction of British policies in World War II.

In arranging his volume, Professor Medlicott has had to contend with the same difficulties of organisation as beset the planners and directors of the Ministry. Should emphasis be placed upon the particular neutral or group of neutrals whose activities the Ministry had to influence, or upon the many different and not readily reconcilable techniques which had to be employed ? The author introduces his volume and each of its two main parts with a general description of policy and of the techniques employed to implement the policy. He then recounts the story of the application of the policy to countries and groups of countries. This involves some repetition but enhances the value of the volume to other students of his subject matter. It also enables him to weave into the story of the activities of the Ministry a reasoned and comprehensible account of its several reorganisations and redeployments to meet major changes in the war situation. In

Ready in June

THE SOCIAL FRAMEWORK

An Introduction to Economics

By J. R. HICKS

Second edition 12s. 6d. ***net***

A new edition of this standard work which was first published in 1942. This second edition has been revised and brought up-to-date and contains three new chapters entitled: The Social Accounting System ; The Social Accounts of the United Kingdom ; 1938 and 1949 ; and a new appendix "On the National Balance-Sheet."

By the same Author:

A CONTRIBUTION TO THE THEORY OF THE TRADE CYCLE **12s. 6d.** ***net***

VALUE AND CAPITAL. Second edition 1946 **18s.** ***net***

OXFORD UNIVERSITY PRESS

most cases his evaluation of the changes shows a remarkable appreciation of the issues involved. At one point he does produce an error of fact. On page 463, describing the radical changes in the organisation of the Ministry that were made in June, 1940, he says that the basic structure remained unaltered and that there was an operational and an intelligence side each under a Joint Director. His own list of divisions under the two directors shows that both the intelligence and the operational sides were in fact divided. The organisation reverted after the United States had entered the war to the plan which he attributes to June, 1940.

The author very properly limits himself to describing policies, and the hopes and fears upon which they were based. He attempts no final appraisal of the work of the Ministry. His manuscript was completed before the end of 1950. Since then material has become available from the German archives and from Mr Churchill's history that fortifies such judgments as he makes. He distinguishes between the considered advice of the Ministry as shown in its documents and the public use that was sometimes made of this advice. He has examined the assumptions about German policy upon which the Ministry had to work and concludes,

> We know now that the real source of error in the Ministry's calculations was not so much an underestimate of German material resources as an over-estimation of Germany's seriousness of purpose.

A NEW LIBRARY SERVICE

Harrods Library, which covers every available book in print, now offers to you the new 'Knightsbridge Service' . . . bringing within the 'guarantee' novels up to 15/- and non-fiction up to 30/-.

Each librarian attends to a limited number of subscribers only, ensuring a personal service to each.

The subscription includes free delivery within the area or postage anywhere.

Write for particulars
Library, Third Floor

Harrods

HARRODS LTD LONDON SW1

Analysis of Peoples

Portrait of Europe. By Salvador de Madariaga. *Hollis and Carter.* 204 pages. 18s.

This is a stimulating, interesting and amusing book. But it should be read primarily for entertainment; if taken too seriously it might produce reactions which Sr de Madariaga, himself a strong and faithful supporter of the idea of European union, would certainly deplore as much as anyone. The author's intentions are excellent. He wants to help his fellow Europeans to "see the other fellow in a better light" and to realise that all his differences "are not necessarily due to his depravity." He therefore devotes much of his book to a study of the national characteristics of the peoples of Europe, their similarities and, above all, the "tensions" that make them get across each other. He hopes that the public airing of these tensions will reduce them to proper proportions.

This is an ambitious task. The psycho-analysis of an individual character is hard enough; but psycho-analysis of collective national characters must be even more beset with pitfalls, and it says much for Sr de Madariaga's sympathetic insight that he avoids so many of them. But sometimes he does come rather a cropper. In view of the present and past vicissitudes of Franco-German relations, it is odd to be told that Europe is nearly dying of the consequence of the "tragic tension" between England and Germany which is due principally to the inferiority complex felt by the Germans towards the English. Again, most English people will be surprised to learn that the buccaneering activities of their ancestors, which were largely at the expense of the Spaniards, have made "the mere existence of Spain a tacit reproach to the English." Sometimes, however, Sr. de Madariaga hits the nail properly and delightfully on the head, as, for example, when discussing English snobbery, he remarks that "nothing [is] more flattering to the English wearer than a French name, particularly if slightly corrupt." But the conclusions he draws from his excursions into etymology are sometimes too far-fetched to carry conviction. And his use of a rather whimsical symbolism is not always very successful; to compare for instance, the English, the French, the Germans and the Spaniards to earth, air, water and fire respectively, would seem to invite invidious comparisons rather than encourage mutual understanding.

Consolations of Age

Commentary on Age. By Kenneth Walker. *Jonathan Cape.* 192 pages. 12s. 6d.

In the last five years something up to ten books on old age must have been published for the English-reading public; but few have been as agreeable as this. "Commentary" is an apt title. Mr Walker, a surgeon with a knowledge of the literature of many times and places, touches genially on economics, medicine and philosophy, ranging from the advantages of "plus-Granny flats" to Nietzsche's belief in "eternal recurrence," and humanising all with pleasant little self-revelations.

Not that the book is all surface lightness. Tables are given to show how the population is ageing; the problem of how a decreasing number of young are to support an increasing number of old is seriously considered. There are chapters (expert but comprehensible to the general reader) on the physical and psychological changes of old age and on the experiments at rejuvenation which have not yet succeeded. The conclusions of a number of other studies of old age are summarised, and there are quotations from the great men of the past. But all is made palatable by an easy style and occasionally gentle humour, as the comment that the enforced retirement from business life and the lack of retirement from Parliament is "an inexplicable anomaly, or else an aspersion of the art of government."

The theme of death naturally intrudes. Mr Walker adopts a consoling attitude; he insists that it brings many reliefs and that when it comes it is not feared. Survival itself can neither be proved nor disproved by science which is limited to the experience of this world; "in the end a man has to put on one side his clever thinking and listen to a faint stirring within him." For this, the author thinks, we are singularly ill-fitted by the bustle of the western world; the east is wiser.

There are two other main points. One is that age is a biological process, not a sickness; that it is being prepared for in middle age and that as a man is then so will he be later; and that it has a number of consolations (chiefly that of standing back from the racket of the world) as well as disadvantages. The other point is that it is economically necessary to use the services of the old. The book is short (the price is perhaps rather large for its size), but with a suave touch it raises the problems of soul and body, life and death.

Watchdogs of Diet

Townsman's Food. By Magnus Pyke. *Turnstile Press.* 212 pages. 15s.

There are two kinds of food technologist. Some are employed by private firms to find out how to give the public what it wants—how to satisfy its desire for lighter, whiter bread, for example; others, mainly employed by public bodies, have to find out how to give people what is good for them and prevent them getting what is bad for them. The second set of technologists are partly engaged in keeping an eye on the first—in watching, for example, the chemicals they use to get this lighter, whiter bread. Mr Pyke's book has a chapter on each of the principal foods, and shows the increasingly important part that all these food technologists now play in determining the nation's diet.

The author himself was a principal scientific officer at the Ministry of Food

at a time when the state's function in relation to the national diet was being greatly extended. Until the second world war this function had been regarded largely as the negative one of protecting the public from harmful food; but the shortages of the war and postwar years have obliged the Government to make more and more detailed decisions about what the nation shall eat. These decisions affect more than the rationed foods. It is by deliberate policy, for example, that poultry remains more or less crossed off the menu of the average household, for the small allocation of feeding stuffs for hens is largely responsible for their high price. (This decision appears from Mr Pyke's account to be a little hard on the hen, which as a converter of feed into human food puts up a better performance than sheep and cattle kept for meat; but her tendency to gravitate towards the black market was against her.) The Government even alters the composition of foods; for instance, when it ordered that chalk should be added to bread and that margarine should be enriched with vitamins A and D. Yet in spite of this active role in determining the nation's diet, the state still lags behind in some of its original protective functions. The compulsory pasteurisation of milk is still far from universal, although the deaths from bovine tuberculosis in this country are estimated at about 2,000 a year; and more could surely be done to secure clean food.

Mr Pyke's style is sometimes rather wordy and repetitive, but it is not too technical for the layman; and with a subject matter that is of personal importance to everyone, the reader's interest is assured.

Austrian Scholasticism

Conditions of Full Employment. By Karl Gruber. *Hodge.* 141 pages. 12s. 6d.

This book is presented as a contribution to the theory of full employment by a modern member of the Austrian school. While the Austrian tradition commands respect, the present volume cannot be described as a contribution to anything unless it be confusion. The concentration on the circulation of purchasing power, its division into saving and consumption purchasing power, and the relation of this to the division of production between producers' and consumers' goods, is a fruitful source of fallacy. It underlines at every crucial step the superior analytical power and precision of the concepts of effective demand and social accounting employed by modern economists of the English tradition. In fairness, it must be added that this is the fault of the approach rather than the analyst; the author is, so to speak, crippled by his crutches and when he discards theory for common sense he has some useful things to say.

Dr Gruber sees the problem of maintaining full employment solely as that of overcoming the trade cycle. The trade cycle starts with a "disturbance" to the circulation of purchasing power, but its central (and unexplained) feature is the emergence, in the upswing, of disproportion between the saving-consumption ratio and the producer-consumer goods ratio—usually in the form of over-saving—associated with a failure of wages to keep up with prices. This disproportion is alleged to precipitate the crisis, while recovery begins with the replacement of worn-out capital.

The chief new proposal which emerges from this analysis is that the wage-price ratio should be regulated by arbitration or other means. Most of the other policy proposals are familiar, with variations attributable to a different political background and the author's fear of the inflationary results of monetary expansion. The discussion of policy, however, is distinguished by the author's recognition that full employment costs some loss of efficiency, and his insistence that the more flexible the economy the more easily full employment is attained.

For your leisure reading

His first detective novel

Norman Collins

THE BAT THAT FLITS

"A top thriller"
—ERNEST DUDLEY, The Armchair Detective

10s. 6d.

COLLINS

A Dim Prospect

The Next Million Years. By Charles Galton Darwin. *Hart-Davis.* 210 pages. 15s.

On the face of it, a forecast of humanity's probable condition over the next million years looks much more rash than one extending merely over a decade or two; too rash, in fact, to be worth making at all. On the contrary, says Sir Charles Darwin. The ten-year prophecy may be unreliable, the hundred-year prophecy even more so; but over a million years the law of large numbers will have its way and the observer, armed with comparatively few reliable data, can draw from them conclusions as valid as those which the physicist—however incapable of assessing the effects of every molecular collision in a vessel containing gases under pressure—derives from the application of Boyle's Law.

The conclusions drawn by this observer, however entertainingly arrived at, are extremely depressing. On the million-year scale there is, he is convinced, no getting away from Malthus. All that today's spread of contraception can do is to weed out, by degrees, the less philoprogenitive human strains; the more philoprogenitive will, by similar degrees, inherit the earth and fill it as full as its resources permit. Those resources themselves — again in the million-year perspective—will be less than those of today, since the entire capital of energy represented by coal, oil and uranium will be exhausted in the first of his thousand millennia, and man must thereafter live on income. While that income (wind, water-power, sunshine) need not prove actually inadequate, to realise it will make a heavy call on resources urgently needed, in a philoprogenitive world, for food.

On the whole, the best notion of humanity's long-run prospects can be derived from China. A permanent "starving margin" with intermittent general famines; a low value set on human life, with infanticide and slavery both common; oligarchic government in a system of loosely connected provinces occasionally, but never lastingly, united; from time to time, perhaps over a century or so, a "golden age" as the balance between population and resources tilts momentarily the right way; such is the forecast. (Mankind is today enjoying a "golden age.")

Most of the book's argument stands or falls by Sir Charles's long-run Malthusianism, whose premises fortunately seem less than adequate. It may be true today that "only prosperity produces childlessness"—or for that matter a net reproduction rate of one or less. But today's correlation between prosperity and (relative) childlessness is very much a matter of today's contraceptive techniques; and when to a virtually certain improvement, and cheapening, of these is added the possibility of a deliberate biological modification of the instincts themselves—far from unlikely in the time perspective concerned—a population near the optimum seems quite as probable as one pressing on the means of subsistence. (An intervening catastrophe, however possible and even probable, hardly affects the argument; what is one Dark Age, even of a thousand years, in a thousand millennia?) "The Next Million Years" is less to be regarded as a balanced forecast than as a brilliant and entertaining exploration of a single hypothesis.

INTERNATIONAL ECONOMIC CONFERENCE
Moscow 1952

COINCIDING with the opening of the Moscow Economic Conference the Soviet journal *Problems of Economics* published a special issue in English in which leading Soviet economists discuss the main themes of the conference. The articles include:

● *For all-round development of International Economic Co-operation.* ● *The effect of the expansion of world trade on unemployment in the capitalist countries.* ● *Normalisation of world trade and the monetary problem.* ● *What the trade rupture with China costs Britain.* ● *The foreign trade prospects of China.* ● *Intra-German commerce.* ● *Ways and means of consolidating international financial relations.* ● *The expansion of international trade and the economic development of the underdeveloped countries, etc., etc.*

104 pages. Price 2/6d.
Or 3/- by post from
COLLET'S
Subscriptions Dept.
40, Gt. Russell St., London, W.C.1
Bookshops at 66, Charing Cross Rd., W.C.2 or 36 Deansgate, Manchester.

AMERICAN SURVEY

Steel Puts the Question

Washington, D.C.

AT the first sound of a new argument over the United States Constitution and its interpretation the hearts of Americans leap with a fearful joy. The blood stirs powerfully in their veins and a new lustre brightens their eyes. Like King Harry's men before Harfleur, they stand like greyhounds in the slips, straining upon the start.

Last week the old bugle-note rang out, clear and thrilling, calling Americans to a fresh debate on the Constitution. From the bench of the United States District Court in Washington a judge said that Executive Order 10340, by which the President of the United States had taken technical possession of the steel plants in order to head off a strike that would otherwise have begun on April 9th, was illegal and invalid. Up to that moment only a minute part of the population had ever heard of Judge Pine, though there were many lawyers and others in Washington who knew him, or knew of him, and held him in respect. But overnight his place in the history books became secure.

The opinion of Judge Pine, as printed verbatim and four columns long in newspapers from coast to coast, was that President Truman had improperly issued and acted upon Executive Order 10340 because:—

> There is no express grant of power in the Constitution authorising the President to direct this seizure. There is no grant of power from which it reasonably can be implied. There is no enactment of Congress authorising it.

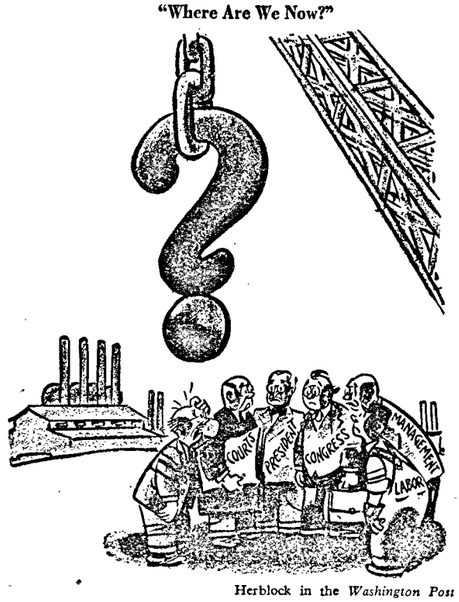
Now here, directly and unmistakably, was a constitutional issue which went to the very heart of the modern American controversy. The sanctity of private property and of the free enterprise system in the face of the alleged "creeping socialism" set in motion by the New Deal and the Fair Deal, the question whether powers belonging to Congress were being dangerously usurped by the executive, the extent to which a President might go to safeguard the national interest in a time of emergency and the precedents which for good or ill he might create—all this and much more was, or could be, involved in Judge Pine's decision.

An ecstatic cry broke at once from a large part of Congress and the press. The applause for Judge Pine was almost deafening. He was "courageous" and "audacious"; he had re-established the great principle of a government of laws and not of men; he had driven back the spectre of dictatorship. While the loudest applause came from the conservative camp there was no lack of liberal encomiums for Judge Pine.

He had cited as his outstanding guide and mentor on the question of the limits of presidential powers an authority infrequently numbered among the heroes of American liberals—the late Chief Justice William Howard Taft, father of the President's implacable Republican foe, Senator Robert Taft. Chief Justice Taft, Judge Pine recalled, had written that

> the President can exercise no power which cannot be fairly and reasonably traced to some specific grant of power or justly implied and included within such express grant. . . . There is no undefined residuum of power which he can exercise because it seems to him to be in the public interest. . . .

"Where Are We Now?"



Herblock in the *Washington Post*

Judge Pine had dismissed as irrelevant all the precedents for governmental seizure mentioned by the government's counsel, saying that he could not agree that "several repetitive, unchallenged, illegal acts sanctify those committed thereafter." This was not a reference to the railways, of which the United States Army has been in nominal possession since August, 1950. This is a wholly different kettle of fish. The railways were seized under a statute relating to transportation facilities in time of war first devised in 1916 and later revived and extended by Congress. The seizure of the steel plants, for which there is no statutory authority, was held by the government to have been made lawful by reason of the "inherent powers" of the President in time of emergency.

It is possible that Judge Pine's opinion would not have been quite so rapturously received if the Administration had shown any signs of being able to settle the steel dispute. Instead the evidence was that almost everyone concerned—the President, his Director of Defence Mobilisation (Mr Charles Wilson, now departed and uttering bitter criticisms from the sidelines), his Economic Stabiliser (Mr Putnam), his Price Stabiliser (Mr Arnall) and the Wage Stabilisation Board, not to mention the thunderous Mr Philip Murray, the steel workers' leader—had contrived by prejudice, bull-headedness or sheer inefficiency to obstruct what chances there were of a settlement. They had reduced the dispute to so tangled a mess that the big steel companies were able to present themselves in the unwonted role of under-dogs. This sorry record was then topped off by the Assistant Attorney-General, Mr Baldridge, who made such high, wide and handsome claims for the President's inherent powers in

Judge Pine's court that Mr Truman himself had to correct them.

Against this background, the Judge's opinion that the President had no power to seize the steel plants, and would have none unless and until Congress expressly gave it to him, had a contrasting clarity that added to its attractiveness. But it was its constitutional implications that imparted the real excitement and dominated the debate. Rapid and confused manœuvres followed: the steel workers' walk-out, the stay granted by the Court of Appeals in order that the issue could be presented intact to the Supreme Court, the agreement of Mr Murray to order his men back to work at the President's request, the resumption, and then the breakdown, of negotiations on wages and steel prices between the union and the companies at the White House. But, although everyone conceded that, as the Administration's spokesmen kept insisting, the vital thing was that there should be the least possible interruption of the production of steel, there was never any doubt what the big argument was about.

★

The fundamental question debated off and on since the American Republic was founded was topical once more. It was true, was it not, that the supreme peril was political power which the people might not be able to control? And yet, in the air-and-atom age, must not the President be able to act swiftly and drastically for the nation's safety? The first wide assumption that Judge Pine's opinion was legally unassailable was shaken by a memorandum in which the five-to-four majority of the Appeals Court noted a Supreme Court decision in 1871 which conceded that private property might be impressed into the public service "in cases . . . of immediate and impending public danger." The majority on the Appeals Court found a "serious question as to the correctness" of Judge Pine's ruling.

The Supreme Court halted everyone in his tracks. The government's request that the Court should review the case would be granted, it said; but the industry's request that in the meantime there should be no raising of steel wages by the government would also be granted. In effect, the situation was frozen until the nation's highest judges should hand down their ruling, which is expected in two or three weeks.

A strange twilight interval has thus descended. Committees of Congress are furiously at work hearing evidence and considering whether the powers the President has claimed or some substitute for them should be granted by new legislation. Mr Murray and the lesser chiefs of the steelworkers' union are preparing to hurl recriminations at the steel companies from platforms furnished by their biannual convention at Philadelphia. The spokesmen of the steel companies, mounting whatever platforms present themselves, are flinging back recriminations no less bitter.

But all observers of the American scene should have noticed, with respect, the most impressive fact. This is that the Supreme Court, although it does not possess and never has possessed any means of enforcing its decisions, has once more brought to heel the mighty: the President, the union, the industry, and Congress. All that was needed to produce this effect was the knowledge that the Court had seen and was ready to do its constitutional duty.

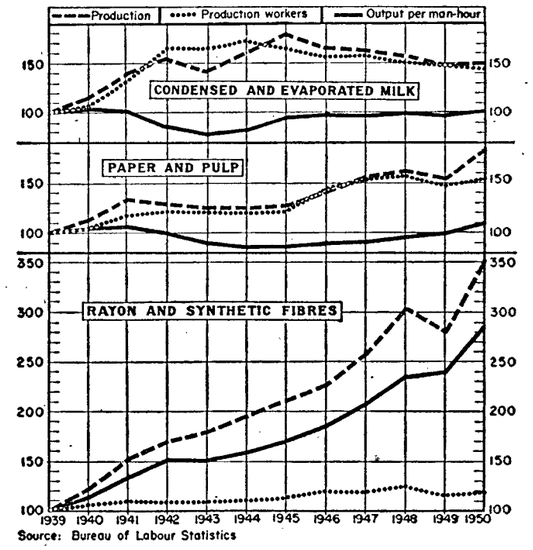
"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

No Limits on Productivity?

[FROM A CORRESPONDENT IN NEW YORK]

IN 1951 production per man-hour in the United States was, on an average, 7 per cent higher than in 1950, according to the Congressional Joint Committee on the President's Economic Report, and it is expected that in 1952, when more new factories come into use, productivity will go up again. These figures are still tentative and, since manufacturing records show no such sharp rise, the sceptical doubt whether the estimates will be confirmed. However, in 1951, productivity certainly kept up with the increases to which America has become accustomed, at least during the present century. The rate of growth for these fifty odd years is usually put at somewhere around 2 per cent a year, compounded. Small as this figure seems, there is room in it for battles among experts to whom the difference of a fraction

INDUSTRIAL PRODUCTIVITY
1939 = 100



Source: Bureau of Labour Statistics

of a per cent one way or the other spells success or failure in their business forecasting.

To the average American such an increase seems entirely reasonable. In his philosophy it is as natural that industrial productivity should rise each year as that trees should grow taller each spring. The United States' budget, the national tax estimates, the plans for economic and military expenditure at home and in allied countries, are all based on the assumption that the American working man will turn out perhaps 2 per cent more goods this year than last. What an American finds surprising is that anyone should say, as did Mr Aneurin Bevan, that

> one way out of the dilemma of what to do without, when a sudden additional demand is made, as in the case of the arms programme, is to meet it by increased production.

To the American increased production is the only way worth talking about, and he does not understand why the Bevans of this world consider any other.

This belief in the inevitability of growth as part of the destined pattern of American life was somewhat shaken

during the depression of the nineteen-thirties, but it has been reinforced in the last decade. It draws its strength from the fact that since 1900 American output per man-hour has been multiplied 2.6 times, which means that in each generation the physical volume of goods produced by a man working an hour has doubled. However, the increases have been more selective and less steady than such a gross figure might suggest. Between 1918 and 1949, for example, there were four clearly marked periods. In two of them productivity went up, in the other two it went down. Between the end of the first War, in 1918, and 1924 output per man-hour increased nearly 4 per cent a year, double the average for the half century. Again, between 1932 and 1941 (the depression decade), the rate of increase of productivity per worker was more than 3 per cent a year, even though total output fell catastrophically. But on the other hand, from 1924 to 1932, the net gains fell below 1 per cent a year and from 1930 to 1932, and again from 1941 to 1943, there appears to have been an actual drop in productivity.

Variations occur not only in time, and with little apparent relation to the country's economic health, but also between industries. In the rayon industry, where output per man-hour had already increased 140 per cent in ten years, a figure which reflects lively growth and profitable research in a young industry, it jumped again between 1949 and 1950. On the other hand, in the condensed and evaporated milk industry, production per man-hour was slightly lower in 1950 than it was in 1940, and in the paper and pulp industry it was only 4 per cent higher.

*

It is these differences, and the reasons for them, which interest students of industrial productivity in government, business and the academic world. In the nineteen-twenties stress was put on the then new experiments in scientific management, the assembly line techniques, the greater power available to workers, the improvements in capital equipment. In the nineteen-fifties it is put on the pervasive effect of competition which spurs people on all levels to seek new and improved methods; the improved handling of labour relations; the emphasis on trained skill, both in management and in workers; and the continuous stream of new techniques and devices which comes under the general head of technological improvement, and is in turn fed by increased facilities for scientific research.

Some of these techniques, like the attention paid to plant layout and the automatic serving of skilled workers with the materials they need, have permeated most levels of American industry. Some of the devices, like the electronic gadgets lately introduced to speed work in the lagging white-collar trades, are, so far, economical only for large-scale operations. The United States Government can afford to instal electronic computors which make it possible to compile in thirty minutes a wholesale price index which used to take the equivalent of a hundred days each month. The great insurance companies can afford to instal complicated and expensive equipment which photographs their vast series of records on to tape, places them under the continuous review of scanning devices that keep them up to date, and delivers required information to the requirer in a matter of seconds. Electronic devices are also said to make it possible for the managers of chain stores to push a button and take an instant inventory of the amount of pink nylon ribbon of any width on hand at any moment in any one of a hundred stores. In all these operations the saving of time and labour is the chief argument for installing these expensive devices.

At the same time they tie the users even closer to a power-driven economy, and make them more vulnerable to central accidents. A more important objection for the medium-sized and small plant is the cost of electronic wage and labour savers. They may eventually be made in smaller units adaptable to smaller operations and costing less. By that time the bigger factories may have reached complete "automation"—the heaven of self-operation to which some managers look forward.

Attempts to improve the production rate by better management of human factors are not so popular in a country which prefers to manipulate machines. Yet there is a trend toward what might be called psychological engineering, and part of it touches the problem of incentives, for management as well as for workers. Wage rises alone have lost some of their glitter, partly through the corrosive effect of high taxes and partly because, in a period of full employment, there seems to be a limit beyond which higher wages mean merely that people can afford to take more time off to go fishing. Less obvious methods of persuasion are being incorporated into new plants. Lever Brothers' new glass office building in New York, for example, has fitted the height of its desks to the height of its workers, and invested heavily in light and colour in decoration to make work a pleasure.

Incentives for management are even more subject to the law of diminishing returns when wage increases may be nullified by the next rise in taxation. There is a growing belief that new lures must be invented if the necessary number of university graduates are to submit each year to the rigorous discipline required to create a manager who can keep up with the speed and competition of modern industry.

Doubters, who wonder whether the limits of expansion in man's capacity to produce are not in sight, are rebuked with a fervour which tells of emotional involvement in the problem. Already the United States, possessing only 7 per cent of the world's population, is turning out 40 per cent of the world's goods. Yet men familiar with the scientific and technological work now in the laboratories insist that the surface of possible achievement has barely been scratched, and that man's productivity is limited only by his own free capacity to invent and contrive.

Meanwhile, however, the field is littered with victims of the attempt to carry methods of industrial productivity into non-factory fields. The small business can neither afford to pay an inefficient clerk the wage he demands nor to operate an electronic book-keeping machine to keep track of his accounts. The small landowner can neither pay a jobbing gardener modern wages nor face the hourly rate demanded by the gang of men with power mowers who will shear his lawn in fifteen minutes, and who recommend the abolition of flower beds because they cost too much to keep up.

American Notes

Florida's Choice

Florida is not a State entirely typical of the South but this week's primary election there was a perfect microcosm of the Democratic dilemma in that area. The State's voters were asked to choose a possible Democratic candidate for the Presidency from between Senator Russell of Georgia and Senator Kefauver of Tennessee, both Southerners. Mr Russell's hat was first thrown into the presidential ring as a possible rallying point for southern rebels against the present Administration. Although Mr Truman is now finally determined not to run again, Mr Russell still wants to control a sufficiently large number of delegates at the

Democratic Convention to be able to influence decisively his party's choice of platform and candidate. He may possibly get the vice-presidential nomination for himself, but he has little chance of the northern support without which no one can hope to be the presidential candidate.

Mr Kefauver, on the other hand, entered the ring not to save the South from the Administration, but to give Democrats everywhere a genuine choice of candidate. Even before Mr Truman's withdrawal, this early bird was doing well and since then he has collected further successes in primary elections in the North, in Ohio this week for example. But to his native South he seems a renegade and, while southern support is not an essential condition for the Democratic presidential nomination, it is most unlikely that a Southerner who could not carry the South would be chosen. That he could carry the South was therefore what Mr Kefauver had to prove in Florida, the only southern presidential preference election and the only primary in which he faces Senator Russell.

Mr Kefauver met the challenge progressively, campaigning on a national rather than a regional basis and thus pinning Senator Russell, one of the most able and far-seeing Democrats in Washington, to a platform narrower than he would have liked. For example, Mr Russell's Achilles heel, as far as northern Democrats are concerned, is his fixed opposition to equal employment rights for Negroes. Mr Kefauver probably lost votes in Florida, and the South generally, by promising that he would abide by the decision of the Democratic Convention in this matter, but he made Mr Russell, by contrast, seem far more conservative than he really is. Senator Kefauver entered Florida with a bang last year with his Crime Investigating Committee; this not only earned him widespread sympathy among reforming elements in the state, but also weakened Senator Russell. For Mr Russell had the support of all the State's Democratic officials, including the Governor, who had been linked with gambling interests by Mr Kefauver and was therefore hardly an asset. Nevertheless, with the help of the party machine, and of his own high reputation, Mr Russell managed to get some 300,000 votes in the primary, compared to the 260,000 which Mr Kefauver won by his unprofessional approach. This was, however, hardly the knockout victory for which Mr Russell had hoped. Mr Kefauver is still definitely a presidential possibility, and the Democrats of Florida have done little to make it easier for their party to choose its candidate.

* * *

Oil Strike

As *The Economist* goes to press it seems likely that the refinery, pipeline and other oil workers who have been striking for over a week will return to their jobs while negotiations go on. In this case little harm will have been done by a stoppage which has been threatened for some time and which might have affected the defence effort and the economy more quickly and more severely than even a steel strike. For the United States depends on oil to drive its trains as well as its ships, motor cars and aircraft; power for factories frequently comes from oil and chemical, synthetic textile and other industries get their raw materials from oil; homes are not only heated by oil, but their gas is often piped directly from the oil fields.

Luckily less than half the industry has so far been closed down and supplies of oil were so plentiful that the stoppage may not have been entirely unwelcome to the companies. It is estimated that the country has enough oil in stock for many weeks, but it is not equally distributed either among areas or among products, and it will be difficult to remedy these maladjustments as long as the strike lasts. Aviation spirit is so scarce that all unnecessary military flights, including training, have been stopped and airlines have been ordered to cut their services. In the middle west, especially in Chicago, there has been a shortage of petrol for private cars and public transport, and in Texas synthetic rubber operations have been curtailed.

There are 22 trade unions containing nearly 90,000 oil workers involved in the strike, but they have set up a co-ordinating committee and one of the aims is to get the 70 or more companies concerned also to co-ordinate their bargaining in some way. The trade unions' ideal would be to make one wage agreement for the entire industry, but they would be satisfied if they could make one settlement with each company. The companies, however, insist on bargaining plant by plant, as has always been the custom in the industry; they even refused to allow the Wage Stabilisation Board to consider a few test cases and set a pattern for individual settlements. At this the WSB decided the dispute was more than it could cope with and returned it to collective bargaining. But now that the strike has begun, the WSB has taken charge again. The average wage in this highly paid industry is over $2 an hour; the unions were asking for an extra 25 cents and increased shift differentials, but there is hope that they will settle for an increase of about 18 cents.

* * *

Republicans in the South

It is a paradox, and some think a scandal, that the South, where Republicans are few and far between, should send nearly 200 of the 1,205 delegates to the Republican Convention. Georgia and Louisiana, which have never voted Republican in an election, dispose of nearly as many votes in the Convention as Oregon, and more than Vermont, a rock-ribbed Republican state. The southern Republicans, tiny islands in a Democratic sea, come into their own every four years at the Convention; if a Republican were elected, they would come in for more—a fat share of federal patronage. This is what they live for, and why they are more interested in

THE HANOVER BANK
FIDE ET FIDUCIA
NEW YORK

Located in the heart of the City, the London office of this old established bank offers its services to those interested in trade with countries in the Americas and throughout the world.

THE HANOVER BANK
(Incorporated with Limited Liability in U. S. A.)
LONDON . . . 7 Princes Street, E. C. 2
NEW YORK . . . 70 Broadway

maintaining their own tight control over the Republican organisation in their states than in striving to win converts who in time might swamp them.

Most of the southern delegates lie in Senator Taft's pocket and provide a useful counterweight to delegations from northern states which may be inclined to stray. This year, however, General Eisenhower's supporters have been making an assault on the South, pointing out that the General stands a chance, which Senator Taft does not, of detaching one or more southern states from the Democrats, and that an Eisenhower victory might be the foundation of a real two-party system in the South.

This is a dismal, rather than an attractive, prospect to long-entrenched Republican bosses and, in states where the choice of Republican convention delegates has been the prerogative of tiny exclusive clubs, new barriers against a free choice have been thrown up. Meetings have been packed, or held in private houses, or held without advance announcement. In Mississippi, the Eisenhower forces retaliated in kind: the General's "lily-whites" invaded a meeting of Taft "black and tans" and elected their delegates to the state convention before the astonished Negroes had realised what was happening. The credentials committee at Chicago will have to choose which of the rival delegations it will seat from at least two southern states, Georgia and Louisiana.

The first real victory of the Eisenhower forces has, however, been the General's sweep in the preliminary voting in Texas, where he once lived. Just in time, the General's supporters had extracted from him an assurance that on the tidelands oil issue he favoured, in principle, a return of these resources to the ownership of the states, although the Supreme Court has ruled they belong to the nation. Not long before, the general had returned a cool and non-committal answer to a question about where he stood on Negro rights. Such conservatism on domestic issues will stand the General in good stead in the South, and perhaps at the convention. But a high price will have been paid if it cools the enthusiasm of independent voters in the North, where the balance of power lies.

* * *

Closer Look at the Atom

For the first time since 1946 the Atomic Energy Commission, which hopes Congress will authorise a $6 billion expansion of its facilities, has held open house for the atomic bomb. Newspapermen, photographers, civil defence officials and state governors were invited to watch, from News Nob, ten miles away, the explosion at Yucca Flat of the fifteenth, and largest, atomic bomb let off in the United States. For the first time ever television carried the live spectacle into millions of homes, though what appeared on the screen did less than justice, because of a power failure, to the ingenuity and energy which had linked together several snow-capped mountain tops to carry the picture 300 miles to the nearest transcontinental cable in Los Angeles. But larger bombs have been exploded at Eniwetok, where in the autumn a "souped-up" fission bomb—not the hydrogen bomb—may release more than ten times the explosive force dropped over Hiroshima.

What was unique about the last two explosions at Yucca Flat was the presence, dug in four miles or so away, of troops, there to take part in a simulated battle manœuvre. The main purpose was to give them a chance to see the bomb at close quarters and to allow their reactions to be watched; many found the bomb less terrifying, on closer acquaintance, than they had been led to believe. Another aim was to see how high an atomic bomb would have to be exploded if radioactivity was not to prevent troops from taking immediate advantage of the shock and confusion caused to the enemy. The first was exploded at 3,000 feet, the highest level ever chosen, the second somewhat lower. But if the radioactivity was slight, the damage supposed to have been done to the imaginary enemy also appeared limited. Many dug-outs and much equipment were not seriously affected. Moreover, under war conditions, the troops involved might not have felt a similar confidence in the ability of the aircraft dropping the bomb to discriminate between friend and foe. The atomic bomb has made its long-heralded entrance upon the battlefield, but there are few who believe it is yet in a position to affect the outcome decisively, either in Korea or in Europe.

The steady march toward a plentiful supply of atomic weapons of varied sizes, shapes, power and uses contrasts painfully with the dimming of prospects, once held so bright, for atomic power for peaceful purposes. The Commission, some of whose members are visibly restive under the present security restriction, is doing its best, under the law, to enable industry to share in its secrets. It has set up a new office for closer relations with industry, and has approved the first industrial report on the possibility of privately financed reactors to produce fissionable materials and electric power. The Dow Chemical Company and the Detroit Edison Company believe the prospects are sufficiently promising to continue their investigation. Another organisation, however, has already taken the plunge: without any government funds, the Walter Kidde Nuclear Laboratories have announced a plan to design and build single-purpose plants for the production of electric power from atomic energy.

* * *

Hour for Religion

The Supreme Court, in a 6 to 3 decision, has upheld the constitutionality of a New York law which permits children to be released for one hour a week from the state schools to attend religious instruction of their parents' choosing. Under the First and Fourteenth Amendments to the Constitution, neither Congress nor the states are allowed to make any law concerning an establishment of religion. In 1948, in the McCollum case, the Supreme Court ruled, 8 to 1, that the system of released time practised in Illinois fell squarely under this ban. In Illinois religious teachers came into the state schools and used class-rooms and other state property. In New York, children, on the written request of their parents, are allowed to leave the schools for religious instruction elsewhere.

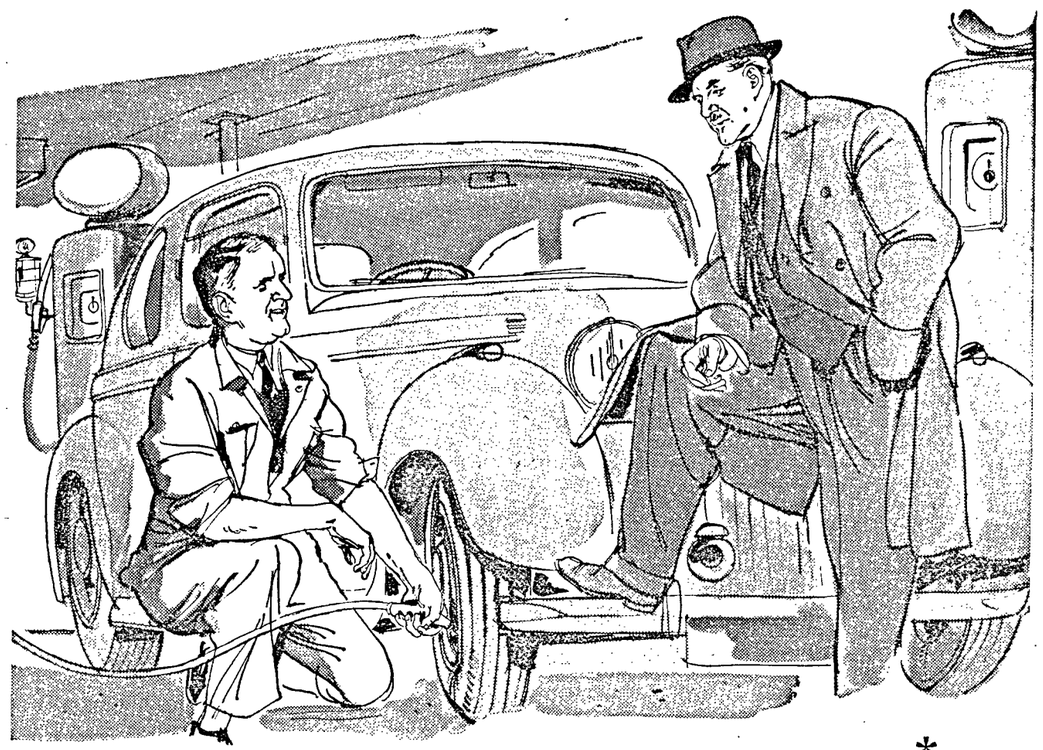
The majority decision, written by Justice Douglas, while not retreating from the McCollum decision, held that this was a significant difference and that the First Amendment did not require separation of church and state in every respect, or hostility on the part of the state to religion. If coercion had been used, or state-employed teachers were persuading or forcing their students to accept religious teaching, the case would, the majority considered, have been very different. But it found no coercion.

It was on this point that the three dissenting justices parted company with the majority. Justice Black considered that New York

> is manipulating its compulsory education laws to help religious sects get pupils. This is not separation but combination of church and state.

Justice Frankfurter pointed out sharply that, on the crucial question of coercion, no evidence had been heard in the lower court. He suggested that the preference of religious bodies for "released time," as opposed to "dismissed time"—when the whole school shuts down to permit those who wish to seek religious instruction—showed that they relied on compulsion.

In New York City 105,000 of 600,000 children have taken advantage of "released time." Throughout the country, about 2,000,000 do so. But not all systems are precisely the same, and the Supreme Court is likely to have new opportunities to redraw a realistic frontier between state and church.



"All right for Cyclohexyl-Benzothiazyl-sulphenamide, Sir?"*

Don't worry if you can't answer. Few people could. Yet tyres and tubes couldn't possibly give the extra miles of wear you expect of them without the addition of these and other chemicals. Tyres and tubes, floor mats, windscreen wiper blades, engine mounts, clutch and brake pedals are all improved with Monsanto rubber accelerators and antioxidants. They speed up "curing" time of rubber products, add miles and years of service when rubber is exposed to air, sun, ice and snow. You'll find Monsanto making important contributions in hundreds of other industries, too—performing hundreds of different services. Thus does Monsanto serve industry which serves mankind.

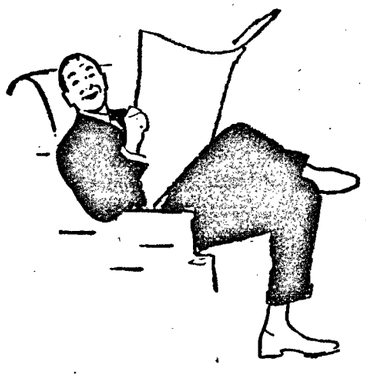
*Chemical name for a group of rubber accelerators produced by Monsanto. Used in the vulcanisation of natural or synthetic rubber.

MONSANTO CHEMICALS LIMITED
8 Waterloo Place, London, S.W.1

MONSANTO
CHEMICALS – PLASTICS

In association with :—
Monsanto Chemical Company, St. Louis, U.S.A.
Monsanto Canada Ltd., Montreal.
Monsanto Chemicals (Australia) Ltd., Melbourne.
Monsanto Chemicals of India Ltd., Bombay.

Relax in the roomy comfort of TWA's swift, world-proved Constellations. Fly smoothly, above the weather, enjoying friendly service, personal attention. Delicious meals, finest drinks—all with TWA's compliments. For your next trip, fly TWA, the airline chosen by over 2,000,000 travellers last year. Remember your TWA fare does not come out of your foreign travel allowance.



YOU CAN DEPEND ON TWA to USA

EUROPE · AFRICA · ASIA

TRANS WORLD AIRLINES

Consult your Travel Agent or TWA—Ask, too, about thrifty TWA Sky Tourist fares to and across America!

LONDON. Tel.: REGent 3211
TWA Reservation Service available day and night.

MANCHESTER. Tel.: BLAckfriars 4649

THE WORLD OVERSEAS

Mr Yoshida Raises a Storm

(From Our Tokyo Correspondent)

THE Communist-incited May Day rioting in the imperial plaza in Tokyo will provide much-needed help to the Japanese Prime Minister, Mr Yoshida, in his task of pushing the Bill against subversive activities through the Diet. Although he was prepared for stiff labour and socialist opposition, he (as well as many others) has clearly been surprised by the storm of criticism from more "honourable" quarters which has burst around this attempt to deal with the problem of internal security which now confronts the Japanese Government now that General MacArthur's stern Organisations Control Ordinance has lapsed.

To block this gap, Mr Yoshida presented this piece of new and controversial legislation. Briefly, this seeks to control organisations which "commit or instigate violent and subversive activities against the Government," and supplements and unites other scattered laws and regulations for punitive treatment of such activities. These punitive methods include the right to suspend "group movements," to suspend publication of offending papers and organs, to ban "the group activities" of the officers and officials of such organs and to "dissolve forcibly such organs." Disciplinary action will be taken by a public security review commission on request from the Director-General of a public security investigation board.

Labour Against the Cabinet

Japan's trade union leaders did not wait for final details of the bill (which reputedly has been revised 23 times) before blasting it with denunciations of "union-breaking." They connected it with other Yoshida plans for "revision" of "excessively democratic" occupation labour standards, which the Government—in perhaps ungracious and certainly unwise haste—had rushed forward weeks before the occupation had had time to make its almost apologetic curtain bow. Vainly the Attorney-General, Mr Kimura, asserted, emphasised and repeated that the law was not aimed at the control of freedom of thought, speech, public assembly or union activity. The more he protested the louder the unions objected. The Socialist Party, split politically into so-called "rightist" and "leftist" factions, closed its ranks against the legislation. So did the divided Japanese unions, at present split into jealous federations although indistinguishable in real policy and aims. The largest federation, Sohyo (the General Council of Japanese Trade Unions), which is three to four million strong, took the initiative in organising a series of regular daily strikes.

Perhaps scenting popular votes, the middle-of-the-road Progressive Party—whose still vacant leadership is now attracting the speculative eye of depurged wartime leaders like Mr Mamoru Shigemitsu—also became fearful that the proposed law might be used by an unscrupulous government against the democratic liberties of a parliamentary opposition. Then, to the consternation (one suspects) of the Prime Minister, the Japanese press, the universities, certain eminent judges and anti-socialist intelligentsia, while deploring the unions' strike threats, threw their solid support behind labour and against the conservative cabinet. All Tokyo professors and newspaper proprietors were in strong opposition, and High Court judges allowed their criticism to be quoted anonymously.

The legislation was described as a resurrection of the old Public Order Conservation Law, which suppressed civil liberties before the war and prepared the way for totalitarian rule. The Security Investigation Board was dubbed "the dangerous thoughts police in dangerous disguise." Demanding that the Diet re-examine and rewrite the bill, the leading Tokyo daily, the *Asahi*, said in a leading article that the vague definition of "violent and subversive activities" might prove the means of suppressing free speech as well as the normal labour movement.

The first 24-hour walkout of protest called by Roto, the joint "struggle committee" of unions, was a sobering success. There was not a full response, but nearly 200 unions involving 300,000 members struck for varying periods of the day, causing, in particular, a complete disruption of public transport. Communist influence could in no way be blamed for the strike, which was the largest in Japanese history since the so-called "general strike" organised by Sanbetsu (the Congress of Industrial Unions of Japan) on February 1, 1947, which was outlawed and ended by a personal directive from General MacArthur to the Government. Regular repetitions on a wider scale are threatened by Roto, which has been encouraged by the angry reaction of the powerful 270,000-member Tanro (Coal Miners' Union) against the last-minute decision of its executive to refrain from joining the first 24-hour walkout. The Tanro executive had been impressed by the offer of the Attorney-General, Mr Kimura and the Labour Minister, Mr Yoshitake, at a desperate eleventh-hour conference, to include union representatives in the public security review commission. However, at an extraordinary convention, the rank and file passed a vote of no-confidence in the executive for its "weak-kneed betrayal" of the "struggle committee" and proceeded to elect "more sincere" representatives.

Threat of Violence

All this background detail is significant because the surprise revolt against Mr Yoshida's anti-subversive legislation suggests a much wider and deeper potential of Japanese support for the new ideas of human rights than had been suspected, and portends the beginning of a prolonged and bitter union struggle to uphold and improve working standards in the new Japan. It may be freely conceded that the Prime Minister had no option but to submit this legislation, that he himself has no wish or intention to use it to destroy incipient unionism, and that he is already confronted with a serious and growing threat of violence by a reorganised Red underground. It may be insisted that fundamentally this is only the old problem of how much power can be safely entrusted to any government to meet a given peril, which may prove less dangerous in the long run than the arrogation of that power by the government. All the same, cautious Western observers in Tokyo are still impressed by the swiftness with which forces not normally or necessarily champions of Japanese trade union aspirations or methods rallied to support the unions against even a conjectural assault and to denounce a potential threat to civil liberties. In the atmosphere of confusion, nationalism and change-for-change's-sake now prevailing in independent Japan, this liberal reaction can be interpreted as a healthy and encouraging omen.

The Government must take most of the blame for the unions' immediate conviction that the anti-subversive legislation was aimed at their fledgling movement. The bill followed close on the heels of the impatient provisional legislation to restrict the right to strike and to "review" occupation labour standards. Belatedly the Government has recognised how ill-timed was this earlier labour legislation and has tacitly decided to drop these bills from the present session. But this long-range issue has merely been postponed. Mr Yoshida will push his anti-subversive powers through the Diet—although probably further modified. In addition to providing union representation on the review commission, the legislation will specifically prohibit restriction or interference with the "justifiable activities of trade unions" and will probably set up some form of independent appeals body. While these modifications may not satisfy the unions, they will be a tribute to the real existence, however flickering, of a flame of liberal sentiment and action in the new Japan.

Revolt in Bonn

FROM the cantonments in which the High Commissioners have enclosed themselves in the environs of Bonn measured optimism continues to emanate. No more concessions, say the British, will be added to the hundred which have already been granted to the Germans in the last six months, but there is no breakdown in the negotiations on the interim peace treaty known as the "contractual agreements." The drafts must be ready by May 20th. Congress is waiting and the Russians are pressing alternative offers.

Down in Bonn itself, however, it appears that Dr Adenauer and the treaties are *en pleine crise*. A revolt of the Chancellor's coalition partners, and even of some of his own party has broken out. It began last February, when the *Bundestag* adopted a series of stiff demands drawn up by the government parties. At that time, it was evident that the Free Democrats and the German Party—partners of the Christian-Democrats in the government—had moved very close to the Social-Democrat opposition. Now the parliamentary groups of the coalition parties have been shown the drafts of the "contractual agreements" (as the interim peace treaty is named) and find they do not meet all the demands laid down in February. There is much indignation at the fact that negotiations on the agreements have been kept secret. This made it impossible for the Chancellor to win public support, and in turn led the Allies to over-estimate his backing in the country. But it is difficult to see how the long tussles that have been going on over the treaties could have ended in any sort of agreement if they had not been negotiated behind closed doors. As it is, leakages in Germany have been frequent.

The essence of the German objections to the interim peace treaty is that it does not give the Federal Republic complete sovereignty and equality. It is claimed that the drafts do not fulfil the promises made in the Washington declarations of September last. These declarations, rather misleadingly, stated that Germany was to be included in a European community on a basis of equality, and that "in the light of a German participation in western defence," the Allied governments would renounce their power to interfere in German domestic affairs. It was made clear, however, that the occupation powers would retain rights which would enable them to deal with the Russians and to stay in Berlin.

German protests are concentrated on the extra-territorial rights which the Americans, British and French are retaining, and on the demand that the Germans should continue to pay for the maintenance of the non-German troops in Germany after the European army is set up. Specifically, the clauses rejected are those which permit the future Council of Ambassadors (which will replace the High Commission) to suspend the constitution and take over command in times of emergency, with the consent of the Bonn Government; the demand that the Government implement and maintain occupation legislation on decartelisation and other economic and financial matters; the special status outside the German law of the non-German forces stationed in Germany and the limited offer to review sentences on war criminals.

The financial demands made by the occupation powers are the most fiercely contested. Dr Adenauer is not even supported by his own Minister of Finance over the question whether Germans should pay for the non-German troops. Dr Schaeffer is in fighting mood. He has publicly repeated that not a pfennig shall go to occupation costs in their future form. "Occupation luxury" must end, he maintains, and, as a detail, the Americans must stop depriving the Bonn treasury of several hundred million marks a year by selling the coffee and cigarettes they buy tax-free at their PX stores. The business world has entered the field against the provision in the contractual agreements which would for six years exempt foreign-owned firms from contributing to the capital levy which is to be imposed, for the benefit of refugees and persons who have suffered war damages. Germans who are extremely indignant at the seizure of their private assets abroad as reparations for the German war cannot see why British and other foreign capital should not be used as reparations for Germans. A fresh outcry has also started against the confiscation of German patents in 1945. This "cold dismantlement," as it is called, is said to mean the loss of one billion marks a year to Germany.

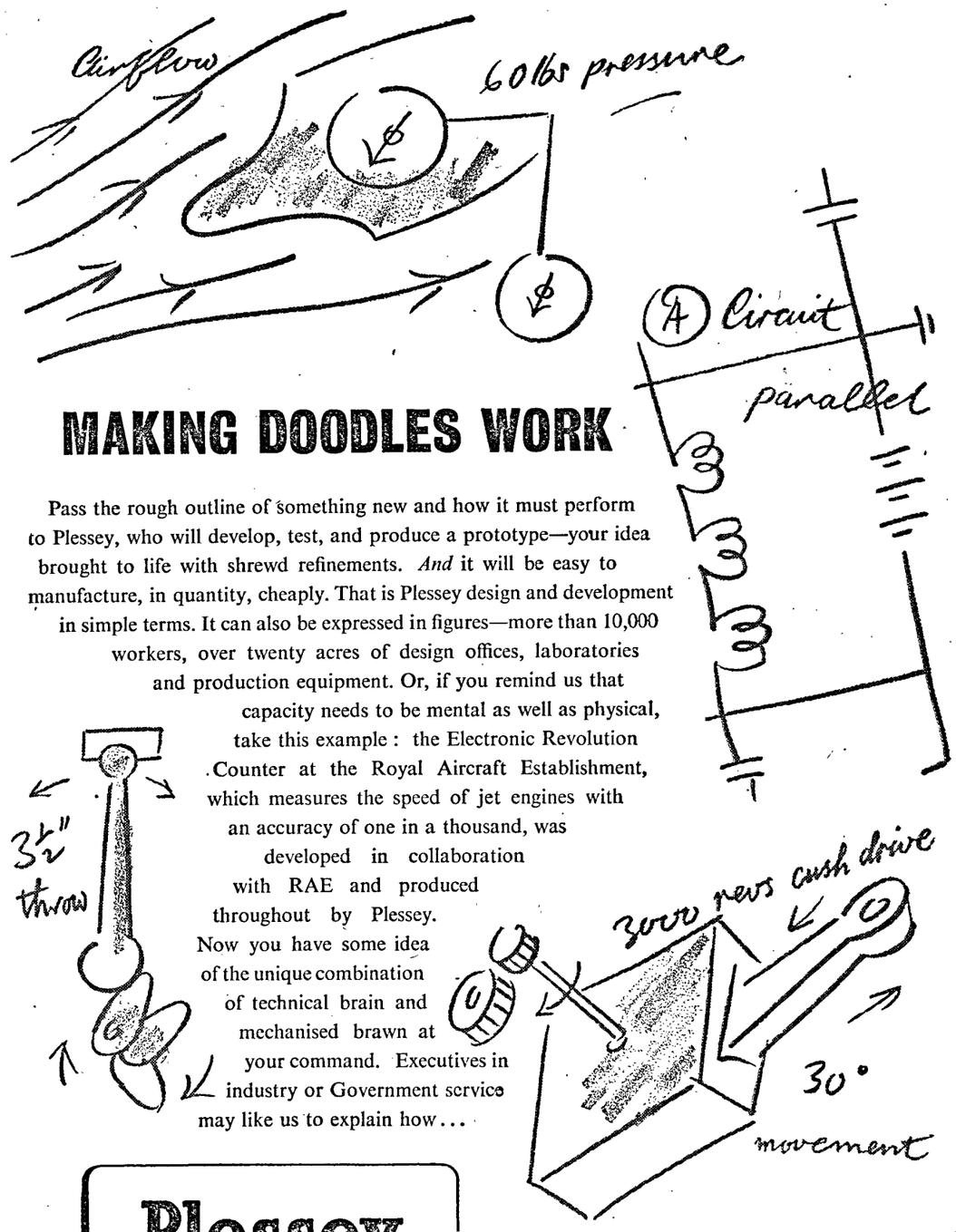
So the tale of grievances goes on. "A new Versailles," "a treaty of subjection" and other fantastic and exaggerated epithets are being used about the new treaties by the more irresponsible spokesmen of the Free Democrats and the German Party. The Social-Democrats' comment is "we told you so" and they add that they do not really believe that Dr Adenauer's coalition partners are doing more than stage a token revolt. This may be so. An element of blackmail certainly enters into the present campaign. But, in any case, the public is now convinced that the western powers intend to continue trampling on German national rights. The mischief, in other words, has been done.

Progress with the Soviet "Great Projects"

A SHORT section of a navigation canal linking the Volga and the Don rivers below Stalingrad was opened this week. This and other canals not yet built, together with vast schemes of irrigation and the expansion of hydro-electric power are the central parts of the "great projects" which, according to the Soviet press, should "pave the way from Socialism to Communism.

The plans for electric power development were described in an article in *The Economist* of January 19, 1952. Soviet propagandists claim that the internal waterways system will be completely overhauled in the next five years or so and that the linking up, by new canals, of all the main rivers, and indirectly all the chief seas, will enable a large part of the internal freight burden to be shifted from railway to water transport. Finally there are vast schemes to irrigate during the same period 28 million hectares of land, which will help to bridge the vast gap still separating Soviet development in industry and in agriculture. To boost the morale of the population and create a mood similar to that which reigned during the early period of Soviet construction Russian propaganda describes these projects as the prelude to an ideal communist society. But how novel are these plans and what role are they likely to play in the Soviet economy during the next five years?

The programme of canal building is the more modest of the two. In a country of vast distances, with an overloaded

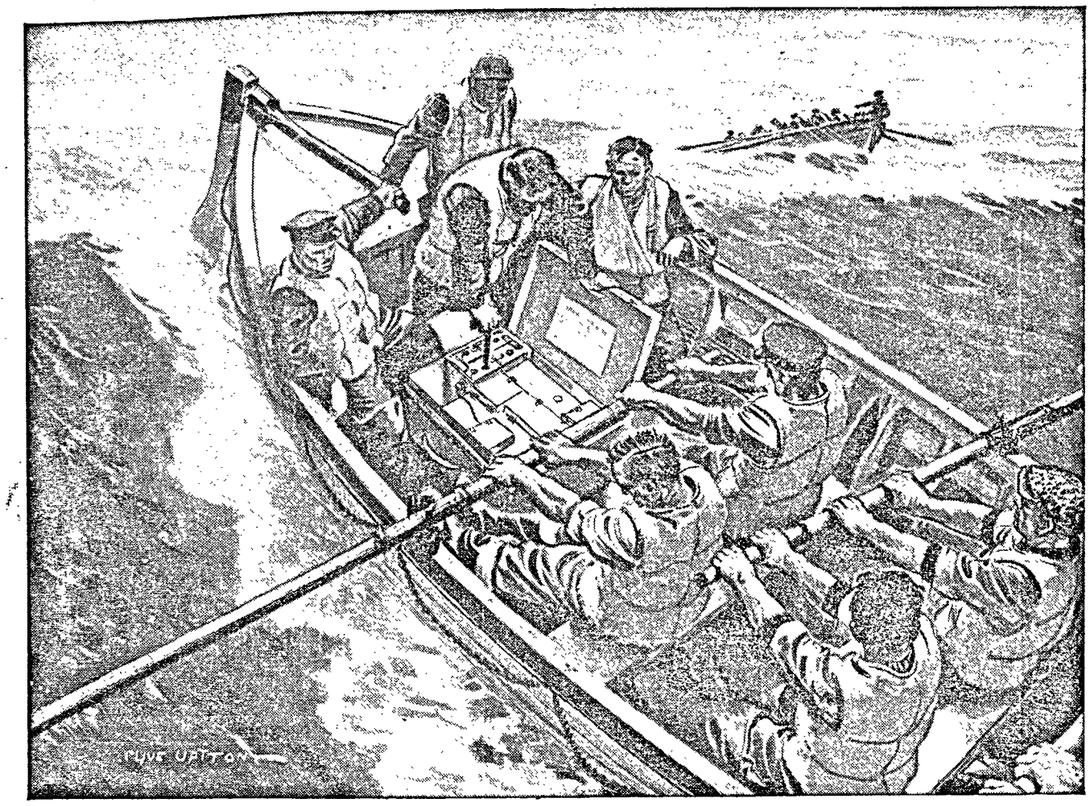


MAKING DOODLES WORK

Pass the rough outline of something new and how it must perform to Plessey, who will develop, test, and produce a prototype—your idea brought to life with shrewd refinements. *And* it will be easy to manufacture, in quantity, cheaply. That is Plessey design and development in simple terms. It can also be expressed in figures—more than 10,000 workers, over twenty acres of design offices, laboratories and production equipment. Or, if you remind us that capacity needs to be mental as well as physical, take this example: the Electronic Revolution Counter at the Royal Aircraft Establishment, which measures the speed of jet engines with an accuracy of one in a thousand, was developed in collaboration with RAE and produced throughout by Plessey. Now you have some idea of the unique combination of technical brain and mechanised brawn at your command. Executives in industry or Government service may like us to explain how...

Plessey PUTS IDEAS INTO PRODUCTION

THE PLESSEY COMPANY LIMITED • ILFORD • ESSEX



We've solved some problems in our time!

In 1942, peak period of Hitler's submarine campaign, came a request for batteries to operate wireless transmitters in the ships' boats of the Merchant Navy. Batteries that could be relied upon to give immediate service when needed, even if they had been standing by unused for as long as two years.

¶That was a problem. No such battery existed. Normally a filled battery progressively loses its power when idle and needs periodic recharging; an unfilled battery needs a lengthy first charge before it can be used.

¶Our answer was to produce the Exide self-priming battery. Its plates were *dry* charged, and sealed in a compartment separated by a thin diaphragm from another compartment containing acid. When the diaphragm was pierced with a punch attached to the battery, the acid ran on to the plates, and within a few minutes the battery was working at full strength—even after 2 years or more of inactivity.

¶Thousands of these batteries were supplied; and many a seaman owed his life to them.

¶We have been solving battery problems for over 50 years. Wherever batteries are used today you will find Chloride, Exide and Exide-Ironclad batteries giving good service in jobs for which they were specifically designed at a user's request. Our battery research and development organisation, the largest and best equipped in this country is now, as ever, at industry's service—ready at any time to tackle another problem

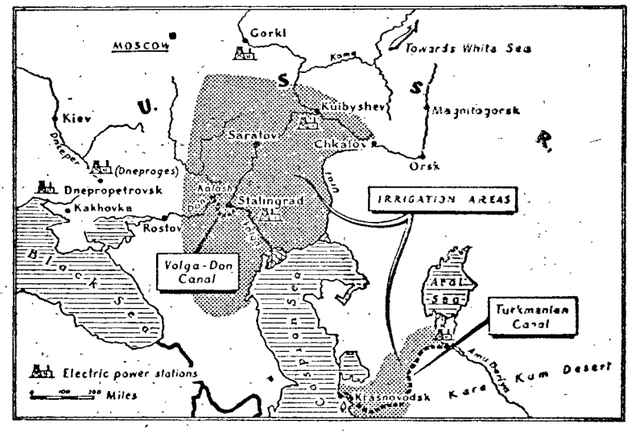
CHLORIDE

BATTERIES LIMITED

Makers of Exide Batteries

EXIDE WORKS · CLIFTON JUNCTION · NR. MANCHESTER

railway system but an important river network, it is only natural to make these waterways as navigable as possible and to connect them by canals. This was realised in Tsarist times, and the Soviet authorities themselves have already done a good deal to improve the internal navigation system. Thus in 1934 a canal nearly 150 miles long was opened linking the White Sea with the Baltic and indirectly with the Volga and the Caspian Sea. Subsequently a canal was built linking Moscow with the Volga and making the Soviet capital into a harbour with outlets into three seas. The launching of the Volga-Don Canal should raise this number to five, since all the seas of European Russia (the White Sea, the Baltic, the Caspian, the Azov, and the Black Sea) will finally be interlinked.



Canals to be built around Stalingrad and Kuibyshev should improve considerably the navigation on the Volga, which already carries half the total Soviet water transport.

Hitherto river transport accounted for about 9 to 12 per cent of the total freight carried. The proportion should now rise substantially. The new canals should enable the Donbas (Ukraine) coal to be shipped through the Don to the Volga Region and the ore from the Urals to be sent to the Donbas. All this will be a great relief to harassed transport chiefs. Yet, as far as can be ascertained, these plans do not seem to mark any novel departure.

The irrigation scheme appears more impressive. Mr Beria recently said that the irrigation of 28 million hectares should bring about in some five years' time the doubling of the raw cotton output, an increase of 8 million tons in the grain crop, of 150,000 tons of rice, and of 6 million tons of beetroot. Horned cattle numbers should rise by 2 million and sheep and horses by 9 million.

However, here once again the plans are no novelty but a continuation of past policies on a larger scale and at a quicker pace. Soviet agricultural output must increase to feed the growing urban population. The grain crop is probably sufficient for the moment for internal needs (though even this is always threatened by the danger of drought), but there is probably a shortage of meat and dairy products. A steadily increasing supply of cotton, the growth of livestock and exports of grain are all dependent on the protection of drought-ridden areas and the reclamation of desert land. The cotton-growing areas of Central Asia (the Tadjik Republic and the Fergana Valley) are examples of what had already been done before the "great projects." Now, the increasing demand requires plans of greater scope.

To combat drought, it was decided in 1948 to set up tree-shelter belts and to build 44,000 special ponds. But the chief part in this "struggle against Nature" is to be played by irrigation itself. For instance, in the Volga region which is one of the exposed areas, a network of canals will bring water from the reservoirs to be built in the middle and lower part of the river to the neighbouring steppes. According to Soviet sources the network centred on the Stalingrad canal alone should allow the irrigation of 13 million hectares during the next five years.

Southern Ukraine, which suffered 22 droughts in the last 65 years, as well as Northern Crimea, are to get water from the Dnieper. The land thus reclaimed will be put mainly under cotton. The chief area of cotton expansion is, however, to be in Central Asia, in the Turkmen Republic. The Turkmen Canal, nearly 700 miles long, is to run from Takhia Tash across the Karakum Desert to Krasnovodsk on the Caspian Sea. With the assistance of the Amu-Darya river, now partly drying up, about 1,300,000 hectares of desert should be gained for cotton growing and 7 million for pasture.

All these schemes for the development of hydro-electric power, water transport and irrigation will certainly be of great assistance to Soviet planners. Should they be fulfilled they will mark an important step forward for the Russian economy. Yet, despite the fantastic advertising of these "great projects of Communism" in the Soviet press and radio, one may safely conclude that they play only a secondary role in the economic effort of the Soviet Union. Some guesswork on the cost of the irrigation scheme, the most ambitious of the plans, points clearly into this direction. The Russians give no estimates of the cost of the new scheme. Yet it is known that before the war over 4 million hectares had been irrigated at the cost of 2,000 million roubles. True, the rouble has depreciated in the meantime. On the other hand the cost of canal-building has also been reduced. Before the war the White Sea-Baltic Canal was built by thousands of unskilled camp inmates who did at least need to be fed. The Fergana Canal was built by 150,000 collective farmers. Now the Russians claim that the "walking excavators" used for this task can accomplish the work of 5,000 to 7,000 people. Yet, even allowing for the depreciation of the rouble total annual expenditure on irrigation should be somewhere between 1 and 2 per cent of the Soviet budget.

This is a fair amount and it confirms the view that as secondary objectives fuel saving through water-power, transport economy through improved waterways and an increase in agricultural output due to irrigation are quite important. But behind the smoke-screen of the "great projects of Communism" the Soviet Union—logically enough—still concentrates its forces on the development of coal, pig iron, steel and other basic industries.

Election Vigil

[FROM OUR ROME CORRESPONDENT]

THE municipal election campaigns in southern Italy are now well under way. Although the proceedings remain noisy and colourful, it is clear that the centre parties are definitely on the defensive. In the big towns the Christian Democrat, Social Democrat, Liberal and Republican parties have joined in what can perhaps best be described as "constitutional associations," so that, under the new electoral law, the votes amassed by their several and separate lists of candidates are pooled in order to compete more successfully for the first place in the poll. This first place wins for the victors two-thirds of the councillors' seats and thus the Mayor's office and effective control of the town. Will it be won in Rome, Naples, Bari and other places by this constitutional association or by other competitors?

In some three hundred of these big mainland towns (including a few in the north) elections will take place on May 25th. They are of particular public interest because associations (*apparentamenti*) of parties are not allowed either in Sicily or in places of less than 10,000 inhabitants. In these smaller towns, where the top place wins four-fifths of the votes, parties anxious to combine to secure it are obliged actually to combine their lists. Thus it is impossible to discover the political lesson the results in these smaller places.

In almost all of the big municipalities competition for the first place lies between a constitutional association, an extreme left association, and an extreme right association. Considerable spasms have accompanied the formation of these associations, which had to be completed by noon on April 25th. In Rome the constitutional association was nearly wrecked at the very last moment; and at Naples its more conservative constituents were only just induced not to associate instead with the extreme right. At the big market town of Frosinone the elements have got all jumbled up so that Communists, Social Democrats, and Liberals of some sort find themselves associated; but this is quite exceptional. In Trieste, where there will be contemporary elections, local particularities have caused a failure of association on the extreme left between the Communists and the "Nenni" Socialists; these are, however, a small persuasion since most of the local Socialists have, for Italian patriotic reasons, gone "Saragattian." (The local Nennians are now also shifting into line with the "bourgeois" parties on the issue of Trieste's return to Italy.)

When last summer it was the north and centre which had to elect municipal councils, Christian Democracy went forth with a cheerful slogan: "Win back the cities for Italy." This slogan was possible because in most of the big northern cities a Communist coalition had captured the Councils in 1946, under simple proportional representation, and the new electoral law gave promise of recapturing these "from Russia," even if Communism lost no votes. In fact, Genoa, Turin, Florence and Venice were among the towns "won back for Italy," and this in spite of an appreciable loss of votes by the constitutional parties, while the extreme left apparently held its voting ground.

In the south much is different. The extreme right runs a real chance of winning the top of the list in Naples where (as all over the Southern mainland) it represents an association between Monarchists and so-called Neo-Fascists. There are no conspicuous citadels to be won back from Russia because in the south the extreme left in 1946 was weak. There is, on the contrary, a danger of the most glittering citadel of all, Rome, falling to an association (or strictly speaking a local fusion) of the Communists with "independent" elements led by the embittered octogenarian, Nitti, who not so long ago was regarded by them as a virulent reactionary. The results are therefore awaited in governmental and friendly circles, already in somewhat dejected array, with a good deal of misgiving.

Capital Replacement Costs

This service, prepared jointly with the Association of Certified and Corporate Accountants, provides indices of changes in the replacement cost of industrial plant, and is being steadily expanded. We have recently added new indices covering the following types of equipment:

Mechanical Handling Equipment.
Foundry Plant.
Tanning Machinery

These are in addition to our indices for factory buildings, agricultural machinery, electrical equipment, chemical plant, machine tools, textile machinery, food processing machinery, office equipment, and commercial vehicles.

Other indices can be prepared on request. For further particulars please write to:

The Economist Intelligence Unit
22 Ryder Street, St. James's,
London, S.W.1

Kashmir Speaks Up

[FROM OUR CORRESPONDENT IN INDIA]

DR GRAHAM'S Report has been received in India with the respectful indifference due to good intentions which are producing no obvious concrete results. India will not accept any scheme which gives Pakistan's troops the same moral right to be in Kashmir as its own, for it is as much the foundation of India's attitude to Kashmir that Pakistan is an aggressor as it is of Pakistan's that the Kashmiris are Muslims. But, short of that, India is eager to see as much demilitarisation as possible as soon as possible. India is feeling sincerely peaceful, and public opinion would more and more welcome a quick plebiscite.

Certain recent developments within India and Kashmir are, therefore, of great importance. Sheikh Abdullah, the Kashmir Premier, and his National Conference have always been, like all Kashmiris, Kashmiris first, whose reason for accession to either India or Pakistan is only that they recognise that it is impossible for Kashmir, in its geographical situation, to stand alone. They have chosen India partly because India gave them protection from the tribal raiders of 1947, and partly because they see India as a secular and progressive state, which is abolishing zemindari and creating a citizenship common to all faiths, while they see Pakistan as theocratic, mullah-ridden and too much controlled by the large landlords of West Pakistan. Their preference is, however, a strictly limited one. They wish to lean on India, but they do not wish to become merely part of India. They are only willing to accede for the original Mountbatten subjects of defence, foreign affairs and communications (which hardly arise in Kashmir which has none).

The meeting of the Kashmir Constituent Assembly has brought this attitude sharply to the notice of the Indian public; and the reaction has, on occasions, been equally sharp. The function of the Constituent Assembly is, of course, to make a constitution for Kashmir. This, in itself, is different from the rest of India, where the constitutions of the States are included in the constitution of India as a whole; and the difference has been emphasised by the talk in the Assembly of Kashmir as an autonomous republic within the Indian Republic, and by Sheikh Abdullah's own repeated insistence in recent speeches on Kashmir's special position, and its refusal to sacrifice its independence beyond the three subjects. There is, moreover, an important and immediate practical issue involved. The Indian constitution prohibits the acquisition of property without compensation. The Indian zemindars are being paid for their zemindaris. But Sheikh Abdullah's programme of land to the tiller admits of no such compromises, and there has been unfavourable comment in many quarters in India on the Constituent Assembly's decision that landlords should get no compensation at all. People asked why a principle that was accepted in India should be ignored in Kashmir. The Kashmir reaction was a fierce reassertion of autonomy. Indians reacted in their turn by wondering why the integration with India which had proved so beneficial for the other ex-princely states was unsuitable for Kashmir; and also why

all the obligations—such as the loans to meet Kashmir's budget deficits, and the £5 million a year Kashmir adds to the defence budget—should be India's.

The question has been further complicated by the special attitudes of the people of Jammu and Ladakh. The Ladakhis are Buddhists, the people of Jammu mainly Hindus and Sikhs; more important still, neither are Kashmiri speaking, and neither have the nationalism of the Kashmiris of the valley, whether Hindus or Muslims. Jammu is little more than an extension of the Punjab, with which it is closely related linguistically, economically, racially, and geographically. The Ladakhis would like to be left alone in their remote mountains, but they have already made it clear that, if they cannot be attached to India, they will prefer Tibet to Pakistan. The people of Jammu, and even those of Ladakh, would welcome full integration with India, and, indeed, another of the sources of the recent controversy was the riot in Jammu City when some students objected to the flag of Kashmir being flown side by side with that of India. Over Jammu and Ladakh, however, which are not for him the core of the issue, Sheikh Abdullah has found it possible to be generous; he has recognised the right to secession.

It is unfortunate that Sheikh Abdullah should in one speech have spoken of the risk of Indian communalism, were Nehru to go, for Indians consider that they have shown themselves surprisingly non-communal under the stress of these last two years, and that the electorate has finally dealt its *coup de grâce* to the communalists in the recent elections when they got only 5 per cent of the vote. They have therefore been bitterly hurt, and their hurt has given this one remark, and its subsequent explanations and counter-explanations, a quite disproportionate importance. Nationalism, not communalism, is the real issue. The argument has indeed cleared the air, and perhaps prepared a return to Sir Owen Dixon's suggestion that a plebiscite should be held regionwise: this would narrow the problem down to the Kashmir Valley—the real bone of contention. It could then be treated as the special case which it is.

The Church's Resistance in Poland

[BY A CORRESPONDENT]

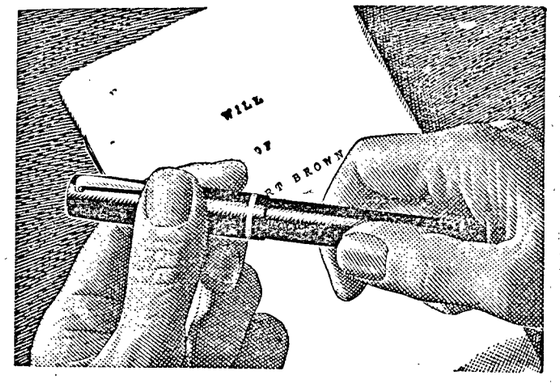
THE first copy of a pastoral letter distributed at Easter by Archbishop Wsznyski, the Roman Catholic Primate of Poland, has just leaked across the iron curtain. The letter, which is an obliquely worded message of hope for Polish Catholics, is a reminder of the extent to which the Polish hierarchy has maintained its unyielding attitude to Communism over the last seven years. Today it is the sole remaining outpost of the Vatican in Eastern Europe. But the provisions governing the separation of church and state in the new Polish constitution indicate that the Bierut regime is hoping to deal a final blow to ecclesiastical power in Poland. The provision which declares that "the legal and patrimonial position of the religious bodies is determined by law" is, no doubt, designed to bring the Church administration entirely under state control.

The object of the Polish Communists, of course, is to produce, as in the Soviet Union, an acquiescent priesthood and a Church which is the instrument of the regime. But there are vast differences between the Orthodox Church in Russia and the Roman Catholic Church in Poland. While the Russian Church leaders have always been more or less ready to serve the powers-that-be, the Polish episcopacy has a long record of stubborn resistance to authority, both that of the Czars and of their own rulers. Moreover, unlike the Russian, the Polish Church has the enormous support of the parent church outside, and inside the country, of a congregation which remains unshaken in the faith.

There was striking proof of this devotion last Christmas. For the first time the occasion was officially ignored and strenuous efforts were made through propaganda and organised activities to play up the New Year—linked to the Six Year Plan—instead. Nevertheless, it is known that on Christmas Day all the churches were crowded to overflowing and that people, including Party members, stayed away from work. A Party circular is reported to have been sent round early in January admonishing members for this lack of discipline.

It is also significant that among the organised nation-wide demonstrations praising the new constitution, there has been no radio or press mention of clerical participation, except by the pro-Government "Union of Patriotic Priests." This Union is the regime's one achievement in its effort to undermine the Church's power; it is the result of promoting a schismatic movement among the ill-paid lower clergy. But the Government itself does not claim more than some few hundred members out of a total Catholic priesthood of about 9,000. The group has lately been strenuously employed by the administration in noisy support of certain of its policies, particularly over the Western Territories, and the peace campaign, and to bring pressure on the peasants to hasten grain deliveries because of the present food shortage. More than anything else these efforts of the Union have served to bring into relief the silence of the hierarchy and vast remainder of the priesthood, with the tacit opposition which this implies.

For the Church in Poland today is carrying out the doctrine of non-co-operation. If priests are forced to be circumspect in the pulpit, in the confessional it may be a different matter. Whether or not it is a peasant's duty to deliver his grain to a Communist Government can be treated as a question of conscience. To what extent priests encourage or take part in any active resistance it is hard to say. Many gained considerable experience resisting the



With the best will in the world

. . . . your friend may find himself prevented, through ill health or other circumstances beyond his control, from discharging his duties as your executor.

The appointment of Lloyds Bank as your executor will ensure the prompt and efficient administration of your estate. Ask the Manager of any branch for a booklet describing the Bank's executor and trustee services.

Let LLOYDS BANK
look after *your* interests

Germans during the occupation and many of the more fanatically anti-Communist played some part in the postwar underground movement against the Bierut regime. Foreign correspondents who toured the Polish countryside at that time could quite often find some priest or curate who knew a good deal about the local opposition.

From time to time priests have been tried for allegedly anti-state or treasonable activities. In October, 1951, four Bernardine monks were among the defendants found guilty by a Lublin military court on this score. At a similar trial, in January, 1951, accused members of the Catholic Works Party, a political organisation, implicated the imprisoned Monseignor Kaczynski, editor of the organ of the Warsaw episcopacy, *Tygodnik Warszawski*. In 1950 two parish priests, Fathers Oborski and Gadomski, received life sentences for allegedly conspiring with young Polish nationalists who had murdered Communists and committed other terrorist acts. While it is impossible to tell how much is propaganda and how much truth, the evidence seems to have left little doubt that the acts had in fact been carried out —all the accused confessed, of course—and that the priests had at least been on familiar terms with the gang. But these and similar cases must be accepted as individual acts, for there is no evidence that subversion is part of the Church's policy in Poland. It prefers to rely on non-co-operation and the preservation of a moral ascendency over a simple people.

Material Resources

From a material point of view also, the episcopacy's resources are still not inconsiderable. It has been estimated that the 1950 law expropriating ecclesiastical estates of more than 250 acres still left an aggregate of some 400,000 acres in its hands. There were in 1949—the last year for which official figures are available—1,724 monastries and nunneries. The innumerable seminaries then contained 18,000 theological students. Today the attendance at the University of Lublin, the Catholic academic stronghold, has reached the record number of 6,000. In 1949 there were 6,300 priests working as paid religious instructors in Polish schools. Many hundreds of these have since been dismissed in spite of the Hierarchy's vehement protests. With the legal separation of church and state under the new constitution, it can be presumed that the rest of these priest-instructors will disappear along with the last vestiges of ecclesiastical authority over Polish education.

But for another generation at least the dominating role of Catholicism in the ordinary lives of the people will continue. Poland is an agrarian country and life in the villages is still primitive. Radios are few, television unknown, and the cinema is limited to the larger towns. The Church and its ritual is still, as it has been for centuries, the sole amenity and the sole consolation. Despite the propaganda and the frowns of the Party, the great pilgrimages to Czestochowa still stream out over the highways in summer and when Christmas and the feastdays come round fields and factories are deserted and churches filled.

Presidential Race in Chile

[BY A CORRESPONDENT]

THE domestic political implications behind Chile's decision last weekend to abrogate its copper agreement with the United States are as yet obscure. But with the presidential elections less than five months away, the government coalition parties may well have been glad to demonstrate their ability to take a tough line with foreign capitalists. The Radicals who form the largest single party have supplied presidents for the past thirteen years. They might well continue in their dominating position but for dissension, not only within the centre-left coalition which they dominate, but also among themselves. Dissatisfaction with the mounting economic difficulties caused by the great inflation, and the unwillingness or inability of the administration to take firm measures to deal with the social unrest arising from it, may cause a swing to the right from those who would like to see a firmer hand at the till and a return to more orthodox finance and economic discipline. The convention called by the government coalition last January to nominate an agreed presidential candidate failed to do so, as the left-wing of the group would not agree to Pedro Enrique Alfonso (who is now supported by the present Government), and the Social Christians would not accept the leftist candidate, Alfredo Duhalde. The Radical Party, in spite of its great tradition, has in recent years run the danger of degenerating into a machine to be used by place—and profit—seekers for their personal ends.

Arturo Matte Larrain is of the Liberal Party, but has also the support of the traditional Conservatives and other smaller right-wing parties. He is backed by commerce, industry and the Church—the Radicals being anti-clerical—and indeed by many elements which oppose the furtherance of the welfare state at the expense of abandoning traditional economic habits. His prestige was enhanced when last year he defeated by a large majority the government candidate in the election to the seat in the Senate made vacant by the death of ex-President Alessandri. At present there are short odds on a presidential victory for Matte, provided the election is completed constitutionally.

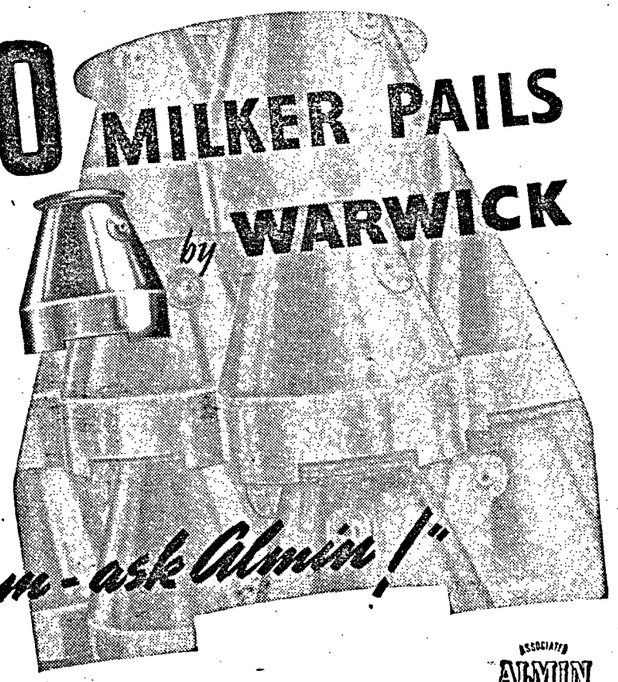
Socialist Disunity

Salvador Allende, supported by the Socialists, is the weakest of the candidates, as the Socialist Party, which was previously of considerable strength, has lost much of its influence in recent years owing to dissension and its splitting into two groups which are at present united in a "socialist front." If the breach in the centre-left coalition over the choice of candidate is not healed, he may receive many votes which would normally go to the Radical candidate, but which will not go to Alfonso; he may also receive some support from the erstwhile powerful Communists, whose party has been outlawed since 1947 by the President, although he had achieved office only with their support.

General Carlos Ibañez del Campo was President of Chile from 1927 to 1931, during which time he was called by his enemies a dictator. He may be expected to draw the votes of those who would like a return to "strong" government after the vacillations of the past few years, as well as of the extremes on both the right and the left. He is now well over 70, and this will presumably be his last chance of constitutional election as president. His appeal is similar to that of Perón in Argentina, from whom, it is widely said, he has received both moral and material support—a fact which may lose him the votes of those who resent the suggestion of outside interference. While it is impossible at this stage to assess his chances of success, it is tempting to draw an analogy from the 1950 elections in Brazil, when another ex-president and strong man was swept to power by constitutional means, in a situation which can be compared in more ways than one with that of Chile today.

Much may still happen before September, and there is another new and unpredictable feature in that women will vote for the first time in a presidential election. The coalition now in power seems weak and divided both internally and in its handling, or lack of handling, of the economic situation. The Radicals, however, have held the presidential reins now for a long time, most of the bureaucracy are their supporters and they possess a powerful and well-organised party machine. Moreover, President Gonzalez Videla is a politician of no ordinary skill, and it may well be within his abilities to produce among his supporters a show of unity before the date of the election.

100,000 MILKER PAILS by WARWICK



The large-scale introduction of strong, light *hygienic* aluminium to the food industries has been the main preoccupation of the WARWICK PRODUCTION COMPANY since 1945. One hundred thousand milker pails for the dairy industry is a typical effort.

ENTERPRISE IN ALUMINIUM

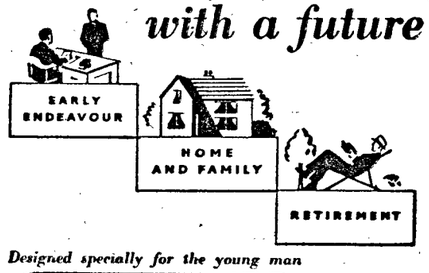
Warwick Production Co. Ltd., of Saltisford, Warwick, is one of the manufacturing companies of the ALMIN GROUP; a sister company to SMD Engineers of Slough, who recently built the Aluminium Structure of the Dome of Discovery and the World's first All-Aluminium Aircraft Hangars at London Airport.

"If it's Aluminium - ask Almin!"

ALMIN LTD • FARNHAM ROYAL • BUCKS • Telephone: FARNHAM COMMON 595

ASSOCIATED ALMIN LIGHT METAL INDUSTRIES

For the young man with a future



Designed specially for the young man

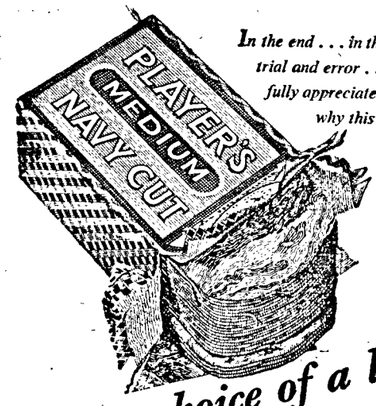
'BOTH WAYS' *is more than ever the policy of the moment*

Let it help to smooth *your* road through the years of endeavour ahead. You will put yourself under no obligation by writing for full details to . . .

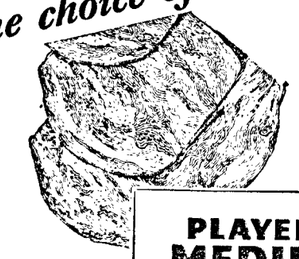
Scottish Widows' Fund

Head Office: 9 St. Andrew Square, Edinburgh 2
London Offices: 28 Cornhill, E.C.3. 17 Waterloo Place, S.W.1

In the end . . . in the natural process of trial and error . . . you will find and fully appreciate all the good reasons why this tobacco is called . . .



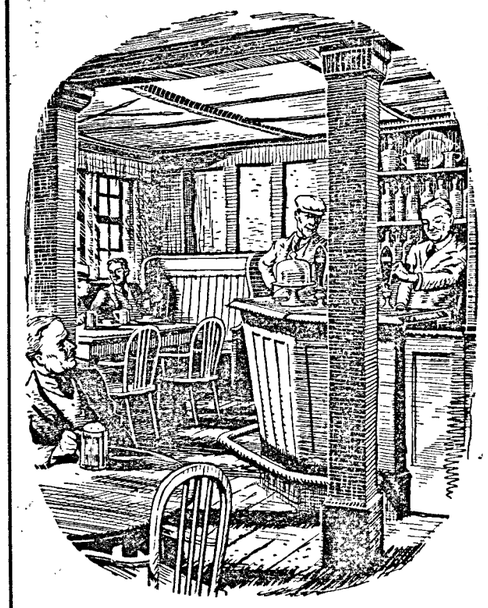
The choice of a lifetime



PLAYER'S MEDIUM NAVY CUT TOBACCO

[PCT 722]

Welcome to the Inn



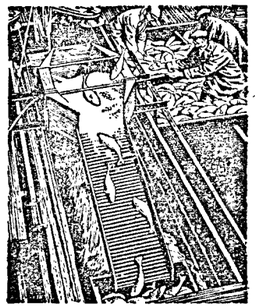
beer is best

Issued by the Brewers' Society, 42 Portman Square, London, W.1

3

NEWS FROM THE FISHING INDUSTRY

Ceaseless efforts to improve quality



Any measure that might conceivably raise the quality of fish is most carefully studied and tested by the Fishing Industry. During the last two years great strides have been made, and there can be scarcely a housewife who has not noticed the general improvement. But there is no slackening in the Industry's efforts to bring the public still finer, fresher fish. For instance, at this very moment, scores of trawlers are using and reporting on a new fish-washing machine invented by a Trawler Skipper.

This machine consists of a metal bath that runs on tramlines along the trawler's deck to whichever hatch is being used. Powerful jets play into the bath to maintain a depth of some 15 inches of violently agitated sea water. The fish are tossed in the instant they are gutted and are thus washed more speedily and more effectively, both inside and out, than would otherwise be possible.

British trawlers know their job!

Issued by the British Trawlers' Federation Limited

SAFETY-FIRST INVESTMENT

2½% per annum

Income Tax paid by the Society

Equal to £4.15.3 per cent to investors subject to income tax at the Standard Rate

Abbey National announce that, with effect from April 1, the interest on shares has been raised from 2¼% to 2½%, and on deposit accounts from 1¾% to 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets £136,630,000

ABBEY NATIONAL
BUILDING SOCIETY

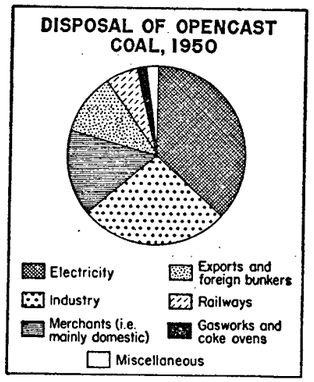
HEAD OFFICE: ABBEY HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory

THE BUSINESS WORLD

Opencast under the Coal Board

UP to the time that the National Coal Board took over opencast production of coal at the beginning of last month, about 90 million tons had been excavated in this way in just under ten years. The Board has owned this shallow-lying coal, in common with deeper seams, since the vesting in 1947; but the Ministry of Fuel and Power, which had had the responsibility for opencast working since 1945, retained control until the end of March this year. Opencast working is essentially a job of civil engineering, and has little in common with deep mining; private contractors have always carried out the actual work for the Ministry, and will continue to do so for the Board. Nevertheless, the main reason why this logical transfer of control to the Board did not take place earlier seems to have been what a Ministerial spokesman in 1948 called the "uncertain economic future" of the opencast programme. At that time opencast was unprofitable, as well as bitterly unpopular with the farming community, and even with the general public; moreover, it was due to tail off within a few years. At least some of these good arguments for not transferring control have lost force during the past two years: opencast is now a much healthier commercial proposition, while an improved code of restoration and compensation has perhaps very slightly mollified the farmers and has removed the subject from public attention. Whether any change has taken place in the expected duration of the opencast programme is less clear.

In the past two years the production of opencast coal has yielded the Ministry an average profit of about a shilling a ton, and the National Coal Board can hardly help doing better than that this year. These profits, of course, are only a part of what is earned on opencast. Contracts are let for an agreed tonnage of coal either at a fixed price per ton or at a price varying with the proportion of earth that has to be shifted in order to get at the coal; and the contractor's profit on opencast depends mainly on the speed and efficiency with which he digs the coal out. The Ministry, after years of losses (which in 1945-46 amounted to 17s. 8d. a ton), expected at least to break even by 1950-51. In fact, in that year it made a profit of £480,000 on an output of about 11½ million tons of coal; and in 1951-52 it made £601,000, on an output of just over 11 million tons. Its production costs, which had changed little in the three years up to March, 1951, rose last year by about 10 per cent, on account of a special *ex gratia* payment to contractors to cover the rise in their dollar costs for American equipment and spares following devaluation. The Ministry's Directorate of Opencast Coal Production had worked its passage out of the red largely by holding total costs fairly level during four years in which coal prices climbed steadily past them; even last year, when its total costs rose by 8½ per cent, coal prices rose more. Most of the coal that will be won opencast this year will be paid for at prices fixed under contracts made before the beginning of the year. The February increase in the price of coal should thus ensure the Coal Board a larger margin over opencast costs during the calendar year 1952 than the Ministry made in 1951-52; a large proportion of opencast coal is of the low qualities supplied to power stations, but even this rose in price by about 3s. a ton. The diagram showing disposals of opencast coal, it should be noted, excludes 800,000 tons of anthracite sold with deep-mined anthracite and not recorded separately. The Coal Board used to act as selling agents for the Ministry at a fee, shown in the table of opencast costs as "selling expenses." This will presumably still be debited against opencast; but the sum of about 8½d. a ton that the Ministry used to pay the Board for royalties and loss of profit (included in the item "Compensation") may disappear from the charges, improving the appearance of the opencast revenue accounts correspondingly.



But the Coal Board may have to reckon in future with a fairly considerable increase in the costs of restoration and compensation. These costs include the physical restoration of the land and services such as drainage, as well as payments made to the tenants of requisitioned land in respect of rent and partial compensation for loss of income and payments to the landowners of terminal compensation for residual damage. An improved code of restoration was agreed last year between the Ministries of Fuel and Power and of Agriculture, and its conditions are being embodied in all new contracts. The contractors have the job of removing and segregating topsoil, removing overburden, excavating the coal, putting back the overburden and spreading the soil above it; and the new contracts lay down in volumetric terms that can readily be checked the amount of soil that must be put back properly. Recently the Ministry has tended to hold the land longer, cultivating crops and restoring services itself before handing it back to its owners; as, under statutory terms of compensation, such services are likely to be paid for at well below their present cost, this method can have some advantage for the owner. When existing contracts are worked out and all the coal is won under contracts embodying this new code, restoration costs will rise. An estimate last year of the total costs of restoration suggested perhaps £250 an

acre, or considerably more than the open-market value of the land. With the current yield roughly 1,500 tons per acre, that would mean about 3s. 4d. a ton of coal.

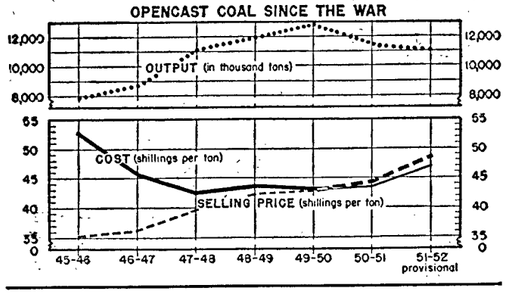
These costs will presumably affect the length of time that opencast working of coal will continue. Under the Ministry, opencast production was planned to continue until about 1955, taking out about 50 million tons of coal between 1950 and 1955. The Coal Board may perhaps consider it necessary, practicable and profitable to carry on opencast for somewhat longer. In profitability, opencast already compares well with much deep-mined coal. Its final profit of about a shilling a ton (over and above whatever profits the contractors make) cannot be compared directly with the average "operating profit" of 2s. 5d. a ton made on all the coal the Board mined in 1950, since colliery profits are calculated before paying capital charges on the £166,400,000 at which the Board's collieries are formally valued. This average, in any case, was derived from a range of collieries within which the profitable ones made £45 million and the unprofitable ones lost £21 million; and the indications are that the average operating profits on deep-mined coal may have been lower in 1951 than in 1950. Labour is a far smaller element in the costs of opencast workings than in those of the mines; with miners' financial aspirations continuing to mount, it may be that mining costs will rise more sharply than opencast costs for some time. It is significant that on assuming control the Board made no such specific estimates about the probable duration of the programme as the Ministry had done: it merely remarked "Because of the present urgent demand for the greatest possible output of coal, the Board will continue to carry on opencast production at full pressure."

COST OF PRODUCING A TON OF OPEN-CAST COAL

	1947–48	1948–49	1949–50	1950–51	1951–52 (Provisional)
	s. d.	s. d.	s. d.	s. d.	s. d.
Production	27 0	29 9	30 3½	30 6	34 0
Prospecting	1 3	1 6	1 6	1 8	1 8
Compensation, etc.	1 3	1 3	2 0	2 2	2 2
Services:—					
Capital	1 0	1 0	9	1	1
Operational	5 7	5 8	4 8	4 8½	5 2
Establishment	1 6	1 6	1 5	1 6	1 6
Plant	1 11	8	0½	3½	...
Loss in volume, quality, etc.	1 0	1 0	11	9	8
Selling expenses	2 0	1 8	1 6	1 5½	1 7
Total Cost (per ton)	42 6	43 6	43 0	43 4½	47 1
Selling Price	39 7	42 3	42 11	44 2½	48 2
Deficit or Surplus per ton produced	2 11	1 3	1	10	1 1
Quantity produced (tons)	11,115,000	11,917,000	12,786,000	11,529,000	11,100,000
Total Net *Deficiency* or Surplus	£1,430,000	£740,000	£50,000	£480,000	£601,000

Two technical factors, however, mainly govern the duration of opencast working: the plant capacity that sets the pace at which coal can be cut out of existing sites, and the amount of coal found on further sites that can be worked opencast. The plant capacity that is being brought to bear upon present sites—126 are being worked today—has remained fairly constant for some years. Its mainstay is a park of about 300 large "walking draglines" totalling about a thousand cubic yards of bucket capacity; these machines do the main job of shifting about 100 million cubic yards of earth and rock "overburden" in a year. The other equipment—mechanical shovels to cut the coal, bull-dozers, and scrapers—depend upon their work. When bought, these dragline machines cost about £30,000 each; for the contractors, who took over nearly all of them from the Ministry with the contracts, they represent an investment of about £10 million. Almost all are American, so that a large part of their maintenance costs, which with amortisation make up the largest item in a contractor's costs, is reckoned in dollars; hence the special payment made to contractors to offset the effect of devaluation. New machines cost £40,000 each; about 30 of them were ordered last year after imports had ceased for two years, and most of these have arrived. On the deeper sites, some with workings as much as 170 feet below ground, the draglines are now often fitted with shovels instead of buckets and are used in conjunction with Euchid dump trucks that carry away the burden; this has permitted the working to be deepened without causing any significant addition to costs. The Euclid truck is now being made in Britain, and the Lima Hamilton dragline most generally used on opencast is also to be made here under licence. British manufacturers are still cautious about making large earth-moving equipment, and some of them appear to have missed valuable opportunities. An outstanding exception is the new Vickers crawler tractor, of which about 100 are expected to be working on British opencast sites within the year. About 30 contractors are engaged on the work, with a dozen of them producing about three-quarters of the output. The labour force numbers roughly 11,000, and output per man-year is thus about 1,000 tons, compared with the miner's 300 tons.

OPENCAST COAL SINCE THE WAR



Since 1942 about 66,000 acres of land have been requisitioned for opencast working, and about 46,000 are still held: of this about 19,000 acres are under cultivation or restoration, and the remainder is "coaling or preparing to coal." Production is now following hard upon the heels of prospecting; some of the sites that will be "coaling" in the second half of this year have not yet been fully drilled and proved. The most important factor limiting the extension of opencast working to new sites has always been the shortage of high-grade prospectors, trained geologists with sufficient field experience to find coal 50 feet underground partly by "hunch"; the elaborate testing that precedes final selection of sites has to follow the choice made by these first prospectors. The days are long past when the opencast prospectors could follow the Geological Survey; they have now to be well in advance of it. Such men are rare, and to secure them the opencast planners have had to compete with the oil industry, with overseas mining companies, and, until recently, with the Coal Board itself. This is one sphere in which control by the Board may assist; it may be able to offer these geologists some general security of employment, even though opencast must eventually come to an end.

Your Continental Holiday starts in London

The EPICUREAN

London-Paris Air Restaurant

An unforgettable experience which cannot fail to give your holiday a flying start. The finest champagne luncheon between London and Paris in a truly Parisian atmosphere is included in the fare.

HOLIDAY SUGGESTIONS WITHIN THE £25 ALLOWANCE:

Two people flying Air France, with no extras, no tips, and wonderful free meals and drinks, can enjoy up to 14 days abroad on their combined £50 currency allowance. Fares paid here.

Write for free copy of "FLYING HOLIDAYS"

Paris, The Epicurean	£15. 19. 0	Nice, Night Flights	£25. 0.0
Paris, Excursions from	£10. 10. 0	Palma, Majorca	£48. 12. 0
Barcelona	£44. 10. 0	Dinard & Deauville	£12. 12. 0
La Baule	£16. 16. 0	Vienna	£51. 19. 0
Geneva	£31. 0. 0	Zurich	£32. 19. 0
Milan	£45. 5. 0	Rome	£59. 3. 0

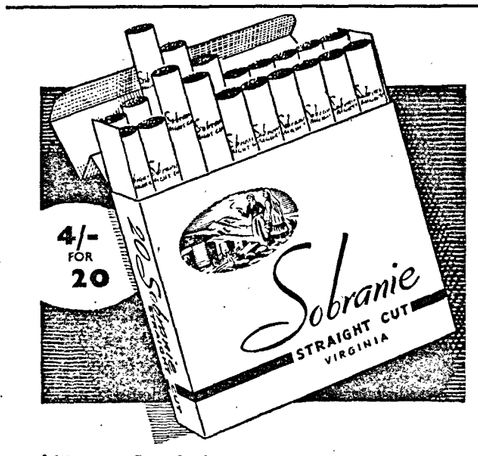
Services from Birmingham and Manchester cost slightly more

Your Travel Agent will give you the best advice

AIR FRANCE

The 4-Engine Service

London: 52/54 Haymarket, S.W.1 WHI. 4455 · Glasgow: 33 Renfield Street CEN. 8054/5
Manchester: St. Peter's Square CEN. 8071/2 · Birmingham: Civic Centre Mid. 5891
AF.22

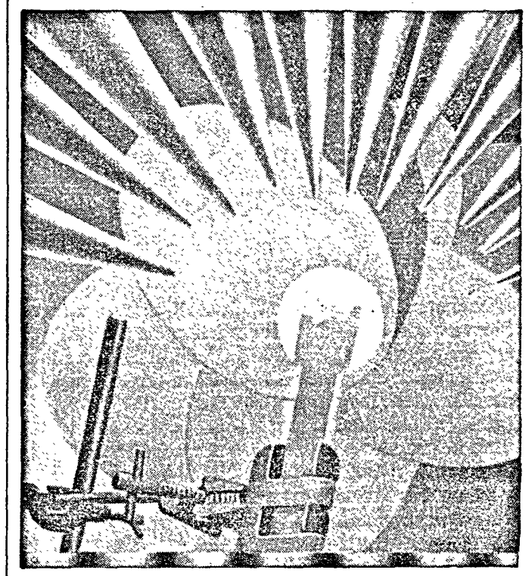


it's only fair to warn you *... that the new Sobranie Straight Cut Virginia will make you a confirmed smoker for life. There'll be no turning back — its smooth smoking, its inimitable flavour will captivate you. Here is Sobranie's age-old tradition happily wedded to the Virginia vogue of today.*

★ ★ ★

SOBRANIE
straight cut virginia

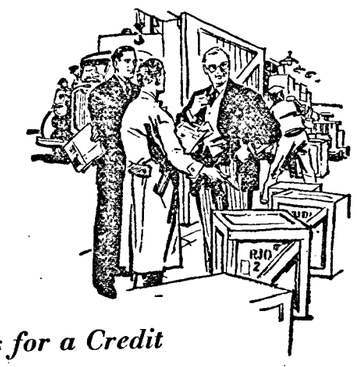
I.C.I. Technical Service



THE chemical industry's ability to satisfy the needs of its customers at home and to succeed against competition abroad is determined largely by the efficiency of its technical service—that is, the expert advice and assistance it gives to those industries that use its products. The man who buys heavy chemicals is not persuaded to do so by high-pressure salesmanship or intensive advertising. He buys them because they are the necessary raw materials of his business, and he tends to go to a concern which not only enjoys a high reputation for quality but supports its products with technical service.

Technical service works in two ways. It confers obvious and direct advantages on the consumer, and the chemical industry also benefits. Out of the experience of its technical service are born new products, and new techniques, to improve efficiency in many trades. I.C.I. employs hundreds of qualified men in this specialist organisation, which covers nearly every branch of Industry and Agriculture at home and abroad and costs over £1,000,000 a year. Such an organisation can only be maintained by a large scale enterprise. This series of announcements, citing examples from I.C.I.'s casebook, is intended to show the importance of its technical service to the efficiency of British industry and, therefore, to the wellbeing of the community.

ICI



Bombay asks for a Credit

It is a simple matter for the Westminster Bank to establish local credits anywhere in the world, for there is no town of commercial importance in which it is not represented. Equally, the collection of funds due to you from foreign buyers presents no difficulties. The comprehensive service of information and advice which the Bank provides for those who trade abroad is fully described in a booklet called 'The Foreign Business Service of the Westminster Bank'. We shall be glad to send you a copy on request.

WESTMINSTER BANK LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

Finance and Eastern Trade

"Mercantile" service extends not only throughout India but also to every important trading centre in the East.
For sixty years the "Mercantile" has closely studied financial conditions in all Eastern markets. Its accumulated knowledge is at the disposal of British business houses interested in developing Eastern trade..

THE MERCANTILE BANK OF INDIA LIMITED

Head Office: 15, Gracechurch Street, London, E.C.3.

INDIA—PAKISTAN—BURMA—CEYLON—MALAYA—SINGAPORE—HONG KONG—CHINA—MAURITIUS—THAILAND—JAPAN.

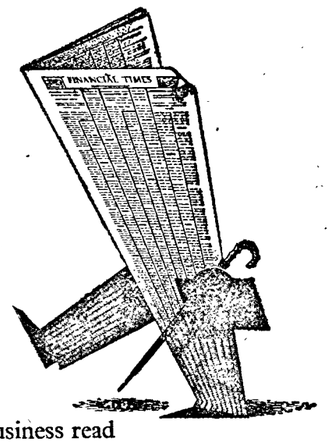
Yesterday's business,

tomorrows prospects,

today's

FINANCIAL

TIMES



Men who mean Business read

THE FINANCIAL TIMES

every day

STRENGTH AND INTEGRITY

Friendly contact with each customer is synonymous with the banking house of Glyn, Mills & Co. No matter whether it is a private customer or a large concern, this bank still preserves the personal touch. It also provides a completely modern banking service, one that has earned a reputation for strength and integrity throughout the world.

GLYN, MILLS & CO.

BANKERS

HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

Associated Banks:

Royal Bank of Scotland, Williams Deacon's Bank Ltd.

Whether that end is to be postponed now rests formally with the Board. It is doubtful whether it can, in any case, be postponed for long. The industry's long-term plan assumed that supplies of opencast coal would have ceased before 1960; and although the total coal supplies envisaged in that plan are now argued to be inadequate, the Board will presumably base its hopes of still bigger output upon new mechanisation underground rather than upon more extended efforts to seek shallow coal opencast. Moreover, it is hoped gradually to take out of production more and more of the uneconomic mines, and this must eventually reduce any financial advantage in opencast working. If the shallowest seams of coal are to be worked at all, it is arguable that opencast working does the land less harm than shallow mining; but there are limits to the depth that it can go, and to the amount of overburden worth removing for a given thickness of coal seam. It is still broadly true that, but for opencast working, Britain could not have exported any coal since the war. Equally, nothing in the current trends of production and consumption encourages any confidence that within the next few years the economy will be able to accept with safety the loss of about 10 million tons a year that will follow when opencast output declines to nothing. That is, nevertheless, the prospect that the Coal Board has to face and to prepare against.

Business Notes

Warnings from the Chancellor

The gilt-edged market this week has shown an unexpected indifference to the prospect that, for some time to come, a tap will continue to flow with the new electricity stock. Influenced by a renewal of small buying orders from private investors (but with the big institutions keeping aloof), gilt-edged have resumed their buoyancy; despite some easing on Thursday, the longer dated stocks have gained up to ⅛ point since the beginning of last week, and the new scrip has moved to a premium of ⅞. In these days, however, the behaviour of the market defies detailed analysis or prediction. A conceivable influence this week may have been Mr Churchill's remark, in the course of his party political broadcast, that the figure for April's gold loss would be "better still" than that for March, and that "if our present progress continues we ought by the end of the year to be paying our way." But if these were heard by the general public as reassuring indications, the tone of the speech as a whole was far from cheering: "we make no promises of easier conditions in the immediate future" and "it will take all our national strength to avoid the downhill slide."

Meanwhile, three speeches from the Chancellor of the Exchequer were evidently designed to dispel false optimism and to explain to the wider public the realities of a crisis that have never been fully grasped. If people supposed the Government to have been crying "Wolf, wolf," they should reflect that half the gold reserves were lost in eight months, and that if the rate of drain of last February had continued we should by now be facing cuts in rations and in imports of industrial materials. The wolf, Mr Butler said, can still be heard snuffling around the house. (As a demonstration of that, he might have pointed to the disappointing results of the EPU settlement for April, the preliminary figures of which are discussed in a subsequent note.) While welcoming the rise in British exports in the first quarter of this year, Mr Butler pointed out that the gain (at least in the first two months) had been largely confined to sterling markets. In January and February, sterling exports, which had risen by 21 per cent between the first and second halves of 1951, rose by a further 11 per cent; yet dollar exports dropped by 13 per cent, and other non-sterling exports rose by only 2 per cent. The engineering industries, upon which the main hopes are now based, achieved a better non-sterling sale than this; but the hopes will not be realised unless output can be substantially expanded—especially as "we dare not for very long sacrifice the future to the present, as we are at the moment compelled to do." That reiteration is welcome; if the Government could keep this crucial need for expansion of these industries (and therefore for contraction of others) in the forefront of its mind as an overriding objective, it would be better able to withstand the political temptations to yield to the continuous pleas for further softening of its policies.

* * *

Britain Exhausts EPU Quota

Preliminary indications of the European Payments Union compensations for the month of April suggest that the United Kingdom has now exhausted its quota. The United Kingdom deficit for April was not much smaller than the figure of $64,200,000 for March and will involve a further gold payment of around $50 million to EPU. Given the continuing deficit of the whole sterling area's balance of payments with Europe, it may be assumed that the May figures will cause the United Kingdom quota to be exceeded (there can have been only about $7 million in hand at the end of April). The May deficit will, therefore, have to be met in gold for virtually the full amount. This will be the first occasion on which a member of EPU will have had to pay its deficits wholly in gold. In other instances in which members have approached or exceeded their quotas as debtors they have been helped by special credits from EPU. There seems to be no suggestion of similar assistance for the United Kingdom. One reason why this must be ruled out is that, given the present impoverished state of the EPU's reserve of gold and convertible assets, any such assistance would deprive EPU of gold income urgently needed to meet its obligations to creditors. For the time being British gold payments are keeping the EPU afloat. France, which has in recent months made substantial gold payments to the Union, is at long last putting its balance of payments with other members on an even keel. The French deficit for April is estimated to be well under $10 million, and first indications suggest that the May figure will show France to have returned to the ranks of the creditors.

The problem of the gold and dollar reserve of the EPU has been under further discussion by the Management Board of that organisation; its recommendation will be considered at the next meeting of the Ministerial Council of the Organisation for European Economic Co-operation. The hopes of extracting more dollars from the United States through direct allocations to the Union have by now been abandoned. Some dollar help may come indirectly through American military off-shore purchases financed by EP units or by the flow to the Union of special dollar help to such countries as Greece and Turkey. But direct reinforcement of the reserves will have to be made by the member countries if it is to be made at all. The most likely machinery for providing such help would be to change the sliding scale on which debtors have to pay gold to the Union, making the gold payments larger in the early stages of the cumulative deficits and smaller in the later stages, though leaving the total ratio of 40:60 between gold and credit unchanged.

In this way, and by making the adjustment retrospective, additional gold payments could be extracted from debtor countries that have not yet exhausted their quotas. It could not extract more gold from Britain. But, since the new scale would apply to the repayment of gold as former debtors become creditors with EPU, it would have the effect of delaying somewhat the reimbursement of gold to Britain if and when this country succeeds in converting its deficit with EPU into a surplus.

* * *

Productivity after the Teams

This week's full meeting of the Anglo-American Council on Productivity was the last to be held by the Council in its present form: on this side of the Atlantic, a British Productivity Council is to take its place. There are three reasons why the council is not retaining its present Anglo-American structure. Most of the British industries that might be expected to benefit particularly from exposure to American practice have now sent teams across the Atlantic and in some, at least, of the remaining industries it seems unlikely that a team visit could be arranged—in all, 66 teams have gone and 46 reports have already been published. The funds from Marshall Aid that have been made available to cover the dollar expenses of the visits are coming to an end, and the Mutual Security Agency that now dispenses such aid requires that industries to be assisted in this way must be of some direct or indirect importance to mutual defence. On the American side of the Council, too, there is a feeling that any continuing body could not remain so tightly linked with Britain alone, but would have to offer equal facilities to other nations of Western Europe. Productivity centres of various kinds have been set up in some other European countries, and are arranging visits, though generally on a more limited scale. What became the main work of the Anglo-American Council—sponsoring the teams—will in a sense thus be completed by about this autumn; though the work of completing publication of the reports, selling them, and assessing the progress made in some industries, will presumably keep the British section of the council busy for some months.

It is probably fair to say that the future activities of the new British Productivity Council are not yet mapped out very clearly in its convenors' mind. That need not detract from its real value. The team technique, after all, was merely one of several ideas with which the original Anglo-American Council began; its value, and the impact it has gradually made upon thinking in British industry, could not have been foreseen. There may well be equally valuable work—not now being done elsewhere—for the new body. Once again it is being formed by the Federation of British Industries, the Trades Union Congress, and the British Employers' Confederation—though its scope and membership is to be somewhat widened. Its funds may be of the order of about £20,000 a year, with part being provided by the three trade organisations and any new members and the remainder from public funds, though this government contribution will be much more modest than was afforded the Anglo-American Council. The Council is to hold a conference later this year to discuss some of the general lessons for British industry that may follow from the more general conclusions of the many productivity teams: after that, more detailed lines of activity may be announced. It is probably too early to ask for detail: it is indeed something to have induced these industrial bodies to continue to spend their own money to promote their common interest, rather than simply to protect their members.

*

The sponsors of an independent "Scottish Productivity Panel" that was also discussed this week appear to have acted without any consultation with the British section of the existing council. Some of the Scottish ideas, moreover, sound more ambitious—and more controversial. One that has been mentioned is the provision of a cheap industrial consulting service for small companies in Scottish industry. If such a service were to be launched by a body backed partly with public money, it would inevitably arouse bitter opposition from established consultants. These at present perhaps do not do much work for the smaller firms in Scotland or Britain—but there is no evidence that if the demand exists they could not meet it commercially.

* * *

Labour on the Move

In the first four weeks after the Notification of Vacancies Order came into operation, just under 294,000 people were placed in jobs through the employment exchanges, compared with 171,000 during the four previous weeks. This does not, of course, necessarily indicate any increased flow of workers between jobs. It means that all workers changing jobs now pass through the exchanges: the increase of 71 per cent shows that in recent months far more had been finding employment privately than anybody suspected. By channelling these extra workers through the turnstile of the exchanges, the order does enable the persuasive powers of the employment officials to be brought to bear on all of them; and Lord Swinton, in a debate on manpower in the Lords this week, was able to report that in the period following the order, 38,000 "first preference" places were filled as against 21,500 in the four previous weeks. He was also able to argue that in thirteen visits to factories in the Midlands by the Ministry's Labour Supply Inspectors, whose efficacy has been questioned in these columns and elsewhere, original demands for 620 skilled men had been reduced, with the consent of the employers, to 332 skilled workers and 99 semi-skilled workers suitable for training and up-grading.

It would be easy to question the real significance of these figures: the value of the Order can probably never be established statistically. But this evidence, like that of the general trends in labour statistics during recent months, does suggest that labour is moving in the right direction, and everything that the new powers of the exchanges can do to facilitate that flow will be valuable. The general figures, unfortunately, do not indicate that skilled labour is moving into defence work as fast as is needed; Mr Sandys's remarks to the Engineering Industries Association this week indicate added disquiet about this in the Ministry of Supply. His desire that all engineering capacity—and in particular the new specialised machine tools arriving from the United States—should be used on double shifts is understandable, but once again this comes back to engineering manpower. One way of increasing defence output without transferring labour is to sub-contract as much defence work as possible to engineering factories where tools and skilled men are becoming idle, and more must be done in this direction. But the demand for skill in aircraft and other defence industries, even allowing for the extension of sub-contracting, remains unsatisfied.

* * *

Textiles at the BIF

In the opening days of the British Industries Fair this week, the main centre of interest at Earls Court appeared to be a scale model of Mount Everest. Earls Court includes the textile sections of the BIF, and although this is not a "textile year," the industry is still the largest single exhibitor at the London end of the Fair. Even so, it cannot be said to have made any very strenuous effort to counter the present slump by going all out for what custom there is to be found at the BIF. Only a handful of Bradford mills, and hardly any cotton manufacturers, had troubled to take stands. The big rayon producers were also missing. In the circumstances, this policy of abstention seems both surprising and shortsighted. In spite of a slight increase in wool consumption in March, wool cloth deliveries reached

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are. Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 27 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

INDUSTRIAL AND COMMERCIAL
I.C.F.C.
FINANCE CORPORATION LTD.

SHAREHOLDERS
THE ENGLISH AND SCOTTISH BANKS

Finance for the Private Company

Rising costs of plant, stocks, and work in progress have combined with taxation to set new problems for the Private Company in raising additional capital or long-term funds.

To assist sound enterprises in solving such problems within the limits of to-day's priorities is one of the functions of I.C.F.C.

I.C.F.C. operates on commercial principles and offers despatch, economy and flexibility in method.

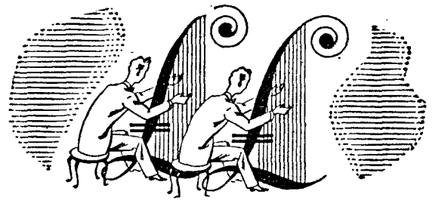
Write for particulars to:

THE GENERAL MANAGER,
7 DRAPERS' GARDENS, LONDON, E.C.2.

or

The Birmingham Manager, 214, Hagley Road, Birmingham, 16.

The Manchester Manager, India House, 73, Whitworth St., Manchester.



Musical accomplishment

We recently had a call from a manufacturer who had heard that Argentina, after a lapse of nearly two years, was again ready to grant import permits covering certain goods from Britain. "Are musical instruments among these goods?" he asked. Within a matter of minutes we were able to give him chapter and verse of the relevant Argentine Central Bank Circular. This invited applications for foreign exchange to pay for the import of, among other things, musical instruments from Britain provided that payment was made at the free market rate and that applications to import were lodged within a specified time. From few other sources could this information have been obtained so quickly, and our client was at once able to make arrangements with his agent in Buenos Aires.

THE ADVANTAGES OF BEING HERE AND THERE

As the only British Bank with branches throughout Latin America, we can offer you special services—either direct or through your own bank. These services are set out clearly and concisely in our booklet "The advantages of being here and there". We shall be glad to send you a copy on application to:—

The Research Department
(SECTION 34)
BANK OF LONDON & SOUTH AMERICA LIMITED
HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 10 SUNBRIDGE RD. MANCHESTER: 36 CHARLOTTE ST.

FACTS ABOUT AUSTRALIA

Over 3,000,000 bales of wool exported yearly

Australia is the world's largest wool exporter and is one of the chief primary producing countries of the world. Her secondary industries are growing in importance and are well represented in her exports. The Bank of New South Wales welcomes enquiries about trade and business opportunities and the establishment of new enterprises in Australia and New Zealand.

Ask your bankers to consult—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1.

FIRST and LARGEST COMMERCIAL BANK in the SOUTH-WEST PACIFIC

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5202E

THE "N.P.I." POLICY

not only creates capital out of income, but at a chosen retirement age the fortunate policyholder can apply this capital to provide an income for the rest of his life, without the anxieties of investment. And for the first fifteen years this income is tax-free.

Please write for the fully descriptive leaflet.

NATIONAL PROVIDENT INSTITUTION

FOR MUTUAL LIFE ASSURANCE

— ESTABLISHED 1835 —

48 Gracechurch Street, London, E.C.3

SPEED THE SCRAP

Almost every steel-using firm possesses scrap iron and steel in the form of old plant, redundant buildings, machinery and spares. Every ton of it is wanted back in the steelworks to make the supplies of new steel that your own and other factories need so urgently.

Have a search made on your premises. Make prompt decisions to turn in all the old iron and steel you can find. Scrap merchants are glad to help with dismantling and collection.

THE RAILWAYS GET A MOVE ON

The amount of salvage by the staff of British Railways is enormous and the quantity of iron and steel scrap which they rounded up in 1951 was 644,000 tons.

SPEED THE STEEL

Issued for the STEEL SCRAP DRIVE by the British Iron & Steel Federation, Steel House, Tothill St., London, S.W.1.

only 31 million yards compared with more than 37 million in March, 1951, and nearly 2,000 workers left the wool industry during the month. The latest returns of cloth production from the Cotton Board show that 66 weaving mills, employing a total of 7,000 workers, were closed down for the last week in March. Weekly output during the month averaged 53 million yards of cotton and rayon cloth compared with 55 million in March last year, when production was reduced by an early Easter.

In the rayon industry there was a 9 per cent fall in yarn output. A total of 29.7 million pounds of yarn was produced compared with 32.7 million in February and 28.7 million in March, 1951, when the sulphur shortage was at its height. In the early winter, production was running at 36 million pounds a month and Courtaulds Limited has accumulated such large stocks of yarn that only three of its plants are still working a full week. Two big plants, one in Ulster and the other in North Wales, are to be completely closed down for "at least" a month, and half of the Greenfields factory is closing. This affects between 5,000 and 6,000 workers. Courtaulds' sales have been hit in two ways, by the retail slump in textiles, and by the reduced demand for tyre cord that has followed a reduction in tyre output that began last summer and has since continued. British Celanese is still working short-time in a number of departments. Indeed, among the textile industries, British Nylon Spinners alone appears to have been unaffected by the fall in consumer demand. The number of stocking exhibits at the BIF shows, however, that this lucrative market is proving less easy; for the first time companies are showing silk and nylon mixtures designed to meet some of the objections to pure nylon. This indeed is a sign of the times.

* * *

Wholesale Sales Improve

The figures for wholesale textile trade in March afford some evidence that the textile depression, in so far as it arises from the home market, may have passed its trough. The sales index (1947=100) showed its biggest seasonal rise for several years, rising from the February level of 112 to 142. An improvement in sales was to be expected after the budget, since the majority of retailers had kept their purchases to a minimum until the new tax arrangements were known. Indeed, the recovery in sales might have been even more marked if the possibility of further tax modifications had not been raised immediately after the "D" scheme was published.

The effects of this continued uncertainty should be borne in mind when drawing conclusions from the fact that the March sales were, in value, below the level not only of March, 1951 (the boom phase, when the index reached 189), but also of March, 1950, which for purposes of comparison might be regarded as a "normal" trading period; sales then reached 160. Price changes during the year tend to conceal changes in the actual rate of turnover. Prices have fallen by approximately 25 per cent since March, 1951, while the value of the transactions has fallen by 26 per cent, so that the volume of trade may have been little changed. The same difficulties arise in comparing the size of stocks. Wholesale stocks are slowly coming down, from a level of 212 at the end of February to 203 at the end of March. But it is quite impossible to tell what proportion of the remaining stocks consists of goods bought at peak or near-peak prices, and how much represents goods costed on the basis of the much lower prices at which manufacturers are offering them today. The index is still 40 per cent higher than it was a year ago when heavy retail buying ran stocks down to a figure of 145 and it is evident that the decline in stocks will need to go very much further before the apparently improving trend of sales can be expected to have any significant effect on textile employment.

Stimulating the Private Investor

A novel scheme for the promotion of private investment, both internationally and within national boundaries, is examined in a report prepared by the staff of the International Bank at the request of the Economic and Social Council of the United Nations and submitted to the Council last week. Stimulation of private foreign investment is, of course, one of the underlying purposes of the International Bank itself, but in fact nearly all the loans the Bank has made so far have been for the financing of government projects, especially for the provision of basic services and public utilities. This concentration upon public enterprise is not attributable—or, at least, is not mainly attributable—to a lack of credit-worthy private projects; it arises inevitably from the terms of the Bank's constitution, which precludes it from embarking on equity financing and requires its loans to be guaranteed by the government or monetary authority of the country in which the project is located. This second condition, though it does not absolutely rule out finance to private enterprise, is apt to be unacceptable to precisely the types of borrowers whom it may be most desirable to encourage—those of sturdy initiative who will most fear the political conditions or government interference that may accompany a guarantee. Yet the Bank finds it to be "generally acknowledged," even in most countries where public utilities are state-owned, that in broad sectors of any economy private enterprise "is the most effective agent" and that the pace of economic development largely depends on the degree of private initiative and private investment.

The question to which the Bank's report is directed is whether desirable private investment could be best stimulated by the establishment, as an affiliate of the Bank, of an international finance corporation whose function would be to furnish, on commercial principles, equity finance or unguaranteed loans to private enterprises—in cases where the private finance obtainable without such aid would not suffice to allow the projects to proceed. Since operations of this kind would be "predominantly speculative," they would be inappropriate for the International Bank itself, even if its constitution could be amended to permit them. The scheme envisages, therefore, that the affiliation to the Bank would not carry with it any financial linking or any commitment of the Bank's own resources. The Bank would be able to share with the Corporation its own technical and administrative services (whether by virtue of a management contract or by a common board of Executive Directors), and it is suggested that the Corporation's voting stock should be allotted to the Bank for only a nominal consideration. Apart from this, the Corporation's resources available for financing would be provided by governments of the countries in which it would function, the total capital suggested being $400 million, with perhaps a third of this called up in the first instance. The capital would be mainly or wholly subscribed in local currency, usable without restriction in the subscriber's country but not necessarily being fully convertible.

There is no suggestion in the report that a scheme on these lines could have massive or rapid results, given the many obstacles to private investment and shortages of available risk capital that exist even within national boundaries. But it is felt that the prestige of a corporation attached to the Bank should give private investors confidence in projects it is prepared to sponsor; that the Bank's fast-growing experience of the investment communities of the world and its recurrent discoveries of worthwhile projects that lie beyond its own province should enable it to bring investors and entrepreneurs together; and that the financial structure proposed should divorce the governmental funds from the projects financed sufficiently to minimise investors' fears of political interference. Since the object is to demonstrate that private investment can be both privately profitable and socially advantageous, the projects

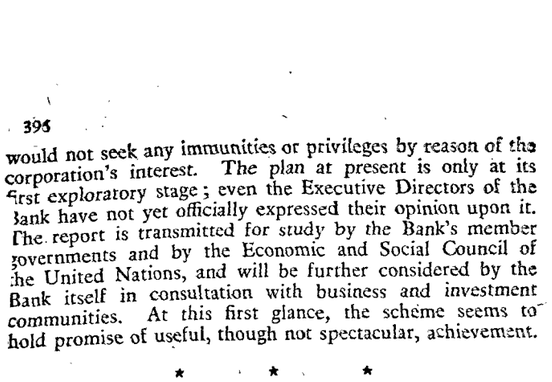
would not seek any immunities or privileges by reason of the corporation's interest. The plan at present is only at its first exploratory stage; even the Executive Directors of the Bank have not yet officially expressed their opinion upon it. The report is transmitted for study by the Bank's member governments and by the Economic and Social Council of the United Nations, and will be further considered by the Bank itself in consultation with business and investment communities. At this first glance, the scheme seems to hold promise of useful, though not spectacular, achievement.

* * *

Fall in Rubber

The rubber market has suffered a severe jolt during the past eight days. The price in London has fallen by 4d. and closed on Thursday at 27½d. a lb. It will be recalled that there was an even sharper fall in the first half of February—from 41d. to 33d. a lb., but thereafter, until the end of April, the price had remained fairly stable around this lower level. The market took the first fall in its stride, for it still left producers with a more or less adequate margin of profit. Now the margin is being seriously threatened. It was doubtless a coincidence that the further recent fall occurred just as the Rubber Study Group was meeting in Ottawa; but it will sharply remind the various national delegates that the rubber market is highly volatile and that it plays an important role in the political and economic life of South East Asia.

The immediate cause of the weakness is said to be a realisation of stocks by the up-country dealers in Malaya. These dealers had been holding back in the hope that the abolition of controls on consumption of natural rubber in the United States would lead to an increased demand. So far, this has not materialised, while American stockpile purchases appear to have declined recently. In the absence of bigger support from the American stockpile authorities, there was no reason to expect the price of rubber to remain around its recent level of 2s. 9d. a lb. World consumption has been falling for some time and last year production exceeded it by 385,000 tons. Commercial stocks, however, increased by only 55,000 tons, the difference being largely accounted for by an increase in



government stocks. This year production has declined but so, too, have both commercial and official purchases. Now that natural rubber can compete freely with synthetic rubber in the United States, the present price of 23 cents (20d.) a lb. for general purpose synthetic establishes, in effect, a "floor" price for natural rubber as these two are for most purposes interchangeable. But at that level many producers of natural rubber will be facing a loss.

This question of the price of synthetic rubber is among those under discussion by the Rubber Study Group in Ottawa. Nobody could object to the present price if the United States Government could prove that it is an effective commercial price—in the sense that it allows adequately for all the various amortisation costs and a reasonable level of profit. But the United States has never proved that, and various statements made in the U.S. Congress have suggested that 23 cents is in fact a subsidised price. The importance of this for Malaya and for other producers of natural rubber lies in its effects upon the long-term trend of production—quite apart from the possible political effects of a reduction of wages of workers on the rubber estates without any corresponding reduction in their cost of living. Many of the rubber trees in Malaya are some twenty to thirty years old and need to be replanted with high-yielding stock if output is to keep pace with the long-term trend of consumption. But replanting will take place only if producers can see the possibility of a reasonable return. At present, there is no such prospect.

* * *

The Copper Wrangle

This week the Chilean Government has ended its year-old agreement with the American copper companies by which 80 per cent of the Chilean output was sold to the United States at a fixed price of 27½ cents a lb. It has announced that in future the whole of its copper production will be sold on the free market—unless the United States will agree to pay a higher price. Under last year's agreement Chile was free to sell the remaining 20 per cent on the free market, but in the last few months it has not found this arrangement profitable. Last year the "free" price was around 55 cents a lb; now it is below 40 cents a lb. Chile has been unwilling to dispose of the whole 20 per cent at this lower price and some 40-50,000 tons of copper have accumulated in government hands. This situation prompted the Chileans a few weeks ago to offer the whole of their copper output to the United States at a new fixed price of 33½ cents a lb. The Americans have not accepted this offer and in the meantime the Chilean copper workers went on strike for higher wages.

Chile provides about one third of America's copper supplies, and copper is still one of the scarcest of the major metals. It is true that the worst of the American shortage appears to be over—production is increasing and the demand for some copper products is easing—but civilian consumption is still rigidly controlled. The real question is whether Chile can sell the whole of its copper output (about 420,000 tons a year) to other countries at above the American official prices level. It already holds quite sizeable stocks. In any case, the sale of copper to the United States has provided 70 per cent of the dollars Chile needs to buy essential foodstuffs and machinery. On economic grounds the balance of the bargaining power seems to lie with the United States. But political reasons may prompt the Americans to treat the Chilean demand more generously.

Britain will not be greatly affected by the outcome of the tussle—at least not directly. Last year Chile provided only 738 tons a month out of this country's total copper imports of nearly 30,000 tons a month, the bulk of which come from Rhodesia. But if the United States raised its official price to meet the Chilean request, then Britain would presumably have to pay correspondingly higher prices for Rhodesian copper.

* * *

Lead Sets the Pattern

The base metal market has been sagging for some months, but until a few days ago this tendency was reflected in prices except on the so-called "free" The first real break occurred last week, in lea American producers reduced their prices twic 19 cents (£152 a ton) to 18 cents (£144) and then to a lb (£136 a ton); in Britain, the Ministry of cut its selling price by a corresponding amount. for lead has been weak throughout the world, as buy

been expecting a fall in official prices. More recently there has been a temporary lull in American stockpiling; the US Munitions Board, after buying 100,000 tons of foreign lead (53,000 tons from Britain) in the last few months, has for the moment run out of funds. Despite the weakness in the market, quite large quantities of lead have been shipped to the United States in recent months and further shipments are expected during June. If the price remains below 18 cents, it would not be surprising to see some move in the United States in the near future to re-impose the import duty of 1½ cents a lb.

In Britain lead is now down to £147 a ton, compared with £175 a ton at the end of January. But, it is still £11 a ton above the official American price, and British manufacturers are apparently having to bear the cost of the high-priced lead bought by the Ministry during the shortage last year. In the circumstances, it is not surprising that consumption of virgin lead has been small since the end of last year. Purchases have declined even more sharply, as manufacturers have been using up their stocks. Last December, when total stocks in Britain amounted to 77,000 tons, manufacturers held 24,000 tons, and the government 53,000 tons. By the end of March total stocks had risen to 110,500 tons and, after allowing for substantial shipments to the United States, government stocks had increased to 93,000 tons while manufacturers' stocks dwindled to 17,500 tons. In effect, industry is forcing the government to shoulder almost the whole of the risk of falling lead prices. It is surprising that the government has not taken the chance of shifting the burden by agreeing to reopen the lead market.

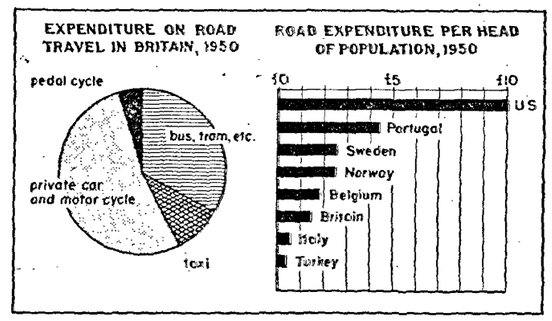
Zinc prices show every sign of following the trend set by lead. In certain foreign markets zinc is being offered at £150 a ton, compared with the official United Kingdom price of £190 a ton, but demand is slack even at this low level. In the United States trading is taking place on the basis of the average price during the month of delivery rather than at the currently fixed level of 19½ cents a lb East St. Louis (£156 a ton). American consumption of special high grade metal has declined recently because of the cut in motor car production, and although galvanising is absorbing record amounts of zinc, there may be a considerable increase in stocks this year even after the 15,000 tons borrowed from the stockpile is repaid. It may not be long before the American government removes the remaining controls on consumption.

* * *

Strain on the Road System

In a lecture to the Town Planning Institute* this week, Mr Christopher Brunner, in association with Mr James Drake, returned to a subject on which he has already delivered several broadsides—Britain's laggardliness in road development. He had some statistical refinements to add. He put expenditure on road transport and travel in 1951 at £1,400 million, or some 12.5 per cent of the national income (this is broadly though not strictly comparable with Mr Rudd's recent estimate of £1,220 million, or 11.5 per cent, for 1950). Since the war, the most marked development in road transport has been the increase in the volume of goods traffic. The number of goods vehicles licensed has almost doubled since the war, some 70 per cent of all inland freight traffic goes by road, and the growth in the number of "C" licences shows a growing desire on the part of manufacturers and traders to keep the carriage of pres... goods under their own control. All this has increased which in on a road system upon the improvement of which still 40 atively little has been spent since the war: a Ministry tail buy... sport census in August, 1950, showed that between ident th

rther be... Rees Jeffreys triennial lecture, Town Planning ... expec... "The Place of A Modern Road System in the National nploym...," by Christopher T. Brunner in association with James 1938 and 1950 goods vehicle traffic on trunk and first-class roads increased by 59 per cent, and bus and coach traffic by 34 per cent. Expenditure upon roads remains a favourite with Chancellors forced to decree cuts in capital investment;



but a fairly limited amount spent on certain urgent improvements and extensions of trunk roads might do more to save man-hours, equipment and resources than investing the same amount in almost any form of manufacturing industry. The ten-year plan for road development produced in 1946 has still not been implemented, and no alternative plan has been adopted.

* * *

Small Change in Entertainments

Mr Butler kept his end up fairly well against a wide variety of bowling when he defended his new scales of Entertainments Duty—which will impose a higher levy upon cricket and football—in the committee stage of the Finance Bill this week. He finally conceded that the introduction of the increased scale should be postponed so as to leave cricket on the present scale during the whole of the present season—and incidentally to exempt football from the increase in duty for the first Saturday of its 1952-53 season. He undertook to watch carefully the gates and the fortunes of the cricket clubs—which have recently become parlous—before the next season opens: and to consider evidence from football clubs of the effect that the increase would have upon their financial positions. Mr Butler estimated that the changes in duty as originally timed would cost £250,000 in a full year (but £500,000 in 1952-53, because the reductions in duty took effect before the increases). The reductions in duty on racing would cost rather more than £1,600,000 in a full year, and the increases on cricket and football yield an extra £1,500,000 a year; the remainder of the net cost of £250,000 is accounted for by reductions in duty on such entertainments as mannequin parades and bathing beauty contests.

No concessions were forthcoming upon cinema duty, concerning which the exhibitors had submitted yet another proposal for a revised and more flexible scale. This latest proposal seems to have been prepared rather more hurriedly than earlier revisions; it suffered from this and from not very effective presentation in the House. Too much play was made with the need to give relief to the owners of the smallest cinemas, though the concession would have assisted all cinemas alike. The poverty of the small exhibitor was dwelt upon without much evidence—the last figures produced by the Cinema Exhibitors Association suggested that in fact some of the medium-sized halls were probably the worst off. Finally, the proposal was put forward as likely to cost the Exchequer some £500,000 a year, which would be a reasonable price to pay for a better-designed tax scale that would permit flexibility of pricing; but Mr Boyd-Carpenter held that it would in fact cost not £500,000 but £2 million a year. Estimates that depend upon guessing how many people might buy seats at an altered price are notoriously shaky, and the exhibitors may be almost as

likely to be right as the Customs and Excise on this point. But the case for a better design of cinema tax—which remains a good one—is not being assisted by presenting it ill-prepared.

* * *

Changes in Steel Finance

Belatedly, Colvilles has added its report to the batch of accounts that have been recently issued by the nationalised steel companies; they are summarised in the accompanying table. Apart from requiring that these accounts should be struck on September 29, 1951, the Iron and Steel Corporation seems to have allowed its subsidiaries fair latitude in drawing up accounts. The common accounting date results in varying periods between the last pre-nationalisation accounts and those now published; this obscures the comparison of profits, though the trend—except for Dorman Long—seems to be clearly upward. The increases reflect in part the fortuitous profit that accrued when the prices of steel and materials were raised last year; Richard Thomas and Baldwins specifically states that £820,000 of the £5.3 million earned in the six months ended last September represented such a windfall gain, compared with £120,000 of the profits of £7.3 million earned in the last full year to March 31, 1951.

Changes of particular interest are to be found in the balance sheets rather than in the profit and loss accounts. Companies in need of finance have been able to borrow from the corporation at a low (though presumably now a higher) rate of interest. Some concerns have quickly seized the opportunity offered by nationalisation to reorganise their loan and share capital structures. Dorman Long has made a clean sweep by paying off its debenture stocks and by converting its high dividend preference capital into ordinary shares; both revisions appear to have been made without assistance from the corporation. Stewarts and Lloyds, on the other hand, has apparently borrowed from the corporation in order to repay its debenture stocks; the consolidated balance sheet shows that mortgage debenture and secured loans have fallen in nine months from £3,594,537 to £30,131, while amounts owing by Stewarts and Lloyds to the corporation and its subsidiaries are shown at £2,215,978. Similarly, the accounts of United Steel reveal that mortgages and secured loans, which totalled £568,000 at the end of 1950, have disappeared and have apparently been replaced by a loan of £500,000 from the corporation. With no debenture stocks or mortgages outstanding, Colvilles has not become a debtor to the corporation and its capital structure has remained unchanged; indeed, the company has lent £3,500,000, at call, to the corporation. The Hadfields balance sheet shows that the company has used a loan of £2,174,000 from the corporation to repay its indebtedness to the banks and to finance its capital development; the chairman, Lord Gordon, adds that the balance sheet figures make it evident that "a reconstruction of the capital of the company will have to be undertaken."

These various changes in financial structure raise interesting questions about the selling back to the public of an investment participation in the industry. They will make possible, for instance, free resort to new prior charge finance in cases where debenture and preference issues have been paid off. Such repayments may well prove to have been of timely assistance to the marketing of steel securities, though on a wider view it may be that only a state corporation, financed on government guarantee, could afford to hold steel equities and no prior charges.

* * *

Cargo Liner Prospects

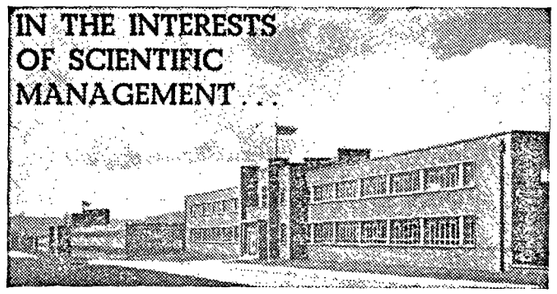
The published accounts of liner companies for 1951 reveal a year of profitable trading, although liner freight rates do not fluctuate so rapidly as tramp freight rates. The liner freight conference system acts as a brake on the upward or downward movement of rates, so that liners did not share in the freight boom to the same extent as the tramps. In fact, liner companies that were obliged to charter extra vessels to supplement their services were to some extent victims of the freight boom, although the demands of shippers were so insistent that the liner companies were often able to pass a large proportion of the high rates they had to pay for extra tonnage over to the shippers in the form of a special surcharge. Nevertheless, the liner conferences did increase their freight rates in successive stages, and the delayed action of the conference system means that these higher rates carry over for a few months after the break in the tramp market. The earnings of most cargo liners during the first quarter of this year have thus been maintained at about the highest level of 1951. But now reductions in conference rates are coming into force, and the situation was described this week by the chairman of the Cunard group as "loose."

Import restrictions imposed in Britain and in Australia affect the liner companies more directly than the tramps, for two reasons. In the first place, the commodities restricted

STEEL COMPANY RESULTS (£ thousand)

Group Accounts	Dorman Long		Colvilles		Stewarts & Lloyds		Richard Thomas & Baldwins		United Steel	
	Year ended Sept. 30, 1950	Year ended Sept. 29, 1951	Year ended Dec. 31, 1950	Nine months ended Sept. 29, 1951	Year ended Dec. 31, 1950	Nine months ended Sept. 29, 1951	Year ended Mar. 31, 1951	Six months ended Sept. 29, 1951	Year ended June 30, 1950	Fifteen months ended Sept. 29, 1951
Fixed assets, *less* depreciation	7,777	8,766	10,324	11,205	21,122	22,723	14,688	15,395	23,818	27,014
Net current assets*	14,488	14,381	7,112	4,408	17,028	17,817	9,731	3,240	3,160	5,910
Stocks	8,130	7,813	5,838	5,032	15,621	17,564	7,964	9,263	8,965	10,104
Debtors	7,759	7,472	5,776	5,987	11,494	12,418	5,343	5,508	8,558	8,408
Cash	5,831	6,329	4,748	2,682	2,742	1,797	3,861	1,334	293	563
Loans from Corporation	...	...	—	...	...	...	...	...	...	500
Debenture and loan stock	1,048	117	—	...	3,595	30	5,500	5,316	668	100
Other amounts due to Corporation and member companies†	...	133	...	357	...	2,216	234	302	...	463
Revenue reserves	10,697	12,318	5,573	7,441	18,648	22,062	5,886	6,057	7,853	11,039
Capital reserves	2,512	2,536	4,213	4,135	1,796	2,577	3,185	3,253	1,371	1,354
Preference capital	4,034	...	2,000	2,000	3,613	3,613	3,120	3,120	5,097	5,097
Ordinary capital	3,481	7,515	4,000	4,000	8,173	8,173	7,708	7,708	10,194	10,194
Gross profits	6,273	6,270	5,498	4,604	10,622	9,588	7,300	5,323	5,108	7,251
Net profits	2,700	1,934	2,301	1,688	4,262	4,187	1,928	1,567	1,355	2,222
Profit retentions	2,370	1,621	2,050	1,451	4,044	3,689	1,140	1,182	1,030	1,516
Outstanding capital commitments	5,622	6,637	2,078	1,874	3,500	5,400	3,110	1,145	3,764	2,430

* In calculating net current assets no account has been taken of investments in or amounts due to or from the Iron and Steel Corporation or its subsidiaries.
† Excludes any provision for dividend payments.



. . . Castlereagh's production lines move into top gear

The latest addition to The British Tabulating Machine Company's group of factories is at CASTLEREAGH, near Belfast. Planned and equipped in the finest traditions of modern precision engineering, Castlereagh's 250,000 square feet is being geared to meet increasing demands from all parts of the world for Hollerith ancillary machines. Castlereagh's output will make a major contribution to the nation's productivity.

• *Machines now in course of manufacture at Castlereagh:*

Keystor Automatic Punches
Programme Board Verifiers
Standard Sorters
High Speed Sorters
Gang Punches
Summary Card Punches
Reproducers
Summary Card Reproducers
Mark Sensing Reproducers
Interpreters
Collators
Multipliers

THE BRITISH TABULATING MACHINE COMPANY LTD
Head Office: 17 PARK LANE, LONDON, W.1. *Tel:* REGent 8155
Offices in all principal cities in Great Britain and Oversea

HOLLERITH REGD.
ELECTRICAL PUNCHED CARD ACCOUNTING

In Conference . . .

Direct contact with the problems of interior design and decoration has been the deciding factor in making Catesbys Contracts Department a first choice for the planning, furnishing and decor of Conference and Board Rooms, Executive and General Offices, Showrooms, Restaurants, Hotels, etc. For a complete scheme for a whole building, or for a single item we invite your enquiries to our Director of Contracts.

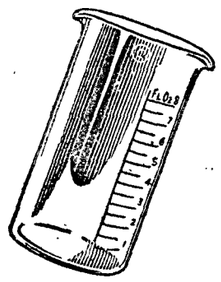
CATESBYS
64/67 TOTTENHAM COURT ROAD · LONDON · W1
Telephone: MUSeum 7777

JOBLINGS OF SUNDERLAND

versatility in glass

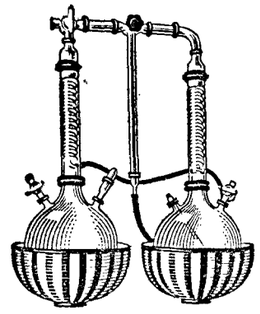
Glass was first made in the Sunderland district over a thousand years ago. Today, and for some generations, the works of James A. Jobling and Co. Ltd. have been producing an ever increasing range of articles and instruments from a variety of glasses including the famous 'Pyrex' brand, the original heat resisting glass in the world

FOR 'LOCAL' USE
—the 'barrel' pint beer mug seen in bars from Sunderland to Singapore. Made in the Flint Glass section of Joblings



FOR LABORATORIES
—a graduated beaker, one of a range of many different shapes and sizes. Made of 'Pyrex' glass to resist heat and thermal shock

FOR FOOD AND DRINK
—a protein hydrolising plant used in 'patent food', soft-drink and chemical manufacture; for example to make protein more digestible or more soluble. This Unit is made of Joblings 'Pyrex'



AND FOR THE HOME—THE GENUINE
original oven-to-table glass

'PYREX'

JAMES A JOBLING & CO LTD WEAR GLASS WORKS SUNDERLAND

THE BRITISH METAL CORPORATION LTD.
BMC

LONDON · MONTREAL · VANCOUVER · SYDNEY · PERTH
MELBOURNE · CALCUTTA · BOMBAY · JOHANNESBURG
KARACHI · BULAWAYO

ASSOCIATES:
C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA, CYPRUS AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials; it provides coal-washing plant, ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: Brimetacor, London · CABLES: Brimetacor, London · TELEPHONE: MONarch 8055

Branches at BIRMINGHAM and SWANSEA

An Annuity

will offset reductions in income

For a man aged 65 (or a woman aged 70) the gross income for life from an annuity is over 10% of the purchase money.

(For residents in some countries payments are exempt from U.K. tax.)

Enquire for details at your age

The Equitable Life Assurance Society

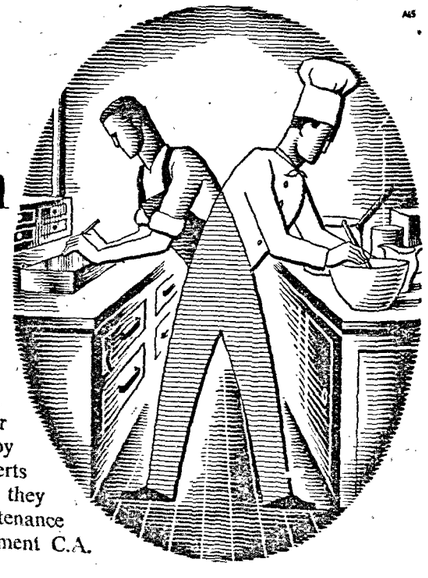
Founded 1762

19 Coleman Street, London, E.C.2.

No shareholders · No agents · No commission

CARRON THE ROYAL CHARTER COMPANY FOUNDED IN 1759

Would a better Canteen help production in your works?



Better food input unquestionably helps work output and highly efficient modern ranges built by Carron Company make better cooking easier. Further, by low fuel consumption, they reduce running costs and so make good meals a practical proposition. Carron Company have built all types of cooking apparatus for nearly two hundred years and Carron equipment may be heated by solid fuel, steam, gas, oil or electricity. The advice of Carron experts is available on the most suitable installation for your works and they will be glad to plan the complete layout for you. Regular maintenance contracts can be arranged. Write for further details to Department C.A.

Carron HEAVY DUTY COOKING EQUIPMENT

COAL · COKE · STEAM · OIL · GAS · ELECTRICITY

CARRON COMPANY · CARRON · FALKIRK · STIRLINGSHIRE & LONDON, MANCHESTER, LIVERPOOL, NEWCASTLE AND GLASGOW

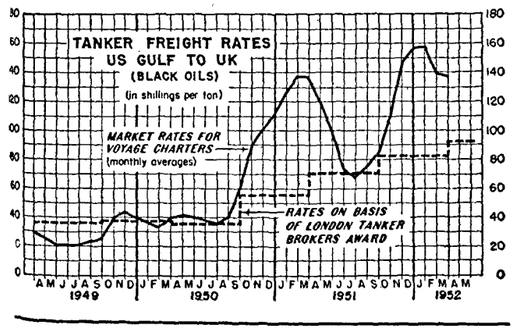
are for the most part normally carried in liners and not tramps. In the second place, tramps displaced from one trade can look for alternative employment in other trades. Liners cannot do this to the same extent, particularly in the case of specialised vessels, and regular services have to be maintained regardless of empty holds. The commercial outlook for the rest of the year, therefore, remains obscure for the cargo liners, particularly in view of their increased operating costs —which in the case of Cunard, for example, were responsible for a fall of 12 per cent in operating surpluses. Seafarers' wages have been increased twice in twelve months, and port charges are continuously rising, while fuel bills are now enormous. Whatever the course of cargo liner earnings, however, provision for replacement remains essential. The Cunard, Brocklebank and Port Line group is to spend more than £15 million over the next four years on normal replacement, despite the fact that it has only recently completed its abnormal postwar replacement programme.

* * *

Tanker Freight Rates

Like tramp and liner freight rates, tanker rates have been at peak levels, but a sharp drop occurred in March and April. In January charterers were paying 310 per cent above the old Ministry of Transport controlled rate for single voyages from the Persian Gulf area to the UK/Continent. But by the end of March this rate had declined to about MOT plus 250 per cent; and at the end of April vessels were being fixed for June loading at about MOT plus 85 per cent. This level is about the same as the lowest prevailing in 1951, before the Persian oil dispute brought about a sudden acute demand for tanker tonnage. That demand has now abated, and the normal summer seasonal influences are again making themselves felt.

The major oil companies have practically withdrawn from the spot market, although they are still prepared to consider tonnage on a consecutive voyage basis for 12 to 24 months. A recent fixture of this type was that of a handy-sized tanker at MOT plus 150 per cent for 1952 voyages, with a reduction to MOT plus 100 per cent for 1953. The time charter market has not been active, but one large tanker that will not be built until the end of 1955 has been taken for five



years' trading at 24s. 6d. per ton per month. This compares with the current award of 52s. per ton by the London Tanker Brokers' Panel, but this award is set for a notional small tanker (about 12,000 tons dw) for a period of two years. The accompanying diagram shows how this award compares with spot market rates over the last three years. The graph of rates on the basis of the brokers' award irons out the violent fluctuations of spot voyage rates, and successfully underlines the prevailing trends. The increases have been continuous, but the rate of increase has been declining.

Next Steps in Cotton Buying

The first steps are now being taken to implement the decision to restore to Lancashire freedom to buy its own raw material. The new scheme, discussed in an article in *The Economist* of April 26, 1952, was announced by the Government a fortnight ago. Spinners have now been given until June 14th to decide whether they wish to buy their cotton privately or through the Raw Cotton Commission, and they can exercise this option for American-type cotton, Egyptian-type cotton or sea-island cotton. The fourth group of cotton (Peruvian and Californian) will not be reopened to the trade until September because its buying season opens later. An advisory panel has been set up to assist in working out the details of the scheme and to supervise its operation. The chairman is the deputy-secretary of the Ministry of Materials and the other members include the presidents of the Liverpool and Manchester Cotton Associations and of the Master Spinners' Federation, the chairman of the Raw Cotton Commission and the secretary of the Operative Spinners' Amalgamation. A second body is also being set up—the Cotton Entitlement Organisation—to look after the interests of those spinners who decide to import privately. It will ensure that these spinners get the same proportionate share of the different grades of cotton as the Commission and it will also keep a check on the transfers of entitlements and on import licences. The Commission is offering complete cover facilities to all spinners who contract out, provided that they undertake to keep fully covered at all times; hedging operations will be based on either the Commission's current standard price or on the sterling equivalent of the New York futures. Similar arrangements will be made for the Alexandria market so long as no maximum or minimum prices are imposed in that market.

The stage, then, is set. It now remains to be seen how many spinners will favour freedom. In the initial stages marketing operations are bound to be complicated and it may take a season or two before judgment can be passed on the scheme. It is no more than an experiment in a new form of private trading—a form that is prescribed by entitlements, currency restrictions and import licences. If it works satisfactorily, it might be applied to other commodity markets that have not yet regained their freedom.

Shorter Notes

Last August, Albright and Wilson raised £2,500,000 by placing privately an unsecured 4½ per cent loan, repayable 1957-66; in 1951 its subsidiaries raised another £933,932 by secured and unsecured loans. Almost the whole of the proceeds of these loans seemed to be held in liquid balances at the end of last year; the new money should soon be absorbed by this year's capital expenditures, outstanding contracts for which at the end of the year were estimated at £5 million. The chairman points out that the £2,500,000 loan "does not necessarily constitute a precedent for the raising of further cash which the company will need for its future capital programme."

This week the Indian Government has made further heavy cuts in the export duty on jute goods. The duty on hessian has been reduced by £36 a ton to £20 12s. a ton, bringing the duty on 10 oz 40 inch hessian down from 30s. to 10s. 6d. per 100 yards. The duty on sacking has been cut by half to £13 a ton. In February the duty on hessian was halved, but as trade did not recover, further cuts were inevitable. The new rates will enable the Indian mills to undercut the European manufacturers, and the market is now waiting to see

Company Notes

Dunlop Rubber.—As more and more of Britain's industrial giants announce their 1951 trading results, it becomes increasingly clear that the rate of expansion in profits is slowing down. The boom year for profits was 1950, reflecting the immediate fillip given to earnings by devaluation and to prices by rearmament and the Korean war. Since then the upsurge in costs has gradually whittled down profit margins. Clear evidence to substantiate this contention is to be found in the recent profit experience of Dunlop Rubber. In 1950 the group's trading surplus jumped by over £8 million to nearly £17.6 million; last year, when the value of turnover almost certainly increased once again, the group's trading surplus increased by less than £290,000, from £17,580,500 to £17,869,124. Taxation has therefore risen only slightly, from £8,691,890 to £8,915,898; but as in addition to the normal depreciation allowance of £3,969,596 (against £3,754,947) a further £470,000 (against nil) has been set aside for the replacement of fixed assets, group net profits have fallen, from £5,062,863 to £4,607,413. As the appropriation of £470,000 can cover only a very small part of the eventual cost of replacement, it is not surprising that the directors have decided to maintain the ordinary dividend at 17½ per cent and have concentrated on reinforcing reserves. Profits retained by subsidiaries have been increased from £1,259,760 to £1,732,295, while £960,000 (against £1,915,000) has been transferred to a general reserve.

Consolidated earnings :—	Years to Dec. 31, 1950	1951
	£	£
Trading profit	17,580,500	17,869,124
Depreciation	3,754,947	3,969,596
Replacement reserve		470,000
Taxation	8,691,890	8,915,898
Group earnings for ordinary stock.	*4,875,115*	*3,875,132*
Ordinary dividends	1,180,958	1,180,958
Ordinary dividends (per cent)	17½	17½
Retained by subsidiaries	1,259,760	1,732,295
General reserve	1,915,000	960,000
Added to carry forward	19,397	1,879

£1 ordinary stock at 55s. 6d. yields £6 7s. per cent.

The maintained ordinary dividend is well covered by earnings if retentions by subsidiaries and the appropriation to general reserve can be regarded as freely available for distribution—but this is a big assumption to make once the high costs of replacement and the decline in liquid resources throughout the industry are taken into account. The odds therefore seem to be against any dividend increase in the immediate future. EPL will cut into earnings and the directors will probably insist that the maintenance of the group's capital intact has priority over any claims for increased equity payments.

★

Vickers.—Vickers' experience last year provides a clear example of the difficulties that have arisen from the Government's attempt to carry through the rearmament programme without cutting back civil consumption. Throughout the chairman's review the theme recurs that the whole of Vickers' productive capacity could not be utilised last year owing to a shortage of materials and labour. In shipbuilding steel was the chief limiting factor on output. Sir Ronald Weeks reports that this and other shortages "made it impossible for full advantage to be taken of the productive potential at the two modernised shipyards." In aircraft production the limiting factor was the shortage of labour. In an attempt to remedy this shortage, both the Weybridge and Supermarine works are resorting to a substantial amount of sub-contracting; at Weybridge, where the shortage of labour is especially acute, efforts are being made to disperse small manufacturing units into areas where pockets of labour are available.

In the business of Metropolitan-Cammell Carriage and Wagon, a shortage of shipping as well as of steel prevented the full use of manufacturing capacity; as a result deliveries fell below the record level set up in 1950. The company has made strong representations for sufficient allocations of steel to enable it to meet present orders for railway rolling stock, seventy per cent of which are for export. In the heavy and light engineering divisions the increase in the volume of armament work has led to a gradual reduction in commercial output but sales of established commercial products have been well maintained. Some of the biggest increases in output were achieved in those divisions manufacturing specialised products, where it was possible to recruit more labour.

Consolidated earnings :—	Years to Dec. 31, 1950	1951
	£	£
Trading profit	7,461,333	7,596,310
Total income	8,507,362	8,837,635
Depreciation	1,174,469	1,302,575
Taxation	3,575,537	4,434,606
Group earnings for ordinary stock.	*2,236,290*	*1,675,721*
Ordinary dividends	815,901	808,204
Ordinary dividends (per cent)	12½	12½
General reserves	3,233,804	604,495
Added to carry forward	*Dr1,655,142*	378,504
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	13,806,050	16,238,634
Net current assets	32,610,661	46,101,631
Stocks	46,588,901	59,252,719
Cash	4,924,904	4,115,987
Government securities	7,394,923	19,660,996
Reserves	29,376,722	39,273,463
Ordinary capital	12,315,484	12,315,484

£1 ordinary stock at 44s. 3d. xd yields £5 13s. per cent.

Since Vickers was already handicapped by shortages of labour and materials before production was fully geared to defence orders, the group could hardly have been expected to report any startling increase in earnings. In fact, as noted in these columns on April 26th, group trading profits rose only slightly, from £7,461,333 to £7,596,310, while net profits fell from £2,838,074 to £2,072,872. The ordinary dividend was maintained at 12½ per cent and £1,021,365 (against £1,668,662) was ploughed back into the business. Profit retentions and the surplus of £8,950,808 arising on the nationalisation of English Steel have enabled the group to carry increased investment in fixed and working capital—the book value of stocks and work in progress, for example, rose from £46,588,901 to £59,252,719 last year—without imposing too great a strain on liquid resources. The group should not have much difficulty in meeting its immediate commitments for capital expenditure, estimated at £2,500,000 at the end of last year. Labour, rather than steel, may become the major problem towards the end of 1952, but if costs can be kept down defence contracts should ensure an increase in earnings. It remains to be seen how far EPL may prevent such an increase from being passed on to equity shareholders.

★

Vauxhall Motors.—Mr G. N. Vansittart's statement accompanying the 1951 accounts of Vauxhall Motors does not wholly conceal a certain sense of frustration. The number of cars and commercial vehicles produced fell from 87,454 to 77,877 and the number exported from 61,471 to 53,271. Demand remained high throughout the year but "erratic deliveries of steel caused many costly dislocations and interruptions of production flow." Because of shortages, particularly of steel, the export orders that the company were unable to fill were at least equal to the number of vehicles actually shipped; Mr Vansittart describes this as "a truly ironic situation in a country that must live by exports." This, however, is not the end of the difficulties that Vauxhall experienced last year. The company's postwar development programme—which to date has cost over £10 million, of which £4 million was spent in 1951—is now nearing completion at a time when the newly installed plant and equipment cannot be fully employed. In fact, material shortages are so severe and allocations so inadequate that the volume of production is now actually lower than when these extensions were put in hand. Output fell so sharply last year that the company was forced to place a large number of its labour force on a four day working week and later in the year to dismiss about 250 of its employees. It is more than 14 years since the company was confronted with a similar situation. It is a sad commentary on Britain's effort to expand exports that, through a shortage of materials, this important company has to make the same decisions that it had to make in the 1938 slump.

Earnings :—	Years to Dec. 31, 1950	1951
	£	£
Trading profit	4,532,410	5,052,338
Total income	4,618,372	5,095,121
Depreciation	539,619	934,833
Taxation	1,690,417	1,782,679
Net profit	*1,101,495*	*942,935*
Ordinary dividends	165,000	157,500
Ordinary dividends (per cent)	6	6
Added to carry forward	934,095	783,260
Balance sheet analysis :—		
Fixed assets, *less* depreciation	6,011,595	8,382,237
Net current assets	8,663,485	7,593,470
Stocks	2,702,012	761,890
Cash	5,242,268	6,493,477
Revenue reserves	5,000,000	5,000,000
Ordinary capital	5,000,000	5,000,000

The value of net sales, including those of spare parts, increased from £31,637,999 to £35,927,153 and the value of exports from £17.5 million to £18.5 million. As a result trading profits jumped from £4,532,410 to £5,052,336; but net profits fell from £1,101,495 to £942,935. The main reason for this decline was the increased provision for depreciation, from £599,619 to £994,833, reflecting the increase in investment in fixed capital. Increased investment in plant and equipment and in working capital—the value of stock and work in progress has jumped from £5,006,777 to £7,438,602—has made further calls on liquid resources. Cash balances have fallen from £2,702,012 to £761,890 and bank advances have risen from £600,000 to £1,500,000. Production has not yet started on defence work, but the company is tooling up for a special military vehicle and Mr Vansittart expects the new models to start rolling off the assembly line "in good volume in the early part of 1952." The big question for Vauxhall—as for the rest of the motor industry — is whether once steel supplies are adequate the export markets will still be eager to take its products.

★

Guest Keen and Nettlefolds.—The £1 ordinary stock units of Guest Keen and Nettlefold merit the ranking of an expanding equity on at least three counts. First, there are the prospects of the long-term development schemes, particularly in Australia, which the company has put in hand since the nationalisation of its steel interests. Secondly, the directors have recognised advances in profits by increases in ordinary dividends. Thirdly, prudent allowances have been made against the costs of plant replacement. The preliminary statement for 1951 throws light on the last two points, and a most welcome light it is. The group's trading surplus has risen from £7,682,098 to £11,271,030 and the ordinary dividend has been raised from 14 to 15 per cent. Net profits show a fall from

Consolidated earnings :—	Years ended Dec. 29, 1950	Dec. 30, 1951
	£	£
Trading surplus	7,682,098	11,271,030
Total income	8,839,455	12,045,908
Depreciation	1,534,391	1,432,838
Depreciation reserve	...	1,055,233
Taxation	3,749,770	6,059,782
Group earnings for ordinary stock.	*2,463,166*	*2,530,523*
Ordinary dividends	844,775	833,930
Ordinary dividends (per cent)	14	15
Retained by subsidiaries	1,429,925	1,015,539
General reserve	900,000	1,000,000
Added to carry forward	84,695	719

£1 ordinary stock at 51s. 3d. yields £5 17s per cent.

£3,671,147 to £3,334,388, but this decline is due to the increased provision for taxation, from £3,749,770 to £6,059,782, and to a fall in investment income from £880,191 to £419,827, following the vesting of the group's steel interests in the Iron and Steel Corporation. As a result profits retained by the holding company and its subsidiaries have fallen from £2,414,620 to £2,017,258.

The directors demonstrate their prudence by allowing for the "reduced purchasing power of money" in calculating last year's provision for depreciation. This provision has been made on the basis of current values instead of book values of fixed assets. The total provision against profits has therefore been raised from £1,534,391 to £2,488,072, of which £1,055,236 has been transferred to a capital depreciation reserve and £1,432,836 (against £1,534,391) has been written off the book value of fixed assets. The directors seem to regard the additional depreciation provision as a direct charge against profits and not as an appropriation from them; the tax inspector, of course, takes a different view and will make no allowance for the additional provision in arriving at taxable profits. Guest Keen is only one of a long list of companies that have made provision against the increased cost of replacement, but the company deserves the thanks of shareholders for showing the basis on which the appropriation has been made; too often appropriations to replacement reserves seem to be little more than inspired guesses.

★

Cunard.—It is an interesting commentary on the strength of Cunard's reserves, hidden or revealed, that since the 1948 issue of ordinary shares the company has been able to rehabilitate its fleet after the wartime ravages without raising any more new capital in the market, and that the chairman can announce plans to build eleven new ships between 1952 and 1956, which will cost about £15,325,000, without any suggestion that the company will need to raise new money from the public. Within the last four years the reserves of the group, excluding the share premium account, have risen by about £11.5 million to just over £29 million. The official depreciation allowances, which amounted to about £9.5 million over the same period, are not high enough to meet the present-day costs of renewals, but only the future will show whether Cunard's fleet can be renewed and maintained indefinitely from the company's own internal resources. The company's financial strength owes a great deal to the high level of shipping earnings since the end of the war. The chairman, Mr F. A. Bates, remarks that the operating surplus in 1951 of £9,445,590 was well in line with the recent trend in profits, if the exceptional earnings in 1950 are excluded, and that the company has done well to hold profits at this level in view of the recent increases in operating costs.

Consolidated earnings :—	Years to Dec. 31, 1950	1951
	£	£
Operating surplus	10,780,750	9,445,590
Total income	11,005,688	9,745,675
Depreciation	2,512,776	2,475,930
Taxation	4,918,238	3,693,027
Net profit	*3,477,619*	*3,351,937*
Ordinary dividends	516,638	614,125
Ordinary dividends (per cent)	12½	15
Retained by subsidiaries	1,244,862	1,450,413
Reserves	1,250,000	1,000,000
Added to carry forward	40,349	*Dr.84,129*
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	31,602,893	32,954,783
Total current assets	31,914,293	36,386,400
Debtors, etc.	3,947,079	5,503,447
Investments	11,227,325	11,225,036
Cash	10,662,587	14,402,019
Reserves	27,473,600	30,574,343
Ordinary capital	7,798,346	7,798,346

£1 ordinary stock at 30s. 6d. yields £8 4s. per cent.

The increase in the ordinary dividend from 12½ to 15 per cent in the face of a decline in the operating surplus, from £10,780,750 to £9,445,590, and in the net surplus, from £3,477,619 to £3,351,937, appears to hold out fair prospects for the current year. This receives some confirmation in the chairman's review. Mr Bates believes that in the absence of international tension Cunard's earnings this summer should be in line with earnings in 1951. But he does not venture on any more distant forecasts, as much will then depend on the Government's import and export policy. At present profit levels, there will be no serious liability for EPL.

★

Hudson's Bay.—Over the last year or so speculation has given Hudson's Bay's equity the appearance, if not the status, of shares in a developing oil company and not of shares of an established trading concern. Buying of the shares by North American investors and speculators has also given colour to rumours that the company intends to transfer control to Canada; the governor, Sir Patrick Ashley Cooper, in his report, once again denies any such intention. In his review of the company's operations, Sir Patrick points out that Hudson's Bay is still a company of merchant adventurers. The bulls might do well to remember this: whatever the eventual returns from the Alberta oilfields may be, dividends in the next few years will depend upon profits earned by the company's activities in the retail, wholesale and fur trades. After the end of the Korean war boom in the spring of 1951 Hudson's Bay was faced, as were the majority of trading concerns, with a decline in sales, intensified competition and a sharp rise in costs; there seems to be no likelihood that this trend will be reversed this year. In all three main divisions of the company's activities the value of sales increased last year, but only in the fur trade was this increase accompanied by an advance in profits. In the company's retail stores a new record in sales was set up, but the general rise in commodity prices cut into profit margins and earnings declined. Similarly, costs were higher and profits lower in the company's wholesale trade; the increase in the value of sales stemmed almost entirely from price increases and higher excise duties on tobacco. The fur trade is now experiencing one of its periodic slumps, which was not reflected in last year's figures but which will have a marked effect upon this year's results.

Consolidated earnings :—	Years to Jan. 31, 1951	1952
	£	£
Retail sales	24,338,668	27,971,893
Retail profits	1,190,170	927,781
Wholesale sales	10,036,996	11,518,731
Wholesale profits	322,870	305,136
Fur sales	19,154,341	22,730,688
Fur profits	528,889	543,829
Trading profit	2,689,777	2,525,639
Taxation	1,183,730	1,264,558
Net profit	*952,228*	*654,446*
Ordinary dividends*	159,502	196,263
Ordinary dividends (per cent)*	12	15
Retained by subsidiaries	285,465	254,741
General reserve	5,628	100,000
Added to carry forward	101,633	103,442
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	5,536,096	5,049,151
Net current assets	9,338,203	10,235,538
Stocks	7,790,184	9,471,406
Cash	1,528,647	1,217,236
Reserves	12,127,598	12,885,155
Ordinary capital	2,492,224	2,492,224

£1 ordinary stock at 10¾ yields £2 6s. per cent.
* Excludes 5 per cent tax free distribution from land sales.

For the fur trade is now experiencing one of its periodic slumps, which was not reflected in last year's figures but which will have a marked effect upon this year's results.

Development of the company's oil interests continues apace; in 1951 Hudson's Bay Oil and Gas Company spent $5,113,000 on development, almost double the sum spent in 1950, and while Hudson's Bay received £142,258 (against £94,029) in royalties, it had to increase its cash advances to the Oil and Gas Company from £203,333 to £462,500. Receipts are not yet sufficient to cover outgoings; and while the long-term prospects are good, "large immediate returns" cannot be expected. Immediately, therefore, dividends will depend on the prosperity of the company's established trading activities and, discounting last year's increase in equity payments which was discussed in these columns on April 19th, the decline in profits suggests that here the prospects are none too favourable.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, April30, 1952	Price, May 7, 1952	Net Yield, May 7, 1952 (*n*)	Gross Yield, May 7, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	99⅜	99⅜	... *e*	... *e*
Mar. 1, 1951-53			1 10 0	2 19 4*l*
War Bonds 2½%	98⅜	98⅜	... *e*	... *e*
Mar. 1, 1952-54			1 19 2	3 5 7*l*
Exchequer Stk. 2½%	97 9/16	97 9/16	2 0 0	3 3 6
Feb. 15, 1955				
Serial Funding 1¾%	99⅛	99⅛	1 19 5	2 15 7
Nov. 14, 1952				
Serial Funding 1¾%	98 5/16	98 5/16	1 17 9	2 14 9
Nov. 14, 1953				
Serial Funding	97⅛	97⅛	2 2 0	2 18 10
Nov. 14, 1954				
War Bonds 2½%	97⅜	97⅜	2 5 4	3 12 0*e*
Aug. 15, 1954-56			1 16 6	3 1 0*l*
Funding 2¾%	98⅜	99	... *e*	... *e*
June 15, 1952-57			1 15 4	3 3 11*l*
Nat. Defence 3%	99⅜	99½	2 0 10	3 13 10*e*
July 15, 1954-58			1 14 11	3 5 2*l*
War Loan 3%	98⅜	98½	2 1 2	3 10 6*e*
Oct. 15, 1955-59			1 16 1	3 5 2*l*
Savings Bonds 3%	91⅜	91⅜	4 7 9	6 0 2*e*
Aug. 15, 1955-65			2 6 5	3 17 11
Funding 2½%	92⅜	93	3 4 11	4 10 1*e*
April 15, 1956-61			2 3 10	3 8 9*l*
Funding 3%	85⅜	86	3 18 4	5 9 9*e*
April 15, 1959-69			2 12 3	4 3 7*l*
Funding 3%	86⅜	87⅛	2 13 11	4 5 8*e*
Aug. 1, 1966-68			2 11 6	4 3 2*l*
Funding 4%	97⅛	97 7/16	2 8 6	4 7 2*e*
May 1, 1960-90			2 3 10	4 2 6*l*
Savings Bonds 3%	84⅜	85⅜	3 13 5	5 5 7*e*
Sept. 1, 1960-70			2 12 1	4 3 11*l*
Savings Bonds 2½%	83⅜	84	2 18 1	4 4 5*e*
May 1, 1964-67			2 12 3	3 18 6*l*
Victory Bonds 4%	98⅛	99 3/16	2 3 5	4 2 3*s*
Sept. 1, 1920-76				
Savings Bonds 3%	82⅜	83⅜	3 3 0	4 15 6*e*
Aug. 15, 1965-75			2 10 11	4 3 5*l*
Consols 4%	88⅞	89⅜	2 7 3	4 10 7*f*
Conversion 3½%	78⅞	79 1/16	2 6 4	4 8 6*f*
Treasury Stk. 2½%	58⅜	58⅝	2 4 8	4 5 4*f*
(after Apr. 1, 1975)				
Treasury Stk. 3%	68⅜	69	2 5 9	4 7 4*f*
(after Apr. 5, 1966)				
Treasury Stk. 3½%	88⅛	89⅛	2 9 2	4 6 1*e*
June 15, 1977-80			2 8 2	4 5 0*l*
Redemp. Stk. 3%	77⅛	78*	2 10 11	4 4 9*e*
Oct., 1986-96			2 7 9	4 1 11*f*
War Loan 3½%	77 3/16*	78 1/16*	2 6 10	4 9 2*f*
Consols 2½%	60	60⅜	2 3 7	4 3 2*f*
Brit. Elect. 3% Gtd.	83	83⅜	2 17 7	4 9 7*e*
April 1, 1968-73			2 12 2	4 4 2*l*
Brit. Elect. 3% Gtd.	82	82⅜	2 12 10	4 5 2*e*
Mar. 15, 1974-77			2 10 8	4 3 2*l*
Brit. Elect. 3½% Gtd.	87⅛*	88⅛*	2 9 1	4 4 11*e*
Nov. 15, 1976-79			2 8 1	4 3 11*l*
Brit. Tpt. 3% Gtd.	77⅛	78 3/16	2 15 7	4 9 9*e*
July 1, 1978-88			2 10 4	4 4 8*l*
Brit. Tpt. 3% Gtd.	83	83⅜	2 17 7	4 9 7*e*
April 1, 1968-73			2 12 2	4 4 2*l*
Brit. Gas Gtd. 3%	76⅛	76⅜	2 10 8	4 4 10*e*
May 1, 1990-95			2 9 1	4 3 5*l*
Brit. Gas Gtd. 3½%	90⅛	90⅜	2 10 5	4 6 2*e*
Sept. 10, 1969-71			2 9 3	4 5 0*l*
Brit. Iron & Steel	87⅛	88 3/16	2 8 11	4 5 5*e*
3½%, 1979-81			2 8 3	4 4 10*l*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*n*) Net yields after allowing for tax at 9s. 6d. in £. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, April30, 1952	Price, May 7, 1952	Yield, May 7, 1952
%	%					£ s. d.
20	*a*	40 *l*	Anglo-Am. 10/-	6 3/16 *	6 3/16	4 13 2
5	*a*	25 *l*	Anglo-Iran £1	5⅛	5⅛	5 4 4
7½	*a*	12½ *b*	Assoc. Elec. £1	71/6	71/6	5 11 11
7½	*a*	20 *b*	Assoc. P. Cem. £1	101/3	100/-	5 10 0
†5	*a*	†17½ *b*	Bass £1	125/-	125/-	6 17 2
40	*c*	10 *a*	Boots 5/-	20/3	20/3	4 18 9*h*
9	*c*	7 *a*	Br. Celanese 10/-	24/6	25/9	3 9 11
...	...	...	Br. Motor Cp. 5/-	...	28/9	...
8	*a*	12 *l*	Br. Oxygen £1	75/6*	74/6	5 7 5
7½	*b*	5 *a*	Coats £1	45/7½	45/7½	5 9 7
6½	*b*	5 *a*	Courtaulds £1	37/9	37/3	6 0 10
22½	*c*	1¼ *a*	Distillers 4/-	18/-	18/3	4 18 8
17½	*c*	17½ *c*	Dunlop £1	56/3	56/-	6 5 0
12½	*c*	15 *c*	Ford £1	48/-	47/6	6 6 4
22½	*c*	7½ *a*	Gen. Elect. £1	80/6	80/6	5 11 10
11	*a*	17 *b*	Guinness £1	112/6	63/6xb	5 5 10*k*
4¼	*a*	5⅛ *b*	Hawker Sid. £1	36/3	36/6	5 9 7
3	*a*	10 *l*	Imp. Chem. £1	44/-	43/1½*	6 0 6
13¾	*a*	18⅛ *b*	Imp. Tobacco £1	83/9	85/-	7 10 7
5	*a*	10 *b*	Lancs. Cotton £1	35/-	35/-	8 11 6
7½	*a*	10 *b*	Lon. Brick £1	57/6	58/9	5 19 2
60	*b*	15 *a*	Marks & Sp. A 5/-	79/6	76/6	4 18 0
8	*a*	10⅞ *b*	P. & O. Def. £1	50/6	49/6*	6 9 4*p*
27½	*b*	7½ *a*	P. Johnson 10/-	36/6	36/6	6 17 0
17½	*b*	†5 *c*	"Shell" Stk £1	94/4½	95/7½	4 19 7
12½	*b*	13½ *c*	Tube Invst £1	5⅝	5⅝	4 12 5
5	*a*	15 *c*	F. & Newall £1	86/10½	86/3	4 12 9
13½	*c*		Unilever £1	46/10½	46/10½	5 15 2
10	*c*	12½	Union Castle £1	45/-	44/-	5 13 8
50	*c*	50 *c*	Utd. Sua Bstogg £1	43/11*	40/-	25 0 0
2½	*a*	10 *l*	Vickers £1	45/-	44/3*	5 13 0
15	*a*	27½ *b*	Woolworth 5/-	42/9	41/6	5 2 5

(*a*) Interim div. (*b*) Final div. (*c*) Div. for whole year. (*d*) Yield basis 20% after capital bonus. (*h*) Yield basis 16⅔% after capital bonus. (*p*) Yield basis 16% after capital bonus. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 3, 1952, total ordinary revenue was £104,716,000, against ordinary expenditure of £76,194,000 and issues to sinking funds £730,000. Thus, including sinking fund allocations of £2,061,000 the deficit accrued since April 1, 1952, was £47,116,000 compared with a surplus of £37,054,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1951 to May 5, 1951	April 1, 1952 to May 3, 1952	Week ended May 5, 1951	Week ended May 3, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
Ord. Revenue					
Income Tax	1804225	103,669	127,800	17,404	27,522
Sur-tax	123,000	12,900	10,100	1,800	1,200
Estate, etc., Duties	175,000	19,100	15,100	3,900	2,200
Stamps	57,500	6,600	5,100	1,500	1,500
Profits Tax & EPT	452,000	28,000	27,000	3,900	3,900
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	330	240	40	70
Total Inland Rev.	2618725	170,599	183,340	28,544	36,392
Customs	1043500	86,937	94,958	14,050	20,829
Excise	772,000	95,900	66,475	47,915	44,935
Total Customs and Excise	1815500	182,837	161,433	61,965	65,764
Motor Duties	64,150	4,933	4,897	1,494	1,370
Surpl's from Tradg.	12,000	...	...	...	...
P.O. (Net Receipts)	...	3,200	...	3,000	...
Broadcast Licences	15,000	1,000	1,000	...	1,000
Sundry Loans	26,000	2,207	55	2,131	...
Miscell. (incl. Surplus War Stores)	110,000	6,806	10,443	431	190
Total Ord. Rev.	4661375	371,582	361,168	97,565	104716
Self-Balancing					
Post Office	209,235	15,200	16,300	2,000	3,900
Income Tax on E.P.T. Refunds	4,900	206	606	84	86
Total	4875510	386,988	378,074	99,649	108702

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
Ord. Expenditure					
Int. & Man. of Nat. Debt	575,000	71,672	75,589	19,209	19,611
Payments to N. Ireland	40,000	3,844	2,721	1,281	...
Other Cons. Funds	10,000	532	627	...	73
Total	625,000	76,048	78,937	20,490	19,684
Supply Services	3605562	257,640	327,286	38,800	56,510
Total Ord. Expd.	4230562	333,688	406,223	59,290	76,194
Sinking Funds	...	840	2,061	360	730
Total (excl. Self-Bal. Expd.)	4230562	334,528	408,284	59,650	76,924
Self-Balancing					
Post Office	209,235	15,200	16,300	2,000	3,900
Income Tax on E.P.T. Refunds	4,900	206	606	84	86
Total	4444697	349,934	425,190	61,734	80,910

After increasing Exchequer balances by £202,179 to £3,197,305 the other operations for the week decreased the National Debt by £9,688,317 to £25,631 million.

NET RECEIPTS (£ thousand)

Tithe Act, 1936, s. 26	465

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	600
EPT Refunds	103
Export Guarantees Act, 1949, s. 3(2)	15
Local Authorities Loans Act, 1945, s. 3(2)	7,550
Cotton (Centralised Buying) Act, 1947, s. 21(1)	2,000
Overseas Resources Development Act, 1948 :— Colonial Development	850
Misc. Financial Provisions Act, 1946 s. 2(1) :— War Damage : War Damage Commission	2,600
Misc. Financial Provisions Acts, 1946 and 1950 :— Civil Contingencies Fund	5,000
Finance Acts, 1946 and 1947 : Postwar Credits	243
	19,365

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Tax Reserve Certs.	5,798	Treasury Bills	6,638
Other Debt :—		Nat. Savings Certs.	1,200
External	1,013	2½% Def. Bonds	730
		3% Def. Bonds	1,533
		3% Ter. Annuities	1,432
		Other Debt :—	
		Internal	506
		Ways and Means Advances	4,460
	6,811		16,499

FLOATING DEBT
(£ million)

Date	Treasury Bills		Ways & Means Advances		Treas. Deposits by Banks	Total Floating Debt
	Tender	Tap	Public Depts.	Bk. of England		
1951						
May 5	3220·0	2040·3	439·0	...	319·5	6018·8
1952						
Feb. 9	4200·1*		260·6	...	34·0	4494·7
,, 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4516·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6
,, 31	4273·1		337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·5	...	...	4632·1
,, 12	2440·0	1600·9	305·3	1·0	...	4347·2
,, 19	2500·0	1579·8	320·7	...	...	4400·5
,, 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7

* The proportion of tender and tap Bills surrendered for 1½ per cent Serial Funding Stock is unknown, therefore the total of tender Bills outstanding cannot be calculated.

TREASURY BILLS

Date of Tender	Amount (£ million)			Average Rate of Allotment s. d.	Allotted at Min. Rate %
	Offered	Applied for	Allotted		
1951					
May 4	240·0	264·8	240·0	10 4·52	15
1952					
Feb. 1	170·0	249·8	170·0	19 10·64	52
,, 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75
,, 14	200·0	250·4	200·0	46 3·64	69
,, 21	200·0	251·9	200·0	46 3·39	68
,, 28	210·0	240·2	210·0	47 3·61	81
Apr. 4	220·0	302·1	210·0	47 3·96	58
,, 10	210·0	297·2	210·0	47 0·14	62
,, 18	200·0	316·6	200·0	47 3·27	45
,, 25	200·0	296·3	200·0	46 4·20	63
May 2	200·0	326·8	200·0	46 11·03	35

On May 2nd applications for 91 day bills to be paid from May 5 to May 10, 1952, were accepted dated Tuesday to Saturday as to about 35 per cent at £99 8s. 3d. and applications at higher prices were accepted in full. Applications dated Monday were accepted at £99 8s. 2d. and above in full. Treasury Bills to a maximum of £230 million were offered on May 9th. For the week ended May 10th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Totals 4 Weeks ended		Week ended
	April 28, 1951	April 26, 1952	April 26, 1952
Savings Certificates :—			
Receipts	18,500	9,050	2,200
Repayments	10,800	11,700	3,100
Net Savings	7,700	*Dr2,650*	*Dr 900*
Defence Bonds :—			
Receipts	4,134	3,385	935
Repayments	4,280	5,645	1,520
Net Savings	*Dr 146*	*Dr2,260*	*Dr 585*
P.O. and Trustee Savings Banks :—			
Receipts	56,443	55,625	13,233
Repayments	61,508	56,949	15,729
Net Savings	*Dr5,065*	*Dr1,324*	*Dr2,496*
Total Net Savings	2,489	*Dr6,234*	*Dr3,981*
Interest on certificates repaid	2,592	3,159	837
Interest accrued	9,753	9,834	2,467
Change in total invested	+ 9,650	+ 441	− 2,351

BANK OF ENGLAND RETURNS

MAY 7, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1409,445,173	Other Govt. Securities	1435,807,047
In Bankg. Department	40,911,650	Other Secs.	665,528
		Coin (other than gold)	2,512,325
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	273,351,430
Rest	3,314,637	Other Secs.:—	52,102,003
Public Deps.:—	10,587,553	*Discounts and*	
*Public Accts.**	*10,070,973*	*Advances*	*14,119,998*
H.M. Treas.		*Securities*	*37,982,005*
Special Acct.	*516,580*		
Other Deps.:—	339,377,565		
Bankers	*266,398,038*	Notes	40,911,650
Other Accts.	*72,984,527*	Coin	1,467,672
	367,832,755		367,832,755

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
(£ million)

	1951	1952		
	May 9	April 23	April 30	May 7
Issue Dept. :—				
Notes in circulation	1328·0	1411·8	1410·0	1409·4
Notes in banking department	22·4	38·5	40·4	40·9
Government debt and securities*	1345·8	1446·7	1446·7	1446·8
Other securities	0·7	0·8	0·8	0·7
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	17·5	10·8	10·7	10·1
Treasury Special Account	0·4	0·5	0·5	0·5
Bankers	300·1	288·1	273·0	266·4
Others	88·3	76·8	73·4	73·0
Total	406·3	374·2	357·6	350·0
Securities :—				
Government	362·1	308·7	274·3	273·4
Discounts, etc.	11·0	21·9	27·4	14·1
Other	28·1	21·4	31·8	38·0
Total	401·2	352·0	333·5	325·5
Banking dept. res.	22·9	40·0	41·9	42·4
	%	%	%	%
"Proportion"	5·6	10·6	11·7	12·1

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

"The Economist" Index of Wholesale Prices (1927=100)

	May 1, 1951	April 22, 1952	May 6, 1952
Cereals and meat	164·2	182·8	183·2
Other foods	174·1	192·6	192·7
Textiles	342·5	227·8	226·9
Minerals	339·3	389·2	381·5
Miscellaneous	195·9	193·7	191·8
Complete Index	**228·1**	**224·9**	**223·5**
1913=100	*313·9*	*309·4*	*307·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver			Gold
	London per ounce	New York per ounce	Bombay per 100 tolas	Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 1	77·0	88·00	167 8	93 12
,, 2	77·0	88·00	168 8	93 0
,, 3	Markets Closed		169 6	93 10
,, 5	77·0	88·00	172 0	94 12
,, 6	77·0	87·00	171 0	94 10
,, 7	76·0	87·00	172 10	93 12

COMPANY MEETINGS

CANADIAN PACIFIC RAILWAY COMPANY

RECORD TONNAGE CARRIED

INDICATIONS OF FURTHER EXPANSION

PLANS FOR ENLARGEMENT AND IMPROVEMENT

MR W. A. MATHER'S ADDRESS

The seventy-first annual general meeting of the Canadian Pacific Railway Company was held on May 7th at Montreal, Mr George A. Walker, QC, chairman of the company, presiding.

Mr W. A. Mather, the president, addressing the meeting said: Since I last spoke to you, nothing has more deeply moved and grieved the Canadian people than the sudden death of His Majesty King George VI. After he had endured so much suffering, we had hoped that he would regain his health to permit him to be with his people for years to come. Her Majesty The Queen, who has succeeded him, is already known to and beloved by the people of this and other countries of the Commonwealth. We know that devoted service to her subjects will be given in the selfless manner characteristic of a British Sovereign. It is no empty form of words to say that the lamented death of our late Sovereign, and the accession of his beloved daughter, have brought to us all a sense of something stable, something lasting in a changing world.

REMARKABLE GROWTH OF CANADIAN ECONOMY

It was during the reign of Queen Victoria that your company was incorporated. In that year, 1881, there were many who viewed with gloom the prospects of this country. Today, a lifetime later, there is abroad a realisation of the remarkable growth that has already taken place and a sense of great destiny which lies ahead of Canada. Perhaps the measure of growth of which Canadians are most conscious is that of population. While there is still need of a larger population, the number of people in Canada, over 14 million, has trebled in the years since your railway forged the link between its eastern and western extremities, however, growth in terms of the production of goods and services has been even more marked, particularly since the end of the 1930s. During the past 12 years, a period in which population increased by 25 per cent, the physical volume of production of goods and services has nearly doubled, this growth has, in the main, been based upon the development of Canada's most abundant asset—her vast and varied wealth of natural resources.

Since the war, this has taken place at an unprecedented rate. Some of the present projects—notably iron ore in Quebec and Labrador, oil in the Prairie Provinces, and the production of minerals in British Columbia—are among the largest in our history. It is upon such an ever-widening base that many industries of Canada are being built. The rapid growth of Canadian industry is indicated by the increase of approximately 90 per cent in employment in manufacturing since 1939. This marked expansion is diversifying and strengthening our economy.

SUBSTANTIAL EXPENDITURES

These great elements of strength would not, however, have been possible but for the many who, through their faith and by the investment of their savings, have financed the substantial capital expenditures necessary to develop them. Such capital expenditures were essential in the past, and a stream of new capital is imperative to ensure continued growth in the future. The extent of capital investment currently being made in this country is probably not generally realised. During the past six years, capital expenditures for structures (including housing), machinery and equipment totalled more than $19 billion. Expenditures made during 1951 were the greatest on record and equalled in volume more than one-fifth of the gross national product of Canada. By far the greatest part of this investment was financed out of the earnings of the Canadian people and Canadian corporations. An important contribution, however, came from foreign investors and is a reflection of their confidence in the future of our country.

RAILWAY CAPITAL REQUIREMENTS

The role of transportation in an expanding economy has been well illustrated by Canadian railways. The integration of Canada as a vigorous nation, the growing forestry and mining activities of Quebec and Ontario and the expansion of agriculture in the prairies were made possible only by the construction of railway mileage. In the era which ended in the 1920s, the construction of new lines proceeded rapidly, and subsequent betterment and improvements have been directed to provide efficient low cost transportation. The railway systems of Canada were built, in large part, in anticipation of the traffic needs of the country, while there are still some lines where the expected volume is no longer in excess of needs. The development of Canada has, in fact, caught up with railway construction. As the productive capacity of the nation increases, an increase in the capacity and efficiency of transportation facilities is essential. Railways provide the cheapest method of mass transportation on land and, as such, it is vital that their facilities should be expanded and improved in anticipation of the expansion of the economy.

During 1951, traffic volume on your railway amounted to almost $27 billion revenue ton miles, a level exceeded only in two war years. Tonnage carried, at over 60 million tons, made a new record. There is every indication that in the future traffic will reach much higher levels. Plans for the enlargement and improvement of your properties to meet this situation have been made. There is also a concurrent need to increase efficiency in order to move the present volume of traffic expeditiously, and large expenditures will be required to replace present equipment and facilities as they must be retired or become inadequate.

HOLDING DOWN RISING COSTS

These replacements offer the best prospect for holding down rising costs of operation, the long range programme presently contemplated includes examination and reconstruction of terminal facilities in order to expedite the flow of traffic; improvement of track standards by laying heavier rail; the restoration and strengthening of embankments to permit heavier loads and higher train speeds; passing track extensions to avoid delays in meeting and passing trains; further installations of automatic signals and the introduction of centralised traffic control to increase the capacity of congested lines; the introduction of new methods of communication to expedite train movements and terminal handling; and the greater use of diesel-electric locomotives. These are the basic requirements of your railway to meet the inevitable future growth of Canada. Conversion to diesel-electric power has taken place on certain lines of your railway, and studies are continuing to determine further territories when conversion would be advantageous. As savings from the use of this type of power arise, to a large extent, from intensive utilisation on lines where there is a heavy density of traffic, it is unlikely, because of the many light traffic branch lines of your railway, that it will be desirable to change over entirely to diesels for some years.

The capital programme needed for your railway was carefully studied in 1949, and it was then estimated that an expenditure of about $80 million annually over a period of five years would be required. The urgency of these requirements reflects in part the interruptions to normal capital work which occurred both during the depression of the 1930s and the war years of the 1940s. However, acceleration of the growth in the economy which has occurred since this programme was drawn up, as well as the increase in the level of prices, indicates that even larger annual expenditures may be necessary.

Your directors, in their report which is now before you, stated that the rate of return on investment earned by your railway enterprise in the year 1951 was at the low level of 2.4 per cent. They gave you, on a conservative basis, an intimation of the future capital requirements of your company and expressed the view that "adequate rail earnings will be necessary to enable your company to finance these expenditures." Because railway mass transportation is such a vital necessity to the continued growth of Canada, as it was proven to be in the war years, the railways must be placed in a position to finance their requirements of capital on a sound basis.

OIL

The development of oil resources in Western Canada is of importance to your company. The postwar discoveries and the increasing production of oil are broadening and accelerating the development of that area. Increases in railway traffic are resulting tion of oil. Your directors have considered directly engaged in the discovery or production of oil. Your directors have considered that the best interests of your company would be served by granting reservations and leases to those willing to undertake exploration and drilling over the wide areas involved. Reservations for exploration are granted at a nominal acreage fee, requiring certain exploratory work to be undertaken. When exploration indicates favourable prospects, part or all of the reservation is placed on a lease basis embodying specific drilling commitments and providing for an appropriate rental and a percentage royalty to your company. It is considered that these arrangements have encouraged exploration and drilling on a widespread basis with optimum long term benefits to your company.

The production of the entire area is limited by Government "allowables" set from month to month, and based on the relationship of the aggregate amount of oil that can be brought to markets to the total potential of producing wells. Permissible production will vary as additional pipe lines are constructed and new wells are completed. Local demand and refining capacity may be expected to show a gradual increase.

BRITISH COLUMBIA COAST STEAMSHIPS

From early days your British Columbia Coast Steamships have served the traffic needs of Vancouver Island. Last summer, a new passenger and automobile ferry, the "Princess of Nanaimo," was placed in operation on the Vancouver-Nanaimo route. In view of the traffic potential of this route, consideration is being given to the provision of an additional unit capable of handling freight cars and trucks.

OCEAN STEAMSHIPS

Your Ocean Steamship operations in 1951, on the basis of return on investment, were most satisfactory. The outlook for 1952 is for another year of substantial traffic volume. More intense competition and higher costs of operation are to be expected.

Negotiations just concluded with the British Iron and Steel Corporation have resulted in the sale of the *Empress of Australia* to that company for breaking up. This vessel had been under charter to the British Ministry of Transport since 1939, and was 38 years old. The relatively high prices presently being paid by the steel industry for scrap metal resulted in a fair sale price being realised.

While North American trade with the Orient has been practically at a standstill, virtually all of the shipping companies which traded in the North Pacific prior to the war have re-established service to Japan, Hong Kong and the Philippines. Your officers have concluded studies which indicate that the restoration of trans-Pacific operation with freight-carrying units of the fleet would be justified. Arrangements are being made to transfer two of the so-called "London" Beaver ships from the Atlantic to commence the proposed service. Schedules and ports of call are under consideration and are expected to be such as to provide a monthly service from the Port of Vancouver, scheduled cargo service on the Atlantic, an additional vessel of approximately the same capacity and speed as those remaining in this service will have to be acquired.

AIR LINES

Much of the development of natural resources at present taking place in Canada is in the areas serviced by the domestic routes of your Air Lines. Examples are the development of iron ore in Labrador, served from Seven Islands; nickel and copper at Lynn Lake, served from Flin Flon; uranium at Goldfields; lead and zinc at Pint Point; oil in the Peace River Country; lead, zinc and silver at Mayo Landing; the aluminium development at Kitimat; the Celgar Activity near Castlegar; and the very heavy development programme of Consolidated Smelters at Trail and Kimberley. The prospect for increased domestic traffic for your Air Lines is accordingly good. Application has been made to the appropriate authorities to permit an extension of existing Pacific Services to provide a through route from the Orient to South America.

The enlargement of your Air Fleet has been restricted owing to the difficulty of procuring equipment. However, it is expected that, during the next year, capacity will be materially increased by the delivery of six Douglas DC-6 B's and two De Havilland "Comet" aircraft. When this equipment has been delivered, your air lines will have fast passenger service to both Australasia and the Orient, and will develop freight services over the Pacific which, because of lack of aircraft, have not been undertaken to date. With the entry into Pacific service of these high speed transports, aircraft at present in this service will be available for use on domestic routes. To meet the increasing demands of these routes, it is also intended to acquire five additional planes at an early date.

WAGE NEGOTIATIONS, SETTLEMENTS AND LABOUR PROBLEMS

The principal features in connection with the various wage negotiations occurring in 1951 are referred to in the annual report. Negotiations commenced in February of this year for new contracts with most of the organisations representing employees engaged in train operations. Following a number of conferences with the representatives of the locomotive engineers on the prairie and Pacific regions a settlement was reached providing for an increase of 11½ per cent in wage rates together with a rule change favourable to your company.

The negotiations leading to this settlement indicated a sincere desire to conclude the matter by recognised processes of collective bargaining. It is a source of satisfaction that the new contract was signed and made effective on April 1, the date on which the then current contract expired. The new contract is to run for eighteen months.

Preliminary discussions were also carried on with other operating groups but as yet there are no developments to report. The proposals submitted by them for acceptance appear to be considerably in excess of those which might be justified by existing conditions. It is to be hoped that it will prove possible, as in the case with the engineers on the western regions, to reach agreements.

I think it appropriate here to remark that much has been accomplished since 1939 to improve the economic position of Canadians. That is as it should be, and no one can offer serious objection providing the betterment is supported by an improvement in productive effort. History records several instances where the effects of great prosperity in a country have resulted ultimately to the great detriment of its people. I suggest to you that the time has arrived when Canadians should sit back and consider their position. There is no question in my mind as to the future of this country but there is a doubt as to whether the continuation of what appears to be the present policy of decreasing the hours of work without a compensating increase in production will not have an effect on the future prosperity of Canadians directly contrary to our hopes.

FIRST QUARTER FOR 1952

In the first quarter of this year gross railway earnings were up by $9.6 million over the same period of 1951, largely reflecting the increase in freight rates. However, working expenses, which included the costs of the 40-hour week, increased slightly more, being up by $10.6 million. Freight traffic volume, in terms of gross ton miles was 13.5 per cent greater than in the first quarter of last year. Grain traffic has been substantially above the corresponding period of 1951 reflecting last year's large wheat crop, but carloadings of many other classes of traffic have not been as great as in the corresponding period of last year.

IMPORTANT PUBLIC SERVICE

Your company, through its railway, steamship and air transportation facilities, and its many and varied ancillary operations, renders necessary and important public services extending across the Continent and spanning the Atlantic and the Pacific. A large segment of the manpower of the country is directly employed in providing these services. Last year, more than 90,000 employees in Canada were on your payrolls. In addition, employment was provided for the vast numbers engaged in the production of the goods and services purchased by your company. In 1951, total purchases by your company exceeded $192 million. Of this amount $174.2 million was bought in Canada, $12.4 million direct from the United States and $5.8 million in the United Kingdom.

It will be of interest to you to know that of these amounts $50 million was spent on fuel and petroleum products; over $20 million was spent on steel products; $8 million on ties; $2.8 million on electrical material, and $2.3 million on the purchase of stationery. These, of course, are in addition to the large amount spent on rolling stock, motive power, and other requirements.

Your directors are confident that there is a full and vigorous part for Canadian Pacific to play in the future development of Canada, and are firmly resolved that this will be fulfilled with the same careful consideration for the best interests of the nation that has been evident in the policies of your company throughout the 71 years of its existence.

MUAR RIVER RUBBER COMPANY, LIMITED

POSITION IN MALAYA

SIR JOHN BARLOW'S SPEECH

The thirty-second annual general meeting of the Muar River Rubber Company, Limited, was held on May 6th at Plantation House, Mincing Lane, London.

Sir John D. Barlow, Bart, MP, the chairman, in the course of his remarks, said:

The profit for the year was £106,234 compared with £91,341 in 1950. Two interim dividends for 1951 have been paid amounting to 15 per cent, and it is not proposed to pay a final dividend. Taxation is estimated at £65,000 and it is proposed to place £20,000 to replanting reserve leaving a carry forward of £23,547.

Shareholders have been kept informed of our interest in Chamek Rubber Estates, Limited, a wholly budgrafted property giving satisfactory yields at reasonable costs. Last year Chamek was liquidated and reconstructed so that we now have invested £25,000 in a new company called "Chamek Plantations, Limited," and in addition we have received to date £100,000 from the liquidator. Under the circumstances the board decided to pay a capital cash distribution of 2.4d. (10 per cent) per share, which will not attract income tax from recipients.

The situation in Malaya has not improved after nearly four years. Murders and shootings are a frequent occurrence. Rubber planters live in defended compounds and move about in armoured vehicles accompanied by special constables. If it had been for the planters' determination to stay at their jobs, there would have been little hope of holding Malaya against the Communists.

GENERAL TEMPLER'S APPOINTMENT

General Sir Gerald Templer's appointment as High Commissioner is an encouraging sign that the British Government are determined to put an end to present conditions in Malaya. The "emergency" has not been treated with the energy that a virtual state of war should be treated. Government in Malaya and the United Kingdom must be ruthless in their determination to rid the country of Communists. Unless we show the peoples of Malaya that we can and will bring peace and security to their country we will not receive their support and co-operation, which is essential if we are to suppress the bandits.

Instead of trying to force down the price of rubber our friends in the United States should realise how much the economy of South East Asia depends on rubber. A fair price for rubber will ensure economic prosperity to many millions of Asiatic peoples and stop the spread of Communism.

In conclusion I should like to send a message of thanks to our staffs in the East.

The report and accounts were unanimously adopted.

MANGANESE BRONZE AND BRASS

HIGH LEVEL OF TRADING MAINTAINED

HEAVY COST OF PLANT REPLACEMENTS

ENCOURAGING RESULTS FROM DEVELOPMENT OF "NIKALIUM"

MR J. C. COLQUHOUN ON THE CONTINUED PROGRESS

The fifty-third ordinary annual general meeting of the Manganese Bronze and Brass Company, Limited, was held on May 8th at 63 Grosvenor Street, London, W1, Mr J. C. Budd presided in the absence abroad of the chairman and managing director, Mr J. C. Colquhoun, MBE.

The secretary (Mr W. K. Gibb, CA) read the notice convening the meeting and the report of the auditors.

The following is the statement by the chairman which had been circulated with the report and accounts:—

The profit for the year 1951 before providing for taxation and dividends was £327,292. This was after providing £82,926 for depreciation. The comparable profit figure for the previous year was £201,935 after providing £70,598 for depreciation. The charge for taxation of £200,000 is about £84,000 more than last year. Thus although the net profit before taxation is up by £125,357, the increase remaining after taxation is only £41,465.

Your directors recommend that a final dividend of 7d. per share be paid on the ordinary issued capital, making 9d. per share for the year. This compares with 7d. per share for the previous year if calculated on the same share capital.

In submitting the accounts this year we have added a separate statement under the title of "Financial Highlights," which shows the accounts in summarised form with a brief financial statement. I believe you will find that this makes the accounts more informative and more interesting. It shows, for example, that the year's earnings, after providing for taxation and preference dividends, were equivalent to 16.55d. per 5s. ordinary share and that the net cost of the year's ordinary dividends was 4.72d. per share. It also shows up the more important financial movements which I deal with briefly here.

The year 1951 had the same characteristics as 1950, namely, a high rate of trading accompanied by a high level of earnings, continuing inflation with still higher replacement costs and still more finance required for working capital.

HEAVY CAPITAL EXPENDITURE

Dominating all the figures is the amount of additional finance required—£581,817 over the two years and £240,117 last year. That includes the cost of replacements and improvements, alike necessary, and a very modest amount of expansion. This capital expenditure amounted to just over £100,000 in each of these years. The balance of additional finance required was needed to cover the higher price of stock-in-trade, where price increases more than offset a reduction in physical quantity, and also to cover debtors, which increased both with higher prices and with larger turnover.

I see no lightening in the heavy annual cost of plant replacements. On the other hand, the rate of increase in the amount of capital tied up in stocks and debtors—which drained our resources dry and led to the present overdraft of £178,131—has eased up considerably and should be negligible in the current year provided the prices of copper and zinc do not resume a major upward movement. Should metal prices drop to the end of 1949 level the capital released should amount to about £350,000. While metal price movements have a large effect on our cash resources, they have not so far and are not likely to have any large effect on profits. The accounts require no special treatment for that reason.

BALANCE SHEET FEATURES

In the balance sheet you will notice that net current assets or working capital for the first time exceeds the half-million figure at £549,086, an increase of £116,760 over the previous year. Current assets, consisting almost entirely of stocks and debtors, amount to £1,121,595 and current liabilities, including bank overdraft, amount to £572,509. Fixed assets have a gross value of £850,061, and it would, of course, cost considerably more than that to replace these fixed assets today. Therein lies one of the perplexities of accounting, that depreciation provisions can never in the end exceed original cost. The accumulated depreciation provision appearing in the balance sheet of £529,098 must inevitably be inadequate to meet replacement costs in this inflationary period, but we have in recent years increased the annual provision so as to make it appropriate to price levels ruling at the end of the year so far as it was possible to assess these. On that basis we increased the provision last year by over £12,000 to £82,926.

DEVELOPMENT OF "NIKALIUM"

On the marine propeller side of your business, situated at Birkenhead, I referred for the first time two years ago to the development of an alternative to manganese bronze which we originated many years ago, namely, "Nikalium," a nickel aluminium bronze. Though slightly more expensive than manganese bronze, this alloy has the advantage of greater strength and superior erosion-corrosion resistance. When I first mentioned this development to you we had used this alloy in twenty-five propellers of the smaller size, none larger than about three tons in weight. Our policy has been to increase the sizes gradually as we gained experience. We have now made, or have on order, 77 larger size propellers up to 10½ tons, in addition to a very substantial number of the smaller sizes, and I am pleased to say that the results to date are entirely satisfactory and very encouraging. An interesting sideline development in this alloy which has a promising future is in the manufacture of water turbine runners for hydro-electric schemes.

The total output of propellers showed a slight improvement over the previous year. The order book for propellers improved steadily during the year from the equivalent of a little more than one year's work to two years' work with deliveries spread over three to four years. The bookings have been predominantly for propellers to our "Scimitar" design, and in this connection I might add that we are now getting the full benefit of tests made for us with model propellers in the large cavitation tunnel at Durham University to which I referred last year.

Your Handford Works in Ipswich surpassed all expectations, especially in view of the fear at one time that the output of the extrusion and rolling mills would be seriously curtailed by metal shortages. As it turned out the earnings from this works actually showed an improvement on the previous year. The tonnage of orders in hand shows virtually no change since the beginning of last year, but there are indications that the demand for these products may ease up during the current year or that shortages may still have their effect. The main developments here have been and will continue to be in our special bronzes.

SUCCESS OF ELTON PARK FACTORY

The new Elton Park factory at Ipswich, with works sports fields adjoining, has proved a great success, but although output and earnings already show a substantial improvement we have not yet had the full advantage of added capacity on account of delayed deliveries of new equipment. We are, however, getting the benefit of better layout and better working conditions. This factory is devoted exclusively to the manufacture of "Oilite" self-lubricating bearings and other parts, continually increasing in variety, and all made from metal powders. There is every indication that this section of your business will be kept running to capacity at least for some months.

THE FUTURE

In regard to the future, there is very little I can add except in regard to the Excess Profits Levy, and other tax changes proposed in the latest budget. You will not, I know, expect me to give an estimate of their effect on this company until we have had an opportunity of studying the detailed proposals which, in due course, will be disclosed in the Finance Bill. It will, of course, inevitably add considerably to our difficulties of maintaining the company's real resources and of carrying out the capital expenditure programme which we believe is so necessary.

On your behalf I should like to extend our grateful thanks to the staff and work people who together have contributed as a team so effectively to the success of your company.

The report and accounts were adopted and a final dividend of 7d. per share, making 9d. per share for the year, was approved.

The retiring directors, Lt-Col S. J. M. Auld and Mr J. C. Budd, were re-elected and a special resolution amending the articles of association having been passed, the proceedings terminated.

THE CUNARD STEAM-SHIP COMPANY LIMITED

£15,325,000 FOR NEW SHIPS

STATEMENT OF THE CHAIRMAN

Mr F. A. Bates, chairman of the company, in a statement to stockholders for submission at the seventy-fifth annual meeting to be held on May 28th says:

In a sense, a Cunard chapter closes at the end of 1951 and a new one opens in 1952. The end of the war left the Cunard and associated lines with pressing needs to renovate ships which had survived the war and to invigorate our peacetime services with new tonnage to replace ships lost. A six-year programme of renovation of Atlantic ships was completed last summer and a number of new ships, both passenger and cargo, have been brought into the Atlantic schedules during the past five years. The Port Line have entered in the Australian and New Zealand trades thirteen new refrigerated ships; the Brocklebank Line, serving India, Pakistan and Ceylon, have added ten new ships. All are fast modern ships, splendidly equipped.

With the close of 1951 there pass into the next chapter contracts for three Mediterranean ships, two ships for Canada, three Port liners and three Brocklebank ships. Spread over 1952 to 1956, construction of these eleven ships is estimated to cost about £15,325,000. This is a considerable programme, but the contracts and building of specialised ships are unavoidably long-view projects.

Turning to the 1951 accounts, the operating surplus at £9,445,590 is in line with the run of recent consolidated years except for the peak year of 1950, which was subject to exceptional and complex factors. The surplus for 1951 at £3,351,937 is less than 1950 by £125,682, but the difference is no greater than might have been expected, and it is reasonably near the level of previous years. Bearing in mind the increase in operating costs, 1951 has done well to hold its own, but with tax computations such a heavy and intricate factor their incidence in any year makes real comparison ineffectual.

Income tax and profits tax at £3,693,000 for 1951 on top of £4,918,000 in 1950 are causing large sums to be paid out of the company when the computation on which the tax figures are based has no regard to the current cost of renewing ships. Outgoings on this scale without sufficient provision for renewal could endanger the company's replacement future. It is not the rate of tax, a heavy burden enough, that is injurious under present national circumstances, but the form of computation that is reckless of the continuing renewal of shipping assets whose life cycle it has been customary to reckon at twenty years.

DEPRECIATION ALLOWANCES INADEQUATE

No consideration in the accounts of a shipping company is more important than provision for wearing-out of tonnage. Official depreciation in 1951 at £2,475,930 is again notional. Depreciation allowances are out of line with the current price of renewing the tonnage of which the annual wearing-out should by sound principles of accountancy be charged against the annual voyage accounts. In consequence the computation of profit for tax purposes opens a tax drain-cock through which capital assets are irretrievably lost, instead of being conserved for building new tonnage to the company's and Britain's lasting benefit. A business could founder with a tax leak of this magnitude and so it remains an urgent matter to increase the reserves.

Reserves during the four consolidated years to 1951 have increased by £1,532,000. Reserve accretions of this magnitude reflect the inadequacy of the official depreciation allowances for the same period totalling £9,489,000. How far reserves on this scale will serve for renewal and maintenance of tonnage only the future can show. In the Cunard accounts estimated shipbuilding liability at £9,350,000 covers the two Canadian and three Mediterranean ships.

Excess Profits Levy remains an uncertain factor, but if the 1952 profits are on the level of 1951 the Cunard Group should not attract a serious liability for EPL.

The aim of the directors is to continue watchful of the needs of pension funds—in 1950 £350,000 was set aside, this year £300,000.

Recommended is a final dividend for 1951 of 12½ per cent, making 15 per cent for the year. An interim dividend of 2½ per cent is again declared for 1952.

The times are uncertain like the hazards of the sea. If the Cunard Company did not rate financial caution high in its navigation of the years it would not have left its century ten years or more behind it.

THE STOCKPILE MOOD

During the early months of 1951 there were rather lean voyages in the North Atlantic passenger trade, and the popularity of holiday cruising from New York was affected by the Korean war. Gradually the tension lessened, and later in the year the numbers of travellers in all classes were satisfactory. Under the same influence, for cargo it was the "Stockpile mood" from early year into the autumn. The stockpile mood exercises profound effects not always beneficial. It fills the ships for the moment, but like any control unregulated by the laws of supply and demand it has consequences that are unforeseen and detrimental to commerce.

By December last falls in most market prices had become definite or were forecasted and significant changes in the demand for general cargo space were evident ahead. In the case of the liners delay action has kept freight earnings good for the first quarter of 1952 but the situation is loose and with "Stop-Go" controls at each end of most trade routes the outlook for commerce is obscure. Too frequently the Export "Go" of one country is met by the Import "Stop" of the other. It is really a new "mood" the breeding of which might good-humouredly be called "By Stop and Go out of Control."

Passenger and cargo earnings in the first quarter of 1952 have improved on the corresponding period a year ago and cruising has also done better, but the rising cost of operation has to be met before an increased surplus is registered.

In the absence of any international complications, Cunard trial estimate for 1952 may be assessed as on the 1951 level during the summer season but thereafter it would be unwise to venture an opinion.

FAITH IN CANADA'S FUTURE

Our ships have long been in Canada's service and thousands of Canadians now engaging in her unbounded development may remember some early voyage in a Cunard or White Star ship. The expansion now in progress is offering opportunity for many more to make their homes there.

There is no better evidence of Cunard service to Canada than that in the five years ended December 31st we have carried 253,780 passengers to or from Canada and 2,143,587 freight tons of cargo.

With faith in Canada's developing trade contracts have been made for the building of two new ships, each about 20,000 tons gross, with service speed of 20 knots and designed to carry first and tourist classes of passengers.

Sir Ashley Sparks has announced his wish not to submit for re-election to the board. His hand has been a guiding influence in Cunard affairs in the USA for 35 eventful years in the company's history. As a senior member of the board his ready advice in our problems will be greatly missed.

Mr W. H. Brown, who retired from the executive post of deputy general manager at the end of 1951, has also signified his retirement from the board.

Mr John M. Brocklebank is a member of a family which has long figured in shipping history. Appointed a Cunard director in July, 1951, he now retires and submits himself for confirmation.

HIGH TRADITIONS OF SERVICE

Atlantic and Mediterranean—to visit the ships or sail in them—to meet the captains and ships' companies and to see their care for the successful performance of our company's service gives me much personal pleasure. They have all put in a hard year's work, maintaining the high traditions of the Cunard Company at sea, whether on the transatlantic service or cruising. On shore in our offices in the United Kingdom and Europe the management, technical superintendents and staffs equally spare no pains to give service to passengers and shippers, ably backed up as they always are by our passenger and freight agents. Last autumn I visited the company's American and Canadian organisations. Their enthusiasm is boundless and their efficiency has to be experienced to be realised.

Australia and New Zealand.—Mr R. H. Senior, deputy chairman of Port Line, has recently returned from an extended tour of the Port Line organisation there. He reports the managements, staffs and all agents are imbued with the desire to give satisfaction to all the trades for which their ships are so well equipped.

India, Pakistan and Ceylon—the Brocklebank Line, under Colonel D. H. Bates, the chairman, have been fortunate in their long history in their managements, superintendents and staffs. They are fortunate, too, in their agents at home and abroad and very experienced and skilful are their masters, officers and engineers. To all I send the company's greetings and thanks for their continuing support. There are no ventures to rival those of the sea and by the Grace of God no course is sounder than the compass setting to the Cunard horizon of joint endeavour.

"We are a friendly people" were the words used by His Late Majesty King George VI in his last broadcast on Christmas Day, 1951. It is this friendliness which is the essence of British trades and service of the seas. There is a goodly measure of it in all ships of Her Majesty Queen Elizabeth II's Merchant Navy and not least in the Cunard, Port and Brocklebank ships and in their offices. It is well stowed and carried ready for all our friends around the world whom we strive to serve.

CAMMELL LAIRD AND COMPANY, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

INCREASED DIVIDEND

MR J. C. MATHER'S REVIEW

The eighty-eighth annual meeting of Cammell Laird and Company, Limited, was held on May 5th at the registered office of the company, New Chester Road, Birkenhead, Mr J. C. Mather, the chairman, presiding.

The chairman, in moving the adoption of the report and accounts, said:

Ladies and gentlemen,—Before proceeding to the business of our eighty-eighth annual general meeting, I want to refer to the great loss which we have suffered by the death, on August 28, 1951, of Sir Robert Stewart Johnson, chairman and managing director of the company. Sir Robert came to Cammell Lairds in 1920, and rendered outstanding service to the company for 31 years. He was appointed managing director in 1922 and chairman in 1940, and in both these capacities steered the company through many difficult times to the satisfactory position in which he left it at his death. He was a man of great strength of character and tremendous energy, and was never afraid of saying or doing what he believed to be right. His knowledge of shipbuilding was unsurpassed and that, combined with a personal example of hard work and great charm of manner, earned the respect and affection of all with whom he came in contact. The memory of his selfless devotion to the company's interests will be an inspiration to us all in our attempts to follow his great example.

Your board has appointed Mr Robert White Johnson, who had served as assistant managing director for two years, to succeed Sir Robert as managing director. He has had the great advantage of several years of intensive training under his father, and brings to his task many of the qualities inherited from him. He will, I am sure, prove a worthy successor to Sir Robert. My colleagues have done me the honour of appointing me chairman, and I shall do my best to justify their choice.

I would like to extend a welcome to Mr P. J. D. Toosey, who has recently been elected to the board and therefore comes before you for re-election. Mr Toosey is a member of the firm of Baring Brothers and Company Limited and a director of several important companies, and brings a wide experience of business and finance which will be of great help to us in our deliberations.

I am glad to be able to report that we have again had a busy year in our shipyard, and in view of the many difficulties which we have had to face, I hope you will agree that the results are satisfactory. I would like to take this opportunity of congratulating the management, staff and workmen and thank them, on your behalf, for all the good work they have done to produce these results.

THE ACCOUNTS—ASSETS

I will now turn to the accounts for the past year, of which you will have received a copy. Dealing first with the assets, you will see that we have spent approximately £95,000 on additions to buildings, machinery and plant, and increased the valuation of loose tools by about £9,000. We have, however, written off the sum of £95,000 in order to provide adequate depreciation, so that the total book value of these assets has been increased by rather less than £9,000.

Investments in associated companies show a radical change in comparison with those of last year, our shareholdings in English Steel Corporation Limited having been taken over by the Iron and Steel Corporation of Great Britain, under the provisions of the Iron and Steel Act, 1949, and these no longer appear in our balance sheet.

The loan of £250,000 to Metropolitan-Cammell Carriage and Wagon Company Limited, which appeared in last year's balance sheet was repaid during the year.

Under current assets, stock-in-trade and work-in-progress are £2½ million higher than a year ago, and reflect not only the expansion in trade, but also the very considerable increase in costs with which the shipbuilding industry, in common with all other undertakings, has had to contend. A corresponding increase is shown in the amount of instalments received on account of work-in-progress.

The large increase in our holdings of British Government stocks is almost entirely due to the receipt of 3½ per cent British Iron and Steel Guaranteed Stock, 1979-81, in payment for our English Steel Corporation interests. During the year we have sold about £1 million worth of undated stock and invested the proceeds in a medium-dated security. This has resulted in a book loss (referred to in Note 1), but most of this loss will be recovered at the maturity of the dated stock if, as anticipated, the stock is held until that date.

Our bank balance at the end of the year exceeded £3 million, and you will be interested to know that we have since invested £1 million in a careful selection of short-term gilt-edged stocks and insurance, bank and industrial equities, which will add to our investment income for the current year.

LIABILITIES

Turning to the other side of the balance sheet, you will notice that the board proposes to increase the general reserve by the allocation of £200,000 from this year's profits, which, together with the £200,000 previously provided for taxation, but no longer required, as mentioned in Note 2, brings the total to £2,025,000.

Under other revenue reserves, your directors have deemed it advisable, in view of steeply rising costs, to increase our reserve for depreciation in the value of trading stocks by £60,000.

PROFIT AND LOSS ACCOUNT

In the profit and loss account, the increase of £227,000 in trading profit is principally due to the inclusion of a proportion of profit on work-in-progress. Although it is not intended, as a general practice, to vary the normal basis of accounting, you will have noticed from Note 6 on the accounts, that a change has been made this year. Your board feels that in the case of contracts which have been extended over an unusually long period, it is right and proper to bring into account a small proportion of the profit which has already been earned. The amount which has been brought into the present accounts is £150,000.

You will have seen from Note 7 that we have a claim against English Steel Corporation Limited for additional dividends for the period January 1, 1950, to February 14, 1951. This claim arises on the technical interpretation of the 1949 Iron and Steel Act. The amount claimed is a sum exceeding £1¼ million net, and we are advised that we have a good case. The claim has been disputed by the English Steel Corporation, and the question of pressing it depends on the larger policy decision to which I will refer later.

PROFIT AND DIVIDEND

The ever-increasing burden of taxation takes £777,000 (£211,000 more than last year) and represents over 60 per cent of our profit. The net profit for the year, after appropriating £60,000 to reserve for depreciation in the value of trading stocks and allowing for the increased profits tax on the proposed distribution, is £463,550, slightly less than last year. Your directors feel, however, that although the government has taken a larger share of the profits, which would otherwise have been put to general reserve, a transfer of £200,000 is reasonable on this occasion, and that the shareholders should derive some benefit from the increase in trading profit. They therefore recommend the payment of a final dividend of 11 per cent, making 14 per cent for the year, less tax.

I think you may be interested to know what happens to each £1 of revenue earned by the company, and I give you the following figures. Materials required for the carrying out of our work take 8s. 10d., which leaves 11s. 2d. to pay those engaged in the business, to put something to savings and to give the shareholders a fair return on their investment. Of this 11s. 2d., wages takes 6s. 3¼d., or 56.3 per cent and overhead expenses and depreciation 2s. 5¼d. or 22 per cent. That leaves 2s. 5d. out of each £1 as profit, but of this taxation takes 1s. 6¼d. and the remaining 10¾d. is divided between savings (4¼d.) and dividend (6d.).

ENGLISH STEEL CORPORATION LIMITED

As you are already aware, the company's holdings in the English Steel Corporation Limited were transferred to the Iron and Steel Corporation of Great Britain in exchange for British Iron and Steel 3½ per cent stock to the value of £6,827,396 15s. Our original investment was a valuable one, not only from the point of view of dividends received but also because of the many advantages arising from close association with an important steel producer. It now seems probable that we shall shortly be afforded an opportunity of re-acquiring our interest in the English Steel Corporation Limited, but you will not expect me to anticipate what our decision will be.

METROPOLITAN-CAMMELL CARRIAGE AND WAGON COMPANY, LIMITED

The Metropolitan-Cammell Carriage and Wagon Company Limited, in which your company owns a half interest had a satisfactory year, though shortage of steel and shipping prevented full use of its manufacturing resources, with the result that total deliveries were less than the record high level reached in 1950. While exports of railway vehicles to Commonwealth countries and Crown Colonies represented the greater part of the company's output, large deliveries were made to British Railways.

Deliveries of the latest design of light alloy coaches for the surface lines of the London Transport Executive have commenced, and further orders are anticipated for coaches built in this material.

Further export orders having been secured against increasingly severe competition from the Continent and elsewhere, the company has an extensive manufacturing programme for the present year including passenger coaches and goods wagons for railways in Africa, India, Ceylon, Malaya, Australia, New Zealand, Argentina and for British Railways.

Having regard to the essential need of railway rolling stock not only for the transport requirements of normal trade but also for defence purposes, the company has made strong representations for sufficient allocations of steel under the new distribution scheme for fulfilment of these important orders, seventy per cent of which are for export.

Large deliveries of 'buses were made to some of the principal operators in this country during the year. Shipments also commenced against contracts totalling 450 "Olympic" integral vehicles for Argentina, and output at an increased rate is planned to continue this year concurrently with 'buses for the home market where competition is increasing owing to a reduced demand.

The company's managing director, Sir Archibald Boyd, has recently made an extensive tour of Australia and New Zealand, a visit which will undoubtedly have a beneficial effect on Metropolitan-Cammell's business with those countries: and I would like to take this opportunity of thanking him and his colleagues for all their efforts on your behalf.

SHIPYARDS AT BIRKENHEAD

At our shipyards here in Birkenhead, we launched six ships totalling 69,100 gross tons and delivered six ships totalling 59,062 gross tons, including ships for the British Tanker Company Limited, Ellerman Lines Limited, the Booth Steamship Company, the Isle of Man Steam Packet Company, Lamport and Holt Line Limited and the Argentine Government.

Our ship repairing department has had a very busy year, carrying out repairs and refits on a total of 114 ships, which included the reconversion of the Festival of Britain ship "Campania" back to her original role of aircraft carrier. Conversion work on T.S.S. "Gothic" for the royal tour of Australia and New Zealand, which was referred to by my predecessor last year, was completed, and I am pleased to report that this work won favourable comment from the royal household.

GOOD PROSPECTS—FULL ORDER BOOK

We have a larger order book than ever before, and this includes orders from old friends and new customers both in this country and overseas. We have also been entrusted by the British Admiralty with a number of contracts in connection with the defence programme. Prospects must therefore be regarded as good, but the successful fulfilment of our contracts will be dependent on the receipt of regular and adequate supplies of raw materials, particularly steel.

Earlier in my speech, I conveyed our thanks to the employees of this company for the work which they have done during the year. This was not by any means a formality, because I know that the vast majority of our employees, both in the offices and in the yard, have worked hard and done a thoroughly good job. We want them to be well paid for this work and to look forward to a continually improving standard of living, but I feel that I must strike a note of warning. Any further increase in wages and salaries, without at least a corresponding increase in production, can have but one result and that is to put us out of the market. The only way to ensure continued prosperity and full employment in our industry, is to lower the cost of the ships which we build. I believe that we have already reached the point where our customers are beginning to wonder whether they can afford the prices which we are compelled to charge today.

EXCESS PROFITS LEVY

We cannot say yet what will be the effect of the Excess Profits Levy on next year's results. Whatever the effect, I think it is a bad tax, because it makes it still more difficult for industry and commerce to put to one side the savings which are essential to meet the inflated cost of maintaining and replacing their assets. We have in this company accumulated substantial reserves, but it would be a bold man who dared to say that they were adequate. We have a heavy programme ahead of us in the maintenance of our plant and the modernisation of our equipment, particularly in the ship repairing department, and the management is giving much time and thought to this problem. But many concerns, and particularly our customers, the shipowners, however large the so-called "profits" which they make (I prefer to call them "savings") are not allowed to keep enough to meet the cost of replacing their fleets. So much has been said on this subject that the Government must be well aware of the problem and we can only hope that they will do something about it. The country is in difficulties today because we are spending more than we earn and have virtually spent our savings as well. The Government has taken steps which we all hope will bring earning and spending into closer relationship, but the most important thing for the long-term welfare of the country is the building up of substantial savings to carry us through the difficult times which will certainly come.

The report was adopted.

HAMBROS BANK LIMITED

STABILITY DESPITE DIFFICULTIES

MR R. O. HAMBRO'S STATEMENT

The fortieth annual general meeting of Hambros Bank Limited will be held on Thursday, June 5, 1952, at the offices of the Bank, 41, Bishopsgate, E.C.2.

The following is the statement of the Chairman, Mr R. O. Hambro, circulated with the report and accounts for the year to March 31, 1952:—

The twelve months which have passed since I last addressed you have been full of difficulty for a business such as ours. The general depreciation of our currency throughout the world during the latter part of the late Government's term of office affected all classes of international trade and the necessary restrictions since imposed to try and rectify this have added to the problems which we and our customers abroad have had to face. The present Government is now applying the orthodox remedies of the use of the bank rate, cutting down subsidies and the operation of a sterner credit restriction policy, the effect of which is already becoming apparent and will in the long run restore confidence in our currency.

On the other hand, the deflationary effect of all this is bound to be hard on business at home, with the consequent danger of unemployment and industrial distress which are the inevitable results of deflation. However, of the two evils it must surely be wise to take the road of sound money where savings can be assured and where, though less money is earned, the income available can buy more of the necessities of life.

IMPORT RESTRICTIONS

It is unfortunate that, co-incidental with our present difficulties, drastic import restrictions are of necessity being imposed also by other members of the Commonwealth, which will mean a serious loss of markets to important branches of industry here, many of which are already beginning to feel the pinch.

The ultimate effect also of EPL cannot be overlooked, as, although this is a measure avowedly intended to restrict rearmament profits, it must in its present form inevitably affect to a greater or lesser degree all progressive sections of the country's commerce and industry.

SATISFACTORY POSITION

It is, therefore, very satisfactory that the figures of the balance sheet of the Bank show such stability in spite of the difficulties which I have mentioned. There has been a slight falling off of our acceptance business during the year but the previous year's figure was exceptional by comparison with that of the year immediately preceding it. The deposits are slightly up on last year and the liquidity position is very favourable. Altogether I have no hesitation in saying that the overall picture is one of strength and shows a sound and active business.

There has been no great change during the year in the geographical source of our activities. As always, our chief customers continue to be our Scandinavian friends and our business of long standing with our banking connections in Italy has been maintained. As a result of the new regulations for dealings in foreign exchange we have been able to give some activity to our accounts with American banks from whom we receive very friendly reciprocity and, naturally, it will be our endeavour to extend this branch of our activities in other directions as circumstances permit.

LARGER PROFITS

Since the last balance sheet we have added to the capital employed by the issue of 1 million new fully paid shares of £1 each the benefit of which has been available during the latter six months and this is reflected by the increased profit figure for the year of £382,106. This will allow us to recommend the same final dividend on the increased capital as was paid on the old.

The year ahead of us is obviously full of difficulties but with the support of our good friends at home and all over the world and the help of our staff, who have continued to give that loyalty and devotion which they have always shown, we are confident that the bank can not only maintain but increase its activities.

HAMBROS BANK LIMITED

Head Office: 41, Bishopsgate, E.C.2.

Statement of Accounts, 31st March, 1952

LIABILITIES	£
Current, Deposit and other Accounts	52,393,886
Acceptances	18,032,899
Paid-up Capital	3,000,000
Reserve	2,250,000
ASSETS	
Cash in Hand, at Bankers and at Call	25,306,505
Bills of Exchange	4,380,167
British Government Securities	10,620,313
Loans, Advances and other Accounts	15,051,734
Investments in Subsidiaries	2,285,167
Liabilities of Customers for Acceptances	18,032,899

COLVILLES LIMITED

INCREASED PRODUCTION OF PIG IRON

SHORTAGE OF SCRAP

SIR ANDREW McCANCE'S REVIEW

In the absence of the chairman, Sir John Craig, who is abroad on business, the following statement was made by the deputy chairman, Sir Andrew McCance, at the annual general meeting held in March, 1952:—

On former occasions when the accounts were published, it has been customary to make some comments on the results obtained and to record the progress and development of the company and its prospects. These are still matters of general interest and it is hoped that a few words of explanation on the balance sheet and accounts may be helpful.

ACCOUNTS

On February 14, 1951, the shares of the company vested in the Iron and Steel Corporation of Great Britain. In consequence of this change in ownership, the balance of profits unappropriated at the date of vesting and the surplus arising from the revaluation of the opening stocks, have been transferred to general reserve increasing that reserve from £1 million to £2,459,359. The unappropriated profits carried forward to next year have arisen from the results of trading since that date.

The close of the financial year of the company has been changed following a request from the Iron and Steel Corporation of Great Britain. It now ends on the Saturday nearest to September 30th in each year instead of December 31st as formerly. The accounts for 1951 therefore cover a trading period of only nine months instead of twelve months as in previous years.

INCOME TAX PROVISION

In such circumstances, comparison of the results with the previous year's trading is not easy. In particular, the amount carried forward to next year has been reduced by the decision to provide twelve months income tax from the profits of the nine months period, but the directors considered such a step necessary in view of Inland Revenue practice governing changes in the accounting period. The reduction in respect of the additional three months is shown separately in the accounts, and it is estimated in the case of Colvilles at £302,000 and of the group at £500,500. A better comparison is provided by the fact that the average gross trading profit earned each month during 1951 (£316,718) has been very similar to the average gross trading profit (£303,042) for each month of 1950.

I would ask you to note that the company have over £3,500,000 on loan at call to the Iron and Steel Corporation of Great Britain. This explains the difference in the cash position in comparison with that of last year.

It might be asked why the additions to the fixed assets shown in the accounts of Colvilles Limited during the year (£1,279,629) are more than those shown in the consolidated accounts of the group (£1,263,088). This difference is due to writing off the value of the melting shop at Blochairn Works in the books of the Steel Company of Scotland, as this shop was closed down during the period and will not again be brought into production.

Capital commitments for the group (£1,873,950) include the amount required for the completion of the new coke ovens at Clyde Iron Works and schemes of improvement mentioned later.

PRODUCTION AND RAW MATERIALS

Production from the Colville Group for the calendar year has been as follows:—

	1951	1950
Pig Iron	546,335	488,303
Steel Ingots ...	1,664,922	1,887,170

The output of pig iron increased over that of the previous year because all furnaces at Clyde Iron Works were continuously in blast throughout the period. Had it not been for a shortage of iron ore during the first half of the year and a continuous shortage of coke received from outside sources—a shortage which still persists—an even greater tonnage of pig iron could have been obtained. When the new coke ovens are in operation, the blast furnaces will be independent of outside supplies of coke and a definite benefit should be obtained from improved quality and from the fact that all our requirements will then be produced under the control of the company.

During the first half of the year steel ingot production at all the works of the group was well maintained, but an increasing shortage of raw materials, particularly scrap, began to be noticeable during the summer months. These shortages greatly reduced our steel production and increased our costs, and the use of stocks was forced to such an extent that by the end of the period they had been reduced to abnormally low levels.

SCRAP SITUATION

A shortage of scrap throughout the whole world has been a striking feature of postwar conditions. Britain has always been a large importer of scrap, and prior to the war no great difficulty was experienced in obtaining all that was required. Ships that carried our exports of steel and machinery to other lands found scrap a very suitable cargo to bring back on the return journey. North and South America and our Colonies contributed the major share of this trade.

The war interfered seriously with this exchange for two reasons: firstly, through attacks on our mercantile shipping and, latterly, through our inability to export civilian goods during the course of a struggle that was taxing our total industrial strength. Deprived of steel supplies from us, other countries began to promote schemes to make themselves self-sufficient in steel production, with the result that they now require for their own steel industries the scrap they formerly exported to us.

POSITION IN UNITED STATES

Perhaps the major change, however, took place in the United States, which in prewar times was a scrap exporting country. There, the rapid extension in the use of oil as fuel allowed American steelworks to melt a larger proportion of scrap in their open hearth furnaces than they had hitherto regarded as practicable. As a result, the United States is no longer an exporter of scrap. Indeed, American supplies are barely sufficient now for American needs, and in times of high demand imports are required to make up the difference. Since the war, supplies from Germany have met the demand in this country, but with the reduction in supplies from this source which is taking place the difficulty of finding alternative sources is becoming more pronounced. Scotland has traditionally been a large user of scrap, and this adoption of the technique of high scrap usage by other steel-producing countries has naturally been to us a matter of importance and concern.

The directors had foreseen that such trends were inevitable and for some years they have promoted plans to increase the production of pig iron so that a larger proportion of the ingots produced by the company could be made by the use of hot metal practice. The growth of Clydebridge and Clyde Iron Works has followed naturally as a consequence of that policy. A further extension of this line of development is more than ever necessary today, but postwar conditions have created new and unforeseen problems. The expansion of pig iron production requires more coking coal, and the production of coking coal in Scotland might well become a limiting factor if the development of available Scottish resources is not pursued with determination and urgency.

WORKS AND PLANT

The new coke ovens at Clyde Iron Works are nearing completion, but it will be a few months yet before they are in operation. The order for these ovens was placed 4½ years ago, and this illustrates the length of time now required for the construction of plant of this kind. The Clydebridge Melting Shop extension, agreed at the same time, is in full production and has proved of great benefit to the output at these works.

The second stage in the reconstruction of No. 4 Melting Shop at Dalzell Works is well under way, and it will constitute when completed a first-class and efficient modern unit for the manufacture of special quality carbon and other steels. The Bar Mill associated with this Melting Shop is also being rearranged after a most detailed study of its possibilities, and a very substantial increase in its capacity will be achieved with a minimum capital expenditure. A similar type of reconstruction is also in progress at the Merchant Mill at Motherwell, devoted to the rolling of light sections, whereby the judicious replacement of some plant units and the alterations of others the capacity will be increased and the rolling cost substantially reduced.

The high cost of new plant under present-day conditions makes it very necessary to study with care the possibilities of existing equipment. In some instances such plant can be effectively modernised to give greatly improved results for an expenditure which is low compared with the cost of a new installation. Low capital cost combined with a production cost which compares favourably with that of a new plant offers advantages that are likely to be even more important in the future than they are today.

The necessity for economy in fuel has been emphasised in previous statements on more than one occasion and a further step towards this end has been taken with the decision to electrify the 36-in. section mill of the Lanarkshire Steel Company.

Power will be supplied mainly from the enlarged power station at the same works, which utilises steam generated from waste heat. This station will ultimately absorb all

the production of such steam from both Dalzell and Lanarkshire works.

SUBSIDIARY COMPANIES

Our investment in subsidiary companies has been increased and now stands in the balance sheet at £2,549,356 against £2,061,856 last year. This increase arises from the purchase by the company from the Iron and Steel Corporation of Great Britain of the 6 per cent preference shares of the Lanarkshire Steel Company and the 5 per cent preference shares of Smith & McLean. Colvilles now own all the issued share capital of these companies.

All the subsidiary companies have been actively engaged throughout the year. Rearmament has made heavy demands on their capacity and there is every indication that this will continue during the present year.

The Blossend Engineering Works, which is run as a separate division of the Colville group, has now been fully equipped as a centre for the reconstruction and erection of the engineering plant required by the parent company and its subsidiaries. As an example of what this works can undertake, during the past year the cogging mills at Clydebridge and at Lanarkshire have been entirely reconstructed and they are now giving an excellent account of themselves in operation. These engineering facilities have proved of the greatest service in overtaking the repairs which were of necessity deferred owing to the conditions existing during the war.

STAFF

For many years the company has had in existence a superannuation scheme for the benefit of the staff and from time to time contributions have been required in order that the benefits which the staff could expect might be brought into line with the changing conditions of the day.

With the lowering in the value of money in this country, which has taken place since the war, the directors considered that a re-examination of the whole scheme was again due and this was carried out. They have made the changes recommended with special pleasure as the loyal assistance of the managers and staff in achieving the successful results of the company is a contribution which the directors gratefully appreciate.

The report and accounts were adopted.

POWERS-SAMAS ACCOUNTING MACHINES

CONTINUED EXPANSION

The annual general meeting of Powers-Samas Accounting Machines, Limited, was held on May 5th in London, Col. A. T. Maxwell, TD (the chairman), presiding.

The following is an extract from his circulated statement:

Trading conditions have not been easy in 1951, and we have had to contend with our fair share of problems, including shortages, both of manpower and materials. Nevertheless, these difficulties have been largely overcome, and results have been achieved which in the circumstances can be considered satisfactory. Both at home and abroad, the company's business continued to expand, and the total volume of orders received during the year attained an all-time record. In addition to a substantial increase in the business done in existing overseas markets, Powers-Samas equipment was available for the first time in the United States of America, Western Germany, Holland and Finland, all of which resulted in the quantity of our export orders in the period under review being 23 per cent greater by volume than in the previous year.

While the gross trading profit at £1,047,875 shows a slight increase against £1,040,401 in 1950, the profit available for appropriation and taxation is £49,203 less than the previous year. This is mainly due to the increase in the provision for depreciation arising out of the greater volume of machines on rental.

The taxation provision for 1951 absorbs £344,200 of the profit of £652,234, leaving available for distribution £308,034 against £361,437 for 1950.

The report and accounts were adopted.

THE ENGLISH ASSOCIATION OF AMERICAN BOND AND SHARE HOLDERS, LIMITED

PROGRESS IN ALL DIRECTIONS

The sixty-seventh annual general meeting of The English Association of American Bond and Share Holders, Limited, was held on May 1st at 5 Great Winchester Street, London, EC, Mr J. F. A. Swanston (the chairman) presiding.

The secretary (Mr C. R. Hardy) having read the notice convening the meeting and the report of the auditors,

The chairman said: Gentlemen,—Unless any shareholder signifies to the contrary, I will assume it to be the wish of the meeting that the annual report be taken as read. (Agreed.)

It has been a source of great satisfaction to all in these islands to watch the splendid progress of our sister country in the Commonwealth, Canada. The phenomenal development of her oil resources and of her minerals has filled us all with pride. Our keen regret is that circumstances have prevented this country from taking part in this work; and it has been left to that great and enterprising company, The Standard Oil Company of New Jersey, to be the pioneer in the development of the oil industry. With her great natural resources, and the wise statesmanship shown in the management of her finances, Canada's future is indeed an enviable one. The *Financial Times* issue of April 18th published an article on this subject, which we recommend to the attention of any interested person. American citizens are becoming increasingly interested in Canadian enterprises.

IMPORT TARIFFS

A section of manufacturers in the United States has recently endeavoured to popularise a movement for increasing import tariffs on British manufactures, which offer serious price competition with American products. Secretary of State, Mr Dean Acheson, has spoken very strongly to his countrymen against such action, damaging as it would be to Britain's efforts to close the dollar gap. Mr Acheson pointed out that such efforts, if successful, would inevitably have serious repercussions in the United States inasmuch as if Britain could not sell to America she could not buy from her. He has also pointed out if countries were to lessen their dependence on American Grant Aid, and to carry their share of military burden, it was necessary that they earned more dollars.

If we and our partners in the free world are to build the kind of economic and military strength we need for our security, we must all co-operate to reduce and minimise barriers to trade between us.

This may seem elementary, but it would appear that it cannot be too often stressed both here and in the United States.

"SPECIAL" CERTIFICATES SYSTEM

I have made a reference in most years to our system of "special" certificates as we call them, and may I, once more, explain this system. The original dollar share certificates, either Canadian or American, are registered in this association's name and endorsed in blank; they are then deposited with the Westminster Bank Limited. Against these deposited share certificates we issue our own certificates, bearing the counter-signature of the bank as custodians. Our own "special" certificates are issued in any name or names desired, and dividends are paid to the first name in an account or to any designated bank or other agent. The advantage of this system is that this association is in direct touch with the owner, whose interests are watched over. Thus in the event of new issues with prior subscription rights to shareholders, the association takes care that shareholders are promptly communicated with and their wishes as to selling subscription rights promptly dealt with. At the moment there are restrictions on subscribing for new dollar issues. Sometimes these rights have a high saleable value. If no instructions are received from holders of our certificates the rights are sold and the proceeds are paid to the certificate holder. Holders of our "special" certificates are entitled to any information derivable from our constantly revised records, free of charge.

Well, gentlemen, if I were to repeat the observations I ventured to make a year ago as to the prospects of the British investor purchasing dollar stocks I fear it would fairly represent the present situation; though those fortunate individuals who have been in a position to control a certain amount of dollars have been able to profit by that fact.

It is a satisfaction to place on record, in our annual report, our high appreciation of the work of our officers and staff, which has so materially contributed to the success of your association.

You will have seen from a perusal of the annual report that progress is shown in all directions, and that our reserves now exceed our issued capital. There is every indication that this progress will continue. The figures given in our report are so plain for all to see that I do not think any purpose would be served by my commenting thereon. I will therefore proceed to the formal business.

I beg to move:

"That the report and statement of accounts for the year ended December 31, 1951, be received and adopted, and that a final dividend of 10 per cent, namely £1 per share, be distributed, making with the interim dividend of 10s. per share, already distributed, a total of 15 per cent, less income tax, on the paid-up capital of the company."

Mr Leslie W. Farrow, CBE, seconded the resolution and it was carried unanimously.

The chairman proposed the re-election of Mr Hubert Smithers, OBE, the director retiring by rotation.

The Rt. Hon. Lord Ritchie of Dundee seconded the resolution and it was carried unanimously.

A cordial vote of thanks was passed to the chairman, which he suitably acknowledged.

The proceedings then terminated.

Orders and copy for the insertion of Company Meeting reports must reach this office not later than Wednesday of each week and should be addressed to:—

The Reporting Manager,
The Economist,
22 Ryder Street, S.W.1

COMMERCIAL UNION ASSURANCE COMPANY, LIMITED

CONTINUED PROGRESS

LT.-COL. JOHN LESLIE'S REVIEW

The annual general meeting of the Commercial Union Assurance Company, Limited, will be held on May 26th, at the head office, 24, Cornhill, London, E.C.

The following is an extract from the review by Lt.-Col. John Leslie, the chairman, of the report and accounts and balance-sheet for the year 1951.

Our results for the year 1951 have again proved satisfactory, although there have been some variations in the incidence of profit amongst the various sections of the business. It is perhaps desirable to remind the stockholders that a true picture of insurance results can only be obtained by looking at the figures for a minimum period of, say, five years, and it may be convenient to take a brief look at the progress of our company during the period since the ending of the war. During these years we have made consistently good profits, but in retrospect a more remarkable feature has been the great increase in the premium income.

I will now turn to the departmental accounts.

FIRE DEPARTMENT

Net premium income, 1951 ...	£21,270,843
Net premium income, 1950 ...	18,769,329
Increase	£2,501,514

The ratio of claims paid and outstanding was 41.44 per cent, commission absorbed 19.84 per cent, and expenses of management accounted for 22.23 per cent. After adjustment of the reserve for unexpired risks, there was an underwriting profit of £2,506,603, or 11.78 per cent of the premium income. The sum of £1,850,000 has been transferred to profit and loss account and the fire fund now amounts to £18,402,493 or 86.52 per cent of the premium income.

The premium income at home continues to grow and the results have been satisfactory. This expansion in premium income is, however, in part a reflection of inflationary conditions. Under-insurance, on the other hand, is still a feature, particularly in the case of householders, and I would take this opportunity of drawing their attention once again to the necessity for adequate insurance in view of the continuous rise in values in recent years.

We have constantly kept in mind the importance of our operations in overseas territories; we have endeavoured everywhere to maintain the standard that the world has come to expect of British insurance, and we have been gratified by the considerable expansion during the year of our business in many of these territories.

LIFE DEPARTMENT

	New policies No.	New policies Net sums assured	Annuities No.	Annuities Amount p.a.
1951	12,503	£16,664,048	4,959	£304,500
1950	12,081	17,002,441	3,306	197,394
	+422	−338,393	+1,653	+107,106

The gross sums assured totalled £17,443,069, compared with £17,712,084 in 1950, the slight drop from the record 1950 figure being due entirely to one very large group life assurance which appeared in the 1950 total. The average gross new sum assured per policy of £1,395 compared with £1,466 in 1950 and £1,152 in 1949, but owing to the increasing practice of issuing one master policy to cover a number of lives, average sums assured have less value as a method of measuring the improvement in life assurance cover. Substantial business was written during the year by our specialised pension schemes department, and the company's excellent terms attracted many inquiries for "top hat" arrangements for directors and senior executives.

During the year the life fund increased by £1,341,710 to £42,368,499, after making a tentative provision of £1,100,000 to cover depreciation of investments on a strict market price valuation, though it should be noted that by far the greater part of this special provision is necessitated by the fall in market value of our holdings of dated stocks of gilt-edged class For the first time in the company's history the net premium income in respect of life assurance policies has exceeded £4 million, the exact amount of £4,063,126 being £435,943 in excess of the 1950 figure.

MARINE DEPARTMENT

Net premium income, 1951 ...	£2,549,701
Net premium income, 1950 ...	1,761,329
Increase ...	£788,372

The claims paid and outstanding, after deduction of reinsurances and salvages, amounted to £1,558,463, and out of the profit of the 1949 underwriting year now closed the sum of £500,000 has been transferred to profit and loss account. The marine fund is increased by £212,767 and now stands at £3,665,831, or 143.77 per cent of the premium income.

ACCIDENT DEPARTMENT

Net premium income, 1951 ...	£20,440,921
Net premium income, 1950 ...	18,308,511
Increase	£2,132,410

The ratio of claims paid out and outstanding was 57.74 per cent, commission 18.10 per cent, and expenses of management 17.62 per cent. After adjustment of the reserve for unexpired risks, there remained an underwriting profit of £483,810, or 2.37 per cent of the premium income. The sum of £300,000 has been transferred to profit and loss account, and the accident fund now amounts to £13,665,597, or 66.85 per cent of the premium income.

With a full realisation of the importance to the company of restraint in dividend declarations, particularly at a time when we may be approaching more difficult trading conditions, the directors have reached the conclusion that a modest increase would be no more than consonant with the satisfactory state of the company's business and the strength of its reserves. Last year the total dividend was 8s. 6d. per unit of stock and an interim dividend of 4s. per unit of stock has already been paid in respect of 1951. The directors recommend that the final dividend for 1951 be 5s. per unit of stock, making a total for the year of 9s. per unit of stock.

The assets show expansion in all sections and reflect the world-wide growth of the business.

CALEDONIAN INSURANCE COMPANY

SATISFACTORY RESULTS

The one hundred and forty-seventh annual general meeting of the Caledonian Insurance Company was held on May 8th, at Edinburgh.

The following are extracts from the circulated statement of the chairman, Mr Henry J. Ross:—

LIFE DEPARTMENT

Our new business for the year was a record in the history of the company. The net sums assured amounted to £3,019,036 and deferred annuities for £106,120 per annum net were issued. These figures compare with £2,312,830 and £73,900 per annum respectively for the previous year.

The premium income increased by £61,009 and our net interest income at £349,102 was greater by £35,828 than the amount for 1950. I am pleased to report that the net rate of interest for the year was £3 9s. 3d. per cent, as compared with £3 3s. 11d. per cent last year.

Death claims showed a slight increase, which reflects the trend of our business, but our mortality experience was again favourable. Surrenders showed a slight decrease for the year. The ratio of commission and expenses to premium income was 16.2 per cent, as compared with 16.1 per cent in 1950.

The life assurance and annuity fund at £10,421,479 increased by £353,997 during the year.

FIRE DEPARTMENT

The premium income for 1951 was £3,304,365, an increase of £285,480 over the figure for 1950, which was the previous record for the department.

Our fire underwriting at home was again very successful, and in a year when unsettled conditions prevailed in many areas throughout the world it is satisfactory to know that our overseas department had a particularly profitable year's trading. Our results in the United States and Canada, however, were disappointing. After increasing the additional provision by £100,000, the sum of £307,461 has been transferred to the profit and loss account.

ACCIDENT DEPARTMENT

The premium income for the year showed further increase and the figure £2,451,725 is a record for the department,

Our underwriting in all sections other than motor was successful, but I regret to state that, owing to the heavy claims in that department, the account as a whole showed a loss of £37,546.

MARINE DEPARTMENT

The sum of £75,000 has been transferred from the account to the profit and loss account. The fund at £950,923 represents 165.5 per cent of the premium income, which percentage is very satisfactory.

TOTAL PREMIUM INCOME

The total premium income for all departments for 1951 was £7,255,211, which reflects the steady and continued development of our business.

PROFIT AND LOSS AND APPROPRIATION ACCOUNTS

The amount of interest, dividends and rents (less tax) not carried to other accounts was £116,632.

The balance for the year transferred to the appropriation account was £169,363 after providing for taxation and bad and doubtful debts.

THE EMPLOYERS' ASSURANCE

STEADY DEVELOPMENT

The seventy-first annual general meeting of The Employers' Liability Assurance Corporation, Limited, will be held on May 28th in London.

The following is an extract from the statement by the chairman, the Rt. Hon. Lord Courtauld-Thomson, KBE, CB, circulated with the report and accounts for 1951:—

The combined premium income of our group of companies for 1951 was £23,463,885, an increase of £2,533,155 on that for 1950. The results of our underwriting have again, on the whole, been satisfactory, except in the United States, where the outcome of the operations of the year was unfavourable. The result of our trading for the year was a loss of £335,332. This is reduced by a net credit for United Kingdom taxation and by the release of taxation provisions no longer required so that we have available, with the balance brought forward from last year, an amount of £792,753. The dividend for the year costs £161,604, leaving the carry forward at £631,149.

We again show a good increase in the premiums in the fire account, from £1,519,228 to £1,812,320 and the total profit rose from £147,712 to £165,184. Our overseas business continued to do well, while the results in the United Kingdom were again most gratifying. Our fire business in the United States is increasing steadily and shows every sign of developing satisfactorily.

Our premiums in the accident and general account have increased by over £2 million to £19,176,466. Our total motor premiums have increased, but our experience has been unsatisfactory, and the United States has provided us with the worst results of all.

WORKMEN'S COMPENSATION

In workmen's compensation insurance we show an increase from £4,493,589 to £5,032,765 in our premium income. In the United States this class, which has been profitable for us in recent years, took an unfavourable turn. In spite of these difficulties, it is satisfactory that we have, over the last three years, made about 5 per cent profit. This class has continued to be profitable generally in territories overseas other than the United States, but the unfavourable experience of employers' liability business in the United Kingdom has necessitated an upward revision of premium rates by the companies.

The rest of our premiums in the accident and general account amounted to £5,891,682, an increase of £462,311. These classes have, overall, continued to show substantial and profitable development.

In the United Kingdom we increased our total premiums by a further 12 per cent on those of 1950, but owing to the adverse motor experience the percentage of profit on the whole business was considerably lower. Our business in territories overseas, other than the United States, has again grown appreciably and produced a satisfactory margin of profit.

The Corporation's total investments at £27,755,525 show an increase of over £1 million on the year, and their market value at December 31st was in excess of their book value.

Although from time to time we are bound to pass through periods when even the care and skill of management and staff cannot avoid a disappointing result—as in 1951—insurance, and particularly British insurance, must remain an essential and, consequently, a live and developing factor in world trade and commerce.

ALLIANCE ASSURANCE COMPANY, LIMITED

FURTHER EXPANSION

The annual general meeting of this company will be held in London on June 4th.

The following are points from the review of the report, accounts and balance sheets for the year 1951 by the chairman, Mr Anthony G. de Rothschild:—

Life Department.—The net new business completed during the year amounted to £7,774,286, compared with £6,264,563 in 1950. The purchase money for immediate annuities amounted to £56,923, as against £54,860 in the previous year, and deferred annuities were issued for £147,682 per annum, as against £123,538 the previous year. Claims by death amounted to £692,690, as compared with £575,097.

Fire Department.—The net premiums amounted to £5,456,725 or £317,774 more than those of 1950. The claims, paid and outstanding, amounted to £1,621,084. The surplus amounts to £1,252,381.

Accident Department.—The net premiums amounted to £4,412,058, which is £536,094 more than the income for 1950. The result is a surplus of £362,227, compared with £443,934.

Marine Department.—The net premiums amounted to £2,519,892, an increase of £522,733 on 1950. The underwriting account for 1949 has now been closed, with a balance of £403,904, and after utilising £205,389 for claims falling on previous years, the remaining surplus of £198,515 has been transferred to profit and loss, compared with £131,312 last year.

Trustee Department.—The fees received by the trustee department for 1951 amounted to £16,500.

Investment Department.—The depreciation in the whole of our Stock Exchange securities was less than might have been expected, and in the case of the members' funds was amply covered by the previous margin existing between book and market values. In the case of the Alliance life and annuity funds however, where the previous margin was smaller, the book values at the end of the year exceeded the market values by a comparatively small amount. Nearly two-thirds in value of the portfolio consists of securities with definite dates of redemption and that over a period these will automatically increase in value by very much more than the amount of the present depreciation.

DIVIDEND INCREASED

Turning now to the profit and loss account, the following appropriations have been made:—£200,000 to the staff pension trust funds, of which £25,000 relates to the fund of a subsidiary company, £22,000 to the widows' and orphans' fund, and £105,279 to writing down the book values of Stock Exchange securities held by subsidiary companies. In addition to these appropriations, £200,000 has been transferred to the additional reserve in the marine department.

The board also feel that in view of the general uncertainty of the present times, it would be desirable to set up a contingency reserve which could be used for any particular purpose which time may show to be necessary. They have accordingly decided to appropriate £500,000 for this purpose.

Finally, it has been decided to increase the dividend to 22s. per share, less income tax, An interim dividend of 10s. per share, less income tax, was paid in January last and the balance will be payable in July next.

GENERAL ACCIDENT

The sixty-sixth annual general meeting of the General Accident Fire and Life Assurance Corporation, Limited, will be held on May 28th. The following is an extract from the circulated address by the chairman, Sir Stanley Norie-Miller, Bt, MC, JP:

Once again there is impressive evidence of continued vigorous progress. The net income from all sources amounted to £35,169,541, an increase of £3,675,872. The balance for the year was £1,165,929 as compared with £1,265,422. The directors recommend a final dividend of 3s. per share, making the total dividend 5s. per share as against 4s. 6d. The net new life business completed during the year passed the four million pound mark.

In the accident and general account the premium income at £28,776,652 shows a further substantial increase of over £3 million. The transfer to profit and loss of £266,950 is a considerable diminution on the figure of £843,559 for 1950. Motor business, which is preponderant in this account, continues to give cause for anxiety, and in most parts of the world where we operate has failed to produce even a modest return. In the fire account the year has again been most satisfactory. Our net premiums have trebled in the past six years, and in 1951 exceeded £3 million.

The development of the marine account has been continued on conservative lines. The fund at the close of the year represents 124 per cent of the premium income.

PROFIT AND LOSS ACCOUNT: After making reserves, pension funds and dividend appropriations, the balance carried forward is slightly increased at £449,812.

The balance sheet clearly demonstrates the solid strength of the Corporation, and we can look forward to the future with every confidence.

THE LIVERPOOL AND LONDON AND GLOBE INSURANCE COMPANY LIMITED

CONTINUED EXPANSION

Record Fire, Accident and Marine premiums, at £26,174,680, and record new life business at £7,268,722, were figures given in a statement issued by the chairman, Col. A. C. Tod, CBE, TD, DL, with the one hundred and sixteenth annual report and accounts of The Liverpool and London and Globe Insurance Company Limited.

Underwriting profit, £1,079,238, or 4.12 per cent, was not so favourable as in 1950 (£1,206,236, or 5.33 per cent) but the result was satisfactory and had been bettered only twice in 115 years.

The profit, impressive in total, was less than 2d. for each £1 of premium received after payment of taxes and other outgoings.

More than three-quarters of the premiums came from abroad, emphasising the tremendous value to Britain of the company's overseas' operations. The chairman stressed that this business was based on confidence. It was disturbing to find in many lands a lack of confidence in Britain's financial state, arising very largely from the inconvertibility of the £ sterling. To set this right, he trusted the country would not flinch from trying to follow the hard course. Failure to do this, it seemed to him, would inevitably reduce still further the invisible exports upon which the country's trade balance so much depended.

A final dividend of 17s. 6d. is recommended, making 35s. for the year.

BABCOCK AND WILCOX, LIMITED

RECORD TURNOVER AND TRADING PROFIT

MR W. LIONEL FRASER'S REVIEW OF WIDESPREAD INTERESTS

The fifty-third annual general meeting of Babcock and Wilcox, Limited, will be held on May 29th, in London.

The following is an extract from the statement by the chairman, Mr W. Lionel Fraser, CMG, which has been circulated with the accounts:

After setting aside sums for depreciation, providing for UK taxation and making other adjustments, the balance standing to the credit of profit and loss account is £2,059,103. Your directors now recommend that a final dividend of 7½ per cent, less tax, plus a bonus of 3 per cent, less tax, be paid on the ordinary stock, absorbing £276,521, making 18 per cent for this year.

Your board also recommend that the sum of £800,000 be transferred to general reserve, making this £5,672,586, and that £150,000, as last year, be transferred to research and development reserve.

In addition, it is recommended that an amount of £291,461 be appropriated to contingencies reserve, to cover a possible fall in the value of stock of merchandise. This reserve will then stand at £1 million.

Your directors have given special attention to the subject of replacement costs of plant and machinery and a sum of £659,253 is therefore shown on the balance-sheet as a capital reserve.

EXCESS PROFITS LEVY

I will make only a general reference to the proposed excess profits levy, as it is obviously impossible at this time to give any indication regarding its effects on the profits of your company. Suffice it to say, the levy is, in my opinion, a bad tax for many reasons, particularly in its incidence. We are all fully conscious that the country needs additional revenue if the present level of expenditure is to be maintained, but we hope that eventually some equitable means will be found of raising it. If the Government intend to encourage industrial efficiency, as I am sure they do, the Finance Bill will call for considerable amendment in the forthcoming committee stage.

The past year has again been a successful one, both turnover and trading profit showing handsome increases over the previous period, and those themselves constituted a record in the history of the company. The production facilities of your various works have been still further developed during the year and your board are encouraged by the increasing productive capacity, proving that the long-term plans which were put into operation immediately after the war have been fully justified. To-day our rate of output has increased to a point where we shall be able to manufacture plant far more quickly than has been the case since the end of the war. This is vital, not only on account of the necessity of meeting demands at home, but also to compete even more successfully in the export markets of the world. As is well known, our export business has always been considerable, but it is of supreme importance to expand it to the utmost in view of the nation's present economic troubles. We are confident that continued improvement in efficiency of manufacture will enable us to meet increasing world competition, both in regard to price and delivery.

INTERESTS IN THE COMMONWEALTH

Australia.—In spite of the difficulties which have been encountered in Australia in recent years, and which the Dominion is still facing, your company there, Babcock and Wilcox of Australia Pty., Limited, has extended its activities, and the works at Regents Park, Sydney, are being re-equipped and expanded to meet present day demands. They have a substantial order book.

New Zealand.—Since the war we have continued to receive valuable orders from this Dominion.

Canada.—Your company's interests in Canada are maintained by its associated company, Babcock-Wilcox and Goldie-McCulloch, Limited. This company, with its works at Galt, Ontario, has made great progress in the past few years, and I feel sure will continue to assist the economic growth of Canada.

Union of South Africa.—Babcock and Wilcox of Africa (Pty.), Limited, have almost finished the construction of a manufacturing plant in the township of Duncanville, Vereeniging, and it is expected that manufacture of component parts for boiler plant will commence by the middle of 1952. These works will undoubtedly play a considerable part in the industrialisation of Africa. The African company is also responsible for the sales, erecting and service organisation in Northern and Southern Rhodesia, Nyasaland and Kenya.

India.—Babcock and Wilcox of India, Limited, continues to show progress.

Pakistan.—In Karachi we have a branch office which supplies the necessary sales, erecting and operating services in that territory.

HOME SUBSIDIARY COMPANIES

The subsidiary companies at home continue to work well. In particular, let me again underline the success of the "Oldbury" Stoker, manufactured and marketed by Edwin Danks and Company (Oldbury), Limited, the demand for which has grown so much that it has been found necessary for the company to open a new works at Dudley.

GENERAL REVIEW AND PROSPECTS

Nobody who has any experience of administering a big, world wide, industrial company, calling for highly skilled engineering and most careful planning, can deny that the task is formidable in existing circumstances. In this country, we are, at this moment, in an economic crisis which threatens our very livelihood, and perforce industry and commerce are faced with immense problems, complications and drawbacks. Our own main obstacles at present are shortages of raw materials and delays in delivery of key components. Strenuous efforts are being made to meet this situation, and I can assure you that the management is inspired with an absolute determination to overcome all seeming difficulties and to press onwards to greater achievements in the future. I am glad that we are catching up to some extent on our order book, and this can only be in the national interest. As far as we are concerned, it will certainly act as an incentive and stimulant to our whole organisation. I am satisfied that your company is in a thoroughly sound condition and I promise that we shall be relentless in our endeavours to keep your company where it at present is—in the forefront of the steam generating plant section of industry, upon which in its turn a great proportion of industry is so much dependent. If we proceed in this way, I do not doubt that we shall render useful service to the community, and be able to report good progress next year.

BLAW KNOX LIMITED

CONTINUED WORLD-WIDE DEMAND

The annual general meeting of Blaw Knox Limited was held on May 8th in London, Mr J. Theodore Goddard (the chairman) presiding.

The following is an extract from his circulated statement:

The profit for the year after providing for taxation is £121,028. During the year under review progress was maintained in all departments of the company, unfilled orders being greater than at any previous time.

The "B.K. Fifty" excavator and "B.K.12" motor grader have continued to win favour, particularly in overseas markets, and these new products increasingly contribute to the company's turnover in construction machinery. Important contracts have been placed with the company for the supply of its regular products for rearmament and a high proportion of unfilled construction machinery orders are for export.

The company's transmission tower department continues to make a substantial contribution to electric power schemes both in this country and overseas. Contracts have been secured from Canada, New Zealand, India, Pakistan, South Africa, Uganda, Columbia, etc., and, in addition, valuable orders have been obtained from the British Electricity Authority for transmission towers for their 132,000-volt lines as well as towers for their 275,000-volt lines from Clyde's Mill to West Melton, Tilbury to Elstree and Staythorpe to Elstree.

Our steelworks department maintains its high reputation in the industry both at home and abroad. The substantial orders which the company has in hand rank high for priority of materials. This is important in present conditions.

EXPANSION OF MANUFACTURING FACILITIES

We have substantially completed the installation of a gear cutting section and heat treatment plant at our Rochester Works. These additions will contribute to an improvement in production as gear cutting has been one of our more serious bottlenecks due to the limited gear cutting capacity in the country.

While we had hoped to extend the workshop space at our Watford Works to expand our Excavator production, the Town and Country Planning Authority has withheld permission. The necessity, however, for expanding production remains, and ways and means for achieving this are under consideration by your board.

The delay and difficulty in obtaining materials during the year under review and the consequent unbalanced position of our manufacture has resulted in output being curtailed with adverse effect on our costs of production. The position today affecting the supply of materials is very little better. You may be sure that your board will see that the best use is made of the materials available and thus keep production at the highest possible level.

The world-wide demand for the products of the company continues and it is regrettable that material shortages should so decisively limit the company's progress.

A feature of our accounts is the reduction in our cash resources. A year ago our cash and tax reserve certificates amounted to £459,888, whereas at December 31, 1951, they were £180,259, a reduction of £279,629. All this has been used in financing capital expenditure and stock-in-trade.

The report was adopted and a dividend of 30 per cent was approved.

RALLI BROTHERS LIMITED

RECORD TRADING RESULTS

MR JACK VLASTO ON AN EXCEPTIONAL YEAR

The annual general meeting of Ralli Brothers Limited will be held on May 30th at Winchester House, Old Broad Street, London, E.C.

The following is the statement by the President, Mr Jack Vlasto, which has been circulated with the report and accounts:—

Sir Strati Ralli has, unfortunately for us all, carried out his intention of retiring and since January 1st we have been without his invaluable services. He is greatly missed by directors and staff alike, especially by those in London. At a memorable office gathering in December we all endeavoured to convey to him our appreciation and gratitude for all he has done for the company and for those who serve it, and we expressed our warmest wishes for a long and happy retirement.

Our secretary, Mr J. H. Johnson, will, I am sorry to say, also be retiring shortly. He has filled his arduous office with distinction since the company was formed in 1931, and leaves with our best wishes. Fortunately he will still be available to us in a consultative capacity.

By necessity the directors' report on this occasion is somewhat lengthy. The many changes reflected in the company's balance sheet and the consolidated accounts of the group require the amplification which it provides.

THE YEAR'S RESULTS

In view of the optimistic forecast which I made on this occasion last year, you will have been expecting to see exceptional results in the accounts now presented. The consolidated trading profit of £3,166,533, before tax, is not only a record to date, but one likely to take a lot of beating in the future. Our 1950-51 year covered a period of great activity and rising prices for most of the commodities we handle. The opportunities presented by these conditions were successfully grasped, almost all sections of our business giving good results. The strain imposed on our financial and especially on our physical resources by a £65 million turnover was considerable. The greatest credit is due to our managers and our staff of all categories, here and overseas, for the efficient and indefatigable manner in which the large volume of work of all kinds was smoothly accomplished.

At August 31, 1951, when our year closed, commodity prices stood at inflated levels and were very vulnerable. In dealing with the profits for the year we have, therefore, been mindful of the need for caution and of the difficulties with which we would be faced in a period of falling prices. We have accordingly strengthened our reserves, in particular our stocks valuation reserve, which now stands at £550,000, and on which we will not hesitate to call should the need arise. It is pleasing to note that our specified revenue reserves now total £2,600,000 and that "other capital reserves" at £620,479 have been free, some of our trading profits having been used for eliminating the tag previously attached. The £520,000 taken from share premium reserve in November for the issue of 520,000 new Ordinary shares has thus been virtually replaced.

A SPECIAL DISTRIBUTION

In view of the favourable results, our staff received certain exceptional bonus payments during 1950-51. In addition, as you will notice from the directors' report, £75,000 has been earmarked for the benefit of existing provident funds and other retirement arrangements. This sum will be disposed of in due course as the executive committee may decide. We do not feel, however, that the interim dividends already paid are an adequate return to our equity shareholders from this bumper year despite the fact that the ordinary dividend, after the one-in-ten bonus, really represents 12.1 per cent as compared to 11 per cent previously. A special distribution of 2½ per cent on the Ordinary and of 7.6 per cent on the "A" shares will, therefore, be the subject of a special resolution and is intended as an exceptional payment to mark an exceptional year. The £53,200 involved by this payment to shareholders will be taken from "other capital reserves" and from that portion which consists of the accumulated surpluses over cost from sales, made over many years, of redundant fixed assets. These payments, we are advised, will therefore be free of liability to tax in the hands of the recipients.

CURRENT YEAR'S PROSPECTS

In venturing to comment on the prospects for our current year 1951-52, I cannot, unfortunately, continue so cheerfully. Thanks to a good volume of satisfactory forward business on the books at September 1st and, subsequently, to excellent earnings from one of our major artiles, the year began well. Until the end of December, in fact, our merchanting profits and turnover made a brave effort to keep within reasonable distance of the figures for the corresponding periods in the previous year. In February the recession in world trade made itself felt very abruptly and, since then, commodity prices have been declining sharply in the absence of demand. In certain cases we have been unable to escape heavy loss on our working stocks and this has eaten deep into our earlier profits. While, for the main part, the reliability of our buyers is not in question, we are still shipping goods which we sold—and bought—at prices far above current levels and some anxiety is inevitable until all this business is worked off.

Our subsidiary companies, as a whole, look like having very favourable results for 1951-52.

Shareholders will shortly be receiving a copy of an illustrated booklet which we have prepared with the object of giving them an impression of the nature of our business. I hope it will be found interesting.

MAJOR NEW DEVELOPMENT

This year we are embarking on one major new development. In association with the Industrial Development Corporation of Pakistan, with His Highness the Aga Khan and members of his group in Pakistan, and with James Mackie and Sons, Limited, of Belfast, we are participating to the extent of Rs. 43 lacs (£465,000) in The Crescent Jute Mills Company, Limited, a Rs. 1¼ crore company (£1,625,000) formed to own and operate a 500 loom jute mill to be erected at Daulatpur, near the new port of Chalna, in East Pakistan. The mill should be in full production in 1954 and, with its strong and widely experienced backing, should have a successful future.

OLDS DISCOUNT

EXTRACTS FROM THE CIRCULATED STATEMENT OF THE CHAIRMAN, MR W. A. OLDS

The accounts for 1951 again show a further advance. Assets now total over £5¼ million and reserves together with issued capital £1,377,771.

We have a wide range of methods for providing facilities in non-luxury trades which will assist in countering falling sales and dwindling employment. By these methods our resources have been kept fully employed and this appears likely to continue.

Our association with the "Tube Investments" Group has proved highly satisfactory, and a large turnover has been established by the jointly owned company, "T.I. Cycle Credit Facilities Limited."

We are anticipating other forms of development, and hope in due course to extend our activities overseas.

RECORD OF PROGRESS OVER LAST 7 YEARS

	Profit before Taxation	Ordinary Dividend Paid (Net)	Profit Retained after Taxation
	£	£	£
1945 ...	53,873	15%10,100	15,273
1947 ...	121,169	20%20,832	37,562
1949 ...	161,030	20%30,938	27,192
1951 ...	215,363	20%37,800	31,488

The 20% Ordinary Dividend paid for 1951 represents 7.36% (gross) on the Ordinary Stock and Reserves.

BIRMINGHAM RAILWAY CARRIAGE AND WAGON COMPANY, LIMITED

RECORD RESULTS

The ninety-eighth annual general meeting of this company was held on May 6th at Birmingham, Sir Bernard D. F. Docker, KBE, JP, chairman, presiding.

The following is an extract from his statement circulated with accounts for 1951:—

The results for the year constitute a record. The balance of £396,149 from the trading account reflects an increased sales value and the benefit from the work of earlier years.

The achievement of our company in 1951 which gives me greatest pleasure is that the value of our output exported created a fresh record, export sales exceeded home sales and by a very substantial amount. The countries to which we exported in 1951 were Argentina, Australia, Ceylon, Egypt, Hong Kong, India, Iraq, Malaya, Mauritius, Nigeria, South Africa and Tanganyika. A very impressive list I am sure you will agree.

At home, in addition to carriages and wagons for the British Railways Executive and carriages for the London Transport Executive, we delivered the new Golden Arrow train for the Pullman Car Company's special Festival service.

For the immediate future the difficulty with metal supplies will have its effect upon results, but I am hopeful that the trouble will be steadily overcome, and I have every confidence in the longer term prospects.

The report and accounts were adopted and the proposed dividend of 10 per cent less tax, on the Ordinary shares was approved.

THE TELEGRAPH CONDENSER COMPANY

ALL PREVIOUS RECORDS SURPASSED

The nineteenth annual meeting of The Telegraph Condenser Company Limited was held on May 1st in London, Mr P. V. Hunter, CBE, Hon. MIEE (the chairman), presiding.

The following is an extract from his circulated statement:

In my last statement I indicated that the prospects for 1951 were reasonably satisfactory; I was not able, however, to anticipate the unprecedented demand for our products which developed during the year. Incoming orders, both in volume and value, were the highest ever recorded in the company's history. Fortunately, due to the progress of the development and expansion programmes, the company was once again able to exceed, by a substantial margin, all previous output records. Thus we were able to satisfy, in the majority of cases, the greatly increased requirements of our customers.

SALES

The company's turnover exceeded that for the previous year by a very substantial amount, in spite of an acute shortage of certain important raw materials. Every effort was made to make good deficiencies of home produced materials by purchase abroad, and the consignments which overseas supplies made available to us, contributed in no small measure to providing peak production in our factories, but was insufficient to permit of any substantial stockpiling.

Sales to overseas customers were higher than in 1950, itself a record year, notwithstanding increasing international competition and restrictions upon imports imposed by various foreign governments. Conditions have steadily become less favourable, however, and, in spite of all our efforts, it may not be possible to maintain our export turnover at the same level during 1952.

Despite substantial increases in direct and indirect costs of manufacture, the increased turnover, both at home and abroad, which once again broke all previous records, enabled the company to achieve the highest trading profit in its history.

During the last quarter of 1951 and during the first few months of the current year there has been a marked falling off in requirements for our products within the radio industry. The substantial increase in the rate of Purchase Tax, imposed upon radio and television sets by the April, 1951, Budget, was a severe blow to manufacturers in this highly competitive industry.

Although we have started this year with a reasonably satisfactory order book, I hesitate to forecast what effect the inflationary trends in the country may have upon the turnover and profits of this business, which caters largely for a semi-luxury market. The likelihood of profits being maintained at the 1951 level is remote, since this was an exceptional year in all respects.

In conformity with your board's policy of bringing issued capital more into line with capital employed in the business your directors propose that £50,000 of the undivided profits of the company should be capitalised, such sum being applied in paying up in full 100,000 new ordinary shares of 10s. each which would be issued credited as fully paid up to ordinary shareholders in the proportion of one new ordinary share for every four ordinary shares held.

It is hoped to hold the necessary extraordinary general meeting to effect such proposal early in June next.

The report was adopted.

JOSIAH PARKES AND SONS, LIMITED

(Manufacturers of Union Locks and Builders' Hardware)

FURTHER SUCCESSFUL TRADING

The annual general meeting of Josiah Parkes and Sons, Limited, was held on May 2 at Willenhall, Staffs, Mr C. W. Parkes, JP, chairman and joint managing director, presiding.

The following is an extract from his circulated review: The accounts for the year ending December 31, 1951, reflect another successful year's trading in the course of which the company has earned considerably higher profits than in the previous year. During 1951 we reaped a full year's benefit from the extensions and reorganisation referred to in my last review, and in addition the South African subsidiary company has, for the first time, contributed towards the group profits.

The net profit on trading was £198,681, which is again a record, compared with £119,601 earned in the previous year. Taxation absorbs £97,149, leaving a net retainable profit of £101,532, as against £46,082 in 1950.

We have spent a further £6,280 on buildings and £30,219 on plant, a total of £36,499, but we are also committed for further expenditure of £54,000 in this direction. Among current assets, stocks are higher by £96,402 and debtors by £37,658, reflecting the higher turnover and in the case of stock, higher price levels. In current liabilities the amount due to creditors is up by £25,785 and taxation provision is £21,499 higher. The surplus of liquid assets is £306,635, compared with £213,660 a year earlier, an increase of £92,975.

DIVIDEND AGAIN 15 PER CENT

We are again recommending a final dividend of 10 per cent, making a total for the year of 15 per cent, the same rate as was paid in 1950. Having regard to the cash position and our future commitments the board felt that no change should be made and the opportunity has therefore been taken to plough back a substantial portion of the year's profit. The effect of this decision is shown in the balance-sheet by the increases in the general reserve, now equal to the paid up capital, and in the carry-forward on profit and loss account.

During the year it was considered desirable to increase the paid up capital of the South African company by transferring £30,000 from the balance outstanding on the loans and advances account and applying this amount in payment for shares.

IMPROVED EFFICIENCY

In the Willenhall factory there has been a continued improvement in efficiency. Greater use has been made of the very extensive facilities for manufacturing provided during the past five years, which has enabled us considerably to increase our output. The increased profit earned by the parent company is almost entirely due to these conditions, the ratio of profit to turnover being practically unchanged from earlier years.

The international situation is still very obscure, and overseas trading, which bulks large in our economy, is extremely difficult in many markets.

During the past year material supplies have been very difficult, but while the restriction on steel supplies may affect us to some extent, we do not anticipate any serious repercussions on the output of the factories because of material shortages.

The report was adopted.

BRITISH ENKA LIMITED

RECORD YARN PRODUCTION

MR A. D. CARMICHAEL ON TRADING CONDITIONS

The twenty-seventh annual general meeting of British Enka Limited was held on May 2nd in London, Mr A. D. Carmichael, CBE (the chairman), presiding.

The following is an extract from his circulated statement. The net profit for the year 1951 amounted to £419,415, compared with £300,241 in 1950. The directors recommend a dividend on the stock of 10 per cent.

The satisfactory profit for the year results from higher operating efficiency, from a substantial increase in production, and from the use of lower-priced raw materials bought earlier in a rising market. Throughout the year we were able to operate to full capacity and to sell all our production.

As reported last year, in view of the severe cuts in supplies of sulphur from dollar countries, in order to assure our future supplies, we joined with several other large producers of rayon and other chemical users, in a project for the production of sulphuric acid from anhydrite, which is indigenous. We have agreed to take up 81,081 shares of £1 each at par in the United Sulphuric Acid Corporation Limited, a company with a subscribed capital of £1,200,000. We have also agreed to take up to a further 81,081 shares of £1 each at par, if the cost of the undertaking should exceed the initial share and debenture capital raised. Production is due to start in 1954-55, and, when the plant is in operation, we should receive at reasonable prices excellent quality sulphuric acid entirely from home sources independent of imports of sulphur.

Although it does not affect the year under review, it is appropriate to mention that early in 1952 the company acquired the whole of the issued capital of Breda Visada Limited, of Littleborough, Lancs.

TRADING

In my speech a year ago I referred to the curtailment of supplies of sulphur and its derivatives, so vital to our production. The allocation granted to us by the Board of Trade was insufficient for our requirements and for a short period we were compelled to curtail yarn production. We were, however, able to make limited additional purchases of sulphur and acid at very high prices. This enabled us to restore the cuts and thereafter we increased our output, so that over the whole year we produced more yarn than ever before in the history of the company.

A severe recession, affecting the entire textile industry, spread in the autumn from the USA to the Continent and is now affecting this country seriously.

It is impossible to forecast how long this state of trade will last. We have maintained our production to capacity for the first quarter of 1952, although conditions have forced us to put some yarn into stock.

The directors' prudent policy of creating substantial reserves and building up the strength of the company has been justified by recent events and has helped us to stand the stress of the present days.

Rayon yarns provide a raw material, of excellent quality, at an outstandingly cheap price. They can be manipulated with great efficiency and provide the masses of the people with good quality, attractive clothing and fabrics at moderate prices. For industrial purposes, particularly for the tyre trade, rayon has become well established and has proved its worth.

The report was adopted.

INSTITUTE OF CHARTERED ACCOUNTANTS

CHANGING PRICE LEVELS IN RELATION TO ACCOUNTS

The seventy-first annual meeting of the *Institute of Chartered Accountants* in England and Wales was held on May 7th in London

Mr C. W. Boyce, CBE, the president, in the course of his address, said:

I need hardly remind you of the differences of opinion among business men and among accountants—and indeed among members of the Council—on the subject of accounting in relation to changes in the purchasing power of money. While not wishing to embark on a controversial discussion today, I would like to say how glad I am that this important matter is to be on the agenda of the International Congress. It is fitting that it should be so, for this problem affects all countries at the present time in greater or lesser degree and is, perhaps, the subject which is most frequently debated among accountants of all nationalities.

The Institute Council was one of the earliest bodies to examine and give its views upon the matter in the much discussed Recommendation XII published early in 1949. This complex subject has been under close review by the Council and in committee for many months past and, at its meeting today, the Council has authorised the publication of a further statement on the subject for the benefit of members. The statement is being printed and should be ready for issue to members in the very near future.

HISTORICAL COST BASIS LIMITATIONS

It cannot be emphasised too strongly that the significance of accounts prepared on the historical cost basis is subject to limitations, not the least of which is that the monetary unit in which the accounts are prepared is not a stable unit of measurement; in consequence, the monetary results shown by accounts prepared on the basis of historical cost are not a measure of increase or decrease in wealth in terms of purchasing power. Nor do the monetary results necessarily represent the amount which can prudently be regarded as available for distribution, having regard to the financial requirements of the business.

At the same time, the alternatives to historical cost which we have so far examined appear to be full of serious defects and the logical application of some of them would have social and economic repercussions going far beyond the realm of accountancy. We do not, therefore, feel justified at this stage in advising that a departure from the historical cost basis should be made in preparing annual accounts for shareholders, though we consider that fuller information should be given to the shareholders as to the estimated effects which changes in prices have had upon the affairs of their businesses, and we recommend the building up of reserves to reflect those changes. We also recommend experimenting with methods of measuring the effects of price changes on profits and financial requirements and the inclusion of a statement of the basis of the calculations if the results of these experiments are published as part of the documents which accompany the accounts. We have stated in our memorandum to the Royal Commission that if it were decided to give some measure of taxation relief to businesses in respect of the financial effects of rises in prices, the method we would favour for doing so would be to give relief on retained profits.

As I have said, the defects in the alternative proposals so far examined are serious and we should not minimise them. At the same time, they should not deter us from further study of the problem. The International Congress in June will give us the opportunity of hearing the results of experience and research in the various countries from which delegates are coming to the Congress from overseas, and after it is over the Council proposes to invite other professional bodies to join with it in such a further study.

BRITISH ALUMINIUM COMPANY LIMITED

INCREASED DEMAND

The annual general meeting of the British Aluminium Company Limited was held on May 6th, in London.

Mr R. W. Cooper, OBE, MC (the chairman) said that while the profit represented an increase, the net profit after taxation did not provide a sufficient margin for the maintenance and normal expansion of their capital assets. The overwhelming burden of taxation which had to be borne by industry in this country at the present time was placing them at an ever increasing disadvantage in relation to their competitors in many countries overseas where more generous and often special depreciation allowances made it possible for profits to be ploughed back into industry in the form of new plant and equipment.

PRICE VARIATIONS

During the year the fixed Government price for virgin aluminium had remained at £124 per ton, but had been increased to £148 per ton on January 1, 1952, and again to £154 per ton on April 1st last. Apart from the inevitable variations in price of their semi-fabricated products made necessary by those changes in the price of ingot, they had been able to retain a very great degree of stability in the price of such products, although minor adjustments had had to be made to cover increases in wages and other materials and services outside their control.

The demand for their products, particularly sheet and strip had increased greatly throughout the year quite apart from defence requirements and it was disappointing that they should be so heavily restricted in metal supplies at a time when so many new uses for their material were taking such promising shape. They had, however, a picture which gave them great confidence in the continued development of the use of their metal after the completion of the current rearmament programme and they looked forward to the day when they could turn their whole resources to the service of normal progress. They also looked forward to the day when they could direct more of their efforts to the building up of their export business which had of necessity been curtailed at the Government's request owing to the shortage of ingot metal and to defence requirements.

LARGER INCOME

The total consolidated income for the year was £3,445,871 which was an increase over the previous year of £1,254,375. The fixed assets amounted to £18,099,110 as compared with £17,437,113 a year ago. The sum of £538,324 had been set aside for depreciation reserve and after adjustments the reserves now stood at £5,532,530. The excess of current assets over current liabilities was now at the very satisfactory figure of £8,640,278 which was a further increase over last year of £2,061,616. The total amount of the revenue reserves was £7,358,768 as compared with £6,455,239 a year ago, an increase of £903,529.

The directors recommended a final dividend of 6 per cent, which made 10 per cent for the year, and a cash bonus of 2 per cent on the ordinary stock.

He had informed the directors that he felt he must retire at the end of the current year. Viscount Portal of Hungerford had agreed to succeed him as chairman.

The report was adopted.

THE SEA INSURANCE COMPANY LIMITED

PROGRESS IN ALL DEPARTMENTS

The seventy-sixth annual general meeting of The Sea Insurance Company Limited, was held on May 6th in Liverpool. A statement by the chairman, Major A. Harold Bibby, DSO, DL, had been circulated with the report and accounts for the year ended December 31, 1951.

The total premium income for the year amounted to £3,859,887, of which £1,841,794, or 48 per cent, was derived from the non-marine departments.

The marine, aviation and transit account for 1950 has been closed by a transfer to underwriting suspense account of £548,075, leaving a profit of £205,979, which has been transferred to profit and loss account. Claims due to theft and pilferage have shown little or no reduction over the previous year and cargo rates are still weak.

The fire department has increased its premium by £317,227 and now stands at £1,198,532. A profit of £71,992 has been transferred to profit and loss account. Fire losses were substantially heavier than in the previous year.

The accident department premium income totalled £643,262, on which a small profit of £7,004 was transferred to profit and loss account. Motor business continues to be unprofitable, and the high cost of repairs and court awards to third parties combine to obliterate the profit in this department.

While all sections of our business have increased in volume, the highest increase has arisen in our American agency under the progressive management of our old friends, Messrs Chubb and Son.

WHY do so many businessmen, economists, accountants, subscribe to the INCOME TAX DIGEST AND ACCOUNTANTS' REVIEW? It is because this monthly journal is practical, authoritative, and a real help to those who have to deal with Income Tax, and Trustee or Funds administration, etc. Annual Subscription 21s. post free; overseas 23s. Specimen current copy 2s. on application to The Secretary, The Fiscal Press Limited, P.O. Box 45, St. Albans, Herts.

CANADA.—Top executive (40) seeks responsible post in Canada. Exceptional experience in engineering industry including finance, administration, factory organisation, sales and service. Adaptable to any type of business.—Write Box 931.

MARKET RESEARCH.—Ford Motor Company Limited of Dagenham, Essex, require man aged not more than 30 as Assistant. At least two years' experience, preferably in motor industry. Economics degree a strong advantage. Good starting salary and prospects; non-contributory pension. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.—Reply to Salaried Personnel Department, quoting reference EMR.

EFFICIENCY IN BUSINESS.—An Exhibition of the latest books on all aspects of business administration and management is open until June 6th, from 9.30 a.m. to 6 p.m. daily, at C.B.C. LONDON BOOKSHOP 6, VICTORIA STREET, S.W.1. Tel.: WHI 4011.

NATIONAL BANK OF EGYPT

Incorporated in Egypt.
Liability of Members is Limited.

Head Office - - - CAIRO
Commercial Register No. 1 Cairo.

FULLY PAID CAPITAL - - £E.3,000,000
RESERVE FUND - - - - £E.3,000,000

London Office:
6 & 7 KING WILLIAM STREET, E.C.4
Branches in all the Principal Towns in EGYPT and the SUDAN

REFUGE
ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE WILL SAFEGUARD THE FUTURE

OXFORD UNIVERSITY EXTENSION LECTURES COMMITTEE
International Graduates Summer School
July 5th-August 16, 1952
"BRITAIN AND THE MODERN WORLD"
examining British Commonwealth, Colonial, Economic and Foreign Policies in the Twentieth Century. Lectures and seminar groups. British graduates accepted for three or six-week periods.
Prospectus from:
Oxford University Extension Lectures Committee,
Rewley House,
Wellington Square
Oxford.

THE ALEXANDRIA WATER COMPANY, LIMITED
PAYMENT OF DIVIDEND
At the Annual General Meeting of the Company held on April 23, 952, the dividend of Fifteen Shillings per £5 share proposed by the Directors was declared but it was decided that only Ten Shillings f this amount should be paid as from May 1st, leaving payment of he balance in abeyance until the position regarding the effect of the ublic Utilities Concessions law (law 129 of 1947) is clarified with he Egyptian Government. In accordance with this decision notice hereby given that a dividend of Ten Shillings per £5 share on oupon No. 125, less Egyptian Government and Alexandria Municipal axes amounting to 1s. 11.37d. will be paid on and after May 1, 1952, the National Bank of Egypt in Alexandria at Rue Toussoun, or in ondon at 6 King William Street, E.C.4.
United Kingdom tax at the standard rate will also be deducted from ividends paid in London except when coupons are accompanied by affidavit of non-residence in the United Kingdom.
Net profits for the year ended December 31st, 1951, £168,000 (last ar £168,000).
Dated, Alexandria, Egypt, April 23, 1952.
By order of the Board,
ROBERT WALTON, Managing Director.

SUEZ CANAL COMPANY
NOTICE is HEREBY GIVEN that the Annual General Meeting of areholders will be held at the "Salle d'Iéna," 10 Avenue d'Iéna, ris, on Tuesday, June 10, 1952, at 2.30 p.m.
Holders of not less than twenty-five shares who are desirous of ing present or represented at the Meeting must prove at the Head ice of the Company, 1 rue d'Astorg, Paris, before 2.30 p.m. on Thursday, June 5, 1952, that they have deposited their shares with the Company or with any of the Company's appointed Agents.
Shares may be deposited in London with Messrs N. M. Rothschild and Sons, who will in due course deliver a card of admission for the Meeting.
Le Directeur Général,
MICHEL HOMOLLE.

EXHIBITION OF BOOKS ON INTERNATIONAL RELATIONS (English, American, French) at BOOK HOUSE LIMITED, 7, Whitehall, S.W.1, 10-5.30, Saturdays included; open to June 7th.
COMPREHENSIVE but economical service offered by independent print consultant, London, for designing and printing home and export brochures and advertising literature.—Box 940.
CONTINENTAL HOLIDAYS—not "organised" or mass produced but arranged as you or your friends may want. Spain—10 days from £24 13s. 6d.; Brittany—10 days from £16 10s. 6d.; Italy—15 days from £27 11s. 6d.; also the Rivieras, Paris, Austria, Switzerland, and other countries. Write for brochure or 'phone.—Business & Holiday Travel Ltd., Grand Buildings, Trafalgar Square, London, W.C.1. Whitehall 4114/5.

MURRAY-WATSON
LIMITED
Advertising & Marketing
Home and Overseas
58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9
DUDLEY, WORCESTERSHIRE. DUDLEY 3162

TRADING OR ESTABLISHING in CANADA or the WEST INDIES?

If you are trading with or contemplating establishing a plant in Canada or in the West Indies, we can be of help to you.

Through 345 branches across Canada and 23 in the West Indies, we can provide information on business conditions, exchange regulations, exports and the establishing of branch plants.

Your enquiries will receive prompt and courteous attention.

THE BANK OF NOVA SCOTIA
108, Old Broad Street, London, E.C.2

Established in Canada in 1832 with limited liability.

THE CUNARD STEAM-SHIP COMPANY LIMITED

NOTICE IS HEREBY GIVEN that the Seventy-fifth Annual General Meeting of The Cunard Steam-Ship Company Limited will be held in Cunard Building (Fifth Floor), Pier Head, Liverpool, on Wednesday, May 28, 1952, at eleven o'clock a.m.

(1) To receive and consider the Statement of Accounts for the year ended December 31, 1951, with the Reports of the Directors and Auditors.

(2) To sanction the declaration of final dividend for the year 1951.

(3) To elect Directors in place of those retiring, who, being eligible, offer themselves for re-election.

(4) To confirm re-appointment of Auditors and to fix their remuneration.

(5) To consider, and if thought fit, to pass the following resolutions as special resolutions:—

(1) "That Clause 3 (G8) of the Memorandum of Association of the Company be amended by deleting the words 'and holding any salaried employment or office in the Company or such other Company.'"

(2) "That Article 104 of the Company's Articles of Association be amended by deleting the words 'and holding any salaried employment or office in the Company or such other Company,' and the words 'holding any such employment or office.'"

By Order of the Board,
H. EAVES, Secretary.

Offices: Cunard Building, Liverpool. May 8, 1952.

Note.—A member entitled to attend and vote is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not also be a member.

DOMINION OF CANADA
THREE-AND-A-QUARTER PER CENT REGISTERED STOCK, 1958-63

For the purpose of preparing the Interest Warrants due July 1, 1952, the BALANCES will be STRUCK at the close of business on June 3, 1952, after which date the Stock will be transferred ex-dividend.

For Bank of Montreal, Financial Agents for the Government of Canada in London.
A. D. HARPER, Manager.

47, Threadneedle Street, E.C.2. May 1, 1952.

PROVINCE OF QUEBEC
FOUR-AND-A-HALF PER CENT REGISTERED STOCK, 1954

For the purpose of preparing the Interest Warrants due July 1, 1952, the BALANCES will be STRUCK at the close of business on June 3, 1952, after which date the stock will be transferred ex-dividend.

For Bank of Montreal,
A. D. HARPER, Manager.

47, Threadneedle Street, E.C.2. May 1, 1952.

CITY OF BLOEMFONTEIN
FOUR PER CENT INSCRIBED STOCK, 1954
CITY OF JOHANNESBURG
THREE AND A HALF PER CENT INSCRIBED STOCK, 1958-63
CITY OF PRETORIA
THREE AND A HALF PER CENT INSCRIBED STOCK, 1953-58

NOTICE is HEREBY GIVEN that in order to prepare the Warrants for Interest due July 1, 1952, the Balances of the several accounts in the above-mentioned Stocks will be struck on the night of June 1st next, and that on and after June 2nd the Stocks will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas) (London Registrars of the above Stocks),
G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2. May 6, 1952.

CITY OF BLOEMFONTEIN
FIVE PER CENT INSCRIBED STOCK, 1960

NOTICE is HEREBY GIVEN that in order to prepare the Warrants for Interest due June 30th next; the Balances of the several Accounts in the above-mentioned Stock will be struck on the night of May 31st, and that on and after June 1st the Stock will be transferable ex-dividend.

For Barclays Bank (Dominion, Colonial and Overseas) (London Registrars of the above Stock),
G. A. D. HARRISON, Manager.

Circus Place, London Wall, E.C.2. May 6, 1952.

POSTAL TUITION for B.Sc. ECON.

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 765 Successes at Lond. B.Sc. Econ. Final Examinations, 1925-51.

Prospectus from the Director of Studies, Department P17
WOLSEY HALL, OXFORD

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, May 10, 1952.

SIR ROBERT

McALPINE

& SONS

Civil Engineering and Building Contractors

McAlpines are the most highly mechanized firm in the Industry today. The total plant used averages 16 H.P. per man, and reaches a peak of 53 H.P. on some contracts. This means speed with efficiency at the lowest possible cost.

80 PARK LANE · LONDON · W.1

AREA OFFICES IN SOUTH WALES, MIDLANDS, TYNESIDE & SCOTLAND

The Economist

Established 1843

May 17, 1952 One Shilling

SECRETARIAT MADRAS GOVERNMENT

LEADING ARTICLES

...ymoon Over - - - - - 421
...n or Eastern Community? 423
...ez and the Sudan - - - - 424

...ES OF THE WEEK - - - 426
Labour's European Policy; German Threat...s German; The Unions and Rearr...ment; Mischief in *Le Monde*; Request for Restraint; Verdict for the BBC; Demand in the World Economy; Labour's Local Victories; Confessions Acc...g to Pattern; Atomic Artillery; ...ment Pains; New Trials in ... Cases; Defamation in the Dol... Dollars to Spend; An Agreement ...rieste; A Good Case Spoiled; A ... Economists; Shorter Notes.

...S TO THE EDITOR - - 434

... AND PUBLICATIONS - 435

...CAN SURVEY
...gn Aid Over the Sticks - 440
...ket for Music - - - - 441
... in Suspense; Credit Unrestrained; ...s Back to Normal; Policemen in ...k; Queue for the Escape Clause; ... Notes.

...ORLD OVERSEAS
...tate Under Stalin - - - 447
... A Step Forward; Soviet Dose of ...tion; Nationalism in Morocco; New ...goslav Constitution.

THE BUSINESS WORLD
...ort Finance off the Rails - 457
...eement in Wheat - - - 459
...ms for EPU - - - - - 463

...SS NOTES - - - - - 465
... and A Splash; The Decline in ...; Concessions in Purchase Tax; ...loyment Still Rising; Sterling Rate ...s; Retail Trade in March; Control ... for Rubber?; France's Gold ... ICFC's Steady Expansion; ... Newsprint; "D" Scheme and ...re; Wool Consumption Rising; ...a's Import Policy; Marks and ... Dividend; Tax Relief for the ...e"; Cuts in Aviation Spirit; ... Notes

...ANY NOTES - - - - - 476

...ISTICAL SUMMARY - - 478

...ANY MEETINGS - - - 479

Vol. CLXIII No. 5673
...CONOMIST, 22, Ryder Street, St. James's, ...n S.W.1. *Telephone:* Whitehall 1511.
...NNUAL POSTAL SUBSCRIPTION £3
...d as a Newspaper. Entered as Second Class Mail ...t the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Honeymoon Over

THE borough elections have confirmed the county elections. Between them they have left very little room for doubt that the Conservative party has lost popularity among the voters since it won the parliamentary election last autumn. The significance of these local elections can easily be exaggerated; the poll was everywhere light, and the seats that the Conservatives were defending were those they won three years ago, when it was a Labour government that was suffering unpopularity. The shift in public opinion since last autumn is probably small. But a small shift would be enough, if there were another general election today, to put Labour back in power. Mr Churchill and his colleagues must be regarded, at least for the present, as a minority government.

When it is formulated in words, their answer to this demonstration is as firm as could be desired. They always knew that the original measures forced on them by the state of the country would be unpopular; they have a mandate to govern for the life of this Parliament; and they will be judged by the state of affairs that their policy brings about after it has been fully developed, not in its opening stages. That is the true doctrine of parliamentary government. The logic of it is that Ministers, so far from being daunted by evidence of their unpopularity, should seek to make themselves still more unpopular—that is, they should hurry on with their unpopular measures, since time is the only enemy they fear.

But logic has never counted for very much in politics, and it is not counting for very much today. When it is formulated in actions, the answer of the politician in power to an election lost is to falter and to compromise. The concessions that Mr Butler has made this week on the purchase tax show the principle at work. They are not very large concessions; they will not cost him very much, and by the same token they will have very little effect (except to impose inventory losses on the retail trade). But they show how a government that is conscious of weakness has to give way to pressure. And, in their small way, they show how a government that is diverted from its policy now weakens the chance that the policy will pay off—electorally or in any other manner—in three or four years' time. For the purpose of bringing the British economy back to health and strength, Mr Butler's Budget erred on the side of weakness and his surplus was too small. If he believes in his own principles, he must know that to court a little popularity now by giving away a little revenue is to reduce the chances of winning the general election when it comes.

There is another reason for doubting whether the doctrine, so firmly proclaimed, that the Conservatives mean to stay in office for several years and to shape their policies towards vindication at that time, will in fact be carried out. The physical strain upon them is very great. One Minister has already resigned on grounds of health; and several back-benchers have already, at this early stage in the Parliament's life, announced that they will not seek re-election. The Government, it is

true, has not once been in real danger in the House of Commons and from the technical point of view it could no doubt live through a number of sessions as it is living through this one. But the human strain is great. It is still the presumption that the Tories will stay the course; but it is still only a presumption.

*

This is unfortunate. It would be unfortunate in any case, since the country has lived in an electioneering atmosphere for the best part of three years and a sense of stability is badly needed. But it is doubly unfortunate because of the behaviour of the Labour party since the election. Readers of *The Economist* will know that we never regarded the conduct of the Socialists while in office as being perfect; but it was a great deal better than their behaviour since they shed their responsibility. They display an arrogance, a consciousness of superior intelligence and virtue, far exceeding the self-praise normal to political life; it would be painful to watch even if the bystander could discern any justification for it. Not only in their speeches for the gallery but in their inmost thoughts (so far as they can be guessed from the revelations that peep out in speech and conduct) they are unwilling to concede any honesty of purpose or any competence in execution to the half of the nation that differs from them. They have made it clear that they will not give the Government a fair chance. It may be said that the Tories started the game of obstruction in the last Parliament. But there is a vital difference between a five-year-old administration which by its own confession has exhausted its programme, and a party coming newly into office with a list of publicly announced measures to carry through.

Moreover, the Socialists' attitude in opposition in this Parliament goes much further than anything the Tories did in the last. They threaten total repeal of everything the Conservative government enacts. It is, of course, the right of every incoming government to repeal such parts of its opponents' legislation as it finds, on experience, to be really obnoxious. Hitherto in British parliamentary history that right has been exercised with moderation; and it is essential that it should be so. The Tories are certainly exercising moderation in this respect; they are not proposing to alter very much of the mass of legislation that Labour piled up between 1945 and 1951. Yet on each issue that has yet come up, the Socialists have said that, when they come back to power, they will restore every word and comma that the Tories repeal; and they accompany the declaration with threats of reprisals against citizens who venture to deal upon the basis of an Act of Parliament or co-operate with the Queen's Government. In the present electoral state, these threats may be effective; but they are no less monstrous for that. This sort of attitude is not fair play. If it is persisted in, the British Constitution will become unworkable. If anything would justify the Tories in giving the House of Lords back its powers of veto, this would be it. Those who value the traditions of British parliamentary life cannot but be appalled by the present attitude of Labour.

Furthermore, it is not only in its parliamentary tactics that the Labour party is laying itself open to criticism. The extent to which its policies have, in six months, degenerated into irresponsibility is equally alarming. The two men who injected some content of realism and responsibility into Labour's policies in office were Ernest Bevin and Stafford Cripps. If their respective teachings can each be summed up in a single phrase it would be that British foreign policy must be based on the unity of the free western world and specifically on common action with the United States, and that there are limits to the extent of the welfare state that present-day Britain can afford. Both these principles are in process of repudiation by Labour. The Cripps principle has already gone. However skilful the dialectics with which Mr Gaitskell attempts to reconcile the decisions forced upon him by his back benchers with the policy that he and his predecessor followed in office, the fact remains that Labour has nailed to its mast the flag of unlimited welfare. Mr Marquand, himself the first to impose charges in the health service, has promised to repeal all charges; and there has been no hint in the budget debates of any willingness on Labour's part to consider any total of food subsidies lower than the sacred figure of £410 million. As for the Bevin principle, it has not yet been formally thrown overboard; the Labour front bench contrived this week to avoid the division that would have proclaimed the break. But since the national executive of the party has adopted a policy which, in its effects, would be plainly contrary to the policy hitherto consistently pursued by every Foreign Secretary since the war, it is only a matter of time until Bevin is repudiated as openly as Cripps. Mr Crossman boasted, immediately after the general election, that within six months the official policy of the Labour party would be Bevanite. He was only a few weeks out.

These antics in the Labour party cannot be said to be losing it votes—though that may be merely because the Government is losing votes faster. But they are certainly costing Labour heavily in respect among those thinking people who belong to no party. Many of them, in fact, must for the first time in their lives be praying to be delivered from a return of Labour to power.

*

Less and less, however, does Mr Churchill's government look to be the answer to anybody's prayer. Allowances should always be made for a new government—but Ministers have been in office for more than six months, and the honeymoon is over. Allowances must also be made for the difficult parliamentary situation, to which Ministers' ill fortune has contributed much more than their lack of skill. But what is beginning to emerge is that they do not really know what they want to do with parliamentary time even if they had it.

This is an indecisive government—and indecisiveness is the one quality that could be fatal. Ministers, no doubt, will resent the word; they are conscious of all the decisions they have taken. But it is the decisions they have not taken that prove the case—the great areas of policy that somebody will have to take in hand but which are still slumberously waiting for the touch of the master that will awaken them. When one asks where the blame for the lack of decision is to be found, the only possible answer is to point to 10 Downing Street. It was Mr Churchill who, in opposition, would never consent to any precise policies being worked out by the Conservatives. It was Mr Churchill who formed his Cabinet of men who do not find it easy to reach clear decisions.

And those who are in touch with Whitehall have for six months been hearing on all hands that Mr Churchill's methods of personal government have played hob with the administrative machine and made it much harder to get decisions out of this government than the last. It is strange to have to conclude that Mr Churchill, of all men, is a cause of indecisiveness. Within the range of his own attention, of course, he is not. But nowadays a Prime Minister can no more oversee the whole field of policy than a general can supervise the battle by telescope.

It is not perhaps too late for the Conservatives to make a fresh start. But nobody should underrate the difficulties of doing so. Not only would it require a change of attitude and of personalities at the top. It would also require them, amid all the pressures that office imposes on their energies, to do what most parties find difficult enough in the leisure of opposition—to think out exactly what it is they wish to do. On the whole it seems likely that the pattern of the last six months will be maintained and that Mr Churchill will continue to pursue Mr Attlee's policies with a few small changes. That will doubtless be better than Labour coming back to pursue Mr Bevan's policies. But what a pity that the country is not going to be given a chance of discovering whether there is not a practical alternative to the siege economy in which it has lived for more than a dozen years.

Western or Eastern Community?

THE latest Allied Note to Moscow about Germany is in most respects an excellent piece of work. It is true that it does not resolve the dilemma in which the Russian initiative placed western public opinion. When the Russians propose all-German elections and a unified Germany with its own national forces, some sections of western opinion—especially in Germany itself—passionately want to believe that the Russians mean it and, however sceptical they may be, do not want to miss any opportunity of bringing about a much desired alternative to the present tension and division. Other sections of western opinion, especially in France, would regard the re-creation of a unified Germany as a disaster and hope that the Russian initiative will turn out to be a bluff. The West as a whole does not, therefore, know whether to hope for an agreement with the Russians on the liberation and unification of Germany or to fear it. So long as this division of opinion exists, the draftsman of any note to be sent by the American, British and French Governments starts under a disadvantage. Indeed, the cleverness of the Russian move lay in the extent to which it brought these differences to the surface. The new Note does not essay the task of reconciling them. But there are some points on which all can agree, and it concentrates on them. Some of the most important points in the Soviet proposal are either questioned or rejected outright—for example, the suggestion that the frontiers of Germany were drawn once for all at Potsdam, and the insistence that Germany must not be a member of the Atlantic Community or of the European Defence Community. Moreover, the Note strikes at the most vulnerable points in the Russian and East German position by emphasising throughout the idea of freedom. "Unity with freedom and peace with security" is a sound slogan. It will irritate Moscow, but it will greatly strengthen the hand of Dr Adenauer, who first formulated it. The Note asks for assurances that conditions for free voting shall exist before, during and after the proposed all-German elections. It sticks to the proposal that the international commission set up by the United Nations should investigate the conditions for free elections, but the western governments are ready to consider other "practical and precise proposals for an impartial commission" that the Russians may put forward. Not only must there be free voting in the election, but the German Government formed as a result of the election must be allowed to "participate in full freedom" in the negotiation of a peace treaty.

This insistence on freedom puts the Russians in their turn in a dilemma. To grant real freedom and secrecy of voting in Eastern Germany would be to lose their present absolute control of their zone; there is every indication that the Communists would be in a tiny minority. This would be such a serious blow to their prestige that they could hardly tolerate it. It creates the strong probability that they will refuse the western condition or try to weasel out of it. But if so, western opinion will be able to close its ranks, since nobody wants unity if the elections are to be rigged in the Communists' favour. Moreover, it would then be clear to German opinion that it was the Russians, not the western allies, who are standing in the way of that unity on which every German heart is, and inevitably must be, set. For this reason, the Russians might just conceivably accept the challenge of freedom—or pretend to. If sincere, this could be on the calculation that it was worth paying even the enormous price of losing complete control of Eastern Germany, if thereby they could gain enough say in the policies of united Germany to prevent it casting in its lot with the West—a calculation which, as was pointed out here last week, might not prove to be wholly incorrect. Or the promise to restore freedom in Eastern Germany might be made as a bluff, in the knowledge that it would at least set the western countries back on the horns of their dilemma—do they want a unified Germany or not?—and could be wriggled out of before it had to be redeemed.

*

The prospect therefore is that the argument will continue for some time before anyone can see whether it is going to lead anywhere. Meanwhile the western governments are quite properly going ahead with their negotiations to substitute contractual arrangements—a virtual peace treaty—for the present occupation statute and to bring Western Germany into the European Defence community. The treaty for the EDC has been initialled and the contract should be signed, if all goes well, before the end of this month. Initialling and signature, of course, are not the same thing as ratification. It would need much boldness to prophesy that these documents will be approved by both the French and the German legislatures. The most that can be said is that the outlook in Bonn is not quite so black as it seemed to be. Dr Adenauer is said to be confident that he can get the agreements through, and he has been right before when others were despondent.

One of the arguments most frequently used against the EDC and the proposed new relationship between the

Federal Republic and the western occupying powers is that support for these instruments is obstructing the possibility of agreeing with the Russians. The substance of peace in Europe, it is being said, is being thrown away for the shadow. This is an argument that is heard in Germany and in France; and it was heard from the Labour benches in the House of Commons on Wednesday. It is true that the Russians do not like the EDC—indeed, they distrust the whole idea of Western European integration; and to those who are accustomed to western ways of bargaining, the way to get a concession from the other man is to offer one yourself. But this is not the Russian method. Certainly, on the record, to say that the negotiations for EDC have spoiled the chances of agreement with the Russians is not only untrue, but manifestly the opposite of the truth. If EDC had not been making such good progress, the Russians would never have made their latest offer, which, whether it be sincere or a bluff, is an improvement in their attitude on anything that has gone before. It is true that the actual ratification of the defence treaty might not have the same stimulating effect on Russian moderation; a man who will offer a heavy price to avoid something he does not want will withdraw his offer once it is a *fait accompli*. But even that is not certain; there will be plenty of opportunities for trouble-making within EDC, and it is conceivable that the Russians would pay the price of surrendering the Soviet zone if thereby they could make sure of an unco-operative German delegation to EDC. At every step in the building up of Western Europe's defences, warnings have been uttered that Soviet Russia "would not tolerate" what was proposed. As Mr Eden said on Wednesday, Communist threats ought not to influence the action of the western countries, except perhaps to consolidate their purpose.

★

Admittedly, the structure of the EDC is gimcrack; only the men who carried through this great piece of negotiation are enthusiastic about it. Many say it will

restore German freedom to rearm without any real guarantees against German predominance. Others say the structure is so elaborate that it will not work. But none of the critics will honestly face the alternatives. It can be taken for granted that Western Germany is about to recover its sovereignty and, for all practical purposes, its freedom of action. How is it to act, if it is not to be in the EDC? Is it to be neutral and defenceless, isolated from Western Europe, but cheek by jowl with heavily armed Communist Europe? Such a Germany would go the way of Czechoslovakia. Dertinger, the East German Foreign Minister, put it very clearly in a speech last week in Berlin:—

> It will be our duty to fight until the moment comes when an undivided democratic peace-loving Germany proclaims everlasting friendship with the USSR; is linked in friendship with our Polish and Czechoslovak neighbours, with all people's democracies and all peace-loving peoples; and becomes a full member of the world peace camp.

The other possibility is a nationalist Germany, armed but without ties to other nations—which would put the clock back to 1936. The former of these alternatives would seem to suit the Russians best—though the latter is what they seem to be arguing for. Those in the western camp who oppose German rearmament within the EDC—or who, like the Labour party, would agree to it only on conditions which, as Mr Eden demonstrated, would certainly have the effect of killing it—really ought to make clear which of these alternatives it is that they favour.

Nobody should underrate the German passion for unity. Germany has, indeed, a right to unity, and the western allies should seize every opportunity that is presented to them of making it clear that it is not they who stand in the way of "unity with freedom." But, as the allied Note says, "Germany is divided because Europe is divided." So long as Europe remains divided, Germany, whether unified or partitioned, cannot be neutral. The only choice is whether it shall belong to the western community or the eastern. It is by this test that the European Defence Community is justified.

Suez and the Sudan

THE Anglo-Egyptian talks are still eking out a death-bed existence as *The Economist* goes to press; life continues because no one wants to strike the death blow. But there comes a moment at which it is no longer possible to keep on saying that, though the other party's point of view is unacceptable, the door is still open to continue on the same basis. The Egyptian public is being led to expect some dramatic *dénouement*—to be "prepared for all eventualities." Rupture seems inevitable, and it is the more tragic because an agreement, advantageous to both parties, on most of the points at issue, was not far off.

Over the Canal Zone, agreement was actually attainable. Egypt was still unwilling to enter a general scheme of Middle Eastern defence; it cherishes the illusion that, by refusing any such link, it may be able to remain neutral in war. But it was ready, if the British army were to leave and the Egyptian army to fly its flag on the Canal, to accept the *ccdre* of British technicians and instructors without which, at present, it could not adequately defend its property. In a word, a display of mutual confidence had taken place. Where confidence was lacking was on the question of the Sudan. Both sides were agreed that the Sudanese must enjoy self-determination. The Egyptians demanded that they should enjoy it under Egyptian sovereignty, the symbol of which is King Farouk's title to kingship of the Sudan; the British would agree to this title only subject to consultation of the Sudanese. Neither side would trust the other to carry out such a consultation fairly.

The Egyptians, indeed, spend much time reasoning that consultation is unsuitable and unnecessary because, in their eyes, the Sudan is in any case already part of Egypt. Their attitude towards it is both complacent and proprietary. Last week, on the anniversary of the King's accession, the ceremonies at Al Azhar university included a speech by the mouthpiece of the Sudanese students who proclaimed the Sudan's loyalty to the King of the Nile Valley; Egyptians listen only to Sudanese who hold this view and, therefore, believe that all Sudanese do so. They prefer not to find out whether they are right or wrong. During the recent talks they

cold-shouldered two suggestions for doing so: one, that they should send a delegation to the Sudan; the other, that they should allow a dispassionate Arab statesman, such as Nuri Pasha of Iraq, to make and publish a report on the subject. At the same time, they regard every British move towards the self-government and self-determination that have been promised to the Sudan as a piece of sharp practice designed to create a state unfriendly to Egypt and run by British puppets. Only extracts from the pabulum fed to them daily by the press can convey their beliefs. In the last week alone Egyptians have read or heard that "the plan is obviously to delay the dispute with long drawn-out negotiations, whereby Britain seeks to gain time for the Governor General of the Sudan to achieve his policy—a clever encircling movement to defeat Egypt's cause in the Sudan"; that "Britain's intransigent policy in the Sudan may in some measure be due to Britain's fear that the expansion of Egypt's influence further south may result in African races now under British domination looking to Egypt as their natural champion"; and that Egypt is "the guiding star of the Middle East, the civilising and stabilising influence of the African continent." Such complacency may raise a smile among those who know the social and administrative conditions inside Egypt—the former are described in a new research report from the Rockefeller Foundation, based on the findings of a five-year study, as considerably the worst in the world: Yet the existence of such legends merits notice, for they have an important effect upon policy: they produce complete lack of confidence in British good faith and, therefore, rule out a solution in the Sudan *by Anglo-Egyptian agreement.*

★

If the talks, therefore, break down, which government—the British or the Egyptian—is the bigger loser? On balance, there can be no doubt that the greatest immediate losses will be suffered by Egypt's present rulers. They are handicapped by the fact that the Egyptian public, long accustomed to excitement, expects them to mark the breaking off of negotiations with some dramatic symbol of defiance. In internal policy, their objective is to break the power of the Wafd. The Wafd preaches violence. If, therefore, Hilaly Pasha and his cabinet fail to prove that negotiation produces better results than violence, they play into Wafd hands. They produce a situation in which violence becomes tempting and likely, and in which it will be turned—as in January—not only against the British but against their own caste and policy. Secondly, rupture with Britain defeats another of their objectives, which is to arrest the flow of foreign businesses and capital away from Cairo and towards Beirut. Only last week the Minister of the Interior, Maraghy Bey, issued a statement on amendments to the Foreigners' Residence Law designed "to give foreigners a feeling of confidence that the Government is doing its duty to preserve security with regard to them." Few foreigners will gain the desired feeling while Egypt's inclination to come to international agreements, and to keep them when made, is so slight. Lastly, not even over the Sudan does a rupture place them at an advantage. For it is not they but the British who are in Khartoum, and a break with Britain would render inevitable the pursuit of a British and not an Anglo-Egyptian policy.

The losses to Britain would also be great. The large *British and foreign community in Egypt will be in* physical danger if the policy of Cairo politicians once again tempts the public to resort to violence. Moreover, violent social upheaval in Egypt would upset security and tranquillity all over the Middle East in a way that would help no one except the Russians. Nor is it any longer possible to say of the canal, as it still is of the Sudan, that a rupture would at least leave the British in possession. It is possible to maintain a base on the canal in siege conditions, behind a desert bastion and employing imported labour, but the process is both expensive in money and distasteful politically. No one in London wants a return to the conditions that prevailed before January 26th. Indeed, some official quarters in London, having been forced to contemplate a removal of the British Middle Eastern base from the canal zone to somewhere else, have come to the conclusion that it might be better to do so than to hold the canal in the face of Egyptian hostility. If this view came to be accepted by Her Majesty's Government, a rupture might have the result that Britain would lose both the canal zone and the benefits of Egyptian co-operation.

★

In both Cairo and London the action to take in order to guard against the effects of a breakdown is being freely discussed. Some Egyptians favour a policy of non-co-operation with their British customers, regardless of the fact that to sever trade relations would hurt Egypt, in its present parlous economic state, far worse than it would hurt Britain. Others want to take the Sudan case to the International Court of Justice, though the general opinion in Egypt (as throughout the Middle East) now is that all such international bodies are tools of the Great Powers, and that no fair verdict can be expected from them. At the Egyptian end, suggestions that would enable Hilaly Pasha to hold his country steady are few or none. The British Government are, however, most unwilling to leave matters in an impasse that threatens a return to the conditions that bred the riot of January 26th. Brains are being racked, therefore, for new methods of satisfying Egypt's fear of a hostile Sudan.

One that has been suggested is the establishment of a Nile Valley Authority of the riverain states—which are not merely Egypt and the Sudan, but also Ethiopia, Uganda and the Belgian Congo, if not also Kenya and Tanganyika—to promote a sense of security about the life-line of water supply. Another is that Egypt, since it does not trust Britain to consult Khartoum about Egyptian sovereignty, should be encouraged to talk with the Sudanese directly, dealing with representative Sudanese selected by the nominees of a team such as Mr Nehru, the President of the Swiss Republic, and members of the Arab League other than Egypt. For Britain to advance suggestions of this type would be proof of disinterest, yet it would observe all obligations to the Sudanese. Egypt, by accepting them, would acknowledge that the best way to get on with an important neighbour is to keep one's mind open to his views. To refuse would be to display towards the Sudan a spirit of imperialism in the bad old sense of the word—the sense that implies a dictatorial attitude and a mind closed to all thoughts and interests but its own.

NOTES OF THE WEEK

Labour's European Policy

Mr Attlee is showing great skill in the rearguard action that he is fighting against the Bevanites' drive to change the foreign policy of the Labour party. He was unable to prevent the issue of the recent statement of the National Executive of the party, which, though it did not condemn German rearmament and the European Defence Community in so many words, proposed that they should wait until there had been consultations with the Russians and a general election in Germany—conditions which, as Mr Attlee must have known, and as Mr Eden had no difficulty on Wednesday in demonstrating, would effectively sabotage the policy. Still it was possible to argue that the actions of the Labour Government were not being formally repudiated.

The next move by the Bevanites was to try to get the party to force a division in Wednesday's foreign affairs debate and thus formally break the tacit agreement of the last two parliaments that foreign policy is a bipartisan matter. This was defeated in the party meeting—but not so much because of any attachment to bipartisanship itself as because one section of the party supports German rearmament as vigorously as the Bevanites oppose it. A vote might have repeated the scene that took place at the end of the rearmament debate, with Mr Wyatt, Mr Bellenger and their friends abstaining instead of the Bevanites.

The differences were very apparent nevertheless. There was much more contradiction between Mr Bevan's speech and Mr Attlee's than between Mr Attlee's and Mr Eden's. Mr Attlee, in fact, spoke like a responsible statesman, anxious not to obstruct the Foreign Secretary in the pursuit of a policy he believes to be right. Wisely, he refrained from any attempt to reconcile this attitude with his party's most recent declaration of policy.

This is an uneasy situation, and one that must cause Mr Attlee acute embarrassment, the more so since the tide is clearly flowing against him. The unions, as is mentioned in a later Note, are beginning to pass anti-rearmament resolutions, and though their concern is more with the domestic economic implications of rearmament, the same current is turning the party away from the foreign policies that the Labour Government pursued. Mr Attlee will before long have to choose between his own statesmanship and his loyalty to the party.

* * *

German Threatens German

An official bulletin issued in Bonn on Tuesday declared that neither threats nor terror from the East would deflect the Federal Republic from its present course. The Western Germans will certainly need steady nerves under the increasingly violent barrage now being directed against them by their Communist countrymen. The East German leaders are acting on their belief that Dr Adenauer and the Americans will retreat if they run into sufficiently obstinate resistance. As agreement between the Federal Republic and the Western allies seems to draw steadily nearer, the threats grow more strident. Dertinger, the Foreign Minister, speaks of the German people's "right and duty to reply and hit back," and Grotewohl, the Premier, writes of the imperative necessity of "joint action by the workers and mass actions by the whole West German population to overthrow the Adenauer government."

This is something more than a matter of words. Committees and councils have been set up throughout the Federal Republic, with ostensibly respectable and representative backing, to campaign against the contractual agreements. "Mass strikes" have not yet taken place, but the riots in Essen last Sunday foreshadow bigger and better demonstrations; and East German indignation against this "monstrous carnage" (one person was killed and two injured) is clearly designed to intimidate the West German authorities from taking effective police action in future. In Berlin Herr Ulbricht has stated that the day after the contractual agreements are signed the consequences for Berlin will be "clearly seen"; and already it looks as if the Russians have begun to put on the heat in and around the city by their interference with allied patrols on the Helmstedt autobahn.

Finally, East Germans are talking a great deal about their "national responsibility . . . to organise the armed defence of our homeland." They assume, for propaganda purposes, that the signature of the contractual agreements would be only a prelude to an American attack eastwards. They are therefore able to argue that the "sole purpose" of any East German army would be "to preserve peace and protect our homeland" and, at the same time, to threaten that the "German people will not stand by idly while a new imperialist army of aggression is being raised in Western Germany." In a sense, of course, the threat is not new. The East German *Bereitschaften*, now nearly 60,000 strong, are trained in the use of tanks and artillery and could be quickly expanded into a much bigger force. But the presence of this reality behind the Communist threats only adds to their effectiveness, especially as the Moscow press is already discussing the possibility of civil war in Germany.

* * *

The Unions and Rearmament

Two important unions, the Amalgamated Engineering Union and the Shop, Distributive and Allied Workers' Union, have now resolved to endorse what is usually called Bevanism—the contention that the rearmament programme is too large. Their rank and file will probably agree with them and so, undoubtedly, will many constituency Labour parties. Because it is convenient and, from a selfish point of view, advantageous to support Mr Bevan's contention, many unions have resolved to follow his lead. This does not mean that their leaders are his loyal adherents or that they believe as a matter of course in all his theories. They have merely observed the effects of the rearmament programme in action—prices are rising, shortages are prophesied and money is being spent on machine guns. They believe that hardships can best be remedied by reducing the scale of rearmament and by devoting the resources thus set free to articles the public needs.

None of this means that the unions want to install Mr Bevan as the leader of the Labour party. He just happens to be the first Labour politician to propound, in the last few years, a theory that every member of the movement must clearly find agreeable. The unions' support for his views is almost certainly coincidental—but is nevertheless genuine. Mr Bevan is not, in the strict sense of the phrase, a trade union man and does not owe his present position on the Labour party executive to trade union support. But his views on the way the nation should distribute its resources are being accepted by an increasing number of loyal and orthodox trade union members. The importance of the unions' resolutions does not lie in the effect they may have on the political future of Mr Bevan. It is in the pressure that will be exerted on the Labour party's official leaders, particularly at the Labour party conference in the autumn. Mr Bevan's personal position in the party has not been strengthened, but whatever is left of Mr Attlee's wish to impress upon his supporters the hard facts of national security is being further whittled away.

Mischief in *Le Monde*

The publication by M. Beuve-Méry, editor of *Le Monde*, of the alleged report of Admiral Fechteler, must be interpreted as a calculated blow for French detachment from the American military bloc. In his reply to the subsequent letter of resignation of M. Rémy Roure, *Le Monde's* chief commentator on home affairs, M. Beuve-Méry wrote: "Neither peace nor the solidarity of the nations will be saved by weakness, by fear or by blindness in regard to our own friends and allies." He has continuously stressed the impossibility of France's fulfilling its military engagements under the Atlantic Pact and, for the reason that the Pact contained German rearmament as an egg contains a yolk, the provocative nature of Nato from the Soviet standpoint. That a distinguished Frenchman should throughout the years have spoken honestly of his country's lassitude and weakness, in face of the various paper engagements which it has so far failed to honour, could be stimulating as well as debilitating. But to reaffirm the principle of neutrality 14 months after the establishment of Shape in Marly Forest and on the eve of the signature of the treaties of Bonn is an act of spiritual pride which has not commended itself to French opinion.

The comments of the wide range of the Parisian press, almost without exception, have been caustic and unsympathetic. Moreover, the very cautious reporting of the dispute by the Communist organs suggests that, although neutralist outbursts are normally grist to their mill, this particular exposure, three months after its original whispering in a crypto-Communist newsletter, has taken them by surprise. Even the French Communists were not immediately prepared to proclaim the "report's" authenticity. That mischief should be made with such an unconvincing report is a deplorable event in European journalism, of which *Le Monde* has been in most respects such a distinguished leader.

* * *

Request for Restraint

The chorus of impending wage demands is evidently growing louder and faster than Mr Butler had bargained for when he framed his budget. In the past week three big unions have added their voices to the clamour. The Amalgamated Engineering Union has decided to press for an increase of £2 a week for adult male workers, with increases also for women and apprentices; The National Union of Railwaymen will ask for an increase of 10 per cent, which, if granted, would add £17 million to the wage bill; and The National Union of Agricultural Workers will ask for a minimum wage of £7 a week. Against the sombre background of a still widening trade gap, lagging productivity and contracting export markets, the prospect of a large addition to labour costs is grave indeed. It is so grave that the Chancellor decided to put the matter, at a meeting on Thursday, to the National Advisory Council, a body consisting of representatives of the British Employers' Confederation, the TUC and the nationalised industries.

The results of this meeting are not known at the time of going to press. But it is certain that in asking for a policy of wage restraint, the Chancellor has not the advantages that Sir Stafford Cripps had. Having cut the food subsidies and imposed economies in the health and education services in the teeth of the TUC's protests, Mr Butler cannot easily take Sir Stafford's line that all can be arranged by agreement and co-operation. He has on his side the understanding of some of the TUC leaders, notably its president Mr Deakin, of the economic issues involved; and it may be a telling argument that, if labour costs can be kept within bounds, an era of stable prices is on the way, partly because raw material prices have already fallen, and partly because a weakening of the demand for consumer goods may bring down their prices.

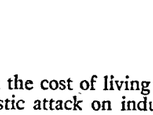
The TUC leaders may perhaps persuade the unions to postpone their claims for a month or two; but they will not persuade the unions to modify their claims until they can see for themselves that the cost of living is stable—and they will expect a more drastic attack on industrial profits. Under a Tory government the unions are more than ever determined to safeguard their members' standard of living, and in the short run they are in a position to do so. The degree of disinflation brought about by the Chancellor's policy has been enough to earn him their hostility without weakening their power.

* * *

Verdict for the BBC

The Government's White Paper is a document of considerable political cleverness. Basically, the Government's decision is to accept the main recommendation of the Beveridge Committee and to leave the structure of British broadcasting mainly unchanged. They did not wish, however, bluntly to reject the pressure of their backbenchers for commercial broadcasting. So they have accepted "in principle" the view that there shall be an element of competition in television, but have hedged it with so many conditions that the would-be sponsors will find it easier to pass through a needle's eye than to get their programmes on the air. To begin with, nothing is to happen until the BBC has completed its television coverage of the country and developed its experiments with high-frequency sound broadcasting—and until the national resources (and, it might be added, the consumer's purse, which pays for all sponsored broadcasting in the end) are sufficient to justify the erection of additional stations and the manufacture of new receivers to receive on new wave-lengths. When this time comes, the advertisers are not to be permitted to buy any of the BBC's time. They are to build their own stations; there is to be a council to oversee their output; and every licence to broadcast is to be ratified by Parliament.

It is so difficult to imagine anyone risking capital on these stiff conditions, and the time is in any case so distant, that it is hardly worthwhile criticising the scheme. It is, however, a great pity that, if the Government were going to open the

ADVERTISING  WISDOM . . .

Quality sells . . . slowly

There are people who say that you don't need to advertise a really good article. They say that quality sells itself; and up to a point they're right. But quality by itself can be a slow salesman; by the time the world knows what an excellent product you are offering, you may have gone out of business.

One of the basic principles of selling is that, in the long run, if a product is going to be advertised it has to be good. But another is that even if a product is good, it still has to be advertised.

In fact, before you congratulate yourself because your product is selling very nicely on its quality, wouldn't it be as well to ask how much better it would sell if you helped it with a little of the right sort of advertising?

Why not drop in and talk about it? We can show you some actual examples that will convince you.

SAMSON CLARKS

SAMSON CLARK & CO. LTD., 57-61 Mortimer Street, London, W.1. *Incorporated Practitioners in Advertising* Telephone: MUSeum 5050

door, even by a crack, to competition in broadcasting, they should have chosen to do so by way of permitting advertising on the air, instead of letting broadcasters compete in public service, and that they should have drawn this distinction between television and sound broadcasting, tending to keep them apart instead of encouraging them to grow together.

For the rest, the White Paper follows the expected lines. The Charter is renewed for ten years—which is too long, but better than the Beveridge Committee's proposed perpetuity. The Governors are to be appointed in future on the advice of an impartial panel. The Beveridge Committee's proposal for dyarchy in Scotland, Wales and Northern Ireland—with national councils responsible for some of the staff and for the content of the Home Programmes, but with the rest of the staff responsible to London—is accepted; it will be a miracle if it works without intolerable friction. In England, the regional advisory bodies are to be given greater power.

In short, the BBC is continued in its functions, subject to several more of the inhibitions and restrictions that limit its actions. The Government have not only confirmed the monopoly; they have ensured that it will be even more arthritic than it need be. Those who hoped for a more thorough reform can take comfort from the certainty that a great deal will happen in the next ten years. By 1962 it may be possible to get the public—and therefore the politicians—to take seriously the dangers and disadvantages of monopoly in this most powerful organ of public enlightenment.

Demand in the World Economy

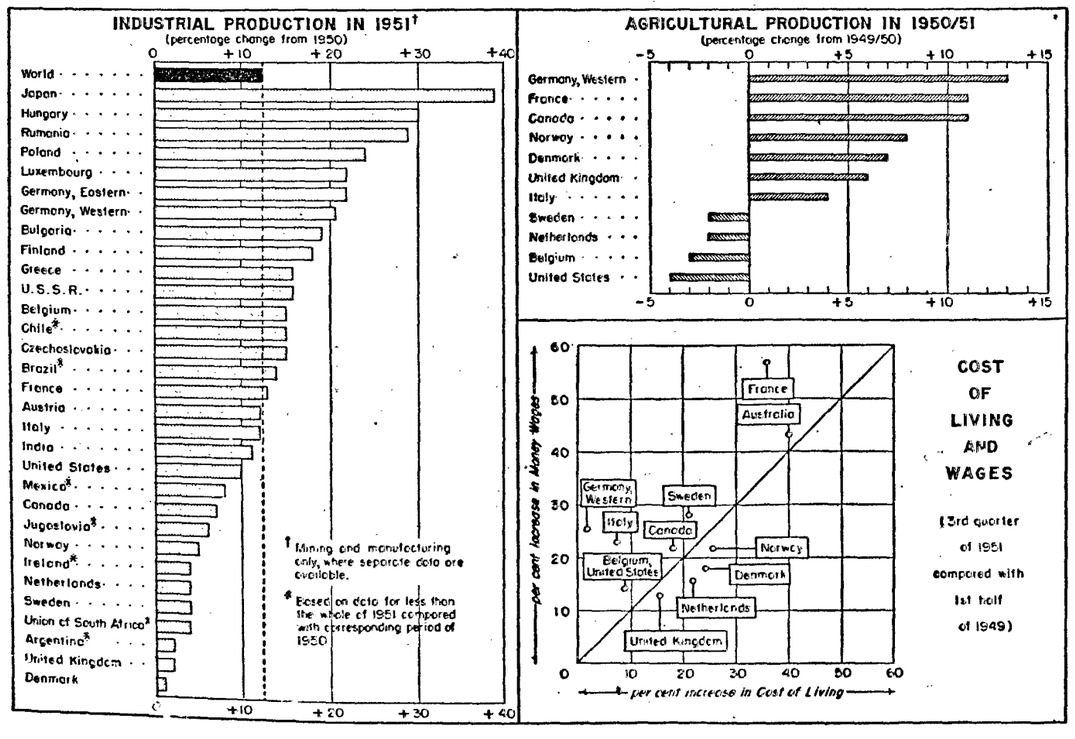
Only two things are certain in economic affairs, first that the unexpected always happens—or nearly always—and secondly that shortages can be converted into surpluses overnight. When the rearmament programmes were launched in the second half of 1950, it seemed inevitable that the supply of civilian goods would be curtailed, for production was already at a high level and resources were more or less fully employed. Yet that did not happen. The United Nations' report on the world economic situation 1950-51* has shown that the increase in total production from 1950 to 1951 was greater than the increase in production of military goods, permitting a larger supply of civilian goods. This conclusion is, of course, a generalisation and does not necessarily apply to all countries; but it is true for many of them. Even Britain, whose increase in industrial production was smaller than that of any other country except Denmark (see accompanying chart), enjoyed a higher level of civilian consumption in 1951 than in 1950, though only at the expense of a large deficit in its overseas accounts.

It is unfortunate that the report does not present a fuller analysis of trends in consumption, and more particularly in demand. It observes that in the second half of 1951 and early 1952 "the output of consumer goods dropped, owing to a slackening of consumer demand." But that is a statement not an analysis. The almost dramatic switch from shortage to surplus that is becoming evident in many commodities—even coal and steel—is essentially a function of decline in demand rather than of increase in supply. If the trends in demand could be accurately forecast, economic prophecies might prove to be more accurate than they have been in the past.

* World Economic Situation"—World Economic Report, 1950-51, prepared by the Secretary-General, United Nations.

Changes in the World Economy, 1950-51

The following charts have been based on information contained in the World Economic Report, 1950-51, prepared by the Secretary-General of the United Nations, which was published this week. A further selection will appear in a subsequent issue of *The Economist*. The chart in the bottom right-hand corner shows the relation between the increase in money wages and the cost of living in twelve countries in the third quarter of 1951 compared with the first half of 1949. In those countries above the diagonal, money wages during this period increased more than the cost of living, implying that real wages rose. Those countries below the diagonal experienced a sharper rise in the cost of living than in money wages during the same period, implying that real wages fell.



Labour's Local Victories

The local government elections have shown a strong trend towards Labour in all types of local authority, but its success has been most marked in the large towns. Altogether Labour claims to have captured control of 11 county boroughs, 16 non-county boroughs, 29 urban districts (against one loss) and 4 rural districts. These gains must be seen against a general picture in which the great majority of local councils will remain in other hands than Labour's. In fact, Labour majorities will now exist in little more than a quarter of the boroughs in England and Wales, in less than a third of the urban districts, and in only a small proportion of rural districts.

Labour has made headway on a number of councils which previously held aloof from party politics. It has forced a considerable number of Independents to contest their seats with Conservative support. One effect of the elections has been to weaken the general position of Independent candidates, who in some areas have given ground before a militant Conservatism as well as before the Labour onslaught. The grip of party politics on local government, even in the rural districts, is everywhere tightening; but Labour is still a long way from exerting the sway in local affairs which it has attained nationally.

In the large towns the position is different. Labour may now be expected to wield control in 38 of the 83 county boroughs, and in several others it is the largest single party. The Conservatives have managed to hang on in Leeds, and Manchester also if Labour holds its hand and does not seek to displace five Liberal aldermen. But Labour gained notable victories at Bradford and Bristol and, with the aid of the aldermanic elections, it should also secure the majority at Birmingham and Leicester. Labour is not yet back to its high watermark of 1946 when it controlled every city of over a quarter of a million people except Liverpool; but it will dominate 8 of the 13 cities in this category, while at Nottingham there is the curious position of a tie.

* * *

Confessions According to Pattern

The "germ warfare" propaganda campaign, which has been carried on with concentrated intensity for many weeks by Communists throughout the world, has reached a climax with the publicity given to the alleged confessions of two American airmen, Lieut. Enoch and Lieut. Quinn. The confessions that they had taken part in germ warfare have been reproduced on the most massive scale; several complete broadcasts in Peking's home service were devoted to them and about a third of the New China News Agency's transmissions over five days were on the same theme. It is remarkable that they are not mere statements of what is alleged to have happened, but comprise expressions of complete solidarity with the Communist cause in language identical with that of Communist political propaganda. Lieut. Enoch is represented as declaring:

> I have seen the truth as printed by the democratic Chinese press. . . . I am beginning to see very clearly just who is a peace-lover and who is a warmonger responsible for this inhuman war; and I am determined to struggle for peace against Wall Street capitalism to clear my conscience of my past errors.

Lieut. Quinn likewise declared, according to the broadcasts, that "the capitalistic Wall-Street warmongers in their ruthless greed have caused this horrible crime of germ warfare to be launched in order to get more money for themselves in the hope of spreading the war"; he also talked about his conscience and his desire to "confess and repent."

If these two prisoners were simply admitting what they had done, it is remarkable that their remorse should spontaneously express itself in the special jargon of Communism. It is more likely, in the absence of any better evidence in support of the germ warfare allegations, that the two airmen were either Communists in America before mobilisation or have been converted and indoctrinated since they became prisoners. The language and tone of their "confessions" strangely recall the macabre outpourings first heard in the great Moscow trials of the Old Bolsheviks, and often repeated since in Communist courts of law. It now appears that such confessions are to become a feature of Communist propaganda in time of war, with prisoners playing the part of a Zinoviev, a Radek or a Rajk. Indeed, germ warfare seems to be a special feature of such disclosures, for in the Radek-Pyatakov trial in Moscow in 1937 the alleged Trotskyite conspirators confessed that they had planned to infect troop trains of the Red Army with disease bacteria, in order to bring about the defeat of the Soviet regime by German Fascism.

* * *

Atomic Artillery

Curious inconsistencies are to be noticed in American and British publicity about atomic weapons. British experiments off the Australian coast are to be held in conditions of the closest secrecy, although lately the Americans have allowed their journalists and soldiers to come closer and closer to the scene of experimental explosions. About British progress in atomic weapons nothing of any substance is released, but the world is told quite freely how much it depends on one British scientist—and his name and address are given. It is impossible to get out of any Whitehall depart-

Lounge Suits

The beauty of ready-to-wear is that you can see the suit on and satisfy yourself as to fit, colour, pattern, cloth, before you buy.

MOSS BROS
OF COVENT GARDEN
THE COMPLETE MAN'S STORE
Junction of Garrick and Bedford Streets, W.C.2.
Temple Bar 4477 AND BRANCHES

ment any crumb of intelligent comment on what might be the tactical importance of atomic artillery—or for that matter guided missiles, in which British progress is said to be striking; yet the American press has printed a number of revealing comments based on official information. The discrepancy is puzzling, even allowing for British anxiety to live down the Fuchs affair.

Only last week Mr Frank Pace, Secretary of the Army, described in some detail the atomic gun now being developed in the United States and said that "atomic artillerymen" were being trained in its use. It seems obvious that tactical atomic weapons, whether used from the air or on the ground, might make much easier Nato's task of defending Western Europe against mass invasion; and that knowledge of their existence would be an added deterrent to aggression. But there is now also a danger that their importance will be exaggerated and that rearmament programmes of conventional weapons will be prematurely curtailed.

American spokesmen agree that these weapons will not, for some years, provide quick and cheap ways to military security; the need for the infantryman on the spot will remain. At the same time, the astounding skill of scientists in gradually reducing the original atomic bomb to more manageable and less appalling proportions may have the effect of reducing the general awe in which this weapon has been held. It should not be impossible for Mr Churchill to provide the British public with some material and ideas about the possibility that science is finding the military answer to Communist superiority in numbers of infantry.

* * *

Development Pains

The terse staccato phrasing of the Colonial Development Corporation's latest report hides nothing. The following quotation from the account of the abandoned Gambia poultry farm is a good illustration of its directness:—

(1) (*a*) In April, 1951, there was an epidemic of Newcastle disease which wiped out the poultry flock;

(*b*) that was the end of poultry farming.

The total loss on this scheme "will be about £800,000," which accounts for most of the total loss of £1,143,000 on abandoned undertakings. In 1951, the consolidated operating loss of the corporation and its subsidiaries was over £1,000,000, double the loss of 1950. If anyone thought that Lord Reith would achieve an immediate transformation in the corporation's prospects, he will be disappointed—and told so, bluntly, in this report.

If anything the corporation's difficulties have increased in the last twelve months. One of these is the rate of interest the corporation has to pay on its advances from the Government. If, as has happened, the rate rises after a scheme has been approved, the estimates are upset and the expected profit disappears. The corporation is enjoined by Act of Parliament, the report points out, "to do economic good; just that; but to do it without losing money." But this task may be frustrated by administrative action, which applies to the corporation the standard terms for long-term loans. If its plea for some relief gets a favourable response, "1951 should constitute the peak of Corporation loss; next year's story should be different."

Yet even this cautious note may be too optimistic. It can be assumed that there will be no more wild plunges into dubious propositions such as the Gambia poultry farm. The odds, however, are still heavily weighted against the corporation's financial success. Although it is expected to operate like a commercial concern, it has no real freedom. Even its most promising undertakings, among which the Tanganyika coalfields investigation ranks high, may be dependent for ultimate success on government action. There is certainly a good case for financial participation by colonial governments in the corporation's projects as is urged in the report. This might, however, be more easily forthcoming if there were not one corporation but several, based in the colonies and looking to a central organisation in London only for advice and technical assistance. If the need for some means of supplementing private enterprise in the colonies can be taken as proved, it is far from certain that the Colonial Development Corporation, as at present constituted, is the best means of filling the gap.

* * *

New Trials in Criminal Cases

In the House of Lords last week Lord Goddard, the Lord Chief Justice, raised again the contention that the Court of Criminal Appeal should be given the power to order a new trial in criminal cases; as he reminded the House, the question is at least forty years old, since it was raised in 1909 by the then Lord Chief Justice. The occasion for last week's debate was the recent trial for murder of two men in Liverpool, and the subsequent inquiry ordered by the Home Secretary. After the verdict at the assizes the defence raised two allegations. One was that one of the main witnesses for the Crown had committed perjury, and had confessed as much. The other was that a third man had confessed to the murder.

This country still believes very firmly in trial by jury in serious criminal cases. It is for a jury to say whom they believe among the witnesses, and whom not, and they have the advantage that they need give no reasons. An allegation that a witness is lying is common enough in court, and juries have to decide where the truth lies; but, as the law stands today, once a criminal trial is over there is no means by which any subsequent evidence may be sifted by a jury. The Court of Criminal Appeal cannot deal with it, for the three judges cannot pretend to turn themselves into a jury. The remedy is to give the appeal court the power to order a new trial, to thrash the whole thing out afresh. That is Lord Goddard's argument, and it is a strong one. The only dissenter in the House of Lords was Lord Simon; he argued that a power to order a new trial would be a power to place a man in jeopardy again for the one offence. The answer to that, made by the Lord Chancellor, was that only a convicted man has the right to appeal—the Crown cannot appeal against an acquittal—and that no convicted man would ask for a new trial unless he felt that the chances of an acquittal on the second occasion were at least fifty-fifty. (From experience in New South Wales, where new trials may be ordered, the chances are just about fifty-fifty.)

The Liverpool case does not provide the only example of a new trial being a more just solution than any other. It is not uncommon for the Court of Criminal Appeal to find that some aspect of the original hearing was unsatisfactory. As the law stands, the appeal court may either leave the conviction undisturbed, which may leave the convicted man with a lively sense of injustice, or it may quash the conviction and let the man go free—a rather chancy sort of justice. It is unfortunate that, at a time when a particular instance has revived this question, Parliament should have no chance of debating the issues involved with a specific Bill before it.

* * *

Defamation in the Doldrums

Mr N. H. Lever's Defamation (Amendment) Bill reached its report stage in the House of Commons on Friday of last week but failed to complete it. The debate stands adjourned until the end of next month. The debate itself was enlivened by a brisk interchange of repartee between Mr Lever and his political neighbour, Mr Silverman: "I don't like the Bill," said Mr Silverman; "Nor does anyone like you," retorted Mr Lever. Perhaps on this occasion it would be as well if what Lancashire said one Friday were not repeated elsewhere at all. But Mr Lever had been considerably provoked. Mr Silverman, in the view of the Attorney-General, had been acting as though he intended to "deprive the press and authors of the protection which the House has decided they should have."

Two clauses only occupied the debate—both of them reconstructions of clauses included in the original Bill. One is intended to protect writers and publishers from the worst effects of what is known as the "unintentional" libel. Without intending to do so, and without anything approaching negligence, any publication may contain a defamatory statement. Holding the balance between the rights of the person defamed and the inherent injustice of treating such a publication on all fours with the intended libel is by no means easy; but at least the revised clause met with the support of most members. The other clause is designed to improve the defence of "fair comment." At present, a single untrue fact in an article will deprive a newspaper of the legal plea that comment in the article is fair comment and therefore protected, provided there has been no wrong motive in the publication. The new clause would give the party sued the chance of proving that his actual comment was fair even though the article contained a factual mistake. Again a majority of the House was satisfied that the existing rules needed amending and that the clause proposed was a fair effort at doing so. But Mr Silverman still disliked the Bill.

The Attorney-General promised that he would do everything possible to find time to complete the Bill this session. He should certainly do so. The Bill has an entirely respectable history. It is based on the exhaustive inquiry into the law of defamation embodied in the Porter report. It is a private member's Bill, and from the Opposition side. It has been given a great deal of parliamentary time and has been discussed line by line. It now has the support of a majority of members of all parties. If all that were to be stultified it would be a poor illustration of the working of parliamentary democracy.

* * *

Dollars to Spend

Over the week-end M. Pleven, the French Minister of Defence, shocked even France's accountants by his revelation of the extent to which security in the coming year depends upon American aid, and the uncertainty that still surrounds the supply of dollars. In the first place, the budgeted expenditure on defence in 1952 of Fr. 1,400 billion assumes the receipt of Fr. 70 billion ($200 million) in respect of American offshore purchases—in this case, payment by the Americans for equipment that French manufacturers have contracted to make for the French armed forces—in addition to direct aid of some $300 million earmarked for France under the current Mutual Security programme. Secondly, the Fr. 1,400 billion programme is still well short of the amount that not only the allies but France itself agreed at Lisbon was necessary for its safety. In particular it will mean that contracts in important naval and air construction will have to be retarded if the French land forces are to be brought up to their agreed strength. According to M. Pleven, France will need a further Fr. 170 billion of American offshore procurement orders over the next three years, if it is not to be oversoldiered and undergunned.

Whether the French are justified in such precarious methods of financing is their affair. They themselves appear at last to be somewhat distressed by it, but their predicament calls attention to a fact of international importance: that the offshore procurement programme in Europe is moving at walking-pace instead of the brisk trot that is required.

European countries are relying increasingly on this form of American aid to finance their current defence contracts, and will find themselves in increasingly awkward, if not dangerous, situations if it fails to appear. In its turn the American Administration has asked Congress for greater scope than it now has in using next year's appropriations on offshore purchases, and it looks like getting it. The American service departments have appointed procurement officers working on the programme for every Nato country concerned. Yet the orders remain negligible. To some extent this is the fault of European manufacturers; but it is also due to the feeling among those who have to place the orders that American manufacturers should have first whack—a feeling that will get appreciably stronger if Congress confirms the ceiling which the House has imposed on domestic defence spending this year. Neither those who vote or spend American funds seem to realise the extent to which the efficiency of Europe's own defence production depends on their overcoming this prejudice.

* * *

An Agreement about Trieste

The agreement on Trieste signed at the end of last week by the British, Americans and Italians went as far as possible within the terms of the peace treaty in giving the Italians a share in the control of Zone A. They are in effect to take over the civil administration and this decision has been well received in Rome. The next step is to carry out the spirit as well as the letter of the new agreement, so that Italian civil government becomes a reality and not a sham; this cannot be taken for granted. The actual change-over will probably have to be delayed at least until after the municipal elections on May 25th, but then it should be completed rapidly.

With the signature of this agreement, attention now focuses on Marshal Tito. The new arrangements were bound to be opposed by the Jugoslavs but the Marshal's language last weekend was particularly unhelpful. It is hard to see what he stands to gain by his uncompromising attitude, except the rallying of his own public opinion behind the regime. Unfortunately, the more successful he is in dwelling on a Jugoslav sense of grievance, the harder it becomes to reach a settlement of the Trieste problem as a whole. The memorandum in which Jugoslavia has now formally protested against the steps being taken in Zone A is more moderate than Marshal Tito's speeches. But its firmness adds to the impression that Belgrade does not at present want a general settlement with Italy on Trieste.

The new agreement has, nevertheless, only introduced a breathing space into Zone A. The conflict of national ambitions is still there in the background and must sooner or later be resolved. To this end, two preliminaries appear necessary and they should be considered now. On the Italian side, it is essential to see that people give up expecting the three-power declaration of 1948, claiming the whole of the Free Territory for Italy, ever to be implemented in full. It was unwise of Mr Eden to refer to it again recently, as this greatly stimulates Jugoslav distrust of the western powers and gives a handle to extreme Italian nationalists. On the Jugoslav side, there is need to be reconciled to the fact that a settlement can only be reached by recognising modern realities. It is no use claiming most of zone A on the basis of the census of 1910, while at the same time giving nothing away in Zone B.

* * *

A Good Case Spoiled

The D. C. Thomson dispute is an outstanding example of two blacks failing to make a white. The firm, which has always refused to allow its employees to join a trade union, dismissed a worker because of his union membership, and the National Society of Operative Printers and Assistants and other unions are bringing pressure to bear to force the firm to withdraw the ban. Denial of the employee's right to join a union is at least as gross an infringement of liberty as the closed shop, and has an even more unsavoury

historical record; and one cannot withhold sympathy from Natsopa in its determination to liberate would-be-members from economic Bourbonism. The methods which they and their allies have adopted are, however, both dubious in themselves and dangerous in their implications. In effect, the offending firm has been subjected to a state of siege extending not merely, as in the normal trade dispute, to the supply of labour but to all the necessities of production. Its suppliers have been forced, until relieved by a temporary injunction, to break their contracts; its distributors up and down the country have been threatened; the whole force of organised labour, however remotely connected with the printing trade, has been enlisted to enforce compliance with Natsopa's demands.

The solidarity of labour, the willingness of loyal union supporters to make personal sacrifices for the sake of a principle, is in itself something to be respected and admired; the principle at issue in the D. C. Thomson dispute is an important one. But the precedent thus established—that the solidarity of the whole labour movement, not merely of those workers directly involved, may properly be called into play for the coercion of any individual who has in any way incurred the displeasure of any union whatever—could equally well be invoked in support of aims much less laudable, from the frivolous to the downright pernicious. Once fully accepted, it establishes the trade unions not merely as powerful bargaining agencies but as supra-legal arbiters of every person's economic conduct, wielding against anyone of whom they disapprove a power to inflict economic ruin limited only by their own sense of strategy and expedience. There are more disruptive possibilities in this principle than in syndicalism itself; it is, merely and simply, anarchy.

* * *

A Quiz for Economists

From time to time public interest has been caught by the predictions of American industrialists or university research workers about an oncoming slump or boom. It must be sadly admitted that not so much publicity is subsequently given to the accuracy—or inaccuracy—of these predictions. Yet the American love of forecasting is catching. The study section of the Royal Statistical Society recently invited 64 economists to predict the movement during 1952 of five selected indicators for the British economy. Some economists refused in horror to have anything to do with the idea, but 70 per cent co-operated—though many only in the spirit of not spoiling the fun. Nine of those supplying answers were from universities, the remainder in industry and commerce.

As could be expected, individual forecasts differed widely in a way that makes averages look most uneasy. But, on the whole, the professors thought much the same as the business men. The crystal gazers saw on the average for 1952 a rise in industrial production over 1951 of about 1½ per cent, a drop in the volume of exports of about 1 per cent, a fall in personal consumption of a little less than 2 per cent and a rise in retail prices of 7 per cent. The level of unemployment was put at 2 per cent. These rather harmless looking figures hide, of course, some very disputable ones. The most pessimistic put unemployment at 3½ per cent and exports at only three-quarters of last year's volume. The most hopeful expectations for British exports were that they would rise by 4 per cent.

The methods behind these forecasts are hidden, but a fair amount of guesswork is admitted. If, however, science feels slighted in this survey, it has yet to offer any conclusive proof that in forecasting it can get any nearer to the mark—or any less further from it—than the well-informed guess. This is but a game with a large gambling element, and the players get most interest out of it in deciding eventually which of them is the best guesser.

Shorter Notes

The National Coal Board has abandoned further attempts to place more Italian miners in the pits. It is now telling the 1,000 Italians who are at present in Britain learning the language or training for mining that for the time being there is little chance of finding them jobs in coal. The Ministry of Labour is attempting to find the men other work—in industries such as the brickworks foreign labour has been accepted more easily—but if the men wish to return home the Board will repatriate them. The 31 Italians suspended from underground work at Bullcroft Colliery are to be treated in the same shabby way; this does not offer rosy prospects for the future to the 1,200 Italians who still have jobs in other mines.

*

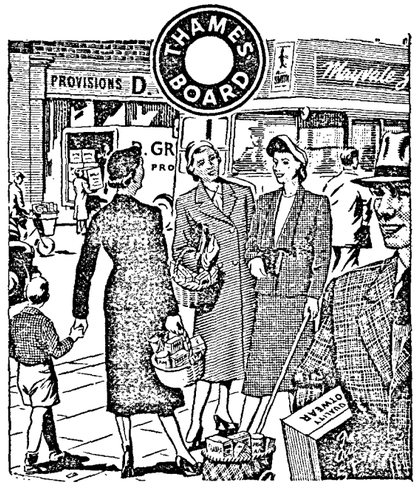
The draft treaty to establish a European Defence Community, with annexes, was initialled by officials of Belgium, France, Germany, Holland, Italy and Luxemburg on May 9th. Before the draft is complete, the six foreign ministers concerned must settle several controversial points. Before the draft becomes a treaty, it must be signed by them, but they will wait to do so until the negotiations on the contractual agreement with the Bonn government are concluded. Preliminary reports suggest that the content of the present draft differs only slightly from that analysed in an article on page 531 of *The Economist* of March 1st.

Inconsistency in Politics

For a long period we used to idolise CONSISTENCY in our public men. Adherence to party, even when the party pursued an unprincipled course—adherence to former opinions, even when those opinions had become untenable—were long regarded as constituting the first and most sacred duty of a statesman. Change of opinion, or desertion of colleagues, was the one sin for which there was no forgiveness. A politician's obligation to his country was a tradesman's debt, which he ought to pay if he could: his obligations to his party were a debt of honour, which it was unpardonable not to discharge. Reflection and circumstances have greatly modified our feelings on this matter, and the tendency now is to run into the opposite extreme . . . and, provided only the change be in the right direction, we are too ready to accept it as genuine and meritorious . . . and to pass a general act of indemnity and oblivion for the past. We must raise our voice against this tendency, as the offspring of a lax morality, and the probable parent of much future evil. Each individual change of policy or recantation of opinions on the part of leading public men must stand upon its own merits: of the simple fact of inconsistency nothing, neither good or bad, can be predicated. . . . There have been, within recent recollection, some changes so rational, so gradual, so grounded on new knowledge, wider experience, and deeper study, so justified by the purest motives, so obviously honest . . . that we class them among the most indisputable efforts of patriotic virtue. Such was that of Sir Robert Peel from 1842 to 1846. And there have been some changes, also in the right direction, so sudden, so audacious, so utterly unbased upon any additional facts, so inexcusable on the common plea of previous want of study . . . that it is impossible for the widest charity to elevate them into merits, or to give absolution to the subject of them. . . . Such, it appears to us, is Mr Disraeli's homage of adhesion to the principles and consequences of the financial policy of his antagonists. . . . It was a triumph to our cause which (as was said of the Peace of Amiens) "every one will be glad of, but no one can be proud of."

The Economist

May 15, 1852



grist to the million

Any day, anywhere, you see them, their baskets filled with the necessities (and luxuries) of life, quite unaware of how much they depend on board—the "cardboard" which makes shopping easy and practicable. Board for protective cartons, board for sturdy packing cases; board everywhere, much of it produced at Thames Board Mills. From these modern mills where fifty years' experience goes into every day's work, come the "THAMES BOARD" and "FIBERITE" packing cases used for the effective distribution of hundreds of products to millions of homes.

THAMES BOARD MILLS LTD
PURFLEET, ESSEX

Manufacturers of
"THAMES BOARD" *for cartons and other uses;*
"FIBERITE" *Packing Cases;* "ESSEX" *Wallboard*
(*Mills at Purfleet, Essex and Warrington, Lancs*)

T83-1524

How many S's in fashion?

There are *three*, so far as your retailer of textiles is concerned, for he must meet his customers' requirements in Size, in Style and in Shade. That he can do so successfully is largely due to the W.T.A. Wholesaler, who enables him to offer his customers a choice of the finest products from many factories all over the country.

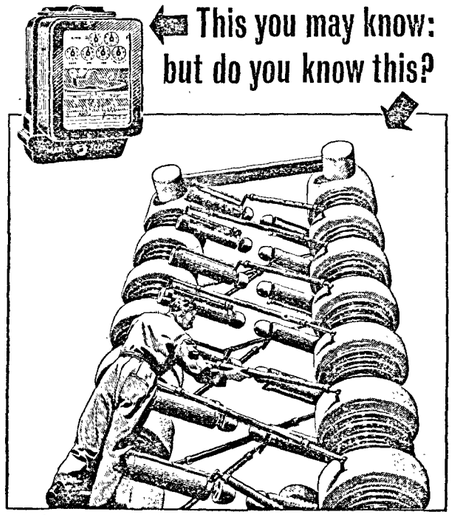
WTA WHOLESALE TEXTILE ASSOCIATION

DISTRIBUTION FOR THE NATION IS CARRIED OUT BY MEMBERS OF THE WHOLESALE TEXTILE ASSOCIATION

THE WHOLESALE TEXTILE ASSOCIATION, 75 CANNON STREET, LONDON, E.C.4

MEASURING INSTRUMENTS · SWITCHBOARD INSTRUMENTS · VOLTAGE REGULATORS

This you may know: but do you know this?



The familiar household electric meter and the 2,000,000 volt Ferranti lightning generator (used to prove the reliability of high voltage electrical power equipment) have one thing in common. On each is stamped the name Ferranti, a name that has become part of the history of electricity.

FERRANTI

FERRANTI LTD. HOLLINWOOD, LANCS. AND 36 KINGSWAY, W.C.2

RADIO & TELEVISION · VALVES & C.R. TUBES · CASTINGS · INSULATION · HIGH VOLTAGE A.C. & D.C. TESTING EQUIPMENT

A.C. & D.C. HOUSE SERVICE & SWITCHBOARD METERS · CLIP ON AMMETERS · ELECTRIC CLOCKS · ELECTRIC WATER HEATERS

TRANSFORMERS · P.F. CORRECTION CAPACITORS · ELECTRIC FIRES & SPACE HEATERS

Letters to the Editor

South Africans Entrenched

Sir,—Your otherwise excellent article in your issue of March 29th contains one error and one serious omission.

You write that General Hertzog "was forced to abandon the idea of treating the Coloured voters in the same way [as the Native voters] at that time (1936)." In fact, it was always the policy of the Nationalist Party under Hertzog to integrate the Coloureds into the European community. Hertzog's Smithfield speech of 1925 was quite explicit and Dr Malan, then a Minister, supported that policy and wished to extend the vote to Coloured women. The present opposition to the Government's attempt to re-validate the Voters Act of 1951 certainly stems from dislike of Nationalist racial ideology and fear for "the tenuous fabric of civil rights." But it has a most urgent practical aspect, which you have overlooked.

With 45 per cent of the poll the Nationalists secured a majority of seven in the Assembly at the 1948 election, which they increased to thirteen by winning all six South West Africa seats in 1950 by narrow margins. There is little doubt in Dr Malan's or anyone else's mind that his party would lose a general election today on the present electoral rolls. But if the Coloureds are put on a separate roll, the Nationalists hope to win at least six Cape seats from the United Party—a swing of twelve, less the four Coloured Representatives. They hope to gain a further four to six seats by the new delimitation of constituencies, following the 1951 census and the removal of the Coloureds. With the parties so evenly divided and the 15 per cent loading in favour of the rural constituencies where the main Nationalist strength lies, their present majority of 13 plus a further 14 probable seats as a result of these devices might very well ensure their re-election next year. If they then abolish the three Native Representatives and increase the rural loading, it may be impossible ever to vote them out again.—Yours faithfully,

C. W. M. GELL

Rustenburg, Transvaal

A Truce for the Saar

Sir,—The two main issues of the problem discussed in your article in your issue of May 3rd are political and economic. The political problem cannot be solved by internationalising the territory without considering the strong German opposition to this French proposition. The Saar is at least as much German as French, if not more so, and there is no guarantee that the Saar would wish to be independent.

What France is really interested in is shown by its integration of the Saar economy into the French system—a guarantee that Saar raw materials will be used not against France, but for it. As you pointed out, the only real solution to this problem is within the Schuman Plan, which will enable the Saar to put its economic potentialities at the service of the whole community. This consideration should be, on the one hand, a stimulus to France to hasten the day when the Schuman Plan will begin to function, and, on the other, a motive for deferring the political solution of the problem.

Deferment, however, is dangerous. The dispute is still in embryo form, and national feelings are not yet as violent on the subject as they may be a few years hence. It must be remembered, too, that the delay in holding a plebiscite in the Saar after the first world war is said by the French to have given the Germans time to instil pro-German sentiments into the Saar populace, and delay this time might provide the same opportunity for either side. As far as France is concerned, too, it can look forward only to a strengthening of Germany's diplomatic status, which will be backed more and more by Great Britain and the United States as they see what a valuable contribution Germany is able to make to the defence effort.

For these, and many more reasons, it would be unwise to allow the Saar question to drag on. An immediate plebiscite under United Nations auspices and supervision would seem to be the immediate political solution. The economic solution is in the Schuman Plan, and it is up to the Schuman Plan countries to get working together at the earliest possible moment.—Yours faithfully,

M. E. GLASSBOROW

London, E.C.4

Food Without Thought

Sir,—While being very much in agreement with your analysis of the situation in "Food Without Thought" in your issue of May 3rd, I cannot follow your conclusions about milk production.

You consider that milk producers have gained most in the recent price review while, at the same time, milk is one of the few foods that is being produced up to or, indeed, beyond the limits of effective demand. Thus, if more money is spent on milk production less is available for other more urgently wanted foods.

The fall in milk production that followed the 1951 price review showed that the producers' rewards had been relatively reduced. Although for most of the year there is still a surplus over household requirements, there is a risk of shortage in autumn. Last autumn large quantities of milk had to be imported into England and Wales from Scotland and Northern Ireland. It is forecast this year that, even allowing for greater imports, there will be a period when demand cannot be met. In a country which has to import nearly all its butter and about two-thirds of its cheese and has to prohibit the manufacture of cream (and prohibit the milk chocolate manufacturer from getting supplies for most of the year) it is difficult to see that an excess of milk is being produced.

One may ask which may be considered the most urgently wanted food after milk and cheese. If it is beef, will the housewife accept the little more that can be made available at the expense of a prolonged period of daily milk shortage and a further reduction in the cheese ration? The balance of convenience seems to favour milk. The dairy cow is the most efficient converter of food crops into nourishing human foodstuffs so that any diversion of these crops to other animals would be a net national loss.

For these reasons I think that milk is still No. 1 on the nation's shopping list, and find it hard to believe that you seriously mean it can be put last. Milk and its products undoubtedly suffer from those rigidities in supply and demand to which you refer.—Yours faithfully,

I. C. ROBERTSON

Bournville, Birmingham

Albion Toujours Perfide

Sir,—During my recent visit on your behalf to France and French North Africa, I was astonished at the number of Frenchmen that asked me whether it was true that the Anglo Iranian Oil Company had left Persia by design, having discovered oilfields that were better worth operating in Koweit and Iraq. I explained that these were no compensation for the loss of Abadan refinery, nor of Britain's dollar earning capacity, and that a company would not so lightly jettison equipment insured for £78 million, plus a valuable catalytic cracking plant that had only been in use for a few weeks. It is, of course, possible to argue that even the vast economic loss and loss of face that were suffered at Abadan are, as the months roll by, being offset by a strategic gain: we have been forced to build refineries all over the world instead of maintaining one hostage to fortune only 650 miles from the Russian border. Yet this compensating thought did not occur to many British minds at the time.

It is flattering to be thought Machiavellian on occasion, but hardly so to be thought double-faced even when drifting impotently.—Yours faithfully,

YOUR MIDDLE EAST CORRESPONDENT

Plain Word?

Sir,—What in heaven's name are "diseconomies" (May 10, 1952, page 350)?

And if so, why?

Never again, please.—Yours faithfully,

WALTER GOODCHILD

Eastbourne

[Why not? As often as it is the simplest way of conveying the idea.—EDITOR.]

Books and Publications

America—Alone or Allied?

The General and the President. By Arthur Schlesinger, Jr., and Richard Rovere. *William Heinemann.* 307 pages. 16s.

It is just a year since Washington was watching with fascination the Senate hearings on the President's dismissal of General MacArthur from his commands; this developed from an inquest on American actions in the Far East during and since the second world war into an argument over the basic concepts of the postwar foreign policy of the United States. General MacArthur epitomised the "mid-century" isolationism, the belief that, since the United States could obviously no longer cut itself off from the world entirely, it should concentrate on its traditional sphere of interest in the Pacific alone, without allies. General Marshall, then Secretary of Defence, and the others who spoke for the Administration, put the internationalist point of view; they drew American foreign policy in the round and linked the Pacific with the rest of the world.

The authors of this book, a Harvard professor of history and a Washington newspaperman, do not deal with the actual hearings in detail. It was not necessary to do so for American readers, for seldom have Congressional hearings been more fully reported in the Press, but British readers might have welcomed a summary of the evidence; other essential statements are reproduced in appendices. British readers, too, may find that they lack sufficient knowledge of the Washington scene to savour this entertaining and penetrating book to the full, just as they might not have grasped the finer points of some of the cartoons by the *Washington Post's* Herblock, an even more renowned liberal than either Mr Schlesinger or Mr Rovere; these drawings were in the original American volume but have been left out of the British edition. The authors were, however, writing not for British readers but to give Americans a quick background for a controversy that was fresh in their minds when the book appeared last autumn, and of which they may be reminded if, as is still occasionally predicted, the Republicans, falling between General Eisenhower and Mr Taft, land on General MacArthur for their presidential candidate this year.

Mr Schlesinger and Mr Rovere sketch General MacArthur's life and character, his brilliance and his egotism, with a sympathy that makes their final condemnation more telling; just as their condemnation of the confused and uncertain policy of the United States in China and Korea makes more striking their final admission that nothing else was possible. They are convinced that General MacArthur was not bellicose, but wished to carry bombing raids into China only because he honestly believed that there was no other way of stopping the bloodshed in Korea. Where he failed was in his inability to see the Korean war in a world framework, to relate it to the Administration's long-term resolve to contain Communism everywhere.

It becomes clear from this book, as the authors point out, that General MacArthur deliberately courted dismissal in order to bring into the open his fundamental disagreement with the President's international objectives, and thus the argument over his dismissal became one over the whole future of American foreign policy. It aroused "a violent and spontaneous discharge of political passion" quite incomprehensible to Europeans, who rejoiced at the departure of the General who had shown himself so unsympathetic to the ideals of the United Nations in spite of being the first United Nations commander in history. But the passion came not so much from enthusiasm for the General as from resentment against the President, and, once the American people had got rid of that passion, they seem to have been left with more willingness to face their responsibilities in the world today.

The Senate hearings did not settle the argument over the General's dismissal, for it was not possible even for a final report to be agreed. But in the year that has passed, during which Far Eastern policy almost seems to have ceased to be an issue, it has begun to look as if the argument had perhaps settled itself, as if the weight of evidence produced by the Administration's witnesses is gradually stifling the dream that it may still be possible for the United States to "go it alone."

"We've Been Using More Of A Roundish One"

Herblock in the *Washington Post*, May 7, 1951

A Soldier on Soldiers

East *versus* West. By Lieut.-General Sir Giffard Martel. *Museum Press.* 220 pages. 12s. 6d.

The core of General Martel's book is a discussion of the type of land forces needed by the western allies to defend Europe and of the type of army organisation necessary for Britain's contribution. "An army is a depressing place after a great war," he writes; and his theme is partly the struggle, decade in, decade out, between the forward-looking officers at the War Office and "the authorities," principally the CIGS, who are at best usually attached to the methods successful at the end of the latest war. General Martel tells of the efforts of the team of officers, led by General J. F. C. Fuller and including himself and Captain Liddell-Hart, to raise a mobile armoured force. In spite of the opposition of the Army Council a limited success was achieved, enough, for instance, to enable General Martel in 1940 (as it enabled his French counterpart General de Gaulle) to stand up to the German Panzer tide on a small front.

The author believes that Britain—and especially Lord Montgomery, who comes in for some very bitter criticism—has repeated the mistake of the period between the wars, the mistake of not concentrating on the production of cruiser and infantry tanks and the training of their crews. He is against conscription and in favour of a regular army of some 200,000 men enlisted for thirty years. Such a force alone could, with American help, provide the armour without which the French contribution of manpower for the infantry will remain virtually useless against Russian attack.

General Martel's military arguments (which have been partially met by the recent raising of further armoured forces and by the new form of short-service engagement) are powerful and the spirit animating them unmistakably of a high, well reasoned patriotism. He also has some striking things to say about the effect of Socialism upon leadership. The book deals also, however, with the great political forces in the world at large; with questions such as the threat arising from over-population in the East, an economic urge to expand contrasted by the author with Soviet Communist aggression which, as he says, derives solely from the Kremlin's pride and ambition.

General Martel roundly condemns the west's intervention in Korea as a

strategically ridiculous diversion of strength which has played straight into the Kremlin's hands. This argument is, however, in utter contradiction to his remarks about the easterners' obsession with prestige, which he says he observed while head of our wartime military mission to Moscow; for the Korean campaign, whatever else it is, has certainly been a smack in the eye to Communist and all other aggressors. Nor does General Martel even mention the fact that it was the Korean War that started the gigantic American rearmament without which even the best British efforts towards European defence would probably have proved unavailing. Outside the technical military sphere the author seems to have flashes of high intelligence; but more often his statements have the ring of half-truths and occasionally, for example in the section on the Mohammedan world, they descend to downright naïvety. Nevertheless, the book is clear and vigorous from the first page to the last.

Foundations of Modern Greece

The Greek War of Independence. By C. M. Woodhouse. *Hutchinson's University Library.* 167 pages. 8s. 6d.

At first sight this may seem a curiously narrow subject for a book of this series, and, treated in the conventional way, it would have been. After all, the Greek War of Independence was a small episode covering only the years 1821-29. Out of it there emerged an independent Greek nation which had not existed before, and that, it is often said, was the top and bottom of the matter.

Mr Woodhouse, however, has not handled his theme in the ordinary manner. He has improved its presentation in two important ways. First he has given depth to the story by setting it squarely against those four centuries of Turkish occupation which preceded the movement for national liberation among the Greeks. Second, in describing the Revolution itself, he has been careful to explain how it fitted into the pattern of European politics in the years after Waterloo. Not only did the movement have wide repercussions outside the Balkans, but its own course can hardly be understood unless the attitude of the great powers is taken into account.

Few readers will grudge the thirty-odd pages the author devotes to the *Tourkokratia*, for he shows, with a praiseworthy economy of detail, not only the varied character of the occupation but also what it did to the Greeks themselves. While the Phanariotes dreamed of an Ottoman Empire under permanent Greek management, many of their poorer countrymen, who had once looked to Russia, began to hope for a Greek state which should owe nothing to the Sultan or the Tsar.

With the confused story of the Revolution Mr Woodhouse has grappled valiantly, and he has also managed to convey something of the paradoxes it continually reveals. The Sultan was half-hearted against the Greeks until it was too late. The British government hastened to describe the Battle of Navarino as an untoward event. The Greeks themselves were never of one mind; their heroism was only equalled by their capacity for mismanagement; and many of them, when independence was at last attained, preferred the Turkish yoke. Altogether this is a useful book, competent and unpretentious.

Practical Farming

The Elveden Enterprise. By George Martelli. *Faber and Faber.* 172 pages. 21s.

The Elveden estate consists of 23,000 acres of land so poor and sandy and in an area so subject to drought that normal farming operations have generally been considered impossible. As recently as twenty-five years ago 3,000 acres were let at an annual rent of 2s. 3d. an acre, a sure measure of the poverty of the soil. On the other hand it is a paradise for game. As a result Elveden had usually been run not by the farm manager but by the head gamekeeper who arranged the cropping plan to encourage the game and for no other purpose.

During the last two hundred years only two owners have really tried to farm the land. The first was Lord Albemarle at the time of the Napoleonic wars and the second Lord Iveagh who took over in 1927. Mr Martelli's book deals in outline with the history of Elveden up to 1927 and in detail thereafter.

Lord Iveagh displayed considerable imagination in embarking on a programme of agricultural expansion in 1927, at the beginning of the era of bonuses for non-production when the world seemed glutted with food. Since that time he has built up Elveden into the largest arable farm in the country with yields of corn nearly up to the national average, and sugar beet actually better than average. At the same time the number of cattle was increased from 100 to 1,700—only, unfortunately, to meet with disaster in the present outbreak of foot and mouth disease.

Elveden is now run as an arable, dairy and beef farm. It is surprising, in view of Lord Iveagh's determination to build up the fertility of the land, that so many crops are sold off the farm instead of being fed to pigs. The light dry soil should be ideal for keeping pigs outdoors and they might very well be the means of reclaiming those remaining portions of the estate still considered too poor to be cultivated.

Mr Martelli is interesting, factual and objective, and the work is particularly well illustrated. It is strongly recommended to the general reader and in particular to all landowners.

The Growth of Radicalism

The Radical Tradition. Edited by S. Maccoby. *Nicholas Kaye.* 236 pages. 16s.

This, the fifth volume in a series designed to exhibit the variety of the British political tradition, is devoted to Radicalism. Its growth and the quickening influence it exerted on political life are aptly illustrated in a succession of well chosen extracts from speeches, letters, pamphlets, newspaper articles and election addresses. The editor has also given his texts a useful commentary.

Dr Maccoby holds that English Radicalism began with Wilkes and Paine, and that its distinctive influence lasted for about a hundred and fifty years, until its strength was gathered into the Labour movement in the early part of the present century. As such it was a form of political activity which flourished in that temporary and unique situation, when society here was painfully adapting itself to fit the strange new conditions created by a technological revolution of unprecedented magnitude. This is a point which seems to have escaped the notice of the editor, although his careful analysis of every phase of Radical activity makes it abundantly plain.

It is less surprising that the Radicals themselves failed to perceive it. Their concern was to agitate for fundamental changes to set right immediate grievances. They were not given to philosophising about why their problems existed at all, nor were they prone to doubt what seemed to them the self-evident virtue of the remedies they proposed. In an age when much had to be altered, their robust, if myopic, self-confidence was a source of great political strength. Yet it also had its dangers for, as the book shows, Radicalism in its heyday was always liable to topple over into revolution.

The Radicals were never a true party, and the more fervent among them, dis-

★ *Author of 'A Time for Greatness'*

Herbert Agar

DECLARATION OF FAITH. "A noble book. Nobody of intelligence could read *Declaration of Faith* without wishing to put his own ideas in order about the world in the middle of the twentieth century."—COMPTON MACKENZIE 12s. 6d.

★ *Companion to 'Winter in London'*

Ivor Brown

SUMMER IN SCOTLAND. Written not as a guide book or series of disconnected essays, but the record of a Scot who knows and loves his native country. 16s.

★ *9 volumes in 1*

André Simon's

CONCISE ENCYCLOPEDIA OF GASTRONOMY. The author has devoted his life to trying to teach the Anglo-Saxons to eat properly. Here in one volume is the result of a lifetime's study, previously only available in 9 separate volumes published by the Wine and Food Society. 42s.

★ *His first cricket book for 15 years*

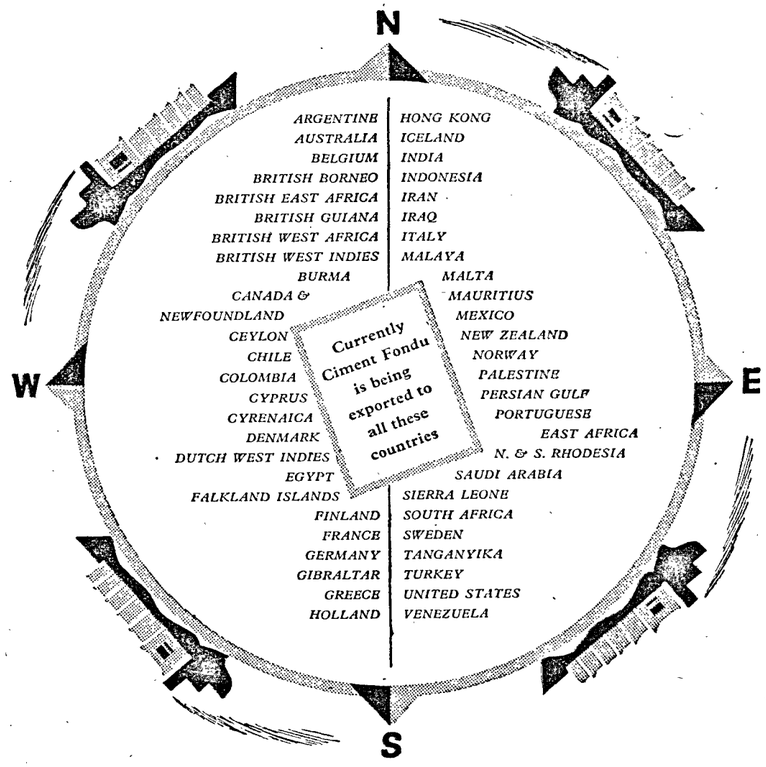
Neville Cardus

CRICKET ALL THE YEAR. "Indeed a fine book and I enjoyed it immensely."—SIR PELHAM WARNER. "Not only the work of a master of English prose; it is the work of a wise and understanding man who loves cricket."—SIR NORMAN BIRKETT. *Illustrated* 15s.

COLLINS

The British Product which is *indispensable throughout the World*

Ciment Fondu the original high-alumina Cement is produced at West Thurrock, Essex, the only source of manufacture within the British Commonwealth.
Its remarkable properties and high quality have created a universal demand for this unique Cement and made the name of Lafarge known and respected all over the World.



The Best Cement in the World **CIMENT FONDU** Used all over the World

LAFARGE ALUMINOUS CEMENT CO. LTD.

73, BROOK STREET, LONDON, W.1

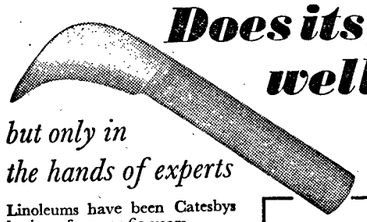
Ciment Fondu is distributed in N. America by

CIMENT FONDU LAFARGE CORPORATION
141 East 44th Street, New York 17, N.Y.

CIMENT FONDU LAFARGE (CANADA) LTD.
1405 Peel Street, Montreal, P.Q.

3-1169

Does its job well...



but only in the hands of experts

Linoleums have been Catesbys business for over 60 years ..... small wonder then that they know so much about it! In most fields of endeavour it is experience that counts above all. Catesbys possess the largest stocks of finest quality linoleum in the country. The great thing about linoleum is that it doesn't crack in use, is germ proof, has a long life and—last but not least—it is so easily cleaned. Fine quality linoleum deserves careful laying and fitting, especially where pattern is concerned, and the skill of Catesbys team of expert fitters is without equal.

Some recent contracts:
University College Hospital
Royal College of Arts
King's College Hospital
Allen and Hanbury
All Souls Church
Adrema Ltd.
Glaxo Laboratories
Marsham Tyre Rubber Co.
Snow Hill Police Station
Ilford Ltd.
Stourport Power Station
Redhill Hospital
Bank of New South Wales
Car Mart Ltd.

CATESBYS LTD.
the greatest name in Lino
64-67 Tottenham Court Road, W.1 • Tel: Museum 7777

The Blenheim Coach at the Star Hotel, Oxford

STAGE coaches are said to have begun about 1640, *and in* 1667 *a coach is mentioned as plying between London and Oxford, performing the* 54 *miles in two days, with a halt for the night at Beaconsfield.*

Banking facilities were few in those days, but with the improvement in transport came the spread of the banking habit. To-day the possession of a banking account from which payments by cheque may be made is an indispensable aid to the systematic management of one's financial affairs.

Martins Bank has nearly 600 branches, at which the managers will be glad to give information about the services ready for your use.

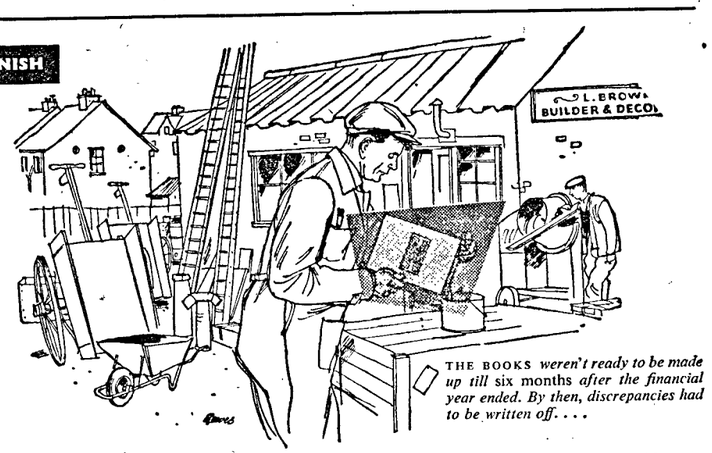
MARTINS BANK

Limited

LONDON DISTRICT OFFICE:
68, Lombard St., E.C.3
HEAD OFFICE: WATER ST., LIVERPOOL 2
TOTAL ASSETS (AS AT 31st DECEMBER, 1951)
£347,336,244

THE CASE OF THE VANISHING VARNISH

A "liquid asset" —till it disappeared from the books!



THE BOOKS *weren't ready to be made up till* six months *after the financial year ended. By then, discrepancies had to be written off....*

THE Paint and Varnish manufacturing firm of A. Macnair and Co. Ltd., Manchester, was doing well. The volume of business had increased many times since 1939, and there were no complaints from management or factory employees.

In the office, however, staff using pen and ink methods had to put in much overtime to get statements out by the middle of the following month—there just wasn't time to check all items accurately. Sometimes, wrong figures were posted from the day book to the ledger account; sometimes, items were not posted to the ledger at all. The auditors, who were called in to make up the books at the end of the firm's financial year (usually a six-months job), found that it was continually necessary to write off discrepancies to balance the books.

Macnair's realized the danger of these mounting overheads, and they called in the Burroughs man to investigate and offer expert advice. He suggested slight adjustments to Macnair's existing system and recommended a Burroughs Bookkeeping Machine as practical for all the firm's needs.

Result? Although production has doubled and premises quadrupled, Macnair's office staff is the same size. Statements are now sent out regularly on the *second* working day of each month. The audit for the year ending March 31st 1951 was completed by April 19th!

WHAT ABOUT YOU?
If you are faced with any time-lag in obtaining full figures on the state of your business, your wisest step is to call in Burroughs now. They are experts in interpreting figuring problems in relation to the latest systems, for Burroughs make the world's broadest line of Adding, Calculating, Accounting, Billing and Statistical Machines and Microfilm Equipment.

Call in Burroughs today. Sales and service offices in principal cities round the world. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1.

For expert advice in any field of business figures...

***CALL IN* Burroughs**

contented with the slow pace of peaceful change, were sorely tempted to violence in an effort to hasten the reforms they thought both necessary and inevitable. This happened on the morrow of the French Revolution of 1789, and it happened again in the Chartist movement, where extreme Radical influence was strong. There were many who agreed with William Rider that "the citadel of corruption" could only be levelled by force. Not the least surprising thing in the history of Radicalism is the way John Bright was able to swing the movement decisively from so fatal a course, and it is a point on which Dr Maccoby properly lays emphasis.

Colonial Digest

Digest of Colonial Statistics. No. 1. March-April, 1952. Colonial Office. *HMSO.* 68 pages. 3s. 6d.

There has been a long felt need for more easy access to colonial statistics and the Colonial Office is to be congratulated on a brave attempt to provide one. This publication, which is to be issued every other month, provides some of the more important figures in clearly presented tables. It is intended as a companion volume to the Digest of Statistics for the United Kingdom, but inevitably the scope of the information is more limited. Half the tables in this first number are concerned entirely with the trade of the colonies; other tables cover primary production (although in many cases exports are the only measure), price movements, area and population figures, and some rather fragmentary information on industrial production. In most series annual averages or totals are given for 1936, 1937 and 1938 and for the postwar years, with monthly figures over the last two or three years.

There are particularly interesting tables showing the direction of trade from and into the different colonial territories and the sources of supply of imported cotton piece goods where India has replaced the United Kingdom as the main supplier and Japan is becoming a serious competitor again. Yet, having been given so much, the user of these statistics will almost certainly ask for more. There are a few omissions from the list of primary products, notably coffee. If possible, it would be useful to have production figures of food crops for local consumption, particularly of rice. More is needed on industrial production, but some extension of these statistics is already promised.

There is nothing about finance in this new Digest. It is likely that such statistics as do exist are more appropriate to an annual abstract, and it is hoped that it is intended to publish one. The most welcome statistics in this would be figures for the balance of payments and estimates of the national income, so allowing comparison not only between the colonial territories but in a world setting. In the meantime, some explanatory notes on the new Digest would be helpful to answer such queries as whether the territories listed as producers of the various commodities necessarily cover the whole of colonial production.

Visionary and Adventurer

John Baird. The Romance and Tragedy of the Pioneer of Television. By Sydney Moseley. *Odhams.* 256 pages. 16s.

Baird very nearly became the Marconi of television. After his initial success (in 1926) in transmitting crude but genuine living pictures by wire, he kept himself in the public eye for more than ten years by periodic demonstrations and "stunts" while he strove to develop the system to a practical stage. For a time his name was, in England at least, synonymous with television. But as the improved system began to emerge, he was gradually overtaken, and though he struggled desperately to maintain his lead, all his ideas were abandoned, and his name lost its magic. Television as we know it owes very little, technically, to Baird, and though he has a genuine claim to be one of the pioneers, his chief contribution was in assiduously exploring all the blind alleys of television while those of clearer technical insight were biding their time. Baird may have been the prophet of the new dawn, but it is false to portray him as the neglected inventor cheated of his just reward.

In spite of his protestations, this is just what his friend and collaborator, Sydney Moseley, has tried to do, by inference, in this book, and the whole of the later part, describing the rise and decline of Baird Television Ltd., and its metamorphosis into Cinema-Television Ltd., is partisan and unreal. The early chapters, however, give an interesting picture, chiefly from Baird's own notes, of his youth and first commercial ventures; the former was sordid and discouraging, the latter not altogether respectable. The story of the romantic "garret" stage of his television experiments, in truth the zenith of his career, is very interesting, and includes impressions and reminiscences contributed by his contemporaries. Baird was part scientific visionary, part adventurer, like the alchemists of the past, and his story would have been more interesting if it had been told in its true colours.

Shorter Notices

International Economics. By Jacob Viner. *Allen and Unwin.* 381 pages. 40s.

This collection of papers, whose original publication dates range from 1924 to 1947, and which includes contributions to learned journals, to the popular press and to the proceedings of expert societies, as well as lectures delivered in a number of countries to widely different audiences, has a surprising degree of unity; the unity imposed, in the author's words, by "faithful adherence to the mode of thought and the values of nineteenth-century free-trade Liberalism." This adherence is explained, and justified in the face of the Keynesian revolution, in Professor Viner's introduction. Some of the material here re-published has been incorporated in more solid works, notably the definitive study of Customs Unions published last year. The beautiful essay on "International Relations between State-Controlled National Economies" was included in the Blakiston "Readings in International Trade." Many others, however, are made available to the general public for the first time. Throughout, Professor Viner reveals himself not merely as an acute economist but as a man of sense—using that expression in its full eighteenth-century connotation; in this quality, as in his humanism and his quiet and straight-faced humour, he recalls Edwin Cannan—particularly the Cannan of the "Economist's Protest."

Yearbook of the United Nations, 1950. *United Nations,* New York. *HMSO.* 1,068 pages. 90s.

Like its three predecessors, this official record of all the manifold activities of the United Nations suffers from the lapse of time. Whether in Korea, Libya, South West Africa or South East Asia, events have moved forward since December, 1950, the last month to which it refers. But it provides a uniquely detailed and objective account of the year which saw, for the first time in history, a multi-national force mustered to resist aggression under the flag of a world organisation. The eighty-page section on Korea is a valuable restatement of the early stages of the struggle in that country, and other sections of particular interest deal with the disposal of Italy's former colonies and the launching of the technical aid programme. The yearbook is well designed for convenient reference, each subject being treated as a whole instead of being divided between the various United Nations organs; the work of the International Bank, Unesco, and the other specialised agencies is usefully summarised; and there is a 55-page index.

THE WORLD'S GREATEST BOOKSHOP

FOYLES
FOR BOOKS

All new Books available on day of publication. Secondhand and rare Books on every subject. Over 3 million volumes.

Subscriptions taken for British and overseas magazines and we have a first-class Postal Library.

We BUY Books, Stamps, Coins

119-125
CHARING CROSS ROAD
LONDON WC2
Gerrard 5660 (16 lines)
Open 9-6 (Inc. Sats.)

AMERICAN SURVEY

Foreign Aid Over the Sticks

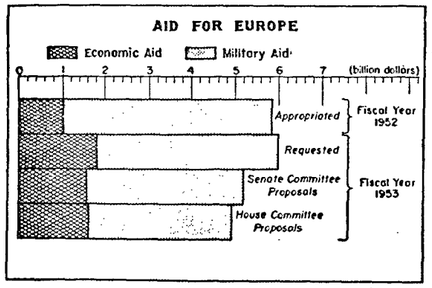
Washington, D.C.

AFTER a lame start this year's foreign aid Bill, which has now covered about half the course in its annual steeplechase round Congress, is finding the going easier and is taking its fences better than the more pessimistic among its trainers and backers in the Administration had dared to hope. On April 30th the Senate Foreign Relations Committee returned the Bill to the Senate with a recommendation that the President's request for $7 billion be cut by $1 billion, by means of a uniform reduction of 12.6 per cent on each of the items in the Bill. A week later the House Foreign Affairs Committee also recommended a cut of $1 billion, to be made by taking $829 million from military aid and $182 million from economic aid to Europe. These are the Bill's two steepest fences, its Becher's Brook and its Valentine's, and although there are many obstacles yet to come, the general debates in both the House and the Senate, and the ramparts of their Appropriations Committees, it is the recommendations of these two first committees which will set subsequent standards.

At first sight the reductions made by both committees look like wild swings of the economy axe, but on closer examination of the figures it is clear that both bodies paid more serious attention than usual to the Administration's arguments. In particulars the heaviest blows have fallen not, as the legislators were predicting six weeks ago, on economic but on military aid. There were two reasons for the decision not to slash economic aid. The first was the steadiness with which the Administration stuck to its point that economic aid to Europe must be larger this year than last, not only because the rearmament burden on the European countries was increasing but also because Britain, which was not included in last year's request, was in urgent need of assistance; the Mutual Security Agency calculates this need at $590 million for the coming year. But Congress has heard many urgent pleas on this subject in the past five years from members of the Cabinet and other officials, and what really saved the day in the Senate Committee, in addition to the testimony of General Gruenther, was the strong support given to economic aid by the representatives of private organisations, the religious and philanthropic bodies, the farm and labour organisations. When the Senators began to sniff the sweet odour of votes, the attractions of economic aid became more obvious.

On the other hand, the military authorities found themselves in an awkward position for demanding an allotment of funds on anything like the scale of last year. The Secretary of Defence had somewhat ruefully to admit that, of the $9.5 billion worth of military aid authorised for Europe in the past three years, only $1.2 billion worth had actually been shipped by the end of January. The House Committee managed to elicit the fact that by March of this year only sufficient medium tanks had been sent abroad to absorb the money voted in 1949-50. The rate of delivery on most items of military equipment is beginning to rise very fast and the military witnesses asserted that, by the end of this year, it will have overtaken most of the backlog of unspent money. They argued also that the long lead time for building complicated tanks and aircraft necessitated allocating funds now for delivery several years hence. But the unspent $8 billion rankled with the legislators, most of whom had started to hear the evidence with a firm conviction that military aid should be passed in full while economic aid was pared to the bone.

There is no doubt that this year's Mutual Security Act will be a better instrument than its predecessor if it emerges finally from Congress in anything like the form which the two committees have given to it, and it is most unlikely that a Congress which is anxious to be off to the hustings will find time to amend anything other than the purely monetary provisions. The President will have power to switch 10 per cent of the funds allocated to each area to another area or between economic and military assistance. He will be able to deal with Shape and the European Defence Community, when it is set up, and to transfer military equipment to them as entities rather than being forced to deal with individual countries. Finally, at least $1 billion of the amount voted for military assistance to Europe is to be used for "offshore procurement" in Europe if the House Committee has its way.



This last provision may prove rather embarrassing to foreign aid officials, although in principle they are enthusiastic about offshore procurement, since it supplements the dollar supplies of the European countries. But in fact they have managed to allocate only $35 million of the $500 million it had been hoped to spend on European procurement this year. Plans for expansion have so far been stymied by the reluctance of European industrialists to accept the conditions attaching to American contracts and by the reluctance of American army officials to purchase anything non-American. As the Geneva correspondent of the *New York Times* expressed it:—

> An army that is still hauling canned beer 4,000 miles to be drunk by people living in Heidelberg and Munich presents a formidable psychological problem to those who want it to start buying more electronic equipment in the Netherlands and Italy.

The more reasonable atmosphere in which this year's foreign assistance Bill is being discussed is attributable to several causes. For one thing the question of how foreign aid shall be administered is no longer a major issue, and the various agencies concerned have managed to impose a pattern of modest efficiency upon their peculiar spider's web of functions. For another the steps being taken in Europe towards the ratification of the Schuman plan and the creation of the European Defence Community have provided the tokens of good faith for which Congress has been seeking so earnestly. The preoccupation with the election and the waning of the struggle between the "Europe First" and the "Asia First" schools has taken much of the heat out of the issue. Senator Connally's decision not to try again for the votes of the economy-minded Texans drew the rancour out of his attitude towards expenditure, and has enabled him at the eleventh hour to resume the role of the Administration's spokesman on the floor of the Senate.

★

There are many pitfalls ahead. So far both the House and Senate Bills have been kept free of cranky ideas, although the Administration had to bring every gun to bear early this week to kill Senator Knowland's proposed limitation on the sending abroad of jet aircraft. But if the Senate divides along party lines when the Bill comes before it, despite the belated efforts of Senator Wiley of Wisconsin to recreate a bipartisan spirit, then the Administration will have to accept further cuts and compromises, since there are several Democrats who would side with the Republicans. The temper of the House is harder to gauge. Since every member is up for re-election in November the House is more alarmed than the Senate at government spending and deficits. The House has already proposed drastic cuts in the United States' own military budget and, in the eyes of many Congressmen, foreign military and economic aid is directly competitive with, not complementary to, domestic rearmament. The fact that the Director of Mutual Security, Mr Averell Harriman, is now a declared candidate for the Democratic nomination to the Presidency tends to make foreign aid look like a policy which no Republican with a marginal seat can afford to support wholeheartedly.

For this reason, as the final stages of the foreign aid Bill and the road to the convention begin to converge towards the end of June, the relative strength of General Eisenhower and Senator Taft may well determine the shape and size of the Act that emerges. The General has twice within the past two weeks pointed out by cable the danger of further cuts and, if there is a clear upsurge of popular support for him during June, Congress will be more disposed to heed his advice. But if the Senator is clearly in the lead for the nomination, there will be very few Republican Congressmen who will care to see the Bill become law, as it stands, even with the cuts already proposed; they will try to emulate the Senators who are demanding a further reduction of $1 billion or so.

Market for Music

[FROM AN AMERICAN CORRESPONDENT]

THOSE who suffer from America's eagerness to teach the world how to run its industries can take comfort from a compensating modesty on cultural matters. In music, for example, the United States still acknowledges European supremacy. A British citizen, Mr Rudolf Bing, is putting new life into the Metropolitan Opera; an Alsatian, Mr Charles Munch, is head of the Boston Symphony Orchestra; an Italian, Mr Arturo Toscanini, now celebrating his eighty-fifth birthday, is the most famous and popular conductor in the country.

This continuance of an old homage tends to obscure the growth in musical taste, skill and enthusiasm which has taken place in the United States in the last few decades. American orchestras and ballet companies are beginning to invade Europe. American singers no longer feel that they must hide their origins under foreign names in order to attract listeners. Musical comedy is now the best native theatre playing in New York. Music printers are now reproducing certain classical scores that have long been out of print in Europe, and gramophone record dealers have invaded the bookshops to sell with equal enthusiasm the output of foreign and American musicians.

All this reflects increased public demand, and means the growth of a considerable business. In financial terms the music business would include the Metropolitan Opera's yearly budget of $3 million, the $1 million each which is needed annually for the ten top orchestras, the $180 million spent each year for recordings. In addition, there are the budgets of at least 500 smaller orchestras, of which a hundred need more than $100,000 a year apiece to support them. A recent commercial reference book also lists 80 opera companies, 540 "concert and/or marching bands," and 184 educational institutions offering major courses in music. Obviously this activity develops its own demands—the country boasts at least 255 manufacturers of band and orchestral instruments, 699 gramophone recording companies, 191 musical periodicals and 1,196 music editors and critics on 926 newspapers.

★

The oldest of the great orchestras is the New York Philharmonic which was founded in 1842. Then came the Boston Symphony in 1881 and the Chicago and Cincinnati orchestras, all founded before the turn of the century. The Philadelphia Orchestra was established in 1900, and was followed by those in Minneapolis, St Louis, San Francisco, Cleveland and Los Angeles. Ten of the big ones are more than twenty-five years old; many others have been established since the first world war.

Few orchestras manage to pay their own way. In the early days of the Boston Symphony, Mr Henry Higginson set aside $1 million which, invested at 5 per cent, was to provide the necessary income over and above the sales of tickets. The interest rate, the investment market and modern wage scales have combined to frustrate his benevolence. Nowadays big orchestras need as yearly income what he gave as capital. Two-thirds of it may come from ticket sales, the rest from radio broadcasts, the making of records, and the generosity of donors. Some city governments add a grant, but this practice is not yet common.

Smaller and less famous orchestras were brought into existence by the federal government which, during the depression, supported as many as 15,000 musicians working on some 700 different projects. A small city such as Norwalk, Connecticut, has its own orchestra, so has San Antonio, Texas. Albuquerque, New Mexico, has had the honour of giving a world première to a composition by Arnold Schoenberg. Schools all over the country teach their young to play in bands which make music at football games or for dances. The dance band can earn its way; in the hands of a famous leader, it can make as much as $500,000 on a single tour, and countless lads in lesser bands

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

follow this golden gleam as they work their way through college by playing for dances.

Economically, the opera is as lame as the orchestras. Even the Metropolitan in New York City is periodically shaken by worry about budgets; expenses in 1951 were $4,023,314, and earned income only $3,312,755. Radio has helped. Sponsored coast-to-coast broadcasts on Saturday afternoons add to the opera's regular income, and reach a wide body of listeners who contribute to opera fund drives. So far the deficit has always been met, but the sense of insecurity remains.

Smaller opera companies, like smaller orchestras, function in many cities. Some are connected with universities, some give summer opera out of doors, others depend on civic pride or the generosity of a local Maecenas. Very few of them pay their way for any length of time. Even the New York City Centre, with resident ballet and opera companies, is forgiven its taxes, and given additional help by generous donors. Its ballet company is to appear in London and Edinburgh this summer, after visits to European capitals.

★

The effect of technological changes on music and musicians is debatable. The sound track put cinema pianists out of work in the nineteen-twenties. Then the spread of national wireless networks ousted local musicians from local radio stations, and the popularity of recorded music "piped in" from a central station did away with the small dinner orchestra. The displaced musicians retorted by striking against the recording companies for royalties on every record sold, to be used for the benefit of unemployed performers. This socialistic move, by which the pay of the successful would be shared by the unsuccessful, was led by Mr James Petrillo, who heads the American Federation of Musicians. It has resulted in the creation of a Music Performance Trust Fund, which gathers about $1,500,000 a year in royalties and pays it out to musicians who give free concerts for the public benefit. As a fund in aid of wages, this would hardly provide daily coffee for the union members, but as a way of getting good music into neglected regions it works admirably.

A similar system of collecting royalties by group action was started even earlier by the American Society of Composers, Authors and Publishers. ASCAP now represents more than 2,000 composers and writers, some 350 publishers, and the rights of 50,000 foreign musicians who turn to them for royalty collection. Each year it takes in some $7 million and distributes it among its members. ASCAP's latest move is to try to extend royalty claims to the juke box —the coin record players in public places. If there are 400,000 working juke boxes in the country, and each one plays 50 records, a tax of two cents a record a week would produce $10 million a year.

The newest technological changes aim to enlarge the market by improving the reproduction of recorded music. The modern electric gramophone has had a long life, and libraries of recorded music are more often added to than replaced. If the public could be persuaded to replace both its gramophones and its record libraries the manufacturers and recorders would both profit. One attack was made by a change in the speed at which record tables revolve. In 1948 the Columbia Phonograph Company brought out a long-playing record made to turn at 33 revolutions a minute rather than the customary 78, and capable of holding an entire symphony on its two sides. This is making great progress in the field of classical music. The rival company, RCA-Victor, countered by producing a record made to turn at 45 revolutions a minute. This aims to capture the great field of popular music, which covers 90 per cent of the records sold.

The other attack takes the form of "high fidelity" installations which would replace the traditional gramophone with electronic instruments of extraordinary delicacy which can be assembled in furniture to suit the taste of the purchaser. So far these have not reached the popular market, but they appeal to music lovers who can afford them. From all this progress in the mechanics and electronics of music the performer profits, though not enough. But the old arguments that it would kill music and musicians are not often heard today.

American Notes

Strikes in Suspense

As restrictions on the use of aviation spirit became world-wide and as the shortage of petrol in parts of the United States became serious, the oil workers' leaders announced that the unions would accept, although with reluctance, the increase of 15 cents an hour, accompanied by other improvements in wages, which was the most that the Wage Stabilisation Board was able to approve for the strikers. The unions, which began by asking 25 cents an hour, had already come down to 18½ and the major companies had come up from 10 to 13 cents or more, so it seems fairly certain that most, if not all, of the various oil disputes will be settled in the next few days on the basis of the board's recommendation. The strikes have affected mainly refineries and pipelines, and it should not take long to make up the scattered scarcities of oil that have developed, except perhaps in the case of aviation spirit, of which stocks were hardly adequate even before the strikes.

The occasion of the WSB's recommendation was its disapproval of an agreement already made by one small company for an increase of 18½ cents an hour. Wages in the oil industry, averaging from $2 to $2.12 an hour, are higher than in steel, where an increase of 17½ cents an hour, and another 9 cents in additional benefits, was approved by the board. But the WSB's apparent niggardliness to the oil workers may also be explained by the unfavourable reaction in Congress and elsewhere to its generosity to the steel workers, who were given more than they expected. Ten days ago, however, the board nearly went too far in the other direction when it tried to insist that the oil stoppages should be called off before it considered the disputes. The union was so incensed that for a time there was danger that the oil strike would become as bitter as the steel strike, only in this case the bitterness would have been directed against the government rather than the industry.

The steel workers still have the government faithfully on their side. At their convention this week, the Secretary of Labour told them that the only possible settlement for their dispute was on the basis of the WSB recommendations, which the industry refuses to accept. The union representatives, asking "only that which is our due," agreed enthusiastically and unanimously that the men could not and would not continue to work indefinitely in 1952 for 1950 wages and without a contract. The meeting gave notice that there would be another steel strike if wage increases were not granted promptly. Only the obstinate steel companies can grant them, for the government has been prohibited from doing so until the Supreme Court gives its ruling on the legality of the President's seizure of the steel plants. The arguments were heard at the beginning of this week, but it will probably be some time before the Court hands down its decision.

Credit Unrestrained

The Federal Reserve Board has got in ahead of the Congressional framers of the Defence Production Act, by removing the controls on instalment credit which, when they were imposed in September, 1950, were the first official attempt, after the Korean outbreak, to control inflation. By demonstrating its readiness to relax its regulations now that they are no longer made necessary by shortages of materials and inflationary pressures, the board hopes to dissuade Congress from taking away its power to reimpose credit controls should they once more be needed. Controls on mortgage lending remain, for some restriction on building activity is still thought desirable, but it is doubtful how long they can be maintained; it may be that a politically convenient moment will be chosen for their removal. The FRB has also abandoned its voluntary restraint programme for bank loans, which had become as superfluous as the restrictions on instalment credit; there is little demand for speculative loans now that commodity prices are falling.

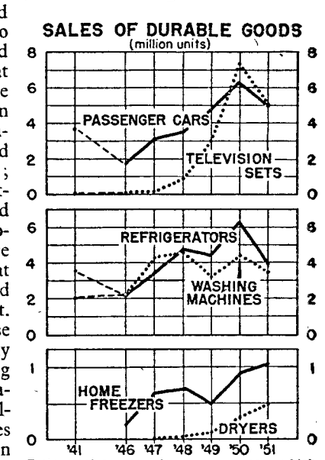
By relaxing its restraints on credit, the FRB has admitted that it does not expect any fresh inflationary pressure in the near future and that retail trade needs stimulating, especially in the durable goods market. The hoped-for spring rise in consumer buying has failed to appear and demands for the removal of credit controls have come not only from businessmen but also from the trade unions. Their pretext was that wage earners need easy hire-purchase terms if they are to buy their fair share of durable goods, but the underlying reason was labour's fear of unemployment. Three leading makers of refrigerators have been laying off workers for some weeks and output of other household equipment is also being cut back; unemployment in the motor industry is, however, falling now that more materials are available.

★

Retailers of all types of consumers' durable goods are now advertising that they can be bought for no cash payment at all, which was not permitted under the FRB regulations, and paid for over much longer periods than the FRB allowed. Whether shops will be able to obtain the financing needed to keep these promises is uncertain, and in any case there is so far little evidence that potential buyers are being attracted by these offers. What consumers want, as was confirmed by the FRB's latest survey of their plans for the coming year, is substantially lower prices. There have been a number of open, and probably even more concealed, price reductions on durable goods, but it is doubtful if it will be possible to cut many prices sufficiently to make them really tempting, especially if steel wages and costs rise. Instead most manufacturers are pinning their hopes of better business on the development of new models and new products and on aggressive salesmanship; makers of such promotional devices as advertising books of matches are doing well out of the slump in durable goods.

Durables Back to Normal

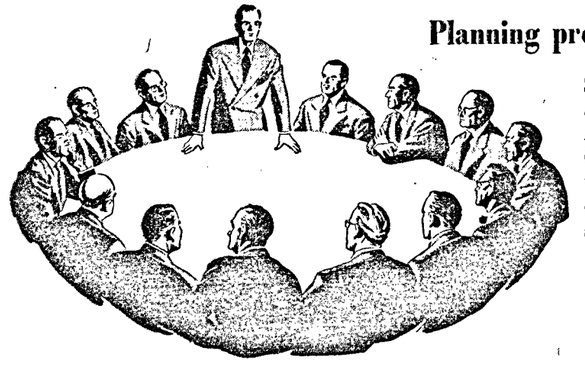
It is, however, beginning to look as if what now seems to be a slump in sales of durable goods is in fact a return to normal, as if the high levels of sales, which have come to be taken for granted during the postwar years, are gone for ever—or almost ever. A recent study by the Department of Commerce, which related such things as consumers' incomes, prices and population growth to purchases of household appliances found that in 1951 sales of these articles were lower, on the basis of this relationship, than they had been before the war; in the immediate postwar years they had been far higher. Producers are therefore beginning to fear that demand has reached saturation point. Everyone with a house wired for electricity who wants a washing machine or refrigerator may have one already and future sales may have to depend on replacements and the formation of new families. This view is reinforced by two facts: the decline in demand has taken place in spite of rising incomes, and it has not affected such new products as home freezers, dryers and air conditioners, which have only come on the market since the war.



Factory sales, except for passenger cars, which are new registrations.
Source: US Dept. of Commerce.

The Department of Commerce was more hopeful about sales of automobiles; it found that in 1951 they fell to, but not below, the level that would have been expected from their prewar relationship with consumers' incomes. This, nevertheless, means that the wartime backlog of demand for cars has apparently been satisfied at last, and at this, usually the most prosperous, season of the year, many car dealers have been worrying about where their next sale is coming from. They are more confident than are most other retailers that purchases will be stimulated by the lifting of instalment credit controls but, if sales of cars do not improve, it is doubtful if motor manufacturers will want to produce the 1,150,000 cars which will be permitted in the second quarter. Under the present limitations on output, this total permitted production is divided among the various companies on the basis of their share of the market in the years 1947 to 1949.

The Ford Company's sales lagged during these years, and



Planning produces results in the dollar market

Successful selling in the U. S. market requires a carefully planned sales approach. As one of America's oldest commercial banks, Irving Trust Company knows this great market thoroughly . . . will gladly work with you in locating competent organizations to help develop or expand your sales there.

IRVING TRUST COMPANY
ONE WALL STREET • NEW YORK 15, N. Y.
MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

as a result it has been allotted only one-fifth of total automobile output. But it is almost alone in being able to sell more cars than it can produce. This seems to be because the company, foreseeing that real competition was once more developing in the motor market, offered an entirely new model for 1952, while its rivals, expecting greater difficulties in producing than in selling cars this year, were content to make few, if any, changes in their models. The government regulations are thus preventing the Ford Company from reaping the benefits of its foresight, and the firm, over the objections of its competitors, is now trying to induce the government to give it a larger slice of the permitted passenger car output.

* * *

Policemen in the Dock

Seven months in jail have persuaded Mr Harry Gross, sentenced to twelve years imprisonment for violating New York's gambling laws, to change his mind about testifying against New York City policemen accused of accepting his bribes. On the stand, he has named men running from lowly patrolmen on the beat right up to Mayor O'Dwyer's former Commissioner of Police as willing, in return for regular "ice"—or bribes—to permit him to go on operating a bookmaking empire estimated as worth $20 million a year. In addition Mr Gross testified that he contributed $200,000 to Mr O'Dwyer's two successful campaigns for mayor.

The policemen now undergoing a departmental trial are those who had to be acquitted last year in the courts when Mr Gross—fearful of violent retribution or, as the trial judge suggested, tempted by the promise of a large sum—refused to repeat the charges which had electrified the grand jury. These men cannot be tried again on the same criminal charge, but they can, if found guilty in the departmental trial, lose their jobs and pensions. Indeed, if they are not found guilty with great dispatch, the city will not be able to refuse them the retirement with pay for which they have applied. It is not surprising that the prosecution has promised to consider some remission of Mr Gross's sentence if he will only "sing" in time.

Not all those named by Mr Gross are necessarily guilty. The grand jury refused to draw up indictments against a number. Mr O'Dwyer, who personally appointed four of the highest officials named, took refuge two years ago in the diplomatic service (he is Ambassador to Mexico) and has declined either to testify or to comment. But there is little doubt that the police department was rotten from top to bottom. This may, as the *New York Times* concludes, be inevitable as long as the state makes a crime of a highly profitable pastime in which many people see no harm.

Gambling is not a federal offence. But Congress, stirred to action by the states' failure to enforce their own laws, last year passed an Act requiring bookmakers and other gamblers to buy a $50 stamp. This may come to grief over the Constitution. A federal judge has ruled it unconstitutional on the ground that it is a police, not a revenue, measure, and thus invades the prerogatives of the states. The history of its enforcement supports the decision: the law, which also imposes a 10 per cent tax, has brought in only $3,000,000 in six months, compared with the $400 million expected in a full year, largely just because it has driven so many gamblers out of business. In the judge's view, the Act requires a man to admit he has violated state law, and therefore should be thrown out as, in 1935, the Supreme Court threw out a federal measure imposing a special tax on liquor dealers violating the law in "dry" states or cities.

* * *

Queue for the Escape Clause

Though American exports were 10 per cent higher in March than they were a year ago, and imports 10 per cent lower, and though the trade gap has widened each month this year, the demand for protection has not fallen off. Three decisions in the near future are likely to show which way the trade winds are blowing in Washington, now there is sharper competition for markets. The queue of industries applying for tariff relief under the escape clause in the Reciprocal Trade Agreements Act numbers almost twenty. It will grow longer almost overnight if the Tariff Commission finds next month that the watch industry has suffered from the concessions granted to foreign producers. Watches, and fur for hats were first in line, and the hat fur industry has already won its case. But behind them are ranked the producers of maraschino cherries, bicycles, clothes-pegs, fish, garlic—and even the twenty makers of blue cheese who are not satisfied with the amendment that was irrelevantly tacked on to the Defence Production Act last year curbing imports of fats, oils, and dairy products.

The cheese producers are seeking an import quota because of their fears that the curb may be withdrawn by Congress. The Senate Banking Committee would like, if it can outvote its Republican members, to drop a restriction which has caused indignation at home and abroad and merely empower the President to shut out agricultural imports when they threaten to saddle the price support programme with costly surpluses. The cuts in metals for civilian goods have, however, produced a proposal even more sweeping than the "cheese amendment": that foreign goods embodying scarce materials, to however small a degree, should be limited to 50 per cent of average yearly imports from 1947 to 1949. Purchasers of toys and clothes-pegs, like cheese-lovers, should buy American or go without, in the opinion of the proposal's sponsor, Senator Capehart.

A third test of how far the Administration will be allowed to practise the freer trade policy it believes in arises from the bid of Ferranti, Ltd., a British firm, to provide nine transformers for an army engineers' dam in North Dakota. Under the "Buy American" Act the government is forbidden to buy abroad goods for use inside the United States unless they are at least 25 per cent cheaper than the domestic product. The Ferranti bid is only 20 per cent lower than the lowest American bid, but it would mean a saving of nearly $200,000. Since 1950, however, the armed services have taken advantage of foreign offers in some cases when the saving was over $5,000, even though the difference was less than 20 per cent. Conceivably the Administration might find, among Congressional advocates of economy, some support for a blow in favour of freer trade.

Shorter Notes

The Treasury has announced a new programme, to begin on June 1st, which will make the purchase and retention of government bonds more attractive to small investors. New types of savings bonds bearing higher interest, as well as an increase in the interest on the old Series E bonds, are expected to give the government a larger share of the record savings now held by the public. A second important goal is to reverse the present unsatisfactory ratio between redemptions and sales; last year redemptions exceeded sales by $1.3 billion, and in the first quarter of this year by $221 million.

*

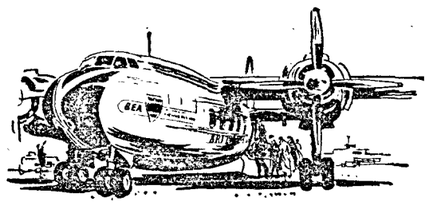
The second busiest airport in the metropolitan area of New York, that at Newark, New Jersey, has been reopened to military traffic after being closed since mid-February, and full use of the field by commercial lines may be permitted in the autumn. It was originally shut down after three aircraft accidents in two months took the lives of residents in the populous towns nearby, as well as those of passengers and crew. Careful investigations of these tragedies, and of two recent accidents in New York suburbs near other air terminals, have found no connection between the disasters, and the airport authorities have been absolved of any failures.

Fly in luxury aboard BEA's new

pressurized, 245-m.p.h.

ELIZABETHAN

from LONDON to PARIS, NICE, ZURICH, ROME, MILAN, STOCKHOLM, COPENHAGEN, VIENNA



COMPLIMENTARY HOT MEALS SERVED ABOARD

Let your Travel Agent advise you

fly BEA

Remember—money spent on a BEA fare STAYS INSIDE BRITAIN

BRITISH EUROPEAN AIRWAYS

he's a CRAVEN TOBACCO *man*

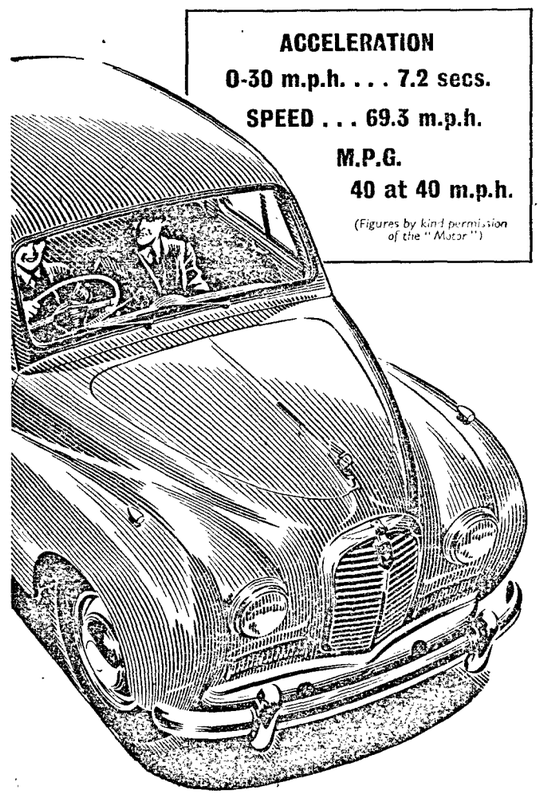
You're all set for a cool, smooth smoke with CRAVEN TOBACCO. Always in grand condition, this full flavoured tobacco burns evenly—slowly. *Every* pipeful gives deep satisfaction.

Obtainable in three blends—*Craven Mixture 4/6 an oz., Craven Empire de luxe Mixture 4/3 an oz., Craven Empire Curly Cut 4/3 an oz.*

FOR MEN WHO KNOW GOOD TOBACCOS

SOMERSET PERFORMANCE!

ACCELERATION
0-30 m.p.h. . . . 7.2 secs.
SPEED . . . 69.3 m.p.h.
M.P.G.
40 at 40 m.p.h.
(Figures by kind permission of the "Motor")



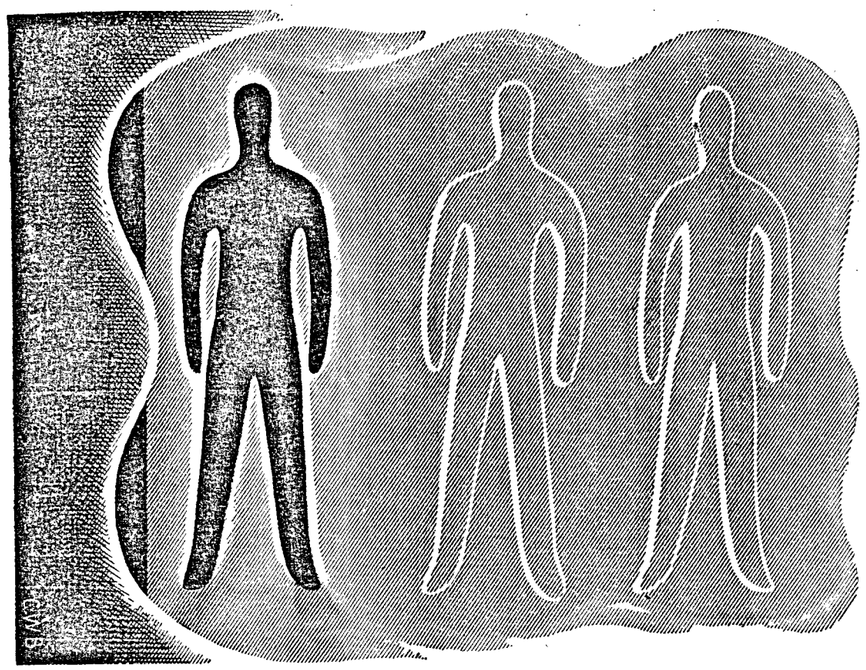
An extract from a road test of the new A40 Somerset by the 'Motor' reads . . . . . "we found in the course of some 1,000 miles of motoring that the A40 Somerset was a very marked improvement on the A40 Devon. It continues to have an altogether unexpectedly high performance and is . . . endowed with good springing and acceptable cornering characteristics. There is ample luggage space and . . . a smart external appearance."

AUSTIN

—you can depend on it!

THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM

The world is hungry for electrical power



TWO OUT OF THREE of the world's total population of 2,400,000,000 live a life untouched by electrical power. The living standards of this great mass of mankind can only be raised quickly by electrical power — power that can be applied to the machine. Discontent with primitive conditions is spreading rapidly — a rise in prosperity through applied industrial power is the most effective answer to the political doctrines that threaten the free world.

Here is the measure of the opportunity before THE BRUSH ABOE GROUP — the greatest makers of diesel electric power plant in Great Britain and the world's largest exporters of diesel engines.

That opportunity is being grasped. By 1951, BRUSH ABOE were exporting over 70% of their total output; the greater part of it going to the backward regions of the world.

Compact, economical power units and generators, easily transported, installed and serviced, are answering the world's urgent need for industrial power.

Barren lands can be irrigated; villages can be lighted; radio sets can bring the authentic voice of information and instruction; machines, powered by electricity, can raise human productivity a hundredfold. BRUSH ABOE are helping to bring about a new industrial revolution. A revolution that will, in time, transform the lives of the two out of three who now live in poverty, deprived of the benefits that follow the introduction of electrical power to undeveloped areas.

EXPORTING POWER THAT THE WORLD MAY BE FREE

THE

BRUSH ABOE

GROUP

Diesel engines and electric equipment for use on land and sea produced by THE BRUSH ELECTRICAL ENGINEERING CO. LTD., *and* ASSOCIATED BRITISH OIL ENGINES: MIRRLEES, BICKERTON AND DAY LTD • PETTERS LTD • J. AND H. MCLAREN LTD • THE NATIONAL GAS AND OIL ENGINE CO. LTD • HENRY MEADOWS LTD

THE WORLD OVERSEAS

Fifth Estate Under Stalin

WESTERN opinion is beginning belatedly to understand the importance, for the leadership of twentieth century revolutionary movements, of the intelligentsia, especially in countries of backward or unbalanced social structure. The first country in which the intelligentsia played this role—indeed the country which gave this ugly word to humanity—was Russia. It was there that was first formed from the ranks of an intelligentsia a caste, or priesthood, of professional revolutionaries. The Bolshevik Revolution was made in the name of the industrial working class, but Russia's subsequent history shows that power is held not by the workers but by a ruling group which has not yet been satisfactorily defined in social terms. In so far as its existence is indirectly admitted in the Soviet Union, it is referred to as the "toiling intelligentsia"; but it is so different from the pre-revolutionary group that bore this name that its use is confusing. The nature of revolutionary leadership in backward countries, and of the ruling group in the Soviet Union, presents problems of wide importance. They deserve more thought, encumbered by fewer prejudices, than they have yet received.

Among those studying them are the small number of intellectuals brought up in the Soviet Union, who, having been removed from there during the war, escaped forcible repatriation after victory. One of these, G. F. Achminow*, has published in German an interesting book on this subject. It owes much to the theories of James Burnham, and it is inevitably speculative, but it is highly stimulating, and provides a useful basis for the discussion of the problem.

Party *versus* Experts

Achminow explains the well-known paradox that Communism has obtained power not, as Marx expected, in industrially developed countries, but in backward lands with small and uninfluential proletariats, by arguing that the role of Communist revolutions is not to give power to the workers but simply to modernise backward countries. Communism is in fact an *Ersatz* capitalism. In countries where the volume of private savings and the level of skill are too small to ensure economic development by the means once used in the West, this task is performed, at the cost of greater hardship to all, by the state. To make this possible, the state must be captured by new men. These are the Communists. The new economic development, however, also calls into being a whole army of modern technicians and experts who know how to run a modern state and an advanced society but are hampered by the interference of the Communist party officials. Before the Revolution the bureaucracy of the Tsars and the miscellaneous remnants of the feudal age only just past were a "shackle on production"; likewise in the new society the party bosses are parasites who obstruct further advance. The conflict between the experts and the bosses cannot be bridged; it will become more acute. The hope of the Soviet Union lies, therefore, in the triumph of the experts, the rising social class to whom the future belongs. One might call it the Fifth Estate.

The first part of this theory is only partly true. That in countries with little private capital and skill the state must assume the tasks of economic modernisation is probably true, but it does not have to be controlled by Communists. The examples of Japan and of Kemalist Turkey are clear. Nor was modernisation of the economy the main purpose of the revolutionary intelligentsia of Russia, Jugoslavia or China. It is true that Marxists have always claimed that the introduction of socialism will make possible new and more progressive methods of production. But the motives of the Russian revolutionaries were not the desire for economic progress but a combination of personal frustration with generous indignation at the social and cultural contrasts and political tyranny of the old Russia. Emotional fanatics, not a team of clear-sighted economic planners, made the Revolution. Economic modernisation followed, but there is as good a basis for arguing that Stalin created Russia's new heavy industries in order to increase the power of his totalitarian regime and extend it throughout the world, as there is for arguing that the needs of industrialisation required power to be concentrated in the hands of the Communists.

The theory of the conflict between the party and the new experts is, however, attractive. In the first years of the Bolshevik revolution both the political and the economic administrations contained many experts from imperial times, whose skill was needed to organise the new ministries and offices. They were also useful to the government as scapegoats, used periodically to deflect the wrath of the masses when the mistakes or cruelties ordered from above produced more than the usual volume of suffering. The years of the first Five Year Plan caused a hecatomb of engineers and professors, in which the most sensational incidents were the trials of the "Industrial Party" and Mensheviks in 1930 and 1931. These were far surpassed by the great Yezhov purge in 1937-38, which massacred tens of thousands both of party officials—mostly loyal Stalinists—and of experts. Throughout these years a new generation of both bureaucrats and experts was being trained. The bureaucrats were brought up entirely within the Bolshevik system, and many were members of the party. The experts, too, knew only a Bolshevik society. Their education, both professional and general, was not always of high quality, but many had great natural ability and mastered the important and difficult tasks with which they were entrusted. To them in no small measure are due the successes of Russian industrialisation, achieved in spite of immense obstacles. The successes would certainly have been greater without the interference of the bosses of party and police, the whole army of demagogues, informers and inquisitors.

New Men and Old Ideas

Reasons for hatred between party bureaucrats and experts no doubt still exist. Achminow gives interesting quotations from recent Soviet literature, which suggest that the conflict is familiar to the Soviet public. He points out that the experts, although they enjoy a relatively good standard of living and various privileges, have no security for their possessions, their families or their lives as long as the party exercises arbitrary dictatorship. He believes that the experts as a group, amounting almost to a social class, will press for the right to own property and to bequeath it to their children until the party is forced to yield.

* G. F. Achminow, "Die Macht im Hintergrund," Ulm, Spaten-Verlag, 1951.

But the situation is more complicated than this. The old cadres of the party, as well as of the intelligentsia, were destroyed by the Yezhov purge. The new party officials are men of a different type. The authorities do all they can to fuse the two groups of party officials and experts. The party official is encouraged to make himself an expert in some field, or at least to equip himself with as much useful general knowledge as possible. The expert is encouraged to join the party. Already in 1936 almost all plant managers, and 40 per cent of chief engineers, were members of the party. It is probable that many experts who nominally belong to the party hate and despise it at heart ; that the waste of time in compulsory party meetings infuriate them ; that many think of the party as "them," not "us." Unfortunately no confident estimate can be made of the balance between the forces which draw experts and party officials together and those which pull them apart. Even since the end of the war this balance may have changed.

Restriction of Opportunity

It must not be forgotten that party officials and experts have common interests. Both belong to the privileged minority which, if it has no personal security, at least enjoys relative material comfort while the masses live ill-housed and ill-clad. Since 1940 there has been a marked tendency to restrict the recruitment to the privileged caste. In 1933 50 per cent of all students at higher educational institutions were children of workers, in 1938 34 per cent. In 1938, 42 per cent of such students were children of employees or specialists (bureaucrats or experts). In 1940 the number of scholarships was reduced, and fees were introduced for the higher classes of secondary schools (150-200 roubles a year) and for higher institutions (300-500 roubles). These are large sums for ordinary workers and peasants, though they are within the reach of members of the Stakhanovite labour aristocracy as well as of party officials or experts. In 1940, also, the authorities were given power to mobilise boys of 14-15 for two years' training as "skilled" workers and of 16-17 for six months' training as "semi-skilled." After completion of these courses the mobilised boys were obliged to work for four years in jobs to which they would be directed. Then would follow two years' military service. After this, at the age of 23, to pass the necessary entrance examinations and find the entrance fees for university or college while at the same time earning one's living, is an almost impossible task. On the practical working of this decree there is insufficient information, but it seems probable that not less than one-sixth of all boys of the respective age were so mobilised.

This restriction of opportunity for children of workers and peasants to climb the social ladder strengthens the position of those already privileged. It is a bond between officials and experts. The experts could be a danger to the party officials if they made themselves the mouthpiece of popular discontent: without popular support they can hardly threaten the party. But there is little sign that the experts either dare or wish to become champions of the people, or that the people regard them with confidence. One of the basic principles of Stalin's regime has been to play off sections of the people against each other. When tension becomes serious, he throws some scapegoats—party men or experts or both—to the wolves.

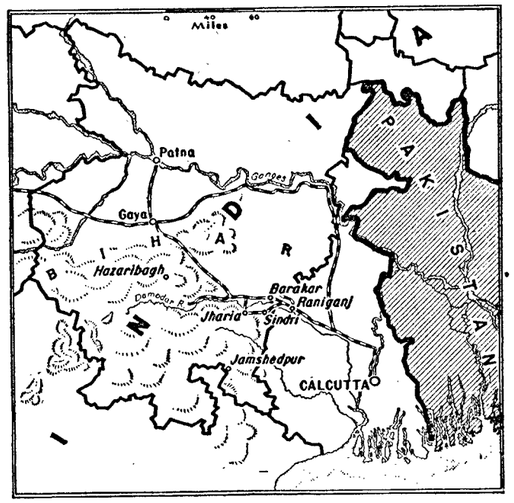
Whether, if the experts obtained satisfaction for their group interests, and reduced the powers of the party, the rest of the world would find it easier to live at peace with Soviet Russia, is not clear. The experts are likely to be chauvinists and imperialists ; but they would probably prefer consolidation to new adventures in spreading Stalinist revolution over the world. Any person who can throw light on this problem from concrete knowledge will render a real service to the free world.

Sindri, a Step Forward

[FROM OUR CORRESPONDENT IN INDIA]

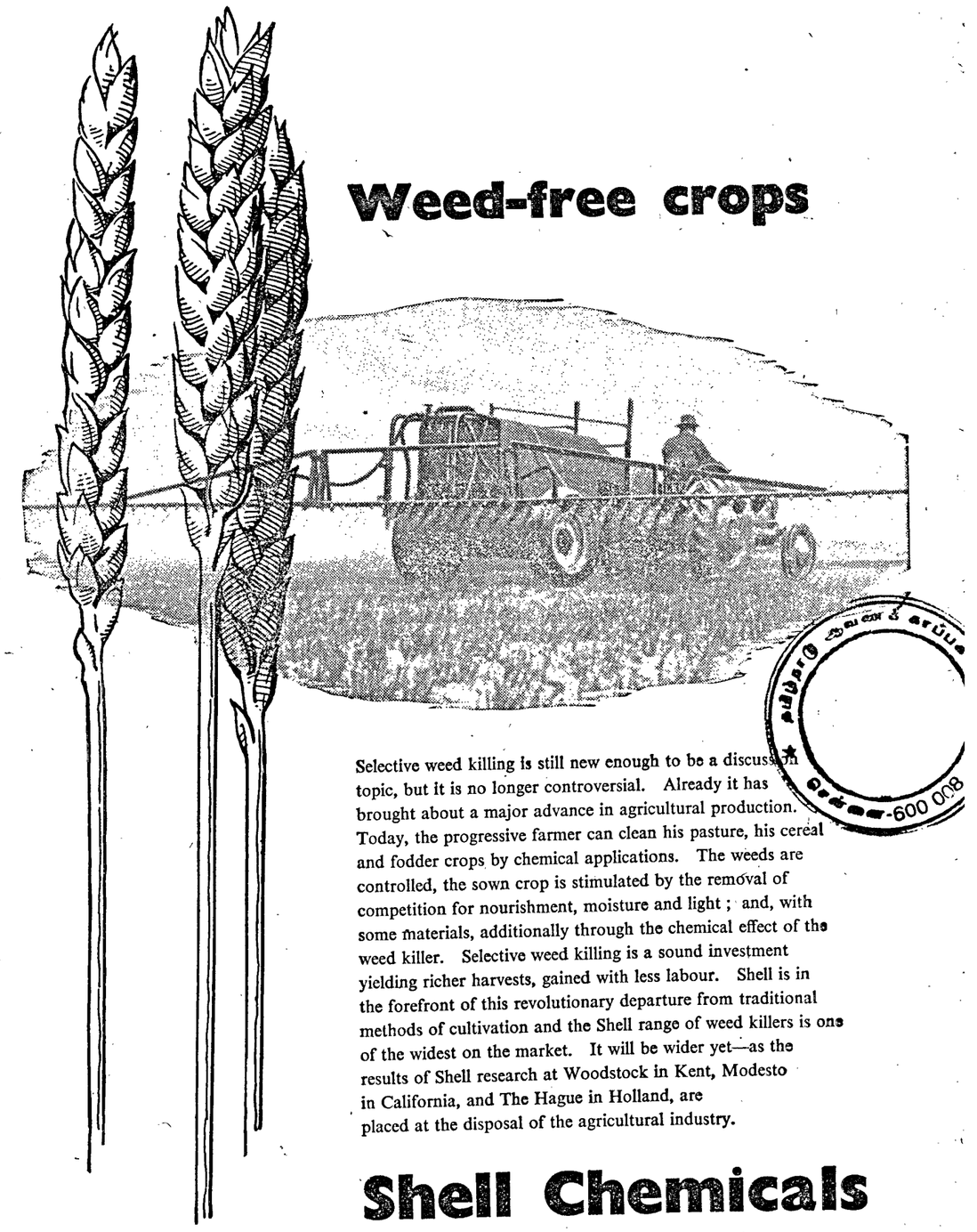
THE fertiliser plant, worth £17 million, which Mr Nehru has recently opened at Sindri in the coalfields of Bihar, represents a major step forward in India's industrial advance. Its 350,000 tons of sulphate of ammonia should produce a million tons of food a year, saving £30 million of imports ; it also generates 80,000 Kw of electricity, and will eventually be the base for the manufacture of cement, plastics and high explosives as well.

The works are the most highly mechanised of their type in the world, and they employ only about 2,000 men of whom some 1,740 are skilled. It may be asked why, in a country that has perhaps 70 million people, two-thirds of them unemployed, and whose annual savings, including depreciation funds, do not exceed £400-£500 million, so much should be spent to give so little employment. The answer goes to the heart of the whole problem of industrialisation in an underdeveloped country. The problem is, in essence, the lack of all those external things which the industrially advanced countries take for granted. There are men,



resources, and intelligence in plenty, but there is no mechanised tradition, there are no pools of fitters or mechanics, no adequate workers' housing, no foremen, no managerial classes.

It was originally planned that Sindri should use the Damodar Valley power scheme, but the dams have not been built in time, so it is now not only making its own electricity but is also electrifying the surrounding collieries and the considerable town of Hazaribagh. It had to have a special fourteen-mile railway line extended from Jharia—the chief town in the coalfields—and one of the main obstacles to further expansion is likely to be the lack of line capacity on the already overcrowded railway to Calcutta. The heaviest machinery, too bulky for the railway, had to be sent by barge to Patna and then by lorry through the hills on a specially built road which it took several weeks merely to survey. And, since there was no housing, a special township had to be built, at a cost of nearly £3 million, with markets, hospitals, schools, forty management bungalows, 800 staff quarters and a hotel. Such conditions add very greatly to the capital expenditure involved in any project, as compared with countries like England, where the roads

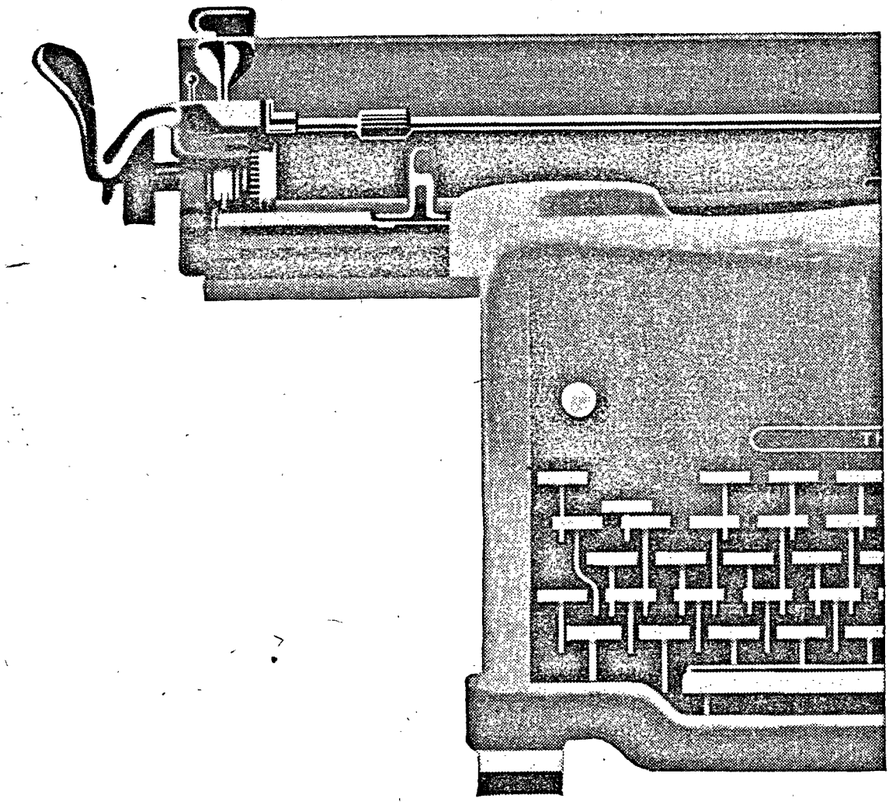


Weed-free crops

Selective weed killing is still new enough to be a discussion topic, but it is no longer controversial. Already it has brought about a major advance in agricultural production. Today, the progressive farmer can clean his pasture, his cereal and fodder crops by chemical applications. The weeds are controlled, the sown crop is stimulated by the removal of competition for nourishment, moisture and light ; and, with some materials, additionally through the chemical effect of the weed killer. Selective weed killing is a sound investment yielding richer harvests, gained with less labour. Shell is in the forefront of this revolutionary departure from traditional methods of cultivation and the Shell range of weed killers is one of the widest on the market. It will be wider yet—as the results of Shell research at Woodstock in Kent, Modesto in California, and The Hague in Holland, are placed at the disposal of the agricultural industry.

Shell Chemicals

SHELL CHEMICALS LIMITED, Norman House, 105-109 Strand, London, W.C.2
(DISTRIBUTORS)



In design and performance

The name **Olivetti** has appeared on good typewriters for 44 years. Olivetti machines have carried their own special excellence of design and craftsmanship to the ends of the earth.

Olivetti typewriters, from the Glasgow factory, are making their clearly distinguished, up-to-date mark in businesses at home and overseas; responding easily to every need of the most fastidious typist — satisfying those who insist on letter-perfect letters.

olivetti

clearly distinguished

BRITISH OLIVETTI LTD 10 BERKELEY SQUARE LONDON W1 GRO 6161

Standard · *Electric* · *Portable Typewriters* · Printing Calculators · *Adding/Listing Machines*

TEW11

and the railways exist, and workers' housing is a municipal responsibility. At the Chittaranjan locomotive works, also recently built, the township represented half the total capital cost. But the difficulties of creating the necessary human material—skilled, unskilled, and managerial—are more severe still, and often even more expensive.

India is at the stage where its unskilled labour force is still deep-rooted in the countryside. Absenteeism figures of 20 per cent or more at harvest time are common. Punctuality is a virtue still unappreciated. Delicate machinery will be treated with a vigour better suited to wooden bullock cart-wheels. It is estimated that to train a skilled operator costs £3,750 in terms of the life of the machine. Though more and more firms now demand literacy, many workers still cannot read a warning notice. Conditions have improved considerably in the last twenty years, and in Bombay City or Jamshedpur a real industrial working class has at last begun to emerge; but it is still only a beginning, and meanwhile, Sindri has had to be as highly mechanised as possible in order to reduce the danger and expense of human incompetence in such a highly explosive venture as the production of ammoniated products.

The weaknesses of the labour force reflect themselves in the weaknesses of the foremen. Lack of education makes it difficult to create even good chargehands out of the rank and file; for the illiterate may have wisdom, but they rarely have intellectual initiative. Nor can the problem be solved, as it often is in the West, by taking foremen from the skilled trades, fitters, for example, for the rarity of good apprenticeship schemes combines with the lack of mechanical background to make good skilled men relatively rare. Only at the Tata Steel Works at Jamshedpur and in the railway workshops is there now growing up a second, and even a third, generation of such men. Elsewhere, the foremen have too often to be taken from special classes, Anglo-Indians (many of whom emigrated after independence), Goans, or Parsis; and, though they are often good men, they are handicapped by the difference in religion, language and customs which so often separates them from their men.

Attracting the Educated

To solve these problems, Sindri has followed a precedent set by the shell-filling factories during the war. It is employing few men and paying them enough—in India, £5 a week is enough—to attract the educated. The overwhelming majority of the skilled men are university graduates, who understand Hindi and English as well as their mother tongue. This employment of graduates provides a labour force which can be trained to understand and treat with proper care the most complicated machines. At the same time it provides a rank and file from which it will be reasonably easy to draw supervisory grades.

Most difficult, but most important of all, is the creation of a managerial class. The Indian businessman has traditionally been a Bania or a Jain and utterly separated from the craft or intellectual castes. Therefore he has no connections either with the artisan or with the professional man, the two men with whom the Western businessman is most closely related. The result is that, though there are notable exceptions such as Tatas or Bombay Dyeing, much Indian business is run by men who are capable financiers, with a keen sense of the importance of preserving their credit in the market, but who are neither technically competent nor possessed of professional standards of integrity. Such a position is both economically and socially dangerous.

Something is being done to cure this position by such government enterprises as the railways and by the better British and Indian houses. But much more is needed. One of the main values of a place like Sindri is the first-class opportunities it affords for training in industrial management. Already there are only six foreigners, and they are training the Indians who are soon to succeed them. One point, however, the authorities at Sindri have overlooked. It is not enough to produce fertiliser; fertiliser has to be sold. There is a marketing job to be done, a job of market research, of distribution, and of making the fertiliser available to the farmer where he wants it, when he wants it, in the packs and sizes he likes. There is a job, too, of education, of teaching the farmer through advertising and demonstrations, both to want fertiliser and to use it properly. If Sindri merely replaces imports, if it rests content with merely selling through state agricultural departments whose overseers have so many other duties that they are often away doing something else when the farmer comes to buy, and to whom the problems of marketing are totally unfamiliar, then the job of teaching the farmer how to use fertiliser to increase his production will not be done. The £7 million of foreign exchange which is now spent to import the 350,000 tons of sulphate of ammonia will be saved, but not the £30 million which it costs to import the food that this amount of extra sulphate of ammonia would grow. The main point, however, remains that, by the contribution it makes to the development of skill and managerial ability and urban habits, as well as to housing and power and transport, every Sindri makes the next one easier.

Soviet Dose of Disinflation

THE Soviet economy has just been given its annual dose of disinflation. A state loan for 30 billion roubles was launched at the beginning of last week, and by the end of the week it was duly oversubscribed. The savings campaign took place more quickly than usual—it normally lasts about two weeks—but both in its amount and in its terms the loan is identical with its predecessor. The bonds which do not win lottery prizes are redeemable at par over a period of twenty years. The prizes paid out every year should be equivalent to a rate of interest of 4 per cent. When the campaign was declared closed this year bonds to the total value of 35.7 billion roubles had been sold, roughly one billion roubles more than in the previous year. The Russian planner, however, must rely on further sales of bonds to banks and industrial enterprises during the course of the year, or on some subsidiary loans, if they want to reach the total prescribed in the budget. For in his budgetary speech Mr Zverev declared that revenue from state loans, which in 1951 amounted to nearly 37 billion roubles, was estimated at 42.5 billion roubles in 1952.

Judging from past performances this target will probably be fulfilled if not exceeded. If it is only fulfilled, something like 5 billion roubles more will be taken out of the consumers' pockets this year than in 1951. This should partly compensate for the recent cut in the prices of consumer goods, which,

EAST AND WEST

Two of the latest reports by The Economist Intelligence Unit review economic affairs in India and Canada, analyse these countries' plans for industrial development, and consider the prospects for trade with them.

The Unit now reports on each of nearly forty countries every three months. These reports may be obtained by annual subscription, or singly.

THE ECONOMIST INTELLIGENCE UNIT
22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

it was claimed, increased consumer purchasing power by about 28 billion roubles compared with the previous year. The state loans will reduce effective demand and thus help to relieve the pressure on consumer goods.

In fact the primary purpose of state loans seems to be to eliminate the discrepancy between demand and the available supply of goods. The planners who determine both the supply of goods and of incomes may estimate at the beginning of the year how much excess purchasing power there is likely to be and decide on the size of the loan accordingly. The Soviet state loan, in fact, is a form of forced saving. It cannot be exactly likened to taxation since the bond-holder, even if he is not a prize-winner, should get some repayment, though hitherto this has always been in a greatly depreciated currency. On the other hand, in spite of appearances, it is not purely voluntary saving either and its semi-compulsory character is particularly marked in the towns. Thus, at the start of the recent campaign, the trade unions appealed to all workers to subscribe three to four weeks' wages to the loan (the payment is spread over 10 months) and the appeal was apparently endorsed "unanimously" in most factories. It cannot, to say the least, be easy to contract out of those "unanimous" decisions and it is not astonishing that the towns buy nearly three-quarters of the bonds.

The average Russian distrusts long term repayment, but does not consider the purchase of a state bond as a complete loss. Both these tendencies account for his preference for lottery bonds as against the interest-bearing ones. Under popular pressure the latter seem to have been abandoned; at any rate none has been issued during the last two years. Maximum lottery winnings have now been scaled down to 25,000 roubles, though there are still some 50,000 roubles awards from previous loans. The lucky winner of such an amount recently proclaimed that with the money he would buy "divans and metal beds." He thus indirectly touched the crucial point in Soviet saving. The saver or prize-winner may purchase some additional luxury. He cannot increase his power or social status nor can he assure a life of leisure for himself or his children. He cannot invest his money nor even stop working for a longer period. The Russians claim that in their economy there is no room for people "clipping coupons."

70 Million Bondholders

This lack of inducement explains the low level of Soviet saving. In 1947 total deposits amounted to only 12 billion roubles. They have been rising since then, increasing apparently by 4 billion roubles last year. This year they are expected to rise by another 4.5 billion roubles. The total amount, however, is still negligible and this forces the Soviet Government to have recourse to forced saving through state loans. The size of loans has been rising progressively. From 1928 to the outbreak of the war state loans totalled 50 billion roubles. During the war they amounted to 76 billion roubles. During the postwar 5-Year Plan 130 billion roubles were raised through state loans (though during the first two years these were still inflated roubles). For the last two years each loan brought well over 30 billion roubles. There are now apparently some 70 million bondholders in the Soviet Union.

Yet even this form of forced saving remains only a subsidiary means of Soviet fiscal policy. If everything works out according to plan this year's state loans should account for over 8 per cent of total budget revenue. This is a lot, as it is only about one per cent less than the share of direct taxation. The bulk of the government's revenue (about 60 per cent) and of the "saving" necessary for the large investment and defence expenditures, however, will be obtained through the turnover tax. Once the relative shares of production for direct consumption and investment as well as defence have been decided upon by the planners they add this tax to the price of consumer goods so as to balance supply and demand. Yet discrepancies and inflationary pressure are not altogether eliminated and so the state loan supplements the job of the turnover tax. This year it was particularly necessary after the fifth consecutive price reduction.

Nationalism in Morocco

[BY OUR SPECIAL CORRESPONDENT]

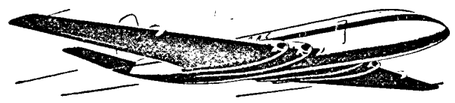
EDUCATED Moroccans are of course taking the deepest interest in the events that have been shaking Tunisia. Belonging as they do to a similar, though younger, protectorate, they are watching the shape of events that might happen to themselves. They see chiefly the superficial resemblances between their two cases—the same protector, and a similar desire for sovereignty and self-government based on a treaty with France. They ignore the fundamental differences that are going to demand different handling.

For where Tunisia is relatively adult, in that it took at once to French schooling and possesses quite a large educated bourgeoisie, Morocco is a generation behind. The Moroccans have become avid for modern education only in the last ten years. Before the war there were always empty places in the colleges with which they had been endowed; very few, therefore, have as yet had a higher education. A very much larger, a much more populous and a more spread-eagled country must therefore take two or three decades to reach the Tunisian level of development. The relatively compact nature of Tunisia produces a second contrast; there, everyone is either a Destourien or else ready to become one. In Morocco the National Front (two-thirds of it composed of the town-bred party called the Istiqlal) numbers only some 120,000 out of 8.5 million people. A third difference that may shape the pattern of events lies in the character of the respective rulers; in Tunis the Bey is an elderly and conservative lover of a quiet life. In Morocco a young, intelligent and ambitious Sultan stalks ahead, and not in the wake, of the nationalist aspiration of his people.

The Sultan in the Lead

The Sultan of Morocco is a character worth study. Originally, he owed his selection to France, and used to know it and to fear that the nationalists might prise his position from him. But since 1943, when he had an interview with President Roosevelt, he has had other ideals. Stimulated sometimes by the immature politicians of the Istiqlal, sometimes by American visitors imbued with anti-colonialism, and sometimes by cries of encouragement from the Arab-Asian group of states, he has tried his paces as a nationalist leader. He did so in his famous Tangier speech of 1947, and in the stern memorandum demanding revision of the Protectorate treaty, which was the parting shot of his visit to Paris in 1950. In extremely correct circumstances, he delivered a fresh edition of that memorandum on March 20th last. He is a man of great intelligence, with a needle-like mind that is capable of piercing to the core of a problem; what is not so clear is whether that mind has, or can develop, the knife-like cutting edge that can cleave a subject from top to bottom. He is a townsman, and moves among townsmen; it is difficult to gauge how much grasp he has of the problems of administering the rural parts of his enormous patrimony.

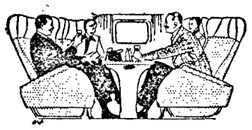
When news of the arrest of the Tunisian cabinet reached Rabat, the impact upon Moroccan minds was not uniform. Some were disturbed at what they viewed as a barren technique by Frenchmen of whom they had expected better. Others showed signs of respect for the display of force and firm handling. As the days went by, however, all were surprised and exhilarated at the vigour and unity of Tunisian resistance to French pressure. On balance, therefore, the events in Tunisia have raised rather than lowered the spirits of the Moroccan nationalists, which until this spring had been at low ebb for a year.



B.O.A.C. PRESENTS THE *Comet*

World's First Jetliner

NOW IN SERVICE BETWEEN LONDON AND JOHANNESBURG



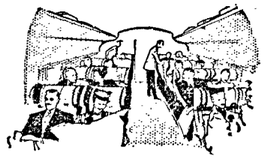
The age of jet travel is here! With this first pure jet airliner service in history, B.O.A.C. makes good an inspired bid for global leadership in air transportation.

This leadership is the result of hard work, imaginative planning, and a bold pioneering spirit which have been characteristic of B.O.A.C. from its first service thirty-three years ago.

* * *

Faster by more than 100 m.p.h. than its nearest propeller-driven competitor, the *Comet* combines speed with comfort and elegance. It takes off with a feeling of power to spare. It cruises easily, smoothly at 35-40,000 feet. It lands with perfect confidence.

The *Comet* is free from vibration. Travel fatigue is reduced to the vanishing point. There is no sensation of distance dropping behind at *eight miles a minute*!



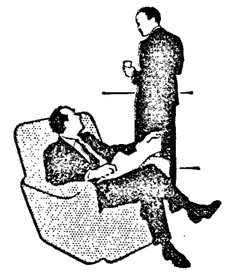
This *Comet* service between London and Johannesburg is the forerunner of B.O.A.C. jetliner services to come.

Consult your Travel Agent or B.O.A.C., Airways Terminal, Victoria, S.W.1 (VICtoria 2323) or 75 Regent St., W.1 (MAYfair 6611).

B.O.A.C. TAKES GOOD CARE OF YOU

FLY BRITISH BY B·O·A·C

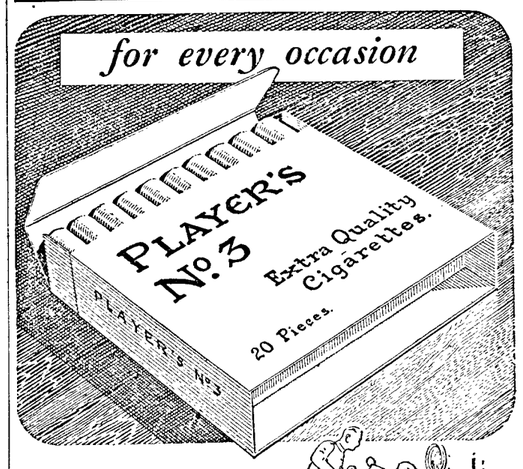
BRITISH OVERSEAS AIRWAYS CORPORATION



"I think I'd like a White Horse better than anything"

MAXIMUM PRICES:— Bottles 35/-, ½-Bottles 18/3, ¼-Bottles 9/6, Miniature Bottles 3/8 as fixed by the Scotch Whisky Association.

for every occasion

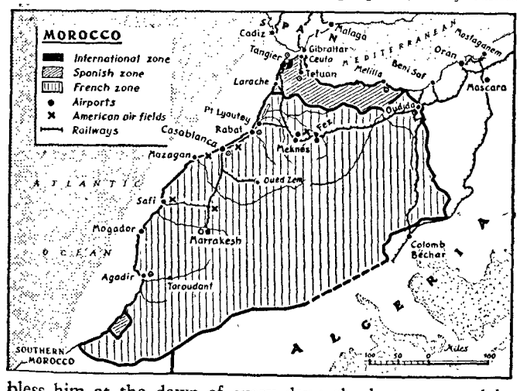


PLAYER'S No. 3

The Quality Cigarette

[3P110]

It will be remembered that, after the delivery of the Sultan's memorandum in the autumn of 1950, the Istiqlal members of the consultative body that has powers to discuss the budget complained that too much was being spent on Frenchmen and too little on Moroccans, and after an angry diatribe by the then Resident-General, General Juin, were dismissed from that body. There followed two rebuffs for the Sultan. First, the most powerful of his rural potentates, the Pasha of Marrakesh, warned him that he was making a mistake in founding his power and policy so exclusively upon townsmen ; high words were exchanged. Secondly, General Juin, in tones that were certainly brusque and which the Sultan recalls as insulting, issued two injunctions. The first was that the Sultan must sign some sixty decrees on which, at the behest of the Istiqlal, he had postponed action pending some sign that France was going to take action on his demand for revision of the protectorate treaty. The second was that he should call the Istiqlal to order and cause it to cease anti-French propaganda. When he demurred, there took place a show of the feelings that the rural and tribal leaders harbour against the Istiqlal ; they entered the towns in a way that could not have happened without French consent. During February and March of last year, the Sultan therefore signed some of the decrees, condemned "a certain party" through the mouth of his Grand Vizier, and dismissed some Istiqlal from his entourage. But he is a direct descendant of the prophet ; forty saints



bless him at the dawn of every day ; the language used by General Juin was unseemly to one so endowed, and he has not forgotten it. Among the decrees which he did not sign were those setting up elected city municipalities in which French residents are to participate ; this he and the Istiqlal regard as an infringement of sovereignty.

Relations improved when General Guillaume succeeded General Juin as Resident General last autumn. The period of the indictment of France over Morocco by the Arab and Asian delegates to the United Nations was under way in Paris. Despite the fact that France had, and has, only some 10,000 metropolitan troops stationed in Morocco, few local disturbances took place. Of those which did, one—a fight in Casablanca arising out of the Istiqlal's efforts to stop voting for the Chambers of Commerce and Agriculture which are Morocco's closest approach, so far, to popular representation—was spontaneous and indigenous in character ; but others were engineered in response to requests from outside in order to impress the United Nations. The Sultan waited until all was over before delivering, through General Guillaume, his second memorandum requesting a statement of the steps whereby France intends to fulfil its promise of self-government. In Paris, heads are at present bowed over the drafting of the reply.

The job is not easy. The rift between Frenchmen and Moroccans has grown, as General Guillaume admitted in his New Year speech to the French community. Familiar obstacles stand in France's way—notably the interests of the French settler, and the thought of repercussions in the other two North African territories. In Morocco, a third and more formidable obstacle is Istiqlalist ignorance of the problems of management in the backward areas of the country. The last of these were subdued only as lately as 1934 ; they have been run, for the sake of cheapness as well as efficiency, through chieftains who despise the Istiqlal townee. To give the government of one into the hands of the other before training rural administrators would be to court chaos—even civil war. The Istiqlal does not realise this.

Yet the moment is in many ways propitious for a generous gesture from Paris. Initial goodwill would spring from the very fact that it would remedy the peremptory tones of a year ago. The Sultan does not want to break with France —or at least, not yet ; there are moments when he sees himself as the great and independent leader of the Moslem west, but at present he talks of "interdependence." The Moroccans do not hate the French. To anyone who knows Egypt these two assets are impressive. Can Paris, in replying to the Sultan, take advantage of them while they survive ?

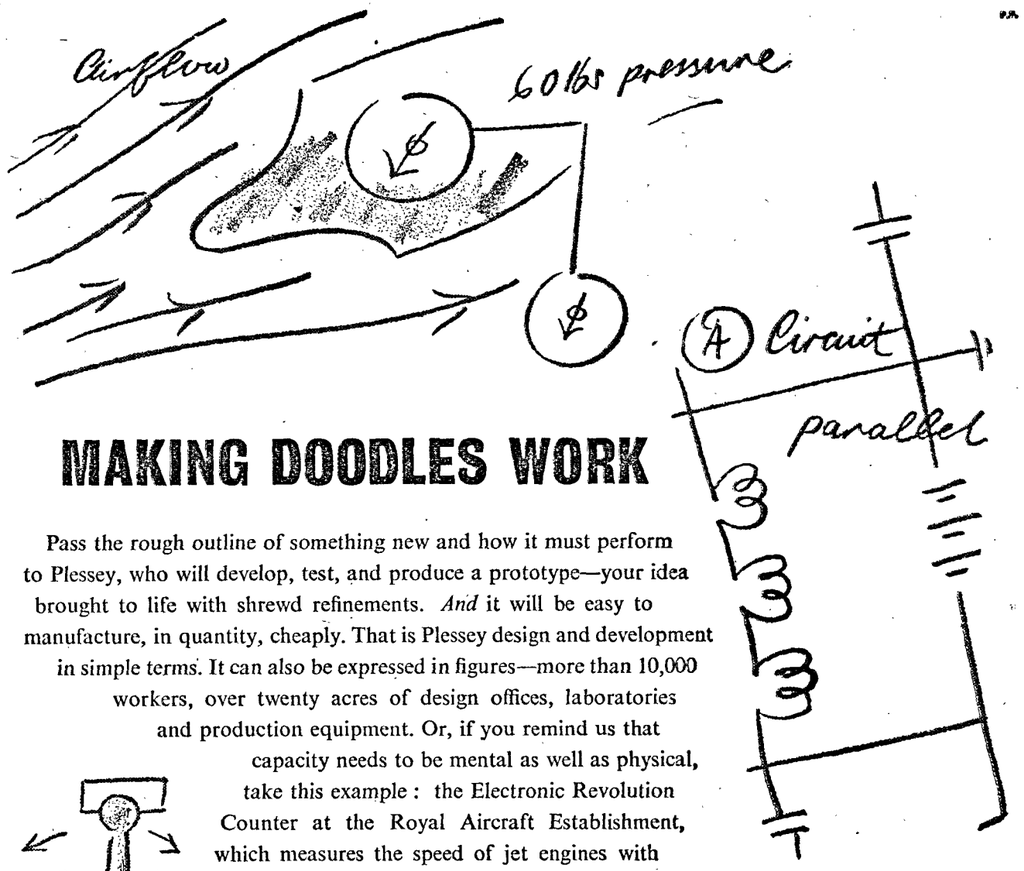
New Jugoslav Constitution

[BY A CORRESPONDENT]

THE Jugoslavs can hardly claim that their complicated new constitution represents a move towards the "withering away of the state" foretold in the Marxist theory which they profess to interpret so much more correctly than the Stalinists. Its authors claim that it is a great improvement on the old 1945 model which closely follows the Soviet design, that it is more democratic, and that it gives real meaning to the principle of decentralisation. There is no reason to suggest that the Jugoslav leaders are not genuinely anxious to move cautiously towards a more liberal regime ; but they would themselves admit that they have no intention of arranging matters so that the reins of power can be easily jerked from their hands. These—to the liberal western mind—conflicting aims help to account for the complications of the new proposals.

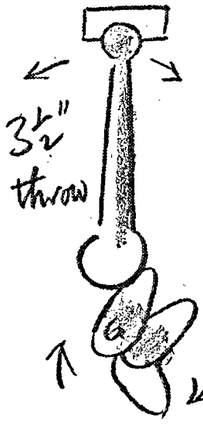
Three points in the new constitution are of especial interest. The first is the 40-member Presidium elected by the new bicameral parliament, which will replace the old cabinet of about 20 members. It will govern by decree when the parliament is not in session, and will work through committees appointed for specific functions. It is too early yet to say whether its size represents an attempt to move away from the domination of the executive by the Politburo of the Communist Party. The second point is the new office of President of the Republic. He will be elected by the Presidium, and, as Commander-in-Chief of the armed forces, president of the National Defence Council and chairman of the Presidium, he will possess wide powers. It is a foregone conclusion that Marshal Tito will be the president. Although his new powers will be no greater than those that he at present exercises as premier, they will now be assigned to the office rather than to the man. It is assumed that the powers of the new premier will be correspondingly less.

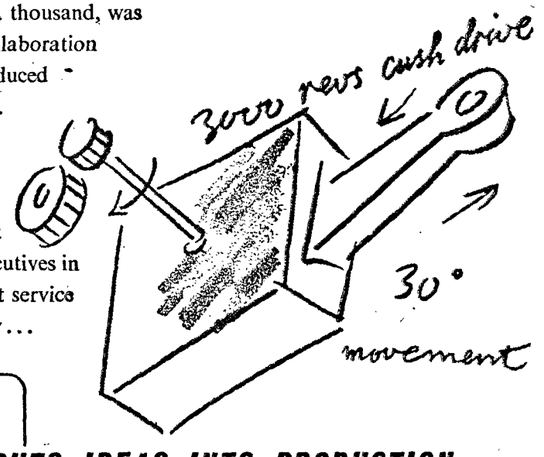
The third point is that only at the level of local government and only for one of the two local assemblies will the Jugoslav citizen have direct suffrage. One chamber of the central parliament, the Federal Council, will now be selected indirectly by the local councils. The second chamber, the Council of Producers (replacing the old Council of Nationalities), which will represent the industrial and economic organisations of the country, will also be elected indirectly by the local councils of producers. The effect of this will be that citizens working in economic enterprises, about two-thirds of the working population, will be represented in both houses in local as well as central government. This may be designed to give added weight to those elements of the population who are regarded as "socialised" and are therefore most likely to support present policies.



MAKING DOODLES WORK

Pass the rough outline of something new and how it must perform to Plessey, who will develop, test, and produce a prototype—your idea brought to life with shrewd refinements. *And* it will be easy to manufacture, in quantity, cheaply. That is Plessey design and development in simple terms. It can also be expressed in figures—more than 10,000 workers, over twenty acres of design offices, laboratories and production equipment. Or, if you remind us that capacity needs to be mental as well as physical, take this example : the Electronic Revolution Counter at the Royal Aircraft Establishment, which measures the speed of jet engines with an accuracy of one in a thousand, was developed in collaboration with RAE and produced throughout by Plessey. Now you have some idea of the unique combination of technical brain and mechanised brawn at your command. Executives in industry or Government service may like us to explain how...





Plessey PUTS IDEAS INTO PRODUCTION

THE PLESSEY COMPANY LIMITED • ILFORD • ESSEX

Aspects of Enterprise No. 21

SIMON ENGINEERING GROUP

Doing it pneumatically is often the best and sometimes the only way to handle bulk materials, especially when it is important to prevent contamination, dust nuisance or the escape of noxious fumes. Simon Handling Engineers have developed the pneumatic conveying system for forty years and have applied it extensively to grain, coal and dozens of other industrial materials. Pneumatic disposal of fine flue dust is increasingly used at power stations. A special pneumatic technique is being successfully applied in flour mills. Improvements, refinements and new applications of pneumatic handling are constantly studied in the Simon research and development organisation.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

Figures speak louder than words

For adequate control a typical intersection may need a minimum of two police officers if all-day point duty coverage is given. At £600 per head this would involve an annual expenditure of £1,200 *every year!* In comparison, an Electro-matic installation at an initial cost of £1,750 approx. — plus £175 p.a. for running and maintenance — can effect an economy of £300 in the *first two years* and a saving of £1,025 every year thereafter. Multiply these figures in ratio to a greater number of policemen needed, and the outstanding economies made possible by Electro-matic become even more impressive. All over the country thousands of Electro-matic installations are working full time providing an efficient, safe and reliable traffic control service on the most economical basis. May we — without obligation — call and discuss traffic control in *your* area?

Wherever you turn

ELECTRO-MATIC VEHICLE ACTUATED SIGNALS

make the highways SAFER!

AUTOMATIC TELEPHONE & ELECTRIC CO. LTD.
Strowger House, Arundel Street, London, W.C.2. *Phone:* TEMple Bar 4506. *Grams:* Strowger, Estrand, London. Strowger Works, Liverpool 7
AT.10431-BQX23

Build your own equipment

with

DEXION SLOTTED ANGLE

★ **Can be used over and over again**

★ **No drilling, measuring or painting**

★ **Just cut it and bolt it, that's all!**

Write or telephone for illustrated literature D.8

DEXION LIMITED
189, REGENT STREET
LONDON, W.1
Telephone: REGent 4841

THE BUSINESS WORLD

Transport Finance Off the Rails

THE past week has done little to illumine the muddle of Government transport policy. This is not surprising, for although needed reforms in transport organisation and administration are politically palatable to a Conservative government, the needed reforms in fares and financial policy most definitely are not. And it is on the problems of finance—including the proposed levy on road transport—that controversy is, or ought to be, centred in the next few weeks. For it is in a proper solution to them that the key to an efficient transport system lies.

The organisational structure of the transport system projected in the Government's proposals can be briefly described. For passenger transport few changes are envisaged. The railways, which carry rather under 1,000 million passengers a year, will continue to be under the control of the British Transport Commission, and so will 25,000 odd road transport vehicles that at present carry about 6,000 million passengers a year ; other road transport vehicles, carrying some 11,000 million passengers a year, will continue under private or local authority operation. Railway management will be decentralised, and the Transport Commission will stop its hitherto abortive attempts at devising efficient area schemes for road transport, but—in the field of passenger transport—that is all. In the field of freight transport, the railways, which have a carrying capacity of about 14½ million tons at any one moment, together with some 27,000 railway delivery vehicles and trailers with a carrying capacity of about 100,000 tons, will remain under the commission's control, while the 120,000 road vehicles with A and B licences (carrying capacity about 575,000 tons) and the 800,000 vehicles with C licences (probable carrying capacity about 1,600,000 tons) remain under private control. The main projected change in ownership is that some 44,000 long distance road transport vehicles (with a carrying capacity of rather over 300,000 tons) will be sold by the commission to private operators ; when they are sold they will, of course, be allowed to travel as far as their operators like, and the 25-mile limit at present enforced on most private road haulage vehicles already available for hire will eventually also be withdrawn.

This, then, is the projected distribution of the country's available transport resources between public and private enterprise. The great question that remains is how the pattern of changes is to be devised in order to ensure that each package and passenger is transported across the country by the medium that involves the least strain on real resources (in other words that involves the least real cost); and yet to ensure that public enterprise pays its own way while private enterprise is provided with needed incentives. When faced by this question the Government has, in effect, thrown up its hands. Its only solution is that road transport operators (including C licence holders, that is traders carrying their own goods) should pay an annual levy that will at first amount (for no satisfactorily explained reason) to the apparently arbitrary figure of £4 million a year, but that will be adjusted " at intervals, say of three years, by the Minister of Transport after consultation with the Transport Tribunal."

This levy is supposed to serve two distinct purposes. First, it is intended to amortise the capital loss that will inevitably arise when the 44,000 road haulage vehicles now owned by the Transport Commission are sold back to private operators. These vehicles were originally sold to the commission for about £80 million, including £30 million for goodwill. They were sold, however, as complete operating units, with particular stores at particular depots and other ancillary services attached to them ; unless the commission does a remarkably quick job at re-integrating the vehicles into operating units, it will now have imposed upon it a mass vehicle auction under exceedingly unfavourable conditions. The private operators who bid at this auction will have to bear all the expense and labour of building and buying up new ancillary services again—and will have to do this under the shadow of Mr Morrison's express threat to re-nationalise their businesses on disadvantageous terms if Labour returns to power. In these circumstances the price that the commission will obtain for the vehicles may fall catastrophically short of the £80 million originally paid—so short of it, indeed, that £4 million a year may go very little of the way towards amortisation of the loss.

★

Despite this prospect, the Government professes to believe that the levy will also provide some surplus funds to compensate the commission for the expected loss of traffic from rail to road transport after the projected transfer of vehicles has been carried through. In some preliminary reports this " levy-bedding " of the railways was justified by reference to the old red herring that " the railways have to pay for their own tracks, while the government pays for the roads on which the lorries run." The British Road Federation has indignantly—and rightly—responded that since motor taxation now amounts to £340 million a year and government expenditure on the roads to only £33 million a year (out of a total road expenditure of £67 million) the motor transport industry in fact pays for its " track " many times over. The Federation sees the levy as merely another attempt at feather-bedding a railway system that has been saddled with the burden of economically redundant capacity ever since the inconvenient invention of the internal combustion engine. Since the levy is plainly a political rather than an economic brainwave, and since there seems at first sight every reason why traffic that can be carried more competitively in lorries should be diverted from the railways, this view will certainly command wide support—which is not the same thing as saying that it will certainly deserve it.

The fact that the levy, as proposed, is economic nonsense should not obscure the fact that a great deal of present discussion about the competitive advantages of road over rail transport is economic nonsense too—so long as the railways are left with public obligations as common carriers. The dilemma can perhaps be seen most clearly in the field of passenger transport. In this field the railways could balance their accounts very comfortably if they were allowed to adopt the same procedure as the long distance coach companies—in other words if they were shielded from the waste of running half their trains half empty, and had to carry only those passengers who succeeded in booking the available seats in advance; a concomitant of "free competition" for transport would be that the unlucky traveller who turned up at the railway booking office at a rush period would be told that the railways would be delighted to carry him to his destination—on, say, next Thursday week. Another consequence of really "free" competition would be that the railways would be allowed to charge peak prices at peak hours, so as to minimise the need for piling up redundant capacity that cannot be used at other times of the day; at the moment a large number of season ticket holders and other concession-cushioned fare-payers travel at precisely these peak hours. And a third result of free competition in passenger transport would be that the railways should be allowed to close down a large number of uneconomic lines, with the result that many people whose whole way of life is based upon a daily journey to work from relatively remote areas would suddenly find themselves without any transport facilities at all.

The most astonishing feature of the passenger problem is that despite the heavy burdens laid on the railways by the public obligations that preclude "reforms" of this type, trains are still a more economic form of passenger transport than coaches over certain routes—in the sense that their costs per passenger mile are less. The British Transport Commission's report for 1950 showed that the cost on the main line expresses comes out at about one-third of a penny per passenger mile, against over a half-penny per passenger mile on the long-distance coach services. On the branch line railway services, on the other hand, the cost per passenger mile was over 2s. 1d. while on the country bus services it was approximately 1d. The railways' obligation to charge uniform prices, however, means that their standard charge (before allowing for season tickets and other concessions) is 1¾d. per passenger mile on both the main line expresses and the branch line trains; in other words, long distance passengers on the main line routes pay so much more than the real cost of their journey that it is actually cheaper for them to travel by the coaches (whose real costs are greater on these routes), while passengers on the branch line trains pay so much less than the real cost of their journeys that the coaches sometimes do not find it economic to compete for their custom (although the coaches' real costs, on these routes, would be much less than the railways'). It is obvious that any sane transport policy should be devoted towards curing this absurd misdirection of resources—but it is also obvious that such a policy would meet with grave political difficulties. If pushed to its limit it would mean that some passengers on branch lines should pay fourteen or fifteen times as much for their daily train journeys as they do at the moment, even though passengers on the main line expresses should pay four-fifths less.

The problems of "competition" or "integration" in freight transport are very similar to those in the passenger traffic. Here, again, there is a wide range of cost variation per ton mile, which is not matched by an equivalent variation in the pattern of charges. The carriage of a ton of one commodity may involve the railways in a real cost twenty times as great as that of the carriage of a ton of another commodity; charges per ton mile do not vary in anything like the same proportion, and the schedules, like those for passenger fares, are riddled with concessions that have been politically rather than economically inspired. In road transport, too, the schedules of charges are affected by a host of varying influences—conditions of limited monopoly and limited competition, of past or present modes of public supervision, and of pure historical accident—much more than by real costs. Once again the result is that many goods now carried by road could more economically be carried by rail, and *vice versa*. Once again, however, any sudden revision of charges to complete conformity with the real costs of carriage would result in a quite impossible disturbance of existing trade patterns, with heavy saving to some trades offset by increases of several hundred per cent for others. Once again, therefore, any creation of really free competition would be economic nonsense unless the railways were allowed to escape from their obligations as public carriers and allowed to carry only the goods they chose to carry, and those in their own time.

★

The conclusion that emerges is obvious. It is clear that the public is not willing wholly to free the railways from their obligations as public carriers. The railways must continue to undertake to meet most fluctuations in daily and seasonal demand and continue to carry all passengers and commodities needing transport; they cannot be allowed—as the coach and air services are allowed—to carry only those whose passages are booked well in advance and timed to accord with an economic schedule of continuous on-and-off-peak operation. But it is also obvious that these obligations of a public carrier should be kept down to a minimum, and, above all, that charges should be gradually nudged some way into line with real costs. As each step is taken, the disadvantages of disturbance should be weighed against the diseconomies of the present system—but always with the overriding proviso that the schedule of charges should at least ensure that goods and passengers should not be positively attracted to travel by one medium when it is more economic for them to travel by another. If the proposed levy on road transport were designed to help this process of adjustment and to withdraw from private operators the advantages they derive from the fact that their public enterprise competitors are hamstrung by "public carrier" obligations, then there would be some case for it. But there is no sign that it is part of any such process. The Government is not deliberately stepping out in the right direction after careful analysis of the economies of transport. It is doing exactly what the Labour Government did when it murdered the case for nationalisation of transport by its mismanagement of the first attempt. It is following its political nose on the problem of ownership, but on the much more vital problem of costs and charges, it seems to be groping in the dark—and groping the wrong way.

Disagreement in Wheat

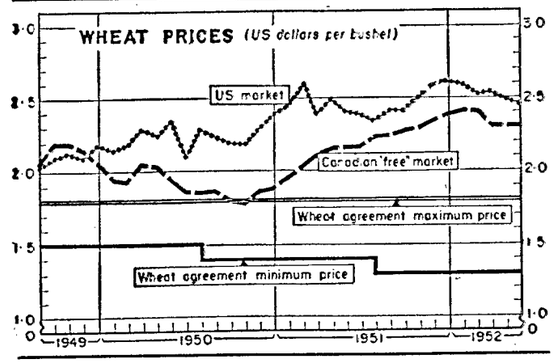
THE International Wheat Council adjourned last week without reaching a conclusion on the main issue that it had assembled to discuss. This was to advise the governments of the 46 countries participating in the present wheat agreement whether the agreement should continue for a further period after next year, when its current four-year term comes to an end. Under the terms of the agreement, any such recommendation for renewal must be made by the council before the beginning of the final crop year—that is, before next August. The council's failure to make a formal recommendation now does not mean, therefore, that the existing agreement will necessarily lapse next year. At the recent meeting, no country objected to the agreement and no country requested any major change in its form, although certain minor improvements were suggested.

The breakdown of the discussions occurred over prices—even though there were no actual negotiations about a suitable maximum and minimum price as the basis of operation of the agreement. It was clear, however, that although importing countries were quite willing to see the agreement run another term, they were not willing to commit themselves on prices at this stage. The exporters, especially the United States, wanted both the renewal of the agreement and the price range to be agreed now. As the voting power in the council is proportionate to the sizes of the several countries' obligations to buy or sell at the limiting points, and as the importers have in total the same number of votes as the exporters, a deadlock was inevitable. The decision to do nothing was in fact a compromise; the council is now expected to meet again in July to recommend that the decision on extending the agreement be postponed until the end of 1952.

The present wheat agreement is a flexible multilateral contract; it stipulates quantities that exporters guarantee to sell to the importing countries when the world price of wheat is at or above a predetermined maximum price, actually fixed at US $1.80 a bushel. It also stipulates the quantities that the importers guarantee to buy from the exporting countries when the world price of wheat is at or below a predetermined minimum price. This minimum price was set at US $1.50 a bushel for the first season and was reduced by 10 cents a bushel for each successive season. The current minimum price is $1.30 a bushel; next season it will be $1.20. The guaranteed amounts of purchases or sales by the individual countries are set out in Tables I and II.

Neither exporters nor importers have any obligation under the agreement except when the price is respectively either above its agreed maximum or below its agreed minimum. The member countries are free to buy from or sell to any other member; they can also buy freely from countries outside the agreement. The market can operate in its normal way, with either private or government trading, and theoretically the price can fluctuate freely between the agreed limits. The agreement contains no restriction on either production or consumption. But the equal voting power of importers and exporters has meant that the side that has the economic bargaining strength at the time gets its way. The wheat council was set up to supervise the operation of the agreement.

The scheme has been tested during its three years of life—but only in one direction. Throughout the period, apart from a very short time in the autumn of 1950, the world price of wheat has been above the agreement's maximum; and exporting countries have fulfilled their obligations even though buyers outside the agreement have been willing to pay (and have paid) higher prices. It is true that exporters have used various devices to increase the effective maximum price, for example, by adding carrying charges. But there is no doubt that, so far, importers have gained under the agreement. It is significant that eight importing countries (including Germany, Spain and Japan) joined the agreement after it came into force, but no additional exporting country has asked to join. Further, many of the smaller importing countries requested and were granted larger import quotas. The agreement was originally intended to cover 456 million bushels. In its first season its guaranteed sales were increased to 525 million bushels, in the second season to 563 million bushels and in the current season to 581 million bushels. On price considerations alone, therefore, exporters have lost from the agreement, though it is impossible to estimate the extent



of the loss. But this loss may be regarded as in the nature of an insurance premium. Exporters have enjoyed the security of a guaranteed minimum price that was above their costs of production; and when the agreement was signed in March, 1949, some tendencies were then being interpreted as signs that the postwar slump might be only just around the corner.

Many critics of the agreement object to it on the argument that its mechanism must inevitably tend to keep the price at the upper limit. But the experience of these past few years has not substantiated this view. In the first season (1949-50), when the price was at its maximum, importing countries bought only 85 per cent of the scheduled quantities. That restraint marked an attempt, particularly by Britain, to force prices down. In October, 1950, at the beginning of the second season, this manœuvre began to have an effect; despite the fact that the Korean war had already started, the price tended to drop below the maximum, though only slightly below it. Admittedly, this relationship did not obtain for more

than a week or two. Both importers and exporters realised that it was prudent to hold large stocks, and purchases during 1950-51 amounted to 97½ per cent of the agreed quantities. During the current season it looks as if importers will purchase all the agreed quantities at the maximum price, although they are obliged to buy their full quotas only when the world price is at or below the agreed minimum.

In present conditions there is much to be said for the agreement provided that the maximum and minimum prices are reasonable and realistic. If importing countries had the choice between the mechanism of the agreement and that of a proper free market, they would most probably choose the latter. But at present there is no question of such a choice. Since the war the United States has become the world's largest wheat exporter, and it operates a price-support system for its own farmers that virtually sets a floor to world prices. The US price is now around $2.40 a bushel compared with the maximum under the agreement of $1.80, and since the war it has tended to rise rather than fall. The only other large wheat exporter is Canada. Supplies from both Argentina and Australia have dwindled, while India, which before the war was a wheat exporter, is now a wheat importer. Wheat from the Danube basin is no longer available to the free world and only sporadic quantities (and small ones at that) come from Russia. The fact that dollar countries dominate the export trade means that countries whose currencies are not freely convertible into dollars cannot expect to return to the prewar form of trading. A further complication is that the United States is not only the largest wheat exporter, but also finances its buyers with the help of ECA (now MSA) grants and loans to buy its produce. It is, indeed, doubtful whether the agreement would have worked at all during the past three years without these dollar funds. At any rate, the price might have been forced to its minimum, and importers might have been obliged to invoke the escape clause that permits them to be freed from their obligation to purchase if they are experiencing serious difficulties on their balances of payments.

In these circumstances, the agreement is perhaps no bad thing, and if importers and exporters can agree on prices, it is certain to continue for another four or five years. Any new agreement would contain some modifications such as an arrangement to permit the International Court of Justice to arbitrate on disagreements about definitions, and a tightening up of certain definitions, particularly those referring to prices, price equivalents and carrying charges. The vital question is what should be the appropriate levels of the maximum and minimum price. The United States has had to subsidise its exports of wheat under the agreement; its minimum domestic price has been some 60 cents a bushel above the agreement's maximum. In view of the coming Presidential election, the United States wanted to see the maximum price as close as possible to its domestic

TABLE I—GUARANTEED PURCHASES UNDER INTERNATIONAL WHEAT AGREEMENT (AS AT OCTOBER 30, 1951 (*a*))
(Thousand Bushels)

Country	1949-50	1950-51	1951-52 and 1952-53
Austria	11,023	11,023	11,023
Belgium	20,209	20,209	20,209
Bolivia	2,756	2,756	2,756
Brazil	13,228	13,228	13,228
Ceylon	4,409	6,614	6,614
Costa Rica	1,102	1,213	1,213
Cuba	7,422	7,422	7,422
Denmark	1,617	1,617	1,617
Dominican Republic	735	876	876
Ecuador	1,286	1,286	1,286
Egypt	8,818	14,697	14,697
El Salvador	404	404	404
Germany	66,139	66,139	66,139
Greece	15,726	15,726	15,726
Guatemala	367	919	919
Haiti	1,029	1,029	1,029
Honduras Republic	...	367	367
Iceland	...	404	404
India	38,287	55,116	55,116
Indonesia	...	3,674	3,674
Ireland	10,105	10,105	10,105
Israel	5,879	5,879	5,879
Italy	40,418	40,418	40,418
Japan	...	...	18,372
Lebanon	2,388	2,388	2,388
Liberia	37	37	37
Mexico	9,186	12,860	12,860
Netherlands	27,558	24,802	24,802
New Zealand	4,593	4,593	4,593
Nicaragua	294	331	331
Norway	7,716	7,716	7,716
Panama	625	625	625
Peru	5,512	5,512	5,512
Philippines	7,202	7,202	7,202
Portugal	5,144	5,626	5,626
Saudi Arabia	1,837	1,837	1,837
Spain	...	4,373	4,373
Sweden	2,756	2,756	2,756
Switzerland	6,430	6,430	6,430
Union of South Africa	11,023	11,023	11,023
United Kingdom	177,068	177,068	177,068
Venezuela	4,777	6,246	6,246
Total (42 Countries)	**525,104**	**562,545**	**580,917**

(*a*) Includes accessions and all increases in guaranteed quantities to date. (*b*) Includes 2,715,778 bushels for Indonesia.

TABLE II—GUARANTEED SALES UNDER INTERNATIONAL WHEAT AGREEMENT (AS AT OCTOBER 30, 1951 (*a*))
(Thousand Bushels)

Country	1949-50	1950-51	1951-52 and 1952-53 (*b*)
Australia	80,799	88,700	88,700
Canada	205,103	221,592	232,979
France	3,344	4,089	4,089
United States of America	235,858	248,163	255,149
Total of Above	**525,104**	**562,545**	**580,917**

(*a*) Includes accessions and all increases in guaranteed quantities to date. (*b*) In 1952-53 Canadian sales will be increased by 2 million bushels and US sales decreased by a corresponding amount.

TOTAL EXPORTS OF WHEAT AND WHEAT FLOUR
(Thousand Bushels)

Country	1949-50	1950-51
Australia	91,064	134,208
Canada	230,144	241,832
France	25,600	36,080
United States of America	286,520	392,040
Total of Above	**633,328**	**804,160**

PRODUCTION OF WHEAT
(Thousand Bushels)

Country	1949-50	1950-51	1951-52
Australia	218,220	184,240	165,380
Canada	371,406	461,664	562,395
France	297,000	283,000	265,000
United States of America	1,141,188	1,019,389	987,474
Rest of World	4,157,186	4,371,707	4,519,751
Total World	**6,185,000**	**6,320,000**	**6,500,000**
Proportion of wheat agreement exporters' output to world production	*32·8*	*30·8*	*30·5*

A MEMBER OF THE THREE BANKS GROUP

GLYN, MILLS & CO.

Glyn, Mills & Co., began in 1753 as a private banking house. In spite of steady growth to world-wide influence, its underlying characteristics have not departed. The personal touch is still there in each transaction whether large or small. London is the centre of operation. Glyns is a member of the Three Banks Group.

THE THREE BANKS

Total resources over £350,000,000

ROYAL BANK OF SCOTLAND
Founded 1727. Edinburgh, London & branches

GLYN, MILLS & CO.
Founded 1753. London

WILLIAMS DEACON'S BANK LTD
Founded 1771. Manchester, London & branches

Scottish Amicable BUILDING SOCIETY

SCOTLAND'S TRADITION OF THRIFT AND CAUTION IS 'ANCHORED' TO THE POLICY OF THE SCOTTISH AMICABLE. COURTESY, SERVICE, SAFETY ARE AT THE COMMAND OF INVESTORS EVERYWHERE

INTEREST AT 2½% INCOME TAX PAID

President: LORD INVERCLYDE
Vice-President: LORD ALNESS
Trustees: JOHN CAMERON D.S.C., Q.C. and SIR STANLEY ROUS C.B.E.
Chairman and Managing Director: WM. S. ALLISON D.L., J.P.

Total Assets £18,340,000
Liquid Assets £3,600,000

Please apply to

AMICABLE HOUSE, GEORGE STREET, EDINBURGH 2

for Literature and List of Branches throughout Britain

is CANADA *the answer?*

For information on any aspect of Canada, general, commercial or local, you can hardly do better than consult Canada's oldest Bank.

Enquiries welcomed.

BANK OF MONTREAL

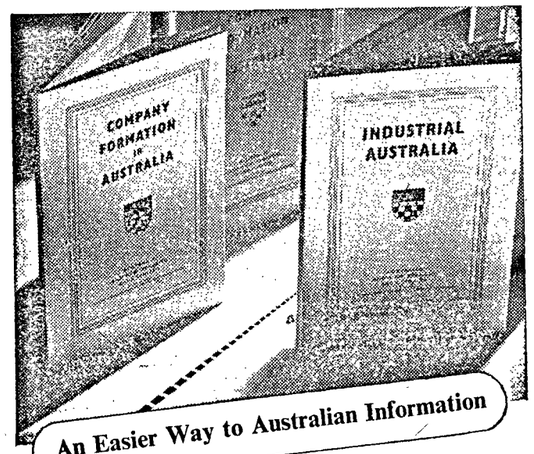
47 Threadneedle Street, London, E.C.2

Head Office: MONTREAL

Over 570 branches throughout Canada

Assets Exceed $2,000,000,000

Incorporated in Canada in 1817 with Limited Liability



An Easier Way to Australian Information

If you are thinking of manufacturing in Australia consult A.N.Z. Bank. Two Booklets will give you the preliminary information you require: "*Industrial Australia*" containing authoritative information on industrial resources, markets, labour and finance, and "*Company Formation in Australia*", a general guide to Company Law, with notes on current taxation. Copies of these Booklets will gladly be sent on request.

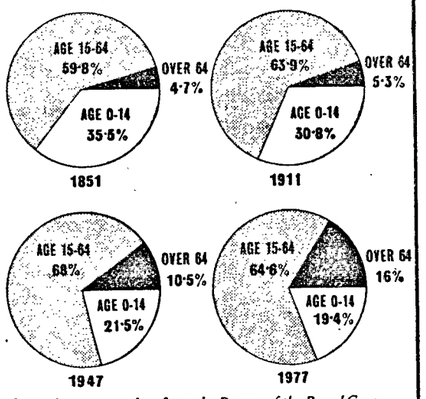
AUSTRALIA AND NEW ZEALAND BANK LIMITED
In which are merged
THE BANK OF AUSTRALASIA LIMITED
Established 1835
THE UNION BANK OF AUSTRALIA LIMITED
Established 1837
71, CORNHILL, LONDON, E.C.3. Telephone: AVEnue 1281

On Living Longer

IT IS ONLY WHEN WE ARE YOUNG that birthdays are absolutely indispensable. All too soon comes the time when we find it more blessed to give than to receive reminders of such anniversaries. Few of us are ambitious enough to look forward to the time when they once more become important—to the birthday which may win us overnight the distinction that only centenarians can claim. Nevertheless, the chances of this happening have been increasing with each generation; mortality statistics tell us that people today are, on the average, living appreciably longer than their grandparents.

THIS, on the face of it, is a wholly satisfactory state of affairs. For the average person, it suggests a longer period of retirement; more leisure for the garden, more time to give to friends and books and the county cricket team. This is the kind of thing that people look forward to as retirement approaches.

Charts of the proportions in each age-group of the total population of Great Britain 1851-1977★



★*The figures are taken from the Report of the Royal Commission on Population (1949); those for 1977 are projected figures on certain not unreasonable assumptions*

BUT there is another side to this picture. Leisure, if it is to be used agreeably, costs money—even a little may make all the difference between a happy retirement and an old age made careworn by dependence upon others for the little comforts of life.

MILLIONS of people would be facing the prospects of such an old age if they had not made some extra provision through voluntary saving. Only a minority of workers have jobs which carry pensions and increased longevity is in itself one of the factors which make it unlikely that National Insurance retirement pensions could go beyond subsistence level in the foreseeable future. This situation accounts, in some degree, for the steadily increasing appeal of one particular feature of the service which industrial life assurance brings to the homes of so large a section of the community. Last year the sums assured under new industrial life assurance policies amounted to £248 millions. The majority of these policies are designed to benefit their holders during lifetime—in many cases to provide, in retirement, the modest comforts that become necessities with advancing years.

THE growing popularity of home service endowment assurance is a sign of the times. A century of steadily improving social conditions has established new standards of life for the majority of folk living in these islands; and the average family expects a correspondingly wider range of benefits from industrial life assurance than was the case when such policies were taken out mainly to meet the immediate expenses at the time of death.

THIS is still one of the financial problems that confront a bereaved family. More important, however, if the breadwinner's earnings cease, is the need of ready aid to see the family through the difficult task of readjusting itself to new circumstances. Such aid can be provided by an endowment assurance, no less than by a whole-life policy. The payment every year of thousands of claims only a short time after the policies have been effected is a reminder of the two-fold purpose which this thrift movement serves in ten million households. It is a family safeguard, as well as a form of saving.

IT is difficult to see how facilities of this kind could be made available to more than a fraction of the population otherwise than through home service insurance. It requires a great effort of will to set aside savings regularly without constant prompting. This is the very difficulty that industrial life assurance is designed to overcome. It is a very practical help to have someone call to collect premiums. The insurance agent's regular visit is a reminder that does much to take the effort out of saving and to make it part of the domestic routine.

IT is this home service—perhaps the most valuable of all aids to thrift—that ensures the stability of the flow of small savings accumulated through Industrial Life Assurance. Funds administered on behalf of policyholders are increasing at the rate of nearly £50 million a year. The importance to our economic life of this net addition to the nation's savings can scarcely be over-estimated. No less important is the part played by this thrift movement in the lives of the men and women to whom it is an assurance that a longer life need not be without its comforts.

Issued by the Industrial Life Offices

CH1

floor price. Canada and Australia also wanted a higher maximum (as well as minimum) price, but they were thinking of something a little above $2 a bushel, compared with the American $2.40. The importing countries, on the other hand, felt that a general fall in commodity prices was imminent and saw no reason to accept higher prices for wheat. The postponement of this discussion was wise, for by the end of the year the general trend of prices may be more readily discernible than it is now. Moreover, the American election will be over, so that the international wheat negotiations will not have to be conducted, as the recent ones have been, with one eye on the various primary polls now taking place in the United States.

The bargaining on prices will be tough. In the absence of an agreement, importers will lose in the short run unless prices come tumbling down, for they would have to pay the American domestic price for American wheat, which would mean that they would also pay more for Canadian and Australian wheat. In the long run, however, they might gain—if the higher prices induced a larger output of wheat, particularly in countries outside the dollar area. But that would be by no means certain, for in every wheat exporting country there is a wheat board or an equivalent organisation that comes between the buyer and the farmer. For exporters, a lapsing of the agreement would mean that they would gain on price in the short run, but lose their longer-term security.

Britain's attitude, clearly, cannot be that there should be a renewed agreement at any price. Next season's minimum price is still above Canadian and Australian costs of production, and exporters should be prepared to make some sacrifice in return for this security. Importers enjoy no such advantage unless the maximum price is kept at a reasonable level, and most of them would regard the present maximum as reasonable. If this level meant a loss to the United States the agreement would, in effect, provide another method of granting dollar aid to dollar-starved importers—and it might even help to reduce American dominance of the wheat market. But, in any case, if exporting countries refuse to have the agreement except at much higher prices, it would be better to let the price mechanism operate without hindrance from any such multilateral contract or guarantees.

Problems for EPU

THE renewal of the European Payments Union after it comes to the end of its initial two-year span on June 30th next may now be taken for granted. The exact form in which it will be renewed is still under continuous and at times vehement discussion in Paris, by the managing board of EPU and the Payments Committee of the Organisation for European Economic Co-operation. These two bodies should have some specific recommendations for the Ministerial Council of OEEC when it meets in Paris towards the end of this month, but it would be stretching optimism beyond reasonable bounds to hope that the Ministerial Council will be in a position to give its approval to an agreed amended scheme. Although all concerned agree that EPU has done useful work and should on no account be scrapped, there are still some substantial differences among members about the amendments to be introduced into the scheme. The need to thrash these out is likely to delay the agreement beyond the date, July 1st next, when the new version of EPU will in fact come into force—necessitating a retroactive procedure for which there are some notable precedents in OEEC and EPU. Zero hour may in fact be around August 14th next, the value date for completing the compensation for July, the first month of the new EPU year; but agreement might even be postponed until about September 14th if it is decided to treat the first two months of the new EPU year as one accounting period, as was done in 1950. Nevertheless, agreement on broad principles will have to be indicated before the end of June if some of the countries concerned, and in particular Belgium, are to be induced to continue granting credit after the present financial period comes to an end.

The two main issues that are now being debated before the Management Board and the Payments Committee are the size of the convertible assets, i.e., gold and dollars held by the Payments Union, and the problem of the "extreme" creditors. The need to strengthen the convertible assets of EPU does not immediately emerge from a study of its balance sheet. When the Payments Union began operations on July 1, 1950, it had in hand an amount of $350 million put at its disposal by the United States Government. By the end of March last, payments of gold by the Union had exceeded its receipts of gold under the terms of the agreement by $226.7 million, absorbing all but $123 million of the original reserve. Over the same period, however, the Union has acquired $215.2 million in gold and dollars by various means not envisaged in the agreement or in the normal working of the scheme. These special receipts include dollars placed by the United States at the disposal of certain "structural" debtors of EPU, such as Greece and Turkey, in order to enable them to settle their deficits with other members. The total liquid and convertible resources of EPU at the end of March therefore amounted to $338.5 million, not much less than the initial sum. This amount, however, appears inadequate in relation to the calls that may be made on the Union in the months ahead. If Belgium remains a persistent creditor and if at the same time Britain were to reverse its recent debtor position and swing into credit, the available gold and dollar resources of the Union could be mopped up in a matter of months. They need reinforcement—a fact that was one of the main conclusions reached in the report of the Managing Board of the Union issued earlier this year (and discussed in these columns on April 5).

The hopes voiced in that report, that the reinforcement might be secured through direct assistance from the United States, must however be abandoned. The United States authorities have made it quite clear that there is no possibility of securing Congressional consent for such assistance. Some help may come from the United States indirectly, through offshore military purchases from EPU countries or through further dollar aid to the structural debtors, generally known as "the wards" of the United States. But if there is to be any substantial accretion to the convertible assets held by the Payments Union, it will have to be provided by additional subscrip-

tions from the members themselves. Some pressure has been put on these countries to make such contributions. The response so far has not been favourable, except from the countries that are likely to remain creditors and would therefore be likely to take back with one hand a great deal more than the gold and dollars they would put into EPU with the other.

An interesting proposal that may lead to a reinforcement of the gold and dollar reserve is now under consideration in Paris. It involves a steepening of the sliding scale on which debtors have to meet their deficits with EPU in gold. At present the proportions in which the cumulative deficits have to be met in gold and credit are as follows:

	Gold %	Credit %
1st fifth of debtor's EPU quota	0	100
2nd "	20	80
3rd "	40	60
4th "	60	40
5th "	80	20

If the above gold percentages were to be adjusted to 10, 30, 45, 55 and 60, the average ratio of 40:60 as between gold and credit over the whole amounts of the quotas would remain undisturbed, but more gold would have to be paid by debtors in the lower tranches of the quota and rather less by those in the upper tranches. If the adjustments were made retrospective, it would mean that a number of countries that have accumulated comparatively small deficits with EPU would have to put up additional amounts of gold. No additional payment would have to be made by the United Kingdom because it has now virtually reached the limit of its quota, at which point the ratio of gold already paid to credit already received would remain unchanged at 40:60. Britain's contribution under the new proposal would come if and when its present debtor position turned into that of a creditor. Its progress out of debt would then be made at the new scale through the various tranches of its quota. Instead of receiving gold to the extent of 80 per cent of its current surpluses when going through the fifth slice of the quota, it would receive gold at the rate of only 60 per cent, and so on as it reduced its cumulative deficit with the Union. By the adoption of some such device, the gold and dollar reserve of the Union could be reinforced and protected from the serious further encroachment to which it is open in the present circumstances. Moreover, by convincing the United States administration and Congress that the members of EPU are prepared to help themselves, action on these lines might be calculated to extract some direct assistance from the United States.

The problem of the extreme creditor, which is the second of the crucial and controversial issues now under discussion, focuses as usual on the position of Belgium. Belgium had by the end of March granted $222 million more credit to the Union than it was obliged to do under its quota. Other creditors, notably Italy and Portugal, have also exhausted their quotas, but their additional credits are still of modest proportions and do not appear to call for special remedial measures. The Belgians, however, now wish to realise part, if not the whole, of the $222 million above-quota credits that they have granted to EPU. They suggest that this sum should be funded, and that provision should be made for its repayment in gold over a term of years. If this were done, the Belgian authorities would endeavour to market the resulting obligations in the American or Swiss markets, and thus to secure their immediate conversion into the hard currencies they need. This proposal raises several points of difficulty. One of them concerns the term of years over which Belgium requires payment. If it is too short it might put undue strain on even a reinforced gold and dollar reserve of the Payments Union. Another more juridical difficulty arises in deciding whether EPU has the authority to issue bonds that could be discounted or marketed in the international markets.

This is only one of the problems arising from the position of the extreme creditors. Another relates to the treatment of any future surpluses they may accumulate with the Payments Union. If Belgium, and countries in like circumstances in relation to the Union, are to be induced to remain members of it, they must be given firmer assurances about the treatment of future surpluses than the quarterly *ad hoc* arrangements that have hitherto been made to cope with this particular problem.

The prospect of ultimate agreement on all these points is improved by the indications that the wild swings in balances of payments that have characterised the greater part of the current EPU year are gradually being corrected. The detailed figures of the April EPU compensations are chiefly remarkable for the considerable reduction in the Belgian surplus from $45 million to $16 million. In April, for the first time since Belgium's creditor position exceeded its quota, that country succeeded in keeping its current surplus within the maximum of the gold payment allocated to it for that month under the special arrangements made with EPU. This means, of course, that Belgium took 100 per cent of this surplus in gold; but there is some reassurance to be gained from the fact that the surplus itself was so sharply reduced. Another notable change revealed by the April compensation was the appearance of France as a small creditor—to the extent of $2.7 million, of which $1.6 million was recovered from EPU in gold. One feature of the returns that unfortunately shows no significant change is the United Kingdom deficit; in April it was still at the high level of $56 million, compared with $64 million in March. This involved a gold payment at the rate of 80 per cent, namely $45 million, while the balance of $11.3 million was added to the British overdraft with the Union. This overdraft has thus been increased to $633.4 million (equivalent to £226 million). By the end of April Britain was, in fact, within $13 million of having exhausted its EPU quota, and was therefore on the brink of having to pay any further deficit wholly in gold. It is high time those import cuts by the United Kingdom and the rest of the sterling area made their impact on the EPU position. But the general view held in Paris is that the swing round in the United Kingdom position with EPU will not be apparent before the autumn.

INDEX

The Index to *The Economist* is now published quarterly. Subscription rates are 5/- a year; single copies are priced at 2/- each. The Index to Volume CLXII (January to March, 1952) is now available from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1

Business Notes

Spirits and a Splash

The big event in the markets this week has been the splash made by the Distillers issue, the interest in which, both by the stags and by more permanent investors, has been a major influence upon prices throughout the lists for gilt-edged and high-grade industrials. There is food for thought in the fact that this £10 million operation has caused much more disturbance than did the £150 million BEA loan; but whereas the public's response to the bigger operation was certainly not more than £50 million and the average size of application probably fairly large, the rush for this novel Distillers' stock has come from many types of investor throughout the country and reached the extraordinary total of £160 million. The lists, needless to say, were closed immediately on Tuesday morning, leaving those responsible for the issue with heavy labours to complete if dealings are to start, as hoped, on Monday next.

This sharp focusing of interest at a single point, and the tying up of some £40 million in application moneys, so distracted attention from other markets as to reverse the tendency of gilt-edged and give impetus to the sagging of blue-chip industrials, also depressed by the April trade figures, discussed in a subsequent not. Textile shares barely flickered upwards on the news of the concessions in purchase tax; and over the week the ordinary share index of the *Financial Times* dropped by fully 3½ points, to 109.7. The buoyancy in gilt-edged, deriving from small but widespread buying from private investors on a narrow market, was easily extinguished, and the recent price rises gave place to moderate declines, momentarily carrying the new BEA stock back to a fractional discount. Yet another reverberation was felt in the short loan market, where money has been very tight—to the extent, on Monday last, of forcing discount houses to seek 7-day loans at the Bank, for only the second time since the rate for such money became 3½ per cent.

The new appearance of the gilt-edged market, shortlived though it might prove to be, looks more attuned to the fundamental forces than its recent firmness did. Nothing has happened yet to justify hopes that monetary discipline need not press upon the market. Monetary policy needs to be kept firm, and it is much to be hoped that the authorities' recent request to the banks to cut down their credits for hire-purchase finance does not mean that firmness is now to be pursued rather by "directives" and exhortation than by the orthodox measures. To keep these measures fully effective, the release of stock by the "departments" will have to be continuous; and more overt moves may later be needed. Meanwhile, the needs of non-governmental borrowers are clearly sufficiently pressing to make it necessary to seize every opportunity for movement at the turnstiles.

*

Scarcely audible amid the noise of the Distillers issue, there has appeared the expected offer for Kenya—in the form of £6,115,000 of 4½ per cent stock, 1971-78, at 99½, the lists for which open next Tuesday. Of this sum, £615,000 has already been placed, and a further £1,000,000 is reserved for applicants in East Africa. The unexpected resilience of the market over the past three months is well shown by the fact that this stock is priced at ½ point above the issue price (but more than two points below the present price) of the Southern Rhodesian stock launched before the last increase in Bank rate. Yet the turn offered seems adequate to ensure a reasonable response—provided that the market, after this week's jolt, does not suddenly fasten upon the fundamentals of Britain's problems, from which it seems lately to have kept its eyes carefully averted.

The Decline in Exports

British exports in April amounted to only £217.5 million, or £23 million less than in March and £12.8 million less than in April, 1951. Simultaneously re-exports fell to less than half the March rate, presumably owing to smaller shipments of rubber and tin to the United States. Fortunately, however, these figures convey a too gloomy impression. The daily rate of exports at £9.1 million was only a little below the corresponding rate of £9.2 million in April, 1951, and compares with £9.3 million in March this year. The Easter holidays came in April this year so that the month had only 24 working days; if it had contained the normal number of working days exports would have been only £3 million less than in April, 1951, and not much more than £5 million below the March total. It seems probable that when the detailed figures are published later this month they will show that the Australian and other Commonwealth import restrictions have begun to take their toll. On the other hand, exports to North America during April showed a heartening rise and were above the monthly rate for the first quarter of the year. Exports to the United States fell slightly but the fall was more than offset by the rise in exports to Canada.

Imports last month amounted to £325.1 million and were thus 4 per cent higher than a year ago, though they were slightly less than in March and also less than the average for the first quarter of 1952. But in this casee, too, allowance must be made for the smaller number of working days in April. When this allowance is made, it becomes apparent that the daily rate of imports is still obstinately rising; in March it was £12.8 million, in April, £13.6 million. The excess of imports (valued c.i.f.) over exports (valued f.o.b.) thus increased to £96 million in the month, compared with £70 million in April, 1951.

* * *

Concessions in Purchase Tax

The concessions in purchase tax announced this week erode another £10 million this year and £17 million in a full year from the foundations of a budgetary policy that was never very surely based. Yet, as a matter of political tactics, the Chancellor of the Exchequer may feel that he has paid only a moderate price for getting the "D" scheme more or less intact through the committee stage of the Finance Bill. From the narrower standpoint of the industries affected by the change—those making textiles, clothes and shoes—a reduction in tax rates was preferable to the increase in individual "D" limits of tax exemption for which the Opposition was asking. Apart from a few minor exceptions, Mr Butler refused to raise the "D" levels, but he has brought down the rate of purchase tax for clothing, including gloves and shoes, from 33⅓ to 25 per cent and that for piece goods and household textiles from 66⅔ to 50 per cent. All other rates, including those on furs and furniture, remain unchanged. The tax exemption limits are to be changed only for a few goods such as fur coats, men's slippers and bootees (the trade term for women's wool-lined boots).

The immediate effect of these changes is to give small but much-needed relief to quality goods. These form the spearhead of British exports of consumer goods, particularly to the dollar markets; it looked as if the "D" scheme in its original form might so drastically narrow down the home market for such goods as to force some of them out of production altogether. Their prices, including purchase tax, were too high to be susceptible of any noticeable reduction through the introduction of a tax-free element into them;

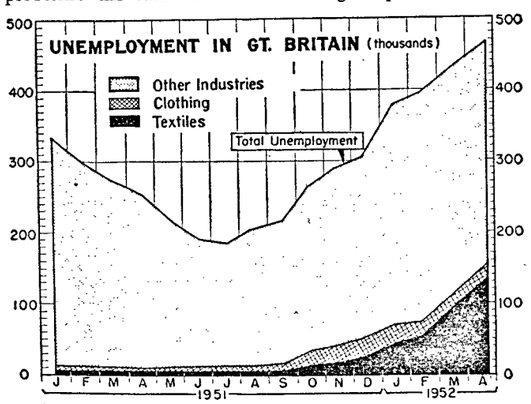
they could be helped only by a reduction in the rate of purchase tax itself. At the other end of the price scale, however, goods just above the tax-free limits were already attracting so little tax that the reduction in the rate will make only a few pence or a few shillings difference to their selling prices. In making these changes, Mr Butler was probably swayed much more by arguments for relieving quality goods than by any consideration of stimulating the average level of domestic sales of textiles or footwear; the stimulus here will be hard to detect.

* * *

Unemployment Still Rising

Up to about three weeks ago unemployment in Britain was continuing to rise steadily, and though it had not quite reached half a million it was higher than at any time since 1947. The total registered on April 21st was 467,000 persons, compared with 433,000 on March 17th and with 252,000 in April, 1951. Since July last year, when postwar unemployment reached its lowest ebb, the number of people unemployed has risen by about 150 per cent—though it should be noted that it is still only 2.2 per cent of the employed population. The slackening of activity in many industries is reflected in the total of persons temporarily stopped, which has now risen to 142,800, and also in the records of those working short time—276,000 in the last week of March compared with 216,000 in January. But nearly 1,200,000 people are still working overtime—roughly the same number as were doing so at the beginning of the year.

Textiles remain the core of the 1951-52 unemployment problem: the chart indicates how large a part of the rise



in total unemployment is accounted for by the textile and clothing industries. Up to the end of the year the dismissals seem mainly to have taken place in the wool and the clothing industries; since then, though in clothing at any rate the number of people out of work has somewhat declined, dismissals of workers in the cotton industry have greatly swelled the total of workless in these industries. It is not clear whether this flow of workers out of soft goods is still benefiting the production of metal goods for export or of defence equipment to any considerable extent. In March, as in February, there was no significant increase in the numbers of people employed in the engineering industries, and the vehicles group continued to lose labour. The aircraft industry is still continuing to recruit labour fairly steadily at present, though for a number of factories the point has been reached at which more skilled men are essential before more unskilled workers can be used. Recruiting into the ordnance factories has slackened; but this has happened partly because certain of the factories using mainly unskilled labour are no longer needing workers in large numbers. It would seem that there is a slight movement of labour within the engineering industries towards defence and the factories most busy on exports—and a trickle, still inadequate, of skilled labour in the same direction.

* * *

Sterling Rate Contrasts

Some interesting contrasts have characterised the movements in various sterling rates since the beginning of the month. In the spot market sterling has been inclined to give way against the dollar. At the end of April the spot rate was very close to $2.81. It has since fallen away to $2.80⅛, though it has in the last few days hardened to $2.80⅜. The experience of the market suggests that sterling is still receiving the support of bear covering operations and in particular of the repayment of foreign acceptance and other credit facilities that London banks, under instructions from the Bank of England, are not renewing. The decline of the spot rate in spite of this continuance of covering operations suggests that the commercial demand for dollars remains persistent.

The rate for transferable sterling in New York has, on the other hand, remained very firm. It was quoted at $2.53½ at the beginning of this month and has since risen to $2.55. Reports from New York suggest that the market remains fairly active and this, in its turn, indicates that a certain amount of commodity shunting continues despite the narrowing of the margin between the official and transferable sterling rates. For some time past the Dutch monetary authorities have given considerable support to the British in endeavouring to stop such switches through their country. The technique of commodity shunting has, however, kept pace in its elaboration with the restrictions decreed by the Netherlands Bank. Although it is no longer possible to obtain permission from the Dutch authorities to export sterling commodities to a dollar market, it is possible to secure authorisation to ship commodities from London to a continental port and to obtain authority for similar shipment from a continental port to New York. The fact that identical goods may be involved does not emerge from the double switch procedure and thus the shunting can and does proceed unbeknown to the Dutch authorities. Nevertheless, given the present margin between official and transferable sterling rates, the profitability of such deals must be very exiguous.

* * *

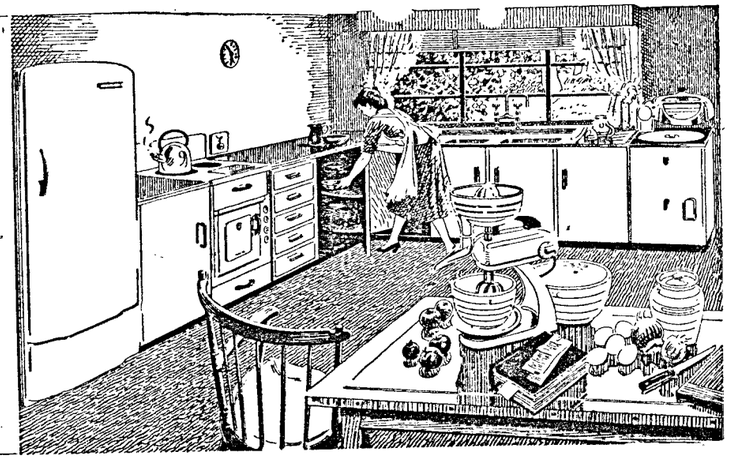
Retail Trade in March

Retail sales in March were on average 8 per cent higher than in February, which means little more than that sales are returning to their normal seasonal pattern. The sales index (1947=100) rose from 143 in February to 154. It was one point higher than in March last year, but this comparison is slightly misleading. In the intervening twelve months there has been a big increase in food prices, and a sharp fall both in the prices and in the sales of clothing and textiles. The index of food sales has risen from 146 in March of last year (and only 144 this January), to 162, largely because of the rise in prices. Meanwhile, the clothing index has fallen from 183 in March, 1951, at the height of the sales boom, to 152. Over the month, these sales showed an improvement of 25 points, a largely seasonal movement, but one that also owed something to the early budget and the removal of doubts about the future of the utility schemes. Although, by value, sales of men's clothing have been larger than those of women's the index suggests that men stocked up much more heavily than women during last year's panic sales, and are consequently buying more slowly this year.

This has had its effect on the movement of stocks. Clothing stocks as a whole stood at 222, not an unsatisfactory figure as compared with the level of 192 reached in March last year, when heavy sales were running stocks down below

'ENGLISH ELECTRIC'

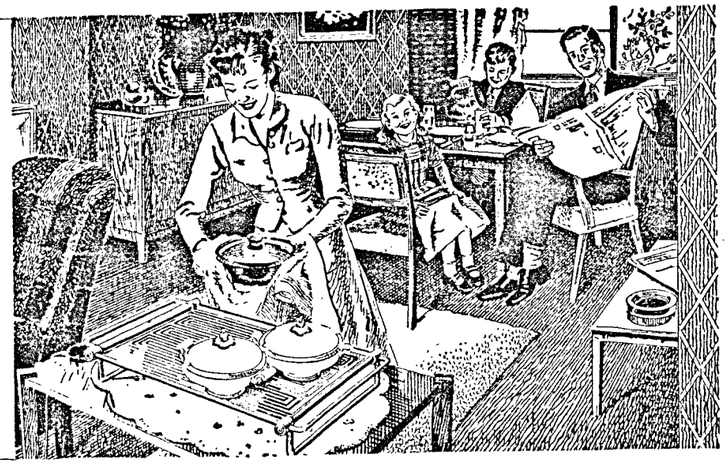
How many housewives know the joy of working in a really modern kitchen? How many know the advantages of a refrigerator, a food mixer, a washing machine, or a really up-to-date cooker? The simple answer is: 'not nearly enough!' To help meet this demand 'ENGLISH ELECTRIC', as one of the world's largest electrical organizations, is using its unique resources to equip more housewives with more modern domestic appliances.



bringing you

By continuous research on new labour-saving ideas, by the conversion of these ideas into practical household appliances of the highest quality, and by the production of those appliances on a large scale, 'ENGLISH ELECTRIC' is contributing to the better living of families all over the world.

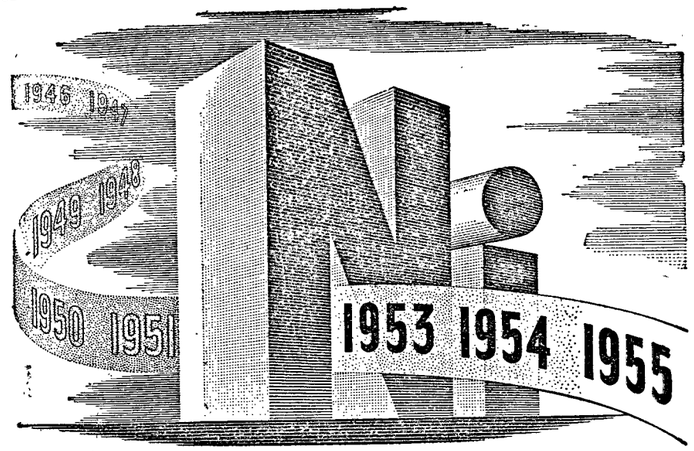
In this and countless other ways 'ENGLISH ELECTRIC' puts the power of electricity at the service of millions.



better

living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2



A Symbol of Progress

Development work by Mond Nickel looks years ahead — to the time when new engineering projects, at present only in vague outline, will need improved materials to carry them out. The metallurgist aims always to anticipate these needs so that the designer, making his first drawings, may have confidence that the better properties he seeks will be available when design gives place to construction.

MOND NICKEL

THE MOND NICKEL COMPANY LIMITED, Sunderland House, Curzon Street, London, W.1.

Self-Sticking
SPEEDFIX
Cellulose TAPE

The Tape that always grips

SPEEDFIX is safer because of its tensile strength (16 lbs. per inch width).

SPEEDFIX is quicker because no heat or moisture is needed.

SPEEDFIX is cheaper because only an inch or two will make a perfect seal.

Speedfix, largest selling cellulose self-adhesive tape in the United Kingdom is marketed throughout the world by the Ofrex Group of Companies.

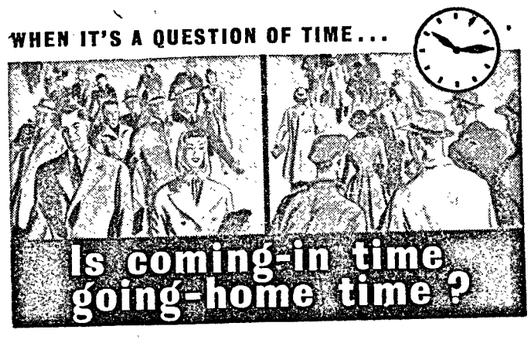
EXPORT . . . . . *Rexel (Export) Ltd., 92/94, Newman St., London, W.1.*
TRADE . . . . . *Rexel Ltd., 92/94, Newman St., London, W.1.*
INDUSTRY . . . . . *Industrial Tapes Ltd., Duke's Road, London, W.C.1.*
COMMERCE . . . . . *Ofrex Ltd., Ofrex House, Newman St., London, W.1.*
DOMESTIC (trade) *Speedfix Ltd., 35, Rathbone Place, London, W.1.*

Rexel A. G. Zurich; Ofrex (Canada) Ltd. Toronto; Industria Ltd. Toronto: Rexel Products of Canada Ltd. Toronto.

The Ofrex Group of Companies

OF 2295 91

WHEN IT'S A QUESTION OF TIME...



It is only natural that, if there are fast and slow clocks about the premises, workers will tend to arrive by the slowest and leave by the fastest. Industry loses many millions of productive minutes every year through this time leakage alone. There is a simple answer. Accurate time must be clearly shown and sounded throughout the premises. T.R. Time Control does this, and much more, to eliminate time waste in industry and implant a wholesome sense of time value in the minds of everyone concerned. Spend a profitable moment now to write for full particulars.

TR SERVICE *speeds production*

Time Recorders, Internal Telephones, Internal Broadcasting installed and maintained under guarantee by Telephone Rentals Ltd.—that's T.R. Service.

WRITE TO INF. 212 KENT HOUSE, RUTLAND GARDENS, LONDON, S.W.7, OR YOUR NEAREST BRANCH—14 THROUGHOUT THE UNITED KINGDOM. ALSO JOHANNESBURG, CAPE TOWN, PARIS AND BRUSSELS.

H-F 421

the safety level. Stocks of women's clothes, at an index level of 143, are actually 11 points lower than they were a year ago. Stocks of men's clothes, at 187, are 16 points higher and shoe stocks, at 333, are 76 points higher. For nearly eighteen months the shoe trade has been suffering from over-production, and in spite of these high stocks, shoe sales, at 128, were only ten points below the level of the previous March. These figures confirm the impression of recent weeks that retail sales have returned to equilibrium, though at a level considerably below that reached last year. The level of retailers' stocks suggests that the shops are now in a position to start ordering again; that they have not yet done so on any scale seems to have been chiefly due to uncertainty about the levels of purchase tax.

* * *

Control Scheme for Rubber?

The prospective surplus of rubber is at last attracting attention and the International Rubber Study Group, which ended its ninth session in Ottawa last weekend, has proposed to set up a special committee to study the problem. The committee will comprise representatives of the main producing and consuming countries and will meet in London in July. Its terms of reference are to consider whether it is possible to work out a plan to prevent "burdensome surpluses and serious shortages" of natural rubber and whether such measures are necessary or practicable. The committee is also required to submit drafts of any agreements that might be required to implement such proposals. As the study group is not expected to meet again until next year, there is no likelihood of any early action, even if a scheme is recommended by the committee.

The Study Group has estimated world production of natural rubber in 1952 at 1,690,000 tons compared with 1,880,000 tons last year. Indonesian output is put at 675,000 tons (804,000 tons in 1951) and Malayan output at 550,000 tons (605,000 tons in 1951). World consumption is forecast at 1,450,000 tons, or 80,000 tons less than last year; the United States is expected to use 465,000 tons (454,000 tons in 1951) and Britain 210,000 tons (234,000 tons in 1951). The apparent surplus of 240,000 tons may be partially absorbed by American stockpiling. But on this topic the group had nothing to say. These figures do not portend any rosy future for natural rubber, and that impression is confirmed by the group's estimate for synthetic rubber. Synthetic production is expected to be virtually the same as last year—910,000 tons, compared with 908,000 tons. American output is forecast at a slightly lower level—825,000 tons, compared with 845,000 tons in 1951—but Canadian and German production is expected to increase quite sharply (Canadian from 62,000 tons in 1951 to 79,000 tons and German from 850 tons to 6,000 tons). The total output is expected to be either consumed or absorbed into stockpiles. The group apparently does not think that natural rubber, when it competes freely with synthetic rubber in the United States in the second half of the year, will make much headway there; but much depends on the price at which the American government sells its synthetic output.

This high rate of synthetic production, selling at some 20d. a lb compared with the present price of natural rubber of 25d., could quite easily create a burdensome surplus of natural rubber within the next year or so. But past experience has shown that rubber consumption increases with the general expansion in world industrial activity and if it is so that this prospect of surplus does not imply that there cannot be a shortage at some later date, say, in 1960. No new synthetic plants are being built to meet this contingency—not even under the American defence programme. On the other hand, the lower price of rubber will reduce natural rubber output. Even United Sua Betong Rubber Estates Limited, recognised as one of the efficient producers, is finding the present low price an embarrassment. Its chairman, Sir John Hay, told shareholders that "costs at the end of March just about matched the present price of rubber"; he added, that, as nearly 70 per cent of estate expenditure consisted of wages, the only scope for major economies is by reducing the labour cost per unit of output. Most of the Malayan trees, particularly in the smallholdings, are now 20-30 years old, and conditions of surplus offer no incentive to replanting. In any case the holdings, other than the estates, are not sufficiently large to permit replanting without depriving the smallholder of his main source of income. A solution would be to replant in new areas, but that is not feasible so long as the present bandit operations continue. These are problems that the special committee should consider within their broad terms of reference, for they affect the long-term interests of the rubber industry. A scheme that supports prices artificially has only a limited value, as the prewar restriction schemes have now proved.

* * *

France's Gold Loan

Full details should be announced next week of the French Government loan by which it is hoped to mobilise resources to finance capital projects of the government for the coming year. Enough has been divulged about the character of this operation to allow its general outlines to be discernible. Its most interesting feature will be the conditional gold guarantee that will attach to its capital value. The loan is to be issued for an unlimited amount. It will bear interest at 3½ per cent tax free. The capital of the loan will be accepted by the Treasury in payment of certain direct taxes. When so accepted the bonds will be valued at least at par, and will receive a premium proportionate to any increase in the price of the 20-franc gold coin above its present level on the Paris free market. The louis or napoleon is now quoted at about Frs. 4,000. If its rises to, say, Frs. 6,000 the Treasury will have to redeem the bonds for taxpaying purposes with a 50 per cent premium. The intention of the authorities is to give the French investor the gold guarantee that he evidently desires. It should be added that in the choice of the gold coin as measuring rod for this guarantee, the French Government is taking a standard that, from its own point of view, is decidedly favourable. The present value of the gold louis in the Paris free market stands at a premium of nearly 40 per cent over the free market price of gold bars, which itself is at more than 6 per cent premium over the official price for gold. The French authorities are, therefore, giving themselves a fairly generous margin. Even assuming a further depreciation of the franc, it should be possible by minting new coins to keep down the price of the louis and thus prevent the depreciation of the currency from translating itself into a corresponding increase in the price at which the French authorities would have to accept the bonds for tax purposes.

It is hoped by the French Government to secure the dishoarding of a considerable amount of gold to provide the francs to subscribe to the new loan. Gold coins will be accepted for subscriptions at the current free market price. The reasoning that has been advanced to encourage such sales of gold coins is that the new loan will provide all the security that gold coins now offer and that in addition it will offer the holder a tax-free 3½ per cent income. The fact that a loan of this character should have to be offered is not calculated to inspire confidence in the franc, but it reflects the touch of realism that is the hall-mark of the Pinay Government's financial policy. Whether in fact the loan will dislodge any appreciable avalanche of gold subscriptions, is a question to which no very hopeful answer can at present be given. The gold guarantee is not immediately attractive, since it is based on a somewhat artificial current price for gold coins. Furthermore, it lacks the all-important virtue of a two-way exchange. There is no provision by which the

capital of the loan can at the will of the holder be reconverted back into gold, even though the original subscription was made in that form. The would-be subscriber with one louis in the hand will not even be attracted by a promise of two in the bush.

* * *

ICFC's Steady Expansion

In the first six years of its life the Industrial and Commercial Finance Corporation has called up £23 million of its authorised capital of £45 million from shareholding banks. By March 31st last its invested funds, including some funds from ploughed back profits and from an unsecured bank overdraft of £52,723, totalled £23.7 million; they had risen by another £3,437,000 in the year, as a result of the granting of £5,336,000 of new advances and the receipt of £1,900,000 from repayments realisations. With the audited accounts of most of its 383 customers showing new increases in profits, the corporation increased its total income from £852,811 to £1,000,153 and its net profit from £361,197 to £388,032; the directors found it necessary to set aside only £100,000 (against £150,000) for doubtful advances and investments. Indeed, apart from a few accounts opened in 1946, the corporation has proved remarkably efficient in steering away from sour loans, despite the fact that it operates in the risky field of small business, with a normal ceiling of £200,000 on any one loan.

In the current year the tighter rein on commercial bank advances might at first sight seem likely to increase the number of applicants for loans from the corporation. Lord Piercy expects, however, that the corporation's business may decline slightly. One reason for this is the directors' strict conformity to the Treasury's directives on lending policy and priorities. Another and more potent reason is that the corporation has recently increased its new lending rates, though it still aims at keeping "on the low rather than the high, side" of the trend of the normal capital market. So far, customers seem to have taken in their stride these higher rates, but Lord Piercy believes that "they have been floated, so to speak, on a distinct buoyancy of profits which has lasted now for two or three years. As this buoyancy disappears, high priced capital will become onerous." The general air of caution that overlays Lord Piercy's review is reinforced by the fact that EPL will fall harshly on many of the most promising developing industries under the corporation's wing and by the high proportion of its customers in the consumer goods trades, including some in the development areas; for example, £1 million of last year's increase of £3,437,000 in invested funds was due to increased lending to the textile industry, which now accounts for 12.1 per cent of the corporation's outstanding loans (while the clothing and footwear industries account for another 4.4 per cent). The corporation's own profitability may be safeguarded, however, by the emphasis on prior claims in its portfolio; 38 per cent of that portfolio is in secured loans, 22 per cent in unsecured loans, 31 per cent in preference shares, and less than 8 per cent in ordinary shares.

* * *

Cheaper Newsprint

Although the cut in the price of newsprint announced this week by the Ministry of Materials amounts to only 5 per cent—from £66 to just over £63 a ton—it is of real significance, for it marks the end of the high price regime for the commodity, and is likely to be the first of a series. With effect from May 19th the controlled price of newsprint is to be lowered by £2 17s. 6d. a ton, while the reductions in mechanical printing papers will range from £7 to £23 a ton acording to the mechanical pulp content of the paper. Newspaper publishers had seen the price of newsprint increase twofold to £66 a ton over the past two years; in Britain newsprint is sold at a figure that averages out the prices of home produced and imported newsprint.

So far only British newsprint has fallen in price, following the fall in the cost of wood pulp imported into this country. Scandinavian newsprint is still imported at £70 a ton; and the Scandinavian countries account for about 120,000 tons, or more than one-sixth, of the 700,000 tons at present available for consumption in Britain. However, the Newsprint Supply Company is now negotiating with Scandinavian producers about prices and supplies for Britain in the second half of 1952, and is expected to secure a reduction to £50 a ton, although even at this price Scandinavian newsprint would be slightly dearer than Canadian. Moreover, supplies of newsprint in Britain are improving. Scandinavian exporters appear willing to ship more newsprint despite the lower price; imports from Canada are likely to be maintained at their present level of 90,000 tons a year; and the British newsprint industry is enlarging its capacity beyond the present level of 600,000 tons a year by setting up new plant and raising the operating speeds of existing machines. So there are good prospects that, before long, the press will be able to get more and cheaper newsprint, quite possibly at less than £60 a ton.

This weakening in newsprint prices has not followed upon any sharp change in the world supply-and-demand position. World production of newsprint this year is expected to increase by only 350,000 tons to 9,500,000 tons, and the increase is almost certain to be absorbed by a newsprint-hungry world. Indeed there remains a potential demand that cannot be satisfied because of import restrictions imposed by countries short of foreign exchange. But the demand for marginal supplies has lost its intensity, and it was due to this small volume of demand at the margin that prices soared to astronomic heights last year and were maintained for so long against the general trend of commodity prices. Only a few months ago some South American newspaper proprietors were readily paying more than £100 a ton in the spot market to cover their essential requirements; but not today. The growth of North American newsprint production has been reducing United States demand for high-priced European newsprint, and a small tonnage of Scandinavian and Canadian newsprint has been diverted to other markets, mainly European. In any event, the recent decline in wood pulp prices was bound to be reflected in lower newsprint costs. Last February the British Government imposed ceiling prices some 20 per cent below the prevailing quotations on pulp imported from Scandinavia, and its move was the signal for a widespread easing of pulp prices in pulp producing and importing countries.

* * *

"D" Scheme and Furniture

Provision has been made in the Finance Bill for the eventual extension of the "D" scheme to cover the furniture industry, and the Opposition failed last week to get this clause removed. Nevertheless, an early ending of the utility scheme for furniture seems unlikely. At least 90 per cent of furniture bought today is utility; if a "D" scheme is introduced on the same basis as in textiles it will presumably mean that nearly half these purchases will in future attract tax. This in itself would not prevent the change being made; whatever is being said to the contrary, the fact that tax would be paid only on the amount by which prices exceed the "D" limit means that the tax liability of all but the highest-priced goods would be extremely small. The government's real difficulty is to devise a reliable method of maintaining a minimum standard of quality in the industry when the utility controls are removed, and its task has not been made any easier by the views just expressed by the Furniture Development Council in its latest annual report.

The utility scheme gave an effective guarantee of quality only by laying down in considerable detail the method of construction to be used for each utility article. This rigid

"As important as my telephone – and as easy to use!"

The Dictaphone Time-Master is the simplest dictating machine

Here is a dictating machine that is really simple to operate —just as simple as using your telephone! The Time-Master requires the minimum of controls. There are no intricate, time-wasting adjustments to be made.

THE MARVEL OF THE DICTABELT

The great advances in both design and performance shown in the Time-Master were made possible by the use of the Dictabelts. These little plastic belts carry on the well-proved principles of cylindrical recording, which ensures uniform quality recording, uniform speed *and* uniform back-spacing.

Slip in a Dictabelt and you are all ready for 15 minutes perfect crystal-clear dictation. Flick a lever, the completed Dictabelt pops out, ready for your secretary to transcribe.

ONLY THE TIMEMASTER OFFERS ALL THIS

1. Streamlined machine, only 4¼ ins. high, slightly larger than a letterhead. 2. Uniformly clear recording and reproduction. 3. Uniform back-spacing, immediate place finding. 4. Simple automatic operation. 5. Mailable, filable, expendable Dictabelts, low-cost plastic medium. 6. Nation-wide service, Dictaphone dependability.

Write for Time-Master literature to Dictaphone Co. Ltd., Dept. O. 107, *Kingsway, London, W.C.2.*

DICTAPHONE GREATEST NAME IN DICTATION

Registered Trade Mark

MADE IN GREAT BRITAIN. *Branch Offices:* BELFAST BIRMINGHAM BRISTOL CORK DUBLIN GLASGOW LEEDS LIVERPOOL MANCHESTER NEWCASTLE

City cuts printing bill by £21 a month

Extract from Town Clerk's Letter:
Port Glasgow, 25th February, 1952.

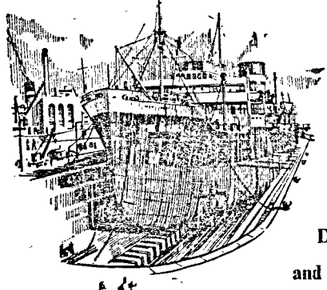
"...the saving in cost with using the Roneo, as against having the Minutes printed, has worked out at just over £21 for this month alone.
Work carried out...in the four months since we received the machine has resulted in a saving in printing of more than the cost of the machine..."

Have this superb duplicator demonstrated in your office alongside any other make—and make your own decision!

RONEO "500" SERIES II

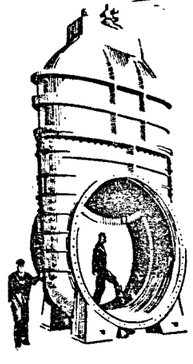
RONEO LTD · 17 SOUTHAMPTON ROW · LONDON · W.C.1
Branches throughout the country TRW161

Glenfield Control



IN GRAVING DOCKS

Docks have to be filled and emptied with speed and certainty if they are to operate efficiently, and "Glenfield" Sluice Valves are performing this very function in graving dock installations throughout the world.

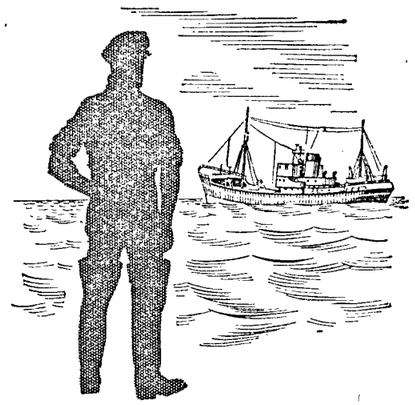


Valve Specialists for One Hundred Years

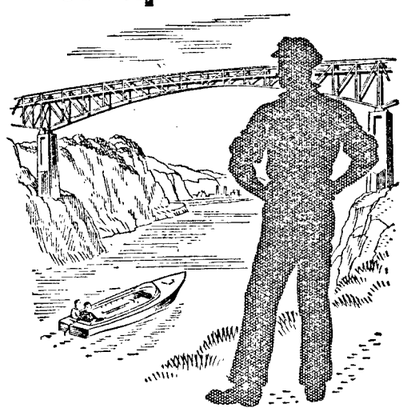
Glenfield
GLENFIELD & KENNEDY LIMITED KILMARNOCK

HEAD OFFICE & WORKS:
KILMARNOCK SCOTLAND

Look out to sea



or up the river



...you see DURALUMIN
REGD. TRADE MARK

Look where you will and you will almost certainly find one of the aluminium alloys in the comprehensive "Duralumin" range.
The increasing popularity of this versatile material is hardly surprising. It cannot rust, need not be painted, is of good appearance, and whilst only one-third the weight of steel is equally as strong and lasts longer.
"Duralumin" can be welded, machined, pressed and fabricated in much the same way as other metals. It is produced as sheet, strip, tubes, wire and sections; the latter in a limitless variety of different contours.
Have you considered the advantages light alloys can bring to your business? You may perhaps not have heard all the latest developments. A request to us to call upon you would place you under no obligation whatsoever.

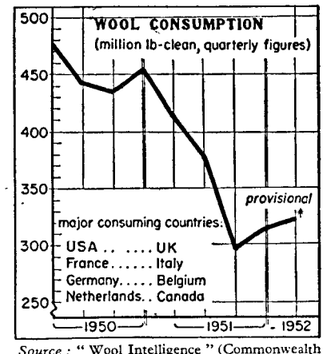
JAMES BOOTH & COMPANY LIMITED
ARGYLE STREET WORKS · BIRMINGHAM

control over manufacturing methods has had a serious effect on the industry's development and the Douglas Committee suggested that it should be ended, even though it was beyond the committee's considerable ingenuity to suggest an alternative scheme. The Furniture Development Council has been working out a series of performance tests for individual items of furniture, and it had been hoped that these would provide a basis for evolving minimum standards. But the Council has now published its evidence to the committee, which says that it does not regard such performance tests as any alternative to the Utility specifications. The Council believes these specifications will have to be retained and with them the system of licensing production. There is surely some more satisfactory alternative than this, but it looks as if the Government must discover it for itself.

* * *

Wool Consumption Rising

The London market confirmed this week the upward trend in wool prices noticeable in the recent Australian and New Zealand sales. On Tuesday merino 64's were sold at 130d. a lb (clean) and crossbreds at 59d. a lb, compared with 110d. a lb and 44d. a lb respectively at the close of the last London sales in April. The 1951-52 selling season is now drawing to a close; the New Zealand sales ended a fortnight ago. The firmer tone in the world's wool market is undoubtedly due to a last-minute spurt in demand by manufacturers who fear that their stocks may not be big enough to last until the new season begins in September. In most consuming countries stocks that had been allowed to fall to a very low level last season have risen moderately during the past six months. This intake, combined with a purchase of 50 million lb of wool for Britain's emergency reserve, was sufficient to absorb most of the threatened surplus and to prevent wool prices from dropping as sharply as they would otherwise have done during the main selling season. Some manufacturers, hoping for such a fall in prices, may perhaps have delayed part of their purchases. In the event, considerable competition has developed for the comparatively small supply of wool that remains to be sold. Crossbred wools may be less affected than merino by the present slight squeeze in supplies.



Source: "Wool Intelligence" (Commonwealth Economic Committee).

Argentina and Uruguay have been unwilling to sell their wool at the market prices and are holding large stocks, mostly of crossbred wool. Uruguay at least is now apparently prepared to sell at current prices and quite sizeable shipments are expected during the next four months.

The worldwide fall in wool consumption that began early in 1950 seems at last to have been arrested. According to the current issue of "Wool Intelligence," prepared by the Commonwealth Economic Committee, consumption of virgin wool in the eight major consuming countries has risen for the second successive quarter. It is provisionally estimated at 323 million lb (clean), in the March quarter, about 3 per cent above the previous quarter, but 21 per cent below the corresponding figure for the first quarter of 1951. Italy was the only major country where consumption fell; in the United States it increased by 4 per cent, in the United Kingdom by 6 per cent and in France by 11 per cent. The wool textile industry is using a larger proportion of virgin wool compared with other materials, such as noils, waste and artificial fibres. The increased consumption of raw wool has not so far been reflected in any general revival in the wool textile industry, but top-making showed an encouraging rise in most of the principal producing countries last quarter.

* * *

Australia's Import Policy

Shortly after the Australian Government swung its vicious axe at imports from non-dollar countries in March, it froze all outstanding licences for imports from the dollar area, which were, of course, already severely restricted. These dollar licences have now been unfrozen again, but they have been cut by 20 per cent. The cut does not apply evenly to all goods; some licences will be cancelled, others merely reduced. The goods principally affected are tobacco, fats, oils, textiles and timber from the United States and timber, pulp and newsprint from Canada; most of them, however, are of a type that cannot be supplied from this country so that no relief will be accorded to British exporters by the new measure, which aims at cutting some $20 million from Australia's dollar expenditure this year. Certain materials obtained under allocation by the International Materials Conference, petroleum products and goods covered by irrevocable letters of credit will be exempt.

Meanwhile the earlier restrictions on consumer goods imports from non-dollar countries have led to an unexpectedly large trade in quotas between Australian merchants. It will be remembered that under the restrictions announced in March category A imports (essential goods) are being cut by 20 per cent, and category B imports (consumer goods) by 80 per cent below the 1950-51 level. As in the past, the source of these category B imports is not specified; for example, an Australian importer who imported £100 worth of pottery from this country in 1950-51 will be entitled to import only £20 worth this year, but he can if he wishes buy the pottery from any non-dollar country. Moreover, it now appears that if he does not wish to import pottery at all his £20 quota can be used to buy other category B goods, such as toys from the Continent. This flexibility does not apply to category A imports, but within the category B group holders of quotas for textiles (with which Australia is overstocked) are selling them to merchants wishing to import other consumer goods. According to reports, importers of non-dollar tobacco are active purchasers of these unwanted quotas.

* * *

Marks and Spencer Dividend

Investors have been set some unusual problems by the preliminary statement of Marks and Spencer for the year to March 31st last. Despite a fall in gross profits, from £7,335,900 to £6,513,877, the directors have decided to raise the ordinary dividend from 75 per cent to 80 per cent; at the same time, however, they make no mention of any small capital bonus of the sort that has been a customary feature of the company's accounts for some years past. The directors explain that the decline in profits was due to a progressive writing down of stocks in the wake of the general fall in textile prices. The volume of the company's business actually increased by 15 per cent last year. In view of the slump in retail trade since last summer this was an exceptionally good achievement; it pays tribute to the widely based nature of the business, to its strict and centrally controlled system of buying, and to the company's evident willingness to cut profit margins on its cheaply priced textile goods in order to maintain sales. Stock losses were clearly unavoidable and the decision to write these losses directly off profits was a deliberate one. The directors specifically state that the stock contingency reserve was not drawn upon; in fact they propose to increase this reserve to £1,000,000 by an appropriation from profits. The company's total reserves

have been increased by £1,722,196 to £11,054,413; the year's transfers include £883,198 (against £505,321) from profits to a general reserve and £520,733 from a net surplus that arose on the sale of properties and investments.

In view of these satisfactory results the market's reception of the preliminary statement may seem to have been excessively churlish—especially as the absence of any mention of the usual small annual capital bonus may be explained by the decision taken last March to capitalise £2,261,746 from reserves in order to make a 100 per cent scrip bonus. But some shareholders are clearly afraid that the latest increase in cash distributions may mean the end of the practice of issuing small annual scrip bonuses. This uncertainty led to wide fluctuations in the market price of the 5s. "A" ordinary shares after the announcement; the price ranged from 78s. 6d. to 76s. 3d., at which price the yield is 5¼ per cent. Investors are aware that dividend rates tend to move by fits and starts and may prefer the practice of annual scrip bonuses, which in the past few years has resulted in a regular, though slight, increase in equity payments year by year.

* * *

Tax Relief for the "House"

After the apparently endless succession of increases in taxation reported by British companies, it must be a pleasant change for the members of the Stock Exchange to read one report that not only includes a smaller provision for taxation but also holds out the promise of a permanent relief from part of the burden of taxes. This oddity is to be found in the report of the Council of the Stock Exchange itself. About a year ago the Council made a submission to the Inland Revenue authorities that, as the members and proprietors of the Stock Exchange had become identical following the amendments in 1948 to the Deed of Settlement, any surplus arising from an excess of income derived from members over the expense of providing any facilities given to them should not be liable for taxation. The Special Commissioners upheld this plea and, as the Inland Revenue has not appealed against it, this ruling has become final.

The advantages stemming from this decision are plainly revealed in the Council's accounts for the year to March 24th last. Not only has the Council been able to transfer to a special reserve £268,811 from sums previously set aside for taxation, but the total charge for taxation has been reduced from £82,500 (including £46,100 for income tax) to £15,000; this charge represents £10,000 set aside for profits tax and £5,000 provisionally provided for EPL. Despite a modest decline in net revenue, the available surplus has therefore increased from a mere £5,085 to £71,317, which, together with £7,923 withdrawn from the carry forward, has been transferred to the annuities' redemption account. A further growth in expenditure, from £480,110 to £512,376, has offset the improvement in gross income from £567,695 to £598,693; this latter increase reflects, in the main, a rise in entrance fees from £39,842 to £69,662 and in quotation fees from £90,787 to £103,537. Another aspect of the Stock Exchange's work has been illumined this week by the publication by the Share and Loan Department, together with other interested institutions, of suggested standardised forms for letters of rights and allotment. If these pro forma documents are accepted by company secretaries, they should bring some relief to investors who are all too frequently harassed and perplexed by the vagaries and complexities of the documents now in use.

* * *

Cuts in Aviation Spirit

The American oil strike will probably be settled before shortage of aviation spirit has led to any serious curtailment in air services, but it may be some time before the British corporations return to normal schedules. No immediate provision has been made in the British refinery programme for the production of aviation spirit, which requires special chemical additives, and since the loss of Abadan the bulk of British requirements have come from the United States. Aviation spirit represents about 3 per cent of the world trade in oil products, and although no separate import figures are published, it is reasonable to assume that high octane fuel accounted for 9 million out of the total of 2,700 million gallons of oil products imported into this country last year. The great proportion of this was used by the British airlines; Air Ministry consumption of high octane fuel has been declining steadily as more squadrons are re-equipped with kerosene-burning jet aircraft.

The brunt of the cuts has so far been borne by British European Airways, which has had to cut its services by 13 per cent for the best part of a fortnight and faces the prospect of more severe restrictions if the strike does not in fact end as expected. British Overseas Airways Corporation managed to maintain scheduled services until yesterday, partly by drawing on fuel stocks, but principally because much of the Corporation's refuelling is done outside this country. But Stratocruiser services to New York are now being cut from 14 to 8 a week. The new tourist flights are not yet affected but other services on the eastern and African routes are being reduced by roughly one-third.

American operators, who are also trying to adapt schedules to a 35 per cent cut in fuel supplies, are in general maintaining their North Atlantic services, which are booked to capacity, and are cutting down on their flights to the Continent and to Latin America. A 35 per cent cut in aviation spirit supplies is now beginning to be enforced in most European countries, which also rely heavily on the American refineries. Provided the strike is not prolonged, the financial loss to the airlines may not be serious. By doubling up services, it is probably possible to carry most of the passengers who have booked, with the added advantage of operating the aircraft at 100 per cent capacity. But if fuel is still rationed over Whitsun, so that BEA, for example, has to cut some of the holiday services, the results may be serious. One result of this strike may be to lead to a change in British refinery programmes, and it is probable that at least one company may be asked to produce aviation spirit. The obvious choice at this stage appears to be Esso.

Shorter Notes

Steel output last month was at the annual rate of 15,866,000 tons, compared with 16,648,000 tons in March. This was about 17,500 tons a week less than was produced in April last year; but Easter came in March last year and in April this year. Pig iron output was less affected; it remained almost as high as in March, the annual rate for April being 10,472,000 tons.

*

The Ministry of Materials has this week reduced its selling price for lead by £16 from £147 to £131 a ton. This follows a similar reduction in the American price and is the third time in as many weeks that American and British official prices for lead have been cut. As recently as the end of January the Ministry's price was £175 a ton; it is now at its lowest level since late autumn, 1950.

*

The Board of Trade is examining the problem of trade marks that were on the register in the name of German persons or concerns at the outbreak of war, but that have been used in connection with goods manufactured in this country. All organisations with a continuing interest in such trade marks should get in touch with the Patent Office.

HAVE SOMETHING SOLID BEHIND YOU

New Interest Rate enhances value of this

SAFE INVESTMENT

There is no sounder investment for capital and savings than the shares of the Co-operative Permanent Building Society. Interest on personal share investments is

2½%

per annum, with Income Tax paid by the Society. This is equivalent to £4. 15. 3d. per cent. to the investor liable to tax at the rate of 9/6d. in the pound.

TOTAL ASSETS £66,000,000
RESERVE FUNDS £3,000,000

Established 1884

CO-OPERATIVE PERMANENT BUILDING SOCIETY

New Oxford House, London, W.C.1
Tel.: HOLborn 2302

City Office: 163, Moorgate, E.C.2
Tel.: MONarch 3556/7

900 Branches and Agencies

BRITISH UNITED PROVIDENT ASSOCIATION

President:
THE RT. HON. VISCOUNT NUFFIELD, G.B.E., F.R.S.

A nation-wide non-profit Association which shields its subscribers from heavy expenses arising from surgical operations and other specialist treatment.

in the event of
SERIOUS ILLNESS OR ACCIDENT

a subscriber, as a private patient, can obtain the best specialist advice and prompt treatment in Nursing Homes or Hospitals

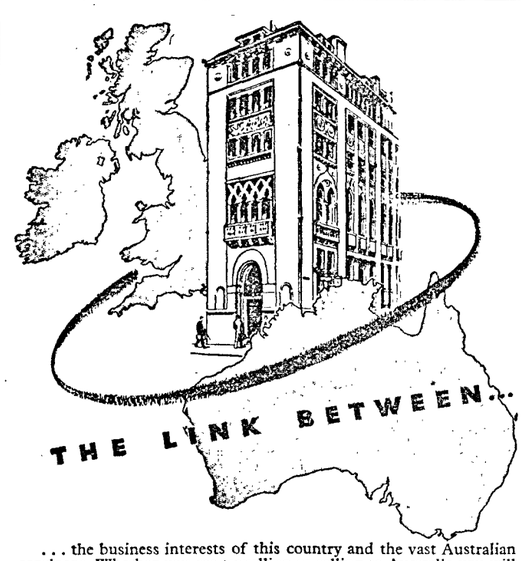
STAFF GROUP SCHEME

Members of a Group can obtain the full range of benefits immediately on enrolment

at GREATLY REDUCED RATES

★ *THE GROUP SCHEME IDEA WAS LAUNCHED ONLY TWO YEARS AGO BUT HAS ALREADY BEEN ADOPTED BY MANY PROMINENT INDUSTRIAL ORGANISATIONS.*

ADMINISTRATIVE AND WELFARE OFFICERS SHOULD WRITE TO:
G.S. DEPT. 40/6, HEAD OFFICE:
61 BARTHOLOMEW CLOSE, LONDON, E.C.1 MONarch 2914/5



... the business interests of this country and the vast Australian continent. Whether you are travelling or selling to Australia you will find facilities available that extend beyond the usual financial ones.

You are invited to use our travel, information, commercial introduction and intelligence services—services which business men in particular appreciate.

The NATIONAL BANK OF AUSTRALASIA Limited
(Incorporated in Victoria)
London Office: 7 Lothbury, E.C.2
Other London Offices: Australia House, Strand, W.C.2 and 8 Princes Street, E.C.2
Over 630 Offices in Australia — Assets £288 Million

Company Notes

Monsanto Chemicals.—The recent history of Monsanto Chemicals is aptly described by its chairman, Mr E. A. O'Neal, as an "evolution from a small business with growing pains into a medium-size business with ambitions." The company's early ambitions have certainly borne a healthy crop of fruit in 1951. Turnover exceeded £10 million for the first time in the company's history, and was 47 per cent higher than that achieved in 1950. These increased sales reflect greater production and the development of broader and more varied markets—and they were achieved despite the fact that capacity production was prevented in some cases by a shortage of basic chemical raw materials. The increase in sales was accompanied by the now familiar industrial pattern of rising costs, due to higher raw material prices and increases in wages and salaries; but, despite this, the group's trading profits rose from £1,685,897 to £2,889,330, and its net profits from £1,104,942 to £1,947,011. This increase enabled the company to pass on some of the benefits arising from expansion to ordinary shareholders. A dividend of 22½ per cent has been declared on the equity capital of £2,700,000, as increased by last year's 200 per cent scrip bonus; this compares with the dividend of 55 per cent declared on the original capital of £900,000 in 1950.

Monsanto Chemicals is still a growing concern, but its growth—though it cannot be completely stifled—may be hampered by the heavy weight of taxation that is now to be made more burdensome by the imposition of EPL. The chairman expects another increase in production this year; some part of this increase will reflect the completion of the new plants under construction at the end of last year. On December 31st last the book value of capital works in progress was £861,505 (against £841,044) and outstanding capital commitments were estimated at £1,157,000. Raw material shortages may hold up production but there is some hope of an improvement in supplies of naphthalene and refined benzol, and the company has arranged to import chlorine from Norway and Italy if supplies in Britain prove to be inadequate. Increased production must, however, be matched by increased sales and, these depend in turn on the company's ability to increase exports. The restrictions placed on imports from Britain by European and Commonwealth countries may therefore have an adverse effect on the company's sales, and the danger of competition from Europe, America and Japan is growing. The yield on the 5s. ordinary shares of 4.7 per cent at the current price of 29s. 3d. must be assessed in terms of these dangers as well as in terms of the expansionist record and character of the company.

*

P. and O.—Full provision now appears to have been made by P. and O. for the reconditioning of its fleet. The operating surplus of £18,850,336 in the year to September 30th last, unlike the previous year's profit of £13,336,633, was no longer shown as "after making provision for reconditioning of fleets and appropriations to reserves for contingencies." One burden has therefore been removed, but the even more onerous burden of replacement has grown heavier. The group's fleet now comprises 2,203,525 gross tons of shipping, of a type that can normally be expected to have an economic life of about twenty years. About 110,000 gross tons have therefore to be replaced each year, and at the prices ruling in 1951 replacement on such a scale would cost about £12,500,000 annually; once allowance is made for depreciation of the group's other fixed assets the total yearly provision required amounts to about £13,125,000. Yet last year all that the group could set aside for depreciation and in reserves of all kinds was £12,561,432—and this sum was after bringing into account tax relief on initial allowances, which will eventually have to be repaid. Every rise in shipbuilding costs widens the gap; in addition, as part of the group's reserve funds are held in investments (of a book value of £32,714,962), the recent changes in monetary policy have reduced the real value of these reserves. An expansion in operating earnings will not ensure in itself that sufficient sums are set aside to meet the full cost of renewal, for each increase in earnings is accompanied by an increase in taxation—and this year there will be EPL as well.

	Years to Sept. 30, 1950	1951
Consolidated earnings :—	£	£
Operating profit	13,336,633	18,850,336
Total income	15,218,985	19,962,010
Depreciation	8,190,882	9,172,547
Taxation	2,755,676	4,316,033
Net profit	*3,752,592*	*4,491,993*
Deferred dividends	391,957	578,657
Deferred dividends (per cent.)	16	16*
Replacement reserves	1,583,203	1,984,739
Retained by subsidiaries	707,870	1,004,152
Reserve account	...	103,152
Added to carry forward	32 004	7,191
Consolidated balance sheet analysis :—		
Fixed assets, *less* depreciation†	87,552,277	99,141,705
Total current assets	63,758,537	68,206,961
Investments	33,332,113	32,714,962
Cash	8,830,496	12,347,502
Capital reserves	53,401,876	56,894,976
Revenue reserves	18,062,313	24,126,912
Deferred capital	4,592,518	6,888,777

* Equivalent rate on £6,888,777 capital, as increased by the scrip bonus. † Includes shareholdings in subsidiaries and trade investments.

£1 deferred stock at 47s. 6d. yields £0 45s. per cent.

Replacement finance has recently figured very prominently in the accounts of the shipping companies, but as yet there has been no hint that the problem will force the companies to raise new money from the public. Thus far, for example, P. and O. has been able to renew and add to its fleet from its own internal resources, and appears ready to continue to do so. At the end of the financial year the net book value of ships and small craft in service or under construction was £91,337,554, an increase of over £11 million on the previous year's figure of £80,102,919, while shipbuilding bills payable were entered at £4,672,750 (against £3,892,000). In the parent company's balance sheet the estimated cost of tonnage under construction, less amounts written off, was entered at £6,558,788 (against £1,037,964), while commitments for new tonnage ordered but not laid down at the end of the financial year were estimated at £9,610,000. When set against these figures the strength of the group's liquid resources is more apparent than real. Shareholders would be unwise to expect anything more than the maintenance of the deferred dividend at 16 per cent.

*

Union-Castle.—Outwardly, at least, the directors of Union-Castle seem to be less concerned with the problem of replacement financing than are the directors of P. and O. In the Union-Castle report the directors are content to say that depreciation provisions as allowed by the taxation authorities are not sufficient to meet the full cost of replacement, and that therefore it is necessary "to retain in the business large liquid resources." The nature of the problem is the same for both companies; it merely differs in size. At the end of last year Union-Castle had only three vessels under construction or on order, while outstanding commitments for capital expenditure were estimated at £5,234,093. In the consolidated balance sheet the net book value of the fleet, including expenditure on vessels under construction, was entered at £11,869,129, compared with £10,510,552 at the end of 1950.

On the question of replacement, the accounts of Union-Castle have very much the same appearance of those issued by other liner companies recently, but in another respect—that of earnings—there is a disappointing contrast. Although the parent company, like other shipping lines, enjoyed a substantially higher revenue from passenger and cargo traffic in 1951, its profits were less, owing to the serious increase in costs. The increase in profits of the group as a whole, from £4,164,808 to £4,723,125, appears to have been due almost entirely to an increase in earnings by a freight-carrying subsidiary the King Line. In these circumstances, it is not surprising that the increase in Union-Castle's ordinary dividend payment, from 10 to 12½ per cent, fell short of the best expectations in the market. When these results were first announced the £1 ordinary stock units fell from 45s. to 41s. and then—somewhat illogically—were marked up to 43s. 7½d. on the news of the 100 per cent scrip bonus. At the current price of 42s. 6d. xd the £1 stock units yield nearly 5.9 per cent—a yield that may indicate an over-optimistic view of future earnings and dividends.

	Years to Dec. 31, 1950	1951
Consolidated earnings :—	£	£
Operating profit	4,164,808	4,723,125
Total income	4,437,032	5,039 533
Depreciation	1,714.117	1,942,257
Taxation	1,055.046	1.195,388
Net profit	*1,578.641*	*1,783,039*
Ordinary dividends	143,850	179,813
Ordinary dividends (per cent.)	10	12½
Reserves	1,014,521	1,400,000
Added to group carry forward	329,285	66,081
Consolidated balance sheet analysis :—		
Fixed assets, *less* depreciation*	11,500,833	12,947,982
Total current assets	13,930,922	14,232,923
Investments	6,541,769	6,536,073
Cash	4,550,714	5,071,707
Reserves	12,211,103	13,393,598
Ordinary capital	2,740,000	2,740,000

* Includes trade investments.

£1 ordinary stock at 42s. 6d.xd yields £5 18s. per cent.

Brush Aboe.—For some months now a new issue of either loan or share capital by the Brush Aboe group has seemed to be just around the corner, and this has helped to depress the price of the 5s. ordinary shares to the current level of 5s. 3d.; at this price the shares offer the high yield of 9½ per cent. The 1951 accounts strengthen the impression that this yield is not too high, for the need for more permanent capital seems pressing. The accounts also suggest reasons why an issue has been delayed and why some difficulties may still stand in the way of its eventual success. The group's trading results in 1951 were somewhat disappointing when measured against the standard of prosperity of the electrical industry as a whole. Earnings from the group's sales rose from £19,995,431 to £24,148,594, but about one half of this increase of £4 million was due to sales by subsidiaries in Australia and Vancouver whose results had not previously been consolidated. Moreover any genuine increase in sales revenue was offset by higher costs, which rose from £17,528,306, to £21,475,215, so that trading profits advanced only slightly, from £2,467,125 to £2,673,379. As earnings did not respond to the increase in sales the directors have been unable to prepare the way for a rights issue of ordinary shares by raising the payment on the equity; the dividend has merely been maintained at 10 per cent. In view of the small current premium on the ordinary shares the directors may not be able to float a rights issue, and may fall back on a redeemable loan or debenture stock which could be secured on the company's freehold or leasehold properties.

Sir Ronald Matthews, the chairman, suggests one reason for the lag in profits by explaining that a large number of the orders executed in 1951 had been taken on the group's books in the preceding eighteen months at fixed prices; the company had to adhere to these prices in spite of the increases in manufacturing costs. This difficulty has now been largely overcome, for most of the new orders accepted last year, worth about £40 million, were "subject to a rise and fall clause or similar arrangement." The group therefore entered 1952 with an order book of record strength, of which less than 6 per cent by value represented the outstanding balance of fixed price orders. Usually such a "cost plus" system of pricing only remains effective in a seller's market; shareholders must ask themselves how long such a market can persist both at home and overseas. Meanwhile, the greater the expansion in the group's business, the more pressing becomes the problem of finance. Last year's increase in sales, for example, was accompanied by a rise in the book value of stocks and work in progress, from £5,576,603 to £9,229,045, and in debtors, from £4,154,391 to £5,885,496, so that—despite the receipt of some payments on account of work in progress—bank loans were increased from £2,103,584 to £4,578,901 and cash balances were reduced from £640,694 to £172,812.

	Years to Dec. 31, 1950	1951
Consolidated earnings :—	£	£
Sales	19,995,431	24,148,594
Trading profit	2,467,125	2,673,379
Total income	2,497,569	2,693,498
Depreciation	568,562	685,360
Taxation	840,492	1,079,072
Net profit	*616,787*	*543,597*
Ordinary dividends	122,000	126,000
Ordinary dividends (per cent.)	10	10
General reserves	417,404	200,000
Added to group carry forward	37,133	192,378
Consolidated balance sheet analysis :—		
Fixed assets, *less* depreciation	4,714,978	6,176,148
Net current assets	3,995,437	5,683,491
Stocks	5,576,603	8,229,045
Cash	640,094	9,172,812
Reserves	1,721,436	2,741,763
Ordinary capital	2,400,000	2,400,000

5s. ordinary stock at 5s. 3d.xd yields £9 10s. per cent.

"Royal" Results - - -

The "Royal's" figures for 1951 show :—

Record total premiums of - - -	£46,520,858
Record Fire premiums - - - -	£20,023,505
Record Accident premiums - - -	£18,545,687
Record Marine premiums - - -	£4,080,410
Record New Life Sums Assured - -	£10,663,180
Underwriting Profits : (Fire, Accident, Marine) - - -	£2,023,823

The measure of an Insurance Company's successful trading is an index of its efficiency; a reflection of its strength and of its service to the public.

ROYAL INSURANCE COMPANY LIMITED

1 North John Street LIVERPOOL 2 — Head Offices — 24-28 Lombard Street LONDON, E.C.3

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 7, 1952	Price, May 14, 1952	Net Yield, May 14, 1952	Gross Yield, May 14, 1952
			£ s. d.	£ s. d.
War Bonds 2½%... Mar. 1, 1951-53	99⅝	99⅝	... 1 9 6	... 2 19 6
War Bonds 2½%... Mar. 1, 1952-54	98⅜	98⅜	... 1 19 0	... 3 5 9
Exchequer Stk. 2½% Feb. 15, 1955	97 9/16	97 9/16	1 19 11	3 3 8
Serial Funding 1¾% Nov. 14, 1952	99⅛	99⅛	1 18 3	2 15 0
Serial Funding 1¾% Nov. 14, 1953	98 9/16	98 9/16	1 17 10	2 14 7
Serial Funding..... Nov. 14, 1954	97⅛	97 3/16	2 2 7	2 19 6
War Bonds 2½%... Aug. 15 1954-56	97⅝	97 7/16	2 7 1 1 17 5	3 13 11e 3 3 0l
Funding 2½%..... June 15, 1952-57	99	99⅜	... 1 17 8	... 3 3 8l
Nat. Defence 3%... July 15, 1954-58	99½	99½	2 3 8 1 15 11	3 17 0e 3 6 4l
War Loan 3%..... Oct. 15, 1955-59	98½	98⅛	2 3 0 1 16 11	3 12 6e 3 6 1l
Savings Bonds 3%.. Aug. 15, 1955-65	91⅞	91⅜	4 11 10 2 7 5	6 4 6e 3 18 3l
Funding 2½%..... April 15, 1956-61	93	92½	3 9 6 2 5 10	4 15 0e 3 11 0l
Funding 3%..... April 15, 1959-69	86	85½	4 1 3 2 13 6	5 13 0e 4 5 1l
Funding 3%..... Aug. 1, 1966-68	87½	86½	2 14 11 2 12 4	4 6 10e 4 4 2l
Funding 4%..... May 1, 1960-90	97 7/16	96⅝	2 10 11 2 4 6	4 9 10e 4 3 6l
Savings Bonds 3%.. Sept. 1, 1960-70	85⅜	84⅜	3 15 11 2 13 4	5 8 4e 4 5 4l
Savings Bonds 2½% May 1, 1964-67	84	83⅛	3 0 2 2 13 11	4 6 8e 4 0 5l
Victory Bonds 4%.. Sept. 1, 1920-76	99 3/16	99	2 4 6	4 3 6s
Savings Bonds 3%.. Aug. 15, 1965-75	83⅜	82⅜	3 4 8 2 12 0	4 17 5e 4 4 8l
Consols 4%.....	85⅜	85⅛	2 8 0	4 12 0f
Conversion 3½%...	79 3/16	78 3/16	2 6 11	4 9 7f
Treasury Stk. 2½%.. (after Apr. 1, 1975)	54⅜	58	2 5 5	4 6 8f
Treasury Stk. 3%... (after Apr. 6, 1966)	69	68	2 6 5	4 8 8f
Treasury Stk. 3½%.. June 15, 1977-80	85⅛	87⅛*	2 10 6 2 9 4	4 6 7e 4 5 6l
Redemp. Stk. 3%... Oct., 1986-96	78	77⅜	2 11 7 2 8 4	4 5 8e 4 2 8l
War Loan 3½%....	78 3/16*	77 3/16*	2 7 5	4 10 3f
Consols 2½%.....	60⅜	59⅛	2 4 3	4 4 5f
Brit. Elect. 3% Gtd. April 1, 1968-73	83⅜	83	2 18 9 2 13 1	4 10 11e 4 5 3l
Brit. Elect. 3% Gtd.. Mar. 15, 1974-77	82⅜	82	2 13 9 2 11 6	4 6 4e 4 4 2l
Brit. Elect. 4½% Gtd. Sept. 26, 1974-79	99½	98 15/16	2 5 8 2 5 6	4 6 1e 4 6 0l
Brit. Elect. 3½% Gtd Nov. 15, 1976-79	88⅛*	88	2 9 11 2 8 9	4 5 11e 4 4 10l
Brit. Tpt. 3% Gtd.. July 1, 1978-88	78 3/16	77⅜	2 16 10 2 11 4	4 11 4e 4 6 0l
Brit. Tpt. 3% Gtd.. April 1, 1968-73	83⅜	82 11/16	2 13 2	4 5 5l
Brit. Gas Gtd. 3%.. May 1, 1990-95	76⅞	76⅛	2 11 4 2 9 8	4 5 1e 4 4 3l
Brit. Gas Gtd. 3½%.. Sept. 10, 1969-71	90⅞	90⅜	2 11 5 2 10 2	4 7 5e 4 6 1l
Brit. Iron & Steel.. 3½%, 1979-81	88 3/16	87⅞	2 9 10 2 9 2	4 6 8e 4 6 0l

(e) To earliest date. (f) Flat yield. (l) To latest date. (s) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (a)	(b)	(c)	Ordinary Stocks	Price, May 7, 1952	Price, May 14, 1952	Yield, May 14, 1952
%	%					£ s. d.
20	a		40 f Anglo-Am. 10/-	6⅞	6¾	4 15 0
5	a		25 b Anglo-Iran £1..	5⅜	5⅜	5 6 8
7½	a		12½ b Assoc. Elec. £1.	71/6	71/6	5 11 11
7½	a		20 b Assoc. P. Cem. £1	100/-	98/9	5 11 5
15	a		†17½ b Bass £1	125/-	125/-	6 17 0
40	c		10 a Boots 5/-	20/3	19/6	5 2 7d
9	c		7 a Br. Celanese 10/-	25/9	23/-	3 18 3
...	...		Br. Motor Cp. 5/-	28/9	28/3	...
8	a		12 b Br. Oxygen £1..	74/6	74/-	5 8 1
7½	b		5 a Coats £1.....	45/7½	45/-	5 11 1
6¾	b		5 a Courtaulds £1..	37/3	35/-	6 8 7
22½	c		17½ a Distillers 4/- ...	18/3	17/10½	5 0 8
17½	c		17½ c Dunlop £1.....	56/-	52/6*	6 13 4
12½	c		15 c Ferd £1	47/6	46/6	6 9 0
22½	c		7½ a Gen. Elect. £1..	80/6	78/6	5 14 8
11	a		17 b Guinness £1....	63/6xb	59/4½	5 13 2f
4½	a		5½ b Hawker Sid. £1.	36/6	34/6	5 15 11
3	a		10 c Imp. Chem. £1..	43/11*	40/7½	6 8 0
13½	a		18½ b Imp. Tobacco £1	85/-	82/6	7 15 2
5	a		10 b Lancs. Cotton £1	35/-	33/9	8 17 10
7½	a		10 b Lon. Brick £1..	58/9	58/9	5 19 2
15	a		65 f Marks & Sp. A 5/-	76/6	76/3	5 4 11
8	a		105½ P. & O. Def. £1.	49/6*	47/6	6 14 9g
27½	l		7½ a P. Johnson 10/-	36/6	36/-	6 18 11
17½	b		15 a "Shell" Stk. £1.	95/7½	96/3	4 18 11
12½	l		13½ c Tube Invest. £1.	5£	51/10½*	4 16 5h
5	a		15 f T. & N. wall £1..	86/3	85 7½	4 13 5
13½	c		15 a Unilever £1....	46/10½	45/-	6 0 0
20	c		12½ a Utd. Gas Castle £1	44/-	42/6*	5 17 8
50	c		50 c Utd. Sua Peirong £1	40/-	37/6	26 13 4
22½	a		10 b Vickers £1.	44/3*	42/-	5 19 1
15	a		27½ b Woolworth 5/-	41/6	40/6	5 4 11

(a) Interim. (f) Final. (c) Div. whole year. (d) Yield basis 20% after capital bonus. (f) Yield basis 10½%. (g) Yield basis 16%. (h) Yield basis 12½%. * Ex dividend. † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 10, 1952, total ordinary revenue was £73,030,000, against ordinary expenditure of £75,567,000 and issues to sinking funds £1,230,000. Thus, including sinking fund allocations of £3,291,000 the deficit accrued since April 1, 1952, was £50,883,000 compared with a surplus of £44,286,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53	April 1, 1951 to May 12, 1951	April 1, 1952 to May 10 1952	Week ended May 12, 1951	Week ended May 10, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1804225	115,231	142,451	11,562	14,651
Sur-tax	123,000	14,200	12,200	1,300	2,100
Estate, etc., Duties	175,000	23,400	16,700	4,300	3,600
Stamps	57,500	7,500	6,000	900	900
Profits Tax & EPT	452,000	31,000	30,600	3,100	3,600
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	400	290	70	50
Total Inland Rev.	2618725	191,831	208,241	21,232	24,901
Customs	1043500	115,129	114,363	28,192	19,405
Excise	772,000	109,100	92,214	13,100	25,739
Total Customs and Excise	1815500	224,129	206,577	41,292	45,144
Motor Duties	64,150	5,439	5,522	506	625
Surpl's from Tradg.	12,000	...	...	...	...
P.O. (Net Receipts)	...	5,900	200	2,700	200
Broadcast Licences	15,000	1,000	1,000	...	...
Sundry Loans	26,000	2,267	1,935	59	1,880
Miscell. (incl. Surplus War Stores)	110,000	7,780	10,723	974	280
Total Ord. Rev.	4661375	438,345	434,198	66,763	73,030
SELF-BALANCING					
Post Office	209,235	17,500	22,100	2,300	5,800
Income Tax on E.P.T. Refunds	4,900	637	704	431	98
Total	4875510	456,482	457,002	69,464	78,928
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	73,383	78,296	1,711	2,707
Payments to N. Ireland	40,000	3,844	4,081	...	1,360
Other Cons. Funds	10,000	742	627	210	...
Total	625,000	77,969	83,004	1,921	4,067
Supply Services	3605562	314,740	398,786	57,100	71,500
Total Ord. Expd.	4230562	392,709	481,790	59,021	75,567
Sinking Funds	...	1,350	3,291	510	1,230
Total (excl. Self-Bal. Expd.)	4230562	394,059	485,081	59,531	76,797
SELF-BALANCING					
Post Office	209,235	17,500	22,100	2,300	5,800
Income Tax on E.P.T. Refunds	4,900	637	704	431	98
Total	4444697	412,196	507,885	62,262	82,695

After increasing Exchequer balances by £50,368 to £3,247,673 the other operations for the week increased the National Debt by £20,001,459 to £25,651 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	13
EPU (Financial Provisions) Act, 1950, s. 3	183
	196

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
EPT Refunds	120
Export Guarantees Act, 1949, s. 3(2)	30
Housing (Scotland) Act, 1950, s. 94(2)	923
Local Authorities Loans Act, 1945, s. 3(2)	7,300
New Towns Act, 1946, s. 12(3)	1,503
Cinematograph Film Production (Special Loans) Acts, 1949 and 1950	200
Development of Inventions Act, 1948, s. 11(1)	25
Town & Country Planning Act, 1947	200
Misc. Financial Provisions Acts, 1946 and 1950:—	
Civil Contingencies Fund	5,000
Finance Acts, 1946 and 1947: Postwar Credits	329
	16,380

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	14,003	2½% Def. Bonds	1,050
Nat. Savings Certs.	250	3% Def. Bonds	1,968
Tax Reserve Certs.	392		
Other Debt:—			
Internal	1,975		
Ways and Means Advances	6,400		
	23,020		3,018

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
May 12	3230·0	2015·2	448·6	...	319·5	6013·3
1952						
Feb. 16	2130·0	2036·5	270·8	...	34·0	4471·3
,, 23	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·5	...	...	4516·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6
,, 31	4273·1		337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·5	...	...	4632·1
,, 12	2440·0	1600·9	305·3	1·0	...	4347·2
,, 19	2500·0	1579·8	320·7	...	...	4400·5
,, 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7
,, 10	2590·0	1521·3	317·6	0·2	...	4429·1

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951					
May 11	250·0	350·3	250·0	10 2·79	60
1952					
Feb. 8	170·0	239·9	170·0	19 7·01	61
,, 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75
,, 14	200·0	250·4	200·0	46 3·64	69
,, 21	200·0	251·9	200·0	46 3·39	68
,, 28	210·0	240·2	210·0	47 3·61	81
Apr. 4	220·0	302·1	210·0	47 3·96	58
,, 10	210·0	297·2	210·0	47 0·14	62
,, 18	200·0	316·6	200·0	47 3·27	45
,, 25	200·0	296·3	200·0	46 4·20	63
May 2	200·0	326·8	200·0	46 11·03	35
,, 9	230·0	300·5	230·0	47 4·11	68

On May 9th applications for 91 day bills to be paid from May 12 to May 17, 1952, were accepted dated Monday to Saturday as to about 68 per cent at £99 8s. 2d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £230 million were offered on May 16th. For the week ended May 17th the banks were not asked for Treasury deposits

NATIONAL SAVINGS

(£ thousand)

	Totals 5 Weeks ended: May 5, 1951	Totals 5 Weeks ended: May 3, 1952	Week ended May 3, 1952
Savings Certificates:—			
Receipts	22,100	11,150	2,100
Repayments	14,000	15,000	3,300
Net Savings	8,100	*Dr3,850*	*Dr1,200*
Defence Bonds:—			
Receipts	5,184	4,235	850
Repayments	5,385	6,995	1,350
Net Savings	*Dr. 201*	*Dr2,760*	*Dr. 500*
P.O. and Trustee Savings Banks:—			
Receipts	70,780	70,051	14,426
Repayments	78,019	72,632	15,683
Net Savings	*Dr7,239*	*Dr2,581*	*Dr1,257*
Total Net Savings	660	*Dr9,191*	*Dr2,957*
Interest on certificates repaid	3,360	4,050	891
Interest accrued	12,196	12,301	2,467
Change in total invested	+ 9,496	— 940	— 1,381

BANK OF ENGLAND RETURNS

MAY 14, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1409,166,675	Other Govt. Securities	1435,728,953
In Banking Department	41,190,148	Other Secs.	745,944
		Coin (other than gold)	2,510,003
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	286,331,430
Rest	3,345,951	Other Secs.:—	42,154,921
Public Deps.:—	12,174,548	*Discounts and*	
*Public Accts.**	*11,657,968*	*Advances*	*15,799,989*
H.M. Treas. Special Acct.	*516,580*	*Securities*	*26,354,933*
Other Deps.:—	341,089,072		
Bankers	*269,807,968*	Notes	41,190,148
Other Accts.	*71,281,104*	Coin	1,486,072
	371,162,571		371,162,571

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951	1952		
	May 16	April 30	May 7	May 14
Issue Dept.:—				
Notes in circulation	1334·6	1410·0	1409·4	1409·2
Notes in banking department	15·8	40·4	40·9	41·2
Government debt and securities*	1345·8	1446·7	1446·8	1446·7
Other securities	0·7	0·8	0·7	0·7
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·2	10·7	10·1	11·7
Treasury Special Account	9·1	0·5	0·5	0·5
Bankers	304·7	273·0	266·4	269·8
Others	87·3	73·4	73·0	71·3
Total	414·3	357·6	350·0	353·3
Securities:—				
Government	378·6	274·3	273·4	286·3
Discounts, etc.	12·8	27·4	14·1	15·8
Other	24·5	31·8	38·0	26·4
Total	415·9	333·5	325·5	328·5
Banking dept. res.	16·2	41·9	42·4	42·7
	%	%	%	%
"Proportion"	3·9	11·7	12·1	12·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 8	76·0	87·00	168 12	92 12
,, 9	76·0	87·00	168 8	93 4
,, 10	Markets Closed		166 14	92 15
,, 12	75·75	87·00	163 12	92 12
,, 13	76·00	86·00	164 8	93 10
,, 14	75·00	86·00	167 10	94 4

COMPANY MEETINGS

ANGLO-PORTUGUESE TELEPHONE COMPANY

EXCELLENT RECORD OF PROGRESS

FURTHER OPPORTUNITIES FOR ADVANTAGEOUS INVESTMENT

SIR ALEXANDER ROGER ON PROVISION OF FURTHER PERMANENT FINANCE

The sixty-fifth annual general meeting of the Anglo-Portuguese Telephone Company, Limited, will be held on June 5th at Strowger House, 8 Arundel Street, London, W.C.2.

The following is the statement by the chairman and managing director, Sir Alexander Roger, KCIE, which has been circulated with the report and accounts for the year ended December 31, 1951:—

The accounts for 1951 show that during the past year the progress of your company has continued satisfactorily. Total revenue amounted to £1,504,396, the increase of £200,663 over the 1950 figure being due partly to the operation of the new tariffs, which came into effect on May 1, 1950, for a full year, and partly to the expansion of the business. The rate of exchange has steadily remained at Escs. 80.50 to the £ since September, 1949. All currency figures have been converted at that rate as they were in 1950.

Total expenses have increased from £1,213,590 in 1950 to £1,386,754 in 1951, after providing for renewals, taxation, debenture and loan interest, and debenture sinking fund instalments.

Net profit at £117,642, compares with £90,143. The usual interim dividend of 3 per cent on the ordinary stock was paid in November, 1951, and it is proposed to pay a final dividend of 5 per cent, making 8 per cent in all, together with a dividend of 8 per cent on the "A" ordinary stock. This rate of dividend on both ordinary and "A" ordinary stocks has now been maintained for 25 years in good times and in bad, in peace and in war, a record we may well be proud of.

After providing £71,400 for dividends and transferring £38,866 to the contingency reserve, to bring it up to the round figure of £100,000, the amount of the carry forward is £74,812, an increase of £7,376.

Following upon their annual investigation of the telephone plant and equipment the consulting engineers have again recommended that an additional allocation be made over the normal allocation from revenue for renewals and depreciation. The provision for renewals now stands at £1,560,216, representing approximately 30 per cent of the cost price of installed plant, and in the opinion of the consulting engineers is adequate. In point of fact the present-day value of telephone plant and of buildings is unquestionably substantially in excess of the balance-sheet figure. All plant is maintained at a high standard and new equipment is of the latest design.

The company's reserves continue to be wholly invested in the business.

The expansion and development programme and normal maintenance requirements resulted in the shipment of £343,000 of telephone plant from Great Britain during 1951, bringing the total for the past five years to well over £1,500,000. Purchases in Portugal of various classes of material during the year totalled 15,680 contos (£196,000). The quantities and values of materials purchased in Portugal represent a substantial contribution to the economy of the country.

GENERAL PROGRESS OF THE COMPANY

The expansion of the company's systems in Lisbon and Oporto continued without interruption during 1951 and a further 8,296 stations were added, bringing the total to 109,193.

The internal exchange plant of your company's telephone systems in Lisbon and Oporto consists at present of five main exchanges housed in company-owned buildings, and ten subsidiary exchanges, in rented premises in some cases, and company-owned in others, their combined capacity providing for approximately 74,000 exchange lines in the city areas. In addition, in the outer city areas there are 129 smaller exchanges providing for approximately 14,500 exchange lines. All these exchanges are interconnected in the respective areas of Lisbon and Oporto.

The main exchanges and some of the subsidiary exchanges in Lisbon are equipped with automatic plant, but until a short time ago, for various reasons, not the least being the economics of the service, the dial or automatic system had not been introduced into Oporto.

Picaria is the name of the main exchange in Oporto and last year you will remember it was hoped that the conversion of this exchange from manual to automatic would be completed early in 1952. This hope was fully realised and on January 19th last the new automatic equipment of up-to-date design and pattern, increased to provide capacity for 10,000 exchange lines, was put into service.

The inauguration of the new service was an important occasion. The company was honoured by the attendance of the Minister of Communications, Colonel Manuel Gomes de Araujo, representing the Government of Portugal.

The Minister presided at the ceremony and was supported by the Civil Governor, the Commandant General of the Military Forces, the President of the Municipal Chamber of Oporto and a representative of the British Embassy.

Your company was represented by directors from London, Lisbon and Oporto, the general manager and senior officers. Telephone specialists of our organisations in London and Portugal were also in attendance in addition to those of the Portuguese Telephone Administration headed by the Postmaster General, Senhor Enginheiro Luiz Couto dos Santos.

Nearly 200 guests were present at the inaugural ceremony and inspected the automatic equipment, included in the number being representatives of the Municipal Departments, the Military Forces, Police and most branches of commerce and industry. The various speeches were broadcast over the national radio system of Portugal.

It is gratifying to report that the arrangements were entirely successful, deservedly so as their success resulted from care, thought and planning which commenced six months in advance of the new service.

EDUCATION OF USERS OF NEW SYSTEM

The community of Oporto had not been accustomed to dial working and, in order to attain the highest level of co-operation, it was essential to educate telephone users in advance of the date.

Selected employees were trained and schooled for this purpose and every telephone subscriber was visited individually and given first-hand instruction. Demonstration units and instruments were fitted at thickly populated parts of the city. Radio broadcasts of the sound effects and various tones of the automatic service when dialling were constantly put over the air in special programmes. Newspaper publicity and pamphlet distribution, complete with diagrams and drawings, were a feature of the campaign, in fact, every visible and invisible method was adopted day after day to familiarise the public with the new service. The company received splendid support and collaboration from the Portuguese Telephone Administration, the press, the broadcasting services and the public, and I take this opportunity of expressing your appreciation.

I would also like to thank on your behalf the Minister of Communications, who sacrificed many hours of his valuable time in leaving his Ministry in Lisbon in order to officiate at Oporto and address the gathering, and all those many public and influential personages, some in their official capacity and some in their private capacity, who attended. The presence of all these important people signified their goodwill and interest in our company's endeavours to broaden and facilitate the telephone service of Oporto and neighbouring areas to the advantage of the community.

The conversion of other exchanges in Oporto from manual to automatic working will follow in rotation from time to time.

It was with great regret that I was unable to be present in person. I was at the time on my way through South Africa to visit Lourenço Marques and inspect a large automatic telephone exchange which has been manufactured and installed by our associated company, the Automatic Telephone and Electric Company, Limited, for the Administration of posts, telegraphs and telephones of the Portuguese Colony of Mozambique.

OTHER ACTIVITIES

Another undertaking which required much careful planning and attention to detail was the laying of an additional submarine cable across the River Tagus, extending telecommunication facilities between the north and south sides of our system in Lisbon.

Because of the tides and currents there are very few occasions of the year when this work can be carried out, and at the best of times it is a hazardous task.

Some idea of the handling difficulties and the apparatus required, including a barge especially fitted out, will be realised as the cable measured 2,400 yards in one single length, drum and cable weighing 36 tons, the drum in diameter measuring 12½ feet and in width 6¼ feet.

On the morning of June 6, 1951, after many days of preparation, the job was successfully accomplished and the various activities of the work filmed for the company's records and future reference.

Work was well advanced during the year on Graça Exchange, a new main exchange in the Eastern area of Lisbon. The cost of

the land, buildings and equipment will amount to approximately 30,400 contos (£380,000) and will provide initial capacity for some 10,000 subscribers. The building is almost ready and the greater part of the equipment shipped, and it is hoped that the exchange will be opened at the end of 1952 or shortly after. It will materially help to extend the telecommunications service of the Lisbon community, and be an important addition to your company's plant and property.

Of the larger jobs, extension, relief, and interworking equipment was installed in several of the exchanges in Lisbon and Oporto, and the usual multitude of smaller jobs undertaken and completed.

CONSTANT DEMAND FOR TELEPHONES

The demand for service by new applicants never ceases. As fast as the longer term waiting subscribers are connected new applications are added to the list. For example, the waiting list at December 31, 1950, was 23,182 and although, by stretching our resources and our organisation to the limit, 8,296 stations were added, the list stood at 22,527 on December 31st last.

We are doing everything possible under efficient organisation and management to meet the demands and we keep the Portuguese Authorities and the public constantly informed of the company's plans and activities.

We in London assist substantially by calling on the experience and knowledge of the group of which your company is a member, a group which in its combined forces is one of the largest in the world, and embraces every branch of telecommunications business—financial, manufacturing, engineering, installation, research and overall technical consultative advice.

PROVISION OF FINANCE

Of this group Telephone and General Trust, Limited, provide the initial finance for your company and under this arrangement your company borrows from the Trust on a day-to-day basis by means of unsecured loans This is well suited to the interests of your company and the telephone public of Portugal, as we find it the most economic form of temporary financing.

The loan from the Trust at December 31st last was £208,829. At this date it is £250,000, and further sums are required to pay for new plant and equipment already shipped and on order.

The time is shortly arriving, therefore, when it will be desirable to fund the loans from the Trust and provide additional capital, a situation typical of all well-managed telephone companies.

As all the authorised capital of your company has been issued it is proposed at the forthcoming general meeting to create an additional 1 million ordinary shares which will be available for issue when required.

So far as we can see ahead, opportunities for further advantageous investment in the telephone business in Portugal appear to be bright, as we have been entrusted with a vital communications service governed by a franchise which is mutually satisfactory to the Portuguese Government and to your company.

We do not forget, however, that every expanding telephone company must provide for a margin of spare plant and equipment and there is always a period, short or long as the case may be, when a portion of the capital is not fully remunerative.

Furthermore, if the cost of living increases and wages follow suit there is generally a time lag before suitable increases in tariffs are arranged.

These and similar problems are not new to us, but as I have already said, we have been enabled over the past 25 years to pay 8 per cent per annum, provide adequate depreciation amounting to £1,560,000, and at the same time set up a modest £100,000 contingency reserve which is available for unforeseeable ups and downs in revenue.

PORTUGAL

Portugal owes its material recovery and political stability fundamentally to the healthy financial conditions she has enjoyed consequent upon the financial measures introduced in 1928 and subsequently by the Prime Minister, H. E. Doctor Antonio Oliveira Salazar, when Minister of Finance, and which have been maintained despite many obstacles.

The year under review was marked by the completion of a number of large-scale construction schemes throughout the country and by the continuation of the expansion of foreign trade.

The government's plans to provide an abundant supply of cheap power from natural sources were advanced by the inauguration of the Castelo do Bode (Zezere), and the Cavado-Rabagao dams and generating stations, which serve Lisbon and Oporto respectively. Further power schemes are being engineered and will be brought into operation during the next few years, thus adding to Portugal's productive capacity. Towards the end of the year the opening of the Marshal Carmona Bridge over the River Tagus at Vila Franca de Xira represented a triumph for British engineering in collaboration with Portuguese and Danish firms, and provided another instance of the benefits arising out of co-operative national and international enterprise.

Throughout the country there was heavy expenditure on roads, housing, water and electricity plants, irrigation, and on many new mills and factories for the production of fertilisers, textiles, flour, paper, woodpulp and iron and steel tubing. A number of new ships were added to the merchant fleet and improvements were made in the railway system.

Abroad Portugal's trade flourished. The value of exports of cork, canned fish, resin, timber and minerals increased substantially as did the value of colonial products, and gold and foreign currency reserves of the Bank of Portugal increased by over 20 per cent. The convenient geographical position of the country has caused Lisbon to achieve prominence as a centre for international conferences, and the important North Atlantic Treaty Organisation meetings were held there in February last.

At short notice the company undertook, at the request of the Portuguese Government, to provide telephone facilities at the Instituto Superior Técnico where the conference took place, and it is pleasing to report that the elaborate service provided received many congratulations.

SUCCESSFUL STRIVING FOR PROGRESS

The North Atlantic Treaty Organisation Conference brought Portugal, and Lisbon in particular, very much into world news. It is not for me in a company address to assess the results and, in any case, the conclusions have been fully reported. I think it is apposite for me to say, however, as I did in a recent speech, that the meetings served to reveal to many for the first time the general signs of order prevailing in Portugal and the successful striving for progress which is so evident there, conditions which are not always to be found in many other countries of the world at the present time.

It likewise gave the Portuguese Press and delegates an opportunity to recall that the concept of an Atlantic Pact uniting and utilising political aims and co-operation for the peace of Western Europe and America, was forecast with remarkable prevision by the Portuguese Premier, H. E. Doctor Antonio Oliveira Salazar, as far back as May, 1945, and stressed by him in subsequent speeches.

I am sure that many of the delegates and many of their staffs would have been impressed with an international commercial concern happily and efficiently at work—the Anglo-Portuguese Telephone Company, Limited. The capital has been found in Britain and the highly technical and specialised plant is exported from an associated company.

Our systems in Portugal are serviced by 3,250 trained employees, of which only a small handful is British. Substantial royalties are earned and paid to the Portuguese Government. It is indeed pleasant to reflect that our company is a good example of private international enterprise, contributing materially to the economies of both Britain and Portugal.

We should never cease to be grateful for the fact that it is because Portugal cordially welcomes foreign enterprise such as ours that the combination of effort is made possible and successful.

INTERCHANGE OF VISITS AND PERSONNEL

In my statement last year I referred to the loss sustained by the Portuguese nation through the death on April 18, 1951, of the President, H.E. Marshal Carmona, who had been head of the State since 1926. On July 22, 1951, his successor, General Francisco Higino Craveiro Lopes was elected.

I made two visits to Portugal in 1951 where, like all my colleagues, I have many friends, in order to renew my associations there and to inspect the new development of your company's systems, both in Oporto and Lisbon.

I had the privilege of meeting the new President for the first time and again was most cordially received by H.E. Doctor Antonio Oliveira Salazar, and practically all the Ministers of the Portuguese Government at separate times. I also had the pleasure of exchanging views with the President of the Lisbon Municipality, Colonel Salvacao Barreto.

I received much spontaneous commendation of your company's activities reminding me that every addition to our plant and installations strengthens the Portuguese economy through the greater commercial, industrial and social use of the telephone.

The cordial ties between London and Portugal were further maintained by the exchange of visits of other members of your London board and London office, and colleagues and personnel in Portugal.

The support we continue to receive from Senhor Enginheiro Antonio Branco Cabral, our admirable chairman of the board in Portugal, and from Doctor Antonio Bustorff Silva, our legal adviser, becomes increasingly valuable as the years go on, and working, as they do so closely in co-operation with Mr Thorp, in whom we have a most able and energetic general manager, we have the utmost confidence in the running of our business in Portugal. The other members of the board in Portugal, Senhor Eduardo Luiz Pinto Basto, Senhor Antonio Calem, CBE, Mr Francis Frick and Doctor Augusto de Castro are always available to bring their long experience to bear and to assist the interests of the company in their respective spheres.

We are extremely fortunate in having Senhor Antonio Calem, CBE, as our representative director in Oporto. Senhor Calem is a highly important and respected leading member of the Oporto commercial community, and among his many public appointments is the chairman of the Oporto Commercial Association.

He was a leading figure at the Picaria cut-over to automatic service, and is splendidly supported by our Oporto manager, Mr J. C. G. Mitchell, and officers of the company in Oporto.

On your behalf I would like to thank all these gentlemen and the Lisbon and Oporto staff and workpeople throughout for their loyalty and conduct of the company's affairs and the excellent standard of work achieved.

CEREBOS LIMITED

HOME AND EXPORT SALES RECORDS

PROPOSED INCREASE OF CAPITAL

MR W. ARNOLD INNES' REVIEW

The forty-eighth annual general meeting of Cerebos Limited was held on May 15th at Cerebos House, London, NW10, Mr W. Arnold Innes (the chairman) presiding.

The following is the chairman's review which was circulated with the report and accounts for the year ended December 31, 1951.

This being the first time I have had the privilege of addressing stockholders as chairman of the company, I propose to refer briefly to the changes which have taken place in the constitution of the board during the past year. Last July, after a period of over fifty years' service with the company, Mr J. Weedy resigned from the offices of chairman and managing director, and my colleagues did me the honour of electing me to be their chairman, whilst Mr L. H. McRobert was appointed deputy chairman. Previously Mr William Tricker, who had been our secretary since 1941, had been elected a director and his appointment will be submitted for your confirmation. Along with other duties which result from my office, it is my intention to maintain the very active interest I have always taken in the selling, marketing and advertising side of the business, whilst Mr McRobert will continue to be responsible for production throughout the Group.

PRODUCTION

Although the reconstruction and re-equipment programmes are as yet by no means complete, the past year was the first financial period to derive any material benefit from the modern packing machinery which has been installed and the new and improved methods and processes adopted, and I am glad to say that the resulting economies have, to a noticeable extent, offset severe increased costs in other directions.

The prices of all packing materials, of which we are considerable users, rose steeply throughout the year and reached peaks which at one time would have been thought impossible. Whilst some proportion of these increases was no doubt attributable to the inflationary conditions resulting from the Korean war and also to the restrictions imposed by the previous Government on the import of Canadian board, one is justified in questioning whether the extremely high levels eventually reached were not due to a certain exploitation of the situation created by the shortage of pulp and board. In a continuing business it is necessary to protect our supplies; consequently, we had to accept the position as we found it, and by the month of July the effects of rising costs were such as to cause serious concern. We were obliged, reluctantly, to advance the prices of certain of our products by a moderate amount to offset partially the effect of these increased charges. Present quotations for packing materials and for certain raw materials still remain exceptionally high, but, with the exception of tinplate, offers of supplies seem more plentiful and the outlook for the immediate future better than at one time seemed likely.

We continue to devote much attention to improving the organisation of our various factories, and steady progress has been made in fusing the various units of the Group into one efficient and economical organisation.

DIVERSITY OF PRODUCTS

Although the Group is probably best known for its proprietary brands of table salt—Cerebos, Saxa and Stag—it may interest stockholders to know that it is one of the leading suppliers of bulk salt for the agricultural, water-softening, chemical, bakery, fishery, glass, soap-making and tanning industries. In addition, Bisto Gravy Powder and Paxo Stuffing are esteemed by millions of housewives at home and overseas, whilst there is an extensive trade in pepper, spices and seasonings. One subsidiary is a large supplier of rusk for sausage-making, and we have recently acquired a substantial interest in the breakfast cereal trade. It will therefore be seen that our business is very broadly based.

HOME SALES, MARKETING AND ADVERTISING

Both in tonnage and in value our sales for the past year again exceeded all previous records, and it is indeed gratifying to have this evidence of the universal popularity of our products. The food trade is, and always has been, highly competitive, consumer choice being the determining factor and the success achieved clearly shows the housewife's appreciation of our efforts to maintain unimpaired the high standard of quality and excellence for which our products have always been famous. The margin of profit on our lines remains very modest and we can legitimately claim to be playing our part in endeavouring to restrain the upward trend in the cost of living.

I would like here to acknowledge the friendly co-operation and support we continue to receive from the distributing trades, to whom we are indeed grateful.

The publicity campaigns carried out during the year were very favourably received and were an important factor in stimulating the demand for our products and enabling us to maintain our factories in full production. Careful organisation and strict supervision are necessary to keep expenditure to an economic level, and here we derive considerable benefit from scientifically planned market research.

Efficient investigation into current trends and into the movements and distribution of our own and competitive products in the retail and wholesale grocery trade, enables us to direct our advertising and sales promotion campaigns more skilfully, thereby securing substantially better results for less expenditure.

EXPORT SALES

Our export trade continues to expand, sales for the past year being by far the best in our history. The demand from overseas for our principal brands of salt and for Bisto continues to be most encouraging and our turnover would have been considerably higher but for the shortage of shipping space and the serious delays caused by congestion at overseas ports. Unfortunately, there are still far too many restrictions upon international trade and several very good prewar markets remain closed to us. In some instances countries refuse to admit British food products whilst at the same time sending us quite a wide range of their own, and I suggest that this is a matter to which official attention should have been given long before now.

DISTRIBUTION

Present day carriage charges inevitably make the reconciliation of two matters of policy, viz., service to customers and economy in distribution, a matter of some difficulty. There is no doubt that the goodwill of the business has been augmented by the service we have given in this direction in the past. Our object, largely achieved, has been to effect the quickest possible delivery to every part of the British Isles at national prices. Thus a customer in John o'Groats or Lands End receives his goods in the minimum of time and at the same price as a customer whose premises are next door to one of our factories.

Such a service cannot be run cheaply and both costs and practical difficulties have increased since the nationalisation of rail and road transport, unquestionably due to the fact that, in the absence of healthy competition, these services are in no way as efficiently or economically run as they were before they became state organisations. The possibility of substantial increases in our fleet of motor vehicles, designed with the dual purpose of increasing service and reducing costs, is under serious consideration.

SCOTT (MIDLOTHIAN) LIMITED

In August last we acquired a 50 per cent interest in Scott (Midlothian) Limited, a holding company controlling A. & R. Scott Limited & John Inglis and Son Limited, both old-established businesses manufacturing, amongst other products, the well-known Scott's Porage Oats, Scott's "Piper" Oatmeal and Scott's Baby Foods. Apart from increasing the stake which your company has in the food trade, these products are sold to the public through the same trade outlets as our own and consequently this community of interest should eventually lead to substantial expansion and greater economy of operation. Mr McRobert and myself have been appointed to the board of Scott (Midlothian) Limited and, together with Mr Patterson, to the boards of A. and R. Scott Limited and John Inglis & Son Limited.

SUBSIDIARY AND ASSOCIATED COMPANIES

It is gratifying to be able to report that all our subsidiary and associated companies

have experienced a successful year's trading and have made their due contribution to the results of the group.

DIVIDEND POLICY

That our share capital is widely held is evidenced by the fact that we have today 6,650 stockholders, of whom 5,925 own £250 worth of stock or less, and, as from time to time, I receive inquiries in regard to the rate of dividend, which has remained unchanged for many years, perhaps I should say a few words upon this subject.

The fall in the value of money, which has accelerated sharply in recent years, has moved your directors to regard with sympathetic feelings the very legitimate claim for an increase in our dividend; we must, however, consider not only the Government's plea for restraint in this respect and the difficulties and uncertainties which beset industry today, but also the effect of the present penal rates of taxation upon our liquid resources, to which I shall refer more fully in a later paragraph.

Due consideration of all these factors must lead us to the inevitable conclusion that the time has not yet arrived when it would be in the best interests of the stockholders to increase the dividend, but your directors have decided that it is desirable to take the necessary steps to bring the issued capital of the company more in line with the value of the assets. Accordingly, an application has been made to the Capital Issues Committee for permission to increase the capital of the company to £2 million by the issue to stockholders on the register of members at a date to be fixed of one new £1 share free for every four 5s. units held on that date.

STAFF AND EMPLOYEES

The results it is my pleasure to put before you could not have been achieved without the loyal and devoted efforts and splendid teamwork of all who serve the company, and on behalf of the board I wish to place on record our sincere appreciation of their excellent services.

TAXATION

It will be noted that the group provision for taxation on the profits of the year under review amounts to £555,866 and you will be interested to know that during the past five years no less a sum than £2,544,000 has been provided by the group in respect of taxation. As the official allowances for depreciation of fixed assets are based upon original cost and not on replacement values the "profits" brought into charge for taxation purposes are considerably in excess of the real profits earned. The effective rate of tax is therefore much higher than is generally realised and unless additional relief is granted in this respect industrial undertakings will find it increasingly difficult to provide out of taxed reserves the resources necessary to finance re-equipment programmes which are essential to maintain productivity at the highest and most economic levels.

BALANCE SHEET AND ACCOUNTS

These are presented so clearly that I do not think much comment is necessary. The total fixed assets of the group, after providing £85,707 for depreciation and including trade investments, amount to £2,291,388, compared with £1,822,660 for the previous year. This increase in capital outlay is naturally reflected in the net current assets, which at £1,077,192 show a reduction of £362,114. Reserves and surplus stand at £2,326,480 against £2,179,866 for the previous year.

The net profit of the group for the year, after providing £555,866 for taxation and including £100,000 provisions no longer required, is £456,611 and to this has to be added £233,996 brought in, making a total to be dealt with of £690,607.

Although our holding of British and Commonwealth Government securities is in fairly short-dated stocks, your directors consider it prudent to appropriate the sum of £49,190 for the purpose of writing it down to the market value. In addition, they recommend a transfer of £200,000 to general reserve, leaving an amount available of £441,417. Your directors now recommend a final dividend of 30 per cent (less tax) which, with the interim dividend of 10 per cent (less tax) paid in November last, makes 40 per cent (less tax) for the year. The dividend payment absorbs £210,000, leaving £231,417 to be carried forward.

FUTURE PROSPECTS

I am sure I shall not be expected to make any prophecies, as the field of industry in which we are engaged is highly competitive, but the popularity of our products, our sound financial position, our experienced and enterprising management, and the skill and industry of our employees, encourage me to view the future with confidence.

In conclusion, I wish to express my appreciation and thanks to my colleagues on the boards of Cerebos Limited and our subsidiary companies for the support they have given me during the year.

The report and accounts were adopted.

Mr W. Arnold Innes, the director retiring by rotation, was re-elected. Mr William Tricker, who was appointed a director during the year, also retired and was re-elected. The proceedings terminated with a vote of thanks to the chairman.

VINE PRODUCTS LIMITED

PROGRESS DESPITE DIFFICULTIES

The twenty-sixth ordinary general meeting of Vine Products Limited was held on May 14th at Surbiton.

The Viscount Marchwood, KCVO, the chairman, in the course of his speech said: The year 1951 was difficult. Your directors were faced with a continuous rise in costs and with the undesirability of increasing our prices in the face of curtailment in the spending power of the public. In addition we had to cope with the burden of increased taxation.

These difficulties have been successfully overcome by the expansion of the business. In other words, it is entirely due to the excellence of our products and to their increasing popularity with the general public that we have been able to achieve results which, under the circumstances, I hope you will consider to be very satisfactory. For over half a century the company has played an ever-increasing role in the wine trade of the country.

The higher profits have been more than offset by increased taxation. Nevertheless, the net profit is about the same as last year. The financial position of your company is now stronger than it has ever been. A dividend of 17½ per cent is proposed on the ordinary capital, which is an increase over that of the previous year. On the other hand, the distribution out of capital profits has been reduced to the same extent as the ordinary dividend has been increased.

As to the effect of the excess profits levy on your company, we are of the opinion that this will be largely, if not wholly, covered by the estimated reduction in the aggregate profits tax payable.

The report was adopted.

THE LONDON ASSURANCE

PREVIOUS RECORDS SURPASSED

The annual general court of The London Assurance will be held on June 4th, in London.

The following is an extract from the statement circulated by the governor, Mr R. Olaf Hambro:

Once again we have to report fresh records in the volume of our premium income in every department of our business, fire, marine, accident, and life. While the figures undoubtedly were affected by the inflationary trend, I am satisfied that the "London" has more than held its own, and obtained a good share of the new business that has been available.

Of the individual accounts, fire remains the largest, with a net premium income for the year of £7,298,000 as compared with £6,366,000 in 1950. As regards losses, the overall result is satisfactory, notwithstanding a disastrous cotton fire in the Sudan, in which the corporation was heavily interested. After setting aside as reserve for unexpired risks £3,649,000, which represents 50 per cent of the premium income for the year, we have been able to transfer to the consolidated profit and loss account the sum of £541,000 which represents about 7½ per cent on the premium income for the year.

In the marine department, net premiums written during the year amounted to £3,523,000, as compared with £2,927,000 for 1950, an increase of approximately 20 per cent. This year, the amount transferred to the consolidated profit and loss account is £500,000, as compared with £300,000 in the previous year, but I wish to make it clear that the size of this transfer is a reflection of the exceptionally fortunate experience of the account written in 1949 which is now being closed.

In the accident department, 1951 has proved to be a very difficult year. The premium income at £3,718,000 as compared with £3,234,000 in the previous year, shows the satisfactory increase of 15 per cent, but claims paid and outstanding went up during the same period from £1,756,000 to £2,215,000, an increase of 26 per cent, and the profit for the year has fallen to just under £100,000.

Life account: I am happy to say there has again been a large increase in the volume of business written, the total sums assured for 1951 being over £6 million, as compared with £5,289,000 for 1950. There has also been a welcome increase in the premium income from £1,504,000 to £1,708,000.

Our pension scheme business continues to increase, and has become an important section of our life business.

The investment income of the life department amounted after deduction of tax to £541,000, and gives a yield of £3 7s. per cent. This shows a satisfactory increase from £3 6s. per cent in 1950, and £3 3s. 8d. per cent in 1949.

Profit and loss account: We are left with a net profit for the group for the year of £560,000, as compared with £609,000 for 1950.

The cost of the dividends to the preferred and ordinary shareholders is approximately unchanged.

Accompanying this report is a notice convening an extraordinary general court for the purpose of submitting a special resolution to capitalise part of the general reserve and pay up the uncalled liability on the ordinary shares. Your directors believe that this proposal is in the best interests of shareholders, but the proposal should not be regarded as affecting the amount to be recommended in future for distribution by way of dividend.

SCOTTISH UNION AND NATIONAL INSURANCE COMPANY

RECORD NEW LIFE BUSINESS

CONTINUED SUCCESS IN HIGHLY COMPETITIVE FIELD

MR HUGH WATSON ON THE SATISFACTORY RESULTS

The 127th annual general meeting of the company was held in Edinburgh on May 14, 1952.

The following is an extract from the statement by the chairman, Mr Hugh Watson, WS, circulated with the report and accounts:—

Since the last annual general meeting our colleague, the Earl of Home, has been appointed the first Minister of State, Scottish Office, and in consequence of this, he found it necessary to resign from the Board. We regret losing his experience and counsel and wide knowledge of affairs, but we congratulate him upon the appointment and wish him every possible success in his new responsibilities.

The chairman referred to the appointment of Sir John Edward Gilmour, Bt., DSO, of Montrave, to the Head Office Board, to the honour of Privy Councillor bestowed upon Sir Ulick Alexander of the London Board in the New Year's Honours List, and to the election of Mr Denis H. Scott to the London Board.

Regret was expressed at the deaths of Mr Harry George Younger, who retired from the board in 1948 after having been a director of the company for forty-six years, of Dr Edwin Bramwell, who was the company's chief medical adviser from 1926 to 1946, and thereafter served as honorary medical consultant, of Mr E. H. Montfort of the Melbourne board, who was formerly our manager for Australia and had given over fifty years' service to the company, and of Mr George H. Clark, a former secretary of the company.

LIFE DEPARTMENT

During 1951 new life assurances to a total of £4,973,577 were written and the new annual renewal premiums in respect of that business amounted to £182,201. In addition, immediate and deferred annuities totalling over £540,000 per annum were underwritten in return for single premiums exceeding £300,000 and new annual premiums of £185,399.

These are all record figures for the company and the effect has been that the annual renewable income of the combined life and annuity business increased by £309,579, compared with the previous year, and now amounts to £1,666,951.

The increase in our life account is due in no small measure to the expansion of our group life and pension business, and it is encouraging to note our continued success in this highly competitive field which is, we feel, a reflection of the first-class technical advice and service which we are able to offer to our agents and to the public.

The increase in the rate of interest obtainable on new investments has resulted in an increase in the interest yield on the life and annuity fund to £4 11s. per cent before deduction of income tax. On the other hand, we have been faced with a fall in the market values of investments already in our portfolio. It will be remembered that after the quinquennial valuation of our life and annuity business at the end of 1950 the sum of £300,000 was applied out of the surplus to strengthen the actuarial reserves as a safeguard against future contingencies. This sum has now been transferred to investment reserve and after allowing for this transfer the life and annuity fund showed an increase for the year of over £800,000, the total being now £15,495,362.

FIRE DEPARTMENT

In the fire account the premium income has now exceeded the sum of £5 million for the year, and this in spite of the fact that certain automobile business in Canada which was previously included in the fire account has been transferred to the accident and general account. The provision for unexpired risks, which we make on the conservative basis of 50 per cent of the premiums for the year, has been increased by almost £433,000, and although this adds to the strength of an already strong fire fund it restricts our transfer to profit and loss account to the sum of £100,827.

While no major disasters were sustained in North America, such as those experienced in 1950, the latter part of the past year could not be regarded with complacency, as the claims experience in that part of the world was distinctly higher than normal. At home and in other parts of the world the underwriting experience was satisfactory.

ACCIDENT DEPARTMENT

The premiums in the accident and general account have increased substantially from £1,049,291 to £1,376,739. Part of this is due to the increase in Canadian automobile business, which was formerly carried in the fire account. In connection with our policy of providing a wider service to our friends in Canada we have begun to underwrite additional forms of casualty business in that dominion. It seemed appropriate that as these risks had to be carried by the accident department the automobile figures should also be included in the accident and general account.

Despite the most careful selection, the motor claims experience has again been most unfavourable. Premium rates are still too low and so long as repair costs and awards for damages continue to mount, it is difficult to see how insurance companies can show favourable results in their motor accounts. We feel that we must continue to give service to our customers by transacting motor insurance, but it is not unreasonable to expect a higher degree of care on the part of the motoring public, both for the security of human life and in the interests of economy.

The other sections of the accident and general account—viz., personal accident, burglary, fidelity guarantees, public liability, etc.—have produced satisfactory results, but unfortunately these results have been overshadowed by the loss in the motor section.

The surplus in the whole account for the year was £56,010, but the substantial increase in the premiums requires a sum of £163,838 to be added to the provision for unexpired risks in order to maintain our accident and general fund at 50 per cent of the premiums for the year. Consequently, it is necessary to transfer the sum of £107,828 from the profit and loss account to maintain the reserve position on the same footing as hitherto.

MARINE DEPARTMENT

Our marine business is mainly handled by the "Maritime" of Liverpool. In spite of the continuing keen rates in the marine market and the very careful selection of business which is exercised, the premiums have shown a further increase from £1,388,725 in 1950 to £1,578,367 in 1951. Costs of repairs and replacements continue to rise and the shortage of shipping and the high freight earnings result in many repairs being long delayed. All these factors necessitate a constant watch being kept on the adequacy of the estimates of claims for damage and make it essential to maintain a strong marine fund. The sum of £135,000 has been transferred to the profit and loss account and the fund has been increased from £1,791,063 to £1,967,906.

CAPITAL REDEMPTION ACCOUNT

Our capital redemption fund has increased from £679,445 at the beginning of 1951 to £776,876 at the end of the year. You will remember that a quinquennial valuation of the fund took place in 1950 and resulted in a transfer of £20,000 to the profit and loss account.

INVESTMENTS

The fall in the stock exchange quotations of fixed interest stocks (particularly gilt-edged) naturally affected the values of our investments, but you will be pleased to know that in both our life and annuity fund and our general fund the market values were in excess of book values when our books were closed at December 31, 1951.

DIVIDEND

The board have once again given careful consideration to the rate of dividend and, in spite of the unfortunate experience in the accident and general account, have felt justified in making a small increase in the dividend to 30 per cent.

OVERSEAS VISITS

In continuance of our policy of developing our business overseas and maintaining close contact with our organisation abroad, several visits have been made by directors and officials of the company to places abroad. In particular, Mr Hugh Cowan-Douglas, accompanied by the general manager, made an extensive tour of Australia and, *en route*, visited our important connections in Ceylon. The investment secretary, Mr Martin, visited the USA and Canada, and Mr Geddes, during visits to the USA on other business, was also able to render valuable service to the company in that country.

Mr Watson concluded by saying: "I wish to make special reference to the services which have been rendered to the company by our loyal and hard-working officials and staff both at home and overseas. I can say a personal word on this subject because I had occasion recently to meet representatives of the home staff association and was much impressed by the enthusiasm and loyalty displayed. We are fortunate in the harmonious relationship which exists between staff, management and board. We are also grateful to the staffs of our associated companies and we appreciate highly the services and valuable support which we receive from local directors and agents throughout the world."

The report and accounts were adopted.

NORTH BRITISH & MERCANTILE INSURANCE COMPANY

EFFECT OF PRESENT ECONOMIC CRISIS

PROBLEM OF FINANCING BRITISH INDUSTRY

TAXATION SYSTEM HIGHLY INIMICAL TO SAVING

LORD BRAND ON THE CURRENT POSITION

The one hundred and forty-second annual general meeting of the North British & Mercantile Insurance Company, Limited, was held on May 8th, at the North British Station Hotel, Edinburgh.

The Rt Hon Lord Brand, CMG, DCL (Chairman of the General Court of Directors), who presided, said:—

In my statement to shareholders I have informed them of the results of the past year and of the present position of their company, and I have nothing to add to what is contained in it. For the last few years, however, I have generally taken the opportunity of this meeting to make a few brief remarks on the country's economic and financial outlook, since this is a subject which is, in fact, of the greatest importance to our shareholders. Shareholders in insurance companies are as vitally interested in it as any other citizens, and the problems which it raises ought to be discussed as widely as possible. We can only expect to escape disaster if our vast electorate has some knowledge of them.

EXTREMITY OF PRESENT CRISIS

The country is for the present in a period of suspense, waiting to see whether the measures taken by the Government will enable us to meet the extreme crisis which we are facing, and to secure a breathing space during which to consider our plans for avoiding such misfortunes in the future. The extremity of our present balance of payments and reserves crisis is obvious from the Economic Survey just published. It made itself clearly apparent suddenly in the last half of 1951. The Economic Survey states that while in 1950 the United Kingdom had a surplus on its balance of payments of £244 million (which was, in fact, more apparent than real), in 1951 it had a deficit of £521 million, a difference of £765 million between the two years. But that was not the only drain on our gold and dollar reserves. Other sterling area countries, particularly Australia, developed very large deficits on their balance of payments with countries outside the sterling area, the burden of which also ultimately falls on our own dollar reserves. If we take the sterling area as a whole, including the United Kingdom, its dollar deficit in the last six months of 1951 was $1,578 million, or at an annual rate of over $3,000 million a year, a staggering sum at a time when our reserves were less than $3,000 million in total.

These figures indicate the problem which has to be met immediately. The situation is, as the Chancellor of the Exchequer has stated, now improving and indeed we must hope it will shortly improve very rapidly. The immediate crisis arose largely out of the consequences of the Korean war. The great rise in the price of raw materials was both a heavy blow to us and at the same time encouraged the raw material countries themselves to enter on an import buying spree, which, when prices fell back, caused a huge deficit in the balance of payments of some countries.

The effect on the worsening of our own terms of trade was very marked. The Economic Survey shows that our "total import bill for 1951 was over £1,100 million higher than in the previous year." There was an actual increase of about 16 per cent in the *volume* of our imports, but two-thirds of this total rise was due to higher prices of our imports. It is fair to say, I think, that unless we all admit that "planning" is meaningless much of what has happened could have been foreseen a good deal earlier.

It may be asked why a change in world condition adverse to us theatens us so immediately with disaster. The answer is that since 1945 our country has devoted itself not to the vital task of building up the strength of its external position, its reserves and its currency, but to creating an internal social and financial structure, which, without the preliminary strengthening of our external position, has no solid base. As soon as we recover our breath, it should be the first duty of the Government to see how this can be rectified.

VALUE OF RISK CAPITAL

There is one aspect in particular of our economic position that I think should be of special concern to insurance companies, and their shareholders, and that is the question how British industry in the widest sense is to be financed in future. From what sources is British industry going to obtain the capital it requires? It will require a great deal in order to keep abreast of its competitors. Most of its financing, in excess of what it secures from its own undistributed profits, ought to be obtained through the issue of ordinary shares. For this a sufficient supply of "risk capital" is required, that is, of personal savings, of savings directly or indirectly by individual savers, who can afford to take the risks involved. Institutions, e.g. insurance companies themselves, provide, of course, a certain amount of "risk capital" for the purchase of ordinary shares. But all this comes in one way or another from personal savings invested, for instance, in life or industrial insurance. Moreover, at the present moment it is probable that a part at least of the money received by institutions from savers is passed out again to other persons who are not only not saving, but living on capital. To live on capital they must constantly be selling securities, and no doubt some of these are bought by institutions.

PERSONAL SAVINGS

On this question of personal savings the evidence provided by the recent White Paper on the National Income is significant. The Government statisticians have greatly reduced their estimate of the total savings made directly or indirectly by persons. They have in previous years put this figure—which, as the White Paper says, is subject to a wide margin of error—at some £300 million to £400 million a year. They now think that these figures are much too high, and have reduced them broadly speaking to under £100 million a year. I always thought they were too high, since I could never see what class in the community was saving on this scale. And the above figure is, as I understand, a gross figure, and includes personal savings, however made, whether through institutions or otherwise. And to get a *net* figure death duties should be deducted.

Every year, to provide payment in cash to the Government of death duties, executors of deceased estates must sell to the public, assets of a corresponding value, amounting last year, for instance, to £190 million. The great proportion of these assets is presumably bought out of personal savings, and goes to reduce the amount available for other investment. Thus personal savings available for industry show now in reality not a plus, but a very large minus figure.

This picture is all the more serious since the only other resource of industry for risk capital, namely company profits, is taxed more and more stiffly every year, and this again is the more serious because these profits are to a considerable extent not real but inflationary profits, needing further resources in the future to make them good.

As we all know, the Conservative Government now proposes to deplete the sums still available for industry by another £100 million.

QUESTION OF SAVINGS

Where then are the resources for industry to come from? This, I suggest, is a problem Government and Members of Parliament should seriously study. After all, it is on our productive industry, and on that alone, that our whole material welfare, whether in the true or the technical sense of "welfare" depends. It is the only cow that gives the milk. If she is not nourished sufficiently, she will fail to give it. Everything, whether our currency, our social services, our exports, our actual means of keeping ourselves alive, depends on this not happening.

I will put the matter, as I see it, in a simple way. In a community like Russia, where everything is owned by the Government, industry gets the resources it needs either from its own profits or from taxes imposed on the public by the Government. In other words the standard of life is what is left after the Government has seen to it that industry is fully equipped for its task.

But a community which depends on private industry must have private savings and most of our industry is still private. There must be a sufficient number of persons, capable of saving and investing the necessary amount of savings. This is by no means the case now. If private savings are not there, in the end our Government must follow the Russian system directly or indirectly and take by taxation or otherwise such sum as it decides is necessary to keep British industry going. But, of course, in so far as private industry is financed by the Government, it ceases to be private industry. We become a Collectivist state.

The Economic Survey does not as far as I can see devote a word to this question of savings. It is an important matter, and if I am wrong in my figures or the conclusions I draw from them I should be only too glad to be corrected.

TAXATION

I have often in the last few years ventured to say in the House of Lords that the central problem of the kind of economic system we have now constructed is the taxation it involves. I do not believe any free economy which takes so great a proportion of the National Income in taxation will be lasting, or will be able to create a stable currency framework, since the foundation it rests on is too insecure. My own view is that altogether apart from balance of payments difficulties, such an economy itself leads to inflation and to a condition when from time to time things have to be made bearable by a depreciation of the value of money. This I regard as a system under which a community such as ours cannot thrive—still less such an institution as the sterling area.

Politicians will say that no substantial diminution of taxation is possible; certainly no such diminution as would lead to a large increase in personal savings. It is indeed true that the present system is highly inimical to saving. The Welfare State "soaks the rich" and all those who possess what may be called "risk savings" and will presumably continue to do so, while at the same time the fact that it purports to provide security throughout life for the rest of the population discourages other savings and increases consumption. If things were to improve and if production were to increase presumably the benefits would in the main be limited to the lower income groups, which would be likely, as things are, again to increase consumption but not savings. If all this be true and if under our present system savings are to continue to be inadequate for the purposes of our industries, we are, in fact, saying that we intend to continue as a nation to consume more than we can afford. History shows that if no remedy for such a situation is applied by a government or a people, the economic consequences in the end produce the remedy themselves, probably in a very painful and disastrous way.

The report was adopted.

EAGLE STAR INSURANCE

RECORD NEW LIFE BUSINESS

The annual general meeting of Eagle Star Insurance Company, Ltd. will be held on June 6th.

The following is a summary of statement by chairman and managing director, Sir Brian Mountain, Bt.:

For sixth year in succession Life Department transacted record total of new business with net new sums assured of over £50 million exceeding 1950 figures by more than £7 million. Expense ratio was less than 7¼ per cent and mortality continued favourable.

Once again a record addition was made in Fire Department premium income both home and overseas. Profit was £323,000, or 11.29 per cent of premium income.

The Accident Account (including Motor, Personal Accident and General business) showed a loss of £109,000. Further additions to motor rates are already overdue both at home and overseas.

The Marine Fund at £1,917,082 represents 124.5 per cent of premium income and a transfer of £150,000 has been made to profit and loss.

Net income from investments was £419,155, and shareholders' profits from current life and annuity fund were £41,308. Dividends require £296,417. Net transfers from trading departments were £364,000. Profit for 1951 is £350,191. Profit and Loss appropriation receives £250,000 from Investment Reserves and transfers £750,000 to General Reserve, which, after transferring £1,250,000 to Life Department Investment Reserve, stands at £3 million.

Total assets exceed £65 million and reserves and undistributed profits £4 million.

ATLAS ASSURANCE COMPANY LIMITED

FURTHER EXPANSION

MR RUDOLPH E. F. DE TRAFFORD'S SURVEY

The annual general meeting of proprietors of the Atlas Assurance Company Limited will be held on May 30th at the company's head office in London.

The following is an extract from the statement by the chairman, Mr Rudolph E. F. de Trafford, OBE, which has been circulated with the report, accounts and balance sheets for the year ended December 31, 1951:—

Before reviewing our accounts for 1951 I would draw attention to a departure from previous practice in the form of the presentation to you of our fire, accident and marine revenue accounts. Hitherto overseas taxes on profits have been included amongst the charges in these accounts, but, this year, we have carried these taxes direct to the profit and loss account. In order to provide a true comparison, the same procedure has been followed in respect of the comparative figures relating to the revenue accounts for 1950 shown, in brackets, in this statement, and in the accounts themselves. It will nevertheless be seen that an item for overseas taxes still appears in the revenue accounts. The charges now included under this heading, however, are confined to various taxes which we have to pay in carrying on our business abroad and are not, in any sense, taxes on profits.

FIRE ACCOUNT

Our fire premium income, at £5,624,740, has again moved upwards by £523,668. On the debit side of the account, in addition to the normal run of losses, we, with our widespread business, naturally did not escape the consequences of the Jamaica hurricane, of windstorms which occurred in the United States of America and of the severe bush fires in Australia. It is, however, to relieve distresses such as these that your company exists. In that purpose it has not failed.

The sum transferred to the credit of profit and loss account amounts to £707,212 (£747,207), and it is a satisfactory feature that our home, United States and general overseas business have, between them, contributed to this total in reasonable proportions. All concerned are to be congratulated.

ACCIDENT ACCOUNT

Our accident department operations have continued to expand and we have now passed the two million mark with a premium income of £2,064,459, an increase of £288,585 over the 1950 figure. Naturally, however, our results reflect the heavy toll of road accidents, which continue to increase in number and in cost both in this country and abroad. Indeed, our home motor business was particularly punishing, and our experience overseas was not much better. Shareholders will perhaps not be surprised at being told that we have been able to transfer the sum of £53,098 only (£178,014) to the credit of profit and loss account.

MARINE, AVIATION AND TRANSIT ACCOUNT

Our marine premium income, amounting to £891,591, represents an increase of £211,396 over the 1950 figure.

As to claims, it will be seen that payments totalled £521,475, as against £392,105 in the previous year—an increase of £129,370. In my statement last year I sounded a note of warning in regard to the trend of both hull and cargo business. I wish I could feel happier today. In making a transfer to the credit of profit and loss account we have, therefore, limited ourselves to a figure which does no more than cover taxation on profits.

LIFE DEPARTMENT

The new business completed during 1951 constituted a record in the history of the company. The sums assured under new life assurances amounted to £5,641,967 after deduction of reassurances. Deferred annuities amounted to £482,546 per annum.

The premium income, £2,239,259, was £377,896 more than the 1950 figure. The average gross rate of interest earned on the fund increased by 7s. 3d. to £4 8s. per cent and the corresponding net rate by 7s. 1d. to £3 12s. 6d. per cent. The expense ratio increased by only 1s. 3d. per cent from £12 8s. 9d. per cent to £12 10s. per cent.

The actuarial valuation as at December 31st last revealed a surplus of £673,288. Included in this figure is the sum of £218,776 brought forward from 1950 and £153,649 released as the result of certain minor modifications in the bases on which the estimates of liabilities were made.

In view of the marked rise in the level of interest rates the directors considered it desirable to set up a reserve to cover possible depreciation in the market value of investments other than Stock Exchange investments. They have, therefore, set up an investment reserve of £200,000.

Interim bonuses and bonuses on reassurances received from other companies absorbed £13,615 and the sum of £19,403 was written off securities. The balance of the surplus, amounting to £440,270, has been carried forward.

PROFIT AND LOSS ACCOUNT

Your directors have decided to pursue, in the case of overseas taxation, the same policy as that which they have followed for some years now in connection with United Kingdom taxation, that is to debit the account not only with taxes paid during the year, but, in addition, with taxes which our operations during the year will attract. Thus for 1951—and for 1951 only—we provide for a double dose of overseas taxation.

APPROPRIATION ACCOUNT

The balance brought down from the profit and loss account amounts to £558,823. Out of this sum your directors have decided to transfer £300,000 to the fire fund, thus bringing the "Additional Provision" up to £1 million. Having done this and having provided £147,262 for the dividend at the rate of 12s. 9d. per share, 6s. per share of which was paid in November last, the total carry forward amounts to £871,939.

GENERAL

It is always with a sense of great pleasure that I am able to use this annual statement as a medium for conveying to our many friends—be they members of our local boards, directors of our subsidiary companies, or our other business connections throughout the world—a word of appreciation of their loyalty and unswerving support.

All of us, together, are associated in a world-wide business and, in the building of that business, a cottage has become a great international city in which a mass of different people, speaking many different tongues, have come to understand a common language. It is the language of security.

PHŒNIX ASSURANCE COMPANY

STEADY PROGRESS IN ALL SECTIONS

NEW RECORDS ESTABLISHED

The one hundred and seventieth annual meeting of the Phœnix Assurance Company Limited, will be held on June 4th at Phœnix House, King William Street, London, EC.

The following is an extract from the statement by Mr William Shearer, the chairman, which has been circulated with the report and accounts for the year 1951:

It has been usual to commence my review of the past year's operations with a reference to changes in the directorate and on this occasion I have to record the resignations of the Rt. Hon. Anthony Eden and the Rt. Hon. Lord De L'Isle and Dudley, who left us in November last to take up the Ministerial appointments of Foreign Secretary and Secretary of State for Air respectively. In accepting these resignations and extending best wishes for success in their important new duties, the board also placed on record warm appreciation of the splendid service these directors rendered to your company.

Before reviewing the accounts there is one further development of importance that I bring to your notice. In July of last year, our general manager, Mr E. B. Ferguson, was elected by his colleagues of the British Insurance Association as its chairman, the highest honour in this business which can be given to any insurance manager. This association consists of over 200 member offices, comprising the whole of the insurance company market, including tariff, non-tariff and mutual offices. In these days when so many problems confront our great industry we know, from the leadership and guidance which he has always given to the "Phœnix," that he is well qualified to tackle them. We wish him every success during the remainder of his period of office.

The year 1951, the 170th of the company's existence, has seen no lessening of the difficulties under which our world-wide activities are conducted, and it is, therefore, the more gratifying to be able to report steady progress in all sections of our business. The premiums in the fire, accident and marine departments established new records for the company, and now amount to almost £27 million. The aggregate net underwriting profit of £1,295,000, whilst less than the previous year's record figure, is nevertheless a most satisfactory outcome of our international operations.

FIRE DEPARTMENT

Premiums of £10,039,000 show an increase of £789,000 on those for 1950. Our income in this department has, in fact, almost doubled since the last war ended. Admittedly some of the growth has arisen from the devaluation of the pound, but in looking at our 1951 premiums as compared with those of the preceding year, this factor had no influence and the increase was wholly derived from a general expansion of our operations.

There is a welcome improvement in the claims ratio which at 42.6 per cent is one of the lowest we have had in the last fifty years. This favourable figure was achieved notwithstanding a fairly general increase in fire wastage occurring throughout the world, with the exception of Canada where the heavy experience of 1950 was reversed. The hurricane which struck Jamaica in August caused serious damage to all kinds of property, but our policy of granting hurricane cover in these vulnerable areas, only as accommodation to our important insured, saved us from too severe loss. In the United States the total fire losses for 1951, as estimated by the National Board of Fire Underwriters, were $731,400,000, an increase of 6 per cent over the previous year, and in the United Kingdom the estimate was £23,148,000, an increase of 18 per cent. This latter amount is unfortunately an all time record and represents a waste of materials which the country can ill afford at present. I cannot emphasise too strongly that this drain on our national wealth could be greatly reduced by the exercise of reasonable care.

We report a slight increase in the expense ratio from 43.7 per cent to 44.7 per cent in 1951. There was scarcely a country in which we operate where costs have not moved against us.

The profit of £882,000 is, in ratio, almost the same as that produced in 1950, but in amount is again a record, and I would remind you that it has been secured after setting aside a provision for unexpired risks at a rate of 50 per cent of premiums, which we established for the first time at the end of 1950. This means that of the premium increase of £789,000, no less than £394,500 has been retained in reserve—£78,900 more than would have been required on the former 40 per cent basis.

ACCIDENT DEPARTMENT

Premiums amounted to £14,186,000—£1,528,000 more than the 1950 figure. Again, this substantial increase reflects in a measure the continuance of inflationary conditions in many parts of the world, together with some increases in premium rates, but there has also been real expansion of our business in most countries in which we operate.

We write a substantial proportion of our business in the United States of America, where the whole postwar period has been a most trying one for casualty insurers. Automobile insurance there has again been unprofitable.

A development of considerable interest there is the recent introduction of a rate-making formula which brings the level of rates up to that indicated by the very latest available claims experience. This is a much-needed recognition of one of our serious problems.

It may perhaps be asked why we should continue to transact motor insurance whilst it remains so unprofitable. The position is, however, that this class of business forms an integral part of the service we give to the general body of our policyholders and we could not withdraw our protection in this one class of risk without injury to our connections and avoidance of our public responsibilities.

The numerous other types of risk handled in the accident department have, generally, produced good results. Workmen's compensation insurance in the United States, of which we have a substantial volume, did not run well in 1951, but there are good prospects that this business will be restored to a more satisfactory basis. In the United Kingdom, insurance of the common law liability which remained on employers following upon the repeal of the Workmen's Compensation Acts, has proved more onerous than was originally thought. It will be remembered that last year I said there were indications that the scale of rates for this class of business might require revision. In a number of trades, these higher rates are now coming into force.

The loss ratio in the accident department at 54.3 per cent was almost identical with that of the previous year. There was a slight decline to 39.6 per cent in the ratio of commission expenses and taxes overseas. Because of the substantial advance in premium income an additional amount of £611,000 was required to provide for unexpired risks and there is a balance to be transferred to profit and loss account of £252,000.

LIFE DEPARTMENT

I should like to refer to the rise in interest rates consequent upon the Government's anti-inflationary policy under which the Bank Rate has once again become a forceful weapon in support of the purchasing power of the pound. Whilst this return to a more realistic state of affairs, as opposed to the cheap money era, was essential in order that sterling should retain its leading place as an international currency, it resulted in a considerable depreciation in the value of Stock Exchange securities as at the close of 1951. Your directors have accordingly deemed it prudent to transfer £500,000 from life fund reserves to the investment inner reserve in this account.

The gross rate of interest earned on the funds before making this transfer has risen from £4 2s. 4d. per cent to £4 7s. 8d. per cent, and the net rate from £2 18s. per cent to £3 2s. 9d. per cent.

Our net new sums assured during 1951 amounted to £6,517,000, which again constituted a record for the company. The funds increased during the year by over £1 million to £28,321,000 after allowing for the transfer to investment inner reserve which I have just mentioned. For the first time our net life premium income passed the £2 million mark, having increased during the year by £185,000 to £2,054,000. A feature of our trading is the continued development of our pension business, both under group schemes and under individual pension arrangements.

The mortality experience continues to be favourable and the expense ratio follows much the same course as in previous years.

MARINE DEPARTMENT

We record a further advance in premium income which now amounts to £2,720,000, being £393,000 more than for 1950. This increase is mainly due to a continued rise in world prices. After transferring £160,000 from the profits of previous years to profit and loss account, our marine fund of £3,815,000 is larger by £225,000 and represents 140 per cent of the higher premium income for 1951. This fund is regarded as amply sufficient to meet all outstanding losses and liabilities.

PROFIT AND LOSS ACCOUNT

The first item shown here is that of interest, dividends and rents. Once again we have achieved a substantial increase in gross interest at £1,338,000, but, as you know, income tax was deducted at 9s. 6d. in the £ as compared with 9s. in the previous year, and thus the net figure of £710,000 is only £42,000 in excess of 1950. The total transfers from the revenue accounts amount to £1,295,000 and out of these receipts we must set aside a provision for United Kingdom taxation which, at £925,000, is perhaps higher than might have been expected in view of the reduction in the profit. The heavy charge is due to the increase for 1951 in the rate of Profits Tax on distributed profit as well as to the higher rate of income tax.

It is appropriate at this stage to refer to the excess profits levy. Doubts have been expressed on all sides as to the wisdom of imposing such a tax at the present time, as it is considered that its long-term effects must be harmful to industry. Much criticism has been directed at the rigidity of the method to be used in arriving at the standard profits and at the choice of the years 1947, 1948 and 1949 for this purpose. We in the insurance industry feel that it penalises us unduly.

It will be recalled that in the years since the war, strenuous efforts have been made to increase insurance earnings from abroad, and particularly from the USA and Canada. Considerable success has attended these efforts, thereby adding appreciably to the country's invisible exports at a vital time. It therefore appears to us inequitable that the fruits of our enterprise, now included in our accounts at inflated sterling values, are to be compared, for excess profits levy purposes, with the results of the years prior to the devaluation of the £ sterling. The inclusion of the year 1950 as one of the standard years would go some way towards mitigating this obvious hardship and providing some incentive to the further increase of dollar earnings which we have always recognised the Chancellor so much desires. We anticipate having to set aside in 1952 an even higher proportion of our profits for taxation, and to that extent we shall be denied the opportunity of further strengthening our free reserves.

To return to the profit and loss account items, there is the usual transfer for pensions. As to the dividend, we have maintained the rate at 15s. per share, to which it was increased last year. After making provision for this, we are able to carry forward a balance of £1,563,000, which is an increase of £321,000 on last year.

Finally, I must once more pay tribute to all those associated with me who have given their best in another difficult year. To all my fellow directors of the parent company, to the boards of our associated companies and to the members of our local boards in all parts of the world, to our executive officials, branch managers, staff and agents, I tender my warmest appreciation of their work and congratulate them on their success. We have every reason to feel proud of the virility, strength and world-prestige of the "Phœnix."

ROYAL INSURANCE COMPANY, LIMITED

106th ANNUAL REPORT

RECORD PREMIUMS £42,650,000

COL. A. C. TOD'S WORLD SURVEY

The annual general meeting of the Royal Insurance Company, Limited, will be held on June 4th in Liverpool.

The following statement by the chairman (Colonel A. C. Tod, CBE, TD, DL) has been sent to stockholders with the 106th annual report and accounts.

I am glad to say that, in 1951, our business throughout the world developed and progressed with every sign of undiminished vigour. Fire, accident and marine premiums, at the record total of £42,650,000, were almost 20 per cent higher than in the preceding year, and new sums assured in the life department exceeded the £10 million mark for the first time in our history.

It is significant—and immensely gratifying—that our overseas business has shared fully in this marked expansion. Nearly three-quarters of our entire business came from abroad: a fact I record with some pride at a time when the contribution of invisible exports to the balance of payments is still so vitally important.

Underwriting results receded from the favourable levels of recent years. Even so, the fire and marine business showed satisfactory profits, but the accident account did little more than break even.

The total profit was £2,024,000 or 4.75 per cent of the premium income.

CONFIDENCE IN STERLING

Our task, as exporters of insurance, is by no means easy. We have to face—naturally enough—the competition of indigenous insurers; we have to cope with a maze of exchange regulations with all their restrictive drag on currency remittances; and we have to submit to legislative measures which, in many countries, impose considerable restraint on us to the advantage of the local market.

But there is one vital problem which has its roots here at home: the problem of confidence. It is so important to remember that we are trading, not in material things, but in an intangible—a "Promise to pay." That being so, our success in the markets of the world rests entirely on confidence. The reputation of British insurers was never higher. But, in many territories where we operate, we have been disturbed by the evident lack of confidence in the financial state of the United Kingdom: a lack of confidence which becomes more pronounced with each succeeding financial crisis at home.

This mistrust arises essentially from the unconvertibility of sterling. I know that there is no easy way by which this can be set right, but failure to do so is bound to have a cumulative effect upon the invisible exports on which our trade balance so vitally depends. I believe that this is one of the most important problems to be tackled in the long term interests of this country, and I earnestly trust that our leaders will not flinch from the hard course. I believe that our people are willing to accept drastic remedies if these are properly presented and explained, and there can be no doubt as to the revival of confidence overseas which would result.

OVERSEAS OPERATIONS

In the United States of America—with which great country our own company has been closely linked for one hundred years—the story of 1951 is not dissimilar to that which I reported last year.

We recorded again a considerable rise in premium income, with an overall result that has been satisfactory, though less favourable than in 1950. The reduction in the profit was due chiefly to heavier losses on the casualty side, of which automobile claims were again the major problem. Automobile premiums were increased substantially in 1951 in most States, but the effect will not be fully reflected in the results until this year. Experience is continually under review and further increases will almost certainly be required in 1952.

Our Canadian operations, too, show substantially increased volume; fire results were particularly favourable, but here also casualty business did not on this occasion produce a profit, mainly due to unfavourable automobile claims experience.

Our results in Australia—although satisfactory—were affected by the devastating bush fires which caused such tragic loss to the agricultural communities of the Eastern and Southern States.

In New Zealand, our most distant sphere of operations, we can report substantial progress. Our accident account in particular has benefited from the return of Workmen's Compensation business to private enterprise after a short period of nationalisation.

In the other overseas' territories in which we operate we can broadly survey a year of progress and development, though naturally the picture is not entirely uniform.

Our affairs in India, South Africa, South America and the Continent of Europe continue to progress. Development was maintained in each area and, despite exchange and other difficulties, all our branches were able to make a satisfactory contribution to our global results.

LIFE DEPARTMENT

Year	New Sums Assured	New Annuities (Per Annum)	Claims by Death	Maturing Endowment Assurances
	£	£	£	£
1951	10,663,180	414,705	880,157	1,352,568
1950	9,240,613	308,178	1,009,743	1,278,721

In the life department the considerable increase of nearly £1½ million in new sums assured was well spread over the territories in which we do life business both at home and abroad whilst the increase of nearly 35 per cent shown in new annuities was almost entirely due to a further expansion of home business under staff pension schemes.

In 1951, the mortality experience was exceptionally favourable, so that, despite the increase in the business in force, the claims by death were about 13 per cent below those for the previous year.

FIRE DEPARTMENT

Year	Net Premiums	Profit	Percentage of Premiums
	£	£	
1951	20,023,505	1,673,904	8·36
1950	16,916,294	1,856,308	10·97

Our fire premium income has, for the first time, passed the £20 million mark.

Home fire premiums, reflect the higher prices and costs which occurred during the year. The increase is most noticeable in the industrial section of our portfolio; but there is still considerable under-insurance in the case of dwelling houses, shops and similar properties.

ACCIDENT DEPARTMENT

Year	Net Premiums	Profit	Percentage of Premiums
	£	£	
1951	18,545,687	25,709	0·14
1950	15,453,602	351,159	2·27

Although our accident premiums have expanded, the trend towards higher claims costs has continued, and, in some sections, has been considerably accelerated, so that the business of this department shows only a very small margin of profit on the year's working. Rate increases have been applied in the motor and employers' liability sections, but it seems unlikely that they will prove sufficient.

MARINE DEPARTMENT

Year	Net Premiums	Fund as at Dec. 31st	Percentage of Net Premiums
	£	£	
1951	4,080,410	7,227,956	177·14
1950	3,327,386	6,743,203	202·66

Our 1950 marine underwriting account has been closed with a profit of £324,210, or 9.74 per cent of the premiums.

The past year's premiums—for the first time, exceeding £4 million—reflect the rise in values of tonnage and commodities. As cargo rates are now even lower than they were in 1950, a note of warning should, perhaps, be given that the 1951 account carries a heavier burden of liability.

FOREIGN EXCHANGE

Apart from the United States and Canada, currency figures have been converted at approximately current rates of exchange. In dealing with our business in the United States and Canada, we have continued to convert the dollars at approximately $4.86 = £1. Actual remittances, however, from all countries have been taken at the sterling values realised.

DIVIDEND

The directors were able to recommend a final dividend of 4s. 9d. per £1 stock, making, with the interim dividend distributed in November last, 9s. 6d. for the year, as compared with 8s. 6d. for 1950 and 7s. 6d. for 1949.

FRIENDS' PROVIDENT AND CENTURY INSURANCE

The annual general meeting of the Friends' Provident and Century Life Office was held on May 14th in London. Mr Herbert G. Tanner, JP, the chairman, said:

I announce with much regret the retirement of that stalwart friend of the office, Bernard H. Brigham. To succeed him as secretary your directors have appointed Samuel Arthur Mills.

Each year since I have been in the chair it has been my pleasant duty to report continued progress in all departments of our business and this year is no exception.

New life sums assured increased by over £4½ million to the record total of £15,672,551. Increasing advantage is being taken of our expert knowledge and special experience of group life and pension business. The strong position of the life fund enabled your directors on the recommendation of the actuary to increase the rate of bonus from 30s. per cent compound to 32s. 6d. per cent compound. Your directors have also approved a revision in the rates for immediate annuities and special guaranteed annuities which will make these contracts even more attractive.

Fire trading throughout the world has again been good and it is gratifying to record a substantial profit. The net premium income continues to expand at a satisfactory rate and the results prove that quality is not being sacrificed to quantity. In the accident department our personal accident and miscellaneous accounts have produced good results; but employers' liability and motor business continue to cause anxiety. It is not yet possible to judge the effect of recent rating revisions upon employers' liability insurance, but it is clear that last year's very modest increases in motor rates are inadequate to keep pace with the ever-mounting costs of repairs and of court awards. The position remains under constant review. Overseas we are pursuing our planned development of accident business and our income from this section of our operations has increased substantially. It will be observed that for the first time the accident net premium income exceeds £1 million. From these and the other departments we have earned a profit of £313,469.

In all departments there is a gratifying reduction in the expense ratios. The total premium income of the group is now in excess of £10 million; the total funds exceed £40 million.

New money becoming available has been invested to better advantage than in recent years as a result of the higher level of interest rates; the satisfactory increase from £5 7s. 9d. per cent to £5 10s. 0d. per cent in the gross rate of interest earned is partly due to this cause. Although there was a fall in the prices of stock exchange securities during the past year, our reserve fund for depreciation of investments enabled us to meet this liability with a substantial margin in hand.

At no time in the world's history has there been such a realisation that if living standards are to be maintained in the West and raised to a reasonable level in Asia and Africa resources everywhere must be developed. Your organisation with its large funds cannot stand aside and I believe we shall be following your wishes, as well as serving your interests, by taking our share in this task. You will not need me to tell you that we shall act with that caution and prudence which have always been characteristic of the Friends' Provident and Century.

The report was adopted.

PARKINSON & COWAN, LIMITED

RECORD TRADING RESULTS

SIR GEORGE JESSEL'S ADDRESS

The fifty-second annual general meeting of Parkinson & Cowan, Limited, was held, on May 9th, in London.

Sir George Jessel, Bt., MC (the chairman), in the course of his address, said:

Our accounts for the year ended December 31, 1951, show a consolidated trading profit of £524,054 (£379,748 in 1950). After deduction of depreciation, debenture interest and redemption, income tax and profits tax, we are left with £147,014 (£122,741 in 1950). The substantial increase in trading profit marks a successful year, though we must not forget that in times of rising prices a healthy company's profits expand naturally. We produced more goods per unit of labour employed, we continued at an accelerated pace the re-equipment and improvement of our factories, and we devoted an even larger proportion of our revenue to the research and development of new products which are the lifeblood of our business.

Your directors recommend that we repeat our distribution of last year by the payment of a 7 per cent ordinary dividend and a 2 per cent. bonus. Of the balance of £93,312, we have applied the sum of £50,746 to reduce the goodwill in our consolidated accounts to the round figure of £1,000, which leaves the sum of £42,566 to increase the carry forward to £193,919.

ELIMINATION OF GOODWILL

I have referred to our reduction of the consolidated goodwill item to a nominal £1,000. I hope that the stockholders will derive satisfaction from the fact that in 1945 this item stood at £164,000, whereas today our consolidated balance sheet is clear of all intangible encumbrances and shows the finances of our company in a simple, solid, and in our view, satisfactory condition.

DEPRECIATION

I draw your attention to the heavy depreciation of £114,000 (£93,000 last year) which we have applied to our fixed assets. There is in these days an element of unreality in the application of the word "depreciation." The fact is that many of the assets which your company owns, far from depreciating, have considerably appreciated in recent years and the true value of our fixed assets greatly exceeds the figure shown in our accounts. Against this, in the engineering industry obsolescence is often a more costly factor than depreciation, as the latter term is normally used. We prefer to deal with the whole conundrum of replacement values by the omnibus process of using exceptionally high "depreciation" rates.

THE STATE OF THE COMPANY TODAY

I think that stockholders would be encouraged if they could see all our activities and study our plans for new and improved products. We believe that size for size the versatility of our group is exceptional. In changing times this adaptability is a source of strength to us but, as I have told you in past years, it does create very heavy burdens for our higher management. We are now carrying a large load of production work for the armed forces which combined with our basic business is keeping our factories fully occupied.

The provisions of the Excess Profits Levy will fall with especial severity upon your company, as our profits since 1945 have climbed more steeply than the average, but whatever may be the immediate hardships of taxation and market uncertainties your board feels that our long-term prospects are excellent. We are solidly entrenched in many lines of business in which the longer future appears to us to range upwards. Our managerial and technical staffs, which constitute the foundation of our business, are skilful and determined, our mechanical equipment is modern, and we can look at the future with bright expectations.

The report and accounts were adopted.

The retiring directors, Sir George Jessel and Mr R. J. Rogers, were re-elected and the chairman concluded with a tribute to the managing director, Mr H. P. Barker, and to the staff and workpeople.

THE BRITISH OXYGEN COMPANY, LIMITED

RECORD RESULTS

The sixty-sixth annual general meeting of this company was held on May 15th, in London.

Mr J. S. Hutchison, the chairman, in the course of his speech, said: The year 1951 brought new sales and production records in almost all sections but was affected by continuous and heavy advances in operating costs. The consolidated trading profits at £4,595,000 include the profits of all our home and overseas companies, and show an increase of £369,000 which arises from sources of general expansion. The increase in trading profit is almost entirely absorbed by an additional £140,000 for depreciation and an additional £215,000 for taxation, leaving net profit up by only £13,000 after these charges.

At this early stage it is impossible to forecast with any pretence to accuracy the effect excess profits levy may have on us but our impression is that on earnings at the level we are reporting to you today any payment of excess profits levy will not be very important. It must be clear to you, from the way in which our additional £369,000 of trading profit for last year dwindled to £13,000 after depreciation and taxation just how little chance industry has today, quite apart from any new difficulty of excess profits levy, of setting apart profits to create capital for its necessary expansion or even the replacement at greatly enhanced cost of those assets which have become worn out in the twelve years or more we have had of very high taxation. Taxation affects the methods by which industry must obtain the capital it requires for expansion and for the launching of new enterprise.

TAXATION AND NEW CAPITAL

It is harmful that industry should suffer serious penalties on the raising of capital. I am quite aware that the taxation features causing them fit conveniently into the pattern of existing taxation law and practice but surely when the basis of taxation is being reconsidered some ready method can be devised of removing those disabilities which bear so heavily on capital issues and which appear not to have been designed to act as they do but to have arisen unintentionally as a part of the general taxation system. These are taxes on enterprise which add appreciably to the already great discouragements to progressive industry in its endeavours to bring to practical application the oft repeated injunction to do everything to help the National objective of increased production and increased efficiency.

I appeal for a new and realistic outlook which will give encouragement to industry to forge ahead and I am convinced unless there is to be some encouragement that a time is fast approaching when the will to advance will become so blunted that we shall be in danger of losing that ability to pioneer which is so characteristic of our race.

It is gratifying to be able to record today excellent progress by our overseas associated companies in the past year.

The expansion in sales continues and our totals to date in the current year at home and overseas are fully satisfactory, but we must bear in mind that there have been far reaching changes during the last six months in the conditions regulating the National economy, and I do not think some of these changes have yet made their full impact on business.

I trust I shall not be proved to be lacking in caution if I express the hope that next year we can put before you accounts which you will find satisfactory.

The report was adopted.

SUN INSURANCE OFFICE

EXCELLENT FIRE RESULTS

DIFFICULT YEAR FOR ACCIDENT BUSINESS

The annual meeting will be held on June 10th. In the statement issued by the chairman with the accounts Mr Pryor first mentioned the two new directors. He said that, having regard to the many years during which his father and he had been on the board, it gave him the greater pleasure to refer to the appointment in June last of his son, Mr R. M. M. Pryor, MBE.

Mr C. H. Villiers, MC, was appointed at the same time and, as chairman, he was sure that the office was to be congratulated upon the addition of one who could and would be of real value by reason of his practical financial experience.

The retirement had been announced of Mr H. W. Stokes, the deputy general manager, on the grounds of ill-health. It was with sincere regret that the directors agreed to this course as from March 25th last. Mr S. V. Bangert had been appointed assistant general manager, Mr W. R. Stevenson joint secretary, and Mr R. Macdonald Smith an assistant secretary. Good wishes were extended to Mr C. Axten, manager, city branch, Mr J. H. F. M'Guire, manager, Fenchurch Street branch, and Mr W. H. Hudson, joint branch manager at Manchester, in their retirement.

Increasing values, he stated, had not by any means always been followed by the maintaining of full cover which alone could give policyholders complete indemnity when loss was suffered. On the question of premium income he gave a comparison with the year 1950:—

	1951	1950
	£	£
Fire ...	6,445,516	5,840,970
Accident...	6,465,686	5,775,124
Marine ...	1,345,600	949,648
	£14,256,802	£12,565,742

FIRE INSURANCE

The advance in fire premium income was £604,546. Although substantial fires had occurred from time to time throughout the year at home and overseas, they had again secured a useful margin of profit. In Canada they achieved improved results and the USA also made its contribution upon a somewhat higher level. The profit, amounting to £815,390, to be transferred to the profit and loss account was 12.65 per cent of the premiums.

ACCIDENT BUSINESS

A premium increase of £690,562 was recorded. The transaction of motor insurance had continued to be difficult all over the world. They had found that in Australia, Canada, New Zealand and the United States of America it had been particularly costly. The adjustment of rates in these and other areas was receiving constant attention, but in present conditions further advances in the cost of repairs and third party claims might well tend to offset any benefit almost before it accrued.

There had been a marked deterioration in the results of Employers' Liability business in this country. The rise in the level of damages had been reinforced by the ever more onerous liabilities falling on employers. The total accident profit was £95,146.

MARINE BUSINESS

The marine income increased by £395,952. Since January 1, 1951, they had been operating with the North British and Mercantile Insurance Company, Limited, and the Royal Exchange Assurance under the experienced underwriting control of Mr A. W. Theobald. 1951 was unlikely to prove so attractive to underwriters as previous years, particularly as in the closing months there was an unusual number of serious marine casualties.

A transfer of £100,000 to profit and loss account had been regarded as appropriate, leaving in the fund a sum of £1,871,999, representing 139.12 per cent of the premiums.

PROFIT AND LOSS ACCOUNT

The transfers from the three revenue accounts totalled £1,010,536. Interest, dividend and rents, less tax, increased to £379,219. £545,000 had been provided for United Kingdom taxation. The amount transferred to the pension fund was £210,000 and £10,049 to the staff widows and orphans fund.

An interim dividend was paid on January 1st at the rate of 2s. 2d. per share, less tax, and it was proposed that a final dividend be paid of 2s. 6d. per share, less tax, making the total dividend payment for the year £294,000.

The book value of the investments stood at £15,813,764, which compared with £14,901,282 last year. The market value of the investments left, in the aggregate, a substantial margin over the book value, thus representing an important additional security to policyholders and shareholders.

The chairman, after paying tribute to the loyalty and efficiency of the management and staff at home and abroad, under the leadership of the general manager, offered his warmest thanks to them, the advisory committees, local directors and other representatives throughout the world.

AGRICULTURAL MORTGAGE CORPORATION, LIMITED

RECORD LOANS

The annual general meeting of this company was held on May 14th in London.

Mr E. J. Bunbury, MC, the chairman, in the course of his speech, said:

We have experienced during the year a steady increase in the demand for our long-term mortgage loans. This is doubtless partly due to the special advantages of our loans, which cannot, like bank loans, be called in during the period of the loan, except for failure to carry out the covenants and maintain the instalments. The total of new loans completed during the year, amounting to just under £5 million, has broken all previous records in the twenty-three years of the corporation's existence and represents an increase of 19 per cent over the previous year's figure.

Furthermore, the total of loans sanctioned by the directors and in course of completion at March 31, 1952, was just under £2 million and over half a million more than the corresponding figure a year ago. This indicates that the increased demand for our credit continued right up to the end of our year, in spite of the fact that on a rising money market our lending rate had been raised during the year progressively from 4 per cent to 4½ per cent, 4¾ per cent, and finally to 5½ per cent in February, 1952.

Our lending rate is entirely dependent on the rate at which we can issue our public debentures in the money market, plus the cost of running our rapidly increasing business. Our objective remains so to arrange our long-term credit business that it can diminish and finally dispense with the annual loan or grant made by the Ministry for a limited period ending in 1959, when our 5 per cent debentures can first be redeemed.

SERVICE TO COMMUNITY

I feel that this unique experiment in long-term finance for agriculture is now well on its way to carrying out our important service to the industry without special subsidy. No concern such as ours can expect to settle down on a proper basis until the volume of its business has reached a certain size and until the refunding of its series of debentures enables it to have some degree of flexibility in its own finance, which in turn will be to the benefit of borrowers. If we achieve that self-sufficiency by 1959, after a comparatively short existence of only 30 years, the corporation will have established a valuable new channel for providing agriculture with a type of finance suited to its special long-term needs.

In days of stress and troubles the security of good farm land remains perhaps the most enduring security available in a country with such rich farming capacity and dependent for its economic well-being on the necessity of living as far as possible off its home-produced food. Our loans are well spread over England and Wales and the underlying security is valued for loan purposes on its strictly farming value.

The amount available on profit and loss appropriation account is £22,583. Of this, £2,688 has been transferred to special reserve, £8,083 has been written off the discount at which the four and a half per cent, three per cent and three and a half per cent debenture stocks were made and £10,274 has been written off the items for expenses of issuing our debenture stocks, leaving a balance of £537, which the directors propose to carry forward.

The report was unanimously adopted.

THE RHODESIA BROKEN HILL DEVELOPMENT COMPANY, LIMITED

The forty-second annual general meeting of The Rhodesia Broken Hill Development Company, Limited, will be held at Kitwe, Northern Rhodesia, on June 4th.

The following is an extract from a statement, dated May, 1952, by the chairman, Sir Ernest Oppenheimer, circulated with the annual report and accounts for the year ended December 31, 1951:—

The past year's operations resulted in establishing new records for this company. Sales, which amounted to almost £8 million, were nearly double those of the previous year, while the resulting profit, before taxation, of approximately £5,750,000, is almost precisely £3 million greater. These figures are a reflection of the high prices of zinc and lead which obtained throughout the greater part of 1951.

METAL PRICES

The figures now published must, however, be regarded as abnormal. Since the beginning of 1952, world prices of both zinc and lead have fallen and, on present indications, it is likely that the current year's operations will show a smaller profit, although there is every reason to think that it will still be most satisfactory. At the present time, however, the indications are that a buyer's market has developed.

Many members will have seen reference in the Press to the serious flooding which took place at the mine during March of this year. This was caused by completely abnormal and protracted rains, resulting in underground waters in the vicinity rising in many places almost to ground surface level. The volume of water was in excess of pumping capacity, and it was necessary to remove equipment and temporarily to discontinue working on the 550 foot level. Emergency steps were taken to provide increased pumping capacity, and these fortunately coincided with the complete cessation of the rains. While it may well transpire that similarly heavy rains will not occur in the future, the provision of additional pumping capacity, capable of dealing with any recurrence of the abnormal situation, is under consideration.

DIVIDEND DECISION

In deciding to recommend to members a final dividend of three shillings and threepence, making four shillings and sixpence per stock unit for the year, your Board were actuated primarily by the view that members were entitled to receive by way of dividend the fruits of the past year's favourable results, but they nevertheless considered that it would be wise to set aside some part of the profits and therefore decided to place £500,000 to general reserve.

In conclusion, I reiterate what I have said earlier in this statement—that I do not expect the record results of 1951 to be repeated this year. Your company's affairs are, however, in excellent order, plant extensions have necessarily been delayed, but their completion in the near future is now certain and will ensure that the treatment of your company's ores is on a properly balanced basis. This fact, combined with the present very satisfactory financial position, enables me to regard this company's future prospects with every confidence.

Copies of the annual report and accounts may be obtained from the Head Office, Kitwe, Northern Rhodesia, or from the Transfer offices at 44, Main Street, Johannesburg, and 11, Old Jewry, London, E.C.2.

THE HIGHLANDS & LOWLANDS PARA RUBBER COMPANY LIMITED

RECORD PROFIT EARNED

MR T. B. BARLOW'S STATEMENT

The forty-sixth annual general meeting of The Highlands and Lowlands Para Rubber Company, Limited, will be held on May 20th, at Plantation House, Mincing Lane, London.

The following is the statement by the chairman, Mr T. B. Barlow, which was circulated with the report and accounts.

Once again the report and accounts carry good news of the largest profit ever earned. But this entails the liability estimated at £245,000 for taxation after the payment of £87,000 in Malayan Export Duty and Quit Rent. Having allowed for taxation and adding the net amount brought forward, there remains in round figures £245,800. Fixed assets exceed capital and capital reserves by over £188,000 so that it is expedient to transfer £50,000 to general reserve bringing it up to £200,000 and thereby balancing our capital position. Immature areas of rubber and oil palms may well cost £150,000 to bring to maturity, hence the large appropriation of £75,000 to replanting reserve. Buildings and machinery have increased by nearly £47,000 in the year and note (3) on the balance sheet draws attention to the fact that contracts for over £88,000 have been placed (these are chiefly in respect of oil palm machinery) hence the appropriation of £22,000 to reserve for depreciation of buildings and machinery. This explains why the dividend for the year is only 25 per cent.

The chief event of the year was the appointment of General Sir Gerald Templar as High Commissioner. He deserves the wholehearted support of all responsible people, and if he deported a few journalists whose news is tinged with left wing propaganda his task might be easier. Sir Gerald has made a singular improvement in morale and organisation, and with unfailing support from all sections of the community he should clear up the folly of dual administration and restore the country to peaceful conditions. Carping criticism in parliamentary debate and elsewhere cannot be too strongly deprecated.

TAXATION BURDENS

Excess Profits Levy may well be the last straw in a series of burdens that have befallen the plantation industry. The Japanese occupation entailed four years' neglect of estates and the loss of a large proportion of young rubber. Then in 1945, rubber was sold to America at 10d. a lb. This was a sacrifice to national expediency and good relations with America, which it has been calculated cost the plantation industry as much as the whole Marshall Aid which England received from America.

After that there was the delay in settling war risk and war damage claims. In 1951 at the instigation of Whitehall a special export tax was imposed in Malaya for precisely the same purpose and there can be no justification for being twice mulcted for the same reason. The Rubber Growers' Association and some of our friends have made representations to the Chancellor pointing out that already we are paying about 75 per cent of our profits in taxes and it is equitable and expedient that rubber plantations should be exempted from E.P.L.

The importance of the main industries of Malaya cannot be too forcibly stressed when we realise that in 1951 the country's trading produced no less than US $320,000,000 net for the Empire Dollar Pool or slightly more than in 1950. It is important, therefore, to

maintain the price of our commodities as a depression in the produce markets would have most unfortunate consequences, both economic and political.

BRITISH-AMERICAN TOBACCO COMPANY, LIMITED

SATISFACTORY INCREASE IN SALES

MR T. F. WINMILL'S SPEECH

The forty-ninth annual general meeting of British-American Tobacco Company, Limited, was held on May 9th in London.

Mr T. F. Winmill (the chairman), in the course of his speech, said:—

Prudent financial policies which have been followed consistently have had the satisfactory result that we and our associates have not been unduly embarrassed in meeting the strain of long continued inflation, but have even been able to continue to expand business wherever a suitable opportunity offered.

This meeting is taking place during an acute crisis in the nation's affairs and at a time when it is difficult to judge of the effects of the various measures proposed by the government. There can, however, be no possible doubt about measures which tend to hinder the re-building of capital in industry here and abroad.

Your company contributes not inconsiderably to the balance of payments by earnings from direct exports from this country and by earnings from invisible exports in the form of dividends, interest, and royalties remitted to this country from its associated companies. Taxation as it affects these earnings is of first importance to us, and to the country generally.

TAXATION BURDEN

In 1950 I referred to the unsatisfactory rate of progress being made in the negotiation of bilateral treaties for double taxation relief. In that year, some, most welcome but partial, unilateral relief for overseas taxation was granted and, subsequently, further bilateral treaties have been concluded, but the overall situation continues to remain somewhat unsatisfactory. The system of double taxation relief now available in the form of treaty credits or unilateral credits is very complicated and still incomplete. I believe that so far as profits from overseas branches or dividends from overseas companies are not remitted to this country, there is a very strong case for removing them from the charge to United Kingdom taxation altogether.

Last year, in my absence, the vice-chairman referred in quite strong terms to Section 36 of the Finance Act, 1951, which gives the Treasury a power of veto over the removal of control of a business from the United Kingdom, the transfer of its business or part of its business to an overseas subsidiary company, and also the creation or transfer of shares in overseas subsidiaries.

Despite the co-operative attitude of the officials charged with the administration of this Section, the experience we have had of its operation during the past year in no way allays our fears about it. No amount of broadminded administration within the framework of the Section can remove the damage which it is doing to the country's long term interests. In particular, we fear the possible consequences which may arise from this country exercising control over matters which come within the jurisdiction of overseas governments.

The repeal of the Section, has been made much more difficult by the introduction of excess profits levy, which brings into computation all direct and investment income from overseas. In view of the necessity for

improving the balance of payments, and as part of that operation to increase income from invisible exports, and bearing in mind the fundamental reason for the introduction of excess profits levy, there seems hardly any justification for charging overseas income to this tax, thereby penalising those who have been enterprising enough to risk their money abroad and develop their overseas interests since the years which it is proposed be adopted as standard for the purpose of this tax.

COMPANIES IN CHINA

You may have seen reports in the Press that our associated companies in China are handing over their assets to a Chinese Government sponsored company. When this is completed, we understand that the 16 British and 4 American employees still in China will be applying for exit permits, which we hope will be promptly granted. I would remind you that last year it was mentioned in the speech from the chair that our investment in China had been appropriately dealt with in view of its unprofitability, and I would now confirm that it was written off some time ago.

As to the future, continued increase in the volume of our business depends largely on economic factors prevailing in different parts of the world. In some areas there are signs of recession and in other areas the demand for tobacco and cigarettes remains strong, but it would not be prudent to ignore the possibility of some contraction in the demand for consumer goods such as cigarettes and other tobacco products in view of the more general adoption of disinflationary policies. Nevertheless, from the fact that for the first six months of the current financial year the sales of your company and its subsidiary companies continued to show an overall satisfactory increase, we have every hope of being able to present to you next year results at least as satisfactory as those now before you.

The report was adopted.

MONSANTO CHEMICALS LIMITED

NEW HIGH LEVEL OF TURNOVER

MR EDW. A. O'NEAL ON THE GRATIFYING RESULTS

The eighteenth annual general meeting of Monsanto Chemicals Limited, was held on May 14th in London, Mr Edw. A. O'Neal, Jr., chairman and managing director, presiding.

The following are extracts from his circulated statement:—

The results of the company's activities for the year have been very gratifying.

Turnover for the year again reached a new high level, exceeded our budget by 11.6 per cent and was 47 per cent above 1950.

The 1951 results of our company, in a way, constitute a milestone in our progress, marking our evolution from a small business with growing pains into a medium-sized business with ambitions. This is reflected in many ways—employment reached 3,700; stockholders numbered 5,700; assets rose to £11,792,099, and turnover exceeded £10 million for the first time in our history.

That our company should have reached such a stage in its growth in 1951, the year which marked the fiftieth anniversary of the founding of our parent company, Monsanto Chemical Company, is especially pleasing to the directors and to all members of our organisation.

PRODUCTION, SALES, AND EXPORTS

The higher turnover in 1951 is chiefly attributable to increased production and the development of broader and more varied markets, though in some cases full capacity output was not attainable owing to shortage of basic chemical raw materials.

The value of our direct exports was 56 per cent higher than in the preceding year and represented 33 per cent of our total turnover. In addition, we made a further substantial contribution to the Government's drive for increased exports. So far we have successfully met newly developing competition in our foreign markets.

Monsanto Chemicals (Australia), Limited, has continued to expand its manufacture and sales and reports a record turnover again in 1951; its rate of growth continues to our best expectations.

The year's trading of Monsanto Chemicals of India, Limited, showed an appreciable increase over 1950.

Construction of the styrene monomer plant at Grangemouth for Forth Chemicals, Limited, in which we have a one-third interest, has proceeded satisfactorily.

The transfer of the manufacturing facilities of Silicon (Organic) Developments, Limited, to our Newport factory and the absorption of its selling activities by our company was accomplished at the end of 1951.

It is too early to determine the full effect of the proposed changes in company taxation. Nevertheless, there is no doubt that overall a much heavier burden will fall on industry. The reduction in profits tax is welcome, but is much more than offset by the imposition of an EPL; this tax can only be discriminatory and can only hamper the ability and incentive of those concerns upon which the country is largely depending to provide increased exports.

THE PROSPECT FOR 1952

In budgeting the company's production and sales for the year 1952, we have again felt justified in anticipating a further increase in turnover. Shortage of raw materials may continue to restrict volume of production.

The increase in budgeted sales depends upon our ability to increase our exports. Restrictions being placed upon imports of British goods by Commonwealth and European countries, normally our traditional export markets, may have an adverse effect on our total turnover if extended over a long period of time. We expect the pressure of competition to increase during 1952. Accordingly, every effort is being made to increase efficiency and quality of production, sales service, and advertising in overseas markets.

The income of the group for the year was £2,892,987, compared with £1,686,478 in 1950. The group profit carried forward to the appropriation account was £911,929. After providing for parent company's dividends, there remains to be carried forward to 1952 £1,272,371 for the group as compared with £740,099 at the end of 1950.

The report was adopted.

MONSANTO CHEMICALS LIMITED AND SUBSIDIARY COMPANIES

CONSOLIDATED PROFIT AND LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 1951

	1951	1950
	£	£
Balance from Trading Account	2,889,330	1,685,897
Add:—		
Miscellaneous Receipts	3,657	581
	2,892,987	1,686,478
Deduct:—		
Depreciation and Obsolescence	406,307	364,712
Bank Interest	6,123	6,405
Provision for Taxation	1,483,395	695,124
Provision for Auditors' Fees	2,285	2,100
Remuneration of Directors	48,901	36,601
	1,947,011	1,104,942
Net Profit of the Group for the Year	945,976	581,536
Deduct:—		
Proportion attributable to Minority Interests	34,047	36,131
Balance Attributable to Monsanto Group	911,929	545,405
Deduct:—		
Appropriations:—		
Dividends to Shareholders of Monsanto Chemicals, Ltd. (less tax)—		
Preference Dividends	53,977	30,820
Ordinary Dividends	318,937	263,250
	372,914	294,070
Leaving Undistributed	539,015	251,335
To which is added:—		
The Balance brought forward from the previous year	740,099	487,992
Provisions no longer required	...	12,665
	1,279,114	751,992
And from which is deducted:—		
Profit of a Subsidiary Company applied in extinguishing deficit at date of acquisition	...	11,893
Proportion of Profit of a Subsidiary Company not available for distribution transferred to Capital Reserve	6,743	...
Making the Balance Carried Forward	1,272,371	740,099

GEDULD PROPRIETARY MINES, LIMITED

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting on May 6, 1952, said that the ore milled in 1951 amounted to 1,259,000 tons or 20,000 tons less than in 1950, and the average yield at 2.93 dwt was lower by 0.12 dwt. Consequently the working revenue at £2,412,283 was lower by £54,307, or 3d. per ton milled, than in the previous year, despite an increase of £77,819 in the premium obtained from the sale of gold at enhanced prices for artistic and industrial purposes. Working costs increased by 10d. per ton milled, due to further rises in the prices of commodities and to certain increases in wages and other benefits granted to employees during the year under review, leaving a working profit of £658,396, which is £83,790 less than in 1950.

He stated that the dividend income from the company's holdings in East Geduld Mines, Limited, and The Grootvlei Proprietary Mines, Limited, which remained unchanged, amounted to £770,585.

After providing £277,070 for taxation and taking into account the other items specified in the profit and loss account, there remained a net profit of £1,154,476, which was £97,013 less than in 1950. Two dividends totalling £1,077,382, or 14s. 9d. per share, being a decrease of 1s. 9d. per share, were declared, and after making provision for the other items detailed in the appropriation account, the carry forward was increased by £20,870 to £387,440.

DEVELOPMENT WORK

Development work on Black Reef totalled 17,485 feet, and of the 12,955 feet on reef and sampled, 1,775 feet, or 14 per cent, was payable, averaging 4.1 dwt over 53 inches.

The ore reserve recalculated as at December 31, 1951, showed a decrease of 500,000 tons to 3,500,000 tons. The value at 3.40 dwt and the estimated stoping width at 51 inches remained unchanged.

During the first quarter of 1952 the ore milled amounted to 314,000 tons and the working profit was £115,248. In addition £20,928 accrued to the company from premium gold sales. Development work totalled 4,377 feet and 1,860 feet were on reef and sampled, of which 720 feet, or 39 per cent, was payable, averaging 4.3 dwt over a width of 62 inches.

For some time past, owing to the general increase in electric power demands in the Transvaal and Orange Free State and to the delayed installation of new generating plant, the Electricity Supply Commission had found it increasingly difficult to supply the gold mining industry with its full power requirements, and had intimated that this inability would continue for several years. In order to meet this position, it had been necessary, *inter alia*, to curtail milling during periods of peak loads. Some mines had been granted a certain measure of relief by a relaxation of the regulation prohibiting Sunday milling, but no such relief was possible in the case of the company as milling was normally on a seven-day week basis. So far reorganisation of mill maintenance work had ensured no loss of production, but any further power cuts would result in loss of output.

The motion for the adoption of the reports and accounts was carried unanimously, and the retiring directors, Mr Clement Davies and Sir Robert N. Kotze, were re-elected.

ST HELENA GOLD MINES, LIMITED

DEVELOPMENT PROGRESS

MR P. M. ANDERSON'S SPEECH

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting held at Johannesburg on May 6, 1952, said that in March, 1952, the issued capital of the company was increased from £3,750,000 to £4,812,500 by the issue of 2,125,000 new shares at a price of 16s. per share, leaving 375,000 shares in reserve. Out of the proceeds of this issue, amounting to £1,700,000, the temporary loan from Union Corporation had been repaid with accrued interest and the balance of the funds available were being used to finance capital expenditure at the mine which was largely in connection with necessary excess development. Apart from loans on the security of the company's houses, which were repayable in moderate annual instalments, the company was now free of debt.

It was essential at present to carry out the maximum amount of development work in order to build up ore reserves, which at the year-end amounted to 625,000 tons having an average value of 5.9 dwt over an estimated stoping width of 48 inches, and also to provide as rapidly as possible sufficient stope faces to feed reduction plant with stope ore on a scale commensurate with the plant's full capacity of 80,000 tons per month. So far the rate of development work during the current year had exceeded that of last year by nearly 60 per cent and the amount of payable footage developed had shown a welcome increase, though it would take some time materially to improve the stope face position.

The value of ore being sent to the reduction plant was below the average grade of the mine as only about half of the tonnage milled was coming from stopes. The yield had, however, improved with the gradual increase in the proportion of ore from stopes since milling commenced, so that during the current year the mine had been earning modest working profits on an increasing scale in contrast to a working loss of £43,995 for the two months of milling in 1951.

THE CURRENT YEAR

During the first quarter of the current year, the tonnage milled was 130,000 tons and the working profit therefrom £5,542, to which must be added £11,772 from premium gold sales. The total footage driven amounted to 15,840 feet of which 8,485 feet were on basal reef and sampled, disclosing 3,085 feet or 36 per cent payable, averaging 13.9 dwt over 25 inches.

For some time past, owing to the general increase in electric power demands in the Transvaal and the Orange Free State and to the delayed installation of new generating plant, the Electricity Supply Commission had found it increasingly difficult to supply the Gold Mining Industry with its full power requirements and had intimated that this inability would continue for several years. In the case of St. Helena it had been necessary to curtail milling during certain periods of the day but as the milling capacity was at present greatly in excess of the tonnage being produced, it had been possible fully to make up for time lost.

In concluding, Mr Anderson said that steady progress had been made since production started and provided there were no unforeseen set-backs shareholders could look forward to continued and in due course more rapid improvement in the mine's position.

The motion for the adoption of the reports and accounts was carried unanimously and

the retiring directors, Messrs C. B. Anderson, H. F. Oppenheimer and M. W. Richards, were re-elected.

THE GROOTVLEI PROPRIETARY MINES, LIMITED

RECORD TONNAGE MILLED

Mr P. M. Anderson, the chairman of the company, in addressing stockholders at the annual general meeting held at Johannesburg on May 6, 1952, said that the tonnage milled in 1951 increased by 71,500 tons to the new record figure of 2,338,500 tons, which however was still below the capacity of the mill owing to shortage of labour. Although the yield was 0.12 dwt per ton lower than in 1950 the working revenue rose by £254,043 or 5d. per ton milled to £6,793,020. The higher working revenue was due in part to the increased output but was mainly accounted for by the increased premium from sales of gold at enhanced prices for industrial and artistic purposes which in 1951 brought in £317,698 as compared with only £98,043 the previous year.

He stated that the increase in working revenue was, however, largely absorbed by higher working costs, which rose by £182,258, or 10d. per ton milled, so that the working profit at £3,871,900 was only £71,785 more than in 1950. The increase in working costs was due to increased costs of stores and materials and to certain increases in wages and other benefits granted to employees.

Provision for taxation amounted to £2,055,744, an increase of £138,716 compared with 1950 and the net profit was £1,818,798, or £64,575 less than in 1950. Two dividends totalling 3s. per unit of stock were declared and absorbed £1,715,822. The amount carried forward was £661,121.

Development footage at 58,027 feet had decreased slightly compared with the previous year. 42,810 feet were sampled and 21,710 feet or 51 per cent was payable, averaging 12.3 dwt over 18 inches.

ORE RESERVES

The recalculated ore reserves increased by 500,000 tons to 15,500,000 tons, averaging 4.7 dwt over an estimated stoping width of 48 inches. The value was 0.1 dwt higher and the width 2 inches greater than in 1950.

The ore milled during the first quarter of 1952 was 573,000 tons and the working profit £791,357. In addition, £51,918 had accrued to the company from premium gold sales. Development work totalled 11,987 feet and 8,585 feet were sampled, of which 4,710 feet, or 55 per cent, was payable, averaging 13.1 dwt over 16 inches.

For some time past, owing to the general increase in electric power demands in the Transvaal and the Orange Free State and to the delayed installation of new generating plant, the Electricity Supply Commission had found it increasingly difficult to supply the gold mining industry with its full power requirements and had intimated that this inability would continue for several years. In order to meet this position, it had been necessary, *inter alia*, to curtail milling during periods of peak loads on weekdays and to make good the tube mill hours so lost by operating the reduction plant on Sundays. So far these arrangements had ensured that there had been no loss of production but if further power cuts had to be imposed, some loss of output might result.

The motion for the adoption of the reports and accounts was carried unanimously, and the retiring directors, Messrs I. W. Gwynne-Evans and T. P. Stratten, were re-elected.

EAST GEDULD MINES, LIMITED

RECORD WORKING REVENUE

Mr P. M. Anderson, the chairman of the company, in addressing stockholders at the annual general meeting held at Johannesburg on May 6, 1952, said that the tonnage milled in 1951 at 1,738,000 tons was the same as in the previous year, and the output at 521,469 ounces fine showed a slight increase. The premium from sales of gold at enhanced prices for industrial and artistic purposes was considerably higher than in 1950 and brought in £322,669. The working revenue rose by £209,147 or 2s. 5d. per ton, to the record figure of £6,811,129. Owing to further rises in the prices of stores and commodities and to certain increases in wages and other benefits granted to employees during the year under review, working costs rose by 1s. 3d. per ton milled and the working profit at £4,604,113 was only £99,098 more than for the previous year.

He stated that largely owing to the increase in the Formula Tax which became effective from January 1, 1951, provision for taxation increased by £191,925 to £2,522,275. After taking into account income from investments amounting to £82,557, being mainly dividend income from the company's holding of 537,600 stock units in The Grootvlei Proprietary Mines Limited, and the other items detailed in the profit and loss account, the net profit was £2,158,393, or £96,065 less than the 1950 figure. Dividends totalling 4s. 4d. per unit of stock, being 3½d. per unit less than in 1950, were declared and absorbed £1,950,000. After providing £144,125 for capital expenditure and setting aside the other amounts detailed in the appropriation account, the carry forward was increased by £64,417 to £557,797.

DEVELOPMENT

A total of 11,132 feet of development was accomplished on Main Reef, of which 7,195 feet were on reef and sampled, disclosing 3,470 feet, or 48 per cent, payable with an average value of 7.8 dwt over 24 inches. In addition, 2,190 feet of development was accomplished on the Kimberley Reef Horizon in the region of No. 1A Sub-Vertical Shaft. Most of this development consisted of cross-cutting and only 335 feet were on reef and sampled, disclosing no payable values.

The recalculated ore reserve decreased by 100,000 tons to 12,400,000 tons. The value and estimated stoping width remained unchanged at 5.7 dwt and 51 inches respectively.

The ore milled during the first quarter of 1952 was 432,000 tons and the working profit was £1,024,855. In addition £49,725 accrued to the company from premium gold sales. Development work on main reef totalled 2,604 feet and of this 1,495 feet were sampled disclosing 675 feet, or 45 per cent, payable averaging 8.4 dwt over 22 inches. 594 feet of development was accomplished on Kimberley Reef, and 475 feet were sampled disclosing a negligible payable footage.

For some time past, owing to the general increase in electric power demands in the Transvaal and Orange Free State and to the delayed installation of new generating plant, the Electricity Supply Commission had found it increasingly difficult to supply the gold mining industry with its full power requirements and had intimated that this inability would continue for several years. In order to meet this position, it had been necessary, *inter alia*, to curtail milling during periods of peak loads on weekdays and to make good the tube mill hours so lost by operating the reduction plant on Sundays. So far these arrangements had ensured that there was no loss of production but if further power cuts had to be imposed, some loss of output might result.

The motion for the adoption of the reports and accounts was carried unanimously and the retiring directors, Messrs C. B. Anderson and M. W. Richards, were re-elected.

VAN DYK CONSOLIDATED MINES, LIMITED

EFFECT OF INCREASED WORKING COSTS

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting at Johannesburg on May 7, 1952, said that the tonnage milled in 1951 showed a small increase at 1,204,000 tons and the yield improved slightly to 3.02 dwt per ton milled. In addition, sales of gold at enhanced prices for industrial and artistic purposes brought in a premium of £113,687 as compared with only £32,591 in the previous year. Accordingly, the working revenue rose by 1s. 7d. per ton milled, but this was more than offset by an increase in working costs of 2s. 11d. per ton milled, so that the working profit at £262,686 was £77,578 lower than in 1950.

He said that more than half the rise in working costs was due to increased development work and the balance to rises in prices of commodities and to wage increases and other benefits granted to employees.

The net profit was £249,703. Capital expenditure, mostly on work in the No. 5 shaft area, absorbed £176,645 and the carry forward was increased by £68,845 to £71,460.

The total development footage was 51,487 feet, or 8,596 feet more than in 1950, and of the 27,700 feet on reef and sampled, 28 per cent was payable averaging 11.4 dwt over 19 inches.

The ore reserve, recalculated as at December 31, 1951, was 100,000 tons less at 1,700,000 tons, the grade and estimated stoping width being unchanged at 3.6 dwt and 40 inches respectively.

DEVELOPMENT

In the No. 5 shaft area, development was continued on the 48 Level and 21,549 feet were driven during the year. For ventilation reasons, 48 Level Drive was being advanced as twin headings, one on reef and the other in footwall. Development work had disclosed folding and faulting of the formation. The reef heading of 48 Level West passed into footwall 850 feet west of the shaft and had advanced 4,425 feet in footwall by the year-end. Consequently, of the total development footage in the No. 5 Shaft area during the year only 4,480 feet were on reef and sampled disclosing 960 feet, or 21 per cent payable averaging 12.9 dwt over 14 inches. At the end of February of the current year, 48 Level West picked up the Reef Horizon again and development was at present taking place about 1,000 feet from Borehole No. V.S.6. Of the 6,482 feet driven in the area during the first quarter of 1952, 2,125 feet were on reef and sampled, disclosing 26 per cent payable averaging 9.0 dwt over 18 inches. The rate of development in this area was expected to increase as additional levels became available.

The ore milled during the same quarter was 317,000 tons and the working profit £37,086. In addition, £21,337 was received from premium gold sales. Development footage, including that in the No. 5 shaft area, was 12,252 feet and of the 6,960 feet on reef and sampled, 29 per cent was payable averaging 9.5 dwts over 22 inches.

For some time past, owing to the general increase in electric power demands in the Transvaal and the Orange Free State and to the delayed installation of new generating plant, the Electricity Supply Commission had found it increasingly difficult to supply the gold mining industry with its full power requirements and had intimated that this inability would continue for several years. In order to meet this position, it had been necessary, *inter alia*, to curtail milling during periods of peak loads on weekdays and to make good the tube mill hours so lost by operating the reduction plant on Sundays. So far these arrangements had ensured that there had been no loss of production but if further power cuts had to be imposed, some loss of output might result.

The motion for the adoption of the reports and accounts was carried unanimously and the retiring directors, Messrs C. B. Anderson and T. P. Stratten, were re-elected.

MARIEVALE CONSOLIDATED MINES, LIMITED

IMPROVED RESULTS

Mr P. M. Anderson, the chairman of the company, in addressing shareholders at the annual general meeting held at Johannesburg on May 7, 1952, said that the tonnage milled in 1951 increased slightly to the record figure of 729,000 tons but as the yield was lower by 0.06 dwt per ton, there was a small reduction of output. The consequent loss of revenue was, however, more than offset by the increased premium received from sales of gold at enhanced prices for industrial and artistic purposes which in 1951 brought in £109,773 as compared with £34,069 the previous year. Accordingly, the working revenue rose by £57,837, or 1s. 3d. per ton milled to £2,364,979. Rather more than half this increase in working revenue was absorbed by higher working costs which rose by £33,397 or 9d. per ton milled, so that the working profit at £1,009,055 was only £24,440 higher than in 1950. The increase in working costs, which has taken place in spite of most rigid economies, was due to further rises in the prices of stores and materials and to increases in wages and other benefits granted to employees during the year under review.

He stated that due to the increased profit and the 5 per cent increase in the formula tax, provision for taxation increased by £53,647 to £485,748, so that the net profit at £512,140 was £32,660 less than for 1950. Two dividends totalling £450,000 or 2s. per share, an increase of 2d. per share, were declared and after making provision for the other items detailed in the appropriation account, including £67,066 for capital expenditure, £467,751 was carried forward.

DEVELOPMENT

The total development footage driven during the year was 32,175 feet, of which 22,598 feet were on the Main Reef Horizon and 9,577 feet on the Kimberley Reef Horizon; 13,365 feet were on Main Reef and sampled, of which 49 per cent was payable, averaging 13.6 dwt over 19 inches; 6,320 feet were on Kimberley Reef and sampled, of which 39 per cent was payable, averaging 13.8 dwt over 20 inches. By the year-end 6 Level East Drive had been advanced 3,117 feet into the farm Bloemendal No. 19. Encouraging values had been found near the eastern boundary of the company's property but the remainder of the drive had disclosed consistently disappointing values.

The ore reserve, recalculated as at December 31, 1951, increased by 200,000 tons to 3,200,000 tons, averaging 5.5 dwt over an estimated stoping width of 46 inches. The

value was 0.1 dwt. lower and the estimated stoping width was one inch more than the previous year. Included in the ore reserve tonnage was 290,000 tons from the Kimberley Reef Horizon, averaging 5.7 dwt. over an estimated stoping width of 46 inches.

THE CURRENT YEAR

The ore milled during the first quarter of 1952 amounted to 180,000 tons and the working profit was £210,858. In addition £20,167 accrued to the company from premium gold sales. 5,041 feet were driven on Main Reef, of which 3,430 feet were sampled, disclosing 48 per cent payable, averaging 15.4 dwt. over 18 inches. 2,116 feet were driven on Kimberley Reef, of which 1,280 feet were sampled, disclosing 17 per cent payable, averaging 20.2 dwt. over 15 inches.

For some time past, owing to the general increase in electric power demands in the Transvaal and Orange Free State and to the delayed installation of new generating plant, the Electricity Supply Commission had found it increasingly difficult to supply the gold mining industry with its full power requirements and had intimated that this inability would continue for several years. In order to meet this position it had recently become necessary, *inter alia*, to curtail milling during periods of peak loads on weekdays and to make good the tube mill hours so lost by operating the reduction plant on Sundays. So far these arrangements had ensured that there had been no loss of production but if further power cuts had to be imposed, some loss of output might result.

The motion for the adoption of the reports and accounts was carried unanimously and the retiring directors, Sir Robert N. Kotze and Messrs R. Bowman and S.R. Fleischer, were re-elected.

ARMY AND NAVY STORES

INCREASED SALES

The eightieth annual general meeting of this company was held on May 9th at Westminster.

Commander S. C. Lyttelton, OBE, DSC, chairman, in the course of his speech, said: Last year the late chairman mentioned that the current year's figures were good. This was certainly the case for the first half of the year, and while there was a falling off later it is satisfactory to record that the total sales and gross profits were up. This increase in profit was, however, overtaken and absorbed by the rise in expenses, which, together with an increase in the amount of tax payable, produced a lower figure of net profit after taxation.

We have recently taken the best professional advice as to the value of our properties. The result is very satisfactory in that it shows that our fixed assets are worth very considerably more than the figure at which they stand in the balance-sheet. During the year there have been from time to time considerable fluctuations in the Stock Exchange price of our shares. These fluctuations have almost always been accompanied by rumours of a possible "take-over."

There can be no doubt that at the present time, with retail distribution passing through a difficult period and with properties standing at very high values, the idea of acquiring control of a company such as this, with its valuable properties, must be very attractive to property dealers, and I wish to make it quite clear that the board has not entered into any such negotiations, neither have we any intention of endeavouring to do so.

The report was adopted

THE EVER READY COMPANY (GREAT BRITAIN), LIMITED

MANUFACTURERS OF DRY BATTERIES

MR E. N. ROWBOTHAM'S COMMENTS

The annual general meeting of The Ever Ready Company (Great Britain), Limited, will be held on Thursday, June 5th, at the head office, Hercules Place, Holloway, London, N.7.

The following are extracts from the statement of the chairman, Mr E N. Rowbotham, which has been circulated with the report and accounts for the year to February 29, 1952.

RECORD EXPORT SALES AND PROFIT

Stockholders are aware that since the end of the war the directors have consistently endeavoured to expand your company's share of the world trade in our products which are marketed overseas under our trade name "Berec." Export sales have expanded year by year and I am glad to be able to inform you that this year's sales show an increase of approximately 90 per cent over last year and, in fact, it is to this very substantial increase in export turnover that the improvement in our trading profits is almost entirely due. Great credit is due to the staff and workpeople in the export division and factories who have coped with this greatly increased volume of trade—not without difficulties—but as we hope and believe in a manner which will enhance the prestige of your company throughout a large part of the world.

HOME SALES INCREASED

Home sales have also increased as compared with last year, but in spite of certain higher selling prices which your directors were reluctantly compelled to introduce early in the year the increased costs of raw materials, wages and other production costs have prevented this increase in home sales from producing a proportionate increase in net profit.

In spite of the change in the rate of purchase tax from 33⅓ per cent to 66⅔ per cent, the company's "Alldry" battery operated radio receivers continue to sell well and plans are in hand for increasing the production of these receivers both for the home market and export. The sales of battery-operated toys have also improved.

The extension to our chemical plant is nearing completion, and I am optimistic with regard to this section of our business.

EXPANSION OF PRODUCTIVE CAPACITY

The consolidated balance sheet shows that slightly over £200,000 has been expended on fixed assets—chiefly plant. A considerable part of this expenditure relates to the enlargement of facilities for the production of chemicals and to increasing the company's power of production of radio and hearing aid dry batteries of the latest types. This expenditure should result in increased sales of these products in the future and the additional efficiency which will be attained should ensure a reasonable return.

In January last we made a further investment in an engineering company which has for many years past made a large proportion of our specialised plant. The closer association now achieved should show considerable advantages in the development and production of our plant requirements. This company now becomes a subsidiary and as a result there is an increase of £30,153 in the investment in subsidiary companies and a fall of £5,374 in trade investments representing the book value of the previous investment now transferred. Since this company was acquired so late in the year the accounts are not consolidated.

ROLLS RAZOR LIMITED

INCREASED DEMAND

MR A. COLIN KINGHAM ON THE CONTINUED PROGRESS

The twenty-fourth annual general meeting of Rolls Razor Limited was held on May 9th in London, Mr A. Colin Kingham, MC (Chairman and Managing Director), presiding.

The following is an extract from his circulated statement:—

The net trading profit is up by £25,745 to £168,889, another record in our history. Taxation takes £99,270 and the net profit is 20 per cent greater at £69,619.

In recommending a dividend of 33⅓ per cent the directors again decided to take a prudent course and make the same distribution for the sixth successive year.

Our two principal products, Rolls Razors and Viceroy Dry Shavers, have again met with a great success during the year and are continuing to do so at the present time. During 1951 large increases in production costs, mainly due to wage increases, had to be absorbed, and it may well be asked where is the finishing post in the race in which increased wage demands chase inevitably increasing prices of goods. There may be a point where the price becomes too high for the public to buy in quantities necessary for economical production. The full impact of recent wage increases and longer holidays accrues in 1952 and we have been reluctantly compelled to raise our prices to meet it. The same will apply if further demands for wage increases are met. How far in fact can a snake swallow its own tail before it dies?

For the second year in succession our exports again increased by 50 per cent, and this increase could have been greater at the expense of the home trade had it not been for the lamentable delays which take place after goods are packed and ready for shipping. If this situation could be rectified the export market for many English manufacturers might improve considerably and today this is more essential than ever in view of the import cuts which have been announced recently by some of our best markets in the sterling area and by a recession of trade in dollar markets.

NEW PRODUCTION FACILITIES

Within the next few months we expect to be in production in our new factory at Hemel Hempstead New Town. In this we shall concentrate on the manufacture of Viceroy Electric and Non-Electric Dry Shavers, the sales of which are increasing satisfactorily. This will give us more space in our Cricklewood Factory to increase the production of the Rolls Razor. Throughout a large part of the world the trade outlook is not as bright as in 1951 and it is too early in the year to make a forecast of our trading for the year 1952. Providing we are allowed the necessary materials, and production can be increased without costs rising, we believe the excellent products we make and the goodwill we possess will carry the company forward as they have for the past quarter century.

Thanks are due to our staff and employees who have worked efficiently and well.

The report was adopted.

B. W. BLYDENSTEIN & CO.

Established 1858

BANKERS

We specialise in all financial transactions with The Netherlands

54, 55 & 56, THREADNEEDLE STREET, LONDON, E.C.2

AVELING BARFORD LIMITED

Notice is hereby given that the following Resolutions were passed at a meeting of the Board of Directors of the above Company, held on May 13, 1952:—

"That dividends be paid on July 1, 1952, on the £250,000 5½ per cent Cumulative Preference Stock at the rate of 5½ per cent per annum for the six months from January 1, 1952, to June 30, 1952, and that the 5½ per cent Cumulative Preference Transfer Books of the Company be closed from June 10 to June 24, 1952, both days inclusive.

"That dividends be paid on July 1, 1952, on the £500,000 5 per cent Second Cumulative Preference Stock at the rate of 5 per cent per annum for the period from January 1, 1952, to June 30, 1952, and that the 5 per cent Second Cumulative Preference Stock Transfer Books of the Company be closed from June 10 to June 24, 1952, both days inclusive."

By Order of the Board,
Invicta Works, Grantham. H. C. RYAN, Secretary.

AN EASTERN BANK seeks a Resident Principal (male) for its Training College for Asian executive officers which will shortly be opened in Surrey.

Candidates must be British subjects by birth, not older than 55, and they should have held teaching or administrative posts at universities or colleges in Southern Asia, South-Eastern Asia or the Far East. A degree in Economics or Commerce would be an advantage.

The appointment will be made for an initial term of five years.—Applications, accompanied by testimonials, should be addressed to Box 5835, c/o Charles Barker & Sons, Ltd., 31, Budge Row, Cannon Street, London, E.C.4.

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home farm), country house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London.—Write, Major B. Carnegie, "Stronvar," Balquhidder, Perthshire.

12.48 PER CENT simple interest p.a. offered for trade bill discounting facilities. Large and small bills available with a supporting guarantee. Particulars from the company's accountants.—Box 908.

SENIOR BUSINESS EXECUTIVE with world-wide experience, fluent French, German, Spanish, available for executive position entailing business journeys abroad.—Box 914.

GOOD FOOD

We specialise in catering for industrial canteens, offices, and luncheon clubs. Our organisation is not too large or unwieldy and we can give personal supervision to all our contracts. Write for testimonials from our clients; addresses given on application to:-

Harold Jayes & Son, Ltd.,
29, West Heath Court,
LONDON, N.W.11.
SPEedwell 2498 & 6754

SELL JEWELLERY

to JAMES WALKER — *Established 1823*

Prompt settlement up to any amount. Expert valuations without obligation. For large collections a representative will be pleased to call. 77 Branches at your service. Parcels should be sent (by registered post) to Head Office:—

James Walker

Specimen offers:

£5-£5,000
Diamond and other Precious Stone Rings, Bracelets, Brooches, etc.

£15-£100
Gold Cigarette Cases

£5-£100
Cultured Pearl Necklets.

Also equally high prices for Sports Trophies, Collector's Coins, Medals, Silverware, etc.

D.98. 245, HIGH ROAD, STREATHAM, LONDON, S.W.16. Tel.: STReatham 2001 (10 lines)

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP - - - - - $20,000,000
RESERVE FUNDS STERLING - - - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - - - $20,000,000

Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M., Duncan Wallace, H. A. Mabey, O.B.E.

BRANCHES:

BURMA	CHINA (Con.)	INDIA	MALAYA (Con.)	N. BORNEO (Con.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore (Orchard Road)	SIAM
*Dairen	EUROPE	Osaka	Sungei Patani	Bangkok
*Foochow	Hamburg	Tokyo	Teluk Anson	UNITED KINGDOM
*Hankow	Lyons	Yokohama		
*Harbin	HONG KONG	MALAYA	NORTH	London
*Moukden	Hong Kong	Cameron	BORNEO	U.S.A.
*Nanking	Kowloon	Highlands	Brunei Town	New York
*Peking	Mongkok	Ipoh	Jesselton	San Francisco

*Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

REFUGE

ASSURANCE COMPANY LIMITED
CHIEF OFFICE
OXFORD STREET MANCHESTER 1
THE REFUGE
WILL SAFEGUARD THE FUTURE

BOOKS YOU CAN AFFORD: BEVIN, by Trevor Evans (10s. 6d.), 3s. plus 7d. postage. DR. BENES, by Compton Mackenzie (21s.), 3s. 3d. plus 10d. postage. INQUEST ON AN ALLY, by Paul Winterton (12s. 6d.), 3s. 3d. plus 7d. postage. THE ITALIAN LEFT, by W. Hilton-Young (15s.), 4s. plus 9d. postage. BEATRICE WEBB, by Margaret Cole (10s 6d.), 2s. 6d. plus 6d. postage. SLIPSTREAM, An R.A.F. Anthology (10s. 6d.), 3s. 3d. plus 9d. postage. WE HAVE BEEN FRIENDS TOGETHER, by Maritain (15s.), 3s. 6d. plus 9d. postage. ADVENTURES IN GRACE, by Maritain (15s.), 3s. 6d. plus 8d. postage. All copies as new. Send remittance with order (refunded if out of stock) to Compass Book Company, King's Buildings, Smith Square, London, S.W.1.

WHY do so many businessmen, economists, accountants, subscribe to the INCOME TAX DIGEST AND ACCOUNTANTS' REVIEW? It is because this monthly journal is practical, authoritative, and a real help to those who have to deal with Income Tax, and Trustee or Funds administration, etc. Annual Subscription 21s. post free; overseas 23s. Specimen current copy 2s. on application to The Secretary, The Fiscal Press Limited, P.O. Box 45, St. Albans, Herts.

A YOUNG man under 30, with suitable academic qualifications (degree or Higher Certificate) and some industrial experience, is required to undertake in a works department special assignments which entail some statistical background. The minimum commencing salary will be £450, and the selected applicant will be expected to undertake the training necessary to fit him ultimately for higher management. North London area. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.—Apply Box 947.

LADY GRADUATE (aged 21-30) required by market research organisation for position of Research Assistant in statistical department. Statistical knowledge desirable (preferably with economics degree though mathematics considered). No previous experience necessary. Applications, in writing, to Personnel Manager, A. C. Nielsen Co., Ltd., Oxford.

DANISH CIVIL SERVANT (27), single, first-class Hons. cand. oecon. (M.A. Econ.), seeks post, preferably research. Economics, Public Finance, Statistics, Sociology, Social Security. Excellent English. German-Scandinavian languages. Good references. In Britain June.—Box 956.

EFFICIENCY IN BUSINESS.—An Exhibition of the latest books on all aspects of business administration and management is open until June 6th, from 9.30 a.m. to 6 p.m. daily, at C.P.C. LONDON BOOKSHOP 6, VICTORIA STREET, S.W.1. Tel.: WHI 4011.

CANADA.—Top executive (40) seeks responsible post in Canada. Exceptional experience in engineering industry including finance, administration, factory organisation, sales and service. Adaptable to any type of business.—Write Box 931.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc. Econ., LL.B.; and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.

Also expert postal tuition for Prelim. Exams. and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.

More than 50,000 POST-WAR EXAM. SUCCESSES.

Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.

Write today for prospectus, sent FREE on request mentioning exam. or subjects in which interested to the Secretary

METROPOLITAN COLLEGE

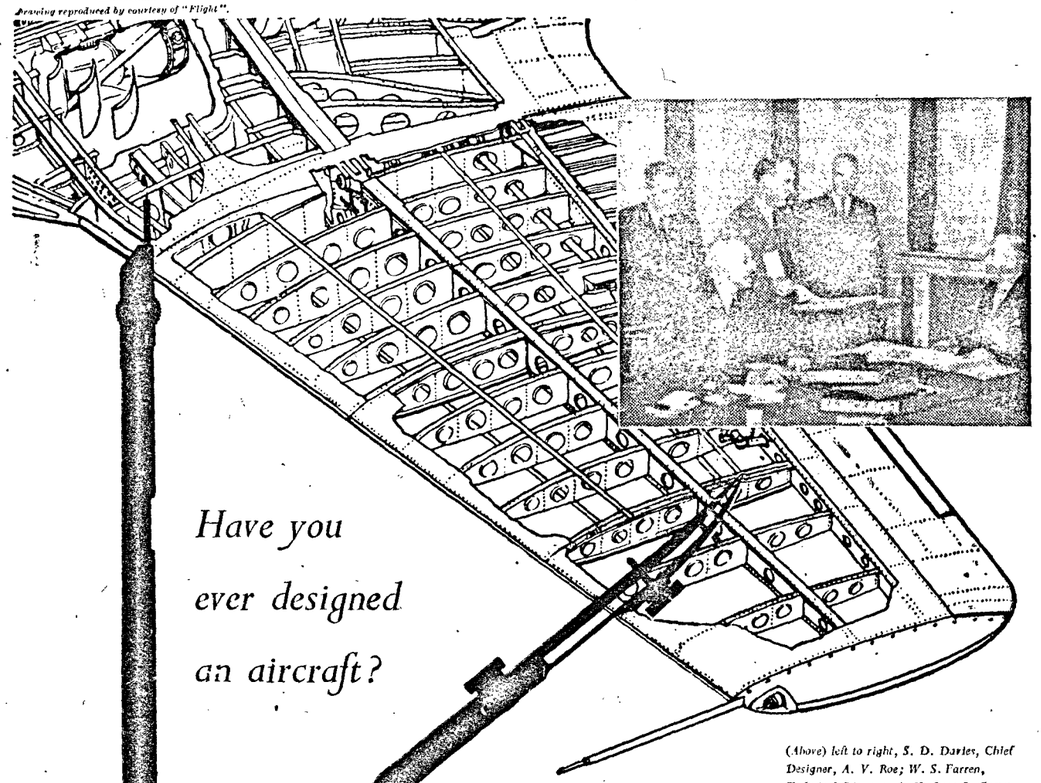
(G9/2), ST. ALBANS or call 30 Queen Victoria St., London E.C.4.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, May 17, 1952.

In Defence of the Realm

NUMBER 6 IN A SERIES

Drawing reproduced by courtesy of "Flight".



Have you ever designed an aircraft?

(Above) left to right, S. D. Darles, Chief Designer, A. V. Roe; W. S. Farren, Technical Director, A. V. Roe; S. Camm, Chief Designer, Hawker Aircraft; T. O. M. Sopwith, Chairman, Hawker Siddeley Group; Sir Frank Spriggs, Managing Director, Hawker Siddeley Group.

Ask Sydney Camm, Hawker Chief Designer, that question and he'll tell you no one man *designs* the aircraft of to-day. The modern jet fighter springs from one man's conception carried through by a complex team of airframe designers, aerodynamicists, process executives, stress analysists, wind tunnel men, weight control technicians, hydraulic experts . . . many, many men guided by many, many years of experience. As one man welds these individual experts into a team which thereby designs brilliant aircraft, so the Hawker Siddeley Group organises its member companies as a team, by whose association even better and greater aircraft are produced. Largest of its kind, this great industrial commonwealth now employs all its mighty resources in building the defensive strength of the Free World.

Hawker Siddeley Group

PIONEER . . . AND WORLD LEADER IN AVIATION

Group Head Office: 18 St. James's Square, London, S.W.1.
A. V. ROE, GLOSTER, ARMSTRONG WHITWORTH, HAWKER, AVRO CANADA, ARMSTRONG SIDDELEY, HAWKSLEY, BROCKWORTH ENGINEERING, AIR SERVICE TRAINING AND HIGH DUTY ALLOYS.

The Econ

Established 1843

May 24, 1952

MADRID 25 NOV.

LEADING ARTICLES

Which Law for Korea? - - - 497
Full Stop for Fabianism - - - 498
France and North Africa - - - 500
Arts to Excess? - - - - - - 502

NOTES OF THE WEEK - - - 503

Transport in Confusion; Wages and the Moon; Fine Words; Atlantic Weekend; Soviet Tactics in the Eastern Zone; Cairo and the Sudan; Old Mother Hubbard; Foot-and-Mouth; Commonsense in Chicago; Secession from South Africa?; From Expansion to Stagnation?; Italian Election Prospects; The Scholarship Stakes; Housing Extravagance; No Change on Equal Pay; French and English.

BOOKS AND PUBLICATIONS - 513

LETTERS TO THE EDITOR - - 514

AMERICAN SURVEY

Eisenhower's Homecoming - 517

The President Starts Campaigning; Business on the Level; Textiles' Civil Wars; Prejudice Goes to Court; Comeback for Fair Trade?; Safety for Coal; Shorter Note.

THE WORLD OVERSEAS

Pakistan Comes Back to Earth - 522

Canberra Buys Its Own Loans; International Law and the Korean Prisoners; Graduates of Nato; New Policies for Jugoslav Farming.

THE BUSINESS WORLD

A New EPL - - - - - - - - 529
The Problem of Rubber - - - 532

BUSINESS NOTES - - - - - 534

Malaise in the Markets; The Giants Report; Getting Out of China; First Effects of the Australian Cuts; Decision on Lamps; Germany and the Debt Talks; A Stronger Cup of Tea?; ICC's Recipe for Convertibility; Import Prices Lower; Priceless Fuel Policies; Freight Rates Slump Again; Manœuvres in Cotton; Refinery Output Soars; Topsy-Turvy Metals; Films and Television; Fire on the Rails; Shorter Notes.

COMPANY NOTES - - - - - 544

STATISTICAL SUMMARY - - 546

COMPANY MEETINGS - - - 547

Vol. CLXIII No. 5674
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Which Law for

BEFORE the House of Commons and public o[pinion] there has come lately from the battlefield of Korea a question which should have received an instantaneous answer from people of principle and conscience. Instead there have been trimming and shilly-shallying among some politicians and uneasy silence from those who normally leap into the battle of controversy. Once again the suspicion has been created that there is one law for the Left and another for the Right: what Dr Malan is doing is wrong—and it is, indeed, very wrong—but what Mao Tse-tung is doing may be right; the Russians are within their rights in organising Eastern Europe after their own design, but it is wrong for the Americans to seek any influence in Western Europe. The suspicion may fairly be tested in the matter of the Korean prisoners. Some say that to refuse to repatriate North Koreans and Chinese who do not want to return home is to put mercy above good sense, because peace could be had in Korea by giving way. Others say that international law in this case is unclear, and that the rude and stubborn men who face the United Nations negotiators at Panmunjom should have the benefit of any doubt there may be. The argument goes on and those who know few of the facts and nothing of the law waver in confusion, feeling that to return the prisoners would be wrong but thinking that to retain them might be dangerous.

The United Nations has been standing on a matter of principle, in the conviction that to retreat would be as morally disastrous as loss of the last line covering Pusan would have been militarily disastrous in the late summer of 1950. At first it seemed that the British Government could rely on steady support from public opinion, and Mr Attlee in the House of Commons fully endorsed Mr Eden's arguments against forcible repatriation. Later, however, questions from the Opposition benches showed that the Labour Party was by no means united on the subject. The persistent contention of the Communists that the United Nations Command is bound by the Geneva Convention of 1949 to repatriate all prisoners, even against their will, has had its effect in the absence of a clearly stated case to the contrary. Even more disconcerting has been the sequence of events at the Koje Island prison camp, giving rise to the suspicion that prisoners may have been under pressure from American and Chinese Nationalists to refuse repatriation.

There are, therefore, two quite distinct issues and they must not be confused. Whether some prisoners have been improperly induced to refuse repatriation is one question; whether the principle of forcible repatriation is to be accepted is quite another. Even if there were only a few prisoners who refused to go back, the conflict of principle would still be unresolved. As it is, it is surprising that nearly a quarter of the North Korean and over half the Chinese prisoners should have refused to return, and it may be that screening officers and propagandists have been too zealous. There is a strong case for review by some neutral body, so that authentic choice may be determined.

164799

...as in fact already offered conclusion of an armistice. ...ist on forcible repatriation of all ...ception.

In ...osition under the Geneva Convention of ...cussed by a correspondent on page 523. The ...ig of the Convention is ambiguous; indeed, it ...ems likely that the delegates of the Soviet Union and those of Britain and the United States had quite different conceptions of what it implied when they signed it. It is impossible to believe that the British and Americans intended to repudiate for prisoners of war the right of political asylum, which they maintain in peacetime even for military deserters. Nor can it be believed that they regarded the forcible return of a prisoner, for punishment by death or concentration camp at the hands of his own government, as one of the "rights" secured to him by the Convention. Their aim was to make sure that the detaining power would have no ground for refusing to repatriate a prisoner who wished to return home, and it was assumed that virtually all British or American prisoners would so wish.

The Russians, however, approached the question as delegates of a totalitarian state. They were not only indifferent to the rights of individuals as such, but anxious to establish a right to recover and punish all their citizens who might show disaffection in time of war. Totalitarian rulers are haunted by a dreadful fear of treason and desertion. They can maintain control internally by means of police terror, but their power is not absolute as long as escape abroad is possible. It is war that offers the great opportunity of such escape. It must, therefore, be demonstrated to the citizen of a Communist state that even if he goes over to the enemy in time of war, the long arm of the party will get him back. There can be no doubt that the Communist rulers of China and North Korea share this view of the importance of recapturing *émigrés*, particularly those from the armed forces.

If the United Nations Command, in order to obtain an armistice in Korea, were forcibly to repatriate some thousands of men who had declared for the anti-Communist cause, trusting in Allied protection, no soldier of any Communist army in any future fighting would dare to act politically against his own government. Forcible repatriation would be not only an act of shameful and cruel inhumanity, but also gravely imprudent. The free world cannot afford to preclude itself from making use of disaffection in the enemy ranks in any future struggle which Communist aggression may force upon it. For Communist states fifth columns, with incitement to mutiny and desertion, are an important part of their war potential; but they are themselves highly vulnerable to counter-attack in kind.

The problem is one which did not arise in 1945 because Germany surrendered unconditionally. But if the last war had ended in a negotiated peace and if the principle of forcible repatriation of all prisoners had then been accepted, this country would have had to send back to Germany prisoners who had assisted the Allies against Hitler. Those who have suggested that the United Nations should give way over the prisoners in Korea should say whether they would have approved of sending back anti-Nazis to a Nazi Germany. It is time that they said frankly whether, in their view, there is one law for defence against Fascist tyranny and another for defence against Communist tyranny. If that is their view they will not be happy until the second cold war, too, has produced its Munich.

Full Stop for Fabianism

FEW ideas in human history have had as direct a bearing on events as the Fabianism of which Sidney Webb was the chief architect. It has been the main intellectual driving force of political and economic change in Britain in the twentieth century. It was not replaced by Keynesian ideas but rather became entwined with them. The two together bred, in the stimulating temperature of war following the great slump, the British revolution of the nineteen-forties. "Fabian Essays" were published in 1889. What was still clearly applicable in them—and some that was not so applicable—had by 1948 been done. The first section of the new Fabian tracts for the times, published this week, could hardly have been called anything but "the loss of momentum."

Fabianism in the early years of the century provided the developing Labour movement with a philosophy and, later, a policy—largely, the policy that was put into effect in 1945. The movement's need for a new philosophy and new policy is no less acute now, and if the Fabians had anything to offer it would be of first importance; there is nowhere else—unless it be from Mr Bevan—that a modern doctrine of the Left is likely to be found. The Fabians certainly have not found it yet. The practical test of the new essays is less ambitious: is there anything constructive towards which Fabianism shows signs of feeling its way?

The first step is to make clear what it is that has lost its momentum. The point is not that the ideas of Fabianism have withered away; it is that they have been turned upside down by the Socialists themselves. The doctrine of sixty years ago had two main elements. First, there was the conviction that modern industrial society was becoming, and was bound to become, collectivist. The original Fabians hardly discussed at all whether collectivism was desirable. The essay on the moral basis of socialism was mainly concerned not to expound a non-Victorian ethic but to claim that "Socialism is merely Individualism rationalised, organised, clothed, and in its right mind." The basic argument was that on the Victorian presuppositions about progress, what was happening was good. The proud message of the Fabian Essays was that "some very large and definite extension of collective authority" was enforced by "the irresistible sweep of social tendencies." From this the Fabians' belief that the transition to socialism must be gradual followed with inevitable logic.

This was the determinist side of Fabian philosophy. Its second element, the element of choice and, therefore, of moral advocacy, was the social reformer's standard protest against poverty. The capitalist and the landowner were becoming useless, and therefore advantage should be taken of the collectivist evolution to make the

distribution of wealth and income more just. There was enough to redistribute for poverty to be largely cured. "Productive power is increasing," Bernard Shaw wrote, "and nothing but the perversion of this power to the production of socially useless commodities prevents the apparent wealth from becoming real."

Few resources are thus perverted to the luxuries of the idle rich in 1952. Of the two bases of Fabianism, it is the reduction of inequality that is now accepted as an "irresistible" tendency—not by Socialists alone, but by most men of all parties. The structure of society is taking, it is true, a little time to reflect the economic changes wrought by high death duties and the massive redistribution of incomes by taxation. Some sections of the rich are delaying the full impact by consuming capital. But a continuing tendency towards a more equal society is implicit in the legislation that no one proposes to undo. On the other hand, there is little enthusiasm for accelerating the tendency. In "New Fabian Essays"* Mr Roy Jenkins suggests that socialists should "press as hard as they can for an ever greater degree of equality"—but he suggests also that the Left-wing conscience need not be very sensitive; delays to the progress of equality "should not . . . be treated with too much intolerance." The Left as well as the Right is uncomfortably aware that a more equal society may be a poorer society—because the incentives to creating wealth are weakened—and a less liberal society.

The equality that the Fabians urged as a moral choice in 1889 has become the tendency that everyone accepts but watches cautiously in 1952. On the other hand, the collectivism that the Fabians in 1889 joyfully heralded as an inevitable tendency has become the moral choice that in 1952 the leaders of Socialist thought decisively reject. The modern Fabian writes in the shadow of the Stalinist state in Russia—and knowing the impersonal rigidity of the large nationalised industry in Britain. In the new essays, Mr Crossman says:

> Instead of regarding social change as tending towards the enlargement of freedom, we must assume that increased concentration of power, whether in the form of technological development or social organisation, will always produce exploitation, injustice and inequality in a society, unless the community possesses a social conscience strong enough to civilise them.

The modern Fabians do not quite bring themselves to reject nationalisation; they want to extend public ownership and control—provided that its extension takes new, more decentralis... undefined) forms. Remarkab... socialism today is to prevent the ... in the hands of either industrial state bureaucracy." With that, Sta... indeed.

...ed that France ...ssays of ...ntrast lies ...d to stamp ... happened ... of the ... simple view ... of em

The old Fabians wanted more equa... thought collectivism gradual... inevitable. For the new Fabians, it is rather equality that is gradually inevitable while collectivism they distrust... They thus dismiss the two basic conceptions of the original essayists. That is important and valuable. But it also destroys the basis on which the new essays themselves are written. For if the earlier doctrine is so butchered, the task of the modern Fabian is not to restore a lost momentum; it is to create something new to move. The task is not, as Mr Strachey confidently claims, "to preserve, to perfect, to extend our newly developing social and economic system"; it is to refashion the foundations of that system. And here the new essayists have very little indeed to offer. Mr Crosland presents a skilful analysis of the mixed economy, neither capitalism nor socialism, that war and six years of Labour rule have created. Mr Strachey thinks rather well of the result and Mr Crossman, naturally, dismisses it contemptuously as "welfare capitalism." Neither manages to define the socialism which he wants to evolve from it. Mr Crosland himself effectively challenges the stock Left-wing assumption that the mixed economy is naturally transitory and must pass quickly into some sort of socialism; and he dismisses several of the orthodox lines of advance—more social services, more nationalisation, more controls, more direct taxation—without making the alternatives at all clear. Mr Jenkins is tentative in his proposals for more taxation of capital. Mr Albu offers thoughts on the reform of joint-stock companies that may eventually prove to have some virtue in them but are no more than quarter baked as yet. Mr Mikardo writes on the need for structural changes in the trade union movement without tackling the central problem of wage policy in a fully employed economy. Mrs Cole is vague about education. The gross result is certainly not even the beginnings of a new philosophy either of socialist change or of consolidation in the welfare state.

The main reason why the Fabians fail in this is their surprising complacency about the stability of what was done in the nineteen-forties. It is true that, as between

* New Fabian Essays." By R. H. S. Crossman, C. A. R. Crosland, R. Jenkins, Margaret Cole, A. Albu, I. Mikardo, D. Healey and J. Strachey. *Turnstile Press*. 215 pages. 15s.

ALLIANCE
ASSURANCE COMPANY LTD.
Head Office Bartholomew Lane, London, E.C.2
THE FINEST SERVICE FOR ALL CLASSES OF INSURANCE
The Alliance undertakes the duties of Executor and Trustee and of Trustee for Debenture Issues.

...1889 and the essays of 1952, the obvious ... in the optimism of the old and the pessimism ...ew. That is partly because the original Fabians ...y ignored the world outside the favoured Britain ... Victoria. Their successors have to look at it boldly —particularly in Mr Healey's realistic essay on British foreign policy. The deeper reason lies in the general experience and philosophy of our times. "So far . . . from viewing history as a steady advance towards freedom, we should regard exploitation and slavery as the normal state of man and view the brief epochs of liberty as tremendous achievements." In this Mr Crossman is stating the basic proposition of conservative political philosophies: the belief that because liberal civilisation is a fragile growth, a thin crust over social forces that are always liable to engulf freedom in totalitarianism, it is often wise to be patient, to tolerate a measure of injustice and inefficiency rather than to risk breaking up an established mode of society by trying to improve it quickly.

The dilemma of the Fabians is that, while the monsters of twentieth-century totalitarianism have brought them to an intellectual recognition of this principle, they are emotionally bound still to champion—and to want to press farther—all the rapid changes of the past ten years. And they therefore make light of the dangers to which the welfare state is exposed. Can it avoid continual inflation—the surest corrosive of liberal society? Can it be reconciled with the economic flexibility on which Britain as a trading nation depends? Can it provide incentives for the increasing production of wealth on which, when the poor have no more to gain from redistribution, the resolution of its social tensions depends? Until these questions can be confidently answered, the first need of the new British society is consolidation. And the meaning of consolidation is not grimly to preserve what is; it is to strengthen the foundations to which, in the years of erecting the welfare state, little attention was given. The Fabian essayists certainly have no answers to these questions. They barely ask them. The omission is too glaring for the essayists themselves to be unconscious of it. No doubt they hope to remedy it in the second volume which is promised. But the failure to put the first thing first cannot inspire much hope about the eventual answer. It indicates a confusion and lack of assurance hardly worthy of the ancient Fabians.

For the present, the new Fabianism has no momentum because it has neither an engine nor a steering wheel. Every democrat must hope that they will be found. If the Labour movement does not get a new philosophy, it will still have to find a policy—which will then be based on the stale emotions of the class war. Any sober socialist must be tempted, after reading these essays, to hope that somehow the Conservatives can make a job of governing Britain for four years, if not for eight, before the Labour movement again has to bear the responsibilities of office. For if it does not recover a philosophy in time, something more than Fabianism will have died. With it will have gone the chance, perhaps for many decades, that the party of the Left in British politics can remain true to the values of the free society.

France and North Africa

FOR some weeks items of news from French North Africa have been appearing daily in British and American newspapers. They come principally from Tunisia, where the French are beset from several sides with arguments for and against quickening the pace at which they organise self government. But some of the news comes also from Algeria and Morocco: Algerian nationalists have been demonstrating in the streets of France; a leading Algerian nationalist has been deported; the Sultan of Morocco is pressing claims for emancipation from some of the shackles of the protectorate. These symptoms of disquiet are no longer of concern only to France. They affect France's allies. Twice since December an appeal against the French handling of affairs in North Africa has been lodged with the United Nations: once on the subject of Morocco, once on that of Tunisia. Each time France was able to secure a majority for its contention that these protectorates fall within its domestic jurisdiction. Each time it did so largely thanks to support or abstention by its friends in Britain and the United States. The unrest continues; the same problem is likely to arise again for France's allies. They have, therefore, to make up their minds how far they approve and sympathise with French policy and whether there are limits beyond which they could not support it unconditionally.

French North Africa, taken as a whole, is unique among dependent territories. It is one of the parts of the world that has been peopled with Europeans who have struck roots. Approximately one and a half million Europeans have settled in the three territories. Its nearness to Europe and the mother country has kept these North African Frenchmen extremely close to France, economically and politically; if thoughts of secession have crossed their minds, these have been only momentary. They belong to families that have built the successful fabric of modern North Africa not only with French money but French blood; a generation ago, they still bore the marks of the struggle. Today their sons take their position and patrimony for granted. Like other white settlers in Africa, they tend to be diehard and to think first in terms of their immediate interests and with reluctance, if at all, of long-term considerations. The difference between the older generations and the young settler of today is well marked by the fact that, nowadays, most educated Moslems draw a distinction in conversation between the local Frenchmen—*les colons*—and *les Français de France*.

Proximity to France and Europe has also bred some unusual traits in the indigenous peoples, both Arab and Berber. It has caused large numbers of them to know Metropolitan France and to acquire many ambitions that are furthered by their connection with it. The pull of this attraction is strongest in Algeria, where France has practised its traditional policy of assimilation for over a century, and where it encountered no rival culture. It is weaker in Tunisia, where the period of time has been shorter—only seventy years—and where an Arab élite had preserved an Islamic heritage; it is still weaker in Morocco because the period of contact is forty years only, and because the Moroccans are more isolationist and less adaptable than either of their neighbours.

Nevertheless, all three peoples feel, each in their own degree, an affection for France and an appreciation of the part it could play in their future.

Simultaneously, however, they feel the pull of other loyalties. A very natural longing for a patrimony of their own, and for the dignity which inheritance imparts, causes them to look also towards Islam and to the independent states of the Middle East for inspiration. Now that the Sudanese are on the eve of self-government, they are the only important group of Moslems that remains under direct Western administration and they imagine a country like Egypt to be a social and technical paradise, much better off than they are. This counterpull of an influence which works against France is enhanced by other factors. One is to be found in the educated Moslem bourgeoisie, and springs from their growing feeling that Frenchmen who have reared them on a diet of liberalism and equity are, in the protectorates, not practising in politics what they preached in school. Another flourishes in the nascent African proletariat that is springing up round French industries, and lies in its capacity for voicing the Moslems' sense of social and economic inequality. A third lies in the mounting African birth rate, one of the highest in the world; this, as it increases the pressure upon jobs and land, inevitably increases resentment against the European employee and settler.

★

France, therefore, faces in North Africa the problem of meeting obligations to two communities inhabiting the same soil but seeking different objectives: to Europeans whose future security depends on their retaining their link with Paris, and to Africans most of whom want to assert their individuality by cutting some, if not all, of the strands. The latest news, particularly from Tunisia, shows that the problem is beginning to press, but it is still some way from a climax. It has not yet reached that stage because the North Africans are themselves divided as to how many strands to cut. Their affection for France survives and could be nurtured afresh by Frenchmen possessed of the vision and courage to grasp the nettle. But these qualities are seldom present in shaky coalition cabinets.

In order to devise the necessary policy, however, Frenchmen need to drop their maddening habit of attributing all their North African difficulties to outside factors: to Britain with its greater tendency to hand constitutions and independence to Moslems, or to American GIs who preached anti-colonial doctrines in 1942; to the United Nations which founded Libya; to the Arab-Asian *bloc* which provides professional agitators with valid passports. Of course, all these factors exacerbate a problem that is already difficult; but it is useless to behave as if they alone created the difficulties and as if, could France but be insulated against them, no problem would arise. The chief cause of the present dilemma is that Frenchmen have, over the years, laudably created a modern North African citizen in the image of 1789 and after; but they are now unable to meet his demands for the fruits of liberty, equality and Marxism owing to the pressure exercised by the French settlers.

Different Frenchmen see different ways out of their dilemma as between *colon* and Moslem. Some think that all can jog along as before, provided a handful of nationalist leaders is exiled, and provided that France maintains sufficient forces to show might, and to stamp out terrorism by means of ruthless reprisal, as happened in Algeria in 1945 and in Tunisia this year. This view is held by a majority of the *colons*. Too many of them are blind to the fact that this policy no longer quells Arab nationalism, and that it repels some of France's most important allies. A few Frenchmen—some soldiers as well as some *colons*—are, by contrast, a prey to despair; they see no future for a European minority in the protectorates and talk of packing their traps for a move to France or French Canada. Happily there are half-way houses between these two extremes. Many Frenchmen in France, and a small minority of far-sighted *colons*, recognise that Paris has categorically promised self-government to both the protectorates, and that this fact must in the long run affect Algeria's inclination to become more autonomous. They see that the *colon* must now cross the Rubicon at which he has been jibbing for two years, and must define the timetable whereby changes are to take place. He is suffering the rude shock of discovery that, if the promise of autonomy is kept, he will in due course have to become either a member of a foreign minority or else take some form of local nationality. There is talk of meeting his needs by devising a form of double citizenship that would enable him to participate in a local autonomous government without losing his French nationality. The Algerian Moslem already enjoys a species of double citizenship, only the other way about, since he is a full French citizen yet preserves his right of recourse to Moslem law.

French North Africa presents a problem of obligations to two communities that is every bit as complex as that which once confronted Great Britain in Palestine. The Palestine analogy, though not accurate in every respect, also holds with regard to intrusions into local policy by semi-informed members of the United Nations. Yet this reflection should not be taken as a hint that France can rely on British and American backing for a policy whatever its form. There are not many people, even among the old colonial powers, who now share the smug belief of the *colon* and his supporters in Paris that they can hold their grip provided that no one interferes with them. Frenchmen must accept the fact that other powers now have some concern in the matter. North Africa is full of Nato bases, and the relations between two different communities on this single stretch of territory could vitally affect the future of Europeans at other points in Africa and the Middle East.

No one who is informed of France's difficulties wants to throw stones at the French. No one envies the French government its position, pommelled alike by Moslem and settler. But if it is to succeed it must abandon its old policy of keeping both at bay by giving in, with the regular swing of a pendulum, first to one and then to the other. A new policy of defining its long-term aims will call for a change of heart, for boldness and for imagination. This may never win Morocco for the French Union, for the Moroccans are not an adaptable people, but it would have a chance of winning Tunisia and a very good chance of retaining the feelings cherished for France by the Moslems of Algeria. France's success depends on ability to bring out qualities of generosity in its own folk. Unless it does this, how can it expect a display of such qualities on the part of the African peoples whom it has educated?

Arts to Excess?

ONE effect of rearmament may be to save the arts graduate from unemployment. Fears that the output of arts graduates at its present rate may be too great have been expressed from time to time, among others by the University Grants Committee in its report in 1948. So far, however, these fears have not been realised.

They have not been realised because industry has greatly increased its demand for arts graduates. Oxford University's appointments committee, for example, reports that the number of such vacancies on its books in 1951 was 48 per cent higher than in the previous year. This greater demand is no doubt partly due to defence work; as firms extend their activities they need more administrative staff. But industry's demand for graduates would have increased in any case, even without rearmament, because more and more firms are being converted to the idea of employing them. They realise that, unless they are prepared to do so, they will be recruiting at a lower level of ability than they did before the war. The bright boys whom they then snapped up when they left school go on almost as a matter of course to a university, now that financial barriers have been removed. Thus if industry is to have its fair share of ability it must take people at around twenty-three years old, after they have done their national service and taken their degrees.

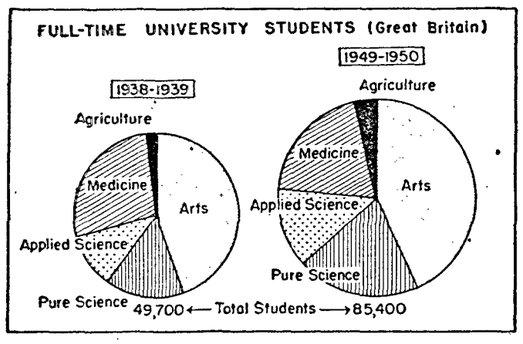
Those firms which want to employ arts graduates do so in the belief that they are particularly good raw material for management. Humanist studies are thought to give the breadth of outlook that is necessary for policy making, and university life, particularly if it is residential, is believed to develop personality, which is, above all, the quality that industry is seeking in its managers. The appointments boards of the older universities have had little difficulty recently in placing their arts graduates. But quite apart from the fact that the demand for them may fall when it is no longer stimulated by rearmament, full employment for arts graduates does not mean that arts men, scientists and technologists are at present being turned out in the right proportions—or at least in proportion to the demand for them.

*

For scientists and technologists the demand is far more voracious. Industry's chief need is for chemists and chemical engineers, physicists, mechanical and electrical engineers, especially for radar and electronics. The shortage was made much more acute by the defence programme, to which it is a serious threat. It has reached these proportions in spite of the fact that, following the recommendation of the Barlow Committee in 1946, the output of graduates in science and technology was doubled.

Being so sought after, graduates in science and engineering are offered substantial salaries even in their first jobs. This has helped to overcome the snobbery about industry to which university men used to be prone; so, too, did the arrival of a generation of mature war veterans. It is no longer true, as it seemed to be before the war, that graduates go into industry for want of anything better. It is still true, however, that a very high, although somewhat diminishing, proportion of science men take up postgraduate research and university teaching, and that these tend to be the best minds. According to figures compiled by the University Grants Committee, of 760 students who are known to have graduated in chemistry in 1951, 334 went into postgraduate research and 242 into industry. If the best students stick to pure science, it is enough to account for the fact that in this field the products of British universities are second to none, but that in the field of applied science the deficiency, in quality and quantity, is glaring.

Academic life, of course, has attractions of its own that have nothing to do with money, and no doubt it will hold its own against the blandishments of industry. But not so the schools. The relatively high salaries offered to young science graduates in industry have led them to look with great disdain on the Burnham scale. The lack of teachers is serious because it will dry up the supply of scientists at the source; but it is an insoluble problem while the general shortage of scientists is so great, for obviously the science master cannot be paid more highly than the man who teaches history or English. The end of the period of rearmament may mitigate it, but against



that, industry's demand for technical graduates is likely to increase steadily as competition becomes keener and as the conviction of their value takes root.

The fact that he gets a high salary on starting in industry does not mean that the technical graduate is handsomely rewarded throughout his career. He is apt to find himself in a back room with a specific piece of research to do, and little prospect of achieving a position of any responsibility. A few firms are very ready to promote technical men into high administrative positions, but more often the attitude is that their background is too narrow and too specialised to fit them for management. To this criticism the universities reply that as the frontier of knowledge advances there is more and more to cover in a limited time, and that they can give the science man a broader training only if they are allowed to keep him for an extra year. This attitude is not shared by universities on the Continent or in the United States. At the famous Technische Hochschule at Zürich, for example, a technical student gets a much more liberal education than he does in Britain. In the United States, too, the science and engineering courses at universities are

increasingly being given a humanistic element. The purist may object that this can only be a smattering, and that the average first degree in science or engineering at an American university is of no higher standard than the Higher National Certificate taken in British technical colleges. But the fact remains that a degree in engineering is the most usual background for management in the United States; and it seems to produce rapid technological progress. No one would wish to lower the exceptionally high standards of pure science in this country; but industry's technical efficiency depends as much on the run-of-the-mill technical men as on the rare and brilliant specialist, and some universities might well give more attention to producing the general competence and wider vision necessary to make distrust of the technician in positions of management disappear.

Meanwhile, is it essential that arts graduates be produced at their present rate to fill the positions of management for which scientists are considered unfitted? On the whole, industry wants only good arts graduates—people selected for exceptional potentialities. It has little use for the third or fourth class arts graduate from a not very distinguished university. These are the people who may in the future be difficult to place. Many of them must go into industry if they are to be employed at all. Now that they are so large, the arts faculties can no longer regard themselves simply as a source of recruitment for the professions and the civil service. Their graduates must find new outlets. But at lower levels of ability they have little to offer the business world that is not offered, at less expense and at a more teachable age, by boys just leaving school. If these graduates were scientists and technologists, on the other hand, their value would be in no doubt.

When it was decided to double the output of graduates in science and technology it was decided that the output of arts graduates should be doubled also. This desire to preserve liberal education deserves every sympathy, but it cannot seriously be maintained that its influence is threatened when, even now, about 43 per cent of the total number of university students are reading arts subjects while only about 33 per cent are studying pure and applied science. Very few people would wish to see the universities regarded as vocational education. But the needs of the economy, as well as the employment prospects of graduates, also need consideration. There does seem to be a case for some shift in the university population to a greater emphasis on science and technology at the expense of the arts.

To say that a retreat from the arts appears to be desirable is not to say that it is at present practicable. The universities cannot produce any more technical graduates than they are doing at present. Scientists are born, not in the universities, but in the schools, where the shortage of teachers keeps their birth-rate low. The faculties concerned, moreover, require special buildings and equipment, and are far less easy to expand than arts faculties. But the question whether such an expansion should be aimed at in the long run requires careful reconsideration. Meanwhile, the contact between the universities and industry which is to take so many of their products needs to be greatly strengthened. It has become much stronger in recent years, thanks partly to the lead given by the Federation of British Industries. But there is still scope for improvement if industry is to make the universities aware of its needs, and students aware of its possibilities. There are still complaints on both sides: the appointments boards think that industry could do more, by means of brochures, for example, or perhaps short vacation courses, to show the prospects they offer. Some firms, on the other hand, say that representatives of the appointments boards do not seem to have the time to get to know industry at first hand. Compared with the cold shouldering of prewar days the relations between the universities and industry are effusively cordial; but compared with the relations that exist in some other countries they still amount to mere acquaintance. There should be the closest co-operation.

NOTES OF THE WEEK

Transport in Confusion

The House of Commons showed much passion in Wednesday's debate on the Transport White Paper, but most of it seemed highly synthetic. It may be good party tactics for the Opposition to rake up Mr Lennox-Boyd's pro-Franco past or for Mr Churchill to taunt Mr Morrison with having been a conscientious objector thirty-five years ago. But it is hardly relevant to the merits or demerits of selling lorries back to private owners and imposing a levy on road haulage.

The vehemence with which each front bench put its case was no doubt intended to hide a certain vagueness in its attitude. Mr Churchill promised to be "affected" by informed public criticism of the White Paper's proposals while the Bill is being drafted—which is to be done by July. This was his recognition of the strong criticisms of the Government's proposals within the Conservative party, criticism which is not confined to the back bench enthusiasts. On the other side, Mr Morrison, though categoric in his threat that Labour would re-nationalise road haulage, was deliberately vague about the amount of compensation which would be paid. Neither the Government nor the Opposition went into much detail on the real points—the performance of road transport under nationalisation and the nature of the changes which private ownership would bring. It was left to a Tory back bencher, Sir Ralph Glyn, to make the best speech of the debate; and the burden of it, based on long experience in transport, was that the White Paper policy would not work.

But the rights and wrongs of the Government's method of denationalisation were not the central issue of the debate. It became at least as much a debate about how the Labour party would re-nationalise once it got power again. This exemplifies the sense of instability which haunts the Conservative party at Westminster. It has allowed Labour to regain a sense of initiative. Underlying the Tories' concern about transport is a fear not merely that they may not last their full term, but that they have already lost the next election. It may be difficult to avoid thinking that a Labour victory is likely, but if the Tories allow themselves to live in fear of it, or even to give the impression of fear, they will corrupt their own efforts now and they will also make their defeat in truth quite certain. On transport, as on other issues, they have no choice but to be bold and clear-headed. And in the drafting of the Transport Bill, there is need—and, fortunately, there is still time—for much more clear-headedness than has yet been shown.

Wages and the Moon

Mr Butler's appeal last week to the trade union leaders to restrain their members from demanding more money has every merit except that they cannot respond to it. Most unions were committed, long before Mr Butler spoke, to what has now become a general campaign for higher wages. Their leaders can scarcely be expected to reverse this process, for if they do they are likely to be replaced by people who care a good deal less for the nation's interests. Mr Butler waited until the unions' vernal wage claims were well and truly launched before explaining, with any memorable emphasis, that they were likely to cause a national disaster. When the late Sir Stafford Cripps uttered similar warnings and made a similar appeal in February, 1948, he did so before the representatives of six million workers were pledged to secure wage increases. He did not ask them to reverse a process just when it had gathered momentum.

Mr Butler's appeal was, unfortunately, lame as well as late. All that he had to say about the cost of living was that there was "a real chance of stabilising prices" and that the Government was anxious "to do whatever is in its power to keep prices down." So vague a statement cannot help a trade union leader to persuade his members that if only they will postpone their wage demands they will be at least as well off. And it was unfortunate that Mr Butler timed his appeal almost to coincide with what the Communists can easily represent as a lightening of the Excess Profits Levy to the employers' advantage.

It would, admittedly, have been difficult for Mr Butler to get any better result. But there was no point in crying for the moon. A more limited and definite appeal would surely have been better. If Mr Butler had held out a firm hope that, with wage stability, the cost of living might be stabilised by a specific date in the foreseeable future, some union leaders might have been able to do what he asked of them. As it is, lacking anything but patriotic exhortations, they will have to continue to press their members' claims—while employers, citing the same exhortations, will oppose them more stubbornly, Mr Butler's warnings were fully justified; but he (and the country) will be very lucky if they have any effect.

* * *

Fine Words

Last weekend the White Rock pavilion at Hastings echoed with courage, determination and lofty sentiments. The Liberal party was holding its annual conference. It shows no inclination whatever to give up its heartbreaking electoral battle. Indeed, Mr Frank Byers said that the mistake they made at the last election was to fight on too narrow a front. Faith in the unique contribution of the Liberal party remains. Mrs Gorsky, in her presidential address to the Women's Liberal Federation, said:

> There is only one path to security and prosperity. The path of courage to meet all comers freely without fear, proud in the knowledge that British goods and British workers, not afraid of hard work, can face the world and prosper. Only the Liberal party is ready with distinctive policies to meet this challenge.

The "distinctive policies" were outlined in a resolution called "A Radical Programme" which was put to the conference. This showed no more realism than is evident in the Liberals' electoral strategy. They have no qualms about including in a political programme such items as the establishment of a "world authority for peace"; and the contradictions in policy that result from the party's fission into left and right wings are veiled by the vague terms in which the policy is described. The Liberals would like to sweep away the food subsidies, for example, but the Women's Liberal Federation is concerned with the "drastic reduction" of the standard of living. The conference will leave the public no wiser about what the Liberals really are driving at.

The nearest thing to realism was the speech in which Mr Frank Byers told the conference of the efforts that are being made to improve the party organisation. He also suggested one way in which some more Liberals might find their way to Parliament. He warned the Conservatives that unless they introduced electoral reform they would find themselves voted out at the next election, for those who were tired of them would have to vote Labour. To pin hopes to Conservative fears in this way is certainly a slight basis for the Liberal party's future, but it is regrettably difficult to see what more promising ground there is for its faith.

* * *

Atlantic Weekend

There lies ahead a week of much coming and going of Atlantic personalities. General Ridgway takes over Supreme Command in Europe from General Eisenhower in three or four days' time, and engagements in Washington have deprived him of the experience—planned by some incautious person—of arriving in Paris on a Sunday, the day when the city's Communists put on their biggest and best demonstrations. The Foreign Ministers of the Big Three should be signing early next week with Western Germany the general convention that gives it something very little short of sovereignty; they should then sign, if they have not done so already, the much battered and disputed treaty for a European Defence Community. Then the summer campaign of the cold war will open.

It is a dangerous moment for prophecy, but one thing is certain. Whatever the Russian reaction to these challenging acts of policy, there will be plenty said about them by their critics in Germany, in Western Europe, and in this country. The British taxpayer will want to know how much the agreed German defence contribution leaves him to pay after 1953 for the British forces in Germany. Frenchmen will waver between saying that the EDC has too much authority over the French Army and too little over the German. Germans will be trying to find out what kind of bargain Dr Adenauer has struck. It is likely to be an excellent one by any normal peacemaking standards, but the Social Democrats will want to keep their leadership of what they believe to be national feeling. They will ask how an all-German government, if such a thing came to pass, would be bound by the engagements of the general convention with the Allies and by the pledges of the EDC. They will do their best to shake the confidence of Germans in the packaged settlement of external problems that the Chancellor has won for them.

General Ridgway takes over at a real turning point in Nato's affairs and will find that his main difficulties are political. He would be well advised to look around carefully, test the ground and work out a policy of his own. Europe takes leave of General Eisenhower with admiration and deep regret, but also with a feeling that the role of Supreme Commander now needs playing in a fresh style.

* * *

Soviet Tactics in the Eastern Zone

Russian intentions towards Berlin when the agreements between the Federal Republic and the western powers have been signed are still obscure. The Soviet military authorities appear to have grown tired of their cat-and-mouse games with the allied military patrols on the Helmstedt autobahn; and neither the Russians nor the East Germans have said anything to elucidate the dark threats uttered by Herr Ulbricht nearly a fortnight ago. Presumably this atmosphere of doubt and uncertainty is just what the Russians want to create.

In the Soviet zone proper, however, the aims of present Russian tactics seem fairly plain. In the first place, they are trying to convince the East Germans of the necessity of a national army to protect them from the "aggressive designs" of Dr Adenauer and his American and British masters. With this object in view, the East German authorities are every day unearthing fresh examples of the alleged activities of western-paid spies, saboteurs and terrorists. In their trials, which are given the widest publicity, these agents are accused of a wide variety of crimes ranging from attempts to blow up the shipyard at Warnemuende to attacks on newsvendor stands in east Berlin. These trials are bringing their expected sequel in a series of resolutions by factory workers demanding "increased protection" from the authorities. The pattern is only too familiar.

In the second place, measures are being taken which can have no other consequence than to isolate the Soviet zone more effectively from the rest of Germany. The armed "people's police" have been given the sole authority to issue inter-zonal passes and the residential permits which visitors from Western Germany must have. Minor railway crossings between the western and Soviet zones have been closed without warning. Frontier villages have been incited to complain of "provocations" by American and West German police. East Germans working in the western zones have had their inter-zonal passes confiscated and have been forced to accept employment in the Soviet zone. Such tactics may only be part of the Russian campaign to secure their ends by fear and uncertainty, but they hardly square with the professed Soviet aim of free elections throughout Germany. The iron curtain is getting tighter not looser.

* * *

Cairo and the Sudan

A verbal reply from Egypt to the British Government's latest proposals has reached London. It was delivered on the eve of Mr Eden's departure for Germany; British foreign policy, in contrast to that of Egypt, has on its hands a number of problems just as important as the Anglo-Egyptian dispute. The reply has therefore not been published; but it is known that, while not slamming the door to further talks, it rejects British insistence that the Sudanese be consulted before the King of Egypt is recognised as King of the Sudan.

Meantime, a statesmanlike attempt to break this deadlock has been made by the Egyptian premier, Hilaly Pasha. Departing from the usual Cairo attitude of listening only to the Sudanese who favour union with Egypt, he has invited the leader of the principal Sudanese independence party, Sayed Sir Abdel Rahman el Mahdi Pasha, to send a delegation to Cairo. Sir Abdel Rahman is said to think that a delegation of a wider nature might serve the purpose better; but he, too, is in favour of the talks.

Anybody who wants to see settlement of the dispute must warmly welcome this new departure, and must hope that neither side will set conditions of acceptance with which the other cannot fall in. The Egyptian public, misled for so long by news that it likes to hear, is being told that immediately brother meets brother all problems will melt away. The prospect is unfortunately not so bright, for Sudanese opinion is divided and the whole of it does not concur in Egypt's views. If the talks are to come to fruition, therefore, the Egyptians taking part will have to listen to some ideas that are not entirely to their taste.

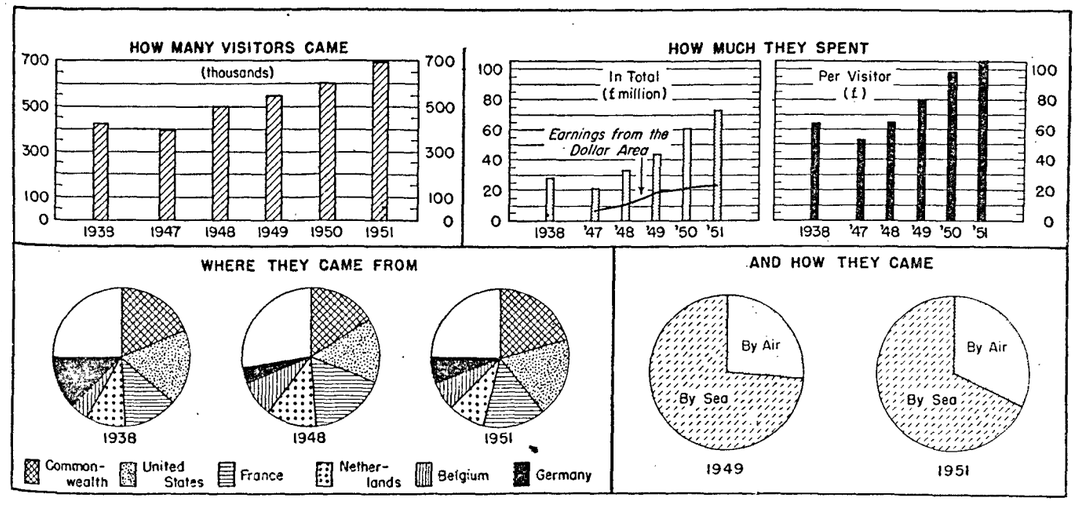
* * *

Old Mother Hubbard

Britain is in for a lean time; its larder is becoming empty, and rations will fall. Instead of the normal spring increase in the meat ration, the British consumer must wait until June 15th when the price of meat and the ration will

Britain's Tourist Trade

In Festival year, 87,000 more visitors than in 1950 came to Britain—an increase of 14 per cent. Although a large rise, this did not do much more than continue the upward trend of recent years. The increase was mainly in visitors from Europe and the Commonwealth; the numbers from the United States rose by only 2 per cent. Nevertheless, the proportion of visitors coming from the United States was a little higher than in 1938 and appreciably higher than in the immediate postwar years, when European visitors, particularly French and Dutch, were proportionately more numerous. Tourist earnings (the amount spent in this country by overseas visitors) have risen from £28 million in 1938 to £73 million last year; about one-third of this 1951 expenditure was made by visitors from the dollar area. But average expenditure per visitor has only increased by about two-thirds between 1938 and 1951, so that, after allowing for higher prices, the average visitor spent in real terms only about four-fifths of the 1938 amount.



be increased together. The so-called "spring flush" of eggs has again failed to make an appearance, although the Minister of Food assured the House in last week's debate on food supplies that the total allocation for the year will be larger than in 1951. Butter is rapidly becoming "something like a luxury food," and a reduction below the present ration of 3 ounces a week appeared, to the Minister, unavoidable. The gloom continued: "we shall be hard put to it to maintain the present ration of one ounce a week [of cheese] towards the end of the year." The margarine and sugar rations are to be maintained. The only bright spot is the increase in the tea ration from 2 ounces to 2½ ounces a month earlier than had previously been announced.

To some extent, this gloomy prospect reflects the balance of payments. If Britain had the dollars, sweets and sugar rationing could be abolished. The United States and Canada both have ample supplies of cheese; enough could certainly be imported from them to offset the decline in shipments from New Zealand and Australia. There are also ample supplies of vegetable oils in the world, but again Britain cannot buy them.

The balance of payments is not, however, the only reason for continued and smaller rations. Australia, Britain's second largest source of supply, has exported no butter since February 9th; from the beginning of last July until April 19th its total exports were 92 tons, compared with 995 tons in the same period of 1950-51 and 1,841 tons in the corresponding period of 1938-39. This is but one example, and it is a good illustration of what is happening in countries that are Britain's main food suppliers. Production is declining and home consumption is increasing. Admittedly, there has been a drought this season in Australia, but output began to decline before it. The larger shipments of meat from New Zealand this year are not, unfortunately, a reversal of a declining trend. The lambs were not slaughtered last autumn in order to get the spring clip of wool, so that this year's increase is only offsetting the reduced supplies last year. If agricultural production is to be expanded prices must be paid that will induce such an expansion, and farmers must receive those prices in the form of net income. This, of course, will mean higher prices for the consumer, but the Ministry of Food cannot much longer go on refusing to pay them on his behalf. Or does the present Government, like its predecessor, prefer that people should live in butterless equality?

* * *

Foot-and-Mouth

New outbreaks of foot-and-mouth disease are still being reported from widely spread parts of the country, and the veterinary facts remain obscure to the experts as well as the layman. The Ministry of Agriculture has decided only this week that calves can carry the disease to healthy stock without themselves showing its symptoms. This makes the policy of slaughtering animals that have been in contact with a known case an even more hit-and-miss method of restricting the disease than had been supposed. On the other hand, it strengthens the case for controlling the movement of stock—about which official policy is less strict than about slaughtering. It is difficult to resist the impression that the Ministry of Agriculture, not being sure what is best, tends to shun measures that cause inconvenience to all farmers and the public; but slaughter, with compensation, hurts severely only a few farmers whose years of work in careful breeding is undone because one animal contracts foot and mouth.

Both sides to the controversy over the slaughter policy accuse the other of panic—and both have some justification. The defenders of slaughter say that it should not be judged by the losses it imposes at the height of a widespread outbreak. Over a period of years, they contend, it keeps this country relatively free of a disease that is endemic on the Continent, and does so at a cost which, averaged over the years, is very reasonable. The opponents of slaughter reply by asking if the avoidance of the disease is the one object, to be secured above all others. If so, then obviously slaughter is right, since foot-and-mouth could be avoided completely by having no cloven-hoofed animals at all in the country. But plainly the object of agricultural policy is to have an adequate number of highly productive animals. The slaughter of healthy stock—some 40,000 animals have been killed since November—is tragically wasteful when so much needs to be done to raise the quality of British livestock, and particularly to get rid of tuberculous animals. This must inevitably be delayed if the animal population is seriously reduced by slaughter for foot-and-mouth—which since human beings do not catch it, would have to be widespread indeed to equal the damage to the country's health done by tuberculosis.

Slaughter cannot, in any event, be altogether ruthless. In practice, it is generally limited to one farm, although animals in neighbouring fields—and, since the disease is carried so easily, much farther away—have also been exposed to infection. In a real epidemic such as the present, this limited slaughter policy is plainly inadequate to prevent a considerable spread of the disease. There would therefore seem to be a case for at least experimenting with other methods in limited areas: for example, farmers might be allowed to choose between slaughter and an attempt at isolation and treatment under very stringent conditions—stringent enough to make the risks of infection little, if any, greater than they are at present. Slaughter is so extreme and painful a policy—and, at least at first sight, so unscientifically heavy-handed—that the Minister cannot afford to make it a dogma. He should be ready to re-examine it frequently and thoroughly.

* * *

Commonsense in Chicago

Mr Gaitskell's recent speech in Chicago, addressed to an influential businessmen's club, was aimed at a more appropriate target than any of the official protests against threatened increases in American tariffs. If no more irrationally protectionist sentiments than those of the United States Administration had to be taken into account, the world economic outlook would be much brighter. This does not mean that American business opinion is universally protectionist; but business leaders who champion liberal policies are apt to encounter the unanswerable argument that no trade organisation failing to press for maximum protection for its members' products can survive the resulting loss of subscriptions. Thus, trade by trade, the high protectionists call the tune. Mr Gaitskell rightly asked American business opinion to "stand back and look at the tariff situation as a whole," to contemplate "some decision as momentous as Britain's free trade policies of the nineteenth century." Only in such a context do the claims of sectional groups fall into a proper perspective and their common interest in freer trade emerge.

The general gains of free trade are less obvious and less capable of arousing a politically effective emotion, in a country like the United States, whose imports are comparatively dispensable, than in a nineteenth-century Britain hungry for cheap imported food. Where the particular losses of free trade are concerned, however, nineteenth-century Britain affords a much closer parallel. America holds today, but in far fuller measure, what Britain held a hundred years ago—an economic initiative, derived from a long lead in productivity, which gives power to shape the international division of labour. Business men, workers and governments of other countries have to adapt themselves as best they can to this initiative; it is on them, rather than on their American counterparts, that there falls the incidental cost and loss inseparable even from economic changes that are in the long run most beneficial.

This consideration is already paramount with a certain school of left-wing opinion; it could end by making present barriers and discriminations against American imports a permanent and deliberate feature of European policy—which is the last thing American business wants. It is overwhelmingly reinforced by American actions suggesting that no adaptation, however courageously and effectively carried out, will be allowed to reap its reward; that when it is the turn of American business to adapt, however slightly, to the consequences of its own initiatives, it will always boggle at the necessity. Mr Gaitskell may be wise or unwise in pressing for an international conference to consider the dollar problem, the maintenance of full employment and the development of backward areas; the Bretton Woods analogy is not over-encouraging. But for his direct appeal to American business opinion there can be nothing but congratulation.

* * *

Secession from South Africa?

A new twist has been taken this week in the battle for South Africa. Senator Heaton Nicholls, speaking for the Opposition, has given public expression to the threat, already discussed in private for several weeks, that Natal might secede from the Union if the government presses on with its policy of overriding the constitution on the issue of coloured representation. This has followed Dr Malan's announcement last week that the British failure to transfer to South Africa responsibility for the protectorates of Bechuanaland, Basutoland, and Swaziland could not be tolerated indefinitely. The position of the Nationalists in parliament is by no means strong enough for them to face the possibility of losing votes if next year's election is fought on the constitutional issue, and their dictatorial attitude is causing a good deal of uneasiness among their marginal followers. There was always, therefore, the probability that Dr Malan would strike at his opponents by launching an issue on which opinion could be expected to rally behind the government. The question of the protectorates certainly has this effect. However sincerely the United Kingdom may believe that it cannot ever transfer the trust to which it is pledged in the interests of the African inhabitants of the protectorates, this is not a point of view likely to appeal to South Africans, of any political colour, now that they are in every respect equal partners in the Commonwealth.

The attitude of Natal, however, puts a new complexion on Dr Malan's chances of carrying South Africa along with the extreme Nationalist segregation policy of *apartheid*. Natal is, as it always has been, predominantly British. It was an independent colony for many years before the Act of Union. Whether constitutionally or not, it could well become so again—or a self-governing dominion. Its secession would be a grave loss to the Union and would certainly mean that the Nationalists had cut off their nose to spite their face. For Natal would be in a strong position to drive a hard bargain with the rump of the three other provinces. Not only is it fully capable of supporting itself but secession would bring overnight a flood of foreign capital for development. Moreover, the port of Durban handles more cargo than all the other ports of the Union put together, and the Union could ill afford to lose this outlet. Equally, in the military sphere, Natal would be able to meet all the essential requirements of Commonwealth defence and this would deprive the Union of much of its importance in the strategy of Africa.

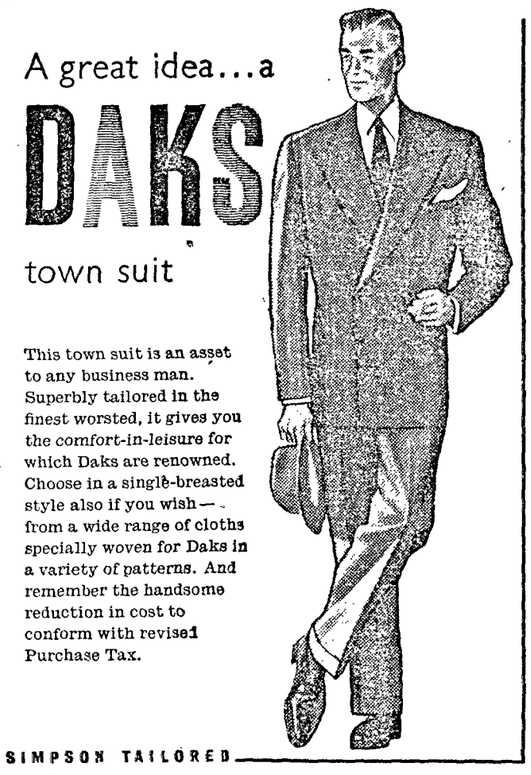
The United Party is not enthusiastic about secession, since it would wipe out the party as an effective political force in the rest of the country. But more and more voices speak in favour of salvaging something from the wreck to which Nationalist policies appear to be leading South Africa, and Dr Malan must be aware that the threat offered by Senator Nicholls is a real one.

From Expansion to Stagnation

A few years ago Western Europe suffered from a shortage of statistics. Data had to be estimated or more often guessed. Now there is almost a surfeit of statistics and the Organisation for European Economic Co-operation is at least to be congratulated on this achievement. But what is lacking is a clear analysis of Europe's difficulties. The OEEC's new report,* on economic trends in Western Europe in 1951, does not pretend to be an analysis; it merely draws attention to certain salient features. The first is that the rate of increase in industrial production in Western Europe is slowing down. That is perhaps inevitable after the period of postwar rehabilitation and recovery. The increase between 1948 and 1949 was 12½ per cent, between 1949 and 1950, 11 per per cent and between 1950 and 1951, 9½ per cent. These figures are in no way alarming. But the quarterly figures for last year show a much more disconcerting trend; the table on page 508 shows quite unmistakably that in almost each successive quarter the percentage increase over the corresponding quarter of 1950 declined and in the last quarter it was no more than 3.6 per cent. The rise in agricultural production shows a similar trend—rising, but at a declining rate—and the increase in 1951-52 over 1950-51 is expected to be only a few points.

On the industrial side, the shortage of key materials limited expansion; another cause was the measures taken by certain countries to control inflation, and yet a third the fact that hitherto unemployed resources were being fully utilised. But more recently a more important cause has been the falling off in demand. This was particularly noticeable for textiles and clothing and also for other consumer goods. The production of capital equipment is apparently still expanding and unemployment generally is still only a small proportion of civilian working population.

* Third Survey, prepared by OEEC for the Council of Europe.



be incr in consumer demand may be only the normal eggs on to the abnormal buying spree of the Korean boom—M pause before the further rise. It may, however, have deeper roots. Full employment can be bolstered up for a time by inflationary conditions. But sooner or later the inflation must be checked or the gold reserves allowed to

PRODUCTION IN WESTERN EUROPE

INDUSTRIAL PRODUCTION
(1948=100)

	1st Qtr.	2nd Qtr.	3rd Qtr.	4th Qtr.
	(Monthly Averages)			
1949	110	114	107	119
1950	120	124	120	137
1951	135	140	130	142
Percentage increase :—				
1950 over 1949	*9·0*	*8·8*	*12·1*	*15·1*
1951 over 1950	*12·5*	*13·0*	*8·3*	*3·6*

AGRICULTURAL PRODUCTION
(1934–38=100)

	1947–48	1948–49	1949–50	1950–51
Total agricultural output	81	95	104	111
Livestock products ...	73	87	101	108

Source : Organisation for European Economic Co-operation.

disappear. If Europe is now suffering from its past excesses, then the period of readjustment may be either short and sharp or protracted and mild. But in either case it is likely to be painful and it cannot be alleviated by public works or rearmament.

* * *

Italian Election Prospects

Election prospects for the association of the four constitutional parties which have at various times been in the De Gasperi government have continued to improve as polling day on Sunday has drawn nearer. The Christian Democrats and the Republicans still form the coalition, while the right wing Socialists (PSDI) and the Liberals have been out of it for over a year. While this improvement has not been enough to make the group's chances very good, two factors have moved in the Christian Democrats' favour. The first is the change in the tactics of the Church. At the opening of the campaign the Vatican wanted to bring the Christian Democrats into an electoral alliance with the extreme Right. But it has lately realised that, having failed to secure adequate backing for this policy throughout the party, it was in danger of seriously splitting the anti-Communist vote, particularly in Rome itself, in Naples and in Bari.

Secondly, if one of the more explicit of ex-King Umberto's many interviews with the Italian press, he has said plainly that he looks back to the last months of Mussolini's regime—the "Social Republic"—as a deplorable parenthesis in the otherwise civilised traditions of Italy. This is a most unpleasant knock for the main Monarchist party which has allied itself with the neo-Fascist MSI, the heir to the traditions of the period in question, and it may incline many who had thought of deflecting their votes to the extreme Right to vote again for the Christian Democrats. The Christian Democrat group is now expected to win in the capital. It may fail to hold Naples, but there seems little chance of the camouflaged Communist lists capturing this important southern city.

In the rest of the south the great swing to the Right, long expected and referred to lately by Signor Nenni as a virtual certainty, may prove to be only moderate. The extreme Left shows no sign of a victorious mood; one of its main victories may be in Ferrara, one of the few northern municipalities voting on this occasion. Meanwhile events in Sicily, even in the main centres of Palermo and Catania, are deprived of drama by the obstinate and prudent refusal of the Sicilians to give up their traditional and simple proportional representation in favour of the complex and risky system adopted on the mainland.

* * *

The Scholarship Stakes

The winning of an open scholarship at Oxford or Cambridge is still the crown of a schoolboy's career. There are other universities; and there are, nowadays, many other forms of award from the state and from local education authorities. The vast majority of university students in this country hold awards of one kind or another, most of them given on some kind of test of academic attainment. But the scholarship and exhibitions awarded by the Oxford and Cambridge colleges after competitive examination still stand in a class entirely by themselves as a test of the merits of the schools and their scholars.

Mr. N. Whatley has now contributed his annual analysis of these awards to the *Oxford Magazine* and *The Times Educational Supplement*, and as has been our practice for several years past, a summary table is printed below:—

SCHOOLS WHICH WON EIGHT OR MORE SCHOLARSHIPS OR EXHIBITIONS AT OXFORD AND CAMBRIDGE IN 1951-52

	No. of Boys	Oxford	Cambridge	Total
1. Manchester G.S. (1)	1,365	7	18	25
2. Winchester (2)	500	18	7	25
3. Eton (8)	1,160	11	11	22
4. St. Paul's (5)	690	9	9	18
5. Marlborough (4)	760	4	12	16
6. Rugby (3)	675	7	8	15
7. Bradford G.S. (7)	988	8	6	14
7. Clifton (6)	574	2	12	14
9. King Edward's, B'ham (10)	680	3	10	13
10. Christ's Hospital	834	8	4	12
11. Dulwich	1,200	3	8	11
12. Bristol G.S. (9)	1,013	7	4	11
13. Harrow (14)	550	7	3	10
14. King's, Canterbury	600	5	5	10
15. Ampleforth (7)	422	4	6	10
16. Sherborne	541	3	6	9
16. Westminster	371	7	2	9
18. Charterhouse (11)	622	2	6	8
19. Wellington	620	4	4	8
20. Liverpool Collegiate	657	3	5	8

The figures in brackets show last year's order. Where there is an equality between two schools in total awards, but one has gained more scholarships than the other, it is given the priority.

To summarise in this way does some schools more, and others less, than justice. For one thing, it is not practicable to exclude the "closed" awards (i.e. those where the competition is limited to certain classes of candidates, sometimes to those from one school only); there are not many of these, but they may inflate the figures of certain of the older founda-

INDEX

The Index to *The Economist* is now published quarterly. Subscription rates are **5/-** a year; single copies are priced at **2/-** each. The Index to Volume CLXII (January to March, 1952) is now available from:

The Publisher, 22 Ryder St., St. James's, London, S.W.1

tions. On the other hand, schools are of different sizes. A column has been added showing the number of boys at each school; but this does not tell the whole story, as some recruit at a lower age than others, and some lose more of their boys before the sixth-form stage. For a school of less than 500 to get into the list is an achievement, and there are some small schools which did very well without getting into the list at all. Leighton Park, for example, with only 220 boys, secured six awards, five of them scholarships. Bradfield and Bryanston, with less than 400 boys, each gained six awards.

The total of awards in the two universities was 854; of these, 841 were won from schools which fall into one of the recognised categories, as follows:—

	Oxford		Cambridge	
	No. of Awards	Per cent	No. of Awards	Per cent
Independent	212	56·25	227	48·9
Direct grant	51	13·5	75	16·2
Maintained	114	30·25	162	34·9

"Independent" schools are those which are entirely self-supporting; "maintained" schools belong to the state system; "direct grant" schools are an intermediate category.

The differences between Oxford and Cam
explained by any difference in social or
but simply to the fact that Cambridge gives
awards in those subjects (science, mathematics,
guages and—particularly and surprisingly—Engl
which the maintained schools do relatively well, and few
classics and history, which are still largely the preserve
the independent Public Schools.

* * *

Housing Extravagance

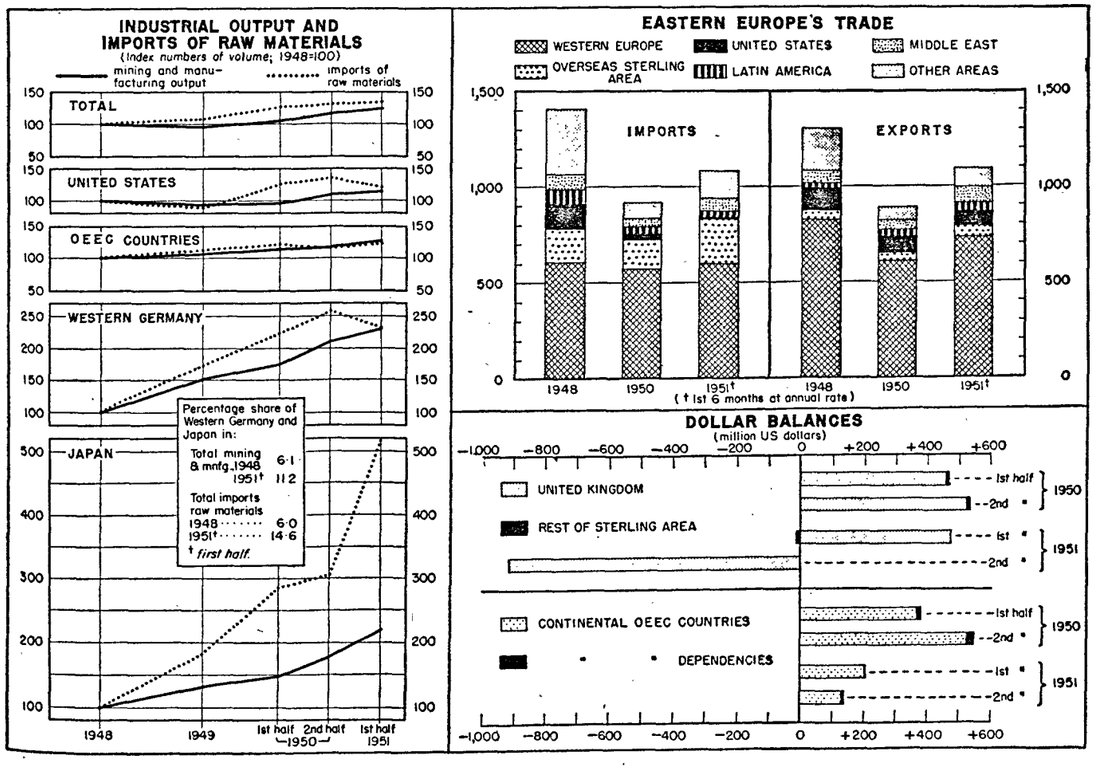
Some light on the dark corners of public housing finance is shed by the second issue of an annual survey of housing statistics compiled by the Institute of Municipal Treasurers and Accountants.* This survey is for the financial year 1950-51, and it covers the accounts of the London County Council, all county boroughs, and a fair proportion of other local authorities in England and Wales.

It reveals some disquieting facts. The capital cost of a 3-bedroom house and ancillary services completed during the year varied among local authorities from £1,113 to

* Available from the secretary, 1, Buckingham Place, S.W.1. Price 7s. 6d.

Changes in World Economy 1950-51

The following charts are a further selection based on information contained in the World Economic Report, 1950-51, prepared by the Secretary-General of the United Nations. The chart on the left hand side shows the increase in imports of raw materials compared with the rise in mining and manufacturing output based on 1948. In Western Europe it was equal to the rise in industrial production during the same period. In the three other countries imports of raw materials up to the end of 1950 showed a much sharper proportionate rise compared with 1948 than the increase in their industrial production, indicating that stocks of raw materials were accumulated. The top chart on the right-hand side shows the pattern of trade for Eastern Europe in the three years 1948, 1950 and 1951. The bottom chart shows increases and decreases in dollar balances held by the sterling area and continental OEEC countries in the first and second halves of 1950 and 1951.



be incr. This range is wide enough to warrant the most eggs.ful scrutiny of their costs by authorities in the upper Minges. The average net rents charged by local authorities for postwar 3-bedroom houses varied even more widely—from 9s. 3d. to 29s. 3d. a week. In order to keep rents down, many local authorities paid extra subsidies out of their general rate fund in addition to the statutory rate subsidy. Another favourite device was to raid balances in the repairs fund held over from wartime, a practice which the present Housing Bill attempts to stop by raising the minimum annual contribution for repairs from £4 to £8 per house. The LCC was notably extravagant under both these heads. Its repairs account was run down by over £600,000, while it supplemented its statutory payments of £775,000 for housing with an additional £665,000 from the rates.

These unsound methods of finance, to which the desire to keep rents low leads many local authorities, build up a heavy burden for future ratepayers. Public housing is already sufficiently subsidised without the additional subventions and subterfuges which this survey shows to exist—and whose cost, moreover, will progressively increase. Unfortunately, the Government's increase of the Exchequer subsidy cannot fail to encourage councils to continue their own shortsighted varieties of extravagance.

* * *

No Change on Equal Pay

Once again the champions of equal pay for equal work by men and women have received a stonewalling reply from the Treasury. At the end of last week a private member's motion called upon the Government to announce "an early and definite date" for beginning the application of equal pay in the public services. Mr Boyd-Carpenter's reply, like that of Labour ministers before him, was to the effect that the present Government agreed with the principle but, because of the financial state of the country, could not possibly agree to increasing the cost of the public services by £28 million, with a considerably bigger increase elsewhere.

A Labour member pointed out that in February, 1948, the staff side of the civil service Whitley Council saw Sir Stafford Cripps about a scheme for the gradual application of equal pay on the morrow of the beginning of the wage freeze, and that last week's debate was taking place on the morrow of Mr Butler's appeal for wage restraint. Mr Boyd-Carpenter did, in fact, use this argument. None of the supporters of equal pay will, however, be satisfied with it, and the Civil Service Clerical Association has passed a resolution at its annual conference calling for vigorous action to press the Government "to carry out the will of Parliament."

But with the best will in the world the Government cannot name a date for introducing equal pay. Equal pay will surely come, probably by stages on the lines of the scheme put forward by the civil service. Mr Boyd-Carpenter did indeed go one step further than previous ministers by announcing that the Government intends to examine all the devices that have been suggested for minimising the inflationary effects of equal pay. He hinted that discussions with the staff side of the civil service would follow. That is probably as much as any government could say at present. On the other hand, any government is always likely to find the time unripe for introducing equal pay—unless a general election is approaching. It is right, therefore, that the pressure should be kept up; but it is to be hoped that the advocates of equal pay realise the corollary of introducing it—that in a time of anything less than full employment more women than otherwise would lose their jobs.

French and English

An interesting proposal is to be debated by the Strasbourg Assembly at the end of this month. It is that French should be taught to all English-speaking, English to all French-speaking children, and one or other of these lauguages to children of other nationalities. The plan is a French one emanating from *L'Association "Le Monde Bilingue"* under the stimulus of M. Alfred Coste-Floret. The Association rightly holds that some linguistic measures must be taken to strengthen the unity of the free world and counteract Soviet policy which, from Berlin to Vladivostok, is establishing Russian as the second language of the East.

> Europe will never be united if [its peoples] remain aliens to one another. The European Army will remain a pipe-dream if all the troops it must bring together . . . call to mind the Tower of Babel.

The sponsors of a bi-lingual world regard English as the already established utility language and French as most representative of European culture.

The hub of the question is clearly: which language is to be taught to the unfortunate non-English and non-French? M. Coste-Floret remarks that "the others" should preferably all choose *one* of these languages but does not commit himself to the obvious necessity of their choosing English. French has certainly a central position in European letters and might usefully supplant Latin as a basis of higher universal education; but for communication between Danish and German platoon-commanders it is next to useless. The trouble is that the elegant abdominal vowels of the French language, so well suited to indoors diplomacy, do not carry in the open. It is also doubtful whether the forceful French of the Foreign Legion, in which the subjunctive is scarcely ever used, could be formulated for general consumption. The truth is that French without frills is not French at all whereas English can still be conveniently murdered, as it has been the world over for the last two centuries. *Le Monde Bilingue* will speak as its foreign tongue either Queen's French or pidgin English.

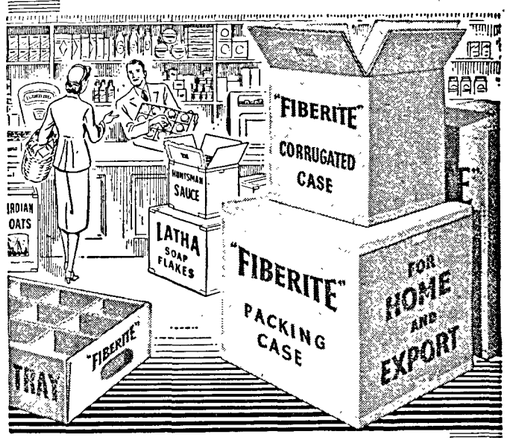
The Press of England

Happily, for the press of England, it has been left free, and it is at once more useful and more honest than the press on the Continent. The several members of it watching over one another make deceit ruinous; and wilful deception . . . never is attempted. If it have no subventions and no patronage, it has no censorship. It is heavily taxed, like several other industries, and has no peculiar awards. Its members do not claim, as a matter of right, professorships, councillors' places, or seats in the cabinet. Like other professions, it is a path by which clever men attain distinction, but it confers no honours. It is wholly independent of Government, and exclusively dependent on its readers. All the evils they feel, it expresses; it continually exposes abuses and helps to redress grievances. It does not stir up enthusiasm by indulging in glowing visions of an impossible nationality, nor by always dwelling on a departed glory which no skill can revive. It deals much less with abstractions than with material interests. It chronicles the every-day business of the whole people; and the sufferings of the lowest classes, the active pursuits of trade, and the brilliant trifling of the classes who are opulent enough to pass their time in amusement, equally receive notice in its columns. Our press is the natural growth of the national progress: it belongs to all the people, is a part of their daily lives, and is indispensable to civilisation. How long our press will retain its high, honourable, and useful position, is not to be foreseen. Our hope is, that it and the nation will increase in power and glory from age to age.

The Economist

May 22, 1852

What's in a name?



If you think that all fibreboard packing cases look alike, then in your own interests look again! "Fibreboard" is too general. It can mean anything. But "FIBERITE" is precise. It stands for quality—fine appearance, careful construction, top performance. Be certain, and order "FIBERITE" cases, the most widely used packing for home and export trade.

Regd.
Trade "FIBERITE" Mark
PACKING CASES

THAMES BOARD MILLS LTD.
PURFLEET · ESSEX

Manufacturers of
"THAMES BOARD" for cartons and other uses;
"FIBERITE" Packing Cases; "ESSEX" Wallboard

FB3-1524-67

THE PROBLEM OF GERMANY

An important series by

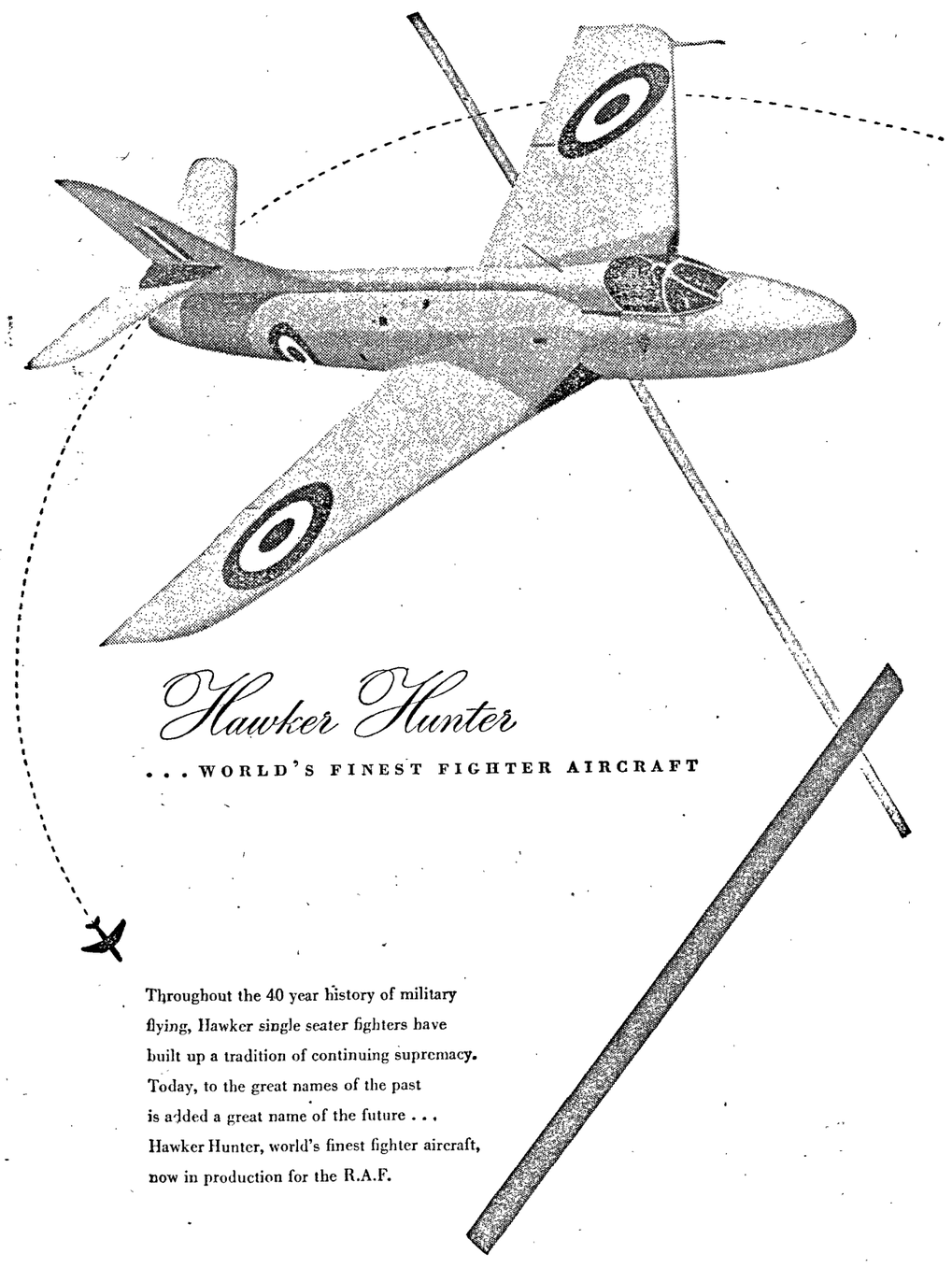
SCRUTATOR

most famous commentator on public affairs

Begins on Sunday, May 25, exclusively in

The Sunday Times

THERE IS ALWAYS SOMETHING FOR EVERYONE IN THE SUNDAY TIMES



Books and Publications

Facts on Films

The British Film Industry. A Report by Political and Economic Planning. 305 pages. 18s.

In all film producing countries outside the Iron Curtain but one, film making seems inherently unprofitable and exists only by virtue of Government subsidy—in spite of the fact that a proportion of screen time at all cinemas is reserved by law for the native product. Films made in the one exception take up from 35 to 80 per cent of screen time in the cinemas of all the others. Perhaps the main virtue of PEP's new study, which was suggested and paid for in part by the British Film Institute, is that it shows how common to all these countries—apart from that triumphant exception, the United States—are the problems that beset the British film industry.

Because the cost of an extra film print is so small in comparison with those incurred in getting a feature film on to the master negative, the film is, in theory at least, "infinitely exportable." Any producer has the strongest incentive to expand distribution of his product to the utmost, to seek and almost to saturate the world market. Given the cessation of film production in Europe in the first world war, and the size of the United States home market, it seems in retrospect almost inevitable that the American producers should have been able to establish their products throughout the world to such an extent that no other commercial film industry has ever regained the chance to compete on an equal footing without protection. But was it inevitable that no protected industry should graduate to profitability? So far, so it seems.

This study follows the reports of at least five official committees on British films, apart from much discussion and legislation, and PEP could not hope to turn up much that was new. What it has done is to set down well and concisely, and annotate, an account of the present situation of the industry and how it arose. Its conclusions, again, cannot be new; and its suggestions, in the main, are left to be inferred. This does no harm.

The report reproduces, and brings up to date in some cases, the statistics that are the ammunition common to all sides in the controversy over film economics, and it will no doubt be quoted variously, selectively, and tendentiously. But it wisely does not join the popular game of "Hunt the exhibitor." The cinema owner in Britain is mainly a retailer of American entertainment to a public brought up to prefer that entertainment. There would seem no obligation upon him to foster a competitive native producer who may offer slightly worse trading terms, to pay in addition special rake-offs to keep this competitor in business, or to try unduly to influence the taste of his patrons towards this alternative brand. The cinema business in Britain is making a living and perhaps a more comfortable living than its representatives are always prepared to admit; but that does not mean that it owes a comfortable living to British films.

Whether British films are to be made, the report concludes, therefore remains a question of national policy. British films may be earning overseas almost as much as from the home market, and this offers some hope for the commercial future; but, in general, as the report says,

> If the public considers it desirable for political, cultural or economic reasons that British films should be produced, then it must be prepared for the Government not only to protect the industry indefinitely, but also to aid it financially for as far ahead as can be seen.

Whether the public, given the facts, really would consider it desirable has never been made clear; but both the main political parties seem to.

Lost Illusions

Victorian Olympus. By William Gaunt. *Jonathan Cape.* 199 pages. 15s.

This is a book of unusual quality. Mr Gaunt deals with a subject far removed from the modern sensibility—the so-called classic painters of the Victorian age. Yet his style is so engaging and his critical apparatus so sensitive that any reader who comes to this book disposed to scoff at its theme will lay it down with a feeling of a tragic twist in the loom of time.

The Elgin marbles brought to England a revelation of the glory of Greece whose influence endured through the nineteenth century. In Mr Gaunt's phrase "the classical world made a new appearance in the land of the factory and the steam engine." The Greek revival was the inspiration of a school of painting that Mr Gaunt describes as the Victorian Olympus. Its members were dedicated souls. They found a moral purpose as well as an aesthetic thrill in the classic renaissance. The brushes of these artists, who had been sanctified by the vision of Greece, would wipe away some part of the hideous ugliness of Victorianism, or at least redeem its materialism. G. F. Watts, Alma Tadema, Albert Moore and E. J. Poynter are among the painters Mr Gaunt deals with; but his hero, the Zeus of the Victorian Olympus, is Frederic, Lord Leighton. It is extraordinary that Leighton, whose personality fascinated his age, is now so utterly forgotten. In his prime he was regarded as the match in painting of Tennyson in poetry; and, like Tennyson, he was rewarded by a peerage. But Tennyson is saluted today as still a fine poet, while poor Leighton's pictures are derided as dead academy exercises. One doubts if even Sir Alfred Munnings would forecast his artistic resurrection.

Twenty years ago, in the debunking era, this situation would have been treated with pert facetiousness. Today we are discovering a sympathy with the lost illusions of the Victorians. It is in tune with the modern temper that Mr Gaunt, with delicate skill and understanding, unfolds his Olympian tragedy. Frederic Leighton was a man of great general intelligence and many attributes. He looked like a marble Olympian; he had magnetic social charm; he would probably have made a successful politician or an ambassador of the Lord Dufferin type. Why did Leighton fail? asks Mr Gaunt. His book makes us appreciate that it was at least in a noble enterprise that Leighton failed.

Philosophy and Personality

The Logic of Personality. By Bernard Mayo. *Jonathan Cape.* 188 pages. 10s. 6d.

Philosophy to the amateur still tends to mean the purveying of comprehensive answers to omnibus questions about the nature of man and his place in the scheme of things. But during this century philosophy has come to mean something quite different to professional philosophers. Their main preoccupation has been with techniques of logical analysis, which help to show what kinds of question are being asked rather than to formulate comprehensive answers. Often, in this process of polishing tools, philosophers have become indifferent to many of the questions which lead people to an interest in philosophy. Scholasticism takes the place of metaphysics and the ordinary man is either bored or bewildered.

This book is, therefore, particularly welcome. For, though bearing the unmistakable stamp of modern philosophy, it deals with problems which are both intellectually exciting and practically important. "What is personality?" persistently puzzles the reflective person. The author points out that there is no straightforward answer to this question, but that, once certain important distinctions have been grasped, much can be said that is both stimulating and suggestive. In the first place we must understand the difference between knowing the properties of a thing or person which he has in common with others and being aware of the uniqueness of a person. Many of the deficiencies in the psychologist's account of personality occur, partly, because he deals only with properties. In the second place we must distinguish between knowing about things or persons by description and being acquainted with them by becoming familiar with them. The author illuminates this distinction by brief excursions into the theory of knowledge, biology, and primitive language; and shows the importance of both distinctions in the fields of art and morality.

Many would call into question the basic distinctions made by the author and would cavil at particular points of

detail. Nevertheless the excursions illuminated by the distinctions are eminently worthwhile; for new ways of looking at old problems are always stimulating. And if the reader is left without any comprehensive view of personality but with his head slightly clearer about what the problems of defining it are, the author will have achieved his main purpose.

A Victorian Statesman

The Public Career of Sir James Graham.
By Arvel B. Erickson. *Blackwell.* 433 pages. 32s.

Sir James Graham had everything that was needed for success in politics early in the last century: birth, money, energy, distinguished appearance, and power of connected thought. On leaving Oxford he rose at once, with effortless grace, to high position in the state; and though he never became First Minister, he admirably filled the post of second-in-command to the even more oustanding personality of Sir Robert Peel. Like Peel, he was too good an administrator to be a good party man; and at various times in his career he was, or at any rate was called by his enemies, a radical, a whig, a plain tory, and a conservative supporter of free trade. He sat on the Cabinet committee that drafted the great Reform Bill; changing sides, he joined the great conservative reforming government of 1841-46; in Aberdeen's unhappy coalition he bore some responsibility for the outbreak of the Crimean war; and he died, an elder statesman, in the same year as the Prince Consort.

This interesting, if personally sometimes repellent, figure has fascinated Professor Erickson, who has written a long, an expensive, often a most informative, and often, it must be confessed, a dull study of his public career. Graham's speeches are among the rare oases in the deserts of Hansard's early series, and the author has garnered many interesting passages from them; moreover, he has used the Graham family papers and the archives of the two great departments, the Admiralty and the Home Office, where Graham did his best work. Some of the points he has discovered in these original sources are of genuine interest to those concerned with the details of the period, and being a diligent researcher who does not ignore what is already in print Professor Erickson has many more small points which his fellow specialists may have overlooked. However, the "general reader" may be dismayed at the abrupt, unheralded changes of subject in this narrative, which is written in weak English, tiresomely pitted with small errors of fact and obscurities of style.

Professor Erickson says in conclusion that "Sir James Graham, next to Peel, deserves to be ranked as the ablest man in English public life in the years from Waterloo until his death in 1861." On the evidence he has adduced, this is more than can be claimed for the contemporary of Canning and Palmerston, of Chadwick, Cobbett, and Wilberforce, of Wellington and Derby, and of the young Gladstone and the young Disraeli.

Letters to the Editor

Profits Too Low

Sir,—In an article in your issue of May 3rd you rightly draw attention to the official estimate of £1,200 million for stock appreciation in 1951. May I be allowed to comment on some of the implications of this enormous figure?

The estimate must be subject to a fairly wide margin of error in either direction; but if it is accepted as being the best official guess, it follows that business will pay over £600 million in taxation on last year's profits which it would not have to pay if profits were assessed according to the principles officially adopted in estimating the national income. This somewhat startling inference may have begun to cause embarrassment in Whitehall. At all events, the £1,200 million does not appear separately in the table headed "national output and expenditure" in the Economic Survey.

While we may sympathise with the authors of the Survey, who are no doubt uncertain about the accuracy of the £1,200 million, it is more difficult to excuse their neglect of the effect of stock appreciation in their references to profits. Thus we are told that: "The income of companies and public corporations increased by one-fifth, or just over £500 million, between 1950 and 1951." This is untrue. Stock appreciation cannot have been zero. The bulk of the £1,200 million, if this figure be accepted, must be deducted from these profits. (Last year's Economic Survey implied that the fraction would be seven-eighths, the remainder being attributable, presumably, to small firms.) It follows that corporate profits fell by £500 million or more last year. Unless Whitehall is prepared to deny the logic it has accepted elsewhere, it cannot dispute this conclusion. Nor can it be denied that, for the same reason, undistributed profits were substantially negative last year—not, as the Survey indicates, a positive figure of £774 million.

"Some politicians," you observe, "choose to ignore these statistics, but most, of course, have simply not heard of them." Mr Gaitskell clearly belongs to the first category, but it is more difficult to place Mr Butler. Any adjustment in the current assessments must be out of the question, but that is no reason why the artificiality of the figures for nominal profits should have been ignored by the Chancellor. "I am not prepared," said the Chancellor, when he was announcing the Excess Profits Levy, "to bring into the average the profits of 1950, and still less those of 1951. The profits of both these years were inflated by the events following the outbreak of the Korean War." He ought surely to have added that this apparent inflation of profits was largely caused by stock appreciation; indeed, last year's profits would probably be no higher than those of 1948 or 1949 if the effect of this item were eliminated. At a time when restraint in the pressing of demands for higher wages is so much in the national interest, it seems absurd to publicise figures which give a grossly misleading impression of rapidly increasing profits.

In conclusion, I should like to draw attention to some figures, derived from the White Paper on National Income, which indicate the ominous weakness of the British economy last year.

	£ million
Personal savings	95
Corporate savings	774
less	
Capital taxes	−191
Stock appreciation	−1,200
Corrected net private savings	−522

Yours faithfully,
T. WILSON
University College, Oxford

Defamation in the Doldrums

Sir,—In your note on the Defamation Bill you report that Mr Silverman said he did not like the Bill and that I retorted "Nor does anyone like you." Hansard correctly attributes the retort to another member, so perhaps you will kindly allow me to disclaim responsibility for it.—Yours faithfully,
HAROLD LEVER
House of Commons

Plain Word?

Sir,—I believe the letter referring to the word "diseconomies," which appeared in your issue of May 17th, reflects the attitude of many people towards economic phraseology. Economics is a subject which, having new ideas unrepresented by existing words, must construct new ones if the ideas are to be expressed clearly. Little good has come, in the past, of employing common expressions like "price," "cost," "saving," "capital" or "investment" to mean something different from their everyday meanings.

To suggest that a new idea should be expressed in existing terms is to clothe the babe in his grandfather's apparel; it is quite unfitting and must smother the body of the idea. Doubtless there are ugly words in the vocabulary of economists, but it is difficult to avoid them in striving after clarity together with conciseness.

Perhaps a safer ground for dispute over the language of economists is that each uses the same word with a slightly—and at times markedly—different portent. It may be possible to standardise the meanings applied to some terms which are particularly open to abuse in this way. Until this is done, I think that these different interpretations of a similar notion expressed by the same words in the minds and writings of different economists should at least be indicated to students. Otherwise, both students and ideas may become confused.

(I wonder what Mr Goodchild thinks about "equilibratory" and the family of "poly's," including "polypoly" and "oligopoly"?)—Yours faithfully,
R. FORMAN
University of Nottingham

Each different sales situation,
its own advertising conception

now *for you, a mattress of pre-war quality and post-war design*

the NEW Slumberland Red Seal —in your shop!

Read about the new 'ORTHO-FLEX' springing, exclusive to Slumberland. The other exclusive features: the deeper richer comfort: the unprecedented value!

People who bought Slumberland that year until tell you ..there's a lifetime of better sleep in a Slumberland

THE Red Seal is a mattress made with one idea in mind — to give you a lifetime of better sleep: a mattress of pre-war quality but post war design. Inside the Red Seal is the latest and greatest advance in bedtime comfort — the new Ortho-flex springing

Exclusive Slumberland feature No. 1: 'Ortho-flex'
With these entirely new and different springs, resilience goes deeper because every coil in every spring works. And, because all the coils take their fair share of weight, the support is gentle and blissfully deep from head to toe — and no spring ever gets overworked or overtired. Ortho-flex springs don't wear out.

Exclusive feature No. 2: 'Slumbertown'
Over the springs, in a Red Seal, a sumptuous cushioning. Layer upon layer of bellowy 'Slumbertown' and fibre. What a wealth of comfort—typically Slumberland!

Exclusive features Nos. 3, 4, and 5
Ticking, rich and attractive, specially woven for Slumberland to give a lifetime of friction resistance. Eight air vents in the border: they keep the mattress fresh and sweet — aired automatically. And Slumberland's patent piped roll-border. Details seemingly, but vital details in designing for ultimate perfection and service.

See the Red Seal this week in the shops
October 2nd — October 14th is Slumberland National Quality fortnight. 1,500 shops throughout the country are displaying Slumberlands — and featuring the Red Seal.

Go and see it, feel it, try it. See, too, all the other Slumberland mattresses, the attractive Divans and the famous Slumberland Pillows. Ask your dealer for the new catalogue, with full details and prices. Ask, too, for a demonstration of Ortho-flex springs; how they work and how they are cushioned. Then think, all that rich, deep resilience, that sleepful comfort can be yours — every night of your life.

Set Red Seal prices against what they buy: the utmost comfort you desire: a lifetime of better sleep — and better value, too.

£ s. d.	£ s. d.	£ s. d.	£ s. d.	£ s. d.
21.17.6	23.11.6	27.2.6	34.15.6	43.7.6

Look for the Slumberland label when you buy Slumberland Mattresses, Slumberland Divans, and Slumberland Pillows. It is your guarantee.

Slumberland REGD.

SPRING MATTRESSES IN 2,500 SHOPS—NOW
★ *Hard-merchandising half page for the Daily Express, tied to shop displays.*

Clifford Bloxham and Partners Ltd

work for a limited list of distinguished advertisers

BROOKES BISCUITS	LILIA-LILAIN
CATESBYS	NEEDLE INDUSTRIES
ELASTOPLAST	SLUMBERLAND
EVERSHARP	SCHWEPPES
INTALOK	TOKALON
GAYDEC	WILLIAMS & WILLIAMS

TELEPHONE: ABBEY 1347
CHANDOS HOUSE · PALMER STREET · LONDON · S.W.1

Indian Colossus

What do you know of the Bhakra-Nangal project, the vast Indian scheme to irrigate and develop the Punjab, the main dam of which, at 680 feet, will be the highest in the world after the Boulder Dam.

This project, described in *New Commonwealth* of February 18, is only one of the many great public works and industrial developments taking place in the British Commonwealth. In Alberta there are new oilfields to be equipped and exploited; on the Gold Coast ambitious plans for land settlement, etc.; new ports in E. Africa, etc.

These schemes represent an expenditure of hundreds of £ millions. You can learn about them first and most easily in the *New Commonwealth*—the fortnightly magazine devoted exclusively to Commonwealth trade and affairs. Through the advertisement columns of *New Commonwealth* you can introduce yourself and your products to those responsible for these projects of the sterling area.

Send for specimen copy to: 33 TOTHILL STREET, LONDON, S.W.1

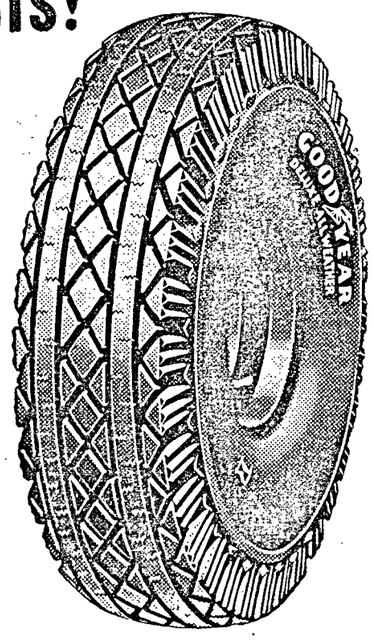
IT'S HERE! IT'S NEW! THE TYRE SPECIALLY BUILT TO CUT RUNNING COSTS!

THE *de Luxe*

ALL-WEATHER TYRE BY GOODYEAR

6 POINTS OF SUPREMACY

- **LONGER LIFE.** Tread is tougher, wider, flatter—gives lasting wear.
- **EXTRA STAMINA.** Stronger cord fabric resists cruellest road shocks.
- **STRONGER GRIP.** More grip, safer cornering from Diamond Tread — with Stop Notches.
- **MORE STABILITY.** High tensile steel beads for firm anchorage on rim.
- **STRONGER SIDEWALLS.** Thicker, tougher shoulder buttresses protect sidewalls from strain, kerb-scuffing.
- **INCREASED COMFORT.** Strength and resilience correctly balanced for maximum comfort.



You can trust GOODYEAR

FOR LONG LIFE AND LASTING WEAR

AMERICAN SURVEY

Eisenhower's Homecoming

Washington, D.C.

THE significant primary elections are now over. Although Californian Republicans have still to give the Governor, Mr Warren, official title to the state's delegates, and a number of state conventions at which the Taft forces will be unembarrassed by expressions of public opinion have to pick their delegations, the season of counting and trading has begun. Neither of the two main Republican candidates has as yet accumulated enough support to guarantee nomination and neither seems likely to be able to influence enough of the waverers between now and the convention on July 7th to do so. It is never easy to estimate with any accuracy how many delegates the various candidates have in their pockets. At present the Taft headquarters are claiming 474 to the General's 310—604 votes are needed to win—while the Eisenhower camp maintains that the General will get 524 on the first ballot. But the best independent guess, after Oregon, is that the Senator will go to Chicago with a firm lead of about 50 votes.

A lead of this size is always useful and to such an experienced politician as Mr Taft it might be conclusive, if the Eisenhower forces included only the chicken-hearted Senator Lodge and the band of enthusiastic political amateurs who make up the General's official organisation. But, fortunately for those who do not want to see the Republican party commit suicide, Mr Herbert Brownell, who ran Mr Dewey's two campaigns for nomination, is at work behind the scenes. And whatever his shortcomings may have been in actual election campaigns, he has more than once shown his skill at persuading delegates to commit themselves and at announcing accretions of strength, however small, at the moment when they will have the most psychological effect.

It can be assumed that Mr Warren's 76 delegates will be available to the General as soon as the Governor of California is satisfied that there will be no deadlock of which he can take advantage and so, presumably, will Mr Stassen's—at a price. What the price will be and whether anyone will want to pay it is another matter. Nobody knows yet which way the Michigan and Pennsylvania delegations will vote. Indeed, the disposition of the Pennsylvania delegation is one of the crucial questions which may remain unanswered until the convention is under way. The only effect of the rivalry of the Taft and Eisenhower forces for the favour of Governor Fine, who controls Pennsylvania's votes, is to make him more demanding. The Eisenhower headquarters would, no doubt, dearly love to be able to ensure victory without making any concessions to Mr Fine, or to Mr Stassen either.

Whether they will be able to do so may depend on a little group of southern states, the most important of which is Texas, from which two sets of feuding delegates, each demanding to be recognised, are likely to arrive in Chicago. The southern states, none of which votes Republican except on rare occasions, have a surprising amount of influence in the party's convention. Southern Republican machines are small, intimate, family groups and the meetings at which their self-appointed officials decide, with the help of adequate supplies of whisky, to nominate themselves to go to the convention are exclusive affairs. But this year the organisation in a number of states is being challenged by outsiders who believe, not without reason, that General Eisenhower could win quite a number of southern states and certainly would do so if the Democratic platform is as outspoken on the question of negro rights as it was in 1948. The result has been violent quarrels and the spectacle of rival meetings electing hostile delegations, to decide between whose conflicting claims will be one of the first and most urgent problems facing the Republican convention. Mr James Reston estimated recently in the *New York Times* that 113 votes may depend on the decision.

There is a complicated procedure—nothing is ever uncomplicated in American politics—for deciding who is to be recognised in a dispute of this kind. The National Committee is the first body to give a ruling. The losing side then appeals to the Credentials Committee, set up especially to decide these knotty problems, and its decision, in its turn, can be and is appealed to the full convention. None of these bodies makes any pretence to judicial objectivity ; all decide on partisan grounds. And there is every reason to believe that, in the first two, supporters of Senator Taft will predominate. The Eisenhower ship might, therefore, founder before balloting for the candidate ever started. But the full convention will contain anti-Taft elements—the Warren and Stassen supporters—which will not be present in strength in the two committees.

*

General Eisenhower's letter saying that he believed that control over tidelands oil should be returned to the states was a desperate, if rather transparent, device for helping his campaign managers to round up votes in Texas and Louisiana, states resisting the federal government's claim to oil under the sea. Coming, as it did, shortly after another letter in which he maintained that his military duties had not allowed him time to reach a conclusion on the difficult issue of Negro rights, it showed a rather alarming amateurishness in his camp. The American voter has to put up with a lot of artfulness from the candidates he is offered, but he may well compare these two letters with some surprise. The civil rights issue is one on which every inhabitant of the country has usually made up his mind early in life—certainly before the age at which General Eisenhower's military duties began to press on him—while tidelands oil is a subject which has come into the limelight, for those who live in coastal states, only since the General had more immediate preoccupations. Yet he has found the time to reach the conclusion that the Supreme Court was wrong to decide that the oil under the sea had always belonged to the federal government.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

This kind of dilemma is facing General Eisenhower even before he has come home and taken off his uniform. When he holds his press conference on June 5th at Abilene, Kansas, he will be asked more difficult questions than have ever been asked of an individual before. Suggested lists of them are published frequently. If he can survive that ordeal it will be almost impossible to stop his nomination. But those who for months have been urging him most fervently to get into the battle are now terrified at what could happen on the fatal Thursday.

General Eisenhower must be far enough to the right to win the fight within his own party, but not so far that he risks losing the subsequent election. He must woo the trade unions, but the method used by General MacArthur last week, when he warned the automobile workers in Detroit that they would lose the gains of the last century if they tried to exploit industry, is not recommended. At the same time he must give Mr Paul Hoffman, who said the other day that under an Eisenhower Administration business would have a bigger hand in government than at any time in the past twenty years, some ammunition for use in converting Taftian industrialists. He must attack Mr Truman's foreign policy, of which he has been the enthusiastic agent in Europe, while taking credit for its success in avoiding a third world war, and the method Senator Lodge has been using on his behalf could be improved upon. Finally, he will have to say firmly what he would have done about General MacArthur without offending any one. If General Eisenhower can do all these things then he will certainly deserve to be the candidate of national unity.

American Notes

The President Starts Campaigning

When President Truman announced that he would not run again, many Democrats jumped to the conclusion that they would be able to remodel the party in time for this year's election. But Mr Truman seems determined to see that the new tenant makes no changes, even though the cracks need papering over and the foundations may be shaky. If he goes to the convention as a delegate and makes a speech, in itself an unheard-of performance for a retiring President, Mr Truman says it will not be until the candidate is chosen. But he is already hammering planks into the platform on which the candidate will have to stand, and has promised to campaign for him as vigorously at all the "whistle stops" as he did on his own behalf in 1948.

This would be almost unprecedented, and the single precedent in the twentieth century is not reassuring. Theodore Roosevelt picked William Howard Taft as his successor in 1908 and campaigned for him, but the two soon fell out and in 1912, when Taft secured his own renomination from the Republicans, Roosevelt split the party and opened the way for Woodrow Wilson's victory.

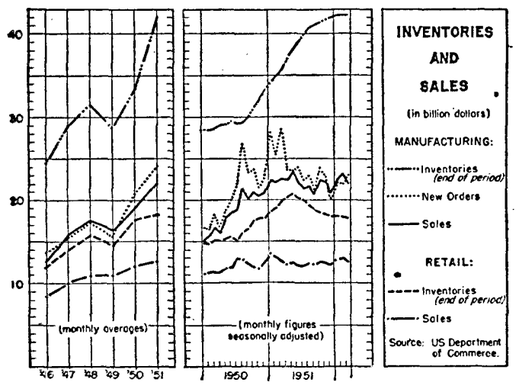
Mr Truman is deeply convinced, and history supports him, that the Democrats will be lost if they throw their liberal principles overboard and allow the Republicans to put them on the defensive. The Republicans may have General Eisenhower—if they will take him—but the Democrats, the President considers, have the winning issues, which have never failed them in the past twenty years. So he has been recalling vividly the depression horrors from which the Democrats rescued the farmers, a group whose votes are an essential ingredient in either party's success. At a meeting of the Americans for Democratic Action, a northern progressive group, he nailed the Fair Deal flag to the Democratic masthead, and vigorously denounced the "dinosaur wing" of the Republican party, which, he said, would always frustrate the best of Republican candidates.

Most of the Democratic aspirants would warmly second this identification of the Democrats as the friends of civil liberties, labour, and the little man, and the identification of the Republicans as the corporation-ridden party of big business. But then the President went on to slam the door firmly on any compromise in the field of Negro rights. The Democratic National Committee hoped that with Mr Truman's retirement the breach this issue has caused between the northern and southern wings of the party might be healed. Its members believe Governor Stevenson, a northerner of moderate views, is the man to do it, and that he will not turn the nomination down if it is handed to him by acclamation at the convention. Mr Truman, by refusing to countenance any watering down of Democratic doctrine, seems to be ensuring as fierce a controversy over civil rights at this year's convention as there was in 1948 and he has poured salt into the wounds of the south by denouncing the claim of three southern states to off-shore oil as the "biggest daylight steal" in history.

* * *

Business on the Level

It is about a year since the Federal Reserve Board's index of industrial production, which rose from 199 in June, 1950, to 223 in April, 1951, levelled off at around 220, and it shows no sign of climbing again. It drifted downwards in April to 217, but that could be explained by the steel strike; many observers find more ominous the downward drift during the last few months in other economic indicators which also levelled off last year. On an average, wholesale prices have dropped by about 2 per cent since January and prices of



sensitive commodities by considerably more. The long-term interest rate has fallen and so has the volume of commercial bank loans outstanding; the latter is, however, a seasonal movement as is the decline in the supply of money. Most unseasonable, and particularly disturbing, is the fall in department store sales, 6 per cent lower in the first four months of this year than in the same period of 1951.

But in the retail trade figures is also to be found one of the most promising of the still faint hopes that the economy is at last about to leap up again. For sales, even if low by last year's standards are now steadier and inventories are back in step, so that any noticeable rise in business should at once mean a spate of new orders for manufacturers; in fact they are already beginning to receive new orders in increasing quantities. Improvement in retail trade can only come about through a greater willingness to spend on the part of consumers. There is no real reason why they should not spend; unemployment is exceptionally low and personal incomes higher than ever before. Early this month, goaded by

Mother's Day promotions, they did begin to spend more lavishly, but on the whole they are still in the saving mood that has confounded the economic prophets for the past year. It is possible that this mood may change when the inevitable rise in steel and other wages makes another round of price increases seem likely.

There is another reason for expecting renewed inflationary pressure before long. The season of deficit financing by the government is about to begin; tax collections are concentrated in the first half of the year and from July onwards the government will be taking in much more than it will be paying out. It will not, in fact, be paying out as much as had been expected, since deliveries under the rearmament programme are running behind the original schedules. This is the chief reason why inflation has so far failed to put in its expected appearance this year. But present and future government spending—it is now running at $6 billion a month—can hardly fail to arrest any serious tendency for the economy to sink into a recession. The best guess seems to be that for the next few months the various strains up and down will cancel each other out and hold business at, or near, its present level.

* * *

Textiles' Civil Wars

In the south, where textile trade unions need to work together if they are not to lose their foothold, a new jurisdictional war is brewing. A number of locals of the United Textile Workers, affiliated to the Congress of Industrial Organisations, are following Mr George Baldanzi into the American Federation of Labour. Mr Baldanzi, a former vice-president of the UTW, walked out after he failed to oust Mr Emil Rieve, of whose "dictatorship" he has long complained, from the union presidency. Mr Baldanzi used to be the head of the CIO's organising drive in the south, and the AFL no doubt counted upon him to bring at least part of his flock with him. It is not very numerous, but it has cost the CIO millions of dollars since 1946, when "Operation Dixie" was first launched.

Both unions ought to realise they cannot afford a civil war when the failure to organise southern textile workers is putting such heavy pressure on northern wage scales and work assignments. Most of the cotton mills, all the new synthetic textile plants, and part of the woollen industry are now in the south and only about 20 per cent of their workers are trade unionists, compared to 85 per cent in the north.

A subcommittee of the Senate Labour Committee, after brooding over hearings held in 1950, has just reported that it is the Taft-Hartley Labour Relations Act which is largely responsible for the "ambushing" of the textile unions, because it encourages employers to procrastinate—sometimes for years—in coming to an agreement; it guarantees them freedom to speak against the unions; and has encouraged the passing of anti-labour laws and the use of court injunctions. Prophecies, made when the Act was passed, that its teeth would be felt only by the weakest unions, seem to have been correct. In the southern textile towns organisers are spied upon, denied the use of meeting-places, beaten, and sometimes kidnapped. Newspapers, the radio, and even the clergy, are usually hostile. Partly this is due to suspicion of "foreigners" and the CIO has learned, the hard way, that its organisers must become members of the community. Remedies from the courts and the National Labour Relations Board are often so slow in coming that the union has already been extinguished.

The textile recession of the past fifteen months, which has thrown 150,000 out of work, has made the organisers' task even more difficult. The government has at last recognised the state of things—now that it looks like mending—by suspending price controls on raw cotton and virtually all textiles at the manufacturing level. But plans to relieve distress in New England, where it is keenest, by channelling government contracts there (last year these accounted for 10 per cent of all textile sales) are fiercely opposed by southern Congressmen and mill owners. They insist this would be robbing Peter to pay Paul and that it is in the taxpayers' interest to let contracts go to the more efficient and cheaper southern mills.

* * *

Prejudice Goes to Court

Last autumn's revival in the Carolinas of the Ku-Klux-Klan, the white-sheeted secret society founded after the Civil War to terrorise Negroes, has been knocked on the head by the combined efforts of the federal and state authorities. The federal government, using the 1932 Lindbergh Kidnapping Act for the first time in a case of this kind, has obtained the conviction of ten Klansmen who transported the victims of their vicious flogging across the border between North and South Carolina. There was thus no doubt that this was an interstate offence with which the federal government could legally deal; it frequently finds itself without power to interfere in cases of this kind. Another difficulty is that local witnesses are afraid to come forward for fear of later retaliation from the Klan, and local law enforcement officers, judges and juries, even if they do not sympathise with it, are afraid to prosecute and sentence Klansmen. It has therefore not been easy to get convictions for this type of violence in state courts. But on this occasion two of the defendants in the federal case, with a number of others, had already been found guilty of similar offences in a North Carolina court.

The excuse put forward by the accused for their sadistic terrorisation of the district was not racial feeling but moral principles; the victims were in most cases white people accused of promiscuity, drunkenness or absence from church.

THE CHASE NATIONAL BANK
OF THE CITY OF NEW YORK
(Incorporated with Limited Liability under the Laws of the U. S. A.)

The Chase Banking organisation's wide experience and familiarity with business and trade conditions on both sides of the Atlantic can be of great assistance to all those engaged in developing trade with the United States.

The Chase Banking Organisation has Branches in:
Havana, Marianao, San Juan, P. R., Santurce, Panama, Colon, David, Cristobal, Balboa, Frankfurt/Main, Heidelberg, Stuttgart, Tokyo, Osaka

Special Representatives in
Mexico, D.F., Buenos Aires, Rome, Cairo and Bombay
The Chase Bank, Paris, 41 Rue Cambon

Correspondents throughout the world

Main London Branch: 6 Lombard Street, E.C.3
Bush House Branch: Aldwych, W.C.2
West End Branch: 51 Berkeley Square, W.1

The Chase National Executors & Trustees Corporation Limited
6 Lombard Street, E.C.3

But in Florida at much the same time there was a series of outbreaks of racial and religious prejudice, directed indiscriminately against Catholic churches, Jewish synagogues and Negro homes; the most shocking was the murder, by a bomb explosion, of a Negro couple who had led the campaign for equal rights for members of their race. This campaign has had a number of outstanding successes in the last few years, largely as the result of Supreme Court decisions which have upheld the rights of Negroes to such things as equal educational facilities and a house in any district they can afford. And many southern states are putting their affairs in order for themselves, by outlawing the Klan, ensuring that Negroes are allowed to vote and so on. The legal and social tide is running against the ignorant and prejudiced and as a result they are turning desperately to terrorism.

In Florida state officials have not brought indictments in connection with these outrages, nor has the federal government made any accusations. It has been suggested that this was hardly to be expected in an election year in a state where the Administration's unpopularity is the result of its alleged favouritism to Negroes. There is no evidence to support this suggestion, but in Cicero, Illinois, where the Democrats need Negro votes, the federal government has not hesitated to make up for the shortcomings of the local authorities and courts. Town officials, who failed to prevent a riot which kept a Negro from moving into an apartment house, are appearing in the federal courts on charges of violating the Negro's civil rights.

* * *

Comeback for Fair Trade?

The first step has been taken to restore the price-fixing teeth of the "fair trade" laws that were knocked out by the Supreme Court last year. Up to then, in most of the 45 fair trade states, all retailers in a state were bound to charge the prices fixed by a manufacturer or distributor outside the state as soon as he had signed a price-fixing contract with one of them. It was this practice which the Supreme Court declared illegal and which the House, in passing the McGuire Bill by 196 to 10, has voted to restore. Price-fixing is of little value unless everyone participates. The Bill also attempts, though it is not certain how effectively, to get round the decision of a lower court which held that "fair trade" laws could not be applied to sales, such as those of mail order houses, in which the seller is in one state and the buyer in another.

Intensive lobbying by small businessmen's groups was responsible for the House's decision to consider only the McGuire Bill, which originates from the friendly and impressionable Commerce Committee. A less sweeping measure from the Judiciary Committee got nowhere, as did Mr Celler's suggestion that retailers could be quite adequately protected against unfair competition simply by banning loss-leaders—the sale below cost of one product to tempt customers into a shop. Little men, such as independent chemists and liquor dealers, are afraid of being driven out of business by a repetition of last summer's price wars. A good deal of covert price cutting is going on and attempts to maintain prices by boycotting individual retailers have run into legal trouble. The discount houses, which live by selling branded goods below list prices, are bringing suits against manufacturers who refuse to supply them, and the Federal Trade Commission has brought a charge of "combination and conspiracy to fix prices" against the Sunbeam Corporation, a great champion of fair trade and manufacturer of household appliances. Sunbeam refused to sell to any wholesaler or retailer unless he engaged to maintain prices. It is perfectly legal for one businessman to refuse to do business with another but not, the Commission contends, when the result is large-scale price-fixing.

Members of the House, all of whom are up for re-election this year, cannot afford not to seem sympathetic with the small man's problems—as indeed most of them are. But the Senate, which is not subject to so much pressure and which is behind with its work, may not be so co-operative. Even if it is, the President is sure to veto the Bill. The Administration would like, if it could, to do away altogether with the Miller-Tydings Act, which exempts the "fair trade" laws of the states from the federal anti-trust Acts.

* * *

Safety for Coal

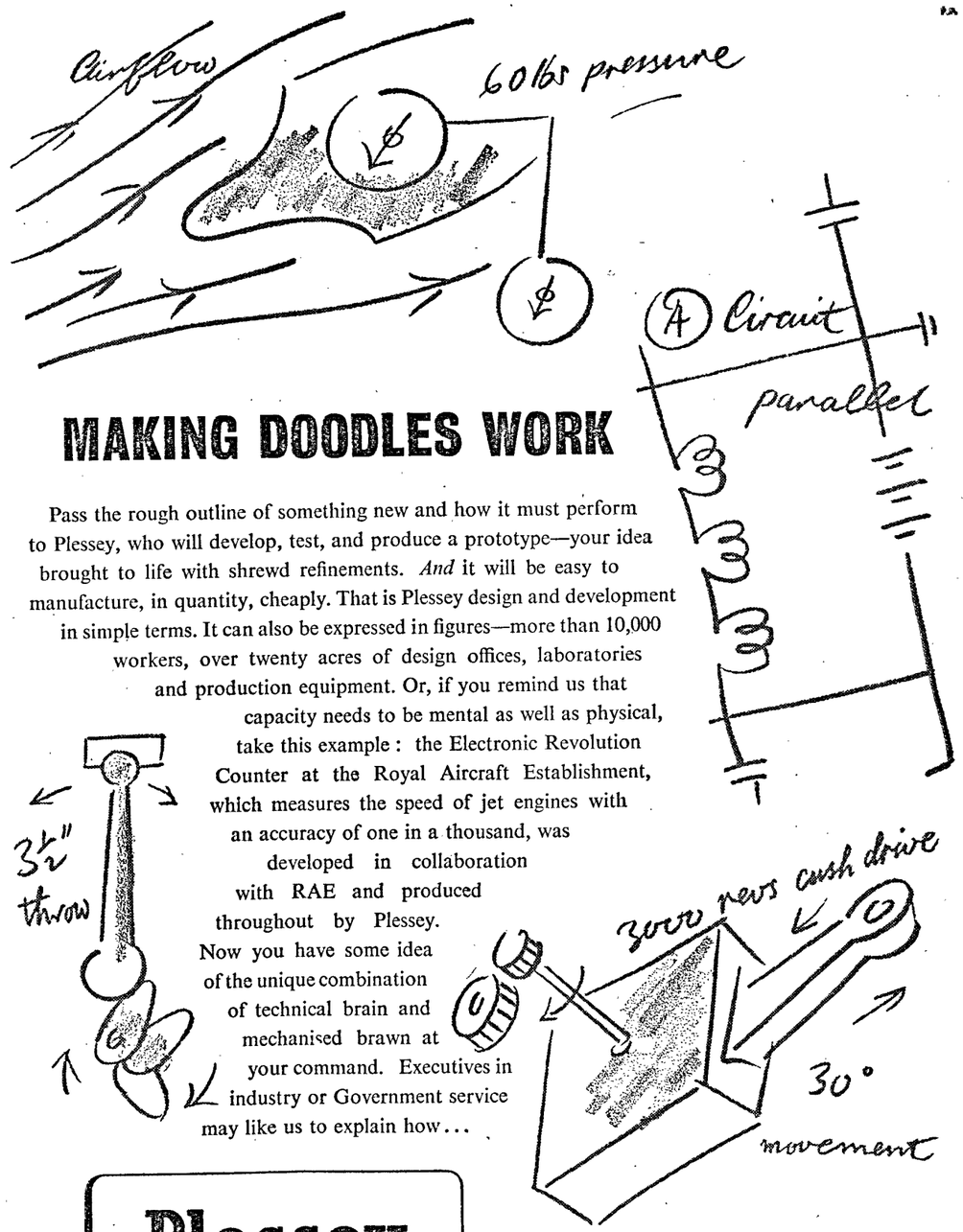
Inspired by last December's mine disaster in Illinois, and by Mr John L. Lewis and the prospective votes of his coal miners, the Senate has passed, and the House also seems likely to approve, an adequate federal Bill for ensuring safety in coal mines. The new legislation improves on previous efforts in the same direction by giving the federal mine inspectors power to enforce their recommendations, even to the extent of closing down mines. At present this is left to the state authorities, whose regulations differ widely and who are more easily influenced by the mine owners.

Mr Lewis has given notice that, should Congress fail to come up to scratch, he will insist on special safety provisions in his union's new contract. He has been free to open negotiations on this since April 1st, but he has not yet given the required 60 days' notice that he intends to do so. He may have been waiting to see what wage increases his rival, Mr Murray, gets for the steel workers; but this uncharacteristic hesitation may mean that Mr Lewis's new contract will be less favourable than anticipated. For during the last few weeks the demand for coal has fallen and very substantial stocks have been built up. This is a seasonal trend which strengthens the bargaining position of the coal owners; they are still, however, it is believed, prepared to pay higher wages, for they expect business to be satisfactory over the year as a whole. But, as Mr Lewis is well aware, what is satisfactory business for the coal companies today would seem like a depression in most other industries. Coal prices, at around $4.60 a ton at the mine, are lower than in 1948, even though there have been four wage rises since then, and there is unemployment among miners.

The underlying difficulty is that coal, which thirty years ago provided three-quarters of the country's heat and energy, now provides less than half. It has been replaced by oil, natural gas and hydro-electricity and, if the coal industry wishes to make its future safe, it must reduce its costs and find new uses for its output. In connection with the latter an interesting process, evolved by the Union Carbide and Carbon Corporation, looks like making it possible for coal to compete with petroleum, not as a fuel, but as a raw material for the rapidly expanding chemical industry. This industry is already outgrowing its original source of coal-tar products, the coke ovens in steel plants. Petroleum and natural gas are expensive and exhaustible alternatives, and the company has therefore been experimenting with a hydrogenation process similar to that used for making synthetic petrol from coal. In this case the products are basic coal-tar chemicals, such as benzene and toluene, the rarer ones used for drugs and synthetic textiles, and some so rare that there is as yet no use for them.

Shorter Note

Mr Henry Fowler, head of the National Production Authority, has been appointed to succeed Mr Manly Fleischmann as Defence Production Administrator. Mr Fowler will combine the two jobs—the NPA is concerned with the actual operation of defence industry, while the DPA deals with policy—and he may have a third and yet higher-level agency entrusted to his co-ordinating abilities, that of Defence Mobilisation, which has been without a director since Mr Charles Wilson resigned during the crisis over the steel strike.



MAKING DOODLES WORK

Pass the rough outline of something new and how it must perform to Plessey, who will develop, test, and produce a prototype—your idea brought to life with shrewd refinements. *And* it will be easy to manufacture, in quantity, cheaply. That is Plessey design and development in simple terms. It can also be expressed in figures—more than 10,000 workers, over twenty acres of design offices, laboratories and production equipment. Or, if you remind us that capacity needs to be mental as well as physical, take this example: the Electronic Revolution Counter at the Royal Aircraft Establishment, which measures the speed of jet engines with an accuracy of one in a thousand, was developed in collaboration with RAE and produced throughout by Plessey. Now you have some idea of the unique combination of technical brain and mechanised brawn at your command. Executives in industry or Government service may like us to explain how...

Plessey PUTS IDEAS INTO PRODUCTION

THE PLESSEY COMPANY LIMITED · ILFORD · ESSEX

THE WORLD OVERSEAS

Pakistan Comes Back to Earth

(From Our Correspondent in Karachi)

PAKISTAN'S latest venture in international politics—the proposal for a Moslem Prime Ministers' Conference—appears to have ended in disappointment. This, together with the growing threat of economic crisis, has brought about the rebirth of the spirit of realism which was so characteristic of the Dominion's early years. In those days the struggle to make good, in circumstances of great stress and difficulty, left the government little time for ideological experiments. But with the attainment of political stability and a high level of economic prosperity, and with the gradual enhancement of Pakistan's standing in the councils of the United Nations, a more self-confident administration seems to have begun to feel that it was up to it to take as the government of the largest Moslem state a leading part in the politics of the Middle East. It must, in fact, have been difficult for the government to close its ears to the urgings of those sections of the Pakistani public, represented by the *mullahs* and others, who wanted to see the chief emphasis laid on the Islamic character of the state and believed that, abroad and at home, victory lay in the sign of the crescent. This school of thought noticeably gained ground after the assassination of Liaqat Ali Khan.

It did, however, take the administration some time to overcome its reluctance to be caught up in the vortex of Middle East affairs. It was always ready to promote closer cultural and economic relations (though the scope for increased trade between the Middle East countries was negligible) but further than this it would not go. The tour of Sir Zafrullah Khan round the Moslem capitals in February seems, however, to have been a turning point, for shortly after his return to Pakistan the Government issued invitations to the Prime Ministers of twelve Moslem countries to attend a conference at Karachi with a view to setting up a system of high-level consultation in matters of common interest. At the same time, the Pakistani delegation at the Security Council played a prominent part in pleading the cause of the Tunisian nationalists, with much more enthusiasm and vigour than Pakistan had officially displayed in the cause of Iran or Egypt in their disputes with the United Kingdom. It seemed that Pakistan had really thrown its hat in the ring as a contestant for the highest honours of the Middle East.

A Brake on Crusading

It now seems clear that the proposal to hold a Prime Ministers' conference was a mistake, and that a halt is likely to be called to the Pan-Islamic trend. The invitation at once provoked a certain amount of jealousy and suspicion, which was not unnaturally aggravated by the fact that an ex-President of the Moslem League had been attempting to organise a body called the "Moslem People's Organisation" which was, among other things, to supplant the Arab League; representatives met in Karachi earlier this month. Although several governments, including the Egyptian, officially accepted the invitation for Prime Ministers, unofficial comment has been somewhat unfriendly. For example, the Rector of Cairo's world-famous Al Azhar University observed drily that too many Islamic conferences had been called in Pakistan. He was no doubt referring primarily to the international Islamic economic conference and the world Moslem conference. But the most serious setback came when the Turkish Government replied, in so many words, that it was not interested in the setting up of the proposed system of consultation. Political alignments based on religion do not attract them.

The reactions in Pakistan have been striking, and the leading organs of the press have changed their tune. No less a paper than *Dawn*, the mouthpiece of the Moslem League, says flatly:

> the time has come for Pakistan's intelligentsia to realise that Pakistan is not adding to its prestige in the international field by running after certain other countries which are economically and otherwise in a far less stable position than Pakistan itself, and which can really be of little help to us.

There speaks the voice of realism at last. No longer are we likely to hear Iran and Egypt commended and supported in their disputes with Britain, simply because they are Moslem states, with no attempt at dispassionate examination of the issues. Another Karachi daily has devoted itself more to attacking the "tyranny of the *mullahs*" in the social sphere. Sir Zafrullah Khan himself has given a long and almost apologetic explanation of his recent policy. It was significant that he had to make it clear, with all possible emphasis, that Pakistan was not aiming at the leadership of the Moslem world and had no designs upon the Arab League.

Urgent Business at Home

The consequences of this reversal of trend—for it seems to be no less—on the future foreign policy of Pakistan may be far-reaching. Pakistan certainly has nothing to be ashamed of in its championship of the cause of Tunisia before the United Nations, which was not dictated by ulterior motives, and is not likely to alter its tone with any sort of idea of placating France and the other big powers. But at the same time there is likely to be a sharp decline of interest in Pan-Islamic ideas. Pakistan may take a leaf out of the Turkish book and turn its face westwards again, more especially because the Kashmir dispute must soon reassume its time-honoured place as its main problem. The Pakistan Government will have more than enough to do minding its own business. In social legislation, too, the influence of the obscurantists who claim to be the arbiters and interpreters of Islam is likely to receive a check.

The abrupt change in the economic situation has also helped to bring Pakistan back to earth. For the past two years the Pakistan Government have kept consistently hitting the jackpot in its economic policy, and it has seemed to Pakistanis that, with the special favour of providence, they could hardly go wrong. During the last two months, however, they have been brought sharply up against the realities of a world temporarily glutted with the primary commodities which Pakistan has for sale. The Government, as is the way of governments all over the world, has been slow to take measures to meet the threat, but there are few non-officials—and for the matter of that few officials—who are not convinced that it must now make the uncomfortable choice between either surrendering the bulk of the export duties or devaluing the Pakistan rupee. The export duty on wool has lately been removed but, even so, it will be difficult for Pakistan wool to compete with Indian wool which has the benefit of the lower rupee. Tea is in an equally precarious position, although a slight reduction in the export duty was made at the time of the last budget. Hides and skins are almost, and short staple cotton totally, unsaleable. Jute and long staple cotton are facing stagnant markets, and the cultivators and dealers have been saved only by a government undertaking to buy all stocks tendered at floor prices—a heavy commitment. It is evident that drastic measures are necessary and that the Government must be prepared to prune its wide and useful programme of expenditure severely. Pakistan has enjoyed its boom to the full, and a period of deflation, in more senses than one, may be very beneficial.

Canberra Buys Its Own Loans

[FROM OUR MELBOURNE CORRESPONDENT]

A CRISIS in Commonwealth and State Government finances has been reached in Australia with the virtual collapse of the public loan market which normally provides funds for the undertaking of public works. This year the Commonwealth Government has not been able to raise more than about £70 million of new money from the market to meet works expenditure of £225 million by the States, and next year public loans are not expected to yield more than about £50 million to meet State works of £180 million.

If the progress of development works in Australia were dependent directly upon the funds yielded by the loan market, there would have been a wholesale suspension of undertakings providing for electricity, water conservation, railways, roads, hospitals and schools. In other words, development would virtually have come to a halt until more money was available. As it is, the deficit is being made up this year from revenue by the Commonwealth Government and next year the Commonwealth is again prepared to meet works expenditures to the extent of £125 million, but not more. Thus, the Commonwealth Government by underwriting States' works programmes is in fact financing capital works out of revenue, a procedure admitted by the Government itself to be undesirable and unsound. Nevertheless everyone agrees that the development programme must go on, and the money must be found, whether the means are unorthodox or not.

Here, once again, the question arises as to whether Australia is still trying to do too much, whether the economy is being overstretched by the demands from immigration, from development, from defence, to the point that inflation measured by a rapidly rising level of costs and prices might well be cancelling out any gains that might be reasonably enjoyed from the post-war expansion. At this month's meeting of the Commonwealth Loan Council, a Commonwealth-State authority that arranges the financing of public works, the State Premiers ranged themselves in a solid phalanx against the Commonwealth in an attempt to force acceptance of development works far in excess of capacity of the loan market. The Commonwealth disregarded the States' demands and would go no further than "to arrange for subscriptions to the loans from Commonwealth sources to the extent of £125 million." This means that the Commonwealth Government, for the first time in its history, is openly subscribing to its own loans. This could well be done by means that would aggravate further the forces of inflation.

Commonwealth *versus* States

In the present financial impasse between the Commonwealth and the States, the lack of an overall policy working in the interests of the nation as a whole is painfully apparent. In the financing of Australian public works, no State can agree to an Australian order of priority. Each State, in effect, declares that priorities are its own business with the result that the Loan Council meetings invariably develop into an unedifying scramble for funds, irrespective of their contribution to the general economic weal.

The differences have become sharper since the Commonwealth had the financial mastery of the country bestowed upon it by the introduction of uniform income tax. Before the war, the Commonwealth and each of the six States levied their own income taxes with varying degrees of severity. In 1942, the Commonwealth became the sole income tax authority as a war-time expedient, but a High Court decision established it as the possessor of tax priority in peace as well as in war. As a result, neither the former Labour Government nor the present Liberal-Country Party Government has shown the slightest inclination of returning to the States the right of income tax priority. No Government is prepared to release its grip from the Federal purse. The Commonwealth, as long as it remains tax master, is able to call the tune to the States. The States bristle and fume against the Federal domination of finance. One, Victoria, has announced that it will challenge the Commonwealth's right to exercise priority in income tax collections. Victoria has strong feelings on this subject because compared with other States, notably Queensland, it no longer enjoys the undoubted advantage of having the lowest taxation scale in the Commonwealth.

There is little hope of checking the present rot in Government finances until the post-war inflation has been arrested. As yet, there is little evidence of costs being stabilised. Cost inflation is proceeding apace in Australia against a background of declining incomes which are basically due to the deterioration in overseas trade since June last year. Much could be achieved by an increase in production of, say, about 10 per cent. This could lead to an expansion of export income and at the same time enable some manufactured goods to be produced in Australia. But last year's inflated export income has led to a tremendous inflation of costs and prices in the domestic economy and unless by some magic formula something can be done to maintain internal income levels, the country could well be faced with a period of long and painful monetary adjustment.

International Law and the Korean Prisoners

[BY A LEGAL CORRESPONDENT]

THE Geneva Convention on the Treatment of Prisoners of War, together with the other Conventions for "humanising" the conduct of warfare, was revised in 1949 and the modern law is contained in new Conventions of that year. There are grounds for holding that in strict law the new Prisoners of War Convention does not bind the parties to the Korean conflict. However, the Convention is intended to establish principles for the humane treatment of prisoners which are of general validity, and the United Nations Command has very properly affirmed more than once that it will be guided in its treatment of prisoners by the new Convention. Consequently, it is by the standards of the new Convention that we must test the propriety of the action of the United Nations in declining to repatriate those prisoners who strongly object to returning to Communist territory.

Article 118 of the Convention provides—without exception or qualification—that "prisoners of war shall be released and repatriated without delay after the cessation of active hostilities." Accordingly, if the obligation to repatriate prisoners imposed by Article 118 on the detaining power is one established by the Convention in favour of the enemy state, and not primarily in favour of the prisoners themselves, then the language of the article does give the Communists some warrant for saying that they have a right to insist on the repatriation of all the prisoners held by the United Nations, both willing and unwilling. Reading Article 118

in this way, the Communists then argue that Article 7, under which prisoners " may in no circumstances renounce in part or in entirety the rights secured to them " by the Convention, precludes prisoners from renouncing the right of their own state to compel their repatriation.

Such an interpretation of Article 118, however, runs contrary to the whole tenor of the Convention, which throughout has regard to the interests of the prisoners themselves rather than of the states to whose armed forces they belonged. The Convention in form and in substance is a charter of rights for prisoners of war and, correspondingly, a code of obligations for the state which is the detaining power. The state to whose armed forces the prisoners belonged certainly has a place in the scheme of the Convention, but merely as the guarantor—with the aid of a protecting third power—of the rights of the prisoners. Almost every article testifies to the character of the Convention as one conferring rights on the prisoners themselves, and none more clearly than Article 7 itself, which forbids prisoners to renounce *" the rights secured to them "* by the Convention. But Article 6 is even more decisive on the point. This article prohibits opposing belligerent states from adversely affecting the situation or restricting the rights of prisoners under the Convention *by any agreement among themselves*. In other words, even the prisoner's state cannot treat his " rights " as its own rights to be bargained away to the enemy. In the light of this article there really cannot be any doubt that the Convention intended the " rights " established under it to be those of the prisoners themselves. Admittedly, treaties under international law generally confer rights only on states, but the Permanent Court of International Justice in 1928 expressly held in the Danzig Advisory Opinion that a treaty may confer rights on individuals where the intention to do so is clear.

Political Asylum

If repatriation at the end of active hostilities is the right of the prisoner himself and only secondarily of his state as the guardian of his right, then Article 7 cannot reasonably be read so as to compel the prisoner to undergo repatriation against his own wish and against his own interest. Renunciation implies the surrender of the prisoner's right to his prejudice. But, when the prisoner of his own free will calls on the detaining power not to repatriate him because return to his own country is distasteful and even dangerous to himself, it is difficult to see in this any renunciation at all. The prisoner would seem rather to ask for special treatment which the detaining power is under no obligation to give him and which he considers to be more favourable to him than the treatment secured to him by the Convention. There is nothing in the Convention to preclude a detaining power from giving a prisoner more favourable treatment than the Convention prescribes. The obligation imposed on the detaining power to repatriate at the end of hostilities was expressed in such unqualified terms only in order to preclude the retention of prisoners by the detaining power *for its own purposes*—e.g., to provide labour, as happened after the second world war.

The recusant prisoners in Korea are really asking the United Nations to grant them the privilege of asylum as political refugees. The Universal Declaration of Human Rights, proclaimed by the General Assembly in 1948, declares in Article 14 that " everyone has the right to seek and to enjoy in other countries asylum from persecution." Too much must not be extracted from this article. The right is only to ask for asylum and to enjoy it, *if granted by the state to which the request is made*. But under general international law a state has a long-established right to grant asylum if it chooses to do so. There is no reason to suppose that the Geneva Convention intended to deprive a detaining power of this right or prisoners of their right to ask for asylum. Although the law imposes no legal duty on the detaining power to grant asylum, there is a strong moral obligation to grant it for humanitarian reasons—as the Declaration of Human Rights recognises. The United Nations, whose charter enjoins it to promote respect for human rights, necessarily feels the impact of this moral obligation with particular force.

Handing Back Deserters

No doubt there is a possibility that the grant of asylum to prisoners of war might be misused by a detaining power to obstruct repatriation for its own purposes. But that is a matter of good faith in the execution of the Geneva Convention and the United Nations has satisfied the requirements of good faith by offering full and independent screening of all who object to repatriation. The Communist argument really amounts to saying that the detaining power is bound to enforce its enemy's authority and military law against deserters from the enemy forces. For refusal to be repatriated is clearly a form of desertion. Neither the Geneva Convention nor any other law requires a belligerent to hand back to an enemy state deserters from its armies.

Capital Replacement Costs

This service, prepared jointly with the Association of Certified and Corporate Accountants, provides indices of changes in the replacement cost of industrial plant, and is being steadily expanded. We have recently added new indices covering the following types of equipment:

Mechanical Handling Equipment.
Foundry Plant.
Tanning Machinery

These are in addition to our indices for factory buildings, agricultural machinery, electrical equipment, chemical plant, machine tools, textile machinery, food processing machinery, office equipment, and commercial vehicles.

Other indices can be prepared on request. For further particulars please write to:

The Economist Intelligence Unit
22 Ryder Street, St. James's,
London, S.W.1

Graduates of Nato

[FROM OUR SPECIAL CORRESPONDENT]

A BRITISH Member of Parliament recently ventured the guess that less than one-sixth of his colleagues in the House of Commons knew how Nato worked or what it was trying to do apart from the military defence of Europe. Such ignorance is even more common among officers and officials of the eleven continental countries that are members of the organisation, and it will take long and systematic education to overcome it. Because some governments either cannot or will not attempt this task Nato has been doing it for itself. Its International Defence College, installed in a wing of the *Ecole Militaire* in Paris, last week presented diplomas to the first 47 graduates who have attended its courses. In a fortnight's time the second course begins with a class of fifty officers and officials.

The Defence College was one of General Eisenhower's favourite projects, and it has made a good start under the direction of Admiral Lemonnier, with a former State Department official in charge of studies. Its purpose is much more to widen horizons and encourage discussion of Atlantic Defence problems than to establish and teach a military doctrine. It is modelled on the broad educational conceptions of the Imperial Defence College in London rather than on the curricula of, say, Camberley or Bracknell. It is not a course for technicians but a series of seminars for international staff officers.

Outstanding in the programme is the attempt to give a survey in outline of the political and economic situation in each of the fourteen member countries, as well as an analysis of its military situation and defence needs. Thus, a Norwegian who is somewhat sceptical of Turkey's place in the partnership, learns what interests it has in common with his own country. An Italian will have to sit patiently through a lecture on Jugoslavia's role in the international situation and can join issue with Americans and Greeks in questions and group discussion. Americans and Europeans come a little closer to grasping the mysteries of the British Commonwealth, and a historian explains where the Atlantic community stands in the long history of political and military coalitions.

Leaders for the Future

Among the most important lectures are those in which students have explained to them the working of Supreme Headquarters and the non-military branches of Nato. The only man in the world who really understands the infrastructure controversy—about who shall pay in what proportions for airfields and ports and communications used by allies on a member's territory—lectures and answers questions. The Chief of Staff, General Gruenther, explains the spirit of the operation; and distinguished economists explain the problems of defence planning between allies, as the Americans and British learnt them ten years ago. Military visitors explain the broad strategy of European defence and the effects on it of events in other parts of the world such as Indo-China, Korea, the Middle East and Africa.

There is no training in staff duties as such, although problems are set from time to time in order to show students, for example, the difficulties that arise in organising lines of communication and transport across the territories of fourteen nations. Lectures are given with simultaneous translation, but the experiences of question time and group study bring home to the colonels, commanders and group-captains the importance of mastering either French or English—or better still both—in addition to their own languages. In time, if this intelligent and lively operation is given the money and encouragement it deserves, there should be in every Nato country a group of fighting men, staff officers and officials who are linked across national frontiers by the memory of a common experience, intellectually stimulating and politically encouraging.

New Policies for Jugoslav Farming

[FROM A CORRESPONDENT LATELY IN BELGRADE]

CO-OPERATIVE farming in Jugoslavia, begun five years ago on the Soviet master-pattern for Eastern Europe of quasi-collectivisation, has not proved a success. The results show that agricultural production both on private farms and on co-operatives has declined, that the numbers of livestock have diminished and that many peasants who joined co-operatives either under pressure or in high hopes of economic betterment are now anxious to leave. The Jugoslav authorities admit that the method used to organise the co-operatives was a failure and that their administration was rigid, inhuman and inefficient. Their principal excuse is that the Soviet model was followed too closely. Now that they have decided to abandon this model, they are trying to work out a new policy for agriculture which will fit in with their modified Communist theories (which they call " socialist democracy ") and will yet ensure increased production.

At the beginning of 1952 there were over 7,000 co-operative farms comprising more than 420,000 households and farming 2½ million hectares, or about one-quarter of the total farming land in the country. These had been set up with the avowed aim of improving agricultural output and with the political objective of " socialising " the peasants and bringing them under the same kind of state control and political influence as the workers in state industries. The system provided for four types of co-operative farms, in three of which the peasant retained the title to his land and in theory at least received some kind of payment in return for it. Only in the fourth class, representing less than 5 per cent of all co-operatives, was there complete collectivisation on the pattern of the Russian kholkhoz.

Privileges of Co-operatives

During the past five years the co-operatives received many advantages denied to private peasants. It was easy for them to obtain state loans and credits, interest rates were negligible and when they could not be repaid were frequently written off. It is estimated that in five years 15,000 million dinars were invested in co-operatives. This is a rough and perhaps misleading figure, since it includes a good deal of building with home-produced materials and unpaid, unskilled labour. Investment in machinery, fertilisers, pesticides and blood-stock for which foreign currency would have been needed was only carried out on a minute scale. But it was this kind of investment that was most needed and that might have made all the difference between success and failure. Members of co-operative farms enjoyed the privilege of paying no income tax, though a fixed tax of 3 per cent was

An intelligent appreciation of History

An intelligent appreciation of History is essential to the understanding of present world trends. What is happening today—what will happen tomorrow—have an immediate connection with events that occurred one hundred, five hundred, even one thousand years ago. The key to present problems often lies in the remote past, and to understand today and forecast tomorrow, one must have studied yesterday.
Hence the success of HISTORY TODAY, an historical magazine, written by experts but intended for the general reader. Published monthly, copies may be obtained from your newsagent or bookseller price 2/6 or by subscription from the publishers, 30/- per annum post free.

History TODAY

72, COLEMAN STREET, LONDON, E.C.2

The publishers will gladly send a recent copy free, upon request.

charged against net profits (if any). In addition the state granted bonds allowing the cheap purchase of industrial goods for 15 per cent of the value of all produce sold by co-operatives on the free market. Members of co-operatives paid nothing for their homesteads and received free medical attention which the ordinary peasant has to pay for.

Yet, in spite of privilege, subsidy and much exhortation it is now admitted that one-third of all these co-operatives are working at a loss—in some cases a considerable one. Another third show a definite profit and can be regarded as successful, whilst the remaining third are on the borderline between success and failure. It has been calculated that peasants on co-operative farms work more land per head than private peasants, but that co-operative land is less intensively stocked and that the yield per hectare in the richer (though not in the poorer) farming areas tends to be less on co-operative farms. This is not true of state farms where the yields have tended to be slightly above average for their area. The following tables comparing the use of land and numbers of livestock before the war and at the present day, show that less land is farmed in Jugoslavia today than before the war and that livestock figures have not increased. The decline in livestock between 1949 and 1951 is very marked. The general figures of livestock may give an even better impression than is actually the case, since all agricultural experts are agreed that prewar figures of livestock were underestimated—perhaps by as much as one-third.

CHANGES IN LAND USE
(1938-51)

	Area in '000 Hectares			% Change in 1951	
	1938	1949	1951	From 1938	From 1949
Wheat	2,157	1,809	1,774	− 18	− 2
Maize	2,842	2,274	2,378	− 16	+ 5
Other grains	1,184	1,032	1,022	− 14	− 1
Industrial crops	187	515	388	+ 107	− 25
Other crops	1,333	1,691	1,594	+ 20	− 6
Total of above	7,703	7,321	7,156	− 7	− 2
Other farm land	6,734	6,693	6,744	...	+ 1
Total of all farm land	14,437	14,014	13,900	− 4	− 1

CHANGES IN LIVESTOCK
(1939-51)

	'000 Head			% Change in 1951	
	1939	1949	1951	From 1939	From 1949
Horses	1,273	1,050	1,091	− 14	+ 4
Cattle	4,225	5,264	4,720	+ 12	− 10
Sheep	10,153	11,650	10,267	+ 1	− 12
Pigs	3,504	4,127	3,910	+ 12	− 5
Poultry	22,450	19,287	17,146	− 24	− 11

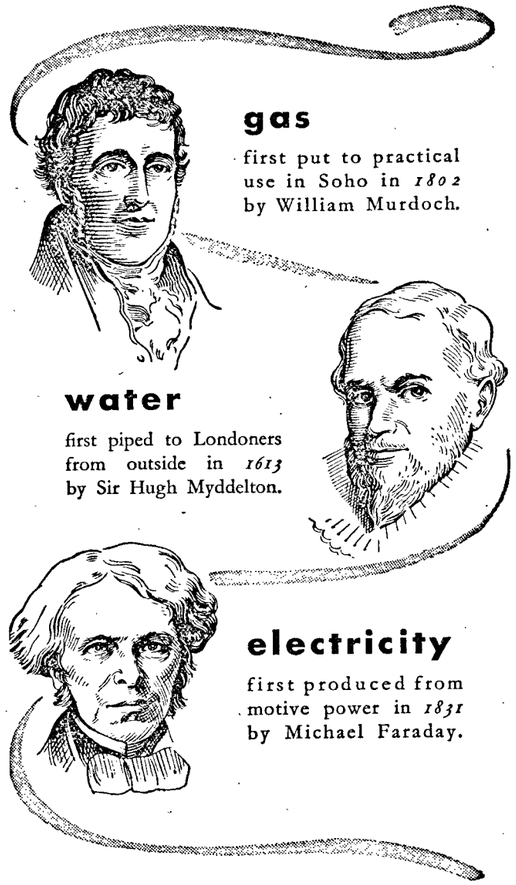
In analysing the basic causes for this failure two things should be emphasised. The co-operative experiment has lasted for less than five years, during which time Jugoslavia underwent both its historic break with the Cominform and one of the worst droughts of modern times. Moreover, during this experiment agriculture has been the Cinderella of Jugoslav planning. The greater part of capital investment, foreign aid and national effort has been concentrated on industry. Some Jugoslav leaders now recognise this to have been a mistake, though they are reluctant to admit it. Human factors have also contributed to the failure. The management of co-operatives with its emphasis on work for the cause rather than for the individual has destroyed individual initiative. Peasants worked not in family groups but in brigades, on an eight-hour day and were paid according to the time spent at work rather than for a job well done. On a number of co-operatives working days per annum averaged less than 135. Where private peasants were accustomed to walk many miles in the course of their work, peasants in co-operatives have been known to refuse to go to work in the fields without transport. In theory, the co-operatives were run by a general assembly of their members and two elected committees. In fact many of them came to be dominated by a highly paid president—usually a Communist party member—and his clique regardless of their qualifications or efficiency.

The sternest critic of the wasteful mismanagement of agriculture in Jugoslavia is Vladimir Bakaric, Premier of Croatia. He has said that it has discredited the whole idea of co-operation and endangered the economy of the country. He and others are now considering how much can be salvaged and what is to be the policy for the future. What is certain is that the present system of co-operatives will not be continued. Every co-operative farm is now being examined to decide whether or not it can be made into a productive economic unit. Some of them in the poorest areas such as the Lika have already been disbanded and the land restored to its owners. In other places land has been partially restored and only the co-operative production of special crops suited to the locality—potatoes, vines, bee-keeping, etc.—has been retained. Another result has been that co-operatives that are unproductive because their land is in scattered strips are being encouraged to consolidate their holdings. Peasants with intervening strips are asked to join the co-operatives, or failing that the state has powers of compulsory purchase against fair compensation. It is probably impossible to consolidate holdings without causing resentment amongst the peasants, but much still remains to be done to eradicate wasteful strip farming. Recent declarations of policy have emphasised that compensation, whether monetary or in land, must be equitable—as it has admittedly not been in the past.

Pressure on Private Farms

To strengthen the attempt to keep some co-operatives in being and make them successful a campaign has been undertaken to make life difficult for the private peasants. Food prices on the free market have been forced down, railway fares and freight charges have been more than trebled. Income tax for private peasants during the early months of this year was assessed in the harshest and most arbitrary way. There are authenticated cases of peasants being assessed at anything from half to one million dinars. The aim of this policy is threefold; first, to show the peasants in co-operatives that, however much they may dislike it, it is not worth their while to revert to private farming; second, to force private peasants to produce more and make more produce available for export or home consumption; and third and perhaps most important in the long run, to use economic pressure to persuade private peasants to join, not the "working co-operatives" which are now discredited, but the "general co-operatives" for buying and selling. These were popular in Jugoslavia before the war and still exist, though until recently they have not been so vigorous, nor so favoured by the state, as the working co-operatives.

The pattern for the future seems to be to keep in being a limited number of reorganised working co-operatives, in which peasants would be allowed to work in family groups, and would be paid by results and given a share in the profits. Any that prove uneconomic would be disbanded. Otherwise the policy now is to concentrate on the general co-operatives encouraging them to undertake as many activities as possible—such as buying and selling, hiring of machinery, "savings banks"—even to embark on some co-operative production. Experts are now studying how similar co-operatives work in Denmark and other farming countries of Western Europe. A ten-year plan for agriculture embodying these changes is now being worked out. It is hoped thus to increase agricultural production and yet to satisfy the doctrinaire Marxists who regard the general co-operatives as a step towards the ultimate goal of a "socialised" agriculture.



gas

first put to practical use in Soho in *1802* by William Murdoch.

water

first piped to Londoners from outside in *1613* by Sir Hugh Myddelton.

electricity

first produced from motive power in *1831* by Michael Faraday.

Parkinson & Cowan

who started serving these industries in *1816*, make meters, cookers, water heaters and industrial equipment; pumps, instruments, industrial leather, precision mechanisms and oil appliances.

COMPONENT COMPANIES

Parkinson & Cowan Ltd. • Parkinson & Cowan (Gas Meters) Ltd. • The Parkinson Stove Co. Ltd. Parkinson Water Heaters Ltd. • Measurement Ltd. Aspec (London) Ltd. • Monitor Engineering & Oil Appliances Ltd. • Rotoplunge Pump Co. Ltd. Parkinson & Cowan Group Exports Ltd. The Metropolitan Leather Co. Ltd.

SERVING PUBLIC SERVICES

PARKINSON & COWAN GROUP

See twice as much

BCPA-B·O·A·C-QANTAS

on your flight to and from Australasia

Fly to Australia and New Zealand by one British air route, return to London by another. Actually *see twice as much* for just over £500—it may even cost you less than by going and returning the same way! B.C.P.A.—in co-operation with B.O.A.C., Qantas and TEAL—offer you a special round-the-world concession ticket. Whether you fly West or East from London, you cross the Atlantic, North America, the Pacific, Australasia, the Middle East and Europe. Liberal stopover privileges enable you to break your round-the-world journey where you wish, for as long as you wish—provided it is completed within 12 months.
You fly *above* the weather in fully pressurized 4-engined aircraft. And always you enjoy the same high standards of British service, hospitality and world-wide flying experience.

Consult your local Travel Agent or any B.O.A.C. or Qantas office.

B·C·P·A

BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED IN ASSOCIATION WITH BRITISH OVERSEAS AIRWAYS CORPORATION, QANTAS EMPIRE AIRWAYS LIMITED AND TASMAN EMPIRE AIRWAYS LIMITED

Other amendments designed for special cases are those to relieve the rubber, tin and other businesses that suffered in Japanese-occupied territory; companies mainly trading through a permanent establishment overseas; metal mines and oil wells generally; producers of metals, oil and asbestos whose output is expanding, if the Treasury has certified that expansion of the commodity in question is "in the national interest"; and investment companies, in respect of franked income.

As always happens when an effort is made to avoid the worst anomalies and injustices of a complicated tax, and to legislate for special cases, these welcome changes have made the EPL even more intricate than before, and threaten a much enhanced burden upon the Inland Revenue. But in meeting one other grievance Mr Butler has also contrived to lighten the administrative weight by narrowing the area of the tax: the exemption limit is raised from £2,000 to £5,000. This will exclude one-third of the small companies that seemed likely to be within reach of the tax, a segment of business that would have felt the disincentive effects with particular severity.

The substantial fly in all this soothing ointment is that the amendments are costly in terms of revenue, and the Chancellor is determined that at least a substantial part of the loss shall be made good; he seeks the counterbalance by raising the rate of profits tax on distributed profits from his budget proposal of 17½ per cent to 22½ per cent, which, on the new basis of net computation, compares with an actual rate of 26¼ per cent last year. Estimates "almost entirely speculative" suggest that the yield of EPL will be reduced from the budget expectation of £200 million in its first full year to £140-£150 million, and that the cost of the reductions in profits tax from 1951-52 rates will be narrowed from £100 million to £68 million, so that the budget estimates of the effect in 1952-53 are weakened on balance by £18-£28 million.

The Chancellor has been at pains to emphasise that the new changes thereby ease the burden of taxation on industry. But this figuring is not the only, or necessarily the right, criterion by which he should be judged. The burden of the two taxes taken together will be £70-£80 million more than that of last year's profits tax, and the effect of this week's proposals will be to shift a proportion of the weight from a new tax for a short-run emergency on to an existing tax that, despite its viciousness, looks more permanent. Thus does the Chancellor, while reaffirming the "moral basis" of EPL (and what a euphemism that is!), move still further from the original intent—which was to do no more than tax the "fortuitous" gains from rearmament while possibly even lightening the general burden simultaneously. There was never, at the early stages, any suggestion that a given additional sum had to be obtained from company taxation; and the Chancellor even now reiterates that EPL was not intended to be a revenue tax—though on this point, in particular, his several statements are full of contradictions, including the implication that he is not particularly concerned at the net £20 million or so now conceded. Since these taxes are very largely met from company savings in any case, there is a good economic argument for this unconcern; but the Chancellor did not expound it, perhaps because, at an earlier stage, he had fallaciously cited the big prospective yield from EPL as a justification for accepting next year's rise in the cost of his income tax concession to individuals.

EFFECTS ON TOTAL TAX BURDEN

Example I — Standard Profits	100·0	
Chargeable Profits	100·0	(i.e. no EPL)
(a) Full Distribution :—		
Income tax	47·5	
Undistributed profits tax	2·5	
Distributed profits (20% of gross dividend of 68·9)	13·8	
Net dividend	36·2	
	100·0	
Total tax payable, new basis	63·8	
Total tax payable, old basis	61·1	
Total tax hitherto payable	66·25	
(b) Nil Distribution :—		
Total tax payable, new basis	50·0	
Total tax payable, old basis	50·0	
Total tax hitherto payable	52·75	
Example II — Standard Profits	100·0	
Chargeable Profits	200·0	
(a) Full Distribution :—		
Income tax	95·0	
Undistributed profits tax	5·0	
EPL (30% of 100)	30·0	
Distributed profits tax (20% of gross dividend of 96·6)	19·3	
Net dividend	50·7	
	200·0	
Total tax payable, new basis	149·3	= 74·6%
Total tax payable, old basis	145·5	= 72·75%
Total tax hitherto payable	132·5	= 66·25%
(b) Nil Distribution :—		
Income tax	95·0	
Undistributed profits tax	5·0	
EPL	30·0	
Total tax payable, new basis	130·0	= 65·0%
Total tax payable, old basis		65·0%
Total tax hitherto payable		52·75%

Example III — Standard Profits	100·0	
Chargeable Profits	300·0	
(a) Full Distribution :—		
Income tax	142·5	
Undistributed profits tax	7·5	
EPL (15% of 300)	45·0	
Distributed profits tax (20% of gross dividend of 144·8)	28·9	
Net dividend	76·1	
	300·0	
Total tax payable, new basis	223·9	= 74·6%
Total tax payable, old basis		75·1%
Total tax hitherto payable		66·25%
(b) Nil Distribution :—		
Income tax	142·5	
Undistributed profits tax	7·5	
EPL	45·0	
Total tax payable, new basis	195·0	= 65·0%
Total tax payable, old basis		68·0%
Total tax hitherto payable		52·75%
Example IV — Standard Profits	100·0	
Chargeable Profits	150·0	
(a) Full Distribution :—		
Income tax	71·25	
Undistributed profits tax	3·75	
EPL (30% of 50)	15·0	
Distributed profits tax (20% of 82·75)	16·55	
Net dividend	43·45	
	150·0	
Total tax payable, new basis		= 71·0%
Total tax payable, old basis		68·9%
Total tax hitherto payable		66·25%
(b) Nil Distribution :—		
Income tax	71·25	
Undistributed profits tax	3·75	
EPL	15·0	
Total tax payable, new basis	90·0	= 60·0%
Total tax payable, old basis		60·0%
Total tax hitherto payable		52·75%

But there is more revealing argument still. The new changes—though they will ease the total EPL burden on hard cases and will put many companies, apart from the small ones, beyond the reach of EPL altogether—do nothing to ease the vicious disincentive effects of the tax on those who pay it, since the basic rate of tax, which falls without any abatement upon increments of profit, has been kept at 30 per cent. More significant still is the fact that, if all taxation of company profits is considered—and this is the ultimate test—the marginal aggregate rate actually proves to have been raised by this week's changes, except for companies whose profits have been more than doubled since the standard period. A company that escapes EPL altogether will now pay away 63.8 per cent of its total profits in tax, compared with 61.1 per cent under the budget proposals, if it pays the maximum dividend; and it will be no better off than before even if it pays no dividend at all (in which case taxation will still take half its profits). In the worst case of all, that of a company whose profits, though higher than in the base period, have less than doubled, the proportion of the additional profit left after tax will be no more than 14½ per cent (compared with 15½ per cent) if the residue is wholly distributed and 20 per cent (as before) if it is wholly retained. The only beneficiaries, on this test, are companies whose taxable profits have risen so steeply as to bring them within the relief afforded by the 15 per cent overriding rate for EPL; in these cases the proportion of the additional profit taken by tax will be 65 per cent (compared with 68 per cent) if nothing is distributed, but the gain will be a mere 0.4 per cent, to 74.7 per cent, if there is a full distribution.

EFFECTS OF CHOICE OF BASE YEARS

Company	Average of Three Years	*Average as Percentage of Best Year*	Average of Two Best Years	*Average as Percentage of Best Year*
A	96,275	*86·5*	104,579	*94·0*
B	225,589	*76·9*	256,900	*87·6*
C	84,058	*90·7*	90,674	*97·9*
D	345,258	*81·5*	422,132	*99·6*
E	45,543	*97·1*	46,910	*99·9*
F	236,021	*93·1*	246,388	*97·2*
G	158,193	*81·4*	185,209	*95·3*
	1,190,937	*84·1*	1,352,792	*98·6*

The pattern revealed is broadly similar, too, if the changes in the tax proportions of *total* profits are compared for companies at three other indicative points—where profits are the same as in the standard period, and where they are doubled or trebled. These comparisons are shown in the accompanying group of three examples, which revise the group presented in these columns on March 15th. The percentages in examples II and III are now identical, because the over-riding EPL maximum now operates at an earlier stage; for this reason, a fourth example is added to show the effect where the increase in profits is 50 per cent. The fifth table, illustrating the considerable relief afforded by the new choice of base years, similarly revises the table given on April 5th.

Two general conclusions tentatively emerge. First, the Chancellor has made a thoroughly bad tax a little less bad, by softening its grossest injustices. Secondly, he has put his countervailing charge at the point where, on a short view, it may do least damage—on distributed profits. But he makes even this a lever for bargaining with the trade unions, and thus moves in yet another way into the barren habits of economic thought that characterised his predecessors.

THE CHANGES SUMMARISED

GENERAL ALLEVIATIONS

(1) The base years for calculating standard profits are to be any two instead of all three of the years 1947-49 (but see point 7 below).

(2) The overriding limit on the amount of EPL payable by any one company has been reduced from 18 to 15 per cent of its total taxable profits (but see point 9 below).

(3) "Capital employed" is reintroduced as the basis of a capital standard additional to that based on paid-up capital. Companies that choose this new standard in preference to the profits standard will be rated at 8 per cent on net assets, plus the prescribed allowances on capital raised or money borrowed or profits ploughed back since the base date for computation of net assets; this, at the company's option, may be either December 31st, 1946, or December 31st, 1951. The basis for computation of net assets is broadly the same as under the old EPT except that investments and surplus cash are not this time excluded from net assets and that borrowed money is treated more favourably (see point 5 below).

(4) The rates of allowances on new capital and on profits ploughed back are to be raised from 10 to 12 per cent.

(5) A company that has raised new money by way of loan since the standard period will be granted an addition to the profits for that period at the rate of 4 per cent on the money; profits for the chargeable period will, as under the original plan and under EPT, be computed after deduction of the interest actually paid on the loan. A company whose liability is assessed otherwise than by reference to its profits in the standard period will have its profits standard increased by an amount equal to 4 per cent of the average amount of its borrowed money during the chargeable accounting period.

(6) Companies with a standard profit of less than £5,000 will not be liable to EPL; the budget had proposed a minimum standard of £2,000.

ALLEVIATIONS FOR SPECIAL CASES

(7) Companies whose main businesses were in territories occupied by the Japanese at any time between 1942 and 1945 will be offered the additional option of 1949 and 1950, taken together, in the choice of standard years.

(8) Companies carrying on the whole, or substantially the whole, of their trade through a permanent establishment overseas will be subject to an overriding rate for EPL of 10 per cent of total profits, instead of the 18 per cent first proposed for all companies and the 15 per cent now proposed for all other companies.

(9) Companies producing metals, oil and asbestos that have increased their output since the standard period will not be liable to EPL on the additional profits attributed to this increase in output—provided that the Treasury certifies that an expansion of the output of the commodity concerned is "in the national interest." The EPL-free profit margin on this extra output will be computed by reference to the profit margin in the standard period.

(10) For metal mines and oil wells in general, the additional allowances given to them (in consideration of the "wasting" nature of their assets) will be raised from 4 to 6 per cent in the case of short-lived mines or wells and from 2 to 3 per cent in the case of the longer-lived ones.

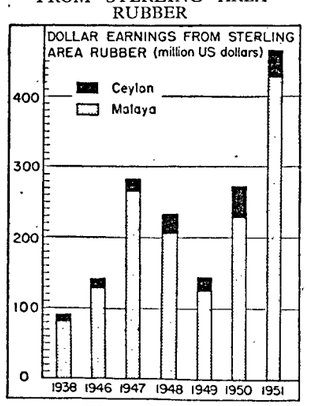
(11) Companies owning 25 per cent or more of the capital of another business will be relieved from double taxation under EPL. Since investment trusts rarely own as much as 25 per cent of the capital of any one business, this will not meet their particular grievance—but the Chancellor has promised that he will table an amendment introducing the principle of franked investment income, for investment companies only, at the report stage of the bill. Insurance companies, though they figured in the debates on this point, are not included, nor is the investment income of trading companies.

The Problem of Rubber

CHEAP rubber is more than a domestic problem for Malaya; it can have serious consequences for the sterling area's dollar accounts. Rubber is the sterling area's largest single dollar earner, and any sharp fall in its price, which is almost invariably caused by a reduction in American purchases, is accompanied by a corresponding fall in the dollar income of the sterling area. In the six years since the war rubber has earned $1,550 million, or just over a quarter of the sterling area's total dollar earnings from commodities. The annual totals have fluctuated quite significantly—from $141 million in 1946 to $283 million in 1947 and down again to $143 million in 1949, only to recover sharply in 1950 to $273 million and still more sharply in 1951 to $464 million. Last year's dollar income from rubber was inflated by the exceptionally high prices that ruled in the first quarter of the year; the quantity of rubber sold to the United States and Canada over the whole year was in fact smaller than in 1950. The trend in dollar earnings from rubber since the war is shown in Chart I; it will be seen that Malaya contributes by far the largest share, with a smaller amount coming from Ceylon. The dollar earnings of other sterling area rubber producers are negligible.

No other commodities earn so many dollars so steadily. The next largest dollar earners after rubber are wool and jute; before the war tin was coupled with jute in second place, but it now ranks fourth or even fifth. Dollar earnings from wool exceeded those from rubber in 1946, but in that year rubber production was only just beginning to recover from the war, while part of the large stocks of wool accumulated during the war years was being sold to the United States. Last year wool earned $449 million or only $15 million less than rubber. In 1949, jute and jute manufactures became the largest dollar earner among commodities, bringing in $1 million more than rubber, but that again was exceptional. In the six years since the war, wool has earned $1,245 million or $300 million less than rubber, while jute and jute manufactures have earned $850 million or nearly $700 million less than rubber. Tin, which used to be an important source of dollars, earned only $325 million between 1946 and 1951 and its annual earnings exceeded $100 million only in 1950.

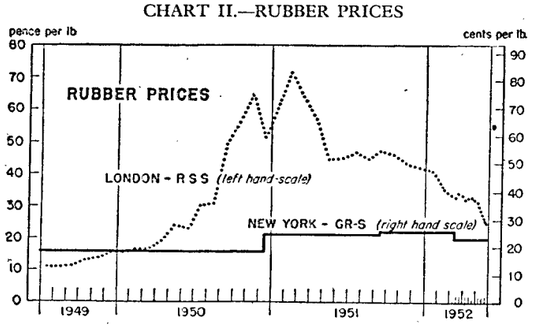
CHART I.—DOLLAR EARNINGS FROM STERLING AREA RUBBER



What contribution to the sterling area's dollar pool can be expected from rubber this year? The price has already fallen from 3s. 5d. a lb at the beginning of this year to 2s. 1d. a lb, compared with an average for the whole of last year of 4s. 3d. Moreover, total purchases by the United States (including purchases for stockpiling) are expected to be at least 5 per cent smaller. The effect of these two factors together will probably cost the sterling area some $250 million, in which case rubber's dollar earnings will be no more than $215 million or its lowest total in any postwar year except 1946 and 1949.

Dollar-earning capacity is only one side of the rubber problem. The other is its possible economic and political repercussions in Malaya. Rubber accounts for 66 per cent of the value of Malaya's total exports, and its export tax, on a sliding scale based on more or less current prices, provides 46 per cent of the Malayan Government's revenue. A sharp fall in the price of rubber can, therefore, have very disturbing effects in Malaya, just as the sharp rise in price had eighteen months ago. The present price of around 2s. a lb is not disastrously low. It is true that many of the inefficient producers are being squeezed and smallholders are finding that their income is less than that of rubber tappers. But efficient producers still have a margin, though this is a narrow one that could quite easily disappear if the price falls farther, unless labour costs can be reduced. In 1949, rubber was selling at under 1s. a lb, and in comparison the present price seems dear. But producers have been receiving more than 2s. a lb for almost two years, and during this period wages have become geared to this higher level. Under existing agreements wages for rubber workers are related to the

CHART II.—RUBBER PRICES



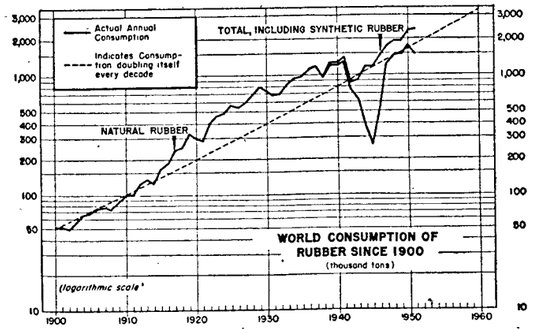
price of rubber—and they account for between two-thirds and three quarters of the costs of production. The real test will come at the end of next month when the new wage negotiations, based on a lower price of rubber, start. But will the present price of rubber be maintained?

At its recent meeting in Ottawa, the Rubber Study Group forecast world production of natural rubber this year at 1,690,000 tons, or 190,000 tons less than in 1951. It put world consumption at 1,450,000 tons, representing a decline of 45,000 tons on last year. Whereas the United States alone took some 300,000 tons for stockpiling in 1951, it has announced that its initial programme has been completed and that, although it will continue to stockpile, the rate of buying will be considerably reduced. On balance, then, there is likely to be a surplus of 240,000 tons of natural rubber, part of which may be absorbed into government stockpiles. The production of synthetic rubber is put by the group at approximately the same as last year—910,000 tons—while consumption is expected to increase from 815,000 tons to 875,000 tons. Although natural and synthetic rubber will be allowed to compete with one another in the American

market after June, the American Government itself has estimated that the consumption of natural rubber will increase by only 10,000 tons to 465,000 tons, whereas the use of synthetic rubber is expected to increase by 30,000 tons to 790,000 tons. It evidently realises that the present low price of general purpose synthetic rubber (1s. 8d. a lb) coupled with its injunction that at least 450,000 tons of synthetic rubber must be used, will be adequate protection for its synthetic industry. Natural rubber will be able to compete only if producers are willing to sell at a loss.

This year the surplus in the rubber market may not be too burdensome. But unless the United States alters its policy of protecting synthetic rubber or the production of natural rubber declines sharply, the rubber-producing countries of South East Asia may well be faced with a serious problem in 1953. The present American policy is, clearly, short-sighted. Politically, it is likely to create distress and unrest in a highly vulnerable and a strategically important area. Economically, it may well contribute to a serious shortage of rubber in a few years' time. In Chart III world consumption of natural and synthetic rubber has been plotted for each year since 1900. A logarithmic scale has been used to show the rate of increase. So far the consumption of rubber has more than doubled itself every decade, and many authorities maintain that this long-term trend will continue. A simple projection suggests that world demand for rubber in 1960 might be around 3,200,000 tons. Some American authorities have put it higher—at more than 4,000,000 tons, if certain new uses of rubber are developed. Provided that motor transport continues to expand with the increase in industrial activity and provided that tyres continue to be made of rubber this argument has some weight. If this forecast is correct, then in 1960 there is every likelihood of a shortage of rubber.

CHART III.—WORLD CONSUMPTION OF RUBBER



The highest output of natural rubber ever achieved was in 1951, when the world total amounted to 1,775,000 tons. The maximum capacity in America for producing synthetic rubber is put at 1,000,000 tons a year, though output has never yet exceeded the 820,000 tons a year reached in 1945. No new plants (except certain plants for producing special-purpose rubbers) have been built or are contemplated. Canadian capacity is put at 80,000 tons and West German capacity at 20,000 tons. The maximum output of synthetic rubber is, therefore, 1,100,000 tons—which gives a theoretical total production of all rubber of 2,875,000 tons, or some 325,000 tons lower than the consumption that might be reached.

This estimate of production, moreover, assumes that the output of natural rubber in 1960 will be at the level reached last year. But production both in Malaya and in Indonesia has already begun to decline for a variety of reasons, one of which is the present low price. It is true that in the past two years of high prices little replanting has been done, because rubber was too valuable; it did not pay to cut down trees even if they yielded only a small amount of rubber. When rubber is being produced at a loss, on the other hand, the problem becomes one of financing the seven-year delay before the new trees come to maturity. Most of the Malayan trees

WORLD PRODUCTION AND CONSUMPTION OF RUBBER ('000 Tons)

PRODUCTION

	Natural Rubber				Synthetic Rubber		
	1950	1951	1952 Forecast		1950	1951	1952 Forecast*
Malaya	694	605	550	USA	476	845	825
Indonesia	693	805	675	Canada	58	62	79
Ceylon	114	105	105	Germany F.R.	...	1	6
Viet - Nam and Cambodia	48	52	60				
Others	306	313	300				
TOTAL	1,855	1,880	1,690	TOTAL	535	908	910

CONSUMPTION

	1951			1952 Forecast		
	Natural Rubber	Synthetic Rubber*	Total	Natural Rubber	Synthetic Rubber*	Total
USA	454	759	1,213	465	790	1,255
Utd. Kingdom	234	4	238	210	4	214
France	117	9	126	124	13	137
Germany F.R.	82	4	86	88	12	100
Canada	44	26	70	39	35	74
Japan	57	1	52	55	2	57
Others	507	12	525	469	19	488
TOTAL	1,495	815	2,310	1,450	875	2,325

* Excluding Russian produced synthetic rubber.
Source: Secretariat of the Rubber Study Group.

are twenty to thirty years old. At the end of 1950, 3,379,000 acres were under rubber in Malaya; estates accounted for 1,977,000 acres and smallholders for 1,402,000 acres. Only 590,000 acres were planted with high-yielding stock, and all of them were in the estates. The problem is to replant the smallholdings, particularly those of 3 to 10 acres each. Any solution will require some form of government financing and perhaps the setting up of co-operative units. The same problem exists in Indonesia, though in not quite such an acute form. If replanting could be vigorously pursued now the higher-yielding trees would be coming to maturity around 1960. But governments are not likely to embark on such grandiose schemes unless they have confidence in the future of rubber: and the short-term trend of prices may sway them more than calculations about 1960.

On these grounds a *prima facie* case can be made out at least for studying the problem of rubber on an international level. If a shortage is likely to develop in the next seven or eight years, now is the time to start thinking, and the setting up of a special committee by the Rubber Study Group to examine whether a control scheme is necessary was perhaps opportune. But it is clear that from the standpoint both of the rubber producing countries and of the sterling area, the problem must be viewed as one of expanding output, not restricting it. It must embrace a programme for replanting, and it must be such as to attract the whole-hearted co-operation of the United States, which through its large stockpile of natural rubber and its large synthetic rubber industry controls the destiny of rubber producers.

Business Notes

Malaise in the Markets

The stock markets took a bad knock on Wednesday, with gilt-edged leading the way down; this sickness continued on Thursday, when War Loan 3½ per cent, which had fallen by ⅞ on Wednesday, dropped by another full point to 74⅞. The new Kenya loan, in which dealings opened at ⅛ discount on Wednesday, was down to a ¼ discount by Thursday's close, as was the recent Electricity loan. The immediate cause of the setback was a snowball of rumours, which started with stories of an imminent increase in Bank rate and then picked up some extraordinary embellishments on its way. Unless the authorities have in mind some dramatic *démarche* in exchange control policy, an early increase in Bank rate seems unlikely; but that does not mean that the market's reaction this week was a sign of false alarm. Since the Budget the sorry stream of fiscal surrenders by the Government has made it clear that monetary policy must now carry virtually the whole load of any plan for Britain's rehabilitation—if the Government has still got one. And this has occurred at a time when the efficacy of monetary policy itself has been impaired by the increased need for Government borrowing on floating debt, as a result of seasonal budgetary influences, of the trend of the balance of payments and of the switch within official portfolios out of floating debt into the BEA loan and into the £20 million of new stock placed by the North of Scotland Hydro-Electricity Authority with the National Debt Commissioners. In these circumstances the authorities, at the very least, will have to keep a tight rein on their operations in the money market (it should be noted that some discount houses were again forced "into the Bank" this week, though only for a small amount) and ought to allow a continuous release of stock from the "departments" to the market. The trade figures, inside EPU and out of it, are not such as to suggest that a flabby policy can be long maintained.

The industrial market has reacted in sympathy with gilt-edged, and has shown no sign of being cheered either by the new concessions on the excess profits levy or by the profits statements issued by a long list of industrial giants this week (and discussed in the following note). The very successful Distillers' issue opened at a premium of 6¼-7 per cent on Monday, but this had fallen back to 5-5⅛ at the end of the day; by Thursday's close the premium was only 3⅞. The *Financial Times* index of industrial ordinary shares, which had recovered slightly, to 109.9, just before the week-end, has fallen steadily since; on Wednesday alone it fell by 1.1 points to 108.1.

* * *

The Giants Report

This is the time of the year when the flow of annual reports from the giants of industry reaches full spate. The 1951 experience and 1952 prospects of eight large companies that have published full or preliminary profits statements in the last week—ICI, Dunlop, Unilevers, Shell, Royal Dutch, British Insulated, United Molasses and J. and P. Coats—are analysed in detail in Company Notes on pages 544 and 545. Last year the reports of most of these companies added fuel to the flames of a mounting boom in industrial share prices. This year their effect has been very different. It is true that all these companies (except possibly J. and P. Coats, whose statement is drawn up on a somewhat different basis from last year) report an increase in profits; and that five of them (the exceptions are Unilever, Dunlop and, again, J. and P. Coats) have also put up their dividends. But there the similarity with 1951 ends.

The three industrial leviathans, ICI, Unilever and Dunlop, all seem to have enjoyed an increase in turnover last year, but all have also suffered a steep rise in costs; the directors of Dunlop report explicitly that profit margins have fallen quite markedly, and the slowing down in the rate of expansion of both ICI's and Unilever's profits—despite probable stock appreciation—suggests a similar experience. United Molasses, Shell and Royal Dutch all had a very good year in 1951, but the chairman of United Molasses reports a sharp drop in sales at the beginning of 1952 and makes it plain that he believes that the price of molasses must come down. The directors of J. and P. Coats, as befits a thread manufacturer heavily dependent on supplies of Egyptian cotton, speak gloomily of probable stock losses in the coming year; Coats, however, are in a better position than most companies in the cotton trade because of their strong accumulated reserves, to which they have added by heavier remittances from overseas subsidiaries in 1951. The most cheerful note in this symposium is struck in the report of British Insulated, a company that is still faced with a booming overseas demand for its engineering products as well as with rearmament orders. This group's exports had to be restricted last year because defence orders impinged on a limited supply of raw materials and came up against the bottleneck of skilled labour—an excellent example of the root causes of Britain's troubles last year, troubles that the downturn in consumer goods trades is now doing something, though not enough, to relieve. But British Insulated, in common with some of the other expanding giants, is faced by acute problems of capital provision and a shortage of liquid funds; as with ICI, United Molasses and Shell, however, its directors clearly look forward to an expanding investment programme in spite of the Government's capital cuts.

* * *

Getting Out of China

British merchants and bankers in China have at last been compelled to accept the inevitable. Three years of Communist rule have convinced them that there is no place for them in the "people's democracy." As in the early decades of the nineteenth century, when China was a forbidden land to the foreigner, there may be some limited scope for trade with China, but not for trade in China The physical withdrawal has been taking place for some time past. Its completion has, however, been hampered by restrictions placed by the Chinese authorities on the exit of foreign nationals, some of whom have been kept in China as guarantors for payment of taxes and other dues. The issue has now been made the subject of a Note from the British Government to the People's Government in Pekin. This suggests that the requirements of Anglo-Chinese trade might be met by setting up a new form of organisation. Among the British-China merchants who took so prominent a part in pressing for the recognition of the Communist Government, hope evidently dies hard; some of them still believe that by maintaining a small representative association they would be able to maintain direct contact with the appropriate Chinese authorities and act as a permanent trade organisation.

In a statement in Parliament this week, Mr Eden pointed out that British firms in China had faced ever-increasing difficulties and that many firms had been operating at a loss for some time past. Not only have the Chinese authorities exacted arbitrary taxes; they have also compelled foreign firms to pay staff for which no work has been available. The valuable installations on the mainland have, therefore, lost all effective value. Mr Eden suggested that the immovable assets in China belonging to British firms might objectively be assessed as worth between £200 and 250 million. Some attempts have been made by the firms in question to lease or sell them, but in no instance have they been able to acquire more for their property than the sums swallowed up by their current expenditure. It is probable that by now most of the firms concerned have written these assets down to nothing and resigned themselves to the complete loss of their property. This is a sad end to a vital and constructive chapter in the history of British merchant adventuring. It may, however, be the end only of a chapter, not of a book.

* * *

First Effects of the Australian Cuts

The April figures for United Kingdom exports are the first to reflect the import restrictions imposed by Australia last February. Exports to Australia fell to £18.5 million in April compared with a monthly average of £34.4 million in the first quarter of this year, the drop in vehicle and textile exports being particularly severe. This decline in April is not quite so serious as the figures suggest; exports in the first quarter were inflated because Australian importers, fearing that restrictions would soon be imposed, made very heavy purchases about the end of 1951. Nevertheless, trade with Australia will worsen in the next few months. Exports in April were in fact only 17 per cent below the monthly average for the base period for the Australian import restrictions (July, 1950-June, 1951); when the cuts come fully into operation the restrictions are likely to cut British exports far more sharply.

Textile exports present a sorry picture. Cotton goods exports at £13.7 million were £7½ million below those of April, 1951, and wool manufactures at £10 million were little more than half those of a year ago. Exports of woollen goods have been declining for some months; now it seems to be cotton's turn. The long order books that for some months had kept cotton exports at a high level seem at last to be exhausted. On the other hand, the Australian

UNITED KINGDOM OVERSEAS TRADE
(£ Million)

	Imports	Exports	Re-exports	Excess of Imports over Exports
1950—monthly average	217·4	180·9	7·1	29·3
1951 " "	326·2	215·0	10·8	100·6
1951 January	288·7	214·4	8·6	75·7
February	248·5	175·4	7·8	65·3
March	304·3	190·5	17·1	96·7
April	311·8	230·2	11·0	70·6
1952 January	357·1	250·1	14·2	92·9
February	296·9	227·9	16·2	52·8
March	333·1	240·6	24·5	68·0
April	325·5	217·5	11·6	96·3

import restrictions do not appear to have had much effect on total textile exports: shipments to other Commonwealth countries fell off equally sharply, and there was a particularly marked drop in exports of woollen goods to Canada, from £3 million in April, 1951, to £1 million last month.

Fortunately there are still bright patches in the export story. Machinery exports showed the largest increase compared with April a year ago; at £37¼ million, they were nearly £5 million higher. Exports of machinery to Australia, the largest market, increased from nearly £3 million to £4.3 million over the same period. Vehicles are still the biggest single group of exports, but the rise this month compared with April last year was small compared with the rapid increases achieved during the last few months. At £42¼ million, exports in April were £3 million above those of a year ago, but about £4 million below those of March, 1952. Export of cars and chassis to Australia were valued at only £875,000 compared with £3,420,000 in March or £1,560,000 in April, 1951. The Canadian market has also been showing disappointing results, but British car exports to the United States show an encouraging rise, having reached £1 million compared with £820,000 in April, 1951, and about £660,000 in March this year. Among other groups the rise in exports of chemicals may be drawing to an end—last month they were about the same as a year ago. Pottery exports, although considerably bigger than last year, dropped from £7¼ million in March to £6½ million in April, largely because of the fall in shipments to Canada.

The increase in food imports was the chief reason for the rise in total imports compared with April, 1951. More wheat and dairy produce were imported, but imports of beverages fell sharply, largely owing to a reduction in the quantity of cocoa imported. Much larger supplies of oils and seeds and paper-making materials more than offset the decline in most other raw materials. Similarly, among manufactures, the rise in value of imports of metal goods and machinery was greater than the fall in most other manufactured goods.

* * *

Decision on Lamps

The Government has accepted the need for almost as much change in the selling practices of the electric lamp industry as the Monopolies Commission proposed last November. Mr Sandys this week expressed the agreement of the Government with eight of the nine recommendations of the Commission and with part of the ninth, and also with the conditions that the Commission laid down for the continuance of common prices among the companies that make up the Electric Lamp Manufacturers' Association. The recommendations approved were that ELMA members making lamp components should make most of these freely available to all purchasers on the same terms; that certain companies controlled by ELMA should continue to compete as suppliers of cheap companies and not be used as "fighting companies" against independent lamp makers; that sales quotas in the Association, by which companies were fined if they sold more than an agreed share of all ELMA sales and compensated if they sold less, should be brought to an end; that quantity and quality restrictions on lower-grade lamps should be abolished; that payments to associations of distributors should end, as should the enforcement of collective resale price maintenance by fines and a "stop list." The Government also agreed with a recommendation that exclusive dealing arrangements with wholesalers, retailers, and some users should be brought to an end, but reserved judgment about the payment of aggregated rebates based upon the quantities of lamps made by ELMA members bought during the year by the purchasers. The Government had in mind the possibility that the abolition of such rebates might adversely affect the smaller members of ELMA.

This is not on the face of it an important exception, though as the Commission concluded, "It is certainly a form of pecuniary pressure to buy exclusively from ELMA members," and should logically be swept away with the remainder of exclusive dealing. What is more noteworthy is the form of the Government's decision upon this report. Mr Sandys told the House that the Association had given him assurances that it was taking action to bring its arrangements into conformity with the Government's conclusions. This is a different course from that chosen by the last Government which gave statutory effect to those of the Commission's recommendations upon the manufacture of dental equipment that it wished to enforce.

* * *

Germany and the Debt Talks

The German debt discussions reopened in London this week for what should be their decisive stage. The previous sessions of this international conference sorted out the factual material and cleared the ground for specific proposals from

the German side. But these have now run into a hitch. Although many weeks have been available for formulation of these proposals, it was learned soon after the opening session began last Monday that concrete offers could not yet be presented. The explanation given by Herr Abs, the leader of the German delegation, was that the German Federal Government was now engaged in intensive work in connection with the contractual agreement to replan the occupation statute, and this made it inevitable that there should be some delay in presenting definitive proposals for settlement of the external debt. This delay may be due to the still unresolved problem of Germany's contribution to the European Defence Community. No agreement has yet been reached on how this proposed contribution of DM10,200 million a year should be shared between the Allied forces in Western Germany and EDC. Until the provisions of the agreement are known, the impact of rearmament on the future shape of Germany's external payments cannot be assessed.

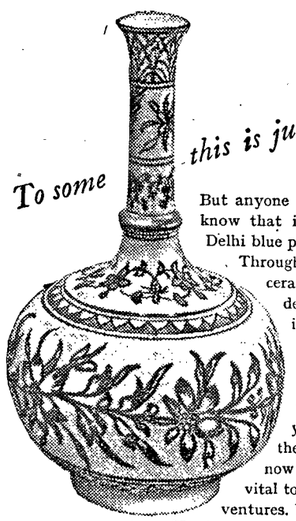
Preliminary reports from Bonn suggest, however, that when the first German proposals are tabled they may cause some dismay among the creditors. Inspired German comments, issued as their delegation was leaving for London, indicated that the Germans might ask for a 50 per cent reduction of the capital amount of the debts, cancellation of accumulated interest, an interest rate of 3 per cent, and amortisation of capital at the rate of about 2 per cent per annum to begin after a 3 to 4 year moratorium. These comments were accompanied by re-emphasis of the basic German argument that any settlement must be attuned to German capacity to transfer the service of its debts abroad, and that this capacity has been gravely undermined by the separation of Eastern from Western Germany. The prospect for a satisfactory compromise on the question of the private debts may, however, have been improved by a recent statement of Mr Warren Lee Pierson, the United States chairman of the Tripartite Commission on German Debts. Mr Pierson pointed out that the United States, British and French Governments were prepared drastically to reduce their claims on Germany in respect of postwar economic assistance, if Germany first paid its prewar private debts. If this indicates a readiness to go beyond the generous offer made by the three western governments towards the end of 1951, it could have a considerable bearing on the course of the negotiations that have now been resumed.

* * *

A Stronger Cup of Tea?

The London tea market has hardened this week following the announcement that the increase in the tea ration to 2½ oz. a week is to be brought forward by one month to July 13th. Prices of what are known as "good liquoring" teas have been some 2d. to 4d. a lb higher than last week. The prospect of smaller supplies next week, when the quantity offered in London will only be half this week's amount, has, however, probably had something to do with this rise. In Ceylon prices have risen by a smaller margin.

Tea rationing is not due to end until towards the close of the year and its timing is not likely to be affected by the earlier increase in the ration. By raising the ration to 2½ oz. in July the Ministry of Food will have a longer period in which to study what is likely to happen to demand once price is undistorted by the subsidy. This is a wise move. The removal of the subsidy on June 15th will mean a considerable adjustment to prices for different qualities and it is difficult to assess what effect this will have on total consumption. The trade, indeed, believes that the Ministry is being too cautious. Stocks are seasonally high; at the middle of this month 146 million lb of tea was held in bonded and provincial warehouses in this country, and about 25 million lb was afloat. In the circumstances merchants felt that the ration could safely have been put up to 3 oz. a week in July.



To some this is just a Vase!

But anyone familiar with ceramics would know that it is a piece of world-famed Delhi blue pottery.

Through years of specialized study, the ceramics expert has attained a high degree of skill and discernment in his particular sphere and this is also true of the National Bank of India and its unrivalled knowledge of eastern trading. As a result of many years of continuous experience the National Bank of India can now provide much information vital to the success of modern trading ventures. Your enquiries will be welcome at the Head Office or at any of the Bank's branches.

NATIONAL BANK OF INDIA LIMITED

Branches in: INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA, ZANZIBAR, UGANDA, ADEN and SOMALILAND PROTECTORATE. *Bankers to the Government in* ADEN, KENYA COLONY, ZANZIBAR and UGANDA.

Head Office: 26, BISHOPSGATE, LONDON, E.C.2.

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

•

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or projected interests in the Dominion.

You are invited to contact the London Office or the Head Office.

BANK OF NEW ZEALAND

(Incorporated with limited liability in New Zealand)

London Office: 1 Queen Victoria Street, E.C.4.

Head Office: Wellington, New Zealand

Branches also in

Melbourne and Sydney; Fiji and Samoa

This would have been tantamount to removing all restrictions on most people's consumption, as it is estimated that average unrationed demand will be between 2.75 oz and 3 oz a week. In fact, with freedom now in sight, merchants in this country are wondering whether consumption will ever again reach the prewar level of 2.9 oz a week. Long years of rationing have encouraged a taste for weaker tea; the habit of adding "one for the pot" may have disappeared for good.

* * *

ICC's Recipe for Convertibility

Freedom of current international payments from restrictions and of international trade from discrimination have been causes for which the International Chamber of Commerce has fought with pertinacity. At its recent meeting in Paris the Council of the ICC returned to the charge, but did so with somewhat more detailed recommendations than is usual for a body that has always had to show careful regard for the susceptibilities of its multi-national membership. The ICC's recommendations are based on the contention that "there is an intimate link between the strength of a currency and its free exchangeability. A currency that cannot be freely exchanged against other currencies is never really strong, since what strength it has is a purely artificial one created by controls."

The ICC proceeds to particularise these generalities by adding that "no currency can hope to continue for long as a key currency for large areas unless it is freely exchangeable." Hence the immediate aim, "notwithstanding existing difficulties," should be convertibility. The ways and means are set out in some detail. First, there is the full panoply of unexceptionable recommendations for domestic policies: hard money, a balanced budget, incentives to production, a tax burden that will allow adequate scope for enterprise and investment. More specifically, the ICC suggests that arrangements should be made for granting convertibility loans to countries whose reserves are insufficient to bear the immediate impact of a free exchange. For this purpose, the articles of agreement of the International Monetary Fund might have to be changed and its reserves strengthened; a sub-committee of the ICC is looking into these problems. The responsibility of creditor countries are stressed—not for the first time in resolutions of the ICC; the world would greatly benefit if the American members of the Chamber had a greater impact on the fiscal and tariff policy of their country. But the most significant of all the suggestions that emerge from the ICC statement is that "amongst the many adjustments that may have to be made (in the attainment of early convertibility) not the least important is that of the rates of exchange themselves; and it may be found unavoidable, at least during a period of transition, to allow the exchanges to move freely without there being fixed parities established between them." It is significant that so representative and authoritative an international organisation should thus be publicly pandering that in the present circumstances the sacrifice of exchange stability might be a worthwhile price to pay for convertibility of currencies.

* * *

Import Prices Lower

The terms of trade continued to move slowly in this country's favour in April, but, in contrast to earlier months, the improvement last month came as a result of cheaper imports: export prices remained at their March level. At long last the falls that have taken place in the prices of certain commodities are bringing down the cost of imports and after remaining steady at the December, 1951, level, import prices fell by one point in April. On the other hand, the rise in export prices may have ended for the time being. Higher prices for metal and engineering exports last month were only just great enough to offset the drop in textile prices while the prices of other manufactured exports remained unchanged.

The prices of imported raw materials, which had fallen slightly in March, dropped abruptly in April, and the decline more than offset the continued small rise in the price of imports of food and manufactures. This pattern of changing import prices follows closely that of wholesale prices revealed

UNITED KINGDOM IMPORT AND EXPORT PRICES
Index Numbers, 1951=100

	Imports			Exports				Terms of Trade*
				Articles Wholly or Mainly Manufactured				
	Food, Drink and Tobacco	Raw Materials	Total	Metals and Engineering Products	Textiles	Other Manufactures	Total	
1951:—								
April	99	104	100	96	95	94	96	104
May	101	108	104	97	99	99	99	105
June	102	108	105	99	102	100	100	105
July	103	107	105	100	105	103	102	103
August	102	103	103	103	107	104	104	99
September	101	102	102	104	108	106	105	97
October	103	96	101	106	107	107	105	96
November	105	97	102	107	106	108	106	96
December	103	99	103	107	106	109	106	97
1952:—								
January	104	100	103	107	103	108	105	98
February	104	101	103	108	102	109	106	97
March	105	100	103	110	99	110	107	96
April	106	97	102	112	97	110	107	95

* The ratio of import prices to export prices. A rise indicates an adverse movement.
Source: Board of Trade.

by the Board of Trade index for April. The index for basic materials (June 30, 1949=100) lost 4.6 points in April and reached 165, the lowest level since October, 1950. Textile prices fell steeply—raw jute dropped by no less than 53 points to 186, and cotton by 7 points to 179. Hides and skins prices fell by nearly 9 points to 86—the lowest level since the index began. The prices for rubber, hardwood, vegetable oils, sulphur, woodpulp all showed significant falls. Among basic materials the only exceptions to this downward trend were crude oil and lubricants, white spirit and some metals—aluminium, copper and brass.

* * *

Priceless Fuel Policies

In the fuel and power industries today it is highly unfashionable for anyone to be without his own fuel policy for Britain, and Viscount Ridley's committee on this subject is receiving, directly and indirectly, a deluge of professional and amateur advice. Up to the last few weeks most of the pronouncements seem to have come from the solid fuel enthusiasts, and electricity has received many an unkind stupe. But the joint deliberations of the British Electricity Authority and the electrical equipment manufacturers would now seem to have borne fruit; spokesmen of electricity, led into the field by Sir John Hacking, deputy-chairman of BEA, are striking some doughty blows for their favourite fuel—and even for that abomination of Mr Lyle and Mr Nabarro, the electric fire.

The technique of much of this argument is to take one's opponent's statistics of "thermal" or "coal economy" efficiency and turn them round to prove the opposite of what he says; and owing to the nature of such criteria this is not as difficult as it might sound. Sir John—briefed perhaps in part by that able chief of staff in this campaign, Mr Humphreys of the General Electric Company—has recently performed such an operation upon what have become the conventionally-accepted figures of "coal economy efficiency" for domestic heating appliances. Electricity, he said, was now produced from coal with an average thermal

efficiency of 22 per cent ; allowing for distribution losses and for coal consumed in transporting the coal from the pit to the power station, and use in a 100 per cent efficient domestic fire, its " overall efficiency " was 19 per cent. Gas he held to be produced with an efficiency of 47 per cent ; but counting the auxiliary power used in the gasworks, the heat content of tar and by-products used in road-making, and the coal consumed in transport, this drops to about 38 per cent ; used through a 50 per cent efficient gas fire, the final efficiency is 19 per cent again. Coal in the average open fire is burned with about 20 per cent thermal efficiency ; but after Sir John has calculated the coal used in transport and the losses through merchants' yards with a remarkable certainty, the answer still comes out at 19 per cent.

This fuelmanship would be exhilarating if its subject were not grim. Coal shortage in the next decade is going to become too bitterly serious for the brandishing of neatly-calculated percentages one against the other. For there are many refinements yet to come—the virtues of convected or radiant heat, the concept of " personal " as against " space " heating, and the fact that the average domestic fire may not behave precisely as one in test conditions did at some time.

*

Only one aspect of the discussion, it may seem to the outsider, appears to escape these controversialists' zest for figures. Prices and costs of the various forms of fuel are seldom mentioned—except for vague suggestions that somebody else's fuel is being sold too cheap. But one refreshing comment has recently been made by one spokesman of BEA:

> So many factors rightly enter into a consumer's decision to employ a particular means of satisfying his [fuel] needs that even the price criterion is not altogether decisive, but if prices properly reflect costs, then in future, as in the past, the consumers' freedom of choice between coal, coke, gas, and electricity will be the most practical and effective method of securing a proper economic balance in their use.

Nobody, it would seem, could say much fairer than this. But is this the policy upon which BEA acts ?. Electricity tariffs, at any rate in the past, have often seemed less to reflect costs than to be a tangle of traditional rates often partly irrelevant to costs. The Area Boards, however, have recently begun to introduce a number of new standard tariffs that may more clearly follow BEA's admirable precept. In the course of the next few weeks it is proposed to examine these new tariffs to see how " properly " they do, in their spokesman's words, " reflect costs."

* * *

Freight Rates Slump Again

A fall of 28.3 points brought the Chamber of Shipping index of tramp freight rates down to 109.4 in April (1948 = 100). For the first four months of this year the average has been 142, compared with 168.5 for the first four months of last year and 173.7 for the whole of 1951. The index has been declining steadily since last October, when it stood at 190.4, but the fall suddenly steepened in March and April. The sudden drop in the demand for trans-Atlantic coal shipments started the downward trend, which was accelerated by the decision of Britain and Australia to cut their import programmes. The Australian and Argentine markets are dead, there has been a falling off in South African coal exports and Mediterranean ore shippers have benefited from the lack of competitive chartering by Black Sea grain shippers. The withdrawal of American ships back to the reserve fleet has prevented an even more drastic decline, but this has been largely offset by increasing competition from the growing German and Japanese merchant fleets. The Japanese, in particular, have been savagely cutting their rates in some trade in their anxiety to re-enter the lists.

Here and there, rates have shown an improvement during the first half of May. Whereas 13s. 9d. per quarter was

taken for prompt loading of St Lawrence grain for Britain or the Continent in April, charterers are now prepared to pay 15s. for a prompt vessel. Rates for sugar and sulphur from the Gulf of Mexico have advanced slightly, and even in the trans-Atlantic coal market vessels have been fixed at $8.50 per ton, compared with $7.50 earlier. Neither dollar fixtures nor time charter fixtures are included in the Chamber of Shipping freight index, and although the British liner companies are no longer in the market for ships on time charter at present, demand for ships on these terms has not declined markedly. Time charter rates are still in the region of 28s. per ton per month for about six months' trading, compared with about 12s. 6d. before the Korean war, while as much as 40s. has recently been paid for prompt voyages.

* * *

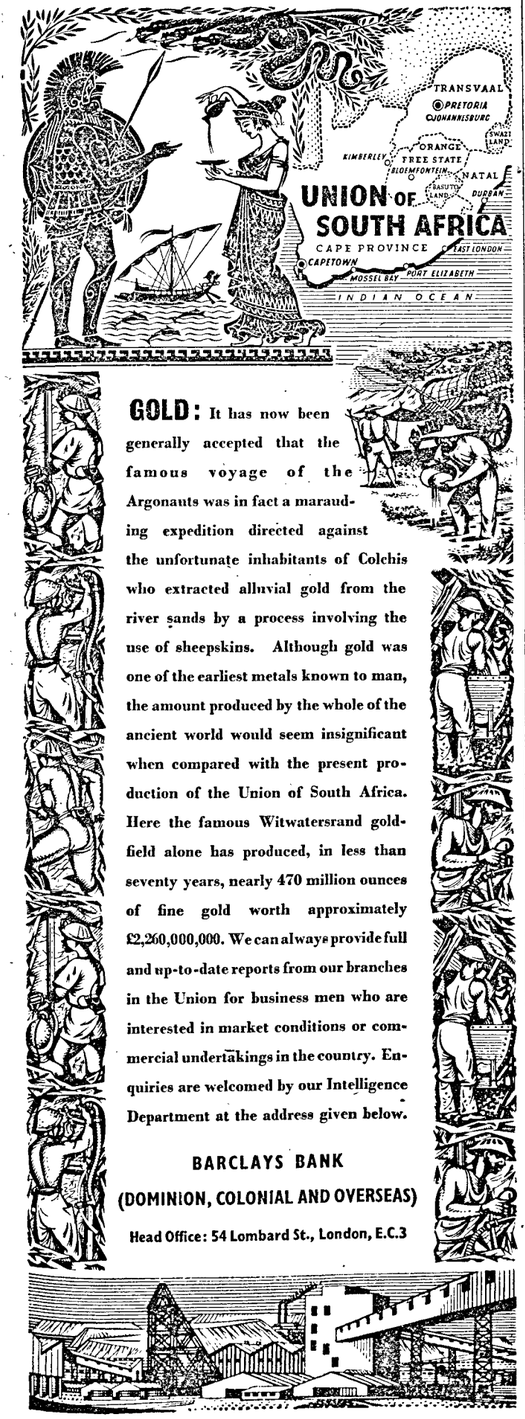
Manœuvres in Cotton

Whenever the International Cotton Advisory Committee meets, one of its topics of discussion always seems to be the possibility of introducing an international control scheme. Once again the item is on the agenda for its eleventh session, taking place this week in Rome. But this time the topic is being more seriously studied. Last November the ICAC set up a special committee to examine various control schemes and this committee is submitting its report to this week's meeting. The scheme that it apparently favours is a multilateral contract similar to the international wheat agreement, which was described on page 459 of *The Economist* last week.

There is as yet no threat of a burdensome surplus of cotton. World production for the current season is put at 34.5 million bales, and world consumption at about 30 million bales. The stock carried over to the beginning of the season amounted to 11.2 million bales and by the end of the season it will have increased to 15.7 million bales. But in 1938 world stocks totalled 25 million bales. Even if world production of cotton continues to expand and consumption shows no recovery, it will be some time before stocks can be claimed to be excessive.

Importing countries will clearly be against any scheme that attempts to make current cotton prices a set pattern for the next four or five years. Ever since the end of the war they have been at the mercy of the producing countries. The United States has maintained relatively high " floor " prices, and Egypt has openly rigged its market with the help of the government. The shortage of dollars has, until recently, driven to fantastic heights the price of American-type cotton produced by countries willing to accept sterling. Until the exporting countries agree to let the price mechanism operate freely for at least a season, to allow a realistic pattern of prices to emerge, the question of an international agreement should be scotched. The only tenable grounds for such a scheme would be the willingness of the United States to accept a price range related to the prices of other commodities freely traded in the world markets and not to its domestic support prices.

The cotton-producing countries are clearly worried about the textile slump. The Alexandrian market has almost ceased to operate because the Egyptian Government tried to maintain artificially high prices. Its latest move is to abolish the export tax on cotton for the rest of the season, and this has encouraged a modest increase in the volume of trading. The tax will be restored on September 1st at 75 per cent of its present level. The Egyptian Government hopes that by this measure it will be saved the expensive necessity of taking over the large stocks of cotton that have accumulated. It is clear from this manœuvre that the proposal to introduce an international commodity scheme for cotton is no more than an attempt by exporting countries to get the importers to help them to shoulder the financial burden of their own price-support schemes.



GOLD: It has now been generally accepted that the famous voyage of the Argonauts was in fact a marauding expedition directed against the unfortunate inhabitants of Colchis who extracted alluvial gold from the river sands by a process involving the use of sheepskins. Although gold was one of the earliest metals known to man, the amount produced by the whole of the ancient world would seem insignificant when compared with the present production of the Union of South Africa. Here the famous Witwatersrand goldfield alone has produced, in less than seventy years, nearly 470 million ounces of fine gold worth approximately £2,260,000,000. We can always provide full and up-to-date reports from our branches in the Union for business men who are interested in market conditions or commercial undertakings in the country. Enquiries are welcomed by our Intelligence Department at the address given below.

BARCLAYS BANK

(DOMINION, COLONIAL AND OVERSEAS)

Head Office: 54 Lombard St., London, E.C.3

WHITE HARVEST

IN many countries salt is still made by the simple process of running sea-water into large shallow ponds and allowing it to evaporate in the heat of the sun. The rate at which sea-water evaporates depends mainly on the amount of sunlight which it absorbs, but in normal circumstances much of the sun's heat is lost by reflection from the surface and bottom of the pond. It has been found, however, that if certain dyestuffs are added to the water more sunlight is absorbed and the rate of evaporation can be increased without affecting the colour of the salt.

An enquiry from a customer using a dyestuff for this purpose led I.C.I. to carry out a large number of tests, which ultimately resulted in the marketing of " Solivap " Green — a dye outstanding in both light-fastness and the power to absorb radiation, and thus the most satisfactory for speeding-up evaporation. Practical trials at the Osborne salt works of I.C.I. Australia and New Zealand Ltd. showed that the use of " Solivap " Green in the final evaporation ponds increased the yield of salt by 20% and correspondingly decreased production costs. Today, " Solivap " Green is helping to increase salt production in countries as far afield as Africa, Australia, Brazil and India.

ICI

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are.

Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2
West End (London) Branch: 28 Charles II Street, London, S.W.1
Manchester Branch: 52 Mosley Street, Manchester, 2
Liverpool Branch: 27 Derby House, Liverpool, 2
New York Agency: 65 Broadway, New York, 6

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £1,800,000)

is associated with

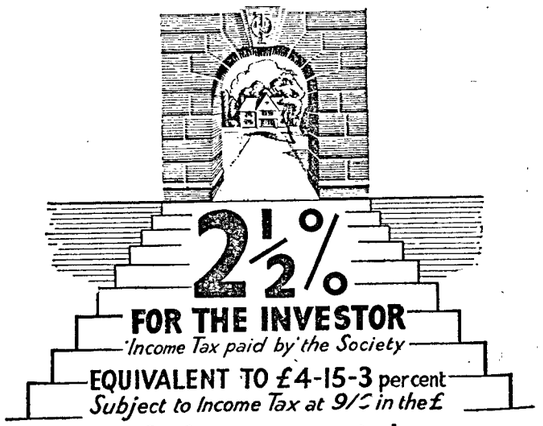
The British Metal Corporation (Pakistan) Ltd.
The Cyprus Co., Ltd., Drew, Brown Ltd. (Canada), Sandilands Buttery & Co. Ltd. (Malaya), and C. Tennant Sons & Co., of New York, as well as with the associates of The British Metal Corporation Ltd., Australia, Canada, India and South Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3.

TELEGRAMS: *Nonfermet Telex London* CABLES: *Nonfermet London* TELEPHONE: *MANsion House 4521 (10 lines)*
Branches at BIRMINGHAM, MANCHESTER and GLASGOW

The Gateway to Security



2½%
FOR THE INVESTOR
Income Tax paid by the Society
EQUIVALENT TO £4-15-3 percent
Subject to Income Tax at 9/- in the £
£1-£5,000 accepted

TEMPERANCE
PERMANENT
BUILDING SOCIETY
223-227, REGENT ST., LONDON, W.1
PHONE REG. 7282

Refinery Output Soars

Oil refineries in Britain last year produced nearly double the quantity of petroleum products that they had done in 1950. Figures issued by the Petroleum Information Bureau show that the total output was about 16,400,000 tons, compared with 9,200,000 tons in 1950; there were large increases in the production of motor and aviation spirit, from 1,500,000 tons to 2,900,000 tons, but the major expansion was in the output of fuel oils, from 3,800,000 tons to 7,600,000 tons. In total, therefore, the throughput of British refineries was almost as high as the consumption of petroleum products in the country, which reached about 16,900,000 tons in 1951.

BRITISH CONSUMPTION AND PRODUCTION OF PETROLEUM PRODUCTS
(in tons)

Product	Consumption in Britain		Product	Production in Britain	
	1950	1951		1950	1951
Aviation spirit	281,989	334,148	Motor and aviation spirits	1,477,955	2,932,181
Motor spirit (incl. motor benzole) ..	5,195,173	5,454,264	Industrial spirits ..	3,401	3,239
Indust. spirits (incl. indust. benzole) .	80,667	98,340	White spirit.....	48,826	51,641
White spirit.....	148,994	149,604	Burning oil	147,619	226,594
Kerosene (incl. aviation turbine fuel, burning oil and vaporising oil) ...	1,539,024	1,775,929	Vaporising oil.....	12,877	18,507
Derv fuel.....	1,034,103	1,125,623	Gas/diesel oil	1,890 745	3,055,076
Gas, diesel and fuel oils :—			Fuel oil	3,805,198	7,649,982
Inland trade :—			Refinery fuel consumption (ex own production)	539,542	852,863
Gas/diesel oil...	1,595,325	1,711,812	Bitumen.....	636,085	746,227
Fuel oil	3,092,691	3,417,785	Paraffin wax, scale and slack wax...	15,563	15,117
Refinery consumption.....	649,775	871,416	Lubricating oil....	427,288	412,154
			Propane and butane	23,736	19,337
			Miscellaneous products and loss...	254,917	456,107
Grand total inland trade	5,337,791	6,001,013			
Lubricating oils and greases.....	748,796	797,172			
Paraffin wax and scale.....	43,177	49,750			
Butane and propane	30,251	37,544			
Bitumen.....	621,281	745,647			
Miscellaneous	215,525	318,874			
TOTAL, ALL PRODUCTS ..	15,276,771	16,887,908	TOTAL.....	9,283,752	16,430,025

Note.—Deliveries for bunkers for ships engaged in the foreign trade are not included.

This represented an increase of 10 per cent, though the increases varied between different products. The total inland trade in gas, diesel and fuel oils rose by 14 per cent to just over 6 million tons, about a third of the increase in tonnage being accounted for by higher consumption in the refineries themselves. Consumption of motor spirit, however, rose by only about 5 per cent to about 5,500,000 tons, and the expansion was smaller for spirit sold through garages than sold direct to users. This presumably reflects the high cost of motoring after the first round of tax increases last year, though after de-rationing there may have been some transfer of business from garages to direct purchase, through business cars drawing their petrol from works storage.

* * *

Topsy-Turvy Metals

It has taken the Ministry of Materials a long time to learn the facts of trading. But it has apparently at last seen the errors of its ways in trying to make British manufacturers pay for its costly purchases last year. This week the Ministry announced a sharp reduction in the price of zinc—the first for three years—when it cut its selling price by £24 to £166 a ton. It did not follow the American market, where the price still stands at 19½ cents a lb (£156 a ton), but merely brought its prices more into line with the official American quotations. British manufacturers are still paying £10 a ton more than American manufacturers, though part of this is accounted for by transport and delivery costs, and some £30 a ton more than the "free" price for zinc on continental markets. But the move is at any rate in the right direction.

The price of lead was reduced at the same time by £2 to £129; this is the seventh decline since September, 1951. Once again the reduction was not related to any further fall in the American market and the British price is now only £9 a ton above prices there, but it is still some £25 a ton above continental "free" market prices. Lead supplies are ample, and now would seem to be time for the Minister of Materials to consider re-opening the London market—the New York futures market has been re-opened. At the beginning of this month the Minister said that the position would be reviewed at the end of June.

The base metal market is going topsy-turvy because rearmament has increased the demand for copper more than that for zinc or lead. The free market price of copper is still around £325 a ton compared with the British price of £231 a ton and the official American price of 27½ cents a lb (£220 a ton). But the United States Government has relaxed its price limits on domestic copper products, so that foreign supplies of copper can be bought at higher prices. This will enable imports from Chile to be resumed, and the price paid will be above 27½ cents a lb. The official American price, it is said, will remain unchanged; which presumably also means that the British purchase price for Rhodesian copper will also not be raised.

* * *

Films and Television

In last week's White Paper on broadcasting policy the cinema industry was asked to prepare a detailed scheme for the use of television transmissions for public showing—upon which the Government reserved judgment, stating only that

> subject to adequate safeguards for the interests affected, the development in its proper sphere of television for public showing to paying audiences should not be impeded by a refusal to grant the necessary wireless licences.

The three sides of the industry—exhibitors, renters and producers—are meeting next week to begin formulating such a scheme. But certain of the Government's safeguards may prove more acceptable to one part of the cinema industry than to the others.

The Government holds that no single branch of entertainment should receive an exclusive licence to use television to paying audiences; that entertainment so televised should not be introduced into the home (except by arrangement with the BBC or other possible television services); and that arrangements for the televising of public spectacles that would deprive viewers either in the home or in the cinema of the chance to see them—i.e., exclusive television rights—

Overseas Information

To enable *The Economist's* specialists to comment on events abroad a regular flow of information from our overseas correspondents and contacts is required. This information, and the judgments that are based on it, can be applied to commercial problems. Through The Economist Intelligence Unit regular reports, each designed to meet the requirements of a business or other organisation, can be commissioned.

The Economist Intelligence Unit
22 Ryder Street, St James's, London, S.W.1.

should not be allowed. These points would presumably be acceptable (except perhaps to the promotors of some of these "public spectacles," who might prefer to have more than one bidder for television rights). But the white paper also suggests that the cinemas—subject again to safeguards—should be prepared to make films more readily available to the BBC.

This is a proposal concerning which the cinema exhibitors remain adamant. Even old films, it was emphasised at the Cinema Exhibitors' Association last week, are still capable of doing good cinema business on reissue; and exhibitors will not accede to the BBC's request for more old films and for "prestige" British pictures that have exhausted their commercial run. Yet filmed material offers a major opportunity for the BBC or other television producers to reduce their production costs. Whether the exhibitors may make concessions in this regard as a point in bargaining remains to be seen; but there seems in any case a strong possibility that British film producers will not ignore the chance of making special filmed material for television. Continental producers—and American, particularly since the compulsory "divorcement" of production from exhibition in the United States—are beginning to look to this market, and some British producers have already made films for the American television networks. British production and exhibition are not so divorced; where they are linked, the profitable end of the business—exhibition—may dictate the behaviour of its production departments towards television.

* * *

Fire on the Rails

The two-year-old controversy about fire precautions on the railways between Lieutenant Colonel Walker, the Ministry of Transport's inspecting officer of railways, and the Railway Executive is brought to a head in Colonel Walker's recently published report on a fire that broke out last July on the Leeds express from King's Cross. As the result of a chain of small omissions the floor of a centre-corridor coach caught fire and four coaches were completely burnt out. Several passengers were injured in jumping through the windows on to the track 7 feet below. Among the factors contributing to the seriousness of the fire were a missing bar in the engine fire-box that allowed big cinders to escape; the absence of the usual asbestos packing around an air duct that allowed one of these cinders to lodge under the deal floor boards of the coach; the lack of fire drill among the train crew; the difficulty in finding communication cords to stop the train; and the fact that the first of the fire extinguishers brought to play on the flames failed to work. But had certain basic safety measures been taken, this chain of events, disturbing reading as it is, need not necessarily have resulted in the terrifying conflagration that took place.

The coaches became a mass of flame because they were lined with leather-cloth dressed with a nitro-cellulose finish—one of the most inflammable materials that could have been used. Many of the 22 injured passengers were hurt escaping through the broken train windows because the single narrow door at the end of the coach was blocked by other passengers. In several of his earlier fire reports, Colonel Walker has both protested against the use of cellulose finishes and has pointed out that the two end doors that are the only exits provided on the modern "open" coach cannot safely handle in such an emergency the number of passengers likely to be travelling in those coaches. He adds some extremely caustic comments in the course of this latest report about the attitude of the Railway Executive to the whole question of fire risk and fire precautions. Certainly the Executive does not appear to have put forward any convincing argument against the incorporation of an additional centre door in new "open" coaches. After a serious fire two years ago, an inspection was begun of the finish in all carriages and already £450,000 has been spent on replacing inflammable materials. But doubts about the effectiveness of this inspection are raised by Colonel Walker's comments on yet another fire that occurred after the present report had been written. This other coach, which was burnt out, was a new one tested by the railway authorities "and had been passed as safe." Yet its compartments were decorated with a material containing nitro-cellulose.

On the average, 87 fires a year in passenger trains are being reported, excluding gangway fires; on Wednesday a burning coach was taken off the Paddington-Fishguard express. In the past two years there have been three serious fires, causing five deaths and injuring 29 passengers. The strong language used by Colonel Walker may succeed in jolting the Executive out of its present views about what constitutes justifiable risks.

Shorter Notes

The retail price of motor spirit, and the wholesale prices of a number of other petroleum products, rose this week. Motorists have now to pay 4s. 3¼d. gallon in the inner zones (within 15 miles of the main importing centres), 4s. 3¾d. a gallon in the outer zones (15 to 40 miles away) and 4s. 4¼d. a gallon in the general and other zones; this price includes 2s. 6d. a gallon duty. Wholesale prices and price differentials between zones were altered for motor spirit, derv fuel, vaporising oil and burning oil, gas oil and light fuel oil. Benzole for industrial purposes is not affected. The last increase in the price of petrol was on December 21st, when it rose by ¾d. a gallon.

*

Although the Ministry of Fuel is still maintaining supplies of aviation spirit to British airline operators at the level of 70 per cent of their April consumption, the growing shortage of spirit on the continent is making further reductions in services inevitable. British European Airways will probably have to cut its continental flights to half the normal scheduled services in a matter of days, because of the difficulties of re-fuelling on the return flight to England. By doubling up services, BEA has so far continued to carry the same number of passengers as before, but when schedules are cut by 50 per cent this will no longer be possible and the company's revenue will suffer accordingly.

*

The directors of Imperial Chemical Industries devote a good deal of attention in their report to new research projects. Research on the mass culture of unicellular green algæ is in progress but though high yields per acre have been obtained it is not yet clear whether the process can be made an economic one. A more immediately promising development is the erection of a small pilot plant for the production of titanium sponge at the rate of about 100 lb a day; so much interest has been taken by consumers in this strategically important metal that there has been a considerable demand for the small quantities of wrought metal already produced. Meanwhile development sales of Terylene have strengthened earlier impressions that there should be a market for this textile fibre capable of absorbing the output of the large-scale plant now being completed at Wilton; the enthusiasm expressed in the report about the prospects for Terylene seem to be in some contrast with the directors' lack-lustre comments about Ardil, which the company has found difficult to launch in the contracting market for textiles.

FACTS ABOUT AUSTRALIA

Over 3,000,000 bales of wool exported yearly

Australia is the world's largest wool exporter and is one of the chief primary producing countries of the world. Her secondary industries are growing in importance and are well represented in her exports. The Bank of New South Wales welcomes enquiries about trade and business opportunities and the establishment of new enterprises in Australia and New Zealand.

Ask your bankers to consult—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1.

FIRST and LARGEST COMMERCIAL BANK in the SOUTH-WEST PACIFIC

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

©B5202E

UNILEVER LIMITED AND UNILEVER N.V.

The Boards of Unilever Limited and Unilever N.V. RESOLVED to-day to RECOMMEND to the Annual General Meetings of their respective Companies which will be held on 23rd June, 1952, the following DECLARATIONS of FINAL DIVIDENDS on the Ordinary Capital in respect of the year 1951 payable on the 4th July, 1952. These dividends, which are not payable on the new Ordinary Capital issued by the two Companies in 1951, are :—

In the case of Unilever Limited a DIVIDEND of 8⅓% actual (1/8.4d. per £1 of Stock) less income tax at 9/6d. in the £, making 13⅓% for the year ended 31st December, 1951 (1950—13⅓% for the year) PAYABLE to STOCKHOLDERS REGISTERED in the books of the Company on the 31st MAY, 1952.

In the case of Unilever N.V. a DIVIDEND of 7½% actual (Fl. 75 per Share of Fl. 1,000) making 12% for the year ended 31st December, 1951 (1950—12% for the year) PAYABLE, less 15% dividend tax, on PRESENTATION of the appropriate DIVIDEND COUPON.

The total dividends are equivalent in value under the terms of the Equalisation Agreement at the rate of exchange of Fl. 10.64 to £1 Sterling.

The combined trading profit on the Groups' operations *throughout the world before charging taxation on profits* was £53,933,152 (1950 £52,181,298) after charging reserve for replacement of fixed assets £5,115,037 (1950 £4,943,233). The combined consolidated net profit, after taxation of £31,209,664 (1950 £28,459,366) was £18,837,651 (1950 £19,226,875). The net profit for 1951 is after setting aside reserves against stock values amounting to £3,000,000 (1950 £2,629,699).

The results for the Groups separately were :—

	Consolidated Net Profit	*Profit of Parent Company*
Unilever Limited	£12,126,833 (£10,998,350)	£5,969,144 (£5,853,188)
Unilever N.V.	£6,710,818 (£8,228,525)	£3,657,385 (£3,799,776)

The Reports and Accounts of both Companies will be issued on 29th May, 1952.

21st May, 1952.

"Royal" Results - - -

The " Royal's " figures for 1951 show :—

Record total premiums of - - -	£46,520,858
Record Fire premiums - - - -	£20,023,505
Record Accident premiums - - -	£18,545,687
Record Marine premiums - - -	£4,080,410
Record New Life Sums Assured - -	£10,663,180
Underwriting Profits : (Fire, Accident, Marine) - - -	£2,023,823

The measure of an Insurance Company's successful trading is an index of its efficiency; a reflection of its strength and of its service to the public.

ROYAL INSURANCE COMPANY LIMITED

1 North John Street LIVERPOOL 2 — *Head Offices* — 24-28 Lombard Street LONDON, E.C.3

Company Notes

Imperial Chemical Industries.—Raw material shortages put a brake on ICI's production last year, but these shortages did not prevent the achievement of new records in output in almost all the company's manufacturing divisions. Output was severely restricted only in those plants using nonferrous metals and sulphur—and even here it was possible to convert some sulphuric acid plants to the use of other raw materials. Despite this peak production, demand in many cases still outstripped supply. The group's sales to customers increased by over 19 per cent, from £220.8 million to £262.8 million, but the increase in turnover both in volume and value was matched by an increase in costs. The cost of raw materials and outside services, reflecting higher prices as well as increased production, rose by 18 per cent, from £134.9 to £159.2 million, and wages and salaries by 17 per cent, from £47 to £55 million, though the labour force increased by only 5 per cent to 110,000 employees. As the increases in costs began to

Consolidated earnings :—	Years to Dec. 31, 1950 £	1951 £
Total sales	220,800,000	262,800,000
Exports f.o.b.	48,400,000	57,900,000
Trading profit	41,691,078	51,587,727
Total income	44,510,384	54,660,232
Depreciation	8,694,823	8,892,892
Taxation	12,455,692	16,557,129
Net profit	*18,562,765*	*23,500,372*
Ordinary dividends	3,860,581	4,133,092
Ordinary dividends (per cent)	12	13
Retained by subsidiaries	1,006,848	2,293,217
Fixed assets replacement reserve	5,000,000	5,000,000
Stock replacement reserve	4,000,000	7,000,000
Added to carry forward	96,339	420,600
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	196,439,243	216,680,427
Net current assets	55,731,219	57,034,107
Stocks	59,935,802	84,375,741
Cash	8,797,660	5,860,472
Bank overdrafts	5,822,811	14,988,848
Reserves	152,300,425	166,897,008
Ordinary capital	60,558,139	60,558,139

£1 ordinary stock at 41s. 10½d. yields £6 4s. per cent.

catch up with the expansion of sales, the rate of growth in profits began to slow down; last year group trading profits increased by nearly 24 per cent, from £41.7 to £51.6 million, but this compares with an increase of nearly 65 per cent in 1950.

Last year's inflation also brought in its wake the familar problem of financing increased production at inflated prices. In 1951 there was a staggering increase in the book value of stocks, from £59.9 million to nearly £84.4 million, and in debtors, from just under £35.8 million to £42.2 million; such a growth in the value of working capital imposed an alarming drain on liquid resources, so that while cash balances fell, from £8.8 million to just over £5.8 million, bank overdrafts increased from £5.8 million to nearly £15 million. The £20 million odd raised by the new ordinary share issue may not bring any notable relief, for at the end of last year the group was already committed to spend £25.7 million on capital projects as the first step towards the completion of its £78 million capital programme. ICI is having to push ahead with this programme at a time when costs continue to rise—about £2 million has already, for example, been added to its annual wage bill by the latest wage agreement—and when demand in overseas markets may taper off owing to the growth of competition, particularly from German industry.

*

Dunlop Rubber.—The detail of Dunlop's full report that should immediately catch the shareholder's eye is the marked difference between the growth in profits and that in turnover. The group's net balance from trading rose by only £300,000 to nearly £17.9 million last year; yet aggregate sales (including certain inter-group transactions) increased by £87 million to £284 million. The drag on profits appears to be all the more startling because the increase in turnover was due to a "significant increase" in the volume of business, as well as to the higher prices ruling throughout the year. The ratio of profit to turnover before tax fell from 9.2 to 6.5 per cent and after tax from 3.4 to 2.2 per cent. Such a fall must stem in part from a deliberate decision by the company to accept a lower margin of profit in the face of the steep rise in costs, particularly of raw materials. About one-half of the group's profits came from the company's overseas and export activities last year, and at the moment this proportion is almost certainly higher. The formidable obstacles that stand in the way of profit remittances from overseas subsidiaries to the parent company are reflected in some degree in the decline in dividends and revenue received from subsidiaries, from £2,617,214 to £1,977,656, and in the increase in retentions by subsidiaries, from £1,259,760 to £1,732,295.

Consolidated earnings :—	Years to Dec. 31, 1950 £	1951 £
Sales	197,000,000	284,000,000
Trading profit	17,580,500	17,869,124
Depreciation	3,754,947	3,969,596
Fixed assets replacement	...	470,000
Taxation	8,691,890	8,915,898
Net profit	*5,062,863*	*4,607,413*
Ordinary dividends	1,180,958	1,180,958
Ordinary dividends (per cent)	17½	17½
Retained by subsidiaries	1,259,760	1,732,295
Revenue reserves	1,915,000	960,000
Added to carry forward	19,397	1,879
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	24,183,714	25,370,650
Net current assets	40,025,778	43,829,608
Stocks	40,015,731	61,246,077
Cash	11,843,126	8,740,950
Bank loans	2,284,512	6,786,460
Reserves	28,617,789	32,238,586
Ordinary capital	12,853,969	12,853,969

£1 ordinary stock at 51s. 3d.xd yields £6 17s. per cent.

The increase in the group's inventories, from £40,015,731 to £61,246,077, bears testimony to the expansion of Dunlop's business last year; this increase has been due more to a rise in physical volume than to the rise in prices. To finance this heavy investment in working capital the group had further recourse—in keeping with its declared policy—to temporary borrowings; bank overdrafts were increased from £2,284,512 to £6,786,460 and bills from £4,569,820 to £13,565,631, while cash balances were drawn down by about £3 million to £8.7 million. Dunlop has tackled the allied problem of replacing fixed assets by transferring £2,960,000 from general reserves to a special replacement reserve, and by the appropriation of £470,000 from profits to this reserve. The directors draw attention to the link between taxation and replacement by showing a "net profit available for disposal" after providing for depreciation, replacement and taxation. It is the decline in this surplus, from £5,062,863 to £4,607,413, that shareholders must keep in mind in assessing dividend prospects; it may decline even further—if only because of the incidence of EPL—in 1952. A maintained dividend of 17½ per cent this year would mean an even lower rate of return on the capital employed in the business than the rate of 5 per cent earned last year; shareholders may draw what comfort they can from the fact that this rate has not been allowed to fall below 4.5 per cent in the past five years—but then it has not risen above 5.6 per cent.

*

Unilever.—As with Dunlop and ICI, the rate of expansion in Unilever's profits slowed down last year. The combined trading profit of the Unilever and Unilever N.V. diarchy, after charging an unspecified amount for depreciation and directors' emoluments and after appropriating £5,115,037 (against £4,943,233) to a reserve for the replacement of fixed assets, rose by only about 3½ per cent, from £52,181,298 to £53,933,152. This very slight increase compares with the 64 per cent increase achieved in 1950, when profits rose from £31.9 million to nearly £52.2 million. In these circumstances dividends have merely been maintained, at 13½ per cent for Unilever Ltd. (a dividend for which the recently issued ordinary shares do not rank) and at 12 per cent for Unilever N.V.

The group provided £31,209,664 (against £28,459,366) for taxation, so that net profits have declined from £19,226,875 to £18,837,651; within these totals the consolidated net profit of Unilever Ltd. showed an increase, from £10,998,350 to £12,126,833, but that of Unilever N.V declined, from £8,228,525 to £6,710,818 Net profits have been struck after setting aside £3 million (against £2,629,699) in stock reserves; this appropriation, together with that made for the replacement of fixed assets is a commentary in itself on the distorting influence of last year's inflation on profits and on the balance sheet values of fixed and working capital. It is clear that the directors of the group have given priority to reinforcing the capital employed in the business This is likely to remain their major concern in the current year, and shareholders would therefore be unwise to look beyond the maintenance of a dividend of 13½ per cent on the ordinary capital of £17,117,510 as increased by the recent issue of 3,423,502 new £1 shares at 30s. each. The yield on Unilever's £1 ordinary shares, at the current price of 44s. 3d., is 6.1 per cent.

*

Shell and Royal Dutch.—The season of oil dividends has been sent off to a good start by the announcement that the Shell dividend for 1951 has been raised from 12½ to 15 per cent, tax free, while that of Royal Dutch has been raised from 12 to 13 per cent In addition, the directors of Royal Dutch intend to supplement the cash distribution by a stock dividend of 2 per cent. The 10,902,939 new shares that Shell recently announced it is to create by a bonus issue (by a capitalisation of part of the share premium account) do not rank for the latest payment, but, even though the increase of 2½ per cent on the dividend is described as a "bonus," it seems reasonable to believe that the 15 per cent tax-free dividend will be paid on the revised capital of £54,514,696 next year. The intention of Shell's directors appears to be to bring equity dividends up to the level prevailing before the war, so long as dividend increases do not conflict with the reinvestment of a substantial proportion of earnings in the expanding business of the operating companies.

The latest increases in dividends were made possible by the remarkable expansion in profits last year. In 1951 the net income of the Shell-Royal Dutch group rose from £50,994,529 to £66,216,204. These profits are struck after deducting miscellaneous and exploration charges, taxation and depreciation; the latter provision has been supplemented by an additional appropriation of £22,053,608 (against £7,059,696) by certain companies in the group towards the replacement of assets. Out of this net income, dividends of £19,057,327 (against £16,283,382 in 1950) have been paid or will be paid to the two parent companies, Shell Transport and Royal Dutch; somewhat cryptically the preliminary announcement adds that "the balance has been retained in the business." As a result of these dividends Shell's own net revenue has increased by £960,652 (to £7,399,129). Its own dividend distribution however, has increased by rather more than £1 million, so that the appropriation of £500,000—as in 1950—to a general reserve has meant a small draft on the carry forward

he latter has been reduced from £2,748,027 o £2,683,309. At the current price of 44s. 4½d. Shell's £1 ordinary stock units ield just over 6 per cent; the Royal Dutch £1. 100 stock units, ignoring the proposed apital distribution, yield 4.4 per cent at a rice of 28.

*

British Insulated Callender's.—Although he British Insulated group was able to increase its volume of production by about 5 per cent last year, it found it impossible to keep pace with the demands for its products. Shortages of steel held up production in the power cables division, while the rationing of copper forced the company to make use of substitute metals in its wire mills; in the engineering division, the greatest drag on production was the shortage of skilled engineering labour. There was no sign of a contracting overseas market for the company's products last year but the shortages of steel and copper led to a slight fall in the group's direct exports (valued at just under £17 million). This fall seems to have been largely due to the group's defence orders.

The year's increases in production and prices are reflected in the advance in trading profits, from £6,130,642 to £7,966,464—but they are also reflected in an evident strain on liquid resources. Higher prices and increased production have led to a rise in the book value of stocks and work in progress from £16,222,960 to £22,269,037 and in debtors from £16,070,488 to £18,488,543, so that a cash balance of £1,516,778 has been turned into a bank overdraft of £1,997,377. The £3,340,000 raised by the recent successful issue of ordinary shares should help to relieve this strain. Inflation distorts the book value of fixed as well as of current assets and the chairman, Sir Alexander Roger, informs shareholders that the fixed assets owned by the parent company, which have a net book value of £4.8 million, would cost over £20 million to replace.

Towards the end of last year the shortage of materials became less acute. The volume of production in the last quarter of the year was 15 per cent higher than in the same quarter in 1950, while sales in the first quarter of the current year, following "the receipt of certain badly wanted materials towards the end of 1951," showed a marked improvement over those achieved in the first quarter of 1951. Although the reinforcement of the group's reserves remains an essential feature of the directors' policy, the directors feel that the "distribution for any year can now be determined more and more in relationship to the profit earned for the year in question." This encouraging statement on dividend policy suggests that a dividend of 9 per cent on the increased capital is the least that equity shareholders can expect this year if profits are well maintained—as, on present evidence, they should be. At the current price of 30s. the £1 ordinary shares yield 6 per cent.

*

United Molasses.—The record rise in United Molasses's profits in 1951, from £3.6 million to £8 million, was due to the high freight rates that then prevailed and to the strong demand for molasses that was maintained right up to the last quarter of the year. Since then demand has fallen sharply, as the abnormally high price of molasses has encouraged distillers to make use of such substitute materials as synthetic alcohol. In the chairman's opinion there is only one effective answer to this threat; it is to reduce the price of molasses substantially—but as yet the producers who control the bulk of the world's exportable surplus do not seem to share his opinion. As a result, in Sir Michael Kielberg's words, trade has swung in the last eighteen months from a state of "acute shortage to a state of abundance and rapidly growing stocks." The company itself has therefore experienced a sharp fall in its own deliveries to distillers in recent months, while its stocks of molasses have continued to mount. Fortunately, Sir Michael assures shareholders that the stocks of molasses held at the end of the year, with a book value of £3,061,401 (against £1,542,666), were "valued at prices so low that they should effectually cushion the impact of even a very steep decline later in the year."

In these circumstances and in view of the recent decline in shipping freight rates, it is not surprising that the group has experienced a serious fall in turnover since the beginning of the year. Nevertheless, profits earned in

Consolidated earnings :—	Years to Dec. 31, 1950 £	1951 £
Trading profit	3,592,941	8,041,195
Total income	3,855,090	8,245,085
Depreciation	1,203,358	1,577,128
Taxation	1,382,256	4,086,628
Net Profit	*1,173,052*	*2,452,650*
Ordinary dividends	459,308	610,781
Ordinary dividends (per cent)*	14·60	19·84
General reserve	205,000	1,010,000
Added to group carry forward	414,994	739,525
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	7,864,326	8,171,631
Net current assets	5,437,151	9,300,673
Stocks	2,112,432	3,768,219
Cash, etc.	4,436,807	8,073,293
Reserves	10,514,745	9,137,113
Ordinary capital	1,954,500	5,863,500

* Equivalent gross rates on ordinary capital of £5,863,500

10s. ordinary stock at 30s. 3d.xd yields £6 11s. per cent.

the first three months of the current year still exceed profits earned in the same period of 1951, and Sir Michael is confident that earnings in 1952 will prove to be entirely satisfactory, compared with any year's profits except those in 1951. The group, therefore, still intends to add to its fleet; four tankers and four cargo vessels, which together will cost about £6 million, are now on order. The end of the profit boom may not necessarily mean the end of the increases in equity distribution, but ordinary shareholders must bear in mind that the company will have an unfavourable EPL standard.

J. and P. Coats.—There is a sting in the tail of the preliminary statement made by J. and P. Coats for the year to December 31st last. The directors add the unpleasant rider that substantial falls in raw material prices since the turn of the year may "necessitate an appreciable writing down in the 1952 accounts." The serious call that this could make on profits can be gauged by the fall of between a quarter and a third in the price of long stapled Egyptian cottons since the end of 1951. It is in Egyptian cottons that Coats, as thread manufacturers, are particularly interested. The recession in the textile trade has been too recent to find full reflection in the 1951 accounts, where profits before tax are shown to have fallen only slightly, from £12,779,717 to £12,033,180. The significance of this change has, however, been somewhat obscured by the fact that profits have been struck after certain unspecified charges; in addition, 1950 profits were inflated by windfall exchange gains of £2.8 million. The directors have lived up to their reputation for conservatism in dividend distribution by again maintaining the ordinary dividend at 12½ per cent; there is more justification for such caution now than perhaps existed in previous years, for net profits have fallen, from £9,217,376 to £6,529,820.

The parent company was apparently able to speed up the flow of remittances from overseas subsidiaries last year. Retentions by subsidiaries fell from £6,394,488 to £1,871,762; this incidentally, has led to a further charge for British taxation. The strengthening of the parent company's already large reserves that has followed from this greater flow of remittances from abroad is clearly welcome in these anxious times for the textile industry. Nevertheless the yield of 5.9 per cent on the £1 ordinary shares at the current price of 42s. 6d. may not fully reflect the difficulties in store.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 14, 1952	Price, May 21, 1952	Net Yield, May 21, 1952	Gross Yield, May 21, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	99⅛	99⅛	... *e*	... *e*
Mar. 1, 1951-53			1 9 0	2 19 9*f*
War Bonds 2½%	98⅛	98⅛	... *e*	... *e*
Mar. 1, 1952-54			2 1 5	3 8 5*f*
Exchequer Stk. 2½%	97⅝	97⅝	2 1 10	3 5 9
Feb. 15, 1955				
Serial Funding 1½%	99½	99⅛	1 17 1	2 14 6
Nov. 14, 1952				
Serial Funding 1½%	98⅛	98⅛	1 17 10	2 14 10
Nov. 14, 1953				
Serial Funding	97⅛	96⅛	2 4 9	3 1 10
Nov. 14, 1954				
War Bonds 2½%	97⅞	96⅛	2 13 6	4 0 9*e*
Aug. 15, 1954-56			2 0 10	3 6 7*f*
Funding 2½%	97⅛*	97⅛*	...	... *e*
June 15, 1952-57			1 18 10	3 5 0*f*
Nat. Defence 3%	99½	98⅛	2 10 1	4 3 11*e*
July 15, 1954-58			1 18 2	3 8 10*f*
War Loan 3%	98½	97⅛	2 6 4	3 16 2*e*
Oct. 15, 1955-59			1 18 6	3 7 10*f*
Savings Bonds 3%	91⅛	90⅛	4 16 11	6 9 11*e*
Aug. 15, 1955-65			2 8 8	3 19 8*f*
Funding 2½%	92½	90⅛	3 18 8	5 4 6*e*
April 15, 1956-61			2 9 11	3 15 6*f*
Funding 3%	85½	84⅛	4 4 4	5 16 3*e*
April 15, 1959-69			2 14 9	4 6 7*f*
Funding 3%	86⅛	85⅛	2 16 11	4 9 1*e*
Aug. 1, 1966-68			2 14 1	4 6 3*f*
Funding 4%	96⅞	96	2 13 7	4 12 10*e*
May 1, 1960-90			2 5 3	4 4 6*f*
Savings Bonds 3%	84⅛	83⅞	3 18 6	5 11 2*e*
Sept. 1, 1966-70			2 14 6	4 6 10*f*
Savings Bonds 2½%	83⅛	82¼	3 2 3	4 8 11*e*
May 1, 1964-67			2 15 7	4 2 3*f*
Victory Bonds 4%	99	98⅛	2 5 3	4 4 5*s*
Sept. 1, 1920-76				
Savings Bonds 3%	82⅛	81⅞	3 6 4	4 19 5*e*
Aug. 15, 1965-75			2 13 0	4 5 11*f*
Consols 4%	88⅛	87	2 8 8	4 13 3*f*
Conversion 3½%	78⅞	76⅛	2 8 0	4 11 8*f*
Treasury Stk. 2½%	58	56⅛	2 6 5	4 8 8*f*
(after Apr. 1, 1975)				
Treasury Stk. 3%	68	66⅛	2 7 6	4 10 9*f*
(after Apr. 5, 1966)				
Treasury Stk. 3½%	87⅛*	86⅛*	2 11 7	4 7 11*e*
June 15, 1977-80			2 10 4	4 6 9*f*
Redemp. Stk. 3%	77⅛	76	2 13 1	4 7 8*e*
Oct., 1986-96			2 9 7	4 6 6*f*
War Loan 3½%	77⅞*	75⅞*	2 8 6	4 12 4*f*
Consols 2½%	59⅛	58	2 5 5	4 6 8*f*
Brit. Elect. 3% Gtd.	83	82⅛	3 0 2	4 12 7*e*
April 1, 1968-73			2 14 2	4 6 8*f*
Brit. Elect. 3% Gtd.	82	81⅛	2 14 10	4 7 8*e*
Mar. 15, 1974-77			2 12 6	4 5 6*f*
Brit. Elect. 4½% Gtd.	98⅛	98⅛	2 6 8	4 7 4*e*
Sept. 26, 1974-79			2 6 5	4 7 1*f*
Brit. Elect. 3½% Gtd.	88	87⅛	2 10 10	4 7 2*e*
Nov. 15, 1976-79			2 9 8	4 6 0*f*
Brit. Tpt. 3% Gtd.	77⅛	76⅛	2 18 4	4 13 3*e*
July 1, 1978-88			2 12 6	4 7 7*f*
Brit. Tpt. 3% Gtd.	82⅛	82	2 12 5	4 7 3*e*
April 1, 1968-73			2 10 9	4 5 9*f*
Brit. Gas Gtd. 3%	76⅛	75	2 12 8	4 7 3*e*
May 1, 1990-95			2 10 9	4 5 9*f*
Brit. Gas Gtd. 3½%	90⅛	89⅛	2 12 8	4 8 11*e*
Sept. 10, 1969-71			2 11 3	4 7 6*f*
Brit. Iron & Steel	87⅛	87	2 10 9	4 7 10*e*
3½%, 1979-81			2 10 0	4 7 1*f*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, May 14, 1952	Price, May 21, 1952	Yield, May 21, 1952
%	%					£ s. d.
20	*a*	40	*b* Anglo-Am. 10/-	6⅞	6⅞	4 17 0
5	*a*	25	*l* Anglo-Iran £1	5⅝	5⅝	5 6 8
7½	*a*	12½	*b* Assoc. Elec. £1	71/6	70/6	5 13 6
7½	*a*	20	*l* Assoc. P. Cem. £1	98/9	98/9	5 11 5
15	*a*	†17½	*b* Bass £1	125/-	125/-	6 17 0
40	*c*	10	*a* Boots 5/-	19/6	19/3	5 3 11*d*
9	*c*	7	*a* Br. Celanese 10/-	23/-	23/-	3 28 3
...		...	Br. Motor Cp. 5/-	28/3	28/9	...
8	*a*	12	*l* Br. Oxygen £1	74/-	73/6	5 8 10
5	*a*	7½	*b* Coats £1	45/-	42/6	5 17 8
6½	*b*	5	*a* Courtaulds £1	35/-	33/6	6 14 4
22½	*c*	17½	*a* Distillers 4/-	17/10½	17/3	5 4 4
17½	*c*	17½	*c* Dunlop £1	52/6*	51/3*	6 16 7
12½	*c*	15	*a* Ford £1	46/6	46/6	6 9 0
22½	*c*	7½	*a* Gen. Elect. £1	78/6	78/6	5 14 3
11	*a*	17	*b* Guinness £1	59/4½	59/4½	5 13 0
4½	*a*	5½	*b* Hawker Sid. £1	34/6	34/3	5 16 9
3	*a*	10	*b* Imp. Chem. £1	40/7½	41/10½	6 4 2
13½	*a*	18½	*b* Imp. Tobacco £1	82/6	82/6	7 15 2
5	*a*	10	*b* Lancs. Cotton £1	33/9	33/1½	9 1 2
7½	*a*	10	*b* Lon. Brick £1	58/9	57/6	6 1 9
15	*a*	65	*b* Marks & Sp. A 5/-	76/3	76/9	5 4 3
8	*a*	10	3*b* P. & O. Def. £1	47/6	46/-	6 19 2*g*
17½	*b*	7½	*a* P. Johnson 10/-	36/-	34/-	7 7 1
15	*a*	†10	*l* "Shell" Stk. £1	96/3	94/4½	6 1 2
12½	*b*	13⅓	*a* Tube Invst. £1	51/10½*	51/10½*	4 16 5*h*
5	*a*	15	*b* T. & Newall £1	85/7½	85/-	4 14 1
5	*a*	8½	*b* Unilever £1	45/-	44/3	6 2 0
10	*e*	12½	*c* Union Castle £1	42/6*	42/6*	5 17 8
50	*c*	50	*c* U. Sua Betong £1	37/6	36/3	27 11 9
2½	*a*	10	*b* Vickers £1	42/-	42/-	5 19 1
15	*a*	27½	*b* Woolworth 5/-	40/6	40/6	5 4 11

(*a*) Interim. (*b*) Final. (*c*) Div. whole year. (*d*) Yield basis 20% after capital bonus. (*f*) Yield basis 16⅔%. (*g*) Yield basis 10%. (*h*) Yield basis 12½%. * Ex dividend. † Price of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 17, 1952, total ordinary revenue was £68,461,000, against ordinary expenditure of £77,405,000 and issues to sinking funds £250,000. Thus, including sinking fund allocations of £3,541,000 the deficit accrued since April 1, 1952, was £60,077,000 compared with a surplus of £32,320,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1951 to May 19, 1951	April 1, 1952 to May 17, 1952	Week ended May 19, 1951	Week ended May 17, 1952
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
ORD. REVENUE					
Income Tax	1804225	124.163	157,263	8,932	14,814
Sur-tax	123,000	15,500	14,000	1,300	1,800
Estate, etc., Duties	175,000	27,600	20,000	4,200	3,300
Stamps	57,500	8,600	7,100	1,100	1,100
Profits Tax & EPT	452,000	34,400	35,600	3,300	5,000
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	470	340	70	50
Total Inland Rev.	2618725	210,733	234.305	18,902	26.054
Customs	1043500	130.251	135.861	15,122	21,498
Excise	772,000	121,200	109,984	12,200	17,770
Total Customs and Excise	1815500	251,451	245,845	27,322	39,268
Motor Duties	64,150	5,439	5,709	...	187
Surpl's from Tradg.	12,000	...	...	...	...
P.O. (Net Receipts)	...	7,700	2,900	1,800	2,700
Broadcast Licences	15,000	1,000	1,000	...	...
Sundry Loans	26,000	2,267	2,083	...	148
Miscell. (incl. Surplus War Stores)	110,000	7,811	10,817	32	94
Total Ord. Rev.	4661375	486,401	502,659	48,056	68,461
SELF-BALANCING					
Post Office	209,235	19,700	24,900	2,200	2,800
Income Tax on E.P.T. Refunds	4,900	784	830	147	126
Total	4875510	506,885	528.389	50,403	71,387
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	75,008	89,500	1,625	11,205
Payments to N. Ireland	40,000	3,844	4,081	\..	...
Other Cons. Funds	10,000	748	628	6	...
Total	625,000	79,600	94,209	1,631	11,205
Supply Services	3605562	372,940	464,986	58,200	66,200
Total Ord. Expd.	4230562	452,540	559,195	59,831	77,405
Sinking Funds	...	1,550	3,541	200	250
Total (excl. Self-Bal. Expd.)	4230562	454,090	562,736	60,031	77,655
SELF-BALANCING					
Post Office	209,235	19,700	24,900	2,200	2,800
Income Tax on E.P.T. Refunds	4,900	784	830	147	126
Total	4444697	474,574	588.466	62,378	80,581

After increasing Exchequer balances by £91,758 to £3,339,431 the other operations for the week increased the National Debt by £23,927,916 to £25,675 million.

NET RECEIPTS (£ thousand)

Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
EPT Refunds	155
Export Guarantees Act, 1949, s. 3(2)	5
Local Authorities Loans Act, 1945, s. 3(2)	8,900
Cotton (Centralised Buying) Act, 1947, s. 21	500
Miscell. Financial Provs. Act, 1946, s. 2(1):—	
War Damage: Board of Trade	1,000
War Damage Commission	3,000
Finance Acts, 1946 and 1947: Postwar Credits	333
	14,643

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	38,083	Nat. Savings Certs.	900
Tax Reserve Certs.	531	2½% Def. Bonds	550
Other Debt:—		3% Def. Bonds	1,523
Internal	3,163	Ways and Means Advances	14,875
	41,777		17,848

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
May 19	3230·0	2035·1	436·4	..	319·5	6021·0
1952						
Feb. 20	2160·0	2006·9	327·2	...	15·0	4509·1
Mar. 5	2190·0	1994·8	322·5	...	...	4507·3
,, 12	2220·0	1986·4	310·5	...	...	4516·9
,, 19	2250·0	1980·5	334·3	3·2	...	4568·0
,, 26	2280·0	1941·9	359·7	...	...	4581·6
,, 31	4273·1		337·9	...	...	4611·0
Apr. 2	2380·0	1919·6	332·5	...	...	4632·1
,, 12	2440·0	1600·9	305·3	1·0	...	4347·2
,, 16	2500·0	1579·8	320·7	...	...	4400·5
,, 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7
,, 10	2590·0	1521·3	317·6	0·2	...	4429·1
,, 17	2650·0	1499·4	302·9	...	...	4452·3

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951					
May 18	260·0	350·9	260·0	19 2·80	63
1952					
Feb. 15	190·0	264·2	190·0	19 6·76	59
,, 22	200·0	271·1	200·0	19 10·55	58
,, 29	200·0	249·5	200·0	20 6·78	67
Mar. 7	200·0	239·2	200·0	20 7·09	75
,, 14	200·0	250·4	200·0	46 3·64	69
,, 21	200·0	251·9	200·0	46 3·39	68
,, 28	210·0	240·2	210·0	47 3·61	81
Apr. 4	220·0	302·1	210·0	47 3·96	58
,, 10	210·0	297·2	210·0	47 0·14	62
,, 18	200·0	316·6	200·0	47 3·27	45
,, 25	200·0	296·3	200·0	46 4·20	63
May 2	200·0	326·8	200·0	46 11·03	35
,, 9	230·0	300·5	230·0	47 4·11	68
,, 16	230·0	295·0	230·0	47 8·01	70

On May 16th applications for 91 day bills to be paid from May 19 to May 24, 1952, were accepted dated Monday to Saturday as to about 70 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £220 million were offered on May 23rd. For the week ended May 24th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 6 Weeks ended: May 12, 1951	Totals 6 Weeks ended: May 10, 1952	Week ended May 10, 1952
Savings Certificates:—			
Receipts	26,600	13,900	2,750
Repayments	18,000	17,500	2,500
Net Savings	8,600	*Dr3,600*	250
Defence Bonds:—			
Receipts	6,044	5,025	790
Repayments	6,445	8,865	1,870
Net Savings	*Dr 401*	*Dr3,840*	*Dr1,080*
P.O. and Trustee Savings Banks:—			
Receipts	85,054	86,656	16,605
Repayments	95,194	88,830	16,198
Net Savings	*Dr10,140*	*Dr2,174*	407
Total Net Savings	*Dr 1941*	*Dr9,614*	*Dr 423*
Interest on certificates repaid	4,320	4,725	675
Interest accrued	14,617	14,767	2,466
Change in total invested	+ 8,356	+ 428	+ 1,368

BANK OF ENGLAND RETURNS

MAY 21, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1405,922,952	Other Govt. Securities	1435,712,948
In Banking Department	44,433,871	Other Secs.	758,252
		Coin (other than gold)	2,513,709
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	295,046,433
Rest	*3,349,265*	Other Secs.:—	41,790,386
Public Deps.:—	11,342,734	*Discounts and*	
*Public Accts.**	*10,826,154*	*Advances*	*17,300,389*
H.M. Treas. Special Acct.	*516,580*	*Securities*	*24,489,997*
Other Deps.:—	353,522,064		
Bankers	*281,658,560*	Notes	44,433,871
Other Accts.	*71,863,504*	Coin	1,495,376
	382,766,063		382,766,063

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 May 23	1952 May 7	1952 May 14	1952 May 21
Issue Dept.:—				
Notes in circulation	1332·3	1409·4	1409·2	1405·9
Notes in banking department	18·1	40·9	41·2	44·3
Government debt and securities*	1345·8	1446·8	1446·7	1446·7
Other securities	0·6	0·7	0·7	0·8
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	13·5	10·1	11·7	10·8
Treasury Special Account	9·1	0·5	0·5	0·5
Bankers	306·3	266·4	269·8	281·7
Others	82·3	73·0	71·3	71·9
Total	411·2	350·0	353·3	364·9
Securities:—				
Government	380·0	273·4	286·3	295·0
Discounts, etc.	7·5	14·1	15·8	17·3
Other	23·1	38·0	26·4	24·5
Total	410·6	325·5	328·5	336·8
Banking dept. res.	18·6	42·4	42·7	45·5
	%	%	%	%
"Proportion"	4·5	12·1	12·0	12·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927 = 100)

	May 15, 1951	May 6, 1952	May 20, 1952
Cereals and meat	165·0	183·2	182·4
Other foods	178·9	192·7	193·2
Textiles	332·7	226·9	228·0
Minerals	337·9	381·5	377·5
Miscellaneous	192·1	191·8	190·3
Complete Index	**226·8**	**223·5**	**222·7**
1913 = 100	*312·1*	*307·4*	*306·4*

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 15	75·0	85·00	Market 163 14	Closed 92 8
,, 16	74·0	84·00	163 14	92 8
,, 17	Markets	Closed	160 7	91 7
,, 19	73·5	84·00	163 0	92 12
,, 20	73·5	84·00	162 0	91 12
,, 21	73·5	84·00	158 14	90 14

COMPANY MEETINGS

THE UNION BANK OF SCOTLAND, LIMITED

SATISFACTORY RESULTS OF A DIFFICULT YEAR

INFLATION: NECESSITY FOR HIGHER PRODUCTIVITY

LORD BILSLAND'S REVIEW

The annual meeting of shareholders of the Union Bank of Scotland, Limited, was held on May 21st, The Right Honourable Lord Bilsland, MC, DL, LLd, chairman of the board, in the chair.

The chairman, in submitting the directors' report, said:

I have pleasure in submitting the report and accounts for the year ended April 2, 1952, which, with your permission, I propose to hold as read.

During the year, the Earl of Selkirk, who had been a member of the board since 1938, intimated his resignation on taking up an appointment in the Government, and this was accepted by the directors with regret.

In December last, the directors had pleasure in appointing Sir Kenneth B. Harper to be a member of the London local board.

BALANCE SHEET ITEMS

The balance sheet which we present today shows a total of £87,500,000 which compares with £93,980,000 last year, a decrease of £6,480,000. This is due to a decrease of £6,814,000 in deposits which on April 2nd amounted to £71,070,000 compared with £77,884,000 last year. During the first nine months of the year under review, our deposits were at a much higher level but in the last quarter of the financial year there was a marked decline. Notes in circulation at £7,678,000 are £64,000 lower, while acceptances and guarantees at £5,049,000 show an increase of £395,000.

On the assets side of the balance sheet, cash, money at call and short notice, and Treasury bills amount to £22,500,000, which represents 28 per cent of the bank's liability in respect of deposits and notes in circulation. From 1940 onwards, this country's floating debt was financed to a large extent by the issue of Treasury deposit receipts to the joint stock banks, but this issue, which reached its peak figure of £2,225 million in 1945, was liquidated entirely at the end of February last. The Chancellor of the Exchequer announced however, that while direct calls by the Treasury on the banks were to be suspended meantime, it was not intended that the system should lapse entirely, and that it might be brought into operation again should the need arise.

INVESTMENTS

British Government securities at £29,062,000 are £9,597,000 lower than last year on account of the fall in deposits and the increase in advances to which I shall refer. We are glad to report that, despite the sharp and continuous fall in the prices of gilt-edged securities and the further marked fall, after the intimation of the rise in the bank rate to 4 per cent just before the date of our annual balance, the market value of our investments is, in the aggregate, in excess of the amount at which they stand in the balance sheet. Our contingency reserves were adequate to meet the full extent of depreciation, and as our Government Securities are predominantly those having short or medium maturity dates, a large proportion of the existing depreciation will be recovered automatically as the maturity dates arrive.

The present economic state of the country makes it necessary that banking accommodation should be confined to providing finance for strictly productive purposes and that facilities should not be made available for speculative buying of securities or commodities. Although these considerations are kept carefully and continually in view, the high level of prices and the heavy burden of taxation have made a substantial increase in advances inevitable, and our loans and advances at £27,694,000 are £6,815,000 higher than last year.

PROFIT AND ALLOCATIONS

Costs of administration and the incidence of taxation continue to be heavy, and the profit for the year of £237,500 is about £8,000 lower than last year. A sum of £80,000 has been set aside as a reserve for contingencies, and the usual allocation of £40,000 has been made in respect of our liability for pensions and allowances. After giving effect to these allocations and providing for the dividend of 18 per cent recommended by the Board, the carry forward amounts to £188,800, an increase of £4,200 over last year's figure.

NATION'S GOLD AND DOLLAR RESERVES

"A violent and disastrous change took place, during 1951, in the overseas balance of payments of the United Kingdom—in these words the "Economic Survey for 1952," published last month, describes the crisis which broke upon us in the third quarter of last year, and seriously threatened, and continues to threaten, our national solvency. The measure of the effect of the change in our economy is shown in the catastrophic decline in our gold and dollar reserves from $3,867 million at the end of the second quarter of 1951, to $1,700 million in the first quarter of 1952.

It is a platitude, but also a stern fact not sufficiently realised in this country, that the state of our reserves—the foundation on which rests our economy and that of the sterling area—is a reflection of our success —or failure—in earning our living in the world and of the confidence—or lack of it—of the rest of the world in this country. At the end of last year we were losing our reserves at a rate which, had it continued unchecked, would soon have extinguished them. Severe unemployment, and a greatly reduced standard of living began to face us as a stark and immediate possibility. Happily in recent weeks a measure of improvement has occurred in the position—an improvement that derives more from a revival of confidence in sterling than from the action taken to restore the position which has not yet had time to have other than a minor effect. The crisis continues. The better trend of recent weeks merely puts it in suspense.

CAUSE OF DETERIORATION

The deterioration in our position in 1951 was due mainly to a large increase in the cost of total imports and to a serious loss of invisible earnings. Imports increased by 16 per cent in volume, mainly to effect the partial replacement of commercial and strategic stocks, seriously depleted in the previous year, but the cost increased by over £1,100 million, or 47 per cent, compared with the previous year. Invisible earnings fell from an annual rate of £486 million in the first half of 1951, to only £50 million in the second half of that year. Although the value of exports increased from £2,225 million in 1950 to £2,708 million in 1951, volume was only 3 per cent higher in comparison with an increase of 16 per cent in 1950 over 1949. In the result the United Kingdom had an adverse balance of payments with the rest of the world including the sterling area of £521 million compared with a surplus of £244 million in 1950. But even this serious position was not the full measure of our difficulties, for other sterling area countries, notably Australia, incurred very large deficits in their own balance of payments with countries outside the sterling area, with an ultimate effect on our dollar reserves. In the last six months of 1951, the dollar deficit of the whole sterling area, including the United Kingdom, reached the stupendous total of $1,578 million. In a year which witnessed such a sharp reversal of circumstances for ourselves and others in the sterling area it is gratifying to record that the British Colonies remained the one entirely solvent group of countries outside the dollar area.

The steps that are being taken in the United Kingdom to restore our position include a reduction of £600 million in overseas expenditure this year, which will fall mainly on imports of food and on stockpiling of food, tobacco and raw materials. We must do without many unrationed foods and accept lower commercial and strategic stocks than are desirable. For a number of reasons invisible earnings are unlikely to rise this year above the low level of 1951. Therefore, it is essential that we make every effort to maintain our export trade and wherever possible increase it. In this we have a duty not only to ourselves but to the sterling area for which we act as bankers so that we may play our full part in the measures concerted with others to restore the equilibrium as a whole. The immediate objective of these measures is that the sterling area should attain a gold and dollar surplus in the second half of 1952 and proceed thereafter with the task of rebuilding reserves. Apart from the necessity of re-establishing our reserves at an adequate level it is essential for this country to earn a surplus to enable us to participate in the development and progress of the Commonwealth and to protect our overseas trade.

PROBLEM OF INFLATION

The restoration of a surplus in our balance of payments is a gigantic task, beset with many difficulties. In the first place it is vital that inflation be held in check. Therefore one cannot regard without serious concern the many claims for increased wages announced in recent months. Unless increased wages are linked with higher productivity, they inevitably result in higher costs, with a serious effect on export trade, and in a reduction in the standard of living of others and ultimately of all. Since the war we have enjoyed a standard of living considerably higher than we have been able to earn. Until a year ago this was made possible by the generous aid of the United States of America and Canada: during the past year it has been continued by drawing on our capital. The facts are clear and inescapable. (To buy half the food we require and much of the raw materials of industry, we must sell overseas what our customers will buy at prices they are willing to pay—or go hungry, and suffer severe

unemployment. We cannot escape from that reality. There is no one who does not share the desire for a higher standard of living, but the nation, like the individual, must earn the means to provide it. The fact that the duty of facing economic reality appears so often to be evaded for political expediency is a disquieting feature of modern democracy—irrespective of party. Clearly we are not earning the means to provide a higher standard as it is shown in the "Economic Survey for 1952" that output per man in 1951 was only 1 per cent greater than in the previous year. It is therefore to be hoped that the British Productivity Council shortly to be established will receive the full support of management and organised labour.

EXPORT DIFFICULTIES

The end of the sellers' market in export trade creates a new situation which emphasises the importance of the price, suitability and presentation of our exports, and calls for greater initiative and enterprise on the part of the exporter. In present circumstances the increase required in our volume of exports must depend mainly on the metal industries, and in supplying the world demand for capital goods, on account of the greatly reduced demand for consumer goods, and notably textiles. The measures taken by many countries in the Commonwealth and elsewhere to restrict imports have created a serious position for many exporters in the United Kingdom, and to this difficulty must be added that of increased competition in available markets from German and Japanese manufacturers. On the other hand it would appear that there is scope for considerable expansion of exports in selected manufactures to the United States of America—particularly in the West—and Canada where the expansion is mainly required. There is need, however, for a wider realisation in the United States of the importance of the dollar gap as an American problem. The recent increase in the number of applications by American industrial interests for the withdrawal of tariff concessions, negotiated in the past few years, has been sufficiently disturbing to cause Her Majesty's Government to make representations to the State Department in Washington. It is to be hoped that the action taken as a result of these representations may be effective. Finally, as regards export trade, it is to be hoped that every effort will continue to be made to regain our former position in the export of coal.

The rearmament programme launched early last year provided for a total expenditure of £4,700 million spread over three years—a necessary but enormous additional burden on our already over-strained economy. The expenditure in the first year estimated at £1,129 million fell short of the programme by £120 million. The expenditure estimated this year will rise to £1,462 million, representing over one-tenth of the gross national product. A year hence it is anticipated that 9 per cent of the working population will be in the Services or directly engaged on defence production. Those figures emphasise the load to be carried and the need to ensure the maximum effort to maintain a sound economy which is the first line of defence.

THE BUDGET

The Budget opened on March 11th was noteworthy in several respects. In his statement, the Chancellor announced that bank rate had been raised to 4 per cent, which reintroduced orthodox monetary measures in dealing with the situation, and signified the Government's resolve to restore confidence in sterling. The decision to reduce the food subsidies by £160 million, with equitable adjustments in family allowances and other social security payments, was clearly correct as a step in reducing the swollen commitments of the Exchequer, and in lessening the illusion of prosperity which many of our domestic policies have created. In several respects the Budget was more lenient than was expected, for example, in the removal of two million people altogether from the ambit of income tax—a policy of doubtful wisdom. But the treatment of industry and commerce, proposed in the terms of the Excess Profits Levy as announced in the Budget statement caused the most serious concern, as being indefensible in theory and most unfair in effect, selecting for differential treatment the mainsprings of enterprise and efficiency. In the debate in the House of Commons last night the Chancellor introduced amendments which must be studied before comment is made. I shall only add that any form of taxation which makes it impossible for industry to accumulate the means of re-equipment, and difficult to attract fresh capital, is contrary to the interests of the country as a whole.

In the wider aspect of economic policy it is not apparent that we are making much progress towards a long-term policy to remove the causes of the recurrent crises in the balance of payments in recent years. Hitherto efforts have been mainly devoted to the tactics of cutting down overseas expenditure and, by various methods, diverting or trying to divert a larger proportion of our output overseas. What is required is the development of a general long-term economic strategy, in which, of course, others must be concerned with us.

UNEMPLOYMENT FIGURES IN SCOTLAND

The recent course of unemployment figures in Scotland has not been reassuring, particularly as regards women. In the first half of 1951 there was a more than seasonal fall in total unemployment which brought the figures down from 70,300 in January to 42,300 in June, but in the second half of the year there was a rapid and apparently more than seasonal rise. By January this year the total was again over 70,000. Normally, February marks the beginning of the seasonal fall, but this year the figures rose instead, and have remained static around the 70,000 level. This is mainly a reflection of reduced activity in the textile and clothing and some consumer goods industries. Male unemployment rose slightly from 2.9 per cent in April last year to 3.1 per cent this year, but in the same period unemployment among women rose from 2.3 per cent to 4 per cent. The heavy industries are fully employed and the placing of orders for defence projects will create an additional demand for male labour.

TRIBUTE TO GENERAL MANAGER, BRANCH MANAGERS AND STAFF

It is my very pleasant duty to express to the general manager, all our officials, and the branch managers and staff in Scotland and London, our very sincere thanks for the very good service they have given to the bank throughout the year. I wish specially to express our appreciation to Mr John A. Morrison for his fine services as general manager.

I now beg to move that the report and accounts of the bank for the year ended April 2, 1952, be approved, and that a dividend of 18 per cent per annum be declared, payable, less income tax, in equal proportions on June 10th and December 10th next.

Mr John S. Abbott, JP, seconded, the motion which was approved.

The Right Hon. Lord Bilsland, of Kinrara, MC, DL, LLD, and Mr James B. Findlay, DL, were re-elected ordinary directors of the bank.

The retiring auditors, Sir Ian F. C. Bolton, Bt, OBE, CA, and Mr Francis G. More, CA, were re-appointed in terms of the Companies Act, 1948.

The thanks of the meeting were tendered to Lord Bilsland for his services in the chair.

EQUITABLE LIFE ASSURANCE SOCIETY

RECORD NEW BUSINESS

Sir William Elderton, the President, was in the chair at the 190th annual general meeting of the Equitable Life Assurance Society held at 19 Coleman Street, London, E.C.2. The following are extracts from his speech:—

The directors have found it possible to declare bonuses on major-profit assurances as at January 1st last, only three years after the last distribution; the bonuses are at rates considerably higher than those declared three years ago and only slightly below the best of the rates paid between the wars.

The total of new assurances at over £4½ million is the largest figure in our history, and in addition we granted deferred and contingent annuities of £482,000 per annum, which effectively represent about the same amount of new business as the new assurances. A large part of the new assurances will participate, in surplus in the major-profits class. Their prospects for bonuses are good; apart from some calamity, I should say they are nearly as bright as they were at any time this century.

Claims by death in 1951 were just about the average of those of the preceding five years. Each £1,000 of original assurance in the whole life major-profit class was increased on the average to no less than £2,819, after allowing for bonus previously commuted.

While in one sense we regret the depreciation amounting to £944,000 which has had to be written off the book values of the Stock Exchange and similar securities, we welcome the easier investment conditions of which the depreciation is a sign.

SAN FRANCISCO MINES OF MEXICO

The thirty-ninth annual general meeting was held on May 16th in London, Mr C. E. Temperley, OBE, MC (the chairman), presiding.

The following is an extract from his circulated statement.

The gross value of the products sold by your company during the year under review was £9,547,000, against £7,977,000 in the previous year. The net profit for the year was £1,022,000, against £818,000. Adding £176,000 brought forward there is thus £1,198,000 available for appropriation.

The directors recommend the payment of a dividend of 6s. per unit on the increased capital. After deducting British income-tax at 9s. 6d. in the £, this dividend will absorb a net sum of £648,000. After charging directors' additional remuneration of £5,000 there remains an amount of £270,000 to be carried forward to the new year.

The satisfactory financial results of the year reflect the higher metal prices ruling and are the best on record. The tonnage milled, however, was 597,000 or 26,000 tons less than the tonnage milled in the previous year. The increase in production forecast in my speech last year was not realised. This was largely a result of power shortages arising from an extremely dry season which affected the power available from the Boquilla dam and from the need to service some of the power company's plants. The position improved in November last and the power supply was fully restored in January of this year. The power company hopes that, in future, the requirements of the mining companies will be fully met, provided that rainfall comes up to normal.

The report was adopted.

THE PRUDENTIAL ASSURANCE COMPANY, LIMITED

NEW ORDINARY LIFE BUSINESS EXCEEDS £100 MILLION

RECORD OVERSEAS FIGURES

FURTHER EXPANSION OF GENERAL BRANCH

SIR GEORGE BARSTOW ON THE OUTLOOK

In the course of his remarks at the annual general meeting, Sir George Lewis Barstow, KCB, chairman of the company, said:—

REVISED ARTICLES OF ASSOCIATION AND DIVIDENDS

The alterations in our Articles of Association which were approved by the shareholders in February last constitute an outstanding event in the company's history. The original step, taken in 1907, of granting to our Industrial Branch policyholders the right to a share of the profits was followed by other steps increasing their share. These steps have now culminated in their participation on the same basis as Ordinary Branch policyholders. Moreover this basis is potentially more favourable to policyholders than that which has hitherto applied in the Ordinary Branch, since the apportionment of the distributable profits is now determined at the discretion of the directors subject in each branch to the allocation of at least 90 per cent to policyholders.

Our Industrial Branch policyholders have already benefited substantially from the action taken by the shareholders last February. The action of the shareholders in approving the revised Articles of Association has enabled us to increase the rate of policyholders' bonus.

It will be recalled that the A share dividend declared in March last year in respect of the year 1950 was 17s. per share, and a further sum equivalent to about 6s. 2d. per share, being the balance of the shareholders' portion of that year's surplus, was transferred to the special dividend reserve fund. On this occasion the dividend declared is 20s. per share and a sum equivalent to about 2s. per share has been placed to the new dividend reserve fund. Thus the total shareholders' allocations for the two years were about 23s. 2d. and 22s. respectively. The estimate of the A share dividend contained in the directors' letter to shareholders of January 22nd last was necessarily a cautious one and events proved that there was some margin over our estimates. Your directors therefore felt it right to declare a somewhat higher dividend than was forecast.

INVESTMENTS

The year 1951 witnessed once again the development of a serious crisis in the country's economic position. Against this background the more important events which influenced the investment market during the year were the change of Government in October last and the marked alteration in official monetary policy which followed. One of the first steps taken by the new Government to cope with the difficult economic position of the country was the adoption of a policy of credit restriction and higher interest rates. This sharply accentuated the upward movement in yields that had occurred earlier in the year.

The uncertainty created by the announcement of the General Election, the instability in markets which followed and the knowledge that further measures to meet the crisis were to be expected in the 1952 budget made conditions in the new issue market very difficult during the last quarter of the year. Nevertheless, taking 1951 as a whole, we were able to invest outside the gilt-edged market the major part of the money which became available, including such sums as fell to be reinvested.

DEBENTURE STOCK HOLDINGS

The largest outlet for our funds, as in the previous year, has been in the debenture and debenture stock group.

I referred last year to the fact that a high rate of distributed profits tax had tended to deter companies from raising capital in the form of preference or ordinary shares and this tendency continued during most of 1951. The 1952 budget has reduced the rate of distributed profits tax and has imposed an excess profits levy in a form which has once again changed the impact of taxation materially. As a result the tax advantage of raising loan capital rather than share capital has been reduced and the pattern of new capital issues in the current year may show some change from that which it has followed in the last two years. It is unfortunate that taxation should have undergone such marked changes in its incidence during a relatively short period of time. A company raises new finance under a certain pattern of taxation only to find at a later stage that the pattern has been changed to the company's disadvantage. It is desirable that the form in which a company's finance is raised should be appropriate to its financial requirements and capital structure and should not be dictated by the form and weight of taxation.

ORDINARY SHARES

During the latter months of 1951 and early this year rates of interest were moving so rapidly that the issue of debenture stocks in the market became almost impracticable with the result that new capital for industry was raised in the form of ordinary shares. Although we gave substantial support to these issues of ordinary shares we nevertheless continued to supply funds to industry by way of debenture stocks, in many cases as a result of direct negotiation. In this way we have continued to fulfil our part in meeting demands for finance even though the normal channels of borrowing had for the time being ceased to operate freely. I have referred on previous occasions to the fact that the main objective of our investment policy is to invest our funds in the best interests of policyholders. Subject to this overriding consideration we are not unmindful that we have a responsibility to industry and I have mentioned our recent activities in the debenture market as an illustration of the way in which we recognise this responsibility. Whatever the market conditions we are always prepared to consider an application for finance whether made privately or through the normal channels.

One of the obvious consequences of the Government's policy of restricting credit is the curtailment of bank facilities; bank advances can rarely be increased and may in some cases have to be reduced. There may in these circumstances be a demand from companies for loan capital in cases where it is financially sound and proper to consolidate part of their bank loans into a more permanent form such as debenture stock. Such a conversion of bank advances into loans out of institutional funds representing long-term savings of the people would appear to conform with the Government's disinflationary policy.

It may be of interest to shareholders to know that our overseas life funds now amount to about £45 million and are increasing at the rate of some £6 million each year. Where political and economic conditions are sufficiently stable we adhere to the principle of investing our funds in local assets and I am pleased to inform you that in the main our overseas funds are so invested. In this way we balance our local currency assets and liabilities and at the same time we play a proper part in the development of the territories in which we operate.

RATES OF INTEREST ON THE FUNDS

The gross rates of interest earned on the funds during 1951 were £4 5s. 10d. per cent in the Industrial Branch and £4 4s. 0d. in the Ordinary Branch. These rates compare with £4 1s. 3d. and £3 19s. 10d. respectively in the year 1950. About one-half of these increases has been occasioned by the improved rates of dividend declared on ordinary stocks and shares. The higher rates of interest which we have recently been obtaining on new investments and the greater scope for investment outside the gilt-edged market have also contributed to the increase in yields, but as yet only to a small extent. The effect of a change in investment conditions must be gradual since recent investments form only a small part of our total assets; but, provided present conditions continue, further improvements in the yields on our funds may be expected.

EFFECT OF HIGHER INTEREST RATES IN LIFE BRANCHES

The rise in current interest rates is necessarily reflected in a lower market value of assets and you may have observed that the certificate as to the value of the assets appended to the balance sheet this year brings into acount the branch contingency funds. One of the main purposes for which we have been building up these funds since 1948 is to meet such a position as existed at December 31st last and it is natural that they should now come into play.

Since December 31st there has been a further fall in market values and I propose to devote a little time to explaining our views on the subject. This depreciation is not a matter which need cause us undue concern. The decline in the values of our assets has primarily been caused by the general rise in interest rates and has not been due to a reduction in the income derived from assets. The assets of the life branches are held against policy liabilities under long-term contracts and a rise in the rate of interest has therefore a similar effect in producing a decline in the value of these liabilities.

VALUATION BASIS

The basis on which the Actuary conducted the valuation of our liabilities at the end of 1950 was fully adequate in the conditions of interest rates then ruling. The same basis has been employed at the end of 1951 despite the changed circumstances which would have justified the use of a less stringent basis. Our valuation reserves are therefore relatively much stronger than they were a year ago. If higher levels of interest rates become established it may be desirable, and it would in every way be proper, to give formal effect to

the changed conditions by increasing the rate of interest employed in the valuation of the liabilities, thereby releasing substantial reserves which would be available to offset the decrease in the value of the assets.

I wish to emphasise that a change in the value of the assets in so far as it is consequent upon a change in the general level of interest rates is not in itself a matter for alarm to a life assurance office provided that the assets and liabilities are reasonably matched as to their average life. This is true whether the change increases the values placed upon the assets and liabilities or, as in present circumstances, reduces them. But there are other causes of change in the value of assets which do not produce a corresponding change in the value of the liabilities and the basic economic difficulties which have given rise to the present higher interest rates inevitably involve additional investment risks in the future. The possibility that some of these risks will materialise is one of the reasons why it is essential to hold substantial contingency funds. The other aspect of the rise in interest rates is its effect on the interest receipts from future investments and to this extent it will be advantageous to our policyholders on whose behalf we have large sums available for investment each year.

ORDINARY BRANCH

In the Ordinary Branch the number of life assurance policies issued at home and overseas during 1951, including group policies, was 141,000, assuring sums of £107,500,000. The total sums assured, including bonuses, under policies in force at the end of the year exceeded £752 million. In addition, a substantial volume of annuity business is transacted, mainly in connection with group pension schemes. The annual premium income under assurances and deferred annuities, both individual policies and group policies, was £36 million.

The directors have declared, in respect of the year 1951, for with-profit policies issued in the United Kingdom (other than group pension policies) a reversionary bonus at the rate of £1 10s. per £100 sum assured—an increase of 2s. per cent over the rate for 1950.

During the past twelve months we have secured new participating group pension business in the United Kingdom and South Africa producing an annual premium income of over £90,000. I think that the progress of this entirely new class of business, though not spectacular, is nevertheless encouraging, if it is borne in mind that when it was launched there was no past experience whatever of bonuses on this class of business. We hope that progress will be quickened now that the first declaration of bonuses has been made for with-profit group pension policies. Under this declaration for the year 1951 a compound reversionary bonus will be added during deferment at the rate of £1 5s. pension per £100 deferred pension and a special final bonus will be added on pensions commencing in 1952 at the rate of £9 pension per £100 pension in the case of males and £11 pension per £100 pension in the case of females.

OVERSEAS LIFE BUSINESS

A record volume of new business has once again been written overseas and indeed almost every individual Branch has achieved a record. More than 42,000 new policies were issued assuring sums of over £39 million. Sums assured, including bonuses, in force overseas are now more than £230 million and exceed 30 per cent of the total Ordinary Branch business.

In accordance with the principle of determining the rates of bonus for the separate territories in relation to the surplus earned, and having due regard to the local experience as regards interest, mortality, expense and taxation, the directors have declared reversionary bonuses in respect of the year 1951 at rates ranging from £1 per cent to £1 13s. per cent as set out in the directors' report.

INDUSTRIAL BRANCH

In the Industrial Branch the number of policies issued during the year was 1,437,000, assuring £77,800,000. The average sum assured per policy was thus over £54. The total sums assured, including bonuses, in force at the end of the year exceeded £950 million, and the premium income for the year was £41,800,000.

The expenses were 29.60 per cent of the premiums. In a business such as ours, inflation quickly and substantially increases expenses but has only a more gradual effect on premium income. In particular, a considerable increase in the remuneration of the field staff was made as from January 1, 1951, and the full effect of this is, therefore, included in the figures now before you.

In industrial assurance—how much more graphic if it had originally been called "home service life assurance"—it is, of course, essential that we should maintain an adequate standard of home service to our policyholders for the collection of their weekly or monthly premiums, for the payment of claims and for the other insurance facilities we provide. It is nevertheless a matter for regret that the cost of this service should, despite our continued vigilance, have increased after we had succeeded, by major re-organisation of our methods, in reducing it before the war to a level unprecedented in industrial assurance. We have this matter very much in our minds and, within the limits imposed by economic conditions and the needs of our business, we shall continue to do all we can to control the cost of the services we provide.

The sum of £1,500,000 has been allocated to the Industrial Branch contingency fund out of surplus and this fund now stands at £9,900,000. After allowing for this transfer and for the carry-forward, nine-tenths of the surplus for the year has been allocated to policyholders and the directors have declared a reversionary bonus in respect of the year 1951 at the rate of £1 6s. per cent on all participating policies. This is an increase of 2s. per cent over the bonus for the previous year.

The amount of bonus paid on claims by death and maturity in this branch last year represented an average addition of over 19 per cent to the sums assured payable under the policies.

PROGRESS OF LIFE BUSINESS

This year, for the first time, our total new business sums assured in the Ordinary Branch have exceeded £100 million.

In recent years our Ordinary Branch new business has exceeded that in the Industrial Branch—a fact which may come as a surprise to those who regard the Prudential as a predominantly industrial life office. A comparison of recent developments in these two branches may be of interest, and for this purpose I believe that the premium income provides a more suitable and stable basis of comparison. In the last fifteen years the Industrial Branch premium income has increased from £21 million to over £41 million. Over the same period the premium income in the Ordinary Branch has increased from £13 million to £35 million, and is fast approaching that of the Industrial Branch. Much of the progress in the Ordinary Branch has, of course, come from overseas business.

These increases serve to illustrate the most important part which is played by our staff in the campaign to increase savings.

MORTALITY

The payment of claims is the primary function of a life assurance company but I do not, as a rule, draw your particular attention to our mortality experience because the very large volume of our business leads to considerable stability from year to year. Nevertheless, there are exceptional years and, as I mentioned earlier, 1951 was one of these. The death claim payments in the Industrial Branch last year exceeded the 1950 total by the substantial amount of £1,250,000, an increase of over 11 per cent. Some increase is to be expected from the growing volume of business, but the abnormal increase is largely accounted for by deaths from influenza in the early part of last year. Over £1 million of the increase arose in the first quarter of the year, the additional claims being concentrated at the older ages and occurring particularly in the more densely populated parts of the country.

GENERAL BRANCH

The considerable expansion in our fire, accident and marine business to which I have referred in previous years has continued at an even greater rate in 1951. The general branch premium income totalled £9,600,000, an increase of £1,300,000. In addition, a premium income of £1,400,000 was obtained by our American subsidiary, making a total of £11 million, of which about £6,300,000 was derived from overseas sources.

The fire, sickness and accident, miscellaneous and marine accounts continued to show satisfactory profits. In common with the experience of other companies the profit on our home motor account has, however, fallen appreciably. Awards for injuries and the cost of repairs are both increasing and present a serious problem. A revision in premium rates was decided upon last June and whilst it is too early to suggest that this will provide a remedy it will at least be of some assistance. Our motor experience overseas has proved adverse. This experience is not confined to any one territory and, although steps are being taken to improve the position, it will naturally take time for these to be effective. Nevertheless, I think it is fair to say that the prospect for the underwriting surplus in the General Branch as a whole is not discouraging, particularly when we bear in mind the rapid expansion of our business.

With an expanding business we must contemplate substantial transfers to the Additional Reserve Fund and out of the profits for the year 1951 a sum of £100,000 has been so transferred. It is regrettable that the new excess profits levy will be a heavy strain on any increase in the surplus during the period when it remains in operation and will seriously curtail our ability to build up reserves in a way which we should normally regard as commensurate with the expansion of our business.

STAFF

The company is frequently judged by the personal service rendered by our representatives, whether in the homes of the people or at the company's offices. The prompt payment of claims of all kinds is a service on which we pride ourselves and one, moreover, which is never more appreciated than at a time of distress and anxiety. During the early part of the year the additional claims arising from the influenza epidemic in this country, to which I have already referred under the heading of mortality, laid heavy burdens on many of the staff, both in our offices and in the field. The staff concerned were, of course, affected by absences from the same cause and much extra effort was necessary to maintain our standards. This successful effort may seem a small matter when measured against the great total of work being performed by the company's servants in all parts of the world, but it is matters of this kind that make up that great total of the company's affairs and maintain its great traditions.

LEGAL & GENERAL ASSURANCE SOCIETY LIMITED

An extraordinary general meeting for the purpose of declaring the amount of profit to be set apart out of the Assurance Funds in respect of the quinquennium expired on December 31, 1951, and the ordinary annual general meeting of Legal & General Assurance Society Limited, were held on May 21 in London.

The Hon. W. B. L. Barrington, the chairman, addressing the former, said:—

The past quinquennium reveals a picture of continued expansion and progress. At the end of 1951 the total net sums assured and bonuses amounted to £356,237,649, compared with £176,528,000 five years ago, and the annual premium income of the life assurance and annuity fund increased during the quinquennium by no less than £13,121,537, bringing the total life premium income to £22,397,936.

INVESTMENTS

The directors have carried out a careful investigation of all the investments. The Stock Exchange securities have been valued as at December 31, 1951, by the society's brokers, and valuations have been made of our properties by the society's consulting surveyors. Mortgages on property and on reversionary interests and life interests charged to the society have been investigated individually and appropriate reserves made in the few cases where it has been considered necessary.

To meet the depreciation in the value of investments, the directors decided to transfer the sum of £3,950,000 from the life fund, which his been utilised to write down book values. This covers the depreciation by a substantial margin without recourse to our general reserve of £1,250,000.

The assets of the society increased during the quinquennium from £91,099,000 to £159,559,000—that is by a sum of £68,460,000.

The valuation of the liabilities of the life assurance and annuity, sinking fund and capital redemption accounts has been made by the society's actuary and forms the second part of the valuation statement.

NET RATES OF INTEREST

The net rates of interest earned during the first four years of the quinquennium were fairly constant at an average of £3 11s. 10d. per cent, but they increased during the fifth year to £3 17s. 6d. per cent, the average for the quinquennium being £3 13s. per cent as compared with £3 10s. 4d. per cent during the previous five years.

In regard to mortality, the society's experience under its life assurance contracts has been well within the table of mortality used in the valuation. In the case of the annuity business the mortality experience has also been satisfactory.

After providing the sum of £3,950,000, to which I ha e referred, in respect of depreciation in the value of the invested assets, there is a surplus in these funds of £2,302,974. The participating policy-holders are entitled to 90 per cent of the profits of all classes of business, including those of our fire and accident accounts, to the extent necessary to provide the maximum reversionary bonus of 38s. per cent compound. After providing the cost of this bonus and transferring £325,000 to the profit and loss account the surplus carried forward in the life fund is £871,518.

The sinking fund and capital redemption account has been valued and provides a surplus of £116,949, out of which it is proposed to transfer a sum of £45,000 to the profit and loss account, carrying forward £71,949.

The permanent sickness account has also been valued, and after transferring the sum of £30,000 to the profit and loss account a surplus of £42,783 is carried forward.

The third section of the report contains a brief summary of these figures and you will see that after transferring a total of £400,000 to the profit and loss account balances totalling £986,250 are carried forward.

The valuation report was adopted.

ANNUAL GENERAL MEETING

At the annual general meeting the chairman, in the course of his speech, said:—

Life Assurance and Annuity Fund.—The new life assurance transacted during the year constituted a record in the long history of the society, both as to the number of policies issued and in sums assured.

The ordinary business, comprised mainly of whole life and endowment assurances, amounted to £37,058,000, an increase of £9,191,000.

Decreasing term and group assurances—including the increases on existing group life business—amounted to £34,064,700, as compared with £26,313,600—an increase of £7,751,100. The total net sums assured were thus £71,123,200, an increase over the previous year of £16,942,000. In addition, deferred annuities were issued providing for the payment of £3,422,948 per annum, mainly in connection with pensions, as compared with £2,959,689 last year.

The net premium income in respect of new business for the year was £4,016,000, as compared with £3,490,000 in 1950. The total premium income amounted to £22,397,900. Figures of this magnitude place the society in the front rank of British life offices.

MORTALITY EXPERIENCE

Once again I am pleased to record that the investigation into mortality revealed that the death claims during the past year were within the amount expected under the mortality tables. The mortality experienced under our annuity contracts has also proved satisfactory.

RATE OF INTEREST

The gross rate of interest earned on the society's funds last year was £4 8s. 4d. per cent, as compared with £3 18s. 11d. per cent in the previous year—an increase of 9s. 5d. per cent. The corresponding net rates were £3 17s. 6d. per cent, as compared with £3 12s. 1d. per cent—an increase of 5s. 5d. per cent.

EXPENSES OF MANAGEMENT

The ratio of commission and expenses of management to life premium income, excluding the contributions for staff pensions, increased during the year from 9.05 per cent to 9.33 per cent. This is mainly due to the largely increased new business and partly to the burden of the rising costs of production. The contribution made by the society to the staff pension fund represents approximately ¾ of 1 per cent.

FIRE INSURANCE ACCOUNT

The net premium income in the fire insurance account, which includes the business of the "Gresham Fire," amounted to £1,923,124; the ratio of claims paid and outstanding, including fire brigade charges, was 36.02 per cent; and that for commission, expenses of management and overseas taxation 47.02 per cent. Provision for unexpired liabilities required a sum equal to 3.03 per cent of the premium income, leaving a balance of 13.93 per cent, or £267,896, as the underwriting profit on the account for the year. After adding interest on the departmental funds and providing for taxation and staff pensions, the surplus for the year's trading in this account was £110,027.

ACCIDENT INSURANCE ACCOUNT

In the accident account, which also includes the business of the "Gresham," the premiums for the first time exceeded 1 million pounds, namely, £1,081,609. Claims paid and outstanding were 43.97 per cent of the premiums; commission, expenses of management, and overseas taxation 42.06 per cent. The reserves for unexpired risks required 7.25 per cent of the premium income and there remained an underwriting profit of 6.71 per cent, or £72,600. This figure was increased by the interest on the departmental funds, and after making the necessary deductions for taxation and staff pensions, there was a surplus in the accident account for the year of £26,882.

During the past quinquennium the net annual premiums in the fire and accident accounts have grown from £1,613,688 to £3,004,733, representing an increase of 86 per cent. This large increase has necessitated considerable finance in respect of unexpired risks, and after providing over £580,000 for the premium reserves, the fire and accident underwriting profit for the quinquennium was £1,090,694. Gross interest earned on the departmental funds during the period amounted to £302,819 and £479,123 was paid or reserved for taxation; £130,887 has been retained in the additional fire and accident reserves to establish them at £250,000 and £150,000 respectively for the first year of the new quinquennium, and finally the sum of £379,680 was transferred to the profit and loss account.

MARINE BUSINESS

Our marine account has now completed its third year. The premiums received during 1951 amounted to £353,004. Expenses of management were £14,974, and claims in respect of current and previous years total £196,265. The 1949 underwriting account has so far proved satisfactory and we have set aside the sum of £50,000 to cover the tax liability. The remaining profit has been retained in the fund, which at the end of the year amounted to £403,259.

PROFIT AND LOSS ACCOUNT

Dealing now with this account, you will see that the balance brought forward from the previous year was £203,678, interest and dividends amounted to £109,926, and a total sum of £779,680 has been transferred from the various underwriting accounts.

ASSETS

The assets of the society amounted to £159,558,923, having increased during the year by £15,223,131.

The total assets of the society and its subsidiaries, excluding the Gresham Life Assurance Society, amounted to £160,410,718, as compared with £91,691,195 five years ago—the increase in the assets during the quinquennium thus being no less than £68,719,523.

The report and accounts were adopted.

LEYLAND MOTORS, LIMITED

SATISFACTORY OUTCOME OF MERGER WITH ALBION

TURNOVER AFFECTED BY SERIOUS MATERIAL SHORTAGES

GOVERNMENT CONTROLS ENDANGERING EXPORT MARKETS

MR C. BASIL NIXON ON CURRENT PROBLEMS

The annual general meeting of Leyland Motors, Limited, was held on May 20th at Leyland.

The following are extracts from the statement by the chairman, Mr C. Basil Nixon, circulated with the report and accounts:—

The outstanding domestic event of our year was the merger with Albion Motors, Limited.

Two Albion directors—their chairman, Mr Jackson Millar, CBE, LL, and their managing director, Mr Hugh W. Fulton—have joined the board. Mr Jackson Millar is an engineer with many interests in London and Glasgow, and was appointed to succeed the late Sir James Lithgow as chairman of that old-established and world-renowned Glasgow shipbuilding and engineering firm "Fairfield" shortly before that gentleman's death. Mr Hugh Fulton, son of one of the founder directors of Albion Motors, was, one might say, cradled in the motor industry and has a wide experience of it. He has travelled extensively abroad on behalf of his company and has recently returned from a successful visit to the Union of South Africa where he has completed a survey on behalf of both companies. These gentlemen will bring new strength to our board, and we welcome their help and advice.

The merging of the interests of the two undertakings is proceeding satisfactorily, and a happy relationship has already been established.

TRADING REVIEW

In spite of all the difficulties it is gratifying that the value of the combined turnover (eliminating purchase tax, first levied on goods vehicles by Mr Gaitskell's Budget) has increased by 7¼ per cent, but the volume of vehicle output is unfortunately lower by 6 per cent on account of serious material shortages. Credit is due to our overseas selling organisations for securing orders which, for the first time, have resulted in 50 per cent of our turnover being exported. The record order for 572 buses for Cuba has been executed without serious hitch. The promise to complete for shipment before the end of November was kept, and we are now engaged on an order for 900 buses for the city of Buenos Aires.

The increasing number of vehicles on the roads creates an ever-expanding market for spare parts; this demand, which superimposes a heavy call on our manufacturing and raw material resources, must be met even if vehicle production suffers temporarily. The company's industrial power units are now standard in many makes of industrial plant, more particularly in earth-moving equipment, and they are exported all over the world. We have an overflowing order book for these units, and the output is increasing.

In the second half of the year the company has been seriously short of materials, particularly of steel, and the position is still very critical.

Our steel quotas for the first half of 1952 for defence and civil production look imposing and theoretically satisfactory, but postulate the sale overseas of 75 per cent of our civil production. It will be difficult to achieve this target, even at the expense of the home market. It remains to be seen whether the supplies authorised materialise; we expect that during this six months' period they may not do so, but, at the moment, the forward steel position, that is, for the last six months of 1952 and early 1953, looks more promising.

As has been repeatedly pointed out, many special types of vehicles are required in different overseas markets. These are not saleable in the United Kingdom because of our archaic conditions and regulations, and our home models cannot therefore be switched to export as complete units or even as semi-manufactured material.

Over and above our production problems we have to contend with the fact that overseas markets open and close without notice and in accord with the amount of sterling exchange governments have available and because of other extraneous political considerations. The latest blow is the drastic and sudden cut in permitted Australasian imports.

Governments, too, are making things more difficult by indiscriminate restriction of credit. In new countries, especially, operators frequently require financial assistance in order to complete purchases. Normally such business is sound and provides essential transport. Applications for such financial assistance should be differentiated from others seeking finance for the sale of household luxuries, etc. Overseas it is mainly a question of delivery and credit that counts. Foreign manufacturers, often with assistance from their governments, are willing to accept payment over four to five years. In this country export credit insurance is being restricted. Consideration should be given by the Board of Trade to the provision of facilities which would enable us to meet this competition.

Export markets are rapidly becoming more difficult and risky at a time when the country desperately needs their expansion. We are not free to make our own decisions as to where we shall sell our products as, in effect, our policy is controlled and directed by a combination of a number of government agencies. When the government directs so large a percentage of civil production to export it should fully guarantee transactions which would normally be unacceptable to prudent managements, but which are nevertheless entered into with official approval.

People do not purchase our type of vehicle unless they have essential work for it. With the increasing tempo of rearmament and of production generally, the demand for road transport must grow: it cannot be thrust aside as of minor significance without serious consequences to the home economy and to the loss to this country of overseas markets laboriously built up during the last five years, markets which are now becoming so fruitful.

WORKING CONDITIONS

Since 1939, the advances in the earnings of workers in the engineering industry have outstripped the rise in the cost-of-living index. In response to demands, two national awards have been made, one in November, 1950, and another of 11s. a week, with proportional increases to other grades and a second week's holiday with pay, in November last.

It is estimated that this last settlement, together with the increased levy for the social services imposed by Mr Butler's budget, will cost the parent company alone at least £338,000 for a full year.

PRICE INCREASES

The progressive stepping up of manufacturing efficiency proved insufficient to cover such substantial increments and large subsequent increases in the cost of materials. With regret we advanced our sale prices on July 1st last and were compelled to authorise a further increase on February 1st this year. It may be that any further increase would result in raising prices to such a level as would exclude us from most export markets and constitute a most serious sales resistance at home.

FINANCE

An outstanding problem which is increasingly occupying the minds of directors arises out of the unstable purchasing value of sterling. The claim made by industry is simply that real profit only arises after provision has been made for the physical maintenance of productive assets and for the replacement of stock consumed in earning the profit. It is submitted that sums properly appropriated for these purposes should be allowed as a deduction from profits before computing the liability to income tax, profits tax, and especially Excess Profits Levy.

With taxation at its present level it is impossible to conserve sufficient cash resources adequately to maintain the assets or to replace the stock, and so far the Chancellor has not offered any remedy.

The proposed Excess Profits Levy must still further deplete resources. In the case of our own company we shall suffer by the inclusion of 1947 as a standard year. It may not be fully appreciated how long it takes a plant such as ours to change over from one class of manufacture to another. Until the end of the war we were manufacturing tanks to the total exclusion of commercial vehicles, and it was not until the year ended September, 1949, that our normal output was restored. As a result, the profits for the year to September, 1947, were depressed. We hope that if the Chancellor cannot abandon the proposal altogether he will, during the passage of the Bill, introduce an amendment permitting the selection of any two of the stated years as the basis of the standard profits.

CONSOLIDATED ACCOUNTS

The accounts are drawn on the accustomed lines, but are exceptional because of the Albion merger.

It is perhaps useful to note that the amount set aside for depreciation in the group accounts is £357,344, that £694,677 has been expended on capital account and that the forward commitment on that account is £733,577.

A further sum of £500,000 has been appropriated from the profit of the year and added to the general reserve, which now stands at £2,326,008. Because the cash resources of the company are fully employed in replacing assets, both fixed and current, at constantly rising prices, it follows that the reserves are already absorbed and do not in any way represent cash available for distribution.

It will be realised that our price advances, which were deferred as long as possible in the interests of our customers and the stability of market prices, could not affect this account appreciably, whereas, unfortunately, the advance in the cost of all supplies has been operative in varying degrees throughout the period.

CONSOLIDATED PROFIT

Having regard to the great efforts put forth, the trading and net profits for the year are disappointing. The reasons for this have already been referred to. This does not reflect on the work of the employees, who could not have done more under the circumstances. It is due to other causes beyond our control—material, shipping, etc. Fortunately, a partial settlement of tax liability releases a substantial figure. As a result of this and other minor adjustments, the available balance is £865,968, against £731,218.

FUTURE PROSPECTS

Our overseas prospects depend on the establishment by governments of satisfactory international trading conditions. These conditions are undoubtedly capable of vast improvement and development.

The prospects of the company at home will naturally be influenced by the effects of denationalisation of road and rail undertakings and the development of alternative plans acceptable to trade and industry. The conditions required to ensure free and fair competition have been set out in previous statements and have been placed before the government by various interested national bodies.

Apart from matters already referred to, there is still urgent need:—

(a) To remove the purchase tax on commercial vehicles;

(b) To withdraw the 20 m.p.h. speed limit on the heavier vehicles;

(c) To remove the 25 miles radius restriction, by which the private haulier is so unjustly handicapped;

(d) To reconsider the detrimental effects of taxing diesel oil, which is taxed on a far lower scale in most overseas countries.

(e) To lessen the handicaps to international trade.

(f) To promote a well-planned and rapidly expanding Commonwealth development policy.

In addition to undertaking, as agents, the management of a new government factory the group has accepted heavy responsibilities for design and development and as contractors in connection with rearmament, to all of which our staff and workpeople are also inevitably committed. These obligations present a challenge to our productive capabilities. A large amount of high productivity plant is on order for the company's and the agency factories. Our production programme, for defence, export and home, has been carefully balanced by the Ministry of Supply. We are authorised to obtain sufficient material for this programme and super priority is given for material for the agency factory. Working conditions in that factory are to be the same as in the parent works. No man transferred temporarily to the agency will suffer financially; nor will he lose seniority. The company pays a substantial annual bonus directly related to results, and affords the opportunity to make good piecework earnings.

I appeal, therefore, to all our employees and those shortly to be engaged in the agency factory, to set up a new high standard of which Lancashire can be proud.

In the present state of world tension anything can happen; one man's guess is as good as another's. All we can tell you is that we have a splendid team, a full order book and the intention to promote the interests of this company so far as is practicable in the conditions which from month to month may prevail.

The report and accounts were adopted.

BRITISH INSULATED CALLENDER'S CABLES

SUBSTANTIAL TURNOVER INCREASE

STULTIFYING INCIDENCE OF TAXATION

The seventh annual general meeting of British Insulated Callender's Cables, Limited, will be held on June 12th in London.

The following is an extract from the statement circulated by the chairman, Sir Alexander Roger, KCIE:—

In the parent company profit on trading has risen by £1,352,629 to £4,585,668 mainly due to the substantial increase both in the volume and value of our output for 1951, the advantages of a full order book, and the benefits of a constant improvement in methods and machines.

Taxation requires £2,707,881 or £643,244 more than in 1950 mainly due to the improvement in our trading profit and the increased profits tax payable on distributed profits.

In the balance sheet, the outstanding feature is the greatly increased moneys tied up in stock, work-in-progress and debtors and, as a consequence, that as compared with a balance at banks and in cash of £615,608 at December 31, 1950, we had a bank overdraft at December 31, 1951, of some £3,500,000 in addition to the loan of £2 million which we arranged some years ago and which under present arrangements is repayable by June 30, 1955, at the latest.

NEW ISSUE AN OUTSTANDING SUCCESS

Your directors decided some months ago that further permanent capital was required in the business and decided to obtain this by the offer to existing ordinary shareholders of £3,109,614 of ordinary capital on what we consider to be attractive terms. As is now well known, the issue was an outstanding success and has brought in some £3,340,000 of new cash.

If the inflation which our previous government did little or nothing to control is now to be held, if Britain is not only to surmount her present difficulties but continue to hold her rightful place in the world, the present stultifying incidence of taxation and the volume of non-revenue earning government expenditure must be reduced. At the very least it slows down the ability to undertake capital expenditure and developments so essential to British industry not only in maintaining but in constantly improving its competitive power in the world. And at the worst it stifles human initiative and makes more and more difficult the achievement of that greater and more efficient output per person without which this country will not for long remain solvent.

I welcome the initial steps taken by the present government to control expenditure and, through some small relief in personal taxation, to give some encouragement to greater endeavour. But I most fervently hope that further and stronger action will soon be seen under both these heads.

We have made a satisfactory start to 1952. Following the receipt of certain badly wanted materials towards the end of 1951 we have been able to complete a considerable proportion of partly finished stocks then held. Sales for the three months to March 31, 1952, show a marked improvement over those for the first quarter of 1951. We have also a full order book and altogether the prospects for 1952 look good provided—and it is an important proviso—our essential raw materials continue to be made available to us.

Apart from the intensive work we are doing on substitute and alternative materials, there is little we can do as we continue to obtain the great bulk of our vital raw materials through government departments. I know they appreciate the position and am confident they will continue to do everything to help.

BRIXTON ESTATE

IMPROVED REVENUE

The annual general meeting of Brixton Estate Limited was held on May 22nd in London, Lt-Col Sir Francis Humphrys, GCMG, GCVO (the chairman) presiding.

The following is an extract from his circulated statement:—

Properties.—During the year the company availed itself of opportunities to acquire the freehold interests in some of our leasehold properties. In the result, freeholds now represent about 90 per cent of the total book value of the properties. In order to assist in providing the necessary finance, one of our factories was transferred to our associated company at a profit of £14,619, which has been placed to capital reserve.

Gross Income—shows an increase of just over £10,000 to £129,829.

Net Revenue.—The accounts disclose the disappointing fact that, owing to the higher rate of income tax and profits distribution tax, almost the whole of this increase has been absorbed in additional taxation.

Bonus Issue and General Reserve.—During the year a further bonus issue was made by capitalising the general reserve of £25,000 and issuing 100,000 new 5s. fully paid ordinary shares to the existing shareholders in the proportion of one new share for every five shares held. As a result of allocations arising from the transactions of the year, including the capital profit mentioned above, new reserves, amounting to £49,050, have been created.

Future Prospects.—The expansion of the company's income should continue, with the assistance of our associated company. Its progress, however, is dependent on the obtaining of licences to develop sites. Until, therefore, the ban on capital expansion is lifted, some slowing down in the rate of increase must be expected. In addition, with the imposition of the Excess Profits Levy, the further expansion of net income must be correspondingly retarded.

Dividend on Ordinary Shares.—Two interim dividends amounting to 18 per cent, less tax, on £125,000 have already been paid, and a final dividend of 10 per cent, less tax, is now recommended on the increased ordinary capital of £150,000, making upon that latter capital a total distribution of 25 per cent for the year.

The report was adopted.

GALLAHER LIMITED

(Incorporated in Northern Ireland)
(Tobacco, Cigarette and Snuff Manufacturers)

INCREASED SALES OF PIPE TOBACCOS

BONUS SHARE ISSUE APPROVED

SIR EDWARD DE STEIN ON DANGERS OF EXCESS PROFITS LEVY

The fifty-sixth annual ordinary general meeting of Gallaher Limited was held on May 15th, at Winchester House, Old Broad Street, London, E.C., Sir Edward de Stein, the chairman, presiding.

The secretary (Mr George Iliff, ACA), read the notice convening the meeting and the report of the auditors.

The following is the chairman's statement which had been circulated to the shareholders with the report and accounts for the year ended December 31, 1951:—

The company's business continues to be satisfactory within the limits imposed upon its operations by the restrictions still in force. I am particularly pleased to be able to report a further increase in our sales of pipe tobaccos despite a general downward trend in this class of goods. As we have also received this year the full benefit of the price increases on tobaccos which we were forced to make in November, 1950, this department of our business has now been able to make a reasonable contribution to the profits of the company.

EFFECT OF HIGHER COSTS

In my statement last year I told you that we had had to deal with rising costs, particularly the effects of devaluation, which would not be fully reflected in our accounts until the year 1951. Devaluation particularly affects our cigarette manufacture. Further rises in costs which we experienced in 1951 were so severe that we could no longer absorb them and prices of cigarettes had to be raised in the month of August. Despite this advance in prices the profits from the cigarette side of our business have not been materially different from the profits in 1950 although we have had the benefit of the price increase for a period of four months.

Our cigarette tobacco purchases in 1951 have again been more expensive than in previous years. These higher costs, together with the rise in packing materials and other production costs, will fully absorb the additional revenue which we should receive from cigarette sales in 1952. As I pointed out before, one of the chief disadvantages of having to limit supplies to the trade is that the public are unable to give effect to their particular preference.

UNSATISFIED CIGARETTE DEMAND

We can see no prospect of obtaining adequate stocks of suitable leaf tobacco to enable us to increase supplies to the trade, even on a limited scale, and, therefore, we cannot take advantage of the strong public demand for our cigarette brands, and for "Senior Service" and "Park Drive" in particular, to increase our turnover and obviate these adverse factors. The public demand for our popular brands must continue to remain unsatisfied. We shall at all costs endeavour to maintain the quality of all our brands and shall concentrate the skill and energy of our staff on all possible means of increasing our efficiency and on effecting economies in production.

So far as we can estimate, the company has a satisfactory standard for the Excess Profits Levy, but as a matter of general principle I should like to take this opportunity of saying that, in my view, one of the chief dangers of the Excess Profits Levy as a method of taxation is not so much that it tends to remove the incentive to increase sales and production as that it reduces the incentive to strict efficiency and economy in costs of manufacture.

BALANCE SHEET CHANGES

Turning to the balance sheet of Gallaher Limited, there are a number of changes. You already know that at the beginning of 1951 we issued additional ordinary shares and loan capital. These have resulted in the following alterations in the balance sheet:—

1. An increase in the issued ordinary share capital of £160,000.

2. An increase in share premium account of approximately £560,000.

3. An increase in loan capital from £2 million to £4 million.

A further material change has taken place in the company's reserves resulting from the final agreement of the excess profits tax and income tax liabilities for the years 1939 to 1946. This has released the sum of £486,000 from current taxation provision, which, together with an appropriation of £14,000 from profit and loss account, has been used to increase the balance on general reserve by £500,000 to £1,250,000. As regards the future taxation figure, I am pleased to be able to tell you that we have now fully provided in the accounts for the future estimated liability to income-tax on profits earned to date.

LEAF TOBACCO STOCKS

As a result of introducing £2,700,000 new money into the business we have been able to reduce our liability on bills by £1,500,000 and the balance has been absorbed mainly in financing stock in trade. Practically the whole of the increase of £1,500,000 in the value of stock in trade arises in leaf tobacco. At the date of the balance sheet we had a greater quantity of leaf tobacco in stock than at the corresponding date in 1950. In common with other tobacco manufacturers we received in 1951 a dollar allocation which enabled us to buy leaf for stock piling. In the year 1952 our dollar allocation will be reduced considerably and we will have to use these extra stocks in order to maintain output at the present level. In consequence our total liabilities will tend to fall. The increase of £800,000 in debtors is largely attributable to the higher price of cigarettes and the larger volume of pipe tobacco sales already referred to.

I am pleased to say that "Manikins," the principal product of our cigar manufacturing subsidiary, Associated Tobacco Manufacturers (Great Britain), Limited, are increasing in popularity. As regards our engineering subsidiary, Mono Pumps, Limited, it continues to expand its business both at home and overseas, and has enough work in hand to keep it fully occupied for a considerable time to come.

CAPITAL PROPOSALS

We will be holding an extraordinary general meeting at the conclusion of the annual general meeting to ask you to pass a number of resolutions. As has been already announced, we have received Treasury consent to the capitalisation of part of the share premium account, which is to be applied in issuing one new ordinary share for each ordinary share already held. We are, therefore, proposing to ask for authority to increase the authorised ordinary share capital by £3,500,000 to a total of £7 million.

If you authorise the distribution referred to above this will bring the issued ordinary share capital to £4,500,000, a figure which more truly reflects the amount of ordinary shareholders' money which has been directly invested in the business, although it does not, of course, reflect the large amounts which they have indirectly invested by the conservative policy of the past which has enabled the company to build up its substantial reserves. There will then be 2,500,000 ordinary shares of £1 each available for issue as and when required. We are also proposing to convert the company's share capital into stock and to make the ordinary stock transferable in units of 10s. This will be more suitable to the small investor but will have no effect on the total distribution by way of dividends.

HIGH STANDARD OF QUALITY

Our factories at home and our tobacco packing plants in Africa are continuing to work to a high degree of efficiency and are achieving for our products the highest standard of quality of which we are justly proud. During the year we have completed the reconstruction of part of our bond store property in Northern Ireland in which is now incorporated the most modern and efficient mechanical handling unit in the country for dealing with the raw leaf tobacco in bond.

As you all know, it is impossible under present conditions to make prophecies with regard to the future, since a great many factors are outside our own control. I would like, however, to say that I believe we have an exceptionally able and enthusiastic staff, that we have plenty of promising younger members in our organisation to safeguard the future, and that the happy atmosphere and high esprit de corps which has always existed among all our employees continues. If only we had a greater measure of freedom I should have full confidence in our ability to expand our trade.

In due course we shall be asking you to re-elect as directors of the company Mr R. J. Freeman, Mr J. N. Hogg and Mr M. R. Norman, who retire in rotation in accordance with the articles of association of the company.

The report and accounts were unanimously adopted and a final dividend of 25 per cent on the ordinary shares, making 32½ per cent for the year (net), as recommended, was approved; the retiring directors, Mr R. J. Freeman, OBE, Mr J. N. Hogg and Mr M. R. Norman, OBE, were re-elected, and the auditors, Messrs Hill Vellacott and Bailey, reappointed.

At the extraordinary general meeting which followed all the resolutions proposed were passed.

MANCHESTER OIL REFINERY LIMITED

SATISFACTORY PROFIT

PERIOD OF RISING COSTS AND GROWING COMPETITION

PROPOSED INCREASE OF CAPITAL

MR H. STUART EBBEN'S REVIEW

The fourth annual general meeting of the members of Manchester Oil Refinery Limited, will be held at the registered office of the company, 170 Piccadilly, London, W., on June 9th.

The following is the statement by the chairman, Mr H. Stuart Ebben, OBE, which has been circulated with the report and accounts for the year ended December 31, 1951:—

The accounts are in their customary form, but your attention is called to the following points of interest.

It is difficult to compare the figures of trading profit from year to year in view of items which are included therein and which are of a somewhat exceptional nature. In 1950 it will be remembered that reference was made to the profit which accrued to the company arising from the devaluation of sterling. In 1951 the profits include the figures relating to a special refining operation which has now been brought to a conclusion. It will be seen that the group profit before taxation, as shown in the consolidated profit and loss account at £345,373, is some £6,000 lower than that shown for the preceding year. If, however, the exceptional items, which are only capable of estimation, are eliminated the group profit for the year ended December 31, 1951, is approximately the same as that for the previous year.

EXCEPTIONAL DEPRECIATION

It will be observed that the depreciation charged before arriving at the group profit is over £53,000 in excess of that charged in 1950. Almost the whole of this excess is due to exceptional depreciation charged in connection with the special refining operation. The profit, which it is hoped you consider satisfactory, has been earned in a period of rising costs and growing competition in our standard products and is the result of our policy of continually seeking to improve and diversify our products and of maintaining technical and scientific collaboration with our customers. Our ability to meet competition should be assisted by an overall reduction in working expenses when the new plant, referred to below, comes fully into operation next year.

Further consideration of the consolidated profit and loss account reveals that after retaining a larger proportion of profits in subsidiary companies, and also after providing for taxation in respect of the year under review, there remains available for appropriation the sum of £107,090, to which there must be added the amount of £26,059 brought forward from 1950, making a total of £133,149. The dividend on the five and a half per cent preference stock absorbed £9,384 net; the interim dividend of 10 per cent, less tax, paid on October 18, 1951, on the ordinary stock, together with the proposed final dividend at the same rate, will require £40,950. The sum of £70,000 has been transferred to taxation equalisation reserve, leaving £12,815 to be carried forward in the accounts of the parent company and £38,979 in the consolidated accounts.

TAXATION POSITION

In view of the heavy inroads made upon the company's revenue by taxation and of the complexity of the problems involved, it is necessary once again to dwell at some length on the taxation position.

Last year attention was drawn to the fact that in its second year of operation ended on December 31, 1950, the company had set aside the full amount of its estimated liability to income tax up to April 5, 1952. The policy of reserving for future income tax has been continued for the year ended December 31, 1951, and thus the company has up to that date set aside its estimated liability to income tax for four fiscal years out of profits of less than three years' trading.

In 1949 a taxation equalisation reserve was also created, with the intention of transferring to or from this reserve sums equal to income tax at the current rate on the difference in each year between capital allowances for income tax purposes for that year and the depreciation actually charged in the accounts. Owing to the present basis of taxation we have, in setting up the full future tax reserve, taken into account capital allowances (including initial allowances) for income tax purposes for four years, as compared with charging depreciation for two years and nine months. As a result, the written-down value of the company's assets for taxation purposes is substantially less than the written-down value shown in the accounts; it will be appreciated that the effect of this position is to defer the liability to income tax on the difference between these two written-down values. In order that it should be possible to continue in future years to adjust the charge for taxation to that properly attributable to the profits earned during the year, your board has decided to adopt the conservative course recommended by its advisers to add to taxation equalisation reserve the estimated amount of this deferred taxation by an appropriation from profits. Accordingly, the full amount required of £70,000 has this year been transferred from profit and loss account.

Members may be well satisfied that the company's results have enabled it, so early in its life, to set aside these large sums for taxation. This achievement should not, however, be allowed to obscure the extent of the burden which has been imposed upon the company, both by the rates of taxation in force and the methods of computing profits for taxation purposes. The figures speak for themselves, and examination of our annual accounts shows that for the period from the commencement of trading in April, 1949, to December 31, 1951, profits have amounted to some £839,000, of which no less than £621,000, or 74 per cent, has been set aside for taxation purposes.

BALANCE SHEET ITEMS

Turning now to the consolidated balance sheet it will be observed that the book value of fixed assets has decreased by about £30,000. As a matter of fact, additions to these assets during the year amounted to approximately £126,000, but as a result of the completion of the special refining operation to which reference has been made, the cost of one item of plant, together with the relative depreciation, has been eliminated. Current assets have increased by nearly £630,000: this is accounted for by the facts that (a) there were two cargoes of crude oil afloat at the end of the year; (b) the stocks of materials, stores, drums, etc., had been built up in order to guard against the possibility of shortages that might lead to cessation of operations and deliveries to customers; and (c) the amount owing by sundry debtors increased in consequence of the greater volume of sales. On the other side the increase in sundry creditors is largely the counterpart of the crude oil afloat.

Up to this point no reference has been made to the unsecured loan of £50,000, but it will have been obvious to members that as a result of the growth of the amount invested in current assets, the company, like many others, is short of liquid resources. In view of this we obtained a temporary unsecured loan (which has since been increased to £100,000) to enable us to pay our way until we are able to make arrangements to adjust our finances to a long-term basis. To this end a resolution will be proposed at the annual general meeting to authorise the increase of the ordinary capital by £250,000 from £500,000 to £750,000. Not only do we need more working capital, but we require a considerable sum in order to enable us to complete the expansion of the plant and thus secure the optimum overall output. This entails the installation of additional capacity for distillation, fractionation, solvent extraction and chemical treatment, as well as some new equipment for the manufacture of certain of our specialised products, the range of which has been enlarged by successful work in the research laboratories. It is anticipated the extensions to the plant will be completed in the spring of next year.

NEW SHARE ISSUE

If the resolution for the increase of the authorised capital is passed it is proposed to issue a proportion thereof, and particulars of the new issue will be posted to all ordinary stockholders as soon as possible after the meeting.

In view of the imposition of the excess profits levy it is manifest that the new money we have to raise must be greater than it would have been if we were able to plough back our profits; the years which have been selected on which to base "standard profits" are peculiarly inappropriate in the case of this company, as, it will be recollected, we were working under a rental arrangement with the Petroleum Board (a quasi-Government body) until June 30, 1948, and it was only subsequent to that date that we were able to reap anything like the benefits accruing to the enterprise.

Figures which are just available show that the volume of lubricating oils and greases consumed in the United Kingdom in 1951 was 6.5 per cent in excess of that for 1950, and it is encouraging to note that the company's sales of the comparable group of products show a proportionately greater increase.

Reference should perhaps be made to Raven Oil Company, Limited, which, in addition to handling our exports, is concerned with other overseas business. This company has had a particularly successful year, but the difficulties which currently beset international trade may temporarily hamper its activities.

The board wishes to record its appreciation of the services of the managing directors, the general manager and all other employees who have again contributed to the success of the group.

J. BIBBY AND SONS

INADEQUATE PROFIT MARGINS

MR H. P. BIBBY'S REVIEW

The thirty-eighth annual general meeting of J. Bibby and Sons, Limited, was held on May 15th at the registered office of the company, 21, King Edward Street, Liverpool, Mr H. P. Bibby, JP, the chairman, presiding.

The secretary (Mr Angus Morrice, FACCA) read the notice convening the meeting and Mr E. T. Denton, of Messrs Edward Denton and Sons, read the report of the auditors.

The following is the review by the chairman, circulated with the report and accounts for the year ended December 31, 1951:—

You will notice that the profit shown in the consolidated profit and loss account is a little higher than last year and also that the figure of £444,379, representing taxation, is higher than might be expected in relation to the profit of £655,662; this is due to the fact that the profit on which the Inland Revenue base taxation is £236,000 higher than the profit shown in the company's accounts.

The difference arises because the company in its profit and loss account includes an item of £236,000 as provision for replacing assets at rising prices. This provision, which is barely adequate to provide for the rise in the cost of replacing plant alone, is omitted from the Inland Revenue computation of taxable profits.

COMPUTATION OF PROFITS

In the conventional method of computing profits (and this is the method adopted by the Inland Revenue for purposes of taxation), it is assumed that fixed assets can always be replaced, as they wear out, at the original cost price and the provision for replacement is based on this false view. It is obvious, therefore, that during periods of steeply rising prices, when fixed assets can only be replaced at far above the original cost, profits computed in the conventional way are grossly overstated, and give little inkling of the amounts available for dividends and expansion. If full provision were to be made for replacement of all assets (fixed and current) many companies would have very little profit to show at all.

It may be mentioned that the conventional method of computing profits is now recognised by industry as being quite inappropriate to periods of steeply rising prices and economists have expressed the view that the gross overstatement of profits during the last ten years or so has, by creating a false sense of prosperity, undoubtedly contributed to the present spiral of inflation. Possibly many shareholders have been a little bewildered to see companies carrying considerable amounts to reserve, and at the same time borrowing large sums to keep going. Some day perhaps they will demand that profit and loss accounts of public companies should show the true profit—that is, the amount available for dividends and expansion of business.

THE YEAR'S TRADING

As is reflected by the accounts, the year's trading has been fairly satisfactory. On the animal feeding stuffs side our sales have increased slightly although the total national sales have gone down because of a slight reduction in the ration. In seed crushing we have been rather less fortunate. The total national crush has decreased by about 15 per cent compared with 1950 and our company has suffered in roughly the same proportion. The reduction in total crush has been due mainly to the poor crop of groundnuts in Nigeria, from where the great bulk of our oilseeds are imported. The output of our oil refinery and compound cooking fat departments has been a little less and because of the reduced crush of groundnuts the output of Lecithin has also suffered.

The soap industry remains sternly competitive: 1951 was the first full year in which the housewife could buy soap without coupons, though retail selling prices were still controlled by the Ministry of Food. The demand for soap during the year was less than was expected, consumption being lower than in 1939. The company's position in the soap industry is unique in that it is the only independent soap-maker offering a complete range of domestic soap products to retailers in all parts of the country. Unfortunately, the trade is becoming gradually concentrated into very few hands and one wonders if this tendency will benefit anyone in the long run.

I am pleased to be able to inform you that our subsidiary company, Henry Cooke and Co. (1932), Limited, has had another successful year, and increased its profit over last year.

TWYFORD MILL, LIMITED

Many members will probably have already seen in the Press that in January, 1952, our company acquired the ordinary shares of Twyford Mill, Limited. While this transaction does not come strictly in the year under review, I think it will be appropriate if some reference is made to it here.

Twyford Mill, Limited, produce the finest pedigree seeds, and their mill is situated at Adderbury, near Banbury, Oxon. Our sales organisation have distributed a considerable proportion of their output for the past ten years and the association of the two companies has always been a very friendly one. I am sure that this union will be of great help in developing the business of Twyford Mill, Limited, and will, in addition, strengthen the parent company by giving it a little extra diversity in its range of products. The new board will consist of J. K. Bibby, chairman; S. P. Hoskins, managing director; and H. Mason Bibby and N. M. Bibby, directors.

PROFIT MARGINS

The main departments of the company are still under government control, and with the exception of seed crushing, the profit margins allowed to us by the Ministry of Food are exactly the same per ton of product as they were in 1939. The profit margins allowed for seed crushing have been increased as from January, 1951, because of the fact that the proportions of the various seeds crushed have changed over the past two or three years, but the new margins represent no more than would have been earned on the seeds in 1939.

The capital required for all departments has naturally increased very considerably; the price of animal feeding stuffs, for instance, has risen from £8 to £35 per ton and the capital we need to manufacture and market a ton of feeding stuffs has increased in similar proportion. The profit margins are, therefore, pitifully inadequate and especially so because in computing them it is assumed that plant and stocks can always be replaced at the prices at which they were bought. I have referred to this point in the first section of the review.

PERSONNEL

I deal with the subject of personnel last, but not because I consider it of least importance. The success of any business, and indeed the prosperity of any country, depends ultimately upon the human factor; upon the loyalty, enthusiasm and efficiency of those engaged in industry, whether in the factory, in the office or upon the road. One of the great problems of the present day is to maintain the enthusiasm and efficiency of those employed in industry at a high level, under conditions of large-scale production and the nation's standard of living depends upon a right solution of this problem.

In my last review I said that we were giving some thought to the question of incentives in the factory. We have not yet found any system which is applicable to a factory dealing with such a wide range of processes and products as we do, but in the meantime we believe that efficient management can itself be an incentive. I might mention that we have recently reconstituted our works council and it is now a much smaller body in which a more intimate and personal exchange of ideas between representatives of the management and of the workers can take place than in the former large council, and this is proving a success.

Before closing, I should like to refer to the friendly relations existing throughout the organisation. I wish it had been possible for the directors to have maintained the numerous personal contacts that were possible when the factory was smaller. Lastly, I wish to express on behalf of my co-directors and myself our great appreciation of the services of managers, foremen and workers who by their efforts contribute so much to the success of the company.

The report and accounts were unanimously adopted; the payment of a final dividend of 5 per cent, less income-tax, making with the interim dividend of 5 per cent, less income-tax, already paid, 10 per cent for the year, was approved; the retiring directors, Mr J. P. Bibby, Mr J. E. Bibby and Mr N. M. Bibby, were re-elected and, the remuneration of the auditors, Messrs Edward Denton and Sons, having been fixed, the proceedings terminated.

ASSOCIATED FISHERIES LIMITED

MR W. A. BENNETT'S REVIEW

In the course of his statement presented to the annual general meeting of Associated Fisheries Limited, held on May 20th, the chairman, Mr W. A. Bennett, said that there was every reason to be satisfied with the year's trading after the adverse results of the previous year. At the present time, however, the most serious and disturbing factor is the never ending rise in costs.

In October, 1949, the company was paying 94s. per ton for fuel oil while today the price is 184s. per ton. Nearly £600,000 is being spent annually on oil. The actual cost of operating a long-distance trawler before the war was £60 per sea day, while at the present time it is £260 per sea day for the latest oil burners. Overall catching costs in 1939 were approximately 1¼d. per lb and today they are 5d. per lb and these rising costs cannot be automatically passed on to customers. The industry is in an unenviable position. Although retail prices are approximately 2¼ to 2½ times those of prewar it must be remembered that retailers' costs have also risen substantially. The cost of distributing supplies from the port of landing to the retailer in 1939 was 1d. per lb—today it is in excess of 3d. per lb. Costs of production are at least four times higher than in 1939.

The fish industry is full of hazards and uncertainties and it would be unwise for anyone, however experienced, to predict the future. Nevertheless the company's trawling fleets are the most modern in the United Kingdom and comprise the largest catching unit in the world.

KEMSLEY NEWSPAPERS, LIMITED

VISCOUNT KEMSLEY'S ANNUAL REVIEW

The twenty-eighth annual general meeting held on Thursday, May 29, 1952, at of Kemsley Newspapers, Limited, will be Kemsley House, London.

The following is an extract from the statement of the chairman, the Viscount Kemsley, circulated with the report and accounts for the year ended December 31, 1951, to be submitted to the meeting.

The accounts which you have before you give the results for 1951 and the comparative figures for 1950. They show that after meeting debenture interest and all expenses of working and management the group's profit for the year was £1,662,000 of which the tax collector takes no less than £1,010,000, or over 60 per cent, and minority interests in subsidiaries take £8,000, leaving £644,000 as the net group profit attributable to your company for the year. The net dividend requirements on the preference shares take £272,500 and the margin available for reserves and for dividends on the £2,500,000 ordinary stock is therefore £371,000. The corresponding amount for 1950 was £493,000.

During the year we have redeemed out of the group's own resources debenture stocks of a nominal amount of £123,000 and have expended £446,000 on improvements and extensions of the properties, plant, transport and other fixed assets, or £200,000 more than the charge for depreciation which appears in the profit and loss account. Further substantial capital commitments are noted on the consolidated balance sheet; they amount in all to almost £700,000.

You will have noted that the working capital invested in stocks, which consist mainly of newsprint, increased from £638,000 to £1,164,000 during the year, that is by £526,000; this increased financial requirement was also provided from the resources of the group. Further increases in capital requirements for this purpose have occurred since the close of the year.

DIVIDEND POLICY

The upward trend of working capital requirements demonstrates the wisdom of the past policy of your company in conserving the group's resources and in raising debenture capital on favourable terms when, some years ago, interest rates were favourable to the company. The prospective further substantial requirements to which I have just referred and the very high proportion of the group's earnings which is taken by the Inland Revenue Authorities have caused your board to give further consideration to the dividend policy.

In all the circumstances the directors consider that the right course is to distribute a smaller sum from the net earnings than was distributed for 1950. We propose with reluctance, but with a sure conviction that it is in the best long-term interests of the stockholders, that the dividend for 1951 on the ordinary stock shall be at the reduced rate of 10 per cent. If this recommendation is approved it means that after allowing for the interim dividend of 5 per cent already paid at the same rate as for 1950 the final dividend will be 5 per cent as compared with 7 per cent for the previous year.

If this proposal becomes effective we shall start 1952 with resources greater in their balance sheet amounts by about £244,000 than those with which we started 1951. As I have already indicated, £200,000 of this is represented by a net increase in the investment in fixed assets. The remainder, namely £44,000, is all that is left as a contribution towards working capital requirements including those (£123,000) which were needed for debenture stock redemption during the year.

BURDEN OF TAXATION

I have referred on this and previous occasions to the crushing burden of taxation.

We now have an income tax at 47½ per cent and a profits tax at 2½ per cent levied on the undistributed profits of companies, with an additional 15 per cent levied on the gross amount of profits which are distributed in dividend. This additional rate of tax is levied with respect to preference dividends as well as ordinary dividends and, in the case of your company, the preference dividends attracted during 1951 no less than £210,000 by way of distributed profits tax. The whole burden, however, is payable by the company and thus falls upon the reserves and amounts available for the dividends of the ordinary stockholders. Moreover, it should be borne in mind that not all of the expenses which are necessarily charged in arriving at the profits shown by the accounts of the companies are treated as deductible expenses in assessing profits for taxation purposes. Matters like this are irritations when taxation is at low or medium levels, but at its present height are a serious burden upon the industrial machine.

PRESSURE OF COSTS

The pressure of costs has intensified the competition for circulation. The reason is obvious. Advertisement revenue is a vital factor in the economics of newspaper production, and while it is by no means wholly true that advertisement follows the large circulations, circulation is a major factor in determining rates. Yet quality of circulation is only less important than size, and many newspapers more than make up for a smaller circulation by the quality of their readership. At least two of our own newspapers are evidence of this. *The Sunday Times* although it has the largest quality circulation among Sunday newspapers nevertheless falls well below the mammoth figures of some of the popular Sunday newspapers. Yet its superiority as an advertising medium is never questioned. The same considerations apply to the *Daily Graphic*. That newspaper has a singularly faithful body of readers who prove themselves to be extremely valuable to the advertiser, for as every survey confirms, they are drawn from among those who have the money to respond to the offers advertisers make.

THE FUTURE

Looking to the future it must be obvious that under present conditions any material rise in the total circulation of newspapers can scarcely be expected. Our objective, then, must be to increase our share of that total by the utmost efficiency in production and attractiveness in presentation of our own newspapers. The value of advertising is even more widely recognised throughout the business world, and I am confident that the volume of advertising demand will continue to increase. So long, however, as newsprint remains at anything like its present price and so long as the total wage costs of production continue to mount, newspapers cannot achieve that degree of porfitability which the capital and effort engaged in them deserves.

We must therefore occupy ourselves in consolidation and economy against the time when we can make our calculations based on costs not subject to the sudden and striking increases we have experienced in 1951.

THE SOCIETY OF INCORPORATED ACCOUNTANTS AND AUDITORS

FLUCTUATING PRICE LEVEL AND TAXATION

The sixty-seventh annual general meeting of The Society of Incorporated Accountants and Auditors was held on May 21st in London.

Mr C. Percival Barrowcliff, FSAA, the president, occupied the chair, and in the course of his address said:—

A much better understanding of the business structure appears to be necessary today. In so many ways we act as if we were dealing with something of strictly limited duration. We do not consistently regard business as a continuing enterprise nor approach it as an entity to be preserved. I would quote but two instances of this limited view: first, the accounting approach to the implications of changing money value, and secondly our present fiscal policy.

I submit that we need to reconsider seriously our attitude to the business structure. Its continuance is vital to the nation's economy. I think we should all agree that the successful business structure built up in this country has operated on the principle of continuity and that its success is in no small measure due to that factor. I suggest that there is much here to challenge our thoughts and I hope to cause a revision of our attitude to business enterprise.

MEASUREMENT OF REAL PROFITS

I have often stated my own views on the problem of fluctuating price levels. In measuring the real profits of an undertaking, depreciation of fixed assets should be charged on the basis of the current cost and, similarly, stocks should be considered in the same light because the fund so invested is virtually a fixed asset. Unless this is done in a period of rising prices, part of the capital of the undertaking is being included as profit. It is difficult to understand how such a profit, including—as it does—part of the capital resources of the business, can be represented as a "true and fair view" of the operating profit. Much is made of the difficulties in applying the foregoing principles. Admittedly there are difficulties, but we should address ourselves to a consideration of the serious effects of our existing conventions. I suggest these effects are more serious than the difficulties to be overcome.

TAXATION

There can hardly be two opinions on the question of the harm being done by the present crushing weight of taxation. I join with many others in deploring the crushing weight of death duties. Those of us in practice know full well the deep concern felt generally about the hardships occasioned by them. Moreover, the spirit of thrift which contributed so much to the country's financial strength in the past is rapidly disappearing. If we completely lost this spirit of thrift—what will be the result? I suggest there is only one answer—a diminishing standard of living.

I want to emphasise particularly the unfair incidence of death duties upon many private businesses. I would claim that family businesses are a vital part of the country's economy and should be preserved as a national asset. I ask for a reconsideration of the implications of death duties with particular reference to the unduly high rates for all ranges of estates and the invidious treatment of estates involving private businesses affected by Section 55 of the Finance Act, 1940.

RIO TINTO COMPANY, LIMITED

IMPROVED TRADING RESULTS

HIGHER YIELDS FROM RHODESIAN HOLDINGS

THE EARL OF BESSBOROUGH'S SPEECH

The seventy-ninth annual general meeting of R.o Tinto Company, Limited, was held on May 22nd in London, the Rt. Hon. the Earl of Bessborough, GCMG (the chairman), presiding.

The chairman, in the course of his speech, said:

The profit for the year, carried from revenue account to appropriation account, increased from £228,182 for 1950 to £944,015 for 1951, an increase of £715,833. Of this increase, £399,885 was due to the higher yields on your Rhodesian holdings, while on trading instead of a loss of £145,910 as in 1950, there was a profit of £144,164 for 1951.

The strength of the Rhodesian copper companies is remarkable, and as you have seen, this company has benefited handsomely from the extraordinarily successful year they enjoyed.

It is a matter for regret that so many overseas mining companies have been driven to take the control of their operations abroad, though we in this company from our own practical experience are well able to understand it, for we realise the weight of the extrusive pressure which the fiscal system brings to bear upon such enterprises.

ENCOURAGING OUTLOOK

Turning now to the company's trading position, members have had to wait a great number of years before the directors have been able to say that an improved outlook could be discerned for the company's Spanish business. However, the trading position did improve considerably during the year 1951 and, although the trading profit of £144,164 is small in comparison with the volume of trade done by the company, nevertheless there are reasonable grounds for believing that the long-term trading prospects are brighter.

Over the year 1951 exchange rates in Spain remained stable and in consequence a halt was called to the necessity for making substantial adjustments in the annual accounts because of exchange movements. Nevertheless, the surpluses which were achieved during the year were mainly reflected in a large increase in the company's Peseta assets in Spain. This in itself might even be regarded as something of an embarrassment so long as British taxation regulations maintain the absurd provision that profits arising in foreign currencies are taxable, whether or not they are remitted or able to be remitted. However, at the end of the year, accompanied by the managing director and Mr Gough, I paid a lengthy visit to Madrid, in the course of which, following interviews of a most friendly character with the Minister of Industry and the Minister of Commerce, arrangements were concluded for the resumption of sterling remittances. The implementation of these arrangements began immediately and certain sums have already been received. Your directors were given grounds to hope that these remittances would be continued.

I referred last year to the appointment of the Commission called Operation "P" to deal with the Spanish pyrites industry. Our relations with that body have been cordial and I should like to place on record our appreciation of the co-operative assistance rendered us by its members and of their understanding of the problems of the pyrites mines.

MINES IN SPAIN

The mines were in full production during the year and it is hoped that their productive capacity will be increased over the next year or two as a result of the Spanish Government having allocated $1,220,000 of the loan granted to Spain by the USA to the importation of plant and replacement materials which will be available for purchase by the Rio Tinto Mines. The labour supply is, however, at the moment only barely adequate for our needs. Sales of pyrites rose from 822,866 tons for 1950 to 951,175 tons for 1951. Rising costs have again overtaken the internal prices paid to the company for copper, sulphur and pyrites and your directors hope that too long a "time-lag" will not be allowed to occur before this disability is remedied by the authorities. It was the high price obtained for export pyrites which enabled the company to make Peseta profits.

Work at the mines continued uninterruptedly throughout the year under review and the directors are sure you will approve of the decision they made in December last to give a Christmas bonus to the Spanish staff and workmen amounting to about 4 million pesetas.

During the visit to Madrid to which I have alluded I had the honour of an audience with the Chief of the State. I was also most courteously received by the Minister of Foreign Affairs.

BALANCE SHEET

The market value of quoted investments has again increased and at the end of 1951 stood at £13,935,648.

EXPLORATION WORK

As stated in the directors' report, the board intends actively to pursue the examination of prospects in Africa and elsewhere as opportunity permits. Prospecting, it should be realised, is a long-dated programme and it is likely to be some time before anything will merit special mention.

ADMINISTRATION

No changes in the directorate have occurred since our last meeting. As you will have seen from the notice of the extraordinary general meeting which is to follow, certain amendments to the articles are being proposed which, with your approval, will, I hope, facilitate the day-to-day administration of the company.

DIVIDEND

As you have already been informed in the directors' report, the board recommend that the dividend on the ordinary shares be 15 per cent, free of tax, and that these shares should on this occasion receive in addition a bonus of 20 per cent, free of tax, on account of the extraordinary increase in Rhodesian investment income in 1951.

At the same time the carry-forward on appropriation account would be increased from £1,002,943 to £1,154,862.

The report and accounts were adopted.

At the subsequent extraordinary general meeting resolutions amending the articles of association were approved.

BEYER, PEACOCK AND COMPANY

(Locomotive Builders and General Engineers)

RECORD ORDER BOOKS

MR HAROLD WILMOT ON THE OUTLOOK

The annual general meeting of Beyer, Peacock and Company, Limited, was held on May 21st, in London, Mr Harold Wilmot, OBE (chairman and managing director), presiding.

The following is an extract from his circulated review.

The consolidated profit and loss account for 1951 shows the group profit, before tax, as £504,738 for that year, an increase over the previous year of £100,829. After taxation the combined net profit for the year was £238,065, an increase of £42,624 over the 1950 figure. This increase in profit was a reflection of higher total sales throughout the group.

In October, 1951, negotiations were started for the acquisition of further production facilities made necessary by additions to our range of products and the generally expanding order books of our group. These negotiations led to the purchase for £160,000 of the freehold land (approximately 30 acres), buildings, plant, machinery, motor vehicles, patterns, tools, dies and accessories, stocks of materials, spare parts, and work in progress, drawings, designs, and records of Dening and Company (1937), Limited. A new company called Denings of Chard, Limited, was formed as a wholly owned subsidiary of Richard Garrett Engineering Works, Limited, and this new company took over all the assets above described. Your directors confidently expect this acquisition to prove an added source of strength to the group as a whole.

SHORTAGES RESTRICT TRADE EXPANSION

The order books of the group stand at new record high levels and the only factors precluding considerable further expansion in productivity are shortages of skilled labour and the rationing of essential materials. Most of our products and their market are in categories officially described as carrying a high rating in the fields of essentiality. It should, therefore, be logical to expect little, if any, reduction in the volume of material supplies.

At the last annual general meeting a request was made that the Board should consider and if possible arrange for an interim dividend. An interim dividend—the first in the company's history—of 4 per cent gross was therefore paid on the ordinary shares in February last.

In my opinion the results for 1951 are gratifying. It would be folly to attempt a forecast in respect of 1952 without some warning that production problems are perhaps more serious and intractable than at any time in recent history. Our products do not suffer by comparison with those of our competitors which may account for our record order books at fair prices. Our factories are well equipped and finances are sufficient for immediate needs. Given adequate supplies of materials and no serious economic disturbance, the results for 1952 should be reasonable. Steel supplies in the first quarter were disappointing, but have subsequently improved.

The report and accounts were adopted and the proposed final dividend of 3½ per cent, plus a bonus of 2½ per cent, making 10 per cent, less tax, for the year, was approved.

BRITAIN STEAMSHIP COMPANY, LIMITED

VERY SATISFACTORY RESULTS

MR E. H. WATTS ON THE OUTLOOK

The sixty-eighth annual general meeting of the Britain Steamship Company, Limited, was held on May 16th at Winchester House, Old Broad Street, London, EC, Mr E. H. Watts, the chairman, presiding.

The Secretary (Mr F. J. Bassett, ACA) read the notice convening the meeting, and Mr B. Franklin, FCA, of Messrs Bagshaw and Co., the auditors, read the report of his firm.

The following is the Chairman's statement, which had been circulated with the report and accounts:—

I think you will agree that last year's results are very satisfactory. The company has made a lot of money and stockholders might well expect the directors to augment the increased dividend; the Government's appeal to restrict dividends should not, however, be ignored.

COMPETITION AND PENAL TAXATION

For 23 years I have warned the company's shareholders—now stockholders—of the inevitable result of successive governments ignoring the financial needs of the British Mercantile Marine and the fact that it is and has been open 100 per cent to foreign competition since the repeal of the Navigation Act early in the last century. As war succeeded war, the "inducement" demanded by neutrals—and sometimes allies—to charter their ships for the cause, was many times more than our economically minded Treasury would pay for British ships.

British profits were further reduced by penal taxation, a drain successfully avoided by our competitors. But it was not only in rates of hire that neutrals and others gained an advantage and the following example within our own knowledge will add point to this statement. When a five-year-old British ship was lost in the first half of the war, the government provided the owner with less than half the money needed to replace her, while the owner of a 30-year-old neutral was given the price of a new ship.

Stockholders have been advised of the wholly unsatisfactory financial position of their property if a new war breaks out. I am sorry to say that little real progress has been achieved during the last year in inducing the Treasury to agree to a fair war risk insurance scheme. For the first time this company has made profits, which will go some way to recovering the ground lost during the war.

EXTENSIVE BUILDING PROGRAMME

More than a year ago your directors worked out an appreciation of the world shipping situation by 1960. A large proportion of the world's dry cargo tonnage is obsolete or of poor war-time vintage. Many of these vessels would have to lay up, while "Britain" ships could still trade at a reasonable profit. Shipbuilders are overwhelmed with orders for tankers, but few tramps are on the stocks; there are not even enough of the latter to replace normal wastage. These are some of the reasons why your directors authorised the extensive building programme which is reported to you.

The new class of ship, m.v. *Windsor*, has been designed, as was the m.v. *Wanstead*, with an eye to developments of speed, subdivision, upkeep and efficiency not for today, but for ten years ahead. There is no need to remind you that ships are built to last 20 to 25 years.

One cost of shipowning which may be expected to rise progressively is repairs. That has been our experience since the company was founded. For this and other technical reasons we have resolutely set our faces against any welding in the hull. The only welding we have done is on the tank tops, the bulkheads and similar watertight structures. Welding is attractive from the point of view of first cost and weight-saving in the hull, but we think that owners who have gone in for it in a big way will pull long faces when their ships have hull repairs to be done.

FUTURE PROFITS

Stockholders will probably want some indication from us of our views for the future. During the past two or three months there has been a substantial fall from the rather absurd freight levels reached because of the demands for tonnage of the Korean war and different governments' stockpiling. I would here emphasise once more that the British share of the world's tonnage has dropped so much that we are no longer in a position to "make the market," and that these high rates of freight were run up not particularly by British shipowners but by a very large number of foreigners, including, curiously enough, the USA, who are footing most of the bill. Our view is that the profits for 1952 will not be as high as they were in 1951, but we still look for an adequate return for the services we render to the community.

The report and accounts were unanimously adopted; the retiring directors, Mr E. H. Watts and Mr D. Luke, were re-elected and Mr P. A. Clews was reappointed by special resolution. The remuneration of the auditors, Messrs Bagshaw and Company, was fixed, and the proceedings terminated with a vote of thanks to the staff, afloat and ashore.

JOHNSON & PHILLIPS

RECORD TRADING BALANCE

The forty-seventh annual general meeting of Johnson & Phillips, Limited, was held on May 22nd, in London.

Mr G. Leslie Wates, JP, chairman and joint managing director, in the course of his speech, said:—

The balance from the trading account for the year amounts to a record figure of over £800,000, and shows a satisfactory recovery from the fall in this balance which had occurred in 1950. The increase is accounted for mainly by increase in turnover, but partly by increase in the money value of some of our raw materials. On the other side the item which is substantially increased from the previous year is that of taxation. This includes the penal rate of profits tax introduced by the then Chancellor of the Exchequer in the Budget of 1951, and which, apparently, is now not to be redressed by the Budget of 1952. There is an increase in the net profit for the year of £140,000. We recommend that the dividend should be maintained at the same rate as for many years past.

Parliament is now debating a new excess profits levy. It is deplorable that the Government should contemplate any such tax on industry—a tax which is so unfair in its incidence, which penalises the progressive and energetic firms and in respect of which there is practically no incentive for any company to adventure and to produce more trade for the country. The well-established policy and practice common to all industry until the past few years has been the steady expansion and development of the business out of undistributed profits. This is impossible today because of high taxation.

The report was adopted.

THE UNITED MOLASSES COMPANY, LIMITED

INCREASED PROFITS

The twenty-sixth annual general meeting of this company will be held on June 10th in London.

The following is an extract from the circulated statement by the chairman, Sir F. Michael K. Kielberg, KBE:—

After charging depreciation and making provisions there remains a net profit of £2,452,650 compared with £1,173,052 for the year ended December 31, 1950.

The great increase in profits is mainly accounted for by high freights and increased profits on trading in Molasses which were favourably affected by the strong demand at high prices which continued right up to the last quarter of the year. Since then there has, however, been a steep decline in the use of Molasses for distilling purposes, largely caused by abnormally high prices since the autumn of 1950. Current prices are so high that they no longer bear any reasonable relation to available supplies and demand.

Although profits from Molasses in recent months show a sharp decline the consolidated profits for the first three months of the current year comfortably exceed profits earned during the same period last year and prospects for the next few months are equally promising. We live, however, in such uncertain and unpredictable times that all I feel safe in saying at present is that the year has started well and that the group's consolidated earnings for the current year, barring some catastrophic happenings in the months to come, should prove entirely satisfactory if compared with the earnings of any year prior to 1951.

PROCEA PRODUCTS LIMITED

SATISFACTORY PROGRESS

The fifteenth annual general meeting of Procea Products, Limited, was held on May 19th in London, Mr D. W. Kent-Jones, PhD, BSc, FRIC (the chairman), presiding.

The following are extracts from his statement:—

In spite of rising costs and despite competition, we have made satisfactory progress. This is reflected in our increased turnover, larger gross trading profit, and the highest net profit in the company's history. The period under review has, however, been difficult in many ways and particularly because of the ever-rising costs which the company has had to bear, part of which it has not passed on to its customers.

Today we have nearly 4,000 Procea bakers throughout the country, against the figure I reported this time last year of 2,800. During the year we have introduced a complete Procea flour and have reintroduced the Procea brown loaf.

There has been a steady increase in the sales of Procea bread and rolls. We have ample evidence of the public insistence on Procea bread, but naturally competition and reduced spending power of the public has meant that selling has not become easier. There is still a steadily increasing demand for both our Procea white and particularly for our Procea brown, and we are anticipating satisfactory results from a number of sales campaigns we are now running throughout the country.

In spite of the various problems we have encountered, and may encounter, I remain full of optimism and confidence.

The report was adopted.

UNITED DRAPERY STORES

SATISFACTORY PROFIT AND TURNOVER INCREASE

SIR BRIAN MOUNTAIN'S SURVEY

The twenty-fifth annual general meeting of United Drapery Stores, Limited, was held on May 22nd in London, Sir Brian E. S. Mountain, Bt (the chairman), presiding.

The following is an extract from his circulated statement:—

Our investments in subsidiary companies have increased by £541,000. This arises principally from two transactions. The first was the acquisition of 425,000 Ordinary shares of 5s. each in John Blundell, Limited, held by four insurance companies. We now hold over 90 per cent of the Ordinary share capital in this subsidiary.

The second transaction was the acquisition in September last of the business of John Fisher and Son (Glasgow), Limited, and its four associated household supply companies.

THE YEAR'S RESULTS

The increase in group trading profit by £492,000 to £1,894,124 must be considered satisfactory, particularly in a year in which retail distributors have not, in general, shown increased profits. Of this increase, approximately £180,000 arises from new businesses or interests acquired during the last two years. The remaining increase of £312,000 reflects the expansion of our other subsidiary interests. The latter increase has been achieved in spite of substantial rises in costs of every description, and is mainly due to a satisfactory increase in turnover.

Decreases in retail prices, due to reduced demands by the public and to heavy stocks held by manufacturers and wholesalers, have had the result that, for the first time since 1939, business has become really competitive. We welcome this competition, which has undoubtedly led to better values being offered to the public, and it will be our endeavour to continue to improve on the values we can offer in our businesses.

You will notice that there remains a resultant profit, before taxation, of £1,760,974, which is just over £500,000 higher than the comparative figure for the previous year.

EPL: A BRAKE ON PROGRESS

The demands of taxation require nearly £1,100,000 or about five-eighths of our profits.

Excess Profits Levy acts as a brake on progressive and expanding businesses and by its nature tends to destroy incentive and encourage wasteful and unproductive expenditure.

As far as our group is concerned, approximate calculations have been made of our possible future excess profits liability and, assuming that we earn next year profits similar to those before you, we estimate that the increased total charge for taxation, after taking into account the reduction in profits tax, will be in the neighbourhood of £100,000. This is indeed a heavy blow, particularly as any increase in profits above this year's figure will be taxed at 16s. in the £.

The net profit attributable to the group after taxation is £606,484, which is £170,000 more than a year ago. Your directors have decided to recommend a total distribution for the year of 30 per cent a modest increase of 2½ per cent.

I am confident that whatever lies ahead our organisation is well equipped to deal with the various problems that will undoubtedly arise. A stabilising factor in the present uncertainty is that our businesses are well spread and cater for all classes of the public. In spite of rising expenses and general uncertainty we are hopeful that the current year's results will in all the circumstances prove to be satisfactory.

The report was adopted.

MURPHY RADIO

EXPORTS MORE THAN DOUBLED

The annual general meeting of Murphy Radio Limited, was held on May 21st, Mr E. J. Power, the chairman, presiding.

The following is an extract from his circulated statement:—

In submitting the report and accounts for 1951 I am happy to say that the progress of the group has been well maintained. The parent company's turnover exceeded that of last year and the subsidiary companies, developing as planned, contributed in good measure to the group profit. The net profit before tax is £412,927 compared with £251,535. Taxation reduces the amount available for distribution to £168,272, and after payment of the preference dividend and provision for the 10 per cent on the ordinary shares, the carry forward at the end of 1951 was £149,879 compared with £20,260.

In spite of the increase in profits the board recommends maintaining the same rate of dividend on the ordinary shares as last year, since under present conditions they consider it essential to retain in the business as much cash as possible. The threat of dividend limitation, and the recently proposed financial measures of the 1952 budget, have contributed to the unfavourable conditions for the raising of further capital.

The new excess profits levy, if enacted in its present form, will probably result in a considerable increase in the burden of tax carried by your company. Whatever may be said for or against the form of the excess profits levy or even the necessity for it, there is no doubt that the word "excess" has a tang about it which is most objectionable and misleading.

INCREASED TURNOVER

Turnover in all products has increased and having regard to the nation's urgent need of exports and the increasing competitiveness of other manufacturing countries it is particularly gratifying to be able to say that the total of our exports has considerably more than doubled. Our subsidiary, associated and overseas companies have substantially assisted in this advance; they have strengthened their own positions, and provided a valuable source of revenue to the group.

The television relay service in Gloucester, to which I referred last year, is now well established and expanding rapidly. Many delegations have visited this pioneer relay service, and as a result concessions have been received from other cities.

In these days, when political action at home and abroad can drastically affect industry's prospects overnight, it is unwise to rely too much on carrying out preconceived ideas. The broad base of your company's products does, however, give us the opportunity of minimizing the effect of restriction in any one sphere. The opening of the new television transmitters in Scotland and Wales will bring more homes within the reception area, but the increasing cost of living and the government's restriction of hire-purchase facilities will restrict the overall demand for home market domestic products. However, the proportion of our manufacturing capacity which is being devoted to electronic equipment for supply to governments at home and abroad and to large corporations is rising rapidly. Orders for such equipment to be supplied during 1952-53 are considerably in excess of those executed in 1951, which themselves were greater than 1950.

Success depends a great deal upon the manner of carrying out the day-to-day work of the business, and once again I am glad to say, on your behalf and on that of the board, how much we appreciate the loyalty and keenness of our employees in all companies.

The report was adopted.

LANCASHIRE HANDBAG COMPANY LIMITED

SATISFACTORY RESULTS

MR R. W. JERRATT ON TRADING CONDITIONS

The twenty-first ordinary general meeting of the Lancashire Handbag Company Limited, was held on May 15th at 55 Bishopsgate, London, EC.

Mr R. W. Jerratt, the chairman, said: Gentlemen, we are submitting for your approval the twenty-first annual balance sheet and accounts, which, as in the past, you will no doubt agree to take as read. (Agreed.) It will be observed that your company has not escaped the effects of the recession which, during the second half of last year, hit the retail trade generally.

The trading profit is £64,112, as compared with £76,707 for the previous year, and the net profit, after providing for taxation and depreciation, etc., is shown at £18,654. Although the profit is not equal to that of last year, considering the special trading conditions with which your company was confronted we feel sure that you will agree that these results are not unsatisfactory.

RISE IN COSTS

The turnover in value for the year and the quantities sold were slightly less than those for 1951. During the year our costs rose due to increases in wages and materials and we continued our policy, to which I referred last year, of absorbing the increased cost to the maximum extent possible before passing this on to our customers. We must continue this policy in order to maintain production and stimulate sales and meet the keener competition with which we are now faced.

Present conditions of retail trading generally make it impossible to forecast the future of business but I can assure you that, given materials at reasonable prices, and with our efficient staff and competent management and a reputation for quality and design second to none in the trade, we shall, as always, continue to do our best for the company.

Your directors are conscious that the success of the company is dependent to a large extent upon the efficiency of the staff and I wish to take this opportunity, on your behalf, of expressing our appreciation to our managing director and members of the staff for the loyal co-operation which they have shown throughout a difficult year.

The report and accounts were unanimously adopted and the proposed final dividend of 10 per cent actual, less tax, making 20 per cent, less tax, for the year, was approved.

CROWN AGENTS FOR THE COLONIES

EX-ECONOMIC AND MARKETING OFFICER required by the Government of Uganda for the Department of Commerce for one tour of 2½ to 3 years with prospect of permanency. Salary according to age and experience in the scale £687, rising to £1,390 a year (including allowances). Outfit allowance £30. Free passages for the officer and wife and assistance towards the cost of children's passages. Liberal leave on full salary Candidates under 30 years of age should be of good education and preferably have a knowledge of commercial practice or agricultural marketing. A University degree would be an advantage.

Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience, and mentioning this paper, to the Crown Agents for the Colonies, 4 Millbank, London, S.W.1, quoting on letter M.29085.C. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS; PATENT EXAMINER AND PATENT OFFICER CLASSES. The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1952. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1952, may eventually be announced. The Scientific posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply.

Candidates must have obtained a university degree with first or second class honours in an appropriate scientific subject (including engineering) or in Mathematics, or an equivalent qualification; or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer and Patent posts taking their degrees in 1952 may be admitted to compete before the result of their degree examination is known.

Age Limits: Senior Scientific Officers, between 26 and 31; for Scientific Officers and Patent Classes, between 21 and 28 during 1952 (up to 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales: Senior Scientific Officers (men), £812—£1,022; (women) £681—£917; Scientific Officers (men), £440—£707; (women) £440—£576; Patent Examiner and Patent Officer Classes (men), £440—£655. (Rates for women under review.) Somewhat lower rates in the provinces.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S 53/52 for Senior Scientific Officers and S. 52/52 and S. 128/52 for the other posts.

SPANISH BANK REQUIRES SUB MANAGER, CANARY ISLANDS BRANCH, AND OFFICIALS FOR FOREIGN DEPARTMENTS IN SPAIN. SOME KNOWLEDGE OF SPANISH AN ADVANTAGE.—WRITE, STATING BANKING EXPERIENCE, BOX NO. 958.

AN EASTERN BANK seeks a Resident Principal (male) for its Training College for Asian executive officers which will shortly be opened in Surrey.

Candidates must be British subjects by birth, not older than 55, and they should have held teaching or administrative posts at universities or colleges in Southern Asia, South-Eastern Asia or the Far East. A degree in Economics or Commerce would be an advantage.

The appointment will be made for an initial term of five years.—Applications, accompanied by testimonials, should be addressed to Box 5835, c/o Charles Barker & Sons, Ltd., 31, Budge Row, Cannon Street, London, E.C.4.

SALES CONTROLLER.—Well known both home and export. For the past ten years has with great success directed the sales force of a large Textile Organisation, employing seventy-five travellers in the home trade and extensive overseas representation. Advertising, Sales Promotion and Market Research. For personal reasons is now considering a change. Would be interested in either sales or general management or possibly a partnership. Highest top level recommendations.—Write in complete confidence, Box 949.

A CHALLENGE to a young accountant of dynamic personality who can "stick it" and make good. Large British engineering company with works in Calcutta requires qualified Accountant for appointment under renewable contract; initial period three years. Good salary with generous allowances and six months' leave on full pay at end of each contract period. Advertiser only interested in applicants who are prepared to settle in India with the Company. Job is progressive and qualifies for good pension at early age.—Box 948.

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home farm), country house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London.—Write, Major B. Carnegie, "Stronvar," Balquhidder, Perthshire.

EXHIBITION OF BOOKS ON INTERNATIONAL RELATIONS (English American, French) at BOOK HOUSE LIMITED, 7, Whitehall, S.W.1, 10-5.30, Saturdays included; open to June 7th.

EFFICIENCY IN BUSINESS.—An Exhibition of the latest books on all aspects of business administration and management is open until June 6th, from 9.30 a.m. to 6 p.m. daily, at C.P.C. LONDON BOOKSHOP 6, VICTORIA STREET, S.W.1. Tel.: WHI 4011.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (*periodicals excluded*).

YOUNG graduate to initiate a market research programme wanted by large non-ferrous metal and chemical combine. Headquarters in London. Age 25-35. Some commercial background essential. Salary £800 upwards according to experience and results. Write for further details and form of application to J. Munro Fraser Ltd., 32, Duke Street, St. James's, London, S.W.1.

A CREDIT CONTROL MANAGER wanted for large industrial corporation with headquarters in London. Age 28-45. Experience of similar work essential. Salary £800 upwards, according to qualifications. Write for further details and form of application to J. Munro Fraser Ltd., 32, Duke Street, St. James's, London, S.W.1.

YOUNG MAN just left Public School, now waiting to be called up for National Service in August desires interesting post until then. Keen on gaining experience in industry or commerce.—Box 962.

UNIVERSITY OF ABERDEEN

POLITICAL ECONOMY DEPARTMENT

Applications are invited for a Junior Research Fellowship and Assistantship in Political Economy. Salaries: Research Fellow—£400 to £500, Assistant £450 or £500 per annum, according to qualifications and experience, plus F.S.S.U. and Children's Allowances. The University will pay a proportion of furniture removal expenses.

Applications should reach the Secretary to the University (from whom forms of applications and conditions of appointment may be obtained) not later than June 20, 1952.

The University, Aberdeen. H. J. BUTCHART, Secretary.

COLLEGE OF TECHNOLOGY, BIRMINGHAM

The Governing Body seeks to appoint to the

DEPARTMENT OF INDUSTRIAL ADMINISTRATION

someone of high personal calibre, with industrial experience, qualified to conduct study of the problems of

HUMAN RELATIONSHIPS IN INDUSTRY

and to develop the capacity of students of industrial management to work effectively with people.

The appointment will be in the grade of Senior Lecturer—*salary £1,000 by £25 to £1,150 (men) or £800 by £20 to £920 (women).* Further information and a form of application which must be returned not later than 14 days after the publication of this advertisement may be obtained from The Registrar, College of Technology, Suffolk Street, Birmingham, 1.—C. McCaw, Clerk to the Governing Body.

THE POLYTECHNIC

309 REGENT STREET, W.1

Session 1952-3

Enrolment can now be made for the following full-time courses:—

(1) Preliminary and Final B.Sc.(Econ.), and Final B.Com. of London University.
(2) Commercial Studies and Administration.
(3) General Secretarial Studies.
(4) Professional Course for Accountants.
(5) Professional Course for Statisticians.

Also

(6) A part-time Course in Economics of Labour and Industry.

Inquiries and applications to the Head of the School of Commerce, from whom a prospectus can be obtained.

UNIVERSITY LECTURESHIPS IN ECONOMICS AND STATISTICS

The Appointments Committee of the Faculty of Economics and Politics give notice that they hope to appoint a University Lecturer in Economics and a University Lecturer in Statistics to take office from October 1, 1952. The appointments will be subject to the Statutes and Ordinances of the University. Further particulars can be obtained from the Secretary of the Appointments Committee, the Marshall Library, Downing Street, Cambridge, to whom applications should be sent to reach him not later than June 18th. Candidates for the post of Lecturer in Statistics will be expected to provide evidence of their proficiency in Economics as well as in the theory of Statistics.

Eight copies of each application should be sent, and, if so desired, one or more copies of any published work or unpublished writings. Testimonials are not required, but a candidate should give the names of two persons to whom reference can be made.

May 16, 1952.

APPLICATIONS are invited for the post of Provincial Agricultural Economist of the Eastern Province stationed at Cambridge. The duties are general responsibility for research, for economic investigations in the field, and for advisory work in farm management. The salary will be in the grade of Principal Agricultural Economist, i.e., £1,040 x £40—£1,240 x £50—£1,395. After some years of satisfactory service a responsibility allowance may be added. The successful applicant will be required to join the Federated Superannuation System for Universities. A limited amount of teaching of a suitable character may be associated with the post.

Applications, in writing, together with the names and addresses of three referees, should be sent to the Secretary, School of Agriculture, Downing Street, Cambridge, by June 7, 1952.

SENIOR BUSINESS EXECUTIVE with world-wide experience, fluent French, German, Spanish, available for executive position entailing business journeys abroad.—Box 944.

SECRETARY REQUIRED for Screen Advertising Executive. Must be well educated, with good appearance, able to handle interviews and correspondence on her own. Fluent French. Other languages an advantage. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952.—Write Box E 628, L.P.E., 110, St. Martin's Lane, London, W.C.2.

AN important industrial educational organisation in the Midlands requires part-time services of enterprising liaison officer to contact industrialists at director level. Congenial occupation for right man.—Apply, Economic League, Lombard House, Birmingham 3.

HONOURS Graduate Economics (31), with full practical experience of Export up to executive level and knowledge of German, French, Spanish, seeks change offering scope.—Box 946.

TEXTILE Graduate (31), wide technical, commercial experience, travelled, foreign languages, invites proposition connected with export trade at home or abroad.—Box 960.

AMERICAN Professor, visiting England academic year 1952-53, wishes rent furnished flat or house; preferably London, Cambridge or Oxford.—Write details to Cyril Bibby, 14, The Avenue, Barnet, Herts.

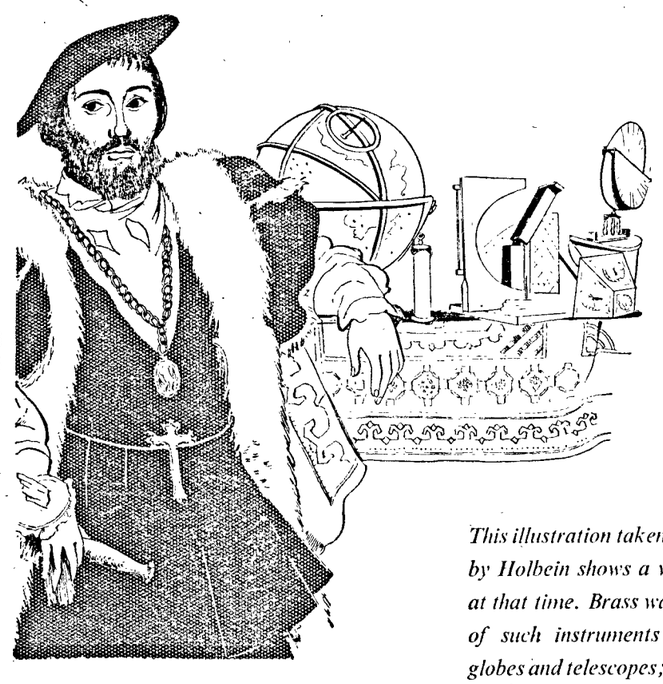
POSTAL TUITION for **B.Sc. ECON.**

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 765 successes at Lond. B.Sc. Econ. Final Examinations, 1925/51.

Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, May 24, 1952.

THE HISTORY OF ZINC



ZINC has been in use in Europe since the 16th Century

This illustration taken from the painting 'The Ambassadors' by Holbein shows a variety of Scientific Instruments in use at that time. Brass was used exclusively for the manufacture of such instruments as astrolabes, quadrants, sundials, globes and telescopes; many of these are shown in this picture.

TODAY ZINC is one of the most important metals in industry. It is used in brass; as a protective covering for iron and steel; large quantities are used for die casting in the motor car and many other industries; and its pigments, Lithopone and Zinc Oxide are widely used by the paint, rubber, linoleum and associated industries.

During the last 30 years a great Zinc industry has been created in Britain by Imperial Smelting Corporation Limited, whose principal activities, in addition to the production of Zinc metal and Pigments, include the production of Sulphuric Acid, Fluorine and its compounds and a variety of other important chemicals.

IMPERIAL SMELTING

U.K. MEMBER OF THE CONSOLIDATED ZINC CORPORATION LIMITED

IMPERIAL SMELTING CORPORATION LIMITED · 37 DOVER STREET · LONDON · W.1

The Economist

Established 1843

May 31, 1952 — One Shilling

SECRETARIAT LIBRARY 26 JUN 1952 MADIVAN WASHINGTON

LEADING ARTICLES

Campaigning Season - - - - 565
Mr Butler's Finance Bill - - - 567
Malaise Among the Mandarins - 568
Commonwealth Development—I 569

NOTES OF THE WEEK - - - 571
Conservatives in Distress; Moscow's Carrot and Stick; After the Bonn Treaty; British Pledges to Europe; Expanding Agriculture; The Price Settlement; The Rules on Broadcasting; Swing Right in Italy; Australia and Nato; Big House on Rhode Island; No Land for Trees; Education in Engineering; The Soldier's Liability; Harnessing the Volta; The Navy of Europe; Catering Fullstop; Consolidation for Courts.

LETTERS TO THE EDITOR - - 580

BOOKS AND PUBLICATIONS - 581

AMERICAN SURVEY
Immigration Omnibus - - - 586
Clouds Ahead for Airlines - - 587
Airways Out of Uniform; Controls—Latest Model; "The Miracle" Upheld; Playing Politics with Pensions.

THE WORLD OVERSEAS
Occupation Ends in Germany 593
Terra Deserta—I; Ideas Around Tito; Meeting with Japan; The Treaty of Germany.

THE BUSINESS WORLD
Chance for Coal Exports? - - 601
Fermentescence in Soft Drinks - - 603

BUSINESS NOTES - - - - - 606
Steady Markets; Sterling Contradictions; Finance Bill in Committee; Policy Up in the Air; Enterprise down in the Dumps; Germany Tries it On; Bonds and the Gold Clauses; Anglo-Persian without Abadan; Two Committees on Purchase Tax; Rhodesian Selection Centre; Migrate?; Market Prices for Gilts; Decorated Pottery at Home; Plan for the Comet; Power at the Docks; Super Priority for Mine-sinkers; Second Thoughts on Soil Planning; Shorter Notes.

COMPANY NOTES - - - - 614

STATISTICAL SUMMARY - - 616

COMPANY MEETINGS - - - 617

Vol. CLXIII No. 5675
ECONOMIST, 22, Ryder Street, St. James's, S.W.1. *Telephone*: Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Campaigning Season

AS General Ridgway takes over this week the supreme command of allied forces in Europe, a new campaigning season opens in the cold war. One stage of the long diplomatic struggle with Russia for the allegiance of Germany has ended, and another now begins. In one treaty Western Germany gets the next best thing to a peace treaty and many of the essentials of sovereignty; in another it accepts the rights and obligations of membership in a European Defence Community. The way is open to a German army of 12 divisions—some 200,000 men—and a tactical air force; if the way is barred to independent German forces, a revived general staff, and the manufacture of the main scientific weapons, the Russians must still see in all this the beginnings of a German revival in the western camp of which the end cannot be foreseen. They will almost certainly be nervous; for the initiative in German affairs has, for the moment, been snatched from them and they face the prospect of a serious diplomatic defeat. Therefore, say those who feared war in May of last year and fear it again now—therefore, the Russians will strike back.

They certainly will; on that score there can be no doubt. But it does not follow that they will use military methods. Germany is not Korea, even though General Ridgway's arrival from the fighting front to the political front may suggest certain analogies between these two divided countries. There can be no purely local war on the frontier between western and eastern Germany, no secluded *Putsch* in Berlin; the guarantees given to Germany and to the Defence Community by Nato ensure that. Attempts to use force will be met by force. This should be clearly understood on all sides, for the whole purpose of Allied policy in Europe is to provide clear and powerful deterrents to aggression in any form—that and no more. This must be seen as clearly in Moscow as in Washington, and to suggest that the Russians ignore the deterrents and will deliberately provoke war is to imply that their political game in Germany and Europe is already lost. In fact it is not; the cards have been re-dealt, but the game goes on, with the Russians still strong in trumps.

In the first place, no one in France or Germany expects the two new treaties to be ratified before October. The results of so much private negotiation need thorough public and parliamentary discussion if the powerful resistance in the Assembly and the Bundestag is to be overcome. Neither M. Pinay nor Dr Adenauer is strong enough to bulldoze the Oppositions they face. In the second place, everything that the Russians do or say between now and the autumn will influence the chances of ratification. If they make it easier—as they may—to talk sense about free elections and unity for Germany, opinion in Western Germany will press for four-power talks, and progress towards ratification will slow down to crawling pace. If the Russians use the stick as well as the carrot, if they bully the free Berliners while wooing the westerners, they will close the official ranks in western countries but will cause grave uneasiness in the unofficial ranks behind them.

There is little that the western allies can do in Germany to hurry on execution of what they have put on paper; and there is much that the Russians—and the Germans—can do to slow it up.

*

What is to be expected, therefore, in this critical and crowded summer is a war of nerves such as the West has not experienced since 1948. Berlin may again be the storm centre, for it is there that the Russians have the strategical, and the German Communists the political, advantage. Things can be done to the free sectors of the city which are short of direct aggression, but only just. If there is one way in which the Russians might reckon to force the West into direct conversations it is by a variant of the methods of four years ago. It is true that such tactics might gain votes for Dr Adenauer, as evidence of the kind of pressure to which a united German government might be subject in the old capital of the Reich. It is also true that the bullying of Berlin would strengthen the determination of the free nations to get on with the job of giving Western Europe effective defences and cause some embarrassment to the critics of rearmament. But the Russians have miscalculated Western reactions in the past—indeed, they virtually created the Atlantic alliance—and they might calculate that the Allies could be frightened into pausing on the threshold of alliance with a rearmed Germany. Europe may have to show that it cannot be frightened.

In such a situation the role to be played by the Supreme Commander this summer is clear. It is to give undivided attention to everything that impedes fulfilment of Nato's defence programme for 1952. The operation is behind schedule and the causes of delay are well known: failure of governments to train adequate reserves for the divisions in the field; lags in the production of aircraft and weapons both in the United States and this country; delays in the arrival of American equipment; lack of energy and capacity in some subordinate commanders; inadequate arrangements for land communications and logistics. General Ridgway inherits the handicap that falls on every general staff that has purely defensive instructions: he has to execute simultaneously a long-term plan to make Western Europe gradually stronger and a short-term plan to deter any advisers of Stalin who feel that 1952 offers the last chance of preventing the West from achieving equality of forces in Europe.

But, it can be objected, if it is cold war that is to be expected this summer and not the real thing, is not the main effort called for elsewhere? Is it not morale that will be decisive, the strength of popular conviction that the Allies are following the right course? Western Europe is, after all, the arena; the troops defending it are surrounded by spectators. It makes a lot of difference whether they jeer or cheer. Whose job is it to argue with the crowd? That was one of the jobs that General Eisenhower did best; but it remains to be seen whether General Ridgway is the man to continue it. If he is to know his troops and his commanders, and make his presence felt among them, there will be no time this summer for the Eisenhower touch. Nor will there be time for the stream of non-military problems that were solved by it.

Political direction should be the task of Lord Ismay and the new permanent organisation of Nato that

he is building up. Unfortunately, the tendency there is to start again from scratch, to pull up all the roots planted during three years in London. If Nato has satisfactory organs of political and economic decision by the autumn most people will be surprised. Even then it is not certain that men with the requisite powers of leadership will be there to use them. Nato has passed the stage of planning and has now to put drive behind production and delivery, burden-sharing and exchange of equipment. Lord Ismay has to create the spirit of international loyalty that prevails in the Supreme Headquarters. It is not enough to talk of controlling the generals and setting the pace for them; the task for 1952 is to support the plans they have made and the troops they have organised. If there have been too many half-measures, it is the politicians not the officers who are to blame; and it is Nato's job to bring collective pressure to bear on them.

*

Where else, then, is leadership to be sought? General Eisenhower insisted on its importance in his parting speech in London: "We cannot focus our eyes too narrowly on tanks, guns, planes and ships. They cannot alone preserve peace nor can they preserve freedom." In other words, one of the major tasks of the Atlantic alliance falls on politicians and leaders of public opinion. For every six speeches that are made in the United States about the joint effort, only one is made in Europe. The statesmen, on the whole, have done well and Mr Eden has been outstanding; it is the politicians, trade union leaders, and others with access to public opinion who have failed. And here a special responsibility falls on parties in opposition, whether it is in Britain or in Germany or elsewhere. They accept, generally speaking, the need for democratic governments to be strong, but they cavil about the amount of strength required. What could be wisely and usefully said in 1954 is foolishly and harmfully said in 1952. The ordinary man who hears their arguments feels that if it is possible, as they say, to slow down rearmament and defence preparation, then the international situation must be improving. The politicians may stop short of throwing the baby out with the bath water, but the voter listening to them does not. The result is half measures in the factory and divisions of half-armed troops.

All over Europe the argument is being used that rearmament and the alliance with Germans make it more difficult to come to negotiation with the Russians, whereas the facts of the last three years show precisely the opposite. The gradual adjustment of military power between East and West is slowly obliging the Russians to define terms on which they will negotiate on specific issues. It is a tense and dangerous process of diplomatic attrition, because no one really knows what goes on in the Kremlin. But there was already tension and danger before the process started—and a feeling that nothing could be done about it. The duty of democratic politicians is to show that something is now being done about it, to be candid about international risks, to recall what happened fifteen years ago when these risks were not taken, and to explain that the Atlantic organisation is already an inspiring feat of solidarity among friends. General Ridgway must be free to delegate this task, for Nato itself cannot look after the home front, and it is there that the test may come during the summer ahead.

Mr Butler's Finance Bill

THE Finance Bill reached the end of the committee stage on Thursday morning. Its detailed discussion in Parliament is over. The long debates on a long Bill have left behind an impression that is certainly misleading and may be dangerous to the public interest. This is the impression that Mr Butler's financial policy, in its entirety, lacks an adequate degree of support either from Parliament or from public opinion. It was perhaps inevitable that criticisms should have predominated in the debates. The Labour party, in spite of Mr Bevan's threats, have not obstructed the Bill, but they have certainly opposed it. And the comparative moderation of their strategy has tempted the Conservative critics of certain parts of the Bill to go further than they might otherwise have done. The Chancellor's supporters have hung back—doubtless in the laudable desire to save parliamentary time. But the net result is to leave the impression that the Budget has lost its friends, and that the Conservatives who cheered themselves hoarse on Budget Day have had second thoughts.

This is not only unfair to Mr Butler, but it is also dangerous. The policy that Mr Butler has pursued since he took office—including the Budget, but not confined to it—has had its defects and its weaknesses. But on the whole it has manifestly been to the advantage of the country. Indeed, it represents the main ground for hoping that the battle for the pound sterling may yet be won; and it has required considerable political courage in its execution. If now the courage is not to be rewarded and it is only the defects of the policy that are to be recalled, then, politics being politics, the policy will lapse into inaction and the courage into compromise. All those who think the Butler policy, seen in the round, is better, not than some ideal alternative, but than what would in fact take its place if it were abandoned, should stand up and be counted.

To say this is not to palliate any of the Budget's defects. For the Excess Profits Levy, even in its revised form, it is impossible to say a single good word. It is still true, as it was in March, that the Budget takes too weak a view of the nation's necessities and would have been better if it had built up a larger surplus. It has become apparent, to be sure, that the Budget was about as severe as was possible in the political circumstances. But that does not so much void the criticism of its weakness as deflect it from Mr Butler to the colleagues and supporters who would not follow him any further.

There can be no retraction of these complaints against the Budget. But now that it is, for all practical purposes, enacted into law, it becomes more important to recall its favourable features, and to strengthen Mr Butler's hand for the future. He is, after all, the only Minister in the present Government who has been effective in changing policy and in changing it in the right direction. (Mr Harold Macmillan has also proved himself to be an effective Minister, but the more effective he is, the more the real public interest is damaged.) The Chancellor deserves more articulate support from public opinion than he has been receiving.

The first point that should be remembered in his favour—perhaps in the long run it will turn out to be the most important—is that he made a start with cutting the bloated total of state expenditure. This is democratically right—there can be no doubt that if the British people were ever asked whether they would like to have more of their own money to spend in their own way, the response would be overwhelming—and it is economically imperative; nevertheless, it required some courage to propose, for what is chiefly audible when cuts in expenditure are proposed are the complaints of those who are hurt in the first stage, not the gratitude of those who benefit from the reduced taxation. Nevertheless, it requires no argument that the British economy, if it is ever again to be supple and buoyant, must be relieved of the mountainous incubus of taxation that presses upon it. To take the first step in this direction, however small, is not a matter for one day's praise alone.

*

Moreover, Mr Butler's Budget had the merit of showing that the expenditure of the state could be cut without the standard of living of the working class suffering thereby. This is a political merit, and only a questionable economic merit, since if the Budget had been as much sterner as it should have been, then the Chancellor would not have been able to hand back in tax concessions and increases in social security payments as much as he took away by reducing the subsidies. But he deserves some defence on the point if only because it is the one on which he has been most unfairly attacked. There is undoubtedly one section of the working class that loses on balance from the Budget—those whose incomes are too small to benefit from the reductions in income tax and whose families are too small to gain from the increases in family allowances. Exact statistics are not available; but it is certainly a minority, and almost certainly a small minority, of the wage-earners of the country. Yet from the start the Labour party have sought to give the impression that "the poor" as a whole are being penalised in favour of "the rich," and the Conservative Central Office seems to be so inert in matters of public information, now that all its bright young men are so busy in the House of Commons, that it has very largely allowed the Socialists to get away with an assertion that is manifestly contrary to the facts. Even the *Economic Bulletin* of the Economic Commission for Europe at Geneva goes so far as to say that "the result" of the Budget "is generally regressive," and that "on balance, all families with an annual income of below £350, who represent something close to one-half of the total number of family incomes, will be worse off." Both statements are untrue. It is strange to see an organ of the United Nations either being taken in by, or lending itself to, the propaganda of the Opposition party in this country, and Her Majesty's Ministers would be within their rights in resenting it.

By far the strongest point of Mr Butler's financial policy, however, still remains to be mentioned. This is his revival of credit control, and the decisive stop that he has put to the era of dogmatic cheap money. The rate of interest, like that other great regulator the rate of exchange, is a most powerful weapon of economic policy, the more potent because its workings cannot be fully set out in advance. Those who like to have every-

thing worked out in a neat statistical table are inclined to say, beforehand, that a change in either rate would have very little effect. They said it before the exchange rate was altered in September, 1949, and they said it again before Mr Butler started putting Bank Rate up and tightening the base of credit last autumn. The effects cannot be seen or comprehended in advance, since they operate through hundreds of thousands of private decisions in every boardroom and bank parlour up and down the country and overseas. But they are nevertheless most profound and—at least in the case of Bank Rate—almost wholly beneficial.

The increase in Bank Rate was doubtless not the only reason why the pound sterling shot above parity on the day after Budget Day and the drain on the reserves temporarily ceased; but it was the main reason. Nor is it wholly a coincidence that the pound again fell below the line and (presumably) the losses started again precisely at the time when Mr Butler's policies seemed to be losing public confidence at home. If Bank Rate had achieved no more than to purchase a respite for those crucial nine weeks it would have been well worth while. But it has done much more, by taking up a great deal of the slack in the British economy; and it can do more yet, if there is full confidence that the stiffer monetary policy will be pursued with consistency and vigour. The need of the moment is not to jog the Chancellor's elbow, but to strengthen his hand.

Malaise Among the Mandarins

ONE had believed that policies were as much part of a British politician as recipes are part of a French chef—but apparently it is not so. We are told on the best authority that the Conservatives have, on many important matters, no policy. The Labour party is said to be in an even worse way, and to have no policy at all. Socialists are waiting for ideas as a becalmed ship waits for a breeze, and no amount of huffing and puffing by the neo-Fabians seems to help. The Liberals, too, have no real policy; they wait for no wind but row and row, like the men who went to sea in a sieve. This spectacle of politicians without policies is a serious matter, for it suggests that something vital in the English way of life is threatened with extinction. Can it be a result of the postwar revolution? Is it the fault of the *Zeitgeist* or of Dr Dalton? Has the decline in classical education something to do with it, or is the politician just no longer the man he was? The causes may be biological, psychological, ecological—or perhaps sociological. Someone should make it his business to be paid to find out.

On balance one would favour a sociological investigation, for there are few things more diverting than the sight of a sociologist—or should it be an anthropologist?—struggling to find order in the habits and customs of the English. His job should be strictly defined: to find out where and when and how policy was conceived in the days when parties still had policies. He might do worse than to make a comparative study of policy-making environment at four dates—say 1885, 1905, 1925 and 1945. That would cover the age of Webb, the glorious social revolution accomplished by Gladstone, Asquith, Lloyd George and Dalton. It would span the stretch of progressive thought from Marx to Mikardo, the social transition from country house party to summer school, from morning dress to corduroys, from Trollope to *Tribune*. There is no doubt that the ruling class, seventy years ago, spent its week-ends making policy in an environment quite different from that in which the ruling class of seven years ago conceived the welfare state. The task of research is to discover what there was in the ways of 1885 that prevented policy fizzling out in 1892, and to apply the knowledge to the circumstances of 1952.

One has heard that in Victorian and Edwardian days politicians imbibed ideas and exuded policies at house parties over nuts and wine. At dinner the young backbencher and the old front-bencher took each other's measure. So long as the ladies were present, politics were touched on with well-bred wit and casual wisdom. With the ladies out of the room, the company began to talk seriously about the state of the nation; and out of the zeal of the younger men to be original and the determination of their elders to be cynical there were born ideas. In the wide spaces of the country house cabals could form in the library and individuals could reflect in the solitude of the gunroom. What had been sketched at the dinner table on Friday could be painted in on Saturday over the guns or the croquet hoops. By Sunday something could be formulated in words. By Monday there was a policy, and by Tuesday it was a paper in Whitehall—and so on. There was no Economic Survey to consult; no one had to bother about the balance of payments; and the class war seemed mainly an affair between gamekeepers and poachers. The secret of the process lay in leisure and space, in the stimulus of select company, and in the feeling of intimate conspiracy which is common to ruling cliques and revolutionary societies. What such a company agreed on—whether at the Cecils' or the Webbs'—was *ipso facto* policy. If it happened to be foreign policy, it mattered comparatively little what the foreigner thought about it: Britannia ruled the waves and the Foreign Secretary had no telegrams to read.

It is difficult to believe that this gracious and leisurely manner of policy-making has entirely disappeared. The Labour Party, it is true, has made it almost impossible to live in country houses, and full employment has led to the extinction of the butler as swiftly as the tractor has driven out the horse. But there is still Chequers—and of course Chartwell and Hatfield and one or two others survive. (Mr Molotov, one remembers, was so alarmed by the easy-going ways of Chequers that he slept with a revolver by his bedside and a secret policeman standing at his door.) But where else are policies worked out by such methods? Are there houses where civil servants join their ministers late on a Saturday, with their red boxes, statistics and files? And what about the dons—especially the economics dons—without whom progressive policy-making is impossible? Where are they to be found at the week-ends? These are questions well worth investigating in a scientific spirit.

The Conservatives, one presumes, struggle to keep the tradition alive; but their opponents do their best to change it. Labour, on the whole, seems to favour at the week-end the country cottage and the company of philosophical gardeners; or beer and darts in the con-

stituency. If they use the country house at all, it is the mansion that has seen better days: the hollow-sounding house of bare corridors, with the well-kept lawn and neglected shrubs, dedicated to adult education, new philosophies and world citizenship. Fundamental social policies, enlightened views on marriage and medicine, and such like are hammered out against a background of cold supper and pingpong. The progressive counterpart of the Cliveden set is the summer-school week-end, where everyone but the lecturer pays his own bill and catches the first train on Monday morning.

Yet it is doubtful whether the sociologist would find out even there the springs of policy-making. It is inconceivable that men and women—for the ladies no longer withdraw—thrash out charges for dentures over dinner, or supper. It is inconceivable, too, that the way to re-nationalise steel should be discovered in deck-chairs on a lawn. The major problems of the welfare state can be effectively discussed only in more functional surroundings. We know they are not dealt with in the Whitehall rooms of Ministers and assistant secretaries, because both are too busy with politics and administration to think about policy. Where else, then, is the investigator to look?

He must give up high-falutin ideas of country house week-ends and begin his search in the suburbs and environs of London—in Wimbledon, or Hampstead, or one of the garden cities. He must seek out the detached house with garden of an official from—say—the Ministry of Health, choosing preferably a Sunday morning. There he will find the springs of policy-making, the permanent under-secretary shaving, the bureaucrat in his bath. Relaxing in hot water, the door locked, the telephone out of reach, inaccessible to man or woman, oblivious to everything but steam and soap, the Minister's right-hand man is thinking creatively. Not for long, it is true—half an hour at the most—but if the affairs of a Ministry receive 26 hours of concentrated and consecutive thought in the year, it is not doing badly. At bath-time the wood can be seen in spite of the trees; question-time in the House is a vague threat over the horizon; the mind can range over Policy. It is then that ways of increasing the cheese ration present themselves, and town and country planning unfolds in its full grandeur. It is then that mighty deals in non-ferrous metals are decided on.

Research might show that there is some exaggeration in this picture, but not much. It would probably show varieties of relaxation: the official from Agriculture prodding his pigs; the Treasury man doing his pools; the brigadier from the War Office listening to the Third Programme. But in each case the essential point is the same: policy-making is done by the civil servant, relaxed in modest privacy after 3 p.m. on Saturday.

If such facts as these were established and published, somebody would certainly want to do something about them. There would be talk of a policy for policy-making, of a new approach to the problem of the official's leisure. Whitehall might be offered its own Chequers—not a bad idea. An attempt might be made to concentrate under-secretaries in one of the new towns, surrounded by green belts and light industries, so that week-end thinking could be co-ordinated at the policy level. But such proposals would have to be examined with the greatest caution and scepticism. To switch from a scarcity of policies to a glut would merely aggravate that psychology of fatigue which progressive politicians have inflicted on Whitehall. Something, on the other hand, ought to be done; and the sociologist would probably find that a simple administrative decision would do the trick. Let the civil servant be given every Saturday morning off. That would make possible two morning sessions a week in the bath and double the yearly output of creative thinking in Whitehall. That would be just about enough to provide policies and cure the malaise of the mandarins.

Commonwealth Development—I.

The Resources of the Commonwealth

TO many people, Britain, surrounded by the riches of its Commonwealth, is a typical example of poverty amidst plenty. To them, full development of power and wealth is a simple matter, held back only by the lethargy of governments—Lord Beaverbrook's crusader has been chained to the post for a long time. The resources are there; Britain and Commonwealth countries are anxious to develop them; capital can be had for the asking both here and in the United States; special prices can be arranged under long-term contracts or similar techniques of governmental trading. Such are the premises of this simple view. They are believed without investigation, indeed, without thought; it is a faith derived from the political concept of imperialism. But many changes have taken place since the heyday of British overseas investment; now, unfortunately, this problem of developing the resources of the Commonwealth is a highly complex one, bedevilled by both politics and sociology. Any plan of development, nowadays, must be a co-operative one. It must be agreed to and supported by the independent members of this family of nations; it must be freely accepted by its peoples. Even the economic factors cannot be accurately assessed or readily estimated. Many of the terms in the equation that determines whether development should or should not be pursued on economic grounds have to be guessed and the margin of error can be very wide. In this and in subsequent articles, it is intended to discuss the main problems raised by Commonwealth development and to point out what would be involved, for Britain and the other members of the Commonwealth, in a decision to speed up the pace of development. The purpose is not to formulate a policy, but rather to show what courses of action have to be taken to achieve certain objectives.

Members of the Commonwealth, it is true, have been well endowed by nature: they possess between them a variety of climates, geological structures, soils, peoples and cultures. All except Canada use currencies that can be freely exchanged with one another and also with the few non-Commonwealth members of the sterling area. Many of the resources have already been developed. India and Pakistan, for example, together produce practically all the world's jute; Canada produces four-fifths of the world's nickel, while the sterling members of the Commonwealth account for three-quarters of the

world's tea, two-thirds of its manganese, half of its wool, rubber, chrome and cocoa, and a little under half of its tin. They also supply a third of the world's hard hemps, a quarter of its coal, antimony and sugar, a fifth of its wheat, bauxite, woodpulp and lead and just under a fifth of its copper (though with Canada, the Commonwealth's share is a quarter). As a rough illustration of the extent to which these resources meet the needs of the Commonwealth, it can be taken that the Commonwealth accounts for between a fifth and a quarter of the world's consumption of most of these commodities ; Britain is by far the largest single consumer in the Commonwealth.

*

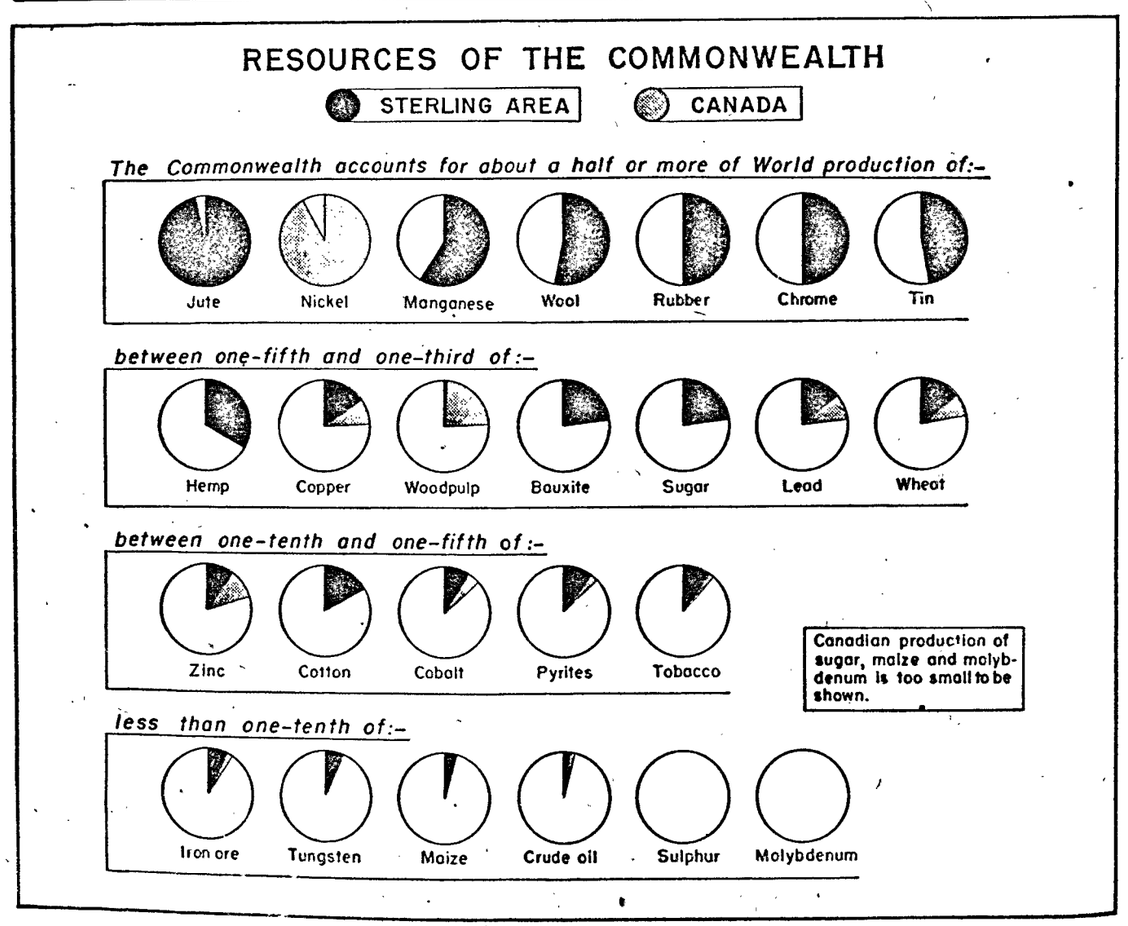
Many development schemes are already being pursued and a number are being considered. Copper production is being expanded in Northern Rhodesia and its electrolytic refining capacity extended ; copper is also being developed in Uganda. Large-scale production of zinc and lead is considered possible in Nigeria and zinc and lead output could be increased in Australia—though until transport facilities have been improved, it is doubtful whether increased quantities of both metals could be exported. Tin mining is being developed in Nigeria (the surface deposits are being worked out) and tin deposits exist in Uganda and British Honduras ; the existing tin reserves in Malaya are expected to last only 15 years and there has been little new exploration there for the past twenty years. Aluminium is to be produced in the Gold Coast from indigenous bauxite and possibly in North Borneo from Malayan and Indonesian bauxite. Two large deposits of bauxite are being worked in Jamaica and alumina will be produced locally before shipping to Canada. Manganese production could be increased in India and in South Africa, tungsten in Uganda, beryllium (an important modern mineral) in India, columbium (a special steel alloy for jet engines) in Nigeria and Uganda, cobalt in Northern Rhodesia and Uganda, iron ore in Sierra Leone and Malaya, and pyrites for sulphur in Cyprus. So far no commercial deposits of nickel have been found in the Commonwealth outside Canada (though a large deposit of low-grade ore was discovered in Tanganyika after the war), and no natural sulphur or molybdenum. But it has a number of the lesser known metals and minerals and also uranium and other atomic materials.

Oil prospecting is being carried out over a wide area, and the reserves in Trinidad, North Borneo and Brunei have been tapped for some time. Canada's great resources are now being quickly developed. Deep drilling is going on in Nigeria, Barbados and British Honduras. Coal production could be increased in Australia and South Africa ; the colonial deposits are all of poor quality. The Commonwealth has large reserves of timber and certain tropical deciduous trees from the Gold Coast, Nigeria and Malaya are now being used in Britain as softwood for housing. Woodpulp for rayon is being made from eucalyptus trees in South Africa. Cotton production can be and is being expanded in East Africa, Nigeria, Pakistan and India. Borneo is now growing manila hemp that previously came only from the Philippines. Of the foodstuffs, sugar production is already being increased under a long-term contract. Australia is attempting to increase its wheat production ; Australia and New Zealand could increase their output of meat and dairy products. Rice is to be grown in Northern Rhodesia, sorghums in Nigeria, vegetable oilseeds in Nigeria, Malaya and India and maize could be developed in parts of Africa.

This list is lengthy and so far only the surface has been scratched. No complete surveys have been made of the Commonwealth territories. The number of official geologists working in the colonies has increased from 58 at the end of 1946 to nearly 190, while the number of territories being surveyed has doubled—from eleven to twenty-two. In addition there are geologists attached to mining and prospecting firms. The preliminary investigations have been speeded up since the war, but there is still a vast amount of routine geological mapping to be done. And until these surveys have been completed, the full extent of the resources of the Commonwealth will not be known.

There is thus no room for doubt that an immense potential for development exists. Why, then, have these primary resources not been more fully developed in the past ? Why does not development proceed more rapidly today ? There are several answers, but the most important is contained in the one word cost. Resources can always be developed if cost can be ignored ; but neither Britain nor the other members of the sterling area can afford to ignore cost.

(To be continued)



NOTES OF THE WEEK

Conservatives in Distress

Conservative members of Parliament have left Westminster for the Whitsuntide recess more baffled and unhappy than seemed at all likely in the early spring. The enthusiasm with which the Budget was greeted has been replaced by ungenerous sniping at Mr Butler. And underlying that criticism is not only dissatisfaction with a bad tax—the excess profits levy—but an increased reluctance to recognise the facts of the balance of payments. As soon as the loss of gold had been reduced in March, many Conservative backbenchers pushed the battle for sterling out of their minds. They seem little more capable than the Labour party of sustaining courage to stick to unpopular policies, outside the moments of acute and obvious crisis.

The Finance Bill is not the only occasion of dissension in the Tory ranks. The scheme for returning road haulage to private ownership was to have rallied all the faint hearts and demonstrated the vigorous championing of competitive enterprise that the denationalisation of steel could not show. In fact the scheme was sour as soon as it was published and has produced more divisions of opinion than it has healed. A few Conservatives are openly disagreeing with some bitterness. Less openly, criticism of Mr Churchill's leadership has increased quickly. This criticism is not much concerned with policy. But the Prime Minister's tendency to surround himself with the men he knew well in the war seems to be growing rather than weakening after seven months in office. It is responsible for much confusion in administration and inevitably it also ruffles many tempers, both in Parliament and in Whitehall.

*

These—in addition to the Gallup Poll's evidence of the Government's unpopularity—are the causes of Tory depression. They are substantial enough. Yet the mood nevertheless seems exaggerated. There are considerations on the other side. The committee stage of the Finance Bill has taken less time, and has involved less bitter controversy, than at one time seemed possible. By shelving the Steel Bill, until the autumn at the earliest, the congestion of the Parliamentary time-table has been a little eased. On its fringes, at least, the administration has undoubtedly been strengthened by the promotion of able younger men like Mr Macleod and Mr Maudling. The process was carried a little further this week with the rise of Mr Watkinson, who goes to the junior post at the Ministry of Labour, and Mr Heath, who is promoted among the Whips. Brigadier Mackeson, who has been given the important post of Secretary for Overseas Trade, falls into rather a different category. The appointment is most easily explicable as a gesture of appeasement to the advocates of more imperial preference. But there are many more young men of talent who could be used if Mr Churchill had, or would create vacancies for them.

For older Ministers the relief of the summer recess will soon be on the horizon. And, above all, the Labour party's arrogance and vigour in opposition never for a moment conceal either its internal dissensions or the fact that no section of the party has a positive policy. The Tories have cause for concern but not for distress.

* * *

Moscow's Carrot and Stick

A Soviet Note, like a novel, is sometimes best sampled by beginning with the last paragraph. The latest expression of Moscow's views on Germany, published on Monday, gives in its final sentences a hint that should not be overlooked. It says in effect that an all-German government, having signed a peace treaty with the four powers, will not be bound by any agreements with other States signed by the present governments of Western and Eastern Germany. To the Frenchman this means that an all-German Government would not be bound by the treaty for a defence community signed on Tuesday ; but to the Pole it will mean that the same government would not be bound by the treaty between Poland and the Communist government of Eastern Germany. As this treaty confirms their existing eastern frontier the point is important.

This same paragraph says that the German government, after signing the peace treaty, "will have the same rights as the governments of any other independent, sovereign state." Does this mean that united Germany could become a member of Nato or an ally of the Soviet Union, according to choice ? If so, an important change has occurred since the last Soviet Note which said emphatically that Germany must not join alliances with anyone. Yet it is difficult to believe that the Russians would not resist by every means in their power a German government's attempt to join the Atlantic group, which is described in this Note as "aggressive." It is all very puzzling, and shows how careful the western

governments must be to get strictly defined limits for any talks which may result from the diplomatic exchanges.

The other point of interest is the Note's direct appeal to the German people. Western policy, it says, is "two-faced," asking for unification and a peace treaty but doing everything to prevent it. It is necessary, therefore, for the German people "to find its own solution of the problem of the peace treaty and national unity." This vague threat probably implies three thoughts in the mind of the draftsman: that Russian tactics can maintain and strengthen the opposition in Western Germany to Dr Adenauer's policies and frustrate ratification; that Eastern Germany can make life harassing for the West by causing innumerable difficulties at the frontier and in Berlin; and that the Western Germans, having been conceded the right to conclude trade treaties, can be tempted eastward by trading offers from the markets of the East.

*

Consideration of these tactics must not be allowed to obscure the essential fact that this Note does not answer the main and crucial question of the last Allied Note: how does the Soviet Government propose to guarantee that German unity is brought about and maintained in conditions of full political freedom? It is arguable that the way for the West to keep German allegiance, now that the new treaties have been signed, is to press on towards unity; but it can hardly be contended that democratic Germans would be grateful if they found themselves united on terms which give no guarantee of real freedom and independence. Some answer to this question must come from Moscow before talks can be usefully initiated.

* * *

After the Bonn Treaty

The conventions signed on May 26th by Mr Acheson, Dr Adenauer, Mr Eden and M. Schuman constitute neither a peace treaty nor a permanent settlement. The Treaty of Germany as it is now being called is a freely negotiated agreement—not in any sense a *Diktat*—on how Western Germany and the three Allied governments shall work together in a complex and dangerous situation. It makes the Germans equal partners with their European neighbours in most essential matters by ending the occupation and other restrictive arrangements arising out of the war which Germany lost. The Federal Republic regains authority over its external and internal affairs, but the Allies retain powers to negotiate for German unity with the Russians, to maintain rights in Berlin and to give the troops defending the territory essential facilities and a certain freedom of action in emergency.

The agreements are generous, but Germans will find much to resent if their politicians want to rouse resentment. As an article on page 593 describes, they have been received, as expected, without either enthusiasm or gratitude. Much in their working will depend on how loyally the Germans co-operate with the French and others inside the European Defence Community and the Schuman Plan, under which they accept obligations which would look, and in fact be, much more onerous if they appeared in a peace treaty. And, of course, it remains to be seen whether Dr Adenauer can get the defence treaty and the conventions ratified.

His prospects of doing so depend greatly on what is said and done in Europe and in this country between now and the autumn. If the Germans are to be accepted as allies they must be treated with confidence. Certainly things will be said and done by some of them to arouse new suspicions and confirm old ones; party politics alone will ensure that. But the elaborate safeguards freely accepted by Dr Adenauer should be carefully studied when the full texts of the Conventions and the EDC agreement are published. Those who say they are insufficient should realise that their voices will merely swell the chorus of Germans who say they are

excessive. To attack Dr Adenauer is, in fact if not in intention, to support his nationalist opponents. To demand German membership in Nato and the scrapping of the EDC is to offer Germans not less freedom of military action but more—more, in fact, than German democrats themselves think safe. If the Germans make the EDC work their claim to membership of the Atlantic Council will be irresistible; if they do not, the Americans, British and French are bound to consult. That is quite sufficient for the moment.

* * *

British Pledges to Europe

The Foreign Ministers have this week provided Europe, and especially this country, with an *embarras de richesses*. It will take time for the significance of all the promises that have been given to filter through to the men and women who have to honour them. At this stage there are two questions worth asking: first, has the British Government undertaken any new commitment, or is it the case that what was already fact has now taken form on paper? Second, do the new engagements further British interests?

It is fairly clear that the answer to the first question is No. Britain has guaranteed to help the European Defence Community if it is attacked and receives a similar pledge in return; but it was already bound to do this for France, Belgium, Holland and Luxemburg under the Brussels Treaty and for Italy under the North Atlantic Treaty. What is new is that Britain has formalised and made mutual an existing guarantee to Western Germany, which becomes in effect an ally of this country. Just in case of accidents—and the French still see them coming round every corner—a protocol has been added to the North Atlantic Treaty to extend its protection to the same group of countries. The real point of this protocol is that it provides some guarantee from the United States, which is unable to give any separate undertaking to the European Defence Community. It also commits Canada.

In the special declaration signed by Britain, France and the United States, paper does all that paper can do to ensure that if any government walked out of the EDC and thereby seemed to threaten peace, Britain and the United States would consult together and other partners. Clearly the departure of a rearmed Germany would be a threat to peace; the departure of Holland would not be. If General de Gaulle took France out, everyone would want to think again.

In fact, Britain would have done anyhow, in the predictable future, all the things that these three solemn pledges say it will do. But they should help to persuade both the French and the German parliaments to ratify the new treaties. The French must press for no more, or the British will get exasperated. By giving the formal undertakings that Continental opinion demands, the British Government is putting its weight behind the final attempt to make Western Europe into a community with hope for the future. That it should gain that hope is a vital British interest—and that is the answer to the second question. If it is protested that Britain has gone too far ahead of the United States, the answer is that Mr Eden has gone scarcely a pace ahead of Mr Acheson. So long as Nato exists, so long will the Americans be directly affected by any threat to their allies' security. Treaties can do no more.

* * *

Expanding Agriculture

The White Paper* on this year's review of farm prices contains an important statement on the Government's production policy for British agriculture. The word target is carefully eschewed. The Government prefers to "indicate

* Annual Review and Fixing of Farm Prices, 1952. Cmd. 8556. HMSO. 6d.

the directions" in which "further expansion is required." These directions are in themselves eminently sensible. The main emphasis is on expanding meat production by securing a large increase in the annual rearing of calves and in the numbers of sheep and pigs. In order to obtain feedingstuffs for the additional livestock, it is suggested that a million more acres of grass should be ploughed up while the utilisation of the remaining grassland would be greatly improved. The number of dairy cattle would not be increased, but the yield per cow would be. The expected result—not, it is emphasised, the goal—is that by 1956 net agricultural output will be at least 160 per cent of its prewar size. (At present, it is just over 140 per cent.) It is perhaps a mistake to introduce this one cautious guess about a distant date, especially since agriculture might in practice do better.

The immediate problem is to get the process of expansion going again after the setback of the last two years. The Government is rightly worried by the sharp decline last year both in cattle rearing and in the tillage area. What is less certain is that it has hit on the appropriate means for fostering a steady programme of expansion.

The results of the price review are intended to be closely related to these production objectives. Some of the new producers' subsidies—the £3½ million for ploughing grants, the £4½ million for calf rearing, the £7½ million for fertilisers—will clearly encourage farmers to do the sort of things the Government wants. But in other respects, the White Paper displays a faltering ambivalence between the Treasury viewpoint and the agricultural viewpoint. Thus it condemns the view that credit difficulties, which some farmers are undeniably experiencing, "are properly to be solved by increases in prices." The capital subsidy, introduced in 1947 for just this purpose, was to have been reduced by agreed stages. The White Paper's statement certainly implies that this reduction is sound and should continue. But in fact it has this year been abandoned. Again, "the Government cannot contemplate any prolonged continuation" of its loss on the sale of rationed feedingstuffs. But it is prepared to carry a much larger loss in the coming year to keep prices stable. Is the Government continuing policies which it knows to be wrong? What needs to be grasped is that the total sum available to British agriculture is strictly limited—so that the various possible ways of spending it need far more examination, and justification, than they are now getting.

* * *

The Price Settlement

Now that the details of the recent settlement of agricultural prices are known, they make rather better sense than in the Government's first sketchy announcement. Broadly, farm prices and subsidies have been increased, as a result of the special and annual reviews, by the equivalent of £52½ million a year. Against this, costs have risen by £57 million. The Government also paid out £24 million last year, and will probably find as much again this year, to keep feedingstuff prices stable. The effect, unless it is offset by a further rise in costs, should be to renew the financial incentives to a policy of expansion. Since higher prices almost balance higher costs, farmers who increase their turnover in the coming year (as it is hoped most will) should increase their profits. The Government also hopes for an increase in farming efficiency, which would have the same effect.

The White Paper suggests that farmers' profits have declined slightly in the last two years. The departmental calculation gives an average net farm income for the last four years of £290 million, with 1950-51 the worst year and the forecast for 1951-52 just above average. This works out at around £770 a farm to cover interest on working capital as well as the farmer's own labour. As an average, this cannot be said necessarily to suggest "featherbedding"; but neither does it indicate the serious decline in farming profits which is sometimes alleged.

The impression left by the White Paper is that the Government has not really plumbed the reasons for the farmers' reluctance to increase output. It believes the major cause to be "steeply rising costs against the background of a feeling of uncertainty about the demand for the farmers' products." This line of thought has led to the belief, strongly expressed by producers, that milk production fell last year because prices were inadequate. In another place, however, the White Paper blames the weather for this result and points out that this year there appears to have been a marked recovery in production. In truth, nobody knows what level of prices or distribution of subsidies is really the most effective stimulus to production. The classic laws of supply and demand have only limited relevance to the farming situation.

* * *

The Lords on Broadcasting

The House of Lords devoted two whole days of debate to Lord Reith's motion on the Government's White Paper on the BBC. There were 29 speakers—which is a great many for the Lords—and it was obvious that the subject created more interest among the peers than any for a long time past. On the first day there was an impressive procession of eminent figures, united in denouncing the Government's proposal to permit an experimental degree of sponsoring in television—Lords Reith, Samuel, Listowel, Halifax, Jowitt, Elton and Hailsham all spoke in this vein, some of them with great feeling, and Lord De la Warr, who represented the Government, got little support. This balance was somewhat redressed on the second day, when there were roughly as many speeches for the White Paper as against it, culminating with a very effective defence by the Lord Chancellor of the principle of freedom of the air.

On the whole, in spite of the feeling engendered, the arguments followed lines that are becoming familiar, and

ADVERTISING WISDOM . . .

Buyers are human beings

In selling a product, figures can only take you so far; after that, the business becomes personal, no amount of market research can help you if your customer—metaphorically speaking—doesn't like your tie.

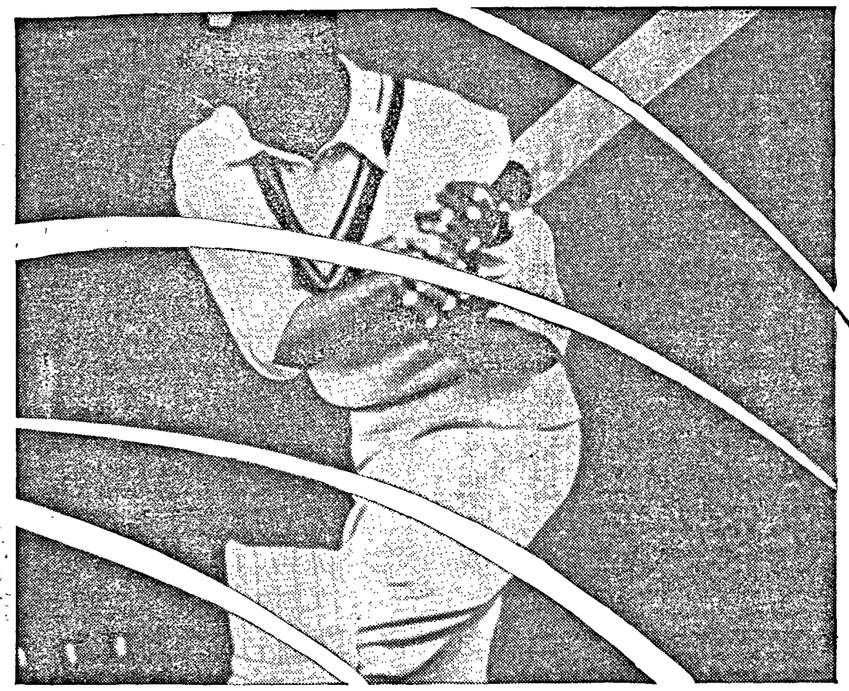
We don't disparage market research—we use it ourselves—but we don't close our eyes to its shortcomings. Many a thriving business has been built on a product that according to the research figures had no future. And as many theoretically promising ventures have ended in failure. The explanation in both cases was the unpredictable personal factor.

So we never forget that the customer is human, like ourselves, and that he'll only toe the statistical line if he feels that way. It's a business philosophy we developed years ago, and it is still serving us well.

If you think that you would profit by the personal touch in your advertising, why not phone or drop us a line and we'll arrange to meet and talk it over with you?

SAMSON CLARKS

SAMSON CLARK & CO. LTD., 57-61 Mortimer Street London, W.1. *Incorporated Practitioners in Advertising* Telephone: MUSeum 5050



The eyes signal the fast long-hop outside the leg stump. The heels pivot . . the shoulders are square . . the arms sweep round, and follow through . . the bat superimposes its weight upon the ball's own impetus. **IT ALL ADDS UP TO** a hook that scatters the spectators beyond the square-leg boundary.

UNITED WE STAND

The team who work for AEI is sixty thousand strong—three times the strength of a British Army Division. In a year these people turn out enough electrical equipment to pay for a quarter of the nation's meat imports. The companies of Associated Electrical Industries working separately and together, pooling their knowledge, their experience, and their resources, are a fine example of *co-ordinated effort* for the public good.

These are the companies of AEI
Metropolitan-Vickers Electrical Co. Ltd
The British Thomson-Houston Co. Ltd
The Edison Swan Electric Co. Ltd
Ferguson Pailin Ltd
The Hotpoint Electric Appliance Co. Ltd
International Refrigerator Co. Ltd
Newton Victor Ltd
Premier Electric Heaters Ltd
Sunvic Controls Ltd

IT ALL ADDS UP TO AEI
Associated Electrical Industries

very little that was novel was introduced. Apart from the central issue of monopoly, the chief bone of contention was the method proposed in the White Paper for the appointment of Governors of the BBC by an impartial panel of two politicians and two judges, presided over by the Speaker. This proposal came in for the strongest condemnation—particularly from Lord Waverley, who was not overly critical of the other proposals in the White Paper—and the Government may well think fit to reconsider it.

But it was monopoly, *pro* and *con*, that really interested their lordships. Several speakers made the very interesting point that the elderly peers seem to be mainly in favour of the monopoly while a majority of the younger peers—certainly of those who spoke—are opposed to it. That is not the only reason for suspecting that the Best People, whose noble representatives led the attack on the White Paper, are out of touch with public opinion on this matter. One peer wondered aloud whether these defenders of public morality had ever listened to the programmes that the listening public likes best. Indeed, many people who do not share the elderly peers' certainty of moral superiority will agree with the rebuke that the Lord Chancellor administered to their "holier than thou" attitude.

Perhaps the most significant thing about this debate is that it took place at all and aroused so much feeling—for until the very recent past the monopoly of broadcasting was simply taken for granted. Now it is subject to argument, and the Postmaster General stated specifically that methods of providing competition other than by sponsoring would be considered—though he did not attempt to reconcile that statement with the provision in the White Paper that the BBC should be the only body entitled to any share in the licence revenue. However, the door is not closed to any proposals for a more rational organisation of broadcasting, and that is a great gain.

* * *

Swing Right in Italy

The best that can be said about the local government elections in Italy is that the results are not as bad as they might have been. There was, as expected, a swing to the right, and on the extreme left the Communists have by no means done badly in the rural areas. But the central block led by the Christian Democrats, although squeezed hard, has not lost as many votes as was at one time feared ; indeed, the Liberals have in some cases gained substantially, and in a few localities the centre has actually wrested control from the Communists. In Rome itself the Communists have failed to win against the Christian Democrats. In Sicily and the towns in the far South the centre has done well to hold its own. The Monarchist victory in Naples was fully expected. Perhaps the most unhappy upset occurred in Bari, where a particularly good Christian Democrat administration has been turned out by a predominantly Fascist right wing group. When all is said, however, the weakening of the centre parties is undeniable.

What, if anything, do these results portend for the general election due in a matter of months? The answer is bound to be gloomy for Signor De Gasperi, and for all who want to preserve a democratic Italy. At best, they serve as a warning that Christian Democracy, if it is to survive as the guiding force, must be backed with greater political skill and single-mindedness by the Church and must itself enhance its appeal. At worst, Signor De Gasperi would be well advised to consider aligning his party with the less extreme Right, the increasingly successful Monarchist party, against mounting Fascism.

Rigid conclusions should not be drawn from the voting. The South, where most of the recent polling has been, is not typical of Italy, although it constitutes a large part of the total electorate ; in the North the Fascists have done less well. Politics in the South are often more personal than elsewhere ; this still gives the landlords great influence over the voting, and their disgust with land reform has sometimes been reflected in the adverse votes of many whom the Christian Democrat government mainly seeks to help. The South also has a deep-rooted monarchist tradition which helps the Right. Men are moved more by emotional appeal and the false glitter of aristocracy than by the pedestrian, Attlee-type reasoning of the Christian Democrats, whom many find boring. The South, moreover, never suffered from the worst Fascist excesses of Mussolini's day. All these factors have helped the extreme Right in the South rather more than is likely to be the case in Italy as a whole.

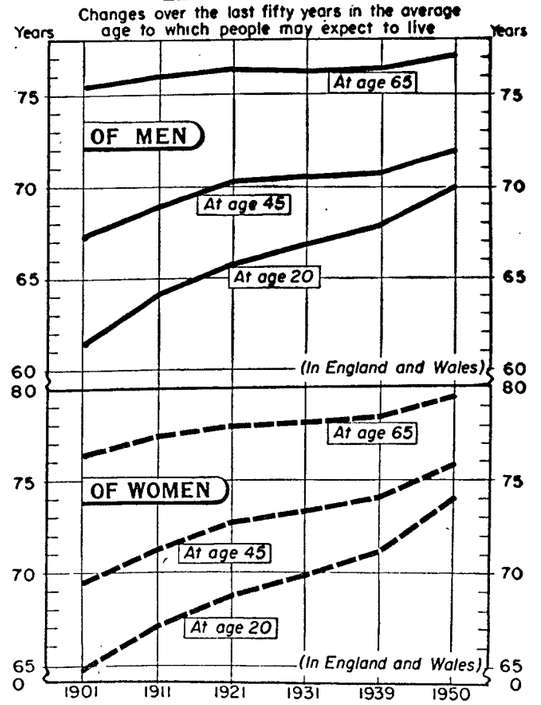
* * *

Australia and Nato

Mr Menzies will be in good company if he decides, after discussions in London, that British overseas defence arrangements are complex and confusing. He will discover that the British Government, in many matters of military planning and defence economics, is more closely tied to its partners in Nato than to the governments of the Commonwealth ; that it is no longer master of the disposition of all its forces and equipment, and that it accepts a grand strategy for the West worked out by a committee of three Allied officers sitting in Washington. That strategy is chiefly concerned with Europe ; it may touch on but does not formally include two areas in which Australia has vital interests: the Pacific and the Middle East. In the Pacific the Australians have a pact with the Americans, of which the British are not signatories; in the Middle East—where there is no allied planning—an Australian jet-fighter wing is serving as a token of Australia's intention to "participate in the establishment of a proposed Middle East Command." The Pacific Pact has no connection with Nato ; the Middle East command, if it comes into being, will be only affiliated to Nato.

LENGTHENING LIFE

Changes over the last fifty years in the average age to which people may expect to live



Australian anxiety is easily understood. Who is to decide where, in case of war, Australia's forces should be employed? Would the situation in South-East Asia make it impossible for Australian troops to reinforce the Middle East? This very problem harried Mr Churchill during the war against Hitler. If Nato is to be, in case of war, the West's policy-making and executive organ, where would Australia come in? Canada is already in, but what about the rest of the Commonwealth?

To set up new international organisations to meet these questions would be a mistake; there are too many committees already, making too great a demand on limited numbers of first-class staff officers and officials. Any suggestion to set up a Commonwealth military staff would encounter the familiar objections; and India and Pakistan and Ceylon would certainly not join it. There remains the proposal, recently heard in Canberra, that Australia might in some way take part in the councils of Nato. Australians have noticed that Greece and Turkey, before being made members of Nato, shared in its defence planning. Perhaps some similar liaison arrangement with the Atlantic planners would meet the case. Anything more formal seems to be ruled out by Article 10 of the North Atlantic Treaty. This, it is true, does not say that a member of Nato must have territory bordering on the Atlantic; but it does suggest that only European states are eligible.

* * *

Big House on Koje Island

The incidents at the prisoners' camp on Koje Island have revealed an extraordinary mixture of laxity and violence in the control of the camp. Some 80,000 North Korean and Chinese prisoners and internees were confined in a vast compound and left very much to their own devices, except when the American authorities carried out military expeditions in their midst. Among the amenities of the compound appear to have been a blacksmith producing Molotov bombs, a signalling organisation, underground tunnels, and a company of female camp-followers.

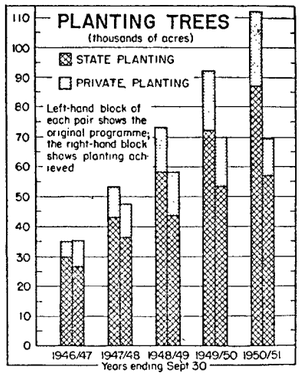
Subsequently Brigadier Dodd, placed in charge of the camp, was kidnapped by the prisoners and conducted negotiations for his own release in a manner which can hardly be regarded as becoming in an officer of his rank and responsibility. He purchased his freedom by persuading his successor, Brigadier Colson, to sign an agreement with the mutineers in very humiliating terms. The agreement was then repudiated on the ground of duress by the United Nations Commander-in-Chief and both Brigadiers Dodd and Colson were relieved of their posts. Meanwhile, reinforcements including British and Canadian units were brought in to overawe the truculent Communist element which had established control behind the wire.

Such disturbances should not be possible in prisoner-of-war camps which are properly administered from the outset. Unfortunately they have occurred at a time when the whole question of prisoners of war has become the central issue in the negotiations for an armistice in Korea. They have given colour to Communist accusations that North Korean and Chinese have been subjected to brutal treatment and that the refusal of many of them to be repatriated to their own countries is the result of American coercion. Actually the defect of the American administration seems to have been timidity rather than brutality, for the Communist committees were permitted to govern the compounds by a sort of martial law and openly defy the authorities, although the latter possessed all the necessary means for subduing them by force. It is most important that the administration of prisoners' camps by the United Nations forces should be above reproach, and that there should be no repetition of the recent incidents on Koje Island.

No Land for Trees

The report of the Forestry Commission* for the year ended September 30, 1951, shows that over the last five years the area of state forests in Britain has increased by 218,000 acres to a total of nearly three-quarters of a million acres. This is a formidable increase; yet it represents only the first instalment of a vast programme of public forestry that is intended to make good the fellings caused by two wars and a long period of neglect of private woodlands.

Moreover, the programme has lagged behind schedule, especially during the last year. The report says that the main reason for this is shortage of plantable land; reserves of land are said to have become disquietingly low. Thus last year the commission acquired less land for future use than it actually planted, which obviously bodes ill for a policy of steady expansion. The report does not explain why acquisition is so difficult. There is a conflict between the needs of forestry and of hill farming, but as forestry is generally more productive, the commission ought not to be denied the land it needs.



The replenishment of private woodlands is a still more difficult task, with which progress has been very slow. The revised dedication scheme has at last persuaded many more landlords to accept the commission's supervision in return for financial aid, the scale of which has been increased to match higher costs. Planting grants are now £14 instead of £12 per acre. But actual replanting is pitifully slow in relation to the large area of devastated yet potentially productive woodlands in private ownership.

To rebuild a reasonable reserve of standing timber it is necessary, in the commission's view, to limit fellings for ten years to an annual amount of 20 million cubic feet of hardwoods and 5 million cubic feet of softwoods. This policy is unpopular with many owners and with the timber trade, which has gained a temporary reprieve from its strict application. Yet it is essential that fellings should be strictly controlled and that new planting on the more suitable land should be fostered if the nation is to be sure of an adequate supply of timber in the future; and the commission is bound to take all necessary steps—if need be seeking new powers—to achieve that end.

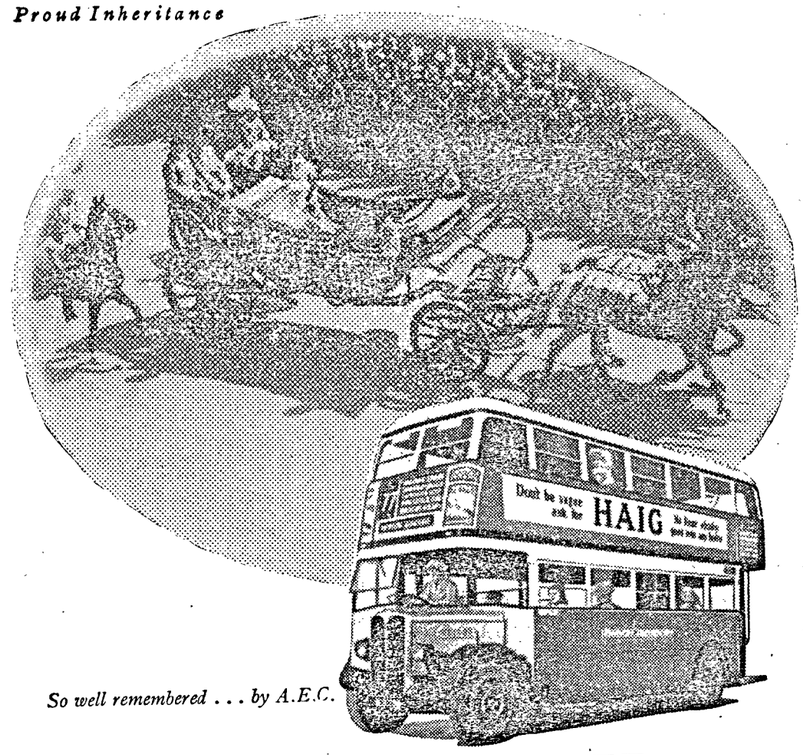
* * *

Reaction in Engineering

This is a particularly bad moment to put the restriction on industrial mobility implicit in the resolution about dilutees recently passed by the Amalgamated Engineering Union. The union's national committee has instructed its executive to bring the present dilution agreement to an end and return to the rules in force in 1939. This action is grave both in itself and as a symptom. It is grave in itself because the need for expansion of manpower in the engineering industries is today only less crucial than it was in wartime; even were the obvious need deriving from rearmament to disappear, the claims of the export drive would still make expansion imperative. The decline in employment in the textile trades, however regrettable in itself, offers an opportunity for such expansion; by shutting

* HMSO. 3s.

Proud Inheritance



So well remembered . . . by A.E.C.

THE SILVER JUBILEE, 1935

Not for years had the imagination of Englishmen been so stirred as by the Silver Jubilee. Here was a cherished link with the gracious serenity of a past era . . . the still-glowing embers of an England which was elsewhere only a memory. And as the cuirasses of the Household Cavalry flashed into view in the procession on that summer afternoon of 1935, the full-throated cheer which greeted the State Coach rose from the very hearts of the great crowd. Thousands had flocked to the capital for the celebrations—and amongst the special transport put into service for the occasion none of it was more traditionally part of the scene than the familiar A.E.C. buses—of which the six-wheelers had been in service for several years: for these, or their forerunners, had been active participants in all such great occasions since even before this long and gracious reign had begun: a great line of passenger vehicles that are today recognised all over the world as a symbol of the sovereign quality that is inimitably British.

A. E. C.

PIONEERS IN THE WORLD OF MOTOR TRANSPORT

A.E.C. Limited, Southall, Middlesex is a member of the Group of Companies controlled by Associated Commercial Vehicles Ltd., of which the selling organisation is

A.C.V. SALES LTD., 49 BERKELEY SQUARE, LONDON, W.1 *Telephone:* REGENT 2141

the door in the face of would-be recruits from the mills, the engineering workers would not only hamper the national effort towards strength and solvency but inflict a direct and serious injury on their fellow workers.

This direct injury is not, however, the end of the story. The AEU is a key union in more senses than one; its example counts throughout the trade union world. If it gives a lead back towards exclusiveness and rigidity, that lead is only too likely to be followed: not only the present textile recession but any shift whatever in the fortunes of different industries will be that much likelier to result in the tragedy of long-term unemployment rather than in the mere inconvenience of a change of job for those affected. There are quite enough natural obstacles to industrial mobility without the interposition of further barriers against workers who are available and willing. It is no doubt the memory of mass unemployment, stimulated by the spectacle of the textile trade's troubles, which has prompted this instinctive reaction towards exclusiveness—a reaction as inappropriate to present unemployment as it is, at the instinctive level, understandable. It has not yet been embodied in any irrevocable measure; and one may hope that the more rational attitude, the longer view, and a more generous disposition towards fellow workers in adversity may still carry the day in the AEU's counsels.

* * *

The Soldier's Liability

In the recent debate in the House of Lords on the revision of the *Manual of Military Law* a number of distinguished speakers with long experience of military or naval service expressed the widespread anxiety of serving officers at the position in which they and their men have been placed by the current edition of the *Manual*, brought out in 1944. The previous edition laid down that, in any violation of the laws of war, responsibility rested on the person issuing the orders and not on anyone who merely obeyed them. But the edition of 1944, as revised by the international jurist, Professor Lauterpacht, rules that members of the armed forces are "bound to obey lawful orders only" and are criminally liable as individuals if ordered to commit "acts which both violate unchallenged rules of warfare and outrage the general sentiments of humanity."

This revision was undoubtedly influenced by the prospect of bringing German war criminals to trial and the fear that everybody in Germany, except Hitler himself, might be able to plead obedience to superior orders to justify participation in the worst Nazi atrocities. In 1944 it was a question of bringing enemy soldiers (or men of the *SS*) to justice; the war was already as good as won, and there was no thought of the liability which might be imposed on British soldiers by the doctrine of personal responsibility from commander-in-chief to private for all acts committed under orders. Today, with British soldiers prisoners in Communist hands, with unverified accusations of bacteriological warfare officially endorsed as fact by Communist states, and with "peace laws" enacted by the same states which could be used to prosecute any soldier taking part in an "aggressive" war (all military operations carried on by countries of "imperialist warmongers" being by definition aggressive), the British soldier may well be worried that his own country should have withdrawn from him the legal protection given before 1944. As the Earl of Cork and Orrery pointed out, the soldier's position with regard to alleged war crimes is quite different from that arising in a possible conflict of orders with British civil law. For it is an enemy court which will administer the war crimes law, and if an unscrupulous enemy brings to trial (or blackmails by threatening to bring to trial) a prisoner of war on its own interpretation of international law, he is likely to be in a bad way if he cannot plead obedience to superior orders.

Lord Jowitt has argued that the *Manual* is not authoritative, but merely Professor Lauterpacht's opinion of what the law is; there is, nevertheless, no other written source to which a soldier can refer for knowledge of the law and foreign nations certainly regard it as representing official British legal doctrine. It is not surprising that there should be widespread objection to "Lauterpacht law" in the services, and fear of a general breakdown of discipline if, as Lord Winster suggested, men on active service were to start saying to their officers: "Would you kindly stop the action while I ring up my solicitors to see if this is all right." The Government would be well advised to reconsider the language of the 1944 edition of the *Manual* and to find a definition of responsibility less detrimental to men who may be called on to fight for their country.

* * *

Harnessing the Volta

This Saturday the Colonial Secretary, Mr Oliver Lyttelton, is due to arrive in the Gold Coast on his West African tour, the first to be undertaken by any occupant of his office for five years. He does so at the moment when a meeting has been taking place in London to discuss the financing of the huge Volta River project, the site of which he will inspect. The emphasis of Mr Lyttelton's tour is on economic development and, in spite of the far-reaching political changes which are on foot in the West African colonies, this is where the British still have great power to help the peoples for whom they are responsible. In the Volta River project the aim is to secure the investment of sums which may range beyond £100 million during the next six years. It would not be practicable to find so much money without the prospect of gain for the United Kingdom as well as the Gold Coast. This gives an obvious handle to people who raise the popular modern cry of exploitation. Nevertheless, it is an essential element in the proposed electric power scheme on the River Volta that, while a large part of the aim is to raise the standard of living by supplying abundant cheap electricity and water for irrigation, this would be economically quite impossible without the simultaneous development of a large-scale local industry.

The Volta River project has, therefore, three main parts. One is to produce about 550,000 kilowatts from a dam and hydro-electric station some 70 miles from Accra. Another is to build a plant capable of smelting over a million tons of bauxite annually, in order to produce about 200,000 tons of aluminium for export; the Gold Coast's bauxite deposits are estimated to amount to 225 million tons. And the third part of the project is to build a new port, which the territory badly needs and which will also handle the traffic to and from the smelter. The financing of all this is to be undertaken jointly by those represented at the London talks this week, namely, the British and Gold Coast governments, the British Aluminium Company, Aluminium Limited of Montreal and various other commercial interests behind West Africa Aluminium Limited, which has carried out much of the pioneering survey work. A fundamental problem is to determine the relationship between public authority and private business. If the scheme is to prosper in this period of acute political self-consciousness, the Gold Coast Government must be associated with all its aspects.

* * *

The Council of Europe

This week's events in Bonn and Paris have crowded the present meeting of the Council of Europe off the front pages of the newspapers. This is a pity, since its present session may mark the beginning of the end of the Council's long search for its proper niche in the European scheme of things. Last week the Committee of Ministers gave its blessing to Mr Eden's proposals for making the Council a framework into which the various European specialised bodies, such as the Schuman coal and steel pool, could be fitted. This week the Consultative Assembly has been considering Mr Eden's purposely vague proposals.

These do not further the wider ambitions of the Assembly to become "a European political authority with limited functions but real powers"; but they offer a real chance of steering the Council firmly into the main stream of European co-operation. If they come to grief, it will be not so much because the Assembly spurns them for their inadequacy, as because their advocates try to please everybody. It is right that the Ministers should carefully point out all the practical difficulties; and it is essential that the organic links to be established between the specialised communities and the Council should be flexible and variegated. But it would surely be a mistake to allow, for example, Sweden's anxiety over its neutrality to hamstring all attempts to link the Council and the European Defence Community. If the Council is to prosper it cannot be artificially insulated from all contact with such vital problems. With the development of specialised institutions like the EDC the Council is needed to save European integration from becoming the monopoly of soldiers, civil servants and technocrats. The besetting sin of Strasbourg is to allow the best to be the enemy of the good.

* * *

Catering Fullstop

Each report of the Catering Wages Commission gets more fantastic than the last. Over and over again one reads of recommendations being made "as a matter of urgency" and of the same recommendations being referred back for further consideration "as a matter of urgency." Now the commission's activities appear to have come to a fullstop. In 1950 it published the report of its special inquiry into the working of the Catering Wages Act. Its main proposal was that the existing wages board for "unlicensed residential establishments" should be abolished; that a single board should be set up to regulate wages for "large London establishments," "large provincial" and "small establishments wherever situate"; and that this board should be assisted by committees "confined to persons actually and actively engaged in the hotel industry," not drawn from the employers' and workers' representatives on the board. At the end of that year the commission was asked by the Minister of Labour to consider the views of "both sides of the industry" on the proposal and decide "as a matter of urgency" whether to make a formal recommendation, on which he could act.

All of this seems to have been wasted effort. The commission's report for 1951 (HMSO, 4d.) states that a year ago it consulted the Ministry of Labour's solicitor for advice on the terms in which its proposed recommendations should be drawn up. In July the solicitor informed the commission that within the terms of the Act it had no powers to make its recommendations about the reform of the wages board machinery.

The rest of the report is equally negative. The commission regrets that its suggestions for varying the wage regulation orders for licensed establishments have not been accepted in full. It regrets that another year has passed with little progress towards complete organisation on both sides of the hotel industry. It again draws attention to the delay in deciding special rates of wages for trainees and apprentices—a matter "which should be dealt with as speedily as possible." The only progress it can record is the work of the British Travel and Holidays Association, which leads it to the suggestion that its own responsibilities for the tourist industry should be transferred to the Board of Trade. With its main purpose stultified and another being successfully achieved by a different body, the commission's own future seems to require review "as a matter of urgency."

Consolidation for Courts

The Lord Chancellor introduced last week a massive collection of proposals designed to consolidate the statutes and rules relating to magistrates' courts. They consist of a Magistrates' Courts Bill, a draft of Magistrates' Courts Rules (to be made under the Justices of the Peace Act, 1949) and a long explanatory memorandum. The Bill will clear away a maze of existing legislation, not always consistent, dating back to the Indictable Offences and Summary Jurisdiction Acts of 1848. It will provide instead the single code of procedure which has long been needed.

This measure is a good illustration of the benefits provided by the 1949 Act dealing with the consolidation of statute law. Under that Act a Consolidation Bill which does no more than consolidate the existing law, tidying up its inconsistencies, can reach the statute book without needing to pass through all the usual stages of legislation. With the present pressure on Parliamentary time, this is the one thing that makes any real programme of statute consolidation possible. The new Bill contains 66 proposals which involve some departure from the strict letter of the existing law, but the Lord Chancellor is satisfied that none of them makes anything which could be called a substantial change; with that it is unlikely that anyone will disagree. The work of magistrates and their clerks, and of the advocates appearing before them, will therefore be that much lighter, and it is even probable that laymen will find that what goes on in court is in future a little easier to understand.

Derby Day

We are no enemies to horse racing. It is a better amusement than dice throwing or card playing. It is, at least, as ennobling as the ballets at the opera. It is not, perhaps, quite equal to cricket or yachting, but we should no more object to gentlemen taking an interest in a horse race than a boat race or a sailing match. Gambling of all kinds, including betting on horses, is so universal, that it seems a natural feature in the human character like the love of spirituous drink or fine clothes. But the Legislature has not taken this view of the matter, and as it formerly passed sumptuary laws, so it has equally unsuccessfully issued numerous decrees against card playing. As the promoter of morality, it has for a long period set itself very decidedly against lotteries, and all other means of getting rich by chance. By its authority, too, fairs at which the vulgar gambled, danced, and drank, have been very generally suppressed. Epsom on the Derby Day presents most of the worst characteristics of a fair. People collect in great crowds; they drink, gamble, and dance. In every meeting of a dozen or twenty people bets are taken on the winning horse. Tattersalls' is the most extensive gambling house in town, but Tattersalls' is frequented by many members of the Legislature. Many of them, too, go to the races. Peers and representatives are amongst the owners of the running horses, and win and lose fortunes by betting. That is, perhaps, rather unseemly in gentlemen who put down fairs, denounce gambling, and make numerous laws against indulging in games of chance. But, if what they do as individuals be, perhaps, of doubtful propriety, it is quite inexcusable that the House of Commons should postpone all business that the members might honour the Derby Day with their presence. That was consecrating, by the Legislature, the very vices they reprobate. It gives the practical sanction of the House to acts which the Parliament makes laws to prevent. . . . The Parliament that objects to gambling should not postpone the national business to allow its members to attend a horse race.

The Economist

May 29, 1852

Letters to the Editor

Arts to Excess?

Sir,—Some of the statements in the article in your issue of May 24th are so typical of English opinion on technical education and, I believe, so erroneous, that I should like to comment on them.

It is widely believed that the British B.Sc. Honours degree in science or engineering brings a student to a more advanced standard of professional training than does the corresponding first degree in American universities. The best evidence I can collect indicates, however, that the American and British degrees represent almost equivalent standards. It would be desirable to settle this question by means of a common examination given to a statistically significant number of graduates on both sides.

If we compare institutions such as Birmingham, Edinburgh, Bristol or Manchester, with American counterparts such as California, Chicago, Cornell or Minnesota, we find almost equivalent standards. The students on both sides use the same books, work on the same problems and practical experiments, and have difficulties on the same knotty points at about the same stages in their university careers.

The principal difference between British and American training is the much greater amount of teaching in the American universities. The British student is on his own, his lectures providing only a bare outline of the work to be covered. The American student is systematically led over the ground by his teachers. Both students eventually learn the same material. The American learns more efficiently, and thus has time for humanistic subjects in addition to his technical training. The British student learns most inefficiently, but he gains in self-reliance, since he is essentially self-taught.

Secondly, may I comment on the statement that technical graduates in this country are paid high salaries. It seems, on the contrary, that these salaries are much too low. The British worker can expect half the salary of the American worker (in real wages); he produces about half as much in a given time, mainly because his employer has given him half as much equipment to work with. The productivity of the British scientist or engineer is not limited in this way; it equals 100 per cent of the American standard. Nevertheless his salary is also limited to the 50 per cent level. It would be only just, and highly beneficial to the national economy, to double the salaries of all British scientists and engineers employed in industry.

Simultaneously, to meet the influx of students into technical careers, two large new institutes modelled on the Massachusetts and California Institutes of Technology should be created. The trouble with British education is surely not "arts to excess" but "not enough engineers." A more basic trouble is an archaic system of secondary school education that separates the bookworms from the goats at the age of eleven, and casts the latter into the exterior darkness.
—Yours faithfully, W. J. MOORE

Washington, D.C.

*

Sir,—In your issue of May 24th you rightly point out that the Burnham Scale of salaries for teachers is looked upon with disdain by science graduates. The shortage of science masters will continue as long as first-class graduates in grammar schools are paid the same basic salary as a 2-year or 1-year trained teacher in other types of schools. The problem is not "insoluble" as you say, although it is true that "the science master cannot be paid more highly than the man who teaches history." The solution seems to be a separate salary scale for graduate teachers in grammar schools, whether scientists or not.—Yours faithfully, A. JONES

Hardingstone, Northants

A Soldier on Soldiers

Sir,—May I comment on one point of policy mentioned in your review of my book "East *versus* West" on May 17th. You state that my condemnation of our intervention in Korea is a contradiction of the views I express about the prestige of Easterners, and that our action in Korea was a smack in the eye to the Communists. I feel sure that the Russians are delighted at seeing the great effort that we are expending in Korea. Nor do I believe the suggestion you make that if America had not rearmed for Korea they would not have rearmed to meet the very serious menace in Europe.—Yours faithfully,

G. LE Q. MARTEL

Camberley

Nationalism in Morocco

Sir,—The article in your issue of May 17th contains so many inaccuracies and half-truths of French propaganda, eager to discredit Moorish nationalism in foreign eyes, that at least some should be corrected.

Your correspondent states that "Moroccans have become avid for modern education only in the last ten years." The fact is that most of the nationalist leaders studied at the Sorbonne or at other foreign universities in the early thirties, that is, after having received a "modern" primary and secondary education about thirty years ago.

Your correspondent states that the National Front numbers only some 120,000 people. I wonder how he reached that purely fictitious figure. Since the nationalist parties are afraid to issue membership cards, no one knows the figures except the leaders themselves. But the figure given by your correspondent is that contained in French propaganda. Had your correspondent personally attended nationalist manifestations (as I have done in most Moroccan towns), he would have noticed that in the larger towns a figure of between 50 and 100 thousand is common. The nationalist crowds that each year on the Sultan's Day of the Throne manifest unmistakably their true sentiments, surpass one million by a wide margin.

Your correspondent complains that there are not enough rural administrators (and he might have added, urban as well). He is, however, silent on the point that it was not until 1950 that the Protectorate authorities established the first school for native administrators—38 years after they occupied Morocco. And even then they provided only for fewer than sixty pupils. Is it then fair to blame the Moors for their administrative immaturity?—Yours faithfully,

ROM LANDAU

Barnstaple

Like Peter, Like Paul—Like Perón

Sir,—I am requested by the manager of the Australian Meat Board to draw your attention to a most misleading statement in *The Economist* of March 29th.

You state that Australia, too, "with its various Produce Boards, has not passed on to producers all the increases in prices it has exacted from its customers." The facts are that no increases, with the exception of relatively small amounts, the payment of which could only have been made retrospectively, have been withheld from producers. They have been reflected in the Australian Government's buying price immediately they have been negotiated.

It is true that for several years a percentage (one per cent or less) of these prices was retained by the Australian Meat Board to cover costs of administration involved in the purchase of meat for and on behalf of the Australian Government and the British Ministry of Food. From January, 1950 onwards, however, this practice was discontinued, the whole of the price paid by the Ministry of Food for all classes of meat being included in the buying price and passed on to the industry.

As regards retrospective payments which you say "would require a more elaborate system of accounting than exists," the problem of disposing of these resulted from delays which were experienced on a number of occasions in negotiating prices despite the Government and the Australian Meat Board having pressed for a prompt announcement. At no stage were these sufficiently large to enable appreciably higher prices to be paid during the following season and it was decided, therefore, that the amounts should be held by the Australian Meat Board on behalf of the industry. They are at present being used to meet administrative expenses in lieu of the

percentage (one per cent or less) previously deducted.

To describe such practices as "Peronistic autarky" is grossly misleading and likely only to give rise to further misunderstanding in the United Kingdom of the problems of meat production in Australia.—Yours faithfully,

R. H. HEYWOOD

London, W.C.2

Food Without Thought

Sir,—Your leading article "Food Without Thought" will, I am afraid, tend to confirm the opinion held by many of your readers that farming is the one subject on which you cannot write dispassionately.

On any other subject we see both sides of a question clearly and ably argued with the support of relevant figures. Why should agriculture be differently treated?

You criticise the recent rise in price granted to milk producers without mentioning the fall in winter production and the drop in heifer calves reared. It would also, I think, be fair to point out that the profit earned by the average small dairy farmer is small compared with what he could earn in almost any other industry in the country. As the alarm clock goes at 5 a.m. on Sunday morning, I venture to think that many are seriously considering investing their money in something less exacting than dairy cows.

I personally doubt if the Minister has gone far enough if it is desired to maintain the existing production of milk.—Yours faithfully,

CYRIL H. KLEINWORT

London, E.C.3

Stifling BIF?

Sir,—Those who pay for exhibition stands at, and meet visitors to, the BIF at Castle Bromwich will probably agree that on sunny, warm days the Exhibition Hall is one big Turkish bath. The roof has large areas of glass and when the sun beats down it turns the air into a vast hothouse for the thousands who are in the building. There is evidently no proper glass screening, ventilating, or air-conditioning system. Stand owners have tried, at considerable expense, to make their small reception rooms and offices tolerable by individual apparatus, but to draw heated air out only means that it is replaced by hotter air from the building.

This is a great permanent building, dedicated to demonstrate British efficiency. When so much public money is spent elsewhere, it seems inconceivable that air-conditioning is not thought important enough to warrant the cost of installation. What would happen if stand holders decided, individually and collectively, that they would not book space next year unless the air condition of the building is made reasonably comfortable?—Yours faithfully,

EDWARD R. CROSS

Manchester

Plain Word?

Sir,—On page 505 I read that all sensible people "must hope that neither side will set conditions of acceptance with which the other cannot fall in."

A slight diseconomy of language, I suppose.—Yours faithfully,

R. C. STEEL

Westerham, Kent

[Fair cop.—EDITOR.]

Books and Publications

Sudanese Assessment

The Sudan Question. By Mekki Abbas. *Faber and Faber.* 201 pages. 21s.

When Sayed Mekki Abbas laid down his pen at the end of this book, he can scarcely have envisaged the timeliness of the day it would appear. He is Sudanese, and it is a Sudanese appraisal of the Anglo-Egyptian dispute. Its publication coincided almost to an hour with the arrival in Alexandria of the first important Sudanese delegation to discuss the problem directly with the Egyptian government, instead of through the medium of British officials.

The book has some outstanding merits. It uses British and Arabic sources with familiarity and dispassionately. It is short and clear, and makes a competent selection from a mass of material; and it avoids the repetitive detail about the abortive talks of the last thirty years that has overloaded so many books on the topic. It is able to lay emphasis, therefore, on the main turning points and grievances involved. For instance, it disposes adequately of the Egyptian contention that the British forced the Egyptian evacuation of the Sudan in 1884; with equal justice, it stresses the inopportunity of Lord Allenby's decision after the Stack murder in 1924 to show Egypt who was master by threatening to squeeze its Nile water supply. To that false move must be attributed many of the pangs of today.

Some aspects of the dispute which, in general, receive too little consideration are here given due weight. One is the effect upon the Sudanese; this is weighed and found detrimental since it has increased their propensity to disagree, and has ousted from the minds of budding politicians many considerations that they ought to have been learning to assess. A second important point that emerges from the narrative is the part that money has played in weighting decisions. The Egyptians' grievance against Britain, for instance, was given a flying start because of their resentment that the British bore only one-third of the cost of the Kitchener reconquest while their share in the management of the Condominium was out of all proportion to that figure. ("When two people become partners in a concern," remarks the author, "it is difficult to assess the value of such a thing as leadership.") Another money consideration—a decision in 1931 to reduce the starting rate of pay of employees newly graduating from the Gordon Memorial College, Khartoum—imparted to the Sudanese Graduates Congress the sense of grievance that has hallmarked all its activities. The fact that money talks even more loudly in the Nile Valley than in some other parts of the world may affect the future of Egypt-Sudan relations.

Mekki Abbas is an Oxford graduate and holds a studentship at Nuffield College. His book appears in a series distinguished for its scholarship. He tells his story and sets forth his judgments with all the restraint of which a senior common room is capable. This capacity for understatement has great advantages, but it presents one drawback that constitutes the chief flaw in a good book. The muted tones of Oxford are foreign to the Nile Valley, and it therefore fails to convey a hint of the extent to which emotion, strident speechifying and even shouts of "traitor" have affected the course of the dispute in the last few years. If he could, in his next political book, add to his qualities of scholarship and judgment just a spice of the art of describing the human scene, he would write an even better book than this one. To set a problem down upon paper is easier than to bring about its solution. But if the Sudan contains even a few men as capable of the second task as is this author of the first one, the birth-pangs of its self-government will not be so painful as some people fear.

Union Rebel

The Choice Before South Africa. By E. S. Sachs. *Turnstile Press.* 220 pages. 15s.

This is South Africa with the lid off. By a man who is well known to thousands of his fellow workers as "Solly" Sachs, the book is written with a sparkling vigour which is rare in the political life of South Africa. Mr Sachs tackles the great question mark of his country's economic and racial policies from the point of view of one who has had close personal experience of the colour problem in the trade unions. He believes that this, like South Africa's other difficulties, can only be solved on a basis of racial equality. So unpopular have his views proved to authority during the past few weeks of intensified crisis that Dr Malan's government has now banned his book in the Union. He himself has been twice arrested for failing to resign from the secretaryship of the Garment Workers' Union, which owes its political prominence to his work, and he has been "named" by the Minister of Justice as a Communist under the Suppression of Communism Act.

In the preface, Mr Tom Driberg

assures readers that Mr Sachs is not a Communist, and there is certainly an air of freedom blowing through his pages. But, whatever his political affiliations, nothing the Malan government can do will now detract from his standing as one of South Africa's foremost labour leaders, or from the point of view which he presents. In his book, he opposes both the main political parties and argues that the line of political division in South Africa is an anachronism. His attack is aimed first and foremost at the Nationalists. At all costs they must be driven from power if a peaceful and democratic South Africa is to survive. But it is stupid to place all faith in the United Party, so long as its leadership is so poor, its policy so unclear and its record tarnished with racial bias which is only less in degree than that of the Nationalists.

Unless these things are changed, argues Mr Sachs, the United Party will again be defeated at the election next year, as it was in 1948. What is wanted is, on the immediate electoral front, a coalition of opposition parties, basing their appeal on a "virile democratic policy" instead of race hatred, and aiming it at the urban areas where 800,000 white workers now hold the balance of power. This is the choice before South Africa. Although some of the language in the book verges on the vituperative, Mr Sachs gives solid chapter and verse to support his views, including sections on the economic life of the country—the mining industry, agriculture, the rapidly growing industrial development—and on the political parties, the influence of the churches and, what he knows best, the trade union movement. Anyone who wants to understand the decisive period through which South Africa is now passing should read what he has to say.

Methods of Science

Foundations of Inference in Natural Science. By J. O. Wisdom. *Methuen.* 242 pages. 22s. 6d.

The study of the methods of science has been central to twentieth-century philosophy. In this volume, Mr J. O. Wisdom (not to be confused with Professor A. J. T. D. Wisdom, who now holds the Chair of Philosophy at Cambridge) has made an important contribution to this study. For Mr Wisdom the fundamental scientific procedure is what he calls—after Professor K. R. Popper, to whom he acknowledges his debt—"the hypothetico-deductive system," that is, the method of deducing consequences from a hypothesis framed, ultimately, by an intuitive process and testing these consequences against observation or experiment. The most interesting of these hypotheses are what he calls "non-instantial," those like Newton's law of gravitation which have no instances in the world of phenomena. There is not a thing to which one can point and say, "This is gravitational attraction." Yet one can deduce from Newton's law consequences which can be tested against the actual behaviour of bodies.

Over against this Mr Wisdom sets the traditional approach, which centres upon induction and the attempts to justify it as a form of inference. These make use of an "order of Nature," or, more recently, of more refined principles formulated, notably, by Keynes and Broad. None of them is satisfactory. A powerful attack on the problem of induction came from the logical positivists, who argued that it was a "pseudo-problem" resulting from a "systematically misleading" use of language, since induction was not a form of inference requiring logical justification but a successful habit. An inductive procedure is essentially practical; it justifies itself, if at all, by its success. This answer Mr Wisdom rejects—rather summarily some of his readers will feel, since his own conclusion also is that induction cannot be justified as a form of inference. He reaches this conclusion after a discussion of probability, both its mathematics, from which he selects a few leading theorems, and its philosophy, which again is shown unable to justify induction.

He comes finally to his own solution. Science proceeds by testing hypotheses, that is, seeking to falsify them. The hypothesis comes first, and it is impossible to embark on any inquiry without in fact using some prior hypothesis. The scientist's inductive faith in a hypothesis which in several critical instances has not been falsified cannot be justified logically. Every attempt to do so is circular. This faith can, however, be justified on one primary hypothesis, that of a universe which is "favourable," which "has just enough order in it." But the universe may well be unfavourable, and to this extent scientific method is arbitrary and unjustifiable.

This notion of a favourable or unfavourable universe will seem to many artificial and far-fetched, in the light of science's immense and indubitable successes in the practical field. Even if science cannot be adequately accounted for as a set of rules for manipulating the world of experience, yet against Mr Wisdom's solution some such down to earth argument as the following will continue to assert itself. A farmer's faith in a plough lasts as long as he has fields that are ploughable and no better instrument offers. With a scientist's faith in a law of nature it is no different. It lasts as long as the law is not falsified by experience and until a better, more general law can be framed. It is unnecessary, on the pretext of rationalising this procedure, to attribute to the scientist a belief that laws which have not been falsified in the past will not be falsified in future. Such a belief would not even be scientific, and the mistake arises from putting it in inferential form.

Malayan Income

The National Income of Malaya, 1947-1949. By Frederic Benham. *Government Printing Office, Singapore.* 272 pages. $5.

These are the first estimates to be made of Malaya's national income. They are very detailed and honest. It is made very clear that there is a large element of guesswork in them and that the total figures may contain an appreciable error, although it is thought to be not more than 10 per cent. The estimates are built up mainly from export statistics and government accounts so as to obtain a total figure for national output, but some attempts are also made to gauge incomes received and the amounts of investment and consumption.

It is a pity that comparisons over the years have not been made easier. The chief drawback is that the main tables record only the gross value of output of the different groups of industries, and a single block deduction is made to allow for purchases from other industries and from abroad. Admittedly a search through the detailed figures allows rough adjustments to be made and a few net figures of "value added" are given in the text; but comparative tables would have been helpful. Some preliminary estimates for 1950 are included in the book. The rubber and tin boom that year naturally inflated the national product considerably in money terms and the rise over 1949 is put at about 60 per cent, with the contribution of the home-grown rubber industry to the total national product increasing from about 17 per cent to 32 per cent.

However rough some of these estimates may be, they are very welcome as giving a more complete picture of the economy of Malaya than has been possible before. They also provide a useful study of the many problems of national income accounting in a primary-producing country of this kind.

Too Many Themes

American History and American Historians. By H. Hale Bellot. *The Athlone Press.* 336 pages. 12s.

This is a curious book. One-third of it consists of bibliographies. The other two-thirds are devoted to essays on various subjects. Only the first of these deals with American historians, as such. This is a chapter which outlines some of the developments in the study and writing of American history over the last seventy-five years. The subsequent six chapters are semi-narrative, semi-analytical accounts of phases in American history between 1700 and the present day. Written in civil serviceable prose, they fully realise the author's expectation that they will not "be easily read." This is attributable partly to a continuous preference for the abstract over the concrete and partly to a somewhat baffling confusion of purpose about the way in which these themes are presented. If the author had contented himself with reproducing the main developments in American historical research over a selected number of fields he would have rendered a useful service. Unfortunately he has complicated, and to some extent impaired, this undertaking by superimposing on it various assessments of his own about the formative factors at each stage of American development.

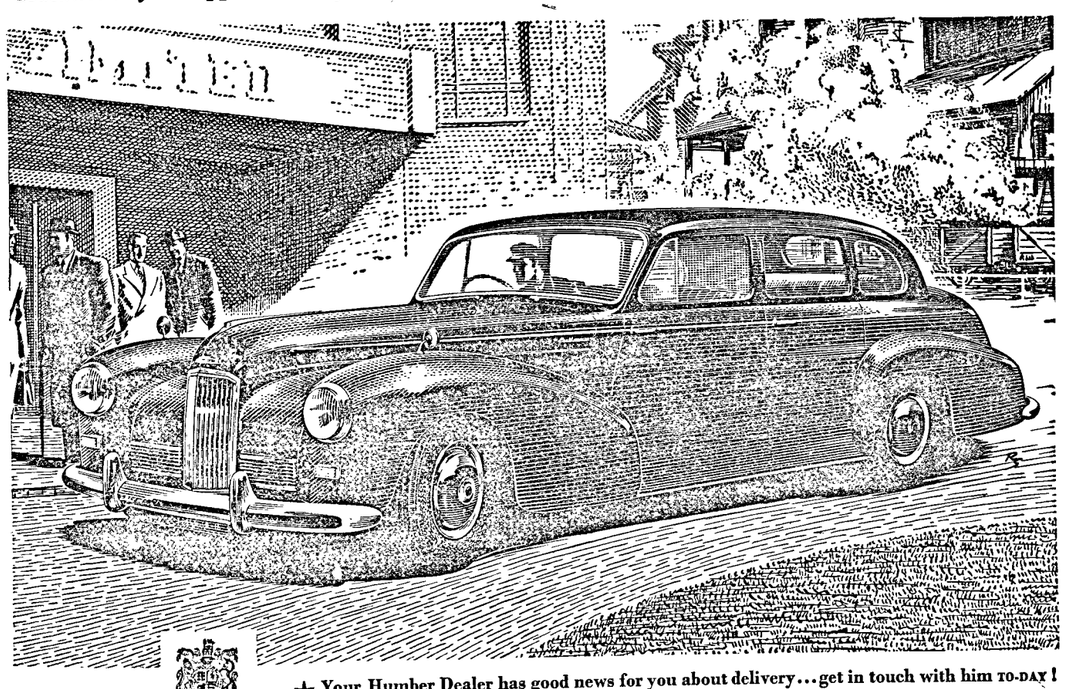
The book thus falls between several

You are a busy man . . .

TRAVEL BY PULLMAN

Your business day is all too crowded. Ease the strain. Relax between appointments in the comfort and silence of the Humber Pullman Limousine. The immensely powerful engine brings wide territories within easy range; the spacious rear compartment is the perfect setting for quiet discussion with your associates; and the magnificent appearance of the car inspires immediate confidence. Relaxation . . . convenience . . . prestige . . . and a surprisingly reasonable price. THE HUMBER PULLMAN is a first-class investment.

Coachwork by Thrupp & Maberly



★ Your Humber Dealer has good news for you about delivery... get in touch with him TO-DAY!

By Appointment to the late King George VI Motor Car Manufacturers Humber Limited

HUMBER

8-SEATER PULLMAN LIMOUSINE

Britain's most reasonably priced Limousine: £1,600 Plus Purchase Tax

ALSO IMPERIAL SALOON

HUMBER LIMITED, COVENTRY · LONDON SHOWROOMS AND EXPORT DIVISION: ROOTES LIMITED DEVONSHIRE HOUSE PICCADILLY W.1

The quarterly Bulletin of the London and Cambridge Economic Service is now published as a special section of THE TIMES REVIEW OF INDUSTRY. The current Bulletin appears in the June issue.

The day is past when the business man, whether engaged in manufacture or distribution, could afford to concern himself with his own affairs only. To-day he must know what others in the same line of business as himself are doing. He must be acquainted, too, with developments in branches of production other than his own. And, if he is to maintain his position either in the domestic market or in export markets, he needs to be informed of industrial and commercial trends in other countries.

Month by month THE TIMES REVIEW OF INDUSTRY provides in convenient form the kind of information which enables those responsible for the conduct and administration of industry and trade to keep in close touch with developments at home and abroad. It is consulted by the far-sighted business man in every country.

THE TIMES
REVIEW OF
INDUSTRY

Published on the first Wednesday of every month

From all newsagents and bookstalls, price 1s. Postal subscriptions—the annual rate is 15s.—can be arranged with the Subscription Manager, *The Times*, London, E.C.4.

stools. It is not a study of the development in American historical thought (for this purpose it would need to cast its net very much wider—to bring out, for example, the pervasive influence of Charles Beard's economic determinism upon a whole generation of American thinking). It is not a comprehensive, critical bibliography of recent research work, even in the fields which the author has singled out for attention. It is not even an entirely satisfactory analysis of the main influences that have shaped American historical development.

For all these reasons the book is unsatisfactory. But that does not mean that it is not useful. The author's principal interest is in economic history, particularly in the economics of Western expansion. What he has to say on this subject must command respect for its learning, thoroughness and freedom from prejudice. The chapter on the "Settlement of the Mississippi Valley," to take only one example, is full of shrewd analysis and helpful interpretation. But this only heightens regret that the book was not more carefully focused on this theme. No doubt it would have been a considerably more slender volume, but it might also have been a cheaper one.

Irish Nationalism

A History of Ireland Under the Union. 1801-1922. By P. S. O'Hegarty. *Methuen.* 811 pages. 50s.

The author of this large and well-documented book possesses unique qualifications for the task he has undertaken. He has accumulated one of the finest existing collections of books, pamphlets and newspapers dealing with Ireland, and has himself played an active part in the political and literary movements of the last fifty years. He thus has at his command a peculiar combination of bibliographical sources and first-hand information. The book is written with vigour and style, in the best tradition of Irish polemical literature. The author holds strong personal convictions on all the problems he discusses, but he is always conscientiously accurate.

The great Irish nationalist tradition is traced from Tone through O'Connell, Davis and Parnell to Collins and Griffith, who concluded the Anglo-Irish Treaty in 1921. The author's ardent patriotism renders him unsympathetic to the leaders of religious, agrarian and social movements whom he tends to regard as deviationists from the straight and narrow path. Indeed, the conflicts between the strictly political and other popular movements must have imposed a considerable strain on the Irish people at times. In spite of many difficulties, loyalty to the nation and to the Church was successfully combined.

If this excellent book contains a minor fault it is possibly its under-emphasis of the Ulster problem. The skeleton of Partition is kept rather in the background, perhaps because it takes away from the glory of the victory won by the author's friends thirty years ago.

Shorter Notices

Money and Employment in Ireland. By Laurence Hooper. *Fallon*, Dublin. 159 pages. 10s. 6d.

The scope and aim of this examination of the Irish economy are set out in an early sentence.

> The coincidence of severe unemployment and emigration with a strong international creditor position is very unusual and its continuance . . . suggests that the theory on which economic policy has been based has not been correctly formulated in relation to Irish conditions.

The author adds that there is a seasonal unemployment figure of upwards of 80,000 coupled with an annual emigration of about 15,000 while foreign assets total £400 million.

The author therefore attempts to translate Keynesian theory into Irish practice. Eighteen hypothetical cases are set out in which the effect of investment on the level of employment, the balance of payments and the volume of external assets is considered in detail. These models have been elaborately prepared and it is not possible to consider them as fully as they deserve. Criticism attaches to the assumptions on which they are based rather than to their details. Neither seasonal unemployment nor emigration will be cured by policies for full employment as the term is usually understood. Unemployment is seasonal because Irish agriculture is seasonal, and its volume is swollen by the inclusion of many who are not out of work in the generally accepted sense. Emigration is primarily a migration of unskilled labour. It is misleading to apply criteria derived from developed industrial economies to the Irish scene.

The case for investment in Ireland does not depend on considerations of the volume of employment. The Irish problem is created by a lack of technical skill, industrial tradition and enterprise rather than by any deficiency of capital. These shortcomings will not be made good by monetary policies; and one feels that the arguments of this closely reasoned book are more relevant to possible problems of the future than to those of the present day.

Uruguay. By George Pendle. *Royal Institute of International Affairs.* 100 pages. 11s. 6d.

Lord Bryce described Uruguay as "a cheerful country, with scenery constructed, so to speak, on a small scale, as befits a small republic." The Chatham House series of studies on Latin-American countries, of which this is the second, are also constructed on a small scale; some may complain that their price should be adjusted accordingly, but there is no doubt about the value of a short and very readable introduction to such a country as Uruguay. In spite of Britain's long and close connection with the eastern shore of the River Plate, no British author has written a book on Uruguay for over forty years, and during that period the country has been transformed. Whether the transformation has yet gone far enough to justify Mr. Pendle's use of the phrase, "South America's first welfare state," may be questioned; a national health service, for example, has yet to be created, and unemployment benefits are by no means universal. But Uruguay has certainly moved towards social democracy far more swiftly than any of its neighbours. Mr Pendle describes how this progress has been primarily the work of one remarkable man, President Batlle, to whom Uruguay also owes its liberation from ceaseless civil strife; the fact that Batlle, long after his death, remains the most powerful personality in Uruguayan politics, was demonstrated only recently, when the country formally adopted the system of government by council which he had advocated.

Letters from a Self-Made Merchant to His Son. By George Horace Lorimer. *Methuen.* 127 pages. 6s.

John Graham of the Union Stockyards, Chicago—Old Gorgon Graham, that rock-ribbed, unreconstructed tycoon, affectionate but illusion-proof parent, pawky *raconteur* and Self-Made man—is back in circulation, just under half a century from his first appearance. To his numerous friends and admirers, no other notification is necessary. Those who have not, via the second-hand bookshops or otherwise, made his acquaintance already, have a pleasure in store whose nature can be roughly indicated by drawing converging lines through Lord Chesterfield and Artemus Ward.

Text and Reference Books

Post Office London Directory for 1952. *Kelly's Directories Limited.* 2,847 pages. £5.

The newest addition to the information on London presented annually in "Kelly's Directory" is a street plan of Central London on a scale of 6 inches to the mile. There are four other plans on a scale of 4 inches to the mile for the rest of the London region. The 153rd edition of the book follows its predecessors in general layout.

Directory of Shipowners, Shipbuilders and Marine Engineers, 1952. *Tothill Press Limited.* 912 pages. 40s.

With the 1952 edition this directory reaches its fiftieth issue and the five indexes to its various sections occupy nearly as much space as the whole of the original edition. The first of the two main sections lists the shipowners and gives particulars of the services on which they operate, their fleets and other details. The shipbuilding section gives details of shipyards and marine engineering establishments and their normal output capacity and repair facilities.

State of Israel Government Yearbook, 1951-52. *Israel Government Printers.* 536 pages. 21s.

The English edition of the Israel yearbook contains most of the information of the Hebrew edition and in addition has details of the new government of October, 1951, and a statement of its policy.

The book provides details of the ministries and reviews the history and economic development of the year. The principal legislation and armistice agreements are given. The last two sections are a list of the settlements in existence in December, 1950, and a statistical abstract.

Year Book and Guide to East Africa, 1952. Edited by A. Gordon-Brown. *Robert Hale Limited.* 435 pages and maps. 6s.

Year Book and Guide to Southern Africa, 1952. Edited by A. Gordon-Brown. *Robert Hale Limited.* 860 pages. 8s. 6d.

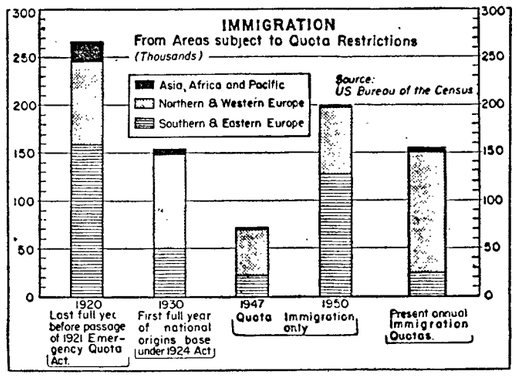
The latest editions of these two guide books prepared for the Union-Castle Mail Steamship Company follow the pattern of previous years. They provide historical, economic and geographical information and small-scale maps.

AMERICAN SURVEY

Immigration Omnibus

THERE is no doubt that amalgamation and codification are needed for the conglomeration of about 200 immigration, naturalisation and deportation laws which the United States has amassed over the last 150 years. And now is the time to sort out the muddle. The emergency measures intended to absorb part of the postwar flood of refugees from Europe have ended. The prosperity of the United States means that the country is, or should be, ready to welcome ordinary immigrants in substantial numbers for the first time since the nineteen-twenties; that is when the present restrictions on immigration were first applied and the subsequent depression meant that their full impact was never felt. Finally the recent panics about Communist contamination in the United States, and the legislation which they have inspired, the McCarran Internal Security Act, have led to a series of refusals of visas, deportations and so on, which have made many Americans realise how much harm is done to their country's reputation abroad by immigration policies which the average citizen seldom hears about.

It is because the average citizen knows little or nothing about these policies, and because the average member of Congress has neither time nor knowledge to study this complicated legal and human problem, which concerns foreigners, not American voters, that the omnibus Immigration Bill, which has now been approved, in slightly differing forms, by both the House of Representatives and the Senate, is so unsatisfactory. It is a measure which does little credit to a country which owes its past development and present power as much to the immigrants who came to populate it as to the great natural wealth they found waiting for them. The Congressional Judiciary Committees have been studying the Bill for three years, a period long enough to have dampened any enthusiasm the members may once have felt for it. As a result the drafting was done to the reactionary recipes of the committee chairmen, Senator McCarran and Representative Walter, both Democrats. And there was nothing to reawaken Congressional interest in the Bill when it finally reached the floor, for its implications and prejudices were hidden in over 300 pages of complicated technicalities.



It was partly to force the members to look into the details of the Bill and thus discover what it involved that its liberal Democratic opponents, Senators Lehman and Humphrey, produced 200 amendments on the floor and tried to debate each one. They also hoped by this means to wear down the resistance of the Senate and to get the Bill sent back to committee for further study. They failed to achieve this, but gathered enough votes to give them hope that, if the President vetoes the Bill, as it is thought he will, the two-thirds majority needed to override the veto will not be forthcoming.

The main argument over the new Immigration Bill has been about its quota provisions which, with certain exceptions, govern the number of immigrants entering from each country, apart from those in the Western Hemisphere. The quotas, now fixed at a total of 154,206, were established under the 1924 Act in their present form, and are based on the national origins of the American population in 1920, something which officials have never pretended to be able to calculate on anything more accurate than guesswork. The purpose of these restrictions was to ensure that a large proportion of immigrants should come from northern and western Europe, countries such as Great Britain and Germany which were supposed to produce the best citizens and which were the main sources of immigration in the nineteenth century. During the early years of this century, when a million immigrants a year were crowding in, most of them came from southern and eastern Europe, the Baltic, Italy, and so on, and were thought to make less desirable citizens.

Senator McCarran has not outgrown these prejudices, or the even stronger one against Asia which has characterised so much of the immigration legislation, even though they are even more unbecoming to the United States today than they were thirty years ago. His new Immigration Bill does increase the total quota by a few hundreds and does provide quotas for Asians. It also extends to Japanese, Burmese and other Asians the privilege of naturalisation which has already been granted to Chinese and Indians. But the quotas for Asiatic countries are small, usually only 100 a year, and must also cover those who are half-Asian, wherever they were born and whatever their nationality.

Nor does his Bill do anything to alleviate the difficulties left behind by the Displaced Persons Act of 1948. Immigrants brought in under this Act were charged against the future quotas of their countries, which explains why immigration from southern and eastern Europe has since then been far above the quota. But this means that countries such as Poland, with an annual quota of 6,500 and admissions of over 50,000 in 1950, have mortgaged half their quotas until the end of the century. Meanwhile, however, countries in northern and western Europe, like Britain, which has much the largest annual quota of any country, 65,700, have not been using their allowances. Under the present system these surpluses cannot be transferred to other countries. Senators Lehman and Humphrey wanted to pool all these unused quotas for distribution in eastern and southern Europe and, even worse in Mr McCarran's eyes, amongst Asians. In addition the Senators would base quotas on the national origins of the population in 1950, which would mean a bigger share for the prolific southern and eastern Europeans. In Mr McCarran's opinion, such proposals would vitiate the purpose of the quota system and would transform the racial and cultural composition of the country in a generation.

★

Mr McCarran thinks that these proposals could only have been inspired by "subversive" sympathies, and his blind determination to prevent these spreading underlies the rest of his Immigration Bill, dealing with the exclusion and deportation of aliens and with naturalisation. It is difficult to judge how these regulations would work in practice but the Bill's critics maintain that some of them set up new and undesirable barriers against aliens, establish equally new and undesirable grounds for deportation, and make both exclusion and deportation even more subject than at present to the arbitrary decision of administrative officers. Furthermore, it is said that under the Bill aliens who had been naturalised would not be full Americans, for they could be deprived of their new citizenship if they joined a Communist group.

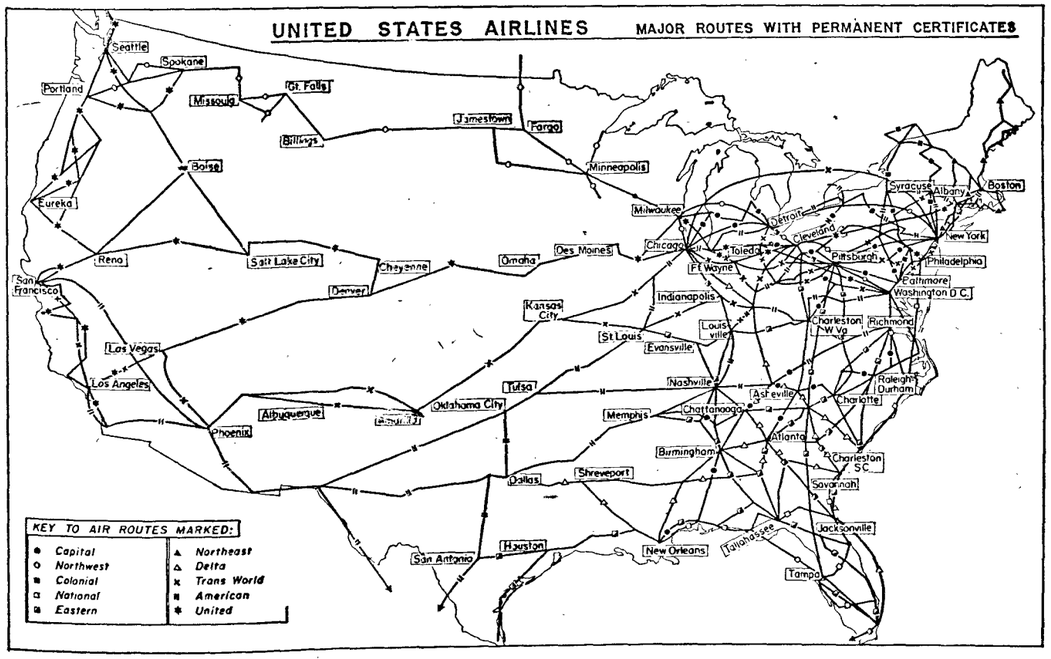
The philosophy behind this omnibus Bill seems to be that aliens are undesirables who should be encouraged to stay out of the United States rather than to come in. It is comforting to see that the protests against this isolationist point of view have come not only from the most respected racial and religious bodies but also from such influential sources as the American Bar Association and the big trade union organisations. In spite of Senator McCarran there are still plenty of Americans in the land of the free and the home of the brave who have the courage to recognise and fight for liberty.

Clouds Ahead for Airlines

[FROM A CORRESPONDENT IN WASHINGTON, D.C.]

THE American flying public, grown used to inflation, took in its stride this spring's increase of $1 a ticket in airline fares. But the modest step-up made a big difference to airline officials, all of whom are uneasily aware that their companies need more revenue even though 1951 was the most successful year in airline history. The 34 regular lines which deal with the bulk of the domestic air passenger traffic carried 22 million passengers in 1951, a rise of one-third over the previous year, and revenues, which zoomed to $584,560,890, showed a comparable improvement. But the airlines also unfortunately managed to kill a record number of passengers last year. After a disastrous series of crashes, the rate at which airline business was improving slowed down perceptibly during the early part of 1952.

But airline operators are not seriously worried that the spectre of sudden death will frighten away their passengers. What haunts them is the possibility that, even under the best conditions, they may not be able to expand their market fast enough to fill the seats on the new equipment soon to be put in the skies. In the last two years, the regular airlines have invested $410 million in aircraft alone; many of these machines will be delivered in 1953. By the end of next year the seating capacity of airlines will be increased by 49 per cent and, although this makes life pleasant for the ticket agents, it brings with it a frightful load of overhead costs for the airlines; it is estimated that their revenues will have to go up by $400 million next year to cover the expenses of running the new aircraft. So far there are no immediate prospects of American jet airliners, although a subsidy



Braniff Airways, Chicago and Southern Airlines, Continental Airlines, Inland Airlines, Mid-Continent Airlines, and Western Airlines are not shown. The airlines linking Baltimore and Richmond with Washington, D.C., are too numerous to distinguish by symbols. From a *Civil Aeronautics Board* map.

scheme has just been proposed to encourage their development.

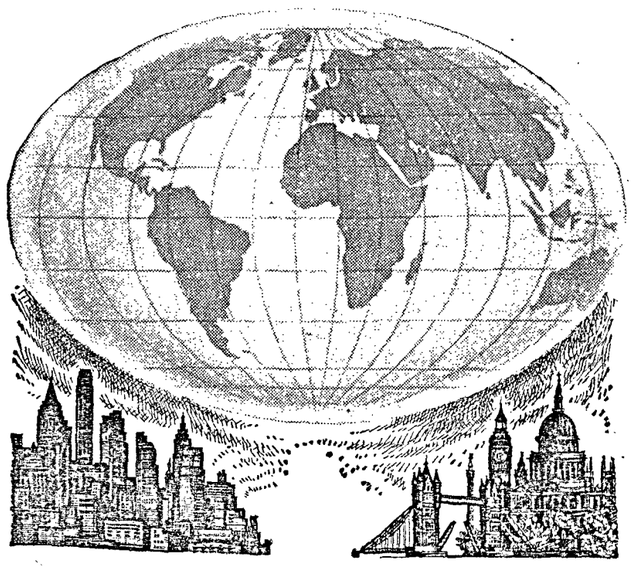
Where can the airlines get an extra $1 million a day? The competition from privately owned automobiles is growing rather than declining, with the construction of such direct super-highways as the 110-mile New Jersey Turnpike. As for taking more customers from the railways, the airlines have already won about half the first-class travel market, and have almost monopolised it in some areas; on the New York to Houston runs, for instance, it is estimated that aircraft carry 80 per cent of all first-class through traffic. The next obvious source of revenue is the so-called "coach service," recently extended to transatlantic flights, where the airlines offer a reduced fare in exchange for the elimination of such fripperies as free hot meals served aloft. But the major companies are already deep in the domestic coach trade: in 1951 the regular domestic lines flew 1,200 million coach passenger miles, nearly double the previous year's total. Some airline operators question the wisdom of expanding this service much further, on the grounds that they are simply competing with themselves; air coach passengers are mainly established air travellers who were weaned away from first-class travel by the cheaper rates.

As well as needing more passengers to fill their new equipment, the airlines are beset by rising costs, which are said to have gone up by 7½ per cent in the past year. The price of oil and petrol is getting higher, pilots' wages are up, and municipal airports are constantly raising the fees which they charge for landing. To get more efficient operation as well as more revenue, airlines are trying to arrange mergers, with the encouragement of the Civil Aeronautics Board; but stockholders are making difficulties. A scheme for amalgamating Capital Airlines, which has been depending for most of its revenue on the profitable New York-Chicago-Washington runs, with Northwest Airlines, which has been serving the Pacific northwest, has been rejected and so has one for merging Colonial Airlines, which links Washington, DC, and New York with Canada, with National Airlines which serves Florida. Eastern Air Lines, also operating in the south-east, is now negotiating with the Colonial company and a similar merger is being discussed between Delta and Northeast Airlines.

*

But, unlike the railroads, which developed in the most free-wheeling era in the history of American capitalism, the airlines grew up with "big government" and cannot solve their problems by merger, or in any other way, without permission. In a bygone day, a man with the swashbuckling temperament of Captain Rickenbacker of Eastern Airlines would have been bound only by the limits of his imagination, but today his horizons are tightly circumscribed by the Civil Aeronautics Board. Even so, they are not drawn as clearly as they might be, for the board, fourteen years after the passage of the Civil Aeronautics Act, still has not perfected regulatory machinery for an industry which has grown faster than any reasonable expectation. About the only section of the domestic industry which operates today with a fairly complete set of ground rules are the 16 "trunk" airlines, the big certificated carriers, so-called because they have been awarded permanent certificates to carry passengers and mail over specific routes. Headed by the "big four" (Trans World, Eastern, American and United Airlines), these bear the burden of long-distance transport by air, and last year flew over 10½ billion passenger miles.

One step lower in the hierarchy are the 18 local service or "feeder" airlines. While the trunk lines take care of jumps between big cities, such as from New York to Chicago, or from Washington to Dallas, the feeder lines serve the smaller cities, providing air transport to the intermediate points on the air map. They are under an equally tight



World-wide Banking

Businessmen with international interests rely on a bank whose services are world wide.

The National City Bank of New York provides a global network of 54 branches, as well as banking correspondents in every important centre of the world. The staff of the London branches are experienced not only in British banking, but also in the financing of overseas trade, and are uniquely equipped to advise on trade with the dollar countries.

Wherever your interests lie, a world-wide organization stands at your service.

THE NATIONAL CITY BANK OF NEW YORK

(ESTABLISHED 1812)

Incorporated with limited liability under the National Bank Act of the U.S.A.

HEAD OFFICE: 55 WALL STREET, NEW YORK

LONDON OFFICES—CITY: 117 OLD BROAD STREET, E.C.2. WEST END: 11 WATERLOO PLACE, S.W.1

obligation to provide regular service on their routes, but they are operating on temporary certificates; the CAB is not granting them permanent franchises because the economics of short-haul air passenger traffic have not yet been tested as thoroughly as have those of the long-haul business. Like the trunk lines, the feeders are authorised to collect payment for carrying US mail, the traditional method which the federal government has used to subsidise air lines which are losing money.

In addition to the trunk lines and the feeders, the CAB extends the privileges of certification to two other domestic groups—a few well-organised companies which carry nothing but cargo, and a handful of pioneers who are setting up helicopter services in New York, Chicago and Los Angeles. Beyond these, the bulk of domestic American air transport is done by some 64 companies, lumped under the rather disparaging title of "large, irregular carriers," operating under permits called letters of registration. These companies vary enormously in size, ability and ambition. Some own multi-engined aircraft which carry full passenger loads from ocean to ocean, others offer little more than a local flying taxi service. But taken all together, they are making two major contributions to the development of domestic air transport: they satisfy some of the demand for air travel left unfilled by the big certificated lines and, in the scramble for revenue, they have thrown off dozens of good ideas. The air-coach was first developed by the irregular carriers; the certificated lines were forced to offer these special low-fare trips when they began to lose customers by the plane-load to the irregulars.

The CAB, trying to create the best of all possible half-worlds between regulation and free enterprise, keeps an alert but not unfriendly eye on the ferment in the irregular carrier field. On the one hand, the board protects the enormous investment of the certificated lines by forbidding the irregulars to provide regular service over established routes. On the other hand, by referring to the performance of the irregulars, the board jabs the certificated lines with a pointed reminder that they should be trying to give better service at lower cost. Last year, the CAB served notice on the certificated trunk lines that they should expand their coach service and reduce rates below the prevailing 4½ cents a mile, with the implicit threat that, if they did not, the board might allow the irregular airlines to fill the gap.

American Notes

Railways Out of Uniform

Shoulder to shoulder with the steel companies, disputing before the Supreme Court the President's right to seize the steel industry, stand the railway trade unions, whose own industry was seized nearly three years ago to prevent a strike. Complaining bitterly about "one-sided seizure" and "rule by labour injunction" (the government four times obtained court orders to prevent the unions from striking and one brotherhood was fined more than $100,000 for a violation), the engineers, firemen and conductors last week accepted terms from the President's mediator, Mr Steelman, not much better than those they turned down a year ago. The railway vice-presidents can now take off the uniforms they have worn as symbols of army control and prepare for at least some months of labour peace.

When the railways were seized, two of the unions favoured the move, confident that, as so often before since 1941, the White House would force the carriers to give way. Such expectations have led to the virtual abandonment of the Railway Labour Act, once considered a model of all that an industrial disputes law should be. But this time the only additional concession, won after fifteen months of seizure, was on changes in working rules sought by the companies: the unions will not be forced to accept an arbitrator's decision on whether the companies can send train crews into divisions far from their homes. The companies, of course, would be more anxious to reach a settlement if, when their properties were seized, profits were impounded, as Senator Morse suggests they should be. But under present practice this does not happen, and both the unions and carriers may, in future, try to keep their disputes out of the government's hands.

The railways were seized under the authority of a law passed in 1916, unlike the steel companies, which the President took over under his interpretation of his "inherent" powers. The very sharp questioning to which the Justices of the Supreme Court subjected Mr Perlman, the Solicitor-General, when he attempted to justify the seizure in terms of the defence emergency and to explain the President's refusal to employ the Taft-Hartley procedure, is not necessarily a sign that the Supreme Court will rule against the Administration in the steel case. Even if it does, the likelihood is that the Court, which is never enthusiastic about making broad constitutional rulings, or too sharply defining the separation of powers when this can be avoided, may confine itself strictly to the steel case, leaving the President's general powers unimpaired. But the Administration is already considering what steps to take if the ruling is adverse and the steelworkers once more walk out.

* * *

Controls—Latest Model

The Senate Banking Committee has taken two months to recover from the shock of the steel dispute, but it has at last managed to collect its thoughts on the renewal of the Defence Production Act, the legislation which authorises the government's economic controls. The committee has remodelled the wage control provisions to suit the steel situation. The Wage Stabilisation Board, which precipitated the dispute by recommending, without consulting the other stabilisation agencies, a much bigger wage increase than had been expected, would have power only to advise the economic stabiliser, under the committee's proposals. The board would be concerned only with wages, not with the other labour questions which were brought into its purview last year in order to reconcile the trade unions to wage controls; its approval of the union shop, under this authority, was even less acceptable to the steel industry than was its wage decision. Finally, the Senate committee wants all members of the board to represent the public, instead of being equally divided amongst industry, labour and the public. Many difficulties are thought to have arisen because the public members have had to compromise with one of the other groups, and usually chose labour, to get a majority vote.

Feeling that the economy has been stabilised for the present, but in spite of, rather than because of, control, and bitter about the handling of the steel dispute, Congress will certainly not want to settle for any less drastic modifications in the wage provisions of the Act. But on the other hand it will hardly dare to pull down controls altogether, for fear that a new wave of inflationary pressure may build up just in time to swamp the voters as they go to the polls in November. And the labour organisations have already given notice that, if the wage stabilisation machinery is changed as the Senate committee has recommended, they will refuse to co-operate in the stabilisation programme, and this in turn would wreck the price control machinery.

The committee proposed various changes in that machinery, too. The only one which would strengthen rather than weaken the legislation would prevent increases in retail and wholesale price ceilings under the Capehart amendment, which allows for rises in costs during the first half of last

year. It was intended only for manufacturers, but a recent court decision made it applicable also to distributors. The reversal of this decision had been requested by the price stabiliser, who insists that prices are about to shoot up again and that the present controls should be reinforced.

The Senate committee would extend the wage and price control authority only until next March, when the new Congress will be able to reconsider it. The other sections of the Act, providing for rent and credit controls, for the allocation of raw materials and so on, would be continued for a full year. The House Banking Committee is still considering its report and in any case experience shows that this is a Bill which is likely to be substantially rewritten in debate.

* * *

"The Miracle" Upheld

Hollywood has a foreign film and a small New York distributor to thank for its Magna Carta: a Supreme Court ruling that a film may not be banned because state censors consider it sacrilegious, and that motion pictures are entitled to the protection of the First and Fourteenth Amendments, which guarantee free speech and the freedom of the press. "The Miracle," one of an Italian trilogy voted the best foreign film offering of 1950 by the New York critics, portrays a simple-minded peasant woman deluded into believing that her child has been miraculously conceived. When the film was shown in New York City, where Roman Catholics are numerous and influential, a boycott was proclaimed by Cardinal Spellman. The state authorities speedily revoked the licence granted earlier, on the ground that the film was sacrilegious, although spokesmen for other religious bodies did not find it offensive.

"All Ready For D-Day?"

Herblock in the *Washington Post*

General Eisenhower returns to the United States on June 1st as one of the two leading candidates for the Republican nomination for the Presidency. For the first time he will be out of uniform and free to state his views on political questions, and he will be faced with a barrage of reporters and microphones.

In raising the status of the film industry to something comparable to that of the press, the Supreme Court reversed one of its own decisions. In 1915 it upheld the Ohio censorship law, on the ground that the exhibition of moving pictures was a business, pure and simple, on the level of the circus and other spectacles, and not entitled to be regarded as part of the press or as an organ of public opinion. Censors are now established in seven states and over fifty cities; the federal government does no more than bar the importation or carriage across state boundaries of indecent films.

The Supreme Court made it clear that its ruling does not prevent a censor, under a strictly drawn law, from banning films because of obscenity. But as far as official censorship goes, there is now nothing to prevent Hollywood from giving as adult treatment to adult themes as foreign producers do. In practice, however, pressure by private groups, particularly the Roman Catholics, has circumscribed Hollywood's freedom more effectively than the public censor. But at least after this week well-organised minorities will not be able to use the authority of the state to impose their religious views upon audiences of different beliefs.

* * *

Playing Politics with Pensions

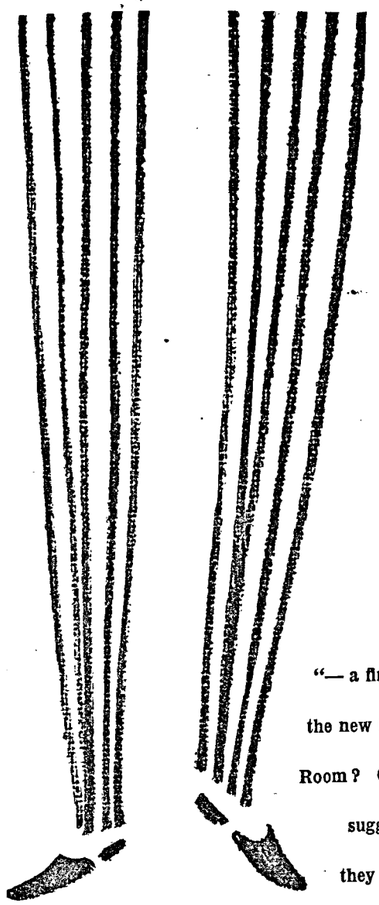
It was not their much-vaunted enthusiasm for economy, but their subservience to the prejudices of the American Medical Association, that led 140 members of the House of Representatives into the surprising folly of voting against, and thus defeating, a Bill for increasing the benefits paid under the old persons' and survivors' insurance plan. The increases, much needed to cover the rise in the cost of living since this federal scheme was last revised in 1950, would have given the average recipient an extra $5 a month and increased the amount he could earn without sacrificing his benefit. About 45 million workers, out of a total of over 60 million, are insured under the scheme, and about 80 per cent of the voting population would have profited sooner or later from the Bill's proposals.

For this reason, and because its provisions were thought to be uncontroversial, the Bill was one of the few that Congress seemed certain to pass before adjourning for the election campaign. But at the last moment the Bill failed to get the expected majority, thanks to the American Medical Association's nose for "socialised medicine." This was the smell given off, according to the diagnosis of the doctors' lobby, by a minor clause dealing with retirement benefits for persons permanently and totally disabled. The decision as to what constituted such disablement was to be left to the association's bogeyman, Mr Oscar Ewing, the Federal Security Administrator, and to doctors designated by him. He would thus, according to the horrified AMA, be given "absolute control over certain medical activities."

Having saved the doctors, most of whom are convinced Republicans anyway, from this fate, the 99 Republicans who were the majority of those voting against the Bill realised that they had made an election issue to order for the Democrats by denying 4 million old people their extra pensions. A new Bill, without the objectionable clause, was hastily introduced, but it is by no means certain that the Democratic leadership in the House will help the Republicans to climb out of the pit they dug for themselves, by allowing the Bill to come to a vote. Even if it does, the delay may have lost it its chance of getting on to the Senate's crowded schedule, and once there it may be further delayed by attempts to broaden it into very necessary overhaul of the whole social security system.

* * *

Correction: In a note last week on page 519 the name of the textile union affiliated to the Congress of Industrial Organisations should have been the Textile Workers Union of America (TWUA), not the United Textile Workers. The latter belongs to the American Federation of Labour.

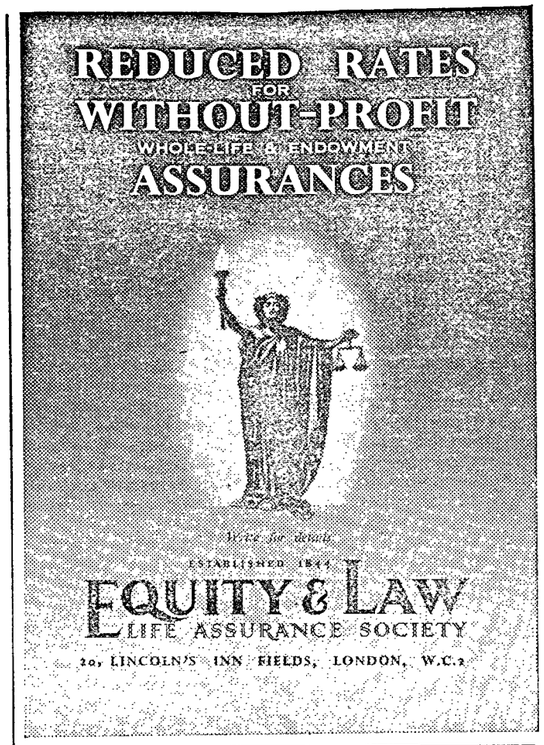


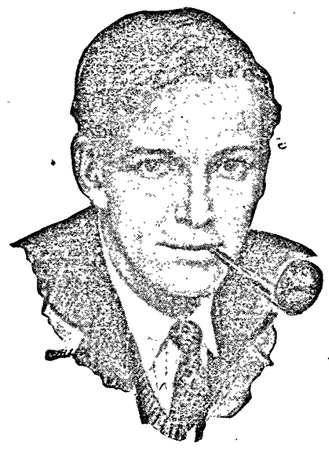
"— a firm to furnish the new Conference Room? Our Secretary suggested Catesbys; they supplied those desks for our Executives. Actually altered the desks to suit each man, designed the chairs specially. Paid unusual attention to details. Phoned Peter Catesby this morning. They've undertaken contracts for Associated Portland Cement, Thorn Electrical Industries, and so on. They can furnish our Conference Room complete. Are we agreed then?

Catesbys contracts

Office Furniture · Fittings · Floor Coverings · Curtains · Decorating

64/67 TOTTENHAM COURT ROAD, LONDON, W.1 TEL: MUSEUM 7777





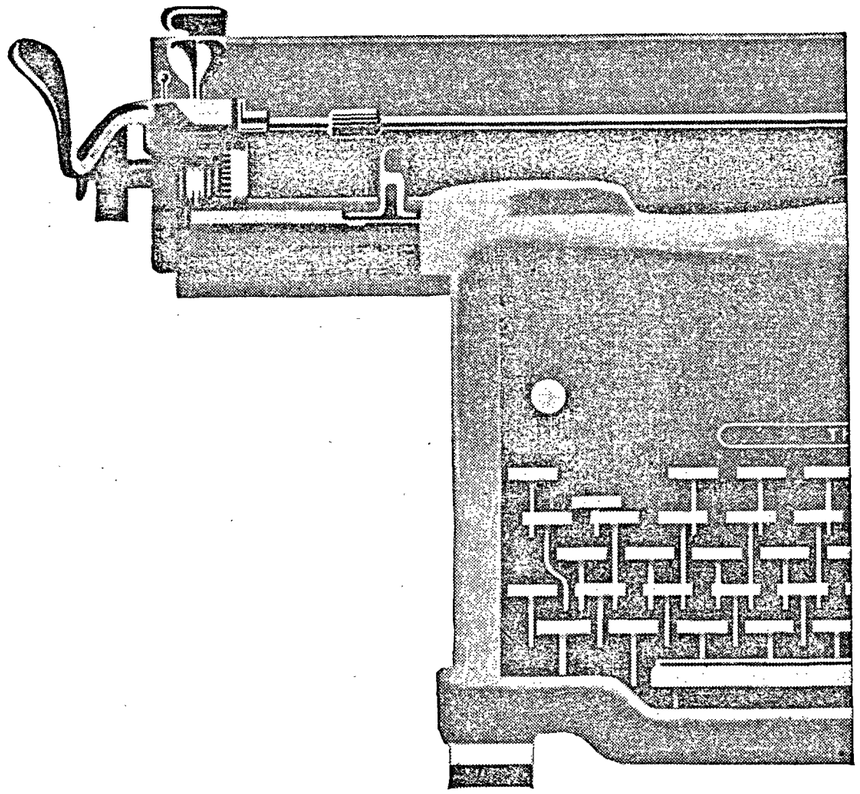
—from that day to this, I have never been able to accustom myself to any other tobacco —BARNEYS

"I first came across your Tobacco about a year ago, when I was travelling . . . I had run short of my then favourite brand, which shall be nameless, and, on enquiring in the smoking-room bar, was told that there was none to be had. . . . Looking through their supply of tobaccos, I chose a tin of Barneys, and, from that day to this, I have never been able to accustom myself to any other tobacco."

The original letter can be inspected at, and further enquiries addressed to, Barneys Sales Bureau, 24, Holborn, London, E.C.1. Smokers abroad can arrange for regular personal despatches, Ex-bond and British Duty Free, in 2-lb. parcels, to many lands, but not as yet to all.

Punchbowle (*full*), Barneys (*medium*), and Parsons Pleasure (*mild*). Home Price 4/5d. oz.

(326) **John Sinclair Ltd., Manufacturers, Newcastle upon Tyne.**



In design and performance

The name Olivetti has appeared on good typewriters for 44 years. Olivetti machines have carried their own special excellence of design and craftsmanship to the ends of the earth.

Olivetti typewriters, from the Glasgow factory, are making their clearly distinguished, up-to-date mark in businesses at home and overseas; responding easily to every need of the most fastidious typist — satisfying those who insist on letter-perfect letters.

olivetti

clearly distinguished

BRITISH OLIVETTI LTD 10 BERKELEY SQUARE LONDON W1 GRO 6161

Standard · *Electric* · *Portable Typewriters* · Printing Calculators · *Adding/Listing Machines*

THE WORLD OVERSEAS

Occupation Ends in Germany

(From Our Special Correspondent in Bonn)

"BONN has had its day." Germans made this ironical comment frequently last Monday when the three Foreign Ministers of the western powers came to this little Rhineland town to sign the conventions that end the occupation regime. The Germans were flattered by the presence of the great men in their provisional capital, but in general refused to be stirred far out of their normal attitude of surly suspicion. It was only a small crowd that gathered in the drizzle to watch the arrival of the statesmen at the *Bundeshaus*. It was, however, a friendly gathering which showed a particular liking for Mr Eden. With good sense the representatives of the western democracies did not indulge in ceremony. The friendly, informal equality with which they treated their host, Dr Adenauer, was an extraordinary contrast to Versailles in 1919. It brought home the fact that the conventions are negotiated agreements not a *Diktat*, that they do not represent a peace treaty and, finally, that they go hand-in-hand with the European Defence Treaty that was signed in Paris the following day. As the statesmen stressed, the conventions are intended not only to make an end to the postwar period, but to open up a new era of European collaboration. Mr Eden, after referring to the suffering caused by the two world wars, went on to say:

> It is within the power of statesmanship and the wisdom of nations today to bring that chapter to an end. Here we close, we believe, a war and its aftermath; but these signatures can mean much more than that. They can open a window on the future. They can give to Europe a chance to free itself from the wars that have tortured two generations.

Celebrations would have been very inappropriate in view of the attitude of the public. For large numbers of young men, the reopening of international motor-racing on the Nürburgring was a greater occasion than the signing of the conventions; the Bavarians ostentatiously showed that they were more interested in local affairs. Above all a number of Germans were oppressed by fear that the pacts mean the permanent division of their country and Russian action of some kind. The latest Russian Note, showing that the door to unity is still open, did something to remove this anxiety, but it will continue to kill enthusiasm for the new regime. Dr Schumacher went too far even for his own colleagues when he declared that anyone who supported the treaties with the West had ceased to be a German. But the Social-Democrat leaders are probably right in thinking that they will gain kudos in future by making a stand now against the conventions. Although Mr Acheson had deliberately stressed that the western powers would not have reached their final goal until after the whole of Germany had been reunited in freedom.

> I can assure you of my Government's continued determination to press steadily towards this goal until the unity of Germany in freedom has become a reality.

The ceremony of signature in the Upper House was not attended by the Social-Democrat president of the *Bundesrat*; he and the five SPD vice-presidents all had prior engagements. In the *Laender*, local Ministers said they had no intention of following the request from Bonn to hang out flags and declare a school holiday on Monday. The Bonn Minister of the Interior hastily withdrew his proposal. And, sensing some witticism from the Left, the Chief of Protocol removed one of the tapestries that had been hung in the Upper Chamber. It represented the Rape of Europa.

When the implications of some of the clauses of the conventions have been grasped there will be an outcry for revision. The powerful business and industrial interests whose influence is strong in Bonn will take the lead. It will be seen that the Americans have not abandoned their effort to wean the Germans away from trusts and cartels; a new Allied agency will try to carry on this reform until the German anti-trust law is passed. To the extreme annoyance of the Ruhr, the High Commission, on the eve of the new treaties, issued an order to dissolve the monopoly coal selling agency forthwith. The fact that the Bonn Government had undertaken to carry out this step at the time the Schuman Plan was concluded in no way affected German indignation. The incident reflected the attitude on both sides to the question of trusts.

Details Instead of Goodwill

It is also easy to see the objections that will be made to the extra-territorial rights which are retained by the non-German forces on German soil. Where is German sovereignty and equality, it will be asked, if a local American or British officer can decide that there is an emergency in his area and take over command? Safeguards against misuse of these and other rights have been written into the conventions. If, for instance, the three Powers declare a state of emergency, they will specify to what area it applies; they will consult the Federal Government to the fullest possible extent while the emergency continues; and if after thirty days the emergency is still in force, the Federal Government may appeal to the Council of Nato, and the three Powers will abide by its ruling. The extra-territorial rights may all some day save German democratic government from violent overthrow—but they wound national feelings. The negotiators of the voluminous conventions have laboured over the past eighteen months to satisfy everybody, and to cover all aspects of the new regime, from the fish to be caught by non-Germans to vital questions of state. They had to go into details because goodwill cannot be relied upon to replace clauses. The result, however, will be to give the impression that little has changed and that an occupation remains under another name. It is true that the powers now abandon the right to legislate in Germany but they had in any case made no use of the right for a long time past. For the Germans, therefore, the conventions will appear to contain a few new privileges which they will want to exercise immediately, and a number of restrictions on their sovereignty which they will at once demand to have removed. In theory, the occupation regime only ends when the European Defence Treaty as well as the new conventions have been ratified, but no realistic observer can doubt that, whatever the fate of the defence treaty, the occupation regime can never be revived.

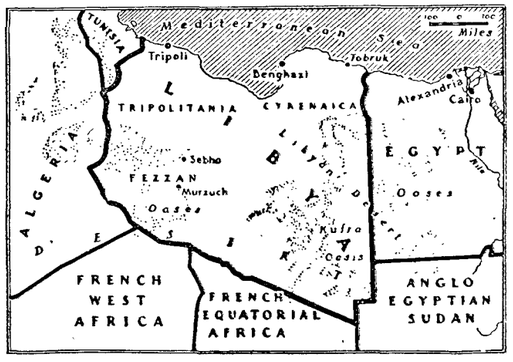
Libya Deserta—I

The Political Scene

[FROM A SPECIAL CORRESPONDENT]

THE United Kingdom of Libya which was declared an independent sovereign state on December 24, 1951, is suffering from chronic growing pains which will take many years to cure. It is already apparent that unity has in no way improved relations between the Berbers of Tripolitania and the Beduin of Cyrenaica. Indeed, though they are now part of the same country, it is necessary for all travellers and residents to obtain visas and pass customs posts when they wish to cross the four hundred miles of grey desert which so effectively separates the two provinces.

There is considerable confusion and misunderstanding in the minds of politically conscious Libyans about the functions of the three cabinets—Federal, Tripolitanian and Cyrenaican—which are attempting to administer the country. It is a difficult task because Libya has no minerals, few natural resources and a scattered population of about one and a quarter million people of whom 90 per cent are illiterate. The Federal Government have, since the elections in February, been successful in the uneasy task of maintaining internal security; this has been accomplished through the medium of a police force composed of Libyan Arabs commanded by British officers. In Cyrenaica the police force



has grown out of the Senussi Defence Force which fought so well with the Eighth Army.

The new kingdom has, as yet, no army. It was hoped that a group of British officers would train the Emiral Guard, now only eighty strong, to become the nucleus of a new Libyan army organised on lines similar to the Arab Legion and as part of the western defence system. Unhappily, a recent mutiny in the Guard has caused this project to be temporarily abandoned. The new King, Sayed Mohammad Idris el Senussi, has never been liked in Tripolitania where he is frequently referred to as a "Shepherd Chieftain." Recently he re-emphasised his old loyalties by issuing a decree retaining the title of Emir of Cyrenaica. Today his popularity is waning throughout the state because the members of his large family not only demand important posts in the new kingdom for which they have few, if any, qualifications, but they run the entire business of the country and those businesses which have failed to admit a member of the Senussi family as a sleeping partner have little hope of avoiding bankruptcy. The poorer townspeople of Benghazi, who formerly worked their individual salt pans from which they earned ten shilling or more each year, now feel extremely bitter because the Senussi family have acquired a monopoly of the salt industry.

Greatly to the surprise of British officials on the spot, the speech from the throne delivered at the opening of the first Libyan Parliament on March 25th was pro-Egyptian in tone. King Idris said: "My government will take suitable modern Egyptian laws . . . as a basis for its forthcoming legislation." He added that the education system of the new state would be based entirely on that of Egypt. The strongly pro-Egyptian opposition party, the National Congress, led by Bashir Bey Sa'dawi had, in fact, been defeated at the general election, but the people of the coastal towns are so strongly influenced by Egypt that the King and Federal Government had thought it a wise move to make certain concessions to their views. There were no developments arising from the King's speech because from March 25th, when Parliament was formally opened, until mid-May, when the Chambers adjourned as Ramadan was approaching, no more serious questions were discussed than minor points of procedure and the remuneration of its members. The Federal Prime Minister, Mahmud Bey Muntasir, admits that he is worried by the failure of Parliament to tackle some of the more urgent and difficult problems of foreign policy that await it.

Future of British and American Bases

The Foreign Affairs Committee claims to have looked at the terms of the treaty which has already been initialled between the United States of America and Libya. This treaty, when ratified by Parliament, will enable the Americans to retain their large and important air base at Wheeler Field for an annual rent of $1 million. The British Minister has made various attempts to negotiate a treaty on terms somewhat similar to the American one. Great Britain has already pledged itself to meet an annual deficit in the Libyan budget, which this year may amount to about £1,500,000 and in exchange for this financial assistance the British Government hopes that the Royal Navy may retain a small base at Tobruk, the Royal Air Force a base at El Adem, and the Army the right to use the desert as a training ground. Although most members of the Federal Government are fully aware of Libya's dependence on foreign financial aid, Anglo-Libyan negotiations have as yet made little progress; but there is some reason to hope that a treaty will be concluded by the end of the year. The task of the negotiators, however, grows daily more difficult as the Nationalist movement, based on the Egyptian model, grows and becomes a menace to the new state. A large section of the press is violently nationalistic, as a typical editorial from *Ad-Diffa* of Benghazi on May 15, 1952, indicated:

> It is Britain who divided Libya and unnerved its economics and depressed its society. . . . It is Britain who created a deficit in Libya's budget. It is she who "took" our factories and sold them to Jews in Palestine. It is she who converted the administrative system into this state of anarchy, confusion and defeat. She is the missionary of ignorance, poverty and disease.

The Libyans complain with some reason that too many Englishmen are employed by the administration and in banks in posts which could be as efficiently and more cheaply occupied by Libyans. The Cyrenaican Government, which was dismissed earlier this month, was most unwise in its hasty dismissal of highly trained British advisers and technicians. The new Cabinet members will undoubtedly suffer when the team of much valued Humber Snipes, which are reserved solely for their use, breaks down through lack of proper maintenance. The skilled British motor mechanics were dismissed before sufficient Libyans had been trained to take their places.

The Army and the RAF have recently posted a better type of officer to Libya than they did during the immediate post-war period but the British forces are still disliked. They are served by excellent clubs and bars, but, unhappily, most of the locally run restaurants and cafés are out-of-bounds because they do not reach the standard of cleanliness required by the medical corps. Had the army spent a small sum on improving the kitchens of local restaurants instead of building "The Wavell Arms," there is little doubt that troops and

Arabs would benefit; the attitude of the Libyans might even soften towards the army.

The Fezzan, which forms the third province in the new state four hundred miles to the south of Tripoli across the Sahara, is barely aware that a united Libya has been created. A flag of the new state is said to fly from the former fortress at Sebha. The only reliable regular communication with the province is a French aircraft which flies every fortnight with supplies to a few French officials and the small units of the Foreign Legion whose work has apparently been unaffected by the creation of Libya.

(To be concluded)

Ideas Around Tito

[BY A CORRESPONDENT RECENTLY IN JUGOSLAVIA]

IN a speech last month to Jugoslav youth, Marshal Tito startled his listeners by saying that he would not mind if there were 100,000 less members in the Jugoslav Communist party. The phrase was obviously carefully chosen and was the first public declaration of the stresses and strains that the Jugoslav Communist party has been undergoing since the break with the Cominform. It is clear that the party—cut off from the east, and now opened up to influences from the west—has lost something of the *élan* and fanatical zeal of the early postwar years. Western ideas, allowed to penetrate into Jugoslavia after a lapse of nearly ten years, have been lapped up with the indiscriminate enthusiasm that usually turns to forbidden fruit. Literature, newspapers, films, music, modern art—everything western from strip-cartoons to Existentialism has had a tremendous vogue. Even party members have not been immune and the general effect on the party has been enervating if not downright subversive. When periodicals based on a western news service were available they supplanted the Communist papers. Translations of English novels have sold much better than the party classics. In some districts, party members have even taken to getting married, or having their children baptised, in church.

At the same time as Jugoslavia was hit by the wave of western culture, the Central Committee of the Communist party gave orders allowing Communists freedom to discuss and criticise political ideas. But this new freedom, exhilarating and stimulating after years of a mental strait jacket, has also produced some unpopular ideas. A number of young Communists have discovered this to their cost. In a recent speech Kardelj said

> There can be no doubt that the socialist state has not only the right, but also the duty, to stand up against anti-socialist criticism by administrative means, particularly to that criticism which tends to destroy the basis of new social relations.

This explains why some young Communists have been thrown out of the party after voicing opinions that were regarded as anti-socialist.

It is perhaps not surprising that many Jugoslav Communists have not kept up with the lightning change of ideas in their party. Of the 5,500 present members, most were recruited during the war when Communism was the alternative to Fascism and collaboration. Both during and since the war, party members have had to work so hard organising the new revolutionary state that few have had the opportunities for study that were afforded to their leaders who spent long periods of enforced leisure in prewar Royalist gaols; nor have they had their leaders' experience of prewar somersaults in Communist international policy. The break with the Cominform therefore came as a much greater shock to the rank and file than it did to Marshal Tito and his Politburo, and the rank and file have found re-orientation more difficult. But even the leaders were not prepared with a new set of ideals and ideology to take the place of Stalinism.

The new ideology is only now being worked out, and since it is considered "Stalinist" or "Zhdanovite" to dictate new ideas to the party, it will be some time before the leaders' theories have been accepted throughout the rank and file, and there will obviously be some casualties both in ideas and members by the way. On the negative side the new beliefs are clear and have been readily assimilated. "The Russian path is not good and should not be followed because it leads socialism and the working masses into a blind alley"; "the USSR has definitely become a conquering aggressive state," a state of "bureaucratic despotism." This attack on the Soviet Union was the first phase. The second phase, which began in earnest last year, came with the attack on the bureaucracy, inefficiency and privilege in the Jugoslav state—which were said to be the result of following the Soviet model too closely. This phase still continues and theory and practice are developing simultaneously. Factories and works have been handed over to Workers' Councils; most aspects of government except defence, security and foreign affairs have been decentralised. The penal code has been revised and the draft of a new constitution issued. The theory behind these steps is that they represent the beginning of the withering away of the state, and the democratisation of government and economic life.

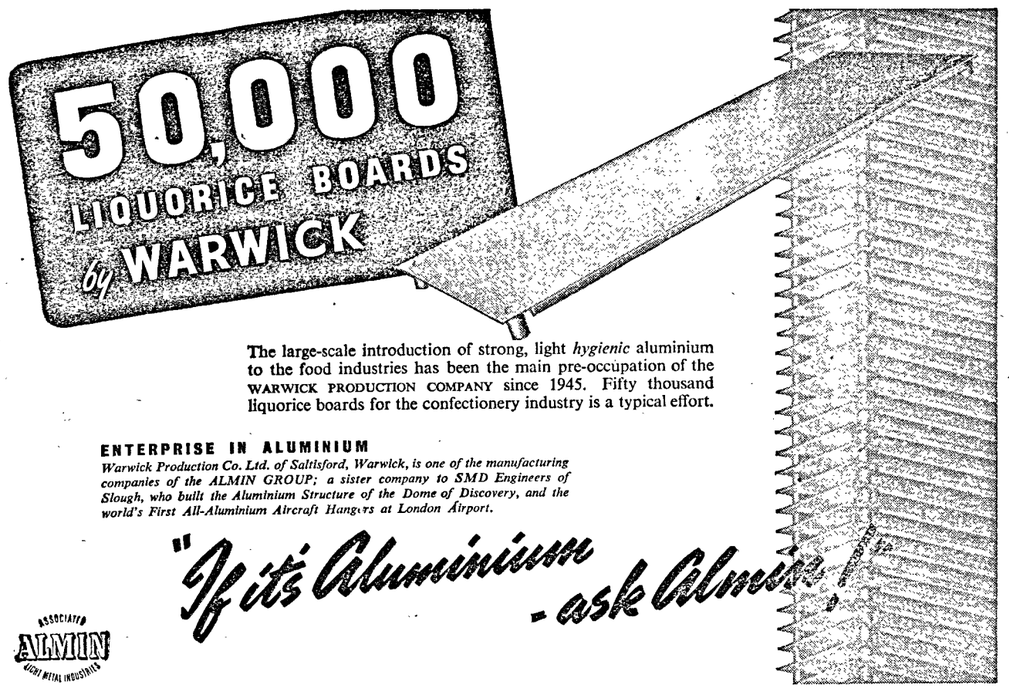
"Rule of Brothers-in-Law"

At the moment all government departments and state organisations (and in Jugoslavia this covers the majority of jobs) are reorganising their personnel. The aim is to check qualifications, efficiency, length of service and to reappoint or dismiss as well as to regrade and fix wages and salaries. Thousands of committees are now sitting on this matter and everyone is unanimous in maintaining that Communist party membership is not of itself being considered as a sufficient qualification for reappointment, or high grading. This means that many Communists who climbed into positions after the war, and many others who owe their jobs to friends and relations in the party (or the rule of brothers-in-law as it is called in Macedonia) will find themselves downgraded or unemployed. Kardelj admitted in a recent speech that 50.3 per cent (63,390) of state officials have only elementary schooling and that 5.3 per cent have no schooling at all. Of course not all of these are Communists; but it is known that many Communists will be affected. And with privileges curtailed this puts an added strain on what Djilas calls "the weak members of the party and people on its periphery."

Milovan Djilas, the Montenegrin Minister without portfolio, is the foremost exponent of the new ideology. Conditions are now being created in Jugoslavia, he says,

> for an ideological impetus of unprecedented proportions. Our small undeveloped and wounded country has not only to fight for this new development but at the same time for its national existence, having no other ideological standards to rely on and being itself its own guiding star.

In short, Jugoslavia is working out a new form of Communism. It is a difficult and bold experiment in government. Tito is now allowing the simultaneous development of new ideas with a broadening of the government to include many who are not Communists. He obviously hopes to be able to control both processes and yet maintain the power and dominance of the Communist party. To do this he clearly needs a party of disciplined, trained and reliable supporters. This may well explain his cryptic threat; the party is to be allowed to shrink by a natural falling away of weaker members rather than by a purge. It does not follow that this experiment will be a success since it depends on so many imponderables and outside factors. But there can be no doubt of its importance.



The large-scale introduction of strong, light *hygienic* aluminium to the food industries has been the main pre-occupation of the WARWICK PRODUCTION COMPANY since 1945. Fifty thousand liquorice boards for the confectionery industry is a typical effort.

ENTERPRISE IN ALUMINIUM

Warwick Production Co. Ltd. of Saltisford, Warwick, is one of the manufacturing companies of the ALMIN GROUP; a sister company to SMD Engineers of Slough, who built the Aluminium Structure of the Dome of Discovery, and the world's First All-Aluminium Aircraft Hangers at London Airport.

"If it's Aluminium - ask Almin"

ASSOCIATED ALMIN LIGHT METAL INDUSTRIES

ALMIN LTD · FARNHAM ROYAL · BUCKS · TELEPHONE: FARNHAM COMMON 595

Shearing Sheep

SHEAR THEM BETTER

see the engine's

MADE BY

PETTER

Petrol, vaporizing oil and diesel from 1½ b.h.p. to 40 b.h.p. —air and water cooled.

PETTERS LIMITED · STAINES · MIDDLESEX

A member of the BPUSH ABOE Group

YBW8

These facts are published to show what British workers can achieve in spite of difficulties, given opportunity and backed by enterprise.

It can be done

Holme Moss, most powerful television transmitter in the world, brings daily programmes from London to thousands of cosy firesides in the North. The British Broadcasting Corporation staff on the site—a remote peak of the Pennines 1,750 feet above sea level—have stout buildings of Yorkshire stone to work in, with cavity walls and double windows to keep them warm.

But what of the men who erected those buildings, made roads and laid drains across wild moorland and ravines when the thermometer never rose above freezing point for a month on end? They worked behind windbreaks (which on one occasion were blown away), often enveloped in swirling cloud, sometimes drenched to the skin. Every stone they placed during the winter of 1950 was hacked out of the snow that lay for 22 weeks, and thawed and dried over the coke braziers that were the only source of heat. They never gave in. They not only finished the work on time; they made a good job of it. They worked with a will and they worked as a team.

LAING

JOHN LAING AND SON LIMITED, Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka. Established in 1848

Competing with Japan

[BY A CORRESPONDENT]

LANCASHIRE is no longer alone in being worried by Japanese competition. Complaints are beginning to come in from one British industry after another, whether it manufactures machine tools or fountain pens, electrical equipment or bicycles. The story is always the same. The Japanese copy everything they see. They copy it and then quote prices no western manufacturer can hope to match. Nor is that all. They are winning a reputation for fair trading, prompt deliveries and superior salesmanship. Their goods are equal to their samples and up to specifications—which has by no means always been the case with British products since the war.

Nowhere is the clash of Anglo-Japanese competition now more apparent than in India. Recently, for instance, Japan equipped a small screw factory in North India with twelve machines at a cost, delivered at Bombay, of £2,024. A large Midland firm making similar plant could not have quoted less than £9,456 ex works. How is it done? The Japanese machine tools are rough but serviceable replicas of designs which western manufacturers have developed at great expense. Besides the long hours, hard work and low wages of Japanese labour, the Japanese manufacturer has virtually no research or development costs and no advertising expenditure; there is also an increasing element of dumping.

On the British side, goodwill is sometimes lost by too little regard on the part of mushroom firms for the normal conventions of commercial morality. Recently a Delhi merchant invested his fortune in 220-volt AC electric fans, but received 110-volt DC fans instead. His indignant letter of protest to the suppliers was returned by the post office marked "gone away." Gone, they may well have been, but not forgotten. British methods are also apt to be too rigid. Indians find it difficult to obtain machinery from the west, even when they know what to ask for. But, lacking technical experience, they often cannot even specify the plant they require for a new venture. The Japanese now take on the whole burden and quote for complete factories.

British Traders' Suggestions

There is no simple remedy for all these ills, but several steps have lately been suggested by British traders who have come up against this growing competition. It is proposed, for instance, that both at home and overseas there should certainly be much more co-operation between British business men than at present. A strong organisation would have two primary tasks. On the one hand it might exercise control over the quality of British exports and see that the fair name of British industry is not irretrievably damaged by the unscrupulous tactics of hit-and-run opportunists. On the other hand, it would have the funds, facilities and knowledge to bring often costly legal action in the Japanese courts for infringement of patents, copyrights, registered designs, trade marks, and plain fraud. If British business were organised on these lines, action could also be followed up against exporters, importers, distributors and even retailers of certain classes of Japanese goods. Merchants the world over might be made chary of selling Japanese reproductions which they now handle with impunity.

Now that Japan has regained its sovereignty, the Japanese government also has a role to play in these matters. And while many British business men blame the United States for indirectly subsidising unfair Japanese competition by continuing to give large dollar aid to Japan, there is a good deal that Tokyo could yet be asked to do in the way of encouraging modern trade unionism and pushing on with the labour reforms begun under the occupation. Nor would Mr Yoshida's present government be found hostile to these ideas. It is deeply concerned to re-establish the good name of Japan, and it has already offered co-operation with other governments in trying to prevent the gross abuse by Japanese manufacturers of internationally recognised trading practices. This co-operative spirit in official quarters in Tokyo may not last. While it exists it should therefore be welcomed.

Lastly, it is strongly felt by those who trade in the East that a higher priority should be given to markets in which Britain is facing the rapid growth of Japanese competition. Although India, for instance, lies within the sterling area, the moment is coming when it may be just as important to fight for traditional British markets there as to earn dollars. For manufacturers themselves this may often be a tedious and troublesome process. But if they do nothing, others will act. India is already receiving increasing attention not only from Japan, but from Germany, Switzerland, Italy and from behind the iron curtain as well.

Indian Inquiries

The difficulties are innumerable. It is often hard, for instance, to judge the value of Indian inquiries. After protracted negotiations, the apparently responsible firm towering behind an imposing letter-head may turn out to be only a small trader, squatting hopefully in his little bazaar shop and whose brother-in-law has access to a typewriter. On the other hand, inquiries from reputable and well-established firms and individuals are often swept aside too readily by British manufacturers because they are vague and badly drafted; requests for "a machine to make bicycles," or "a simple outfit for refining steel" should not always be politely ignored.

Many progressive British manufacturers do face the facts. For instance, last summer an Indian businessman walked into the office of England's biggest hypodermic needle manufacturers. He announced his intention to set up a similar factory in his own country, and asked for advice. He was shown around the factory; every machine, every operation was explained to him. All his questions were answered. The firm gave him samples of materials, names of suppliers, drawings and price lists, and then asked, "Now, how else can we help you?" Soon an agreement emerged, under which the British firm is now supplying certain semi-manufactured materials and technical assistance. In return, the Indian firm has undertaken to maintain prices and not to offer its products for sale outside its own country. The arrangement is working to everyone's satisfaction, and may form the basis of considerable future development.

Other Indians went to Redditch to seek the help of sewing needle manufacturers in setting up factories. They were refused; so they turned to Japan. They found the Japanese ready to supply factories without any conditions or stipulations. This leaves the owners free to under-sell the west, and, moreover, to export cheaply manufactured Indian products to other markets as well. These facts and examples illustrate how wide the British problem is, and they emphasise the urgent need to think out new trading policies now.

The Treaty of Germany

THE principal agreements signed at Bonn on May 26th were a Convention on Relations between the Three Powers and the Federal Republic of Germany; and three related conventions on the rights and obligations of foreign forces stationed in Germany; on finance; and on the settlement of matters arising out of the war and the occupation.

German Rights

The Federal Republic will have full authority over its internal and external affairs, "except as provided in the present Convention." The Occupation Statute is repealed; the Allied High Commission and the *Land* Commissions are abolished. The three Powers will in future conduct their

relations with the Federal Republic through Ambassadors. The Federal Republic will be included within the European Community on a basis of equality and the three Powers will sponsor its application for membership of international organisations. The Republic will assume full control of civil aviation.

Allied Rights

In view of the international situation, the three Powers will retain the rights they have hitherto exercised relating to (*a*) the stationing of armed forces in Germany; (*b*) Berlin; (*c*) Germany "as a whole, including the unification of Germany and a peace treaty." The Republic will refrain from any action prejudicial to these rights. According to Article 5 of the main Convention

> In case the Federal Republic and the European Defence Community are unable to deal with a situation which is created by an attack on the Federal Republic or Berlin, subversion of the liberal democratic basic order or a grave threat of any of these events, and which, in the opinion of the three Powers, endangers the security of their forces, the three Powers may, after consultation to the fullest extent possible with the Federal Government, proclaim a state of emergency in the whole or any part of the Federal Republic.

The three Powers can then take whatever measures are necessary to maintain or restore order and to protect their troops. If the three Powers do not end the state of emergency within thirty days after the Federal Republic has asked them to do so, the latter may appeal to the Council of the North Atlantic Treaty Organisation. When there is no state of emergency any military commander still may, "if his forces are imminently menaced, take such immediate action appropriate for their protection (including the use of armed force) as is requisite to remove the danger."

Position of Foreign Troops

The three Powers will station armed forces on Federal territory for "the defence of the free world, of which the Federal Republic and Berlin form part." The three Powers will obtain the consent of the Federal Republic before bringing into Federal territory troops of any nation not now providing contingents, except in the event of an external attack or an imminent threat of one. The foreign forces undertake to give due consideration to German interests. On its part, the Federal Republic undertakes to satisfy the forces' needs in accommodation, goods, materials and services, labour, public services, transport services and communications. These arrangements are similar to those applied by all Nato countries to friendly foreign troops. There will be a joint supply board and the foreign forces will "receive such preferential treatment as is necessary for fulfilment of the defence mission and as can reasonably be reconciled with the essential civilian and defence needs of the Federal Republic."

German Rearmament and Defence Contribution

The Federal Republic will participate in the European Defence Community. It agrees to make an annual contribution to western defence comparable to that of other western countries. From the effective date of the new agreements until June 30, 1953, the German contribution will be DM 850 million a month. After that date it will be settled by agreement on the basis of Nato criteria. In the first six months an average of DM 551 million will go to the support of foreign forces and in the following three months an average of DM 319 million; the rest will go to the budget of the EDC.

Berlin

The three Powers will consult with the Federal Republic on the exercise of its rights in Berlin and the latter will cooperate with the three Powers in the discharge of their responsibilities to Berlin. The Federal Republic will continue to give political, cultural, economic and financial aid to Berlin. Details of this aid are set out in an annexed declaration by the Federal Republic. The three Powers will exercise their rights in Berlin in such a way as to facilitate Federal aid to city, to permit representation of Berlin and its people outside the city, and to encourage the adoption of similar policies in Berlin and the Federal Republic.

A declaration by the Allied Kommandatura in Berlin replaces its declaration of May 14, 1949, and will come into effect at the same time as the contractual agreements. It declares that the three Powers will give the Berlin authorities "the maximum liberty compatible with the special situation of Berlin." The three Powers cannot relinquish their supreme authority in the city without jeopardising their right to be there.

Unification of Germany

The three Powers and the Federal Republic agree that their common aim is a freely negotiated peace settlement for the whole of Germany, and that the final settlement of the boundaries of Germany must await such a settlement. Pending a peace treaty they will work together to achieve by peaceful means a unified Germany which has a liberal-democratic constitution and is integrated within the European Community. In the event of the unification of Germany the three Powers agree to extend to the whole country the rights accorded to the Federal Republic under the present conventions and under the EDC treaties, assuming that a unified Germany would accept the Federal Republic's obligations towards the three Powers. Except by the common consent of all the signatories, the Federal Republic will make no arrangements which would impair the rights of the three Powers under these conventions and treaties.

Revision of the Agreements

The three Powers and the Federal Republic agree to review the terms of the present conventions "(*a*) upon the request of any one of them, in the event of the unification of Germany or the creation of a European federation; or (*b*) upon the occurrence of any other event which all of the signatory states recognise to be of a similarly fundamental character."

The Convention on the settlement of matters arising out of the war and the occupation deal with a variety of topics including war criminals, the deconcentration and decartelisation of German industry, displaced persons and refugees, reparations and former German assets abroad. The charter of an Arbitral Commission on property rights and interests in Germany is attached to it. Because of constitutional difficulties the custody of war criminals cannot be handed over immediately to the Federal Republic. But a mixed board, consisting of three Germans and three allies, will be set up to consider the granting of clemency.

A series of eight exchanges of letters dealing with Berlin and other matters is also included among the contractual arrangements. One exchange deals with the Federal Chancellor's suggestion that some provisions of the agreements might be put into force before the time provided in the conventions themselves—i.e., before ratification by all the signatory states and the coming into force of the EDC Treaty. The three allied Foreign Ministers have told Dr Adenauer that if, after the ratification of the conventions has been completed, there is any undue delay in the ratification of the EDC Treaty, they will be prepared to discuss with the Federal Government the possibility of putting some of the conventions into force immediately.

*

Correction.—In the second paragraph of the article "Sindri, a step forward," on page 448 of *The Economist* of May 17th, line 4, the phrase "a country that has perhaps 70 million people, two-thirds of them unemployed," should read "that has a population of whom perhaps 70 million are unemployed for two-thirds of the year."

Aspects of Enterprise No. 22

SIMON ENGINEERING GROUP

The Dollar sign is increasingly visible in the affairs of the Simon Engineering Group, which is doing its utmost to increase exports to the difficult but supremely important North American market. Henry Simon supply substantial quantities of flour milling machinery to North American firms. A recent dollar achievement of Simon-Carves is the completion, six weeks ahead of schedule, of a battery of coke ovens in St. Louis, believed to be the first coke ovens ever built in the United States by a British firm.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO. LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

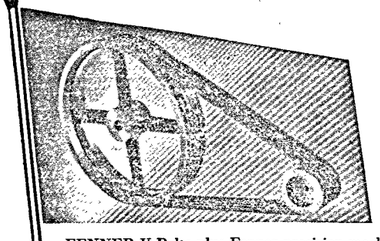
Where on earth is Mackay?

Probably you are not quite sure. It is one of many prosperous sugar towns in Queensland — and it has a branch of the Commonwealth Bank. Like most of the communities that together form the Australian market, Mackay has its own social and economic conditions. These conditions are first-hand knowledge to the Commonwealth Bank which, by means of its nationwide network of branches, can give accurate details on any town or state, or the whole continent. British exporters viewing the Australian market 12,000 miles away will find this knowledge indispensable. It is readily available from our Financial Information Service at Australia House in the Strand.

The Commonwealth Bank knows Australia

COMMONWEALTH BANK OF AUSTRALIA
COMMONWEALTH SAVINGS BANK OF AUSTRALIA
8 Old Jewry, London, E.C.2. And at Australia House, Strand, W.C.2.

PHOTOGRAPH OF A HIGH GRADE DRIVE



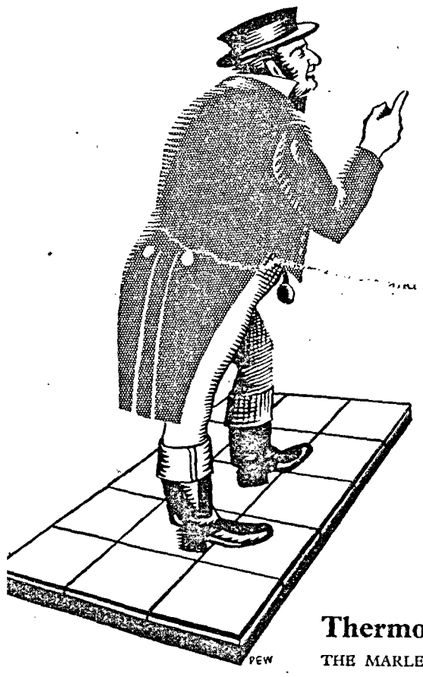
FENNER V-Belts plus Fenner precision-machined grooved pulleys complete a flexible, silent and efficient drive which requires little attention and no dressing. Stock drives available from 1/4 h.p. to 30 h.p. Belts available from 15" to 598" long.
And now speed variation (at a touch) is available from "Hainsworth" drives with Q and R Section V-Belts. Catalogue 200/1 gives full details — send for YOUR copy.

J. H. FENNER & CO. LTD.

V-BELT DIVISION · HULL, YORKSHIRE

London · Birmingham · Manchester · Belfast · Burnley
Cardiff · Cleckheaton · Colne · Glasgow · Leeds · Liverpool
Newcastle · Nottingham · Sheffield · Stoke-on-Trent

PRODUCTIVITY, EXPORTS and COAL are the core of our Balance of Payments problems. Higher productivity in house building sets free labour for other purposes. A reduction in imports, within certain limits, can reduce the strain on the nation's finances. Economies in coal consumption release additional supplies for productive work and export.



We have, in the Building Industry, already contributed greatly to all these factors by adopting solid floors, suitably covered, throughout our building programme of 300,000 houses. The alternative is to import £15,000,000 worth of Softwood for traditional timber floors, spend an extra £11,000,000 on construction costs and allow the heat losses, inevitable with ground floors of timber construction, to double.

Information on the various types of Thermo-plastic Floor Tiles is available on request.

Thermo-plastic Floor Tile Technical Bureau

THE MARLEY TILE CO. LTD., LONDON RD., RIVERHEAD, SEVENOAKS, K

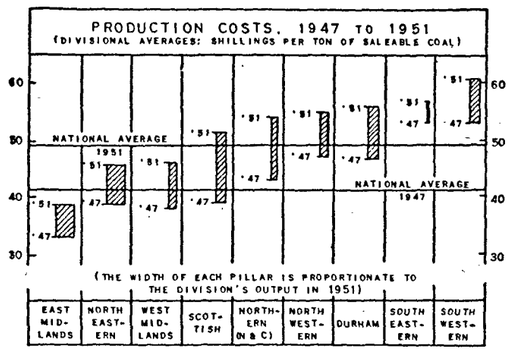
THE BUSINESS WORLD

A Chance for Coal Exports?

RATHER suddenly, after six years, coal seems not quite so scarce as it was—a condition that in mid-1952 is true of more than one commodity in world trade. At the end of last year, throughout Europe, there was a serious shortage. Most of the available evidence suggests that by 1955, or much earlier, there will be a serious shortage again, in Britain at least. But today there is not; on May 17th, only three weeks into the coal summer during which coal stocks ordinarily rise by about six million tons, Britain was less than three million tons short of the minimum stocks required to begin the coal winter in safety. Consumption in Britain, which has been rising continuously for five years, is so far this year nearly 800,000 tons lower than in the same 20 weeks of 1951; and coal has had to be put in stock at a few pits supplying areas most affected by the textile recession, such as Lancashire. Had output this year grown at the rate it did last year, British coal stocks would have become even higher. Manpower is still considered in the National Coal Board as one of its greatest long-term problems, and at the end of 1951 the industry needed 16,000 men in nearly half its areas; but with 18,000 more men in the industry since the beginning of the year, the Board is beginning to find some difficulty in finding effective employment for all its recruits—though some areas are still seriously short. The European coal shortage, as measured by orders for American coal, seems for the moment to have abated, though British coal at present remains fairly easy to sell. The resemblance to some other commodities in the world market is completed by the fact that one high-cost producer, Belgium, is beginning to canvass the idea of at least a European buffer stock of coal.

These are the short-term coal problems of today; they find little reflection in the National Coal Board's report for the year ended December 31st, 1951—when things looked rather different. It is not the purpose of this compendious and well-arranged document to look forward; the Board's present opinion was affirmed by Sir Hubert Houldsworth this week: "We do want more men and we do want more coal." But the report is mainly a review of the Board's first five years; this is useful, though the sheer bulk of history has an inevitable tendency to compress much too closely some of the important things that the Board has to say about 1951. The five-year glance also accentuates the difficulty that comes from repetition only slightly supplemented with new detail; something that the Board did in January, 1951, and that it now has to mention in May, 1952, may be blurred by submergence in a general statement about changes over five years.

The first five years of nationalised coal show considerable, if uneven, progress; some of the relevant indices are recorded in a table on page 602. Yearly output rose by 17 per cent to 212 million tons, though this is still 28 million tons less than in 1937; output per man-year in 1951 reached the second highest level for 50 years, and output per man-shift was the highest ever. There were 12,000 fewer miners in 1951 than in 1947, but each man was producing about 40 tons a year more coal—which was about 13 tons a year more than in 1938. The total increase in output over the five years came almost entirely from improved productivity; increases and decreases arising from changes in manpower and in the number of shifts worked practically cancelled out. Over the five years the pithead price of coal rose by 27 per cent, while wholesale prices rose generally by 70 per cent. Total costs rose as a result of wage increases in 1947, but, despite some later improvements in wages, remained steady until the beginning of 1951. During last year they rose by 3s 9d a ton, about half the increase being accounted for by an increase of 2s 3d a ton in wage costs; the cost of stores and materials rose by about 10 per cent during 1951 to 10s 11d a ton. The total costs in 1951 were 49s 2d a ton, 7s 11d a ton higher than in 1947; the proceeds had risen during the period from 40s 3d to 51s 2d a ton, or by 3s a ton more than costs.



Financially, these sharp increases in wage and other costs made 1951 a disappointing year. In the first half of the year the Board made surpluses that promised to wipe out the £4 million remaining from the 1947 deficit of £23 million; and though it showed a deficit in the third quarter, at the end of September the Board still had a surplus of some £3 million—and was earning a premium of nearly £2 a ton from increased export prices. But in the last five weeks of the year it had to pay about half a million pounds a week more in wages before beginning to recoup itself from the higher home prices that did not begin until January, 1952; this, and other rises in costs, jerked it into the red. Thus it made a deficit of £1.8 million on the year (after paying £14.5 million in interest and interim income to the Ministry of Fuel and Power), and its accumulated deficit rose to £5.8 million. It is worth noting that for tax purposes three-quarters of the Board's loan stock is treated as equity capital: though it made a final deficit,

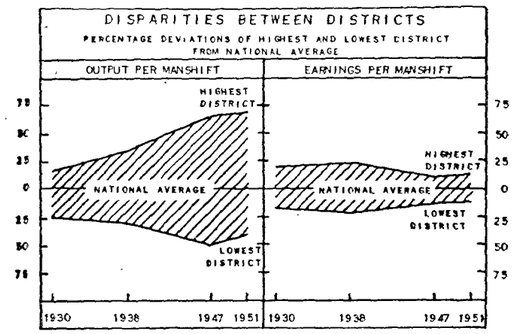
it is liable to profits tax in 1951, and this year to EPL and possibly to income tax as well. Its colliery profits amounted to £21.2 million, compared with £24.2 million in 1950; the profits of coke ovens and other ancillaries rose from £2.3 million to £2.8 million. It made a loss of £5.5 million (or £4 6s. 5d. a ton) on the 1.2 million tons of American, Indian, Canadian and Nigerian coal that it imported, and though its premium on British coal exported was about 24s a ton throughout the year, the cut in exports from 13 million tons to just under 8 million tons reduced earnings from this lucrative source (which are of course counted in reckoning colliery operating profits). It is not clear whether the Board's financial position will have changed for the better in 1952. But if its spokesman's statement at the time of the last price increase that the Board was budgeting for a small deficit in 1952 holds good—and the Board's provision for depreciation remains admittedly inadequate to cover replacement costs—coal may still be too cheap on financial grounds, apart from arguments of fuel policy.

Investment in the mines is still lagging behind the figures laid down in the fifteen-year plan. That called for an investment of £30 million in 1950 and of £38 million in 1951 (both at mid-1949 prices); in fact, the actual amounts invested were no more than £29 million and £32 million, during two years in which prices rose considerably. This investment was probably less than would be needed, according to the plan, merely to maintain the 1949 level of output until 1965. Difficulty in getting deliveries of stores and equipment, and lack of skilled staff—at all levels—of sufficient calibre for the exacting work of planning long-term development are the specific explanations; more generally, there is the constant preoccupation with production, and the consequent inability to take skilled miners from the coalface. Nevertheless, Britain is beginning to lag behind other European coal producers in modernising its mines; and it cannot afford to.

Studded here and there in the bulky historical review, this report contains some significant hints—and some interesting silences—about policy. For the first time in four years, it has something to say about the industry's wages structure; the board has begun, in conjunction with the National Union of Mineworkers, to review the tangle of differential earnings, related more to history than to productivity, between different jobs and different districts. The development between 1947 and 1951 of these disparities in output and earnings is plotted in a chart on page 603. The report devotes three sentences to experiments with standard costing for the industry, concluding, "No quick results can be expected," but says nothing about experiments with time study in the mines, which Mr Humphrey Browne, its production director, mentioned elsewhere this week. Its marketing department's preference for delivered prices for industrial as well as domestic coal is emphasised once more—but so are the problems and risks of this method of masking comparative transport costs. In a short but illuminating study of the stock question, it is concluded that "only the excess of [end-summer] stocks over 16 to 17 million tons is a true reserve against a worse than average winter." The report contains no word of changes in the structure of the NCB organisation, which may or may not be significant. The only adjustments of local responsibility that it records—in Scotland, the North-Western Division and South Wales—increase the number of areas from 47 in 1950 to 51 in 1952, which is not exactly the direction in which Conservative theorists upon the Board's structure would like to move.

The Board is now discussing with the Ministry of Fuel and Power the question of an increase in exports. The official export programme for the year is for 8.5 million tons (including the "two million tons extra" promised early this year but excluding very small coals and slurries, of which about 1¼ million tons were exported last year). There is a strong case for increasing exports to about 10-12 million tons this year, including slurries; and enthusiasts in the coal trade would like to aim at about 16 million tons in 1953 and more in 1954. They argue that the European market will still take much more British coal, with no more than minor adjustments in price (German and British prices of coal for export are now about the same; owing to the slump in freight rates, American coal is cheaper, but costs dollars). But they believe the chance may not last too long; and that to seize it Britain would need to offer some change in quality as well as in quantity. Germany and America are offering almost entirely coking coals, and it is coking qualities that the European importers want; so far, the NCB has been unable to offer any admixture of coking coals, and only limited amounts of large coals.

This is a hard choice to make. In Europe the market may look rather as it did in spring 1950; but within six months of that lull in demand all Western Europe was scrambling for American coal. Home demand must be expected to resume its upward curve in line with industrial production, and if the ration were ended domestic consumers might take up to 5 million tons a year more coal; as regards quality, the iron and steel industries would understandably oppose the export of more coking coals. Production is rising gradually, but the industry is still getting about 25 million tons of coal a year from Saturday working, opencast, and that second week's holiday that the miners have been promised but have not yet taken—and none of these supplements can be counted on for ever. This easing of the market, then, is temporary; Britain could consume at home all the coal it is likely to be able to produce in the next decade, barring a major recession in trade. But should Britain? The extreme argument for greater exports is simply that in the next few years, unless Britain takes risks to establish itself in the European market—by selling coal, not merely exchanging it as a counter in bilateral deals—its present foothold may be irrevocably lost. A policy of maximum exports would involve risks at home, and continued strict limits upon British consumers that might force upon them the economies in coal that so many are now discussing. Is the chance worth taking? The decision lies not with the Coal Board, but with the Minister of Fuel and Power—or his overlord? Whoever has finally to take it is not to be envied.



NATIONALISED COAL: FIVE YEARS AT A GLANCE

	1947	1948	1949	1950	1951
Coal Output (mn. tons saleable):					
Deep-mined	187·2	197·6	202·7	204·1	211·9
Opencast	10·2	11·7	12·4	12·2	11·0
Total	197·4	209·4	215·1	216·3	222·9
Manpower (thousands):					
Face workers*	288	293	296	288	287
Other workers*	423	431	423	409	411
All workers*	711	724	720	697	699
Recruitment	94	74	52	55	73
Wastage	68	66	69	76	63
Net gain (+) or loss (−)	+26	+ 8	−16	−21	+ 9

	1947	1948	1949	1950	1951
Attendance (all workers):—					
Attendance (per cent)†	87·6	88·5	87·7	88·0	87·9
Shifts worked per man per week	4·69	4·71	4·67	4·72	4·81
Ditto per year	244	245	243	245	250
Productivity (tons per manshift):—					
Face workers	2·86	2·92	3·02	3·11	3·17
All workers	1·07	1·11	1·16	1·19	1·21
Earnings (per manshift):—‡	s. d.	s. d.	s. d.	s. d.	s. d.
Face workers	36 10	41 1	43 1	44 10	48 6
All workers	28 10	33 1	34 4	35 6	38 10
Colliery Operating Results (per ton of saleable coal):—	s. d.	s. d.	s. d.	s. d.	s. d.
Proceeds	40 3	47 3	47 11	47 10	51 2
Costs	41 3	45 7	45 0	45 5	49 2
Profit (+) or loss (−)§	−1 0	+1 8	+2 11	+2 5	+2 0

* Yearly average. † Shifts worked as a percentage of shifts possible. ‡ Including the value of allowances in kind. § Operating profit or loss, that is, before meeting capital charges.

Profit and Losses

£ million

	1947	1948	1949	1950	1951
Colliery profits *or losses*	9·8	16·2	29·4	24·2	21·2
Profits of ancillaries (see *Note*)	3·0	1·3	1·7	2·3	2·8
Other income *less* interest payable	0·1	0·8	0·1	0·2	0·2
Compensation for loss of office	0·4	0·6	0·8	0·7	...
Additional provisions for workmen's compensation	...	...	4·0	...	1·6
Contribution to mineworkers' pension scheme	...	...	...	...	2·0
Losses on imported coal	1·7	...	...	0·8	6·5
Profits tax	...	...	3·5	2·5	2·0
	8·8	17·3	22·7	22·8	12·7
Interest and interim income payable to the Minister of Fuel and Power	15·1	15·6	13·2	14·5	14·5
Surplus *or deficiency*	23·8	1·7	9·5	8·3	1·8

Note.—Profits on ancillaries in 1947 included £1·2 million from railway wagons which vested in the Transport Commission on January 1, 1948.

Effervescence in Soft Drinks

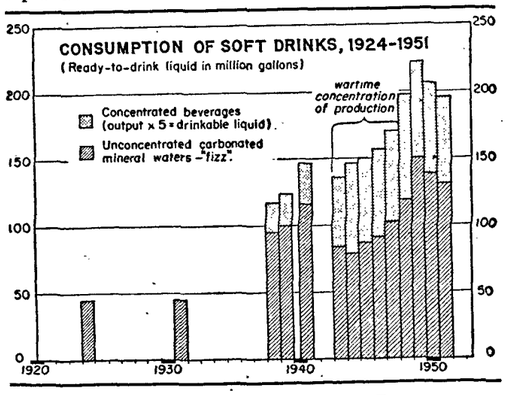
THE postwar debut of the American-style cola drinks—combined with the fact that some of them are being sponsored by British brewers, not by soft drink manufacturers—is potentially the most interesting development in the British soft drink market for some years. The sales of Coca-Cola, marketed by Watney Combe Reid, and Seven-Up, sold by Fuller Smith and Turner, do not so far appear to have been extensive. But the freeing of sugar allocation for drink manufacturers from its long-obsolete 1938-39 moorings, which the Ministry of Food says it is considering, should restore freer competition in this market, particularly if these newer drinks should make very large efforts in sales promotion. Their progress will be watched with care not only by British makers of soft drinks, but by other British brewers—not least because sales of these non-alcoholic cola drinks might be at the expense not only of other soft drinks, but of hard drinks as well.

The industry into which this still unknown quantity has entered is a highly diversified one. The 1,200 or so soft drink firms with 1,400 producing units differ in size, product and methods of distribution. In size, they vary from the 20 large manufacturers with nationally known products—Schweppes and Kia-Ora, Idris, Corona, Rose, Robinson and others—through the 150 or so medium-sized firms covering small regions, to the 1,000 or so small or tiny local firms, half or more of them with less than the eleven employees necessary to qualify for inclusion in the Census of Production.

Most firms produce the traditional ready-to-drink mineral waters, "carbonated beverages" to the scientist, "fizz" or "pop" to the schoolboy; some firms make the newer concentrated squashes and cordials to which water is added in the consumer's home; a few make both. (The fruit juices taken neat are not yet as popular as in the USA, and frozen soft drinks will have to wait a long time for deep-freeze cabinets in the British kitchen.) The two main kinds of drink tend to be marketed differently. Broadly, the mineral waters depend on local reputation and are delivered by the smaller local firms in their own transport direct to the consumer or to licensed and unlicensed retail outlets—public houses, hotels, clubs, restaurants, grocers and milk bars. The squashes, on the other hand, are largely nationally known brands fostered by national advertising and are distributed by their producers (mostly in SE England) over

wide areas by their own transport or common carriers —mainly to the consumer's home. There are exceptions: some large firms make mineral waters and some local firms squashes. But the basic reason for the broad distinction is clear. Mineral waters contain large quantities of water that it would be costly to cart over the countryside, and their markets are therefore mainly local. The squashes and cordials are concentrated juices that can more easily bear long-distance transport costs.

Britain's consumption of soft drinks as a whole has been increasing at a steady pace for some decades. A trade estimate put production at 40 million gallons of mineral waters in 1924. Sales presumably rose in the later 1920s, but fell back during the depression; the next estimate of consumption, in 1931, was again about 40 million gallons. But by 1938 consumption had risen to 117 million gallons, of all kinds of soft drinks. By 1940-41 it was up to 147 million gallons, and this was the figure at which production was stabilised during the "wartime" concentration period (1943 to 1948) by the Soft Drinks Industry (War Time) Association, "SDI." Deconcentration in January, 1948, was followed by a rapid increase in consumption to 197 million gallons for



that year and 221 million gallons in 1949. Poor summers in 1950 and 1951, and the rise in the cost of living, have since reduced consumption to 207 million gallons and 196 million gallons respectively. But the general trend is impressive: consumption has increased fivefold in 25 years.

The industry as a whole has yet to embark on large-scale market research to discover when and where all this is being drunk, and by whom. There has been an increase in population in Great Britain from about 43 million in 1924 to 50 million, and undoubtedly more people are drinking soft drinks. But the correlation with the decreasing consumption of hard drink is obvious. Redistribution of income in favour of the masses, rival amenities to the public house, the expansion of the multiple restaurants, and rising social standards explain equally the fall in alcoholic drink and the rise in soft drinks. The relationship is not wholly competitive; mineral waters are complementary to some spirits and sometimes to beer. But, on a long view, the competitive relationship is the stronger of the two.

The different rates of progress of mineral waters and concentrated drinks are of hardly less interest. In 1924 there was very little squash production. By 1941 it had risen to 6.2 million gallons. Squash becomes "ready-to-drink liquid" when diluted with about four times as much water. In 1941 it accounted, therefore, for some 31 million gallons of soft drink, or 20 per cent of the total of 147 million gallons. In 1948, the first year after SDI, it had grown to 68 million out of 197 million gallons, or about 35 per cent. It is true that in 1951 minerals were a little ahead of their 1948 figure, while squashes had fallen slightly behind. The squashes may have been over-expanded in the SDI period, although the movement to the lower priced bottles of mineral waters might also reflect restricted purchasing power; the coming two or three years may tell. But the trend remains: while the sales of minerals rose by barely two-fifths between 1938 and 1951, the concentrates have trebled their sales.

These are eloquent figures; they illustrate a trend evident also in the American soft drink industry. Part at least of the explanation is not far to seek. In order to economise in manpower, factory space, raw materials and transport, the wartime concentration scheme reduced the output of mineral waters from 120 million to 85 million gallons and raised that of the squashes from 6.2 million to 12.4 million gallons. No doubt conservatism and inertia are partly responsible. The Ministry of Food's distribution of orange juice for infants since 1941, and the resultant kudos for the concentrated product, may have spread the squash habit throughout the family (and may be partly responsible for the marked progress of orange squash as against lemon and lime). In 1951 the working-class household could probably afford the price of a bottle of cordial better than in 1941 or 1938. Perhaps, too, *middle-class incomes* are bringing middle-class habits, and more use is being made of the home as a place of entertainment. And soft drinks lend themselves to home drinking more than hard drink. *Home drinking has* indisputably increased: 80 per cent of squashes and cordials are sold to the housewife.

The conditions of supply, also, have changed significantly. The internal combustion engine, improvements in packaging and advances in productive techniques have enabled the larger manufacturer to penetrate into local markets by advertising. Even now the cost of transport, especially of the bulky mineral waters, is high, and distribution is normally limited to a radius of 30 miles. But high transport costs can be avoided by decentralising production: one of the largest firms has factories in nine towns, another in three; and even if the economies of large-scale production must be sacrificed, there are other economies in large-scale financing, planning, research and sales promotion. The future may see an increasing ascendancy of the larger firms at the expense of the smaller.

These trends would have been even more obvious were it not for the continued tying of manufacturers' sugar rations to their 1938-39 output. A change in this basis—if indeed one is practicable without an increase in total supplies—may increase competition not only inside the industry but also with hard drink and with the new American drinks. The brewers' backing of these newcomers has provoked much speculation. The newer drinks may displace some soft drinks, though they have to progress against the trend towards squashes and cordials; and perhaps even beer to some extent. But they may also stimulate competitors in both the soft drink and the brewing industries to overhaul their methods and modernise their policies. In an expanding economy the sale of all kinds of beverages may be

buoyant; but the fate of individual producers remains partly in their own hands.

The interest of brewers in soft drinks is not new. Some manufacture minerals, and others buy mineral waters for sale in their licensed houses. In 1949 the Brewers' Society recommended to their members a model tenancy agreement that permitted tenants to buy mineral waters on the open market. This should have cleared the way for independent manufacturers, although habit and economies in accounting and transport may have induced some tenants to continue to buy their supplies from or through their brewer. But more fundamental is the use to which the brewers put their licensed houses. Public houses may once have been shops for selling only beer; but they can be and are being adapted to other purposes. The brewers' collective advertising in recent years has been emphasising the attractions of the inn for companionship and recreation. Catering has been increased. Other developments are possible. If the adaptability displayed in the cola moves is applied by brewers generally in redeploying the attractions of the public house, they may be able to reassert its traditional role as a social centre and win back ground lost to the restaurant and the milk bar, thus assisting the consumption of beer at the same time.

Whatever the future, a reduction in costs would help the soft drinks manufacturer to meet it. Consumption varies markedly with the seasons: recently summer sales have been 60 to 80 per cent higher than in winter, with the sales of squashes fluctuating more than those of mineral waters. Ice-cream has now achieved a sale all the year round. Can the same be done for soft drinks? To the extent that it cannot, production for stock may help. Squashes, in particular, will remain drinkable for months or years. How far are the savings in production costs from more regular output greater than storage costs and capital charges?

A collective effort to popularise soft drinks faces difficulties: the divided loyalties of those with interests in both soft and hard drink, and the reluctance of the soft drink manufacturer to risk the loss of goodwill of the licensed trade through which he gains access to the consumer. Collective advertising might do more for the few brands already popularised by individual advertising than for the hundreds of small firms with little-known names. The wartime standardised drink is thought to have raised the prestige of the industry by increasing the confidence of the public in the quality of the product. Are standards necessary in peacetime competition? The Ministry of Food sets the minimum sugar and fruit juice (and the maximum saccharine) content. Even when sugar is freed, competition will be less than perfect because of the strongholds of the local firms. But, so long as state supervision of contents ensures safety for health, should the public be prevented by minimum standards from buying harmless and cheap but pleasing flavoured water? If competition is too sluggish to maintain "high" quality at the lower end of the trade, it may be vigorous enough at the upper end to stimulate excess in packaging and frills that add little to the consumer's satisfaction. Decorative labelling and "eye appeal" will be fostered by the development of self-service and super-markets; these may inflate costs.

Price policy raises other issues. The same mineral

THE
COMMERCIAL BANK
OF AUSTRALIA
LIMITED
Established 1866

Assets Exceed Aust. £190,000,000

396 BRANCHES AND 235 AGENCIES
PROVIDE COMPLETE BANKING AND
EXCHANGE FACILITIES THROUGHOUT
AUSTRALIA AND NEW ZEALAND

Correspondence Invited

London Office:
12 OLD JEWRY,
LONDON, E.C.2.

Head Office
335-9 COLLINS STREET,
MELBOURNE C.1

(Incorporated in Victoria.)

Established in 1845.
All classes of insurance
transacted including
Fire, Life, Accident,
Motor, Marine and
Aviation. Represented
throughout the world.

ROYAL INSURANCE COMPANY LIMITED

Head Offices
North John St. LIVERPOOL. | Lombard St. LONDON

waters sell at different retail prices at the Hotel Splendide and the village "local." But the national advertising of the squashes is sometimes accompanied by uniform resale prices. It remains doubtful whether this is really good business. The squashes leave the factory as physically uniform products but, in an economic sense, the product at the housewife's door in Liverpool is a different one from that at Land's End. Uniform prices yield economies; but they may also restrict the total market by making the near subsidise the distant, and they produce distortions by divorcing prices from costs. Increasing competition may bring changes here.

If SDI demonstrated the virtues, it also demonstrated the weaknesses of planning an industry in abnormal conditions without a free market. It is debatable whether it would have worked for long, in peacetime, as demand conditions changed, without provoking radical dissension among the conflicting interests and pressure for more authoritarian controls. Zoning, allocation of raw materials, standard formulæ and pack-sizes achieved very large savings in materials, equipment and manpower. The price paid was lack of variety; and the consumer has shown, by the reappearance of cross-hauls and brand names, that he is unwilling to pay it in peacetime. But this does not mean that he will pay for unnecessary variety, in contents or packaging, employed to foster the demand for particular brands. The outlook for soft drinks is set fair. But individual manufacturers may fare differently. Ingenuity from the brewers may yet restore the competitive power of beer and the pub. And the cola products may stimulate their rivals as well as their consumers.

Business Notes

Steadier Markets

The gilt-edged market has this week regained a little of its poise after the acute fit of nerves that assailed it in the second half of last week. The sickness persisted until the weekend, but on Monday, and again on Wednesday and Thursday, there were signs of rally. The effect on prices, however, has been small by contrast with the violence of the previous declines, which had carried prices of many stocks to their lowest yet. By the close on Thursday War Loan was ⅜ above the worst at 74¼xd and Old Consols ½ above it at 57, at which the flat yield is £4 8s. 5d. per cent. Industrials tried rather faint-heartedly to follow a like course, but by Thursday's close the ordinary share index of *The Financial Times* was showing a small net fall on the week, at 105.4, which is actually a decimal point below the post-budget low reached in March and only six full points above the nadir reached in 1949. During the past month there has been a depreciation of 7½ per cent.

The technical rally in gilt-edged was not unexpected, for the sharpness and suddenness of last week's break were almost as unrealistic as the previous firmness. The market's previous performance, and its smug acceptance of the way in which the authorities had relieved it of the burden of the electricity issue, were hopelessly out of line both with the dangers of Britain's economic position and with the measures of monetary policy that are likely to be needed. But the declines in prices—over three points in some of the longest stocks in less than a week—were of a magnitude that suggested expectations of imminent disaster. The extent of the fall doubtless owed much to the narrowness of the market; its firmness had been due to widespread but small buying from private investors, especially in the provinces, and prices had begun to sag as soon as this buying dried up. There was little cushion for the considerable selling that developed so suddenly—principally, it seems, from industrial quarters. The market still looks shaky; and in present circumstances it certainly has no title to robustness. If the authorities take the steps that seem necessary to guard against the risk of any relaxation of the monetary discipline, the market will feel some pressure; but for the present the psychological effect of the break in gilt-edged prices will itself serve as a stiffener of monetary policy, and will to this extent make the need for funding operations or tap sales less urgent. Any reasoning on these lines, however, still takes for granted the overriding condition—that the gold reserve is not drained afresh by a revival of bear pressure against sterling.

GILT-EDGED NET PRICES

	Nov. 7, 1951	Dec. 11, 1951	Mar. 11, 1952	April 18, 1952	May 23, 1952	May 29, 1952
2½% Nat. War Bonds, 51–55	100 1/32	100 1/32	100 1/32	99 31/32	99 15/16	99⅞
1½% Serial Funding, Nov., 52	...	100	100	99 31/32	99 15/16	99 15/16
1½% Serial Funding, Nov., 53	...	99 15/16	99 15/16	98⅞	98¼	98 3/32
1½% Serial Funding, Nov., 54	...	99 3/32	98 15/16	97 31/32	96⅞	96 3/32
2½% Nat. War Bonds, 54–56	102 1/32	99 3/32	99 1/32	97 31/32	96¼	95⅞
2½% Exchequer, Feb., 55	101 3/32	99 15/16	99⅜	97⅛	97¼	96⅞
3% Savings Bonds, 55–65	95 3/32	91	91¼	91 1/32	89 3/32	88⅛
2½% Funding, 56–61	96 1/32	91⅛	92¼	93 1/32	89 15/16	89⅛
3% Funding, 66–68	92 1/16	87⅛	86⅛	86⅛	85 3/32	84
4% Funding, 60–90	103 1/32	98 1/32	97	97⅛	94⅛	94 1/16
3% Savings Bonds, 65–75	88 1/16	83	81 1/16	82 1/32	79 1/16	80⅛
3% British Electricity, 74–77	88 1/32	82⅛	81 3/32	81 1/16	79⅜	79⅛
3% British Transport, 78–88	82 3/32	76⅜	76⅛	76 1/16	74⅛	74 1/16
3½% Steel Stock, 79–81	94 1/32	87⅛	87 3/32	87⅛	85⅛	85⅛
3% British Gas, 90–95	81 1/16	75⅛	75⅛	76 3/32	73 1/16	73⅛
3½% War, '52 or after	85 3/32	79⅛	78 3/32	78 1/32	73 1/16	74⅛
2½% Consols	64⅛	60⅜	60 1/16	60 1/32	56⅛	56⅜
2½% Treasury Stock, '75 or after	62⅛	58⅛	58⅜	58⅛	54⅛	55⅛
"Financial Times" Ord. Share Index	131·4	119·8	112·7	113·3	106·4	105·4

Sterling Contradictions

The relapse in the spot rate for sterling has gone further this week. From a recent high of $2.81¼ the rate has declined to $2.78¼. The covering purchases of sterling due to repayment of foreign credits falling under the new Bank of England ban are beginning to ebb, and a persistent commercial demand for dollars is again making itself felt. Bidding for dollars on behalf of the large oil companies has been particularly noticeable. In addition, some of the commercial demand for dollars that has appeared during the past ten days represents an accumulation of purchases that were postponed so long as the spot rate for sterling was showing signs of strength against the US dollar. As tends to happen in such circumstances, the covering of commercial requirements of sterling (against which there is still a substantial bear position) has lost some of its urgency; conversely the purchases are being accelerated now that the market has begun to turn. With spot sterling once again approaching the "lower gold point" of $2.78, the Bank of England is being called upon to satisfy some of the open market's requirements.

In contrast to the recent weakness of the rate for American account sterling, the rates for various types of "cheap" sterling have been hardening. Security sterling has strengthened this month from $2.43 to $2.47½. More important has been the concurrent rise in transferable sterling, which this week has strengthened to $2.62, at which level the discount in terms of the official rate has narrowed to 6 per cent. At that figure commodity shunting based on cheap sterling can be profitable for only a comparatively narrow range of commodities, such as silver, diamonds and furs, where the ratio of bulk to value is particularly small. The rise in transferable sterling partly reflects the past volume of these shunting operations and the consequent depletion of accumulations of sterling in transferable accounts. The most important of these accounts are those held by the Continent of Europe, and the mechanism of the European Payments Union ensures that current deficits between the sterling area and Europe are financed through this channel. When, as is at present the case, such deficits are met fully in gold, there can be no conceivable advantage to the creditor to allow them to accumulate in sterling balances. In consequence, accumulated sterling resources have been used to the fullest possible extent and their repatriation has therefore been financed through EPU. This mopping up of potential supplies of cheap transferable sterling and the absence of any concurrent creation of such balances may explain the remarkable narrowing of the discount at which transferable sterling is now quoted.

Finance Bill in Committee

The committee stage of the Finance Bill has this week dragged on towards its close. In the final stages of the discussion on EPL, members from both parties made a concerted attempt to extend the concessions already promised for oil wells and metal mines, in consideration of the wasting nature of their assets, to other forms of extractive industry such as mica, salt, sulphur, industrial diamonds and sand and gravel. The Government fell back on a running series of promises to consider each case on its merits, but resisted wholesale amendment. It also promised to cure an anomaly spotted by a Conservative member, arising from the taxation proposed for a company that is associated with one or more individuals in a partnership whose circumstances have changed since the end of the standard period. It remains to be seen how many anomalies of the same complicated kind have slipped through the sieve. By Monday evening, however, the committee, with the relieved air of a man able to take a wet towel from his head, had got back to mere emotional generalities. Mr Butler wound up the discussion on EPL with an impassioned plea that the Conservative Party was morally bound to implement this unhappy measure, and then went on to aver that there has "undoubtedly been a rise in industrial profits" in the past three years; in support of this contention he quoted figures of profits inclusive of stock appreciation, which are net profits as the national income statisticians understand them, or as a Chancellor intent on disinflationary budgeting ought to understand them. Mr Butler did, however, reiterate that EPL is not intended to "be a permanent tax." He drew attenion to the fact that distributed profits tax will now stand at 22½ per cent, against 26¼ per cent net last year, and that undistributed profits tax, at 2½ per cent, will be half last year's level, so that "when the Excess Profits Levy is removed, at such date as is suitable consistent with the reasons and motives which prompted its introduction . . . there will be a profits tax level which I hope will not be an undue burden on industry."

In the discussion of other clauses Mr Jay again returned to the attack on the increased national debt charge, though this time he recognised that owing to the fall in gilt-edged prices lending institutions "no doubt . . . have anxieties as well as increased revenue"; this represented a welcome retraction from his previous stand. Finally, on Wednesday, the Chancellor announced two blanket exemptions to the "ring fence" clause in last year's Finance Act, which makes it necessary for companies to obtain Treasury consent before they transfer their domiciles abroad. Permission will now be automatically granted for bona-fide sales of land (such as tea and rubber estates) for full consideration, to entirely independent purchasers; and also to proposals for the establishment of subsidiaries engaging in new industrial activities in the overseas Empire. Mr Butler refused to repeal the ring fence clause altogether but he pointed out that while 300 applications for transfer of domicile have been granted in the past year, only two have been finally refused and averred; in view of the spirit in which the restriction was being administered he felt that there "really was not much to worry about." This subject has been accorded added topicality this week by the decision of the Rhodesia Selection Trust group of copper companies to apply for an emigration permit; this decision is discussed in a later note.

Policy up in the Air

The Government's policy for civil aviation, which was outlined by the Minister of Transport in the House of Commons on Tuesday, has had a chilly reception. The basic problem of air transport economics is that the nationalised airlines, which face heavy competition abroad and which make losses on many routes that are only flown over for prestige reasons, cannot balance their accounts unless they are shielded from competition on the few routes that are really profitable to fly. The central issue at debate is whether rigid restriction of competition is a desirable way of financing continued operation over "prestige" routes, or whether some other solution—such as an outright subsidy or an increase in mail rates to the so-called "international" scale—would be a better way out.

In effect, the Government has decided to fall back on a compromise solution that promises to be unpopular with both sides. Mr Lennox Boyd announced three concessions to the independent operators on Tuesday. First, he confirmed that the broad field of charter, and especially freight, operations will be reserved for them. Secondly, and perhaps most important, he announced that independent operators are to be given equal opportunity with the corporations in developing new overseas services. In the past, charter companies have been given licences for services on routes not covered by the corporations, but only for a limited period and only if neither nationalised corporation had plans for developing that route at some unspecified future date; under the new policy licences will be granted for periods of seven, and in some cases ten, years without reference to the long-term development plans of either corporation, and, if the services are run satisfactorily, the independent operator can expect to get his licence renewed when it expires. Thirdly, private operators are to be given limited rights to fly what Mr Lennox Boyd called "third class services" on the corporation routes, where it can be shown that they will carry passengers who cannot afford either the first class or tourist services operated by the corporations.

A feature of Mr Lennox Boyd's statement was that it has not yet proved possible to make any settled arrangements about the future of British internal air routes. This mirrors the whole problem in miniature. Last year British European Airways lost about £1.6 million on these internal services and would be happy to see them handed over to the independent operators. But if BEA, with its facilities for spreading overheads, cannot make these services pay, there seems little prospect that smaller companies can do so either. If scheduled internal services are to be kept flying therefore, it seems probable that the government will have to subsidise them, and it may be preferable that it should continue to pay that subsidy to BEA.

Enterprise down in the Doldrums

There is no doubt that the independent operators have been bitterly disappointed by the new statement of policy. The seven, or in some cases ten, year term for the special licences for the new and the "third class" services was

chosen because it covers the normal operational life of an aircraft, and the government believed that this would make it easier for independent operators to justify the investment necessary to run scheduled services. However, modern airliners cost between £200,000 and £500,000 (depending on their range), and it will not be easy to raise sums such as these on the basis of Tuesday's statement alone; without these aircraft, private enterprise operations are bound to be confined to charter work and to those "third-class" passenger services for which second-hand aircraft can be used. The operators had apparently expected some more positive assistance, possibly in the form of a Treasury guarantee, towards buying the aircraft necessary to develop new services.

Much will obviously depend on the attitude taken up by the licensing authorities. The Government intends to remove the function of granting these licences as far from politics as possible, but the crowded parliamentary programme makes it impossible to introduce the legislation that would be needed to convert the present Air Transport Advisory Committee into an independent licensing authority on the lines of the American Civil Aeronautics Board. Changes in the ATAC status are therefore to be limited to those that can be made within the framework of the 1949 Civil Aviation Act, and the committee, though reorganised and made quasi-judicial, will still have to make recommendations to the Minister when it hears applications for licences. Mr Lennox Boyd has made it clear, however, that only in the most exceptional circumstance would its findings be rejected by the Ministry. The revised committee will be ready by July to hear licence applications for services to be started next year. The volume of applications then will be a measure of whether the operators have any confidence in the future. There is already anxious speculation about how the committee will interpret its brief to refuse applications likely to compete with existing services of the two corporations. Like its predecessor, the present Government seems unlikely to take a sympathetic view of the airlines' claim for a large increase in their mail rates. Without such a concession the corporations will continue to have a real struggle to balance their budgets, and they must therefore be expected to resent—and resist—any move that may reduce the traffic coming their way.

* * *

Germany Tries it On

The proposals that have now been submitted by the German delegation to the London debt conference do more than confirm the ominous premonitions from Bonn that were echoed in *The Economist* last week. The German offer is based on the wholly unexceptionable contention that Germany should not be asked to meet an external debt service greater than its capacity to transfer and on a wholly inadequate measurement of what that capacity is. The Germans have assessed it at the equivalent of £51½ million a year. The first claim on this is reserved for the Israeli government, which has been promised the equivalent of £9 million a year for at least five years in respect of claims arising from the expropriation of Jewish property by the Nazi government. This leaves about £42½ million for the external debt service. Of this, £28 million has to be earmarked for the British, United States and French governments in respect of their written-down claims for postwar economic assistance to Germany. The meagre balance of £14,500,000 is what remains for the prewar external creditors. It represents about 1 per cent per annum on the total capital amount of their outstanding claims.

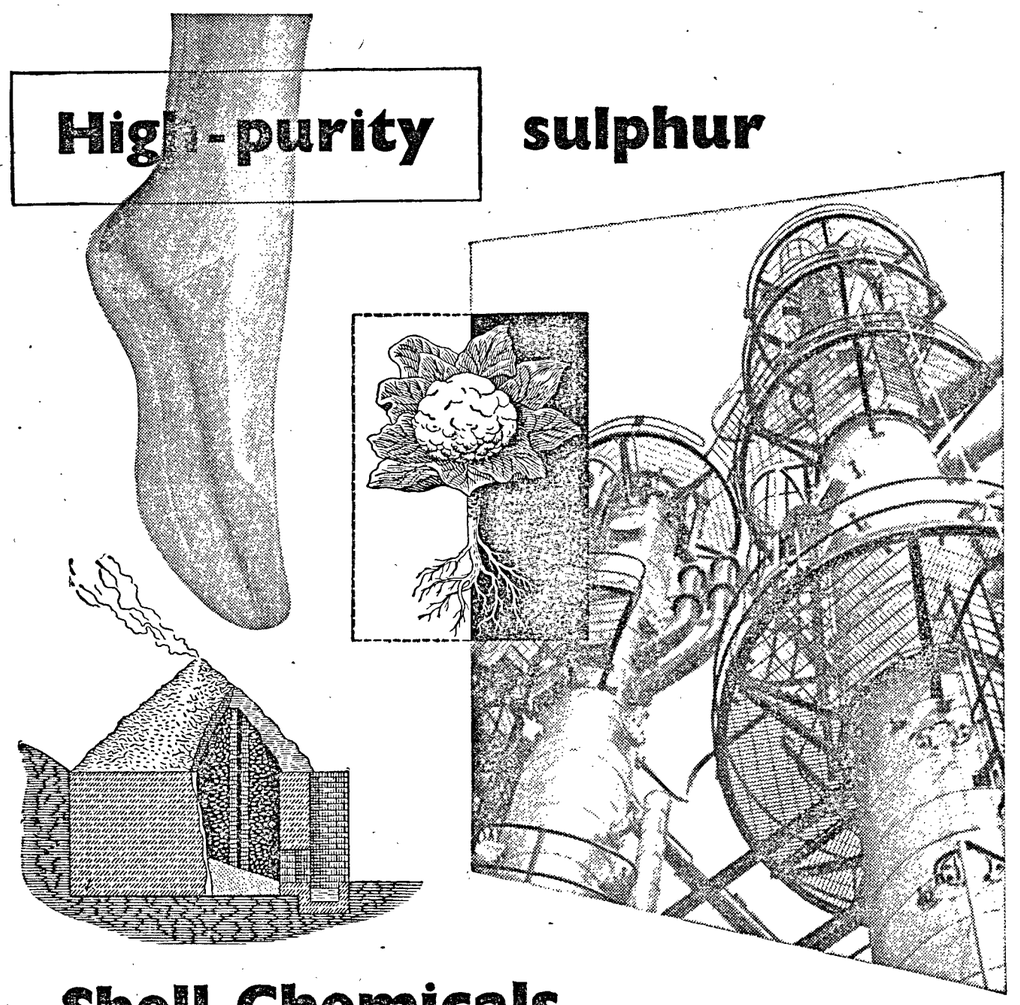
In order to relate the sum offered to the outstanding obligations the German delegation has suggested the writing down of the capital amounts of all German governmental debts by 40 to 50 per cent, the cancellation of all arrears of interest, the reduction of interest payments to 3 per cent or one-half of the contractual rate (whichever is the higher), and a moratorium on all capital amortisation until the payments to Israel are completed. The Germans also decisively reject any scheme for repayment of debts in German marks that might conceivably be converted into foreign currencies, and state that their "offer" can be carried through only if other countries guarantee to accept a volume of imports from Germany large enough to yield the foreign exchange required for the external debt service. If these proposals are not seriously amended, and if Germany shows no signs of willingness to restrain its internal standard of living in order to meet its contractual obligations, then the world will conclude that the traditional German attitude to a debt obligation, as something to be whittled down as far as possible, has changed very little since the 1930s. This is not the way in which to rebuild the new Germany's creditworthiness abroad, or indeed at home.

* *

America and the Gold Clauses

Unfortunately, Germany has been encouraged in its attitude by the fact that the American Government has been pursuing a policy that is based on an ill-judged concept of what it deems to be its own political and financial self-interest. Very early in these negotiations the German delegation proved adept at playing off the Americans against the others. American influence is alleged to have been at work behind the scenes in giving magnitude and priority to the Israeli claims to be the beneficiary of compensation for the crimes committed by Nazi Germany against German Jews: in an election year the political logic of such American intervention may not be difficult to seek. Even more serious—and much more reprehensible—however is the strong stand that the American delegation has taken against the operation of any gold clauses in German external debts. The United States government, which disowned the gold clauses in its own contracts in 1933, does not encourage other countries to show respect for similar obligations. The American delegation has also opposed the operation of dollar and other exchange clauses in the German debt contracts; it has argued that to invoke the Swiss franc clauses would be derogatory to the United States dollar, while to invoke the dollar clauses would give holders of non-dollar bonds carrying such clauses preferential treatment over that given to American creditors. This tortuous reasoning seems to be based on the assumption that the less that is paid over to other creditors the more there will be for Americans, and that one way of ensuring that less is handed over to other creditors is to deprive sterling bondholders of the protection against depreciation of sterling that was supposed to be afforded by the various exchange clauses in the contracts on which they were prepared to lend money to Germany.

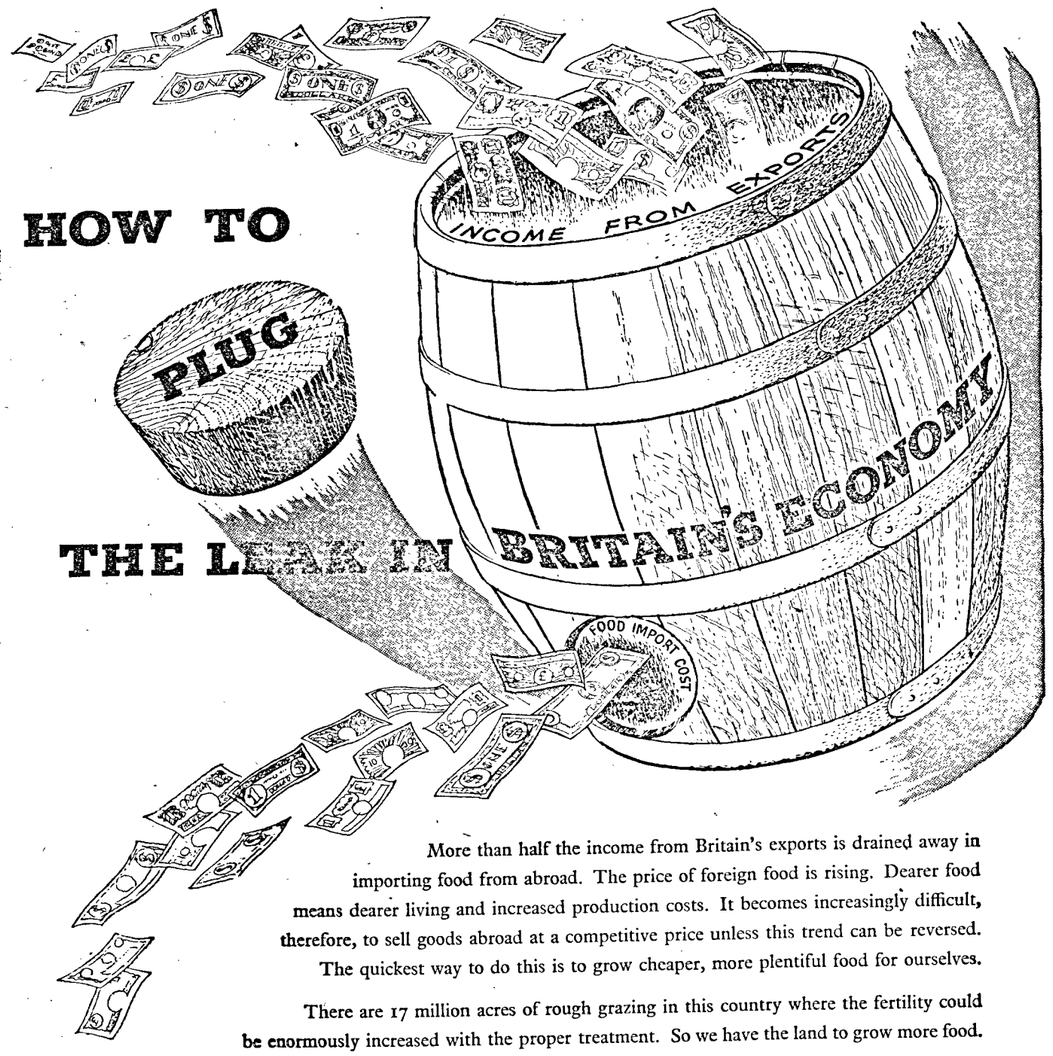
Although it is to be hoped that the last word has not been said on these matters, German bonds naturally recoiled sharply after the shock of this initial German offer and of the revelation of the American attitude on the dollar and gold clauses. All the bonds concerned have fallen heavily on the Stock Exchange this week, led by those that had been buttressed by the enjoyment of gold and currency clauses. Dawes Loan, which recently stood at 66, has this week fallen to 48. Young bonds, the most important of the gold clause issues, have fallen even more precipitately, from 72 to 48. This weakness has spread to the market for Japanese bonds, as the American delegation has let it be known that it will try the same gambit on gold and dollar clauses in all other international debt negotiations. The Japanese 5½'s which had risen to 148 on the strength of the gold option in the bonds, have this week fallen to 130. It cannot be said that dismay on this subject has been removed by the Chancellor of the Exchequer's written reply to a Parliamentary question this week, indicating that "he



Shell Chemicals

The chemicals-from-petroleum industry is now helping in yet another way to meet this country's urgent need of raw materials. A shortage of sulphur means a severe drag on production. Rubber, rayon, steel, paper, dye-stuffs, many essential chemicals—even more homely things like starch and gelatine—all utilise sulphur at some stage of their making. In this country most sulphur is used for producing sulphuric acid, a vital need in literally hundreds of processes, not least in the manufacture of the super-phosphate fertilisers so important in present-day farming. Though Britain's sulphur is mainly imported, plants have been established to produce it here—plants very different from the traditional kilns. The first of these new plants to come into operation is at Stanlow, where rock sulphur, 99.9% pure, is now being produced by Shell from petroleum.

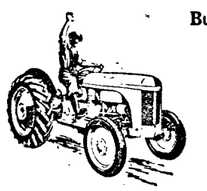
SHELL CHEMICALS LIMITED, Norman House, 105-109 Strand, London, W.C.2.
(DISTRIBUTORS)



More than half the income from Britain's exports is drained away in importing food from abroad. The price of foreign food is rising. Dearer food means dearer living and increased production costs. It becomes increasingly difficult, therefore, to sell goods abroad at a competitive price unless this trend can be reversed. The quickest way to do this is to grow cheaper, more plentiful food for ourselves.

There are 17 million acres of rough grazing in this country where the fertility could be enormously increased with the proper treatment. So we have the land to grow more food.

But the £5 million in 3 years, which is all that has been allocated for this purpose, is inadequate.



What farmers need is more of the modern farming equipment that can bring to agriculture the efficiency, increased output and lower production costs that modern machinery and methods have brought to industry. Once this is understood this leak in the nation's economy can soon be plugged.

Harry Ferguson Ltd., Coventry.

GROW MORE FOOD IN BRITAIN

FERGUSON SYSTEM

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

had no reason to doubt recent reports that the Japanese government intended to honour at the appropriate rates of exchange the dollar option clauses in certain Japanese bonds." If the United States government think otherwise, Mr Butler's doubts on this point may have cause to grow.

* * *

Anglo-Iranian without Abadan

No very firm conclusions about the effect of the seizure of Abadan and the Persian oilfields on the fortunes of Anglo-Iranian can be drawn from the recently issued preliminary statement for the year to December 31st last. It is, of course, encouraging to shareholders—and to the biggest shareholder of all, the British Government—that in a year in which the company was deprived of six months' income from its Persian properties and was later forced to re-route supplies and to purchase oil from other producers, gross profits, at £75,899,965, were nearly two-thirds of those earned in its most prosperous year, 1950, and were higher than those earned in 1949. Too much should not, however, be made of these comparisons, for at the last general meeting Sir William Fraser explained that in the first half of 1951—that is, before the seizure of Abadan—trading results were exceptionally good. Judging by the scanty evidence of the

	Years to December 31, 1949	1950	1951
	£	£	£
Gross profit	65,638,310	115,661,714	75,899,965
Depreciation, etc.	24,353,920	34,195,372	23,682,949
Taxation	22,840,181	50,706,880	27,373,901
Net profit	18,444,209	33,759,462	24,843,115
Ordinary dividends	6,041,250	6,041,250	6,041,250
General reserve	10,000,000	25,000,000	16,000,000
Added to carry forward	277,532	*Dr.9,912*	120,566
Ordinary divs. (per cent)	*30*	*30*	*30*

royalty charges, which naturally enough have fallen (from £16,031,735 to £8,326,446), it is quite possible that as much as three-quarters of the year's profits were earned when the company was still in possession of its Persian assets.

Net profits have been cushioned against the decline in gross profits by the lower charge for taxation, which has fallen from £50,706,880 to £27,373,901, and the fall in net earnings has been limited to one of £8,916,347, to £24,843,115. The directors of Anglo-Iranian have therefore been able to transfer £16,000,000 (against £25,000,000) to a general reserve as well as to redeem their earlier promise to maintain the ordinary dividend at 30 per cent. On the test of these figures alone Anglo-Iranian has passed through the bitterest year of its history with its reputation enhanced, and the company should add further to its stature this year. The exceptional outlays involved in re-directing the company's fleet and in securing supplies from other producers should now be almost a thing of the past, and the steady growth in production at Kuwait may actually enable the company to handle a larger tonnage of products in 1952 than it did before the loss of its Persian possessions. It should be no longer a story of Anglo-Iranian without Abadan, but one of Anglo-Iranian with Kuwait.

* * *

Two Committees for Purchase Tax

The Government announced this week that it has decided to refer two of the most controversial aspects of purchase tax administration—the question of tax rebates when the rate of tax is reduced and the question of "uplift"—to two independent committees. This suggests that there is some chance of ending the stalemate that has persisted ever since 1949, when the Customs and Excise department turned down trade proposals for reforms on the grounds that they were administratively unworkable. Of the two, the question of tax rebates is the more important, because it affects all retailers dealing in goods that attract purchase tax. The tax is levied on the wholesale price of an article, and collected from the retailer by the wholesaler. If the rate of taxation is reduced the retailer is, in theory, still able to recoup tax paid at the old rate by selling goods in stock at the old price. In practice he generally has to reduce the price of his stocks to the new level and bear the loss himself. No satisfactory method of allowing retailers to claim a tax rebate on goods in stock has apparently yet been evolved, or rather none that will satisfy the tax collectors. In consequence, in the months before the budget, retailers make frenzied efforts to minimise their stocks of taxed goods; this year, moreover, the uncertainty has been prolonged and intensified before the budget by anticipation of the Douglas report and since the budget by government vacillations over the "D" levels and the tax rates themselves, thus seriously aggravating the depression in the clothing and textile trades. When the steps that retailers take to avoid losses on taxed stock begin to have such widespread repercussions throughout the textile industry, it is no longer possible to dismiss the question of tax rebates as a minor squabble on an insignificant technical point.

The question of "uplift," which the second committee will investigate, is one that concerns only those retailers who buy direct from the manufacturers. In their case, Customs and Excise adds a theoretical wholesale margin to the manufacturer's price in order to arrive at a basis for calculating the tax payable. The trade maintains that this practice should be abandoned.

* * *

Rhodesian Selection Trust to Migrate?

The directors of the Rhodesian Selection Trust group of copper companies have bowed to the inevitable by formally applying to the Treasury for permission to transfer control to Northern Rhodesia. Unlike the other Rhodesian copper producers, who transferred control before Section 36 of the 1951 Finance Act was passed, the Selection Trust group must obtain permission from the Treasury before it can migrate. Fortunately, the escape gate seems reasonably likely to be opened to it. Quite apart from Mr Butler's comments on the mode of operation of the ring fence control (discussed in an earlier note), it should be noted that permission was recently granted to Wankie Colliery, whose interests are closely bound up with the Rhodesian copper belt, to transfer its seat of control to Rhodesia. The companies making the new application are Rhodesian Selection Trust, Rhodesian Selection Trust (Services), the developing company Chibulana Mines, and the two operating companies Roan Antelope and Mufulira.

The question of a change in domicile has recently been kept very much alive in discussion, if not in decision, by the Selection Trust group. Three new companies formed by the group to direct the exploration of new areas were domiciled in Rhodesia; and the chairman, Mr R. L. Prain, suggested at the last general meetings of the operating companies that, as the centre of political gravity for Northern Rhodesian affairs was shifting away from Britain to Rhodesia, conditions might now be created under which it would be the directors' duty to seek to transfer control to Central Africa. Previously, the directors had rated political and administrative convenience above any savings in taxation, but it seems probable that the arbitrary imposition of EPL upon the existing weight of British taxation has now helped to quicken the directors' appreciation that "the recent emergence in Northern Rhodesia of political and industrial conditions calls for the direction of the policy of the companies from within the Territory." The total burden of tax would become much lighter after a change in domicile, especially as the group would benefit from the recent changes in the Northern Rhodesian taxation laws that aim to help

developing mining companies. The benefits that might be expected if the Treasury grants permission are to some extent mirrored in market prices. Towards the end of September, 1950, just before the Rhoanglo group of copper companies announced its intention to migrate, the 10s. shares of Rhodesian Anglo American stood at 40s. ; by last Friday they had risen to 53s. 3d. In the same period the holder of a 5s. share in Rhodesian Selection Trust had seen the value of his holding decline from 31s. 6d. to 28s. 6d. (the 5s. shares stood at 14s. 3d. last Friday, after allowing for the 100 per cent scrip bonus last July) ; on Monday these shares responded to the news of the application for migration by rising 9d. to 15s.

* * *

Market Prices for Metals

Last weekend Viscount Swinton, who is responsible for the Ministry of Materials, said that the government would revert to its former policy of basing its selling prices for metals on those currently ruling in the American markets. Selling prices of other materials (in particular jute) are to be based on "world" prices. British prices of non-ferrous metals will in future be only about £10 a ton above the official American prices ; this difference covers freight, insurance and delivery to consumers' works. This policy was first adopted for metals by the Ministry of Supply after its unsuccessful attempt to guess a price that would show neither profit nor loss over a period of time. It was discontinued last year when the Ministry of Materials started building up stocks and was obliged to pay prices well above those quoted in the New York market. For jute and other commodities it will be the first attempt to relate British prices to those ruling in the main markets.

The real difficulty about any government pricing policy is the absence of a proper world market that can be used as a yardstick. A government trading organisation makes profits or losses in two ways—on its direct trading and on the changing value of its stock. It must keep fairly large stocks, and its only chance to break even over a period of years is to buy constantly—in small amounts if necessary—so that the cost of its stocks represents the pattern of world prices during the period. If its selling prices are then kept in line with prices in other markets, it will make a profit when prices rise more sharply than they fall—or a loss if the opposite occurs. Such a policy should present the Ministry with no difficulty so far as metals are concerned, for its purchase prices are also geared to those ruling in the American market.

This reversion of policy simply means that the Ministry will now write-off its high cost purchases last year as a loss. Whatever the accounting merits of the change, at least it means that British manufacturers will pay no more for their raw materials than some of their competitors. It is true that at present "free" market prices for lead and zinc are below the official New York prices, but they are only for marginal supplies. Those manufacturers who would otherwise have been able to buy even small amounts at these lower prices, have to forgo this chance of lower costs. But clearly a Ministry cannot take these minor variations in price into account. The moral is, perhaps, that the Government should restore the London Metal exchange as soon as possible. And it might indeed be able to do it sooner than it expects.

* * *

Decorated Pottery at Home

The cautiously phrased statement in which the President of the Board of Trade announced the introduction of a home market quota for decorated pottery for the first time since the war has not pleased the industry. Mr Thorneycroft said that in addition to the "frustrated exports" that are

already individually licensed for sale at home, manufacturers would get a quota based on a percentage, yet to be announced, of last year's output. But this concession is to run only for a period of six months, and its operation will in any case be reviewed after the first three months "in the light of export prospects at the time."

It is clear that the Board of Trade intend to reimpose the ban on home sales of decorated china if there is any opportunity of selling that ware abroad, but whether such a control, once relaxed, can ever be successfully reimposed may seem doubtful. Exports during the first four months of this year have been higher than in the same period either last year or the year before. They were valued at £6.7 million, compared with £5.1 million in the first four months of 1951. But most of the increase came from sales to Australia and New Zealand ; shipments of china to Australia were nearly treble the value of the previous year. Not only are these exports subject to an 80 per cent cut under the new import restrictions, but there is probably enough china and earthenware still in transit to fill the greater part of the year's import quota.

* * *

Competition for the Comet

The beginning of regular passenger flights by the de Havilland Comet has given a stimulus to demands in the United States for a government subsidy to cover the development costs of a competitive jet airliner. It is ironic that when the de Havilland Comet is the only big airliner to have been built in this country since the war by private capital alone, the American aircraft industry should consider a subsidy necessary before it embarks on a similar project. The fact is that no manufacturer is prepared to go further than preliminary drawings without a firm production order from an airline. De Havilland would probably not have been able to lay down production lines for the Comet had BOAC not been willing to order 14 aircraft from the drawing board. The alternative procedure, in this country, is for the Ministry of Supply to order prototypes, and pay for the cost of developing them. In the United States this is done only in the case of military transports, and although the Civil Aeronautics Board has put a proposal to Congress for development loans to cover 75 per cent of the cost of producing prototype jet airliners, Congress is unlikely to find time to approve such a project before the election, and possibly not even then. Direct sponsorship is more likely to come in the form of military contract for troop transports.

But even if immediate action is taken, and companies such as Lockheed, already interested in jet airliners, start active development now in the hope of getting sponsorship later, it could take from five to seven years to bring such an aircraft into service. The impatience of the American airlines is understandable—and competition from BOAC may oblige them to order Comets rather than delay longer waiting for a still hypothetical American competitor.

* * *

Power at the Pithead

Miners themselves, as is well known, are still about the heaviest domestic consumers of coal: in the same way, the collieries use about ten million tons a year to produce power for mining—much of it wastefully under old and inefficient boilers. For some years the National Coal Board has been discussing with the British Electricity Authority the construction of power stations near the pithead ; in addition to supplying the collieries' increasing demands for power at the service of the miner, these might also serve the purpose of burning inferior coals—such as the residues from pithead washeries—that are uneconomic to transport for sale. Agreement has at length been reached, and the first station, at Barony Colliery

in Scotland, is now being put in hand by the Authority. This is a small station by BEA standards, though perhaps larger than some of the pithead stations that may follow it ; it is to serve the power needs of a group of pits in the area.

The agreement is that half of the new stations will be constructed by the Electricity Authority and half by the Coal Board ; they will be linked into the grid so that extra colliery needs can be made up or spare current may be supplied to consumers. No details have been given of the financial

COLLIERY COAL AND POWER CONSUMPTION, 1947–51

	Total Coal Consumed	Coal Used* per ton of Output	Value of Fuel used per £ of Proceeds
	mn. tons	lb.	s. d.
1947	11·1	147	1 3
1948	11·3	141	1 1
1949	10·8	135	1 0
1950	10·7	134	1 0
1951	10·7	131	1 0
% decrease, 1947–1951	4%	11%	17%

* Including estimated coal equivalent of electricity and gas.

arrangements between the two nationalised fuel industries on this matter ; but last year negotiations seemed to have reached the point where the price of electricity supplied was to be directly related to the price of the coal used. The low quality of the fuel used may require a special design of boiler, and presumably the power station engineers will have some discretion in the qualities of coal that they are prepared to accept.

The table expresses colliery consumption of coal for power, heat and light, between 1947 and 1951, in three different ways. Since more low-grade fuel is being burned, the figures of coal consumed per ton of output under-estimate the improvement ; and, on the other hand, because relative prices of coals have changed, the second column overstates it. Whatever the improvement, the Coal Board is attempting to accelerate it ; it has placed orders for mechanical stokers for 500 of the 3,400 boilers at its pits that are still fired by hand, and has set up its own fuel efficiency service on the lines of that run by the Ministry of Fuel and Power.

* * *

Super-Priority for Minesweeping

The first of the minesweepers to be completed for the Royal Navy under the rearmament programme was recently launched at Cowes. Apart from conversion and modernisation work, naval rearmament is concerned wholly with small vessels, and the two most important types are frigates and minesweepers. These two classes of warship are the immediate counters to the two chief threats to British sea communications in the event of another war, the submarine and the mine. The danger of the modern submarine is generally appreciated: the equal danger of the modern mine has recently been emphasised by the inclusion of "anti-mine measures" as the only naval item in the "super-priority" category of defence production.

The mines with which the Navy is now primarily concerned are of the non-contact type, which are set off by magnetic, acoustic or pressure mechanisms. Pressure was employed in the "oyster" mines developed by the Germans towards the end of the last war. These were virtually unsweepable, as were some of the more ingenious British mines: clearing the approaches to the Channel ports after the war was a lengthy and arduous business in which divers had to be employed to dismantle many of the mines. The

mine laid by aircraft is still the main threat to shipping near a port.

Non-contact mines are laid on the sea bed, and can, therefore, be used only in shallow coastal waters. It now appears that they can be swept by comparatively small vessels of limited endurance—presumably using new equipment to do so. Two types are being built under the rearmament programme: coastal and inshore sweepers. The inshore sweepers, which are the smaller, are about the size of the Fairmile motor launches of the last war. The basic features of their design have been standardised among the Nato countries, thus allowing ships of any of the countries to work together efficiently. This is one of the first successful examples of weapon standardisation under the treaty. Nearly seventy have been ordered from British shipbuilders, and many others are being built in the United States, Canada, France and Holland. A group of eighteen has been ordered by the United States from Dutch shipyards, probably for allocation under the military aid programme.

To reduce their magnetism and to make use of boat-building capacity, these minesweepers are being built of wood on light alloy framing. Orders have been given to many small yards unaccustomed to naval work, and in many cases known chiefly for the construction of yachts or fishing vessels. To assist them in the work, "parent firms" have been appointed for each type from among larger yards, and these are building the first vessels. Samuel Whites, of Cowes, are the parent firm for the inshore minesweepers, and Thornycrofts for the coastal sweepers. Of the thirty-five inshore minesweepers for which orders have been announced, six were stated in the Navy Estimates to be due for launching before March 31st ; the programme is evidently behind schedule.

* * *

Second Thoughts on Soil Conditioning

Monsanto Chemicals Ltd. has decided to start pilot production of its synthetic soil conditioner, "krilium," in this country, as soon as possible, and plans for a full-scale plant are also being drawn up. The market for this product may, however, be more restricted than earlier reports suggested. The function of the chemical is not to act as a fertiliser, but to improve the texture of the soil. This depends on the presence of gums that hold the soil particles together in a porous structure. Without porosity, the soil is alternatively baked hard by the sun, or washed away by rain ; in either case it is useless for cultivation. These gums are normally provided by decaying humus, but "krilium" provides an alternative, synthetic, source of them. Its action was effectively demonstrated by Dr Mowry, one of the discoverers, in London this week, but at the same time he made it clear that the minimum rate of application is between 100 and 200 lb of chemical per acre. To treat poor clay soil to plough depth would take up to 1,500 lb per acre. The price of "krilium" in the United States has fallen from an estimated $2 a pound to less than $1 40 cents a pound, although production is still in the pilot stage. But even in full-scale production it may be some time before the price is much less than 75 cents a pound. This makes the cost of treatment exceptionally high, remembering that to be fully effective the chemical has to be worked into the soil. No indication of the price in Britain has been given yet, but since the cost of the raw materials is likely to prove higher than in the United States, it can be expected to be more rather than less expensive. Until the price can be reduced considerably, the use of "krilium" is likely to be restricted to greenhouses, intensively cultivated market gardens, and, on a smaller scale, to private gardeners, all of which make large and frequent applications of humus to keep the soil in condition. Single applications of "krilium" are still effective after three years.

An interesting turn to the development of soil conditioners

has resulted from the belated appearance on the market of a roughly similar compound to "krilium" produced by the American Cyanamid Company. This compound had been made on a small scale for a number of years, without its agricultural applications being considered. When the Monsanto patents for "krilium" are eventually published, it seems probable that American Cyanamid will enter into a licensing agreement with Monsanto, rather than persist with its own compound.

Shorter Notes

When British Celanese made a rights issue of ordinary shares last November the directors refused to forecast the future level of earnings and dividends, but the market assumed at that time that a dividend of 16 per cent would be made for the year to June 28, 1952. Since then this confidence has gradually ebbed away, and this week it received the final shock by the announcement that the interim ordinary dividend was to be limited to 4½ per cent, compared with last year's interim of 6 per cent. All previous estimates of the final dividend have thus been thrown into the melting pot and the 10s. ordinary stock units were immediately marked down 2s. 9d. to 19s. 9d. The directors felt obliged to cut the interim "in view of the severe depression in the textile industry"; their decision has inevitably deepened the uncertainty that surrounds the dividend shortly to be announced by Courtaulds.

A new plant to manufacture sulphuric acid from anhydrite is to be built by Marchon Products Ltd., with finance provided by the Treasury and the Industrial and Commercial Finance Corporation. The plant, which will have an annual output of 75,000 tons of acid a year is estimated to cost £2 million. ICFC will probably provide a third of this sum, the Treasury, £250,000. Marchon Products is a small and comparatively young company, mainly concerned in making the basic materials for the synthetic detergent sold by Colgate. Sulphuric acid is needed for its production, but only a small proportion of the acid produced at the new plant will be needed for this purpose.

★

The Board of Trade has announced import quotas for a large and assorted collection of goods, ranging from certain textiles and electrical hardware to haircurlers and mousetraps, that were subject to the withdrawal of Open General Licences for imports from Western Europe and some other countries on March 12th this year. Licences now being issued will be valid until December 31, 1952, and will be based on individual firms' imports during the calendar year 1951. Some stop-gap licences have already been issued to enable firms to import foods contracted for before March 11; these licences will be deducted from the quotas now announced. In certain cases the licences issued already exceed the new quotas and no further imports will be allowed this year. Imports of textiles for rearmament will be outside the scheme.

Company Notes

Unilever.—For the Unilever diarchy, 1951 fell into three distinct phases. In the first few months of the year it enjoyed brisk trade and rising prices, and its main problem was to produce sufficient supplies to meet a demand inflated by consumer hoarding. Gradually this pattern—first in the United States, then in other hard currency areas, and finally everywhere—changed to one where distributors, warned by the decline in raw material prices, began to reduce their inventories, while consumers, though buying their normal requirements, stopped buying for stock. In the final phase trade became slack and even consumers seemed to be content to fall back upon accumulated stocks; in this period turnover fell below normal, competition became keener, and profit margins fell. This third and gloomy phase continued through the first few months of 1952; more recently, however, there have been signs that trade may be picking up.

In 1951, as a whole, turnover increased from £988,870,000 to £1,205,447,000 (including £297,508,000, against £243,613,000, as the value of inter-group services and supplies); simultaneously, the value of exports from Britain increased from £27,225,000 to £37,395,000, and from the Netherlands from £14,191,000 to £23,497,000. These figures, however, are distorted by the inflation of prices, which also brought in its wake steep rises in costs that had to be borne at a time when trade was beginning to taper off. As a result, the expansion in profits was considerably slowed down. The combined profits of the diarchy increased by under 6 per cent, from £65,248,940 to £69,088,667, compared with an increase of 51 per cent in 1950. With these aggregates, Unilever Limited reported an increase in profits from £34,318,448 to £42,107,530, but N.V. a decline, from £30,930,492 to £26,981,137. This contrast is largely explained by the fact that the N.V. company, having benefited from the boom in trade in the United States in 1950, had to bear the brunt of the recession in American sales in 1951 while the British company benefited from an increase in sales in Africa in 1951 (through the exports of the United Africa group); turnover in the American market declined from 15 to 13 per cent of total sales but turnover in the African market increased from 18 to 19 per cent. As price changes distort gross trading profits, shareholders should perhaps pay more attention to net profits after tax, which are shown after making allowances for the replacement of fixed assets at current costs and after making appropriations to stock reserves; these net profits show a slight fall, from £19,226,875 to £18,837,651.

The reasons for the directors' decision to do no more than maintain the ordinary dividends (at 13¼ per cent by Unilever Limited and 12 per cent by NV) are evident from the consolidated balance sheet. The increase in the book value of stocks, from £143,073,407 to £212,357,159 was due in part to the piling

	Unilever Limited		Unilever NV		Combined	
	1950	1951	1950	1951	1950	1951
Earnings	£	£	£	£	£	£
Trading balance	34,318,448	42,107,530	30,930,492	26,981,137	65,248,940	69,088,667
Total income	34,978,411	43,139,076	31,064,018	27,659,620	66,042,429	70,798,698
Depreciation	3,925,589	4,681,110	3,926,075	5,071,872	7,851,664	9,752,982
Fixed assets replacement reserve	2,650,000	2,850,000	2,293,233	2,265,037	4,943,233	5,115,037
Stock reserve	750,000	3,000,000	1,879,699	...	2,629,699	3,000,000
Loan interest	94,578	473,898	960,388	1,001,193	1,054,964	1,475,091
Taxation	15,669,279	19,219,704	12,790,087	11,989,960	28,459,366	31,209,664
Net profit	*10,998,350*	*12,126,838*	*8,228,525*	*6,710,818*	*19,226,875*	*18,837,651*
Preference dividends	2,391,053	2,282,415	1,088,173	1,088,173	3,479,226	3,370,588
Ordinary dividends	973,713	973,713	1,940,030	1,940,030	2,913,743	2,913,743
Retained by subsidiaries	5,145,162	6,157,689	4,428,749	3,053,433	9,573,911	9,211,122
General reserve	2,151,512	1,893,425	652,972	469,925	2,804,484	2,363,350
Added to carry forward	336,910	819,591	118,601	159,257	455,511	978,848
Ordinary dividends (per cent)	*13¾*	*13¾*	*12*	*12*	...	...
Balance Sheet						
Fixed assets, *less* depreciation	84,821,674	94,193,709	70,807,944	80,796,792	155,629,618	174,990,501
Trade investments	3,889,241	3,670,621	2,352,273	1,663,184	6,241,514	5,333,805
Intangible assets	37,131,370	37,099,102	25,552,403	24,511,790	62,683,773	61,610,892
Interests not consolidated	...	...	6,692,376	6,471,106	6,692,376	6,471,106
Stocks	78,470,992	116,030,012	64,602,415	96,327,147	143,073,407	212,357,159
Debtors	54,545,536	61,361,410	28,808,024	32,800,515	83,353,560	94,161,925
Instalments on ordinary shares and debentures	4,850,000	9,516,629	...	5,318,876	4,850,000	14,835,505
Short term investments	1,715,109	1,635,390	17,539,646	2,141,497	19,254,755	3,776,887
Cash	12,591,333	13,725,566	13,872,972	11,134,223	26,464,305	24,859,789
Creditors	31,636,938	36,750,696	27,433,665	40,281,779	59,070,603	77,032,475
Short term borrowings	12,116,483	25,058,711	21,112,425	30,169,029	33,228,908	55,237,740
Net current assets	87,728,938	115,910,250	52,596,007	55,419,678	140,324,945	171,329,928
Capital reserves	23,413,236	27,685,047	25,919,762	29,346,861	49,332,998	57,031,908
Revenue reserves	56,679,148	68,549,853	22,155,045	25,837,660	78,834,193	94,387,513
Future tax reserves	12,000,000	14,250,000	...	...	12,000,000	14,250,000
Loan capital	12,064,995	26,648,277	32,399,945	31,892,799	44,464,940	58,541,073
Preference capital	56,293,751	56,293,751	20,031,579	20,031,579	76,325,330	76,325,300
Ordinary capital	13,694,008	17,117,510	15,941,353	19,983,083	29,635,361	37,100,593

up of physical stocks following the recession in trade, but it also reflected the aftermath of an inflation of prices. The increased cost of investment in fixed and working capital has not been altogether balanced by the increases in equity capital (from £29,635,361 to £37,100,593) and in loan capital (from £44,464,940 to £58,541,076). The group has therefore been forced to increase its short-term borrowings, from £33,228,908 to £55,237,740, and to draw down its liquid balances; instalments received from the recent issues of ordinary shares and debentures have increased from £4,850,000 to £14,835,505, but cash balances have fallen, from £26,464,305 to £24,859,789, and short-term investments have declined much more steeply—almost entirely in the NV accounts—from £19,254,755 to £3,776,887. If prices remain at their present levels, however, considerable sums will be released as accumulated stocks are run down, and the dearth in liquid funds may therefore be only a temporary phenomena. At the current price of 42s. 3d. the £1 ordinary shares of Unilever Limited yield 6.4 per cent.

★

Associated Portland Cement.—Last year the Blue Circle group delivered nearly a quarter of a million more tons of cement than in its previous record year of 1950; its deliveries so far in 1952 are already a quarter of a million tons up on the same period in 1951, and the chairman, Mr G. F. Earle, hopes that production in 1952 as a whole will exceed 7 million tons. The increases in deliveries since the war have been achieved by extending and improving—and sometimes by reopening—the plants operating before the war, and, although the new Shoreham works have now come into production, there is still no sign of supply overtaking demand, so that expansion is likely to remain the order of the day. Mr Earle points out, however, that the cost of new works in England is now so high that it is practically impossible for them to compete with existing works unless the savings in transport are really large. He estimates that to replace the plant and other fixed assets owned by the group would cost about £56 million; the book value of the group's cement plants works out at about 14s. 6d. a ton of annual output, but replacement cost would be about £8 a ton. The Blue Circle group will therefore still concentrate on extending and improving the efficiency of its existing plants rather than on building new ones; these extensions and improvements should add about 500,000 tons to annual output. This increase may well be needed if the cement industry is to keep up with demand both at home and overseas, for the import of cement from Belgium was recently stopped under new EPU arrangements.

Consolidated earnings :—	Years to Dec. 31, 1950	1951
	£	£
Trading profit	7,166,970	8,514,725
Total income	7,386,291	8,713,382
Depreciation	1,414,093	1,634,266
Taxation	3,327,961	4,427,642
Net profit	*1,829,331*	*1,090,620*
Ordinary dividends	605,000	577,500
Ordinary dividends (per cent)	27½	27½
Retained by subsidiaries	6,272	23,233
General reserve	374,779	292,083
Fixed assets replacement reserve	815,000	1,030,000
Added to carry forward	32,376	4,079
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation*	14,965,988	16,459,598
Net current assets	10,924,930	11,933,532
Stocks	4,849,174	7,765,535
Cash	2,010,545	2,366,183
Reserves	12,511,951	14,540,837
Ordinary capital	4,000,000	4,000,000

* Includes capital works in progress (1950: £3,165,163; 1951: £2,415,941).

£1 ordinary stock at 95s. 7½d. yields £8 15s. per cent.

As profit margins on the sale of cement in Britain are still low, last year's satisfactory trading results (the group's trading surplus increased from £7,166,970 to £8,514,725) owe a good deal to exports and to trading in other goods than cement; exports accounted for over a third of profits and trading in other products for nearly a quarter. So far, it is the receipts from exports that have made it possible to finance the extensions of productive capacity under the crippling burden of taxation, which is now to be made even more onerous by the imposition of EPL. Taxation and the high cost of extensions and improvements must be taken into account in judging whether Associated Portland will pay more than the dividend of 27½ per cent paid in the last two years.

★

Marks and Spencer.—The day after the full accounts of Marks and Spencer were published, the 5s. "A" ordinary shares were marked down 1s. 6d. to 74s. 9d. Even in a depressed market this seems to be a churlish response to the report of a 15 per cent increase in the volume of business, an increase in the ordinary dividend from 75 to 80 per cent, the promise of a 100 per cent scrip bonus, and the announcement of only a slight fall in trading profits, from £7,486,863 to £6,696,194. Two factors largely explain the grudging attitude of the market. The first is that there is no mention in the full report of the fate of the small annual scrip bonuses that have been a feature of the accounts in earlier years; the importance given to these bonuses by investors was discussed in the analysis of the company's preliminary trading results in *The Economist* of May 17th. The second factor is the strain that has been imposed on liquid resources by investment in working capital at inflated prices. The directors had already explained that the fall in trading profits was due to the progressive writing down of stocks, following the fall in textile prices; it is now revealed that, despite this writing down, the book value of stocks has increased from £4,372,048 to £5,832,458. Moreover, advances to subsidiaries have been raised substantially from £2,442,282 to £4,249,316. These advances reflect the increasing interest that is being taken by Marks and Spencer in the production of the basic materials that are used in the manufacture of the made-up garments sold in its stores; the company has assumed responsibility for the purchase and conversion into finished products of large quantities of grey cloth. At the high prices ruling at the beginning of the company's financial year, the burden of financing such operations must have been considerable, and this burden, together with further investments in stocks, has made heavy calls on the company's liquid balances; investments have been drawn down from £1,374,135 to £848,124 and cash balances from £2,202,283 to £547,758, while tax reserve certificates of £1,500,000 have been used up. Investors may be beginning to ask themselves whether a more permanent basis will have to be found for financing advances to subsidiaries if these commitments continue to grow. However remote a possibility this may appear, it is sufficient in the troubled waters of the stock markets to set back the price of the equity shares; at the current price of 74s. 9d. the "A" ordinary shares yield £5 7s. per cent.

Earnings :—	Years to March 31, 1951	1952
	£	£
Trading profit	7,486,863	6,696,194
Total income	7,598,442	6,887,042
Depreciation	733,044	713,642
Taxation	3,525,000	2,790,000
Net profit	*3,557,264*	*3,205,690*
Ordinary dividends	879,500	949,933
Ordinary dividends (per cent)	75	80
Stock reserve	350,000	500,000
General reserve	505,321	483,198
Added to carry forward	691,932	*Dr.157,066*
Balance sheet analysis :—		
Fixed assets, *less* depreciation	10,012,933	10,945,578
Net current assets	5,663,220	3,827,956
Stocks	4,372,048	5,832,458
Cash	2,202,283	547,758
Reserves	9,332,217	11,054,413
Ordinary capital	2,212,577	2,261,746

5s. "A" ordinary shares at 74s. 9d. yields £5 7s. per cent.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, May 21, 1952	Price, May 28, 1952	Net Yield, May 28, 1952	Gross Yield, May 28, 1952
			£ s. d.	£ s. d.
War Bonds 2½%	99½	99½	...	... *e*
Mar. 1, 1951-53			1 6 5	3 0 0
War Bonds 2½%	98½	98½	...	... *e*
Mar. 1, 1952-54			2 2 5	3 9 9
Exchequer Stk. 2½%	97½	96½	2 6 5	3 10 10
Feb. 15, 1955				
Serial Funding 1½%	99½	99½	1 17 2	2 15 3
Nov. 14, 1952				
Serial Funding 1½%	98½	98½	2 4 11	3 2 3
Nov. 14, 1953				
Serial Funding	96½	96½	2 11 3	3 8 7
Nov. 14, 1954				
War Bonds 2½%	96½	95½	3 3 9	4 11 5
Aug. 15, 1954-56			2 6 2	3 12 3
Funding 2½%	97½*	96½*	...	... *e*
June 15, 1952-57			3 2 9	3 9 2
Nat. Defence 3%	96½	98½	2 9 11	4 4 1
July 15, 1954-58			1 18 1	3 8 10
War Loan 3%	97½	97½	2 6 7	3 16 7
Oct. 15, 1955-59			1 18 8	3 8 1
Savings Bonds 3%	90½	89½	5 6 7	7 0 2
Aug. 15, 1955-65			2 11 2	4 2 6
Funding 2½%	90½	89½	4 5 0	5 11 3
April 15, 1956-61			2 12 8	3 18 4
Funding 3%	84½	83½	4 8 9	6 1 1
April 15, 1959-69			2 16 9	4 8 10
Funding 3%	88½	84½	3 18 10	4 11 4
Aug. 1, 1966-68			3 15 10	4 8 3
Funding 4%	96	95	4 3 16	4 16 3
May 1, 1960-90			3 6 1	4 5 8
Savings Bonds 3%	83½	82½	4 1 11	5 14 10
Sept. 1, 1960-70			2 16 2	4 8 9
Savings Bonds 2½%	82½	81½	3 4 4	4 11 3
May 1, 1964-67			3 17 3	4 4 3
Victory Bonds 4%	98½	99½	4 4 3	4 3 4
Sept. 1, 1920-76				
Savings Bonds 3%	81½	80½	3 8 7	5 1 11
Aug. 15, 1965-75			2 14 4	4 7 7
Consols 4%	87	85½	3 9 8	4 15 4
Conversion 3½%	76½	76½	3 9 1	4 13 11
Treasury Stk. 2½%	86½	85½	2 7 8	4 11 2
(after Apr. 1, 1975)				
Treasury Stk. 3%	66½	65½	2 8 5	4 12 7
(after Apr. 5, 1966)				
Treasury Stk. 3½%	86½*	85½*	2 12 6	4 9 2
June 15, 1977-80			2 11 3	4 7 11
Redemp. Stk. 3%	76	74½	3 14 6	4 9 6
Oct., 1986-96			2 10 9	4 6 1
War Loan 3½%	75½*	74½*	2 9 7	4 14 5
Conds 2½%	58	56½	2 6 5	4 8 8
Brit. Elect. 3% Gtd.	82½	81½	3 2 1	4 14 9
April 1, 1968-73			2 15 8	4 8 5
Brit. Elect. 3% Gtd.	81½	80½	2 16 3	4 9 5
Mar. 15, 1974-77			2 16 3	4 9 5
Brit. Elect. 4½% Gtd.	98½	98	2 6 10	4 7 8
Sept. 26, 1974-79			2 6 7	4 7 4
Brit. Elect. 3½% Gtd.	87½	86½	2 11 11	4 8 6
Nov. 15, 1976-79			2 10 8	4 7 3
Brit. Tpt. 3% Gtd.	76½	74½*	2 19 11	4 14 2
July 1, 1978-88			2 13 9	4 8 5
Brit. Tpt. 3% Gtd.	82	81	3 2 6	4 15 4
April 1, 1968-73			2 16 0	4 8 10
Brit. Gas Gtd. 3%	75	73½	2 13 8	4 8 11
May 1, 1990-95			2 11 10	4 7 3
Brit. Gas Gtd. 3½%	89½	88½	2 13 8	4 10 2
Sept. 10, 1969-71			2 12 2	4 8 8
Brit. Iron & Steel	87	86½	2 11 4	4 9 0
3½%, 1979-81			2 10 10	4 8 3

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, May 21, 1952	Price, May 28, 1952	Yield, May 28, 1952
%	%					£ s. d.
20	*a*	*b*	Anglo-Am. 10/-	6½	6	5 0 0
5	*a*	*b*	Anglo-Iran £1	5⅝	5⅝	5 11 7
7½	*a*	12½ *b*	Assoc. Elec. £1	70/6	69/6	5 15 1
7½	*a*	20 *b*	Assoc. P. Cem. £1	98/9	95/7½	5 15 0
15	*a*	†17½ *b*	Bass £1	125/-	118/9	7 7 4
10	*a*	10 *b*	Boots 5/-	19/3	19/3	5 3 11
10 *b*	(*i*)	4½ *c*	Br. Celanese 10/-	23/-	20/-	7 5 0
...		...	Br. Motor Cp. 5/-	28/9	28/9	...
8	*a*	12 *b*	Br. Oxygen £1	73/6	71/6	5 11 11
5	*a*	7½ *b*	Coats £1	42/6	41/10½	5 19 5
6½	*b*	5 *a*	Courtaulds £1	33/6	32/0	7 0 7
22½	*c*	17½ *c*	Distillers 4/-	17/3	16/9	5 7 6
12½	*c*	17½ *c*	Dunlop £1	51/3*	47/6*	7 7 4
12½	*c*	15 *c*	Ford £1	46/6	46/6	6 9 0
22½	*c*	7½ *a*	Gen. Elect. £1	78/6	76/6	5 17 8
11	*a*	17 *b*	Guinness £1	59/4½	58/1½	5 15 7
4½	*a*	5½ *b*	Hawker Sid. £1	34/3	33/3	6 0 4
3	*a*	10 *b*	Imp. Chem. £1	41/10½	41/3	6 6 1
13½	*b*	13½ *b*	Imp. Tobacco £1	82/6	81/3	7 17 6
5	*a*	10 *b*	Lancs. Cotton £1	33/1½	33/1½	9 1 2
7½	*a*	10 *b*	Lon. Brick £1	57/6	55/7½	6 5 10
15	*a*	65 *b*	Marks & Sp. A 5/-	76/9	74/9	5 7 0
8	*a*	10½ *b*	P. & O. Def. £1	46/-	44/-	7 5 5
17½	*b*	7½ *a*	P. Johnson 10/-	34/-	33/-	7 11 6
15	*a*	†10 *b*	"Shell" Stk. £1	94/4½	92/6	6 3 7
12½	*b*	13½ *b*	Tube Invst. £1	51/10½*	51/10½*	4 16 5
15	*b*	5 *a*	T. & Newall £1	85/-	81/3	4 18 6
5	*a*	8½ *b*	Unilever £1	44/3	42/3	6 7 10
10	*e*	12½ *c*	Union Castle £1	42/6*	41/6*	6 0 6
60	*c*	50 *c*	U. Sua Betong £1	36/3	31/10½	31 7 6
2½	*a*	10 *b*	Vickers £1	42/-	41/6	6 0 6
15	*a*	27½ *b*	Woolworth 5/-	40/6	40/6	5 4 11

(*a*) Interim. (*b*) Final. (*c*) Div. whole year. (*e*) Yield basis 162½%. (*g*) Yield basis 16%. (*h*) Yield basis 12½%. (*i*) Includes special interim 7%. * Ex dividend † Free of tax

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 24, 1952, total ordinary revenue was £64,420,000, against ordinary expenditure of £83,514,000 and issues to sinking funds £350,000. Thus, including sinking fund allocations of £3,891,000 the deficit accrued since April 1, 1952, was £79,521,000 compared with a surplus of £28,105,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1951 to May 26, 1951	April 1, 1952 to May 24, 1952	Week ended May 26, 1951	Week ended May 24, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
Ord. Revenue					
Income Tax	1804225	140,171	175,200	16,008	17,935
Sur-tax	123,000	16,800	15,300	1,300	1,300
Estate, etc., Duties	175,000	32,700	24,500	5,100	4,500
Stamps	57,500	9,900	7,800	1,300	700
Profits Tax & EPT	452,000	37,600	40,800	3,200	5,200
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	540	370	70	30
Total Inland Rev.	2618725	237,711	263,970	26,978	29,665
Customs	1043500	139,537	155,941	9,286	20,080
Excise	772,000	138,805	119,304	17,605	9,320
Total Customs and Excise	1815500	278,342	275,245	26,891	29,400
Motor Duties	64,150	5,439	5,709	...	...
Surpl's from Tradg.	12,000	...	...	...	...
P.O. (Net Receipts)	...	8,100	4,700	400	1,800
Broadcast Licences	15,000	1,000	1,000	...	...
Sundry Loans	26,000	2,267	2,084	...	...
Miscell. (incl. Surplus War Stores)	110,000	7,852	14,371	41	3,555
Total Ord. Rev.	4661375	540,711	567,079	54,310	64,420
Self-Balancing Post Office	209,235	23,000	27,600	3,300	2,700
Income Tax on E.P.T. Refunds	4,900	845	1,009	61	179
Total	4875510	564,556	595,688	57,671	67,299

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
Ord. Expenditure					
Int. & Man. of Nat. Debt	575,000	77,493	93,263	2,485	3,763
Payments to N. Ireland	40,000	5,575	5,842	1,731	1,760
Other Cons. Funds	10,000	748	738	...	111
Total	625,000	83,816	99,843	4,216	5,634
Supply Services	3605562	427,240	542,866	54,300	77,880
Total Ord. Expd.	4230562	511,056	642,709	58,516	83,514
Sinking Funds	...	1,550	3,891	...	350
Total (excl. Self-Bal. Expd.)	4230562	512,606	646,600	58,516	83,864
Self-Balancing Post Office	209,235	23,000	27,600	3,300	2,700
Income Tax on E.P.T. Refunds	4,900	845	1,009	61	179
Total	4444697	536,451	675,209	61,877	86,743

After decreasing Exchequer balances by £399 041 to £2,940,390 the other operations for the week increased the National Debt by £24,338,541 to £25,699 million.

NET RECEIPTS (£ thousand)

Housing (Scotland) Act, 1950, s. 91(4)	70
Cinematograph Film Production (Special Loans) Act, 1949, s. 8	190
	260

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
EPT Refunds	218
Local Authorities' Loans Act, 1945, s. 3(2)	4,250
Finance Acts, 1946 and 1947: Postwar Credits	336
	5,554

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	17,850	Nat. Savings Certs.	800
Ways and Means Advances	11,650	2½% Def. Bonds	795
		3% Def. Bonds	1,539
		3% Ter. Annuities	1,823
		Tax Reserve Certs.	193
		Other Debt:— Internal	10
	29,500		5,160

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
May 26	3230·0	2043·5	434·8	...	319·6	6027·9
1952						
Mar. 1	2190·0	1994·8	322·5	...	...	4507·3
,, 8	2220·0	1986·4	310·8	...	...	4516·9
,, 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6
,, 31	4273·1		337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·5	...	...	4632·1
,, 12	2440·0	1600·9	305·3	1·0	...	4347·2
,, 15	2500·0	1579·8	320·7	...	...	4400·5
,, 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7
,, 10	2590·0	1521·3	317·6	0·2	...	4429·1
,, 17	2650·0	1499·4	302·9	...	...	4452·3
,, 24	2690·0	1477·2	314·6	...	...	4481·8

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied for	Allotted	Average Rate of Allotment: s.	d.	Allotted at Min. Rate %
1951						
May 25	250·0	336·6	260·0	10	2·98	65
1952						
Feb. 22	200·0	271·1	200·0	19	10·55	58
,, 29	200·0	249·5	200·0	20	6·78	67
Mar. 7	200·0	239·2	200·0	20	7·09	75
,, 14	200·0	250·4	200·0	46	3·64	69
,, 21	200·0	251·9	200·0	46	3·39	68
,, 28	210·0	240·2	210·0	47	3·61	81
Apr. 4	220·0	302·1	210·0	47	3·96	58
,, 10	210·0	297·2	210·0	47	0·14	62
,, 18	200·0	316·6	200·0	47	3·27	45
,, 25	200·0	296·3	200·0	46	4·20	63
May 2	200·0	326·8	200·0	46	11·03	35
,, 9	230·0	300·5	230·0	47	4·11	68
,, 16	230·0	295·0	230·0	47	8·04	70
,, 23	220·0	302·3	220·0	47	7·94	63

On May 23rd applications for 91 day bills to be paid from May 26 to May 31, 1952, were accepted dated Monday to Saturday as to about 63 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million were offered on May 30th. For the week ended May 31st the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 7 Weeks ended: May 19, 1951	May 17, 1952	Week ended May 17, 1952
Savings Certificates:—			
Receipts	29,700	16,400	2,500
Repayments	21,500	20,900	3,400
Net Savings	8,200	*Dr 4,500*	*Dr 900*
Defence Bonds:—			
Receipts	6,844	5,785	760
Repayments	7,095	10,145	1,280
Net Savings	*Dr 251*	*Dr 4,360*	*Dr 520*
P.O. and Trustee Savings Banks:—			
Receipts	96,136	100,028	13,372
Repayments	81,586	104,411	15,581
Net Savings	*Dr15,450*	*Dr 4,383*	*Dr 2,209*
Total Net Savings	*Dr 7,501*	*Dr13,943*	*Dr 3,629*
Interest on certificates repaid	5,160	5,643	918
Interest accrued	17,026	17,206	2,439
Change in total invested	+ 4,365	— *1,680*	— *2,180*

BANK OF ENGLAND RETURNS

MAY 28, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1412,174,039	Other Govt. Securities	1435,752,616
In Bankg. Department	38,182,784	Other Secs.	717,684
		Coin (other than gold)	2,514,600
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	288,116,430
Rest	3,419,865	Other Secs.:—	43,434,963
Public Deps.:—	10,611,282	*Discounts and Advances*	*11,927,077*
*Public Accts.**	*10,094,702*	*Securities*	*31,507,886*
H.M. Treas.			
Special Acct.	*516,580*		
Other Deps.:—	342,653,595		
Bankers	*270,019,642*	Notes	38,182,784
Other Accts.	*72,633,953*	Coin	1,503,565
	371,237,742		371,237,742

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 May 30	1952 May 14	1952 May 21	1952 May 28
Issue Dept.:—				
Notes in circulation	1331·6	1409·2	1495·9	1412·2
Notes in banking department	18·7	41·2	44·3	38·2
Government debt and securities*	1345·8	1446·7	1446·7	1446·8
Other securities	0·7	0·7	0·8	0·7
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept.:—				
Deposits:—				
Public Accounts	14·4	11·7	10·8	10·1
Treasury Special Account	13·4	0·5	0·5	0·5
Bankers	296·4	269·8	281·7	270·0
Others	84·8	71·3	71·9	72·6
Total	409·0	353·3	364·9	353·2
Securities:—				
Government	371·8	286·3	295·0	288·1
Discounts, etc.	2·8	15·8	17·3	11·9
Other	33·2	26·4	24·5	31·5
Total	407·8	328·5	336·8	331·5
Banking dept. res.	19·2	42·7	45·9	39·7
	%	%	%	%
"Proportion"	4·7	12·0	12·5	11·2

* Government debt is £11 015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows:—

1952	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 22	73·5	84·00	157 0	89 6
,, 23	73·5	84·00	157 6	89 14
,, 24	Markets Closed		157 4	90 4
,, 26	73·5	84·00	160 6	90 10
,, 27	73·5	84·00	159 14	89 10
,, 28	73·5	82·75	158 14	89 6

COMPANY MEETINGS

ROYAL EXCHANGE ASSURANCE

232nd ANNUAL REPORT

GREAT PROGRESS AND STRENGTH

DIVIDEND RAISED TO 45 PER CENT

LORD BICESTER ON THE OUTLOOK

The two hundred and thirty-second annual general Court of the Royal Exchange Assurance was held on May 28th in London.

The following statement by the governor, the Right Honourable Lord Bicester, which had been previously circulated to the stockholders, was submitted and taken as read.

I commence my review of the operations of the corporation during the year 1951 with a reference to the changes which have occurred in the Court of Directors.

MR C. L. DALZIEL'S RETIREMENT

It was a matter of great regret to the Court and to me especially when Mr Charles L. Dalziel, for so long the sub-governor, told us last summer of his wish to reduce his business commitments for reasons of health. He was elected a director in 1922, became deputy-governor in 1924 and sub-governor in 1932. He resigned his office and also his membership of the Court at the end of October, 1951, after devoting almost 30 years' invaluable service to the affairs of the corporation and its associated companies.

Mr Dalziel possessed very great financial talents and, as our colleague, freely placed his experience and discernment at the disposal of the corporation. We held him in the highest regard and he is very greatly missed. I am confident that it will be your wish to place on record our appreciation of his long and valued service.

At the invitation of the Court of Directors, Brigadier the Hon H. K. M. Kindersley, CBE, MC, has assumed the office of sub-governor and the Hon David Bowes-Lyon has been appointed deputy-governor.

COURT OF DIRECTORS

In reporting the other changes in the Court of Directors since I last addressed you, it is with infinite regret that I have to record the death of Lt-Col R. W. Barclay, a past chairman of "Barclay Perkins," with whom the corporation has had close ties since 1789, and who joined the Court of Directors in 1938, and of the Rt Hon Sir Andrew R. Duncan, GBE, whose distinguished career both in industry and in the public service made him a most valuable colleague during his six and a half years as a director of the corporation.

On your behalf I would like to welcome Sir Ellis Hunter as a member of the Court. His leading position in "steel" and his intimate connection with industry generally are, I am sure, well known to you. I am also happy to tell you that quite recently Mr G. A. Perkins accepted an invitation to become a director, so that the close association with "Barclay Perkins" will be continued.

Before reviewing the departmental results I wish to refer briefly to two important overseas executive appointments which we made during 1951:—Mr Henry C. Pitot as manager in the United States, and Mr J. T. Buttery as manager for Canada. We wish them both success in their respective territories. Mr Pitot has very recently visited head office and we are happy to feel that the affairs of the group in the USA are in capable hands.

FIRE DEPARTMENT

There are good reasons why we should be very satisfied once again with the results of the fire department. Aggregate "group" premium income at £8,295,139 constituted a record and was more than £1 million larger than in 1950.

We have had a very good year and an excellent surplus has been derived from our operations at home, as well as from our vastly larger trading overseas. The aggregate profits earned in this department constitute a record for the group and permit the eminently satisfactory sum of £847,001 being transferred to the profit and loss account.

MARINE DEPARTMENT

In the marine department aggregate premiums were £2,089,458, showing an increase of almost £500,000 over 1950. Results for the years prior to 1950 cannot be counted unsatisfactory and it has been found possible to transfer £207,850 to profit and loss account.

By reason of the numerous casualties reported, particularly during the latter months of the year, 1951 is unlikely to prove a good one for marine underwriters.

Rising costs of repairs throughout the year will fall very heavily on our hull account and it is fortunate indeed that in the London market we have the continued support of the Joint Hull Agreement. The Joint Hull Committee has carried out an enormous amount of work on behalf of the market with great success and it would probably be true to say that if it were not for the Joint Hull Understanding, underwriters in all markets would have been involved in very serious losses in respect of their hull underwriting during the last few years.

On the cargo side of the business, rates have fallen still further as a result of the keen competition in our own market and abroad, and it would, I think, be correct to say that in many cases cargo rates are now too low, especially if the war risks premium is excluded. Last year I referred at some length to our Joint Marine Underwriting agreement with the "North British" and the "Sun," which, I am happy to say, is proving mutually beneficial.

ACCIDENT DEPARTMENT

In the general accident department, aggregate premium income has increased by some £1,400,000 to £11,634,420, and I am glad to say that once again our home and overseas sections have contributed to this new record figure. It is interesting to observe that the premium income of this department has almost doubled since 1946.

In regard to our employers' liability insurance account, you will remember that each year since the National Insurance (Industrial Injuries) Act, 1946, came into operation on July 1, 1948, I have referred to the difficulties in conducting this class of business. Higher wages and depreciation in the value of the £ are both important factors in the continually increasing sums required to settle Common Law claims: the inevitable result has been, as I forecast last year, that the rates for many trades have been substantially increased since February 1, 1952, but it remains to be seen whether these new rates will prove adequate.

Our motor insurance business has again presented us with many problems. The high cost of settlement of claims for both personal injury and damage to vehicles continues, and it is by no means certain that the small increase of 12½ per cent, which was made in our premium rates on the home section of the business as from June 1st last, will be sufficient.

The underwriting of motor insurance all over the world continues to be a source of great anxiety and, generally, rates are being increased. It is with regret, however, that I have to tell you that our 1951 account still shows a most unfavourable experience.

The very varied operations of our accident department (not all of which have been satisfactory, as I have explained) have resulted in a transfer to the profit and loss account of £216,562, which compares with a figure of almost £700,000 in 1950.

LIFE DEPARTMENT

During 1951 new life policies were issued with net sums assured of over £5,500,000, a record figure and an appreciable increase upon the levels attained in past years. The total premium income for the first time exceeded £2 million. Claims were again on the normal scale and amounted to £1,422,654.

One most important factor in managing life assurance funds is the yield of interest income which is obtained from the investments. The gross yield earned upon our life fund in recent years has naturally been limited through the cautious investment policy which we have felt bound to follow and upon which I will comment later.

It is therefore particularly pleasing to me to be able to report a gross yield of £4 12s. 10d. per cent for 1951, which exceeded that for the previous year by 8s. 1d. per cent. This is the highest return obtained from the fund since 1938, but one which I am hopeful may be improved in the current year if we should feel justified in taking full advantage of the yields obtainable on high-class investments today.

Our annuity account and capital redemption account each made satisfactory progress during 1951 and seem to require no special comments.

The proprietors' allocation account received £92,276 from the life fund, £130,637 from the annuity fund and £14,365 from the capital redemption fund, in all a very satisfactory total of £237,278, representing the stockholders' share of valuation surplus for the three years 1949 to 1951. This latest triennial valuation showed all three funds to be in a strong position.

A careful study of the affairs of our life department as revealed by the recent valuation, convinces us that a life or endowment policy in the "Royal Exchange" not only provides excellent protection but is also a very fine investment.

INFLATION AND TAXATION

In the United Kingdom, in the Commonwealth, in the United States and in the

many other countries served by the corporation and its associated companies, postwar economic conditions have been particularly subject to governmental influences. In the pursuit of a policy of full employment the economies, especially of the United Kingdom and the Commonwealth nations, have been exposed to inflationary pressures, and there have been wide fluctuations in the balance of payments of the sterling area.

In the latter half of 1951, and in the early months of the current year, the purchasing power of the pound sterling was placed in jeopardy once again. The impact of such a situation upon a group such as ours, whose contracts are written in a multitude of currencies, is naturally most unwelcome.

In recent months the British Government has abandoned the cheap money policy that had been the fashion for some twenty years. Through this introduction of flexibility to the country's economy, and by other financial and economic actions, we have demonstrated to the world our determination to restore strength and stability to our currency—a most welcome decision to British insurance offices, with their great world-wide business.

It has been the practice of your directors to regard the profits of the underwriting departments as surplus to be retained as additional future protection for its policyholders, rather than as revenue to be distributed to stockholders. Additions to reserves which should thus result from successful underwriting are, unfortunately, today relatively small, due to the crushing weight of taxation. I think I can best illustrate my point by telling you that in the last three years the general funds of the Royal Exchange group have had to provide a total sum of over £3,400,000 for taxation of various types.

INVESTMENTS

One automatic result of the Government's determination to re-employ the monetary mechanism was a substantial fall in security prices in the latter weeks of 1951, followed by further depreciation during the current year. In anticipation of the possibility of this situation arising, your directors have for some years now followed a cautious investment policy which embraced the holding of a large volume of short-term securities and tax reserve certificates as well as substantial cash balances.

Accordingly, even when valued at the low market prices of December 31, 1951, the investments of each of the life, annuity and general funds of the "Royal Exchange" represented in the aggregate substantial margins in excess of the figures printed in the balance sheets.

Certainly an amount of nearly £50,000 has been provided in the consolidated profit and loss account for reducing book values of investments, but this figure relates to minor items in the accounts of certain of the smaller associated companies.

Before leaving the subject of investments I wish to refer to the retirement in June, 1951, on pension, of Mr A. G. Ashton, who has been succeeded by Mr C. A. S. Cooper, OBE. Mr Ashton had been our investment secretary for a period of 20 years and I would like to pay tribute to his valuable contribution to the administration of the corporation's financial affairs.

PROFIT AND LOSS ACCOUNT

I now come to the consolidated profit and loss account, which totals £1,778,526 compared with £2,128,360 for 1950. This reduction is, of course, attributable to the much lower transfer from the general accident account to which I have already referred.

On the other side of the account you will see that £182,400 has been transferred to pension and staff allowances funds whilst a net figure of £779,470 has been provided for United Kingdom taxation including income tax 1952-53. If to this latter figure is added tax deducted from our investment income you will understand that the Inland Revenue has again benefited by well over £1,100,000 as a result of our business endeavours last year.

The remaining balance of £623,421 is transferred to the consolidated profit and loss appropriation account making with the figure of £1,947,429 brought forward from last year a total disposable sum of £2,570,850.

DIVIDEND

The background against which the final dividend in respect of 1951 requires to be judged is, in my view, one of great progress and strength. Underwriting accounts show increased premium collections and continued profitability. There have been further additions to reserves and surplus, whilst the stability derived from our careful investment policy has been amply demonstrated by the year end valuation.

Accordingly the Court considered that a further modest increase in the dividend rate would be no more than consistent with the satisfactory picture of the corporation's affairs which I have been able to give you. In these circumstances it has been decided to recommend a final dividend of 30 per cent, making with the interim of 15 per cent a total dividend for the year of 45 per cent, which compares with an aggregate distribution of 40 per cent for 1950. After deduction of income tax the year's dividend will cost £223,729, which compares with £438,470 net interest earned on our general funds.

The foregoing figures are, I am sure you will agree, very satisfactory. They are, however, in respect of a period of twelve months only, and in order to judge the success of underwriting policies at all adequately it is essential that the results of a series of years should be considered.

The years 1946 to 1951 covering the economic rehabilitation of so many countries after the war presented the insurance industry with numerous special problems, but it has been my pleasure to put before you during that period figures which have, on the whole, been consistently good.

THE FUTURE

Let me now turn to the future. In the early months of 1952 many countries adopted deflationary domestic policies and have also placed severe restrictions upon imports of goods, thus contributing to the decline in world prices for commodities.

These events suggest to me that 1952 may mark the end of an economic era and appear likely to restrict the rate of growth of premium income to which we have become accustomed in post-war years. They may well also presage less satisfactory profit margins for insurers.

The corporation, as you know, has been one of the world's leading insurers for over 230 years and in such a period of time great experience has been acquired. I do not therefore view the approach of less favourable trading conditions with undue pessimism.

TRIBUTE TO PERSONNEL

There is one important additional factor which encourages me about the future: the loyalty and zeal of the personnel throughout our world-wide organisation. For the excellent results of 1951 I am sure that it will be your wish to pay a well-deserved tribute to our general manager, Mr Phelps, to his able assistants, to the managers of our associated companies as well as to the branch managers, and to the staffs, both at home and overseas.

In addition I would like to thank the boards of our associated companies and our local directors at home and abroad for their valuable services during the past year. Finally, to our agents, representatives and other friends throughout the world who have so loyally continued to support us, I wish to send a message of appreciation and thanks.

The Governor moved the adoption of the report and accounts.

Brigadier the Hon. H. K. M. Kindersley, CBE, MC, the Sub-Governor, seconded the resolution and it was carried unanimously.

The proposed dividend was approved; the auditor, Sir Nicholas E. Waterhouse, KBE, was re-appointed, his remuneration was fixed and the proceedings terminated with a cordial vote of thanks to the Governors, directors, managers and staff.

JOHN DALE LIMITED

DEVELOPMENT OVERSEAS

The eighteenth annual ordinary general meeting of John Dale Limited (manufacturers of containers, collapsible tubes, plastic mouldings, and aluminium founders) was held on May 29th at the company's offices, Brunswick Park Road, New Southgate, N.11, Mr L. R. Carr, deputy chairman, presiding.

The following is an extract from the circulated statement of Mr R. D. Peters, the chairman.

The profit on trading for the year 1951 was £336,689, compared with £174,366 for 1950. The balance of net profit, before taxation, amounted to the record figure of £249,112, comparing with £125,704 in the preceding year.

During the year under review we continued our long-term capital programme aimed at further increasing the efficiency of our means of production so that we can maintain our position as one of the lowest cost producers of good quality products, and thus be well prepared at all times to meet competition and to give satisfaction to our customers.

Extensions to our factories at New Southgate and London Colney are in hand. We are also expanding our activities in Lancashire. We have now acquired the whole of the share capital of John Dale (Bury) Limited. The factory is showing a marked increase in efficiency and in the volume of its production. We have also concluded recently an agreement for the rental of a modern factory at Hindley Green, Lancashire, with a right to our company to purchase the property eventually. At this factory we have started an extension of our Plastic Moulding Division, which is making good progress.

The Board has been examining the possibilities of expanding the company's interests overseas. Messrs Hoare, Miller and Co., Ltd., of Calcutta and Bombay, have been appointed as agents in India, and this has resulted in increasing exports to that country. Investigations are also being made in Canada and Australia.

THE OUTLOOK

It is difficult to form confident views on the company's prospects. It is hoped that production can be maintained to meet all our customers' demands during the current year. The order position is on the whole satisfactory. For the first quarter of 1952 the company's sales were higher than for the corresponding period in 1951.

I hope that economic and political conditions in the United Kingdom and incentives for each of the major partners in industry will permit us to continue a steady expansion of our enterprise.

The report was adopted.

THE NORTHERN ASSURANCE COMPANY, LIMITED

CONTINUED SUBSTANTIAL PROGRESS

NEW RECORDS FOR INCOME IN ALL DEPARTMENTS AND FOR NEW LIFE SUMS ASSURED

The one hundred and sixteenth annual general meeting of The Northern Assurance Company, Limited, was held on May 28th, at Aberdeen, Mr David Gordon Cochran, chairman of the Aberdeen board, presiding.

Before proceeding to the formal business, the chairman said that since the issue of the notice of meeting and the annual report, their London colleagues had appointed Mr A. G. B. Burney and Mr G. F. B. Grant to be members of the London board. Mr Burney was a partner in a well known firm of chartered accountants in London and Mr Grant, among a number of varied interests, was closely associated with investment companies. Both were well qualified in their respective spheres and both were young, and the company could look forward to many years of valuable service from them. Their election would come before the meeting.

The chairman then referred to important changes which had taken place in the higher management of the company. He said that Mr C. H. Leach, the general manager, on attaining the age of 60 last year, qualified to retire on pension, and in agreement with the directors he retired on May 23rd. Mr Leach had given devoted service to the company for 45 years and during more than half that period he had held a succession of high offices culminating in that of the chief executive. All associated with the "Northern" felt greatly indebted to Mr Leach for all that he had done to foster the company's development and prosperity. Mr Leach had occupied an outstanding position in the insurance world symbolised in his election to the chairmanship of the British Insurance Association in 1949, an office which had greatly enhanced the prestige of the company. During his two years' tenure of that great office he rendered outstanding service at a critical time when the industry was under the threat of nationalisation.

The chairman then reported that to fill the vacancy caused by the retirement of Mr C. H. Leach, the directors had appointed as general manager Mr T. W. Haynes, FIA, who had been the company's actuary since October, 1947. Since then the directors had had ample time and reason to appreciate his gifts of judgment, his imaginative hard work and his commercial acumen.

Shortly over a year ago, Mr W. A. Brown was stricken with a sudden illness. At the time he occupied the dual position of deputy general manager and secretary. His illness had proved a protracted one, but the shareholders would be glad to know that the degree of recovery he had made had been remarkable. Mr Brown was still incapacitated, and the directors had had to deal with the question of the company's higher organisation. They had appointed as secretary Mr F. B. Joule. Since he went to London last year, consequent upon Mr Brown's illness, Mr Joule had shown himself to be possessed of far-sighted administrative capacity, which the chairman felt confident would be apparent in his tenure of the office of secretary. Mr Brown remained deputy general manager, and the chairman was sure that the shareholders would wish him to convey to Mr Brown and his wife their sympathy in the ordeal of his long illness, their admiration for the fortitude with which it had been faced, and to convey their best wishes for Mr Brown's progressive recovery of his health and strength.

The following is an extract from the chairman's statement which had been issued with the report and accounts:—

YEAR OF SUCCESSFUL ENDEAVOUR

The year just past has been one of active and successful endeavour amid difficult conditions. Apart from the influence of monetary conditions, it is our constant aim to expand the income of the Group in real terms wherever our service extends. To this end, extensive journeys have been undertaken by members of the board and management to foster and develop our connections overseas, and we have welcomed to this country many of our valued officials and representatives from abroad. The formation of our new Canadian Committee and of our new subsidiary company, the American Marine and General Insurance Company, of New York, may be instanced as examples of new development.

As a result of the year's activities, the total income of the company has increased by 17 per cent in 1951 and, at £22,420,981, substantially exceeds previous achievements. All departments and all territories shared in this progress. In addition, our new life sums assured, having reached record figures in 1950, far surpassed them in 1951 to attain a total of no less than £7,385,021.

Though this expansion has not been matched by profits quite so good as those of the last two years, the total transfers from our underwriting accounts, at £909,257, are a more than satisfactory achievement, particularly after taking into account the heavy demands which our provision of 50 per cent for unearned premiums entails in a year when premiums rose by £2,682,227.

DEPARTMENTAL RESULTS

The fire account bore in 1951 for the first time the principal weight of a full year's contribution to the Pension Fund established in July, 1950, which we treat as a trading expense. The profit of £534,276, or 6.7 per cent of the premiums, is an indication of the steady surpluses yielded by this department. Experience was generally favourable both at home and overseas and a small profit was derived from the United States.

In the accident department, where we made a loss of £162,852, results have been adversely affected by the continued deterioration in the experience of motor insurance, which forms a substantial proportion of our accident business overseas. The enhanced value of motor vehicles, the enormous increase in repair costs and the continuing heavy amounts awarded as damages in personal injury claims are all contributing factors, while the rates of premium have not advanced sufficiently rapidly to keep pace with the rising cost of claims. Close and constant attention is given to the problem and many revisions of rates were made during 1951, the full effect of which will not become apparent until this year, in which further revisions have already been adopted. It must be borne in mind that the 50 per cent provision which it is our practice to create for unearned premiums weighs heavily on a rising income.

This year, the marine account has yielded a handsome transfer of no less than £537,833 mainly from the accounts of underwriting years now moving towards their completion. The conditions in the marine market to-day are, perhaps, less encouraging than they were in the years to which these profits relate. With the abandonment of the combined marine surcharge two years ago and consequent reduction in cargo rates, and the continued delays and rising costs of hull settlements, we cannot hope to repeat results of this nature with regularity. The marine fund at 142 per cent of the premiums has been maintained on a conservative basis to meet the uncertain demands of the future.

INVESTMENT INCOME

Gross investment income amounted to £704,475, a considerable increase, largely due to the addition to our assets of nearly a million pounds retained in the business in the last two years. After deducting overseas and United Kingdom income taxes, less reliefs, the net investment income was £379,946 which compares with £352,852 for 1950. The true net figure is, of course, less than this owing to the incidence of profits tax.

With the addition of minor items, our gross profits for the year amounted to £1,687,225, from which no less than £1,233,988 falls to be deducted for the share of our earnings paid in taxation at home and abroad, so that the net trading profit is £453,237 compared with £744,878 in 1950.

The insurance business, no less than industry in general, has its own taxation problems of reserve replenishment; and the relatively greater weight of taxation in 1951 is in part due to the premature inclusion of marine "profits" for United Kingdom taxation purposes before they can safely be released.

VALUATION OF SECURITIES

In spite of the severe fall in Government stocks during 1951 the market value of our Stock Exchange securities at the date of the balance sheet is in excess of the value stated therein, after writing off £250,000 as shown in the accounts. Our reserves are substantial and well able to cover the falls which have since taken place.

The conservative practice by which insurance companies have come to regard their underwriting earnings as a source of reserve accumulation is a most valuable one. It is to our investment income, after taxation, that we habitually look first as the primary source of immediate dividend cover. The growth in this income enables the directors to recommend the members to declare a final dividend of 9s. 6d. per ordinary share, making 17s. per share for the year, which dividend will entitle the holders of the 6 per cent participating preference shares to a further dividend of 7s. 1.97d. per share, payable with the usual half-yearly dividend on July 1st next.

TRIBUTE TO MANAGEMENT

The company's service and reputation grows steadily. Important influences in this achievement are the loyalty and steadfast endeavour of its boards, management, staff and representatives at home and throughout the world; in their hands rests our reputation, founded and nourished through 116 years. Particularly to Mr C. H. Leach, our general manager, and to the several thousand men and women comprising the staffs of our world-wide organisation for whom he is responsible, we warmly accord our appreciation of another year of marked progress.

The report and accounts were adopted.

ALBRIGHT & WILSON LIMITED

IMPROVED RESULTS AT HOME AND ABROAD

MR K. H. WILSON ON THE EXPANSION PROGRAMME

The sixtieth annual general meeting of Albright & Wilson Limited (Manufacturers of Industrial Chemicals), was held on May 26th at the registered office of the company, Oldbury, Birmingham.

Mr Kenneth H. Wilson, OBE, JP, the chairman, who presided, in reviewing the affairs of the company, said: The report of the directors and statements of account for the year 1951, together with my notes thereon, have been in your hands for some time, and with your permission I propose to take them as read. (Agreed.)

In my speech to you last year I referred in broad terms to the expansion which we are carrying out at home and overseas, and I know you will wish me to keep you abreast of progress. During the past year considerable progress has been made in the construction of the company's new factories at Portishead and Kirkby designed to meet the increasing demand for phosphorus and phosphates, and in the equipment of the factory at Barry for the production of organic chemicals, particularly silicones. The Portishead site on the south side of the Bristol Channel comprises 20 acres adjoining Portishead Dock and facing one of the main power stations of the South Western Electricity Board, so that the new phosphorus factory will have direct shipping facilities for raw material and an adequate supply of electric power for furnaces.

Construction work is now proceeding on wharves suitable for the handling of ocean-going ships, and pneumatic plant will permit the rapid unloading of phosphate rock and transfer to reinforced concrete storage silos, for the construction of which preparatory work is well advanced. Work on the piling and concrete foundations is almost completed, and the erection of many of the ancillary buildings, including offices, boiler house, sub-station and workshops, is now going forward rapidly.

STEEL SHORTAGE OVERCOME

Difficulties of steel supply have so far been overcome, and the labour force of 300 men is fully occupied. To economise in steel much of the building work is being carried out in reinforced concrete, and the main furnace house is now under construction. Deliveries of plant have already commenced and are expected to keep pace with the building programme. From Portishead the phosphorus will be despatched to the Kirkby factory in the company's special rail tankers. The Kirkby factory is strategically situated for the supply of soda ash and the despatch of sodium tripolyphosphate to customers, and has many advantages from its situation on an industrial trading estate eight miles from the centre of Liverpool on the main East Lancashire road. The skyline of the trading estate has already been changed by the erection of the main process building and two phosphoric acid towers.

The steelwork of the main building, formerly an aircraft factory, transferred from Windermere, covers a floor area of 1½ acres, the acquisition of this building having been, in a period of steel shortage, an invaluable factor in the speedy development of the Kirkby factory Many of the buildings there are already in use, the workshops being equipped and employed on structural work for the company's projects, erection of plant has commenced and will proceed at an increasing rate during the present year. Although the site at present under development is 17 acres, advantage was taken of the opportunity of acquiring an adjacent 28 acres, and the company therefore has room at this factory for considerable future expansion.

MODIFICATION OF EXISTING BUILDINGS

At Barry purchase was made, on attractive terms, of an existing factory erected during the war for the production of magnesia from sea water, and covering a site area of 30 acres. This factory is already in production, operating processes for the manufacture of thioglycollic acid and the recovery of nickel from residues. Plant for the first step in the manufacture of silicones in this country is shortly coming into operation, and the modification of existing buildings is now proceeding for the installation of plant. This equipment is at present being fabricated by a large number of suppliers and full production should start next year. To deal with this programme of design and construction and the handling of the company's future development, a central engineering department was established last year at Oldbury with resident engineers on the new factory sites. This department was formed with a nucleus of engineers experienced in the company's service at Oldbury and Widnes. There has been much expansion of the engineering resources of the company by the recruitment of chemical and mechanical engineers and the enlargement of the drawing office. While the direction of these new projects and much of the design work has been carried out by the company's own staff most of the civil engineering and constructional work has been in the hands of various contractors and acknowledgment should be made of the part they have played in bringing forward our new construction as rapidly as the present-day restrictions and supply difficulties permit.

In the United States our subsidiary at Niagara Falls has concentrated on the increasing demand for chlorate of soda and manufacturing capacity for this purpose is nearing completion. In Canada it has been deemed desirable to erect a new factory on deep water frontage where electric power is available and this project, which has already started, will probably take at least twelve months to complete. In Australia the demand for our products is increasing and further plant is called for there. In August, 1951, your directors decided to finance our immediate United Kingdom capital requirements by raising a loan of £2,500,000, which was privately placed at 4½ per cent interest per annum and is repayable by equal annual instalments between 1957 and 1966. We have the option to repay the loan in whole or in part at any time after August 31, 1956, on payment of a small premium. We could have obtained this money in other ways, but were advised that a further issue of preference or ordinary capital would not have been to the best advantage of the company in the prevailing circumstances. This operation does not necessarily constitute a precedent for the raising of further cash which the company will need for its future capital programme. When that need arises it will be considered in the light of conditions existing at that time. Two of our overseas subsidiaries are also financing their expansion partly by medium term loans.

FINANCIAL RESULTS

I now ask you to consider the financial results. The year 1951 has shown steady improvement in our trading, both at home and abroad, and every company in the group increased its sales and profit. The profit of the group, before taxation, amounted to £2,235,822, which exceeded that for 1950 by £822,239. We thus had a record year. But we had to provide no less than £1,420,207 (or 63 per cent) for taxation, leaving a net profit of £815,615—£124,554 more than in 1950. Many of the leading bankers, financiers and economists have pointed out the damaging effect of the excessive burden of taxation on business generally and the difficulty which exists in meeting the calls for maintenance and expansion. I have nothing to add but to express the hope that some means will be found by the Government to enable manufacturing businesses to revert to the sound and traditional policy of financing expansion out of retained profits.

It has always been our policy to invest the greater part of our profits in the business and our figures emphasise this point very strongly—out of the group net profit attributable to the shareholders of Albright and Wilson, Limited (£754,308), we are distributing in dividends 28 per cent (£214,449), leaving 72 per cent to be devoted to expansion. You will expect me to make some reference to the new Excess Profits Levy. So far as can be judged at present, two main factors seem likely to effect a considerable reduction in the company's liability.

Firstly, a big proportion of the group net profit is normally earned by overseas subsidiaries (in 1951, £370,151 out of a total of £754,308). It appears that such profits will not be liable to the Levy unless remitted to the United Kingdom. Our policy for the next few years will be to draw as little as possible from overseas so that these subsidiaries can help to finance their expansion out of retained profits.

Secondly, the allowance of 10 per cent on new share capital and retained profits and the initial allowances on the heavy capital expenditure which we shall incur during the next three years should bring us substantial relief from the Levy. Two of our overseas subsidiaries capitalised part of their undistributed profits to the extent of £285,841, and issued shares accordingly. After this and other adjustments, and the payment of dividends, which included a small increase on the ordinary stock, there was left to carry forward £1,688,150, against £1,483,811 a year ago.

CAPITAL EXPENDITURE

If you will kindly turn to the consolidated balance sheet, you will see that our expenditure on fixed assets during the year amounted to £2,122,839, of which £1,158,278 was incurred by the parent company and the remainder principally by our USA and Canadian subsidiaries. Contracts for capital expenditure outstanding at December 31, 1951, not included in current liabilities in the balance sheet amounted to approximately £5 million: (*a*) parent company, £3,400,000; (*b*) subsidiary companies, £1,600,000. The net current assets stand at £7,007,451, an increase of £2,594,433, which is largely due to the loan to which I have already referred.

During the year your directors have given much thought and taken advice on the staff superannuation scheme, and it has been reviewed in the light of continued inflation of money values, high taxation and the consequent difficulty of making adequate personal savings in order to provide for old age or for dependants on premature death. The original contributory scheme dated back to 1929 and was one of the earliest in the country. It has been amended and enlarged on several occasions since and is now superseded by a new scheme, which is non-contributory, and the whole cost of which is borne by the company. Very substantial additional benefits are provided, and we believe that we now have one of the best schemes in the country. Full time working directors are permitted to belong to the scheme, and this accounts for the greater part of the increase in the remuneration of the directors as shown in the profit and loss account.

The report and accounts were adopted.

DAILY NEWS LIMITED

AN IMPORTANT TRANSITIONAL PERIOD

CONTINUOUS RISE IN COSTS

MR L. J. CADBURY ON ENTERPRISE OF NEWS CHRONICLE AND THE STAR

The annual general meeting of the Daily News, Limited (proprietors of the *News Chronicle* and *The Star*), was held on May 21st in London.

Mr L. J. Cadbury, the chairman, said: Though it occurred after the end of the 1950 financial year, the increase in price of the national penny press to a penny-halfpenny was mentioned at our last annual general meeting. As was to be expected, it was followed by a falling off in sales which affected both the *News Chronicle* and *The Star*.

The *News Chronicle* average sales for 1951 was 1,470,000 copies, which showed a loss of 5 per cent on the previous year.

The Star average sales for 1951 at 1,193,000 showed a loss of only 3.5 per cent, which is substantially less than the decline in the demand for periodical newspapers where losses, in some instances, of over 20 per cent have been experienced.

The increase to a penny-halfpenny was forced on us by the continuous rise in our costs, and the higher price of newsprint alone absorbed the greater part of the total additional revenue from sales at 1½d. While newsprint has been the main cause of our rising expenses, almost everything else has gone up as well, including substantial increases in the cost of carriage, wages and salaries. An agreement negotiated at the end of last year raised our wage bill by £120,000 per annum, and as the remuneration of most of our staff is now linked with the cost-of-living index a further £40,000 was automatically added on May 1st.

NEWSPRINT SUPPLY AND PRICE

We have been paying £66 a ton for our paper, compared with £32 at the beginning of 1950 and £10 prewar. The price of paper, we now have every reason to believe, is past its peak. The first break came recently from Scandinavia, where supplies for July to December have been agreed at £50 a ton. But this covers only a small proportion of our supply, the bulk of which still comes from home mills at a price of just over £63. Indications are that newsprint will be more plentiful, but unless the price is substantially reduced it may not be possible to take up the additional supplies. Nevertheless, it is our intention to make the fullest use we can of the additional newsprint by way of increased sizes, to run as many 8-page papers as possible and to endeavour to give our readers the best possible service of news and features.

It is ironical that at the very moment when there is a prospect of more newsprint its excessively high price should hamper us in increasing the size of our papers.

The increase to a penny-halfpenny has, however, had one merit. It has allowed advertising rates to remain unchanged in a period of rapidly increasing costs.

GROWING FLEET STREET COMPETITION

For newspapers, as for so many other commodities, the past twelve months have marked an important transitional period. There have been several signs of an awakening tempo together with a realisation that the long, comfortable years of controls, restrictions and insulated sales are coming to an end. There is certainly more competition in Fleet Street today than at any time since the war. As newsprint supplies become more plentiful (and we hope cheaper as well) these tendencies will become more pronounced and I believe they will exert a thoroughly healthy influence on the entire British Press.

No one, of course, desires a return to the wasteful practices of the circulation war during the '30s—that is a remote contingency in any case—but the climate in Fleet Street over the past decade has more often been enervating than bracing. That is no climate for free and healthy journalism, and the change will do no harm.

Nevertheless, the immediate economic conditions with which the Press as a whole is confronted do not make its task an easy one. We are faced with conditions which may well require considerable qualities of imagination and flexibility in both the managerial and editorial direction of publishing enterprises. After a period of comparative imobility this will not be easy. On the managerial side production costs have risen steadily and rapidly. Economies, which could be obtained through a more efficient use of men and machinery, are not easily accepted under conditions of full employment.

If the price of newsprint falls to an extent that will allow larger papers, some interesting editorial problems will arise. It is realised that the mass readership of the popular national dailies will not accept an automatic return to the kind of newspaper we were accustomed to before the war. The newspaper public has grown to like the short and lively style of news presentation which was forced on the British Press as a result of wartime restrictions. A new technique, aiming somewhere between the amplitude of the inter-war period and the austerities of recent years, will have to be found. It will have to take account of many changes: the improved level of education, the closer and more immediate impact of economics and foreign affairs on the ordinary citizen, the advent of television, and so on.

NEWS CHRONICLE'S EDITORIAL IDEAL

In both the *News Chronicle* and *The Star* much thought is being given to these problems. Already certain changes in regard to the use of typography have been put into effect in the *News Chronicle* and other changes of lay-out and presentation will shortly follow.

During the past year the *News Chronicle's* reputation for fairness and objectivity in its political reporting has been maintained and widely recognised. You may have seen advertisements of the paper which carry the message, "You get things *Straight* in the *News Chronicle*." That is something more than a slogan. It is an ideal which is the aim of every member of the paper's editorial staff.

It has been reflected in many of its features. Among the most notable of these was The Great Debate, during the general election campaign, when the columns of the paper were open to the leaders of the three parties.

During the past year, too, the *News Chronicle* has maintained its reputation for complete independence. In these days when political partisanship is growing more bitter and the country seems almost equally divided between Labour and Conservatives, it is more than ever important that there should exist a national newspaper not tied to any political party. Our aim is to present our readers with a fair objective picture of the great issues of the hour and to sustain what we believe to be the national interest.

REASONS FOR THE STAR'S SUCCESS

Of the London evening newspapers the enterprise of *The Star* has been outstanding, and this is no doubt the reason for its remarkable buoyancy of circulation in spite of the rise in price to 1½d.

Popular and pulling features included "Defence of London in Atomic Warfare," by General Sir Frederick Pile; "Elizabeth and Philip"; "The Battle of Britain," by Air Chief Marshal Lord Dowding; "A Woman in Russia," by Lady Kelly; and the "Nuffield Success Story."

Prior to these there had been "The Churchill Story," and this week *The Star* began the publication of Mr Clement Attlee's autobiography, which he has written specially for our evening newspaper.

"BACKGROUND TO THE NEWS"

One new activity during the year is worthy of mention at this point. The *News Chronicle* "Background to the News" booklets, which began publication last year, have proved an outstanding success. A high proportion of secondary and grammar schools throughout the country now subscribe to them. It is our aim to make them topical, informative and, of course, objective. One which attracted particular notice was "The Press." It traced the historic background of the leading British newspapers, gave facts about ownership and circulations and summarised the Royal Commission. "The Jet Age," published on May 2nd—the day on which the Comet airliner inaugurated the first passenger jet service to South Africa—was a good example of the series' topicality.

The Gallup Poll remains one of the features of the *News Chronicle* most eagerly looked for. It earned enhanced prestige in the general election of October last year, when it forecast the outcome of a closely contested race within a fraction of the percentage of votes actually cast.

The report and accounts were adopted.

BRUSH ELECTRICAL ENGINEERING

(Brush Aboe Group)

ORDER BOOK OF RECORD STRENGTH

PRODUCTS IN WORLD-WIDE DEMAND

SIR RONALD W. MATTHEWS ON EXPORT MARKET EXPANSION

The sixty-third annual general meeting of the Brush Electrical Engineering Company, Limited, was held on May 29th at Winchester House, Old Broad Street, London, E.C.

Sir Ronald W. Matthews, DL, MIstT, the chairman, presided.

The following is an extract from his circulated statement:—

In my survey for 1950 I referred to the problems which faced the BRUSH ABOE Group in increasing manufacturing capacity to balance a strong order book, at a time when we must play our full part in the national rearmament programme and face shortages of essential materials. The information, accounts and statistics which are annexed to this statement are evidence of the manner in which these problems have been met without stifling the expansion of our activities and production.

The orders we have received in 1951 totalling over £40 million (which is more than double the previous record figure of 1950) show that sales have in fact presented no serious problem. We have accordingly been able to effect some economy in our selling costs. Armament orders and exports have naturally taken priority, and we regret that we have been unable to satisfy all our customers, particularly in the home market. While in 1951 a substantial part of the orders executed were taken into our books during the preceding 18 months on the basis of fixed prices, to which we have been obliged to adhere regardless of increased manufacturing costs, the orders received in the same period have been accepted with but few exceptions subject to a rise and fall clause or similar basis, so that we face 1952 with an order book of record strength, of which less than 6 per cent by value comprises the outstanding balance of fixed price orders.

SALES

Having dealt at length with the consolidation of the Group organisation and the widespread manufacturing activities, the statement continues:

Our intake of orders has far exceeded our expectations and, although strenuous efforts have been made to increase production, we have experienced many difficulties, to which I have already referred.

The products of our Group of companies are in demand over a very wide field, from the small farmer to the largest Government authority; from the most highly industrialised country to the most primitive community. With demand seriously outstripping even our considerably improved rate of production, we have had some difficulty in dealing adequately with all inquiries, but we have striven neyertheless to maintain a fair balance between rearmament and power shortages at home on the one hand and exports on the other.

I was in a position to report last year that the input of orders from the export markets was very satisfactory. During 1951, I am glad to say that this trend continued and export orders received by the Group during 1951 were over twice as great as the previous year.

The network of overseas agents has been further strengthened by additional appointments, with a consequent increase in the availability of technical service and supply of spare parts on a world-wide basis. The policy of setting up, in the immediate post-war period, a number of subsidiary companies in essential overseas markets has been well rewarded, and has resulted in much closer contact with the agents and customers abroad. Our agents and sub-agents overseas now number approximately 600, many of whom employ fully qualified engineers who have been trained in our English factories. Our policy is to continue to offer factory-trained engineers to agents and major customers to ensure that we give service not only before and during installation, but also throughout the working life of the plant.

The Group now supplies over one-third of the total British exports of diesel engines and diesel-electric generating sets. Indeed, this proportion is very much higher in a number of individual overseas markets where industrial, agricultural and municipal users have come to rely on our power plant to meet a high proportion of their requirements. I am glad to report that this favourable condition exists in a number of Commonwealth markets, while in support of the Government's export policy an increasing part of our output is being supplied to the difficult dollar markets in the Western Hemisphere.

One particular contract worthy of mention is the electrification of the Holy City of Mecca, in respect of which an order was placed by the Saudi Electric Company following the successful electrification of the city of Taif. Hitherto, there has been no public electricity supply in the Holy City, but Mirrlees-Brush diesel generating sets will shortly be installed in a power station to be built outside the city walls. As only Moslems are permitted to enter Mecca, we have trained Moslem engineers to carry out essential work within the city itself, including the installation of 15 sub-stations.

As Britain's largest producer of diesel engines, the BRUSH ABOE Group was chosen to represent internal combustion engine manufacturers at the Festival of Britain, Heavy Industry Section, Kelvin Hall, Glasgow. The Group exhibit was modelled on the lines of a ship's engine room and contained a representative range of engines with ancillary equipment. This exhibit aroused much interest. In the Dome of Discovery at the South Bank Exhibition we exhibited a small Petter engine coupled to a dynamometer, while a number of other exhibits at South Bank contained engines manufactured within our Group. In addition, much of the internal transport at the South Bank was provided by Brush battery electric vehicles.

Two important press tours of BRUSH ABOE factories took place during the year. The first, a three-day visit in February to Wolverhampton, Stockport and Loughborough, was made by the largest party of overseas correspondents ever to tour British industry. The second, a three-day visit in September, was made to the Stockport, Ashton-under-Lyne and Staines factories by some 30 city editors of leading daily and financial papers. Every opportunity was given to our visitors to meet the senior executives of the Group and to hear at first hand of Group policy and achievement in the export field.

RESEARCH AND TECHNICAL PROGRESS

Our established policy has been followed in extending our resources for scientific investigation with the object of increasing the contribution which our laboratories can make towards improved production and higher standards of quality in our products. As an example, the shortage of materials creates the need for a continuous search for substitutes. Many materials must be subjected to careful checks by laboratory examination before they can safely be accepted for production purposes. Improved testing techniques have been developed by the application of radioactive and ultrasonic methods to the examination of materials. New equipment has been acquired in various fields, including X-ray and gamma-radiography, metallographic and X-ray crystallographic, chemical and spectrographic analysis, vibration and stress analysis, and other aspects of electrical, magnetic, mechanical and physical work.

During the year the development work on the new Mirrlees engines has been consolidated, both ranges of engines now being in production. One of these has now completed its Admiralty tests with satisfactory results. A large amount of development work on burning low-grade fuels has been carried out during the year and a certain amount of development work on pressure charging of smaller engines, with promising results. In the smaller engine types, the main development has been in air-cooling.

In the Petter petrol engine range, development of a new four-cylinder engine has been completed and this is now in small quantity production.

PERSONNEL AND INDUSTRIAL RELATIONS

On previous occasions I have stressed the importance we attach to the maintenance of good industrial relations. We believe that while this ultimately depends on the co-operation of all employees, the major responsibility for the establishment of an effective working team must rest on the various levels of management. We are therefore constantly seeking to raise our standards of management technique, and to build up training schemes which will enable existing personnel to fit themselves for promotion to positions of greater responsibility, alongside selected candidates from outside.

These arrangements will give excellent opportunities to men of ability to broaden their experience in a practical way at the various factories, and provide us with a management capable of dealing with the ever increasing complexity of industrial organisation.

I have given you a complete and, I hope, not unpleasing picture of the achievements at home and overseas of the BRUSH ABOE Group and of the parent company during the past year. Twelve months of intensive labour in the fields of research, development and production have established even more firmly the position of the Group throughout the markets of the world. It has not been an easy year, nor can we be justified in anticipating an easier passage in the months that lie ahead, but I have every confidence in the ability of the management to grapple successfully with each individual problem as it arises. Your managing director, Mr Good, has set an inspiring example to his team at every level, and the team, as every first-class team does, has responded magnificently to his leadership. Once more, on your behalf, I extend to them all our grateful thanks, and our best wishes for the current year.

The report and accounts were adopted.

PRESSED STEEL COMPANY, LIMITED

A DIFFICULT AND ANXIOUS YEAR

STEEL SHORTAGE REDUCES OUTPUT

IMPORT RESTRICTIONS AFFECT UNITED KINGDOM PRODUCTION

MAJOR ALBERT PAM'S SPEECH

The twenty-fifth annual general meeting of the Pressed Steel Company, Limited, was held on May 29th at Winchester House, Old Broad Street, London, E.C., Major Albert Pam, OBE, the chairman, presiding.

The secretary (Mr F. E. Cairns, CA) read the notice convening the meeting and the report of the auditors was read by Mr T. Howorth, FCA, of Messrs Price, Waterhouse and Company.

The following is the chairman's speech which had been circulated with the report and accounts for the year ended December 31, 1951: Ladies and gentlemen,—In my speech to you last year I told you that unless steel and other materials could be made more generally available to industry, a further slowing down of production would be inevitable. This forecast unfortunately proved to be correct and the past year has been a difficult and anxious one. That, in spite of all these shortages, your company should have been able to make a profit in 1951 only £100,000 smaller than that in the previous year is, to my mind, a most satisfactory result and reflects great credit on our management.

The full accounts for the year 1951 and the directors' report have been in your hands for some time; you will have seen that the balance of profit was £925,408, after again providing £250,000 for the increased cost of replacement of plant, machinery and equipment, and all taxation. The board recommends that out of this profit an amount of £550,000 be transferred to the general reserve, which will then be £2 million, and that a final dividend of 12½ per cent, less tax, be paid on the ordinary stock, making, with the interim dividend of 7½ per cent, less tax, a total of 20 per cent, less tax, which is the same as last year.

The figures in the balance-sheet and the profit and loss account speak for themselves and there is no need to comment on them beyond pointing out that trade creditors and taxation are considerably higher than in the previous year, and that on the other side of the sheet current assets are higher by £1,800,000 with a large cash balance of nearly £1,500,000 on December 31, 1951.

FIRST QUARTER-CENTURY

This is the twenty-fifth annual meeting of your company and we have completed the first quarter-century of our life. We started in a small way, with only a few hundred employees and a number of Americans in key positions, who were teaching us the "know-how," having been sent over by the E. G. Budd Manufacturing Company, of Philadelphia; we were using their processes and similar machinery and equipment. To mark the anniversary it is interesting to mention that we have formed among all the employees and officials of the company a 25-year club. We had, early this year, the first annual dinner of this club in our works canteen at Cowley, and of the 91 members who qualified by being employed in 1926, 89 were able to be present at the dinner. All the members of the club wear a special badge in their buttonholes when at work, and I am proud to be one of those who wear this badge. I am sure you will agree that the formation of this 25-year club is an excellent step in drawing the members of the organisation closer together—it is intended that as employees reach 25 years' service with the company they will be entitled to membership.

I have on various occasions told you of the excellent work which is carried out in our works hospitals, of which we are very proud. I have recently received the report of our chief medical officer, Dr W. A. B. Reynard, for the year 1951, and it is so interesting as showing the care which is given to the health and well-being of our employees that I should much like to send a copy to all stockholders, or anyhow a series of abstracts. But it consists of 24 foolscap sheets, closely typed; you will therefore have to accept my assurance that it is a most complete record of the treatment of surgical and medical cases, accident rates, blood transfusions, cold inoculations, mass radiography, physiotherapy and dental treatment.

NO IMMEDIATE SIGN OF IMPROVEMENT

Reverting now to the production in our three factories, I have already mentioned that shortages generally had in the past year slowed down our output. Rearmament work throughout the country is getting under way and the steel requirements for these orders must cut into the steel available for industry. We have heard it said that we are near the turning point in steel and that before long there will be plenty for all uses, but we can see no immediate sign of any real improvement. These shortages inevitably increase the cost of our products, and recent wage awards will again affect the upward spiral.

Apart from these difficulties, the restrictions which have been imposed on imports into Australia, New Zealand and South Africa are bound to have a serious effect on all United Kingdom production unless other markets can be found to replace them. It is not yet known to what extent these import restrictions will affect motor-cars, motor-car parts, or refrigerators, but we are discussing these matters continually with our motor-car friends; also with our refrigerator agents in order to be able to arrange, if possible, for shipments to other countries. We have received some substantial orders for rearmament, and we are making all preparations to carry out this production.

During the past year we have spent £450,000 on new plant and machinery, and we have on order further equipment estimated to cost £820,000. It has always been the policy of your board to keep the plant and equipment of the company in first-class condition and to scrap obsolete and worn out machinery so that it can be replaced by more modern and more efficient types. It is very regrettable that the present high rates of taxation do not allow for such replacement and modernisation as a charge on the profits of industry, as they should be. We have reserved a sum of £1,261,365 in our accounts for the increased costs of replacement, but this is not enough yet; and this reserve was made out of the profits which had been subject to full taxation. Although the new excess profit levy does not affect the accounts before you, I feel that I must mention that, if your company should be able to earn as much in 1952 as it did in 1951, our overall charge for taxation, due to this levy, would be increased by about £200,000. I shall not say more about this tax other than to express my opinion that, from every point of view, it is a very bad tax and that it ought to be repealed as soon as possible. As I write this speech, the committee stage of the Finance Bill is being debated, and I do not, of course, know what amendments the Chancellor of the Exchequer may decide to introduce to make the Bill less unjust and to reduce the hardships which the Bill in its present form undoubtedly imposes.

ALLOCATION OF PROFITS

In the past I have given you figures to show how your company's profits have been distributed. For the year under review we have paid an amount of £5,302,053 in wages, salaries, pensions, and National Insurance Fund contributions, and the profit, before taxation, amounting to £2,503,745 was absorbed as follows: 63.04 per cent by taxation, 28.53 per cent retained in the business, 8.43 per cent by dividends.

Last year I told you that we had acquired a fine and well-equipped factory at Theale; production in this factory of sealed units for our refrigerators was started last autumn, but it is not yet working at capacity owing to the delays in obtaining certain equipment. So far the results there have been very satisfactory.

At Linwood the output has now reached a very high and steady level; our production of railway wagons has for many months been very large and has only been limited by the amount of material allocated for our contracts, and we have been complimented on the regularity and quality of output. Our Cowley factory, as in the past, has throughout the year been working on a very satisfactory basis.

MORRIS-AUSTIN AMALGAMATION

The outstanding event in British motor-car production during the past year was the amalgamation of Morris Motors with the Austin Company. Both concerns were old and regular customers of ours and we are convinced that this amalgamation will be of great value to the whole industry. We expect and hope that we shall be able to produce bodies and parts for the joint concern as we have done in the past for each individual company.

The motor-car trade here is feeling the effects of foreign competition in export markets, and it is working to reduce costs in every direction. The prices of some materials have already been lowered and it is certain that every supplier will have to try to reduce costs and profits in order to help the industry.

"PRESTCOLD" REFRIGERATORS

The refrigerator sales have kept up well, but the home market quota is now only 15 per cent, the export of the remaining 85 per cent being obligatory. So far we have been able to meet this quota, but it is becoming more and more difficult to do so. Here again it is most important to produce as cheaply as possible, and this can only be attained by manufacture on the largest possible scale. To do this would need the availability of the home market for our product. Our Prestcold refrigerators have an excellent

reputation all over the world and we are satisfied that our product can compete satisfactorily with the best American models in appearance and efficiency.

During the past year we have introduced a new domestic refrigerator model of 7 cubic feet, which we call the L.71, which has been very well received. Next month we expect to introduce a new 5 cubic feet model; this will be exhibited at our London showrooms, which I hope that all shareholders will visit. There will also be exhibited there our new frozen food cabinets for the use in smaller shops and new versions of our large service cabinets.

THE FUTURE

I have tried in this speech to give you a more detailed account of our activities than I have done in the past. I shall not venture to prophesy anything about the future, but I fear that British industry is facing more difficult times with greater competition and reduced demand for goods. This will entail a tightening up of our production methods, and, we hope, an increased output by the workers to enable our products to be sold abroad and to earn for us the foreign currencies which we so badly need for the purchase of food and of raw materials. I am convinced that in your company we shall find such co-operation in our factories among our employees and staff. To them I shall send, with your permission, your best thanks for all that they have done in the interests of the company during the past year, with your best wishes and encouragement for the future.

The report and accounts were unanimously adopted; the proposed final dividend was approved and the retiring directors, Major Albert Pam, OBE, Mr C. E. Lloyd, Mr Alex. Abel Smith, Mr F. E. Cairns and Mr W. E. Lambourn, were re-elected.

YORKSHIRE INSURANCE COMPANY, LIMITED

FURTHER PROGRESS

The annual general meeting of this company was held on May 27th at York.

The Rt. Hon. Lord Middleton, MC, chairman, in the course of his speech, said: The figures show continued and substantial development in all departments. Total income has risen from £13,675,000 to £18,281,000, an increase of over 33½ per cent.

The year has been noteworthy for our life department. New business, which in 1950 rose from £6½ million to £10½ million, amounted in 1951 to £14½ million, thus for the third year in succession achieving a new record. Premium income has risen considerably and exceeds £2½ million. As a result of an actuarial valuation bonuses have been declared of 40s. per cent per annum for the last three years.

In the fire account premium income has risen by more than £500,000 to over £3½ million and we are able to carry £430,118 to profit and loss, a record profit.

In the accident and general account the year has witnessed further substantial expansion. Premium income, £5,360,891, an increase of over £1 million. In the marine account premiums amount to £2,103,000, an increase of £357,000. The 1949 underwriting account resulted in a satisfactory profit.

The net dividend was increased a year ago by 1s. 6d. per £1 of paid-up capital. There is an increase of nearly £5½ million in our total asset. The total funds have risen from under £30 million to over £35 million. The general picture of the results of the year's trading is a very satisfactory one.

The report was adopted.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY

(Incorporated in Newfoundland)

GROUP RESULTS A RECORD

ALL SECTIONS CONTRIBUTE TO IMPROVEMENT

MR ELLIOTT M. LITTLE ON THE DIVERSIFIED ACTIVITIES

The ordinary general meeting of Anglo-Newfoundland Development Company, Limited, was held on May 28th at the offices of the company, Grand Falls, Province of Newfoundland, Mr Elliott M. Little (the president) presiding.

The following is an extract from the statement by the president which had been circulated with the report and accounts for the year ended December 31, 1951:

The consolidated net income for the year is a record for our group, being 41 per cent higher than last year and 36 per cent better than 1948—the previous peak year. All sections of our diversified activities contributed to the improvement and this was most marked in the case of Gaspesia Sulphite Company, Limited.

Prospects for 1952 appear good. From present indications the newsprint market will hold firm throughout the year, but some slackening of demand for sulphite pulp from the exceptionally favourable conditions prevailing in 1951 may be expected although the supply-demand position is substantially in balance. No significant changes in base-metal prices are anticipated, but the return from our mining interests could be influenced more by the grade and quantity of ore mined and milled. It is not foreseen that these latter factors will be less favourable than in 1951.

Looking beyond 1952 to the time when defence expenditures recede from their peaks, it appears probable that there may be an easing of business activity generally. In a period of readjustment the success or otherwise of the soft currency countries in overcoming their monetary difficulties will have some effect on our business. Whatever may be in store in the way of outside influences, the steps taken by your organisation to improve the operating efficiency of your plants will stand us in good stead and enable us to face the future with confidence.

ANGLO-NEWFOUNDLAND DEVELOPMENT COMPANY, LIMITED

The net profit from newsprint and pulp operations was the highest so far recorded. The increase in the sales price of newsprint of $10 per ton, which became effective midway through the year, was largely, if not entirely, offset by rising labour and material costs and by the declining premium on the US dollar. Income tax also took a larger toll, so that to have bettered last year's net result was noteworthy and only made possible by increased production—31,000 tons of newsprint and 3,000 tons of other products—and to improved efficiency of operations.

Our rehabilitation plans were affected to some extent by the general steel shortage, but, by making changes in programming the various projects, good progress was made. Installation of a further line of automatic grinders with the necessary hydraulic turbines and improvements to the wood-handling system were the major items in a total expenditure of $3,545,994. At the close of the year a sum of $4,649,478 was earmarked to complete capital jobs then in progress or planned for the near future. These included items authorised under our long-term programme and others necessitated by current operating requirements and for the replacement of obsolete and worn-out plant.

GASPESIA SULPHITE COMPANY, LIMITED

The mill operated at capacity throughout the year and produced 79,444 air-dry tons of unbleached sulphite pulp—22,180 tons more than was produced in the previous year. This output, which set a new record for the mill, combined with buoyant prices in a strong market, resulted in the exceptional improvement in net earnings. Adverse factors were higher pulpwood and sulphur costs and, of course, a more severe tax burden.

For years past the market for unbleached sulphite pulp has been sensitive to changes in trade patterns and is particularly vulnerable to downward pressures. For some time your directors have had in mind the advisability of converting to the manufacture of bleached sulphite which is a more stable product and less susceptible to shifting demands. Accordingly arrangements are now being made to install a bleaching plant which it is hoped to have in operation by mid-year 1953.

TERRA NOVA PROPERTIES, LIMITED—BUCHANS MINE

Crude ore milled was 324,000 tons—4,000 tons less than for 1950. Average grade of the ore was slightly lower than that obtained last year, but higher prices received for metals recovered increased total revenue and net income as compared to 1950 results.

Ore reserves as of December 31, 1951, were estimated to contain 3,877,000 tons of assured and probable ore, an increase of 322,000 during the year. In addition, there remained 165,000 tons of low-grade ore which can be mined and treated at a small profit, with prices comparable to those prevailing during 1951. The estimated reserves of assured and probable ore mentioned do not include prospective ore, indicated as yet only by widely separated diamond drill hole intersections, chiefly in the Rothermere area.

CONSOLIDATED POSITION

The consolidated profit, after depreciation and taxes, of $8,227,382 is equivalent to $1.50 per share and compares with $5,844,133, or $1.06 per share, in the previous year. The amount provided for income tax is the substantial figure of $6,841,039. If you compare the earnings before applying the tax burden, it will be seen that the figures for 1951 and 1950 are $15,068,421 and $8,697,123 respectively, an increase in 1951 of 73 per cent.

It is customary to conclude my statement with an appreciation of the contributions made by our officers, staff, and employees. The repetitive nature of such remarks may tend to lessen their significance, but I am convinced that the success of industrial enterprises today must be founded on the loyalty and teamwork of all members of the organisation and to the enterprise and resourcefulness of those in the more responsible positions. In these matters we are particularly favoured and I hereby record my sincere appreciation and thanks to all those concerned.

The report and accounts were adopted.

THE ASSOCIATED PORTLAND CEMENT MANUFACTURERS, LIMITED

EFFORTS TO COPE WITH INCREASING DEMAND

MR GEORGE EARLE ON THE ANSWER TO COMMUNISM

The annual general meeting of The Associated Portland Cement Manufacturers, Limited, will be held on June 19th in London.

The following is an extract from the statement by the chairman, Mr George F. Earle, CBE, which accompanied the report and accounts sent to stockholders:—

Last year the Blue Circle group of companies delivered nearly a quarter of a million tons more cement than in their record year, 1950, while the industry as a whole for the first time in its existence delivered to the home and export markets over 10 million tons of cement.

The sales of our other products were also satisfactory.

Abroad, the companies in which we are interested did well, especially in South Africa and Mexico.

The satisfactory overall picture produced the results before you, which but for the heavy tax, you will, I hope, find satisfactory. Our good results are due largely to exports and trading in goods other than cement.

The figures in millions of pounds are as follows: our trading surplus is 7.57, an increase of 0.81. Depreciation and plant and machinery replacement reserves amount to 2.28, an increase of 0.32. Debenture service and directors' emoluments, and the addition to the general reserve are 0.62, a decrease of 0.32, and we are left with a net surplus of 4.67 before tax, an increase of 0.81.

Our largest outgoing tax, which is equivalent to £89 per £100 of ordinary stock, takes 3.88. This is an increase of 0.87, which more than wipes out the increase in our trading surplus of 0.81. What it means is that these companies worked in 1951 for you, the stockholders who own them, from January 1st to March 3rd, and for the Government for the rest of the year.

THE PRESENT YEAR

So far this year our deliveries of cement are about a quarter of a million tons more than last year, and the sales of our other products are also satisfactory. The percentage increase in deliveries is considerably greater in the export than in the home market, and it seems reasonable to expect that our problems this year will be of production rather than of sales.

To meet the future demand we are concentrating on extending and increasing the efficiency of our existing works rather than building completely new works in England, though should conditions change the sites and our plans are ready. The cost of new works is now so high that it is practically impossible for them to compete with existing works unless the savings in transport are really large.

Our future increased output in England will be substantial.

It is with the greatest regret that we learn of the imposition of the EPL and hope that this additional charge on industry will soon be removed.

A clear picture of the weight of taxation is shown by the following: as already mentioned the profits of The Associated Portland Cement Manufacturers, Limited, The British Portland Cement Manufacturers, Limited, and Alpha Cement, Limited, after providing the reserves your directors think are essential, amounted to 4.67 million pounds. Taxation took 83 per cent of this sum, and had EPL been in force last year the percentage would have been even higher, but, in addition, there are other reasons why it is becoming difficult to finance the ordinary running of industry.

Comparing December 31, 1951, with 1950, our book debts less trade creditors were £1 million higher, while our stocks and stores and spare parts, including those held by our selling organisations, were more than £2.3 million higher. We have thus had to find £3.3 million in cash for these two purposes.

In the above figure is included our stock of paper and paper bags, which increased by over £1.1 million, a considerable part of which sum was due to the increased cost of paper. We use several qualities. The price per ton of the quality most used by us had advanced from £15 14s. in 1938 to £158 12s. at December 31, 1951—more than ten times as much. The price of cement itself has not even doubled in the same period, but unfortunately we have to include the price of paper bags in the price of cement, and this fantastic advance in the price of paper is having a serious effect on the cost of building. I am glad to say that many of our buyers now take cement in bulk and so help the country by reducing the imports of paper and pulp. I hope many more will do this, and so save money for themselves as well.

GOVERNMENT CONTROL

The Ministry of Works has released the industry from control, and when this was done we undertook not to increase our prices unless there were really serious increases in cost. Our reaction to this freedom has been that it is now up to us to do everything possible to get prices down. Although we have always been keen, for our own good, to keep prices low, the psychological effect of freedom from control is to make us even keener to do this. I believe this is the reaction one can expect from all industrialists.

It is good to know that the price of cement in England is still lower than anywhere else in the world, and also that our production per man per week in 1951 was higher than in 1950, and over 34 per cent higher than in 1945. Basic wage rates per hour increased at a greater rate than production per man.

PRESENT CONDITIONS

Since the war much has been done to stir up class hatred, and the propaganda has been successful. Nothing can do our country more harm.

Why is it that the theory of class hatred has taken such a hold? Communism has had much to do with it. Many may never go to Church, yet are deeply influenced by Christian ethics, and many people who are not Communists are influenced by Communist propaganda.

Some of us can remember when people of this country pulled together happily, each appreciating that the others were doing their best in their own jobs.

Our greatest leaders felt that it was more important to consider the happiness of others than ones' own.

This is not only the secret of success, but also of personal happiness. Let us realise this truth applies to business as well as to the pulpit. It is, to my mind, the only answer to Communism.

H.P. SAUCE LIMITED

ANOTHER RECORD YEAR

The twenty-seventh annual general meeting of H.P. Sauce Limited was held on May 22, 1952, at the Queen's Hotel, Birmingham. Sir Patrick Hannon, the chairman, presided and in the course of his speech said:

The quality of our products, and the efficiency of management throughout the whole organisation has been maintained on its traditional high level. The company's steady expansion has been maintained and during the past year the parent company and each of the associated companies has enjoyed increased production and a substantial growth in turnover. I am therefore in the happy position of presenting another record year in the progress of our trade operations.

The trading profit after provision for depreciation and pension scheme payments shows an increase of £72,336 on the previous year.

BURDEN OF TAXATION

I have made strong comment at previous annual general meetings of the heavy burden of taxation which attaches to every branch of enterprise in the United Kingdom. In the exigencies of the economic situation following upon war, and in the presence of a heavy programme of re-armament, industry must regard with a measure of patience the stranglehold of the State for years to come. In our own companies, our contribution to the Exchequer will be apparent from our accounts. For 1951 the total charge for dominion, foreign and British taxation amounts to £632,022, an increase of £125,974 over last year's charge. This latter figure is caused largely by the increase in profits tax, to which reference was made in last year's speech. If profits are maintained in 1952, the charge for taxation will show a further increase owing to the imposition of the excess profits levy.

As a result of the heavy increase in the taxation charge, the net profit of the parent company has been reduced to £252,908, compared with £313,532 for 1950. The general and other reserves have been increased to £569,500, which sum includes an allocation to an income tax equalisation reserve of £59,500.

Lea and Perrins Limited, Worcester, has made considerable strides in the enlargement of its output during the year. It maintains the high place it has always occupied in the field of condiments throughout the world, and the popularity which it has enjoyed for over a century is still fully maintained.

Lea and Perrins Inc., continues its broad sphere of activities in the United States, with the same vitality as has characterised its operations over so many years.

It is also satisfactory to report that notwithstanding the continued imposition of import licence regulations in many overseas countries, there has been a substantial increase in the export of a full range of our products.

During the year we have increased our holding in the American Company, and in November acquired a controlling interest in Norfolk Canneries, Limited.

BALANCE SHEET ITEMS

A study of the balance sheet will reveal that the company's investments in Trustee Securities have been largely realised in order not only to finance these acquisitions, but to provide for the purchase of additional fixed assets and the increase in requirements for current assets. The chief increase in the latter is in respect of stock in trade, which shows an increase of £323,000 in the parent company's balance sheet, and £715,000 in the consolidated balance sheet.

The report and accounts were adopted.

LONDON AND THAMES HAVEN OIL WHARVES

YEAR OF DEVELOPMENT AND PROGRESS

The fifty-third annual general meeting of London and Thames Haven Oil Wharves, Limited, was held on May 29th in London, E.C.2, Sir F. Vernon Thomson, Bt, GBE, (the chairman), presiding.

The following is an extract from his circulated statement:—The trading profit of London and Thames Haven Oil Wharves, Limited, for 1951, is £518,789, as compared with £246,748 for the previous year, an increase of £272,041. There is a net profit of £183,547, compared with £95,760 for the previous year.

Adding to the net profit of £183,547 the accumulated balance brought forward of £436,644, there is a total sum available of £620,191. After providing £21,500 for the dividend on the preference shares, the directors recommend a dividend on the increased ordinary share capital of £1,300,000 of 12½ per cent, less income tax, absorbing £35,313, and that the increased balance of £513,378 be carried forward.

BENEFITS FROM NEW ACTIVITIES

Last year, the directors indicated that the extension of our business arising from the new activities undertaken for the Shell interests, in handling and storing their crude oil and refined products, should show increased earnings in the future. The first full year's operation of these long-term contracts, together with the increased volume of business done with the other oil companies, is reflected in the substantial rise in the profit for the year. It was disappointing to find in the recent Budget that an Excess Profits Levy is contemplated on future profits in excess of a standard profit calculated on the average earnings of the years 1947, 1948 and 1949, which as far as this company is concerned were years of modernisation, development and war damage reconstruction. If our present rate of profit is maintained, it seems that this company may be penalised to the extent of the maximum scale under this new tax, amounting to a sum of between £80,000 and £90,000 in respect of the year 1952.

The capital expenditure programme, of which you were informed last year, has not yet been completed due to delays in obtaining the necessary materials, but substantial progress has been made. The demand for oil products, in this country and for export, is rising so rapidly that the directors have decided to increase still further the storage facilities and jetty accommodation. Subject, therefore, to Government permission, this new programme will be commenced as soon as possible.

COMPAGNIE INDUSTRIELLE MARITIME

It will be seen from the balance sheet and profit and loss account of Compagnie Industrielle Maritime, that the earnings for the year 1951 show a substantial improvement. The dividend declared has been increased from 10 per cent to 12 per cent, of which your company's share will be approximately £39,000 (as against £32,678 for 1950 credited in the present accounts).

The heavy commitments entered into for the construction of a new oil dock to meet the growing needs of the oil importers into Le Havre, as reported to you last year, have required the French Board to pursue a cautious financial policy.

The past year has been one of development and progress, and the satisfactory results obtained have been due in no small measure to the co-operation of our staff and employees.

The report was adopted.

THE FINANCIAL TIMES LIMITED

INCREASED NEWSPRINT ALLOCATIONS WELCOMED

LORD BRACKEN'S SPEECH

The twenty-fourth annual general meeting of The Financial Times Limited was held on May 27th at Winchester House, Old Broad Street, London, E.C.

The Rt Hon The Viscount Bracken, PC, chairman of the company, presided.

Mr A. E. Knock, the secretary, read the notice convening the meeting and the report of the auditors.

The Chairman said:—With your permission I will take the report and accounts as read.

Death has deprived this company of a director of rare sagacity, courage and clearness of mind. We owe much to our late vice-chairman, Major General Guy Dawnay, who was a director of most of the companies now associated with *The Financial Times* for nearly a quarter of a century. We, who were his colleagues, know that we shall not look upon his like again. He had a radiant graciousness that lightened the lives of all who worked with him, and a most attaching benignity and gentleness. All the graces of character were his from birth and he had a singleness of mind and heart which one never saw surpassed.

Your board has elected Colonel Oliver Crosthwaite-Eyre, MP, to be vice-chairman in succession to General Dawnay. We have also elected Mr L. J. Dearlove, general manager of *The Financial Times*, to a seat on the board, and we welcome his presence at our meetings.

PROFITABLE TRADING

During the year under review the company traded profitably. The profit of the group before charging taxation amounted to £441,599, compared with £400,151 in the previous twelve months. This improvement was largely due to a recovery in the profits of our two printing subsidiaries, St. Clements Press and W. Speaight and Sons, which were seriously affected in 1950 by the dispute between Master Printers and the London Society of Compositors. Of the group profit of £441,599, no less than £265,772, or 60 per cent, is absorbed by taxation. We are recommending the same payment to ordinary stockholders as in the previous three years, and if this meets with your approval the carry forward of the company and its subsidiaries will be increased by just over £86,000.

The liquid assets position of the group is satisfactory. You will see from the consolidated balance sheet that current assets exceed current liabilities by £727,868. The corresponding figure a year earlier was £819,031. The figures show a reduction for two reasons; first, because of the substantial expenditure on new plant and machinery, and, secondly, because of our decision, announced in the autumn of last year, to simplify the structure of the group by acquiring from the Financial News Limited its shareholdings in our printing subsidiary, W. Speaight & Sons, in which we are partners with George Newnes and C. Arthur Pearson Limited, who hold a one-third interest in the company.

NEW PLANT AND MACHINERY

You will see from the balance sheet that at December 31st last there were further commitments for the purchase of plant and machinery by subsidiaries amounting to £191,000. The most important single item in this total is a new fast running newspaper rotary press for St. Clements Press. The installation of this machine has now been completed and it will very shortly be employed in the printing of *The Financial Times*. The machine is the most modern of its kind. It has a very large capacity, with extensive facilities for colour printing, and we anticipate that it will undertake many jobs besides its main task of producing *The Financial Times* itself.

When I addressed you last year, I spoke of the newsprint famine. Although there was a very slight easing of the position in 1951, it is broadly true to say that the famine persisted throughout the year, and many would-be readers and advertisers had to be disappointed. We have in the last few days been informed that newsprint allocations are to be increased by 10 per cent. This relief is most welcome. It will enable us to satisfy a part of the demand for the paper and to improve our services to readers.

NO PROPHECY FOR THE FUTURE

Company chairmen often oblige their shareholders by attempting to forecast the fortunes of their businesses during the financial year ahead. I shall not attempt to do this. The costs of this company, like those of almost all British companies, show no signs of diminishing. Only a very bold man would be prepared to prophesy what lies in store for British industry during the next financial year.

I am sure you will wish me to express our thanks to our managing director, Lord Moore, the Editor, Mr Gordon Newton, and to all the other members of the staff who served this company so well during the past financial year.

The report and accounts were unanimously adopted.

BRITISH ROPES, LIMITED

GRATIFYING RESULTS

The thirtieth annual general meeting of British Ropes, Limited, was held on May 27th in London.

Mr Herbert Smith (chairman and managing director), in the course of his speech, said: The gratifying results of this year's trading were not anticipated a year ago, and some of the increased profit is due to larger sales in hemp and wire rope goods; the volume of our wire trade was rather less than in 1950 owing to the shortage of steel wire rods, but we hope that during the current year we shall get back to something like the output we had in 1950, if not more.

The trading profit of the group for the year 1951 was £2,363,000 as compared with £1,613,000 for the previous year. The total assets now exceed £10 million and show an increase of over £2 million compared with the previous figures. The total group capital and reserves amount to £6,466,000.

The shortage of steel has made it impossible to supply fully the needs of our many customers, and we must still ask their indulgence at any rate for the first half of this present year. The sales of our three sections give a total figure in excess of any previous year. The trading results and sales of our overseas interests have all been satisfactory.

Your company's products are essential to the efficient working of practically every industry in this country. We have fully maintained our contacts overseas and our knowledge of developments in world markets. I am therefore confident that as and when our steel supplies improve we shall rapidly regain our share of export trade.

The report was adopted.

J. H. VAVASSEUR AND COMPANY, LIMITED

(East India Merchants)

SATISFACTORY RESULTS

INCREASED DISTRIBUTION

The forty-eighth ordinary general meeting of J. H. Vavasseur and Company, Limited, East India Merchants, will be held on Wednesday, June 25th, at the Registered Office, 15-16 America Square, London, E.C.

The following is extracted from the statement of the chairman, Mr E. J. Mackenzie Hay, which has been circulated with the report and accounts for the year ended December 31, 1951:—

The overall results achieved last year were extremely satisfactory. Turnover continued at a high level; the trading profits of the Group as a whole were well maintained, while those of the company itself established a new record.

PROFITS

The combined profit of the Group amounted to £601,624, compared with £593,514 in 1950. A considerably larger proportion of the Group profits last year, however, was earned by the parent company and UK subsidiaries, on which the incidence of taxation bears most heavily, and in consequence the provision for taxation requires over £70,000 more than in the previous year. With increased allocations to depreciation and higher interest charges, this reduces the available balance of the Group to £195,800, compared with £261,640 in 1950. Of the Group profit, the company's share is £195,252, against £208,387 a year earlier.

The company's profit and loss account shows an income of £341,698, compared with £286,381 in 1950. Unhappily, most of this substantial increase in profits is taken by the Inland Revenue, as after the customary deductions, including provision for taxation, we are left with a net profit for the year of £107,160, compared with £100,056 in 1950.

With £66,198 brought forward from the previous year, and a return to profit and loss of £25,000 in respect of tax provision no longer required, the company has a balance available for distribution of £198,358.

APPROPRIATIONS

There have already been paid the preference dividend and an interim dividend of 5 per cent on the ordinary stock, and the directors recommend the remaining balance should be disposed of by a transfer of £50,000 to the general revenue reserve, the payment of a final dividend of 30 per cent on the ordinary stock (making a total of 35 per cent for the year), and to carry forward the increased amount of £81,421.

In the company's balance sheet the capital reserve and revenue reserve now total over £587,000, and with the issued capital the net assets aggregate £1,037,914, compared with £958,270 in 1950. A feature of the consolidated balance sheet is the further strengthening of the reserves, which have received an addition during the year of £168,230.

OUTLOOK

Our own trading during the current year to date has been very good. During a period of severely falling prices, there is inevitably some anxiety as to whether contracts entered into at substantially higher prices will be fulfilled, but I am glad to say that our experience in this connection has been very gratifying, and though we are not now passing through the intense activity of a year ago, the profits we have earned so far encourage us to believe that we shall be able, in due course, to present satisfactory results in respect of 1952.

INSTITUTE OF COST AND WORKS ACCOUNTANTS

MR A. W. MUSE'S ADDRESS

The thirty-third annual general meeting of the Institute of Cost and Works Accountants was held on May 17th at the Palace Hotel, Buxton.

Mr A. W. Muse, FCWA, FACCA, in the course of his address referred to the steady increase in membership, student registration and examinees during the past year and to the help given to businesses and individuals through the Institute's Appointments Bureau, which handled a large number of vacancies.

He also stated that the Institute, as one of the joint hosts, has taken its share in the preparations for the Sixth International Congress on Accounting, which takes place in London on June 16th-20th.

In referring to the visit last autumn to South Africa and Southern Rhodesia, undertaken by the Institute's director, Mr Stanley J. D. Berger, MC, FCIS, the president stated that the mission had proved in every way successful, resulting in a reorganisation of the South Africa branch, which promised well for the future.

The Institute's Research Committee had again rendered useful service to the business and professional world in the recently issued book on "Accountancy of Changing Price Levels," which had already attracted considerable attention. Mr Muse went on to say that the business world is entitled to know the authoritative view of the profession on this vexed question and he welcomed the recent statement of the president of the Institute of Chartered Accountants in England and Wales that they proposed to invite other professional bodies to join in their further study of this problem.

The report and accounts were adopted, after which the president invested Mr S. C. Tyrrell, FCWA, FIIA, the new president, with the badge of office.

At an extraordinary general meeting held immediately following the above, special resolutions were passed amending the articles of association of the Institute to give effect (a) to the proposals for establishing a Fellowship in Management Accountancy and (b) to widening the Council's powers of investment.

At the twenty-third national cost conference held on the previous day, Mr Muse, in his presidential address, referred to the tasks devolving upon the accountant in industry, which he summarised as follows:—

Firstly: He must find out where the business he was serving was heading at any particular time, and what its long-term proposals were. His forecasting must be based upon past achievements, tempered by present conditions and influenced by future possibilities.

Secondly: He must understand the managerial assumptions relative to the future of the business and the factors which had given rise to those assumptions.

Thirdly: He must satisfy himself that the policies upon which the business was operated were consistent with the assumptions which had been made and that his figures could prove or disprove such consistency.

It was with a view to supplying accountants competent to perform these tasks and tested by examination and experience, that the Council of the Institute had recently revised its examination syllabus and were establishing new conditions for the Fellowship of the Institute in Management Accountancy.

HUDSON'S BAY COMPANY

FACTORS AFFECTING PROFITS

The 283rd annual general court of the Governor and Company of Adventurers of England trading into Hudson's Bay was held on May 29th in London, Sir Patrick Ashley Cooper, the Governor, presiding.

The following is an extract from the governor's statement circulated with the report and accounts for the year to January 31, 1952:—

Total profits before taxes of £1,919,004 were £216,954 lower than last year. After provision for taxes, net profit was £654,446, compared with £952,228 last year. Working capital (current assets less current liabilities) of £10,235,538 was an increase of £897,335. Of this, cash and Government securities totalled £2,163,823, compared with £2,591,464 last year.

Striking variations characterised trading conditions in 1951. The first quarter of the year was marked by a continuation of the Korean war boom; then it ceased abruptly and there followed a decline in sales, intensified competition and sharply rising costs.

Retail Stores Department.—Retail trade in Canada enjoyed a good year, but not as good as in 1950, which was abnormal. Sales were a record for this department, although the gain was offset by the general rise in commodity prices.

Fur Sales.—The three fur centres in London, New York and Montreal enjoyed another increase in sales, and profits were again satisfactory.

Wholesale Department.—The fifteen branches enjoyed a good year and the profit was maintained in spite of higher expenses.

The report was adopted.

LONDON BRICK COMPANY

NEW POSTWAR PRODUCTION RECORDS

The fifty-second annual general meeting of the London Brick Company, Limited, was held on May 29th in London, Mr A. T. Worboys (the chairman) presiding.

In the course of his speech the chairman said: The trading profit of the parent company and sundry income for the year amounted to £1,440,581 as compared with £1,042,650 last year. After providing a total of £400,000 for depreciation of fixed assets and £756,253 for taxation and other charges, there remains a net profit of £284,328. After transferring £22,829 to contingencies reserve and deducting the net dividend for the year on the 8' per cent cumulative preference stock and the net interim dividends totalling 17½ per cent on the ordinary stock, there remains a balance of £5,824, which has been added to the amount brought forward from last year, of £266,446, thus increasing the balance to be carried forward to £272,270. The directors do not recommend the payment of any further dividend for the year 1951.

Once again the directors' report records the achievement of new post-war records for the production and delivery of bricks. These are due in the main to an improved labour force and to further progress in our programme of mechanisation.

Now as to the future. The totals of our orders received and of production are both considerably higher than those for the same period last year. At the moment, therefore, there is some indication that next year I shall be able to report results as satisfactory as these of the year which I have now reviewed.

The report was adopted.

POWER SECURITIES CORPORATION, LIMITED

YEAR OF PROGRESS

The twenty-ninth annual general meeting of this company will be held on June 17th in London.

The following is an extract from the circulated statement by the chairman and managing director, Mr William Shearer:—

The directors' report and accounts reflect the successful progress of the Corporation's business during the year ended December 31, 1951. The consolidated profit and loss account shows that the gross profit for the year amounted to £535,336 (which includes final adjustments in respect of certain contracts completed during 1950 but not included in the accounts for that year), and compares with the figure of £440,166 in the previous year. The increase of £95,170 in the gross profit has, however, been more than counterbalanced by much larger provisions for taxation and depreciation, with the result that the consolidated net profit at £140,485 is slightly less than that of the previous year.

To the consolidated net profit there has to be added the balance of profit brought forward of £104,774, together with amounts in respect of taxation over-provided in past years and provisions no longer required, making a total of £256,585; out of which there have been provided £5,650 for the usual pension fund instalment, £100,000 transferred to reserves as against £84,335 in the previous year, and £43,575 for the preference dividend and the proposed dividend of 6 per cent on the ordinary shares, leaving a balance of £107,630 to be carried forward to the following year.

SUBSTANTIAL VOLUME OF WORK

Our organisation embraces the engineering construction business of Balfour, Beatty and Company, Limited, and other subsidiary companies, and is equipped to carry out the design, finance, construction and management of public utility and other undertakings in this country and overseas. We have in hand a very substantial volume of civil and electrical engineering contract work, including construction of thermal power stations, hydro-electric projects, high and low tension transmission lines, tunnels, port-works and other types of construction. Work on contracts in hand has continued to be influenced by the ever-increasing cost of labour and materials, while the shortage of certain materials, principally steel and copper, affected construction programmes during the year in varying degrees. Nevertheless, good progress has been made on our contracts, and I venture to think that the figures contained in the accounts now submitted show that our organisation is capable of dealing successfully with the numerous problems created by present-day conditions.

We continued work during the year on the two super-power stations at Staythorpe on the River Trent and at Carmarthen Bay in South Wales, which Balfour, Beatty originally designed in prenationalisation days, and for which they are the consultants and main contractors to the British Electricity Authority.

We have in hand a large amount of engineering and construction work for the East African Power and Lighting Company, Limited, in Kenya and Tanganyika, where the demand for electric power continues to grow rapidly. Last autumn, Balfour, Beatty were awarded a contract by the Iraq Development Board for construction of the Wadi Tharthar project, tenders for which were open to international competition. This is a scheme to control the flood waters of the River Tigris.

LONDON ALUMINIUM CO.

STATEMENT OF THE LATE CHAIRMAN MR ARTHUR H. JOHNSON

STEADY DEMAND FOR PRODUCTS

The annual general meeting of the London Aluminium Company, Limited, was held on May 28th at the Midland Hotel, Birmingham, Mr F. P. Webster, presiding.

After the meeting had stood in silence as a tribute to the late Mr Arthur H. Johnson, Mr Webster expressed appreciation of the outstanding services which Mr Johnson had rendered to the company.

Mr Webster stated that the board had appointed Colonel C. A. B. Lindop as its chairman, adding that the board were of the opinion that Colonel Lindop was well fitted to continue the policy of the late chairman. Unfortunately, Colonel Lindop could not be present at the meeting as he was in the USA on business.

The following is an extract from the statement by the late chairman, Mr Arthur H. Johnson, OBE, circulated with the report and accounts:—

There has been a substantial improvement in the company's liquid position. The current assets, as at December 31, 1951, exceeded the current liabilities by £169,703, as compared with an excess of current liabilities of £41,367 at December 31, 1950.

The trading profit for the year amounted to £108,136 and, after providing for depreciation and certain management and administration expenses, and making the adjustments set out in the profit and loss account, the debit balance on profit and loss account of £188,995 brought forward from 1950 has been reduced to £65,117.

BENEFITS OF REORGANISATION

The board consider that the company is now in a position to reap the full advantage of the reorganisation which has taken place in the works floor space and the benefits of the adoption of the new costing system should also be felt. The production of domestic holloware is now concentrated at the Charles Henry Street works. Although the company's allocations of aluminium for this side of the business have been curtailed, the company has been able to keep these works economically and profitably employed. There continues to be a steady demand for the output of utensils bearing the trade marks "Diamond" and "Atlas."

The engineering side of the business is concentrated at the Witton and the Bradford Street works. Both these works have been reorganised and new methods of production introduced. The chemical and engineering contracts involving site-work have been largely completed and the output on the engineering side is now predominantly fabrication work carried out at these two works. The company has substantial orders from the Admiralty, and the aluminium to fulfil these contracts is being made available to the company. The company has sufficient orders in hand fully to occupy its works for at least twelve months. I should mention that the output on the company's engineering side is approximately two-thirds in value of the company's total output.

It is too early to forecast what the results of the current financial year are likely to be, but preliminary figures for the first three months of the year indicate that the profits for the year should, unless unforeseen circumstances arise, be at least sufficient, not only to eliminate the debit balance on profit and loss account, but also to make a substantial payment in respect of the arrears of the dividend on the company's preference shares. The report was adopted.

CRYSTALATE LIMITED

STRONG FINANCIAL POSITION

The annual general meeting of Crystalate Limited was held on May 26th in London.

Mr J. Lesser (chairman and managing director) said that for the year under review the accounts showed a profit before taxation of £29,828, as compared with a loss of £3,055. After all taxation had been provided for, the result was a profit of £13,750, as compared with a loss of £3,055. The balance sheet showed that the company had continued to maintain a strong financial position.

The consolidated accounts showed a much improved result. The 1949-50 accounts showed before taxation a loss of £15,313, whereas this year they had a profit of £70,208. After taxation that resulted in a profit of £40,161, as compared with the previous year's loss of £24,188. The consolidated balance sheet reflected the strong financial position of the Group. The liquid assets were up from £218,482 last year to £253,810 this year.

For the year under review all its subsidiary companies had been on a profitable footing and each and all had contributed to the Group result. In particular, their major move involving the transfer of the plant and equipment of the Mica Company from Dalston to Tonbridge had begun to bring its anticipated reward.

The trading of their subsidiaries, the British Homophone Company, Limited, and Ebonestos Industries Limited ended on March 31, 1952, and from internal figures at their disposal they had every reason to anticipate that the profits of those companies would compare favourably with the previous year.

The report was adopted.

SILVRO MANUFACTURING

(Makers of "Bonsoir" Shirts and Pyjamas)

The sixteenth annual general meeting of Silvro Manufacturing Company, Limited, was held on May 28th in London, Mr Manley Cooper presiding. The following are extracts from his circulated statement:—

Your company has purchased a small concern at Bowes Park and we have equipped the workrooms with up-to-date machinery for the production of an additional 40,000 high-grade sports shirts per year.

We now have an American subsidiary company, which it is hoped will make a useful contribution to your profits and facilitate the handling of business in America, which has been steadily increasing.

Such purchases as we have made in raw materials have been at very favourable prices, and you will be pleased to know that prices which we are currently receiving for our products enables us to trade on a profitable basis at the lower levels of prices now ruling in the trade.

Your board has to report for the first time for very many years a slight reduction in profits. Although turnover showed a satisfactory increase, it has been achieved on slightly reduced margins, although not of such magnitude as to cause your directors any anxiety. They recommend the maintenance of the dividend at the same figure of 30 per cent as last year, the strengthening of the general reserve by £5,000 and increasing the carry forward by £2,565.

Taking into consideration the present position of the textile industry, we consider our production and sales for 1952 to be very satisfactory.

The report was adopted.

HUMPHREYS LIMITED

IMPROVED TRADING RESULTS

MR A. V. BRIDGLAND ON OVERSEAS DEVELOPMENT

The sixtieth annual general meeting of Humphreys Limited was held on May 27th, in London, Mr A. V. Bridgland, the chairman, presiding.

The following is an extract from his circulated statement:—

The accounts show the trading profit for the year as £61,750, and this represents an improvement of £11,224. From this trading profit no less a provision than £36,351 is required for taxation. The preference dividend, together with a dividend of 17½ per cent on the ordinary shares, will require, after taxation deduction, £12,075, leaving the carry forward to be increased from £56,118 to £67,791. It will be seen that the shareholders' reward for the year under review represents roughly one-third of what the tax authorities are claiming. The surplus of current assets over current liabilities is £315,616, and that is over one and a half times our issued capital.

Early in the New Year I again visited South Africa. It is apparent that considerable new building work is being undertaken there and is likely to increase. To take advantage of these conditions, your company has acquired as an investment an interest in an old-established building and civil engineering business in the Cape Province.

RISING BUILDING COSTS

Building costs in this country are still rising, and today they represent something like three times prewar levels. It is difficult to attribute this increase in building costs wholly to inflation. There are other factors, in my view, which have considerably increased the cost of building. Coupled with the difficulty of licences and controls, we have the problem of dealing with such a multiplicity of planning controls and regulations as drives one to despair. Many of these planning regulations are wholly impracticable and produce, in practice, an effect the entire opposite of what, in theory, they were supposed to achieve. I think it is not unfair to say that the result of these planning provisions and controls has a very great deal to do with the increased cost of building. I think, to sum it up, controls and restrictions prevent the smooth working of a contractor's business, they encourage the hoarding of materials, and they certainly waste a good deal of time.

It is good to see that the Conservative Party intend, as quickly as possible—consistent with the difficulties they have been faced with in taking over from the previous government—the rapid abolition of these controls and the amelioration of planning regulations, so as to enable work to be cheapened and speeded up. Partly as a result of heavy taxation, unemployment is rapidly rising in the building industry, and it will take time to reabsorb this labour, and to enable this to be done, some release of building controls will have to take place. Contractors will then have to rebuild their organisations. So far as we ourselves are concerned, because of excessive taxation, we really have no incentive in this country to increase our competitive business, for the risks are too great to do so for the poor rewards offered. It is for this reason, among others, that we are commencing to turn our eyes overseas to our Dominions.

I do not think the coming year will disappoint us, since existing contracts will not then be exhausted, but beyond that time I cannot prophesy.

The report was adopted.

CENTRAL MINING & INVESTMENT

SIR CLIVE BAILLIEU'S SPEECH

The forty-seventh annual general meeting of the Central Mining & Investment Corporation, Limited, was held on May 29th, in London.

Sir Clive Baillieu, KBE, CMG, the chairman, in the course of his speech, said:—

Perhaps the most outstanding influence in the Union's economy during 1951, as in that of most countries, was the continuing and even increasing inflation. Dearer money and surplus budgeting, backed by a decrease, or at least not an increase, in Government and Municipal spending, together with intensified import control, should do a great deal to tide South Africa over the next two or three years. This will be the crucial period before the beneficial effects of the expansion of the gold mining industry into the Orange Free State, are fully felt.

HARMONY GOLD MINE

Good progress has been made in shaft-sinking operations on the Harmony mine since I addressed you last year. An average rate of about 200 feet a month has been attained. The ventilation shaft, situated near the pioneer H1 borehole, is now expected to cut the Basal Reef horizon in three months' time. A further few months must then elapse before the shaft and auxiliary workings can be ready to serve a programme of active development. This circular shaft, primarily for ventilation, can be used for the hoisting of substantial tonnages of ore from development faces, and it is to be hoped that well before No. 3 main hoisting shaft is fully equipped, in 1954, an extensive area will have been developed and much knowledge have been gained of the economic prospects of the south-eastern portion of the property.

MINES OF CENTRAL RAND

Our Group is particularly concerned in the maintenance of maximum tonnage upon the deep and marginal mines of the Central Rand. In these mines, with their complex systems of sub-vertical or sub-incline shafts, long haulages and scattered workings, the burden of standing charges in European and native labour, employed upon directly non-productive work, is of particular severity.

It is appropriate to refer in this context to the position at the Crown Mines, employing 7-8 per cent of the Rand's labour force, where recent difficulties have been intensified by shortage of skilled and unskilled labour and where results and prospects would be gravely influenced by any further shrinkage in supply. This great producer still has great potential strength, in its total ore reserves of many million tons and large areas yet to be developed. The resources of comparatively high-grade ore locked up in shaft pillars, which will take several years to prepare and mine out in proper sequence, may have to be drawn upon, for the maintenance of satisfactory profits, much earlier than previously was planned.

The City Deep is another of the Group's large mines suffering with particular severity from rising costs imposed upon other adverse factors.

The deterioration in the political situation in South Africa has become a matter of increasing disquiet to all well-wishers of the Union. South Africa must depend for its continued and uninterrupted development on a smooth and regular flow of capital from the outside world, and this again will rest upon the confidence which the outside world has in the sanity and good sense of its people, and the underlying stability of the country.

The report was adopted.

DAVIS AND TIMMINS

RECORD TRADING RESULTS

The fifty-third annual general meeting of Davis and Timmins, Limited, was held on May 27th in London, Mr F. Le Neve Foster (chairman and joint managing director) presiding.

In the course of his speech the chairman said: It is my pleasure to submit results which constitute a record in the long history of our company. The group gross trading profit is £308,521, as against £153,944 last year, while the net profit amounts to £115,928, comparing with £63,540 for the previous year. These results are mainly attributable to the much larger turnover again achieved. This shows an increase in value of over 60 per cent, compared with the previous year 1950. The directors recommend a total distribution of 25 per cent for the year, as compared with 20 per cent for last year.

It is satisfactory to note that, notwithstanding the considerable increase of turnover which has had to be financed during the year, our cash position with £173,000 in the bank and in tax reserve certificates shows a remarkable improvement on last year. It should not, however, be overlooked that we have a heavy taxation bill to meet next January.

The consolidated balance sheet shows an exceptionally strong position. Our capital and revenue reserves now total a figure of £475,246, as against a total of £338,656 at the end of the previous year.

When speaking to you last year I told you of the serious shortages and lengthening of delivery times in metal supplies which we were experiencing. I am glad to say that this situation did not worsen during the year. Its continuance, however, caused us much anxious consideration in planning ahead and we were fortunate in being able to maintain a steady flow of production without any serious disturbance.

COMMODITY PRICES

The future of supplies and prices of metals must continue to give us cause for some anxiety. In most commodities there is definitely a downward world price trend, but as an exception copper, on the price of which brass is mainly dependent, seems to keep remarkably firm, due to American demands. Any change in world affairs, for example, the cessation of hostilities in Korea, might well alter the outlook and create conditions making for a further fall in prices of commodities, including copper, which, it appears to me, is bound to come sooner or later. While in theory we should welcome anything which reduces costs, we are mainly interested in stability. In a period of steeply falling prices conditions for business will become unfavourable.

Our sales of "stock" products have achieved a record for this year and comprise a higher proportion of our turnover than ever before.

During the current year up to date business and results continue to be good. We still have a heavy order book and all our works are running smoothly and efficiently. There are, however, indications of a slowing down of trade, due, I imagine, to the general conditions which are developing in this country and many other parts of the world.

Looking into the future, so far as your company is concerned I am confident that, with the benefit of our unrivalled position in the trade and the strength and efficiency of our undertaking, this company can and will continue to give an account of itself which will be worthy of its record in the past.

The report was adopted.

JOHN HOLT & COMPANY (LIVERPOOL) LIMITED

CHANGED TRADING CONDITIONS

The fifty-fifth annual general meeting of John Holt & Company (Liverpool) Limited, was held on May 23rd, at the offices of the company, Royal Liver Building, Liverpool, Mr John A. Holt, the chairman, presiding.

The following is an extract from his circulated statement:

Our gross turnover was at an annual rate of rather more than £22 million. This was about double the figure achieved in 1947 and even after discounting the effects of inflation shows a marked increase in the volume of commodities handled by the company. In relation to these figures and the commercial risks involved, the net retained profits can in no way be regarded as excessive.

The upward trend in produce prices created more purchasing power than could be absorbed by available stocks of merchandise and, moreover, stocks held in West Africa were at figures well below replacement prices. In French territories, the results exceeded those of the previous year, and we were able to show increased profits.

Vegetable oils and oilseeds, cotton, and cocoa purchases during the period under review represented our share of each crop appropriate to the size of our organisation.

John Holt Line Limited had a satisfactory year.

During the last few months there has been a substantial fall in the replacement price of cotton piece goods, and substantial losses appear to be unavoidable. Generally speaking the margins on other consumer goods are not being maintained at last year's levels. I do not wish to give the impression that the position is in any way critical at present, but our long experience of the West African Trade has shown how rapidly, and with what little warning, a statistically secure basis of trade can deteriorate.

The report was adopted.

ILLUSTRATED NEWSPAPERS

GRATIFYING RESULTS

The twenty-sixth annual general meeting of Illustrated Newspapers, Limited, was held on May 27th, in London.

Major H. Davenport Price, MC, JP, the chairman, in the course of his speech, said:—

The trading profit for the group totals £601,252, compared with £590,580 for the previous year; a gratifying increase of £10,000 odd.

The net profit attributable to Illustrated Newspapers, Limited, is £196,014.

It is proposed to pay on July 1st a dividend of 3 per cent on the ordinary shares with a bonus of 1 per cent. This carries with it a participating dividend of 1 per cent on the preference shares.

The current assets of the group show a surplus of £1,018,784 over current liabilities, including provisions for taxation and dividends, which is satisfactory.

I am pleased to say we have been free from labour troubles during the year under review. At the same time we have had to face substantial increases in the costs of paper, printing materials and wages and, indeed, overheads generally. Unfortunately, I cannot see any prospect of appreciable relief in this respect in the near future and these heavy increased costs will, I fear, be reflected in the next year's trading figures.

The publications of this group, I am pleased to say, maintain their high standard of production which is the secret of their continued popularity with readers and advertisers.

The report was adopted.

E. POLLARD & COMPANY

The fortieth annual general meeting of E. Pollard & Company, Limited, was held on May 27th, in London. Mr H. Edward Pollard (chairman and managing director) who presided, in the course of his speech, said: The group profits are £191,000 and, after providing for taxation there remains £88,000—a decrease of about £19,000 as compared with the previous year. Your directors are recommending the payment of a capital dividend of 10 per cent on the issued ordinary share capital of £400,000. Shareholders have the privilege of receiving this dividend without deduction of income tax and they need not include it in any return of income for income tax or surtax purposes.

During 1951 there was a steady demand for all our products but again the shopfitting section was hampered by stringent licence restrictions.

In contrast to shopfitting, the display section at our Highbury factory was able to increase its production and turnover.

In the electric lift section under Hammond & Champness a steady demand for all types of lifts was experienced.

The steel shutter business that is carried on under the name of Haskins can also report a satisfactory year.

The other engineering works occupied by the Morris Singer Company, had to face the stringent control of bronze metal which practically stopped this particular section, but they were able to increase their other activities.

Whilst I do not think we can hope for any great improvement in 1952, the outlook is sound and conditions in many directions a little easier.

The report was adopted.

ADMINISTRATION.—Applications are invited for senior administrative appointment in a very progressive Company engaged in food processing (E. Midlands). The position will be as personal assistant to Managing Director, responsible for review and building up of organisation structure, selection of additional executives, planning of management training programmes, etc. Candidates should have University degree (Economics, Sociology or Psychology) and wide industrial experience, embracing personnel, industrial engineering, and study of modern methods of organisation and control. This is an important appointment calling for keen, enterprising man who has courage, imagination and capacity for hard work. Age limits 30-40 years. Initial salary £2,000 upwards, plus pension, life assurance, etc.—Apply in confidence, with full details of education, career, age, etc., to Box 951

A HIRE PURCHASE FINANCE COMPANY, acting in conjunction with a large firm of Gas Cooker Distributors, REQUIRES ADDITIONAL BILL DISCOUNTING FACILITIES to the extent of £200,000-£300,000 per annum, in monthly units. Bills of Exchange are fully covered by collateral securities and are guaranteed. The discounting charge is equivalent to a simple interest rate of 12.48 per cent per annum. Particulars from the Company's Accountants.—Box 952.

REPRESENTATIVE in the South. A salesman of fine record and highest integrity. Experienced in both slump and boom. Requires change of occupation. Under 50 and fit. Only overtures from reputable and well-established concerns offering good remuneration and real prospects will be considered.—Box 961.

TRADE ASSOCIATION, with office in London, requires man with experience of export administration to take charge of Export Division. The post offers bright prospects for suitable man, who should, in addition to academic qualifications, have practical knowledge of currency regulations, tariffs and quotas.—Box 953.

EFFICIENCY IN BUSINESS.—An Exhibition of the latest books on all aspects of business administration and management is open until June 6th, from 9.30 a.m. to 6 p.m. daily, at C.P.C. LONDON BOOKSHOP 6, VICTORIA STREET, S.W.1. Tel.: WHI 4011

LAST minute Continental Holidays not arranged for the masses but individually for you. 10 days in Spain from £26 19s. 6d.; Italy £25 19s. 6d.; France £18 10s. 6d.; 7 days in Paris from £13 15s.—Write for brochure or 'phone: Business & Holiday Travel Ltd., Grand Buildings, Trafalgar Square, London, W.C.2. WHItehall 4114/5.

WILLIAM MALLINSON & SONS LTD., have vacant the position of HARDWOOD SALES MANAGER. The applicant must appreciate handling of high quality material; he must have sales ability by personal contact and must understand administration. This is a senior appointment with excellent prospects.—Reply, Secretary, 130/150, Hackney Road, London, E.2.

ECONOMIST with good knowledge of overseas markets willing to do Market research for manufacturing firm for period of three months. Moderate fee.—Box 959.

WOMEN graduates are invited to apply for appointment as Lecturer in the Department of Education of the International Wool Secretariat. Lectures are given on every aspect of wool in schools and colleges and to adult education organisations of all kinds. Previous lecturing or teaching experience is desirable. Some knowledge of wool would be an advantage, but training will be given after appointment. The work will entail considerable mid-week travel. Commencing salary £440, plus superannuation benefits. Subsistence allowance and first-class travelling expenses are paid.—Applications should be marked "Confidential" and addressed to the Secretary, International Wool Secretariat, Dorland House, 18-20, Regent Street, London, S.W.1, within two weeks of the appearance of this advertisement.

YOUNG WOMAN REQUIRED as Assistant to Economist in market research and statistical sales department of large manufacturing company in North London. Graduate or holder of suitable professional qualifications preferred. This vacancy has been notified in accordance with the Notification of Vacancies Order, 1952. Applicants should give details of age, education and experience.—Box 957.

OLD-ESTABLISHED highly reputable Company with selling agencies abroad has spare capital and some factory space available. Would like to meet man or small company in need of finance and space to manufacture some commodity in demand abroad, preferably in dollar countries. Raw material must be readily available. Recommendation by Solicitors or Accountants would eventually be required. Strict confidence.—Box No. 950.

QUALIFIED ACCOUNTANT, Cost Accountant, Secretary, Economist (34), just completing five years' practice as consultant to gain valuable experience industrial management, seeks responsible post, Adviser or assistant to technically trained Managing Director suitable. Present income £1,500, but reduction accepted for post capable of development through own effort.—Box 954.

AMERICAN Professor, visiting England academic year 1952-53, wishes rent furnished flat or house; preferably London, Cambridge or Oxford.—Write details to Cyril Bibby, 14, The Avenue, Barnet, Herts.

THE ITALIAN INSTITUTE, 39 Belgrave Square, S.W.1.—Wednesday, June 4th, at 6 p.m., a lecture (in English) by Senatore Giuseppe Medici, Professor of Agricultural Economics in Turin University: "Land reform in Italy." Admission free.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (periodicals excluded).

CHARTERED or Incorporated Accountant required as soon as possible by important public company, East London easily accessible, as Secretary and Accountant. Experience of Cost Accounts necessary. Age preferably 30 to 40. Pension scheme. Excellent prospects.—Apply Box 526, C. P. Wakefield Ltd., 153, Fleet Street, E.C.4.

THE NATIONAL BANK OF SCOTLAND LIMITED

Head Office: EDINBURGH ESTD. 1825 Branches throughout SCOTLAND

LONDON OFFICES: 37, Nicholas Lane, E.C.4; and 18/20, Regent Street, Piccadilly Circus, W.1.

Every description of Banking Service undertaken.

The Bank of Adelaide

invites all who have or would like to have relationships—business or personal—with Australia, to use its complete banking service throughout that country.

Head Office: Adelaide, South Australia.

LONDON OFFICE:

11, LEADENHALL STREET, E.C.3

Incorporated in 1865 in South Australia with limited liability.

UNIVERSITY OF BIRMINGHAM

LECTURER IN SOCIOLOGY

Applications are invited for the post of Lecturer in Sociology. The appointment will be made in Grade III or Grade II, according to the qualifications of the successful applicant. Experience of fieldwork would be an advantage.

Applications, which should be accompanied by the names of three persons prepared to act as referees, should be sent to the Registrar, The University, Edgbaston, Birmingham, 15, not later than June 15, 1952. Further particulars may be obtained from the undersigned.

C. G. BURTON, Secretary.

The University, Birmingham, 3. May, 1952.

THE UNIVERSITY OF LIVERPOOL

Applications are invited for the following two posts in the Department of Geography:—

(a) Research Assistant, for a period of one year at a salary of £400, to continue an investigation within the field of Economic Geography on "The Journey to Work on Merseyside."

(b) Tutor for a period of one year at a salary of £350.

Candidates must be graduates in Geography.

Applications, stating age, academic qualifications and experience, together with the names of three referees, should be received not later than June 28, 1952, by the undersigned, from whom particulars of the conditions of appointment may be obtained.

STANLEY DUMBELL, Registrar.

May 23, 1952.

HERTFORDSHIRE COUNTY COUNCIL

HATFIELD TECHNICAL COLLEGE

PRINCIPAL: Dr W. A. J. Chapman, M.Sc.(Eng.)

Lecturer in Management Studies

Applications are invited for the above post at this new College which will open in September. Applicants should have responsible industrial or commercial experience, an appropriate degree and/or professional qualification, and preferably teaching experience. Salary £900 by £25 to £1,000. Application forms may be obtained from the Registrar (stamped addressed envelope) to whom they should be returned within 14 days of this advertisement.

MARKET RESEARCH OFFICER is required by Marleans Limited, Great West Road, Brentford, Middlesex. Applicants should be aged 30/35 and have wide experience in collating and interpreting Sales and market research statistics. Good starting salary and prospects; pension and profit participation schemes in operation.—Apply, with full details of qualifications and previous experience to Personnel Manager.

GOOD FOOD

We specialise in catering for industrial canteens, offices, and luncheon clubs. Our organisation is not too large or unwieldy and we can give personal supervision to all our contracts. Write for testimonials from our clients; addresses given on application to:-

Harold Jayes & Son, Ltd.,
29, West Heath Court,
LONDON, N.W.11.
SPEedwell 2498 & 6754

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP $20,000,000
RESERVE FUNDS STERLING £6,000,000
RESERVE LIABILITY OF MEMBERS $20,000,000

Head Office: HONG KONG

CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.

London Office: 9, Gracechurch Street, E.C.3.

London Managers: S. A. Gray, M.C., A.M., Duncan Wallace, H. A. Matsey, O.B.E.

BRANCHES:

BURMA: Rangoon
CEYLON: Colombo
CHINA: *Amoy, *Canton, *Chefoo, *Dairen, *Foochow, *Hankow, *Harbin, *Mukden, *Nanking, *Peking, *Shanghai, *Swatow, *Tientsin, *Tsingtao
DJAWA (JAVA): Bandoeng, Djakarta, Surabaia
EUROPE: Hamburg, Lyons
HONG KONG: Hong Kong, Kowloon, Mongkok
INDIA: Bombay, Calcutta
INDO-CHINA: Haiphong, Saigon
JAPAN: Kobe, Osaka, Yokohama
MALAYA: Penang, Singapore, (Orchard Road), Sungei Patani, Telok Anson
NORTH BORNEO: Brunei Town, Jesselton
MALAYA (Con.): Ipoh, Johore Bahru, Kuala Lumpur, Malacca, Muar, Seremban
N. BORNEO (Con.): Kuala Belait, Sandakan
Taiwan
PHILIPPINES: Iloilo, Manila
SIAM: Bangkok
UNITED KINGDOM: London
U.S.A.: New York, San Francisco

*Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED

A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in HONG KONG, LONDON, SINGAPORE

UNIVERSITY OF ABERDEEN

POLITICAL ECONOMY DEPARTMENT

Applications are invited for a Junior Research Fellowship and Assistantship in Political Economy. Salaries: Research Fellow—£400 to £500. Assistant £450 or £500 per annum, according to qualifications and experience, plus F.S.S.U. and Children's Allowances. The University will pay a proportion of furniture removal expenses.

Applications should reach the Secretary to the University (from whom forms of applications and conditions of appointment may be obtained) not later than June 20, 1952.

The University, Aberdeen. H. J. BUTCHART, Secretary.

WHITE FISH AUTHORITY, CONYNGHAM HALL, KNARESBOROUGH

Applications are invited from persons qualified by training and experience to fill an appointment as Director of Costings in the Finance Department. The successful candidate will report to the Financial Controller and will be responsible for the organisation and control of a series of continuous investigations into the financial aspects of the operation of every section of the fishing industry in the United Kingdom and also for the conduct of special investigations and enquiries connected with the Authority's general activities. The appointment calls for a high degree of professional ability in modern accounting methods and financial and budgetary control. A wide knowledge and experience of applied economics in the commercial field is desirable, and experience of the fishing industry will be an advantage. Age limits 30-45 years. Salary £1,200 per annum rising, subject to satisfactory service, by annual increments of £50 to £1,500 per annum. The successful candidate will be required to contribute to a superannuation scheme set up under the Local Government Superannuation Acts 1937 and 1939.

Forms of application may be obtained from the Secretary and the closing date for the receipt of completed application forms is Monday, June 9th, 1952.

GLORIOUS BRITTANY.—Hotel Royal-Bellevue (3-star), St. Cast, near Dinard, from 1,200 francs daily, full board, PLUS ONE FREE DAY after each 6 days' stay, allowing a fortnight's seaside holiday on £25.

MURRAY-WATSON LIMITED

Advertising & Marketing
Home and Overseas

58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9
DUDLEY, WORCESTERSHIRE. DUDLEY 3162

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc., Econ., LL.B., and other external London University Degrees, Civil Service, Local Government and Commercial Examinations, &c.

Also expert postal tuition for Prelim. Exams., and for the professional exams., in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.

More than 50,000 POST-WAR EXAM. SUCCESSES.

Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.

Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary.

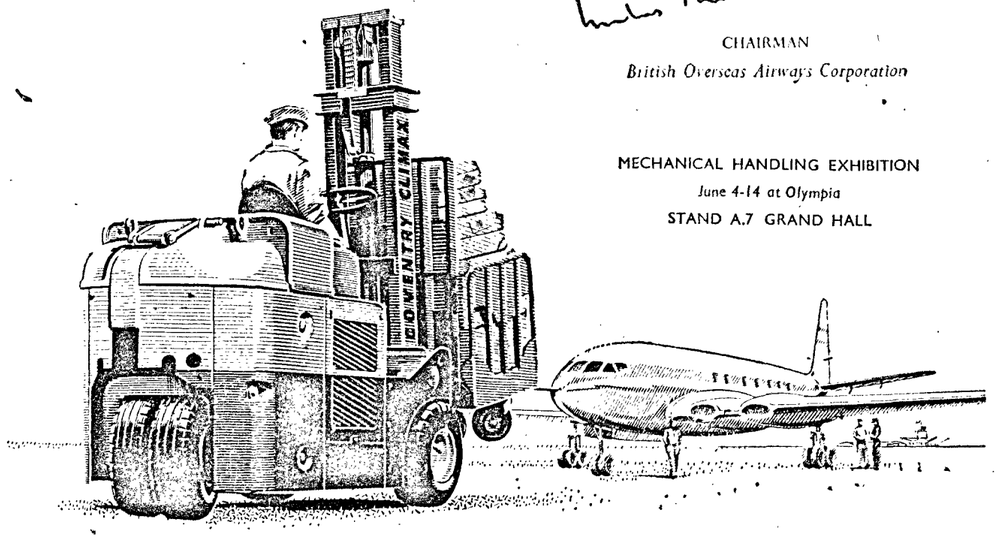
METROPOLITAN COLLEGE

(G9/2), ST. ALBANS or call 50 Queen Victoria St., London, E.C.4.

Printed in Great Britain by St. Clements Press, Ltd., Portugal St., Kingsway, London, W.C.2. Published weekly by The Economist Newspaper, Ltd., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, May 31, 1952.

"Of what use is it to span the world in 500 m.p.h. jet liners if your load handling at airports does not keep pace? Modern material handling is one of the aids that make progress possible . . . and economical"

CHAIRMAN
British Overseas Airways Corporation



MECHANICAL HANDLING EXHIBITION
June 4-14 at Olympia
STAND A.7 GRAND HALL

Coventry Climax

Pioneers of the small diesel fork lift truck
most versatile material handling machine available to industry

COVENTRY CLIMAX ENGINES LTD. (DEPT. E) COVENTRY, ENGLAND
Cogent

The Economist

Established 1843

ıe 7, 1952 — One Shilling

SECRETARIAT LIBRARY MADRAS 16 1952

LEADING ARTICLES
t and Tact - - - - - - 633
son in Rents - - - - - 635
dabout and Roundabout - 637
onwealth Development—II 639

OF THE WEEK - - - 641
ersus Attlee; Arms and the On the German Frontier; l Partisans; Syngman Rhee and n War; No Easy Way; The Principle; Charges in Force; of Mme. Pauker; From Scarcity s; Western Disarmament Pro- Closed Minds in Durham; in Bechuanaland; New Start in the Egypt-Sudan Talks; Fair n Military Service.

S TO THE EDITOR - - 649

AND PUBLICATIONS - 650

CAN SURVEY
f the Needle - - - - 655
mation's Jubilee - - - 656
on of Powers; Ike's D-Day; ss True to Form; Everybody a Farmer; Matchmaking Taxes; Notes.

WORLD OVERSEAS
munist Violence in France - 661
and the Court; Unrest in the an Countryside; The Indian ; Sweden's Economic Prospects.

THE BUSINESS WORLD
Markets for Cars - - 671

S NOTES - - - - - 673
Gold Lost to Europe; Bank and Treasury Borrowing; g Up for Abidan; Germany's Offer Rejected; Film Policy from nk Group; Marking Time in Lan- Rayon Production Drops; in Balloon Street; Buying Back n Pricing Cotton; Cheaper Jute dee; See-Saw in Metals; Cut ts; British Insurance in 1951; able Accident Rates; American on Tin; Uranium in the nwealth; Shorter Notes.

ANY NOTES - - - - - 684
ICAL SUMMARY - - 686
BANKING SURVEY - 687
Y MEETINGS - - - 707

Vol. CLXIII No. 5576
NOMIST, 22, Ryder Street, St. James's, W.1. *Telephone:* Whitehall 1511.
NUAL POSTAL SUBSCRIPTION £1
as a Newspaper. Entered as Second Class Mail he New York, N.Y., Post Office. Authorized as nd Class Mail, Post Office Dept., Ottawa.

Taft and Tact

EUROPE should take warning from the broadcast speech on foreign policy delivered by Senator Taft on Sunday last. The speech was intended for purely domestic consumption, as a counterblast to General Eisenhower's homecoming. But that does not mean that it was without international significance. What the Senator said may by next year have become the broad basis of the foreign policy of the United States. What he said is, here and now, an index of how a great many Americans approach the problem of international relations. A presidential candidate does not gratuitously put forward views that have no general appeal.

Is the Senator an isolationist? He denies the charge. He declares that he would have been ready to establish a "Monroe Doctrine" for Europe—to declare that anyone attacking Europe also attacks the United States. He is willing now to leave the six American divisions in Europe until the Europeans can defend themselves. But these statements must be judged against the background of the whole speech. From this it is clear that Senator Taft's attitude towards the Atlantic alliance is at best that of a man accepting a not very welcome necessity. At worst, it comes close to regarding the European allies as expendable —"to admit for a moment that we could not defend ourselves, even if continental Europe were overrun, is defeatism pure and simple." The instrument of defence upon which the Senator would prefer to rely is a strong American air force, able to guard the United States, and, if necessary, to bomb Russia.

This is certainly not isolationism in the old sense. But it is equally far from support and enthusiasm for the idea of a "developing Atlantic community," from acceptance of the doctrine that America's partnership with the other free nations is a permanent and desirable thing. Senator Taft would not dismantle the North Atlantic alliance. But he would hardly make it grow, and without growth it would dismantle itself.

> Thou shalt not kill; but needst not strive
> Officiously to keep alive.

These are not the views of the Truman Administration. They are not even the views of a majority of Americans. But they are the views of a large minority, which might well grow. Many observers of American opinion whose own international sympathies cannot be doubted have lately been reporting that there is a new mood, not indeed of rejection of the objects of American foreign policy, but of scepticism about the progress being made in attaining them and of impatience with the burdens it imposes. This is not surprising. As the cost of the cold war mounts, and it seems to stretch out indefinitely into the future, Americans as well as Europeans get restless. This questioning mood is not isolationism; but it might grow into indifference.

To judge by many of the voices that are to be heard in Europe today, American indifference would almost be welcome. If there are

men and women in America who want to "keep out of Europe," there are men and women in Europe who want them to do exactly that. Communists and fellow-travellers have never wanted anything else, and Europe has also had its neutralists ever since the end of the war. But in 1952 the travail of rearmament and the turbulent problem of Germany have aroused much wider distrust of American policy. Men as divergent in their political views as General de Gaulle in France or the supporters of Mr Bevan in Britain have attacked the American association. In fact, more time and more emotion seem to be spent these days in attacking the Atlantic community than in reaffirming, with all possible vigour, the reasons for its birth.

Those who deplore America's Atlantic policy might usefully ask themselves in what state, without American rearmament and the American commitment to Europe, the free nations of the Atlantic fringe would find themselves today. The Stalinist empire has not changed its character simply because, in the West, some phases of rearmament are found to hurt. The leaders of Soviet Russia have never respected weakness. Compromise does not move them or it would have saved Benes and Masaryk and their country as well. Subservience does not touch them, or Anna Pauker might have evaded the latest Rumanian purge. The force needed to deter them from making their compulsive bids for total control must be available and it must be adequate. Neither condition can be secured in Europe without massive American commitment and support.

*

This case for rearmament as an indispensable check to Soviet ambition has been argued before and indeed, in less confused times, by Mr Bevan himself. What has perhaps been less clearly explained is America's crucial role in resolving the German problem. The essence of the present position is that Germany, whether in a divided or a reunited state, is recovering its sovereignty and, short of world disarmament, a sovereign Germany, with its size, its industrial wealth and its central position, will have enough strength to tip the balance of European politics one way or the other.

Such a Europe, taken by itself, would be inherently unstable. If German policy inclined one way, the Nazi-Soviet pact of 1939 would come to life again. If the German weight were cast the other way, the threat to peace would hardly be less. It is not a balance of power that creates peace, but an overwhelming preponderance of power on the side that has no interest in war. Europe by itself, even with British assistance, cannot achieve such a permanent security. It can only be done by building a permanent Atlantic community in which the United States plays a permanent part. The clever European politicians who want to embarrass their governments may not see that. But the great mass of ordinary people do. They know that the chief hope of peace in 1952, unlike 1914 or 1939, lies in the fact that the United States is actively engaged in world politics. When Senator Taft looks forward to the withdrawal of American troops and to Europe's "self-defence," he unwittingly places Europe at Germany's mercy once again and re-creates the conditions in which Germans and Russians can bargain at the expense of the West. Is this the consequence that the Gaullists or the Bevanites or Dr Schumacher in Germany really seek? Is this the end for which they are prepared to see the Atlantic Community dissolved?

No doubt they would deny any such aim. But Senator Taft's broadcast is a warning that it could happen. The idea of a permanent Atlantic community is not so firmly based in American public opinion that Europe can take it for granted or run any risks with it. For the European oppositions to use the American alliance as a convenient means of embarrassing their own governments is to play a very dangerous game indeed. Do they reflect sufficiently on the Europe that they would inherit if the American shield were to be withdrawn and Europe were once again to depend on whether Germans and Russians were striking blows or bargains?

*

This is not to say, of course, that there should be no criticism of American actions. Indeed, in many ways, the more constructive criticism there is of specific American policies the better for everybody. But it is a plea that, in this election year, there should be as much common sense and courtesy as possible in approaching the general issue of Europe's relations with America. The plea is directed in particular to the European oppositions. Some of them already see the point. Mr Attlee, for example, said on Monday that

> there is a lot of loose talk about the United States from people who refer to American imperialism and similar phrases; but no country in history has ever made greater efforts to help other countries than the United States has done in the last six years.

But Mr Morrison undid all, and more than all, the good his leader did by gratuitously declaring in Copenhagen on Tuesday that the Labour Party, when returned to power, would push for the admittance of Communist China to the United Nations. What possible good is served by saying that at this moment? The mischief it may do is incalculable.

Americans are rightly jealous of anything that they deem to be interference with their domestic politics, and it is perhaps as well to make the point that nothing of the sort is here intended. Europeans may have their hopes and fears about the identity of the next President; but they are not so foolish as to think that they can influence the choice. Least of all is there any suggestion that Europeans, by suppressing their real opinions for the duration of the election campaign, should try to deceive American public opinion. Quite on the contrary, the suggestion is that the basic truth—which Europeans, as they play their domestic politics, are apt to take for granted and leave unexpressed—should be plainly stated. However much indifference to the Atlantic Alliance there may be in America, there is very little in Europe. The mass of the people, all the politicians in office—and even the great majority of the critics when they in their turn bear responsibility—all know that on it rests the main hope of preserving peace.

British Banking

The Annual Review will be found on pages 687 to 705 of this issue, and a selection of British Banking Statistics appears in this week's issue of the *Records and Statistics* Supplement.

Reason in Rents

IN Britain, the great majority of rented dwellings—except for those owned by local authorities—come within the scope of the Rent Restriction Acts. Only a small minority of better houses with high rateable values are free from rent control. Houses built by local authorities do not have the protection of rent control, but they do have the benefit of large public subsidies. Thus, nearly all the citizens of Britain, other than those who own their own houses, enjoy housing that is cheapened by government action of one kind or another.

Those who see nothing wrong in this state of affairs have not considered its real effects. In practice, the present tangled system of rent controls and subsidies creates more in the way of waste and injustice than it relieves in the way of hardship. Rent control gives protected tenants a strong interest in remaining in their present dwellings, which most of them have occupied since before the war. It leads to inflated rents for the few uncontrolled dwellings, which causes a manifest injustice to be done to those not lucky enough to occupy a controlled dwelling. Many newly married couples have no alternatives but to share crowded quarters or to pay an extortionate rent.

This situation creates a whole chain of undesirable effects. In the first place, it makes workers less mobile, and it forces many people who do take a job in a new district to travel long distances daily, in order to remain in the controlled dwellings where they are sitting tenants; the vigour of the recent outcry against fare increases is in part a consequence of this situation. In the second place, strict rent control fosters the wasteful use of housing space to an extent which can only be guessed at but which is certainly considerable. Many families that are reduced in size by death or marriage find it distinctly cheaper to stay where they are than to move to a smaller dwelling—and larger families therefore have to remain cramped. People with a room to spare are under little pressure to take a lodger to help out with the rent. In the third place, controlled rents are undeniably too low, in relation to present building costs, to enable even the best of landlords to make proper provision for repairs. A considerable portion of the total stock of houses is being in this way hastened to premature decay and ruin.

These objections do not apply to the rent policies pursued by local authorities. Against these an objection of a different sort must be alleged. It is that the state is subsidising an arbitrarily chosen group of its citizens to an unwarranted extent. In 1938 the subsidy on local authority housing was £21 million. Currently it is twice this figure, exclusive of the high cost of emergency housing which is wholly borne by the central Government. What is more disquieting is that the cost has been increasing by some £3 million a year and that now, thanks to Mr Macmillan's magnanimity, it will rise faster.

Politicians quite fail to realise the extent to which they are mortgaging future revenue in blundering on with a policy which has never been rationally thought out and justified. The housing subsidies are not a selective relief to the needy. They are not given in aid of the poorest families, most of whom live in old controlled properties. Under existing legislation, council tenants are drawn from a wide range of income groups and without doubt many of them could afford to make a larger contribution to the cost of being housed.

The rents of controlled and local authority dwellings have to be considered in conjunction since they react on each other. Most of the houses covered by rent control were built before 1919; there are 8 million or so of them, which is more than half the total stock of houses. Most of them are far inferior, in every respect, to the 1,500,000 houses built by local authorities between the wars and still more so to the further 1,250,000 which have been completed since 1945. Local councils feel obliged in some measure to relate the rents of these newer and better dwellings to those of the controlled properties from which most of their tenants are originally drawn; and they have been under obvious pressure not to break the standstill on prewar rents. On the other side, one obstacle to raising the rents of controlled houses to an economic level lies in the fact that their tenants, as ratepayers, are helping to subsidise residents in council houses who are much better housed than themselves.

*

Such is the general nature of the rent problem. The present government has every reason to seek a speedy remedy. It accepts the vital importance of redeploying the industrial labour force; therefore it must wish to reduce artificial restrictions on the mobility of labour. It regards housing as the first social priority; therefore it must regard with dismay any cause of wastage and decay among the existing stock of houses. It believes in the ideals of home ownership; yet present housing policies

Head Office
ROYAL EXCHANGE,
LONDON, E.C.3.

Branches and Agencies throughout the United Kingdom and Overseas

The successful continuity of the 'Royal Exchange' over a period of two and a quarter centuries has resulted purely from the satisfaction of its Policyholders.

ROYAL EXCHANGE
ASSURANCE: INCORPORATED IN 1720

discourage and discredit this very ideal. The family buying a home gets no aid from the state, but the family which secures a state dwelling gets over 40 per cent of its rent paid for it. No wonder local authority waiting lists are swollen to such enormous lengths, while the demands for private building licences, now that at last they are more freely available, is below expectations.

There is also a political reason why the government should not be afraid to tackle the rent problem. Their opponents may otherwise steal a march on them. The Labour theorists, at least, are getting round to the modern rent question. One result is a recent Fabian pamphlet,* whose author, Mr D. L. Munby, suggests a plan which has at least the merits of being responsible, logical and comprehensive. Briefly, it is that urban working-class housing should be progressively and compulsorily municipalised, and rents then adjusted to take account of relative amenities and to provide, in the aggregate, for repairs, maintenance and a return on capital. Mr. Munby is as fully alive as a liberal economist to the anomalies of the present position, and to the case for an upward revision of controlled rents. Indeed he aims, through an average increase of 5s. a week in controlled rents, to find the money both for undertaking proper repairs and for reducing the subsidy bill by a substantial amount. He would use complete socialisation to lift most of the housing burden from the taxpayer and ratepayer.

Despite the plan's ingenuity, there will be few other than determined Socialists who can stomach the notion of a complete public monopoly in housing. Mr Munby would prevent too much concentration of power by arranging for municipal instead of national ownership and control. But this device has difficulties of its own. What guarantee, for instance, is there that local authorities would pursue the policy of rent rationalisation on which Mr Munby rightly insists? At present, most of them fail to do this even on their own estates.

This Fabian pamphlet may at least serve to show the present government the dangers of indefinite delay. If it dallies too long in making the moderate and unpartisan reforms which are surely open to it, it may find that the initiative is seized by the next Labour Government and used in a direction that cannot be reversed. Whichever party lets rents rise will, of course, earn some unpopularity. But the Tories ought not to turn in fright from the prospect when Socialists recognise, in theory at least, the need for higher rents. If the government played its cards properly—and if it acted in time for the benefits as well as the costs of rent reform to be visible by 1955—it need not lose votes as a result and it might even get for once more credit than blame.

*

The first requirement of a rational policy is an upward revision in the general level of controlled rents. In theory a case can be made for reverting by stages to a free market in rented property. In practical politics, even a policy of partial decontrol must be ruled out at present. But this does not mean that nothing can be done. The issue was faced once. After the first world war, all controlled rents were allowed to rise by a simple percentage. To repeat this would be a crude remedy; it would be particularly unpopular and it would perpetuate anomalies by ignoring changes in the relative values of properties which have taken place since 1939 or earlier. But even this blunt instrument would be far better than nothing.

It is probable, however, that a more scientific method of rent revision can be found. One interesting approach, for which fresh arguments have recently been adduced by the Chartered Auctioneers and Estate Agents Institute*, is to link the level of rents to the rating system. The first step would be to make the repairs allowance realistic at present prices; that is to say, the statutory deduction from gross rateable value allowed for repairs would be multiplied by the increase in the cost of repairs since 1939; the product would be added to the controlled rent. This would meet the most immediate problem. The full solution would consist in equating the controlled rent of each dwelling with its gross value as determined for rating purposes. This proposal has the great advantage that it could be related to the Inland Revenue's comprehensive review of valuation lists, which is intended to secure uniformity between local areas, if and when that review is completed.

It would take a fertile imagination to paint some such system of rent revision as the cause of much hardship and a myopic vision to see it as an act of class warfare. Since the earnings of the average industrial worker have about doubled since before the war, while his rent has remained unchanged, it is clear that the effective burden on the occupant of a controlled dwelling is about half what it was. The average controlled rent is little more than 7s. a week in the country as a whole and 11s. 6d. in London. To award an increase of up to 50 per cent could cause no more than a marginal amount of hardship, which —as with the food subsidies—would be better treated by larger social security provisions and family allowances than by keeping rents far below their economic level. So far as landlords are concerned, it is no more than common sense and justice to make allowance at least for the present cost of repairs. It would no doubt be prudent, and it would not be difficult, to strengthen the safeguards requiring landlords to keep their property in good condition.

*

The other half of rent policy is to apply the same general principles to local authority housing. The problem is complicated here by the widely differing practices of local authorities and by the high cost of postwar building. While the average prewar council house is still rented at little more than 10s. a week, the subsidy for postwar houses is based on the assumption of a notional rent of 18s. Moreover, the same type of postwar three-bedroom house was being rented last year at 9s. 3d. by one local authority and at 29s. 3d. by another.

Progress towards a more rational system of council rents requires councils to accept two principles. The first is that a local authority should pool its subsidies and fix its rents according to the intrinsic worth and amenities of its different properties, instead of according to the accident of when and under what Act each of them was built. It seems that only about a third of local authorities have consolidated rents along these lines. The second principle is that the local authority should fix a level of rents which will in total yield an income adequate, with the statutory subsidy, to meet its housing costs. This would put an end to the pernicious system whereby additional subsidies are found by raiding the repairs fund or the general rate fund.

But the Government should do more than impress on local authorities the essentials of sound housing management. It should accept the need for a reduction in the statutory housing subsidies which Mr Macmillan has just foolishly increased. To subsidise every council tenant, whatever his income, by an average of over 40 per cent of the cost of his house—or more than this if he happens to live in a flat—is an unwarranted extravagance. Subsidies for general housing purposes cannot now be immediately eliminated, but they should at once be kept within a strict upper limit of, say, a quarter of the economic rent. To go further than this is grossly unfair to that majority of the community who must support the tenants of council houses.

There is no reason to suppose that the application of this principle would cause widespread hardship. But in so far as hardship did result, as it would in a few cases, the local authorities have a means of meeting it through the system of rent rebates to families with very low incomes. Only a small minority of local authorities are at present operating rent rebate schemes. Objection is often taken to the "inquisition" into means which is entailed. But it is quite unfair that taxpayers and ratepayers should be mulcted indefinitely and subsidies paid to those who do not need them, in order to spare the susceptibilities of a small number of council tenants who cannot afford to pay a reasonable rent.

Such reforms as these would be far from perfect. They are a compromise between what is economically desirable and the reluctance of politicians to disturb anything that appears to benefit a lot of people. The point is that a practical compromise can be found—and ought to be put into legislation within the next year or two.

* "The Rent Problem." By D. L. Munby. *Fabian Publications and Gollancz.* 28 pages. 1s.

* Memorandum on the Amendment of the Rent Restriction Acts."

Roundabout and Roundabout

THERE is little point in protesting against the symptoms of political uncertainty in Britain. A government elected with a narrow majority seven months ago is already half-demoralised by evidence of its declining popularity, but has to face crucial issues both in foreign policy and in economics. In these circumstances debate is bound to concentrate on short-term matters. It is harder than usual to see the wood as a whole. Yet, even so, it is surprising that there has been so little discussion of the general constitutional principle behind the debates about denationalisation. How far are ministers entitled, under the two-party system of parliamentary government, to reverse their predecessors' measures?

The present government proposes to repeal the Steel Act, by denationalising the industry; it proposes to amend the Transport Act, by returning road haulage alone to private ownership. Labour last month responded to the second, milder proposal as it responded at the beginning of this Parliament to the first. The leaders of the party have indignantly committed themselves to restoring when they are next in office all the creations of the 1945-50 Parliament on which the Tories dare to lay a destructive hand. The difficulties and dangers of this situation need no labouring. Immediately, by frightening private investors who would be willing to return to steel and road transport, it raises a formidable obstacle to measures that Her Majesty's present Government firmly declared to be its policy before it was elected. And if the Conservatives nevertheless go ahead with their plans, steel and transport may find themselves faced with three fundamental changes of organisation—nationalisation, plain, de and re—within some eight years. No one, socialist or non-socialist, really wants that. The control and management of basic industries cannot be disturbed with every change in the tide of politics. If the parties are unable to avoid this result, the British party system is in decay.

The situation is serious enough for some people who do not like nationalisation nevertheless to regret that the Tories ever advocated denationalisation. The proposals for steel and transport are, it is said, an unjustified departure from the British political tradition. This attitude carries more weight because it fits in with practical considerations: there are undoubtedly Conservative leaders who would gladly be rid of one or other of the proposals. That is the measure of the power of obstruction that the narrowness of the party division gives to Labour. But the Government's difficulties over its timetable ought not to be confused with an assertion of principle. To say that no incoming government should have the right to undo what its opponents have done ill would be just as foolish, and nearly as destructive, in the long run, of the efficiency and stability of British democracy, as to establish the practice that every new government should repeal *in toto* all that its predecessors enacted. Neither extreme position is tenable.

*

Historically it is true that governments rarely have reversed their predecessors' measures, however strongly those were opposed before they became law. But a generalisation is not the same thing as an established rule. In British constitutional practice, precedents create conventions only when, as an eminent authority has put it, they are recognised to have created conventions. And hitherto there has been no recognition in this case. The Labour party followed no such rule when, as soon as it gained power, it repealed the Trade Disputes Act of a prewar Conservative government. Independent opinion did not condemn the Tories' present denationalisation proposals as unconstitutional when they were declared in opposition. To have doubts now is not to respect constitutional principles. It is faint-heartedness. It arises simply because Labour in opposition has bared its teeth in defence of its Iron and Steel Corporation and Road Haulage Executive.

The reason for this ferocity is plain. It is Labour's lack of policy. Defence of what the last government did is the only thing on which all sections of the party can unite with enthusiasm. The poorness of the motive does not make Labour's attitude any less important—particularly when its chances of forming the next govern-

ment are so good. But the fact that a bewildered party clings so bitterly to what is familiar to it is no basis for erecting a new constitutional principle. It is not a reason for limiting the freedom of government action that is one of the characteristics of British parliamentary democracy.

The significance of Labour's reaction is simply that it illustrates one of the practical reasons why governments are and should be cautious in reversing their predecessors' measures. Whether the measures in question have worked well or badly from their authors' own point of view, an open and direct reversal of them hits the defeated party at a tender spot. It rubs in the election defeat. Inevitably, it stirs strong emotions in any politicians, even if they are reasonable and disinterested as politicians go. It encourages them to strike attitudes and commit themselves irresponsibly to repeat what they did five years ago in circumstances, perhaps five years or more ahead, that no one can foresee.

These are overwhelming reasons for caution, but they are not excuses for inaction. Politicians will always on slight provocation strike attitudes and at times oppose irresponsibly. If a government were never to do anything that encouraged these things, it would do nothing. It is not the main duty of Ministers to keep their opponents on the narrow path of political moderation—even opponents far less inclined to stray than the present Labour leaders.

It is not only legislation that can be reversed. In practical politics, there is no sharp dividing-line between legislation and administration. And the denationalisation of steel and road haulage do not anger the Labour party more, or make it react more irresponsibly, than the health service charges. Anything new that a government does is in some measure a reversal of previous policy. It is by implication a criticism of the previous government and can, if the opposition is sensitive and arrogant enough, provoke resentful threats to restore the *status quo* at the first opportunity.

★

The conclusion of this argument is plain. There is no escape from the present party deadlock over steel and transport by trying to establish a principle that governments should leave undisturbed what others have done. This is not to say that a game of roundabout and roundabout can be allowed to develop. It would produce, in the case of nationalisation, denationalisation and renationalisation, little short of chaos in industry. How can this danger be avoided, or at least limited, by more flexible rules? Four points suggest themselves.

1. *Fair warning:* This is the field where the doctrine of the mandate is most clearly applicable. The reversal of existing legislation cannot be an unforeseeable issue; in all but the most exceptional circumstances, a government is justified in undoing its predecessor's work only if its election programme has plainly said so.

2. *Moderation:* Whatever the mandate, reversals of previous legislation should be moderate in scope. If a government should want to scrap an overwhelming part of what the other party in the state has done, the national unity underlying political differences would already be broken and democracy would be in peril. Neither party can afford to run any risk of creating such an impression.

3. *Fair trial:* The repeal of legislation, however fundamental the objections to it expressed in debate, must be rejustified by evidence that the legislation has in fact worked badly. Repeal is highly questionable if the case for it has grown no stronger with experience.

4. *Constructiveness:* Repeal still cannot be justified unless the alternative to the existing legislation is promising. No government should embark on undoing its predecessor's measures without a reasonable expectation that, by the time Parliament has run its natural term, there will be a clear improvement to show for the upset and risks.

The Tories' present proposals easily pass the first three of these tests. Denationalisation of steel and road transport were promised at the election. They undo only one item and a portion of another item of the Labour government's vast mass of legislation. The portion of an item—nationalisation of road haulage—has had little relation, in practice if not in theory, to the main effect of the Transport Act, which was to nationalise the railways. And it is no secret that the one full item—steel nationalisation—is a measure that some Labour Ministers themselves opposed and that was deliberately designed to satisfy socialist enthusiasm rather than to make any real reform in the industry. Finally, many liberals and independents share the Tories' view that nationalisation in these industries has not worked well so far and has shown little promise.

It is by the fourth test that the Tories are in danger of failing. Neither for steel nor for road transport have their alternatives to nationalisation yet been worked out in detail. But what has been revealed about the broad nature of their schemes is disquieting. They do not promise a regime of efficient, competitive enterprise instead of state monopoly. They offer little hope of solving the problems of steel and transport that nationalisation has failed to solve. Yet this is surely the critical test from the constitutional as much as the economic point of view.

If the denationalisation measures are ill-designed, Labour will enjoy itself in opposition and work itself into a position where it is absolutely committed to renationalise. But if denationalisation is after all well thought out, if it proves to offer real scope for lowering the cost of steel and transport, the Labour party will discover that irresponsible opposition yields electoral losses. Its leaders may by 1955 be announcing magnanimously that for the sake of industrial stability they will let denationalisation of steel and road haulage be. In the state things have now reached, that is surely the result which Conservatives who look beyond narrow party interests, as well as independent opinion, should hope for.

It involves for Ministers an extraordinarily difficult task: essentially, they are required by the wisdom of their own measures to shame the Labour party into a sense of responsibility. Success in such an endeavour cannot be guaranteed; it is an open question whether, when it is rent by internal quarrels, the Labour party is capable of shame. But genuinely to make the endeavour will at least justify the Tories in their decision to repeal two bad pieces of legislation. Otherwise, it might be British democracy that would be thrown off the roundabout.

The Mark of the Age

The submarine telegraphic communication between England and Ireland was completed on Tuesday. . . . Though the Legislature, therefore, stand still, or even under the guidance of Lord Derby try to retrograde, the business of life goes forward with an accelerating velocity. Discoveries in science and improvements in art are not dependent on Parliamentary enactments. The laws that call them into existence in all times and places are perfectly effective; they are never put on half-pay, and their operation is not to be suspended by any supineness, neglect, or even active opposition from any quarter whatever. In conjunction with them new trade springs up, new business is carried on, more people can find the means of subsistence, more children are born, more grow up, more are ready and willing to seek new homes in other lands, and society expands and fills more and more of the surface of the earth. . . . Material improvements, strange and unexpected, mark the age, and they are not confined to any one country. In various parts of the Continent and in the United States, railroads and telegraphs, the two most conspicuous modern inventions, are almost as common as in England. Never, perhaps did two great and remarkable improvements come so rapidly into general use. Society was everywhere ready to adopt them. They are congenial to it, and have become parts of it. They belong not to any one country, but, like trade, to every country. They are everywhere, or will become everywhere, parts of that society of which trade is another part, to which legislation, whether in Russia or in England, in the United States or in Japan, must be adapted. There are some elements, then, of society, some of its parts which are growing and extending, common to every community, and which all over the world will in time effect a considerable conformity of legislation.

The Economist

June 5, 1852

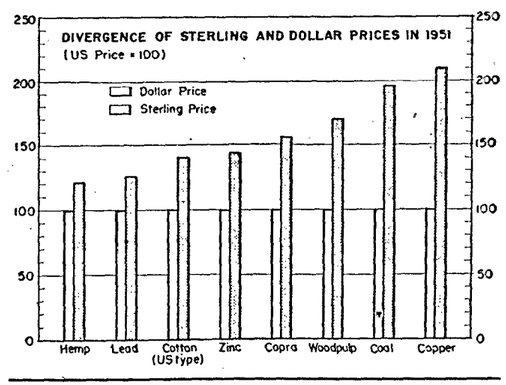
Commonwealth Development—II

Two Basic Conditions

THERE is no doubt that the potential resources of the Commonwealth are vast, and some indication of their vastness was given in the previous article. But the mere existence of resources is not an overwhelming argument in favour of development. A vital consideration, particularly for countries dependent on international trade, is cost. The United Kingdom has never bought its imported raw materials or foodstuffs regardless of cost. Preferences have been given on certain commodities from the Commonwealth; but they are not large and have not been given for long. Indeed, it is vital that Britain should buy its requirements in the cheapest possible market. Britain is as dependent on its export trade for solvency fully as much as it is dependent on imports to prevent mass unemployment and mass starvation. The imports have to be paid for by exports, and the exports have to sell in world markets. Britain's manufacturers have to accept world prices for what they sell, and they cannot afford to pay more than world prices for what they buy. To be sure, these truths have been somewhat obscured by the universal sellers' market of recent years. But competitive conditions are beginning to return and in a country committed to high employment, manufacturers cannot afford to pay inflated prices for their raw materials. It is wise to proceed with development in the Commonwealth only where the resulting supplies will be available at prices no higher than other producers will demand.

This is not the interest of the United Kingdom alone but of the primary producers in the Commonwealth as well. No country likes to be linked to a single market. If primary production in the dominions and colonies is to be expanded, the main market for this extra output will doubtless be in Great Britain; but the producers will also want to be able to sell elsewhere, and for that they must be able to produce at competitive prices, without too great a degree of dependence on the preference they may enjoy in the British market or on any other devices for getting more than the world price.

All this is familiar—though it is often forgotten. But recent years have brought one important new element into the picture. What is the world price for a commodity? To a large extent, there now tend to be two world prices—one the price that is offered and accepted when payment is made in dollars or in other hard currencies convertible into dollars; the other (and higher) price the one that prevails when payment is made in one of the "soft" currencies which, convertible in various degrees into each other, are not convertible into dollars. This divergence between dollar and sterling prices for similar commodities was particularly marked last year; sterling prices ranged from 20 per cent higher for hemp to over 100 per cent higher for copper. The differences for selected commodities are shown in Chart I. But last year was exceptional and it would be unwise to expect such large premiums for sterling supplies to continue. Generally, sterling prices have been only about 10-12½ per cent above corresponding dollar prices.



If these conditions are likely to persist indefinitely, then the requirement that development in the Commonwealth must be able to justify itself competitively is lifted in a significant degree. It is not removed altogether; for Commonwealth supplies must still compete with other non-dollar supplies. Nor can the gap be very large; for the Commonwealth primary producers will wish to sell part of their output in dollar markets—indeed, in many cases it may be essential that they should do so; and the British manufacturer, in his turn, will have to sell part of his production in dollar

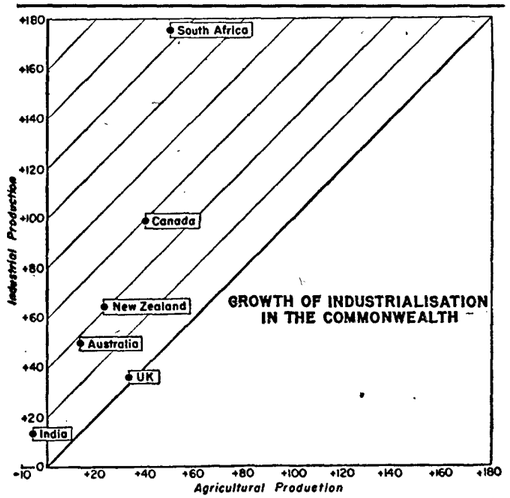
markets, where it will compete with goods made from cheaper materials. Sterling commodities cannot therefore afford to be more than a little more expensive than dollar commodities. There cannot be any wholesale development of commodities that at present have to be imported from the dollar area. Each commodity will have to be decided on its merits. If zinc can be produced in Nigeria at only slightly more than its cost of production in Mexico or in the United States, then a case can be made out for its development. But only in exceptional circumstances should development be pursued if costs are very much higher than in competing areas.

Nevertheless, the persistence of a division of the world's currencies into hard and soft, with imperfect convertibility between them, does create a certain added margin of potential profitability for Commonwealth development. But will this division persist indefinitely? Few things are harder to predict — and yet more essential to know as a basis of assumption. The official policy and hope is to restore the full convertibility of sterling. It seems reasonable to suppose, however, that even if sterling becomes officially convertible, Britain and the other non-dollar industrial countries of the world will have to watch very carefully the volume of their dollar purchases. Even if it is not enforced by exchange control, there will remain a strong bias in favour of purchasing where payment does not have to be made in, or the purchase money converted into, dollars. This should translate itself into a margin of protection, perhaps undefined and inarticulate, for the Commonwealth producer. But it is rather a shadowy foundation for expensive schemes of development—hardly enough to justify proceeding in cases where the basis of profit would entirely disappear if the globe became one world again in matters of finance and commerce.

*

There remains the second basic condition that will have to be observed if there is to be a great expansion in Commonwealth development. The dominions are independent countries, and even the colonial territories are being granted more and more independence in their domestic affairs. These countries cannot be told to develop; they must accept development as part of their economic policy. This is not just a matter of granting leases or arranging royalties. The government of the area must actively help in the project. Development is not always the simple matter of erecting a new mine or ploughing up virgin grassland. It often involves building new towns, providing all the necessary public services, including schools and roads. Further there must be no threat of nationalisation as soon as the project shows that it can pay its way. But the problem is even wider than that. The expansion of secondary industries can be a natural development, such as the movement of metal refining from the consuming to the producing areas. Since the great depression of the 1930's, however, many primary producing areas developed consumer industries in order to diversify their economies and to make them more stable in times of economic upheaval, and some of these new industries are dependent on imported raw materials. This tendency was stimulated during the war, when these countries were cut off from their normal sources of imports of manufactured goods, and it has continued since the war. Some idea of its extent can be seen from Chart II which shows the percentage increase in industrial output relative to agricultural output in 1950 compared with prewar years for certain members of the Commonwealth.

If a country is to develop its primary production, it must be willing to export its output and to receive in return goods that it cannot produce so efficiently itself. This does not mean that all secondary industries in the primary producing areas must close down. It does mean that their development must not be artificially stimulated. The benefits of international division of labour encouraged by expanding international trade have been forgotten in recent years. But the history of Britain during the last 150 years has proved that these benefits exist; indeed, were it not for international trade the British people would have a much lower standard



Countries where industrial output has increased more than agricultural output lie above the diagonal line; in those countries farther away from the diagonal, industrial output has increased relatively more than in those countries nearer it. If countries had expanded agriculture more than industry they would have been below the diagonal.

of living than at present. And this lesson will also have to be observed by the other members of the Commonwealth. They will need to appreciate that a development plan, designed to expand their exports, has direct implications for their imports also. They will have to ask themselves how—that is, in what goods—they are to receive payment for the additional exports they send out, or—to put the same truth in another way—how their potential customers are going to be able to buy from them except by selling more to them.

The Commonwealth, then, has vast resources, some of which have been developed and others remain to be developed. The two particular questions to be answered at the outset are, first, what resources can be developed at a cost not much above that in competing areas, particularly in the dollar area; and secondly, whether the countries concerned will permit and encourage this development and accept imports in payment for these exports? If the answers are in the affirmative—and again it must be emphasised that development must be studied commodity by commodity and area by area, and not as a grandiose all-embracing policy—other equally important problems remain to be solved. And the first is whether long-term markets exist for this extra output.

(To be continued)

NOTES OF THE WEEK

Bevan *versus* Attlee

When the Labour Party reassembles at Westminster next week for the last two months before the summer recess it will have to sort out a new version of the Bevan controversy. In the past Mr Bevan has tried to preserve some, at least, of the formalities of a dispute about things, not about persons. But just before Whitsun the Bevanites launched a direct and outspoken attack on Mr Attlee's leadership. In *Tribune*, the periodical edited by Miss Jennie Lee and Mr Michael Foot, Mr Attlee is accused of having endangered the unity of the party. He is charged with having thrown over, in the last debate on foreign affairs, the Labour party executive's declaration demanding that further talks between the four powers should precede any German rearmament. That policy was attacked by Mr Eden, and Mr Attlee in his reply sought with remarkable deftness to bridge the obvious gap between the executive's statement and the policy which the Labour Government had followed in power.

The open attack in *Tribune* was supported by a more subtle move in the House of Commons, where the Bevanites secured close on sixty signatures to a motion calling for the adoption of the national executive's policy. The very tabling of this motion by the back benchers of the Opposition can only imply that, in their view, the front bench is not doing its job. The Bevan controversy has become a direct challenge to Mr Attlee's leadership as well as to official party policy.

Dr Dalton's name was not on the motion about Germany, but he is undoubtedly playing an increasingly active role in trying to swing the Labour party decisively against German rearmament—and to make a personal come-back. The issue gives him a link with Mr Bevan which may become important in the internal politics of the Labour party. If they intend to hunt together for power some strange things may happen. Personalities apart, the question of German rearmament is a far more fundamental division of opinion than that about the degree of rearmament. And while Mr Bevan may not have succeeded in his avowed intention of ending the period of bipartisan foreign policy in the Commons, he is certainly putting an end to any such unity of opinion within the Labour party.

The effect of these repeated attacks on the party leadership is likely to be all the more grave because the attackers have no clear-cut programme, particularly on economic affairs, to offer instead. The Labour party is now in imminent danger of finding itself, if not utterly leaderless, at least with its leadership more weakened and divided than at any time for the past twenty years. It is feeling the loss of Ernest Bevin and Stafford Cripps even more keenly now that it is in opposition than it did in its declining months in office. As the perspective lengthens those two stand out more and more clearly as the real architects of the policy of the postwar Labour party, and the gap has certainly not been filled from either wing of the movement. Mr Attlee is a skilled and highly respected leader of men. But he is not a leader in policy. His great contribution to the Labour party was his ability to get the policies of Mr Bevin and Sir Stafford carried out despite the existence of a powerful opposition to their ideas within the ranks of his own supporters. His problem now is that he has been left with no such policies to put across.

* * *

Arms and the Unions

The General Council of the TUC showed courage in rebuking last week all the opponents of rearmament within the trade union movement. Its statement divided the protests against the present rearmament programme, which have now been registered at the annual conferences of a succession of unions, into two categories. There are the Communists "who, because the object of their first loyalty exists outside this country, have been consistently opposed to any rearmament of the free nations." And there are, secondly, people who think "that rearmament is a luxury which can be taken up, materially modified, or discarded at will"—in short, the Bevanites. The TUC rejects this view as decisively as ever. It maintains that the rearmament programme, though it may have to be modified, must be carried out at all costs and whatever happens. It rejects the theory, so popular in the unions, that Britain's economic troubles are caused by rearmament.

In saying these things the TUC fulfils an important and obvious public duty; it knows that most trade unionists would still, if the issue were put in this form, support the foreign policies that Mr Eden has inherited from Ernest Bevin. Unfortunately the organisation of the trade union movement makes it inevitable that the TUC should speak late in the day—after many unions have passed their resolutions calling for less rearmament. And, as the electricians and foundryworkers have shown this week, the TUC cannot change the opinions of unions whose delegates have already made up their minds.

The difference between the principal union leaders assembled as the General Council of the TUC and the individual unions is not, on an issue of this kind, surprising or necessarily disturbing. The TUC takes, at times, a national view; the unions think first of how rearmament affects the interests of their members, which they exist to protect. The national committee of the Amalgamated Engineering Union would probably never have voted against rearmament if a voluble few had not managed to convince a great many engineers that rearmament threatens to disturb their livelihood. It is significant that the National Union of Mineworkers, which is often more rebellious than the AEU, does not propose to discuss rearmament at all at its forthcoming conference; the miners do not feel personally affected one way or the other. When narrower interests determine so many union attitudes to political questions the direct influence of the TUC is bound to be small. It is to the political leaders of the Labour movement that the unions look for guidance on rearmament, and until the Labour party as a whole has made where it now stands more certain the disagreement between the TUC and many of its constituent unions will continue. The Council's pronouncements on foreign policy will carry regrettably little weight with those they are aimed at.

* * *

On the German Frontier

The measures now being taken to create a no-man's land along the 400-mile frontier between East and West Germany point clearly in two directions. First, the Communists and their Soviet advisers are intent less on sealing off their zone than on controlling access to and exit from it. When Grotewohl and company talk of stopping the influx of mischief-makers they should be taken seriously; for much propaganda goes in to Eastern Germany and much information comes out of it. But a complete sealing off would mean the end of illegal trade which is vitally important to the East German economy. Secondly, it is apparent that the Russians intend to thrust the East German government more and more to the front in dealings with the West in Germany. It must be expected that control of eastward movement will fall more and more into German hands, and that the western

governments will find themselves forced to negotiate with the regime and not with the Soviet occupying power. That is a prospect about which the Americans, British and French should do some hard thinking now—not forgetting Korean precedents.

The Russians and East Germans are playing their cards slowly, and will certainly keep something up their sleeves for the period when Dr Adenauer's agreements with the West come up for ratification. They can do many things to make West Germans think that unity is fading further into the distance while saying things that make it seem still possible. For there are insufficient honest men in West German politics to point out that the division and rearmament of Germany were begun by the Russians.

The action taken against the Communist broadcasting station in the British sector of Berlin was a quite justified gesture in the circumstances of the last three weeks. There is continuous danger of incidents arising as the Soviet cordon round the city is tightened; and one positive move from the western side which obliges the other side at least to negotiate is the only way to show firmness. Although there is still no sign that this is more than cold war of the familiar kind, the greatest restraint in action and language is called for.

* * *

Police and Partisans

A real trial of strength is now on between M. Pinay's government and the French Communist party. M. Duclos, the Secretary-General of the party, is in prison and last weekend the police raided the national and several regional headquarters of his followers. They were searching for evidence of an attempt against the internal security of the state. The clash in the streets of the capital which began the trouble seems to have been a calculated challenge to the Paris police; the party had had fair warning that demonstrations against the arrival of General Ridgway to succeed General Eisenhower would be suppressed, and it replied by turning out its trained bands—as ugly customers as any European city can produce. These were not by any means the first *bagarres* of this kind, but it is a long time since a French government reacted so vigorously and with so much popular support. Our Paris Correspondent describes in an article on page 661 the background to these happenings.

The Government's action will, of course, be criticised and every liberal-minded person will keep a sharp eye on how police forces are used in countries where the political trend may be towards the right. But it must not be overlooked that, if the police do not maintain order against the Communists in the cities, then others will start doing it for them, as happened in the Weimar Republic. Stern enforcement of law by Ministers of the Interior responsible to parliament is a legitimate and necessary part of the defence of democracy; and the more efficient and organised the forces of disorder become, the more efficient and organised the forces of order should be. The alternative is the appearance of the storm trooper and a gradual drift towards personal dictatorship.

With the Fascist experience to look back on, Signor de Gasperi's government has used this lesson for Italy. The special gendarmerie, called *Celeri*, are now treated with respect by street fighters of both Right and Left. Germany and Japan may be facing the same problem at any moment. It is puzzling to the layman that so little has been done to provide the police with ways of resisting violence which would be effective but not brutal. Hoses using dyed water are surely not the last word on the subject. It is difficult to believe that scientists could not help in the search for weapons which would reduce the risk that the maintenance of order should lead to irresponsible brutality by exasperated policemen. Is there anything specially democratic about hand-to-hand fighting?

Syngman Rhee and the Korean War

Whether or not the North Koreans and Chinese Communists intend to launch the military offensive for which they have been building up capacity, the United Nations now have plenty of trouble behind their lines in Korea. In addition to the extraordinary incidents on Koje Island (where it seems that Communist prisoners of war are now being intolerably "provoked" by being deprived of their right to fly their own flags and deck the camp with political slogans), there is the much more serious affair of the conflict between President Syngman Rhee and the South Korean Assembly which has resulted in the arrest of a number of its members.

Under the constitution the President is elected by the Assembly and Dr Rhee's term of office is due soon to come to an end. He has been on bad terms with the present Assembly, which was elected in May, 1950, just before the outbreak of the Korean war, and his chances of being re-elected by it are slight. He has now resorted to coercion and intimidation in an attempt to crush parliamentary opposition to his rule. This is a scandalous state of affairs in a country which is nominally democratic and owes its survival to its protection by the UN armed forces. The situation justifies measures by the United Nations' Command to compel President Rhee to observe the constitution even if it means his own political eclipse. As a political figure, he is worthy of respect for his struggle in early life against the Japanese oppression of his people (when he was imprisoned and tortured by the Japanese), for his stubborn perseverance in exile to obtain international recognition for the Korean national cause, and for the energy with which he has tackled very difficult problems of government since his return to Korea. Unfortunately he has reached a stage of self-importance in which he regards himself as indispensable for the salvation of Korea and all opposition to him, however legal and constitutional, as treason.

The United Nations' Command and the governments associated with it cannot be expected to share this view. Its army is in Korea to protect the Korean Republic against external aggression, and in consequence also against any Communist-instigated insurrection behind the lines aiming at the overthrow of the recognised government; but this protection cannot extend even indirectly to support of President Rhee against a body which has the constitutional right to remove him from office. There is naturally the greatest reluctance among the UN governments to intervene in any way in the Republic's internal affairs, for it is their aim to enable the South Koreans to preserve their independence; but they cannot remain indifferent if there is civil strife on their lines of communication, and they cannot go far wrong if they take their stand on the constitution which the South Koreans themselves have freely adopted.

* * *

No Easy Way

Lord Woolton's speech in the recent House of Lords debate on the working of the Town and Country Planning Act gave a hint that the Government may not amend the financial provisions of the Act so "drastically" as its election manifesto implied. If this means that the Conservatives recognise the need for continuity in town planning policy, it is all to the good. Unfortunately, it is more likely to mean that only a superficial solution will be found for the Act's grave defects. The discovery that agreed claims for compensation under the Act total no more than £360 millions, compared with the £300 millions available for this purpose, suggests the possibility of an easy solution. Why not pay out compensation (preferably in full) as provided by the Act, and then set to work to modify the objectionable features of the present system of development charges?

The Government will be sorely tempted to take this course, which would arouse no political heat, especially since the

compensation is due to be paid next year and no major amendment would be necessary immediately. Yet the results would be bad.

It has become clear that the payment of compensation, even in full, will not persuade owners to sell their land at prices which contain no element of profit. They have no incentive whatever to do so. The type of land market envisaged by the 1947 Act cannot be created, and the reasons for compensating owners once and for all for the removal of development value are largely vitiated, since development values cannot be effectively removed. But if the Treasury had paid out a large sum in compensation, it would hardly be prepared to sanction the complete abandonment of development charges. To do so would involve public finance in a wholly unwarranted loss. And greatly to reduce the incidence of development charge without abandoning it, would not prevent it from acting as a tax on development and improvement of property.

*

Both sides of the present equation are in fact badly designed. Owners who have no intention of developing are compensated and many would-be developers are frustrated. But the whole mistaken scheme hangs together. If compensation is paid on the present basis, it seems almost certain that the worst features of the development charge will be permanently preserved.

The Government should fully recognise that the basis of the 1947 Act—the public acquisition of all development value in land—has proved to be unworkable. The advantages of a return to the principle of a free land market, coupled with much stronger safeguards for the interests of town and country planning than existed before the war, are becoming increasingly apparent, even to some town planning officers. The Government should not prejudice the possibility of a rational and comprehensive solution by sanctioning large payments in aid of a mistaken objective now.

* * *

The Flat Rate Principle

The Family Allowances and National Insurance Bill passed through all its stages in the House of Commons before Whitsun—without controversy, without rancour, without heat. The only amendment that has been made to its original provisions took place on the report stage. It concerns the Industrial Injuries Act. Most of the benefits under that Act were already being increased by about 25 per cent by the new Bill. The effect of the amendment is to increase by the same amount the constant attendance allowance payable in cases of severe disablement.

The political harmony that has accompanied the Bill does not, however, mean that either party is entirely satisfied with it. Several members pointed out that the new insurance benefit and basic retirement pension of 32s. 6d. a week will still be 2s. 6d. below the basic national assistance payment of 35s. The assistance payment covers the cost of subsistence excluding rent, for which an additional allowance is made, and the rate is based on the cost of food, clothing, fuel, light and household necessities. Higher prices for these have brought the assistance payment to a level 46 per cent above that of 1948—which includes a margin for further rises in the coming months. In fixing the new level of insurance benefits, on the other hand, the Government has taken, as did its predecessor in raising retirement pensions a year ago, the whole index of the cost of living, which shows a rise of only 23 per cent since 1948.

It is clearly inappropriate that insurance benefits should be related to the same index as wages, and the Government has admitted that when the review of the whole scheme takes place other index numbers may be devised. But the Government had no need to rely on index numbers to justify the new level of benefits. Higher benefits, as the Minister

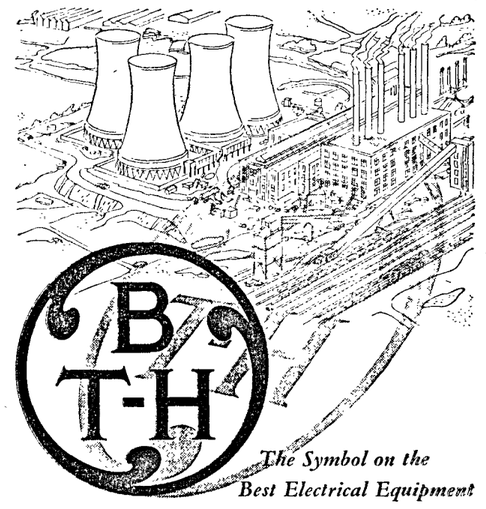
pointed out, mean higher contributions. If the benefits were to equal the assistance scales, the increase in contributions would have to be 50 per cent more than the Bill already provides for; Mr Peake and his two predecessors in office all declared that the contribution is becoming too big for the small wage-earner and self-employed person. "I do not think," said Mr Griffiths, "that we can sustain the flat rate contribution system much longer." It looks in fact as if Britain will be forced by its depreciating currency to adopt the system, used in most other countries, of relating contributions and benefits to earnings.

* * *

Charges in Force

The health service has already provided some classic examples of the hardships that are caused by a universal scramble for rights when there is not enough to go round. The provision of free dental treatment for the whole population deprived schoolchildren of their priority dental service. For some time they were also left well behind in the race for spectacles. The provision for the whole population of free treatment in hospitals has deprived the aged poor of their former right to die there.

The hitherto unlimited right to free drugs and medicines has produced overcrowding in doctors' surgeries and, in consequence, often inadequate consultations. As the new Minister of Health said at the weekend, if the prescriptions charge, which with the other charges came into force on June 1, reduces the demand for drugs and enables doctors to give better attention to those who really need their care, it will be a great gain. On the other hand, though it may redress the balance in this respect, the charge will provoke grievances among those who before 1948 never had to pay a penny for their medicines—the twenty-four million contributing under national health insurance, old age pensioners, and even nurses, for whom free drugs from their hospital



The Symbol on the Best Electrical Equipment

When it bears the famous BTH name, a turbo-alternator, a set of switchgear or a transformer embodies the results of very many years' expert research—hence the enviable reputation of BTH equipment all over the world. But power generation is only one direction in which BTH have specialised. It is the same in traction, marine engineering, mining, the aircraft industry—wherever first class electrical products are needed. With fifty-four years' experience and eleven factories, BTH can give outstanding service to industry in every sphere of electrical engineering.

THE BRITISH THOMSON-HOUSTON COMPANY LIMITED, RUGBY, ENGLAND

Member of the AEI group of companies

dispensary have always been a legitimate perquisite of office. All these are now paying the price of Labour's determination to provide a "free" service for everyone.

This does not mean that these particular classes should be exempt from the charge in present circumstances. Real hardship will be prevented by the Assistance Board, which will repay any of the new charges in cases of poverty. But the squeezing out of anyone from his previous privileged place does underline the need for the Conservatives' declared policy of priorities, not only in the health service but in all the social services. All the charges have been imposed so far purely for Budget reasons. Mr Macleod now says that he intends to watch their effect on restoring essential priorities. If they do have this effect, they would be justified quite apart from their immediate purpose of serving the policy of disinflation.

* * *

The Fall of Mme. Pauker

Until last week the major luminaries in the Rumanian Communist party appeared to pursue a somewhat less hectic course than some of their opposite numbers in other subject states of Eastern Europe. Now, however, with the startling fall from grace of Mme. Ana Pauker, the concealed tensions and discords within the party are more clearly revealed. Mme. Pauker, it is true, apparently retains her posts as vice-premier and foreign minister; but she has been moved from the real seats of power in the Party Politburo and Secretariat. She has been openly accused of both leftist and rightist deviations; and at the meeting of the Rumanian Assembly last week, she was observed seated in a lowly place, a shadow of her former self. To judge from past precedents, her complete eclipse is only a matter of time. Those disgraced with her include two strong men of the Party: Vasile Luca, Vice-Premier and former Finance Minister, and Teohari Georgescu, Vice-Premier and Minister of Home Affairs.

One can only guess at the reasons behind these precipitate somersaults from power. But the most convincing theory is that Moscow has thrown Mme. Pauker and her colleagues to the wolves in an attempt to palliate popular discontent at the grave and growing economic crisis. The currency reform of last January is known to have seriously miscarried. It has failed in its object of alleviating food shortages, inflation and industrial unrest, and has still further antagonised the peasants whose savings it wiped out. Vasile Luca is accused of open and direct sabotage of the monetary reforms and of the regime's economic plans. Mme. Pauker and Georgescu are accused of encouraging Luca and of conniving at his misdeeds.

Moscow's choice of who shall be a propritiatory victim and who shall remain in authority seems to have been guided by its wish to make the greatest possible appeal to the Rumanian people. Of the two chief victims, one is a Jewess, the other is of Hungarian origin; both are known to have strong ties with the Soviet Union. Their former rival, Gheorghiu-Dej, who has been promoted from vice-premier to premier, is a pure Rumanian; like Gottwald in Czechoslovakia, he is regarded much more as a "native son" than as a Moscow man. The pattern, indeed, bears a striking resemblance to the recent purges in Czechoslovakia; there also, it was the Jew and the staunch Moscow man who came to grief. It looks as if Moscow is reacting to popular discontent among its satellites by an attempt to disguise the iron hand of Soviet control in a velvet glove of nationalist and chauvinist appeal. Rumania would seem well-suited to such a policy, since, thanks largely to the work of Vasile Luca, the whole economy is thoroughly impregnated with Soviet technicians and advisers. If this theory is correct, the fall of Mme. Pauker and Vasile Luca provides perhaps the most impressive example yet of the completely cynical opportunism of the men in the Kremlin.

From Scarcity to Surplus

Eighteen months ago when the Korean commodity boom was rising to its peak, manufacturing countries were faced with the prospect of unemployment because there appeared to be insufficient raw materials to go round. Now, most primary producers are confronted with the spectre of surpluses, although prices are generally still above their pre-Korean level—prices of only four commodities, wool, Egyptian cotton, shellac and tallow, have fallen below it—and although output of most materials has increased only modestly. Price itself is no guide to profitability; the vital relationship is that between price and cost. The price-inflation generated by the scramble for supplies was in fact converted into a cost-inflation in primary producing countries and although producers are receiving much more for their output than they were in June, 1950, their profit margins have almost vanished.

The major item of costs in primary production is labour, and wages are notoriously difficult to reduce. Even wages based on a sliding scale geared to the price that the particular commodity fetches in the world market are seldom reduced, no matter what happens to the price. And politicians seek salvation in international commodity schemes. In the 1930's trading in practically every major commodity was controlled by some form of international agreement. At present a scheme for cotton is being studied, another for rubber will be studied shortly; the tea and sugar agreements exist but are not as yet in operation; the international wheat agreement due to expire in July, 1953, is expected to be continued for another period of four or five years. Tin at the moment is in a happy position, for its price is virtually pegged at a profitable level by the American Government. Commodity schemes are again becoming the vogue because they provide an easy solution to what is otherwise an awkward political problem, and more will be heard of them in the next twelve months.

The case for an international control scheme, and likewise the form of such a scheme, must be decided on its merits—both political and economic—commodity by commodity. There can be no general rule, save one. The world has not yet reached the state where too much food and raw materials is being produced to satisfy the developing needs even of the western world quite apart from the so-called under-developed areas. The expansion in American industrial capacity and the projected expansion in European industrial output is a vivid reminder that in a few years' time—say, by 1960—the world might well be faced once more with a shortage of primary products. If therefore a temporary surplus is to be prevented by international agreement, such an agreement must permit a constantly expanding output to meet the needs of the future.

* * *

Western Disarmament Proposals

At the Disarmament Commission in New York, the western powers have tossed some new proposals into the ring. They are concerned with the reduction of national armed forces and have much to commend them. The idea is that a fixed numerical limit should be set to the armed forces of the powers, and in particular, to those of the big five. The ceiling for the United States, China and the Soviet Union would be between 1 million and 1,500,000 men, while that for France and Britain would be between 700,000 and 800,000 men. Sir Gladwyn Jebb, who introduced the proposals, reckoned that if the present American strength is estimated at 3,500,000 men, it would have to be reduced by between 57 and 71 per cent; and that if Soviet strength is estimated at Mr Malik's figure of 2,500,000, it would have to be reduced by between 40 to 60 per cent. Here the Russians have been neatly hoist with their own petard, since their real armed strength is believed to be over 4 million men.

These suggestions offer a much more practical and realistic approach to the problem than does the Soviet proposal for a straight cut of one-third in the armed strength of each of the Big Five. For while the latter appears designed to perpetuate the present disparity between the armed forces of the Communist and non-Communist powers, the object of the new western proposals is to restore a rough equilibrium between them.

It is also hoped that the mutual confidence generated by agreement on this one point would make agreement easier on other aspects of the western disarmament plan, such as the control of atomic energy and the inspection and gradual reduction of armaments. The western powers certainly do not improve the chances of survival of their new plan by insisting that it is part and parcel of the general disarmament plan to which the Russians are already bitterly opposed; but it is hard to see how they could do otherwise. This is not to suggest that Sir Gladwyn Jebb and his French and American colleagues have been wasting their time. Their proposals may come to naught, but they have at least regained the initiative which for too long has remained in Mr Malik's hands. Above all, they have made an honest and constructive attempt to get on with the job.

* * *

Closed Minds in Durham

"I do not think that County Durham will ever climb down," said one of its councillors this week. That seems to sum up the council's attitude in the closed shop dispute—a stand for its own sake. The practical points of difference with the professional organisations are now small; but the council insists on trying to close at least the back door of the shop by requiring that applications for extended sick leave should be made through a trade union or professional body. It has again rejected a compromise proposal that these applications should be sponsored by one representative selected by each group of employees.

Rather than give way, the council seems ready to see the children untaught and their ailments undetected. Four thousand teachers have given notice that they will leave on August 31st. The doctors, too, are preparing to strike—the discreet formula being that the trustees of the British Medical Guild are "invited to consider taking all necessary steps, including the guarantee of financial support, preliminary to the collection of resignations." The council reckons, perhaps, that the Government would have to intervene before this point were reached, and may think it would lose less face by yielding to "dictatorship from Whitehall" than to the professional organisations.

Meanwhile the council's tactics seem to be to delay ministerial action as long as possible. It has not yet replied to the letter from the Minister of Education asking for its version of the facts that had been reported to her by the teachers. And now the Labour group of the council has thought of another way of complicating the decisions that Ministers have to make. The issue has now been reported to the Minister of Labour under Order 1376—in the hope, presumably, that an official inquiry might delay ministerial intervention, and perhaps give an outcome more favourable to the council than a directive based simply on the need to maintain local services. In deciding whether to order an inquiry, the Minister of Labour may want to await the result of the D. C. Thomson dispute. It is true that the cases are not parallel—indeed, they are opposite. But the decision whether or not an employer in Dundee has the right to insist on the open shop will at least influence the decision whether, in Durham, he can insist on the closed shop.

Violence in Bechuanaland

Presumably the Government expected some disturbance to be provoked by its decision to exclude Seretse Khama permanently from the chieftainship of the Bamangwato. At all events it seemed a little bit too ready to play down the recent incidents in Serowe when three African policemen were killed and many people injured. As a result police reinforcements have been called in from Southern Rhodesia, and troops have been mobilised for despatch if needed. The Government said on Tuesday that the disturbances were the work of a minority, led by the members of the recent delegation to London to press the claims of Seretse to the chieftainship. Only a few hundred, some of whom were drunk, were present at the gathering which ended in the violence, whereas a representative tribal meeting numbers several thousands. But more clashes have since been reported, and 100 Africans have been arrested, including two close relatives of Seretse Khama.

It is odd, and perhaps a little ominous, that the disturbances should have occurred so long after the Government's decision to exclude Seretse, which was announced towards the end of March. An immediate and spontaneous flare-up, which as quickly subsided when it was realised that the decision was irrevocable, would have been more reassuring for the future peace of the tribe than this delayed and organised demonstration. The danger is that in having to restore order and show its authority the local government will lose the chance of co-operating with the tribal leaders. The purpose of announcing the permanent exclusion of Seretse was to encourage the tribe to choose a new chief under whom it could settle down and through whom British rule could be exercised indirectly. In quelling the disturbances the British authorities may have to continue to exercise the direct rule that was adopted when Tshekedi and Seretse Khama were first excluded two years ago and which has proved so unsatisfactory. It would certainly be unwise of

When trading with Switzerland, you will want to ensure that you are dealing with a dependable banking organisation able to serve you efficiently. The Head Office of the

UNION BANK OF SWITZERLAND

and its Branches throughout the country welcome the opportunity to place their long and varied experience at your disposal.

Head Office: ZURICH,
Bahnhofstrasse 45,

Union de Banques Suisses Schweizerische Bankgesellschaft

Over 30 branches throughout Switzerland

Capital, fully paid	...	Swiss Francs	80,000,000
Reserves	...	Swiss Francs	55,000,000
Total Assets	...	Swiss Francs	1,863,864,281

Cable address for Head Office and all Branches
BANKUNION

the Government to take too sanguine a view of the disturbances. With Africans the first stones thrown are rarely the last.

* * *

New Start in India

The past month has seen the emergence of a new Indian government based on the full working, for the first time, of the new republican constitution. After the re-election of Dr Rajendra Prasad as President of India, Mr Nehru handed in the resignation of his council of ministers and immediately formed another. Coming so soon after the general elections, in which the Congress Party was returned to power with a considerable parliamentary majority—though actually a minority vote in the country—this change presented the opportunity for a useful cabinet reshuffle. Mr Nehru has made a number of appointments which improve the calibre of his cabinet and give it greater political backing through closer representation of the various sectional and territorial interests in the Congress Party. It has also been enlarged from twelve to fifteen members, and four extra ministers have been added without permanent seats in the cabinet. The key figures in the Nehru government are Dr Katju, with the new joint portfolios of Home Affairs and States; Sir Gopalaswami Ayyangar with Defence; Sir Chintaman Deshmukh at the Treasury; and Maulana Azad with Education, Natural Resources and Scientific Research. It is a pity that there is still no separate Minister for External Affairs, particularly since the appointment of Sir Girja Bajpai as Governor of Bombay removes from Delhi its most experienced civil service adviser on foreign policy.

This new government comes to power in India at a moment when some ideas are changing and a fresh approach is being made to old problems. Both at home and abroad the hostility of the Communists is now more apparent to Indian ministers than at any time in the past. "The methods they adopt in the national sphere," Mr Nehru said the other day, "however noble their motives may be, coarsen and degrade." In the State Assembly of Madras, the highly respected Mr Rajagopalachari put it succinctly with the remark to Communist members: "I am your enemy number one and you are my enemy number one. That is my policy towards you from A to Z." The battle is on for the survival of Congress as the ruling power in India, with the Communists leading the opposition. At home the main field of struggle will be in the development of industrial planning and the raising of food output. Abroad, three of the new trends are a rising Indian appreciation of American aid, a wariness in Delhi about Chinese intentions—Mr Nehru recently trekked on horseback up to the border state of Sikkim—and, above all, the impact of a now sovereign Japan. During the next few years the Japanese may come to have a profound influence on southern Asia's determination not to submit to Communist tyranny.

* * *

The Egypt-Sudan Talks

The direct talks between the Egyptian government and the Sudanese delegation that represents Mahdi Pasha are proceeding in Alexandria in an atmosphere of smiles and discretion. The Egyptian aim seems to be to obtain acknowledgment of the need for a common policy on Nile water and economics, and to obtain a symbol of this in the acknowledgment of King Farouk's sovereignty pending a subsequent Sudanese decision whether or no to be wholly independent. The aim of this particular Sudanese delegation is to retain the autonomous constitution that has already been drafted in the Sudan. It would, for instance, be wholly opposed to a constitution drafted in Cairo such as that which the Wafd government tried to dictate last autumn.

These two objectives are not irreconcilable; whether the negotiators can reconcile them remains to be seen. Even if they can, all troubles are not over; for each negotiating group will have to persuade personal and political opponents among its own compatriots that it has secured the best bargain possible. The talks which Hilaly Pasha has had this week with a rival Sudanese party—with the leader of one of the two Ashigga factions—are a reminder that this job will not be easy.

During the talks, two spectres lurk in all the corridors. One is called "British intransigence" and the other "American pressure," and both are convenient phantoms that can be blamed in the event of failure to agree. In fact, the intransigence of the British about King Farouk's title to the Sudan (which the Americans have certainly pressed them to abandon) was always based on the need for obtaining Sudanese consent, and would melt at once if that consent were given. Official opinion in London, therefore, most devoutly hopes for a direct agreement in Alexandria. It knows that Sudanese autonomy is just round the corner; it has no grasping nineteenth-century desire to stay on in the Sudan in the teeth of local opinion. Its concern was to avoid breaking its promise that the Sudanese should decide their own future, and this—if they can reach an agreement with Egypt on their own—will not be broken. A direct agreement would therefore salve the British conscience; it would also heal a sore that has troubled Anglo-Egyptian relations for 30 years, and contribute to world security.

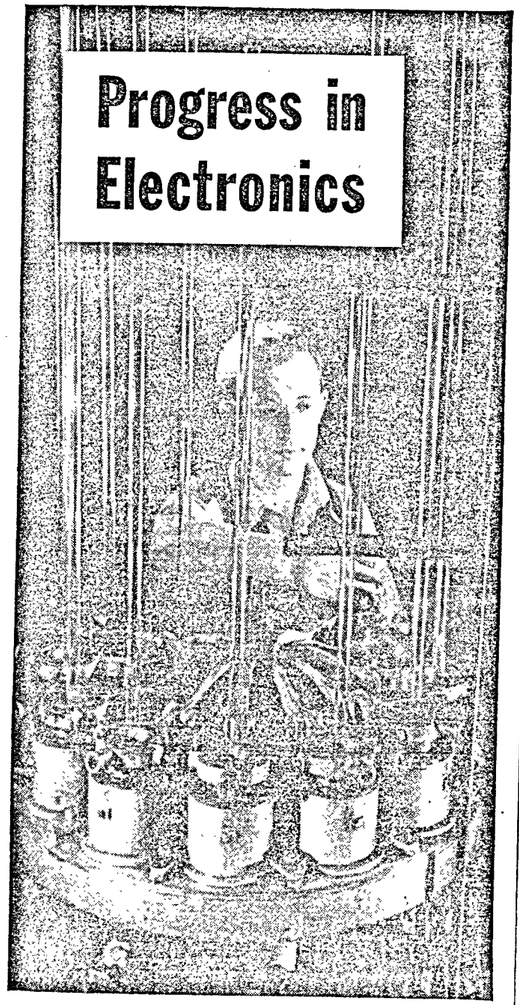
* * *

Fair Shares in Military Service

It looks as if the pistol that some members of the Labour party were holding at the heads of Britain's allies last week was not loaded. The ex-Minister of Defence, Mr Shinwell, together with his former parliamentary private secretary, Mr Wigg, and others, had asked in the House of Commons whether Britain is justified in continuing a two-year period of compulsory military service when other countries are not doing as much. It is true that of the Nato allies only the United States, Belgium, Greece and Turkey have as long a period as two years; the Dutch do 20 months, the French 18, the Italians 15 to 18, and the Norwegians 12, except in the navy where they do 18 months. In the Commonwealth, Canada and South Africa have no compulsory military service, while Australians and New Zealanders do less than six months. But the implied threat that Britain should reduce its military service unless they increased theirs seems in reality to have been little more than an internal party manœuvre to steal thunder from Mr Bevan in anticipation of the party conference.

It is difficult, however, to see the Labour party committing itself publicly to reducing national service in present conditions, just as it is hard to believe that Mr Shinwell, who worked so vigorously when in office for western European defence, would really wish it to do so; to do him justice, he has so far pressed for a levelling up of Continental service rather than for a levelling down by Britain. It would in fact be a gross disservice to reawaken the bitter controversies of 1947 over the length of military service, when the question has lately been kept so remarkably free from political strife. Even the Bevanites have concentrated their attention on arms rather than the man.

At the same time, there can be no satisfaction with the actual picture presented by Europe's reserves. The chief worry that confronts General Ridgway as he takes over command is the lack of trained and adequate reserves even for the forces at present in the field. For months his deputy, Field-Marshal Montgomery, has been hammering away at this matter, but without notable success. Mobilisation methods and training programmes are improving, but there is a long way still to go; and much depends on the time for training that governments are prepared to demand from their conscripts and reservists.

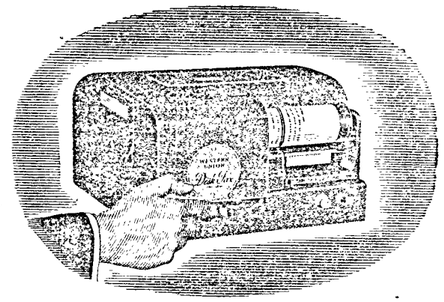


IN the modern laboratories of the Mullard Organisation, many new applications of electronics are being developed to meet the ever-changing needs of industry, communications, and medicine.
Bringing the benefits of this research to the community is another Mullard function. In great factories in Lancashire and Surrey, millions of valves, electron tubes, and components are produced for Britain's electronics industry.
Behind the name Mullard, therefore, is a store of experience in electronics that may well prove of immense importance to your own organisation.

Mullard

Mullard Limited, Century House, Shaftesbury Avenue, London, W.C.2

MP3688

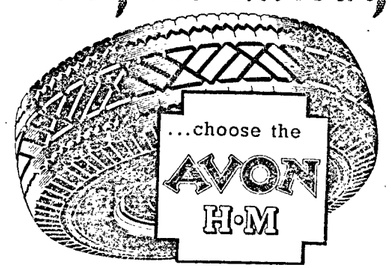


In the twinkling of an eye

In every sphere of banking the Midland Bank is quick to adopt new methods which will give customers a better service. First to introduce night safes, mechanised book-keeping and automatic note-counting, the Midland Bank has now installed at its Overseas Branch in London machines which, at the push of a button, reproduce cable messages in fascimile at the telegraph company's offices for instant transmission to all parts of the western hemisphere. In this way customers' business which requires trans-Atlantic communications is dealt with quickly and with unswerving accuracy—the epitome of Midland Bank service everywhere.

MIDLAND BANK LIMITED

but for *higher mileage*



It LOWERS *the cost of motoring!*

Fly round the world on one ticket by British airlines

Have the world literally "at your feet" for just over £500 — the cost of a special round-the-world concession ticket by British airlines all the way.

Fly eastward, for example, from London to Sydney on the Kangaroo route, then across the Pacific by B.C.P.A., across North America, and finally across the Atlantic to London again by B.O.A.C. Or fly westward — whichever way you go, you enjoy a swift, sure flight and the same high standards of British service, hospitality and flying experience.

Your round-the-world ticket includes liberal stopover privileges which enable you to break your journey where you wish — in a dozen or more countries — for as long as you wish, provided it is completed within 12 months.

Consult your local Travel Agent or any B.O.A.C. or Qantas office.

B·O·A·C

BRITISH OVERSEAS AIRWAYS CORPORATION IN ASSOCIATION WITH QANTAS EMPIRE AIRWAYS LIMITED, BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED AND TASMAN EMPIRE AIRWAYS LIMITED

Good fare can be appreciated more after a glass of DRY FLY SHERRY. It is the best appetizer at cocktail time.

20/- bottle · 10/6 half-bottle

From your Wine Merchant or:
Findlater Mackie Todd & Co., Ltd.
By Appointment Wine and Spirit Merchants to the late King George VI.

Smoke
Wavy Navy

Pure Navy Cut of Pre-War quality

2 OZ. AIR-TIGHT TIN 9/-
1 OZ. FOILED PACKET 4/6
Also ready rubbed

(Wavy Navy Cigarettes are for export only)

GODFREY PHILLIPS LTD MANUFACTURERS AND GUARANTORS

Letters to the Editor

Mr Butler's Finance Bill

Sir,—In your article you take strong exception to the estimate made by the United Nations Economic Commission for Europe that 'roughly one-half of British incomes are adversely affected by the Budget. But have you examined the evidence?

The combined effect of the changes in food subsidies and family allowances is to leave the single person worse off by £4 and a married couple poorer by £8. Where there is one child the family suffers to the extent of £12, while with two and three children the difference is £8 and £4 respectively. Where these amounts are not made up by the taxation reliefs the family is in fact worse off on balance. The following table shows the critical income for each group and the proportion of incomes falling below it.

Family Circumstance	Number of Incomes ('000)	Critical Income £	Percentage below C.I.
Single	8,813	225	45·6
Married	5,260	375	44·1
One child	3,054	440	65·3
Two children	1,877	480	68·3
Three children	673	535	77·2
TOTAL	20,040	...	49·9

Some adjustments have to be made to these figures as they are based on the distribution of incomes in 1949-50 and wage increases have altered the pattern since then. There is also some double counting: juvenile workers have probably been included with their families in many cases, and pensioners, for whom separate provisions were made, must be excluded where their incomes exceed £135. On the other hand, the undoubtedly regressive effects of the changes in purchase tax have not been taken into account, and on the whole the United Nations estimate does not in fact appear to be very wide of the mark.—Yours faithfully, H. R. COLE

London, N.W.8

★

Sir,—You criticise the *Bulletin* of the Economic Commission for Europe because it describes the Budget as "regressive" and for its estimate that "something close to one-half of the total number of family incomes will be worse off."

I think myself that the writers of the *Bulletin* are wrong in their estimate; instead of writing "something close to one-half" they should have written "something close to one-third." The immediate losers under the Budget are those whose increased expenses as a result of the reduction of food subsidies are not fully compensated either by an increase in family allowances or by the lightening of the burden of income tax. In the accompanying table I have listed the critical levels of income below which families of various types are losers (assuming that each family or single person is allowed £10 per annum for life insurance premiums paid). The latest official figures of the distribution of incomes are those published in the *94th Report of the Inland Revenue* and refer to the year 1949-50; but it is reasonable to assume that the shape of the distribution has not altered much since then. By assuming that incomes in the region of the critical levels have increased between 1949-50 and the present time in about the same proportion as the rise in average earnings between October, 1949, and October, 1951, I have worked out the 1949-50 equivalents of these critical levels, and have so estimated approximately the number of incomes falling currently below these levels. It appears that at least 6 million families (or single persons) are losers under the Butler Budget.

LOSERS UNDER THE BUDGET

Type of Family	Level of income below which families are losers		Approx. number of incomes falling below this level in 1949-50 ('000)
	1952-53 income £	1949-50 equivalent £	
Single males, no children	230	175	700
Single males, 1 child or dependant	320	240	200
Single females, no children	250	185	1,300
Single females, 1 child or dependant	320	250	300
Married couples, no children (one earner)	340	260	1,500
Married couples, no children (two earners)	460	350	
Married couples, 1 child (one earner)	460	340	1,200
Married couples, 2 children (one earner)	470	350	800
Total losers	...	...	6,000

Six million families are not "something close to one-half" of all families; but they are appreciably more than "a small minority of the wage-earners of the country," and it would be a serious mistake to believe otherwise. Moreover, I do not see how you can avoid describing the effects of the Budget as "regressive." The fact is that the Budget imposed net burdens on about one-third of families—for the most part the lowest paid sections of the population—and gave appreciable net benefits only to those in the higher income ranges. If this is not regressive, in at least the technical sense of the word, what is?—Yours faithfully,

H. F. LYDALL

Oxford

[Mr Lydall disposes of the most obvious error in Mr Cole's argument, but he forgets that national assistance payments, pensions and other insurance benefits are being increased as part of the policy of the Budget. Over 4,600,000 people draw retirement and old-age pensions, over 200,000 widows' pensions, and at any one time perhaps 700,000 people are receiving unemployment, sickness or injury benefits. In addition, some 400,000 not included in the above categories get regular weekly grants of national assistance. The total of 5,900,000 does not exactly coincide with Mr Lydall's 6,000,000 "losers," before taking the rise in benefits into account, but the two must largely overlap. There are other complications, and an exact calculus is impossible; but it is surely safe to conclude that, as our article said, the losers are "certainly a minority, and almost certainly a small minority, of the wage-earners of the country." We do not accept the view that a Budget should never be regressive, and no one denies that this Budget is regressive in parts; but it is most certainly not "generally regressive," which was the statement that we criticised.—EDITOR.]

Which Law for Korea?

Sir,—The legal case which your correspondent attempts to make for "voluntary repatriation" rests on the assumption that the recusant prisoners are claimants for political asylum. But the right of asylum can be granted only to those whose choice is free: shotgun weddings are no proof of love.

It is admitted that there are great political inducements on the Western powers to urge prisoners not to be repatriated. It is admitted (*The Economist*, page 497) that there may have been undue pressure on some of them. Moreover, it is patent that prisoners are by their very position exposed to such pressure and coercion, against which the Geneva Convention is intended to safeguard them. Lastly, the information which has come to hand about the management of the camps in South Korea and the process of screening there—where this has been carried out at all—shows that, as *Time* points out (June 2, 1952), any figures emanating from them are merely guesses, presumably not without bias.

We must therefore face the fact that (*a*) we do not know how many, if any, prisoners refuse repatriation or can be regarded as claimants for asylum and (*b*) it is extremely doubtful whether prisoners maintained and interrogated in the conditions obtaining in Korea (or in any similar situation) could be placed wholesale into this category without depriving the right to political asylum of its honourable meaning. One may add that no attempt to sort out *bona fide* claimants for asylum from others who refuse to return to their country for different reasons has been made, as one might expect it to be made if the camp authorities had been seriously concerned with this problem. Moreover, it is certain that no future plebiscite of prisoners could be regarded as satisfactory while the camps remain under the control of powers with a direct political interest in encouraging the refusal of repatriation.

Hence the "political asylum" argument cannot be used to justify the present American stand in the armistice negotiations. Nor need it be used, for, as your correspondent points out, there is no obligation on any state to grant asylum. It may be objected that this means the callous sacrifice of men's lives. But it is clear, even on the most extreme

(and discredited) assumptions about the number of recusants, and the most pessimistic (and unjustified) ones about their possible fate if returned, that many more people will suffer if the war continues indefinitely than if it concludes shortly. —Yours faithfully,

E. J. HOBSBAWM
King's College, Cambridge

[The argument of our article was that the question of principle remains even if the prisoners genuinely unwilling to return are fewer than has been stated. Mr Hobsbawm also ignores the fact that the United States has offered a re-check by a neutral commission if the principle of voluntary repatriation is accepted. As for the argument that all prisoners must be handed over because a greater number of people may suffer if the war continues, it is surely for the Communists to decide whether they will continue the war for the sole purpose of obtaining the forcible repatriation of men unwilling to return.—EDITOR.]

Displaced Persons

Sir,—A letter from Mr H. W. Rothschild, published in your issue of May 10th, expressed concern about the position of those refugees who had not been resettled when the International Refugee Organisation terminated its operations early this year.

I am sure he did not intend to create the impression that all voluntary work had to cease after the end of IRO. It is only fair to say that there are some twenty-three international voluntary agencies which are still doing their most valuable humanitarian work. It is, unfortunately, true that they are meeting with increased financial difficulties and that many have had to reconsider, and may have to curtail, their programmes because the grants they formerly received from the IRO are no longer available.

Emergency aid is urgently required to enable these societies to bring relief to certain groups of refugees whose level of existence barely reaches minimum standards. The United Nations High Commissioner for Refugees is well aware of this. In February of this year he obtained permission from the UN General Assembly to make an appeal for funds for these refugees. The Governments of Switzerland, Luxembourg, and the Federal Republic of Germany have already made contributions, and other countries, including the United Kingdom, have indicated their interest. The voluntary organisations are in close touch with the High Commissioner and in most cases, help will be given in consultation with them and through their good offices. It would seem, therefore, that the setting up of an international committee, as suggested by your correspondent, would not materially change the situation, particularly since the High Commissioner will be in a position to help these agencies financially if his appeal for $3,000,000 is successful.

May I also refer to your correspondent's assertion that the High Commissioner's Office is only now "under way" and that no provision was made for the interim period between IRO ceasing operations and the High Commissioner's Office assuming responsibility. The decision to create the Office of the High Commissioner was, in fact, taken by the General Assembly on December 14, 1950 and the Office started its operations on January 1, 1951. It was only on January 31, 1952, that the IRO ceased its operations of resettlement while it had already during the course of the year, handed over the responsibility for international protection to the High Commissioner's Office. It is also useful to remember that on July 1, 1950, IRO began to transfer the responsibility for care and maintenance of refugees to the countries of residence. Finally, I would like to remind your correspondent that the High Commissioner's Office through its branch offices in Germany, Austria, Italy, Greece and Shanghai, is in close touch with the governments and local authorities, the voluntary agencies in the field, and with the refugees themselves, and that at any time refugees can bring their problems to his attention, while he can bring refugees problems to the attention of the organs of the United Nations.—Yours faithfully, JAMES M. READ,
Deputy High Commissioner for Refugees
Geneva

Books and Publications

The Last Days of Europe

The World in March 1939. Edited by Arnold Toynbee and Frank T. Ashton-Gwatkin. *Oxford University Press* for the *Royal Institute of International Affairs*. 546 pages. 45s.

Dr Toynbee has written only a small part of this large volume himself, but, from the quotations from Demosthenes and the Book of Daniel on the title page onwards, his influence is apparent in nearly every chapter. Most of the contributors fall readily into the manner of the Master and even borrow his technical terms. The result is somewhat unsatisfactory. An essay on the world in 1939 by Dr Toynbee himself, reviewing the situation on the eve of war as a moment in the endless process of history, would have had its charms; a volume on the lines of the ordinary Chatham House Annual Survey, giving a chronological narrative, facts and figures, would have had its uses. This book falls between the two. Some of the essays attempt to interpret the situation in 1939 in terms of the categories of Dr Toynbee's philosophy of history; others give a narrative of events—in some cases an outline of the history of an area between the wars, in others an account of the years 1938 and 1939.

There is, however, one section of the book that undoubtedly meets a need and increases our knowledge of the world in 1939. This is the chapter by H. C. Hillmann on the economic strength of the great powers. It provides with great clarity exactly the kind of information the non-economist needs in order to understand the long-term trends of population and industrial capacity, the shifts in the economic balance of power in the twentieth century.

The task of providing a political survey of similar merit was perhaps most difficult; certainly few of the political chapters give an equally clear picture. Those dealing with the Far East, for instance, seem very hard to follow (especially in the absence of maps). Mr Martin Wight's chapters on Germany and Eastern Europe give a competent survey of Hitler's strategy and diplomacy and of the territorial changes between the Munich agreement and the occupation of Prague, spiced with historical parallels in the Toynbeean manner. Mr D. R. Gillie has contributed a brilliant essay on France within the scope of the 22 pages allowed him.

The whole volume is meticulously edited—even pedantically so, as in the transliteration of Arabic names—and is well produced. Yet, though it contains much that is useful and stimulating, its quality is uneven. It lacks the unity for the *tour du monde* it sets out to be, except in so far as this is given by the adoption of Dr Toynbee's ideas and even style by his disciples. The story of the last days of Europe has still to be written; perhaps Dr Toynbee will one day write it himself.

Simon Report

Retrospect. The Memoirs of the Rt. Hon. Viscount Simon, GCSI, GCVO. *Hutchinson*. 327 pages. 25s.

How often when an old man makes a book of his memories the most vivid and charming chapter is the first. Entirely delightful is the picture of these old Nonconformist worthies: the grandfather who was so strict a Sabbatarian that he preferred his sons to do their Sunday shave on Saturday evening, and the grandmother who, on reading of the Tay Bridge disaster, remarked "We ought to be very grateful to God that the dear Queen was not in that train."

Chance brought a young Fettes master to stay a night at his father's house, and he suggested that the clever little boy might win a Fettes scholarship. Of course he did so, and four years later a scholarship at Wadham, where he found C. B. Fry and F. E. Smith. Then All Souls (of which he is now the senior Fellow), rapid progress at the bar, and entry in the House of Commons with the Liberal landslide of 1906. It was inevitable that in a few years Asquith should make him a law officer. He was already in the Cabinet when, in 1916, he resigned, honourably but foolishly as he now considers, because he objected to conscription, not on "conscientious" grounds but because he believed it would not contribute to military efficiency. There followed fifteen years in the independent Liberal wilderness. Then office again in the 1931 coalition, successively Foreign Secretary, Home Secretary and Chancellor of the Exchequer, and finally Lord Chancellor in Mr Churchill's war government.

Lord Simon is one of those very able men who in the course of a long political career has held a number of high offices but has not made many memorable contributions to the course of history. In this respect he may be compared with L. S. Amery, an equally brilliant man and his twin at All Souls. Mr Amery has held many high offices, but the easiest thing to remember about him is that he quoted Cromwell in the debate that ensured the downfall of Neville Chamberlain. For what will Lord Simon be remembered? Perhaps for his devastating exposure of the illegality of the general strike and for his authorship of the best-selling Blue Book of all time; but the Simon Report on India was, through no fault of its author, already out of date at its publication.

The book is very agreeably and lucidly written. When Lord Simon argues, as he does in defence of Munich, he argues, as one would expect, with great cogency. His memoirs give many interesting sidelights on men and events but no new contribution of any great importance to our understanding of the last forty years.

Dynamic Analysis

The Rate of Interest. By Joan Robinson. *Macmillan*. 170 pages. 10s. 6d.

Mrs Joan Robinson is a *rara avis* among economists; at all events among those economists whose native air is that of the theoretical stratosphere. For one thing she writes, even when dealing with matters so rarified as to drive most practitioners despairingly from English to mathematics, with vigour and wit as well as with clarity; for another, she never prolongs a flight unduly without taking bearings from the solid earth of common sense. (It seems almost incredible that she should be the only serious economist to point out that the first effect of an increase in demand beyond the present capacity of supply is not a rise in price but a lengthening of delivery dates; memory, however, fails to reveal a precursor.) Like the Comet, she functions best at high altitudes—at lower levels, her peculiar social and political values exercise an undoubted drag—and this volume, whose title essay was first printed in *Econometrica*, shows her at her best.

Its connecting theme is, to quote her introduction, "the analysis of a dynamic economic system," an analysis, that is, which "cannot explain how an economy behaves, in given conditions, without reference to past history." Of the three essays of which it is composed, the first, "The Rate of Interest," is an elegant dissection of the various influences at work in the money market, from the underlying "real forces" of thrift and productivity, through the attitudes of lenders and borrowers to different types of assets, to the policies of the monetary authority. The second, "Notes on the Economics of Technical Progress," is less elegant; indeed, as its title implies, it is rather scrappy, but only in the sense that a rack full of novel and exquisitely constructed instruments is scrappy when compared with a single large machine-tool. The third and longest, cryptically entitled "The Generalisation of the General Theory," forms together with its appendix of "Acknowledgment and Disclaimers" not only an outstanding example of Mrs Robinson's own powers of analysis but a kind of creative concordance of modern economic thought on the stabilising and dis-stabilising influences at work in a dynamically developing free economy. Of this most valuable and important essay, which is likely to rank as a classic among serious students, the chief possible criticism is that it should have been written at four or five times the length; the next, that the "generalisation" should, both for intellectual satisfaction and practical usefulness, have been carried still further to cover the vicissitudes of progress in a centrally planned economy.

Sermon on *Realpolitik*

American Foreign Policy. By Hans J. Morgenthau. *Methuen*. 250 pages. 18s.

Mr Morgenthau's book is the latest addition to the now considerable American library of sermons based on the theology of *realpolitik*. He himself, however, is no recent convert. Indeed, as the author of "Scientific Man *vs* Power Politics" and "Politics Among Nations," he may claim to have argued the new orthodoxy if not before "Mr X" at least in advance of Mr George Kennan. His latest book combines a brief exposition of his theory of international politics, with an extended analysis of recent American policy and an outline of his own recommendations for the future.

The theoretical basis of Mr Morgenthau's argument is that it is illusory to suppose that "a nation can escape into a realm where action is guided by moral principles rather than by considerations of power." From this follows an exaltation of the concept of the national interest which, in its combined ingenuity and naïveté, is strongly reminiscent of the eighteenth-century ethical theories that reduced all moral obligations to the level of enlightened self-interest. By a natural transition Mr Morgenthau is led to insist upon the continuing validity of the nation state systems (despite his forceful insistence that Russia and the United States constitute now the only effective centres of power), and to denounce all attempts at the construction of international systems based on what he derisively terms "legatism" and "sentimentality." He insists, like most such realists, that the Russian threat is essentially imperialist and not ideological and regards the Communist revolutions in Europe as "phoney."

By a surprising transition into empirical, as opposed to theoretical, realism, Mr Morgenthau does, however, produce a very shrewd analysis of what he recognises as the truly revolutionary

THE WORLD IN MARCH 1939

edited by

ARNOLD TOYNBEE and
FRANK ASHTON-GWATKIN

45s. net

'. . . nothing less than the first comprehensive, analytical and scientific appraisal of the Second World War, the first attempt to put this recent catastrophe in its world-historical perspective . . . With this volume and its successors, the whole debate on the tragedy from which we have just emerged will be raised to a quite new level . . . It seems doubtful whether anywhere in the world to-day could be found a team of historical, political and economic scholars which could provide this combination of academic capacity, spiritual unity, intellectual energy, and literary brilliance . . .'

SEBASTIAN HAFFNER in *The Observer*

The book is published under the auspices of the Royal Institute of International Affairs.

OXFORD
UNIVERSITY PRESS

Only a specialised bookshop can offer a specialised service

We hold an unrivalled stock of books on Economics, Anthropology, and the Social Sciences; also available are general-background books on most subjects.

Mail orders receive the personal attention of the Manager.

The Economists' Bookshop

11-12 Clements Inn Passage
Aldwych, London, W.C.2.

character of the popular upheavals in the Far East. What he has to say about America's China policy is admirably put. No less sensible, as practical politics, are his warnings against some of the current utopian and crusading trends in American foreign policy. Indeed the book is full of individually shrewd appraisals and concretely sound recommendations. But the gap between Mr. Morgenthau's practice and theory becomes glaringly obvious when the time comes to put his practical proposals into operation. He wrings his hands as he contemplates the machinery of American foreign policy and the price in diplomatic efficiency exacted by American democratic government. He tries to preserve his democratic orthodoxy by depicting America as "a noble people ignobly led." It won't do. To level the whole indictment against "the Administration" is like loading the serpent with the exclusive responsibility for the fall. The logic of Mr Morgenthau's political Calvinism cannot so easily be squared with a disbelief in original sin.

Spain and the West

Spain in the Modern World. By James Cleugh. *Eyre and Spottiswoode.* 279 pages. 21s.

Prelude to War : The International Repercussions of the Spanish Civil War 1936-39. By P. A. M. van der Esch. *Martinus Nijhoff.* The Hague. 190 pages. 15 Guilders.

"The West to-day," writes Mr Cleugh, "acts as if 'Spain' were an ignorant, bigoted old tyrant intent upon darkness in her own part of the world and causing it elsewhere." The author's object is to controvert this popular view and to explain, by a sympathetic study of Spain past and present, why "the prevalent policy of refusing to incorporate this essential piece of building material into the Atlantic fortress" is from every point of view to be condemned.

Anyone familiar with Spanish affairs, however, and alive to "the modern world" as it is, will appreciate that Mr Cleugh's is an impossible task. Whatever may be the imperatives of geography and strategy, policy is rooted in psychological considerations. This is admitted here (on page 124)—"to enter Spanish life is to move back in history 50 years at least, perhaps a hundred"—and, for all its Christian pattern and social welfare pretensions, Franco Spain represents the opposite of everything that Western democracy stands for.

Mr Cleugh is a (Catholic ?) humanist of patrician type whose particular bugbears are the eighteenth century, liberal democracy and latterday materialism. Consequently he is not shocked or disturbed by the phenomena of political backwoodsmanship and religious domination ("the Church has, by law, a finger in every State pie") prevailing in present-day Spain and is quite disposed to interpret freedom as meaning "freedom from ruinous ideological dispute." Nevertheless, there is much to be said for an attempt to describe this political freak of our times and to convey the atmosphere of the other side of the Looking Glass. Mr Cleugh knows his Spain, and his book provides a useful comprehensive study of the contemporary Spanish state and of what he calls the fundamentally "Spanish" political ideas, based on the Roman Catholic religion and the recognition of military power as the only reliable guarantee of communal stability.

Patricia van der Esch has put us all in her debt by producing, as a doctorate thesis, this well-documented study of the international aspects of the Spanish civil war. Until the publication last year of the German Foreign Office documents very little had been done to disperse the smoke-clouds of propaganda which have obscured this subject. The facts, as substantiated here, are: (1) the *pronunciamiento* of July 17, 1936, was a well-prepared mutiny, backed by promises of foreign aid, against the will of the majority of the Spanish people expressed at the elections on February 16th of that year; there is no evidence at all of a Communist plot to seize power (the author is wrong, by the way, in saying that the Communists were represented in the Popular Front *Government*); (2) the intervention of Germany and Italy was a positive act of policy beside which the aid received by the Government was "small and spasmodic"; (3) French policy, so suicidal in appearance, was actuated primarily by fear of war and secondarily by pressure exerted by a class-biased British Government (of which, however, there is little direct evidence); (4) the Non-Intervention Committee was a by-blow of that fatal "appeasement" which was the father and mother of the democracies' foreign policy in the late thirties; the shifts and evasions resorted to in London and Geneva constituted indeed a sorry farce.

There is one curious omission in the phalanx of facts cited here. While recording Dr Negrin's announcement at the League Assembly in September, 1938, of the withdrawal of non-Spanish combatants on the Government side, the author makes no mention of the International Military Committee sent to Barcelona by the League to supervise that withdrawal.

First and Last Things

Introduction to Economic Organisation. By Henry Smith. *Sylvan Press.* 186 pages. 12s. 6d.

This book is modelled—pretty closely, one would imagine—on Mr Smith's lectures at Ruskin College, and it is a tribute to his pedagogic skill that they read as well as they do. His method is unexceptionable: he coats the necessary grains of theory very thickly with palatable fact and conjecture, and keeps the dullards awake with occasional excursions into irrelevancy.

Mr Smith has selected various aspects of "economic organisation" and fused them into a satisfactory outline; and the result is a useful brush-up-your-economics for second-year students. Unfortunately, he has been unable to resist the temptation to round off his well-documented chapters on the supply of labour and capital, the "availability of natural resources" and the structure of international trade with an entirely undocumented and rather alarming chapter on "the conflict of economic policy in the contemporary world." What will students—fresh from elementary definitions of futures, joint products, limited liability, the gold standard, vertical integration, and so on—make of such orotund pronouncements as this ?

> One can, for example, restate many of the arguments of Marx in terms of the contemporary analytical technique of economics and thereby obtain an instrument for evaluating the progress and stability of economic development, and develop techniques for evaluating the public interest, which are superior both to the contemporary practice of the individualist and the collectivist worlds.

There is no quarrel here with the ideas buried in this lengthy sentence: what is disturbing is the implied suggestion that such ideas can be discussed intelligently by students familiar with the preceding seven chapters. They cannot.

A New Geography

A Geography of Europe. By Jean Gottmann. *Harrap.* 699 pages. 30s.

Mr Gottmann's book was published in America last year. It is apparently intended for American students, but appears also to be directed at the general reader, since technical terminology, particularly of physical geography, is avoided. Its purpose is admirably and clearly expressed. In Europe, the political and economic events of recent years have so revolutionised man's demands on his environment that the need for a new geographical account is urgent. This need Mr Gottman attempts to meet.

It is in his treatment of the cultural and historical influences upon the geographical pattern of European life that Mr Gottmann is at his best, and where he shows his debt to the French school of geographical writing. The most stimulating generalisation must, however, be suspect if the facts it is based on prove incorrect. For example, the section dealing with Britain is accurate neither in its treatment of human and economic distributions today nor in its history. It contains a map of British industries in 1951, which ignores such vital developments as the steel works at Corby and the whole Tees-side chemical industry. The profusion of mistakes about such a well-documented country as Britain does not inspire confidence in the treatment of the rest of Europe.

Mr Gottmann's English style is not happy, and his maps, which are reprinted from the *Geographical Review*, show a distressing lack of relation to the text. It is indeed unfortunate that so many hard things have to be said about a book for which there is undoubtedly a need, which is well illustrated and printed and is a pleasure to handle. But there is no escaping the fact that Mr Gottmann has failed to measure up to his admirable intentions.

THE HISTORY OF THE TIMES

VOLUME IV AND FINAL

THE 150TH ANNIVERSARY AND BEYOND

1912–1948

The fourth and final volume is the story of the impact on *The Times* of the spectacular collisions between the European Powers after 1912, and between the Chief Proprietor and his Editors.

The narrative opens as German pressure was evolving from a threat into the certainty of war. The influence of *The Times* on British foreign policy before 1914 and on the making of war is reviewed. It is shown that, when peace by negotiation proved impossible, peace by victory, for which *The Times* pressed, was a valid course.

The hour of Allied success in arms was, for Northcliffe, the hour of private feud. Lloyd George, helped to power by Northcliffe, became his irreconcilable foe. Geoffrey Dawson, as Lloyd George's ally, was hounded from the editorial chair. How Wickham Steed, his successor, challenged a "Chief" now bent on despotic power over *The Times* is set out with profuse evidence from private papers.

But if Northcliffe was ruthless and cunning, he possessed great moral courage. If he was malign and suspicious, yet he was prodigal in generosity and affection; incalculable and devious, he was also insatiably curious and eternally stimulating. No malady could arrest the energies of "Northoleon," dominant in Fleet Street, unable to master Printing House Square. The frenzied progress of his last weeks is here told for the first time.

His death freed Printing House Square from its Tarquin. By manoeuvres as complex as they were tense *The Times* was then purchased by Colonel Astor and Mr. John Walter IV. Henceforth, the inheritance of principles of honest journalism was assured.

The attitude of *The Times* in the decade that led up to the second World War is exhaustively treated. The generation humiliated by Munich will find the chapter on the policy of Appeasement provocative and notably candid. An Appendix on the Abdication offers a new statement on the stand taken by the Press.

50/- net

In two parts bound separately

With upwards of fifty illustrations and a coloured frontispiece

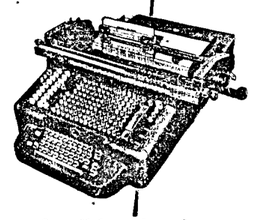
OBTAINABLE BY ORDER THROUGH BOOKSELLERS OR BOOKSTALLS

OR DIRECT (*postage extra: inland,* 1s. 3d.; *abroad,* 1s. 8d.) FROM THE PUBLISHER

THE TIMES PRINTING HOUSE SQUARE LONDON E.C.4

P.P.26 Issued by The Imperial Tobacco Co. (of Great Britain and Ireland), Ltd.

THE National CLASS 31
'DIRECT ENTRY'
ACCOUNTING MACHINE

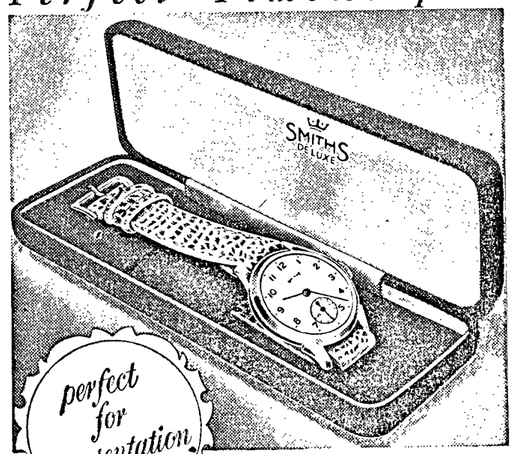


for all branches of
COMMERCE, INDUSTRY, GOVERNMENT & FINANCE

16 Totals each with direct subtraction.
ALL balances—positive AND negative—computed and printed automatically.
Feather touch, 'standard' adding keyboard for speed and accuracy.
All-electric typewriter for unlimited narrative description.
Constantly visible printing line gives confidence, aids speed.
Instantaneous and infinite adaptability to any accounting work.
Fluid-drive carriage moves automatically by oil pressure in both directions.
Simultaneous addition or subtraction in ANY combination of registers.
Automatic carriage opening and closing with instantaneous form alignment.
Fully automatic spacing, column selection and carriage return.

A PRODUCT OF THE NATIONAL CASH REGISTER COMPANY LTD.
206-216 Marylebone Road, London, N.W.1 and all principal centres.

Perfect Timekeepers



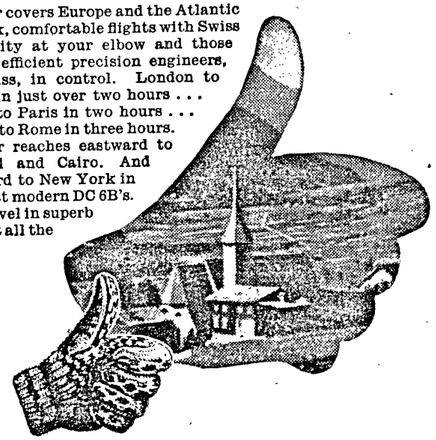
Beautiful mementos for services rendered, or Sports prizes. Chrome and stainless steel cases, from £7.15.0. Gold cases, from £23.10.0. Variety of attractive dials. From Smiths Stockists everywhere.

SMITHS
DE LUXE
15 JEWEL WATCHES

SMITHS ENGLISH CLOCKS LTD., LONDON, N.W.2

Comforting thought for you...

Swissair covers Europe and the Atlantic ...Quick, comfortable flights with Swiss hospitality at your elbow and those steady, efficient precision engineers, the Swiss, in control. London to Zurich in just over two hours ... Zurich to Paris in two hours ... Geneva to Rome in three hours. Swissair reaches eastward to Istanbul and Cairo. And westward to New York in the most modern DC 6B's. You travel in superb comfort all the way.



SWITZERLAND - LONDON
SERVICES FROM ZURICH, GENEVA, BASLE AND BERNE. ALSO FLIGHTS TO MANCHESTER FROM ZURICH.

SWITZERLAND - NEW YORK
FROM GENEVA DIRECT, OR FROM ZURICH VIA FRANKFURT.

Fly SWISSAIR
you'll enjoy it
CRC 27

AMERICAN SURVEY

Eye of the Needle

Washington, D.C.

FOREIGN businessmen trying to reach the heaven of the American market may well be reminded of the passage of the camel through the needle's eye. American industry is never averse to boasting of its incredible achievements and its overwhelming strength and is even, perhaps, a little too inclined to deliver elevating lectures to its less enterprising brothers in less progressive countries. Yet when faced with signs of foreign competition in the domestic market, it behaves rather as a young girl straight from the vicarage might be expected to do if she found herself alone in the Kasbah. The self-conscious giants of American business, who grew to manhood behind the shelter of tariff walls and who fought each other to the death without complaint, have been given no cause for timidity when they have ventured outside the walls. Yet, even today, when it is suggested that a few rows of bricks should be removed from the top or that the lock on the garden gate should be made a little less complicated, cries of distress are heard again.

The *Journal of Commerce* recently remarked that there was no doubt that "what could develop into another strong protectionist tide is setting in once again." It is only one of many newspapers which have warned their readers that the real test of American postwar world trade policy is now beginning and that it is impossible to predict how far the recent protectionist swing will go before it is stopped and reversed. The most obvious sign of this attitude is the number of appeals that have been made to the Tariff Commission for increased protection on behalf of dozens of different types of articles.

The commission's first decision is expected shortly and it will be on the appeal of the Harley-Davidson Company, which has always made heavy motor-cycles, mostly for the police and the army. In dealing with these government customers it has the protection of the Buy American Act and has not had to worry about competition. But now that British manufacturers have created a market for a light machine in the United States the American company has built its own model and wants to be able to sell it secure from foreign threats. This being an extreme case, the Tariff Commission's decision is awaited with considerable interest.

So is the fate in Congress of a measure which the Treasury hopefully christened the "Customs Simplification Act of 1951" when it asked for its passage. Towards the end of April, 1952, the Senate Finance Committee heard evidence on this rather mild measure, which was drafted with no more sinister intent than that of removing some of the more ingenious administrative booby-traps set by the Tariff Act of 1930 and of making it possible for importers to discover how much duty they have to pay before their goods rot away. The theme of most of the trade witnesses was put succinctly by Mr Harry Moss of the American Hand Knitwear Association Incorporated, who said to the chairman:

> Senator, we are pleased to go on record in favour of simplification of customs administrative laws. . . . At the same time we do assert the need for continuation of a protective tariff system in this country for many industries such as ours. . . . Any move which might weaken our tariff in the name of customs simplification should be scrutinised. Some sections of this Bill need comment. . . .

Before the hearings had finished nearly every section of the Bill had been found to need comment. One Washington lawyer—a Mr Breckenridge—was kept particularly busy defending the free enterprise system from the unfortunate effects of free enterprise. Because he was involved in a hearing before the Tariff Commission he had to send an understudy to point out to the committee, on behalf of the Pin Clip and Fastener Association, the "loopholes" in the Bill, and the alarming postwar increase in imports of safety pins and straight pins.

Mr Breckenridge appeared himself, however, to represent the Dehydrated Onion and Garlic Industry of America and to warn the Senators of the "serious threat of subsidisation and dumping of these products by Egypt." He told the committee that

> representatives of Egypt, of the Egyptian industry, and of the Egyptian Government have been in the United States to learn our methods of producing dehydrated garlic, the standards desired by our consuming trades, and they have gone so far as to state that they intend to take over a substantial portion of the American market even if they have to have subsidies from their government to do so.

★

One section of the Bill which has struck terror into retail traders is a provision to raise from $1 to $10 the value of goods that can be imported duty-free by parcel post. Mr Rowland Jones, the President of the American Retail Federation, painted a gloomy picture of the American future if this innocuous proposal should be adopted. The duty lost, he said, would be very substantial; there would also be the collateral loss to the Treasury and to the states in the collection of corporate and personal income taxes representing the profits on this business which would be diverted to foreign mail-order operations. In addition, he said, it would also inevitably bring "loss of employment opportunity in the manufacturing establishments of this country."

Mr Jones put into the record a number of newspaper advertisements from British firms soliciting mail-order business, and he was supported in all he said—including the danger of unemployment and the loss of taxes—by Mr Irving Grinberg, the Executive Vice-Chairman of the Jewellers Vigilance Committee Incorporated. Mr Grinberg added to the previous exhibits the spring catalogue of a London firm, which, he said, had just been received by a "consumer-purchaser" in New York, and in which all but seven of the items offered cost less than $10. He asked the committee

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

to speculate on the flood of orders which would follow a decision to allow all these articles into the country free.

Powerful backing for his point of view came from the Pocketbook Workers' Union of the American Federation of Labour, which was described as at this moment experiencing one of its worst depressions since 1933 and whose spokesman said that it would be "the quality handbag part of the industry that will be most directly affected by the unfair import of handbags."

The American Retail Federation at last moved into the field of general policy when its President said that it had been argued that this simplification of customs procedure would be very helpful to foreign countries which are short of dollars and need them for the rebuilding of their economies.

> We think that . . . this is not a way in which we should help foreign nations increase their dollar balances and their exchange position. We are doing that in many, many other ways in the amount of billions of dollars, and we do not think that this foreign aid should now be injected to relieve foreign mail-order importers into this country on the basis that it helps those foreign countries in their foreign exchange.

These statements by American industry clearly provide grounds for the fears of the *Journal of Commerce* and such restrictions as the "cheese amendment" justify its comment that it could accept with a good deal more grace some congressional actions if it had any real confidence that the general run of legislators are actually following a purposeful policy and know what they are doing. Before accepting the most pessimistic predictions, however, it would be well to wait for the Finance Committee's report on the Customs Simplification Bill, for the Tariff Commission's decision in the Harley-Davidson case and for presidential action should that decision be a restrictive one. The President has the right to reverse the commission's findings but, if he does so too often, the Congress might be tempted to out-Smoot Hawley.

Reclamation's Jubilee

[FROM A CORRESPONDENT IN COLORADO]

IN December, 1901, President Theodore Roosevelt told Congress that, if the water going to waste in the semi-arid west of the United States could be stored and used, this region alone would be able to support more than the 76 million people who at that time made up the entire population of the country. This inspired Congress to pass the Reclamation Act, sometimes called the economic Magna Carta of the American West, which was signed on June 17, 1902. Its Jubilee is now being celebrated in western communities with various appropriate ceremonies and much accompanying publicity.

One of the most interesting of these celebrations was held last week at the gigantic Columbia Basin project, in the State of Washington, a perfect example of the type of land reclamation scheme that the Act made possible. It began with the building of a dam across the Columbia River, and electricity generators were ready in time to provide power for the Hanford atomic plant during the last war. Now the hydro-electric facilities are complete, with a rated capacity of 1,974,000 kilowatts, which makes this the largest single power station in the world; yet it is consistently overloaded. Meanwhile plans were made for irrigating more than a million acres of dry sagebrush by pumping the water of the Columbia River over a cliff into the huge bathtub-like Grand Coulee, the ancient bed of the river. It will take many years to put all of the land under irrigation, but last week the first 66,000 acres began to be watered.

The celebration took the form of making an eighty-acre farm out of the desert in one day. Enormous earth-moving machines ripped the sagebrush off, levelled the ground and ditched it with channels to receive and distribute the water; at the same time in one corner of the tract scores of workmen built a four-room modern house with all conveniences. Then this "farm in a day" was turned over free to its new owner, an ex-serviceman named Mr Donald Dunn, who was selected as the most deserving of many who applied. He represents a new type of migrant, fleeing not from the drought that drove farmers west from the Great Plains in the nineteen-thirties, but from the inundations of the nineteen-fifties. His fine farm in Kansas, and all his equipment, were completely ruined last summer by floods.

Engineers from the Bureau of Reclamation, the federal agency responsible for these schemes, study the possibilities of terrain near rivers for years before selecting a tract for irrigation. They look for relatively level land in parcels of several thousand acres; it must not be too high above the rivers, although pumping lifts of one or two hundred feet are common, and there are some much higher. Specialists investigate the soil to make sure it will grow crops and to decide what kind will do best; a heavy output of sugar beet is expected from the Columbia Basin project. A dam is then

Sources: US Bureaux of Reclamation and of the Census.

built to provide enough water for the scheme; usually, although not always, an electricity plant is included in the plan. In that case it is the first unit to be completed, partly because the west is always hungry for power and the project can therefore begin earning money at once to repay the government, and partly because the new community will need power almost as much as water, for pumping and farm and domestic use.

Nearly 5,500,000 acres have been redeemed by the Bureau of Reclamation from desert and prairie in this way, or given extra water to supplement that already provided by private enterprise. The Bureau's power plants can generate 4,500,000 kilowatts and in 1951 they provided more than 23 billion kilowatt-hours of electricity to aid farm production and the industrialisation of the west. In that year they earned

$41 million for the government and crops harvested from reclaimed land were worth more than $654 million. The power plants return their original cost with interest, but the farmers who settle on the new lands are generally subsidised to the extent of about 50 per cent; they pay back the cost of the improvements over a period of from forty to sixty years, but without interest.

The reclamation programme has played a very significant role in providing new opportunities for the people who come west, as so many are doing. Theodore Roosevelt's prophecy has not yet been fulfilled, but the population of "reclamation territory," the 17 western states, is now about 35 million, compared with 11 million in 1900. It is estimated that something approaching a million people are supported, directly or indirectly, on or around reclamation projects, and that the new business, new industry and new farm output resulting from them has repaid the federal government much more than the cost of the programme, through income and other taxes on the newly created wealth. That cost, spread over nearly fifty years, now amounts to about $2.5 billion, less than three weeks' spending on the cold war.

Privately financed irrigation schemes, most of them settled ahead of federal irrigation, now cover about 20 million acres; in the 31 eastern states there are less than 1,500,000 acres of irrigated land. When all the land in the western states that can economically be irrigated is supplied with water, about 38 million acres will have been dealt with. But this will take at least another fifty years, for the programme is one that Congress feels can be put off in the face of the mounting cost of rearmament.

*

In 1946, in a fit of postwar enthusiasm, the Bureau of Reclamation proposed a burst of development that would have cost $3 billion by 1954 and would by then have put water on 2,000,000 acres of new land and on another 3,600,000 that are now insufficiently irrigated. It would have added 4,000,000 kilowatts of electricity to the 2,500,000 available in 1946. The goal was to produce $1.5 billion worth of crops (at present prices) from federally irrigated farms by 1954. Congress never more than half implemented this programme and, after the Korean outbreak, government spending on reclamation was cut back from about $350 million a year to $225 million. The Commissioner of Reclamation has told Congress that this in effect means the end of any further extension of reclamation and that unless the Bureau gets more money, particularly for planning and research, it will be virtually out of business by 1956, apart from operating finished projects. Many of its best men are leaving and it now employs less than 14,000 compared with a postwar peak of 19,000.

Opposition to the Bureau's programmes comes from three principal sources: private electricity companies, which do not want any more public power to be developed unless they can control its distribution; eastern farmers and Congressmen who see no need for costly irrigation in the west to subsidise competition with agriculture in their part of the country; and the operators of the huge western factory farms, who resist the rule that no more than 160 acres of a single owner's land can be supplied with federally financed water. This so-called "160-acre limitation" was put into the original Act to make it a continuation of the homestead law of 1862, so that the west should be settled by sturdy freeholders on their own small farms. The limitation is still applied when new lands are irrigated, but factory farmers, particularly in Texas and California, have been trying without success for years to get Congress to repeal it.

American Notes

Separation of Powers

Mr Truman's penalty for the mishandling of the steel dispute is an unequivocal judicial limitation on the President's powers and a renewal of the steel strike under more unfavourable auspices. The President, as he promised, has at once handed back the steel mills to their owners and nine-tenths of them are now cold. In its 6 to 3 decision, the Supreme Court upheld Judge Pine's ruling against the Administration and the majority opinion, read by Justice Black, firmly denied that the President had any powers to seize private property, save those given him by Congress. The Constitution, the decision went on, makes Congress the law-maker; the function of the President is to execute the laws. Even the "expanding concept" of the threat of war, which, with the threat of economic disaster, has steadily widened the presidential powers during the past two decades, might not be stretched to give the ultimate seizure powers to the Commander-in-Chief.

This decisive check to the expansion of executive powers has been enthusiastically welcomed in Congress and throughout a country which is jealous of the sanctity of the Constitution; even those who do not believe Mr Truman himself has any dictatorial ambitions welcome the restatement of the doctrines of the separation of powers and the supremacy of law. Indeed, as Justice Frankfurter said in a concurring opinion:—

> Constitutional questions seem to exercise a mesmeric influence over the popular mind. This eagerness to settle —preferably forever—a specific problem on the basis of the broadest possible constitutional pronouncements may not unfairly be called one of our national minor traits. An English observer of our scene has acutely described it: "At the first sound of a new argument over the United States Constitution and its interpretation the hearts of Americans

leap with a fearful joy. The blood stirs powerfully in their veins and a new lustre brightens their eyes."

The quotation is from *The Economist* of May 10, 1952.

A few voices have already been raised to deplore the gaps which so sharp a separation of powers leaves in the fabric of government; they express anxiety about the capacity to deal with future emergencies—however poor the justification in the steel case may have been—and are eager for Congress speedily to authorise the President to seize industries in which a prolonged stoppage would be dangerous to the national welfare. Several such Bills are now before Congress, but many members are inclined to agree with Senator Taft, who will not lift a finger to help the President out of his difficulties until the possibilities of existing legislation—that is, the Taft-Hartley Act—have been exhausted. The only advantage of invoking the Act would be to postpone a strike for eighty days; if a settlement had not been reached by then, Congress would have to take action. And the steelworkers, who have already put off their strike for more than eighty days, would be justifiably embittered by further delay.

Justice Clark in his opinion suggested that the Administration might have taken a more acceptable course: the direct placing of government defence orders for steel with the mills. This would then have enabled them to be seized under a provision of the Selective Service Act. It may come to that, but with a month's supplies or more in the hands of domestic consumers, collective bargaining, which once nearly provided a settlement, may be given another opportunity. The Administration cannot, of course, wash its hands of the dispute, for it must determine the price relief to which the companies are entitled; this is the real sticking point. But the support of the courts places the companies in a strong bargaining position and the stabilisers' next thoughts must almost certainly be how to lessen the impact of higher steel prices on the whole price structure.

* * *

Ike's D-Day

General Eisenhower's personal D-Day, almost exactly eight years after his invasion of Normandy, came when he left the protection of his uniform last Wednesday and went back to his childhood home in Kansas to open his campaign for the Republican presidential nomination. There, watched by the whole country, he fired his first political salvo in a speech well above the head of his immediate opponent, Senator Taft, who had prepared for the General's return by an attack not only on his support of the Administration's foreign policy but on his competence when Chief of Staff. General Eisenhower, while explaining and defending that foreign policy, nevertheless aimed at his party's real enemy, the Democratic Administration, which he said had been in power too long. He outlined the four ways it threatened free government in the United States—unreasonable antagonism between economic elements (presumably a reference to the steel strike), inflation, excessive taxation and overgrown bureaucracy. There was little to inspire enthusiasm in the speech, and the General did not say how he proposed to counter these threats, but he can hardly avoid being more specific when answering newspaper reporters, which he is doing while *The Economist* is in the press.

General Eisenhower is probably right to try to avoid skirmishes within his party and save his strength for the decisive election battle. He must realise how little he knows about the detailed domestic problems of his country, and how many potential supporters will be offended by each definite stand he takes. Above all, his appeal to the voters lies in his present aloofness from party intrigues, in the belief that in the White House he would have a fresh and independent approach to the country's problems. But the General's managers argue that if he avoids skirmishes between now and the Republican nominating convention in Chicago on July 7th, it will be Senator Taft who leads the party into the final battle.

The choice will be made by the delegates to the convention, and at the moment Senator Taft is slightly nearer than is the General to having the promised support of the necessary 604. But the balance is held by an uncommitted group, and both sides are pinning their hopes on these delegates. This week's primary election for the delegates from South Dakota, so close that the result is still uncertain, shows how evenly the sides are matched. Mr Taft should have done better in his own Middle West, but a clear victory for General Eisenhower might have swept him into the nomination as his victory in New Hampshire swept him into the campaign.

Now both sides must capture delegates as and how they can. In Texas, Mr Taft's men proved that they would stop at nothing: by an unbelievably barefaced manipulation the local party machine sent a Taft delegation to Chicago against the wishes of the state's Republican voters; as a result there will be two rival delegations from this important state, and the nomination may depend on which one is finally approved. Faced with such manœuvres, General Eisenhower has agreed at least to put himself in a position to be shot at, even though he does not yet seem prepared to shoot back. From now until the convention, in New York, Detroit and Denver, he will answer the questions put by any Republican delegates who care to visit him.

* * *

Congress True to Form

The House of Representatives ran truer to form than did the foreign affairs committees when it cut a further $726.5 million, in addition to the $998.9 million recommended by its committee, from the $7.9 billion requested by President Truman for foreign aid in the coming year, and when it took all of this from economic rather than military assistance. The Senate, after some impassioned sarcasm from Senator Connally, rejected four more severe cuts and added less than $200 million to its committee's $1 billion reduction, spread equally over all sections of the programme. The conference committee has compromised half-way between the two, recommending a total of $6,448 million; this includes $3,416 million in military aid for Europe, and $1,283 in economic aid. The Senate is thought to be sure to approve this, but the House may make difficulties.

President Truman has already promised that, when he goes round the country campaigning for the Democratic presidential candidate, he will call Congress to account if it fails to provide adequate funds for either mutual security abroad or defence at home. He is obviously hoping to do as well for his successor this year as he did for himself in 1948 by attacking Congress, and Congress is helping him by keeping even closer to its usual form on other legislation than it has on foreign aid. It has refused even to make a pretence of considering Mr Truman's Fair Deal, the social legislation which appeals so much to the voters, on the excuse that at all costs the session must be finished before the Republican nominating convention opens on July 7th.

But even with this light programme Congress, and especially the Senate, is as far behind schedule as ever, partly because of the weakness of the Democratic leadership, but mainly because members, most of whom are standing for re-election, have been spending more time in their constituencies than in Washington. And when they have passed Bills they have sometimes only succeeded in making more work for themselves. Time will have to be found, for example, for an attempt to override the President's veto on the Bill giving the oil under coastal waters to the states.

The only major piece of legislation Congress has actually finished with this session is the ratification of the Japanese peace treaty and the accompanying Pacific pacts. Little difficulty is expected in obtaining Senate approval of the two agreements with West Germany that involve the United States. But there is likely to be controversy over the necessary extension of the President's war powers and there already is controversy over the extension of economic controls. The Senate is dealing with these this week, but the House has not yet received a Bill from its Banking Committee. However, it has completed action on all but one, funds for foreign aid, of the eleven major Appropriations Bills, while the Senate has hardly begun on them. It is very doubtful if such a backlog can be dispersed in the month that remains before the convention, even though the Senate is now disposing of legislation with unusual speed.

* * *

Everybody Loves a Farmer

The farmer, who contributed so notably to the Democrats' victory in 1948, is being courted this year with grim determination by both parties. Four years ago the Democrats convinced the farm states that declines in agricultural prices were due to the failure of a Republican Congress to provide adequate storage facilities—a charge which still rankles. The President's opening shots in this year's farm campaign were once more directed against Republican "mossbacks" who oppose the farm programme as "socialism." But in fact, the Republican farm stand is likely to pay the Administration the sincere compliment of almost slavish imitation. Republican farm experts approve the present system almost in its entirety, though they will make much of the laxity in administration which has enabled dishonest warehousemen to fleece the government.

Indeed, Congressmen from the farm states, whether Republican or Democratic, are anxious to go further in favouring the farmer than all farm groups consider prudent. In the Senate, Democrats—two of them, Senator Russell and Senator Kerr, candidates for the Democratic nomination—have introduced Bills which would repeal most of the recently hard won reforms in the price support system and the related concept of parity, the imaginary "just price" which would guarantee farmers the purchasing power they enjoyed in an earlier period. By 1954 a new base for parity is scheduled to replace entirely the traditional 1910-14 base, which unduly favours producers of such staples as cotton, maize, and wheat and which discourages desirable diversification. Both Senators would continue the out-moded base for parity. This is opposed by the Administration, but it supports Senator Kerr's efforts to abolish the present "sliding scale" of price supports, designed to discourage over-production and the piling up of costly surpluses by lowering supports in times of abundance and raising them when crops are short.

It is argued that the farmer's present reluctance to increase his acreage, which this year is falling 7 million below the government goals, is due to his fear of being penalised for plenty. In fact most of the major crops are being supported at 90 per cent of parity; Mr Brannan, the Secretary of Agriculture, has taken no risk of quenching farm enthusiasm for production or for the Democratic party by experimenting unduly with the sliding scale for basic crops. How quickly feast can turn to famine has been shown in potatoes, from which supports were withdrawn two years ago and which now are so short that housewives and hotels are being asked not to serve them in order to break a flourishing black market.

Congressional anxiety to appear on the farm hustings bearing gifts will be restrained only by fear of consumers' resentment in the big cities. But it is doubtful whether higher prices are the real solution for the farmers' troubles. Though farm prices are falling, and the big postwar boom is clearly over, what will pinch the farmer this year most is the cost of the things he must buy. His purchasing power this year may be lower than it has been for a decade, with the exception of 1950.

* * *

Matchmaking Taxes

The excess profits tax is promoting some strange and some not so strange marriages of convenience among corporations, particularly those which are growing with painful rapidity into the higher tax brackets. In this marriage market past losses may be more endearing than future earnings for, under last year's tax Bill, losses may be carried forward three years, instead of two, as an offset to later profits. In advertisement columns firms may be seen putting their best, that is their tax loss, foot forward. In a recent case of a merger between an expanding ice-cream company and a maker of buses, it was considered that the latter's dowry, a three-year loss of $5,500,000, was as

SCANDINAVIAN MARKETS

Every three months The Economist Intelligence Unit issues reports on economic and commercial conditions in each of the Scandinavian countries: Sweden, Norway, Denmark and Finland.

These reports are designed to provide in concise form, with a comprehensive statistical appendix, the information required by those with business interests in Scandinavia.

Similar reports are also available on thirty-six other countries, and are obtainable by annual subscription, or singly. Further particulars from:

THE ECONOMIST INTELLIGENCE UNIT

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

Linking the two financial centres of the world, London and New York

•

THE HANOVER BANK

(Incorporated with Limited Liability in U. S. A.)

LONDON . . . 7 Princes Street, E. C. 2

NEW YORK . . . 70 Broadway

strong an attraction as the fact that ice-cream needs to be delivered.

Among more blue-blooded corporations the excess profits tax is helping to sweeten, at least, a contemplated merger between the Atlas Corporation, Consolidated Vultee Aircraft Corporation and the Kaiser-Frazer Corporation; the latter holds seventh place among automobile manufacturers as well as making aircraft. No progress has yet been announced to the hopeful stockholders of Atlas, but the advantages are clear. The merger would give Consolidated a foothold in the automobile market, insurance against the day when its aircraft orders fall off from their present $900 million backlog. Also the automobile company, which may later this year turn the profits corner, can offer a $40 million tax credit on past losses, $19 million of which must be used before the end of 1952. The obstacles involve obtaining the consent of half a dozen different government agencies, the Department of Justice, the Securities and Exchange Commission, the Reconstruction Finance Corporation, and others, not forgetting the Department of Internal Revenue, which, before approving the use of the tax credit, would have to be satisfied that this was not the principal reason for the merger.

The tax load is now considered so heavy that unless there is a new inflationary tide, covering up the present soft spots in the economy, the pressure on Congress to reduce taxes next year may be irresistible. The issue cannot be sidestepped. The excess profits tax, which was revived after the Korean war, was given a short lease of life. It expires on June 30th next year, and six months later the increases in personal income taxes voted in 1951 also expire, unless Congress decides to continue them.

Shorter Notes

Mr James McGranery, the new Attorney General, has taken over his duties as head of the Department of Justice to succeed Mr Howard McGrath, who was dropped in the controversy over the dismissal of Mr Newbold Morris as special investigator of corruption in the government. Mr McGranery's confirmation by the Senate was preceded by lengthy debates on the adequacy of his understanding of basic US law and on how vigorously he could be expected to investigate the Administration. For his part, Mr McGranery has pledged an "unspectacular clean-up" that will not involve "running around the country on television and radio."

★

Plans to merge two large banks in New York City, the Manufacturers' Trust Company and the New York Trust Company, have been dropped after shareholders in the latter were reported to be dissatisfied with the terms arranged for the exchange of their stock for that of the new enterprise. Had the merger been carried out, the new bank would have been the fourth largest in the country, with deposits of $3.275 billion in 114 offices in the city. This is the second time within a year that an important banking union has narrowly missed completion in New York; last August legal obstacles prevented a merger between the Chase National Bank and the Bank of the Manhattan Company.

★

Washington will not after all have the diversion of seeing the Capitol, where Congress meets, picketed by helicopter and showered with leaflet-carrying balloons. An agreement has been reached by which the firm painting the building will use trade union labour; the contract for the painting had been awarded to a non-union company and, since picketing is forbidden on Capitol Hill, the union had decided to take to the air in protest.

★

The conversion of the speedometers on Air Force planes to knots instead of the present statute miles is another declaration of this service's independence from the Army. After July 1st Air Force "ships" will be calibrated as water-borne craft are, since much of their flying is over water. Civil aviation companies are, however, objecting to a proposal that they should do the same.

★

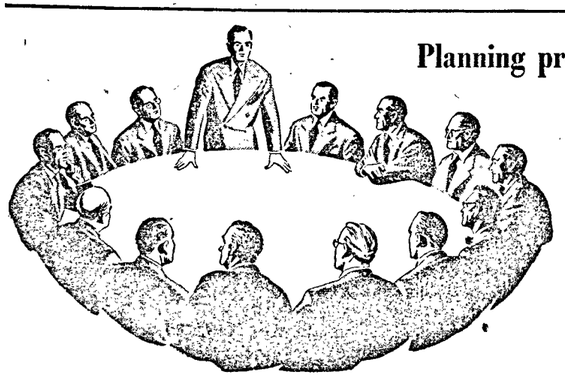
A department store's scheme for selling musical instruments is helping the budgets of music teachers in Cleveland, Ohio. Under the plan the prospective musician takes a trial course of instruction at the shop, with instrument and music provided free. If his interest is sustained and he shows ability, at the end of the trial he is encouraged to continue with private lessons—on an instrument of his own purchased from the store's music department.

★

The long controversy on the New York City budget for the fiscal year starting on July 1st concluded rather tamely with its unanimous approval by the Board of Estimate. The Mayor, Mr Impellitteri, was responsible for the $1.47 billion programme, the highest in the history of New York, which will be financed in part by special new levies as well as by a continuation of the 3 per cent tax on retail sales which is due to expire at the end of this month.

★

California's Alien Land Law, passed in 1920 to stifle Japanese competition in agriculture, has been declared unconstitutional by the State Supreme Court and the decision has been accepted by the state government. The Court held that the law, which barred aliens who were not eligible for American citizenship from owning property, was unconstitutional on racial grounds; a lower court had declared it invalid because it contravened the United Nations Charter. At the time the Act was passed, aliens from the Orient were excluded from ever becoming citizens; the ban on naturalisation has now been, or is likely to be, removed from all Asians.



Planning produces results in the dollar market

Successful selling in the U. S. market requires a carefully planned sales approach. As one of America's oldest commercial banks, Irving Trust Company knows this great market thoroughly . . . will gladly work with you in locating competent organizations to help develop or expand your sales there.

IRVING TRUST COMPANY

ONE WALL STREET • NEW YORK 15, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

THE WORLD OVERSEAS

Communist Violence in France

(From Our Paris Correspondent)

BEFORE Whitsun Paris had its liveliest political week since the big strike of November, 1948. It began with the floating of M. Pinay's loan; it continued with the signing of the treaty for a European Army, a diplomatic fixture "*pas comme les autres*"; it ended with the arrest of M. Jacques Duclos, acting secretary general of the French Communist Party, who had been discovered during the bloody riots of the night of May 28th, in a motor-car with his wife, his chauffeur, a short-wave receiving set, a loaded revolver and two warm dead grey pigeons. M. Duclos, the first Communist leader to be arrested since the liberation, spent Whitsun "inside" with M. André Stil, editor of *Humanité*, who had been locked up some days previously. *Humanité* itself was twice confiscated before Whitsun; and the police have carried out a search of the premises of the Communist Party and affiliated organisations. The legal consequences of the rioting are at present veiled behind the phrase *atteinte à la sûreté intérieure de l'Etat*, so that some days will probably pass before it is known who is to be prosecuted and for what offence. At the time of his arrest M. Duclos was described by the press as having been caught *flagrante delictu*; but doubts as to the precise nature of the case against him have since been coupled with speculations about a wider prosecution of organs of the Communist Party and of the associated Communist bodies which called for the demonstration.

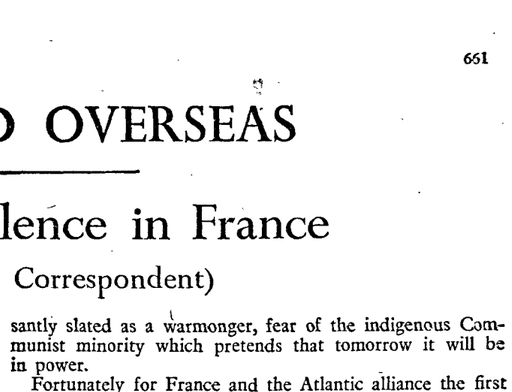
Orders from the Kremlin

It is believed that the riots, which took the form of a large planned attack on the police by gangs of *militants* armed with clubs, iron bars and spiked stakes, followed instructions given by the Kremlin to M. Francois Billoux, who recently returned from a visit to M. Maurice Thorez, still convalescent in the Soviet Union. In a contribution to *Les Cahiers du Communisme* M. Billoux proclaims the absolute necessity of smashing the French bourgeoisie.

> The bourgeoisie is handing over the country to the American occupation. . . . It is not a kind of *victim* of the American colonisation, for it has voluntarily and deliberately submitted to the orders of the American millionaires. . . . The defence of French industry cannot be assured by a "national union" of the workers, middle classes and industrialists . . . this would only be a union of betrayers and betrayed.

Spurning the bamboozlements of M. Pinay, who, in the words astonishingly permitted to emanate from M. Duclos in prison, "was a national councillor of Petain, did business with the Germans and deserved to be prosecuted for making illicit profits," the French should take determined action—against the American army in France, against their own excessive rearmament and military service, against colonialism in North and Central Africa. Nor, says M. Billoux, should the people forget the national claims of Alsace and Lorraine. The *Cahiers* also attacks "the high dignitaries of the Church, who are trying to maintain barriers between Catholic and Communist workers." Thus Wednesday's demonstration against General Ridgway seems intended to mark a new phase in the French Communist Party's "peace tactics"—a switch from the semi-soporific technique of the Partisans of Peace, which played upon popular lassitude and neutralism, to that of the organised *putsch* with its double incitement to anger and fear: anger against the foreigner who is incessantly slated as a warmonger, fear of the indigenous Communist minority which pretends that tomorrow it will be in power.

Fortunately for France and the Atlantic alliance the first essay in Communist violence was a resounding failure. Out of over 700,000 Parisians who voted for the Party last June only 7,000 or 8,000 turned out "against Ridgway" in the streets. In fact, Wednesday's manifestation only differed from previous flops (for example, demonstrations against General Eisenhower and against the German ex-generals at the EDC conference) in the scale of the operations organised by the rioters against the police. The Communists had repeatedly failed to arouse the population in the streets, in the factories and at the docks, against the American military alliance and presumably expected to fail again this time. What, however, they could make sure of was a straight fight with the French police. The usefulness of this tactic is not evident. It is true that the population as a whole dislikes the police, who are rather rough, and is disinclined to come to their rescue when they are set upon by other rough men; whereas, if the same gangs attacked American buildings in Paris, the crowd might conceivably turn actively against them. But occasional violence against a vague anti-Atlantic campaign



Reproduced by kind permission of "Realities."

muddled up with protests against the government's economic policy seems unlikely to carry the Communist cause further. On the face of it, indeed, the riot seems to have been for the purposes of world Communist propaganda: it will make good reading in China and Peru. Yet to continue in the path of violence is bound to be costly for the French Party—unless the Government's reprisals are paralysed by judicial impotence, with the state once more proving incapable of enforcing the very adequate existing laws.

The most up-to-date and accurate information about French Communism has been published by the review *Realities*, which instructed the *French Institute of Public Opinion* to conduct an elaborate survey of the problem. The replies given to the Institute's questionnaires (which were addressed to Frenchmen of all shades of political opinion) indicated very clearly several rather unfamiliar features of the Communist electorate. For instance, answering the question:

"What points would you like the Party to stress particularly?" only one Communist voter in 17 talked about "shaking off the American yoke" or "stopping the war in Indo-China," and only one answer in ten contained ideas of the class struggle. The main themes of the replies were bread (or economic stability) and peace. But by peace the bulk of the French Communists, the Institute found, understood not the Kremlin's "fight for peace" (i.e., the maximisation of the international class-war) but simply neutrality, that is, non-involvement, either in a military alliance in peace, or in a war between the Soviet Union and the United States, should it come about. Thus to the question: "Do you think that France should take part in a Soviet American war even if she could stay completely neutral?" 65 per cent of the sample of Communist voters replied: No; and only 22 per cent: Yes. *Realities'* survey proves almost beyond possible doubt that of the 5,431,000 Communist voters of last June (26.5 per cent of the electorate) the vast majority are concerned primarily with a more consistent system of parliamentary republican government and with more stable economics. Less than a quarter of the Communist electorate has any genuine feeling of solidarity with the Soviet Union or any comprehension of the theory of the universal class-war. Moreover, when asked whether they thought their standard of living could be improved by reforms or only by a revolution (meaning another parochial revolution in France) no more than 41 per cent replied "only by a revolution" or "by a revolution if necessary"; the majority declared itself to be respectably reformist.

If, therefore, the figure 22 per cent is taken to represent the convinced Stalinist core of the French Communist electorated, the percentage of Stalinists in the whole nation becomes about 3 per cent (1,200,000 voters). What seems to be required in France is the kind of gain in political and economic confidence which reduced the Communist vote in Britain from 4 per cent of the electorate in 1945 to 0.8 per cent in 1951. Meanwhile the French Left, in the socialist party, the MRP and the non-Communist unions, has provisionally retained a tiny jot of faith amidst its scepticism of M. Pinay's government. M. de Menthon, leader of the MRP, has said: "In France the Right is against the nation and the Left is against the state." The rest of the year will show whether there is a way out of this dilemma.

Persia and the Court

ON Monday, Dr Mossadegh makes an appearance on the international stage that may well be his last. He has come to The Hague to present before the International Court of Justice Persia's argument that the Court has no jurisdiction in the matter of its oil dispute with Britain. Before he captures the headlines (which he always does, thanks to his dramatic talent) it is worth surveying the purposes that are served by the proceedings. Many people feel that they are unlikely to promote a solution that will put Persian oil back upon the world map, and. that, therefore, they have little value beyond that of a peepshow. This estimate leaves out of account some results of the court verdict—results that must follow whichever way the judges decide, and that are described below.

The proceedings which begin on Monday have nothing to do with the merits of the case. All discussion of these is in suspense until the Court has dealt with the question of jurisdiction which is raised in a preliminary objection filed by the Persians. On jurisdiction, the British argue that the Court has competence in the matter because the Anglo-Persian oil agreement of 1933 had a dual character. They contend that it is on the one hand a simple oil agreement, but that it is also an international convention since it was negotiated under the auspices of the League of Nations as the basis of settlement of a previous dispute. The British case points out that Persia bound itself to accept the Court's jurisdiction in such a matter when it ratified the Optional Clause regarding jurisdiction in 1932. The British, adding a point which borders on the merits of the case, claim that the dispute does not fall exclusively within Persia's domestic jurisdiction since it has entailed treatment of foreign nationals along lines that infringe international undertakings given by Persia in treaties of 1857, 1903 and 1928. The gist of the Persian reply is that the Court has no competence because nationalisation of industries is a purely internal affair, and that Persia has not maltreated foreign nationals since it was always ready to pay them compensation, provided they would let it sell its oil. The President of the Court, who is a martinet when witnesses stray from the point (he recently reproved Sir Hartley Shawcross for doing so) will have his work cut out to keep the questions of jurisdiction and of merits from overlapping. Dr Mossadegh's farewell broadcast upon leaving Teheran suggests that he, in particular, has no mind to keep them apart.

The Court's decision as to whether or no it has jurisdiction is not prejudiced by the fact that last July it issued an interim Order to the parties in the dispute. It stated specifically, at that time, that its Order "in no way prejudged the question." (It will be remembered that the Polish and Egyptian judges dissented from the Order, on the grounds that it had just this effect; the Russian judge was ill.) The Court is therefore free to decide either way. But if it were to decide that it has not jurisdiction, at least two important consequences would be implicit in its decision. First, this would suggest that all agreements reached between local governments and foreign companies are none of the Court's business, even when reached under international auspices; it will therefore discourage the investor from placing his money abroad, to the detriment of all countries which seek to increase their industrial potential by encouraging foreign investment. This consideration is of the greatest concern to all potential investors; it is of equal concern to all areas in need of investment or aid.

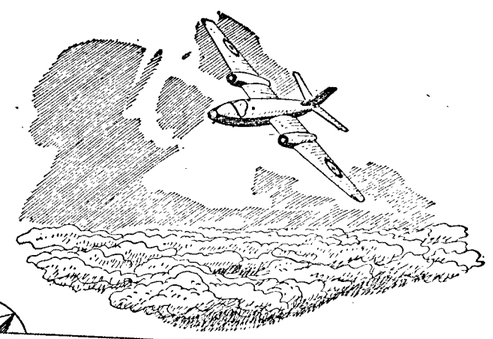
Causes of Failure to sell Oil

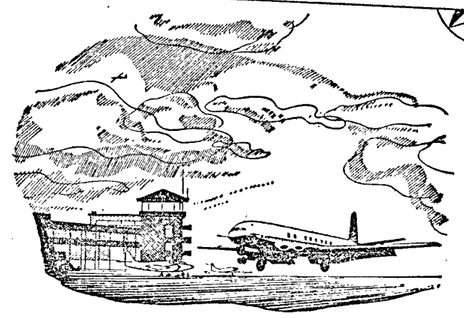
Secondly, such a decision is likely to affect the immediate course of events in Persia. For, beyond a doubt, the Court's interim order of July 5, 1951, has affected the course of events there in the last year. Persians like to imagine, and their press and radio tell them constantly, that their failure to sell oil since the British left is due to the deep and bitter "machinations of the British Government and former oil company." In fact, such were not necessary and did not happen. The major causes of failure were first, that crude oil is plentiful and that the only variety available from Persia was high-grade aviation spirit which the Persians were not by themselves capable of extracting in quantity from the Abadan refinery; secondly, that selling oil is not the simple waterfront operation they had imagined; and, thirdly, that tanker owners—even those with bootlegging inclinations—were deterred from carrying goods the ownership of which had been thrown into doubt by the Court's order, because the operation might entail a hold-up and months of costly wrangling. If the Court were now to decide that it has no jurisdiction and were to rescind its order, this third handicap would be removed and Persia might sell a little oil abroad if it were not fussy about price. The first two handicaps would, of course, survive; they will also become increasingly hampering as the months go by and the many new local refineries which companies and governments are now building as the result of the fright at Abadan come into operation one by one. Even with one handicap removed, therefore, Persian sales might remain negligible.

If on the other hand the Court were to decide that it has competence, it would need to move on to the question of merits—on to the British claim, which covers restitution or, alternatively, damages, and on to a Persian counterclaim for "illegal plundering." Years of wrangling would lie ahead

MARCONI

serves mankind



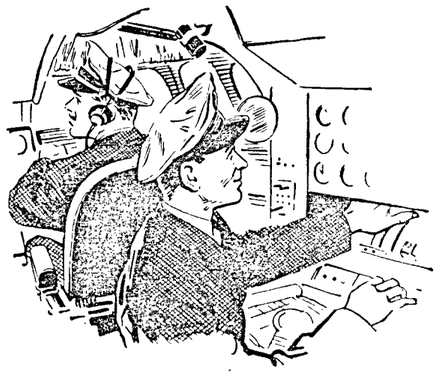


Marconi came into a world in which communications were adolescent. When he left it, the marvels of radio were a commonplace. His name had achieved immortality; his work was established in the service of mankind. It is therefore no coincidence that the Company which he founded should supply communication and navigation equipment for aircraft like the Canberra and Comet, which are the most advanced of their class in the world.

MARCONI'S WIRELESS TELEGRAPH COMPANY LTD · MARCONI HOUSE · CHELMSFORD · ESSEX

FLY

WITH THE MOST AIR-MINDED PEOPLE IN THE WORLD



Who are the world's most air-minded people? Statistics show that, per head of population, the honour goes to Australia. That's *another* good reason for flying with Qantas, Australia's international airline with over thirty years' experience — now serving over 38,000 miles of world routes with all-Australian crews.

Linking Australia with Indonesia, Malaya, India, Pakistan, Europe, Egypt, Philippines, Japan, Hong Kong, New Zealand, and over 70 airports covering the South-West Pacific.

QANTAS AUSTRALIA'S INTERNATIONAL AIRLINE

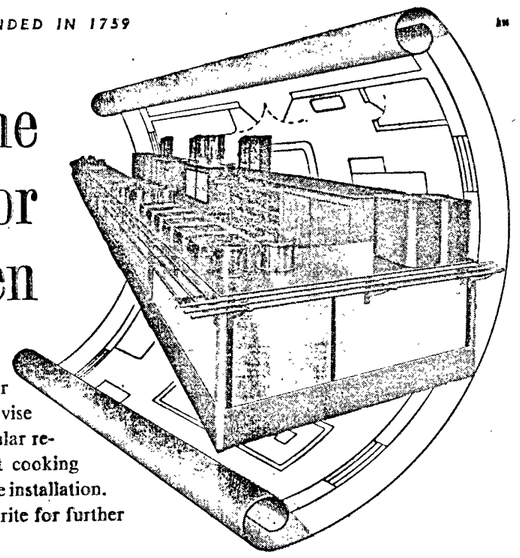
Fly QANTAS there's a world of difference!

QANTAS EMPIRE AIRWAYS LTD (Inc. in Queensland) In association with B.O.A.C. and T.E.A.L.

Consult your travel agent—or QANTAS, 69, Piccadilly (MAYFAIR 9200)—or any office of B.O.A.C.

CARRON THE ROYAL CHARTER COMPANY FOUNDED IN 1759

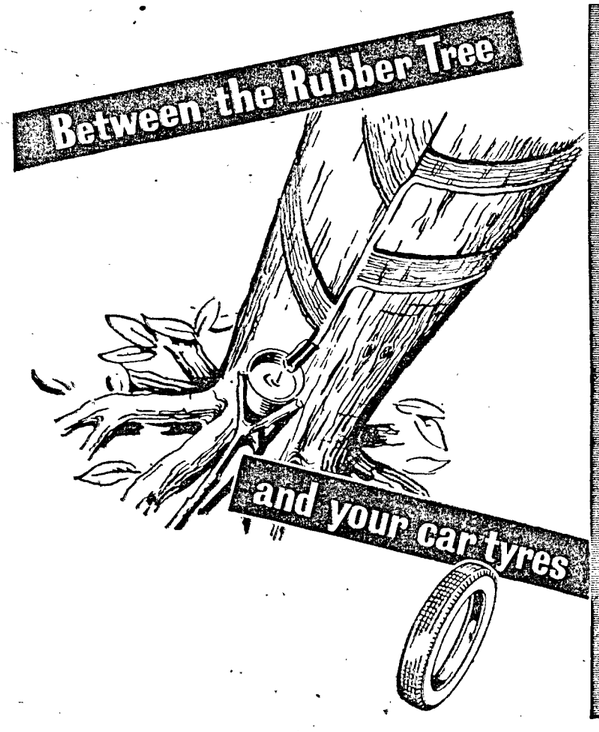
Carron will plan the complete layout for your works canteen



Carron heavy duty cooking equipment is produced to run on any type of solid fuel, steam, gas, oil or electricity. Carron experts are in a position to advise on the most suitable installation to meet your particular requirements. Not only will Carron supply the best cooking equipment for your purpose, but will plan the complete installation. Regular maintenance contracts can be arranged. Write for further details and literature to Department HC.

Carron HEAVY DUTY COOKING EQUIPMENT *Coal : Coke : Steam : Oil : Gas : Electricity*

CARRON COMPANY · CARRON · FALKIRK · STIRLINGSHIRE *and London · Manchester · Liverpool · Newcastle · Glasgow*



ALUM, a chemical known and used for over 2,000 years, is used for the coagulation of latex, the first stage in the manufacture of rubber. Spence have been making Alum since 1846 when Peter Spence pioneered the modern process for the preparation of aluminium salts by the acid extraction of carbonaceous shale.

Alum is just one of the range of Spence chemicals for industry.

SPENCE
CHEMICALS FOR INDUSTRY
PETER SPENCE & SONS LTD.
WIDNES LANCASHIRE
LONDON MANCHESTER BRISTOL

and might be abortive. Indeed, the Persians have threatened to nip such proceedings in the bud, since they have proclaimed that the ultimate decision of the Court will "make no difference to their intention to follow the road they have chosen." A Court decision that it has jurisdiction might therefore have no immediate practical result on the flow of oil, but it would have some legal and moral consequences that would be of interest to the whole world.

It is perhaps pertinent to add that the Court's decision will greatly affect Dr Mossadegh's personal position inside Persia. A triumph for his view will win him a short further lease of life; a defeat will hasten the growth of the mounting opposition to his policy. But this is a domestic Persian affair. It would be of interest to the world at large only if it were possible to discern a good candidate to take his place. None is apparent at the moment.

Unrest in the Rumanian Countryside

[BY A CORRESPONDENT]

A LARGE measure of responsibility for last week's upheavals in Bucharest, which included the replacement of the Minister of Agriculture, can almost certainly be placed on the deteriorating economic situation within the country. The currency reform of last January has failed to bring the peasants to heel and the perennial problem of food shortages again seems to be a source of much anxiety to the Government. Vigorous police supervision and numerous prosecutions have not prevented renewed activity on the free and black markets, and on the latter there has been a steady increase in the exchange rate of the dollar which recently stood at 18 lei instead of the official 11.09 lei. The whole object of the January currency reform, the promotion of a lower cost of living by a reduction in food prices, is being jeopardised by a general recrudescence of illegal transactions in food. The Government has been sufficiently alarmed to adopt a series of measures designed to rectify certain grave omissions in its agricultural policy.

For many years, in fact since 1945, priority in capital investment has been given to the programme of industrialisation. Agriculture and rural development in general have been relegated to a position of secondary importance, and have had to be content with a lower scale of financial assistance, as the following table shows.

Percentage of national capital investment

	Industry	*Agricultura*
1949	47.2	9.4
1950	50.2	6.6
1951	51.4	10.0

The result has been that agricultural productivity has not kept pace with industrial expansion, and the growing demands of the industrial proletariat have not been satisfied. The Rumanian press has given many examples of the adverse effects of this policy on the feeding of the population. It has described how some rations have not been honoured for months; how peasants and school children have been conscripted to gather beechnuts which the authorities then pressed into oil as a substitute for edible oil rations; how the Bucharest People's Council was at one period so appalled by the disastrous food situation in the capital that it advocated the compulsory transfer of all farms in the vicinity to the State regardless of ownership. This and other conclusive evidence of alarming food deficiencies galvanised the Government into extending more liberal grants towards the raising of agricultural productivity. This year, a total of 337 million lei—106 million more than in 1951—is to be allocated to this purpose, and will be partly spent on speeding-up the mechanisation of agriculture.

Grave defects in another direction are to be eliminated. Despite the propaganda and money spent on stimulating trade between town and countryside through consumer co-operatives and ancillary organisations, such as Fruit and Vegetable Centres, the Government seems to have been unable to induce the peasants to part with their surpluses after the compulsory surrender of the annual quotas of cereals, meat and milk to the State. During the brief debate on this year's Budget in the National Assembly, the deputy for Botosani deplored the fact that whereas over 121 million lei worth of industrial products had been sold to the peasants by the co-operatives, the latter had only received 4.5 million lei worth of agricultural products in return. Other deputies voiced similar complaints.

The reluctance of the peasants to do business with the co-operatives does not seem to be wholly due to their ineradicable suspicion of State trading units. In many cases, the Government appears to have neglected to supply the co-operatives with adequate stocks of the most elementary necessities. In its issue of December 19, 1951, the influential paper *Universul* confessed that whereas in theory the peasants should find the best outlet for their surplus production in consumer co-operatives, the failure of these trading units to provide everyday needs like kerosene, matches, sugar, salt and cloth was keeping the peasants at arm's length, and encouraging them to dispose of their surplus to private traders for eventual sale on the free market.

Persuasive Financial Measures

The Government has realised that the situation is not likely to improve in view of the all-absorbing demands of heavy industry on the resources and finances of the country. It has therefore fallen back upon a more stringent application of the two prescriptive remedies for food shortages—collectivisation and collections. It has renounced its somewhat peevish attitude towards the more intransigent peasants who refuse to believe in the benefits of collectivisation, and who forced it to modify its policy of registration in collectives by indirect pressure a year or so ago. Instead, it has been trying to break down the passive resistance of the peasants by persuasive measures of a financial nature such as, for example, the new taxes on farm buildings based on a decree of January this year, and the compulsory insurance of agricultural property which followed in February. These are intolerable burdens on all classes of peasants, but what made them more onerous was the fact that many farmers were required to pay the taxes for the first half of the year by the end of February. The peasants were already severely crippled by the January currency reform, which deprived them of most of their ready money. They will have little money at their disposal to meet both taxes and premiums until after the spring and autumn harvests. Some of them may thus have been forced to enter the collective farms, especially as the non-payment of taxes entails severe penalties amounting in some cases to long periods of penal servitude. The fact that the Rumanian press referred to the establishment of scores of new collective farms during February and March testifies to the relative success of this new financial counter-attack on the economic independence of the peasants.

Compulsory Collections

The Government also intends to extract the compulsory collection of the highest possible annual quotas of agricultural products from all classes of cultivators, particularly from the kulaks. New decrees of assessment have been issued, and fresh instructions for their rigorous execution have been circulated among the state collection units. The decree for the compulsory collection of meat which came into operation at the beginning of the year, the decree for the collection of vegetable produce of March, and the decree for the collection of milk, all follow the revolutionary principle

governing the collection of grain—that quotas are to be fixed, not according to the fertility of the soil, but to the size of the holding. In the case of vegetable produce, two new provisos have been added to the effect that quotas may be increased in regions of exceptional fertility, and that farmers are henceforth disallowed the right to contest assessments. In view of the fact that kulaks are compelled to yield quotas 30 per cent higher than other farmers, and that collective farms are conceded reduced quotas, it is plain that the underlying motive of these decrees is to make the position of independent cultivators as untenable as possible, and to force them into the collective fold. By these and similar measures the Government hopes, perhaps, to accumulate sufficient reserves of food for exportable purposes, although it is doubtful whether it can do that and continue to supply the Soviet Union with the vast quantities of agricultural products dispatched regularly to that country every month. But its immediate purpose is to avoid a repetition of last year's failure of the collection scheme, and of the rationing system associated with it.

The Indian Slump

[FROM OUR CORRESPONDENT IN INDIA]

IN India the world recession has assumed the proportions of a real shake out, though a shake out which is now stabilising itself. The wholesale price index has dropped by one-fifth over the last year, and, at the bottom, in March, was below its pre-devaluation level. It is still only a little above that level, and is below the pre-Korea level. This result, which the Indian public quite clearly regards as happy, has been achieved by a combination of world factors and skilful government policy. India was a considerable beneficiary from the rise in world prices of raw materials which followed Korea; all its exports, from cotton textiles to hides and from jute goods to manganese, met with a strong demand at high prices, and the terms of trade improved by several points. But now that stockpiling has slackened, and rearmament programmes are being drawn out, the demand and prices of Indian exports have dropped correspondingly. Jute goods, hides and skins, edible oils, shellac, for example, are all at only half their peak levels, and the demand for both hessians and cotton textiles has noticeably slackened. Last year Indian inflation was largely imported; this year external influences are notably deflationary.

Indian import prices, however, have gone down much less, despite notable falls in such commodities as Pakistan jute, Ceylonese coconut oil and Egyptian cotton. The terms of trade have worsened by perhaps 10 per cent and in 1952-53 India may well have a trade deficit some £40 million larger than the £140 million of 1951-52. Most of the 1951-52 deficit was met by the American wheat loan and the sterling balance releases; this year there may well have to be cuts to restrain inflation which will have the effect of retarding development, unless the American Congress grants, as it is indeed expected to do, some $250 million of aid.

Fight Against Inflation

This drop in the world prices of its exports has been accompanied by a skilful disinflationary policy that the Indian Government has been following, consistently for the last year, and inconsistently ever since independence. The currency has been slowly but steadily contracted; the budget has never been in deficit on revenue account, and in 1950-51 and 1951-52 produced large surpluses (in 1951-52 £70 million, or a fifth of the total), small savings have been made sufficiently attractive to produce some £30 million a year net at the present rates, the sterling balance releases have been used for machinery, not luxuries, and the rate of interest on gilt-edged has been allowed to rise slowly. There have also been errors, such as the failure to import more food in 1950, and frequent failure adequately to associate welfare with productivity; and, above all, decontrol in 1948 and devaluation in 1949.

On the whole, however, the Government has held steadily to its fight against inflation and in the last year its policy has been notably successful. It combined a budget surplus with an import surplus, and export duties to reduce the impact of world prices on the economy and, at the beginning of the crop-moving season, when demands for credit are highest, the Reserve Bank raised the bank rate and limited the credit the banks could give by announcing that it would no longer buy gilt edged at a more or less fixed rate; this has greatly reduced the banks' capacity for increasing their liquidity at will, and, since two-thirds of their deposits are now tied up in advances, it has made money really tight.

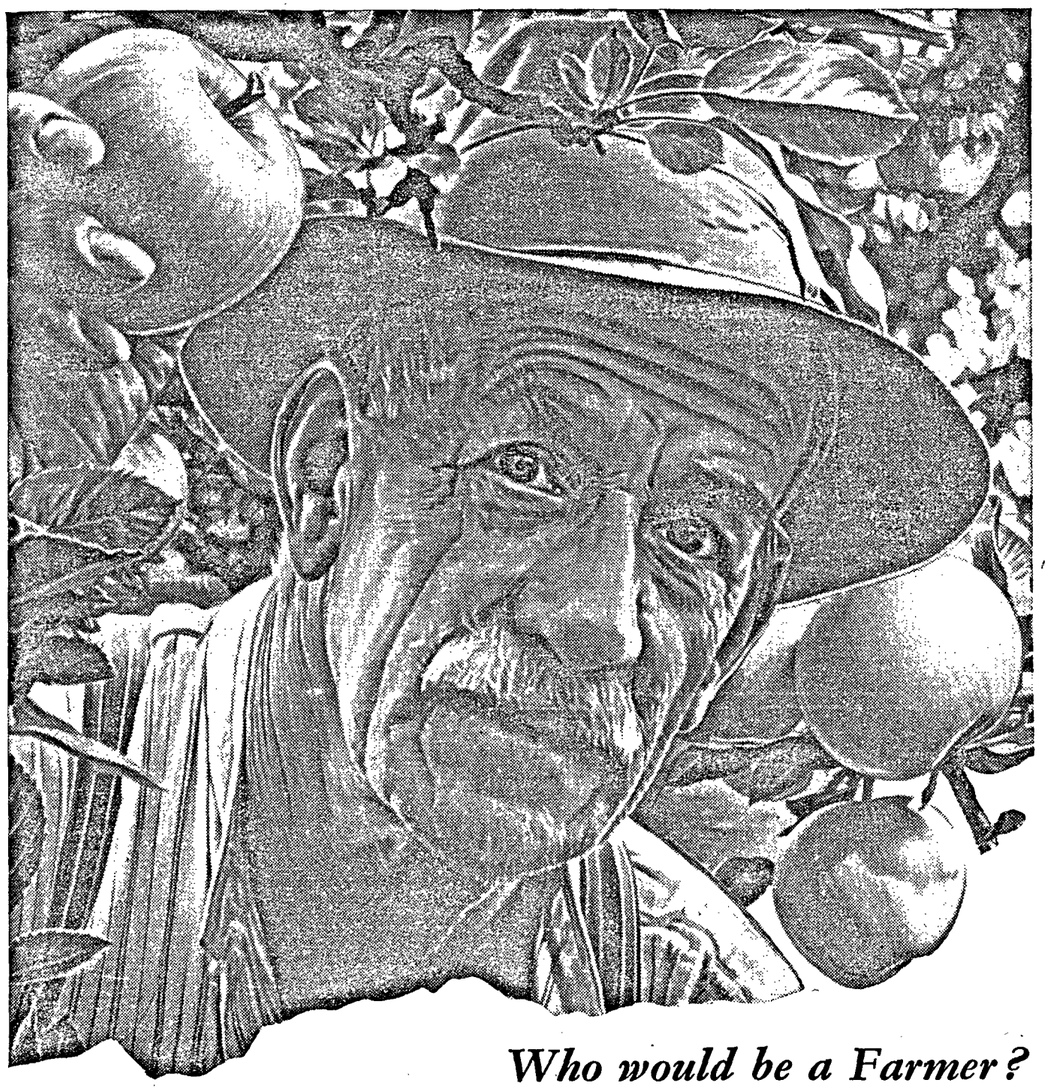
As prices dropped, speculators found that, since the banks would not lend, they were constantly having to unload stocks of one commodity in order to pay for losses on another. Silver is now below world parity, and gold is as low as in 1946. For the first time since 1939 speculators have really lost a great deal of money; they have been reminded that it does not always pay to hoard for the rise, and the public's resultant pleasure has been visible. In the countryside the drop in prices has considerably reduced the cost of living, in some places by as much as 10-20 per cent. In particular, it has virtually abolished the black market in cloth and has reduced that in food; the worst sufferer from both of these was the villager who does not grow enough for his needs. In the big towns, where cereals were subsidised by about one-third of their price, the Government has been able to abolish the subsidy, which would have cost £70 million at present import prices, without raising the cost of living.

As the situation has eased, the Government has been fairly quick to take off controls. Forward trade in jute goods, for example, has been permitted, while most of the present internal distribution controls on cloth and yarn and the destinational quotas on exports of textile and jute goods have gone. It has been quick, too, though not always quick enough, to reduce export duties. The duty on most edible oils has been abolished, that on hessian has been halved; at Rs. 750, however, the hessian duty is still too heavy, and Indian textile exports are now severely handicapped by the failure to give a drawback on the duty on the imported cotton used and by the 25 per cent export duty on coarse cloth. The Indian textile industry is, however, still better placed than any of its competitors, for it has behind it a home market which is getting only 13 yards per head against 16 yards before the war, as well as the only major cheap short staple cotton crop in the world; the price of Indian cotton is at the moment at about half world parity, and the Indian spinner can use shorter staple growths which cost only one-third of the American cotton Lancashire or Japan has to buy.

Sweden's Economic Prospects

[FROM OUR SCANDINAVIAN CORRESPONDENT]

"WORSE than it was, but not as bad as it is made out to be." In these cryptic comparisons a well-informed observer recently summed up Sweden's present economic position. The deterioration referred to is the end of the export boom of 1951. The pessimistic interpretation which is dismissed is that of many exporters, whose previously enormous profits are being reduced and who, in consequence (and partly for tactical reasons), tend to exaggerate the adverse effects of the return to more normal trading conditions. Yet even on the worst assumptions yet made of reduced prices and quantities,



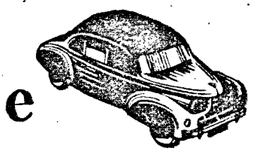
Who would be a Farmer?

Insecticides are often a greater trouble than the weather in a farmer's life, but the development of new insecticides has made it possible for aphids, red spider and other insect pests to be brought more readily and more surely under control. Essential chemicals in many of these new insecticides are made by Albright & Wilson.

Chemicals for Industry ALBRIGHT & WILSON LTD

49 PARK LANE, LONDON, W.1

The and the



Nowadays the car that's made in England seldom stays in England. It's quite likely to go to Lapland or Labrador—to face very un-English temperatures—twenty, thirty, forty degrees of frost!

So the maker of car engines, if he's thorough, tests them in savagely low temperatures. And the maker of car parts like carburettors and electric starters does the same. Refrigeration helps the car industry. And the car accessory industry. And many more industries than most people realise!

If you've a cooling problem, consult

FRIGIDAIRE

Regd. Trademark

the experts in refrigeration: commercial, industrial, medical and household

FRIGIDAIRE DIVISION OF GENERAL MOTORS LTD.
Stag Lane, Kingsbury, London, N.W.9. Telephone: COLindale 6541

Keep it clean!

Poor girl, she always gets in this sort of mess when it comes to using carbons for the spirit duplicator! So unnecessary too, when all she needs are OFREX Stainless Hecto Carbons to make a clean job of it.

Don't let your office join the "Purple-stain brigade" on duplicating days . . . stained hands and soiled clothes make the job a dreaded ritual. OFREX Stainless Hecto Carbons are made by a special process which ensures *perfectly clean handling* and maximum duplicating efficiency.

OFREX *Hecto* CARBONS

CLEAN COPIES—CLEAN HANDS

Our representative will be glad to call and demonstrate the clean efficiency of Ofrex Hecto Carbons. Just pin this advertisement to your office letter heading and post to:—

OFREX LIMITED, OFREX HOUSE, NEWMAN ST., LONDON, W.1

A member of The Ofrex Group of Companies

OHC/266A 5-T

All this

and a 7 too!

NUMBER SEVEN

'Virginia' Cigarettes 20 for 3/11
ALSO *Abdulla Turkish and Egyptian*

Sweden is likely to have again this year the most advantageous terms of trade in Europe.

Many of the difficulties it now faces are due to three factors—the importance of forest products, especially pulp, in its export trade; the unabashed exploitation of the sellers' market for pulp; and the consequent disturbances caused by the influx of part of the profits of this trade into the national economy. The following table illustrates Sweden's main exports in 1950 and 1951.

MAIN SWEDISH EXPORTS IN 1950 AND 1951
(In '000 Kronor)

	1950	1951
Pulp, paper	1,754,623	3,897,407
Wood, wood goods	666,853	1,134,052
Machinery	705,859	934,844
Base metals	663,713	914,510
Ships, vehicles	444,260	490,597
	5,706,665	9,206,776

Source: *Kommerskollegium, Monthly Trade Statistics.*

The volume of exports did not change as much as their value in the above table indicates. Indeed, in round figures, 53,000 tons less pulp was exported in 1951 than in 1950: in 1950, 552,685 tons of bleached sulphite pulp were exported for 283,331,000 kronor, but in 1951, 491,166 tons earned 677,441,000 kronor. Iron ore exports, however, rose by some two million tons to 15 million tons. Similarly, more machinery was exported, largely because of the completion of long-term orders placed under the now expired Russian trade agreement—8,393 tons of generators and motors as against 5,813 tons in 1950. The index of the volume of foreign trade, prepared by *Svenska Handelsbanken*, shows an increase of only 4 points for exports last year—from 144 to 148 (1948=100)—compared with an increase of 20 points for imports—from 108 to 128.

The result of all this was that Sweden's visible trade balance showed a surplus of 19 million kronor. The surplus on invisible items was 860 million kronor. At first sight, therefore, the Swedish economy appears to be in a healthy state. But the good results of last year's trading were due almost entirely to the high prices obtained for pulp. These prices are now dropping, in the first place as a result of British action earlier this year; and they are likely to drop still farther. Moreover, the trend of world production and consumption makes it most unlikely they will regain last year's high level. Increased production in the United States is weakening the sellers' market and freeing for export elsewhere Canadian pulp previously sold to America. Admittedly this pulp must be paid for in dollars, but Britain now has such a big debt to the European Payments Union that its deficit has to be met fully in gold. It may therefore be more willing to buy cheaper Canadian pulp for dollars than dearer Swedish pulp for gold.

Alternative Markets to the West?

Theoretically the Swedes should be able to offset their losses on pulp to some extent by increasing exports of machinery and other products. Exports of ore, for example, will certainly increase. But the inflationary situation of the past eighteen months has raised Swedish wages and costs to an unhealthy level, so that many products are at a competitive disadvantage. Swedish exports of machinery in particular are being hit by increased competition from Germany, now that the Ruhr is producing again, and producing on very favourable terms—low costs, a tax system designed to encourage exports, and quick delivery since the industry is as yet free from the burden of armaments production. Both German and British costs are commonly one-fifth to one-third below comparable Swedish quotations.

In these circumstances two factors are of paramount importance—internal economic policy and the prospect of new markets. Unfortunately general elections will be held in Sweden this September, which means that the Government is unlikely to take any strong measures to halt inflation. This normal political tendency is reinforced by the fact that the present Swedish Government is a coalition of Socialists and Agrarians. The Agrarians, sometimes on the basis of very shaky figures, insist on higher prices for farm produce. The Socialists, requiring Agrarian support, grant increases—and the unions have an irrefutable statistical case for increased wages. So it is that the much heralded "once for all inflation" of early 1951 still goes on.

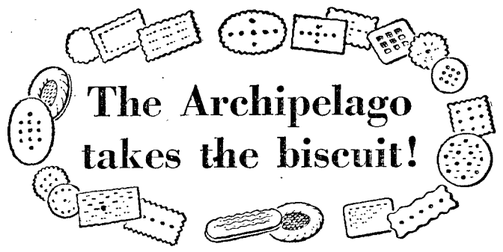
Nor is it easy to find alternative markets for goods that cannot be sold profitably in the West. There is no doubt that many longing eyes are cast to what are imagined to be the steady and profitable markets behind the iron curtain and in the East. Marginal areas like Indonesia, Pakistan, Persia or Egypt might help a little. But the scale of trade likely to be involved, even on the most favourable assumptions, is very small and can do little to offset decreased earnings from trade with the West.

All this looks pessimistic: and compared with the boom of last year it is. Pessimism, moreover, is reinforced by the frequent news that this or that concern has had to lay off workers, or even close down. But investigation usually shows either that the concern involved was producing nylons, which can only be profitably produced in Sweden in the abnormal conditions of recent years, or that some part of the forest industry, which is waging a war of attrition against foreign buyers, has temporarily reduced its activity. But on a longer view two factors are of undoubted significance—the falling prices of most important raw materials and the indigenous strength of Sweden's position. It has great resources and a standard of living high enough to admit a considerable fall without hardship to its people. Whether, on the showing of recent years, it will pursue the policy best calculated to exploit these advantages is a more open question.

YOU CAN NOW BUY

THE FINANCIAL TIMES

Men who mean business read it every day



The Archipelago takes the biscuit!

A manufacturer of biscuits, anxious to expand his export trade in dollar markets, had heard that Colombia had recently relaxed its ban on the import of these goods. "Can you confirm this?" he asked.

Reference to Colombian Decree No. 1141 of 22.5.51 provided an immediate answer. Imports of biscuits, though still prohibited on the mainland, could be accepted on the Colombian Archipelago of San Andrés y Providencia. From no other source could our client have obtained such quick and detailed information.

THE ADVANTAGES OF BEING HERE AND THERE

As the only British Bank with branches throughout Latin America, we can offer you special services—either direct or through your own bank. These services are set out clearly and concisely in our booklet "The advantages of being here and there". We shall be glad to send you a copy on application to:—

The Research Department
(SECTION 34)
BANK OF LONDON & SOUTH AMERICA LIMITED
HEAD OFFICE: 6, 7 AND 8 TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 19 SUNBRIDGE ROAD MANCHESTER: 36 CHARLOTTE STREET

THE BANK THAT CONDUCTS THE LARGEST BANKING BUSINESS IN NEW ZEALAND

•

Since its establishment nearly 100 years ago, the Bank of New Zealand has kept pace with the country's development. Information supplied by over 300 Branches and Agencies provides current data on all aspects of commerce and industry, which is freely available to all with present or projected interests in the Dominion.

You are invited to contact the London Office or the Head Office.

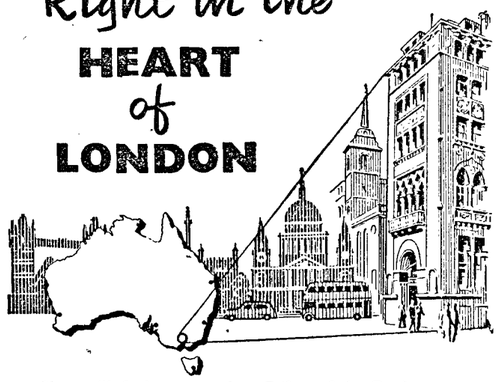
BANK OF NEW ZEALAND

(Incorporated with limited liability in New Zealand)

London Office: 1 Queen Victoria Street, E.C.4.
Head Office: Wellington, New Zealand

Branches also in
Melbourne and Sydney; Fiji and Samoa

Right in the HEART of LONDON



You will find the London Office of the Bank conveniently situated and fully equipped to handle your business with Australia. Enquiries invited regarding trade, business establishment, transfer of funds and all matters relating to Australia.

The NATIONAL BANK of AUSTRALASIA Limited

Incorporated in Victoria **7 Lothbury, London, E.C.2** Established 1858
Other London offices at Australia House, Strand, W.C.2 and 8 Princes Street, E.C.2

Habib Bank Limited

Established 1941

Head Office: KARACHI (Pakistan).

Authorised Capital	...	**Pak. Rs. 20,000,000**
Issued & Subscribed	...	**Pak. Rs. 10,000,000**
Paid-up Capital	...	**Pak. Rs. 10,000,000**
Reserve Funds	...	**Pak. Rs. 10,000,000**
Deposits as on 31/12/51	...	**Pak. Rs. 438,200,000**

In selecting desirable trade relations for exports and imports with Pakistan, Habib Bank Ltd., with 45 branches spread over West and East Pakistan, can prove to be most helpful and you are invited to use our services.

The Bank is fully competent to handle all foreign exchange business, including opening and advising of commercial letters of credit, collection of documentary bills, remittances, etc.

FOREIGN BRANCHES: Bombay, Calcutta and Colombo.

CORRESPONDENTS & AGENTS at all important cities of the world.

THE BUSINESS WORLD

Export Markets for Cars

MR BUTLER'S call for an increase in engineering exports appears at the first glance to have met with an encouraging response from the motor industry. More British cars were exported in the first quarter of this year than in the same periods of either 1951 or 1950. Nevertheless, the prospects for motor exports during the remainder of 1952 present some disquieting features, not the least of which is the industry's continued dependence on the sterling area markets. The rate of car production, which has fallen from 564,000 cars a year to 430,000 cars in little more than twelve months, is determined by the industry's steel allocation; and while steel remains scarce, the size of that allocation is determined, in theory at least, by its rate of exports. The allocations to the individual companies are decided on the same basis; and just before the holiday the Parliamentary Secretary to the Ministry of Supply reaffirmed that the Ministry would continue to give increases in steel allocations to companies that expanded their exports and that, in considering such increases, it would "have full regard to the success of motor manufacturers in increasing their exports outside the sterling area." It still seems probable that by the fourth quarter of this year steel in general, and even sheet steel for cars, may have become less scarce, unless the imports from America fall far below or behind schedule. If motor exports should have fallen significantly by then, the industry may be asked some searching questions by the government. First, and most obviously, could it earn more hard currency by the export of additional motor vehicles than was spent on the steel that it uses; and, even though that might be demonstrable, could it earn more dollars by the export of additional cars made from extra steel than other industries might earn by turning that steel into more easily exportable goods? These are questions to which the industry may find it hard to give a convincing answer.

Car output has fallen from 522,515 in 1950 (the industry's peak year, when it produced nearly 800,000 vehicles of all kinds) to 476,000 last year. In the first quarter of this year, 113,500 cars were produced, compared with 123,200 in the first three months of 1951. Assuming a slight but accelerating improvement in supplies of materials during the year, production for the twelve months might be put at not less than 450,000 cars. If the home market's 1952 allocation of 60,000 cars were to be strictly observed, the actual number available for export might therefore be about 390,000, compared with actual exports of nearly 400,000 in 1950 and 369,000 last year. However, in the first two months of the year 26,000 new cars were registered in this country; allowing for the fact that some of these were registered by visitors, the home market probably took a third of its year's quota in the first sixth of the year. The industry is smugly confident, however, that the original quota will again be exceeded this year though the Ministry may save face by raising the quota to nearly as high a figure of home releases as the industry expects. Last year, when the allocation was 80,000 cars, actual deliveries surpassed 112,000; and it is now estimated that actual home deliveries this year might be 100,000. On that basis, Britain would have some 350,000 cars to sell overseas, or only some 20,000 fewer than it sold last year. Since more than 100,000 cars went abroad in the first quarter, the task at first glance might not look unreasonable; but the main difficulties confronting the industry in 1952 did not begin to take effect until the second quarter.

Where will overseas buyers be found for 350,000 British cars this year? An examination of the distribution of exports in the last eighteen months illustrates the immediate problem. Of all British cars exported, the proportion going to the sterling area rose from 53 per cent in 1950 to 64 per cent last year, and in the first quarter of this year to 73 per cent. It is in the biggest markets in the sterling area—Australia, New Zealand and South Africa, which last year took 165,000 of the 240,000 cars exported to the sterling area—that the most drastic import cuts are expected to be imposed. The immediate upsets in the industry caused by the reduction and cancellation of import licences for cars to Australia are probably temporary; cars can be adapted for sale in other markets. The longer-term prospects are more serious; if exports to Australia fell by, say, 40 per cent this year, with what may prove to be minor cuts in the other two markets, the industry would have about 50,000 extra cars to dispose of in alternative foreign markets. There are signs that this additional number can be sold elsewhere in the sterling area; many British exporters have discovered since the war that the small and miscellaneous markets can take a surprisingly large total of goods. The remainder of the sterling area—countries like Malaya, Iraq, and the British colonies in Africa—took about 72,000 cars last year when British

TABLE I
BRITISH CAR EXPORTS
Quarterly average or Calendar quarter
Numbers of Cars

	1949	1950	1951	1952
Australia	21,005	30,540	26,835	34,179
Canada	7,829	19,069	6,848	548
Sweden	891	5,973	4,075	4,453
United States	1,679	4,995	4,952	4,236
New Zealand	3,051	4,931	8,248	13,060
South Africa	4,658	4,883	5,650	5,264
Belgium	3,271	3,797	3,151	3,364
Switzerland	1,367	1,308	828	756
Total	**64,480**	**99,575**	**92,184**	**100,707**

Source: Society of Motor Manufacturers and Traders.

manufacturers were rationing deliveries to the local dealers. At present these markets seem able to absorb whatever extra cars can be sent to them.

But to justify its claim to be the country's major currency earner, and prove its right to steel in competition with other exporters and essential users, the motor industry must develop its sales this year in two areas where demand for its products has recently been falling—the dollar markets and the other non-sterling countries. The recent trends of exports to these markets are not encouraging. The main change in sales to these markets last year came in Canada, where—owing largely to restrictions upon credit sales—the shipments of British cars fell from 76,000 in 1950 to 27,000. In 1950 about 8 per cent of British car exports went to dollar markets and a little over 17 per cent to the markets in Europe and North Africa; in 1951 these proportions had changed to 9 per cent and 15 per cent, but in the first quarter of this year only 6.6 per cent of sales went to dollar markets, while "European" sales increased fractionally to 15.5 per cent. In this same quarter, moreover, sales to the United States dropped by 13 per cent, to Brazil by 11 per cent, and to Canada by more than 90 per cent below the quarterly average for 1951. It might now be possible to achieve a considerable increase in exports to Canada for, since the lifting of credit restriction there, some British manufacturers have again been shipping at a rate of 2,000 cars a month. Orders from the United States have also been reviving. But any substantial increase in sales to other markets may be hard to achieve, for these are the marginal markets where Britain is meeting increased competition—and where the industry may need new models before it can attract more customers.

Of the big British manufacturers, only Ford and Vauxhall have put new models on the market during the past eighteen months. It is significant that both have larger engines than the Austin A.40, which since the war has probably sold abroad in larger numbers than any other single British model. The A.40 is not a baby car in the Continental sense, but it is still a small car of only 1,200 cc. The new Fords and Vauxhalls range from 1,400 cc and 1,500 cc for the four-cylinder versions to 2,200 cc for the six-cylinder. The Standard Vanguard falls into the same class as the 6-cylinder models, and the new Vanguard that is now being tooled up will certainly be no smaller, since the company uses the same engine for cars as for the Ferguson tractor.

These newer models are partly designed for markets inside and outside America that were previously dominated by the American car. The Vanguard was initially designed in 1946 to give the same seating capacity as the standard American car, and the same might be said of the new Fords and Vauxhalls. The Chevrolet, with a 3,549 cc engine, is typical of the standard American design. General Motors produce about a million a year; in Belgium, one of the few "free" markets, it sells at Fr 123,000 compared with Fr 108,500 for the Vanguard, Fr 97,500 for the six-cylinder Vauxhall and Fr 88,800 for the four-cylinder Ford. These are not unfavourable comparisons for the American car, but the difference in price might still be big enough to give the British manufacturer some advantage even in the dollar markets themselves, always providing his product is attractive in performance as well as in price. But if the medium car market were developed to any considerable size, it is certain that American manufacturers would then put such a car into production. The existence of a British dollar market therefore probably depends upon its remaining a small one.

In the past two years Europe has been becoming an increasingly competitive market. Table II shows the relative shares of British, German and French exporters in four European countries in 1950 and 1951. Comparative export figures are not yet available for the first quarter of 1952; but it is worth noting that in this period, while British output has declined, German production rose slightly to 68,000 cars and French output rose from 78,000 to 92,000 cars. In the past there has not been any tendency to sell these cars outside Europe, but Renault is now believed to be planning an assembly plant in the United States for its small model, and the German industry is expected to make considerable efforts to sell cars in South America.

This competition is one reason why British manufacturers are turning to the small car as a second string, especially for those sections of the European market where petrol prices are all-important. The Hillman and Austin cars of about 1,200 cc are well established, but Austin, Standard and Ford have plans for smaller models to meet the competition of the 700 cc to 1,000 cc baby car that sells in Belgium for between Fr 50,000 and 70,000. The only postwar small British car that has been tested in these markets, the Morris Minor, has certainly been successful, but it does not follow that markets can be found for any large number of these cars. Some manufacturers believe that there is a market for baby cars outside Europe, but this is a matter for conjecture.

TABLE II

To	Year	Exports of Cars from			Total from 3 countries	UK Proportion %
		Germany	France	UK		
Switzerland	1950	8,786	5,915	5,234	19,935	26·2
	1951	11,620	4,626	3,379	19,625	17·2
Belgium...	1950	12,205	15,628	15,187	43,020	35·3
	1951	14,364	12,618	12,606	39,588	31·9
Netherlands	1950	13,175	4,209	9,646	27,030	35·6
	1951	8,695	3,190	7,893	19,778	40·0
Sweden ...	1950	19,370	8,318	23,892	51,580	46·3
	1951	15,102	6,970	16,425	38,497	42·7
Total ...	**1950**	**54,610**	**35,150**	**61,586**	**151,346**	**40·6**
	1951	**53,309**	**30,069**	**49,517**	**132,895**	**37·3**

Source: Society of Motor Manufacturers and Traders.

Among competing European models, the most significant development is the start of production by the Renault factory of the new *Frégate*. The most formidable competitor in the export markets last year from France was the small 750 cc Renault. But the size and limited performance of the baby Renault would be handicaps to its sale in substantial quantities in markets where cars are expected to be used for long journeys. The *Frégate* is a much more conventional design, having the same seating as the new Ford and Vauxhall cars, and, with a 2-litre 4-cylinder engine, claiming to have a performance similar to the 6-cylinder versions of the two British cars.

Italian competition, for some reason, seems not to have been seriously in evidence except in a few markets such as Switzerland. The Fiat 1400, however, might become a more serious competitor in neutral markets than it appears so far to have been; and there are rumours of a successor to the small Fiat 500, which has enjoyed wide popularity. Competition from Germany has hitherto come chiefly from the Volkswagen, sales of which in Switzerland, for example, have been substantially higher than those of the whole of the British industry. The production rate of the Volkswagen, at 2,000 a week, is probably the highest of any model in Europe. In the medium weight class, both the Opel (the German General Motors car) and the Ford Taunus may also become more serious competitors.

All factors considered, it is not easy to be confident that the markets outside the sterling area, even assuming a major increase in sales to Canada, can be induced to take many more cars than they did last year. If these exports should not rise, the Ministry of Supply would then be entitled to divert any extra steel it finds available to other industries that could use it more profitably in defence or non-sterling exports. Whether it would do so is less certain. On the one hand, the Ministry ought to be more ready to act severely in this matter than at any time since the war, and there are certain industries—even in the metal consumer goods field—that have been fulfilling even higher export quotas than the motor industry for articles made largely from flat steel products. On the other hand, several manufacturers have new models almost ready that may strengthen their competitive ability; a further cut in output, by increasing overhead costs per unit, would make competition even more difficult; and already the industry as a whole is operating at only 60 per cent of its capacity, which has been doubled since the war. Moreover, if sheet steel were to become less scarce, the Ministry might not deem it practicable to refuse extra supplies to the industry that is so important a consumer. What the Ministry may in fact do—and certainly should do—is to discriminate even more severely than at present in allocating steel to different manufacturers.

Business Notes

More Gold Lost to Europe

The United Kingdom's deficit with the European Payments Union in May is provisionally estimated at £17,689,000, compared with £20,200,000 in April. This deficit, which is, of course, the result of the trading experience of the whole sterling area with Europe, has finally sent the United Kingdom over the top of its permitted credit line with EPU and into the range where all further deficits have to be met wholly in gold. For the sterling area, therefore, Western Europe is now—temporarily at least—as hard a currency area as the United States of America. From last month's deficit a bare £1 million could be added to the United Kingdom's overdraft; all the rest—£16.7 million, or approximately $47 million—will have to be met by a transfer of gold. The summer months are customarily a poor season for the sterling area's export trade to Europe, and to that extent last month's decline in the rate of deficit can perhaps be regarded as a slight—though it is only desperately slight—improvement against the seasonal trend. But it certainly does not seem sufficient to inspire recovery in either the foreign exchange or the stock markets, where investors in the past week have been doing no more than meditatively lick at their wounds. By Wednesday's close sterling stood at $2.78¾ on the London market, the same as on the eve of the holiday; the *Financial Times* index of industrial ordinary shares had fallen slightly, from 104.7 to 104.1, while War Loan 3½ per cent had risen fractionally from 74¼ to 74⅜.

Meanwhile, the future shape of EPU itself still hangs in the balance. The Ministerial Council of the Organisation for European Economic Co-operation met in Paris this week, but the indications are that it will be impossible at this short meeting to reach agreement on an amended version of the Union, with all the i's dotted and the t's crossed, ready to slip into action when the current version comes to an end at the end of this month. The main differences between members are not insuperable, but the Belgians are still at some variance with the rest of the club. The Belgian delegation still demands a funding and gradual repayment of the credits that Belgium has extended to EPU in excess of its quota obligations; if the terms on which this excess is funded are over-generous, they will place an impossible burden on the gold and dollar reserves of EPU.

Bank Deposits and Treasury Borrowing

The banking figures for May confirm that the banks are succeeding well in retaining their grip over bank advances, and the total volume of credit—as measured by net deposits—contracted again after its mainly seasonal expansion in the first month of the fiscal year. But the most significant feature of this latest statement is not that deposits declined but that the decline itself was so small—it amounted to just under £19 million, bringing the total down to £5,697 million. Yet during the month the banks felt the full effect of the repayments of advances by the British Electricity Authority from the proceeds of its £150 million loan, on which 40 per cent has now been paid up (apart of course from any subscriptions paid in advance). The amount available was therefore £60 million, a sum that aligns very closely with the £62.3 million decline shown in aggregate bank advances over the month. Unless, therefore, the figures were distorted by any reduction in intra-bank clearings (which all save one of the banks group under the head of advances), it appears that the aggregate of all other loans has shown a further small decline. At the same time there has been another steep contraction in the banks' holdings of commercial bills, which have fallen by £31 million on the month and, at £102 million, are now no less than £85 million below the peak reached in February—a decline that reflects the new credit restrictions and higher bill rates, the decline in prices and the overseas import cuts, and the retention of a bigger proportion of the available bills by the overseas banks.

Taken together, these two movements—in advances and in commercial bills—might have been expected to reduce the total volume of credit by at least £90 million. Unfortunately, however, most of this contractionary force has been neutralised by the expanding demands of the central government. The rise in Treasury borrowings on tender bills that began some months ago is steadily expanding the banks' holdings of such bills; these rose by no less than £84 million in May and £72 million in April. These credit needs arise partly from the seasonal swing of the Exchequer's domestic position into deficit, and partly from the narrowing of the gap on the external balance of payments, which means that the Treasury secures less finance from overseas; but there is

no doubt that the intensification of the demands recently has been due to a further factor—the need to finance the heavy subscriptions by extra-budgetary funds to the BEA loan. If the departments still held two-thirds of the stock at mid-May, the date of the first call, the Treasury would have had to find roughly £40 million in all by increasing its borrowings on tender bills in order to repay tap bills formerly held by the "departments." In other words, to this extent the BEA's funding operation, instead of reducing the volume of bank credit, merely transforms it from bank advances to bank holdings of Treasury bills or call money. Hence, despite the steep reduction in supplies of commercial bills, the banks' total holdings of liquid assets have risen during the month by £49 million and, at £1,944 million, are now £72 million above the low point reached in March. In consequence, the ratio of these assets to gross deposits has risen during the month from 31.6 per cent, to 32.9 per cent, while the ratio of "risk" assets (i.e., advances and investments) now stands appreciably below its peak, at 64.8 per cent.

* * *

Making up for Abadan

The full reports and accounts of Anglo-Iranian and of the Shell and Royal Dutch group, which are analysed in detail on page 684 of this issue, throw more light on the effect of the evacuation from Abadan on world oil supplies. Anglo Iranian's output of crude oil fell by nearly 9 million tons, to about 33 million tons, last year; a decrease of 15.6 million tons in output in Iran was partially offset by an increase of 6.8 million tons from its other Middle East wells, particularly Kuwait. In 1952 output from its wells in Kuwait, Iraq and Qatar is expected to increase by a further 9½ million tons, to 26 million tons, so that the deficiency of crude oil caused by last year's events should be fully made good. Meanwhile, the production of crude oil by companies in the Shell and Royal Dutch group rose from 367 million barrels in 1950 to 429 million in 1951, excluding oil received under long term contracts. (There are between 6.7 and 7.6 barrels to the metric ton, depending on the specific gravity of the oil.)

The most serious continuing legacy of the Abadan evacuation is the shortage of refinery capacity outside the United States, and the consequent need to purchase quantities of aviation spirit, kerosene and gas/diesel oils from that country; it seems probable, in fact, that Anglo-Iranian purchased about a third of its supplies from outside sources after the evacuation, and it was because of this that it was able to market 36½ million tons of oil last year, only 2 million tons less than in 1950. The Abadan refinery processed over 12 million tons in the first half of 1951, and although throughput in the company's other refineries (including those at Llandarcy and Grangemouth in this country) is constantly expanding, it was naturally insufficient to bridge the gap caused when Abadan closed down. Refineries in the Shell group processed 558 million barrels in 1951, or 20 per cent more than in 1950 and double the level attained in 1946; throughput in the group's refineries in the United States increased by 13 per cent to over 142 million barrels last year, and in its European refineries by 47 per cent to 135 million barrels. These developments took place against a background of continually increasing world demand for oil. Sir Frederick Godber, the chairman of Shell Transport, estimated that world consumption increased by 10 per cent, to 4,250 million barrels, last year, after having increased by 12 per cent in 1950. In these circumstances, and in spite of prevailing political uncertainties, the far-flung boom in investment in the industry is continuing with giant strides. Capital expenditure by the Shell group exceeded £100 million last year and that by Anglo-Iranian was approximately £46.8 million; both giants financed this spectacular level of investment out of their massive internal financial resources.

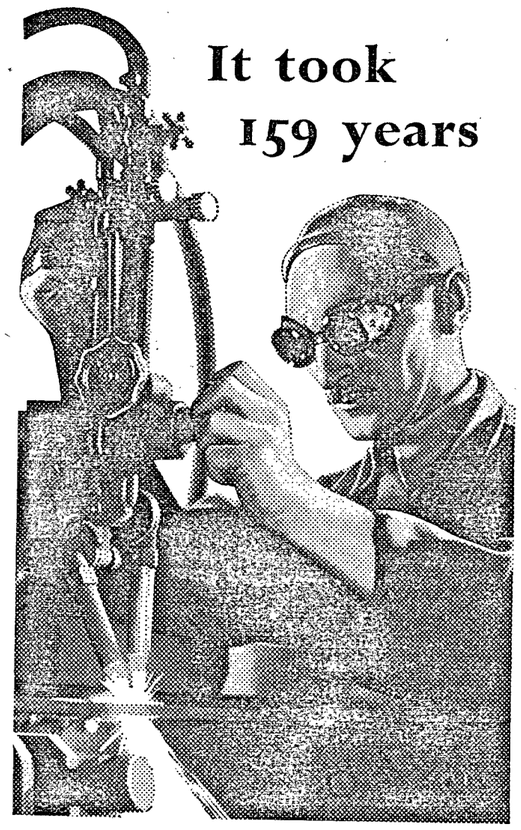
* * *

Germany's Debt Offer Rejected

The Federal German Republic's offer to prewar foreign creditors has been summarily rejected, as failing to provide even a basis for discussion. The creditors, in a unanimous reply, have set out four main conditions that any future German offer should endeavour to fulfil. The first is that the capacity of individual German debtors to pay in marks should not be confused with the temporary incapacity of the German Federal Republic to transfer those marks into foreign currencies. The second point is that the annual transfer suggested in the German offer—DM 170 million per annum rising to DM 270 million—is a completely inadequate measure of Germany's transfer capacity and will have to be substantially increased. Thirdly, the creditors insist that any new offer should contain detailed and specific proposals for the separate categories of debt. The "single package" offer, leaving the various classes of creditors to fight out details of apportionment among themselves, smacks too much of the principle of "divide and conquer." Lastly, the creditors object to the German condition that any settlement should be dependent on an undertaking by the creditor countries to import a "sufficient volume" of German goods. No one denies that there is a link between an effective foreign debt settlement and the volume of Germany's export earnings, but this is a consideration that lies outside the competence of the creditors' representatives—and introduces a thoroughly undesirable escape clause into a contractual agreement of this kind.

On the receipt of this answer, the leader of the German delegation, Herr Abs, returned to Germany. He is now back in London again, but there was no further hint of his Government's intentions at the time that this issue of *The Economist* went to press. The only development in the debt negotiations this week has been a meeting of the Standstill creditors' representatives. Last week's abortive German offer did not refer to the Standstill credits (the short-term credits to German concerns which were immobilised—chiefly in the hands of foreign banks—in 1931) but it is understood that the Germans have proposed far more generous treatment for them than they did for the bonded debt. Apparently no scaling down is proposed for these credits, and an offer has been put forward that would provide a basis for their "recommercialisation," sweeping them into the available credit facilities that German firms can command in the markets of the creditor countries. The process of recommercialisation would not involve the extension of additional credit to Germany, though new credits might be extended on condition that a proportionate amount of the old debts were paid off. The object would be to transfer these debts from the category of dead and frozen obligations to a new circulation of revolving credit that would have as its basis a genuine movement of goods. The Germans apparently consider that they will have more need—or at any rate will have more hope—of raising commercial credits of this sort in the future than of floating new bond issues; they are therefore willing to offer the Standstill creditors better terms. Unless satisfactory new proposals for the bonded debt are forthcoming, the creditors may have to abandon their united front, and each creditor country may have to make bilateral settlements with Germany. This would be an evil, but a lesser one than complete breakdown.

BRITISH BANKING
See pages 687-705



A keen eye and a steady hand guide the brilliant oxy-acetylene flame—and the metal is cut with astonishing ease and exactness. This modern craftsman works with care and skill, just as did six generations before him at Newton Chambers. It is a tradition with him to do a job just as well as it can be done and as well as it has ever been done. *At Newton Chambers every present-day development rests on the sure foundation of 159 years of hard-won experience.*

Newton Chambers

& COMPANY LIMITED, THORNCLIFFE, SHEFFIELD

HEAVY CONSTRUCTIONAL ENGINEERING, EXCAVATORS, INDUSTRIAL AND DOMESTIC HEATING APPLIANCES, FUEL ECONOMISERS, IZAL AND OTHER CHEMICAL PRODUCTS.

HENLYS ANNOUNCE

NEW LOW LEVEL PRICES
FOR THEIR
SMALL MILEAGE CARS

These prices are so low for quality used cars that Henlys cannot foresee any further reduction. The reverse indeed may be the case. So buy *NOW*. 7 days free trial, 3 months guarantee, deferred terms. Write, phone or call today.

'50 ARMSTRONG Lanc. Saloon	£1295	'50 TRIUMPH Renown Saloon	1175
'50 ARMSTRONG Whit. Saloon	1375	'50 LANDROVER	£625
'50 AUSTIN A.90 Atlantic Saloon	1195	'49 ARMSTRONG Lanc. Saloon	1095
'50 FORD Pilot Saloon	925	'49 AUSTIN A.40 Saloon	845
'50 FORD Prefect Saloon	745	'49 HILLMAN Minx Sal.	795
'50 HILLMAN Minx Sal.	925	'49 STANDARD Van. Sal.	825
'50 JAGUAR Mk V Sal.	1675	'49 TRIUMPH 2000 Coupe	925
'50 MORRIS Oxford Sal.	945	'48 ARMSTRONG 16 Hurricane Coupe	845
'50 ROVER 75—P.4 Sal.	1625	'48 AUSTIN 16 Saloon	775
'50 TRIUMPH Mayflower Saloon	945	'48 HILLMAN Minx Sal.	725

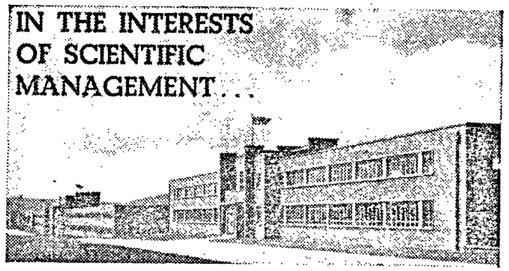
Also
1948, 1949, 1950 and 1951 BENTLEY Saloons.

In addition we have a large selection of Used Commercial Vehicles

HENLYS
England's Leading Motor Agents

Head Office: Henly House, 385 Euston Rd., N.W.1. (EUS 4444)
Devonshire House, Piccadilly, W.1 (GRO 2287)
and at 1-5 Peter St., Manchester . The Square, Bournemouth
Cheltenham Rd., Bristol . A. Mulliner, Bridge St., Northampton
182 London Rd., Camberley . 30 *Branches throughout the Country*

IN THE INTERESTS OF SCIENTIFIC MANAGEMENT...



. . . Castlereagh's production lines move into top gear

The latest addition to The British Tabulating Machine Company's group of factories is at CASTLEREAGH, near Belfast. Planned and equipped in the finest traditions of modern precision engineering, Castlereagh's 250,000 square feet is being geared to meet increasing demands from all parts of the world for Hollerith ancillary machines. Castlereagh's output will make a major contribution to the nation's productivity.

• *Machines now in course of manufacture at Castlereagh:*

Keystor Automatic Punches
Programme Board Verifiers
Standard Sorters
High Speed Sorters
Gang Punches
Summary Card Punches
Reproducers
Summary Card Reproducers
Mark Sensing Reproducers
Interpreters
Collators
Multipliers

THE BRITISH TABULATING MACHINE COMPANY LTD
Head Office: 17 PARK LANE, LONDON, W.1. *Tel:* REGent 8155
Offices in all principal cities in Great Britain and Oversea

HOLLERITH REGD.
ELECTRICAL
PUNCHED CARD ACCOUNTING

Film Policy from the Rank Group

The Eady levy, by which a proportion of cinema box-office receipts is siphoned off direct to the producers of British films, has by now rendered solvency in production at least possible; but it comes to an end in August, 1954. The industry is therefore anxious to have some statement of the Government's policy towards films beyond that date, and this anxiety was voiced very clearly last week by Mr John Davis, managing director of the Rank Organisation. Unless arrangements to extend the levy beyond 1954 are made by next spring, Mr Davis declared, British film production will start to fall.

Mr Davis said this in the course of a lecture to the British film academy that constituted one of the most important statements of policy on film production to come from the Rank group for some years. He added that the Cinema Exhibitors' Association had voluntarily suggested that the levy should be extended. This statement seems to be well substantiated, but has still caused some heartburning among some of the association's rank and file members. Ever since it was begun, the levy—which is a voluntary scheme that was traded by the exhibitors two years ago for certain concessions on Entertainments Tax—has been subjected to an undercurrent of criticism from some of the smaller cinema owners, who argue that they are feeling the pinch themselves and should not be obliged to give the film producer more than his film would earn in the ordinary line of business. It seems clear that the headquarters of the association, however, might have been prepared once more to offer an extension of levy in exchange for further concessions in duty, whether they have said so publicly or not.

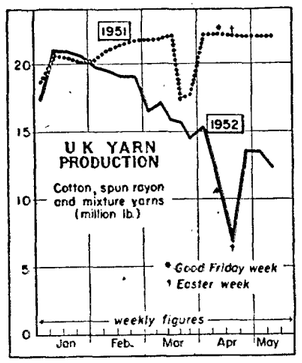
Mr Davis's optimism about the future of—duly assisted—British film production was based upon a high opinion of their current quality—"comparing with those coming from any country in the world"; and upon box-office results in Britain and abroad. The best six or eight British films in a year, he said, now earn collectively as much money at the British box-office as the best six or eight American. Film exports, too, were becoming much more profitable; Mr Davis, whose group have acquired considerable interests in cinema ownership overseas "to assure an outlet for British films," gave no general figures, though he mentioned that today a producer is receiving about $7,000 to $10,000 a film from showings in South Africa compared with an average of "about £700 in the old days." Upon the real prospects of the industry, Mr Davis was much more cautious: "I think most experienced producers would agree that generally speaking at the present time British films cannot recover their cost without financial aid. I hope this position will not always be so." But he did not suggest how long the industry—and the taxpayer—might have to wait for it to change.

* * *

Marking Time in Lancashire

The Whitsun holiday provided Lancashire with an opportunity for the same wholesale closure of the cotton mills that took place during Easter. Then 186 spinning mills, containing more than 13 million of the total of 28 million spindles, were closed down for the whole of Easter week. Exact figures for Whitsun will not be known for another few days, but the closure was on roughly the same scale. Yarn output has been falling precipitously during the past four months and its weekly rate is now down to little more than half the level at the beginning of the year. Early in January the mills were turning out a combined total of between 20 and 21 million pounds of cotton, spun rayon and mixture yarns a week. By the middle of May this had fallen to just over 12 million pounds. It has remained at that figure for two consecutive weeks, with 61 mills closed one week and 56 the next. The mills that remained open were running at between 64 and 65 per cent of capacity, compared with 85 to 90 per cent last winter. By mid-May the number of workers on the spinners' books had fallen from a peak of nearly 124,000 in the last quarter of 1951 to less than 106,000, of which 11,810 were on the books of the mills closed for the particular week of the count.

This may mark the nadir of the industry's depression. The slump has had the salutary effect of revising many companies' ideas of what constitutes a reasonable selling price. A sharp scaling down of profit margins has once again made Lancashire's products competitive in export markets that could not afford to buy at 1951 prices. In the home market business has received a definite stimulus from the recent revival in retail sales of cotton goods. But if Whitsun marks the low point in the industry's fortunes it will be many months before production gets back to normal, and there is no assurance that it will return to the weekly production figure of more than 20 million pounds of yarn to which the industry had grown accustomed last year.



* * *

Rayon Production Drops

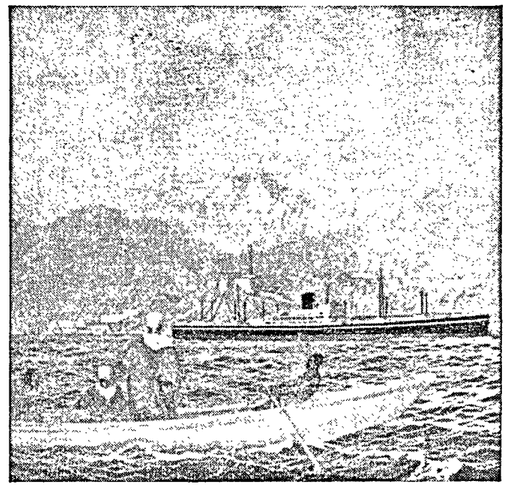
Until recently, the textile depression had had no very marked effect upon rayon production, so that the cut in output, when at last it came, was dramatic both in its extent and its suddeness. The peak rate of production reached last November, at 36 million pounds a month (19.3 million pounds of continuous filament and 16.7 million pounds of staple fibre) had eased off gradually to just under 30 million pounds in March. During April it dropped to 16.6 million pounds, 44 per cent lower than in the previous month and considerably less than half the output of which the industry was capable. The biggest fall was in staple fibre production, which fell by 61 per cent between March and April, to 5.5 million pounds. By comparison, production of continuous filament yarn fell only moderately—by 29 per cent, to 11.1 million pounds.

The collapse of staple production is partly explained by the fact that spinners have been buying considerable quantities of yarn for stock. Rayon staple was at one time relatively scarce, but stocks at the mills must by now be so large that it will be some time, even if business revives, before the spinners are in a position to start buying again—or, indeed, before the rayon producers have disposed of their own considerable stocks. Certainly no improvement in rayon production seems likely to be shown for May, and the chances of any real recovery this summer may depend on a number of other factors besides the volume of goods in the pipe-line. For example, buyers are beginning to ask when the fall in wood pulp prices is going to be reflected in the price of rayon yarn; and, since the industry uses more than a pound of pulp for every pound of yarn, pulp prices are a considerable ingredient in its costs. Since other costs have been rising, rayon producers may feel that the margin for reduction is small, but if rayon is to share in any general improvement in the textile markets, producers may not be able to resist the pressure to cut prices.

*

The recent decision to adjust the "D" levels for heavy fabrics, was intended to stimulate a recovery in the sale of

SEALED AND DELIVERED



A FIRM of British motorcar manufacturers with a large export trade to Australia were worried about the deterioration in finish which occurred in transit. The bodywork was found to be blistered and the upholstery to be disfigured by mould. The company appealed for help to I.C.I., as suppliers of the finish. It was decided that the cause of the trouble and its cure could only be found by following the cars through from the moment they were placed in their packing cases in this country until they were delivered to the customer "down under". This meant long and tedious observation over a period of many months, during which a technical service man from I.C.I. Paints Division at Slough travelled to Australia in a cargo ship with a consignment of cars. The trouble was eventually tracked down to "cargo-sweat" — a condition due to the combined action of heat and humidity in the holds of the ship during its passage through the tropics. The problem was then referred to I.C.I. Plastics Division at Welwyn for a cure, and a method was devised for wrapping each car completely in a sealed envelope of polythene film 0.002" thick. This material, being waterproof and providing a moisture vapour barrier, proved completely satisfactory.

Thus, by combining the technical service resources of two of its manufacturing divisions, I.C.I. helped a British car manufacturer to maintain a valuable export market in Australia.

ICI

THE BRITISH METAL CORPORATION LTD.
BMC

LONDON . MONTREAL . TORONTO . VANCOUVER
KARACHI . CALCUTTA . BOMBAY
SYDNEY . PERTH . MELBOURNE
JOHANNESBURG . BULAWAYO

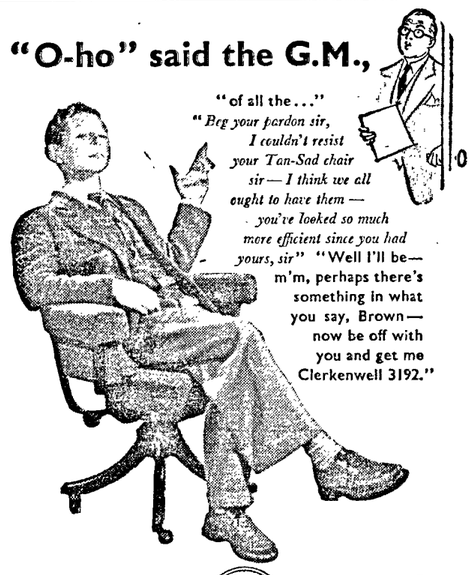
ASSOCIATES:
C. TENNANT, SONS & CO. OF NEW YORK, NEW YORK
VIVIAN YOUNGER & BOND LIMITED, LONDON AND NIGERIA
HENRY GARDNER & CO. LIMITED, LONDON, CANADA, CYPRUS AND MALAYA

The Group trades in and markets non-ferrous ores, metals and minerals, many kinds of produce, timber and other materials; it provides coal-washing plant, ventilation plant and other specialist engineering equipment; and it furnishes allied shipping, insurance, secretarial, financial, technical and statistical services.

PRINCES HOUSE, 93 GRESHAM STREET, LONDON, E.C.2.

TELEGRAMS: Brimetacor, London
CABLES: Brimetacor, London
TELEPHONE: MONarch 0055
Branches at BIRMINGHAM and SWANSEA

"O-ho" said the G.M.,



"of all the..."
"Beg your pardon sir, I couldn't resist your Tan-Sad chair sir — I think we all ought to have them — you've looked so much more efficient since you had yours, sir" "Well I'll be— m'm, perhaps there's something in what you say, Brown— now be off with you and get me Clerkenwell 3192."

Tan Sad

THE TAN-SAD CHAIR CO. (1931) LTD.
Festurel Seating Specialists
AVERY HOUSE, CLERKENWELL GREEN, LONDON, E.C.1
Telephone: CLErkenwell 2152/3.

For the Nation's Good

In the unremitting struggle to expand British exports, a vitally important part is played by the men who travel all over the world to the various markets — surveying, supervising, organising and, above all, *selling*.

These representatives of British Industry include Hoover executives who, between them, visit every country in which export business can be done — from Finland to Siam, from Pakistan to Chile — at least once every year. Their sole object is to maintain and increase Hoover exports — Electric Cleaners, Washing Machines, Polishers, F.H.P. Motors, etc. — and some measure of their success is indicated by the fact that shipments of Hoover products are now being despatched regularly to 66 countries in all parts of the world.

It is encouraging to note that during 1951 Hoover exports were about two and a quarter times as large as in 1950, which was itself a record year. Indeed, during 1951, Hoover Limited exported nearly 50% more electric cleaners and 50% more electric washing machines than all other British manufacturers combined.

HOOVER LIMITED

Factories at: PERIVALE, GREENFORD, MIDDLESEX
CAMBUSLANG, SCOTLAND · MERTHYR TYDFIL, SOUTH WALES · HIGH WYCOMBE, BUCKS

New way of taking a swarm? No—an old way of winnowing; and they still have the knack of it in Brazil. These coffee beans have farther to go than a bee can fly. Down by mulecart and lorry and train to the coast—and thence across the seas to your breakfast table. British Insurance covers them all the way.

British Insurance Companies back World Enterprise

Issued by the British Insurance Association

CLOSE SHAVES FOR COOL CUSTOMERS

For the SPEEDIEST, SMOOTHEST SHAVE you've ever had—

WRIGHT'S

COAL TAR

Both have the antiseptic refreshing coolness of
FAMOUS WRIGHT'S COAL TAR SOAP

furnishing textiles made from cotton and rayon, but it is doubtful whether it will do so. Under the original budget proposals, a "D" limit of 4s. a yarn was fixed for all non-wool fabrics. This meant that utility furnishing fabrics in cotton and rayon attracted a much heavier amount of tax than other ex-utility goods, and, far from being helped by the new scheme, they became practically unsaleable. Since it was impossible to draw up a satisfactory definition of a furnishing fabric, the Treasury has now proposed to raise the "D" limit for all fabrics over a certain weight to 6s. This concession is hardly enough to stop manufacturers from straining their ingenuity to incorporate 15 per cent of wool into their cloth constructions, when they immediately qualify for the higher "D" figure of 14s. 6d. that covers all cloth with this minimum wool content.

* * *

Deflation in Balloon Street

The Co-operative Congress met at Margate on Whit-Monday in anything but a holiday mood. The president, Lord Williams, gave a blunt warning of the danger of a decline in the rate of "divies" paid by the societies this year, announced that there was already unemployment and short-time working in Co-operative factories, and complained bitterly that the proportion of the movement's supplies that was being bought from its own wholesale and productive undertakings was the smallest for many years. The time, he declared, was plainly ripe for "a reawakening of the Co-operative conscience."

These complaints followed hard on the publication of the annual report of the Co-operative Wholesale Society, of which Lord Williams is also chairman. This report reminded the committees and buyers of the retail societies of "the absolute necessity of affording the CWS the first opportunity to meet all needs" and to "exercise strict watch on purchases from non-Co-operative sources" in view of the return of difficult trading conditions. In the year to January 12th last the CWS showed an increase of between 11½ and 12 per cent in both total sales (£359 million) and the value of supplies from productive undertakings (£107 million). It is clear, however, that these increases were almost wholly due to price inflation. The board believes that there can be little doubt that the volume of sales in the grocery and provision departments contracted last year, although their value increased by £13.4 million to £241.4 million. The soap and jam factories were hard hit by competition, while the dry goods section, which enjoyed a boom in the first half of the year, experienced a general recession in the second half; this general recession was accompanied by "considerable stock depreciations, more particularly in the woollen and leather industries."

It was, however, the experience of the CWS "Bank" that must have struck most severely at the movement's finances in 1951. Despite Lord Williams's tale of woe, the net surplus of the CWS's trade departments fell by only £162,169, to £6,727,954 last year. The board found it necessary, however, to provide no less than £4,800,000 for transfer to the banking department; although the provision for the final "divi" at £3,001,000, absorbed £1,460,000 less than last year, £3,860,000 had to be drawn from various types of reserves. The bank itself has applied the whole of its current revenue surplus of £117,600, together with £1,500,000 from its general reserve of £2,796,381, to investments account—and there seems no doubt that the special transfer from the trade department was needed for the same purpose. The bank's investment holdings (entered at or below market values) declined by £37 million to £142½ million in the year, while total deposits declined from £209½ million to just under £184 million (owing mainly to a decline in the deposits of the CWS itself). It is known that the CWS bank plunged heavily into long-dated stocks during the Daltonian cheap money drives six years ago, and that it must have had a hard struggle to meet depreciation of its investment portfolio in 1949—even before it suffered a body blow from last year's decline in gilt-edged prices. It seems clear from these figures that it was not so much the shadow of trade recession as the shade of Dr Dalton that last year came to rest—perhaps not without some homing instinct—at the CWS headquarters in Balloon Street.

* * *

Buying Back Steel

While the Steel Bill remains in cold storage, the former owners of nationalised steel companies obviously cannot commit themselves on the question whether or not to buy them back. The statements about denationalisation made during the last fortnight by General Sir Ronald Weeks, chairman of Vickers, and by Mr J. H. Jolly, chairman of Guest Keen and Nettlefolds, were therefore both wreathed in qualifications; but their difference of emphasis is important. Sir Ronald averred that "in the normal course" Vickers would desire to reacquire its previous holding in English Steel Corporation; but he listed a number of factors bearing upon the ultimate decision that suggested some doubt whether the course of events during the immediate future could be expected to be normal. Mr Jolly's remarks suggested a more sanguine outlook. Guest Keen's, he said, would be prepared to consider buying back the iron and steel companies formerly controlled by the group, subject to "fair financial terms on reacquisition and the extent to which free enterprise may be allowed."

In view of these differing attitudes, it is worth noting that Vickers has held on to the British Iron and Steel Stock —£15,261,081 at par—that it received in February, 1951, in the hope, Sir Ronald explained, "that people who still held the stock when denationalisation took place would be able to pass it back at par." Guest Keen's, on the other hand, disposed of their £18,537,774 of steel stock shortly after receiving it, at a loss of about £380,000. The company distributed some £3.4 million of the proceeds to shareholders last year, which left about £4 million of the net surplus on the transfer in its reserves; with some £3 million from last year's profits, it now holds some £20 million in investments and cash. Both groups, therefore, would be comfortably placed—upon their slightly different assumptions about the form of the take-over—to repurchase holdings in steel: Sir Ronald, it may be noted, spoke of his group's steel stock being "largely absorbed" if it repurchased "a shareholding" in English Steel Corporation, which would suggest that it might not necessarily purchase the same amount of shares.

The Parliamentary timetable now seems unlikely to allow the Steel Bill to come forward before the autumn, if the Transport Bill is brought before Parliament in the next few weeks; only a sudden switch in priority would alter this. But the financial operation that it proposes is a much more complex one than the resale of road haulage companies, and prospective purchasers should be given at least the Government's outline of it as early as possible.

* * *

On Pricing Cotton

The Raw Cotton Commission did none too well out of the Korean commodity bubble. Its trading accounts for last season, 1950-51, show that its net profit on operations amounted to only £177,390, compared with £9,938,523 in 1949-50. The bubble burst too soon and the Commission found itself saddled with large costly stocks. Lateness in the publication of the accounts destroys most of their interest, but there are two points worthy of comment. The annual report describes the Commission's pricing policy and how it attempts to base its selling prices on current replacement

costs ruling in the world markets. During the 1950 season the United States Government allocated exports of raw cotton because of its small crop, and prices of non-dollar American-type cotton rose sharply. The commission therefore decided to average its selling prices for American-type cottons so that those spinners who were fortunate enough to get American growths did not pay less than those who had to use Brazilian, Turkish and similar growths. In the circumstances that was a reasonable arrangement, but the real difficulty came later, towards the end of the season.

In the spring of 1951, commodity prices were already beginning to fall. It was also apparent that the new American cotton crop would be very much bigger than in 1950-51. Manufacturers all along the line tried to postpone buying and a bear market was created. But under the existing licensing system spinners could buy only old crop cotton at prices substantially higher than the forward quotations for new crop in world markets. Hence the Commission decided not to introduce its new season's prices until spinners had reached the new licence period.

The late introduction of these lower prices led to severe criticism from certain sections of the trade, which maintained that the Commission should have disposed of its old stock at the new lower prices. This principle is important because the Raw Cotton Commission is in fact acting in place of a market. If Lancashire is not to be burdened with a dearer cotton than its competitors, who have access to proper markets, the commissions' selling prices must reflect current replacement prices, whether its stock was bought at those prices or not. If in so doing it suffers a loss that cannot be written off over a period of years, that is an argument against this method of trading. But to maintain prices at an artificially high level, even for a short period, in order to make a profit and loss account look better than it would otherwise do, cannot be justified on any grounds.

* * *

Cheaper Jute for Dundee

The Jute Control has belatedly brought its price for raw jute into line with that ruling in the world market. In consequence, Dundee has been able to buy its raw material at some £40 a ton less than it was paying before June 4th. Mill Firsts, for instance, have been reduced from £165 to £125 a ton, and there have been corresponding reductions in the Control's price for yarn and hessians. Some adjustment in jute prices had been expected for some time, for the previous reduction, which took place in April, had still left British prices much higher than continental prices. British manufacturers will still be unable to compete on equal terms with the Indian mills, because they can buy only "old crop" (1951) jute from the Control, whereas their Calcutta competitors can get the cheaper new crop jute now coming on to the market.

The world price for new crop jute stands at £107 a ton c.i.f. European ports—that is, £18 a ton less than quotations for the old crop—and trade in the old crop has now ceased. Estimates put the amount of old crop jute remaining unsold in India and Pakistan as high as 2 million bales, and this heavy carryover is likely to have a depressing influence on the raw jute market—particularly as another good crop, of at least 11 million bales, is expected this season. It is not known whether the Pakistan Government intends to maintain its minimum internal price of £125 a ton for export qualities during the coming season or not.

Prices for jute manufactures have been falling throughout the world, but the outlook for the Indian market promises some improvement in the near future. The United States is expected to buy large quantities once more, now that the export tax on Indian jute goods has been sharply reduced. Dundee, unfortunately, is unlikely to benefit from this revival. Stocks of goods in this country are heavy and large quantities of imported cloth and sacks continue to arrive. Many of the mills are now working a three-day week, and the news of the Control's reduction in price has not given rise to any feeling of optimism in the industry.

* *

See-Saw in Metals

The cuts in official American prices for base metals that began a month ago are still continuing. This week zinc followed lead downwards when American smelters cut its price by 2 cents to 17½ cents a lb (£140 a ton). In Britain the Ministry of Materials has reduced its price by a corresponding amount, and is now selling zinc at £150 a ton. Only last week the Ministry's price was cut from £190 to £166 a ton to bring it down to the so-called "world level." This decline in the American price of zinc, which is its first since October, 1949, is said to have been a direct result of the steel strike. But demand had been sagging for some while, and the free market price has been down to £130-£135 a ton for nearly three months. It is true that the threatened shortage of steel may reduce the demand for zinc from the galvanising industry which until recently has been using record quantities. But the weakness in the market existed well before the strike.

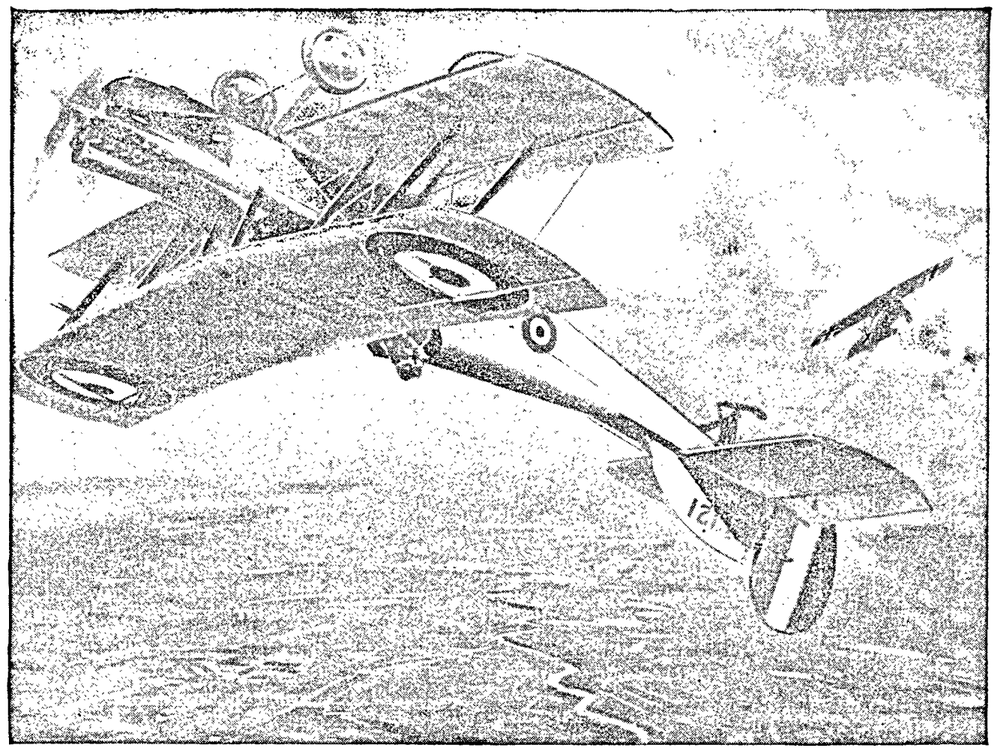
In contrast to zinc, copper seems to be on the point of rising. Since last week, when the United States removed the limit of 27½ cents a lb (£220 a ton) for imported metal, Chilean copper has been sold on the New York market at up to 35½ cents a lb (£284 a ton). Only a few weeks ago negotiations between the United States and Chile for a new copper agreement broke down because the Americans refused to meet the Chilean request of 33½ cents a lb (£268 a ton). Although Chile was known to be holding large stocks, it declared that it could sell its entire output to other countries for 35 to 40 cents a lb. It supplies nearly a quarter of the United States' total requirements of copper, and at this stage, despite the additional release of copper from the stockpile, American manufacturers can hardly do without Chilean supplies. As this issue was going to press the official American export price for copper remained at 27½ cents a lb, but the *Engineering and Mining Journal*, which the Ministry of Materials has been taking as a base for its copper prices, was quoting an average price of almost 34½ cents a lb (£276 a ton). For the first time this journal has included in its average price the sales of Chilean and Canadian copper to non-American buyers. The question is whether the Ministry will raise both its purchase and selling prices of copper in line with this new quotation or whether it will use the official New York market price.

* * *

Cut in Carpets

The latest reduction of 10 per cent in carpet prices is the third within twelve months, and it is not likely to be popular among retailers, who hold embarrassingly heavy stocks. Since last March, the price of Axminster carpets has dropped from 27s. a linear yard to 20s. 9d., while production has fallen from a monthly average of 3.6 million square yards to one of 2.9 million. Sales of durable household goods such as carpets have been the worst sufferers during the retail slump in textiles, and the fact that carpet prices came down while wool prices were at their highest suggests an exceptionally strong degree of sales resistance.

The fall in raw wool and in jute prices renders this latest price reduction comparatively painless, but the April figures for wool consumption in Bradford show how far the industry is still from any real recovery. The very slight improvement in the rate of wool consumption that started in March was continued during April, although the amount consumed was fractionally less, 28.11 million pounds compared with 28.80 million. Twelve months ago, the industry was using nearly 38 million pounds a month, and the improvement in March



We've solved some problems in our time!

WANTED—*an unspillable aircraft battery*. That was 1916. On the western front, British artillery observation pilots, harried by enemy fighters, were learning new evasive manœuvres in a very hard school. With them, right way up or upside down, went the batteries used for W/T communication with the gunners below. Every so often, inverted batteries lost their acid and put the wireless transmitters out of action.

¶ Chloride Batteries solved that problem quickly—and finally. A battery with each of its necessary gas vents constructed in the form of compartments within compartments, so as to make an acid trap, was soon in action: the first truly non-spillable battery, and the forerunner of every such battery made since.

¶ For more than half a century, each year has brought its quota of problems to this company. In industry, transport and communications here and abroad, we can point to tens of thousands of our Chloride, Exide and Exide-Ironclad Batteries each giving satisfactory service in the special job for which we were asked to design and produce it. Those are answers which time has proved to be right.

¶ Our battery research and development organisation is the largest and best equipped in the country—if not in the world. It is at industry's service always—ready at any time to tackle another problem.

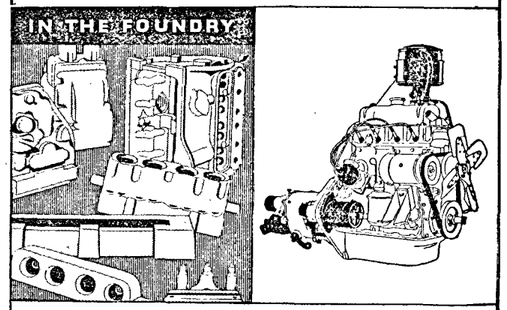
CHLORIDE
BATTERIES LIMITED
Makers of Exide Batteries
EXIDE WORKS · CLIFTON JUNCTION · NR. MANCHESTER

THE HOUSEHOLD NAME

OF A SERVICE TO INDUSTRY

Brown & Polson

STARCH PRODUCTS



FOUNDRY WORK FOR AN AUSTIN CAR ENGINE

By courtesy of Austin Motor Company Ltd.

MOULDING sands should have enough 'bond' to hold, firm and sharp, whatever shapes the patterns impress on them. They should be permeable to the gas that is formed between the molten metal and the sand surfaces. If the gas cannot escape through the sand it blows into the metal and causes bubbles. After casting, sand cores should crumble easily, or they will strain the cooling metal as it contracts round them. And if any of these qualities are lost or impaired when the sands have been used, it should be possible to restore them.

Starch as a binding agent

Until the Brown & Polson Group developed the Kordek and Kordol series of sand-binding agents based on starch, there had been some difficulty in imparting all those virtues to foundry sands. Today Kordek and Kordol binders are in general use throughout the foundry industry. Small admixtures of them with silica sands produce firmly bonded, permeable core and moulding sands which break down easily after casting; and the bond can be restored to the moulding sands, without loss of permeability, by further small additions of a Kordek or Kordol binder before they are used again.

The development of starch binders for foundry use is one example of the kind of service that the Brown & Polson Group has performed for many widely different industries, and is ready to perform wherever opportunity exists. Enquiries will be answered by responsible experts. They should be addressed to

CORN PRODUCTS COMPANY LIMITED

The Industrial Division of

Brown & Polson

BROWN & POLSON LTD., WELLINGTON HOUSE, 125/130 STRAND, LONDON, W.C.2

Bumpers and Over-Riders
Badges and Mascots
Bonnet Hinges
Ignition Locks
Steering Wheels
Sun Visors
Ash Trays
Hydraulic-Electric Equipment
Locking Petrol Caps
Window Winders
Roof Lamps and Switches
Radiator Grilles
Door Handles and Locks

Britain's leading manufacturers of motor vehicle components and accessories

WILMOT BREEDEN
LIMITED

BIRMINGHAM · LONDON · BRISTOL · MANCHESTER · GLASGOW

Visit the
ZAGREB
INTERNATIONAL TRADE FAIR
September 13th – 28th. 1952

In the fortnight that the Zagreb Fair was open last year, over 2½ million pounds worth of business was transacted. This year the Fair promises to be bigger and busier than ever, all stand space has been taken, and initial reports show that there will be a record attendance by visitors and business men from every part of the world. There will be an extensive range of exhibits of interest to every branch of industry, with exhibitors from all over the globe competing for national and international trade.

SPECIAL TRAVEL FACILITIES FOR FAIR VISITORS
Special facilities, open to visitors to the Fair, include 50% fare reductions on all travel inside Yugoslavia, and free Visas.

If you are interested in presenting your goods to international buyers there is still some space available in the official Fair catalogue, but applications should be submitted immediately.

Further information about the Zagreb International Trade Fair can be obtained from:—
The Yugoslav Commercial Counsellor 19 Upper Phillimore Gardens, London, W.8.
or direct from:—
The Management, Zagreb International Fair, Zagreb, Savska Cesta 23, Yugoslavia.

Official representative for Great Britain, U.S.A., France, Belgium and Holland:—
Auger & Turner Group, Ltd., 40 Gerrard St., London, W.1.
Phone: GERrard 6671 (4 lines).
Cables: Augtur, Lesquare, London.

and April is certainly not sufficiently marked to lead to a revival in confidence. It is too soon for it to have had any effect either on yarn or cloth deliveries, which continue to fall, nor on the steady drain of workers from the industry. A further 1,317 left the industry in April, bringing the total labour force down from 171,000 at the beginning of 1951 to little more than 144,000. This in itself is enough to prevent production from returning to 1951 levels.

* * *

British Insurance in 1951

With one exception, the results of all the leading British insurance companies in 1951 have now been published; they reveal a sharp reduction in underwriting profits, largely because of unfavourable experience in motor insurance. The net trading profits shown in these accounts amounted to £3,356,000 in 1951, compared with £7,737,000 in 1950 and £8,153,000 in 1949 (which was an exceptionally profitable year). This fall occurred in spite of the fact that the aggregate premium income from fire, accident and marine business rose to £390.2 million last year, compared with £339.8 million in 1950 and £296.0 million in 1949; moreover this increase of over £50 million in 1951 was not affected by the revaluation of dollar business that was so significant a factor in the increases in premium income shown in 1949 and again in 1950. Last year's increase was due partly to worldwide inflation and partly to a further increase in the volume of business transacted.

New ordinary life assurance was also extremely buoyant last year, with new sums assured 19 per cent higher than in 1950; when the full figures are available they will be found to have considerably exceeded £700 million. Life assurance effected in connection with group and other staff assurance schemes undoubtedly accounted for a large part of last year's increased new business, but there was also a marked expansion in new individual life assurance. New industrial life assurance, which was no more than maintained in 1950, increased by nearly 9 per cent last year to about £250 million.

The fire premium income of these leading companies expanded by a further £19.5 million (the same increase as in 1950) to £170.7 million; in this field underwriting profits rose to a new record, at £17.1 million compared with £15.6 million in 1950, although expressed as a percentage of the premium income they declined from 10.3 to 10.0 per cent. There was no repetition of the American windstorm disasters of 1950, but fire losses in the United Kingdom rose to a new high record of £23.1 million. The profits transferred from marine insurance accounts in 1951 amounted to £4.2 million (compared with £3.5 million in 1950), but, owing to the delay in receipt of hull claims, these transfers relate to premiums received in 1949 and earlier years. The sharp rise in the cost of repairs that took place after the outbreak of the war in Korea led to an increase in hull premiums of 10 per cent on the first renewal date after February, 1951, but it is by no means certain that this increase will prove to be sufficient. Cargo insurance rates are now cut so fine that marine insurance seems unlikely to yield more than a very meagre profit during the next few years.

* * *

Unprofitable Accident Rates

It was, however, the adverse experience in accident insurance that was entirely responsible for last year's fall in insurance profits. Motor insurance and employers' liability insurance was carried on at a loss by most of the companies in most of the countries of the world. This loss was rather more than recouped by profits from the other classes of accident insurance (such as burglary, personal accident and others) but, even so, accident business as a whole showed an underwriting profit of only £504,000 (or 0.3 per cent of premiums) last year, compared with an underwriting profit of £7.7 million in 1950. Total premium income from accident business again expanded strongly in 1951, to £195.3 million compared with £170.2 million in 1950 and £144.4 million in 1949. United Kingdom rates of premium for motor insurance were increased by 12½ per cent from June 1, 1951, and there have been similar increases elsewhere, but the rapid rise in the cost of repairs and in the damages awarded to third parties makes it unlikely that this class of insurance will do much better than break even in 1952. Employers' liability business was also unprofitable last year because of the increase in damages awarded. Here again premium rates have been increased this year, both at home and abroad.

Ordinary dividends, after tax, paid by these leading companies showed a small increase last year, from £6,160,000 to £6,341,000. Although underwriting profits were less than half those of 1950, net interest earnings on the substantial reserve funds (other than life) were nearly £500,000 higher at £9,735,000, so that it was still possible to plough back £6,750,000 into the business as additional free reserves, compared with £10,847,000 in 1950. Large as these additions to reserves may appear to be, they are insufficient to maintain the existing ratio of free reserves to premium income. Since net dividends are still in the aggregate lower than before the war, it is clear that it is taxation that is preventing insurance, like so many other industries, from building up as large reserves as it otherwise would.

* * *

American Victory on Tin

The United States seems on the point of winning its year-old struggle with Bolivia over tin prices. It has been reported from Washington that the American government buying agency, the Reconstruction Finance Corporation, has bought for 118 cents a lb the stocks of Bolivian tin that had accumulated at Chilean ports. This is the same price as the United States is paying for Malayan and Indonesian tin this year; the Bolivians had previously refused to accept it, as they argued it was insufficient to cover their high costs of production. It seems now that the new Bolivian government has found difficulties in financing the huge stocks that have piled up during the negotiations. It is reported that American banks had offered further credits, but that the Bolivian government had refused because it did not wish to extend the American financial hold over its tin industry.

When it came to power a few months ago the Bolivian government announced its intention of nationalising the major tin mines in order to end foreign domination of Bolivia's most important industry. This week it has appointed a commission to work out the technical details involved in carrying out this policy. At present the mines are organised into three main groups—Patino, Hochschild and Aramayo—which together account for nearly 90 per cent of Bolivia's total tin exports. The first of these groups, Patino, which is easily the biggest, sends its output of about 15,000 tons a year exclusively to Britain. The other two companies, Aramayo and Hochschild, are American-controlled and supply the Texas smelter with concentrates.

FACTS, FIGURES, AND OPINIONS

These are what you seek in the columns of THE ECONOMIST. The organisation that produces the paper can also serve the needs of business and other clients through:

The Economist Intelligence Unit

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1.

Since the expiry of the last agreement with the United States the output of these two groups has been taken over by the Bolivian government, and this is the accumulated stockpile that has now been sold to the RFC.

* * *

Uranium in the Commonwealth

The recent discovery of large uranium deposits in Nigeria suggests that the Commonwealth may eventually become one of the world's biggest producers of uranium. Canada at present accounts for a considerable proportion of total production, the Great Bear Lake deposits are one of the few that were being worked before the war. The first of the uranium extraction plants that are being erected at many of the South African gold mines are now in production, but it may be some time before the two large deposits recently identified in Australia and Nigeria by scientists from the Geological Survey can be exploited. No report has yet been published on the size or workability of Australian deposits in the Rum Jungle, or even of the deposits in the region known as Radium Hill. The main difficulty with the Nigerian deposits would appear to be extraction of the uranium metal itself from the mineral carrying it, and of the mineral, pyrochlore, from the granite rocks in which it is found. The survey suggests that the deposit contains several million tons of granite, containing about 120 grams of uranium and 2,600 grams of niobium oxide a ton. The presence of this second metal makes the prospect of mining such a low-grade deposit considerably more attractive. It is one of the scarcer alloying materials that have been in demand only since the development of the jet engine, and with it, the need for alloy steels that could withstand exceptional temperatures. Preliminary reports suggest that a plant handling 3,000 tons of granite rock a day, or a million tons a year, might expect at a 75 per cent extraction rate to produce 100 tons of uranium and 2,000 tons of niobium a year. These are not very encouraging figures, but the sheer size of the deposit, as well as the high current prices of the two metals, are expected to justify working ores of such low concentration. It is in any case essential that methods be found of working low-grade ores economically if there are to be sufficient reserves of uranium fuel to justify the building up of an atomic power system. Within this country the old uranium deposits in Cornwall are probably neither rich enough nor big enough to justify much serious development; the prospects for small-scale mining for uranium in North Wales are a little more attractive.

Shorter Notes

The fact that Easter fell in March last year and in April this has made it difficult to interpret many statistical series that are recorded monthly, and the statistics of industrial output are no exception. According to information so far available, the official index seems likely to give a figure of 138-139 for April, compared with 148 in March and with 151 in April, 1951. Output in April this year, therefore, may be nearly 9 per cent lower than in April last; on the other hand, output in March was 5 per cent higher than in the same month last year. Over the two months, therefore, output would appear to have been—still—slightly lower than in 1951.

*

The ban on any further imports of cement from Belgium, one result of this country's mounting deficit with EPU, has led indirectly to an average reduction of 3s. a ton in the price of cement. When imports from the continent were increased last year a levy of approximately 4s. a ton was imposed on the price of the much cheaper home-produced cement in order to sell the imported product at home prices. The home prices have now been reduced by rather less than they were increased by the original levy; which suggests that the industry will continue to import small quantities from other countries.

Company Notes

Shell and Royal Dutch.—Last year companies in the Shell and Royal Dutch group produced 429 million barrels of crude oil (an increase of 17 per cent) in fourteen different countries, processed 558 million barrels (an increase of more than 20 per cent), and carried their products across the world in a tanker fleet of 6½ million tons dead weight (with large additional orders for tankers recently placed in the shipyards). As a result of these operations, and of its investment and other miscellaneous revenue, the group earned a net income of £249,493,215 in 1951, compared with £190,378,100 in 1950. Of this, over £76 million went in taxation, not counting approximately £206 million for sales tax, excise duties and similar levies paid to governments (which are deducted before arriving at the figure for trading profit). In addition, nearly £90 million, against £62.7 million, was provided for depreciation and amortisation of fixed assets; of this, £22 million (against just over £7 million) represented "additional depreciation"—that is, depreciation provided by reference to values in excess of original cost, chiefly in the small (but fortunately increasing) number of countries where the tax laws permit a depreciation allowance more in line with replacement values than does the rigid British system. After these and certain other deductions, the group had £66,216,204 (against £50,994 529) available for distribution; it ploughed just over £47 million (against £34.7 million) back into the business, and distributed £19,057,327 (against £16,283,382) to the parent companies of Royal Dutch and Shell Transport and Trading, in the usual proportions of 60 per cent and 40 per cent. As already reported in *The Economist* on May 24th, this allowed Shell to raise its dividend from 12½ to 15 per cent tax free, and Royal Dutch to raise its dividend from 12 to 13 per cent (supplemented by a stock dividend of 2 per cent).

Group earnings :—	Year ended Dec. 31 1950 £	1951 £
Group income from trading, investments and miscellaneous revenue	190,378,100	249,493,215
Interest on long-term borrowings	4,263,443	4,277,691
Depreciation and amortisation	62,670,397	89,884,352
Estimated taxation	57,771,329	76,198,808
Appropriations	14,678,402	12,916,160
Net income	50,994,529	66,216,204
Dividends to Royal Dutch (60%) and Shell Transport and Trading (40%)	16,283,382	19,057,327
Retained in business	34,711,147	47,158,877
Statement of assets and liabilities :—		
Fixed assets, *less* depreciation	382,308,093	420,008,101
Investments	45,738,795	45,841,678
Stocks	183,413,054	236,277,650
Cash and securities	165,115,526	186,044,378
Net current assets	199,488,352	277,737,188
Deferred liabilities	16,774,455	22,095,858
Capital invested by Royal Dutch (60%) and Shell Transport and Trading (40%)	218,858,452	218,858,407
Accumulated income and other surpluses	232,738,037	344,049,202
Long-term borrowings	113,425,521	112,801,822

After allowing for depreciation calculated on the basis of cost price, fixed assets as shown in the balance sheet rose from £382.3 million to just over £420 million, and current assets after deducting all liabilities from £182.7 million to £255.7 million; total stocks increased by some £53 million and cash and securities by £21 million. The whole of last year's capital expenditure of over £100 million was financed by income retained in the business, and although Shell Transport proposes to increase its authorised capital, over and above the increase required as a result of the recently announced capitalisation of reserves, Sir Frederick Godber emphasises that the directors "have no plans to issue additional capital for cash or otherwise and can foresee no immediate necessity for doing so." The group, in other words, while continuing its policy of pressing ahead with its truly massive investment and exploration programme, seems confident of its ability to provide internal finance from its expanding profits.

*

Anglo-Iranian.—Despite the evacuation from Abadan, which lost the company some 15 million tons of Persian oil last year, Anglo-Iranian's sales in 1951 were only 2 million tons below the 38½ million tons sold in 1950. This was made possible partly by increased supplies of crude oil from Kuwait and other wells under the company's control, partly by hiring additional refinery capacity and partly by purchases from other sources. It was inevitable that the year's events should lead to a sharp drop in profits. Consolidated profit before charging United Kingdom tax is down from £84,466,342 to £52,217,016, but this figure has again been arrived at after charging the £8,326,446 royalty that would have been payable to Iran on the basis of the 1933 Convention, and after setting aside £9,500,000 to the credit of special contingencies account. After providing for taxation, the amount available for reserves and dividends is £24,233,050, compared with £33,102,572 for the previous year. From this, £1 million has been allocated to preference stock reserve (bringing the total to £9 million) and £16 million, compared with £25 million, has been placed to general reserve (which now stands at £81 million). The maintained ordinary dividend absorbs only £3,171,656 and is thus very amply covered by earnings.

Consolidated earnings :—	Years to Dec. 31, 1950 £	1951 £
Gross trading profit	115,495,994	71,377,882*a*
Total income	118,661,714	75,899,965*a*
Depreciation, etc.	34,195,372	23,682,949
Taxation	50,706,880	27,373,901
Ordinary dividends (gross)	6,041,250	6,041,250
Ordinary dividends (per cent)	30	30
Retained by subsidiaries	572,842	606,749
General reserve	25,000,000	16,000,000
Added to carry forward (parent Co.)	*Dr.* 9,912	120,566
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	55,431,919	64,406,855
Net current assets	88,445,581	79,622,279
Stocks	42,017,520	43,402,442
Cash	50,960,747	59,074,918
Reserves	118,846,313	115,891,388
Special contingencies	40,487,440	49,987,440
Ordinary capital	20,137,500	20,137,500

(*a*) After charging royalty (£8,326,446) and crediting £9,500,000 to special contingencies.

£1 ordinary stock at 5½ yields £5 1½s. 3d. per cent.

The chairman, Sir William Fraser, states in his report that "the accounts have been prepared in the same form and on the same basis as those for 1950, but figures in respect of current assets and liabilities in Iran have had to be estimated to a considerable extent." Although total capital expenditure in 1951 amounted to approximately £46.8 million (of which some £8 million was on account of the tanker fleet), fixed assets, less depreciation, are shown in the balance sheet as having increased by only £8,974,936 to £64,406,855. It is not known what proportion of the various assets applies to properties in Iran, but, if the worst befalls in that country, the special contingencies account, which with this year's allocation now amounts to £49,987,440, should prove to be a substantial safeguard. For the rest, investments in subsidiary companies not consolidated and allied companies have risen from £91,398,147 to £111,731,643, while cash is up from £50,960,747 to £59,074,918. Whatever eventually happens in Iran, shareholders should be able to look forward to the future with confidence born of the knowledge of innate strength.

*

J. and P. Coats.—The slump in the textile trade has been too recent to make its mark on the profit and loss account of J. and P. Coats, which was drawn up on December 31st last. Group trading profits still show an increase, from £15,546,151 to £16,172,694, and the directors add that if allowance is made for the windfall exchange gain of £2,800,000 in 1950, trading profits in 1951 were some £2 million up last year. But shareholders must ask themselves how much of this £2 million represents a true increase in earnings, and how much of it merely represents inventory gains. The tax collector does not, of course, make this distinction, and the charge for British taxation has increased from £3,234,986 to £5,170,617, while foreign taxation is up from £1,991,053 to £3,291,664. These tax increases reflect a bigger flow of remittances from overseas subsidiaries to the parent company last year, and also largely explain the steep decline in net profits, from £9,217,376 to £6,529,820.

In the preliminary statement, discussed in *The Economist* on May 24th, the directors warned shareholders that the severe decline in raw material prices since the turn of the year might "necessitate an appreciable writing down in the 1952 accounts." The balance sheet figures now available show the serious call that such a writing down might make upon profits. In the consolidated balance sheet the book value of stocks has risen from £39,876,780 to £53,496,310. This increase is due partly to a greater quantity of stocks held (which may have been the first hint of a recession in trade) and partly to higher raw material prices. This inflation in the cost of investment in working capital has made a serious call upon the group's liquid resources. Cash balances have declined from £5,611,649 to £4,247,450, and quoted investments from £3,399,815 to £1,600,107, while bank loans have risen from £953,485 to £5,196,006. With such figures in front of them, it is not surprising that the directors did no more than maintain the ordinary dividend at 12½ per cent. The full accounts strengthen the impression that the yield of £6 1s. 3d. per cent on the £1 ordinary stock units at the current price of 41s. 3d. may not fully reflect the dangers that surround the dividend payment this year.

Consolidated earnings :—	Years to Dec. 31, 1950 £	1951 £
Trading profit	15,546,151	16,172,694
Total income	15,764,881	16,456,123
Depreciation	523,268	932,850
Foreign taxation	1,991,053	3,291,664
British taxation	3,234,986	5,170,617
Net profit	*9,217,376*	*6,529,820*
Ordinary dividends	986,406	967,968
Ordinary dividends (per cent)	12½	12½
Retained by subsidiaries	6,394,488	1,871,762
General reserve	1,661,852	3,500,000
Added to carry forward	*Dr.* 6,870	16,840
Cons. balance sheet analysis :—		
Fixed assets, *less* depreciation	8,819,471	10,991,492
Net current assets	42,560,939	47,456,833
Stocks	39,876,780	53,496,310
Cash	5,611,649	4,247,450
Reserves	32,628,628	39,492,181
Ordinary capital	14,750,000	14,750,000

£1 ordinary stock at 41s. 3d. yields £6 1s. 3d. per cent.

*

Royal Mail.—The preliminary statement by Royal Mail for the year to December 31st last shows that the company made a remarkable recovery after the fall in operating profits reported in 1950. Net profits for 1951 are entered at £588,331 (including £171,614 of profits earned in earlier years), compared with £539,302 (including £107,927 of earlier profits) in 1950. These figures, however, have been struck after charging a much higher provision for taxation in 1951. This increase in taxation, from £755,181 to £1,937,929, may partly reflect the reduction in initial allowances on new shipping tonnage, but it was also due to an increase in the gross operating surplus. Earnings in 1950 were particularly depressed by the cessation of meat shipments from the Argentine, and although meat shipments were resumed in 1951 they were on such a small scale that the resumption in this trade cannot wholly explain the recovery in earnings. As with the other Liner companies, the growth in Royal Mail's profits last year must largely be accounted for by the boom in the freight market in 1951. The recent decline in freight rates and the fact that Royal Mail's traffic to South America has dwindled suggests that this year may prove to be a more difficult one. Nevertheless, the directors have increased the ordinary dividend from 7½ per cent to 10 per cent, although the tax-free distribution of 2 per cent in respect of capital profits arising from the realisation of investments has not been repeated. At the current price of 26s. the £1 ordinary shares yield £7 13s. 10d. per cent.

SECURITY PRICES AND YIELDS

Prices, Year 1952 Jan. 1 to June 4 High	Low	British Funds and Guaranteed Stocks	Price, May 28, 1952	Price, June 4, 1952	Gross Yield, June 4, 1952 £ s. d.	
100 22/32	99	War Bonds 2½%... Mar. 1, 1951-53	99⅝	99⅝	3 0 3	*e*
100 8/32	97⅞	War Bonds 2½%... Mar. 1, 1952-54	98 8/16	98 11/32	3 9 7	*e*
99⅝	96½	Exch. Stk. 2½%... Feb. 15, 1955	96 16/32	97	3 8 6	
100⅛	99	Serial Fundg. 1½% Nov. 14, 1952	99 3/32	99 8/32	2 14 8	
100 3/32	97⅝	Serial Fundg. 1½% Nov. 14, 1953	98 1/32	98 5/32	2 19 0	
99 4/32	96	Serial Fundg. 1½% Nov. 14, 1954	96 16/32	96 7/32	3 5 6	
99 12/32	95⅞	War Bonds 2½%... Aug. 15 1954-56	95 16/32	96 8/32	4 6 10 3 9 8	*e*
100⅛	96½	Funding 2½%..... June 15, 1952-57	96 8/32*	96 7/32*	3 8 11	
100 3/32	97⅛	Nat. Defence 3%.. July 15, 1954-58	98 16/32	98 16/32	4 2 5 3 8 2	*e*
100⅛	96⅞	War Loan 3%..... Oct. 15, 1955-59	97⅛	98	3 15 5 3 7 6	*e*
92	88⅞	Savings Bonds 3%. Aug. 15, 1955-65	89⅛	89⅛	7 3 11 4 3 5	*e*
94	89	Funding 2½%..... Apr. 15, 1956-61	89⅞	90⅛	5 9 6 3 17 6	*e*
87 16/32	82⅞	Funding 3%..... Apr. 15, 1959-69	83⅜	83⅞	5 19 6 4 8 0	*e*
88	84⅜	Funding 3%..... Aug. 1, 1966-68	84⅛	85⅛	4 9 11 4 7 0	*e*
99½	94½	Funding 4%..... May 1, 1960-90	95	95⅜	4 15 4 4 5 4	*e*
87⅛	81⅜	Savings Bonds 3%. Sept. 1, 1960-70	82⅞	83⅜	5 13 5 4 7 11	*e*
85 8/32	81	Savings Bds. 2½%. May 1, 1964-67	81⅜	81 16/32	4 10 0 4 3 2	*e*
101⅜	98⅛	Victory Bonds 4%. Sept. 1, 1920-76	99⅛	99½	4 3 0	*e*
84	79⅜	Savings Bonds 3%. Aug. 15, 1965-75	80⅜	81⅜	5 0 11 4 6 11	*e*
90⅜	85	Consols 4%.....	85⅛	85⅛	4 15 1	*f*
82⅜	74⅜	Conversion 3½%..	75⅛	75⅜	4 13 8	*f*
60⅜	54⅜	Treasury Stk. 2½% (after Apr. 1, 1975)	55⅛	55⅜	4 10 3	*f*
71⅜	65	Treasury Stk. 3%. (after Apr. 5, 1966)	65⅛	65⅜	4 12 4	*f*
89 4/32	85⅛	Treasury Stk. 3½% June 15, 1977-80	85⅜*	85⅜*	4 9 3 4 8 0	*e*
78	73⅛	Redemp. Stk. 3%. Oct., 1986-96	74⅜	75⅛	4 8 10 4 5 7	*e*
81	73⅜	War Loan 3½%....	74⅛*	74⅜	4 14 2	*f*
61⅞	56⅛	Consols 2½%.....	56⅜	57*	4 7 5	*f*
85½	80⅛	Br. Elect. 3% Gtd.. Apr. 1, 1968-73	81⅛	81⅛	4 14 5 4 8 11	*e*
84⅛	79⅜	Br. Elect. 3% Gtd.. Mar. 15, 1974-77	80⅛	80⅜	4 9 2 4 6 9	*e*
99⅛	97 11/32	Br. Elect. 4½% Gtd. Sept. 26, 1974-79	98	98⅜	4 7 3 4 7 0	*e*
90⅜	85⅜	Br. Elect. 3½% Gtd. Nov. 15, 1976-79	86⅜	86⅛	4 8 5 4 7 3	*e*
78⅛	73⅜	Br. Tpt. 3% Gtd.. July 1, 1978-88	74⅛*	74 11/32*	4 13 6 4 7 10	*e*
85⅜	80⅛	Br. Tpt. 3% Gtd.. Apr. 1, 1968-73	81	81⅛	4 14 11 4 8 7	*e*
77⅜	73 3/32	Br. Gas Gtd. 3%... May 1, 1990-95	73⅞	74⅛	4 8 7 4 7 0	*e*
93⅛	88⅛	Br. Gas Gtd. 3½%. Sept. 10, 1969-71	88⅜	89⅛	4 9 5 4 7 11	*e*
89⅛	85	Br. Iron & Steel 3½% Feb. 15, 1979-81	86⅛	86 11/32	4 8 6 4 7 9	*e*

(*e*) To earliest date. (*l*) To latest date. (*f*) Flat yield. (*s*) Assumed average life 13 years 0 months. * Ex div. dend.

Prices, Year 1952 Jan. 1 to June 4 High	Low	Ordinary Stocks	Price, May 28, 1952	Price, June 4, 1952	Yield, June 4, 1952 £ s. d.	
8 2/32	5⅛	Anglo-Am. 10/-...	6	6	5 0 0	
6⅛	5 2/32	Anglo-Iran £1....	5⅜	5⅛	5 14 3	
84/-	66/-	Assoc. Elect. £1..	69/6	69/6	5 15 1	
104/9	91/3	Assoc. P. Cem. £1.	95/7½	91/3*	6 0 8	
129/3	112/6	Bass £1.....	118/9	116/3	7 7 6	
23/-	17/-	Boots 5/-.....	19/3	18/6*	5 8 1	*a*
30/-	19/1½	Br. Celanese 10/-.	20/-	19/6*	7 8 8	
29/7½	27/5½	Brit. Motor 5/-...	28/9	27/6	...	
29/7½	69/3	Br. Oxygen £1....	71/6	70/-	5 14 3	
52/9	39/9	Coats £1.....	41/10½	40/7½*	6 3 1	
46/-	31/3	Courtaulds £1....	32/-	32/3	6 19 6	
20/6	16/6	Distillers 4/-....	16/9	17/3	5 4 4	
61/3	43/-	Dunlop £1.....	47/6*	44/4½	7 17 9	
51/4½	42/9	Ford £1.....	46/6	46/-	6 10 5	
92/3	71/6	Gen. Elect. £1....	76/6	76/-	5 18 5	
125/3	56/-	Gunness £1.....	58/1½	56/10½	5 18 2	*b*
36/10½	32/1½	Hawker Sid. £1...	33/3	33/-	6 1 3	
47/4½	38/7½	Imp. Chem. £1....	41/3	40 7½	6 1 0	
95/-	78/5½	Imp. Tobacco £1.	81/3	80/-	8 0 0	
43/1½	30/6	Lancs. Cotton £1.	33/1½	33/1½	9 1 2	
59/9	52/3	London Brick £1.	55 7½	54/4½	6 8 9	
89/6	69/6	Marks & Sp. A. 5/-	74/9	70/6*	5 13 6	
54/-	42/-	P. & O. Def. £1...	44/-	44/-	7 5 5	*c*
39/3	31/-	P. Johns on 10/-..	33/-	32/-	7 16 2	
98/1½	80/7½	"Shell" Stk. £1...	92/6	88/9*	6 8 10	
5⅞	2½	Tube Investmt. £1	51/10½*	50/7½	4 18 9	*d*
89/9	78/-	T. & Newall £1...	81/3	80/7½*	4 19 3	
49/6	39/-	Unilever £1.....	42/3	39/3*	6 17 7	
46/3	39/6	Union Castle £1..	41 6*	42/6	6 0 6	
59/10½	31/-	U. Sta Betong £1.	31 10½	32/6	30 15 4	
47/7½	41/-	Vickers £1.....	41/6	41/3	6 1 2	
44/11½	38/6	Woolworth 5/-....	40/6	39/6	5 7 7	

(*a*) Yield basis 20% after capital bonus. (*b*) Yield basis 16⅔% after capital bonus. (*c*) Yield basis 16% after capital bonus. (*d*) Yield basis 12½% after capital bonus. * Ex div.dend.

Statistical Summary

EXCHEQUER RETURNS

For the week ended May 31, 1952, total ordinary revenue was £71,198,000, against ordinary expenditure of £73,252,000 and issues to sinking funds £110,000. Thus, including sinking fund allocations of £4,001,000 the deficit accrued since April 1, 1952, was £81,685,000 compared with a surplus of £18,845,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1951 to June 2, 1951	April 1, 1952 to May 31, 1952	Week ended June 2, 1951	Week ended May 31, 1952
	£'000	Receipts into the Exchequer (£ thousand)			
REVENUE					
ORD. REVENUE					
Income Tax	1804225	158,719	198,014	18,548	22,814
Sur-tax	123,000	18,300	16,500	1,500	1,200
Estate, etc., Duties	175,000	37,900	27,900	5,200	3,400
Stamps	57,500	10,900	9,300	1,000	1,500
Profits Tax & EPT	452,000	39,400	44,200	1,800	3,400
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	6,300	400	90	30
Total Inland Rev.	2618725	265,849	296,314	28,138	32,344
Customs	1043500	167,932	175,081	28,395	19,140
Excise	772,000	147,570	140,664	8,765	21,360
Total Customs and Excise	1815500	315,502	315,745	37,160	40,500
Motor Duties	64,150	5,542	5,709	103	...
Surpl's from Tradg.	12,000	...	...	...	...
P.O. (Net Receipts)	...	8,700	2,000	600	*Dr2700*
Broadcast Licences	15,000	2,000	1,900	1,000	900
Sundry Loans	26,000	2,267	2,083	...	...
Miscell. (incl. Surplus War Stores)	110,000	7,973	14,525	121	154
Total Ord. Rev.	4661375	607,833	638,277	67,122	71,198
SELF-BALANCING					
Post Office	209,235	25,900	33,300	2,900	5,700
Income Tax on E.P.T. Refunds	4,900	933	1,252	88	243
Total	4875510	634,666	672,829	7,110	77,141
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	105,031	95,917	27,538	2,654
Payments to N. Ireland	40,000	5,575	5,841	...	...
Other Cons. Funds	10,000	893	778	144	39
Total	625,000	111,498	102,536	27,682	2,693
Supply Services	3605562	475,940	613,425	48,700	70,559
Total Ord. Expd.	4230562	587,438	715,961	76,382	73,252
Sinking Funds	...	1,550	4,001	...	110
Total (excl. Self-Bal. Expd.)	4230562	588,988	719,962	76,382	73,362
SELF-BALANCING					
Post Office	209,235	25,900	33,300	2,900	5,700
Income Tax on E.P.T. Refunds	4,900	933	1,252	88	243
Total	4444697	615,821	754,514	79,370	79,305

After increasing Exchequer balances by £66,647 to £3,007,037 the other operations for the week increased the National Debt by £14,779,235 to £25,714 million.

NET RECEIPTS (£ thousand)
Nil

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	750
EPT Refunds	297
Export Guarantees Act, 1919, s. 3(2)	10
Housing (Temp. Accom.) Acts, 1944 and 1947	50
Housing (Scotland) Act, 1950, s. 94(2)	625
Local Authorities Loans Act, 1945, s. 3(2)	7,500
Miscellaneous Financial Provisions Act, 1946 :—	
S. 2(1) War Damage : War Damage Commission	3,000
Finance Acts, 1946 and 1947 : Postwar Credits	316
	12,548

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	27,253	Nat. Savings Certs.	1,100
Tax Reserve Certs.	1,291	2½% Def. Bonds	760
		3% Def. Bonds	1,152
		Other Debt :—	
		Internal	439
		Ways and Means Advances	10,315
	28,544		13,766

FLOATING DEBT
(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
June 2	3240·0	2036·0	427·7	...	319·5	6031·4
1952						
Mar. 8	2220·0	1986·4	310·5	...	...	4516·9
„ 15	2250·0	1980·5	334·3	3·2	...	4568·0
„ 22	2280·0	1941·9	359·7	...	...	4581·6
„ 31	4273·1		337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·5	...	...	4632·1
„ 12	2440·0	1600·9	305·3	1·0	...	4347·2
„ 19	2500·0	1579·8	320·7	...	...	4400·5
„ 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7
„ 10	2590·0	1521·3	317·6	0·2	...	4429·1
„ 17	2650·0	1499·4	302·9	...	...	4452·3
„ 24	2690·0	1477·2	314·6	...	...	4481·8
„ 31	2710·0	1484·5	299·7	4·5	...	4498·7

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment: s.	d.	Allotted at Min. Rate %
1951						
June 1	250·0	349·5	250·0	10	2·78	60
1952						
Feb. 29	200·0	249·5	200·0	20	6·78	67
Mar. 7	200·0	239·2	200·0	20	7·09	75
„ 14	200·0	250·4	200·0	46	3·64	69
„ 21	200·0	251·9	200·0	46	3·39	68
„ 28	210·0	240·2	210·0	47	3·61	81
Apr. 4	220·0	302·1	210·0	47	3·96	58
„ 10	210·0	297·2	210·0	47	0·14	62
„ 18	200·0	316·6	200·0	47	3·27	45
„ 25	200·0	296·3	200·0	46	4·20	63
May 2	200·0	326·8	200·0	46	11·03	35
„ 9	230·0	300·5	230·0	47	4·11	68
„ 16	230·0	295·0	230·0	47	8·07	70
„ 23	220·0	302·3	220·0	47	7·94	63
„ 30	240·0	307·1	240·0	47	8·25	71

On May 30th applications for 91 day bills to be paid from June 3 to June 7, 1952, were accepted dated Tuesday to Saturday as to about 71 per cent at £99 8s. 1d. and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million were offered on June 6th. For the week ended June 7th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS
(£ thousand)

	Totals 8 Weeks ended: May 25, 1951	May 24, 1952	Week ended May 24, 1952
Savings Certificates :—			
Receipts	34,700	18,900	2,500
Repayments	24,300	24,200	3,300
Net Savings	10,400	*Dr 5,300*	*Dr 800*
Defence Bonds :—			
Receipts	7,964	6,535	750
Repayments	8,180	11,520	1,375
Net Savings	*Dr 216*	*Dr 4,985*	*Dr 625*
P.O. and Trustee Savings Banks :—			
Receipts	107,504	112,706	12,678
Repayments	128,114	119,543	15,132
Net Savings	*Dr20,610*	*Dr 6,837*	*Dr 2,454*
Total Net Savings	*Dr10,426*	*Dr17,122*	*Dr 3,879*
Interest on certificates repaid	5,832	6,550	907
Interest accrued	19,435	19,697	2,491
Change in total invested	+ 3,177	— *3,975*	— *2,295*

BANK OF ENGLAND RETURNS

JUNE 4, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1420,092,078	Other Govt. Securities	1435,726,338
In Bankg. Department	30,264,745	Other Secs.	748,276
		Coin (other than gold)	2,510,287
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	296,191,430
Rest	3,460,388	Other Secs.:—	31,480,138
Public Deps.:—	12,924,580	*Discounts and*	
*Public Accts.**	*12,408,000*	*Advances*	*12,597,077*
H.M. Treas.		*Securities*	*18,883,061*
Special Acct.	*516,580*		
Other Deps.:—	328,495,315		
Bankers	*253,504,316*	Notes	30,264,745
Other Accts.	*69,990,999*	Coin	1,496,970
	359,433,283		359,433,283

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS
(£ million)

	1951 June 6	1952 May 21	1952 May 28	1952 June 4
Issue Dept. :—				
Notes in circulation	1337·1	1495·9	1412·2	1420·1
Notes in banking department	13·2	34·3	38·2	30·3
Government debt and securities*	1345·8	1446·7	1446·8	1446·7
Other securities	0·7	0·8	0·7	0·7
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	12·9	10·8	10·1	12·4
Treasury Special Account	4·4	0·5	0·5	0·5
Bankers	300·0	281·7	270·0	258·5
Others	86·3	71·9	72·6	70·0
Total	403·6	364·9	353·2	341·4
Securities :—				
Government	377·6	295·0	288·1	296·2
Discounts, etc.	7·5	17·3	11·9	12·6
Other	22·9	24·5	31·5	18·9
Total	408·0	336·8	331·5	327·7
Banking dept. res.	13·8	45·9	39·7	31·8
	%	%	%	%
"Proportion"	3·4	12·5	11·1	9·3

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	May 29, 1951	May 20, 1952	June 3, 1952
Cereals and meat	165·5	182·4	181·9
Other foods	184·1	189·2*	190·1
Textiles	327·6	228·0	228·2†
Minerals	341·2	377·5	372·8
Miscellaneous	193·0	190·3	189·2
Complete Index	**228·0**	**222·0***	**221·2†**
1913=100	*313·8*	*305·4**	*304·4†*

* Revised. † Provisional.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	SILVER: London per ounce	New York per ounce	Bombay per 100 tolas	GOLD: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
May 29..	72·5	82·75	156 14	89 3
„ 30..	72·5	Closed	156 4	90 0
„ 31..	Markets	Closed	158 4	90 14
June 2..	Closed	82·75	Market	Closed
„ 3..	72·5	82·75	157 14	89 6
„ 4..	72·5	82·75	157 7	89 8

ANNUAL SURVEY OF BRITISH BANKING

The New Monetary Orthodoxy

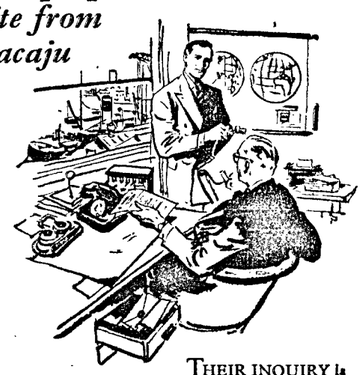
Sterling Area off Balance

Reopening the Exchange Market

Seven Months of Monetary Discipline

Bank Profits under Pressure

These people write from Aracaju



THEIR INQUIRY is interesting. What, however, is their commercial standing? You do not know—but the Westminster Bank almost certainly does. And even if it does not, the facts can quickly be obtained because the Bank has representatives in every town of importance throughout the world. This unrivalled Credit Information service is part of the much wider service which the Bank places at the disposal of all who trade abroad and which is fully described in the booklet 'The Foreign Business Service of the Westminster Bank'. A copy will be sent gladly on request.

WESTMINSTER BANK LIMITED
Foreign Branch Office: 41 Lothbury, London, E.C.2

MARTINS BANK
LIMITED

Capital Paid Up and Reserve : £9,020,917
Deposits, etc. : £309,774,722
Total Assets (at 31st December, 1951) : £347,336,244

Chairman :
A. HAROLD BIBBY, D.S.O., D.L.

Deputy Chairmen :
ROBERT VERE BUXTON, D.S.O.
T. H. NAYLOR
Chief General Manager : C. J. VERITY

London District Office : 68 LOMBARD STREET, E.C.3
Manchester District Office : 43 SPRING GARDENS, 2
N.-E. District Office : 22 GREY ST., NEWCASTLE UPON TYNE, 1
Leeds District Office : 28-30 PARK ROW, LEEDS, 1
Midland District Office : 93 COLMORE ROW, BIRMINGHAM, 3

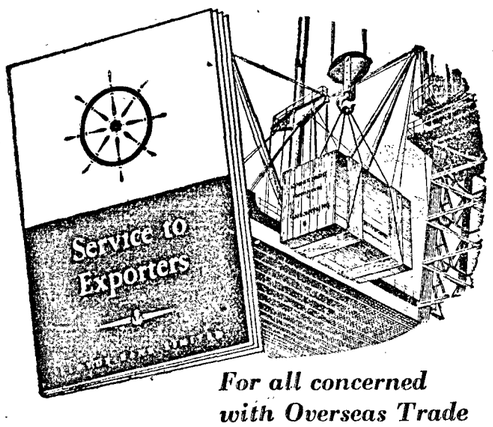
Head Office: WATER STREET, LIVERPOOL

PERSONAL SERVICE

A century ago, when England was enjoying a period of peace and prosperity, the English private banker and his customer were well known to each other and banking was a personal service based on mutual confidence.

Today, modern practice is more comprehensive and includes many specialised services not imagined by the banker of a hundred years ago. National Provincial Bank, however, with its widespread resources and organisation, *still* maintains the banking tradition of personal service. The entire banking organisation is adapted to serve individual needs, and the Manager is always glad to meet and advise each of his customers.

NATIONAL PROVINCIAL BANK LIMITED
Head Office : 15 BISHOPSGATE, LONDON, E.C.2



For all concerned with Overseas Trade

There are many ways in which the Export Development Section of Lloyds Bank is helping both new and established exporters. The various functions of this section are indicated in a booklet entitled "Service to Exporters". Please ask for a copy at any branch of the Bank.

Let LLOYDS BANK look after *your* Export interests

1677

BRITISH BANKING SURVEY

The following articles comprise the editorial section of THE ECONOMIST'S *annual survey of banking trends in Britain and the British Commonwealth, which this year appears in more extended form—to mark the importance of the dramatic change in British monetary policy that began last November. The articles are intended to be read in conjunction with the special 16-page selection of British Banking Statistics that appears in this week's issue of the* RECORDS AND STATISTICS *supplement. A complementary editorial survey of Foreign and International Banking, with an associated statistical selection, will be published in the autumn. These half-yearly features together comprise the new form of* THE ECONOMIST BANKING SUPPLEMENT, *which has been published for many years.*

The New Monetary Orthodoxy

BRITAIN'S monetary policy has lately undergone its most revolutionary change for twenty years. The change has falsified the forecast, but confirmed the analysis, given in these columns twelve months ago ; and the falsification is as welcome as the confirmation. The forecast was that, unless the balance of payments ran into heavy deficit, the Government would be increasing its borrowings from the banking system, and that bank advances would continue to rise in any case. The conclusion was that the only way of preventing a further credit expansion was to pursue a tougher and more orthodox monetary policy "with the object of either curtailing demands for advances or of forcing the banks to meet part of the demands upon them by selling gilt-edged securities." This policy, which seemed unlikely so long as a Labour government remained in power, is precisely the one that Mr Butler and his advisers have adopted. The revolution in monetary policy, however, should not be attributed to the change in government alone ; a much less radical shift in policy would have been likely if Britain and the sterling area had not been plunging simultaneously into a dollar emergency more menacing than any of its postwar predecessors.

The five articles in this survey examine different aspects of these far-reaching developments ; and because intricate as well as major changes have followed one another in bewildering succession, more emphasis is put upon exposition and explanation of what has been happening than upon the problems that lie ahead. This first article is concerned primarily with the tasks laid upon monetary policy and its achievements up to date ; the technical changes themselves are recorded in a later article. Two articles examine the impact of the crisis, and of the monetary correctives, upon sterling and upon the overseas sterling area. And a fifth article discusses the repercussion of these events, and of some longer-term trends, upon the profitability of the banks.

It is still too soon to assess the full effects of the new orthodoxy. Indeed, its effects at the most fundamental points—especially its relationship to the recession in some consumer goods industries, the rise in transitional unemployment, the slightly better flow of labour into the metal-using industries, and to the level of investment—may long be a matter of dispute and will never be precisely determinable. But there is little doubt that, measured in monetary terms, the domestic response has reached the best expectations of the authorities. Indeed, the early effects of the measures of last November were probably sharper than even they—and certainly much sharper than most people in the City—had foreseen. The chief tests at this stage were, first, the violence of the fall in the gilt-edged market once it grasped the implications of the special funding operation in drastically altering the pattern of bank asset ratios ; and, secondly, the indication that the shocks administered to the banks were severe enough to ensure a really salutary toughening of their attitude towards advances. Some academic economists who prefer the "social priorities" of planning and who distrust monetary orthodoxy and the price mechanism may still debate from a distance the relative force of a tightened "directive" and of the quantitative measures combined with rising interest rates in achieving the new credit discipline (see, for example, the opening articles in a recent symposium arranged by the Oxford Institute of Statistics) ; but everyone in the City knows that the latter have been overwhelmingly the more important.

The early indications of the strength of monetary policy explain the rapid increase in the responsibilities that have been loaded upon it. At the first stage, when there was only a "token" increase in Bank rate, by ½ per cent, the Chancellor did not contemplate any "dramatic process" or any "decisive results." Monetary policy seemed cast for a relatively minor role ; and everyone took it for granted that a large part of the work of squeezing and moulding the economy into the shape required to make and keep it solvent would be done by a strong budget—one that cut government expenditure sharply and also pressed directly upon consumption. But, if that was Mr Butler's original intent, he abandoned it at first glimpse of the likely effects of the sterling area's cuts upon the consumer goods industries ; and the only means of preventing a soft budget from having grave repercussions upon overseas confidence in sterling was to brandish the monetary weapon that was proving so much more potent than he had supposed. Hence a policy designed as a "change of emphasis" gave place to a 4 per cent Bank rate regarded as an "action that is, and is seen to be, decisive"—especially in its effects on opinion overseas.

But that is very far from being the limits of the responsibility put upon the monetary authorities. If the Government is still determined not only to get the economy by hook or crook past this year's danger-point but also to give it a reasonable chance of keeping clear

GLYN, MILLS & CO.

ESTABLISHED 1753

MEMBER OF THE LONDON BANKERS' CLEARING HOUSE

ARMY AND ROYAL AIR FORCE AGENTS

Incorporating

CHILD & CO., Established before 1600.

HOLT & CO., Established 1809.

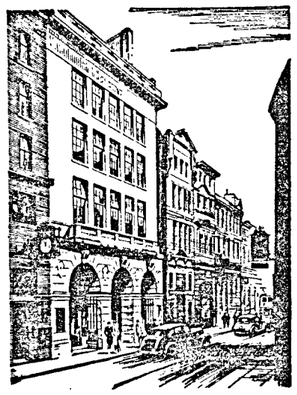
A world-wide banking service giving personal attention to the individual requirements of each customer.

HEAD OFFICE:

67, LOMBARD STREET, LONDON, E.C.3

Associated Banks:

Royal Bank of Scotland. Williams Deacon's Bank Limited.



PRINCIPAL LONDON OFFICE:

75, CORNHILL, E.C.3.

DISTRICT BANK LIMITED ESTABLISHED 182-

THE DISTRICT BANK IN LONDON

LONDON COMMITTEE:

SIR THOMAS D. BARLOW, G.B.E.
SIR ROBERT A. BURROWS, K.B.E.
LT.-COL. T. MARSHALL BROOKS, D.L.
SIR KENNETH LEE, BT.
ALAN RUSSELL.
THE RT. HON. THE EARL OF VERULAM.

ALEXANDERS DISCOUNT COMPANY LIMITED

24, LOMBARD STREET, LONDON, E.C.3

CAPITAL PAID UP - - £1,400,000
RESERVES - - - - £2,200,000

DIRECTORS

SIR ERIC GORE BROWNE, D.S.O., O.B.E., T.D., *Chairman.*
GEORGE CLEVERLY ALEXANDER
ROBERT ALEXANDER
THE RT. HON. LORD BALFOUR OF BURLEIGH, D.L.
THE RT. HON. LORD COLGRAIN
MARK DINELEY
ALAN RUSSELL

MANAGER
ANTONY MACNAGHTEN
DEPUTY MANAGER CHARLES C. DAWKINS
ASSISTANT MANAGERS A. J. McLENNAN M. L. CREGEEN
SECRETARY F. W. HATCHER

BANK AND FIRST-CLASS TRADE BILLS DISCOUNTED

MONEY RECEIVED ON DEPOSIT

WILLIAMS DEACON'S BANK LIMITED

founded 1771

Governing Office: Mosley St., Manchester

London (City) Office: 20, Birchin Lane, E.C.3.

OVER 200 BRANCHES

Associated Banks:

THE ROYAL BANK OF SCOTLAND
GLYN, MILLS & CO.

of danger thereafter, the presumption has to be that monetary policy is burdened with most of this arduous work. For the monetary changes are almost the only novel ingredient in the economic policies of the Conservative Government; the remainder are merely slight variants of the—mainly physical—devices that proved so insufficient in the hands of the Labour Government.

The immediate tasks thrust upon monetary policy were, therefore, to sustain confidence in sterling by persuading overseas opinion that the Government "meant business," to curtail foreign short-term borrowings in London, to play a large part in the cutting down of private investment in plant and vehicles and stocks, and generally to make up for the softness of the budget. For the slightly longer term, the policy is presumptively left with a large share of the responsibility for accelerating the flow of labour from the consumer goods industries into the metal-using trades—a transfer that is indispensable if the hoped-for expansion of exports of capital goods is to be sustained without repeating the damaging cuts in home investment. Moreover, if solvency is to be assured, it is imperative to maintain an external surplus to build up the reserves; if, therefore, the Government is not prepared for tougher budgeting, monetary policy would have to shoulder the even more onerous task of keeping consumption in check, and perhaps of actually contracting it.

TABLE I
CHANGES IN BANK DEPOSITS AND ASSETS
(£ Million)

Years to May	1946	1947	1948	1949	1950	1951	1952
Net deposits	+266	+638	+255	+ 47	− 40	+199	−152
Advances	+ 99	+243	+234	+102	+211	+155	+ 98
Investments	+196	+148	+ 7	+ 25	+ 1	+ 53	+377
TDR's	−508	− 24	−102	−211	−672	− 95	−269
Bills and call money	+454	+318	+ 88	+137	+421	+ 62	−344
Cash	+ 26	− 48	+ 28	− 1	− 5	+ 22	− 13

These are vastly bigger responsibilities than anyone has previously suggested that monetary policy should (or could?) bear; and if it is really intended that it should carry any large part of them, then measures of the present intensity are unlikely to suffice. But, judged by more limited objectives and by monetary tests, the record so far is good. A dangerous credit trend has been arrested, and the measures by which this was achieved have imposed a salutary restraint that is gradually being felt through a large part of the economy, and is certainly tending to curtail investment.

In the six months before the new policy was launched, bank advances rose much more rapidly than in any comparable period; and although net bank deposits rose less rapidly in this phase than in the similar period of 1950, this was solely due to the huge amount of finance that accrued to the Government as a result of Britain's plunge from external surplus into catastrophic deficit. The narrowing of the deficit since then has cut down this external source of finance, and rearmament outlays have been rising; in the past six months, therefore, the seasonal reduction in governmental demands for bank credit has been much less than it was in 1950-51. Yet, over this period, net bank deposits have fallen by £277 million, or by £95 million more than they fell in the similar period of the previous year.

The whole of this improvement has been due to the abrupt check successfully applied to the private sector of the economy; indeed, if private demands had risen at the same rate as in the similar period of 1950-51 (not to mention their much sharper rate of rise in the six months immediately before the launching of the new policy) the resultant inflation of deposits would have been so large as actually to obliterate the strong seasonal tendency to contraction. In the five months to mid-April, when bank advances reached their peak at £1,953 million, their growth amounted to under £28 million,

TABLE II
TRENDS IN BANK ADVANCES
(£ Million)

	1946–47	1947–48	1948–49	1949–50	1950–51	1951–52
May to November	+107	+105	+ 17	+ 46	− 28	+132
November to May	+135	+129	+ 85	+165	+183	− 35

compared with £156 million in the similar period of 1950-51. Moreover, in this phase, the demands of the nationalised public utilities were still rising very rapidly; the latest available classified figures of advances, those for February, showed that over the first three months of the new policy the rise in total advances was wholly attributable to these public borrowers—despite the fact that the banks have been increasing their credits to the expanding metal-using industries (and despite the fact that they seem to have been relatively lenient towards the consumer goods trades that have been piling up stocks). Although the monthly statement for May reflected the first repayments out of the proceeds of the £150 million BEA loan, it seems certain that, in the six months to that date, the aggregate advances to the public borrowers still showed an appreciable net rise; yet, as Table II shows, total bank advances actually declined in this period, by £35 million, presenting an impressive contrast with any previous postwar year.

Nor is this all; to gauge the pressure put upon the private sector by the new policy, it is necessary to look also at the banks' portfolios of commercial bills and investments. Since last November all the English clearing banks have shown their commercial bills separately; although the aggregate portfolio rose in the first three months, from £152 million to £187 million, it has since fallen by £85 million, to £102 million—partly in response to dearer money and the new qualitative restraints upon foreign credits and drawings, and partly because some overseas banks in London have been retaining a higher proportion of bills themselves.

TABLE III
CHANGES IN ASSETS STRUCTURE, 1951–52*

	May, 1951		Oct., 1951		May, 1952	
	£ mn.	%	£ mn.	%	£ mn.	%
Net deposits	5,848·2	...	5,981·0	...	5,696·6	...
Liquid assets:—						
Cash	503·6	8·2	513·7	8·3	490·6	8·3
Call money	570·8	9·3	579·3	9·3	517·7	8·8
Bills	1,226·4	19·9	1,329·6	21·4	935·8	15·8
Total liquid assets	2,300·8	37·4	2,422·6	39·0	1,944·1	32·9
"Inflexible" assets:—						
Treasury deposit receipts	269·0	4·4	176·5	2·8	...	...
Investments	1,555·7	25·3	1,655·2	25·1	1,932·3	32·7
Advances	1,792·8	29·2	1,897·0	30·6	1,890·6	32·0
Total "Inflexible" assets	3,617·5	58·9	3,628·7	58·5	3,822·9	64·8

* Percentages of assets are related to *gross* profits.

More significant still, from the domestic standpoint, has been the salutary reduction in the clearing banks' investment portfolio; if the equivalent of the £500 million of Serial Funding bonds is excluded (since they

represented a virtually enforced switch from Treasury bills) the aggregate portfolio has shrunk by £123 million to £1,432 million, its smallest since the closing months of the Daltonian campaign. An important part of this decline, of course, reflects the painful writing-down that has been forced upon the banks ; but there have also been some considerable sales. Since the authorities, on balance, have certainly not been buyers of gilt-edged in the market since last December (when they gave substantial aid in brief sallies at the worst point of demoralisation), and may have been net sellers, this selling by the commercial banks has tightened up still further the money supply in the private sector. In addition, of course, it has added substantially to the other psychological influences making for restraint.

The bankers themselves, who have been tougher in their credit policies than any of them thought feasible last autumn, are certainly entitled to claim that they have responded effectively to the new policy. And, until a few weeks ago, it could also be claimed that the new monetary measures, by inducing or enforcing a narrowing of the short position, were sustaining sterling through a phase in which other influences to resist a further slide were all too weak. But now the relief from enforced bear-closing is virtually exhausted, and the more fundamental sources of relief have not developed as steadily as had been hoped.

A new wave of nervousness has therefore led people to ask whether the monetary discipline may not have to be tightened still further. Certainly, this is no moment to relax it ; yet several influences are already tending in that direction. Although the direct impact of higher interest rates upon borrowers has probably played a bigger part than is generally recognised, there is no doubt that the new credit restraint has so far been chiefly achieved by the impact upon the banks of the tautening of their assets ratios at a time when interest rates, long as well as short, were rising. Now the tension is being eased, because a resumption of Government borrowing is increasing the supply of Treasury bills. These borrowings are partly seasonal and partly due to the contraction in the rate of external borrowing ; but they are also attributable to the BEA loan. This would have eased the banks' position in any case, because of the resultant repayment of bank advances ; but, since the "departments" took up some two-thirds of the issue, the financing of their purchases is further increasing the banks' liquid assets.

If these tendencies persist for long they will certainly have some repercussion upon advances practice, for the banks do not find it easy to refuse long-established and substantial customers. For a little while, the psychological effects of the recent sharp break in gilt-edged should suffice to hold the line in credit restraint ; but steps ought to be taken soon to reinforce it more tangibly —especially in view of the big maturities of bonds in the next nine months. In the early future, the reinforcement is much more likely to take the form of a funding loan or more persistent sales of gilt-edged through "the taps," than of a further increase in Bank rate—unless there is a dramatic change in the exchange market. But if and when monetary policy is deliberately brought to bear on the longer-range problems, it will certainly have to deploy all available weapons simultaneously.

Sterling Area off Balance

IN the last five years the sterling area has seen two false dawns of hope, interspersed between three grave balance of payments crises. When the Commonwealth Finance Ministers met in London last January, at the depth of the third and worst crisis, they had therefore to trudge along a drearily familiar road. The programme that they initiated then, as since amended in Mr Butler's budget statement, aims at reducing Britain's payments deficit with the non-sterling world from £600 million in the second half of 1951 to zero in the second half of 1952 (after taking account of American aid) ; the task set for the overseas dominions and colonies represented at the conference is to eliminate the deficit of between £100 and £150 million that they ran with the non-sterling world in the second half of 1951, and turn it into a surplus of at least £100 million by the second half of 1952.

It is unfortunate that the detailed targets announced after the conference laid this emphasis on non-sterling payments, while the general measures of disinflationary policy agreed upon merely—and rightly—emphasised the need for each country to balance its overall accounts. It is true that for Britain itself the dichotomy between these two expressions of intent is not glaringly obvious. The easiest imports for Britain to cut happen to be the unrationed foodstuffs and other consumer goods that have flowed into this country from Europe in increasing volume since liberalisation of intra-European trade began. The second easiest to cut, given the present level of stocks, are imports of some raw materials from the dollar area ; there must be some uneasiness in Whitehall that Britain's habit of relapsing into a balance of payments crisis whenever inflation damps down in America may mean that this country always tends to run down its stocks at the bottom of the market and start purchasing heavily at the top of it—but it must be some comfort to be able to adopt a balance of payments formula that does not demand similar upside-down economics in relation to purchases of sterling area raw materials. Finally, if some goods have to be diverted from the home market, it is politically convenient to make the cut in investment goods, which happen to be readily saleable in non-sterling markets.

For practically every one of the overseas sterling area countries, however, a policy aiming at overall balance and a policy aiming solely at improvement of non-sterling payments are two very different things. The imports that these overseas countries think they ought to cut—and on economic as well as political grounds they are almost certainly right—are imports of consumer goods, which come largely from Britain. It was for this reason that when the Finance Ministers of Australia, South Africa and (to a less extent) New Zealand went home last January, they proceeded to swing their axes at imports from Britain—and immediately caused a howl of protest from manufacturers in this country, who wanted to know what relevance these savage cuts had to the problem of dollar payments. It is only when the answer to this protest is appreciated in this country, and accepted by the British and the Dominion Governments, that a clear-thinking approach can be made to the saving of sterling.

Before the war Britain accounted for about 50 per cent of total sterling area exports (valued at some £1,100

BANK OF SCOTLAND
THE MOUND
EDINBURGH

Governor:
THE RIGHT HON. LORD ELPHINSTONE, K.T.

Treasurer:
J. B. CRAWFORD.

EVERY DESCRIPTION OF BRITISH AND FOREIGN BANKING BUSINESS TRANSACTED

SCOTLAND'S OLDEST BANK

ROYAL BANK OF SCOTLAND
Incorporated by Royal Charter, 1727

HEAD OFFICE
ST. ANDREW SQUARE, EDINBURGH

Branches throughout Scotland and in London

Correspondents throughout the World

During the two hundred years of its history, the Bank has maintained a tradition of the personal touch, and is to-day exceptionally well equipped to provide its customers with a Banking service which is adaptable, individual and complete.

ASSOCIATED BANKS:
GLYN, MILLS & CO.
WILLIAMS DEACON'S BANK LTD.

LONDON OFFICES:
3 Bishopsgate, E.C.2
8 West Smithfield, E.C.1
49 Charing Cross, S.W.1
Burlington Gardens, W.1
64 New Bond Street, W.1

THE BRITISH LINEN BANK
INCORPORATED BY ROYAL CHARTER 1746.

LONDON OFFICES:
City Office:
38, THREADNEEDLE STREET, E.C.2.
West End Branch:
198, PICCADILLY, W.1.

OVERSEAS BUSINESS
Special Departments at the Bank's London City Office, at the Principal Glasgow Office, and at the Head Office are fully equipped to handle every description of Overseas Banking Business. Enquiries are invited.

Principal GLASGOW Office:
110, QUEEN STREET, C.1.

BRANCHES THROUGHOUT SCOTLAND.

HEAD OFFICE:
38, ST. ANDREW SQUARE, EDINBURGH, 2.

AFFILIATED TO BARCLAYS BANK LIMITED

ESTABLISHED 1810

Over three hundred Branches and Sub-offices in Scotland and three Offices in London

CHIEF OFFICE: 62 LOMBARD STREET, E.C.3.
Temporarily at 11/12 ST. SWITHINS LANE, E.C.4.
KINGSWAY BRANCH: IMPERIAL HOUSE, W.C.2.
WEST END BRANCH: VIGO HOUSE, 115 REGENT STREET, W.1.

THE COMMERCIAL BANK OF SCOTLAND LIMITED
HEAD OFFICE: 14 GEORGE STREET, EDINBURGH
GENERAL MANAGER: SIR JOHN MAXWELL ERSKINE, C.B.E., D.L.

THE NATIONAL BANK OF SCOTLAND LIMITED

Established 1825

Capital—Subscribed - -	£5,400,000
Paid up - - -	1,500,000
Reserve Fund - - - -	2,350,000
Total Assets (1st November, 1951) - -	119,000,000

Head Office: EDINBURGH

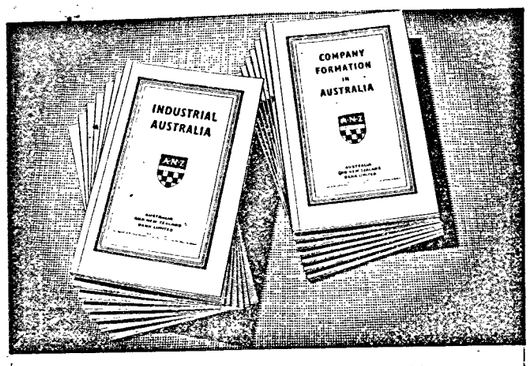
General Manager: J. ALLAN BROWN

London Offices:

City Office:
37, Nicholas Lane, Lombard Street, E.C.4.

West End Office:
18/20, Regent Street, Piccadilly Circus, S.W.1.

BRANCHES THROUGHOUT SCOTLAND



Spotlight on Australia

To meet the requirements of those contemplating business or manufacture in Australia, two booklets have been issued by the Australia and New Zealand Bank Limited.

"Industrial Australia"—containing authoritative information on industrial resources, markets, labour and finance.

"Company Formation in Australia"—a general guide to Company Law, with notes on current taxation.

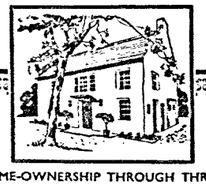
Copies of these booklets will gladly be sent on request.

AUSTRALIA AND NEW ZEALAND BANK LIMITED

In which are merged
The Bank of Australasia Limited and The Union Bank of Australia Limited

Head Office: 71 Cornhill, London, E.C.3.
Telephone: Avenue 1281.

Branch Offices in London:
4 Threadneedle Street, E.C.2.
263 Strand, W.C.2.
6 Albemarle Street, Piccadilly, W.1.



HOME-OWNERSHIP THROUGH THRIFT

HALIFAX
THE WORLD'S LARGEST
BUILDING SOCIETY

TOTAL ASSETS —	£177,211,675
SHARE & DEPOSIT ACCOUNTS	£166,636,529
MORTGAGES	£138,758,960
TRUSTEE SECURITIES & CASH	£37,962,265
RESERVES	£9,766,809

General Manager
F. BENTLEY, F.C.I.S.

HEAD OFFICE HALIFAX

London District Office
HALIFAX HOUSE, STRAND, W.C.2.

Finance and Eastern Trade

"Mercantile" service extends not only throughout India but also to every important trading centre in the East.

For sixty years the "Mercantile" has closely studied financial conditions in all Eastern markets. Its accumulated knowledge is at the disposal of British business houses interested in developing Eastern trade.

THE MERCANTILE BANK OF INDIA LIMITED

Head Office: 15, Gracechurch Street, London, E.C.3.

INDIA—PAKISTAN—BURMA—CEYLON—MALAYA—SINGAPORE—HONG KONG—CHINA—MAURITIUS—THAILAND—JAPAN.

million f.o.b. in 1938) and some 60 per cent of total sterling area imports (valued at some £1,580 million c.i.f. in 1938); in 1950 the relevant proportions were 43 per cent of total sterling area exports of some £5,250 million and 47 per cent of total sterling area imports of £5,500 million. It is, therefore, still reasonable to regard Britain, on the one hand, and all other sterling area countries, on the other, as two trading entities of broadly equal importance. The fortunes of these two groups since 1938 have, however, been very different. The volume of Britain's exports has increased by 80 per cent, the volume of its imports has slightly declined and its terms of trade (that is, the ratio of import to export prices) have gravely deteriorated. In almost all the overseas sterling area countries, by contrast, the volume of exports has increased only slightly, the volume of imports has sky-rocketed and the terms of trade have greatly improved. In consequence, as the accompanying charts show, the overseas sterling area has been in continuous external deficit ever since the end of 1946, except for the brief eighteen months between January, 1950, and June, 1951. Throughout most of the last five years, indeed, the external deficit of the dominions has been greater than that of Britain, although the colonies seem to have been in surplus throughout.

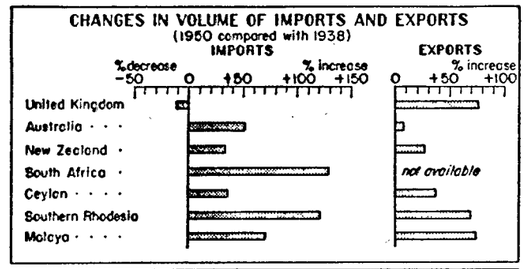
The sum of the deficits (or surpluses) of Britain and of the overseas sterling area is, of course, mathematically identical to the overall deficit or surplus of the whole sterling group with the outside world. It will be seen from the charts that up to the end of 1949 this overall deficit did not bear any constant relationship to the concurrent drain on the central gold and dollar reserves; its effect was masked by Marshall Aid and by the willingness of European and other non-sterling countries to receive payment for their exports in sterling. Since Marshall Aid ended and EPU started, however, this relationship has become much more direct.

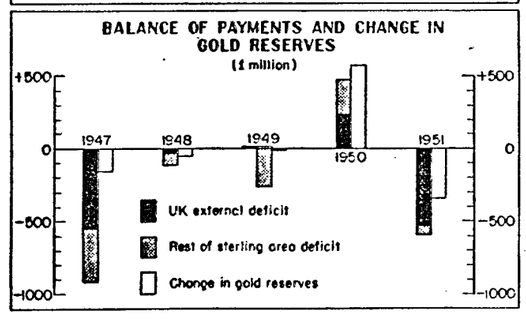
The implication is obvious. If sterling is to be saved, the overseas dominions must cut down their internal expenditure on consumer goods. Insofar as the cuts fall on domestic manufactures, then the resources thus freed must be diverted to their export industries, which in most dominions implies a policy of back to the land. Insofar as they fall on imports from Britain, then the resources that Britain has utilised for the manufacture of these goods must be diverted to the manufacture of goods that can be sold in non-sterling area markets, which means, in effect, to the engineering industry.

It is for this reason that the overseas sterling area's recent cuts in imports from Britain should be welcomed in this country, provided they are matched by corresponding cutbacks in purchasing power within the dominions concerned. The big danger at the moment, of course, is that they will not be so matched. There is a very real risk, for example, that the shutters that have clamped down on Australian imports will turn that country into a hothouse for the growth of high cost domestic industries, eager to fill the gap that the decline in imports from Britain has left. In this case the sterling area will have the worst of all worlds; a desirable switch of resources in Britain will be offset by an undesirable switch in Australia.

What are the prospects that the overseas dominions will in fact follow sufficiently stern disinflationary policies to keep their economies in balance? The greatest single source of hope lies in the worldwide resurrection of monetary policy as a positive disinflationary weapon in the last twelve months. Very few of the dominions have economies—or civil service machines—that permit of once-a-year disinflationary budgeting, or of what may be called the "economic survey" approach to disinflationary planning; their national incomes are subject to wild fluctuations in the course of any one year as a result of changes in the prices of a handful of staple commodities, and it is not therefore surprising that their annual budgets tend to be based (at best) on the projected balancing of revenue and expenditure, rather than on any planned withdrawal of a given quantum of purchasing power from consumers' hands. The most potent disinflationary weapons in such economies are therefore those that are based either on the politically difficult "marketing board" approach—that is, on the temporary withholding of exporters' incomes above a given level in boom years—or on a flexible use of interest rates.

At the moment, flexibility is not, unfortunately, a characteristic of the monetary policies of most dominions. Australian monetary policy has long been wedded to





rigid—and largely unsuccessful—quantitative and qualitative controls; indeed the Australian Government actually prevents intelligent use of the interest rate weapon by fixing a maximum rate of interest on bank advances (a maximum that has remained unchanged at 4½ per cent since December, 1946). The central bank can to some extent control the volume of funds available for bank lending by requiring the commercial banks to hold a varying proportion of deposits in sterilised "special accounts" (approximately 39 per cent of deposits were sterilised in this way at the end of last year), and discrimination against "inessential" bank lending is enforced by statute. The central bank has let it be known that industries seeking to expand production of consumer goods in order to fill the void left by the import cuts will be classed as "inessential," but since this cumbersome machinery, like the equally rigid control of capital issues, has never shown much sign of working effectively, this is small comfort. The most hopeful aspects of the Australian scene are that the

Commonwealth budget of last September did seem to inaugurate a period of genuine budgeting for a surplus, that the drain on liquid funds caused by last year's balance of payments deficit has caused an air of caution to clamp down in bank board rooms, and that the cessation of the inflow of foreign funds has driven up the interest rate on 11 to 14-year government bonds from $3\frac{1}{8}$ to $3\frac{3}{4}$ per cent and exerted some check on public works programmes. But it seems doubtful if disinflationary policy in Australia can ever get on to the right track until interest rates are allowed to rise further than at present. Unfortunately, New Zealand also seems to favour an inflexible approach to monetary policy. Although interest rates have been allowed to rise there, a great deal of reliance has been placed upon qualitative control of advances; since December, 1951, the trading banks have been required to examine all accounts in excess of £10,000 and to submit most applications for increases in advances above this limit to a cumbersome machinery of Reserve Bank scrutiny.

In India there have been welcome signs of intelligent use of the interest rate weapon. Even before the Bank of England changed its policy last November, the Indian authorities had decided to raise the Reserve Bank rate from 3 to $3\frac{1}{2}$ per cent at the beginning of the "busy" winter season; this increase was duly made in mid-November and it has undoubtedly played a considerable part in the recent diminution of inflationary pressure in India. Since November the Reserve Bank has increased its room for manœuvre in the Indian money market by the steps that it has taken to create a new bill market, and the Finance Minister has introduced a budget that, despite needed reductions in export duties, gives nothing away to those who have been complaining that disinflation is turning into slump. Among India's neighbours, Pakistan does not yet enjoy the benefits of a flexible banking system (most bankers in pre-partition India were Hindus) but Ceylon is carrying out an ambitious experiment in disinflationary banking technique with the aid of American experts.

In South Africa, last year's import spree and balance of payments deficit was aided and abetted by an extravagant increase in bank advances, which was partly made possible by a decline in the commercial banks' cash ratios from 25.7 to 15.5 per cent in the course of the year. Since then Mr Havenga has imposed substantial tax increases, the Reserve Bank rate has been raised from $3\frac{1}{2}$ to 4 per cent, and support prices for government bonds have been lowered sufficiently to allow the yield on them to rise to $4\frac{1}{4}$ per cent (against $3\frac{1}{2}$ per cent a year ago). It should be noted, however, that a high level of South African imports does not necessarily lead to a drain on the sterling area's gold reserves; in fact, in so far as "essential" imports come from non-dollar sources more South African gold is sold to London.

It would be idle to pretend that any survey of monetary conditions in the overseas dominions holds out great hopes that internal disinflationary pressure has yet been pushed far enough to buttress their rather shaky systems of import licences and other physical controls. For a short time, no doubt, the "hangover" effects of last year's over-importing by local merchants will exert some disinflationary pressure of its own. It is as this hangover wears off that the need for greater monetary realism there will become imperative, if sterling is to be saved. Meanwhile, Britain's role should not be restricted merely to putting its own house in order. Even though the overseas sterling area's import cuts will hurt individual manufacturers in this country, it is important that the dominions should not be diverted from the road to salvation by Lancashire's political exertions—or by Whitehall's uneconomic example.

Reopening the Exchange Market

THE past six months have been an exceptionally eventful period in the history of sterling exchange. The dramatic change that has occurred in domestic monetary policy since the advent of the Conservative government has had a counterpart—though a less dramatic one—in the sphere of foreign exchange. Moreover, the tempo of events there suggests that there may be further changes and developments of major importance in the near future. The initial rise in Bank rate and in short money rates was too small to have much direct effect upon the foreign exchange situation; but it was quickly followed by a major change in exchange technique. In mid-December the authorities reopened the London foreign exchange market, which had been virtually closed since 1939. This step involved no change whatever in the rigour of exchange control, but it provided much greater freedom for dealings between authorised banks, and at rates determined—within limits—by market forces. In their foreign exchange operations previously, the authorised banks had to act almost exclusively in the guise of agents of the Bank of England; they bought and sold specified currencies at fixed rates, both in the spot and the forward markets.

The progress towards a freer market announced last December was greatest in the realm of forward dealings. Since December 17th dealings in forward exchange have been transacted at rates determined solely by supply and demand. The special facilities previously provided by the Bank of England for buying and selling foreign currencies forward were withdrawn, and no new official dealing rates were fixed, so that fluctuations of rates in this market have not been subject to definite limits—though official intervention may have intruded at times.

In the spot market, however, the scope for movement is formally circumscribed. The Bank of England widened the range of its own official buying and selling rates to an extent very close to the maximum—i.e., 1 per cent either side of parity—allowed by the articles of agreement of the International Monetary Fund. The new buying and selling rates for the U.S. dollar, for example, were fixed at $2.78-$2.82, the Bank of England holding itself ready to sell dollars at the lower and to buy them at the higher of these two rates. Within this range—which incidentally, is wider than the spread of gold points under the old gold standard—the authorised banks were allowed to deal at competitive rates again, to marry transactions and to maintain working balances in foreign currencies up to limits fixed by the Bank of England.

This granting of a wider measure of freedom to the

The
Charterhouse
Group

Provides Finance for Industry

through

THE CHARTERHOUSE FINANCE CORPORATION LIMITED

an Issuing House specializing in British manufacturing and distributive industries

AND

CHARTERHOUSE INDUSTRIAL DEVELOPMENT COMPANY LIMITED

which provides funds out of its own resources for the expansion of businesses too small for immediate public issue.

The Group also includes
CHARTERHOUSE AUSTRALIA LIMITED
THE CHARTERHOUSE FINANCE GROUP (IRELAND) LIMITED
and in South Africa is closely associated with
NORTHERN AFRICAN MINING AND FINANCE LIMITED

15, St. Swithin's Lane,
London, E.C.4.

Telegraphic Address: Charvesko, Stock, London
Telephone: Central 0454 (7 lines)

For an International Banking and Financial Service

Consult

BROWN, SHIPLEY & Co. Limited BANKERS

HEAD OFFICE: Founders Court, Lothbury, E.C.2 Telephone: MONarch 9833 (11 lines).

FOUNDED 1810

WEST END OFFICE: 123 Pall Mall, S.W.1. Telephone: WHitehall 7721

GUINNESS, MAHON & CO.

MERCHANT BANKERS

ESTABLISHED 1836

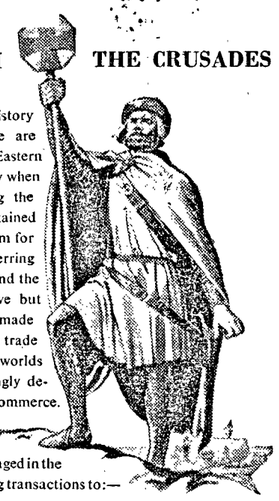
53, CORNHILL, LONDON, E.C.3.

GUINNESS & MAHON

17, COLLEGE GREEN, DUBLIN

GUINNESS MAHON
REPRESENTATION CO. INCORPORATED
115, BROADWAY, NEW YORK, 6, N.Y., U.S.A.

IT BEGAN WITH THE CRUSADES



We take some pride in our long history but the business in which we are engaged is older than we are. Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds —a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to:—

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 27 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank, under British management directed from London, are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

Ask your Banker

Should you require banking service anywhere in Canada, the West Indies, Central or South America, ask your banker about the facilities we provide in these important trading areas. The Royal Bank of Canada is always glad to co-operate fully with your local bank to serve you.

London Offices—
6 Lothbury, E.C.2. B. Strath, Mgr.
2-4 Cockspur St., S.W.1. R. B. Murray, Mgr.

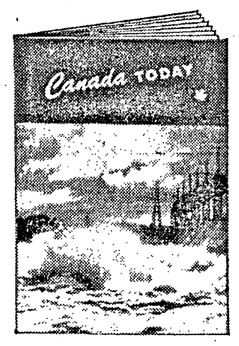
THE ROYAL BANK OF CANADA

Head Office, Montreal
Offices in New York and Paris

Over 750 branches in Canada, the West Indies, Central and South America.

Incorporated in Canada in 1869 with Limited Liability.

Canada TODAY



This profusely illustrated booklet, issued by the Bank of Montreal, contains 100 pages of information about Canada, her people, industries and natural resources; and provides facts and figures for the businessman, settler and tourist.

A copy will be sent free on request.

BANK OF MONTREAL

47 Threadneedle Street, London, E.C.2
Head Office: MONTREAL
Over 570 branches throughout Canada
Assets Exceed $2,000,000,000
Incorporated in Canada in 1817 with Limited Liability

THE

ENGLISH, SCOTTISH & AUSTRALIAN BANK

LIMITED.

★

Subscribed Capital	£5,000,000
Paid-up Capital	£3,000,000
Further Liability of Proprietors ...	£2,000,000
Reserve Fund	£2,000,000

Through more than 400 branches in Australia and a network of Agents and Correspondents in all overseas countries, this Bank is enabled to handle all classes of Banking Business, exchange transactions, trade enquiries, &c.

★

Address enquiries to Head Office:

5, Gracechurch Street, London, E.C.3.

J. A. CLEZY, London Manager and Secretary.

Chief Office in Australia: Collins Street, Melbourne.

London foreign exchange market can be regarded as complementary to the reintroduction of a flexible credit policy in Britain. The two moves together ensured that the relative level of money rates in London and other centres could once more find some reflection in forward exchange quotations, though the reflection could not be as clear and as free from distortion as it was when international movements of capital were not fettered by exchange controls. In the spot market, too, the movements of the rate between the upper and lower official points now provide a measure of the strength or weakness of sterling that was not available when all transactions took place at fixed official rates. The movement of these spot rates, especially for the United States dollar, has provided some indication (though by no means a conclusive one) of the trend towards improvement or deterioration in the gold and dollar reserve.

★

For almost three months after the reopening of the London exchange market the United States dollar remained very close to the Bank of England official selling rate of $2.78, and the authorities constantly supplied dollars at that level. That pattern, however, was dramatically broken on March 12th, when the effects of the budget and especially of the further increase of Bank rate to 4 per cent came to be felt. Within a day the spot rate had moved to $2.80⅞; it rose to a peak of $2.81½ by the beginning of April. The lifting of the spot rate above the Bank of England's selling rate for dollars, and actually above its dollar parity, could be regarded as an indication that the pressure on the gold reserve was easing. It could not, however, be taken as an indication that the reserve was rising. Many transactions that may involve loss of gold take place outside the market in U.S. dollars. Payments to Canada are a case in point, those to Europe through the European Payments Union are another, while the gold purchase agreements between the various gold producing countries in the sterling area and the Bank of England create gold movements that take place independently of what may be happening to the dollar-sterling rate. Moreover, even in the matter of dollar transactions, very substantial operations are made in respect of government bulk trading, and the relevant exchange operations will in many cases bypass the market altogether. If the market is strong, some of these official needs are likely to be settled through it—but there is no means of knowing what proportion of them is being thus met. Nevertheless, allowing for all these reservations, it may be assumed that as the spot rate for sterling in terms of dollars recovered to and beyond its parity, it indicated that the normal commercial demand for dollars fell short of the offers that came on the market and was, therefore, being satisfied without recourse to the gold and dollar reserve of the Exchange Equalisation Account.

The demand for sterling that created this considerable strengthening was partly, and perhaps largely, attributable to the greater confidence engendered by the budget and the concurrent rise in Bank rate. It was also the result of covering operations in sterling that followed a general and considerable restriction, towards the beginning of March, of credit facilities granted by London banks to overseas clients. These restrictions were brought into operation as a result of directions from the Bank of England requiring banks and acceptance houses in London to limit drafts under foreign credits to a maximum of ninety days, to refuse all refinancing or prefinancing credits and to restrict all new external credit facilities to the financing of goods actually in movement. These restrictions have come into effect as maturing credits have fallen due and have failed under these new provisions to secure renewal. Funds have therefore had to be remitted to London in repayment of these facilities.

The repayment of sterling credits has also been encouraged by the higher rates for bills quoted in the London market. The previous sub-normal level of discount rates, together with the comparatively cheap rates quoted by the Bank of England before last December for forward accommodation in the exchange market, had made it possible for foreign traders to secure credit facilities in the London market on abnormally cheap terms. They had been borrowing in London to provide for many transactions that in the normal course should have been financed in their own domestic markets. Not only had they been accommodated more cheaply in London than they would have been at home but they had thus secured facilities that allowed them to be short of sterling and long of commodities.

This type of operation had been only one in the considerable network of semi-speculative transactions against sterling that had developed over the previous months of steeply falling gold reserves. The fixed rate of $2.80 was again under suspicion, there was no possibility of a strengthening of sterling beyond that parity, and any foreign operator who secured facilities enabling him to go short of sterling was therefore handed a chance of making substantial speculative profits if in fact sterling were to depreciate. The open position against sterling was enlarged by every device that allowed foreign importers from sterling countries to postpone remitting the proceeds of their purchases to the exporting country.

It is unlikely that this speculative position founded on normal commerce has been reduced by more than a small proportion. There has been compulsory covering where the credit restrictions ordained by the Bank of England have come to apply. But any foreign merchant or operator who has not felt this compulsion—and there are many devices for going short of sterling that lie outside the orbit of the Bank of England's technical remedial measures—is unlikely to have been induced to cover solely by the increase in discount rates in London. The official parity of $2.80 is still under suspicion and there is no possibility of upward revaluation of sterling; in consequence, where a foreign merchant can leave a short position in sterling open, he will be strongly inclined to do so.

The compulsory covering operations began to lose their force towards the beginning of May. The sense of urgency to cover them may have been diminished by the Government's retreat on purchase tax and railway fares and by suspicions that the measure of political determination behind the tougher credit policy was not as great as might have appeared in March when Bank rate was increased to 4 per cent—or, in January, when on the conclusion of the Commonwealth Finance Ministers' meeting in London it was boldly decided to make the convertibility of sterling an early objective of exchange policy. From a spot rate of about $2.81 at the beginning of May the quotation of sterling in terms of the US dollar has fallen steadily to $2.78½. Commercial demand for dollars has been persistent and has tended to outstrip the demand for sterling in New York, which in the main has reflected the covering of the short position.

The dollar rate has thus returned very close to the point at which the normal commercial demand for dollars must in part be satisfied out of the reserve of the Exchange Equalisation Account.

So far, therefore, the return to credit discipline and exchange flexibility, the import cuts and the creation of confidence by the promise of convertibility, have failed to make any lasting impression on the foreign exchange market. There is, however, an all-important segment of that market in which the position has notably improved over the past six months—in the various rates for cheap sterling. When the foreign exchange market was reopened last December transferable sterling (which is not, of course, quoted in London) was at $2.40. It has since risen almost uninterruptedly to over $2.60. Over the same period security sterling has improved from $2.32 to $2.50, while the rate for bank notes in Zurich, the most active of the note markets, has risen from Frs. 10.32 to Frs. 11.22.

The most important of these rates is that for transferable sterling, since it provides the basis for the commodity shunting operations that make it possible for sterling held by non-residents to be converted eventually into dollars—at some sacrifice compared with the official rate. The extent to which the technique of commodity shunting has developed has, however, tended to produce its own corrective—for the time being, at least. The supplies of transferable sterling have tended to dry up. The reason why they are not being replenished lies chiefly in the fact that the European Payments Union mechanism ensures that any British deficit with Europe is now reflected, not in a rise in the volume of sterling held on European account, but in gold losses suffered by the Exchange Equalisation Account. It is not surprising, therefore, that the recent weakening in the spot rate for sterling in terms of dollars should have gone hand in hand with the strengthening of the various cheap rates for sterling. This movement, if it proceeds far enough, would ease the transition into what may be the next chapter in the exchange history of sterling, a phase in which the convertibility of non-resident currently earned sterling promised last January may become a reality—perhaps at the price of a divorce from the existing fixed parity with the dollar, but with the advantage of levelling all commercial rates for sterling.

Seven Months of Monetary Discipline

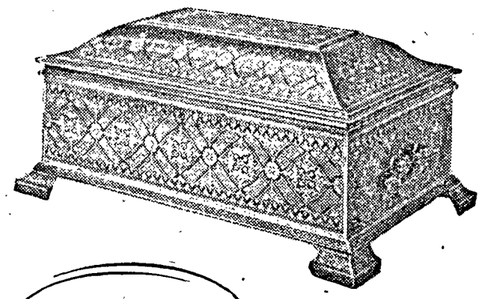
BRITAIN'S first moves in the return to orthodox monetary policy were made on November 7, 1951, less than a fortnight after the general election ; they were announced by Mr R. A. Butler in his maiden speech as Chancellor, after the close of business on that day.

In the opening phase, most of the emphasis was put upon a rapid re-creation of the mechanisms required for orthodox credit control, and upon quantitative restraint to be achieved partly by psychological shock, rather than upon increases in rates. Bank rate, unchanged at 2 per cent since the war loan conversion of 1932 (apart from its brief flutter to 4 per cent in 1939), was raised rather as a gesture than as a direct deterrent. The increase to 2½ per cent was accompanied, moreover, by a change in the prewar convention governing the rate most relevant to the money market—the rate at which discount houses holding "discount accounts" at the Bank could secure loans against approved collateral. Formerly, these loans, for a minimum period of seven days, were charged at ½ per cent over Bank rate ; but last November it was intimated that seven-day loans against Treasury bills would be charged 2 per cent (i.e., ½ per cent under Bank rate). Bank rate as such was to apply not only to the discount of approved bills but also to seven-day loans against either commercial bills or short bonds.

Much more significant, therefore, than the increase in Bank rate itself was the indication that the Bank's rate for market loans was likely—for the first time since before the war—to become effective, in the sense that the market would from time to time be driven to seek such accommodation. The operative change here was the fundamental one of withdrawing the facilities, made available to the market since the early phase of the war, for securing whatever finance it required by selling Treasury bills to the Bank's agent, the "special buyer," at the current (and in fact long-stabilised) level of market selling rates. The Bank indicated that in future the "special buyer" would operate only on official initiative, for strictly limited amounts, and at such rates as it deemed appropriate.

In principle, this change at once restored the traditional situation in which rates for marginal supplies of money and market rates for bills (and, in less degree, the Treasury bill tender rate) were bound to fluctuate according to the degree of ease or stringency resulting from the ebb and flow of demand, and the official tactics from day to day. The resultant rise in rates, doubtless influenced at the outset by consultation between the clearing banks and the authorities, was small ; as will be seen from the full table in *Records and Statistics*, it ranged from ¼ to ½ per cent. But a flexibility of rates, within fairly narrow limits, developed quickly.

These measures alone would doubtless have exerted a considerable psychological effect. But, in the absence of other measures, the direct effects in restraining the growth of credit would have been geared simply to the level of rates (and the willingness of the authorities to allow them to rise further), since the excessively liquid condition of the banks would have left them free to secure whatever additional cash they required by running down their bills or call loans and thereby causing the central bank to supply funds to the market. The funding operation designed to cut away the surplus of these liquid assets, and thereby to make the banks immediately sensitive to the orthodox pressures, was, therefore, an integral part of the plan. All holders of Treasury bills, tap as well as tender, were offered in exchange (for parcels with an average life not exceeding 60 days) 1¾ per cent. Serial Funding Stocks of one, two or three years life offering redemption yields of 1¼ per cent, 1½ per cent and 1¾ per cent respectively ; these were allotted in tranches of £450 million, £200 million and £350 million respectively —an aggregate of £1,000 million, of which the clearing banks took half and a large part of the remainder went to the overseas holders of sterling balances. The domestic effect was to reduce the aggregate of the banks' liquid assets—cash, call money and bills—from 39 per cent of



In the tradition of things well done

Down the centuries, the art of the gold and silversmith has ranked among the finest in the world and today it provides a valuable source of revenue from Overseas markets, where demand for this fine craftsmanship is heavy. Karachi, situated in the Sind Province, is famed for this kind of traditional work and, like so many centres of Eastern commerce, its industrial and domestic banking needs are served by the National Bank of India. For almost a century the National Bank of India has continued to further the interests of those concerned with Eastern trading and is, in consequence, well equipped to advise on any such matters. Your enquiries will be welcomed at the Head Office of the Bank, or at any of its branches.

NATIONAL BANK OF INDIA LIMITED

Branches in: INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA, ZANZIBAR, UGANDA, ADEN AND SOMALILAND PROTECTORATE.
Bankers to the Government in ADEN, KENYA COLONY, ZANZIBAR AND UGANDA.
Head Office: 26, BISHOPSGATE, LONDON, E.C.2.

THE
STANDARD BANK
OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

Capital Authorised and Subscribed	£10,000,000
Capital Paid-up	£5,000,000
Reserve Fund	£5,000,000

10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch — 63 London Wall, E.C.2.
WEST END Branch—9 Northumberland Avenue, W.C.2.
NEW YORK Agency — 67 Wall Street.
HAMBURG Agency — Speersort, 6.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH-WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA, ZANZIBAR AND PORTUGUESE EAST AFRICA.

Banking Business of every description transacted at all Branches and Agencies.

THE NATIONAL BANK LIMITED
ESTABLISHED 1835

CAPITAL SUBSCRIBED	£7,500,000
CAPITAL PAID-UP	£1,500,000
RESERVE FUND	£1,380,000
DEPOSITS (31-12-51)	£75,559,000

A COMPLETE BANKING SERVICE. SPECIAL DEPARTMENTS FOR INCOME TAX AND EXECUTOR AND TRUSTEE BUSINESS

The Bank has been a member of the London Bankers' Clearing House for over three-quarters of a century.

HEAD OFFICE: 13-17 OLD BROAD STREET, LONDON, E.C.2.

and 254 Branches and Sub-Offices in Great Britain and Ireland AGENTS AND CORRESPONDENTS THROUGHOUT THE WORLD

Trade with

AUSTRALIA & NEW ZEALAND

Over the past 85 years The Commercial Bank of Australia Ltd. has gathered a completely comprehensive knowledge of economic and financial conditions in these two great Dominions.
396 branches and 235 agencies provide up-to-date information on the local outlook and offer facilities for every type of transaction with Australia and New Zealand.

THE COMMERCIAL BANK OF AUSTRALIA LIMITED
(Incorporated in Victoria)

Assets exceed Aust. £190,000,000

Head Office ... ... MELBOURNE
London Office ... ... 12 OLD JEWRY, E.C.2.
London Manager: P. W. JACKSON
Asst. Manager: H. E. RICKMAN. Acct: L. F. ADES

(Telephone MONarch 8747)

FACTS ABOUT AUSTRALIA

Over 3,000,000 bales of wool exported yearly

Australia is the world's largest wool exporter and is one of the chief primary producing countries of the world. Her secondary industries are growing in importance and are well represented in her exports. The Bank of New South Wales welcomes enquiries about trade and business opportunities and the establishment of new enterprises in Australia and New Zealand.

Ask your bankers to consult—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1.

FIRST and LARGEST COMMERCIAL BANK in the SOUTH-WEST PACIFIC

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5202E

CRÉDIT LYONNAIS

Limited Liability Company Incorporated in France

LONDON OFFICE 40, LOMBARD ST., E.C.3

WEST END BRANCH

25/27, CHARLES II STREET, HAYMARKET, S.W.1

Private Safes for rental at this Office

TRAVELLERS' CHEQUES ISSUED IN FRENCH FRANCS PAYABLE BY ALL BRANCHES AND CORRESPONDENTS OF THE BANK IN ANY COUNTRY OF THE EUROPEAN PAYMENTS UNION.

OVER 1,300 BRANCHES IN FRANCE

Also in ALGERIA, BELGIUM, CAMEROONS, CHAD TERRITORY, DAHOMEY, EGYPT, FRENCH GUINEA, FRENCH SUDAN, IVORY COAST, LUXEMBURG, MIDDLE CONGO, MONACO, MOROCCO, OUBANGUI-CHARI, SARRE, SENEGAL, SPAIN, SWITZERLAND, TOGOLAND, TUNISIA.

Representative in Frankfort on Main

SUBSIDIARY IN BRAZIL:

BANCO FRANCES E BRASILEIRO S.A.
PORTO ALEGRE. RIO DE JANEIRO. SANTOS AND SAO PAULO.

SUBSIDIARY IN LEBANON:

BANQUE G. TRAD (CRÉDIT LYONNAIS) S. A. L. BEIRUT

SUBSIDIARY IN PORTUGAL:

CRÉDIT FRANCO-PORTUGAIS, LISBON AND OPORTO

EVERY CLASS OF BANKING BUSINESS THROUGHOUT THE WORLD

THE

HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)

The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.

Capital Issued & Fully Paid Up $20,000,000
Reserve Funds Sterling £6,000,000
Reserve Liability of Members ... $20,000,000

Head Office: HONG KONG

CHAIRMAN & CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.

London Office: 9, GRACECHURCH STREET, E.C.3

London Managers: S. A. Grey, M.C., A. M. Duncan Wallace, H. A. Mabey, O.B.E.

BRANCHES:

BURMA: Rangoon
CEYLON: Colombo
CHINA: *Amoy, *Canton, *Chefoo, *Dairen, *Foochow, *Hankow, *Harbin, *Moukden, *Nanking, *Peking, Shanghai, *Swatow, *Tientsin, *Tsingtao
DJAWA (JAVA): Djakarta, Surabaja
EUROPE: Hamburg, Lyons
HONG KONG: Hong Kong, Kowloon, Mongkok
INDIA: Bombay, Calcutta
INDO-CHINA: Haiphong, Saigon
JAPAN: Kobe, Osaka, Tokyo, Yokohama
MALAYA: Cameron Highlands, Ipoh, Johore Bahru, Kuala Lumpur, Malacca, Muar, Penang, Singapore, Singapore (Orchard Rd.)
NTH. BORNEO: Brunei Town, Jesselton, Kuala Belait, Sandakan, Tawau
PHILIPPINES: Iloilo, Manila
SIAM: Bangkok
UTD. KINGDOM: London
U.S.A.: New York, San Francisco

* Branches at present not operating

BANKING BUSINESS OF EVERY KIND TRANSACTED

A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in

HONG KONG LONDON SINGAPORE

BRITISH AND FRENCH BANK (FOR COMMERCE & INDUSTRY) LIMITED

Capital: £1,000,000. Subscribed and paid: £750,000.

IMRIE HOUSE, 33-36, KING WILLIAM STREET, LONDON, E.C.4.

Telephone: MANSION HOUSE 5678.

BRANCH AT LAGOS, NIGERIA.

A MEMBER OF THE B.N.C.I. GROUP.

BANQUE NATIONALE POUR LE COMMERCE ET L'INDUSTRIE.

BANQUE NATIONALE POUR LE COMMERCE ET L'INDUSTRIE (AFRIQUE).

CREDIT FONCIER DE MADAGASCAR ET DE LA REUNION.

CREDIT D'ORIENT, CAIRO.

BANCO DEL ATLANTICO, MEXICO D.F.

BANQUE POUR LE COMMERCE INTERNATIONAL S.A., BASLE.

The Bank through its Associated Banks offers banking facilities throughout Metropolitan France, Algeria, Tunisia, Morocco, Tangier, Syria, The Lebanon, French West and Equatorial Africa, Madagascar and Reunion, French West Indies, French Indo-China, Belgian Congo, Egypt, Mexico, Switzerland and Uruguay.

gross deposits to 32 per cent, and to raise the proportion of "risk assets"—investments and advances—from 55.7 per cent to 64.0 per cent. The position was thus brought sufficiently near to the conventional limits of tightness to make the banks feel that they ought to finance any additions to their advances at least in part by sales of investments.

Not content with these rapid moves towards a re-establishment of orthodox control, the authorities resorted also to exhortation. They urged the banks to toughen their advances policy and also to raise their advances rates—even though a revision begun in the summer to meet rising expenses was still incomplete, and despite the fact that the rise in bill rates was scarcely large enough to justify, by traditional rules, any further increase in loan charges. The banks responded by the unusual step of making a concerted announcement, at end-November, that bank credit would become both more difficult to obtain and more expensive. Their deposit rates had been raised forthwith, by $\frac{1}{4}$ per cent, to $\frac{3}{4}$ per cent.

The gilt-edged market, moderately resistant at first, took fright as the measures unfolded; it had to face heavy selling, partly from the banks, and was apprehensive of further selling both from them and from would-be borrowers disappointed by the banks. Industrials suffered similarly, partly through adjustment to the new interest basis and partly through actual and apprehended pressure of new issues, especially for the funding of bank advances. The steepness of the decline is shown in the accompanying table. In gilt-edged, the worst phase occurred in early December; at this stage, but at that alone, the authorities gave substantial support. One or two of the biggest discount houses also absorbed large lines of short bonds offered by the banks.

Thereafter, the City generally settled down in the new conditions; the banks were levering up their advances rates moderately, were scrutinising all new requests with great care, and were also seeking repayments in some instances. But this progress of the new policy, which by February had stabilised the level of advances to the private sector of the economy, did not seem to be throwing additional pressure upon the markets, and they gradually recovered their nerve. At this stage, indeed, it was being said that the authorities obviously wanted to avoid any violent rise in interest rates, partly for fear of political criticism of the resultant money cost to the Treasury. In the City, many wishful thinkers, hard hit by the first rise, were arguing that any further rise would be pointless. More thoughtful observers were beginning to wonder whether the authorities were, after all, half-hearted in their pursuit of orthodoxy.

These doubts were set at rest on budget day, when Bank rate was unexpectedly raised by the "crisis" step of $1\frac{1}{2}$ per cent, to 4 per cent, and the new special rate for seven-day loans against Treasury bills was raised correspondingly, to $3\frac{1}{2}$ per cent. The banks responded forthwith by raising their deposit allowances and their minimum rate for short loans to the money market against Treasury bills from $\frac{3}{4}$ per cent to 2 per cent, with the result that the Treasury bill allotment rate rose first by nearly 1 5/16 per cent to 2 5/16 per cent, and then to $2\frac{3}{8}$ per cent. The impact upon medium and long gilt-edged stocks was moderate and upon short bonds violent—because the banks at first raised their charges for money market loans against bond collateral by no less than $1\frac{3}{8}$ per cent, to $2\frac{3}{4}$ per cent. But, out of consideration for the difficulties of the discount market, they quickly dropped this rate to $2\frac{1}{2}$ per cent, and thereby stimulated a smart rally in gilt-edged.

After a short interval, the recovery in the mediums and longs was resumed, on the argument that the second move in monetary policy, unlike the first, ought not to put pressure on gilt-edged since it was not accompanied by any intensified pressure upon bank liquidity. On the contrary, seasonal factors and the narrowing of the external deficit were expanding Treasury borrowings and therefore augmenting the banks' liquid assets—a process that was accentuated at end-April, when the £150 million of Electricity stock was placed on terms that obliged the authorities to take up at least two-thirds themselves. By the date of the May make-up, these tendencies had restored the liquidity ratio to 32.9 per cent (compared with the low point of 31.6 per cent reached in April), despite the simultaneous steep decline in supplies of commercial bills. By the same date, the repayments of electricity advances (raised to over £121 million at end-March) had reduced the "risk assets" ratio to 64.8 per cent compared with 66.0 per cent at the peak and 55.7 per cent last October.

GILT EDGED NET PRICES

	Nov. 7, 1951	Dec. 11, 1951	Dec. 31, 1951	Mar. 11, 1952	April 18, 1952	June 4, 1952
2½% N.W.B., 51/53	100 3/16	100 1/16	100 1/16	100 1/16	99 13/16	99 5/8
1½% Ser. Fund, Nov. '52	...	100	99 5/8	100	99 3/8	99 3/8
1½% Ser. Fund, Nov. '53	...	99 1/2	99 1/2	99 11/16	98 3/4	98 7/8
1½% Ser. Fund, Nov. '54	...	99 3/8	99	98 11/16	97 7/8	98 1/8
2½% N.W.B., 54/56	102 1/16	99 3/8	99 1/8	99 1/16	97 1/4	98 1/8
2½% Exch., Feb. '55	101 1/16	99 1/2	99 1/8	99 1/8	97 1/8	97
3% Sav. Bds., 55/65	95 3/8	91	90 1/2	91 1/2	91 3/8	88 7/8
2½% Funding, 56/61	96 1/16	91 3/8	92 3/8	92 1/2	93 3/8	89 1/4
3% Funding, 66/68	92 1/2	87 1/2	88 1/4	86 3/8	86 3/8	84 1/8
4% Funding 60–90	103 5/16	98 1/16	97 13/16	97	97 1/4	95
3% Sav. Bds., 65/75	88 13/16	83	83 1/4	81 13/16	82 1/4	80 7/8
3% Brit. Elec., 74/77	88 3/8	82 1/2	82 3/8	81 3/8	81 1/8	79 1/8
3% Brit. Trans., 78/88	82 3/8	76 3/8	77 1/4	76 3/8	76 1/2	74 1/8
3½% Steel Stk., 79/81	94 1/16	87 1/2	87 11/16	87 1/16	87 3/8	85 3/8
3% Brit. Gas, 90/95	81 11/16	75 3/8	76 1/4	75 1/4	76 3/16	73 11/16
3½% War Ln., '52 or after	85 3/8	79 1/4	80 11/16	78 3/4	78 7/8	74 3/8
2½% Consols	64 1/2	60 3/8	61 1/4	60 1/16	60 3/8	57 3/8
2½% Treas. Stk., '75 or after	62 3/8	58 1/2	59 1/8	58 1/8	58 1/4	55 1/16

Given the Treasury's continuing need for domestic finance, this easing of the pattern of banking ratios cannot be corrected unless the authorities resort to funding loans or to determined sales of stock from departmental holdings. The gilt-edged market's belated recognition of this played a part in provoking last month's sharp break, when disappointing trade figures, the continuing deficit at EPU, and a relapse of sterling combined to demonstrate that the toughness of monetary policy would have to be at least maintained. This conclusion was in sharp contrast to the comfortable assumption widely made after the second increase in Bank rate—that the "next move would be downwards." Happily, there is no sign yet that the rigour of banking scrutiny of advances is easing—though it is noteworthy that the authorities recently deemed it necessary to reinforce new controls of hire purchase (requiring minimum down payments and maximum terms) by a "request" to the banks to reduce lendings for hire-purchase finance by 10 per cent by end-September. Meanwhile, the process of levering up rates for advances continues. The charge for the government-guaranteed advances to the nationalised boards is now 4 per cent (compared with 2 per cent twelve months ago); for high-grade industrial borrowers it is $4\frac{1}{2}$ per cent; and for other borrowers it is 5 per cent—or more.

Bank Profits Under Pressure

MUCH of the dust that was thrown up by last November's misunderstandings and misstatements about bank profits has now subsided. Some of those who greatly exaggerated the improvement in the banks' net revenues that would follow from the rise in Bank rate have now retracted, or, at least, have publicly recognised how heavily the accompanying fall in gilt-edged prices must have impinged upon inner reserves. The object of this article is not to track over this well-trodden ground, but to examine the banks' earnings problem in long term perspective and to explain why it seems inevitable that the upward trend of bank charges has still to reach its peak.

The banks faced a considerable earnings problem even in the early postwar years. At that time a central difficulty was that the expansion in deposits that had taken place since the 1930s had not been accompanied by an equivalent increase in the main earning assets. A high proportion of the new deposits was absorbed by borrowings by the Government, at rates then held down at around one-half of one per cent. In 1947 cash, money at call, Treasury deposit receipts and bills discounted absorbed well over one-half of the total deposits of the London clearing banks; in 1949 the proportion was still only a little less than one-half, and not until the funding of Treasury bills last November did it fall to its conventional prewar level of about one-third. With investments at about the same proportion of deposits as in prewar years, the proportion accounted for by advances, the most profitable earning asset was necessarily small for a time of boom. On the other side of the balance sheet, a large part of the new deposits was held in current accounts, which rose to two-thirds of total deposits, against rather more than one-half in prewar years; this meant that the banks had smaller outgoings on the interest allowed on credit balances, but it also caused an enlarged demand for cheque services, which grew ever more costly to provide.

Even before last November the pattern of this problem was being changed, chiefly because of the rise in advances. From less than one-fifth of total deposits in 1947, the proportion of advances has risen to approaching one-third, the average for the London clearing banks for 1951 being nearly 30 per cent. Then, following the funding of Treasury bills in November, investments rose from about one-quarter of total assets, at which level they had stood throughout the postwar years, to nearly one-third. Money market assets also became more remunerative following the rise in short money rates. As an offset to these increases in revenue, of course, the banks are now paying 2 per cent on deposit accounts, compared with ½ per cent before November.

These changes have radically altered the shape, if not the size, of the banks' earnings problem. It is true that, measured against the national income as well as in terms of bank balance sheet ratios, advances have still some way to go before they reach their relative prewar size, but the indications are that the road will not be followed to the end; certainly the expansion in advances in the near future is likely to be less than in the recent past. In these circumstances the picture is no longer likely to be one of a yearly rise in operating costs that is offset, in greater or less degree, by a yearly rise in the volume of earning assets. Emphasis has shifted instead, against a background of higher and more flexible rates but probably also of more stable balance sheet totals, to the traditional problem of earning a sufficient margin between the interest allowed on deposits and that received on assets. And it seems likely, for a number of reasons, that the rates differential will need not only to be wider than in prewar years, but also to be supported by increased service charges.

One reason for this is, of course, that banking resources are swollen to nearly three times the prewar level, and earnings must therefore help to provide for wide fluctuations in the value of risk assets. Losses from bad debts can no longer be expected to be so unusually modest as n the expansive period of the early postwar years, and the course of investment prices has for long added to the anxieties of bank managements. An average fall of 1 per cent in the market price of the clearing banks' investments would now lead to a draft of not much less than £20 million on inner reserves; aggregate book losses last year must have run into some tens of millions of pounds. It is true that the big clearing banks' investments are all in dated securities, with short-term stocks predominating, so that substantial recoveries may be expected as maturity dates are reached. Meanwhile, however, investments have to be written down to market values or lower for balance sheet purposes, and with a stable level of deposits, there is always the danger that liquidity ratios will have to be reinforced by sales of these investments at a loss.

Another reason why earnings need to be continuously strengthened is the relentless upward pressure on costs. It may be that expenditure on the restoration of war damaged buildings has passed its peak, but the same cannot be said about day-to-day requirements for stationery, premises, heating and lighting, transport, telephones, mechanised equipment, publicity and so on. More important still, the new salary scales recently introduced by all the principal English banks (which generally provide a much better standard of remuneration for younger employees, but have left many "over scale" men with only a trifling increase in total remuneration) are clearly not the last chapter in the long tale of necessary salary increases. In addition, pension costs continue to rise, and outlay on staff training, for senior men as well as new entrants, is still increasing.

Finally, certain miscellaneous sources of bank revenue have been diminishing for some time. In the early war years the banks' share in commissions on stock exchange transactions was reduced from one-half to one-third—for executor and trustee business, it fell to one-quarter—while the volume of stock exchange activity, and business in new capital issues, have not recovered their relative prewar importance. Some forms of overseas business especially dealings in foreign currencies, have also no provided revenue at the prewar level, and exchange control has added to the burden—and cost—of providing these services.

It is not surprising, in these circumstances, that the banks initiated a rise in advances' rates even before the change in monetary policy, and that they have since tried to establish a wider margin between charges and deposit rates than obtained during the years of cheap money. The rate allowed on deposits is now at a maximum of 2 per cent for 21 days' notice, or 2 per cent below Bank rate; previously the maximum was 1½ per cent below Bank rate and shorter notice was required. In addition, the banks have avoided any restoration of the allowances on credit balances on current account that were often offered before the war, especially outside London. Again, there have been instances of charges for advances at "one-and-a-half over Bank rate, minimum 5 per cent," or even higher, for customers who in prewar years would have borrowed at only one per cent over Bank rate. Even for borrowings by nationalised undertakings with a government guarantee, the rate has risen from 2 per cent last year to 4 per cent now; for ordinary commercial borrowers rates are necessarily higher, and for private individuals higher still.

The banks have sought to increase their revenue from service charges both by raising old rates and imposing new ones. From mid-1950, for example, the two largest banks introduced a scale of charges, applied on an inter-bank basis, for agency work on behalf of other banks; for many years previously the principal banks had acted for customers of the other banks without charge. During the past year the banks have applied charges for specific services such as night safe facilities, and one, at least, has levied a fee for items held in safe custody. Far more important, however, is the bread-and-butter charge for working an account. This is assessed in various ways. It may be in the form of a "free" cleared balance regularly held, or of a charge on debit turnover, or simply of a sum assessed on the work caused by the account; or these methods of charging may be combined. Where the charge is levied on turnover, it seems probable that the range is from the long-established 2s. 6d. per cent of turnover for comparatively small private accounts, to rates of a few pence per cent for large business undertakings, with possibly a point about midway (say, 1s. 6d. per cent) for medium-sized commercial accounts. Turnover charges of this kind are being applied more widely, particularly in London, whereas before the war they were confined, more or less, to provincial banking.

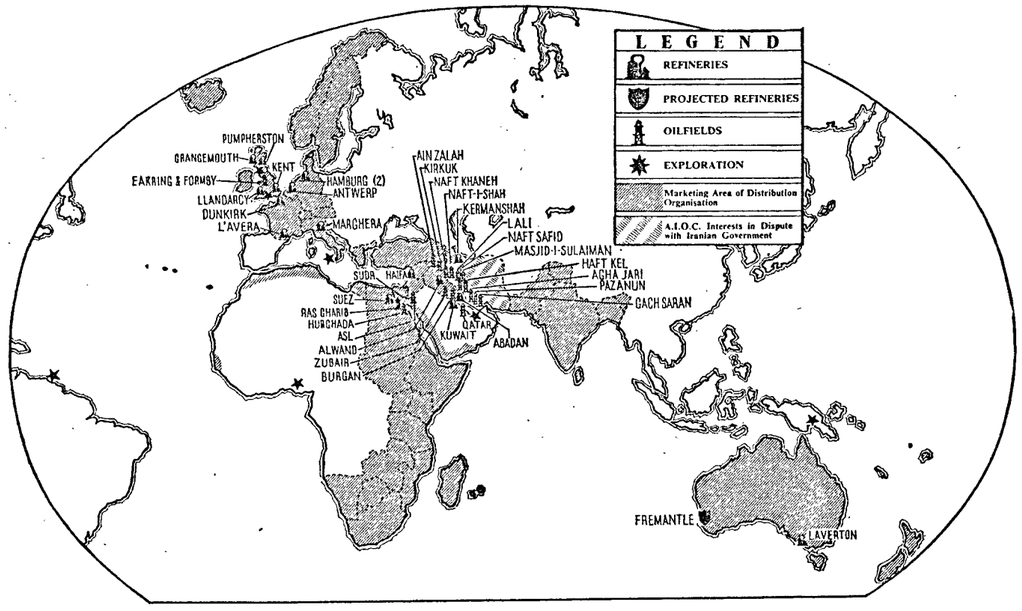
In contrast to these changes, one claim on banking profits has been stable: dividends to shareholders have shown no change for the past twenty years, following slight reductions for four out of the five large banks in the early 'thirties. Since then published reserve funds have been enlarged, and are now generally about as large as paid-up capital, but with the growth of deposits the banks' own funds represent a far smaller proportion of banking resources. At the end of 1938 paid-up capital and published reserves together accounted for over 6¼ per cent of net deposits of the London clearing banks, by 1945 the percentage was just half the prewar figure and by 1951 it had fallen to about 2½. If the banks, in view of these declining ratios, should some day seek to raise new capital on the market, the ordinary shareholder may have to be given a little more jam on his bread; but unless this happens—and the contingency still seems a remote one—the trend of costs and earnings, and of the strain upon reserves, suggests that the shareholder might be unwise to harbour hopes.

THE
BRITISH BANK OF IRAN
AND THE MIDDLE EAST
(Formerly The Imperial Bank of Iran)
LONDON (HEAD OFFICE)
Established by Royal Charter 1889
Capital paid up £1,000,000
Reserve £1,200,000
BRANCHES:
IRAN — Teheran.
IRAQ — Baghdad, Basra.
SAUDI ARABIA — Alkhobar (for Dhahran) Dammam (Sub-Office to Alkhobar), Jeddah.
PERSIAN GULF — Bahrain, Dubai, Kuwait, Muscat.
SYRIA — Damascus, Aleppo.
JORDAN — Amman.
LEBANON — Beirut, Tripoli. Ras-Beirut (Sub-Office to Beirut).
ADEN PROTECTORATE — Aden.

BANK
LEUMI LE-ISRAEL B.M.
formerly
THE
ANGLO-PALESTINE BANK
General Management: Tel-Aviv
33 Branches throughout Israel
New York Representation:
20, PINE STREET, NEW YORK
London Office:
6, GRACECHURCH STREET, E.C.3
Affiliation:
The Bank Leumi Le-Israel Trust Company, Limited, Tel-Aviv
The Trust Company undertakes the usual Trustee and Executor Business

OILFIELDS, REFINERIES AND DISTRIBUTING ORGANISATION OF THE ANGLO-IRANIAN OIL COMPANY GROUP

(INCLUDING JOINT INTERESTS).



PRINCIPAL ALLIED AND SUBSIDIARY COMPANIES OF ANGLO-IRANIAN OIL COMPANY GROUP

Incorporated in United Kingdom

BP (Aden) Limited
BP (Aegean) Limited.
BP (Australia) Limited.
BP (India) Limited.
BP (Pakistan) Limited.
BP of Greece Limited.
Basrah Petroleum Company Limited.
Britannic Estates, Limited.
British Petroleum Chemicals Limited.
British Tanker Company, Limited.
Candles, Limited.
Consolidated Refineries Limited.
D'Arcy Exploration Company, Limited.
D'Arcy Kuwait Company Limited.
Forth Chemicals Limited.
Irano Products Limited.
Iraq Petroleum Company, Limited.
Kent Oil Refinery Limited.
Kermanshah Petroleum Company Limited.
Khanaqin Oil Company, Limited.
Kuwait Oil Company Limited.
Lubricants Producers Limited.
Maritime Refineries Limited.
Mosul Petroleum Company Limited.
National Oil Refineries, Limited.
Scottish Oils, Limited.
Scottish Oils and Shell-Mex Limited.
Shell-Mex and B.P., Limited.
The Associated Ethyl Company, Limited.
The Consolidated Petroleum Company Limited
The First Exploitation Company, Limited.
The Lowland Tanker Company Limited.
The Tanker Insurance Company, Limited.
Trinidad Northern Areas Limited.

Sales in India and Pakistan are made through
Burmah-Shell Oil Storage & Distributing Co. of India Limited.
Burmah-Shell Oil Storage & Distributing Co. of Pakistan Limited.

Incorporated in British Commonwealth

AUSTRALIA — Australasian Petroleum Company Proprietary Limited.
The Commonwealth Oil Refineries, Limited.
Island Exploration Co. Pty. Limited.
MALTA—BP Malta, Limited.
NEW ZEALAND — The British Petroleum Company of New Zealand, Limited.
The British Petroleum Company of New Zealand (South West Pacific), Limited.
NIGERIA—The Shell-D'Arcy Petroleum Development Co., of Nigeria, Limited.

Incorporated in Foreign Countries

ALGERIA—Société des Huiles de Pétrole BP D'Algérie S.A.
AUSTRIA—BP Benzin und Petroleum A.G.
BELGIUM—BP Belgium S.A.
Anglo-Belge des Pétroles S.A.
Société Industrielle Belge des Pétroles, S.A.
DENMARK—BP Olie-Kompagniet A/S.
EGYPT — Anglo-Egyptian Oilfields, Limited.
FRANCE—Société Générale des Huiles de Pétrole BP S.A.
FRENCH WEST AFRICA—Société des Pétroles BP D'Afrique Occidentale.
GERMANY—BP Benzin-und Petroleum-G.m.b.H.
HOLLAND — Benzine en Petroleum Handel-Maatschappij, N.V.
ICELAND—BP A Islandi Hlutafelag.
ITALY—Britannica Petroli s.p.A. Industria Raffinazione Olii Minerali.
MOROCCO — Société des Huiles de Pétrole BP du Maroc S.A.
NORWAY—Norsk Braendselolje A/S.
SWEDEN—Svenska BP Olieaktiebolag.
SWITZERLAND—BP Benzin u Petroleum A.G.
TUNISIA—Société des Huiles de Pétrole BP de Tunisie S.A.

COMPANY MEETINGS

ANGLO-IRANIAN OIL COMPANY

ACCOUNTS REFLECT ABNORMAL TRADING CONDITIONS

NEW MIDDLE EAST AGREEMENTS

INCREASED SUPPLIES FROM OTHER SOURCES OFFSET IRANIAN CESSATION

SIR WILLIAM FRASER'S STATEMENT

The forty-third annual general meeting of the Anglo-Iranian Oil Company, Limited, will be held on June 26th at Britannic House, Finsbury Circus, London, E.C.

The following is the statement to stockholders by the chairman, Sir William Fraser, CBE, which has been circulated with the report and accounts for the year ended December 31, 1951:—

As the presentation of our annual report and accounts had to be postponed last year owing to the course of events in Iran, only six months have elapsed since my last statement to you.

BALANCE SHEET AND PROFIT AND LOSS ACCOUNT

The accounts for 1951 have been prepared in the same form and on the same basis as those for 1950, but figures in respect of current assets and liabilities in Iran have had to be estimated to a considerable extent. It should be borne in mind that during the second half of the period covered by these accounts trading conditions were abnormal.

The consolidated trading profit is £47,694,933, which compares with last year's profit of £81,300,622 and is after provision of £23,682,949 for depreciation on fixed assets, oil exploration interests and survey repairs of tankers. The corresponding provision in 1950 was £34,195,372.

The gross trading profit of £71,377,882 before making the above provision, compared with £115,495,994 last year, results from all of the widespread activities in which the company is interested.

Royalty payable to the Iranian Government for 1951 under the 1933 Convention amounts to £8,326,446. An amount of £9,500,000 has been placed to special contingencies account, which has been treated as allowable for United Kingdom taxation purposes. This account now stands at £49,987,440.

The item land, oil wells, pipe lines, refineries, tank installations and buildings in the consolidated balance sheet shows an increase of £8,534,047 compared with last year. This is largely due to expenditure on our refineries in this country.

Among current assets, the item stocks of crude oil, products, and receptacles, has increased by £6,682,499. This increase is due to a substantial rise in tonnage and in the freight content of the value of these stocks.

The item creditors, accrued expenses and current taxation has increased by £36,067,592 mainly owing to increased liability to UK taxation on the record profits of 1950. It will be noted that the forward estimate for UK taxation based on 1951 profits is £20,378,286, about half the corresponding figure for the previous year. Of the total of £101,621,069, taxation liabilities account for approximately £54 million.

After providing for taxation on profits from all sources, the amount available for reserves and dividends is £24,233,050, compared with £33,102,572 for 1950. Your directors have allocated £1 million to preference stock reserve, bringing the total to £9 million, and have placed £16 million to general reserve, which now stands at £81 million. They have recommended a final dividend of 25 per cent, less income tax, on the ordinary stock, making 30 per cent for the year.

Depreciation provided and amounts written off, as shown in the profit and loss account, added to the above allocation to reserves total £40,682,949.

The total capital expenditure of the group in 1951 was approximately £46,800,000.

Of this expenditure some £8 million was on account of our tanker fleet. The written down value of the fleet in service at December 31, 1951, was £5 14s. 0d. per deadweight ton, and the average age per deadweight ton of the vessels was just under nine years. While the cost per deadweight ton of building tankers varies according to the size of the vessel, an average figure is now of the order of £60.

THE COMPANY'S INTERESTS IN IRAN

In my statement to you last November I described the course of events which had so gravely injured the company's interests in Iran.

As then explained, the British Government had instituted proceedings in May, 1951, before the International Court of Justice at The Hague, on the ground that the company, a British national, had been treated in a manner not in accordance with the principles of international law, and that there existed a dispute between the two Governments.

Later, in response to a request from the British Government, the Court made an order indicating certain provisional measures which would apply pending the Court's final decision in the proceedings already instituted. While the British Government at once undertook to comply with these measures, the Iranian Government announced that it regarded the Order as invalid. At the end of September the former submitted the dispute to the Security Council of the United Nations, requesting the Council to call upon the Iranian Government to comply with the terms of the order.

The Iranian Government had disputed the jurisdiction of the International Court to deal with the case, and at the hearings before the Security Council similarly refused to recognise the council's competence. It will be recalled that the Security Council adjourned its debate until the International Court had ruled upon its own competence in the matter.

In October, 1951, the British Government submitted to the International Court documents dealing both with the merits of the case and with the question of jurisdiction. In February, 1952, the Iranian Government filed with the Court its "preliminary observations" regarding the Court's powers of jurisdiction. Following the receipt of observations and submissions from the British Government in regard to the Iranian Government document, the Court announced that the oral public hearings on the question of the Court's jurisdiction in the dispute would commence on May 6th; subsequently the Court postponed these hearings until June in response to a request from the Iranian Government for an adjournment for a month.

Towards the end of last year the International Bank for Reconstruction and Development approached the British and Iranian Governments and offered its good offices to assist in the settlement of the differences between them, both being members of the International Bank. In so doing the bank stated that it would avoid passing judgment on the merits of the controversy, and would be prepared to act only upon the invitation of both Iran and the United Kingdom. The two Governments accepted the bank's offer.

Subject to the agreement of the parties, the bank intended, in its role as a neutral and impartial institution, to set up for a limited period of time a temporary management for the operation of the oil properties which would be responsible to the bank; there was, however, no intention of the bank engaging in oil operations permanently or as a business venture. The aim would be to achieve agreement on a temporary arrangement (covering a period of two years or less) whereby efficient large-scale operations in South Iran might be restored, in the interests of Iran, the United Kingdom, and the bank's members as a whole, and in the hope of creating an atmosphere suitable for the negotiation of a final settlement.

Letters outlining this position, together with the bank's understanding of the main points on which an agreement could be based, were addressed by the bank to both Governments at the end of December, and it was made very clear that no steps would be taken which would compromise the legal rights of the parties. It was envisaged in the bank's proposals that the company would enter into an agreement with the bank to purchase oil on terms satisfactory to the parties, and that part of the proceeds of sale would be held by the bank, pending final settlement.

After a preliminary visit to Iran by representatives of the bank, a mission led by Mr R. L. Garner, vice-president of the bank, in February, 1952, visited first Tehran and then London for discussions with the Iranian and British Governments respectively. Representatives of the company were consulted by the bank on this and other occasions and readily supplied all such information as was requested. There followed a further phase of discussions in Tehran in March, 1952, after which a joint communiqué was issued by the Iranian Government and the International Bank indicating that no agreement had been reached on several important points.

The bank later published a detailed review of the negotiations, in which it was explained that the main unresolved issues were concerned with the status of the bank during the period of its operations in Iran, with the employment by the bank of British technicians and thirdly, with the price at which oil might be sold by the bank.

The Iranian Government had proposed that the bank should state that it was acting for Iran's account but, in its position as a neutral intermediary, the bank could not agree to any wording which could be construed as an acceptance by the bank of the legal position of one member and as a denial of the legal position of another. As regards technicians, the Iranian Government would not agree to the employment of British subjects, while the British Government could not accept discrimination against British nationals as such. In this connection the bank explained that the advice of the bank's oil con-

sultant and other leaders in the oil industry had been that under existing conditions the necessary qualified technicians would not be forthcoming for temporary operations, and that it would be necessary to draw on some of the company's personnel to form the integrated organisation that would be needed to attain large-scale production within two years. The bank also felt it would be inconsistent with the bank's international character to agree to exclude the nationals of any one member from an operation to be undertaken by the bank.

In the absence of agreement on these points, it will be realised that a basis for the operation of the industry did not exist.

In addition, as the bank statement explained, the question of prices at which oil would be purchased by the company was explored with the Iranian Government and no conclusion was reached. The bank finally stated that it had informed both the Iranian and British Governments that it stood ready, as in the past, to assist in working out any practicable suggestion offering a reasonable prospect of success.

MIDDLE EAST AGREEMENTS

Since I last addressed you, new agreements have been negotiated affecting the company's principal interests in the Middle East other than Iran.

Discussions between the Iraq Government and the Iraq Petroleum Company conducted during 1951 resulted in the signature by both parties on February 3, 1952, of a supplementary convention whereby profits from the operations within Iraq will be shared equally with the Iraq Government. This should provide Iraq with a large future revenue and the government has announced its intention of devoting the greater part thereof to plans for raising national living standards. The new agreement contains provisions to assist in the supply of cheap oil products within Iraq and to accelerate the progressive increase in the proportion of Iraqis employed in the industry. The agreement, after ratification by the Iraq Parliament, and the Royal Assent, is now in force.

In December last an agreement was concluded between the Iraq Government and our two wholly owned subsidiaries in Iraq, the Khanaqin and Rafidain Oil Companies, which has since received ratification and the Royal Assent. The Khanaqin Oil Company has hitherto produced and refined oil for internal consumption, the oil being marketed by the Rafidain Oil Company. By the new agreement our refinery plant at Alwand and internal oil distribution facilities have been sold to the Iraq Government, on whose behalf the Khanaqin Oil Company will operate the refinery and, until 1961, act as sole distribution agent. The Khanaqin Oil Company will continue its production and exploration activities in north east Iraq, and there will be an equal sharing between the government and the company of the profits arising in Iraq from export operations should sufficient oil be found.

A revision of the Kuwait Oil Company's concession agreement of 1934 has also been concluded. The Ruler of Kuwait will henceforth receive half the profits arising from the company's operations in Kuwait, which will assure him greatly increased revenues. The agreement thus follows what is now the pattern generally accepted for oil concession agreements in the Middle East. As a counterpart the concessionaires have received an extension of tenure of 17 years, making its duration 92 years from 1934; and a settlement has been reached regarding the seaward boundary of the concession area which was previously in doubt. These changes took effect from November 30th last. They have been accompanied by corporate changes in the structure of the concessionaire company. Our one-half interest in the concession has been assigned to a new AIOC subsidiary, the D'Arcy Kuwait Company, Limited; the Kuwait Oil Company, which we own equally with our American associates, continues to act as the operating company.

PRODUCTION AND EXPLORATION

Operations in the oilfields of Iran continued normally until June, 1951, except for a slight interruption due to a strike in April. In June production was cut back and in July was shut in as export had ceased and storage was full. Production amounted to 16,177,000 tons up to that time, about equivalent to the 1950 production rate. The only serious oilwell fire that we have experienced in 40 years occurred in May, 1951, when a large gas well at Naft Safid field caught fire. It was successfully capped after six weeks of tireless efforts by the British and Iranian staff under the guidance of an oilwell fire-fighting expert.

Turning to the crude oil at our disposal in 1951 outside Iran, we obtained from Kuwait 13,287,000 tons, nearly double the previous year's figure. At present our offtake from Kuwait is approaching the rate of 20 million tons per annum. The field has proved fully able to sustain the increase involved and further drilling has proved a significant northerly extension of the structure.

Our share of the Iraq Petroleum Company's production was 2,316,000 tons compared with 1,681,000 tons in 1950. Development drilling in Kirkuk by that company continued in preparation for the greatly increased offtake made possible by the commissioning in April this year of its new 30-inch pipeline to the Mediterranean. During the current year our share of this production is expected to be about 4 million tons, and about 5,500,000 tons in 1953.

The Mosul Petroleum Company has proceeded with development drilling in northwestern Iraq and it is hoped this company will commence export at the beginning of 1953.

In southern Iraq the Basrah Petroleum Company's production plant and pipeline to the shipping terminal at Fao have been completed and the first exports were made in December. The initial rate of production, in which we have a 23¾ per cent interest, is 2,200,000 tons a year, but a substantial increase is planned.

Our wholly owned subsidiary, the Khanaqin Oil Company, produced 437,000 tons from the Naft Khaneh field, against 384,000 in 1950. Drilling at Chiah Sourkh continued and a test to deeper levels is necessary before the value of this field is established.

Qatar also showed an increase in production; our share was 592,000 tons, compared with 380,000 in 1950, and this year is expected to be over 700,000 tons. This field yields crude oil of good quality and, as experience has shown that it can sustain a higher offtake, a further increase is planned by the interests involved.

Compared with 1950 there was a decrease during 1951 of 15,573,000 tons in the oil production at our disposal from Iran, and an increase of 6,820,000 tons from our share of production in Kuwait, Iraq and Qatar. During 1952 our supplies from these three sources are expected to be about 26 million tons, compared with 16,632,000 tons in 1951.

Our crude oil production in the United Kingdom was 45,100 tons. Output is being maintained by means of secondary recovery by water injection. An exploration well drilled at Ainsdale, Lancashire, to search for the lower source which is thought to be feeding our shallow field at Formby was unsuccessful, but test drilling continues.

In Scotland production of shale was 1,411,000 tons, yielding 104,500 tons of oil. Operations were affected by higher costs of coal, chemicals, pitwood and mining stores generally and by higher wages, but these were offset by an increase in the value of products.

Our exploration activities continue in various parts of the world. In Papua, where we work in partnership with American and Australian interests, two deep wells were drilled during the year and one gravity and three seismic exploration parties were active. Owing to complex geology and difficult working conditions in tropical forest, progress is slow.

In Nigeria, where we are partners with the Shell group, the first deep test well was started during the year. Three seismic and two gravity parties are operating there.

We have a holding in Trinidad Northern Areas, Limited, which during the year completed a test well at Mount Harris at 10,695 ft without result, and is now preparing to make a seismic survey of the Gulf of Paria.

Geological and geophysical work is being carried out in the concession areas which we hold in Sicily.

REFINING

In Iran, up to July, 1951, when our refining operations ceased, Abadan refinery had processed 12,188,000 tons of crude oil and the small Kermanshah refinery 70,000 tons since the beginning of the year.

In Iraq the Alwand refinery processed 430,000 tons, an increase of 46,000 tons on the previous year. The throughput of the Haifa refinery was 729,000 tons, mainly of Venezuelan oil. It is still impossible to operate this plant at its full capacity of 4 million tons a year on Iraqi crude oil, for which it was designed. The pipeline to Haifa remains closed.

The Kuwait topping plant, the prime purpose of which is to produce bunker fuel for tankers, dealt with 1,157,000 tons of crude oil.

In Great Britain, throughputs at Llandarcy and Grangemouth were greatly increased. Llandarcy refined 3,671,000 tons, against 2,634,000 tons in 1950, and towards the end of the year a rate of over 4 million tons per annum was attained. At Grangemouth the completion of important parts of the programme of modernisation enabled 1,512,000 tons to be processed compared with 657,000 tons in 1950; a new 1,500,000 tons per annum distillation unit was commissioned in March, 1951, and the new boiler house and power station came into service in April, raising the capacity of the refinery to 2,250,000 tons a year.

At Pumpherston refinery which operates on Scottish shale-oil and crude petroleum produced in the United Kingdom, throughput was 149,000 tons. Detergents produced at this refinery are finding an increasing market and new products are being developed.

The British Petroleum Chemicals Limited plant at Grangemouth, in which we are partners with The Distillers Company Limited, began production of commercial alcohol in May, 1951. The neighbouring plant of Forth Chemicals Limited, now under construction, is expected to commence the manufacture of styrene later this year.

Good progress has been made with construction of our Kent refinery, which it is hoped will start operations at half its eventual 4 million tons per annum capacity during this coming summer. Catalytic cracking units for the production of high-grade motor spirit are being installed at Kent, Grangemouth and Llandarcy refineries.

In France, L'Avera throughput was 1,814,000 tons, an increase of about 260,000 tons over 1950, and modifications of plant have enabled a current rate of 2 million tons per annum to be reached. At Dunkirk a new distillation unit of 1,500,000 tons capacity was commissioned in October last, which has brought the present total capacity of the refinery to 2 million tons per annum. In 1951 617,000 tons were refined.

At Porto Marghera in Italy the Industria Raffinazione Olii Minerali refinery dealt with 687,000 tons, an increase on 1950 of 126,000 tons. A new distillation unit commissioned in December has raised current throughput, which we expect to total 1,200,000 tons this year.

In Belgium the new Antwerp refinery, which we own jointly with the Petrofina Company, was successfully commissioned in October, 1951, and had processed 318,000 tons before the end of the year. Throughput during 1952 is expected to be 1,500,000 tons.

At Hamburg our Eurotank refinery throughput was 620,000 tons, some 270,000 tons higher than in 1950. In March, 1951, we extended our German interests by acquiring a majority holding in the Oelwerke Julius Schindler refinery at Hamburg, which handled 150,000 tons of crude oil during the year and includes plant for the production of lubricants; we are thus enabled to meet our German outlet more extensively from German refinery production.

In Australia, the Laverton plant of Commonwealth Oil Refineries treated 143,000 tons of crude oil in 1951. We have decided to build a new refinery at Kwinana, near Fremantle, which will have a capacity of 3 million tons a year.

PIPELINE AND SEA TRANSPORT

The commissioning in May, 1951, of the Finnart to Grangemouth pipeline across Scotland enabled the greater part of our crude oil supplies for Grangemouth refinery to be imported by this route.

In my last report I informed you that the British Tanker Company's fleet numbered 153 ships of 1,854,000 deadweight tons. Since then two old ships have been sold and four new 28,000-ton ships have been delivered, making the present total 155 ships of 1,950,000 deadweight tons. There remain under construction or on order 21 ships totalling 426,000 deadweight tons, comprising six steam turbine ships of 32,000 tons, 12 motor vessels of 16,000 tons, and three motor vessels of 14,000 tons. In addition, the keels have been laid of two of the ten 16,000-ton ships on order for the Lowland Tanker Company which will come into our service in due course.

We have on charter about 2 million deadweight tons of tanker shipping, more than half of which is fixed for several years ahead.

Although tankers are being built at a rate of about 2 million deadweight tons annually, more than half of them in British shipyards, the world tonnage has remained barely adequate to demand and consequently freight rates have remained high. Further substantial orders have, however, been placed, both in the United Kingdom and elsewhere, including many ships for comparatively early delivery.

DISTRIBUTION AND SALES

World demand for petroleum products increased by approximately 12 per cent in 1951 compared with the preceding year, this high rate of expansion having thus occurred for two years in succession. In meeting so striking an increase in world consumption despite the cessation of supplies from Iran at the end of June, the world oil industry has once again demonstrated the strength of its resources and the flexibility of its operations.

World market export prices f.o.b. for products and crude oil remained substantially unchanged during the year, but the increase in freight rates, and the impact on distribution expenses of the general rise in costs were reflected in increases in selling prices in the consuming markets. Moreover, petroleum products continue to be relied upon by governments to make heavier tax contributions to their revenues; such levies now constitute in many instances a major part of the price which the consumer pays.

During the first half of 1951 the expansion of our business continued, although the flow of our supplies was temporarily disturbed by a strike in Iran in April. After supplies from Iran had ceased in July we supplemented the fullest use of our own crude oil and refineries by hiring refining capacity and by purchases from other sources. The result was that our sales for the year declined only by some 2 million tons from the 1950 total of 38,500,000 tons, although events in Iran deprived us of some 15 million tons of supplies from that source.

Our largely increased supplies of crude oil from Kuwait, Iraq and Qatar, as already described, have more than offset the discontinuance of our crude oil exports from Iran. The increased supply of refined products from our own refineries and from processing arrangements made with other refiners cannot, however, meet our marketing requirements. We shall continue to supplement our own supplies of products by purchases where we can do so on satisfactory terms, thus using every endeavour to conserve both our goodwill and a sound trading position until such time as we have available supplies from our own resources sufficient to enable the company once again to go forward and expand its business as in the past. Profit margins on such purchases have suffered from the high rates of freight which have prevailed, and the extent to which this purchasing policy can be followed is governed by many factors and is constantly under review.

The refining section of this statement has described the progress made in providing new plants and in expanding throughput at others. An important addition to our available products will follow the commissioning later this year of the new refinery in Kent, which, with our other refineries in the United Kingdom and those in Belgium, France, Germany and Italy, will give us a large refining capacity in our Western marketing area. The problem of maintaining the supply of products has naturally been most troublesome in the case of our Eastern markets because of the long hauls involved, and every effort will be made to accelerate the construction of additional refining capacity to meet these Eastern requirements.

A major change took place during the year in the marketing of motor spirit in the United Kingdom, where schemes were introduced under which the service station or garage owner can, if he wishes, undertake to sell exclusively the motor spirit of one company, or, as in the case of the scheme operated by our marketing company, the motor spirit of a selected number of companies. Similar developments have taken place in Australia, New Zealand and South Africa. By the adoption of this method and by the closer co-operation with the dealer it is hoped to secure economies of distribution and to improve the standard of service to the motorist.

The sale of branded motor spirit in the United Kingdom is not yet permitted. It is to be hoped that economic conditions will soon prevail in which the consumer can be offered in the form of a premium grade the alternative of buying the higher quality product. In the United Kingdom the consumption of all petroleum products continued to expand and, including ships' bunkers, exceeded 20 million tons for 1951.

RESEARCH

Oil industry research problems have increased with the need for improved methods for locating new oilfields, and for refining with maximum efficiency a greater variety of crude oils than was the custom in the past. Our objectives in refining are to produce types of fuels and lubricating oils to meet all demands at competitive prices and to increase the range of products marketed by the company. A notable development in catalytic desulphurising processes is "autofining," a process pioneered to the pilot plant scale at our Sunbury research station and to the full scale plant at Llandarcy refinery.

The Geophysical Centre at Kirklington Hall has applied itself to the various instrumental problems that have arisen in the course of the geophysical surveys carried out by the company's staff. Of special interest has been the development of miniature seismic equipment, while good progress has been made in developing a borehole gravity-meter which will have important applications in geophysical prospecting. A study is being made of the possible effects which geological history may have on the type of crude oil found in a reservoir. This problem has a bearing on locating fresh reservoirs, and also on their control when being produced.

PERSONNEL

Our personnel overseas, at home and afloat have given devoted and zealous service. It is a matter of great regret that events in Iran have led to substantial reductions of staff. The directors are deeply conscious of the many problems of adjustment to home and family plans with which the staff have been confronted, and to meet this unfortunate situation special arrangements have been made.

I am sure that you will wish me on your behalf to express to all personnel our special appreciation of their loyalty and resource over a period characterised by major readjustments consequent upon the action of the Iranian Government.

W. T. HENLEY'S TELEGRAPH WORKS COMPANY, LIMITED

NEW ORDINARY SHARE ISSUE

The annual general meeting of this company was held on May 30th in London.

Sir Montague Hughman, the chairman, in the course of his speech, said: The year 1951 was a period of great activity in the Henley Organisation and our business continued to expand in almost every direction both at home and abroad. On January 1, 1952, the orders in hand for the group amounted to approximately £7 million against approximately £5 million a year earlier. While none of us can foretell what the rest of the year will show, for the first four months of 1952 turnover shows an increase over the corresponding period of last year.

We are carrying out our full share of rearmament work, which type of work naturally absorbs throughout the country large quantities of raw materials. During the last year the shortage of essential materials prevented us from carrying out many orders and that, unhappily, is still true. One of our worries is to finance our large and expanding business with prices of materials still reaching extraordinarily high figures, labour and overhead expenditure continuing to rise, and costs of replacing machinery and plant showing an enormous increase.

During 1951 we had a record turnover—and do not forget Henley started this business 115 years ago—and while some of this is due to the increased cost of materials, we showed an increase in volume output over 1950. I trust you will consider the results shown in

he accounts as satisfactory. All our subidiaries have made satisfactory profits and ıave paid good dividends.

Our business, particularly in the home narket, expanded substantially during the ear, but the margin of profit in some secions was rather narrower than we have btained in recent years. In our overseas usiness we have obtained an increased turnver, although its proportion to our total urnover is somewhat lower than in 1950.

FINANCE PROPOSALS

The developments which have taken place, nd which are still to take place, call for urther finance which your directors have ecided should be provided in permanent form. The Capital Issues Committee's consent has been obtained to an issue of 3,250,000 new ordinary shares of 5s. each which will be offered in the first instance to the holders of the existing ordinary stock at the close of business on May 19, 1952, in the proportion of one new share for 10s. of ordinary stock. I anticipate that in the absence of unforeseen circumstances the company will be able to maintain, on the capital as increased by the issue of shares now offered, the same rate of dividend and bonus for the year 1952 as you have received in 1951 on the then smaller capital.

Your directors have also had under consideration the advisability of bringing the issued capital of the company more into line with the actual value and earning capacity of the assets employed. In this connection the Capital Issues Committee's consent has been obtained to the capitalisation of £2,437,500 of reserves which will be applied in paying up in full 9,750,000 unissued ordinary shares of 5s. each for distribution among the ordinary stockholders on the basis of one 5s. ordinary share for each ordinary stock unit of 5s. then held.

In the near future a further meeting of stockholders will be called to authorise the increase in the capital of the company necessary to put this decision into effect and to approve the proposed capitalisation of reserves.

The report was adopted.

THE UNION-CASTLE MAIL STEAMSHIP COMPANY, LIMITED

CONTINUED SERIOUS INCREASE IN OPERATING COSTS

SIR F. VERNON THOMSON'S SPEECH

The annual general meeting of The Union-Castle Mail Steamship Company, Limited, was held on June 5th in London. Sir F. Vernon Thomson, Bt, GBE, who presided, said:—

ACCOUNTS

The report of the directors with the audited accounts of the Union-Castle Company, and of the Union-Castle Group, for the year ended December 31, 1951, now submitted, together set out the position of both clearly.

The net profit of the Group exceeded that for 1950 by about £204,000. This was due primarily to a marked increase in the profits of one of the company's subsidiaries, King Line, Limited, which, as members will be aware, owns a fleet of cargo ships engaged in general trading, and accordingly benefited from the improvement in world trade in 1951 and the higher world market rates of freight.

The net profit of the Union-Castle Company itself for the year 1951, after providing for debenture interest, depreciation, taxation, etc., amounted to £1,287,926, that is approximately £190,000 less than for the preceding year.

INORDINATELY HIGH COSTS

The company's revenue from passenger and cargo traffic was substantially higher than for 1950, but this was more than offset by the continued serious increase in operating costs throughout 1951. The voyage costs of the company's vessels, which increased by more than £1,200,000 in 1950, compared with the preceding year, increased by a further £2 million in 1951. Every item of expenditure incurred in operating our vessels cost more during the past year and especially oil fuel. These rising costs, which have to some extent been masked by the earnings from increased carryings during the last few years, cannot be borne and absorbed indefinitely by the company without effect upon rates of freight and passenger fares.

The rates of freight charged on cargoes carried to and from the Union of South Africa are fixed by an agreement with the Union Government. Moderate increases were agreed by that Government operative from July 1, 1951, but already the benefit of these has been more than neutralised by further rise in costs.

Further substantial increases also in the cost of new tonnage add to what was already a very grave problem. To maintain the company's service at its high standards of efficiency and regularity, it is essential to replace older vessels from time to time, but shipbuilding prices have reached such a high level (double those of even 1945) that only urgent need would warrant the economic risk involved in ordering new passenger tonnage for the company's services at present rates of freight and passage money. Thus to replace one of our mailships now would cost well over £5 million.

It is plain that the Inland Revenue allowance in assessing income tax liability, based as it is on the original cost and not upon replacement cost, is by itself quite inadequate to finance the construction of replacement tonnage at current high costs. If this state of affairs continues for a protracted period it must lead inevitably to the diminution of the British mercantile marine. To my mind, this would be disastrous nationally. This is proven by the experience of two world wars. Whilst recognising that this is undoubtedly a difficult problem, I would again urge that amounts reserved for the construction of replacement tonnage during this period of inordinately high shipbuilding costs (so largely due to inflation or depreciation of currency) should not be taxed if they are so utilized in rebuilding the mercantile marine. An arrangement of this nature is already in operation in the Scandinavian countries. In the absence of such tax adjustment we must try to safeguard the company during these times by putting to reserve what we can for replacement tonnage. The average dividend upon the ordinary stock for the past 10 years has been 7½ per cent. As stated on previous occasions, it is essential that a substantial part of the company's earnings, already depleted by taxation, should be retained in the business. Only thus have we been able since the war to rebuild our fleet to its present size and efficiency, and only thus can we hope to obtain essential revenue and to maintain the standard of service which we aim to provide for our passengers, shippers, and the overseas territories the company serves.

In accordance with this policy, we have again transferred the sum of £1 million to general reserve.

We have also transferred the sum of £50,000 to staff provident account.

After payment of the preference dividends and the proposed dividend of 12½ per cent on the ordinary stock, the balance carried forward is approximately £1,900,000, as compared with £1,925,000 brought forward from 1950.

CAPITALISATION OF RESERVES

At an extraordinary general meeting to follow this meeting, it will be proposed that £2,740,000 of the company's reserves be capitalised and distributed to the ordinary stockholders as ordinary shares on the basis of one ordinary share of £1 for each £1 ordinary stock held at the close of business on May 21, 1952. The new shares will forthwith upon issue be converted into ordinary stock.

The accounts before you today show that the actual capital employed in the company's business is far in excess of its issued capital, even on the basis of the existing book values of the company's fixed assets, which are valued very conservatively. The board has decided that the time has now come to bring the issued capital of the company more into line with the capital actually employed in the business. The capital employed in the business has been augmented substantially during the past seven or eight years by ploughing back a large part of our earnings and investing it in essential new tonnage upon which, from the end of the war to December 31,1951, we have spent over £16 million. This capitalisation of part of the reserves will but recognise existing facts, since so large a part of the reserves is already invested in ships.

In connection with these capitalisation proposals, may I say that it would not be prudent to expect the same rate per cent of dividend to be maintained after the ordinary capital has been doubled. Accordingly if a holder sold any of the new stock which will be issued to him he would be disposing of part of his existing proportionate interest in the assets of the company, and correspondingly his expectation of future dividend.

FLEET

The company's fleet has been maintained in a highly efficient state and happily was operated throughout the year without serious accident.

MAIL SERVICE

The frequency and regularity of the company's weekly mail service between Southampton and Cape Town throughout the years compares favourably with that provided over a similar distance between any two countries in the world, and although its continued maintenance and regularity year after year have come to be accepted as a commonplace, it is in fact an outstandingly fine service of which we may well be proud, and the more especially in view of the many difficulties which impede the successful operation of regular liner services today.

NEW TONNAGE

The delivery of the *Kenya Castle*, which we had hoped would be made before the end of 1951, was unfortunately delayed until February this year by a trade dispute between those engaged on her construction. It had been our original intention to sail her in the Round Africa Service early in January, but it was not possible to fit her into this service subsequently until the end of March. She was accordingly utilised for a cruise in the interim, which proved most acceptable to the passengers.

The third vessel of this class was successfully launched at Belfast on April 24, 1952, when she was named *Braemar Castle* by Mrs Geyer, wife of His Excellency the High Commissioner for the Union of South Africa. It is hoped that this vessel will be delivered in November, 1952.

To supplement the company's cargo tonnage, orders were placed with Messrs. Harland and Wolff, Limited, for two general cargo vessels, each of about 7,300 gross register tons. It is expected that these vessels will be delivered in December, 1953, and February, 1954, respectively. They will be named *Tantallon Castle* and *Tintagel Castle.*

PASSENGER AND CARGO TRAFFIC

There was a gratifying increase in the number of passengers carried outwards and coastwise by the company's vessels in 1951, but the numbers travelling homewards from South Africa fell slightly. As a result of the increased accommodation available in our Round Africa vessels, the passenger traffic to and from East Africa was again higher than for the preceding year.

Cargo traffic outwards and homewards showed an improvement in almost all the trades in which our vessels are engaged.

It is by no means certain that the volume of passenger and cargo traffic carried by the company's vessels in 1951 will be maintained. The imposition of stricter limitation of imports into the Union of South Africa, to assist in the balance of payments position, is already having its effect in reducing the volume of outward cargo offering.

PORT CONGESTION

Congestion at a number of South and East African ports recurred in 1951 and in some cases has continued ever since. At certain ports it has been more severe than ever before, entailing very serious and expensive delays to a large number of vessels, including many belonging to this company. The problem continues to receive the urgent attention of the Governments of the respective territories, together with the various authorities more immediately concerned, but in some cases it is clearly a problem which can only be finally solved by a long-term programme of port development and increased transport facilities between the coast and inland centres. In the meantime curtailment of the number of vessels calling and the volume of cargo passing through the congested ports is unfortunately essential in order to alleviate the grave situation which has arisen.

BOARD

It was with regret that the board of directors received from Mr C. L. Dalziel his resignation to take effect from December 31st last. Mr Dalziel had served on the board for fifteen years and his colleagues greatly valued this association. Unhappily Sir William Clark has also found it necessary to tender his resignation for reasons of health, to the regret of his colleagues.

To fill the two vacancies which thus arose, Sir George Erskine, CBE, and Mr F. C. Howard have been co-opted to the board. In accordance with the articles of association they retire at this meeting and offer themselves for re-election. I feel certain that the company will benefit greatly from the addition of these two distinguished gentlemen to the board.

OUTLOOK

In some respects the situation in the trades in which we are engaged is more difficult today than at any time since the war, but even so I think we can look forward to a satisfactory demand for the services which we provide.

STAFF

The company's staff have carried out their duties loyally and with zeal, and I wish to take this opportunity of expressing, on behalf of the board, our appreciation of the good service rendered by the company's personnel, ashore and afloat.

The report and accounts were adopted and the retiring directors were re-elected.

At an extraordinary general meeting held immediately after the annual general meeting, resolutions were passed increasing the capital of the company to £10 million, converting the unissued preference shares into ordinary shares, authorising the capitalisation of reserves and the issue to the ordinary stockholders of one new ordinary share for every £1 of ordinary stock held, and altering the articles of association.

The proceedings terminated with a vote of thanks to the chairman and directors.

LISBON ELECTRIC TRAMWAYS

RECORD PASSENGER TRAFFIC

The annual general meeting of Lisbon Electric Tramways, Limited, will be held on June 25th, in London.

The following is an extract from the circulated statement of the chairman, the Rt Hon Sir Hugh O'Neill, Bart, PC, MP.

Another record has been established in the number of passengers carried by the company's vehicles during 1951. Compared with 1950 the increase in passengers was over six millions or 2 per cent, a total of 314,133,521 having been reached.

The mileage run by our tramcars and elevators increased by 337,301 and by our buses 945,928, giving an additional mileage of 1,283,229 or 5.8 per cent. The total number of miles run by all our vehicles was 23,315,998.

The additional number of passengers carried has resulted in increased revenue but this has been offset by increased cost of operation due to additional mileage run, a wage increase to our workpeople, and to the advance in the cost of practically all materials necessary for the maintenance of our system.

The final result of the year's operations shows a net profit of £63,520 after providing for all charges including general and depreciation reserve, a decrease of £6,870 compared with 1950. This profit, together with the balance brought forward from last year, gives a total of £113,512. The preference dividend and the ordinary dividend of 5 per cent net for the year absorb £60,957, leaving a balance of £52,555 to carry forward to 1952.

Generally Portugal continues to benefit from the peaceful programme and prosperous years resulting from the administration of H. E. Dr Oliveira Salazar.

The report was adopted.

P. & O. STEAM NAVIGATION COMPANY

IMPROVED RESULTS

The one hundred-and-twelfth annual meeting of this company was held on June 4th in London.

Sir William Crawford Currie, GBE, the chairman, referred to the increase of £2,296,259 in the company's deferred stock, which had been issued to deferred stockholders during the year, and to the difficulty of providing for fleet replacement out of profits which were subject to crippling taxation.

The accounts of the group for the past financial year showed, he said, a considerable improvement over 1950 due chiefly to the heavy world demand for shipping and to the absence of any reconditioning expenditure. The normal depreciation charge, including relief from income tax in respect of initial allowances, absorbed nearly one half of the total operating profit. If the company was to survive, its ships had to be renewed out of earnings. The report showed that amounts set aside for depreciation and to reserves of all kinds in 1951, amounted to slightly less than was required for one year's normal replacement purposes. There was thus no cause for complacency or for saying that shipping profits were abnormally high.

FINANCING COMMITMENTS

The group's net current assets were £5 million short of the amount required to finance present commitments without making any allowance for necessary working capital. There would, of course, be additional cash accumulations before it was necessary to meet liabilities for ships not yet laid down, though what they would amount to must be problematical.

The situation was not quite easily summarised, however. Although not evident from the group accounts, five companies with commitments of over £18 million would require, in order to finance those commitments, not only their present resources but almost the whole of their probable future profits of the next few years after allowing for taxation and dividends at the present level. It should therefore be emphasised that the sums placed to reserve by the group, far from being excessive, were barely adequate for the maintenance of its business.

The excess profits levy, as an additional tax on industry, was bad, and for the shipping industry could produce only one result—a reduction in the tonnage that could be built to replace the old. The industry welcomed the Chancellor's proposals for the removal of the worst inequities of the levy.

THE FUTURE

There was undoubtedly at present a recession in the freight market as compared with a year ago, and unfortunately expenses had not receded, but had increased, except for Suez Canal dues, which had been reduced as from September 15th last by 6d. per ton. That was a useful reduction in the cost of a round voyage to the East or Australia and back, and showed that the Suez Canal Board were not unmindful of the interests of their clients.

While it would not be wise to attempt to prophesy, he would be lacking in candour if he omitted to say that he did not expect the results of the current year to be as satisfactory as those for 1951. The peak had passed. Tonnage was no longer in such great demand; various countries were reducing their imports and there would be more competition, in the main from their former enemies, Japan, Germany and Italy.

The report was adopted.

ROYAL DUTCH PETROLEUM COMPANY

(N.V. KONINKLIJKE NEDERLANDSCHE PETROLEUM MAATSCHAPPIJ)

BALANCE SHEET AS AT DECEMBER 31, 1951

Liabilities		Assets		
Share Capital	f 1,998,500,000.—	Shareholding in :—		
Of which unissued	„ 1,081,068,000.—	N.V. De Bataafsche Petroleum Mij	nom. f 330,000,000	
Issued and fully paid	f 917,432,000.—	The Anglo-Saxon Petroleum Co., Ltd...	„ £75,768,597	
4% Preference Share Capital	„ 1,500,000.—	The Shell Petroleum Co., Ltd.	„ £17,102,400	
Reserve as per Article 4 of the Statutes	„ 91,388,278.49	and other Group Companies		
General Reserve	„ 27,500,000.—	Total		f 1,310,933,605.57
3½% Convertible Debenture Loan 1951	„ 218,363,900.—	Less : Reserve		„ 101,212,138.18
3½% Debenture Loan 1947	„ 289,000.—			f 1,209,721,467.39
3½% Private Loans 1949	„ —.—	Loans to Group Companies		„ 12,584,971.92
Creditors	„ 32,228,250.40			f 1,222,306,439.31
Profit and Loss Account :—		Cash at Bankers		„ 29,881,634.05
Balance Undistributed Profit 1949/1950 ..	„ 38,341,873.92	Securities and Cash Invested		„ 55,364,582.41
Profit for the Year	„ 127,034,126.61	Debtors		„ 26,505,573.65
		Dividends due from Group Companies		„ 120,019,200.—
	f 1,454,077,429.42			f 1,454,077,429.42

PROFIT AND LOSS ACCOUNT 1951

Expenditure		Income	
Interest : 3½% Convertible Deb. Loan 1951..	f 8,115,854.63	Dividends and Interest, less Taxes	f 141,894,883.36
3½% Debenture Loan 1947	„ 146,054.33	Dividends and Coupons forfeited by Limitation	„ —.—
3½% Private Loans 1949	„ 136,401.50		
Service of the 3½% Convertible Debenture Loan 1951	„ 2,834,674.71		
Differences in Exchange	„ 883,094.67		
General Expenses	„ 2,744,676.91		
Profit for the Year	„ 127,034,126.61		
	f 141,894,883.36		f 141,894,883.36

The Hague, May, 1952

The Board of Directors :

J. B. AUG. KESSLER, *Chairman.* W. H. VAN LEEUWEN, J. KLOPPER, E. J. IJZERMAN, W. H. DE MONCHY, C. J. COLLOT D'ESCURY, F. Q. DEN HOLLANDER, J. LUYTEN, A. S. OPPENHEIM, M. P. L. STEENBERGHE

The Managing Directors :

J. H. LOUDON, *General Managing Director*
H. BLOEMGARTEN
F. A. C. GUEPIN

61ST ANNUAL GENERAL MEETING—JUNE 27, 1952

PRINCIPAL POINTS OF INTEREST IN THE ANNUAL REPORT ON 1951

The year 1951 again showed record activities in all phases of operations of the Royal Dutch-Shell Group.

Production by Group companies of crude oil and natural gasoline, inclusive of quantities available under long-term contracts, amounted to more than 12 per cent of world production in the year 1951.

Crude production of 549 million barrels compared with 455 million barrels in 1950, an increase of some 17 per cent. The level of production in 1951 was double that of 1946.

The amount of crude oil processed in Group refineries at 558 million barrels in 1951 was more than 20 per cent higher than last year and more than double the level attained in 1946.

Because of extensions and new construction completed during the year the total throughput of Group refineries in Europe was 47 per cent higher than in the previous year.

The total tanker tonnage controlled by the Group and Eagle Oil and Shipping Company, Limited, including chartered tonnage, reached the figure of 6,250,000 d.w.t., representing about 21 per cent of world tanker tonnage. Of this amount 2,500,000 tons are owned by the Group and Eagle Oil.

In addition to tanker tonnage already on order the Group, early in 1952, placed orders for 28 tankers with a total tonnage of over 600,000 d.w.t. to be delivered by the end of 1956 or shortly thereafter.

The net profit of the Royal Dutch Petroleum Company for 1951 at fls 127,034,126.61 as against fls 111,220,805.87 for the year 1950, makes it possible to pay a dividend of 4 per cent on the preference share capital of fls 1,500,000 and 13 per cent in cash on the ordinary share capital of fls 917,432,000 outstanding on December 31, 1951, 4 per cent of which was made payable as an interim dividend on February 7, 1952. In addition, 2 per cent on the ordinary share capital is made available, largely from the undistributed balance of profit, in the form of a stock dividend.

The Annual Report again shows financial figures covering the main companies through which the Royal Dutch-Shell Group operates in various parts of the world.

After deducting all charges—including exploration, depreciation (including additional depreciation of £22,053,608 against £7,059,696 in 1950), taxation and miscellaneous appropriations for the purposes of individual companies—the net income for the year available for Group Appropriations was £66,216,204 (1950: £50,994,529). From this sum dividends have been or will be paid in respect of the year 1951, to the parent companies namely Royal Dutch Petroleum Company and The "Shell" Transport and Trading Company, Limited, of £19,057,327 (for 1950: £16,283,382). The balance has been retained in the business.

Copies of the full report and accounts can be obtained free of charge by anyone interested from Messrs N. M. Rothschild and Sons, New Court, St. Swithin's Lane, London, E.C.4.

DE BEERS CONSOLIDATED MINES, LIMITED

(Incorporated in the Union of South Africa)

UNABATED DEMAND FOR DIAMONDS

SIR ERNEST OPPENHEIMER ON DISCRIMINATORY TAXATION

The sixty-fourth ordinary general meeting of De Beers Consolidated Mines, Limited (Incorporated in the Union of South Africa), was held on June 4th in Kimberley.

Sir Ernest Oppenheimer, the chairman, in the course of his speech, said:—The year under review has been an exceptionally prosperous one for the diamond industry. The demand for both gem and industrial stones continued unabated throughout the year and record sales totalling £65 million have been effected, which compares with £51 million for 1950. Since the close of the year, this demand has continued and up to May 31st £32,856,000 have been sold, made up of £21,057,000 of gem diamonds and £11,799,000 of industrials.

The accounts show that your company has shared in this prosperity and the gross profit for the year, before allowing for taxation and other appropriations, amounted to the record figure of £12,938,000, compared with £10,380,000 in 1950.

SATISFACTORY CASH POSITION

The balance sheet discloses a very satisfactory cash position, current assets, including the loan to De Beers Industrial Corporation (since repaid) exceeding current liabilities by £8,500,000.

The profit and loss account shows that almost half of our revenue was derived from interest and dividends on investments. After allowing for dividends received on our shareholdings in the Consolidated Diamond Mines of South-West Africa, Limited, and the Diamond Corporation, Limited, a substantial amount accrued to us from sources not connected in any way with the diamond trade. We have every reason to believe that these sources of revenue will steadily increase.

TAXATION BURDEN

The Hon. Minister of Finance has decided to increase our taxation to 9s. in the £1. We realise that large sums are required for defence in these difficult and dangerous times, and that everyone must be called upon to make the fullest contribution to the revenue of the country, and under the circumstances we accept the increased taxation as a temporary measure.

I have been connected with the diamond trade for more than 50 years. It is my privilege to have been chairman of your company for the last 26 years, a period which covers the greatest and longest depression in the diamond trade, as well as the recent prosperous period.

I am convinced that the principle of discriminatory taxation is neither justified nor fair to the diamond producing companies. In asserting this principle, I have in mind the vicissitudes of the diamond trade, the large contributions to the state's revenue made in prosperous times, and the efforts made by this company and its associates during good years to put the industry on a sound financial basis. Moreover, discriminatory taxation is against the best economic interests of our country, because it makes the re-opening of old mines more hazardous and the prospecting for diamonds and the equipping of new mines much less attractive.

MR HAVENGA'S VIEW

The vicissitudes to which the diamond trade is exposed can best be described by quoting Mr Havenga's own words. During the prolonged and severe depression in the 1930s, many of the leading personalities connected with the industry were so doubtful about its eventual recovery that they retired from the business. The Minister of Finance (Mr Havenga) also had his misgivings. In presenting his budget in 1937 he proposed that the revenue from diamond export duty should be credited to loan account and not revenue as under the latter heading, owing to its variability, it was a source of embarrassment rather than strength. He also said:

"During every depression the public is inclined to think that matters will never improve again; during periods of prosperity they forget the lean years ahead."

It would appear that the Revenue Authorities have forgotten this wise counsel when they selected the diamond mining companies for discriminatory taxation simply because for the time being these companies are prosperous.

CONTRIBUTIONS TO STATE REVENUE

An important point to consider is whether the diamond companies, as a group, have made fair contributions to the revenue of the state.

For the ten years ended 1941, which covered the period of the severe crisis in the early 1930s, when small profits were made and no dividends were paid, taxation amounted to £1,482,504. For the next ten years which ended with the year 1951, the diamond companies paid the considerable total of £36,621,755 to the Union Treasury. In addition to these amounts, over the ten years ended 1951 the United Kingdom received £11,428,207 and the South-West Administration £4,493,851, or a total of £52,543,813, was paid in taxation during the ten years, exclusive of the 10 per cent export duty paid by the diamond mining companies.

Turning now to the efforts made to place the trade in a sound financial position, we learned, during the depression of the 1930s, that large cash resources are essential for the stability of the trade. In the following ten years, when conditions were prosperous, as a group of companies, we observed a conservative dividend policy, which has resulted in the creation of reserves adequate for the protection of the diamond trade, thus ensuring that we can carry on our mining operations without interruption and that the selling and trading organisations need not have recourse to the banks for financial aid in quiet times.

EXAMPLES OF DISCRIMINATION

I said earlier that discriminatory taxation was against the best economic interests of the country, as it destroys initiative and discourages the financing of new enterprises. I will quote two examples:

First, the Jagersfontein Mine. At December 31, 1951, capital expenditure incurred by your company on re-equipping the Jagersfontein Mine amounted to £1,640,000. Over the period 1946 to 1951, inclusive, working expenditure accounted for a further £1,849,000 or a total of £3,489,000. Since the resumption of mining operations, proceeds of sales of diamonds by the company has brought in £2,472,000, leaving a deficit of £1,017,000 yet to be recouped. Our technical advisers inform us that the life of the Jagersfontein Mine is unlikely to exceed five years. With taxation at 9s. in the £, it is doubtful whether the money laid out on re-equipping and operating the mine will be recovered and there will certainly be no return on the capital invested.

THE PREMIER MINE

The second example concerns the Premier Mine. The capital spent to date on re-equipment totalled over £4 million and our consulting engineers have prepared a statement of the annual profits that can be expected. The figures are:

	£
Revenue—at present prices	2,700,000
Less production costs	1,375,000
Working Profit	1,325,000
Less 60% — Government's share	795,000
Balance	£530,000
From which Income Tax at 9s. in the £ deducted	238,500
Leaving a distributable profit of	291,500

which is clearly an inadequate return on the capital invested in the mine.

During the past year or two, your company has been engaged in an active programme of prospecting and sampling at De Beers Mine and Kamfersdam Mine, situated at Kimberley, and at Koffiefontein Mine in the Orange Free State, with the intention of reopening one or more of these mines if payable values were disclosed. We had always hoped to be able to reopen the Koffiefontein Mine in substitution for Jagersfontein when the latter ceases operations, but with the present high rate of taxation, unless the results of sampling indicate very much higher values than can reasonably be expected, it is clear that your directors would not be justified in incurring the heavy capital expenditure necessary to bring the mine to production, whilst in the case of Kamfersdam we have decided to abandon further prospecting work.

THE OUTLOOK

Shareholders will be interested to have some idea of the future trend of the diamond trade. In my opinion 1952 will be another prosperous year, as the combined gem and industrial sales of £32,856,000 for the first five months have indicated. It is pleasing to report that the industrial diamond business is steadily expanding providing an additional stabilising factor to the diamond trade as a whole. There are, however, tangible signs that the excessive boom conditions are abating, one indication being the drop in prices in the so-called "free market" to levels closer to our own selling rates.

Boom conditions cannot continue indefinitely, and shareholders should be prepared for quieter times but with this difference—they can rest assured in the knowledge that the financial resources of our group will be employed as a stabilising influence in countering any market recession which may lie ahead, and in mitigating or altogether avoiding a recurrence of the disastrous circumstances and vicissitudes experienced by the diamond trade in years past.

The report was adopted.

CITY DEEP LIMITED

FACTORS AFFECTING RESULTS

MR G. V. R. RICHDALE ON ENCOURAGING PROSPECTS

The fifty-first annual general meeting of shareholders of City Deep, Limited, was held on May 28th, in Johannesburg. Mr G. V. R. Richdale, chairman, presided, and said: The net profit in 1951 at £1,090,038 was £379,350 lower than in the previous year. This fact, coupled with the serious decline which has taken place in recent monthly profit declarations, has no doubt been a cause of disappointment for shareholders, as it has been for your board.

When seeking the reasons for this deterioration of the profit position two main factors must be taken into consideration, lower gold recovery and the upward trend of working costs. Until the series of sub-decline shafts which are being sunk from the 45th level of the mine on the 8,500-ft horizon are in commission it is necessary to draw a greater proportion than usual of the ore for the mills from the lower-grade South and Main Reefs in the upper levels of the mine, which naturally has an adverse effect on gold recovery. Furthermore, as was forecast at the annual meeting last year, increased development in this upper area has resulted in a reduction in the average grade of ore developed. Shortages of steel and cement during 1951 retarded operations in these sub-incline shafts, and as a consequence it is unlikely that they will be sufficiently advanced before 1954 materially to affect the tonnage reaching the mill from the Main Reef Leader in the lower levels. It is hoped, however, that when full-scale stoping operations can be undertaken from them the average grade of ore mined will show an improvement.

STEADILY RISING COSTS

It is unfortunate that during this difficult transitional stage, while these plans for the development of the mine in depth are being implemented, your company should be called upon to face steadily rising costs. Working costs, which amounted to 39s. 2d. per ton milled in 1950, rose by 2s. 9d. to 41s. 11d. per ton milled in 1951, the advance being due partly to further increases in wages and benefits to employees, and partly to a sharp rise in the cost of stores.

While dealing with the question of costs, I would like to draw the attention of shareholders to the fact that approximately 35 per cent of sloping operations in the mine is carried out by the resue method which, while it increases appreciably the grade of ore sent to the mill, results in higher working costs. This point should be borne in mind when comparing the company's level of mining costs with that of other mines, and it should be understood that while the adoption of open stoping methods throughout the City Deep would reduce working costs per ton milled it would also result in a considerably lower average grade and on balance a reduced working profit. I may add that it is only in Main Reef Leader stopes that conditions are suitable for this method of mining.

DEVELOPMENT

The total footage developed during the year at 54,883 ft was 4,837 ft less than the figure for 1950. The footage sampled was slightly greater than in the previous year, although due to the fact that, as I have explained, a greater proportion than usual of the total development was carried out on the lower grade South and Main Reefs in the upper levels of the mine, only 8,250 ft or 32.8 per cent were classed as payable compared with 11,925 ft, or 48.1 per cent, in 1950, while the average value of payable disclosures fell from 15.9 dwt over 24 ins to 14.2 dwt over 23 ins.

It would be misleading to attach undue significance to the decreases in the footage developed and in the percentage payability. Nevertheless, these factors are in these days of rising costs, and consequently higher pay limits, a clear indication of the necessity for pressing forward with all possible speed with the opening-up of the lower levels of the mines where it is expected that the average grade will be higher. In this connection it is satisfactory to know that the relatively small amount of development so far carried out in this area has disclosed some encouraging values which tend to confirm our hopes of a better average grade in future.

POWER SHORTAGE

In common with the majority of gold-mining companies, City Deep experienced during the year a severe decline in the supply of non-European labour, which is becoming an increasingly difficult problem exercising the active attention of the industry as a whole more now than ever before. The shortage of electric power on the Witwatersrand, which is likely to continue for the next few years, is another factor which tends to increase the difficulties of maintaining profits at the 1950 level. In spite of every effort to decrease its requirements during peak periods, your company's mine suffered many power cuts during 1951 and any further deterioration in the position will inevitably prove detrimental to production.

CAPITAL EXPENDITURE

It was expected that capital expenditure incurred during 1951 would be of the order of £650,000. Owing to shortages of steel and cement, to which I have already referred, the amount actually spent on capital equipment was only £211,306, most of this sum being incurred in connection with the deep level sub-incline shafts and the extension of the City reduction plant. Capital receipts from sales of freehold reduced this sum to a net figure of £193,403, to which was added £27,985 as an adjustment to the cost of the acquisition of the Nourse Mines, Limited, property, bringing the net capital expenditure for the year to £221,388. Capital funds on hand at December 31, 1950, amounted to £181,924 and were therefore exhausted during the year, the balance of £39,464 expenditure on capital account being appropriated from profits.

Capital expenditure during the current year is likely to be of the order of £360,000. The full capital programme, which includes the provision in due course of additional cooling plant to enable stoping operations to be carried out in the new deep level areas of the mine, will continue to be financed from profits. In the light of the much lower level at which these profits are now running, however, it is clear that this can only be done at the expense of the dividend position, which must be subjected to substantial encroachment during the next few years. The situation is temporarily difficult, but at the same time it contains many signs of encouragement for the future. Once the present transitional stage has been completed the grade position may be expected to improve, while the heaviest incidence of the capital expenditure programme will have passed. The prospects for the future prosperity of your mine should then be good.

The report was adopted.

THE BRITISH SOUTH AFRICA COMPANY

SIR DOUGAL MALCOLM ON THE IMPROVED RESULTS

The annual meeting of The British South Africa Company was held on May 29th in London.

Sir Dougal O. Malcolm, KCMG, the president, in the course of his speech, said:

Our profit at £2,723,209 is very nearly double that of last year, which was £1,460,742. This great improvement is, of course, due mainly to the increase of nearly £2,500,000 from a little over £3 million to over £5,500,000 in our revenue from our mineral rights. This, of course, is due in the main to an increase in the amount of copper produced in Northern Rhodesia, from 265,000 tons odd to 297,000 tons odd, and to a great increase in the price of that production on which our royalties are based from just under £36,500,000 to nearly £56 million. Taxation for the year has increased by about £1,600,000 to £3,735,129.

DIVIDEND POLICY

The figures, I am sure you will agree, reflect a very strong position. We have had to consider very carefully our dividend policy, and you may feel that, in the light of an increase in our profit for the year under review of about £1,260,000 as compared with last year's figure, our proposed final dividend for the year of 26¼ per cent, which with the interim dividend of 13¼ per cent paid last November brings the total for the year to 40 per cent, or 6s. per unit of stock or share of 15s., as compared with last year's 33¼ per cent, or 5s., absorbing £1,379,779, as compared with £1,204,569, is a very modest one. At least you will agree that we have taken very full account of the Chancellor of the Exchequer's adjuration in his Budget speech that there should be what he calls "a sane policy of dividend limitation."

We have also had to take into account the probable effect on our fortunes of the proposed Excess Profits Levy, assuming that the Finance Act will impose a levy substantially in accordance with the Budget proposals as they seem likely to be amended by Parliament.

The production of copper from Northern Rhodesia amounted during our year under review to 297,380 tons at an average price as calculated for our royalty purposes of £186 7s. per ton, has so far proceeded during the first six months of the year now current at the rate of 301,850 tons for a full year at a corresponding price of £209 11s. per ton, and this notwithstanding continued difficulties in the matter of fuel supply to the mines. We must not forget the possibility of changes which we cannot control, or the chapter of accidents. Certainly the four great copper producing mines of Northern Rhodesia and and Rhodesia Broken Hill Development Company are very prosperous, and they are not all. Opening up of some new important copper mines is in prospect, and new large-scale prospecting enterprises covering large areas of Northern Rhodesia are being vigorously pursued.

Meanwhile our very modest dividend proposal will enable us to add no less than £1,222,000 odd to unappropriated profits, thus furnishing us with ample funds for the prosecution of the policy which I endeavoured to lay before you last year of building up a great body of long-term investments not only in Rhodesia, but in other South African enterprises, particularly mining enterprises, in regard to which, along with our business associates and friends, we have good opportunities of keeping ourselves well informed.

The report was adopted.

CENTRAL PROVINCES MANGANESE ORE

CONTINUED WORLD DEMAND

ONEROUS TAXATION BURDEN

MR H. R. HOLMES ON THE RECORD RESULTS

The forty-fourth annual general meeting of the Central Provinces Manganese Ore Company Limited, was held on June 4th in London, Mr H. R. Holmes, chairman and managing director, presiding.

Mr A. Linton, MC (director and secretary), read the notice convening the meeting and the report of the auditors.

The chairman said: Ladies and gentlemen —The report and accounts for the year ended December 31, 1951, have been in your hands for some time and I propose, with your permission, to take them as read. (Agreed.)

Before asking for your approval of the accounts I would like to make a few comments on the figures which appear in the balance sheet and profit and loss account.

In my speech to you last year I foreshadowed that the prospects for 1951 were satisfactory, and this has proved to be the case, as the balance on trading account at £1,937,389 constitutes a record for the company. It has been possible to achieve these results owing to the continued demand for our ore in the world's markets and to the prices at present prevailing.

Owing primarily to the large amount which has to be provided for taxation—namely, £1,257,500—the net profit available for the year is only £643,386. The question of taxation is a very serious one as the company is subject to the full rate of tax obtaining in India, and in the absence of any tax convention between that country and the UK, we get relief in this country only, and that relief is limited to approximately 75 per cent of the UK taxes.

I would here like to mention that, apart from the £939,500 paid in respect of Indian taxes, considerable benefits accrue to the Government of India from our manganese ore business. The export duty on the ore we shipped during 1951 amounted to more than half a million pounds, while royalty on the ore railed was over £110,000, making altogether a total of more than one-and-a-half million pounds. In addition, we give employment to many thousands of Indians, whose wages and the many amenities provided for them amount to a very large sum annually.

Income from investments is higher at £30,500, as compared with £17,125, due to the increase in our holding of British Government securities.

On the other side of the profit and loss account, the sum charged for depreciation of fixed assets is higher. This, of course, is due to the fact that as we continue our programme of mechanisation the amount of capital invested in plant and machinery increases.

APPROPRIATIONS

Your directors recommend that out of the net profit available the following appropriations should be made:—To staff benefit fund, £20,000; to workers' welfare fund, £10,000; to general reserve, £100,000. An interim dividend of 1s. per unit, free of tax, has already been paid, and it is proposed that a final dividend of 2s. per unit, free of tax, plus a bonus of 2s. per unit, free of tax, should be paid, together absorbing £500,000.

This will leave £185,066 to be carried forward, as compared with the amount of £176,357 brought in.

With regard to the allocation of £20,000 to the staff benefit fund, it is essential that this fund should be built up whenever we can afford to do so, in order to provide something for our staff, both European and Indian, when the time comes for them to retire. With taxation at the present level it is impossible for anyone to save sufficiently for retirement, as you all must know, and I feel sure that this allocation will have your approval.

WORKERS' WELFARE

The Government of India are very keenly interested in the welfare of all work-people in industry, and your directors have no hesitation in recommending the allocation of £10,000 to the Workers' Welfare Fund. From the accounts you will see that during 1951 the sum of £8,170 was spent on various projects for the welfare of our work-people. These projects were decided upon in consultation with the trade union and the representatives of our labour force.

The health of our labour force in India continues to be good, and constant attention is being given to housing, sanitation, water supply and the control of malaria.

In the accounts we have also provided for a sum sufficient to give those of our work-people who qualify for it by service during the year a cash bonus on similar lines to that drawn by the staff. The Contributory Provident Fund for our work-people, to which I referred last year, came into operation from January 1, 1952.

These are very important matters and it is most desirable that our relations with our labour force should continue on the same satisfactory footing as they have been for many years past.

BALANCE SHEET FEATURES

Turning to the balance sheet, you will notice on the assets side that the value of stocks of manganese ore has fallen from £628,363 to £530,828. Railings during the year were not sufficient to equal our forward sales and we had consequently again to encroach on our stocks to some extent, in the endeavour to meet these commitments.

Sundry debtors and payments in advance have risen from £74,139 to £202,544, which is due to an increase in the tonnage afloat at the end of the year and to payments for machinery.

The only other point on the assets side to which I need draw your attention is the increase in the total of British Government securities, tax reserve certificates, and cash, which together amount to £2,472,799, against £2,037,976. There is, on the other hand, a substantial increase, principally in respect of taxation, on the liabilities side.

DIRECTORS' VISITS

Early this year two of your directors—Mr Linton and myself—visited the United States of America with the object of keeping in touch with our very important customers there, who are the largest producers of ferro-manganese in the world. Our object was also to fix up further contracts with them, which we were able to do on satisfactory terms. Although I have said this before, I would not like this opportunity to pass without expressing our keen appreciation of the great understanding of our problems that they showed, and also of their very kind hospitality to us during our visit.

During the past winter two other of your directors—Major Herring and Mr Bartlett—visited the mines in India, when they made a thorough examination of the mines and settled several outstanding problems. They submitted full and informative reports to the board, and there is no doubt that these periodic visits to the mines by members of the board are of the utmost value to the company.

MINES IN GOOD CONDITION

Generally speaking our mines are in very good condition, with development work well ahead of ore extraction. The mechanisation of some of the mines is proceeding, and, as I have mentioned previously, this is very necessary, as we cannot get the number of work-people that we require.

With regard to diamond drilling, our immediate programme at Balaghat and Ukwa mines is completed and the plant has now been transferred to our Kandri mine.

Last year I referred to a heavy media separation plant which we are to instal at our Dongri Buzurg mine to extract the manganese ore from our old dumps there. Much of the machinery for this has now been shipped to India, and I hope that we shall have it erected and working by the end of this year.

I am glad to be able to say that there is considerably less delay than formerly in the granting of import licences by the Indian authorities.

The demand for our ore in the world's markets continues to be in excess of the amount available, and prices remain firm.

Railings are one of our constant anxieties, particularly during the first half of each year, which is the dry season, and this has again been the case this year. Nevertheless, assuming that there will be the normal improvement during the second half, I think I may say that the prospects for the current year's trading are satisfactory.

TRIBUTE TO STAFF AND AGENTS

Again I have pleasure in acknowledging the excellent work of the staff both in India and in London, and also of our shipping agents in India, Messrs James Finlay and Company, Limited. I am sure that they will appreciate the thanks of the stockholders which, with your approval, I propose to convey to them. We have a good staff, and I would particularly like to mention again our agent and general manager in India, Mr W. A. Hardy. In addition to the general supervision of the work on the mines, he has to deal with many matters of considerable complexity, and largely as a result of his efforts I am glad to say that our relations with the Government authorities in Delhi and with the Provincial Government continue on a satisfactory basis.

I now beg to move:—"That the report of the directors and statement of accounts as

at December 31, 1951, be and are hereby approved and adopted, and that the profits be appropriated as recommended by the directors." I will ask Major Herring to second the motion, and before putting it to the meeting, I shall be glad to deal with any questions which stockholders may wish to ask.

Major A. C. Herring, VC, ACA, seconded the resolution, which was carried unanimously.

The Board's proposal of a final dividend of 2s. per unit, free of tax, and a bonus of 2s. per unit, free of tax, was also approved.

The retiring director, Mr L. H. Bartlett, OBE, was re-elected, and the remuneration of the auditors, Messrs W. A. Browne and Co., having been fixed, the proceedings terminated with a vote of thanks to the chairman, directors and staff, both at home and abroad.

AMALGAMATED ROADSTONE CORPORATION

EXCELLENT TRADING RESULTS

MR J. S. KILLICK'S STATEMENT

The sixteenth annual general meeting of Amalgamated Roadstone Corporation Limited was held on June 4th in London, Mr J. S. Killick, CBE, MInstCE (the chairman), presiding.

The following is an extract from his circulated statement:—

The accounts and reports clearly show the company's position. I would, however, draw your attention to the following points: Trading profit, after depreciation, amounts to £456,857, which is £143,529 more than last year. Depreciation at £156,396 is £33,131 higher. Carry forward is increased by £69,972 to £152,786. Initial allowances of £51,735 are increased by £7,223. Taxation for the year, £170,777, is £69,271 higher than the previous year. Provision towards future taxation of £20,000 is an increase of £10,000. Tax equalisation (initial allowances) of £46,813 is £10,647 over last year. Provisions towards future taxation now total £194,976.

During the five years ending October 31, 1951, capital expenditure (less sales)—almost entirely on postwar and re-equipment mechanisation and expansion, not forgetting considerable addition to our road transport—has amounted to £1,455,600, of which no less than £820,000 has been contributed out of profit by way of initial allowances and depreciation, and this current year's similar contribution will be at least a further £250,000. Since the date of the balance sheet, the capital redemption policies have been surrendered, realising £80,731.

Initial allowances, of course, came to an end at the end of March this year, and it is therefore fortunate that we have been able almost to complete this important programme and that from now onwards the ordinary depreciation allowances should suffice to cover such similar expenditure as may prove necessary. Your properties have now been put into a condition second to none in the country, such as to enable us to meet any competition.

Now that we have this burden of heavy capital expenditure behind us we should hope, but for increased taxation, the effect of which it is as yet difficult for us to assess, to show an increasing margin above the rate of our current dividends.

The balance-sheet value of the fixed assets totalling £2,534,012, comprises properties (freehold and leasehold) £934,585, and plant, equipment and transport £1,599,427, the latter figure exceeding by only £144,000 the capital expenditure of the last five years above mentioned.

Highway engineers and road users alike realise that the roads of the country, taken as a whole, are deteriorating. Probably the members of the Government are of a similar opinion, but unfortunately the country's financial position does not appear to permit of adequate funds being made available to Highway Authorities. That position must sooner or later be rectified, and when that time comes your company will undoubtedly benefit.

You will be pleased to hear that the first five months' trading results of the current year show a substantial improvement over the corresponding period of last year.

I cannot conclude without expressing my own gratitude, and I hope yours, for the whole-hearted and loyal co-operation of your company's personnel which has so largely contributed to the excellent results of the year's trading portrayed in the accounts under review.

The report and accounts were adopted, and the dividend distribution of 10 per cent for the year was approved.

THE BURY FELT MANUFACTURING COMPANY

RESULTS SATISFACTORY DESPITE DIFFICULTIES

LT-COL BUCKLEY ON RAW MATERIAL PRICE FLUCTUATIONS

The forty-seventh annual general meeting of The Bury Felt Manufacturing Company, Limited, was held on June 5th in Manchester, Lt-Col A. Buckley, CBE, DSO, JP (the chairman), presiding.

The following is the statement by the chairman which had been circulated with the report and accounts for the year ended December 31, 1951:—

Shareholders will notice a slight decrease in the trading profit of the past year to £280,274, as against £293,968 for 1950. Owing to the increased rate of profits tax on the gross figure of distributed profits, there is little reduction in the amount charged for taxation, namely, £145,667, compared with £146,472 in the previous year.

The sum of £20,000 has been charged for depreciation and is added to the reserve account in the balance sheet in furtherance of the procedure outlined in last year's report. Further normal charges and credits result in a net profit for 1951 of £109,074, as against £123,426 for 1950.

This year your board recommends transfers of £30,000 to general reserve and a further £20,000 to contingencies and stock depreciation reserve. Initial taxation relief of £3,000 on capital expenditure during the year is carried forward for future allocation.

The staff pension fund initiated some two years ago at a cost of nearly £16,000 has been beneficial both to your company and to the staff, and it is now proposed to extend the scope of the present scheme to embrace working foremen and, for this purpose, the sum of £7,000 has been appropriated from the year's profits.

Your board recommends a dividend on the ordinary capital of 75 per cent, less income tax at 9s. 6d. for the year ended December 31, 1951, which, with the preference dividends, absorbs £41,344 net. This figure, as a matter of interest, may be compared with £57,000 for profits tax alone on the year's profits, total taxation being some three-and-a-half times the actual amount distributed to shareholders. After the above appropriations, the balance remaining in profit and loss account is £145,137, against £137,814 brought forward at the commencement of the year. Reserves and the balance of profit and loss account now total £536,406, against £448,676 at December 31, 1950.

POLICY OF LIQUIDITY

The cardinal feature of our industry during 1951 has been the fluctuation in the prices of raw materials. During the year, your management concluded that the existing economic circumstances and the prospects for 1952 dictated a policy of liquidity. It will be observed that the stock in trade at December 31, 1951, is valued at £263,922, a reduction of more than £100,000 on the figure of 12 months ago. Your company was affected by the incidence of falling values, but the necessary provision at December 31, 1951, was duly made before arriving at the trading profit and was no greater than might have been required in a year of less extreme price fluctuation.

Cash resources have increased from £361,490 to £503,909.

At the date of this statement, the Finance Bill is still under discussion but, on the facts available, it would appear that your company will not be liable for an appreciable amount of Excess Profits Levy unless profits exceed those disclosed by the accounts now reviewed.

Throughout the year it has been the endeavour of your management to minimise the effect upon the company's customers of violent price fluctuations. Even at the peak of wool prices in the earlier part of the year, few of the prices charged for our products fully reflected the increase in raw material costs. This policy, we believe, has done much to cement the goodwill of our customers, many of whom have been loyal supporters for nearly fifty years.

FACTORIES FULLY EMPLOYED

At the present time, all your company's factories are fully employed. Nevertheless, competition has become keener. Costs of production continue to rise, particularly the cost of supplies and services from the nationalised industries which are still increasing at an alarming rate. The efficiency of the nationalised and monopolistic concerns warrants the serious consideration of a competent and neutral authority if exporting industries are to feel assured that their prices do not carry the incubus of unwise and unnecessary expenditure.

Your company, in common with other industrial concerns, cannot remain immune if its customers are adversely affected by the difficulties of the times. But without indulging in excessive optimism I am not unhopeful of the future. We are well equipped to maintain our position in the industry and you can be assured that every effort will be made to overcome whatever difficulties we may have to meet.

In conclusion, I am happy to state that the company's relations with its staff and employees have continued on an amicable basis throughout the year. Their efforts have enabled such a satisfactory result to be attained and our thanks are due to them for their loyalty.

The report was adopted.

CROWN MINES, LIMITED

POSITION CAUSING ANXIETY

MR W. H. A. LAWRENCE'S ADDRESS

The fifty-sixth annual general meeting of shareholders was held on May 28th in Johannesburg.

Mr W. H. A. Lawrence, chairman, presided and said: The directors report and the audited balance sheet and accounts for the year ended December 31, 1951, presented for your approval and adoption today, together with the accompanying reports of the consulting engineer and the general manager, contain full particulars of the operations at the mine during the period under review and of the financial results obtained.

The position at the mine, as you will have observed from these reports, is causing anxiety. The labour strength, both European and native, continues to be far below requirements, thereby restricting output to below the capacity of the plants and adversely affecting operations in other directions. This fact in itself is serious, but what is of graver concern is the steady and persistent decline in values and percentage of payability on the main reef leader with increasing depth. This unfortunate feature coupled with the extent to which working costs have risen must seriously affect the economic prospects of the ore remaining in the property below the present levels.

The figures given in the tabulation in the consulting engineer's report clearly indicate the degree of the falling off during last year in the tonnage and grade of the ore milled, resulting in a decrease of 51,514 ounces fine in the total gold recovered as compared with the previous year. This serious decline coupled with the increased working costs reduced the margin of profit by 3s 10d per ton milled. These factors caused the working profit to diminish by the substantial amount of £695,728 despite an increase of £218,973 in the additional revenue received during the year from the sale of gold at enhanced prices.

The higher cost of commodities and further wage concessions granted to employees throughout the gold mining industry caused working costs to continue to rise steadily during the year until they reached the average figure of 38s 7d per ton milled for the last quarter of the year, as compared with the average of 35s 10d per ton milled for the whole year. This trend in costs is rendering unpayable more and more of the marginal ore in the mine and narrowing the margin of profit on the payable ore.

Your attention has been drawn in the past to these various adverse circumstances and trends, but the general position and prospects at the mine deteriorated sharply during 1951 as a result of the large increase in working costs, the continued decline in yield, the substantial decrease in values exposed on the Main Reef Leader and the disclosure of the serious proportions and extent of the reef dislocation at the bottom of the mine.

EFFECT OF ADVERSE OPERATION CONDITIONS

The table below which compares the salient details of results during the first four months of the current year with those for the same period of 1951 reflects the continued effect of the adverse operation conditions:

There are small tonnages of the main reef and south reef still to be mined, but the main reef leader is now the only reef of economic importance and is being worked at depths approaching 9,000 feet. I have referred at previous annual meetings to the decline in the values and percentage of payability of this reef with increases in depth, and it is now the case that the lowest levels of the eastern and central sections are generally unpayable. Shaft sinking in these sections has been completed and only a limited amount of development remains to be done. In the western section, however, where the workings are not quite as deep, current development is still payable although the values and percentage of payability continue to show declining trends.

FUTURE OF SOUTHERN AREA

In my address last year I informed you of the intersection of a strike dyke in the south-eastern portion of the mine. Work carried out during 1951 and to date in the current year has indicated that the dyke, which varies from 280 to 600 feet in thickness, persists for at least two-thirds of the width of the property at a depth of about 9,000 feet. The reef has been thrown down more than 500 feet on the south side of the dyke. The question of the future of this southern area is at present under close investigation from all angles and particularly in the light of the heavy capital expenditure which would be necessary on shaft sinking and development to open it up beyond the dyke at nearly 10,000 feet below the surface. The fact that values to the north of the dyke are generally unpayable, coupled with the poor values intersected in boreholes and in the limited development done south of the dyke, indicates that economic exploitation of the area below the dyke is improbable. Although the working life prospects of the mine have been seriously jeopardised by these developments there are certain factors which will tend to arrest further declines in working profits in the immediate future. The reduced scale of incline shaft sinking and development at depth will help to affect any minor increases in working costs that may take place. The reserves of ore contained in shaft pillars are substantial and their values are well above the average for the mine. All the payable ore development in the eastern half of the mine will have been stoped out by the time the pillars of the shafts serving that area have been extracted.

GROUND FOR MODEST ENCOURAGEMENT

In its time Crown Mines has been one of the greatest of the gold mines of South Africa and it is still one of the best known. The peak of its gold producing and profit earning capacity was reached a number of years ago, however, and since that time the fortunes of the mine have declined gradually but inexorably. All mines are wasting assets and Crown Mines is no exception to the rule. In recent months the unexpectedly severe increase in working costs which has taken place throughout the goldmining industry, together with the serious shortage of native labour and such local difficulties as the big strike dyke to which I have referred and a general falling off in the mine grade, have combined to accentuate sharply the waning prosperity of your mine. There are, however, as I have already indicated, certain aspects of the situation which give ground for modest encouragement. Considerable progress has already been made with the task of arresting the rapid deteriorating of the position which has taken place since our meeting last year. The technical problems involved have been tackled most actively by the mine management and the company's technical consultants, while all aspects of the matter, technical as well as financial, constantly receive the close attention of your board. As a result of the frequent and detailed assessments which are made of the difficulties facing the mine and of the prospects of the future I feel able to state with some confidence that there is every likelihood of profits being maintained at their present level during the next few years and even perhaps of some modest improvement in the position.

I now move that the audited accounts for the year ended December 31, 1951, the balance sheet at that date and the report of the directors, laid before the meeting, be received and adopted.

The report and accounts were adopted.

	Jan./April, 1952	Jan./April, 1951	Incr or Dec.
Tons milled	1,044,000	1,063,000	Dec. 19,000
Yield per ton milled	3·286 dwt.	3·485 dwt.	Dec. 0·199 dwt.
Working revenue	£2,136,778	£2,306,493	Dec. £169,715
Working revenue per ton	40s. 11d.	43s. 4d.	Dec. 2s. 5d.
Working Costs	£2,007,555	£1,840,124	Inc. £167,431
Working costs per ton	38s. 5d.	34s. 7d.	Inc. 3s. 10d.
Working Profit	£129,223	£466,369	Dec. £337,146
Working profit per ton	2s. 6d.	8s. 9d.	Dec. 6s. 3d.
Additional revenue from sales of gold at enhanced prices	£73,511	£131,404	Dec. £57,893
Development footage	31,663	37,266	Dec. 5,603

RANSOMES, SIMS AND JEFFERIES

SHORTAGES AFFECT PRODUCTION

The sixty-eighth annual general meeting of this company was held on May 30th at Ipswich, Mr Reuben J. Hunt, chairman, presiding.

The following is an extract from his circulated statement:

The year 1951 has been dominated by heavy increases in costs of manufacture arising from national causes quite beyond the control of your board. It has also been a year of further progress in widening even further your company's already large overseas trade and connections, but production has been upset by serious material shortages.

Our group net profit of £216,648 in comparison with the estimated capital employed of £5,450,905 is only 4 per cent. All concerned must agree that this rate of net remuneration on capital employed is not only far from excessive, but on the contrary is lower than necessary. I wish to draw particular attention to this point in view of the careless and uninformed political statements regarding excessive profits which are giving a false impression quite contrary to the national interest.

Income tax and profits tax are over eight times the net amount distributed to preference and ordinary stockholders. High taxation rates will in the long run be disastrous from the point of view of the country's productive capacity. I take the gravest view of the newly introduced excess profits levy.

In spite of all the difficulties, including material shortages, our last year's volume of Home trade has been maintained this year and still exceeds the volume of our export trade. We have shipped goods during the year to over one hundred different countries, of which seventeen are in the dollar area, but the biggest part of our export trade this year has been within the sterling area.

The report was adopted.

BRISTOL AEROPLANE COMPANY, LIMITED

INCREASED TRADING PROFIT

The forty-second annual general meeting of the Bristol Aeroplane Company, Limited, was held on June 5th at Bristol.

Sir William G. Verdon Smith, CBE (the chairman), in the course of his speech said:—

Profit and loss account.—The consolidated profit and loss account shows a trading profit after depreciation of £1,349,945—an increase of £231,853.

Taxation increased from £694,571 in 1950 to £941,455 in 1951.

Provision for depreciation of fixed assets amounts to £580,344 compared with £367,979 in 1950. With the final settlement of our liability to tax during the EPT years, provisions amounting to £778,886 no longer required, together with the transfer to general reserve of £271,114 from 1951 profits, make a total of £1,050,000 retained in the business, and we recommend a final dividend of 8½ per cent. This, with the interim dividend of 5 per cent, results in a dividend of 13½ per cent for the year.

Balance carried forward in the consolidated accounts is £405,484, compared with £359,663 for 1950.

Balance Sheet: Capital, reserves and surplus have increased by £1,086,479 from £8,049,091 to £9,135,570.

REVIEW OF COMPANY'S ACTIVITIES

The year 1951 was one of great endeavour, and our activities reflected the nation's increasing concentration on the overriding needs of export and defence.

Freighters: Orders for close on 200 have contributed handsomely to our earnings of foreign exchange and we are increasing capacity.

Britannia: The first flight of the prototype is due shortly. Britannia promises to be the first aircraft truly capable of low-cost air travel.

Helicopters: The Sycamore, single-rotor model, is now in limited production. Type 173, the world's first twin-engined helicopter, started its flight trials early this year, and we are looking ahead to a still larger size of helicopter.

Piston Engines: We hold substantial orders for "Bristol" Hercules and Centaurus piston engines.

Gas Turbines: The Proteus Series II received its ARB type approval certificate and the Proteus Series III recently made a brilliantly successful start to its experimental running.

Development of the Olympus turbo-jet has gone ahead well and gives us good grounds for confidence.

Cars: The "Bristol" car and engine go from strength to strength.

Buildings: The Bristol Aeroplane Company (Weston), Limited, continues to develop and supply buildings for home and overseas.

Overseas: Following the formation of Bristol Aeroplane Engines (Eastern) Limited we are building a new factory in Montreal, Canada. We have also formed The Bristol Aeroplane Company (Australia) Proprietary Limited to develop all our interests in Australia.

General: To our civil commitments we have added a large defence effort on guided missile and other important aircraft and engine projects.

AUTOMATIC TELEPHONE AND ELECTRIC CO.

The annual general meeting of the Automatic Telephone and Electric Company Limited will be held on June 24th in London.

The following is an extract from the statement circulated by the chairman, Sir Alexander Roger, KCIE:

The profit of the parent company before charging taxation amounts to £1,171,981 as compared with the 1950 figure of £1,269,436. After £686,539 is provided for taxation (58.6 per cent) the net profit is £485,442. Dividends at the same rates as last year are proposed.

During the past year the value of sales was a record in the company's history. In common with manufacturers in this country we have, during the years since the war, vastly expanded our exports of telephone equipment.

I have great doubts, however, whether this concentration on the export market regardless of the requirements of the home market, has not been carried too far in the case of telephone equipment and very likely in the case of other industries. Quite apart from the needs of the public whose demands for telephone service will not be met for increasingly longer periods, the industry can best rest on the solid foundation of a growing demand in the home market.

What lies ahead is beyond the wit of most of us to foresee, but if the nation could recapture the spirit of 1939-45 and cast out the doctrines which all too frequently disrupt the team effort of the people, we could then with confidence look for the restoration of better times and the improvement of our world position.

INTERNATIONAL PAINTS (HOLDINGS) LIMITED

INCREASED SALES

The forty-fourth annual general meeting of International Paints (Holdings) Limited, will be held in London on June 25th.

The following is an extract from the circulated statement by the chairman, Mr Charles R. Petrie:

As a result of the changes which were authorised by extraordinary general meeting last year, your company ceased trading at June 30th and is now a holding company with investments in a group engaged not only in the manufacture and sale of paints, varnishes, distempers and ships' compositions, etc., but also of steel containers, spray gun equipment, electric scaling hammers and in several other activities. Group companies are to be formed throughout the world in sixteen countries and operating in all twenty-two paint factories.

The total profit of the group for the year under review is the highest figure in the history of the company, the increase over the previous year reflecting the greater value of sales, both at home and abroad. Home sales showed a satisfactory expansion and I am pleased to say that our export sales increased by 48 per cent. This increase, although very gratifying, would have been even greater, had it been possible to obtain import licences to satisfy all overseas demands for our products.

We have fully maintained our position as the largest supplier to ships throughout the world, and during the year we have coated a large proportion of new ships with *International* Anticorrosive and Antifouling, including the new well tried "Silver Primocon" which has met with singular success on new ships.

LICENSES AND GENERAL INSURANCE COMPANY

MR RONALD GILBEY'S ADDRESS

The sixty-second ordinary general meeting was held in London on June 4th.

Mr Ronald Gilbey (the chairman) presided, and in the course of his address, said:—

My optimism of twelve months ago would seem to have been justified, for as will be seen in the figures before you very definite progress has been made.

The premium income shows an advance of £264,307, while interest earnings are higher at £74,760—the total income, therefore, being £2,209,774.

In the life department we have continued to pursue the quiet way, avoiding any speculative increase, for we believe in maintaining a conservative policy and we are laying foundations which must be of present and ultimate value.

Generous support has enabled the fire premium income to advance to £613,595. Claims have been on a reasonable level at 45.2 per cent. Having provided for unexpired reserve, and for outstanding claims, the profit transfer is double that of the previous year at £60,366.

Our miscellaneous account, which you will remember includes license, public liability, burglary and many forms of accident business, continues to show progress, the premium income having advanced to £473,222. The claims ratio at 50 per cent suggests a reasonable experience and all necessary reserves having been adjusted to requirements, there is a resultant profit of £43,360.

A final dividend of 25 per cent, making 40 per cent for the year, was approved.

EXPERT TOOL AND CASE HARDENING COMPANY

IMPROVED RESULTS

The thirty-first ordinary general meeting of the Expert Tool and Case Hardening Company Limited was held on June 5th in London.

Mr A. H. Redfern, the chairman, in the course of his speech said: The net profit for the year under review is £147,292 against £110,527. The revenue authorities take no less than £97,250 for taxes this year, and the net surplus amounts to £50,042 compared with £39,567. The proposed excess profits levy is, in my opinion, very much to be deprecated. The economic needs of the country call for continued improvement in production methods and for drive and expansion in business generally. The proposed levy removes not only the incentive but also the capital needed. The levy will involve your company in still higher taxation, but will in no way prejudice the continuation of the same rate of dividend if, as we hope, the net profits are reasonably maintained.

Your directors recommend a final dividend of 15 per cent less income tax, making 26½ per cent for the year. After payment of the dividends on both the ordinary and preference shares, transferring £20,000 to general reserve (against £10,000), £1,050 to preference share redemption and providing for loss on trade investment, there remains £23,502 to be carried forward against £22,155 brought in.

The order books of your subsidiary companies are in a healthy state and the trading results of the current year to date show an improvement on last year.

The report was adopted.

NATIONAL BANK OF EGYPT

Incorporated in Egypt
Liability of Members is Limited

Head Office - - - CAIRO

Commercial Register No. 1 Cairo

FULLY PAID CAPITAL - - £E.3,000,000
RESERVE FUND - - - - £E.3,000,000

London Office:
6 & 7 KING WILLIAM STREET, E.C.4

Branches in all the Principal Towns in EGYPT and the SUDAN

UNIVERSITY COLLEGE OF NORTH STAFFORDSHIRE
LECTURESHIP IN ECONOMICS

Applications are invited for a Lectureship in Economics. The holder of the post will be required to give instruction in Mathematical Economics to students taking a joint Honours Course in Mathematics and Economics. Salary £550 x £50—£800 x £50—£1,100. Initial salary within this scale will depend upon qualifications and experience. The candidate appointed will be required to reside in College accommodation when this is available. Application forms and further information can be obtained from the Head of the Department of Economics, The College, Keele, Staffordshire, to whom applications should be forwarded not later than June 21, 1952.

WEST AFRICAN INSTITUTE OF SOCIAL AND ECONOMIC RESEARCH. UNIVERSITY COLLEGE, IBADAN, NIGERIA

Applications are invited for the post of Executive Officer to supervise and assist in planning an Agricultural and Economic Survey of the Northern Provinces of Nigeria with emphasis on the ground-nut- and cotton-growing areas. Appointment of two to three years' duration. Salary in the range £1,500 to £2,000 p.a. The project will be in association with the Nigeria Produce Marketing Boards.

Applications (six copies), giving full details of qualifications and experience, and the names of three referees, should be sent to the Secretary, Inter-University Council for Higher Education in the Colonies, 1 Gordon Square, London, W.C.1, from whom further particulars may be obtained. Closing date June 21, 1952.

OTTOMAN BANK
(Incorporated in Turkey with Limited Liability)

NOTICE IS HEREBY GIVEN that in accordance with Article 29 of the Statutes, the Annual General Meeting of Shareholders will be held on Wednesday, the 25th June, 1952 at Winchester House, Old Broad Street, London, E.C.2, at 12.30 p.m., to receive a Report from the Committee with the Accounts for the year ending 31st December, 1951; to propose a Dividend; to receive statements regarding the Convention between the Turkish Government and the Bank and its renewal, and a report on the exercise of the powers previously conferred upon the General Committee; and to replace the retiring Members of the General Committee.

By the 27th Article of the Statutes the General Meeting is composed of Shareholders possessing at least 30 shares, who, to be entitled to form part of the Meeting, must deposit their shares at the chief office of the Company, Istanbul, or at either of the several branches or agencies abroad (in London at 20/22, Abchurch Lane, E.C.4, and in Paris at 7, rue Meyerbeer, 9me), 10 days at least before the day fixed for the Meeting.

J. VASSALL ADAMS, Secretary to the Committee.

3rd June, 1952.

THE CUNARD STEAM-SHIP COMPANY, LIMITED
FIVE PER CENT CUMULATIVE PREFERENCE STOCK
SIX PER CENT SECOND CUMULATIVE PREFERENCE STOCK

NOTICE IS HEREBY GIVEN that the Transfer Registers in respect of the above Stocks will be closed from June 11 to 17, 1952, both dates inclusive, for the purpose of preparing Warrants in respect of Dividends for the half-year ending June 30, 1952, to be paid on and after July 1, 1952.

By Order of the Board.
H. EAVES, Secretary.

Offices: Cunard Building, Liverpool June 5, 1952

LAST minute Continental Holidays not arranged for the masses but individually for you. 10 days in Spain from £26 19s. 6d.; Italy £25 19s. 6d.; France £18 10s. 6d.; 7 days in Paris from £13 15s.—Write for brochure or 'phone: Business & Holiday Travel Ltd., Grand Buildings, Trafalgar Square, London, W.C.2. WHItehall 4114/5.

AMERICAN Professor, visiting England academic year 1952-53, wishes rent furnished flat or house; preferably London, Cambridge or Oxford.—Write details to Cyril Bibby, 14, The Avenue, Barnet, Herts.

SELL JEWELLERY

to JAMES WALKER — *Established 1823*

Prompt settlement up to any amount. Expert valuations without obligation. For large collections a representative will be pleased to call. 77 Branches at your service. Parcels should be sent (by registered post) to Head Office:—

Specimen offers:

£5-£5,000
Diamond and other Precious Stone Rings, Bracelets, Brooches, etc.
£15-£100
Gold Cigarette Cases
£5-£100
Cultured Pearl Necklets.

Also equally high prices for Sports Trophies, Collector's Coins, Medals, Silverware, etc.

James Walker

D.98. 145, HIGH ROAD, STREATHAM, LONDON, S.W.16. *Tel.: STReatham 2001 (10 lines)*

TRADING OR ESTABLISHING in CANADA or the WEST INDIES?

If you are trading with or contemplating establishing a plant in Canada or in the West Indies, we can be of help to you.

Through 345 branches across Canada and 23 in the West Indies, we can provide information on business conditions, exchange regulations, exports and the establishing of branch plants.

Your enquiries will receive prompt and courteous attention.

THE BANK OF NOVA SCOTIA
108, Old Broad Street, London, E.C.2

Established in Canada in 1832 with limited liability.

DEN NORSKE CREDITBANK
Established 1857

Capital Paid-up and Reserves Kr. 53,700,000

OSLO, NORWAY

Branches: Arendal, Brumunddal, Flisa, Grimstad, Kongsvinger, Larvik, Lillesand, Mandal, Porsgrunn, Risor, Skarnes, Tonsberg, Tvedestrand.

Every Description of Banking Business transacted

Correspondence invited.

Telegraphic Address: "Creditbank." Telephone: "42 18 20 Oslo."

THE CHARTERED INSTITUTE OF SECRETARIES.—Directors requiring the services of CHARTERED SECRETARIES to fill secretarial and similar executive posts are invited to communicate with the Secretary of the Institute, 52-54, High Holborn, W.C.2.

LONDON COUNTY COUNCIL invites applications from experienced STATISTICIANS, preferably with experience of medical statistics, for the position of officer in charge of the statistical section of the Public Health Dept. Salary: £1,143 x £47—£1,190 x £58 15s.—£1,307 10s.

Candidates *must* have either (a) a degree in statistics, or in mathematics or economics or other appropriate main subject combined with statistics; or (b) a degree in mathematics, economics, or other appropriate subject coupled with whole-time employment thereafter for at least 12 months continuously on statistical work.

Application forms from Medical Officer of Health (PH/D.1), County Hall, London, S.E.1, returnable by July 5th. (582.)

ROYAL GEOGRAPHICAL SOCIETY.—Applications are invited, preferably from graduates with experience of editorial work, for the post of Assistant to the Editor of the "Geographical Journal" and other publications.—Applications stating salary required should be received by the Director, 1, Kensington Gore, S.W.7, not later than July 1st.

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home grown), country house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London.—Write, Major B. Carnegie, "Stronvar," Balquhidder, Perthshire.

OLD-ESTABLISHED highly reputable Company with selling agencies abroad has spare capital and some factory space available. Would like to meet man, or small company in need of finance and space to manufacture some commodity in demand abroad, preferably in dollar countries. Raw material must be readily available. Recommendation by Solicitors or Accountants would eventually be required. Strict confidence.—Box 950.

SPANISH BANK REQUIRES SUB MANAGER, CANARY ISLANDS BRANCH, AND OFFICIALS FOR FOREIGN DEPARTMENTS IN SPAIN. SOME KNOWLEDGE OF SPANISH AN ADVANTAGE.—WRITE, STATING BANKING EXPERIENCE.—BOX 958.

IF YOUR PRODUCT is technical . . . and it needs advertising or some printed matter . . . get in touch with Geoffrey Dadd Ltd., the nationally known Technical Advertising Practitioners, 90, Epsom Road, Sutton, Surrey. Derwent 4444 (4 lines).

EXECUTIVE, A.M.I.I.A. (all exams), with wide experience in industry as company secretary, accountant and export manager, seeks change of employment preferably South Wales area.—Write Box 964.

CHARLES II WAS KING when we began selling fine sherries in York for which the city was noted since the XVI Century! Send 20/- for a case of four quarter bottles—one of each of our four most popular wines (Cloister Cream, Cloister Fino, Old Bridge Amontillado and Mirador Dry S. African) carriage free.—J. & G. Oldfield Ltd., Bin 307, St. Sampson's Square, York.

POSTAL TUITION for **B.Sc. ECON.**

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 765 Successes at Lond. B.Sc. Econ. Final Examinations, 1925/51.

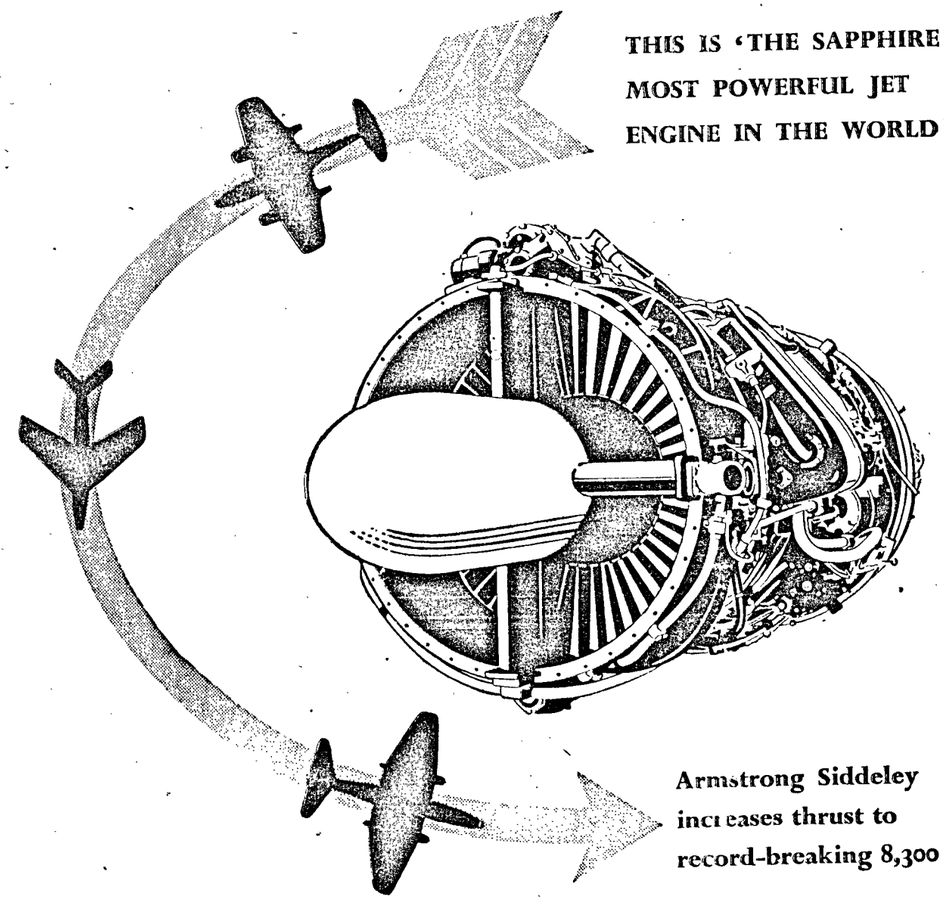
Prospectus from the Director of Studies, Department P17

WOLSEY HALL, OXFORD

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland 2d.; Overseas 2½d.—Saturday, June 7, 1952.

In Defence of the Realm

NUMBER 6 IN A SERIES



THIS IS 'THE SAPPHIRE'—
MOST POWERFUL JET
ENGINE IN THE WORLD!

Armstrong Siddeley
increases thrust to
record-breaking 8,300 lbs.

★ **Armstrong Siddeley Sapphire 150-hour official type-test: 8,300 lbs. Static Thrust.**
Look at that record-breaking figure, remember it well. For with it Armstrong Siddeley wins fresh laurels from world aviation. Now their mighty Sapphire, for 20 months world's most powerful jet engine, strides further ahead of all rivals with a new increased output of 8,300 lbs. static thrust in over 6 days of continuous running, 17% greater than any other engine similarly tested. And this leadership is not a matter of mere bench-testing. Already twin Sapphires hold the world's climb-to-altitude record, power the sensational new Gloster GA 5 Delta Fighter and are specified for the American built Canberra bomber and the F 84F Thunderjet fighter. To meet this urgent demand, Sapphire production is speeded on both sides of the Atlantic. Armstrong Siddeley is still another member company of the Hawker Siddeley Group. Largest of its kind, this great industrial commonwealth to-day employs its mighty resources in building the defensive strength of the Free World.

Hawker Siddeley Group

PIONEER . . . AND WORLD LEADER IN AVIATION

Group Head Office: 18 St. James's Square, London, S.W.1.
A. V. ROE, GLOSTER, ARMSTRONG WHITWORTH, HAWKER, AVRO CANADA, ARMSTRONG SIDDELEY, HAWKSLEY, BROCKWORTH ENGINEERING, AIR SERVICE TRAINING AND HIGH DUTY ALLOYS

The Economist

Established 1843

June 14, 1952 — One Shilling

LEADING ARTICLES

Germany as an Ally - - - - 721
More Jobs Than Dollars - - - 723
Commonwealth Development—III 725
Towards of Practice - - - - 727

NOTES OF THE WEEK - - - 728
Expense in Korea; Trade or Aid; The Throne of Jordan; Labour Looks at the World; More About Sponsored Television; Official Spokesman; Development and Misdevelopment; Germans Embarrassed by Prosperity; Mr Zapotocky Complains Again; Defence by Night; Too Many Dockers; Counting the Shops; Technicians for Under-Developed Areas; Bolivia Uses the Tin Opener; Preserving the Churches.

BOOKS AND PUBLICATIONS - 738

LETTERS TO THE EDITOR - - 743

AMERICAN SURVEY
Mister Eisenhower - - - - 744
Steel Shuttlecock; After the Primaries; Mischief in Copper; Foreign Aid Halfway; Krilium Comes to Market; Paper Pinch; Shorter Notes.

THE WORLD OVERSEAS
The Soviet Press—I - - - 750
Aspects and Prospects of the Italian Centre; Mr Lyttelton in Nigeria; Libya Deserts—II; China "Liberates" Tibet.

THE BUSINESS WORLD
What Freedom for Metals? - - 760
The Price of Electricity—I - - 762

BUSINESS NOTES - - - - - 766
Long Road to Solvency; Trade in May; The New EPU; Settlement with Belgium; More Coal for Export; More Running Repairs for EPL; Referees for Wasting Assets; Steel Output and Imports; Textile Trade in April; Lower Kaffir Dividends; Have Shoes Touched Bottom?; Handling Higher Output; Bleak Prospect for Freights; Fewer Dollars for Tobacco; Wool Looks Up; Hard Times for Government Scientists?; Redeploy in the Red; Prospects for Fuel Oil; Saving Scarce Metals; Loans to Save Fuel.

COMPANY NOTES - - - - - 779
STATISTICAL SUMMARY - - 780
COMPANY MEETINGS - - - 781

Vol. CLXIII No. 5577
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail at the New York, N.Y., Post Office. Authorised as Second Class Mail. Post Office Dept., Ottawa.

Germany as an Ally

BONN is losing no time over the ratification of the conventions ending the Allied occupation and of the treaty embodying the European Defence Community. The process may be helped by the German Social Democrats' appeal to the Federal Supreme Court, contesting the German Government's constitutional right to sign the agreements, but this is no more than a delaying action. The general view in Germany is that ratification will take place, even if the majority is small. That this should be likely will surprise only those who, like Mr Michael Foot, claim to know "by plentiful evidence" that a majority of the Germans oppose the agreements. In fact, the ascertainable mood of the German people is far nearer to apathy, to the desire to be left alone and, like Louis Philippe's bourgeois, to enrich themselves. Any apprehension lest the new settlement may delay German unity and invite Russian counter-measures is more or less balanced by the knowledge that the EDC convention represents a formidable advance towards equality and freedom of action.

The West Germans, without an army or even the pretensions to one, receive completely equal status with the French whose military establishment is large, independent and already in being. Moreover, in the first stages, an agreement with the Americans offers the Germans the possibility of building up an army at bargain prices. At first, Germany will be responsible for nothing but maintenance costs. The United States is to provide the heavy equipment during the period of training and much light equipment. Later on, it is true, when the full cost of modern armies is realised by the Germans, and when, under EDC orders, the Ruhr may begin to produce tanks and guns, diverting heavy industry from civilian use, the matter may look different. But for the time being the path offered by EDC to the recovery of sovereignty and equality of arms is fantastically favourable to a nation which, only just over seven years ago, was still dragging itself and Europe down in a common destruction.

It would be encouraging to record that a realisation of this fact is general in Western Germany and that the new vista of sovereignty and responsibility is showing up qualities of statesmanship in people and press at large. Unhappily, Dr Adenauer's brave conception of Germany as a partner of the West and a good neighbour in Europe, is, like the agreements which give embodiment to the idea, received with considerable indifference. Interest concentrates upon the guarantees given Germany, not upon the responsibilities it assumes. There is little feeling that Germany needs allies. It is rather that Germany is being asked to sacrifice itself in someone else's cause.

A reaction of such narrow national self-interest is hardly promising for the growth of a European community. Now, therefore, that the immediate pattern of German sovereignty and rearmament is known and the first German reaction has been tested, it cannot be said that reassurance has taken the place of earlier fears among Germany's neighbours or that the spectacle of a rearmed and independent

Germany chills the blood any less. Memories are not after all so short and it may well be that the real crisis over ratification will occur not in the German Assembly but in Paris. There is a similar reaction in Britain. The Labour party, in demanding that fresh German elections should precede the ratification of the new agreements, is not in theory asking that they should be abandoned—that would be too embarrassing for Mr Attlee and Mr Morrison. But that, nevertheless, would be the obvious result.

Admittedly, the political motives of those who have forced Mr Attlee to accept this gloss upon German policy are probably domestic. They do not so much fear German rearmament as need some issue upon which to differ from the bipartisan approach to Western Europe evolved under Mr Bevin and continued under Mr Eden. Yet the rider is now included in Labour's official programme for its autumn conference, and although the retreat from bipartisanship on this point will make no difference to British ratification, it will confuse further a public opinion already confused enough about putting weapons back into German hands.

★

It is, therefore, of supreme importance to remember that even now, when the contractual agreements have been agreed and signed, they cannot be left to speak for themselves. The real and overriding reasons for them must still be explained and repeated and insisted upon, in season and out. Short of world disarmament, there is no way in which the most powerful nation in Europe can be kept without sovereignty and without arms. Short of permanent occupation, there is no way in which a people, even a divided people, of nearly 70 million, can be deprived of the attributes of power which their neighbours possess. The great argument for the EDC and for the contractual agreements is that they are probably the last opportunity of persuading Germany to contribute, as the recent statement of Labour Party policy demands, " towards a system of collective security . . . within which German forces could serve without danger to their neighbours." In the long run, this can come about only if sufficient Germans wish it to come about. The present experiment is almost certainly the last opportunity of coaxing them into a collective system and of proving to enough of the new generation that the system works. Delay it, impede it, abandon it, and in its place will finally come the armed, united, sovereign Germany bargaining between East and West and owing no allegiance to anything save its naked self-interest.

Yet, if the new agreements offer the last opportunity for securing German rearmament within a collective framework and with proper safeguards, this does not mean that the safeguards are already sufficient and that the framework is adequate at every point. In the House of Commons on Tuesday, Mr Eden referred to the agreements as " a culmination " of the policy of bringing Germany into the western community. It would surely be wiser to refer to them as a beginning only. It is no use talking about the Atlantic community and the West European community as though they existed. They do not. In fact, on the economic front, both attempts at association are suffering grievous setbacks this year and are likely to suffer more. At the moment, it seems more certain that Western Germany will be rearmed than that the restraining collective framework will be made to work. The months ahead need to be a period of the most vigorous effort to ensure that the Allies' German policy does not go off at half-cock—with Western Germany sovereign and rearming and its neighbours no more united than they are today.

The needed line of advance lies first of all in Western Germany itself. There the processes of rearmament should not be hurried. In the military office of Herr Blank, working closely with Dr Adenauer, there are men sincerely convinced of the ideal of European defence, anxious to keep German rearming clear of any taint of the old militarism, determined to maintain civilian and European control. They must be allowed to make the pace and form the cadres. If too much pressure for quick expansion is applied, they will be swamped by the old guard. There were only 40,000 ex-officers after 1918. Hitler's legacy was 400,000, among them thousands of generals. Dr Adenauer must not be forced to throw down the dams against this turbulent tide. At the same time, Germany's allies need to continue in the excellent mood established by General Eisenhower, the mood not of war, but of peace through strength. The distinction is not yet familiar to Germans who, when asked whether they wish to defend themselves, tend to reply that they do not want war.

Within Europe, the need is to hasten forward with all speed the creation and functioning of the various " communities," whose existence is the best guarantee of a generally collective spirit and policy. If, for instance, the officers of the new Germany are to learn a European spirit, it is better that they should start, not finish, their training in European staff colleges. But the staff colleges have first to exist. All that Britain can do to hasten the process of unification and to participate in it within the political limits set by both parties should be set on foot at once. It is encouraging that Mr Eden has himself taken the chairmanship of the Council of OEEC and that, at Strasbourg, his proposals to associate the Schuman Plan and the EDC with the Council of Europe were so well received and given such wide support. The need now is for Britain to become a pace-setter for Europe's advance towards unity.

The decisive arena is, however, the Atlantic world. No European arrangements, even with British participation, can do more than restore the balance of Stresemann, Locarno and the twenties. The overwhelming concentration of power necessary to bring Germany down decisively on the western side lies in the United States, and no caution over premature rearmament inside Germany, no advance towards unity in Europe, no British participation therein, can safeguard Europe against an irresponsible German resurgence unless the United States is a permanent partner in the Atlantic community. Any belief in America that Germany can be built up as a substitute for American commitments in Europe has in it the seeds of the next war. In fact, Germany should be a partner not only in the West European but in the North Atlantic community as well, so that its statesmen and its generals can be exposed day by day to the realities of American participation and American strength.

To say so much is no more than to repeat how long the road ahead still is before any equilibrium or stability can be secured in the western world. The negotiations are over, the papers are signed. The framework of a European policy exists. It is only now that the real work begins.

More Jobs Than Dollars

THE figures published by the Ministry of Labour this week show that the amount of unemployment in Britain changed very little last month. The talk of a slump may be swelling, in the clubs and the boardrooms as much as in trade union offices and Labour party meetings, but it has no confirmation in the statistics. There were 7,000 more textile workers unemployed in May than there had been in April ; but outside textiles the number of unemployed fell on balance by 7,400. The slump, which for months now so many people have been claiming either to see or to foresee, has not come.

To point out that there is no slump in Britain is not a flinty-hearted denial that there is distress in Lancashire. In the textile industries as a whole, 143,000 men and women—15 per cent of the number employed—are now out of work. Although the rapid increase in unemployment seems at last to be stopping, there is little chance of all the textile mills returning to steady work for many months. At least in the weaving towns of mid-Lancashire, where there are relatively few other industries to provide alternative employment, some thousands of workers face the bitterness of months without a job. No effective remedy for this evil can be neglected. But a full concern about Nelson and Haslingden is one thing ; pretence about the condition of Britain is quite another. It is either blindness or cold-blooded political opportunism to advocate as remedies for a local problem measures—such as a general inflation of demand—that would harm the national economy as a whole. That is no service to Lancashire, which as much as any part of the country depends for its prosperity, in all but the very shortest run, on the competitive strength of the economy as a whole. Nothing but harm can be done to the textile industries by pretending that their particular problems are simply the reflection of a general slump.

It is true that the textile slump does not stand quite alone. Some other industries have found their sales falling and many more have met enough buyers' resistance to make them fear that sales soon will drop. That can hardly be surprising. For one thing, the textile slump has now lasted long enough for some indirect effects to spread through the economy. By reducing the incomes of textile workers it checks the total expenditure on other goods ; and by providing one example of falling prices it encourages everyone to hope that he may gain by putting off buying other things as well. Again, clothes were not the only things with which people stocked themselves up early last year ; a widespread, if slight, damping down of the demand for durable consumer goods this year is the natural consequence. Above all, Mr Butler's monetary policy is proving to be more effective than many critics of credit restriction, as a supposedly outmoded economic weapon, ever supposed. Perhaps just because monetary discipline had become so unfamiliar, a moderate tightening of credit has profoundly affected business psychology. It has not yet forced many firms to contract, and so free labour for more important uses, but it has induced many firms to go more cautiously and in particular to stop wildly building up stocks of materials. Its restraining influence on some forms of consumer buying is also apparent ; the sharp fall in used car prices can be attributed in part to tighter credit.

These are the results that monetary policy was designed to produce. Some sections of the Labour party are at least consistent in objecting to them. But for the Tories to get into a panic because their policy is working—a little—is another matter ; it should be cherished by historians as an extreme example of the curious nature of politics. There is not even the excuse that monetary policy has yet got to the stage of producing in any volume the transitional unemployment that is the unpleasant but unavoidable forerunner to producing more arms and more exports quickly. One of the accompanying charts shows how slight is the increase in unemployment outside the main textile regions, Yorkshire and the North-west. If the special cases—textiles and clothing—are excluded from the reckoning, the number of unemployed in May was only 102,000 bigger than it was a year ago. But last summer was a time of acute inflation even by postwar standards ; fewer people than ever were out of work and there were nearly three times as many jobs vacant as there were workers without jobs. The Labour Government used to console itself by looking back to the middle of 1950, before the rude disturbance of the Korean war, as the time when the economy was nicely balanced, when full employment without inflation had supposedly been achieved. If textiles and clothing are again excluded, 299,000 people were out of work in May, 1950 ; in May, 1952, the number was 307,000. That is to say, one extra worker in every three thousand is now unemployed. By the Labour party's standard (which can hardly be supposed to err on the deflationary side) the economy outside textiles is now for all practical

ALLIANCE
ASSURANCE COMPANY LTD.
Head Office Bartholomew Lane, London, E.C.2
THE FINEST SERVICE FOR ALL CLASSES OF INSURANCE
The Alliance undertakes the duties of Executor and Trustee and of Trustee for Debenture Issues.

purposes in the same state of perfect full employment as it was in two years ago. It is certainly not in a slump.

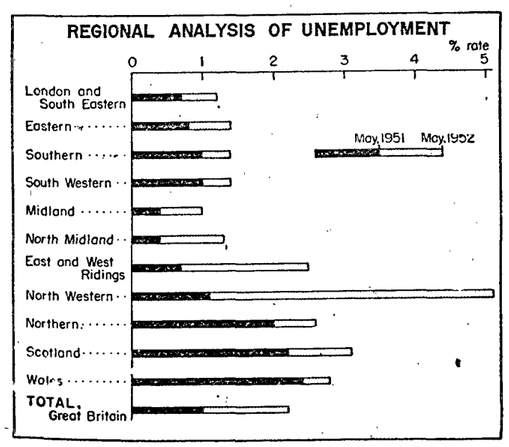
It may be, of course, that the people who forecast much greater unemployment merely got their timing wrong. The slump that was not, in fact, round the corner in February may be just round the corner now. The turns in economic affairs come too quickly for this possibility ever to be dogmatically excluded, but it does not look especially strong at this moment. The textile recession is not so deep that the reduced incomes of textile workers will in themselves sharply cut total spending and so deflate other incomes. In most industries, except textiles, wages are certain to rise in the near future. Monetary policy is nipping some spending, but is not cutting it off sharply. There are still great reserves of demand for capital goods that could be released if other pressures on the economy were relaxed. In short, incomes in general are likely at least to be kept up and a widespread slump in home demand is conceivable only if people spend less because they save much more ; though it is precisely what has happened in the United States, in Britain a sharp change in this direction is still highly unlikely.

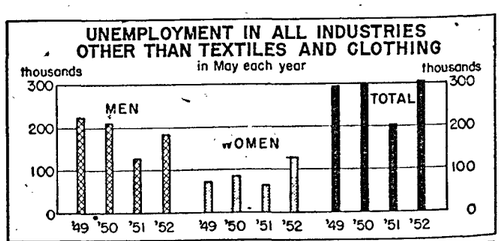
*

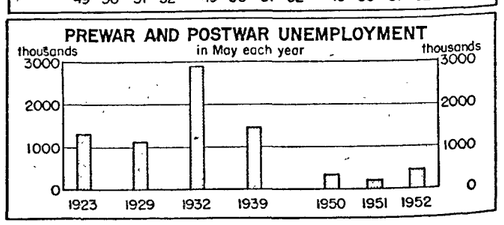
The one serious threat to the structure of full employment in Britain, therefore, still lies not in a failure of the home market, but in a slump of exports. That is indeed possible. But it could not produce a depression of the familiar kind. On paper, of course, it is true that if many workers in the export trades lost their jobs, their reduced spending would in a fairly short time induce a slump in the home market calling for Keynesian counter-measures to expand demand. But in a much shorter time, an export slump would cause Britain to run out of dollars. Imports would have to be cut again—drastically, haphazardly and catastrophically. Unemployment would be precipitated by shortages of raw materials and could not be cured by Keynesian methods. Its cause would lie in physical shortages, on the side of supply, not in monetary problems, on the side of demand ; and to stimulate demand would therefore merely raise prices and make the export slump worse.

The critical point for the British economy is—now as much as at any moment since the war—its balance of overseas payments. Jobs may be less plentiful than they were, but they are still far more plentiful than dollars. The politicians have put the crisis of solvency out of mind since March, but it is now being forced back on their attention. Both Mr Churchill and Mr Butler have spoken gravely this week. Although the catastrophic loss of dollars has been halted during the three months since the budget, the outlook for the summer is highly uncertain—and the reserve is too low to stand shocks. Bank rate apart, the Government's chief policy for closing the external gap was to restrict imports, and that weapon has proved to be blunted. The cuts are taking effect only very slowly and they are provoking more retaliation by other countries than the Government seems to have expected—and more than can be arrested by Mr Butler's appeals for understanding at Paris. The meaning of retaliation is that British exports are reduced along with British imports and the balance of payments shows little improvement. There is room for argument whether the existing degree of restrictionism in British economic policies does—on balance, and in the short run—more good than harm. What is certain is that the British problem will not be overcome by yet more restrictionism. A dash for freedom might be disastrous ; a further retreat into restrictions would certainly be.

Closing the external gap therefore now depends on expanding exports ; exports cannot be expanded in time without an industrial shake-up that must involve more transitional unemployment ; and such a shake-up cannot be achieved without some cut in domestic demand (a cut that should now fall primarily on state-stimulated outlays for such purposes as housing). The need of the hour is not fearfully to watch the unemployment figures for the arrival of a slump. It is boldly to try to expand exports at some cost in temporary unemployment—not because unemployment is anything but an evil, but because the probable alternative will before long be to watch helplessly while the number of unemployed mounts dramatically as imports of raw materials have to be cut. If the remedy is painful, no one has suggested any alternative ; and when the crisis of solvency is becoming more acute, even a weak government cannot afford to shrink from the one positive course of action open to it.







Commonwealth Development—III.

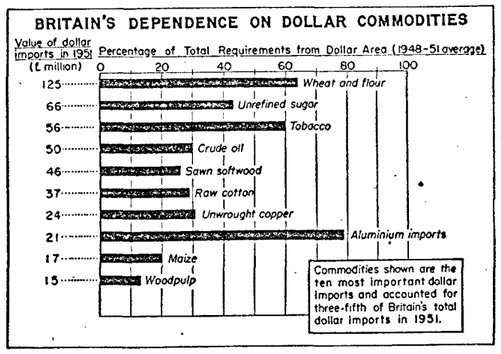
Long-Term Markets

IF the resources of the Commonwealth are to be developed, producers must have confidence that they will be able to dispose of the new or additional output over a sufficiently long period of time and at prices satisfactory enough to service and amortise their new investment. This applies to all investments by private enterprise ; it applies equally to all investments by governmental organs except the small minority of projects whose political or strategic importance is such as to warrant a permanent subsidy. Profitability depends upon costs of production relative to those of competing suppliers, and reasons were given in the preceding article for the view that Commonwealth production will not be permanently profitable unless its costs of production are as low as—or at the very best only a little higher than —those of the rest of the world, particularly the dollar area. The present article passes on to the next question. What reasons are there for believing that, even at competitive costs, there is a long-term market for greatly expanded production in the countries of the Commonwealth and the sterling area?

The United Kingdom is an obvious outlet, particularly for those products which it at present has to import from the United States or other dollar sources. There is a long list of these, covering fourteen major commodities and a number of minor ones. From the first chart it will be seen that Britain could be a large market for sterling grain—though the areas where it would be grown in the Commonwealth are limited. Sugar production is already being expanded, under long-term contracts, to what is considered its economic limit. The possibilities of substituting Commonwealth-grown Virginia flue-cured tobacco for American tobacco are also limited until the British smoker becomes less fastidious and acquires a new taste. Zinc production could be developed to replace dollar supplies, provided that smelting and refining capacity were also increased. Electrolytic refining of copper is being increased and soon the Commonwealth will supply most, if not all, of its own needs. Aluminium is to be produced in the Gold Coast, but there is little or no scope for developing the production of nickel or molybdenum or indeed of elemental sulphur, though pyrites sulphur is being produced in Cyprus. Production of American-type cotton could be increased—at considerable expense and trouble—but the scope for either softwood or woodpulp is limited. The sterling area possesses large reserves of crude petroleum, but it still lacks adequate refining capacity.

In Britain, then, there is a market for a number of primary products to replace those at present bought for dollars. But nobody would suggest that such a market is necessarily a long-term one. It exists at the moment because the dollar shortage prevents sterling from being freely convertible into dollars. If the United States were to import raw materials on an increasing scale, or if it were to become a large overseas lender, the dollar shortage would diminish, the range of convertibility between sterling and dollars would increase, and the protected market in Britain for the increased Commonwealth production would contract. The development of Commonwealth resources as a means of replacing dollar supplies can be justified only if the costs are more or less competitive with those of dollar producers. Development as part of an autarkic policy—if, indeed, the Commonwealth as a whole would tolerate it—could in the end lead only to a reduced standard of living and a contracting economy, as events have shown quite conclusively both in recent time and during past centuries.

The real long-term markets for the development of the Commonwealth exist in the steady expansion of the world economy. Expansion has been taking place since the dark ages, though the sharp rise began only with the industrial revolution. There have been periods of apparent stagnation or even decline, but the secular trend in total output during the past two centuries has been

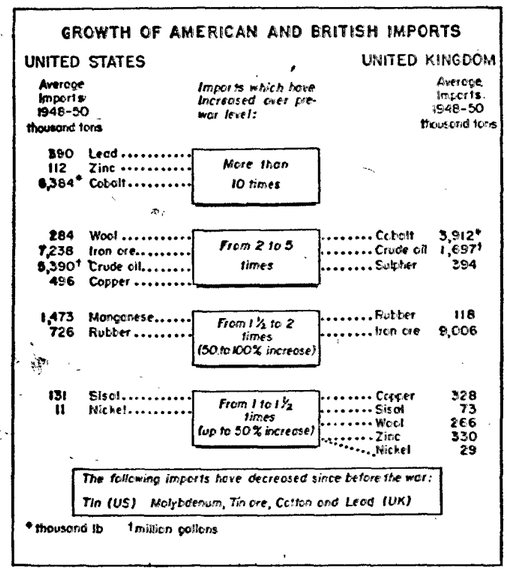


unmistakably upwards. It is true that the consumption or use of raw materials does not rise at the same rate as the increase in manufacturing capacity or industrial output. Greater efficiency and more skilful management lead to economies in the use of primary products. But if the material standard of living of the peoples of the world is to continue to rise, production of primary materials must also expand. People who believe in developing the Commonwealth's resources must have faith in this concept of a steadily expanding world economy. Statistics can show only the expansion that has already taken place ; they cannot prove that it must inevitably continue. Again, reliable estimates of world consumption exist for only a few commodities and for only a relatively short period of time. But some idea can be obtained from what has been happening in the two largest manufacturing countries of the free world—the United States and Britain.

Since the war, the United States has become not only a much larger consumer of most if not all raw materials, but also a much larger importer. During the past thirty years it has gradually become the world's largest market for one commodity after another, and in the past three years it has become the largest market for raw wool—a position traditionally occupied by Britain. Before the war it was able to supply most of its raw material needs from its domestic resources ; it lacked only two important materials, tin and rubber. Now it has had to rely more and more on imports from overseas. As yet the proportion of imports to its total requirements for most materials

is small, and far smaller than the corresponding proportion for Britain. But because the total requirements of the United States are so much larger, it is gradually becoming the largest importer of many raw materials.

The second chart shows the increase in imports of a number of commodities into the United States and Britain in the three postwar years, 1948-50, compared with the immediate prewar years. An attempt has been made to make the figures comparable over the period of time and as between the two countries, but the comparison must be treated with caution. For the United States at any rate, the expansion that has taken place during the past decade is so great that any error that might exist in the figures cannot alter the conclusion. The United States now imports twenty times its prewar quantity of



lead and zinc, more than ten times its prewar quantity of cobalt, while imports of petroleum and tungsten are at least four times larger, those of iron and wool three times larger and of copper twice as large. Imports of nickel, tin ore, sisal and even natural rubber have also increased.

In Britain the story is broadly similar, though the increases are much more modest. For a few materials—cotton, lead, molybdenum—imports and consumption are both smaller than before the war. But imports of cobalt are five times larger than the prewar quantity, petroleum three times larger, and manganese, sulphur and rubber about twice as large. Britain's imports of food are smaller than before the war; but if rationing is to be abolished, these imports will have to be increased quite considerably. In Europe, too, consumption and imports of many commodities are back to or above their prewar levels, and if the member countries of the Organisation for European Economic Co-operation are to achieve their objective of increasing their total output by 25 per cent over the next five years, their demand for raw materials will increase by at least 15 per cent.

Where figures for the whole world exist, the rising trend in consumption is unmistakable. The development of rayon has done little more than prevent an expansion in the consumption of raw cotton; world consumption of all textile fibres taken together has increased. The development of synthetic rubber has had a like effect on consumption of natural rubber; but even so, in recent years, it has reached record levels. New materials are being developed. Titanium, a new light metal, is likely to be used in increasing quantities in the future and may compete with aluminium or even with some of the non-ferrous metals. Uranium and other minerals are being discovered to generate atomic power. New alloy metals are being developed to produce heat-resistant steels for jet engines and for use in atomic power units.

For those commodities where adequate statistics exist, it can be shown that the world's consumption of most of them has been rising during the past two or three decades at a rate which, if it is continued, would, say by 1960, reach a level far higher than potential output. And yet some of those commodities are threatened with a surplus supply either this year or next. The world, of course, might be in the throes of a recession in 1960 with an actual consumption smaller than at present. This would not invalidate the argument; it would merely postpone the increase for a few years. This paradox of the short-term surplus coupled with the long-term shortage is likely to be the major stumbling block to Commonwealth development. In a period of surplus supplies development costs are usually low, but it is only the far-sighted with a faith in the future who will accept the risk and plan to expand output to meet future requirements. This is not a new dilemma. Indeed, every previous generation has been familiar with it, and has contrived to develop the resources of the world in spite of it.

*

In these circumstances international agreements to prevent surpluses are of little help unless the old idea of restricting output is abandoned in favour of expanding output from existing sources and of developing potential resources. It will not be easy to get consuming countries to agree to finance the holding of stocks and at the same time to encourage production; governmental commodity schemes are subject to public opinion, and public opinion is always prone to believe that the circumstances of the moment will continue for ever. If Commonwealth development is made to await such agreements, it might well prove to be still-born.

In the short term, there are possible markets in Britain to replace some of those goods at present purchased from the dollar area. But these markets depend upon the existence of a dollar shortage and will vary with its intensity. In the long term, there are expanding markets for most primary products in the United States, in Britain and in the other industrial countries of the world. This is a belief based on current trends and it is a belief that is not difficult to accept. But primary production might have to be expanded in a period of apparent surpluses. Special international agreements might be of some help in this matter, but it would be unwise to count on them. In the past the development of primary production depended on the enterprise of individuals with little or no help from governments. But then, capital was readily available. Who will supply the capital now?

(To be continued.)

Rewards of Practice

THE method of paying general practitioners in the health service has not so far had the attention it deserves; after all, important principles are involved in the conditions offered by the state to a profession which now has almost no other market for its services. Probably this neglect is due to the complicated calculations that have to be performed by anyone sitting down to consider the question. He will soon find himself reeling. First of all one has to think of a number (the Spens Committee's recommendation for net taxable incomes); then add to it the amount, agreed or disputed, for practice expenses; then add a betterment factor for the rise in the cost of living since 1939; then add again a sum for the increase in the population; then take away a sum for doctors' earnings outside the health service, and another sum for earnings like maternity fees inside the health service. By this time one may have arrived, roughly, at the figure the Ministry of Health considers should be the central pool available for distribution.

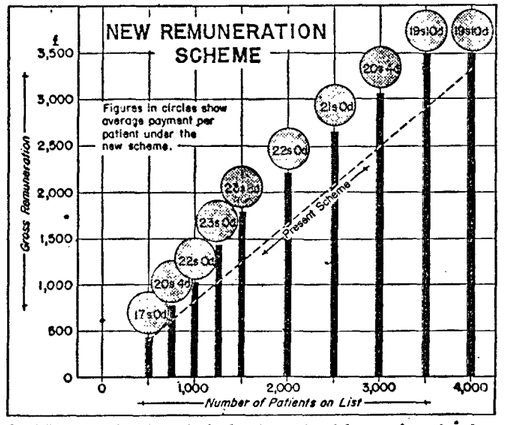
But before the pool is distributed to local executive councils more sums, for instance mileage payments, have to be deducted. And before the councils can distribute their allocations among individual doctors, they have to take away the basic salaries for which some doctors qualify. Only after all this arithmetic does the doctor receive his quarterly cheque, based on the number of patients on his list multiplied by the capitation fee worked out by his executive council.

All things considered, it may appear somewhat odd to the layman that most doctors have always resisted so firmly any idea of a salaried service. It will be remembered that in 1948 general practitioners, with the support of their colleagues, refused to enter the health service until Mr Bevan had agreed, among other things, to write into an amending Act a promise that a full-time salaried medical service would not be introduced. Why has the British Medical Association always insisted on this, and preferred the extremely complicated and uncertain method of payment by capitation fee?

Put at its highest, this dislike of a salaried service is inspired by the determination to preserve professional independence. General practitioners lost their best guarantee of independence when, for good reasons, their ownership of goodwill in a practice was taken away by the original National Health Service Act. They lost this round to Mr Bevan, but on payment by salary they were determined to stand firm. It can be argued that the teaching profession has not lost its independence by receiving salaries from the state, and even among practising doctors there are many consultants in salaried posts. Nevertheless, the wish to preserve professional independence can only be applauded; if doctors think their independence might be threatened by the introduction of a salaried service, they have every reason to resist it.

This, however, is not their only motive for preferring payment by capitation fee. Put at its lowest, the doctors' dislike of salaries is provoked by the knowledge that they provide no extra reward for extra effort or special merit. Unlike the teachers who, even in state schools, receive higher salaries for extra responsibilities; unlike the salaried consultants, who have the chance of a teaching hospital appointment and a "distinction award," the general practitioners must all do the same work with no prospect of promotion. The conditions of work and leisure vary greatly from one part of the country to another, which is why, in spite of the introduction of the health service, some areas remain persistently under-doctored and others over-doctored. Wherever a doctor practises, his responsibilities are the same. There are no headmasterships or other plums in general practice.

This being so, payment by capitation fee is the only reasonable method so far devised which combines the security of a service financed by the state with the incentives of private practice. (Doctors could, it is true, be paid for each item of service they perform, as they are



in New Zealand and, indeed, as health service dentists are in this country. But it is a system that is open to grave abuse.) Payment by capitation fee means that the more patients a doctor has on his list, the more his remuneration, and the number of patients he has on his list is a rough index of his ability.

It should be pointed out that patients have an interest in how their doctors are paid. Most of them cherish the right to choose their doctor and, even more perhaps, to change him. But if doctors are all paid the same salaries which vary only with age, obviously they will all tend to look after the same number of patients. Idealists may believe that a good doctor always works to the best of his ability without having to have a carrot dangling before him. But this is surely putting too great a strain on the sense of vocation. General practitioners work, on the whole, in isolation. They have not got the stimulus of working with colleagues which helps to keep salaried teachers and consultants up to the mark. Patients have every reason to fear that a salaried medical service would both result in their being allocated to a doctor not of their choosing and lower the standards of general practice.

Neither doctors nor patients, however, are satisfied with the working of the capitation system since the health service was introduced. Largely this dissatisfaction has sprung from the fact that, as the Danckwerts award recognised, the central pool has been much too small and the capitation fee far too low. Because they have been underpaid for each patient, doctors have tried to take on

too many patients or to supplement their rewards from general practice by work in clinics. In either case, the standard of family doctoring has tended to suffer. So, too, has their professional independence—and the taxpayer—in so far as, for fear of losing patients, they have given certificates and prescriptions unjustifiably.

*

The Danckwerts award, which if agreed to by Parliament will substantially increase the central pool, might of itself have gone far to remedy these grave defects. But the implementation of the award has always been conditional upon an improved method of distributing the central pool, aimed at safeguarding the standard of medical service. Last week, the working party composed of representatives of the British Medical Association and the health departments, which was set up to devise this improved method, produced its recommendations. Its main proposal is that the basic capitation fee should be increased by 10s. per patient for all patients on a doctor's list in excess of 500 and up to 1,500. For patients above this limit doctors will receive only the basic fee, and if they have more than 3,500 patients on their list, they will receive no fees at all for the excess. (This maximum is, of course, raised for partnerships.)

The effect on doctors' gross incomes of loading the capitation fee is shown in the accompanying diagram. If the proposal is adopted, doctors will no longer be financially encouraged to take on more patients than they can look after properly, and those with medium-sized lists will be financially securer. A better method of providing security for the doctor starting in practice has also been devised. In under-doctored areas only, he will be eligible for an initial practice allowance chargeable to the central pool, not, like the present basic salary, payable at the expense of his neighbours' capitation fees. This allowance will be £600 in the first year, falling to £450 and £200 in the second and third years respectively. But in the second and third years the allowance will depend on the number of patients on his list. If he is not successful, he will receive no allowance. If he is so successful that his earnings exceed £1,000 in the first year and £1,100 in the second, he will also receive no allowance. The allowance, in fact, appears to be a highly ingenious method of giving some, but not too much, security to the young professional man.

What of incentives, of extra rewards for the exceptionally good doctor who has established himself? Here the working party confesses itself beaten. It could not devise a scheme, it says, which would be fair and not invidious in its application. In balancing incentives and security, the working party seems to have come down perhaps a bit too heavily on the side of security; and to have diminished too much the reward for the exceptionally able and hard-working doctor who can look after more than 3,500 patients properly. Perhaps some way of strengthening incentives will be found through the much-discussed College of General Practice; or perhaps the committee on general practice of the Central Health Services Council will make some fresh proposals. In the meantime the working party's scheme should at least ensure that the extra money to be found by the taxpayer for the Danckwerts award is spent efficiently.

NOTES OF THE WEEK

Suspense in Korea

The Prime Minister's recent statement to the House of Commons on the possibility of a new Communist offensive in Korea has been followed by the arrival in Tokyo of Lord Alexander and Mr Selwyn Lloyd for discussions with the United Nations Commander-in-Chief, General Clark. It is most satisfactory that this high-level contact should take place now, before there is any further crisis in the Far East, and it should go far to dispel the widespread belief in this country that the British Government has no say in the direction of the Korean war proportionate to its commitment. The problem to be discussed in Tokyo is that of the countermeasures to be taken if the Communists launch a major offensive. The question is a hypothetical one; the rumours of an impending offensive may have been started by the Communists themselves as a device for getting their way in the truce negotiations. But there seems no doubt that they have made good use of the eleven months of lull afforded by Allied expectations of an armistice, and are now capable of mounting a very formidable attack. According to General Clark, Communist ground strength has been increased since June of last year from about half a million to just short of a million, while air power has been doubled and now includes 1,000 jet aircraft. Soviet equipment and Soviet training have been provided without stint, and there is the prospect of a trial of strength which may present some very critical moments, not only on the field of battle, but also in international relations.

General Clark has publicly declared his opinion that if there is an offensive, the United Nations forces should react "with no holds barred." "We should," he said, "retaliate as circumstances dictate." This implies at least action against Chinese air bases in Manchuria, and perhaps also against the coastline of China from Shantung southward as a means of diverting and dispersing Chinese military and air power. If battle is joined on a large scale, the demand in America for such a widened strategy must be expected to be stronger than ever before. President Truman was able to overcome General MacArthur's opposition last year because he and his supporters convinced the great majority of Americans that the war in Korea could be won and a reasonable settlement obtained without extended operations. But if the war is renewed with even greater intensity, these hopes will have been dashed, and there might be a rapid change in the climate of opinion. General MacArthur is to be the "keynoter" at the Republican Party's convention next month, and fate could provide him with no better background for his eloquence than the clamour of fresh battle in Korea. The Communists can have an armistice today if only they drop the unacceptable condition that the Allies return unwilling prisoners to them by force; if, nevertheless, they seek again the arbitrament of arms, they will thereby issue a challenge to war without the limitations which Allied self-restraint has so far imposed.

* * *

Trade *or* Aid

At its meetings in Paris last week the Council of Ministers of the Organisation for European Economic Co-operation took a number of important decisions. Among them was the election of Mr Eden as Chairman of the Council. Both Europeans and Americans have welcomed his acceptance as a sign that Britain intends to co-operate more closely with the Continent. In fact, it probably reflects an awareness in Whitehall that the OEEC is here to stay, and also that the organisation can provide valuable support for the economic side of Nato's activities.

The Council also agreed on a compromise which makes possible the renewal of the European Payments Union beyond June 30th. The immediate problem was how to liquidate the large credit which Belgium has extended (over and above its quota) to other West European countries through EPU. This was solved by a complicated and ingenious scheme that calls among other things for the placing of Belgian rearmament orders with the union's two largest debtors—Britain and France. (The scheme is described more fully on page 767.

No one pretends that the current settlement is either a permanent or a fundamental solution to the European payments problem. Although the union has undoubtedly stimulated intra-European trade, it contains a basic weakness: the member countries do not constitute a self-balancing partnership. Except in abnormal circumstances, some countries tend to be persistent debtors, others persistent creditors. This would not matter if the debtors were able to feed into the union a steady stream of gold or dollars, but unfortunately the very countries that run deficits in EPU are those most afflicted by a dollar shortage. Thus at bottom, EPU's problem is the dollar famine.

Mr Butler, speaking before the Council on the subject of the dollar gap, urged that Europe's slogan should now be "trade instead of aid." It would have been more realistic if he had said, "trade or aid." The fact that the problem is clearly one of alternatives was put very bluntly by Mr Draper, European Representative of the Mutual Security Agency, when he listed the only possible ways of solving the dollar shortage as American investment in Europe, larger American imports from Europe, or continuation of aid.

* * *

The Throne of Jordan

The illness of King Talal of Jordan—who is suffering from schizophrenia, entailing bouts of violence between periods of complete lucidity—is a personal as well as a political tragedy. It is personal because it has upset a happy home in which a competent and wise queen had borne him four splendid children. It is political because it comes at a time when Jordan, having added to itself the part of Palestine, now known as the West Bank, that teems with people who dislike the royal house, can ill afford a week throne.

When King Talal succeeded King Abdullah last September, he had already suffered from his affliction. The constitution was therefore altered to provide that, whether the sovereign be absent or present, Parliament could endow a Regency Council with sovereign powers. In May, far from well, he agreed to the creation of such a Council and went abroad for treatment, leaving it in the hands of his principal supporter, the Prime Minister Tewfik Abdul Huda. Tewfik's assumption of both offices was criticised, and on June 4th, when unfavourable reports of the King's temperamental behaviour were arriving from Paris, the Prime Minister constitutionally set about the appointment of a semi-permanent Regency Council consisting of the President of the Senate and two senators, one of them from the West Bank. The heir is Prince Hussein—sturdy and authoritative, but only 16 and still at Harrow.

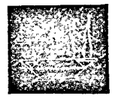
There are further complications. Jordan is not, economically speaking, a viable state. It has survived only thanks to a subsidy from Britain paid chiefly to its army, the Arab Legion. This is now being supplemented by some American and UN expenditure. Locally, no one can imagine that Britain pays the piper without calling the tune, and rumour flies as to whether it does or does not want King Talal back. In fact, all depends on his health. Though much cooler towards the British than his father was, he is unquestionably the best person for the job provided he is well. But Jordan's economic frailty also makes it a prey to rumours of union with a neighbour, Iraq being favoured by supporters of the dynasty, Syria by its enemies. The Regent of Iraq, disturbed that no member of the Royal House was on the Regency Council, visited Amman last week in order to try and add a prince to its strength; he failed, and by his ill-advised intervention provided the anti-dynastic factions with ammunition. In a word, uncertainty as to the future is rife, and is all the more unfortunate in a country which is racked by the economic misery and the political restiveness of the West Bank inhabitants, as well as by an unduly large load of homeless refugees whom the western powers are supporting bodily, but not in spirit.

* * *

Labour Looks at the World

Like any other body of decent, sensitive people, the Labour party wants peace and goodwill on earth. In general its document on foreign policy prepared by the national executive committee for the autumn conference does little more than state this fact. One can therefore no more quarrel with most of it than with the Christian beatitudes. The difficulty lies—as with life itself—not in defining paradise, but in getting there.

Moreover, there is a serpent in Eden. The Labour party executive names it fairly—"the Soviet Union's uncooperative policy." Here is a state that wants only "a people's peace and goodwill" notoriously unlike the real variety. The first problem of foreign policy is thus to cope with the serpent and, after all the rumblings on the Left and in the unions, it is a relief to find Mr Ernest Bevin's prescription

ADVERTISING  WISDOM . . .

Advertising pays . . . whom?

Would it pay me to advertise? Can I handle my own advertising? What does it cost to employ an agent? What do I get from an agent? Is it true that once you start advertising you have to keep it up? Can I advertise in overseas publications? How much advertising can I do for two thousand pounds? What are the pros and cons of direct mail advertising in my business?

These are only a few of the questions you are likely to want answers to before you know exactly what to do about your advertising.

Through the post it would take you about twelve months to arrive at the answers to these questions. No business with an advertising problem can afford to wait as long as that. But you could settle the thing in an hour by talking it over with somebody who knows—or can get you—all the answers. So why not come along for a chat when you are next in London?

SAMSON CLARKS

SAMSON CLARK & CO. LTD., *Incorporated Practitioners in Advertising*
57-61 Mortimer Street, London, W.1. Telephone: MUSeum 5053

largely unchanged and Britain still enjoying bipartisan foreign policies over a very wide field. Rearmament, Atlantic unity, the integration of a rearmed Germany in Western Europe—all are there, even if armament is disguised as "sufficient military strength" to fulfil Britain's obligations under the United Nations, and a sop is thrown to Mr Bevan in the shape of a demand for new elections in Germany—a proposal which is very likely to be overtaken by events long before the autumn conference. Compared with this substantial agreement, the decision to press for Communist China's seat on the Security Council is a very small breach in national unity.

The serpent, then, can be dealt with. The difficulty for Labour and for Conservatives alike is that even without a serpent, the world is no Eden. On the contrary, as Mr Churchill pointed out this week, Britain stands on a "trap door" which may give way. Of this fact the Labour party executive makes no mention at all—no balance of payments difficulties disturb the pages, no need for national solvency, no hard road to follow in its pursuit. If Labour's international policy were to be judged solely on this complete unwillingness to face unpleasant fact, one might say that the statement on foreign policy is a blue print not even for paradise but for cloud cuckoo land. The relative realism, however, with which Britain's political necessities are faced leaves the hope that one day economics will receive the same treatment.

* * *

More about Sponsored Television

The exhaustive debate on broadcasting that has been carried on in the press and in the House of Lords was continued in the House of Commons on Wednesday, but without contributing anything new to the familiar arguments. An Opposition amendment, moved by Mr Herbert Morrison, regretted the Government's ultimate intention to introduce sponsored television and also the proposed appointment of governors by a committee with no responsibility to Parliament.

The Home Secretary lucidly re-examined the arguments for and against monopoly and sponsoring, and expressed faith in the good taste of the British people, who, he had the temerity to say, were much more sophisticated and mature than the Americans. He defended the proposal to single out television for sponsoring on the ground that as there was already a choice of programmes on the BBC television was the most suitable field for the experiment. This implied no fundamental objection to commercial sound broadcasting either, although Sir David Maxwell Fyfe did not, like, the Lord Chancellor, actually defend the idea. His arguments were no answer to the important criticism, of which too little has been heard, that the proposals will further separate television from sound broadcasting, when they ought to be drawing together.

The Government has been held to the proposals for commercial television by the vigorous pressure of some of the back benchers, who showed in the debate that they were determined to hold ministers to their promise. But opinion in the Conservative party is certainly not unanimous. The motion approving the White Paper was carried, but there was a three line whip, and with Labour and Liberal members solidly against it there seems little doubt that if the vote had been free the proposals for sponsored television would have been rejected.

* * *

Official Spokesman

Mr Churchill learned his politics long before anyone had thought of public relations officers, and he has regarded the practitioners of this new craft with a good deal of wariness. His speeches have certainly needed no "ghosting," and the procedure of parliamentary questions makes anything like the weekly press conference of the American President unnecessary for British Prime Ministers—though what a master of this technique Mr Churchill would have been. It is not surprising, therefore, that the Prime Minister has decided to drop the post of public relations adviser at No. 10 Downing Street, and to transfer the functions of official spokesman to Lord Swinton, Chancellor of the Duchy of Lancaster, who is to be assisted by an able civil servant.

To make a politician responsible for this work presumably means that he will be given the fullest authority, equivalent to that of a Minister of Information, to expound the main lines of Government policy. The task of a modern British government is so complex that ample information and honest and expert guidance are essential if the daily press, working at high speed, is to put the issues accurately before the public. Fifty years ago the central themes of politics, such as Home Rule, Free Trade and Protection, or the future of the House of Lords, were broad and straightforward enough for their presentation to be safe in the hands of politicians; but today, when a change in a complicated schedule of railway fares, or even a reshuffle of the fare stages of London buses, can become matters of Cabinet decision and produce major political rows, the spokesman's task is one for the specialist. Mr Attlee met this situation by creating the post of public relations adviser at No 10. Its first holder had almost the status of a minister and certainly helped greatly to smooth the Labour Government's path in its earlier days. Mr Churchill can have had no political reason for altering the arrangement. The established civil servant who held the post last October no doubt had Mr Churchill's respect; he was a forthright opponent of appeasement in the days when he wrote leaders for the *Yorkshire Post*. But the Prime Minister would have none of these new-fangled arrangements. For some months the situation was allowed to drift; the outcry from within the Tory ranks at the inadequacy of the Government's public relations has brought about the present change. Its success or failure depends, above all, on whether Lord Swinton has the authority to give the papers adequate information and explanation.

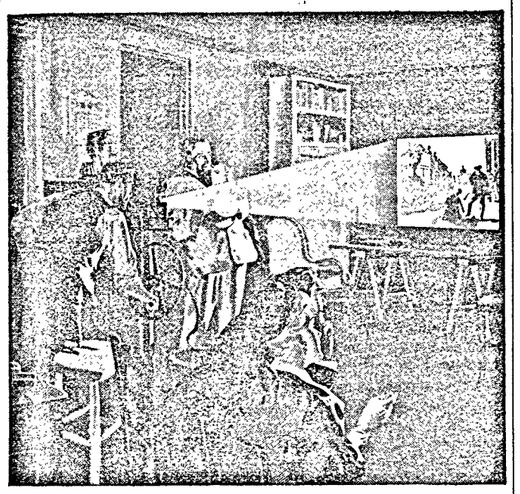
* * *

Development and Misdevelopment

The development of underdeveloped territories, the raising of the standards of backward peoples, the conquest of hunger and want, the exorcising of the Malthusian devil by the beneficent magic of western capital and western techniques—all these are ends, or aspects of an end, of which everyone is in favour in the same sense as Calvin Coolidge's preacher was against sin. But just because the need is so obvious, just because the practical difficulty of raising and applying western resources is so great, little thought has been spared for the underlying, almost philosophical, question: what is the relationship between "development" as a social process—the growth of attitudes, tastes, skills, standards, social structure—and the "development" represented by the growth of capital equipment? The latest in the series of essays in international finance, published by Princeton University,* discusses this question at a high level of abstraction and generality; but the author, Professor S. Herbert Frankel, is much more than an armchair student of colonial problems.

To confuse or actually to identify the two processes is, he asserts, the way to economic waste and political disaster. "Capital" as a homogeneous mass of wealth is merely an accounting abstraction; "capital" in its various concrete

* "Some Concepual Aspects of International Economic Development of Underdeveloped Territories." By S. Herbert Frankel. International Finance Section, Department of Economics and Social Institutions, Princeton University. 25 pp. Obtainable by students without charge on application to Princeton University.



IN THE HATTON GARDEN WORKSHOP of a scientific instrument maker, in 1895, strange new pictures were thrown on a magic lantern screen — pictures that *moved*. What may have seemed merely an intriguing novelty to the admiring witnesses was, in fact, the first commercially practicable film projector to be made in this country — the Theatrograph. Its inventor was Robert W. Paul, one of the purposeful men who made the 1890's a period of promise unique in our history. Another was Albert E. Reed, who that same year began to make super-calendered newsprint and other printing papers at Tovil, near Maidstone, having converted an almost derelict straw mill acquired the previous year. Expanding his paper-making business with the energy and enterprise so typical of the times, he founded one of the largest paper-making organisations in the world. For to-day the four mills of the Reed Paper Group, with its unrivalled technical experience and resources, produce more than a quarter of a million tons of paper a year — newsprint, printings, Reed's famous Aylesford Kraft and other kinds of wrapping papers.

Reed
PAPER GROUP

ALBERT E. REED & CO. LTD
THE LONDON PAPER MILLS CO. LTD · MEDWAY PAPER SACKS LTD
THE MEDWAY CORRUGATED PAPER CO. LTD
BROOKGATE INDUSTRIES LTD · REED FLONG LTD
THE NATIONAL CORRUGATED PAPER CO. LTD
POWELL, LANE MANUFACTURING CO. LTD
E. R. FREEMAN & WESCOTT LTD · REED PAPER SALES LTD
HEAD OFFICE: 105 PICCADILLY, LONDON, W.1

PIONEERS IN MODERN PAPER TECHNOLOGY

WISE WORDS

On April 22nd, speaking at a dinner at the Savoy Hotel, London, Lord Hollenden, the President of the Wholesale Textile Association, said:

"Clothing prices are as low today as they are likely to be for a long time to come. Indeed it is true to say that textiles and clothing are being sold today at prices below their true value and at prices at which they cannot be replaced."

On May 1st, Mr. Peter Thorneycroft, President of the Board of Trade, said in Parliament:

"I agree that there are very good bargains to be had in the shops and I wish people would buy them."

DISTRIBUTION FOR THE NATION IS CARRIED OUT BY MEMBERS OF THE WHOLESALE TEXTILE ASSOCIATION

THE WHOLESALE TEXTILE ASSOCIATION, 75 CANNON ST., LONDON, E.C.4

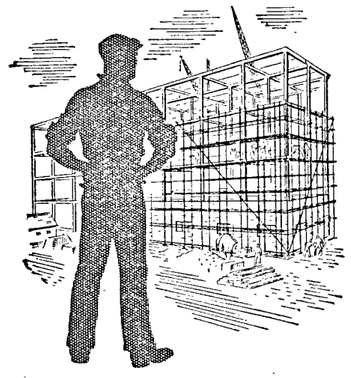
Heading*East?...

Then let KLM help you enjoy your journey in style! Any day of the week you can board a luxurious Constellation and speed to the principal cities of the Near, Middle and Far East. It's comfort first and fast to the East with KLM.

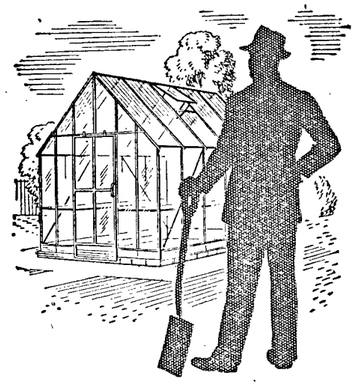
★ Regular services to BEIRUT, DAMASCUS, LYDDA, CAIRO, BAGHDAD, BASRA, TEHERAN, DHAHRAN, KARACHI, CALCUTTA, BANGKOK, JAKARTA. See your Travel Agent for details or contact KLM Royal Dutch Airlines, 202/4 Sloane St., London, S.W.1 (Tel. SLO 3488) and at Manchester, Birmingham, Glasgow and Dublin.

KLM
ROYAL DUTCH AIRLINES

Look on the building site



. . . or in the garden



. . . you see DURALUMIN

REGD. TRADE MARK

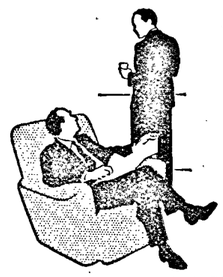
Look where you will and you will almost certainly find one of the aluminium alloys in the comprehensive "Duralumin" range.

The increasing popularity of this versatile material is hardly surprising. It cannot rust, need not be painted, is of good appearance, and whilst only one-third the weight of steel is equally as strong and lasts longer.

"Duralumin" can be welded, machined, pressed and fabricated in much the same way as other metals. It is produced as sheet, strip, tubes, wire and sections; the latter in a limitless variety of different contours.

Have you considered the advantages light alloys can bring to your business? You may perhaps not have heard all the latest developments. A request to us to call upon you would place you under no obligation whatsoever.

JAMES BOOTH & COMPANY LIMITED
ARGYLE STREET WORKS · BIRMINGHAM · 7



"I think I'd like

a White Horse

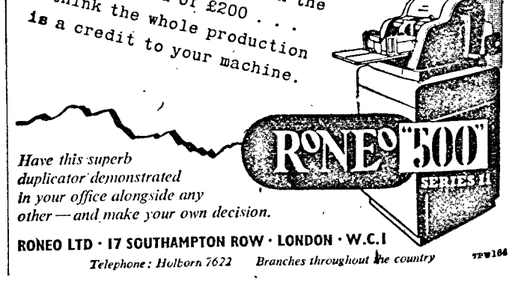
better than anything"

MAXIMUM PRICES:— Bottles 35/-, ½-Bottles 18/3, ¼-Bottles 9/6, Miniature Bottles 3/8 as fixed by the Scotch Whisky Association.

BOROUGH DUPLICATES RATE ESTIMATES —SAVES £200

Extract from Borough Treasurer's letter:
Town Hall, Hendon, N.W.4. 24th April, 1952

. . . "You will observe that the whole document, with the exception of the cover, has been produced on the Roneo "500" duplicator and presents a 'finished' appearance. The cost is only a fraction of that of a similar printed production. The saving in fact was in the neighbourhood of £200 . . . I think the whole production is a credit to your machine.



Have this superb duplicator demonstrated in your office alongside any other — and make your own decision.

RONEO LTD · 17 SOUTHAMPTON ROW · LONDON · W.C.1
Telephone: Holborn 7622 Branches throughout the country

forms depends for its income-generating power on its relation to the whole economic and social order in which it finds itself. It is itself an influence in shaping that order, but not the only or the most important influence. A metropolitan or international planning organisation can appropriate capital sums, and direct capital goods to underdeveloped territories, by a series of central decisions; but no central decision can "develop" the society in which they are to function in the sense of bringing into being "new, socially acceptable, patterns of co-operant behaviour." And it is this unforeseeable, unenforceable, indigenous growth which settles what sort of capital is wanted and what, therefore, will "pay," whether in terms of net income yield or of local welfare.

This argument is all extremely abstract, particularly when flanked by a rigorous discussion of the meaning of income and the concept of welfare. But it links up with the highly practical conclusions of those field workers who have evolved a double rule-of-thumb test for the acceptability of development projects: does it meet a want which the people concerned actively feel? Is it a job in which the people concerned can actively participate? In his plea for a decentralised, flexible, sensitive and harmonious endeavour, Professor Frankel speaks for a great number of wise men with dirty boots.

*

So much cannot be said for the report,* published this week, by a committee under the chairmanship of Mr Harold Wilson. It pleads that capital should be put into the underdeveloped areas at a rate rising to £5,000 million a year; Britain's fair contribution to this total might well be £350 to £400 million. The arguments for so heavy an investment —arguments both from principle and from self-interest—are powerful and are mostly well put. Whether it could best be done through an ambitious "International Development Authority" is, to say the least, highly questionable. But what is really disturbing, in a report addressed to the developed countries who would do the investing, is that the meaning of such an effort to them is hardly considered. Plainly it is the duty and the interest of Britain to participate heavily in overseas development. But to do so is to export more than Britain imports; it is to have a surplus instead of a deficit on the balance of payments. What policies are the Labour party's thinkers willing to devise, and to advocate to their constituents, in order to make the British economy capable of providing a regular surplus for overseas development? Until they are realistic about this, the advocacy of large-scale help to underdeveloped countries is nothing but sentiment.

* * *

Germans Embarrassed by Prosperity

The obvious ways in which their economy progresses are becoming an embarrassment to the Germans. It was realised with some anxiety that an unfortunate impression would be created at the London debt conference by the *Bank Deutscher Laender's* recent decision to reduce the discount rate to 5 per cent. The move was unexpected, as only a few months ago the Bank had expressed grave concern at the large volume of short-term credit. Since then, however, stocks have been reduced and credits correspondingly paid off. The Bank took its step chiefly in order to create a margin between the discount rate and the interest which will be offered in public capital issues. Its decision was part of a move to recreate a market for capital investments. The signs are that the time is now ripe for approaching the public if the return on capital is made sufficiently attractive. Savings in the first quarter of this year were 71 per cent of the total for 1951.

The *Bank Deutscher Laender* is a very cautious institution. It had certainly good reasons for declaring that its action would not lead to a dangerous expansion of credit or an importing spree. Germany's position in the European Payments Union suggests that the lowering of the rate was indeed a good move, if it fosters imports without causing a flood. When Germany was a large debtor in the EPU the Bank raised its rate. Now the situation is reversed. In May the Federal Republic was the largest creditor in the Union. Its surplus for May was $66 million, against $35 million in April. Half of this amount was paid in gold, making the total payment received by Germany in gold or dollars $67 million.

Dr Erhard, the Federal Minister of Finance, is now conducting, with the support of bankers and economists, a campaign for convertibility of the D-mark. The D-mark is now so strong that there is almost no difference between free market and official rates of exchange—a remarkable success for a currency which was launched in 1948 as nothing but paper without even a signature on the notes, let alone reserves behind them. However, lack of adequate reserves still prevents the Germans from letting loose their currency. Convertibility of the D-mark in the EPU area would amount to total liberalisation, and would only be feasible if the United States were to raise their contribution to the union.

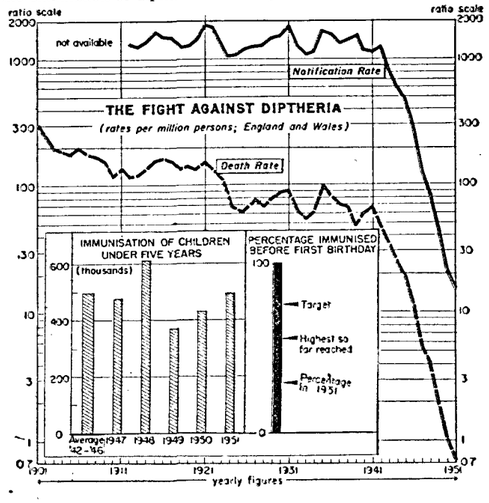
* * *

Mr Zapotocky Complains Again

Mr Zapotocky, the Czechoslovak Premier, must by now have become accustomed to denouncing the failings of his fellow-countrymen in the mines, the foundries and the factories. It is always difficult to say how far these denunciations are a true reflection of the industrial scene and how far they are deliberately exaggerated in order to galvanise the workers into fresh efforts. But there is no reason to doubt the substantial accuracy of the gloomy pictures that Mr Zapotocky invariably paints. In his latest statement, made at the end of last week, on various production deficiencies and labour shortcomings, the main burden of his reproof fell on the trade union organisation for which

Diphtheria Immunisation

The results of the diphtheria immunisation campaign are illustrated below. Unfortunately, the success of the campaign hitherto in eliminating diphtheria has encouraged people to think that immunisation is no longer necessary. The number of babies immunised in 1951 was well below the number necessary to ensure the elimination of diphtheria as an epidemic disease.



* "War on Want." Issued by the Association for World Peace. One shilling.

he himself is largely responsible. He complained that the trade unions did not conform to Comrade Stalin's definition of "a link between the masses of the workers and their vanguard—the Communist party." The socialist reconstruction of industry and agriculture was being hindered by a lack of initiative on the part of the trade unions which could only be remedied by their thorough reorganisation. In particular they are to be kept more firmly up to the mark through closer supervision by the party organisations in the factories; in future, the latter are to devote at least two-thirds of their work to trade union matters.

A particular reason for the renewed alarm of the Czech Communists over the labour front would appear to lie in the situation in the Ostrava coal basin, where a huge new industrial complex and a new "socialist city" are under construction. It is plain that things here are not going entirely according to plan. Coal output is lagging; there is a serious labour shortage; and work is being seriously hampered by the failure of factories in other areas to produce promised supplies of machinery, equipment and building materials. The troubles at Ostrava are endemic throughout the country; but every effort is being made to impress upon workers elsewhere their patriotic duty to make what contribution they can to the completion of the Ostrava project. For, in the words of a leading article in *Rude Pravo*, "without Ostrava's steel, iron and coal, our country would be weak and her defence would be compromised." The special urgency now being given to Ostrava is, indeed, most probably a reflection of the stepping-up of Czechoslovak defence production in response to demands from Moscow. In a speech several weeks ago, Mr Zapotocky boasted that his country's defence preparations were proceeding apace, but he admitted that they called for "great working efforts and financial sacrifices."

* * *

Defence by Night

The Air Ministry has for the time being silenced critics of its night fighter policy by signing an order last week-end for the delta-wing Gloster fighter, still inelegantly designated the GA. 5. The RAF is better equipped in this respect than the other Nato countries, and it has greater experience in this form of combat than any other air force, including the American. But this only serves to underline the general weakness of Europe's night defences. The principle of defence against atom bombing is that the lone bombers should not be allowed to approach their target; in the case of this country they must not be allowed to cross the coastline. But the best that Britain can put into the air against such night attacks are Meteor and Vampire night fighters—both aircraft that will soon be taken out of production; there is also the prospect of some Venom night fighter squadrons next year. These aircraft are no longer fast enough to provide a reliable defence system, although the widespread belief that the Russians are no better equipped has encouraged a good deal of misguided complacency.

The fact that the Americans have met no serious night fighter opposition yet in Korea means only that Russian night fighters are being reserved for defence nearer home. A study of postwar Soviet aircraft* suggests that single-engined jet night fighters with performances approaching that of the Mig 15 are in squadron service, and at least two formidable twin-engined night fighters are coming into production—both likely to be faster than any British night fighter that will be in service during the next two years, but considerably slower than the new Gloster fighter.

This fighter, which will be the first delta wing aircraft to be put into production anywhere in the world, made its first flight only six months ago; because of its size and complexity, it may be as long as four years before it is in service in reasonable numbers. Until that time, British night defences must continue to give cause for alarm.

* "The Soviet Air Force." Asher Lee.

* * *

Too Many Dockers

In his foreword to the National Dock Labour Board's annual report for 1951 Lord Crook, the chairman, points out that the situation has changed radically this year. In 1951 the books showed a favourable balance; operating costs were less than in the previous year—in spite of higher wages and prices and a larger number of workers. This was due to a very high demand for labour, so that only 6 per cent of the dockers were proving attendance—that is, drawing pay without having any work to do. The board was able to pass on the benefit by reducing the rates of levy from which the dock labour scheme is financed. But now, Lord Crook says, the board

> finds itself in a position in which it is carrying large surpluses of labour. This factor, coupled with the increased costs due to the new holiday and wage rate agreements, means that the board has been operating at a loss.

The dramatic change came at the beginning of the year, but already in the last quarter of 1951 the shortage of labour had become less acute. The board had been resisting local pressure to raise the "sanctioned strength": the right solution was to take on temporary workers for short periods. But in some ports there was resistance to their employment, and the total registered labour force was allowed to rise from 77,000 in the first quarter of 1951 to 81,000 in the fourth quarter. As a result there are now on an average between 9,000 and 10,000 workers proving attendance each day—more than twice as many as last year.

The rate of levy has been raised again; recruitment has been stopped, and dockers who leave are not replaced. But the board has not yet declared any men redundant. It does not want to be stampeded into doing this because trade may pick up and because it thinks it must not undermine the decasualisation that is its *raison d'être*. It is afraid to upset labour relations—which, however, have shown an unusual degree of harmony and discipline since the shadow of unemployment has reappeared. But to wait for last year's volume of trade to return seems a costly policy. In the meantime, the burden of 10,000 idle dockers adds to the cost of British exports at a time when their markets are in no condition to stand it.

* * *

Counting the Shops

The nation of shopkeepers has been shy of its label. No complete count of Britain's shops had been made before a survey taken in 1950, the results of which were published this week.* There are 551,214 ordinary shops—one for every 89 persons—which, for the size of the population, is nearly half as many again as in the United States. When restaurants, hairdressers, repair shops and garages are added, there is one retail business for every 69 persons.

It is a pity that the figures cannot really be as tidy as the comprehensive statistical tables would suggest. The aim of the survey was to provide a mailing list for the Census of Distribution forms and the enumerators who tramped the streets had to judge the main business of a shop from its windows. There must have been many a small store, in towns as well as villages, which hovered uncertainly on the list. Nevertheless, this survey should provide a truer picture than any estimates have done before. It may not cause surprise that women and children can choose their clothes at three times as many shops as men can; but that there are more hairdressers than greengrocers needs more explanation.

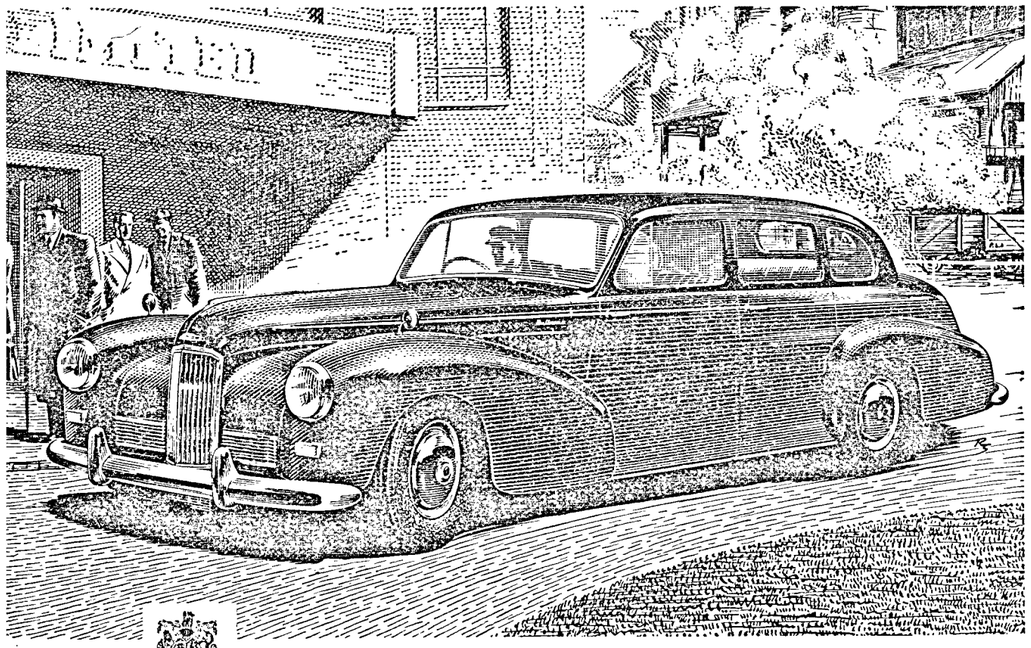
* "Britain's Shops." HMSO. 3s. 6d.

You are a busy man . . .

TRAVEL BY PULLMAN

Your business day is all too crowded. Ease the strain. Relax between appointments in the comfort and silence of the Humber Pullman Limousine. The immensely powerful engine brings wide territories within easy range; the spacious rear compartment is the perfect setting for quiet discussion with your associates; and the magnificent appearance of the car inspires immediate confidence. Relaxation . . . convenience . . . prestige . . . and a surprisingly reasonable price. THE HUMBER PULLMAN is a first-class investment.

Coachwork by Thrupp & Maberly



★ Your Humber Dealer has good news for you about delivery... get in touch with him TO-DAY!

By Appointment to the late King George VI Motor Car Manufacturers Humber Limited

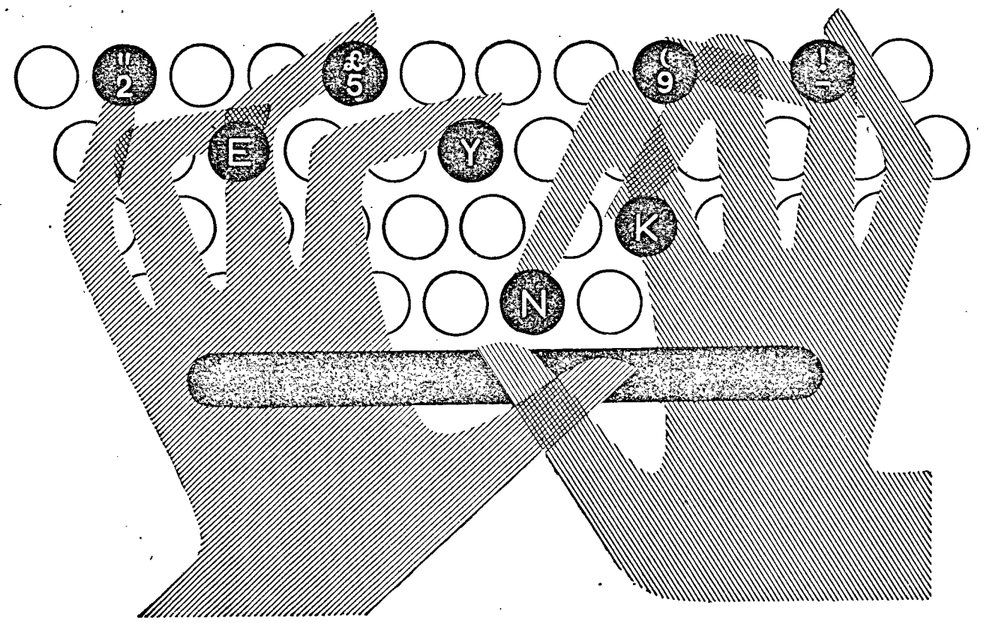
HUMBER

8-SEATER PULLMAN LIMOUSINE

Britain's most reasonably priced Limousine: £1,600 Plus Purchase Tax

ALSO IMPERIAL SALOON

HUMBER LIMITED, COVENTRY · LONDON SHOWROOMS AND EXPORT DIVISION: ROOTES LIMITED DEVONSHIRE HOUSE PICCADILLY W.1



In design and performance

olivetti

TYPEWRITERS

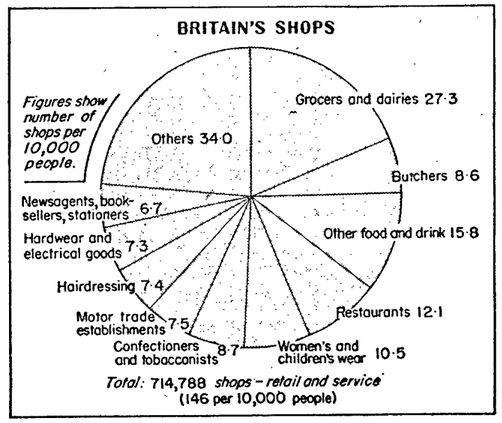
clearly distinguished

Distinguished to look at, smooth and fast in use, clear in impression, dead accurate in alignment — these are the qualities that have made Olivetti a world-wide name. Olivetti typewriters, from the factory in Glasgow, are equipping many famous businesses at home and abroad — giving the typist a superb machine which responds easily to her skill, and makes every letter she types so clearly distinguished.

BRITISH OLIVETTI LIMITED 10 BERKELEY SQUARE LONDON W.1 GRO 6161

Standard · *Electric* · *Portable Typewriters* · Printing Calculators · *Adding/Listing Machines*

Shopkeepers are densest in Lancashire. For its size Blackburn has more shops than any other town, followed closely by Burnley and others. The north-west as a whole has more shops for a smaller population than Greater London, and this is true not only of the total but of nearly every type of shop except fishmongers—presumably ousted by the fried fish shops—and men's shops. Nothing is said about the size of establishments but it seems that the small independent trader still thrives in the north.



In the most concentrated business area, the City of London, there is one shop for every five residents and one restaurant for every twelve. Many comparisons whet the curiosity. The literary reputation of Oxford seems to be at stake when Southend-on-Sea can boast 4.7 booksellers and stationers for every 10,000 of its inhabitants, as against Oxford's 4.2. Cambridge may be a man's town but Bournemouth has relatively more men's wear shops. Stepney has 13.4 hairdressers for every 10,000 people, while the more fashionable Marylebone has only 12.8. Social investigators may well draw from such figures many hares to chase.

* * *

Technicians for Under-Developed Areas

The demand of the world's underdeveloped countries for all kinds of help with their economic and social problems is practically boundless. This is made clear in the latest report of the United Nations Technical Assistance Board which has been submitted for discussion at the current session of the Economic and Social Council. Pakistan alone, for example, has sought help from the Board in a wide range of fields—rural under-employment, land tenure, industrial welfare, cement production, highway construction, medical training, and slaughterhouses. The Board reports that from the start of the aid programme in July, 1950, to the end of 1951, 797 technical experts were sent out to 75 under-developed areas. Some 845 men and women drawn from 46 countries and territories have been sent to training institutions abroad. The amount spent on the programme to date is approximately $12½ million.

Among the dozens of specific projects described in the report are several examples of how the under-developed areas themselves have contributed to the programme. Thus, the ILO has provided additional instructors and fellowships for Brazil's National Service of Industrial Apprenticeship (SENAI) in Sao Paulo. In turn, the Brazilian Government has offered 100 fellowships to technicians from other Latin American countries for study in SENAI schools.

A number of difficulties that beset the United Nations aid programme in its early stages are disappearing. By now many under-developed countries have had general surveys of their economy carried out, at least a semblance of a development plan exists, and some attempt has been made to centralise these activities. As a result, UN officials tend to be less bombarded with unco-ordinated appeals from individual ministries and institutions.

Of the troubles that remain the worst is the existence of at least five other schemes for extending technical help to under-developed countries. These include the bilateral aid programmes of the United States, the regional schemes of the Colombo Plan and the Organisation of American States, the programmes instituted by metropolitan governments in non-self-governing territories, and the technical aid activities of the International Bank. Machinery has had to be set up to guard against overlapping, and there is the constant problem of finding enough competent technicians to go round. The contributors to the various technical aid funds are also faced with the embarrassing task of deciding which of the sponsors to support. The under-developed areas can no longer complain that the rest of the world is indifferent to their difficulties. But the quality of their teachers will not be assured until there is a thorough-going rationalisation of all technical aid programmes.

* * *

Bolivia Uses the Tin Opener

Last week the deadlock which had paralysed Bolivia's exports of tin ore to the United States for eight months was broken ; and the day after the first American freighter arrived

Bigotry at Oxford

For some time past rumours have been prevalent of an intention on the part of a section of Oxford graduates to bring forward a third candidate for the purpose of ousting Mr Gladstone from the representation of that University. The project is strongly condemned by a large number of members of Convocation. Among these are 20 double firsts, 92 classical firsts, 24 mathematical firsts, 102 classical seconds, and 8 mathematical seconds—in all 246—besides many who took less eminent honours. Mr Gladstone's opponents, on the contrary, are stated to be nearly all men unknown to fame, either at Oxford or in the world. Nevertheless it appears that they have succeeded in finding a candidate . . . in the person of Dr Marsham, Warden of Merton College—a gentleman of whom little is known except that he represents a class of opinions now seldom found except in a fossil state, and that some years since he earned for a few weeks an unenviable notoriety by jocularly describing millions of his then famishing fellow-citizens as men who "rejoiced in potatoes." . . .If Oxford wished to give the world the measure of its backwardness . . . it could not do so more effectually than by this opposition to the return of Mr Gladstone. If it desired to ring its own knell, to pronounce its own sentence, to sign its own death-warrant, to seal its own fate, to write its own epitaph, as an obsolete and incurable institution—it could not more effectually realise that desire than by rejecting one of its greatest ornaments in favour of one of its most insignificant materials. The present is a critical moment for that ancient and venerable seat of learning: the public has of late manifested a strong opinion as to the desirableness of a reform in its discipline and laws ; . . . and precisely this moment is seized by a fanatical portion of the University for quarrelling with one of the most respected and most credited of her sons—one who . . . does honour to the influences to which he has been subjected, and bespeaks gentle treatment and sincere respect for an *alma mater* which can turn out such *alumni*.

The Economist

June 12, 1852

at the Chilean port of Arica to load Bolivian ore, it was announced in Washington that the United States had recognised the government of Señor Paz Estenssoro, which had seized power early in April. But this recognition was not the only gain that President Paz sought to achieve by resuming the tin shipments; indeed, the Washington decision was almost bound to follow after the speedy recognition of the new regime by most other Latin American governments. More important to Bolivia was the economic recovery which increased tin exports could provide. The Paz government was all the more alive to this fact because its success in overthrowing its predecessor had been largely due to the latter's failure to end the depression caused by the deadlock.

But President Paz's realistic approach to the question of sales to the United States does not imply that his government will abandon its intention of nationalising the larger tin mining companies. An official commission has been instructed to report within four months on all aspects of nationalisation; and as a first concrete step in this direction, the Paz government last week assumed the monopoly of all exports of minerals. Even if the President himself were to prefer a more cautious approach to this problem, it is doubtful whether he would prevail against the doctrinaire extremism of Señor Juan Lechin, his Minister of Mines, whose grip on the Bolivian trade union federation puts him in a strong position to carry through his policy of following "the example of Persia." The outcome will depend primarily on the contest of personalities within the revolutionary government; and it is unlikely to be long delayed.

* * *

Preserving the Churches

Britain's churches have fallen into a sad state of disrepair. According to a report published recently by a commission appointed by the Church Assembly,* it will cost £4 million in the next ten years to put them in order, over and above what the parishes can raise themselves. Of 15,000 churches nearly a quarter are in need of structural repair, and most need more money spent on them than is likely to be raised in the parish. This general decrepitude is mainly due to the enforced postponement of repairs since 1939, but the amount of maintenance work needed is in any case becoming greater; the smoky atmosphere of the towns eats into the fabric, and buildings put up some 100 or 150 years ago—some of them architecturally admirable but structurally poor—are beginning to need constant attention. The commission estimates that after the accumulated repairs have been done, the annual cost of maintenance, at present prices, will be some £750,000.

While the Church may be able to raise an annual sum of that size from its resources, the £4 million needed in the first place will indeed be hard to find. The commission thinks it may be possible, however, if a national appeal is made through a trust for the Preservation of Historic Churches. If all else fails, the churches would have to ask for help, and in that case the commission hopes that it would be given unconditionally, as it is to the University Grants Committee and the Arts Council. But this should be a last resort:

> There is to-day a prevalent tendency to look to the state to solve all the problems of life, individual and corporate. The Church should set an example in trying to manage her own affairs without recourse to the state.

The Church would prefer that, rather than consider giving money, the state should take less away. There will be sympathy with the commission's view that money bequeathed or given under deed of covenant for church repair should be exempt from death duties and tax. Yet all proposals for nibbling at the revenue, however good the cause, must be regarded with great suspicion. Certainly it must be hoped that the appeal which will no doubt follow the commission's report will rouse the general response of which it is worthy.

* "The Preservation of Our Churches." Church Information Board.

Books and Publications

The Great Society

Declaration of Faith. By Herbert Agar. *Collins.* 222 pages. 12s. 6d.

Few people in 1952 will quarrel with Mr Herbert Agar's discouraging description of the Atlantic Community today. "We strengthen each other with arms, grants and pacts, while weakening each other with tariffs, quotas, currency controls, prohibitions of immigration and every convenient device for making our total Western Economy inefficient." Nor will many people in the West deny that more than common funk, more even than the most enlightened self-interest, is needed to change this factious group of nations into a genuine and lasting Atlantic unity.

Great changes in political and social organisation occur not only when economic techniques are modified but chiefly when determined men and women stamp their vision upon the new material—as Lenin did in Russia, or the Founding Fathers in America, or Gregory the Great at the dawn of the Middle Ages. An Atlantic Community will not grow simply from quick transport, modern communications, the dollar gap and the pressure of Soviet imperialism. It will grow because people believe in it and have a vision of its purpose and efficacy.

But what can that vision be? It is to this question that Mr Agar's "Declaration of Faith" is directed, and in rapid, rhetorical and often eloquent writing, he suggests that the foundations of such a vision can be found in Western tradition, in the concept of a Great Society to which "the monstrous fiction"—absolute national interest—is subordinate and which is based upon the concept of a natural law transcending individual interests and individual states.

This concept of order and brotherhood is a noble one, and Mr Agar has little difficulty in showing what calamities have befallen the Western world when absolute state interest and the overriding of all notions of justice have led the nations into wars of "unconditional surrender." The Greeks in the fourth century BC courted disaster as certainly as the Byzantines in their struggle against Bulgaria or the nations of Europe in the Thirty Years War.

Yet in spite of the relevance of Mr Agar's aim and in spite of his obvious sincerity, the book does not fully achieve its purpose. The weakness lies in the problem of which audience it addresses. For those who share Mr Agar's beliefs, the book is to some extent a résumé. As he himself suggests, "the reader may wonder why he is led down such well beaten paths." On the other hand, the unbeliever, the nationalist, the cynic, the fellow traveller, or even the active member of the Senate Committee on un-American Activities will find little to convince him—little beyond a quick sketch of history which he will find largely incomprehensible and a profession of faith which he does not share. Perhaps the greatest obstacle to the growth of the Atlantic Community is this break in the communication of ideas, and the technique of bridging it does not emerge in Mr Agar's study.

Yet if he does not overcome the formidable gulf, the attempt is a brave one. Faith and courage are infectious things, and Mr Agar's robust defence of a great tradition will hearten others and encourage them to make their own "declaration of faith."

The Strength of the West

The Defence of Western Europe. By Drew Middleton. *Frederick Muller.* 255 pages. 15s.

What harm can be done to a serious writer by a publisher's blurb? When one reads that the views of an author are fearless and his analysis ruthless one is set off looking for intellectual arrogance, generalisation beyond reason, and a desire to shock and impress. Mr Middleton is too good a journalist to commit these faults, though he sometimes sails a little close to the wind. He drops very easily into the future tense when talking about war with the Russians, and there are some general statements about strategy and national character that only a journalist would dare to put on paper.

There are also instances here and there where he appears to have been the victim of a headquarters point of view or of a hand-out. For example, to take the now burning question of General Ridgway's lack of reserve divisions: he takes over *en bloc* the French version of their reserve mobilisation methods and compares them with the British to the latter's disadvantage. There is much that is wrong with British readiness, but Mr Middleton can be certain that the two Territorial divisions of which he speaks would be equipped and capable of fighting. Does he really believe that this is true of the French reserve divisions or that the French could produce twenty divisions for the line thirty days after an emergency has begun?

Statements like this make one doubt the accuracy of his other judgments. If he had said a little more often "It is claimed that" and had occasionally given reference to a source, the reader would have been able to discriminate between first-hand and second-hand information. Likewise Mr Middleton is a little rash in his economic judgments. Did the Three Wise Men really say that rearmament was already seriously threatening the economic health of Europe? It is more likely that they found the fears of governments on this score eight months ago somewhat exaggerated.

These are all familiar pitfalls of reporting, and for the rest there can be nothing but praise for the sharpness and balance of the general picture that the book presents. Its attention is well distributed: three chapters about Russian and satellite strength, on the whole encouraging provided the West tries hard enough to make itself safe; two on the international army and its command; three chapters on the American, British and French army contributions, an excellent one on the "calculated risk" of rearming Germany in which he describes the tactics of the Pentagon as "bull-headed"; and a very judicial and worrying chapter called "If War Breaks Out To-morrow," which means any day this summer.

It may fairly be complained that Britain's power is much underestimated: the engineering industry, which can set an example to the Americans with the Centurion tank and the Comet, is surely worth a mention, and Mr Middleton might recall that we still have a navy. But if the author's selection of facts is sometimes curious, his shrewd judgment and refusal to think wishfully are reassuring. His conclusions are worrying, but the story he tells shows that the West, while being nervous about its weakness now may well feel confident about the future—provided it is given the time and takes the trouble.

Informing the Commonwealth

Consultation and Co-operation in the Commonwealth. By Heather J. Harvey. *Oxford University Press* for the *Royal Institute of International Affairs.* 411 pages. 30s.

This is a handbook designed to provide reference material about the machinery of the Commonwealth. It follows a previous work with an almost similar title, the significant difference being the inclusion of the word "British" last time. This was published in 1934 by Gerald Palmer, also under the auspices of Chatham House. While the current volume delves a long way back where necessary, its main aim is to cover in detail the developments which took place between 1934 and 1951. The book is in three parts. The first shows how the machinery of consultation has grown up; the second is devoted to defence, outlining in particular the changes which have taken place in methods of co-operation since 1939; and the third part covers Commonwealth participation in international action, through Uno, in the war and now in the North Atlantic Pact.

For anything as intangible as the Commonwealth, it is sometimes surprising how large a case history exists. On the other hand, this peculiarly British institution has grown up by the thoroughly British method of adding precedent to precedent; and it is this form of development that provides the subject matter of the present book. The day-to-day working of the Commonwealth consists mainly of the exchange of information. But, as Miss Harvey points out when quoting Lord Bruce in 1948, while the information now goes out from Britain to the other members "in an almost unlimited flow," the return flow is very much smaller and exchanges between other members are almost negligible. If the Commonwealth is to remain a living force while changing from an organisation of which Britain was the permanent chairman to something more like a club in which all are equal, more may have to be done to stimulate these other streams of information and consultation. It is characteristic of the change, as Miss Harvey suggests, that the last imperial conference was held in May, 1937, when King George VI ascended the throne. Since the war there have been "meetings of Commonwealth Ministers."

In spite of the need for as wide an area as possible of Commonwealth defence co-operation, the most important section of Miss Harvey's book is Part I, which deals with the machinery of consultation. Here she gives in concise and readable form the answers to all the questions of those, both in and outside the Commonwealth, who are baffled by its elusive political quality. Her facts range from the first

Ten Great Economists

JOSEPH A. SCHUMPETER In this collection of essays one of the greatest economists of our day has written brilliant evaluations of the men most influential in shaping economic thought during the past century. 21s. *net*

Problems of Nationalized Industry

Edited by W. A. ROBSON, LL.M., Ph.D. This book presents the first serious discussion of the problems of the recently nationalized industries in Britain. 25s. *net*

Jeremy Bentham's Economic Writings

W. STARK, M.A. A critical edition based on Bentham's printed works and unprinted manuscripts, the present volume is the first of three and covers the period from 1787 to 1795. 30s. *net*

ALLEN & UNWIN LTD
40, Museum Street, London, W.C.1

THE WORLD'S GREATEST BOOKSHOP
FOYLES
* FOR BOOKS *

All new Books available on day of publication. Secondhand and rare Books on every subject. Over 3 million volumes.

Subscriptions taken for British and overseas magazines and we have a first-class Postal Library.

We BUY Books, Stamps, Coins

119-125
CHARING CROSS ROAD
LONDON WC2

Gerrard 5660 (16 lines)

Open 9-6 (inc. Sats.)

discussions about an imperial conference in 1903 to the recent entitlement of High Commissioners to be "Your Excellency," from an account of every ministerial meeting of any consequence to a description of all the permanent organs of the Commonwealth—though it is a pity that more could not have been said about the Commonwealth Liaison Committee. Now that the nature and extent of Commonwealth membership are as fluid as at any time in the past, this up-to-date summary is most opportune.

The Changing Law

Law and Social Change in Contemporary Britain. By W. Friedmann. *Stevens and Sons.* 322 pages. 37s. 6d.

"And yet it does move." The Communist and the Western worlds differ widely in their view of the function of the courts. The Anglo-Saxon lawyer bristles at the notion that the courts are, and must be, obedient instruments of state policy. The Communists must wonder at, disbelieve or regard as an inefficient anachronism the spectacle of a supreme court sitting in judgment on the right of the chief executive in a state to order such a vital industry as steel production to remain at work. Even Mr G. R. Strauss once expressed horror at the idea that a mere regional traffic commissioner could overrule a decision of the central executive. And, since the division between the two schools of thought is so important, both tend to exaggerate the virtues of their own beliefs. The importance of this book is that Professor Friedmann is both able and willing to steer a middle course, to retain his judgment, to accept that a legal system is not and cannot be outside the social and economic structure of its society and yet that it must apply tests other than those demanded by the immediate policy requirements of the executive.

Three things should be said about this book. The first is that it is hard to imagine anyone better qualified to write it. Professor Friedmann has won legal degrees at three universities, London, Berlin and Melbourne, and is now Professor of Law at Toronto. He is a continental lawyer who has absorbed the atmosphere of the Anglo-Saxon common law in Britain, Australia and Canada. As Lord Justice Denning says in his preface, "he teaches us more about ourselves and our law than we ourselves knew." The second is that the problems the book discusses are all essential aspects of the uncompleted changes within the modern state: the relations of the public corporation and the private individual; the powers of, and checks on, the new economic giants, such as the trade unions; all the tensions and conflicts that arise within what is loosely called the welfare state.

The third thing to be said about this book is that Professor Friedmann does not lack either influence or disciples (which, perhaps, is very much the same thing). Lord Justice Denning may, with respect, be described as one. In his judgment in the case of *Lee* v. *The Showmen's Guild of Great Britain*, it was the social aspect of the problem before the court that was very much to the front of his mind. That case concerned the rights of a domestic tribunal within a trade union to expel a member. Had the member any redress in the courts and, if so, what? "These courts," Lord Justice Denning said, "intervene every day to protect rights of property. They must also intervene to protect the right to work." It is most unlikely that those two sentences would ever have been found in any judgment delivered fifty years ago. It is difficult to avoid the cliché that this is a book which everyone responsible for or interested in public affairs should read.

Is Kensington Human?

From a Garden in London. By Henrik v. Ringsted. *Jonathan Cape.* 279 pages. 15s.

Yes, it is, says Hr. Ringsted in this most kindly, sunny, perceptive, but unsentimental book. So is London as a whole, though to confound Kensington with London would be a great mistake. So are Londoners and the English, though it would be a rash Dane who would claim to understand them completely, even after long acquaintance. Go slowly; cultivate your garden (seven yards twelve inches by nineteen yards) and your "local" (waiting, with serene patience, for the day when you will graduate as a "regular"); take a firm line with your own natural irritation over draughty doors or leaky roofs, demented street-numbering systems, medieval garbage collection, boldly conceived exterior plumbing, and similar peculiarities of the island race; learn to appreciate cats and the ritual of weather conversation; and you will find London and Londoners not only human but even, within limits, admirable.

Hr. Ringsted's book was written in the first instance for his fellow countrymen and especially for the benefit of Danish war brides—whom he warns, incidentally, that England is a man's country where women are kept in their place. If he overstresses this aspect of British life, there are others on which he lets us off extraordinarily lightly. To write as he does of London River without even pointing the deadly contrast with Copenhagen's harbour—where the racing eights skim over clear blue water under the gantries and the cargo boats are as clean and trim as the sailing dinghies in the yacht basins ten minutes from the city's centre—argues a real generosity.

On the other hand, is it—can it be—really true that the English type is most faithfully depicted, as Hr. Ringsted says it is, in the cartoons of Giles. On the other hand again, how delightful and how salutary to read the unvarnished truth about regulation girls' school tunics; what a relief to find that Coventry Street appears a less nauseating spectacle to a civilised foreigner than it does to a civilised native; and with what inarticulate cries of assent does one hail the general remarks on "tourism" and the "tourist trade" which adorn the final chapter. Perhaps, somewhere in Copenhagen, on a flower-garlanded balcony, some urbane and keen-eyed Englishman is gathering the materials for a book as sound and entertaining as this. Perhaps; but one doubts it.

Turkey Transformed

The New Turks. By Eleanor Bisbee. *Pennsylvania University Press.* (London; *Geoffrey Cumberlege*). 298 pages. 40s.

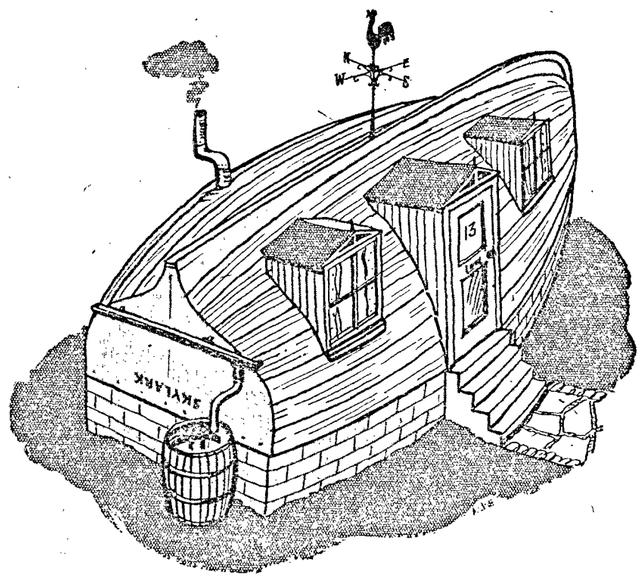
Modern Turkey deserves more attention than it gets in the West. This is not just because it is able and willing to play an important part in the defence of the free world. Even more is it because the transformation of Turkey over the last thirty years from a backward and disintegrating section of the old Ottoman Empire into a strong, democratic modern state is in itself an absorbing and important story. Miss Bisbee, who from 1936 to 1942 was Professor of Philosophy and Psychology at Robert College and the American College in Istanbul, has set out in this book to make the new Turkey and its people better known in the West. Her survey includes the origins and history of the republic, its physical characteristics, its political, economic and social institutions and its relations with its neighbours.

Not content with all this, the author gives a comprehensive account of the customs, character and activities of the Turks. Very little seems to have escaped her, from marriage customs to behaviour at football matches, from children's games to the Turkish sense of humour. Indeed, there are moments when the spate of information, not by any means all of equal value, gives the book something of the appearance of a guide-book. But Miss Bisbee is rarely dull, and she is not content merely to record what she has observed. She judges and criticises with scrupulous fairness, balancing praise for all that has been achieved with a realistic estimate of the magnitude of the tasks still to be tackled. But it is a pity that the impact of this interesting book should be deadened by its very undistinguished style and its complete lack of all literary graces.

Critical Biography

Ten Great Economists. By Joseph A. Schumpeter. *Allen and Unwin.* 305 pages. 21s.

The ideal critic, like the ideal actor, must be able to achieve a very difficult blend of close self-identification with the subject and of the most deliberate and objective detachment. Neither the partisan who lends all his gifts, however great, to the uses of partisanship, nor the dispassionately hostile evaluator—however acute—of error and failure, is doing the whole of a critic's work. There must be interpretation before there can be assessment, and to interpret, the critic must think and feel himself into the performer's mind and nature; but assessment is needed too, and to assess and evaluate the critic must be free from the spell to which he has deliberately subjected himself. Inability to perform this feat may matter little when criticism relates to a single



It would be a

strange home

that had nothing in it advertised by

F. C. PRITCHARD, WOOD & PARTNERS LIMITED

ADVERTISING & PUBLIC RELATIONS, 25 SAVILE ROW, LONDON, W.1. TELEPHONE: REGENT 7080 (16 LINES)

COOKERS, STOVES (*Radiation*) **BEDS, FURNITURE** (*Heal's*) **BEER** (*Beer Is Best*)
TOOTHBRUSHES (*Halex*) **CHOCOLATE BISCUITS** (*Cadbury's*) **CARS** (*Jowett*)
BABY POWDER (*Johnson & Johnson Ltd*) **RADIO AND TELEVISION** (*Ultra*)
MEN'S WEAR (*Austin Reed*) **COSMETICS** (*Boots No. 7*) **SWEETS** (*Pascall's*)
'LIGHTNING' FASTENERS (*I.C.I.*) **STOCKINGS, UNDERWEAR, GLOVES** (*Morley*)
COFFEE (*Red, White & Blue*) **CIGARETTES** (*Churchman's No. 1*) **WHISKY** (*Old Angus*)
SHAVING CREAM (*Shavallo*) **ELECTRICAL FITTINGS** (*Troughton & Young Ltd*)
TOILET ROLLS (*Izal*) **HOUSEHOLD DISINFECTANTS** (*Sanizal, Zal Pine Fluid*)
WINDOW AND PLATE GLASS (*Pilkington Brothers Ltd*) **BABY FOOD** (*Ostermilk, Farex*)
BEAUTY PREPARATIONS (*Atkinson's Skin Deep*) **PORT AND SHERRY** (*Sandeman*)
TOILET SOAPS AND WASHING POWDERS (*J. Bibby & Sons*) **FISH** (*British Trawlers' Fed. Ltd*)
ADHESIVE DRESSINGS (*Band-Aid*) **MEN'S HATS** (*Men's Hat Promotion Ltd*)
HOLIDAYS (*Poly Tours*) **RAZOR BLADES** (*Personna*) **ETC., ETC.**

Consider your Advertising Media in terms of

Receptive Readership!

Just as one volunteer is better than ten pressed men, so one receptive reader is of more advertising value than a dozen with idle minds. And receptive readers are what The Listener offers appropriate advertisers—receptive in the sense that The Listener's readers are people of enquiring and serious mind. Drawn from the highest levels of culture, intellect, education and position, The Listener readership provides a rich and compact market for cultivation by advertisers of first-quality products and services.

The Listener

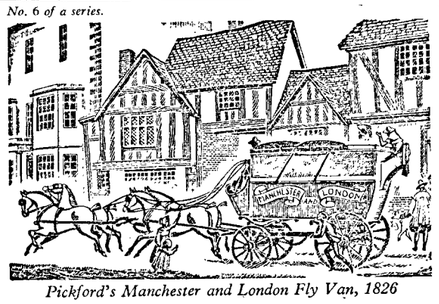
Average weekly net sale for 1951 (A.B.C.) 137,910

provides that Receptive Readership

Advertisement Department, B.B.C. Publications, Broadcasting House, Portland Place, London, W.1

sells limited

No. 6 of a series.



Pickford's Manchester and London Fly Van, 1826

IT was not until 1754 that Manchester and London were in direct communication by coach. The Manchester "Flying Coach" did the journey between Manchester and London in four days. The growing rivalry between Manchester and Liverpool was now clearly discernible in that four years later the Liverpool "Flying Machine" was put into service, to travel the 206¼ miles between Liverpool and London in three days.

THE mutual interests of the two great Lancashire cities, Manchester and Liverpool, were strengthened when Martins Bank Limited (formerly the Bank of Liverpool and Martins Limited) acquired the Palatine Bank in 1919 and the Lancashire and Yorkshire Bank Limited in 1928.
The retention of local control under an influential Board of Manchester Directors preserved to customers intimate and prompt attention to their requirements.

MARTINS BANK
Limited

Manchester District Office: 43, Spring Gardens, 2.
London District Office: 68, Lombard Street, E.C.3.

HEAD OFFICE: WATER STREET, LIVERPOOL, 2.

Total Assets (as at 31st December, 1951) £347,336,244

he's a

CRAVEN TOBACCO *man*

You sail into a rich new smoking experience with every pipeful of CRAVEN TOBACCO. Cool and fragrant, CRAVEN smokes slowly and evenly, ashore or afloat. Try CRAVEN today and discover the true pleasure of pipe smoking.

CHOOSE FROM THREE FINE BLENDS

Craven Mixture 4/6 an oz., Craven Empire de luxe Mixture 4/2 an oz., Craven Empire Curly Cut 4/3 an oz.

FOR MEN WHO KNOW GOOD TOBACCOS

achievement or failure, a point of technique, a particular judgment or misudgment; it matters intensely when its subject is a whole life-work and the man accomplishing it.

In this posthumous collection of essays the late Professor Schumpeter reveals himself as possessing the critic's specific gift to a very high degree. It has more scope in the masterly and substantial essay on Marx (reproduced from 'Capitalism, Socialism and Democracy" and occupying nearly a quarter of the book) than in the six-page obituary article on Walras, translated from the German original of 1910; though even this, which might have been no more than a graceful conventional tribute from a young writer to a respected and regretted senior, shows the same sureness and sense of perspective as do the longer studies, such as those on Marshall, Pareto, and—last of the ten—Keynes.

Personal biography and exposition of theory are combined in different proportions. The essay on Taussig, a lifelong friend, is predominantly biographical, that on Böhm-Bawerk, though touched with the warmth of personal acquaintance, is predominantly analytical, But the two elements are always there, strengthening and sometimes explaining one another. Sometimes, indeed, one may feel that too much is laid upon their interaction. True as it is, for instance, that Keynes's theory was always closely related to his preoccupation with current events, it is too sweeping a denial of their more general validity to say that "practical Keynesianism is a seedling which cannot be transplanted into foreign soil; it dies there, and becomes poisonous before it dies." These feelings, however, are matters of stress and degree. This is an illuminating, stimulating, and highly civilised book.

The Last Chartist

Ernest Jones: Chartist. By John Saville. *Lawrence and Wishart.* 284 pages. 25s.

This annotated selection of the speeches and writings of Ernest Jones, prefaced by Mr. Saville's scholarly biographical introduction, throws much-needed light on the personality and ideas of the last leader of Chartism. Jones was born in 1819, the son of an equerry to the Duke of Cumberland, who was his godfather. Nothing in his background and early years foreshadowed his conversion to Chartism. He had had literary ambitions and had been called to the Bar in 1844. Yet, from the time of his adherence to the Chartist cause, around 1845, he became one of the most militant of its leaders; he spent the years 1848-50 in grim imprisonment for seditious behaviour; throughout the fifties, he kept alive, almost single-handed, what was left of a dying movement. Disillusionment with independent working class action then drew him closer to the growing Radical movement of the sixties, but his death in 1869 robbed him of the place his undoubted gifts might have earned him within its ranks.

Ernest Jones is a remarkable illustration of the truth that men are the prisoners of their times. The circumstances of the fifties doomed him to failure as a leader of labour. He preached social revolution to a working-class that had turned away from it; he was a militant political organiser when both militancy and political organisation had been replaced by trade unionism geared to limited aims, primarily economic, as the typical form of working class action. Jones was also one of the few Englishmen of his time who knew both Marx and Engels well and who sought a solution to the national and international problems of his day with reference to an approximation of Marxist doctrine. Mr Saville prints an entertaining and instructive selection of the Marx-Engels correspondence relating to Jones; it shows the hopes they placed in him and the disappointment they felt at his deviations.

This book is a useful contribution to the understanding of the causes of Jones's failure to make a serious impact on his time, and of a period which is the least well-known, yet one of the most crucial, in British working-class history.

Letters to the Editor

Which Law for Korea?

Sir,—Before starting his meticulous examination of the uncertain and obscure, Mr Hobsbawm might have spared one glance for the obvious. Many of the recusant prisoners are voluntary deserters. The shotgun wedding is a ludicrously false analogy for these men.

In fact, if you wanted an example of a man exercising a free choice, the deserter from an army in the field would be hard to beat. And since a man who makes a free choice is entitled to asylum, even according to his own ungenerous logic, Mr Hobsbawm's case collapses.—Yours faithfully, H. B. BARWISE

Oxford

Better British Films

Sir,—One of your recent notes on the film industry says that it has still to be demonstrated that a high quota of British films for exhibitors to show "by hook or crook," will result in the production of sufficient good British films. This seems to me an over-simplification of the problem. The quota system was conceived in 1925 as a means of protecting the British film production industry from competition of American films, which had already met their production costs in their home market and which could, therefore, undercut our pictures. The quota became law in 1927, when the first ten-year Cinematograph Films Act was placed on the statute book. But the Act also introduced a renters' quota which required all renters who imported films to foot the bill for a proportion of British production.

The exhibitors' quota and renters' quota, working together, not only protected the native industry, but also ensured the production of British films for the cinemas to show—until Gatt forced this country to abolish the renters' quota from October, 1948. The whole weight of the quota was thus placed on the shoulders of the exhibitors, who, unlike the renters, had (with very few exceptions) no connection with and no experience of sponsoring production. The 1948 "Quota" Act also absolves cinemas from such an obligation, because, far from forcing them "by hook or crook" to fulfil their quota, it makes provision for exemptions from the quota, if they can demonstrate that the films are not available to them. This has been interpreted by the Board of Trade in a manner generous to the cinema owners.

The National Film Finance Corporation from its inception recognised the key position of the renter in film production. But the Board of Trade, in allowing the renters' quota—and, incidentally, any other comparable means of protecting British film making—to become contrary to international agreement, has been less wise.—Yours faithfully,

CHRISTOPHER BRUNEL

Gerrards Cross

Productivity After the Teams

Sir,—In the "Business Notes" of your issue of May 10th you refer to the Scottish Productivity Panel as an independent body acting apparently without consultation with the British section of the Anglo-American Council on Productivity.

The action of my board was the outcome of a plan made two years ago which was taken stage by stage. The board arranged for the American Consuls-General in Scotland to speak to its district committees on the facilities offered by that service in exporting to the United States. The district committees followed up these meetings by sponsoring firms dealing with productivity, but it was soon realised that firms in themselves were not enough. A Scottish panel was considered last autumn and discussed with a representative of the Anglo-American Council, and with the American Minister. Every step taken was made known to the constituent bodies of the Anglo-American Council, who gave the warmest support to the Scottish scheme. I fail to understand, therefore, how it can be said that this board acted without consultation.

The rest of your comment is again misleading. At the conference, industrial consultants were asked if it would be possible for them to take part in advising the proposed panel, and representatives present volunteered at once to assist in every possible way. In conclusion, may I add that it is the intention of the board that the panel should act in conjunction with the British Productivity Council when that body is set up.—Yours faithfully,

CHARLES MURDOCH, Chairman,
Scottish Board for Industry

Glasgow, C.2

AMERICAN SURVEY

Mister Eisenhower

Abilene, Kansas

THE most difficult of the decisions now facing Mr Eisenhower may well be very different from those which General Eisenhower had to make. What these decisions are, and what may follow if they are wrongly taken, could be glimpsed during the jamboree at Abilene, Kansas, last week when Mr Eisenhower set sail upon the political flood-tide.

Arriving back in his pleased and exhilarated home town in the middle of America the newly demilitarised Ike, now dressed in a light summer suit and panama hat, was led to the place where the Eisenhower Museum is to be built. Here, close to the railway tracks and next door to the splendidly ordinary white frame house where his boyhood was spent, there was a foundation stone to be laid. With this ceremony went a little speech which would be of such limited national interest beside the big political speech he was to make five hours later that Mr Eisenhower had not even prepared notes for it.

It was something he could do supremely well: it was about his father and mother, and about their belief in the Bible and in the simple theory that so long as you did your best with the material the good Lord gave you there was no need to worry or fear, because the good Lord Himself would provide whatever else might be necessary. Mr Eisenhower spoke eloquently and with much feeling. Memory, he began, was bound on such an occasion to turn backward; and in fact

> this day eight years ago I made the most agonising decision of my life. I had to decide to postpone by at least twenty-four hours the most formidable array of fighting ships and of fighting men that was ever launched across the sea against a hostile shore. . . . The greatest break in a terrible outlay of weather occurred the next day and allowed that great invasion to proceed with losses far below those we had anticipated.

The afternoon wore on and there was a parade past him with high school bands and drum majorettes, and cowboys and tableaux "depicting incidents from the life of Mr Eisenhower"; and then it rained immoderately so that the Eisenhower stadium was a morass of mud and sodden people when the moment came to start on the big speech. With the lightning still flashing across an ominous sky there seemed little reason to expect any memorable display of enthusiasm from the crowd. But there were bursts of clapping, cheering and horn-honking from time to time as Mr Eisenhower read the speech, and one of the loudest spontaneous reactions of approval came when he reached a passage in which he said:

> The mystery must be removed from foreign relations—our essential requirements and objectives must be clearly set forth for us and all others to read and comprehend. Americans instinctively and properly dread the kind of secrecy that surrounded Yalta.

The fact that this passage had been included appeared, to many of the Washington correspondents present, to be an almost perfect example of the new decisions Mr Eisenhower is now being required to take. A candidate for the Republican nomination could hardly expect to succeed without a word of criticism of the Democratic Administration. But there is plainly a choice of grounds upon which the Administration can be attacked—a choice ranging all the way from those springing from pure conviction to those dictated by pure demagoguery.

There was no proof at Abilene that someone had advised Mr Eisenhower that it would be a good thing to assail the secrecy at Yalta, that there was a lot of public feeling about it, and that a candidate who took the critical line on it could rely upon a ready response from his audience. But to some of those present it looked as though he had been pressed to do this for political reasons. It looked that way because a military man would not need to be told why a wartime conference between heads of states could not be satisfactorily held under klieg lights in Madison Square Garden; because there was an uncomplicated military reason why decisions reached at Yalta had to be kept secret for some time after the conference ended; and because, of all the inexpensive methods of securing applause from a crowd recently devised by either political party, this is probably the one which least bears examination on either ethical or factual grounds. As a General, Mr Eisenhower understood this; as a politician, he had decided to overlook it.

*

Mr Eisenhower is not the first and will not be the last candidate who has been confronted by arguments that powerful support can be won, and advisers can be kept sweet and happy, by playing the game in what is usually called the professional way. But the first week of the political career upon which he has embarked so late and so conspicuously has made it clear that, while he enjoys advantages most other candidates labour half a lifetime to secure, he is bereft of many of the defences that are developed during a normal apprenticeship in politics.

The American audience is inclined to yield to any politician who has played his role for some years the right to do and say expedient things when he feels that occasion requires it. Loyalty to the party is usually accepted as a reason why certain manœuvres have to be carried out, certain promises have to be made, and certain insincerities have to be uttered. But it is doubtful whether the audience will extend the same indulgence to Mr Eisenhower—at least not immediately. He has responded to "a clear call to duty": he appears, late in the play, "in response," as the Governor of Kansas put it, "to the hopes and prayers of millions of Americans . . . seeking a leader summoned by destiny." At the Abilene press conference, with no advisers at his elbow and no carefully phrased sentences to drop into any text—on his own, inspiring the conviction that by force of rugged character and vigour of bearing he will be able to overcome all obstacles—he was very nearly irresistible, even to the newspapermen who were supposed to be submitting him to ordeal by fire.

The trouble is that to be irresistible to the professionals in the Republican party, without whose aid he is unlikely to be nominated, Mr Eisenhower must develop his role rather differently. Senator Carlson of Kansas threw light on this aspect of the Eisenhower homecoming when, in briefing correspondents on what had happened during visits to the candidate by Republican delegations from neighbouring states, he said that some of them had asked Mr Eisenhower whether he was "an organisation man." Senator Carlson reported happily that Mr Eisenhower had assured them that he was indeed an organisation man and was "going to work with the precinct worker, the county chairman, the local captain and all the rest" of the party officials.

The question is not whether Mr Eisenhower will be doing anything discreditable by appearing as an organisation man: the question is whether he will be staying in character. His fellow organisation men, and particularly those in stations more exalted than precinct worker, county chairman and local captain, are likely to make upon him demands which it may not always be easy to reconcile with those of the clear call to duty. Mr Eisenhower cannot expect to win the nomination by spurning the advice he receives from the men of experience who are staking their own political futures upon him. Yet he will be jeopardising the very foundations of his strength whenever it becomes obvious that he is proclaiming any but his own thoughts and convictions. The most important of the new decisions he will be called on to make in the next month will be those which determine the relationship between the advice he gets from the professional politicians and his own instinct, his quality of character and earnestness which, when he makes it evident, lifts him to a point at which he is by all odds the most attractive figure on the present political stage. He has to decide how to balance advice against instinct, how to make himself attractive enough to the Republican professionals to secure the nomination without making himself so unattractive to the American voters that he wins the nomination and yet loses the election.

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

American Notes

Steel Shuttlecock

When the high hopes of a negotiated settlement of the steel dispute collapsed unexpectedly on Monday, President Truman at once threw the ball to Congress. He went in person to ask it for power, which the Supreme Court had said only Congress could grant, to seize the steel industry and run it until a wage agreement had been reached. But the Senate, which until then had been busily drafting various seizure plans of its own, at once threw the ball back to Mr Truman, and requested him to use the power he already had and get a court injunction against the strike under the Taft-Hartley Act. The House has not yet confirmed this request but it seems unlikely that the President will be able to escape from doing something which he has told Congress would be unfair to the steel workers and the worse of the two possible methods of securing essential steel production, assuring equal treatment for both sides in the dispute and encouraging them to settle their differences. But he has at least shifted the blame for invoking the Taft-Hartley procedure, so much disliked by labour, from his shoulders to those of Congress and has given new life to what has in the past been a useful election issue.

It will be some days before an injunction against the steel strike can be obtained, for first a fact-finding board must certify that the dispute endangers the national safety. While the steel workers are unlikely to disobey the injunction openly, they may not work very whole-heartedly when they go back. Nearly 90 per cent of the steel industry is now shut down and manufacturers are having second thoughts about their optimistic forecasts of having enough steel on hand for a month or more of full operations. Already certain types of steel, especially the alloys needed for jet aircraft, are becoming scarce and all exports have been banned except for defence purposes. The trade union and the steel companies are, however, working out a scheme for continued production of the steel needed for essential military needs, which may mean for the Korean war only.

Once an injunction has been obtained against the strike, it will last for eighty days, but there is no reason to suppose that a settlement will be any easier to reach after this further delay than it is now after months of negotiation. With all the publicity that has been given to the dispute it has become almost impossible, for reasons of prestige, for either side to make concessions. The collapse of bargaining on Monday apparently came not over wages—a "package" increase of about 21 cents an hour seems to have been tentatively agreed—but over the union shop. The steel workers insist, and the companies refuse to agree, that all employees should be required to join the union within a month. The Wage Stabilisation Board endorsed the union shop in its controversial recommendations on the steel dispute and Congress, in renewing the Defence Production Act, is punishing the board for this excess of zeal by confining its activities directly to wage questions.

* * *

After the Primaries

While Mr Eisenhower beams upon his party's delegates, hoping to unfreeze the hard, calculating uncommitted hearts of the Pennsylvania and Michigan delegations, and bring the 390 votes he is promised closer to Senator Taft's 460, the Taft machine has been busy elsewhere. The choice of General MacArthur to make the keynote speech at the convention—the opening address which sets the party's sights and fixes the meeting's tone—is one more sign of how strongly the Taft supporters are entrenched in the party organisation and how ruthlessly they will exploit their advantage. General MacArthur, despite his uniform, is an open supporter of Senator Taft; so is Mr Walter Hallanan, who will be in the chair when the vital decisions are made whether to admit pro-Taft or pro-Eisenhower delegations from the contested southern states. Senator Lodge, for Mr Eisenhower, has spurned Senator Taft's offer of a "reasonable" compromise of these disputes, a compromise which, it seems probable, would concede Georgia's fifteen votes to Mr Eisenhower and retain the lion's share, those from Texas and Louisiana, as ill-gotten gains for Senator Taft.

There is an ominous parallel with the convention of 1912, the last occasion a partisan keynoter was chosen, and the scene of steamroller tactics by Senator Taft's father which split the party disastrously. If sharp practice by Senator Taft's organisation secures him the nomination, many indignant Eisenhower supporters would refuse to vote for him. But the evidence of the always-small primary vote, such as it is, suggests the parallel should not be pressed too far. Theodore Roosevelt in 1912 carried most of the primaries—the elections in which voters may express their preferences for candidates—before he was frozen out at the convention. This year Senator Taft and Mr Eisenhower have each carried six, though the latter's miraculous write-in in Minnesota, his near-victory in the isolationist state of South Dakota, and his heavy totals in the big states suggest that his popular appeal more than makes up for Senator Taft's months of hard work. The evidence in the Democratic primaries is similarly inconclusive. Senator Kefauver's almost unbroken string of victories make him look like the people's choice, but in all but two states the people were not given any real choice; there was no opposition.

The state primaries, in fact, have proved as inadequate a tool of popular government as their critics alleged early this year when a valiant attempt was made to institute a national presidential primary. There have been primary elections in only sixteen states. But even in these, the leading contenders have subjected themselves to the voters' scrutiny only when it suited their own books. In Maryland, anxiety to avoid antagonising Governor McKeldin kept both Senator Taft and Mr Eisenhower on the side-lines. In some states voters were allowed to write in names not on the ballot and forgiven for grievous spelling mistakes; elsewhere they were not. The rules of the game, varying in every state, confused candidates almost as much as voters. Yet now that the primaries are over, it seems all too likely that the Bills for a national primary will be forgotten, until it is too late in 1956, and the traditional smoke-filled hotel room of the bosses will remain the only place where a clear decision is to be had.

* * *

Mischief in Copper

The Administration hopes that Senator Fulbright's amendment to the Defence Production Bill, authorising American participation in the International Materials Conference, may deflect the torpedo aimed by Senator Ferguson at the fair sharing of scarce materials. The Senate accepted the Ferguson amendment last week, over the protests of its Banking Committee and, if the House follows suit, the President will not be able to save the IMC from a premature extinction. To veto the whole Bill would simply end all controls on June 30th, just as Congress is preparing to adjourn for the political conventions. What may save the IMC is the realisation that if small businesses, schools and hospitals lose out in a new scramble for copper—the only one of the three major metals which is still really scarce and the one which the amendment is designed to free—Congress would be presenting Mr Truman with a first-class election issue which he could be trusted to make the most of.

The amendment sponsored by the Senator from Michigan, the big automobile state, provides that if the domestic supply of any commodity covers the needs of defence, foreign military aid, and the stockpile, as that of copper does, buyers will be free to buy all they can abroad; that no price ceilings shall be imposed on imported materials; and that, if the domestic supply of any material is enough to meet all domestic needs, no allocations whatever may be imposed. The first clause would not only abolish international control of copper; it would also make it impossible to guarantee supplies, under the Controlled Materials Plan, to defence-supporting industries and civilian users in the United States. The last clause would deprive foreign countries of any incentive to share their nickel, cobalt, and other still scarce materials with the United States by making it impossible for the United States to guarantee them supplies of sulphur. The only beneficiaries would be the big automobile companies who, unlike other producers of civilian durable goods, are raiding their next quarter's supplies of metals to take advantage of a brisk market.

Republicans have tried energetically to pin the blame for American unemployment, in Detroit, for example, on the IMC quotas. But, as far as copper is concerned, these allocations have not been taken up in full because buyers, under price stabilisation, could not pass on the world price. They are now permitted to pass on most of it, a decision taken to mollify Chile and revive the flow of copper from that country, which in May decided it could no longer sell 80 per cent of its copper to the United States at a price lower than that in the free market. But strict allocations continue, and to the irritation of mills which have had access to domestic copper, priced artificially low, the government proposes to use the machinery to spread the burden of higher foreign prices fairly over all mills. If it offers a subsidy instead, the demand for throwing off all restraints may subside.

Foreign Aid Halfway

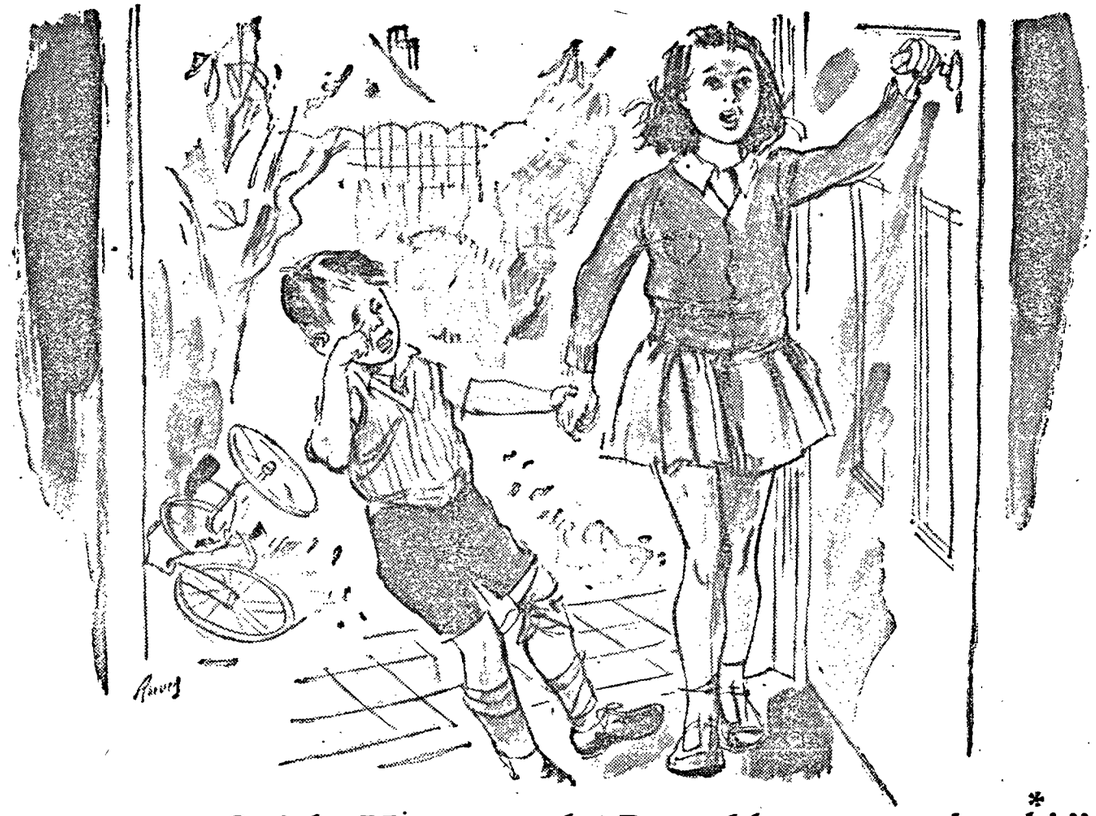
The mutual security programme for the fiscal year that begins on July 1st has now reached the halfway point in its Congressional course, if not in good condition, at least in better condition than might have been expected in the heat of this election year. An expenditure of $1.5 billion less than the President requested has been authorised, and it only remains to appropriate as much of the money as Congress can be induced to provide. This is unlikely to be as much as the full authorisation, for the Taftian economisers in the House of Representatives agreed to a compromise on the authorisation with the more generous Senators only in order to waste no time before they got their second chance of making cuts. And on appropriations the Senators, anxious to end the Congressional session, will be ready to agree to most, if not all, of the cuts that the House imposes.

The compromise on the authorisation was reached halfway between the totals voted by the two Houses and provides $4.6 billion for military, and $1.8 billion for economic, assistance. The main weight of the cuts fell on Europe, but no one has yet publicly assessed whether they are so severe that they will "discourage our friends and encourage our potential enemies" as Mr Eisenhower earlier predicted. He has been invited to give evidence on this point before the Appropriations Committees, but he has not yet said whether he is going to take this opportunity of debating with Senator Taft on what is one of the main issues between them.

MUTUAL SECURITY FUNDS FOR FISCAL YEAR 1953
($ million)

	Requested	Authorised
Europe		
Military aid	4,070	3,416
Defence supporting aid	1,819	1,282
Near East and Africa		
Military aid	606	560
Economic and technical aid	196	181
Asia and the Pacific		
Military aid	611	565
Economic and technical aid	468	321
American Republics		
Military aid	62	58
Economic and technical aid	22	20
Multilateral technical and other assistance	30	28
Administration	75	not known
TOTALS (rounded figures)	7,900	6,400

The figure for Africa and the Near East includes $60 million for Arab refugees and $70 million for Jewish ones. There is also $9 million for assisting Europe's surplus peoples to migrate and $16.5 million (not included in the total) for the United Nations Children's Fund. Senator McCarran saw to it that Spain got $25 million in addition to last year's $100 million, as yet unspent. The Senate, more lavish with money than the House, was also more lavish with unsatisfactory amendments, most of which were struck out in conference. Senator Kem failed at the last moment to reimpose his notorious ban on trade with the Soviet satellites, and all counterpart funds will not after all have to be set aside for buying strategic materials for the American stockpile. But $150 million in counterpart funds is still to be made available for stimulating free enterprise and productivity in Western Europe by means of loans. Another amendment rejected by the conferees would have hamstrung technical aid to India and Pakistan, and some of the teeth were drawn from Senator Dworshak's amendment which would have prevented "propaganda" in the United States and thus have stopped Americans being told what was being done with the money they are providing for mutual security. Finally, and most important, it will again be possible this year to switch up to 10 per cent of the funds from military to economic aid or the reverse.



"Quick, Mummy—the Parachlorometaxylenol!"*

Heaven forbid that eight-year-olds should ever learn to talk like that! Yet this germ-killing chemical with the formidable name will be helping to protect them during their lives. Antiseptic fluids and disinfectants play a vital role in reducing the danger of disease and the threat of death through infection. Monsanto germicides which are the active ingredients in these preparations are used in hospitals, surgeries and homes throughout the world.

Monsanto makes important contributions to countless other industries, too—with an ever-growing range of versatile chemicals and plastics.

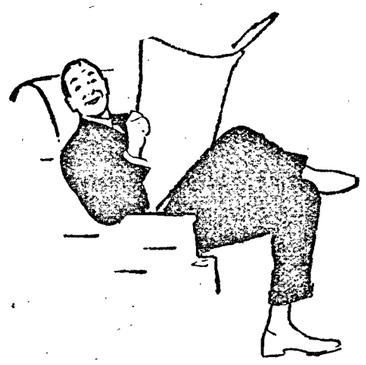
* *This chemical, and Cresantol 3 and Cresantol 15 (Registered Trade Mark), are germicides produced by Monsanto for many applications, including the manufacture of antiseptic and disinfectant fluids.*

MONSANTO CHEMICALS LIMITED
8 Waterloo Place, London, S.W.1

MONSANTO CHEMICALS — PLASTICS

In association with :—
Monsanto Chemical Company, St. Louis, U.S.A.
Monsanto Canada Ltd., Montreal
Monsanto Chemicals (Australia) Ltd., Melbourne.
Monsanto Chemicals of India Ltd., Bombay.

You enjoy the luxury of Constellation travel when you fly TWA to Frankfurt. You fly in one of TWA's world-proved, four-engined Constellations, the experienced traveller's choice for spacious comfort and on-time arrival. There are frequent flights from London—complimentary drinks and a delicious *hot* meal served en route. Now's your chance to experience the friendly hospitality and personal attention of TWA service. Single fare: £17.2.0, return £30.16.0. Remember, your fare does not come out of your Foreign Travel allowance.



YOU CAN DEPEND ON TWA to USA
EUROPE · AFRICA · ASIA
TRANS WORLD AIRLINES

Consult your Travel Agent or TWA—Ask, too, about thrifty TWA Sky Tourist fares to and across America.
London. Tel.: REGent 3211.
TWA Reservation Service available day and night.
Manchester. Tel.: BLAckfriars 4649

Krilium Comes to Market

Krilium, the remarkable new synthetic soil conditioner which is hundreds of times more effective—and many times more expensive—than humus, has gone on the market in limited quantities almost a year before the Monsanto Chemical Company had expected it to. What has forced Monsanto's hand is the flood of new producers, anxious to exploit the great public excitement shown when Krilium was unveiled six months ago. Those interested have been offered a great "one-time only" five-pound pack of Krilium for $6.95, enough to condition approximately a twelfth of an acre, while other producers have been sternly warned that Monsanto will protect its patents.

The Monsanto Company insists that the present Krilium is not based upon acrylonitrile, as are its competitors, Fluffium, Acrisoil, Agrilan and others; it is an improved formula, employing a modified vinyl acetate maleic acid compound, raw materials in plentiful supply and under Monsanto's own control. This is taken as an answer to the refusal of the American Cyanamid Company, sole big producer of acrylonitrile, to continue to supply Monsanto. Monsanto itself is building an acrylonitrile plant in Texas and it declined, it is believed, to give the Cyanamid Company a long-term contract for supplying the chemical to Monsanto companies for the manufacture of Acrilan, one of the new wool-like synthetic fabrics. Acrylonitrile is also used as a base for certain rubbers and plastics.

With so versatile a chemical, the problem is to decide which is the most profitable use. The Cyanamid Company has already been selling its own soil conditioner, Aerotil, in bulk to smaller processors and distributors—something which probably did not improve its relations with Monsanto. Even the synthetic textile companies which are going into the acrylonitrile business to provide raw material for their fabrics, and have invested nearly $200 million in the new fibre plants, may be tempted into soil-conditioning. By the middle of next year it is expected that there will be ample acrylonitrile output to support a production of 140 million pounds of acrylic fibres.

* * *

Paper Pinch

To newspaper publishers in the United States it looks as if newsprint producers in Canada are using the strength of their dollar to exploit their near monopoly. The United States, taking nearly 6 million tons of newsprint a year, over half the world's supply, gets 80 per cent of its needs from Canada. On Sunday the price it has to pay to Canadian producers goes up by $10, for the second time in a year, to $126 a ton delivered in New York. The increase applies only to exports to the United States and the reason given is that a year ago the present price of $116 a ton was worth $123.40 in Canadian money, but is now worth only $113.50, since the Canadian dollar is at a premium. This justifies the $10 increase, in the opinion of Canadian government officials, especially since, as they pointed out in reply to a strong protest from the United States Price Administrator, the cost of producing newsprint has also gone up by an additional $10 during the past year.

The increase will, however, cost newspaper publishers about $50 million a year, and it may finally drive them to break away from their dependence on Canada, as they have long talked of doing. Already the mobilisation authorities had decided that, in the interests of a free press and a plentiful supply of information, an expansion in newsprint production was essential to the defence programme. Tax concessions have been offered to facilitate an increase of 494,000 tons in the present US newsprint capacity of a little over 1 million tons a year, but so far only about three-quarters of these concessions have been taken up. The Department of Commerce has now promised a Congressional committee that it will do all it can to encourage existing and potential producers of newsprint to expand further. Lack of capital and high costs have always been the main difficulties; the tax concessions will help and it has also been suggested that newspaper publishers might form co-operatives to manufacture newsprint. A good deal of interest is being shown in paper made from materials other than wood pulp; bagasse, from sugar-cane waste, seems particularly promising and would do much to ease the shortage of newsprint in Latin America as well as in the United States.

The demand for newsprint might, of course, be reduced, as well as the rise in costs covered, if prices and advertising rates were increased, for both of these are now thought to be as high as the market will bear. But this would drive many smaller newspapers into bankruptcy; it is expected that the latest increase in the price of newsprint will be more than some of them can stand. In the last forty years the number of daily and weekly newspapers in the United States has been halved and the most disquieting aspect of this trend is that many towns now have only one paper, or two owned by the same company. Continuation of newspaper competition in Cincinnati, Ohio, has, however, just been assured by the enterprise of the employees of the *Cincinnati Enquirer*, which was to have been sold to its chief rival, owned by the Taft family. The employees, with the help of a steel company, managed to raise the $7,600,000 needed to top this bid and are now running the paper themselves. They insist that they were inspired to make this great effort not by political opposition to the Tafts, but by devotion to a free press.

Shorter Notes

The Treasury's latest long-term non-marketable bond issue turned out to be even less attractive than had been expected. Offered at the low rate of only 2¾ per cent, it obtained just over $300 million from private investors, instead of the $3 billion that had been hoped for, and the experts who had said that a rate of at least 3 per cent was needed were proved right. The consequence is that, during the coming period of deficit financing, the Treasury will have to rely on short-term issues purchasable by banks, which will have a directly inflationary effect on the economy.

*

The National City Bank of New York, surveying the leading American industrial corporations, finds that, when judged by the value of assets at the end of 1951, the largest is the Standard Oil Company of New Jersey, worth $4.7 billion, followed by the General Motors Corporation and then the United States Steel Corporation, both in the $3 billion class. The bank points out that, far from being the preserve of a privileged few, many of these companies have more shareholders than they do employees. Standard Oil of New Jersey, for example, has 254,000 shareholders and only 120,000 employees, while General Motors has about 470,000 of each.

*

The citizens of Washington, DC, have been condemned by the Supreme Court to remain captive to broadcasts of music and advertisements in the city's public transport vehicles, and as a result of this decision passengers in other cities will probably also be sold into bondage. The Court, reversing a decision of the Court of Appeals, ruled that these broadcasts did not violate free speech or deprive passengers of their right to privacy; Mr Justice Frankfurter did not participate in the decision because his feelings were too strongly engaged as a victim of the practice. The National Citizens' Committee against Forced Listening is now turning to Congress for relief.

THE WORLD OVERSEAS

The Soviet Press—I

One Voice from 8,000 Journals

SEVERAL weeks ago the Soviet Union celebrated its annual Press Day, which commemorates the anniversary of the foundation of *Pravda*. Soviet commentators described the path travelled by *Pravda* since its foundation forty years ago and, in general, the growth and spreading influence of the whole Soviet press. There can indeed be no doubt that it has advanced with great strides. In 1913 the whole Russian press was selling less than three million copies daily. Now, it is claimed that the average circulation has reached 40 million copies. The figure is inflated as it includes journals published twice or three times a week. All the same, the daily circulation is probably above 30 million and one daily paper for six or seven persons is quite an achievement in a country, where not long ago three-quarters of the population were illiterate.

Yet what it has gained in power and circulation the Soviet press has lost in spontaneity, critical spirit and independence. The early Bolsheviks made no bones about the fact that their journals were an instrument of revolutionary struggle. But within these limits there was still wide scope for brilliant writers, lively polemics and acute criticism. Stalin realised the importance of the press in the struggle for power and the danger of a critical press for his dictatorship. Hence the press had to fit into the general pattern, and change with the rest of Soviet society. From a lively, restless weapon of revolutionary propaganda it was progressively transformed into a powerful but blunted and docile instrument of a stratified bureaucratic state.

But although much changed since its early revolutionary days the Soviet press remains radically different from its western counterpart. It has a different status and a different role to play in society. No western paper could afford to devote such a large proportion of its space to an apparently serious analysis of home and foreign politics, as well as to all the branches of science, arts or philosophy. The tragedy lies in the fact that having given this most laudable form to its newspapers, Stalinism then compelled its journalists to fill them not with real analysis or faithful description, but with dictated slogans and stereotyped formulae.

No Seamy Side

Russian newspapers can afford to devote so much space to outwardly serious topics, because they need no advertising. Nor do they require to indulge in sensationalism to boost up their circulation. There is a total absence of reports on crimes, divorce cases and other court proceedings. But here the baby has been thrown away with the bath water. The reader will not only look in vain for something lurid and sensational in these papers, he will also fail to find any picture of Soviet society, any scenes of Russian everyday life. This sobriety in the Soviet press is not solely due to the puritanical tinge characteristic of Stalinism. The Soviet papers are not expected to reveal the seamy side of Russia, except in criticism licensed by the Party. Their duty is not to show Russia as it is, but as it ought to be. Their principal task is to mould public opinion according to the latest policy directives from the Party and to spur the workers to higher production. And if, in fulfilling this twin task, the editor produces a dull paper, he need not worry. There are no livelier competitors.

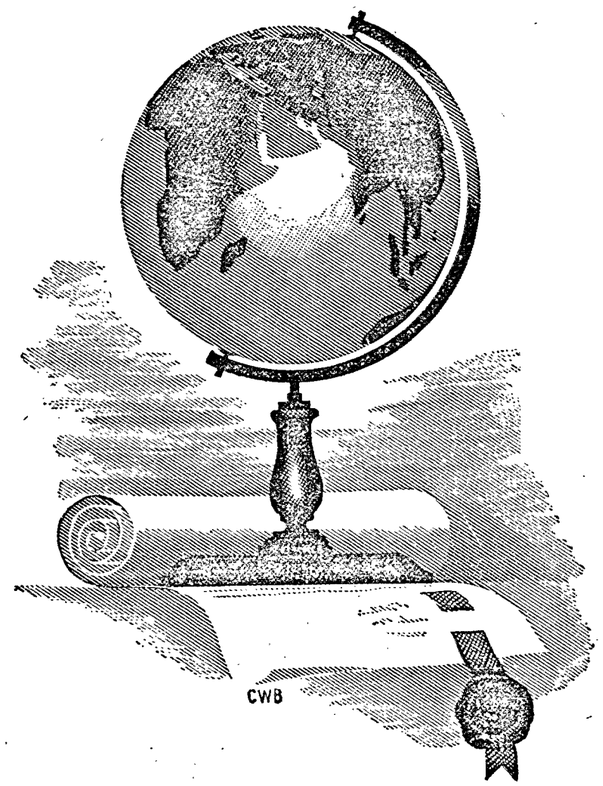
In fact the other striking thing about the Soviet press is its uniformity. All papers seem to be modelled on *Pravda*. The latter is now the generalissimo of the Soviet Press, the only paper which can attack all others without fear of being answered back. There was a time when *Izviestia* (which is officially the central organ of the state, while *Pravda* is that of the Party) challenged its supremacy. Now its only distinctive features are the slogans: "Proletarians of All Lands Unite," written in sixteen official Republican languages on top of the first page and the short reports in the same languages during the session of the Supreme Council. *Trud* (Labour)—the paper of the Soviet TUC—used to express the viewpoint of the trade unions, which sometimes conflicted with that of the Party. But for a long time now, although it devotes more space to labour questions, it has taken its general policy line obediently from *Pravda*. In peacetime the army in Russia is given no voice and its organ, *Krasnaya Zvyezda* (Red Star) or that of the navy, *Krasnyi Flot*, are not allowed to have any distinctive features. In the same way *Socialisticheskoye Zemledyele* (Socialist Agriculture) gives fragmentary evidence of regional sowings or local weather conditions, but policy, even rural policy, is made in the columns of *Pravda*. In general, the various specialised national papers, while devoting more space to the particular topics within their competence, are closely modelled on *Pravda* and faithfully echo its tone. Hence a brief description of *Pravda* should give an idea of the appearance and contents of the Soviet press.

Imperatives and Pæans

In size *Pravda* is not unlike the British national dailies reduced by paper shortage. As a rule it has four pages, sometimes it has six. Two columns of the first page are occupied by a leader which is often couched in the imperative form: Let us raise the output of coal, or oil, or grain. As much as three columns are usually devoted to the "Day of Our Fatherland." This is a sort of uplift section advertising the achievements of the Soviet economy. The last column is now often occupied by news from the people's democracies. Only cheerful news is kept for this first page. The drawbacks and failures are relegated to the second page, together with the internal party news and instructions. Incidentally, reports of shortcomings need not always be taken literally. They, too, have often a pragmatic, "pedagogical" meaning and are designed to raise production in a given field.

From time to time the appearance of the paper changes radically. The whole first part is taken up with laudatory messages to "the father and teacher of the nation." The occasion and period vary (after Stalin's 70th birthday messages went on pouring in for over a year), but the contents are monotonous. The miners from Donbass or the farmers of Kazakhstan greet the Leader and promise to fulfil and exceed their targets. With the exhortations of the leading articles and these strange pæans of praise *Pravda* then looks

Brains our common wealth



THE BRITISH COMMONWEALTH is more than a vast area of the world's surface. Our common wealth is also the abundance of technical and inventive genius within that area. BRUSH ABOE are largely concerned with the export of the means whereby the earth may become more fruitful. But to think of export in terms of anything except brains is an anachronism.

It is with the object of encouraging the brains within the Commonwealth that BRUSH ABOE have instituted their Commonwealth Scholarship Scheme. This is planned to provide scholarships for engineering graduates from Australia, Canada, Ceylon, India, Pakistan, New Zealand, Rhodesia, Singapore and South Africa. Each scholarship is worth about £1,000 and the student receives two years' free training in the factories of the BRUSH ABOE Group. Already arrived in this Country are students from South Africa, India, New Zealand and Pakistan. More are on their way here from various parts of the Commonwealth. And within the Group itself more than 1,000 employees are receiving some form of training. It is by developing the brains within the Commonwealth towards the technical knowledge of what the diesel engine and diesel electric power can contribute to make the earth more fertile that the problem of world food shortages can best be attacked.

EXPORTING POWER THAT THE WORLD MAY BE FREE

THE

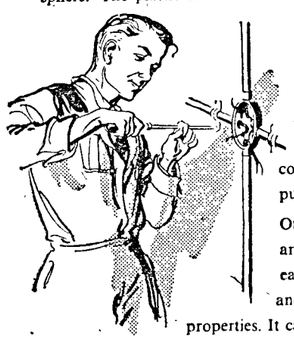
BRUSH ABOE

GROUP

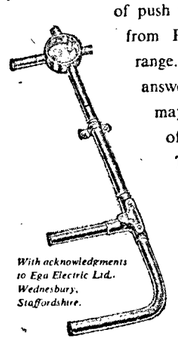
Diesel engines and electric equipment for use on land and sea produced by THE BRUSH ELECTRICAL ENGINEERING CO. LTD., *and* ASSOCIATED BRITISH OIL ENGINES: HARLEES, BICKERTON AND DAY LTD · PETTERS LTD · J. AND H. MCLAREN LTD · THE NATIONAL GAS AND OIL ENGINE CO. LTD · HENRY MEADOWS LTD.

PLASTICS
inspire new ideas

Is there a material for electrical conduit tube better than metal — and not in short supply? Egatube is the name given to the extruded rigid tube made of BX Polyvinyl Chloride which has recently come to the fore in this sphere. The plastic conduit needs no protection from fumes in factories, from rust or other chemical attack —not even painting, and it can be had in various permeated colours for decorative purposes.



Other useful qualities are extreme toughness, ease of manipulation and excellent insulation properties. It can be easily screwed in accordance with metal conduit practice, but a saving of up to 25% in labour costs is gained by the use of push type Conduit Fittings, moulded from P.V.C. and available in a wide range. Every day plastics inspire the answers to new problems. Today, maybe, you could solve a problem of your own by consulting the BX Technical Service Department



With acknowledgments to Egu Electric Ltd., Wednesbury, Staffordshire.

BX PLASTICS LTD
CHINGFORD, LONDON, E.4
LARkswood 5511

BX PLASTICS
inspire confidence

T A. 4492

Attention holidaymakers!

MADEIRA AND CANARIES

Best holiday value today

—LEAVING APPROXIMATELY **£12** SPENDING MONEY

overnight to sunshine by the luxury 4-engined Flying Boats of Aquila Airways—Book now for the finest holiday of your life

Very Good Quality Wines Beers and Cigarettes are sold at reasonable prices.

Full particulars from your Travel Agent or

AQUILA AIRWAYS
6, CURZON PLACE, LONDON, W.1
Telephone: GROsvenor 3947

OLD CHELSEA
for china

but

OLD ANGUS
for your glass

A Noble Scotch Blended for Connoisseurs

like a cross between a military order of the day and a byzantine prayer-book.

A post-war novelty is the emphasis laid on foreign news. In addition to reports from the Soviet bloc, news and comments on foreign affairs cover the whole of the fourth page and a great deal of the third. (Here *Pravda* is privileged, as it has its own correspondents. Other papers mostly use the service of Tass, the Soviet Telegraphic Agency.) This is an implicit recognition that the slogans of isolation, of socialism in one country no longer correspond to the reality of the situation.

Obviously regional papers have not such a big foreign coverage. Yet they, too, do not differ much from the model. They, too, have gained in power and lost in originality. Out of the 8,000 or so Soviet papers probably three-quarters are provincial papers. But these 6,000 all bear the same stamp. There was a time when the Leningrad *Pravda* jealously guarded its originality, probably because of the rivalry between the two capitals. Now, provincial editors, once they have filled the local news columns, rely on the Tass reports, the radio dictation and the leaders from the central press to fill the rest of their paper. Even those in languages other than Russian look as if they have been translated literally from the latter. The importance of these papers is difficult to assess. They must fear the competition of the Russian language papers, since in every region there is a Russian paper in addition to the native one. On the other hand, the Russians claim that they have taught all the backward people to read and that newspapers are now published in the Soviet Union in as many as 70 languages.

Campaigns Against Dullness

A total of 8,000 journals, with a daily circulation of over 30 million, published in some 70 languages and all speaking with the same monotonous voice—this is the paradox of the Soviet press. The Soviet rulers are well aware of its dullness. Every few months a campaign is started for livelier papers and more criticism. But how are the poor editors to know where to draw the line? How far will their critical capacity be praised and at what point will it be penalised? From time to time th *feuilletons* of a veteran journalist like D. Zaslavsky or a Communist of more recent vintage like I. Ehrenburg show that Soviet journalists could still write if given the latitude. But as a rule they think it safer to hide themselves behind empty clichés, dull quotations and the magic formula: "As Comrade Stalin rightly pointed out. . ."

This does not mean that the Russians just disregard their newspapers. Some remnants of the old intelligentsia no doubt still read their news critically. Others have developed an acute sense for reading between the lines, for judging for instance the status of a member of the Politbureau by his proximity to Stalin in a parade photograph. But the great mass of Soviet readers—the ex-muzhik or backward Tadjik —have only recently learnt their alphabet. They have no critical standards, and no controversial matter is allowed to shake their faith. In the long run, a closer aquaintance with the classics of Marxism, and of Russian and foreign literature may sharpen their critical sense. But this takes time. In the meantime the press fulfils its function. The factory papers—a Soviet institution—and the numerous letters received by all papers (Pravda claims to receive as many as 800 a day) help to vent at least some grievances. Through its innumerable correspondents the press enables the rulers to keep in touch with the mood of the rank and file; through its instructions it helps in directing the life of the country. For some time to come the mass of Soviet readers will probably continue to swallow what is handed out to them. As for the growing Stalinist class of managers, technicians and bureaucrats, their needs are partly satisfied by a more specialised periodical press which will be dealt with in a later article.

(To be Concluded)

Aspects and Prospects of the Italian Centre

[FROM OUR ROME CORRESPONDENT]

THOSE Italian political circles which feel some pride of parentage for the shape of things in Italy towards the end of the first post-Mussolinian decade and some desire for a continuous development from this to the next decade, now ask themselves how a Centre can best present itself to the electorate of 1953 which will have to elect a second free national parliament. What doctrine and programme will best mark it off from the extremes? What mutual obligations and what technical arrangements will be necessary to hold its component parts together.

Save for active Marxists and Fascists, every Italian party or tendency, even the "Nennian" Socialists and the National Monarchist Party (P.N.M.), have moments when they strike a "Centre" attitude. Signor Nenni, when pressed to explain why he keeps a separate party in being instead of merging in Communism, replies with references to a different historical background and atmosphere. Without doubt many of the working class voters for the Nennian party believe that, by contrast with Communism, it is both unextreme and central. The appeal of the P.N.M. is largely, though not wholly, felt by people who appreciate the notion of a royal moderator between extremes. Yet in the present political situation Nennians and P.N.M. both have to be regarded as extremists.

The Christian Democratic party regards itself as *the* Centre, and especially the Premier, Signor De Gasperi and his chief party associates, who have with some success tamed two attempts to colour the party with differing brands of Catholic political extremism. The first attempt was made by Professor Dossetti, whom one may, rather crudely, call a clerical-revolutionary and the second by Professor Gedda, who works on the party from outside, and can similarly be dubbed a clerical-reactionary. And the "lay democrat" parties, the Social Democrats, the Liberals, and the Republicans are all, in their modest dimensions, centre parties, whose appeal lies in their centrality. After all, nineteenth-century United Italy came into existence both as a defiance of the philosophy of throne and altar, and as a rejection of the revolutionary (though dissimilar) prescriptions of Doctors Mazzini and Marx. And Italy's foreign policy in the ensuing century consisted in a chequered attempt to make the most of its modest weight by holding the balance between resolute adversaries. Such arts, and their application to internal as well as to international politics, are expected by the Italian in his leaders; and if technical knowledge, administrative ability, and moral integrity are added to the prime requisite, so much the better.

Evidence of Local Elections

It is, then, in a sense, a nation of connoisseurs which watches how Signor De Gasperi and other centralists prepare for the next elections. Surely the hope that a proper poise may be found should be stronger in Italy in 1953 than impatient fanaticisms. Yet on the other hand, too much concentration on balance is apt to lead from time to time to nasty slips. The Fascist era followed at no great distance upon the decade dominated by that past-master of the balancing arts, Giolitti. There is a distinct movement now to advise the typical men of the Centre not to over-indulge in cleverness but to seek plain issues and methods.

The evidence of the Centre's hold on the public contained in the results of the recent local elections cannot be conveyed in correct percentage calculations. The South voted a year after the North and neither the 1946 local elections under a different law and utterly different conditions, nor the 1948

general election, give good standards of comparison. It is better to try to reconcile the claims of the parties and the retorts of their adversaries with the broad impression formed by the man in the street. Christian Democracy which once commanded half the country's votes for itself, seems now only to be able to command a full half with the aid of its three quasi-allies, the "lay democrat" parties. These latter, after heavy losses, still jointly command 14 per cent of all votes, considerably outstripping the joint result of "Missini" (or neo-Fascists) and Monarchists (10 per cent). Christian Democracy taken in isolation still distinctly outstrips Communism together with Nennian Socialism. For the Centre, after four years of wear and tear, such results might, by British standards, seem creditable. This, however, would be to overlook that such wear and tear ought to be offset by the positive consequences of four years of patronage and police management. From the standpoint of the Centre the election results are not grave but they are challenging. They show the Centre on the verge of becoming a minority. Something has to be done about this, and the Centre is now wondering what this should be.

One possibility would be to rush through a parliamentary electoral law which would exploit the fact that the Centre, although no longer stronger than the Right and Left extremes taken jointly, is still stronger than either taken separately. France has such a law and Italy has used this technique in its municipal elections. But leading men of all colours in the Centre doubt the prudence of this course. They feel that if there is any chance of the Centre not being at the top of the list (and thereby being completely excluded from power) it would be wiser to cling to the relative safeguard of proportional representation. They also point out that so long as so big a premium is put on the top place, there is the strongest incentive for existing groups on the extremes to preserve their unity. Proportional representation, by diminishing the incentive to coalitions, makes it much easier for the Monarchists to go into the elections untied to the "Missini" and for the Nennian Socialists to weaken their ties with the Communists. In this way, the Centre might later obtain proselytes from the wings.

Help From "Moderate" Extremists?

A second possibility might be to enlarge the Centre by bringing in the "moderate" extremists from one or both wings. But with regard to the Nennians, such a move would meet with the insuperable difficulty of their anti-Atlantic policy, and with regard to the Monarchists it would automatically entail the withdrawal of some existing partners in the Centre combination. If the Christian Democrat party were to be completely reshaped under new leadership into a proclaimed Monarchist party it might draw fresh votes by the million. It would however, cease to be the Centre, and would find its present allies and some of its own following seeking an independent existence by throwing out feelers to the anti-Atlantic camp. This has already happened to some extent, and accounts for the voting losses of Republicans and Social Democrats. The process was, however sharply arrested by the dramatic resistance of Signor De Gasperi to an attempt by Professor Gedda last April to grasp the direction of the party's election policy.

The third possibility of a regrouping and re-animation of the existing Centre is beset with material and moral difficulties—tired men, a widespread belief that the second rank of Christian Democrat politicians is not up to the standard of rectitude of the first rank, and the scent of clericalism which "lay" democrats sniff uneasily even in quarters of Christian Democracy which withstand Dr Gedda. It is this third possibility, however, and not the cleverness of a fancy electoral law, or a desperate combination with incompatible allies, on which the representative men of the Centre pin their hopes of seeing Christian Democracy continue to guide Italy on the path adjustment to the modern western world.

Mr Lyttelton in Nigeria

[FROM OUR CORRESPONDENT]

THE Colonial Secretary's visit to Nigeria has been a distinct personal success. Lacking the emotional warmth of his predecessor at the Colonial Office, Mr Griffiths, he might have given the impression of big business on a hot scent. Instead, he deployed his own brand of easy good humour and helped to allay residual fears that a British Conservative Government would slow down progress in West Africa. Unfortunately the description of his tour, in a London daily newspaper, as an oil and ore survey, has reawakened all the suspicions of British economic policy that his visit might have cleared up, and there have been a number of less enthusiastic second thoughts that may outlast the memory of his geniality.

At any rate Mr Lyttelton has seen for himself the complicated nexus of difficulties—practical, emotional and psychological—that makes the work of government in Nigeria a daily miracle. Although there has been no breakdown there is perpetual crisis. Now that African Ministers have applied themselves to work, very strenuously and with the utmost zeal, tensions are developing between the politicians and the administrators; they are rather reminiscent of the sort of situation that arose when Labour took over in Britain in 1945 and there were continual demands from the rank and file of the party for the dismissal of the "old guard" in the Civil Service and the Diplomatic Corps. In Nigeria, the situation is complicated by the fact that the administrative mechanism has not been reshaped to the new political pattern under the new constitution. There are, for instance, ministers but no ministries; the old secretariats in the regions and at the centre continue to act as a pooled service, and the various departments by no means correspond to the division of subjects among the ministers. The problem is a practical one, and there is no conflict of principle, although solutions are not easy to find; but the matter tends to be treated as yet another question of race relations, and the propagandists rush to put salt on wounds caused by the mechanical jarring of what is after all a very new combination. Hence, there are bitter attacks on British expatriate officers, and the press demands the removal of all but a chosen few.

Danger of Paralysis

In these circumstances Mr Lyttelton was not altogether happy in his references to British officers. On one occasion he said that if Nigeria did not want them, he did, and could use them elsewhere. In his parting message he expressed "my personal conviction that even higher numbers of officers from overseas will be needed by Nigeria as it develops and expands" as part of a service expanding all round to include more and more Africans as well. Presumably he was doing his well-intentioned best to give necessary reassurance to British officers, but whether justified or not, his conviction is far removed from the Nigerian climate of thought, and is irrelevant to the immediate situation. The urgent problem now is that Nigerian Ministers wish to expand and improve the whole range of government activities, civil, economic, and social, and at the same time to re-model the entire machinery of government while it is under the greatest pressure. The danger is one of paralysis through attempting too much and gravely slowing down the existing machine without adequate guarantees of anything better.

Moreover this summer Ministers will put before the legislatures new salary scales which affect every government employee from the Senior Service to labourers; this in itself is a task bristling with difficulties. Meanwhile, formidable political danger spots still exist; the situation in the west requires careful handling, and the inscrutable Mr Awolowo pursues an ambiguous policy at the centre through the four Action Group Ministers in the central Council of Ministers. Dr Azikiwe's party is making frantic efforts to get him back into the front line, though he himself has decided to go to Helsinki for the Olympic Games instead of attending the next sessions of the Western legislature. The regional houses meet in July, followed by the central House of Representatives in August, and anything may happen then.

In economic affairs Mr Lyttelton acquired two good marks and one bad. His visit has been justified by the sense of urgency he brought to transport problems; without wasting time on postmortems he has made it painfully clear that things must be put right. His second good mark comes from the avoidance of reference to Nigeria's dollar earnings. Much harm is done by incautious (and naive) statements in England that the colonial empire can somehow help Britain to escape from its economic plight. The boundaries of twentieth century mercantilism are not only narrow, but the whole conception is flatly in contradiction with the declared policy of helping the colonies forward to self-government; the thought that Nigeria can be used to pull British dollar chestnuts out of the fire is a British daydream and a Nigerian nightmare. The only acceptable reason, in Nigeria, for the expansion of Nigeria's productive capacity is the need for raising the standard of life of its own people, and the only acceptable economic relationship with Britain is that of willing buyer and free seller.

Mr Lyttelton's bad mark is for a mistake in emphasis, not in policy. The Colonial Secretary was at pains to stress the importance of Nigeria's agricultural potential rather than its industrial prospects. Agriculture, he said, was and would remain the main source of wealth and should have first priority in the national effort. It is true that Nigeria is in the fortunate position of being able to supply primary agricultural products greatly needed by the world; it is also true that without the sources of basic power (oil and uranium are big question marks) and without technical resources or traditions of industrial craftsmanship, the country is debarred from engaging in heavy manufacturing industry. But Nigeria, like every other primary producer, hates being fobbed off with what it regards as the inferior status of an agricultural country.

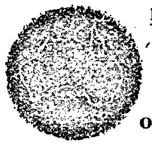
It has a dim feeling that industrialisation is part of the British *arcana* of empire; and as there is a wide variety of processing and secondary industries that are perfectly practicable and highly desirable, with African capital, ownership, and management, Mr Lyttelton's theme might have been one of encouragement in this field, not discouragement from others. As it was, he was accused of making an appeal for cheap fats for Britain, and lost an opportunity of making a positive and welcome approach.

Libya Deserta—II

The Economic Picture

[FROM A SPECIAL CORRESPONDENT]

THE future of the United Kingdom of Libya depends entirely on foreign economic and technical aid. In the forty years since it came into the orbit of modern western Europe, its great poverty—it is 95 per cent desert and has one of the lowest *per capita* incomes in the world—has been marked by the fact that it has always had external help from someone. Under Italian rule before the war three-quarters of its budget (which then turned over at about £10 million at present rates) was a subsidy from Italy. Under the subsequent British administration, the British subsidy to Tripolitania and Cyrenaica was at the rate of £2 million per annum; France also subsidised the Fezzan. This year—Libya's first as an independent state—estimated expenditure is, in round figures, £5.9 million; towards this, it is now hoped that as much as £4.8 million will be derived from Libyan sources, the principal of which are £1.4 million from



FACTS ABOUT AUSTRALIA

Over 3,000,000 bales of wool exported yearly

Australia is the world's largest wool exporter and is one of the chief primary producing countries of the world. Her secondary industries are growing in importance and are well represented in her exports. The Bank of New South Wales welcomes enquiries about trade and business opportunities and the establishment of new enterprises in Australia and New Zealand.

Ask your bankers to consult—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA

LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1

FIRST and LARGEST COMMERCIAL BANK in the SOUTH-WEST PACIFIC

(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

GB5202E

Established in 1845. All classes of insurance transacted including Fire, Life, Accident, Motor, Marine and Aviation. Represented throughout the world.

ROYAL INSURANCE COMPANY LIMITED

Head Offices:

North John St. LIVERPOOL. | Lombard St. LONDON.

customs and excise, £913,000 from licences and direct taxation and £765,000 from the tobacco and salt monopolies. A deficit of at least £1.1 million remains.

The United Nations Commissioner, who was obliged so quickly to prepare the three provinces for independence, was fully aware of this state of affairs. He anticipated a budget deficit that could only be met by outright gifts from abroad. In the matter of international payments, he pointed to an adverse trade balance whereby exports paid for only 45 per cent of imports, and to a consequent unbalance only 40 per cent of which was covered by the military expenditures of the three western powers who maintain forces in the country —Britain, France and America. At present the Americans stationed near Tripoli are spending at an annual rate of £720,000 and the British forces are spending even more. He made it clear, therefore, that direct foreign financial help must continue in several forms, but he held out the hope that by means of foreign technical aid, and of the country's two potential resources—untapped manual skill and soil that is good if it can be irrigated—this position might improve with the years.

As a result of the arrangements made either on the basis of United Nations findings or directly between western states and Libya, the present position is as follows:—Great Britain continues to meet the main budget deficit, in return for certain safeguards as to prudent and orderly budgeting which it specified at the time when Libya decided to enter the sterling area and maintain a currency with sterling backing. And France will meet the deficit on the Fezzan budget, which is likely to be about £160,000 per annum, and will pay this sum to the Federal Government provided it is earmarked for the Fezzan.

Foreign Aid For Development

In addition to assistance with its budget, Libya is receiving foreign contributions to a Development and Stabilisation Agency, the creation of which was recommended by the United Nations, and to a Libyan Finance Corporation. The grants to the Agency are to be divided between development and a stabilisation fund in a ratio of three to one. The prime purpose of the latter is to afford relief measures in drought years, and when it reaches £1 million, all is to go to development. Unfortunately, owing to a bad crop in Cyrenaica caused by a ten day *khamseen* wind, there will be drawings from the fund this year. Contributions towards the Development Agency, which expects to spend £500,000 annually, will at present consist of £380,000 from Britain, £100,000 from France and £10,000 from Italy. The aid granted by the United States under Point IV ($1 million for the current year by a direct agreement of January 21, 1952) will be integrated with the work of the Agency. The Libyan Finance Corporation, which will also be subsidised by governments acceptable to the Libyan Government, will grant loans along investment banking lines, but will make them with a view to development rather than to profit.

United Nations technical assistance bodies are also in the field and, in order to prevent the overlapping which has so bedevilled financial and technical aid in the Middle East, the Federal Government has set up an Economic Planning Committee which will be the funnel for all financial and technical aid and will be the administrative link between the Council of Ministers, the agencies and the provinces. The new body is presided over by the Minister of Finance and Economy and is composed of representatives of the Point IV organisation, the UN Technical Assistance Bureau, the three provinces, the Libyan Development and Stabilisation Agency and the Libyan Finance Corporation. This mixed body has a British secretary who knows the country well. It is his task to pass to the Council of Ministers the plans which have been co-ordinated inside the committee, which in any case requires the approval of the Federal Government before they are put into operation. So far the smoothest relations have been maintained between these various bodies, and Anglo-American relations are more cordial in Libya than in any other part of the Arab world—a tribute to the team of outstanding men of both nationalities who are serving as advisers.

Schools provide an example that well illustrates the division of work that is attainable if only international efforts are from the start channelled through a single committee. The Development Agency builds the school building, the UN Technical Assistance Bureau (in this case Unesco) provides the teachers and the Point IV organisation the equipment. Agricultural projects are divided in a similar manner. The irrigation is undertaken by the Development Agency, the UN Technical Assistance Bureau provides agricultural experts and advisers and the Point IV organisation the tools.

Marketing Problems

However successful the agricultural efforts may be, produce will be similar to that of the entire Mediterranean basin. In detail, certain special markets can be satisfied by, for example, the production of dried fruits. To do this, new vines must replace those cultivated by the Italians when they provided cheap and plentiful wine for their troops. But on the whole the Libyans will not find easy markets for their produce with the exception of early fruits and vegetables. The production of luxury fruits on a large scale to satisfy the Christmas markets of London, Paris and Rome is complicated and the risks due to bad flying conditions over the Mediterranean in winter are considerable. Olive oil is likely to become their richest product as trees planted twenty years ago come into bearing, and if the Italian farmers who produce it obtain, for sentimental reasons, a market in Italy; but meantime their ancient trade in fish and sponges, hides and wool remain the Libyans surest exports. An Australian adviser is trying to help them to improve the quality of the last.

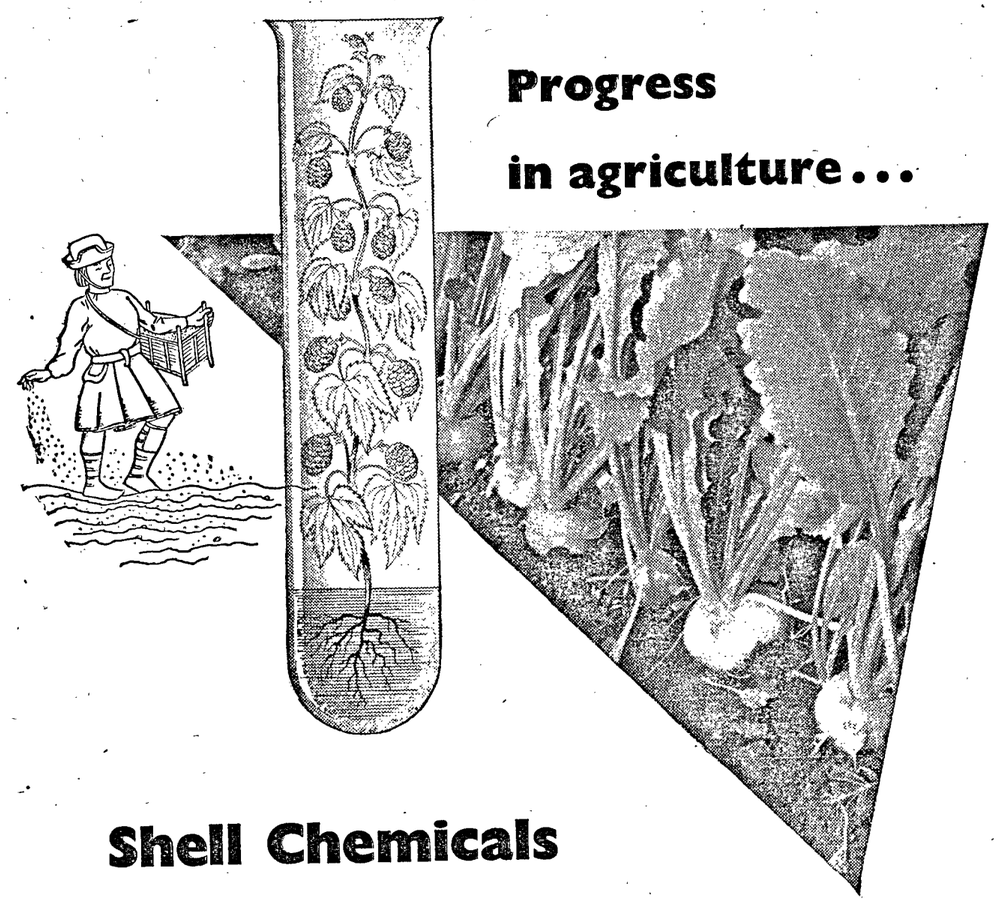
The Libyans wish to encourage tourists to their splendid beaches and ancient ruins and this trade has considerable possibilities if more hotel accommodation and better facilities are provided outside Tripoli. They are, however, hesitant about a similar but more lucrative proposition. The Government has so far refused residence visas to those who wish to retire within the sterling area but to live in the sun—a much steadier source of foreign exchange than a few tourists.

The Libyans achieved independence before they were prepared for it. They are already attempting to run before they can stand up alone. At present they are accepting advice, but if Egyptian influences increase, and foreign views are disregarded and foreigners dismissed, the outlook will be black. It remains good only so long as they realise their economic frailty and stick to small, practical projects. Grandiose schemes—so dear to the Arab heart—will merely provide future tourists with additional ruined towns to visit along the North African coast.

(*Concluded*)

China "Liberates" Tibet

DURING the past year, since the Chinese People's Republic gained control of Tibet by the so-called Agreement on Measures for the Peaceful Liberation of Tibet signed in Peking on May 23, 1951, the Chinese Communist Government has been facing a difficult problem of colonial administration. The Chinese Communists do not, of course, admit that Tibet is a colony, or even a dependent territory, or that their relation to it is in any way comparable to that of Britain to Nigeria or of France to Tunisia or of Belgium to the Congo. The repudiation of any similarity to a colonial system is not based simply on the claim that the Chinese People's Republic as a "people's democracy" is incapable



Shell Chemicals

Woodstock Farm, near Sittingbourne in Kent, is the agricultural research station of the Shell Group in this country. Here, in up-to-date laboratories and in the surrounding orchards, hop gardens and farmland, teams of experts are carrying out a broad programme of investigation devoted to the control of insect pests, the prevention of plant disease, the selective destruction of weeds in growing crops and other problems of importance to the nation's food production. Some research is long-term and fundamental; other lines of attack are the day-by-day screening of all new petroleum-derived chemicals for possible use, and the maintenance of carefully controlled trial plots. If promising, these lead on to full-scale trials under normal commercial conditions. This policy of step-by-step progress ensures that new products bearing the name Shell have an informed background and proved capabilities before they are offered to the farmer.

SHELL

Shell Chemicals Limited, Norman House, 105-109 Strand, London, W.C.2.
(DISTRIBUTORS)

PR.10

of the "imperialist" exploitation held to be an essential feature of colonial rule by a capitalist nation. The basic claim, which has been persistently made in all Chinese Communist publicity on the subject, is that the Tibetans are "one of the nationalities of China." The fact that they do not speak the Chinese language, that they have an entirely different cultural tradition, and that they have been independent of China for most of their history, including the forty years 1911-1951—that they have in short the qualifications which are normally supposed to be sufficient for separate national existence—is not admitted to count for anything against the fact that Tibet was subdued by the Manchus in the eighteenth century and thus became a part of "China."

There is indeed an ambiguity in the word "China," which is not always appreciated in the West; a European, speaking of the Chinese, means the nation which has Chinese for its language and does not include under the same name Mongols, Turkis, Tibetans and other peoples formerly comprised in the Chinese empire. But the Chinese speak of their country as Chung Kuo, the "Central Country," a term which has no ethnic significance, while they refer to themselves ethnically as Han; thus China as the Central Country consists

of various nations of which the Han are one. The conquest of Tibet after forty years of independence is, therefore, not an act of imperialism, but a "re-unification" of China and a return of the Tibetans to their "motherland"; it is "peaceful," because the Tibetans capitulated after some months of fighting had demonstrated that they were too weak to resist and that India would do nothing to help them; finally it is a "liberation" because the Tibetans are to be delivered by the People's Liberation Army, not from their own native rulers (who are being retained for the time being as instruments of Chinese indirect rule), but from the "imperialist aggressive forces" which are to be "driven from Tibet."

What are these "imperialist aggressive forces"? They consist of two companies of Indian troops which are stationed under an old agreement at Yatung and Gyangtse just across the Tibetan border to protect the trade route from India into Tibet in a region where brigandage was formerly prevalent. Down to 1947 they could be said to represent British imperialism in Tibet, but since 1947 the imperialism, if any, can only be that of India. In any case these outposts have never been strong enough to dominate or coerce Tibet. China, however, has now sent 15,000 troops to Tibet to liberate the Tibetans from the two companies of foreign troops within their territory and, to frustrate the wicked designs of the notorious reactionary imperialist Mr Nehru. The Peking Government is reported recently to have requested the withdrawal, not only of the Indian military outposts at Yatung and Gyangtse, but also of the Indian diplomatic mission in Lhasa, on the ground that Tibet has now been reunited with China and that all questions affecting

it must in future be handled through Peking. The Indian Government is not at all unwilling to renounce former treaty rights in Tibet, but wishes to make such a readjustment as part of a general settlement covering the potentially dangerous issue of frontier demarcation—on which a premonitory warning has been given by a Chinese claim to Badrinath in Garhwal, twenty-five miles within the supposed Indo-Tibetan frontier and only 150 miles from Delhi itself. So far the Chinese have hedged; they want India to renounce all rights in Tibet unconditionally and leave the disputed frontier until they have built up their military power in Tibet.

This is proving a task of some difficulty for the Chinese because it is easier to send a body of troops into Tibet across the high mountain passes which separate the country from Chinese China than to feed them when they are there. The People's Liberation Army has been well disciplined in its occupation of Tibet and it has been part of Peking's policy to conciliate the Tibetans by paying in Chinese silver currency for all supplies needed by the invaders. But as there is not enough food in Tibet to support a large addition to the normal population, and as it is impossible to feed an army from China during the winter months, the Chinese forces have been forced to live on the country to the exasperation of the Tibetans, whose discontent recently expressed itself in riots in Lhasa. The Chinese have now been reduced to requesting permission from the Indian Government to send food supplies for their army in Tibet through India—an acknowledgment of the fact that the only effective lines of communication from Peking to this "part of China" are by way of Calcutta. When it is taken into account that the Chinese military purpose in Tibet, in the words of their own proclamations, is to "consolidate the national defences of the south-west" (that is to say, against India), that the Chinese conquest has substituted on India's northern frontier a great military power, including a rapidly growing air force, for an antiquated buffer state which could be a menace to nobody, and that the Chinese have begun the construction of a military airfield within 250 miles of Delhi, the rulers of China certainly have a nerve in asking India to facilitate the supply of their conquering army. But nerve is the pre-eminent characteristic of the new regime in Peking, and so far it seems that India's desire for friendship with "the new China" is equal to any strain which Peking puts upon it.

Tibetan Divisions Exploited

For maintaining control over Tibet the Chinese are relying, not only on their forces of occupation, but on exploiting political divisions among the Tibetans themselves. In the first stage the old Tibetan ruling class, consisting of Buddhist lama monks and land-owning nobles, is not to be displaced, but its unity is to be disrupted by playing on the old jurisdictional rivalry between the two great dignitaries of the lama church—the Dalai Lama who resides in Lhasa and the Panchen Lama whose seat of authority is at Shigatse, a town to the west of Lhasa. Soon after Tibet became independent in 1911, the Panchen Lama of the time was forced to leave Tibet and take refuge in China; the Chinese Communists have now brought back his successor (a boy of 15) and installed him in office. They have also, with the aid of two Tibetan local magnates, set up a new administrative centre at Chamdo, in eastern Tibet within the nominal border of the Chinese province of Sikang, which is apparently meant to become a new capital free from the conservative tradition of Lhasa. Meanwhile the Chinese have begun the inevitable endeavour to get hold of the younger generation and train cadres of a Tibetan Communist party to take over power under Peking at no distant date. Tibetan students in India have all been recalled to Tibet and will be sent to China for education instead. Finally, Peking plans to settle 15,000 Chinese families in Tibet to reclaim uncultivated land and start new industries. In the words of Chinese publicity, the Tibetans are now for the first time going to enjoy a "free, happy life."

THE ECONOMIST, June 14, 1952 759

Handling loads - hydraulically

TELEHOIST End and Three-way Tipping Gears for loads up to 20 tons, embodying the latest methods of tipping control

TELECRETE A liquid-concrete tipper—the ideal method of transporting ready-mixed concrete

TELELOADER Automatic power-operated sack-lifter for use on Farms, in mills, and industry generally

TELEHOIST LIMITED
formerly W. W. Jenkins (Cheltenham) Ltd.
TELEHOIST WORKS, Swindon Lane, CHELTENHAM, GLOS.
Telephone: Cheltenham 53254-5-6 and 55152. Telegrams: Telehoist, Cheltenham.

WHEN IT'S A QUESTION OF TIME...

minutes per man hour...

Too many businesses suffer from three way time losses . . . time lost through late starting of day or shift; time lost through early knocking off for breaks or leaving and time lost by workers trying to find out what o'clock it is. T.R. Time Control reduces such losses and extracts more productive minutes from every man hour. It improves works relationships and gives Management essential wages and job costing statistics—all especially vital to industry today.

TR SERVICE speeds production

Today's need for maximum output has so increased demand for T.R. Service—Time Control, Internal Telephones, Staff Location and Internal Broadcasting—that new installations can now be undertaken only in organisations engaged upon work of National Importance.

An Enterprise of Telephone Rentals Limited—Head Office, Kent House, Rutland Gardens, London, S.W.7

H-F505

Aspects of Enterprise No. 23

SIMON ENGINEERING GROUP

Behind the scenes the Simon companies are often concerned in well-known industrial ventures of great national importance. One example is the immense Margam steelworks, for which Simon-Carves built the new boilers, coke ovens and by-product plant. Another is the United Sulphuric Acid Corporation's project to produce sulphuric acid from anhydrite as a long-term measure to meet the sulphur shortage; Simon-Carves are the main contractors for the construction of the plant, and Simon Handling Engineers are responsible for all materials handling and preparation.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

THE BUSINESS WORLD

What Freedom for Metals?

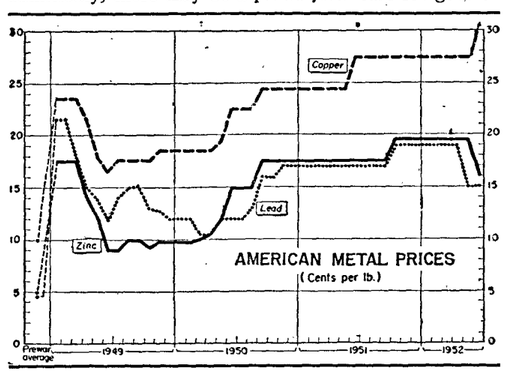
SO much has been said and so little has been done about freeing the metal markets that merchants must almost by now have ceased to mourn the departed freedom of the London Metal Exchange. Even the recent announcement that the Ministry of Materials is returning to the policy of basing selling prices on those ruling in the New York market can hardly be construed as a step towards freedom, though it is undoubtedly a move in the right direction. Only tin has yet been returned to private trading, and throughout its two and a half years of operation the London tin market (reopened in November, 1949) has been constantly subjected to government interference from one side of the Atlantic or the other. The reopening of the lead market is apparently "still under discussion"; it will be reviewed again at the end of the month. The excuse put forward for maintaining government control remains, as it has always been ever since the end of the war, the state of Britain's balance of payments.

Government trading in metals has been proved a failure by its pricing policy. It took the Ministry of Supply four years to learn that a government organisation has no prescience in fixing prices. Between 1945 and 1949 it attempted to guess the level that would even out fluctuations over a period of time and yet equate supply and demand. The folly of this method was not appreciated until 1949, when the American inventory recession left British manufacturers saddled with higher raw material costs than their foreign competitors. In July of that year, the Ministry of Supply announced that it would in future base its selling prices on those ruling in the American markets; and it followed this policy faithfully until the Ministry of Materials was set up last year. The new Ministry decided to base its selling prices on its purchase prices, and since it had to buy quite substantial quantities at free market prices that were almost double the official American prices, it raised its selling prices correspondingly. Now it has reverted to the Ministry of Supply's policy and is prepared to write off its losses on its dearly bought stocks of metals.

The real difficulty in the metal trades is that without London there is no world market that the Ministry of Materials can use as a yardstick. It is forced by circumstances to accept the official quotations in New York, even though that market is dominated by large integrated companies interested in both the production and the consumption of metals. It cannot take into account the variations in price that exist in the so-called free market, where lead and zinc are still selling below the official American level and copper above it. Even the Raw Cotton Commission, despite its elaborate pricing technique, came in for severe and, on the whole, justified criticism for its late introduction of new crop prices last summer, because it could not take account of clearly foreseeable trends in prices. The free market prices for metals admittedly apply only to marginal quantities, but they indicate a possible rise or fall in the official American prices, and in this sense they are to some extent akin to a futures' price. If the American metal market were better organised and more flexible and ready to accept any currency, these free market prices would cease to exist and the Ministry of Materials' task would become much easier.

Whether a continuance of government trading in metals can be justified in present circumstances depends, in the main, on two questions. First, does it in fact reduce Britain's dollar expenditure, or at least prevent an unwarranted increase? Second, does it ensure that Britain obtains sterling area supplies that might otherwise be sold to other countries? The assumption that implicitly underlies the present policy is that both these questions can be answered in the affirmative.

It is difficult to prove or disprove the validity of this assumption; and any conclusion is likely to depend in part upon the particular observer's faith—or lack of it—in the efficacy of private trading. In certain conditions, admittedly, there may be a *prima facie* case for government trading on such grounds. If Britain has to obtain any major part of its requirements of the metals concerned from dollar sources, it may seem reasonable to presume that government trading is likely to achieve the greatest economy in dollar expenditure in Britain's import costs. In any case, if the metals are in short supply, it is arguable that, in the absence of governmental arrangements—whether by way of long-term contracts or gentlemen's agreements—Britain might not secure so large a proportion of supplies from the sterling area as it can count upon in present conditions. If there were private trading in scarce metals, part of the sterling area supply might be secured by other non-dollar countries and Britain might thereby be driven either to go short of supplies or to increase its purchases from dollar sources—or would at least be forced to pay more for its sterling area supplies than it might have done



under government trading. These, it should be noted, are presumptions rather than conclusive arguments; but at least the presumptions are sufficiently strong to make the conditions of supply in each case a vital part of the data bearing upon the problem. As a first step, therefore, it is desirable to consider briefly the extent to which Britain's supplies of each of the principal metals concerned—copper, zinc and lead—have to be met from dollar sources and also the extent to which world supply and demand for these metals are in balance.

Britain's requirements of virgin copper averaged 330,000-335,000 tons a year in 1950 and 1951 compared with 260,000 tons before the war, and in the first quarter of this year they have been running at an even higher annual rate—approximating to the 1948 level of 360,000 tons. At present 13 per cent of the supply comes from Canada, 3 per cent from Chile and a further 27 per cent from the United States, Belgium and Germany. The copper supplied from these last three sources is, however, of Rhodesian origin; it has to be imported from non-sterling sources because of the insufficiency of electrolytic refining capacity in the sterling area. Only the refining costs, therefore, represent a net strain upon the dollar reserves. In twelve months' time, when the new electrolytic refineries in Northern Rhodesia are in full operation, Britain should be able to obtain practically all the copper it needs within the sterling area. It will still probably have to import certain special shapes from Canada and some blister copper from Chile. But by and large, copper will be a sterling commodity; and it could even become a dollar earner.

WORLD SMELTER PRODUCTION OF COPPER, LEAD AND ZINC
(Thousand tons)

	Aver. 1934–1938	1946	1947	1948	1949	1950	1951
Copper	1,750	1,800	2,190	2,280	2,270	2,500	2,660
Lead	1,470	1,070	1,340	1,360	1,540	1,710	1,670
Zinc	1,410	1,340	1,560	1,490	1,810	1,970	2,070

Copper is in great demand for rearmament, and in the United States supplies have been so tight that quantities have been released from the stockpile to help industry. Domestic production there has increased during the past two years, but the United States still imports a net 250,000-350,000 tons of copper metal a year and about 100,000 tons of concentrates; its consumption in 1951 was 1,220,000 tons. Consumption in Europe is also expanding and the continental free market price of copper is still about £100 a ton above the official American quotation which until a week or so ago was pegged at 27½ cents a lb or £220 a ton. Since the United States Government began to allow American manufacturers to buy foreign copper at prices above the ceiling fixed for domestically produced copper, the New York market has quoted a range of prices, the highest being 35½ cents a lb (£284 a ton). Because of this, the copper market is at the moment very confused and until a definite price emerges the Ministry of Materials has suspended sales of copper for all deliveries beyond the end of this month. But so long as rearmament continues, demand is likely to remain high, though its excess will still be curbed by international allocation.

Zinc, which until recently was also scarce, can now be obtained in adequate supplies; a fortnight ago the International Materials Conference decided not to recommend international allocation for the third quarter of this year. The free market price for zinc was until recently some £35 a ton below the official American price of £156 a ton (19½ cents a lb); last week, however, the American price came down to £128 a ton (16 cents a lb). The real shortage in zinc was in smelter output rather than in mine production, and it was accentuated by the fact that the United States, which has the largest smelter capacity, restricted its exports of zinc metal. But consumption of zinc is closely related to the availability of other materials, particularly steel, and recently it has tended to decline in many countries. In Britain last year, consumption was low—190,000 tons against 240,000 tons in 1950—because of the restrictions on its use in certain civilian goods. This year consumption has revived somewhat, though it is still not much above its prewar annual rate of 205,000 tons. But 25 per cent of Britain's requirements of zinc has to be met from dollar sources.

Lead is not scarce, and it is also mainly a sterling commodity. Three-quarters of Britain's imports come from Australia. In both 1950 and 1951 Britain used about 165,000 tons, less than half the prewar consumption. Copper and other materials have been substituted for lead in the building and plumbing trades and aluminium sheathing is now being used for cables. In other countries, too, consumption has declined, though the United States is an important exception. But the United States normally has to import something like 250,000 tons of lead metal a year, and in 1950 its imports rose to 400,000 tons. Despite the recent fall in the official American price of lead to £120 a ton (15 cents a lb), the free market price is still some £20 a ton cheaper.

The position of the three metals can thus be summarised as follows. Copper is likely to remain fairly scarce but will soon be a sterling metal. Zinc is more plentiful but is a dollar metal. Lead is plentiful and is to all intents and purposes a sterling metal. On the arguments instanced above, therefore, the difficulties of Britain's balance of payments may afford a *prima facie* case for government trading in copper and zinc, though not in lead, as a means of minimising the dollar cost of British imports. But these arguments are not conclusive. Against them, it can be urged that if imports of these metals generally, and dollar purchases of them in particular, have to be restricted, the restriction could equally be achieved by the licensing of private trade; and, in this context, it is noteworthy that in fact the volume of Britain's imports has been rising. There is, moreover, a much more fundamental weakness in

BRITISH AND AMERICAN CONSUMPTION OF COPPER, LEAD AND ZINC
(Thousand tons)

		Aver. 1934–1938	1946	1947	1948	1949	1950	1951
Copper,	U.S.	572	1,126	1,235	1,200	921	1,225	1,221
	U.K.	253	325	350	357	319	334	330
Lead,	U.S.	386	484	664	670	517	844	605
	U.K.	345	194	178	188	157	163	163
Zinc,	U.S.	435	715	702	730	636	846	884
	U.K.	204	216	223	223	199	237	188

these particular arguments for government trading—the fact that they are almost wholly based on the premise that relief for Britain's dollar account is much more important than relief for Britain's balance of payments as a whole. In a short run emergency such as that of 1952, that may be true; but it is certainly not true in the longer run.

This same consideration is also of vital significance in a quite different context. Whatever effects a restoration of private trading might have on Britain's own import costs, it is commonly assumed that the purely international workings of such trading would throw a strain—and perhaps a dangerous and incalculable one—upon Britain's dollar reserves. Since the United States is the world's largest consumer of non-ferrous metals (it accounts for half the world total), a reopened market in London would obviously have to provide some facilities for arbitrage with the New York market. That would involve some dollar outlay, simply to provide the dollar working capital of the market; but the mechanism itself would not necessarily involve a current and continuing loss of dollars, and, if Britain were looking to its balance of payments as a whole rather than to its dollar account alone, there is little doubt that the overseas earnings of the market could be regarded as affording a good return on the capital laid out.

In the present dollar emergency, the authorities would doubtless contend that they could not afford the capital outlay in any case; and they might argue, further, that a "free" market could scarcely function at all if the licensing arrangements were sufficiently rigorous to guard against the danger that London would merely become a channel for the supply of dollar metal to overseas purchasers who paid in soft currencies. Even this argument loses much of its force so long as Britain has to settle its EPU deficits wholly in gold; but amid present difficulties it would be unrealistic to suppose that this particular risk could be entirely ignored on these grounds. Britain, unhappily, may need to take further emergency measures; and the authorities would be chary of any steps that limited their scope for manœuvre.

Short-term arguments of this kind, being based upon the extremity of Britain's present plight, deserve rather more respect than does the more general attitude of Whitehall towards private trading. The general argument against freeing the metal market in fact reasons in a circle. In effect, it is said that such freeing cannot be contemplated unless the dollar position is strong and metal supplies are plentiful—two conditions that can never, it is claimed, be satisfied simultaneously. If the dollar position is strong, and the sterling area has a surplus on its dollar account, then commodity prices must be high and supplies scarce—too scarce to permit private trading. On the other hand, if supplies are abundant and commodity prices are low, then the sterling area will be faced with a dollar shortage—and that, too, must prevent the restoration of private trade. These arguments will be just as valid (or invalid) next year or in 1954 as they are now; to accept them is to concede that government trading and restrictionism must continue indefinitely. Of course, if and when the general economic policy of the Government becomes tough enough to free Britain from the constant threat of recurrent crises, then arguments of this kind will cease to have validity. But the various moves towards freedom that may, in the end, be the only means of achieving this happy state cannot all be ruled out indefinitely on the ground that it is not "safe" to make them. Sooner or later, some risks must be taken; but perhaps it is in the exchange markets, rather than in the metal market, that the first imaginative moves will have to be made. Certainly, it would be impossible for the metal market to function with full freedom so long as currently earned sterling is not freely convertible into dollars; but that does not mean that some move towards restoration of the market is not desirable—even if some restrictions had to be imposed upon hedging facilities in dollar metals.

The Price of Electricity—I

The New Standard Tariffs

ONE of the duties enjoined upon the British Electricity Authority and the Area Electricity Boards by the Act of 1947 was "to promote the simplification and standardisation of methods of charge for supplies of electricity." Shortly after vesting date, April 1, 1948, the BEA set up a Retail Tariffs Committee to study what needed to be done: during 1950 this committee recommended certain general tariff principles to Area Boards; and after discussion with their Consultative Councils, most of the fourteen Area Boards have announced standard tariffs covering part at least of the field. A national policy for electricity tariffs is now, therefore, beginning to emerge. It may be useful to examine how closely this conforms to the requirements of the Act; and it is even more important to inquire how closely the price policy of this public monopoly conforms to the economic requirements of fuel policy.

It must be said at once that those who looked for some single set of tariffs throughout the country—and who used this as an argument for nationalisation—are clearly to be disappointed. A more limited and practical objective appears to be within sight of achievement—identical tariffs for all consumers of a given class within any one area, and generally similar tariff structures throughout the fourteen areas. In parallel with this will be the virtual elimination of alternative rates, and the gradual substitution of published tariffs for large numbers of private industrial agreements.

In interest and in complexity, the domestic tariff comes first. Domestic consumers take only a third of the total units sold; but the prices they pay have always been the subject of most complaint, and during the present plant shortage it is the "promotional" nature of domestic tariffs that has rightly been called in question. Two major changes are being made in the character of domestic tariffs; a change from two-part to variable-block, and a change in the basis of the fixed charge or its equivalent from the rateable value or floor area of the premises to the number of rooms.

To appreciate the effect of these two changes, it is necessary to know something of the technicalities of domestic electricity consumption. Its special feature

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are. Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2.
West End (London) Branch: 28 Charles II Street, London, S.W.1.
Manchester Branch: 52 Mosley Street, Manchester, 2.
Liverpool Branch: 27 Derby House, Liverpool, 2.
New York Agency: 65 Broadway, New York, 6.

Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

INDUSTRIAL AND COMMERCIAL
I. C. F. C.
FINANCE CORPORATION LTD.

Established by the Joint-Stock Banks in 1945 to provide finance by means of loans or the subscription of loan or share capital or otherwise for industrial and commercial enterprises in Great Britain particularly in cases where the existing facilities provided by banking institutions and the Stock Exchanges are not readily or easily available.

DIRECTORS:

Chairman: THE RIGHT HON. LORD PIERCY, C.B.E.

THE RIGHT HON. LORD BLACKFORD, D.S.O.
WILLIAM HENRY FRASER, W.S.
LT.-COL. LORD DUDLEY GLADSTONE GORDON, D.S.O.
THE RIGHT HON. THE EARL OF LIMERICK, K.C.B., D.S.O.
REGINALD HUGH ROBERTS
COLIN MARSHALL SKINNER, F.C.A.
SIR HORACE JOHN WILSON, G.C.B., G.C.M.G.

SUBSCRIBERS:
THE ENGLISH AND SCOTTISH BANKS

Enquiries should be addressed to:
The General Manager 7, Drapers' Gardens, London, E.C.2.
or
The Birmingham Manager, 214, Hagley Road, Birmingham, 16.
The Manchester Manager, India House, 73, Whitworth Street, Manchester, 1.

THE
THREE BANKS
GROUP

TOTAL RESOURCES OVER £350,000,000

This complete, modern banking group with world wide connections gives individual attention both to the large corporation and to the private customer.

ROYAL BANK OF SCOTLAND
Founded 1727 Edinburgh, London & Branches

GLYN, MILLS & CO.
Founded 1753 London

WILLIAMS DEACON'S BANK LTD.
Founded 1771 Manchester, London & Branches

THE THREE BANKS

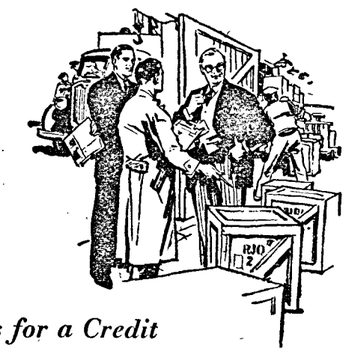
Finance and Eastern Trade

"Mercantile" service extends not only throughout India but also to every important trading centre in the East.
For sixty years the "Mercantile" has closely studied financial conditions in all Eastern markets. Its accumulated knowledge is at the disposal of British business houses interested in developing Eastern trade.

THE MERCANTILE BANK OF INDIA LIMITED

Head Office: 15, Gracechurch Street, London, E.C.3.

INDIA—PAKISTAN—BURMA—CEYLON—MALAYA—SINGAPORE—HONG KONG—CHINA—MAURITIUS—THAILAND—JAPAN.



Bombay asks for a Credit

It is a simple matter for the Westminster Bank to establish local credits anywhere in the world, for there is no town of commercial importance in which it is not represented. Equally, the collection of funds due to you from foreign buyers presents no difficulties. The comprehensive service of information and advice which the Bank provides for those who trade abroad is fully described in a booklet called 'The Foreign Business Service of the Westminster Bank'. We shall be glad to send you a copy on request.

WESTMINSTER BANK LIMITED

Foreign Branch Office: 41 Lothbury, London, E.C.2

GILLETT BROTHERS DISCOUNT COMPANY, LIMITED.

Capital and Reserves
£1,800,000

ESTABLISHED 1867

52, CORNHILL, LONDON, E.C.3

THE STANDARD BANK OF SOUTH AFRICA LIMITED

Bankers in South Africa to the United Kingdom Government. Bankers to the Governments of Southern Rhodesia, Northern Rhodesia, Nyasaland and Tanganyika.

Capital Authorised and Subscribed - £10,000,000
Capital Paid-up - - - - - £5,000,000
Reserve Fund - - - - - £5,000,000

10 CLEMENTS LANE, LOMBARD STREET and 77 KING WILLIAM STREET, LONDON, E.C.4

LONDON WALL Branch — 63 London Wall, E.C.2.
WEST END Branch—9 Northumberland Avenue, W.C.2.
NEW YORK Agency — 67 Wall Street.
HAMBURG Agency — Speersort, 6.

BRANCHES THROUGHOUT THE UNION OF SOUTH AFRICA, SOUTH-WEST AFRICA, SOUTHERN AND NORTHERN RHODESIA, NYASALAND, KENYA, UGANDA, TANGANYIKA ZANZIBAR AND PORTUGUESE EAST AFRICA.

Banking Business of every description transacted at all Branches and Agencies.

is that there is a sharp dividing line between the small-scale user—lighting, wireless, cleaning, etc.—and the large-scale heating and power user. In a room heated and lit by gas the heating may consume five times as much as the lighting; but electric lighting is so efficient that if the same room were heated and lit electrically the heating would probably consume twenty times as much as the lighting. There are, therefore, two distinct groups of domestic consumers, those who use electricity for lighting alone and those who use it for light and heating: and the difference is such that even a large, wealthy household using it only for lighting may consume only a few hundred units a year, whilst the smallest and poorest household using electric cooking or heating as a major source will probably use a thousand units a year. At present about a quarter of the domestic consumers are in the "lighting only" group; they take only about three per cent of the units sold and contribute about 10 per cent of the revenue. Economically, too, the two sorts of consumption are also sharply differentiated: the former has an inelastic demand and is comparatively expensive to supply.

★

The original way of meeting this situation is a duplication of service. The lighting consumer has small-capacity wiring and meter, and pays, say, 4d. a unit, whilst the lighting and heating consumer has, in addition, a second heavy-current circuit to which his heating appliances are connected, fed through a separate large-capacity meter at, say, ¾d. a unit. Unfortunately this means a high cost of installation and a lack of flexibility as regards heating points, for example. It also retards the normal process of development whereby consumers graduate easily from the first class to the second. In most countries, therefore, it has been superseded by the "all in" system with a single installation and meter, and a composite tariff that has usually consisted of a fixed annual charge and a low running rate. This resembles the telephone tariff, with its quarterly rental and call charge. This two-part tariff meets the case of the large and medium-scale user but not that of the purely-lighting consumer. It has, therefore, to be flanked by a flat-rate alternative to act as a price ceiling on the rate per unit charged for low consumptions. But this greatly complicates the tariff schedule.

This difficulty has been cleverly circumvented under the new tariffs, which are of the "variable-block" type. This omits a fixed charge entirely, and substitutes in its place a first block of high-price units. Subsequent consumption is at a low "follow-on" rate comparable to the running charge of a two-part tariff. For example, under the Midlands Area Board tariff a 6-room householder will pay 4d. per unit for the first 72 units per quarter (288 per annum) and ¾d. for additional consumption. In effect, he will pay 4d. a unit for his "essential" lighting and small-scale consumption, and ¾d. a unit for any optional heavy-current uses. Hence this operates as two different tariffs according to the scale of consumption. Below the basic figure (about 300 units per annum for this size of house) it provides, in effect, a "lighting" flat rate of 4d. a unit; above, it corresponds to a two-part tariff consisting of a fixed charge of £3 18s. 0d. a year and a running charge of ¾d. a unit.

The table shows the domestic tariffs of ten Area Boards that have standardised prices throughout their areas. The first part of the table shows the tariff as laid down and the latter part shows the "equivalent fixed charge" when the consumer is taking units over and above the first block. Two of the Boards in this table employ a second block (equal to the first) at an intermediate price, and two offer a straight two-part tariff as an alternative.

It is too early to predict the effect of the second major change in the new standard tariffs—the use of the number of rooms as the basis of assessment. Since the size of room is not brought into consideration the broad result will be that poorer-class premises with small rooms and low rateable values may pay rather more for their electricity than before, whilst higher-class properties and those with large rooms will pay rather less. This slight differential effect, however, is likely to be swamped by overriding increases due to rising costs of supply. Fundamentally this assessment is of the same kind as before, in that it depends on some feature (dimensional rather than electrical) of the consumer's house. Failing any practical and economic method of measuring the consumer's effective demand on the supply system, the fixed charge (or its variable-block equivalent) becomes very largely a device for spreading indivisible costs where they can best be borne. The change in basis, therefore, is merely one of detail, though it may be administratively convenient; it is impossible to say whether one unsatisfactory method of assessment is more desirable or equitable than another.

Apart from these comments on structure, something may be said regarding the actual sums charged in the new tariffs. The Area Boards receive bulk supplies from the BEA on a two-part tariff in which the running charge is dependent on the average cost of coal consumed in power stations in that area. This arrangement was adopted so that Area Boards could continue to compete with other forms of heat, light and power, the cost of which is also influenced by regional variations in the price of fuel. At the two extremes, in 1950-51 the South Wales Board paid a running charge of 0.38d. per unit, whilst the Southern Board paid 0.54d. Very little correspondence can be traced between those bulk supply running costs and the "follow-on" rates shown in the table. Some allowance must be made for the difference in dates: moreover, certain of the standard tariffs that were earliest in the field may have to be modified.

Another surprising feature of the tariff values is that only in two cases is there any specific coverage of "consumer costs." A number of supply costs, such as metering, billing and the cost of digging a trench for the service

Board	Block Prices (Pence per Unit)			Units per Annum at 1st Block Price	Equivalent Annual Fixed Charge on Higher Consumption		No. of Rooms to which the Foregoing Applies
	First	Intermediate	Final		Minimum	Actual	
Southern	5	...	0·875	40*	55/-	13/9*	4 and over
South Western	5	2	0·875	80 + 20*	70/-	35/- + 18/9*	4, 8 and 14
Eastern	Two-part		1	...	60/8	8/8 + 17/4†	1200 to 4800‡
alternative	6	1½	1	416	...	...	...
East Midlands	4	...	0·875	12 + 36*	31/3	3/1½ + 9/4½*	3 and over
Midlands	4	...	0·75	48*	39/-	13/-*	3 and over
South Wales§	4½	...	0·85	40*	24/4	12/2*	2 to 10
Merseyside	4½	...	0·85	48*	29/2	14/7*	2 to 10
Yorkshire§	4	...	0·75	− 4 + 36*	28/2	9/9* − 1/1	5 to 16
North Eastern	4	2	0·875	36*	25/6	12/9*	2 to 15
alternative	Two-part		0·875	...	24/-	12/-*	2 to 15
North Western	5	..	0·875	−96 + 48*	49/6	−33/- + 16/6*	5 to 16

* Per room. † Per 400 sq ft. ‡ Square ft. § Proposals subsequently modified

connection, are proportional to the number of consumers and independent of the size of the load. Logically, therefore, there might be a non-proportional element in the equivalent fixed charge to cover this.

Outside the domestic field standardisation of tariffs has not been carried so far, but several Boards have announced their intentions and it seems likely that a similar pattern will be followed by the remainder. Large consumers are offered a two-part "maximum demand" tariff whose running charge varies with the price of coal. Smaller industrial and commercial consumers are offered a variable-block tariff, in which the size of the first block depends on the size of the electrical installation. The problem is complicated by the fact that the standard tariff has not only to synthesise a number of published tariffs but also ultimately to take the place of possibly hundreds of separate agreements. Such tariffs are less open to criticism than the domestic rates, since they follow more closely the pattern of the costs falling on the Boards. Thus the bulk-supply charge of £3 15s 0d per annum per kW becomes about £6 per kW in the retail tariff, which is a reasonable figure in view of the proportions of capital investment in generation and distribution respectively. The bulk-supply running charge of, say, 0.5d per unit with coal at 58s, becomes a retail price of about 0.7d per unit.

Nationalised electricity, therefore, can justifiably claim to be progressing towards fulfilling the obligation to simplify and standardise laid upon it by the Act. Progress has been slow: but it must be remembered that four years ago there were nearly 600 different tariff-making authorities. The North-Western Board recently stated that its new standard domestic tariff involved the scrapping of between 300 and 400 different rates. The methods of charging indicated by the domestic tariffs so far made public are more simple and more standardised, without any doubt. But there is equally no doubt that they do not reflect the varying incidence of electricity costs during the day; and in the present period of general and continuing scarcity of fuel and special scarcity of plant, the need for tariffs that reflect these varying costs accurately is particularly imperative in the nationalised fuel and power industries. It may be argued that tariff standardisation should be regarded as a process in two stages; first producing a common tariff and then redesigning it to reflect costs accurately. The first stage then is to get all the particular consumers in an area on to a common tariff with the minimum of distress and disturbance. The tariff that emerges at this stage is likely to be little more than a numerical mean of those which it replaces. The second stage should be to remould it somewhat nearer to the ideal. At the moment the tariffs are only at stage one as regards values and proportions, and there should be no difficulty in progressive improvement that will bring these values closer to the various costs. But step-by-step changes are hardly possible with the structure, and the forms now emerging must be regarded as more or less permanent or at least long-term.

The fundamental weakness of the tariff structures, at least in the domestic tariffs, is that they entirely fail to discriminate as regards the peak responsibility of different classes of consumption. The same price is charged for summer water heating and for winter spaceheating at peak hours; propaganda, instead of price, is relied upon to urge consumers to avoid the peak. The problem of achieving the necessary discrimination between peak and off-peak consumption at an economic cost has not been solved, and there is little evidence that it has even been seriously considered. The possibilities—and difficulties—of designing tariffs that might more nearly approach this economic ideal will be discussed in a later article.

Business Notes

Long Road to Solvency

The Chancellor's statement in the House of Commons on Thursday carried with it the first faint signs that the sterling area is reorientating its trade in the direction of dollar solvency. The preliminary figures for United Kingdom trade in May, which were published on the same day, carry the same implication—but they also show that progress along this road will have to be notably quickened if the objective of securing a small overall surplus in the second half of 1952 is to be attained. The fact that the gold reserves have run down by less than £10 million since the end of March, despite large transfers of gold to EPU in this period, means that the sterling area must have been running only a very small current deficit with the dollar area (before allowing for the receipt of about $100 million of Mutual Security Aid). It is true that the Chancellor's statement seems to have been made the day before another transfer of $47 million of gold to EPU (in respect of the sterling area's deficit with Europe in May) fell due; even allowing for this, however, it will be disappointing if the total fall in the gold reserves in the second quarter of this year proves to be very much in excess of $50 million.

Meanwhile, the latest trade figures suggest (if an allowance of 12½ per cent is made for the element of freight and insurance included in the recorded import figures) that Britain's external deficit on visible trade was running at an annual rate of between £500 and £550 million in May, compared with an annual rate of about £450 million in the first five months of this year. It seems unlikely that the invisible surplus can have been offsetting this at a rate of more than £250 million a year. In view of this, it is clear that imports will have to be cut back very substantially in the second half of the year if solvency is to be attained; so far the full effect of the import cuts announced last November, January and March has still not made itself felt—partly because of prior commitments and partly because importers have hastened to use up their quotas—while imports still under open general licence seem to have expanded alarmingly.

* * *

Trade in May

The preliminary trade figures for May show that British exports amounted to £225.9 million in the month, compared with £217.5 million in April and £229.8 million in May last year. These figures, however, conceal a decline in the daily rate of exports to some £8.3 million, compared with £9.1 million in April (which was a short month because of Easter) and £9.3 million in March. This decline, however, may have been wholly due to a decline in exports to the Commonwealth. Exports to North America in May are provisionally estimated at £24.7 million, or 23 per cent above the monthly average for January to April. The Canadian market seems to be reviving rapidly: exports to Canada in May were £11.2 million and nearly a third more than the average for the first four months of the year. Although the May figures may have reflected some exceptional shipments, some exporters to the dollar area profess to have seen the first signs of an upturn in American consumers' demand during the past few weeks.

Imports, while still proving obstinately difficult to cut, showed a further slight improvement in May. The import bill last month amounted to £320.4 million compared with £338.0 million in May a year ago and £325.5 million in April of this year; when allowance is made for the larger number of working days this May, the trend is moderately encouraging. In all, imports (valued c.i.f.) exceeded total exports (f.o.b.) by £84.7 million last month, compared with £96.8 million in May last year and £96.3 million in April; but the excess is still appreciably larger than that recorded in February and March.

United Kingdom Overseas Trade
(£ million)

	Imports (c.i.f.)	UK Exports (f.o.b.)	Re-exports (f.o.b.)	Excess of Imports over Exports
1950, monthly average	317·4	180·9	7·1	29·3
1951, " "	326·2	215·0	10·5	100·6
1951:				
January	298·7	214·4	8·6	75·7
February	248·8	175·4	7·8	65·3
March	304·3	190·5	17·1	96·7
April	311·8	230·2	11·0	70·6
May	338·0	229·8	11·4	96·8
1952:				
January	357·1	250·1	14·2	92·9
February	296·9	227·9	16·2	52·8
March	333·1	240·6	24·6	68·0
April	325·5	217·5	11·6	96·3
May	320·4	225·9	9·8	84·7

* * *

The New EPU

Agreement on the amended version of the European Payments Union has been reached more rapidly than had been generally expected. When the Ministerial Council of the Organisation for European Economic Co-operation met in Paris last week, it had two outstanding problems to discuss—the urgent need for reinforcement of the gold and dollar reserves of EPU, and the special position of Belgium as a creditor. Solutions have been found for both these problems. The reinforcement of the reserves of EPU is to be achieved by an amendment in the sliding scale on which debtors have to be paid in gold as they work through their quota and by the establishment of a guarantee fund of $100 million.

Proportion of Deficit Met in Gold

Old Scale	% of Current Deficit Met in Gold	New Scale	% of Current Deficit Met in Gold
Cumulative Deficit in:-		*Cumulative Deficit in:-*	
First 20% of quota	Nil	First 10% of quota	Nil
		Second 10% "	20%
Second 20% "	20%	Second 20% "	30%
Third 20% "	40%	Third 20% "	40%
Fourth 20% "	60%	Fourth 20% "	50%
Fifth 20% "	80%	Fifth 20% "	70%

The new sliding scale, which is shown in the accompanying table, will apply retrospectively to all cumulative positions as they appear on the settlement for July. When this settlement is completed in mid-August all countries whose cumulative deficits lie within the first three sectors of their quotas will have to adjust their position by paying in more gold. Britain, which has already exhausted the whole of its quota, will not be immediately affected, but its turn for some sacrifice will come if and when it returns to creditor status. Once it has reduced its cumulative deficit to within the confines of its quota it will regain gold from any further current surplus at a somewhat slower pace than would have been the case under the present sliding scale—in the first instance at 70 per cent instead of 80 per cent.

The reinforcement of EPU's gold reserve will also be ensured by a guarantee fund of $100 million set up by the members of the Union. If the gold and dollar assets of the Union fall below $100 million, the member countries will be called upon to implement their guarantees; their payments in gold will be scaled in accordance with their quotas (Britain's total contingent liability being $27 million) with the creditor countries called upon to pay first. The gold and dollar reserves of EPU, buttressed by these two devices, should be sufficient to withstand the maximum gold loss that EPU could conceivably sustain, and the Union's threatened "crisis of liquidity" seems thus to have been successfully solved without direct assistance from the United States.

* * *

Settlement with Belgium

The other main problem facing the Ministerial Council last week-end—that of the persistent creditor status of Belgium—has been tackled with equal ingenuity. At the moment Belgium has extended $223 million of credit to EPU over and above its normal quota of $330 million. It has now been decided to increase this Belgian quota by $86 million to $416 million. Half of this $86 million will thus be added to Belgium's normal quota loans to the Union, while the other half will be considered to have been financed by the gold that Belgium has already received from EPU outside its quota. By this sleight of hand Belgium's excess grant of credit to the Union is written down from $223 million to $180 million. It will be further reduced by an outright gold payment of $80 million by the Union to Belgium on July 1st next. Half of the remaining $100 million is to be redeemed by the supply of arms to Belgium by Britain (between $25 and $30 million) and France (about $20 million). This will leave a final balance of excess Belgian credit of $50 million, which will be funded in the form of obligations repayable in five annual instalments, beginning in 1953; these obligations will not be repayable in gold, but the form of repayment will be adjusted to Belgium's position with EPU at the time when each instalment is due. Belgium, for its part, intends to monetise this $50 million by borrowing an equivalent amount for a five-year period from the International Monetary Fund, repaying the Fund out of the annuities from EPU.

This neat solution takes care of the immediate problem of EPU's outstanding debt to Belgium. In return, Belgium has agreed to grant additional credits to EPU of up to $125 million in the next twelve months, on the condition that every additional dollar of credit will be accompanied by an equal payment of gold to it. In return for their promise to deliver military equipment to Belgium, Britain and France will have their cumulative deficits with the Union reduced. In other words the $25 to $30 million of equipment that Britain delivers to Belgium will in fact be paid for in advance (probably in mid-August) in gold by EPU or will involve a corresponding saving in the amount of gold that Britain would otherwise have to make to EPU if it continues in deficit. The whole story seems to be one of a nasty problem neatly solved.

* * *

More Coal for Export

The decision to export 1½ million tons more coal this year—making a total of 10 million tons of good quality coal and 1½ million tons of slurries and very small coals—seems a sensible one. Distributed stocks of coal on May 31st amounted to 14,929,000 tons, more than four million tons

above the level at the beginning of June last year. Stocks may well rise between now and the beginning of the coal winter in November by perhaps five million tons; though winter consumption obviously varies with the weather and the rate of industrial activity, a figure of 17-18 million tons looks a safe enough stock with which to start the winter. So far this year, about 4.6 million tons of general coals have been exported; so the rate will not need to be greatly accelerated.

Though the British announcement was welcomed in Geneva, and in general supplies of coal on the Continent are probably sufficient to meet needs, no agreement has been reached yet upon allocations for the third quarter of this year. Most of the importing nations are attempting to get more German coking coal than Germany wants to export; and since Germany is the one nation in Western Europe still prepared to import American coal at a substantial rate —about 1½ million tons a quarter—its need to restrict exports cannot be controverted. German consumption is expected to rise by 10 million tons this year, half of the increase going to domestic consumers, whose ration is now to be raised to a ton a year. Few other countries are importing more than about half a million tons of American coal a quarter for the rest of the year, though it is now available in Europe at a landed cost of about $16.50 a ton, which is roughly the fob price at which European exporters are offering it. Polish exports to Scandinavia seem likely to increase; but the Polish price remains high. The one coal exporter that is really suffering from the lull in demand is Belgium, where stocks at the pithead are mounting. Belgian producers believe that by the end of June it may become necessary to begin curtailing production in their high-cost mines, but as yet they have not begun to trim their prices.

British coal is still readily saleable on the Continent and the exporters should have no difficulty in disposing of the increased export allocation this year and probably more next. The increase in exports should have a healthy effect upon the board's financial results, since a premium averaging more than 25s. a ton over the home price is still being earned on each ton sent overseas. In the first quarter of 1952 the board had once again to cover a loss of £1,220,000 on imported coal, and made a provision of £4,500,000 in respect of taxation. Nevertheless, it earned a profit of 3s. 2.2d. a ton on the 51,338,759 tons it sold, and after setting aside £3,900,000 for interest due to the Minister of Fuel and Power, a final surplus of £249,360 on the quarter.

* * *

More Running Repairs for EPL

The Parliamentary resolutions giving effect to this year's budget expire on July 12th, and the Finance Bill must therefore be passed through all its stages by that date; otherwise the whole machinery of tax collection would be thrown into confusion. In normal circumstances the four months' period of grace between Budget day and the day by which the bill must become law is quite long enough to save the Government from embarrassment. This year, however, it is hard put to it to spot the host of anomalies in its ill-conceived excess profits levy—and to devise the necessary running repairs. On Wednesday morning, therefore, the Chancellor tabled his latest—although not necessarily his last—batch of EPL amendments. They will provide more food for thought by an already bewildered House on the report stage of the bill next week.

In general, these amendments give effect to promises made by the Government at the committee stage of the bill. Only two of them are really important. The first of these comes to the aid of investment trusts by exempting from the levy a proportion of their excess profit equal to the proportion of their total income that is derived from ordinary or preference dividends paid by United Kingdom companies; thus an investment trust that receives 60 per cent of its income from dividends paid by United Kingdom companies and that would normally have a chargeable excess profit of £10,000, will have to pay EPL only on a notional excess profit of £4,000. It should be noted that payments of debenture interest and interest on Government or Government-guaranteed stocks are not eligible for this relief, on the grounds that they are not payments made from a pool of funds that have already been mulcted by EPL. The investment companies that will enjoy this relief are those whose function is "wholly or mainly the holding of investments"; this definition looks like ensuring full employment for the courts, but real property companies are explicitly—and insurance companies and most mining finance houses seem to be implicitly—excluded from it.

* * *

Referees for Wasting Assets

The second important new amendment relates to industries with "wasting" assets. When the bill emerged from the committee stage it proposed "additional allowances" of 6 per cent for short-lived metal mines and oil wells and 3 per cent for longer-lived ones in consideration of this "wasting" factor. Under the old Excess Profits Tax additional allowances were accorded to any industry that successfully pleaded its case before the Board of Referees; in fact, however, only metal mines, oil wells, coal mines, and some asbestos producers did so succeed. The amendment tabled by Mr Butler on Wednesday reintroduces this function of the Board of Referees and provides that the industries that succeeded in convincing the Board last time will get the new additional allowance automatically, while other industries concerned with "mineral deposits of a wasting nature" can try their luck before it. This Board of Referees, which consists of a panel of business men appointed by the Lords Commissioners of the Treasury, has been continually in being since 1915; for example, the Inland Revenue's assessment of individual wear and tear allowances can be disputed before it. Since nobody seems to use it for its normal functions, however, it is only the unwise but recurrent resorts of governments to excess profits taxation that recalls it to really active life.

The other amendments tabled last Wednesday are mostly tidying-up measures, the need for which became apparent at the committee stage of the bill. For example, the clause in the original bill that was designed to prevent prosperous companies from playing the old EPT trick of buying up unprosperous companies (in order to change their businesses and enjoy their favourable standard) was apparently legal nonsense in its first form; several paragraphs of closely

BENELUX

Among the 43 countries on which The Economist Intelligence Unit provides reports every three months is the Benelux group. For those with business interests in these countries, these reports provide in concise form the information required on political, economic and commercial developments.

Reports are obtainable by annual subscription, or singly.

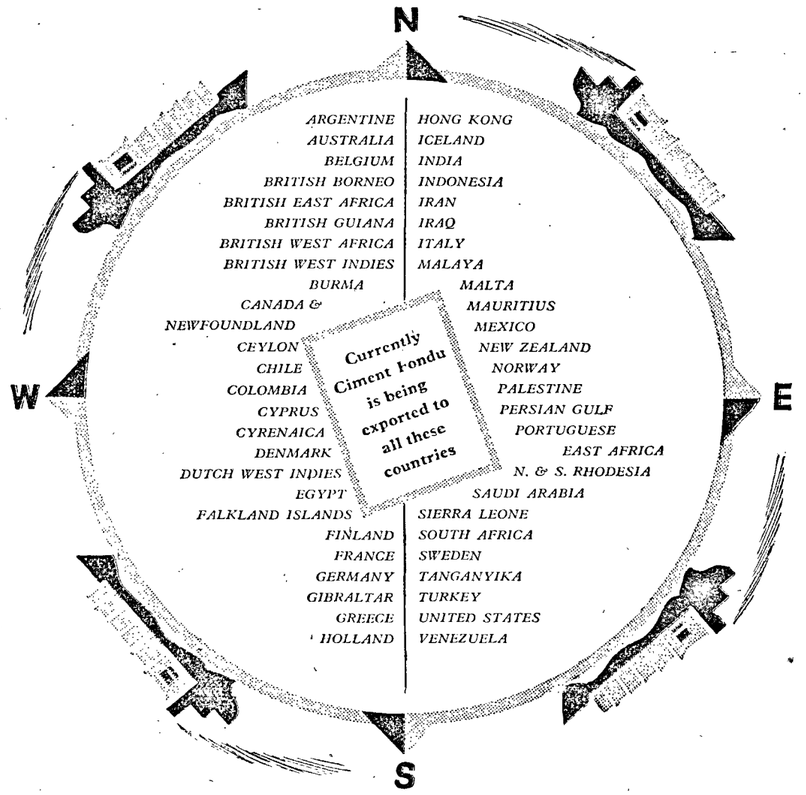
Further particulars from:

THE ECONOMIST INTELLIGENCE UNIT

22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

The British Product which is
indispensable throughout the World

Ciment Fondu the original high-alumina Cement is produced at West Thurrock, Essex, the only source of manufacture within the British Commonwealth.
Its remarkable properties and high quality have created a universal demand for this unique Cement and made the name of Lafarge known and respected all over the World.



The Best Cement in the World — CIMENT FONDU — Used all over the World

LAFARGE ALUMINOUS CEMENT CO. LTD.

73, BROOK STREET, LONDON, W.1

Ciment Fondu is distributed in N. America by

CIMENT FONDU LAFARGE CORPORATION
141 East 44th Street, New York 17, N.Y.

CIMENT FONDU LAFARGE (CANADA) LTD.
1405 Peel Street, Montreal, P.Q.

S 3-1169

SPEED THE SCRAP

Almost every steel-using firm possesses scrap iron and steel in the form of old plant, redundant buildings, machinery and spares. Every ton of it is wanted back in the steelworks to make the supplies of new steel that your own and other factories need so urgently.

Have a search made on your premises. Make prompt decisions to turn in all the old iron and steel you can find. Scrap merchants are glad to help with dismantling and collection.

THE RAILWAYS GET A MOVE ON

The amount of salvage by the staff of British Railways is enormous and the quantity of iron and steel scrap which they rounded up in 1951 was 664,000 tons.

SPEED THE STEEL

Issued for the STEEL SCRAP DRIVE by the British Iron & Steel Federation, Steel House, Tothill St., London, S.W.1
5.27R

HAVE SOMETHING SOLID BEHIND YOU

New Interest Rate enhances value of this SAFE INVESTMENT

There is no sounder investment for capital and savings than the shares of the Co-operative Permanent Building Society. Interest on personal share investments is

2½%

per annum, with Income Tax paid by the Society. This is equivalent to £4. 15. 3d. per cent. to the investor liable to tax at the rate of 9/6d. in the pound.

TOTAL ASSETS £66,000,000
RESERVE FUNDS £3,000,000

Established 1884

CO-OPERATIVE PERMANENT BUILDING SOCIETY

New Oxford House, London, W.C.1
Tel. : HOLborn 2302

City Office : 163, Moorgate, E.C.2
Tel. : MONarch 3556/7

900 *Branches and Agencies*

written type are now introduced into the bill to make it less so. Another amendment permits companies whose financial year straddles January 1, 1952 (the date to which EPL is retroactive), to introduce split accounts for the trading period since then if they wish; this may be important for companies that did much better before January 1st than after it, although the Chancellor had already indicated that the Inland Revenue would have the discretion to consider split accounts of this sort. A lengthy amendment has also been introduced to deal with the complicated situation that arose when a company has changed the extent of its participation in a private partnership; while another is expressly designed to ensure that the provisions that apply to a business transferred by an individual shall also apply if the business is transferred on behalf of a certified lunatic by his committee in lunacy. This last addition to the tax deserves to stand as its epitaph.

* * *

Steel Output and Imports

Steel production in May was at an annual rate of 16,245,000 tons, or considerably higher than the rate of 15,866,000 tons attained in April, which was affected by Easter holidays. It was also well above the rate of 15,864,000 tons a year produced in May 1951. So far this year the average rate has been almost exactly 16 million tons a year which is what the industry has been hoping to achieve in 1952 as a whole, though the official estimate was conservatively put at 15,750,000 tons. It is difficult to trace any seasonal pattern of output for steel; comparisons with last year, for example, are thrown out by the fact that shortages of raw materials had most of their effect in the last three quarters of 1951. Comparing output so far this year with the first five months of 1951, for example, it might be estimated that the year's total would still fall short of the 1951 figure; in comparison with the same period during the record year of 1950, this year's production so far would indicate an output of about 15¾ million tons. The industry's conditions of production have changed, however, to a considerable extent; for example, production of pig iron this year has been at the rate of nearly 10,400,000 tons a year or much higher than in 1950, and the rate of scrap consumption in steel-making has declined sharply. A home steel output of 16 million tons therefore, may be possible this year; it is still too early to be confident that it is likely.

For the moment, steel is still scarce; and the industry's hopes of adequate supplies to meet demand by the end of the year depend almost entirely upon the margin that will be afforded by imports from America. Up to the end of May American producers had delivered about 365,000 tons of steel, scrap, and pig iron, and 266,000 tons had arrived in Britain. This leaves some 735,000 tons to be brought in by about the end of the year, if the original programme is to be fulfilled. The American ban upon exports not covered by a certificate that the steel is required for defence or "direct defence-supporting" purposes may not cover more than a small percentage of the steel intended for shipment by October. Such certification has to be somewhat rough and ready. So far, a high proportion of the steel Britain has received has been in ingots; and it is hardly possible to tag American ingots that are rolled into steel products in British mills. However, in terms of quantities Britain has a good case for certifying that the steel is required for defence; by the end of this year, steel requirements for defence will probably have reached the rate of well over a million tons a year. Nevertheless, even American defence requirements will be severely affected should the steel strike last long; and the British Government can hardly be expected to consider lifting steel allocation at an early date before it is satisfied on this point.

Textile Trade in April

Although there has been a revival in retail sales of textiles in recent months, this had not, by the end of April, spread back to the wholesale trade. Indices published at the end of last week of activity in April in these two sections of the trade therefore show two wholly different pictures. Retail sales of clothing during the month were higher in April than in March, the rise being larger for women's and children's wear than for men's and boys' clothes. Though they were not as high as in April last year, when the "buying spree" was at its height, they were well above the value of two years ago. The indices put sales of women's and children's wear at 12 per cent higher than in March, and 21 per cent higher than in March, 1950—though 4 per cent lower than in April, 1951. Sales of children's wear were higher than a year before, presumably reflecting buying during the school holidays, and sales of women's stockings were 15 per cent higher—as nylons began to become less scarce. The stocks of women's and children's wear, too, were slightly lower than in March and about 18 per cent lower than in April, 1951. Trade in men's and boy's clothing did not pick up so much, rising 6 per cent above the March level and about 9 per cent above April, 1950; and stocks, though 4 per cent lower than a year earlier, were still slightly higher than in March. It is difficult to estimate the seasonal elements in this revival of trade in clothing, particularly on account of the variable date of Easter. Moreover, all the indices of sales are based upon value; the retail price index for the clothing and footwear group had risen by about 24 per cent between April, 1950, and April, 1952, so that the volume of sales was still probably slightly lower than it was two years ago.

According to the indices of wholesale trade in textiles during April, the shopkeeper still remained very cautious about replenishing his shelves or stocking up for the summer season. Total home sales by wholesale textile houses were 18 per cent smaller than in March; sales of piecegoods fell by 36 per cent. Comparisons with April, 1951, were very unfavourable, sales showing a drop of 34 per cent; but in the wholesale trade, too, that was a month of abnormally high business. Stocks in the wholesalers' warehouses remained high, though they were about 4 per cent lower than in March, and lower than in any month since July last year, when the spectacular rise in stocks began. With sales even lower and stocks still dropping, wholesale purchases too must have declined further in April. At the production end of the pipeline, the Cotton Board this week said that yarn production in the industry in the first quarter of this year had declined by 14 per cent in comparison with the previous quarter, and cotton cloth production by 7 per cent; output of rayon and nylon mixtures was also 7 per cent lower than in the last quarter of 1951. Up to the end of April, five months after the cotton recession began, the producing side of the industry had lost 41,000 workers, or about 11 per cent of its total labour force in November last year. The Cotton Board adds that in the first quarter of this year yarn production in a group of ten major cotton producing countries was only 4 per cent lower that in the first half of 1951; a slightly smaller sample of rayon-producing countries showed a fall of 11 per cent. Nevertheless, most of the major exporting nations, in the first two or three months of this year, managed roughly to maintain the volume of their exports of cotton and rayon piece goods.

* * *

Lower Kaffir Dividends

The June season of Kaffir dividends has made a bad start, perhaps even a slightly worse one than the far from confident market had expected. Most market forecasts had suggested that six of the nine producing companies in the Consolidated Gold Fields group would have to pay lower dividends than they did last December. In the event seven

have had to do so. The main disappointments are Venterspost, which had been expected to maintain the dividend on its 10s. shares at 8d. but has had to drop it to 6d., and Sub Nigel, whose dividend reduction (by 9d. to 4s.) is greater than had been expected. It should be noted, however, that West Witwatersrand Areas, the holding and investment company in this Consolidated Gold Fields group, has been able to maintain its dividend at 50 per cent, or 1s. 3d. a share.

Since September, 1949, costs of production in South African gold mines have risen by about a third, and the benefits accruing from the devaluation of sterling at that time have therefore largely run out. In the last six months the upward spiral of costs has been accentuated by the increased prices of steel and other materials, higher food prices, and the shortage of electric power in South Africa.

CONSOLIDATED GOLD FIELDS DIVIDENDS
(December, 1950—June, 1952)

Ordinary Shares	December, 1950	June, 1951	December, 1951	June, 1952
	s. d.	s. d.	s. d.	s. d.
Libanon 10s.	...	0 3	0 3	0 3
Luipaards Vlei 2s.	1 0	1 0	0 8	0 7
Rietfontein Consolidated 5s.	1 7½	1 6	1 6	1 3
Robinson Deep 'B' 7s. 6d.	1 0	1 0	1 0	0 6
Simmer and Jack 2s. 6d.	0 4	0 4	0 4	0 3
Sub-Nigel 10s.	5 9	5 3	4 9	4 0
Venterspost 10s.	1 1	1 0	0 8	0 6
Vlakfontein 10s.	1 0	0 10	0 10	0 8
Vogelstruisbult 10s.	1 0	1 0	1 0	1 0

Profits have also been squeezed recently by the fall in the premium on sales in the "free" gold market, in which the South African producers have for some time past sold about 40 per cent of their output. Those who buy Kaffirs at present levels—and there were signs of a resumption of buying this week—are therefore in effect speculating on the beliefs either that sterling will be driven to a new devaluation (perhaps through the device of a free rate) or that the United States, in the event of a slump, would be bound to put up the dollar price of gold.

* * *

Have Shoes Touched Bottom?

Sales of boots and shoes rose in April considerably more than is normal at this time of year, and in the larger retail shops were higher than in April, 1951. So far this year footwear sales by independent retailers are still 11 per cent lower in value than in the first four months of 1951; but sales by the larger stores are only 4 per cent lower. According to Mr. F. J. Stratton, of the Footwear Distributors' Joint Council, "in the period from the beginning of this year to Whitsun, compared with the same period last year, there has not been very much difference in the number of pairs of shoes that have been sold." Since the percentages quoted above, from the Board of Trade returns, are all based upon value, and prices appear to have fallen by between 10 per cent and 30 per cent during the period, his estimate of volume seems plausible.

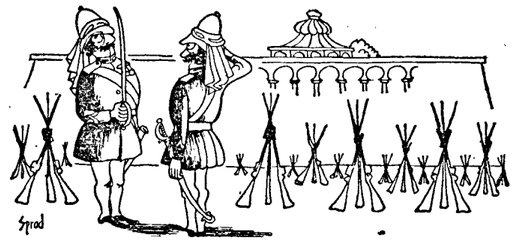
A period of slack selling in which various stores have offered shoes at quite sharply reduced prices tends to persuade the public that there may be more reductions to come, and the trade is now naturally concerned to argue that "prices have about touched bottom." During the past year leather prices have fallen by about 50 per cent, which prompted a suggestion in Parliament this week that footwear prices had not come down far enough and might require a reimposition of price control. The boot and shoe trade admits that shoe prices have not fallen as much as the price of leather, which represents some 40 per cent of the cost of a shoe; it argues that all its other costs, including wage rates varying with the cost of living, have risen during the same period. The price of leather has been more stable in the last few weeks, and may, the trade thinks, even rise: "housewives will find it difficult to get the exceptional bargains some of them have secured in the last five months." With this desire to convince the public that waiting to buy will not be worth while, the trade has now put into cold storage its opposition to the "D" scheme of purchase tax. Employment in the manufacture of footwear has not varied considerably in the trade fluctuations of recent months; to some extent the slack has been taken up by dispensing with outworkers, who had provided a margin of production. Mr Stratton referred to the current level of stocks—which at the end of April were 22 per cent higher in value than a year before, and made up presumably of mainly cheaper boots and shoes—in the words "The shelves are beginning to be well stocked up." He remained sure that except for a number of shoes in seasonal demand footwear would not continue to be unloaded on to the market at cut prices. This is a point that consumers may find it less palatable to accept; the housewife, in particular, may be unwilling to believe that she will not remain able to find that bargain.

* * *

Handling Higher Output

During the past five years many of the larger concerns in British manufacturing industry have invested fairly heavily in mechanical handling equipment. The employment of mechanical power to pass an article right along the chain of production processes is often a short cut to higher productivity; any point in a modern factory where the human hand has to shift rather than to guide materials may be an obstacle to a steady rate of output. Among these firms, the first missionary job of the mechanical handling engineers is perhaps done, and the firms are beginning to come back with specialised problems. Among the great variety of smaller manufacturing firms, interest in mechanical handling is rather patchier, and investment in the equipment is even more so. In the transport industries, all of whose equipment in a sense is handling equipment, there is a great deal of interest; but here, again, their requirement may be specialised, and development is slow.

At its third Mechanical Handling Exhibition, which has opened this week, the industry shows efforts to adapt itself to meet these different trends of demand. The exhibition at Olympia contains a large proportion of specialised applications of existing equipment to meet particular requirements; the now familiar lift truck, for example, appears with a wide variety of forks, platforms, clamps and hooks for picking up differently shaped or stacked materials. In the convention that is going on at the same time as the exhibition, a number of speakers are emphasising the improvements in materials handling that small firms can achieve at comparatively low cost, through the use of gravity conveyors, chutes, power hoists and conveyor tracks at floor or roof level. A number of manufacturers, too, are aiming at the massive handling jobs of the major transport industries; there are huge lift trucks that can carry 18,000 lb up 17½ feet, for docks as well as for heavy engineering, mobile conveyors and cranes, and specialised cargo-handling gear. It may well be that the most important single job the handling engineers could achieve would be to revolutionise loading efficiency in the ports, bringing the handling of general cargoes towards the level of efficiency that obtains for bulk cargoes such as oil, coal, and ores. But here, as in factories where conventional handling aids are already installed, change is required from the consumers as well as the suppliers of handling equipment. In the factory, the final refinement is the consideration of materials handling as a major factor in planning new construction. In the docks and other transport industries, the



Hesitation can mean disaster

Whether it's Mutiny or Heavy Duty Cooking

On May 12th, 1857, the rebels captured Delhi and there was a great Ball in Lahore. Quite an eventful day: the local troops were planning to revolt as well. Next morning, they were summoned to a general parade. Taken completely unawares, four Regiments obediently piled their arms and marched safely away. So it was — simply, heroically, and at the eleventh hour — that the entire Punjab was saved from Mutiny.

Just as procrastination in those days would have been a thief of Empire, so in our time it can be a thief of money. For instance, if you order Falkirk cooking equipment *now*, you will get it now — and at a very competitive price. If you delay, the opportunity won't wait for you.

HARD FACTS ABOUT FALKIRK

Equipment for Gas, Electricity, Oil, Steam and Solid Fuel.

Really tough cast-iron construction — will last for years.

Efficient modern equipment means less work for small staffs.

No weak links, a complete and balanced range of equipment.

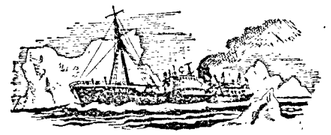
Specially designed installation and plans for each customer.

Price most competitive.

If you need new kitchen equipment, *now* is the time to buy.

Please write for illustrated leaflet to
The Falkirk Iron Co. Ltd., Falkirk, Scotland
or Mortimer House,
37/41 Mortimer St., London, W.1
or 40 Hanover Street, Leeds, 3
or 18 Leigh Street, Liverpool, 1
(Proprietors: Allied Ironfounders Limited)

Find out NOW *about* **FALKIRK**
HEAVY DUTY COOKING EQUIPMENT
for Hotels, Restaurants and Canteens



NEWS FROM THE FISHING INDUSTRY

Voyage of Discovery

On February 11th last, the British trawler "Loch Doon" sailed home and into the headlines of scores of newspapers. Braving dense pack-ice and 'bergs "as big as the Albert Hall," she had penetrated farther in her quest for fish than any British trawler had ever been at this season of the year. Round the tip of Greenland she went, then up the Davis Strait towards Baffin Bay.

The reward of her exploit? Nearly 30,000 stone of fine fish. But far more important than her individual success are the implications of the trip. The "Loch Doon" and her crew have proved that the passage to one of Greenland's richest fishing grounds is not, as was formerly believed, impossible during the winter months. True, hardships and hazards abound, but the way is open to men of courage and endurance.

Next winter it is certain that other British vessels will attempt the trip and, if all goes well, real progress will have been made in the drive to bring housewives more and consequently cheaper fish in the months of scarcity.

As one great national newspaper said of the voyage: *"This is the spirit which sent Drake out in his cockleshell to sail uncharted seas. It is the spirit that we need today."*

British trawlers know their job!

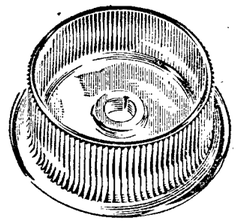
Issued by the British Trawlers' Federation Limited

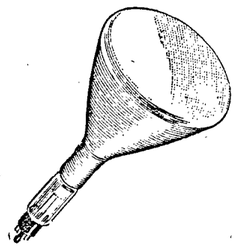
JOBLINGS
OF SUNDERLAND

versatility in glass

Glass was first made in the Sunderland district over a thousand years ago. Today, and for some generations, the works of James A. Jobling and Co. Ltd. have been producing an ever increasing range of articles and instruments from a variety of glasses including the famous 'Pyrex' brand, the original heat resisting glass in the world

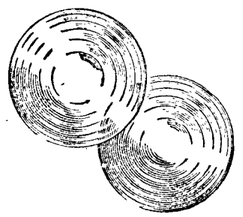
FOR NYLON SPINNING
— a Godet spinning wheel made entirely of Joblings 'Pyrex' — because 'Pyrex' is unaffected by acids and humidity, and can be accurately moulded and machined





FOR YOUR TELEVISION SET
— the envelope of this cathode-ray tube is made entirely of 'Pyrex' to withstand high temperatures

FOR THE RAILWAYS
— signal lamp lenses, made to serve any requirement in railway signalling. The lens is designed to produce the character of beam required and is manufactured from special high transmission glass



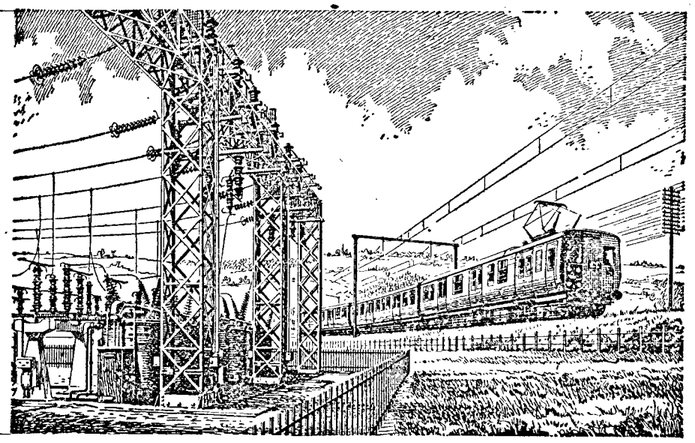
AND FOR THE HOME — THE GENUINE
original oven-to-table glass

'PYREX'

JAMES A JOBLING & CO LTD WEAR GLASS WORKS SUNDERLAND

'ENGLISH ELECTRIC'

The 6.15 is but one link in the chain of electric power that transports thousands of passengers daily between cities and their suburbs. These links include the turbines and generators which provide the electricity, the transformers, switchgear and substation equipment which deliver current to the track, and the traction motors and control gear on the train. The ENGLISH ELECTRIC Company not only supplies all these vital links, but complete trains as well.



bringing you

'ENGLISH ELECTRIC' has electrified more than 60 railways in 5 continents, bringing faster, cleaner and more comfortable travel to millions of men, women and children. In the field of transport alone 'ENGLISH ELECTRIC' has over 40 years of specialised experience.
Wherever electricity can play its part, by land, sea or air — in industry or the home, 'ENGLISH ELECTRIC' generates and adapts it for the use of mankind.

better living

The ENGLISH ELECTRIC Company Limited, Queens House, Kingsway, London, W.C.2

question is more complex ; both the consignor and the carrier have to be persuaded to take account, in their own design, of the technical needs and possibilities of loading.

* * *

Bleak Prospect for Freights

Widespread weakness has developed in the tramp freight markets in the last few days, and voyage chartering in most trades seems almost at a standstill. Grain charterers from the St. Lawrence, for example, appear to have covered all their requirements for the time being, and have obtained their recent fixtures at markedly lower rates. The latest fixtures for the United Kingdom from there have been made at 12s. 6d. per quarter, compared with 14s. earlier, while vessels for Jugoslavia have accepted 68s. 9d., compared with 78s. only a week before. Taking advantage of this weakness, Transatlantic coal charterers have been obtaining vessels as low as 52s. 6d. per ton for June and July loading. Two vessels have been fixed at 47s. 6d. per ton for sugar from Mauritius to Colombo ; the last time similar business was arranged the rate was 70s. North Pacific Coast charterers, who have been short of tonnage for a long time, seem now to be able to get all they want at continually decreasing rates.

This depression in the freight markets is mainly the result of a simultaneous drying up of demand in practically every trade, and particularly in the Indian Ocean, Australian, Far Eastern and Pacific waters, accompanied by an increase in competition from Japanese vessels. Freights ordinarily tend to be easier at this time of year, but how much of the present weakness is due to seasonal influences and how much to restriction of trade it is difficult to say. As a result of import cuts, the liner companies have totally withdrawn from the time charter market. The prospects of early improvement cannot be regarded as bright. As things are, shipowners will soon have to start laying vessels up, particularly as long-term charters previously made at high rates begin to expire and more vessels come on to the market. Already there are indications that an increasing number of vessels are being sold for scrap, since there are practically no buyers of secondhand tonnage for operational purposes, in spite of the steadily rising cost of new shipbuilding and the difficulties of obtaining early berths.

* * *

Fewer Dollars for Tobacco

The cut in the allocation of dollars for purchases of American tobacco will be much more severe than had been expected. No firm figures are yet available, but it is understood that purchases from this year's American auctions, which begin in July, will be limited to about 50-60 million lb, or a quarter of last year's purchases. Arrangements are being made by British buyers to spread the impact of this cut over the 1952 and 1953 crops. They will be able to earmark tobacco from this year's crop, for which they have not at present sufficient dollars, and will have the option of concluding the purchase in 1953. This method will avoid any sudden pressure on the 1953 crop if next year's dollar allocation is increased, and it will at the same time enable British manufacturers, in that event, to buy matured tobacco.

Drastic as the cut appears to be, it is unlikely to cause a shortage of tobacco for British smokers this year. A large allocation of dollars for purchases from the 1951-52 crop permitted 212 million lb to be imported from the United States last year and 22 million lb from Canada. It was largely these increased dollar supplies that brought stocks in this country up to a record level at the end of last year. In the first three months of this year imports, particularly from Canada and the United States, continued to be much above their level for the same period last year. On the other hand, consumption showed a tendency to fall and stocks at the end of March amounted to more than 2 years' consumption at last year's rate ; but large stocks are necessary in order to allow the leaf to mature.

Prospects for supplies from non-dollar sources are good. Rhodesia may become this country's principal supplier this season, and reports suggest that its crop will not fall far below the expected level of 120 million lb. Export control has been lifted, but the new marketing arrangements are working smoothly and Britain hopes to get 75 million lb. Including supplies from India and Nyasaland, total imports of tobacco this year may reach nearly 200 million lb, or only a little below the annual rate of consumption, despite the smaller dollar allocation.

* * *

Wool Looks Up

The twenty-first Conference of the International Wool Textile Organisation opened in London this week in an atmosphere of quiet confidence. There was a widespread conviction among the members, representing manufacturers and merchants from 16 countries, that the worst of the textile depression is over. During the last two months raw wool prices have risen quite appreciably ; in London, merino prices have increased by 20 per cent and crossbred prices by 20 to 25 per cent. Wool consumption has been rising, though modestly, since the last quarter of 1951 and this improvement has lately spread to top-making ; world top production in the first quarter of this year was 5 per cent higher than in the preceding quarter. But the revival has not yet penetrated the later stages of the wool textile industry. World yarn output in the three months ending in March this year was 23 per cent below that of the last quarter of 1951, and worsted yarn showed a greater fall than woollen yarn.

Certain interesting trends can be gleaned from the results of the annual questionnaire on wool statistics issued jointly by the IWTO and the Commonwealth Economic Committee.

WORLD BALANCE SHEET FOR VIRGIN WOOL
Million lb.—Clean Basis

	1945–46	1946–47	1947–48	1948–49	1949–50	1950–51	1951–52
World clip	2,110	2,125	2,100	2,150	2,199	2,274	2,290
Plus off-take from, or *less* addition to, supply stocks	+897	+252	+398	+118	+441	− 22	+171*b*
Total supply	3,007	2,377	2,498	2,268	2,640	2,252	2,461
Less world consumption *a*	2,251	2,434	2,541	2,427	2,675	2,248	...
Changes in stocks in consuming countries and afloat (including strategic reserves)	+756	− 57	− 43	−159	− 35	+ 4	...
Stocks in consuming countries and afloat at beginning of calendar year commencing half-way through the season (including strategic reserves)	410	1,166	1,109	1,066	907	872	876
							of which
a During calendar year commencing halfway through the season	In 12 major consuming countries...					485	445
	In other consuming countries.....					195	225
b This figure represents total supply stocks available at the beginning of the 1951–52 season (excluding strategic reserves)	Total in consuming countries.....					680	670
	Afloat, including strategic reserves..					192	206

Sources : International Wool Textile Organisation and Commonwealth Economic Committee.

World wool consumption in 1951 declined by over 400 million lb (clean) to 2,248 million lb, and it was in fact only 4 million lb smaller than available supplies in the 1950-51 season. Consumption in the major consuming countries fell quite sharply compared with 1950, but in the

smaller consuming countries the fall was quite modest. There was a similar divergence in the movements of stocks of wool held by the larger and smaller consumers. In those countries with large wool textile industries stocks declined; in other countries they increased.

Looking further ahead, it seems quite likely that there may be a surplus of raw wool this year, for world consumption may not be much above last year's level, but current supplies are some 200 million lb. larger. On the other hand, if consumption subsequently returns to its postwar average of 2,450 million lb, a shortage might develop later on because the world clip cannot be expected to yield much above 2,300 million lb (clean) for the next two seasons.

* * *

Hard Times for Government Scientists?

Although the pay and conditions offered to scientists employed by government establishments working directly on military projects may now compare fairly favourably with those offered by industry, the plight of the official scientists carrying out non-military but nevertheless essential research calls for some attention. The 1951-52 report of the Advisory Council on Scientific Policy notes that among the big public and private employers of science graduates, only the Department of Scientific and Industrial Research and the Agricultural Research Council had any serious complaints about the quality of the men they took on. The report comments: "we think that their views may be biased by the fact that many of the best science graduates appear to be attracted to employment outside the Government Scientific Service." The professional trade unions put this down to the difference in the pay of a scientific and an administrative employee; but some part of the explanation may lie in the working conditions of the civil research establishments. For example, the annual report of the DSIR for 1950-51 conveys the impression that since the war science has been a Cinderella among government departments. At the end of the war, a building programme was approved that was then estimated to cost £4 million a year (£7.5 million at current prices). Actual permitted expenditure has persistently lagged behind schedule; there seemed some hope that it would eventually reach an agreed rate of £1 million a year, but the report suggests that the latest cuts make it unlikely to reach as much as £500,000 in 1951-52. As a result of this, "water pollution research is at present carried out in a house at Watford and in huts on the grounds of the Building Research Station" and much of the work of the Radio Research Board is being carried out in huts at Datchet. These are two of the worst examples. With considerable restraint, the report comments that "staff cannot give of their best when compelled to work in over-crowded and make-shift laboratories."

*

Although the report asks for "some moderate annual increase of the order of 5 per cent in DSIR's annual expenditure until its post-war plans are fulfilled," a more satisfactory solution might lie in a drastic review of the work of the forty or so industrial research associations that are financed partly by the DSIR and partly by the industry concerned. Some of these bodies appear to have been working on the same projects since their establishment, with no very obvious results. There is a slight suggestion in the report that more care needs to be taken to ensure that the government and the industry concerned do get value for money. A transfer of some of the work (and of the income) of these associations to DSIR laboratories might be of benefit to all parties. An agreement with the universities about financing nuclear research would also lighten the load on the department's budget. The DSIR is financing the construction of a number of heavy pieces of equipment classed as "non-recurring capital expenditure" and costing as much as £400,000 apiece. It was expected that after the first five years when the projects were established, the University Grants Committee would take over financial responsibility for them. The DSIR, however, has got the worst of recent negotiations with the universities, and is now committed to financing much of this "non-recurring capital expenditure" for a further five years.

* * *

Remploy in the Red

No one would have expected that a chain of factories set up specially to provide employment for disabled people would be particularly profitable, especially in its early years. But that after five years it should be losing £380 a year for every disabled person it employs—more than the average wages it pays—is probably worse than anybody feared. Remploy Limited, a company set up by the Ministry of Labour after the war, has now set up 92 factories, and employs some 6,000 disabled people in them or as outworkers in their own homes. The Ministry advances loans for capital expenditure, and makes direct payments to cover trading losses. Up to 1950-51 these direct payments totalled about £3,850,000, and in 1951-52 the company expects to have made a loss of £2,280,000, higher than ever before. Between April and December last year only two of the factories were showing a profit—the highest one of 66s. 4¾d. a week per disabled employee; 73 of the 85 working in the period were losing more than £4 a week per employee, the worst being one with a loss of £10 12s. 2½d. a week for each disabled worker. The Select Committee on Estimates, which records these details in a recent report, notes the company's estimate that in 1952-53 it may make a loss of only £2,150,000; but concludes, not surprisingly, that "considerable reorganisation of the management of the company is now imperative."

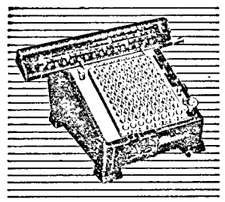
The company's factories are engaged in knitting, woodwork, bookbinding, leatherwork, engineering, printing, packaging and the manufacture of cardboard boxes, brushes, school furniture and mattresses. The degree of mechanisation varies, but Remploy seems to have followed a policy of avoiding mass production methods on the grounds that such methods would take too much space and might make the factories fulfil orders faster than they obtained them. At one time this view was so exaggerated that the company insisted on all processes being carried out by hand, at "fabulous" cost; partly for this reason, it made little attempt to find plant that might have been within the powers of disabled workers to use, to adapt existing machine tools, or to offer any special training to its disabled workers. Little study appears to have been made of the type of products that the factories might best produce, while stock control was so inadequate that at the end of 1951 the cost of materials used in the products of the company averaged 80 per cent of the selling price. The company was run by a board of 13 members, but only one was a full-time executive director; a financial director was employed and paid fees only as his services were needed.

The committee's recommendations suggest little more than what should have been obvious to any organisation setting up such a company: that it needs more full-time directors, probably including one from the Ministry of Labour since that ministry pays the piper, a reorganisation of management, particularly of sales management, closer attention to materials, stock control and product study, and better liaison on the one hand with the rehabilitation sections of the Ministry and on the other with commercial companies employing a large proportion of disabled people. The Committee comments:

> . . . the consideration of the undoubted and unquestionable value of the work which the company is doing for the

The Answer's a

Monroe



With a Monroe adding-calculator the most complicated calculations are as easy as a five-finger exercise—and among the wide range of Monroe models there is one exactly suited to the volume and variety of *your* requirements.

. . . the answer, of course, is a Monroe.

MONROE CALCULATING MACHINE COMPANY LIMITED
10–11 Albemarle Street, London, W.1. GROsvenor 7541

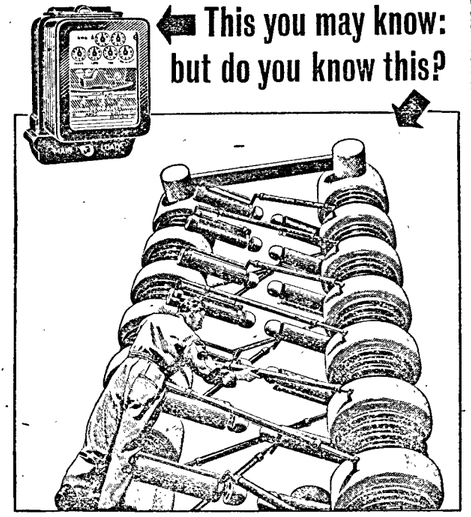
MEASURING INSTRUMENTS · SWITCHBOARD INSTRUMENTS · VOLTAGE REGULATORS

A.C. & D.C. HOUSE SERVICE & SWITCHBOARD METERS · CLIP ON AMMETERS · ELECTRIC CLOCKS · ELECTRIC WATER HEATERS

RADIO & TELEVISION · VALVES & C.R. TUBES · CASTINGS · INSULATION · HIGH VOLTAGE A.C. & D.C. TESTING EQUIPMENT

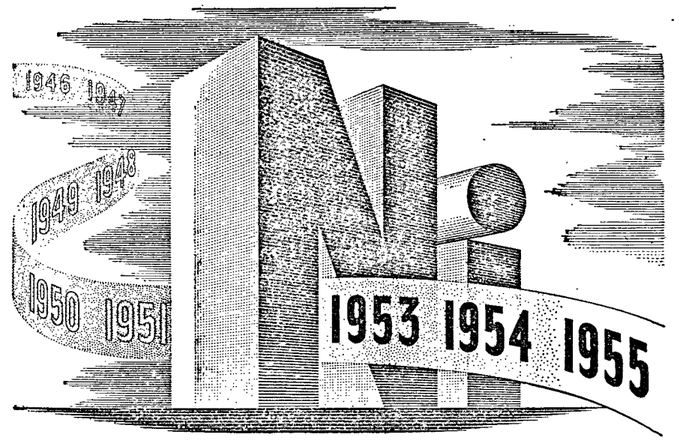
TRANSFORMERS · P.F. CORRECTION CAPACITORS · ELECTRIC FIRES & SPACE HEATERS

This you may know:
but do you know this?



The familiar household electric meter and the 2,000,000 volt Ferranti lightning generator (used to prove the reliability of high voltage electrical power equipment) have one thing in common. On each is stamped the name Ferranti, a name that has become part of the history of electricity.

FERRANTI LTD. HOLLINWOOD, LANCS. AND 36 KINGSWAY, W.C.2



A Symbol of Progress

Development work by Mond Nickel looks years ahead—to the time when new engineering projects, at present only in vague outline, will need improved materials to carry them out. The metallurgist aims always to anticipate these needs so that the designer, making his first drawings, may have confidence that the better properties he seeks will be available when design gives place to construction.

THE MOND NICKEL COMPANY LIMITED, Sunderland House, Curzon Street, London, W.1.

permanently disabled has to a certain extent been allowed to overshadow the need for the most careful economy.

This comment, in the circumstances, seems mild.

* * *

Prospects for Fuel Oil

To what extent is the rise in consumption of fuel oil in Western Europe dependent upon the shortage of coal? This question is now becoming of considerable importance to the oil industry. For the rise in demand for fuel oil—some 22 per cent per year since 1948 in Western Europe—may soon begin to put some strain not only upon the industry's refining capacity but upon the traditional price structure of petroleum products. In the last few years, consumption of heavy oil has risen much more sharply than consumption of motor spirit; and successive rises in petrol taxation, in a variety of countries, may soon begin to price motorists out of the market. Motor spirit consumption in Britain so far this year, for example, appears to be little higher than in the same period of 1951.

If demand for fuel oil continues to rise, the oil industry as a whole throughout the world may not find it easy to meet. Prospects of fuel oil supplies are affected by the fact that demand for it in the United States has not risen to the same degree as elsewhere; since 1947, American consumption has risen by only 15 per cent, according to the Petroleum Press Service, and represents only about a quarter of the total demand for petroleum products in that country, against about 45 per cent in the rest of the world. Since world oil prices are based upon the price structure of the Texas Gulf, this disparity between the trends of American and of world demand affects the profitability of switching towards fuel oil in refineries elsewhere. The yield of these heavy oils is now averaging about 37 per cent of output in European refineries, against 20 per cent in the United States, and technically it may be possible to raise the yield of fuel oil even more. But while this oil, as a residual product of the refining process, remains the cheapest of a refinery's major products, any considerable increase in the proportion of it that is produced would cut refinery earnings.

Prices of fuel oil have usually been related to the price of coal, with which it competes. During last winter the landed price of fuel oil in Europe was roughly equivalent to the price of British and German coal, though somewhat cheaper than American coal. Dry-cargo freight rates have fallen since then more than tanker rates, so that American coal will presumably be cheaper, during the present period of slack demand for Transatlantic freights. But should this coal demand revive, or should the demand for fuel oil continue to rise in spite of a slackening in demand for American coal, the argument for some rise in fuel oil prices would gain strength. How far this growth in external demand would make itself felt in the American oil industry depends to some extent upon the dollar shortage that still affects many American customers, and upon the relative pattern of demand for petroleum products in the United States. But unless the suppliers of fuel oil to countries outside America become able to earn somewhat higher prices than the present levels that are based on Gulf prices, any continued growth of demand in Europe will probably remain unfulfilled.

* * *

Saving Scarce Metals

One healthy result of the shortages of metals brought in the wake of rearmament—notwithstanding the fact that some of these have since abated—has been the impetus they gave to attempts to conserve metals in industrial use. Britain has at present a committee studying the possibility of substituting alternative materials for steel in construction, a Directorate of Alloy Steel watching the use of the richer alloy steels, and various committees within the metal industries studying the technical possibilities of saving metals. None of these will necessarily issue any public report; but a rather more formal "joint sub-committee" of the International Materials Conference, set up to study the utilisation of five scarce alloying metals, has now issued a technical report and recommendations.

The metals concerned are manganese, nickel, cobalt, tungsten and molybdenum; though these vary widely in scale of supplies and degrees of shortage, all seemed alike to the sub-committee in that output could not be largely increased during 1952. This may not remain true long: nickel output, for example, may by 1954 be about 32 per cent above the 1951 level, and production of manganese, too, may be expanded fairly quickly. But in the short terms of the current rearmament programme, at least, the utmost economy in their use is necessary. Manganese is already less scarce than the other four metals, so that in some cases it may be substituted for them; and the production tonnage of nickel is about fifteen times that of cobalt, so that here, too, substitution might greatly ease the shortage of cobalt without greatly affecting nickel supplies. Methods of saving these metals mentioned by the sub-committee include the use of boron steels, which are being adopted intensively in the United States, the "downgrading" of high-nickel alloys for many uses, the use of plated products instead of solid stainless steels for corrosion-resistant parts, and the saving of tungsten and molybdenum in high-speed tool steels by the use of vanadium and the substitution of tungsten carbide tools by ceramic-tipped cutting tools (developed in Britain). The sub-committee adds that a scrutiny of the specifications laid down by the military services for the materials of construction in their vehicles and power plants might well reveal greater opportunities for conservation than anything in the civilian field. But it adds that the reduction of the alloy content of steels in most cases means a downgrading of the qualities of the materials used; and it instances chemical plant, oilwell drills, tungsten carbide tool tips, and high-alloy materials in jet aircraft engines as uses in which no limitation of properties can be tolerated. In such cases reduction of the alloy content would be the very reverse of an economy measure.

* * *

Loans to Save Fuel

Full details have now been issued of the loans that the Government is prepared to make to industrial companies to finance the installation of "approved fuel-saving equipment"; but these make the real usefulness of the scheme no more evident. During the coming year, the Government may lend up to £1 million, in individual loans not normally exceeding £25,000, for the installation by industrialists of back-pressure turbines, feed water economisers, air pre-heaters, heat exchangers, waste heat boilers, and for the structural insulation of factory roofs and walls. The loans will be at full commercial rates, and the terms will be negotiated upon the Government's behalf by the Industrial and Commercial Finance Corporation.

Somewhere in this scheme a positive idea appears to have gone astray. If economy in fuel is of such over-riding importance that investment in fuel-saving equipment should be subject to less stringent commercial scrutiny than other investment, the Government might express its valuation of that importance by offering finance at less than commercial rates. If it is not, and fuel-saving equipment is judged not by thermal but by "dollar efficiency"—as the Government seems to think, probably rightly—it is not easy to see why these special loans should be required. This money is perhaps rather more readily accessible than it might be from other sources; but it remains doubtful whether it will persuade many industrialists to invest in fuel saving.

Company Notes

J. Lyons.—The steady growth in profits earned by the J. Lyons group since the end of the war has gone hand in hand with an extensive modernisation and development of the company's restaurants. This modernisation has undoubtedly attracted more custom, and this, together apparently with a policy of keeping prices in line with increases in costs, again led to an expansion in profits in the year to March 31st last, this time from £3,022,138 to £3,512,812. Capital development has meant, however, that the directors have been more concerned with the ploughing back of profits than with claims for an increase in equity distribution; the ordinary dividend has therefore been maintained at 22½ per cent since 1946. This rate has again been recommended, but it is to be paid on the equity capital as increased by the one-for-three rights issue made in January, 1951. This payment was foreshadowed when the rights issue was made, and it should not be taken as indicating any break with the conservative policy that has been pursued since the war.

More generous dividend payments cannot be ruled out of court if the growth in earnings is maintained, but the cost of investment in fixed and working capital has already made its mark on the balance sheet. Last year's receipts from the capital issues (reflected in the increase in preferred ordinary capital from £493,829 to £564,846, in the "A" ordinary capital from £1,266,273 to £1,926,273, and in the share premium account from £189,962 to £2,512,457) have not altogether balanced last year's increase in capital investment. The book value of stocks, for example, rose from £8,221,112 to £10,654,979 and the net book value of fixed assets from £12,733,641 to £14,794,372. These increases, despite the receipt of the new money, were accompanied by a slight decline in cash balances and, more seriously, by an increase in the group's short-term indebtedness; acceptance credits have risen from £750,000 to £2,000,000 and a secured bank loan of £21,180 has been replaced by a bank overdraft of £250,330. The cut in the food subsidies may mean that further sums will have to be locked away in working capital this year, and thus impose further strains on the group's finances. Against this, however, there are signs that less will be spent on fixed assets in 1952 than has been customary in earlier years; at the end of the last financial year the group was committed to spend £740,000 on its capital programme, compared with commitments of £1,570,000 a year ago.

	Years to March 31, 1951	Years to March 31, 1952
Consolidated earnings :—	£	£
Trading profit	3,022,138	3,512,812
Total income	3,097,952	3,585,714
Depreciation	721,400	895,918
Taxation	874,210	906,548
Net profit	*776,465*	*786,055*
Ordinary dividends	221,593	297,234
Ordinary dividends (per cent)	22½	22½
Revenue reserves	29,293	8,861
Capital reserves	...	10,927
Added to group carry forward	263,808	200,798
Cons. balance shret analysis :		
Fixed assets, less depreciation	12,733,641	14,794,372
Net current assets	7,932,751	7,931,812
Stocks	8,221,112	10,654,979
Cash	1,416,177	1,313,829
Reserves	6,444,175	9,746,390
Ordinary capital	1,666,273	2,326,273

£1 "A" ordinary stock at 78s. 9d. yields £5 14s. per cent.

*

Metal Box.—The preliminary trading results announced by Metal Box for the year to March 31st last should pave the way for the success of the company's coming rights issue of ordinary shares. The directors have felt able to raise the dividend on the ordinary capital of £3,612,770 from 12½ to 15 per cent, thanks to advances in group profits (after depreciation) from £2,636,000 to £3,720,000 and in net profits from £1,094,000 to £1,515,000. Trading profits earned at home rose from £1,701,000 to £2,545,000 and those earned overseas from £935,000 to £1,175,000. These increases are in part reflections of the general inflation of prices, but they are large enough to suggest that the company achieved a genuine expansion in its trade despite the shortage of tinplate. The increase of 28 per cent (or by £8,114,000 to £36,423,000 in income from sales and investments) compares with an increase of over 40 per cent in group profits; this suggests that selling prices have been kept well ahead of any increase in costs. Taxation, at £2,205,000 (against £1,542,000), has of course eaten into profits, but last year's advance in earnings was sufficient to permit the directors to put more to reserves despite the higher dividend payment; overseas subsidiaries have retained £212,000 (against £203,000) while £752,000 (against £415,000) has been retained by the holding company.

The company's recent prosperity has owed a great deal to the ploughing back of profits in the past, but it cannot support a further expansion in business under the present burden of taxation without appealing for external finance. The method of appeal chosen is a rights issue of ordinary shares, under which stockholders are offered 903,192 new £1 ordinary shares at £2 each in the ratio of one new share for every four held. The presumption is that the dividend of 15 per cent will be maintained on the revised ordinary capital. In this case the yield on the new shares at the issue price of £2 would be 7½ per cent; this compares with a yield of 6¾ per cent offered by the existing stock units at the current price of 44s. 3d.. Prior to the announcement of the rights issue and trading results the stock units stood at 43s. 9d.

*

Fine Spinners and Doublers.—Last December, when an interim ordinary dividend of 5 per cent was declared, the directors of Fine Spinners were able to announce that trading results for the half year to September 30th last were better than those achieved in the corresponding period in the previous financial year. Now the preliminary statement for the full year to March 31st last shows that the recent slump in the textile trade, particularly in rayon in which the company has a considerable interest, has cut into profits in the last six months of the financial year—and presumably in the two and a half months since then as well. Group profits (including investment income) for the full year are shown to have fallen from £4,879,418 to £4,379,227. The main brunt seems to have been borne by subsidiary companies, whose profits have fallen from £1,103,284 to £807,158; only £6,635, compared with £303,646 in 1950-51, has been transferred to their reserves. This, together with a smaller provision for taxation (of £2,274,567, against £2,400,657), has meant that net profits, which have fallen from £1,366,418 to £1,185,641, have not felt the full impact of the recession in trade. The directors have therefore been able to maintain the year's equity distribution at 12½ per cent. They recommend a final dividend of 7½ per cent and a transfer of £700,000 (against £500,000) to general reserve. After the announcement that the ordinary dividend was to be maintained, the price of the £1 shares jumped from 19s. 6d. to 20s. 9d.

	Years to Mar. 31, 1951	Years to Mar. 31, 1952
Consolidated Earnings :—	£	£
Trading profit*	4,879,418	4,379,227
Total income	4,879,418	4,548,644
Depreciation	714,721	823,987
Taxation	2,400,657	2,274,567
Subsidiaries' reserves	303,646	6,635
Net profit	*1,366,418*	*1,185,641*
Ordinary dividends	366,842	366,842
Ordinary dividends (per cent)	12½	12½
General reserve	500,000	700,000
Added to group carry forward	420,826	54,531

£1 ordinary stock at par yields £12 10s. per cent.

* Includes investment income.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 4, 1952	Price, June 11, 1952	Net Yield, June 11, 1952	Gross Yield, June 11, 1952
			£ s. d.	£ s. d.
War Bonds 2½% Mar. 1, 1951-53	99⅛	99 7/32	...	... e
			1 9 0	3 2 4l
War Bonds 2½% Mar. 1, 1952-54	98 11/32	98 3/32	...	... e
			2 2 7	3 10 7l
Exchequer Stk. 2½% Feb. 15, 1955	97	96 19/32	2 4 8	3 9 2
Serial Funding 1½% Nov. 14, 1952	99 3/32	99 3/32	1 15 10	2 15 7
Serial Funding 1½% Nov. 14, 1953	98 1/32	98⅛	1 18 10	2 16 6
Serial Funding..... Nov. 14, 1954	96 7/32	96 3/32	2 7 1	3 4 8
War Bonds 2½% Aug. 15, 1954-56	96 7/32	96⅛	2 19 8	4 7 9e
			2 3 10	3 10 11
Funding 2½% June 15, 1952-57	96⅛*	96⅛*	...	... e
			2 3 2	3 9 9l
Nat. Defence 3% July 15, 1954-58	98 19/32	97⅞	2 13 7	4 1 3e
			1 19 4	3 7 9l
War Loan 3% Oct. 15, 1955-59	98	97 11/32	2 6 0	3 16 4e
			1 8 3	3 7 10l
Savings Bonds 3% Aug. 15, 1955-65	89⅜	88⅛	5 13 6	7 7 9e
			2 12 9	4 4 5l
Funding 2½% April 15, 1956-61	90⅛	90⅛	4 3 8	5 10 1e
			2 11 11	3 17 8l
Funding 3% April 15, 1959-69	83⅞	83 13/32	4 7 2	5 19 7e
			2 15 11	4 8 0l
Funding 3% Aug. 1, 1966-68	85⅛	85⅜	2 17 10	4 10 4e
			2 15 11	4 7 4l
Funding 4% May 1, 1960-90	95⅜	95½	2 15 5	4 15 2e
			2 5 9	4 5 4l
Savings Bonds 3% Sept. 1, 1960-70	83⅜	83½	4 1 1	5 14 2e
			2 15 8	4 8 4l
Savings Bonds 2½% May 1, 1964-67	81 13/32	82	3 3 1	4 10 1e
			2 16 3	4 3 2l
Victory Bonds 4% Sept. 1, 1920-76	99⅛	99⅛	2 3 8	4 2 11s
Savings Bonds 3% Aug. 15, 1965-75	81⅛	81	3 8 7	5 2 0e
			2 14 4	4 7 7l
Consols 4%	85½	85⅜	2 9 7	4 15 2f
Conversion 3½%	75⅜	75⅛	2 9 2	4 14 1f
Treasury Stk. 2½% (after Apr. 1, 1975)	55⅝	55⅜	2 7 4	4 10 6f
Treasury Stk. 3% (after Apr. 5, 1966)	65⅛	65½	2 8 6	4 12 9f
Treasury Stk. 3½% June 15, 1977-80	85⅛*	85⅛	2 13 1	4 9 11e
	75⅛	75½	2 11 9	4 8 8l
Redemp. Stk. 3% Oct., 1986-96			2 10 0	4 8 11e
			2 10 4	4 5 8l
War Loan 3½%	74⅜	74⅛	2 9 6	4 14 5f
Consols 2½%	57*	57*	2 6 0	4 7 6f
Brit. Elect. 3% Gtd. April 1, 1968-73	81⅛	81⅛	3 1 9	6 14 7e
			2 15 5	4 8 3l
Brit. Elect. 3% Gtd. Mar. 15, 1974-77	80⅛	80⅜	2 16 3	4 9 5e
			2 13 9	4 7 0l
Brit. Elect. 4½% Gtd. Sept. 26, 1974-79	98⅜	98⅜	2 6 3	4 7 0e
			2 6 0	4 6 9l
Brit. Elect. 3½% Gtd. Nov. 15, 1976-79	86⅛	86⅜	2 12 1	4 8 9e
			2 10 9	4 7 6l
Brit. Tpt. 3% Gtd. July 1, 1978-88	74 15/32*	74⅛*	2 19 5	4 13 6e
			2 13 4	4 7 10l
Brit. Tpt. 3% Gtd. April 1, 1968-73	81⅛	81⅛	3 2 3	4 15 1e
			2 15 9	4 8 8l
Brit. Gas Gtd. 3% May 1, 1990-95	74⅛	74⅛	2 13 4	4 8 6e
			2 11 7	4 6 11l
Brit. Gas Gtd. 3½% Sept. 10, 1969-71	89⅛	89⅜	2 12 10	4 9 3e
			2 11 5	4 7 10l
Brit. Iron & Steel 3½% 1979-81	86 13/32	86⅜	2 11 7	4 9 0e
			2 10 9	4 8 3l

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, June 4, 1952	Price, June 11, 1952	Yield, June 11, 1952
%	%					£ s. d.
20	*a*	40	*b* Anglo-Am. 10/-	6	6⅛	4 19 0
5	*a*	25	*b* Anglo-Iran £1	5⅛	5⅛	5 12 11
7½	*a*	12½	*b* Assoc. Elec. £1	69/6	69/6	5 15 1
7½	*a*	70	*b* Assoc. P. Cem. £1	91/3*	91/3*	6 0 6
†22½	*c*	10	*a* Bass £1	116/3	116/3	7 7 6
10	*a*	10	*b* Boots 5/-	18/6*	18/9*	5 6 8
10	*b* (i)	4¼	*a* Br. Celanese 10/-	19/6*	20/-*	7 5 0
...		...	Br. Motor Cp. 5/-	27/6	27/6	...
8	*a*	12	*b* Br. Oxygen £1	70/-	69/6	5 15 1
5	*a*	7½	*b* Coats £1	40/7½*	41/3*	6 1 2
6½	*b*	5	*a* Courtaulds £1	32/3	33/6	6 14 4
22½	*c*	7½	Distillers 4/-	17/3	17/-	5 11 1
17½	*c*	17½	Dunlop £1	44/4½	43/9*	8 0 0
12½	*c*	15	*c* Ford £1	46/-	46/-	6 10 5
22½	*c*	7½	Gen. Elect. £1	76/-	76/-	5 18 5
11	*a*	17	*b* Guinness £1	56/10½	56/3	5 19 5e
4½	*a*	5½	*b* Hawker Sid. £1	33/-	32/6	6 3 1
5	*a*	10	*b* Imp. Chem. £1	40/7½	41/10½	6 4 2
15½	*a*	18½	Imp. Tobacco £1	80/-	82/6	7 15 2
5	*a*	10	*b* Lancs. Cotton £1	33/1½	33/9	8 17 10
7½	*a*	10	Lon. Brick £1	54/4½	54/4½	6 8 9
15	*a*	65	*b* Marks & Sp. A 5/-	70/6*	70/-*	5 14 3
8	*a*	10½	P. & O. Def. £1	44/-	43/6	7 7 2g
17½	*b*	7½	*a* P. Johnson 10/-	32/-	32/-	7 16 2
15	*a*	†10	*b* "Shell" Stk. £1	88/9*	90/-*	6 7 0
12½	*b*	13½	*a* Tube Invst. £1	50/7½	49/4½	5 1 3h
15	*b*	5	*a* T. & Newall £1	80/7½*	79/4½*	5 0 10
5	*a*	8½	*b* Unilever £1	39/3*	40/-*	6 15 0
10	*c*	12½	Union Castle £1	41/6	20/9	6 0 6k
50	*c*	50	*c* U. Sua Betong £1	32/6	36/3	27 11 9
2½	*a*	10	*b* Vickers £1	41/3	41/6	6 0 6
27½	*b*	15	*a* Woolworth 5/-	39/6	40/-	5 6 3

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*e*) Yield basis 16½%. (*g*) Yield basis 16%. (*h*) Yield basis 12½%. (*i*) Includes special int. 7%. (*k*) Yield basis 6½%. * Ex divi † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 7, 1952, total ordinary revenue was £38,543,000, against ordinary expenditure of £85,303,000 and issues to sinking funds £330,000. Thus, including sinking fund allocations of £4,331,000 the deficit accrued since April 1, 1952, was £128,775,000 compared with a surplus of £26,641,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1951 to June 9, 1951	April 1, 1952 to June 7, 1952	Week ended June 9, 1951	Week ended June 7, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1804225	168,837	207,618	10,118	9,604
Sur-tax	123,000	20,100	17,800	1,800	1,500
Estate, etc., Duties	175,000	40,800	29,800	2,900	1,900
Stamps	57,500	12,800	9,800	1,900	500
Profits Tax & EPT	452,000	42,900	49,200	3,500	5,000
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	710	430	80	30
Total Inland Rev.	2618725	286,147	314,648	20,298	18,334
Customs	1043500	186,704	191,331	18,772	16,250
Excise	772,000	150,700	143,884	-3,130	3,220
Total Customs and Excise	1815500	337,404	335,215	21,902	19,470
Motor Duties	64,150	6,102	6,232	560	523
Surpl's from Trading	12,000	25,000	...	25,000	...
P.O. (Net Receipts)	...	7,600	2,100	*Dr1,100*	100
Broadcast Licences	15,000	2,000	1,900	...	...
Sundry Loans	26,000	2,344	2,157	77	74
Miscell. (incl. Surplus War Stores)	110,000	16,304	14,568	8,331	42
Total Ord. Rev.	4661375	682,901	676,820	75,068	38,543
SELF-BALANCING					
Post Office	209,235	29,500	36,000	3,600	2,700
Income Tax on E.P.T. Refunds	4,900	1,008	1,337	75	85
Total	4875510	713,409	714,157	78,743	41,328
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	112,701	129,359	7,671	33,443
Payments to N. Ireland	40,000	6,856	7,202	1,281	1,360
Other Cons. Funds	10,000	893	778	...	...
Total	625,000	120,450	137,339	8,952	34,803
Supply Services	3605562	533,840	663,925	57,900	50,500
Total Ord. Expd.	4230562	654,290	801,264	66,852	85,303
Sinking Funds	...	1,970	4,331	420	330
Total (excl. Self-Bal. Expd.)	4230562	656,260	805,595	67,272	85,633
SELF-BALANCING					
Post Office	209,235	29,500	36,000	3,600	2,700
Income Tax on E.P.T. Refunds	4,900	1,008	1,337	75	85
Total	4444697	686,768	842,932	70,947	88,418

After decreasing Exchequer balances by £25,565 to £2,981,472 the other operations for the week increased the National Debt by £59,076,023 to £25,773 million.

NET RECEIPTS (£ thousand)

Land Settlement (Facilities) Acts, 1919 and 1921	17
Tithe Act, 1936, s. 25	210
	227

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1959	825
EPT Refunds	103
Export Guarantees Act, 1949, s. 3(2)	35
Local Authorities Loans Act, 1945, s. 3(2)	5,600
New Towns Act, 1946, s. 12(3)	2,190
Cotton (Centralised Buying) Act, 1947, s. 21(1)	2,000
Miscell. Financial Provisions Act, 1945 :—	
S. 2(1) War Damage, Board of Trade	1,000
Town and Country Planning Acts, 1947	200
Finance Acts, 1946 and 1947 : Postwar Credits	285
	12,238

CHANGES IN DEBT (£ thousand)

RECEIPTS		PAYMENTS	
Treasury Bills	58,871	Nat. Savings Certs.	600
Tax Reserve Certs.	1,255	2½% Def. Bonds	495
Ways and Means Advances	3,025	3% Def. Bonds	1,147
		3% Ter. Annuities	1,240
		Other Debt :—	
		Internal	591
		External	3
	63,152		4,076

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
June 9	3220·0	2114·4	370·4	...	320·0	6024·8
1952						
Mar. 15	2250·0	1980·5	334·3	3·2	...	4568·0
,, 22	2280·0	1941·9	359·7	...	...	4581·6
,, 31	427	3·1	337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·5	...	...	4632·1
,, 12	2440·0	1600·9	305·3	1·0	...	4347·2
,, 19	2500·0	1579·8	320·7	...	...	4400·5
,, 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7
,, 10	2590·0	1521·6	317·6	0·2	...	4429·1
,, 17	2650·0	1499·4	302·9	...	...	4452·3
,, 24	2690·0	1477·2	314·6	...	...	4481·8
,, 31	2710·0	1484·5	299·7	4·5	...	4498·7
June 7	2750·0	1503·4	307·3	...	...	4560·7

TREASURY BILLS

Date of Tender	Amount (£ million): Offered	Applied For	Allotted	Average Rate of Allotment s.	d.	Allotted at Min. Rate %
1951						
June 8	260·0	355·2	260·0	10	2·80	62
1952						
Mar. 7	200·0	239·2	200·0	20	7·09	75
,, 14	200·0	250·4	200·0	46	3·64	69
,, 21	200·0	251·9	200·0	46	3·39	68
,, 28	210·0	240·2	210·0	47	3·61	81
Apr. 4	220·0	302·1	210·0	47	3·96	58
,, 10	210·0	297·2	210·0	47	0·14	62
,, 18	200·0	316·6	200·0	47	3·27	45
,, 25	200·0	296·3	200·0	46	4·20	63
May 2	200·0	326·8	200·0	46	11·03	35
,, 9	230·0	300·5	230·0	47	4·11	68
,, 16	230·0	295·0	230·0	47	8·07	70
,, 23	220·0	302·3	220·0	47	7·94	63
,, 30	240·0	307·1	240·0	47	8·25	71
June 6	240·0	306·5	240·0	48	4·09	71

On June 6th applications for 91 day bills to be paid from June 9 to June 14, 1952, were accepted dated Monday to Saturday as to about 71 per cent at £99 7s. 11d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million were offered on June 13th. For the week ended June 14th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 9 Weeks ended: June 2 1951	May 31, 1952	Week ended May 31, 1952
Savings Certificates :—			
Receipts	39,200	21,100	2,200
Repayments	27,100	27,500	3,300
Net Savings	12,100	*Dr. 6,400*	*Dr. 1,100*
Defence Bonds :—			
Receipts	8,854	7,270	755
Repayments	9,125	12,595	1,395
Net Savings	*Dr. 261*	*Dr. 5,635*	*Dr. 657*
P.O. and Trustee Savings Banks :—			
Receipts	120,393	125,036	12,339
Repayments	145,981	136,167	16,624
Net Savings	*Dr25,585*	*Dr11,131*	*Dr. 4,284*
Total Net Savings	*Dr13,746*	*Dr23,166*	*Dr. 6,041*
Interest on certificates repaid	6,518	7,458	938
Interest accrued	21,864	22,188	2,431
Change in total invested	+ 1,600	*— 8,436*	*— 4,441*

BANK OF ENGLAND RETURNS

JUNE 11, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued:—		Govt. Debt	11,015,100
In Circulation	1425,618,666	Other Govt. Securities	1435,701,900
In Bankg. Department	24,738,157	Other Secs.	766,378
		Coin (other than gold)	2,513,592
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	342,126,430
Rest	3,475,513	Other Secs.:—	40,795,464
Public Deps.:—	31,326,624	*Discounts and*	
*Public Accts.**	*14,296,376*	*Advances*	*20,937,140*
H.M. Treas. Special Acct.	*17,030,248*	*Securities*	*19,856,324*
Other Deps.:—	359,813,005		
Bankers	*290,972,343*	Notes	24,738,157
Other Accts.	*68,840,660*	Coin	1,510,031
	409,168,142		409,168,142

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 June 13	1952 May 28	1952 June 4	1952 June 11
Issue Dept. :—				
Notes in circulation	1340·9	1412·2	1420·1	1425·6
Notes in banking department	59·5	38·2	30·3	24·7
Government debt and security*	1395·8	1445·8	1445·7	1446·7
Other securities	0·7	0·7	0·7	0·8
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	18·5	10·1	12·4	14·3
Treasury Special Account	4·4	0·5	0·5	17·0
Bankers	293·8	270·0	258·5	231·0
Others	81·4	72·6	70·0	68·8
Total	398·1	353·2	341·4	331·1
Securities :—				
Government	322·1	288·1	295·2	342·1
Discounts, etc.	11·1	11·9	12·6	20·9
Other	22·8	31·5	18·9	19·9
Total	356·0	331·5	327·7	382·9
Banking dept. res.	60·1	39·7	51·8	26·2
	%	%	%	%
"Proportion"	15·1	11·1	9·3	6·7

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	New York per ounce	Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 5	72·5	82·75	155 0	88 11
,, 6	72·5	82·75	155 6	88 5
,, 7	Markets Closed		155 15	88 11
,, 9	72·5	82·75	152 6	88 0
,, 10	72·5	82·75	151 2	87 0
,, 11	72·5	82·75	149 12	85 15

COMPANY MEETINGS

UNION CORPORATION, LIMITED

SHARP INCREASES IN GROSS PROFIT AND TAXATION PROVISION

MR P. M. ANDERSON'S REVIEW OF THE GOLD-MINING INDUSTRY

The ordinary general meeting of shareholders of Union Corporation, Limited, was held in Johannesburg on May 27, 1952, Mr P. M. Anderson presiding.

The chairman, in moving the adoption of the report and accounts for the past financial year, said:—

Gentlemen,—The accounts of the corporation for the year 1951, together with the directors' report, are submitted for your approval.

Our gross profit for the year was £2,205,076 compared with £1,519,366 for the previous year, or an increase of £685,710.

Dividends and interest received rose by £297,170 to £1,705,876, while net realised profits on shareholdings, fees and sundry receipts, after charging expenses, increased by £388,540 to £499,200.

The provision for taxes on the profits for the year rose sharply to £1,153,000, the higher rates of United Kingdom income tax and profits tax having contributed to this rise.

The net profit after taxation increased by only £55,395 to £982,714.

Out of this profit your directors have considered it desirable to appropriate £300,000 to exploration reserve. After deducting £187,637 expended during the year, this reserve now stands at £478,938.

The corporation's programme of prospecting is substantial and provision on this account is therefore required.

During the year the benefits provided by the Johannesburg and London staff pension funds were improved to bring them into line with modern practice and £47,000 has been provided from current profits towards the resultant increased liabilities of the pension funds.

The dividends declared for the year amounted to 6s. 6d. per share free of United Kingdom income tax, an increase of 6d. on the previous year. These dividends absorbed £604,500, leaving £313,541 to be carried forward to the new account, against £282,327 brought forward from 1950.

As your corporation's principal interests continue to be centred in the gold-mining industry of South Africa, it is perhaps appropriate that I should touch upon the position of the industry in general.

An important event during the year under review was the commencement of milling, in November, 1951, by the first two mines in the Orange Free State—namely, St. Helena Gold Mines, Limited, which is under the administration of your corporation, and Welkom Gold Mining Company, Limited.

Work is proceeding apace in this new goldfield, where no fewer than 11 other companies are at present engaged in shaft sinking or underground development work.

In addition, work continues in opening up the westerly extensions of the Witwatersrand, where early this year West Driefontein Gold Mining Company, Limited, commenced production.

Two further mines are expected to start milling in the course of the year—namely, Stilfontein Gold Mining Company, Limited, near Klerksdorp, in the western Transvaal, and Western Holdings, Limited, in the Orange Free State, in both of which companies your corporation is interested.

The expansion of the gold-mining industry at present taking place and the development of the country in other directions is throwing a heavy strain on the Union's economy.

The gold-mining industry, no less than others, has at present to contend with the difficulty of raising capital, delays in obtaining necessary equipment, shortages of labour and electric power, and a rising cost structure.

However, I feel we can look forward to making continued progress and that in time the difficulties will be surmounted.

RESULTS OF OPERATIONS

In the following review of the results of operations by the gold-mining industry during 1951 the figures include those for the Orange Free State mines, which, it should be remembered, at this stage in the development of the new field, make up only a very small proportion of the total.

In 1951 the tonnage milled by the industry decreased somewhat to 58,648,800 tons and the output at 11,019,045 ozs fine was 166,276 ozs lower than in 1950.

The consequent loss of revenue was, however, more than offset by the increased premium received from sales of gold at enhanced prices for industrial and artistic purposes, which in 1951 brought in £6,693,001 as compared with £2,123,547 in 1950.

Accordingly the working revenue rose by £2,573,285 to £144,187,861.

On the other hand, working costs at £93,337,806 rose by £5,381,163, so that the working profit of £50,850,055 was £2,807,878 less than for the previous year.

After appropriating from profits nearly £4 million to cover capital expenditure and other items, and after providing for taxation and share of profits payable to the Government amounting to around £24 millions, dividends distributed to shareholders totalled £22,787,806, or a decrease of a little over £1,900,000.

The increase of about £1,500,000 in the amount payable to the Government is due largely to the increase of 5 per cent in the formula tax which became effective from January 1, 1951.

WORKING COSTS

The rise in working costs continued in the year under review and working costs for the whole industry averaged 31s. 10d. per ton milled, or 2s. 3d. per ton more than in 1950.

This was due in part to increases in wages and other benefits granted to employees during the year, but mainly to factors outside the control of the industry, such as further rises in prices of stores and commodities. Costs have continued to increase, and during the first quarter of the present year averaged 34s. 1d. per ton, as compared with 26s. 3d. per ton during the three months immediately before devaluation in 1949, equivalent to a rise of almost 30 per cent.

The recently announced increases in the price of steel and the prices of maize and other Government-controlled agricultural products in South Africa indicate that costs must be expected to rise still further this year.

On the other hand, certain recent developments in world markets suggest that the present period of world-wide inflation may be coming to an end.

If this is so, working costs may be approaching their peak, though it may take some time for any reduction in commodity prices fully to be felt in the South African economy or to be reflected in the working cost figures of the industry.

The rise in costs of production also rendered unpayable greater quantities of ore previously included in reserves than were made good by development, so that the ore reserves declined by rather more than 4 per cent to 184,284,000 tons, the average grade being slightly higher at 4.88 dwts per ton.

POWER SHORTAGE

As I indicated earlier, the gold-mining industry is suffering from a shortage of electric power.

For some time past, owing to the general increase in electric power demands in the Transvaal and the Orange Free State and to the delayed installation of new generating plant, the Electricity Supply Commission has found it increasingly difficult to supply the gold-mining industry with its full power requirements.

The commission has intimated that the inability to meet the full power demands will continue for several years.

In order to meet the position it has been necessary, *inter alia*, to curtail milling during periods of peak loads on week-days and, where possible, to make good the tube mill hours so lost either by operating reduction plants on Sundays, by making use of any available excess milling capacity during off-peak periods when power is more freely available, or by rearranging normal mill maintenance work.

So far, these arrangements have ensured that there has been very little loss in production, but if further power cuts have to be imposed, some further loss of output is likely to result.

As usual, I will now touch briefly on the affairs of the gold-mining companies under our administration and some other companies in which we are interested.

GOLD INTERESTS

East Geduld Mines, Limited.—The ore milled in 1951 was 1,738,000 tons and the net profit was £2,158,393. Dividends totalling 4s. 4d. per unit of stock were declared, being a decrease of 3½d., and £557,797 was carried forward.

Geduld Proprietary Mines.—The ore milled was 1,259,000 tons and the working profit therefrom was £658,396. Dividend income from holdings in East Geduld Mines, Limited, and the Grootvlei Proprietary Mines, Limited, was £770,585.

The net profit was £1,154,000. Dividends declared totalled 14s. 9d. per share, being a decrease of 1s. 9d., and £387,440 was carried forward.

Grootvlei Proprietary Mines.—The tonnage milled increased to the new record figure of 2,338,500 tons and the net profit was £1,818,798.

Dividends declared totalled 3s. per unit of stock, being the same amount as for 1950. The sum of £661,121 was carried forward.

Marievale Consolidated Mines.—The tonnage milled increased slightly to the record figure of 729,000 tons and the profit was £512,140.

Dividends declared totalled 2s. per share, an increase of 2d., and £467,751 was carried forward.

Modderfontein Deep.—Work on the surface clean-up of the property and the disposal of plant and equipment is approaching completion.

A liquidation distribution of 1s. 6d. per share was recently declared, making a total of 12s. 1½d. per share since the company went into liquidation.

Van Dyk Consolidated.—The tonnage milled was 1,204,000 tons and the net profit was £249,703. Capital expenditure for work in the No. 5 shaft area, where development was continued on the 48th level, absorbed £176,645, and £71,460 was carried forward.

St. Helena Gold Mines.—Development work is being pressed forward as fast as possible in order to build up ore reserves and to provide sufficient stope faces to feed the reduction plant with stope ore on a scale commensurate with its full capacity of 80,000 tons per month.

The value of the ore being sent to the reduction plant is below the average grade of the mine, as only about half the tonnage milled is coming from stopes, the balance being made up from development rock.

The yield has, however, improved with the gradual increase in the proportion of ore from stopes since milling commenced, so that this year the mine has been earning modest working profits on an increasing scale, in contrast to a working loss for the two months' milling in 1951.

Withok Proprietary.—The deep borehole which, as I mentioned last year, was being sunk in the north-eastern portion of the company's farm Withok No. 7, district Brakpan, intersected the Main Reef horizon at a depth of 7,034 ft, disclosing no values.

A deflection of this borehole failed to encounter the reef horizon owing to the presence of a dyke and faulting.

OTHER MINING INTERESTS

San Francisco Mines of Mexico, Limited.—After taking into account certain non-recurring credits relating to previous years, this company earned a record net profit of £1,022,000 for the year ended September 30, 1951, compared with £818,000 for the previous year.

The directors have recommended a dividend of 6s. per stock unit on the recently doubled capital, making a total distribution of £647,896, as compared with £377,939 for the previous year.

The increased profits reflect the relatively high metal prices obtained during the year.

The tonnage milled was adversely affected by power shortages, and the mill treated 597,000 tons, compared with 623,000 tons in the previous year.

The ore reserves increased from 4,164,000 tons to 4,209,000 tons. The mine continues to develop well, and underground work is well ahead of immediate mill requirements.

Chrome Mines of South Africa, Limited, continued operations at its Zwartkop and Groothoek mines throughout the year, but was greatly hampered by the continued inability of the South African Railways to transport more than a portion of the ore sold by the company for export.

Production had, consequently, to be curtailed.

OTHER INTERESTS

Bay Hall Trust, Limited, declared a dividend of 6¼ per cent, free of United Kingdom tax, in respect of the year 1951, compared with 6 per cent, free of tax, in 1950. At the end of the year the appreciation of its holdings over book cost amounted to £716,000.

British Enka, Limited, further increased its output in 1951, and the net profit, after providing depreciation and taxation, was £419,000, compared with £300,000 in 1950.

In addition £80,000 previously over-provided for taxation was brought back to the credit of the profit and loss account.

The company maintained its annual dividend of 10 per cent, placed £350,000 to general reserve, and increased its carry-forward by £55,666.

South African Pulp and Paper Industries, Limited, again increased its production at the Enstra mill. The net profit was £274,022, and dividends declared for the year amounted to 2s. per share.

Expansion of the Enstra mill and the construction of the Tugela mill, which together will lead ultimately to increasing the company's present output of paper fourfold, are progressing satisfactorily.

To the great regret of his colleagues the Rt. Hon. Lord Leathers resigned from the Board of Directors in October, 1951, following his appointment as Secretary of State for Co-ordination of Transport, Fuel and Power in HM Government in the United Kingdom.

I am sorry to report that, since the close of the year, Mr S. T. Amner, one of our managers in London, has died. He had 34 years' faithful service with the corporation, and his death is a sad loss.

In conclusion I would like to thank the staff of the corporation, both in London and Johannesburg, and the managers, staff and employees of the companies under our administration for their loyal and efficient services during the past year.

The report and accounts were adopted and the retiring directors re-elected.

GREEFF-CHEMICALS HOLDINGS

EXCEPTIONAL RESULTS

MR STANLEY BAYLISS SMITH ON EPL

The sixteenth annual general meeting of Greeff-Chemicals Holdings Limited, was held on June 12th in London, Mr Stanley Bayliss Smith, FCA (the chairman), presiding.

The following is an extract from his circulated statement:—

The net profit of the group is £136,823, as compared with £73,667, and after providing for taxation amounts to £59,695, against £40,348 in the previous year.

Your directors would have liked similarly to have increased the ordinary dividend to the stockholders, but in view of the necessity to put aside profits for capital commitments, to which I am referring later in this address, have decided only to increase the total dividend including bonus for the year from 17½ per cent to 20 per cent, by proposing a final dividend of 8 per cent and a bonus of 7½ per cent, making with the interim of 4½ per cent a total dividend and bonus of 20 per cent. The increase in the interim dividend to 4½ per cent as against an interim of 4 per cent in the previous year gave stockholders a very fair forecast of what the total dividend and bonus for 1951 might be.

Taxation has increased from £33,319 to £77,128.

After providing for the final ordinary dividend and bonus, placing to reserve in the subsidiary £33,687 and deducting the interim ordinary dividend and preference dividend already paid, there remains £1,356, which has been added to the amount brought forward, making a total of £20,426 to carry forward to next year.

CONTINUALLY RISING COSTS

In 1951 trading generally continued to be on an increased scale until the third quarter of that year, when a recession in trade became noticeable. This recession has continued to date this year, but because of the expansion of new lines of business, turnover this year is at least equal to that of the same period of 1951, although margins are generally lower and costs are continually rising. For this reason the directors do not expect that the exceptional results of 1951 will be repeated in 1952.

The resources of the company, as will be seen from an examination of the consolidated balance-sheet, are still fully extended, but the excess of current assets over liabilities shows a gratifying increase, being £229,814, as compared with £197,560 in 1950. The contingent liability in respect of uncalled capital of a trade investment amounting to £26,787 has now been paid and the directors expect to have the opportunity of increasing further that investment by about the same amount before the end of this year.

The businesses in which we have trade investments continue to prosper. They appear in the balance sheet at cost £204,928, a figure which is obviously an under-valuation when the gross annual income therefrom amounts to £35,086.

The executive directors have been very active, having made numerous visits to the Continent of Europe and North Africa, and one of them is at the moment in the United States of America. Relationships with connections overseas continue to be close and cordial and our contacts with the United States of America have been further strengthened during the year.

EFFECTS OF EPL

You will wish me to say something about the effect of the provisions of the Finance Bill now before Parliament with regard to Excess Profits Levy. While it is impossible to give a final forecast of the effect of that levy as far as your company is concerned, if Excess Profits Levy is payable on the dividends arising from its trade investments which are in companies themselves subject to Excess Profits Levy, the result will be double taxation, which must be to our disadvantage. I have already referred to the increased burden of taxation and it is therefore most regrettable that the efforts of the executive directors and your staff alike should be further neutralised by the introduction of the Excess Profits Levy, which mainly hits those companies who by their exertions have shown and are showing progressively better results. If it is necessary in the national economy for the State to take more out of the results of trade, then surely the increased burden should be shared equally.

In conclusion I would again refer to the loyalty and devotion of the staff and in that connection I would mention that the company's pension scheme has been further extended during the year. All the directors other than Mr Lake and myself are executive directors and I should like to thank them and all members of the staff for the excellent results shown by the accounts before you.

The report was adopted.

DUNLOP RUBBER COMPANY, LIMITED

SUBSTANTIAL INCREASE IN TURNOVER

SIR CLIVE BAILLIEU'S SPEECH

The fifty-third annual general meeting of the Dunlop Rubber Company, Limited, was held on June 9th in London.

Sir Clive Baillieu, KBE, CMG (the chairman), in the course of his speech, said:—

One of the most important features of our Dunlop Group results for the past year is the substantial increase in turnover which, resulted in total sales for the year of £284 million. This represents a very large volume of sales—in fact, the highest we have ever reached—and I think it right at the outset to emphasise that this directly causes or affects several other important features of the Group's position. I would especially ask you to remember this when, in my subsequent remarks, I touch on such subjects as the total capital employed, the increased inventories, the financing operations which necessarily were involved during the year and the ratio of profit.

TOTAL CAPITAL EMPLOYED

The total capital employed by the Group from all sources in order to achieve the turnover was £121 million as at the close of the year—an increase of over £21 million on the preceding year's figure. That is a very large amount of capital to put to use in a group trading in so many countries as we do. The increase is due not only to the continued world inflation in 1951, but also, and to a larger extent, to the increased quantities of goods required from the Group. It should be noted especially that the ratio of turnover to capital employed rose from 1.97 to 1 in 1950 to 2.35 to 1 in 1951.

INVENTORIES

The major item in the capital employed is inventories, and at December 31st last we had over £61 million invested in inventories in the Group as compared with £40 million the year before. When this total inventory is related to the turnover involved for the year you will, however, note that the ratio at 21 per cent of sales is not out of line with the previous year at 20 per cent of sales. Furthermore, there are certain conditions which affect inventories of goods at present, such as the shipping time from one part of the world to another, the turnround of ships, shortages of warehousing space, delays arising from import formalities and other similar factors.

At the close of 1950 our inventories were on the low side, and during 1951 every endeavour was made to build up to a more normal level having regard to the expanding turnover which it was necessary for them to support. Another most important factor is the Dunlop position in relation to the motor, motor-cycle, and cycle industries, particularly in the United Kingdom. These industries have responded magnificently to the national need for exports, and because of the large and important position we occupy as suppliers of tyres and other products to them we have a considerable responsibility to carry the necessary inventories to ensure the even flow of their production and deliveries. This responsibility of supporting these industries, and consequently the national effort, is constantly in the mind of the management in framing the policy governing production and inventories.

You may be assured that the volume and composition of our inventories is constantly under review by the management, and that our policy will continually be to keep them only at levels essential for the smooth operation of a world-wide business.

FINANCE PROBLEMS

The increased working capital requirements created considerable financing problems during the year. You will recall that when we issued further shares in 1950, we stated that our working capital requirements consequent upon the high level and uncertainty of our raw material prices would be financed by temporary borrowing. Bills have been used to an increasing extent and these, together with bank loans and overdrafts almost entirely overseas have satisfactorily met our requirements. I would like here to express appreciation to the numerous banks, both in the United Kingdom and overseas, which have co-operated with us and have provided the facilities we have required. They have served us well and we believe the overall cost in interest and charges compares favourably with the cost of any other form of borrowing we might have undertaken.

You will already have noted from the directors' report that the ratio of profit to turnover declined from 9.2 per cent in 1950 to 6.5 per cent in 1951, both figures being gross before deduction of tax. You may remember that last year, in my speech to you, I pointed out that the policy we had followed was to give to our customers the full benefit of our inventory position when raw material prices were rising. The lower ratio clearly substantiates that statement and also indicates that the group has in 1951 absorbed a considerable part of the rising costs and not just passed them all on to consumers in increased selling prices. I think these facts should be remembered in the conditions emerging now in 1952 when we have the reverse position of certain raw material prices falling.

EVER-INCREASING BURDEN OF TAXATION

With the ever-increasing burden of taxation, which in 1951 absorbed 66 per cent of the Group's profit what appears to be a reasonable profit margin before taxation becomes almost dangerously low when taxation has been provided, the percentage in 1951 being 2.2 or 5¼d. in each £1 of sales. I suggest to those who consider industrial profits are too high that the ratio of profit to sales and not the amount of profit is the real measure. In the case of Dunlop the large increase in turnover and the low ratio of net profit is the best measure of our service to the community.

I have referred to the fact that taxation has absorbed 66 per cent of the Group's 1951 profit whereas in 1948 the rate was only 54 per cent. Part of this increase is due to the fact that our tax legislation makes no allowance for the serious inflationary position which has been developing during recent years and in particular in 1951. During last year the average wholesale and retail price index stood at 258 compared with 194 in 1948, and 100 in 1938. Accordingly, depreciation on fixed assets charged on the basis of original cost is inadequate and must be supplemented by a further charge. This the directors have provided both for the year 1951 and for previous years as explained fully in their report, but this additional charge is not recognised in computing taxable profits.

At previous meetings I have emphasised the dangers arising from excessive taxation imposed to sustain a level of expenditure beyond our resources and in itself constituting a basic inflationary influence in our economy.

NEW GOVERNMENT'S ACTION

Since we last met there has been a change of government in this country. We must acknowledge the courage with which it has approached its task and the effort it has made to start grappling with some of the more fundamental issues which, for too long, we have chosen to leave in abeyance. It has attempted to set a limit on state expenditure and it has returned in our extremity to the experience of the past by bringing into operation again the instrument of credit control through a more flexible use of the interest rate.

These actions alone entitle it to the confidence and support of industry. But it is a matter of grave concern to the future of this industrial nation that there is no indication, at least in the United Kingdom, of any adequate taxation relief. In fact, with the withdrawal of initial allowances and the imposition of the Excess Profits Levy the immediate taxation burden on industry has been increased.

OVERSEAS BUSINESS

I would like at this point to refer to one or two aspects of our general overseas business. This makes a great and growing contribution towards the results of the Group. We have had a good year abroad and by reference to the reports on the individual territories, which are included in the report on divisions and subsidiary companies, you will see that satisfactory profits have been earned over a wide field.

During the year it was decided to establish a tyre factory in Brazil, subject to satisfactory arrangements with the Brazilian Government, as well as the approval of the Bank of England. A site has now been bought and is being prepared. This is the Group's first industrial venture in South America, where the rapid development of recent years is dependent upon road rather than rail transport.

In 1951 our general export business was at a high level, but declined towards the end of the year. Whereas the artificial barriers to trade were being breached one by one in 1950 and the early part of 1951, this trend has since been reversed. The return towards the bilateral balancing of trade accounts between countries means inevitably a balance at a reduced level. This imposes limits on the country's export business, which do not lie in the power of industrial companies to overcome. It is, therefore, much to be hoped that the country's importance as a buyer of food and raw materials will reassert itself, so that a widening range of British manufactured goods may be sent to countries which seem ready and able to take similar goods from our Continental and other competitors. In the case of some countries trade is governed by trade agreements. While an exchange, for example, of food for fuel may be the dominating purpose of such an agreement, the ancillary trade in manufactured goods is of great importance to this country. Under these circumstances only the Government can open the way for the trader, and one practical step towards this end might well be to make more specific references to individual groups of product, by name, in trade agreements when they are negotiated.

The report was adopted.

RAND MINES, LIMITED

ANOTHER SUCCESSFUL YEAR

SOUND FINANCIAL POSITION

MR W. H. A. LAWRENCE ON RISING COSTS

At the fifty-seventh annual general meeting of shareholders held in Johannesburg on May 30, 1952, Mr W. H. A. Lawrence, the chairman, in the course of his remarks, said:

Your company again had a successful year, total revenue amounting to £1,336,883, which was only £3,376 less than the figure for 1950.

Throughout the gold-mining industry, operations in 1951 were characterised by a continuing shortage of labour, both European and non-European, and by further increases in costs. In addition there was an increase in the rate of taxation. The impact of these conditions varied in severity as between mine and mine, depending upon circumstances, but in general, rates of milling and development were retarded, profits and dividend distributions were lower and pay limits higher. Some relief was afforded by an increase in the additional revenue received during 1951 from sales of gold at enhanced prices, but the amount of revenue now accruing to producers has been falling off during the past twelve months or so and is now at a much lower level than it was a year ago. In addition, the shortage of power which developed on the Witwatersrand in the early part of 1950 increased in severity during 1951 and is now adversely affecting production. The gold-mining industry, at the expense of convenience and efficiency, has rearranged operations so that its total requirements of power are more evenly distributed throughout the 24 hours of the day and the seven days of the week. In spite of this, however, the power system is being overloaded at certain periods and the Electricity Supply Commission has been forced to call for emergency shutdowns of plant. These power cuts are dislocating mining operations with consequent wastage and a further lowering of efficiency. Although the Electricity Supply Commission is building new power stations and installing additional generating equipment, it is bound to be some time before the supply of power overtakes the increasing demands, not only of the gold-mining industry but also of secondary industry and other consumers.

DISTURBING TREND OF WORKING COSTS

The position in regard to the trend of working costs of the gold-mining industry on the Witwatersrand is disturbing. Immediately prior to devaluation in September, 1949, the average was about 26s. 3d. per ton milled. The adjustments in the wages and other benefits of gold-mining employees which had to be made immediately after devaluation gave a sudden upward impetus to costs, thereby offsetting to some extent the immediate advantage normally gained from the time lag between devaluation and its resultant inflation. From the early part of 1950 to the latter part of 1951 costs rose fairly steadily at the rate of about 2s. per ton per annum, but since then there has been an increase in the tempo of the rise in costs, the averages for the last quarter of 1951 and the first quarter of 1952 being 2s. 5d. and 2s. 9d. per ton milled higher than for the corresponding periods a year previously. While there are signs of a break in prices overseas, added impetus has again been given to the South African cost spiral by the recent further increases in the prices of such basic commodities as maize and steel. The prospect of any early abatement in the rise in gold-mining costs is therefore not encouraging.

EFFECTS OF HIGHER PRICE STRUCTURE

The higher price structure, apart from its direct effects on working costs and therefore on working profits, has also resulted not only in an increase in the working capital necessary to carry on mining operations—due to the material increase in the amount of money required to be invested in stocks of stores in order to maintain these at a reasonable level—but also it has resulted in an increase in the cost of any capital expenditure that is necessary to maintain or extend operations. On top of this, taxation has absorbed an increasing proportion of gold-mining profits. The net result is that dividends are being doubly squeezed, firstly by the reduction in profits resulting from decreasing revenue and increasing costs, and, secondly, by the reduction in the amount available for distribution on account of increases in working capital, capital expenditure and the rate of taxation. Add to these factors the hardening of interest rates and the present unsettled political situation in South Africa, and it is not surprising to find that the weather vane of public confidence in the general economic position—the Stock Exchange—is in the doldrums.

I would now like to make a few comments on the current domestic position at certain of the individual mines of the Central Mining-Rand Mines group in which Rand Mines, Limited, is particularly interested as a shareholder.

The Blyvooruitzicht mine continues to prosper and, although it has not been possible yet to bring production up to the existing milling capacity largely due to the general labour shortage, the mine is already the premier gold-producer and profit-earner in the industry. Its participation in the South African uranium production programme is a factor of potential importance.

[Mr Lawrence then made reference to the current position and prospects at the City Deep, Crown Mines and East Rand Proprietary Mines as revealed at the recent annual meetings of these companies.]

PROGRESS OF HARMONY MINE

Good progress was made during the year with the work of opening up the Harmony Mine in the Orange Free State, in which your company has a substantial direct interest, as well as an indirect one through Central Mining Free State Areas, Limited, and Union Free State Coal and Gold Mines, Limited. The provision of accommodation for European and non-European employees, offices, workshops and recreational amenities continued satisfactorily. Sinking operations at No. 3 shaft and at the ventilation shaft were subjected to no serious interruption, although a considerable amount of time was necessarily devoted to the work of sealing off water fissures by advance cementation. It is expected that the ventilation shaft will intersect the Basal Reef during the third quarter of this year, while No. 3 shaft may reach the same horizon at the beginning of 1953. In March this year the Harmony Company made a successful issue of 5,600,000 shares, bringing its total issued capital to £3,400,000. After repayment of outstanding loans the company now has some £3 million cash in hand.

RECORD COAL OUTPUT

The coal-mining industry again produced a record output during 1951, although operations continued to be restricted by inadequate railway transport facilities and an embargo was placed on exports half way through the year. The loss of this lucrative export business is of serious consequence not only to the coal producers but also the country as a whole; furthermore, there seems little likelihood of the embargo being lifted while there is insufficient railway transport available to cope with the increasing demands of the inland market. Some small measure of relief is being afforded—at added expense—by shipping coal round the coast to the Cape and by the operation of a road lift, but the only real solution lies in railway expansion.

The industrial interests of the Central Mining-Rand Mines group generally had a successful year but operations were hindered directly and indirectly by the restrictive influence of the railway transport position. Good progress continues to be made with the reconstruction and expansion programmes of the Pretoria Portland Cement Company and its associated companies, and with that of the Hume Pipe Company. Output was maintained by the Northern Lime Company, which is prospecting a promising new deposit. The forestry, sawmilling and mining timber companies of the group made good progress but considerable difficulty was experienced in supplying the mines with their timber requirements on account of the general shortage of railway transport.

SOUND ECONOMIC POTENTIAL

In these troubled times it is, as I stated last year, a fortunate fact that South Africa's basic industries are soundly conditioned and have great potentialities, and that your company is in a sound financial position with substantial cash resources at its command. This position has only been built up, however, as a result of co-operative effort both here and overseas based on a hard core of faith in the inherent soundness of the country's economic potential. It must be remembered that we are still largely dependent on overseas capital for our continued progress; such progress is also largely dependent on the maintenance of international understanding and good will. These are facts which we cannot afford to disregard.

The report and accounts were adopted.

CAPSEALS, LIMITED

INCREASED PROFIT AND TURNOVER

The eighteenth annual general meeting of Capseals, Limited, was held on June 5th in London. Mr Oscar Morduch, BSc, AMIEE, the chairman, presided, and during the course of his speech said:—

After payment of dividends at the rate of 6d. gross per stock unit, the balance remaining as undistributed profit is very nearly 140 per cent of paid-up capital, and you may consider the board's decision not to increase the dividends payable for the past year to be a measure of excessive caution. We may be called upon to carry additional burdens of taxation, and your directors think that before the present somewhat uncertain situation is clarified, it is advisable to make no dispositions regarding the reserves available in the company.

The increased profit is largely due to the increased turnover arising from the recently acquired companies, and while the exceptional conditions prevailing during last year have undoubtedly contributed to this increase, your board feel confident that, with time and given normal conditions, the business of your existing companies is capable of further development.

I am glad to be able to report that the company's trading for the first four months of this year was on a satisfactory basis, though naturally, should the present subdued conditions on the market continue or develop into a real depression, the turnovers of your companies, and consequently the profits, are bound to suffer. I repeat, however, that your directors feel no reason to be unduly perturbed about the immediate prospects.

The report was adopted.

CAPE ASBESTOS COMPANY, LIMITED

LARGER PROFIT

MR ROBERT WALKER'S REVIEW

The fifty-ninth ordinary general meeting of the Cape Asbestos Company, Limited, was held on June 6th in London, Mr Robert Walker, MBE, the chairman, presiding.

The following is an extract from his statement circulated with the report and accounts.

It is gratifying to present accounts of the past year which demonstrate the further progress made by the group. The group's trading profit amounted to £1,381,659, compared with £913,960 in 1950. After allowing for depreciation and other charges and adding certain specified credits, there remains £1,156,188 of which £1,144,495 is attributable to your company. Adding £716,921 brought forward from the previous year and a credit in respect of taxation, an amount of £1,995,099 is available for appropriation.

Against this, provisions for taxation call for no less than £700,000, while a total of £209,269 has been added to reserves in various companies of the group. Dividends, after deducting income tax, amount to £123,068, leaving £962,762 to be carried forward.

The parent company's trading profit for the year, including dividends and other receipts from subsidiaries, amounted to £566,520, as compared with £374,330 in 1950. This profit, as also the much higher profit figure of the group, has resulted from increased productivity rather than from any sharp rise in selling prices.

Your directors recommend for your approval the declaration of a final dividend on the ordinary shares of 20 per cent, making, with the interim dividend of 2½ per cent, a total of 22½ per cent for the year.

The group position has been further strengthened and improved. Current assets at £3,385,739 exceed liabilities by £2,175,058 and reserves have been increased. The total value of net assets amounts to £4,298,102, so that £1 of ordinary share capital is represented by just over £4 worth of net assets.

FURTHER EXPANSION

I am able to report another year of expansion on the manufacturing side of your company's activities. A feature to which I wish to refer particularly is the excellent labour relationship which exists in the factories. The loyal support of our operatives is greatly appreciated and we are glad to be able to demonstrate this in practical forms. We have recently introduced a Retirement Benefit Scheme which gives every employee the right, after five years' service, to receive, without payment, life assurance cover until retirement age, followed by a substantial payment upon retirement.

The Barking factory has achieved a higher figure of output than ever before. At the same time improvements in operating methods have been effected, and various departments have been and are being thoroughly modernised. Our CAPASCO Brake Linings have been notably successful and in the insulation field the CAPOSITE Sections and Blocks, which are manufactured from Amosite fibre, have again demonstrated their popularity as the world's most efficient form of insulation. It is a source of great pride to us that the British Admiralty has recently remodelled its specifications in such a manner as to concentrate exclusively on the use of Amosite insulations for all steam temperatures in excess of 500 degrees F.

Addressing the meeting, the chairman said: Since I circulated my statement with the accounts of the company, a new point has been reached in the development of the company's interests to which I should make a brief reference. This is the registration of a subsidiary company called Marinite Limited, a joint venture by ourselves and our old and powerful friends, the Johns-Manville Corporation of America, to manufacture Marinite in this country for the first time. Marinite is an incombustible board used principally in ship construction and has achieved a long record of success in the United States. This step has been taken in accordance with our policy of developing and widening the range of products based on our own crude asbestos.

The report was adopted.

F. FRANCIS AND SONS

RECORD RESULTS

The fifty-first annual ordinary general meeting of F. Francis and Sons, Limited, was held on June 12th in London, Mr John Ismay (the chairman) presiding.

In the course of his speech, the chairman said: It is with pleasure that I submit the present report, reflecting as it does a record profit both for the parent company and the group.

The net profit for the year at £297,040 reflects increased profits of the group of £52,946, but against this we have an increase in taxation of £38,750.

The position in regard to the supply of certain raw materials, particularly steel and tinplate, still remains difficult due to continued shortage, but it is anticipated that there will be an improvement in this respect during the current year.

It is difficult to forecast for the future, and I can only say that the turnover of the group for the first five months of the current year is in excess of that for the corresponding period of 1951.

Your directors have decided to increase the nominal capital of your company from its present figure of £500,000 (which is all issued) to £700,000 by the creation of an additional 800,000 ordinary shares of 5s. each. There is no intention at the moment of issuing any of the proposed new capital. The necessary formal meeting will be held in due course.

The very satisfactory results of 1951 could not have been achieved without the co-operation and teamwork of all employees, and I would like to pay a special tribute to all for their loyalty and service.

The report was adopted.

UNION INSURANCE SOCIETY OF CANTON

ASSETS EXCEED £13,600,000

The annual meeting of the Union Insurance Society of Canton, Limited, was held on May 22nd, in Hong Kong, Mr J. F. Macgregor, the chairman, presiding.

The following are extracts from the report and accounts and his circulated statement:

Marine.—The net premiums for the year amounted to £3,278,788. After releasing £200,000 to profit and loss account, and increasing the additional reserve by £150,000 transferred from reinsurance fund, the marine fund stands at £4,205,231.

Fire.—The net premiums for the year amounted to £2,444,141; £230,615 has been transferred to profit and loss account. The fire fund stands at £1,360,967.

Accident and General.—The net premiums for the year amounted to £1,128,120: £63,651 has been transferred to profit and loss account. The accident and general fund stands at £551,248.

Dividend.—The directors recommend the payment of a dividend of £1 17s. 6d. per share, free of Hong Kong corporation profits tax.

Profit and Loss Account.—Interest and dividends amounted to £310,315 and transfers from underwriting accounts to £494,266. After charging outgoings not brought into account elsewhere, making provision for taxation, and allowing for the minority interests of the outside shareholders of the subsidiary companies, the profit for the year appertaining to the society is £466,845.

Consolidated Balance Sheet.—Total assets amount to £13,601,888.

CHAIRMAN'S STATEMENT

The marine, fire and accident and general revenue accounts show excellent results and reflect the progressive and, at the same time, conservative underwriting policy which, over the years, has brought the society to the position of strength it holds today.

In my statement for the year 1950 I referred to the enhanced values of various commodities, resulting in high insured cargo values and therefore increased premiums. This position continued during the first half of 1951 and was in some measure responsible for the substantial increase in marine premiums written, as compared with the year 1950. During the second half of 1951, however, there was some recession in the market values of commodities.

All branches contributed to the record volume of business shown in the revenue account.

To ensure that our marine fund retains its strength in relation to the increased premium income, shareholders will note that the additional reserve has been increased by £150,000 to £550,000, and that the marine fund now exceeds £4 million.

Although unsettled conditions continued in several eastern areas where we operate, a particularly good year has been experienced by the fire department which enables the fire fund to be further strengthened by increasing the provision for unexpired risks from 45 per cent to 47½ per cent of the net premium.

The net premium income in the accident and general account now, for the first time, exceeds £1 million, which is a notable record. After taking into consideration the increased amount retained within this account for unexpired risks, the profit realised is satisfactory.

The report and accounts were adopted.

THE DAILY MIRROR NEWSPAPERS, LIMITED

TRIBUTE TO MR H. G. BARTHOLOMEW

MR CECIL H. KING'S REVIEW OF WIDESPREAD INTERESTS

The thirty-second annual general meeting of The Daily Mirror Newspapers, Limited, was held on June 6th at the Memorial Hall, Farringdon Street, London, E.C. Mr Cecil H. King, the chairman and managing director, said:—

As you have the accounts before you I will not take up your time by dwelling on the actual figures. The year under review was a good one, and we have thought it right that the shareholders as well as the staff should share in the company's prosperity. As you will have seen in the press at the time, I was invited by my colleagues last December to assume the chairmanship of the company in succession to Mr H. G. Bartholomew. And before I cover the various interests of the company in my review, I would like to give you some idea of the great services rendered by my predecessor to this company.

Mr Harry Guy Bartholomew, your company's chairman since 1944, had been the inspiration of the *Daily Mirror* for more years than most can remember. "Bart," as he was known to all who worked with him, has now left us—he is in his sixty-eighth year—but his influence on the development of the *Daily Mirror* was immeasurable. He came to the newspaper when the circulation was about 25,000; he left it with a circulation of about 4,350,000, the highest daily sale in the world.

FIRST DAILY PICTURE PAPER

He joined the *Daily Mirror* in January, 1904, some two months after it was founded, and on the eve of its conversion into the world's first daily picture paper. This was a revolution in daily journalism, and "Bart" helped to create it.

Coming into the newly formed engraving department, he brought with him technical knowledge and ability that helped to produce the line and half-tone blocks for the newspaper's early illustrations.

It was on photographs that the *Daily Mirror's* first success was founded, and it was to the broader field of photographic enterprise that "Bart" soon transferred his energies. His zest and organising powers won for the *Daily Mirror* many notable picture scoops. The story is still told of how "Bart," hastening back to Britain with the first pictures of a royal tour, set up engraving plant in a cross-Channel steamer and made the blocks during a stormy crossing.

For a time he was Assistant Art Editor. In 1913, at the age of twenty-eight, he was appointed a director of the *Daily Mirror*. The field of his activities constantly widened.

As Art Director, "Bart" arranged the use of special trains to hasten the pictures. When aviation developed, he hired special planes. Meanwhile, he was working on a scientific method of transmitting photographs by telegraphic cable. Basing it on early experiments by a German professor, he helped to evolve the Bartlane process which transmitted the first pictures across the Atlantic.

FUNDAMENTAL CHANGES

It was in 1934 that he was called to devote his full energy to the editorial direction of the *Daily Mirror*. He had the instinctive creative touch of a great newspaper man, and the changes which he made were fundamental and decisive. The *Daily Mirror* soon reflected "Bart's" own ebullience and warm, human sympathy. It increased in popularity from day to day, and from a falling circulation of a million or less was soon on the way to the present figure of over 4,400,000. When war came, he played a prominent part in arranging the *Daily Mirror's* special newspaper for operational submarine crews.

In 1944 Mr Bartholomew succeeded Mr John Cowley as chairman of both the *Daily Mirror* and *Sunday Pictorial* Companies. As chairman, he played an important part in the widening of our investment interests in overseas fields. These interests involved him in visits to Canada, Australia and West Africa. And his vision largely inspired our investment in *Reveille for the Weekend*, which since has risen in circulation from under 100,000 to over 3 million.

Yet despite his great accomplishments and his powerful position, "Bart" never courted publicity for himself. He had a very real devotion to the ordinary people of this land. He felt himself one of them, and was quick to champion their interests.

We shall not forget his forceful leadership, his boundless energy—these things will continue to inspire his colleagues in years to come. In his retirement, we all wish him nothing but happiness and well-earned rest.

EFFECT OF PRICE INCREASE

During the year under review, the *Daily Mirror*, in common with the other popular daily papers, was increased in price to 1½d., our first price increase since 1917. This move was forced on us by the high price of paper and by increases in wages negotiated with the different unions in the newspaper industry. We had anticipated a substantial drop in sale, but in fact the fall was only some 4 per cent and, since then, a substantial part of this has been recovered.

While our increased wages remain with us, the price of paper has been falling and the quantity available has been increasing. In consequence, papers are tending to be larger and the increased competition for advertising is bound to lead to increased competition for readers. In any struggle that may ensue, the *Daily Mirror* is particularly well placed, and we have every hope and intention of increasing our circulation in the months to come. Profits of the newspaper are satisfactory to date, but are likely to fall below last year's level unless the fall in the price of newsprint is steep.

INTERESTS IN OTHER NEWSPAPERS

The *Sunday Pictorial* Company, in which your company owns about 25 per cent of the equity, is doing quite well. The sales of the paper are tending to rise and so is the advertisement revenue. At present, profits are running rather below last year, but the future level depends partly on the degree of competition and partly on the price of paper.

Reveille, the weekly family newspaper in which your company is largely interested, is doing well. Sales are well above last year's, though at the moment profits are somewhat down.

So far I have been dealing with the brighter side of the newspaper picture. In Australia, I have to report a set-back. As you know, your company and the *Sunday Pictorial* Company share a controlling interest in The Argus and Australasian Limited, the company that owns the Melbourne *Argus* and various other properties. That company, when the interests were acquired, was earning profits, but it has since had rather chequered experiences, and at the moment is incurring substantial losses. The circulation of the *Argus* is some 30 per cent higher than it was when the interests were acquired in 1949, but Australia is going through very difficult times just now, and since the beginning of the year there has been a serious decline in advertising revenue. A month after my election to the chair of the *Daily Mirror* I went out to Australia, and various measures are being worked out to put this magnificent property back on its feet.

AUSTRALIAN RADIO STATIONS

While on the subject of Australia, I should like to mention that your company and the *Sunday Pictorial* Company subscribed further capital to our proprietary company in Australia in order to purchase control of Broadcasting Associates Pty. Limited, a company that controls some five broadcasting stations and has a lesser interest in several others, mostly serving the State of New South Wales.

This investment is showing promise. The revenue of the various commercial stations is rising, the expenses are falling and the profits are exceeding our estimates. At the request of the Australian Government, I have given an undertaking that the indirect holding of your company and the *Sunday Pictorial* Company in the various broadcasting companies in this group will be reduced.

WEST AFRICAN NEWSPAPERS

Our remaining newspaper interests are in West Africa, where we are concerned with the leading daily newspapers in Nigeria and in the Gold Coast. The *Daily Times* in Lagos is making a reasonable profit and since we acquired our interest the sale has risen from 8,000 to 44,000 per day, and this in a country where the literacy rate is about 3 per cent. In Accra, we were associated with the founding of the *Daily Graphic* in October, 1950, and it already has a sale of over 35,000, which I believe to be more than the whole of the rest of the Gold Coast papers put together. This undertaking is still in the development stage but we hope it will earn its first profit within the next 12 months. We are also proposing to associate ourselves with the publication of a daily newspaper in Sierra Leone, where the combined daily and weekly sales of the whole Press of a country with a population of about 2 million amount only to about 4,000!

PAPER MANUFACTURING

So much for our publishing activities. In addition to producing newspapers, we are also largely interested in the business of paper manufacturing, partly through our Canadian subsidiary, Anglo-Canadian Pulp and Paper Mills, Limited, and partly through our associated company, Albert E. Reed and Company, Limited.

As far as Anglo-Canadian Pulp and Paper Mills is concerned, it enjoyed boom conditions last year and made very handsome profits indeed. We have reason to hope that the dividends paid by our Canadian subsidiary will be maintained at the current rate of $2 per share, but the profits for the current year are bound to be below the very high level which prevailed last year. During the year, quotation was obtained on the

Montreal Stock Exchange for the shares of Anglo-Canadian Pulp and Paper Mills, Limited, and your company disposed of a small part of its holding in order to supply the market with stock. You will have noticed from the published accounts the greatly increased value placed upon your company's holding in its subsidiary, which is based on the market quotation for the shares.

Your company has for many years had a substantial holding in Albert E. Reed and Company, Limited. During the past year, however, this holding has been considerably increased and the *Daily Mirror* now holds some 25 per cent of the voting capital in that company.

It is common knowledge that the paper making industry in this country made substantial profits last year. I would say, however, that it is impossible to forecast what the results of the current year's trading are likely to be because of the difficult conditions which at present prevail in the industry. Albert E. Reed and Company, Limited, is, however, a strong and financially sound organisation, and I feel sure that we shall reap great benefit in the future from this investment.

I have endeavoured to cover in my remarks all the main activities of your company and of those other companies in which you are interested. I think with declining trade and increasing competition it is more difficult to look ahead, but your property is in fine shape, your staff is on its toes, and whatever conditions we may have to face we shall give a good account of ourselves.

In conclusion, I would like to pay a tribute to the staff of the company who, by their efforts, have contributed so much to the satisfactory results disclosed by the accounts.

The report and accounts were adopted.

SELANGOR RIVER RUBBER ESTATES

SATISFACTORY RESULTS

The twentieth annual general meeting of Selangor River Rubber Estates, Limited, was held on June 10th in London, Mr J. Bligh Orr (the chairman) presiding.

The following is an extract from his circulated statement:—

The profit for the year at £84,838 is equivalent to 28½ per cent on your company's issued capital and must be considered satisfactory, but the weight of taxation, both on profits and in the form of export duty, limits our total dividends for the year to 16 per cent, less tax, after transferring £8,000 to general reserve. Our profit before charging export duty amounts to £102,645 and out of this sum we are called upon to pay £76,443 by way of export duty and taxation. We now have to face the prospects of an excess profits levy by the United Kingdom Government.

Our crop for the year at 1,330,000 lb was just a little lower than the crop for the previous year, but sales at 29.34d. per lb realised 11.34d. per lb more. The total cost of producing the crop, however, rose from £71,234 to £104,315, the all-in cost per lb, including export duty and upkeep of immature replanted areas, being 18.82d. against 12.67d. for 1950.

Addressing the meeting the chairman said: It is now with the profoundest regret that I have to tell you of the death of the manager of Belata River Estate, Mr Alfred Nicoll, who was murdered by bandits on May 20th. He will indeed be sadly missed.

The report was adopted.

SCHWEPPES LIMITED

INCREASED DEMAND FOR PRODUCTS

The fifty-fifth annual general meeting of Schweppes Limited was held on June 11th in London, The Hon. R. Hanning Philipps, MBE (the chairman) presiding.

The following is an extract from his circulated statement:—

At home the trading profits of the company have been well maintained in spite of continually rising costs. This has only been possible as a result of intensive selling, which has led to a considerably increased demand for our products. While this larger turnover is already placing a considerable strain on our productive facilities, we believe it would be unwise in the present world economic situation to embark upon any further large-scale capital development for the present. With the completion this month of our new export factory at Aintree and with the installation of the new plant in our Fareham factory, we can congratulate ourselves on having built up an organisation capable of meeting any difficult times which may lie ahead.

During the year the value of our sales for all our company's products increased by 19.1 per cent. We are continuing the policy of selling hard all the year round and so using our machines to the maximum and passing on to our customers the fruits of the added efficiency thereby gained. Costs, however, are still rising.

OVERSEAS INTERESTS

In Australia trading conditions were adversely affected in the early part of the year by continued shortages of certain raw materials and, towards the end of the year, by the slackening of demand for our products, due to the economic stringency. Since the end of the year trading in Australia has been even more unsettled, but there are signs that this is now giving way to a more optimistic outlook and our sales are once more beginning to respond.

Schweppes (South Africa) Limited had another good year of trading with record sales. Their new factory in Durban is nearing completion and should be in production in time for their next summer season.

In order to widen the company's activities in overseas markets, we are experimenting in the granting of franchises for our products to selected reputable firms. The first franchise agreement was given to Messrs Simonds-Farsons-Cisk, Limited, in Malta, and the result so far has been most encouraging.

We have now entered into a new agreement with our associated company in Belgium, whereby Schweppes (Belgium) Limited will operate in Belgium, Holland, Luxembourg and the Belgian Congo on a franchise basis for a period of 30 years. We are confident that this should be a satisfactory and profitable arrangement for both companies.

Last autumn I paid a visit to Canada with a view to studying at first hand the possibilities of increasing the sales of our products in that country. While there is undoubtedly a growing market to be had in some of our lines if we can obtain suitable manufacturing facilities over there, the present currency restrictions have added considerable complications to our problem. We are hopeful that in due course we may reach a satisfactory solution.

As regards the immediate prospects for our business, I can only tell you that sales in the first quarter of 1952 have shown a satisfactory increase over the same period of 1951. Provided there is no further substantial rise in costs, particularly in road transport charges, we can, I think, look forward to another good year's trading.

The report was adopted.

UNITED BRITISH OILFIELDS OF TRINIDAD

STEADY PROGRAMME OF EXPLORATION

The thirty-ninth annual general meeting of the United British Oilfields of Trinidad, Limited, was held on June 12th in London, Sir Robert Waley Cohen, KBE, the chairman, presiding.

The following are extracts from his circulated statement:—

The profit for the year 1951 was £202,038 after £875,000 had been appropriated to reserve. The corresponding figure for 1950 was £210,574 after £905,000 had been appropriated to reserve.

The value of oil sales for the year at £8,919,000 is higher by £341,000 than in the previous year; this is due to modest increases in the world market prices of the main products. On the other hand, this advantage has been more than offset by the higher prices which we have had to pay for purchased oils and the rising trend of operating costs.

Our expenditure on exploration amounted to the considerable sum of £330,000, though this was not as large as in 1950 when we had an exceptionally heavy exploration programme. On new plant and equipment we spent £635,000. In spite of these expenditures, our cash position improved during the year, though it should be noted that at December 31st our current liabilities of £2,653,000 were still a little in excess of our current assets at £2,640,000.

I shall comment shortly on our reserves of oil, but first it is necessary to consider the position as it affects our finances. It is essential to retain very substantial cash resources to meet expenditure on the effort to find new sources of crude oil. Although our cash reserves have increased during the year, they are by no means excessive if we bear in mind the heavy calls to carry our a steady programme of exploration.

It is, I think, unnecessary for me to make any general comments on the excess profits levy as proposed, announcement of which was received in all quarters with profound apprehension. Nevertheless, before leaving the subject of the accounts, I feel I should remark on the need for a cautious policy at the present time, since it is impossible accurately to gauge the implications of this tax, which will continue to be a matter of great uncertainty, particularly until the Act is passed and we know the precise lines on which this new burden on industry is to be imposed.

RESERVES OF OIL

To return now to the question of the reserves of oil, our inability to maintain our crude production over the last two years at the record figure attained in 1949 draws attention once more to the importance of early discovery of new fields. This problem is one which is also vital to the Colony as a whole in view of the dependence of its economy upon a prosperous oil industry. Trinidad's record production of some 22 million barrels in 1940 has never been equalled since that date, the figure for 1951 being 20,841,000 barrels. The drop in our own exploration expenditure in 1951 to £330,000, as compared with £450,000 in the previous year, is attributable to a temporary reduction of one drilling string pending the results of the experimental seismic survey to which I referred last year. The latter was initiated by a Shell party and continued in 1952 by a contract party, and good results are now being obtained which it is hoped may lead to the selection of promising sites for exploratory drilling.

The report was adopted.

SUNDAY PICTORIAL NEWSPAPERS (1920), LIMITED

CHANGED CONDITIONS IN THE NEWSPAPER INDUSTRY

MR CECIL H. KING'S REVIEW

The thirty-second annual general meeting of Sunday Pictorial Newspapers (1920), Limited, was held on June 6th at the Memorial Hall, Farringdon Street, London, E.C. Mr Cecil H. King, chairman and managing director, said:

As you are aware, I was invited by my colleagues last December to assume the chairmanship of your company in succession to Mr H. G. Bartholomew, who retired. "Bart" became chairman of your company in 1944. He was a great newspaper man, and under his guidance the company has prospered greatly.

The year under review was satisfactory. You have the accounts before you, and, as they speak for themselves, I do not propose to repeat the figures. We have recommended that the dividend be stepped up somewhat, but only to a rate which we hope can be maintained through any foreseeable emergency in the future. We can, indeed, look forward to the future with reasonable confidence.

Circulation and advertisement revenue tend to rise. At present, however, profits are running rather below those of last year, but the level will depend partly on the degree of competition, and partly on the price of paper.

WORLD-WIDE INTERESTS

With one exception, the various enterprises in which your company is interested are in good shape. The *Daily Mirror* Company had a good year and was able to declare an increased dividend. *Reveille*, the weekly family paper, is doing well, and its circulation now exceeds three million. In West Africa, the *Daily Times* of Lagos, Nigeria, and the *Daily Graphic* of Accra, the Gold Coast, are making excellent progress. We are now proposing to associate ourselves with the publication of a daily newspaper in Sierra Leone.

The exception is our main Australian investment. Your company and the *Daily Mirror* Company share a controlling interest in The Argus and Australasian, Limited, the company which owns the Melbourne *Argus* and various other properties. This company is at present making substantial losses, due in some degree to the difficult time through which Australia is passing. I have recently visited Australia, and measures are now being worked out to put this excellent concern back on to its feet.

Against this, I am glad to report that an investment which we have recently made jointly with the *Daily Mirror* Company in a chain of broadcasting stations, mostly serving New South Wales, is proving very satisfactory.

PAPER MANUFACTURING

Your company is also interested in the paper manufacturing industry by virtue of its holdings in Anglo-Canadian Pulp and Paper Mills, Limited, and Albert E. Reed and Company, Limited. It is common knowledge that the paper making industry made substantial profits last year. It is, however, difficult to forecast the result of the current year's trading, due to the difficult conditions which at present prevail in the industry. Both of these organisations are, however, strong and financially sound, and I feel sure that we shall continue in the future to derive great benefit from our holdings in them.

I would like now to deal with some more general aspects of the newspaper trade.

CHANGED CONDITIONS

Fleet Street these last few years has had to adapt itself to conditions which have changed rather drastically. The price of our newsprint since the thirties has risen very steeply, and, although it is now dropping, we still pay about seven times more than we did. Our selling price has only increased by 25 per cent in the case of Sunday papers and 50 per cent in the case of dailies. Advertising rates have risen, but in the case of the *Sunday Pictorial* are only about 11 per cent above pre-war level when calculated on a square inch per thousand basis. The fact that we are able to turn in a satisfactory profit is due to two facts: (1) That newspapers are much smaller than they used to be, and (2) that circulations —notably our own, which exceeds five million —are much larger. But now that more newsprint is available, the *Sunday Pictorial* is printing more 20-page papers, which at the present price of newsprint are less profitable than the 16-page ones. From time to time there is an outcry about the need for more newsprint for larger newspapers, but for the mass circulation national papers large papers are less profitable papers, and now that our readers are used to their news in concentrated form, it is doubtful if they would say thank you for the same news in more verbose form. I am under the impression that with the techniques developed by our sub-editors during the war, we publish as many stories in our 20-page papers now as we did in our 48-page papers before the war.

SALARY LEVELS

The far greater skill required from journalists now is reflected in their salaries. The minimum rate for a fully trained journalist on a national newspaper in London is now £14 per week, and we have few or none in our organisation on that level. A good sub-editor or reporter can command about £1,300 a year, and salaries rise from that level to that of the editor of a national newspaper who looks for something near the remuneration of the Prime Minister. Journalism—as everyone knows—is a hazardous profession, but high wages are customary throughout the industry. For example, our compositors' average earnings range from £14 to £22 a week, while packers in our warehouse can earn from £11 to £15 10s. a week.

The tendency for many years—originated, I believe, by Lord Northcliffe—has been to accept rising costs of production of newspapers. This does no great harm to the successful ones, but has eliminated many of those not quick enough to move with the times. Though your paper and its associates in this country are prospering, there are several well-known journals trading on a very narrow margin of profit or actually incurring a loss at the present time.

PRESS COUNCIL

There has been an agitation these last few years for a Press Council, originated by the Labour Government, but supported by people of other political persuasions. The project has been discussed by all the bodies involved, but there is no sign of any set-up that would secure the support of the public opinion of the industry. In general, we at Geraldine House are opposed to the idea, which in any form that has been widely discussed would provide a platform from which the representatives of the more pompous sections of the Press would pontificate at the expense of their more interesting and far more successful rivals.

At one period *The Times* had by far the largest sale of any daily paper in the world. This position was in time taken over by the *Telegraph* and the *Daily Mail*. The *Daily Mirror* held the crown during part of the first war and now holds it again, followed at a respectful distance by the *Express*, its predecessor in that proud position. Such success has always been a source of pride to those responsible, and it is only of recent years that small sales and a small public are held to carry with them some special virtue.

THE LAW OF LIBEL

A more important development has been the introduction of a bill in the House of Commons by Mr Harold Lever (Socialist MP for the Cheetham Division of Manchester) to amend the law of libel. The main trouble about the law of libel is that it is uncertain, and unreasonably costly even to the victor. For these reasons the freedom of newspapers to comment on and expose abuses is materially restricted. In very many cases people who bring libel actions have little reputation to lose and are impecunious, so there is little or no prospect of recovering any costs against them even when we successfully defend actions brought against us. In Geraldine House we have two whole-time barristers and two part-time ones, who scrutinise all copy before publication, but, in spite of taking every reasonable precaution, we incur damages for libel. When I say that the law of libel is costly, I do not refer only to the legal and other costs, but to the fact that too often the damages awarded by the Courts bear no relation to the actual damage done to the plaintiff, nor as the law stands need they. This particularly applies when the so-called libel is unintentional. The principal effect of all this is that it is becoming increasingly hazardous to expose many abuses in public life, and, unless they are first brought to light in Parliament or in the Courts of Law, they do not get the publicity they should.

In other cases, libel damages are pretty certain, while the good done to the public welfare is always to some extent problematical. Perhaps the present situation will be clearer to you if I say that Dickens' novels would have involved their author, printers and publishers in mountainous damages for libel, and the same would be true of many great authors in the past without going back to Pope or Rochester. It would be an immense gain if libel damages could be limited to a sum having some relation to the actual damage done. The bill before the House at the present time will by no means satisfy any newspaper, but, if passed, it will make an editor's life somewhat less harassing.

SPONSORED RADIO

A proposal to have a measure of sponsored radio or television in addition to the existing BBC services has caused a good deal of controversy lately. Very broadly, the case for sponsored radio is that it would act as a spur to the BBC, while the case against it, when stated in public, is that sponsored radio or TV is so vulgar. In private, more is made of the fear that the advertising revenue spent by sponsors would come out of the advertisement appropriations that are at present almost monopolised by newspapers and magazines. This fear seems to me quite exaggerated. There was never any evidence in America that money spent in sponsored radio would otherwise have gone into magazines or newspapers. Anyway, even if some marginal advertising media did suffer, we have every confidence that the *Sunday Pictorial* would be able to hold its own.

INFORMATION SERVICES

Another subject of recurrent controversy is the amount spent by the Government on information services of different kinds. It is repeatedly stated that the Government is wasteful and extravagant in the sums it lavishes on the British Council, on Public Relations officers and the Central Office of Information. I am not attempting to argue that all the money spent on such services is well spent: I know it isn't. But the total amount is far too small, not too large. The present annual figure is under £12½ million pounds, which I believe is less than that spent by at least one international commercial organisation. And surely we should all agree that Britain and the British way of life should be kept before the public of the world, and to do so would inevitably cost more than the sum expended in advertising a range of manufactured products. The effect of the recent cuts in the expenditure on information services has been that the British case has gone by default to an even more lamentable degree than in previous years.

In conclusion, I should like to pay a tribute to the staff of your company, who, by their efforts, have contributed so much to the satisfactory results disclosed by the accounts.

The report and accounts were adopted.

HALL TELEPHONE ACCESSORIES LIMITED

EXPANSION OF ORDERS

The twenty-fourth annual general meeting of this company was held on June 6th in London, Major The Hon Oscar M. Guest, the chairman, presiding.

The following is an extract from his circulated statement for 1951:—

The net trading profit was £46,237, which compares with £62,375 for the previous year. This net profit, together with over-provisions in the previous year, £71, and the carry forward from the previous year, £22,609, make a total of £68,917.

Taxation will absorb £30,658, and it is worthy of note that this represents approximately two-thirds of the net profit. Your board recommend that the dividend be retained at 10 per cent (less tax).

Materials have proved increasingly difficult to obtain, and this has had its effect on the rate of output. We have, therefore, found it necessary to obtain information from our clients as to their requirements for a longer period ahead. Our order book has shown satisfactory expansion.

We are engaged in a growing office machinery business. We have carried out and completed an important development contract for the Post Office, as well as development work for other Ministries; and we have accepted orders in connection with the re-armament programme.

It is difficult to forecast the future, but the volume of work we have on hand should enable us to see a fair result in the year that lies ahead.

The report was adopted.

BRIGGS MOTOR BODIES

YEAR OF GREAT ACHIEVEMENT

MR W. D. ROBINSON ON RECORD VOLUME OF BUSINESS

The seventeenth annual ordinary general meeting of Briggs Motor Bodies, Limited, was held on June 5th in London, Mr Stanley Worth Cochrane (deputy-chairman and managing director) presiding.

The following is an extract from the chairman's circulated statement:—

Your board is pleased to present a financial statement reflecting the results of a year of great achievement.

In my statement last May I gave some details of the difficulties we had experienced during the early part of 1951 and as to the position then arising on sheet steel and other material supplies. On the facts then known I mentioned that I feared we should not be able to maintain our volume of output for 1951 at the record 1950 level. I am happy now to state, however, that, despite increasing difficulties, our volume of business in 1951 again broke all previous records.

Production for the motor industry was again largely for the export market, and 1951 saw an increase in work undertaken for the Government under its defence programme.

The company during the year also embarked upon a large programme for the production of jet engine components for the aircraft industry. We have been mainly engaged so far in tooling up and equipping a factory for this production which is as yet in its initial stages, and the results from the work already undertaken will be reflected in future trading.

The net profit amounted to £754,721 and compares with a corresponding figure of £679,790 for 1950, and, having regard to all the difficulties experienced, the results of the year's trading can be considered very satisfactory.

IMPROVED PRODUCTIVE FACILITIES

Your board has again authorised during the past year substantial expenditure to augment, replace and maintain the company's productive facilities to obtain the highest level of efficiency and in order to meet the large production requirements of its customers. In 1951 we spent a sum of £569,563 on buildings, machinery and equipment and further commitments of a capital nature were outstanding in the amount of approximately £484,000 at the date of the accounts.

The further rise in cost levels generally in the country and difficulties of material supplies are the constant concern of your board, bearing in mind that the company's existence depends on the availability of material supplies and on its ability to sell its products at competitive prices.

The company has since its inception followed a conservative dividend policy and consistently each year a large proportion of profits earned has been ploughed back into the business, enabling its development and growth to be financed out of its own resources. This is still the policy of your board and we recommend a dividend on the ordinary shares of 12½ per cent, less income tax, in respect of the year 1951, which is equivalent to only 3.9 per cent on the capital employed in the business.

The results to date this year have been satisfactory. Final results, however, will depend upon the availability of sheet steel and other materials, the volume of exports achieved and the Government's attitude towards motor car and commercial vehicle production for the home market.

The report was adopted.

MERGUI CROWN EST

CONDITIONS IN BURMA AND MA

The twentieth annual general meetin Mergui Crown Estates, Limited, was held June 5th, at the offices of the company, 52, Leadenhall Street, London, E.C.

Mr W. J. C. Richards, chairman of the company, who presided, said: I wish to supplement my address to the shareholders, which has already been circulated with the report and accounts for the year ended June 30, 1951. I regret the delay in presenting the accounts which has been caused by the disturbances in Burma, and the necessity for compiling a consolidated balance-sheet. Since the report and my address were drafted, events affecting the company have occurred, of which you should be informed.

The tapping season in Burma is now at an end. The crop for the year ending at the end of this month is approximately the same as that for the year reviewed in the report, and the year will be profitable.

INSECURITY IN BURMA

Recently the insecurity of life and property in the district where the company's assets are situated in Burma has become intensified. Milaungchaung division was evacuated at the beginning of March and production there by the company ceased. The supervisory Asiatic employees on Palaw division were threatened with death by insurgents for assisting Government forces and they have been compelled to leave the estate. Production by the company has now ceased there. The so-called Communists and the Karens are reported to have joined forces to further the one object they have in common—that of embarrassing the Government of the Union of Burma. There is a real danger that the estates may be illicitly tapped, which recent experience elsewhere in Burma has demonstrated, rapidly leads to complete destruction.

The local administration has insufficient forces at its disposal to provide protection and the Government of Burma has sanctioned the recruitment, equipment and maintenance of an armed guard at the company's expense. If reliable recruits in sufficient numbers can be attracted—and it is believed they can be—they may prevent the spoliation of the company's property. The cost will be heavy; the result is uncertain and the experiment must be regarded as a speculative venture essential to protect the company's plantations.

If these private armies can be raised and supported entirely at private expense the reason why the Government of Burma cannot expand its own forces to maintain law and order is not clear, especially as the Government is not short of money. We have to face the possibility that the Burma subsidiary company will work at a loss in the year beginning on July 1st next, and in the present state of insurrection in Burma it will be fortunate if it survives the year without the loss of its estates.

PROSPECTS OF MALAYAN COMPANY

The subsidiary company operating in Malaya is still working profitably in spite of the heavy fall in the price of rubber. Here also the year which will be completed at the end of this month will be profitable, but the cash resources will not be correspondingly increased as there has been considerable capital expenditure on extensions. The prospects for the year opening at the beginning of next month mainly depend on a substantial decrease in wages commensurate with the heavy fall in the price of rubber.

The natural rubber industry has to adjust itself to compete in price with synthetic rubber and the period of transition will probably be long and costly. I believe that

the demand for rubber at near the present price will absorb all the natural and synthetic rubber becoming available and there will be no burdensome surplus.

The report and accounts were adopted and the proceedings terminated with a vote of thanks to the chairman, directors and staff in Burma, Malaya and London.

THRELFALL'S BREWERY

A GOOD YEAR

The sixty-fifth annual general meeting of Threlfall's Brewery Company, Limited, was held on June 12 in London.

Mr Frederick Cornwall (chairman and managing director), in the course of his speech, said: Again we have had a good year, and I think you will agree that after taking into account the effects of increased taxation, wages, and the cost of materials, the results which have been submitted are satisfactory. In comparison with previous years our profit per barrel is lower after taking into account payments for duty and increased costs, but this position is fortunately to a large extent offset by the rapidity of the turnover. The net profit on one barrel of beer is small.

The total amount paid by the company during the financial year under review for beer, spirit and licence duty and taxation amounted to more than 3½ million pounds, representing approximately fourteen times the net profit.

To what do we attribute our own success? Chiefly to the excellent quality of our beers served in first-class establishments on which in recent years very large sums have been expended, and of which your board and the stockholders may be justly proud. Our "Blue Label" bottled beer has acquired a reputation second to none in the areas covered by our business.

The profit from trading is £753,490, an increase on last year of £14,536. The net profit is £255,132. The directors recommend the payment of a final dividend and bonus on the ordinary stock, which makes 20 per cent and a bonus of 3 per cent for the year.

The report was adopted.

ROCK INVESTMENT COMPANY, LIMITED

SUBSTANTIAL PROGRESS

The thirty-third annual general meeting of the Rock Investment Company, Limited, was held on June 12th in London, Mr C. W. Black, MP, the chairman, presiding.

The following is an extract from his circulated statement for the year 1951:—

Substantial progress has been made in the re-establishment of the fortunes of your company. In the balance sheet as at December 31, 1950, there were investments (marketable) of a market value of £5,592, and other investments (unmarketable) against which a note appeared that "in the opinion of the directors very little value attaches to these investments." The whole of these remaining investments have been sold.

The purchase of the Oak Property Company, Limited, has been completed and we have acquired at a price of 18s. per share the whole of the 5½ per cent cumulative preference shares of £1 each.

The group of companies now own freehold properties of a value of £389,598, and leasehold properties of a value of £199,716, making a total property holding of £589,414. The properties are nearly all situate in the Greater London area and consist, in the main of shops (mostly with living accommodation over) in good class retail trading positions, in many cases let to leading multiple concerns, and blocks of moderately rented flats. The shops are in many cases let on leases at prewar rents and in course of time these leases will be renewed at rentals more appropriate to values prevailing today. These properties are virtually all rent producing and are showing a satisfactory return.

For the future our intention is to develop the companies which we control, and to take any opportunities that may occur of acquiring control of other companies.

The report was adopted.

VAB PRODUCTS LIMITED

The fifteenth annual general meeting of Vab Products Limited was held on June 11th in London.

Mr I. Lloyd, AMIAE, FCS, MInstBE (who presided in the absence, through indisposition, of the chairman, Mr J. E. Hodgkin, MIEE, MIME), in the course of his speech, said:

It gives me great pleasure to report a year of progress. The results give cause for satisfaction in view of the difficulties which were encountered during the year in shortages of raw materials, which seriously affected some of our subsidiaries.

The trading profit amounted to £82,482 as compared with £86,705. I am sure you will agree that this is an excellent achievement.

The importance of exports having now been realised for the survival of the country, I feel sure that our Government and those of the other nations in the British Commonwealth will do all they can to have the present restrictions minimised, and as conditions improve our agents abroad will be enabled to place larger orders and co-operate with us to extend our markets.

In spite of keen competition and lower prices we have been able to maintain the quality of our products and we believe that we are getting our fair share of business under present conditions.

The report was adopted and the ordinary dividend distribution of 20 per cent for the year was approved.

MILFORD STEAM TRAWLING COMPANY

The annual general meeting of the Milford Steam Trawling Company, Limited, was held on June 11th at the Great Western Royal Hotel, Paddington, London, Mr J. M. Whittington (the chairman) presiding.

The following is an extract from his circulated statement:—

The accounts for this year show a great improvement over those of either of the two previous years. The net result is that £10,000 has been added to general reserve and nearly £3,000 to the balance at profit and loss account. This practically makes good the depletion of those funds caused by last year's loss.

REPLY TO DEAR FISH COMPLAINT

Just as last year's improvement in demand was due to the ceiling established on food subsidies, so the recent Budget should go further to put fish in a competitive position. The cry that "fish is dear" has been heard too long. If meat, cheese, and eggs, to say nothing of bread and butter, are priced in the shops at their full cost, fish will look cheap. Indeed, judging by what is necessary to maintain a healthy fishing fleet, it may be said that fish is already too cheap. Unfortunately there can be few industries about which the public are so ill informed, and there is a deep-rooted suspicion that somehow they are being "done." Trawler owners are widely believed to be exploiting the public by overcharging and even by organising shortages. Since all fish is sold at the quay by auction, owners have no chance at all to fix prices; they are fixed in the long run by what the housewife thinks she ought to pay and of this the trawler owner receives about one-third. Landings from certain waters have in the past been restricted by laying-up schemes when markets were hopelessly over supplied; but laying-up is at any time a disaster for owners and no one can make money out of it. All experience shows that times of scarcity and high prices are bad times for owners. If you have not caught the fish, it does not matter what the price is, you lose money.

But we can take comfort from the fact that whatever the outcry, the weight of fish landed in England and Wales increased last year by 12½ per cent and the value per lb from 4.8d. to 5.68d. The competitive position of fish is therefore sound and is likely to become stronger as the prices of subsidised foods rise further.

The report was adopted.

THE NATIONAL BANK OF NEW ZEALAND

PERIOD OF EXCEPTIONAL CONDITIONS

The annual general meeting of The National Bank of New Zealand, Limited, will be held on July 3rd in London.

The following are extracts from the circulated statement by the chairman, Sir Sydney Parkes, CBE:—

The year ended March 31, 1952, for which the accounts are now submitted, covers a period of unusual economic and industrial conditions in New Zealand. It is only necessary to mention the waterfront strike, which so seriously impeded the movement of ships, the phenomenal fall in the price of wool and the excessive imports following the relaxation of restrictions for you to realise the impact these things must have had on our figures. While we are able to put before you a satisfactory profit position for the year, the increase in the totals of our balance sheet is largely due to these special influences.

On examining the balance sheet you will find that deposits and current accounts at £59,180,000 show an increase of £9,216,000. Bills payable and other liabilities remain about the same as the previous year. On the assets side our liquid assets stand at £23,120,000, while advances at £43,425,000 show an increase of £11,738,000, which is attributable to some of the reasons I have stated.

The net profit after provision for taxation is £244,015, an increase of £39,101. The directors recommend a final dividend of 5 per cent, less United Kingdom income tax at 9s. 6d. in the £, thus raising the total dividend to 8 per cent.

Apart altogether from the exceptional conditions I have named, there has been another general increase in the bank's business in the Dominion. This has been accompanied by the opening of many new accounts, and a greater volume of transactions handled in all departments.

As a result of the general economic position, money for capital purposes has become much harder to obtain, either for investment in share issues or for placing on mortgage, and interest rates have tended to harden. The Government has, however, announced that it will not increase the maximum rates allowed in the categories of interest subject to control. These include bank overdraft rates, the rates for deposits in savings banks and building societies, and the rates allowed for new issues of debentures or preference shares in public companies.

South America

With our own branches in 19 important Central and South America cities, and correspondents throughout South America, we are well equipped to serve British traders interested in Latin American markets. Correspondents the world over.

London Offices—
6 Lothbury, E.C.2. B. Strath, Mgr.
2-4 Cockspur Street, S.W.1. R. B. Murray, Mgr.

THE ROYAL BANK OF CANADA
Head Office, Montreal
Offices in New York & Paris
Over 750 branches in Canada, the West Indies, Central & South America

Incorporated in Canada in 1869 with Limited Liability.

THE UNIVERSITY OF MANCHESTER

Applications are invited for research posts in GOVERNMENT, SOCIAL ADMINISTRATION, and ECONOMIC AND SOCIAL STATISTICS. There are three grades: Grade I, £500-£1,100 per annum; Grade II, £450-£500 per annum; Grade III, £350-£400 per annum. Applications should be sent not later than July 21, 1952, to the Registrar, the University, Manchester, 13, from whom further particulars and forms of application may be obtained.

CROWN AGENTS FOR THE COLONIES

ECONOMIC AND MARKETING OFFICER required by the Government of Uganda for the Department of Commerce for one tour of 2½ to 3 years with prospect of permanency. Salary according to age and experience in the scale £687 rising to £1,390 a year (including allowances). Outfit allowance £30. Free passages for the officer and wife and assistance towards the cost of children's passages. Liberal leave on full salary. Candidates under 30 years of age should be of good education and preferably have a knowledge of commercial practice or agricultural marketing. A University degree would be an advantage.

Apply at once by letter, stating age, full names in block letters, and full particulars of qualifications and experience, and mentioning this paper to the Crown Agents for the Colonies, 4, Millbank, London, S.W.1, quoting on letter M.29085.C. The Crown Agents cannot undertake to acknowledge all applications and will communicate only with applicants selected for further consideration.

MANAGEMENT STUDIES

The College of Commerce, Bristol, announces a new course commencing in September for graduates and those of similar age. —Prospectus showing its particular features obtainable from St. George's Road, Bristol, 1.

CHARTERED or Incorporated Accountant required immediately for progressive Public Company in London, as Secretary and Chief Accountant. Industrial experience essential. Age 30-40 years. Commencing salary about £1,500. Excellent prospects of advancement to higher administrative levels.—Applications, giving details of age, education, qualifications, experience and salaries, should be sent to Robson, Morrow and Co., Box No. 001, 59 New Cavendish Street, London, W.1.

GOVERNMENT ACTUARY'S DEPARTMENT: ACTUARIAL APPOINTMENTS. The Civil Service Commissioners invite applications for about 3 pensionable posts in the grade of Actuarial Assistant. Candidates, if not already Fellows of the Institute of Actuaries or of the Faculty of Actuaries; must have reached an advanced stage (equivalent approximately to Associateship of the Institute) in the examinations of those bodies. The inclusive salary scale for fully-qualified male officers in this grade is £597 to £933. Starting salary increased by about £26 for each year since attaining Fellowship. (The commencing salary of a candidate not yet fully qualified would depend on his age at appointment; he would be placed on the above scale immediately on obtaining his Fellowship.) Candidates should preferably be under age 30 on July 1, 1952.—Full particulars and application forms from the Secretary, Civil Service Commission, 6 Burlington Gardens, London, W.1, quoting No. 4146/52. Completed application forms must be returned by June 20, 1952.

QUALIFIED ACCOUNTANT, Cost Accountant, Secretary, Economist (34), just completing five years' practice as consultant to gain valuable experience industrial management, seeks responsible post. Adviser or assistant to technically trained Managing Director suitable. Present income £1,500, but reduction accepted for post capable of development through own effort.—Box 954.

A HIRE PURCHASE FINANCE COMPANY, acting in conjunction with a large firm of Gas Cooker Distributors, REQUIRES ADDITIONAL BILL DISCOUNTING FACILITIES to the extent of £200,000-£300,000 per annum, in monthly units. Bills of Exchange are fully covered by collateral securities and are guaranteed. The discounting charge is equivalent to a simple interest rate of 12.48 per cent per annum. Particulars from the Company's Accountants.—Box 952.

A LONDON firm of Mechanical Engineers require the services of a statistician. Preference will be given to a young man just leaving university with a suitable degree.—Reply, Box 966, giving qualifications.

YOUNG Executive. Much experience modern selling, advertising, marketing and production methods—home and export. Seeks position front rank National company anywhere in world. Minimum commencing salary required £1,600 per annum. Languages.—Box 970.

YOUNG BUSINESS MAN, 27, B.Sc. (Econ.), Public School, Languages, seeks job. Offers please.—Box 965.

THE HONGKONG AND SHANGHAI BANKING CORPORATION

(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP $20,000,000
RESERVE FUNDS STERLING £6,000,000
RESERVE LIABILITY OF MEMBERS $20,000,000

Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M., Duncan Wallace, H. A. Mabey, O.B.E.

BRANCHES

BURMA	CHINA (Cont.)	INDIA	MALAYA (Cont.)	N. BORNEO (Cont.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore	SIAM
*Dairen	EUROPE	Osaka	(Orchard Road)	Bangkok
*Foochow	Hamburg	Tokyo	Sungei Patani	UNITED
*Hankow	Lyons	Yokohama	Telok Anson	KINGDOM
*Harbin	HONG KONG	MALAYA	NORTH	London
*Moukden	Hong Kong	Canberon	BORNEO	U.S.A.
*Nanking	Kowloon	Highlands	Brunei Town	New York
*Peking	Mongkok	Ipoh	Jesselton	San Francisco

*Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

B. W. BLYDENSTEIN & CO.
Established 1858
BANKERS
We specialise in all financial transactions with The Netherlands
54, 55 & 56, THREADNEEDLE STREET, LONDON, E.C.2

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—DIVIDEND NOTICE—ORDINARY CAPITAL STOCK—At a meeting of the Board of Directors held today, a dividend of seventy-five cents per share on the Ordinary Capital Stock was declared in respect of the year 1952 payable in Canadian funds on August 1, 1952, to shareholders of record at 3 p.m. on June 24, 1952. Of this dividend, twenty-five cents is attributable to railway earnings and fifty cents to other income. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, June 10, 1952.

CANADIAN PACIFIC RAILWAY COMPANY—(Incorporated in Canada with Limited Liability)—DIVIDEND NOTICE—PREFERENCE STOCK—At a meeting of the Board of Directors held today a dividend of Two per cent on the Preference Stock in respect of the year 1952 was declared payable on August 1, 1952, to stockholders of record at 3 p.m. on June 27, 1952. By order of the Board, FREDERICK BRAMLEY, Secretary. Montreal, June 10, 1952.

STATISTICAL SERVICE FOR THE SMALL FIRM

Organisation and research by graduate team of statisticians. Installation of routine sales, production, etc., recording methods, Moderate fees for periodic supervision.—Box 971.

EVENING student taking Inter Economics wants several coaching sessions late June pref. Kensington-Richmond area. State fee. —Box 967.

THE SCOTTISH HOLIDAY that will send you home really rested, really fit, is at Major Fullerton Carnegie's Stronvar House Hotel. Wonderful food (home farm), country house comfort. Ideal for children. 18,000 private acres of woods, lochs, moors and mountains in the heart of Rob Roy's country. Own boating, tennis, fishing, shooting, stalking. Overnight London.—Write, Major B. Carnegie, "Stronvar," Balquhidder, Perthshire.

CHARTERED or Incorporated Accountant required immediately for progressive company in the West Country, as Secretary and Chief Accountant. Age 30 to 40 years. Commencing salary about £1,250.—Applications, giving details of age, education, qualifications, experience and salaries, should be sent to Robson, Morrow & Co., 59 New Cavendish Street, London, W.1.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc. (Econ.), LL.B., and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.

Also expert postal tuition for Prelim. Exams., and for the professional exams., in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.

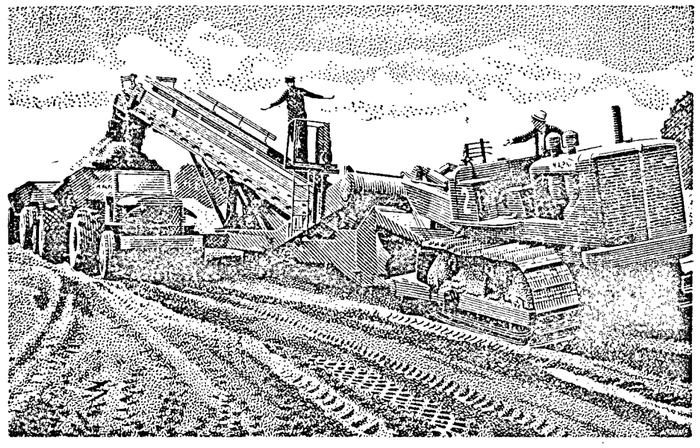
More than 30,000 POST-WAR EXAM. SUCCESSES.

Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.

Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary

METROPOLITAN COLLEGE
(69/2), ST. ALBANS or call 30 Queen Victoria St., London, E.C.4.

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, June 14, 1952.



Plant in operation on the site of the new power station at Drakelow.

McAlpines are the most highly mechanized firm in the Industry today. The total plant used averages 16 H.P. per man, and reaches a peak of 53 H.P. on some contracts. This means speed with efficiency at the lowest possible cost.

SIR ROBERT

McALPINE

& SONS

Civil Engineering & Building Contractors

80 PARK LANE · LONDON · W.1

AREA OFFICES IN SOUTH WALES, MIDLANDS, TYNESIDE & SCOTLAND

The Economist

Established 1843

June 21, 1952 — One Shilling

SECRETARIAT LIBRARY 23 JUN 1952 MADRAS GOVERNMENT

LEADING ARTICLES

Mr Churchill - - - - - - 793
Federation Moves On - - - - 794
The New University - - - - 796

NOTES OF THE WEEK - - - 798
Stalin's German Army; Mr Gromyko Comes to Town; Jets for Food; Fares and Governors; Progress with Town Development; Bipartisan Agriculture; The *Rose Mary's* Test Run; No Fanfares at Alexandria; The Japanese Play Fair; The Horse Trade; Scarcity of Schoolmistresses; Maintaining a Patient; Shocks for the Swedes; Schuman Pool Preparations; Rates of Pay by Order; Economics in the Jungle; Social Service Expenditure.

LETTERS TO THE EDITOR - - 806

BOOKS AND PUBLICATIONS - 809

AMERICAN SURVEY
Another Republican Slump? - 814
New York's Favourites - - - 815
Ike Speaks from the Heart; Congress on Controls; Liners at Cut Rates; GIs Get Their Rights; The Atom under Water; Shorter Notes.

THE WORLD OVERSEAS
France's European Army - - 821
The Soviet Press—II; Belgium and the European Army; German Nationalism and the New Treaties; Mr Holland's Optimism; Jews Behind the Iron Curtain.

THE BUSINESS WORLD
Spokes in the Wheels - - - - 831
The Price of Electricity—II - - 834

BUSINESS NOTES - - - - - 838
Markets Slipping Further; Mr Menzies Departs; Where the Credit Shoe Pinches; Copper's Leap; EPU and IMF; Accountants and the Value of Money; German Debt Talks; Third Class to Nairobi; The Middle East's Sterling; Cold Comfort from Courtaulds; Fall in Prices Slackening?; Firmer Rubber; By-Products from Bombs; Surplus Oils and Fats.

COMPANY NOTES - - - - 847

STATISTICAL SUMMARY - - 849

COMPANY MEETINGS - - - 850

Vol. CLXIII No. 5678
THE ECONOMIST, 22, Ryder Street, St. James's, London, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £3
Registered as a Newspaper. Entered as Second Class Mail Matter at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Mr Churchill

THE Conservative party, unlike Labour, does not relish open discussion of its internal differences. Criticism of Mr Churchill among his own supporters has nevertheless grown, particularly during the past two months, to such proportions that it is no longer concealed. Some of the criticism is unimportant; it reflects the disappointment of partisan hopes that were never realistic. But much of it goes wider. One of the fundamental assumptions of British politics has been that, whatever their faults, at least the Tories are the businesslike party. It was in this belief that so many Liberal and independent votes turned away from Labour in 1950 and 1951. And it is this belief that the facts of the past eight months most sharply challenge. On the major issues of policy, the Government has been consistently indecisive. Nationally, that could be disastrous; and, electorally, it is more damaging to the Tories than unfulfilled dreams of red meat and broken promises to set the people free are ever likely to be.

Indecisiveness in government is the failing for which, above all others, a Prime Minister can never escape blame. At the very least, he chooses the ministers who cannot make up their minds, and by his handling of cabinet meetings he creates the framework that makes good administration easy or difficult. When the personality is as powerful as Mr Churchill's, when the Prime Minister stands in experience and authority so far above his colleagues, his influence extends much beyond this minimum—and so, therefore, does his responsibility. Indeed, there is every sign that Mr Churchill's own interventions, combined with his unpredictable methods of work and of consultation, have sometimes been the direct reason why government policy has not been settled early and on clear lines.

The most recent example of confusion in Downing Street is particularly significant. On Wednesday of last week Mr Churchill spoke bluntly and dramatically about the economic dangers facing Britain. For six months previously—since his broadcast just before Christmas—he had not, unfortunately, been "sounding an alarm." No other statesman can make an alarm so effectively a call to effort rather than a signal to rush for the fire escape. But Mr Churchill chose for this welcome re-exercise of his unrivalled powers of leadership the very day before Mr Butler was to announce that in the past two and a half months Britain has lost $28 million from the dollar reserves, compared with $1,250 million in the first five months after the general election.

By this conjunction the impact of Mr Churchill's words was blurred. Formally, there was no inconsistency between the two speeches. A respite from heavy dollar losses in no way removes the underlying causes for alarm. Mr Butler recognised this, just as Mr Churchill recognised that lately the country had been keeping its head above water. But the Prime Minister emphasised one face of the medal and the Chancellor emphasised the other. No damage would have been done if the speeches had been made the other way round, if Mr Butler's relatively reassuring announcement had been followed the

next day by a warning from Mr Churchill that nevertheless the country was standing on a trap door. That ought, indeed, to have been said regularly. By sounding an isolated alarm the day before the dollar figures were announced, Mr Churchill has confused, not clarified, the public mind and the public will. Even so cautious and so loyally conservative a journal as Lord Kemsley's *Sunday Times* has been driven to comment:

> If there is confusion, it is traceable to a prime error of the Government in their eight months of office. They have failed to make known their problems and policies continuously to the people. . . . Ministers should speak frankly, fully, more often, and with one voice and intent.

Mr Churchill is too experienced a politician for anyone to suppose that he will be indifferent to such widespread criticism of his government and its leadership. It would be the sharpest of tragedies if, by indifference to it, he allowed criticism to grow into pressure on him to retire. Although he cannot be spared responsibility for the Government's weaknesses, improvement certainly will not be secured by making him the scapegoat for everything. Moreover, an agitation against Mr Churchill, even if it were justified, would almost certainly end in frustration. Mr Churchill would probably be as ready as any man to resign if he were genuinely convinced that he was no longer an asset in his office. But when he looks at those around him—and opposite him—he needs no immodesty to conclude that at 77 he still has more to contribute to British government than almost any other man. His powers of leadership and of understanding, particularly in defence and in foreign affairs, are far too great to be lost to this country a day before they must be.

The best course for Mr Churchill and for the Government is therefore obvious. It is that Mr Churchill should limit his responsibilities to those things that he does supremely well. This is not a euphemism for saying that he should become less than a Prime Minister. It means that he should stop trying to be more than a Prime Minister. He has already moved in this direction. But Lord Alexander's appointment as Minister of Defence certainly did not end Mr Churchill's special attention to defence policy; and the recent freeing of Mr Crookshank from departmental duties does no more than enable him to lead the House of Commons with the attention and skill that the parliamentary situation requires; he has not the authority within the party to be also a general policy-maker. Except for the shadowy overlords, Mr Churchill still lacks a general assistant with whom to share the enormous burden of decision that must now come to the centre of government.

The straightforward solution is that Mr Eden should give up the Foreign Office and become the Prime Minister's deputy in fact as well as in name. As Lord President of the Council he could and should take responsibility for the broad conduct of home affairs. The case for this arrangement would be strong even if the Government were working smoothly. As things are, it is overwhelming. For the Foreign Office, there are two or three competent successors to choose from. The possible difficulties are on the domestic side. The arrangement would work only if two conditions were fully observed. First, the definition of Mr Eden's duties would have to be specific; a real devolution of authority from Mr Churchill to him is required. That would be easier if Mr Eden also became leader of the House of Commons —which would have the further advantage of strengthening the administration by enabling Mr Crookshank to take charge of one of the major departments. Secondly, there would have to be a close understanding between Mr Eden and Mr Butler. Because of the Foreign Secretary's inexperience in domestic affairs, and especially in economic policy, he should be willing to put his authority firmly behind the Chancellor in all matters for which Mr Butler is responsible. There is no reason to doubt that the two can work well together.

On these lines, a reshuffle of the Government offers some hope of overcoming its major weaknesses. It is not, of course, by such means that the fortunes of either the Conservative party or the country will be directly restored after all the disappointments of the past eight months. The failure is of measures, not of men. But, by a better distribution of the men for their tasks, at least a base for firm policy-making may be established where none now exists.

Federation Moves On

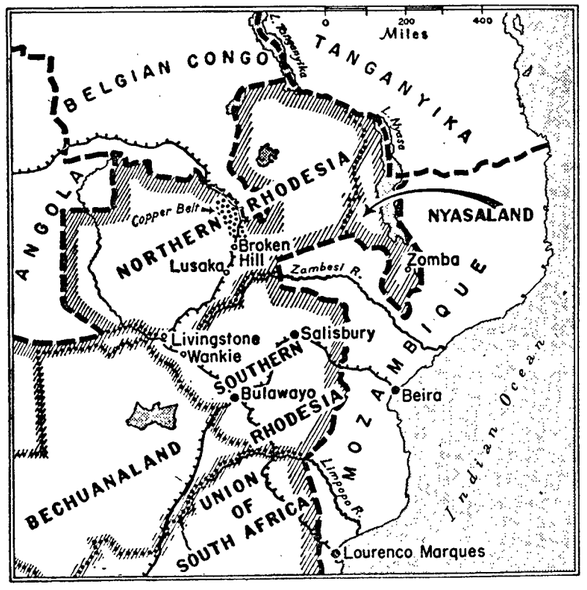
IT is just over-a year since the scheme for federating the two Rhodesias and Nyasaland was officially launched. In the meantime there has been much unofficial discussion of the scheme and much conferring of Ministers, Governors and officials both in London and in Africa. In the meantime, too, there has been a change of government in the United Kingdom. On the whole, a critical reception was given to federation; and the change in government could have provided a ready excuse for allowing the whole thing to lapse. But in spite of all this, the proposals have moved forward, and this week the draft scheme for federation adopted at the London conference in April and May was published.

The White Paper issued a year ago was mainly concerned with arguing the general case for closer association of the three central African territories. Its proposals for the federation's constitution were only outlined. This week's White Paper takes the case for federation as accepted. It is almost wholly concerned with the federal constitution, which is given concrete and detailed form. In this respect, it is an undoubted improvement on the first White Paper. The proposals made a year ago for safeguarding African interests, though attractive at first sight, were later in at least one important matter considered unworkable. This was the provision that there should be a Minister for African Interests in the federal Cabinet. He would be appointed by the Governor-General and would not, therefore, be bound to accept responsibility for all the Cabinet's measures.

The new scheme drops the proposal for safeguarding African interests in the executive. It relies instead on the African Affairs Board, which also appeared in the original scheme but which is now strengthened. The chairman of the African Affairs Board will be appointed by the Governor-General with the approval of the Secretary of State. He must not be a member of either the federal or a territorial parliament and he must not be a public officer; he can be either a European or an African.

The other members of the board will be an African and a European from each territory, nominated by the respective Governors. They too must not be members of parliament. Although the board has positive functions —it can suggest measures which it considers to be in the interests of Africans—its main function is to watch all federal legislation from the standpoint of whether it would be detrimental to African interests either explicitly or in its practical application.

To enable the African Affairs Board to carry out this function, a copy of every Bill that is to be introduced in the federal parliament (to be called the Federal Assembly) has first to be sent to the Board—save in exceptional circumstances. If the Board considers that the Bill discriminates against Africans, it may object to the Prime Minister, and he is bound to lay such an objection before the Federal Assembly. If the Federal Assembly nevertheless passes the Bill, the Governor-General has to reserve his assent and send the Bill and the notice of objection to the Secretary of State, with whom the final decision will lie. Two minor points may be mentioned. The first is that since, apart from the chairman, the African and European members of the board will be equal in numbers, the possibility of a deadlock may arise between them. If this happens, the Chairman's casting vote is to be given in favour of keeping the matter under discussion. The second point concerns which Secretary of State is to have the power of deciding whether a measure is to go through or not. The White Paper is careful to say "a Secretary of State." In practice this will apparently mean the Secretary of State for Commonwealth Relations acting in consultation with the Secretary of State for the Colonies.



It should be emphasised that although the African Affairs Board is the most important instrument for preventing discriminatory legislation in the Federal Assembly, its task is limited by the fact that matters most closely affecting the Africans are expressly excluded from the Assembly's scope. The preamble to the constitution will affirm the protectorate status of Northern Rhodesia and Nyasaland and their right to enjoy separate governments responsible for their political advancement. Direct amalgamation of the three territories is thus ruled out, and any fear that the Africans of the two protectorates might in consequence lose the political promotion they have obtained is also groundless. Indeed, their political progress might by federation spread to the Africans of Southern Rhodesia, who are at present not represented in the Southern Rhodesian Parliament; for of the three elected members for African interests to be returned by Southern Rhodesia to the Federal Assembly two must be Africans.

Another deep-seated fear of the Africans in the protectorates is that under federation their land rights might be prejudiced. Here again, therefore, safeguards are laid down. All powers of the Federal Assembly and Government to acquire land will be subject to the Northern Rhodesia and Nyasaland orders-in-council which secure the rights of Africans in native trust and native reserve land.

In the last twelve months, a frequent criticism of the original federation proposals has been that even if the safeguards for African interests were acceptable and adequate, there is no guarantee that they would be maintained. In the Union of South Africa, it has been pointed out, such safeguards have been written into the constitution, but the South African Government then declares that it intends to amend the constitution. What provision is there for ensuring that the safeguards contained in the federal constitution for Central Africa will not be treated in the same way? The proposals seem to pass this test as well. They provide that a Bill amending the constitution must, first, be passed by a two-thirds majority of the Federal Assembly. In practice this will mean that 24 members of the total of 35 must vote in favour of the amendment. Since, if the amendment altered a safeguard, the nine members representing African interests would presumably vote against it, a two-thirds majority will be obtained only if the other elected members are all but unanimous.

But a two-thirds majority is not enough. The Governor-General will not have power to assent to a constitutional Bill, but must reserve it for Her Majesty's pleasure, and if objection to the Bill is forthcoming either from a territorial government or from the African Affairs Board, the Queen's assent must be given by order-in-council, which will then be subject to negative resolution in the Imperial Parliament.

In short, the proposed constitution seems to contain every reasonable safeguard that could be devised to protect African interests. It should be pointed out that the protection against discriminatory legislation is far stronger than a similar provision in Southern Rhodesia's constitution. In the latter case, the Imperial Government has the power of veto, but is not bound to use it. Under the federation proposals, the Imperial Govern-

ment must express its positive assent, and a disputed measure cannot become law until that assent is given. There is, therefore, no chance of such a measure becoming law through default. Moreover, although it may be argued that the Secretary of State's refusal to give his consent might provoke a showdown between the Imperial Government and the Federal Government, this is a remote contingency that cannot be guarded against in any constitution. Even the most recalcitrant politicians are hardly likely to wreck the whole constitution for the sake of one measure.

But even if the new proposals pass every test, even if they are both morally acceptable and practicable, it is still not clear that they are really necessary. If opinion in Central Africa were in favour of federation or lukewarm about it, enough economic and political reasons could be mustered to justify the scheme, and a new and interesting chapter in British constitutional experiments would have been written. But the reverse is the case. In the last twelve months, African opposition to federation has been unmistakable. It is no use pretending that this opposition is unreal because a few African politicians are by this means furthering their own interests. From nearly all accounts, the opposition is universal; it may be instinctive, without any basis in either study or understanding of the proposals, but it nevertheless cannot be ignored.

It may be that the referendum to be held in Southern Rhodesia will show a majority against the scheme, in which case it will presumably be abandoned. But if Southern Rhodesia agrees the Government may stick to the scheme even though African opposition in the protectorates persists. Does it think that the evil of leaving matters as they are is so much worse than the evil of losing the goodwill of Africans? There is no reason to suppose that a Labour Government, which after all started federation rolling, would be acting any differently today from the Conservative Government. But neither Mr Gordon Walker and Mr Griffiths a year ago, nor Lord Salisbury and Mr Lyttelton now, have ever explained just why federation is considered essential and not merely desirable. The forthcoming debates should elucidate this point, for until the case for federation—not the case for the particular form of federation now described—is made clear beyond doubt, any attempt to force it on the Africans will be mistaken.

The New University

THE Government last week announced its intention of "building up at least one institution of university rank devoted predominantly to the teaching and study of the various forms of technology." At the same time, it rejected one of the last intentions expressed by the Labour Government before it went out of office. There is now to be no Royal College of Technology.

So direct a reversal of policy is rare enough to attract attention—and opposition—for that reason alone. There are other reasons why the Government must expect to have to fight for its plans. The best-known advocate of a new university for technology is Lord Cherwell, and that does not lessen opposition to the scheme. Educational opinion is almost unanimously against it. The universities would prefer to have their existing departments of applied science and technology expanded, rather than see a specialist competitor established with what would necessarily be a very large call on government funds. But personal and professional jealousies ought not to be allowed to confuse the real issue in the layman's mind. They should not deflect the Government from a course that could prove to be of great benefit to the British economy.

All discussion of technological education starts from the assumption that a large, permanent export trade for Britain depends on high quality and, perhaps most of all, on inventiveness and skill in developing new products ahead of other countries. And in order to achieve that, there is an urgent need to attract a fair share of the nation's best brains into the study of technology at the level of a university education. Here agreement stops. There have been years of controversy about the best means to the obvious end. The Labour Government followed the advice of the Council on Education for Industry and Commerce. It decided that some of the existing technical colleges should be raised in status in order to produce technologists—as opposed to technicians. A Royal College of Technology was to be established as the instrument of this reform. It would not have been itself either a teaching college or an examining body, but it would have approved the new, higher courses in the technical colleges and granted awards—of associateship and membership—to people who had taken the approved courses.

The reasoning behind this proposal was sound, given its premises. Few technical colleges have enough prestige for their awards—except for the specialised courses sponsored by professional institutes—to be generally accepted as proof of anything more than elementary competence. The Royal College could have provided an external guaranteee of standards without interfering with the colleges' freedom to use their own methods of teaching and to adapt their courses to special, and particularly to local, needs. But the proposal was unrealistic in the standards at which it aimed. The new courses in technology were intended to become equivalent to university degree courses. They would be narrower, certainly, and more closely geared to industry, but on the other hand they would involve a deeper study of specialised problems. The hope was that associateship of the Royal College would come to be regarded as the equivalent of a first degree and membership of a post-graduate qualification. It was also thought that such awards would induce more people to undertake the courses.

This scheme was well liked by the technical colleges, but that it could ever have led them to turn out the equivalent of university graduates and more is most unlikely. In the first place, as the advisory council for education in Scotland pointed out, a miscellaneous body representing the universities, professional organisations and local authorities could not gain the prestige and authority of a university faculty. Secondly, what of the students? Now that the financial obstacles to a university education have been removed, the abler young men, even those devoted to applied science, would certainly continue to choose a university in preference to a technical college. The colleges would collect the many unsuccessful applicants for university places in applied

science. Though such students are not necessarily incapable of getting degrees, their average standard is certainly lower than that of the entrants to universities. Thirdly, it seems unreasonable to suppose that the colleges could educate both technicians and technologists. Could they possibly establish the atmosphere—and the teaching standards—of a university without turning away the mass of less ambitious students working in evening classes for ordinary national certificates?

The fact that the colleges could not have become minor universities does not remove the need for a less far-reaching attempt to raise their standards. And if they are to help at all to meet the need for more technologists, some nationally recognised award for students taking the more advanced courses is essential. It is therefore a pity that the Government has rejected the idea of a Royal College altogether, instead of making it more realistic. The advisory council that first put the proposal forward particularly emphasised that, whatever the final decision, a new technological university could not be, in itself, a sufficient alternative to a Royal College. Many people who have discussed the subject, both in the House of Lords last week and elsewhere, have not grasped this point and have wrongly regarded a new university and a Royal College of Technology as alternative means to the same end.

In fact, some of the responsibility for improving technological education must fall on the colleges. The Government has certainly not abandoned the intention of raising their status. Mr Butler said last week that more financial help would be given to selected colleges. It is not clear how this will be done—whether the money will go directly to the chosen colleges or, as now, through the local authorities responsible for them. Out of some 60 colleges in the country, presumably only a few will qualify for extra assistance: those at Manchester, Bradford and Birmingham and the Northern Polytechnic in London would be among the strong candidates for help in improving their equipment and accommodation and in providing new courses covering the branches of technology now most in demand. But in keeping this part of its predecessor's policy, while rejecting the proposal for a Royal College, the Government is in danger of spending money without providing the stimulus that is needed to raise standards and, by the promise of a recognised award, to attract able students.

★

But if one part of the problem is still being neglected, it is equally true that the Labour Government's proposals were, in themselves, no alternative to providing more technical education of a genuine university standard. Here the choice lies between a new university and expanding the departments of several existing universities. The last Government would not accept the proposal for a new university because it could make no contribution to the supply of technologists for a long time, whereas the need is here and now. If the intention is to build an entirely new university, there will certainly be a delay of some five years before it comes into being and of another three or four years before it produces any graduates. Its cost, if it provided for 2,000 to 3,000 students, would be at least £6 million. Quicker results could be obtained, at less cost, by expanding some existing institution and turning it into a university. One possible candidate is the Manchester College of Technology, which is already, to some extent, the applied science department of Manchester University; another is the Glasgow Royal Technical College, which stands in the same relation to Glasgow University. A third possibility is to detach the Imperial College of Science and Technology from London University and constitute it a university in its own right. But whatever the decision, there is a strong case for placing the new university—whether entirely new or based on one of the present colleges—near to an existing university, as Harvard and the Massachusetts Institute of Technology exist together at Cambridge, Mass. In this way the technologists might enjoy something at least of the association with people of different interests that is one advantage of university education.

The universities argue that this can be most readily achieved simply by giving them more money to set up or expand departments of applied science and technology, instead of concentrating on one great, new institution. Two arguments may be used in answer to them. The first is that technology might not then get the special attention that the Government intends it to have. The universities are not free from the prejudice that regards applied science as in some way inferior to pure science. If technology were competing with other departments for its share of the university chest, it might get only a fair share instead of a favoured share. But if the Government were firm the universities would no doubt do what was required of them, and as a last resort the device of the earmarked grant, disliked though it is by the universities, could be used again as it has been used in the past.

A more effective argument against expanding departments within the present universities is that the apparatus required in a first-rate technological training is very costly and the most economical way of providing it is therefore to let it serve as many students as possible. Lord Cherwell spoke of 3,000 to 4,000 as the ideal number, but of the two famous institutions which have inspired the present plan—the Massachusetts and California Institutes of Technology—the latter has less than 1,500 students. The new British university seems likely, in fact, to aim at a student population of between 2,000 and 3,000. It will certainly be a larger number than could be accommodated in a single university department without entirely upsetting the balance of studies in the university—and so destroying the point of using an existing university. On the other hand, to expand to a smaller extent the departments at several universities would mean wastefully duplicating expensive equipment or else going short of it. Moreover, it is most unlikely that any department of technology could ever gain, as a new, specialised university eventually might, the high reputation of its counterparts in the United States, Switzerland and Germany.

The case for the Government's proposal, therefore, seems to be made out. There should be no unnecessary delay in taking the preliminary decisions that follow from it—in particular, where the new university is to be and approximately on what scale it is to be planned. At the same time, there should be no neglect of the need to raise the standards of the technical colleges; and, in particular, the Government should reconsider whether a Royal College of Technology might not play a useful part if it aimed to encourage broader courses of a standard intermediate between many of the present ones and the level of a university degree.

NOTES OF THE WEEK

Stalin's German Army

Herr Grotewohl announced on Monday that an army would be set up in Soviet Germany. His audience consisted of members of the National Democratic Party, a puppet organisation which was formed to attract ex-Nazis and officers of Hitler's *Wehrmacht*. Herr Grotewohl declared the new East German army was needed "to prevent the planned American attack"; but he spoke under a much more aggressive slogan proclaiming: "We Germans want to and will be masters in all Germany."

A bill to set up armed forces is now being drawn up by the parties in the East German national front, all of which are subservient to the Communists. It appears to provide for conscription, and the punishment of conscientious objectors on the grounds that "whoever is not ready to take up arms against the attackers of peace encourages the attacker and endangers peace." This brings the Soviet campaign against German remilitarisation round full circle.

It is perfectly plain that the West Germans are to be terrified with the prospect of a civil war, in which they would be driven against far superior forces and their country devastated with atom bombs and germs. The East German force, it is said, will be thirty-five divisions against Western Germany's twelve. How much reality lies behind these threats is hard to say. It is certainly a fact that the German Communist leaders have recently been roping into the police force hundreds of thousands of volunteers from the factories and the ranks of the Free German Youth; and that the recruits have been ordered to become sharpshooters with all possible speed. The new "national army" announced by Herr Grotewohl will doubtless be formed from these volunteers, led by the cadres in the *Bereitschaften*. The *Bereitschaften*, however, are far below the original target strength, and it is hard to believe that Stalin trusts the Germans enough to build up a formidable army until he has sufficient politically reliable cadres. Nor does it seem possible that the Soviet Union is so much better supplied than the United States with weapons and equipment that it can rush a new army into being.

*

For some time to come the West German force is likely to remain a dream, and its Soviet counterpart a nightmare. Nevertheless, it would be wrong to think that the Russians will not find sufficient Germans to serve them in due course. Even now there are enough members of the People's Police who are willing to fire on their fellow-countrymen and drive them out of their homes along the Elbe frontier. And the hundreds of thousands of youths who can be mobilised for demonstrations under giant portraits of Stalin suggest that the present reluctance to take up arms will be overcome in Soviet Germany. It is, indeed, a remarkable fact that West Germans who affirm that ninety per cent of the Soviet Zone is anti-communist, at the same time take it for granted that in a war the East Germans would fight for the Russians.

There is no doubt that the members of the *Bundestag* who are now called upon to vote for or against the European Defence Community are in an appalling dilemma. It is impossible for them to be quite sure that the EDC will help and not hinder the reunion of Germany without war. Memories of a totalitarian regime and signs of reviving nationalism are too clear for any man not to hesitate before placing himself on record in support of a measure that may some day be denounced as treachery. It is natural that, in this predicament, members of the *Bundestag* should want to feel assured that no acceptable alternative to the EDC exists. For this reason, despite Dr Adenauer's desire to secure ratification of the treaties without delay, the Western powers will be under increasing pressure to invite the Soviets to negotiate on free elections and the formation of an all-German government.

* * *

Mr Gromyko Comes to Town

The appointment of a diplomat who has risen so high in the Soviet hierarchy as Mr Gromyko to be Soviet ambassador in London is an action flattering to this country. It suggests that the London embassy is regarded as a key post and that the Kremlin attaches great importance to its relations with Britain. If it were only a matter of improving these relations and of relaxing the tension which has recently existed, it could be nothing but a cause for satisfaction that so able and experienced a representative should be sent to London, and any signs of a genuine Soviet desire for a *détente* with the free world will certainly evoke a ready response in this country. But unfortunately there is ground for a suspicion that Soviet policy is now intensifying its effort to detach Britain from America and disrupt Nato solidarity by gestures designed to encourage neutralist tendencies on this side of the Atlantic.

Since the Moscow economic conference it seems that the Soviet propaganda appeal in Western Europe has been emphasising no longer "peace" so much as the "freeing of international trade," meaning concretely, agitation for breaking through the ban on the export of strategic materials to Communist countries. The planners of policy in Moscow are well aware that nothing has recently evoked such ill-feeling against Britain in America as real or alleged British trading contrary to the principle of withholding supplies from the Soviet bloc's war potential, and that nothing would exacerbate this feeling so much as British nibbling at the kind of bait dangled before an export-questing Britain at the Moscow economic conference. Equally the Soviet leaders are aware that nothing is so likely to stimulate anti-American feeling in Britain as the growth of a conviction that trading relations with Eastern Europe or with China which might be of great benefit to the hard-pressed British economy are being thwarted by American interference. The appeal for freer trade and for "business without ideology" (which the Communists themselves, of course, never mix) has the advantage that it attracts not only the political Left but also industrial and commercial interests which are normally immune to Communist propaganda.

It may be that it will be part of the task set to Mr Gromyko by his government to work on the economic hopes and fears of Britain for Soviet political ends; he would be well fitted for such a role, for, although better known as ambassador in Washington, delegate to the United Nations and Soviet assistant foreign minister, his early career was in the economic field. He will be personally welcome in London as his country's diplomatic representative, but after so much bitter experience of Soviet tactical manœuvres in recent years, nobody should be surprised if it turns out that a Trojan horse has been included in his luggage.

* * *

Jets for Food

Mr Menzies's visit to London has, from all accounts, been a success. The discussions ranged over a variety of topics from import cuts to Nato. Conversations at this level have happened before and the results have often been disappointing. But this time the prime ministers of Britain and Australia have concentrated on what has been the weakest link in the economic chain binding the two countries together.

Once upon a time the two economies were complementary, with Australia providing primary products—and in particular food—and Britain sending in return manufactured goods. But this relationship has changed. Australian food production has declined and its output of manufactures has increased. It has even begun to build Canberra jet bombers and other modern types of jet aircraft as well as jet engines—at much higher cost than they can be produced in Britain—while the labour for these new factories has been drawn from the countryside. Britain, on the other hand, because it could not import a sufficiently large quantity of food, has had to expand its agricultural production, also at great cost to itself. The essential result of these new talks between Mr Menzies and Mr Churchill is that Australia will now concentrate on increasing its food production while Britain will supply Australia with defence equipment.

If this is the first real move towards making the two economies once more complementary, it will be an achievement of great political as well as economic significance, for the political ties within the Commonwealth rest in part at any rate on economic relationships. Mr Menzies, in his statement, said that it should be possible to improve "in some respects the situation caused by the Australian import cuts." This again is a move in the same direction. But this reversal of policy cannot happen overnight. Australia is at the moment confronted with a meat shortage, chiefly because of the drought in the northern territories, and it will take years to build up herds to the requisite size. So long as the Australian Government takes the initial steps to make agriculture a flourishing industry, the British public can wait with confidence. But Australia must not be surprised if optimism in Britain is at the moment tempered with doubt, for Britain has already experienced the signing of a fifteen-year meat contract without seeing even a glimmer of hope that larger meat exports will be forthcoming.

* * *

Fares and Governors

The controversy about passenger fares was duly rounded off by the Minister of Transport on Monday. On the Government side there was obvious relief at being rid of the matter, which has certainly provided one of the least happy incidents in the Government's domestic policy. The Minister announced that the Transport Commission had agreed to cut, at a cost of nearly £2 million, the increases in fares that were proposed for the provinces and were already operating in London. The reduction has been achieved by preserving substandard fares, and Mr Lennox Boyd claimed that this removed the "gross anomalies" in the Commission's revision of fares. In fact, of course, the gross anomalies existed before, the Commission was trying to remove them, and the Government has insisted on preserving them. But whether right or wrong, the changes the Government has made are certainly too small to justify the fuss created for both the Transport Commission and Parliament. A Government that knew its own mind on general policy would never have wasted time on this small issue. Both sides at Westminster are heartily sick of the whole affair, and it will no doubt be hastily buried.

The other immediate issue of domestic controversy—the future of the BBC—also seems now to be fading. The proposed new charter for the corporation has been published, and the Labour party intended to attack it again next week. The emphasis of the attack was to have been shifted from sponsored television to the committee that the Government proposed to make responsible for appointing the governors of the BBC. At present the government of the day is responsible. There should be general sympathy with the Conservatives' aim of taking the appointments out of politics. But Mr Morrison last week voiced Labour's vehement opposition to the proposed committee, which was to have included the Speaker. He argued, that it would bring the Speaker into politics—for the choice made by the committee would be open to public criticism—and that at an important point it would sever Parliament's ultimate control over the BBC.

No piece of machinery, however well-intentioned, can in itself ensure that a matter of this kind is taken out of politics. That depends on the will of both sides of Parliament to avoid controversy. When the scheme has aroused so much controversy, the non-political members of the proposed committee were plainly right to ask to be excused, and the Government on Thursday retreated gracefully from the proposal. But it seems rather a pity to return to the present arrangement. A possible compromise would be to leave the responsibility of appointing the governors in the hands of the Government, but to require it to consult an advisory council consisting of five or six distinguished holders of non-political offices.

* * *

Progress with Town Development

The aim of the Town Development Bill, which has now had its third reading in the House of Commons, is to make it easier for people to move from the area of one local authority to another. Such movements may be very large during the next twenty years. The Bill is intended to promote co-operation between the "exporting" authorities, which are mainly overcrowded county boroughs, and the "receiving" authorities, which are numerous small (and often poor) county districts. It has been amended to enable county districts adjacent to the County of London or to "another big centre of population" to share in the benefits of the Bill as exporting authorities. This should meet the point that there are a number of minor local authorities, in Middlesex, Essex, Lancashire, and elsewhere, which have a surplus population.

The main doubt about the Bill is how effective it will be. Its effectiveness will depend on two things—on how much Exchequer aid is forthcoming to assist development by "receiving" authorities, and on how freely the Minister uses his powers to compel dissentient authorities to reach an agreement. On the first point, Mr Macmillan has rightly insisted that the money available will be strictly limited. The modest success already achieved by the joint action of local authorities in Lancashire shows that schemes of this sort can be operated without central aid or compulsion. But the scale on which co-operation between local authorities will be necessary has not yet been realised.

The development plan for Staffordshire provides a good illustration of this point. There are 35 district councils in the administrative county. No less than 28 of these are intended under the plan to absorb "overspill" population coming from Wolverhampton, Walsall, Dudley, Birmingham, Stoke-on-Trent and other congested towns. The total transfer of population over a twenty-year period, if the scheme is implemented, will be 171,000. This means that over a quarter of the new houses built within the administrative county would form part of "overspill" schemes. So large an operation will strain the present framework of local government to its limits. It must be doubted whether, even with the Bill's aid, so many minor authorities will be prepared to undertake development on such a scale. It might perhaps be more effective, and cheaper to the Exchequer, to reorganise the local government system than to try to paper over its inadequacies with measures of this sort.

* * *

Bipartisan Agriculture

The debate on agriculture in the House of Commons last week was disappointing. Both the present Minister and his predecessor took pains to emphasise the bipartisan nature

of agricultural policy. Mr Tom Williams did insist that the fall in some branches of production in the last two years could not be blamed on inadequate prices, but this year he thought it was right to give the farmers higher prices. He approved the details of the recent price settlement, except for a warning that the various producer subsidies were a dangerous target for Treasury economies at some later date, a thought which caused him alarm.

He left the present Minister, Sir Thomas Dugdale, with no case to answer. The only discordant note was struck once again by Mr Stanley Evans, whose objection to the annual price review was that it tucked farmers up in their feather bed with unfailing regularity. Mr Evans's best point was that the Government's policy, by providing far too many inefficient farmers with an assured living and security of tenure, is preventing any real influx of new ability into the industry. His speeches give a necessary prod to the "bovine complacency" of the two Front Benches, but he spoils his case by exaggeration.

The Minister did admit that the present system of fixed prices, coupled with state purchase, has certain defects. It is, in fact, clearly inconsistent with the return to a freer economy towards which "the Government are most anxious to move as rapidly as we can." Sir Thomas did not explain how the Government guarantee to agriculture would be administered under such changed conditions. His general idea is apparently to restore the powers of producer-controlled marketing boards, coupled with stronger safeguards for the public interest. But it is surely clear to other members of the Government, if not to the Minister of Agriculture, that no producer board can be allowed to administer large public subsidies, whatever the safeguards. Is it the Government's intention, then, to eliminate subsidies more or less completely? The truth is plainly that no serious thought has yet been given to the nature of agricultural policy in a freer economy.

* * *

The *Rose Mary's* Test Run

Failure has attended the adventure of the tanker *Rose Mary*, which was, simultaneously, an attempt by merchant adventurers of the oil world to turn the Anglo-Persian dispute to account, by channelling oil on to the world market at cut prices, and an attempt by the Persians to snap their fingers at courts of all kinds, saying: "See! we can sell our oil." The *Rose Mary*, a small vessel of only 632 tons, started the week in the Indian Ocean set on a course from the Persian Gulf to an Italian port carrying 780 tons of Persian crude oil. It was pounded with command and counter-command from its owner—a naturalised Swiss named Rizzi—and its charterer, an Italian oil firm called EPIM which intended to deliver the oil, after refining, to the Swiss oil firm of Bubenberg.

At the back of Signor Rizzi's commands to put into Aden was the Anglo-Iranian Oil Company, which, though it recognises Persia's basic right to ownership of Persian minerals, is able to point in Article I of its concession to a grant from the Persian government of "the exclusive right, within the area of the concession, to search for and extract petroleum as well as to refine or treat in any other manner and render suitable for commerce the petroleum obtained by it." At the back of EPIM's contrary orders to make straight for Italy were a band of interested tanker owners of several nationalities, all of them ready to buy or charter more vessels if oil on the cheap was to be had without litigation. The captain, who professes not to know that he was carrying legal dynamite, finally obeyed the Rizzi order to put into Aden. There, the Anglo-Iranian Oil Company has obtained through the courts a temporary injunction to prevent the removal of the oil from Aden, pending litigation.

Two law suits are bound to follow, one between the owner and charterer, the other—of far more general interest—between the company and agents who have bought oil which, if it came from within the concession, is the company's property. The Persians, if they wish to contest the company's argument, must now put their case to a court. The case against them is not that they have nationalised their oil, but that by the manner in which they have done so—that is, by tearing up an agreement and then selling the fruits of that agreement without breath of compensation—they have jeopardised the whole framework of international commercial dealings. The only other European company so far to buy Persian oil, a firm which bought 32 tons when its vessel the *Issa Vigo* ran out of bunker fuel in the Persian Gulf—put itself on the right side of the law by paying the Anglo-Iranian Oil Company in sterling for the transaction. If it also paid the National Persian Oil Company, and therefore paid twice, purchases of Persian oil are not as profitable as the low price now being quoted by the Persians would at first lead one to suppose.

* * *

No Fanfares at Alexandria

As a slogan, "the unity of the Nile Valley" sounds splendid. The one requirement for clothing it with meaning is that the Egyptians and the Sudanese shall agree on the practical arrangements it shall entail. No one is stopping either party from proposing such arrangements. Yet none have so far emerged from the direct talks which ended last week at Alexandria. These went off in an atmosphere of goodwill and harmony. Generalities flowed on such subjects as cultural unity and sharing the Nile waters; there was friendly chat on the thornier topic of economic links between two neighbours whose economies in fact compete more often than they dovetail.

Perhaps it is early to expect results. The Egyptian participants were government representatives and were in a position to take national decisions; those from the Sudan, on the other hand, were not, for they represented one party only, the Umma party. Yet this party is, of those in the Sudan, one of the most averse to a spread of Egyptian influence. Therefore the atmosphere achieved is a pointer to the possibility of thrashing out, ultimately, a fairly wide measure of agreement between Khartoum and Cairo on common economic and cultural interests.

The political picture offers no such prospect, and accounts for Egyptian silence on the result of the talks. The Egyptians maintained their demand for recognition of King Farouk's title to kingship of the Sudan, as an umbrella beneath which the Sudanese were to rule themselves. Egypt seems to attach importance to this point because, by denouncing the condominium in order to get rid of Britain, it has cut its own official painter with the Sudan, and would like another. But the Sudanese were unresponsive. The Umma party is not alone in feeling nervous of a neighbour who, only last autumn, laid claim to run the Sudan's finance, defence and foreign policy and has never rescinded that claim. It has lately been expressing to Arab governments its view that they disregard Sudanese opinion if and when they recognise King Farouk's double title, as most of them have lately done. No one in the Nile Valley is good at compromise; if Egypt sticks to its thesis about title, an independent Sudan seems inevitable.

* * *

The Japanese Play Fair

The recent arrival in London of Mr Shunichi Matsumoto, the first Japanese ambassador since the war, has a considerable economic, as well as political, importance. For the moment, indeed, the economic aspect of British relations with the new Japan is paramount. It is true that

Japan, with Germany, is one of the most crucial battlefields of the cold war, but the conduct of the struggle there lies primarily in American, not British, hands. For Britain the most practical problem of the next year or two will be to come to terms with Japanese commercial competition and to evolve new Anglo-Japanese sterling arrangements that are at once harmonious and realistic.

Fortunately, Mr Matsumoto has come to London with instructions to do all in his power to establish a good name for Japan in international trade. Although it is not always realised in Britain, the government in Tokio has already taken a number of steps to prevent the abuse of foreign designs and copyrights, and it has on several occasions expressed its desire to co-operate with the British authorities in this respect. The Japanese patent office has been instructed to take up any complaints made against Japanese firms for infringement of trade marks and designs registered in Japan. And the government has now prepared a further Export Trading Bill dealing by law with many aspects of unfair practices adopted by Japanese exporters. It is understood that, once a clear case has been made out against any Japanese nationals, the government in Tokio will take firm action.

There may well be doubts about either the effectiveness or durability of anything that the Japanese government may be able to do in pursuit of its present policies. But the proof of the pudding is in the eating. And if the Japanese are in fact making, on an official level, the genuine and serious efforts to ensure fair trading that they appear to be, it is up to British traders to give them every assistance. The process is bound to be laborious since it means the registration in Tokio of a vast variety of patents and other designs. But the channels are now open for this purpose and they should be given a real trial, even if this means evolving new forms of British business organisation for the purpose. In economic, no more than in military or political affairs, is it fair to condemn the new Japan just because it succeeds the old?

* * *

The Horse Trade

The *Manchester Guardian* has made a deep impression by its recent series of articles on the trade in Irish horses. The response in this country has been a renewed wish, which has found expression on both sides of Parliament, to make sure that animals slaughtered in this country endure no unnecessary suffering. There has been more varied comment in Ireland. Our correspondent in Dublin points out that the present trade has grown, in postwar circumstances, out of the traditional export of working horses from Ireland. Trade returns show that in 1938 some 9,390 horses (excluding racehorses) were exported at a value of £837,071. The numbers have grown to 29,331 in 1949; 22,488 in 1950 and 35,740 in 1951. The trade was valued at £3,128,486 in 1950. In the first four months of the present year, 12,382 horses were permanently exported; of these, about 7,800 were sent to France and Belgium and about 4,300 to the United Kingdom.

In the past the sole responsibility assumed by the Irish authorities has been to ensure that no animal is shipped that is unfit to travel and that the ships carry adequate supplies of fodder and water. The investigator for the *Manchester Guardian* found no fault with the discharge of these functions. The suffering comes from the sea voyage, particularly the long voyage to France, and from the manner of slaughter. Conditions in the *abattoir* in Paris have now been made notorious, but they should not be allowed to obscure what happens elsewhere. And whatever is done to improve them, the suffering to which the horses are exposed in transit remains.

From time to time people have urged that the Irish Government, being necessarily powerless to supervise the trade beyond its own ports, should prohibit it. Our correspondent emphasises that the chances of this drastic step being taken are not improved by the added suggestion that horses should be slaughtered and canned in Ireland. The refusal of successive Irish governments to permit this is not the consequence of mere indifference or complacency. A trade in horseflesh for human consumption would certainly be enormously profitable for the exporter; but it might very quickly lead to confusion with the present trade in Irish meat. This point cannot be lightly brushed aside, yet it surely ought not to preclude any remedy. Could not the Government's powers of inspection be sufficiently rigorous to ensure that beef and horseflesh are segregated and that the reputation of the existing meat trade, in no way damaged?

These issues are not at all novel to the Irish public. The Irish societies for the prevention of cruelty to animals have raised the matter many times. It was discussed again in the Dail this week; the arguments did not get an altogether coherent answer from the Minister for Agriculture. His refusal to stop the export trade in horses need not be taken as final. On the other hand, it should be realised that too much expression of public feeling in this country will make some Irishmen doubt whether it is disinterested and cause tempers to be lost on both sides—while the horses continue to suffer.

* * *

Scarcity of Schoolmistresses

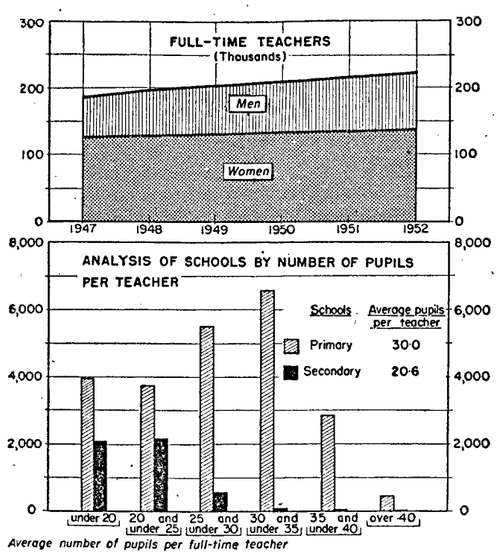
The Ministry of Education's report for 1951* shows that the real crisis in education is not so much the Government's prescription of economy as that not enough girls

* Cmd. 8554. HMSO. 6s.

want to be schoolmistresses. Nearly two-thirds of all the girls who stay at grammar schools until they are eighteen, and who do not go to universities, have been entering training colleges. But this is not enough to fill the training college places—1,300 out of 8,000 places available next autumn have still to be filled; and it is not nearly enough to fill the growing need for teachers, as the children born just after the war crowd into the schools.

The situation is the more serious because the present rate of recruitment—producing over 3,000 extra women school teachers in 1951—cannot be kept up. It was swollen by the emergency training scheme, which provided more than 23,000 men teachers and nearly 12,000 women teachers before it came to an end last year. The Ministry has had to "ration" women teachers to the local authorities. Two-thirds of them, however, have not succeeded in getting their allocation, and they have been told to employ men whenever they can.

The spectacle of male "dilutees" may afford some satisfaction to the feminists, but they will take it the more hardly that women teachers do not get equal pay. An obvious step, *ceteris paribus*, would be to make the profession more



Average number of pupils per full-time teacher

attractive financially. But women teachers could not be given equal pay without giving it also to the civil service—where the case for equal pay is certainly less strong when set beside the need for economy. In any case, although better pay might help recruitment, its present level is not the reason why schoolmistresses are scarce. The salary range in primary and secondary schools is £338 to £504, with additions for graduates and for those with special responsibility; and a new cost of living award of £32 for women (£40 for men) will be paid from July 1st. These rates of pay may be little better than wages in manual work, but they compare favourably with most other salaried occupations for women. The salary scale for men, on the other hand—ranging from £375 to £630 a year, again with additions—compares badly with men's salaries as a whole. Yet, if there is a shortage of schoolmasters it is only just beginning to be felt; the only real shortage so far has been particular—the lack of men, as of women also, to teach science and mathematics. Perhaps the real trouble is that for women the teaching profession has the reputation of creating spinsters. The Ministry of Education might think hard about recruitment propaganda.

Maintaining a Patient

The cost of the hospitals is mounting steadily; but hitherto it has been hard to say whether there is undue waste in hospital spending because, as the Select Committee on Estimates pointed out last year, the only hospital accounts that have been published have been in a summarised form and useless as a means of comparing one hospital with another. For the last two years the Nuffield Provincial Hospitals Trust and King Edward's Hospital Fund for London have been undertaking a complete unit costing of a number of representative hospitals. In the light of these experiments, some form of costing suitable for hospitals will eventually be adopted. In the meantime, a simple form of cost analysis has been introduced, and the first returns based on it were published by the Ministry of Health last week (HMSO, 10s.).

The returns, which give figures for each hospital management committee in England and Wales, divide the hospitals into different types: wholly general, mainly general, maternity, chronic, mental, and so on. From the costs under different headings such as provisions, staff, drugs and dressings, and so on, which are divided into running charges and standing charges, a figure has been worked out for the "total inclusive net cost per week of maintaining a patient." This figure has then been adjusted by eliminating, first, the cost of out-patient departments, which is done by assuming that five out-patient attendances equal one in-patient day, and, second, the distorting effect of beds which are staffed but not occupied.

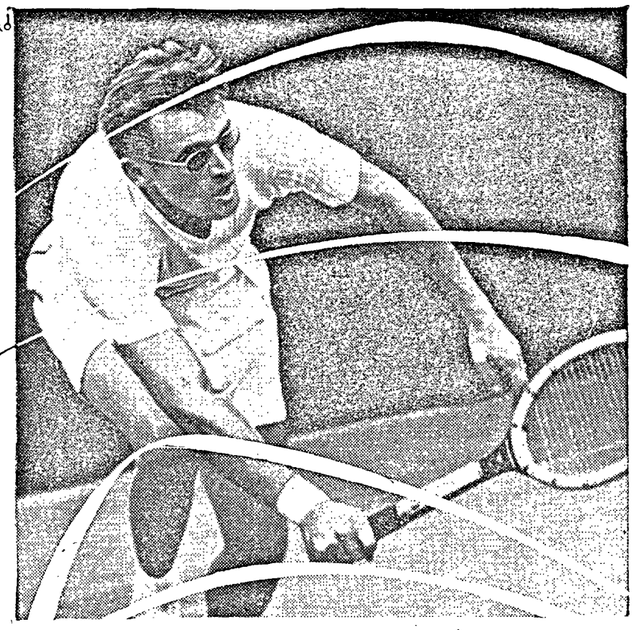
The Ministry of Health considers that in order to compare the cost per patient—either between hospitals of the same type or between one type and another—the figures adjusted for out-patient expenditure provide a reasonable basis. If so, some fascinating contrasts emerge. The national average cost per patient in a wholly general hospital is £13 10s. 3d. a week, but the regional average varies from £11 10s. 3d. in Liverpool to £17 0s. 8d. in the north-west metropolitan region. The low cost, comparatively, of maintaining a patient in a mental hospital or mental defective institution (between £3 10s. and £4 a week) is mainly due to their low proportion of staff to patients. Similarly, teaching hospitals, which have a high staffing ratio, show a higher cost than non-teaching hospitals, particularly in London. But why does a comparison of, say, Bart's and the London Hospital show a difference of £7 10s. a week in favour of the London? Proper unit costing, when established, may show discrepancies like this to be justifiable. In the meantime, the new returns justify the discrepancies being pointed out.

* * *

Shocks for the Swedes

The Russians seem to feel that in their dealings with their "neutral" neighbour, Sweden, they can go as far as they please. Their shooting down of an unarmed Swedish flying boat on Monday was no isolated incident. Since 1948 they have systematically seized any Swedish fishing vessel that neared the southern or eastern shores of the Baltic, even if it was well outside the twelve-mile limit which the Russians claim. Stockholm's protests at this practice have been rebuffed or ignored, and Swedish proposals that the matter should be referred to the International Court have elicited only a curt statement that it was a purely Soviet concern. Meanwhile the arrest and trial of a number of Swedish Communists have revealed that over the past few years the Soviet Embassy in Stockholm has obtained very full details of Sweden's sea, air, and land defences.

Early this month, without, apparently, giving the customary warnings of its intentions, the Soviet fleet and air force began extensive manœuvres in the Baltic, not far from the Swedish island of Gotland; and it was during these manœuvres that a Swedish Dakota aircraft disappeared, with



The legs rush him up from the base-line. The shoulders stoop into the stroke. The right forearm tenses. The left arm balances the body. The racket is held square for the classical low backhand volley. The eyes can all but read the maker's name on the ball. ***It all adds up to*** Game, Set and Match to Frank Parker.

GREAT INTEGRATION

The member companies of A E I work by themselves, and as a group.
That is the policy. As a group, Associated Electrical Industries spend
a million pounds each year on research and run the only industrial
School of Physics in the country. Integration of the different companies means
real rationalisation of production, the pooling of knowledge,
of experience, of resources. It means *co-ordinated effort* for the public good.

These are the companies of A E I
Metropolitan-Vickers Electrical Co Ltd
The British Thomson-Houston Co Ltd
The Edison Swan Electric Co Ltd
Ferguson Pailin Ltd
The Hotpoint Electric Appliance Co Ltd
International Refrigerator Co Ltd
Newton Victor Ltd
Premier Electric Heaters Ltd
Sunvic Controls Ltd

it all adds up to A E I

Associated Electrical Industries

the loss of eight men. The flying boat which, while searching for the lost Dakota, was shot down three days later was well out over the open Baltic, near enough to the international shipping routes for its crew to be rescued by a ship bound from Germany for Finland; but this did not save it from unprovoked attack.

These events took place a bare ten days after Hr Unden, Sweden's Foreign Minister, had assured his people that there was still room for neutral nations in a divided world. Some of his compatriots, however, are inclined to feel that, in the face of a truculent and mighty neighbour apparently intent on making the Baltic into a private pool, an "alliance-free" nation is not so much unfettered as unclothed.

* * *

Schuman Pool Preparations

It is two years since the French Foreign Minister, M. Schuman, first put forward his proposals for the pooling of West European coal and steel. It is twelve months since the draft treaty of the Schuman Plan was signed by the Foreign Ministers of the six participating powers and sent on its way through the Parliaments of the member countries. With the ratification by the Italian Parliament last week, the process was completed and it has been announced that the Plan is expected to go into operation next month.

The six Foreign Ministers will meet shortly to consider the preparatory work completed last week by the Interim Committee in The Hague. Their first task is to name the eight members of the High Authority, the executive organ of the Schuman heavy industrial pool, and then to decide where the body is to make its headquarters. They must also choose a site for the other institutions of the Plan—the Assembly and the Court of Justice. Should all three major bodies be located in the same city to form a kind of "European capital," or is something to be gained by dispersing them throughout the six member countries? This question is proving so difficult that it will probably be given only an interim answer.

Ratification has come not a moment too soon. Some of the parties to the Plan have used the delay to carry out what might almost be called "rigging" in preparation for the new single market. Both the Germans and the French have lost no time in appearing before the Steel Committee of the Organisation for European Economic Co-operation with grandiose plans for the expansion of their national steel industries. If they gain the approval of the Steel Committee, they no doubt hope to present the High Authority with a *fait accompli*. In fact, the planning of investment in steel production—in order to secure its most economic location—was to be one of the Authority's main responsibilities.

The High Authority may also be confronted with another intractable obstruction which if not removed would make nonsense of the Schuman Plan. As one condition of the Plan, the Bonn Government had promised to use the interval to disband the German monopoly coal-selling agency. For twelve months they have stalled. The dying act of the Occupation Powers was to demand once again the abolition of the agency, but the Germans have done little beyond appointing experts whose advice they show no inclination to take. The only alteration they have suggested amounts to another cartel under a different name.

* * *

Rates of Pay by Order

The High Court has now given two decisions on the Industrial Disputes Order, 1951, one shortly after the order came into force, the other last month. Between them, they clear up several uncertainties. The 1951 order replaced the notorious order which imposed, in effect, compulsory arbitration on industry and made strikes illegal. The new order brought into being the Industrial Disputes Tribunal and gave it two main fields of activity. First, it was to be the tribunal to which industrial disputes are referred; an industrial dispute being a dispute between workmen and employer. Secondly, it was given power to determine as an "issue" whether an employer should be compelled to observe a nationally negotiated agreement for the terms and conditions of work in his industry.

The first case heard by the High Court was that of the South Shields town clerk, whose Corporation refused to follow the increased scale of pay recommended by the organisations representing local authorities and their employees; the town clerk, through his association, claimed that an industrial dispute had arisen in consequence. The court held that this was not an industrial dispute because a single town clerk cannot be "workmen," which is the word used in the definition of an industrial dispute in the 1951 order. In other words, a dispute between a single individual and his employer was outside the scope of the order. The second case dealt with an "issue," not a "dispute." The National Union of Journalists claimed that a London suburban newspaper was not paying the minimum rate of pay agreed between the union and the Newspaper Society, representing employers. The proprietors replied that they were not members of the Newspaper Society and therefore not bound by the agreement. In response, the union claimed that an "issue" had arisen under Article 2 of the order and requested the Minister to refer it to the Industrial Disputes Tribunal, which he did last November. The employers asked the court to declare that the tribunal had no power to hear the complaint. The court decided otherwise; this, it said, is exactly the circumstance with which the order sets out to deal.

The effect of the two decisions is to make it clear that, while a single employee cannot create a "dispute," he can create an "issue" and that the result of the issue may be an order by the Minister declaring that all employers in an industry must adhere to the scales of pay laid down by a national agreement, whether they are members of the negotiating associations or not. Freedom of contract over terms and conditions of work is a one-way street.

* * *

Economics in the Jungle

"The economic problems of the monkey population in Sierra Leone" was the title of a paper by Messrs A. F. McKenzie and T. S. Jones, which was read to the Royal Zoological Society on Tuesday. The problems disclosed should arouse much sympathy, particularly perhaps among readers of this journal. Evidently the monkeys are pushing their disconcerting resemblance to man a stage further. By now they too are probably haunted in their individual lives by their collective anxieties. No doubt they have a Yawning Gap and pep talks about standing on their own feet. Deforestation has perhaps led to a housing shortage and disinfestation to unemployment among the older monkeys. Is the cream of the population emigrating to Regent's Park? Or has its rate of increase outstripped resources?

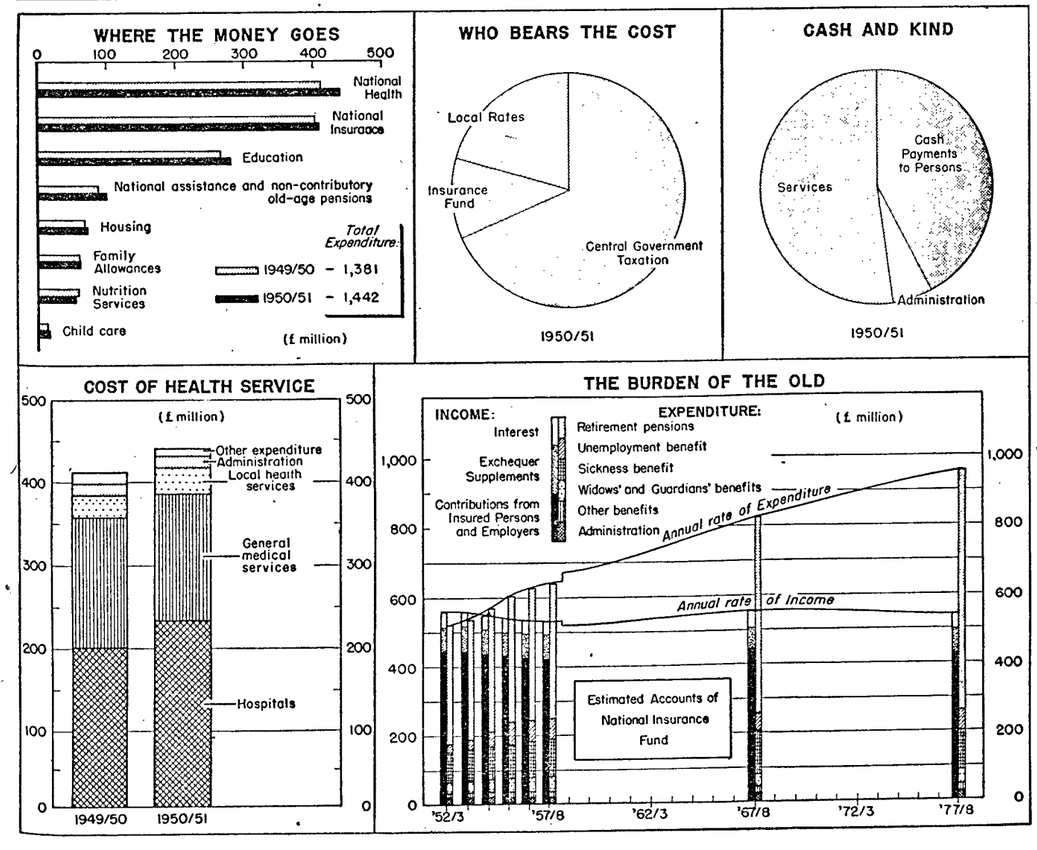
The paper showed that the population increase is indeed the trouble, but the economic problem is man's. Mainly because of the shortage and high cost of ammunition the monkeys have multiplied exceedingly. In their numerical strength they have lost their fear of man, and they have become extremely fond of cocoa. To check their depredations, the native is offered a decapitation fee of 6d. for every monkey's head. This should save the monkeys from the neo-Malthusian fate that is predicted for their assassins. But it is an unjust world in which a fondness for cocoa can lead to such an untimely end.

Social Service Expenditure

The May issue of the *Monthly Digest of Statistics* gives the most complete official figures on social service expenditure that have appeared since the war. What is a social service is always debatable, and there is some cause to dispute the analysis in the *Monthly Digest*. It includes expenditure on war pensions, but it omits the food subsidies except for the milk and welfare foods scheme. The official definition of a social service is apparently expenditure on benefits for a limited number of people; food subsidies, from which everyone benefits all the time, are therefore excluded. But to say that everyone benefits from food subsidies merely underlines what a wasteful form of social service they are. Whether grants to universities should be considered social service expenditure is also debatable. *The Economist* normally includes them in the cost of education, whereas the new analysis omits them.

Although too many details would blur the picture, under some headings the Central Statistical Office might consider giving a few more. In the analysis of expenditure on education by the local authorities, for instance, it would be useful to distinguish expenditure on primary and secondary schools. There is also a case for giving separate figures for recoveries from users of the social services. Under housing, a figure is given for rents received, which is valuable. But under other headings recoveries have been set off and only the net expenditure given. Particularly now that charges have been introduced in the health service, it would be of interest in future returns to see how much they yield in proportion to total costs. On the whole, however, there is every reason to congratulate the Central Statistical Office on the new return, which offers a ready guide to social service expenditure. The distinction of capital from current expenditure is valuable, and the information on the cost of housing is much more complete than anything readily available elsewhere. Another useful feature is the separation, in every case, of the cost of administration.

The first three diagrams below illustrate some of the information given in the tables. (The cost of both war pensions and food subsidies has been excluded.) The fourth, giving the estimated income and expenditure of the national insurance fund in future years, has been issued by the Ministry of National Insurance in an attempt to bring home to the public at large the mounting cost of old age pensions. In this connection, it should be pointed out that the *Monthly Digest's* figures, being concerned with expenditure only, do not show the surplus that is accumulating in the fund at present when income is still exceeding expenditure. The second diagram, therefore, which shows how the money for the social services is raised, does not give the total amount paid in national insurance contributions; it merely shows that part of them which is actually spent. The third diagram distinguishes social service expenditure that provides income to the recipient—such as insurance benefits, assistance payments, family allowance, scholarships, etc—from direct expenditure by the state on services like schools, hospitals and other medical services.



Letters to the Editor

Export Markets for Cars

Sir,—Your interesting, if disheartening, article in *The Economist* of June 7th, makes one assumption which we in the motor industry regard as unjustified, and a suggestion which, if your assumption is in fact correct, might have the effect of leading to the gradual extinguishing of this great export trade.

The assumption is that overall car exports are likely inevitably to fall. While it is true we shall have to work for markets in the way with which we were familiar before the war, and while the larger and more expensive cars (handicapped at home by purchase tax) may encounter difficulties, many leaders of the industry are convinced that we can not only hold but expand our export markets.

Nobody would quarrel with the suggestion that the Minister should use available steel to the best advantage, nor are we an industry that wishes to be "feather-bedded." Moreover, we have demonstrated our capacity to contribute to the nation's overseas need. The underlying suggestion, however, that if, for any reason, and at any particular period, the industry is not able to sell a high percentage of its products abroad, it should be proportionately starved of steel and other materials in short supply, is despairing to the point of being dangerous.

One of the reasons which causes our prices to remain high (quite apart from the non-existence of a large secure home market, such as enables the Americans to spread their overhead costs so effectively) is the fact that, due to steel and other material shortages, our factories are running at an average of no more than 60 per cent of capacity. This, when combined with ever-increasing labour and material costs, is inevitably reflected in the price of our vehicles. Indeed, the industry can, I think, take pride in the fact that in spite of these handicaps it has been able to keep its prices so comparatively low, and remain competitive in world markets.

The suggestion that whenever the industry runs into difficulties in selling its vehicles abroad there should be a consequent cut in steel for the benefit of "other industries that could use it more profitably" can only mean setting up a vicious circle, for the consequent lower production would mean higher prices. Higher prices would mean smaller exports, smaller exports would be penalised with lower production and so *ad infinitum*. The motor industry having once established itself in overseas markets, will, and must, stay there —whatever temporary vicissitudes it may suffer here or there. It is disturbing to our customers, harmful to our prestige, and dangerous to our balance of payments position to hint at restricting the industry every time there is a seasonal, local or temporary recession of trade.—Yours faithfully,

WILLIAM ROOTES

London, W.1

Which Law for Korea?

Sir,—Any collection of 100,000 or so prisoners of war will contain some deserters, though it is quite illegitimate to assume that none of them want to return to their homes after the war. How many deserters there are, nobody knows, for the reasons I gave in my first letter. Nor have we heard of any American estimate of their numbers, valueless though this would be.

Every man freely choosing to leave his country is not automatically a claimant for political asylum, though every such claimant must have made a free choice.

It is not my province to judge whether it is ungenerous to want the Korean war to end with the greatest despatch, the least further sacrifice of human lives and happiness, and the maintenance of an international convention which protects all prisoners of war, including our own. —Yours faithfully,

E. J. HOBSBAWM.

King's College, Cambridge

Mr Butler's Finance Bill

Sir,—In preparing my estimate of the number of families who are losers under the Budget I made an assumption which I should have made explicit. I did not "forget" about the old age pensioners and others who are to receive increased benefits but I assumed, with some reason, that very few of these people have incomes large enough to bring them within the purview of the Inland Revenue. The tax exemption limit in 1949-50 was £135 per annum while the retirement pension of a single person in that year was £68; of a married couple £109. Some pensioners, it is true, received supplementary grants from the National Assistance Board and others added to their pensions by part-time work; but there must have been very few, if any, whose assessable income in 1949-50 exceeded £135.

These considerations dispose of 4,600,000 of your list of 5,900,000 people likely to benefit from the Budget. (They represent, incidentally, only about 3,600,000 "incomes," since about two million of them are husbands and wives each drawing pensions.) For the rest, one must admit that there were probably some widows, unemployed and sick not already excluded from my estimate whose incomes exceeded £135 per annum; but not many. And against these must be set the persons who are not entitled to any benefits but whose incomes in 1949-50 were below the exemption limit. I doubt, therefore, if there is much net overlap between the 6 million families that I estimated to be losers under the Budget and the beneficiaries to whom you drew attention.

I was, however, in error in describing these 6 million families as "about one-third" of all families. If the married couples and single persons with incomes below the exemption limit are included, it appears that there are now between 24 and 25 million separate "incomes" in the United Kingdom; of this total, 6 million represents about a quarter.—Yours faithfully, H. F. LYDALL

Oxford

[There is obviously room for different opinions about how many of Mr Lydall's "losers" become beneficiaries when increased pensions and other benefits are taken into account. Since there seem to have been about 5,400,000 people outside the purview of the Inland Revenue in 1949-50, this group cannot absorb the 5,900,000 beneficiaries as completely as Mr Lydall suggests. There are other complications, but it seems to us likely that on balance the number of real losers should be put at 4 million rather than 6 million. These uncertainties do not affect the main point. The proportion of incomes reduced by the budget is not, as the Economic Commission for Europe alleged, a half; it is a minority of, at most, less than a quarter, and more probably of a sixth.—EDITOR.]

More About Sponsored Television

Sir,—On page 730 of your last issue you stated "The motion approving the White Paper was carried . . . with Labour and Liberal solidly against it. . . ."

The voting list recorded in Hansard shows that such Liberals as were present, including the Liberal Chief Whip, voted with the Government. Surely this is in accord, not only with Liberal tradition, but also with the evidence submitted by the Liberal Research Group to the Beveridge Committee, in which they stated: "Liberals are bound to entertain serious objections to the exercise of monopoly in vital instruments of ideas such as broadcasting and television."

I believe it would be wrong to say that any political party was "solid" on this issue, and certainly the Labour party would not have "voted solidly," if the evidence that this party and the Fabians submitted to the Beveridge Committee is representative.

A recent Gallup poll by a national paper showed that 63 per cent advocated some competition to the BBC. It is true that since the poll was taken, those closest to the BBC, ex-governors and members of their General Advisory Council, have fought a most vigorous campaign in the press and the House of Lords. In spite of this, I think a free vote of the House would have produced a result very similar to the Gallup polls. Notwithstanding the occasional inaccuracies in the free press, which for a hundred years has been sponsored by advertisers, the majority of us would fight to uphold it. We feel the moment is ripe to begin applying this same principle to broadcasting.—Yours faithfully,

C. I. ORR-EWING

House of Commons

[We apologise for our mistake about the Liberals. We do not think that Mr Orr-Ewing is justified in assuming that all who oppose monopoly in broadcasting approve of sponsoring.—EDITOR.]

Fly round the world on one ticket by British airlines

Have the world literally "at your feet" for just over £500 — the cost of a special round-the-world concession ticket by British airlines all the way.

Fly eastward, for example, from London to Sydney on the Kangaroo route, then across the Pacific by B.C.P.A., across North America, and finally across the Atlantic to London again by B.O.A.C. Or fly westward — whichever way you go, you enjoy a swift, sure flight and the same high standards of British service, hospitality and flying experience.

Your round-the-world ticket includes liberal stopover privileges which enable you to break your journey where you wish — in a dozen or more countries — for as long as you wish, provided it is completed within 12 months.

Consult your local Travel Agent or any B.O.A.C. or Qantas office.

B·O·A·C

BRITISH OVERSEAS AIRWAYS CORPORATION IN ASSOCIATION WITH QANTAS EMPIRE AIRWAYS LIMITED, BRITISH COMMONWEALTH PACIFIC AIRLINES LIMITED AND TASMAN EMPIRE AIRWAYS LIMITED

History TODAY and the Advertiser

HISTORY TODAY, first published in January 1951, is a magazine designed for the intelligent man and woman, planned upon entirely new lines. The basic idea is very simple—that, to understand *today* and forecast *tomorrow*, one must have studied *yesterday*, and that the key to present problems often lies in the remote past.

But readers of HISTORY TODAY are not merely specialists. They are students of the modern world, whose interests extend to every field of human activity—industry, economics, the history of science, besides political thought, art and literature.

As HISTORY TODAY has grown and prospered, more and more advertisers have come to recognise its value as an advertising medium. Among its readers are many of the consumers to whom *your* product will make a strong appeal.

History TODAY

For details, consult your Advertising Agent, or write direct to:

THE ADVERTISEMENT MANAGER, HISTORY TODAY,
72 COLEMAN STREET, LONDON, E.C.2

4th GERMAN HANDICRAFT FAIR

MUNICH

JULY 4th—JULY 20th, 1952

The important handicraft fair with international participation

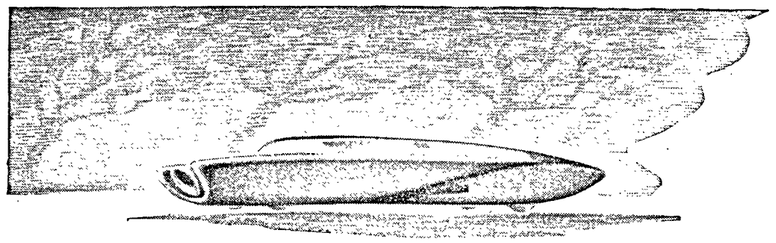
1951: 1150 exhibitors
290,000 visitors

An extensive offer from 600 groups of exhibits.

Fashion saloon — International fashion parades—Model exhibition "The Modern Home."

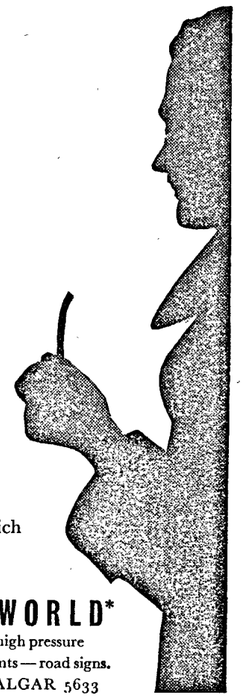
Permits of entry are distributed free of charge in the German Consulates against presentation of the tickets for admission to the fair. Fare reductions.

Reduction on air-tickets. Tickets for admission to the fair are available at all Chambers of Commerce, Travel Offices and Air Traffic Companies.



Which year's model?

EVER SINCE 1769 (when a certain French artilleryman fell out of a self-propelled three wheeler) the automobile industry has been planning ahead. What will it offer us in 1962? Gas-turbines seem a probable. Gas-discharge lighting? . . . regenerative braking? . . . stepless transmission? . . . When the next decade's new model rolls off the assembly line, TI technicians will share in the achievement. For then, as now, TI will be ready with many of the parts to make the whole, from the components of the axles and steering columns to the seats of today — or their unheard-of equivalents to come. Ready with the bicycle of 1962, which you might not recognise. Ready with the road signs, which you certainly will.



TI's FIFTY-ONE FACTORIES SERVE THE WORLD*

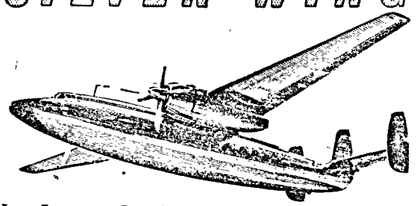
*Precision tubes — tubular components — wrought aluminium — bicycles — electrical equipment and appliances — high pressure cylinders — mechanical handling — metal sections — bus body skeletons — gland packings — tubular furniture — paints — road signs.

TUBE INVESTMENTS LIMITED, THE ADELPHI, LONDON, W.C.2 · TELEPHONE: TRAFALGAR 5633

Announcing

BEA

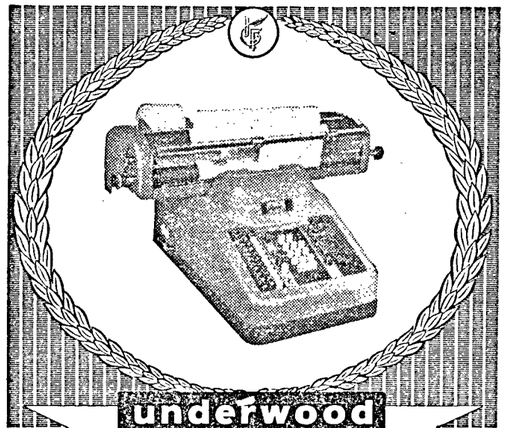
SILVER WING



A New Luxury Service between London and Paris

ELIZABETHAN airliners of BEA'S SILVER WING service leave London Airport for Paris every day at 1.00 p.m., arriving at Le Bourget at 2.25 p.m. Aboard, an excellent lunch — the *only* hot lunch served on any daily air service to Paris — is offered, with BEA's compliments. Moët et Chandon *special cuvée* champagne is also included. This is the most luxurious of all daily services between the two capitals. Yet the fare remains the same: just the normal £15.19.0 return. (Remember there are also excursion returns to Paris at £12.15.0 and £10.10.0.) For bookings and information apply to your Travel Agent, BEA Offices or BEA, Dorland Hall, Regent Street, London, S.W.1. (GERrard 9833).

BRITISH EUROPEAN AIRWAYS



presents

THE UNDERWOOD SUNDSTRAND CLASS "E" ACCOUNTING MACHINE

The completely new Class "E" Accounting Machine is a fully automatic, electrically operated, all-purpose accounting machine of advanced design, equipped with two Cross Balancing Registers both embodying Direct Subtraction and Credit Balance features, flexible Key-set Date and Abbreviations; 12 Key Sundstrand Keyboard and 18" Dual-feed Carriage. The new interchangeable Control Plate ensures utmost flexibility and the fastest, simplest and most automatic posting operation.

UNDERWOOD • ELLIOTT FISHER • SUNDSTRAND

Speed the World's Business

UNDERWOOD ELLIOTT FISHER LTD., 4-12 New Oxford Street, London, WC1
Tel. CHA 3131 · *Factories: Brighton, Sussex* · *Sales and Service Everywhere*

Books and Publications

An Olympian Mind

Acton's Political Philosophy. By G. E. Fasnacht. *Hollis and Carter.* 265 pages. 21s.

Essays on Church and State. By Lord Acton. Edited and introduced by Douglas Woodruff. *Hollis and Carter.* 518 pages. 30s.

For those inclined to dismiss nineteenth century Liberal thought with the contemptuous labels of *laisser faire*, progress and middle-class morality, it would be a salutary discipline to read Mill, de Tocqueville and Acton and learn at first hand the force and depth which the greatest Liberal thinkers could command. As we begin to re-discover, one by one, the giants of the Victorian Age, it may be hoped that some day Mill will be read again and assessed at his true value. A definitive edition of de Tocqueville is already beginning to appear in French, and now, in the year which marks the fiftieth anniversary of his death, it looks as if interest in Acton, too, were beginning to revive.

Acton has certain advantages. He was a Catholic, not a Nonconformist; he was never insular, but as much at home with German, French and Italian as with English and American thought (he was born at Naples and died at Tegernsee); he stood apart from the often narrow controversies in which Liberalism spent its force after Gladstone. Acknowledged by contemporaries as the most widely-read and learned man of his time, he failed to accomplish the task to which he dedicated himself, to write the history of freedom for which he prepared himself for forty years; yet in the essays and lectures which he threw off incidentally he left behind the indelible impression of an Olympian mind, as subtle as it was lucid.

A master of history, Acton had read widely and deeply in economics, sociology, political philosophy, ethics, theology and law, not to mention the literature of half a dozen countries. Yet the weight of his scholarship never robbed his writing of a sense of unflagging interest in whatever he touched on. Nor did it blur the sharpness of the moral principles to which he held or that passion for liberty, conscience and toleration which he defended against the tyranny of absolutism whether exercised by Church or State. Acton the doctrinaire could quote with approval the sentence of Burke: "The principles of true politics are those of morality enlarged; and I neither now do, nor ever will admit of any other." But Acton the historian could write to Mary Gladstone: "My life is spent in endless striving to make out the inner point of view, the secret of fascination for powerful minds of systems of religion and philosophy, and politics, the offspring of the others, and one finds that the deepest historians know how to display their origins and their defects, but do not know how to think or feel as men do who live in the grasp of the various systems." It is in this combination of strict moral principle with catholicity of sympathy and great learning that the attractive quality of Acton lies.

As a guide to Acton's thought, Mr Fasnacht's book is disappointing. He lacks the power of plain statement. Rather than say in half a dozen sentences what was in Acton's mind, he takes refuge in piling quotation on quotation, often to the confusion of the reader. But the book has two virtues. Mr Fasnacht has dug deeply into the mass of unpublished notes Acton left behind, and from these has produced much that is new and interesting. Secondly, by the arrangement of his material, he contrives to bring out facets of Acton's thought, such as his appreciation of economic factors, which have been neglected. Whatever its shortcomings, this is the first attempt to survey the whole range of Acton's ideas and to bring them into some sort of relation to each other.

Mr Woodruff's introduction is much more accomplished. The essays in this volume, some of them reprinted for the first time, come from the first of Acton's two productive periods, the 1860's, when as a young man he tried unsuccessfully to establish an independent Catholic periodical in this country. Mr Woodruff's account of Acton's efforts in this direction, and of his relations with Newman, is full of interest and told with skill. The essays themselves cover a wider variety of topics than is suggested by the title of the volume and include a number of book reviews. It needs to be remembered that this is not the Acton of the great period, the years from 1895 to 1902. But it is a fitting introduction to what promises to be a complete edition of Acton's writings, including one or more volumes of extracts from the Cambridge MSS and from his letters, together with reprints of the lectures and essays already published. It is much to be hoped that the publishers will persist in their enterprise. Only in this way can the fragmentary character of Acton's writing be overcome and a just impression gained of one of the richest minds of Late Victorian England.

Young Fascist

Ciano's Diary, 1937-1938. Translated by Andreas Mayor. *Methuen.* 220 pages. 21s.

The earlier section of Ciano's diary now made available to the English-speaking public portrays a younger, more naïve Fascist than the one the later diaries made familiar. In 1937 he is still very conscious of his startling promotion in June, 1936, to be Foreign Minister at the tender age of 33; he still worships at the shrine of his hero, the Duce, and takes pleasure in his family life with the Duce's daughter and the children. His vanity, which becomes more grotesque in translation than in its original form, glories rather in straight imitation of his Master, an imitation excellently portrayed in the fierce frontispiece to the present publication. In the later volumes Ciano's vanity is expressed, as we know, rather in the prognostications of a critical Dauphin.

Ciano's diaries, as all contemporary historians probably agree, together provide a source-book out of all proportion in its importance to the importance of their author. Here, too, the reader may follow a section of Italian policy in the making. Mr Muggeridge in his introduction suggests that the earlier diary is of particular interest to the British public on account of the abortive Anglo-Italian negotiations which revolved a little absurdly around the Spanish Civil War. The majority of readers in this country may actually find the endless Perth-Ciano interviews rather dull. But the day-to-day film—as it were—of the political life of Mussolini, preposterous as it is, is never for a moment dull. It is dominated, certainly during 1938, by the twin topics of the Axis friendship and the Duce's sudden conversion to a policy of persecution of the hitherto happily assimilated Italian Jews. A small but interesting point is to be found in Ciano's entry on October 6, 1938, where he records the anti-Semitic attitude only of the Minister of Education, Bottai. Since the latter was never pro-German nor anti-intellectual, this can only have been to curry favour with his chief. Five years later he was prominent in support of the Grandi motion at the meeting of the Fascist Grand Council which led to Mussolini's

Government Publications

HARWELL

THE FIRST OFFICIAL ACCOUNT to present to the public a connected story of the work and problems of the Atomic Energy Research Establishment at Harwell from its inception in 1946 to the end of 1951. (Illustrated.) 6s. (6s. 3d.)

DEVELOPMENT AND WELFARE IN THE WEST INDIES

Work of the Development and Welfare Organization with particular reference to 1951. (Illustrated.) (Colonial No. 282.) 4s. 6d. (4s. 9d.).

Prices in brackets include postage.

H.M. STATIONERY OFFICE

P.O. Box No. 569, London S.E.1, and Sale Offices in London, Edinburgh, Manchester, Birmingham, Bristol, Cardiff and Belfast or through any bookseller.

fall. He has now been able to rehabilitate himself, and today he is one of the old leaders back in Italy who may, it is thought, be guiding the neo-Fascist movement.

While Mr Mayor's translation is commendable, it is a pity that he should have repeated certain slips in the original Italian edition. As for the Italian misprint of Schnante, why improve upon it by turning Vicco Karl Alexander von Bülow-Schwante into the improbable Dankward Christian von Bülow-Schnante ?

Prophetic Admiral

Portrait of An Admiral. By A. J. Marder. *Jonathan Cape.* 407 pages. 30s.

Shortly before Admiral Sir Herbert Richmond's death in 1946 Professor Marder obtained permission to study the private diaries which the Admiral had kept while at sea and in the Admiralty between 1909 and 1920. It is these diaries, and the papers which Richmond kept with them, that form the greater part of the present volume. The actual biography is brief (one chapter), and one must therefore presume that Professor Marder intends the portrait of the Admiral to be the self-portrait drawn in the diaries.

That Richmond rose to high positions in two spheres—naval and academic—is good enough reason why a full study of his life and work should be made and, when that times comes, Professor Marder's book should prove very valuable. But it may be doubted whether, at any rate on the evidence produced in this volume, the conclusion that Richmond was "perhaps the ablest officer of this generation" can be justified. Nor is acceptance of the diaries as a self-portrait entirely fair to Richmond. For he used them as a safety-valve for the anger and frustration which he felt over the many rebuffs he received. And it must be admitted that the safety-valve was very lightly loaded. Few indeed are the naval officers or politicians who escape his wrath. "Winston [is] very, very ignorant"; for Lord Fisher's departure from the Admiralty "the Navy . . . cannot but be thankful"; Asquith "looks a poor creature"; and as for the Admirals (especially those who were unlucky enough to be serving in the Admiralty) they are all, or nearly all, nincompoops, totally lethargic, incapable of coherent thought, or intellectually corrupt. Jellicoe himself, whether commanding the Grand Fleet or First Sea Lord, is anathema, and most of our naval ills stemmed from his "defensive outlook" and his "ignorance of war." It must, however, be admitted that the few men whom Richmond admired and approved were, each in their own line, outstanding. Hankey was his closest confidant; he corresponded constantly with J. S. Corbett the historian; Admiral Hall (Director of Intelligence) is justly acclaimed while Beatty himself can do or think no wrong.

If the diaries be accepted as a true self-portrait they show a very clear thinker with great powers of exposition, an officer deeply imbued with the history of past wars and of immense professional competence. But they also reveal a sensitive, hypercritical man, extremely stubborn in his views and arguments and unable to accept even honest disagreement.

Richmond was by no means always right. For instance, he was notably wrong over Von Spee's probable movements after Coronel. Yet it seems true to say that if he had been allowed his way there would have been no Coronel, that the failure at the Dardanelles might have been turned into a decisive success—there or in Syria, which was his favourite offensive project. And, if he goes too far in concluding that we won the 1914-18 war only by superior weight of numbers, it does now seem that on many issues of principle time and history have justified him. His mind covered every possible activity in naval warfare. He urged offensive rather than defensive minelaying, the employment of destroyers to attack the enemy rather than to protect our own fleet, the offensive disposition of submarines, that convoy and escort were the proper answer to the submarine, and so on. Nearly a quarter of a century before Taranto he was trying to get torpedo planes used to attack the enemy fleet in harbour, and he wanted to use lighters to land tanks in Syria long before the tank landing craft had been thought of.

The tragedy, as Professor Marder points out, is that all this ability, clear thinking and almost prophetic foresight were so little used. But surely the Admiralty was not, as his biographer implies, solely to blame for this. Richmond went about his work in a way calculated to frustrate his purposes and to make enemies for himself. One cannot but admire Richmond's intellectual honesty while feeling that, with more moderation, he could have accomplished far more of his objects.

As far as his naval career goes it is as a thinker and as a teacher of the principles of maritime war that he will be remembered. Methods that are regarded as commonplace in the Naval Staff today, the outlook in the Staff Colleges and the Imperial Defence College and the teaching given to young officers in the Tactical School all owe something to him.

However much of a philosopher Richmond was in his historical studies and in his writing and research work he was, as a naval officer, ambitious and it was the failure of his ambitions that brought him distressing, even undignified, disillusionment and bitterness. It is therefore good to know that, in the autumn of his life, he found fulfilment and a just appreciation of his work and stature in the University of Cambridge.

Political Sociology

Social Order and the Risks of War. By Hans Speier. *George W. Stewart.* New York. 497 pages. $4.75.

The present volume, which is subtitled "papers in political sociology," is made up of a collection of separate papers written over a period of about twenty years on a variety of topics, but linked in some sense by the author's particular interest in the study of war as a social phenomenon. Mr Speier, who came to the United States from Germany in 1933, has held a number of academic and governmental posts in sociology and propaganda, and is obviously a person with wide general knowledge both of his subject and of related matters of contemporary politics.

If his book is none the less unexciting for most of its length, it is perhaps because even the best sociologist is limited by his approach; so much sociology is simply a rather elaborate way of expressing the obvious that it makes no impact on the mind even when the observation is in fact a fresh one. This is a pity for where the subject is important, and one where Mr Speier is moved to a direct statement of his own point of view, he shows himself to possess a fairly penetrating political intellect. This is particularly well shown in a previously unpublished essay written in 1947 on the United States "re-education" policy in Germany. He shows a clear understanding of the difficulties inherent in the very idea of "re-education," though his alternative policy of an active encouragement to "the non-Communist left" may have represented only another form of Utopianism.

An essay on "The Future of German Nationalism" published in December, 1947, is even more striking since it shows an appreciation rare indeed then, and still too rare now, of the real contemporary menace of reviving German nationalism and even of reviving Nazidom. At the present time Mr Speier's warning is as timely as it could be.

BIS 1930-50

The First Twenty Years of the Bank for International Settlements. By Giuseppe Ugo Papi. *Bancaria.* Rome. 270 pages. 1500 lire.

The chief merit of this book lies in the very extensive bibliography arranged in chronological order and occupying more than two-fifths of its space. It was supplied by the Bank of International Settlements itself, and it speaks well for the institution that many highly critical books and articles are included.

The text proper consists of two parts. The first ninety pages provide a summary of the monetary history between the Treaty of Versailles and the Young Plan. The section dealing with the Bank for International Settlements occupies less than sixty pages, and even that section contains much general material regarding the gold exchange standard, the functions of a central bank and so on. There is thus very little space left for a factual account of the history of the bank itself. This is a pity for, even though much has been written on the subject, it would be useful to have a detailed reference work viewing the bank from a historical perspective.

As far as it goes Professor Papi's account serves a useful purpose. It would have been much more useful, however, if he had dealt in the text with the immense material enumerated in the bibliography, instead of using up most

AGRICULTURE— and the Nation's Food

Ministers of the Crown, economists and indeed all who understand Britain's needs to-day declare that home food production has become supremely important. We are an industrial island of 50 million people accustomed to rely on imports for half our food. We have to grow more at home.

British agriculture has increased its output by 44 per cent. compared with before the war and now this has to be raised to 60 per cent. The success of this campaign depends on everyone engaged in agriculture, directly and indirectly, seizing every opportunity to increase output at economical cost.

The Times has always devoted special attention to British agriculture and the problems of the land. Now *The Times Agriculture Review* is to be established as a quarterly publication presenting a reliable survey of progressive farming practice and the measures that have to be taken by Parliament and the agricultural industry to provide more ample supplies of food for the British people.

The Times Agriculture Review will be published on the occasion of the Royal Show, the Dairy Show, the Smithfield Show, and at Lady Day. It will regularly include illustrated articles on :—

New Machines for the Farm ★ Estate Maintenance ★ Marketing Pedigree Stock ★ Government Policy ★ Farming Methods Oversea New Publications

The first issue will be published on June 24, a week before the opening of the Royal Show at Newton Abbot.

THE TIMES

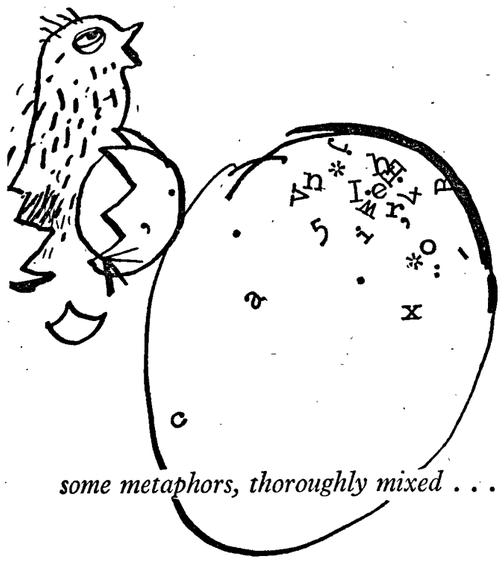
AGRICULTURE REVIEW

A new Quarterly Journal

Order Now from your Newsagent or Bookstall

PRICE SIXPENCE

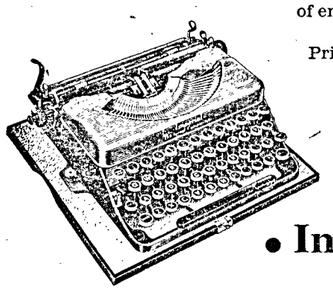
The annual postal subscription is 2*s.* 6*d. Orders may be sent to the Subscription Manager,* The Times, *London, E.C.*4.



some metaphors, thoroughly mixed . . .

With a flourish of trumpets the Imperial "Good Companion" has emerged from the chrysalis and taken on a new lease of life. It will be instantly seen by those with their ears to the ground that the Imperial people have surpassed themselves by taking a firm stand and leaving the others far behind. They must have been working like beavers with their noses to the grindstone to have produced such a beautifully efficient portable, for the "Good Companion" is all that a portable should be even if this telling-about-it is all that it shouldn't be. Which only goes to show what an overdose of enthusiasm will do.

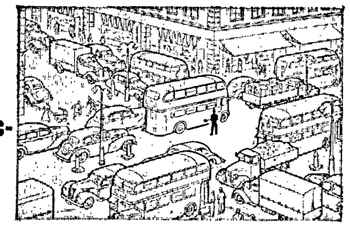
Prices from **£22. 10. 0**



• Imperial

IMPERIAL TYPEWRITER COMPANY LTD : LEICESTER
CRC3

How to save on traffic-control costs



The maintenance of effective all-day control of traffic at a single intersection can engage the full time services of two police officers at a total cost of £1,200 every *year!* An Electro-matic installation at an initial cost of £1,750 approx. with an additional £175 a year for running and maintenance can, in five years, effect a saving of no less than £3,375 or £675 a year and a further economy of £1,025 each subsequent year. An examination of these figures in relation to a number of intersections will reveal a potentiality for a most impressive saving in traffic control costs. Throughout the country, Electro-matic installations have been proved to be the most economical system of efficient, safe and reliable traffic control. We are at your service — without obligation — for discussion and advice regarding *your* traffic control problem.

Wherever you turn

ELECTRO-MATIC SIGNALS

make the highways SAFER!

AUTOMATIC TELEPHONE & ELECTRIC CO. LTD.
Strowger House, Arundel Street, London, W.C.2. *Phone:* TEMple Bar 4506. *Grams:* Strowger, Estrand, London. Strowger Works, Liverpool 7
AT. 10421-BQX23

THE ORGANISATION OF

HENRY GARDNER & CO. LTD.

(CAPITAL AND RESERVES, £1,800,000)

is associated with

The British Metal Corporation (Pakistan) Ltd.
The Cyprus Co., Ltd., Drew, Brown Ltd. (Canada), Sandilands Buttery & Co. Ltd. (Malaya), and C. Tennant Sons & Co., of New York, as well as with the associates of The British Metal Corporation Ltd., Australia, Canada, India, South Africa and Central Africa.

The Group provides manufacturers and producers of finished articles and raw commodities with an economical method of marketing their products throughout the world. Expert knowledge in distribution and salesmanship is available through the various units of the Group.

2, METAL EXCHANGE BUILDINGS, LEADENHALL AVENUE, LONDON, E.C.3

TELEGRAMS: *Nonfermet Telex London* CABLES: *Nonfermet London* TELEPHONE: *MANsion House 4521 (10 lines)*
Branches at BIRMINGHAM, MANCHESTER and GLASGOW

of his space for a recapitulation of inter-war monetary history, a subject which is already more than adequately covered.

Professor Papi seems to be somewhat out of date in his views on co-operation among central banks. His brief section dealing with the subject might have been written twenty years ago, at a time when central banks were in a position to determine monetary policy. Meanwhile Treasuries have gained control, and co-operation among central banks is now necessarily confined largely to the technical sphere. In international financial negotiations the role of central bank governors and officials is now to advise their respective finance ministers.

Another defect of the book is that it contains no reference to the change of the situation and prospects of the bank resulting from the Bretton Woods Plan. The name of the International Monetary Fund is not even mentioned. Yet a book covering international monetary co-operation without reference to that institution is like Hamlet without the Prince—or at any rate the gravedigger. The IMF has assumed most of the functions for which the BIS was created. The author should have devoted more space to making it plain that notwithstanding this the bank has a *raison d'être* within a more limited sphere.

Semantics in Language

Language in Thought and Action. By S. I. Hayakawa. *Allen and Unwin.* 307 pages. 18s.

Semantics, the science of meaning, has been formed from the adjective semantic, itself from the French *sémantique*, coined in 1897 by Michel Bréal as a complementary to *phonétique*. One of the classics of the subject is "The Meaning of Meaning" by C. K. Ogden and I. A. Richards.

Professor Hayakawa of America owes, as he fully acknowledges, much to Alfred Korzybski, whose extremely important "Science and Sanity: An Introduction to Non-Aristotelian Systems and General Semantics" (1933), has originated such popularisations as Stuart Chase's "The Tyranny of Words." But Professor Hayakawa is a disciple, not a populariser, of Korzybski. He owes little to the psychologists and psychiatrists of the Freud dynasty; something to the linguistic methods of Yale (Sapir and Bloomfield); and something again to the cultural anthropologists (notably Ruth Benedict and Margaret Mead).

Professor Hayakawa conducts his argument at an agreeably high level of intelligence: and, even while they are violently disagreeing with him, the majority of intelligent readers will enjoy this alert and lively book. The sub-title on the jacket fairly summarises both the attitude of the author and the contents: "How men use words and words use men." What Professor Hayakawa, his immediate precursors and his contemporaries all forget is that this seemingly modern, even modernistic, outlook upon language merely re-dresses, not (as they fondly suppose) redresses, the implications of an attitude almost two hundred years old implicit in the phrase "the magic of poetry" or, more widely, "the magic of words."

The book deals excitingly with the functions of language and, in the second part, with the relations of language to thought. Not all of it makes easy reading; yet none of it is dull.

Oddly enough, Professor Hayakawa says nothing about the most fruitful and fascinating, the most abiding, of the many aspects of semantics: the importance of semantics in the determination of word-origins and word-history, inextricably interwoven with the rise, development and mutations of ideas or, better, of civilisation. The more general aspects of this branch of knowledge constitute a fundamental part of his theme; etymology he ignores. He evidently ignores it intentionally. For instance, he does not even mention that it is Professor Ernest Weekley who has humanised etymology by giving to semantics their rightful place in that difficult art and science.

Diplomats at Large

Bears in the Caviar. By Charles Thayer. *Michael Joseph.* 288 pages. 15s.

Mirror to Russia. By Marie Noele Kelly. *Country Life.* 248 pages. 21s.

Mr Wodehouse's critical summation of the works of Matthew Arnold—"nowhere to go for a laugh"—would fairly describe all the endless works by travellers from the Soviet Union were it not for such rare and agreeable exceptions as Mr Thayer's hilarious reminiscences of Moscow between the wars. That was before Iron Curtain and cold war, when there was enough ideological antagonism to give spice to party conversations—but when party conversations with Russians were possible. And not only conversations: a young American Third Secretary in those days could find himself appointed polo instructor to the Red Army (which post, for all he knows, Mr Thayer still holds), or dancing with Lepeschinskaya, or negotiating with the Moscow Zoo or the fabulous Durov family to invite performing seals to an American Embassy party.

Those were the spacious days, for that matter, when an American diplomat in Berlin could pretend (as Mr Thayer did) that he was a Communist, just for fun, without having to answer to Senator McCarthy, or report to the Federal Bureau of Investigation. Like so many who have been to the Soviet Union, Mr Thayer once found himself arrested; but he must be alone in having bewildered his jailers into providing him with "an excellent omelette and an even better bottle of wine"—the present reviewer could never find an eatable omelette even when at liberty and, when arrested, could not command so much as a taxi-ride back to his hotel. But that is a measure of Mr Thayer's personality, which is expansive; his style is beamingly cheerful to match — and the proof-readers have treated his spelling cruelly.

Lady Kelly, an ambassador's wife, could hardly permit herself such frolics as Mr Thayer's, and times, in any case, have changed. Even so, she travelled, until less than a year ago, far more widely in the Soviet Union than any of her western diplomatic contemporaries, and she has brought back a most stylishly written, most handsomely illustrated, account of Russian architecture, both of the Muscovite-Byzantine of the ancient churches and of the classic and the baroque of Petersburg and the great country houses.

Primarily a book about pre-revolutionary art and architecture, this is also enlightening and unprejudiced about Soviet life to-day—the plentiful food and the queues; the drabness and the determination; the splendour of the ballet and the limp propaganda of the theatre—and evocative in its description of the toneless spaciousness of the steppes.

Text and Reference Books

The Concise Oxford Dictionary. 4th Edition. Revised by E. McIntosh. *Oxford University Press.* 1,540 pages. 15s.

The fourth edition of this dictionary has been completely revised and reset and additions have been made to bring it up to date. The last revision was in 1934, although revised addenda were published in 1944.

Guide to League of Nations Publications. By Hans Aufricht. *Columbia University Press.* (London: *Geoffrey Cumberlege.*) 682 pages. 63s.

For nearly thirty years "League publications" have been known to be a valuable source of information to students of world history and economics. But to know which publication, or how many, would provide the items required has not been easy. This bibliography will help to shorten and enrich the work of many.

It deals with the documents published only by the League of Nations and not with the affiliated organisations, such as the International Labour Office. The documents are catalogued by principal organs and main activities. Since these documents cover the entire life of the League of Nations the Guide provides a summarised history of the first attempt at large-scale international co-operation. It is perhaps not surprising to find how similar are the early events in the life of the League of Nations and the United Nations Organisation.

The Guide includes all types of documents, not only those put on sale and included in the sales catalogue. It is arranged by subject so that all important information is listed in one place whichever of the various agencies (Assembly, Council, Secretariat, committee or special conference) published it.

Some of the major documents relating to the League of Nations are reprinted, and the Guide itself is well indexed.

Official Year Book of Southern Rhodesia, 1952. *Central African Statistical Office.* 792 pages and map. 10s.

This is the fourth issue of the official Year Book of Southern Rhodesia and it presents statistics mainly up to 1950. The first issue was in 1924, the second in 1930 and the third in 1932. Some statistical reference books have been published in the intervening period but the figures from previous year books have now been brought up to date to provide a comprehensive reference book. It also contains articles on the major aspects of the country's history and economic life.

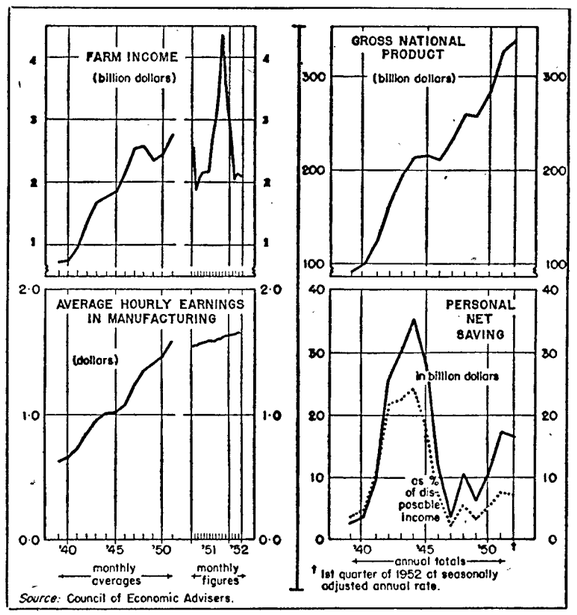
AMERICAN SURVEY

Another Republican Slump?

Washington, D.C.

ONE of the evils which General Eisenhower, in his speech at Abilene, suggested could "ultimately throttle free government" and which seemed to him to be a dangerous lapse from the American way of life was inflation—inflation which "can not only destroy our savings, but our jobs." It is possible to quarrel with the General's assumption that in the past the "American way of life" has been deflationary; the dollar, like every other currency, has declined in value, over the years, ever since it was invented. But it is not practical politics to disagree with his attack on inflation. Inflation is something which everyone finds it necessary publicly to deplore, however much most people may privately enjoy its benefits.

But it is possible to question whether it is true that inflation is the most serious problem now facing the United States—and it was not until much later that the General appeared to dethrone it in favour of "peace and security." It is possible to wonder, too, whether "down with inflation" is a promising slogan for the presidential campaign, should the General be called upon to wage one, and whether inflation will be the economic danger which calls for immediate action when the next President has been inaugurated. A buying spree of the kind which caused such trouble in the months following the outbreak of the Korean war could, it is admitted, at any moment upset the nice balance which has been kept for so long, but there is no sign of one starting yet. If it is delayed another few months it may be welcome when, and if, it comes.



That General Eisenhower should show such genuine anxiety on this subject was proof of what many people had been saying before his return: that he knew more about the economies of a dozen European countries than about that of his own. The United States may not be immune to the kind of inflation which has destroyed the savings of nearly all Europeans but it is complacent about the danger because it has no experience of it. It treats threats to the value of its currency today much as it treated threats of invasion in 1914.

The real value of money may be no more than half what it was in 1939, but the farmer is getting three times what he received for his products in that year, the wage-earner in industry is getting about two and a half times the hourly wage he was then paid as well as being more sure of employment, and the gross national product has risen from just over $91 billion to nearly $340 billion. Everybody is better off, in real terms, than he was twelve years ago, except the *rentier*, those living on fixed salaries and those paid by the federal government (of whom, incidentially, General Eisenhower has always been one). This prosperity has bred a confidence in the currency which it may be hard for economists to justify, but which is expressed in the rate of personal savings. A people who in 1939 were saving less than $3 billion a year, then 3.8 per cent of their income, after taxes have in the last twelve months saved nearly $20 billion—or almost 9 per cent of their disposable income.

Even those who know what inflation can mean often succumb to the charms and convenience of a mild dose of it. There are few American trade unions who would know what to do if inflation stopped. Nothing is more satisfactory to a labour leader than to be able to emerge from his annual negotiations for a new contract with an increase in actual money wages regardless of whether there has been any improvement in real wages. All long-term agreements are predicted on a continuation of the present mild inflation. Mr Walter Reuther would have a hard time explaining what had happened if his agreement with the automobile companies, which is based on the cost of living, ever called for a substantial reduction in pay. The whole of organised labour would prefer the risk of too much inflation to that of any deflation.

Whoever else may or may not understand this, Mr Truman does. He is taking every precaution to ensure that the inflation continues through the election period, relying on the fact that there is little danger this year of anything which might temporarily drive the cost of living far out of line with the pattern of wages. A sudden rise in prices after the outbreak of the Korean war cost the Democrats a number of seats in both Houses of Congress in 1950. This accident encouraged the Republicans to believe that there was a popular revulsion against inflation when there was only a popular revulsion against high prices because wages had not had time to catch up. It is interesting to watch the opposition using inflation as an election issue while the Administration takes such care to see that it continues.

The recent relaxations of the restrictions on hire purchase and down payments for houses show which way the political wind is blowing. In economic terms, the latter certainly was not justified. To an extent the Federal Reserve Board, in reaching its decision to ease credit for houses, must have been consciously retreating before the pressure exerted by Congress, which seldom does more than reflect the influence of those most immediately interested. In this case it was the real estate lobby. The board's action cannot have been welcomed in the Treasury, which has the problem of trying to finance a $10 billion deficit, has failed dismally to sell some 2¾ per cent bonds, and does not want the task made any harder than it is already. But the *Journal of Commerce* is probably right in seeing, in all the measures taken recently, a drive to instil another artificial uplift into the civilian sector of the economy and in concluding that the Administration obviously remains committed to the use of inflationary measures whenever a downturn in business is threatened.

★

There have, indeed, been signs of a slight deflationary trend in the last two months. It is a trend which would do no harm if continued for a while and which any Administration could view with tranquillity if there were no election in November. After five years in which 5,293,000 houses have been started the country could well afford to stop building at such a rate. The various regulations reduced the number started in 1951 by 300,000 below the total of 1950 and they were becoming increasingly effective. Their relaxation will mean that new private building, which might have proved a useful cushion for the economy when the expansion of industrial plants needed for the rearmament programme is over, is going to be encouraged immediately to keep production running at its present exalted rate until after the election.

Almost all the controls on inflation have been gutted already, but nobody is prepared to predict with accuracy how long this will suffice. It may be some months before any significant deflationary signs are visible, as the slack will for a time be taken up by direct defence expenditure, which rose between February and May from $3 to $4.2 billion a month. There is, however, little doubt that, by the spring, there will be no need for anyone to worry about the evil effects of inflation. It will be the after-effects which must be dealt with. If General Eisenhower arrives in the White House at that moment intent on using deflationary machinery—and he would have the delighted support of most of his party in Congress in any attempt to take the surplus wind out of the economy—he may easily find that he has turned a healthy disinflation into a slump. And it would be fatal for the Republican party to be associated once more with anything like a slump. Should the country ever feel that the Republicans had undone the work of twenty years in six months it would be the end of them.

New York's Favourites

[FROM A CORRESPONDENT IN NEW YORK]

In the State of New York the novel thing about this year's election is that Governor Dewey is not running for the Presidency. The emptiness which this leaves is not filled by the fact that General Eisenhower and Mr Averell Harriman, respectively seeking the Republican and the Democratic nominations, are by residence New Yorkers. The state does not feel that either of them is one of its own, while Mr Dewey is so bound into the daily life of New York politics that nobody thinks of him other than as a New Yorker. He may have been born and bred in Michigan, but he made his fame in New York, and he is its favourite candidate. Even New Yorkers who do not vote for him like to see him run. He has been Governor since 1942; he was willing to run for the Presidency in 1940, he practised running in 1944, he nearly made it in 1948. That he should be moving only behind the scenes in 1952 makes his fellow citizens feel as though the political campaign had an important tooth out. They keep feeling for him with the tip of the tongue, and find only a smiling vacancy. It does not hurt, but it is extraordinarily empty.

This is not to say that the Governor is taking no part in the campaign. He has declared himself for General Eisenhower, and certain members of the "brains trust" which surrounded him in 1948 are working for the General. But the spectacle of Mr Dewey championing someone other than himself is rare and curious. He does not take to it comfortably. There are rumours that he would like his self-sacrifice to be rewarded with the post of Secretary of State. But here he would have the active competition of Mr John Foster Dulles, who thought he was going to be Mr Dewey's Secretary of State in 1948 and who is now said to be the choice for that post of both Senator Taft and General Eisenhower. There are, of course, other cabinet posts, and notably that of Attorney-General, which might be the logical place for a man whose first fame was made sweeping gangsters out of New York.

★

All but one of the 96 Republican delegates from New York, the largest state delegation to the nominating convention, are claimed to be for the General and are expected to cleave to him as long as hope lasts. The Democratic delegates, on the other hand, quite properly regard Mr Harriman's candidacy as that of a "favourite son," to be supported in the early days of the convention and dropped without rancour if, as seems likely, he fails to attract wide attention. If either of these state residents should be nominated for the presidency, state patriotism will come into play. Thus far it appears to be sitting on the sidelines.

In New York City itself small knots of enthusiasts are clustered like raisins in a large cake of indifference. With notable exceptions, the city is Republican in class and Democratic in mass, while the country districts are Republican nearly all the way through. The Republican organisation follows Governor Dewey's lead in supporting General Eisenhower, but his most ardent followers are the Republican insurgents who worked for Wendell Willkie in 1940. Around them surge impassioned independents who proclaim:

> If the Republicans are so dumb as to nominate Taft, I'll vote for any Democrat.

At the same time Mr Taft has heated outposts in the financial district where his followers hope that the party regulars will rout the surging independents and speak with caustic distrust of those "Dewey amateurs" advising General Eisenhower.

The division in the Republican ranks has lifted the spirits

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

of the Democrats, at a low ebb during most of the spring. The state party organisation has begun a grass roots campaign and the Democratic women have sent out a "whistle-stop caravan" of motor cars to hold regional meetings in urban and rural centres. The purpose is to strengthen what, in these long years of a Republican regime in the state, has come to be a somewhat limp Democatic organisation.

The task in the state at large is not made easier by the fact that Democrats in New York City are traditionally linked with the underworld through Tammany Hall. That most famous of Democratic clubhouses is only a shadow of what it used to be in the corrupt nineteenth-century days of its glory. The glory departed with the power as voters moved from the slums to better housing in the suburbs, and political leaders in outlying districts arose to challenge the entrenched chieftains. And the postwar scandals surrounding Mayor O'Dwyer have spread a green scum over claims that graft has been cleared out of the Hall.

*

Meanwhile the Irish leadership of the Democratic party in New York has been challenged by the Italians. For a long time it was said that an Irishman would always vote for an Irishman, while the other national groups were less dependable and therefore less powerful. Until Fiorello La Guardia was elected in 1934 the long list of New York mayors contained English, Dutch and Irish names, but no Italian. He was the reform candidate of many groups and, having been born in Oklahoma, was commonly considered an Italian only by accident. Only a few observers noted that he was, through the eleven years of his regime, building a political machine as potentially powerful as the Democratic machine which he scourged with such warmth. When he left the Mayor's chair an apparently reformed Tammany came back to power with familiar Irish names in the lead. But La Guardia had given the Italians a zest for power, and shown them how to get it. In 1952 the head of Tammany Hall is a shrewd Italian, Mr Carmine de Sapio, the most powerful political figure behind the scenes is an Italian newspaper owner, Mr Generoso Pope, and the Mayor himself is Mr Vincent Impellitteri.

The Italian revolt has been long in coming, and its effects have not yet been felt. Italians say somewhat wryly that

> the Irish think themselves Americans the moment they hit the dock, but an Italian can be here for generations and everyone still treats him like a wop.

This sense of being a perpetual immigrant on whom older residents look down is perhaps sharper than the facts warrant, but it can be usefully harnessed to political ambitions. No one yet knows how far these ambitions may go. It is rumoured that Mr Impellitteri would like to be the next Governor of New York State. He keeps very close to the powerful Irish Roman Catholic hierarchy, and thus far has had their support. Little of this reaches the attention of the general public, but it does have an effect on the political destinies of candidates for office.

If the competition between Irish and Italians reaches the point where it acts as an important divisive factor within the Roman Catholic Church itself, there will be new political alignments in New York City, and more signs of a growing Italian influence than the road rollers of the Sicilian Paving Company or the dark beauties arriving for the Italian Trade Fair. This influence has not yet had an open impact on the national political scene. But if General Eisenhower and Mr Harriman should get the presidential nominations they are seeking their fate in the vital State of New York in November may depend in part on what is thought of them in Italy.

American Notes

Ike Speaks from the Heart

The political maxim—"As Maine goes, so goes the nation"—has long ceased to have any general significance, for nowadays Maine always goes Republican. But it is to be hoped that it still has some significance for that party, for this week, in choosing their candidates for the coming Senatorial election, the Republicans of Maine rejected Senator Brewster, the isolationist incumbent and a Taft man, in favour of the Governor, Mr Payne, a strong supporter of General Eisenhower. But the General will need a far bigger surge of popular enthusiasm than this to carry him over the party machine, which is saving a presidential nomination for Senator Taft by its control of the convention arrangements. All the vital committees and chairmanships are in Senator Taft's pocket, and General Eisenhower's men are responsible only for car parking and music, jobs which will give them little influence in the convention hall.

Futile attempts to escape from under this steam roller have left General Eisenhower's managers with little time to spare for grooming their candidate, and a week ago he decided he could do better for himself, at least when it came to talking. Tearing up the speech which had been written for him in Detroit, he announced that in future he would rely not on a ghost but on his heart and would simply try to answer sincerely the questions that were being put to him. There is no doubt that he was wise, for his press conferences had been doing him as much good as his speeches had harm.

But in speaking from the heart, General Eisenhower has been unable to conceal the deficiencies in his head, although so far his frank admissions of ignorance have prevented his lack of knowledge of domestic problems, and his refusal to commit himself on them, from doing much harm. In Detroit, in fact, his ignorance was bliss, for it enabled him to avoid giving a detailed opinion on the Taft-Hartley Labour Act to the automobile workers. He also managed to avoid offending their wealthy employers by riding in one make of car and putting his wife in another.

The receptions the General got in Detroit and Denver, which came up to expectations for the first time since he took off his uniform, showed that his instinct was sounder than his advisers' when it came to courting popularity. But what count at the moment are convention delegates: they cannot be won by instinct and here Senator Taft is still well ahead. Hundreds of them have come to see the General during the past fortnight, but few, if any, seem to have been conquered. They are not all, however, as frank as Governor Fine of Pennsylvania, who is determined to keep his large delegation on the fence until the last moment and is not yet ready even to discuss patronage. He would probably not have been given much chance of discussing it, for General Eisenhower has declared that he will not make any deals to secure the nomination. He knows that his independence will be his great asset if he is allowed to fight the election.

* * *

Congress on Controls

The repulse of Republican attempts to throw off all price controls, on the ground that inflation is now in retreat, shows that Congress dare not take the responsibility, in election year, of disarming the Administration. But how much it will blunt the anti-inflationary weapons contained in the Defence Production Bill will not be known until the Senate and House reconcile their differences next week. The best the Administration can hope for is that the Senate measure, passed last week, will prevail; it makes few changes. The Bill drawn up by the House Banking Committee is much less acceptable, and the worst may be yet to come in the lower chamber. A number of weakening amendments are awaiting their chance on the floor. In one respect, and one only, the Bill the House is debating is to be preferred.

What controls it spares are given a year's lease of life. The Senate would extend authority over wages and prices only until next February, a provision which would force the new Congress to make up its mind on their future almost before it has time to organise itself.

Members of the House, all up for re-election this year, are prepared to go further than the Senate to meet the demand of business for relief. Businessmen, under the House Bill, would be exempted from reporting to the price authorities if their products were selling at 93 per cent or less of their ceilings. Controls over consumer credit and housing loans would be discarded despite the Administration's efforts to show that it can be trusted to use them sparingly. Unlike the Senate, the House committee would make only a token concession on the notorious limitation on the imports of fats, oils, and dairy products, which has so injured foreign cheese producers.

Fears that the House, when it debates the Bill, might complete Senator Ferguson's work of blowing up the International Materials Conference are much less now that five Senators, who did not realise what they were doing a fortnight ago, have seen the light and helped to adopt the Fulbright amendment, which specifically authorises domestic and international allocation of scarce materials. But the House may wish to go further than the Senate in punishing the wage board for its excessive generosity to the steelworkers. The Senate, in the end, by a single vote, that of Vice-President Barkley (a presidential aspirant who knows better than to antagonise the trade unions), decided to retain the present representation of labour, industry and the public on the board, though it is stripped of authority over non-economic matters and its members would have to secure Senate confirmation. Finally, the House, which like the Senate has stoutly refused the President seizure powers to deal with the steel strike, is expected to follow the Senate's lead and request him to use the Taft-Hartley Act instead. This is probably the signal the President is waiting for before seeking a court injunction against the strikers. He cannot wait much longer. The half-hearted attempt to persuade the industry and the union to produce a limited amount of steel for defence bristles with difficulties, and supplies, especially of the steels needed for arms, are running low.

* * *

Liners at Cut Rates

The passenger ship *United States*, which is expected to prove the world's fastest liner, seems almost certain to be turned over to the United States Lines this week, however loudly Mr Lindsay Warren, the Comptroller General and Congressional watchdog over executive spending, may bark at what he considers daylight robbery. The ship is due to sail on its maiden voyage on July 3rd with 2,000 passengers. The contract with the shipping company was made in 1949 by the now defunct Maritime Commission and provides that, of the $70 million cost, the line should pay only $28 million. The government was to shoulder the rest, $24 million on account of special defence features, and the balance as a construction subsidy.

In Mr Warren's view, the ship subsidy law was twisted scandalously to permit the government to make up the difference between what the line would pay and the cost of building the ship in the United States. Its speed, for example—which is an official secret, but is certainly in excess of 34 knots an hour, and believed to be ample to enable it to capture the Atlantic blue riband on its first return voyage—is rated as a defence feature, but Mr Warren is certain the shipping company would have insisted on it anyway. Quite apart from the defence subsidy, the Comptroller estimates that the construction aid is $10 million bigger than it should have been. Mr Warren's complaints, which go back three years, have been vigorously supported by the House Committee on Executive Expenditures, and they may be aired in court.

The Secretary of Commerce, Mr Sawyer, insists, however, that a binding contract was entered into; this is, perhaps, why the Maritime Board has made no effort to revise the terms as it has those under which the *Independence* and the *Constitution* were to be sold to American Export Lines. It is possible, moreover, to sympathise with the board; nothing it does gives universal satisfaction. Last February, in deference to criticism, it cut $11 million from the subsidy granted American Export Lines. The company is now refusing to accept the ships on these terms, and the board is being urged by the House Merchant Marine subcommittee to reconsider—something it is quite willing to do.

The industry attaches great importance to the passage of the long-range shipping Bill passed by the Senate and now before the House. This makes a number of concessions to encourage private owners to replace and modernise their vessels in order to avoid the merchant marine, which is now largely war-built, all becoming obsolete at approximately the same time. Clearly it will be difficult to persuade the industry to order new ships if the amount of the construction subsidy is to be the subject of a continuous tug-of-war among Congressional committees, the Comptroller General, and the Department of Commerce. But the room for dispute would be smaller and the swings less wild if the shipping industry, and its trade unions, were more modest in their demands and less prone to high-pressure politics.

* * *

GIs Get Their Rights

The ex-servicemen of the Korean crisis, of whom there will be 500,000 by next autumn, are not to be treated any less handsomely than the GIs who served in the world war. The House has passed, by 361 to 1, and the Senate can

The CHASE NATIONAL BANK

OF THE CITY OF NEW YORK

(Incorporated with Limited Liability under the Laws of the U. S. A.)

Through the Chase Banking organisation, with its broad contacts throughout the United States, Anglo-American trade will find both increased access to American markets and important facilities to expedite its transactions.

The Chase Banking Organisation has Branches in:

Havana, Marianao, San Juan, P. R., Santurce, Panama, Colon, David, Cristobal, Balboa, Frankfurt/Main, Heidelberg, Stuttgart, Tokyo, Osaka

Special Representatives in

Mexico, D.F., Buenos Aires, Rome, Cairo and Bombay

The Chase Bank, Paris, 41 Rue Cambon

Correspondents throughout the world

Main London Branch: 6 Lombard Street, E.C.3

Bush House Branch: Aldwych, W.C.2 — **West End Branch: 51 Berkeley Square, W.1**

The Chase National Executors & Trustees Corporation Limited
6 Lombard Street, E.C.3

hardly reject, a new "GI Bill of Rights" which assures the new veterans, whether they have seen active service or not, of most of the educational and readjustment benefits enjoyed by their elder brothers. At the same time, it is hoped to avoid much of the red tape and many of the mistakes of the original, much larger programme. In 1946, when millions of men came flooding out of the services, schools were invented overnight to take advantage of the government's offer to pay fees up to a maximum of $500 a year. Established institutions sometimes raised their charges to this level; others charged for services they never rendered. GI's themselves abused the unemployment compensation provided; many joined the "52-20 club," that is, chose to accept the offered $20 a week for a year rather than go either to work or to college.

Under the new Bill no such free rides are provided, and those who wish to take courses in bar-tending, swimming, and personality development will have to do so at their own expense. The great change, however, is that instead of the government paying the fees at the college of each veteran's choice, the ex-serviceman himself would be given a monthly sum—$110 in the case of those without dependants—to cover both his living and schooling costs. The GI himself, it is argued, will be much quicker to detect fraud, and much more interested in protecting his own nest-egg, than any remote government department. Administration should be greatly simplified, both for the colleges and for Washington.

All this may be true, but the privately supported colleges, many of which would have gone aground financially but for government cheques after the war, fear it means they will be left stranded. GIs, they suspect, will flock to the tax-supported institutions of the states and cities, which charge little or no tuition, and refuse to pay the $500 or $600 a year which many private colleges are compelled to demand. This point may receive the hearing in the Senate which it was denied in the House. Dr McGrath, the Federal Commissioner of Education, who doubts that the private colleges will suffer, has pointed out that

> the purpose of this Bill is to aid veterans in obtaining education, and not to provide financial assistance to institutions of higher education.

The Bill certainly will benefit the private colleges to some extent. But its effect on them can hardly be dismissed so cavalierly. For some years, perhaps for a very long time, military service will be required of all young men and thus most of them will obtain their education at the government's expense. The programme is smaller, but ultimately it may be more revolutionary than the wartime one which expired last year.

* * *

The Atom under Water

Momentous as it will be in naval warfare, the US submarine *Nautilus* will have as much significance for peacetime purposes when it enters into service in 1954, as it is confidently expected to do. For it is to be run by atomic energy, and will provide a practical demonstration of a controllable atomic power plant which could be used by industry. This plant is already being built by the Westinghouse Corporation at the Atomic Energy Commission's testing station at Arco, Idaho. There is little doubt that, with the knowledge thus gained, the company will in due course be able to manufacture an atomic power plant that can produce energy at an economic price; at the moment conventional sources of energy are still much cheaper. The submarine engine is understood to be a fairly low-temperature project in which heat from a few pounds of uranium serves as the source of power. The vessel will have a high underwater speed, of over 20 knots, and will be able to travel almost indefinitely without refuelling or coming up for air.

Probably every American agreed with President Truman when he said, in laying the keel of the *Nautilus*, how much he longed for the time when atomic development could be devoted to peaceful ends but how important it was, as long as the Soviet rulers were unwilling to compromise, that most of America's scientific resources and government expenditure should be devoted to defence. A new expansion of the atomic programme, to cost $4.2 billion over five years, has just been put before Congress. Appropriations of $3.3 billion are wanted, but of this only $650 million will actually be spent, in the coming fiscal year. Part of the money is needed for expanding electric power facilities, but about $3 billion is for a new gaseous diffusion plant, probably in the Ohio River Valley, for the extraction of U235 from natural uranium. This is something approaching the concentrated atomic programme which Senator McMahon, of the Congressional Atomic Energy Committee, has long been advocating. In the heat of running for the Democratic presidential nomination, he has just announced that he would like to have hydrogen bombs manufactured in thousands. This is taken as an indication that the scientific problems of making such a bomb must have been mastered; it is already rumoured that one is to be exploded this summer.

It is also being rumoured that, if the Communists stage a mass attack in Korea, it will be met with tactical atomic weapons. This would be the first time they had been used in the field and would presumably be possible only if sufficient quantities of fissionable material were now available to enable them to be made in large numbers, and if the recent tests, in which troops advanced into target areas immediately after atomic explosions, had been successful. Both of these conditions are thought to have been fulfilled.

Shorter Notes

Congress is at last prepared to consider handing one of America's two nationalised industries—synthetic rubber and atomic energy—over to private firms; the legislation extending for another 21 months' government control over synthetic rubber production, due to expire on June 30th, lays the groundwork for such action. The measure contains a clause stating that by next April the President must give Congress a complete plan for disposing of the 28 synthetic rubber plants to private concerns.

*

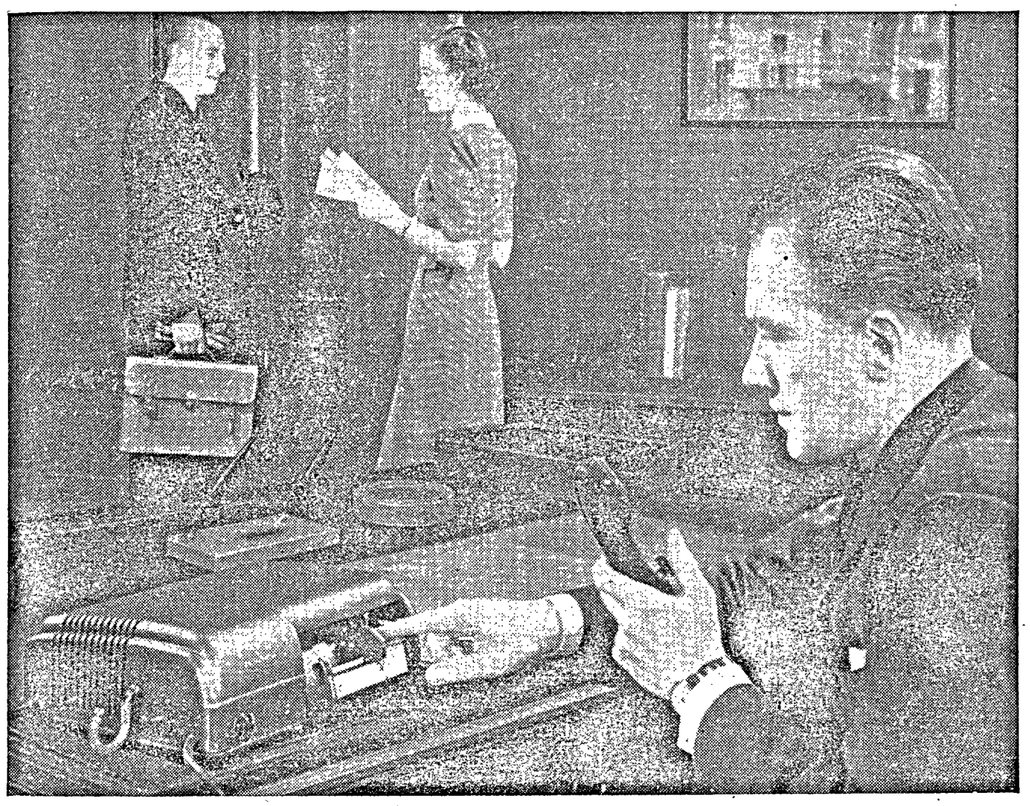
America's pattern of life is no longer dominated by its farms, for the 1950 census showed that the division of the population into town and country dwellers is about two to one—96 million Americans live in urban areas and 54 million in rural areas. New Jersey leads other states with 86.6 per cent of its residents living in towns.

*

Washington and Boston have both joined the controversy between New York City and Wall Street business firms, with beguiling invitations to the brokers to leave such inhospitable terrain for a friendlier atmosphere. Wall Streeters have threatened to desert New York if the proposed increase in the city tax on gross incomes of financial businesses is passed; they claim the rise, from 2/5 of 1 per cent to 4/5 of 1 per cent, is unduly heavy. They are encouraged in their position by Washington, which says that since most of the rest of national finance is carried on there, the District of Columbia might as well have a complete monopoly on such transactions.

*

The latest wheat forecasts, of conditions on June 1st released by the Agriculture Department, show that a bumper crop of 1.326 billion bushels is expected this year, far above the production goal of 1.15 billion bushels. Most of the harvest, and of the gain over last year's production of 987 million bushels, is in winter wheat, now being harvested; good weather has helped to raise the average yield per acre to 20.8 bushels from the 16.2 bushel yield of 1951.



"Ah yes - that's where I was!"

Place-finding is automatic on the Dictaphone Time-Master dictating machine

IMMEDIATELY a visitor has left your office, you can find instantly the place you had reached in your dictation before you were interrupted. For the Time-Master automatically backspaces to enable you to hear your last few words of dictation.

PERFECT CRYSTAL-CLEAR RECORDING

The Time-Master is a trim streamlined machine you can be proud of on your desk. It records on Dictabelts—little plastic belts, each one taking 15 full minutes of perfect crystal-clear dictation. The dictation too is more easily and clearly recorded, and therefore simplicity itself for your secretary to transcribe.

Small and pliable, Dictabelts fold flat for filing and may be mailed in an ordinary envelope, up to ten at a time for a 2½d. stamp.

ONLY THE TIME-MASTER OFFERS ALL THIS!

1. Streamlined machine only 4¼ inches high, slightly larger than a letterhead. 2. Uniformly clear recording and reproduction. 3. Uniform backspacing, immediate place-finding. 4. Simple, automatic operation. 5. Mailable, filable, expendable Dictabelts, low-cost plastic medium. 6. Nation-wide service, Dictaphone dependability.

Write for Time-Master literature to Dictaphone Co. Ltd., Dept. O, 107, Kingsway, London, W.C.2, or ask for a demonstration at your local Dictaphone branch.

DICTAPHONE

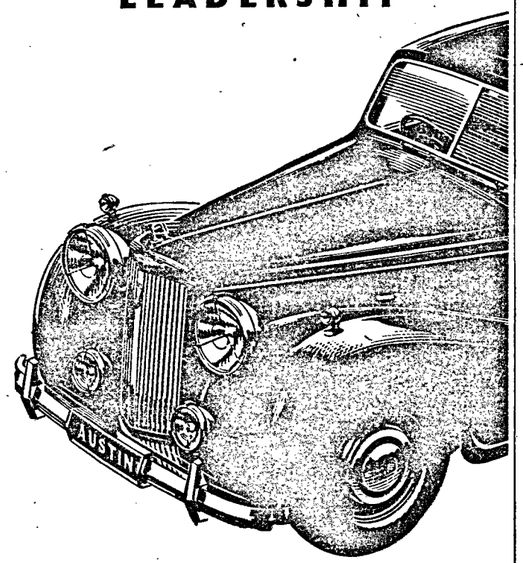
Registered Trade Mark

GREATEST NAME IN DICTATION

MADE IN GREAT BRITAIN. *Branch Offices:* BELFAST BIRMINGHAM BRISTOL CORK DUBLIN GLASGOW LEEDS LIVERPOOL MANCHESTER NEWCASTLE

Sheerline

LEADERSHIP



WHEN Austin of England introduced the A125 Sheerline it established a new criterion of large car quality, refinement and performance. Today there are many Sheerline motorists who know and appreciate these qualities. The day may come when you too will be able to do so. If you look forward to possessing a Sheerline your local Austin Dealer will be pleased to tell you more about it.

Among the many Sheerline luxuries are — 125 b.h.p. O.H.V. 6-cylinder engine; hypoid rear axle giving flat floor; radio; fresh air heating; walnut veneer panelling; generous armchair seating, upholstered in finest leather.

AUSTIN

— you can depend on it!

THE AUSTIN MOTOR COMPANY LIMITED • LONGBRIDGE • BIRMINGHAM

A GREAT NEW TYRE BUILT TO CUT RUNNING COSTS

THE *de Luxe*

All-Weather Tyre by GOODYEAR

New all the way through! New Carcass! New Tread! New Shoulders! New Sidewalls! Tougher—Stronger — Steadier — Safer — The New de Luxe by Goodyear is the greatest car-tyre value obtainable at the Standard Price Level.

It will save you money. The tread is thicker, tougher, wider, flatter, for longer mileage. The strong, resilient cord carcass combines reliable sidewall construction with comfortable riding. The smart, rugged shoulders protect the sidewalls. The famous diamond-tread design, still further improved, ensures greatest grip on all surfaces and safer cornering. By all standards the new de Luxe is the right tyre for the times, at the right price, and obtainable now at your regular supplier.

When next you buy a tyre — insist on Goodyear

You can trust

GOODYEAR

FOR LONG LIFE AND LASTING WEAR

THE WORLD OVERSEAS

France's European Army

(From Our Paris Correspondent)

EVER since Nato was formed France has been wrestling with the problem of how to become the leading European power when all its best troops are 7,000 miles away. In the good old days of the Brussels Pact the question did not arise, for when all the European countries still had only paper armies France could point to Indo-China for present performance and pipe-dream with the rest of the club about the European future. Indeed, two or three years ago most Frenchmen staunchly opposed German armament and, with logic, simply pulled the bedclothes over their heads at the mention of defence against the East. The theme of the *chansonniers* in those days was: *Europe sera-t-elle cosaque avant d'être chinoise?* and there most people left it. At this time France occupied the position of the leading European vacuum, a role now recalled with nostalgia by the neutralists who have no taste for the cosmic arms-race.

The National Assembly's debate on defence last week showed that in 1952 France is again regretfully becoming an important military power. It is therefore at this stage of the game that serious doubts are bound to arise in French minds as to the quality of the army to be and the value the country is getting for the enormous sums spent. M. Pleven, it is true, drew what seemed to be an impressive balance of achievement since August, 1950: 10 fairly strong divisions instead of 5 very weak ones, with two more to be created next October; 27 modernised air-groups instead of a completely obsolete air-force; a larger navy with a modernised air arm plus the reconstruction of two bases, Brest and Mers-el-Kebir; in all, 819,000 men under arms instead of 646,000. The increases in strength are: Army 132,000 (25 per cent); Air Force 50,000 (70 per cent); Navy 13,500 (25 per cent). Since 1950 France has also built 20 airfields, laid 7,000 km of underground cable and installed a radar system between Switzerland and the Channel. The Defence Minister made it clear, however, that defences are still very weak and that 1952 is only the first year in a four-year rearmament programme under the Nato armament plan. The importance of this year lies in the establishment of a durable pattern of Franco-American finance, which is indispensable to the production of arms in France itself.

Matching the Vietminh

This pattern is best demonstrated by reference to the Lisbon agreement of last February. France then agreed to sustain a military budget for 1952 of 1,400 billion francs; this was the sum which had been previously computed by the Three Wise Men as the maximum that French political and economic conditions would allow. At the Nato meeting France secured a promise of American aid amounting to $500 million (175 billion francs), thereby saddling itself with a rock-bottom budgetary defence burden of 1,225 billion francs. The American aid under the MSA programme was to be divided into direct economic aid ($300 million) and off-shore purchases ($200 million).

The first basic commitment which M. Pleven had to face was naturally the war in Indo-China. In order to keep level with the Vietminh, which steadily expands with Chinese support, France needs immediate American assistance in kind. This takes the form of shipments of tanks and aircraft direct to Indo-China under end-item aid (the same source from which existing French formations in Europe have been equipped during the last two years to the value of 1,000 billion francs; and of dollar aid for the purchase of ammunition in the United States. The Far Eastern commitment (which is again being reviewed in Washington) has threatened more and more to cramp the effort for Nato and especially the production of heavier arms in France. The $200 million in off-shore purchases will now make it possible, for instance, for the French aircraft industry to get started on a four-year programme designed to remedy the country's extreme weakness in this sector.

Since Lisbon, moreover, the French government has seen that a far greater volume of American off-shore purchases is required if French-type armaments are to be satisfactorily produced in France. This sum is estimated at another 170 billion francs spread out over 1952-1955 (inclusive). The defence budget during these years will be at least as large as this year's, and will therefore require a sustained American "defence support" in the form of off-shore purchases if Nato formations are not to suffer from the increasing Indo-Chinese encroachments. In order to relieve the defence budget, off-shore purchases will, if the United States Administration agrees, be of those products which already come under French equipment budget.

Demand for Women

M. Pleven also spoke of the Indo-Chinese drain on manpower. France had 186,000 men in the Far East alone, against a total of 75,000 overseas in 1938, including those in Syria. (In Washington, M. Letourneau has said that 26 per cent of French officers and 37 per cent of French NCO's are engaged in Indo-China.) It seemed certain that the number of troops overseas elsewhere than in Indo-China, which was at present 50,000, would have to be increased more quickly than French troops could be relieved by Vietnamese national forces. Next year, therefore, it would be seen whether an extension of military service to 18 months was inevitable. The Minister said it was essential that many more women should join the army. "There is no modern army, be it — English, American or Soviet, which does not use women for many technical or office jobs."

Such was M. Pleven's progress report. General Koenig, chairman of the Assembly's national defence commisssion, who opened the Gaullist attack, did not think much of it. He spoke of inadequate training, of poor morale, of ill-co-ordinated research, of a prehistoric high command and obsolete mobilisation methods. Two other RPF generals urged far greater financial incentives to a military career, since the supply of officer candidates was running very short. (One famous school, the *Ecole Polytechnique*, which turned out hundreds of officer candidates before the war, produced only seventeen last year.) General Billotte said that the plan for a European Army was highly equivocal, since there was no guarantee that Nato seriously intended to stem an invasion of Europe. This doubt was expressed in a different form by M. Max Lejeune (a former Socialist war minister), who believed that the war in Vietnam was undermining France both in Africa and in Europe.

Without the Indo-Chinese war France would, he said, have another 10 divisions in Europe and the European community could then safely be forged under its leadership and not that of Germany.

The War and Air Ministers, MM. Chevigne and Montel, were more precise and rather more gloomy than their chief. M. Chevigne said it would be impossible to have the 15 divisions promised to Nato by the end of 1953 without lengthening the period of military service. Also something must be done immediately to make the army more popular as a career. On the other hand, a good number of excellent weapons were coming off the assembly lines: the Delahaye armoured car, anti-tank mines, howitzers, rockets and wireless. Off-shore purchases would allow more anti-tank and anti-aircraft guns to be produced. M. Montel said that the aircraft industry depended entirely on off-shore purchases. It was essential that production of the MD-452 and Mystere IV should be started. There was up to 50 per cent surplus capacity in the industry. Other deputies complained of the obsolescence of the aircraft (Hurricanes, Vampires and Mistrals) which are to be produced this year and next. But in spite of these criticisms, whatever the difficulties now facing the French armed forces and armament industries, there can be little doubt that, given three or four years, France will possess a small efficient modern army with the air strength required to support it and the munitions industry to feed it.

The Soviet Press—II

The Role of the Periodicals

THE shades of Soviet opinion are more easily discernible in the periodicals than in the daily press. In last week's article it was said that these periodicals partly satisfy the needs of a growing Stalinist *intelligentsia*. Yet this obviously is not their only task. The more popular ones assist the daily press in its duty of mass propaganda. Broadly, it could be argued that the smaller the circulation, the greater is the latitude given to the writers. In a specialised journal read by less than 50,000 high party or government officials it is sometimes possible to reveal—indirectly and in highly esoteric language—certain facts which, if put plainly in a mass circulation paper, could do untold damage and would certainly be branded as heresy.

The most popular of the periodicals is probably the illustrated weekly, *Ogoniok* (Little Flame), with a circulation of about half a million copies. It inherited its title and external appearance from a pre-revolutionary journal. Compared with the Western illustrated press its photographs are much more retouched. Retouched, too, is the image of the Soviet Union. We are shown only a Russia of rapidly increasing bright houses, fertile fields and well dressed, well fed, happy shock workers. In addition there are coloured reproductions of classical Russian paintings and scenes from the canonized version of the revolution, with Stalin always in the limelight.

If photography is well suited for official propaganda, satire and caricature are normally the weapons of the opposition. The Bolsheviks used it successfully in their struggle against Tsardom. Now the official satirical journal—The *Krokodil*, published every ten days in 300,000 copies—has the ungrateful task of providing "constructive humour." It may attack the smaller fry—the corrupt or inefficient petty official—but beyond that it must mix laughter and praise.

A higher form of entertainment is provided by the literary press. The educated Russian's passion for literary journals is now satisfied in quantity, if not in quality. A special newspaper—*Literaturnaya Gazeta*—published three times a week, is chiefly devoted to criticism, reviews and essays. It must, however, give a substantial share of its space to political problems, in particular, lately, to questions of foreign policy. The monthlies—such as *Novy Mir* (New World), *Oktyabr* or *Znamya* (the Flag)—are more purely literary. In addition to essays and reviews they contain short stories, poems and novels in instalments. Although the material is only too often written slavishly to schedule, these journals are nevertheless almost permanently under fire for falling into the sins of formalism, of modernism or for giving a distorted view of Soviet life.

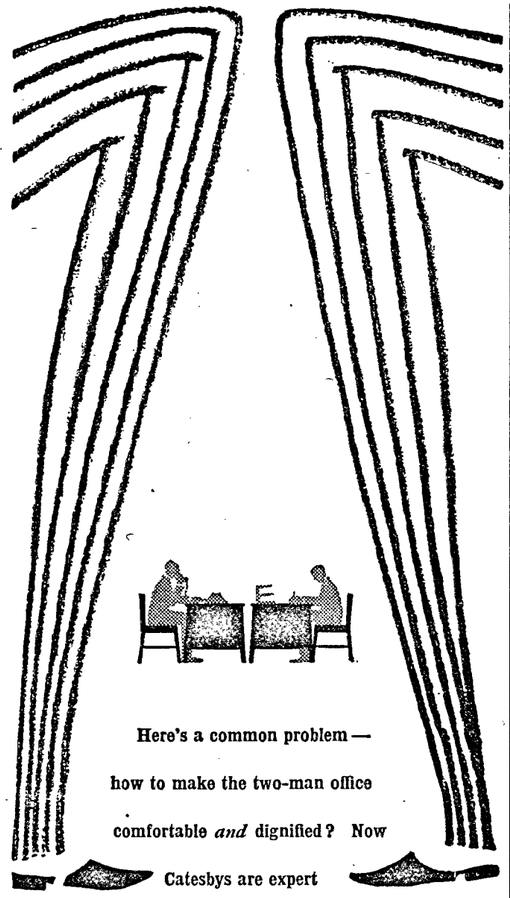
The role of public prosecutor is usually filled by the *Bolshevik*, the Party's theoretical and political organ. Among periodicals it stands somewhat apart. It has a large circulation, but it certainly is not a popular, entertaining paper. It is published every two weeks in over half a million copies of 80 small pages. As there are probably some 6 million Party members—including candidates—the *Bolshevik* is not read by the mass of the Party. But for the cadres and for all those taking an active part in Soviet political life, it is an indispensable guide, a guardian of orthodoxy. Its position towards the other periodicals is somewhat like that of *Pravda* towards the other dailies. It is the commander-in-chief. It criticises, castigates, advises and shows the path to be followed. If the *Bolshevik* had an article on philosophy, its line will be plugged in the forthcoming issues of *Voprosy Filozofii* (Problems of Philosophy); if it underlined the progressive role of Tsardom in Central Asia, *Voprosy Istorii* will quickly withdraw its anti-Tsarist interpretation.

On the economic side the *Bolshevik's* hints are expanded by the two chief journals, *Voprosy Ekonomiki* and *Planovoye Khozyaystvo* (Planned Economy). The former is a relative newcomer. Founded five years ago, it is published by the Academy of Sciences and has a circulation of over 40,000. It is read mainly in university circles and by higher officials of the foreign service. Of the two it is the more academic and devotes more space to economic conditions abroad. In addition to official versions of progress in the satellite countries or China, it provides statistical data on the Western world taken from Western statistical digests and the economic press (*The Economist* is a frequent source of information). True, the figures are judiciously chosen so as not to give too rosy a picture of the "imperialist camp." Still, for those who can analyse or read between the lines, the picture is not as black as is normally proclaimed in Moscow. It is necessary for the expert on foreign affairs and the future expert or his professor to know more about the outside world than the ordinary layman.

Shift of Emphasis

The *Planned Economy*, published every two months by the *Gosplan* and with a slightly smaller circulation, is as old as the Soviet planning system itself. It used to be a real mine of information, but with the dropping of the iron curtain the stream of information was reduced to a trickle. More and more the emphasis has been shifted from actual plans to planning technique. In fact the evolution of the periodical press under Stalinism is characterised by this shift of emphasis from general analysis to detailed technique, from the social science to technology. An expanding economy needs experts, and a dictatorship has least to fear from narrow-minded specialists. While the general political, social or literary magazines are but a shadow of their former selves, small journals dealing with specialised subjects like machine tools or machine building have grown and multiplied.

Yet it has not proved an easy task to harness all the energy of the growing educated class into the process of production and thus to blunt completely its critical spirit. From time to time journals must be scolded or closed down for various "deviations." Thus, for example, the *Istoricheskii Journal* was closed down after the war, when the Party decided to drop its ultra-patriotic and Slavophil propaganda. Incidentally, its successor—*Voprosy Istorii*—is now being attacked for lack of patriotism. Another periodical—*World Politics*



Here's a common problem — how to make the two-man office comfortable *and* dignified? Now Catesbys are expert at this sort of thing. They'll alter a desk, or design a special chair to suit the room and the person. They've done some good work for I.C.I., Richard Thomas and Baldwins, and other important firms. Their Contracts Department (directed by Peter Catesby) like to have things right — whether it's just a desk you need or complete refurnishing.

Catesbys contracts

Office Furniture · Fittings · Floor Coverings · Curtains · Decorating

64/67 TOTTENHAM COURT ROAD, LONDON, W.1. TELEPHONE MUSEUM 7777

Self-Sticking **SPEEDFIX** Cellulose TAPE

The Tape that always grips

SPEEDFIX is safer because of its tensile strength (16 lbs. per inch width).

SPEEDFIX is quicker because no heat or moisture is needed.

SPEEDFIX is cheaper because only an inch or two will make a perfect seal.

Speedfix has an international reputation for quality and reliability, and is marketed throughout the world by the Ofrex Group of Companies.

EXPORT . . . . . *Rexel (Export) Ltd., 92/94, Newman St., London, W.1.*
TRADE . . . . . *Rexel Ltd., 92/94, Newman St., London, W.1.*
INDUSTRY . . . . *Industrial Tapes Ltd., Duke's Road, London, W.C.1.*
COMMERCE . . . . *Ofrex Ltd., Ofrex House, Newman St., London, W.1.*
DOMESTIC (trade) *Speedfix Ltd., 35, Rathbone Place, London, W.1.*

Rexel A. G. Zurich; Ofrex (Canada) Ltd. Toronto; Industria Ltd. Toronto; Rexel Products of Canada Ltd. Toronto.

The Ofrex Group of Companies

OF 2893 47

Could your business burn tonight?

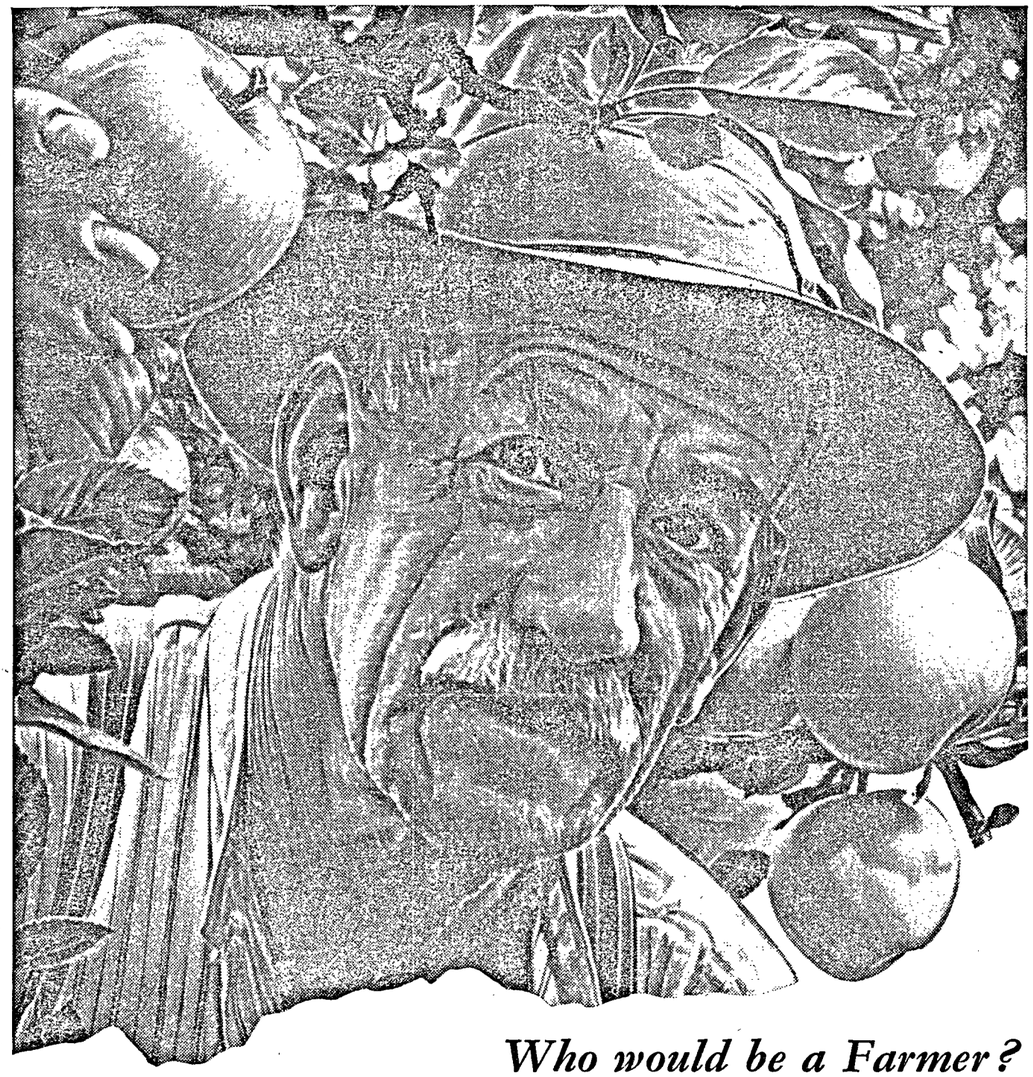
Your business is in danger as long as your records, the basis of business, are not safe from fire. And the longer fire has left you alone, the greater the odds that it will call. Tonight is as likely as any other night. And papers, files, ledgers are the fuel flames feed on.

But fire will not damage papers locked in Chubb Files. They are severely tested not only against fire but against fall.

To ensure that your records are as secure as this, send for further details of Chubb Fire-resisting Record Protection Equipment for the office.

CHUBB
RECORD PROTECTION

CHUBB & SON'S LOCK AND SAFE CO. LTD.
40-42 OXFORD STREET LONDON W1



Who would be a Farmer?

Insects are often a greater trouble than the weather in a farmer's life, but the development of new insecticides has made it possible for aphids, red spider and other insect pests to be brought more readily and more surely under control. Essential chemicals in many of these new insecticides are made by Albright & Wilson.

Chemicals for Industry ALBRIGHT & WILSON LTD

49 PARK LANE, LONDON, W.1 WBW154

and Economics—disappeared because its editor, the veteran economist Professor Varga, continued after the war to argue that an immediate crisis was not inevitable in the capitalist world. Generally, their discipline, somewhat relaxed during the war, was harshly reimposed under the leadership of the late Zhdanov. The screw was probably turned too tightly and this caused some restlessness, since Stalin himself, when writing on linguistics over a year ago, mentioned *en passant* that there was too much barrack-room discipline in Soviet science. The hint was quickly taken up and the Zhdanov line gave way to milder forms of control, to what has been called the Malenkov line, after the name of Zhdanov's rival. Thus persons criticised in the *Bolshevik* have recently been allowed to defend themselves in the columns of that paper. Authors were told not to paint everything in rosy colours and critics were allowed to discuss the place of the "negative" hero in Soviet literature. A courageous writer even dared to argue that culture is international and that the claims of Russian supremacy and self-sufficiency have been exaggerated. All this may seem little to an outsider, but for the Russian intellectual these are signs of liberalisation and encouragement to speak up more freely. Obviously one does not know how far this "liberal" line will stretch or how long it will last. In the past the policy towards the *intelligentsia* has been prone to sudden reversals, and changes in the international situation were not the least factor in determining it.

Actually the rulers responsible for the guidance of the press are faced with a paradoxical situation. The mass of people who have only just learnt to read and write gives them little worry. The real trouble is caused by those to whom Stalinism gave the opportunity to learn much more than the alphabet. Not that this educated class is opposed to the regime. On the contrary, it is a privileged class with a stake in the prevailing order. Yet it must be longing desperately for more freedom of expression. Hence the real dilemma is how to satisfy or appease this longing without undermining the basis of Stalinist society.

(*Concluded*)

Belgium and the European Army

[FROM OUR CORRESPONDENT]

BELGIUM is a small country with a direct and obvious interest in the development of international co-operation. But its historical traditions, the nature of its Constitution, and the temperament of its people, all naturally give rise to certain anxieties and to certain demands, whenever a new step is being made towards the integration of Europe. The uneasiness aroused by the European Defence Community rested in the first place on the fact that the chief partners, France and Germany, did not sign the Treaty with any enthusiasm; on the contrary, its ratification is by no means a foregone conclusion in either country.

To understand more exactly what is worrying the Belgians about the EDC, it is best to recall the particular points raised by the Belgian delegates during the treaty negotiations. This list gives an excellent picture of the traditional preoccupations felt by the Belgians whenever they are confronted with any project for international co-operation. Among these problems, it is the length of military service and the size of the defence budget that are of most direct interest to the Belgian people. Military service in Belgium, which has been fixed at 24 months, is higher than that of any of the other EDC partners; it is designed to secure the forces necessary to fulfil Belgium's international engagements, and was adopted in the hope that other countries would act on the same principle. In fact, Belgium now finds that the other European governments are lagging behind it in this matter; and the Government has firmly announced that it will shorten the period of military service to the level fixed for the whole EDC by its Council of Ministers. But this would entail a reduction in the military contingents provided by Belgium. This question is all the more important because of the general public's direct and lively interest in it, and because the Socialist party has from the beginning been opposed to a military service of 24 months.

The problem of the size of the national defence budget is also of general interest, particularly in parliamentary circles, all the more so since Belgian constitutional traditions and the functioning of the parliamentary regime might be affected. This was why the Belgian delegation insisted that the EDC's budget should be fixed by the unanimous vote of its Committee of Ministers. The hierarchical primacy of the Council of Ministers, especially in financial matters, has been one of the main objectives of the Belgians from the beginning of the negotiations. They were anxious that the position of the Council should be such that it would be possible for the Belgian Government and Parliament to use it as a channel of intervention if necessary. The Belgian delegation also insisted that if the EDC's scale of military pay would involve a financial loss for the Belgian soldier, a supplement could be provided out of the national budget.

The existence in Belgium of different linguistic communities, the Flemish and the Walloon, has naturally made the Belgian military authorities specially preoccupied with the question of what languages are to be employed in the EDC. The decisions taken in this matter conform to the principles applied in Belgium. In principle, every member of the European defence forces is to use his national language and communications between different units are to be made in the language of the subordinate unit.

Jurisdictional Guarantees

The Belgian delegation also insisted that the nomination of the commanding officers of the national units should be reserved to the national authorities; and it also approved the decision that the unanimous consent of the Council of Ministers should be necessary for nominations to higher posts. The Belgians also insisted on certain jurisdictional guarantees for the benefit of Belgian nationals, since the Belgian Constitution does not allow the transfer of jurisdictional powers in cases, for example, of material damages, to foreign tribunals. Thus the victim of a damage done in Belgium who would not accept the decision of the "European Indemnities Commission" would be able to summon the Belgian state before the Belgian courts. In penal as well as in civil cases the Belgians successfully opposed the willingness of the other delegations to transfer judicial powers to the Community.

The EDC treaty has not yet been discussed by the Belgian Parliament, and it is as yet too early to make out how the proposal for its ratification will be received both in Parliament and in the country as a whole. But one can get some idea of the sort of opposition to be expected from the discussions on the Schuman Plan Treaty which was ratified by the Chamber of Deputies last week. The Socialists, who had abstained on the Schuman Plan vote in the Senate, in the Chamber voted in its favour. This was the result of M. Spaak's intervention. There were thus 165 votes in favour, 13 against and 13 abstentions. Among those abstaining was the President of the Chamber, M. van Cauwelaert, who was not convinced that the provisions of the Treaty were in accord with the Constitution and who feared that the development of international co-operation would profoundly change the functioning of the present parliamentary system.

The vote on the Schuman Plan showed that within each party there are both supporters and opponents of European union; but in spite of the reservations made by many speakers, the Schuman Plan debates made it clear that those in favour of more integration have managed to convince a large part of the Belgian Parliament.

German Nationalism and the New Treaties

[BY A CORRESPONDENT]

THE question whether the treaties concerning the European Defence Community and the so-called "Contractual Agreements" are to be ratified by the present or by a newly elected German Federal Parliament has aspects which far transcend the party political struggle. Suppose Dr Adenauer succeeds by his statesmanship in silencing the grumbling opposition in the ranks of the government parties and in steering the treaties through the present Bundestag and Bundesrat—what will be the attitude of the German voters at the next election, which is due in 1953? Will they conform to the spirit of European co-operation which is embodied in the treaties? Or will there be a victory for the nationalist spirit which expresses itself in the new parties of the Right, as well as in the departure of the German Social Democrats from the international tradition of August Bebel and Wilhelm Liebknecht? Nobody can be bold enough to answer these questions with certainty, but a backward glance at the experience of the Weimar Republic may be instructive.

In the summer of 1929, at the Hague Conference, Stresemann achieved the enormous success of securing the evacuation of the occupied Rhineland. On August 29th, at a personal meeting with Briand in Scheveningen, he extracted from him after long and strenuous persuasion the promise that the evacuation should be completed not later than June 30, 1930—five years before the date fixed by the Treaty of Versailles. Dr Schmidt, who was present as an interpreter at this tête-à-tête, became lyrical in describing the moment when Aristide Briand gave this historic promise.

> The sun suddenly shone brighter and the sea radiated still deeper, and this light was reflected on the face of the two statesmen who had wrestled so hard to come to a solution. Both hoped at this hour, that a new era was approaching, when France and Germany would be really good neighbours.

It was the crowning triumph of Stresemann and the policy of Locarno. Briand had in the name of the French people abandoned the policy of Versailles, which had excited so much passionate resentment in Germany. Now certainly, people thought, nationalism would lose its power.

The French kept their word. On June 30, 1930, the evacuation of the Rhineland was completed. Ten weeks later a new Reichstag was elected. How did the German voters greet the new era of international understanding? The National Socialist votes jumped from 800,000 to 6,400,000, their seats increased from 12 to 107. It was at this moment, when the last allied soldier had left the soil of the German fatherland, that the National Socialist movement became a danger to be reckoned with. On the extreme left the Communists won 1.2 million votes and 23 seats. Stresemann's party, the *Deutsche Volkspartei,* lost a third of their 45 seats.

Two-Faced Tactics

When the Germans suddenly found they had become full-fledged members of a republic, they had slowly to learn many things which were well understood in states with a longer parliamentary tradition. It was disastrous that the nationalist and monarchist opposition was double-faced. It condemned passionately all that the Reich had to undergo in consequence of its catastrophic defeat; at the same time it was glad that other parties were willing to make the patriotic sacrifice of accepting the inevitable. This tactic began even when the Treaty of Versailles had to be accepted. On June 23rd 1919, when Clemenceau demanded unconditional acceptance within twenty-four hours under the threat of military invasion, the *Deutschnationalen* desired the surrender as much as anybody else; they even promised solemnly not to impugn the patriotic motives of the deputies who voted for it. General von Seeckt, certainly neither a friend of the government nor of surrender, wrote in a letter: "Many deputies who voted against the signature did so because they knew it would be accepted in spite of their vote." But when the Treaty was signed, an indignation campaign was conducted with the utmost vehemence against those who had submitted to surrender. Erzberger, who was held mainly responsible for signing the Treaty, was murdered.

This double game became clearer still when the Dawes Plan came up for acceptance by the Reichstag in August, 1924. Again the *Deutschnational* Party opposed it vehemently and voted against it. There was no danger to Germany in this because they knew that a majority in favour of the proposed laws was secure; but then came a characteristic and revealing incident. The constitutional lawyers found that one of the bills, concerning the railways, involved a change in the constitution and was therefore valid only if accepted by a two-thirds majority. This could not be secured without the votes of the *Deutschnational.* Reichspresident Ebert let it be understood that he would dissolve the Reichstag if the Dawes Plan were rejected. What happened now? At the third reading about half of the *Deutschnational* members voted in favour, the two-thirds majority was obtained and the dissolution which the *Deutschnational* evidently feared was avoided. Thus the Nationalists by their tactics prevented the German people from giving a responsible and clear verdict on a decisive question of foreign policy.

It is this precedent of the Weimar Republic that causes concern. When the advantages of the new treaties have been secured for the Germans through their ratification by the present parliament, nationalist agitators will be free to make the most of the few restrictions that were necessarily included in these treaties. Many people in the Federal Republic, while fully appreciating the reasons behind Dr Adenauer's policy, feel that it may contain dangerous pitfalls.

Mr Holland's Optimism

[FROM OUR NEW ZEALAND CORRESPONDENT]

NEW ZEALAND, which is unused to such spectacles, has recently been edified by the appearance of its two leading economic advisers, the Governor of the Reserve Bank, and the Secretary of the Treasury, as witnesses in an application by the New Zealand Federation of Labour to the Court of Arbitration for a general wage increase of £2 11s. 4d. a week. The application, which was supported by the New Zealand Public Service Association, was estimated, during the hearing, to represent a claim for £70 million when applied to all the wage earners in industry and the public service. There is provision for any wage increases granted by the Court to be passed on to the primary industries.

The chief purpose of the questioning of Messrs. Fussell and Ashwin was to show that the wage-earners are lagging substantially behind the farmers and company shareholders in their earnings. On the basis of the official consumers' price index it was argued that the cost of living had increased by over 15 per cent since February last year when the Court ordered a general wage increase of 15 per cent. It was also maintained that wages had increased at less than half the rate of farmers' and shareholders' increased returns during the past twelve months. The federation's arguments, supported by the Public Service Association, were directed to show that this disparity requires rectification in the general interests of economic stability and industrial peace.

Although it is by no means certain that the Court will find for the workers on the scale adopted last year, the political implications of an award falling substantially short of the federation's demands may provide problems for the present administration. The Prime Minister, Mr Holland, who is of a naturally sanguine temperament, has been criticised recently for giving the impression in a speech that he was ignoring this and other current grievances.

On the face of things the Government should indeed be cautious in its optimism for there has been a considerable change in New Zealand's economic fortunes in the past six to nine months. Over-importing encouraged by last year's wool boom and stimulated by the depletion of stocks during last year's five months waterfront strike, has pushed up imports to an unprecedented extent; at the same time prices for wool and hides have fallen very sharply, though meat and dairy products have shown some gains. As a result, the favourable balance of £28 million which New Zealand showed for the first four months of 1951 has been transformed, during the first four months of the present year, into an adverse balance of over £10 million—in other words the country's position has deteriorated by over £38 million in twelve months. It is difficult to impart a very hearty ring to optimism under these circumstances.

Exchange Allocation Plan

Another current source of discontent, at least among a section of the community, is the exchange allocation plan announced three months ago. This limits importers to 80 per cent of the overseas exchange they used in 1950, a sum estimated provisionally at about £172 million in all. Over and above this, however, the New Zealand Reserve Bank, which is administering the scheme, has an estimated £60 million available to deal with special cases, including those of importers who were not in business in 1950. Since the scheme was announced, nearly 4,000 importers have applied for a share of this extra amount and the total of applications is nearing £300 million. This makes it inevitable that many applications will be drastically cut and equally inevitable that many importers will blame the Government for the reduction. It also creates the danger that the black market in overseas exchange, which arose two years ago under the "no remittance" system of car importations, will revive on a wider scale. The Labour Party, which introduced New Zealand to import licensing, has not been backward in suggesting that the Government should have reverted to this system of controls rather than accept a scheme which will be difficult to police and to administer. It is too early yet to predict whether exchange control will cause less heart burning than import licensing, but both seem calculated to raise the blood pressure.

The trading banks and the Reserve Bank have both received some blame for allowing advances to mount to record levels and New Zealand to import beyond its means, but one of the freedoms the present Government has not restored is the freedom of the banking system to regulate its own affairs. Indeed, there are some signs that this freedom has for long been forgotten, and that the partial removal of controls, after Labour departed, has found some banking executives ill-equipped to deal with the new conditions.

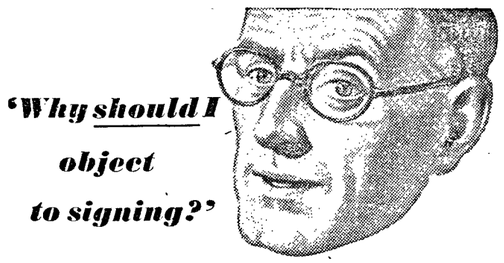
A Reasonable Prediction

The partial resumption of controls which the Government has imposed in order to restrain importers and conserve overseas funds has occurred at a time when the unions' application for increased wages has redirected public attention to the increased cost of living and when the Government is experiencing some of the inevitable loss of popularity which follows the consolidation of a new administration. Nevertheless, Mr Holland's Government, with its very comfortable majority, has more than two years to go before it must face another general election, and in the meantime some at least of its policies will probably have been vindicated. In any case, Mr Holland is far from being alone in his optimism. When the Governor of the Reserve Bank was asked, during the Arbitration Court hearing, whether he still felt that New Zealand could fulfil its promise to the sterling area by balancing all its payments by the middle of 1953, he said that he expected the country to have a surplus of £20 million in its overseas trading by that time. If the Government can bring imports down to manageable limits, and if New Zealand's export prices maintain their present levels, the prediction appears reasonable.

Jews Behind the Iron Curtain

[BY A CORRESPONDENT]

BEHIND the iron curtain, where Communism claims to have rooted out racial prejudice, Jews once more find themselves a discredited and even threatened minority. Not because of anti-Semitism in the old sense, but because Soviet policy now demands that all who have international connections or ties abroad be classed as suspects and unreliable. Where Jews are concerned the stigma of disloyalty is apparently automatic. It expresses itself in forms of discrimination, notably over official appointments, and in smear propaganda linked to attacks on Israel which once more render Jews conspicuous as a racial group. The effect, therefore, particularly on East European peoples, is hardly distinguishable from anti-Semitism. While the cold war lasts, Communist policy is not likely to change. In the event of open conflict it is doubtful whether the iron curtain Jews, already classed as potential enemy agents, would even have much chance of survival. In the meantime, emigration, their only hope, is becoming daily more difficult. It has never been permitted from the Soviet Union which even in the post-revolutionary period, when the attitude to Jewish aspirations was still tolerant, opposed Zionism in theory and practice; and in the satellites today only a few thousands yearly, mostly the aged, succeed in securing exit permits.



'I can quite see the guv'nor's point of view in taking out a Fidelity Guarantee in my name. I know that he trusts me, but the fact remains that he has the responsibility of other people's money as well as his own, and the Guarantee is only a reasonable precaution—like the annual audit. Any man in his position is justified in doing the same thing—and he will if he's wise.'

Peace of mind costs very little

'General' Guarantee Policies can, at a very low rate, cover embezzlement and misappropriation risks of all kinds as well as pay-roll and cash in transit robberies. Send off the coupon right away for further particulars.

GU/4

Please send me full particulars and proposal form of the 'General' Fidelity Guarantee Insurance Policy.

NAME

ADDRESS

E

General

ACCIDENT FIRE & LIFE ASSURANCE CORPORATION LTD

General Buildings, Perth, Scotland

FAMOUS FOR ALL CLASSES OF INSURANCE

In numbers the extent of the problem is not inconsiderable. Almost one-quarter of the 11 million Jews in the world live in the Cominform countries. Whilst the exact total is unknown, it is estimated by outside sources that it approximates 2,430,000. Of these some 2 million live in the Soviet Union, a decline, due to German measures and assimilation, of 1 million over the prewar figure. Soviet Jews are, of course, the most isolated. But although so long exposed to Marxist proselytism and to pressure to merge into the Communist system, they still maintain, visitors report, a certain communal integration. This is helped by the fact that most of them are congregated in cities where they can gather together for religious worship, and so preserve a sense of community and separate culture. The largest communities are in Moscow—where there are said to be 500,000—Minsk, Kiev and Biro-Bidjan. The last is the Jewish settlement promised as an autonomous state but never realised. These communities have little contact with each other and none at all with Jewries in the world outside, not even in the satellites.

Zionism Among Russian Jews

Hitherto the lot of the Jews in the Soviet Union has not been unfavourable. In the post-revolutionary era they were considered of particular value because they were urban, adaptable, generally better educated and more skilled than the then illiterate Russian. Discrimination against them was condemned and often punished. This made them more eager than most to work for the new order and explains why so many have played an important part in building Communism in the Soviet Union and later in the satellites. The liberal policy continued up to the war. The Soviet authorities readily granted facilities for the publication of Yiddish books and newspapers, of which there were many; and Yiddish theatres flourished and were renowned. Today none of this exists except as part of Communist propaganda which now obtrudes itself into religious matters.

Russian Jewry has been forced, under pain of severe penalties, to efface from its religion all mention of the political concept of Zionism, which is logically inseparable from it. On this a constant watch is kept. Nevertheless, there is every evidence that the Russian Jew is not only deeply conscious of the new Israel but passionately interested in it. There were, for instance, the extraordinary demonstrations in 1949 when the first Israel mission attended the synagogue in Moscow; these were followed by arrests and the closing down of Jewish printing plants and offices. This interest though inarticulate has not diminished. Jewish foreign visitors tell of being followed in the streets, of whispered words in Yiddish, of the handclasp in the dark. Only recently in New York, the former Israeli Minister, Dr Mordecai Namir, described the sensation of being watched "by X-ray eyes."

In satellite Europe, the Jews' situation varies with the country and with circumstances. Thus in Czechoslovakia where they number but 17,000 and the people are not traditionally anti-Semitic, the situation of the ordinary Jew, despite the arrest of Slansky and half a dozen other Jews in official positions, and the recent denunciations by the Minister of Information of "cosmopolitanism and Zionism" is still easier than elsewhere. But emigration is not allowed. The largest satellite Jewry, totalling about 180,000, is in Rumania. Here policy is increasingly rigorous and oppressive. Press reports indicate that the new deportations from Bucharest of 200,000 "unproductive elements" include a great many Jews. One-fourth of the Rumanian Jews have registered to emigrate but, apart from the aged, every obstacle is being placed in their way. All property must be sold, they are allowed to take little money out and even personal belongings and food for the journey may be impounded at the last moment. Yet in Rumania, as also in Hungary, where there are 175,000 Jews and conditions are no easier, they continue to besiege the authorities for exit permits, although to do so makes them doubly suspect and invites punishment. Even Party members do this. Many try to depart illegally. Some weeks ago the Rumanian Security Police raided a ship due to sail from Constanza and arrested several escaping to Israel. For some time emigration has also been prohibited from Poland—where there are 50,000 Jews. A few weeks ago a rumour that the Warsaw Government were negotiating to reopen facilities caused an onrush of applicants at the Israeli Legation. The police broke up the crowds and made arrests.

Anti-Semitism now Unchecked

In all three countries, Jewish communal organisations have been put in control of Jewish Party members. All Jewish international organisations such as the American Joint Distribution Committee, the ORT and so on, were forcibly disbanded some time ago. The Rumanian regime, according to a report, only recently closed 21 "disused" synagogues in Transylvania and turned them into Communist clubs. Anti-Semitism, never far from the surface in these countries, and fanned by the regimes' attacks on Israel, is reported on the rise again. The authorities, it seems, no longer try to suppress it. It is significant that as a result of an outcry by workers in Polish state industries against the high wage earnings in co-operatives manufacturing clothes, shoes and furniture—mostly manned by Jews—the Government has by decree reduced earning rates and acted in other ways to curtail the co-operatives' operation. In Poland there are still Yiddish newspapers, mainly vehicles for Communist propaganda, and Jewish schools carry on under Communist direction. School textbooks issued in 1951 exclude all reference to Jewish nationhood and Zionism. In the welter of angry anti-Israel propaganda poured out by the Polish press and radio, the would-be emigrant is branded an emigrate, traitor and spy. Jewish children write to newspapers accusing their parents of trying to take them to Israel.

In such an atmosphere the predicament of the Jews with their undeniable connections and family ties abroad can easily be understood. It is true that compared with those in the Soviet Union, these Jews in the satellites are even today still permitted a restricted measure of separate collective expression through Yiddish schools, theatres and a few newspapers. But they know that this will come to an end because satellite policy towards the Jews, as towards everything else, must conform to the Soviet pattern. Communism is in effect putting the Jews of Eastern Europe back to where they were in the bad old days. But then at least there was no iron curtain; they could at least emigrate.

LATIN-AMERICAN MARKETS

Among the 43 countries on which The Economist Intelligence Unit issues reports every three months are Argentina, Brazil, Chile, Colombia, Cuba, Mexico, Uruguay and Venezuela.

The reports are designed to provide in concise form, with a comprehensive statistical appendix, the information required by those with business interests abroad. They are obtainable by annual subscription or singly. Further particulars from:

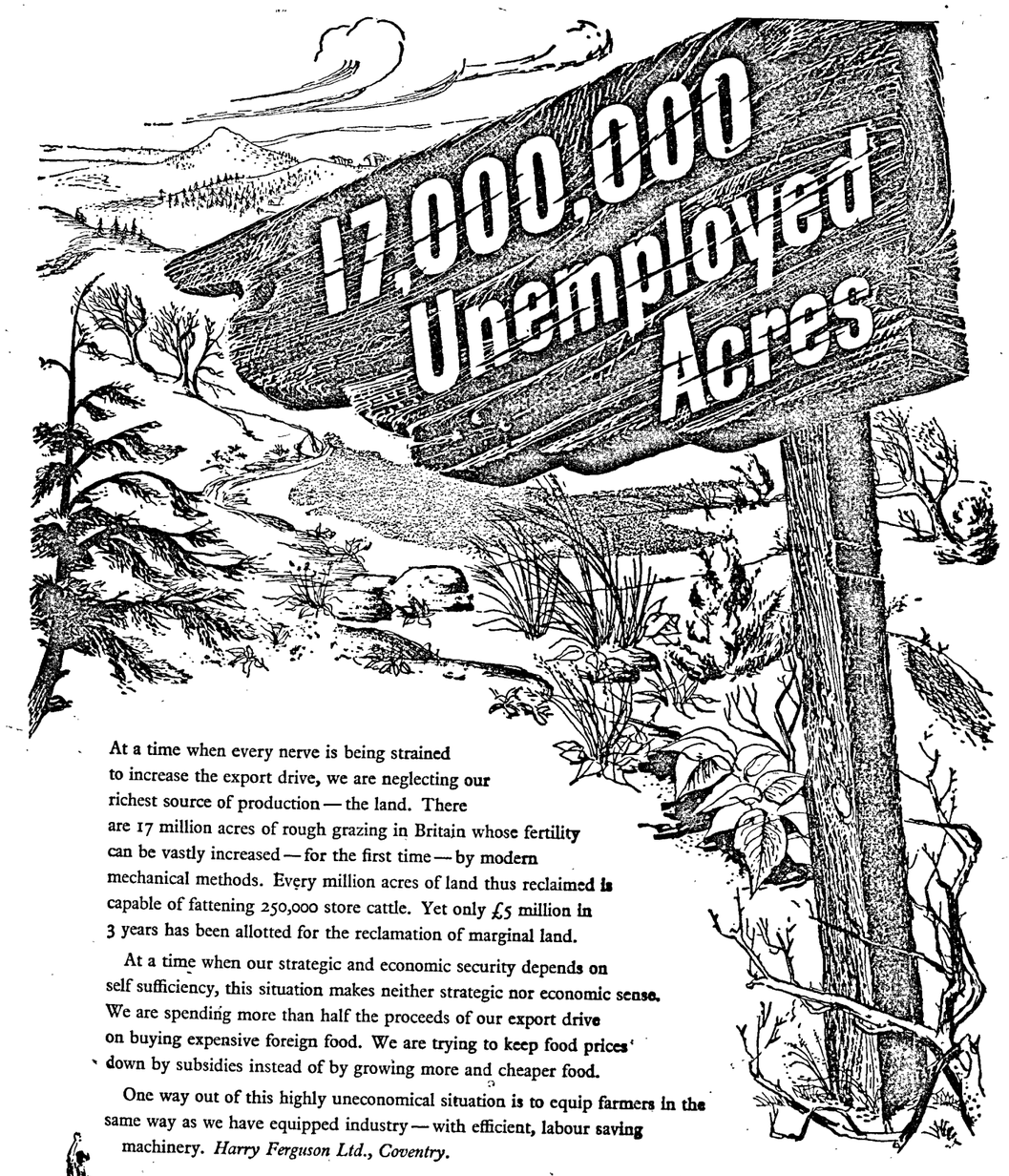
THE ECONOMIST INTELLIGENCE UNIT
22 RYDER STREET, ST. JAMES'S, LONDON, S.W.1

For differing sales situations, different advertising plans

Clifford Bloxham and Partners Ltd
work for a limited list of distinguished advertisers

BROOKES BISCUITS	LILIA-LILAIN
CATESBYS	NEEDLE INDUSTRIES
ELASTOPLAST	SCHWEPPES
EVERSHARP	SLUMBERLAND
GAYDEC	TOKALON
INTALOK	WILLIAMS & WILLIAMS

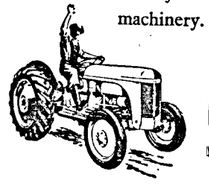
TELEPHONE: ABBEY 1347
CHANDOS HOUSE • PALMER STREET • LONDON • S.W.1



At a time when every nerve is being strained to increase the export drive, we are neglecting our richest source of production — the land. There are 17 million acres of rough grazing in Britain whose fertility can be vastly increased — for the first time — by modern mechanical methods. Every million acres of land thus reclaimed is capable of fattening 250,000 store cattle. Yet only £5 million in 3 years has been allotted for the reclamation of marginal land.

At a time when our strategic and economic security depends on self sufficiency, this situation makes neither strategic nor economic sense. We are spending more than half the proceeds of our export drive on buying expensive foreign food. We are trying to keep food prices down by subsidies instead of by growing more and cheaper food.

One way out of this highly uneconomical situation is to equip farmers in the same way as we have equipped industry — with efficient, labour saving machinery. *Harry Ferguson Ltd., Coventry.*



Grow more food in Britain

Ferguson tractors are manufactured for Harry Ferguson Ltd., Coventry, by The Standard Motor Company Ltd.

FERGUSON SYSTEM

THE BUSINESS WORLD

Spokes in the Wheels

THE British Transport Commission's accounts for 1951, which were published last Monday some three weeks in advance of its full annual report, show a revenue surplus for the year of £2,943,512. Out of this, the commission required £2,671,344 for capital redemption and £158,605 to meet certain special expenses, such as those arising from the acquisition of new undertakings and the need to pay compensation to their redundant staff. This left a credit balance of £113,558 for the year, which, for an organisation with a gross revenue of over £624 million and balance sheet assets of just under £1,750 million, is a very tiny figure for a year of boom. It is, however, the first credit balance that the commission has ever earned; it compares with a deficit of £14.1 million in 1950 and with an accumulated deficit of £39.5 million in the four years since the nationalisation of transport took effect. The more is the pity, therefore, that 1952 seems certain to be another year of deficit; such a relapse is an almost inevitable consequence of falling traffic, mounting costs and Mr Churchill's dart down from Olympus to stick a spoke through the wheels.

There are some people indeed, who would say that the Government has inserted not one spoke but two. The commission itself is among those who would voice this double complaint. It clearly considers the proposed denationalisation of road transport to be almost as undesirable as the Government's meddle in fares. In the notes accompanying its accounts the commission goes as far as a nationalised board decently can in setting out the reasoned (as distinct from the socially chuckle-headed) brief for those who believe that long distance lorries should be left in public hands. Since the specific object of advancing the publication date of the 1951 accounts was to provide the electorate with sufficient material to view the Government's transport policy in perspective, the commission's thinly guarded comments on this question deserve attention.

In part, the commission's case against denationalisation of road transport is based on the assertion that it is now running the lorries very efficiently; since 1949 it has carried out some sensible staff economies, reduced the number of empty-running vehicles, pushed up the load per vehicle so sharply that nationalised lorries are now carrying some 250 million packages a year, and (as the accompanying table shows) transformed British Road Services' net deficit of £1,200,000 in 1950 into a net surplus of £3,200,000 in 1951. As, however, no really comparable figures are available of what was the former position (let alone what would be the new position) under private enterprise, there is not very much meat in all this. Very wisely, therefore, the commission bases its main case against denationalisation on the need for integration. In sharp contrast to the fluffiness of most outside commentators, however, it goes on to define that blessed word in the proper way. Integration of freight services, in its view, means that each package carried across the country should be carried in the medium that, for that particular package on that particular journey, would involve the least real cost.

Under truly competitive conditions this function of integration would be achieved by the price system. But the commission declares that in the haulage undertakings that it has absorbed "the pattern of road freight charges has not [the commission puts the "not" in bold type] been found to correspond closely with the pattern of road cost." Where there has been competition from the railways, private road hauliers have apparently tended to undercut them deliberately, and where there has been "a virtual monopoly of the road, the charges seem to have varied more according to the market, from place to place and time to time, than according to long-term cost." After a series of studies of traffic costs, which "made considerable progress during 1951," the commission made "sundry revisions" last year, and thus feels able to report—rather sadly—that "the beginnings of a more rational price policy were in sight."

In addition, the commission claims that last year it managed to shunt off a fairer share of the railways' public obligations on to the road services. By public obligations it means the requirements to operate a regular and sufficient service to meet all peak traffic needs even where this is not financially profitable, and "to apply uniformly an approved and published tariff, which does not necessarily reflect the cost of the services rendered" (but imposes on a package carried a hundred miles along a deserted and expensive route no bigger charge than that on another package of equivalent size carried the same distance along a crowded and cheap route). Considerable sympathy will be attracted to the commission's view that the excess costs attaching to these public obligations should be fairly spread between rail and road—although not everybody will agree that the second obligation (a uniform tariff) is as desirable as the first (the need for services adequate to meet peak demand).

BRITISH TRANSPORT COMMISSION'S CONSOLIDATED RECEIPTS
(£ Million)

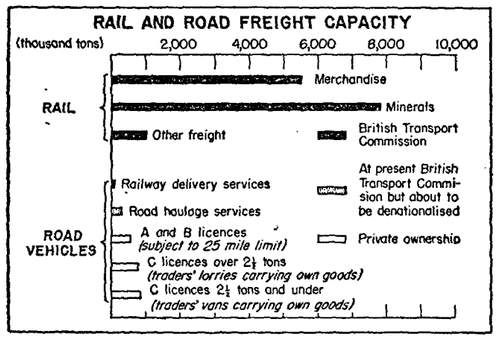
	Gross Receipts			Net Receipts		
	1950	1951	+ or −	1950	1951	+ or −
British Railways*	349·6	383·3	+33·7	23·6	31·7	+ 8·1
British Road Services	62·5	78·6	+16·1	− 1·2	3·2	+ 4·4
Provincial & Scottish Buses	38·7	43·9	+ 5·2	3·4	3·9	+ 0·5
London Road Services	41·3	43·4	+ 2·1	1·1	− 2·1	− 3·2
London Rail Services	15·0	16·5	+ 1·5	0·6	0·5	− 0·1
Other carrying activities	12·1	13·4	+ 1·3	2·8	2·8	...
Total	519·2	579·1	+59·9	30·3	40·0	+ 9·7
Miscellaneous receipts	42·6	45·3	+ 2·7	9·7	9·1	− 0·6
Grand Total	**561·8**	**624·4**	**+62·6**	**40·0**	**49·1**	**+ 9·1**
Deduct:—						
Interest and other charges	...	...	...	49·9	46·2	− 3·7
Capital redemption & special items	...	...	...	4·2	2·8	− 1·4
Surplus	..	..	..	**−14·1**	**0·1**	**+14·2**

* Includes carrying and delivery services.

This, then, is the reasoned case for continued nationalisation of road transport. Labour politicians would do well to study it. But the case is still not a watertight one. With due respect to the excellent principles set down in the commission's report, the experience of the past four years has shown that once a nationalised board has all the cards in its hands, it is under no continuing incentive to shuffle the pack. If the railways' public obligations were cut down to a sensible minimum (especially in the matter of the uniform tariff), and if prices on the railway system alone were brought more into alignment with costs, then competition from privately owned road haulage would act more as a spur than as a barrier to efficiency. A glance at the accompanying chart will show how small is the proposed transfer of resources from public to private hands in relation to the estimated freight capacity of the country's available railway wagons and road vehicles.

The issue therefore comes down again to the basic question of the need for alignment between railway charges and railway costs, and leads inexorably to condemnation of the folly of the fares standstill—a condemnation that is mutely emphasised by almost every figure in the commission's 1951 accounts. The Minister of Transport's statement in the House of Commons this week makes it possible to view his folly in perspective, both as regards the railways and provincial services and as regards London Transport.

It will be seen from the accompanying table that the net revenue surplus of British Railways rose by £8.1 million, to £31.7 million, in 1951. The economies whereby this improvement was achieved lay partly in reductions in the labour force (which is down to just



under 600,000 compared with just over 660,000 in 1948), partly in the withdrawal of unremunerative services (more than 1,000 miles of unremunerative route and several hundred stations have been closed since 1948), and partly in increased efficiency (the commission's favourite, if complicated, statistic of "net ton miles hauled per total freight engine hour in service" has increased from 461 in 1938 to 543 in 1948 and 595 in 1951). These factors made possible an improvement in the railways' surplus in spite of an 8 per cent increase in wages and other expenses in 1951 and in spite of the fact—not generally realised—that the average fare paid by railway passengers has steadily declined since 1948. In that year the railways' average receipts per passenger mile were 1.38d., in 1950 1.26d. and in 1951 1.24d. This decline in average fares has been mainly due to the increased number of passengers utilising concession fares such as workmen's and season tickets; well over half of those using the railways now travel on such concession rates, while the number paying ordinary single and monthly return fares has been declining.

★

Concession fares are mostly accorded to those who travel at peak hours, that is to say at the hours when the real cost of transport is greatest. The Passenger Charges Scheme for 1951 therefore proposed, very sensibly, to increase workmen's and season tickets by 20 per cent, and to increase monthly returns by only 10 per cent; it proposed that ordinary single fares should actually be reduced, from 2.44d. to 1.75d. per mile. Within each of these categories, however, there were a number of special sub-standard fares—accorded either to particular groups (such as commercial travellers) or on particular routes, often as a result of historical accident; the Passenger Charges Scheme proposed to sweep away a large number of these special concessions, provided that the increase on any one ticket should not be more than 42 per cent.

After a year of proceedings before the Transport Tribunal, the scheme was approved, but—as the commission sadly remarks—"the correction of relativities thereby secured" was then made "subject to the standstill order of the Government." This standstill order, by delaying the introduction of the full scheme (on the provincial bus services as well as on the railways) from May 1st to September 1st, seems likely to cost the commission some £1,800,000 this summer. In addition, when the scheme does come into effect, the provisions for ironing out sub-standard anomalies will have been removed from it (except for sub-standard individual single and return fares, which will have been allowed to rise by up to 20 per cent), while the special categories of travellers that had previously been allowed to travel at half or two-thirds of the ordinary rate will suffer increases of less than 10 per cent (instead of losing their privileges altogether). This pruning of the proposed scheme for railway fares and bus fares outside London will cost the commission £660,000 in a full year. It will also, inevitably, tend to discourage further efforts towards aligning fares with real costs. At the end of 1951, in fact, the commission had also drawn up a Goods Charges Scheme that, it claims, would have "corrected many of the maladjustments" between costs and charges on the freight side. This scheme has now been "suspended by Parliamentary events" and it seems unlikely that it will be introduced this year.

The axe that Mr Lennox Boyd swung last week at the new London Transport charges scheme was even more regrettable. It will be seen from the accompanying table that London Transport services were alone among the commission's principal carrying activities (other than railway collection and delivery services) in showing a net revenue deficit last year; their loss of £1,600,000 compares with a surplus of £1,700,000 in 1950. The reason for this loss was that the Transport Tribunal sat on the commission's request for fare increases from April, 1951, until early in 1952. "Consequently," says the commission, "London Transport worked for the whole of 1951 at fare levels which were appropriate to a much earlier situation." Within London Transport's deficit, for the first time in history, rail showed better results than road; this was largely because the commission shifted some of the relevant

"public obligations" (especially in respect of cheap workmen's fares) from the trains to the buses during the year. But all travellers on London Transport, whatever their experience in the past two months, were in effect subsidised by the rest of the country in 1951.

The London Transport charges scheme, which came into effect on March 2nd and which was designed to remove this subsidisation, followed the same pattern as the general passenger charges scheme. There was, however, a large number of special sub-standard anomalies that needed to be ironed out in London, and this involved some re-shuffling of fare stages—although once again (except for certain very short journeys) the increase on any one ticket was limited to 42 per cent. From August 31st, the alteration in fare stages is to be rescinded, the anomalies smoothed out on March 2nd are to be ruffled up again, and the increases in most sub-standard charges are to be reduced to the level of the increases in standard charges of the same value. These "rectifications" in London will cost the commission £1,240,000 in a full year.

Among the commission's activities other than the railways and London Transport, both the provincial and Scottish buses and the shipping services earned satisfactory surpluses last year. Once again, however, there was a large element of cross-subsidisation. Among the buses, the long-distance express coaches—which, thanks to the limitation of services offered, achieved load factors of over 90 per cent—subsidised the stage carriage services. Among the shipping services, Scotland was heavily subsidised by the rest of Britain.

★

This pattern of cross-subsidisation is complicated by the fact that there are two other milch cows upon which the British rail user has drawn for many years. First, he has lived off the rentier. Before the war 3s. 1d. from every £ of receipts of the railway companies and 2s. 9d. from every £ of receipts by the London Passenger Transport Board went in interest or dividends; in 1951 the relevant figure for the whole British Transport Commission was 1s. 1d. in the £ (with interest charges expressed per £ of capital being, of course, much lower). Secondly, the traveller has lived off posterity. The commission points out in its published notes that costs have risen by far more than charges to the public since 1938 (57 per cent more in the case of the railways and 77 per cent more in that of London Transport); and it specifically asserts that one of the reasons why it has been able to bridge this gap is that "the amounts reserved for replacement are based mainly on historical and not on current cost." It seems evident from this statement that the real value of capital assets in the transport system is not being kept intact.

The commission's fixed assets, including goodwill, rose by £32.8 million to £1,446.9 million last year, and its stores and materials by £16.7 million to £87.1 million. To finance this investment, it sold a steady stream of marketable securities (nearly all of them gilt-edged) and then raised £60 million on 1¾ per cent one-year stock from the National Debt Commissioners towards the end of the year. The funds thus raised were not immediately re-invested in gilt-edged, for the commission's balance sheet on December 31st showed a fall of £61.2 million in holdings of marketable securities, to under £8,500,000, and a rise in "bank balances, Treasury bills, deposits at short call and cash" by £43.6 million to just over £84 million; somebody was exercising a canny liquidity preference here.

The general impression that emerges from these figures is that Britain now has an over-expanded but rusting transport system that is being compelled each year to carry a growing amount of high cost traffic at subsidised rates, while a dwindling amount of low cost traffic pays more than its economic fare. The commission attempted some sensible improvements last year, and in a year of booming traffic managed to reach temporary solvency, but even without the Government's ill-considered intervention on sub-standard fares it would still have had a long way to go before the pattern of charges was in any way aligned with that of real costs. It has become increasingly clear that the root trouble of British transport is that its whole system of charges and fares is riddled with anomalies. So long as the Government is afraid to face up to this fact, it cannot really expect wholehearted support for its proposals to tinker with the mechanism of management and ownership. The response it must expect is that which would have greeted Mr Edward Lear's jumblies if they had issued a White Paper on their transport policy, before they, too, went to sea in a sieve.

The New Nobility

Our "old nobility" live in the popular traditions as men of great hearts and great achievements. If they rode down the farmer's corn in pursuit of their game, or horsewhipped the churl who crossed their path, at least the farmer and the serf had the satisfaction of believing in the great superiority of their oppressors and they had some reason, either from former deeds or present acts of high-handed courage and generosity, to respect and admire those who scourged and oppressed them. But modern nobility . . . has dwindled out of respect as much as it has improved in behaviour. It is only pursuing the same downward path for one of its members to state in the House of Commons that . . . the nation is bankrupt, demoralised, and ruined; though nowhere, among a population accustomed to complain and have their grievances redressed . . . has there been even a public-house meeting, much less a parish or county meeting, to inform Legislature that the people are suffering. . . . The activity of every class in its proper business and the general contentment warrant the laughter and cheers with which the unfounded statements of the Marquis of Granby were received on Monday. . . . The Noble Lord might have been silent, and remained in possession of all the respect which belong to the heir to the Dukedom of Rutland and the future owner of Belvoir Castle. But to make statements in the House of Commons, which the whole community disavow, and to be the mere mouthpiece of others, is to sink himself and help to sink his class below those whose statements he adopts. The old nobility were the leaders of the people, their banners waved in front of the national battles, and their wealth improved the public taste. Their descendants, like Lord Granby, are generally in the rear of the people; or if ever they go in front it is to fight for their own advantage. . . . Their old functions have come to an end, and not having the capacity to create new ones, they exhibit in Lord Granby the melancholy spectacle of an old and once-honoured race fallen to decay.

The Economist

June 19, 1852

The Price of Electricity—II

Promoting the Peak?

UNTIL very recently, electricity was perhaps the only commodity bought in the home that cost less than before the war. In the financial year 1950-51, the last period for which figures are available, domestic consumers paid an average price of 1.463d. a unit, compared with 1.596d. in 1938-39; and the average price to industry had risen only from 0.667d. a unit to 0.930d. In other words, although retail prices in general have more than doubled and wholesale prices have more than trebled, domestic electricity charges have actually fallen by nearly 10 per cent while industrial charges have risen by only 39 per cent. Last year electricity prices were increased; but probably not very substantially on the average. In general, therefore, complaints that electricity now costs too much are clearly unjustified; and though alterations in tariffs have obviously borne hardly upon some consumers, even their complaints are perhaps mainly based upon sharp, sudden changes in their electricity bill, rather than on comparisons with the prices they pay for other goods. In June, 1950, Sir Henry Self said, "Electricity is still, relatively, a cheap commodity"; and that holds good today. But is it too cheap?

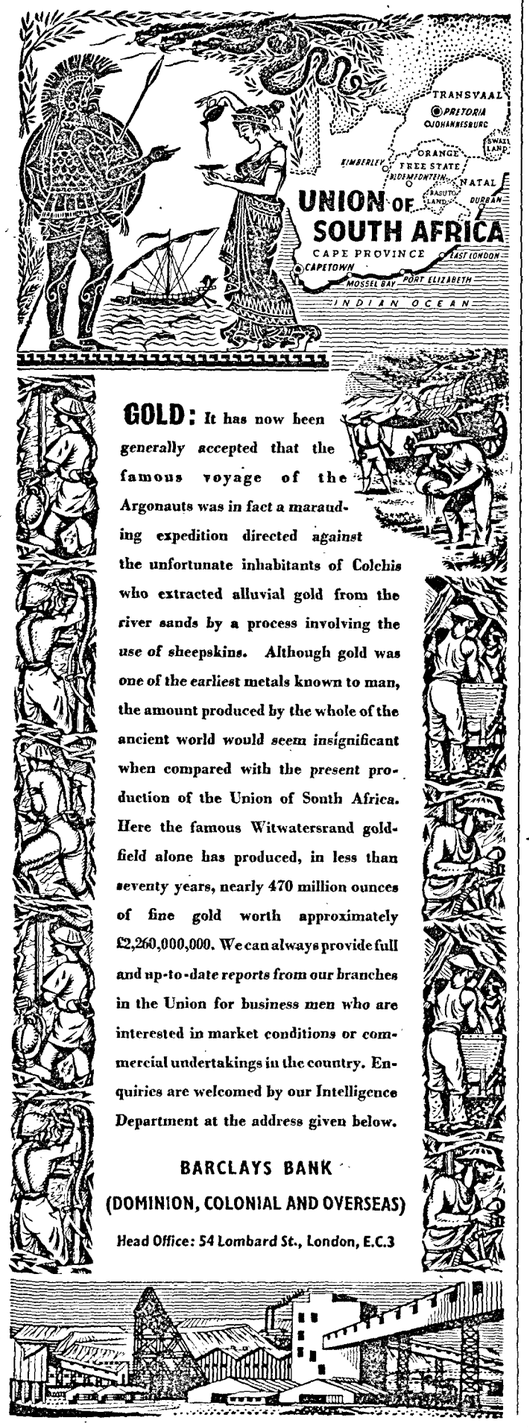
There are two distinct points of view from which this less conventional criticism is today being ventured against at least the domestic tariffs of the nationalised electricity industry. The first, often expressed in these columns and elsewhere, is that by offering electricity below cost to domestic consumers during the hours of peak demand, the industry promotes the additional peak load that it has generally to spread and on occasion to shed; and thus, by making less than the most economic use of the capital equipment it now operates, may tend to make an undue claim upon national investment resources for additional equipment to meet this "promoted" demand. The second argument that electricity is being offered too cheap is based upon the need for economy in coal. These critics, arguing that for space heating in particular electricity is an inefficient way of turning coal into heat, accuse the British Electricity Authority of encouraging excessive and inefficient use of coal that is becoming increasingly scarce by offering householders cheap electricity. Both criticisms are sometimes voiced by the same people. But one should not be confused with the other; their implications are by no means the same.

In accounting terms at least, it should be noted that the BEA's revenue is covering its total costs. In the three years to 1950-51, it earned a net surplus after meeting interest charges, and is probably doing so still. Its provision for depreciation is probably inadequate. At the 1950-51 price of about £50 a kilowatt, its generation equipment alone might cost £650 million to replace; in 1950-51 BEA provided £14,600,000 for depreciation of all assets and put £1,300,000 to a central reserve (not specifically allocated to cover extra costs of replacement). In common, admittedly, with many commercial concerns—and with the other nationalised fuel industries—BEA is probably giving capital away, even though its average prices nominally cover its average costs of supply.

But it is fairly clear that its domestic tariffs do not reflect marginal costs—the cost of supplying a particular consumer with electricity as and when he buys it. The industry's new "variable block" tariffs, it was concluded in an earlier article, are merely a convenient variant of the old two-part tariffs. Both are equally "promotional," in that the price of the next unit of electricity a consumer buys—whenever he happens to buy it—is slightly less than the price of the last. Yet the cost of supplying electricity varies widely at different times. Broadly speaking, electricity cannot be stored; so the industry requires an amount of generating capacity related not to its customers' total consumption at all times, but to their greatest total demand at any time. According to the "peak responsibility" allocation of costs, therefore, the capital costs of generation and a large proportion of the capital costs of transmission and distribution should be attributed to consumption at peak hours alone—since the capital equipment required to supply consumption at other times must already be installed to meet peak demand. Any tariff that offers electricity at "promotional" rates at peak times as well as off the peak, and broadly covers average costs, will thus be selling it too cheap at peak hours, and too dear off the peak. This is more than theoretically important. In earlier years, the industry's "promotional" tariffs were offered in order to attract consumption at off-peak hours, and thus to improve the load factor on its generating capacity; they succeeded, for a long time. But in recent years, during which a very large number of electric fires have been installed in British homes, the electricity load has become increasingly weather-conscious; the extra consumption that has recently been promoted seems increasingly to be taken at peak hours. The load factor can no longer be counted upon to improve as a result of promotional selling; it is now artificially high as a result of load-spreading and power cuts, and it is expected to worsen.

*

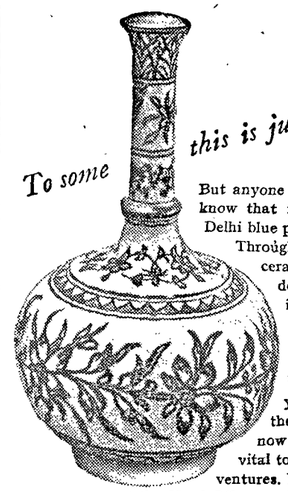
Can tariffs be designed that would more closely reflect these marginal costs of supply; could they be put into practice; and would they restrain or transfer demand at peak hours? Many methods have been suggested. Some are based upon estimating the contribution to maximum demand of particular types of electricity consumption—lighting, cooking, heating, power, and others—and discriminating in price between these in proportion; but such methods do not discriminate between the actual demands made by different consumers, and would put a premium upon evasion. A more practicable form is the "maximum demand" tariff, in which the fixed charge in a two-part tariff is made proportional to the maximum metered demand of the consumer. The Area Boards are tending to use this form of tariff for supplies to industry; and since the maximum demand of most industrial consumers may broadly tend to be made during peak hours for the supply system, the prices at which industry buys electricity probably will reflect the real costs of supply more closely than most domestic tariffs do. But perhaps the least arbitrary of all forms of tariffs would be a "time



GOLD: It has now been generally accepted that the famous voyage of the Argonauts was in fact a marauding expedition directed against the unfortunate inhabitants of Colchis who extracted alluvial gold from the river sands by a process involving the use of sheepskins. Although gold was one of the earliest metals known to man, the amount produced by the whole of the ancient world would seem insignificant when compared with the present production of the Union of South Africa. Here the famous Witwatersrand goldfield alone has produced, in less than seventy years, nearly 470 million ounces of fine gold worth approximately £2,260,000,000. We can always provide full and up-to-date reports from our branches in the Union for business men who are interested in market conditions or commercial undertakings in the country. Enquiries are welcomed by our Intelligence Department at the address given below.

BARCLAYS BANK
(DOMINION, COLONIAL AND OVERSEAS)
Head Office: 54 Lombard St., London, E.C.3

To some this is just a Vase!



But anyone familiar with ceramics would know that it is a piece of world-famed Delhi blue pottery.

Through years of specialized study, the ceramics expert has attained a high degree of skill and discernment in his particular sphere and this is also true of the National Bank of India and its unrivalled knowledge of eastern trading. As a result of many years of continuous experience the National Bank of India can now provide much information vital to the success of modern trading ventures. Your enquiries will be welcome at the Head Office or at any of the Bank's branches.

NATIONAL BANK OF INDIA LIMITED

Branches in: INDIA, PAKISTAN, CEYLON, BURMA, KENYA, TANGANYIKA, ZANZIBAR, UGANDA, ADEN and SOMALILAND PROTECTORATE. *Bankers to the Government in* ADEN, KENYA COLONY, ZANZIBAR and UGANDA.
Head Office: 26, BISHOPSGATE, LONDON, E.C.2.

FACTS ABOUT AUSTRALIA

Over 3,000,000 bales of wool exported yearly

Australia is the world's largest wool exporter and is one of the chief primary producing countries of the world. Her secondary industries are growing in importance and are well represented in her exports. The Bank of New South Wales welcomes enquiries about trade and business opportunities and the establishment of new enterprises in Australia and New Zealand.

Ask your bankers to consult—

BANK OF NEW SOUTH WALES

ESTABLISHED 1817 HEAD OFFICE, SYDNEY, AUSTRALIA
LONDON OFFICES: 29 Threadneedle Street, E.C.2, and 47 Berkeley Square, W.1
FIRST and LARGEST COMMERCIAL BANK in the SOUTH-WEST PACIFIC
(INCORPORATED IN NEW SOUTH WALES WITH LIMITED LIABILITY)

IT BEGAN WITH THE CRUSADES

We take some pride in our long history but the business in which we are engaged is older than we are.

Eastern banking began in the 12th century when the Knights Templar, protecting the lines of communication which sustained the Crusades, devised a mechanism for exchanging currencies and transferring goods between Western Europe and the Asian Continent. This primitive but highly efficient banking service made possible a rapid expansion of the trade between the Eastern and Western worlds—a traffic which has been fittingly described as the foundation of all commerce. Nowadays travellers along the Asian trade routes and merchants and manufacturers engaged in the Eastern trade entrust their banking transactions to The Chartered Bank of India, Australia and China which maintains an extensive system of branches, under British management directed from London, throughout Southern and South-Eastern Asia and the Far East.

THE CHARTERED BANK OF INDIA, AUSTRALIA AND CHINA

(Incorporated by Royal Charter, 1853)

Head Office: 38 Bishopsgate, London, E.C.2
West End (London) Branch: 28 Charles II Street, London, S.W.1
Manchester Branch: 52 Mosley Street, Manchester, 2
Liverpool Branch: 27 Derby House, Liverpool, 2
New York Agency: 65 Broadway, New York, 6

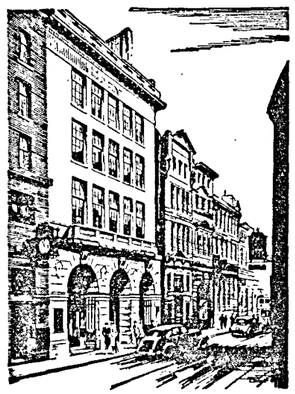
Branches of the Bank are established at most centres of commercial importance throughout Southern and South-Eastern Asia and the Far East.

THE PERSONAL TOUCH IN BANKING

Nearly two centuries of financial experience and personal service to each customer have helped to build up the present tradition of Glyn, Mills & Co. The banking service which is provided is completely modern in all its aspects, yet has never become impersonal in its attitude towards the large concern or the private individual.

GLYN, MILLS & CO.
BANKERS
HEAD OFFICE: 67 LOMBARD STREET, LONDON, E.C.3

Associated Banks: Royal Bank of Scotland, Williams Deacon's Bank Ltd.



PRINCIPAL LONDON OFFICE:
75, CORNHILL, E.C.3.

DISTRICT BANK LIMITED
ESTABLISHED 1829

THE DISTRICT BANK IN LONDON

LONDON COMMITTEE:
SIR THOMAS D. BARLOW, G.B.E.
SIR ROBERT A. BURROWS, K.B.E.
LT.-COL. T. MARSHALL BROOKS, D.L.
SIR KENNETH LEE, BT.
ALAN RUSSELL.
THE RT. HON. THE EARL OF VERULAM.

of day" tariff, by which consumption during peak hours—which in recent years have become more settled and predictable—is recorded separately and charged for at a rate that reflects its "peak capacity" costs, while consumption off peak is charged for at a price reflecting in the main "energy costs" alone—fuel and other running costs. Such a tariff would not appear difficult to design: about a year ago, for example, Mr H. S. Houtthaker calculated that from BEA's costs and operations in 1948-49 a charge of about 3½d. a unit in peak periods and about ½d. a unit off the peak might be justified (making provision for depreciation at replacement costs). There would remain the so-called "consumer costs," such as connection, billing, meter-reading, and certain other indivisible overhead costs, which would have to be recovered either in a fixed charge or in the unit prices.

A maximum demand meter costs about £25; and metering to record consumption at different times separately for a time-of-day tariff would also cost more than the ordinary domestic meter, since it would have to incorporate some form of time-switch (perhaps clockwork-driven, but electrically wound) or centrally controlled relay. Even the second of these, therefore, would probably cost too much to apply to any but the larger domestic consumers and to commercial consumers. For other domestic consumers, these meters would not be economic to install; the best that might be done to restrain their peak consumption might be to make the present tariffs less "promotional" by evening out the rates in the variable-block tariffs, towards a flat rate for electricity, and by offering cheap rates for special off-peak consumption, such as water-heating—which some Area Boards already do. But the capital cost of time-of-day meters and any additional maintenance they might require hardly explain the quite adamant opposition in the British electricity supply industry to such tariffs. They are dismissed as technically impracticable—though they are, in fact employed to some extent on the Continent. More plausibly, BEA argues that "a tariff incentive reasonably related to the costs of supply is unlikely to be sufficient to offset the value to the consumer of the emergency use of electric space-heating in abnormally cold weather." This utter disbelief in the price mechanism surely needs to be substantiated. Does BEA really believe that a sharply higher price during peak hours would not induce a margin of consumers to reduce their demand? As a short-term answer to the problem of power cuts, BEA may be justified in preferring—or rather, disliking slightly less—the much more arbitrary method of restraining peak demand by load-limiting devices, which render all or part of a consumer's supplies at peak hours liable to interruption. Last year, after prolonged opposition, BEA did reluctantly consent to experiment with such equipment, and at one point even stated that it was directing its Area Boards to order load-limiters without awaiting final conclusions from its tests. Whether it has actually done much in this direction, after an encouragingly mild winter without power cuts, remains to be seen.

But the case for tariffs that more closely reflect marginal costs of supply remains independent of the possible effect of such tariffs upon the problem of power cuts; the alternative BEA has chosen is the investment of about £140 million a year in extra capacity. If the industry's load factor could be improved by tariffs that restrained or transferred demand at peak hours, the additional electric power that Britain needs in coming years might be supplied with a somewhat moderated rate of capital expansion. Many factors affect any comparison of cost; but in terms of capital, if time-of-day tariffs offered to about two million large domestic and commercial consumers, costing £10 each, or £20 million in all, for special metering, were to restrain these consumers' demand during peak hours by half a kilowatt each, it would reduce peak demand by a million kilowatts. At current prices, the generating stations to supply that slice of the load—leaving out transmission and distribution capacity—would cost £50 million or more. Forms of tariff that might transfer demand from the peak might well be a sound commercial proposition for BEA.

*

Nobody would suggest, on the other hand, that the prices suggested for electricity upon grounds of coal economy would be good business for BEA. The coal savers want to reduce coal consumption in power stations as a whole, not selectively. Electricity for domestic space heating, they argue, should be penalised; most simply, by indiscriminate price increases for the domestic consumer, and by the reservation of electricity for the purposes it serves incomparably well—lighting and certain forms of industrial power. One suggestion—put forward as a shock treatment for the consumer—would be to turn the BEA "variable block" tariff upside down. The domestic consumer would receive enough electricity to cover lighting and other essential uses at a moderate rate; further units would become progressively more expensive. The average price, such fuel planners argue, should be increased until it equated demand to supply—which does not mean generating capacity, but the amount of coal that under a national fuel policy "ought" to be allowed to electricity.

It would be tempting to explore the effect of such a tariff upon BEA's finances. Would it enable electricity to be offered much more cheaply to industrial consumers—thus rendering uneconomic another favourite of the solid fuel economisers, private power generation? Seriously, one's acceptance of the need for such drastic measures must depend upon one's reading of the prospects of the demand for coal and its supply during the next decade and of the comparative figures of efficiency of the different fuels—combined with the costs in money, real resources and personal inconvenience of the various fuel-saving measures now being proposed by various contributors to the debate on fuel policy. But it is clear that such a policy of deliberately charging more than the traffic would bear, and driving away customers it has recently sought to win, is not one that any fuel industry—nationalised monopoly or not—could be expected to adopt of its own accord. In that sense, this is a question not for BEA but for Viscount Ridley, Mr Lloyd and Lord Leathers. For the present, the balance of evidence on fuel policy does not seem clear enough to justify so violently disincentive a form of tariff for electricity alone. Coal is the primary source of the great majority of the fuels consumed in Britain; upon such reasoning, should not the National Coal Board manipulate the prices of coal to bring demand into line with supply and with the relative efficiency and convenience of the different fuels? If such a policy should be decreed—and if it could ever be administered—electricity is not the only fuel the price of which would have to be aligned with it.

On examination, indeed, it may be concluded that the

two forms of criticism of BEA's tariff policy tend to clash. Such forms of tariff as would improve load factor on the electricity system would not necessarily save coal; if BEA's load factor reached 60 per cent instead of 47 per cent, for example, it might cost another ten million tons of coal a year. But from the point of view of saving coal, even power cuts have their virtues; the fact that additional demand for electricity may have been attracted on to the peak has meant on occasion that part of it was simply not supplied, and thus did not take coal. But whatever the modifications of fuel pricing policy that may be dictated in the interests of national fuel economy, the case for tariffs that reflect marginal costs of supply remains a strong one. And until it offers such tariffs—or demonstrates conclusively that they are impracticable—BEA's argument that the best way to select the most efficient and convenient fuel for a given purpose is to leave it to the free choice of the consumer seems rather disingenuous. For it is still offering its own wares—for some of the time—at cut price.

Business Notes

Markets Slipping Further

The news that the sterling area's gold reserves fell by less than £10 million between the end of March and June 11th has not been sufficient to restore confidence among investors. The big institutions, who by now must have piled up a considerable backlog of liquid funds, have remained firmly on the fence. The small private investors, whose buying was principally responsible for the firmness of the market before last month's crack, are no longer giving any notable support—although they do not, at the moment, seem to be generally disposed to sell. In these circumstances the market is narrow and unduly vulnerable to any new expansion of sales. The pace this week seems to have been set by industrial companies caught in the credit squeeze, or apprehensive of a further squeeze, and consequently disposed to offload some of their depleted holdings of gilt-edged. On Wednesday of this week selling of this character appears to have been the main factor in forcing War Loan and 3½ per cent Conversion Loan down by ⅞ths of a point on that day. By the close of business on Thursday War Loan stood at 73⅛, having touched 73, and old Consols at 55⅞; these were their lowest levels since the early 1930s, and compared with prices of 74¼ and 57 respectively, just before Mr Butler's statement on Thursday of last week. The market has also come under pressure from sales of a new £22 million *tranche* of 3½ per cent Coal Stock, 1977-80, allotted to former colliery owners last weekend at a price of 84⅝, but some cushion has obviously been provided against such selling. Industrial shares have reflected the weakness of gilt-edged, and by Wednesday's close the *Financial Times* index of industrial ordinary shares stood at 103.7, compared with 105.1 a week before.

To a greater extent than ever before, of course, investors are looking over their shoulder at the foreign exchange market, where sterling edged up irresolutely, from $2.78¼ to $2.78⅜, in the first four working days following Mr Butler's statement—only to relapse sharply to $2.78⅛ on Wednesday, and then to $2.78⅛ on Thursday. Despite the better showing of the gold reserves, it is clear that the markets are still uneasily questioning whether the Government's announced objective of external equilibrium in the second half of this year can be accomplishable without further stern measures to secure the diversion of exports to hard currency markets and to hold back internal demand.

* * *

Mr Menzies Departs

The Australian Prime Minister, Mr R. G. Menzies, left London for the United States this week after a visit that appears to have covered an exceptionally wide agenda. Among the points raised and discussed were the problem of Australian food production and exports to Britain. This subject is to be pursued further in London. The Australians, for their part, have promised to make a real effort to reverse the drift towards urbanisation and to give food production the high priority that it deserves. Defence problems have also come into the question, and Britain has given certain promises to satisfy Australian defence requirements, and to shift some of the emphasis that now focuses on Europe to the defence problems of the Pacific. In announcing the result of talks with Mr Menzies, Mr Churchill this week stressed the desirability of holding a Commonwealth Economic Conference "at the earliest possible moment." At this conference, which is likely to be held next year, the financial problems of the sterling area will once again come to the fore, though it is by no means improbable that drastic developments will not have occurred in this sphere before then. On the subject of exchange policy, Mr Menzies this week stressed his belief in the goal of convertibility of sterling. He said that the protection and strengthening of sterling and the building up of a volume of trade that would underspin sterling would not be an element of hostility to any other trading or financial system or to the dollar area in particular.

Something appears to have been achieved during Mr Menzies' visit on the question of Australia's import restrictions. Mr Menzies, in a statement made just before his departure, pointed out that Australia was determined to live within her income and to maintain her international solvency at all costs. It was for these reasons alone that the import restrictions had been introduced. He accepted, however, the point that Australian importers might in some cases have used the import cuts as a pretext for dishonouring outstanding contracts where price movements had turned against them In order to put this matter beyond doubt the Australian Government has now decided to introduce some important changes in the procedure for issuing import licences for category B goods, in which imports were to be restricted to only 20 per cent on value of orders placed in 1950-51. Henceforth it will be made the general rule that where an Australian importer has placed firm orders for such goods before March 8th his quota for category B goods cannot be applied to licences for goods ordered after this date until the old orders have been satisfied. That should close a loophole through which a certain dishonourable avoidance of contracts has been attempted under the alleged protection of the Government's import cuts. Mr Menzies also promised a more sympathetic administration of the import quota regulations with a view to meeting exceptionally hard cases. But there was no hint in the discussions held in London of any general relaxation of Australia's import controls. If there were any suggestion that these import cuts might be eased if Britain were prepared to extend credits to Australia, they were made by implication only. There was no direct suggestion by Australia that its London funds might be reinforced through raising new short-term credit or long-term loans in the London market. In the United States, however, where Mr Menzies is now, he will be openly pursuing the quarry of new dollar facilities. What he has specifically in mind is a further $150 million loan from the International Bank. He spoke of it so confidently in London that it must be assumed that most of the preparatory work for this operation has been successfully completed.

Where the Credit Shoe Pinches

The latest of the quarterly analyses of bank advances reveals the effectiveness of the new monetary policy even more strikingly than the monthly totals of the clearing banks have done. In the three months to the date of the May analysis, a period of seasonally strong credit demands, the total of bank advances in Great Britain dropped by £52 million, to £2,004 million. This is easily the biggest decline shown in any quarter since the war, and is the first one since the second half of 1950, when electricity advances were being repaid out of the proceeds of a BEA loan. It is true that the latest figures were affected by similar repayments; but the distinctive feature of the analysis, as compared with the monthly figures, is that it shows the electricity repayments completed by the date of the May make-up to have been appreciably smaller than was at first supposed. Clearing bank advances (the figure for which includes advances abroad as well as some extraneous items) dropped in May by £62 million, or by roughly the amount then called on the loan; but it now appears that at that date only some of the banks had had the full benefit of repayments from the second call, and the quarterly figures for all banks reveal a decline of advances to public utilities by only £30 million over the three months, to £105 million. Advances to all other domestic borrowers therefore fell during the quarter by £22 million, which suggests that the credit shoe has pinched a good deal tighter in this period than it did in the first three months of the new discipline, when the total of such advances was just stabilised; in February/May, 1951, it rose by nearly £66 million.

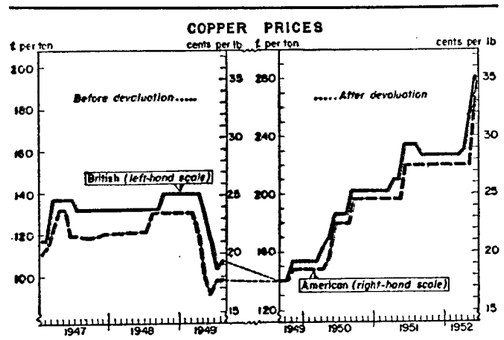
This contraction of credit to the private sector of the economy has been achieved despite an increase in advances to the expanding metal-using industries (the engineering and iron and steel groups have each secured another £7 million) and despite two rather unexpected increases of £17 million in credits for food, drink and tobacco and £6 million for the "other financial" group, which includes finance corporations and certain holding companies. The big increase in the food category is seasonal, but the total for this group, at £184 million, is now £40 million more than it was at the same date last year. Seven other groups have each secured slightly increased credits—quarrying, non-ferrous metals, transport, agriculture (much less than seasonal), charities, entertainment (rather curiously) and cotton. This last increase, though it amounts to only £650,000, to £19.7 million, is significant in that it confirms that the banks are not putting any strong pressure on the holders of heavy stocks in this group.

*

On the other hand, the shoe may have been allowed to pinch elsewhere in textiles: credits to the wool group have contracted by £3.9 million, to £21.7 million, and those to "other textiles" by £6.2 million, to £61 million. The fall in raw material prices, however, must have substantially reduced the need for credit in these categories. A big fall in the chemicals group, which by February had reached the abnormally high total of £42 million, and is now down to under £29 million, is presumably attributable to repayments from the proceeds of recent capital issues. Small declines are shown in coal, shipping and shipbuilding, leather and rubber, retail trade (in sharp reversal of the seasonal trend), building materials and contractors, and local authorities; and a rather larger decline in "unclassifiable" industry, which is down by £8.3 million, at £139 million. It is impossible to guess from the figures the extent to which these declines reflect pressure from the banks rather than voluntary repayments; but there is no doubt at all that pressure has been a major source of the striking contraction, by £18.8 million, in credits to the large "personal and professional" group. At £410 million, this group is now £27 million below the peak reached last August.

Copper's Leap

At the end of last week the price of copper in Britain made its biggest leap, to its highest level. The Ministry of Materials, having at last seen a little more clearly through the confusion that is still reigning in the New York copper market, raised its selling price by no less than £50 a ton, to £281. This price is equivalent to 32½ cents a lb in New York, as £11 a ton has to be deducted to cover cost of freight, storage and delivery to consumer's works. The American export price is at present quoted as a range of 34-36½ cents a lb (£283-£300 a ton equivalent British price). The Ministry is not, therefore, keeping strictly to its recently announced policy of aligning British prices with those quoted by the *Engineering and Mining Journal*. Admittedly, it is difficult to discover the true price of copper, but according to quotations both in New York and on the continental "free" market, it is certainly above 32½ cents a lb. The Rhodesian producers, themselves, are probably not eager to obtain an undue price for their output, for wages in the mining belt are geared to the average price of copper related to current costs; and while wages follow this margin closely when it is expanding, they may not follow it so closely when it is contracting. But the confusion about the real price of copper emphasises the need for a proper world market—and that, by tradition and logic, should be in London.



Copper has now become a dear metal, though in relation to lead, it is no dearer than it was in the ten years before the war. But since the war, when the price of lead rose more sharply than that of copper, plumbers and builders substituted copper for it. If the prewar price relationship persists for any length of time, it is conceivable that they will revert to lead—at least to some extent. In that case the price of copper might drop from its present high level and the price of lead might rise. At current prices there might also be some switching from copper to zinc. Any comparison with the prewar period must be treated cautiously; but the recent leap in the price of copper is bound to reduce consumption in its marginal uses. The present spread between the prices of the three main base metals is the widest ever attained in the postwar period, and some narrowing of it would seem inevitable.

* * *

EPU and IMF

The Managing Board of the European Payments Union has been meeting in Paris this week to translate into precise and legalistic language the general agreement reached previously by the OEEC Council of Ministers on the extension of EPU after the end of this month. In general, the understanding they reached was sufficiently precise to allow the drafting to proceed smoothly. There is one point, however, at which the arrangements are causing some difficulty. This

concerns a provision in the agreement for dealing with Belgium's excess credits to EPU, under which it was proposed to fund $50 million of the excess in a form that would enable Belgium to monetise it immediately. The EPU side of this agreement was an undertaking to repay the $50 million in question to Belgium in five equal annual instalments, beginning in 1953. Belgium, for its part, hoped to borrow an equivalent amount of dollars from the International Monetary Fund for five years, and to repay the Fund out of the yearly instalments paid by EPU. The Governor of the National Bank of Belgium has gone to Washington this week to discuss the technical aspects of this operation, but the question has now been raised whether such an operation is permissible under the Articles of Agreement of the IMF. Belgium can by no stretch of imagination plead the temporary balance of payments difficulties that would entitle it to ask for assistance from the IMF. Nor do the articles of IMF allow it to enter into commitments involving obligations with parties other than member countries.

Another difficulty arises from the fact that the Paris agreement did not specifically commit EPU to make its annuity payments to Belgium in gold or dollars. Those annuity payments will be taken, as they fall due, into the EPU clearing. They will not, therefore, necessarily be made in gold but may merely serve to increase Belgium's credit with EPU. In these circumstances, it may be impossible for Belgium to link its proposed borrowing from IMF directly with the EPU funding; it may have to interpose itself as a direct party to the transaction, taking on its own shoulders the responsibility for the repayment of its proposed loan from the IMF, and leaving EPU out of the contract. It has also to be decided whether the proposed advance from IMF will be made under normal IMF procedures or whether it will be in addition to Belgium's quota with the IMF. So much new ground has to be covered in this interesting and original operation that it is not surprising that the highest Belgian banking authorities should have gone to Washington to discuss it.

* * *

Accountants and the Value of Money

This week over 2,500 accountants from thirty-three different countries have met in the Royal Festival Hall in London for the sixth International Congress on Accounting; the first of these congresses was held in the United States in 1904, and it is nearly twenty years since England was last the venue. Four main themes dominated the discussion—the appropriate accounting technique for dealing with fluctuating price levels, the incidence of taxation in different countries, the almost universal difficulty of raising or retaining capital for development, and the future role of the accountant both in public service and private and commercial practice.

More than thirty-five set papers, together with much informal discussion, were devoted to these four themes; it is impossible to attempt here any adequate précis of the contributions, which were themselves presented in admirably crisp form. Inevitably, however, the root problem that recurred again and again throughout the congress was the difficulty of replacing fixed assets under tax systems that permit allowances for depreciation only on the basis of original cost. Much less was heard than at the time of the Tucker Committee of the suggestion that there are moral arguments that preclude any economic valuation of both fixed assets and stocks for tax purposes. There was, however, still a distinct cleavage between those who favoured a once-for-all revaluation when (they assumed it was "when," not "if") the war and postwar inflation is passed, and those who favoured a continuing system to take account of a year-by-year change in the value of money; ingenious answers to some of the technical objections raised to the latter approach were outlined by Mr C. P. Barrowcliff of Britain and Professor W. J. Graham of the United States.

Perhaps the most interesting contribution came from accountants in countries such as France and Germany, where inflation has long since run far enough to show how absurd it is to regard a franc or mark (or for that matter a £) of the 1930s as the same accounting unit as a franc or mark of the 1950s. In particular, three accountants associated with the French Ministry of Finance gave a lucid description of the French system of relying on official coefficients that express the fall in the value of money since a given base date. Under French accounting and tax law the maximum value of each revalued fixed asset is obtained by multiplying the original cost of that asset by the coefficient fixed by the Government for the year of its acquisition; yearly accretions to depreciation reserves are revalued by applying appropriate coefficients taken from the same schedule, and the difference between the figures emerging from these two calculations is taken as the written-up value on which new depreciations are based. In the early postwar years the French government stipulated that depreciation should be spread over a minimum period of eight years for plant and twenty years for buildings, but since 1948 the remaining life of each asset has been the accepted basis.

* * *

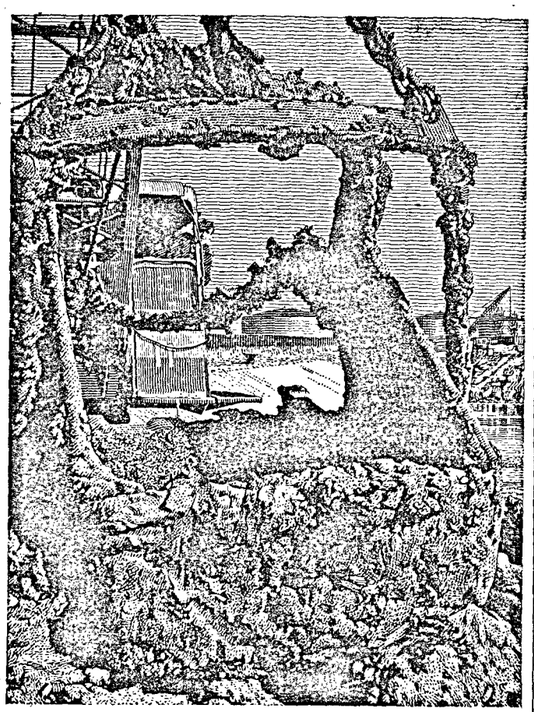
German Debt Talks

The threatened deadlock in the discussions on Germany's prewar external debts has been successfully avoided. The discussions have been resumed in London. A reflection of this improved atmosphere is to be seen in the considerable recovery that German bonds have made from the low prices touched when news of the initial German offer and its summary rejection by the creditors became known. The fact that new proposals are being tentatively suggested from the German side seems to be implied in the holding of a full meeting of the Creditors' Committee in London this week. One of the points discussed at this meeting was the problem of the Standstill debts, on which full agreement is said to be within sight. The Standstill creditors argue that they should be given priority because a satisfactory settlement of their claims is an essential preliminary to the extension of new commercial credits to Germany and that this in its turn is necessary to revive Germany's export trade and capacity to meet the service on its prewar bonded external debt. That argument has now been accepted not only by Germany but by the American representatives, who until recently provided the main opposition to it. Another issue on which the American attitude is all-important is the treatment of gold and exchange clauses in German external bonds. A member of the delegation, Dr J. G. Rogers, has recently left London for New York in order to "consult" on this and other relevant issues with the American Bond Holders Protective Council of which he is the president. On present indications the talks with Germany are likely to continue for some time before final agreement is reached.

* * *

Third Class to Nairobi

The Government's policy for civil aviation has so far met with no serious opposition, and Tuesday's debate in the House of Lords suggests that, in spite of certain obvious weaknesses in it, none will be forthcoming. A good many questions, however, were asked about the future status of the reconstituted Air Transport Advisory Council, which will hear applications from the corporations and the private companies to operate new services. In his efforts to allay these fears, Lord Leathers, and Lord de l'Isle and Dudley who spoke after him, went some way towards reversing the impression about its new functions that was



PLOUGHING

FOR OIL PLANT

On the marshy Isle of Grain in Kent, some 750,000 cubic yards of soil, poor for farming, are being moved in the construction of Britain's latest oil plant.

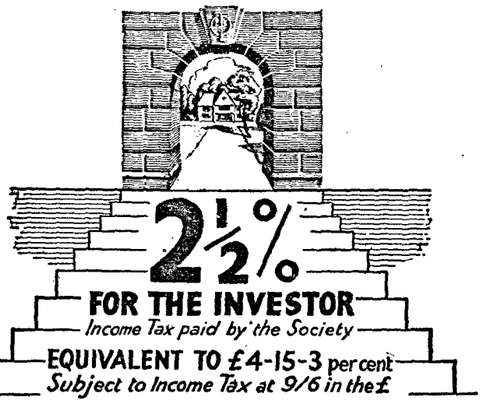
On this site, Anglo-Iranian's fourth refinery in the United Kingdom is rapidly taking shape. By 1953 it will be in full operation, producing over two and a half million gallons of petroleum products a day; and one more stage will have been completed in Anglo-Iranian's world-wide programme of refinery expansion.

THE BP SHIELD IS THE SYMBOL OF BP THE WORLD-WIDE ORGANISATION OF

Anglo-Iranian Oil Company

LIMITED

The Gateway to Security



2½%

FOR THE INVESTOR

Income Tax paid by the Society

EQUIVALENT TO £4-15-3 per cent

Subject to Income Tax at 9/6 in the £

£1-£5,000 accepted

TEMPERANCE

PERMANENT

BUILDING SOCIETY

223-227, REGENT ST., LONDON, W.1

PHONE REG. 7282

THE FUJI BANK, LTD.

HEAD OFFICE:

OTE-MACHI, CHIYODA-KU, TOKYO

With 184 branches in key cities throughout Japan, we are always ready to serve your business and banking needs, domestic and foreign.

富士銀行

THE CASE OF THE SAVILE ROW TAILOR

He was never kept waiting . . .

JOHN G. HARDY LIMITED, the London woollen merchants, are helping the tailor serve the public. Once the private customer has made his choice from the "bunches" of Hardy Suitings at his tailor's, or at Hardy's own showroom (where upwards of 1600 cloths are displayed and stocked), the transaction is made at wholesale level.

This novel merchandising method means obviously that sales records and agents' commission statements for a huge yardage of small lengths of cloth must be kept scrupulously up to date. Anxious to avoid a great deal of complicated paper work — and a consequent increase in office staff — Hardy's went for advice to machine accounting specialists of Burroughs Adding Machine Limited.

After a full investigation, Burroughs suggested that the firm could take care of all its accounting problems with the help of one Burroughs Typewriter Accounting Machine and a Desk Bookkeeping Machine.

John G. Hardy Limited display over 1600 cloths. To keep tabs on the rapid movement of stock they streamlined their office system . . .

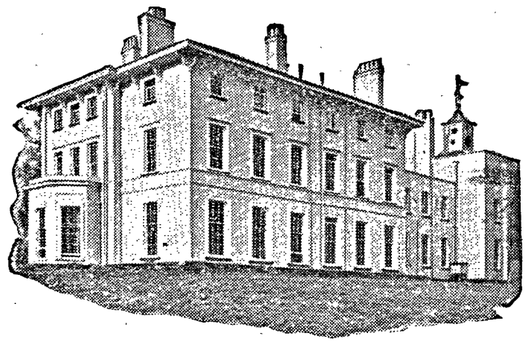
Result: Hardy's office system is now as smoothly up to date as their showroom. Sales and commission statements go out on the dot to tailors and agents in 46 countries. Profit and loss figures (previously produced only twice a year) are available daily. In addition, the payroll for the firm's employees, which used to take the office a full day, is now produced in an *hour and a half.*

WHAT ABOUT YOU? If your business could benefit from faster figuring, call in Burroughs. They can offer advice on all the latest systems, for Burroughs make the world's broadest line of modern record-keeping machines: Adding, Calculating, Accounting, Billing and Statistical Machines, and Microfilm Equipment.

Call Burroughs *today*. Sales and Service offices in principal cities round the world. Burroughs Adding Machine Limited, Avon House, 356-366 Oxford Street, London, W.1.

For expert advice on business figures . . .

CALL IN Burroughs



Painted 1926— repainted 1951

The brick and stucco of the Chadacre Agricultural Institute were painted with white lead in 1926. For a quarter of a century it was not touched. Then, last winter, the accumulated dirt was washed off before repainting — and that was all that was needed to be done: the original paint had worn thin, of course, but the film was smooth and unbroken; it formed a perfect foundation for the three coats of white lead. Although we do not pretend that 25 years between paintings usually gives the most economical maintenance, this building is a very good example of what we mean when we say white lead paint lasts.

WHITE LEAD PAINT LASTS

ASSOCIATED LEAD
MANUFACTURERS LIMITED

ASSOCIATED LEAD PRODUCTS

SPECIALISTS IN THE MANUFACTURE OF LEAD PIGMENTS AND LEAD PAINTS

created by Mr Lennox Boyd three weeks earlier. The Government had no intention, said Lord Leathers, of ever converting the ATAC into a statutory licensing body independent of Parliament; it was to continue as at present to act in a purely advisory capacity, making recommendations to the Minister.

Although the intended scope of the ATAC seems to be more restricted than was first expected, there has been no delay in putting its recommendations into practice. Last Saturday two private companies, Hunting Air Travel Ltd., and Airwork Ltd., started the first regular third-class air services to be authorised under the new policy. These two companies will operate a joint weekly service between London and Nairobi, a route already covered by BOAC. Using Vikings carrying about 25 passengers, the journey will take nearly three days, compared with roughly 24 hours by BOAC. But the single fare will be £98 compared with £140 for the corporation. The same journey by sea, in tourist class, might be about £30 cheaper still, but there would be more incidental expenses and the journey might take between two and three weeks. It would be foolish to pretend that this new service will not take some traffic from BOAC; it is already fully booked each way until November. But it may prove the theory—put forward by government speakers on Tuesday—that competition in the air has so far led to an increase in traffic carried by both types of operator. East Africa, with its poorly developed land communications, represents an ideal territory in which to put such a theory to the test.

Competition from these third-class services may lead to more rapid introduction by the corporations of their own tourist, or second class, flights on other routes besides the North Atlantic. The tourist fares have to be agreed by the International Air Transport Association, of which the big operators, but not the private charter companies, are all members. They are usually 30 per cent lower than the standard fare, which suggests that if BOAC were to decide to recapture traffic by introducing tourist rates to Nairobi, the private companies' third-class fares would have to be substantially reduced, when it might become difficult to make them pay.

* * *

The Middle East's Sterling

The contrasting problems of Egypt's and Iraq's sterling holdings have come to the fore simultaneously. Egypt has just deemed it necessary to decree a considerable contraction of imports and of credits covering import transactions. A long list of articles have been added to the list of those requiring import permits from the Exchange control. The restrictions are aimed primarily at saving sterling, Egypt's holdings of which have recently been seriously reduced. By the end of May the total of available sterling in the Egyptian No. 1 account had fallen to £12¼ million. The main reason for this decline in external reserves has been the failure to sell a large part of the cotton crop for the second year in succession.

The Iraqi delegates who are here in London to negotiate a renewal of the five-year financial agreement concluded in 1947 have a much more comfortable position to deal with. Thanks to increased oil royalty payments, Iraq has substantial sterling balances in its No. 1 account. The amount left in the blocked No. 2 account is between £20 and £30 million. The releases from No. 2 to No. 1 account, which have been proceeding regularly since 1947, may now make way for a more flexible arrangement. Iraq will also have to negotiate new agreements for allocation of hard currency from the sterling area pool. Under the previous agreement, specific allocations were made for 4 years from 1947, but in the latest year covered by that agreement Iraq was put on the usual basis accorded to members of the sterling area, and given free right of access to the gold and dollar pool on the understanding that it would exercise the usual restraint. It must now be decided whether for the coming year a similar informal and elastic arrangement will apply, or whether there is to be a return to specific dollar allocation. The Iraqi delegates are also discussing trade matters, and in particular trying to secure supplies of steel and other scarce commodities for implementing the ambitious economic development programme that has been put in hand in that country.

* * *

Cold Comfort from Courtaulds

The preliminary statement issued by Courtaulds for the year to March 31st will do nothing to allay the fears recently aroused by the closing of some of the company's factories. The sharp fall in sales of rayon goods, which the directors describe as "a major trade recession" in the industry here and abroad, did not really set in until the New Year. Production and sales were running at a sufficiently high rate in the first nine months of 1951-52 to bring about an actual increase in Courtauld's trading and investment income for the whole year, from £17,270,823 to the record figure of £19,018,402. But while this made it possible to pay out £1,627,500 in ordinary and preference dividends and thus maintain the ordinary dividend rate at 11¼ per cent, the directors warned shareholders that without a "rapid and material improvement in trade" the dividend may not be earned again in 1952-53. The company's problems are exacerbated by the fact that the slump in rayon sales has not only caused a serious cut in production and widespread dismissals, but has also led to the accumulation of substantial stocks of finished goods and raw materials. A good proportion of these stocks, and particularly those of wood pulp, must have been bought at prices considerably higher than they are today, and it may not be possible to dispose of the finished goods without some reduction in price. The likelihood of considerable losses on stocks is therefore a real one. The directors have made some provision against it by transferring £2,800,000 (against £2,600,000) to stock reserves, in addition to £2,158,452 (against £1,556,527) retained by subsidiaries and an appropriation of £1,912,674 (against £1,704,692) to fixed assets replacement reserves. The likely need for these provisions has been underlined by the news that another rayon company, Lansil Ltd, made a loss of £274,265 in the year to March 29th, largely because of the need to write off stock.

There have been some signs of a recovery in textile sales in the past few weeks, but nothing like the "rapid and material improvement" that Courtaulds apparently need to maintain their dividend. In particular the measures announced by the Government this week to expand the military uses of rayon have little material—though they may have considerable psychological—value at the present time. There are indications that sales of the more expensive acetate rayon are holding up rather better than those of viscose; for example, British Celanese's factory at Spondon has not had to introduce any additional short-time working since it first cut back to a short-time rota at the end of March. But the rayon industry is unfortunate in that it is essential that its mass production plants run to capacity if they are to run efficiently.

* * *

Fall in Prices Slackening?

The decline in wholesale prices during May was rather less steep than in the previous two months. The index of basic materials (June 30, 1949=100) fell by only 2.6 points to 162.1, but reached its lowest since October, 1950. The index is now 26 per cent below the peak touched in March last year and is 20 per cent lower than in May, 1951.

Only one major commodity increased in price during the month: wool prices, which had been declining steadily since

last autumn, rose by 13 per cent during May, reflecting the stronger demand for both merino and worsted wools. Prices of other textile materials continued to fall, with the exception of silk which remained stationary. East African sisal fell by 20 per cent, showing the biggest fall for any commodity during the month. Cotton and jute, on the other hand, were down only slightly, and the prices of their yarns followed

INDEX NUMBERS OF INDUSTRIAL MATERIAL PRICES
(June 30, 1949=100)

	June, 1950	Oct., 1950	March, 1951	Jan., 1952	Feb. 1952	March, 1952	April, 1952	May, 1952
Basic Materials (excluding fuel) for non-food manufacturing industry	126·6	162·1	220·4	181·5	177·0	169·8	164·7	162·1
Materials used in mechanical engineering industry ..	111·6	119·3	128·3	143·2	143·6	152·2	152·8	151·7
Materials used in electrical machinery industry ..	120·4	131·5	143·1	160·0	160·2	165·4	166·3	165·8
Building and civil engineering materials	104·8	110·2	117·8	134·4	134·8	135·8	137·3	134·7
House building materials	104·0	108·4	116·7	130·0	131·4	132·9	133·4	131·7

* Source: Board of Trade.

a similar trend. Among other materials, rubber fell by over 18 per cent on the month, to its lowest level for nearly two years. In the past week or so there has been some revival in the rubber market and this should be reflected in the index for June. In base metals, there have recently been several substantial reductions in the official prices of zinc and lead but most of the fall in zinc did not occur until June. The May indices showed a fall of 15.6 per cent in lead but only a very slight fall in zinc; copper remained stationary. Various miscellaneous materials declined in price during the month, including some vegetable oils (linseed and palm oil), shellac and rosin, woodpulp and imported timber. As a result of the falls in non-ferrous metal and timber prices, the indices of building material prices fell for the first time since last September; building and civil engineering materials fell by 2.6 points to 134.7 and housebuilding materials by 1.7 to 131.7.

* * *

Firmer Rubber

Since the beginning of this month a firmer tone has prevailed in the rubber market. During May, London prices had declined from 31½ pence a lb to 23⅜ pence a lb, the lowest point since the beginning of the Korean war in June, 1950. By Wednesday last the price was 27⅛ pence a lb in London. The slight improvement in the past fortnight probably indicates that last month the market was taking rather too gloomy a view of the prospects for natural rubber. The current issue of the Rubber Statistical Bulletin shows that world consumption of natural rubber in March was considerably higher than in the previous four months and that the surplus of production over consumption in the first three months of the year was much smaller than in the corresponding period last year. (It should be remembered that last year the United States bought about 300,000 tons of the stockpile; this year those purchases have ceased.) World stocks have dropped sharply—by 62,500 tons, to 772,500 tons, in the two months to end March—and this fact alone might prevent any drastic fall in price in the immediate future. As was to be expected, the reduction in stocks has been most pronounced in the consuming countries, especially in the United States, where the total (excluding the stockpile) was down to 66,193 tons, or less than 2 months' consumption, by the end of March, though it was still considerably higher than at the comparable date last year.

Recent reports from the United States suggest that synthetic production may be transferred to private industry within the next two years. Within the past few days the Senate has passed a bill calling on the President to present before April next a detailed plan for the transfer. An official has since been appointed to carry out the study. Meanwhile Congress is expected to pass a bill extending the life of the Rubber Act by a further 21 months; this is the act that ensures a minimum synthetic content in many American rubber manufactures. Natural rubber growers may benefit from the intention to make the transfer—if cuts in synthetic prices are halted in order to make the plants more attractive to private enterprise.

* * *

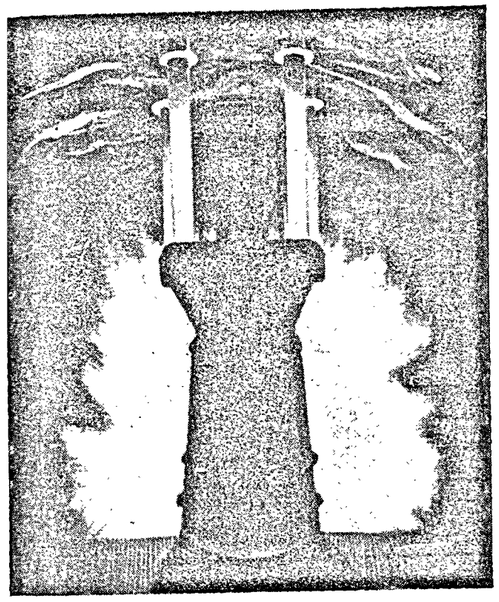
By-products from Bombs

Lord Cherwell's speech on atomic energy in the House of Lords last week was not so much a statement of policy as a reassessment of the prospects of nuclear power generation, and in some respects it was a disappointing one. He certainly cannot be accused of over-enthusiasm. Having said that "nobody claims that nuclear energy will be cheaper than energy from coal," he went on to say that by 1960 the tonnage of coal used for electricity generation might have risen from 35 million tons burnt last year to something approaching 48 million tons, so that the alternative of raising steam from nuclear piles rather than boilers might then be worth serious consideration by the electricity authorities. But the present type of reactor could hardly be used for this. Less than one per cent of the uranium charge in these reactors is actually effectively used to produce heat, and at this rate an annual consumption of 100 tons of uranium would produce less electricity than is at present produced by 2 million tons of coal, or barely 5 per cent of present coal consumption at the power stations. Such relatively large quantities of uranium would be hard to procure.

It will be essential to develop "breeder" reactors, which use some of their energy to convert what are normally non-fissile materials into less stable, fissile ones that can be put into the pile as fuel. The design of such piles involves what Lord Cherwell called the "most extraordinary novel technical difficulties." The major one, of extracting these newly created fissile materials from their stable surroundings, has been "more or less mastered," which suggests that there is now a reasonable chance of starting the construction of such a plant. But unfortunately Lord Cherwell made no reference whatever to the possibility of combining power generation with the production of plutonium for atomic weapons—a combination that reduces the cost of the electricity produced from the pile to a figure that may be below that of coal-generated electricity. A number of big American companies with awkwardly sited factories are considering building such plants, and it would have been interesting to know how such a development affected the prospect for nuclear power in this country.

A comparison between Lord Cherwell's speech and that made by President Truman two days later when the keel of the atomic submarine was laid is a typical example of the striking difference between the British and the American approach to the subject of the atom. British research in some fields is known to be ahead of American, but the speed with which this knowledge is applied is influenced by the desire of British scientists to make sure they can walk before they try to run. The first nuclear power generator built in this country will be an experimental one: the first to be built in the United States is being fitted direct into the hull of the *Nautilus*. President Truman spoke of this submarine in glowing and romantic terms, and described it rather ambiguously as a "working power plant for peace." But only in England, and possibly only in the House of Lords, could it have been said that one advantage of a stockpile

BLAST AND COUNTERBLAST



THE inside of a blast furnace deteriorates with use and every three to five years the refractory material with which it is lined has to be renewed. First, the furnace must be allowed to cool, then the old lining—up to 1,000 tons of it—must be prised out by men with crowbars and pneumatic hammers. In order to save time, many steel works have called in I.C.I., whose Nobel Division in Glasgow has developed a special technique, using new explosives, which enables furnace linings to be blasted out when still hot—without the delay of waiting for the shot holes to cool down to normal temperatures.

With this technique, a blast furnace at Scunthorpe in Lincolnshire was relined in the record time of 32 days, 11 hours and 39 minutes without damage to either the outer shell of the furnace or adjacent plant. A fair average time for the explosive method would be 50 days, as against about 150 days by the old hammer and crowbar method. This speed-up in the relining of furnaces is equivalent to a 4% increase in the total steel-producing capacity of the United Kingdom.

ICI

Build your own equipment with DEXION SLOTTED ANGLE

★ Can be used over and over again

★ No drilling, measuring or painting

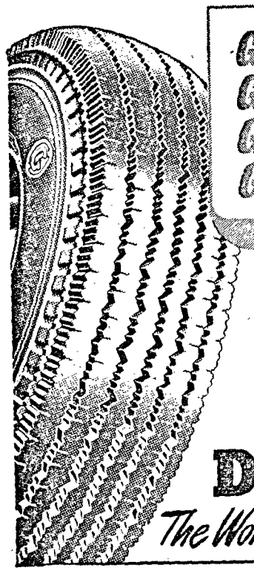
★ Just cut it and bolt it, that's all!

Write or telephone for illustrated literature D.8

DEXION LIMITED
189, REGENT STREET
LONDON, W.1
Telephone: REGent 4841

Look for this GOLD SEAL on the LATEST and BEST CAR TYRES EVER

It means:-
Greatest Strength
Greatest Service
Greatest Safety
Greatest Saving



DUNLOP
The World's Master Tyre

EXCEPTIONAL OPPORTUNITY

WEST END OF LONDON

MAIN ROAD ISLAND SITE

140,000 sq. ft. can be erected for offices, light industry, and/or warehouse. Suitable for manufacturing chemists, food manufacturers, motor car distributors, light engineering, electrical and radio manufacturers, and others seeking an opportunity to house entire organisation under one roof.

INCOME FROM EXISTING BUILDINGS ABOUT £25,000 PER ANNUM NETT.

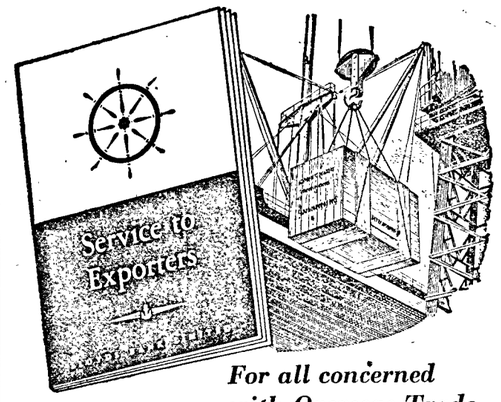
This is a most coveted position which will give handsome income in the interregnum period before development. Owners will sell freehold or will build and lease to approved tenants.

Write in the first instance to Box L.807, c/o Streets, 110 Old Broad St., London, E.C.2.

Explore the Australian Market
— FROM YOUR DESK

Before making plans to visit or establish in Australia, you will naturally wish to make a preliminary survey of the prospects.
Like other business men, you can use our fully equipped information service at 7 Lothbury, London, E.C.2, for every aspect of Australian commercial intelligence.

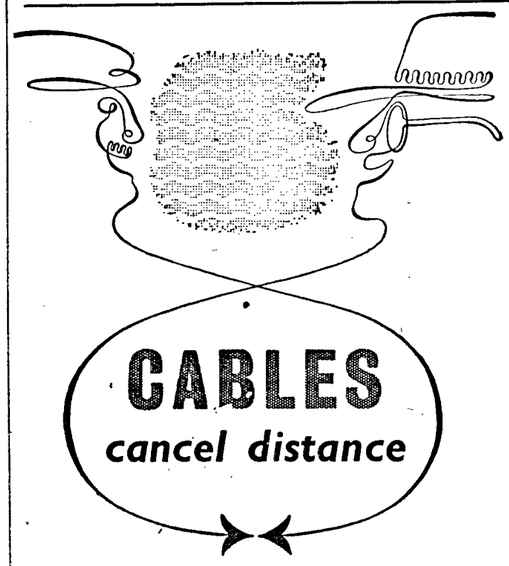
The NATIONAL BANK OF AUSTRALASIA Limited
(Incorporated in Victoria)
Established 1858
Other London Offices: Australia House, Strand, W.C.2 and 8 Princes St., E.C.2
Over 630 Offices in Australia. Assets £288 Million



For all concerned with Overseas Trade

There are many ways in which the Export Development Section of Lloyds Bank is helping both new and established exporters. The various functions of this section are indicated in a booklet entitled "Service to Exporters". Please ask for a copy at any branch of the Bank.

Let LLOYDS BANK look after *your* Export interests



CABLES cancel distance

say it 'via Imperial'

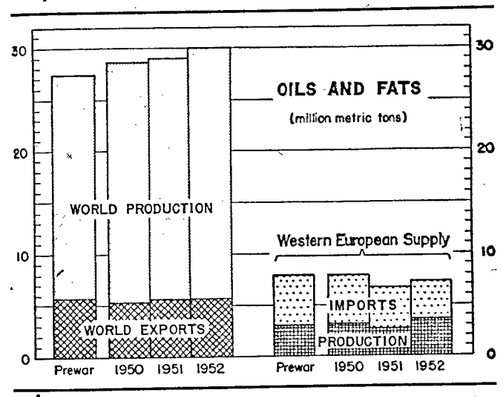
Post Office Cable & Wireless Services

of atomic bombs compared with the non-atomic variety was the possibility of removing their plutonium charge to use it as fuel for nuclear generators.

* * *

Surplus Oils and Fats

Last year marked the changeover from scarcity to plenty in oils and fats, and since June, 1951, prices have fallen steeply. This year, although world production will still not be large enough to cover the prewar consumption per head of population, there is likely to be a substantial



surplus over the current rate of consumption. In giving this forecast in his annual address to the International Association of Seed Crushers, Mr J. C. A. Faure, of Unilever, said that effective demand is falling, first because currency difficulties are restricting imports and secondly because of the increasing use of synthetic detergents. Hence, prices are likely to fall still further during the next 12 to 18 months. At present they are about 400 per cent above their prewar level; next year they might be only 100-300 per cent above it. Certain vegetable oils, like groundnuts and linseed, are scarce; their prices should remain above the general level.

Owing to a very heavy crop of olives in Europe, the world output of fats and oils is expected to reach 24,300,000 metric tons this year, or 920,000 tons more than in 1951. Most of the increase will be absorbed by the producing countries, so that exports are expected to rise by only about 123,000 tons, to 5,740,000 tons. Argentina, which normally accounts for 80 per cent of the world's exports of linseed, has had a serious drought, and the crop is expected to be one of the smallest on record. This reduction in supplies will accentuate the serious shortage that already exists outside the United States. Exports of copra from Indonesia are expected to fall this year, and so may shipments from the Philippines—not because of a reduction in supplies but because of the dwindling demand in the United States. On the other hand, the Nigerian crop of groundnuts is about three times the size of last year's, but for want of transport, only about 80 per cent of the crop can be exported.

This year European consumption and exports are estimated at 6,910,000 tons; 309,000 tons will be needed to build up stocks, making total requirements of 7,219,000 tons. Domestic production is expected to provide 3,569,000 tons of this, leaving 3,650,000 tons to be imported. In fact, about 530,000 tons more than this is likely to be available in exporting countries. Mr Faure concludes that, in the circumstances, "Europe does not strictly need to import oils and fats from the United States in 1952." The United Kingdom gets most of its supplies from the sterling area and, but for the need to achieve a surplus in the total balance of payments, as distinct from the dollar account, it would seem that margarine rationing could soon be ended.

Company Notes

Kaffir Dividends.—The recent resumption of buying of Kaffirs in the stock markets does not indicate that the June dividend announcements from the Rand have been better than generally expected; it simply indicates that investors—with one eye on the weakness of sterling and the other on recurrent rumours of a movement towards freer exchange rates—are gambling on the possibility of some future increase in the sterling price of gold. The June dividend payments announced so far contain an almost equal quota of pleasant and unpleasant surprises. All the operating companies in the Union Corporation group reduced their dividends, but these reductions were no bigger than had been expected, except in the case of Geduld, whose dividend of 6s. 3d. was as much as 9d. below some market forecasts. The dividends announced by the Central Mining group contained two rather pleasant surprises. The increase in the payment of Blyvooruitzicht (by 2d. to 1s. 6d.) exceeded the most optimistic expectations, while the maintenance of the dividend by Durban Deep at 2s. 6d. was also regarded as particularly satisfactory, in view of the heavy capital expenditures being financed out of current profits by this company. On the other hand, the reduction in the payment made by City Deep, another company that has made heavy capital outlays on the sinking of new shafts, was sharper than had been expected. The sharp reduction in the Crown dividend from 4s. 6d. to 2s. 6d. had been fore-shadowed, if not forecast, in the statement made by its chairman last month.

Kaffir Dividend
(Dec., 1950-June, 1952)

Ordinary Shares	Dec., 1950	June, 1951	Dec., 1951	June, 1952
	s. d.	s. d.	s. d.	s. d.
Central Mining				
Blyvooruitzicht, 2s. 6d..	1 4	1 4	1 4	1 6
City Deep, £1	3 6	3 0	2 6	1 6
Cons. Main Reef, £1....	4 0	3 6	3 6	2 9
Crown, 10s.	6 6	5 6	4 6	2 6
Durban Deep 10s.....	3 0	2 6	2 6	2 6
East Rand Prop., 10s...	2 6	2 6	2 6	2 6
Modderfontein East, £1.	4 0	3 0	2 6	2 0
Rose Deep, £1.....	3 6	2 9	2 6	1 9
Rand Mines, 5s.	3 6	3 6	3 6	3 0
Transvaal Gold, £1.....	1 0	1 0	0 3	0 9
Union Corporation				
East Geduld, 4s.....	2 4½	2 1	2 3	2 0
Geduld Prop., £1.....	8 6	7 3	7 6	6 3
Grootvlei Prop., 5s.	1 7½	1 6	1 6	1 3
Marievale Cons., 10s. ...	1 0	1 0	1 0	0 10

*

Royal Mail.—The burden of replacement costs under the present British system of tax assessment is a perennial theme in the speeches made by the chairmen of the Lines companies, and it is again stressed in the statement made by Mr Walter Warwick, the chairman of Royal Mail. For some years past Royal Mail has built up a large replacement account to provide against the increased costs of building new ships. This account now stands at £6,348,000, which is considerably in excess of the written down value (£3,710,766) of the Royal Mail fleet, but the chairman points out that it is "by no means too large in relation to prospective costs of replacement." Royal Mail has its own particular problem when considering the construction of new vessels. In the past, many of the company's ships were equipped with costly refrigeration installations for the shipment of meat from Argentina. The volume of this trade has now seriously declined; as a result, some of the ships thus equipped have had to be directed to other routes, and the uncertain prospect for the meat trade has given rise to "great difficulty in deciding what type of ship should be built in future for the South American trade."

The fact that group profits, after their setback to £2,373,551 in 1950, recovered to £3,590,993 last year, shows that Royal Mail has proved itself capable of quickly adapting its trade in times of adversity, but Mr Warwick warns shareholders that it would be "unrealistic to take too complacent a view of the future." The loss of meat shipments last year was to a large extent offset by an increase in the shipment of other refrigerated produce, notably fruit, but this trade is hampered by exchange difficulties. Moreover, while the company was able to maintain

	Years to Dec. 31, 1950	1951
	£	£
Consolidated Earnings :—		
Operating profit.....	2,373,551	3,590,993
Total income.....	2,684,877	4,026,667
Depreciation	1,292,166	1,201,659
Taxation	755,181	1,937,929
Net profit	*539,302*	*588,331*
Ordinary dividends	157 500	210,000
Ordinary dividends (per cent)...	7½	10
Fleet replacement account.....	...	350,000
Added to Group carry forward...	6,802	28,331
Cons. Balance Sheet Analysis :—		
Fleet, *less* depreciation.....	6,290,406	6 890,766
Total current assets	15,628,248	19,014,177
Debtors	2,240,834	2,253,972
Cash*	4,708,149	4,490,764
Gilt-edged investments.....	7,255,118	10,135,504
Reserves.....	9,715,858	11,044,189
Ordinary capital.....	4,000,000	4,000,000

£1 ordinary stock at 23s. 2d.xd yields £8 12s. per cent.
* Includes deposits with bankers for new tonnage (1950: £875,000; 1951: £2,275,000).

tain its passenger and freight services to South American ports in 1951, Mr Warwick believes that a further contraction in trade to Argentina can be expected. Trading to Brazilian ports may not altogether make this good; even last year, when trade between Brazil and Britain was reasonably buoyant, the company was forced to divert some ships from Brazilian ports to load in other berths because of a lack of cargo. Last year's recovery in earnings enabled Royal Mail to increase the ordinary dividend from 7½ to 10 per cent—a step that was discussed in these columns on June 7th. The outlook for future dividend payments, as for the company's trade, must be regarded as unsettled, though not necessarily bleak.

★

Wiggins, Teape.—One after another the paper manufacturers have reported spectacular increases in profits in 1951. In most cases, as in the accounts of Wiggins, Teape, the advance owed a little to a genuine expansion in production, but in all cases the main cause was the automatic and fortuitous expansion of inventory profits as a legacy of last year's inflation in prices. By raising the tax free ordinary dividend from 4½ to 6½ per cent, the directors of Wiggins, Teape have presumably discounted the considerable element of inventory gains in the staggering bound in group trading profits, from £2,752,914 to £7,291,985, and are acknowledging the fact that part of this increase represented a genuine expansion in business. The days of real boom, however, seem to be over. Mr L. W. Farrow, the chairman, speaks of "a serious recession" in the demand for paper and paper products, not only in this country, but throughout the world. Consumers, who are now expecting further falls in the price of paper, are content at the moment to live on the stocks that were built up last year in the (partly false) anticipation of a shortage; they are therefore buying only enough to satisfy their barest current requirements. At home the recession has been made worse by the slump in the textile trades; abroad it has been affected by import quotas and restrictions.

Mr Farrow describes the outlook for the Wiggins, Teape group as "unpredictable," but he adds that the group has earned satisfactory profits in the first five months of 1952—before taking into account the depre-

Consolidated Earnings :—	Years to Dec. 29, 1950 £	1951 £
Trading profit	2,752,914	7,291,985
Depreciation	46,116	55,717
Taxation	931,134	3,347,799
Stocks reserve	69,497	695,913
Net profit	*856,908*	*1,670,909*
Ordinary dividends†	185 458	253,784
Ordinary dividends (per cent)†	4½	6½
Retained by subsidiaries	2,578	40,001
General reserve	...	1,218,000
Contingencies reserve	530,000	...
Added to carry forward	67	404
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	8,764,303	9,134,836
Net current assets	4,694,051	10,028,491
Stocks	3,589,451	6,975,115
Cash	1,097,525	2,337,720
Reserves	2,682,251	4,691,035
Ordinary capital	3,904,362	3,904,362

£1 ordinary stock at 27s. 6d. yields £9 0s. per cent.
† Tax free.

ciation in the value of paper and material stocks, "for which ample provision has been made in the 1951 accounts." Here the chairman is referring to the group's appropriation of £695,913 (against £69,497) to a paper and raw materials stock reserve. This appropriation brings the total sum held in the stock reserve to £1 million; the directors are confident that this will amply cover any losses that may arise on stocks through a reduction in prices, particularly as these losses will be a charge against profits for taxation purposes. Such losses could, however, prove to be quite substantial, for the value of stocks increased from £3,589,451 to £6,973,115 in 1951—largely as a reflection of the inflation in prices. In order to finance this increased investment in working capital the company last year issued a 4½ per cent mortgage debenture stock; the receipts of £1,964,595 from this issue enabled it to pay off an unsecured bank loan of £500,000 and to reduce the amount owing on acceptance credits to £270,000. In assessing this year's prospects the chairman reveals that profits earned in the first five months of this year exceed the amount of the company's EPL standard profits for the whole year, and he indicates that if this is kept up then the same rate of ordinary dividend—6½ per cent—could be paid, leaving a margin for reserve appropriations.

★

Spillers.—In recent months the Treasury seems to have looked with more favour, and greater good sense, upon the capitalisation of company reserves in order to bring issued capital into closer relationship with the real capital employed. One of the latest companies to be granted permission to take this step is Spillers, whose directors also intend to take the opportunity to simplify the company's capital structure. By capitalising £3,054,058 from reserves, the directors propose to distribute one 6 per cent £1 preference stock for every £8 of ordinary stock, and one new ordinary £1 share for every £1 of ordinary stock and deferred ordinary stock; in addition, the deferred ordinary stock and the co-partnership stock are to be converted into ordinary stock. Following this reorganisation, the company's issued share capital, which at the moment consists of £1,143,023 of 6 per cent £1 preference stock, £1,897,485 of ordinary stock, £919,387 of deferred ordinary stock, and £200,000 of co-partnership stock, will become £1,380,209 of preference stock and £5,833,744 of ordinary stock.

Consolidated Earnings :—	Years to 1950 £	Jan. 31, 1951 £
Trading profit	2,205,984	2,632,188
Depreciation	373,468	421,866
Replacement reserve	186,552	258,134
Taxation	1,080,000	1,350,000
Net profit	*605,773*	*630,591*
Ordinary dividends	201,607	199,236
Ordinary dividends (per cent)	20	20
General reserve	100,000	100,002
Added to Group carry forward	110,795	159,192
Cons. Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	5,609,973	6,261,860
Net current assets	6,066,140	6,387,065
Stocks	4,609,784	5,846,986
Cash	968,893	909,188
Reserves	8,357,839	9,497,214
Ordinary capital	1,897,485	1,897,485

£1 ordinary stock at 66s. 6d. yields £6 0s. per cent.

Although there was a slight increase in the gross return on the group's milling operations last year, the increase in the trading surplus, from £2,205,984 to £2,632,188, was mainly due to activities other than flour milling; presumably it largely reflected an increase in sales of animal foods. The increase in the volume of business has had to be financed at a time of rising prices, and Mr Arthur Whittaker joins many other chairmen in drawing attention to the marked increase in the amount of working capital required. Last year the book value of stocks increased (almost entirely due to price inflation) from £4,609,784 to £5,846,986, while debtors rose from £2,143,473 to £3,132,082. Mr Whittaker expects a further substantial increase in working capital requirements this year, following the decision to reduce the food subsidies. This, together with further capital outlays on development and modernisation (on which the group is already committed to spend £1,700,000), will bring about a further reduction in the company's liquid balances. It seems probable, therefore, that the directors will concentrate on strengthening reserves this year, so that shareholders should not expect that the revision of the ordinary capital will necessarily be accompanied by a higher dividend payment; in the latest financial year a rate of 20 per cent (on the old capital) was maintained.

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 11, 1952	Price, June 18, 1952	Net Yield, June 18, 1952 £ s. d.	Gross Yield, June 18, 1952 £ s. d.
War Bonds 2½% Mar. 1, 1951-53	99⅛	99⅛	1 8 5	3 2 8 *f*
War Bonds 2½% Mar. 1, 1952-54	98⅝	98⅝	2 2 6	3 10 10 *f*
Exchequer Stk. 2½% Feb. 15, 1955	96⅛	96⅛	2 4 8	3 9 4
Serial Funding 1¾% Nov. 14, 1952	99⅛	99⅛	1 14 3	2 14 11
Serial Funding 1¾% Nov. 14, 1953	98⅛	98⅛	1 17 11	2 15 11
Serial Funding Nov. 14, 1954	96⅛	96⅛	2 6 8	3 4 4
War Bonds 2½% Aug. 15, 1954-56	96⅛	96⅛	2 19 8	4 8 1*e*
Funding 2½% June 15, 1952-57	96⅛*	96⅛	2 3 2	3 10 2 *f*
Nat. Defence 3% July 15, 1954-58	97⅛	97⅛*	2 16 8	3 19 10 *f*
War Loan 3% Oct. 15, 1955-59	97⅛	97⅛	2 0 4	4 4 7*e*
Savings Bonds 3% Aug. 15, 1955-65	88⅛	87⅞	2 7 5	3 8 10 *f*
Funding 2½% April 15, 1956-61	90⅛	89⅛	1 18 11	3 18 0*e*
Funding 3% April 15, 1959-69	83⅛	83⅛	2 14 10	4 6 9 *f*
Funding 3% Aug. 1, 1966-68	85⅛	84⅛	4 9 5	5 16 2*e*
Funding 4% May 1, 1960-90	95⅛	95	2 17 4	4 9 8 *f*
Savings Bonds 3% Sept. 1, 1960-70	83½	82⅛	4 4 11	5 18 5*e*
Savings Bonds 2½% May 1, 1964-67	82	81⅛	2 17 6	4 10 6 *f*
Victory Bonds 4% Sept. 1, 1920-76	99⅛	99	3 5 3	4 12 5*e*
Savings Bonds 3% Aug. 15, 1965-75	81	79⅛	2 18 0	4 5 1 *f*
Consols 4%	85⅛	84⅛	3 11 8	5 5 7*e*
Conversion 3½%	75⅛	73⅛	2 16 3	4 9 11 *f*
Treasury Stk. 2½% (after Apr. 1 1975)	55⅛	54⅛	2 10 2	4 16 5 *f*
Treasury Stk. 3% (after Apr. 5, 1966)	65⅛	63⅛	2 8 4	4 12 6 *f*
Treasury Stk. 3½% June 15, 1977-80	85⅛	84⅛	2 9 8	4 15 1 *f*
Redemp. Stk. 3% Oct., 1986-96	75⅛	74⅛	2 14 4	4 14 6*e*
War Loan 3½%	74⅛	73⅛	2 11 5	4 15 8 *f*
Consols 2½%	57*	56*	2 12 11	4 10 2*e*
Brit. Elect. 3% Gtd. April 1, 1968-73	81⅛	80⅜	2 6 10	4 9 1 *f*
Brit. Elect. 3% Gtd. Mar. 15, 1974-77	80⅛	79⅜	3 3 10	4 17 1*e*
Brit. Elect. 4½% Gtd. Sept. 26, 1974-79	98⅛	98⅛	2 17 1	4 10 3 *f*
Brit. Elect. 3½% Gtd. Nov. 15 1976-79	86⅛	85⅛	2 11 9	4 11 2*e*
Brit. Tpt. 3% Gtd. July 1, 1978-88	74⅛*	73⅛*	3 4 9	4 15 3*e*
Brit. Tpt. 3% Gtd. April 1, 1968-73	81⅛	80⅛	2 14 5	4 9 4 *f*
Brit. Gas Gtd. 3% May 1, 1990-95	74⅛	73⅛	3 4 5	4 17 7*e*
Brit. Gas Gtd. 3½% Sept. 10, 1969-71	89⅛	88⅛	2 17 6	4 10 8 *f*
Brit. Iron & Steel 3½% 1979-81	86⅛	85	2 14 4	4 9 10*e*
			2 12 5	4 8 2 *f*
			2 13 3	4 11 6*e*
			2 13 1	4 9 11 *f*
			2 13 3	4 11 2*e*
			2 12 4	4 10 3 *f*

(*e*) To earliest date. (*f*) Flat yield. (*t*) To latest date. (*s*) Assumed average life 15 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*) (*c*)	Ordinary Stocks	Price, June 11, 1952	Price, June 18, 1952	Yield, June 18, 1952 £ s. d.
%	%				
20 *a*	40 *b*	Anglo-Am. 10/-	6⅛	6⅛	6 16 0
5 *a*	25 *b*	Anglo-Iran £1	5⅛	5⅛*	5 14 2
7½*a*	12½*b*	Assoc. Elec. £1	69/6	69/6	5 15 1
7½*a*	20 *b*	Assoc. P. Cem. £1	91/3*	91/3	6 0 6
†22½ *c*	10 *a*	Bass £1	116/3	116/3*	7 7 6
10 *a*	10 *b*	Boots 5/-	18/9*	19/-	5 5 3
10 *b* (i)	4½*a*	Br. Celanese 10/-	20/-*	19/-*	7 12 8
...	...	Br. Motor Cp. 5/-	27/6	26/10½	...
8 *a*	12 *b*	Br. Oxygen £1	69/6	68/6	5 16 9
5 *a*	7½*b*	Coats £1	41/3*	41/3	6 1 2
5 *a*	6½*b*	Courtaulds £1	33/6	31/-*	7 5 0
22½ *c*	7½*a*	Distillers 4/-	17/-	17/-	5 5 11
17½ *c*	17½	Dunlop £1	43/9*	43/9	8 0 0
12½ *c*	15 *c*	Ford £1	46/-	46/-	6 10 5
22½ *c*	7½*a*	Gen. Elect. £1	76/-	76/-	5 18 5
17 *b*	7 *a*	Guinness £1	56/3	58/1½	5 17 7*e*
5½ *b*	4½ *a*	Hawker Sid. £1	32/6	31/9*	6 6 0
5 *a*	10 *c*	Imp. Chem. £1	41/10½	42/6	6 2 4
15½*a*	18½*b*	Imp. Tobacco £1	82/6	82/6	7 15 2
5 *a*	10 *b*	Lancs. Cotton £1	33/9	33/9	8 17 10
7½ *c*	10 *b*	Lon. Brick £1	54/4½	55/-	6 7 3
15 *a*	25 *b*	Marks & Sp. A 5/-	70/-*	69/-	5 15 11
8 *a*	10½*b*	P. & O. Def. £1	43/6	42/-	7 12 5*g*
17½*b*	7½*a*	P. Johnson 10/-	32/-	32/6	7 13 10
†5 *a*	†10 *b*	"Shell" Stk. £1	90/-*	92/6	5 3 6
12½*b*	13½*a*	Tube Invest. £1	49/4½	50/-	5 0 0*h*
15 *b*	5 *a*	T. & Newall £1	79/4½*	79/4½	5 0 10
5 *a*	8½*b*	Unilever £1	40/-*	40/-	6 15 0
10 *c*	12½*c*	Union Castle £1	20/9	20/6	6 1 11*h*
50 *c*	90 *c*	U. Sua Betong £1	36/3	35/7½	28 1 5
2½*a*	10 *b*	Vickers £1	41/6	41/-	6 1 11
27½*b*	15 *a*	Woolworth 5/-	40/-	39/6*	5 7 7

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*e*) Yield basis 16½%. (*g*) Yield basis 16%. (*h*) Yield basis 12½%. (*i*) Includes special int. 7%. (*k*) Yield basis 6½%. * Ex div † Free of tax.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 14, 1952, total ordinary revenue was £46,177,000, against ordinary expenditure of £86,486,000 and issues to sinking funds £450,000. Thus, including sinking fund allocations of £4,781,000 the deficit accrued since April 1, 1952, was £169,533,000 compared with a surplus of £20,864,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952-53 £'000	April 1, 1951 to June 16, 1951	April 1, 1952 to June 14, 1952	Week ended June 16, 1951	Week ended June 14, 1952
REVENUE		Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1804225	178,947	218,095	10,110	10,477
Sur-tax	123,000	21,500	16,800	1,400	1,000
Estate, etc., Duties	175,000	45,200	32,600	4,400	2,800
Stamps	57,500	13,600	10,800	800	1,000
Profits Tax & EPT	452,000	47,800	54,800	4,900	5,600
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	790	470	80	40
Total Inland Rev.	2618725	307,837	335,565	21,690	20,917
Customs	1043500	207,110	210,813	20,406	19,482
Excise	772,000	153,700	147,914	3,000	4,030
Total Customs and Excise	1815500	360,810	358,727	23,406	23,512
Motor Duties	64,150	6,414	6,374	312	142
Surpl's from Trade, P.O. (Net Receipts)	12,000	25,000	...	...	...
Broadcast Licences	...	7,000	2,400	*Dr 600*	300
Sundry Loans	15,000	2,000	1,900	...	...
Miscell. (incl. Surplus War Stores)	26,000	2,599	2,158	255	...
Total Ord. Rev.	4661375	728,082	722,998	45,181	46,177
SELF-BALANCING					
Post Office	209,235	32,700	38,700	3,200	2,700
Income Tax on E.P.T. Refunds	4,900	1,069	1,393	61	66
Total	4875510	761,851	763,091	48,442	48,933
EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	112,701	138,837	...	8,477
Payments to N. Ireland	40,000	6,856	7,202	...	...
Other Cons. Funds	10,000	901	886	8	109
Total	625,000	120,458	143,925	8	6,586
Supply Services	3605562	584,440	743,825	50,600	79,900
Total Ord. Expd.	4230562	704,898	887,750	50,608	86,486
Sinking Funds	...	2,320	4,781	350	450
Total (excl. Self-Bal. Expd.)	4230562	707,218	892,531	50,958	86,936
SELF-BALANCING					
Post Office	209,235	32,700	38,700	3,200	2,700
Income Tax on E.P.T. Refunds	4,900	1,069	1,393	61	66
Total	4444697	740,987	932,624	54,219	89,692

After decreasing Exchequer balances by £85,492 to £2,895,980 the other operations for the week increased the National Debt by £51,360,670 to £25,824 million.

NET RECEIPTS (£ thousand)

EPU (Financial Provisions) Act, 1950, s. 3	183
	183

NET ISSUES (£ thousand)

Post Office and Telegraph (Money) Act, 1950	825
EPT Refunds	69
Local Authorities Loans Act, 1945, s. 3(2)	4,050
Coal Industry Acts, 1946 to 1951	100
Overseas Resources Development Act, 1948 :—	
Colonial Development	500
Miscellaneous Financial Provisions Act, 1946 and 1950 :—	
Civil Contingencies Fund	5,000
Finance Acts, 1946 and 1947, Postwar Credits	327
	10,871

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	54,589	2½% Def. Bonds	860
Tax Reserve Certs.	356	3% Def. Bonds	1,281
Other Debt :—		3% Ter. Annuities	1,582
Internal	17,540	Ways and Means Advances	33,490
External	16,088		
	88,573		37,213

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951 June 16	3230·0	2080·9	385·4	...	345·0	6041·2
1952 Mar. 22	2280·0	1941·9	359·7	...	...	4581·6
" 31	427	3·1	337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·5	...	...	4632·1
" 12	2440·0	1600·9	305·3	1·0	...	4347·2
" 19	2500·0	1579·8	320·7	...	...	4400·5
" 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7
" 10	2590·0	1521·3	317·6	0·2	...	4429·1
" 17	2650·0	1499·4	302·9	...	...	4452·3
" 24	2690·0	1477·2	314·6	...	...	4481·8
" 31	2710·0	1484·5	299·7	4·5	...	4498·7
June 7	2750·0	1503·4	307·3	...	...	4560·7
" 14	2790·0	1617·9	273·6	0·3	...	4581·7

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951 June 15	280·0	344·0	280·0	10 2·58	62
1952 Mar. 14	200·0	250·4	200·0	48 3·64	69
" 21	200·0	251·9	200·0	48 3·39	68
" 28	210·0	240·2	210·0	47 3·61	81
Apr. 4	220·0	302·1	210·0	47 3·96	88
" 10	210·0	297·2	210·0	47 0·14	62
" 18	200·0	316·6	200·0	47 3·27	45
" 25	200·0	296·3	200·0	46 4·20	83
May 2	200·0	326·8	200·0	48 11·03	35
" 9	230·0	300·5	230·0	47 4·11	68
" 16	230·0	295·0	230·0	47 8·07	70
" 23	220·0	302·3	220·0	47 7·94	63
" 30	240·0	307·1	240·0	47 8·25	71
June 6	240·0	306·5	240·0	48 4·09	71
" 13	240·0	310·4	240·0	48 0·36	72

On June 13th applications for 91 day bills to be paid from June 16 to June 21, 1952, were accepted dated Monday to Saturday as to about 72 per cent at £99 8s. 0d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £250 million were offered on June 20th. For the week ended June 21st the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 10 Weeks ended June 16, 1951	Totals 10 Weeks ended June 14, 1952	Week ended June 14, 1952
Savings Certificates :—			
Receipts	43,700	22,800	1,700
Repayments	29,900	29,800	2,300
Net Savings	13,800	*Dr 7,000*	*Dr 600*
Defence Bonds :—			
Receipts	9,659	7,800	530
Repayments	10,020	13,885	980
Net Savings	*Dr 361*	*Dr 6,085*	*Dr 450*
P.O. and Trustee Savings Banks :—			
Receipts	136,124	139,774	14,738
Repayments	162,942	151,984	15,817
Net Savings	*Dr 26,818*	*Dr 12,210*	*Dr 1,079*
Total Net Savings	*Dr 13,379*	*Dr 25,295*	*Dr 2,129*
Interest on certificates repaid	7,204	8,090	632
Interest accrued	24,159	24,679	2,491
Change in total invested	+ 3,576	— 8,706	— 270

BANK OF ENGLAND RETURNS

JUNE 18, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued :—		Govt. Debt	11,015,100
In Circulation	1431,095,228	Other Govt. Securities	1435,773,688
In Bankg. Department	19,261,595	Other Secs.	700,846
		Coin (other than gold)	2,510,366
		Amt. of Fid. Issue	1450,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356 823
	1450,356,823		1450,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	347,171,430
Rest	3,535,946	Other Secs. :—	31,807,025
Public Deps. :—	24,011,609	*Discounts and Advances*	*12,202,147*
*Public Accts.**	*10,412,218*	*Securities*	*19,604,878*
H.M. Treas.			
Special Acct.	*13,599,391*		
Other Deps. :—	357,624,644		
Bankers	*287,202,028*	Notes	19,281,595
Other Accts.	*70,232,606*	Coin	1,485,149
	399,725,199		399,725,199

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951	1952		
	June 20	June 4	June 11	June 18
Issue Dept. :—				
Notes in circulation	1343·4	1420·1	1425·6	1431·1
Notes in banking department	56·9	30·3	24·7	19·3
Government debt and securities*	1395·8	1446·7	1446·7	1446·8
Other securities	0·7	0·7	0·8	0·7
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	15·3	12·4	14·3	10·4
Treasury Special Account	4·4	0·5	17·0	13·6
Bankers	301·0	258·5	291·0	287·4
Others	85·9	70·0	68·8	70·2
Total	406·6	341·4	391·1	381·6
Securities :—				
Government	336·0	296·2	342·1	347·2
Discounts, etc.	7·9	12·6	20·9	12·2
Other	23·2	18·9	19·9	19·6
Total	367·1	327·7	382·9	379·0
Banking dept. res.	57·6	31·8	26·2	20·7
	%	%	%	%
"Proportion"	14·1	9·3	6·7	5·4

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,400 million to £1,450 million on April 2, 1952.

"THE ECONOMIST" INDEX OF WHOLESALE PRICES (1927=100)

	June 12, 1951	June 3, 1952	June 17, 1952
Cereals and meat	165·8	181·9	183·7*
Other foods	184·1	190·1	188·8
Textiles	330·2	228·2	223·6
Minerals	337·4	372·8	372·9
Miscellaneous	194·5	189·2	190·4
Complete Index	**228·4**	**221·2**	**220·9***
1913=100	*314·3*	*304·4*	*304·0**

* Provisional

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on *September 19, 1949*, and the selling price to authorised dealers from 175s. 0d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 12	72·5	82·75	148 11	84 13
" 13	72·5	82·75	151 6	86 13
" 14	Markets Closed		152 10	88 2
" 16	72·5	82·75	149 13	87 2
" 17	72·5	82·75	149 9	87 6
" 18	72·5	82·75	150 2	87 2

COMPANY MEETINGS

MARKS AND SPENCER

INCREASE IN TURNOVER

IMPROVED VALUES OF MERCHANDISE

SIR SIMON MARKS ON SELLING PRICES

The twenty-sixth annual general meeting of Marks and Spencer Limited was held on June 12th at 82, Baker Street, London, W.

Sir Simon Marks, DSc, chairman and joint managing director, who presided, said: Ladies and gentlemen,—May I take it that in accordance with customary practice the directors' report and accounts as circulated to you be taken as read? (Agreed.)

You will be asked to confirm the appointment of Mr B. W. Goodman as a director of this company and to re-elect Mr Harry Sacher and Mr W. F. Norris. Mr Goodman has been with the company nearly 20 years and has been the company's secretary since 1940. He will continue to hold this office. His appointment to the board will be of advantage to the company.

Mr Sacher retires by rotation and a special notice has been received from a shareholder of his intention to propose that he should be reappointed a director of the company notwithstanding that Mr Sacher is of the age of 70, and I shall have pleasure later in putting this resolution to the meeting.

PROFIT AND LOSS ACCOUNT

The profits on last year's trading, after taxation, have amounted to £2,206,000. This compares with a profit of the previous year of £2,557,000. Taxation has required £2,790,000. It does not include any provision for Excess Profits Levy as on the taxable profits of this year's trading we are advised that we have no liability.

To the net profit of £2,206,000 there has been added £100,000, being tax overprovided in the past. The carry-forward from last year is £4,663,000. There is, therefore, available for distribution £6,969,000, compared with £6,528,000 a year ago.

We propose a final dividend of 65 per cent, making 80 per cent, less tax, for the year on the Ordinary and "A" Ordinary capital, which requires £950,000, as against £879,500 last year when the dividend was 75 per cent. The sum of £883,000 is transferred to the general reserve. After the dividends and other appropriations which have been recommended in the report of the directors, the sum of £4,506,000 will be carried forward.

RESERVES

The reserve funds at the date of the balance sheet amounted to £11,054,000, as compared with £9,332,000 a year ago. This is an increase of £1,722,000—£1,202,000 from the profits of the year retained in the business, and £520,000 from the net surplus arising from the disposal of properties and investments during the year.

You have already been advised that the Capital Issues Committee has given its consent to the capitalisation from our reserves of an amount of £2,261,745 on the basis of one "A" Ordinary share for each Ordinary or "A" Ordinary share held on May 17th—the date on which the registers were closed. This will raise our issued Ordinary capital to £4,523,000. After the capitalisation of reserves our reserve funds will amount to £8,793,000.

PROPERTIES AND EQUIPMENT

Our properties now stand in the balance sheet at £8,597,000. We have expended £553,000 this year—mainly on rebuilding stores destroyed during the war. On the general maintenance of our properties we have spent £429,000. Fixtures and equipment have risen from £1,671,000 to £2,348,000, after depreciation on our usual scale. This is a part of our programme of modernising and embellishing our stores.

STORE DEVELOPMENTS

We are operating 233 stores. Our stores at Exeter, Plymouth and Yarmouth have been rebuilt. These are the first full replacements which have come into operation. We were trading in temporary premises in Plymouth and Yarmouth. A number of extensions have been made and rebuilding is in progress at Bristol, Southampton and Swansea.

We have continued to carry out our policy of modernising our stores and have now made up much of the leeway resulting from the enforced neglect during the war.

This programme has called for a large investment of capital in the postwar years. Our properties are being brought to a high state of repair and good condition. This programme further entails a great deal of work in embellishing our stores to make them attractive to the public. It includes modern lighting, general decorative schemes, new counters, and fittings to display our merchandise to advantage. There is no doubt that our public appreciate the improvements we have carried out and that they enjoy shopping in a pleasing environment.

SUBSIDIARY COMPANIES

The operations of our subsidiary companies have resulted in a loss of £162,000 after tax recoveries as compared with a profit of £85,000 a year ago. This loss has been met from their own reserves, but their carry-forward to next year is reduced to £30,000.

Our export business showed a small decrease in the total amount shipped as compared with last year. In the main our exports went into the hard currency areas, but business there is not likely to be as high a volume during the current year.

GENERAL SURVEY

It is with satisfaction that we can report an increase in our turnover of 15 per cent over the previous year. Conditions of trading in textiles, which constitute 75 per cent of our business differed greatly in the past two years. The change was most evident in the latter part of the year under review, when a serious break in raw material prices occurred. This downward movement was intensified by the contraction of the export market, which threw large stocks of materials on to the home market. In the previous year, it will be remembered, the reverse trend was in progress. Goods ordered months in advance were then being sold below replacement cost. But in the latter part of the past year goods were being sold at prices higher than replacement cost.

Your board thought this conjuncture the propitious moment to scale down our selling prices. This approach accorded with our policy of passing on to the public the advantages of lower prices and better values as soon as possible.

The decision necessitated a writing down of stocks of materials held by our subsidiary companies and of goods held by the parent company. Speaking to you last year, I mentioned our anxiety in regard to the abnormal increase in the price of raw materials which the Korean war had brought in its train, for even then there was evidence of downward trends in certain key raw materials. To meet such an eventuality we increased our stock contingency reserve to £500,000. Because the trend of prices is still uncertain, we are recommending the appropriation of £500,000 from profits to increase that specific reserve to £1 million.

I would point out that our price reductions were borne entirely by the year's trading. We did not draw on our stock contingency reserve. It is the intention of your board to continue this policy, and not to draw on the stock contingency reserve unless necessary. If events prove that this reserve is not needed for its specific purpose it can be made available for other purposes.

PUBLIC RESPONSE TO LOWER PRICES

The lowering of prices met with immediate response from our customers and brought about an impressive increase in business. This course of action strengthened the confidence and the good will which we enjoy with the public, the solid foundation on which our business rests.

I am glad to record that our suppliers took similar action. They, like ourselves, had planned their own supplies of materials many months ahead at the prices then prevailing. By writing down their stocks and commitments and by operating jointly with us for a period at lower margins of profit, our trade expanded with mutual benefit. This collaboration testifies to the good relations which exist between our suppliers and ourselves; and I am happy to express to our friends our deep appreciation of their fine co-operative spirit.

SUPPLY POSITION

During the postwar years our efforts were directed to increasing our supplies of woven materials of uniform standards of quality. This is one of the largest sections of our business. Thanks to our arrangements with our textile manufacturers we were progressively able to provide our garment makers with the stocks they needed to operate more efficiently and economically, and were assured of a continuity of supply during a long period of shortage.

Our subsidiary companies act as service departments for these purposes. They are directed and controlled by the parent company. Their function is to buy the many varieties of woven cloths we need in their grey state and to convert them into the finished materials. They act as a pipeline of

supplies which are allocated to our garment makers. This system of operation gives us a high degree of flexibility, as the basic materials we use can be made up into many varieties of garments in quick response to changes in consumer demand.

The stocks of our subsidiary companies were high but they are now being used up rapidly in the ordinary course of business. The increased investment in our stock in trade at the stores was necessary to take care of our expanding business for the Easter and the summer seasons. Easter, a high peak of business, fell outside the year under review.

CURRENT YEAR'S TRADING

The first two months' trading of the current year has shown a noteworthy increase in our turnover. There has been a reduction in our overall stocks with a corresponding improvement in the cash position which, of course, varies with the amount of stock we provide in anticipation of a particular season or period.

During the years of austerity, the textile utility scheme served a useful purpose, but it was of necessity restrictive. It narrowed the selection of cloths we could use without attracting purchase tax. The ending of the utility scheme has brought within our range an extensive variety of new and better quality materials, affording us greater opportunities of improving our goods.

Business lives and thrives by initiative and the development of new ideas. It must be sensitive to changes of taste, fashion, or style on the part of the public. Our role is to interpret such changes to our manufacturers and guide their production accordingly. The public are most discerning. They demand higher standards of manufacture, more attractive and durable materials, better styling and finish at prices they can afford to pay.

I am glad to say that our suppliers are helping us to carry this policy into effect. It requires a close co-operative effort. This joint work is fundamental to our business, and our organisation is adapted to study and deal with the manifold problems involved. The fruits of this effort can be seen in our stores, and the transformation of our values is proceeding apace.

FOOD SECTION: UP-GRADE OF QUALITY

Our food section consists in the main of specialised lines. We have been able, with the co-operation of our suppliers, to improve the selection and up-grade their quality. Unlike textiles, the fall in world prices of key materials such as fats and sugar, is not yet reflected here.

We are vigilantly maintaining our campaign to ensure that the foods we handle are prepared and sold under hygienic conditions. It is gratifying to observe that many authorities use our premises to demonstrate what is a good standard of general cleanliness when they arrange their local food hygiene exhibitions.

If we look beyond the field of textiles the prices of most major raw materials are falling in the world markets. The Government have taken an important step in readjusting the selling prices of many commodities which they buy to the free market prices.

The whole economic trend is plainly towards lower prices—a movement which must have a beneficial effect on the cost of living. British industry with its unrivalled experience and modernised equipment is in the position to profit by this turn of events. It can, by even more efficient production, further reduce prices and thus expand the purchasing power of the community. There is little doubt that if management and labour work together in a spirit of harmony and understanding they can once again raise the standard of life of the people of this island.

STAFF AND WELFARE

The strength of a business lies not only in its merchandising ability, but also in the degree that it can obtain the wholehearted co-operation of its staff in the day-to-day work. Your board can say with truth that they are fortunate in having the services of a devoted and loyal body of co-workers who now number over 20,000.

As you are aware, the board has always been concerned with their well-being. This concern expresses itself in the many services and amenities which have been evolved during the years as an integral part of the business. It has been our experience that through these services we help to foster not only greater efficiency but also a happy team spirit.

The courteous, helpful service of our staff to our customers contributes in no small measure to the good will we enjoy with the public. On behalf of the board and in your name I thank them for their work in the past year.

The report and accounts were adopted and a resolution was passed approving the capitalisation of reserves, allotment letters in respect of which will be posted on June 30th.

At a subsequent extraordinary general meeting a resolution was passed increasing the capital of the company to £6,450,000 by the creation of 10 million additional Ordinary shares of 5s. each.

UNITED NEWSPAPERS

MR H. C. DRAYTON ON ONEROUS TAXATION

The thirty-third annual ordinary general meeting of United Newspapers, Limited, was held on June 12th in London.

Mr H. C. Drayton (the chairman), who presided, said:—

The gross profit of the group amounted to £578,000 as against £551,000 last year.

After deducting depreciation and directors' fees, but before providing for taxation, we have a gross sum available of £492,000 as against £470,000 last year—a result which, in view of the difficulties of the year 1951 and the rise in cost of wages and newsprint, is I suggest to you, remarkably good, but when we come to taxation we find we are mulcted of £148,000 for profits tax and £172,000 for income tax, leaving the net profit available at £122,000 as against £121,000. The proportion of the profits of £492,000 that are consumed by taxation amounts to approximately 70 per cent of the money that accrues from your efforts. That is a rate of taxation which our industry and our community cannot continue to bear if we are to have full employment and a prosperous country.

The incidence of excessive taxation is drawing off the life blood of companies and preventing them from carrying on their businesses in a reasonable and conservative manner.

During the course of the year our wage bill increased by 10.1 per cent and the cost of our newsprint increased by 41.6 per cent. The result of these increases is reflected in the consolidated balance sheet in newspaper costs, where our stocks have risen from £96,000 last year to £205,000 this year.

I am not unhopeful, when we meet next year, that we shall at least be able to show you a reasonable profit and one with which you will not be unduly disappointed.

The report and accounts were adopted and the final ordinary dividend of 15 per cent for the year was approved.

ENGLISH & CALEDONIAN INVESTMENT COMPANY

INCREASED REVENUE

The twenty-fifth annual general meeting of English & Caledonian Investment Company, Limited, was held on June 13th in London, Mr Henry S. Loebl (the chairman) presiding.

The following is an extract from his circulated statement.

I will first of all deal with the balance sheet, and it will be noted that the book value of the investments at March 31, 1952, was £1,107,229 compared with £1,061,973 at the end of the previous year. The value of the investments at March 31, 1952, was £1,482,161, showing an appreciation over the book value of £374,932, or of 33.86 per cent against 45.57 per cent at March 31, 1951. There has been a substantial decline in the value of securities during the period covered by the accounts, and it is gratifying to note that the fall of 11.71 points on the company's portfolio compares favourably with the fall of 17.3 points shown by the Investors' Chronicle Monthly Securities Index.

The changes made in the company's investments during the year resulted in a surplus which has been added to the contingency fund.

On the liabilities side it will be seen that the general reserve now stands at £100,000, following the appropriation of £15,000 from revenue account.

A new and unwelcome item appears in the balance sheet, this time in respect of an estimated liability for excess profits levy amounting to £1,700. I do not propose to enlarge upon this subject; unanimous opinion of investment trust company managers, with which your directors are in full accord, is already very well known. I sincerely hope that the Chancellor of the Exchequer will find it possible to amend the clause of the Finance Bill dealing with this matter.

Turning to the revenue account it will be noted that the total investment income of £98,212 shows the substantial increase of £15,568 over the investment income for the previous year. After deducting administrative and sundry expenses, directors' fees, debenture stock and other interest, the net revenue for the year was £73,528 compared with £58,153. After deducting the charge for taxation and the dividend on the preference stock for the year, the amount earned on the ordinary stock was £29,735, or 28.32 per cent compared with 21.15 per cent for the previous year.

An interim dividend of 3 per cent on the ordinary stock was paid in October last, and your directors now recommend the payment of a final dividend of 9½ per cent, making 12½ per cent for the year. The sum of £15,000 has been transferred to general reserve leaving a sum of £13,290 to be carried forward.

With regard to the prospects for the current year, it would not be reasonable to expect an increase in the revenue similar to that shown in the period under review, but your directors consider that there are grounds for hoping that the revenue figure will be maintained.

It is proposed to take the opportunity today of increasing the authorised capital of the company to £600,000 by the creation of 100,000 ordinary shares of £1 each and to offer 50,000 of the shares to ordinary stockholders for subscription at par in the proportion of one ordinary share for every £4 of ordinary stock held, fractions of new shares to be disregarded.

The report was adopted.

RECKITT AND COLMAN

(Manufacturers of Starch, Ultramarine, Toilet, Pharmaceutical and Food Preparations, etc.)

INCREASED WORLD SALES

WIDE-SPREAD ACTIVITIES

The annual general meeting of Reckitt and Colman, Limited, was held in London on June 4th.

The following is an extract from the directors' report for the year ended December 31, 1951:—

CONSOLIDATED ACCOUNTS

The accounts show that the consolidated trading profit was £4,420,018. This exceeds the comparable figure for 1950 by £336,563 and it was recorded in last year's report that the trading profit for 1950 was the highest in the history of the company. The increase is due almost entirely to higher sales, both at home and abroad.

The capital reserves now amount to £4,306,746. This year £350,000 has been allocated out of the taxed profits to the reserve for the replacement of fixed assets, which now stands at £1,061,739. (Normal depreciation based on original cost or valuations was £393,537, as compared with £387,614 in 1950.) The total present-day value of properties, plant and machinery is far greater than that at which those assets stand in the books.

The bonus to employees under the prosperity sharing scheme is based on the trading profits adjusted in accordance with the terms of that scheme. It amounts this year to £220,000, compared with £208,000 in 1950.

British, Dominion and foreign taxation absorbed £2,330,000 (£2,181,000 in 1950). This figure includes £1,115,439 (£968,649 in 1950) reserved for 1952-53 UK income-tax based on the 1951 profits. It is only after these payments and provisions have been made that funds become available for development and for the maintenance of the normal activities of the company in a period when inflation and high prices require increased working capital. The excess profits levy introduced in the 1952 Finance Bill may well add to the company's burden and can only be described as a penalty on enterprise and as a temptation to extravagance. As it is to be levied on profits earned abroad as well as at home, it will tend to diminish the country's incentive to expand the overseas trade on which so much depends.

The revision of the home pension funds, referred to in our 1950 report, was completed during the year and the company's back service liabilities were discharged; this required £35,000 in addition to the provisions previously made for this purpose and this sum has been written off before arriving at the trading profit. The revision of the overseas pension funds is now under consideration.

BALANCE SHEET ITEMS

The effects of both development and inflation are reflected in the balance sheet which shows that the value of properties, plant, machinery, etc., under the heading of fixed assets, has increased by £1,083,479 while, under the heading of current assets, stock in trade and stores have increased by £2,967,223. The latter figure includes an increase in the volume of raw and packing materials which your directors decided was a proper insurance against possible shortages.

Approximately one-half of the funds needed for the above purposes was provided out of the profits of the year, while £600,000 was borrowed from the holding companies, Reckitt and Sons, Ltd., and J. and J. Colman, Limited, as a short-term loan and holdings of tax reserve certificates and the balances at banks and cash in hand were reduced by £1,345,505.

Additional working capital was made available by limiting the dividend to 5 per cent, even though the profits earned in 1951 were so satisfactory. This method had the advantage that the higher rate of profits tax was not incurred on the amount by which the dividend was reduced and so cash will be saved by the company for the benefit of its shareholders.

The consolidated profit and loss account shows that, after taxation and provisions, the balance of profit for the year was £1,664,589, compared with £1,656,476 in 1950. Of this profit £1,193,320 is included in the accounts of Reckitt and Colman, Limited, and £471,269 is retained in the accounts of the subsidiaries.

A 5 per cent interim dividend was declared and paid in September, 1951, and after transferring £800,000 to general reserve (£500,000 in the previous year) the directors decided that no further dividend should be recommended in respect of the year 1951.

After other adjustments, there remains a balance of £2,445,578 to be carried forward to 1952.

The shareholders' capital and reserves employed in the group have increased during the year under review by £2,359,679. They now total £17,115,266, of which over £10 million has been accumulated since the formation of the company in 1938.

TRADE

The world sales of the company and its subsidiaries again increased in value during the year. Most sections of the business in the UK and overseas contributed to this result. The volume of sales, at home and abroad, also increased.

Of the world sales, nearly 60 per cent were effected overseas and, though substantial exports were made from UK factories, most of the overseas sales were of goods manufactured in the countries in which they were sold.

One of the strengths of the business is the spread of its trade over a number of different fields. The percentages of public sales of each main group of products at home and throughout the world in 1951 were:—

	UK only	World total
	%	%
Foodstuffs	37.6	50.8
Household supplies	28.7	29.4
Pharmaceuticals and toiletries	19.5	12.8
Bulk chemicals, colours, etc.	14.2	7.0
	100.0	100.0

The sales prospects of our existing lines are satisfactory and a vigorous development policy is being pursued, based on a programme of technical and market research which receives the constant attention of the board. The company's first-hand knowledge of the different markets in various parts of the world provides information on which to base research and stimulates its pursuit.

The rate of development, however, is governed by the amount of free money left after taxation and after providing for the effects of inflation should this continue. Although taxation at present rates may be immediately necessary, it is unfortunate for the country that the development of its industry continues to be retarded by such means.

UNITED KINGDOM

The value of goods sold increased during the year. Part of the increase was due to increased prices, which were put into effect with reluctance to meet the rise in the cost of raw materials and other elements of production, but the total tonnage despatched also increased.

The sales of food specialities produced in the Norwich and Peterborough factories were more than maintained and satisfactory profits were earned during the year. National distribution was obtained for Robinson's orange and lemon squashes; it is hoped that the high quality of these concentrated fruit drinks will earn for them the same distinction as that enjoyed by Robinson's barley water.

The system of joint depot distribution of goods made at our various factories has been extended to cover most of the country and has proved to be even more economical and expeditious than was expected. In view of the rising cost of transport and distribution, this development was very timely.

OVERSEAS

Our overseas trade again increased, both in value and in tonnage, to higher figures than have ever before been reached.

About 55 per cent of our overseas sales are made in North America. The high percentage of the world sales for which the food group is responsible is largely the result of the activities of The R.T. French Company of Rochester, USA.

The rest of the overseas trade is distributed approximately as follows:—

	%
British Commonwealth (excluding Canada, India and Pakistan)	14.0
South and Central America	12.5
Europe and North Africa	9.5
India, Pakistan, the Near and Far East	8.5
Sundry markets	0.5

Thus our business is widely spread and much the greater part of it lies in those countries which have the best prospects of political stability and economic expansion.

USA, CANADA, AUSTRALIA, ETC.

Our USA and Canadian subsidiaries achieved record sales in 1951 but, owing mainly to the increase in raw material prices which followed the outbreak of war in Korea and to the effects of price control, the profit ratio decreased. Towards the end of the year there was an improvement which we hope will continue. Every effort is being made to increase our North American trade because in that continent is the greatest market in the world and it offers the greatest scope for expansion. The active boards of these North American subsidiaries direct able and energetic managements. We look forward to further progress.

In Australia inflation continued during 1951, but there is now reason to hope that it will be checked. Our own business is healthy and, as we have good stocks of raw materials there, we do not expect to suffer in 1952 from the import restrictions which the Australian Government has had to impose. Our New Zealand business is also healthy but, in common with all other industries in that country, it suffered last year from the shipping and dock strikes; it is now recovering though the after effects of those disturbances are still being felt. In South Africa our trade developed satisfactorily and we hope that the country's undoubted economic potentialities will enable us to make further progress. The remainder of the African continent also offers good scope, of which we are doing our best to take advantage.

SOUTH AMERICA, EUROPE AND INDIA

The subsidiary operating in Argentina had another difficult year. Import licences for the raw materials needed to maintain full production were not obtainable and remittance of funds to the UK was almost completely prohibited. Our Brazilian company had a very successful year, but unfortunately a large part of the currency profit is blocked and may not, at present, be remitted to the UK. There is great scope for development in these two South American countries but, if the foreign capital which is needed for it is to be attracted, investors will have to be treated better than they have been in recent years. In the rest of South America and in Central America progress was made.

On the Continent of Europe our trade was maintained at the greatly expanded level of 1950 which was reached under the influence of the fear of shortages which rearmament might cause.

Our Indian subsidiary is extending its factory accommodation on its new site near Calcutta, and we expect that this development will continue during the next few years. In Pakistan our business is progressing well; it is being conducted by Reckitt and Colman of Pakistan, Limited, the new subsidiary which we said last year we intended to form. Our business in Egypt was disturbed to a remarkably small extent by the recent political difficulties, and trade in most of the Eastern markets was satisfactory.

GENERAL

We again tender our thanks to our employees at home and abroad for their loyalty and hard work. Many of them, in all grades, have been with us for a very long time and those who have retired with the pension to which they have contributed still take a keen interest in the progress of the firm.

The annual general meetings of Reckitt and Sons, Limited, and J. and J. Colman, Limited, will be held on July 7, 1952.

HARLAND AND WOLFF, LIMITED

LARGEST OUTPUT IN UNITED KINGDOM

ADEQUATE STEEL SUPPLY ESSENTIAL

SIR F. E. REBBECK ON SUBSTANTIAL FORWARD COMMITMENTS

The sixty-seventh annual general meeting of Harland and Wolff, Limited, was held on June 12th, at the registered offices of the company, Queen's Island, Belfast; Sir Frederick E. Rebbeck, DSc, DL, chairman and managing director, presided.

The secretary, Mr F. V. Spark, ACA, read the notice convening the meeting and the report of the auditors.

The chairman said:

As the statement of accounts and the directors' report have already been in your hands for some time, I propose with your permission to take them as read. (Agreed.)

You will see from the figures before you that the consolidated profit on trading for the year is £134,000 less than the previous year, and as the amount brought to credit in respect of settlement on contracts completed in previous years is only £19,076 against £261,869 in the previous year, which was of course an unusually high figure, the net profit after taxation is lower by £194,608, but the directors propose to make the same dividend payment on the ordinary stock as for the last few years and add to reserves and the carry-forward on profit and loss account a sum of £242,635 in the accounts of the parent company.

Our subsidiaries show profitable trading results, and after payment of dividends the balance of profit of £39,738 has been carried forward in the accounts of these companies.

The consolidated total of reserves and undivided profits now amounts to £4,577,914.

The lower profits, however, do not indicate any falling off in the amount of work that has been carried out, but are almost entirely due to contracts taken at fixed prices in the early months of 1950 when orders for new ships were scarce. In the latter part of that year the demand for shipping, particularly for tankers, increased, and the company has booked orders which will keep its facilities fully employed for some years. These latter contracts, the completion of which will begin in 1953 and carry on until about 1957, have not been contracted for at fixed prices.

HEAVY INCREASE IN COSTS

The outbreak of hostilities in Korea and the extensive rearmament programme which followed brought about conditions in this country and elsewhere which resulted in heavy increases in the cost of materials and rates of wages. Furthermore, in common with other shipbuilders, work has been slowed down owing to the inability to obtain full supplies of steel, with the result that the construction of these vessels has been thrown into a period when higher costs were in operation. All this has had an unfavourable effect on fixed price contracts, and, as a number of them have still to be completed, the results for 1952 will also be adversely affected.

TONNAGE LAUNCHED EXCEEDS 100,000 GROSS TONS

The output from the company's works was once again the largest in the United Kingdom, thirteen vessels being launched last year with a total gross tonnage of 155,388. This is the twelfth successive year in which the vessels launched from the company's works have exceeded 100,000 gross tons.

More than 80 ships are at present under construction, fitting out or on order, and these include large passenger vessels, cargo vessels, a cross-Channel passenger vessel, tankers for both British and foreign owners, Diesel passenger ferries, whalecatchers, and other small craft, while the naval work includes the light fleet carriers *Centaur* and *Bulwark* as well as other vessels for HM Navy.

During the year the Fleet Carrier HMS *Eagle* was commissioned, and has since completed her acceptance trials. You will no doubt have seen in the press many references to this vessel, which is the largest and fastest aircraft carrier in the Royal Navy.

SUBSTANTIAL ORDERS IN HAND

There is an increasing demand for our own Diesel engines, and many orders have been received for land installations in various parts of the world. I referred last year to the orders which the company had received for propelling engines to be installed in hulls built by other shipbuilders, and since then we have booked a further number of contracts of this nature.

Steady progress is being made with the manufacture of the Cooper-Bessemer type compressor sets under the licence arrangements made with that company.

Our ordnance works on the Clyde continue to be engaged on important rearmament work, and in addition have in hand, under the working arrangement with the English Electric Company, a considerable volume of work in connection with hydro-electric installations both for home and overseas markets.

Our electrical manufacturing division at Belfast is booked to full capacity, both on the AC and DC sides, on work for ships and land installations.

The steel constructional division has again been well employed, and the further orders taken during the year have resulted in our being fully booked for some time ahead.

STEEL SUPPLIES

In all these activities the key to what we are able to do is an adequate supply of steel, and until we can obtain nearly double the amount which we are now receiving it will not be possible to meet our delivery commitments in connection with the very considerable programme that lies ahead of us.

The position does not at the moment look promising, and from the discussion that took place in the House of Commons yesterday it is now indicated that the supply of steel instead of being, as was hoped, a little better is likely to be somewhat worse. We had hoped that the arrangements which had been made by the Government for supplies of American steel would help to alleviate the position, but the labour difficulties which are being experienced in the United States have, in the meantime, stopped any supplies of American steel to this country.

The company's property and plant have been well maintained during the year.

I take the opportunity to thank all those members of the staff and workmen who have worked well throughout the year.

As indicated in the report of the directors, Mr Atholl Blair retires from the board in accordance with the Articles of Association but is not offering himself for re-election. He also wishes to resign his executive position with the company, but I am glad to say he has agreed to remain in contact with us in a consultative capacity which, in view of his long and valuable experience in many of our specialised products, is very satisfactory.

Mr George Morton, CBE, congratulated the board on the statement of accounts and said he considered that in pursuing their conservative financial policy they were on sound lines and were acting in the best interests of the shareholders.

The report and accounts were adopted; the proposed dividend was approved; the retiring directors who offered themselves for re-election, viz., Sir John Craig, Mr William Strachan, Jr, and Mr L. V. Dunlop, were re-elected. Messrs Price Waterhouse and Company were re-appointed auditors and their remuneration was fixed.

The meeting terminated with a unanimous vote of thanks to the chair.

SPILLERS, LIMITED

DEPRECIATION, TAXATION AND REAL PROFITS

PROPOSED CAPITAL REORGANISATION

MR ARTHUR WHITTAKER'S STATEMENT

The sixty-fifth annual general meeting of Spillers, Limited, will be held on July 9th at the Abercorn Rooms, Great Eastern Hotel, Liverpool Street, London, E.C.

The following is the statement by the chairman, Mr Arthur Whittaker, which has been circulated with the report and accounts for the year to January 31, 1952:—

Accounts—Comments upon the accounts are contained in the directors' report but there are certain broad aspects to which I should like to direct attention.

We have continued the policy of having some regard to the current cost of replacement in providing for depreciation and obsolescence of fixed operating assets. In my opinion such a course is essential if the physical capital of the undertaking is to be *kept intact and its earning power maintained.* If efficiency is lowered by inability to effect such replacements of buildings and plant as may be necessary to keep in line with the most modern developments, the result must ultimately be reflected in a falling off in competitive ability and in volume of production. Moreover, it is in my view equally essential that amounts set aside for this purpose should constitute a deduction in arriving at the trading profit and should not be regarded as an appropriation of profit.

It seems to me immaterial in this context whether such amounts are written off the book value of the asset or carried to a special reserve. What is material is that there should be no misconception as to the amount of real profit available for appropriation. I am particularly anxious to stress this in view of the last sentence in the report of the auditors in which they draw attention to the fact that in arriving at the profit of this company the allocation to the reserve for increased cost of replacement of fixed assets has been deducted. Your directors consider this to be a necessary and proper deduction in current circumstances and a similar deduction has in fact been made for some years past.

NEED FOR MORE CAPITAL

It will be observed from the balance sheet and from the comments in the directors' report that there has been a marked increase in the amount of working capital required during the past year and that this was due in the main to increased price levels. Prices of controlled commodities have been advanced again since the end of the financial year as a result of the Government's decision to reduce the food subsidies. Consequently there will be a further substantial increase in the working capital required in the current year. This, taken in conjunction with the capital outlay on modernisation and development, will bring about a further reduction in liquid balances.

The foregoing considerations point to the effect upon industrial operations of the major inflation in price levels which has occurred since 1939 and particularly in the last few years. A glance at our profit and loss account will indicate how much this problem is intensified by the heavy burden of taxation. The combination of these factors is giving rise to much anxiety about the provision of finance for industry generally and it is to be deplored that the taxation of industrial profits should have been increased by the Finance Bill when the need is for a reduction of the burden in the interests of industrial development.

It is worth commenting that the profit before taxation represents no more than 13 per cent of the book value of capital employed and the net profit after taxation only about 4 per cent. These returns—modest as they are—would be very considerably reduced if the capital employed was based upon the real value of the fixed assets by reference to current replacement costs.

NEW WORKS

It is hoped that the new flour mill at the Royal Victoria Dock, London, representing the reinstatement of that which was destroyed by enemy action, will come into operation about the end of the year thus enabling us to transfer operations from the mill at Silvertown which we have been working as a temporary measure.

At Hull progress is being made with the reinstatement of the flour mill but I regret to say that as a result of the Government's restriction on capital investment we have so far been unable to obtain permission to proceed with the reinstatement of the animal foods factory.

I am also sorry to have to report that although we have virtually completed a new factory at Cardiff for the processing of soya beans, it will be impossible for the time being to operate it on more than a very limited scale, if at all, by reason of the Government's decision to restrict the import of the necessary raw material because of the adverse balance of payments situation.

Control of Flour Milling—I am glad to say that consideration is now being given to the possibility of some radical alteration in the form of the existing control of flour milling. This company would welcome a move towards greater freedom of operation and the restoration so far as possible of the normal incentives to efficiency and enterprise.

CURRENT OPERATIONS

In these times when both the scale and results of trading may be affected by many factors outside the control and knowledge of management it is not possible to make any forecast even of the immediate future. I can do no more than say that the results of the early months of the current year have been no less favourable than for last year.

Staff Superannuation Arrangements—The arrangements to which I referred two years ago for placing the superannuation fund in a position to pay adequate pensions to the staff under current conditions have now been carried through. As a result firstly of the general increase in salary levels since that time but secondly, and in greater measure because of the decision to extend broadly similar benefits to the staffs of those subsidiary companies which do not come within the parent company's superannuation fund, the total cost is somewhat greater than I then indicated. The initial payments amount to approximately £550,000 and these are being funded over a period of years thus avoiding an immediate draft on the company's liquid resources.

RECONSTRUCTION OF SHARE CAPITAL

Details of the proposed scheme for reconstructing the share capital and capitalising a portion of the reserves together with a full explanatory memorandum are being sent to all stockholders. The various meetings of stockholders to consider these will be held immediately after the annual general meeting on July 9th.

In view of the detailed nature of the documents referred to, it is unnecessary for me to make much comment here. Broadly, the aim is to simplify the capital structure by having only two classes of stock—preference and ordinary—and to bring the issued capital more into line with that employed in the business by capitalising a portion of the reserves. It is proposed to achieve these objects by converting the existing deferred ordinary and co-partnership stock into ordinary stock and by issuing additional shares credited as fully paid up as follows:—

(1) One 6 per cent cumulative preference share of £1 for every £8 *existing* ordinary stock.

(2) One new ordinary share for every £1 of *existing* ordinary stock and deferred ordinary stock.

For the reasons set out in the memorandum the co-partnership stock which it is proposed to convert into freely transferable ordinary stock will not participate in the capitalisation of reserves. Although it is proposed that the co-partnership stock should disappear the co-partnership scheme will continue as at present except that in future the whole of the bonus arising under it will be payable in cash.

I need only add that after taking the best available advice the board are satisfied that the proposals are fair as between the different classes of stock and that their adoption would be in the best interests of the company.

Staff—It is with pleasure that I once more record our appreciation of the continued good work of the management, staff and operatives throughout the group.

BARTON AND SONS LIMITED

A SPLENDID RESULT

The ordinary general meeting of Barton and Sons Limited was held on June 13th in London, Mr A. H. Redfern (the chairman) presiding.

In the course of his speech the chairman said:—I am pleased to present a record of achievement unsurpassed in the history of your company. I am sure you will agree with me that this achievement calls for the highest praise for our managers and staffs who have contributed to this splendid result.

An important factor contributing to the improved results is the substantially increased turnover effected at a reduced cost of production.

The group trading profits amount to £772,766 compared with £490,740 for 1950. The net profit is £655,193, as compared with £403,231 for 1950. Out of this sum no less than £359,263 is taken for taxation.

After bringing in profits of £36,534 from last year, and crediting £12,494 for provision no longer required, there are profits available of £344,958. It is proposed that £150,000 be transferred to general reserve, preference dividends require £13,418 net, and if the final ordinary dividend of 10 per cent is approved ordinary dividends require £31,894 net, leaving a consolidated balance of £130,350 to be carried forward, against £36,534 brought in.

The output for the current year to date, as compared with that of last year, is very satisfactory.

The report was adopted.

GENERAL MINING AND FINANCE CORPORATION, LIMITED

(Incorporated in the Union of South Africa)

ANOTHER SUCCESSFUL YEAR

The ordinary general meeting of shareholders of the General Mining and Finance Corporation, Limited, was held on June 3rd, in Johannesburg. Mr C. S. McLean (deputy chairman) presided.

The chairman, in moving the adoption of the report and accounts for the past financial year, said:

Your corporation has had another successful year, the profit at £726,500 being £213,500 more than in the previous year. After maintaining the customary dividend of 5s. per share and making the usual appropriations as detailed in the accounts, it was possible to reinstate the investment reserve at £450,000.

An amount of £1,571,262 standing to the credit of share premium account was transferred to general reserve, increasing the total credit on the latter account to £2,571,262. The book value of investments appears in the balance sheet at £4,137,500, but the market value of your corporation's quoted investments is, of course, greatly in excess of this book value.

RISING PRODUCTION COSTS

You will remember that at the ordinary general meeting last year, you were reminded that the gold-mining industry is not able to combat increased production costs by increased output in times of shortages of manpower, and, because of the fixed price obtainable for its product, is unable to pass on to the purchaser the constantly increasing costs. *In general, the year 1951 again* reflected a story of continued rising costs for the gold-mining industry on the Witwatersrand, coupled with shortages of labour and power, the two latter items having their inevitable effect upon operations, and although the grade of ore milled showed no change, the enforced reduced scale of operations resulted in a decrease in gold produced of 184,800 ounces fine. The estimated average working profit declared decreased from 17s. 4d. per ton milled in 1950 to 15s. 2d. per ton in 1951. These disabilities were to some extent offset by additional revenue received from sales of gold for industrial and artistic purposes, but this revenue is not constant, and during and after the year under review has shown an almost constantly falling trend, with the result that the amount being *received now is at a much lower level than* it was a year ago.

Unfortunately the spiral of rising costs did not stop with the close of 1951, and over the four months to April 30, 1952, working costs per ton milled rose from the 1951 average of 31s. 9d. to an average for the four months of 33s. 10d., while declared working profits declined from 15s. 2d. to 13s. 3d. It is important to note that at the official price for gold of 248s. 3d. per ounce fine, there are thirteen mines working at a profit not exceeding 2s. 6d. per ton milled.

The supply of native labour, as in recent years, was below the requirements of the industry, and of the labour available, the new *mines in the Orange Free State demanded,* and will continue to demand, an increasing share.

POWER EXPANSION PROGRAMME

The demand for power at peak load periods has been in excess of supply, and the difficulties resulting therefrom have so far been met by a rearrangement of work, including Sunday milling on those mines not normally permitted to crush on Sundays. Further demands for power must be expected on an increasing scale to meet the requirements of the newer mines on the Far West Rand and in the Orange Free State. The Electricity Supply Commission has taken all feasible steps to meet this increasing demand for power, *and has co-operated in every way to* assist in overcoming the industry's present difficulties. A very large expansion programme is already in hand, and no efforts are being spared to bring new units into commission with the minimum of delay.

It is to be regretted that in the recent Budget the Minister of Finance did not see fit to reduce the formula tax on gold mining *companies, which have for many years borne* more than their fair share of the tax burden. The rate of normal tax on companies was, however, increased from 4s. 6d. to 5s. in the pound.

In the Orange Free State two mines commenced production during the year, thus marking a new era in the production of gold in South Africa.

In addition to the two mines already mentioned, there are at present eleven mines in various stages of development, and exploration of new areas by means of boreholes has continued, but on a somewhat reduced scale. Your corporation has interests in most of these companies.

It is to be regretted that conditions should have developed in recent months which increase the problem of securing the capital which is vitally needed to bring to full production the large number of gold mines in the early stages of shaft sinking and developing. We must all hope that the proper and timely development of this goldfield will not be delayed or curtailed by a state of affairs which, if not checked, can adversely affect the possibilities of increasing gold production, which is so essential to the welfare of this country. The prosperity of the goldmining industry still is, and must continue to be for many years to come, essential to the progress of South Africa.

The chairman then referred to the affairs of the companies in which the corporation is mainly interested, namely:—Consolidated Rand Investment and Trust Company, Limited; General Exploration Orange Free State, Limited; South Roodepoort Main Reef Areas, Limited; Van Ryn Gold Mines Estate, Limited; West Rand Consolidated Mines, Limited; Crown Mines, Limited; Durban Roodepoort Deep Limited, and East Rand Proprietary Mines, Limited.

He proceeded: I feel it necessary to refer again to the economic dangers which are being aggravated at the moment in South Africa. The prosperity of the goldmining industry of the Witwatersrand has been built up over a long period of time, largely assisted by overseas capital. The prosperity of the gold-mining industry has made possible the industrial and commercial development—again assisted by overseas capital—which has been so marked in recent years. It would be unfortunate if the mutual trust that has been so diligently fostered in the past should disappear, and particularly so at this time when capital requirements for development are still great. South Africa must depend on outside sources for a large portion of its capital needs, and this supply can only be expected if our own actions and outlook are viewed in a favourable light.

In conclusion I wish to record the directors' appreciation of the services rendered by the technical and administrative staffs of the corporation, both here and in London, and by the managers, staff and employees of the various companies under our control.

The directors' report, balance-sheet and accounts for the year ended December 31, 1951, were adopted, and the retiring directors re-elected.—Copies of the full report of proceedings can be obtained on application to the London office.

CONSTRUCTORS, LIMITED

SATISFACTORY TRADING RESULTS

MR R. S. DYBALL ON STEEL SUPPLIES

The thirtieth annual general meeting of Constructors, Limited, was held on June 12th at Erdington, Birmingham. Mr D. H. Finer presided in the absence of the chairman, Mr R. S. Dyball, who is at present on a business trip in USA.

The following is Mr R. S. Dyball's statement, which had been circulated with the report and accounts:—

In the chairman's statement circularised last year it was mentioned that Mr H. J. Finer, for health reasons, would relinquish the chairmanship and his position as joint managing director. I deeply regret that he has had to take this step, but I am sure you will be glad to hear that he has been appointed honorary president and will retain his seat on the board as a consultant. My colleagues on the board have asked me to take office as chairman, which I am only too pleased to accept, and, in doing so, look forward, with the help of all, to the *continued prosperity* of the company.

The chairman's statement was made too early last year to attempt any forecast of the profit for 1951, but I am now pleased to report that the group has had a satisfactory year's trading, with a group profit of £111,497, compared with £118,864. This slight drop was mainly caused through bad deliveries of steel in the early part of the year and, further, it must be borne in mind that during this year the profits have been charged with the full cost of the company's increased pension scheme, the introduction of which was mentioned in the chairman's *statement last year. The charges for taxation* are higher, at £72,530, against £67,379 for 1950, but after sundry appropriations, which are shown clearly in the directors' report, there is a disposable balance on the group account of £124,499, compared with £110,640 last year.

DIVIDENDS

The preference dividends were paid on the due dates and an interim dividend of 5 per cent, less income tax, was paid during the year on the ordinary shares. The board recommends a final dividend of 20 per cent, less income tax, which leaves a balance on the group profit and loss account to carry forward to next year of £100,480, against £86,853 brought in.

Turning to the consolidated balance sheet, you will see that fixed assets have increased, after depreciation, from £234,799 to £267,386. The first phase of the extension to the parent company's factory was substantially completed during the year, and additional plant has been purchased.

Regarding current assets, there are substantial increases in stocks, work in progress and in debtors, which has made it necessary to arrange overdraft facilities with our bankers.

I am glad to be able to report a continued increase in the demand for the company's

products in the overseas markets, though with the modern tendency of governments to close their markets overnight it is difficult to forecast the future. However, special attention is being given to this side of the business by Mr H. L. Finer.

THE CURRENT YEAR

As far as the current year is concerned, I am pleased to say that so far the output is in excess of last year's at the same date. We have substantial orders in hand, and whether we have another successful year virtually depends on the deliveries of steel. During the year under review we have been working under the nationalised steel system, the true effects of which have hardly had time to have any serious bearing on our supplies of steel. It is now said that the industry is to be denationalised, and I sincerely hope that the steel-makers of the country will, despite the disturbance to the industry being created by the politicians, somehow manage to produce the steel which the country so desperately needs and that this great industry will not be ruined by party politics.

While on the subject of profits for the current year I feel I should refer to the new and unfair burden placed on industry by the excess profits levy introduced in the recent Budget. Although we do not yet know what form the tax will ultimately take, we have made some preliminary calculations, and on the basis of the Finance Bill in its present form estimate that the profits standard for the purposes of this tax is in excess of the profit for the past year.

In conclusion, I particularly wish—in my first year as chairman—to thank the directors, the staff and employees, who have all contributed to the past year's successful trading.

The report was adopted.

PHILLIPS RUBBER SOLES LIMITED

RECORD SALES

Mr Peter Pettit, DSO, presided at the twenty-fifth annual general meeting held on June 12th in London. He stated that thanks to record sales the trading profit of the group amounting to £349,906 for the fifteen months was at the highest annual rate in the twenty-five years of the company's existence. The net profit of the group before taxation amounted to £241,501, an increase of £103,885 over the previous year. Of this increase, £98,000 had to be provided for taxation, which at £180,000 included only two months Excess Profits Levy.

Costs of manufacture and distribution had continued to rise during the period under review, but owing to very greatly increased turnover he was glad to say that with one small exception it had not been found necessary to increase prices of soles and heels to the trade since January, 1951, now 17 months ago. Yet, despite everything, the quality of Phillips rubber soles and Phillips heels had remained outstanding. The company's goodwill, with both trade and public, had never been stronger than at the present time. Exports, too, were on a record level during the period. This section of the company's business continued to be hampered by embargoes and restrictions as well as by heavy duties in many markets.

The current year had started slowly, and in the present condition of business generally it would be unwise to expect more records, but if nothing unforeseen occurred he hoped for a successful year's trading.

The report and accounts were unanimously adopted.

BRITISH TIMKEN LIMITED

MR JOHN PASCOE ON THE PROBLEMS OF AN EXPANDING BUSINESS

Mr John Pascoe, chairman, at the annual general meeting in Birmingham on June 11th of British Timken Limited, said:

The net profit of the Group for the year 1951 amounted to £464,227, against £295,671 for 1950 after debiting depreciation, taxation and other charges amounting to £997,538, against £779,460 in 1950.

The net profit of the parent, British Timken, amounted to £393,684, against £259,324, and on the British Timken ordinary shares we recommend a dividend of 25 per cent, less tax, absorbing £52,500—less than one-twelfth of the amount to be paid by the Group in income and profit taxes for the year. We are happy to recommend this dividend increase as an expression, although a small one, of our conviction that the shareholder is an essential partner in industry under a system of free enterprise, the only system which can offer any real hope of prosperity for the country.

Last year I referred to the increase in our productive capacity which would follow our large capital expenditure. Taking the Group as a whole, the amounts so expended on buildings and plant during the past few years have amounted to over £2 million and as at December 31, 1951, we had capital commitments amounting to £675,000. Our productive capacity can therefore be expected to expand still further during the coming year. Whether we shall undertake any further expansion will depend upon whether we can draw upon our imaginations for the incentive, and upon our reserves of energy and patience to overcome the apparently inevitable frustrations and delay associated with any expansion programme.

Not all our capital expenditure is for expansion. An increasing proportion is needed to maintain our productive capacity by replacement of obsolete and worn-out machine tools and equipment, and in our industry obsolescence is by far the more serious problem. The depreciation debited during 1951 in the British Timken accounts is £237,318. Even this year by year would not be sufficient to replace equipment at the speed with which it is becoming obsolete. Almost every company chairman has during the past few years drawn attention to the inadequacy of depreciation allowances. All that has been done is to increase the burdens on industry by EPL and to increase the strain on cash resources by abolishing the initial allowances.

From January 1, 1946, to December 31, 1951, at British Timken, raw material price increases ranged from 44 per cent to 95 per cent, and average wages and salaries increased by 25 per cent. But during this period our prices of our bearings have only increased by an average of 15 per cent, so that we may claim that our profits have been well and truly earned. To the staff, whose experience and ability and unremitting work have so largely contributed to these results, the greatest credit is due.

Last year I reported a very satisfactory increase in orders for our tapered roller bearing axleboxes and cannon boxes, and this year I can report still further expansion of this railway business. Orders received during the year amounted to approximately £1 million—the highest in any one year.

Our output and orders received for large bearings of the rolling mill type again showed a substantial increase, including orders for the continuous strip mills at Ebbw Vale, Margam, Trostre and Shotton, and, in addition, orders for this type of bearing from no fewer than seven overseas countries.

Our raw material position is still one of some difficulty, more particularly for the larger bearings. Although our output may suffer during the coming year, it will more likely be in the direction of the restriction of the rate of expansion; as barring unforeseen happenings, our turnover for 1952 should certainly exceed that for 1951.

With a greatly extended productive capacity and full order books, if times were normal one could look forward to the future with some optimism, but no one today can contemplate the future without considerable misgiving having regard to the very grave crisis through which the country is struggling. This year a new feature has to come into our calculations—the Conservative Government's Excess Profits Levy. I fully share the opinions which have been expressed from all sides in British industry condemning this tax. This Excess Profits Levy will, if conditions of trade remain as at present, have an effect on our profits, but not such as to jeopardise the payment of the modest total amount we distribute in ordinary dividend.

Last year I referred to the Decree of the Supreme Court of the United States, under the so-called Anti-Trust Laws, compelling the Timken Roller Bearing Company of Canton, Ohio, to accept and solicit orders from anywhere in the world, including those countries which had previously been exclusive British Timken territory.

Your directors have had lengthy negotiations with the directors of the Timken Roller Bearing Company resulting in an entirely new agreement between the two companies, under which the American company becomes the sole legal owner of the trademark "Timken" in all countries in which a licence or registered user may be granted to the British company. In all such countries the American company will grant to the British company without limitation of time the full right to manufacture and sell under the trademark. In countries where the British company formerly held title to the mark, no third party may receive a licence or right of registered user without the consent of the British company.

In summary, both companies hereafter are to be free to manufacture and sell under the same mark in competition in all countries. Your company will be free to export and sell into the United States and other American territory, just as the American company will be free to export and sell in the British company's territory.

Your directors are satisfied that the new agreement meets the requirements of the American company without any detriment to the interests of the British company, and that the new arrangement is more satisfactory to the British company than were the old agreements, in that the British company will now be able to use the trademark "Timken" in any country in the world without limitation of time.

Your directors wish to express their appreciation of the fair way in which the American company has met the problem.

[At an extraordinary general meeting which followed, the authorised capital of British Timken Limited was increased to £2,500,000 by the creation of 1,100,000 new ordinary shares. A second resolution capitalised £800,000 new ordinary shares of £1 each, credited as fully paid, these to be distributed among shareholders in the proportion of two fully paid new ordinary shares for every existing ordinary share.]

SHEFFIELD TWIST DRILL & STEEL

STRONG LIQUID POSITION

The fifth annual general meeting of the Sheffield Twist Drill & Steel Company, Limited, was held on June 19th at Sheffield, Mr Alexander Dormer (chairman and joint managing director) presiding.

The following is an extract from the chairman's circulated statement:—

The trading profit, after making all provisions other than for taxation, amounted to £766,080, as compared with £491,111 last year. Direct taxation takes nearly half a million pounds, or practically two-thirds of our total profit.

COMPANY'S FINANCIAL STRENGTH

The total assets of the company have increased by £291,378, and the financial strength of the company is apparent.

There are, of course, special reasons for the exceptional success in the year 1951. These are further improvements in the methods of production, coupled with the expansion of sales. During the whole of 1951, the additional factory space provided by the buildings erected and available for occupation in the autumn of 1950 have been fully utilised, and your directors have further similar plans on which they are very actively engaged. We continue to keep abreast with happenings abroad, in which connection we sent senior technical representatives to the United States of America and to several of our agents abroad.

DEMAND AFFECTED BY ANTICIPATORY ORDERING

I am bound to say that the demand for your company's products has been affected by anticipatory ordering by firms participating in the Government programme of rearmament for defence purposes, but I would not wish to leave you with the impression that profits such as were earned in 1951 can necessarily be repeated. Without being pessimistic, it does seem that in the near future we shall have to produce for a more competitive market and to increase our stock of finished goods in order to give that service which will be so essential if we are to continue to prosper. When this situation arises it will be appreciated that your company will have to employ its accumulated liquid funds in financing the increased stocks, and for which purpose £150,000 has been placed to general reserve this year, making a total reserve of £250,000.

Incidentally, the new proposed Excess Profits Levy will increase the taxation charge on your company, although as far as information thereon is available we have a very satisfactory standard.

In all the circumstances, your directors have felt that it would be fair and reasonable to increase the distribution to the shareholders, and therefore a final dividend of 1s. 4d. per unit is proposed, making a distribution for the year of 2s. per unit.

The loyalty of our agents abroad and our merchant customers in the United Kingdom is matched by that of our staff and employees, whom we feel sure are all proud to work with a successful company whose continued progress is greatly due to their efforts. I, on your behalf, extend to them our best thanks.

Having regard to the present market price of your company's ordinary stock units and to the provisions under the articles of association relating to the qualification of directors, it is proposed to ask the shareholders to sanction a modification.

The report and accounts were adopted.

UNITED SERDANG (SUMATRA) RUBBER PLANTATIONS, LIMITED

IMPROVED PRODUCTION

The forty-fourth annual general meeting of the United Serdang (Sumatra) Rubber Plantations, Limited, was held on June 18th in London.

Sir Eric Miller, chairman of the company, in the course of his speech said: The financial strength of United Serdang is obvious from the balance sheet which shows that current assets exceed liabilities (including future taxation) by £480,000, equal to 8.1d. per 2s. stock unit, of which 2¼d. was in rupiah currency at that date.

Strong action taken by the local military and police last autumn against subversive elements contributed to a marked improvement in production on our estates, the crop of rubber harvested for the 9 months to May 31, 1952, being 9,081,930 lb against 5,108,278 lb for the like period of 1950/51, which latter, however, included the general strike.

CROPS AND PRICES

Of the 1951/52 rubber crop we have sold some 6½ million lb at an average price appreciably higher than that now obtainable and will also be participating in some satisfactory group forward sales which cannot be specifically allocated until time of shipment. The outturn of palm oil and kernels also shows an improvement over last year and most of this crop has been disposed of at prices well above the current levels. The staple food of South East Asia is, as you know, rice. Burma, Siam and Indo-China were and are the principal exporting countries, but owing to internal disturbances in Burma and Indo-China there has been a very marked contraction in the exportable surplus. It seems to me that the question of increasing rice production in South East Asia, particularly in Burma, is of primary importance in the struggle against the Communists, who find many more willing converts amongst the hungry than amongst those who enjoy a reasonable standard of living.

GOOD LONG RANGE PROSPECTS

The long range prospects for natural rubber are good, and could improve rapidly were the existing international tension to be definitely eased. We are, however, obliged to concern ourselves with market conditions from day to day, and I must say the recent sharp fall in price has been most disappointing. The lower price is bound to have the effect of reducing supplies from marginal areas. Meantime there are already signs that at current prices the lower grades of natural rubber are displacing GRS but the process is bound to be gradual as manufacturers will not hurriedly change their compounding formulæ.

What rubber means to the economy of South East Asia was well brought out at the Study Group Meeting and Sir Gerald Templer's recent announcement added pointed emphasis to the problems facing the governments of the producing areas. Whereas in Malaya the struggle with the Communists takes the form of jungle warfare, it assumes a more insidious form in Indonesia, and is putting the government there to an equally severe test. Having large interests in Indonesia may I, on behalf of the United Serdang stockholders, promise our support for any well considered measures which may be taken by the government in order to maintain a productive and sound economy, but we will not blindly follow the road to ruin.

The report was adopted.

LUNUVA (CEYLON) TEA AND RUBBER ESTATES

ESTATES IN FIRST-CLASS ORDER

The forty-fifth annual general meeting of the Lunuva (Ceylon) Tea and Rubber Estates, Limited, was held on June 12th in London, Mr H. W. Horner, the chairman, presiding.

The following is an extract from his circulated statement:—

The accounts for 1951 show a profit before taxation of £395,872, nearly £80,000 less than the corresponding figure for 1950. In the case of tea, the crop showed an increase over the previous year of some 600,000 lb. In the case of rubber, the average increase in selling price of 2d. per pound has been more than offset by the lower crop and the increased cost of production.

The board have decided that it would be inadvisable to repeat the dividend at last year's exceptional total of 20 per cent, and they recommend a final payment for 1951 of 7½ per cent, making 15 per cent for the year.

Tea: The crop harvested for the year reached the very satisfactory total of 8,980,341 lb, representing a yield per acre in bearing of 829 lb, or 60 lb per acre more than in 1950.

Rubber: The sale of St. Leonard's-on-Sea Estate and the gradual elimination elsewhere of those rubber areas selected as more suitable for replanting with tea, resulted in a crop for the year of 1,632,822 lb, compared with the 1950 crop of 2,013,390 lb.

As regards prospects for the current year, the estates are in first-class order and easily capable of at least maintaining the tea crop at the very satisfactory figure of 1951 and of slightly improving upon the rubber crop.

The report was adopted.

RANGALLA CONSOLIDATED

DIVIDEND MAINTAINED

The twenty-ninth ordinary general meeting of Rangalla Consolidated Limited was held on June 16th in London, Mr Eric Davenport, ACA (the chairman), presiding.

The following is an extract from his circulated statement:

The accounts show a profit of £9,854 against £30,003 for 1950. Although crop for the season was higher at 1,359,675 lb than that of 1950 by 76,502 lb, considerably increased costs had to be faced at 2/5.34d. against 2/1.55d. for 1950, or an increase of 3.79d. per lb, whilst the net average selling price secured was 2/7.34d. or .19d. per lb below the previous year. Thus the increased yield per acre has had little effect on the cost of production.

Appropriations include the payment of an interim dividend of 15 per cent, thus maintaining the distribution at the same level as for 1950. No further payment is recommended for the year. Your directors felt justified in making this payment because of the company's sound financial position.

The tea crop at 1,359,675 lb compares with 1,283,173 lb in 1950; 616,857 lb were shipped to London and 742,818 lb disposed of locally.

A feature of the year 1951 has been the reopening of the London auctions. This market, however, is restricted by the ceiling placed on the retail price of packet tea and by the refusal of the Government to permit purchases for re-export. Sellers are disappointed with the working of the London auctions under control.

The report was adopted

GREEN, HEARN AND COMPANY, LIMITED

(Manufacturers of "Lyndale" Coats and Suits)

INCREASE IN SALES TURNOVER

CONTINUED DEMAND FOR QUALITY PRODUCTS

The fourteenth annual general meeting of Green, Hearn and Company, Limited, was held on June 13th in London, Mr Michael Marks (one of the joint managing directors) presiding.

The following is an extract from his circulated statement:—

Your directors are pleased to report a continued increase in sales turnover during the year although, like many others, our trade was not unaffected by the fluctuation in wool values which, together with a retrenchment in public spending, induced some hesitation amongst retail customers in placing orders with their accustomed confidence. We have, however, been able to maintain our production at a very high level owing to continued demands for our Lyndale coats and suits, which are of the highest quality and style.

Changes in the rates of tax by the budget in 1951 imposed an additional charge of nearly £6,000 upon the results achieved. The board recommend the maintenance of an overall dividend of 32½ per cent on the ordinary shares. Redemption of the preference shares has continued. This process can only have the effect of strengthening the ordinary shares whose security on the equity of the business increases correspondingly. Assuming that the proposed dividend is approved, then the balance of undistributed profits will amount to £67,702, equivalent to 75 per cent of the ordinary share capital. Obviously, ample reserves must, in prudence, be retained to meet any unknown contingencies of the future, but your directors do not overlook the propriety of transferring at the right time a proportion of these accumulations where they rightly belong, that is, in the hands and possession of the ordinary shareholders.

All members of the staff without exception merit your perennial tribute to their loyalty and steadfast work in the interests of the company. The Staff Pension scheme has again received substantial support out of current profits, and it is not doubted that you will consider the provision to be eminently deserved.

CONSOLIDATED BALANCE SHEET

In view of the circumstances, our stock position has been under constant and most careful supervision and, at the date of the balance sheet, was of a sufficient magnitude to sustain our level of trade, having regard to current values then prevailing. The difference on this account from last year is reflected in our available cash resources, which should permit later adjustments to Stock, according to our requirements without embarrassment.

The strength of our liquid resources has been maintained, and indeed increased, during the year, and shows a surplus of Current Assets over Liabilities of £189,875, being an increase of £22,008 over that of the previous year.

The net profit on trading amounts to £111,160, as compared with £109,767 in 1950. After making all provisions, the amount carried forward is £67,702, or £25,379 more than the amount brought in.

Finally, while the 1952 Finance Bill has not yet become Law, and may yet include amendments following Parliamentary consideration, so far as it is at all possible at the moment, to estimate it would appear that the company's standard for the excess profits levy will be such as not to endanger our recent rates of dividend, provided that our normal expectation of earnings is not unduly affected by other circumstances.

The report was adopted.

SIMMS MOTOR UNITS

A RECORD YEAR

The thirty-second ordinary general meeting of Simms Motor Units Limited was held on June 19th at the company's works.

Mr Tom Thornycroft (the chairman) who presided, in the course of his speech, said:—

I am pleased to be able to report a record year of continued progress with the highest sales and profit figures in the history of the company.

The profit and loss account shows an increase in net profit before taxation of £64,289 —from £194,587 to £258,876. Your directors have thought it wise to keep the dividend at the same rate as last year, namely 17½ per cent.

The full benefit of your directors' foresight in ordering plant and machinery in 1950, is only now becoming really effective.

Our results have been obtained by ever-increasing efficiency and hard work which has enabled your company to sell improved articles at a relatively small increase in price over 1939 level. We are now delivering fuel injection equipment in large volume including a contract from the Ford Motor Company for these units for fitment to their new diesel-engined major tractor.

I told you last year that I was convinced that the diesel or compression ignition engine which at that time was universal in all heavy duty transport, would become pre-eminent down to medium sized vehicles, agricultural and industrial tractors, moderate sized power plants and prime movers. This is now definitely established and the demand for our technical advice and service in this field is ever on the increase.

The report was adopted.

UNIVERSITY OF NOTTINGHAM
DEPARTMENT OF ECONOMICS

Applications are invited for the appointment of Assistant Lecturer in Economics, preferably with special interests in the field of international economics. Salary scale £450 by £25 to £500.

Form of Application and Conditions of Appointment may be obtained from the undersigned.

June 13, 1952. SPH. H. PICKBOURNE, Registrar.

UNIVERSITY OF ADELAIDE

Applications are invited for appointment as LECTURER IN ECONOMICS.

Salary range: £A600 x £50—£A1,000 a year. In addition a cost-of-living allowance, at present £A192 a year is payable. Commencing salary may be fixed within the scale in accordance with the successful candidate's qualifications.

Detailed terms of appointment and a leaflet about the department may be obtained from Dr. J. F. Foster, Secretary of the Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

Applications, in duplicate, must reach the undersigned not later than *July 31, 1952.*

A. W. BAMPTON, Registrar.

The University of Adelaide, Adelaide, South Australia.

UNIVERSITY OF NATAL, DURBAN, SOUTH AFRICA

Applications are invited for the post of LECTURER IN COMMERCE.

Salary scale: Men—£550 x £25—£725 p.a.; Women—£450 x £25—£600 p.a. In addition, there is a temporary cost-of-living allowance at present amounting to £320 p.a. for a married person and £100 p.a. for a single person. Pending the introduction of revised salary scales, the lecturer will also receive in 1952 a non-pensionable allowance at the rate of £25 p.a. plus 10 per cent. of present salary.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications is August 15, 1952.

SALES MANAGER REQUIRED BY LEADERS IN BASIC INDUSTRY. Capable of building sales force and planning, in conjunction with research laboratory and factories, sales development in the electronic field. Applications are invited only from those who are fully conversant with modern marketing techniques, used to co-operating with market consultants, advertising agents and internal publicity department and have successful marketing and sales promotion records. The post offers a substantial salary and, to the right man, future prospects of an attractive nature.—Box 972.

ADMINISTRATOR with wide experience of Government finance and commerce in India now desires an executive or secretarial post where his abilities can be wholly employed. Age 42, M.A. Honours (Cantab).—Write please to Box 974.

UNIVERSITY OF NOTTINGHAM
DEPARTMENTS OF ECONOMICS AND SOCIAL ADMINISTRATION

Applications are invited for the appointment of Research Assistant. Salary scale £300 to £450 per annum, with membership of the Federated Superannuation System for Universities.

Candidates should be graduates, preferably in the Social Sciences, and some knowledge of Statistics and ability to type are desirable.

Conditions of Appointment and Form of Application which should be returned as soon as possible, may be obtained from the undersigned.

June 14, 1952. H. PICKBOURNE, Registrar.

HER MAJESTY'S COLONIAL SERVICE
STATISTICIANS

A few vacancies exist for Statisticians in the Colonial Service. Appointments are usually on probation for permanent and pensionable employment. The work is varied, providing the essential statistical basis for development schemes and current administration. In the smaller territories a Statistician may be required to perform a wide range of duties. In the larger Statistics Departments in East and West Africa and Malaya there are opportunities for more specialised work, but even in these Colonies an officer's duties may cover a wide range of problems. Statistical Departments are organised to provide a central service and they are therefore closely linked with most other Government Departments.

Candidates should have a First or Second Class Honours Degree in Statistics or in Mathematics, Economics or other appropriate main subjects combined with Statistics. Graduates with a few years' experience in statistical work are preferred, but an increasing proportion of vacancies is being filled by young graduates without such experience.

Intending candidates should write for application forms to the Director of Recruitment (Colonial Service), Colonial Office, Great Smith Street, London, S.W.1.

GENATOSAN LTD. of Loughborough have a vacancy for an assistant to the Marketing Manager to deal with the sales promotion, marketing and advertising of the company's ethical preparations. Considerable expansion is planned in this direction and this represents a real opportunity for the right type of man to grow with the business. Age limit 40. The right kind of personality, ability to get things done and practical experience in the marketing department of a firm successfully engaged in the manufacture and sale of products of this kind, preferably including a period on the road as a medical detail man, are regarded as of more importance than academic qualifications. Very good conditions of employment, including pension scheme and life insurance.—Please write to the Marketing Manager, Genatosan Ltd., Loughborough, Leics. Envelope should be marked "Marketing Assistant, Confidential." This post is not subject to the control of engagements order.

TRANSPORT consultant offers advisory service to Traders, including fleet operation, licences, costings, freight charges, consigning of goods.—Box 973.

THE NATIONAL BANK OF SCOTLAND LIMITED

Head Office: EDINBURGH ESTD. Branches throughout SCOTLAND 1825

LONDON OFFICES: 37, Nicholas Lane, E.C.4; and 18/20, Regent Street, Piccadilly Circus, W.1.

Every description of Banking Service undertaken.

SENIOR SCIENTIFIC OFFICERS; SCIENTIFIC OFFICERS; PATENT EXAMINER AND PATENT OFFICER CLASSES.—The Civil Service Commissioners invite applications for permanent appointments to be filled by competitive interview during 1952. Interviews will continue throughout the year, but a closing date for the receipt of applications earlier than December, 1952, may eventually be announced. The Scientific posts are in various Government Departments and cover a wide range of Scientific research and development in most of the major fields of fundamental and applied science. The Patent posts are in the Patent Office (Board of Trade), Admiralty and Ministry of Supply.

Candidates must have obtained a university degree with first or second class honours in an appropriate scientific subject (including engineering) or in Mathematics, or an equivalent qualification; or for Scientific posts, possess high professional attainments. Candidates for Senior Scientific Officer posts must in addition have had at least three years' post-graduate or other approved experience. Candidates for Scientific Officer and Patent posts taking their degrees in 1952 may be admitted to compete before the result of their degree examination is known.

Age Limits: Senior Scientific Officers, between 26 and 31; for Scientific Officers and Patent Classes, between 21 and 28 during 1952 (up to 31 for permanent members of the Experimental Officer class competing as Scientific Officers). London Salary Scales: Senior Scientific Officers (men), £812—£1,022; (women) £681—£917; Scientific Officers (men), £440—£707; (women) £440—£576; Patent Examiner and Patent Officer Classes (men), £440—£655. (Rates for women under review.) Somewhat lower rates in the provinces.

Further particulars from the Civil Service Commission, Scientific Branch, Trinidad House, Old Burlington Street, London, W.1, quoting No. S 53/52 for Senior Scientific Officers and S. 52/52 and S. 128/52 for the other posts.

THE International Labour Office invites applications from men and women aged between 23 and 35 years for a post of Member of Division in the Official Relations Division of the International Labour Office, Geneva, Switzerland. Qualifications required: (1) Nationality: United Kingdom; (2) University degree or the equivalent in experience; (3) Mother tongue: English; very good knowledge of French and Spanish; (4) General knowledge of social and labour questions.

For further particulars and application forms apply, enclosing stamped, addressed foolscap envelope, to the International Labour Office, 38/39 Parliament Street, London, S.W.1.

The closing date for the receipt in this Office of completed application forms is July 26, 1952.

UNILEVER LIMITED invites applications for the post of Head of the Economics and Statistics Department. The Department has a staff of 35 and its main task is the supply of regular and incidental information. Special studies are required occasionally. Applicants should be not older than 40 years, trained in economics and experienced in documentation. Organising and managing capacities are essential. Personal acquaintance with sources of information would be an asset. Initial salary £1,750-£2,500, according to qualifications.—Applications to Personnel Division, MWG/AT, Unilever House, Blackfriars, E.C.4.

CHARTERED or Incorporated Accountant required immediately for progressive company in the West Country, as Secretary and Chief Accountant. Age 30 to 40 years. Commencing salary about £1,250.—Applications, giving details of age, education, qualifications, experience and salaries, should be sent to Robson, Morrow & Co., 59 New Cavendish Street, London, W.1.

ACCOUNTANTS for Management and Industrial Consulting. Production-Engineering Ltd. invite applications from qualified Chartered Accountants, preferably with university degrees and with an interest in the problems facing management today; there are exceptional openings for first-class men with initiative requiring permanent posts in this type of work. Applicants should have experience of modern developments in financial control and its application in industrial management. After training there is a four-figure starting salary as well as life assurance and superannuation schemes; age should be between 27 and 38.—Write, giving age and full details of education, qualifications and experience, to Production-Engineering Ltd., 28 Bruton Street, London, W.1.

PROGRESSIVE Precision Engineering Company require Assistant to Sales Manager in Export Dept. Ability to converse and correspond in French and Spanish essential. Some Technical background an advantage. Excellent prospects for person of character and ability. State salary required and send details of education and previous appointments to Box 963.

W.C. 1.—In professional gentleman's private house; large single divan sitting-room, new and unused as yet. H. and c., etc., £4 4s. Small ditto, £2 12s 6d. Breakfast optional. Careful tenant.—TERminus 7869.

GRADUATE Economic Statistician, First Class Honours Oxford, wide experience research university and industry, seeks interesting well-paid post, preferably in East Midlands.—Box 969.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (periodicals excluded).

GENTLEMAN, European (married), aged 39 years, residing in Bombay, desires change of employment in India or elsewhere. Sound legal, estate, commercial and group company Secretary experience in U.K., with large organisations. Present Manager of old-established Merchanting Company, Bombay. Served Indian Army. Excellent references.—Box 975.

MURRAY-WATSON
LIMITED

Advertising & Marketing
Home and Overseas

58 BROOK STREET, LONDON, W.1. GROSVENOR 3508-9
DUDLEY, WORCESTERSHIRE. DUDLEY 3162

UNIVERSITY OF CAPE TOWN

Applications are invited for the *LECTURESHIP IN THE DEPARTMENT OF GEOGRAPHY.*

The salary scale is £550 x £25—£800 per annum. There is also a temporary cost of living allowance: at present £320 per annum for a married man and £144 per annum for a single person. A Government Commission is at present inquiring into salary scales for staffs of Universities and improvement of scales is hoped for by 1953.

Applications (with copies of testimonials) should state age, experience, qualifications (including knowledge of foreign languages), and research completed or in progress, and give the names of at least three referees whom the University may consult. Two copies of the application and testimonials should reach the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1 (from whom a memorandum giving the general conditions of appointment should be obtained) not later than July 15, 1952. An additional copy should be sent direct by air mail to the Registrar, University of Cape Town, Private Bag, Rondebosch, Cape Town, South Africa, by the same date.

The post is vacant from February 1, 1953. The University reserves the right to appoint a person other than one of the applicants or to make no appointment.

UNIVERSITY OF SYDNEY, AUSTRALIA

Applications are invited for the position of SENIOR LECTURER IN ACCOUNTANCY.

The Senior Lecturer will be administratively responsible to the Professor of Economics but will be expected to take charge of commercial studies within the Faculty of Economics.

The salary will be within the range of £A1,050—£A1,300 per annum plus cost of living adjustment (at present £A200 males and £A152 females) with annual increments of £A50 and is subject to deductions under the State Superannuation Act. The commencing salary will be fixed according to qualifications and experience.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications is July 31, 1952.

VICTORIA UNIVERSITY COLLEGE, WELLINGTON, NEW ZEALAND

The Council of Victoria University College proposes shortly to appoint a LECTURER to the staff of the SCHOOL OF SOCIAL SCIENCE, and invites applications from suitably qualified persons for this post. Applicants must have a University degree in one of the Social Sciences. A qualification in Social Work, experience in University teaching and in Social Research will be considered additional qualifications.

The salary will be £800 per annum rising by annual increments of £50 to £950 per annum. The initial salary will be determined according to the qualifications and experience of the appointee.

The successful applicant would be expected to take up his duties as soon as possible after appointment.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of applications is July 1, 1952.

AUCKLAND UNIVERSITY COLLEGE
(UNIVERSITY OF NEW ZEALAND)

Applications are invited for appointment to a *LECTURESHIP IN GEOGRAPHY.*

The salary attached to the position will be £800 x £50—£950 per annum.

The successful applicant will be expected to take up his duties not later than February 1, 1953.

Further particulars and information as to the method of application should be obtained from the Secretary, Association of Universities of the British Commonwealth, 5 Gordon Square, London, W.C.1.

The closing date for the receipt of application is July 31, 1952.

CHARTERED or Incorporated Accountant required immediately for progressive Public Company in London, as Secretary and Chief Accountant. Industrial experience essential. Age 30-40 years. Commencing salary about £1,500. Excellent prospects of advancement to higher administrative levels.—Applications, giving details of age, education, qualifications, experience and salaries, should be sent to Robson, Morrow and Co., Box No. 001, 59 New Cavendish Street, London, W.1.

EXPERIENCED Company Secretary, B.Sc.(Econ), B.Com., F.C.I.S., seeks Executive appointment. Present salary £1,500.—Box 968.

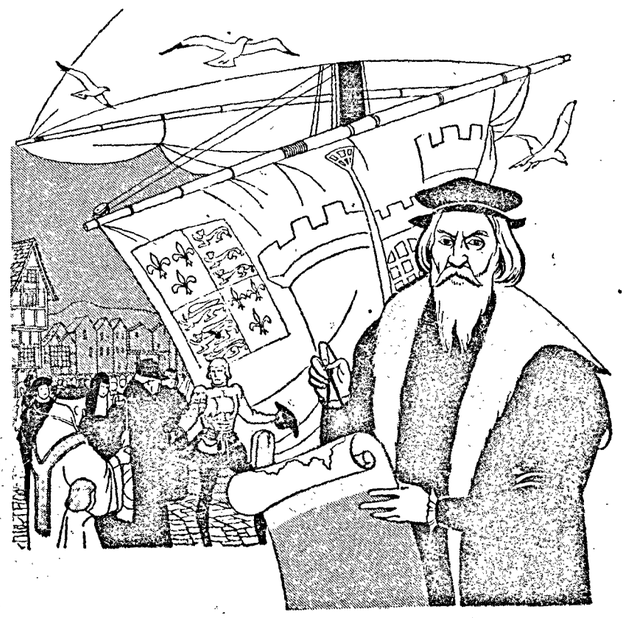
POSTAL TUITION for **B.Sc. ECON.**

The London University B.Sc. Econ. Degree is a valuable qualification for statistical research and welfare work in commerce and industry, and for teaching or administrative posts under Education authorities, etc. The degree is open to all without University residence. You may prepare for the examinations at home under the experienced guidance of Wolsey Hall (est. 1894); fees are reasonable and may be paid by instalments if desired. 765 Successes at Lond. B.Sc. Econ. Final Examinations, 1925/51.

Prospectus from the Director of Studies, Department P17 **WOLSEY HALL, OXFORD**

Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—Saturday, June 21, 1952.

THE HISTORY OF ZINC



ZINC an exploration.

Bristol saw the start of the Cabots' first voyage of discovery. Brass—an alloy of zinc and copper was used extensively in the manufacture of those early scientific instruments which made it safer for explorers to go further into the unknown.

TODAY ZINC is one of the most important metals in industry. It is used in brass; as a protective covering for iron and steel; large quantities are used for die casting in the motor car and many other industries; and its pigments, Lithopone and Zinc Oxide are widely used by the paint, rubber, linoleum and associated industries.

During the last 30 years a great Zinc industry has been created in Britain by Imperial Smelting Corporation Limited, whose principal activities, in addition to the production of Zinc metal and Pigments, include the production of Sulphuric Acid, Fluorine and its compounds and a variety of other important chemicals.

IMPERIAL SMELTING

U.K. MEMBER OF THE CONSOLIDATED ZINC CORPORATION LIMITED

IMPERIAL SMELTING CORPORATION LIMITED · 37 DOVER STREET · LONDON

The Economist

Established 1843

ıne 28, 1952 One Shilling

LEADING ARTICLES

ombs on the Yalu- - - - - 861
our-Power Talks? - - - - 862
Split in South Africa - - - 864
ıs Off - - - - - - - - - 865
nmonwealth Development-IV 868

TES OF THE WEEK - - - 870
servatives and the Poll; Socialists and ilosophy; The Lords and Procedure; Policy for Tunisia; Communist co in France; The Bacterial Deluge; ages, Prices and Taxes; Town *versus* untry; German Trade Union cemists; The Amount of Sickness; rer Scholars; Europe to Earn Its lars; "Resources for Freedom"; lore Repairs; Fewer Accidents.

ETTERS TO THE EDITOR - - 880

OKS AND PUBLICATIONS - 883

MERICAN SURVEY
The Spectre at Chicago - - 885
Day Parade - - - - - - - 886
Acrobatics in the Air; Democrats Wait Bandwagon; Passports Under Fire; As You Speed; Reprieve for the ls System; Metals in Reverse; orner Notes.

WORLD OVERSEAS
Lean Years for Israel—I- - - 893
Threat of Australian Beef Famine; India and the Colombo Plan; Poland Needs Victory Workers; General Templer's Part.

NEZUELA - - - - - - - - 901

THE BUSINESS WORLD
pper's New Peak - - - - 911

NESS NOTES - - - - - 915
Markets Rallying?; Conditional Agreement on "Standstill"; Brighter Hopes in Coal; Reverse in Exports; Cheaper Imported Materials; New Deal in Diamonds; Jets for Nato; Gas Turbines on the Road; Cars and Quotas; Canada's Exchange Freedom; Belgium Gets Its Dollars; Record Fiduciary Issue; Stock Exchange on Taxation; Too Much Sugar; Metals Roundabout; Less and Plenty; Shorter Notes.

MPANY NOTES - - - - 924

TISTICAL SUMMARY - - 925

MPANY MEETINGS - - - 926

Vol. CLXIII No. 5679
ECONOMIST, 22, Ryder Street, St. James's, S.W.1. *Telephone:* Whitehall 1511.
ANNUAL POSTAL SUBSCRIPTION £1
red as a Newspaper. Entered as Second Class Mail at the New York, N.Y., Post Office. Authorised as Second Class Mail, Post Office Dept., Ottawa.

Bombs on the Yalu

THE raids by hundreds of American aircraft on the power stations on the Korean bank of the Yalu River can hardly have caused more disturbance in that remote part of the world than they have done at Westminster. Question hour in the House of Commons on Tuesday was in a turmoil, and on Wednesday the Labour Party even abandoned a debate on their favourite topic of the cost of living in order to discuss the events in Korea. The main domestic political result has been to show, once again, how much less Mr Attlee differs from Mr Eden than he does from Mr Bevan and to give the Government a much-needed opportunity for showing firmness and reason.

What concerns the public, however, is not which party derives advantage from the incident but its inherent rights and wrongs. There are three separate questions involved, which the parliamentary discussion inevitably tended to confuse. The first is whether these raids went beyond the agreed policy for the conduct of the campaign in Korea. Clearly they did not. There has never been any question about the propriety of conducting hostilities anywhere in North Korea, or of air raids even beyond the Yalu should the necessity arise. That is agreed policy—agreed among the United Nations participating in the campaign and agreed between the parties (or at least between the two successive Governments) in this country.

The second question is whether the raids were wise—that is, whether they were calculated to hasten the end of the war. On that, opinions may legitimately differ. Those whose general approach is that any and every American action is *per se* dangerous, while every Communist action, however aggressive in appearance, is natural and forgivable, will have no difficulty in convincing themselves that the Americans are precipitating a world war. Others who do not share this prejudice will still have their doubts; strong action always involves risks. To the majority of people who try to preserve open minds, however, it will seem at least arguable that a forcible reminder of this kind may help to bring the everlasting truce negotiations to a conclusion. Whether or not General Clark's judgment on this was sound, the sequel will show soon enough. But he certainly has far better material for forming a judgment than laymen half a world away who have not been in contact with the Chinese and have no access to intelligence reports.

The third question is whether there should have been consultation with the British and other interested governments before the action was ordered. There was time for consultation, as the Joint Chiefs in Washington were consulted. Moreover, Lord Alexander and Mr Selwyn Lloyd were in Tokyo when the action was being planned; so the omission was clearly deliberate. The American argument can well be imagined: the Supreme Commander was appointed not by the United Nations, but by the President of the United States; if Britain were to be consulted, half a dozen others would also have to be told what was afoot; and if an international debate has to precede military

action, then there will be no secrets and no action.

These arguments have some force. Nevertheless, to take action of this particular kind in this particular place and at this particular time without any consultation with the associated governments is a capital blunder. It will revive (however unjustly) all the suspicions of the other free nations that the Americans are trigger-happy. It will provide fresh material for all those who argue (whether or not they believe it) that it is the ruthlessness of Washington rather than the aggressiveness of Moscow that most threatens the world's peace. It is a free gift to Bevanism all over the western world. There is very little doubt that the present British Government, had it been asked, would have given its agreement, though perhaps reluctantly. Yet the position of the American Administration would have been infinitely stronger *vis-à-vis* the rest of the world if it could have said so—and no weaker *vis-à-vis* its own public opinion.

The trouble would seem to be that these matters are settled in Tokyo on purely military, or at least local, considerations. There has been some talk of appointing a British military deputy to General Clark. It is an excellent idea; but it will not meet the real need, which is that the soldiers, of whatever nationality, should have someone at their side to tell them what the world-wide political consequences of their military actions are likely to be. It is the old story that the Americans, a civilian people if ever there was one, nevertheless do not seem to know how to keep their soldiers under civilian control. Yet they will have to if they wish to enjoy the full confidence of the rest of the world and keep the alliance of the free nations alive. As Clemenceau said, war is too serious a matter to be left to generals. If the Pentagon is allowed to treat the war in Korea as its own private show, the world will take the same attitude. And that would be a victory for the Communists far greater than any they can achieve by military victory in Korea.

Four-Power Talks?

IT is a pity that much of the comment upon the possibility of reopening four-power talks on the German problem has stressed the differences and the oscillations in the western approach. It is true that there have been *disagreements over timing* and even over a possible agenda, but such differences concern only the immediate tactics of western policy. The fundamental strategy—of building a secure and prosperous Atlantic community and of associating Germany with it—remains completely unchanged and nothing that Russia has to say or offer, short perhaps of massive disarmament, has the power to affect the western powers' fundamental objectives. In fact, there is really only one question to be asked of the Soviet Union's peremptory demand for immediate talks on Germany. Would the acceptance or the refusal of such talks better serve the process of building up Atlantic strength?

It has been the American belief—a belief shared by Dr Adenauer—that to open talks with Russia now would invite the German legislature to delay ratification of the Bonn agreements and would thus postpone the coming into effect of the European Defence Community. Those who want to open negotiations do not really hold the contrary; their motives are mixed, and there are strong tendencies in France—and some in Britain—to snatch at any chance that the Russians might have something new to say. But what seems likely to be decisive are the views held by the Germans themselves. Neither fears in Paris nor pressure from Washington can now alter the fact that Germany's contribution to western security will be decided in Germany by Germans. It is the attitude of the Federal Assemblies in Bonn that will determine ratification and it begins to look as though four-power talks on Russia, far from delaying German ratification, may have become a precondition of any ratification at all.

The warning has already been given by the Upper House at Bonn, which has laid down a clause-by-clause procedure for the ratification of the treaties. The Bundesrat, in thus delaying the decision, reflects a very widespread mood in Western Germany today, a mood of caution and indecision and of panic dislike for responsibility. The attitude is not surprising. The reversals in German—and indeed in Allied—philosophy and policy have been so startling in the last decade that no man feels sure that his views of today may not prove grounds for his imprisonment tomorrow. The cry that those who ratify the Bonn conventions are traitors to German unity has had its effect. In spite of all that has happened since 1947, the belief still persists that, if only the agreements are abandoned, German unity will be conceded by the Russians on terms that democrats can accept. Only if the western powers have proved quite conclusively and all over again that Russia's terms for reunion are too stiff for the West Germans themselves to swallow, will ratification go forward. In other words, it seems as though talks with Russia, far from being an obstacle to the development of western strength, represent the next tactical step towards achieving it.

The framework of any talks with Russia must, naturally, in no way contradict this objective. It would have to be made clear in the most unequivocal terms that the only German unity in which the West is interested is one based on the most complete freedom of speech and thought and political action; that though the future all-German government cannot be forced to take over Western Germany's membership in the Atlantic community, it must be free to do so, and will indeed be encouraged to do so; and that there can be no withdrawal of the western occupying forces from Germany until a lasting peace is fully assured. In short, the only thing worth negotiating about is the conditions that are necessary for genuinely free elections to proceed.

The western powers have the tactical advantage that elections conducted with scrupulous fairness can only lead to one result—the annexation of Eastern Germany by Western Germany. The main purpose of talks with the Russians would be to make it clear that this is the ineluctable price they would have to pay for unity, and to find out whether they are ready to pay it. The Western Germans, however hesitant they may be about committing themselves to the Bonn agreements, do not want unity at the cost of Herr Ulbricht's political police or Soviet domination. On the contrary, the brutality with which Russia has set about sealing off the zonal frontier has stiffened West German opinion.

It is, of course, likely that if the western powers insist that really free elections are, at the moment, the only thing they will negotiate about, and if at the same time they make the general point clear that no shift in Soviet policy over Germany can set in motion any process of weakening or dismantling the Atlantic alliance, the talks will either be refused by the Russians or will prove completely abortive. But in either case, the impossibility of doing a deal with the Russians will have been proved once again and Bonn may be persuaded, with steadied nerves, to ratify the contractual agreements and enter the European Defence Community.

*

The three western ministers could, therefore, arrange for the reopening of negotiations in reasonable certainty that, at the cost of much talk and some propaganda, they would expose, once again, Russia's unwillingness to buy German unity at the cost of losing control of the eastern zone. Nevertheless, it would be unwise if they embarked on the course without full consideration of possible alternatives. There is just an outside chance that the Russians' tactics have changed. Their overriding aim is to secure the withdrawal of the United States from Europe. It is just possible that, as the price of "getting America out of Germany," the Russians would now be prepared to lose direct control of their zone and see an all-German government established as a result of free elections. There are some signs that they are beginning to believe that a united Germany possessing its own armed forces, even if the Communist party played little part in it, could be lured from a western to an eastern orientation. The Soviets may, with still more machiavellian subtlety, argue that even if an armed united Germany retained its western connections, the United States would come to rely on it as a buffer against Russia and as a substitute for a direct American commitment to Europe. Thus indirectly a Soviet retreat from total control of part of Germany might lead ultimately to a Soviet alliance with the whole of Germany or at the least to a semi-neutralisation of Europe. In either case, Russian power would be enormously, even decisively, reinforced.

It is no use denying that there are men in Western Germany to whom the idea of playing off West against East is already very attractive. A sovereign Germany, with an independent army, would recover a remarkable freedom of action either to make pacts with Russia or to lead a "neutral" Europe or to throw its weight upon the western side. Supporters of all three policies are already vocal in Western Germany and for the western powers no less than for Russia, the restoration to Germany of unity and sovereignty and freedom of choice would represent a tremendous gamble. The Russians, moreover, would enjoy certain marked advantages—political control over the "lost lands" in the East, for example, or economic control over the markets to which the whole of Eastern Germany's economy is now diverted. The Russians are undoubtedly directing their attention to these less immediate consequences of German sovereignty. Their recent switch in policy, from the demand for a demilitarised Germany to the proposal of an armed and soverign one, may well have sprung from long-term speculations on Europe's future balance of power.

It would be reassuring to think that the western powers had thought as frankly about the possible gamble on German unity which may lie not many months ahead. Have they, for example, decided, if Russia offers genuine unity after genuinely free elections, to accept the offer, to sacrifice the European Defence Community for the time being and to bank upon securing all-Germany's adherence to an Atlantic policy once a unified central government has been set up? They may feel that the risk is too great. Yet if they were to refuse, would Bonn ever ratify the EDC agreements?

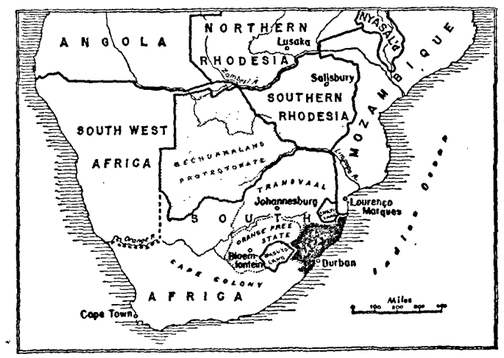
Since, therefore, the possibility of an all-German government superseding Dr Adenauer's administration cannot be entirely ruled out, have the western powers seriously considered how they would set about anchoring such a reunited Germany to their side? It takes very little reflection to suggest that on two points, at least, western policy could be decisive. In the field of defence, Germany will not follow where weakness leads. If, for one moment, American participation in European affairs were to waver or American commitment to slacken, the Germans would inevitably look to their more powerful eastern neighbour, and the situation of 1939 would be restored. Only overwhelming western strength will keep Germany from an eastern orientation and only America can tip the balance down upon the western side. Weakness, division, withdrawal and neutralism would leave Germany master of Europe and probably allied to the Soviet Union into the bargain.

The second decisive area is that of trade and economic stability. At present, the government at Bonn has achieved a large measure of independence of American aid in balancing its international accounts. If, however, the eastern zone were to become its responsibility in a reunited state, the position would deteriorate sharply. The eastern zone is entirely dependent upon Soviet Russia, and if eastgoing trade were cut off, a depressed area would appear in Eastern Germany and a large gap in Germany's balance of payments. Unless the long-term alliance of the free world were to include measures to enable Germany to sell more extensively in dollar markets or to secure necessary dollars by other means, the economic attraction of Soviet Russia could become overwhelming. Russia has the ability to provide Germany with wheat and markets—even though the price would be heavy. A reunited sovereign Germany, compelled to face, under conditions of chronic dollar shortage, the problems of economic partnership with the West, would very probably be tempted to give up the ungrateful task. Nowhere is the lack of any long-term Atlantic economic strategy more apparent than here, at the point at which Germany has to be inserted into it.

Yet it is this larger strategy, and not immediate tactical discussions of the whereabouts or the personnel of four-power talks, that will determine a united Germany's ultimate reactions. One may indeed go further and say it will even determine the reactions of a divided Western Germany. A large measure of sovereignty has returned to Bonn, and Bonn, too, must be able to see the longer perspectives of western policy if it is to be persuaded fully to accept them. The chance—the outside chance—that the reunion of Germany lies not so far ahead only makes the need for a long-term Atlantic strategy more pressing. This imposes no new decisions of principle upon the western nations; they have all been taken long ago and embodied in formal undertakings. But it does impose upon them the task of working out the full logical implications of the policies to which they have put their hands.

The Split in South Africa

THE enactment of the High Court of Parliament Bill and Dr Malan's rejection of the request from Natal for a national convention have brought South Africa face to face with a political crisis which bears comparison with the period immediately before the Boer War fifty-three years ago. Today, it is true, the leaders of the opposition to Dr Malan have declared their intention of proceeding by peaceful means, even if this includes such downright political acts as the secession of Natal from the Union. But the split in the fabric of South Africa has lately widened so quickly and so deeply that it would be foolish to suppose that violence can necessarily be avoided. At the moment, the leader of the opposition in Parliament, Mr Strauss, has announced that, although the new Act overrides the powers of the Supreme Court, the United Party will apply to that court itself for a ruling on the Bill's validity. If the Supreme Court declares against the government—which it virtually must do if it is to maintain the position it took last year on the Separate Representation of Voters' Act—Dr Malan can hardly now avoid retaliating against the Court with action that would further undermine the basis of democratic government in the Union. If, after all, the Court declares the new Act valid, the rising temper of the opposition is such that desperate measures may be taken. In either event, the consequences are at present incalculable.



Events in South Africa have lately followed one another so fast that there is a danger of losing sight of the main issues. Nor are these issues South Africa's affair alone. The problems of race relations affect all who are concerned with the future of Africa and Asia. Above all, they matter to the Commonwealth, of which South Africa has been a founder member and of which even the fully sovereign members now include more non-whites than whites; already there is news from India, for instance, that the new and happy cordiality of Anglo-Indian relations is being clouded by mental association of the British with the deeds of Dr Malan. It may be easy in this country to protest that the overwhelming mass of opinion is with the South African opposition parties and against Dr Malan, but these things are not always understood abroad and the consequences of misunderstanding could be disastrous.

To seek to interfere in the domestic affairs of another country is normally wrong and dangerous, and particularly for Britain when that country forms part of the Commonwealth. There can, however, be no possibility of standing entirely aside from what is now happening in the Union, since the outcome of the present clash will directly affect the fortunes of all Africa for many years to come. Opinion in Britain, therefore, not only ought to know and understand the issues in South Africa, but it has a right to be heard. For one thing, the British Government has already been placed in a difficult position before the Trusteeship Council of the United Nations, and it is open to serious argument whether it will in future be able to maintain an attitude of neutrality towards South Africa on the world stage in spite of the Commonwealth tie. For another, South Africans, even those who support the government, are still sensitive to the voice of the outside world. There is still time for it to be heard in the narrow confines of their rather isolated country and to sway the trend of events there.

★

For the moment, the immediate struggle in South Africa is constitutional in form. (So, in the beginning, was the struggle between the northern and southern states in America ninety years ago.) It was precipitated last year when the government attempted to kill two political birds with one stone. In order to further the aims of his *apartheid* racial policy, Dr Malan sought to limit the effective franchise of the Coloured voters in Cape Province, thereby consolidating his own slender majority in parliament. Since this manœuvre was quashed by the Supreme Court, the storm it aroused has spread into ever wider areas of South African life. On the government side, as if in reaction to the wave of hostility which its tactics have provoked, the Suppression of Communism Act has been wielded with a new severity. It has been used in an effort to weaken the trade unions by silencing prominent labour leaders like Mr Sachs, to muffle parliamentary criticism by expelling a European member representing native opinion, and to stifle the free expression of opposition views by suppressing a weekly Cape newspaper, *The Guardian*. At the same time, Dr Malan has sought to whip up pro-government feeling by raising with the United Kingdom the issue of British trusteeship over the three native protectorates, and by hinting that, in so fiercely questioning the constitutionality of his actions, the opposition is siding with the British crown against the sovereignty and true interests of South Africa.

Against all this, it must be said that the government has a case. In spite of his own attempt to drive a steamroller over the constitution, Dr Malan may legitimately complain that his administration is now being threatened with two seditious acts—the strictly unconstitutional secession of Natal from the Union, and the exercise of political pressure by the launching of a mass civil disobedience campaign by the joint African and Indian National Congresses. The government can also argue that there has so far been no general division of opinion among white South Africans about the need to maintain white supremacy. It is the method, not the principle, which the United Party has in the past mainly attacked; indeed, in the eyes of left wing leaders like Mr Sachs, the official opposition differs from the Nationalists in the government only by the degree, not the kind, of its racial views. Moreover, it is a fact that anyone who has not been in South Africa finds it hard to understand the peculiar practical difficulties of a relatively large, permanently settled, white community living amid a black population at a very much earlier stage of development, but which outnumbers it by only three to one—apart from the Coloured and Indian communities. South Africans claim, not without justification, that the racial balance in their country renders their problems unique, and that even the most liberal-minded European visitor normally goes away with different views from those with which he came.

★

That being said, it is clear nevertheless that the Malan government is wrong and in the end will fail because it is trying to put the clock back. The world has changed a great deal in the last few years but nowhere has it moved faster than in the field of race relations. The idea of white supremacy, the belief that non-whites can be governed indefinitely without their consent or co-operation, has reached its last phase. Senator Heaton Nicholls was right in more ways than one when he declared about a month ago that "This is the end of the road." The only real question in South Africa now is not whether the present phase of *apartheid* will succeed, but how it will end and what will come after it.

The policy of racial segregation on a democratic basis can never work, when Africans are daily learning the ways of the west in school and factory, when the economy of South Africa is dependent on their doing so, and when the condemnation of world opinion comes flooding in by means of newspapers, films, books and the radio. Either South Africa must put up the shutters like a Communist state and revert to a tyrannical dictatorship, or the idea of racial equality must take root and grow. There is undoubtedly some substance in the accusation of the opposition that the more extreme Nationalists do in fact seek to perpetuate their rule by any means in their power and to set up a dictatorship. But this could certainly not now be completed without violence and a clash could no longer be confined to the white men alone.

SOAS LIBRARY

Fortunately, there is still probably some way to go before either the government or the opposition takes the law entirely into its own hands. Inside South Africa Natal has a strong card to play. Mr Nicholls has publicly expressed the hopeful belief that the government will not persist in its present course, if once it is convinced that the threat of secession is real. The people of Natal are in fact likely to be faced with the practical dilemma of staying in the Union and trying to save it, or of implementing their threat and leaving the rest of South Africa to the complete, if temporary, mercy of Nationalist policy. On its own, Natal could be an economically prosperous colony, with good eventual prospects of tighter political and constitutional links with Southern Rhodesia, and its economic loss to the Union would be great.

For Britain the choice of an attitude is tragic. There has been no more creditable page in imperial history than the Peace of Vereeniging and the Union of South Africa which followed from it. Ever since, the leadership of moderate opinion has lain with men of Dutch rather than British descent, and it is the work of those like Botha and Smuts which is now being turned to dust. But there can be no condoning the militant racialism of Dr Malan's coalition any more than aggression can be accepted in the international field. Such policies impinge on the vital interests not only of Britain but of the free world. If Natal does secede, there can be no question where British sympathy, support and strategic interest lie.

Hats Off

THE modest parade of hats at Ascot last week was little more than a nostalgic reminder of the heyday of millinery. It is now a far cry from the time when a lady could hardly pour out tea in her own drawing room without wearing a hat, let alone take up her windswept position in an Edwardian motor car without an enormous creation secured under the chin with a veil of necessary strength. Once she shaded her eyes with a wide brim; now, more often, she blacks them out with sunglasses. That is the hatter's tragedy.

It is a recent tragedy. The first world war brought no revolution in the hat-wearing habits of British women. Between the wars, it is true, the hats they wore were of shapes that ought to have killed the millinery trade for all time; the worst was the hideous "cloche" that revealed only the lower half of the face, like a yashmak in reverse. But these hats were, apparently, worn happily, and when the second world war broke out the millinery trade was flourishing. But then came the deluge. After Dunkirk women's headwear consisted—apart from old stock—of service caps, scarves, and a few fashion-free hats that sold very quickly at very high prices. At the end of the war the hat manufacturers faced a public that had grown used to being hatless on fine days and wearing a scarf for wind and rain.

The diagnosis was straightforward. This was a clear case for a publicity campaign. All sections of the trade helped to finance the message that "a hat makes all the difference." The campaign was subtle. It sought to show that, for instance, a girl does not get offered a seat in an underground train unless she is wearing a hat. The utility of the hat was demonstrated for other occasions when the uninitiated might have expected it to be rather an encumbrance.

The publicity office that produced this campaign is now closing down but its work seems to have made an impression. Certainly sales of women's hats have risen fairly steadily since the end of the war. But the trade is still a shadow of its prewar self. Unfortunately, the statistics do not allow men's and women's hats to be distinguished in a comparison of prewar and postwar output. The most recent census of production showed that the gross output of firms with more than ten employees was £13 million in 1935 and only £14.8 million, at the prices then current, in 1948. This small rise in value represents a big fall in quantity. In 1935 the output of fur felt hats was 850,000 dozen. In 1948 manufacturers' sales were 336,000 dozen. (Figures for production in 1948 are not available, but the difference between production and sales can be taken as slight.)

The output of straw hats has fallen even more severely —from a production of 788,000 dozen in 1935 to sales of 69,000 dozen in 1948. More than half the firms that were in the hat trade in 1935 had by 1948 either dropped out or become amalgamated with others. These figures, however, exaggerate the decline so far as women's hats are concerned. Men's hats have suffered more severely. Altogether, the industry employed over 40,000 people in 1935 and only 20,000 in March, 1952.

*

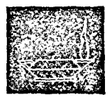
The making of women's hats is heavily concentrated at Luton. The industry developed there when the surrounding districts grew the straw from which the hats were made. Now rayon substitute straw comes from Italy and paper panama from Japan, but Luton still makes hats. The factories have found some favourable circumstances to set against the wartime change in their customers' habits. If the old hat buying classes now buy less than they bought before the war, new sections of the population—particularly in the north of England —have taken to hats instead of the traditional shawls that used to be worn for all but the very best occasions. Surprisingly, perhaps, South Wales is a particularly good market for inexpensive hats; it favours hats with high trimmings, which give the small Welsh girl the extra height she seems to covet. But everywhere the best sellers are still sober and conservative. Of every dozen hats sold, six are black, navy blue or brown. The manufacturers do not find that their smaller postwar public is becoming much more "fashion conscious."

In spite of the extra demand that full employment has created, there is little optimism about regaining the pre-war volume of sales even among the firms making the cheapest hats. Where mass production is most developed, shapes come off the blocks in hundreds of dozens and all the trimming is done by machines. Yet even for these products prices are three or four times what they were before the war. There has been nothing comparable to the utility scheme to tempt the buyer. The concern about prices shown by many manufacturers suggests that the reduced demand for hats reflects other things besides the wartime change in fashions that the postwar publicity campaign was intended to counteract. Women spend more of their income than they used to do on cigarettes, on cosmetics and on visits to the hair-dresser. The last is probably particularly important. The frequent "hair-do" costs so much that it is a pity to cover it up with a hat.

The expensive end of the trade has been less affected by the prevailing hatlessness, but it has been affected by higher prices and taxes. It is divided into two levels corresponding to those of the fashion trade. There are the milliners who make directly for their customers and invite them each season to come and see the collection; and there are the Millinery Designers of London—the "wholesale couturiers" as they are called in the fashion trade—who show their collections to the buyers from big stores here and overseas. As in the fashion trade, there is a tendency for the couturier to combine his retail business with the wholesale market. Women who before the war bought seven or eight of the most expensive hats buy two or three today. There is "new money," of course, but it is more easily tapped through wholesale couture, which is also more profitable. The hats for the wholesale collection are expensive and hand made, but there are some economies from producing a number at a time. The designers with established names do a little exporting. One who recently visited Australia decided that there was a large potential market, and with a royal visit impending the prospects seemed particularly good; but hardly was everything arranged when the Australian Government made its import cuts.

*

The contraction of the hat industry as a whole since 1939 is unlikely to be reversed, but there is a cheerful side to the picture. The trade has declined, but it is not declining. Indeed, it is the only branch of the textile and clothing industry that has not been hit by the recession of the last twelve months. The chief reason is that its prices never rocketed like those of most clothing. Many of the hat manufacturers had large stocks of materials to draw on and were therefore able to refuse the wool felt and fur felt hoods offered to them at high prices. The comparative steadiness of prices meant that there was no feverish buying and no subsequent reaction. A second reason for the comparative prosperity of the hat industry during the past twelve months seems to be that women who were refusing to buy new clothes still wanted a new appearance, and could achieve it relatively cheaply by buying a new hat. If that is so, it suggests a consolation for the hat trade. In contracting it has become more stable. Women will probably go on wearing hats less than they used to do, but the few that they do buy they will regard as almost indispensable; in a less hatted world, the hat industry has perhaps developed some immunity to the trade cycle.

ADVERTISING  WISDOM . . .

Quality sells . . . slowly

There are people who say that you don't need to advertise a really good article. They say that quality sells itself; and up to a point they're right. But quality by itself can be a slow salesman; by the time the world knows what an excellent product you are offering, you may have gone out of business.

One of the basic principles of selling is that, in the long run, if a product is going to be advertised it has to be good. But another is that even if a product is good, it still has to be advertised.

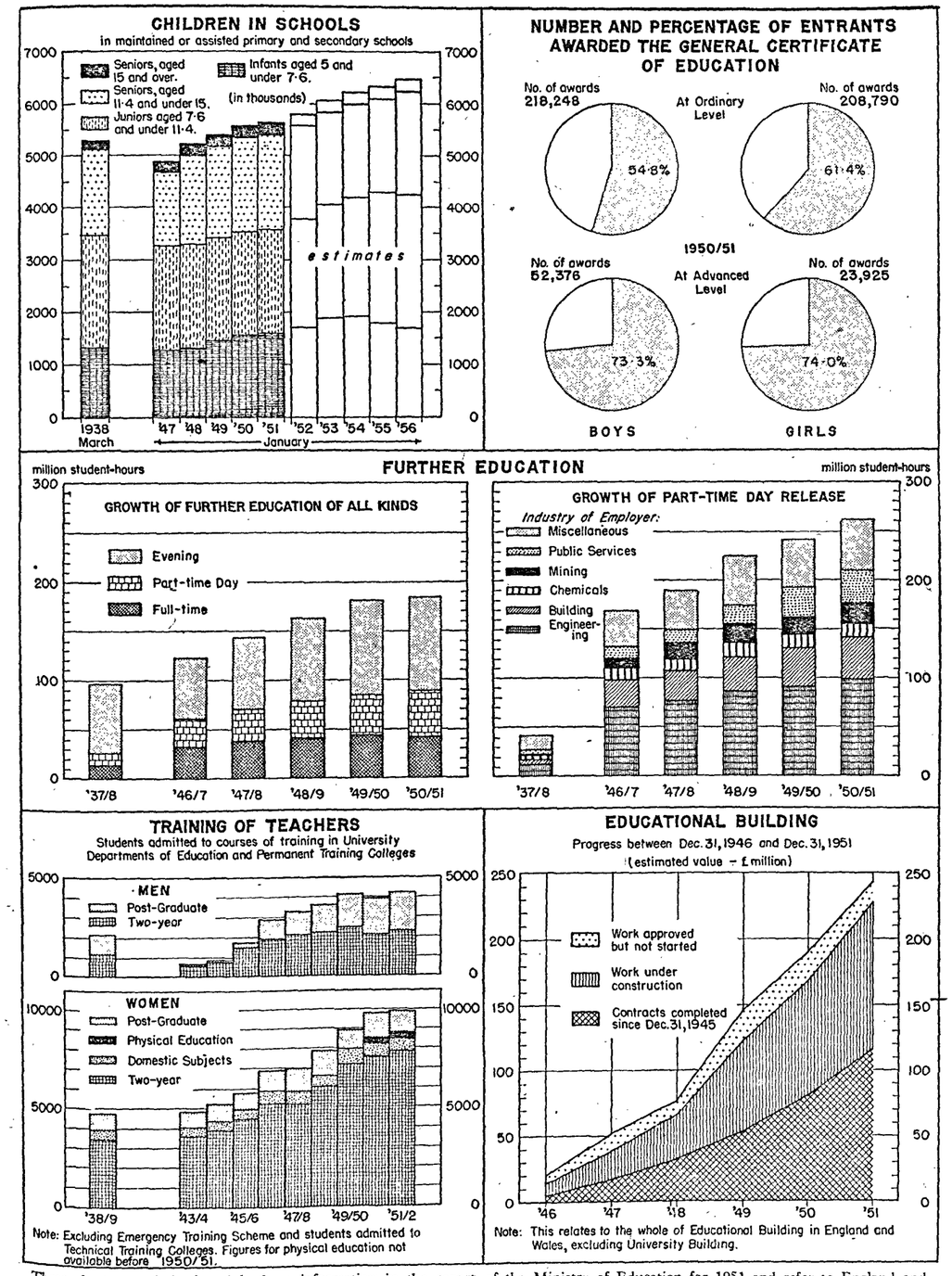
In fact, before you congratulate yourself because your product is selling very nicely on its quality, wouldn't it be as well to ask how much better it would sell if you helped it with a little of the right sort of advertising?

Why not drop in and talk about it? We can show you some actual examples that will convince you.

SAMSON CLARKS

SAMSON CLARK & CO. LTD., 57-61 Mortimer Street, London, W.1. *Incorporated Practitioners in Advertising* Telephone: MUSeum 5050

Education



These charts are derived mainly from information in the report of the Ministry of Education for 1951 and refer to England and Wales only.

Commonwealth Development—IV

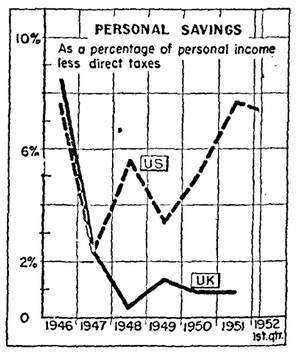
The Question of Capital

CAPITAL is of the essence of development. Indeed, a development plan is simply a programme for the investment of capital in ways that are expected to raise the country's subsequent standards of output. Since the war, the word capital has fallen into disrepute. Its mere mention conjures up in some people's minds—particularly in the undeveloped countries—the spectres of oppression, social injustice and even poverty. It is one of the paradoxes of the modern world that no previous generation has made such demands upon capital, in the sense of promising its citizens standards of living that can be attained only by means of highly capitalised industrial aggregations, and yet no previous generation has been so contemptuous of capital and its providers. This is partly, of course, because capital is equated with the capitalist and the capitalist with the rich man, who is under a cloud the whole world over. This is not the place to go into the equity or the economics of egalitarianism. It is enough to make the point that the development of under-developed countries is inconceivable without the investment of large sums of money in durable capital goods—in the early stages, quite particularly in means of transport, which are great eaters of capital. Those who believe in the development of the Commonwealth—whether it be the Labour party at home or the politicians in the countries to be developed—cannot be forced to love capitalists but it is compulsory for them to cherish capital.

Moreover, they must make it clear that they will go on cherishing capital, not merely for the short period while it is being supplied and applied, but through the whole period while it slowly bears its fruit. Most projects of capital investment are remunerative, if at all, only over long periods of time, and unless the provider of the capital—be he a rich individual, an institution collecting the savings of poor men, or a governmental corporation—can be given confidence that the fruit will be allowed to ripen, and that he will get what he considers his fair share of it, he will not provide the capital in the first place—and there is no way he can be compelled to do so by preachments of social duty.

Stated in the abstract, this is a trite truism. Yet it is the factor in the present situation which is always passed over in silence. It is not polite in international discussion to suggest that very few of the undeveloped countries that are crying out for capital can be trusted, over the next thirty to fifty years, to treat it fairly. If few of them are yet iranian in their attitude towards foreign capital, many of them can properly be described as iranescent. Broadly speaking, there are only two sets of conditions which create enough confidence among the owners of capital to encourage a large inflow of capital. One is if the undeveloped country is, and is likely to remain, in the unfettered control of the capital-owner's country—that is, if it is and will remain a fully dependent colony. There are no parts of the Commonwealth of which that can safely be said today. The other is that the country has a long record of treating capital fairly, based on a real understanding of the part it plays in a mature economy. That can be said of some parts of the Commonwealth, but not of all. It is difficult for a community to be fully capital-minded unless it produces some savings of its own and has shown that it knows how to use them. If the capitalist is also exclusively a foreigner, the temptation to rob him, once he has made his investment, will be wellnigh irresistible.

There can be no doubt that the great growth in recent years of self-government in undeveloped countries, however desirable it may be on political grounds, puts very large obstacles in the way of their rapid development. The security is greater, and the obstacles are therefore less, in the Commonwealth than elsewhere. But with the rapid extension of self-government in the colonies, the security is no longer anything like as absolute as it used to be. By the same token, capital is shyer. Nor can the obstacles be got over by relying on large governmental corporations. They, too, are expected to show a fair return on their capital and, with a very few exceptions, will not invest without security of equitable treatment. Moreover, they cannot possibly provide all the capital required. It is not easy to name a figure for the capital requirements of the Commonwealth and sterling area. The Colombo Plan, which covers only part of the area, and part of that part's total needs, will require £1,084 million of outside finance over a period of six years. The cost of colonial development is at least £500 million over a period not much longer. Furthermore, these figures embrace only the relatively large projects; there will have to be a great mass of smaller projects if development is to be well rounded. The lowest figure that can safely be put on the capital requirements of the whole Commonwealth (excluding the United Kingdom itself) if development is to proceed faster in the future than in the past must be about £500 million a year, and may be much more. No governmental corporations, British, inter-Commonwealth or international, are going to find as much as that.



In the past, the capital needed for the Commonwealth came predominantly from the United Kingdom. Indeed, it is this capital nexus, more than trade relations or common monetary reserves, that holds the sterling area together. Seen from London, the chief content of "Commonwealth economic policy" may be current trade; seen from almost anywhere else in the Commonwealth, the availability of capital bulks at least as large, and in many countries much larger.

Can London be, in the future as in the past, the main—the almost exclusive—supplier of capital for the Commonwealth? There are plenty of people in this country, on both sides of the political fence, who are bravely ready to "talk big" in the promises they will make of the capital to be forthcoming. With a Budget approaching £4,000 million, even £500 million no longer looks as big as it used to. But an international capital transaction is a very different affair from the internal raising and spending of current money. Before it can be successful, four requirements have to be met by the lending country, apart from those that the borrower has to observe—

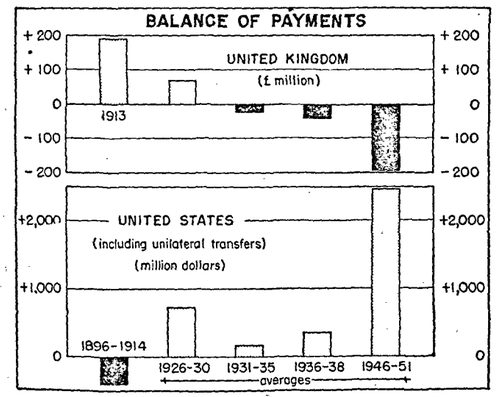
(a) The lending country must have genuine savings (i.e., its people must be consuming less than they produce) out of which the loan can be made. For a country to lend abroad except out of genuine savings is fully as inflationary as for it to indulge in capital expenditures of its own at home in excess of its savings.

(b) The lending country must have a surplus in its balance of payments sufficient to cover the loan. Otherwise, the only way in which it can lend is by itself borrowing (or drawing on reserves).

(c) It must be possible for the money to be spent on the actual goods needed for development—railway material, machinery, etc.

(d) The lending country must be able and willing to take payment of interest and of the eventual capital repayment in goods.

Britain has always had a good record in meeting the fourth condition. But postwar Britain shows up very



badly in the other three respects. Genuine national savings, with the element of pure inventory appreciation removed from them, are totally inadequate to provide anything like £500 million for the Commonwealth, on top of the United Kingdom's own manifold requirements for capital. Saving is a dying art in Britain, and without either a very large relaxation of taxation on the rich, or a sharp reduction in the demands of the poor for a high level of consumption, it is hard to see how the total of savings can be expected to increase.

The balance of payments of the United Kingdom has been erratic in the postwar years. There have been surpluses in only two years, and the largest was of only £244 million in 1950. The deficits have been larger than the surpluses and in two years, 1947 and 1951, they have been in the excess of £500 million. Throughout these years, London has in fact continued to perform its function of provider of long-term capital for the Commonwealth, but it has done so only at the cost of running down the reserves of the sterling area and piling up short-term debts to the members of the sterling area. This is crazy finance, and it obviously cannot go on for ever. It has, in fact, already gone about as far as it can. In future, London will be compelled to limit its loans to the Commonwealth to the total of its balance-of-payments surpluses—indeed, to less than the surpluses, for the reserves must be rebuilt and the short-term indebtedness paid off. It takes a formidable degree of optimism to believe that the surpluses on the balance of payments of the United Kingdom are going to be steadily in excess of £500 million a year.

The third condition is that the actual capital goods needed shall be available—and that means (in the case of a sterling loan) available from Britain, as sterling loans cannot be spent in America. It is impossible to give a detailed list of the types of goods required, for they are too numerous. But one of the first essentials in any development plan is to increase transport facilities and that means the provision of new railways and rolling stock, roads and trucks, possibly even airfields and aircraft, quite apart from new warehouses, increased handling facilities at the terminals, and an extension to the present shipping capacity of the ports. On the agricultural side, machinery (particularly heavy tractors) and implements will be required, fertilisers, storage space and even perhaps processing equipment. If the items on this list have one feature in common, it is that they all compete directly with rearmament. Even if Britain had the savings and the balance-of-payments surplus, the part it could play in Commonwealth development would clearly be limited for a number of years to come.

*

These facts make it imperative to examine the possibilities of obtaining non-British capital for the development of the Commonwealth. There is capital available in some European countries—Sweden, Switzerland, perhaps increasingly Germany. But in overwhelming measure "non-British capital" must mean "American capital." For some time after the war, the British Treasury seemed to pursue a policy of discouraging American investment in the Commonwealth, partly perhaps out of pride, partly out of apprehension of the burdens that the service of such loans might put on the dollar account. But latterly the attitude has appeared to change, as it has become apparent that Britain will not for a long time be able to find all the capital needed.

There is little doubt that the United States has the savings; the sums that the Commonwealth requires are no more than a small fraction of the buoyant savings of the American people. Nor does the American balance of payments create an obstacle. (How strong the United States is in these respects is illustrated in the accompanying charts.) Even in present circumstances, capital goods of most kinds are available in respectable volume. The fourth condition has in the past created difficulties; but America is increasingly becoming an importer of raw materials, and the difficulties may consequently not be so great in the future.

Hitherto, however, there has been an almost complete lack of enthusiasm in the United States for investing in the sterling area. The private American investor is very loth to place his money anywhere outside North America—except for the direct investments of the oil companies, where the impelling force is more their own thirst for oil than the desire to assist in the development of neglected

territories. The organs of the United States Government seem to be inhibited from investment in the Commonwealth by their dislike of "colonialism"—a dislike that is all the stronger for being based, usually, on total misinformation. (It may be that if the American investor knew how breakneck in its liberalism latter-day British colonial policy is, he would be even less ready to risk his money.) Rosy dreams of American participation in Commonwealth development can be deflated by recalling how cavalier has been the response even to so admirable a project as the Colombo plan. Moreover, even if Americans were prepared to pour billions of dollars into the Commonwealth, would they be entirely welcome? All unworthy jealousy apart, a Commonwealth whose development was financed predominantly from America would not long remain a British Commonwealth.

None of this means that opportunities of attracting American capital into the Commonwealth should not be assiduously sought, or that it is not possible to be reasonably hopeful of gradually building up a financial connection of great mutual value. But it does mean that it would be unwise to count on non-British capital for more than a fraction of what is needed. The United Kingdom may not in the future be the sole supplier of capital for the Commonwealth, but it will have to go on doing at least half the job.

If the Commonwealth and the sterling area are to continue, there will have to be development. If there is to be development, the United Kingdom will have to provide capital to the tune of something like £250 million a year. To do that the British people will have to save more than they do at present—which is the same thing as saying that they will have to reduce the level of their consumption relatively to their output. And they will have to make sure that they have a large surplus on their balance of payments.

This is a sobering conclusion. It means that Commonwealth development presents no escape from the harsh compulsions of the British economic problem. On the contrary, success at home in solving that problem is a pre-requisite of Commonwealth development.

(To be continued)

NOTES OF THE WEEK

Conservatives and the Poll

It is being said in Westminster that Mr Eden is turning a determinedly deaf ear to the suggestion that he should move from the Foreign Office in order to stiffen the Government's handling of domestic policy. The main argument seems to be that opinion abroad would be disturbed by a change at the Foreign Office before the European Defence Community is a working reality. This cannot be taken very seriously. It is hard to see that in fact any ally of Britain would have reason to fear a change in foreign policy as long as Mr Churchill remained Prime Minister.

But, whatever the real reason, it appears that for the moment Mr Eden may be content to couple his duties as Foreign Secretary with an increasingly active concern with domestic affairs in his capacity as Deputy Prime Minister. The link is provided particularly by the cabinet committees concerned with economic policy, in which Ernest Bevin used at times to make his influence felt. Certainly it is here that foreign and domestic affairs overlap most closely, and Mr Eden will do well to revive the former practice. But that is not in itself a major strengthening of the Government, and it would be a pity if Mr Eden tried to leave things at that. The probability is that a considerable reshuffle cannot be very long postponed.

Meanwhile, the concerned and discontented backbenchers at Westminster have not had their anxieties eased by the latest findings of the Gallup Poll, which the *News Chronicle* published on Monday. It showed that the Government had lost further ground with public opinion during the past month. The percentage of people who say that they would vote Conservative in an immediate general election has fallen to 40½ per cent, against 49 per cent for Labour. Labour's lead is thus 8½ points, compared with 5½ points a month ago. Perhaps most significant of all is the Gallup Poll's report that only one person in six believes that the Conservatives will retain power at the next election. Yet the politicians themselves surely ought not naïvely to follow this view. When Labour was in power last year it was more unpopular than the Tories are now. In August, 1951, the Gallup Poll gave the Tories a lead of 12½ points and even as late as September it was 10 points. If Labour could recover as far as it did in the month or two before the election, surely the Government has no reason to be depressed at this stage in its career—provided that it gets the worst over in the first two or three years. An increasing number of Conservative members seemed to be voicing the obvious conclusion within the party's councils: do not worry about the election; hesitancy, not boldness, is the thing that would be the Government's undoing. If this obvious view really grows stronger the Tories' prospects will certainly be brighter. But it would not make ministers' lives quieter; the Tory pressure for a stronger cabinet would necessarily increase at the same time.

* * *

Socialists and Philosophy

An important contribution to the Labour party's rethinking of its philosophy and policy has been made this week. Socialist Union, a discussion group formed last year, has written a pamphlet* with at least the informal blessing not only of Mr Attlee and Mr Griffiths but also of the party bureaucracy in the person of Mr Morgan Phillips. It is a blunt and intelligent assertion that British socialism is the doctrine of a progressive party, not of a revolutionary party.

As an intellectual proposition, this is hardly open to challenge. The trouble is that much of the Labour party has always been rather shamefaced about its own moderation. It has no practical doctrine of revolution but many of its members still feel that they ought to be revolutionary. It is this that finds expression in many of the quirks and weaknesses of Labour policy—and in the irresponsibility of much of its present behaviour in opposition. It is encouraging, therefore, to find a pamphlet, issued with such authority as this, which is in no way ashamed of moderation. The Labour movement is not, it argues, concerned with overthrowing capitalism and replacing it by something called socialism. "There are no two distinct and opposing systems, only an infinite series of gradations." All the social and economic changes from the capitalism of the nineteenth century cannot be seen as part of the transition to some definite socialist system. For "have any of us knowledge of a system of institutions which would mark the end of the transition? And if we had, would there be any agreement on their nature? Obviously no such knowledge and no such agreement exists."

* "Socialism: A New Statement of Principles." 63 pages. Published by Lincolns-Prager. 3s.

From this the pamphlet goes on to protest against the class war as an instrument of socialist advance; it declares roundly that the programmes and thoughts of socialists "have all grown out of the discontents of the past, and were designed to meet the injustices of a past age"; it not only objects to the identification of nationalisation with socialism but asks whether anyone knows what "socialisation" means; it is not only unhappy about the growth in the powers of the state but even raises as an open question: "Do we want more or less state action in the social services?"

All this is, of course, destructive. Positively, Socialist Union offers as yet ethical, not political, principles; and the best of ethics can lead men to almost any practical conclusions. But there is hope for the Labour party if the first stage of rethinking—the destruction of outworn doctrines and attitudes—is done in the spirit of Socialist Union. It is easy enough to see why Mr Bevan is so disturbed about the "fresh thinkers" who want to set his party free from the traditional fetters that he expresses.

* * *

The Lords and Procedure

Despite the presence in the House of Lords of several members of the Cabinet, its debates have been curiously lacking in force and interest in this Parliament. There have been some exceptions, as in the discussions on the BBC which brought Lord Reith forth in all his wrath. But none of the great issues of the day—defence, foreign policy or economic affairs—has produced in the Lords in recent months debating of the sort that did so much, in the early postwar years, to revive the strength and the dignity of the second chamber.

Lord Stansgate, who was elevated to the House of Lords after many years of vigorous service in the other place, last Wednesday called upon their lordships to grapple with this decline in their influence. Everyone will endorse one cure he propounded: that speeches should be spoken, not read. This vice, however, is even more prevalent in the House of Commons than in the Lords. It is a direct byproduct of the managerial revolution and the development of the party machines, which prefer the spokesman to the statesman. Lord Stansgate's other proposal—that the peers should resume their daily critical examination of ministers, and should in general show a more combative spirit—would be likely, however, to defeat its own object. If it were to be of real value, the "overlords," whom Lord Stansgate wants to harry in this manner, would frequently have to impart to the peers more information than their underlings had given to the House of Commons; and then the mutterings in the lower House would indeed swell to a real volume of antagonism.

Lord Salisbury's diagnosis is that all these troubles stem from the pruning in recent years of the powers of the Lords; the cure lies in "a moderate restoration" of its powers. But this is possible only if the upper chamber is reformed so as to remove its overwhelmingly Conservative character. Their lordships' debates have lost much of their interest in this Parliament precisely because, with a Conservative Government in power, they are no longer likely to exercise even the limited power of delay left to them under the last Parliament Act. When Labour was in office the House of Lords still held an ultimate reserve of power. It could block for one year a major piece of legislation; the existence of this threat, hedged about though it was, certainly delayed the nationalisation of steel until after the 1950 election. It was a real element in the political scene. Today, when the Government has a majority in both Houses, the reserve powers of the Lords are an empty threat. The second chamber may retain the influence and usefulness of 1945-51 if its composition is unchanged, provided that a moderate Labour Government is usually in office. But if a similar part is to be played whatever the party in power, the composition of the Lords must be reformed.

No Policy for Tunisia

A disastrous debate on Tunisia took place in the French Parliament last week. Its purpose was to widen support for the government in executing the plan of reforms which it has already offered to Tunisia. A resolution to this end was presented by the Radical M. René Mayer and was drafted as a compromise between the Tunisian desire for quick fulfilment of France's promise of autonomy, and the French settlers' fears of the fate they might suffer if all power were to pass into African hands. The resolution was not, as has sometimes happened, torpedoed by the intransigence of the settlers; these M. René Mayer, who is the deputy for Constantine and therefore of their kin, represented with statesmanship and moderation. It fell to simultaneous volleys from left and right. A Communist vote against it was a foregone conclusion. The Socialists voted against it as being insufficiently liberal, and the Gaullists because they dislike the whole foreign policy of the present government, and dislike M. Robert Schuman in particular. It was therefore lost by 328 votes to 258.

The worst aspect of the debate is that it was wholly negative. No party or group could get a majority for its version of what to do. Eleven negative votes do not make a policy. The government's only mandate to go ahead with offers it has already made is that no one can produce an approved alternative.

The likely repercussions of the debate are serious for France. In Tunisia, where sporadic troubles continue, such uncertain handling by Paris is bound to encourage the resistance of the Neo-Destour to compromise. And if compromise proves impossible to achieve among the relatively Francophile Tunisians, it becomes much less likely in Morocco. In the world at large, the incident is bound to reduce respect for France's authority in its overseas dependencies. This fact may become apparent if and when the Arab and Asiatic states succeed in their present demand for an extraordinary

meeting of the UN Assembly to discuss Tunisia. The Americans, who abstained when the question of debating Tunisia was last raised in the Security Council, have privately told the French that they cannot support them again unless they pursue a more liberal policy than that of arresting cabinet ministers and employing the Foreign Legion indiscriminately to stamp on whole villages. Too much notice need not be taken of a retort by Marshal Juin that such an attitude might hasten the day of France's withdrawal from the United Nations, since it is simply one more of his *gaffes* in a lamentable series that has now been running for some time.

* * *

Communist Fiasco in France

The French Communists have been quick to confess their sins. Last week *Humanité* carried a long report by Etienne Fajon, member of the Central Committee, in which last month's attempted uprising against the government's foreign and economic policy was ruthlessly dissected. The party, said M. Fajon, had made two main errors: it had alienated the mass of the workers by understressing their economic claims; it had repelled certain sections of the bourgeoisie by overstressing their allegiance to the American imperialists. (M. Francois Billoux on his return from Moscow had written before the riot about the absolute necessity of overthrowing the Pinay government, which represented a bourgeois Franco-American alliance against the interest of the workers.) M. Fajon remarked that quite a number of French manufacturers were threatened by the armament policy and their exclusion from Eastern European markets. These elements should have been associated with the workers in protest against the government. M. Fajon also referred to the inadequate welcome given by M. Pierre Courtade, *Humanité's* leader-writer, to a recent article by "Sirius" of *Le Monde* in which France's membership of the Atlantic Pact was once more adversely criticised. The party had been "sectarian and opportunist" in its neglect of these valuable allies.

The Central Committee's self-criticism is presumably designed to camouflage the original vacuity of the Kremlin's directives. No possibility existed in France this summer of stirring up "national indignation" against the Atlantic Pact. The workers, the neutralists and some entrepreneurs may dislike or fear it. But no conceivable action of the Communists could have united them against it. Street fighting against the bourgeois government's police could never have appealed to even the most anti-American French businessman. Riots in France spell first and foremost domestic revolution. And only men as ignorant of western Europe as the Moscow Politburo could imagine that the Communists could combine a campaign to overthrow the government with an appeal to the bourgeoisie. Yet that is precisely what the French and German Communists have been ordered to do. They have failed because the orders themselves were self-contradictory and not only because the local leaders did not quite understand what was required of them.

* * *

The Bacterial Deluge

The Communist world propaganda campaign alleging American use of bacteriological weapons in Korea has now reached a stage at which it has become a critical issue in the Security Council. Perhaps the most noteworthy feature of the whole of this campaign—the most universal, intense and vituperative ever launched in political warfare—has been that it has been directed exclusively against the United States; no other nation has been accused of taking part in the alleged crime, or even of being an accessory, yet it is obvious that, even with an American commander-in-chief, the United Nations army in Korea is far too mixed a force for it to be possible for the Americans to carry on warfare of this kind (with all the attendant risks of the reverse spread of infections across the lines and the precautions which would have to be taken against it) except with the full knowledge and connivance of America's allies in the field. The basic purpose of the propaganda campaign is in fact to bring about the moral isolation of America, and it runs parallel to the general political line of mobilising everywhere all forces of every kind which have an anti-American bias, even though they may be altogether hostile to Communism as such.

The United States has now asked the Security Council to approve a proposal for an investigation of the charges by the International Red Cross, and Mr Malik, as chairman of the Council for this month, has countered by demanding that representatives of Communist China and North Korea be heard before the Security Council acts in the matter. What the Americans want is a proper inquiry into the accusations made against them; what the Soviet Union wants is a rhetorical tub-thumping debate about them in which nothing can be proved or disproved. The business of the Security Council is clearly not to pass a verdict itself, but to institute an impartial inquiry, which is what the Communists for the last five months have been trying to avoid. So far they have refused to submit their evidence to the scrutiny of any international body less committed to the Communist cause than the International Association of Democratic Lawyers—of which all that needs to be said is that the British delegate on its commission in Korea was a Mr Jack Gaster. Much has been made in Communist publicity of the confessions of two American airmen captured in Korea, but they are far from being strong evidence in support of the Communist case, even on the assumption that they are genuine and honest testimony. What is needed is investigation of the charges by a commission of impartial and technically competent persons, and there would never have been any difficulty in arranging such an investigation if the Communists had been willing. Their unwillingness creates a strong presumption that they are aware of having no evidence which will stand up to expert examination.

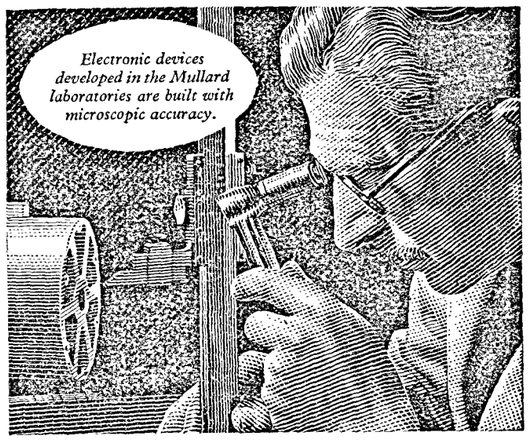
* * *

Wages, Prices and Taxes

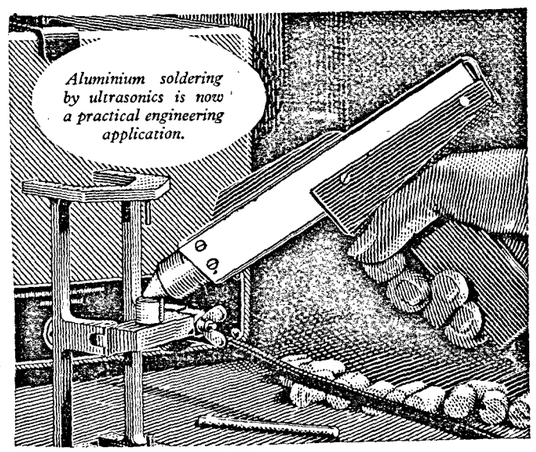
On Monday the Railway Executive flatly rejected the railway unions' application for a 10 per cent rise in rates of pay and some additional benefits. This was the first formal move in the round of negotiations and arbitration proceedings that has now begun in earnest. These negotiations directly concern claims advanced on behalf of nearly seven million workers. As had to be expected, the discussion on Tuesday between the Chancellor of the Exchequer and the economic committee of the TUC does not seem to have suggested any way in which the flood of wage claims can be stopped or even slowed down. The case for restraint is not helped by suggesting, as some Conservatives now seem to want to do, that if the cost of living rises further this year it will all be the fault of the trade unions for raising costs. In the accompanying chart the indices for retail prices and wage rates are recalculated by taking as 100 the average for the first half of 1950, the period of stability before the outbreak of the Korean war. This is as fair a basis for comparison as exists; since wage restraint had not then broken down, it is certainly not unduly favourable to the unions.

On this basis, wage rates lagged behind prices during the summer of 1951, caught up in the burst of pay advances at the end of the year, and have since fallen a little behind. Mr Butler said on Tuesday that between March and May higher food prices raised the general price index by 1 point out of the 4½ points that was estimated to be their full effect. This means that the recalculated index shown in the chart, which was 119 for May, is likely to rise to 122 during the

Progress in Electronics



RESEARCH The great variety of subjects under continual investigation in the Mullard laboratories include some that are truly revolutionary. Ultrasonics is an example. This science, involving the use of sound waves far beyond the range of human hearing, is likely to find increasing applications in numerous industrial processes. Its development is typical of Mullard initiative in research.



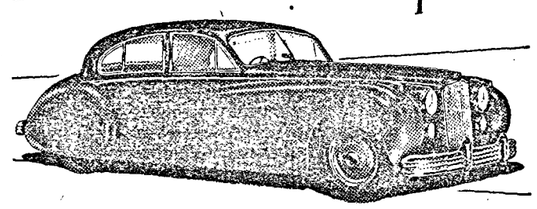
PRODUCTION Bringing the benefit of this research to industry and the community is the other function of the Mullard organisation. Every year, in great factories in Lancashire and Surrey, millions of valves, electron tubes and components are produced for Britain's electronics industry. In other plants complete electronic equipments are manufactured for specialised purposes. Behind the name Mullard, therefore, is a store of experience in electronics that may well prove of immense importance to your own organisation.

Mullard

Mullard Ltd., Century House, Shaftesbury Avenue, London, W.C.2

(MP3668)

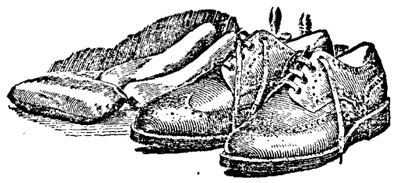
grace space pace



"Conveys an air of good living . . . In performance and road behaviour, as in appearance and finish, one of the most impressive cars in the world today. Reaches 100 m.p.h. in quite moderate lengths of clear road." *The Autocar.*

JAGUAR

Powered by the world-famous XK120 Engine



It's the wise man who knows that if you take care of your shoes your clothes will take care of themselves.

LOTUS shoes are made for such, having an eye to the fine points of appearance. Their leather, their lines, their workmanship and multiple measurements provide each with the perfect fit.

LOTUS SHOES

FOR ALL MEN AND MOST OCCASIONS

LOTUS LTD., STAFFORD.

REVERSIONARY BONUS
AT A RATE OF 38/- PER CENT
AND UPWARDS

ESTABLISHED 1844
EQUITY & LAW
LIFE ASSURANCE SOCIETY
20, LINCOLN'S INN FIELDS, LONDON, W.C.2

Nixa 33⅓ R.P.M.
LONG-PLAYING MICROGROOVE
RECORDS

It has taken just over seven months for Nixa to become a household word amongst music-lovers. Although the variety, performance and quality of Nixa Records have won the enthusiastic praise of foremost critics, *it is the gramophone owner above* all who has enabled a *small independent* company to achieve so *prominent* a position so swiftly. The Nixa catalogue goes from strength to strength in an adventurous spirit of giving much that is new to the gramophone. If you enjoy the relaxation long playing records provide, you will welcome Nixa.

• COMPLETE OPERAS

IDOMENEO *Mozart*
The only complete recording of the opera which is featured so prominently this season at *Glyndebourne*. With a *distinguished* Viennese cast, on four 12 in. Long Playing Records **HLP 2020-1 to 2020-4.**

COSI FAN TUTTE *Mozart*
Also in this season's Glyndebourne programme. With soloists, chorus and Ton Studio Orchestra of Stuttgart, on three 12 in. Long Playing Records **PLP 555-1 to 555-3.**

DON GIOVANNI *Mozart*
Vienna Symphony Orchestra and distinguished Viennese cast, conductor Hans Swarowsky. On four 12 in. Long Playing Records, **HLP 2030-1 to 2030-4.**

MANY OTHER UNUSUAL AND ATTRACTIVE OPERAS AVAILABLE

• Other NOTABLE RECORDINGS

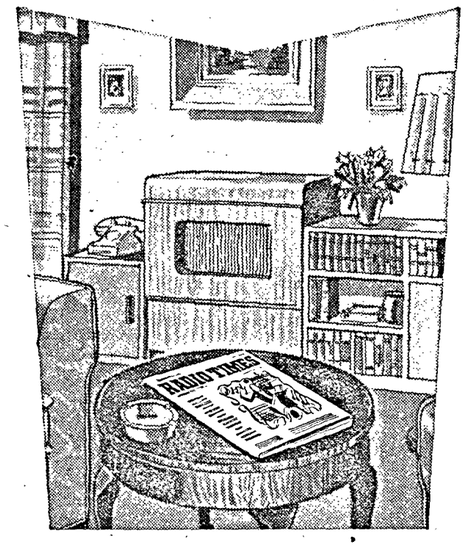
Amongst a wealth of recordings which include the late quartets of Beethoven as well as the 3 'Rasumovsky' quartets, unusual works by Haydn, Bach, Schubert, etc., there are a number which feature the playing of the 'cellist, James Starker. His playing is rightfully classed amongst the world's best, and the superb recording does it complete justice. Starker's recordings include:—

Mozart Trios (piano, violin and 'cello) Nos. 1 and 6 **(PLP 523).**
Nos. 2 and 4 **(PLP 522),** Nos. 3 and 5 **(PLP 521).**
Sonata for 'Cello and Piano—Kodaly **PLP 702.**
Sonata for Unaccompanied 'Cello—Kodaly **PLP 510.**
Unaccompanied 'Cello Suites, No. 3 and 6—Bach **PLP 543.**

The complete NIXA L-P catalogue, price 6d. is available from your local NIXA stockist or direct.

NIXA RECORD CO., 35 PORTLAND PLACE, LONDON, W.1

PART OF THE FURNITURE



With a circulation of nearly 8,000,000 the RADIO TIMES is the constant "friend of the family" in 60% of the homes of Great Britain. It is read equally eagerly in the cottage of the cowman and the mansion of the duke. So large is the circulation, so stable and so truly representative of all standards of British home life that . . .

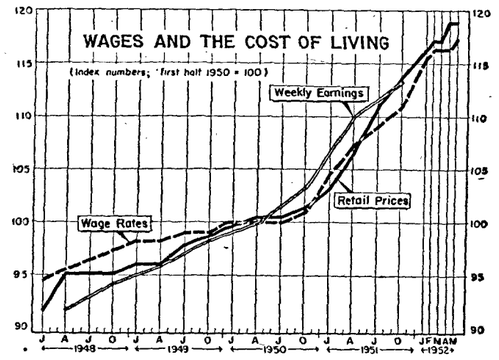
A Single insertion in the
RADIO TIMES
Average weekly net sale for 1951 (A.B.C.) 7,880,718.
is a National Campaign
for nine days *plus...*

Advertisement Dept., B.B.C. Publications, Broadcasting House, Portland Place, London, W.1

sells limited

summer; if money wage rates were kept stable at the May level, they would on this basis fall in real value to about 4 per cent less than real wages in the first half of 1950. In the past, of course, weekly earnings have generally risen more than wage rates, but this did not happen between March and October last year and is probably not happening now.

This argument in no way suggests that the present wage claims, or even any smaller claims, are desirable or justified. It does mean that many unions have a good case for more pay if they look purely at their sectional interest in maintaining their own members' real wages. It is true that for most workers higher food prices are offset by bigger family allowances and reduced taxes, but it would be dangerous to use this as an argument against wage rises. Are those



who do so prepared to accept the converse argument—that if in future the Government raises income tax, the unions are entitled to take this into account in claiming more pay? The unions' determination to defend the real gross earnings of their members can be damaging enough economically; if it becomes refined into an insistence on constant net real earnings after tax, future Chancellors will have no room for manœuvre whatever left to them. An appeal for wage restraint should, therefore, rest not on subtleties about taxation but on the simple proposition that a temporary fall in real wages will help to get the country through its difficulties with the most eventual benefit to the workers as a whole. If ministers feel unable to say this frankly, they are most unlikely to make any impression by more ingenuous appeals.

* * *

Town *versus* Country

The Government has already stated that it is unlikely to attempt the reform of local government areas this year or next, unless the local authorities can agree among themselves. The initiative for reform, which Mr Bevan summarily wrested from the Boundary Commission, has therefore been tossed back to the local authorities themselves. They are most unlikely to accept their opportunity. Disagreements between the various types of local authority seem to be as strong as ever; even if some compromise could be patched up between them, it by no means follows that the result would be satisfactory.

This further delay is giving rise to a new batch of arguments and proposals. One important question is whether the sharp distinction between urban and rural areas, which characterises the present system, ought to be preserved. Certainly there is no adequate reason for keeping urban boundaries within their present straitjackets. But some critics go further and argue that a union of rural with urban districts would revitalise the lower tier of local government, by creating authorities wealthy enough to possess an adequate staff and to be given greater powers. Such an arrangement would increase the population, but not the area, of the average county district.

This approach was recently criticised by Mr Neville Hobson, the chairman of the Rural District Councils Association. He argued that it would preclude the separate representation of each parish (a vital element in the present rural district) and that there would be no means of adjudicating fairly between the relative importance of, say, an urban and a rural sewerage scheme. Clearly he feared that the special needs of the countryside would be sacrificed to urban interests. An alternative approach was suggested by Mr Jack Whittle in his presidential address to the Institute of Municipal Treasurers and Accountants. His idea is to create within each county, by means of extensions and amalgamations, as many urban districts as possible with a population of over 40,000 or 50,000. This, in his view, is the minimum condition for giving minor authorities much stronger powers than they have. Rural districts, under this scheme, would be left alone. But are there, in fact, more than a few counties where it could produce substantial results unless parts of the countryside could be included in the new urban authorities? Are rural districts then sacrosanct? No scheme of local government reform can get far until this question is answered.

* * *

German Trade Union Extremists

Clouded from the outside world by such forbidding words as *Mitbestimmungsrecht* and *Betriebsverfassungsgesetz*, a dangerous struggle has for some time past been developing in the German Federal Republic between the Trade Union Federation and employers.

The Federation's leaders describe their aim as a revolution, and they are not far wrong. Broadly speaking, the Federation is claiming the right to a half-share in controlling the whole economic life of the country. Parity is demanded in a new economic chamber, and in subordinate local branches. Inside all but the very smallest firms and in the public services, the Federation proposes the setting up of works councils that will in effect be controlled by the headquarters of the unions. Even more obnoxious to every employer, however, is the Federation's demand that half the boards of directors shall consist of labour representatives, some of whom would be men nominated by the trade union executive and not employed in the firm. The labour representatives would be fully equal to the representatives of capital and the business managers, sharing all the secrets and decisions of the firm.

Last year the *Bundestag* passed a law giving labour co-determination in the iron, steel and coal industries. But instead of claiming a great victory the Trade Union Federation committed itself to winning all its objectives throughout the whole of the German economy. Any amateur politician in Britain could have told the German union leaders that it is wiser to gain kudos for a partial success than it is to proclaim a fight to a finish for an objective that is hardly likely to be achieved in full. The political advantages of a compromise are, however, not understood in Germany.

A draft bill on works councils and co-management prepared by a *Bundestag* committee was violently denounced last month by the Trade Union executive. In stirring terms, the Federation called on the workers to prevent the bill from becoming law, because it fell far short of the executive's demands. A series of short strikes was called, which the Communists inevitably attempted to turn into demonstrations against the new German treaties, and a "second revolutionary phase" of action was heralded if Dr Adenauer failed to submit to the Federation. It would have meant the end of parliamentary democracy in Germany if he had done so. Instead, the Chancellor protested against this undemocratic attempt to circumvent parliament, and refused

LIBRARY

to talk to the Federation's chairman, Herr Fette, until the strikes were called off. Dr Adenauer's delaying action seems to have succeeded. He has reminded Herr Fette that the bill is not in its final form, and has started negotiations on a Federal Economic Council. The Federation for its part has suspended its strike campaign. For the moment there is a useful lull, during which the Federation leaders would be well advised to recall that extremism may split the union movement. It may also lead employers into forming a "front" of their own that would support the development of reactionary parties and throw over Dr Adenauer.

* * *

The Amount of Sickness

The working of the national insurance scheme in the year 1950-51 is described in the Government actuary's second interim report (HMSO, 9d.). The experience of the first eighteen months was broadly repeated. The following table shows the expenditure from the national insurance fund in 1950-51, compared with the expected expenditure and the actual expenditure in 1949-50:—

(£ Million)

	Actual 1949-50	Expected 1950-51	Actual 1950-51
Unemployment benefit	14	94	13
Sickness benefit	66	78	69
Maternity benefit	9	9	9
Widows' benefits and guardians' allowance	22	24	22
Retirement pensions	249	244	248
Death grant	2	3	3
Administration	23	18	21
Loss on realisation of securities	2	...	1
	387	470	386

As the actuary points out, the expected figures for 1950-51 were still drawn up on the assumption that the average rate of unemployment would be 8½ per cent. The lower rate which the actuary has assumed since last year's legislation should bring the expected figures for 1951-52 much nearer the actual figures. The small fall in expenditure on retirement pensions compared with 1949-50 is attributable to the vagaries of the calendar—the incidence of Easter and the number of Fridays in the year (Friday being the usual pay day for pensioners).

The biggest change from 1949-50 to 1950-51 is in the level of sickness benefit. When the finances of the national insurance scheme were being calculated, the actuary assumed that the higher sickness benefit would lead to a markedly higher rate of claims for benefit than occurred under the old national health insurance scheme. Yet in both 1949-50 and 1950-51 actual expenditure on sickness benefit has been lower than the expected amount, and the increase in 1950-51 over the previous year is mainly accounted for by the influenza epidemic at the beginning of last year. The amount of sickness is high enough in all conscience. From a sample it is estimated that in the calendar year 1950 (which excludes the epidemic period) benefit was paid for 43 million weeks, that is, an average of two weeks per contributor. This excludes the sickness for which no benefit was paid and the sickness of civil servants (amounting to about 1 million weeks), for whom special arrangements are made. Nevertheless, it is reassuring that payments of sickness benefit are still lower than was expected. This reassurance provided by the actuary's report is strengthened by the findings of the Social Survey, whose survey of sickness shows no general increase in incapacity among the working population since the insurance scheme was introduced.

* * * *

Poorer Scholars

The Ministry of Education cannot be thanked for its revision of maintenance rates for university students. These rates are the amounts agreed with the university authorities as the cost of a university course. They were last fixed in 1949 and varied from £265 a year (including the vacation allowance) at Oxford and Cambridge to £215 at a provincial university with rates for London about half-way between. The new rates, which will apply from next October, range from £288 (including the vacation allowance, which has actually been reduced) to £230. The Minister says that these are the minimum sums needed to enable students to obtain proper benefit from a university course. But if the rates agreed on in 1949 provided the minimum, it is difficult to see how the new rates can possibly do so. They show increases of only 7 to 9 per cent. It is true that university fees have increased little or not at all; but the general cost of living is 22 per cent higher than it was in 1949, and this is a heavy extra burden for the student both in term and in vacation.

The Ministry does not pay the full maintenance rate to its state scholars. It only pays the difference between the rate and the amount which the parents are expected to contribute according to the Ministry's assessment scale. This scale was discussed more fully in an article in *The Economist* of December 22, 1951. Briefly, the present position is that parents with a net taxable income (that is, after allowance is made for such liabilities as mortgages and school fees for other children) of £500 a year are not asked to contribute anything, whereas, conversely, parents with a net taxable income of £2,200 will receive no grant. Next October, however, when the new maintenance rates come into force, the scale will drop by £50 at the bottom and will be unchanged at the top. This means that parents with a net taxable income of between £450 and £500 a year will make a small contribution for the first time. Other parents will have to contribute slightly more than they did.

This is an attempt to reconcile economy with the indisputable case for higher maintenance grants to meet the higher costs of a university course since 1949. But would not the wisest course be to spend the same amount of money on higher grants to fewer students? As it is, there will actually be more state scholars in the next academic year than at present. It would surely be preferable to economise by applying a higher educational standard for awards than by cheeseparing on the awards themselves.

* * *

Europe to Earn Its Dollars

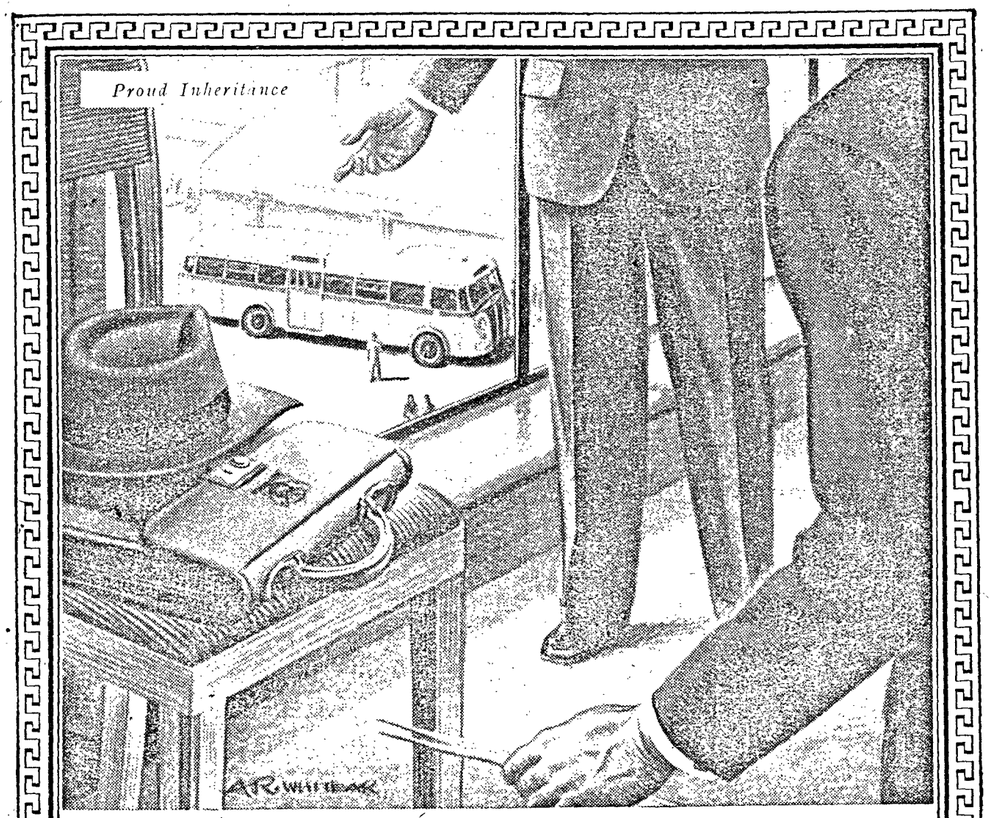
Some of the wrappings around the American foreign aid package fell away last week, and it is now a little clearer what assistance Europeans can expect from the United States next year. Congress passed and President Truman signed a Bill that authorises foreign aid expenditure of $6,447,730,750 in the year beginning July 1st. The biggest share—$4,698,047,000—goes to Europe. This sum is nearly $1½ billion less than the President requested from Congress and may be cut even further during the next and final stage when the House and Senate Committees translate the authorisation into actual appropriations.

Where Europe is concerned the present Bill provides for assistance of two kinds—military help totalling $3,415,614,750 for the purchase of purely military equipment, and "defence support" aid amounting to $1,282,433,000 for purchases of dollar raw materials such as metals.

The President's original request called for a tentative allocation to Britain of some $600 million entirely in the "defence support" category. With the cut imposed by Congress, Britain's share is more likely to be in the neighbourhood of $400 million.

*

It is possible, however, that Britain will acquire more dollars as a result of the US Government's plan, announced



I shall recommend my Government to order more than a thousand!

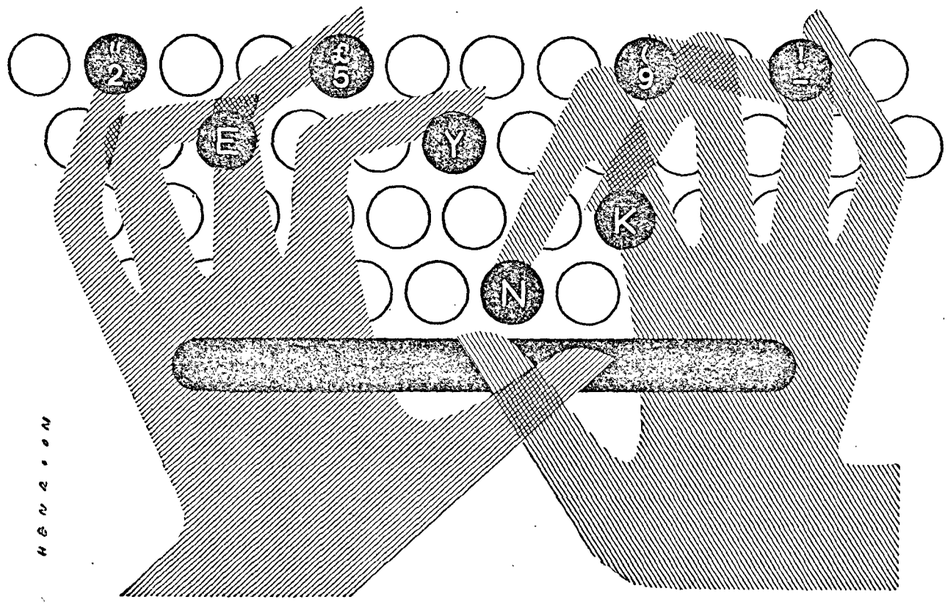
It was one of the biggest orders for passenger vehicles that a British company had ever received; and coming as it did soon after the second Great War it showed the whole of Britain that her great reputation for quality was still intact. When the Netherlands Railways were faced with supplying their country with a completely new passenger vehicle system after the German occupation, they came to Crossley and ordered well over a thousand chassis from them . . . not because they had heard of the superlatively built vehicles produced for the Allied armies, nor even because of the fame Crossley engineers had won for advanced design (they built for example the very first British oil-engined bus in 1931): but because for more than forty years a policy of the highest possible mechanical standards had been faithfully pursued by the Company; a distinguishing quality which has always been associated with the famous name of Crossley.

CROSSLEY

FOUNDED IN THE TRUE TRADITION OF BRITISH CRAFTSMANSHIP

Crossley Motors Ltd., Errwood Park, Stockport, is a member of the Group of Companies controlled by Associated Commercial Vehicles Ltd. of which the selling organisation is

A.C.V. SALES LTD., 49 BERKELEY SQUARE, LONDON, W.1. *Telephone:* REGENT 2141



In design and performance

olivetti

TYPEWRITERS

clearly distinguished

Distinguished to look at, smooth and fast in use, clear in impression, dead accurate in alignment — these are the qualities that have made Olivetti a world-wide name. Olivetti typewriters, from the factory in Glasgow, are equipping many famous businesses at home and abroad — giving the typist a superb machine which responds easily to her skill, and makes every letter she types so clearly distinguished.

BRITISH OLIVETTI LIMITED 10 BERKELEY SQUARE LONDON W.1 GRO 6161

Standard · Electric · Portable Typewriters • Printing Calculators · *Adding/Listing Machines*

rzw12

last week, to purchase complete aircraft from European manufacturers. Some of the funds for "offshore purchases"—that is, dollar purchases in Europe—are to be spent in this way. It is not yet known how much of the military aid funds will be devoted to offshore purchases, but the figure has been estimated at between $700 million and $1 billion.

What lies behind the new American plan is, in part, the hope of employing spare plant capacity in Western Europe which has been lying idle because governments lacked the money needed to finance orders. But it is also inspired by a genuine desire to build a co-operative production programme underpinned where necessary by dollars; in some cases the American Government will apparently take over orders already placed by European governments and in other instances the programme may even call for the expansion of existing plant. To Europeans the proposal is particularly welcome because it substitutes for dollar gifts the opportunity to earn dollars—in other words, the principle involved is "trade not aid."

To date the plan is no more than an expression of willingness. Whether it results in the placing of substantial dollar orders depends on a number of conditions—on the ability of European manufacturers to produce suitable models at competitive prices, on the speed with which production lines can be set in motion, on the readiness of European governments to contribute part of the funds, and on their ability to continue financing production once American aid is withdrawn.

The American Government has asked that the international staff of Lord Ismay, Secretary-General of Nato, should prepare a study on the best types of aircraft and the location of European productive capacity which would amount, in fact, to recommendations for a co-ordinated aircraft production programme for Europe. This study would serve as a guide to the US Secretary of Defence, who has the final decision on offshore purchases.

* * *

"Resources for Freedom"

The report of the President's Materials Policy Commission, which was published in the United States this week, is an epoch-making document. It runs to five massive tomes and its size alone would engender both wonder and surprise. But its recommendations reveal a new assessment—at least in official circles—of America's position in world economic affairs, and if they are adopted they would lead to two major changes in policy. The first is that the United States should help to develop foreign resources by negotiating commodity agreements, long-term contracts and loans, and the second is that America itself should move more rapidly towards freer trade.

The commission was set up in January, 1951, with the instruction "to study the materials problem of the United States and its relation to the free and friendly nations of the world." It was born at the height of the Korean commodity boom, when all countries were obsessed with the fear of a severe shortage of raw materials. And although this environment had undoubtedly some influence on the members of the commission, their analysis is sober and realistic. They believe in the principles of an expanding economy and they have assumed that the gross national product (GNP) of the United States will expand at the compound rate of 3 per cent a year for the next twenty-five years. In 1975 the American GNP will, therefore, be $566 billion (at 1950 prices) compared with $283 billion in 1950. In other words, it will double itself during this period. The total population is projected to increase from 151 million to 193 million and the working population from 62 million to 82 million. The demand for materials, on the other hand, is expected to rise by only 50-60 per cent during the twenty-five years. But the rise will be different for different products. The consumption of minerals (including metals and fuels) is estimated to increase by 90 per cent, agricultural products by 40 per cent and timber by only 10 per cent.

The commission investigated the extent to which the output of domestic resources could be increased and how far economies could be achieved in the use of materials. It reached the "inescapable" conclusion that imports would have to rise by 20-25 per cent above current levels. In order to stimulate foreign trade and the development of new resources, the commission recommended that the United States should negotiate inter-governmental commodity agreements, make long-term contracts with price guarantees, grant special loans to expand overseas production and expand geological surveys both at home and overseas. It also recommended that the "Buy American" Act (which it regarded as "a relic of depression psychology") should be repealed and that permanent legislation should be enacted to empower the government to abolish import duties on those materials that the United States must import, even without reciprocal action by other countries.

* * *

More Repairs

The Minister of Works has announced that the maximum sum which may be spent on building work without securing a licence will be raised from £100 to £200 for the twelve months from July 1st. The upper limit for industrial and agricultural building will remain at £500. The increase in the licence-free allowance does more than cover the increase in building costs, and it should help a little to arrest the widespread deterioration of old properties. Mr Eccles argued that this adjustment will not affect the rate of new building. The Government's financial policy is causing a certain amount of underemployment in the building industry, and the small builder can profitably combine more maintenance and repair work with new construction. This small concession is a minor victory for common sense, but no major improvement is possible until the Rent Restriction Acts are amended.

* * *

Fewer Accidents

The debate on road safety in the House of Commons at the end of last week was constructive. The Government spokesman, Mr Braithwaite, announced that over the next two years the Ministry of Transport plans to spend £750,000 on removing black spots on trunk roads; in addition, improvements on other roads will be made at a cost of £2,300,000. Expenditure on this scale is, of course, trifling in relation to the need to improve the road system, but it should help substantially to reduce the toll of bad accidents. Other safety measures are to include an increase in the number of police motor-cyclists and financial help to local authorities organising patrols at crossings outside schools. Finally, pedestrian crossings are to be illuminated at night by flashing orange beacons. This is a particularly sensible measure. The old-style crossings had earned the contempt of familiarity from both motorists and pedestrians, and the introduction of the zebra crossing has undoubtedly been effective, for a time at least, by making the necessary psychological break. But the new crossings are hard for the motorist to distinguish at night, especially in rain, and flashing beacons can be expected not only to make the roads safer at night but also to preserve the distinctiveness on which continued respect for the crossings at all times depends.

Letters to the Editor

The New Standard Tariffs

Sir,—Was there not a confusion in the opening paragraph of your first article on electricity tariffs in the implication that the Act of 1947 enjoins a standardisation of tariffs? Standardisation of methods of charge is indeed enjoined, but differentials of price in accord with differentials of cost are permitted. It is therefore misleading to claim that tariffs—which comprise the two separate elements of method of charge and of price—must by statutory requirement be standardised.

May I, *per contra*, plead that parallel with a standardisation of methods of charge the differentiation of price in accordance with variations in cost ought to be continued and indeed developed?

The poor widow in an area of high density of domestic and industrial consumption has a high rent charge—partly because of the lower price for electricity which has hitherto been related to the cheaper costs for the supply of such electricity to those in a dense area of consumption. The resident in the inaccessible valleyheads of the Lake District has a lower rent charge—largely because of the lack of amenities, including electricity. Now the effect of charging the urban widow more than cost in order that the backwoodsman may pay less than cost must surely be unfair. Moreover, is it not clear that in the long run the rents in the backwoods will rise to those in the towns and that the beneficiary by this misguided egalitarianism will be not the country resident but the country landlord?

Surely, too, if it is desired to subsidise the country dweller in his use of electricity, there are other and better ways which are not subject to the objections that they benefit only the landlord; that they are secret; and that they are imposed on one section of the community (generally the poorer) for the benefit of another section (generally the richer).

The majority of domestic consumers in Bath—and even more so in the great industrial communities—are in the lower income groups; in the country districts, however, those who are in the higher income groups get themselves connected while those in the lower income groups generally remain unconnected. In Bath in 1939 the charge for a small domestic consumer was 3½d for lighting; now in 1952 it is 5d per unit. In the Frome area (a typical nearby country district) the price now is the same as it is in Bath, that is, 5d a unit. It was 7d in 1939; that is to say Bath has gone up from 3½d to 5d while Frome has gone *down* from 7d to 5d, and the poorer is made to subsidise the richer.

What is the reason for this apparent injustice? Is it that egalitarianism is fashionable, or that the accounting staffs of Area Boards are now more idle or incapable than the staffs who used before nationalisation to collect money on a basis more closely related to the costs of the supply? Or is it that Consultative Councils do not represent consumers in those sectional interests which are at stake and being subservient to the Area Boards lend themselves to the bureaucratic outlook of these all-powerful monopolies?—Yours faithfully,

I. J. PITMAN

House of Commons

Hard Times for Government Scientists

Sir,—In the Business Notes of your issue of June 14th you refer to the annual report of the Department of Scientific and Industrial Research for 1950-51. The implication of the statement in reference to research associations that "some of these bodies appear to have been working on the same project since their establishment, with no very obvious results" is misleading and harmful. Again, my council would strongly dissent from the suggestion that "a transfer of some of the work (and of the income) of the associations to DSIR Laboratories might be of benefit to all parties." Such a proposal, in our opinion, has no merits on either technical or administrative grounds. Further, a step of this character would be contrary to the policy on which the grants to research associations have been based since they were instituted in 1917; in addition, it appears to involve the compulsory diversion by Government, to themselves, of funds voluntarily subscribed by industry.

Finally, it is a travesty of the discussions which have taken place between the University Grants Committee, the universities and the department on the future of the grants for nuclear physics research to suggest that DSIR has "got the worst of recent negotiations." The reasons which led to the agreement that these grants should continue to be made by DSIR are stated in our report (page 21). It is immaterial to the taxpayer whether the necessary funds are provided by the University Grants Committee or by DSIR, and if they were provided by the University Grants Committee the DSIR vote would be correspondingly reduced. This would obviously bring no relief to DSIR for the furtherance of its other activities.—Yours faithfully, I. M. HEILBRON

Chairman, Advisory Council for Scientific and Industrial Research

London, S.W.1

Pakistan and the Pathans

Sir,—In your issue of April 5th your correspondent in Karachi refers to the question of Pakhtunistan as "Afghan propaganda." The argument put forward in the first part of the article is the most one-sided statement which one expects to hear from Karachi. Your correspondent refers to the assumed willingness of Pakistan to submit the problem to the verdict of a plebiscite held under impartial international supervision. This is a principle respected and observed by all members of the United Nations; what the Pakhtuns want is the observance and respect of this principle which Afghanistan, as a member of the United Nations, supports, and which was the Pakistan suggestion for Kashmir.

As far as the views of the provisional government of Pakhtunistan are concerned, I would draw your attention to the statement by the President of Pakhtunistan that he was drafting an appeal to the United Nations. Asked why he did not negotiate with Pakistan, he said: "Because Karachi feels that we are a part of Pakistan, and thus rebels. The fact is that, before the setting up of Pakistan, we Pakhtuns were not consulted as to what we wanted."

If, in fact, the Government of Pakistan believes that a peaceful solution of the problem is possible, in accordance with the principles of the Charter of the United Nations and in harmony with her own policy in regard to the similar question of Kashmir; and if the Government of Pakistan believes in the preservation of peace and friendly international relations and the right of the people to self-determination, to which policy she pays lip-service in the similar dispute over the cause of freedom in Africa, there is then nothing to prevent anybody from believing that the Pakhtunistan question could be solved by the same good intentions and a policy based on respect for the will of the people. Afghanistan has clearly stated that she will bow to the decision of the people.

So far as the statement your correspondent makes about the economic and political survival of Pakhtunistan, I would draw his attention to two points: that the most fertile regions in that part of the world lie within the Pakhtunistan area, and that the people of this area are the equals in political development of any of their neighbours. Moreover, the last paragraph of your correspondent's article recognises the interdependence of the settled districts with the tribal areas.—Yours faithfully,

RAHMAN PAZHWAK

Afghan Embassy, London, S.W.7

Germany as an Ally

Sir,—On page 721 of your issue of June 14th you mock Mr M. Foot for holding that "plentiful evidence" is available proving that the majority of Germans oppose rearmament without first testing the Russian offers. On page 722 you state that the "obvious result" of new German general elections would be the abandonment of rearmament.

What, then, Sir, is your opinion?—Yours faithfully, T. BALOGH

Oxford

[We do not profess to know what the result of the next general election in Western Germany will be. But it does seem to us to be obvious that to hold up the ratification of the Bonn Agreement until the election takes place—which will probably be late next year—is to kill the European Defence Community. There is no inconsistency in our statements. Why does Mr Balogh waste his talents on such silly debating points?—EDITOR.]

SAFETY-FIRST INVESTMENT

2½% per annum

Income Tax paid by the Society

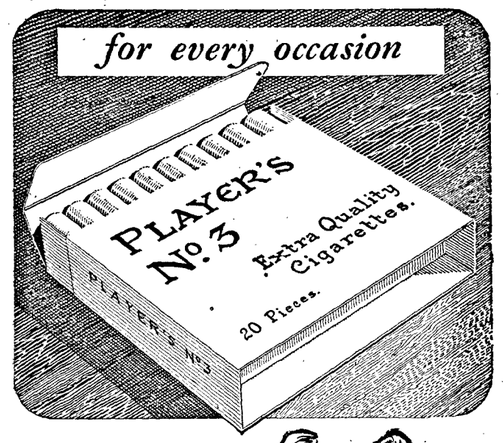
Equal to £4.15.3 per cent to investors subject to income tax at the Standard Rate

Abbey National announce that, with effect from April 1, the interest on shares has been raised from 2¼% to 2½%, and on deposit accounts from 1¾% to 2%, with income tax paid by the Society in each case. Sums up to a total holding of £5,000 are accepted for investment in Abbey National. For further particulars apply for a copy of the Society's Investment Booklet.

Total Assets £136,630,000

ABBEY NATIONAL
BUILDING SOCIETY

HEAD OFFICE: ABBEY HOUSE, BAKER STREET, LONDON, N.W.1
For address of Local Office see Telephone Directory



PLAYER'S No.3

The Quality Cigarette

[3P 111]

However hot it is, it's cool...

Blazing hot suns bounce off the light-weight coolness of a 'Steegan' jacket... tropical temperatures leave it unwilted to pursue its superbly-tailored way. Every well-dressed man needs at least one to keep him comfortably smart in business or leisure hours... in a 'Moygashel' fabric for about 5 guineas, or in a pure linen 'Moygashel' fabric for about 6 guineas. We can give you the name of your nearest stockist if your usual outfitter is unable to supply you.

Steegan REGD.

SENSIBLE SUMMER COMFORT FOR EVERY MAN

STEEGAN LTD., 222 REGENT ST., LONDON W.1

£4 Million for a Colonial Railway

Large areas of fertile agricultural country in Uganda—at present almost uninhabitable—are to be opened up by a major extension of the Uganda railway system, at a cost of £4 million, according to *New Commonwealth*.

This is only one of the many great industrial projects at present under way in British territories overseas. All of them will require capital equipment and, once they are complete, will open up substantially larger markets for British goods.

To reach the men who plan these schemes and control the vast expenditure they involve, the ideal advertising medium is *New Commonwealth*, the only journal exclusively devoted to Commonwealth affairs.

Send for specimen copy to 33 TOTHILL STREET, LONDON, S.W.1

4th GERMAN HANDICRAFT FAIR

MUNICH

JULY 4th—JULY 20th, 1952

The important handicraft fair with international participation

1951: 1150 exhibitors
290,000 visitors

An extensive offer from 600 groups of exhibits.

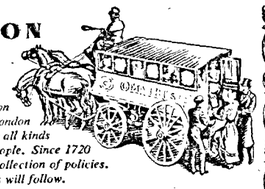
Fashion saloon — International fashion parades—Model exhibition "The Modern Home."

Permits of entry are distributed free of charge in the German Consulates against presentation of the tickets for admission to the fair. Fare reductions.

Tickets for admission to the fair are available at all Chambers of Commerce, Travel Offices and Air Traffic Companies.

We call it

THE LONDON OMNIBUS



This is a Vehicle of Information —about the business of The London Assurance, which is to provide all kinds of insurance for all sorts of people. Since 1720 we have built up an omnibus collection of policies. Here are some of them; others will follow.

"Life" is what you make it

What kind of Life Assurance you need depends, of course, on you (not forgetting your dependants). Our booklet "How to be Well Assured" can help you to choose the policy that suits you best. Would you care to read it?

"Fore!" Thought

Golf is a dangerous game. You may injure yourself or someone else. You may, even (perish the thought!) break a club. Against all these hazards our Golfers' Policy insures you. The subscription is only 10/- a year.

Cosh in Transit

Almost daily, ruffians attack messengers carrying money to or from a bank. Our Cash in Transit Policy gives cast-iron protection, if not against the "cosh", at least against the loss of cash.

That's what we're here for

If you would know more about any of the policies outlined here, if we can provide information about any other particular policies or about insurance problems generally —pray make what use of us you wish. Our address is 1 King William Street, Dept. K6, London, E.C.4.

THE LONDON ASSURANCE

Very good people to deal with

Books and Publications

A Labour View of South East Asia

Southwards from China. By Woodrow Wyatt. *Hodder and Stoughton.* 200 pages. 10s. 6d.

In some ways this is a strange book. In it Mr Wyatt takes a competent and constructive look at a crucial area of the modern world; but he does so through heavily tinted political spectacles. His enthusiasm for the Labour party gives him a refreshing and distinctive approach; but every now and again the reader is pulled up sharp in the middle of an otherwise well-balanced and well-written account by some purely party point of view, which the facts by no means support. It is true enough, as Mr Wyatt takes care to point out, that the Labour attitude to colonial rule gave Britain a unique position among the imperial powers in the years immediately after the war. But even if the greatest act of the Attlee Government was the emancipation of India—as it probably was—history has not so far proved either that the British did quite so well to leave Burma as and when they did, or that, as Mr Wyatt says, "France and Holland . . . have done more to promote Communism in South East Asia than Moscow ever could have done unaided." Indo-China has become a rather special case and, although the Indonesians fought a long, hard struggle with the Dutch, their country is still remarkably free from Communist influence and many of them still work in private harmony with Dutchmen. Nor can it quite be true simply to assert, on these two analogies, that if the Conservatives had been in power instead of Mr Attlee, "Britain's moral influence in world affairs would have been negligible."

Mr Wyatt has had a good deal to do with southern Asia during the past few years and he draws considerably on his own experiences in giving successive surveys of India ("the great test case"), Burma ("success of a bold policy"), Indo-China ("the policy that failed"), Siam, Malaya, and Indonesia ("tragedy and hope"). He himself went to India in an official capacity on the parliamentary and Cripps missions of 1946, collecting incidentally from a Punjabi politician the gem about Mr Jinnah—that he "has a difficulty for every solution." One curious feature of the book is that the several maps, while in many ways excellent, have one or two striking errors. Why, for instance, still call Djakarta Batavia, or leave out Hanoi and Penang?

This is a challenging little book of general interest. In many things Mr Wyatt is right and forceful and interesting, and he has assembled his facts and arguments so expertly that they provide first-class reading about a subject on which many people no doubt feel that they know all too little. On the other hand, those who have a smattering of the subject will not always find his challenge too difficult to meet—which in itself is pleasant. While Mr Wyatt is right, for instance, to insist that, given peace, there is much more the British could and should do to accelerate social advance in Malaya and to promote secondary industries, he is wrong to say that "Britain should set a time limit on her stay in Malaya, as she did in India"; the problems are too different and the dangers of misinterpretation in Malaya too great. Nor would everyone agree that the British could have crushed the Indonesian Republic, or that it is the Indian—rather than Chinese—Communists who now direct the South East Asian Communist parties. It can, however, be argued that observations like these are matters of opinion. And much of the value of Mr Wyatt's book lies in the way he has set down his own thoughts so forthrightly and freshly against an informative background.

Economics in Society

What Do Economists Know? By *Benjamin Higgins. Cambridge University Press.* 166 pages. 15s.

This is one of those maddening books which one hails with delight because it deals with matters long neglected and crying out for treatment; which one reads, at first, with keen enjoyment of the author's originality, sincerity and liveliness of mind; which is built on the right lines, asks the right questions, faces the right difficulties; and which, after a certain crucial point, perhaps halfway through, collapses into the commonplace or into a mere rubble of personal prejudices.

Professor Higgins never, indeed, reaches this final stage of disintegration; his mind has too genuinely architectural a quality. The layout of the six lectures comprising this book is admirable. The first is concerned with the nature of economic laws; without attaining a profundity or exhaustiveness unnecessary in this context, this is as neat, just and sensible an assessment as has ever been presented to the intelligent layman. The next deals with the measure of agreement among economists, and puts up a very good, though not invulnerable, case for their capacity to reach practical conclusions from different methodological or political standpoints. The third examines the objectives of economic policy; and now the cracks begin to appear, for Professor Higgins's ideas of welfare simply have not been thought through and his discussion of equality is not only conducted at pat-ball level but is based on a curious ethic from which it would appear to follow (though he does not himself draw this conclusion) that all pretty girls should be taxed and all plain ones subsidised in the interests of hedonistic justice.

The remaining three chapters deal with the relation between economics and social conflict, with the major pressure groups, and with "ethics, politics, and the crisis of democracy"; they move, in fact, fast and far away from the question of what economists know to the question of what should be the foundations of Professor Higgins's *civitas humana*. They reveal their author as an eminently well-meaning, unevenly well-informed, somewhat nineteen-thirtyish ally of the angels, now shrewdly critical, now astonishingly naïf; his book ends with a remarkable plea that economics should become the preserve of an incorporated and self-regulating professional body whose duly qualified members should be given, on the analogy of medicine, "legal powers" to practise their skill on the economy. Where "legal powers" to experts, on the only scale relevant to this particular expertise, fit in with the normal notions of democracy is a question which he does not even recognise as needing an answer. As a contribution to controversy and stimulus to thought, "What do Economists Know?" is admirable. As a definitive answer to the question in its title, it is rather less so. As a practical programme for economists it inspires, even in the breast of a fellow-economist, a mistrust verging on dismay.

Glimpses of Stalin

Stalin. By Nikolaus Basseches. *Stapler Press.* 404 pages. 18s. 6d.

The portrait of a contemporary statesman may be drawn intimately on the basis of personal acquaintance or analytically, through an assessment of his historical role. With Stalin, the intimate approach is useless. Too little is known about his personal life; and in any case the individual seems subordinated to the politician. Hence the most that can be expected from an impressionist writer is not a portrait of Stalin, but glimpses of Stalinist Russia.

For this task M. Basseches, who was a correspondent in Moscow until 1937, was particularly suited, and the best passages of his new book are anecdotes, things seen or heard during his stay in Russia. But he was not content with writing his impressions and here lies the weakness of the book. He does not draw enough on his memory to make a coherent whole; nor does he follow Stalin closely enough against the moving background of the Soviet scene to make his analysis really valuable.

M. Basseches's reliance on his memory may account for the lack of references and the many errors of details. In addition, to have Moscow as observation post has its drawbacks. The incessant hymns to Stalin may insidiously affect even the most objective observer. M. Basseches is no apologist of Stalin. Contrary to the current Soviet legend of an omniscient genius, he emphasises that almost alone among the Bolshevik leaders Stalin is not an intellectual.

Even so he seems to praise too highly Stalin's writings on nationalism. This, however, may be a matter of interpretation. It is incorrect to assert that before Stalin's interest in the subject, nationalism did not exist for the Bolsheviks, since it was a source of bitter controversy from the very foundation of the Russian Social-Democratic Party.

The "Moscow flu" has graver effects on the author when he is writing about the purges. In one of his most interesting chapters M. Basseches describes the growth of a new managerial and bureaucratic class in Soviet society. Here is a possible explanation of Stalin's rise and the downfall of the other Bolshevik leaders—they representing the heroic, elemental stage of the Revolution and Stalin its second, stratified, bureaucratic phase. But for M. Basseches the defeat of Trotsky is explained almost exclusively by his pride, arrogance and poor statesmanship, while the enigma of the trial disappears, since confessions were merely admissions of facts.

It may be ventured that M. Basseches's interpretation is due less to prejudice than to his proneness to facile judgments and aversion from patient analysis. Thus the book falls between the two stools of impressionism and analysis and, despite vivid passages and interesting asides, adds but little to an understanding of Stalin and the Russian revolution.

Frying-pan and Fire

Out of Bondage. By Elizabeth Bentley. *Rupert Hart-Davis.* 256 pages. 12s. 6d.

Books by ex-Communists, justifying, explaining, capitalising their disillusionment, are now three a penny. This is the revelation of Miss Elizabeth Bentley, the feminine Whittaker Chambers, who helped to set going the postwar Red panic in the United States and is still feeding the McCarrans and McCarthys with tales of Communists in government departments. Her book is neither so controversial nor so moving as that of Mr Chambers, just published in the United States, seems to be. But it has some of the fictional excitement of a serial in one of the mass-circulation magazines, with its improbable reproduction of conversations ten and fifteen years old.

Many intellectuals of Miss Bentley's generation, sickened by the waste of the depression and the growth of Fascism, joined the American Communist party in the 1930s. Most of them were rudely disillusioned by the Nazi-Soviet pact. Miss Bentley, who emerges as a domesticated rather than a political person, was not. She remained faithful until the death of her lover in 1944, and her final decision to go to the Federal Bureau of Investigation seems to have been the product of the unpleasantness of dealing with the Russians, and their clumsiness in handling Americans, rather than of any great moral revulsion.

There are no new revelations in the book, except perhaps what a dream world of violence, drama and heroics Miss Bentley lived in. The thought that the United States might be a comparatively good place to live in never struck her till the last and, when she went to the FBI, she quite expected to be beaten and thrown into a dungeon. Instead she was escorted into the limelight, to identify her old comrades without any more apparent regret than it is only decent to express. Her main feeling was one of joy that she was alive, while they were reduced to shadows. Her enthusiasm for her new protectors of the FBI—clean-cut young Americans all—was consequently unbridled. Miss Bentley, one suspects, will never remain out of bondage for long.

Familiar Portrait

The British Worker. By Ferdynand Zweig. *Penguin Books.* 240 pages. 2s. 6d.

This book is another fruit of Mr Zweig's patient and highly personal researches in industry. Chapter by chapter it dissects the British worker. It shows him as a conservative character who hates to move away from his native heath, his methodical habits about his football pools and his pub-going, allows higher wages to change the amount but not the pattern of his spending, and frowns on ambitious friends as destroyers of the workers' solidarity. It shows him as an unromantic type who, especially in the older generation, spends his leisure in the company of his own sex, and—less credibly, perhaps—as rather prone to mother-fixation and celibacy. It shows that he dresses badly if he is married, well if he is courting, and very well if he happens to be coloured—an effort, Mr Zweig concludes, to throw off a feeling of inferiority. It shows that bitter memories, especially in the coal mining, cotton and building industries, are undimmed by more recent prosperity, and that young workers are less amenable than old.

After a life in the cloisters this book would be fascinating. But to anyone who has maintained normal contact with his fellows and has normal powers of observation, much of it is lacking in news value; and it must stand or fall by news value for it is essentially reporting rather than comment. There are curious details, such as that young ex-service men are more inclined to wear gloves than other workers; but the broad lines are familiar. Who doubts, for example, that some go to pubs because they are thirsty, some because they are sad, some because they want company, and all to relax? Who, confronted with Mr Zweig asking embarrassing questions about his attitude to life, would not unhesitatingly inform him that life is what you make it? To give such comments the dignity of a chapter is to treat them very solemnly indeed.

After a few pages Mr Zweig's style becomes wearisome. Its manner of random jottings, its lack of shape and flow, do not help the reader. The author is admittedly remarkably at ease with a language that is not his own, and his style has the great merit of simplicity; but he could with advantage pay more attention to the literary quality of his work.

Baltic Gap

A History of Latvia. By Alfred Bilmanis. *Princeton University Press.* London: *Geoffrey Cumberlege.* 441 pages. 40s.

Of all the gaps in our knowledge of European history, none gapes more widely than that labelled Latvia. It is bad enough on the mediæval and early modern periods about which the descendants of successive conquerors of Livonia and Kurland have perpetuated their various legends; but in the period of Latvia's independence (1918-1940) the gap is really shocking and is not likely ever to be filled, for the Russians are busy destroying the records and setting up their own Soviet myth. English historians of north-eastern Europe cannot be expected to step into the breach; they tend to be reared in schools of Scandinavian or of Slavonic studies, and Latvia has no proper place in either. We should be grateful, therefore, for this book, in which the late Dr Bilmanis of Riga has given us the first considerable history of Latvia in the English language.

He writes from the point of view of the Latvian people and has little respect for the legends of the civilising influence of Teutonic knights, Hanseatic merchants, Polish gentry or Russian officials. Of all Latvia's conquerors only the Swedes seem virtuous; Latvians still talk of "the good old Swedish days," and Dr Bilmanis makes us see why. His first 280 pages are sound text-book narrative, but when he comes to the two decades after 1918 his book is rather more than that and will take its place among the primary sources on the history of the independent Latvian Republic. This "History of Latvia" will become the standard work for the general reader. Its bibliography, together with the fuller list of books which Dr Bilmanis appended to his "Baltic Essays," will put the specialist scholar permanently in his debt.

Text and Reference Books

Who Was Who. Volume IV. 1941-1950. *Adam and Charles Black.* 1,277 pages. £4.

This companion to "Who's Who" contains biographies of those who died between 1941 and 1950 and in most cases the details are those which last appeared in "Who's Who." Three previous volumes of Who Was Who have dealt with those who died in 1897 to 1915, 1916 to 1928 and 1929 to 1940. The publishers state that future volumes will be issued at the close of each decade.

Public Finance Surveys: India. United Nations Department of Economic Affairs. *HMSO.* 101 pages. 5s.

This survey is the second in a series which is to deal with the public finance systems of selected under-developed countries. The countries are being chosen because they present problems of broad interest. The survey on India traces the development of a newly independent nation which already had a well-established administrative and fiscal structure which left wide powers of taxation and administration to the constituent States. The book gives the history of government finance from 1948-49 to 1950-51 and describes fiscal policy as one of high government outlay on development coupled with high taxation.

AMERICAN SURVEY

The Spectre at Chicago

Washington, D.C.

SENATOR ROBERT TAFT of Ohio has long been haunted by a ghost named He-Can't-Be-Elected. It was the sight of this durable spook, pale of visage and leering with a ghastly grin, that frightened Republicans away when the Senator presented himself at the Republican nominating conventions in 1940 and 1948. But in 1950, when Mr Taft was returned to the Senate by the voters of Ohio with the biggest majority they had ever given anyone, there were those who felt sure that the spectre had been exorcised for ever. Perhaps Senator Taft felt sure, too. Nevertheless, when six months or so ago he entered in earnest upon what he must have known to be his climactic campaign for the Republican nomination, it was to be observed that he was behaving like a man who intends to take no chances.

He travelled tirelessly and tirelessly made speeches. He lined up delegates. In Republican office-holders across the length and breadth of America he inspired a body-and-soul devotion to his cause; and long before it was time to get down to the serious work of organising the convention he had established an indisputable majority among the 104 members of the Republican National Committee. There was, therefore, no difficulty in arranging that nearly all the posts in which authority at next month's nominating convention would reside, from keynote speaker and temporary chairman to doorkeeper, should be awarded to Taft henchmen.

This, in Senator Taft's view, is the reward of industry, and with more delegates pledged to him than to General Eisenhower, the newcomer and political amateur who has worked nothing like as hard, everything ought to be in the bag. It is a cruel thing that at this most unsuitable moment the pasty face of He-Can't-Be-Elected should appear at the window. Cruellest of all is the knowledge that it was the very packing of the bag everything should be in that summoned back the grinning ghost.

Deep in the heart of Texas a delegation favourable to Senator Taft was appointed by Republicans who had, or thought they had, the control it is permissible to exercise. But then stories began to appear in the newspapers saying that the Taft men of Texas had excluded the Eisenhower men from their meetings and so had stolen a verdict which would have gone against them if they had not frustrated the will of the majority. Similar tactics were attributed to Taft men in other southern states. The newspaper stories spoke of the ruthless Taft steam-roller. Rival delegations-for-Eisenhower were chosen. From that moment something new had been added to the campaign.

Then General MacArthur, whose Taftist sympathies have been made plain, was appointed keynoter and Mr Walter Hallanan of West Virginia, one of Mr Taft's regional campaign managers, was established in the crucial job of temporary chairman at the convention. All that was needed was word from the Eisenhower headquarters in Denver, Colorado, that Ike was "fighting mad" at the tactics that were being used against him; and this word was furnished.

Senator Taft had an explanation for the events in Texas. It was that those excluded from the meetings had been very properly kept out because they were not real Republicans at all: they were a Democratic fifth column intent merely on securing the nomination for General Eisenhower. (If that was the way Texas Democrats were behaving, their actions could hardly have been cleared with President Truman, who has consistently said that the Democratic Party wants to see Senator Taft nominated in the belief that he will be easiest of all to beat.) As for the packing of the convention with Taft officials, the Senator indicated the view that since there was a pro-Taft majority on the Republican National Committee this was an admirable example of the correct exercise of control.

★

But it was probably already too late to expect explanations of this or any other sort to take effect. General Eisenhower had a speech arranged for last weekend in Dallas, Texas, and to nobody's surprise he there indicated his indignation and disgust at the thwarting of the will of the majority. In Texas, too, was Representative Hugh Scott of Pennsylvania, one of the General's most experienced lieutenants. According to Mr Scott, if Senator Taft and his men were to steam-roller through on the convention floor the "stolen" Texas delegation—right there where every move would appear on the television screens of the nation and no concealment could succeed—and if by such tactics Senator Taft were to win the nomination, the result would be certain defeat for the party in November. The voters would be disillusioned and disgusted by such political rigging. In these circumstances "the Republican nomination won't be worth a plugged nickel."

So there it was again, after all the striving. Control had been won, but the more control was exercised the closer came the old, indestructible apparition, cackling and shrieking louder than ever "Nominate him, if you like, but if you do, remember he can't be elected!" The newspapers recalled a deadly parallel: just forty years ago William Howard Taft, the Senator's father, had also had the machine behind him and had also exercised control over the Republican National Convention. Teddy Roosevelt, the public's favourite, had been ruthlessly steamrollered. And what happened then? The party was split and Taft went down to defeat before Woodrow Wilson. . . .

The Republican National Committee has announced that it will meet in Chicago next week, the week before the convention, to attempt to resolve cases involving 72 delegates and 70 alternates in which both Taft and Eisenhower forces claim the same seats—the Texas cases among them. The

"AMERICAN SURVEY" is prepared partly in the United States, partly in London. Those items which are written in the United States carry an indication to that effect; all others are the work of the editorial staff in London.

committee may know some way of both safeguarding Senator Taft's interests and preventing an appeal under the television lights on the convention floor by the thwarted Eisenhower supporters; but nobody can yet see quite how the trick is to be done.

Senator Taft is suggesting that the 38 delegates from Texas, however they vote, will not determine the outcome. But in fact they, and others in the contested category, look at the moment as though they could in one set of circumstances come very close to doing just that. Despite the ebullient claims of the Senator, many people still think he and General Eisenhower may arrive at the convention each needing upwards of 100 delegates more than they can be sure of. In a recent estimate Mr Taft was shown with a "basic strength" of 464 pledged delegates, and with the prospect of collecting, as soon as he needs them, another three delegates pledged to General MacArthur, one pledged to General Wedemeyer, ten from Illinois and three from Puerto Rico—a total of 481. General Eisenhower's "basic strength" was put at 392, but he is expected to be able to call upon most of the 76 California delegates pledged to Governor Warren and the 25 pledged to Mr Harold Stassen. It will take 604 delegates to win the nomination.

If these predictions are accurate, it will be the 232 "uncommitted, unknown or contested" delegates who will decide the contest. Of these men of mighty power the two large groups are the Pennsylvania-Michigan-Maryland bloc (89 delegates) and the southern bloc consisting of Texas, Georgia, Louisiana and others (83 delegates). The most sanguine theory of the Eisenhower forces is that the unpledged delegates, or most of them (and especially those from Pennsylvania, Michigan and Maryland), will be assisted to a decision in General Eisenhower's favour if the Taft forces are revealed by the television cameras to be steamrollering the convention and thus creating a public revulsion which would make it impossible for Senator Taft to be elected. The theory may be proved false, but the Taft men cannot be certain that it will.

Pay Parade

Washington, D.C.

CONGRESS does not need to be told during an election year where economies can be safely effected and where they should not be attempted. It has just raised the pay and allowances of about 3,500,000 men and women in the United States armed services. Everyone in the Army, Navy, Air Force and Marines (to make no mention of those retired from the forces or in the Coast Guard and Geodetic Survey, or of students at the military and naval academies, or of others embraced within the fold of the armed services) now gets 4 per cent more pay. Subsistence allowances go up 14 per cent. The argument behind the new legislation—too far behind, in fact, to have received more than perfunctory public scrutiny—is that the average civilian factory worker in America has received wage increases amounting to 17.6 per cent since October, 1949, when the pay of the services was last raised.

The American soldier has been for some time the most expensive in the world. The theory that he had more money to spend (and more to eat and more to wear) than was good for him was being widely expounded among his foreign comrades-in-arms a long time before even the increases of 1949. Now, in the countries with lately-devalued currencies, he can be made to look more like a relative of Rockefeller than a GI Joe by the fairly simple process of turning his pay

and allowances into foreign currencies at present exchange rates.

This misleading exercise suggests that when allowance is made for the free food, housing and clothing he gets and for a share of the special bonuses and tax-exemptions for which he might qualify, a private with a wife and one child is being paid at the rate of £1,089 a year. The income of a colonel or Navy captain with two dependants is a few pounds short of £4,000 a year, and a full general or admiral comes out on this reckoning with £6,738 a year. But that way madness lies.

What the private, the colonel and the general receive are not the equivalents of what £1,089, £4,000 and £6,738 would buy in Britain. All the same, military pay and allowances are now being handed out by the United States Government on a distinctly handsome scale. No less handsome are the pensions which all ranks can expect after thirty years of service. Some examples that have been published in the wake of the latest legislation, based on average lengths of service and on the assumption of two dependants, are given below for Army, Air Force and Marine ranks, with parallel Navy ranks in brackets:

	Monthly Base Pay	Monthly Allowances	Retirement Pay
	$	$	$
Recruit (seaman recruit)	78·00	77·10	74·10
Private (1st class) (seaman)	99·37	77·10	114·66
Sergeant (petty officer, 2nd class)	160·52	77·10	177·69
2nd lieutenant (ensign)	222·30	133·40	244·53
Major (lieut.-commander)	414·96	167·70	400·14
Colonel (captain)	592·80	184·80	522·39
Major-general (rear admiral)	963·30	218·90	722·40

It may be too much to expect that soldiers in other nations of the North Atlantic alliance, who are paid various fractions of these sums, will discern any great virtue in the reasons why the United States Government needs to pay its armed forces on this scale, and to supplement this pay with further benefits no other armies and fleets enjoy. But there are some reasons and they are rooted in the facts of American life.

One of the simplest was set forth by General Bradley, the chairman of the Joint Chiefs of Staff, at the ceremonies a fortnight ago at the West Point Military Academy, which was marking its 150th anniversary. "The American soldier," he said,

> expects to be well cared for. In the city or on the farm, American boys have seen the good things of life provided in what we might consider a routine fashion.

And it is true that a nation which has produced so high a standard of living, and attaches so much significance to its enjoyment by the majority of Americans, cannot expect its soldiers and sailors to be content with less.

Another and certainly no less telling part of the reasoning is that the American electorate as a whole not only dislikes and intermittently distrusts the whole concept of military service and its machinery, but is continuously conscious of its power to modify that concept and dismantle that machinery. What happened after the Japanese surrender in 1945 was by no means the first exhibition of the readiness of the American public to demobilise and disarm at the first opportunity: it was merely the most reckless and the most thoroughgoing.

The events which brought about the reduction of the United States armed forces from something like 12 million

in June, 1945, to 3 million in June, 1946, and to 1,150,000 in June, 1947, take on the aspects of a nightmare for high officials in Washington who are responsible for the national security. Recalling the days of frantic demobilisation—the avalanches of telegrams to Congress from the troops, the Bring Back Daddy associations, the deafening clamour which no politician dared challenge—Mr Barry Bingham, in a recent article in the *Reporter*, a bi-monthly magazine, quoted a bitter observation by an officer at the Pentagon, the services' headquarters. The mothers of America, he said, had achieved in a few months a feat that Germany and Japan had failed to accomplish in years of conflict: they had destroyed the armed might of the United States.

Let the present danger diminish or appear to diminish and how long will it be before another clamour may threaten the reassembled military machinery, and so invite heaven knows what new dangers? Of all the pictures drawn by Communist propaganda the least true to life is probably the one which depicts the Pentagon as full of military adventurers poring over plans for imperialistic conquests. There is a lot of poring in the Pentagon; but the plans which occupy the waking hours of an astonishing proportion of its personnel have less to do with the means of conquering foreign foes than with the means of overcoming the resistance at home to the notion that armed forces are and long may be really necessary.

If Americans in large numbers could be persuaded to regard the Army, Navy, Air Force and Marines as profitable and agreeable careers, an attitude which up to now has found very limited acceptance, the high officials in Washington would feel more secure than they do. The new pay scales are designed to help to sell the armed services on a career basis. And so are many of the radio and television programmes, the advertisements, the millions spent on transport for military men's families, the recreation programmes and the army stations with cinemas, swimming pools, soda fountains and golf courses.

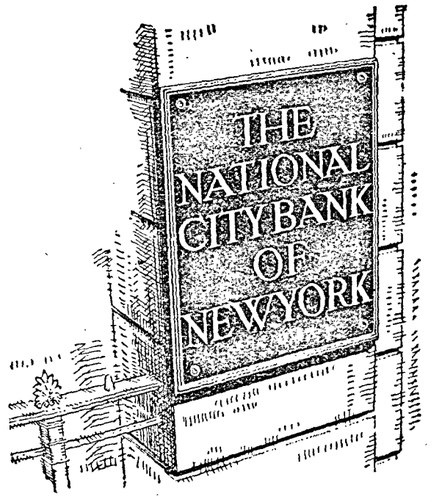
There are occasional growls from the tougher old soldiers. One, a Brigadier General, home not long ago from Korea, caused a brief raising of eyebrows by offering it as his opinion that American fighting men are being "fed too many ice-cream cones." But he had no responsibility for policy. If he had, and if he had studied the many evidences that Americans who join the armed forces fight fiercely and well when they must, but tend to become rapidly convinced that the whole thing is a waste of time when the necessity is less apparent, he might have spoken of ice-cream cones with more respect.

American Notes

Acrobatics in the Air

General Eisenhower's first forthright broadcast, though its delivery may have been less than inspiring, made it clear that he will not accept a Republican foreign policy plank unless it is based squarely on support for the United Nations and recognition that America must work with other friendly countries to secure peace. He repudiated those who prefer to sit comfortably and cheaply at home, basking in the illusion that the threat of retaliation by a big air force is all that is needed to make the United States safe. The General named no names, but it is Senator Taft who would put most of America's eggs in the Air Force basket, who would cut $10 billion a year from defence costs though he insists that the Administration has allowed American air-power to lag fatally behind that of Russia, and who has welcomed the Yalu bombings as a belated vindication of General MacArthur.

Senator Taft has received support, of a kind, from the Senate Preparedness subcommittee which in an interim report recently charged the Administration with ignoring



World-wide banking

Businessmen with international interests rely on a bank whose services are world wide. The National City Bank of New York provides a global network of 54 branches, as well as banking correspondents in every important centre of the world.

The staff of the London branches are experienced not only in British banking, but also in the financing of overseas trade, and are uniquely equipped to advise on trade with the dollar countries.

Wherever your interests lie, a world-wide organization stands at your service.

THE NATIONAL CITY BANK OF NEW YORK

(ESTABLISHED 1812)

Incorporated with limited liability under the National Bank Act of the U.S.A.

HEAD OFFICE: 55 WALL STREET, NEW YORK

LONDON OFFICES: CITY: 117 OLD BROAD STREET, LONDON, E.C.2. WEST END: 11 WATERLOO PLACE, LONDON, S.W.1

the convictions of the Chiefs of Staff when it decided to slow down the aircraft programme. General Bradley told the subcommittee that 1954 is likely to be the year of greatest danger, for then Soviet strength will be at its peak, relative to that of the free world, and Russia will have enough atomic bombs to risk retaliation. The revised schedules call for a 143-group air force by the end of 1955, a more realistic date than 1954, a change Mr Bernard Baruch, America's elder statesman, nevertheless has also found deplorable; he doubts whether Russia can be intimidated by *blueprints*.

The Air Force generals, like Senator Taft, though probably not for the same motives of economy, lose no opportunity of rubbing in the inferiority of American air power, without reminding people, as Mr Truman has done, that there never was any intention of matching the Russians aircraft for aircraft, and that there are dangers in freezing models too soon. But neither the President, nor Mr Baruch, nor the services, nor Congress share Senator Taft's belief that air power is cheap. Several months ago the House, in a fit of election economy, cut nearly $5 billion from the $51 billion military budget and, to prevent extravagance with unspent funds, placed a ceiling of $46 million on the amount which might actually be paid out in the year beginning next month. But after representations from the Air Force that the ceiling would cost it some 3,000 aircraft, and postpone the 143-group strength until 1957, the House is visibly weakening, while the Senate is virtually certain to lift the ceiling, or remove it altogether. General Eisenhower has also promised drastic economies, though not until the world is a safer place. But if Senator Taft is elected, he may have to choose between his two chief campaign promises, air power and economy.

* * *

Democrats Wait for a Bandwagon

Mr Averell Harriman, the Mutual Security Director and a candidate for the Democratic nomination, has had his baptism of electoral fire in Washington, a city whose residents have no vote in the election, but who were allowed this year to show which candidates they prefer. Mr Harriman carried off all six of the delegates to the Democratic convention under the nose of Senator Kefauver, the candidate Democratic politicians fear they may have thrust upon them by the voters for the sheer lack of an attractive alternative. Mr Harriman is a fervent, uncompromising New Dealer, the only one in the field, and in a city which is one-third Negro, his denunciation of segregation and his uncompromising support of the President's civil rights programme found Senator Kefauver's Achilles heel. The Senator comes from a border state and, like almost all southerners, is not convinced that federal compulsion is the key to good race relations.

One of the things Mr Truman no doubt hoped would be shown in the Washington primary was the continued effectiveness of the civil rights programme in bringing out the votes of minorities in the cities which play so large a part in determining the result. The other may well have been to show that Senator Kefauver, for all his string of primary victories, is not unbeatable.

Whether Mr Harriman's victory will profit him much is questionable. Democrats hoping not to antagonise the south this year will not relish the spectacle of a band of Negroes four hundred strong, carrying Harriman banners and marching to the polls behind their pastor. The professional politicians, moreover, obstinately regard Mr Harriman's venture as an amateur crusade, valuable chiefly for keeping the big New York delegation safely on ice until the convention. The politicians' dream—and Mr Truman's—is that, when that time comes and it is known who the Republican candidate is to be, Governor Stevenson of Illinois can be persuaded to accept the Democratic nomination, which is steadily increasing in value as the Republicans quarrel among themselves and Senator Taft becomes more likely to prove the Republican choice. But it is also becoming steadily more difficult to hold in line Democratic delegations itching, now that the convention is only a month away, to find their proper places on the bandwagon of the winner. Hence the flood of reassuring rumours that Governor Stevenson's reluctance to run is weakening and that—as indeed seems very likely—it will disappear entirely if Senator Taft is to be his opponent.

* * *

Passports under Fire

The President's courageous veto of the discriminatory immigration Bill, which is not likely to be overridden, is doubly welcome, coming as it does just after the State Department had made itself appear both foolish and illiberal by forbidding Professor Owen Lattimore to leave the country. This carried the policy of denial of passports to a new stage, for not only was Mr Lattimore, head of the School of International Relations at John Hopkins University, without a passport, but he had no intention of applying for one at present. The Department acted "as a precaution" on information that Mr Lattimore was making plans for a possible visit to eastern Europe. Four days after the announcement of the ban on Mr Lattimore the *Washington Post* revealed that the "information" was proven to be false.

The State Department's moral embarrassment over its precipitate action will perhaps be less than its financial embarrassment might be if Mr Lattimore's implacable foe, Senator McCarran, continues, as head of the Appropriations subcommittee, to hold up the Department's money. Mr Lattimore has remained one of the favourite targets of both Senator McCarran and Senator McCarthy, though a Senate committee two years ago found no evidence to support the charges against him. Moreover, the State Department has been in hot water with Congress more than once in the past year for allowing alleged Communist sympathisers to leave the country for innocent destinations and turn up in Moscow. On April 28th the Department made all US passports invalid for travel in eastern Europe and China except when special permission was granted.

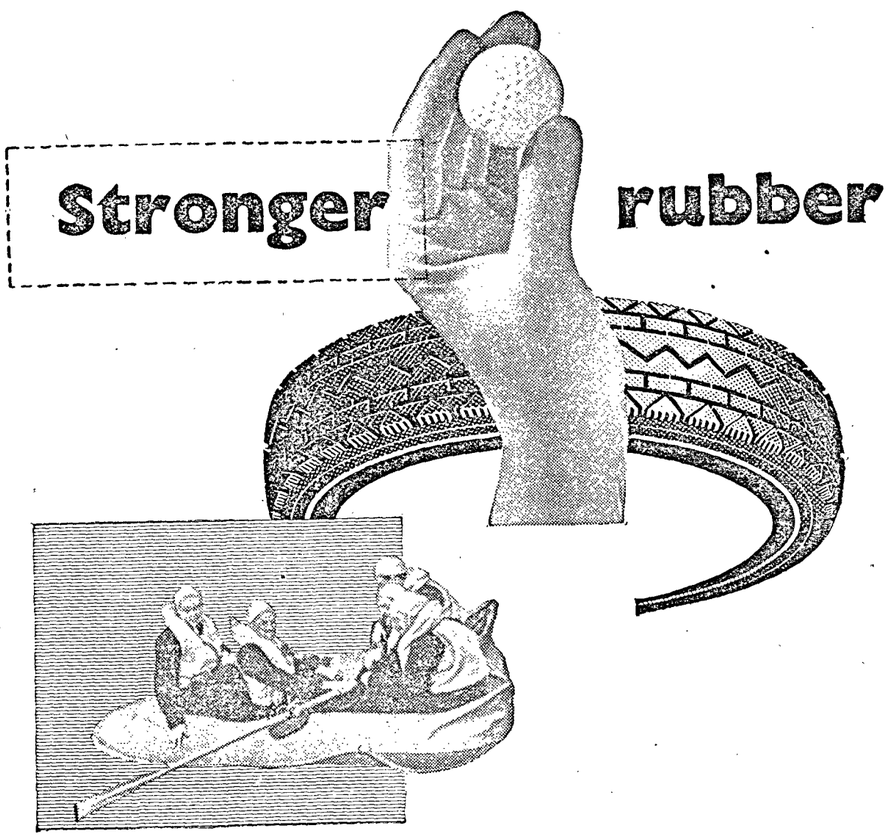
Many liberal Americans are disturbed over the effects both on individual liberties and on American prestige abroad of the present procedure for granting passports. Final authority rests with the Secretary of State who has power to refuse to issue a passport as well as to restrict, withdraw or cancel one already issued; the reason usually given is that the individual's travel would be "contrary to the best interests of the United States." Although such refusal or withdrawal (since last July, 325,000 have been issued, 95 denied and 95 recalled) carries a strong suggestion of disloyalty, there is no assurance of hearings or review.

Early this month Senator Morse charged that in these matters the State Department was "judge, witness, prosecutor and jury all moulded into one mould of tyranny." Mr Acheson, the Secretary of State, in replying to such criticism, said last week that work was now under way to improve the procedure for issuing passports and that no arbitrary action had been taken. However, the Civil Liberties Union has indicated it will not be satisfied until legislation is passed making the granting of a passport mandatory except for specific reasons, and a group is created to review those cases in which a passport is withheld.

* * *

Pay As You Speed

The extraordinarily good business done on the New Jersey Turnpike since it opened five months ago largely explains the success of the huge issue of $326 million of 3½ per cent tax-free bonds for financing a similar toll-road in Ohio. Traffic on the 118-mile long highway from the



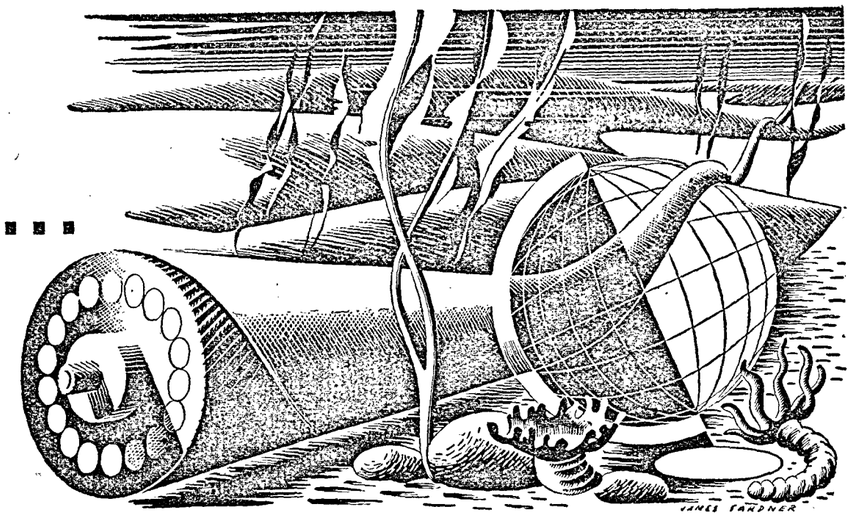
Shell Chemicals

The transition from raw material to industrial rubber, both natural and synthetic, is a complex process. Here, as in so many other industrial processes, chemicals from petroleum play their part, and Shell maintain rubber research laboratories at Thornton for this particular study. DUTREX R, a Shell product, is a softener and processing aid, made in Britain. Besides contributing to the tensile strength of the compound, DUTREX R gives the finished rubber greatest tear resistance with less abrasion loss, less flex cracking and lower crack growth. For the layman who may find such technical terms obscure, this means in plain words, greater durability and better value, whether it be in tyres, tubes, anti-vibration pads or any of the hundred and one other items for which high-quality rubber is essential.

SHELL CHEMICALS LIMITED, NORMAN HOUSE, 105-109 STRAND, LONDON, W.C.2
(DISTRIBUTORS)

"DUTREX" *is a Registered Trade Mark*

one inch thick...



...155,000 MILES LONG!

They are less than the thickness of a child's wrist, these underwater telegraph cables that link five continents. They do not seem elaborate, consisting as they do of copper conducting wire, insulated by gutta percha, bedded in jute, sheathed in galvanised steel. Their average diameter is barely an inch. But they carry in complete security the messages entrusted to Cable & Wireless Ltd. for passing between the United Kingdom, the Commonwealth and many foreign countries. There are 155,000 miles of them down on the sea bed, more than half of the world's total of submarine cables.

The traffic load they have to carry is heavy and there are times when their capacity is fully occupied even though transmission can be made at speeds up to 150 words a minute in both directions simultaneously. Nothing stops the flow; if a cable link is interrupted, a wireless link takes over. Continuity of service is maintained through the world-wide chains of Cable & Wireless stations by a staff whose professional pride it is to see that "the message gets through".

The Cable & Wireless system is extensive and its links are varied. It includes 195 wireless circuits for telegraphy, telephony and phototelegraphy. Twenty-five of them were new last year. There are twenty-three coast wireless stations: there are eight cable ships.

In the face of ever rising costs of labour and materials the Company has made solid progress in extending Britain's incoming and outgoing communications. Its operations in foreign countries are earning money for Britain, and further extensions are proposed. Cable & Wireless Ltd. are part of Britain's Business.

part of Britain's Business...

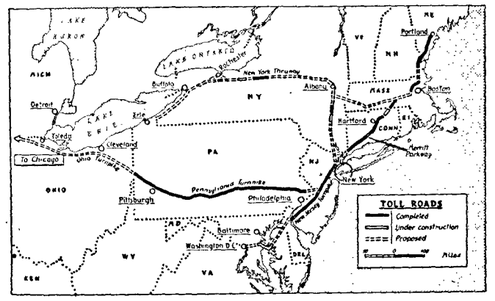
CABLE & WIRELESS LTD

ELECTRA HOUSE, VICTORIA EMBANKMENT, LONDON, W.C.2

CVS-21

Delaware river to New York City has already reached a volume, of 36,000 vehicles a day, that had not been expected until 1960, and the road will probably pay for itself in 15 instead of the promised 30 years. The Ohio Turnpike will be 240 miles long, and there is little doubt that eventually this road will be extended 150 miles across Indiana to Chicago. New York voters have authorised a bond issue to finance the state's through highway to Buffalo, and it is expected to be ready in about two years. When Boston is connected with the Thruway and the Merritt Parkway into New York, when the oldest of these toll roads, the Pennsylvania Turnpike, is joined with the New Jersey one and when that is extended into Washington, DC, over the nearly finished Chesapeake Bay bridge, then the east's big centres of population and industry will all be linked by these superhighways.

This is the only part of the country where the traffic is heavy enough to justify such an enormous interlocking system, but many other states either have or are considering



shorter toll roads on routes where enough people are prepared to pay for speed to make them a sound proposition. Both private motorists and businessmen sending their goods by lorry find the toll charges, of from 1 to 3.3 cents a mile, worth the time, petrol and energy that are saved on these direct, fast roads, where there are no delays for crossings or local traffic. The point about the turnpikes is that they are self-supporting, at least until a depression comes. But the calculations do not take into account the service facilities needed to filter the traffic from the toll road into the normal stream. For example, a third tube is needed for New York City's Lincoln Tunnel, largely as the result of the New Jersey Turnpike, and the municipal authorities insist that the scheme must include special by-passes so that drivers going to Connecticut and beyond will not add to the congestion in the city streets.

The $1,000 Ohio Turnpike bonds were oversubscribed and selling at a $25 premium on the first day, proving that it is easy to raise the money for such highways. Altogether about 2,000 miles of them are already completed or planned, but the country has over 3 million miles of ordinary roads, financed by state taxes, mainly on petrol, and federal grants, and for these it is much more difficult to find money. Congress has just extended the federal highway programme for another two years, authorising an expenditure of $1.4 billion in 1953 and 1954, but $4 billion a year is needed to make the roads fit for today's traffic. The size and speed of modern cars make most existing highways unsafe as well as crowded and the weight and number of lorries and trailers using them wear the roads out faster than they can be repaired.

* * *

Reprieve for the Spoils System

The Senate, which took one step toward better government when it gave up its patronage rights over the appointment of tax collectors, turned baulky last week. It defeated three reorganisation plans which would have ended Congressional control over the appointment of some 21,000 postmasters, 94 US marshals, and 54 top officials of the Customs Bureau, and thus would have left very few plums in the federal service for Senators to bestow upon the party faithful. What was lacking this time was the tax scandals which forced the Senate, somewhat grudgingly, to apply the merit system to the Bureau of Internal Revenue. It was not enough, in an election year, for the Citizens Committee for the Hoover Report—the monumental work on government reorganisation—to plead, perhaps with some exaggeration, that acceptance of the three plans would constitute the most important reform in federal employment practices since the Civil Service Act of 1883.

The Republicans who voted against the President's proposals could argue that they would merely freeze Democrats in their present jobs in what may prove a Republican year, though Senator Taft, to his credit, did not, and voted for reform. But the Southern Democrats, who contributed just as many votes to the defeat, and were even more active in rounding them up, had not even this excuse. The Democratic majority leader himself voted against the President.

So did Senator McCarran, the powerful anti-Administration chairman of the Judiciary committee, though it is hard to see why he should trouble about mere postmasterships when, by holding back appropriations and turning on investigations, he can make whole government departments dance to his tune. The "resignation" of high officials of the Department of Justice, who had incurred Senator McCarran's displeasure, is suspected, in Washington, to be a delicate return by the new Attorney-General, Mr McGranery, for the assistance Senator McCarran gave when Mr McGranery was having trouble in securing Senate confirma-

No Protection for Textiles

It seems impossible to repeat some facts sufficiently often to eradicate errors which particular parties have an interest in perpetuating. We still see in Protectionist addresses, written and spoken, an appeal for an import duty on corn, in order to place the farmer on the same footing as the manufacturer. . . . One good Free Trade correspondent asks us for a reply to it. . . . But the truth is, and we repeat it for the twentieth time, there are no such duties upon foreign manufactures as are referred to. So far as the manufacture of cotton, linen and woollen are concerned, they are exposed to the fiercest competition with all the world. No doubt there is a small duty on those articles when made up into clothes, but that is a protection to the tailor and the sempstress, and not to the manufacturer. A piece of Belgian cloth, or a piece of French printed muslin, can be imported into the shops of Regent Street, and pay no more in the shape of duty than the cloth of Yorkshire or the prints of Manchester. But if we are to take all the existing duties which remain in the tariff, upon goods of various descriptions which can be called manufactures, and upon articles of agricultural produce, we shall find that the latter exceed in amount the former by more than double. A Parliamentary paper has just been issued . . [from which] it appears that the whole of the protection afforded to British manufactures of every description, chiefly varying from 5 to 10 per cent, is represented by an amount of duties levied on foreign articles of £434,154; while the protection afforded to agricultural produce is represented by an amount of duties levied on foreign produce of £916,435. . . . We again repeat to our correspondent that there is no protection whatever enjoyed by the British manufacturers of "cottons and woollens": the superiority which they possess is derived only from their own energy, perseverance, and skill.

The Economist

June 26, 1852

tion. If so, it is a poor substitute for the house-cleaning of the Department of Justice which Mr McGranery promised when he was appointed and of which little more has been heard.

* * *

Metals in Reverse

While the House of Representatives was gleefully striking off most price controls, a rebellion which may make it impossible to secure an agreed extension of the Defence Production Act before it expires at the end of this month, the National Production Authority was also reversing engines on aluminium and copper. The steel strike has made it impossible to relax supplies for private construction, but small users of copper and aluminium have been freed entirely from the allocation scheme, in the first big step toward relaxing controls on basic materials. It is estimated that this will leave fewer than 5,000 large users under direct controls. Manufacturers of civilian durable goods, who have been on short rations of materials, had already been given an extra dividend of 100 million pounds of copper for the third quarter, raising their average consumption from 35 per cent to at least 50 per cent of the copper they used before the Korean war.

Copper has been the scarcest of the three basic metals, partly because domestic price controls made it unprofitable for American buyers to take up the whole of the American international allocation. Now that foreign copper has been exempted from price control the authorities hope that the United States will secure all the copper it is entitled to buy; the relaxation of controls on its use is designed to make sure that this will happen. If more copper is available, it will take some of the wind out of the sails of those who have persuaded both the Senate and the House to adopt amendments to the Defence Production Bill which would bring the International Materials Conference to an end. Moreover, copper might then be found for the strategic stockpile, from which 55,000 tons have been withdrawn in the past year, and to which none has been added since January.

Falling prices for non-ferrous metals are behind proposals to set up a "civilian stockpile." Such government purchases—one for lead has already been authorised—would maintain production of metals which the mobilisers believe may once more become scarce, and it would be easier to withdraw supplies for industry from such a hoard than it is to borrow them from the strategic stockpile. Falling prices and softening markets are also encouraging the strategic stockpilers to make up the deficits in their store-cupboard, which is barer than it should be because the needs of defence and civilian industries have been put first. This explains why, when aluminium is becoming plentiful, the government is still pressing Congress to agree to further expansion of domestic aluminium capacity or to the often rejected long-term purchase agreement with Canada. The Munitions Board is doubling its stockpile goal for aluminium and it is not believed that supplies, even with the present expansion programme, will be adequate. But Congress is as hostile as ever to the Canadian purchase scheme, and, like the Administration, is divided on the question of whether further domestic expansion should be turned over to the industry's big three or reserved for new independent producers.

Shorter Notes

Military aid totalling $4.6 billion and economic aid of $1.8 billion are authorised in the $6.4 billion Mutual Security Bill for the fiscal year 1953 which has been signed by President Truman, although it is considerably below the $7.9 billion he requested. This is the maximum which can be granted; actual appropriations must still be voted. Up to $1 billion of the military aid can be spent abroad for arms deliveries to allies. The ending of the fiscal year on June 30th will bring to $40 billion the money expended by America since 1945 in grants and loans to more than ninety nations and colonies.

*

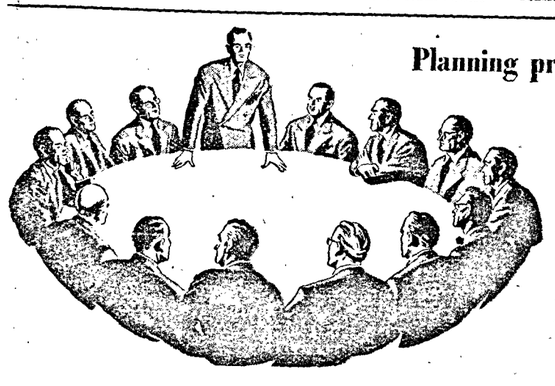
The Senate, by a vote of 43 to 40, has once more rejected a Bill authorising American participation in the St. Lawrence Seaway project, despite a last-minute plea from President Truman that this would be a tragic economic mistake. For this session, at least, the proposal is now dead. Canada has maintained for months that it was prepared to build the Seaway alone, but permission will now be sought from the International Joint Commission to allow New York State to co-operate in the hydro-electric development which is part of the plan.

*

Limited operations have been resumed by two commercial airlines at the big Newark, New Jersey, airport which has been closed since February because of three crashes in nearby towns. New regulations permit use of the field only when there is a ceiling of at least 1,000 feet and a visibility of three miles. These restrictions are more severe than those usually in force at major air terminals, and will remain until the new runway is completed in November.

*

After years of investigation that included 17,000 pages of testimony at hearings, the government has set new standards for five types of bread—white, enriched, raisin, milk and whole wheat, the most popular types sold in the nation—if they are shipped in interstate commerce; local bakers are not legally bound by the regulations. In addition to banning the use of chemical "softeners" which make bread seem fresh for days after baking, the order also excludes from these five breads thirty other ingredients, such as black-strap molasses, concentrated extract of raisins and prunes, cotton-seed, peanut or oat flour, and rolled oats. Other types of bread not standardised must carry a complete list of ingredients.



Planning produces results in the dollar market

Successful selling in the U. S. market requires a carefully planned sales approach. As one of America's oldest commercial banks, Irving Trust Company knows this great market thoroughly ... will gladly work with you in locating competent organizations to help develop or expand your sales there.

IRVING TRUST COMPANY

ONE WALL STREET • NEW YORK 15, N. Y.

MEMBER FEDERAL DEPOSIT INSURANCE CORPORATION

THE WORLD OVERSEAS

Lean Years for Israel—I

The Struggle with Inflation

THE British well know how it feels to key themselves up for an emergency, to suffer privations to meet it, and then to find that, though the excitement is over, the screw of privation must still be turned. That is the state of affairs in Israel today. Its people suffered cheerfully in order to meet the exigencies of war and of the first great wave of "ingathering of the exiles." They are still years away from attaining the measure of self-support that will turn the country into a reasonably safe economic unit. As one Israeli put it: "We have done the impossible; the possible is still some way off: we are in the trough between." This experience has engendered a mood of self-criticism. By this is not meant grumbling, which is normal in the state of discomfort now being suffered; murmuring is in any case a hereditary trait. Other and more dynamic criticism is heard; people are beginning to question, in a healthy way, how much of the continuing hardship could be mitigated by better management.

Israel's crisis is worse than Britain's has ever been, because a young and poor country has much less room for economic manœuvre than an older economy. Abroad, its balance of payments position has been kept stable by expedients that range from borrowing to begging. At home, it is suffering an inflation that is perilously near to getting beyond control. The only sure remedy for both ills is an increase of production, but this—though it is on the way, particularly in foodstuffs—cannot be anticipated on any scale for four to five years. What is more, during those years the building of productive industries must exacerbate both the strain on the balance of international payments, and the tendency towards inflation; it increases the latter by creating purchasing power in a field of employment that is unproductive of consumer goods. The vicious circle is complete.

The problem has not suddenly arisen. Inflation has long been a danger. It has generated familiar complications in the field of economic morality, including the black market and the black market pound. But the extent to which it has in the last twelve months become a major preoccupation is well illustrated by a table of currency circulation:—

	Currency Circulation (IL millions)	Population
January 1950	50	1,180,000
January 1951	75	1,385,000
January 1952	100	1,578,000
May 1952	111	1,590,000

An increasing degree of inflation in the world of 1951-52 is anything but singular. Yet behind Israel's pernicious brand lies one cause which is unique. It is the multiplication, by immigration, of unproductive consumers who are too backward to be taught to produce quickly yet who must be provided with wages, housing and social services that will equate them with the rest of the nation. They must be so treated firstly in order to integrate them quickly, and secondly in order to give them an injection of the social justice that is the pride of a community that set uncommonly high standards during the sheltered years of the mandate.

Each of several obvious methods of arresting the inflation is distasteful. A year ago, any suggestion of, for instance, the limitation of immigration, or the absorption of purchasing power by admitting a few more consumer goods at the expense of capital goods, was met with the answer: "Impossible!" from a majority of the cabinet. Yet within the year something of both expedients has had to be sanctioned. After much heart-searching, selective immigration was instituted last winter; only immigrants who will quickly become productive are now encouraged to move; the rest are discouraged by the simple expedient of not paying for their journey. There remains, however, a generous loophole—the proviso that anyone in real danger must come. Also last winter, priority for the import of capital goods had to some extent to be abandoned. In December, an emissary was sent to persuade the United States Government that $25.7 million of last year's $50 million grant in aid under the Mutual Security Programme must be spent on back debts and consumer goods. He got his way, with the result that great parts of an agreed programme of technical assistance with capital works had to be jettisoned.

Four Months of NEP

In addition to severe rationing, coupled with price-fixing for essentials, monetary expedients have also been adopted to arrest the inflationary trend. Surplus money has been siphoned off by heavy taxation and borrowing. Credit has been restricted by demanding a high degree of liquidity from the banks. But by the beginning of this year it was plain that these measures were having only limited success. In February, therefore, a New Economic Policy was announced with three objectives: the combating of inflation, the speeding of production and the attraction of fresh foreign investment capital. The most orthodox anti-inflationary measures taken in its name have been increased efforts to balance Israel's three budgets—ordinary, defence, and development—by means of raising internal loans and increasing savings; a tightening of income tax collection; and stoppage of the issue of treasury bills to meet government obligations. The most recent measure is the forced loan announced last week, whereby holders of all notes in circulation were obliged to change them for new Bank of Israel notes whereon (for notes of £5 and over) the government retains 10 per cent as a 15-year loan bearing interest at 4 per cent. Ten per cent of all bank balances over IL50 was similarly treated, and there are rumours of a corresponding levy on property.

The most surprising monetary measure—surprising because it hits at rich and poor alike and is therefore contrary to the creed of a socialist state—was the introduction in February of a system of multiple exchange rates whereby the treasury now sells foreign exchange to importers at the old rate if they want a short list of essentials, but, for all less essential goods, at double or more than double the old rate of $2.80 to the Israel pound. (Details were given in *The Economist* of February 23rd.) Prices have therefore soared in recent weeks, and the hope is that they will mop up surplus money faster than salaries and wages (which are pegged to a cost of living index that is based on essentials) soar after them. As in Britain, therefore, bourgeois manifestations such as rationing by the purse are beginning to show their heads. The success of the measures clearly depends on a time-race between their possible advantageous and their possible disadvantageous results. The result is still open.

How much of Israel's inflation is due to factors that it could conquer by better organisation? Entirely outside its control must be numbered first, the legacy of the world war and the mandate, which endowed it with a lopsided economy; secondly, the aftermath of the Palestine war, which causes it to keep great numbers of productive hands under arms (though it mitigates this drawback by using military labour in agriculture); thirdly, the effect of the Arab boycott in restricting the delivery of oil to Haifa refinery; lastly the jump in world prices caused by the Korean war. Causes entirely within its control include the cocoons of red tape into which a civil service, laden too young with the burden of controls, has wound itself; lack of the efficient import programming that would cut out wasteful fights between various ministries and an investment centre; the intrusion of party considerations into administrative and economic decisions where they should have no place.

But there is a third set of important causes which are part in and part out of cabinet control, because to eradicate them altogether would produce a reaction that could not be afforded. They amount to vicious circles in an interlocking set. Immigration is one; it can be, and has been, curbed, but to cut it out would be to frustrate a main purpose of the state's foundation. The high standard of state socialism is another; it, too, has been partially dropped, willy-nilly, but to abandon it would be to destroy another foundation stone. High investment in non-productive goods is a third, but, as has already been shown, it cannot be avoided if the trough is ever to be passed. A cheap money policy is a fourth; one classic way of engineering deflation—the raising of the bank rate—therefore cannot be attempted.

Vicious circles that cannot be broken can sometimes be weakened at certain points. This is the expedient that is being adopted. In order to try a little of everything, theories are being cast aside. The emergency has given birth to experiments that are an encouraging sign of elasticity in people who were till lately doctrinaire. A second article will discuss how far these same measures affect the balance of international payments for good or ill, and what prospects there are of improving its sorry plight.

(To be continued)

Threat of Australian Beef Famine

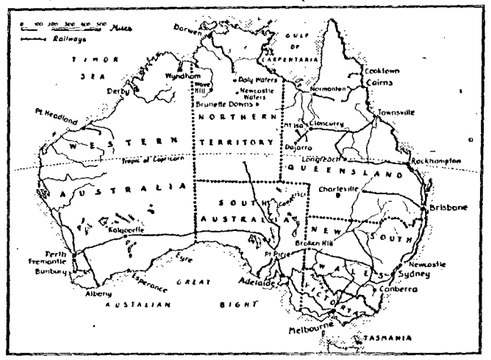
[FROM OUR CORRESPONDENT]

THE drought now raging in Northern Australia has killed any hope that the new meat agreement with Australia will solve the British meat shortage. The drought area extends northward from the Tropic of Capricorn to the Gulf of Carpentaria. There is 93 per cent of Northern Territory cattle in that area, as well as 79 per cent of Western Australian cattle and 68 per cent of Queensland cattle. Altogether they represent 8,600,000 of Australia's 12,800,000 cattle or more than half of the country's beef cattle.

Late in May storms brought up to two inches of rain south of the Tropic and also in Western Queensland, but they have been insufficient to break the drought which began eighteen months ago, and they have not touched the main cattle stations of the Northern Territory where three-quarters of Australia's beef breeding cattle are found. This area, north of the Tropic, depends on the summer monsoon (which was from December to March) for its rain, and cattlemen do not expect the drought to break until November when the pre-monsoon storms are due. The monsoon which was due last December failed to materialise. The previous monsoon, at the end of 1950, was heavy and promoted the growth of a tremendous amount of grass. But in the absence of the 1951 monsoon all this growth gave rise to spectacular grass and bush fires, which, unchecked by seasonal rains, swept across thousands of miles of country and intensified the fodder shortage.

This is the most destructive drought in the Northern Territory's history. Even those stations which can draw water from deep bore wells are losing cattle because grazing around the bores is either burnt off or eaten out. Already many thousands of young cattle have made the trek from the Northern Territory to Queensland grazing lands. But these represent only a fraction of the animals which cannot be moved either because the intervening country is impassable or because the animals are too weak to make the journey. Normally the Northern Territory produces 500,000 steers a year. These are fattened for export either in Queensland or in the Cooper River country of South Australia. This year so many calves have died that many stations will not brand their young stock.

While the immediate loss of meat animals is serious enough, mortality among the breeding cattle is so high that some Northern Territory authorities reckon it will take fifteen to twenty years to restock the stations. One station owner forecast that at the present rate of stock destruction Australia, far from having meat for export, might have to import beef from New Zealand by the end of 1953. Another cattleman, Mr. J. S. White, managing director of Brunette Downs station (4,000,000 acres) in the eastern part of the



Northern Territory, estimates that he will lose 12,000 breeding cattle this year. Normally Brunette Downs brands 18,000 young stock each year. This year there will be no branding. Such young stock as have survived will not stand it. At present Mr. White is trying to get 5,000 eight-month-old cattle out to Queensland to preserve a nucleus of breeding stock. But he is worried by the fact that owing to the price of meat in Australia many cattlemen are tempted to sell good quality young heifers to the butcher, thus further reducing breeding prospects.

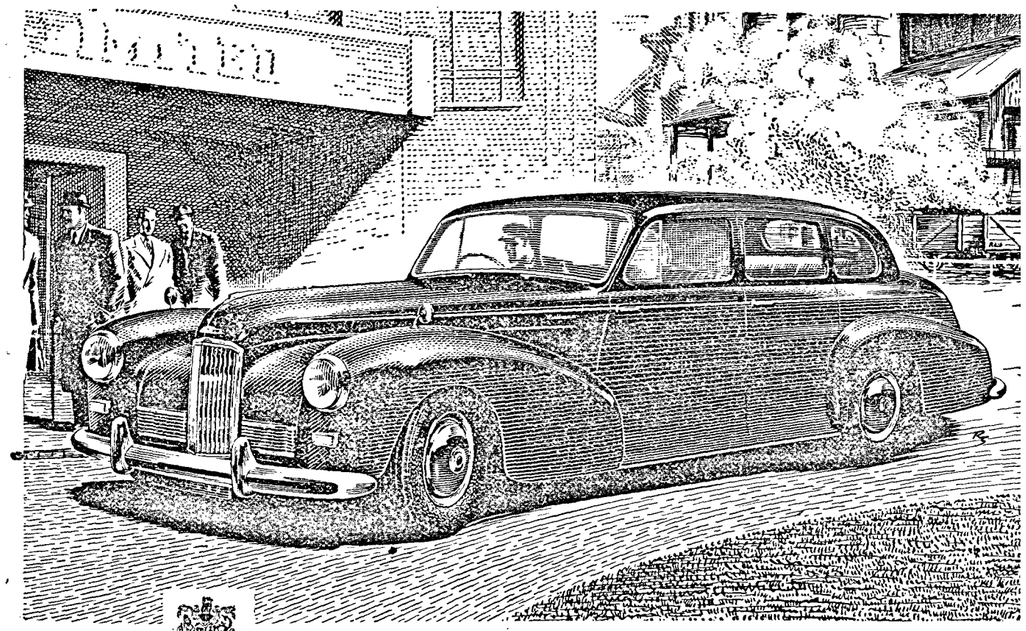
Brunette Downs is a famous centre of cattle improvement in the Northern Territory and its rise is an indication of what could be done to increase Australian beef production when these herds have to be rehabilitated after the drought. In 1932, when Mr. White's father decided to start improving it, the station had only 90 miles of fencing, two bullock paddocks, and 35,000 cattle of indifferent quality. Calving was 21 per cent of breeding cattle and 4,000 animals were branded each year. Last year Brunette Downs had 50,000 cattle, the calving rate was 72 per cent, 17,500 animals were branded, and improvements included 529 miles of fencing and 23 paddocks. The station has two lakes which normally cover 1,000,000 acres with water, and 40 bore wells. Today the lakes are dry and the bores almost unusable. The quality of Brunette Downs steers has been improved out of all recognition by the addition of 1,326 bulls, all of excellent Shorthorn pedigree, in the past twelve years. Compared with the progeny of the scrub bulls used on the majority of Northern Territory cattle stations, steers by such sires put

You are a busy man . . .

TRAVEL BY PULLMAN

Your business day is all too crowded. Ease the strain. Relax between appointments in the comfort and silence of the Humber Pullman Limousine. The immensely powerful engine brings wide territories within easy range; the spacious rear compartment is the perfect setting for quiet discussion with your associates; and the magnificent appearance of the car inspires immediate confidence. Relaxation . . . convenience . . . prestige . . . and a surprisingly reasonable price. THE HUMBER PULLMAN is a first-class investment.

Coachwork by Thrupp & Maberly



By Appointment to the late King George VI Motor Car Manufacturers Humber Limited

★ Your Humber Dealer has good news for you about delivery . . . get in touch with him TO-DAY !

HUMBER

8-SEATER PULLMAN LIMOUSINE

Britain's most reasonably priced Limousine: £1,600 Plus Purchase Tax

ALSO IMPERIAL SALOON

HUMBER LIMITED, COVENTRY · LONDON SHOWROOMS AND EXPORT DIVISION: ROOTES LIMITED DEVONSHIRE HOUSE PICCADILLY W.1

Aspects of Enterprise No. 24

SIMON ENGINEERING GROUP

It often happens that several companies or divisions of the Simon Engineering Group bring their widely differing services to bear upon a single contract. A large new phosphorus factory near Bristol for Albright & Wilson Ltd is a case in point. One division of Simon-Carves acted as consultant on siting and layout and is responsible for building and civil work; a second is dealing with materials handling and processing equipment, and a third with electrostatic dust precipitation; Simon Handling Engineers are supplying pneumatic discharging plants for unloading rock phosphate from ships.

SIMON ENGINEERING GROUP

SIMON-CARVES LTD
SIMON HANDLING ENGINEERS LTD
HENRY SIMON LTD
TURBINE GEARS LTD
HUNTINGTON, HEBERLEIN & CO. LTD
CHEMICAL ENGINEERING WILTONS LTD
DUDLEY FOUNDRY CO. LTD
SANDHOLME IRON CO LTD
THOS. ADSHEAD & SON LTD
METAL LAUNDRIES LTD
TYRESOLES LTD

BANKS
•
INSURANCE COMPANIES
•
INVESTMENT TRUST COMPANIES

The investor can obtain a well-diversified interest spread over the stocks and shares of these financial institutions through the medium of the

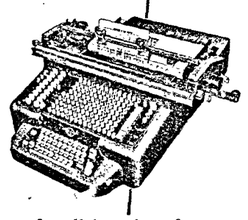
Bank Insurance Trust Corporation Group of Unit Trusts

★

For full particulars, including prices of Units and their yields, apply through your stockbroker, banker, solicitor or accountant, or direct to the Managers of the Trusts:—

BANK INSURANCE TRUST CORPORATION, LTD
30, CORNHILL, LONDON, E.C.3

THE National CLASS 31
'DIRECT ENTRY'
ACCOUNTING MACHINE



for all branches of
COMMERCE, INDUSTRY, GOVERNMENT & FINANCE

10 Totals each with direct subtraction.
ALL balances—positive AND negative—computed and printed automatically.
Feather touch, 'standard' adding keyboard for speed and accuracy.
All-electric typewriter for unlimited narrative description.
Constantly visible printing line gives confidence, aids speed.
Instantaneous and infinite adaptability to any accounting work.
Fluid-drive carriage moves automatically by oil pressure in both directions.
Simultaneous addition or subtraction in ANY combination of registers.
Automatic carriage opening and closing with instantaneous form alignment.
Fully automatic spacing, column selection and carriage return.

A PRODUCT OF THE NATIONAL CASH REGISTER COMPANY LTD.
206-216 *Marylebone Road, London, N.W.1 and all principal centres.*

on two hundredweight more beef and do it much more quickly. In other words, ten good cattle give as much beef as fifteen ordinary animals.

Since any increase in beef production must depend to a very large extent on developments in the Northern Territory, progressive cattlemen are inclined to think that the present disastrous drought might be a blessing in disguise if Northern Territory station owners can be induced to restock with better cattle. At present most of these cattle stations are in the same state as they were fifty years ago. The breeding strains are the same as those which were "overlanded" to the properties when they were first opened up. In an attempt to induce development the Northern Territory has been left free of Federal taxes, but this has merely led to lessees of the land pocketing their profits instead of making improvements. Today the situation is difficult because many of these station leases come up for renewal in 1964, and it seems likely that "do nothing" lessees will not get their leases renewed. For this reason they are not anxious to make considerable improvements now. In the meantime the cost of improvements has risen steeply. Fencing today costs £300 a mile compared with £15 before the war. Bores which used to cost £300, now cost £5,000.

Need for More Railways

But much improvement can be made in the quality of the livestock. At present it is almost impossible to go into a saleyard and buy 200 well bred young cattle. This situation could be overcome by sending 10,000 good bulls to the Northern Australian stations after the drought. If this was followed up by official action to get rid of scrub bulls a permanent improvement would be ensured. The second urgent need is more transport, especially railways. At present, for example, steers from the Brunette Downs station have to walk 400 miles to the railhead at Dajarra, and then spend a fortnight in trains. In 1950, which was a good year, a mob of 700 steers, averaging 800 lb each, made this trip and averaged 570 lb when killed—a loss of 161,000 lb of meat. If the 500,000 steers which come out of Northern Australia each year lose only 100 lb each on the way—a very conservative estimate—Australia loses 22,321 tons of beef a year—an amount which could have a significant effect on the British meat ration.

Northern Territory station owners point out that Australia has had no important rail development for thirty years. They suggest that, as a first step, a line should be run from either of the present railheads at Mount Isa and Dajarra as far as Newcastle Waters in the centre of the Northern Territory. This would be along the track of the normal cattle movement which is south-eastward into Queensland. With a railhead at Newcastle Waters the journey on foot for cattle from such western stations as Wave Hill would be reduced by more than half. The beef lift by air freighter, which is now operating in northern Western Australia, would not be so suitable for the Northern Territory where the flight would be much longer.

Those station owners who have watched Britain's large scale efforts to raise food by the peanut and egg schemes and the more recent sorghum and pig project in Queensland, suggest that British capital might be better employed in helping Australia to open up its beef country with more railways. Though a map of the Northern Territory shows a grid of cattle leases, a very great deal of land has yet to be brought into use, and even that which is already occupied is producing at far below capacity.

The prospects before the Australian cattle raiser are enormous. At a recent conference between the Commonwealth Government and the States, production targets for a five-year food drive were announced. They included raising beef and veal output from 652,000 tons in 1951-52 to 672,000 tons in 1957-58. That is a comparatively modest target. Commonwealth Government statisticians, working on the basis that by 1964 Australia's population will have grown from its present 8,250,000 to 12,000,000, reckon that meat production must double in that period.

India and the Colombo Plan

[FROM OUR CORRESPONDENT]

INDIA is three-quarters of the Colombo Plan. Alike in population, in the amount of money to be spent, and in the results expected, India's needs and India's efforts are predominant. The Indian plan now provides for an expenditure of £1,750 million in six years; this should give an increase in the national income of 10 per cent, or rather over £750 million. It is a measure of India's poverty that, with over seven times Great Britain's population, its national income is less than two-thirds as large. This 10 per cent increase will still give only a very small improvement in the standard of living, for the population may be expected to increase in the 6-year period of the plan by nearly 8 per cent. But even this improvement would be enough to restore hope and faith to a people who, for many years now, have seen their welfare decline as their population rose. Small though it is, however, it will be very hard to achieve. Where so many people live on the verge of subsistence, where income per head is only £25 per year and an agricultural labourer earns £1 per week, nothing is more difficult than saving. In 1950-51 India saved 4½ per cent of the national income; nothing is more dubious in the plan than the assumption that savings will reach 7 per cent by 1957.

The increase in governmental investment, from £196 million in 1950-1951 to £256 million in 1951-52 and to £307 million in 1952-53, is a measure of the great effort which is being made. Railway rates have been raised; sales taxes have been imposed everywhere; income tax and supertax have been kept at almost wartime levels; there are excise taxes on such necessities as matches and cooking fat; the export duties on jute goods and cotton textiles have been kept at levels which jeopardize their markets, and there are tariffs even on most imports of machinery and raw materials. On the expenditure side, the government is proceeding cautiously with all the non-productive social services, from compulsory primary education to hospitals. In Bombay, India's richest state, which has nearly as many children of school-going age as England, only £9½ million is being spent on education in 1952-53, and in Madras, with nearly 60 million people, health services get only £3½ million.

By stringent austerity, India hopes to find from internal resources some £1,200 million over the six-year period of the plan. This money is expected to come not only from taxation, but also from borrowings; some £40 million a year is expected from small savings, mainly the 3½ per cent tax free savings certificates of which the middle class is so fond. Only enough to meet maturing loans is expected to come from open market borrowing, which, in India, comes almost entirely from banks and insurance companies. These are not, by English standards, large figures, but they exhaust the Indian capital market so thoroughly that there has not been a successful equity issue for months.

The £600 million which still remains to be found must come from abroad. Sterling balances releases provide £35 million a year or £210 million over the whole period, and, in addition, India's surplus in its balance of payments in 1950-51 gave it a sufficient backlog to enable it to use £105 million in 1951-52 and still have £75 million (instead of £35 million) left for 1952-53. Beyond this, in the plan's first year, 1951-52, Canada gave £4 million, Australia £3 million and New Zealand £250,000. The Canadian money is being spent on vehicles for the Bombay State Transport Service and the Mayurakshi irrigation project in Bengal. The

Australian gift was in wheat and flour, and New Zealand is financing most of the cost of the All-India Medical Institute now being built in Delhi.

The remaining money required can come only from the United States, and the fact that an American observer now attends the plan's consultative committee is perhaps a sign that this is realised in Washington. Indeed, the United States has already given assistance, both by a loan of £64 million to enable India to buy 2 million tons of wheat, the funds from the sale of which become immediately available for development, and by a grant of £18 million which is being used partly for the import of fertiliser and partly for rural development. For 1952-53 the talk has been of an American grant of £90 million. This is almost exactly the amount required to make up the deficit both in the plan and in India's balance of payments, which has been very severely hit by the deterioration of perhaps 12 per cent in India's terms of trade over the last few months.

American Aid for Peasants

The most significant and the most exciting part of American aid is that for rural development. American experience in agricultural extension work is unique, and the experiment which has been made at Etawah has already shown that the money such work costs repays itself in improved yields within a very short period. Now the government of India is extending the Etawah principles to the whole countryside and hopes, within a few years, to cover 120 million people, at a cost of £200 million. It is early yet to say whether the Etawah success can be repeated elsewhere, but, if it can, it will transform India. There could be no use of American generosity more in keeping with American traditions.

Indian opinion accepts the Colombo Plan without any reservations. India is represented on the consultative committee, India is itself assisting—it has given £750,000 for technical co-operation and has lent three experts to Ceylon. Indeed, India has perhaps the greatest part to play in serving as a training ground for other countries of the area, for Indian problems are Asian problems. It is perhaps a pity that western prestige prevents Asian countries from realising this fully and makes them prefer training in New Zealand or Canada, where conditions are wholly different, to training in the Punjab or Madras, where the background is the same. India also finds the Plan attractive because, although the actual negotiations for assistance are bilateral, they always take place within the framework of its own plan. Nothing, therefore, is forced upon India and there are no strings.

Nor has there been any demand that India should get a larger share, though it could make out quite a good case for this. It is the poorest country of the area, and the one the success of whose democracy is perhaps the most vital; yet Pakistan, one-fifth the size, gets two-thirds as much from Canada, half as much from Australia, and fully as much from New Zealand; Malaya, one-fiftieth the size, is getting £60 million in grants from the United Kingdom, where India gets only a little technical assistance.

The reason is not any backwardness in Indian planning. On the contrary, the Indian plan is the only complete and detailed one in the area; it is also the only one on which a government is, in fact, basing all its policies. Since India's primary needs are water for irrigation and those basic utilities—transport and power—without which no development is possible, and since between them these take up two-thirds of the plan, there has unfortunately to be some delay before the public sees results. But, already the fertiliser factory at Sindri and the locomotive works at Chittaranjan have been opened; the Bokaro thermo-electric station should be giving 80,000 kW of power by 1953, and the Tungabradra scheme will water 700,000 acres by then, while the Lower Bhavani scheme will water 200,000 acres a year later. The results are coming.

Poland Needs Factory Workers

DURING the recent Rumanian purges Anna Pauker and the other "culprits" were simultaneously accused both of fostering the *Kulaks* and of adventurous attempts at forcible collectivisation. This contradictory accusation reflects the dilemma facing the East European rulers who would like to speed up the process of collectivisation but are afraid of the consequences of such a campaign. In a lengthy speech delivered before the Central Committee of the Polish Workers Party, its chairman, Mr Bierut, the Polish President, gave another example of the difficulties. On the one hand, he insisted in terms more emphatic than usual on the contradiction between socialised industry and the backward peasant economy in the countryside; he proclaimed openly that socialised agriculture is the goal and attacked the "Gomulka clique" as defenders of Kulak interests. On the other hand, and in the same breath, he stated that "more far-reaching (than a policy of restriction and limitation towards the Kulaks) and sectarian efforts should be branded as dangerous adventures."

The chief reason for collectivisation remains the desire to ensure a growing supply of cheap foodstuffs for the towns. But Mr Bierut indirectly revealed a further reason, namely the growing shortage of industrial manpower. It is expected that in the first half of the Six-Year Plan—i.e., between 1949 and 1952—Polish industrial production will have doubled, while the Plan foresaw a rise of only 70 per cent. Thus, despite certain deficiencies, such as the failure of the iron and steel industry to reach its targets, both in 1951 and in the first quarter of this year, Mr Bierut could boast of the achievements of socialised industry. Yet this progress was largely based on a vast influx of manpower into industry. Between 1946 and 1952 non-agricultural employment rose by 2½ million; in fact, it nearly doubled. Hitherto the bulk of this increase was accounted for by the flow from the overpopulated countryside into the towns. Now this stream has been reduced to a trickle and, in Mr Bierut's own words—"a new situation has arisen" in Poland.

After Russian Models

How will this new shortage be tackled? A greater employment of women is certainly not a sufficient cure, though the proportion of women in non-agricultural employment has risen to 30 per cent at the beginning of this year and is expected to increase still further. A shortage of labour is likely to be felt for some time to come and a partial answer to the new situation will probably lie in a shift from the extensive to the intensive use of this scarce factor. This, at least, is the impression one could gather from Mr Bierut's speech. A large part of it was devoted to the various methods of obtaining a larger output from the available labour resources, to mechanisation, to the struggle against slackness and absenteeism, to the preparation of skilled workers, of specialists—in short, to means for getting higher productivity.

Here Mr Bierut was modelling himself faithfully on the Soviet example. In his attack on those "petty-bourgeois" who oppose wage-differentiation and praise the levelling of wages as democratic, he was echoing almost literally Stalin's speeches from the early 1930s. He made it quite clear that no dreams about "socialist competition" would be tolerated and that in the present circumstances it is through the Stalinist version of Taylorism that the Poles hope to intensify the efforts of their working class. In another respect, too, a Russian model will be transplanted unchanged. Since the spontaneous migration of peasants has ceased, a special central body is to be formed to watch both to the necessary mobilisation of labour from the countryside and to its training and allocation to those branches of industry where demand is greatest.

These facts are published to show what British enterprise can achieve in spite of difficulties.

It can be done

On the 18th May 1952, Benghazi's new power station was opened by His Majesty King Idris of Libya. This was the first project carried out by a British contractor in Cyrenaica. The consulting engineers were Mackness and Shipley.

When the work began, the province was still suffering from the effects of war. Plant and materials—other than sand, of which there was more than enough—were carried from Britain and transhipped at Tripoli, for Benghazi harbour was badly damaged. Local labour was not yet trained in modern construction methods. There were dock strikes and shortages in Britain, drought in Cyrenaica. But the work was completed on time. The organisation which carried this job through is also engaged in construction works in Syria, Mauritius, Northern and Southern Rhodesia and the Union of South Africa, besides its activities in Britain.

LAING

JOHN LAING AND SON LIMITED. Building and Civil Engineering Contractors
London, Carlisle, Johannesburg, Lusaka. Established in 1848

Cutting Chaff
Cut it better
use the
ENGINES
made by
PETTER

Petrol, vaporizing oil and diesel from 1½ b.h.p. to 40 b.h.p.
—air and water cooled.

PETTERS LIMITED · STAINES · MIDDLESEX
A Member of the BRUSH ABOE Group.

TWW11

A GREAT NEW TYRE BUILT TO CUT RUNNING COSTS

THE *de Luxe*

All-Weather Tyre by GOODYEAR

New all the way through! New Carcass! New Tread! New Shoulders! New Sidewalls! Tougher—Stronger—Steadier—Safer—The New de Luxe by Goodyear is the greatest car-tyre value obtainable at the Standard Price Level.

It will save you money. The tread is thicker, tougher, wider, flatter, for longer mileage. The strong, resilient cord carcass combines reliable sidewall construction with comfortable riding. The smart, rugged shoulders protect the sidewalls. The famous diamond-tread design, still further improved, ensures greatest grip on all surfaces and safer cornering. By all standards the new de Luxe is the right tyre for the times, at the right price, and obtainable now at your regular supplier.

When next you buy a tyre—insist on Goodyear

You can trust
GOODYEAR

FOR LONG LIFE AND LASTING WEAR

These references to the Soviet pattern were not only implicit in Mr Bierut's speech. He clearly stated that the Polish experience is not new, that "a similar situation arose in the Soviet Union during the first Five-Year Plan." Yet if there are similarities in the method of tackling the issue, there is also a basic departure from precedent, at least for the moment. In the Soviet Union the problem was attacked frontally towards the end of the first Plan by a ruthless collectivisation drive. Finally, it was the mass of peasants rendered redundant by this drive which provided the manpower necessary for rapid industrialisation. In Poland, for the time being, the process of collectivisation is still very slow. In the second half of 1951 there was an actual stagnation and in the first half of this year only 300 new collective farms were formed, bringing the total to 3,300. According to the Plan, socialised agriculture—i.e., both state and collective farms—should account in 1952 for only 16 per cent of the total value of agricultural production.

To Rush—Or Not To Rush

In the Soviet Union, it may be argued, the date and tempo of collectivisation were to a certain extent imposed on Stalin by the difficulty of getting the foodstuffs for the towns. In Poland last year's drought, which further increased the discrepancy between urban and rural development and caused an acute shortage of potatoes and meat, resulted only in the introduction of compulsory deliveries for a certain proportion of foodstuffs. Mr Bierut claims, though this must be taken with more than a grain of salt, that "the great majority of peasants had shown full understanding of the purpose and justice of the decree," and he added that the state had no intention of abolishing the free market for agricultural produce. It would appear that it is still through privileges, assistance and example that it is hoped to induce peasants to form collective farms: 335 tractor stations should be in operation at the end of this year; two large peasant delegations have recently visited Russian model farms; similar internal excursions are being organised. Yet here Soviet experience should have shown to Polish leaders that, in the short run at least, example is not an effective method for speeding up collectivisation. Will the Polish and other East European rulers be allowed to take time for carrying out this revolution? Will they dare to provoke peasant resistance in the present international situation? Hitherto, probably taught a lesson by the bloody Soviet experiment, they seem still to be preferring caution. Yet in the Soviet Union, too, the onslaught came as a surprise, unheralded. Satellite planners must often strike a Hamlet-like attitude and ponder: to rush or not to rush on with collectivisation.

General Templer's Start

[FROM A CORRESPONDENT IN SOUTH-EAST ASIA]

GENERAL SIR GERALD TEMPLER'S report to London on his first few months as High Commissioner for the Federation of Malaya is borne out in the views of a good many people on the spot. Members of all the communities—Chinese, Malay, Indian and European—agree that the new High Commissioner has made a good start. His forthright approach to the problem of banditry to which he has given a very proper priority has not met with any opposition. The somewhat cautious praise accorded to him, nevertheless, indicates that he would not lack critics if he failed or appeared to be failing. Public opinion in Malaya is still to some extent suspending judgment.

General Templer has made a good start because he knows what he wants and believes what he says. He realises that the restoration of law and order must come first. In this he is not handicapped, as some of his predecessors have been, by the intermittent exercise of overriding authority on the part of ministers in London; but for some time he will need to play a lone hand. Until he is able to demonstrate that his policy is likely to be effective, the professional humanitarians will be after him, ready to call his firmness brutality and to read oppression into his every positive act.

One of General Templer's major aims has been to gain the co-operation of the millions of peaceful Chinese in Malaya. He has stressed that Chinese partnership in quelling banditry is essential. At the same time he has condemned communalism. He has appreciated the difference between using the good qualities of the Chinese—and they have many—and setting up a self contained and self interested Chinese community. It is only by acknowledging their differences and accepting them that the three main communities in Malaya will ever work together as a team.

The new High Commissioner is wisely developing his policy step by step. As an expert in intelligence he is not likely to give his opponents, either foes or friends, the advantage of knowing and countering his plans in advance. It seems that he is to work upwards beginning with the villages. It is the right approach. Supporters are always to be found at the top, some genuine and some drawn by the lure of self advancement, but success depends on the mass of the people.

In his censure of the European town dweller, General Templer is less explicit. Against the extreme hazards of the lives of the planters and miners the ordinary civilian in Malaya does appear to take little interest in the problems of the country. But in the past he has had little encouragement to do otherwise. The Civil Service have been a class of their own; the military services, living in camps and barracks, have tended to keep to themselves. It is not to be wondered at that the ordinary commercial man feels that it is not his job to do more than play his part in maintaining the prosperity of the country. General Templer was right to point out this seeming indifference but he has so far not convinced people what the alternatives are to golf and racing.

The Drop in Rubber

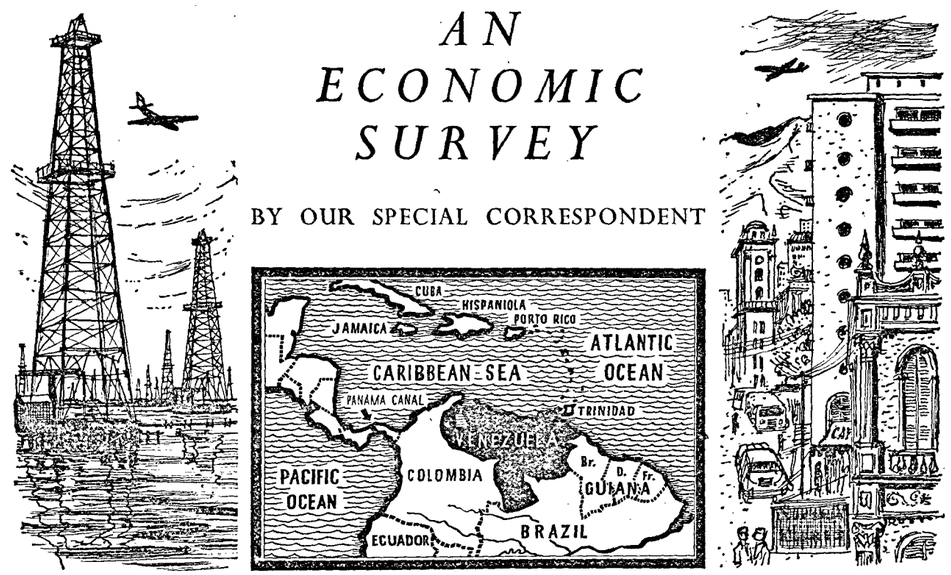
The sharp and steep fall in the price of rubber has, from General Templer's point of view, come at a bad time. For two years and more the rubber industry has kept going with the aid of boom conditions. High wages and high bonuses have helped to retain labour and supervisors through conditions of terror, though money alone would not have been enough. But without money, how many will feel that the effort is worth while? The rubber industry lives generally on a basis of forward sale, and so far the impact of the fall in price has not made itself felt to any great extent. The effect is bound to come and come soon.

How serious this new threat is to Malaya's economy is shown by General Templer's visit to London for further consultations. He is concerned, and rightly, with the inevitable fall in revenue and a possible shortfall in the funds needed to carry out his plans. If he is to succeed, the British Government may have to underwrite him. The fall in the price of rubber seems to have been halted for the present. At its present price, no doubt, the industry could carry on, were it not for taxation and the high cost of safety measures on the estates. The fall in purchasing power of a considerable section of the people of Malaya will ultimately spread itself over an ever wider circle and this will accentuate an existing tendency towards falling prices. But in itself this may not be a bad thing. It may be that a threat to the public purse will stimulate the idealists out of their complacency and cause them to put theories aside in the sterner practical business of living within their means. Provided it goes no further, the fall in the price of rubber may not be wholly disadvantageous to General Templer.

VENEZUELA

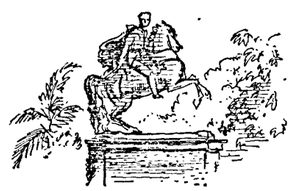
AN ECONOMIC SURVEY

BY OUR SPECIAL CORRESPONDENT



The Boom that Never Burst

IN only one country in the world is the US dollar virtually a soft currency. That country is Venezuela, the only Latin American state to come through the postwar years without foreign exchange problems or dislocation of its trading balances. The phenomenal prosperity of this Caribbean republic, which in 1951 could afford to import £230 million worth of both capital and consumer goods, has attracted remarkably little notice abroad—even in the United States, for some forty of whose exports Venezuela ranks as the best customer in the world. But other nations would do well to keep an eye on Venezuela, not only because of its importance in the pattern of international trade, but also because it is grappling with, and to a great extent overcoming, problems which countries both in Latin America and other regions now face, or will soon face. Moreover a nation of five million people which in this anxious age has no foreign debt, virtually no internal debt, perennially balanced budgets, and a gold reserve of some £120 million deserves the attention of every economist.



Venezuela's prosperity is immediately apparent even to the most casual visitor. Whether he lands at the newly enlarged port of La Guaira or the nearby, also newly enlarged, airport of Maiquetia, he will at once observe buildings being completed, ships and aircraft coming and going in increasing numbers, and a general air of bustling activity. On the twenty-mile drive up to the capital he will note not only the steady flow of goods traffic but also (if he can overcome his vertigo as he rounds the hundredth hairpin bend) the super-highway which is being bored through rock and flung across ravines a thousand feet below him. Even more striking is Caracas itself, with its gleaming new avenues and the gleaming new cars—one for every fifteen inhabitants—which throng them. Whether in the commercial centre or in the residential areas which in the past few years have mushroomed out to fill the narrow Caracas valley, one cannot turn a corner without seeing girders and scaffolding; and high up on every side of the valley the tireless bulldozer is at work carving out platforms for new buildings.

Over the past three years the total subscribed capital of limited companies registered in Caracas has increased at the rate of £2,500,000 a month, while the number of persons employed has risen by over 25 per cent. Since the end of the war the average wage in the capital has nearly doubled; and, even when a rise in the cost of living of over 40 per cent is allowed for, this represents an increase in real wages of over one third. Yet this great access of purchasing power has not created any scarcities. Shop windows are packed with goods, and modern "super-

markets" are springing up in which the Caraqueño can buy everything his heart desires.

The source of this new wealth is not far to seek. Venezuela is booming on a flood tide of oil. But not every oil-producing country presents the same lively picture. To some extent Venezuela's brisk tempo is explained simply by the richness of its oilfields; even today its output is abreast of that of the whole Middle East. But the oil companies operating in Venezuela are not local but foreign. What has happened here to disprove so vividly the hoary idea that foreign capital brings no benefit to the country where it is invested? In Venezuela the nation's share in the benefits of oil production is so great that, in the words of a report prepared for the UN Economic Commission for Latin America at its session in Mexico last year:

> We are thus again forced to the conclusion that, in spite of the fact that it operates with foreign capital, the oil industry is national, not only in a geographical sense, but also by virtue of its economic effects on the country.

Venezuelan statistics show that between 1945 and 1951 over 60 per cent of the total gross value of all petroleum exports was paid into the country. And more than half of the total of over $3,400 million brought into Venezuela by the companies during the past seven years has passed into the national exchequer. The State takes this handsome share of the proceeds of the industry by four principal methods. The first is taxation under the Hydrocarbons Law, mainly through the exploitation tax of one sixth of the full value of all oil extracted. The second is income tax; this includes not only a progressive surtax rising to 26 per cent, but an "additional tax," confined to petroleum and mining companies, which ensures that at least 50 per cent of each company's profits for any one year will pass to the exchequer. The third arises from import duties on supplies brought into Venezuela by the companies.

Finally, there are profits from exchange control regulations; these regulations require the oil companies to buy their bolivares at the rate of Bs. 3.09 to the dollar, while the dollars thus acquired by the Central Bank are then sold to Venezuelan importers at the rate of Bs. 3.35 to the dollar.

The net result is that in recent years the oil industry has directly contributed some 60 per cent of the national budget, while much of the remaining revenue arises from the flourishing external trade that the industry has made possible. Thus in 1951 the sources of State revenue were as follows:

(Millions of Bolivares)	Arising Directly from Oil Industry	Other Sources	Totals
Hydrocarbons taxes	864·5	...	...
Income tax	394·0	110·3	504·3
Import duties	30·8	322·1	352·9
Exchange operations	110·7	...	...
Excise (liquor, matches, tobacco, petrol)	...	163·0	...
Dues (consular, port, postal, telegraphic, etc.)	...	146·5	...
Stamped paper	...	62·3	...
Other revenue	...	52·1	...
TOTALS	1,400·0	856·3	2,256·3

These figures are impressive. But to appreciate the full impact of the oil industry on the Venezuelan economy, it must be noted that in the thirty years since the industry really began to develop, the national revenue has grown to twenty-seven times its former size. The Central Bank estimates that the national income has risen from Bs. 1,500 million in 1936 to 5,000 million in 1947 and 7,195 million in 1951. This last estimate, translated into terms of 1936 prices, would still represent Bs. 3,334 million, or 222 per cent of the 1936 figure. Moreover, according to the Central Bank's estimate, the average share of the national income per head in 1951 was Bs. 1,419—£152 or $426. The corresponding figure for 1936 was Bs. 446; thus, although the population has increased by 50 per cent in the past fifteen years, the average real income has risen by 48 per cent.

Spreading the Wealth

It will, however, be asked how widely this great injection of wealth has been distributed. Naturally, part of the benefit which Venezuela obtains from the oil industry passes directly from the industry to individuals, in the form of wages and salaries, of payments for rights of way and areas of land, of contracts for auxiliary services, and of purchases of local supplies. But even in this matter of direct payments the industry reaches out to stimulate many areas, providing a market for such growing industries as cement, paints, and asbestos: and its purchases of foodstuffs have virtually called into being new and important rural activities, such as the modernised dairy farming in the state of Zulia. Wider still are the ripples of encouragement which the industry sends out at second remove, by increasing the purchasing power of those from whom it buys labour, services or goods; by providing better communications in the form of new roads and cheap petrol; and by facilitating the expansion of credit and thus the creation of new industries and activities.

Two further influences of the industry, however, are even more important, for they affect the whole nation as one unit. The first is oil's power to bring in hard foreign currencies, and at a very favourable rate. It has already been said that the dollar is virtually a soft currency in Venezuela. Indeed, the Venezuelan bolivar may well lay claim to the title of the hardest currency in the world. In the early 1930's the oil wells were already flowing freely, and against the background of those dismal years Venezuela paid off all its foreign debts and watched the bolivar rise from a rate of Bs. 7.75 to the dollar to Bs. 3.05. Never, in fact, has the currency strayed far from its original gold point. Today, with the bolivar at 3.35 to the dollar and 9.43 to the pound sterling, it is fantastically overvalued on any comparison of domestic buying power; the bolivar will buy in Caracas no more than sixpence would in London. Yet this is a genuine exchange value, not one maintained by artificial restrictions. The result is that to anyone whose income is in bolivares, even dollar goods seem cheap, while imports from soft currency countries can be brought in at astonishingly low cost. The normal penalty for over-valuation is an inability to export; but this difficulty is washed away by the flood of oil.

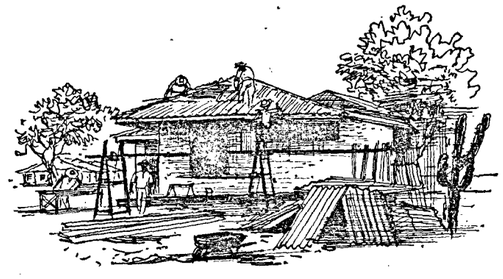
Thus, in 1951, petroleum products brought in 98.16 per cent of all Venezuela's earnings of foreign exchange; and of these petroleum earnings, 97.74 per cent—$606.9 million—were in dollars. This enabled the country to import in 1951 450,000 tons of food, 250,000 tons of cement, 57,000 tons of motor vehicles, 102,000 tons of other machinery, 87,000 tons of chemical products, 500,000 tons of metals for construction, and 450,000 tons of other goods. The

benefits of this influx of imports are most clearly visible in the towns. But in the countryside they appear in the form of new cottages built of cement blocks, with aluminium or asbestos roofs replacing the unhealthy thatch; well-stocked shops with big new deep-freezers; trucks carrying produce to market, and buses carrying country folk to town; and a rapidly growing number of radios, sewing machines, bicycles, small generators and pumps. But it is only imports that are cheap, and often the villager whose income has increased lives on in a mud shanty while he buys a refrigerator or a Packard; and these odd juxtapositions symbolise the abrupt change in the national economy.

EXPENDITURE BUDGET FOR 1951-52

(Millions of Bolivares)	Capital Expenditure		Current Expenditure	
Economic and Social Development:				
Communications	187		134	
Water supplies	89		...	
Agriculture and irrigation	50		70	
Industry and mining	66		14	
Housing	20		...	
Education	44		141	
Medical	20		100	
Social services	...		85	
Public construction	98		...	
Grants to States	102		...	
		676		544
Other Expenditure:				
Defence, security, justice	46		250	
Central Government	...		107	
Collection of revenue	...		65	
Amortisation of debt	8		...	
Grants to States	...		190	
Miscellaneous	...		65	
		54		677
Totals		**730**		**1,221**
Total Budget			**1,951**	

But most significant of all, both in scale and in scope, is the benefit which oil transmits through the national exchequer. As the figures already cited will have indicated, no less than 30 per cent of the whole national income now passes through the exchequer, and the bulk of this revenue is derived, directly or indirectly, from oil. The economic power thus placed in the hands of the central government is obviously decisive.



An analysis of the expenditure side of the budget for 1951-52 shows, in broad outline, how this power is used. A mere glance at these figures is enough to show that Venezuela's slogan, "sow the petroleum," is being translated into concrete form. State expenditure on this scale has meant the extension of the country's all-weather roads from 3,000 km in 1938 to over 9,000 km, nearly 3,000 km of them paved with concrete or asphalt; in 1951 750 km of new roads were built, while 770 km were paved and new bridges totalling 3,890 metres in length were constructed. Twenty-seven main airports and over sixty other airfields have been built. La Guaira, the port of Caracus, has been made an enclosed harbour and now handles 2,800,000 tons of shipping a year; other seaports have been improved, and new coasting vessels acquired. Irrigation has been provided for over 30,000 hectares, and water and sewage for almost every town. Since 1946 malaria has been virtually wiped out. Much more needs to be done to solve the enormous problem of housing, but a beginning has been made; and a real effort is under way to extend free and comprehensive education, and adequate health services, to all. The multiplicity of other developments is apparent to any visitor to Venezuela who sees throughout the country newly built clinics, playgrounds, pools, technical training centres, markets, slaughterhouses, telegraph offices and power plants.

The record of the past few years is impressive. The State is trying its best. But there are limits, even in the most honest country, to enrichment from above, and Venezuela is no more honest than most. Moreover, the foreign observer will naturally be inclined to ask whether the cornucopia is not being emptied too swiftly and lavishly into projects which, however admirable, are not all directed to Venezuela's most urgent needs. But to answer this question it is first necessary to look more closely at the general economic condition of the country.

The Venezuelan Paradox

KING MIDAS crops up in every economic conversation in Venezuela. Strange though it may seem, a favourable balance of payments, a fat gold reserve, a currency hard enough to cut through dollars, and a revenue which is not so much buoyant as airborne, are not enough to free a country of economic problems. Venezuela's most obvious problem is its dependence on one main export commodity, the value of which must fluctuate according to international conditions over which the country has no control. Successive governments have recognised that the only way of meeting this danger is to "sow the petroleum," to use the wealth derived from oil to diversify the national economy. The State has diverted huge sums, in the form of credits, grants, supplies and technical assistance, to both industry and agriculture; it has responded to numerous demands for tariff protection; it has co-operated in development projects sponsored by such independent groups as Mr Nelson Rockefeller's International Basic Economy Corporation. Much has thereby been achieved; but at first sight it would seem questionable whether either industry or agriculture has responded to an extent commensurate with the encouragement given it.

In recent years, indeed, production has declined in several branches of the economy. Thus, between 1947 and 1951 output of butter, biscuits, cigarettes, tinned milk and soap fell off, and textiles, although benefiting both by heavy protection and by a large share of State investment, fell off by a full 50 per cent.

These setbacks must be seen against the background of a general economic expansion which has greatly exceeded them in volume. Their importance should not be exaggerated. But they serve to show that the mere application of State aid, however generous, is not enough to

ensure a swift and universal development of industry and agriculture in circumstances of this kind. Some Venezuelans, looking at the huge and increasing figures for oil revenue and state expenditure, are inclined to attribute the failure of industry and agriculture to develop with similar speed either to the blighting effects of "mono-production," or to the priority given by the government to public works.

Neither of these beliefs will stand up to close examination. The idea that oil has killed a formerly thriving agriculture, burying it under an avalanche of imported food, is based on a startling misconception—one shared by such distinguished authorities as Señor de Madariaga, who has written of "a sea of oil" pouring itself over Venezuela's "once fertile valleys." In point of fact, few tropical countries are less fertile than Venezuela, and in few is farming a more hazardous enterprise.

Nature, indeed, has played many bitter tricks on the people of this apparently spacious country. The great plains north of the Orinoco—the *llanos*—which to the casual eye would seem to welcome the plough, are mostly covered with light soils which defy the farmer and make poor enough pasture; and each year sees them first dried brown and then drowned in summer-long floods. To the north, the coastal lowlands are scorched dry; La Guaira, for example, with an average temperature of 81 deg., gets only eleven inches of rain a year. Far south of the Orinoco, and in its delta, the dense forest is interspersed with a few promising areas, but these are still too remote. Throughout the history of the country the bulk of the population has therefore been found scattered along the mountain chain, a spur of the Andes, which runs from the south-western state of Táchira to that of Miranda, east of Caracas. These mountains are steep and badly eroded. The valley surrounding the Lake of Valencia is the only sizeable basin within their tight embrace; elsewhere cultivation is confined to small pockets of flatland and to such of the mountain sides as have retained their soil through centuries of torrential rain and destructive cultivation of the nomadic type.

It is hardly surprising, therefore, that the agricultural history of Venezuela from the Spanish conquest until recent years shows little except extensive estates on which even such profitable crops as coffee, cacao, sugar and indigo were only made economic by the use of cheap, formerly slave, labour; and, alongside them, the wretched patches of hillside on which the *conuquero* or primitive smallholder contrived, or failed, to feed his family. The collapse of the market for indigo and the competition of better placed sugar-growing countries aggravated these difficulties; and in the early years of this century Venezuela was noted for a high-cost agriculture, ringed with a tariff wall behind which the landowners sought to protect their inefficient methods. Little

was done to improve matters during the long rule of the dictator Gómez (1908-1935), who, indeed, concentrated on securing all the best land for himself and his friends, and thus effectively discouraged efficiency. Gómez's ambitions were equally damaging to the *llanos*, for he acquired a virtual monopoly of the cattle trade by imposing crushing taxes on all movement of beasts from one Venezuelan state into another—the taxes paid on his own herds, of course, returning to his private purse via the exchequer. Farming developments since Gómez's death can be illustrated by the following table:

(Metric Tons)	Food Production 1937	1951
Maize	361,340	310,341
Potatoes	10,613	29,396
Black beans	30,182	32,018
Rice	8,000	38,647
Peas	7,428	8,000
Sugar*	21,000	45,265
Fish	14,400	43,451
Meat	60,860	85,598
Butter	830	1,069
	Export Crops	
Coffee	74,555	33,983
Cacao	24,098	14,090

* Not including papelon, a kind of solidified molasses, which is still produced on a much larger scale than sugar.

These figures show a considerable drop in production of maize, traditionally the staple food of the poorer Venezuelan; but they also show increases, some of them very striking, in the production of all other foods for home consumption, which greatly outweigh the decline of maize. Indeed, it has been officially estimated that total farm production for internal consumption has risen by over twenty per cent above the 1937 level. In the light of these facts, the picture of a prosperous farm economy ruined by imported food is replaced by one which shows that the great increase in imports in recent years has been partly due to the rapid rise of the population, and partly to a natural demand for a better diet; while the ability of local production to expand further has been limited less by foreign competition than by the physical shortcomings of the terrain.

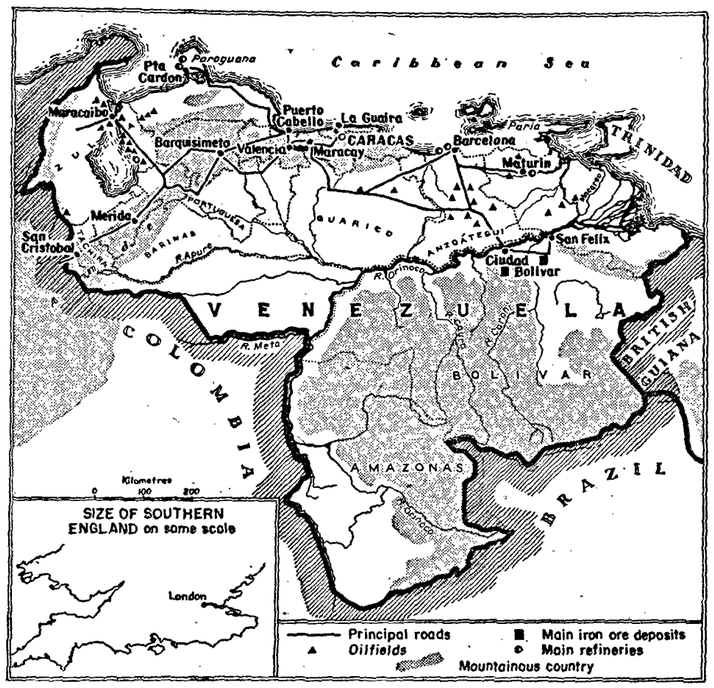
From Coffee to Oil

This does not apply to the two export crops, whose decline has undoubtedly been hastened by the high cost levels created by Venezuela's prosperity and the strength of the bolívar. Yet the country has, in effect, freed itself from dependence on two export commodities, production of which was laborious, uncertain and uneconomic, and whose market value was perennially subject to wild fluctuation, and found in exchange a product that absorbs little of the national energies and brings in not only a far richer, but also a more stable, return.

It is, however, often asserted that oil has sucked labour away from the land and thereby injured agriculture. But according to the Ministry of Mines and Hydrocarbons, the petroleum industry was employing only 44,540 persons in 1951. In 1948, the industry's peak year, the figure was 58,418; but even this amounted only to 3.1 per cent of the country's working population. The real effect of oil on the labour situation has been the creation of many more jobs in industry, commerce, transport and public services; the numbers employed under these headings have risen from about 500,000 before the war to well over a million. But this has been achieved by natural increase rather than by robbing the land of labour; indeed, the number of persons actively engaged in agriculture, which before the war was about 630,000, has since shown a slight increase.

It has been suggested that Venezuela could virtually feed itself within less than a decade. Yet in view of the facts already cited it is clear that this can be no easy task. Modern methods are being introduced as fast as the conservative

nature of the farmer will allow; active research is going on to find better types of crop and to wipe out the various pests which prey on agriculture and livestock; state-sponsored farm settlements are springing up. But even more than this is needed. Although the problem varies from one area to another, nearly every potential increase in production calls for a very heavy investment. Dry areas need irrigation, wet areas drainage, while much of the most hopeful land, such as that in the states of Portuguesa and Barinas, has first to be cleared of trees and scrub. Neither the farming community itself nor the private investor can finance such huge works. Only the state can pay such a bill, and although it has already made a promising start it will have to maintain its efforts for some years, and greatly increase them if it is to tackle such vast problems as the disastrous floods which plague the lower *llanos*.



Moreover, one of the major paradoxes in this country of paradoxes is that its access to the outside world is much easier than its internal communications. Here again geography has played cruel tricks. The great plains and the Orinoco river, which offer relative ease of movement, are far to the south, remote from the centres of population. To the north, access to the sea is obstructed by the steep coastal ranges; to the west, the state of Zulia can only be reached by crossing other ranges. In the Andean states, the few roads soar and plunge over dizzy passes; and the tortuous nature of the mountains which surround Valencia and Caracas can be judged from the 86 tunnels and 217 bridges on the 112-mile narrow-gauge railway between those cities. The capital itself is a defiance of all normal geographical principles; for the narrow valley which it now fills to the brim is neither a natural junction nor the centre of an agricultural area which might support its population. To drive from Caracas to Ciudad Bolívar, far to the east, one must first head westward for fifty miles through a series of defiles; and the capital's daily food is either hauled through those defiles from the Valencia valley, flown in from the Orinoco, or shipped from New York.

Roads to Market

Thus, until the present programme of road building got under way, the Venezuelan farmer had little incentive to increase his output, for how should he bring it to market? Today the roads are opening his way to the city consumer. By 1953 the main highways are to be fully paved from San Cristóbal in the south-west, through Valencia and Maracay, to the Orinoco opposite Ciudad Bolívar. But many more roads are planned, despite the heavy costs inevitable in a land where almost every mile must be carved out of a mountain side swept by heavy rain, or embanked high above a plain that floods every summer. And, since the problem of high costs cannot be finally solved while the country remains entirely dependent on road transport, coastal shipping is being expanded and an ambitious plan has been worked out for the expansion of the few obsolescent railways—now acquired by the state—into a modern system spanning the country from east to west.

Access to the internal market is just as important to industry as to agriculture, and much of the progress recently made by Venezuelan industries can be traced to improved communications. As in the case of agriculture, the Gómez period was one of scant progress in industry, which was held back even more than other activities by the dictator's disapproval of any kind of education, technical or otherwise, that might make his subjects more difficult to handle. After Gómez's death a gradual advance began; in 1941 there were 206,700 persons engaged in industry, against 176,000 in 1936. The reduction of imports owing to the war, and the pressure of an internal purchasing power sustained by high petroleum exports, galvanised industrial production; but the war years also revealed the limitations of the economy, for despite the collapse of external competition and the eagerness of the market only a few products showed a marked increase. The postwar years have seen a further marked increase in total industrial production, due in part to generous credits and investments by government agencies; and it is interesting to note that while textiles, for example, have declined in spite of such aid and in spite of heavy protection by tariffs and quotas, products such as cement, tyres, and electricity, which are more closely linked to the general development of the country, have forged ahead.

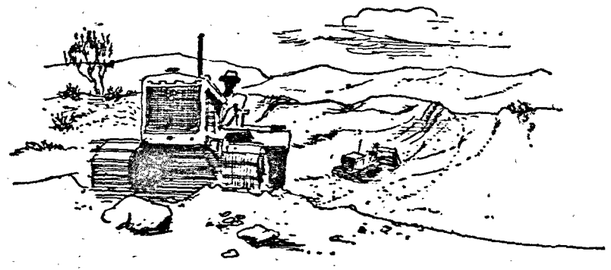
	1938	1945	1951
Cement (metric tons)	39,863	115,784	621,491
Inner tubes	0	25,014	116,998
Tyres	0	33,508	126,173
Electricity ('000 kWh.)	106,531	212,087	617,727
Cigarettes (millions)	1,513	2,109	2,043
Soft drinks ('000 litres)	0	22,058	146,868
Beer ('000 litres)	14,139	40,104	107,396
Biscuits (metric tons)	665	2,480	3,763

Output of cotton cloth shot up from 717,332 metres in 1941 to 11,801,044 in 1946, but in 1951 was only 3,387,478. The rise and fall in output of most other tex-

tiles has been equally marked. Shining exceptions, however, are artificial silk—19,910,437 metres in 1951, against 1,874,496 in 1945; socks and stockings—3,905,000 pairs in 1951 against 1,845,000 in 1945; while rayon-cotton mixtures made their bow in 1951 with an output of 1,727,172 metres It is not difficult to detect a rising standard of living behind these shifts within the textile industry.

A glance at the table overleaf indicates the general nature of Venezuelan industry. On the one hand it is geared to the present intensive activity in construction and transport, and to the consumption demands of a people whose standards of life are rising rapidly but from a very low base; on the other, it is acutely restricted by lack of raw materials, heavy equipment and trained men. The unbalance in its structure emerges clearly from the fact that of the increase of Bs. 96 million (at 1947 prices) in the volume of industrial production between 1945 and 1949, 56.7 million represented beer. Yet even the significance of the boom in beer and soft drinks, now levelling off, will not be missed by anyone who knows how much these banal items, together with refrigeration, have done to ease life in the heat of Venezuela, and to reduce the drinking of *aguardiente*, with its pernicious consequences. Against the background of only a few years ago, every new enterprise, whether it produces paint, matches, plastic combs, upholstered furniture, or margarine, is a visible step forward.

Having passed almost in a flash from the age of the mule to that of the aeroplane, Venezuela now has to fill in the yawning gulf between. In terms of currency, it is already rich. But at bottom this is a difficult country, whose latent potentialities can only be brought out by spadework on a scale which amounts almost to changing nature. This transformation could never have been attempted without the resources provided by oil. Nor, in Venezuelan conditions, would it have come about through the normal processes by which commercial enterprise develops. Quite apart from the fact that most local businessmen have little taste for embarking on long-term projects when they can get so many quick returns—particularly from speculation in real estate—the greater part of what has to be done can offer no dividends. Social development cannot be distinguished from economic, in a country where education and better health were needed so urgently. Communications are of the essence; and if it is protested that spending on roads and public works is too lavish, it must be remembered that this is a people whose numbers look like doubling within a generation, and which must allow itself elbow room. It is true that Venezuela has to guard against falling into the habit of lavish spending; yet for the present it is hard to find an answer to those of its senior officials and economists who frankly acknowledge that money could be saved, but only at the cost of time. Time, indeed, is almost the only scarce commodity in the country; and no one who has experienced the pace of activity in Caracas will accuse Venezuela of merely allowing itself to be carried along on a flood of oil. Venezuela has a long and hard road to travel; but it is on the march.



Oil Wells and Iron Mountains

VENEZUELA exports more oil than any country in the world, and as a producer of oil it is second only to the United States. In 1951 the country produced 15 per cent of the world's oil, and its production is still rising vigorously. In May the average daily output was 1,844,407 barrels a day; the 1951 average was 1,704,643, while as recently as 1947 it was only 1,191,478. Yet in spite of this prolific production new reserves are still being found, and estimates of known reserves revised upwards, on a scale greater than that of production; and in 1951 known reserves stood at the record figure of 1,590 million cubic metres, against 1,160 million in 1947. Thus Venezuela today holds some 12 per cent of known world reserves of oil; and, since its deep cretaceous beds are still largely untapped, while the third of its oil-bearing basins, the Barinas region, is scarcely even explored, there is ample evidence that the oil will continue to flow copiously for many years to come.

Given this wealth, the country's main problem in the field of petroleum is to keep the industry on an economic basis. Geographically, Venezuela is superbly sited for access to world markets. Tanker hauls from its ports to Europe are only half as long as hauls to Europe from the Persian Gulf; and hauls to United States east coast ports are actually shorter from Venezuela than from Texas. But the long shadow of the Middle East pipelines lies darkly across Venezuela, for oil carried through these pipes now competes on equal terms with Venezuelan oil in Europe. And Middle East oil is not only flowing with ever greater speed, but is also a cheaper product than Venezuela's. Canada's growing production also presents the alarming prospect of a rival who may soon be even better placed for access to American markets.

Many factors contribute to make the Venezuelan oil industry a high-cost one. Some of them are physical. While the country enjoys the advantage that the average production of each well is far higher than in such areas as Texas, the industry has had to overcome formidable obstacles to reach this richness. The most prolific area, the eastern shore of Lake Maracaibo, has set perhaps the worst problems. To exploit the wells landward of the coast, almost the whole area has had to be drained, and massive sea walls built to hold back the waters of the lake. The 2,500 wells which lie beneath the lake itself, some of them under 150 feet of water, have involved the development of other costly techniques. Caissons up to 200 feet high must be thrust into the lake bottom to form bases for the derricks; the derricks themselves cannot easily be removed for use elsewhere; and fleets of small craft must be maintained to service the weird marine forest of wells.

Oil has a habit of appearing in inhospitable areas, and in Venezuela this rule applies as much as elsewhere. Before the industry arrived, neither the swamps east of Lake Maracaibo, the bush west of Maracaibo city, nor the savannas of Anzoátegui held any considerable population. The companies have had to build their own roads—2,000 km of them—their own towns, schools, hospitals, and shops, to lay on electricity and water, and to take elaborate measures to protect health. And to meet the welfare requirements laid upon them by the government, and provide such other services as conditions necessitate, it has been estimated that the companies must find some $5,000 a year per worker. In addition to his pay packet, each man receives holiday pay, a share in profits, medical benefits and, on the ending of

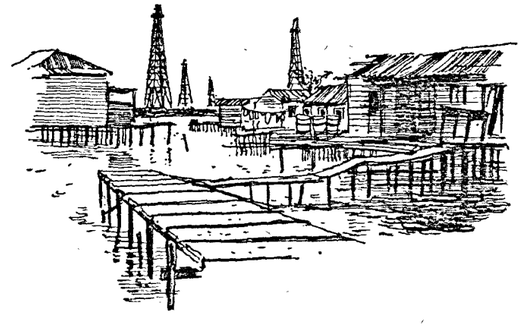
his employment, a handsome severance grant. His family obtain free education, housing, and the right to use shops where foods and many other commodities are sold at controlled prices; the companies subsidise these supermarkets to the extent of some Bs 25 million a year. In sum, the oilfield workers—93 per cent of them Venezuelan—constitute a small welfare state.

Even more spectacular has been the creation, within the past six years, of new communities in the desolate Paraguaná peninsula. Against a flat Salvador Dali landscape in which only the cactus defies the unceasing wind, two great refineries have sprung up, with their attendant tank farms, pipelines, docks and townships. The bigger, Shell's Cardon refinery, will by 1953 have a throughput of 8½ million tons a year—over 140,000 barrels a day; its neighbour at Amuay Bay, run by the Creole Petroleum Corporation (a subsidiary of Standard Oil of New Jersey), can refine 60,000 barrels a day. The problems which the construction of these huge plants involved can be judged from the fact that their water supply must be piped for sixty miles from hills south of Coro on the mainland, at a cost of $10 million. Together with other new refineries at Puerto La Cruz, near Barcelona, these developments have nearly trebled Venezuelan refining capacity since 1945. By the end of 1953 it will amount to some 340,000 barrels a day, which may well prove its limit, in view of the increasing tendency of consuming countries to import crude oil and refine it on their own territory. By this massive expansion, the oil companies have handsomely exceeded the requirement of the 1943 Hydrocarbons Law that they should refine a tenth of their output in Venezuela.

Deepening the Lake Entrance

The companies have also agreed to lend Bs. 80 million towards the cost of deepening the entrance to Lake Maracaibo from 21 to 35 feet. This operation, which began this spring and is expected to take four years, will permit ocean-going vessels to enter the lake, and high hopes have been expressed about its stimulating effect on the whole area. It will not, however, bring much direct benefit to the oil industry, which had already invested heavily both in shallow-draught lake tankers and in pipelines which carry oil from the fields to the new deep-water terminals on the Paraguaná peninsula.

The fact that the industry has been able to make so many contributions to the Venezuelan economy without losing its ability to produce at an economic price is due not only to skilful management but also to the harmonious relationship between successive Venezuelan governments and the companies. The Ministry concerned, that of Mines and Hydrocarbons, has built up over a period of years a cadre of officials with practical experience of oil production and problems; and while the government's first concern has naturally been to turn the productiveness of the industry to the advantage of the whole country, no Venezuelan administration has lost sight of the hard fact that the golden goose is a bird to be squeezed but not decapitated. The result has been a steady flow of investment into the industry both from the United States and, through the Shell group, which accounts for nearly a third of Venezuelan production, from British and Dutch sources. As in other countries, the nature of the industry requires the companies to reinvest all but a fraction of their profits in order to maintain a healthy rate of expansion; and it is this reinvestment, not the mere sale of oil, that has kept Venezuela's external balances strong. The twelve companies and groups concerned have invested over $2,300 million in Venezuelan oil, some $1,600 million of it in the past seven years. Over $330 million is being invested this year.



Yet this rosy picture is not without its thorns. The jolt Venezuela received in 1949-50, when fuel oil prices fell for a time by nearly 25 per cent, was enough to dispel complacency. Although production in 1949 was only 1.3 per cent below the 1948 level, the expansion of the industry was checked for the first time since 1941, and the effects on the national economy were striking. The value of exports fell from Bs. 3,484 million in 1948 to Bs. 3,360 million in 1949, and between 1949 and 1950 treasury reserves fell from Bs. 474 million to Bs. 191 million. The close relationship between petroleum production and the development of Venezuelan industry was signally revealed; the rate of capital formation in the non-governmental sector of the economy, which had been rising sharply ever since 1943, fell by 8 per cent in 1949, and sales registered in Caracas dropped from Bs. 2.9 billion in 1948-49 to Bs. 2.65 billion in 1949-50.

At the heart of these setbacks was the inability of European countries to buy oil with hard currency, and their increasing reliance on the Middle East. In 1948 Europe bought 34 per cent of Venezuela's oil; in 1950, only 22 per cent. Venezuela is virtually resigned to the eventual loss of many of its former markets in Europe, and instead looks hopefully to the expanding demand of the western hemisphere. Recent years have given grounds for such hope.

PETROLEUM EXPORTS TO WESTERN HEMISPHERE (DIRECTLY OR VIA DUTCH WEST INDIES)

('000 of Barrels) *Destination:*	1949	1950	1951	1951 as % of Total 1951 Exports
United States	176,906	222,816	219,451	38·75
Canada	29,553	38,322	52,454	9·26
South America	52,907	59,045	70,060	12·37
Central America	8,052	7,419	8,373	1·48
	267,418	**327,602**	**350,338**	**61·86**

It remains to be seen, however, whether these western markets will develop quickly enough to solve Venezuela's problems. One of these problems is that, in 1951, payment for 97.7 per cent of the oil exported was made in dollars, although only 55 per cent of the oil went to the dollar area. How much longer can and will the non-dollar countries find hard currency with which to buy? This question cannot be avoided even if buyers for virtually all the country's output are found in the western hemisphere, for the South American countries which have recently stepped up their purchases so encouragingly are not dollar areas. The major oil companies are going to great pains to keep down the dollar element in their costs, but there are obvious limits to this in view of the large payments which must be made to the government in bolivares, the policy of buying Venezuelan supplies wherever possible, and the necessity for even non-American companies to buy much of their specialised equipment from manufacturers in the United States. The latter country must remain Venezuela's crucial market; and Venezuela's awareness of this is shown by its present vigorous efforts to secure new tariff concessions for its exports to the United States.

At the time of Venezuela's liberation the city of Angostura, three hundred miles up the Orinoco river, was an important centre. Here

Simón Bolívar convened the historic Congress of 1819; from here he set out on the amazing expedition that led him across the Andes to victory. Renamed Ciudad Bolívar in honour of the Liberator, the city nevertheless declined in importance with the passing of the years. But today it has become an outstanding boom town even in booming Venezuela. For in this region lie the great deposits of iron ore which will soon provide Venezuela with an export commodity second only to oil.

The existence of iron ore south of the Orinoco and on both sides of the Caroní river has been known since Spanish times. But the problem of inaccessibility defeated several attempts to exploit it in the nineteenth century, and a Canadian company which actually produced about 100,000 tons in 1912 gave up a year later. Several American companies explored the region between the wars, but it was not until 1941 that the Bethlehem Steel Company took the plunge and launched a development programme estimated to cost $65 million. To bring out ore from its main holding at El Pao, east of the Caroní, the company had to build a 34-mile railway through thick jungle from a point on the Orinoco near San Félix, and a new port on the Paria peninsula, where the ore is transferred from the barges which bring it through the Orinoco delta into ships. Ten years passed before the first shipload from El Pao came out in March, 1951, but by the end of that year 715,000 tons had been shipped and a further 750,000 tons mined. Output is now expected to rise rapidly to something like 2,700,000 tons a year. El Pao is estimated to hold 70 million tons of mineral, the ore containing from 58 to 68 per cent of iron, and neighbouring deposits can be expected to supplement this now that the primary job of opening up the area has been done.

A Rich Crust of Ore

An even more ambitious operation is being carried out west of the Caroní, where, in 1947, the United States Steel Corporation found the hill now known as Cerro Bolívar. Some 500 million tons of ore have since been proved in, or rather on, this steep, hog-backed ridge, which is thickly crusted with rich ore, averaging 63 per cent iron and virtually free of sulphur. In places the ore lies 400 feet deep. Neighbouring ridges, which have not yet received the same minute attention, are expected to yield iron on a similar scale.

Despite this amazing richness, which rivals that of the greatest of the Lake Superior pits, Cerro Bolívar presents an even more formidable transport problem than El Pao. For some time US Steel considered building a 274-mile railway northwards to Barcelona, with a four-mile bridge across the Orinoco. Finally, and at the wish of the Venezuelan Government, it decided last autumn to build a 91-mile railway to the junction of the Orinoco and the Caroní, and thence to dredge a channel 34 feet deep down the Orinoco and out to sea through the Macareo, the branch of the delta that offers the best possibilities, although the deepening of its tortuous 100-mile course is expected to cost at least $18 million. Altogether the corporation looks like spending some Bs. 400 million in Venezuela during its construction phase, and the ore will not get under way until 1954. But both the dredging and the laying out of the railway are already under way, and once the river is open to ocean-going ships it is hoped that Cerro Bolívar will yield some 15 million tons a year.

The significance of Venezuela's "iron mountains" for the United States, where in recent years there has been real anxiety about the rapid depletion of the Lake Superior reserves, is obvious enough. In spite of the heavy costs involved, it is expected that by using the largest oreships ore from Cerro Bolívar can be brought to the US Gulf and east coasts at a price fully competitive with that of domestic or Labrador ore.

The significance of the ore for Venezuela itself is equally clear. Unless the opening up of Bolívar state in the wake of the present development leads to the finding of even vaster mineral deposits, iron is never likely to mean as much to Venezuela as oil. But it will mean a great deal to the south-eastern part of the country. Already there has been much discussion about creating a steel industry near the Orinoco-Caroní junction, with the aid of hydro-electric power from the nearby Caroní falls. The Minister for Mines has spoken of the possible erection of a plant able to produce, initially, 70,000 tons of steel a year. The main obstacle to this plan is the country's lack of coking coal; but for some time investigation has been proceeding into the prospects of using natural gas, piped from the oilfields of Anzoátegui, to reduce the ore on the model of a similar technique used in Sweden. Since Venezuela can, in any case, afford to import enough coal to support a modest steel output, there are obvious possibilities here. Meanwhile plans have also been drawn up for the erection near the Caroní junction of a smelter to produce aluminium from bauxite brought from British or Dutch Guiana. This, however, must wait upon the execution of the project to obtain electricity from the Caroní falls. But whether the area of the lower Orinoco eventually becomes the centre of Venezuela's industry or not, there is no doubt as to the rapid development which it is now destined to undergo. For the first time in over a hundred years Venezuela's great river is about to assume a role consistent with its size and its ancient reputation.

A Quality Market

AMONG Britain's dollar account markets, Venezuela yields place only to the United States and Canada. Over the past three years it has bought from this country three times as many goods as Mexico, Colombia or Cuba, its nearest rivals. Yet in those same years the proportion of Venezuelan imports drawn from Britain has fallen from 7.9 per cent to 6.6 per cent. This decline is the more disturbing because there is much to indicate that its chief cause has been neither lack of goods nor lack of buyers, but a failure on the part of many British exporters to realise the possibilities of the Venezuelan market.

Thanks to its huge oil exports and the very high exchange value of its currency, Venezuela is in the happy position of being able to buy both capital and consumer goods on a lavish scale. In 1951 its imports amounted to the equivalent of 30 per cent of its whole national income. The United States is easily its largest supplier; but American goods, which in 1949 had accounted for 73.6 per cent of Venezuela's imports, in 1951 declined to 67.4 per cent, and Venezuelans as a whole are extremely anxious to become less dependent on one single source of supply. Traditionally, this is a high-tariff country; but the fact that the Venezuelan bolivar commands a rate of exchange three or four times greater than its internal buying power has made possible a large volume of imports even of those items which are subject to heavy duty, and in the case of industrial equipment and similar supplies many import duties have been waived in the interests of the country's development. Venezuela has protected certain of its industries, including most textiles, shoes, tyres, and certain foods, by quota restrictions in addition to tariffs; but in 1951, at the beginning of which year the restrictions were further tightened, 21,700 tons of textiles were still imported.

Moreover, Venezuela welcomes many imports which find few sales in the two greater dollar markets. The larger items among its imports from Britain last year included chemicals, paints, sheet glass, wrapping papers, tyres, lubricants, cement, sports equipment, sanitary equipment, agricultural implements, pumps, motor vehicles, radios, aeroplanes, and a wide variety of textiles, machinery and construction material. British firms have found buyers in Venezuela for barbed wire, disinfectants, tiles, builders' hoists, jewellery, bicycles, metal furniture, pottery, galvanised waterpipe, boilers and refractory bricks. It is, perhaps, superfluous to add that Scotch whisky is the country's most fashionable drink; but it is of some interest that much of the intake of this liquor consists of re-exports from the United States.

The attractiveness of the Venezuelan market is clear enough. Its difficulties are equally clear, but far from insurmountable. The dominance of the United States, cemented during the war, has naturally made Venezuelans familiar with American machinery, equipment, and nomenclature. Many Venezuelans have acquired their technical and commercial training in the United States. The American firms which are rapidly setting up local subsidiaries, or entering into partnerships with Venezuelan businessmen, further encourage the use of American supplies. And a businessman from New York or Chicago can reach Caracas overnight if he wants to clinch a deal—although even an American finds a prolonged stay in Venezuela heavy on the purse.

With its highly desirable currency, freely convertible into dollars at a strong rate, Venezuela has naturally been courted by many other exporting nations. After the United States and Britain its principal sources of supply in 1951 were Germany, Canada, France, Italy, Holland and Belgium, in that order. Canada's prominence was largely due to foodstuffs, including 58,000 tons of flour, but minerals, machinery, motor vehicles, tyres, newsprint and other paper accounted for considerable amounts. Iron and steel for construction provided the biggest French item, with cognac and wines which Venezuela imports on a larger scale than whisky—ranking second. Italy sent aluminium and other metals, rayons and rayon mixtures, and a variety of specialised foodstuffs. Cheeses, hams, condensed milk and other foods appeared high in the list of Dutch imports, followed by radios and miscellaneous machinery. Belgium contributed iron and steel construction material, wire, armaments, and a small quantity of coke.

The strongest competition, however, is now coming from Germany, which in 1951 secured 4.2 per cent of Venezuela's import trade, against 1.3 per cent in 1949 and 0.2 per cent in 1948. In volume, indeed, imports from Germany surpassed those from Britain last year, with 200,000 tons against 125,000; but they included 115,000 tons of cement. Other major items from Germany were structural steel, reinforcing bars, wire, railway equipment, motor-cars, motors of various types, scientific instruments, electrical plant and accessories, sheet glass, hand tools, pharmaceutical and chemical products, aluminium, sports equipment and miscellaneous machinery. Large numbers of travelling agents for German firms are now active in Venezuela; German, and joint German-Venezuelan, concerns have opened impressive new premises in Caracas; and newly built German motorships are discharging cargo at La Guaira almost weekly.

It must be admitted that German exporters have some strong cards to play. For generations Germans have settled in Venezuela, and although their numbers are not great their technical and commercial skill has made an important contribution to the economy. Many of them are related to senior technicians and managers in local contracting firms and official institutions, and it is only natural that one of the latter, hard pressed for the quick answer to some supply problem that is holding up an urgent job, should turn to his brother-in-law or cousin for advice. A Hamburg exporter can thus be sure of finding a local agent with lifelong experience of the country and excellent contacts. Moreover, German wares are thoroughly familiar to Venezuelans. Before the war Germany supplied more of the country's needs than any other country except the United States. In 1937 it had 14 per cent of the import trade to Britain's 9 per cent. Its reputation remained high throughout the wartime interlude, and although in some cases Venezuelan importers have been disappointed by the poor quality of the first hasty postwar consignments from Germany, German firms have recovered many of their traditional markets and are busy invading new ones.

Yet, even when all these advantages are enumerated, the main reason for the German exporters' rapid recovery has been their vigour and their attention to the needs of the market. With certain laudable exceptions, British exporters have failed to appreciate the scope and nature of the Venezuelan market. Several of their agents in Caracas, both British and Venezuelan, have come near to despair owing to the unresponsive attitude of London offices. The agents, if not the Venezuelan purchasers, fully appreciate that shortages and prior commitments have made it impossible to meet many of the demands for immediate delivery which are common in a country of such rapid development. But they find it hard to understand why some British firms confine their dollar-earning efforts to battering vainly on North American doors when Venezuela offers them an open portal; why some miss golden opportunities owing to apparent inability to learn that Caracas businessmen are in just as much of a hurry as those of New York; why others, not content with presenting their catalogues in English, complete with yards, avoirdupois and similar mysteries—proceed to demand payment for them.

The British exporter, of course, also has his grievances. One complaint is that British shipping services to Venezuela are, in comparison with continental, and especially German, lines, infrequent, slow, and, above all, irregular. Equally serious is the fact that air mail between London and Caracas has been known to take ten days or more in transit, while catalogues and documents sent by surface mail may not arrive for two months. London cannot expect such close contact with Caracas as New York enjoys; but it may well be asked why, if a Venezuelan importer makes simultaneous air mail inquiries in London, Hamburg and Amsterdam, he should have to wait a week longer for the reply from London. Venezuela is in a hurry, and one such experience is often enough to end all desire to investigate British sources.

Venezuela today is a quality market in the truest sense. The Venezuelan importer can buy wherever he will; he is keenly interested in competitive prices, but he can afford to buy the highest quality, and he has little use for the shoddy. It is doubtful, in this context, whether Japan's present determined efforts to bring in a wide range of cheap goods will get very far; the biggest Japanese item yet imported is sports equipment. Venezuela, as a country engaged in a brisk and violent battle to subdue its vast natural difficulties, needs above all sturdy, reliable equipment suited to extremes of climate, backed up by adequate stocks of spares and first-class technical service. In the past it has been precisely by meeting such needs that the British reputation for quality has been built up. Is it now, at this formative stage in the life of a fast growing nation, to be maintained or lost?

How to increase your exports to Latin America...

...yet keep your advertising costs down!

Visión Latin America's largest and most influential news magazine, enables you to reach the men with the means to buy your products in Latin America.

In this one publication, you can reach government officials, business executives, land owners and professional men in every Latin American market from Mexico to Tierra del Fuego. Your advertisement will carry greater force because it appears in the magazine with the greatest prestige throughout Latin America.

Printed in Spanish, and edited to the tastes and interests of Latin Americans, ***VISIÓN*** plays a highly effective role as an advertising medium. Nearly 100 distinguished export firms are using ***VISIÓN*** as one of their principal advertising media in Latin America.

Advertisements may be paid for in Sterling.

Additional facts on the advantages of ***VISIÓN*** as an advertising medium are available on request.

For sample copy of *VISIÓN*, Latin America's most important magazine, write today to:

Frank V. Norall,
European Manager,
42 Lennox Gardens, London, S.W.1
Kensington 0546

Special note

***VISÃO**, a Brazilian equivalent, printed entirely in Portuguese, is available beginning July 22, 1952. Especially attractive advertising rates are available to firms wishing to advertise in both **VISIÓN** and **VISÃO**.*

THE BUSINESS WORLD

Copper's New Peak

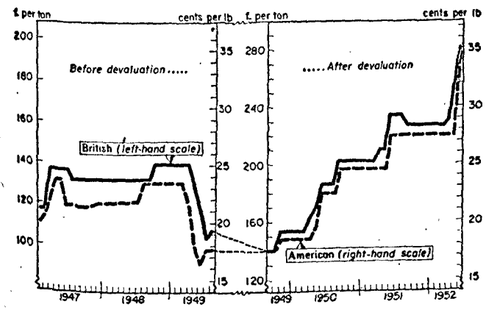
A BUSINESS NOTE in last week's issue of *The Economist* recorded the decision of the Ministry of Materials to raise its selling price for copper from £231 to £281 a ton. The Ministry has since provided a fuller explanation of this decision and of the part that Rhodesian and Canadian suppliers have played in keeping the rise in the price to no more than £50. This increase of between 20 and 25 per cent obviously required an explanation, for it puts the price of copper at one jump to the highest peak ever recorded. A market would behave more gently than a Ministry, but since there is no market, consumers have to put up with the departmental fell swoop. The fact is that the world has now so far perfected its economic arrangements that there is no single satisfactory world price of copper. Instead there is a range of official prices: the American domestic price; the American export price; the American import price—and all the various averages that can be worked out from them. The unfortunate Ministry of Materials has lost the central buttress of its pricing policy—an unchallengeable American price.

To dispel some of the confusion about copper, the first task is to restate in simple terms what has happened in the past six weeks. The Ministry of Materials buys copper from Rhodesian producers at a current price for delivery three months ahead; it buys from Chile or other foreign suppliers at the price ruling at the time of delivery. The price accepted by the Ministry and the various producers was the quotation published by the American *Engineering and Mining Journal*, with appropriate adjustments for grade. This arrangement worked quite well until May 8th, when Chile ended the agreement with the United States, under which it undertook to sell 80 per cent of its output at the official American export price and then sold the rest for what it could fetch in the "free" market. When the International Materials Conference introduced an allocation scheme for copper last autumn, it took cognisance of this agreement. But the effect of the allocation scheme has been to weaken the price of free copper, which fell from a peak of 55 cents a lb (£440 a ton) last autumn to about 40 cents a lb (£320 a ton) in the opening months of this year. Thus Chile soon found that its revenues from copper exports and from the tax it imposes on them was much smaller than was expected; it therefore pressed the United States Government to raise the ceiling price for copper. The American Government refused, and when the agreement expired last May Chile did not renew it and suspended shipments of copper.

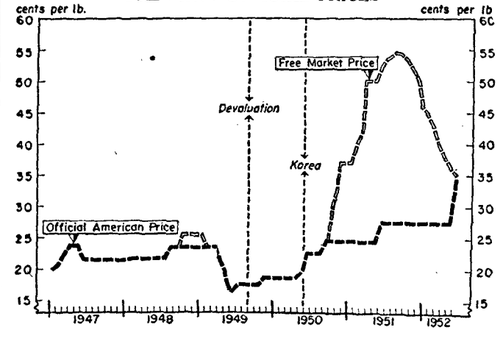
*

Copper is a scarce metal and a grave shortage for American industry was averted only by the release of 77,000 tons from strategic reserves. The American Government was then faced with a choice: either to hold out against Chile's demand and so precipitate a copper famine; or to seek some new agreement. It chose the second course and amended the maximum prices for copper manufactures so that American users could pay "free" market prices for imported copper. On June 3rd the quotation for imported copper in the United States ranged between 32 and 36½ cents a lb. (£256-£292 a ton)—a range that speaks volumes for the limitations of the "free" market and for the confusion then prevailing in it. Unmoved by this spectacle, the Ministry of Materials maintained its selling price at £231 a ton (equivalent to £220 a ton in New York) in the hope—vain as it turned out—of preventing, or at least limiting, the rise in the world price of copper. A fortnight later the Ministry had to capitulate and raised its price. In the meantime, it had been paying for its supplies on the basis of the *Engineering and Mining Journal's* daily quotation which took into account these freak prices for imported copper. British manufacturers, realising that the price of copper was bound to rise, helped themselves at the old price to as much copper as they were allowed under the existing licensing scheme.

BRITISH AND AMERICAN COPPER PRICES



FREE AND OFFICIAL PRICES



At that, the Ministry, to limit its loss, stopped all forward sales beyond the end of June. It might have shown greater wisdom by raising its forward selling price, but apparently the Ministry was still convinced that the rise in the American market was merely temporary. When the Ministry realised that the rise in price had come to stay, at least for a time, it hurriedly conferred with the Rhodesian producers and prevailed upon them to accept 33 cents a lb (£264 a ton) for supplies contracted for up to the end of June, and the *EMJ* quotation was formally thrown overboard. On June 16th the Ministry's selling price was raised by £50 to £281 a ton—the sharpest increase and the highest price ever recorded. The present price is made up of £264 purchase price, £11 freight, storage and delivery to consumer works and £5 a ton to recover the losses that the Ministry made on its sales during the fortnight when it was making its vain

WORLD SMELTER PRODUCTION OF COPPER
(Thousand long tons)

	Aver. 1934–38	1946	1947	1948	1949	1950	1951	*1952 (1st Qr.)*
United States.....	514·4	582·8	843·5	759·4	689·7	839·7	861·0	*214·9*
Chile	292·3	352·9	401·9	418·1	346·0	340·1	354·3	*n.a.*
Northern Rhodesia	169·0	182·3	192·5	213·8	259·8	275·2	307·1	*69·6*
Canada	182·4	149·0	177·2	197·2	203·1	213·8	219·7	*53·2*
Belgian Congo	116·1	141·6	148·4	153·1	139·1	173·1	181·1	*n.a.*
Western Germany.	60·3	5·9	18·0	39·0	101·5	131·6	138·9	*36·6*
Belgium	73·5	85·9	129·6	130·5	131·3	135·1	140·0	*n.a.*
Mexico	40·1	51·6	57·6	58·1	56·3	60·7	63·3	*n.a.*
World*	1,673	1,652	2,028	2,085	2,040	2,253	2,371	*n.a.*

* Excluding USSR.

bid for stable prices. British manufacturers are paying no more for their copper than their competitors pay and until recently they have been paying a good deal less. The Ministry of Materials, throwing aside previous declarations of price policy, intends to recoup its recent losses on sales made at an artificially cheap price—the losses were heavy and the £5 a ton charge is likely to outlast this year. Consumers and the official middleman come to no great harm because the Rhodesian copper industry is prepared to take less than it might get in what passes for a "free" or "world" market.

*

This explanation—painstaking, perhaps, rather than lucid—of what has been happening recently to copper poses two questions. First, is there a true price for copper and how will it move in the next three or four months? Secondly, at what price are the Rhodesian producers and the Ministry of Materials likely to agree for supplies after this month? The charts show how vigorously copper has been rising in the past three years. In a truly free market, copper would probably have risen much more sharply during the twelve months following the invasion of Korea than did the official American price, though perhaps not so feverishly as the so-called "free" market price. Consumption of copper has been high and increasing ever since the end of the war. World output of smelter copper was relatively stable between 1947 and 1949 at around 2,050,000 tons or 22½ per cent above its prewar level. In 1950 output rose by 10 per cent to 2,250,000 tons and in 1951 by a further 5 per cent to 2,370,000 tons. Output this year will probably show little change, and consumer requirements will by no means be fully met. Civilian use of copper is restricted in all the principal consuming countries and defence programmes are likely to take an increasing share of supplies as rearmament reaches its peak.

These factors suggest the continuation of a firm, and conceivably a strong, copper market in coming months. No doubt the immediate demand for copper may depend to a considerable extent on the supply of other metals; a shortage of steel could reduce the demand for copper, much as the American steel strike has already reduced the demand for zinc and caused a sharp fall in its price. Again, since copper is now much dearer than lead, plumbers and builders may begin to revert to their prewar practice of using more lead than copper. But lead itself has already begun to rise again, and the extent of substitution may not be wide. Perhaps the best guess of the "true" price for copper is that 33 cents a lb. is on the low side for spot. Unless the American economy behaves in a distinctly odd way in the second half of the year the likelihood of copper below 33 cents is certainly small.

To answer the second question involves foreknowledge of the actions of the Ministry of Materials. For how long will it seek to recoup past losses? What agreement can it reach with the Rhodesian producers for July and August? Will the flat rate of 33 cents a lb be retained, or will the parties decide to go back to the *Engineering and Mining Journal* quotation?—in which case a modest rise of about £8 a ton might follow. Since wages in the copper belt are geared to the difference between the price obtained for copper and current production costs, it may not necessarily follow that producers will be anxious to exact the highest possible price. Perhaps the best guess—and it is a guess—is that both the Ministry and producers may prefer to continue the present method of an agreed flat-rate price. Whatever arrangement may be made, the results will not be reflected in the Rhodesian producers' accounts until three months have passed. These accounts, indeed, have still to reflect the higher price that obtained earlier this month before the Ministry obtained the agreement for 33 cents a lb. Those observers who had convinced themselves that the commodity boom was finished might weigh these pointers. They may also reflect that Rhodesian production of copper has expanded continuously from just over 180,000 tons in 1946 to nearly 310,000 tons last year. Output of refined copper in Rhodesia has almost doubled, from 54,000 tons in 1946 to 103,000 tons last year, and in twelve months' time it should double again. Expansion is still hampered by lack of coal and transport, though on both counts improvement can be discerned. If it is not at this stage necessary to take a bearish view about copper, it is equally reasonable to hold that the Rhodesian producers have fair prospects.

The Economist—*BY AIR*

Annual Subscription Rates

U.S.A. : $21.50 or £7 14s.
Canada : $21.50 or £7 14s.
South and Central America and West Indies : £7.
Australia : £6 15s. (sterling).
New Zealand : £8 (sterling).
Union of South Africa : £5 10s.
India and Ceylon: £6.
Iran : £6.
Iraq : £6.
Malaya : £6 5s.
Hongkong : £6 10s.
Egypt : £6.
Nigeria, Gold Coast : £5 5s.
East Africa : £5 5s.
Anglo-Egyptian Sudan : £5 5s.
Gibraltar, Malta : £3 15s.
Poland, Iceland : £5 5s.
Rest of Europe : £4 15s.

THE ECONOMIST,
22 RYDER STREET, LONDON, S.W.1

Sell to CANADA!

There is still room on the Canadian market for millions of dollars' worth of the right British goods. Canada's first and oldest Bank will be glad to offer valuable information and advice on trading conditions and opportunities.

Enquiries welcomed.

BANK OF MONTREAL

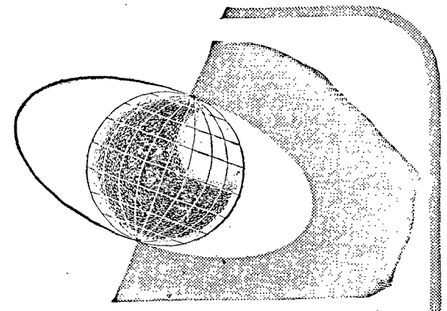
47 Threadneedle Street, London, E.C.2

Head Office MONTREAL

Over 570 Branches throughout Canada

Assets Exceed $2,000,000,000

(Incorporated in Canada in 1817 with Limited Liability)



Plans for **DEVELOPMENT**

Business men who have plans for development in overseas and colonial territories which call for medium or long term finance should write for our new booklet. It explains what the Corporation can do for you and gives details of the countries in which we operate. Please write to the Manager at the address given below.

BARCLAYS OVERSEAS DEVELOPMENT CORPORATION LIMITED

54, Lombard Street, London, E.C.3

Vested Interest

A short time ago we had a phone call from a manufacturer of woollen goods. He was concerned about the heavy increases in customs duties recently imposed in Venezuela on textiles. Was this likely to kill his export trade to that country?

We told him that, although the general opinion appeared to be that this increase had virtually closed the market, we were referring the matter to our Caracas Branch.

Within a few days we were able to quote him a report from this branch stating that there was still a market in Venezuela for high quality textiles of British manufacture, and that the demand was likely to continue.

Thus, thanks to our on-the-spot representation, we were able to obtain first hand, independent comment and clarify for the exporter, in a matter of days, a situation that might otherwise have remained obscure for weeks.

THE ADVANTAGES OF BEING HERE AND THERE

As the only British Bank with branches throughout Latin America, we can offer you special services—either direct or through your own bank. These services are set out clearly and concisely in our booklet "The advantages of being here and there". We shall be glad to send you a copy on application to:—

The Research Department (SECTION 34)
BANK OF LONDON & SOUTH AMERICA LIMITED
HEAD OFFICE: 6, 7 & 8 TOKENHOUSE YARD, LONDON, E.C.2
BRADFORD: 19 SUNBRIDGE ROAD MANCHESTER: 36 CHARLOTTE STREET

THAU

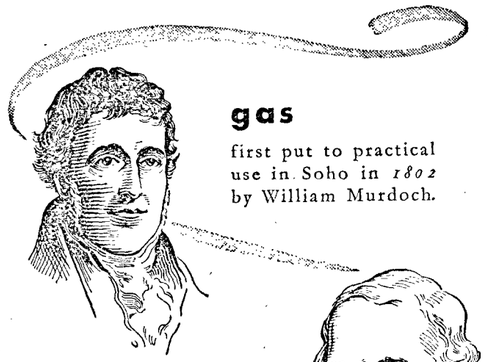
KREDITKASSEN
Christiania Bank og Kreditkasse

Established 1848

Every banking facility

TELEGRAMS: **KREDITKASSEN**

OSLO — NORWAY



gas

first put to practical use in Soho in *1802* by William Murdoch.

water

first piped to Londoners from outside in *1613* by Sir Hugh Myddelton.

electricity

first produced from motive power in *1831* by Michael Faraday.

Parkinson & Cowan

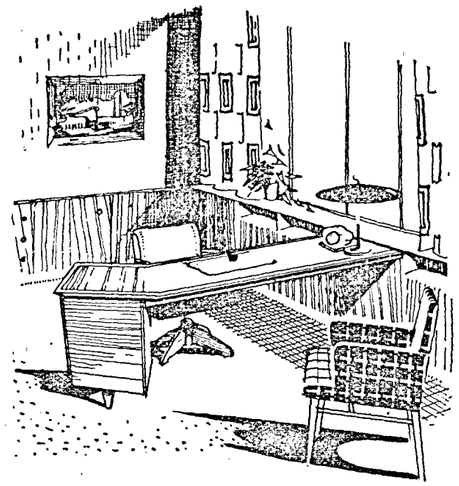
who started serving these industries in *1816*, make meters, cookers, water heaters and industrial equipment; pumps, instruments, industrial leather, precision mechanisms and oil appliances.

COMPONENT COMPANIES

Parkinson & Cowan Ltd. • Parkinson & Cowan (Gas Meters) Ltd. • The Parkinson Stove Co. Ltd. Parkinson Water Heaters Ltd. • Measurement Ltd. Aspec (London) Ltd. • Monitor Engineering & Oil Appliances Ltd. • Rotoplunge Pump Co. Ltd. Parkinson & Cowan Group Exports Ltd. The Metropolitan Leather Co. Ltd.

SERVING PUBLIC SERVICES

PARKINSON & COWAN GROUP



STORY & CO. LTD.

Designers of Interiors

KENSINGTON · LONDON

EXPERIENCE gained over many decades in the design of interiors and the *actual* production of fine furniture together with suitable floor coverings and textiles, enables Story's Contracts section to give competitive estimates on a high level of quality and design, both in English Traditional styles and in the Contemporary manner.

Since 1945, Board Rooms, Directors' and other offices, reception halls, showrooms, restaurants, canteens, residential staff quarters, etc., have been successfully executed (many in collaboration with the clients' architects) for over 30 notable organisations, including Martins Bank Ltd., I.C.I. Ltd., Tube Investments Ltd., Kuwait Oil Co. Ltd., Kodak Ltd., Cyanamid Products Ltd., Dunlop Rubber Co. Ltd., Patons & Baldwins Ltd., Lever Bros. & Unilever Ltd., Ind Coope & Allsopp Ltd.

Business Notes

Markets Rallying?

The malaise in stock markets persisted almost without intermission until Wednesday last. Even the effort of sterling to hoist itself above "support point" proved unable to lighten the gloom that had so noticeably deepened in Throgmorton Street in the previous week. On Friday, it is true, sterling had again dropped momentarily to its floor of $2.78, but it closed 3/16 above it and has since laboriously climbed to $2.78⅜—with the forward discounts, however, noticeably wider. The three months dollar was quoted on Wednesday at 2¼c. premium, compared with 1⅝c. premium a week previously. Meanwhile, prices of both gilt-edged and industrial stocks continued to sag. Though the fall was in general less marked than in the previous week (when the declines in gilt-edged ranged up to 1⅝), two of the nationalisation stocks lost a full point on Monday and Tuesday, while the net price of 3½ per cent War Loan reached a new nadir at 72¾, showing a loss of nearly 6 points, or 7½ per cent, since budget day. At the same time the ordinary share index of the *Financial Times* dropped a little further, to 103.1, a new low point since 1949. At these points, for no clearly detectable reason, some of the bears deemed it wise to take their profits, and on Wednesday there was a moderate rally throughout the markets, with the notable exception of foreign bonds. This firmer tendency persisted on Thursday; for all that, it is premature to seek rational explanations for a movement that was certainly "technical" and may yet prove to be shortlived. One popular suggestion in the markets themselves is that operators in industrials were impressed by the improvement in some commodity prices and by the recent contentions from business circles that the recession in retail and wholesale trade has touched bottom; but it is too soon to be sure that such arguments flow from any more convincing reason than the desire of certain trades to persuade the public that "now is the time to buy." They may be right; but much depends on the credit squeeze—on the need to continue it, and the Government's willingness to do so.

That, of course, is even more directly applicable to the problem of the future of gilt-edged. Although present prices should look attractive to buyers for the long pull, there is little reason to look for any notable change in the market unless it can reasonably be assumed that the requisite degree of toughness in bank lending policies can be sustained without any new initiatives in monetary policy. And, even if that were evident, it would still be hard to see how the authorities can avoid a funding operation in the fairly near future. This week's modest rally in the market was probably induced by the better tone elsewhere; but it may have owed something to the approach of the half-year-end—there were suggestions on Wednesday of a little tentative special buying of stocks known to be in short supply. The banks, at all events, will be grateful for even small mercies: their half-yearly balance sheets are known to have been causing them some severe headaches, and some of them, at least, are expected this time to modify their traditional practice in stating the valuation of their investments. The weakness of gilt-edged in these six months, coming after the steep declines of 1951 and earlier postwar years, has certainly put a very heavy strain upon the banks' inner reserves.

* * *

Conditional Agreement on "Standstill"

Except at one point, the German debt discussions have encountered heavy weather during the past week. The exception was the talks on the problem of the standstill debts, on which an effective understanding has been reached; but this understanding is subject to a general settlement, and the general negotiations have suffered a severe setback as a result of continuing differences between the American and other bondholders' representatives about the treatment of gold and dollar clauses in any settlement of bonded debts. The essence of the new standstill pact is the principle of "recommercialisation." This means that the standstill credits will cease to appear as frozen commitments but will be used to finance German foreign trade. Over a considerable period, this may lead to a net reduction in the outstanding amount of these credits, but for the time being there is no such prospect. If the re-utilisation and conversion of these standstill debts into revolving credits is accompanied by the repayment of any part of them, that repayment will arise merely because more credit will have been put into the pool through some other channel. All arrears of interest are to be calculated at 4 per cent per annum non-cumulative and can either be added to the principal amount owing or held for later payment. On the amount outstanding current interest rates and acceptance commission will become payable in the currencies in which the debts are expressed. There is to be no revival of the facilities for repayment in domestic German currency such as those provided in the 1930s for repayment in registered marks. It is intended, however, to continue the existing regulations under which debtors who wish to do so may voluntarily repay in Deutsche marks provided that they give 60 days' notice to all their other creditors.

The embroglio on the gold and dollar clauses has become more serious during the past week and is now threatening the progress of the whole negotiations. The United States Foreign Bondholders Protective Council has taken strong objection to the invocation of the dollar clause in a number of German bonds issued in terms of sterling, French francs and guilders. Under the German proposals the nominal amount of debt owing on all these bonds would have been reduced by about 50 per cent, but as a result of the invocation of the dollar clause the claims expressed in sterling, French francs and other non-dollar currencies would then have been substantially written up in terms of those currencies. Such compensation to creditors whose original claims were expressed in European currencies is apparently regarded by the American bondholders as a case of intolerable discrimination. They have therefore withdrawn their three representatives from the discussions. The United States Government representative on the Tripartite Commission, Mr W. L. Pierson, has expressed regret at this withdrawal, which suggests that this strange interpretation of the principle of nondiscrimination by the American bondholders' representatives is not necessarily shared by the American Administration. It has in the past been difficult enough to understand American resentment at gold clauses merely on the ground that they are no longer valid under United States law. It is even more difficult to understand why the United States should object to non-American bondholders receiving the protection of a dollar clause that American bondholders enjoy automatically by reason of the fact that their bonds are expressed in terms of United States currency.

* * *

Brighter Hopes in Coal

Six months of slightly increasing output, and rapidly increasing manpower, seem to have transformed the hopes of the Coal Board's planners—to judge by their views about future coal production. At the end of last year, when OEEC asked how much coal Britain expected to be producing in 1956, the Coal Board regretted that it could not guess,

complaining dolefully that output depended upon "questions of policy which have not yet been considered, still less decided, by the Government." It thought that it might hope for 223½ million tons this year; but when OEEC put forward an independent estimate of perhaps 234 million tons for British coal output in 1956, based upon an examination of current trends, the Coal Board commented that this might turn out to be ten million tons too high—suggesting a 1956 figure of perhaps 224 million tons, which would accord with its own long-term development plan.

All this now is changed. A ministerial group set up by OEEC, upon which the British representative is Lord Leathers, has now issued a report on short-term coal plans in Western Europe. Most of the countries have revised their estimates—few more so than Britain. This year, Lord Leathers told the group, production could reasonably be expected to reach nearly 226 million tons; and next year, unless the miners take the second week's holiday they have been promised, it might reach 236 million tons. These forecasts are based upon the assumptions that during this year and next productivity might rise by 3 per cent, giving about 6 million tons more coal, and the industry's labour force might rise by 25,000, giving about 8 million tons. Even if

ESTIMATES OF COAL PRODUCTION TRENDS IN EUROPE
(Million long tons)

Country	1937	1946	1950	1951	Est. 1952	Est. 1953
Britain ..	240·3	190·0	216·3	222·9	225·8	236·2
W. Germany...	134·8	54·1	109·0	117·1	124·0	129·9
France.....	44·4	48·0	51·2	53·5	56·5	57·3
Belgium.....	29·3	22·4	27·0	29·2	30·5	31·5
Netherlands ...	14·1	8·2	12·0	12·2	12·6	12·8
Saar.....	13·2	7·8	14·8	16·0	16·7	17·2
Others.....	4·3	5·1	4·8	5·1	5·9	6·2
TOTAL	480·5	335·6	435·1	456·0	472·0	491·1

the men can be found, it will not be easy to find about 10,000 of them room to work usefully at the coal face without interfering with current output. The assumption about productivity is perhaps more solidly based; though the present flow of newcomers into the industry may tend to depress productivity later this year (as experienced miners are taken from production to develop new coal faces and the less experienced men reach the stage of production) there should be a countervailing increase in output per manshift next year. To hope for 236 million tons by 1953, after considering 234 million tons probably too high for 1956, certainly represents a remarkable access of confidence: it may be surmised that the Government has now "considered and decided" those outstanding "questions of policy."

A slightly more tangible sign of confidence was given last weekend by Mr Lloyd, the Minister of Fuel and Power, when he increased the amount of coal that Britain should export this year by a million tons—to 12½ million tons. This is a more respectable figure, two-thirds more than last year's miserable total. At current prices, it should earn Britain nearly £22 million; and through the premium it charges for coal abroad, the Coal Board may earn perhaps £7 million more than it would by selling the same coal in Britain.

* * *

Reverse in Exports

The Australian import restrictions had a far more serious effect on British exports in May than in April. Indeed, the fall in exports to Australia last month was appreciably greater than the decline in Britain's total exports. Shipments to Australia amounted to only £12.1 million, compared with an average of £34.4 million in the first quarter of this year, when exports were exceptionally large, whereas total exports at £226 million were only £14 million smaller than the first quarter average. It has yet to be seen whether the full force of the restrictions has been felt, but British exports to Australia are now little more than half the monthly average for the base period of 1950-51 on which the Australian import cuts were calculated.

Textile exports again showed the largest reduction—an unhappy distinction they have now earned for several months. The total of £29.5 million was £10 million lower than the average for the first quarter of the year and £18½ million below the total for May, 1951. Shipments to Australia fell sharply, in contrast to April, when they showed little change; the average for the two months was less than a third of the monthly average for the first quarter of this year. Exports of textiles to both Canada and Europe were noticeably smaller than those of a year ago and these falls were only partially offset by slightly larger shipments to India, Pakistan and a few other Commonwealth markets. Exports of cotton goods last month were only £12 million compared with nearly £19 million in May, 1951, while exports of wool manufactures were £9 million against £16 million twelve months earlier. Exports of all other types of textiles were also smaller than in May of last year.

There is also room for uneasiness over the fact that engineering exports are no longer rising. The total for the five months to May is well above that for the same period last year, but the average for April and May was a little below the average for the first quarter of this year. Vehicle exports (the largest single group of exports) totalled over £44 million, but were £3½ million lower than those of May, 1951. More than £11 million worth of cars and chassis were exported during the month, which is lower than the rate of exports during the first quarter, though slightly above the figure for May last year. Increased exports to the United States partially offset the decline in shipments to Australia; the Canadian market also shows signs of revival, for although exports were still below the total for May, 1951, they were larger than during the earlier months of this year. Machinery exports enjoyed the biggest increase compared with a year ago; they amounted to £37½ million, or over £5½ million more than in May, 1951. One or two other smaller groups, such as electrical goods, iron and steel manufactures and oils and fats, also increased, but chemicals exports, which had been rising steadily for several months, were smaller in May than twelve months ago.

* * *

Cheaper Imported Materials

The fall in the value of imports in May—they totalled £320 million compared with £325½ million in April and a monthly average of £328 million in the first quarter—was due partly to a seasonal fall in food imports but mainly to a sharp drop in the price of raw materials. If these figures reflect any response to the Chancellor's double dose of cuts last November and February, it must be very slight. Imports last month were some £17 million less than in May, 1951. Food imports cost nearly £115 million or £5 million less than a year ago owing partly to much smaller imports of butter. Last month's imports of food were also slightly lower than those of April because the seasonal fall in grain and dairy products was only partially offset by increased supplies of fresh fruit and cocoa.

At present the saving on imports is being achieved mainly by smaller purchases of raw materials at lower prices. These imports in May amounted to some £125 million, £9 million less than the April total and £14 million less than that of May, 1951. But for the five months to the end of May, Britain spent £662 million on raw materials compared with £658 million in the same period last year. The recent decline is mainly due to lower prices; indeed the raw materials component of the Board of Trade's index of import prices (1951=100) has fallen from 108 in May, 1951, to 94 last month. Wool is a case in point; although more

raw wool was imported in the five months to May than in the same period in 1951, wool imports cost £71 million less. On the other hand, cotton imports cost less partly because a smaller quantity of raw cotton was imported. Imports of manufactured and semi-manufactured goods in May increased compared with both April this year and May, 1951. The biggest increase was in iron and steel manu-

UNITED KINGDOM IMPORT AND EXPORT PRICES
1951=100

	IMPORTS			EXPORTS				Terms of Trade*
				Articles Wholly or Mainly Manufactured				
	Food, drink, tobacco	Raw materials	Total	Metals and engineering products	Textiles	Other manufactures	Total	
1951—May...	101	108	104	97	99	99	99	105
June ..	102	108	105	99	102	100	100	105
July...	103	107	105	100	105	103	102	103
Aug....	102	103	103	103	107	104	104	99
Sept. ..	101	102	102	104	108	106	105	97
Oct. ...	103	96	101	106	107	107	105	96
Nov. ..	105	97	102	107	106	108	106	96
Dec....	103	99	103	107	106	109	106	97
1952—Jan....	104	100	103	107	103	108	105	98
Feb....	104	101	103	108	102	109	106	97
March ..	105	100	103	110	99	110	107	96
April ..	106	97	102	112	97	110	107	95
May...	107	94	101	112	95	109	106	95

* The ratio of import prices to export prices. A rise indicates an adverse movement for this country. *Source:* Board of Trade.

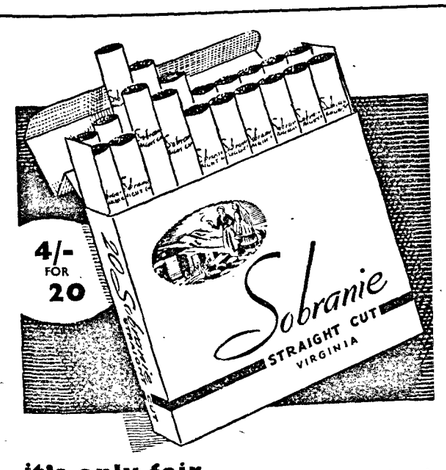
factures, which were nearly £12 million above those of a year ago owing to larger quantities imported. Imports of non-ferrous metals were also larger than twelve months ago but the total cost did not increase proportionately.

In spite of the significant drop in the prices of raw materials in May, import prices as a whole fell only slightly since average prices of food imports again increased. But export prices fell for the first time this year; in May there was no increase in the price of metal and engineering exports to offset the fall in textile prices. As a result, the movement of the terms of trade in favour of this country, which had been in progress since the beginning of the year, appears to have been temporarily halted.

* * *

New Deal in Diamonds

The cold war in diamonds is over. At the annual general meeting of the Anglo American Corporation Sir Ernest Oppenheimer announced that a new sales agreement, settling all past disputes and covering current and future production, had been reached between Williamson Diamonds Ltd., owners of the rich Mwadui mine in Tanganyika, and the Diamond Corporation, which exercises effective control over the sales of all other principal diamond producers. The earlier agreement between the two companies did not officially lapse until the end of last year, but in the past two years Dr Williamson has refused to market the Mwadui diamonds through the corporation and has built up a stockpile of stones that is said to be worth £5 million. The release of this cache would have given De Beers's market a nasty knock; but the tumble in price that would have followed would have hit the Williamson organisation just as hard. Dr Williamson had taken up an adroit but precarious seat on the fence, and presumably he has come down from it now only on the offer of better terms. The new deal, which its negotiators believe "will lead to many years of happy relationship and added stability for the diamond industry," evokes a muted echo of the earlier and more boisterous history of the Rand. In those days, it might have been greeted by an appreciative chuckle from Cecil

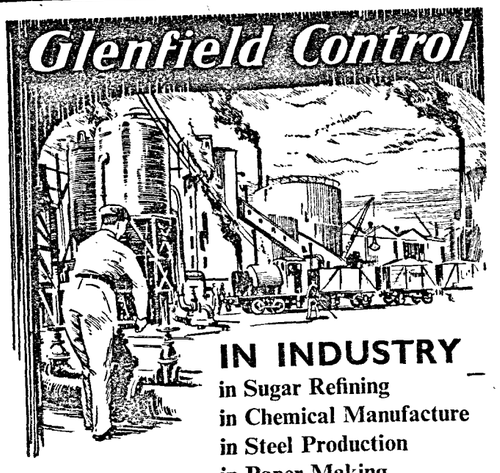


it's only fair to warn you ... *that the new Sobranie Straight Cut Virginia will make you a confirmed smoker for life. There'll be no turning back—its smooth smoking, its inimitable flavour will captivate you. Here is Sobranie's age-old tradition happily wedded to the Virginia vogue of today.*

* * *

SOBRANIE
straight cut virginia

Glenfield Control



IN INDUSTRY
in Sugar Refining
in Chemical Manufacture
in Steel Production
in Paper Making
in Fertilizer Plant

In those and other industrial fields, Glenfield equipment is controlling the flow of all types of viscous and non-viscous fluids.

Glenfield
GLENFIELD & KENNEDY LIMITED KILMARNOCK
Head Office & Works: KILMARNOCK, SCOTLAND

Rhodes—and a wry smile from Veblen. In these more decorous days it was welcomed by the marking up of De Beers deferred shares by 1s. 6d. to 64s.

The announcement of the new diamond agreement was the tailpiece to Sir Ernest's address, the body of which was devoted to the difficulties confronting the OFS gold producers in securing additional capital for development. Sir Ernest emphasised again the need to broaden the stream of risk capital, now that its traditional source—the pocket of the private investor—is drying up. He suggested that, while the prior claims of shareholders should be recognised, a certain percentage of all new issues should be reserved for the general public, to "enable new shareholders to substitute for existing shareholders who are reluctant to follow up their investments because of their financial circumstances." He also believed that investment through the funds of the finance houses should be exploited more fully, and argued that "substantial funds are at present immobilised in various forms of financial investment" that would be used for the finance of new ventures but for the uncertainty in the minds of their holders "as to whether a profit not received in the ordinary course of business is subject to income tax or not." Finally, in reference to a measure that would be a more fundamental cure for the slow flow of new money to the OFS mines, Sir Ernest argued that an increase in the international price of gold is "an indispensable adjunct" to any attempt to put the world's economy on an even keel. The same view was expressed by Mr S. R. Fleischer, retiring president of the Transvaal Chamber of Mines, in a speech that has imbued some optimism into the Kaffir market this week. Mr Fleischer believed that the "march of events, which for some time has been against the investor in gold mines, will again turn in his favour"; and he noted that the case for an all-round increase in the price of gold had now gained official recognition in the report of the United Nations Committee on International Economic Stability and was supported by many governments.

* * *

Jets for Nato

If, in return for American dollars, this country decides to relieve American industry of at least part of the responsibility of providing equipment needed by the Nato forces, some painful decisions will have to be taken. The British rearmament programme—like the American—has already been "stretched out" into the indefinite future. If the Nato countries are to have any assurance of deliveries within a time that they would consider reasonable, it may be necessary to insist that orders for their equipment do not wait until the requirements of Britain's own forces have been met in full. Difficulties of expanding production, and especially aircraft production, may involve decisions on relative priority between the air defences of this country and the filling out of dollar-earning orders for the Nato allies.

It is certain that Nato countries would not accept such aircraft as the Meteor or Vampire. These could be provided immediately and in quantity, but the Russian MIG has made both obsolete (and with them the whole fighter force of the RAF with the possible exception—under certain special conditions—of the Venom). These aircraft, or their engines, are being built under licence in many European countries and they would in any circumstances be a poor exchange for the slightly faster F.86s originally promised from the United States. The aircraft that will be eagerly sought will be those with the performance of the Swift or Hunter fighters, the Canberra and Valiant bombers—all better aircraft than any that either the Russians or for that matter the Americans are likely to have in service for some years. But these are precisely the aircraft that have been accorded super-priority in order to meet the urgent needs of the RAF, which has at the present time a handful of Canberras in squadron service and the prospect of receiving the first Swifts before the end of the year. New production lines can certainly be laid down and if work were to begin now they could deliver aircraft in limited quantities by the end of 1954. It is less certain whether the industry's labour force could be expanded sufficiently to provide workers for those extra lines. The depression in the consumer industries, coupled with the stretch out of the defence programme, has solved the most pressing of the industry's labour problems, but the margin is a narrow one and shortages of labour persist in certain areas. The other difficulty is whether engine production and aircraft component production could expand sufficiently to keep pace with that of the airframe factories without causing sharp contraction in other branches of the engineering industry. On the other hand, all past experience suggests that if an attempt were made to build these aircraft and their engines under licence in European factories, the delays would be even longer.

To a certain degree, it is the duty of the British Government to see that the most pressing needs of the British air defences are met before aircraft are diverted to other countries, but it is hard to know where to draw the line. With each aircraft costing between £50,000 and £100,000 apiece and occasionally more, the dollars that could be earned by delivering complete aircraft cannot be lightly turned aside. Much will depend on how rapidly and to what size the British aircraft industry can expand in a peacetime economy, and, in the last resort, on whether Nato countries may be satisfied with delivery dates in 1955 and 1956, even though they know that the American industry can offer nothing better.

* * *

Gas Turbines on the Roads

The impressive speeds of more than 140 mph attained by the Rover Motor Company's gas turbine car on trials this week have been closely followed by the rest of the motor industry. The Rover company alone among British car manufacturers has developed gas turbine transmission, and while there is much further work to be done no one can regard the project as a stunt. Gas turbines offer great possibilities to motor engineers because they combine high power with light weight and low maintenance. The Rover turbine, giving 200 brake horse-power, has been fitted without difficulty into a medium-sized chassis. But the motor industry has not been attracted towards gas turbine experiments on the ground that the high fuel consumption of this form of engine and the difficulties of mass producing its components might outweigh its other advantages. A gas turbine uses as much fuel at low power as it does at full power—in direct contrast to a reciprocating engine—and cars are run well below full power. With a heat exchanger the Rover turbine should do 10 to 12 miles to the gallon.

Other companies in the motor industry are now beginning to design gas turbines of their own; but the only immediate rival to the Rover company comes from outside the motor industry. A company of gas turbine specialists, Centrax Power Units, is about to bench-test a gas turbine that has attracted considerable attention at home and abroad. This engine is rated at 120 brake horse-power, with an estimated top speed of more than 100 mph. Its fuel consumption, however, is expected to be at least 20 miles per gallon—and if such a figure is attained the consumption of this new turbine engine would compare reasonably with that of a diesel engine of the same power. Expectations of such low consumption are based on certain radical departures in the design of both the turbine and compressor discs to improve part load performance, and of the heat exchanger. These changes may have the important secondary result of overcoming certain difficulties of mass-producing these two components. Six of these engines have so far been ordered, and if they prove as economical to operate and as simple to produce as the designers suggest they will be of immediate importance to builders and users of high-powered motor vehicles. The fact that development in this field is confined

Drawn by A. R. THOMSON, R.A.

He fights among the trees. It is on the constant war waged in the forests by entomologists like Walter Griswold, that world output of paper is greatly dependent. His enemies are the pests and parasites which attack the trees from which the wood pulp for newsprint is obtained. Thirty-two year old Griswold† graduated in Forestry at the University of New Brunswick and had already carried out research in the forests before joining Bowaters' staff. He is officer in charge of the Newfoundland field workers who pry into the cracks in the bark and beat the boughs over extended sheets to collect specimens of the pests threatening the growing trees. Once these pests have been identified in the Dominion Entomological Laboratory it is Griswold's job, in co-operation with Canadian Government experts, to plan the appropriate counter-attack. One successful method is the introduction of species of parasites and virus disease as allies to prey on those already in possession. It is largely upon the success or failure of this silent struggle to protect the forests that the supply of paper to keep pace with the world-wide spread of literacy depends in the years to come.

* * *

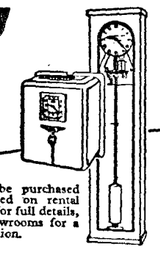
The whole wealth of Bowaters craftsmanship, experience and research in the art of making paper—the 'know-how' in short—is freely at your service.

THE BOWATER PAPER CORPORATION LIMITED

GREAT BRITAIN · UNITED STATES OF AMERICA · CANADA · AUSTRALIA
SOUTH AFRICA · NORWAY · SWEDEN

† Bowaters name.

When you say that* SMITHS, *famous for all time, make the finest* MASTER CLOCKS *and* TIME RECORDERS, *you are absolutely accurate



Installations may be purchased outright or arranged on rental terms. Write to us for full details, or call at our Showrooms for a practical demonstration.

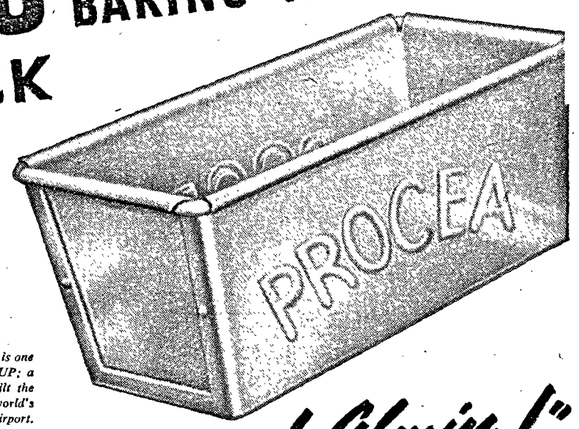
ENGLISH CLOCK SYSTEMS LTD.

Speedometer House, 179-185 Great Portland Street, London, W.1. *Langham 7226.*

153-155 Bothwell Street, Glasgow C.2. *Central 3972*

THE INDUSTRIAL BRANCH OF SMITHS ENGLISH CLOCKS LIMITED

200,000 BAKING TINS .... by WARWICK



The large-scale introduction of strong, light *hygienic* aluminium to the food industries has been the main preoccupation of the WARWICK PRODUCTION COMPANY since 1945. Two hundred thousand baking tins for the bread-making industry is a typical effort.

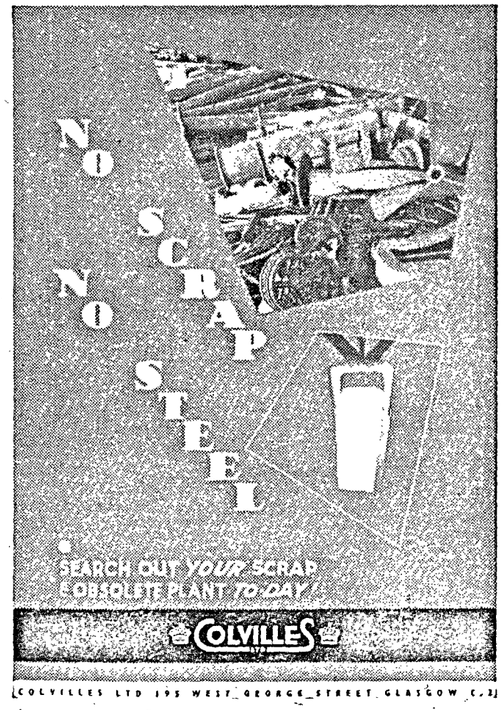
ENTERPRISE IN ALUMINIUM

Warwick Production Co. Ltd., of Saltisford, Warwick, is one of the manufacturing companies of the ALMIN GROUP; a sister company to SMD Engineers of Slough, who built the Aluminium Structure of the Dome of Discovery and the world's First All-Aluminium Aircraft Hangars at London Airport.

"If it's Aluminium - ask Almin!"

ASSOCIATED ALMIN LIGHT METAL INDUSTRIES

ALMIN LIMITED FARNHAM ROYAL BUCKS Telephone: FARNHAM COMMON 595



COLVILLES LTD 195 WEST GEORGE STREET GLASGOW C.2

—You'll get action with colour

Yes action!—and speed in your office. Colour in copies clarifies comparisons, gives instant identification and emphasis, producing immediate effect. Increased effectiveness of colour in stimulating *action* is shown in actual records of experience by users of the Banda 'Master' Method, which reproduces up to seven colours at once, without inks, stencils or gelatine, from a single 'Master' sheet of paper, typed, written or drawn. The Banda 'Master' Method increases efficiency, saves time and in some cases cuts costs by 75%. Banda brings colour to your copywork and control to your office. Copies are brighter, points are clearer. Organisation runs more smoothly in routine or emergency, with maximum ease and clean simplicity of Banda operation. Colour — with the Banda 'Master' Method—gets what every director and every executive wants — *action!*

Banda REPRODUCES 7 COLOURS AT ONCE

B&A whatever your business problem-call in B&A fir

Block & Anderson Ltd., 58-60 Kensington Church Street, London, W.8. WEStern

to Rover and Centrax suggests that close experience of gas turbine engineering (which Rover acquired in the war) is necessary to make a successful beginning in gas turbines for cars. Perhaps the motor industry generally may have to enlist help from gas turbine engineers in developing this new form of power.

* * *

Cars and Quotas

The Ministry of Supply's decision effectively to raise the home market quota of passenger cars from 60,000 to 90,000 cars for the year will prevent the unedifying spectacle of actual deliveries outstripping the quota by a margin of 100 per cent. Deliveries to the home market in the first four months of the year amounted to 40,000 cars, an annual rate of 120,000 compared with deliveries of 110,000 cars last year. "The industry," according to the Minister, "have undertaken to endeavour to export not less than 80 per cent of their output of passenger cars," which, out of a possible production of 450,000 cars for the year, would leave a balance of 90,000 for home buyers. This broad industry undertaking is a departure from the specific home quota which was laid down in recent years not only for the industry as a whole, but for each individual company. It will operate "flexibly"; only the bigger companies are likely to find foreign markets for as much as 80 per cent of their output under the increasingly difficult conditions that they are now meeting abroad. One or two of those companies, on the other hand, might be able to export an even higher percentage. It follows that the change may lead to an increase in the number of more expensive cars reaching the home market and a possible decrease in the number of cheaper, popular models.

This apparent surrender of the policy of restricting home deliveries would lay the Ministry open to severe criticism, but for Mr Sandys's assurance that "allocations of steel to the industry will in future be more closely related to export performance." Three weeks earlier his Parliamentary Secretary, Mr Low, had given the same assurance, with the rider that the distribution of those exports between hard currency and sterling markets would also be taken into account. This is not a policy that finds much favour in the industry, which has based its case in the past on the global export figures.

* * *

Canada's Exchange Freedom

The report of the Canadian Foreign Exchange Board for 1951 refers, almost in the manner of an aside, to the termination of exchange control on December 14th last year. This report, therefore, is a milestone in a series that has become conspicuous for clarity and economic good sense. The story of 1951 is impressive, but the report does not touch on subsequent history, including the achievement of parity by the Canadian dollar with the American dollar in January and its subsequent attainment of a 2 per cent premium. No longer is the Canadian dollar less eligible among hard currencies.

At the end of 1951, Canada's official holdings of gold and US dollars were valued at $US1,778.6 million—a figure, say, $100 million higher than the present presumptive level of the sterling area reserves. At the end of 1947, the reserves stood at just over $500 million; by the end of 1950 they had recorded a truly astonishing gain to $US1,741.5 million. By the records of earlier years, therefore, last year's increase in Canada's reserves was a very modest affair; but its significance rests less in its size than in the diverse movements of current and capital payments of which it was the resultant. Last year's inflow of capital (almost entirely from the United States) was much smaller—$561 million against $953 million in 1950—but the deficit on current payments much larger at $524 million against $329 million in 1950. Indeed, the deficit with the United States reached $955 million—not far short of the 1947 deficit—compared with $403 million in 1950. An important part of this increase in imports seems to have been accounted for by defence supplies from the United States.

Last year in fact saw something of a return to the prewar pattern of Canadian trade—a considerable commodity surplus with the sterling area and the rest of the world and a growing deficit with the United States. The deterioration in the exchange reserves of many countries with which Canada earned a current surplus last year might be discouraging for Canadian trade prospects but for one important fact, duly underlined in the report:

CANADA'S BALANCE OF PAYMENTS, 1950 AND 1951
($Can. mn.)

	1950	1951
Current Account		
United States	−403	−955
Sterling Area	+ 5	+191
Other Countries	+ 69	+240
	−329	−524
Capital Account		
Capital items, including exchange adjustment, errors and omissions	+953	+561
Change in official reserves (US $mn.)	+624	+ 37

> Our sales of non-essential goods were already severely restricted and an element of strength in the present position is the essential and strategic character of most of our exports to these countries.

There are recent indications that the Canadian capital account is in balance—the inflow of American capital, particularly into oil development, being balanced by Canadian investment in US securities—and that the current account may lately have been showing a small surplus. Here again is another astonishing transformation that bears witness to the vigour of Canada's economic advance. Evidently, the improvement in the terms of trade is providing major support to Canada's balance of payments. By the end of 1951, import prices were only 4 per cent higher than a year earlier while export prices had risen by 12 per cent—and that before the Canadian dollar moved to a premium. The recent rise in newsprint and non-ferrous metal prices should accentuate this movement in the Canadian terms of trade.

* * *

Belgium Gets Its Dollars

The negotiations in Washington for monetising through the International Monetary Fund the $50 million of Belgium's excess credits to the European Payments Union have been successful. Belgium will be entitled, under a special "stand-by" agreement, to purchase up to $50 million in currencies from the IMF. The agreement is for an initial period of six months but will be subject to renewal, though the currencies purchased must be finally resold by 1957, by which time the $50 million due to Belgium by the EPU will have been finally paid. If Belgium exercises its rights under the agreement with IMF, the currencies it purchases (they would presumably be US dollars) will be counted against Belgium's normal quota facilities with the Fund. The suggestion that this might be a loan outside the usual procedure laid down in the IMF articles of agreement has been turned down by Washington. The "stand-by" agreement under which Belgium may raise the $50 million due to it over the next five years from EPU will not prejudice Belgium's rights to seek further assistance from the Fund in the unlikely event of such aid being required. The one point at which the arrangements seem to depart from normal IMF procedure is in the thinness of Belgium's disguise as a country in temporary difficulties on its balance of payments—but it is supposed to wear this disguise in order to pass through the lending door of the Fund. As the Duke of Wellington said to the stranger who had accosted him with the words 'Mr Smith, I believe,'—"If you believe that, Sir, you will believe anything."

Record Fiduciary Issue

In anticipation of the usual seasonal increase in demand for currency the fiduciary issue has been raised by another £50 million, to the record level of £1,500 million. This increase was inevitable, and it may indeed be only just enough to tide over the holiday period. After it was made last Wednesday the note reserve in the Bank of England stood at just over £58 million; between June 26th and August Bank Holiday week last year the active note circulation increased by more than £44½ million—and it must be expected that it will increase rather more sharply this summer. When the Government took office in October the active circulation, at over £1,346 million, was about £74 million higher than a year before. It rose by over £91 million between end-October and the Christmas peak, and then fell by £84 million in the next five weeks (compared with a rise of £85 million followed by a fall of £75 million in the equivalent periods of 1950-51). By end-January the active circulation, at £1,354 million, was £71 million higher than in January, 1951, but it has risen by more than £89 million in the last five months (compared with a rise of some £67 million in the same period of 1951). In part the rapidity of the recent increase in the active circulation may have been due to a tendency by the public to draw fewer but bigger cheques, and thus hold more cash in their pockets, as a reaction to higher bank charges. But the main influence behind the increase in the public's note holdings, of course, is that individuals need to carry more cash about with them because they are having to pay more for the goods they buy. The active note circulation has increased by about 7 per cent (or by £93 million to £1,442 million) in the past year; retail prices have risen by about 8 per cent in the same period.

* * *

Stock Exchange on Taxation

The Stock Exchange Council' this week gave oral evidence on its second statement of evidence to the Royal Commission on Taxation, and also released the text of its first statement of evidence, which it had sent to the commission just over a year ago. The memorandum presented last year had done little more than quote *The Economist's* statistics on capital issues (from the *Records and Statistics* supplement of January 6, 1951), draw attention to the familiar fact that the burden of profits tax is causing far too much new capital to be raised on fixed interest terms instead of on equities, and recommend that dividends on preference shares should be a deductible item when the liability for profits tax is assessed. The opportunity was missed of marshalling any more detailed facts about the demise of the private investor and its implications for the future flexibility and vigour of the economy; and the point was not rubbed home that British industry, weighed down by this mounting burden of prior charges, may be in danger of being precipitated into a full-scale financial panic in the event of a slump.

The Council's second statement of evidence, which was presented this week by Mr H. B. Turle, was in response to the commission's request for evidence on specific issues that are of direct professional concern to the House. Mr Turle made three main points. First, he argued that companies should generally be taxed only on profits earned or remitted to the United Kingdom; if such a provision had been in effect the recent exodus of copper companies to Northern Rhodesia would have been avoided. Secondly, he endorsed the Tucker Committee's recommendation that surtax should be spread at the taxpayers' option over average income in a five-year period, and argued that earned income relief should be extended beyond the £2,000 a year limit. Finally, and most exhaustively, Mr Turle presented an able case against politically-inspired proposals for a capital gains tax, together with some caustic comments on the way in which the

American tax—by encouraging investors to hold on to securities in a rising market and sell them in a falling one—is a sovereign nostrum for aggravating both booms and slumps. In a time of stable real wealth and prices, a capital gains tax (accompanied by rebates for capital losses) necessarily has no net yield to the Exchequer; it merely involves a transfer from those who have invested in the right things to those who have invested in the wrong ones. In a time of stable real wealth but rising prices a capital gains tax would have a positive net yield—for it would, in fact, be exactly tantamount to a capital levy. In a time of rising real wealth but stable prices it would also have a positive net yield—but only at the expense of aggravating the risk capital problem. When the Stock Exchange chooses to defend itself on specific issues, it does so ably; the more is the pity that it does not make this choice more often—and that it does not recognise that the best form of defence is attack.

* * *

Too Much Sugar

Although Britain still has to suffer all the impediments of sugar rationing, the surplus in the world market this season is so large as to be embarrassing. At the meeting of the International Sugar Council in London this week, supplies for the free (i.e. non-preferential) market in 1951-52 were estimated at 7,335,000 metric tons compared with requirements of only 4,950,000 tons. The surplus of 2,385,000 tons will be held by producers, or more accurately by one producer—Cuba. It is therefore not surprising that the council has decided to continue its study of a new international agreement. The existing agreement has been in operation since May 6, 1937, but no export quotas have been in force since the end of the war. As these quotas were drawn up before the war, they could hardly be applied now without drastic amendment.

The special committee set up by the council to work out the new agreement is to meet again in September, and if by then it has concluded its work the council will ask the United Nations secretariat to convene an international sugar conference. Cuba is the country which is suffering most from the present surfeit of sugar, for it supplies the largest quantity to the free market. Its crop this season has amounted to at least 6¾ million tons, or 1 million tons more than it expected. It has already decided to set up a single selling agency and has agreed to stockpile up to 2 million tons of sugar which it intends to sell alongside current crops over the next four years. Production next season is to be reduced to 5 million tons. These are clearly emergency measures until a new international agreement is put into force, for Cuba cannot hope to gain from unilateral crop restriction over any period of time. The irony of it all is the simple fact that if Cuba were willing to accept sterling, it could dispose of a substantial part of its stocks to Britain.

* * *

Metals Roundabout

It is two years since the price of lead was higher than that of zinc. Current American prices are 16 cents a lb for lead and 15 cents a lb for zinc: Ministry of Materials prices have moved in sympathy and are £137 a ton and £130 a ton respectively. The fall in lead prices which began about a year ago culminated in sharp reductions in the American price during April. This week the fall seems to have been decisively reversed: within two days the price rose twice, by ½ cent a lb on each occasion. American zinc prices, which had remained steady for some while after lead had begun to slide, have been reduced four times since the beginning of June, including a reduction of 1 cent a lb last week.

Before the war lead usually cost more than zinc, but since the war and particularly since rearmament this "normal" pattern has been upset. Lead has few defence

uses; on the other hand, zinc is required for military vehicles of all descriptions. In the past year or so the comparative cheapness of lead has encouraged manufacturers to substitute it for zinc wherever possible. This inducement has vanished, at least for the time being, and some reversal of the substitution process can be expected which will inevitably tend to force up the price of zinc in terms of lead. There are better reasons for believing that zinc is at present undervalued. Admittedly American consumption of high grade metal has been sagging for some time. But this softening in demand would not account for the 23 per cent fall in zinc prices during the last month. Undoubtedly the steel strike in America has been one of the prime reasons for the fall, because the iron and steel industry absorbs large quantities of zinc for galvanising. If the strike continues there is the added risk that reduced supplies of steel for the motor industry will further reduce the demand for zinc. Yet, even on the most pessimistic view of the future, it is hard to justify the present price for zinc. It is perhaps significant that when trading in zinc futures was resumed in New York this week after a year's suspension, September metal rose to a premium of ¼ per cent a lb above the current spot level.

The rise in lead prices was not entirely unexpected, though the swiftness with which the second increase followed the first was a little surprising. Consumers in this country and the United States may have been living on stocks during the last few months in anticipation of further falls in price. When, however, the American price for lead dropped to 15 cents a lb it was generally believed to have found its floor, and the firmer tone that has recently developed in the American market probably reflects some restocking by industry. Whether this process will continue in the face of cheaper zinc is doubtful. And whether lead falls or zinc rises, the latter is likely sooner or later to regain its premium over lead.

* * *

Fats and Plenty

Butter is rapidly becoming a luxury food. Supplies are dwindling and costs of production are rising. It takes approximately two and a half gallons of milk to make a pound of butter, so that butter production becomes profitable only when supplies of milk are well in excess of demand in the liquid milk market, and the demand for liquid milk has risen in practically all the major consuming countries. These facts were emphasised by the Minister of Food some little while ago, and they form the background of the speech made by Sir Geoffrey Heyworth, chairman of Unilever, at the British company's annual general meeting. Sir Geoffrey showed that there was a direct relation between the consumption of edible fats and the standard of living. The accompanying table shows that countries with a higher national income per head of population also enjoy a higher consumption of edible fats. The figures refer to 1949 and were computed by the United Nations secretariat.

National income per head	Consumption of edible fats per head
Below $100	7.9 lb
$100—$300	16.2 lb
$300—$500	29.1 lb
Over $500	42.7 lb

It is here that margarine has played an important role in the past and may become even more important in the future. Butter still has a distinctive flavour which a large proportion of the population prefers—though the best quality margarine (which few remember in this country) runs it close. The real choice between margarine and butter depends on relative prices. As agricultural wages have risen sharply so, too, have costs of milk production. But margarine is made from vegetable oils and whale oil and although during the Korean boom the prices of those oils rose sharply together with other commodity prices, in the past twelve months they have fallen and show signs of falling still further. Thus the difference between the unsubsidised prices of butter and margarine in Britain is likely to increase rather than decline, and when this comes about the Ministry of Food might well throw aside its caution and abolish the ration of both.

Shorter Notes

The appointment of Mr Godfrey H. Owtram as managing director of Petrochemicals Ltd. follows the resignation last week of Dr Kind and Dr Tugendhat from the posts of joint managing directors that they have filled since the company was formed in 1946. Dr Kind remains on the board of the company. Both continue to hold the posts of joint managing directors of Manchester Oil Refinery Ltd. and of Petrocarbon Ltd., the company responsible for designing the plant used by Petrochemicals.

*

The General Electric Company has joined the rapidly growing lists of companies that have recently received permission from the Treasury to make a bonus issue of ordinary shares. The directors of GEC intend to capitalise £5,877,720 from the share premium account, recently reinforced by part of the proceeds from the rights issue of £1 ordinary shares at 72s. 6d. each, in order to distribute one new £1 bonus share for every £1 ordinary stock held. These new shares, unlike the February cash issue, do not rank for the final dividend for the financial year that ended on March 31st. The GEC scrip bonus is another indication that the Treasury is behaving more logically and with better sense on the question of bonus issues, but the real test of a change in heart will come when ICI asks again—as it intends to do—for permission to capitalise part of its reserves, which were substantially augmented following the revaluation of the company's fixed assets in 1950.

IMPORTANT ANNOUNCEMENT

QUICKER PRESENTATION OF ACCOUNTS and Financial Statements is but one of the many problems facing the Accountant to-day, both at home and overseas.

We have recently conducted an investigation into the various ways in which the Gestetner process might be used to help the Accountant.

Our conclusions have been assembled in a small booklet called "Gestetner and The Professional Accountant." We shall be glad to send a complimentary copy of this booklet to all who are interested in the achievement of greater efficiency and economy in Professional methods of accountancy.

Please address your application to:

GESTETNER ACCOUNTANCY SERVICE

ALDWYCH HOUSE, LONDON, W.C.2

Company Notes

Metal Box.—Following a year of record turnover and profits in 1951-52, Metal Box is yet another company that is now finding it more difficult to sell its goods. Sir Robert Barlow, the chairman, remarks that "in many directions there has been a recession in demand" and that overseas markets are much more difficult to expand or even hold. The accounts drawn up on March 31st do not reflect any of these doubts: they merely provide a rosy record of last year's boom. At home the value of sales and income from investments rose from £21,037,000 to £26,529,000; abroad where they increased from £7,272,000 to £9,894,000. This expansion in business, which was achieved despite a shortage of tinplate, led to an increase in home profits (after depreciation) from £1,701,032 to £2,545,130, and in overseas profits from £934,601 to £1,175,200. As already reported, these increases enabled the directors to raise the ordinary dividend from 12½ to 15 per cent. This decision prepared the way for a rights issue of ordinary shares that will provide about £1,775,000 in new money; Sir Robert declares that this new capital is needed because the sums retained out of last year's profits (£752,000 by the British company and £212,000 by the overseas group) are inadequate for the requirements of the business.

The need for this new capital is underlined by the balance sheet—which shows that the value of stocks increased from £7,114,314 to £10,645,279 last year—and by the announcement that the parent company is already committed to spend about £850,000 and the subsidiary companies about £700,000 on capital projects. Moreover, as Sir Robert points out, in an organisation trading all over the world the assets of one company cannot now normally be used to meet the liabilities of another. The consolidated balance sheet shows that the total of bank balances on March 31st was £1,516,878, but this sum was not available to pay off a secured bank loan to an overseas subsidiary of £708,743. Before raising the equity dividend and making the offer of new shares to ordinary shareholders, the directors must have been aware of the recent slackening in demand for Metal Box's products. It seems unlikely, therefore, that the recession has yet gone far enough to endanger the payment of a dividend of 15 per cent on the revised capital.

	Years to Mar. 31, 1951	Years to Mar. 31, 1952
Consolidated Earnings :—	£	£
Sales, etc.	28,309,000	36,423,000
Trading profit	3,132,791	4,291,047
Depreciation	512,415	587,927
Taxation	1,541,820	2,205,267
Net profit	*926,910*	*1,315,504*
Ordinary dividends	239,346	284,505
Ordinary dividends (per cent)	12½	15
Retained by subsidiaries	283,045	211,994
Fixed assets reserve	...	350,000
Stock reserve	200,000	150,000
General reserve	200,000	100,000
Added to carry forward	15,035	152,247
Consolidated Balance Sheet Analysis :—		
Fixed assets, *less* depreciation	6,479,769	7,898,454
Net current assets	7,557,523	8,112,456
Stocks	7,114,314	10,645,279
Cash	1,288,489	1,516,878
Reserves	5,499,774	6,566,835
Ordinary capital	3,612,770	3,612,770

£1 ordinary stock at 41s. 3d. id yields £6 16s. per cent.

Kaffir Dividends.—The June season of Kaffir dividends has ended on the same note as it began—that of a general reduction in payments. Indeed, the last batch of dividends, by companies in the Anglo-American and the Johannesburg groups, contained a rather bigger crop of disappointments than those that were announced earlier. The maintained payments by Daggafontein and Western Reefs and the cut in the Springs dividend were in line with market forecasts, but the payment of a 7½d. dividend by Brakpan fell short of some expectations by as much as 4½d.; the distributions by East Daggafontein and South African Land were also slightly lower than had been forecast. The two finance houses in the Anglo-American group, New Era Consolidated and West Rand Investment Trust, have maintained their interim payments, at 6d. and 7½d. respectively. In the Johannesburg Consolidated group the reduction in New States Areas (from 7½d. to 4½d.) was less than had been expected, but the reduction in Randfontein's dividend (from 1s. to 9d.) was a disappointment. In general, the market had underestimated—though only very slightly—the effect that the rise in operating costs and the decline in the "free" gold premium has had upon profits in the first six months of the year. In the next six months investors will still have to keep an eye on costs and labour difficulties, but most of their attention will be rivetted upon political developments in South Africa and—even more closely—on the possibility of a revision of exchange rates.

Kaffir Dividends
(Dec., 1950–June, 1952)

Ordinary Shares	Dec., 1950 s. d.	June, 1951 s. d.	Dec., 1951 s. d.	June, 1952 s. d.
Anglo-American :—				
Brakpan, 5s.	1 1½	1 0	1 1½	0 7½
Daggafontein, 5s.	3 3	3 0	3 0	3 0
East Daggafontein, 10s.	1 9	1 4½	1 4½	1 2½
South African Land, 3s. 6d.	1 7½	2 0	2 3	1 9
Springs, 5s.	0 7½	0 4½	0 4½	0 3
Western Reefs, 5s.	1 3	1 3	1 3	1 3
Johannesburg :—				
East Champd'Or, 2s. 6d.	0 4½	0 4½	0 4½	0 3½
Government Areas, 5s.	1 1½	1 1½	1 0	1 0
New States Areas, £1	0 7½	0 7½	0 7½	0 4½
Randfontein, £1	1 6	1 3	1 0	0 9
Witwatersrand Gold, 19s.	1 6	1 6	—	—

SECURITY PRICES AND YIELDS

British Funds and Guaranteed Stocks	Price, June 18, 1952	Price, June 25, 1952	Net Yield, June 25, 1952 £ s. d.	Gross Yield, June 25, 1952 £ s. d.
War Bonds 2½%... Mar. 1, 1951-53	99⅞	99⅞	1 7 10	3 ... 0*f*
War Bonds 2½%... Mar. 1, 1952-54	98⅞	98⅞	2 5 6	3 ... *e* 3 14 *2f*
Exchequer Stk. 2½% Feb. 15, 1955	96⅛	96⅛	2 7 8	3 12 7
Serial Funding 1½% Nov. 14, 1952	99⅛	99⅛	1 14 2	2 15 11
Serial Funding 1½% Nov. 14, 1953	98⅛	98⅛	1 17 1	2 15 3
Serial Funding... Nov. 14, 1954	96⅜	96⅜	2 6 9	3 4 7
War Bonds 2½%... Aug. 15 1954-56	96⅜	96⅜	3 4 2	4 12 10*e*
Funding 2½%..... June 15, 1952-57	96⅜	96⅜	2 6 0	3 12 8*l* ... *e*
Nat. Defence 3%... July 15, 1954-58	97⅜*	97⅜*	2 3 4	3 10 2*l*
War Loan 3%..... Oct. 15, 1955-59	97⅛	97⅛	2 17 2	4 5 4*e*
Savings Bonds 3%. Aug. 15, 1955-65	97⅛	97⅛	2 8 1	3 18 11*e*
Funding 2½%..... April 15, 1956-61	89½	88⅞	1 19 3	3 9 1*l*
Funding 3%..... April 15, 1959-69	83¾	82	2 0 6	3 9 1*l*
Funding 3%..... Aug. 1, 1966-68	84½	82*	4 12 2	5 19 2*e*
Funding 4%..... May 1 1960-90	95	94⅜	2 15 7	4 1 8*l*
Savings Bonds 3%. Sept. 1, 1960-70	82½	81½	2 17 8	4 4 6*e*
Savings Bonds 2½% May 1, 1964-67	81½	80½	2 18 4	4 4 6*e*
Victory Bonds 4%. Sept. 1, 1920-76	99	98⅛	2 19 4	4 4 6*e*
Savings Bonds 3%. Aug. 15, 1965-75	79⅛	78⅛	2 5 2	4 4 10*s*
Consols 4%.....	84⅛	82⅛*	3 14 0	5 8 8*e*
Conversion 3½%..	73⅛	73⅛	2 17 8	4 11 9*l*
Treasury Stk. 2½%.. (after Apr. 1, 1965)	54⅜	54	2 8 11	4 13 8*f*
Treasury Stk. 3%.. (after Apr. 5, 1966)	63⅛	63½	2 10 1	4 15 11*f*
Treasury Stk. 3½%.. June 15, 1977-80	84½	83½	2 19 0	4 12 7*l*
Redemp. Stk. 3%... Oct., 1986-96	74½	74	2 11 7	4 7 5*l*
War Loan 3½%.....	73⅛	73⅛	2 10 4	4 16 1*f*
Consols 2½%.....	56*	55⅞*	2 7 5	4 10 2*f*
Brit. Elect. 3%% Gtd.. April 1, 1968-73	80⅜ *	79⅜	3 6 4	4 39 10*e*
Brit. Elect. 3%% Gtd.. Mar. 15, 1974-77	79⅜	78½	2 19 0	4 12 7*l*
Brit. Elect. 4½% Gtd. Sept. 26, 1974-79	98⅛	98	2 19 7	4 13 6*e*
Brit. Elect. 3½%Gtd. Nov. 15, 1976-79	85¼	84¼	2 6 9	4 7 9*l*
Brit. Tpt. 3% Gtd.. July 1, 1978-88	73¾*	72⅞*	2 14 6	4 11 10*e*
Brit. Tpt. 3% Gtd.. April 1, 1968-73	80⅛	79	3 6 7	4 17 1*e*
Brit. Gas Gtd. 3%... May 1, 1990-95	73⅜	72⅛	2 19 2	4 12 9*l*
Brit. Gas Gtd. 3½%. Sept. 10, 1969-71	88⅛	87⅞	2 15 3	4 11 2*e*
Brit. Iron & Steel.. 3½%. 1979-81	85	84	2 13 6	4 9 5*l*
			2 14 5	4 11 3*e*
			2 13 6	4 11 6*l*
			2 12 11	4 10 9*e*
			2 13 6	4 11 10*l*

(*e*) To earliest date. (*f*) Flat yield. (*l*) To latest date. (*s*) Assumed average life 13 years approx. * Ex dividend.

Last Two Dividends (*a*)	(*b*)	(*c*)	Ordinary Stocks	Price, June 18, 1952	Price, June 25, 1952	Yield, June 25, 1952 £ s. d.
%	%					
20 *a*	40 *b*		Anglo-Am. 10/-	6½	6½	4 16 0
5 *a*	25 *b*		Anglo-Iran £1..	5¼*	5⅜*	5 10 4
7½*b*	12½*b*		Assoc. Elec. £1.	69/6	69/6	5 15 1
7½*a*	20 *b*		Assoc. P. Cem. £1	91/3	90/-	6 2 3
122½*c*	10 *a*		Bass £1	116/3*	112/6*	7 12 5
10 *a*	10 *b*		Boots 5/-	19/-	19/-	5 5 3
10 *b* (*i*)	4½		Br. Celanese 10/-	19/-*	18/6	7 16 9
...	...		Br. Motor Cp. 5/-	26/10½	26/4½	...
...	12 *b*		Br. Oxygen £1..	68/6	68/6	5 16 9
5 *a*	7½*b*		Coats £1	41/3	40/7½	6 3 1
5 *a*	6½*b*		Courtaulds £1..	32/-*	31/-*	7 0 7
22½*c*	7½*a*		Distillers 4/-	17/-	16/9	5 7 6
17½*c*	17½*c*		Dunlop £1	43/9	43/9	8 0 0
12½*c*	15 *c*		Ford £1	46/-	46/-	6 10 5
22½*c*	7½*a*		Gen. Elect. £1..	76/-	75/6	5 19 3
17 *b*	7 *a*		Guinness £1..	58/7½	60/7½	5 10 10*d*
5½*b*	4½*a*		Hawker Sid. £1..	31/9*	32/3*	6 4 0
3 *a*	10 *b*		Imp. Chem. £1..	42/6	42/6	6 2 4
7½*a*	18½*b*		Imp. Tobacco £1	82/6	82/6	7 15 2
5 *a*	10 *b*		Lancs. Cotton £1	33/9	35/7½	8 8 5
7½	10 *b*		Lon. Brick £1..	55/-	55/-	5 7 3
15 *a*	65 *b*		Marks & Sp. A 5/-	69/-	68/-	5 17 8
8 *a*	10½*b*		P. & O. Def. £1.	42/-	42/6	7 10 7*g*
37½*b*	7½*a*		P. Johnson 10/-	32/6	33/-	7 11 6
15 *a*	110 *b*		"Shell" Stk. £1.	92/6	95/-	6 0 4
12½*b*	13½*a*		Tube Invst. £1.	50/-	49/4½	5 1 3*h*
15 *b*	5 *a*		T. & Newall £1.	79/4½	79/4½	5 0 10
5 *a*	8½*b*		Unilever £1..	40/-	41/10½	6 8 11
10 *a*	12½*c*		Union Castle £1	20/6	20/6	6 1 11*k*
50 *c*	50 *c*		U. Sta Betong £1	35/7½	38/9	25 16 2
2½*a*	10 *b*		Vickers £1.....	41/-	40/6	6 3 5
27½*b*	15 *a*		Woolworth 5/-	39/6*	39/3*	5 8 3

(*a*) Int. (*b*) Fin. (*c*) Div. whole yr. (*e*) Yield basis 16½%. (*g*) Yield basis 16%. (*h*) Yield basis 12½%. (*i*) Include special int. 7%. (*k*) Yield basis 6½%. * Ex div † Free of tax.

British Plaster Board.—Between July and December last year British Plaster Board was harassed by a discriminatory price control, imposed upon it (but not upon its competitors) by the Labour Government following the company's withdrawal from the earlier voluntary price agreements. Despite this, it earned surprisingly good profits in the year to March 31st last. Trading profits and investment income rose from £1,389,194 to £1,595,932, and, although about £165,000 more has been provided for taxation, group net profits rose by just under £40,000 to £405,354. A year ago the chairman, Lord Belper, indicated that an increase in the ordinary dividend was prevented by the fall in profit margins (which led to the dispute with the Government). Now the directors have been encouraged to recommend a modest increase to 17½ per cent, compared with the effective rate of 16⅔ per cent that has been in force for many years. In addition, the appropriation to general reserves has been increased from £11,000 to £114,285, while £50,000 was appropriated to a central obsolescence and replacement reserve; nothing has been added to this reserve in 1951-52. Last year's appropriation, however, was not intended as an indication of the additional annual sum needed to provide against the eventual cost of replacement. It was simply a general provision made in advance of the revaluation of fixed assets on which the company has been working in the financial year just ended.

	Years to Mar. 31, 1951	Years to Mar. 31, 1952
Consolidated Earnings :—	£	£
Trading profit*	1,383,194	1,595,932
Depreciation	297,649	299,769
Taxation	725,819	890,809
Net profit	*365,726*	*405,354*
Ordinary dividends	259,271	266,523
Ordinary dividends (per cent)	16⅔	17½
Replacement reserve	75,000	...
Investment reserve	...	50,000
General reserve	11,000	114,285
Added to group carry forward	23,510	*Dr. 17,441*

5s. ordinary stock at 12s. 3d. yields £7 3s. per cent.
* Including investment income.

Statistical Summary

EXCHEQUER RETURNS

For the week ended June 21, total ordinary revenue was £61,562,000, against ordinary expenditure of £83,888,000 and issues to sinking funds £960,000. Thus, including sinking fund allocations of £5,741,000 the deficit accrued since April 1, 1952, was £192,819,000 compared with a surplus of £4,841,000 for the corresponding period of the previous year.

ORDINARY AND SELF-BALANCING REVENUE AND EXPENDITURE

	Estimate, 1952–53	April 1, 1951 to June 23, 1951	April 1, 1952 to June 21, 1952	Week ended June 23, 1951	Week ended June 21, 1952
REVENUE	£'000	Receipts into the Exchequer (£ thousand)			
ORD. REVENUE					
Income Tax	1804225	194,922	238,148	15,975	20,053
Sur-tax	123,000	22,600	20,100	1,100	1,300
Estate, etc., Duties	175,000	48,400	35,400	3,200	2,800
Stamps	57,500	14,500	11,200	900	400
Profits Tax & EPT	452,000	50,800	59,200	3,000	4,400
Excess Profits Levy	5,000	...	...	...	...
Special Contribution and other Inland Revenue	2,000	880	510	90	40
Total Inland Rev.	2618725	332,102	364,558	24,265	28,993
Customs	1043500	222,930	232,049	15,820	21,236
Excise	772,000	160,219	151,644	6,519	3,730
Total Customs and Excise	1815500	383,149	383,693	22,339	24,966
Motor Duties	64,150	6,414	6 374	...	...
Surpl's from Trade, P.O. (Net Receipts)	12,000	1,200	...	...	...
Broadcast Licences	15,000	2,000	1,900	*Dr 5800*	*Dr 2400*
Sundry Loans	26,000	2,599	2,157	...	...
Miscell. (incl. Surplus War Stores)	110,000	16,504	25,878	83	10,003
Total Ord. Rev.	4661375	768,969	784,560	40,887	61,562
SELF-BALANCING					
Post Office	209,235	41,000	43,500	8,300	4,800
Income Tax on E.P.T. Refunds	4,900	1,149	1,481	80	88
Total	4875510	811,118	829,541	49,267	66,450

EXPENDITURE		Issues out of the Exchequer to meet payments (£ thousand)			
ORD. EXPENDITURE					
Int. & Man. of Nat. Debt	575,000	112,701	135,837	...	...
Payments to N. Ireland	40,000	6,856	7,202	...	...
Other Cons. Funds	10,000	1,111	1,015	210	128
Total	625,000	120,668	144,054	210	128
Supply Services	3605562	640,850	827,585	56,410	83,760
Total Ord. Expd.	4230562	761,518	971,639	56,620	83,888
Sinking Funds	...	2,610	5,741	290	960
Total (excl. Self-Bal. Expd.)	4230562	764,128	977,379	56,910	84,848
SELF-BALANCING					
Post Office	209,235	41,000	43,500	8,300	4,800
Income Tax on E.P.T. Refunds	4,900	1,149	1,481	80	88
Total	4443697	806,277	1022360	65,290	89,746

After increasing Exchequer balances by £409,937 to £3,305,917 the other operations for the week increased the National Debt by £49,935,362 to £25,874 million.

NET RECEIPTS (£ thousand)

Receipts to Interest on National Debt	13,089
Cotton (Centralised Buying) Act, 1947, s. 21	1,500
	14,589

NET ISSUES (£ thousand)

Post Office & Telegraph (Money) Act, 1950	825
EPT Refunds	107
Export Guarantees Act 1949, s. 3(2)	302
Local Authorities Loans Act, 1945, s. 3	25,358
Miscell. Financial Provisions Acts, 1950, s. 2(1) :— Northern Ireland Exchequer	1,000
Miscell. Financial Provisions Act, 1946, s. 2(1) :— War Damage : War Damage Commission	3,000
Miscellaneous Financial Provisions Act, 1946 and 1950 :— Civil Contingencies Fund	10,000
Finance Acts, 1946 and 1947, Postwar Credits	237
	40,829

CHANGES IN DEBT (£ thousand)

Receipts		Payments	
Treasury Bills	26,225	Nat. Savings Certs.	300
Tax Reserve Certs.	1,329	2½% Def. Bonds	810
Ways and Means Advances	30,220	3% Def. Bonds	1,213
		3% Ter. Annuities	1,458
		3½% Ter. Annuities	507
		Other debt : Internal	3,551
	57,774		7,839

FLOATING DEBT

(£ million)

Date	Treasury Bills: Tender	Treasury Bills: Tap	Ways & Means Advances: Public Depts.	Ways & Means Advances: Bk. of England	Treas. Deposits by Banks	Total Floating Debt
1951						
June 23	3230·0	2098·7	384·5	2·3	345·0	6060·5
1952						
Mar. 31	4273·1		337·9	...	...	4611·0
Apr. 5	2380·0	1919·6	332·5	...	...	4632·1
" 12	2440·0	1600·9	305·3	1·0	...	4347·2
" 19	2500·0	1579·8	320·7	...	...	4400·5
" 26	2530·0	1574·0	312·1	3·7	...	4419·8
May 3	2560·0	1537·3	311·4	...	...	4408·7
" 10	2590·0	1521·3	317·6	0·2	...	4429·1
" 17	2650·0	1499·4	302·9	...	...	4452·3
" 24	2690·0	1477·2	314·6	...	...	4481·8
" 31	2710·0	1484·5	299·7	4·5	...	4498·7
June 7	2750·0	1503·4	307·3	...	...	4560·7
" 14	2790·0	1517·9	273·5	0·3	...	4581·7
" 21	2830·0	1504·1	301·8	2·3	...	4638·2

TREASURY BILLS

Date of Tender	Amount (£ million) Offered	Applied For	Allotted	Average Rate of Allotment s. d.	Allotted at Min. Rate %
1951					
June 22	250·0	344·0	250·0	10 2·81	62
1952					
Mar. 21	200·0	251·9	200·0	46 3·39	68
" 28	210·0	240·2	210·0	47 3·61	81
Apr. 4	220·0	302·1	210·0	47 3·96	58
" 10	210·0	297·2	210·0	47 0·14	62
" 18	200·0	316·6	200·0	47 3·27	45
" 25	200·0	296·3	200·0	46 4·20	63
May 2	200·0	326·8	200·0	46 11·03	35
" 9	230·0	300·5	230·0	47 4·11	68
" 16	230·0	295·0	230·0	47 3·07	70
" 23	220·0	302·3	220·0	47 7·94	63
" 30	240·0	307·1	240·0	47 8·25	71
June 6	240·0	306·5	240·0	48 4·09	71
" 13	240·0	310·4	240·0	48 0·36	72
" 20	250·0	301·1	250·0	48 8·25	77

On June 20th applications for 91 day bills to be paid from June 23 to June 28, 1952, were accepted dated Monday to Saturday as to about 77 per cent at £99 7s. 10d., and applications at higher prices were accepted in full. Treasury Bills to a maximum of £240 million were offered on June 27th. For the week ended June 28th the banks were not asked for Treasury deposits.

NATIONAL SAVINGS

(£ thousand)

	Totals 11 Weeks ended June 16, 1951	Totals 11 Weeks ended June 14, 1952	Week ended June 14, 1952
Savings Certificates :—			
Receipts	47,200	25,400	2,600
Repayments	32,800	32,400	2,600
Net Savings	14,400	*Dr 7,000*	Nil
Defence Bonds :—			
Receipts	10,659	8,535	735
Repayments	10,965	15,430	1,545
Net Savings	*Dr 306*	*Dr 6,895*	*Dr 810*
P.O. and Trustee Savings Banks :—			
Receipts	148,445	153,203	13,429
Repayments	179,972	167,776	15,792
Net Savings	*Dr 31,527*	*Dr 14,573*	*Dr 2,363*
Total Net Savings	*Dr 17,433*	*Dr 25,468*	*Dr 3,173*
Interest on certificates repaid	7,914	6,805	715
Interest accrued	26,606	27,173	2,494
Change in total invested	+ 1,259	*To 1,100*	*To 1,394*

BANK OF ENGLAND RETURNS

JUNE 25, 1952

ISSUE DEPARTMENT

	£		£
Notes Issued :—		Govt. Debt	11,015,100
In Circulation	1442,075,817	Other Govt. Securities	1485,723,063
In Banking Department	58,281,006	Other Secs.	750,699
		Coin (other than gold)	2,511,138
		Amt. of Fid. Issue	1500,000,000
		Gold Coin and Bullion (at 248s. per oz. fine)	356,823
	1500,356,823		1500,356,823

BANKING DEPARTMENT

	£		£
Capital	14,553,000	Govt. Secs.	289,946,430
Rest	3,587,510	Other Secs. :—	40,836,223
Public Deps. :—	24,226,579	*Discounts and*	
*Public Accts.**	*10,627,188*	*Advances*	*21,172,140*
H.M. Treas. Special Acct.	*13,599,391*	*Securities*	*19,664,083*
Other Deps. :—	346,193,842		
Bankers	*275,674,753*	Notes	58,281,006
Other Accts.	*72,519,089*	Coin	1,497,272
	390,560,931		390,560,931

* Including Exchequer, Savings Banks, Commissioners of National Debt and Dividend Accounts.

COMPARATIVE ANALYSIS

(£ million)

	1951 June 27	1952 June 11	1952 June 18	1952 June 25
Issue Dept. :—				
Notes in circulation	1349·3	1425·6	1431·1	1442·1
Notes in banking department	51·2	24·7	19·3	58·3
Government debt and securities*	1395·8	1446·7	1446·8	1496·7
Other securities	0·7	0·8	0·7	0·8
Gold and coin	3·9	2·9	2·9	2·9
Valued at s. per fine oz.	*248/0*	*248/0*	*248/0*	*248/0*
Banking Dept. :—				
Deposits :—				
Public Accounts	20·9	14·3	10·4	10·6
Treasury Special Account	4·4	17·0	13·6	13·6
Bankers	290·1	291·0	287·4	275·7
Others	86·6	68·8	70·2	72·5
Total	401·5	391·1	381·6	372·4
Securities :—				
Government	326·4	342·1	347·2	289·9
Discounts, etc.	7·9	20·9	12·2	21·2
Other	25·6	19·9	19·6	19·7
Total	367·9	382·9	379·0	330·8
Banking dept. res.	51·8	26·2	20·7	59·8
	%	%	%	%
"*Proportion*"	12·8	6·7	5·4	16·0

* Government debt is £11,015,100, capital £14,553,000. Fiduciary issue increased from £1,450 million to £1,500 million on June 24, 1952.

GOLD AND SILVER

The Bank of England's official buying price for gold was raised from 172s. 3d. to 248s. 0d. per fine ounce on September 19, 1949, and the selling price to authorised dealers from 175s. 6d. to 252s. 0d. per fine ounce. Spot cash prices during last week were as follows :—

1952	Silver: London per ounce	Silver: New York per ounce	Silver: Bombay per 100 tolas	Gold: Bombay per tola
	d.	c.	Rs. a.	Rs. a.
June 19	72·5	82·75	152 8	88 2
" 20	72·5	82·75	152 13	88 2
" 21	Markets Closed		153 0	88 7
" 23	72·5	82·75	153 13	87 6
" 24	72·5	82·75	155 10	88 1
" 25	72·5	82·75	154 3	87 7

COMPANY MEETINGS

UNILEVER LIMITED

REPORT OF ANNUAL MEETING

THE PLACE OF MARGARINE IN THE ECONOMICS OF NUTRITION

IMPORTANCE OF EDIBLE FATS

SIR GEOFFREY HEYWORTH'S REVIEW

The annual General Meeting of the members of Unilever Limited was held on June 23rd, at The Hall of the Chartered Insurance Institute, 20 Aldermanbury, London, E.C.2. Sir Geoffrey Heyworth presided. Addressing the meeting the chairman said:—

My Lords, Ladies and Gentlemen,

For some years it has been my custom at the annual general meeting to deal with a subject which is not only of immediate concern to Unilever but which also has an interest for the general public. In accordance with this custom, I shall try to show you how, in one particular field, the rise in the world's standard of nutrition has been dependent, and how in future it is likely to be still more dependent, upon the margarine industry.

Our generation is faced not only with the problem of maintaining, or possibly improving, the standard of living in the well developed countries, but most certainly with that of raising the standard of living in the underdeveloped areas of the world.

WORLD FOOD REQUIREMENTS

There has been some speculation recently as to whether the earth can supply all the foodstuffs necessary for these tasks in view of the fact that every day the world has 70,000 more mouths to be fed. Taking this into account, there would be needed by 1960, according to a 1946 Survey of the Food and Agriculture Organisation, an increase of 34 per cent in the production of oils and fats, 46 per cent in the production of meat, 100 per cent in the production of milk and a large increase in various other foods in order to bring the nutrition of the nations in different parts of the world up to a reasonable minimum.

This would be impracticable; it will be difficult enough to provide for the increasing population, even up to existing standards. I am not too pessimistic about the long term prospects, because I have faith in the resource of mankind. I am quite sure, however, that not only shall we have to use all our intelligence in exploiting the natural resources of the soil, but we shall probably have to be ready to take our supplies in whatever form will give the maximum amount of nutrition from each acre. In other words, it is most probable that as time goes on people will have to make some sacrifice of their personal tastes in order to obtain sufficient nourishment for all.

SUPPLY AND DEMAND OF EDIBLE FATS

Unilever is particularly interested in these problems in the sphere of edible fats, which are an essential item of the world's diet. We are, therefore, constantly studying the trends in this particular field and thinking of the contributions we can make to solve problems of supply and demand as they may present themselves. This, in fact, is no new problem to us. The first Lord Leverhulme and Mr Anton Jurgens were at times greatly worried by the possibility of a shortage of raw materials—Lord Leverhulme, in particular, feeling that the edible trade could afford to pay more for their fats and thus make it difficult for him as a soapmaker. Both made attempts to secure their position—Lord Leverhulme by starting plantations—Anton Jurgens by the extension of his buying organisations. Problems and anxieties of this nature keep cropping up, and, in fact, margarine itself was the answer to one such problem of supply, namely, the shortage of spreadable fats on the western European markets.

My remarks today are going to be confined to edible fats, which constitute about 78 per cent of the world's animal and vegetable oil and fat production, the remainder being approximately 13 per cent for soap and 9 per cent for other technical purposes.

NUTRITIONAL VALUES

First of all, let me deal with the nutritional value of oils and fats. Research work upon this is constantly going on, and it has been proved that they provide the body with heat and energy, they prolong the staying power of meals, they assist towards a gradual and easy digestion of other foods, and promote the growth of young people; perhaps of equal importance and a condition of the rest is that they make meals more palatable.

All this will explain the fact that the *per capita* consumption of edible fats is closely related to the standard of living, and this applies to consumers all over the world. More fats are added to the diet as the level of prosperity rises, and a saturation point has probably not been reached anywhere, not even in the USA.

INCOME AND CONSUMPTION

The relationship between income and consumption is illustrated by comparing the national income figures for 1949, as computed by the United Nations Organisation, with the consumption of edible fats. Calculating this on a fat contents basis, the picture is as follows:—

Countries with a *per capita* income under $100, fat consumption 7.9 lb.

Countries with a *per capita* income between $100 and $300, fat consumption 16.2 lb.

Countries with a *per capita* income between $300 and $500, fat consumption 29.1 lb.

Countries with a *per capita* income over $500, fat consumption 42.7 lb.

Climatic conditions, of course, should be considered, for the human body needs less fuel, and therefore less fat, in the tropics than elsewhere, but wide variations of the level within the same climatic zone can be adequately explained only by differences in the standard of living. In the United Kingdom between 1900 and 1938 the *per capita* consumption of edible fats rose from 34 lb to 46.3 lb—an increase of 36 per cent. Official figures of national income were not published for the earlier years, but it is accepted by economists that the prosperity of the people was greater by at least a third in 1938 than in 1900—illustrating that within the same country consumption of fats increases with the national income.

This relationship between the standard of living and consumption of fats has had a tremendous impact on the total demand for fats in the nineteenth and twentieth centuries, particularly in the USA and Western Europe. I should estimate that in Western Europe the *per capita* consumption of edible oils and fats has doubled since 1850, and in addition to that the population has about doubled also, so that the total demand in this area has about quadrupled in a century.

These extra supplies might theoretically have come by increases in the traditional sources of fat supplies—for example, from dairy farming and the carcass fat of pigs and cattle, but in fact these supplies are relatively inelastic. Butter production, for example, is limited by natural conditions. High standard dairy farming requires a temperate climate, a sufficient amount of rain throughout the year, suitable soil, and selected cattle and, except where really good grass is available for most of the year, it needs concentrates such as oil cake and cereals, but mainly cereals. Cereals, however, are at present urgently wanted for humans, so that their use for dairy farming must of necessity be restricted. There is also the fact that the increased consumption of liquid milk, which I will refer to later, has prevented a solution of the problem by increasing the production of butter.

EXPANSION OF OIL-BEARING SEED PRODUCTION ESSENTIAL

It is clear that the immense requirements of edible fats could not be met except by the expansion of production of oil bearing seeds. These seeds have the advantage of being grown in various climates—coconuts, palm kernels, palm oil, cotton seed and groundnuts in tropical and sub-tropical countries; olives, soyabeans, sunflower seeds, linseed and rapeseed in temperate areas. In the liquid form, the oils obtained from these seeds did not meet the requirements of the consumers—they wanted a fat that could be spread.

It was the margarine industry that met this want. When it began, in 1870, it used animal fats as raw material, but in course of time could not get enough of these. Coconut oil and palm kernel oil were the only vegetable oils which had a melting point high enough to serve as a basis for a spreadable fat, but they could not be used to any considerable extent because of their brittle texture and because technical skill in refining oils was not sufficiently advanced.

About 1900, however, a process was discovered of raising the melting point of all liquid oils and thus turning them into solid fats. This process, called hydrogenation, or hardening, changed the outlook for the whole industry, for after the process had been developed the margarine industry was able to fill its needs by drawing on the great potential of vegetable oil production from all over the world.

EXPANSION OF MARGARINE PRODUCTION

A glance at a few figures will show the growth of the trade. In Germany, for example, where the records go back to 1895, the production of margarine for that year was 90,000 tons; in 1913, it was 225,000 tons; in 1929, it was 452,000 tons; though in 1938—due to Government restrictions—it was 385,000 tons. In Western Europe, including Germany, the margarine production in 1913 was 520,000 tons, and in 1929 it had reached 1,075,000 tons a year, and in 1938—mainly due to the fall in Germany and Holland—it was 991,000 tons.

It should be noted that in the same period, butter production in Western Europe rose from an average of 1,055,000 tons for the years 1909-13 to 1,218,000 tons in 1929 and 1,462,000 tons in 1938.

In choosing between butter and margarine, the consumer does not need to worry about any difference in nutritional value. There have been many discussions about this, but I think it is safe to agree with the conclusion of a Dutch scientist, Dr G. Smits, of the Central Institute for Nutrition Research, Utrecht. He made a study of 74 publications by scientists from various parts of the world dealing with the nutritional value of butter compared with that of other fats, especially margarine. Amongst his sources are well-known authorities, such as Hilditch, Kon, von Eulei, Deuel and others. Dr Smits' conclusion, published in the Dutch journal *Nutrition* of August, 1950, is as follows: "There is no proof of a superiority of butter over margarine as has been assumed by some investigators; provided the margarine is enriched with vitamins A and D to a content about equal to that in butter." I may add that in the United Kingdom and Holland, as in most other countries, this addition of vitamins is made.

PRICE RELATIONSHIP BETWEEN BUTTER AND MARGARINE

The choice, therefore, between margarine and butter will depend upon how much the housewife is prepared to pay for the distinctive flavour of butter. Many people do prefer the flavour of butter to that of margarine, though this may not always be so, for the technique of margarine making has made considerable progress and is still improving.

The premium she will pay will obviously depend on the relative supplies of butter and margarine—for example, if there were a quite inadequate supply of butter there would always be some people who would be prepared to pay an exorbitant price for it, whereas if the quantity were abnormally large the premium would obviously decline, as it would be necessary to tempt masses of people to increase their normal consumption of it. The price relationship, therefore, between butter and margarine is affected by the proportion of the milk supply which is used for butter production, and this brings us to a very important question, namely, the proper utilisation of milk. I use this word "proper" deliberately, to imply what is best for the world as a whole from a nutritional point of view.

RISE IN MILK PRODUCTION COSTS

We have first to note that in milk-producing countries wages and incomes since 1939 have risen faster in agriculture than in industry, and of all agriculture, dairy farming is the most exacting in its demands upon labour. Roughly speaking, agricultural wages in Holland are about three times as high as before the war, whereas industrial wages are about twice as high; in the United Kingdom the trend has been similar.

This, in itself, means that milk production is likely to be relatively a more costly process than in prewar days, but there is also the question of what happens to the milk. There has been since 1938 a great increase in the consumption of liquid milk in many countries, in particular in the United Kingdom, Holland, Australia, New Zealand, Canada and the United States. The consumer appreciates more and more that milk is a highly valuable food, but this does not depend on its fat content. The Dictionary of Dairying states that of the constituents of milk, the non-fatty portion is more valuable than the butterfat. Butterfat is interchangeable with other fats but the specific value of milk lies in the proteins, vitamins, and minerals that it contains.

INCREASE IN MILK CONSUMPTION

The tendency for milk consumption to increase still continues. It is evident, for example, in the case of Australia. Many people in Britain are worried about the decline in Australian butter exports, which have fallen from 104,000 tons in 1938-39 to 56,000 tons in 1950-51. The milk production in Australia, however, was slightly more in 1950 than in 1938 and the *per capita* butter consumption in Australia is less now than it was in 1938. The explanation of the declining butter exports is that a smaller proportion of the milk is used for butter production than before, some being diverted to cheese production and processed milk, and some being consumed in liquid form.

This extra consumption of liquid milk in most cases brings a better return to the farmer, for there are few countries in the world where he does not have to accept a lower price for that portion of his milk which is used for butter making.

High prices of meat in most parts of the world, themselves due to shortage, are causing people to look to other sources of protein, and this means that there should be a great future for cheese production. Cheese is a highly concentrated and digestible food and is easily the cheapest available combination of proteins and fat in the solid form, being only about half the price of meat in units of comparable nutritional value. World consumption of cheese is at present estimated at about 30 per cent higher than it was before the war. The effect of all this is that world production of butter is now about 16 per cent lower than it was before the war, whereas world population has since increased by about 14 per cent.

MARGARINE INDUSTRY'S AID TO DAIRYING

It is often assumed that the margarine industry is the enemy of the dairying industry, but this is simply not the case. Apart from the fact that, in making margarine, the industry through its seed-crushing activities supplies immense quantities of oil cakes and meals to the dairying industry which they would not otherwise obtain, the margarine industry satisfies the needs for spreadable fats which the dairying industry could not possibly do and which, in time to come owing to the better return obtained from liquid milk and cheese, it would probably not wish to satisfy.

WORLD PRODUCTION FIGURES OF BUTTER AND MARGARINE

I gave you figures showing the way the Western European production of margarine had grown up to 1929, whereas the production of butter had shown only a slight increase. However, in recent years butter production has declined, whereas margarine production has increased considerably. I have no figures for Russia and the satellite countries, but excluding these, I estimate the world production of butter and ghee at 3.30 million tons against 3.93 million tons in 1938, a decrease of 16 per cent, whereas I estimate the production of margarine and vegetable ghee at 2.33 million tons against 1.25 million tons in 1938, an increase of 86 per cent.

RELAXATION OF RESTRICTIONS

It is probably well known to you that, prompted by agricultural interests, various countries have, in their time, imposed restrictions on the margarine industry, but these restrictions are yielding to the pressure of economic necessities and to the realisation that there is a social need for margarine which must be satisfied.

Developments in the United States confirm this trend. In 1947 there were still 23 American states where the sale of coloured margarine was forbidden, the intention being to make margarine look unattractive and so reduce the public demand for it. Since then, and particularly following the abolition in 1950 of a Federal tax on margarine, 16 states have abolished this kind of regulation, leaving the manufacturers free to supply according to the housewife's choice.

A similar state of affairs exists in Canada where, until 1948, to protect the dairying interests, the production of margarine was forbidden altogether. It is now permitted and, although colouring restrictions are imposed, margarine consumption in Canada has risen to the same *per capita* level as in the United States and is still rising.

DISCRIMINATORY LEGISLATION IN SOUTH AFRICA AND INDIA

There are still one or two other places where margarine suffers from discriminatory legislation—for example, in South Africa it is forbidden to colour margarine, and apart from that, quotas have been imposed upon the margarine industry instead of allowing the consumer to determine how much is wanted. In France also there are still restrictions upon the colouring of margarine.

Present restrictions on colouring must have been solely designed to impede the progress of margarine; for any real grounds of objection to colouring margarine would also apply to butter, which often has colour added to it.

In India, where the standard of living is low and the consumption of fat very small, the milk product, which is comparable to butter, is called ghee, and the vegetable product, comparable to margarine, is called vanaspati. But notwithstanding the great benefit to the people of ample supplies of this highly nutritious product made from India's own production of oilseeds, this industry suffers discrimination by taxation, and in other ways, compared with ghee in spite of which it continues to make headway.

It is my opinion that in spite of obstructions the trade in margarine and similar edible fats will go on increasing steadily, because as the population of the world increases, the need for the most efficient use of the land will become more and more obvious. It is a startling thought that crops when fed to animals lose at least two-thirds of their calorific value before they re-emerge in the form of meat and milk.

It is frequently forgotten that the soil and the climate—and especially the rainfall—settle decisively the kind of product—animal or vegetable which can be grown. Practically all the land, which is reasonably good for raising human food, is already in use, though there is still scope for increased yields. To extend the acreage, however, it will be necessary to go to places unsuitable for the generality of crops. The most notable of these places are in the Equatorial Forest areas of South America, Africa and South East Asia, where it is always hot and wet. No grain-producing crop can grow in these areas, conditions are unsuitable for rice, livestock are practically ruled out—but the oil palm is quite at home. Any palm oil used for margarine reduces the demand

for other oils and fats which might well be using land which can produce other human foods—hence the development of the oil palm must become extremely important to the people of Western Europe.

MAXIMUM NUTRITION AIMS

No doubt the change will be a gradual one, but with the relentless increase in the population of the world, in relation to the available arable and pasture land, it will be more and more necessary to use the soil for the production of the maximum amount of nutrition even though the diet may become less varied and pleasant.

Milk is a very special food, and the proteins in meat have nutritional qualities which vegetable products may lack, and thus milk and meat will always remain staple products. Future generations, however, who may be short of grain, milk, and meat, are not likely to tolerate any unnecessary sacrifices of land for the production of butter which has no nutritional advantages over vegetable fats. I can illustrate my point by mentioning a study made in 1943 by Raymond P. Christensen, a US Department of Agriculture economist. Comparing the cow and the soya bean as fat producers, he found that per acre the cow yielded 46 lb of butterfat against 150 lb of vegetable fat from soya bean production.

I should not like it to be thought that I am urging that positive action should be taken to decrease supplies of butter. The world's increasing need of milk and cheese, as also the demand for butter, which no doubt will persist for a long time to come, will ensure the dairy farmers' continued prosperity. The object of my talk has been to direct attention to the importance of the best use of land and to state what we, in this company, have long believed to be a certain prospect—that there will be a greater and greater need for margarine as industrialisation proceeds and population increases.

The chairman concluded by moving the adoption of the report and accounts.

Sir Herbert Davis, CBE, vice-chairman, seconded the resolution and it was carried unanimously.

The proposed final dividend of 8½ per cent on the ordinary stock and a dividend of 6 per cent on the deferred stock payable on July 4, 1952, were approved, the retiring directors were reappointed and the remuneration of the auditors, Messrs Cooper Brothers and Company and Messrs Price, Waterhouse and Company, who had been reappointed under the provisions of the Companies Act, 1948, was fixed.

The proceedings terminated with a vote of thanks to the chairman, directors and all employees.

UNILEVER N.V.

The annual general meeting of the members of Unilever NV was held on June 23rd at Museumpark, Rotterdam. Mr P. Rykens presided and made a speech in similar terms to that delivered by Sir Geoffrey Heyworth at the annual meeting of Unilever, Limited, reported above.

The report and accounts for the year 1951 were adopted. The proposed final dividend of 7.5 per cent (being the equivalent of the final dividend for the same year to be paid by Unilever, Limited, to its ordinary stockholders calculated in accordance with the provisions of the Equalisation Agreement and converted at a rate of exchange of Fl 10.64 to the £ sterling) was approved, the retiring directors were reappointed, Mr A. M. Knox was appointed a director, and the auditors, Messrs Price, Waterhouse and Company and Messrs Cooper Brothers and Company were reappointed.

OTTOMAN BANK

ECONOMIC DEVELOPMENT OF TURKEY

LORD LATYMER'S REVIEW

The eighty-fifth annual general meeting of Ottoman Bank was held on June 25th at Winchester House, Old Broad Street, London, E.C.

The Rt. Hon. Lord Latymer (the chairman) presided and in the course of his speech said:

I am happy to be able to inform you that under the authority of article 21 of the statutes a new agreement has just been signed with the Turkish Government. Immediately this agreement has been ratified by the Turkish Grand National Assembly, your committee propose to convene a further general meeting of shareholders in order to give an account of the matter and to ask the shareholders to pass resolutions to make such changes in the statutes of the bank as may be necessary to conform with the new conditions.

In September last Turkey was invited to join the members of the North Atlantic Treaty Organisation. Her adherence was formally ratified in February, 1952. Turkey has thus strengthened the bonds uniting her to the nations who share the same democratic ideals—an event of great political importance which cannot fail to have widespread effect. From the economic point of view, 1951 witnessed remarkable development on all sides; in agriculture, in mining, in industry, in foreign trade and in the general equipment of the country. The authorities have been most anxious to encourage private enterprise. Here, the Industrial Development Bank of Turkey, which came into operation in 1951, has been able to help with the granting of a number of credit facilities.

The Ottoman Bank, with its widespread connections in banking, industrial and commercial spheres, will always offer the fullest support to the efforts which Turkey is making to interest foreign elements in her economic development.

Egypt: Early hopes for an untroubled year were not fulfilled. Taxation, direct and indirect, personal and industrial, increased. The cotton export tax was doubled early in the year.

Tension between the British and Egyptian Governments became more acute and in October Egypt abrogated the Anglo-Egyptian Treaty of 1936 and the 1899 Condominium Agreement for the Sudan. This was attended and followed by marked unrest, by the virtual isolation of the Canal Zone and later (although outside the period under review) by the disastrous riots in Cairo early this year.

Egypt's trade figures for the year 1951 show a substantial increase upon the previous totals. Imports reached LEg. 279 million (including over LEg. 40 million of gold). Exports increased, in value if not in volume, to LEg. 203 million.

For your branches it was a very busy time, although there was, as might be expected, a falling off in the activity of the Canal Zone branches during the latter months of the year.

Sudan: For the Sudan it was an excellent year. The political scene was indeed far calmer than agitation abroad and repeated reference in the press might have suggested, and thus permitted the Sudan Government to press forward towards its object of self-government for the country by the end of this year. The preparation of the new constitution is now in hand. Our three branches in the Sudan have had a busy and satisfactory year.

Israel: The year brought an appreciable increase in the business handled by our branches in Israel, whose services are well patronised by all sections of the community.

Jordan: In spite of many anxieties and of increasing competition, it was for our branches in Jordan an active and on the whole successful year. They continued to serve a numerous and widely spread clientele and to foster, by means of long and medium-term facilities to municipalities, the development of amenities and progress in many of the outlying towns.

Iraq: The violence and unrest noticeable in many countries of the Near and Middle East during the year could but have some repercussion in Iraq. Nevertheless, 1951 was, in many respects, a year of planned reorganisation and confident development. The Government was able to devote its full concentration to the important negotiations for fresh agreements with the oil companies operating in the country. It is a real tribute to the foresight and patience of all concerned that these negotiations have resulted in the new agreement with the Iraq Petroleum Company and its subsidiaries, which was signed and ratified a few months ago.

Lord Latymer then reviewed other countries in which the Bank has interests, and continued:—

Balance sheet: Once again the total exceeds that of the previous year and now stands at more than £96 million.

It will be seen that cash and money at call together total £3,800,000 more than last year while bills receivable have increased by £4,500,000. Investments show an increase of some £3,300,000 and are mainly short-dated British Government securities, an important consideration at a time when the protection afforded by short-dated stocks has become so necessary.

Advances to customers have risen by nearly £6 million.

Turning to the profit and loss account, the result for the year is £303,038 compared with £320,475 for 1950. To this figure is added £113,945 of remittances of profits of previous years and in this connection I would mention that it is becoming increasingly difficult to remit profits so that they can be included in the figures for the year in which they were earned. So far, in almost all the territories where your Bank is established, it has been possible with the help of the Exchange Authorities of the countries concerned, to arrange for the remittance of profits to this country. The conditions necessary for the freeing of international exchanges, however, are still a very long way from being realised and until these conditions are attained both international trade and banking rest on insecure foundations.

The continued financing of international trade depends among other things upon the power to remit a reasonable profit earned by those who carry out this important service.

Your Bank has so far been fortunate in that this fact has been generally recognised by countries throughout the Near and Middle East.

The committee propose that a dividend of 8s. per share be paid again this year.

I am sure that you would like to join me in conveying our thanks to the management and to the staff of all the branches of your Bank. 1951 was not an easy year, but the hard work and loyalty of our staff have helped us to surmount the many problems with which we were faced.

The report was adopted.

BANK OF BRITISH WEST AFRICA, LIMITED

YEAR OF STEADY PROGRESS

The fifty-eighth annual general meeting of the Bank of British West Africa, Limited, will be held on July 17th at 37 Gracechurch Street, London, E.C.

The following are extracts from the statement by the chairman, The Rt. Hon. Lord Harlech, KG, GCMG, which has been circulated with the report and accounts for the year ended March 31, 1952:—

It is 26 years since, as then Under Secretary of State at the Colonial Office, I made a three months' tour of British West Africa, and I had hoped to make another extensive tour on behalf of the Bank. Various circumstances compelled me to limit my visit to three weeks, but thanks to the development of air travel I was able to visit our branches at Lagos, Ibadan, Port Harcourt, Enugu and Kano in Nigeria, and Accra, Kumasi, Takoradi and Sekondi on the Gold Coast, and to make useful contacts with the governments, representatives of leading customers and members of our European and African staff. Everywhere I received a most friendly welcome, and I am satisfied that our Bank is performing its ever-increasing duties with efficiency, good public relations and success. I am equally clear that our opportunities for expansion and development are great. Such expansion will require new buildings both of Bank offices and houses for our European staff, and these are some of the best possible investments we can make. In our existing offices there is serious overcrowding and all too much overtime has to be worked. I found an excellent esprit de corps among our European and African staff, as well as mutual regard and good understanding between them.

RISE OF LIVING COSTS

Local living costs have risen rapidly, especially on the Gold Coast, the inevitable corollary of high prices for food, goods and services of all kinds, and in the year under review our scales of salaries and allowances have had to be increased to meet these conditions.

Great political changes are taking place in the West African Colonies, and the business of government has to some extent been transferred to representative Africans. In the course of my tour I was able to meet many of the new Ministers of Government and was impressed by their keenness and good will.

Unfortunately, during the last quarter of the bank's financial year there was a sharp fall in the market value of our investments in British and British Colonial Government securities, but we have made full provision out of reserves and profits for meeting the difference between the book and market value of such securities—no mean achievement. I should add that all our investments are represented by securities redeemable at par, with maturity dates fixed at relatively short or medium periods, and in this we are very favourably situated in comparison with a number of other banks.

THE ACCOUNTS

Figures and results shown in the balance-sheet and profit and loss account will, I believe, be accepted with satisfaction, indicating as they do a steady degree of progress in nearly every section of our activities. This progress has, I am pleased to say, kept in step with the general economic expansion that has been seen in the West African Colonies during recent years and their growth as an important factor in the sterling area.

A sum of £50,000 has been added to the reserve fund out of profits, making the new total £1,050,000. A further sum of £100,000, also taken from profits, has been placed to contingencies account. Current, deposit and other accounts at £54,566,977 show an increase of £1,856,388 over last year. Liabilities on acceptances, confirmed credits and other engagements on behalf of customers at £9,348,576 have decreased by £1,201,263.

On the assets side, cash holdings at £7,812,945 are higher by £2,589,526, while money at call and at short notice at £22,239,286 is lower by £3,360,714.

HIGH DEGREE OF LIQUIDITY

It will be apparent on examination of these figures that a high degree of liquidity is consistently maintained, and I think I should emphasise that this is essential in a business such as ours where many heavy calls are made on our resources for the financing of West African crops and general merchandise, both on an increasing scale. Investments stand at £10,371,572.

Once again I have to draw your attention to a steady expansion of business in advances, loans and overdrafts during the year. At £14,385,575, these are up by £5,185,767.

Owing to the upward trend in our profits, your directors have felt it necessary to deliberate carefully with regard to the payment of the dividend this year. It will be recalled that in 1951 the dividend was increased by 2 per cent, bringing the amount paid to shareholders up to 9 per cent. After reviewing all possible aspects and keeping in mind the possibility of price falls in some of the products financed by the bank, a decision has been reached to adopt a conservative policy this year, and I hope shareholders will appreciate that this will be in their true interests. An interim dividend of 3 per cent was paid in December, 1951, and I now have to recommend that a final dividend be paid at the rate of 6 per cent, making once more a total of 9 per cent for the full year.

WORLD DEMAND FIRM

World demand for the minerals and crops of West Africa continues to be firm, and high prices are still being paid for most of them. During recent months, there has been evidence of price falls in timber and rubber, and it may be that other West African products will, before long, suffer similar price recessions.

The commodities that the West African Colonies have to offer are extensive in variety, covering as they do tin concentrates, manganese, iron ore, gold, industrial diamonds, hides and skins, palm oil and kernels, groundnuts, cocoa, cotton, etc. Also, after a period of development, it is expected that a further one will be added when the new Nigerian lead-zinc mines come into operation. There will always be a world market for such primary products and even if prices should decline, West Africa is indeed fortunate in possessing such natural wealth of a kind so much needed by so many countries.

I have feelings of confidence with regard to the future of West Africa. Many changes are taking place and much progress is being made. Our bank is well equipped and has ample resources at its disposal for assisting in these developments and, having a progressive outlook, is well prepared for the services it will be called upon to perform.

LAMBERT BROTHERS

RECORD PROFITS

The forty-ninth annual general meeting of Lambert Brothers, Limited, was held on June 26th in London, Mr R. Ratcliff Steel, the chairman, presiding.

The following is an extract from his circulated statement for the year 1951:—

The consolidated profit and loss account shows profits amounting to £1,451,098 before providing for taxation which absorbs £808,510. Out of the net profits of £642,588, the sum of £365,965 has been put to fleet replacement reserve and the sum of £25,886 has been brought in from provisions no longer required. After deducting the preference dividends for the year and an interim dividend on the ordinary stock already paid, and providing for a final dividend at the rate of 15 per cent, plus 5 per cent bonus there remains the sum of £223,266.

The freight market continued to advance for the whole of 1951, breaking one record after another. The profits for 1951 have by far exceeded those for any year in the company's history, which enables us to propose the bonus of 5 per cent in addition to the final dividend and thus mark in an agreeable way our fiftieth year of incorporation.

A VALUABLE SERVICE

It is a further satisfaction that, due to the worldwide nature of our business, most of the revenue accrues from exports, invisible as well as visible. Your company, therefore, is performing a valuable service to this country's economy in the earnings which we make from our overseas trading.

It is fortunate that we were in a position to take advantage of the strong freight market and thus provide for leaner years which must be expected if and when a more normal state of the world's trade is brought about. Apart from the present heavy taxation which takes so large a proportion of the profit, we have considered it advisable to retain in the business what may seem to some of you an excessive amount. The shipping trade is subject to such sudden and drastic changes that your board have felt it only prudent to do so. These large profits which we obtained last year are due to exceptional conditions which cannot be expected to continue to anything like the same extent, but our aim is to maintain steady dividends so far as circumstances permit.

SUBSIDIARY COMPANY

Your shipowning company, the Temple Steamship Company, Limited, has contributed a very large share of the profits. Our ship management department manage a number of ships for clients and have been operating certain additional tonnage on charter which also contributed materially to the year's results.

Our coal bunkering stations abroad have had a good year considering the steady decline in the use of coal as a fuel for ships.

Our insurance subsidiary, Lambert Brothers (Insurance) Limited, has once more increased its business both in clientele and brokerage.

Our shipbroking, consignments and aviation departments have all considerably extended their business.

Your youngest subsidiary company, Lambert Brothers (Merchandise), Limited, has made further progress, although the difficulties of overseas trading do not diminish.

As regards the future, I feel that your company is in a position to hold its own in its various activities, but we cannot expect another year equal to the last, which has been a fitting jubilee.

The report was adopted.

CADBURY BROTHERS LIMITED

HOME AND EXPORT SALES EXCEED £30 MILLION

NEED FOR EQUATING SUPPLY WITH EFFECTIVE DEMAND

MR L. J. CADBURY ON THE FINANCIAL STRUCTURE

The fifty-third ordinary general meeting of Cadbury Brothers Limited was held on June 23rd at Bournville, Birmingham.

Mr L. J. Cadbury, the chairman, in moving the adoption of the report and accounts, said:—

The year 1951 opened with high hopes for our industry. At its beginning the ration was 5 oz per head per week, and the allocation of sugar (which is the present determining factor in production) was at the rate of 62½ per cent of the datum year (1938). In January, 1951, the domestic sugar ration was increased to 10 oz followed by six bonuses, a sign that sugar supplies were improving. Although our sugar allocation remained unchanged the use of unallocated raw materials allowed production to rise and the ration was raised to 5½ oz in February, to 6 oz in May, and to 6½ oz in July. At that level the amount of money required to buy the complete ration is about £150 million, which is nearly three times the amount which the public spent on chocolate and sweets before the war. We felt we were again moving towards the abolition of rationing.

But in the early autumn our hopes were dashed. To secure the necessary economy in dollars for the sterling area as a whole, the Ministry decided to make cuts in sugar allocations to manufacturers, and our industry was cut to 54 per cent of the datum year. The ration was reduced to 6 oz in December, 1951, where it still remains.

Turning to our own results, home sales increased in value from just over £18 million in 1950 to £27 million in 1951. About half of this additional £9 million arose from a larger output, and the other half from the increase of prices in March that followed a general price review by the Ministry of Food. Home and export sales together totalled just over £30 million.

The increased supplies of unallocated raw materials that put up our production and that of the trade generally were facilitated by the freeing of trade under the European Payments Union. This made a considerable range of sugar and fat mixtures available for importation from about the middle of 1950. We also earned a valuable sugar bonus from our exports to dollar markets and received a substantial amount of milk chocolate crumb from our postwar factory in County Kerry.

RACEHORSES TROTTING IN ALLOTTED CIRCUS PLACES

Unfortunately, when the House reassembled in January the Chancellor announced that serious cuts would have to be made in the import of nuts and of sweetened fats and fondants from the Continent. Luckily the industry had stocks of these raw materials, so the full effect of smaller supplies has not yet been felt. But we are warned that the ration may fall further.

As the use of unallocated raw materials is now to be severely restricted, our output will once again be brought more closely into line with our sugar ration. This is a percentage of our 1938-39 consumption. In the changing postwar world it is disturbing to realise that an important industry, which in the long run can only thrive and make its contribution to the national economy through lively competition, is still tied to a quota nearly 14 years old. We, who were once racehorses, are still trotting round in our allotted places in a circus.

EXPORT INCENTIVES

The true solution is, of course, to equate supply with effective demand. Until the extra sugar is available to make this possible, any other method requires careful consideration. Such consideration should certainly be given to the review the Ministry is at present making of the prewar basis of our sugar allocations in the light of outputs that have been achieved by firms in the industry through the use of unallocated and other supplementary supplies. The latter include the existing export bonuses that have already brought about a substantial departure from the basic-year system. If the Ministry desires to cause a further departure, it can do so by encouraging still greater export enterprise with larger incentives. Where, however, increased output has been achieved by the use of very substantial amounts of imported sweetened fats and fondants, new allocations revised on this basis would, in practice, cause some very unfair anomalies.

COCOA

I have dealt at some length with our sugar supplies, which at the moment control the volume of our output. Our basic raw material, however, continues, of course, to be cocoa.

During the season 1951-52 the panel system for the purchase of cocoa, described in last year's report, was operated. In accordance with the notice given in 1951, this has now been terminated and will not operate for the next season, 1952-53.

Mention was also made last year of the new Constitution in the Gold Coast and of a meeting some of us had with Dr Nkrumah, who has now assumed the full title of Prime Minister, to discuss cocoa production and particularly the swollen shoot disease. One of the first acts of his new Government had been the abolition of compulsory cutting out, the only method that has so far been proved to be a practical cure. In its place we were promised a voluntary campaign, with increased compensation for cut-out trees and higher grants for replanting. Later in the year another African member of the Government, Mr A. Casely-Hayford, the Minister of Agriculture and Natural Resources, visited Bournville and attended a cocoa conference in London. Every effort was made to impress on him the importance of active steps against cocoa disease, and through our staff in Accra and visits from home directors we have continued to prod, press and persuade those responsible for Gold Coast affairs to deal with the problem. I am glad to say that in April the Gold Coast Government decided to reintroduce compulsion where necessary in cutting out infected trees. This is good news as far as it goes; but it only means that the real effort to fight the disease and to replant has just commenced.

It is fitting that all interested in West Africa should acknowledge the very great service that British officials have performed during this difficult period of transition. It has only been through the devoted work of such people as Sir Charles Arden-Clarke, the Governor of the Gold Coast, and his assistants that there has been no breakdown in the public administration and that the economic life of the country has been able to carry on so successfully.

We are naturally very interested in the ambitious proposals for damming the Volta River and in the various schemes for hydro-electric power and irrigation. They should broaden the Coast's economy and we hope will not withdraw labour and enterprise from the production of cocoa. It is some comfort that the Gold Coast Prime Minister and Government freely confess that their future developments depend on the continued success of their cocoa crop. Our industry relies on British West Africa cocoa more than on supplies from any other source. At the same time we are continuing our world-wide survey of actual and potential cocoa-growing countries, and our small pilot plantation in Malaya is progressing.

Before the war, cocoa, at its then price, was not a very attractive crop compared with other tropical products. The position is now reversed. For instance, under a recent agreement the New Guinea planter gets a return of about £20 per acre per annum if he grows copra. Cocoa, at 300s. per cwt, should produce a return of about £100 per acre. This is too big a discrepancy to last for ever, and sooner or later it must have its effect both on the price and supply of cocoa.

MILK

Milk is our third most important ingredient and we are still restricted in this country to about one-fifth of our prewar supply. We, therefore, read with interest the remarks of Mr Peacock at the recent annual meeting of the Milk Marketing Board.

He emphasised the desirability of more milk for manufacturing purposes, especially for cheese. We agree the desirability of cheese, but we are anxious and willing ourselves to process more milk for chocolate and to pay a higher price for it than the cheesemaker. Unfortunately, we are met by Government restriction though it is not easy to see why this should be. To allow more freedom in the utilisation of manufacturing milk would stimulate the extra production that is desirable and would relieve the Exchequer of expense.

OVERSEAS ACTIVITIES

Overseas, we have made satisfactory progress in South Africa, New Zealand and Southern Ireland; but in Australia and Canada, though cash returns were maintained, the tonnage outputs were down. In the last-named country we have been hit by a reintroduced sales tax that caused 5-cent bars to be raised to 7 cents, with unfortunate results on sales.

At all our overseas factories there have been building and plant developments, and satisfactory progress is being made in erecting the new factory mentioned in last year's report, at Moreton, near Wallasey, in the Wirral Peninsula.

I have already stated the further rise that took place last year in the sales of this company. The increases in those of its subsidiaries and of other subsidiaries of our holding company, the British Cocoa and Chocolate Company, have raised the consolidated turnover of the latter at home and overseas to £50,400,000.

FINANCIAL STRUCTURE

At the end of the year we made certain changes in the financial structure of the British Cocoa and Chocolate Company so that the share capital has been brought more nearly into line with the assets. The general reserves of Cadbury Brothers, Limited, at the end of the year amounted to a little over £13 million. We have paid a special dividend from this fund of £6,237,000 to our parent company; the latter in turn has capitalised this sum and has issued three bonus ordinary shares for every four and two six per cent. preference shares for every five ordinary shares held. It is not our intention that our shareholders will receive substantially more in dividends from the business than before; in fact, it is unlikely there will be more than a fractional change, and of course it must always be remembered dividends on ordinary shares must depend each year on there being enough left over to pay them after the business has met all its commitments.

Reserves are, as you know, past profits that have paid income tax and profits tax, but have not been distributed to shareholders. Instead they have been retained in the business to meet possible contingencies. By this conversion operation a portion of them now becomes part of our paid-up capital and a permanent addition to the strength of our financial structure. The reserves that remain unconverted are in our view adequate for any calls that are likely to be made upon them.

The report and accounts were adopted.

THE INDUSTRIAL AND GENERAL TRUST

The sixty-fourth annual general meeting of The Industrial and General Trust, Limited, was held on June 19th in London.

Mr L. A. Stride, the chairman, in the course of his speech, said: Our gross income from investments is at £978,357, again a record. This represents an improvement of £119,727. Unfortunately, our liability for income tax and profits tax has increased by £96,035 to £417,524, in spite of which our net increase for the year is some £50,000.

Your directors recommend a final dividend of 12 per cent, making 20 per cent for the year, and a bonus of 5 per cent, thereby increasing the total distribution to 25 per cent.

The valuation of our investments at the date of the balance sheet was £14,609,376, which gives an appreciation over book cost of 63½ per cent, as compared with 80 per cent at the same time last year. That the fall is no greater is attributable to wise investment policy which has resulted in a widely distributed and inherently strong portfolio.

Looking no further than 12 months ahead, our revenue should remain buoyant, although I expect to see some fall from its present peak. Beyond this I cannot go. Our future is bound up with the success or failure of the industries and trade of this country. These will only succeed if the "alarm" sounded by the Prime Minister last week in his speech to the Press Association is heeded by all sections of the community.

The results we have set before you today justify, we consider, the policy which we have been pursuing, and which has placed the Trust now in such an exceptionally strong financial position.

The report was adopted.

IMPERIAL CHEMICAL INDUSTRIES LIMITED

YEAR OF OUTSTANDING PROGRESS

VITAL IMPORTANCE OF CAPITAL PROGRAMME

MR J. ROGERS ON CURRENT TRADING CONDITIONS

The twenty-fifth annual general meeting of Imperial Chemical Industries, Limited, was held on June 19th at Wigmore Hall, 36, Wigmore Street, London, W.1.

Mr J. Rogers, OBE, LLD, the chairman, presided and in the course of his speech said:—

As the report shows, the company has again broken records, both in turnover and in profits. It is true that some part of the increase in turnover is due to rising prices, but the physical volume of turnover has also increased to record levels.

The appropriations to the stock replacement reserve of £7 million and £5 million to the obsolescence and replacement of assets reserve have been made in order to guard the physical volume of the company's assets from the ravages of inflation, and the board consider that only after such transfers have been made is there a balance of profit available for distribution and the further building up of the company's reserves. As the accounts show, it is possible to make these provisions for the year 1951, to pay a final dividend of 10 per cent on the ordinary stock, making 13 per cent for the year, and still to leave a small increase in the balance on the profit and loss appropriation account.

It is the considered opinion of the directors that, after full provision has been made for the proper maintenance of the productive assets of the company, stockholders should be given, by way of increased dividends, some part of the increased profits due to the progressive expansion of the company. The total ordinary dividend for 1951, 13 per cent, before taxation, is still smaller in purchasing power than the dividend of 8 per cent paid for a number of years before and during the war. Wage earners and salary earners get increases which help to compensate them for the increased cost of living, and it is not unreasonable to consider stockholders in the same way.

RECORD OF PROGRESS

As you will have seen from the report, the company's record for 1951 is one of outstanding progress. That progress continues, and the directors have before them no shortage of important and profitable schemes of expansion and development in which the company's resources can be employed. Many of these schemes arise from years of patient and well directed research. The programme of capital extensions for the next two or three years, however, will have to be held back, in part, at any rate, because of the shortage of essential equipment and building resources for which, quite properly, priority is being given to rearmament.

Exports are as important, or almost as important, as rearmament. The company's direct exports are now running at well over a million pounds a week. In addition to the company's direct exports, it has to be remembered that a substantial proportion of our products goes to other industries which are producing for export. For this reason it is in the interests of the country, as well as of the company, that our capital programme should be pressed forward with no more delay than is absolutely necessary during the present crisis conditions. Another reason for pressing on with this programme is that we must keep ahead of foreign competition.

I have said that we have no shortage of important and profitable proposals for capital expenditure. Indeed, the board have been aware for some time of the need to be selective and to concentrate upon those projects for which the company is particularly well placed, having regard to its accumulated experience and its large and specialised research and development organisation. The company's forward capital programme is, therefore, under constant review.

FUTURE TRADING PROSPECTS

So far as our future trading prospects are concerned, I should be unwise if I attempted any prophecy today. 1952 has brought new problems to some industries which a year or two ago were having difficulty in finding enough materials and labour to cope with an excessive demand, but which today are unable to find adequate markets either at home or overseas for their output. The setback in the textile industries, for example, is not a problem peculiar to this country, but is world wide, and this setback inevitably affects the demand for dyestuffs. For other industries there has been similar change from anxiety about raw materials to anxiety about markets. Nevertheless it is difficult to interpret these signs as foreshadowing a general depression. So far in 1952 we have not been seriously affected by these conditions and our turnover has been satisfactory, notwithstanding the resurgence of German and Japanese competition. The directors remain, however, keenly alive to the need to watch changes in trading conditions, both at home and overseas, and to adapt ourselves quickly to these conditions.

EPL—A HARMFUL TAX

I am confident that we can meet this competition and that we shall continue to expand our business in spite of the obstacles to expansion placed in our way, and in the way of other progressive companies, in the form of penal taxation, which seems almost to have been designed to encourage stagnation and to prevent progress. I refer, in particular, to the new Excess Profits Levy. The chairmen of almost all important companies who have had the opportunity of making public statements since the announcement of this levy have condemned it as a most unwise piece of legislation which cannot fail to do great harm to Britain's trade and industry, and I am in complete agreement with this condemnation. Whatever the yield of this tax and whatever its purpose in terms of party politics, this tax, even in its modified form, will do much more harm than good to the country, and it is bound to hit hardest those progressive companies whose activities are most likely to assist the country to get out of its present economic troubles, particularly those engaged in the export trade.

The report and accounts were adopted.

The proposed alteration to the articles of association was approved and the proposal to increase the company's capital from £95 million to £120 million by the creation of £25 million unclassified shares of £1 each was sanctioned.

THE AUSTRALIAN ESTATES COMPANY LIMITED

A SATISFACTORY YEAR'S TRADING

SIR DENYS LOWSON ON THE OUTLOOK

The annual general meeting of The Australian Estates Company Limited will be held on July 9th in London.

In the course of his review, which has been circulated to shareholders, the chairman, Sir Denys Lowson, said:

Your directors have pleasure in presenting another satisfactory year's trading with a gross profit, almost unchanged from the year before, of £1,338,937; compared with a gross profit of £1,405,238 for the preceding 12 months.

After deducting depreciation, other charges and Australian and British tax (which together take no less than £720,064), we are left with an eventual net profit of £274,756.

The board have therefore recommended a dividend of 10 per cent, together with a special bonus of 5 per cent, out of the profits distributed by the joint organisation for the disposal of wartime wool stocks.

After providing for this distribution, and the appropriations set out in the profit and loss account, including the transfer of £50,000 to general reserve, the amount to be carried forward to 1952 is £149,625.

Since the close of our last accounts, we mourn the passing of Mr R. C. Whitcroft, who had been a director of this company for no less than 17 years. In his place we warmly welcome Mr A. G. Allen; and we feel certain that his wise guidance, sound counsel, and wide business experience, will be of great benefit to the company.

The year 1950 was one of exceptionally high wool prices, and again in 1951 the return from our sheep and most of our cattle properties was very satisfactory; while the agency department results were also unusually good. Due to the unfavourable weather and dry season, supplies of cane to our sugar mills were greatly reduced, as also the sugar content of the cane, and the returns from the mills were, therefore, disappointing.

Since the close of the year, in March, 1952, a second interim distribution has been made to Australian wool growers from profits arising from the wartime purchase of Australian wool clips by the Government of the United Kingdom, and the operations of UK-Dominion Disposals Limited. This was at the rate of 6¼ per cent and amounted to £25 million; the company's share being £84,000. It will be recalled that a similar amount was distributed in 1949; and there will be some further distributions in due course on dates to be fixed by the Commonwealth Government.

Expenses continued to rise during the year, mainly due to the periodical adjustment of wages based on the cost of living in Australia, which rose each quarter; and all costs are now two or three times higher than they were a few years ago.

These increases also make the cost of replacement of buildings, plant and machinery extremely expensive, and in most cases the depreciation allowed for tax is a long way below the amount needed for future replacement. It is therefore essential to provide substantial reserves to safeguard replacements, and the high rate of taxation makes it difficult even then to make adequate provision.

The company has aimed at maintaining first-class improvements on all its pastoral properties, and installing the most modern machinery and equipment in its mills, and so playing its part in the development of Australian primary industries. During recent years large sums have been spent to this end, and the company takes some pride in feeling that its policy has been justified by improved efficiency throughout, and by the appreciation of its staff and employees. It is also evidence of the confidence held by the company in the future of Australia, despite occasional setbacks from droughts and low prices.

PASTORAL

After the unusually severe wet season in Queensland and New South Wales, mentioned in my last report, the rainfall for the year 1951 fell to an extremely low level in Queensland, which affected the wool clips and lambings; but it was a healthier stock year, and the mortality losses were light as compared with the heavy losses from blow-fly in 1950.

The very wet season in 1950 resulted in a particularly heavy growth of grass, and other edible matter, which naturally during the drought of 1951 dried up and became very inflammable; with the result that in many parts of the country there were some of the worst bush fires on record. Our properties, in the main, escaped from the fires through the energetic measures taken by the various station staffs; though we suffered a certain amount of damage to fencing, and loss of stragglers among the animals.

The wool clip from all the company's Australian stations was 8,201 bales, as compared with 9,083 the previous year, the reduction being due to a lighter cut per head all round. The average price realised for the clip was about 25 per cent lower than 1950, which, as already mentioned, was a year of exceptionally high values.

Ordinary station expenditure on all properties again rose more than 40 per cent above the 1950 figure, and was over 68 per cent above that for 1949.

RESEARCH

Apart from the useful work continued by our Research Departments at Kalamia and Pleystowe Sugar Mills, agricultural experiments were continued at our North-Western and South-Western properties. These, however, have not met with great success due to the variable seasons. Much valuable advice has been given from time to time by the Queensland Department of Agriculture; but it appears now that we can hope for comparatively little assistance from agriculture in those districts, and that it would not be safe to rely on this special cultivation for providing a permanent source of feed for our animals except possibly for a few of our special pedigree stock.

SUGAR

Rainfall on nearly all sugar districts of Queensland was well below the average; and, as a consequence, the lower cane crop yielded only about 705,000 tons of sugar, as compared with 879,648 tons the previous year, a reduction of over 170,000 tons.

The consumption of sugar in Australia is increasing; and, while last year approximately 56 per cent of the production was used in Australia, it is expected that in 1951 this may be increased to nearly 70 per cent; due, of course, partly to the reduced production but also to the increased population and increased use of sugar in Australia.

Our Kalamia Mill crushed 198,464 tons of cane, as compared with 253,828 tons in 1950, a reduction of about 21 per cent. Our own cane farms harvested 11,335 tons of cane, as compared with 11,237 tons.

In the Mackay district the Pleystowe Mill crushed only 190,238 tons of cane, as compared with 265,127 tons the previous year, a reduction of about 28 per cent; that district had an exceptionally bad season due to the drought following on the excessive rainfall of the previous year, which had already killed much of the young cane.

AGENCY

The wool and produce, stock and station and general agency branch of our business had a satisfactory year, and the Victorian business particularly showed a good return from the company's organisation and subsidiaries.

During the year the company acquired the business of the original John McNamara & Company at Shepparton and Tatura, in Victoria, which will, in future, together with the company's Numurkah sub-branch, come under our existing subsidiary company, John McNamara & Company Pty. Limited.

IMPROVEMENTS

During the last few years your directors have had in hand a comprehensive programme of improvements and betterments to all your properties, so as to bring them up to the best possible standards and to ensure efficient working, together with a well-satisfied staff and organisation. As regards the Pastoral properties, the original programme should be substantially completed during the course of the current year; but we are still faced with a considerable outlay at our sugar mills which, with the big rise in prices since the programme was initiated in 1949 and the subsequent delays in the delivery of machinery, will mean that we shall have to spend considerably more than originally anticipated.

WOOL

At the end of August, just prior to the opening of the Australian wool-selling season, 1951-52, two important decisions affecting the wool auction system were made in Australia—the first, that the wool growers had rejected by a majority of four to one a reserve price plan, and the second that Australia would not be a party to any wool allocation scheme. This scheme was outlined in my last report. All uncertainties regarding any change in the established method of disposing of the Australian clip—except under actual war conditions—were thus removed.

A comparison of clean costs on the show floor for average 64s from figures supplied by The Australian Wool Realisation Commission shows the drastic fall in wool prices during the last year:—

March, 1951	377d.
August, 1951	150d.
February, 1952	130d.
April, 1952	120d.

Falling prices have been disturbing, but there has been good competition, although not so animated or widespread as in the previous season.

Great Britain, while buying in smaller volume than in 1950-51, was again the largest purchaser, followed by France, the United States of America, Japan and Italy. Reduced quantities were obtained by Belgium, Germany (Western Zone) and Poland.

The Australian Wool clip in 1950-51 amounted to 3,520,313 bales, and it is estimated will number 3,440,000 bales in 1951-52. The decline is mainly due to a lighter cutting clip in New South Wales and dry seasonal conditions in Queensland.

During the 11 months ending May 31, 1952, 3,181,835 bales had been sold, which realised £287,532,743, at an average price of 73.23d. per lb. For the same period last year, 3,353,102 bales realised £616,238,187, the average per lb being 148.63d.

A fall in cash receipts of over £300 million in 11 months was bound to be seriously felt by the Australian wool industry, and it has also had repercussions on the whole Australian economy.

OUTLOOK

Our latest advice from Australia is that the seasonal prospects for 1952 in the sheep districts of Queensland and New South Wales (which were dry for the first portion of the year) are now reasonably good and should hold for the greater part of 1952.

In the cattle districts of far North-West Queensland the drought which commenced in 1951 still continues; as the wet season, which invariably comes in January-March, failed, and except for a few thunderstorms there has been little relief.

The losses in breeding cattle will unfortunately be felt for some years to come and, from past records, it is one of the worst periods that the North Queensland cattle-industry has ever experienced.

Similar conditions exist in the Northern Territory of Australia, where the owners are in even a worse plight than ourselves, in that the roads are closed and there are no railways to enable them to get cattle out.

The prospects in the sugar industry are slightly better than they were last year, although, unfortunately, crushings are expected still to be below average, as the drought has adversely affected the growth of the cane.

STAFF

We should again like to place on record our warm thanks and regard for the magnificent work carried out by our Australian director and general manager, Mr G. S. Colman, and all those under him, both at head office and in control of our various branches and departments. Without their unremitting attention and zeal, under Mr Colman's leadership, it would not be possible to lay before the shareholders the results which we do today; and we must again express our great gratitude to them all.

J. & P. COATS, LIMITED

SATISFACTORY RESULTS—INCREASED PROFITS

HEAVY BURDEN OF TAXATION

MR ROBERT LAIDLAW'S REVIEW

The sixty-second annual general meeting of J. & P. Coats, Limited, was held in Glasgow on June 19th.

Mr Robert Laidlaw, chairman of the company, who presided, said in the course of his speech:—

THE YEAR'S RESULTS

First of all let me say a few words on the year's profit. If, for the purpose of comparison, we eliminate the exceptional exchange gain of £2,800,000 in 1950, we find that the 1951 profit is higher by just over £2 million. This is an exceptional result, but our view of it has to be tempered by the fact that fully half of it resulted from sales made from stocks, the cost of which was appreciably below the level at which they had to be replaced. We are bound to modify our view still further by reference to the penal burden of taxation with which these earnings are charged. The total charge in the year's accounts for United Kingdom taxation was £5,180,000. In addition, before our overseas profits reached us they had already suffered £3,291,000 of foreign taxation.

You will notice that the parent company received a greater proportion of the group earnings than in 1950. This is a situation largely out of our control, since it depends, so far as much of our overseas earnings are concerned, on the existence of remittance facilities. From this point of view it may be taken that 1951 was a fortunate year.

REPLACEMENT VALUE OF ASSETS

A year ago I said that we hoped at this meeting to give an idea as to the current replacement value of the fixed assets of our various companies. These stand in the balance sheet at an original cost of £26 million. Today the same assets could not be replaced below a cost of £113 million. While this figure will fluctuate with changing prices, the difference between original and replacement cost is itself a solid reason for the conservation of earnings.

The increase in the stock valuation from £39 million to £53 million between December, 1950, and December, 1951, was due, firstly, to a marked increase in raw cotton prices during the year, to which I will make reference later, and, secondly, to an increase in volume.

Apart from capital excessively tied up in stocks, there is the ever present danger of an inventory write-down consequent on falling values of raw cotton—a possibility all the more marked by the trend of recent cotton prices. Under these circumstances your directors saw no alternative but to reduce production in the mills both in this country and abroad. The curtailment of our production has varied between mills, but practically all mills everywhere have been affected. The decision to curtail output was taken with the greatest reluctance, as your directors are well aware of the hardship this is bound to cause. The world situation and the high level of our stocks made the decision inescapable.

DIVIDEND POLICY

Taking into consideration what I have said, and as events have turned out, I feel that the dividend policy your board has followed over the past few years has been justified to the full. There is nothing in prospect at the present time which would cause them to propose an increase. They decided, therefore, to recommend to you that £3,500,000 should be added to the general reserve and that the ordinary dividend should be maintained at 12½ per cent.

TRADING CONDITIONS

For twelve years, trading in textiles has been on a sellers' market. Now that this is no longer true, our customers, whether they be manufacturers, wholesalers, retailers or consumers, find that they can work with much smaller current stocks than they had previously supposed. The reducing of their high stocks accounts to a great extent for the severity of the present falling off in the demand for our products.

The volume of Government orders in the home market has increased, but so far forms an insignificant proportion of your company's sales in this market.

In a time of declining trade, competition for the volume that still remains inevitably becomes more severe. Our experience is no exception to this rule. We have to match the efforts of our large international competitors and also local competitors growing up in individual markets who become ever more numerous.

INTERNATIONAL TRADE

The present international fashion of cutting imports when foreign trade gets out of balance is bound to do more harm than good when it is applied between countries which are normally complementary in terms of trade. In the long run, this country, of all others, can least afford any reduction in the volume of international trade. The present trend appears to be that all countries desire to export the maximum amount of goods and to import the minimum. The international effect of this is, of course, to reduce trade to its minimum. If the aim of each nation is to attain self-sufficiency, international trade will tend to the level of the 18th century, when it virtually consisted of luxury articles and a few raw materials.

SYNTHETIC FIBRES

You may have seen, some months ago, references in the Press to the influence synthetic fibres might have on your company. I therefore propose to say a few words on this subject. So far the thread uses in which synthetic fibres are superior to cotton are marginal, but, of course, synthetics are still in their infancy. It seems probable that all synthetic fibres will not be equally satisfactory for all thread purposes; the use of each synthetic may be limited. Your company, therefore, is keeping abreast of all synthetic developments at home and abroad, and has already produced a range of synthetic threads. It intends to lead in their development as it has led in the development of cotton threads. We hope to give our customers, and particularly our industrial customers, not only supplies of the synthetic thread they require, but advice as to what is best suited to their needs. Owing to the variety of synthetics now being developed in various markets, and the complexity of the subject, our task is not easy, but we are fully alive to its importance.

COTTON

With regard to our supplies of raw cotton, during 1951 the world price of the longer staples of Egyptian cotton fell from the high prices ruling in the early part of the year, until the late summer, but, owing to the poor quality of the new crop, prices took a severe upward swing in the autumn and reached an all-time peak about the end of the year when the best quality of Karnak cotton was quoted at 140d. per pound. Since then there has been a considerable decline in the

Alexandria market and the same cotton is today quoted at about 94d. The 1951 crop in Egypt was lacking in the high grades of cotton we require for our specialised purposes and, although we received every assistance from the Raw Cotton Commission, we were forced to make changes in our cotton qualities. Luckily, the 1951 Sudan crop was not only exceptionally good in quantity, but also in quality, and to a large extent we were able to make up the deficiency in Karnak from this source.

I have referred several times in the past to the fact that we believe the Government method of buying cotton in bulk, more particularly when purchasing the highest grades, to be inherently unsound, despite the best efforts of the Raw Cotton Commission. The report of the Hopkins Committee on the import of raw cotton into this country has been recently issued and its recommendations have been accepted in principle by Her Majesty's Government. This report proposes that spinners who elect to purchase for themselves may do so under certain specified conditions. I consider this a step in the right direction and we propose to take advantage of it.

OVERSEAS MILLS

I mentioned last year that we had decided to erect a mill in Southern India, and, despite delays which have taken place in regard to the necessary constructional materials, the first part is approaching completion. We hope to commence small scale production in the late autumn of this year.

We have taken an interest in a small manufacturing unit in Turkey, which we hope will also be in production before the end of this year.

The report and accounts were adopted.

KILLINGHALL TIN

WORKING IN GOOD GROUND—EXCESSIVE TAXATION

The twenty-second annual meeting of Killinghall Tin, Limited, was held on June 19th at the registered office, Asia House, 32, Lime Street, E.C.

Mr Jack Addinsell, the chairman, in his statement, issued with the report and accounts, alluded to the fortitude in difficult and dangerous circumstances of the general managers, Messrs Osborne and Chappel, and the mine staff, and said:—

Although the 465½ tons of tin ore recovered during the year is less by 58 tons than in the previous year, the higher price for our product resulted in a satisfactory profit of £141,894. From this must be deducted taxation in Malaya and this country, £94,300. The Malayan Government received £55,855 in royalty and tin duty, making a total contribution to the revenues of the United Kingdom and Malaya of £150,155. A figure of such magnitude is surely excessive.

An additional 15 per cent of the War Damage Assessment has been received and offset against the Government advance, reducing the amount of the advance outstanding to £13,602, which further payments should more than cover.

The forecast that during the current year the dredge would continue to work ground of good value is being borne out, but high taxation and the overall political position in Malaya are causes for concern.

An interim dividend of 15 per cent has been paid and £20,000 transferred to general reserve. Your directors recommend a final dividend of 15 per cent, leaving £14,598 to carry forward.

SUEZ CANAL COMPANY

A CREDITABLE ACHIEVEMENT

INTERNATIONAL SERVICE MAINTAINED THROUGHOUT CRISIS

The annual general meeting of the Suez Canal Company was held on June 10th in Paris.

M. Francois Charles-Roux, the president, in the course of his speech, said:—

Although the report of your board of directors deals only with the results of the year 1951, it does give a hint that those of the first few months of 1952 show a marked increase. This is all the more interesting since receipts have increased in spite of the reduction in transit dues. For this reason, we have decided to keep this reduction in force although we are not yet half way through 1952.

It seems to us, therefore, that the report presented to you is not devoid of factors which inspire confidence. It remains for me to pick out one, which is by no means the least, and that is the way in which your company has faced up to a political situation to which it was in no way a party, but of which both the canal and the company suffered the repercussions. It ensured the transit of a record number of ships through the canal during this period of crisis and succeeded in avoiding interruptions in traffic except on very rare occasions and then only for a few hours. The obvious devotion of your company to the duties devolving upon it, its single-minded concern to fulfil them in the best possible way and to remain equal to them whatever the circumstances, and the added activity it displayed to serve users of the canal, forced the esteem of the opponents in a conflict to which the company was not a party, and permitted it to remain on the best terms with both of them.

I mentioned to you, in my address last year, that your company was striving to be the most useful screen between Egypt and the general interests centred on the Suez Canal. This is what it was during this troubled period of the winter 1951-52, during which it kept the canal working, though 37 per cent of its traffic sails under the British flag, while the events I have briefly described to you were taking place on its banks. The company thus did what would have been difficult for the Egyptian Government to do of its own accord and what would have been damaging to it not to do.

Neither did your company fail in its humanitarian duty. Your administrative department, your surgeons and doctors, the nuns from your hospital and the branch of the French Red Cross at Ismailia, came to the assistance of personal or collective misfortunes which could not but follow from affrays and incidents.

So it seems to me that your company has written a page of its history which in no way detracts from the consideration it needs to discharge the great international service it provides.

TWO INTERESTS

One last remark is worth making. Circumstances have laid particular emphasis on two interests. One is the international interest in the canal, that is to say the desirability of uninterrupted and regular traffic for all nations using this waterway. The other is the interest of Egypt and of the Egyptian Government not to incur the responsibility of interrupting traffic. These two interests tally with one another and with that of your company. They combine to make it desirable as much for the many users of the canal as for the conceding power and the concessionary company itself that traffic be guarded against all possibilities of stoppage, interruption or impediment. It is so rare nowadays to find common agreement between various interests on an important subject that I should blame myself if I did not mention this instance to you.

DIRECTORS' REPORT

The following are extracts from the directors' report:

The financial year 1951 recorded a pause, as it were, in the upward trend, which had been continuous since the end of the war, in your company's receipts, seeing that, in 1951 these were within 1.4 per cent of the previous year's figure. It is remarkable that the falling off was so small considering the events which affected the operation of the canal during the past year.

Two factors could have reduced the volume of traffic: the opening of the Trans-Arabian pipeline and the cessation of production at the Persian oil wells and the closing of the Abadan refinery. The effect of these two factors was compensated by the soaring production of crude oil in the Persian Gulf countries other than Iran, and by a new feature consisting in the export from Europe of large quantities of refined petroleum products to ports east of Suez.

The fact that the net tonnage of transiting vessels, at 80,356,000 tons, and the number of transits, at 11,694, show only a slight reduction, not more than 1.8 per cent compared with the previous year, is attributable to these two favourable factors.

Cargo carried through the canal reached the record figure of 76,753,000 tons weight, an increase of 4,144,000 tons, i.e. 5.7 per cent. The increase in the tonnage of goods was due entirely to south-bound traffic, which totalled 17,420,000 tons showing over 1950 a remarkable increase of 43.5 per cent, attained chiefly in the second half of the year.

Goods carried by north-bound vessels, at 59,333,000 tons, showed a reduction of 1,135,000 tons, 1.9 per cent, entirely attributable to petroleum products.

The prospects with regard to traffic during the current year appear encouraging both for petroleum products and for other commodities and except for unforeseeable circumstances it may be hoped that on the whole, traffic in 1952 will reach a level at least comparable with that of the preceding year.

Receipts for 1951 amounted to Frs. 27,633,623,806, a reduction of Frs. 386,662,424, whereas expenses, which totalled Frs. 12,821,158,910 were higher by Frs. 2,115,663,980. There remains available a profit of Frs. 13,659,852,813. To the available balance of Frs. 13,659,852,813 is to be added the balance brought forward from the previous year, Frs. 62,240,904, making a total of Frs. 13,722,093,717. The proposed allocations will bring the total reserves to a level more in line with the magnitude of the company's operations.

The total gross dividend will thus be Frs. 9,000 to which will be added, for capital shares, the statutory interest for 1951 amounting to Frs. 1,429.

The full report, in French, will be sent on application to the Suez Canal Company, 6, Bishopsgate, London, E.C.2.

VENNER, LIMITED

IMPROVED FINANCIAL RESULTS

RECORD OUTPUT

The forty-first annual general meeting of Venner, Limited, was held on June 24th, at New Malden, Surrey, Mr Arthur A. Rowse, CBE, MIMechE, MICE, MIEE (the chairman), presiding.

The following is an extract from his circulated statement:—

It is gratifying to be able to report that the progress shown in the last report has been continued during the past year and is reflected in the improved financial results. The output reached a figure which is a record in the company's history.

The figures in the balance-sheet show modifications commensurate with the change in the volume of trading. Stock and work-in-progress has risen from £261,663 to £314,275; debtors are slightly down at £100,897 compared with £119,183; the trade creditors have risen from £50,662 to £72,427. The bank overdraft is slightly down at £3,130 compared with £4,477. The current assets have risen to £425,818 and exceed the current liabilities of £136,470 by £289,348, being a reduction of £13,681, due mainly to provision for taxation which it will be observed has risen from £15,190 to £43,903, and the considerable expenditure during the year on additions to plant and other fixed assets.

In the current accounts there is no provision for excess profits levy, but indications are that it will be necessary in the accounts for next year. It is unfortunately the case that the base years for the excess profits levy are years in which the company was struggling to overcome its post-war difficulties, and this levy will have an adverse effect on the progress of your company.

These post-war difficulties were largely brought about by governmental restrictive legislation and nationalisation schemes. They constituted operating conditions quite outside the control of the company and completely unrelated to its commercial efficiency or otherwise. They were nevertheless a serious brake on the rate of recovery. It is peculiarly inappropriate that the position as we go to press is that the necessarily meagre results of these years, or any two of them, should now be taken as the standard above which additional profits are regarded as an excess and on which punitive taxation is levied. It is one more illustration of the far-reaching effects of governmental interference in business, and the great difficulty of avoiding unfairness as between different companies. It is to be hoped that the manifest unfairness of the levy in cases such as this will be recognised and rectified.

FACTORY EXTENSIONS

The company is, as foreshadowed in the last report, engaged upon rearmament work and this, coupled with the increased volume of general business, has rendered it necessary to proceed with the factory extensions which were then indicated as a possibility. This factory space should come into production towards the end of the current year and will be a valuable addition to the manufacturing resources.

The operations of Venner Accumulators, Limited, our wholly owned subsidiary, continue to show great promise. Development work has continued without interruption throughout the year and considerable progress was made in detail technical improvements. The battery has now been adopted as standard on certain defence requirements; one well-known British aircraft has captured a number of world's records on a plane fitted with the battery, which has given complete satisfaction. During the year the company secured the right to export batteries to Canada and this field of application is promising. Indications are that before long the volume of production will necessitate serious consideration being given to the problem of additional premises.

THE YEAR'S RESULTS

The profit for the year, after making all the necessary provisions including depreciation and the writing off of the accumulator development costs, amounts to £66,694. To this must be added the balance of £14,077 brought forward from last year's accounts, making a total of £80,771.

Income tax absorbs £11,184 and profits tax £22,185, making a total of £33,369. The net amount available—namely, £47,402, is proposed to be allocated as follows: dividend on Eight per Cent Cumulative Preference shares for the year ending September 30, 1951, £1,290; to general reserve £15,000; to pay a dividend of 15 per cent on the ordinary stock, absorbing £17,010, leaving to be carried forward the sum of £14,102.

The present government has rightly advised against excessive dividends and the previous government had proposed to limit them by law. We are proposing an increase in the dividend rate for the current year. It must not be lost sight of that development of new processes and new industries is done at the risk of the money subscribed by the shareholders of those enterprises. Moreover, work of this character must go on if the company is to maintain its position in the industry. Capital will not be attracted into this development work unless it is remunerated fairly over the years.

FUTURE OUTLOOK

The future outlook is so largely conditioned by circumstances outside the company's control that any accurate forecast would be out of the question. There has, as is well known, for various reasons—among them the credit restrictions consequent on the increase in the Bank rate—been a general trade recession in the demand for consumer goods. Additionally, Australia which was one of the company's best markets is, for the time being, practically closed, due to the action of the Australian Government. Other overseas markets have been restricted. On the other hand, the company's products are of such a nature that they must be among the first to recover, being in many cases essential to development schemes involving the use of electric power. Additionally, the new products which the company has developed, have gone some way to balancing the foregoing reductions in demand.

There is the final consideration which is, of course, of great importance—namely, that so far as rearmament is directly or indirectly responsible for these restrictions in demand, the company's turnover will be, and is being, improved by the demand for defence supplies.

There is no reason to anticipate that the current level of activity is likely to fall off at least during the present year, 1952: but the residual benefit to the company and to the stockholders is very largely contingent on the taxation that is eventually levied.

The report was adopted.

JOHN BRIGHT AND BROTHERS

INCREASED PROFIT

DR E. P. ANDREAE ON THE OUTLOOK

The twenty-ninth annual general meeting of John Bright and Brothers, Limited, was held on June 25th in London.

Dr E. P. Andreae, chairman of the company, in the course of his speech, said:—

The report and accounts cover the twelve months' period ended March 31st last. When addressing you at this time last year, I told you that I looked forward with some degree of optimism to a year of full production, in spite of the many difficulties we were bound to encounter. The accounts amply justify the forecast, in that they record a trading profit of £1,391,617, as compared with the previous year's figure of £936,757.

We are recommending a final dividend of 1s. per share on the ordinary shares, which, with the interim dividend already paid, makes a total of 1s. 3d. for the year.

When a company has to record a drop in profit, shareholders, quite rightly, expect some explanation as to the causes. On the other hand, a marked rise in profits nowadays, if not explained, is often misunderstood, and in some quarters may even be thought to carry with it the stigma of "exploitation."

I would, therefore, like to take this opportunity of telling you why it is that your company has progressed apparently against the tide of general depression in the Lancashire cotton industry. The fact is that the "tide" has not been against us. I must emphasise that we cater for the industrial field. We are specialists in the production of all types of industrial fabrics and, as such, the factors governing the level of our activities are totally different from those governing the general trade of the textile industry.

PLANTS WELL OCCUPIED

It may be said, therefore, that on the whole our various plants have been well occupied throughout the year, and that new installations coming progressively into operation have increased efficiency, and contributed notably to the improved results shown, while at the same time enabling us to deal effectively with a volume of trade some 15 per cent greater than last year.

During the past five years we have spent on plant and buildings nearly one million pounds out of earnings, and this fact, together with all the organisation that goes with it, provides whatever explanation may be needed to justify the continued growth of our company.

For some years past, the Raw Cotton Commission has been the sole authority for importing and distributing raw cotton to British users. Recently the recommendations of the Cotton Import Committee were adopted, with the result that spinners now have the option, at stated intervals, of "contracting out" or buying on their own behalf, either their total requirements or their requirements of a stated group of growths. We feel that it is a step in the right direction. Although we have had consistently excellent service from the Raw Cotton Commission, we propose to avail ourselves of this opportunity of "contracting out" and expect thereby to effect a considerable saving in the cost of our raw material.

In these times of quick changes and general uncertainties, no forecast of the prospects of any industry can be made with any degree of confidence.

In general, while I think it would be unwise to expect for the current year such record figures as we achieved this year, I do look forward to another successful year.

The report was adopted.

THE CONSOLIDATED ZINC CORPORATION, LIMITED

VERY SATISFACTORY RESULTS

MR JOHN R. GOVETT ON PRICE FACTOR

The third annual general meeting of the Consolidated Zinc Corporation, Limited, was held on June 25th, at 37, Dover Street, London, W.1, Mr J. R. Govett (the chairman) presiding.

The following are extracts from his circulated statement:—

The results for 1951 are very satisfactory, with prices for lead and zinc maintained at a high level throughout the year. The group profit, before taxation, amounted to £7,031,874, compared with £4,570,800 for 1950, an increase of £2,461,074. Taxation absorbs £4,483,113, as against £3,011,419 for the previous year. The net profit for the year available for distribution is £2,404,708, which shows an increase of £975,028. The directors consider that the results justify an increase in the final distribution and they recommend a final dividend of 2s. per share, together with a bonus of 1s. per share. These proposals give a total distribution for the year of 4s. per share, compared with 2s. 6d. per share for 1950. The total sum retained in the group out of revenue and capital profits earned during the year amounts to £1,747,302. The year's results reflect not only a high level of prices for our products, but a high degree of efficiency throughout our operations.

In January, 1951, the United States Government imposed ceiling prices on both lead and zinc at the 17 and 17½ cents level; these prices being subsequently raised on October 1st last to 19 and 19½ cents respectively. Following upon this policy of price control a heavy demand for both metals developed in the rest of the free world, where market quotations rose substantially above the United States ceiling prices.

THE SCRAMBLE FOR SUPPLIES

To deal with the scramble for supplies, which was prevalent also in a number of other important commodities, the International Materials Conference was held in Washington in the spring of 1951. The object of this conference and of the committees which were then formed has been to allocate amongst the free world the available tonnages of such strategic materials as were considered to be in short supply. Zinc, in view of its importance to the defence programme, was given a high place in the discussions, and with the agreement of the participating countries an international allocation scheme came into effect in the last quarter of 1951. Lead, although the assumed shortage was almost as great, is no longer regarded as having the same strategic importance as zinc, hence this metal was not included in the scheme, although from time to time it was announced that a close watch was being kept on its position.

It may be said with some confidence that if the more violent movements in commodity prices can be ironed out without interfering with the natural laws of substitution, producers will be able to enter into long-term capital and labour commitments without incurring the tremendous risks that have faced them in the past.

The high prices of the past two years have encouraged the search for fresh sources of production, and though time must elapse before new supplies reach the market it is hoped that the normal growth in the world's requirements on a peacetime basis will take care of this increase and reward the venturesome for their enterprise.

The report was adopted.

PENGKALEN, LIMITED

MR STANLEY WICKETT'S REVIEW

The forty-fourth ordinary general meeting of Pengkalen, Limited, was held, on June 20th, at the Registered Office, Redruth. Mr Stanley Wickett (chairman) presided.

Before proceeding with the ordinary business the chairman referred to the loss sustained by the company since the close of the financial year by the death on March 6, 1952, of Mr J. W. Horton Bolitho, who had been a director from the inception of the company in 1907. His services had been greatly valued, and the meeting stood in silence as a mark of respect.

The report and accounts for the year ended September 30, 1951, having been circulated for the prescribed time, were taken as read, as was also the chairman's statement, circulated with the accounts, which was as follows:—

The statement of accounts for the year ended September 30, 1951, submitted herewith shows a gross profit of £285,874. The sum of £63,116 has been transferred to general reserve, and out of this sum £50,000 has been earmarked against the amount which the company will probably have to provide out of its own coffers when final settlement is made by the Malayan Government towards the cost of rehabilitating the company's plant and machinery. This company's claim has been drastically scaled down as foreshadowed in my last year's address, and apparently there is no redress.

Dividends during the year absorbed £46,250 net. Provision for taxation required £161,418, in addition to which the Malayan Government received £67,289 in respect of royalty on sales of tin ore.

The figures given above illustrate the important contribution this company is making to the armaments drive and to the revenues of Malaya and Britain. They clearly demonstrate the justice of the claim presented to the Chancellor of the Exchequer by the Malayan Chamber of Mines and by your board for total exclusion from the Excess Profits Levy.

After sundry debits and credits the profit and loss balance has been increased from £20,851 to £34,387, which amount the board proposed carrying forward to the next account.

CURRENT YEAR'S OUTPUTS

Outputs for the current year have been:—

October to December, 1951,
2,260 piculs of tin ore = 134½ tons.
January to March, 1952,
2,330 piculs of tin ore = 138½ tons.

The report of the general managers, Messrs Osborne and Chappel, which is attached, gives full particulars of the work at the mine during the year.

I am happy to state that no serious incidents occurred at the mine although Communist terrorist activity was frequent in the vicinity. That efficiency is maintained is proof of the fortitude of the men and women who have few opportunities for recreation, and who for approximately four years have played a leading part in steadfastly withstanding Communist aggression.

To our general managers, the staff at the mine, their wives, and the labour force, I once again record our thanks, and I am sure that shareholders will approve the action of the directors in authorising the payment, at the discretion of the general managers, of substantial special gratuities with respect to the year 1951.

The statement of accounts and balance sheet, together with the directors' report, were received and adopted.

PATALING RUBBER ESTATES

INCREASED PROFIT

The thirty-second annual general meeting of the Pataling Rubber Estates, Limited, was held on June 23rd in London.

Sir Eric Miller, the chairman, in the course of his speech, said: When I addressed you a year ago I referred to forward sales we had entered into for 1951 and added that one way or another we should be able to put up a good showing for the year. In the event the profit before taxation was £100,000 higher than for 1950 and the net profit £48,000 higher. While the average sale price of 4s. per lb London landed terms was gratifying, our production costs increased over those ruling for 1950 by about 7½d. per lb, due to higher wage rates and a steep increase in the rate of export duty.

LABOUR WAGE RATES

Labour wage rates have been automatically regulated since July, 1951, by a freely negotiated agreement between the Malayan Planting Industries Employers' Association and the Pan Malayan Rubber Workers' Union, with due regard to changes in the market price of rubber, cost of living and other relevant factors. The basis for renewal of this agreement is now under negotiation, to fit in with the changed circumstances of the industry. Similarly the steeply rising scale of *ad valorem* export duty introduced in Malaya as from January 1, 1951, at a time when the price of rubber was near the top, should be promptly reviewed in the light of the changed conditions.

On our 1951 crop the export duty worked out at about 5½d. per lb which was 3½d. per lb higher than the duty on our 1950 crop. Part of the 1951 duty was collected as a cess for replanting and new planting, in which respect we have qualified for the repayment of our contributions less administrative expenses.

We recommend the payment of a final dividend of 25 per cent, making 50 per cent for the year, the same as for 1950. We deem it our duty to stockholders to pursue a continuous policy of modernisation, and in view of the severe fall in the price of rubber the conservative policy adopted will, I am sure, meet with your approval, in particular the addition of £50,000 to dividend equalisation reserve. Reports upon all the company's estates continue to be satisfactory.

We continued our rejuvenation programme to the extent of replanting 225 acres, and in addition we undertook new plantings of 212 acres. During the current year we have budgeted for a modest extension programme of 121 acres of new rubber plantings and, in addition, the replanting of a further 140 acres, all of course with the best material.

THE CURRENT YEAR

We are estimating for a rubber crop in 1952 of about five million lb, a figure well within the capacity of the estates. We are participating in some group forward sales for shipment through 1952 at prices which look particularly satisfactory today, and in addition that part of our crop which is turned out in the form of sole crepe, though on a smaller scale than in recent years, should secure a reasonable premium over ordinary rubber.

The price of rubber is a matter of primary importance to South East Asia, which area is in the front line of the conflict with Communism. It seems extraordinarily difficult to get effective co-ordinated action along the lines which statesmanship calls for at this critical period.

The report was adopted.

LONDON ELECTRIC WIRE AND SMITHS, LIMITED

RECORD RESULTS

The forty-third annual general meeting of the London Electric Wire Company and Smiths, Limited, was held on June 25th in London.

Mr W. J. Terry (chairman and managing director), in the course of his speech, said: The total reserves and unappropriated profits now amount to £3,690,007 which is more than two and a half times the total issued capital and constitutes one of the outstanding features of the balance sheet.

I am pleased to say that there has been some easement during the last few months in respect to supplies of some of the raw materials used in our manufactures but copper, our principal raw commodity, is still much restricted. This shortage has been a great embarrassment because it has meant limiting deliveries to our customers, thus causing them considerable inconvenience and frustration.

It is our opinion, which is generally shared by other consumers both in this country and on the Continent, that the only way to stabilise prices on a world basis is to re-open the London Metal Exchange as soon as can be.

DIVIDEND AND BONUS

The results of last year's trading constitute a record for this company and I trust will be regarded with satisfaction. To some extent the profits have been increased by inflation and a physical reduction in stocks. In the circumstances, your board felt justified in recommending a bonus of 2½ per cent in addition to an ordinary dividend of 10 per cent for the year. The new £1 ordinary shares were issued last year at 40s. per share and the return on this issue is therefore 6¼ per cent.

So much has been said about the iniquities of the excess profits levy that it is difficult to say anything new about this obviously ill-conceived and inequitable piece of promised legislation. It was ill-conceived because at the very beginning it was introduced as party vote-catching propaganda—in this respect neither of the two principal parties can be absolved—and now, unfortunately, the Government cannot go back upon its election manifesto however much it might desire to do so.

EXTRAVAGANT GOVERNMENT EXPENDITURE

The country has suffered many consecutive years of extravagant Government expenditure for which the public must foot the bill, a consequence which is not generally understood; nor is the unfortunate plight in which this country finds itself as yet realised by the community. Existing circumstances demand no gentle measures but a bold policy of retrenchment in Government expenditure carried through with courage and conviction. It is a misnomer to call this country a "Welfare State" when far more is taken out of the public in taxes than is returned in benefits, and taxation must be drastically reduced in order to restore the required incentive to effort.

The financial strength of the company, as disclosed by the balance sheet, is backed by factories which are well equipped with plant and machinery and operated by loyal employees, prepared to make the best use of all available opportunities and, although the lack of copper supplies has forced us to disappoint some of our customers, the company's goodwill remains very high due to the standard of quality and service which it is our constant endeavour to maintain.

The report was adopted.

THE FORESTAL LAND, TIMBER AND RAILWAYS COMPANY

The forty-sixth annual general meeting of The Forestal Land, Timber and Railways Company, Limited, was held on June 25th in London, Mr Gerard d'Erlanger, CBE, ACA (the chairman), presiding.

The following is an extract from his circulated review: The profits for the year are the best which we have ever been able to report. The profit earned by the group, excluding Argentina, £957,438, is twice as large this year as compared with last year, whilst the profit of the Argentine group is more than three times as large. However, since the end of our financial year a serious recession has descended upon the tanning trade. The results for the current year, therefore, cannot be so successful.

Quoting from the annual report of the President of La Forestal Argentina, the statement continues: "The year's production of quebracho extract totalled 127,516 tons, representing the highest production since the year 1934, whilst the total exports together with local sales aggregating 138,038 tons, established a record since the formation of the company. Taking into account the smaller volume of sales effected during the first quarter of the year and also prevailing market conditions, it cannot be expected that the current year's total sales will reach normal figures."

The Natal Tanning Extract Company continued on its successful way during the year.

Our Kenya subsidiary, the East African Tanning Extract Company, Limited, has enjoyed a successful year of trading.

The report was adopted.

LONDON ASIATIC RUBBER

In his statement which accompanies the annual report and accounts for 1951 of the London Asiatic Rubber and Produce Company, Limited, the chairman, Sir Eric Macfadyen, says: Our issued capital and capital reserves amount to £1,579,924; revenue reserves (general £650,000, dividend equalisation £125,000; undistributed profit £101,899) to £876,899. Together these items total £2,456,823, a figure which compares with £2,220,817 a year ago. Fixed assets, including trade investments, stand at £1,650,711. Current assets at £2,033,400 are substantially in excess of current liabilities (including taxation) £1,364,376.

The proceeds of rubber were the highest in our history, but the profit was below the previous year's. Cost of production was £1,056,379, plus Malayan export duty £322,313, and replanting expenditure was £86,548. These three together exceed the corresponding items a year ago by over 55 per cent. Estate expenditure has risen to a level which gives one pause. Including the export duty, taxation alone calls for no less than £981,520 and leaves a net profit of £462,637. And whereas the average price realised per lb was just under four shillings (London landed) in these accounts, the corresponding market price today is barely two shillings. The price collapse was rapid—to get costs down is going to be a slower process.

In recommending a final dividend of 15 per cent, to cost £87,878, making 35 per cent for the year, my colleagues and I feel that we are going to the limit of what can be justified in the circumstances. Transfers to various reserves absorb £269,023, and there will be a reduction of £6,236 in the carry forward.

GODFREY PHILLIPS, LIMITED

A SATISFACTORY RESULT

The forty-third annual general meeting of Godfrey Phillips, Limited, was held on June 26th in London.

Mr P. A. Godfrey Phillips (chairman and managing director), in the course of his speech, said: If you will turn to the consolidated profit and loss account you will observe that the profit, after deducting taxation, shown as attributable to the shareholders of Godfrey Phillips, Limited, and including provisions no longer required, is £650,000, compared with £661,000; I think we have every reason to be satisfied with this result. After writing off the whole of the discount and expenses incurred in the issue of the 4¼ per cent loan in London and certain other expenses, and after payment of preference dividends and, if confirmed by this meeting, a total dividend of 15 per cent for the year, the carry forward will be increased from £1,651,000 to £1,961,000.

THE OUTLOOK

It is rather more difficult this year than it has recently been to forecast trading results; however, it is already apparent that we cannot expect to maintain this year the same results that we enjoyed during 1950 and 1951, and I must warn shareholders to anticipate a considerable drop.

Although we can reasonably hope to maintain this year a total sale of cigarettes in the United Kingdom equal to that of last year, the cost of our raw material has continued to rise, as also has our wage bill, and profit margins are tending consequently to diminish. Our overseas factories are more than maintaining their previous sales level, but their costs, too, have risen.

EXPORT SHOCKS

In the export trade we have had several shocks since the beginning of the year. Australia has introduced a quota system for imports and the French Government have applied to the importation of cigarettes barter conditions which we find unacceptable; in the case of Australia the blow hits us in three places, as we have for some time been shipping not inconsiderable quantities of cigarettes to that market; this was a source of some profit to the parent company and a considerable help towards the distribution overheads of our Australian offshoot; furthermore it was the intention temporarily to use the Salisbury factory, designed primarily for shadow purposes to supplement supplies to Australia, using locally grown leaf which might otherwise not have been available for shipment to this country. We do not yet know what steps the Australian Government will take to ensure that smokers in that Dominion do not have to go short, for domestic cigarette production to date falls very far short of the present absorptive capacity; we naturally hope that they will grant our Australian company considerable additional facilities for the acquisition of leaf and that the necessary labour and capital facilities for an increase in production will be available for an industry which can now be considered essential.

It does begin to look as if the export trade will steadily become more difficult as one country after another attempts to pass its crisis on to its neighbours.

It is a source of considerable encouragement to me that the group is so well represented by its agents and its own staff throughout the world. I should particularly like to congratulate the management of our overseas companies on the excellent results.

The report was adopted.

VENT-AXIA LIMITED

RECORD TRADING RESULTS

The sixteenth annual general meeting of Vent-Axia Limited was held on June 24th in London, Mr J. C. Akester (chairman and *managing* director) presiding.

The following is an extract from his circulated statement:—

The company's trading profit for the year was £105,559. This is the best result we have had so far, and represents an improvement of £26,808 on last year.

Stock and work-in-progress is substantially higher at £72,595 against £29,995. Your directors regard this as an improvement, and consider it is desirable to maintain stocks at a higher level than hitherto. Last year due to material shortages our production failed to keep pace with the increased demand and our stocks became too small, but we have managed during the past twelve months to increase production, and are now, for the present at any rate, obtaining satisfactory supplies.

Taxation again takes the lion's share of our profits, absorbing £66,097 against £46,806 last year. This includes the Excess Profits Levy for three months of the year. Our standard profit, so far as can be computed at this stage, will be just over £70,000. Your directors do not feel it would be prudent to make any increased distribution this year, and have therefore placed £20,000 to general reserve against £10,000 last year. It is proposed to pay a final dividend of 37½ per cent (less tax) making 62½ per cent (less tax) for the year.

Despite the prevailing conditions, the current demand for our products is not unsatisfactory. Certain export markets are at present closed to us, but it is hoped these restrictions will prove to be temporary.

The report was adopted.

TELEPHONE RENTALS LIMITED

INEXPLICABLE ATTITUDE OF CAPITAL ISSUES COMMITTEE

The twenty-third annual general meeting of Telephone Rentals Limited was held on June 23rd in London.

Mr Fred. T. Jackson, OBE, CompIEE (chairman and joint managing director), who presided, said:—

As you will have read my address circulated with the accounts, in which I stated that the Capital Issues Committee had refused our applications for obtaining additional capital, no doubt you will expect me to make some further comment on the position in which your company finds itself.

The position has not changed; and I consider the attitude of the Capital Issues Committee is quite inexplicable. Your company has been a successful one over the whole period of its existence, and it has shown increasing profits every year, which proves that the services we render to industry are of great value.

The Capital Issues Committee consists of five or six of the leading City men in the realms of finance and industry, and the only conclusion I can come to is that we have failed to put over to this Committee the importance of the services we render to the commercial and industrial concerns in this country.

It is not a service that is easy to put over in words, but only by practical demonstration. And I feel that this is demonstrated by the fact that among our subscribers we embrace a large number of leading concerns in this country, and also public utilities and public services.

There was never a period in the country's history when it was more essential to introduce something which would increase productive efficiency, save time and improve costing methods.

A very interesting leading article appeared in *The Times* of Friday, June 13th, under the heading of "A Long Task," and the last paragraph of this leader sets out in a few words what we claim to do: "It is an unromantic battle, to be fought in terms of a few less minutes wasted in the day and an addition of a few units to the day's output, just as the consumer has to fight it by paying a few shillings more for his rations. It is only thus that it will be won."

All I can say at present is that we are not prepared to accept the negative attitude of the Capital Issues Committee, and we shall keep on keeping on until they are converted.

We are working strictly within the statement I made in my address issued with the accounts, and are limiting our services to firms engaged on defence work, export and public authorities, and, of course, carrying out our contractual obligations.

At the moment, I am not able to say more than this. But you will be advised in the Press of any change for the better in the situation.

The report was adopted.

NEW BROKEN HILL CONSOLIDATED

EXCELLENT PROGRESS WITH DEVELOPMENT PROGRAMME

The sixteenth annual general meeting of New Broken Hill Consolidated, Limited, was held on June 25th at 37 Dover Street, London, W.1, Mr John R. Govett, the chairman, presiding.

The following is an extract from his circulated statement:—

The net profit for the year 1951, after providing for taxation, amounted to £619,024 compared with £450,541 for the previous year. An interim dividend of 1s. per share was declared in November last, and the board now recommend that a final dividend of 1s. 6d. per share be paid, making a total distribution for the year of 2s. 6d. per share, compared with 1s. 6d. for 1950.

Excellent progress has been made in 1951 with our programme of development, particularly in regard to completion of the new surface buildings and plants, in spite of late delivery of some items of equipment and shortages of certain essential supplies having in some instances had a retarding effect on the programme as planned.

The company's ore reserves total 2 million tons assaying 9.7 per cent lead, 2.4 oz silver, 11.2 per cent zinc.

Our target for production this year is 256,000 tons of ore milled and, from the experience of the year's working to date, there seems every reason to hope that this figure will be reached, if not exceeded. Unless further delays in delivery of materials or of equipment from overseas slow down our present rate of progress, this year should see the company's mine operating as an independent producer to a far greater degree than hitherto, although we shall continue to have the great benefit of the surface openings and underground connections provided by the adjacent workings of the Zinc Corporation's Mine.

The report was adopted.

SCAMMELL LORRIES, LIMITED

ANOTHER SUCCESSFUL YEAR

The twenty-ninth annual general meeting of this company was held on June 24th at Watford, Herts, Mr E. R. Cartwright, CBE, MICE (the chairman), presiding.

The following is an extract from his circulated statement:—

It gives me great pleasure to inform you of another successful year of trading, particularly as the year, at all too frequent intervals, was beset with numerous difficulties of both short and long term nature.

The net profit for the year before taxation is £384,322. After deducting income tax and profits tax of £213,247, the balance is £171,075.

Your directors, having regard to the generally unsettled supply position, the serious possibility of restricted output mainly due to steel shortage, and the burden of crushing taxation which makes it vital and prudent to conserve our cash resources, feel that they are not justified in recommending a dividend of more than 10 per cent, less income tax.

The results before you are a clear indication of the success of the policy we adopted three years ago of increasing throughout our manufacturing efficiency, at the same time reducing the profit margin in order to make the price of our vehicles more competitive.

The future presents a picture similar to recent years as regards its uncertainty. The order book, which usually is a manufacturer's chief worry, gives us no anxiety at present, but shortages of material and the possibility of wage increases make the task of improving, or even maintaining, output extremely costly and accurate forecasting impossible.

The report was unanimously adopted.

THE ARGUS PRESS HOLDINGS LIMITED

The twenty-third ordinary general meeting of The Argus Press Holdings Limited was held on June 25th in London.

Mr H. C. Drayton, the chairman, in the course of his speech, said: The trading profit for the year amounts to £179,000 as against £123,000 last year. After deducting expenses and depreciation the net profit is £147,000 as against £90,900, but from that you have to deduct profits and income tax totalling £93,500, leaving a profit available of only £53,500 as against £40,000 last year.

Supplies of paper today are somewhat easier than a year ago, and we are hopeful that it will become still easier in the course of the year. We have had one small decrease in price and it seems to be the opinion in the trade that we are going to get another. As regards the increased supply of paper we are confident that we can use more. Our publications are capable of expanding their circulations, and that should bring in, over the course of two years, increased profits.

So far as the current year is concerned, we have the figures for the first five months' trading, and I am pleased to state that our profits are up compared with the corresponding period for last year, but I must sound a note of warning. In my view some of that increased profit—not all of it—is likely to be absorbed because on July 1st we have increased wages to pay. Nevertheless, I think I can say that I shall be disappointed if next year the results are not as good as those for the past year, although I do not expect them to be a great deal better.

The report was adopted.

Information about AUSTRALIA ....

Imports/Exports:
Travel: Shipping:
Trade References:
Local Conditions:
Business Opportunities.

From over 400 Branches throughout Australia information is collated relating to the above and many other subjects in the interests of British trade. You are invited to make use of this informatory service.

The English, Scottish & Australian Bank, Limited
5, Gracechurch Street, London, E.C. 3.

The Bank of Adelaide

invites all who have or would like to have relationships—business or personal—with Australia, to use its complete banking service throughout that country.

Head Office: Adelaide, South Australia

LONDON OFFICE:
11, LEADENHALL STREET, E.C.3
Incorporated in 1865 in South Australia with limited liability

THE HONGKONG AND SHANGHAI BANKING CORPORATION
(Incorporated in the Colony of Hong Kong)
The Liability of Members is limited to the extent and in manner prescribed by Ordinance No. 6 of 1929 of the Colony.

CAPITAL ISSUED AND FULLY PAID UP - - - - $20,000,000
RESERVE FUNDS STERLING - - - - £6,000,000
RESERVE LIABILITY OF MEMBERS - - - - $20,000,000

Head Office: HONG KONG
CHAIRMAN AND CHIEF MANAGER: HON. SIR ARTHUR MORSE, C.B.E.
London Office: 9, Gracechurch Street, E.C.3.
London Managers: S. A. Gray, M.C., A.M., Duncan Wallace H. A. Mabey, O.B.E.

BRANCHES:

BURMA	CHINA (Cont.)	INDIA	MALAYA (Cont.)	N. BORNEO (Cont.)
Rangoon	Shanghai	Bombay	Johore Bahru	Kuala Belait
CEYLON	*Swatow	Calcutta	Kuala Lumpur	Sandakan
Colombo	*Tientsin	INDO-CHINA	Malacca	Tawau
CHINA	*Tsingtao	Haiphong	Muar	PHILIPPINES
*Amoy	DJAWA (JAVA)	Saigon	Penang	Iloilo
*Canton	Djakarta	JAPAN	Singapore	Manila
*Chefoo	Surabaja	Kobe	Singapore	SIAM
*Dairen	EUROPE	Osaka	(Orchard Road)	Bangkok
*Foochow	Hamburg	Tokyo	Sungei Patani	UNITED
*Hankow	Lyons	Yokohama	Telok Anson	KINGDOM
*Harbin	HONG KONG	MALAYA	NORTH	London
*Mukden	Hong Kong	Cameron	BORNEO	U.S.A.
*Nanking	Kowloon	Highlands	Brunei Town	New York
*Peking	Mongkok	Ipoh	Jesselton	San Francisco

*Branches at present not operating.

BANKING BUSINESS OF EVERY KIND TRANSACTED
A comprehensive service as Trustees and Executors is also undertaken by the Bank's Trustee Companies in
HONG KONG LONDON SINGAPORE

GENATOSAN LTD. of Loughborough have a vacancy for an assistant to the Marketing Manager to deal with the sales promotion, marketing and advertising of the company's ethical preparations. Considerable expansion is planned in this direction and this represents a real opportunity for the right type of man to grow with the business. Age limit 40. The right kind of personality, ability to get things done and practical experience in the marketing department of a firm successfully engaged in the manufacture and sale of products of this kind, preferably including a period on the road as a medical detail man, are regarded as of more importance than academic qualifications. Very good conditions of employment, including pension scheme and life insurance.—Please write to the Marketing Manager, Genatosan Ltd., Loughborough, Leics. Envelope should be marked "Marketing Assistant, Confidential." This post is not subject to the control of engagements order.

CONTROLLER.—£2,000 to £4,000 p.a. for a permanent and pensionable appointment is offered by a well-known engineering combine to a young and highly qualified Accountant with intimate experience of modern management in manufacturing industry and a personality suitable for high executive responsibilities. Candidates will be interviewed initially by a professional selection board and complete confidence will be expected and maintained.—Applications, typed and in triplicate if possible, should be marked "Controller" and addressed to Messrs Linklaters and Paines, 6 Austin Friars, London, E.C.2.

MATHEMATICIANS and Physicists with a special interest in theoretical problems are required by the English Electric Co. Ltd., for their Luton establishment. Applications are invited from Senior men with Honours Degree and Industrial experience, and Graduates (male and female) who have recently left University.—Please write, giving full details of qualifications and experience and quoting reference 4411H, to Central Personnel Services, 24-30, Gillingham Street, London, S.W.1.

JOURNALIST-ECONOMIST wanted to assist Chairman of Engineering companies of standing in trade and tariff statistics, commercial speeches, some public relations. Opportunity to acquire or enlarge business experience, with some travel on business. Qualifications: University degree; public school background preferred; age over 28. Salary according to qualifications, but not less than £1,000.—Reply, Box 976.

FELLOW or Associate, Institute of Actuaries, required in Mauritius by important company with large sugar and other interests. The appointment will be as an Actuary for the Anglo-Mauritius Assurance Society Limited and other statistical work for the company in question. Good salary and allowances. Pension Fund, free accommodation and periodical home leave.—Apply: Clough, Empire House, St. Martins le Grand, E.C.1.

MERCHANDISING AND MARKET RESEARCH. Graduate (Economics with Statistics) with experience in leading London Advertising Agency, to undertake research for major nationally advertised brands, is available to open or take charge of the Marketing Department of an expanding progressive firm.—Write Box 980.

QUALIFIED Financial Economist seeks position, home or overseas, where experience in all branches of investment (U.K., U.S., Empire and foreign securities) is prerequisite. Age 34. Salary £2,000.—Box 978.

GRADUATE Academy of Commerce in Poland before the war, external student University of London, experience, at present costing, wages English firm, seeks post with more scope. London area.—Box 982.

GRADUATE Economic Statistician, First Class Honours Oxford, wide experience research university and industry, seeks interesting, well-paid post, preferably in East Midlands.—Box 969.

THE Economists' Bookshop, 11-12, Clement's Inn Passage, London, W.C.2, invites you to submit lists of books on Economics, History, and Social Sciences, you may wish to sell (periodicals excluded).

FOR SALE—The Economist 28/2/48 to 9/2/52.—Any offers to Box 981.

UNIVERSITY OF OXFORD
INSTITUTE FOR RESEARCH IN AGRICULTURAL ECONOMICS, Parks Road, Oxford
Applications are invited for an appointment as Departmental or University Demonstrator with special reference to the Economic Statistics of Agriculture. University scales. Particulars from the Secretary.

THE UNIVERSITY OF LEEDS
DEPARTMENT OF ECONOMICS AND COMMERCE
Applications are invited for appointment as Research Assistant at a salary on the scale £450—£25—£600 a year. Candidates should have experience in statistical analysis or ability and willingness to acquire statistical techniques. If the qualifications of the successful candidate are suitable, he will be given the opportunity to undertake some tuition in the Department.—Applications should reach the Registrar, The University, Leeds 2 (from whom further particulars may be obtained) not later than July 30, 1952.

UNIVERSITY OF SOUTHAMPTON
DEPARTMENT OF ECONOMICS
Applications are invited for the post of Assistant Lecturer in Statistics. Salary scale £400 x £50—£500 plus superannuation and children's allowance. Further particulars may be obtained from the Secretary and Registrar.

THE LONDON SCHOOL OF ECONOMICS AND POLITICAL SCIENCE
(UNIVERSITY OF LONDON)
Applications are invited for appointment in October, 1952, for one year only to an Assistant Lectureship or Lectureship in Public Administration. Salary £450—£800 per annum according to qualifications and experience.
Applications, which should be accompanied by the names of three referees should be received not later than July 10, 1952, by the Secretary, London School of Economics and Political Science, Houghton Street, Aldwych, W.C.2, from whom further particulars can be obtained.

CHARTERED or Incorporated Accountant required immediately for progressive Public Company in London, as Secretary and Chief Accountant. Industrial experience essential. Age 30-40 years. Commencing salary about £1,500. Excellent prospects of advancement to higher administrative levels.—Applications, giving details of age, education, qualifications, experience and salaries, should be sent to Robson, Morrow and Co., Box No. 001, 59 New Cavendish Street, London, W.1.

AN EXCEPTIONAL OPPORTUNITY occurs for woman graduate with good honours degree. London office controlling European network of world-wide advertising organisation offers a position of unusual interest with every chance of rapid advancement. Essential qualifications are: pleasing personality, energy, initiative, a clear, concise prose style, and an analytic mind. Experience in any of the following fields will prove useful: economics, statistics, social studies, library work (indexing, extracting, precis, etc.), journalism, public relations, market research, advertising.—Write Box 977.

EXECUTIVE (31), expert Overseas Trade, considerable administrative and commercial experience International Companies, seeks change. Cambridge Honours Graduate. Accountancy and Finance, Economics. Export Sales. Widely travelled. Fluent French and German, some Spanish. Responsible. Energetic. Initiative.—Write Box 979.

SPECIALISED POSTAL TUITION for UNIVERSITY, CIVIL SERVICE & PROFESSIONAL EXAMINATIONS

A Metropolitan College Modern Postal Course is the most efficient, the most economical, and the most convenient means of preparation for the General Certificate of Education examinations: B.Sc. Econ. LL.B., and other external London University Degrees. Civil Service, Local Government and Commercial Examinations, &c.
Also expert postal tuition for Prelim. Exams., and for the professional exams. in Accountancy, Secretaryship, Law, Sales Management, &c., and many intensely practical (non-exam.) courses in commercial subjects.
More than 58,000 POST-WAR EXAM. SUCCESSES.
Guarantee of Coaching until Successful. Text-book lending library. Moderate fees, payable by instalments.
Write today for prospectus, sent FREE on request, mentioning exam. or subjects in which interested to the Secretary

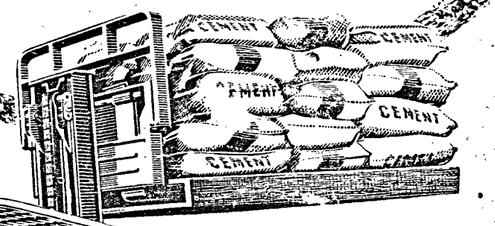
METROPOLITAN COLLEGE
(69.2), ST. ALBANS or call 50 Queen Victoria St., London, E.C.4

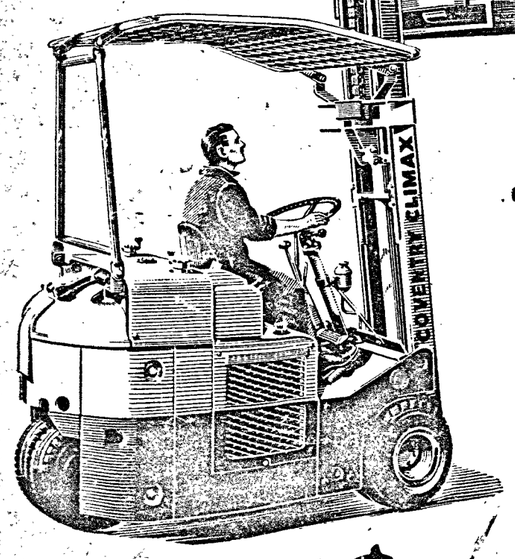
Printed in Great Britain by ST. CLEMENTS PRESS, LTD., Portugal St., Kingsway, London, W.C.2. Published weekly by THE ECONOMIST NEWSPAPER, LTD., at 22, Ryder Street, St. James's, London, S.W.1. Postage on this issue: Inland and Overseas 2d.—SATURDAY, June 28, 1952.

164799
X m 56, M v 2, M 43 / 162

"... it is the tools which have changed, not the men ..."

The Duke of Edinburgh
speaking at University College, Swansea





... and the tool for
Material Handling is
the Diesel Fork Lift Truc

Coventry Climax

Pioneers of the small (diesel) fork lift truck

COVENTRY CLIMAX ENGINES LTD. (DEPT. E), COVENTRY, ENGLAND

தமிழ்நாடு ஆவணக்காப்பக நூலகம்,
எழும்பூர், சென்னை-600 008.

உவணைத்தாள்.

சே எண் : 164799 ப. எண் :

வழங்கிய நாள். (1)	திரும்பிய நாள். (2)	வழங்கிய நாள். (1)	திரும்பிய நாள். (2)

S.F. 259A-6—1,00,000—30-1-84.